

# General Fund Revenue Tracking and Economic Outlook: Update

Presentation to:  
Legislative Finance Committee  
September 30<sup>th</sup>, 2020

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# Outline

- Consensus Revenue Estimating Group Overview
- US/Global Macroeconomic Outlook
- New Mexico Macroeconomic Outlook
- Oil and Natural Gas Outlook
- Personal Income Tax (PIT)
- Gross Receipt Tax (GRT)
- Severance & Rents & Royalties
- FY 20 Revenue Tracking
- Forecast Range

# Consensus Revenue Estimating Group

## Participating Agencies

### **New Mexico Department of Finance and Administration**

**Leonardo Delgado, Chief Economist**  
**Noel Martinez, Senior Economist**

### **New Mexico Taxation and Revenue Department**

**Lucinda Sydow, Chief Economist**  
**Robert McGrail, Senior Economist**

### **New Mexico Department of Transportation**

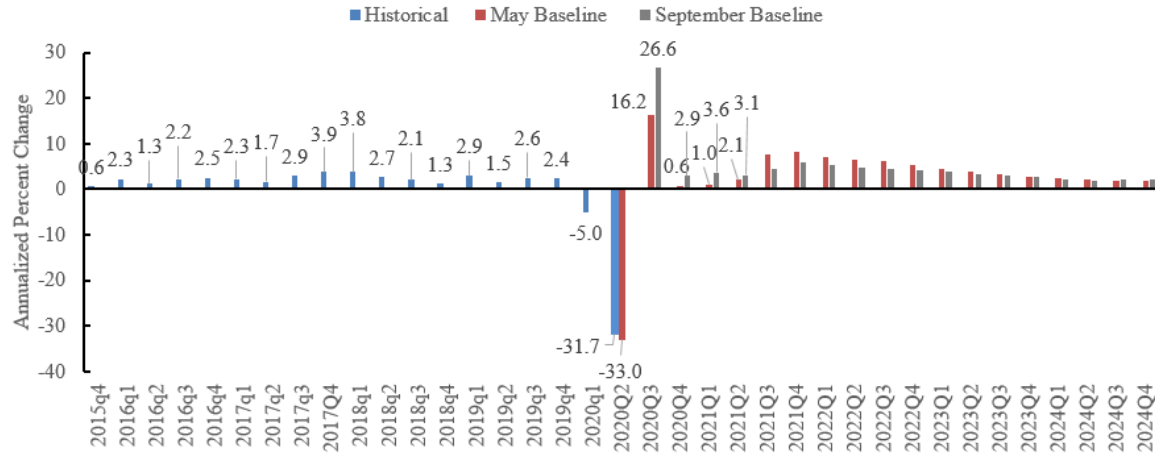
**Laura Bianchini, Chief Economist**  
**Mallika Pung, Senior Economist**

### **Legislative Finance Committee**

**Dawn Iglesias, Chief Economist**  
**Ismael Torres, Economist**

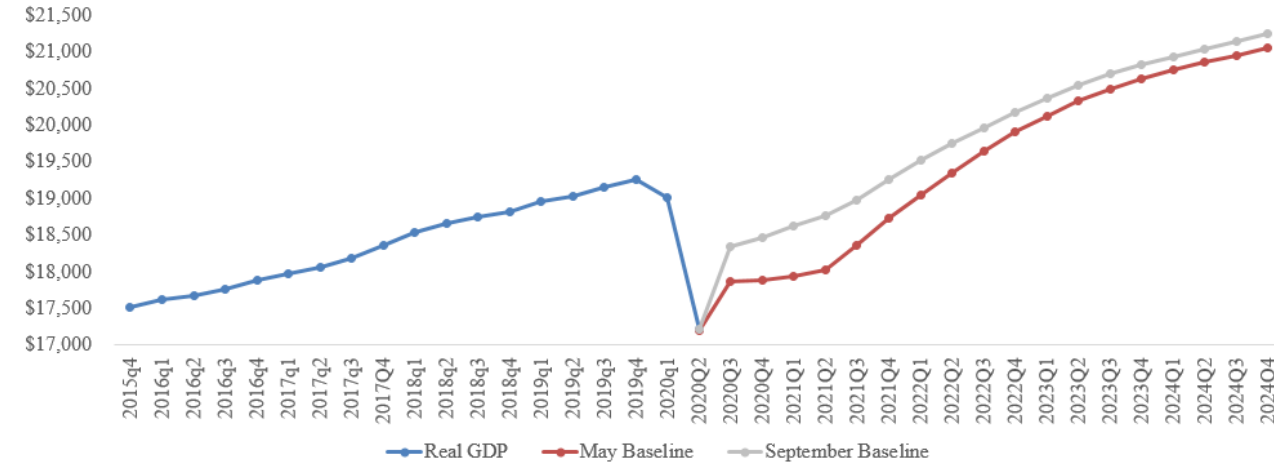
# US Economic Outlook

Annualized Percent Change in US Real GDP: 2015 Q1 to 2020 Q2, Forecast 2020Q3-2024Q4  
(Quarter-over-Previous-Quarter)



Source: bea.gov seasonally adjusted at annual rates, Moody's September 2020 Baseline Scenario vs. May 2020 Baseline Scenario

US Real Gross Domestic Product: 2015 Q4 to 2020 Q2, Forecast 2020Q3-2024Q4  
(billions of chained 2012 dollars)

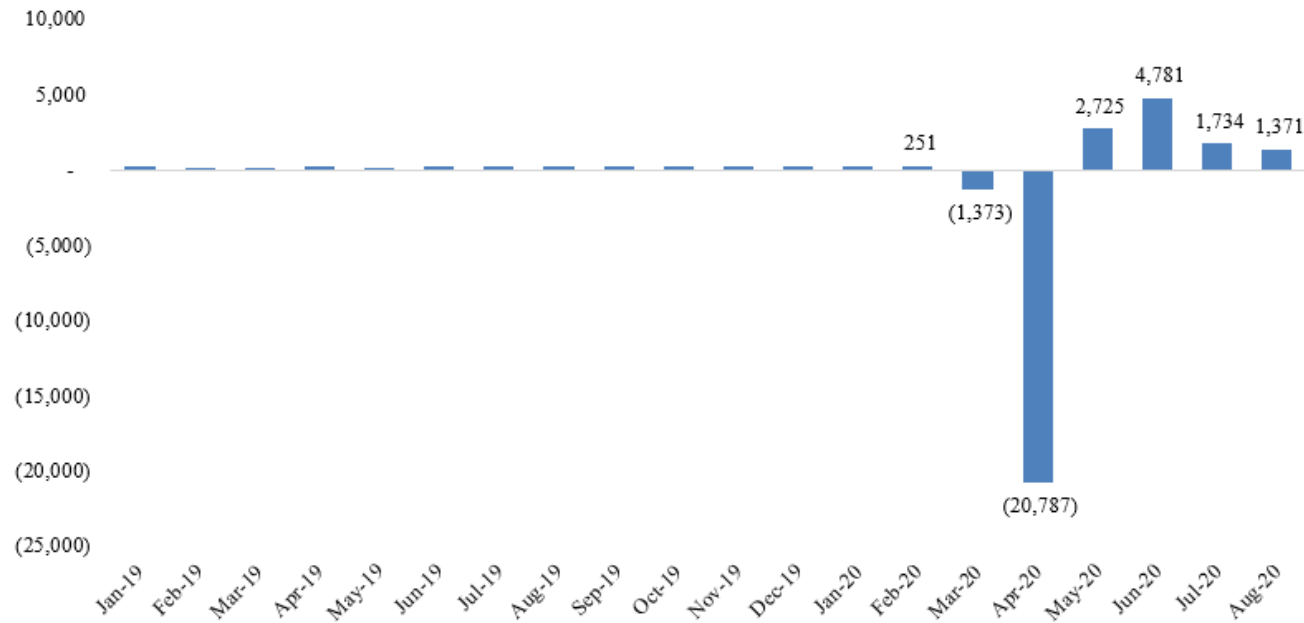


Source: GDP in billions of chained 2012 dollars, retrieved from bea.gov. Moody's September 2020 Baseline Scenario vs. May 2020 Baseline Scenario

- US real gross domestic product (RGDP) decreased at an annual rate of 31.7% in the second quarter of 2020.
  - Monetary and Fiscal policy have bolstered the national economy and mitigated some of the negative effects of the COVID-19 crisis.
  - National consumption increased in July by 1.6% but expected to weaken in August and September due to fading of fiscal stimulus.
- Moody's September baseline forecast is not as pessimistic as the May baseline forecast.

# US Economic Outlook

Monthly change in non-farm payroll employment (1,000s) in the US: Jan 2019 to Aug 2020



Source: bls.gov

- In April 2020 the US lost 20.7 million jobs at the beginning of the pandemic.
- This is the highest monthly job loss since 1945.
- Since April, the US has gained over 10.6 million jobs.
- The US is still down over 10 million jobs.
- The national unemployment rate in August is 8.4%.

# US & NM Economic Indicators

## ➤ United States

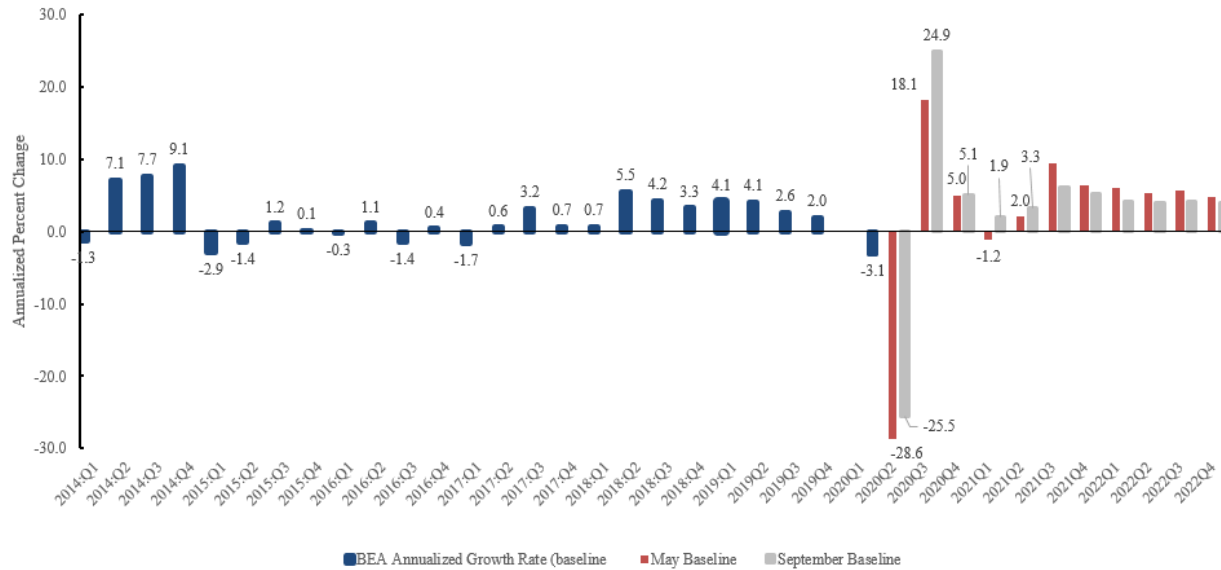
- On a state fiscal year basis, the US inflation rate was 1.6% in FY20, inflation is expected to continue modest growth: 1.6% in FY21, and 2.3% in FY22.
- The Federal Reserve Funds rate in FY20 was 1.3%. The Federal Funds Rate is expected to remain at 0% to 0.25% in FY21 and FY22.
- Moody's Analytics key national forecast risks in September include:
  - Another significant wave of COVID-19 causing people to self-quarantine or states to slow reopening of economies. This also causes weaker consumer and business confidence.
  - Delayed fiscal stimulus will slow national recovery.
  - Financial market conditions will tighten significantly.

