

2010
*Economic
Forums*

The New Mexico Economy:
Current Conditions and Prospects for Recovery

Mark C. Snead

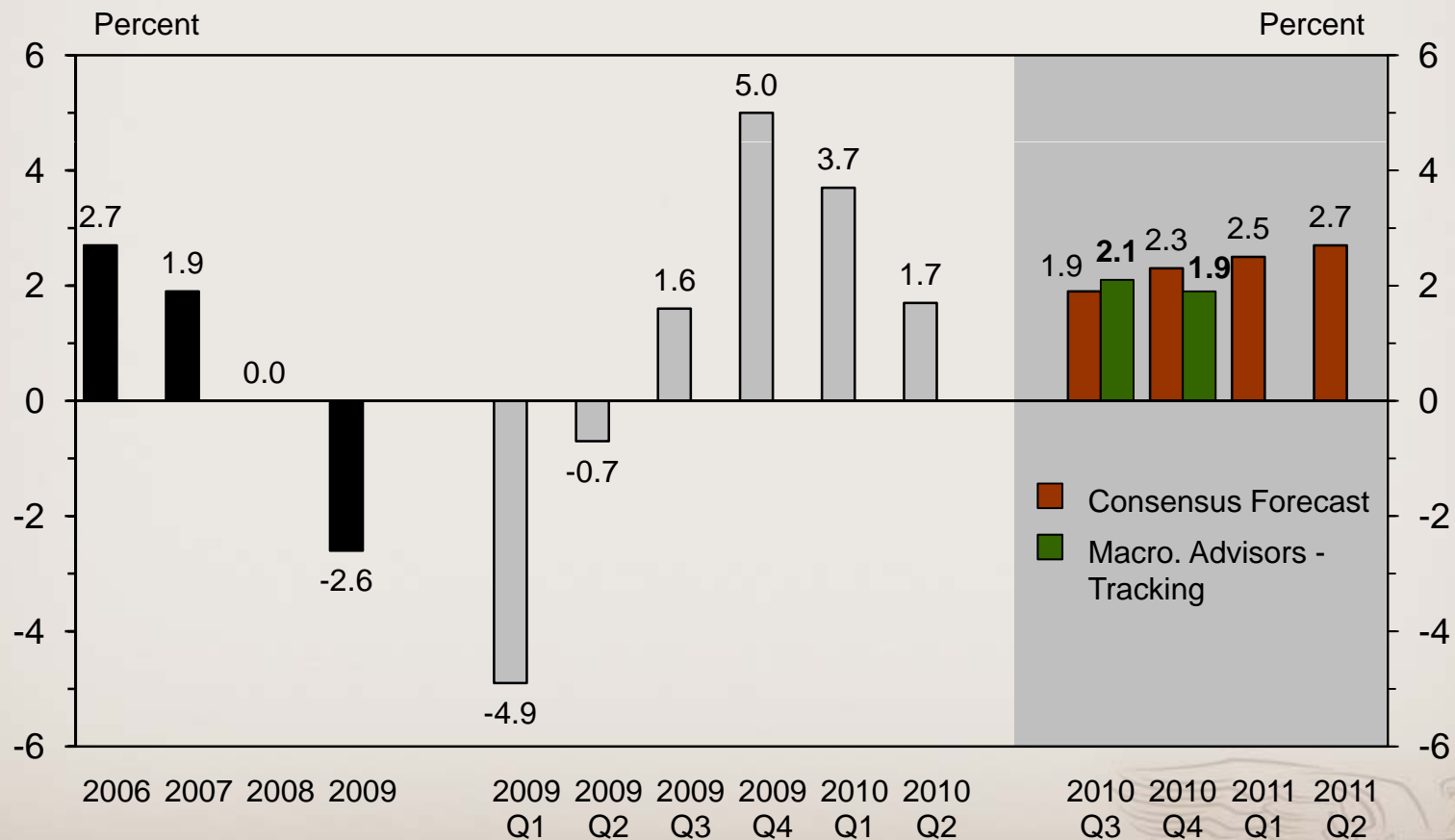
Branch Executive and Regional Economist
Federal Reserve Bank of Kansas City
Denver Branch

Current Conditions and Prospects for Recovery

- In the early stages of U.S. recovery (uneven)
- Weakness in U.S. data since 2nd quarter
- NM in the recession: late entry, sharp contraction since early 2009 (goods), no bounce yet
- Recession set-up very poorly for NM economy
- Two primary questions:
 - What are the reasons for underperformance?
 - Prospects for recovery?

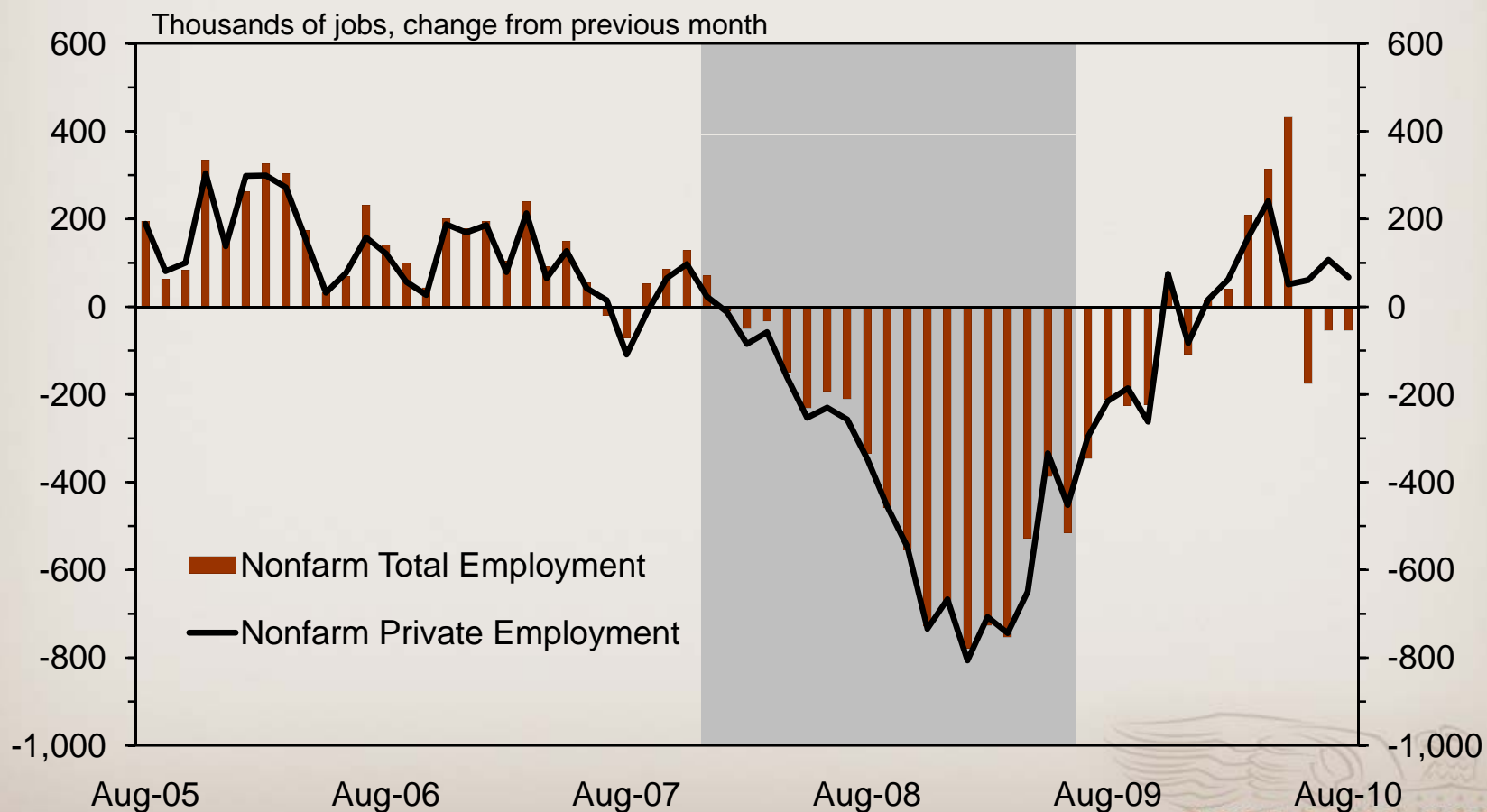
Concerns over weakness in recent U.S. GDP data...

Real Gross Domestic Product
Seasonally Adjusted



.... and recent job data;
but consistent private job gains since Jan 2010

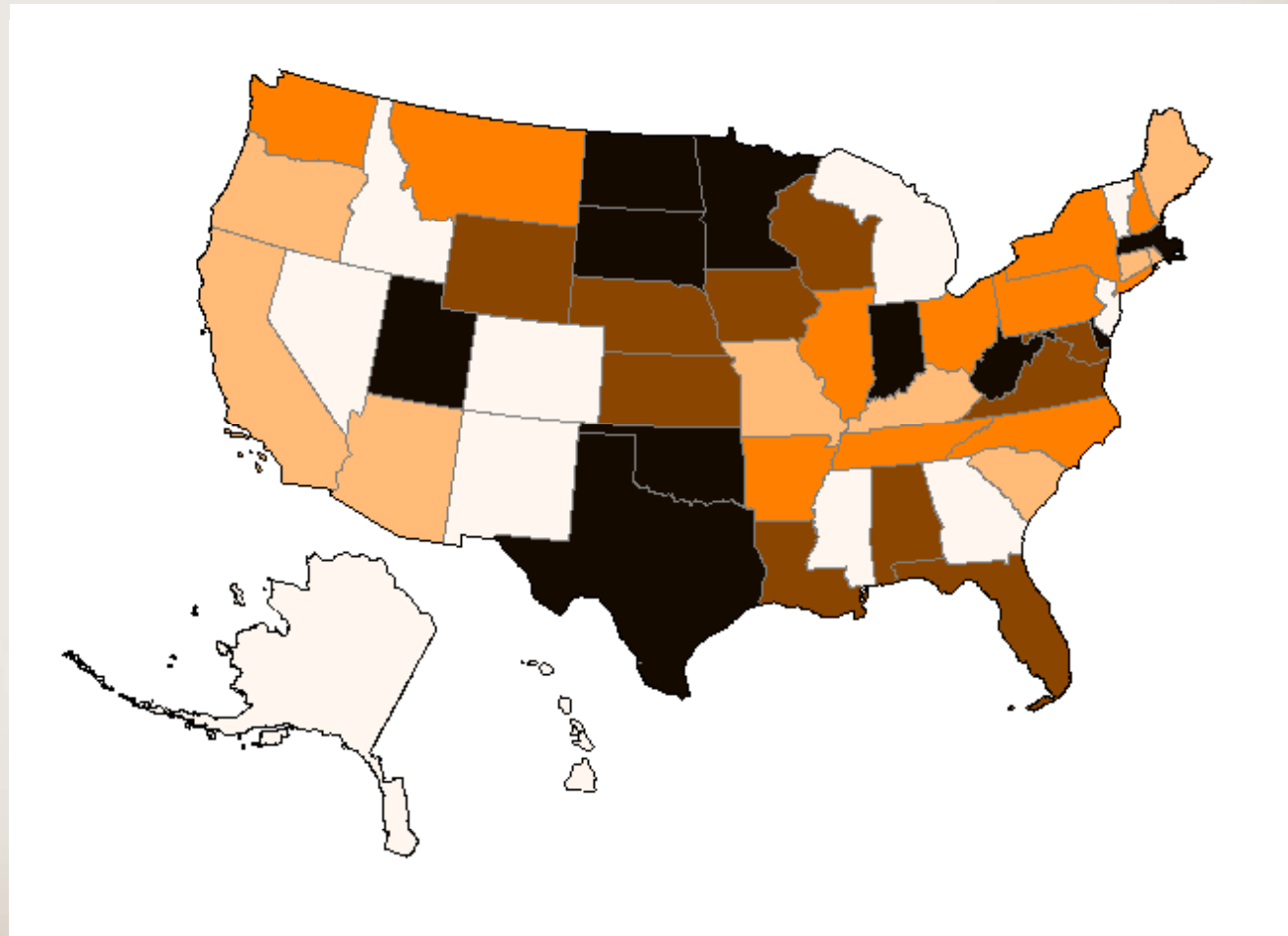
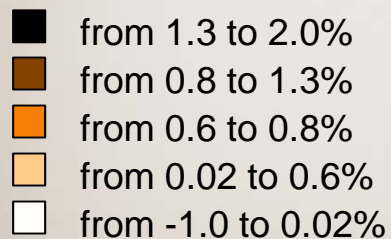
Total/Private Nonfarm Employment
Seasonally Adjusted



