

Before  
and  
after  
the pandemic

# **The Future of the New Mexico Economy**

**League of Women Voters  
April 24, 2021**

Jim Peach  
email: [jpeach@nmsu.edu](mailto:jpeach@nmsu.edu)

# Three Takeaways for New Mexico

- **Massive economic hit in 2020!**
- **Outlook Improving**
- **Long term structural issues remain**
  - Growth and development
  - Fiscal stability
  - Demography
  - Poverty and education

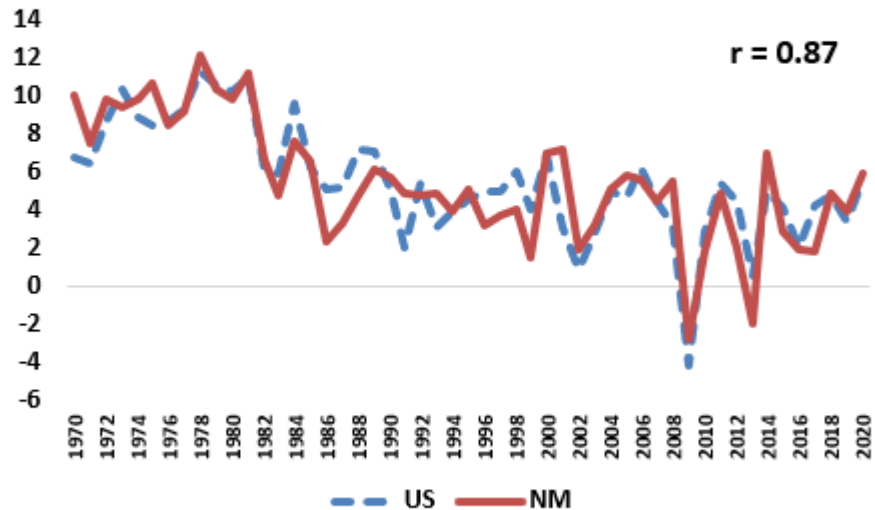
# No Crystal Ball

- **The world is different**
  - Some changes accelerated during the pandemic
  - Some changes will last, others will not
- **What changed?**
  - Fiscal and monetary policy
  - Work from home
  - Consumer behavior
  - Savings rate
  - Travel
  - Migration
  - Entertainment
  - Social interaction
  - Inequality
  - The structure of the economy

Can you  
tell the  
difference  
?

## The national economy matters to New Mexico

Percent change in per capita income in US and NM:  
1970 to 2020

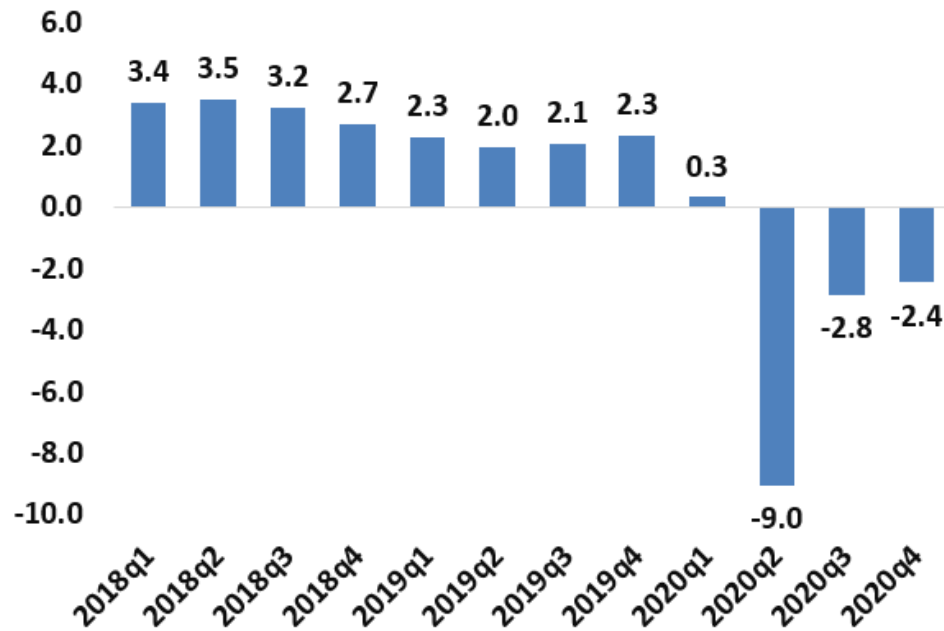


Source: Bureau of Economic Analysis

# US Real GDP

Broadest  
measure  
of  
economic  
activity

Percent Change in US Real GDP: 2018 Q1 to 2020Q4  
(Same Quarter Year Ago)

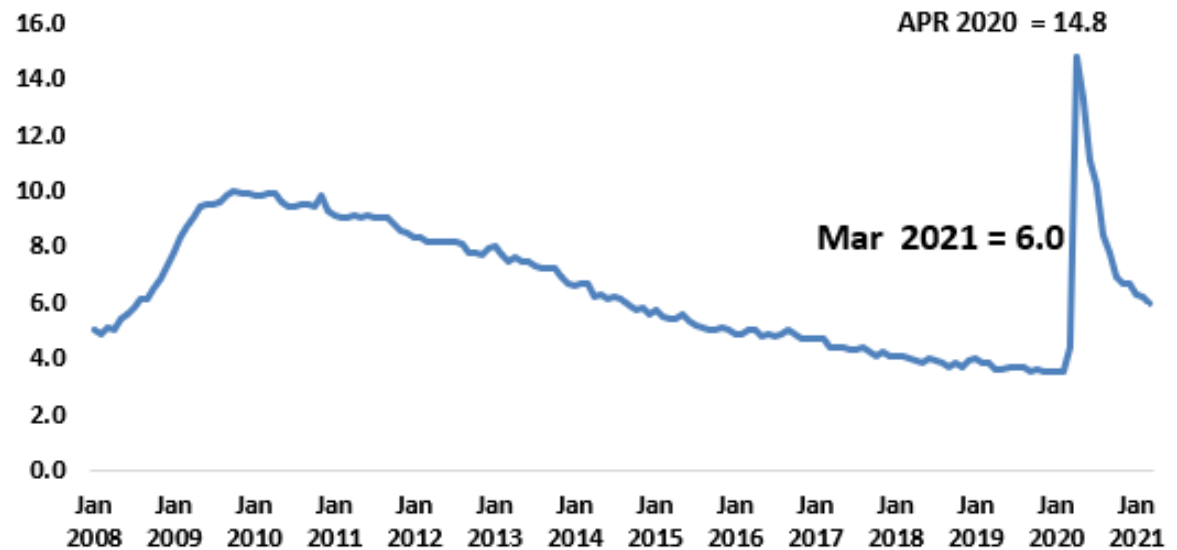


Source: Bureau of Economic Analysis

# US Unemployment Rate

Much improved but we are not there yet

US Unemployment Rate (percent) : Jan 2008 to present

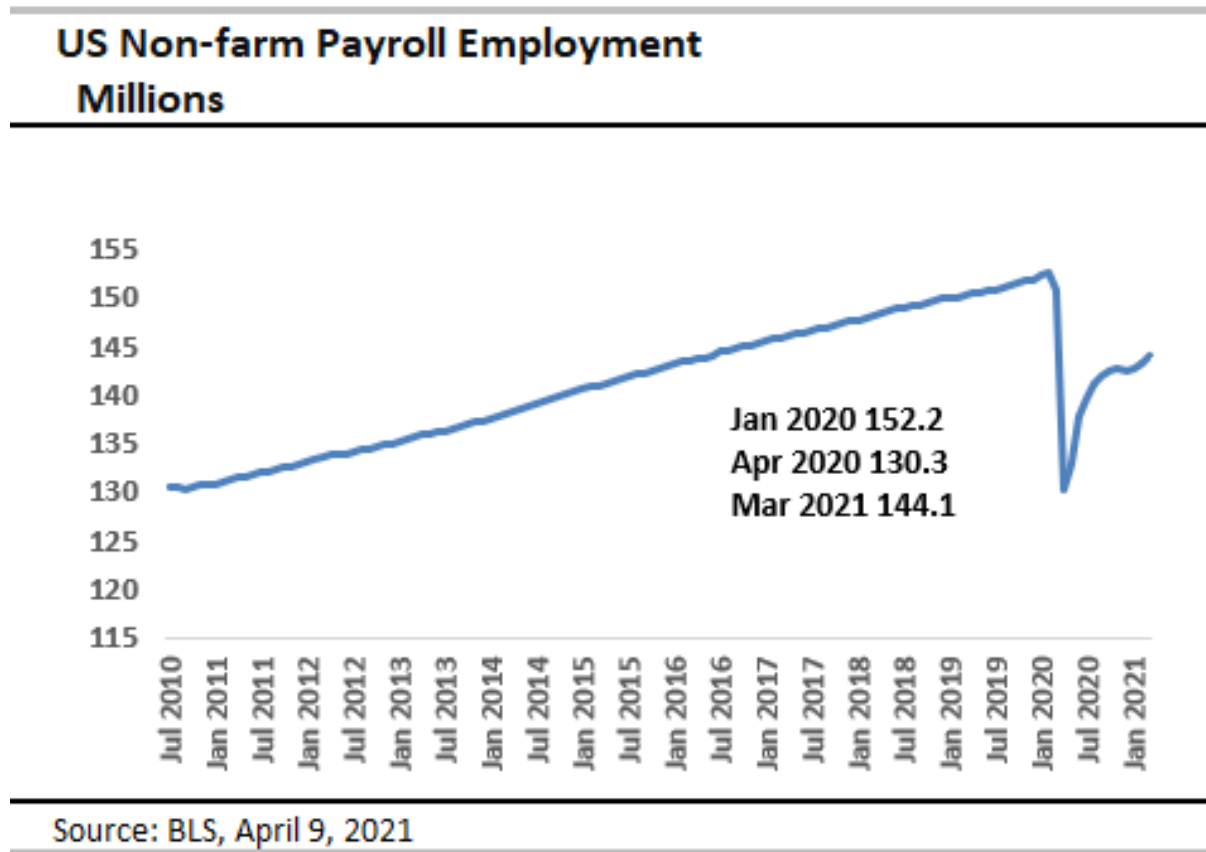


Source: Bureau of Labor Statistics, April 9, 2021

# US non-farm payroll employment

A huge  
hit to  
jobs ...

