The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
While employment has increased over the past four years in the nation, New Mexico has struggled to recover from the recent recession.

**PAYROLL EMPLOYMENT**

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past 10 Years</th>
<th>Past Year</th>
<th>Peak to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>5.5%</td>
<td>1.8%</td>
<td>0.0%</td>
</tr>
<tr>
<td>N.M.</td>
<td>3.3%</td>
<td>0.7%</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Abq.</td>
<td>-0.1%</td>
<td>-0.4%</td>
<td>-6.9%</td>
</tr>
</tbody>
</table>

Most states, including New Mexico, have experienced positive job growth over the past year.

August 2014 Nonfarm Employment
Year-over-Year Percent Change, Seasonally Adjusted

Unemployment rates have declined and are expected to decline further as the economic recovery strengthens.

**Unemployment Rates**

*Seasonally Adjusted*

![Graph showing unemployment rates for United States and New Mexico from 2006 to 2014.](image)

- **United States**
  - Historical Averages:
    - 2006: 6.9%
    - 2014: 6.7%
    - 2013: 6.1%

- **New Mexico**
  - Historical Averages:
    - 2006: 6.2%
    - 2014: 6.7%

*Source: Bureau of Labor Statistics & Federal Reserve Board*

*Average monthly unemployment rate from January 1980 through 2006.*
As job markets expanded at a faster pace in neighboring states, population growth slowed in New Mexico.

**New Mexico Population Trends**

**Average Annual Percent Change**

*1980 to 2007*

**Average Annual Percent Change**

*2007 to 2013*

Source: U.S. Census Bureau
Employment growth has varied across industries in New Mexico over the past year.

**PAYROLL EMPLOYMENT, AUGUST 2014**
*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>New Mexico</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Activities</td>
<td>-0.2%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>-0.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Education &amp; Health Services</td>
<td>-0.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Information</td>
<td>-1.8%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-2.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-3.0%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>-9.6%</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Local Government</td>
<td></td>
<td>-0.5%</td>
</tr>
<tr>
<td>State Government</td>
<td></td>
<td>-0.7%</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>-1.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td></td>
<td>-2.1%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td></td>
<td>-3.0%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td></td>
<td>-9.6%</td>
</tr>
<tr>
<td>Federal Government</td>
<td></td>
<td>-0.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**Source:** Bureau of Labor Statistics/Haver Analytics.
Employment in most New Mexico industries remains below pre-recession levels.

**PAYROLL EMPLOYMENT, AUGUST 2014**

*Seasonally Adjusted*

Natural Resources & Mining: 39.9%
Education & Health Services: 14.0%
Financial Activities: 2.3%
Leisure & Hospitality: 1.0%
Local Government: -2.1%
State Government: -2.2%
Federal Government: -3.3%
Retail Trade: -4.0%
Other Services: -4.7%
Transportation & Utilities: -6.3%
Professional & Business Services: -10.8%
Wholesale Trade: -12.0%
Information: -21.1%
Manufacturing: -26.7%
Construction: -29.8%

*New Mexico*

*United States*

The government, healthcare, and professional & business services sectors employ more than half of all workers in New Mexico.

**New Mexico Industry Shares**  
*Seasonally Adjusted*

**Shares of Employment**
- Government: 23.5%
- Educational and Health Services: 15.8%
- Professional & Business Services: 11.8%
- Retail Trade: 11.4%
- Leisure & Hospitality: 11.4%
- Construction: 10.9%
- Financial Activities: 5.1%
- Mining and Logging: 4.4%
- Transportation & Utilities: 3.4%
- Other: 3.4%

**Shares of Gross State Product**
- Government: 16.8%
- Educational and Health Services: 16.1%
- Professional & Business Services: 9.8%
- Retail Trade: 7.4%
- Leisure & Hospitality: 5.8%
- Construction: 3.8%
- Financial Activities: 2.9%
- Mining and Logging: 10.9%
- Transportation & Utilities: 4.1%
- Other: 9.8%

Source: Bureau of Labor Statistics and Bureau of Economic Analysis
Unlike previous downturns, government employment has declined in New Mexico since the recession started.

**New Mexico Government Employment**

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Past Year</th>
<th>Since Dec. '07</th>
<th>Share of Total Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Mexico</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local</td>
<td>0.3%</td>
<td>-2.1%</td>
<td>12.7%</td>
<td></td>
</tr>
<tr>
<td>State</td>
<td>-0.2%</td>
<td>-2.2%</td>
<td>7.2%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>-3.0%</td>
<td>-3.3%</td>
<td>3.6%</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Government consists of Local, State, and Federal Government employment sectors.*

*Source: Bureau of Labor Statistics*
A decline in federal government spending has also affected employment in professional and business services.

### Professional and Business Services Employment

*Index 100 = August 2004, Seasonally Adjusted*

| Source: Bureau of Labor Statistics |

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Past Year</th>
<th>Since Dec. '07</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>3.4%</td>
<td>6.9%</td>
<td>13.9%</td>
<td></td>
</tr>
<tr>
<td>N.M.</td>
<td>-2.1%</td>
<td>-10.8%</td>
<td>11.8%</td>
<td></td>
</tr>
</tbody>
</table>

**United States**

**New Mexico**
The construction industry has not recovered from the severe downturn in 2008.

**CONSTRUCTION EMPLOYMENT**

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past Year</th>
<th>Since Dec. '07</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>4.0%</td>
<td>-19.0%</td>
<td>4.3%</td>
</tr>
<tr>
<td>N.M.</td>
<td>-0.5%</td>
<td>-29.8%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Residential construction activity fell sharply during the recession and has been slow to recover.