Energy and agriculture states leading; weakness in several Mtn. states; AZ/CA/FL expanding

Total Nonfarm Employment – YTD Percent Change from Dec. 2009

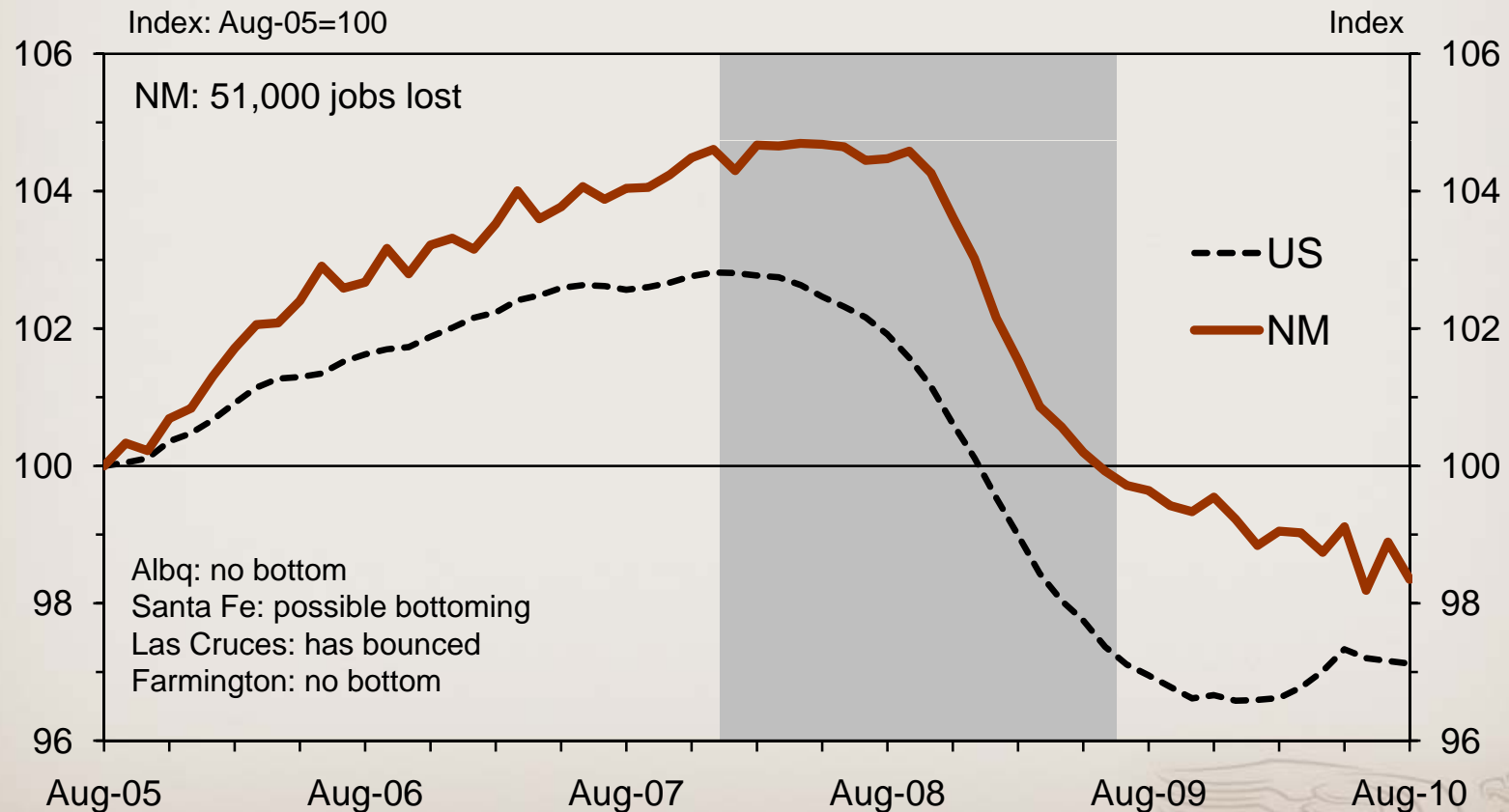
1. Massachusetts: 2.0%
2. Delaware: 1.7
3. Utah: 1.7
4. Oklahoma: 1.7
5. Indiana: 1.6
6. Minnesota: 1.6
7. South Dakota: 1.4
8. North Dakota: 1.4
9. Texas: 1.3
10. West Virginia: 1.3



No clear sign of a bottom in NM labor market

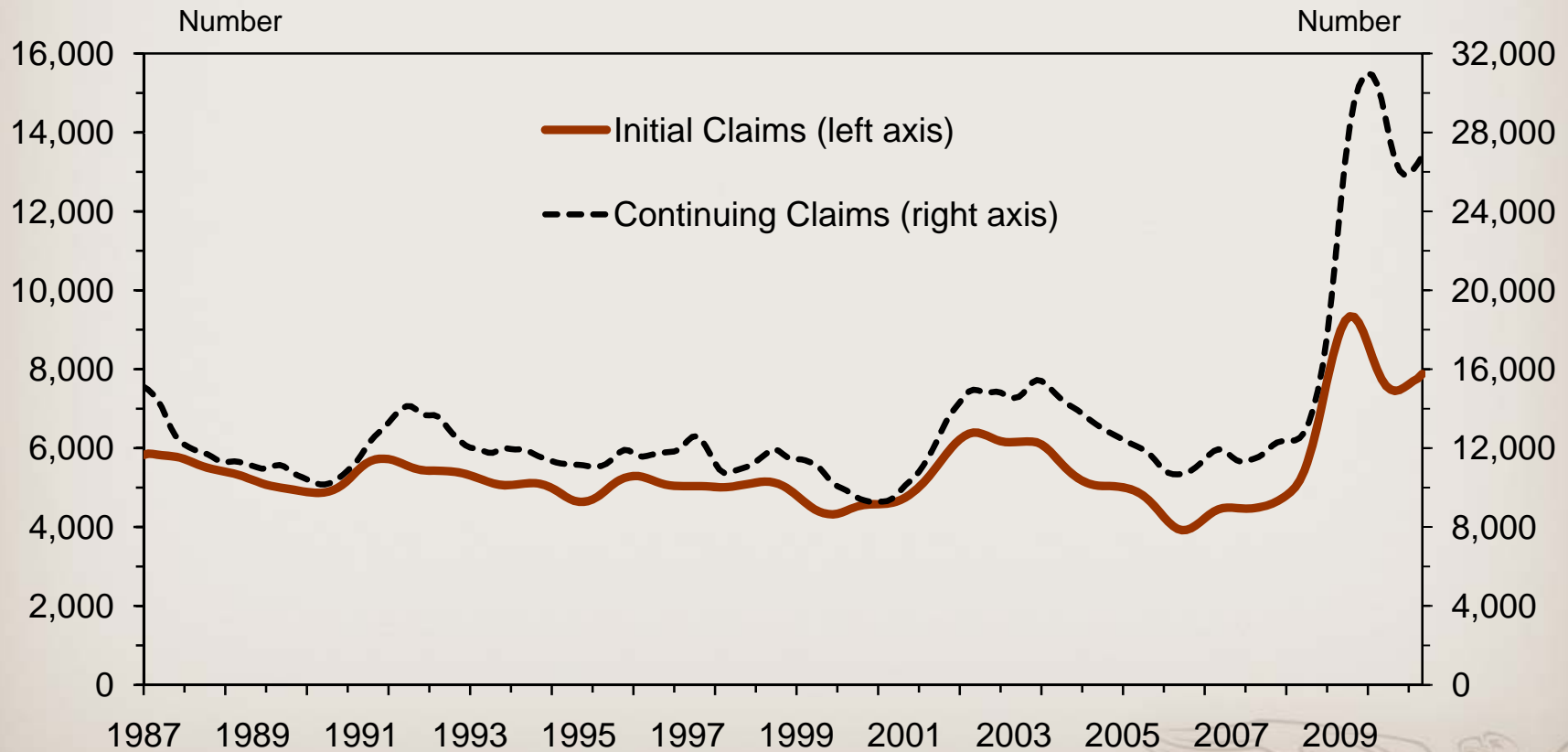
NM job loss exceeds U.S. (6.2% vs 5.6%)