## ➤ New Mexico

- Non-farm employment is expected decline in FY21. Both Moody's Analytics and UNM Bureau of Business & Economic Research (BBER) expect NM employment to decline in FY21 by 3% and 5%, respectively.
- Non-farm employment is expected to grow in FY22. Both Moody's Analytics and BBER expect NM employment to increase in FY21 by 1.9% and 2.3%, respectively

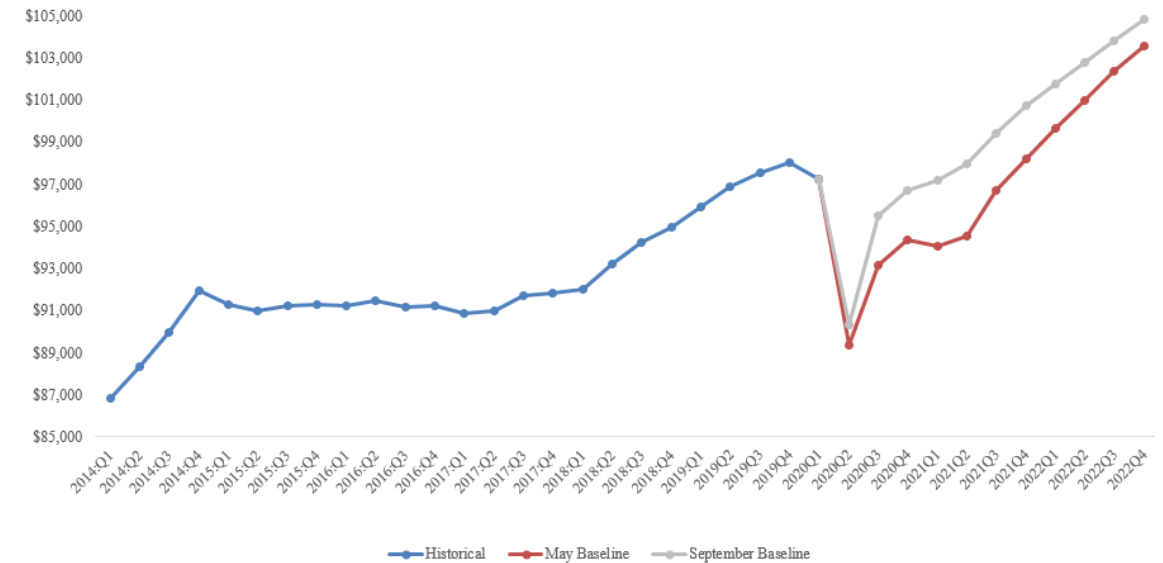
# NM Economic Outlook

**Annualized Percent Change in NM Real GDP 2014Q1 to 2020Q1, Moody's Forecasts 2020Q2-2022Q4 (Quarter to Quarter)**



Source: bea.gov, Moody's September 2020 Baseline Scenario vs. May 2020 Baseline Scenario

**New Mexico Real Gross Domestic Product (in 2012 chained millions of dollars)**

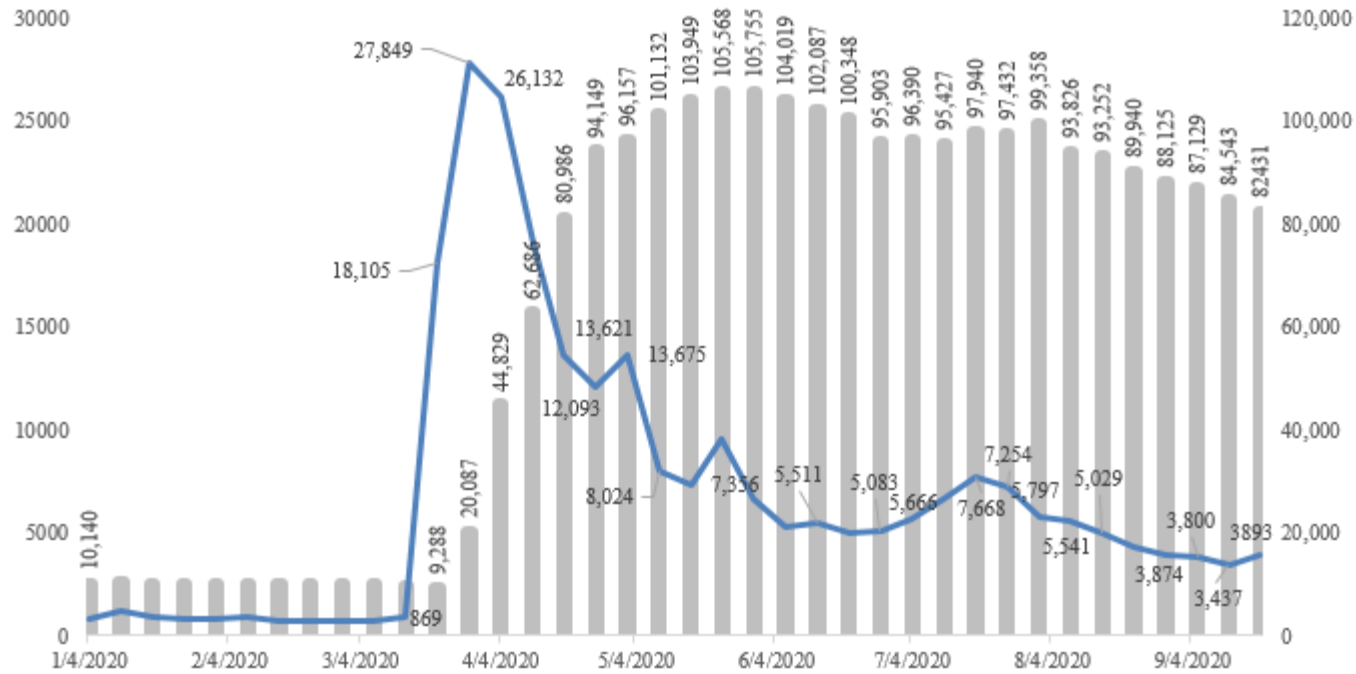


Source: bea.gov, Moody's September 2020 Baseline

- The latest data from Moody's Analytics estimates a 2020Q2 RGDP contraction of 25.5%.
  - This represents a decline in RGDP from \$97.2 billion to \$90.3 billion from 2020Q1 to 2020Q2.
- Moody's September baseline forecast for New Mexico is not as pessimistic as the May baseline forecast.
  - A 2020Q2 RGDP contraction is still expected, it is not quite as severe
  - Near term expectations have improved from 2020Q3 to 2021Q4

# NM Unemployment Insurance Claims

**New Mexico's Weekly UI Initial Claims vs. Continued Claims  
January 2020 to Present**



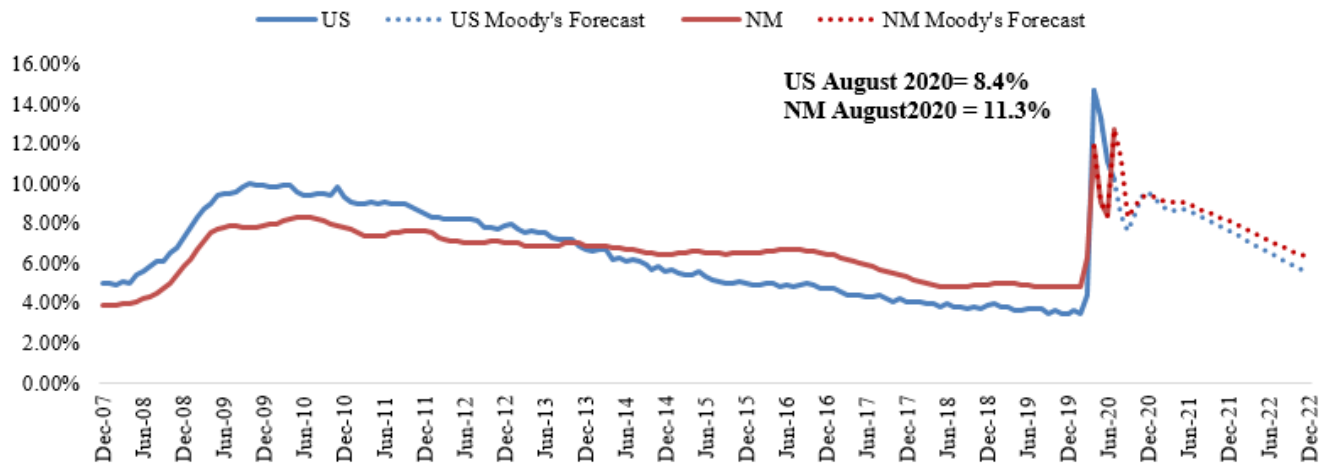
Source: dol.gov, not seasonally adjusted, DWS NM

- New Mexico UI claims were relatively stable prior to COVID-19.
- Initial claims increased sharply in mid-March and peaked in April.
- Initial claims decreased in May and June before beginning to increase in early July.
- Continued claims have remained elevated since the pandemic began.
- The CARES Act created a new temporary federal program. The Federal Pandemic Unemployment Assistance program (PUA).
  - The PUA claims provides UI benefits to individuals who normally would not qualify for UI benefits.
  - PUA continued claims peaked at 83,986 at the end of July. PUA claims have decreased to 39,131 since then.



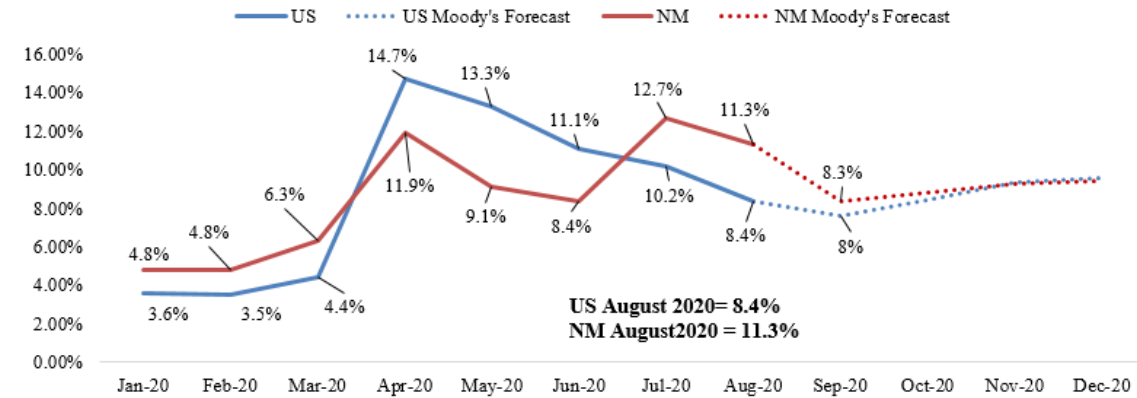
# NM Unemployment Rate

US and NM Unemployment Rate (percent) : January 2008 to August 2020



Source: bls.gov, seasonally adjusted

US and NM Unemployment Rate (percent) : January 2020 to December 2020

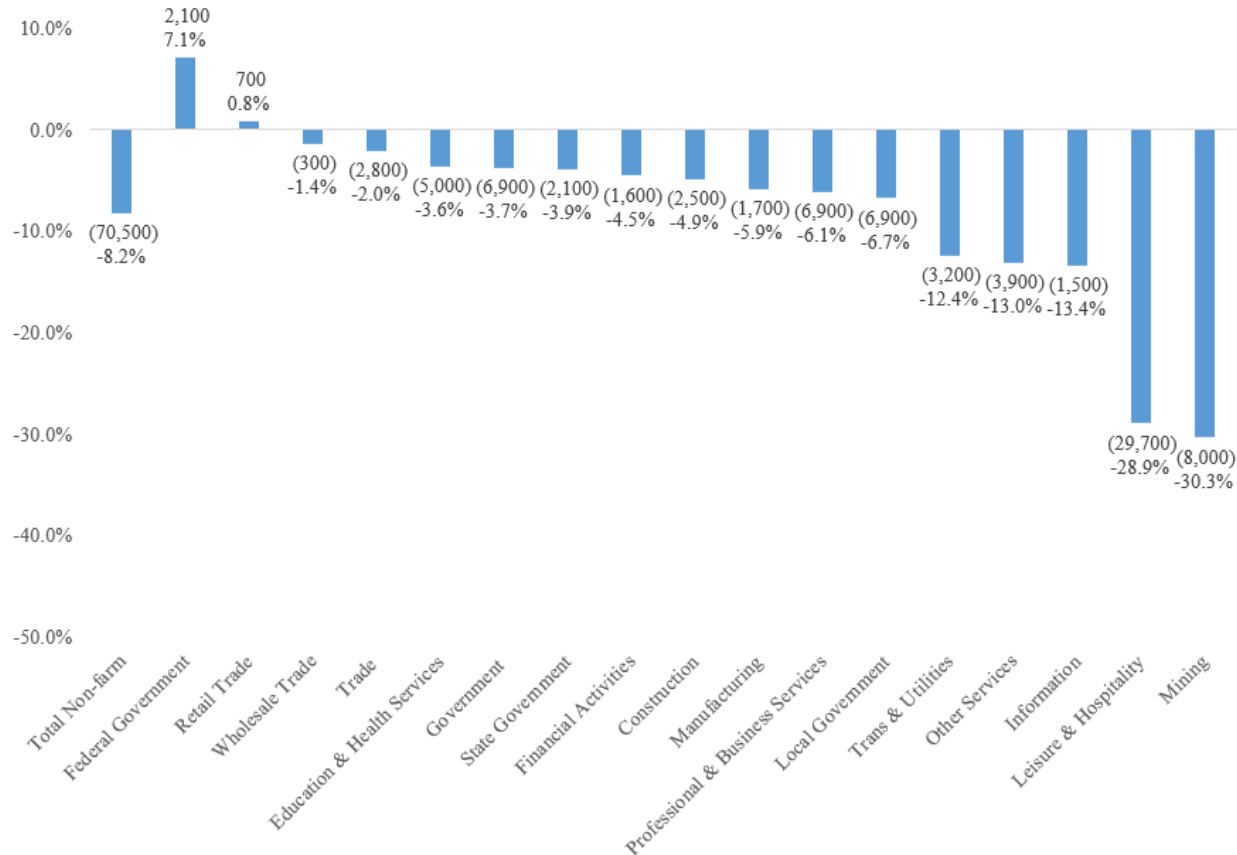


Source: bls.gov, seasonally adjusted

- The national unemployment rate peaked in April at 14.7% and has decreased down to 8.4% in August.
  - Moody's baseline forecast in May expected national unemployment to peak at 16.5%.
- New Mexico unemployment rate peaked in July at 12.7% and has decreased to 11.3% in August.
  - Moody's baseline forecast in May expected unemployment in New Mexico to peak at 14.9%.