Mar 2021  
+916k



Policy  
Response:  
A big deal for  
US and  
New Mexico

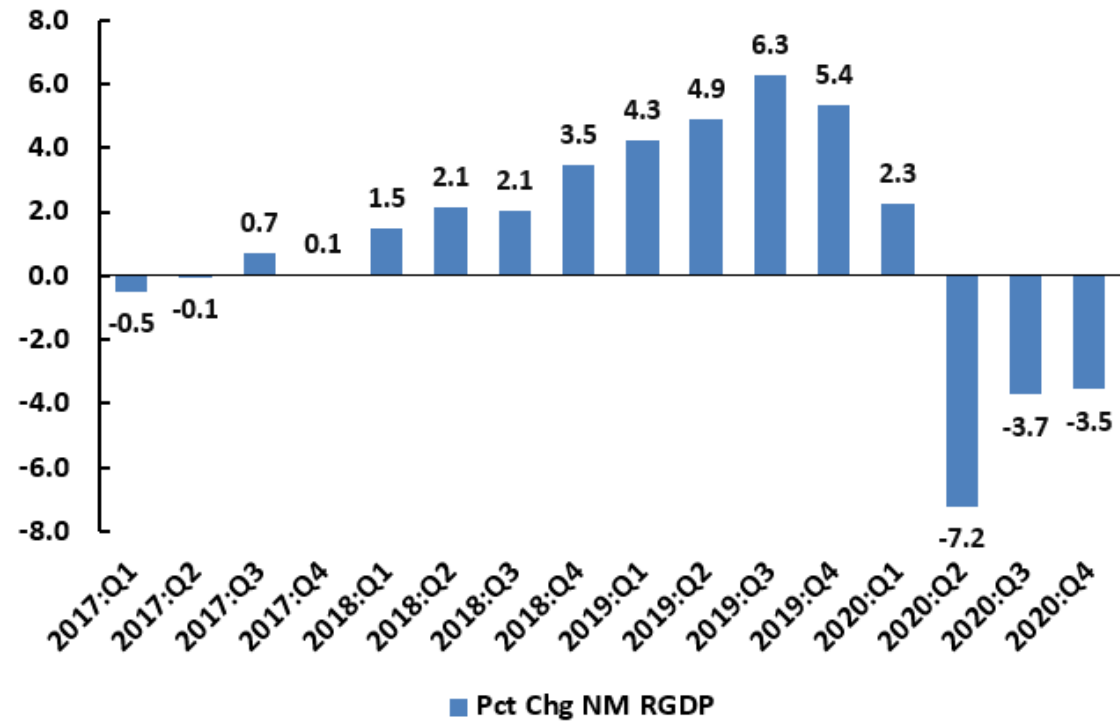
- **The Cares Act!**
  - March 27, 2020
  - \$2.2 Trillion
- **Extension of Cares Act**
  - December 21, 2020
  - \$900 Billion
- **American Rescue Plan Act**
  - March 11, 2021
  - \$1.9 Trillion
- **\$5 Trillion**
- **Not Counting actions of the FED**



# New Mexico Real GDP

Broadest  
measure  
of  
economic  
activity

Percent Change in New Mexico Real GDP  
Same Quarter Year Ago



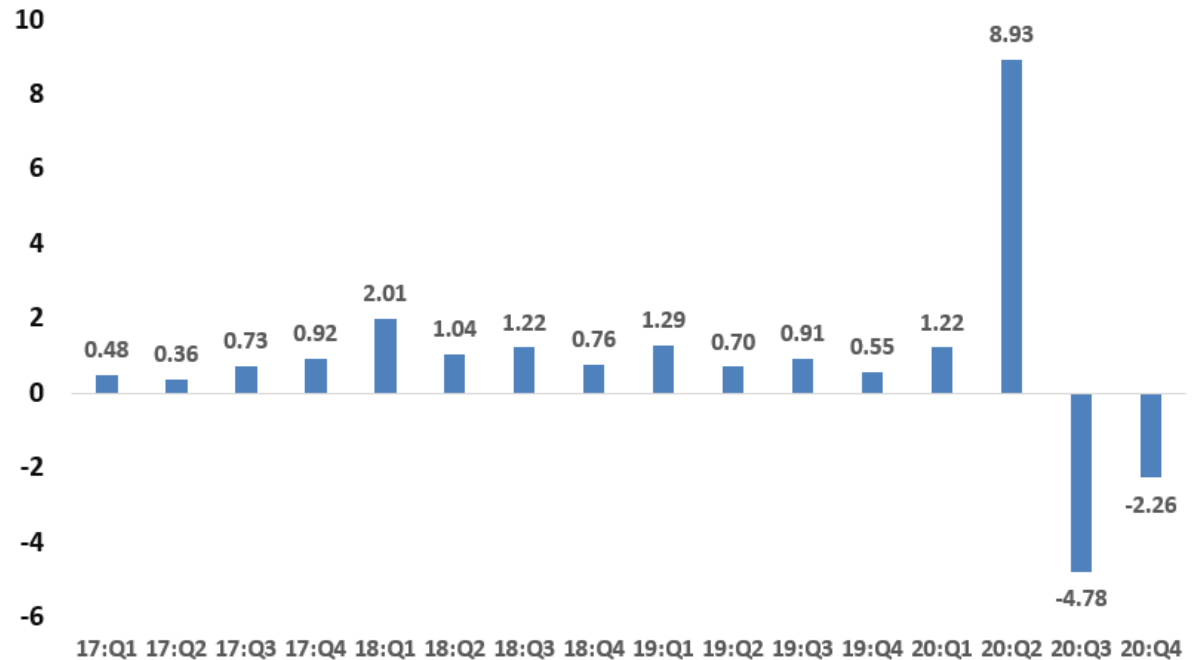
Source: U.S. Bureau of Economic Analysis

Annual 2019 to 2020 = -3.1%

# New Mexico Personal Income

What is going on?

**New Mexico State Quarterly Personal Income**  
Percent change over previous quarter



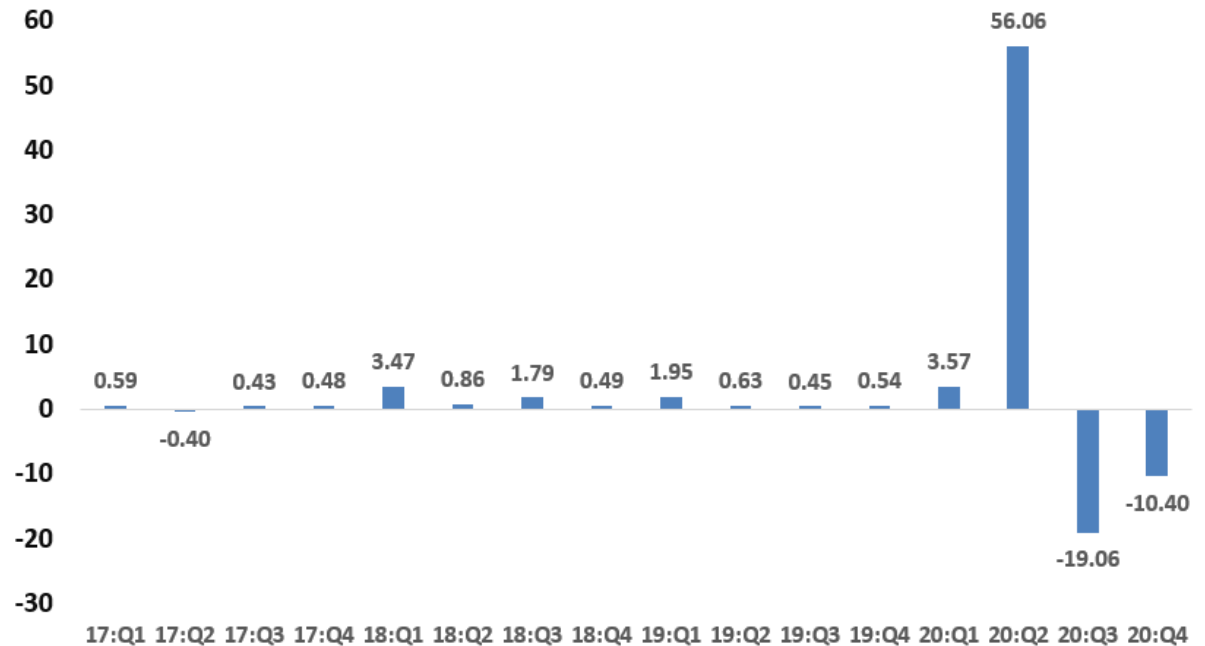
Source: BEA, March 24, 2021

# New Mexico Transfer Payments

What is going on?