Level of Total Nonfarm Employment Seasonally Adjusted



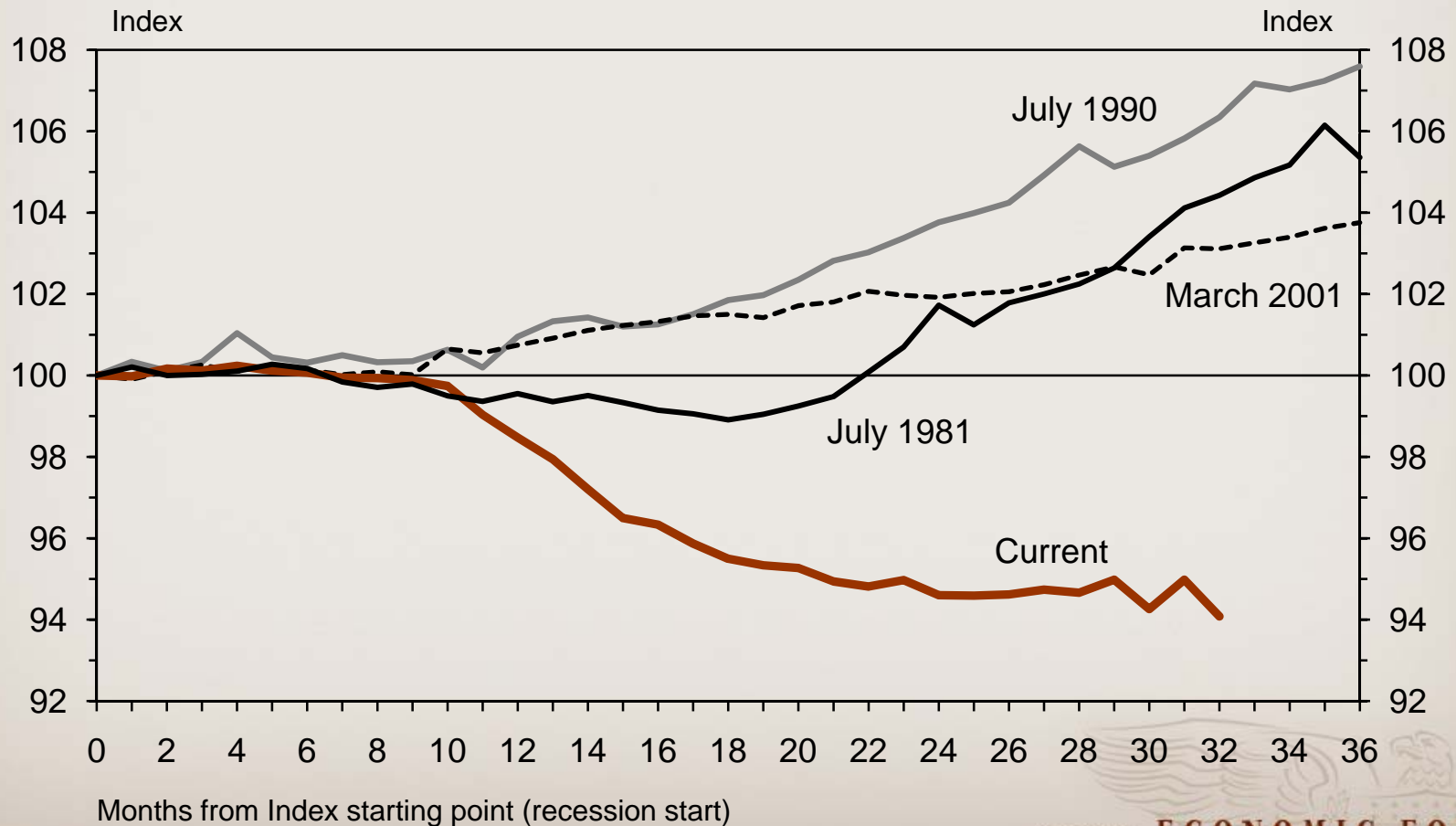
Jobless claims confirm recent U.S. weakness; progress on continuing claims lags

New Mexico Unemployment Claims
Seasonally Adjusted



Past 3 recessions were largely ignored in NM; 1st severe recession in post-WWII period

Level of Total Nonfarm Employment – New Mexico
Seasonally Adjusted



Job recovery is uneven across the District; NM and CO are especially weak

- Four groupings:

Tier 1: Nebraska, Oklahoma, and Wyoming (agri./energy)

Tier 2: Kansas (mfg./energy/agri.)

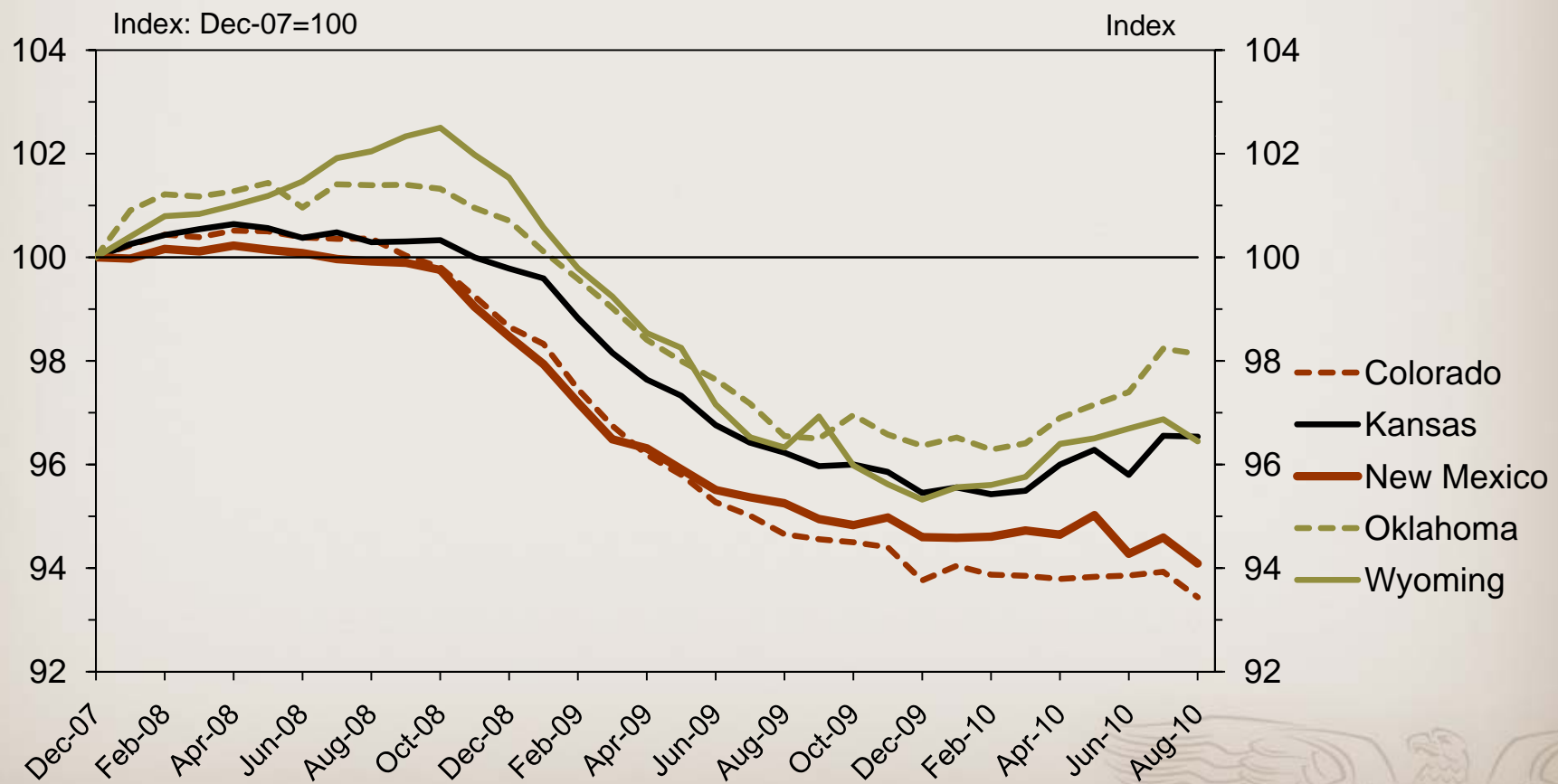
Tier 3: Missouri (U.S.-like)

Tier 4: **New Mexico** and Colorado

- What factors explain the underperformance?

Most surrounding states (energy, Mtn.) are adding jobs

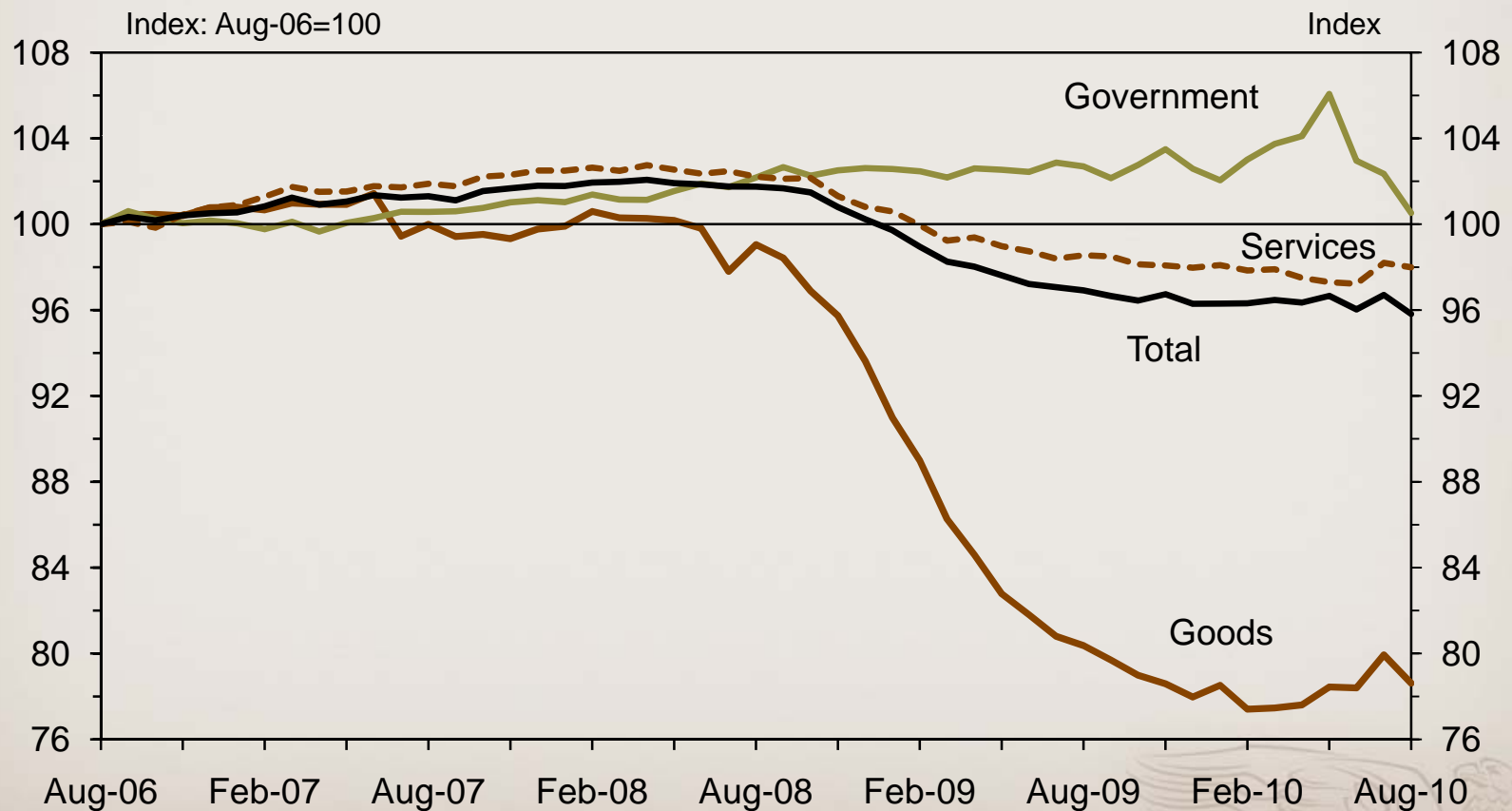
Total Nonfarm Employment Seasonally Adjusted