# NM Employment by Sector Y-o-Y

Percent Change and Level Change in Non-Farm Employment in New Mexico by Sector  
August 2019 to August 2020



Source: bls.gov, CES not seasonally adjusted

- Year-over-year total non-farm employment declined 8.2% or 70,500 jobs in August.
- Since the pandemic began most sectors have been negatively impacted.
- In August, the most severe employment declines occurred in the following sectors.
  - Leisure & Hospitality
  - Mining
- Sectors which gained jobs were Federal Government due to the increased hiring for the Decennial Census and the retail trade sector.

# NM Employment Recovery

## New Mexico's Employment Situation: August 2020

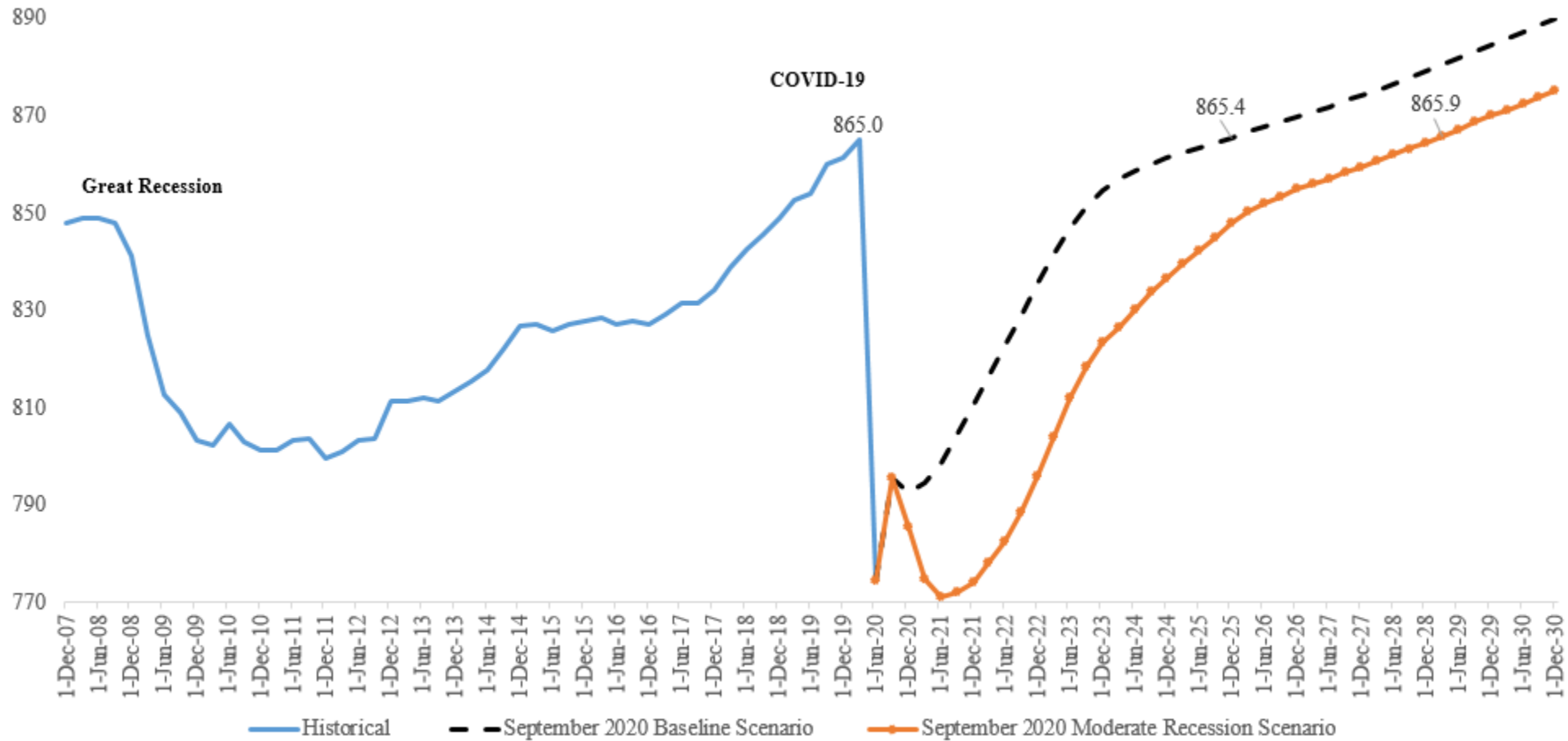
Industry	February 2020 Employment	April 2020 Employment	Cumulative Change	Percent Change	August 2020 Employment	Cumulative Change April to August	Change in Employment February to August	Percent of Jobs Recovered April to August
Total Non-farm Employment	866.7	762.3	(104.40)	-12.0%	791.4	29.1	-75.3	27.9%
Mining	26.4	20.6	-5.8	-22.0%	18.4	-2.2	-8.0	No gain
Construction	52.8	49.3	-3.5	-6.6%	49.1	-0.2	-3.7	No gain
Manufacturing	29.4	23.4	-6	-20.4%	26.8	3.4	-2.6	56.7%
Trade	138.3	126.1	-12.2	-8.8%	133.9	7.8	-4.4	63.9%
Wholesale Trade	22.4	21.8	-0.6	-2.7%	21.3	-0.5	-1.1	No gain
Retail Trade	90.0	80.8	-9.2	-10.2%	90	9.2	0.0	100.0%
Trans & Utilities	25.9	23.5	-2.4	-9.3%	22.6	-0.9	-3.3	No gain
Information	10.7	9.4	-1.3	-12.1%	9.7	0.3	-1.0	23.1%
Financial Activities	36.4	32.8	-3.6	-9.9%	34.2	1.4	-2.2	38.9%
Professional & Business Services	111.7	104.2	-7.5	-6.7%	103	-1.2	-8.7	No gain
Education & Health Services	143.9	131.8	-12.1	-8.4%	137.6	5.8	-6.3	47.9%
Leisure & Hospitality	98.5	57.6	-40.9	-41.5%	70.7	13.1	-27.8	32.0%
Other Services	28.5	23.1	-5.4	-18.9%	24.9	1.8	-3.6	33.3%
Government	189.9	183.9	-6	-3.2%	183.4	-0.5	-6.5	No gain
Federal Government	29.5	29.7	0.2	0.7%	31.2	1.5	1.7	750.0%
State Government	56.7	55	-1.7	-3.0%	54.5	-0.5	-2.2	No gain
Local Government	103.7	99.2	-4.5	-4.3%	97.7	-1.5	-6.0	No gain

Source: Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov) (in thousands)

- NM lost over 104 thousand jobs at the beginning of the COVID-19 pandemic in April.
- From April to August NM has regained 29 thousand jobs or 27.9% of the employment lost.
- Retail trade has regained 100% of the jobs lost in April or 9,200 jobs.
- Education & Health Services has regained 47.9% of the jobs lost or 5,800 jobs.
- Leisure & Hospitality has regained 32% of the jobs lost or 13,100 jobs.

# NM Employment Recovery

New Mexico's Quarterly Total Non-Farm Employment by Forecast: 2007Q4 to 2030Q4



Source: bls.gov, Moody's Analytics

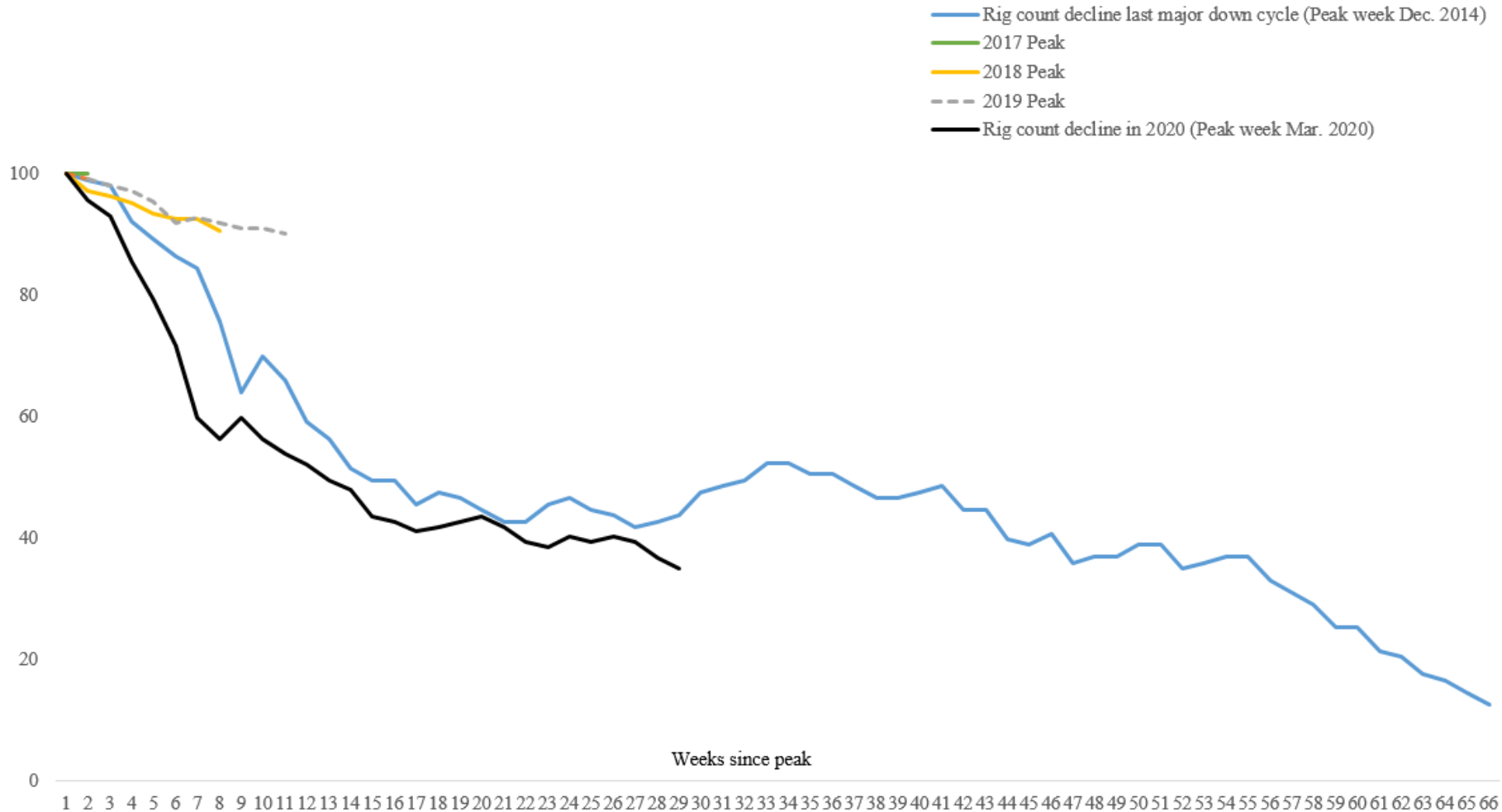
➤ Moody's Analytics projects NM will recover to pre-COVID-19 employment levels in 2025.

# Oil & Natural Gas

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# New Mexico Rig Count

New Mexico Oil Drilling Rig Count, speed of decline in 2020 vs. previous down cycles



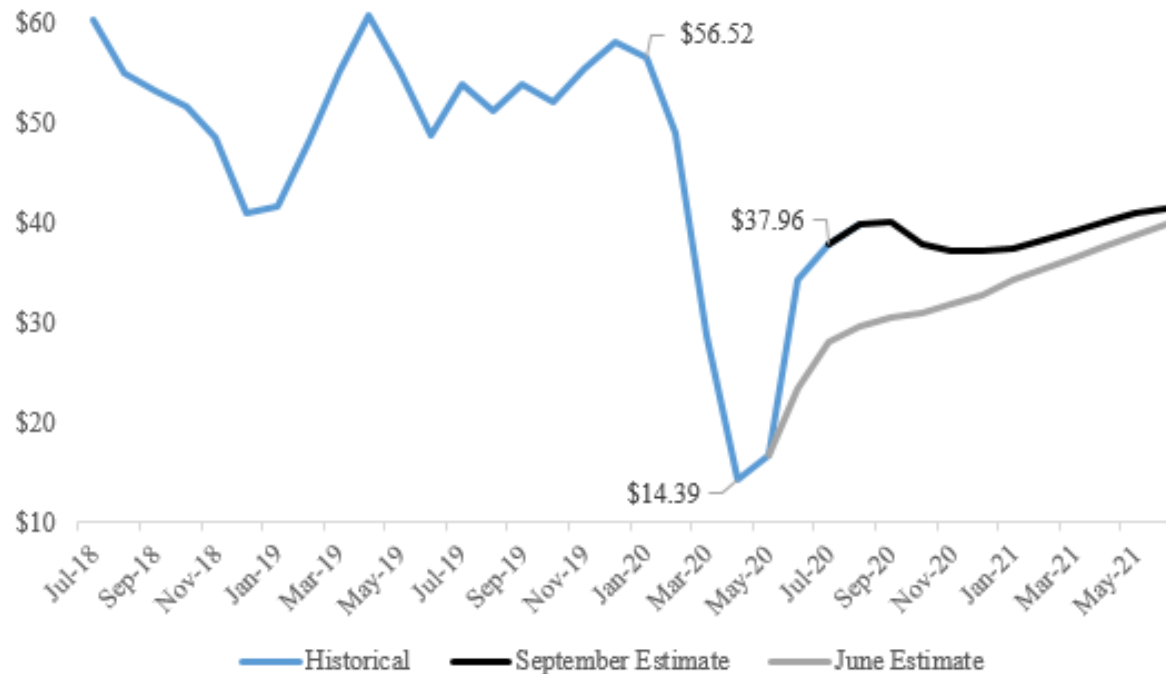
- Previous major down cycle began on December 19<sup>th</sup>, 2014 and ended on March 18<sup>th</sup>, 2016.
  - From peak-to-trough the rig count decline lasted 65 weeks.
  - NM rigs declined from 103 to 13 rigs.
- In 2020, NM rig counts peaked at 117 in March and have declined to 41 rigs in September.
  - The NM rig count has declined for 28 weeks in 2020.
  - When compared to the previous major rig count decline, the 2020 rig count has declined faster.
- It is unlikely we will see substantial increases in rig counts while oil is in the low \$40s/barrel.