The CARES Act

**New Mexico Transfer Payments**  
Percent change over previous quarter

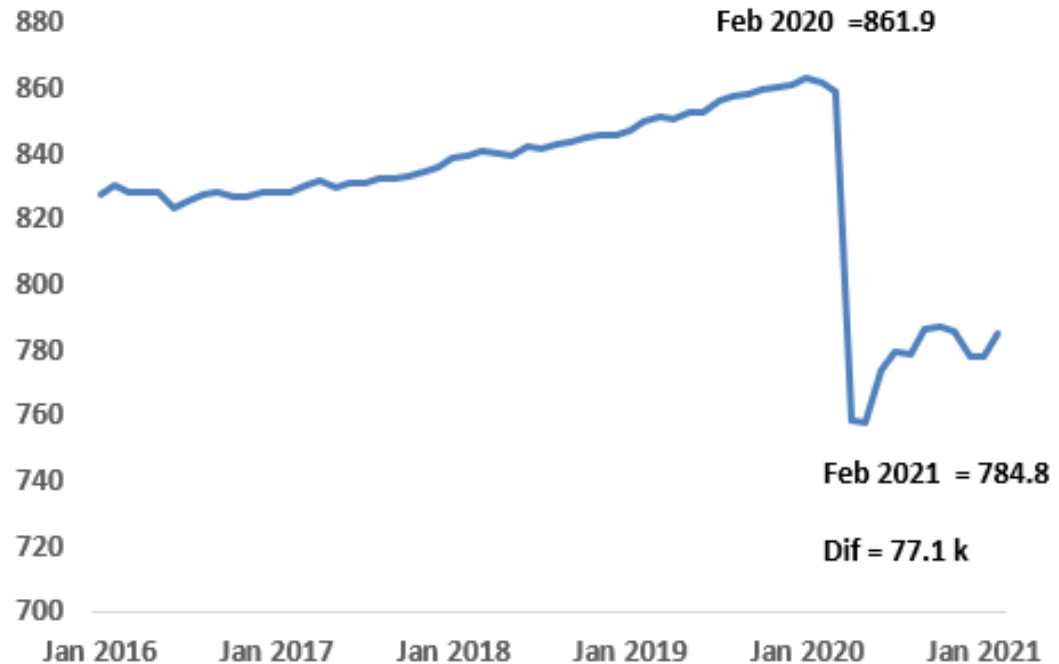


Source: BEA, March 24, 2021

# NM Non-farm payroll employment

Job loss  
Feb  
to  
Apr  
105 k

NM Non Farm Payroll Employment  
Jan 2016 to Feb 2021

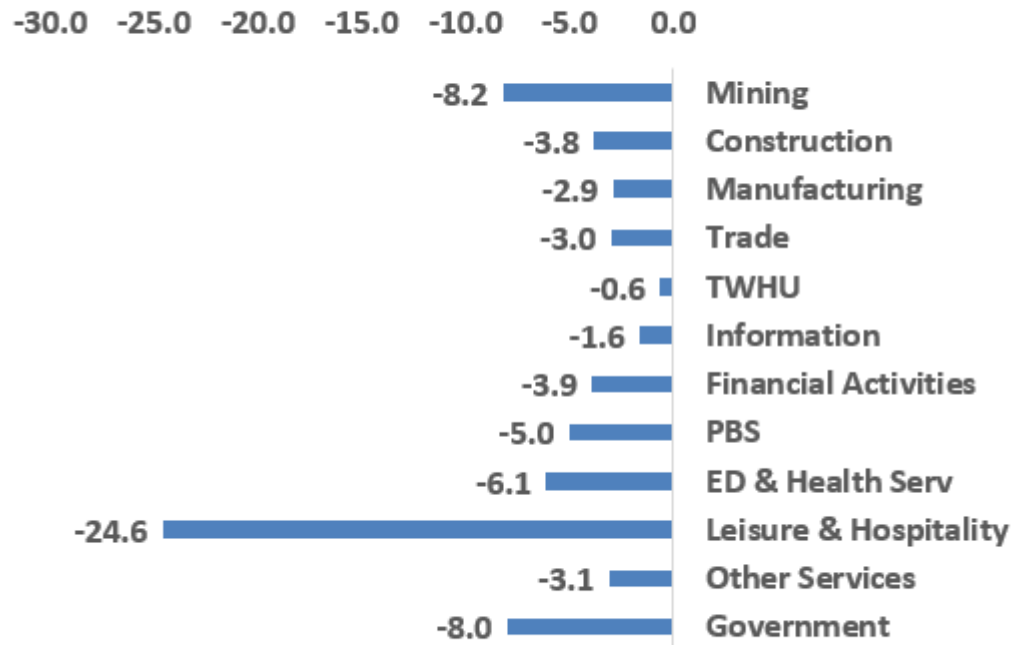


Source US Bureau of Labor Statistics

# NM Non-farm payroll employment

Job loss  
by  
Sector

Change in Non-Farm Jobs, Feb 2020 to Feb 2021 (1,000s)

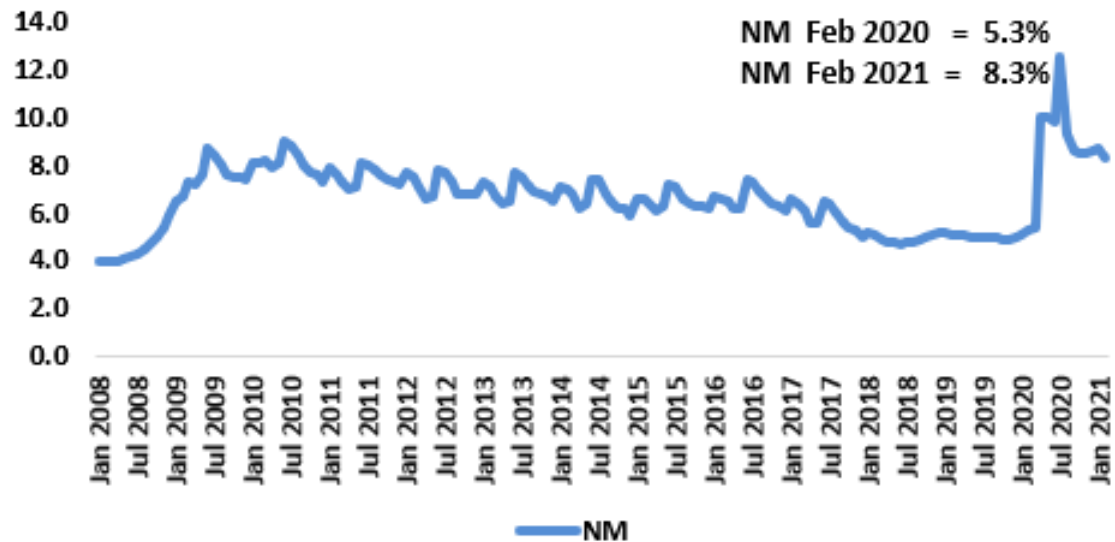


Source: BLS, LAUS, SA, April, 2021

# NM Unemployment Rate

Gradual decline  
and  
then ...

