

University of New Mexico
Bureau of Business and Economic Research



State of the Economy: US and New Mexico

Central New Mexico League of Women Voters

June 10, 2010

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UNIVERSITY OF NEW MEXICO BUREAU OF BUSINESS & ECONOMIC RESEARCH

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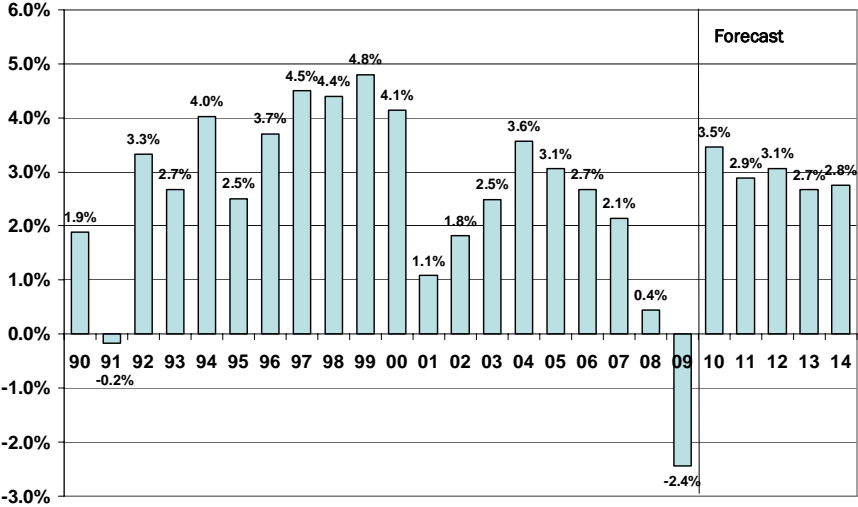


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The Great Recession

The US “Great Recession” began in December 2007. It is the deepest and longest recession in the World War II period.

**Annual Growth in US Real Gross Domestic Product
Chained 2000 Dollars**

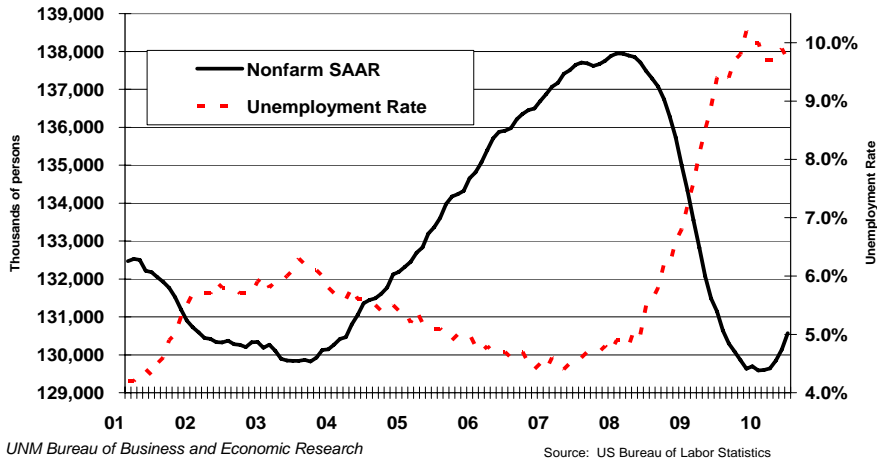


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Global Insight, May 2010

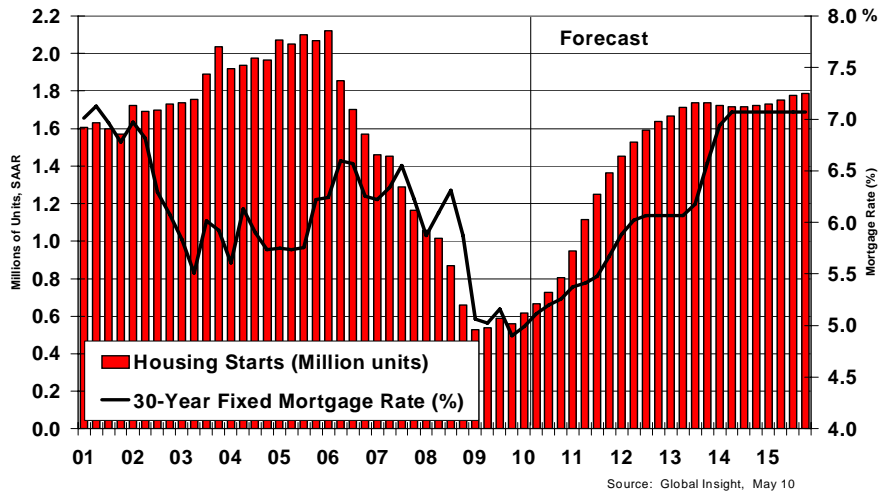
The economy lost **8.4 million jobs** before things began to turn around over the past few months. US unemployment hovers close to 10% (9.7% again in May).

US Nonfarm Employment and Unemployment Seasonally Adjusted



Precipitating factors: Prolonged housing boom and methods used to finance. Housing bust. Turmoil in financial markets...

Mortgage Rate and US Housing Starts



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The Fed, Monetary & Fiscal Policy to the Rescue...

