ECONOMIC RECOVERY

Overview

According to the National Bureau of Economic Research (NBER), the most recent national recession began in December of 2007 and ended in June of 2009. New Mexico’s labor market, like that of many other states, continued to be hard hit into 2010, with unemployment peaking after the official end of the recession. While it is difficult to project when New Mexico and its counties might see employment levels similar to those prior to the recession, recent data shows that many of New Mexico’s regions and counties are experiencing either slowed job losses and unemployment declines, or even employment gains.

In order to measure recovery, one must first look at how severely each area’s job market was impacted by the recession. New Mexico’s regions and counties experienced varying levels and degrees of recessionary labor market impacts. Just as some areas felt the impact of the recession earlier than others, certain areas are experiencing more significant recovery in their individual job markets. This article analyzes labor market data—with a focus on employment, unemployment, and initial UI claims—to measure the early economic recovery of New Mexico’s regions and counties. Labor market data herein is typically evaluated over a 5- to 10-year period, with the recession and early recovery periods highlighted throughout the analysis for the purpose of perspective in growth and contraction of specific labor market variables. When evaluating the changes in variables from recessionary impacts and recovery, analysis focuses on the period beginning in January 2006 and ending in the most recent period for which data is available (typically March 2012). Troughs and peaks in employment, unemployment rates, and initial claims are identified within this time period. For the purposes of this analysis, only regular initial claims are evaluated.
New Mexico in the Recovery—How We Compare to Neighboring States

EMPLOYMENT GROWTH
Recessionary impacts on the labor market were felt by all states, with the largest employment losses occurring in 2009 and 2010. New Mexico experienced overall percentage employment losses similar to those of several neighboring states, including Arizona, Colorado, and Utah. Percentage employment losses in New Mexico were less than those of the nation as a whole, but greater than those experienced by New Mexico’s eastern neighbors, Texas and Oklahoma. All states showed signs of recovery in 2011, with employment losses significantly less than in the previous year, and employment growth occurring in Colorado, Texas, and Oklahoma. New Mexico’s recovery has lagged behind that of the U.S. In 2011, U.S. employment grew by 0.6 percent, while employment declined by 0.2 percent in New Mexico. New Mexico’s loss in employment in 2011, however, was the

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SUMMARIZING STATE-LEVEL RECESSIONARY IMPACTS & THE EARLY RECOVERY
New Mexico’s labor market experienced significant impacts from the recession; however, impacts were similar to those of several neighboring southwestern states. Utah and Arizona experienced faster growth in unemployment and some of the highest initial claims as a percentage of employment. Utah’s job loss was the greatest of all southwestern states, and it was the only state whose employment losses exceeded those of the U.S. in 2009. Texas and Oklahoma seemed to fare better in the recession to some degree. Both states only experienced employment declines in 2009, and unemployment rates were not significantly higher than those of other states. Initial claims as a percentage of employment in Oklahoma, however, were some of the highest. New Mexico and Colorado both experienced employment losses, unemployment increases, and initial claims levels that were often in the middle of all southwestern states, as far as severity.

What about the recovery? All states have begun to experience slow improvements in the labor market. Utah was impacted greatly by the recession but appears to be climbing out more quickly than many of the southwestern states. While employment losses are still realized, declines in the unemployment rate and initial claims as a percentage of employment have been sharper than those of other states. New Mexico’s rate of recovery seems to be slightly lagging behind that of other states. While New Mexico looks to be close to realizing employment growth for the first time since 2007, decreases in the unemployment rate and initial claims are slower than in many of the other states. Arizona continues to experience greater employment losses while Colorado is experiencing growth. The unemployment rate and initial claims in both states have declined more quickly than have the southwestern averages, however. Both Texas and Oklahoma have seen employment growth since 2010. Unemployment has improved, although Texas’s unemployment rate was stagnant through much of 2010 and 2011.

Note: All data at the statewide level is seasonally adjusted.
“New Mexico’s loss in employment in 2011, however, was the least of the three states that continued to see a decline in employment numbers.”

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**UNEMPLOYMENT**
The unemployment rate skyrocketed during the recession (indicated in grey in Chart 2). Over the recession and early recovery, Arizona’s unemployment rate remained the highest. Utah’s unemployment rate was the lowest pre-recession, but increases in Utah’s rate led Oklahoma to have the lowest rate between early 2009 and late 2011. New Mexico’s unemployment rate has remained less than that of most neighboring states since the latter half of the recession (Oklahoma and, at times, Utah being the exceptions). As of March 2012, Oklahoma, Utah, and Texas had the lowest unemployment rates, followed by New Mexico.