**NM Unemployment Rate (percent) : Jan 2008 to present**

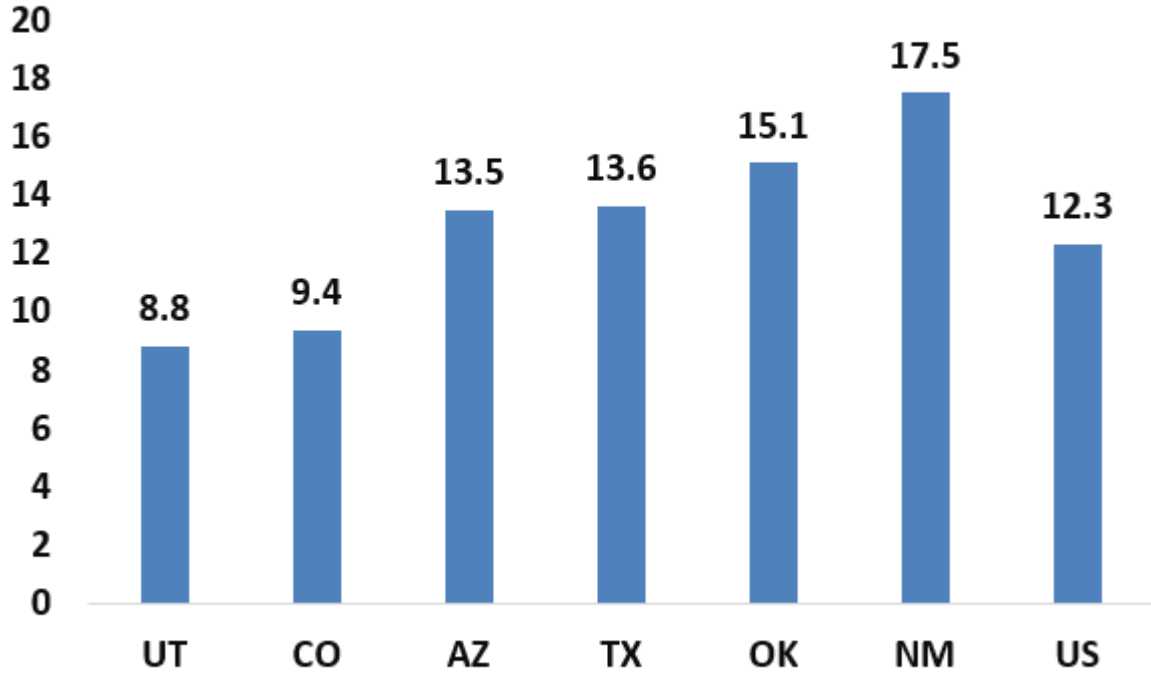


Source: Bureau of Labor Statistics, April 9 2021

Unemployed Feb 2021 = 79,578

# Poverty

**Percent of Population Below Poverty Level 2019  
US and Selected States**



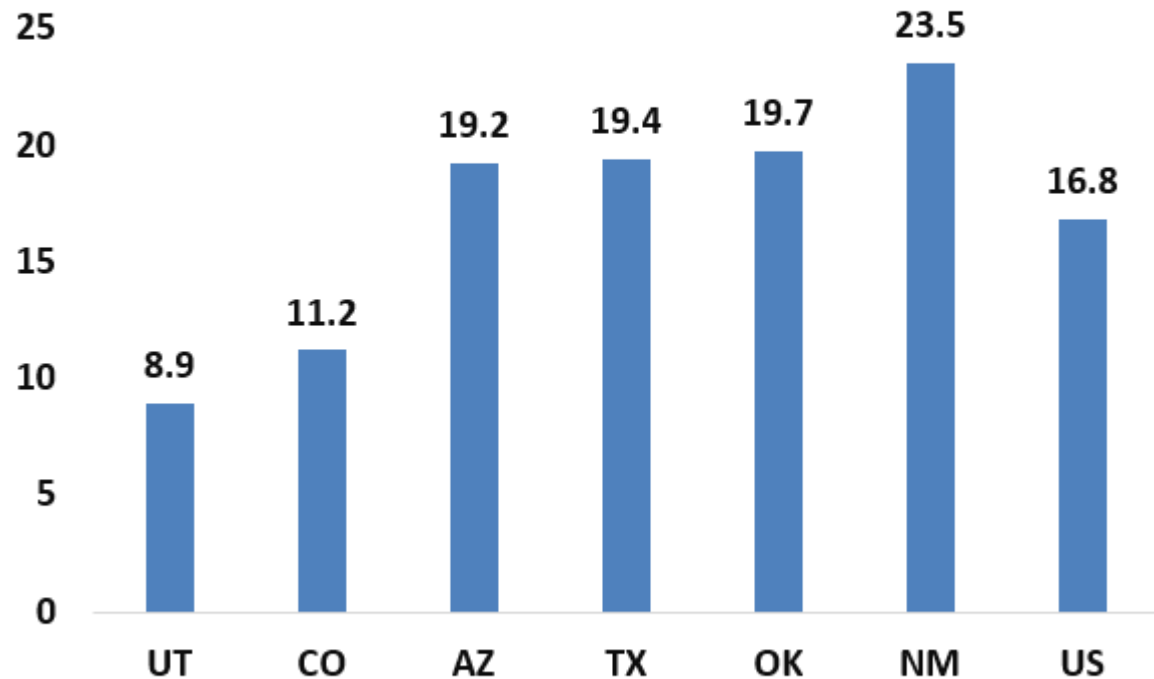
**Source: Census, Small Area Income and Poverty Estimates**

Before  
Covid

# Child Poverty

Before  
Covid

**Percent of Children 0 to 17 Below Poverty Level 2019  
US and Selected States**

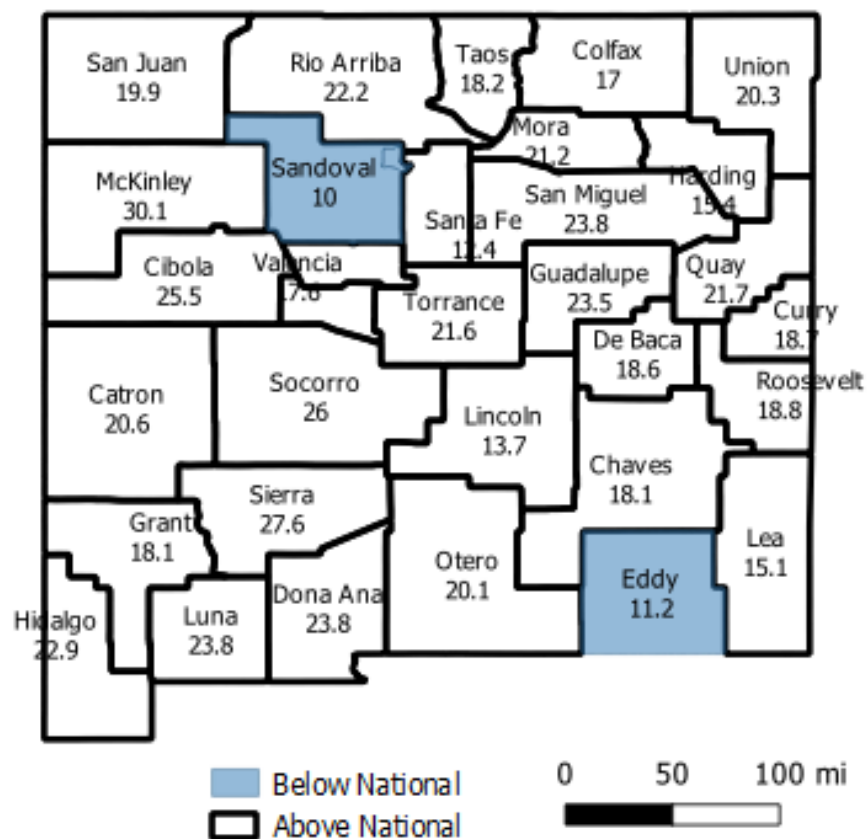


**Source: Census, Small Area Income and Poverty Estimates**



# New Mexico Poverty Rate 2019

Before  
Covid

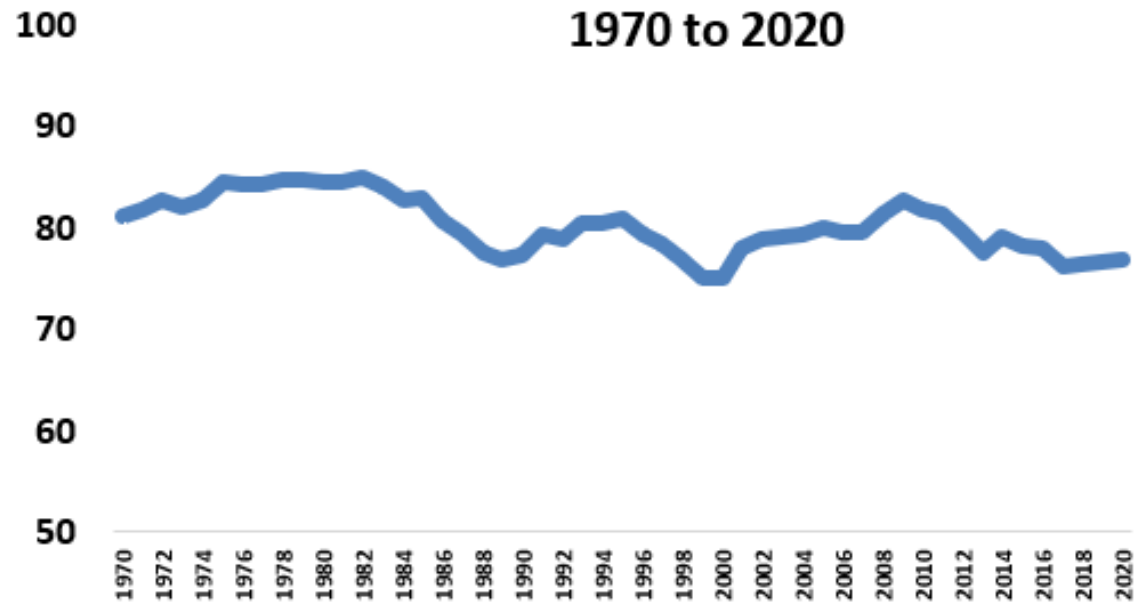


Source: Data: Census Bureau SAIPE, Map JP

# The long run?

Do you  
see a  
trend?

## New Mexico per capita income as percent of United States



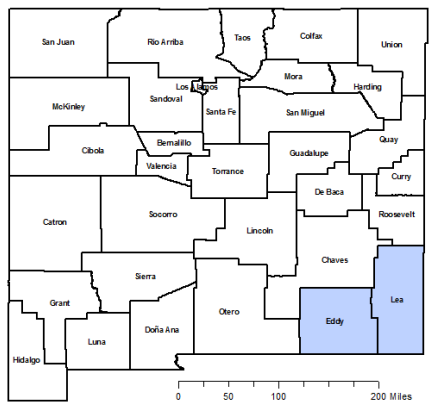
Source: Bureau of Economic Analysis



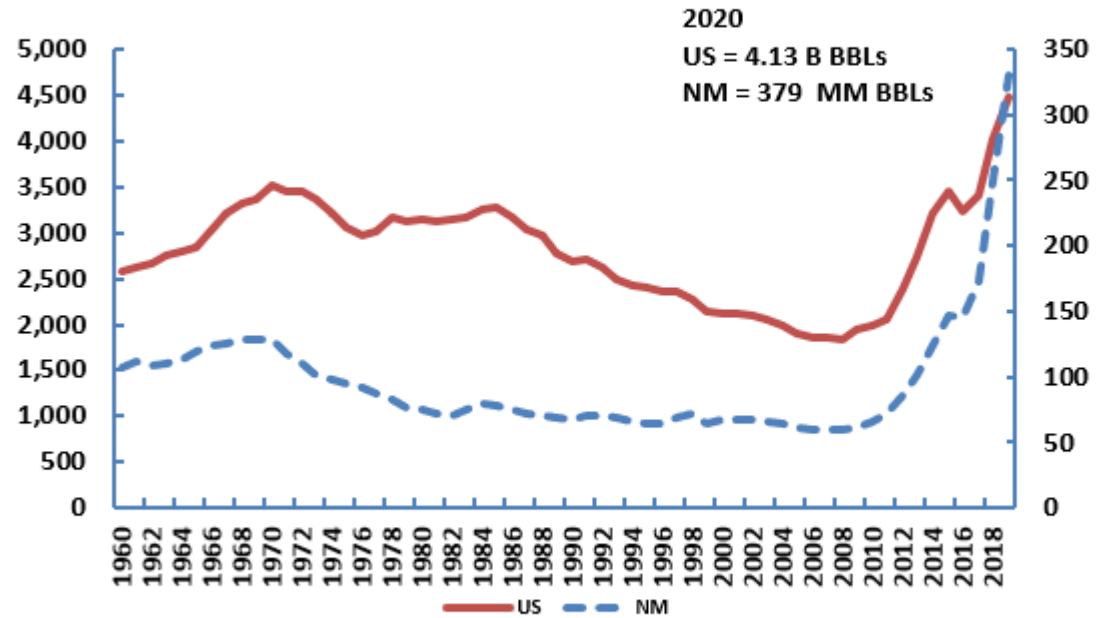
OIL!!!!