Source: Bureau of Labor Statistics

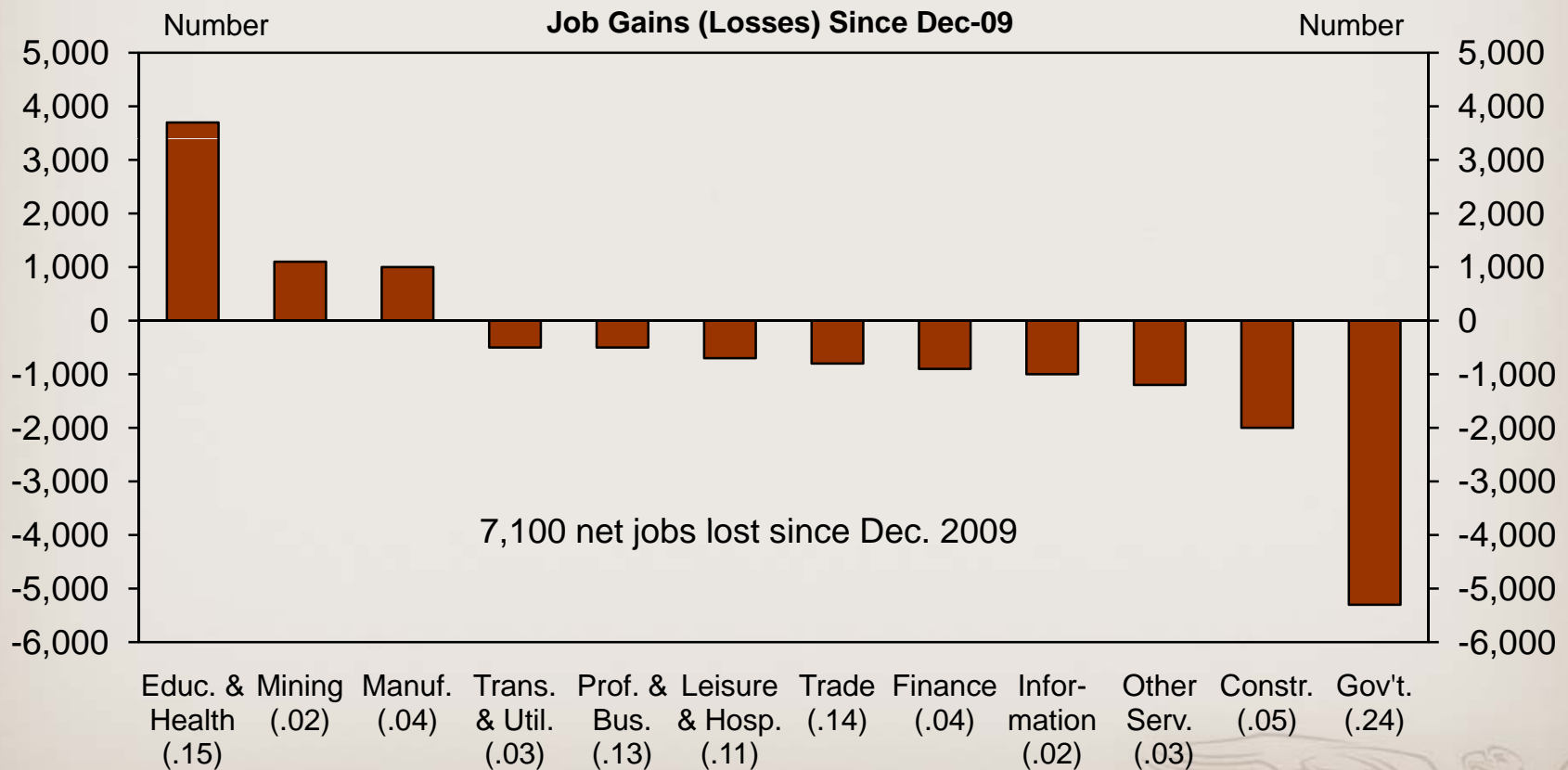
Goods and services sectors bounced, but Govt. weakened late (S&L, not Fed.)

Nonfarm Employment Seasonally Adjusted



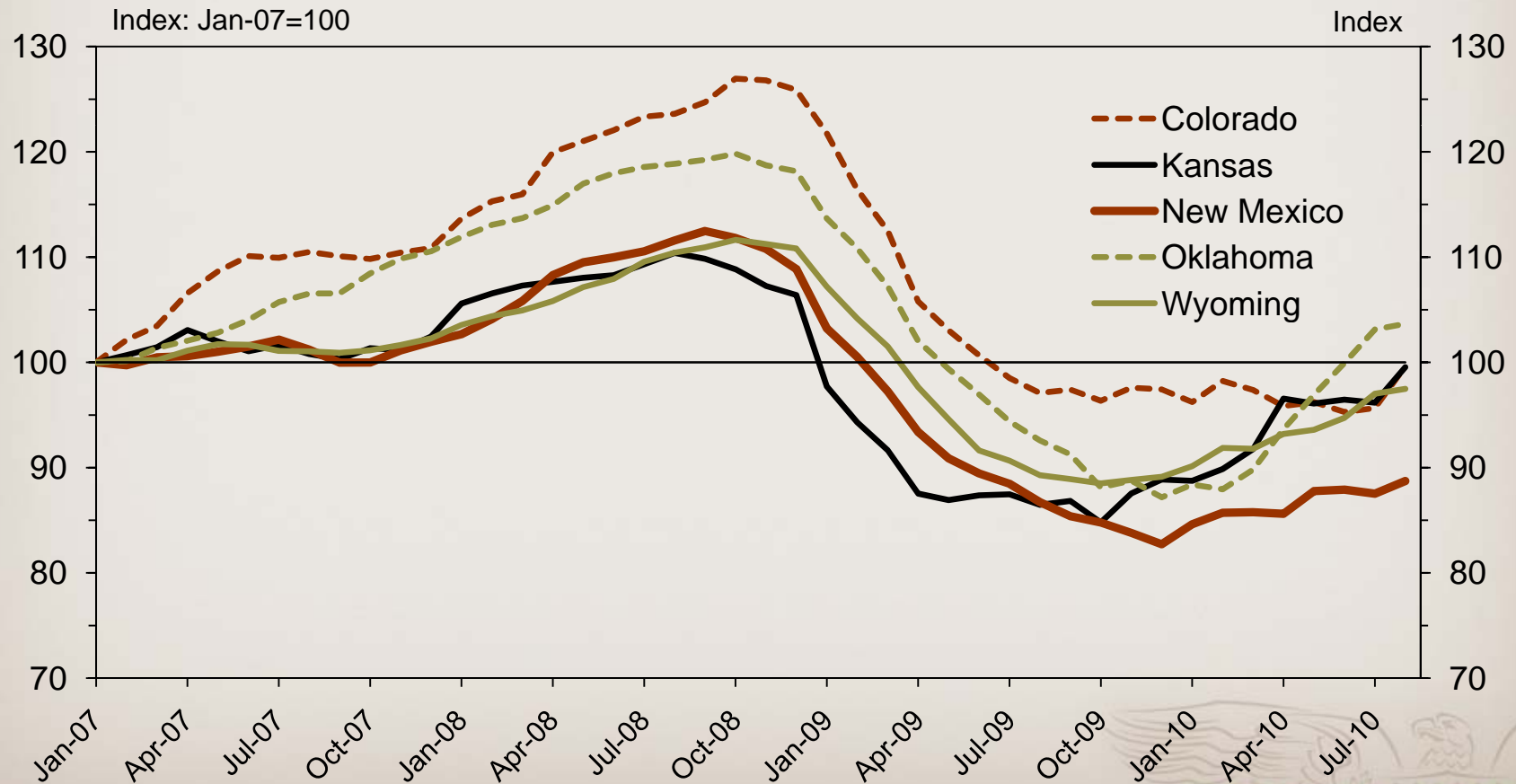
Govt., construction, finance remain a drag on hiring; mining and mfg. adding jobs; tourism recovering