Average monthly changes from a state’s peak and trough unemployment rates between January 2006 and March 2012 are measured to evaluate how significantly each state was impacted. Utah and Arizona experienced the largest average monthly growth in unemployment rates.

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“New Mexico’s average monthly unemployment rate growth between trough and peak rates was the least of all states.”

**TABLE 1. Unemployment Rate Troughs, Peaks & Average Monthly Change, January 2006 to March 2012**

<table>
<thead>
<tr>
<th>Area</th>
<th>Lowest Rate</th>
<th>Final Peak</th>
<th>March 2012</th>
<th>From Lowest to Peak</th>
<th>From Peak to Mar-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>May-07 4.4%</td>
<td>Oct-09 10.0%</td>
<td>8.2%</td>
<td>4.4%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>NM</td>
<td>Jun-07 3.4%</td>
<td>Oct-10 8.0%</td>
<td>7.2%</td>
<td>3.3%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>AZ</td>
<td>Jul-07 3.5%</td>
<td>Mar-10 10.8%</td>
<td>8.6%</td>
<td>6.5%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>CO</td>
<td>Apr-07 3.5%</td>
<td>Nov-10 9.0%</td>
<td>7.8%</td>
<td>3.7%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>UT</td>
<td>Mar-07 2.4%</td>
<td>Jan-10 8.3%</td>
<td>5.8%</td>
<td>7.2%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>TX</td>
<td>Feb-08 4.3%</td>
<td>Dec-10 8.2%</td>
<td>7.0%</td>
<td>2.7%</td>
<td>-1.0%</td>
</tr>
<tr>
<td>OK</td>
<td>Apr-08 3.3%</td>
<td>Feb-10 7.2%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>-1.0%</td>
</tr>
</tbody>
</table>

Note: Trough and peaks are identified for the period of January 2006 to the most recent period for which data is available (March 2012). Analysis is based on rounded unemployment rates.
of all southwestern states, between their lowest and peak highest rates. Besides Texas, New Mexico’s average monthly unemployment rate growth between trough and peak rates was the least of all states.

Peak unemployment rates varied among the states, and all states have experienced trending declines since peaking. Utah’s unemployment rate peaked the earliest (Jan-10, 8.3%) and has experienced the largest average monthly declines since that time, indicating that it has seen a more significant recovery in recent months. Recessionary impacts in Texas hit later than in the other states. Unemployment rates peaked last (Dec-10, 8.2%) and, after a period of stagnation, declined quickly in mid to late 2011.

While it may seem that declining unemployment is a strictly positive indicator, it is important to remember that unemployment data may not be measuring individuals that have left the job market after extended unemployment. Even taking into account labor force departures, which are difficult to measure, some of the decline in unemployment (or slowing of growth) would, at least to some degree, be related to labor market recovery. New Mexico’s unemployment rate peaked in October 2010 at 8.0 percent (note: this varies from the non-seasonally adjusted peak of 8.4 percent in July 2010). New Mexico has begun to see signs of job market recovery, albeit in slow and small increments and trends (0.6 percent monthly since October 2010).
INITIAL CLAIMS-REDUCTIONS IN THE NEWLY UNEMPLOYED

Initial claims are an indicator of new job losses and can be used to measure when job losses were at their greatest. The unemployment rate differs in that it also considers those individuals that are unemployed for any length of time and measures all the unemployed, including the large number who aren’t eligible for unemployment insurance or do not file for unemployment insurance benefits.

Chart 4 shows a quarterly moving average of initial claims as a percentage of employment for New Mexico and neighboring southwestern states. The use of the quarterly moving average allows for smoothing of initial claims data, which sees large amounts of monthly variability as well as significant seasonality. As with many labor market indicators, New Mexico’s initial claims as a percentage of employment were in the middle in comparison to the surrounding southwestern states.

Initial claims peaked for most states in the winter of 2008. All states have seen an obvious downward trend in initial claims after peaking, indicating that job losses slowed as employers reached new recessionary employment levels. Initial claims began to decline earliest in Oklahoma and Colorado and declined most rapidly in Arizona and Oklahoma.

