

New Mexico Continues to Recover: Las Cruces Stalls

Christopher A. Erickson, Ph.D.

Department of Economics and International Business

College of Business

New Mexico State University

Chrerick@nmsu.edu



Economic Recovery

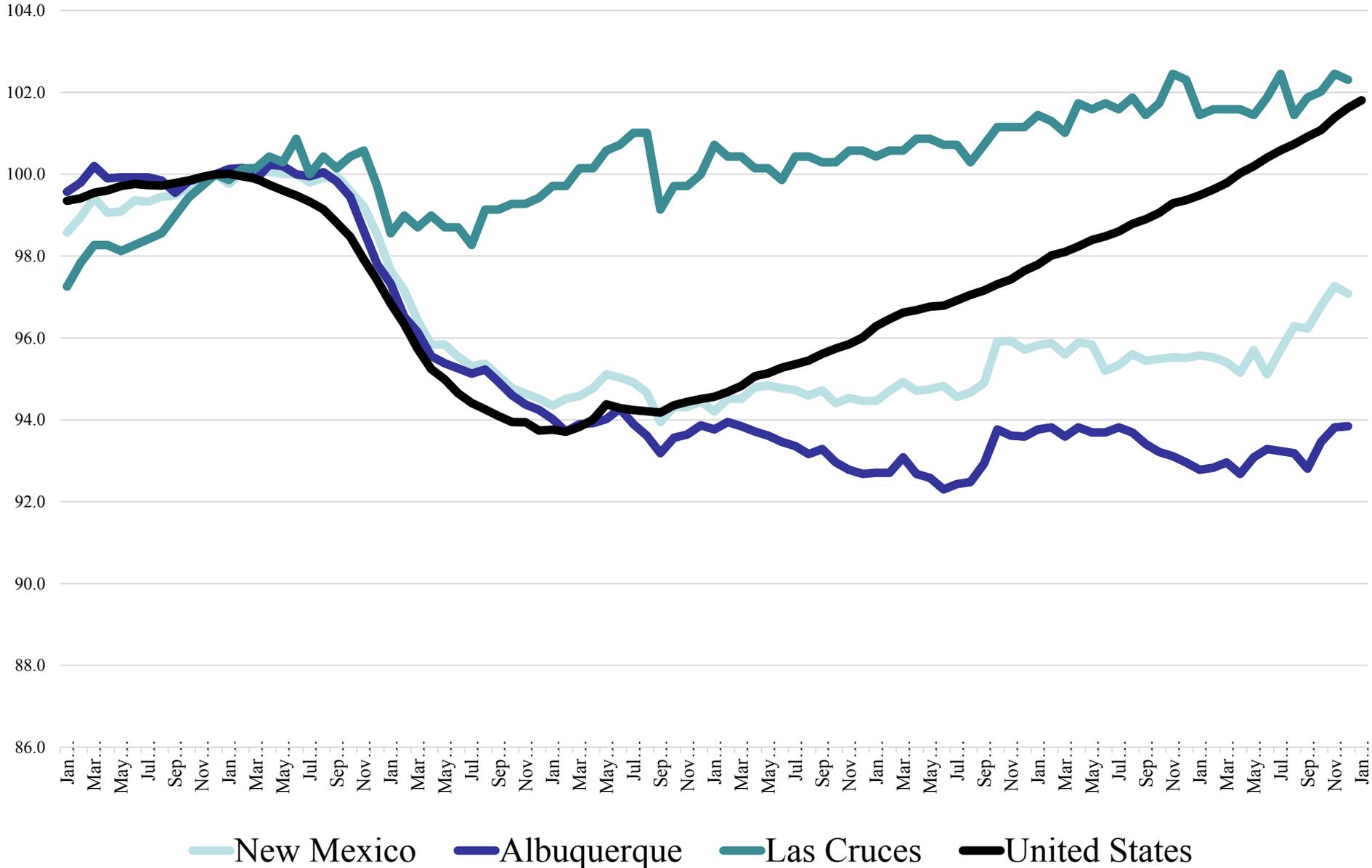
- Business Cycles associated with financial crisis, on average, last twice as long as typical cycles
- Recovery from a financial crisis is also slow, as we are experiencing
- National recovery right on track

NM Recovery

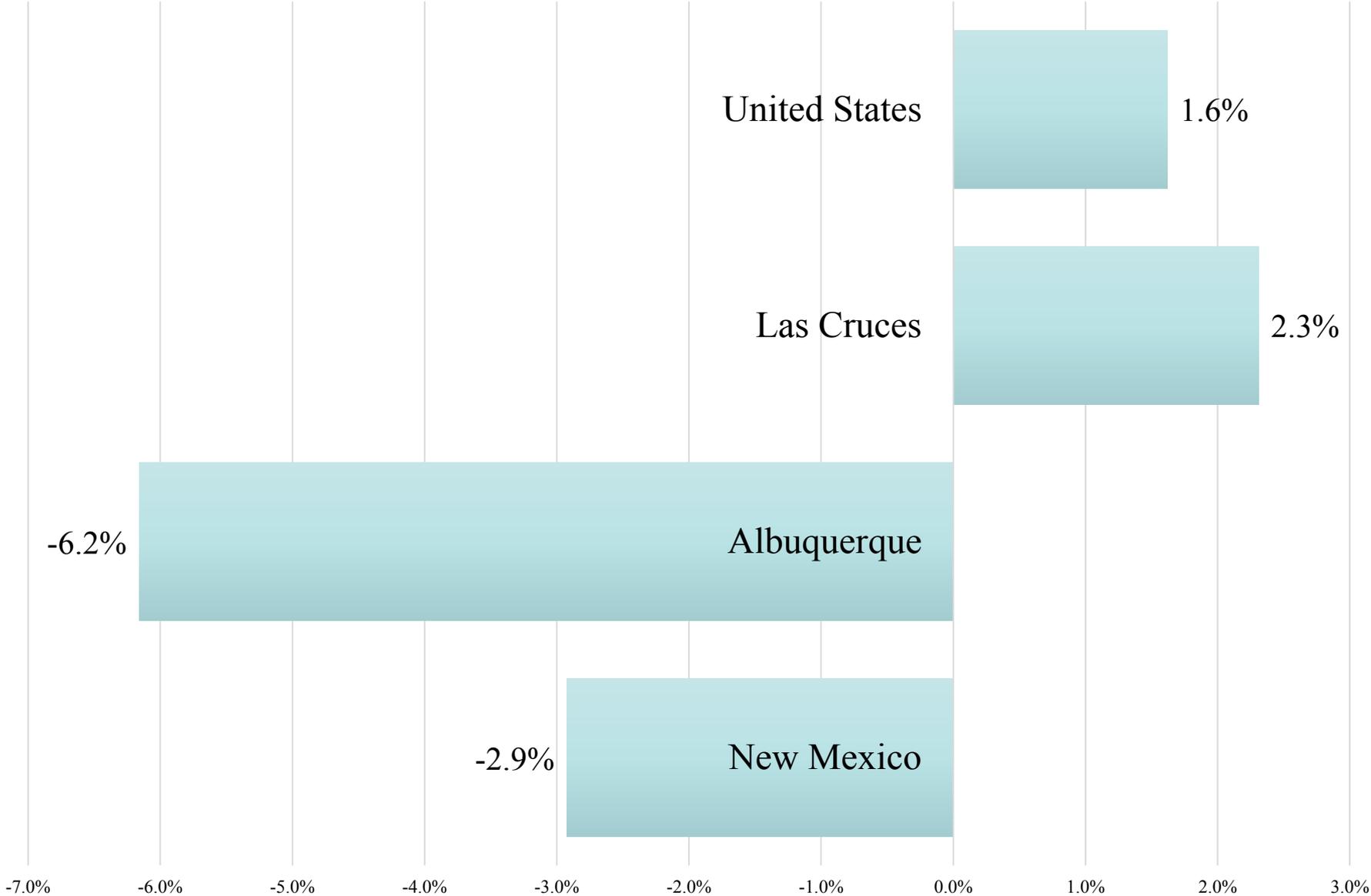
- Recovery is shakier in NM
 - Albuquerque is seeing problems in particular
- Las Cruces never really suffered from the deep recession experienced elsewhere
 - Thanks to federal employment