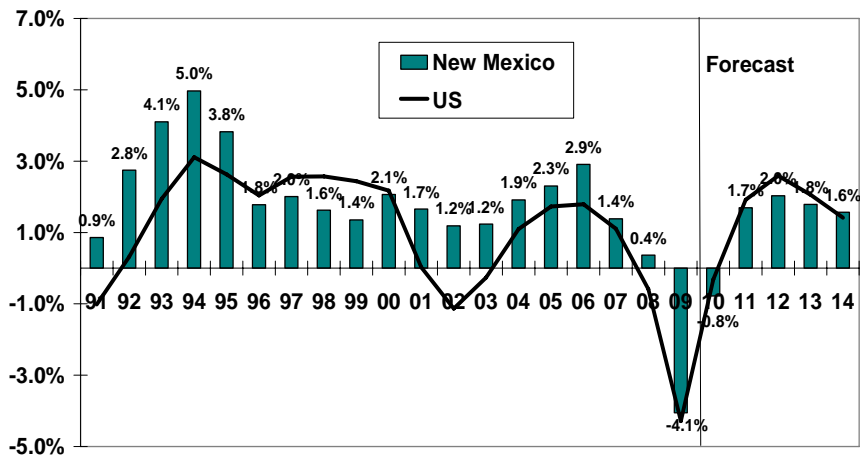
- Orchestrated bailouts
- Federal Funds Rate held down to 0 - 0.25%
-- effectively to zero.
- Creation of liquidity facilities, e.g., commercial paper
- Fed direct purchases of longer term Treasuries to keep down mortgage rates
- Troubled Assets Relief Program (TARP)
- American Recovery & Reinvestment Act
- Homeowner Affordability and Stability Plan



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2009 – The Worst Downturn in Decades

Annual Growth in Nonfam Employment New Mexico and US

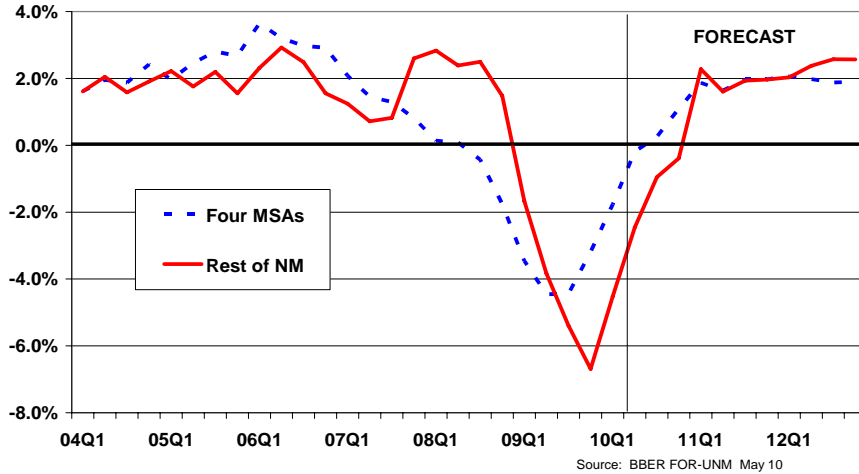


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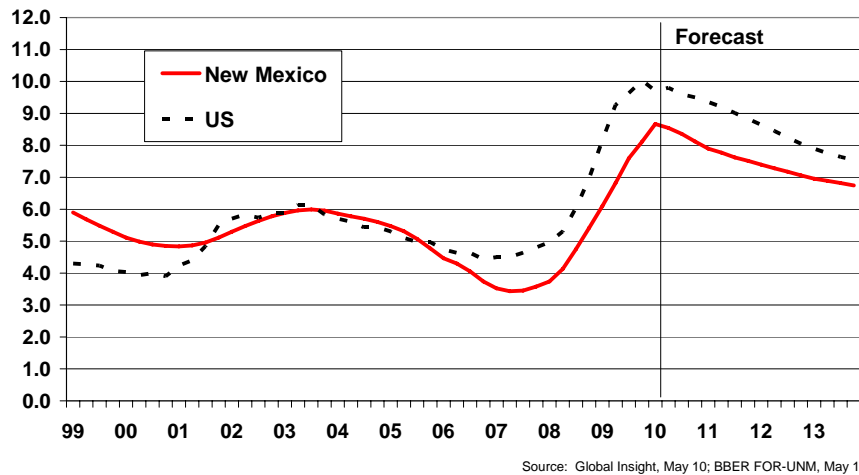
Source: FOR-UNM, May 2010
Global Insight, May 2010