Nonfarm Employment by Industry
Seasonally Adjusted



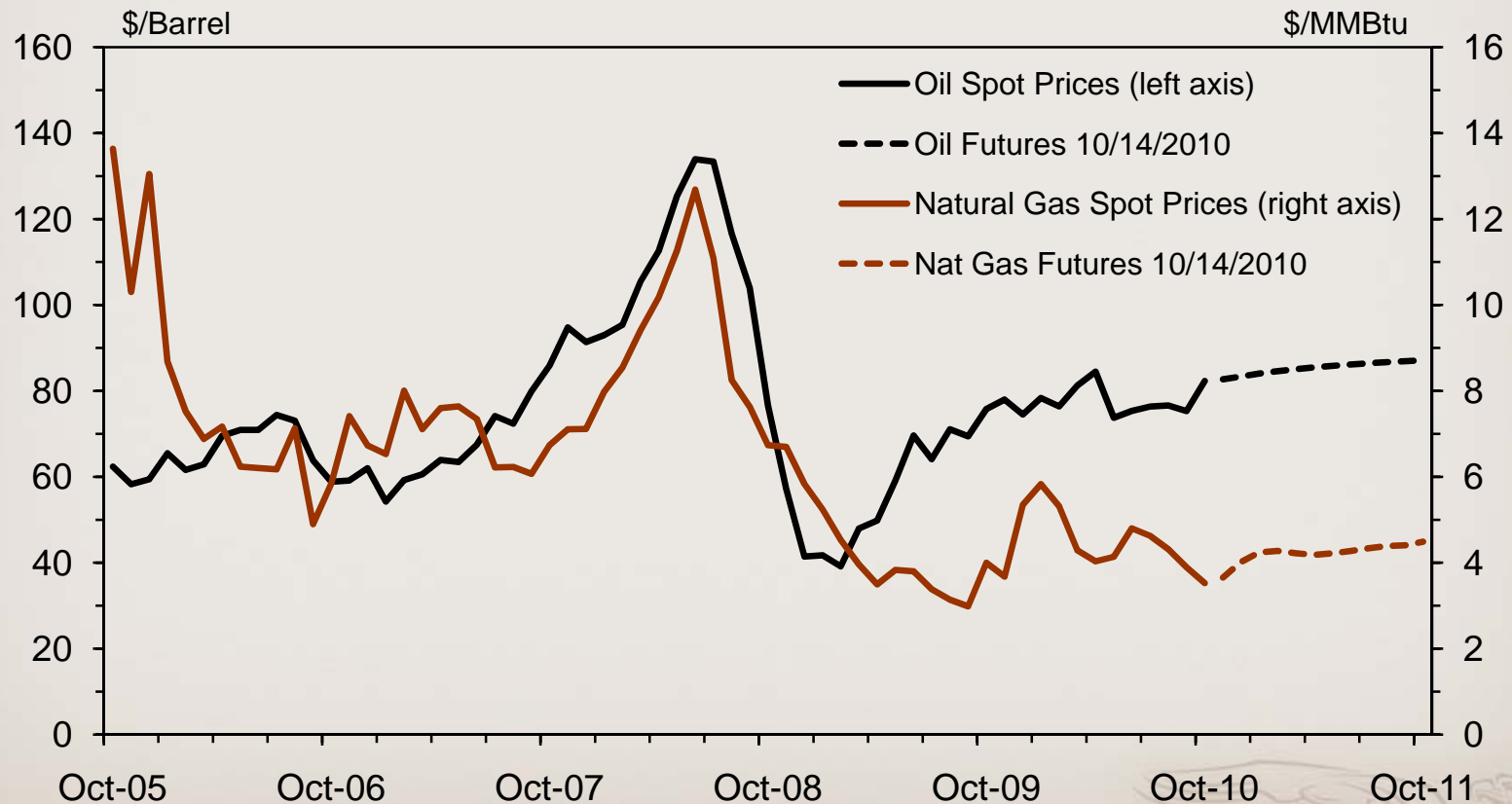
NM energy sector bounce has lagged other key energy states

Mining Employment
Seasonally Adjusted



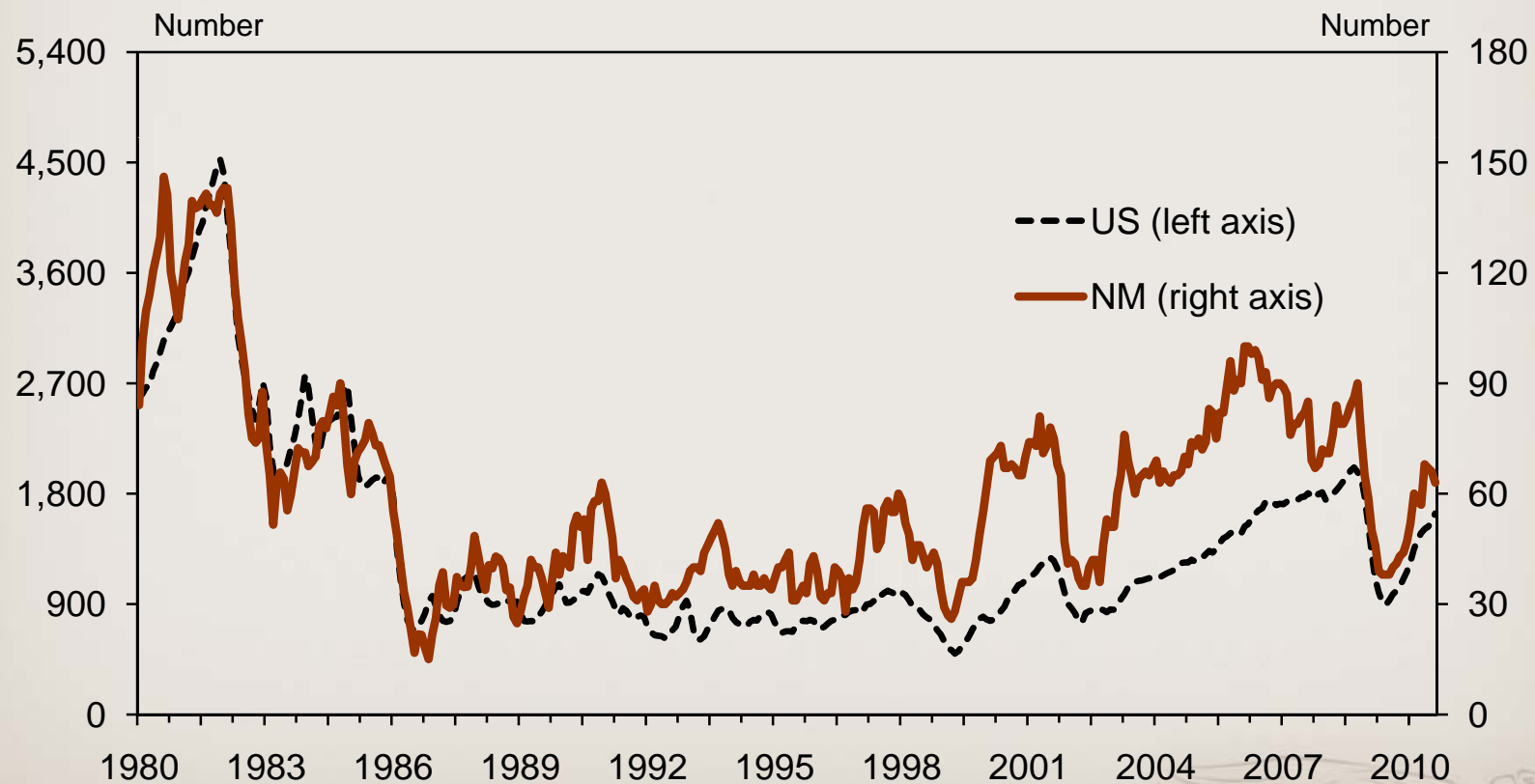
Oil prices attractive to producers and consumers; natural gas remains below \$4/mcf

Natural Gas and Crude Oil Prices



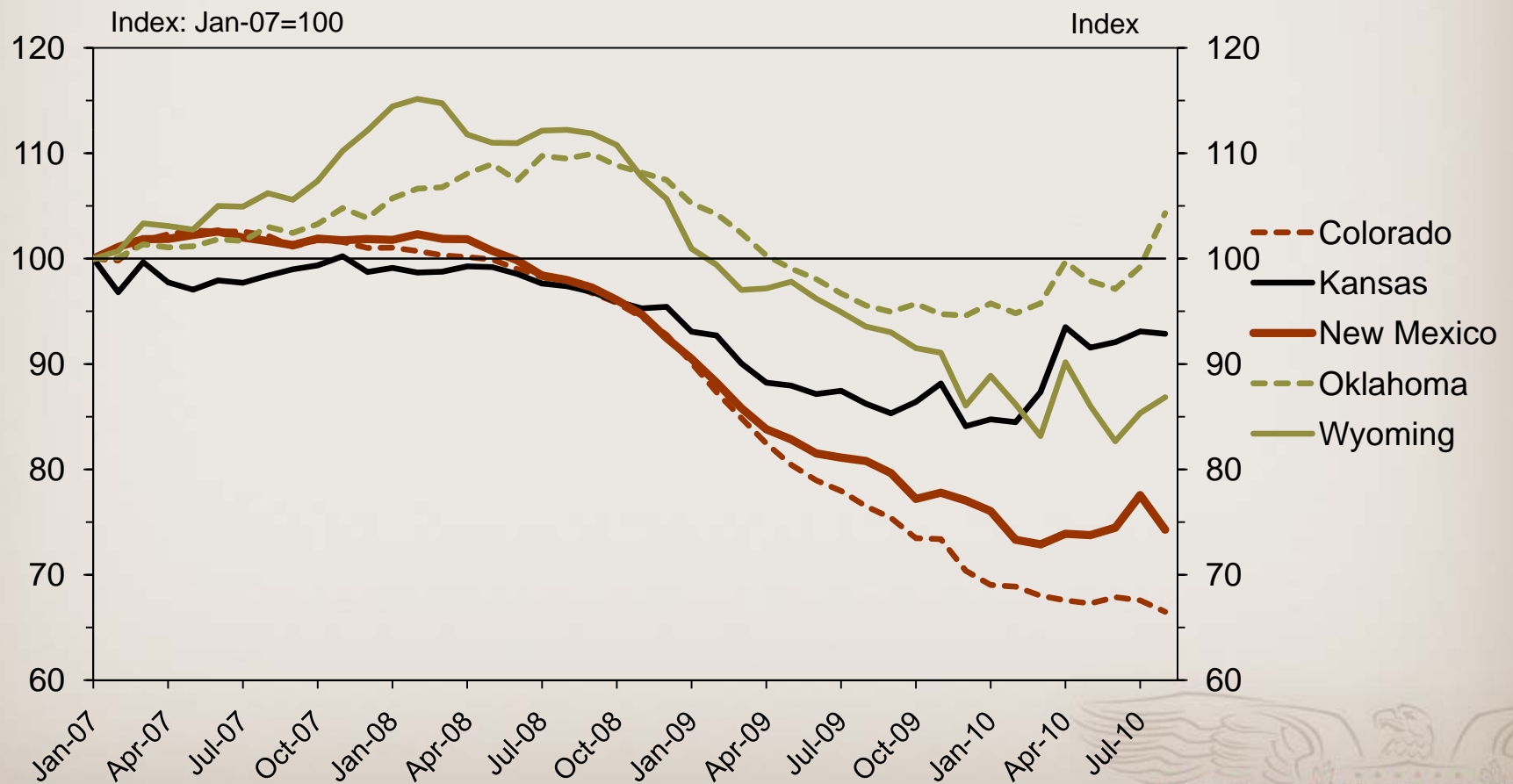
Weak energy hiring but strong drilling rebound