Employment since the Recession

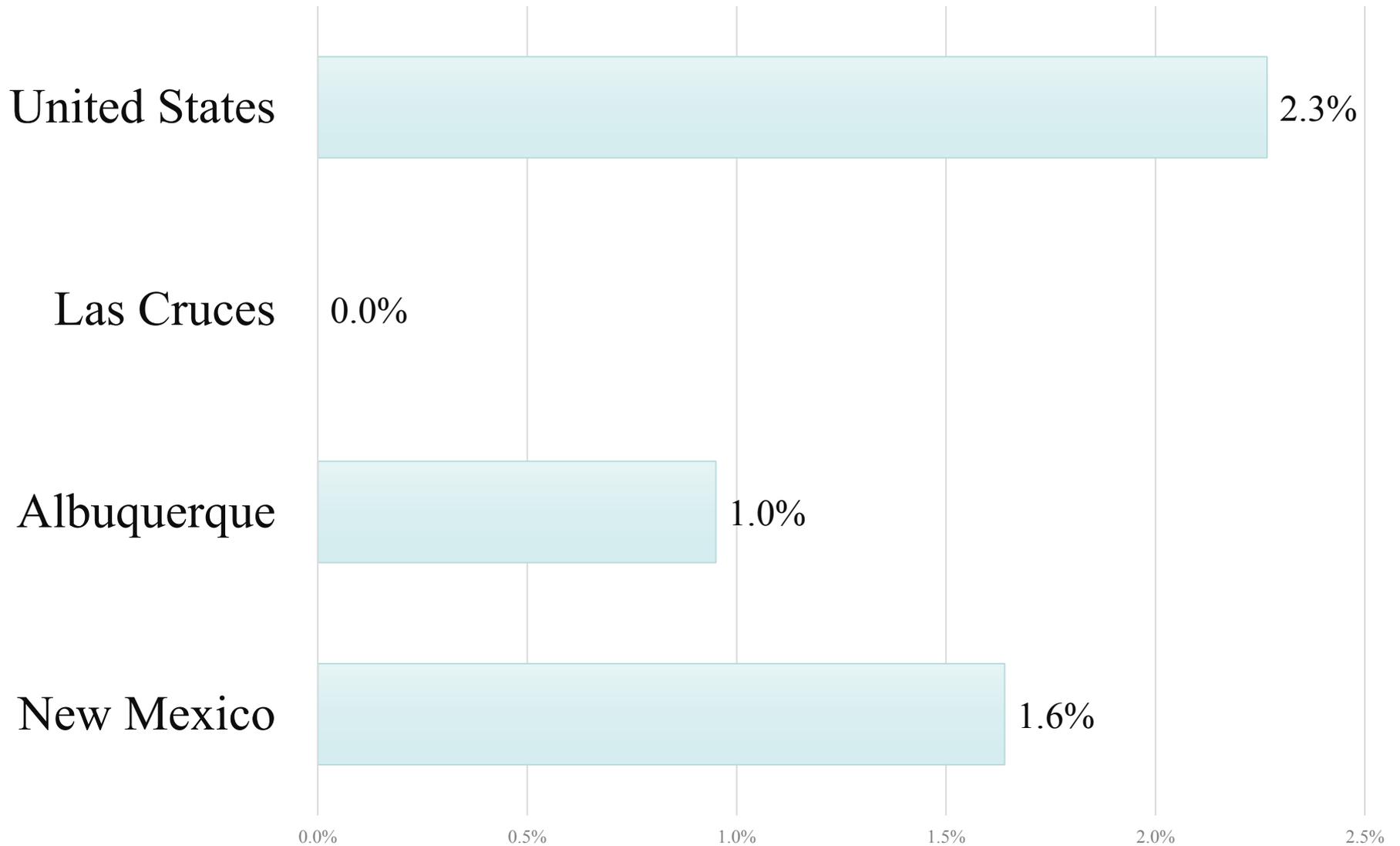
December 2007 = 100



Employment Growth since December 2007

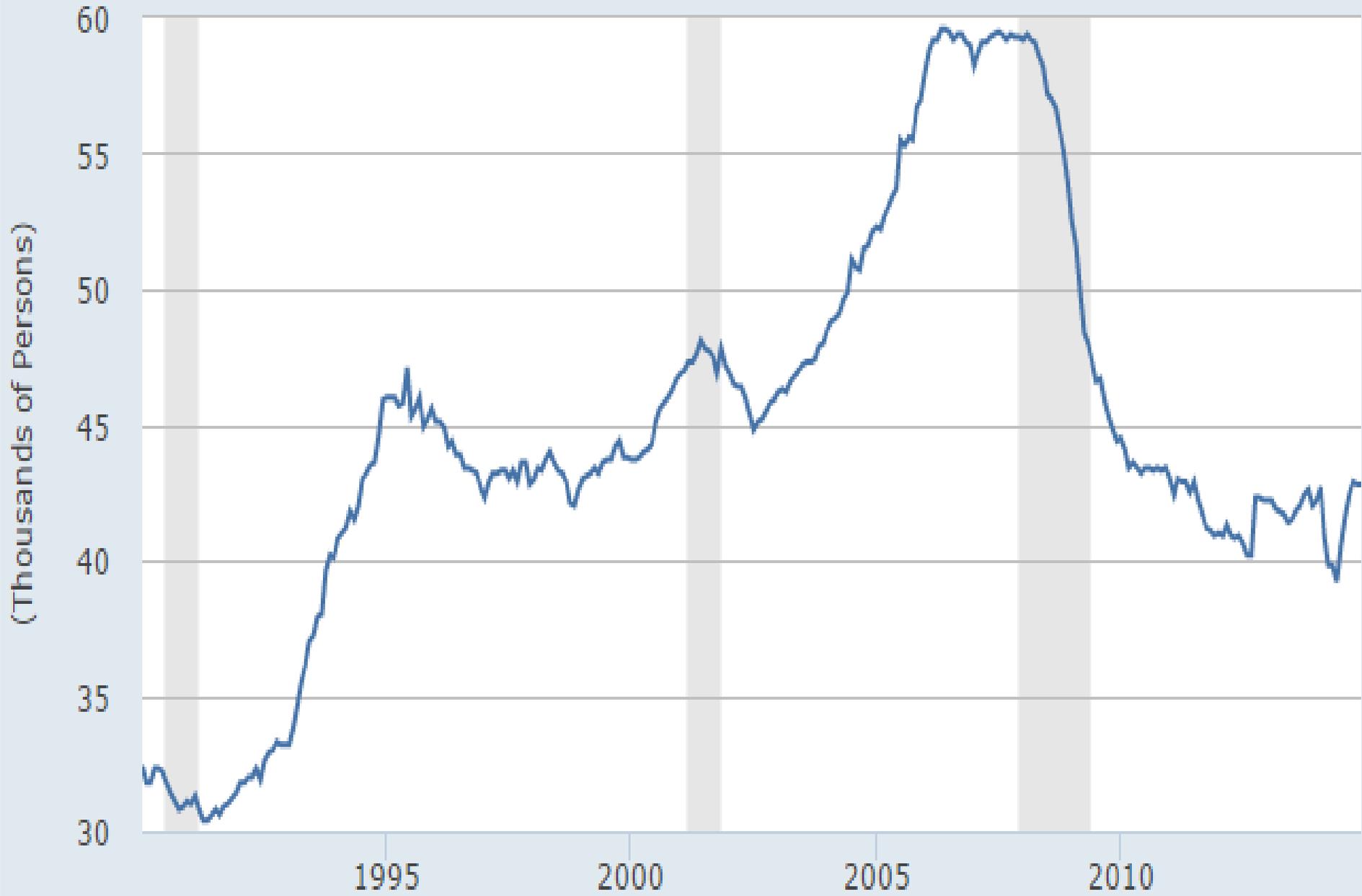


Employment Growth Last Twelve Months December 2013 to December 2014