# US and New Mexico oil production

## The Shale Revolution



US and New Mexico Production of Crude Oil: 1960 to 2020  
Millions of BBLs per year



Sources: 1960-1980, Petroleum Facts and Figures, p. 34. 1980-2020o, Energy Information Administration,

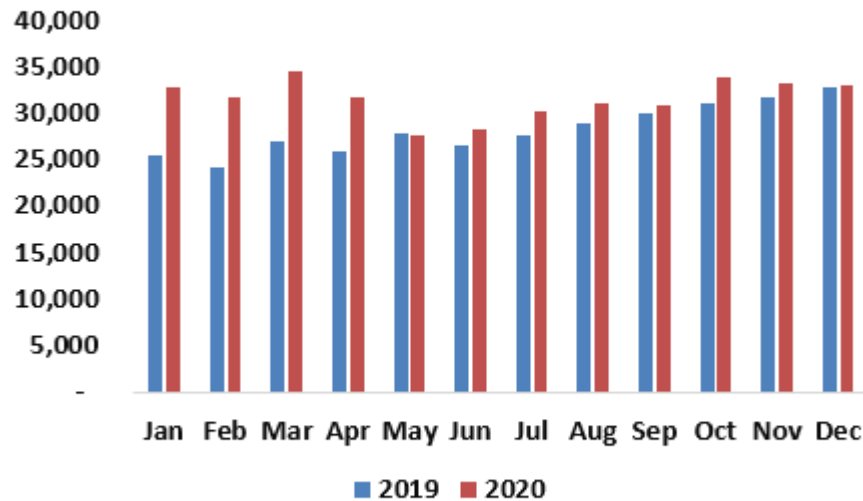
**Total 2019 = 329 mm bbls**  
**Total 2020 = 379 mm bbls**

May 2020  
only month  
with lower  
production  
than in  
2019

## New Mexico oil production (1,000s of bbls per month)

New Mexico Oil Production: Monthly 2019 and 2020

1,000 bbls per month



Source: EIA, March 5, 2021

**Total 2019 = 329 mm bbls**

**Total 2020 = 379 mm bbls**

**Jan 2020 = 32,823 k bbls**

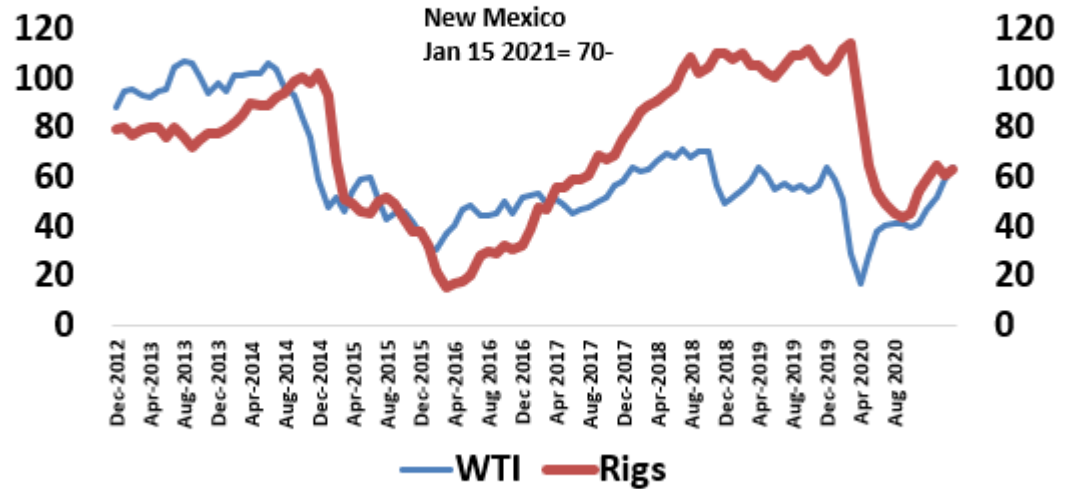
**Jan 2021 = 33,793 k bbls**

# Oil prices and active rigs

Rig Counts are best indicator of oilfield activity

WTI Price (\$ per barrel) and NM Rig Count (Number)

Jan 2012 to Mar 2021



Sources: Baker Hughes, EIA.

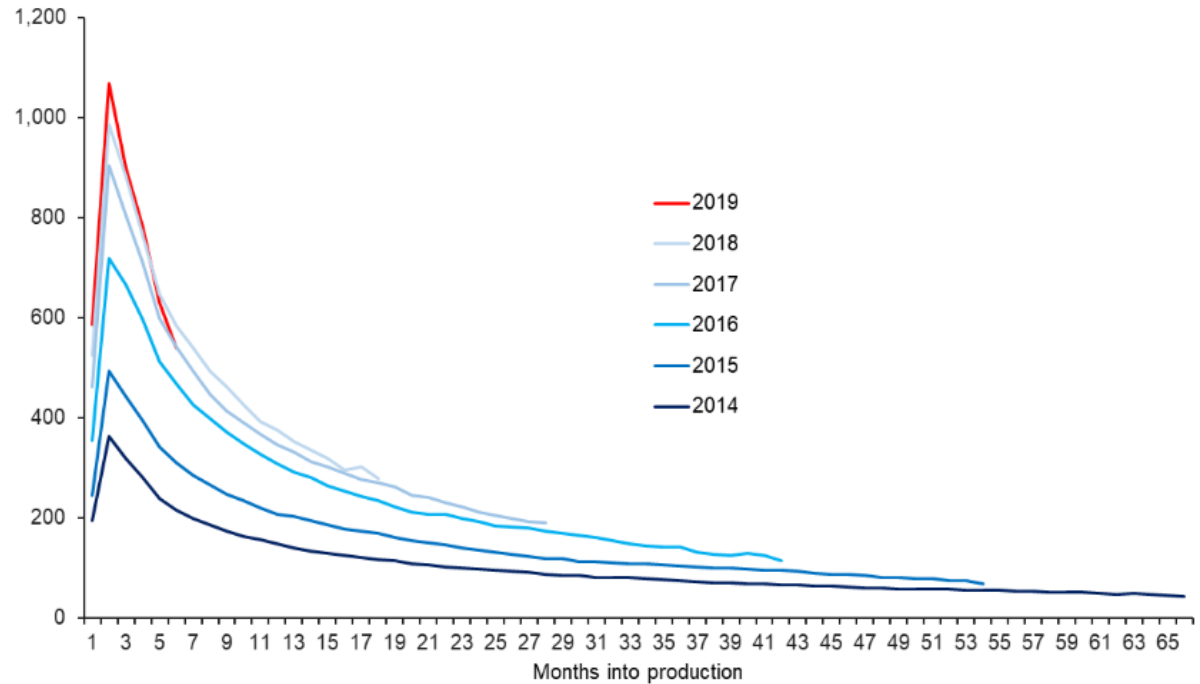
April 23, 2021, NM Rigs = 71

# Decay rates of fracked wells

New wells required to increase or maintain production

Chart 4  
Permian Oil Well Type Curves

Barrels of oil equivalent, per day



SOURCE: WellDatabase.