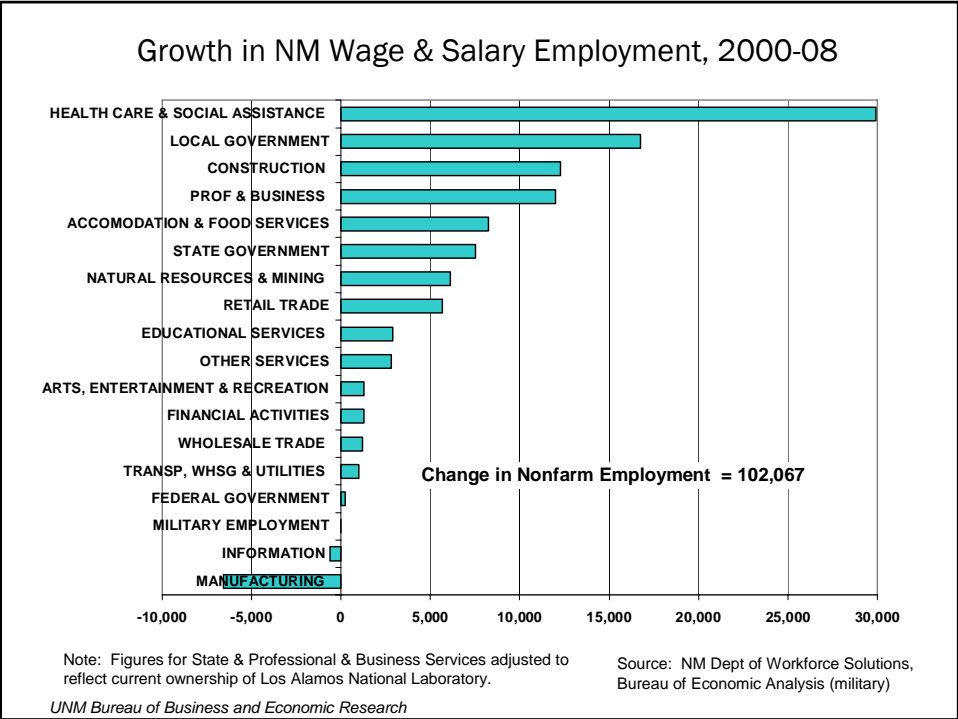
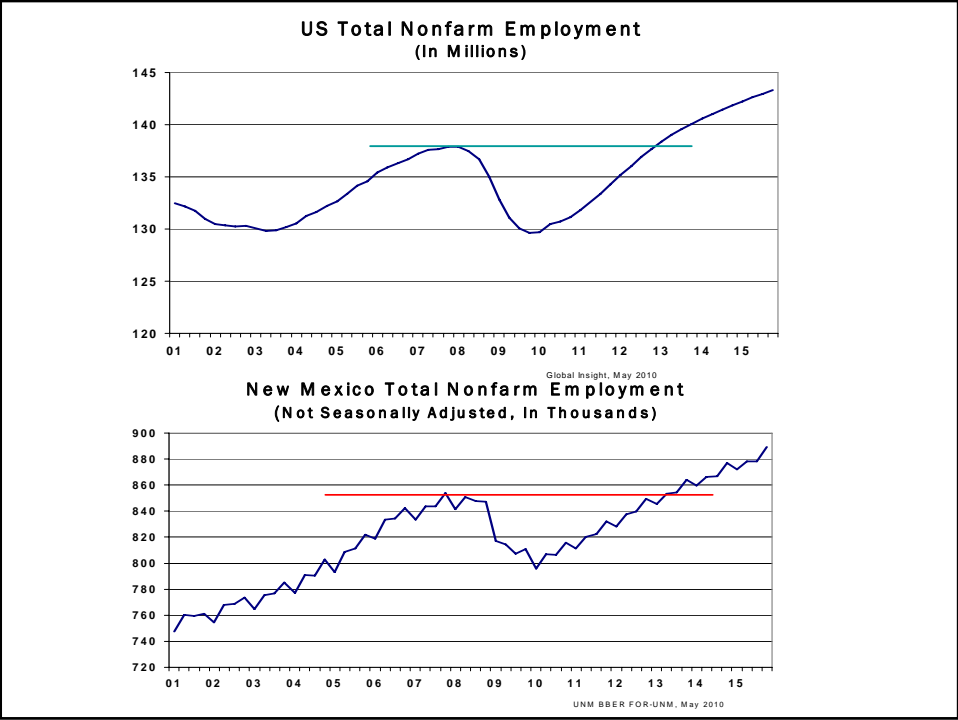
Counties throughout the state are feeling the effects of the Great Recession -- and the situation worsened during 2009. Only 7 counties had positive employment growth in the fourth quarter.

New Mexico Metro and NonMetro Areas
% Change in Quarterly Employment Year Over Year