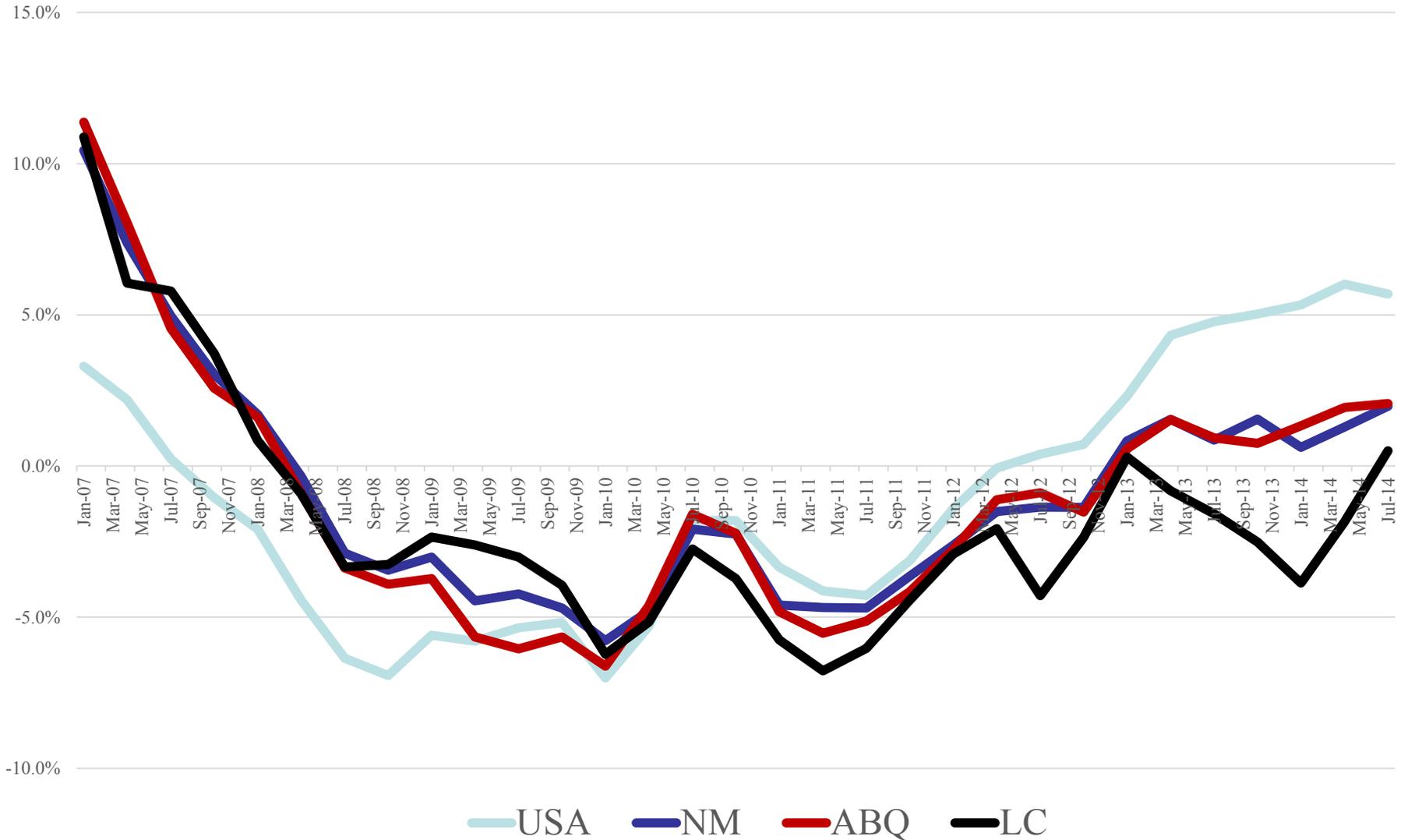


Construction and Real Estate

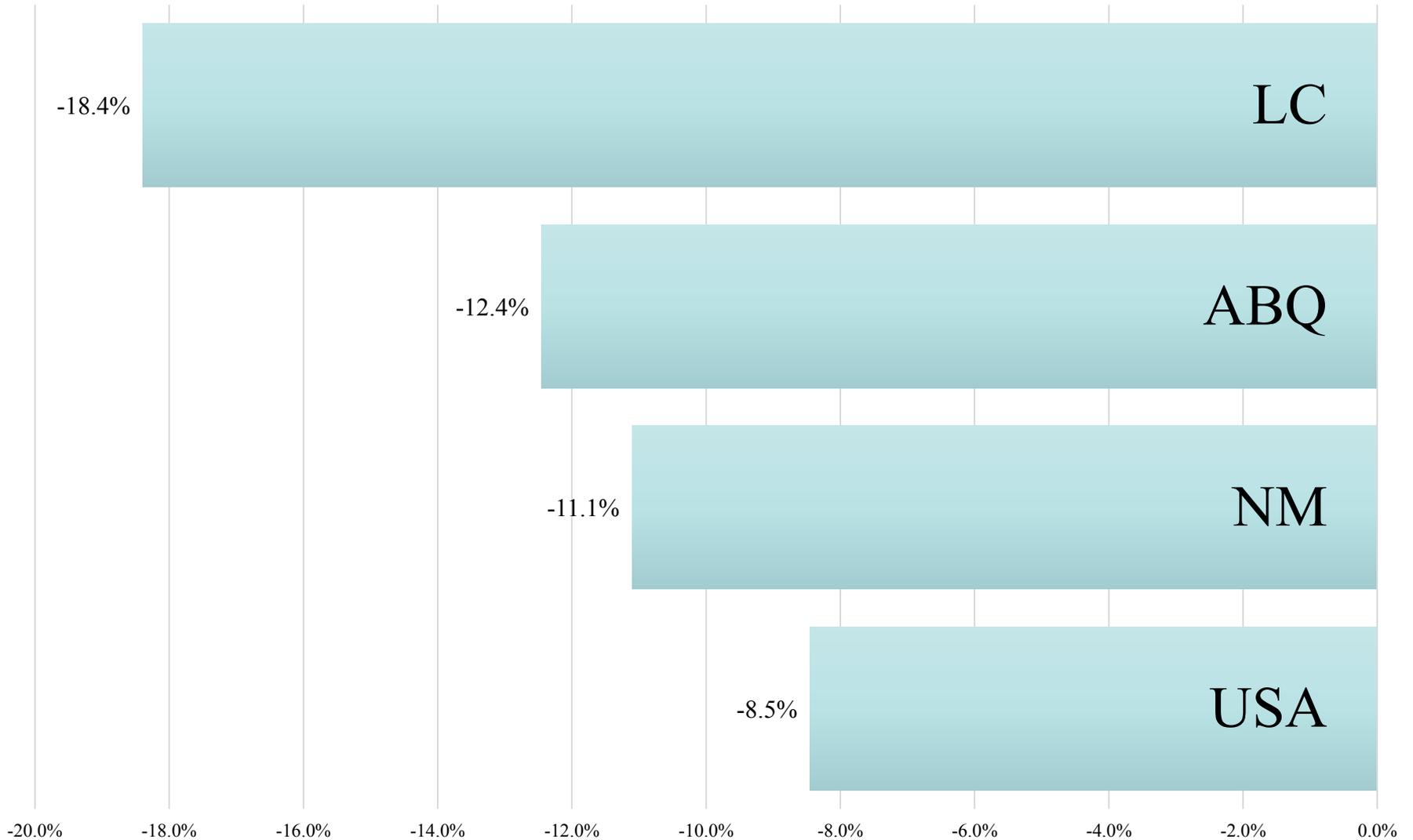
- Construction and real estate continues a weak sector
 - The bursting of the housing bubble, of course, is what caused the recession
 - Recovery is slow in coming