For New Mexico, initial UI claims were at their highest levels in January of 2009, having nearly doubled in the last quarter of 2008 alone. Since January 2009, initial UI claims in New Mexico have declined by 27 percent, nearly reaching the levels experienced at the beginning of the recession, prior to the spikes in late 2008.

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Recovery in New Mexico’s Regions

The recessionary impacts on employment in New Mexico’s four regions varied. Based on employment and unemployment, it appears that the Eastern counties were impacted the least of all four New Mexico regions. The Central and Northern regions experienced the largest decreases in employment, beginning in 2008 and continuing.

SUMMARIZING REGIONAL RECESSIONARY IMPACTS & THE EARLY RECOVERY

In general, recessionary impacts were less severe in the Eastern Region of New Mexico than in the remaining three regions. The remaining regions saw greater impacts in varying areas of the labor market. The Central and Northern regions often mirror statewide impacts due to having a large percentage of the state’s population. Between 2008 and 2011, employment losses in the Central and Northern regions were greater than those of the Eastern and Southwestern regions. The Northern Region continues to experience greater employment losses. In general, regional unemployment rates have stayed in line with that of the state, with Central Region rates declining slightly more slowly. Initial claims have also been declining at similar rates.

The Southwestern Region also experienced greater recessionary impacts, most evident through its high unemployment rate. The Southwest has had the highest unemployment rate of the four regions since before 2001. The unemployment rate increased most rapidly in the Southwest. Recent declines in both the unemployment rate and initial claims have lagged behind those of other regions. Positively, 2011 brought growth in employment, greater than all regions except for the East.

The Eastern Region of New Mexico felt the impacts of the recession later than the other three. Employment declines did not begin until 2009 and were less significant. The East’s unemployment rate also indicates lesser recessionary impacts. As unemployment rates increased for the state’s regions, the Eastern rate grew much more slowly, and decreased more quickly after peaking in July 2010. Likewise, initial claims have fallen more rapidly than those of other regions. There are many factors that played into the less severe impacts in the East, including energy sector growth in Eddy and Lea counties. By 2011, employment had begun to grow.
“Based on employment and unemployment, it appears that the Eastern counties were impacted the least of all four New Mexico regions.”

through 2011. While employment losses decreased and were at significantly smaller levels in the Central and Northern regions by 2011, the Eastern and Southwestern regions had already begun to experience employment increases.

Prior to the recession, unemployment rates in the Central, Eastern, and Northern regions were very similar to that of the state. The Southwestern Region has historically had greater unemployment than that of the other regions. Unemployment rates in each region rose during the recession and into 2010. The unemployment rate peaked earliest in the Southwestern Region, followed five months later by the other regions. The rate also grew the fastest in the Southwest. Some of the increase in the unemployment rate is due to the short-term impacts of the Chino Mine closure, which later re-opened. The Central Region saw the slowest growth, stretched across a longer period of time.

All regions are beginning to see recovery in unemployment rates. Since peaking in July of 2010, the rate in the East has declined the fastest on a monthly basis. As of March 2012, unemployment rates had declined by 0.5 to 1.4 percent, on an average monthly basis, since each region’s peak rate.

Initial claims have also begun to decline in New Mexico’s four regions. Sharp increases

<table>
<thead>
<tr>
<th>New Mexico</th>
<th>Central</th>
<th>Eastern</th>
<th>Northern</th>
<th>Southwestern</th>
</tr>
</thead>
</table>

“As of March 2012, unemployment rates had declined by 0.5 to 1.4 percent, on an average monthly basis, since each region’s peak rate.”
8. Initial Unemployment Insurance Claims in New Mexico’s Four Regions, 2006-2012

Recessionary Peak & Trough

<table>
<thead>
<tr>
<th>County</th>
<th>Lowest</th>
<th>Period</th>
<th>Peak</th>
<th>Period</th>
<th>Low-Peak</th>
<th>Peak-3/12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>1,068</td>
<td>Jan-06</td>
<td>5,164</td>
<td>Jan-09</td>
<td>10.7%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Eastern</td>
<td>391</td>
<td>Jan-06</td>
<td>1,639</td>
<td>May-09</td>
<td>8.0%</td>
<td>-1.5%</td>
</tr>
<tr>
<td>Northern</td>
<td>764</td>
<td>Jan-06</td>
<td>2,556</td>
<td>Apr-09</td>
<td>6.0%</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Southwestern</td>
<td>509</td>
<td>Sep-06</td>
<td>1,926</td>
<td>Feb-09</td>
<td>9.6%</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