Count of Active Drilling Rigs
Seasonally Adjusted



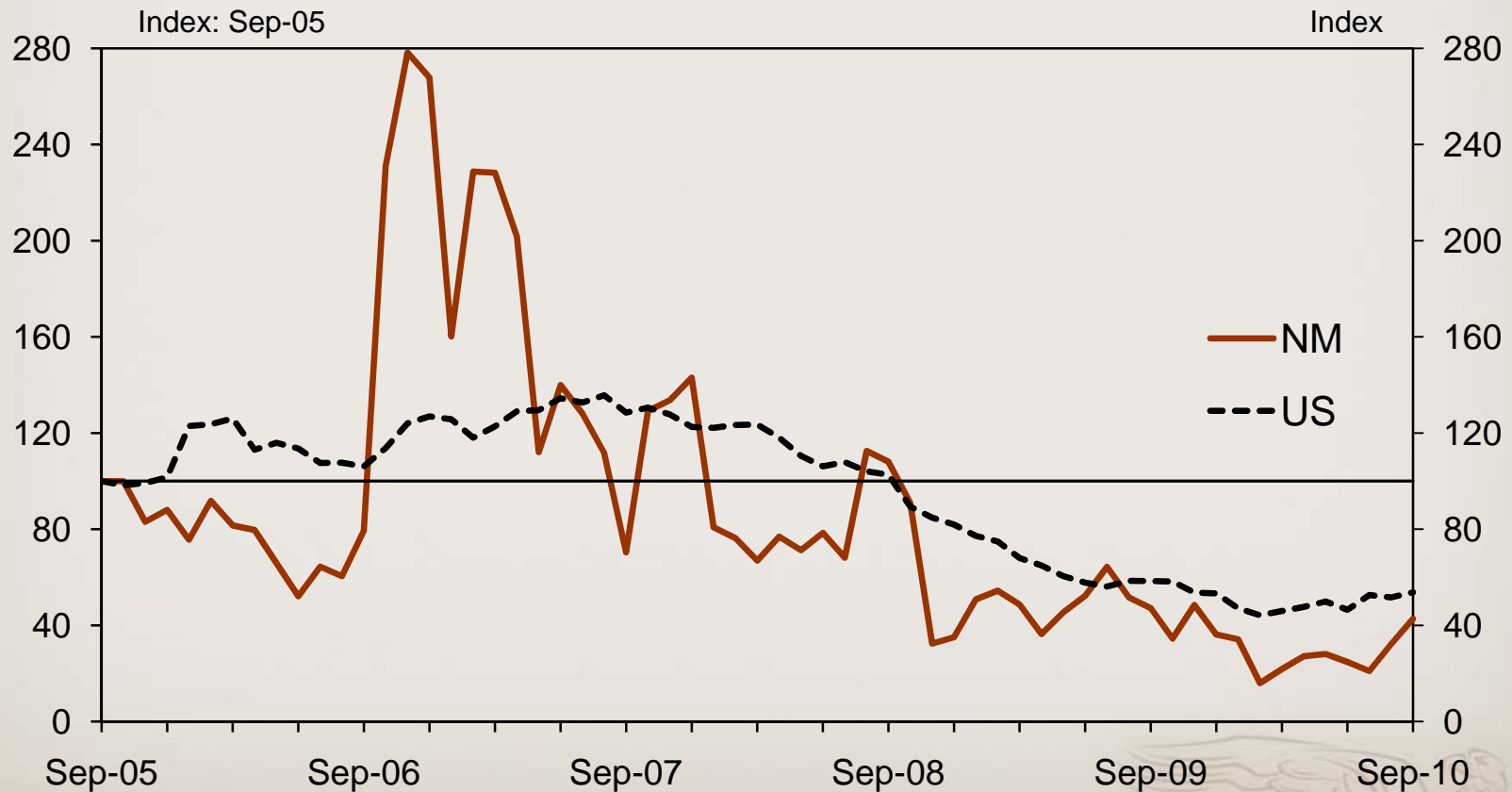
Construction job decline greatest in NM/CO

Construction Employment Seasonally Adjusted



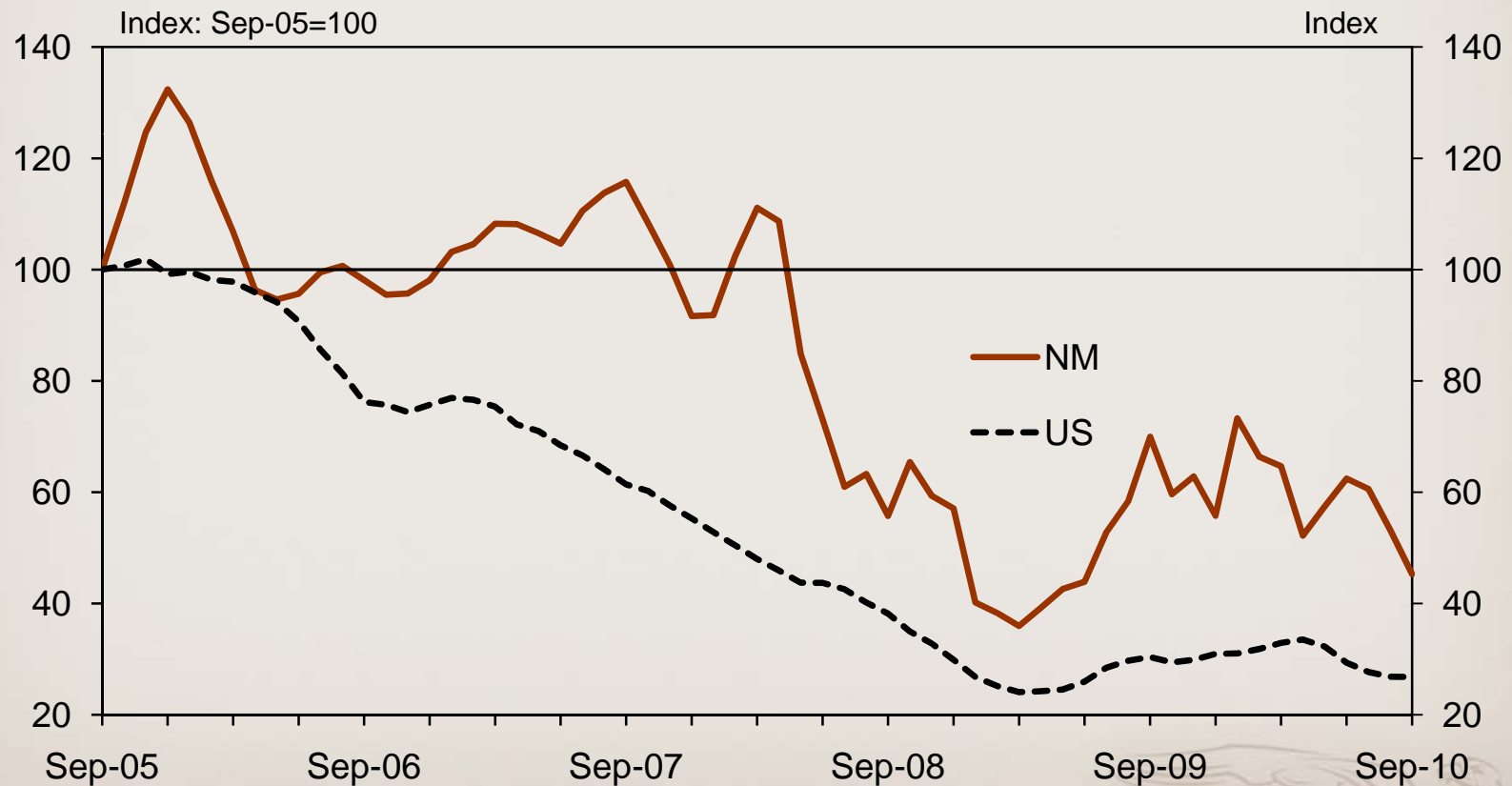
NM commercial construction trending with U.S.; some evidence of stabilization

Value of Commercial Construction Contracts
Seasonally Adjusted, 3-mo. mov. avg.



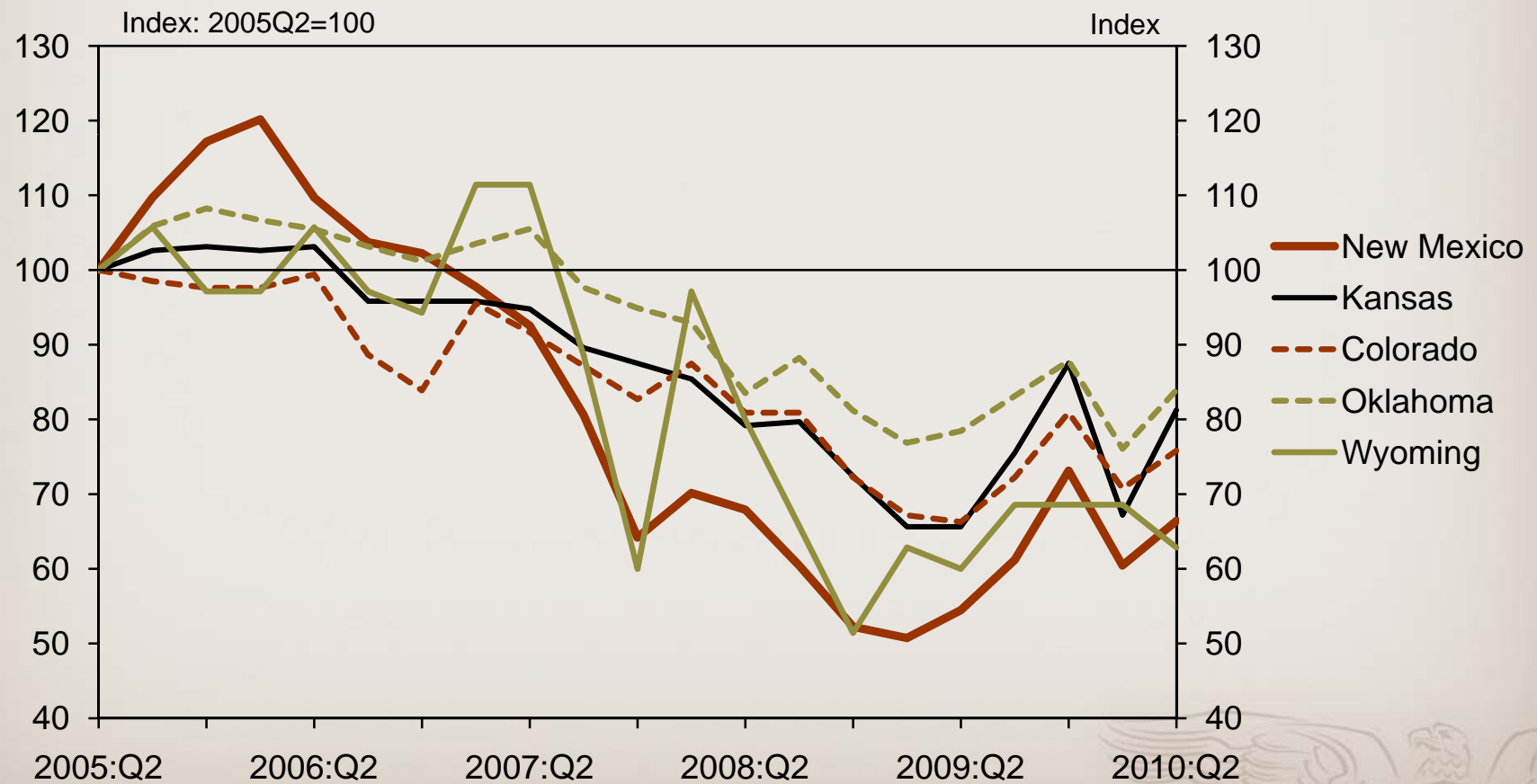
NM residential construction outpacing U.S. since early 2009

Value of Residential Construction Contracts
Seasonally Adjusted, 3-mo. mov. avg.



