The National Economy

- Costs of Great Recession were very large (and unnecessary)
  - Recovery is incomplete

- The Great Recession was not the result of a natural disaster
  - The economy’s capacity to produce was not diminished
  - Resources and technology to produce at much higher levels remain available

- The Great Recession and slow recovery were policy choices
  - Will the US ‘be like Japan’?
  - The deficit and debt problems are the easy problems to fix
  - Sequestration is stupid policy (Alan Simpson of Simpson-Bowles fame)
Real GDP and Real GDP Gap
(Billions of 2005 Dollars)

Real GDP Gap 2008 Q1 to 2012 Q4 = $6.6T

1947-2007 Trend = 3.3%

Source: Bureau of Economic Analysis and Author Computations.
Non-farm employment: Cumulative Change January 2008 to January 2013 (1,000s of jobs)

Jan 2013 = -3.2 million

Source: Bureau of Labor Statistics (CES Data base)
“Let’s play two!”
Ernie Banks
Will we have Japanese style growth?

Annual Percent Change in Japan's Real GDP: 1992 to 2012

Average 1992-2012 (Red Line) = 0.7%
Average 1981-1991 (Green Line) = 4.5%

Source: World Bank World Development Indicators Feb 20, 2012
Some good news!
No insolvency for the federal government!

“That all of these claims on government are readily accepted reflects the fact that a government cannot become insolvent with respect to obligations in its own currency. A fiat money system, like the one we have today, can produce such claims without limit.”

Former Federal Reserve Chairman Alan Greenspan (1997, p.2)
New Mexico: Red or Green?

- Recovery is weak at best
- The issues
  - The national economy
  - Federal spending
  - Oil and gas
  - No growth plan or strategy
- The Legislature
  - HB 2 (The budget)
  - Capital Outlays
  - SB416 Minimum wage legislation
  - HB 182 Corporate Income Tax legislation
Are we making progress?
Percent Change in per capita personal income: NM and US 1961-2011

Percent Chg US
Percent Chg NM
What do they know in Philadelphia?

New Mexico Business Cycle Index (coincident)
1992 = 100
January 2002 to December 2012

http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/leading/
More from the Philadelphia Fed

New Mexico Leading Economic Indicator (6 months)
(Percent change)

Source: Federal Reserve Bank of Philadelphia
New Mexico Employment
No signs of recovery

Non-farm employment: US (Left Scale) NM (Right Scale)
(1,000s of jobs)

NM December 2007 to December 2013 = -48K jobs
December 2011 to December 2012 = -3K Jobs

Source: Bureau of Labor Statistics (CES Database)
New Mexico Employment
Decreases in most sectors

Source: Bureau of Labor Statistics
New Mexico Employment
No signs of recovery

Source: Bureau of Labor Statistics
New Mexico Single Family Housing Starts authorized by Building permits January 2002 to December 2012 (Seasonally adjusted)

Source: St. Louis Fed.
New Mexico Public and Private Sector Employment December 2012

Private Sector, 611.1

Public sector, 189.7

76%

24%

Source: Bureau of Labor Statistics
“The state budget continues to be under great pressure.”
John Arthur Smith, Chair LFC, January 2013

New Mexico General Fund Expenditures FY08 to FY14
Billions of Dollars

Source: NM Department of Finance and Administration, "General Fund Financial Summary"
FY12 and FY13 not audited
FY14 estimate from Legislative Finance Committee Recommendations
New Mexico Budget Adjusted for Inflation

New Mexico General Fund Expenditures FY08 to FY14
Billions of 2007 Dollars

Source: NM Department of Finance and Administration, "General Fund Financial Summary"
FY12 and FY13 not audited
FY14 estimate from Legislative Finance Committee Recommendations
Federal Spending as a Percent of State GDP

Source: Wells Fargo and the Pew Center.
Estimates of Federal Government expenditures and revenues NM 2011

Billions of Dollars

Sources: USA Spending.Gov and IRS, Statistical Data Book
Expenditures are underestimated and exclude several items
Oil and Gas Prices

Source: Energy Information Administration STEO Feb 7, 2013
Oil Prices and Rig Counts

Rig Counts in NM and WTI Prices 1987 to 2012

WTI in $ per barrel  Rig Counts = Active Units

Source: Energy Information Administration STEO Feb 7, 2013 and Baker Hughes
A New Mexico Forecast

• 2013
  • Non-farm employment (jobs) increase 0 to 1%
  • Total personal income increase 3-4%
  • NM Gross Domestic Product 3-4%
• Beyond 2013
  – NM non-farm-employment reaches pre-recession level in 2018 or 2019
2013 Forecast . . .

[Image of a magazine cover with the title "Baseball Preview Sports Illustrated" and a baseball player pitching.]

Hell Freezes Over
The Cubs Will Win the World Series

Complete Scouting Reports
Lineups and 62 Pages Of Inside Info

Stat Wars
The Best Statistical Data of All Time in One Place

Arrowhead Center®
Thank you!
Questions?