Source: Dallas FED

## Executive Order Sec 208

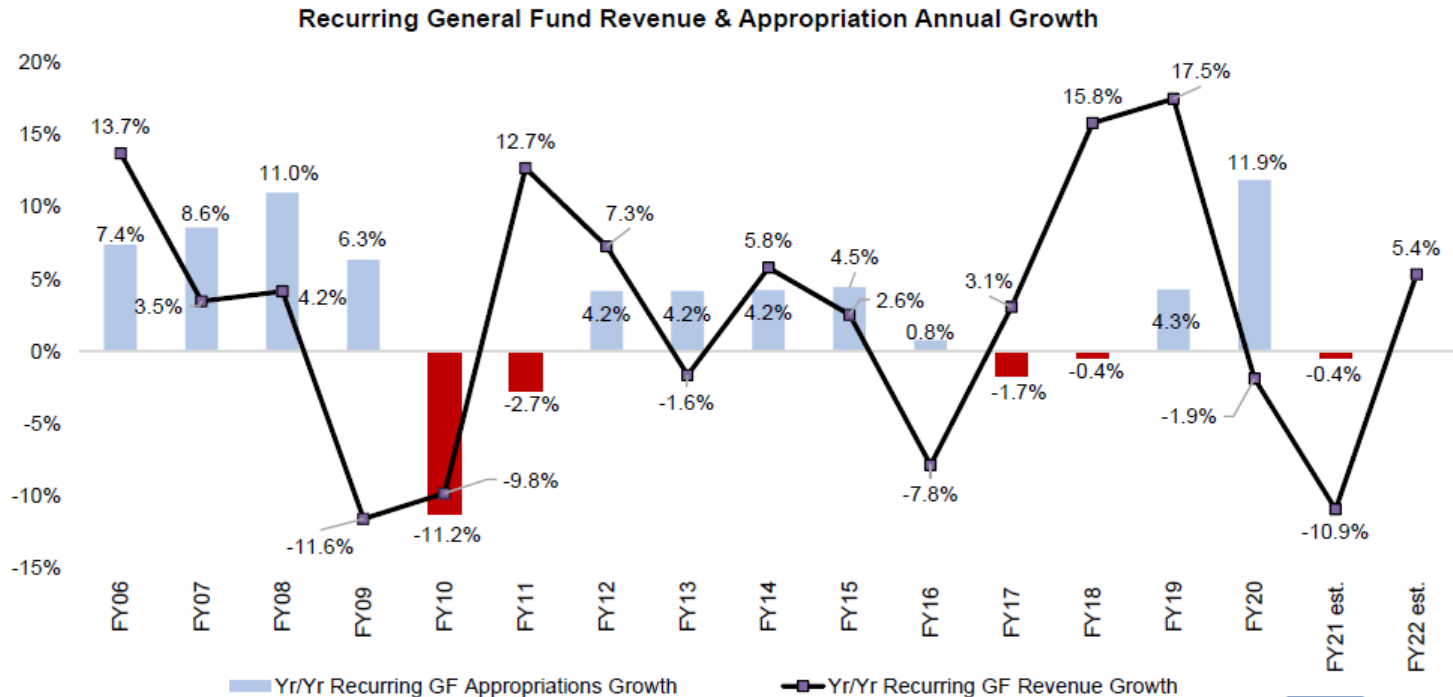
Sec. 208. Oil and Natural Gas Development on Public Lands and in Offshore Waters. To the extent consistent with applicable law, the Secretary of the Interior shall pause new oil and natural gas leases on public lands or in offshore waters pending completion of a comprehensive review and reconsideration of Federal oil and gas permitting and leasing practices in light of the Secretary of the Interior's broad stewardship responsibilities over the public lands and in offshore waters, including potential climate and other impacts associated with oil and gas activities on public lands or in offshore waters. The Secretary of the Interior shall complete that review in consultation with the Secretary of Agriculture, the Secretary of Commerce, through the National Oceanic and Atmospheric Administration, and the Secretary of Energy. In conducting this analysis, and to the extent consistent with applicable law, the Secretary of the Interior shall consider whether to adjust royalties associated with coal, oil, and gas resources extracted from public lands and offshore waters, or take other appropriate action, to account for corresponding climate costs.



# State Budget Issues

- Revenue uncertainty was the critical issue faced in the 2021 legislative session
- **THE** long-term structural issue is how to create revenue stability with less dependence on oil and gas

# High dependence on volatile revenues presents challenges for creating a sustainable budget.

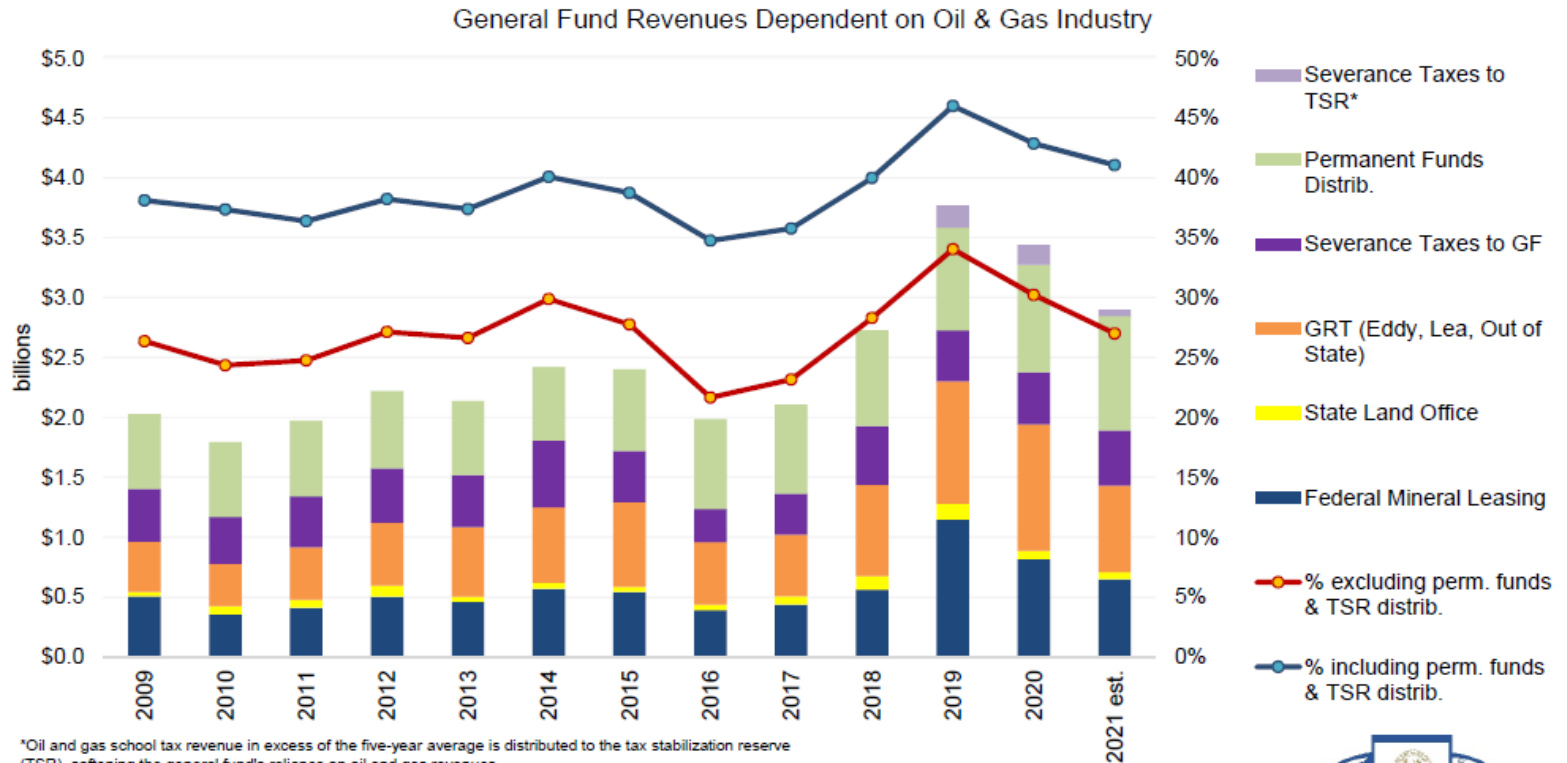


Source: LFC Files



Source: Borrowed with permission from LFC Director David Abbey

# General fund dependence on the oil and gas industry spiked during the oil production boom and retreated to historical averages with the current price bust.



Source: LFC Analysis based on September 2020 Consensus Revenue Estimate



Source: Borrowed with permission from LFC Director David Abbey

# State Budget Issues: The Current Situation

- FY21 (Jul 1, 2020 to Jun 30, 2021)
- Budget as passed by Jan 2020 legislature \$7.6B
- Reduced by June 2020 Special Session to \$7.3B
- Recurring revenue = \$7.02B Down \$897mm or 10.9% (Dec 2020 estimates)
- Cares Act \$750 mm saved the day

# State Budget Issues: The Current Situation

- FY22 (Jul 1, 2021 to Jun 30, 2022)
- Budget- passed House and Senate about \$7.4B
- Projected FY22 revenue \$7.378 B
- New money estimate
  - Dec 2020 = \$169 mm
- Mid-Session Review Feb 17 = \$339mm

Adam Smith  
(1776)

**“The most decisive mark of the prosperity of any country is the increase in the number of its inhabitants.”**

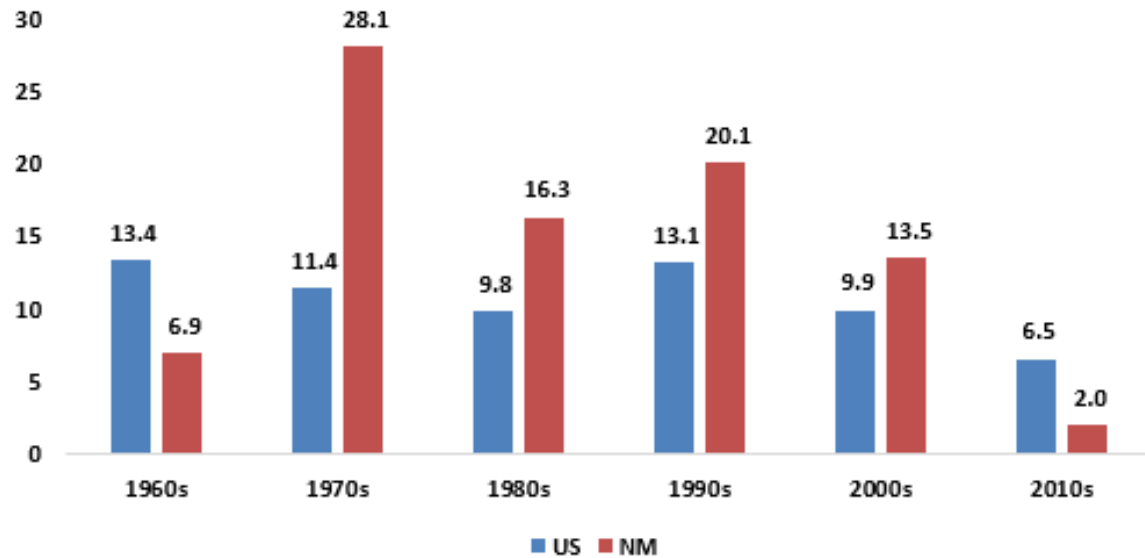
Adam Smith,

*An Inquiry into the Nature and Causes of the Wealth of Nations*, Modern Library Edition, 1936p. 70.