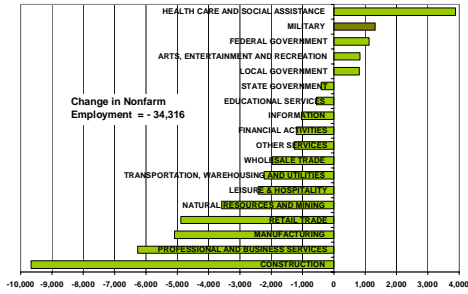


Quarterly Unemployment Rate
US and New Mexico, SAAR

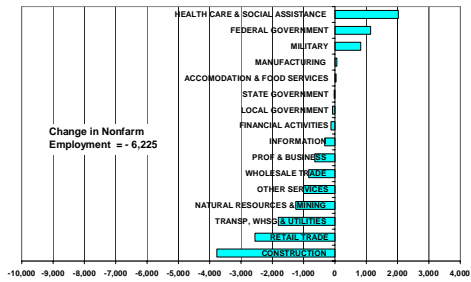




**Change in New Mexico Employment
2008 to 2009**

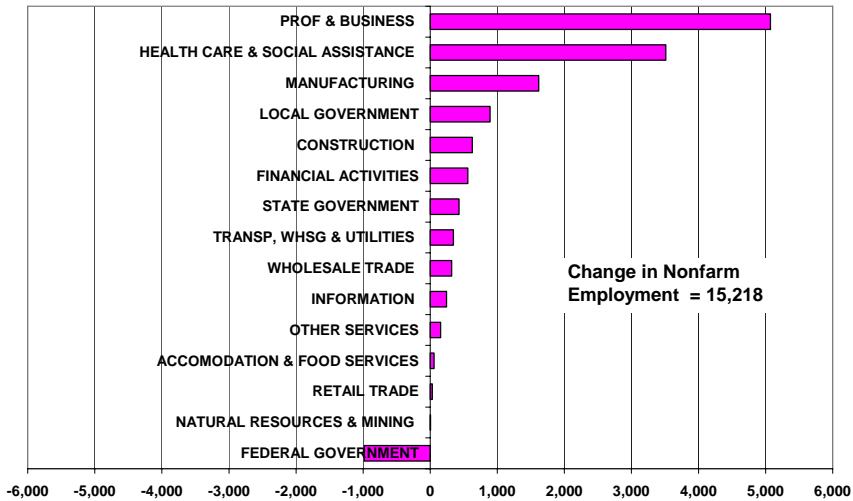


**Change in New Mexico Employment
2009 to 2010**



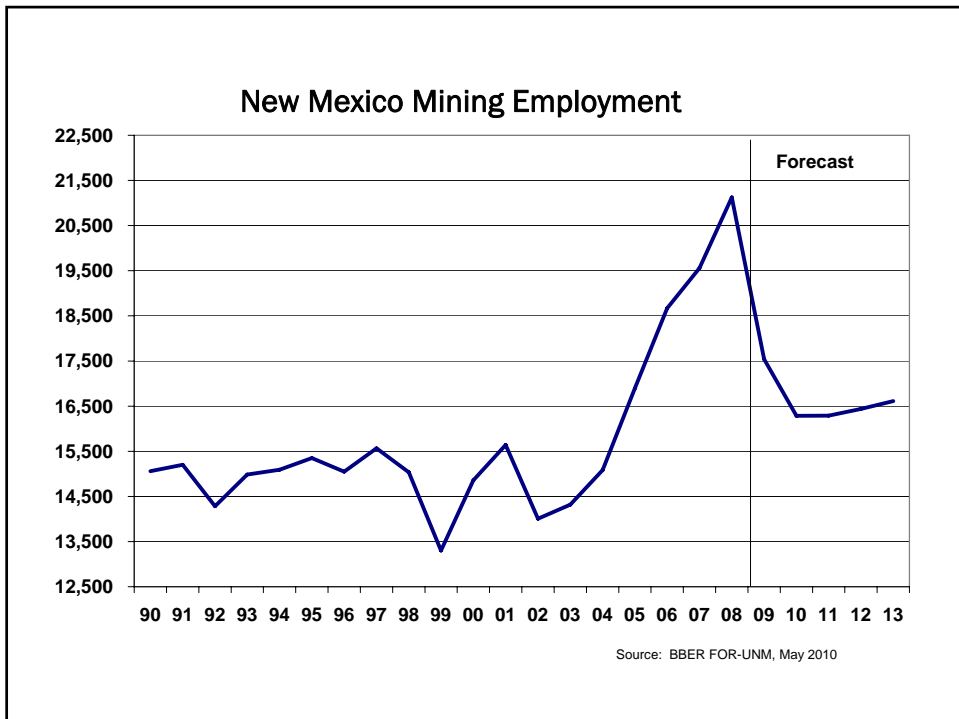
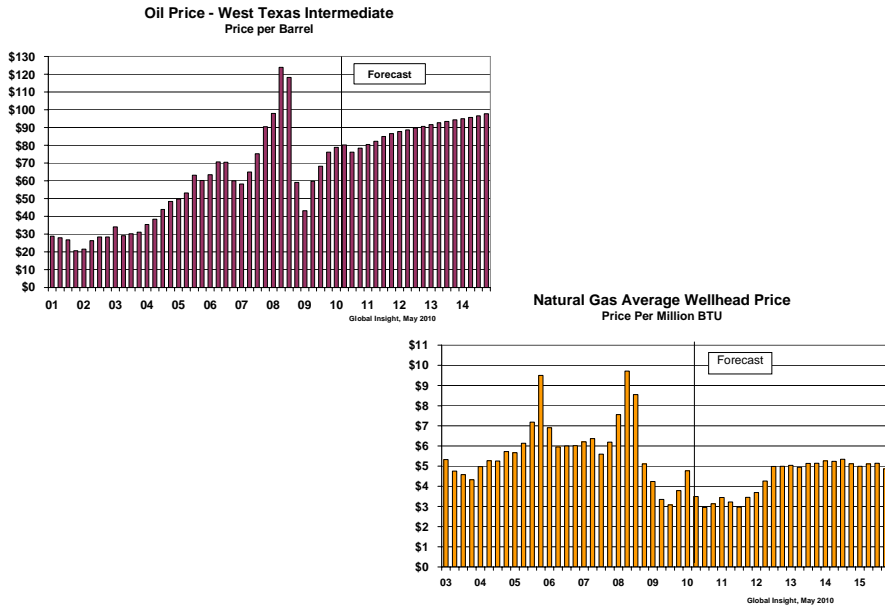
Source: FOR-UNM, May 2010

**Change in New Mexico Employment
2010 to 2011**



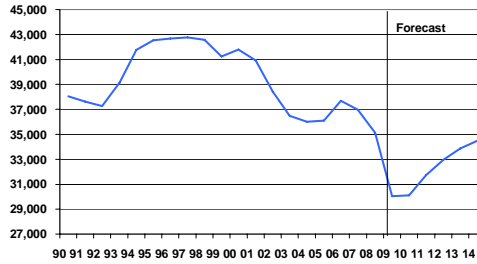
Source: FOR-UNM, May 2010

Run-up in oil & gas prices after 2002 culminating in 2008 spike.
 After August 08, energy prices and forecasts fell off a cliff....



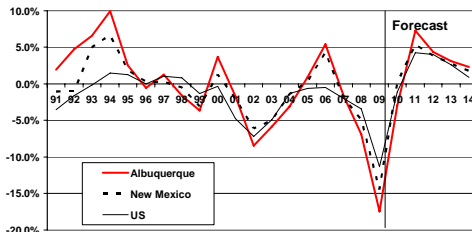
Manufacturing, an important sector with a shrinking workforce...

New Mexico Manufacturing Employment



Source: FOR-UNM, Nov 09

Annual % Change in Manufacturing Employment
Albuquerque MSA, New Mexico, US



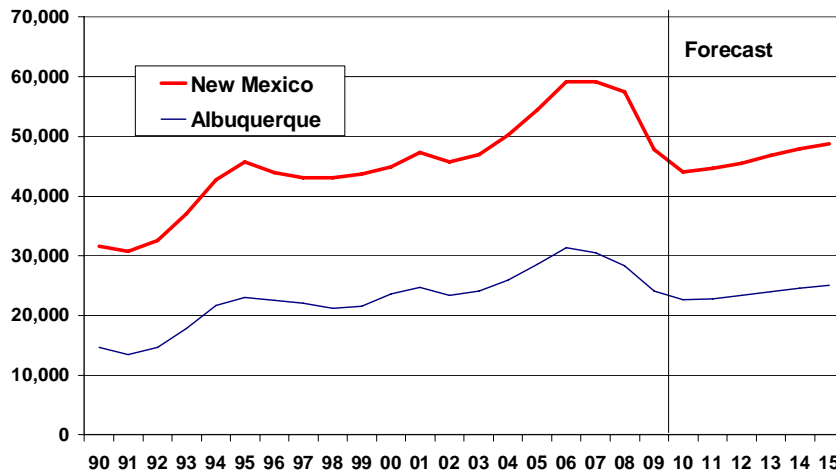
Source: US Bureau of Labor Statistics & NM Dept of Workforce Solutions
Global Insight, May 10; FORUNM, May 10