Changes in Housing Prices Year-over-Year



Decline in Housing Prices Since 2007 Q1

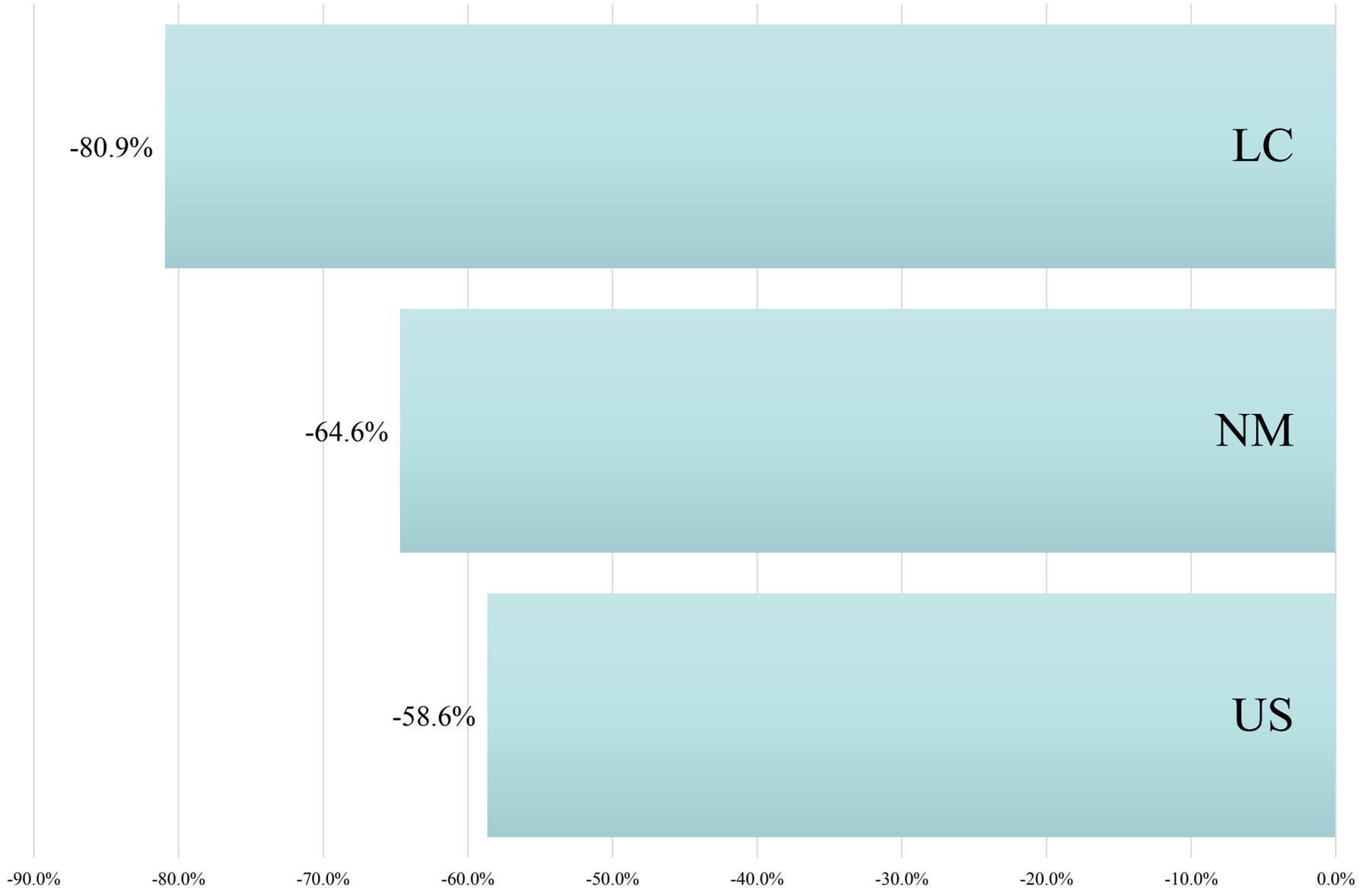


Las Cruces Area - Percentage of New-Home Sales

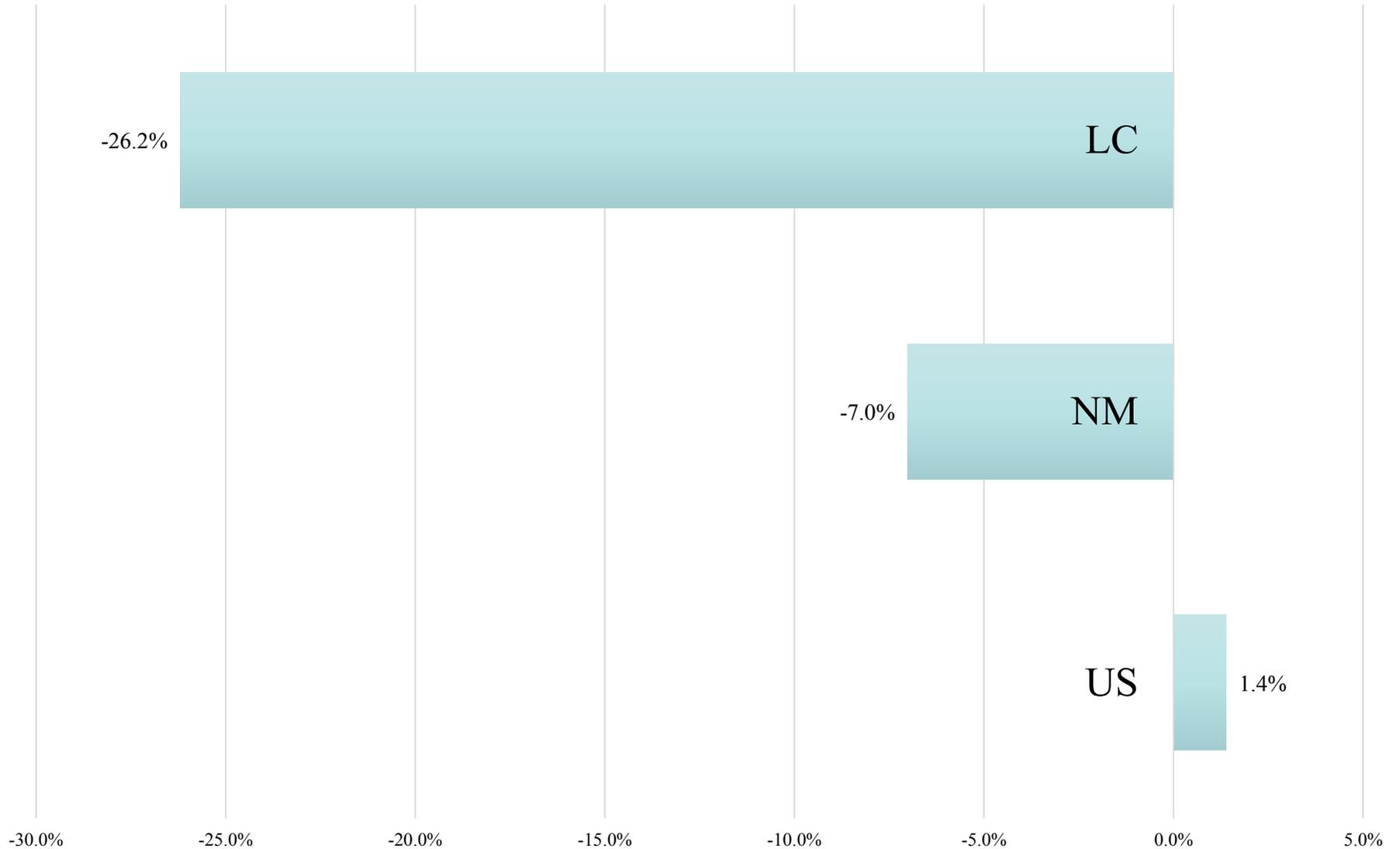
Year	# Sales	# New	% New	Avg Price	Med Price
2006	2303	615	26.7%	\$254,155	\$219,500
2007	1909	717	37.5%	\$248,061	\$203,000
2008	1312	405	30.9%	\$235,309	\$188,000
2009	1295	309	23.8%	\$200,834	\$162,500
2010	1152	251	21.8%	\$185,568	\$161,950
2011	1024	160	15.6%	\$181,407	\$161,250
2012	1256	146	11.6%	\$177,211	\$157,000
2013	1327	152	11.5%	\$198,553	\$175,000
2014	1388	127	9.1%	\$207,163	\$192,195

