Energy, Trade in Southern New Mexico Lift State's Economic Performance

By Avilia Bueno and Roberto A. Coronado

New Mexico has struggled to keep pace with the nation's rebound from recession. As of August, the U.S. had recovered 78 percent of the 8.7 million jobs lost in the downturn. By comparison, New Mexico added back just 25 percent of the 51,700 jobs it lost.

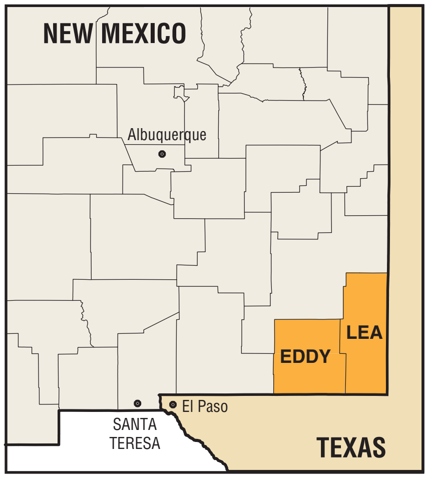
But the New Mexico story has several parts. Job growth in the southern portion of the state has been particularly brisk, the result of robust energy and trade sectors (*see chart*).[1]

Spurred by high energy prices and hydraulic fracturing in the Permian Basin's shale formation, southeast New Mexico's Eddy and Lea counties have stood out. Crude oil production in the state totaled about 84.4 million barrels in 2012, and Eddy and Lea took the lead, producing 44 million and 35.8 million barrels, respectively.[2] In addition to oil, production of commodities such as potash (a mineral used in fertilizer) has been rising and is likely to bring considerable investment to the region in coming years.

Employment grew 2.2 percent in Eddy and 3.2 percent in Lea from August 2012 to August 2013, significantly more than the 1.1 percent rate for New Mexico overall and the 1.6 percent figure for the nation. The August unemployment rate was a remarkably low 3.9 percent in Eddy and 3.8 percent in Lea, compared with 6.8 percent statewide.

New Mexico's 42 percent export growth rate led the nation from 2011 to 2012. Israel was its biggest destination market, on the strength of production from a Rio Rancho Intel semiconductor plant. Mexico was next, with 20 percent of the state's total exports. The biggest segment of state exports to Mexico is industrial inputs and components shipped to maquiladoras in the northern part of the country. Total exports to Mexico in 2012 were valued at around $618 million, a small amount compared with other border states, such as Texas at $94.8 billion and Arizona at $6.3 billion.

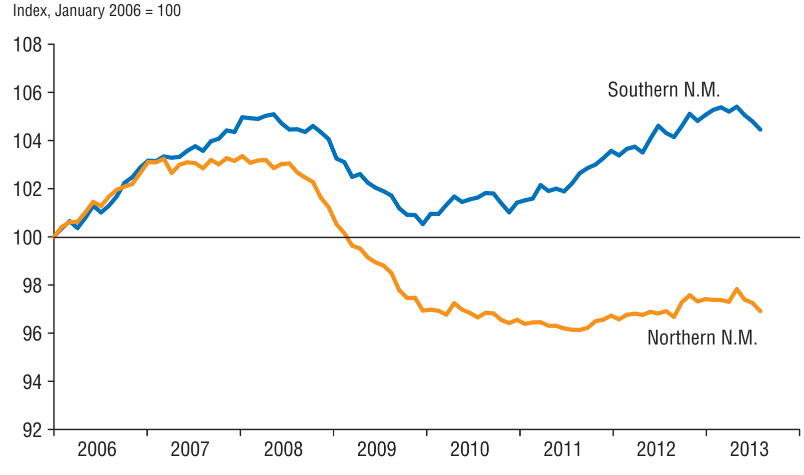
Traditionally, New Mexico's manufacturing base has been centered around Albuquerque, the state's largest metropolitan area. However, within the last 10 years, the Santa Teresa Port of Entry on the border has seen significant public and private infrastructure investment, which will aid its emergence as a major export platform to Mexico.



Southern New Mexico's economic fate is tied to oil and the global economy. As long as oil prices remain near current levels, drilling in the western Permian Basin will continue. Meanwhile, economic activity in Santa Teresa will be shaped mostly by Mexico, whose economy faces significant headwinds but improved prospects in 2014.[3]

While southern New Mexico may face challenges in the coming months, the region is likely to continue to shine as the rest of the state economy slowly mends.

Employment Shows Strength in Southern New Mexico



SOURCE: Bureau of Labor Statistics.

Notes

[1] For more details, see "Southeast New Mexico Shines as State Economy Slowly Mends," by Avilia Bueno and Roberto A. Coronado, *Crossroads*, Issue 1, 2013.

[2] For more details on energy production in the Permian Basin, visit www.dallasfed.org/research/econdata/permian.cfm.

[3] For a more recent discussion of Mexico economic trends, see www.dallasfed.org/research/update/mex/index.cfm.