And an industry subject to considerable volatility

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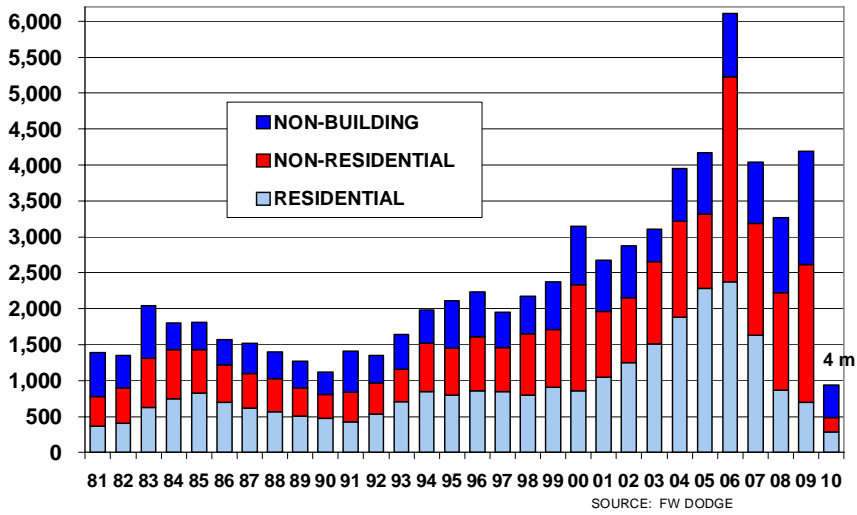
Construction – The prolonged boom and collapse

Construction Employment
New Mexico and Albuquerque

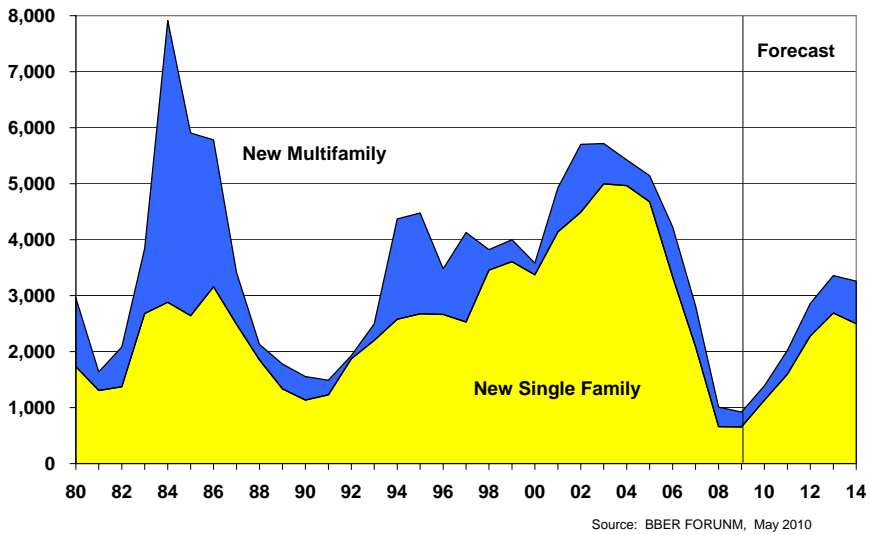


Source: FOR-UNM, May 2010

**NEW MEXICO DOLLAR VALUE OF CONSTRUCTION AWARDS
(\$000,000)**



City of Albuquerque Housing Units Permitted



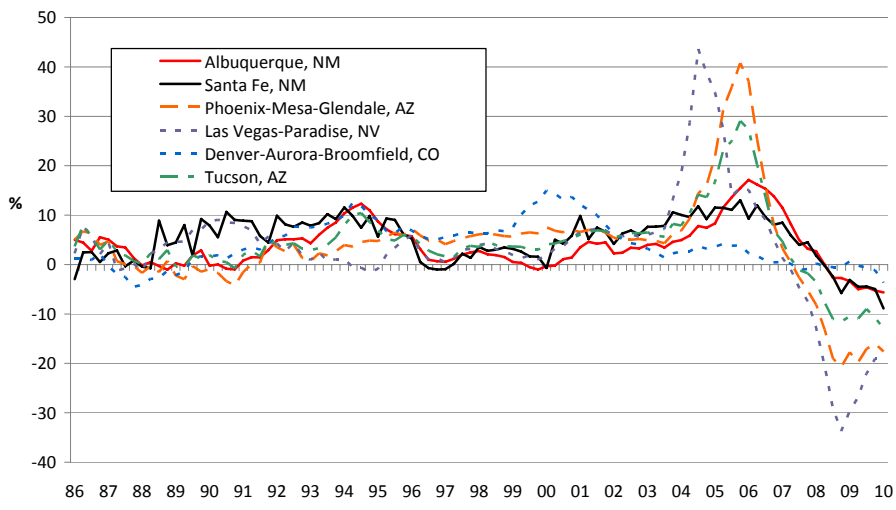
Sales of Existing Homes
Albuquerque Metropolitan Board of Realtors
October 2009

Class	Sales in April			Sales Year-to-Date		
	2010	2009	% chg	2010	2009	% chg
R1	678	542	25.1%			
R2	79	52	51.9%			
Total	757	594	27.4%	2,277	1,837	24.0%

Class	Average Price, April			Median Price, April		
	2010	2009	% chg	2010	2009	% chg
R1	\$ 205,601	\$ 206,070	- 0.23%	\$ 175,000	\$ 175,500	-0.28%
R2	\$ 154,508	\$ 156,420	- 1.22%	\$ 142,205	\$ 153,700	- 7.6%

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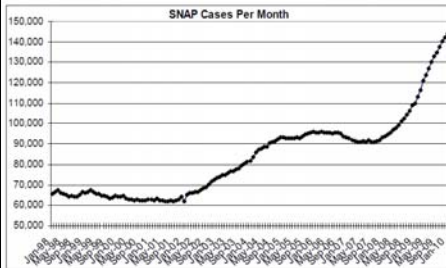
Four-Quarter % Change in FHFA MSA-Level House Price Indexes (All Trans Index, 2010Q1)