Source: Las Cruces Association of Realtors 02/07/2015

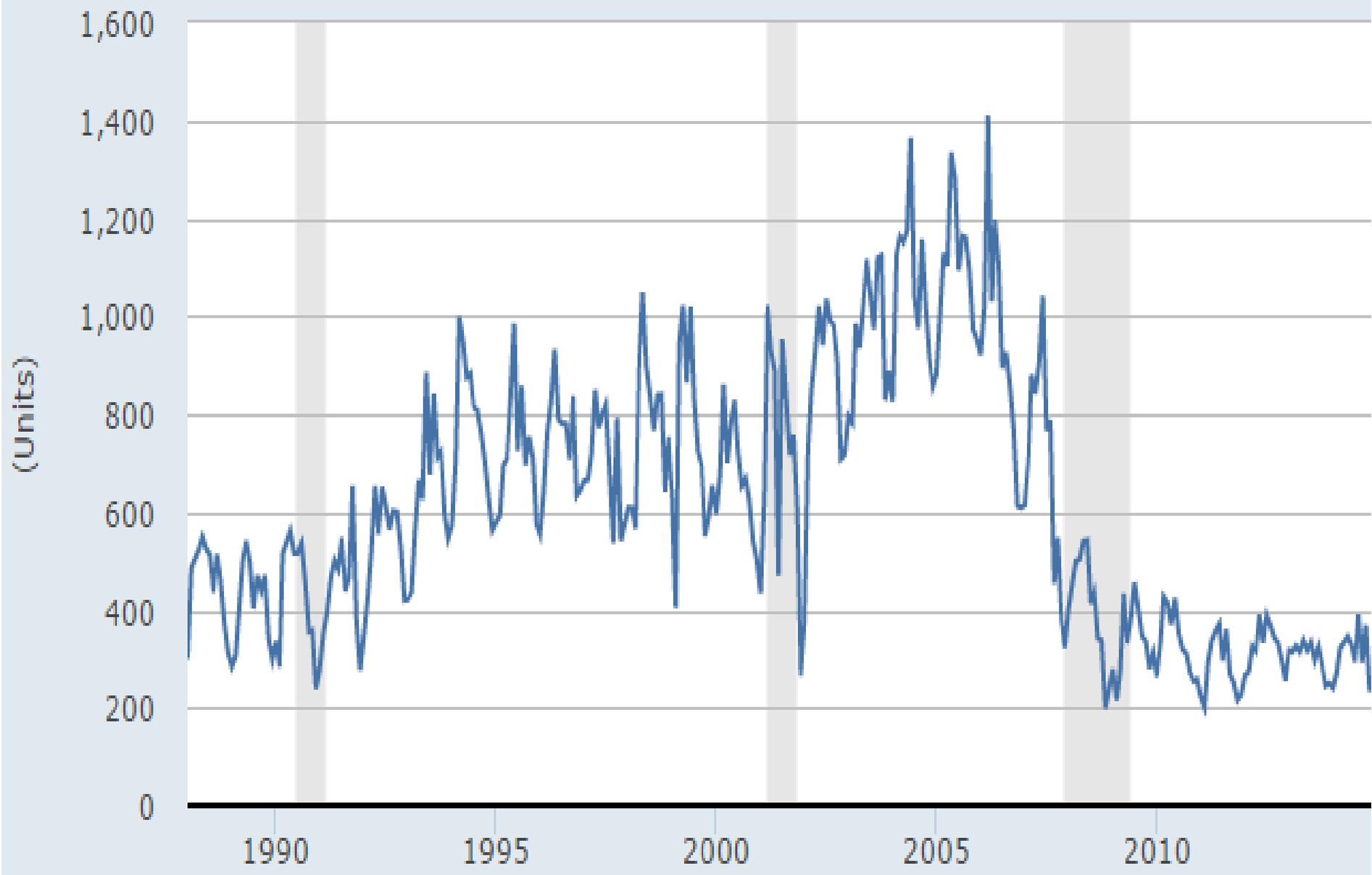
Change in Housing Permits since 2006



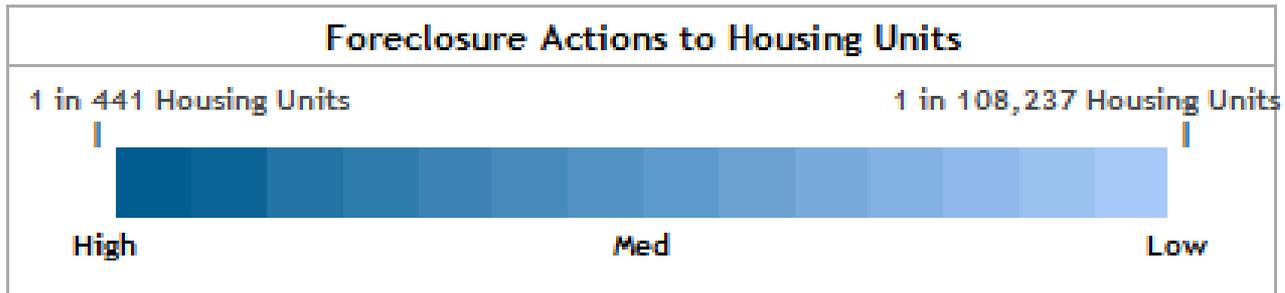
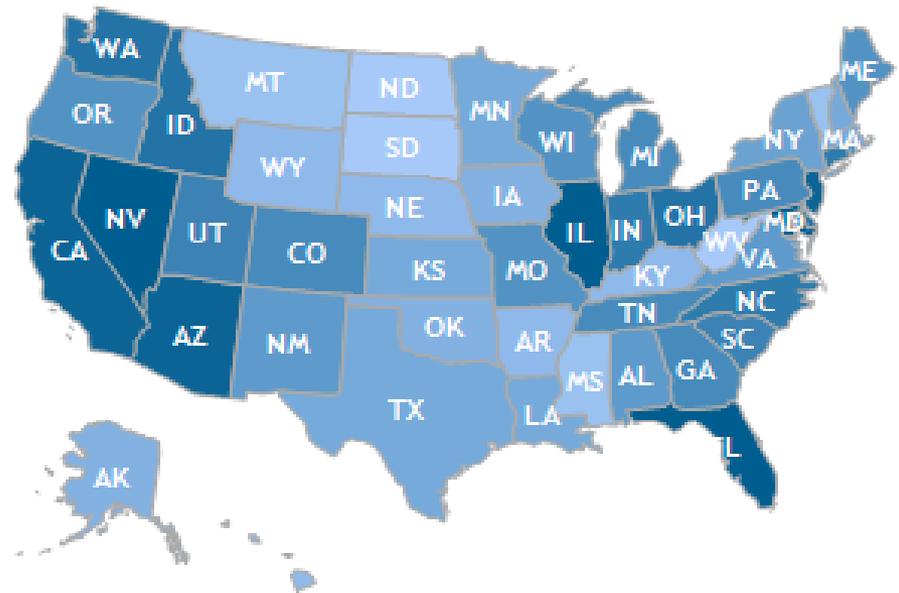
