Recovering from Recession

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The economy takes a huge step back!
As the Great Recession of 2007 starts to lessen, we can begin to assess the damage it left in its wake. Looking back at past recessions, including 1983, we have not seen businesses shed this many jobs this quickly. Yet, the recession is hardly over for the unemployed that are waiting out layoffs or trying to replace the jobs they’ve lost. As we have frequently heard throughout the recession, unemployment is a lagging indicator, meaning once business activity resumes, employers tend to take a wait and see attitude before they start adding workers to meet customer demands, leaving the unemployed waiting for job growth to begin.

How many jobs have we lost to the recession?
Unfortunately, the final losses have yet to be realized. Nationally, over 7.3 million jobs have been lost from December 2007, the official start of the recession, to October 2009, representing a decline of over 5.2 percent. So far, New Mexico’s economy has shed about 32,600 jobs, roughly a 3.8 percent contraction from December 2007 to October 2009. The uncertainty of how many more jobs businesses will cut has economists questioning when we will reach the bottom of the contraction. The opinions of several economists put the bottom at where we are today, and out as far as the second quarter of 2010.

Recovery is coming.
In recent months, it seemed for every business opening that was announced we heard of two or three business layoffs or closures. While we are not out of the woods yet, there is an end in sight. Last week, news releases showed eight of the ten leading indicators had positive gains; and U.S. GDP this week showed an expansion, the first in four quarters; housing and retail have shown some positive improvements, or at least slowing declines; all of which signal that recovery is coming. Based on the opinions of our economists, we can conclude that the discontinuation of job losses is near; job growth will begin within three quarters, and it will not likely be robust. The construction sector enjoyed a boom from 2005 until the housing and financial markets seized up in 2008. The loose credit markets and lending regulations created a false environment for builders and home buyers. Now that the bubble has burst, credit has tightened, compounded with concerns over the economy, construction activity is not likely to return to its pre-recession levels in the short term, and the other industry sectors will not be able to add enough jobs to compensate for the construction job losses. From these assumptions, and basing future employment growth on Economic Research & Analysis’ 2008-2018 Industry Projections, employment is expected to recover to December 2007 levels between 2013q4 and 2014q4, if job loses continue into the second quarter of 2010.
A faster recovery would see employment return to pre-recession levels by the 4th quarter of 2013.

A more moderate recovery would see employment return to pre-recession levels possibly by the 4th quarter of 2014.

Trendline according to 2008-2018 industry projections.

Peak employment was 855,300 in Dec 2007.

Job growth begins → in 1st quarter 2010.

Job growth begins ← in 2nd quarter 2010.

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New Mexico Employment Projections 2008-2018

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