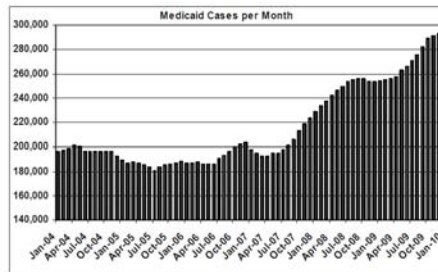
Impacts of the Economic Downturn

Monthly Stats from the NM Human Services Dept. Cutbacks in State & Local Spending

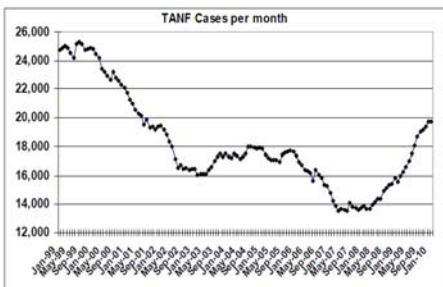
Supplemental Nutrition Assistance Program



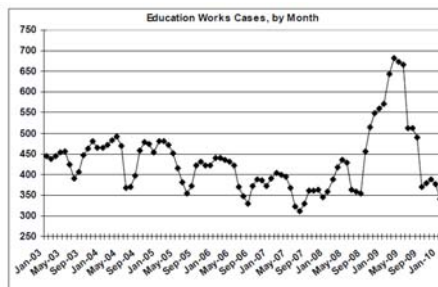
Medicaid



TANF Cash Assistance



Education Works



Impacts of the Economic Downturn State and Local Government Revenues

State Revenues: Recurring General Fund (December 09) \$Millions

	FY 08 Actual	FY09 Prelim	FY10 Forecast	FY 11
Total	\$6,015	\$5,320	\$4,823	\$5,121
General Sales	1,923	1,902	1,760	1,815
Income Taxes	1,568	1,121	1,150	1,257
Mineral Taxes	626	440	357	385
Rents & Royalties	610	544	335	407

Source: Presentation by DFA Secretary Katherine Miller to the Legislative Finance Committee on the October 2009 Consensus Revenue Estimates.

December 2009 Consensus General Fund Revenue Outlook

(million dollars)

	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>
February 2009 Revenue Estimate	5,727.0	5,485.1	5,756.1	5,992.3	6,180.6	6,397.0
August 2009 Revisions	(309.1)	(433.1)	(358.3)	(331.5)	(352.7)	(409.4)
October 2009 Revisions	(98.3)	(218.5)	(224.1)	(147.1)	(86.3)	(20.7)
<u>December 2009 Revisions</u>	<u>-</u>	<u>(10.3)</u>	<u>(52.6)</u>	<u>(97.5)</u>	<u>(134.3)</u>	<u>(169.9)</u>
Total Recurring Revenue	5,319.6	4,823.3	5,121.0	5,416.2	5,607.3	5,796.9
Annual percent change	-11.6%	-9.3%	6.2%	5.8%	3.5%	3.4%

ISSUES FOR HEARING Updated Consensus Revenue Estimates

SUMMARY:

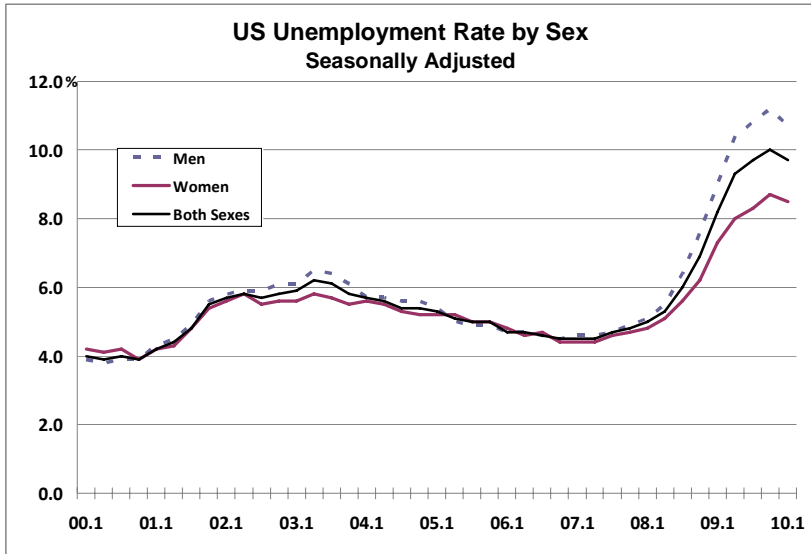
- FY10 revenue is down by \$10 million and FY11 by \$53 million compared with the October 2009 consensus estimate.
- After solvency initiatives, FY10 appropriations exceed revenue by \$279 million.
- FY10 ending reserves are less than 1 percent of appropriations. If all announced savings from Executive Orders are realized, reserves increase to 2.6 percent.
- Long-term revenue growth is 5.1 percent, below the 5.5 percent growth of personal income.

Source: Presentation by DFA Secretary Katherine Miller to the Legislative Finance Committee on the October 2009 Consensus Revenue Estimates.