Source: Baker Hughes Rig Count Summary  
Note: Peak week is week 1, All peak weeks indexed to 100

# New Mexico Oil Prices

**New Mexico's Monthly Oil Price July 2018 to June 2020**

**WTI Futures w/differential June 2020 to June 2021**



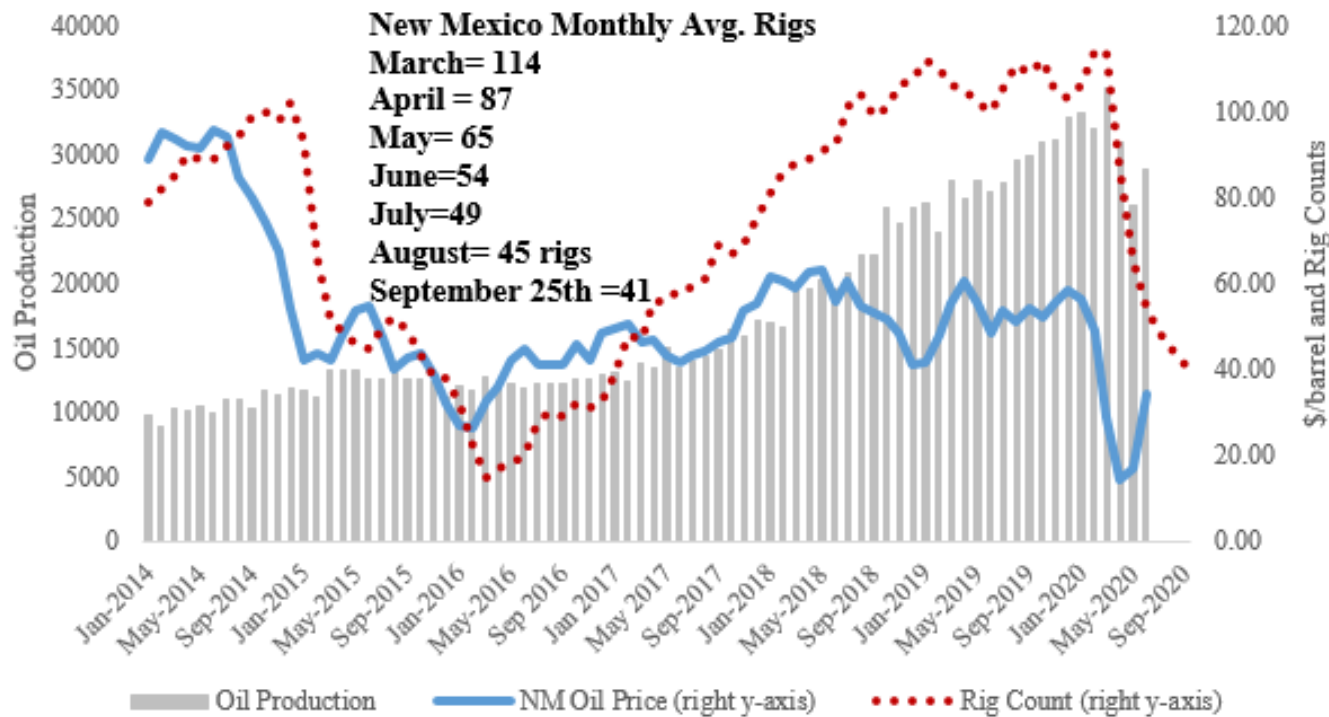
Sources: DFA Estimate, TRD GenTax System

Weighted WTI derived from EIA, NYMEX, Phillips 66, and Moody's Forecasts

- New Mexico oil prices are tracking higher than the CREG's June consensus forecast.
- Updated estimates for weighted WTI futures with New Mexico differentials illustrate oil prices closing the 2020 calendar year at just under \$40/barrel.
- The estimates also show weighted WTI oil prices closing FY21 at just over \$40/barrel.
- Oil prices are inherently volatile. Oil prices are dependent on demand recovery, OPEC+ decisions, inventory builds/drawdowns, and other factors.
- The most significant difference between the current projected range and the June estimate are the near-term expectations for oil prices.

# New Mexico Oil Production

**NM Oil Production (1000 barrels), NM Oil Price (\$ per barrel), & NM Rig Count (number)  
January 2014 to August 2020**



Source: Baker Hughes, TRD (Production and price through June 2020, Rigs through September 25th, 2020)

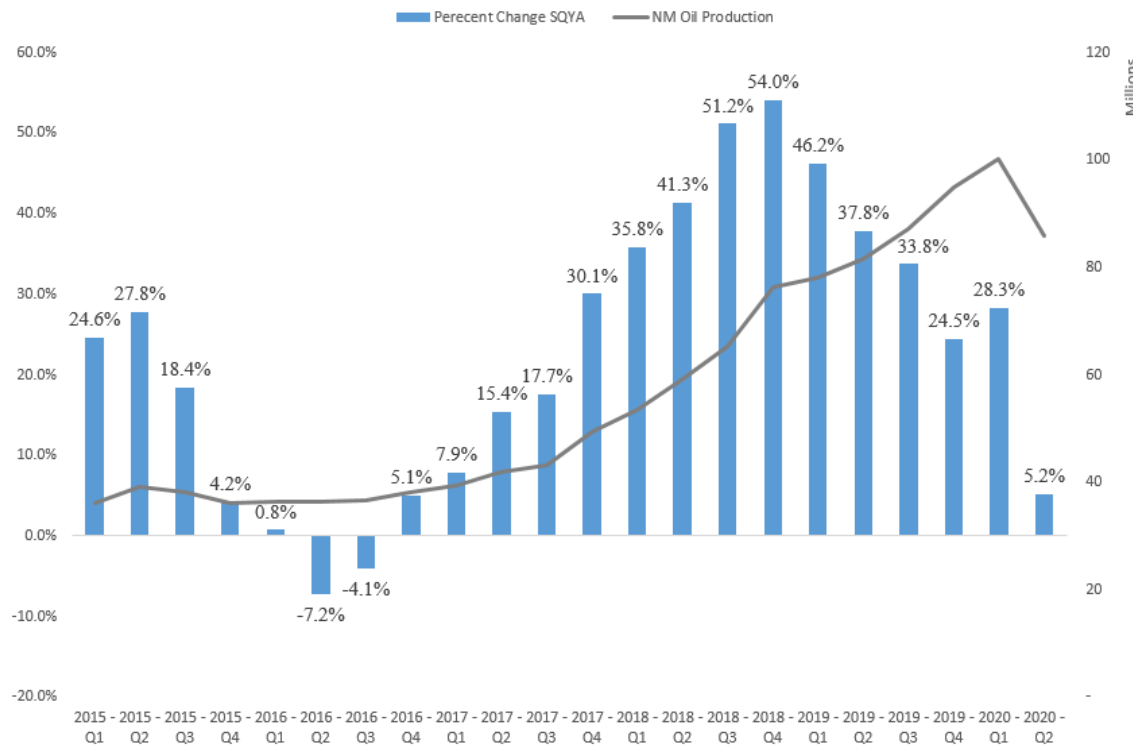
- In 2020 oil prices have been impacted by both supply and demand side shocks due to the oil price war early in the year and the COVID-19 pandemic.
- Oil prices collapsed in March
- NM rig counts peaked during a week in March at 117 rigs but soon declined quickly.
- NM currently has 41 rigs. This represents a 63% decline in NM rigs.
- NM oil prices averaged \$14.39/barrel in April. Prices have somewhat recovered and in June NM oil prices averaged \$34.40/barrel
- The average price of NM oil in FY20 was \$44/barrel.



# New Mexico Oil Production

New Mexico Oil Production 2015Q1 to 2020Q2

Percent Change: Quarter-Over-Same-Quarter-One-Year-Ago

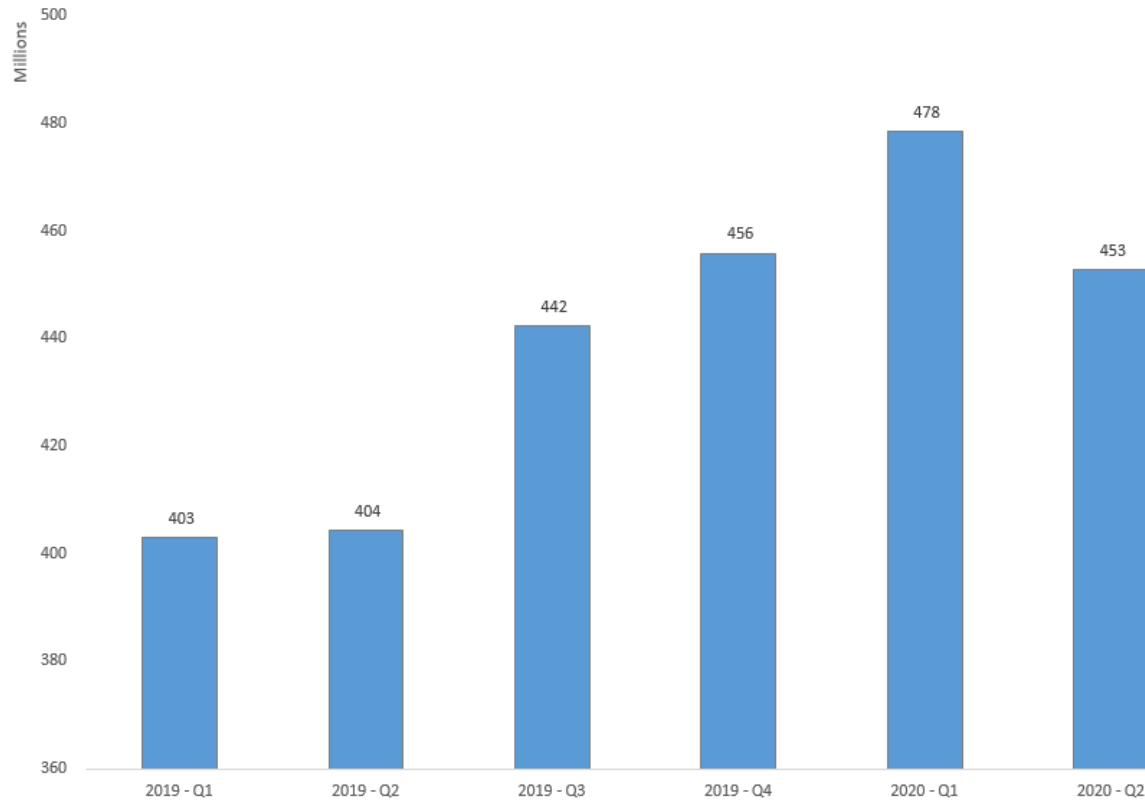


Source: DFA, New Mexico TRD Gentax System

- Monthly NM oil production began to decline in March.
- Year over year production in 2020Q2 grew by 5%. However, this represents much weaker growth when compared to prior quarters.
- NM produced 368 million barrels of oil in FY20.
- Oil production in the Permian has become a greater contributor to national oil production. This trend is expected to continue as the technology, geology, and the economics make the Permian attractive for producers.
- However, with WTI prices in the low \$40s/barrel, rigs counts in the low 40s, and much uncertainty in regards to overall economic recovery - Oil production is still expected to decline with the brunt of the decline in NM occurring in FY21.