# The US and New Mexico

NM no longer growing faster than the nation

**Percent Change in Population by Decade: US and NM**



Source: U.S. Bureau of the Census.

## New Mexico and Surrounding States

All  
neighboring  
states  
growing  
faster

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### Percent Change in Population: 2010 to 2020

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State	Percent	Rank
Texas	16.32	2
Utah	17.10	3
Arizona	15.83	6
Colorado	15.06	8
Oklahoma	5.87	22
New Mexico	2.00	38

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Source: US Bureau of the Census, Population Estimates

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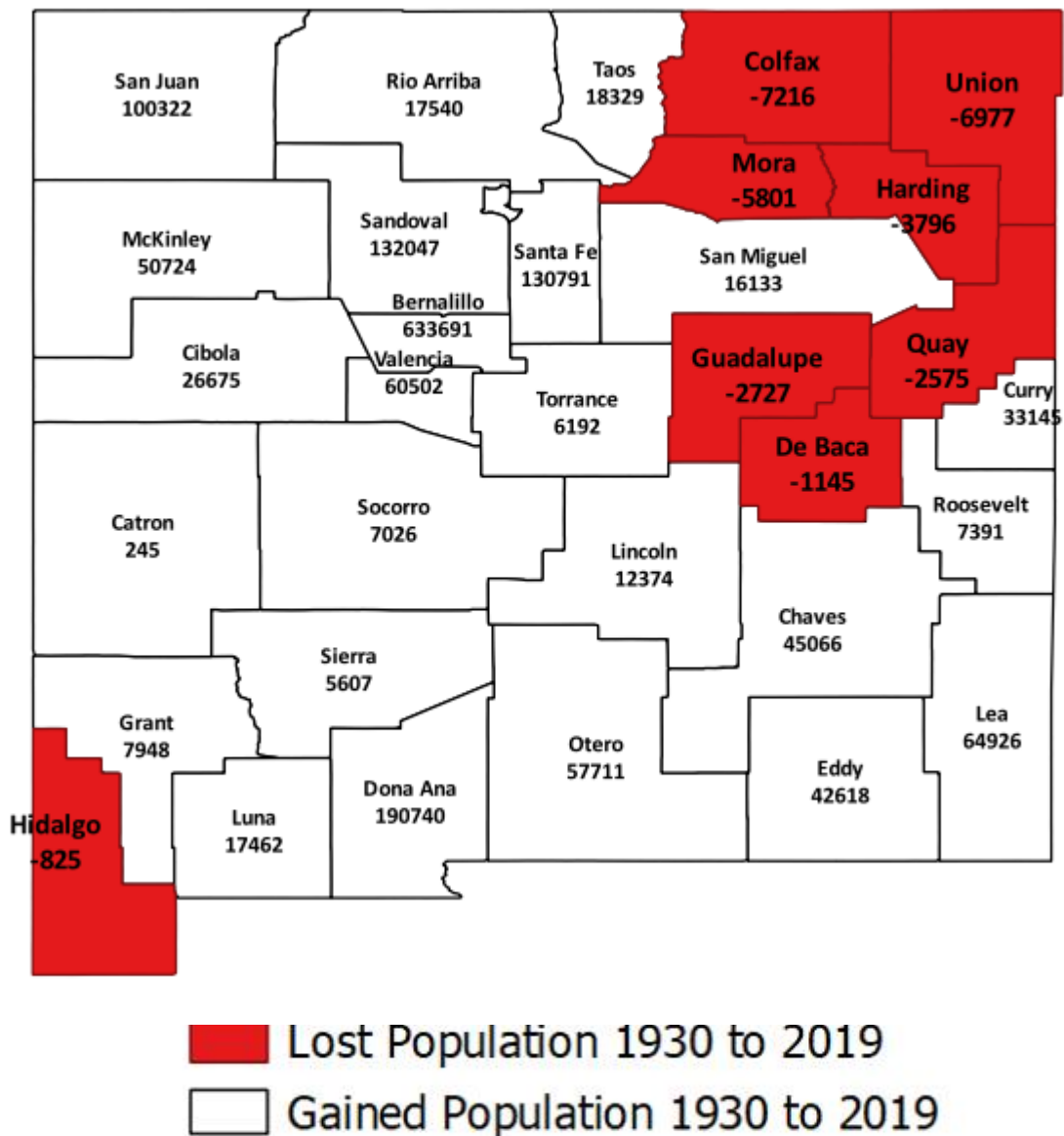


# New Mexico Population Change 1930 to 2019

Cibola  
County

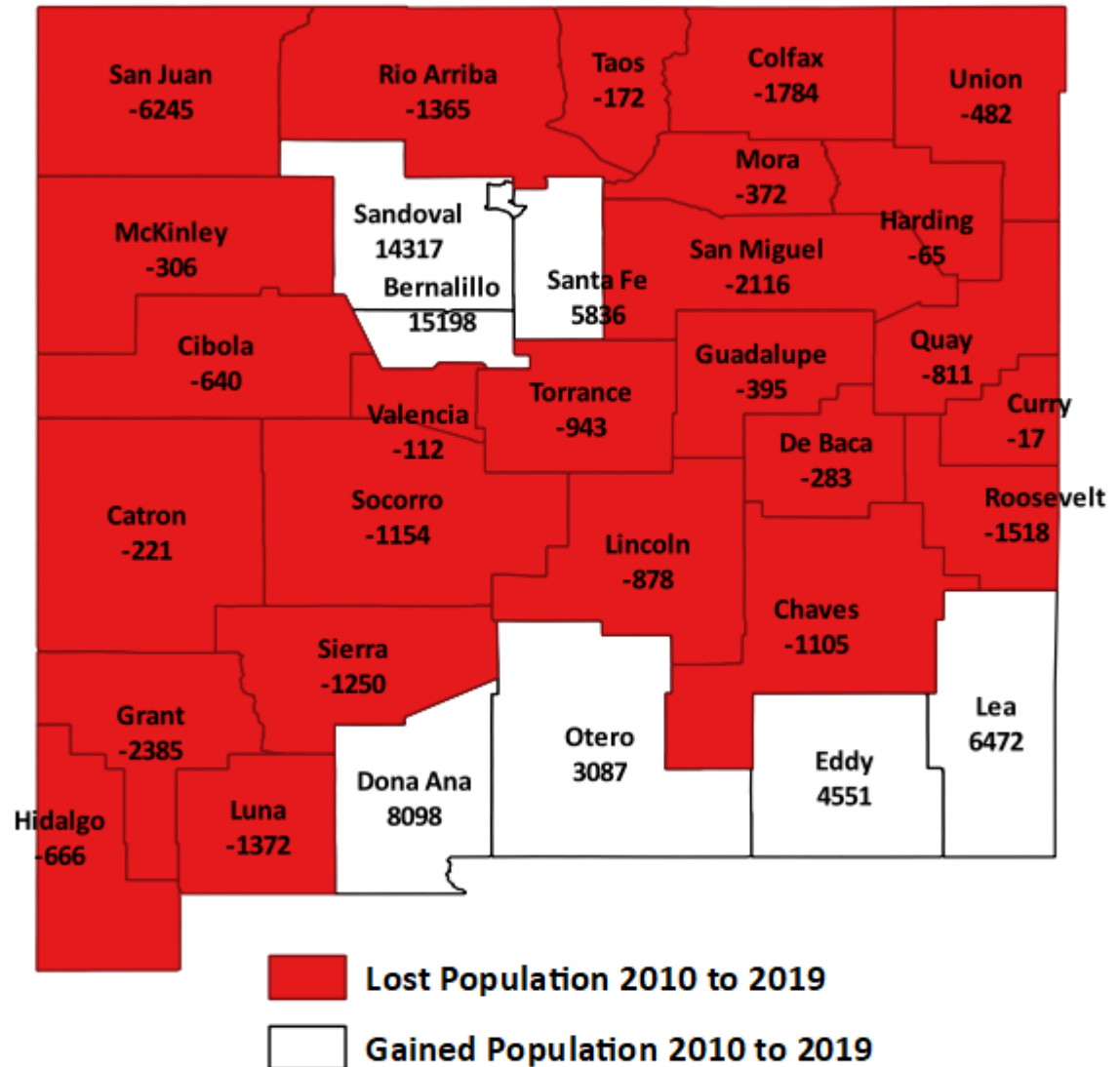
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1983



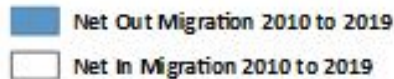
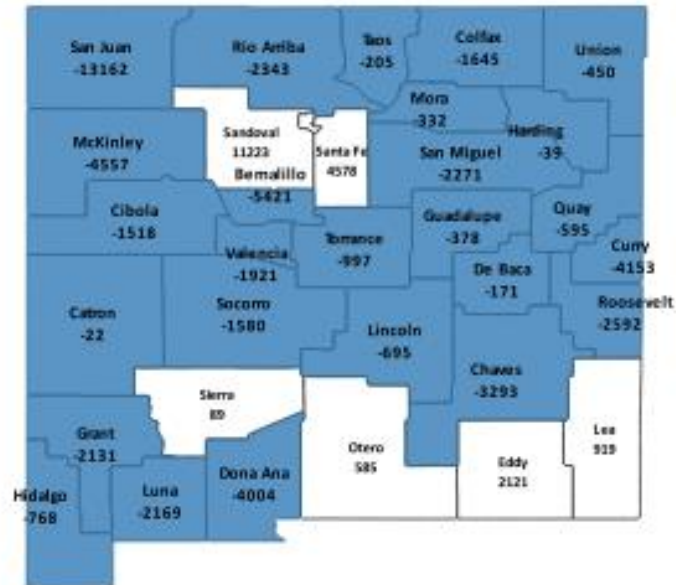
# New Mexico Population Change 2010 to 2019

What  
will  
happen  
in 2020?