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The Great Recession and the Economic Security of Women and Families

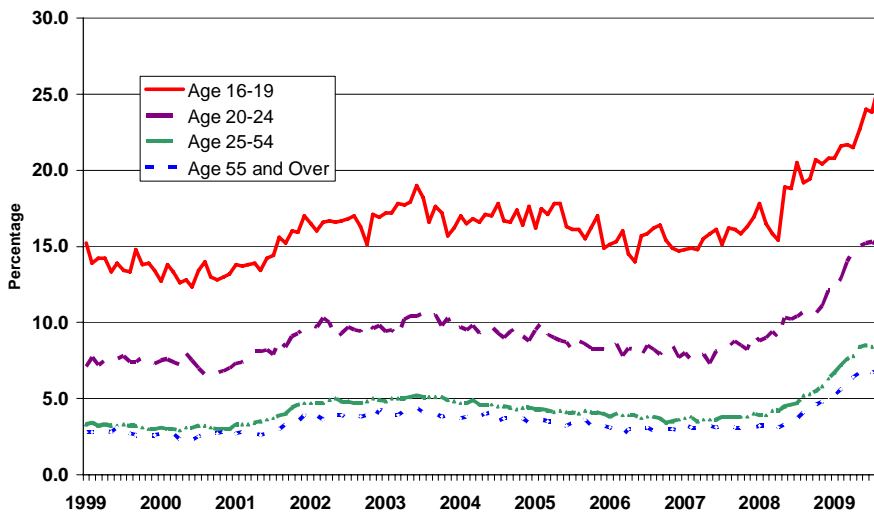
The burden of unemployment has fallen disproportionately on men. March 2010: Men over 20, 10%; Women, 8%



Source: US Bureau of Labor Statistics

And on young people...

US Unemployment Rate by Age Seasonally Adjusted



Source: US Bureau of Labor Statistics

Greatest job losses nationally and in NM have been in mining, construction, manufacturing, trade, transportation, professional & business services... In sectors dominated by men.

Percent of Industry Workers Who Are Female, 2006-08

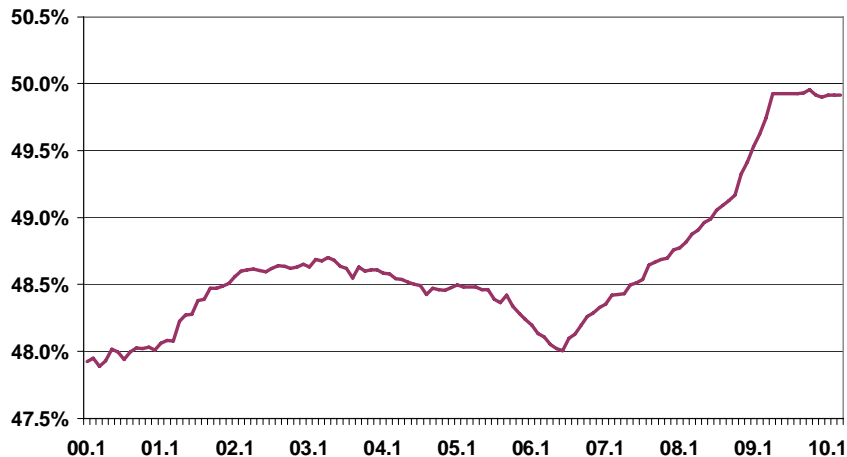
	United States	New Mexico
Total	46.7%	47.0%
Agriculture, forestry, fishing and hunting, and mining:	18.4%	15.8%
Construction	9.3%	9.7%
Manufacturing:	29.5%	27.4%
Wholesale trade:	29.9%	29.0%
Retail trade:	49.4%	51.2%
Transportation and warehousing:	25.0%	24.9%
Utilities	22.0%	24.6%
Information:	43.5%	44.3%
Finance and insurance	55.7%	66.4%
Real estate and rental and leasing	47.6%	48.0%
Professional, scientific, and technical services	44.6%	43.2%
Management of companies and enterprises	51.8%	27.3%
Administrative & support & waste management services	39.3%	40.1%
Educational services	68.7%	68.9%
Health care and social assistance:	78.9%	77.6%
Arts, entertainment, and recreation	45.9%	47.0%
Accommodation and food services	53.7%	55.8%
Other services, except public administration:	52.6%	52.6%
Public administration	44.8%	43.8%

US Census Bureau, American Community Survey, 2006-08

Economists think many of those jobs lost will never return.

Women now make up roughly half of wage and salary employment.

Women as a Percent of US Total Nonfarm Employees Monthly, Seasonally Adjusted



Source: US Bureau of Labor Statistics



“A child today is as likely to be living in a family with a working mom as a working dad...”

-Hartman, English & Hayes

Classification of Families in Terms of Labor Status, 2008

	US	NM
Families		
<u>Married Couples</u>	74.2%	70.6%
Traditional	13.0%	13.0%
Dual Earners	43.5%	37.3%
Women Only Working	7.3%	7.9%
Neither Working	10.5%	12.3%
<u>Other</u>	25.8%	29.4%
Male Head Working	5.7%	6.9%
Female Head Working	13.9%	15.6%
F or M Head Not Working	6.1%	6.9%

Calculations by UNM BBER from data collected and tabulated by US Census Bureau, American Community Survey, 2008

Families with women working	US: 64.7%	NM: 60.8%
Families with men working	US: 62.2%	NM: 57.2%

Unfortunately, “the major institutions of society have not transformed themselves as rapidly as men, women and children have changed their lives...”

-Hartman, English & Hayes

If look at what happens in the workplace, the US is one of the least family-friendly countries in the world.

Maternity Leave

2009 study UN Statistics Division

US, with 12 weeks, ranked 154th with 39 other countries, out of 180 countries in terms of the total number of the mandated number of days of maternity leave – right near the bottom. It was one of only a couple countries in the world that had no requirement that leave be paid. Where most stipulated that pay would be provided by “social insurance” or by the employer, there was no entry for the US, simply a footnote explaining that “there is no national program. Cash benefits may be provided at the state level.”

Other Family Leave

What about FMLA? What about private employers? The federal government?