# New Mexico Natural Gas (NG) Production

New Mexico NG Production 2019Q1 to 2020Q2  
(in billion cubic feet)



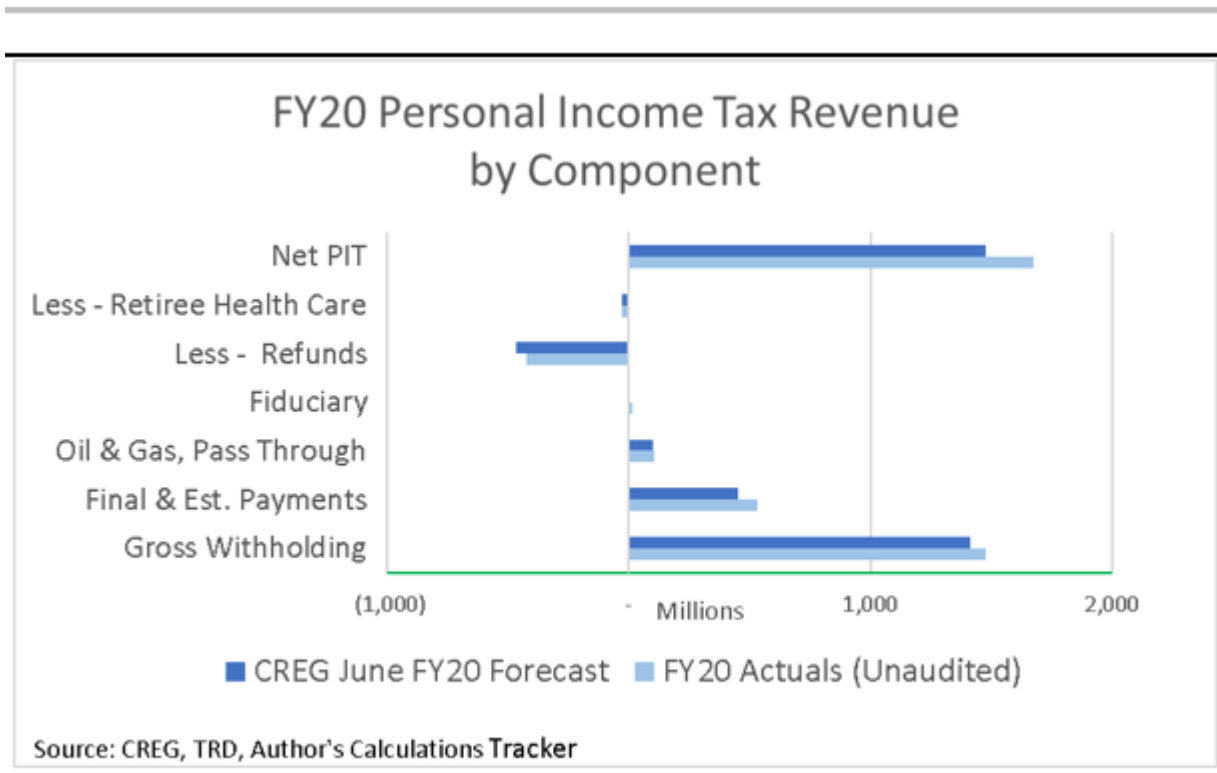
Source: DFA, New Mexico TRD Gentax System

- NM natural gas production declined in 2020Q1 from 478 BCFE to 453 BCFE in 2020Q2
- San Juan and Raton have had a steady decline prior to the COVID-19 pandemic. San Juan and Raton natural gas production has been declining since 2014.
- NM produced 1,829 BCFE of natural gas in FY20 at an average price of \$1.90/mcf
- Permian natural gas production is associated with oil production in the area. If Permian oil production increases or declines, natural gas production follows suit.
- Overall, total natural gas production in NM will follow the states oil production trend.

# Personal Income Taxes

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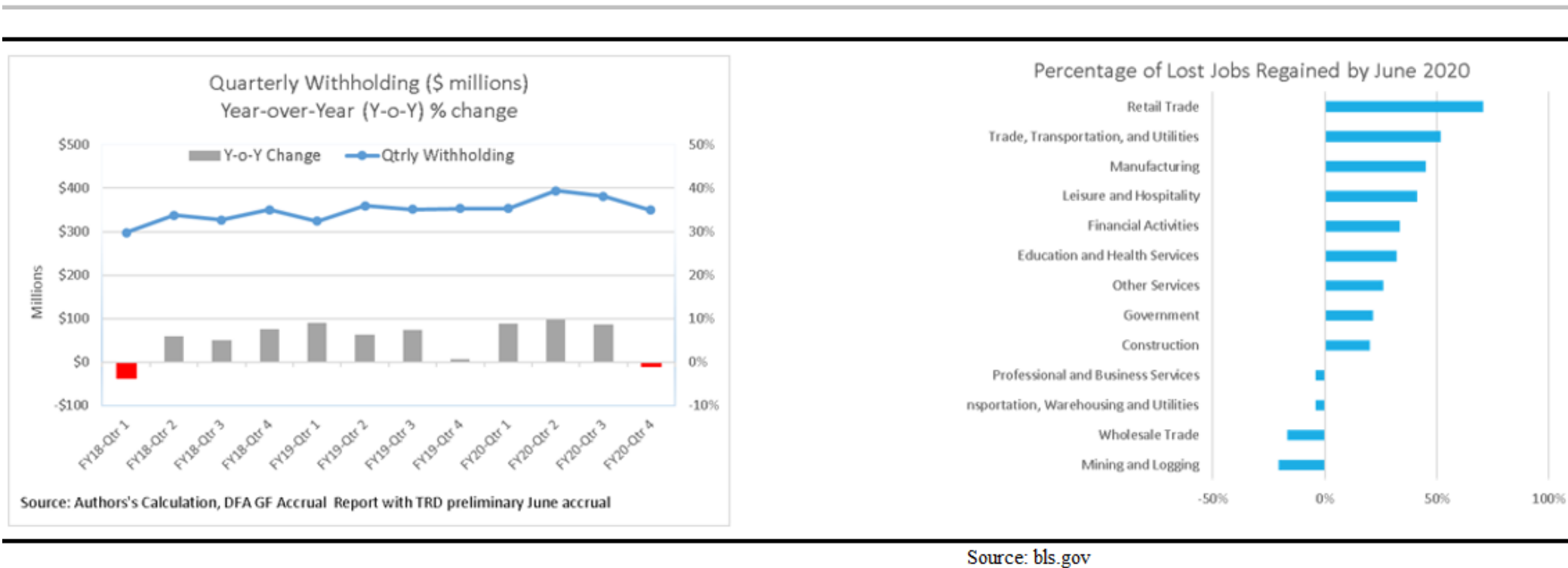
# Personal Income Tax (PIT) – FY20 ended above expectations



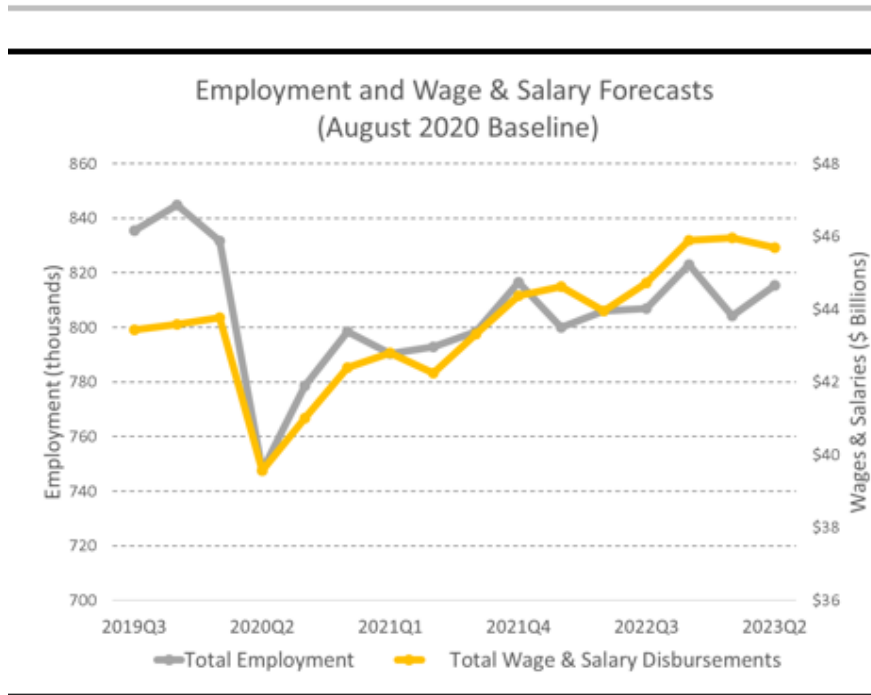
- Administration Action
  - Federal extension of Tax Year 2019 Filing from April 15 to July 15
  - New Mexico automatic extension
  - Legislative action to waive penalty and interest if tax liability paid by April 15, 2021
- With July filings, very little shifting of revenue to FY21

# Withholding

- Prior to the pandemic, withholding showed three quarters of 8% growth year-over-year.
- Withholding FY20 quarter-4 decline was at 1% - loss of pre-pandemic growth but drop less than anticipated
- Recovery of some jobs by June
- Companies with CARES ACT- Paycheck Projection Program (PPP) loans
  - Approximately 250,000 jobs in New Mexico (Source: U.S. Department of the Treasury)



# Employment and Wages & Salary Forecasts



Source: UNM Bureau of Business & Economic Research

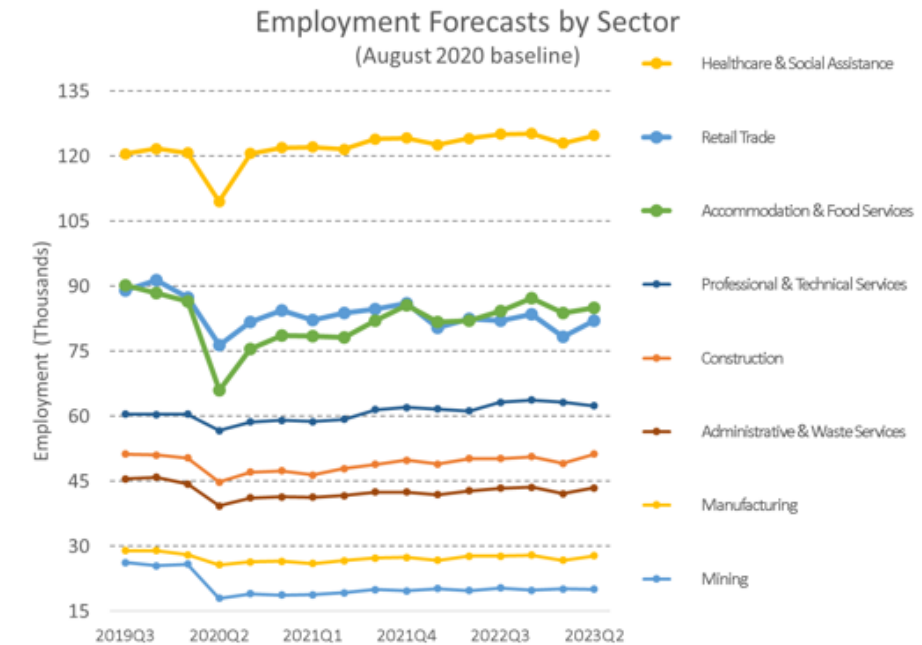
- PIT revenue upward strength
  - Current forecast does not assume new federal stimulus
- PIT revenue weaknesses
  - COVID-19 epidemiology path
  - Consumer confidence

➤ Employment not forecasted to recover by end of FY23 but aggregate wages & salary are (UNM Bureau of Business & Economic Research)

➤ Recovery in high-wage industries – Healthcare, Professional & Technical Services

➤ Retail & Food Services stalled

➤ Mining – no recovery through FY23



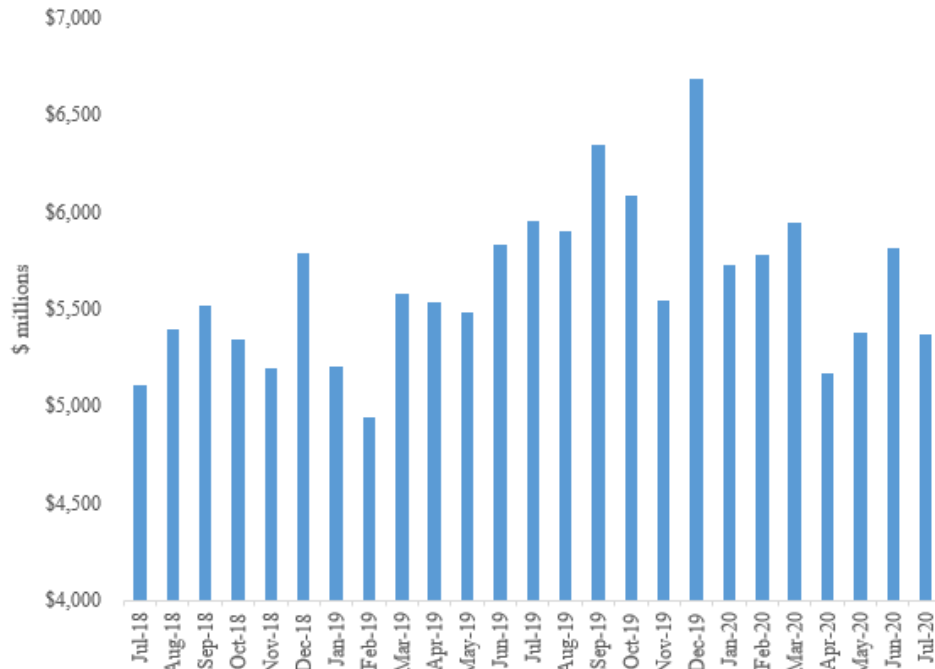
Source: UNM Bureau of Business & Economic Research