Similar  
pattern  
for any  
year  
since  
2010

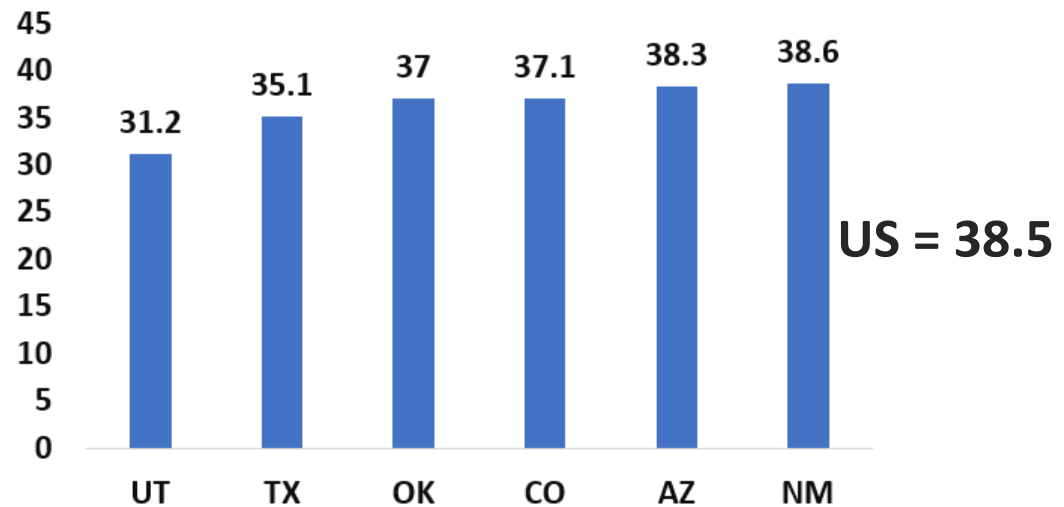
## New Mexico Net Migration 2010 to 2019



# Age matters

## We are Getting Older

**Median Age 2019: New Mexico and Surrounding States**



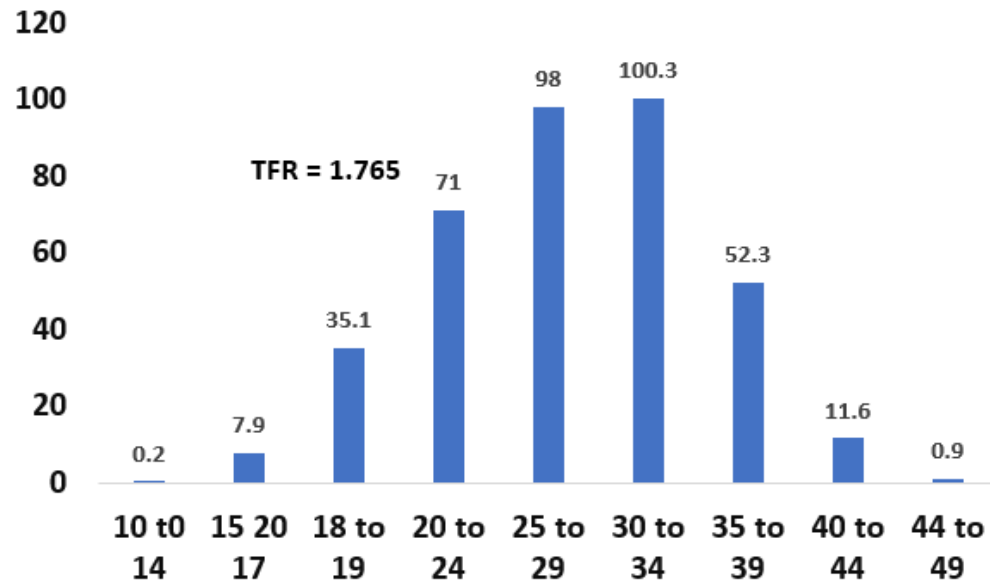
Source American Community Survey, Single Year Estimates, 2019, Table B01002

# Age matters

## Fertility and age

### Age specific birth rates in New Mexico: 2017

Births per thousand women

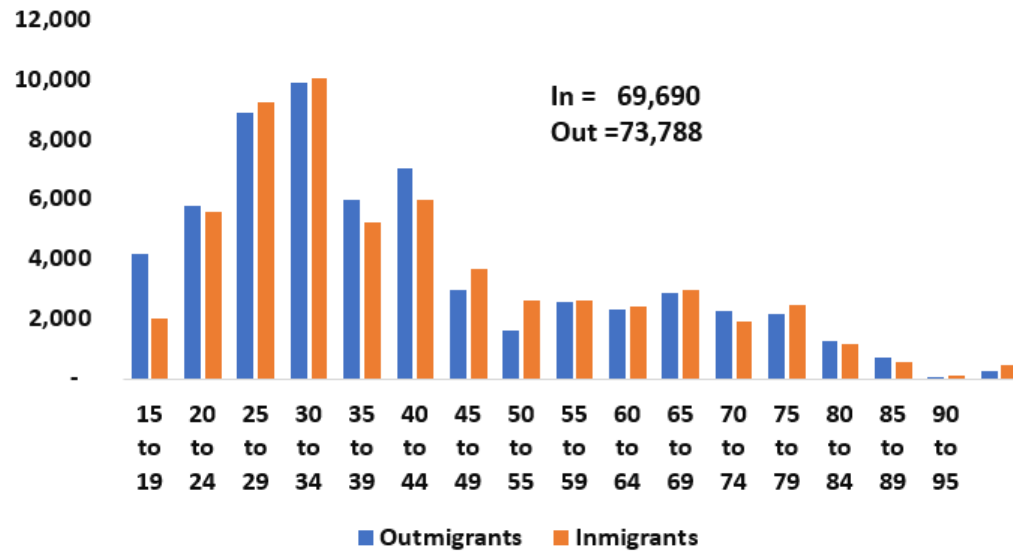


Source: New Mexico Department of Health, Selected New Mexico Health Statistics 2017

# Migration and age

Age matters

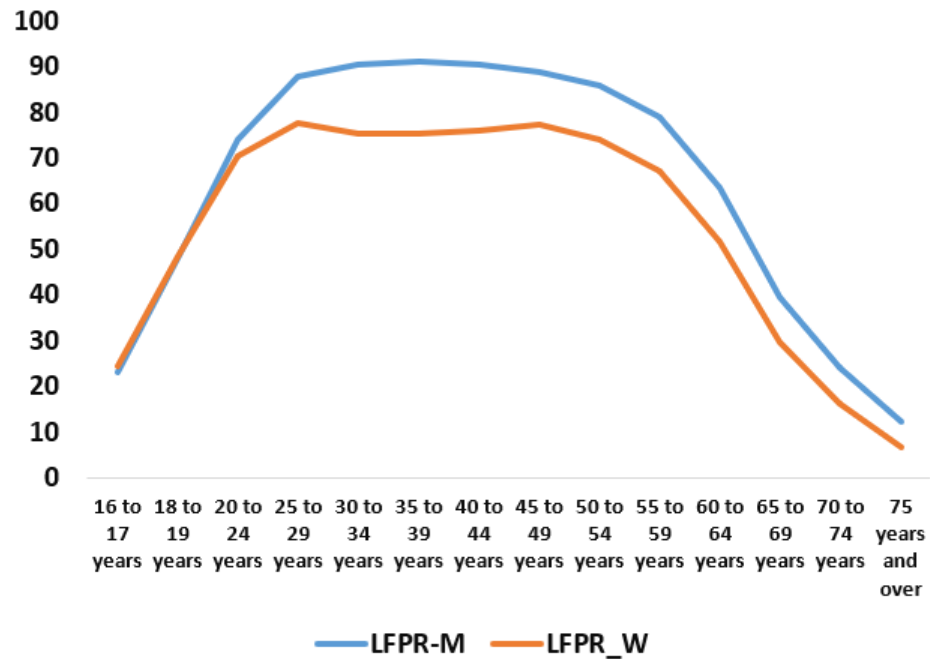
**New Mexico-migrants by age 2019**



Source: Author calculations from 2019 American Community Survey

# Age matters

## Labor Force Participation Rate of Men and Women in the US: 2019



Source: Bureau of Labor Statistics, Current Population Survey

# What to look for in 2021: key issues

- **The course of the pandemic, vaccines, and variants!**
- **Oil price volatility and global demand**
- **The state of the national economy**
- **No return to pre-pandemic world**



Thank you!



MLB is here!

The void is over!