Monthly Change

9. Initial Unemployment Insurance Claims as a Percentage of Employment in New Mexico & Regions, Quarterly Moving Average, 2006-2012

<table>
<thead>
<tr>
<th>Weekly Change</th>
<th>New Mexico</th>
<th>Central</th>
<th>Eastern</th>
<th>Northern</th>
<th>Southwestern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-06</td>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2-06</td>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3-06</td>
<td>0.00%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q4-06</td>
<td>0.00%</td>
<td></td>
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</tr>
</tbody>
</table>
in claims (and claims as a percentage of employment, as shown in Chart 9) began in 2008 and peaked for all regions in the first quarter of 2009. Claims increased the quickest in the Central Region and the slowest in the north, on an average monthly basis from pre-recession lows. From peak initial claims to March 2012, all regions saw similar rates of decline, from 1.1 to 1.5 percent.

Initial claims as a percentage of employment (claims to employment ratio) compares the number of newly unemployed with the number of workers that are employed in a regions labor force. Initial claims as a percentage of employment have been similar for all regions and the state, excluding the Eastern Region, whose ratio has been less since before 2006. Since peaking, all regions have seen declines in their claims to employment ratios. Since mid-2009, the Eastern Region’s ratio declined the fastest, while the Southwestern Region’s ratio did not decline as quickly (note: spikes in the southwest represent seasonality).

WHAT ARE THE NEW MEXICO WIA REGIONS?

The Workforce Investment Act of 1998 (WIA) reformed federal employment, training, adult education, and vocational rehabilitation programs by creating an integrated “one-stop” system of workforce investment and education services for adults, dislocated workers, and youth.

The New Mexico workforce system comprises 4 local workforce investment areas (WIA), each under the direction of local workforce development boards. Each workforce area utilizes a network of over 20 New Mexico Workforce Connection Centers statewide to provide services to employers and job seekers.
In New Mexico’s Regions & Counties

Recessionary impacts and the rate and level of recovery have varied for New Mexico’s regions. Employment changes pre- and post-recession are evaluated in conjunction with unemployment rates and initial UI claims. For the purposes of this article, the following are identified as sub-regions of the state.

New Mexico counties tend to fall into two different categories of recessionary impacts (with some exceptions). The first category includes counties that experienced recessionary job losses and spikes in initial claims earlier than other counties. Impacts were severe and occurred over a shorter period of time. These counties, however, have also experienced a general, albeit slow, decline in job losses (and some have seen job growth in 2011), along with declines in unemployment rates and initial claims. Three of New Mexico’s Metropolitan Statistical Areas (MSAs) fall within this category: Albuquerque, Farmington, and Santa Fe. Las Cruces saw less severe recessionary impacts overall.

The second category includes counties that saw job losses, unemployment rates, and initial claims grow more slowly and, in some cases, over a longer period of time. While these counties often did not experience employment losses or unemployment growth as severe as other counties, they also have not seen the level of recovery that the other counties have experienced.

Employment losses often continued into 2011, and unemployment rates peaked much later, after the end of the recession. This left little room for these counties to see the longer periods of improvement that category one counties experienced.

In general, the central counties fall within the first category. The central counties tend to mirror the state due to the large amount of population in the region. While Bernalillo, Valencia, and Sandoval have experienced improvement labor market indicators, Torrance has struggled to recover.

Overall, the eastern counties fall within the second category. Impacts were less severe and often delayed compared to the rest of the state. These regions have also seen some stagnation in employment losses and...
unemployment rates. Eddy and Lea counties are unique in the region and the state, as both saw employment growth during the recession and early recovery. Growth is related to recent booms in energy sector activity. Counties that continue to struggle with recessionary impacts include Guadalupe and Roosevelt.

In the north, recessionary impacts have varied across counties. San Juan is showing signs of recovery after significant job losses and unemployment growth. The north-central counties continue to struggle, with recovery not as prominent as in other regions. All of the counties, however, are seeing fewer job losses and trending declines in unemployment and initial claims.

Finally, positive signs of recovery are evident in the southwestern counties. Doña Ana fared better than many counties during the recession, and both Grant and Luna saw job growth in 2011 (after large losses). Sierra and Socorro counties have not seen the level of recovery that some of the other counties have experienced. While there are small signs of improvement, employment losses, initial claims, and unemployment have not declined quickly.