# Gross Receipts Taxes

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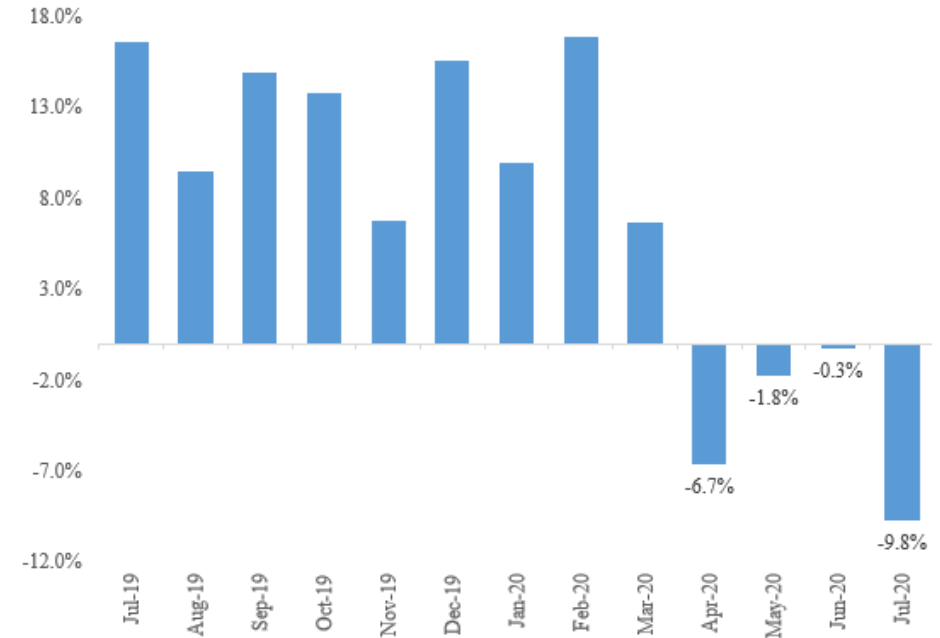
# Gross Receipts Taxes

Matched Taxable Gross Receipts July 2018 to July 2020



Source: DFA, TRD

Matched Taxable Gross Receipts YoY Growth



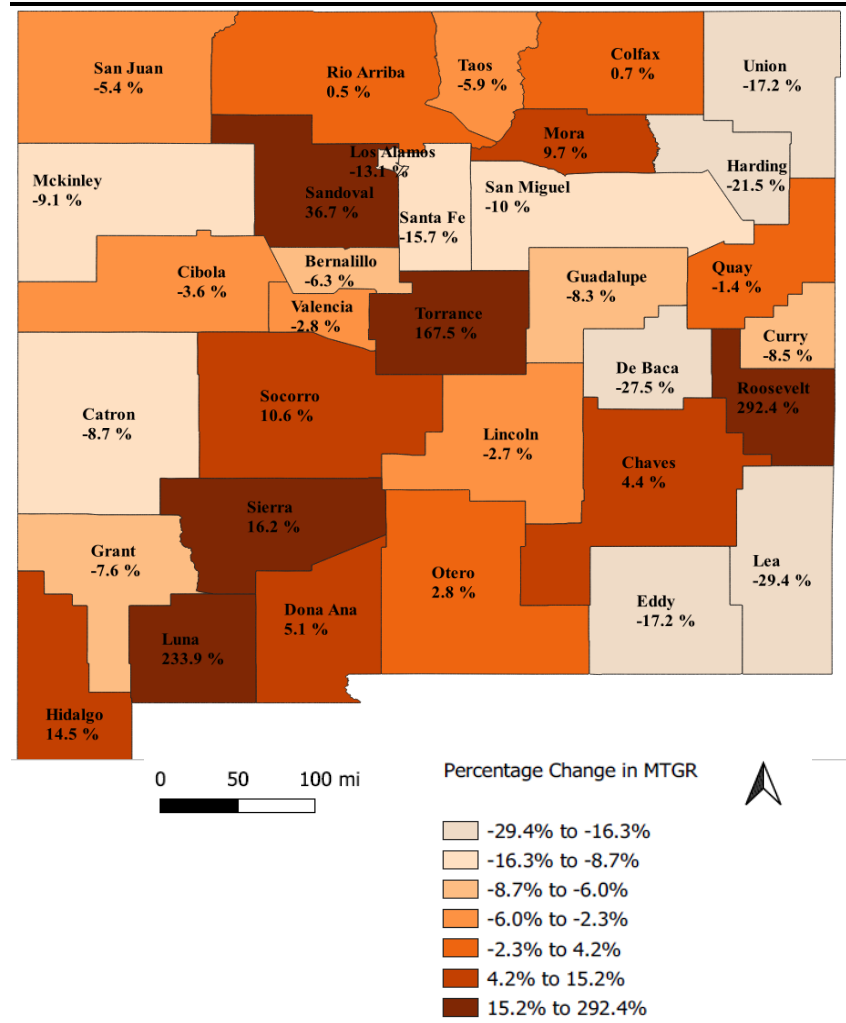
Source: DFA, TRD

- MTGR Y-o-Y growth was driven by construction and retail strength from April through June.
- Federal stimulus bolstered consumer spending/retail sales, these impacts are not anticipated to continue in FY21 as the stimulus impact will fade.



# MTGR Y-o-Y Growth FY20Q4/FY19Q4

Matched Taxable Gross Receipts YoY Growth by County FY19Q4 to FY20Q4



Source: DFA, TRD RP-500

Matched Taxable Gross Receipts by Industry

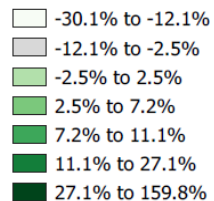
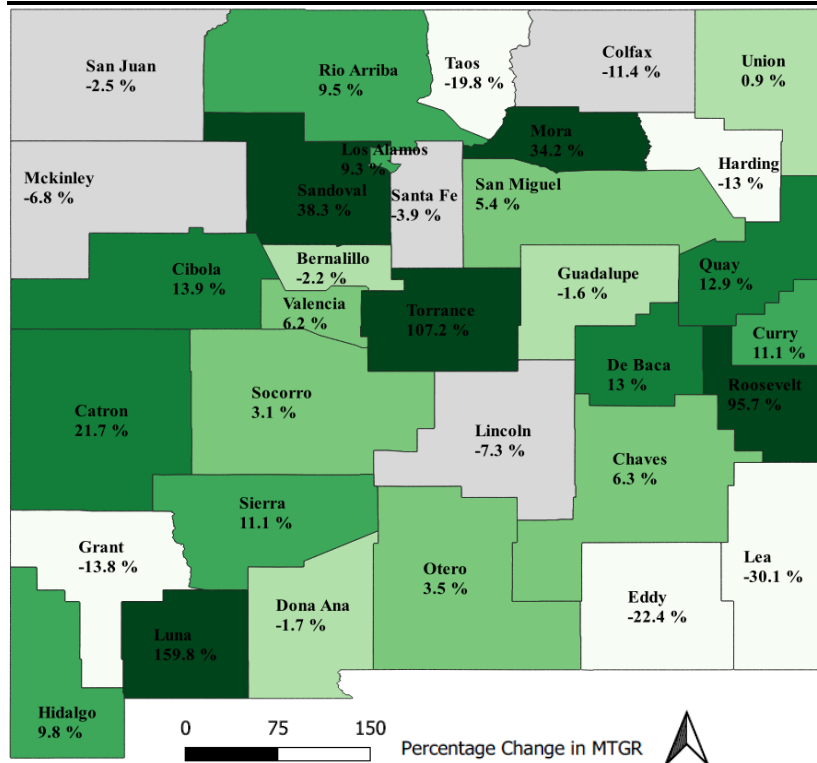
Industry	FY20Q4 Year-over-Year	
	MTGR Growth	Percent Growth
Mining and Oil and Gas Extraction	-\$555,703,937	-32.9%
Leisure and Hospitality Services	-\$449,182,026	-34.0%
Utilities	\$67,063,187	12.0%
Construction	\$559,781,916	28.0%
Manufacturing	-\$131,783,607	-22.5%
Wholesale Trade	-\$292,703,970	-31.7%
Retail Trade	\$390,732,388	11.2%
Transportation and Warehousing	-\$50,619,346	-19.3%
Information	\$104,378,318	15.8%
Real Estate, Rental and Leasing	-\$65,686,348	-14.6%
Professional, Scientific and Technical Services	\$33,948,949	2.2%
Management of Companies and Enterprises	-\$105,951	-1.1%
Admin and Support, Waste Mgt and Remed	-\$83,056,235	-10.3%
Health Care and Social Assistance	\$8,107,489	1.0%
Other Industries	-\$16,743,963	-1.0%
<b>Total</b>	<b>-\$481,573,136</b>	<b>-2.9%</b>

Source: RP500 Data

- Significant declines in the Mining, Oil and Gas, Leisure and Hospitality, Manufacturing, and Wholesale Trade Industries
- Online sales contributed significantly to retail sales
- Construction industry remained more resilient than anticipated at beginning of COVID-19 outbreak.

# MTGR Growth FY20Q3-FY20Q4

Matched Taxable Gross Receipts Growth from FY20Q3 to FY20Q4



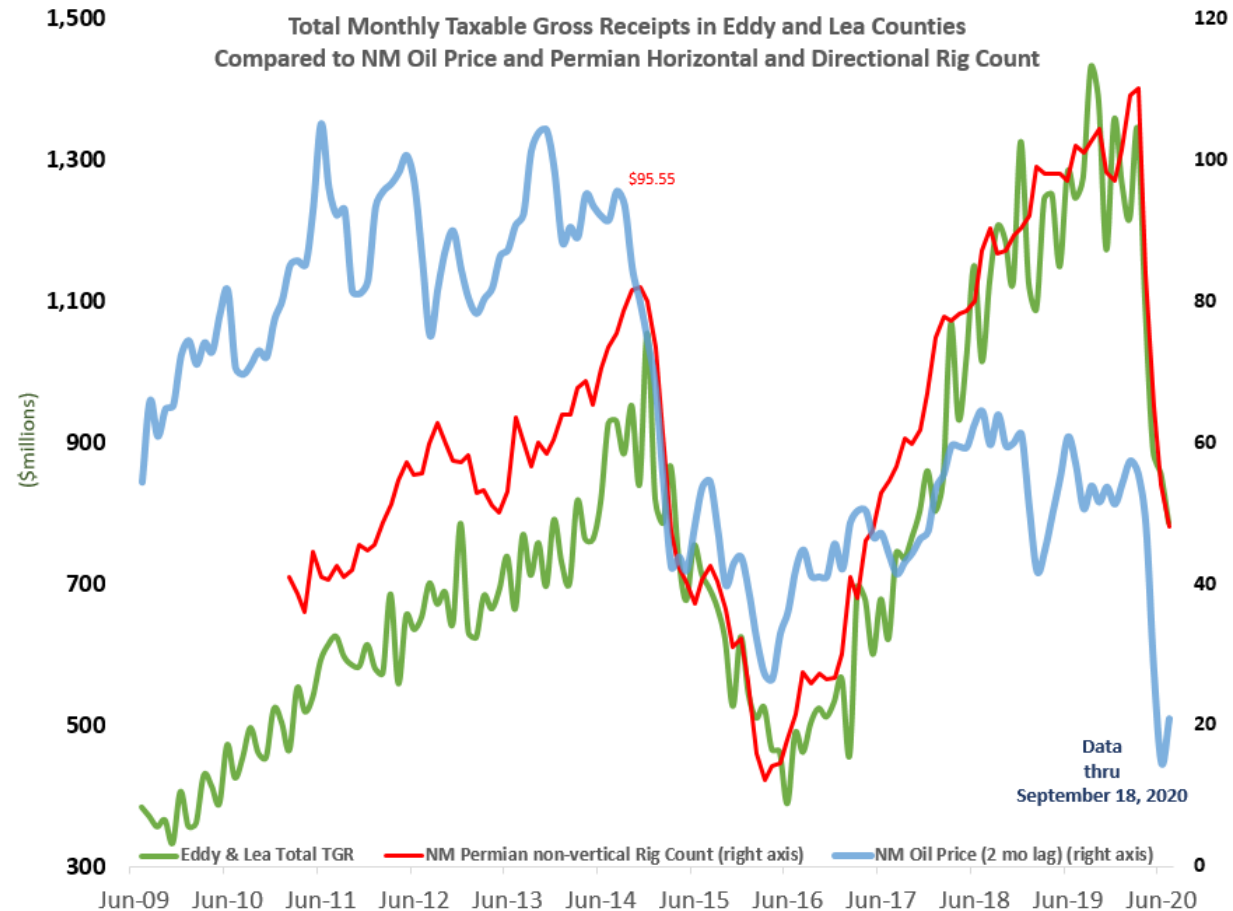
Matched Taxable Gross Receipts by Industry	
Industry	MTGR Growth FY20Q3-FY20Q4
Mining and Oil and Gas Extraction	-\$688,147,442 -37.8%
Leisure and Hospitality Services	-\$195,344,455 -18.3%
Utilities	-\$63,395,184 -9.2%
Construction	\$326,089,456 14.6%
Manufacturing	-\$57,404,657 -11.2%
Wholesale Trade	-\$189,151,576 -23.1%
Retail Trade	\$111,429,005 3.0%
Transportation and Warehousing	-\$13,941,312 -6.2%
Information	\$39,308,370 5.4%
Real Estate, Rental and Leasing	-\$56,444,034 -12.8%
Professional, Scientific and Technical Services	-\$100,848,828 -6.1%
Management of Companies and Enterprises	-\$638,464 -6.2%
Admin and Support, Waste Mgt and Remed	-\$35,881,282 -4.7%
Health Care and Social Assistance	-\$61,500,025 -6.8%
Other Industries	-\$107,414,437 -6.0%
<b>Total</b>	<b>-\$1,093,284,865 -6.3%</b>

Source: RP500 Data

- Construction and Retail Trade continued strength in 4th quarter of FY20.
- Decline in Matched Taxable Gross Receipts accelerated in 4th quarter.
- Roosevelt, Torrance, and Luna MTGR grew from FY20Q3 to FY20Q4. These counties have temporary construction projects.
- As oil production declined both Eddy and Lea counties MTGR declined by 22.4% and 30.1%, respectively.