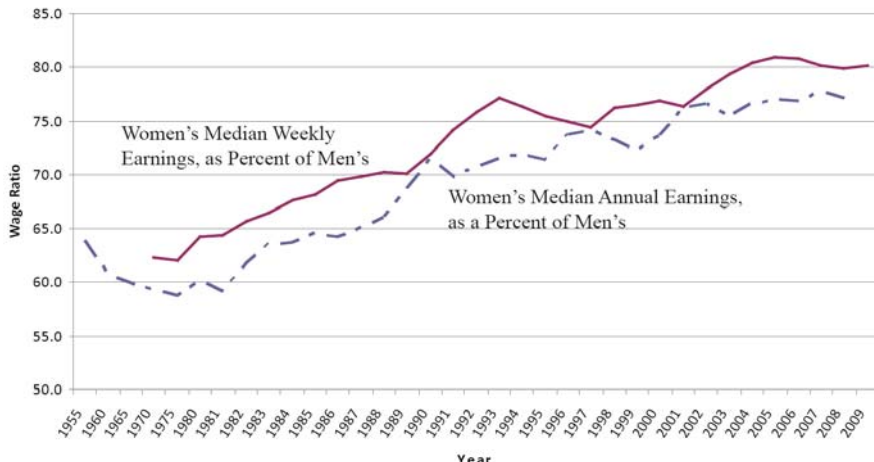
In fact, according to a Department of Labor study, only 8% of US workers get paid leave – for maternity or paternity, to take care of a sick child, to take care of relatives. And that figure drops to 6% in the Mountain West.

Taking time off to go to a parent-teacher conference can mean taking off the whole day.

Persistence of Unexplained Gap in Earnings

Women are assuming more financial responsibilities toward their families, but still underpaid...

The Gender Earnings Ratio, 1955-2009, Full-Time Workers



Heidi Hartman, Ashley English, and Jeffrey Hays, *Women and Men's Employment and Underemployment in the Great Recession*, Institute for Women's Policy Research, Feb. 2010

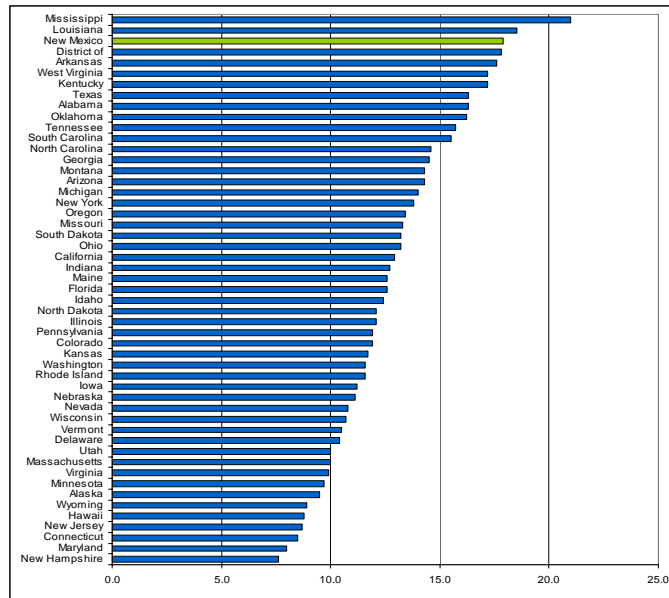
In New Mexico in 2008, women who worked full-time year-round earned just under 76% of their male counterparts. New Mexico ranked 23rd among the states. However, median earnings for these women was only \$30,623 – almost \$10,000 less than men.

And many New Mexico women (43%) worked part-time or only part of the year. The median earnings for these women was \$20,222 and ranked 44th among the states, highest to lowest.

UNM BBER calculations from the US Census Bureau, American Consumer Survey, 2008

Persistence of Poverty

Percentage of People in Poverty, 2006-08



PERCENTAGE OF FAMILIES AND PEOPLE WHOSE INCOME IN THE PAST 12 MONTHS IS BELOW THE POVERTY LEVEL, 2006-08

	United States		New Mexico		Bernalillo County	
	%	error	%	error	%	error
All families	9.6%	+/-0.1	13.7%	+/-0.5	11.1%	+/-0.8
With related children under 18 years	14.9%	+/-0.1	21.3%	+/-0.8	18.1%	+/-1.5
With related children under 5 years only	16.1%	+/-0.1	25.1%	+/-1.9	20.8%	+/-2.9
Married couple families	4.6%	+/-0.1	7.2%	+/-0.5	5.1%	+/-0.6
With related children under 18 years	6.4%	+/-0.1	10.4%	+/-0.8	7.6%	+/-1.2
With related children under 5 years only	5.9%	+/-0.1	8.5%	+/-1.7	5.2%	+/-2.1
Families with female householder, no husband present	28.2%	+/-0.1	34.7%	+/-1.4	30.5%	+/-2.9
With related children under 18 years	36.5%	+/-0.2	44.1%	+/-1.9	39.7%	+/-3.6
With related children under 5 years only	44.9%	+/-0.4	55.2%	+/-4.6	53.0%	+/-7.9
All people	13.2%	+/-0.1	17.9%	+/-0.5	15.2%	+/-0.8
Under 18 years	18.2%	+/-0.1	24.9%	+/-1.0	22.2%	+/-1.9
Related children under 18 years	17.8%	+/-0.1	24.6%	+/-1.0	22.0%	+/-2.0
Related children under 5 years	21.0%	+/-0.2	29.0%	+/-1.5	26.0%	+/-2.6
Related children 5 to 17 years	16.5%	+/-0.1	22.7%	+/-1.1	20.2%	+/-2.1
18 years and over	11.5%	+/-0.1	15.5%	+/-0.4	12.9%	+/-0.6
18 to 64 years	11.8%	+/-0.1	16.0%	+/-0.5	13.6%	+/-0.6
65 years and over	9.8%	+/-0.1	13.2%	+/-0.7	9.3%	+/-1.1
People in families	10.7%	+/-0.1	15.5%	+/-0.6	12.9%	+/-1.0
Unrelated individuals 15 years and over	24.0%	+/-0.1	28.2%	+/-0.8	23.3%	+/-1.2

American Community Survey, 2006-08

A “Great” Recession?

In its depth, breadth and length...

Devastating to many who have lost their jobs, perhaps permanently; to those who have lost their assets, their homes, their businesses...

“Great”, however, only if it results in major institutional and economic changes...