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

New Mexico
Albuquerque
Las Cruces
United States
Employment Growth since December 2007

- United States: 1.6%
- Las Cruces: 2.3%
- Albuquerque: -6.2%
- New Mexico: -2.9%
Employment Growth Last Twelve Months
December 2013 to December 2014

United States 2.3%
Las Cruces 0.0%
Albuquerque 1.0%
New Mexico 1.6%
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
<table>
<thead>
<tr>
<th>Year</th>
<th># Sales</th>
<th># New</th>
<th>% New</th>
<th>Avg Price</th>
<th>Med Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2303</td>
<td>615</td>
<td>26.7%</td>
<td>$254,155</td>
<td>$219,500</td>
</tr>
<tr>
<td>2007</td>
<td>1909</td>
<td>717</td>
<td>37.5%</td>
<td>$248,061</td>
<td>$203,000</td>
</tr>
<tr>
<td>2008</td>
<td>1312</td>
<td>405</td>
<td>30.9%</td>
<td>$235,309</td>
<td>$188,000</td>
</tr>
<tr>
<td>2009</td>
<td>1295</td>
<td>309</td>
<td>23.8%</td>
<td>$200,834</td>
<td>$162,500</td>
</tr>
<tr>
<td>2010</td>
<td>1152</td>
<td>251</td>
<td>21.8%</td>
<td>$185,568</td>
<td>$161,950</td>
</tr>
<tr>
<td>2011</td>
<td>1024</td>
<td>160</td>
<td>15.6%</td>
<td>$181,407</td>
<td>$161,250</td>
</tr>
<tr>
<td>2012</td>
<td>1256</td>
<td>146</td>
<td>11.6%</td>
<td>$177,211</td>
<td>$157,000</td>
</tr>
<tr>
<td>2013</td>
<td>1327</td>
<td>152</td>
<td>11.5%</td>
<td>$198,553</td>
<td>$175,000</td>
</tr>
<tr>
<td>2014</td>
<td>1388</td>
<td>127</td>
<td>9.1%</td>
<td>$207,163</td>
<td>$192,195</td>
</tr>
</tbody>
</table>

Source: Las Cruces Association of Realtors 02/07/2015
Change in Housing Permits since 2006

-80.9% for LC
-64.6% for NM
-58.6% for US
Changes in Housing Permits Issued
2014 compared to 2013

LC: -26.2%
NM: -7.0%
US: 1.4%
United States: 1 in 1102

Foreclosure Actions to Housing Units

1 in 441 Housing Units | 1 in 108,237 Housing Units

High | Med | Low
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
<table>
<thead>
<tr>
<th></th>
<th>Single Earner</th>
<th>Two Earners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$7.50 per hour</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Earnings</td>
<td>$15,660.00</td>
<td>$31,320.00</td>
</tr>
<tr>
<td>ETC</td>
<td>$5,460.00</td>
<td>$3,762.00</td>
</tr>
<tr>
<td>SNAP</td>
<td>$350.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>$10.10 per hour</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual Earnings</td>
<td>$21,088.80</td>
<td>$42,177.60</td>
</tr>
<tr>
<td>ETC</td>
<td>$4,777.00</td>
<td>$1,477.00</td>
</tr>
<tr>
<td>SNAP</td>
<td>$187.00</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

**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