Changes in Housing Permits Issued 2014 compared to 2013



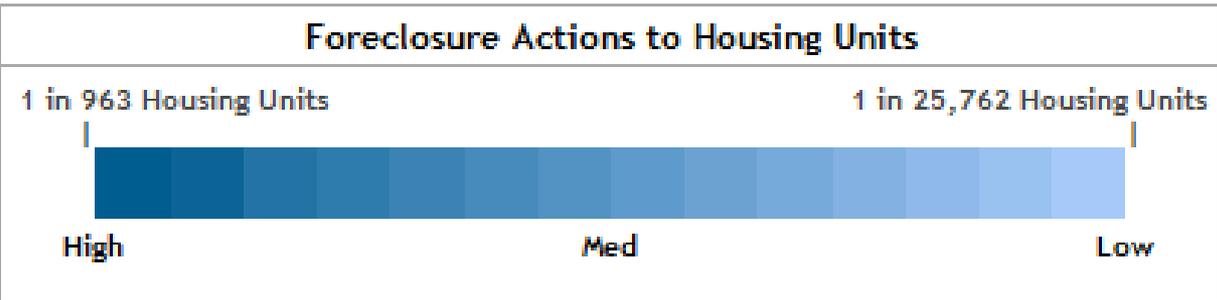
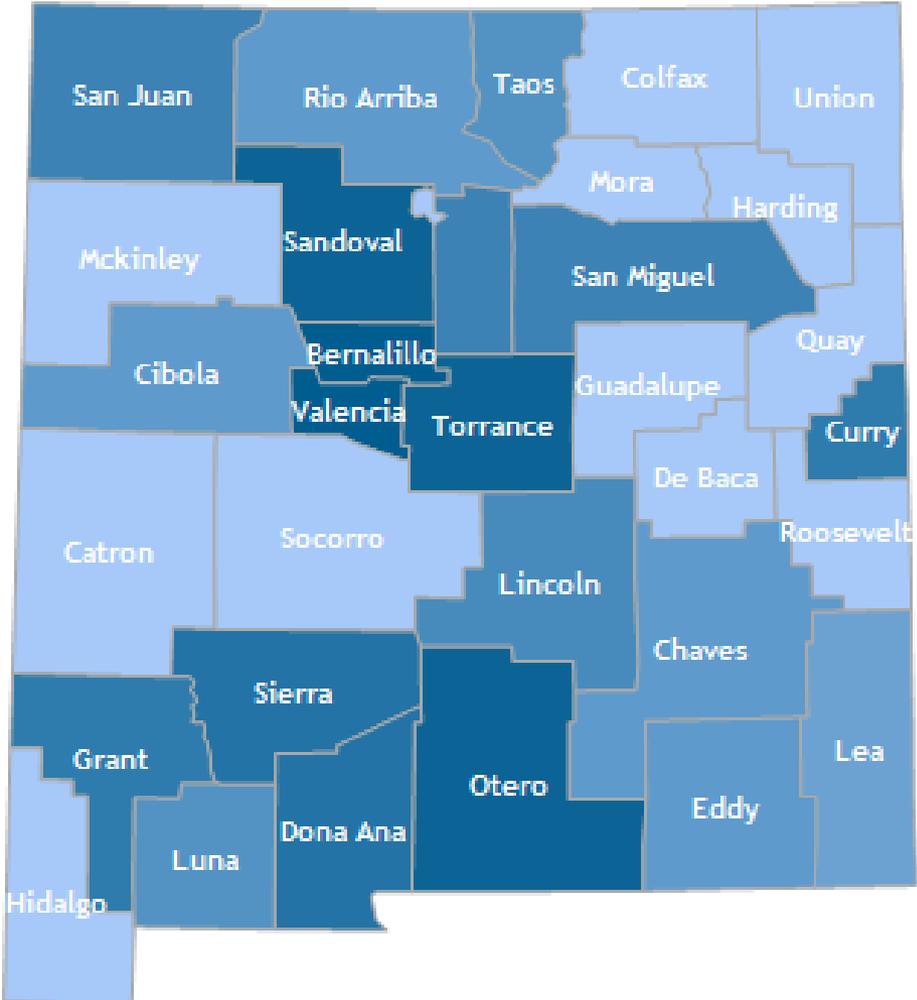
— Privately Owned Housing Starts Authorized by Building Permits: 1-Unit Structures for New Mexico