NM home sales volumes down 60% peak/trough; recovered about 1/4 of the drop

Sales of Existing Homes
Seasonally Adjusted

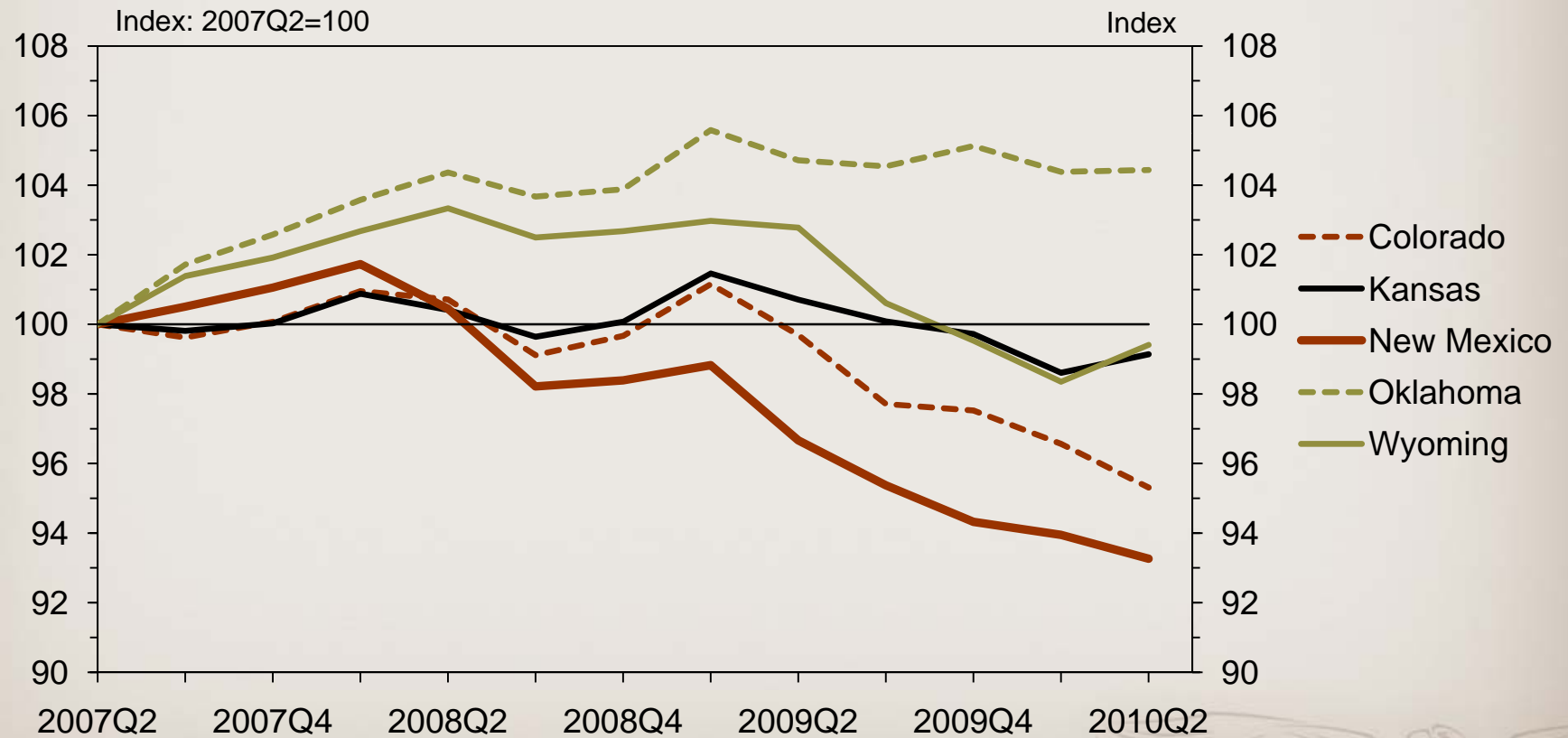


NM home prices exerting a drag on wealth

8.5% decline from the peak

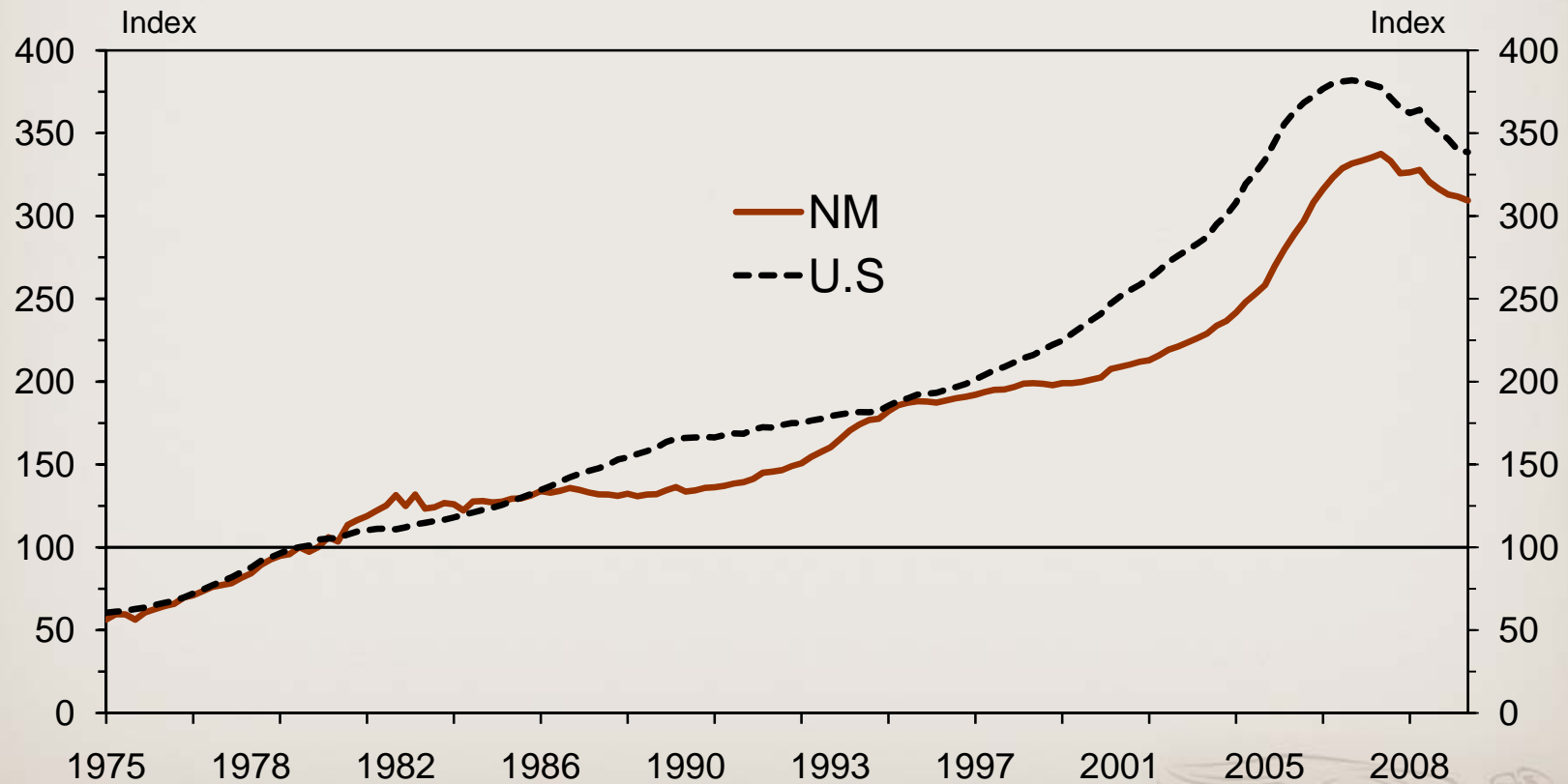
Repeat Sales Home Price Index

Seasonally Adjusted



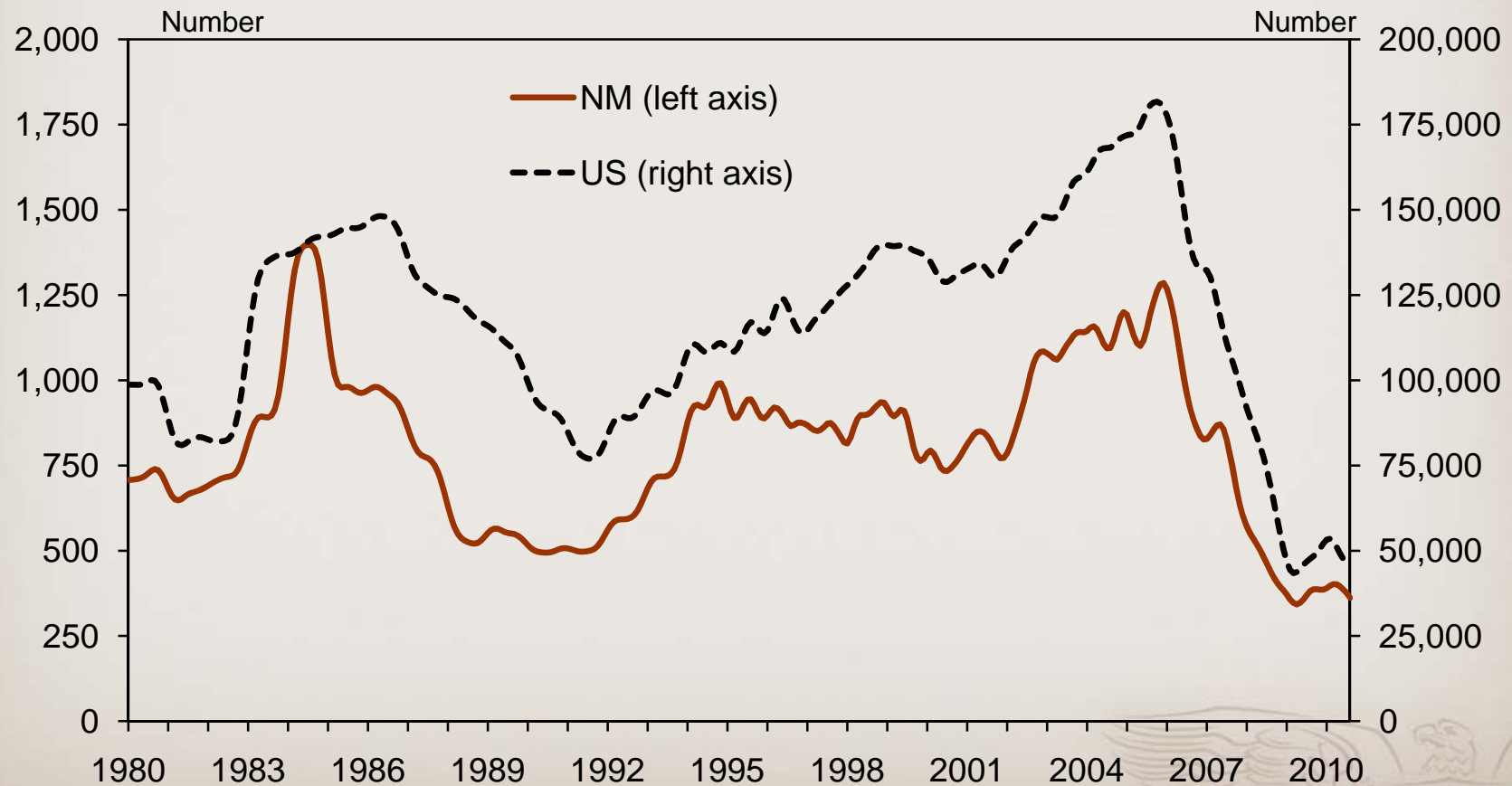
NM home price bubble smaller than U.S. bubble

Repeat Sales Home Price Index
U.S. vs. New Mexico



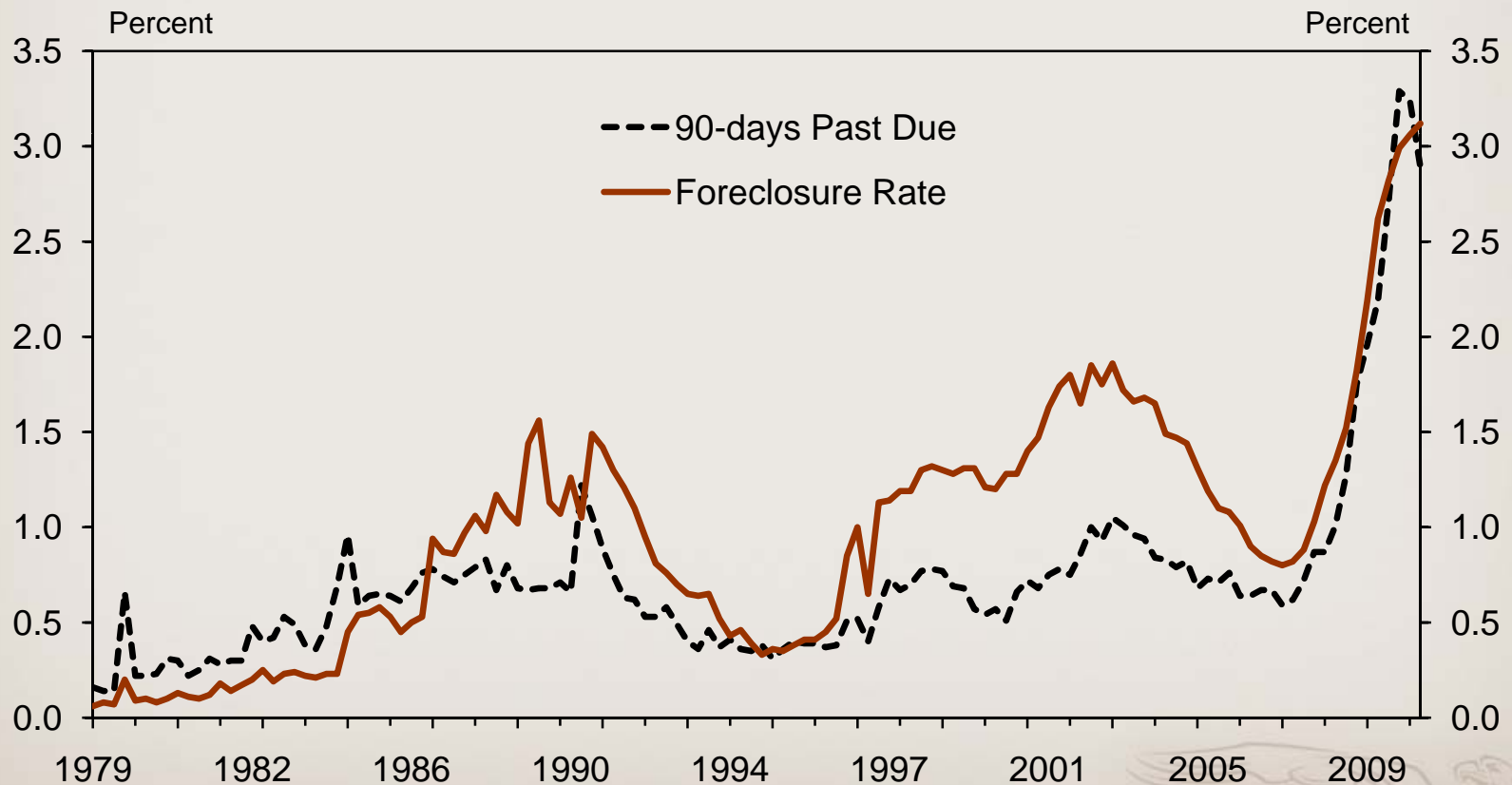
Housing permits softened as tax credits expired

Total Housing Permits
Seasonally Adjusted



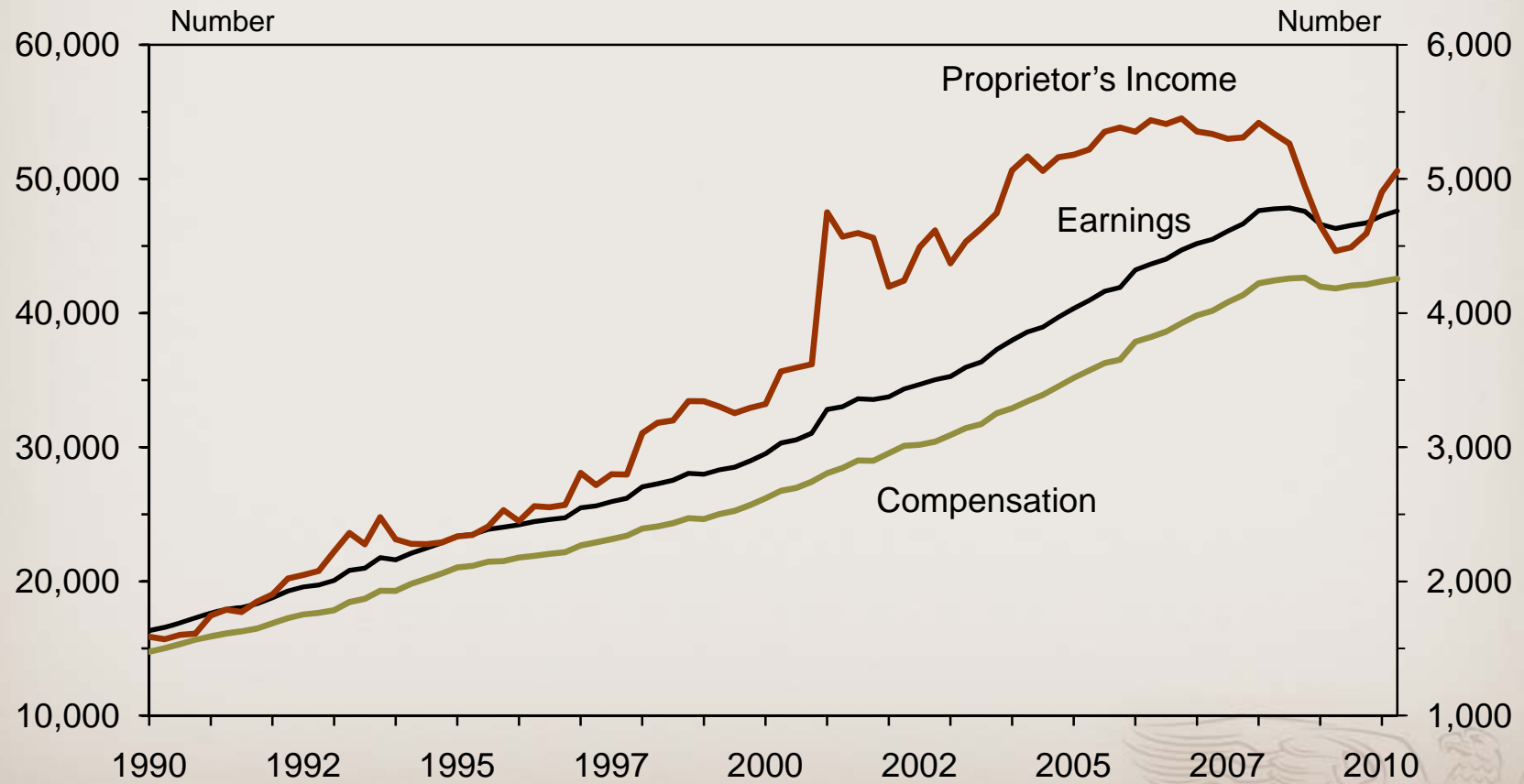
Mortgage delinquencies may have peaked in NM and U.S.

Mortgage Foreclosure/Delinquency Rates
New Mexico



Self-employment income collapsed in '09; recovering, but different industry mix

Personal Income New Mexico



New Mexico in the Recovery

- Some weakness in recent U.S. data but fundamentals for recovery remain in place
- NM is lagging U.S. conditions (9+ mo lag in job recovery)
- First significant restructuring of NM economy since WWII
- S&L govt., construction, and financial hiring; real estate acting as constraints
- Only limited boost from energy, tourism, and tech sector
- NM is likely to accelerate once the U.S. does