**Value of Residential Construction**

*Index 100 = August 2004, Seasonally Adjusted, Three-Month Moving Average*

<table>
<thead>
<tr>
<th>Percent Change Year-to-Date</th>
<th>Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>5.9%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>-11.1%</td>
</tr>
</tbody>
</table>

Home prices are rising in most states...

FHFA Purchase-Only Home Price Index (2014Q2)
Percent Change Year-over-Year, Seasonally Adjusted

Source: Census Bureau/Haver Analytics.
...yet prices remain below pre-recession values in many states.

FHFA Purchase-Only Home Price Index (2007Q1 – 2014Q2)
Percent Change, Seasonally Adjusted

Source: Census Bureau/Haver Analytics.
The leisure and hospitality industry is a key sector for New Mexico that has been expanding in recent years.

**Leisure and Hospitality Employment**

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Past Year</th>
<th>Since Dec. '07</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>2.4%</td>
<td>8.1%</td>
<td>10.5%</td>
<td></td>
</tr>
<tr>
<td>N.M.</td>
<td>0.8%</td>
<td>1.0%</td>
<td>10.9%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
In 2014, hotel occupancy rates in New Mexico have been in line with historical averages.

**Hotel Occupancy Rates**

In 2014, hotel occupancy rates in New Mexico have been in line with historical averages. The graph shows the occupancy rates from January to November for both New Mexico and Albuquerque, along with the 10-year average and the YTD averages for each year. The data is sourced from the Rocky Mountain Lodging Report.
However, airport traffic has declined in New Mexico as flight options have been reduced.

**AIRPORT TRAFFIC**

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Index</th>
<th>Aug. 04</th>
<th>Aug. 06</th>
<th>Aug. 08</th>
<th>Aug. 10</th>
<th>Aug. 12</th>
<th>Aug. 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td><img src="chart1" alt="Graph of United States traffic" /></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Mexico</td>
<td><img src="chart2" alt="Graph of New Mexico traffic" /></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: District Airports*
The energy sector employs a much larger share of workers in New Mexico, and has been the strongest industry in the state since the recession started.

### MINING AND LOGGING EMPLOYMENT

*Index 100 = August 2004, Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Past Year</th>
<th>Since Dec. '07</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>5.5%</td>
<td>24.1%</td>
<td>0.7%</td>
<td></td>
</tr>
<tr>
<td>N.M.</td>
<td>4.9%</td>
<td>39.9%</td>
<td>3.4%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Oil production has increased sharply over the past few years in New Mexico, as natural gas production has declined.

Source: Baker Hughes, Energy Information Association.
Crop prices have fallen alongside favorable growing conditions, reducing profit margins for crop producers.

**U.S. CROP PRICES**

Dollars per bushel

- **Soybeans**
- **Wheat**
- **Corn**

*Source: Wall Street Journal*
The profitability of the livestock sector has improved with lower crop prices, improved pasture conditions, and higher livestock prices.

**U.S. LIVESTOCK PRICES**

Dollars per hundredweight

- **Cattle Price**
- **Cattle Breakeven**
- **Hog Price**
- **Hog Breakeven**

Source: USDA and Iowa State University
Manufacturing activity has strengthened in the U.S. and Tenth District so far in 2014.

**Manufacturing Activity**

*Diffusion Index, Seasonally Adjusted, Month-over-Month*

After a decline in 2013, total New Mexico exports have increased this year.

**NEW MEXICO EXPORTS BY TRADING PARTNER**

*Billions*

![Chart showing New Mexico exports by trading partner from 2003 to 2013.]

**JULY 2014 YEAR-TO-DATE**

*Percent Change*

<table>
<thead>
<tr>
<th>Total Trade</th>
<th>28.2%</th>
<th>SHARE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other</td>
<td>16.2</td>
<td>15.3%</td>
</tr>
<tr>
<td>Canada</td>
<td>-28.8</td>
<td>10.6</td>
</tr>
<tr>
<td>Mexico</td>
<td>21.6</td>
<td>29.4</td>
</tr>
<tr>
<td>Israel</td>
<td>13.7</td>
<td>28.9</td>
</tr>
<tr>
<td>China</td>
<td>5.6</td>
<td>4.4</td>
</tr>
<tr>
<td>Eurozone</td>
<td>166.8</td>
<td>11.4</td>
</tr>
</tbody>
</table>

*Note: Eurozone includes the 27 EU member countries. *2013 Share

Source: WISERTrade

*2013 Share*
Conclusions

• New Mexico has struggled to recover from the recent recession due in part to the state’s heavy reliance on the government sector and a sharp decline in construction activity.

• Cutbacks in the government sector have led to job losses in both government employment and professional & business services employment.

• Residential construction activity has struggled to bounce back and remains well below pre-recession levels.

• However, unemployment rates have fallen gradually in New Mexico, and employment has increased modestly over the past year.

• Employment gains in recent years have been primarily driven by the energy, healthcare, and leisure & hospitality sectors.
For additional information on the regional economy:

Alison Felix
Alison.Felix@kc.frb.org