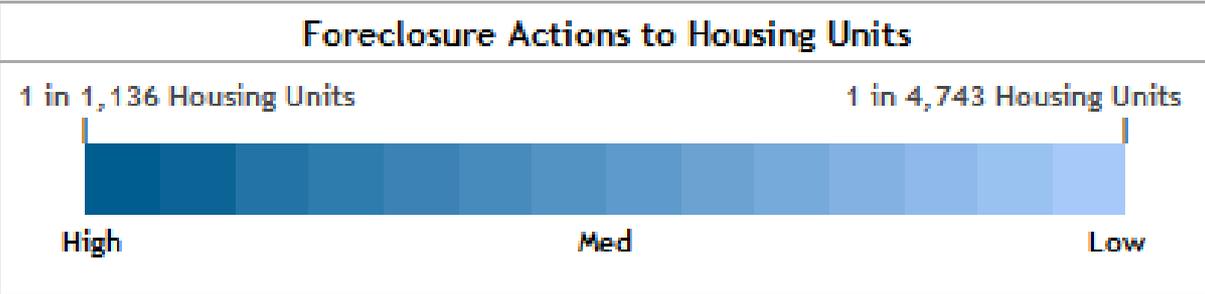
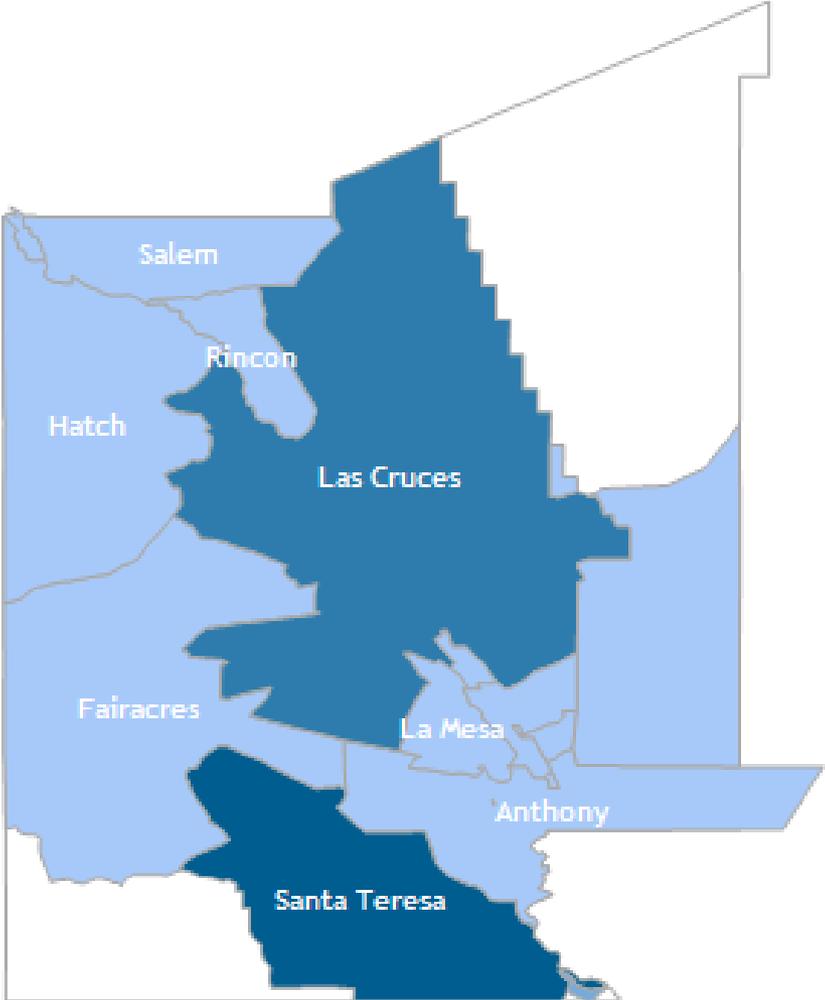
United States: 1 in 1102



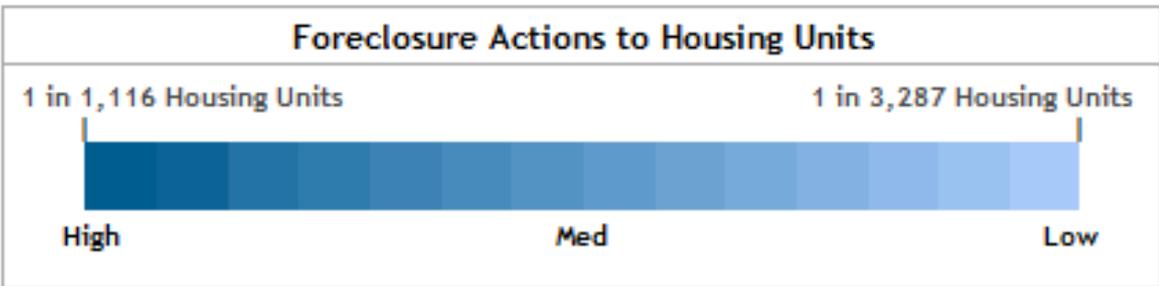
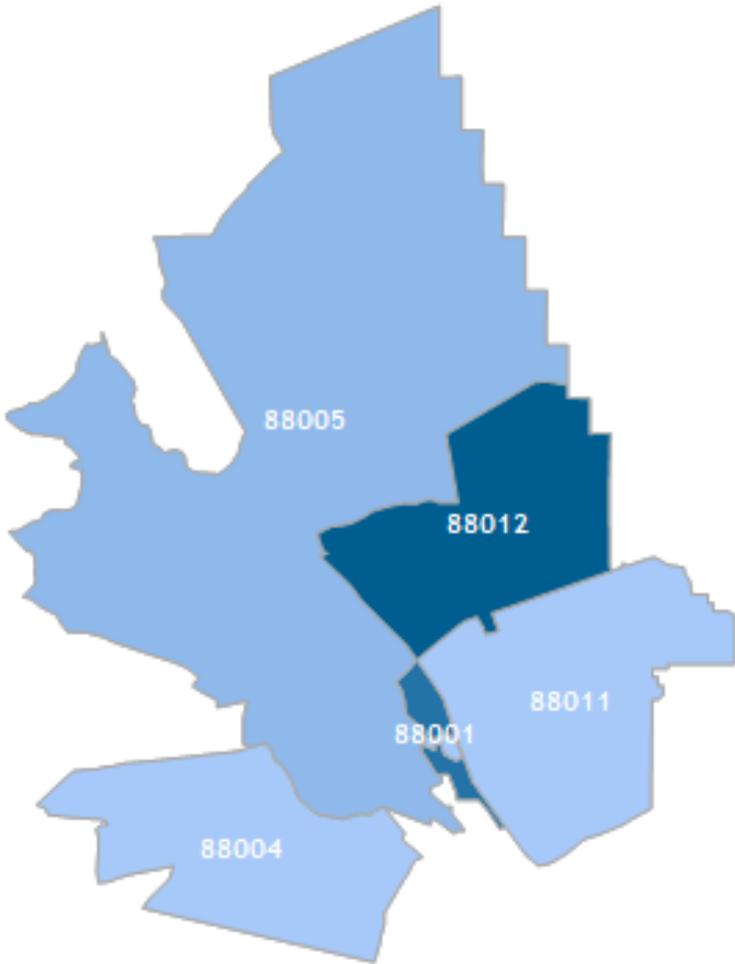
New Mexico: 1 in 1932