Source: DFA, TRD RP-500

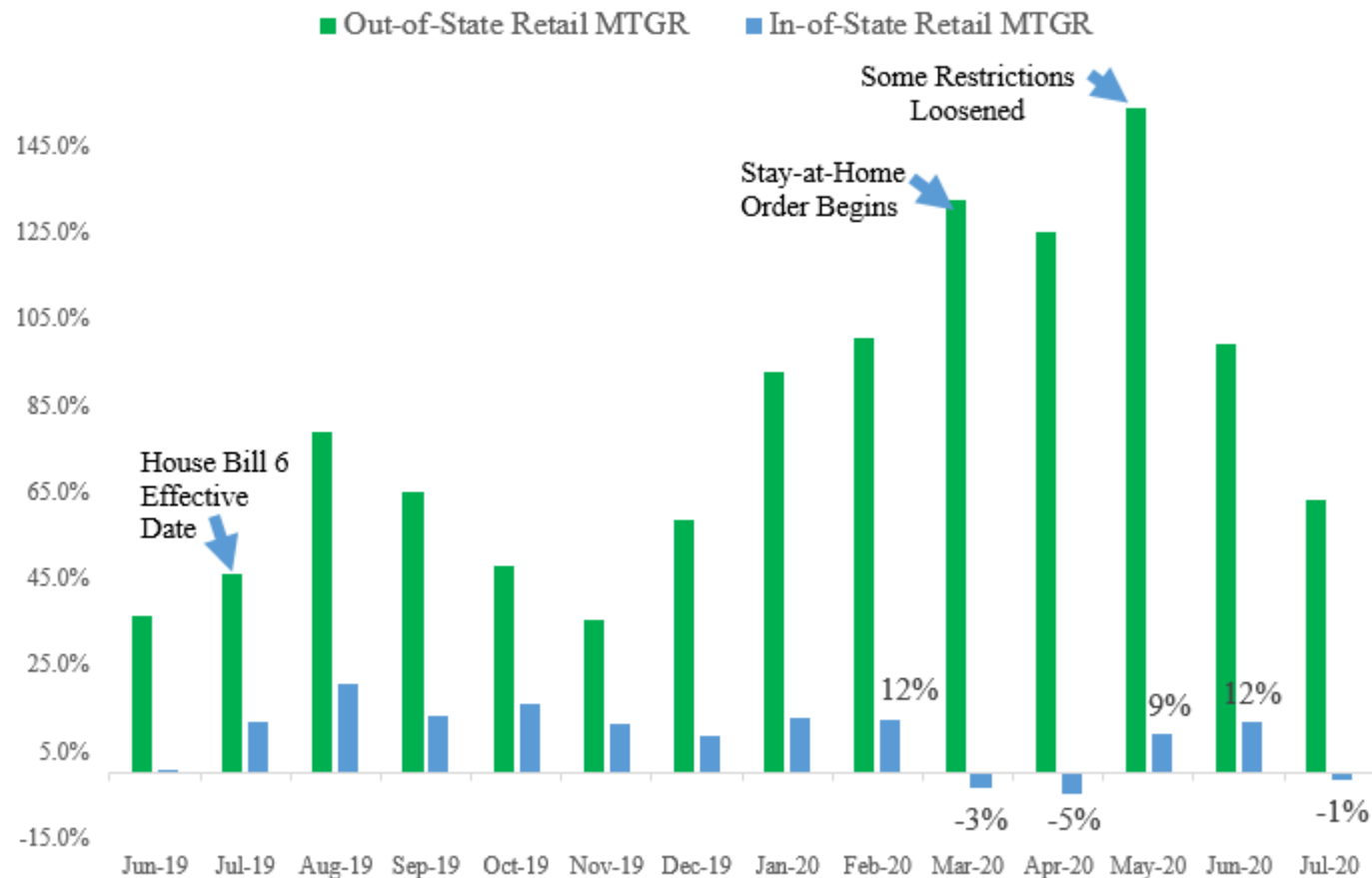
# MTGR Eddy & Lea Counties



- There is a strong relationship between oil production, rig activity, and MTGR in Eddy and Lea counties.
- After the collapse of oil prices in March, rig counts soon declined.
- As NM rig counts declined the combined MTGR of Eddy and Lea also declined.
- This coincided with stay at home orders in NM, which also negatively impacted MTGR.

# MTGR In and Out-of-State Retail

**In-of-State vs. Out-of-State Retail MTGR YoY Percent Change**



Source: DFA, TRD, RP-500

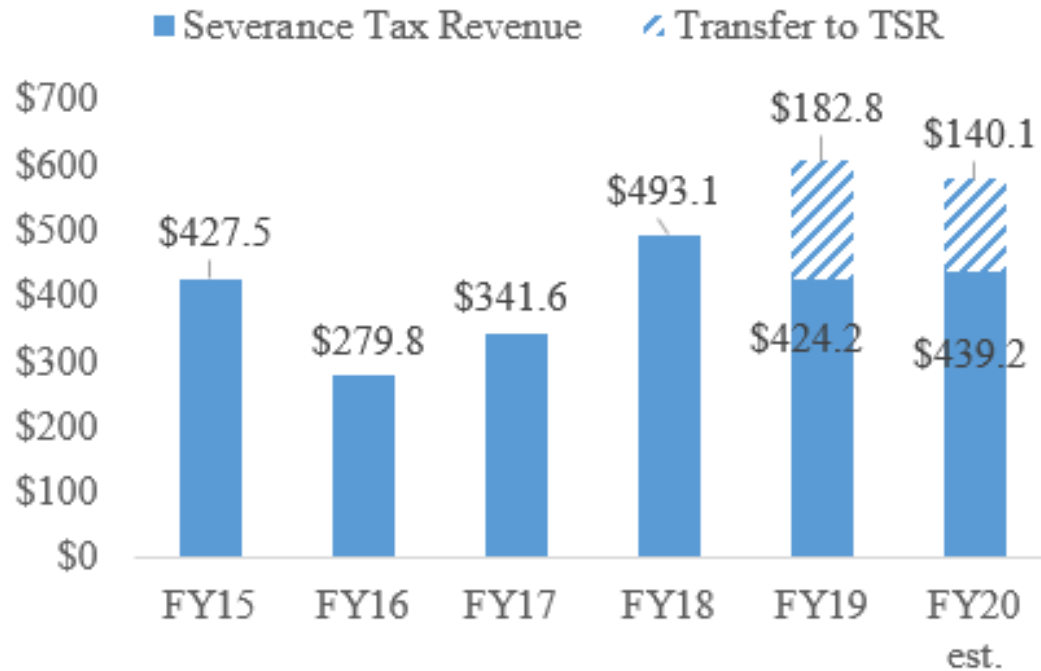
- Stay at home orders shifted consumption and purchases online in March.
- In-state retail declined in March and April while out-of-state retail increased during the same months.
- May 15th some non-essential businesses allowed to reopen, but with capacity restrictions.

# Severance Taxes & Rents & Royalties

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# Severance Taxes

**Severance Taxes from FY15 to FY20 (in millions)**

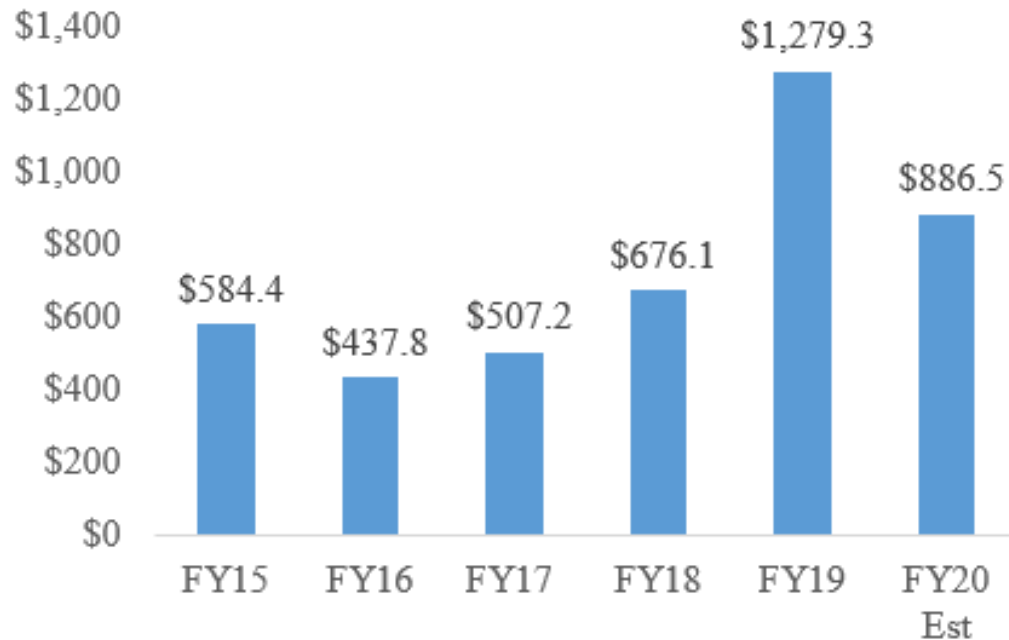


**Source: DFA, CREG**

- Severance tax revenue in FY20 did not decline as much due to the strength in oil prices and production from earlier in the fiscal year.
- Severance tax revenue in FY20 is estimated at \$580 million with an estimated \$140 million transfer to the TSR.
- Monthly oil production declined in April and May but as oil prices stabilized and rebounded in June. Shut-in oil production has come back online and production has slightly grown in June.
- However, current well production will naturally decline. The second month of production is typically the most productive for a well. Without new drilling activity and well completion, production is expected to slow in FY21.
- To the degree of which production slows and continues will impact severance tax revenues for the state in FY21 and FY22.

# Federal & State Rents & Royalties

**Rents & Royalties from FY15 to FY20 (in millions)**



**Source: DFA, CREG**

- Rents & royalties were expected to decline in FY20 due to an unprecedented federal land lease payment of \$497 million in FY19.
- Federal mineral leasing revenue slowed from April through June. National policy halted auctions and leasing on public lands from May to July.
- Oil and natural gas leases resumed in August. When compared to pre-pandemic levels - the bids were low.
- During the summer, royalty reductions were made available to producers. According to NM Bureau of Land Management, only three producers applied for royalty relief via suspension of production. None were granted. This program ended at the end of July.