Dona Ana: 1 in 2024



Las Cruces 1 in 1941



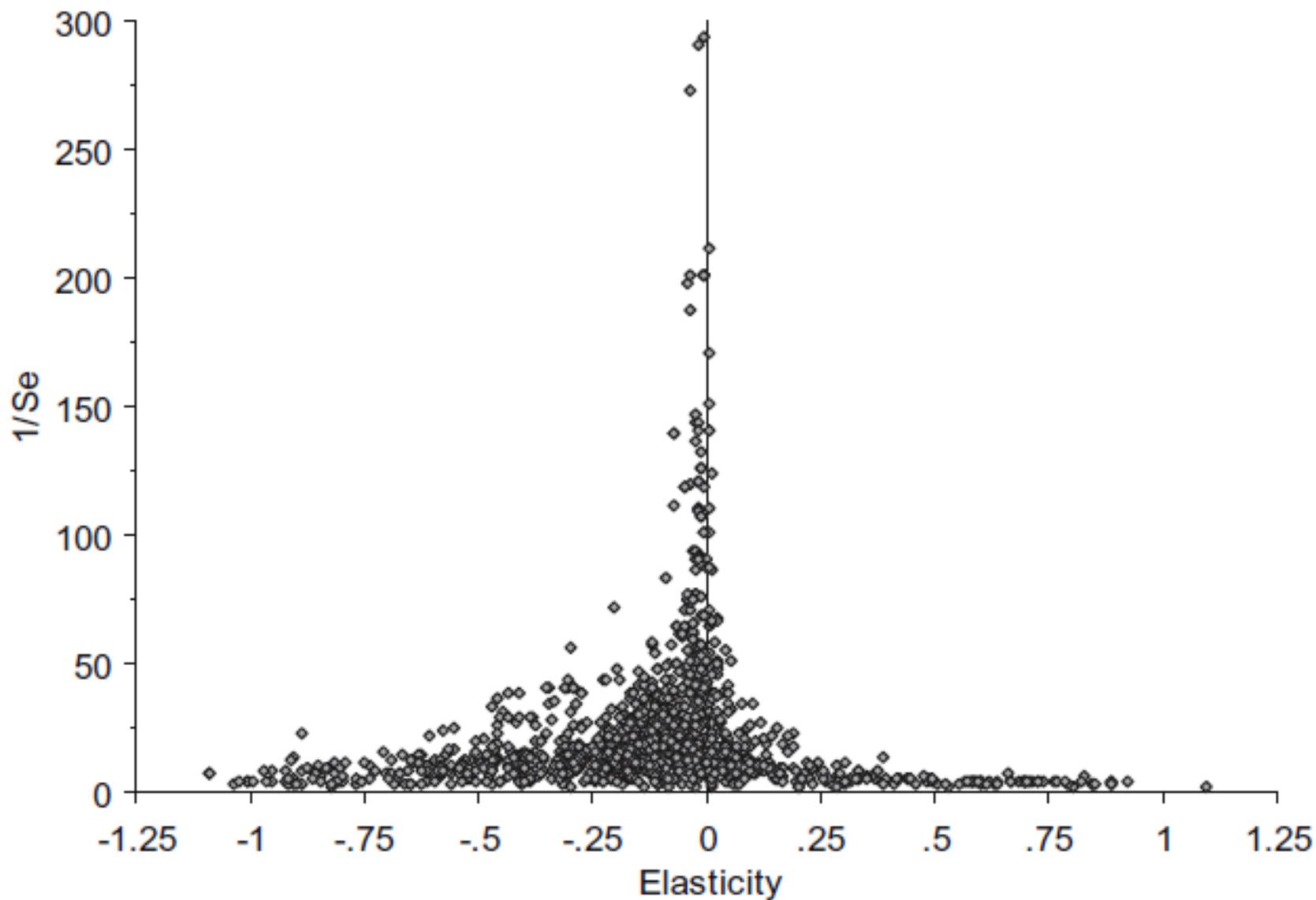
Minimum wage

- New Mexico
 - Regular Wage: \$7.50
 - Tipped Wage: \$2.13, but if tips fall short of the minimum wage, the employer has to make up the difference
- National
 - Regular Wage: \$7.25
 - Tipped Wage: \$2.13

Las Cruces Minimum Wage

- **Regular Wage: \$10.10** effective Jan 1, 2019
 - Phase in: \$8.40 as of Jan 1, 2015; \$9.20 as of Jan 1, 2017
 - Indexed to inflation after starting Jan 1, 2018
- **Tipped Wage: \$4.04** effective Jan 1, 2019
 - Phase in: \$3.36 as of Jan 1, 2015; \$3.68 as of Jan 1, 2017
 - Indexed to inflation after starting Jan 1, 2018

Trimmed Funnel Graph of Estimated Minimum-Wage Effects ($n = 1,424$).



Likely impact of proposed minimum wage

- Employment effect likely will be small
 - High: 2% less growth over five years
 - Low: No effect
- Small businesses that can't afford higher wages will lose market share
- Large business (Target, Walmart) will gain market share

Likely impact of proposed minimum wage

- Impact of minimum wage on the standard of living of the working poor also likely to be muted
 - Working poor will receive less in ETC, SNAP, etc.
 - Reduced subsidy to businesses

		Single Earner	Two Earners
		\$7.50 per hour	
Annual Earnings		\$15,660.00	\$31,320.00
ETC		\$5,460.00	\$3,762.00
SNAP		\$350.00	\$0.00
		\$10.10 per hour	
Annual Earnings		\$21,088.80	\$42,177.60
ETC		\$4,777.00	\$1,477.00
SNAP		\$187.00	\$0.00

Assumption: Hours Worked: 2088 per year; Rent: \$500 per month; Utilities: \$50 per month; Assets: \$500 cash per earner.

Public Schools

- Graduation Rate—2012 Cohort
 - Only 70% of high school students graduated in NM
 - NM is tied with Alaska and Georgia for 3rd from the bottom
 - Ahead only of Oregon (68%) and Nevada (63%)
 - NM is about in the middle for English learners; in bottom ten for economically disadvantaged students

Public Schools

- 4-Year Graduation Rates—2012 Cohort
 - Statewide **68.5%** of high school students graduated in 4 years
 - LCPS **68.0%** of high school students graduated in 4 years

Public Schools

- Eighth grade reading standardized tests (2012)
 - Reading: New Mexico ranked **third** from the bottom (ahead of Mississippi and DC)
 - Math: New Mexico ranked **fifth** from the bottom

Questions

Christopher A. Erickson, Ph.D.

Department of Economics and International Business

College of Business

New Mexico State University

Chrerick@nmsu.edu