# FY20 Revenue Tracking, CREG Revenue Range & Budget Implications

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# Fiscal Year 2020 Revenue Tracking

## General Fund Recurring Revenue Variance from June Forecast

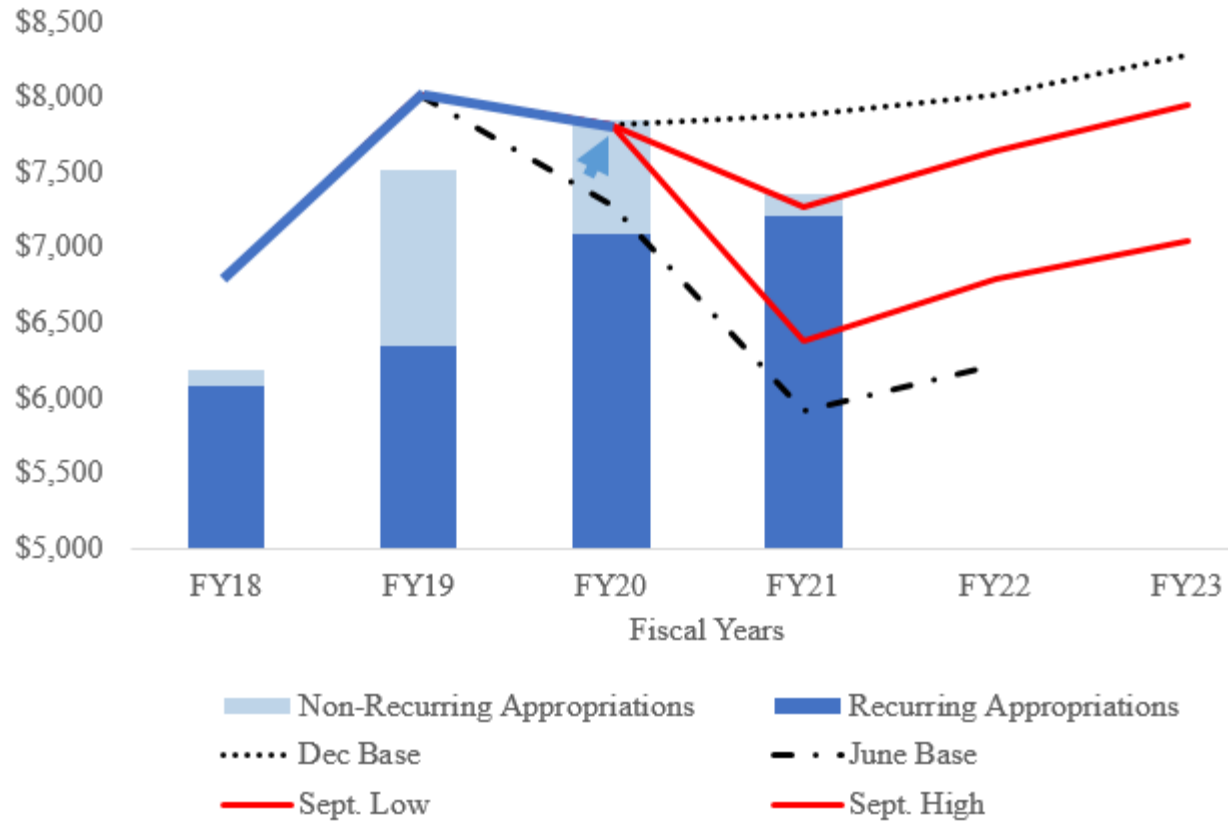


Source: DFA, TRD

- FY20 revenue tracking and preliminary data indicate revenues are tracking over \$500 million above the June estimate.
- The bulk of the revenue strength is coming from GRT and PIT.
- GRT is tracking \$233 million over the June forecast mainly due to continued construction activity during the last quarter of the fiscal year.
- PIT is tracking \$219 million over the June forecast.
- Overall consumption was supported by fiscal stimulus measures such as the stimulus checks, expanded unemployment benefits, and the Paycheck Protection Program.

# CREG Forecast Range

**General Fund Recurring Revenue Forecast Range FY21 to FY23**



Source: DFA, TRD, CREG (in millions)

September 2020 Forecast compared to the June 2020 and December 2019				
Forecast	FY20	FY21	FY22	FY23
December 2019 Base	\$ 7,776.4	\$ 7,882.5	\$ 8,015.2	\$ 8,297.1
September 2020 High	\$ 7,818.4	\$ 7,272.8	\$ 7,638.4	\$ 7,951.6
September 2020 Low	\$ 7,818.4	\$ 6,377.2	\$ 6,793.4	\$ 7,045.8
June 2020 Base	\$ 7,284.3	\$ 5,916.6	\$ 6,220.6	

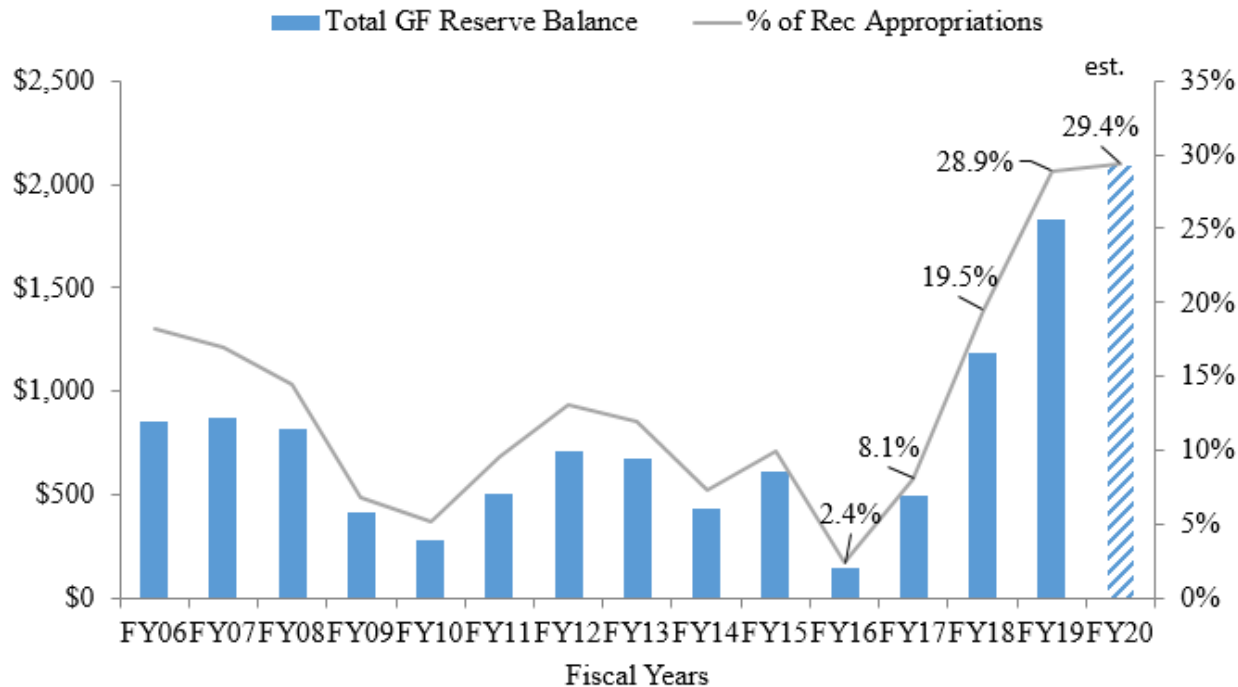
September 2020 Forecast Difference from the June 2020 Forecast				
Forecast	FY20	FY21	FY22	FY23
September 2020 High	\$ 534.1	\$ 1,356.2	\$ 1,417.8	
September 2020 Low	\$ 534.1	\$ 460.6	\$ 572.8	

September 2020 Forecast Difference from the December 2019 Forecast				
Forecast	FY20	FY21	FY22	FY23
September 2020 High	\$ 42.0	\$ (609.7)	\$ (376.8)	\$ (345.5)
September 2020 Low	\$ 42.0	\$ (1,505.3)	\$ (1,221.8)	\$ (1,251.3)

➤ The CREG's forecast range is higher than the forecast in June 2020 but lower than the forecast from December 2019.

# General Fund Reserves

General Fund Reserve Balances as a Percent of Recurring Appropriations



Source: DFA, FCD, CREG

- FY19 General fund reserve balances ended at \$1.8 billion or 28.9% of recurring appropriations
- FY20 revenue tracking above the June 2020 estimate suggests total general fund reserves will grow to about 29.4%.
- Total general fund reserves are estimated at \$2.1 billion or 29.4% of recurring appropriations at the end of FY20.

# CREG Forecast Range

**September 2020 Forecast compared to the June 2020 and December 2019**

Forecast	FY20	FY21	FY22	FY23
December 2019 Base	\$ 7,776.4	\$ 7,882.5	\$ 8,015.2	\$ 8,297.1
September 2020 High	\$ 7,818.4	\$ 7,272.8	\$ 7,638.4	\$ 7,951.6
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Forecast	FY20	FY21	FY22	FY23
September 2020 High	\$ 42.0	\$ (609.7)	\$ (376.8)	\$ (345.5)
September 2020 Low	\$ 42.0	\$ (1,505.3)	\$ (1,221.8)	\$ (1,251.3)

- When compared to the December 2019 forecast, the September 2020 forecasted revenue range is lower by \$610 million to \$1,505 million in FY21, by \$377 million to \$1,222 million in FY22, and by \$345 million to \$1,251 million in FY23
- The September forecasted revenue range is higher than the June forecast by \$460 million to \$1,356 million in FY21 and by \$572 million to \$1,418 million in FY22.
- The September forecast range estimates +/- \$430 million or +/- 6% of new money or in FY22.

# CREG Forecast Range

- Why the range?
- The continued heightened level of uncertainty leads to a concern of having high volatility between the June, September and December forecasts. The range represents the CREG's surest assessment of revenue at this time.
  - There is uncertainty in regards to the path of economic recovery.
  - There is uncertainty in regards to the path of the COVID-19.
  - There is uncertainty in regards to the path of Federal Stimulus actions.
  - There is uncertainty in regards to the Oil and Natural Gas volatility and recovery.
  - All of these issues interact with one another and the uncertainty compounds.

# CREG Forecast Range

- COVID-19 pandemic uncertainty.
  - Unknown changing consumer and business behavior.
  - Unknown when a vaccine will be able and how much will be available
  - Employment recovery will vary with employers expectations to economic recovery, COVID-19, and fiscal stimulus.
- Direction of additional federal stimulus legislation.
  - Unknown when and if an agreement for an additional stimulus bill will be reached.
  - The later another round of stimulus agreement is reached the less effective it is on stimulating the recovery (Moody's Analytics).
  - The form and scale of the stimulus agreement.
- Oil demand and supply.
  - Uncertainties in regard to demand are closely tied to COVID-19 path
    - Consumer and business behavior.
    - Transportation sector.
  - Oil supply dependent on OPEC actions.
    - More coordinated actions on supply which are often unknown or unexpected.

# Economic Indicators Table

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**U.S. and New Mexico Economic Indicators**

		FY20		FY21		FY22		FY23		FY24		FY25	
		May 20 Forecast	Sept 20 Forecast	May 20 Forecast	Sept 20 Forecast	May 20 Forecast	Sept 20 Forecast	May 20 Forecast	Sept 20 Forecast	May 20 Forecast	Sept 20 Forecast	May 20 Forecast	Sept 20 Forecast
<b>National Economic Indicators</b>													
GI	US Real GDP Growth (annual avg., % YOY)*	-1.6	-1.1	-3.9	-0.1	6.7	3.5	4.2	3.3	3.6	2.6	3.1	2.4
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	-1.2	-1.1	-3.8	-0.7	5.3	4.4	6.0	4.6	3.4	3.0	2.0	2.0
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	1.6	1.1	1.7	1.7	2.5	1.3	2.0	0.8	1.9	1.7	2.1
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	1.6	1.0	1.6	2.9	2.3	2.8	2.8	2.6	2.6	2.6	2.5
GI	Federal Funds Rate (%)	1.3	1.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Moody's	Federal Funds Rate (%)	1.3	1.3	0.1	0.1	0.1	0.1	0.3	0.1	1.2	0.7	2.2	1.7
<b>New Mexico Labor Market and Income Data</b>													
BBER	NM Non-Agricultural Employment Growth (%)	-3.3	-1.5	-9.1	-3.0	6.2	1.9	2.9	0.8	3.0	0.9	2.6	1.3
Moody's	NM Non-Agricultural Employment Growth (%)	-1.7	-1.2	-3.2	-5.3	2.0	2.3	2.9	3.0	1.9	2.0	0.7	0.7
BBER	NM Nominal Personal Income Growth (%)***	5.8	5.7	3.5	4.6	-2.1	-2.7	2.1	3.6	3.6	3.8	4.2	3.8
Moody's	NM Nominal Personal Income Growth (%)***	3.7	8.8	-0.3	-2.2	3.0	-0.2	5.0	4.7	4.7	4.4	3.7	3.9
BBER	NM Total Wages & Salaries Growth (%)	1.6	2.2	-6.0	-1.1	7.2	4.6	5.2	3.4	4.8	3.9	4.4	3.8
Moody's	NM Total Wages & Salaries Growth (%)	1.2	3.3	-3.5	-4.7	3.4	3.6	5.3	5.0	4.6	4.7	3.4	3.7
BBER	NM Private Wages & Salaries Growth (%)	0.5	1.4	-8.9	-0.8	9.5	5.5	6.3	3.7	5.8	4.2	5.3	4.1
BBER	NM Real Gross State Product (% YOY)	-0.5	-0.5	-4.7	-3.7	6.6	3.5	2.2	2.9	2.1	2.6	1.7	2.6
Moody's	NM Real Gross State Product (% YOY)	0.3	0.3	-1.8	1.1	5.2	4.5	5.2	4.0	3.3	2.9	2.0	1.9

**Notes**

\* Real GDP is BEA chained 2012 dollars, billions, annual rate  
 \*\* CPI is all urban, BLS 1982-84=1.00 base  
 \*\*\*Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins  
 \*\*\*\*The gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit (November) future prices  
 \*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties  
 Sources: BBER - August 2020 FOR-UNM baseline. IHS Global Insight - August 2020 baseline.

**DFA Notes**

\* Real GDP is BEA chained 2012 dollars, billions, annual rate  
 \*\* CPI is all urban, BLS 1982-84=1.00 base.  
 \*\*\*Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins  
 \*\*\*\*The gross gas prices are estimated using a formula of NYMEX, EIA, and Moody's September future prices  
 \*\*\*\*\*The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties  
 \*\*\*\*\*Forecasted ranges include a variety of scenarios such as Moody's baseline that includes the passage of an additional fiscal stimulus package and the S3 scenario that does not include additional fiscal stimulus funds  
 Sources: August and September 2020 Moody's economy.com baseline