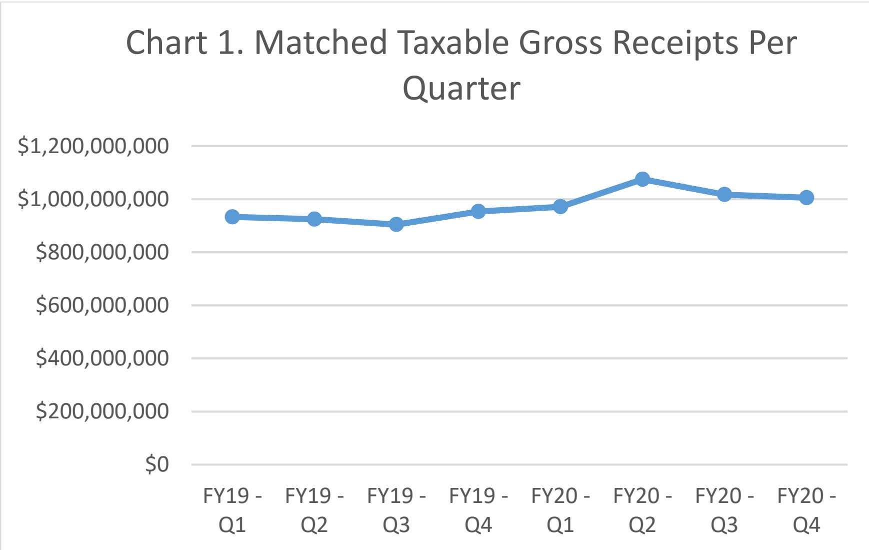
Quarterly Economic Summary

Doña Ana County

Released: August 2020

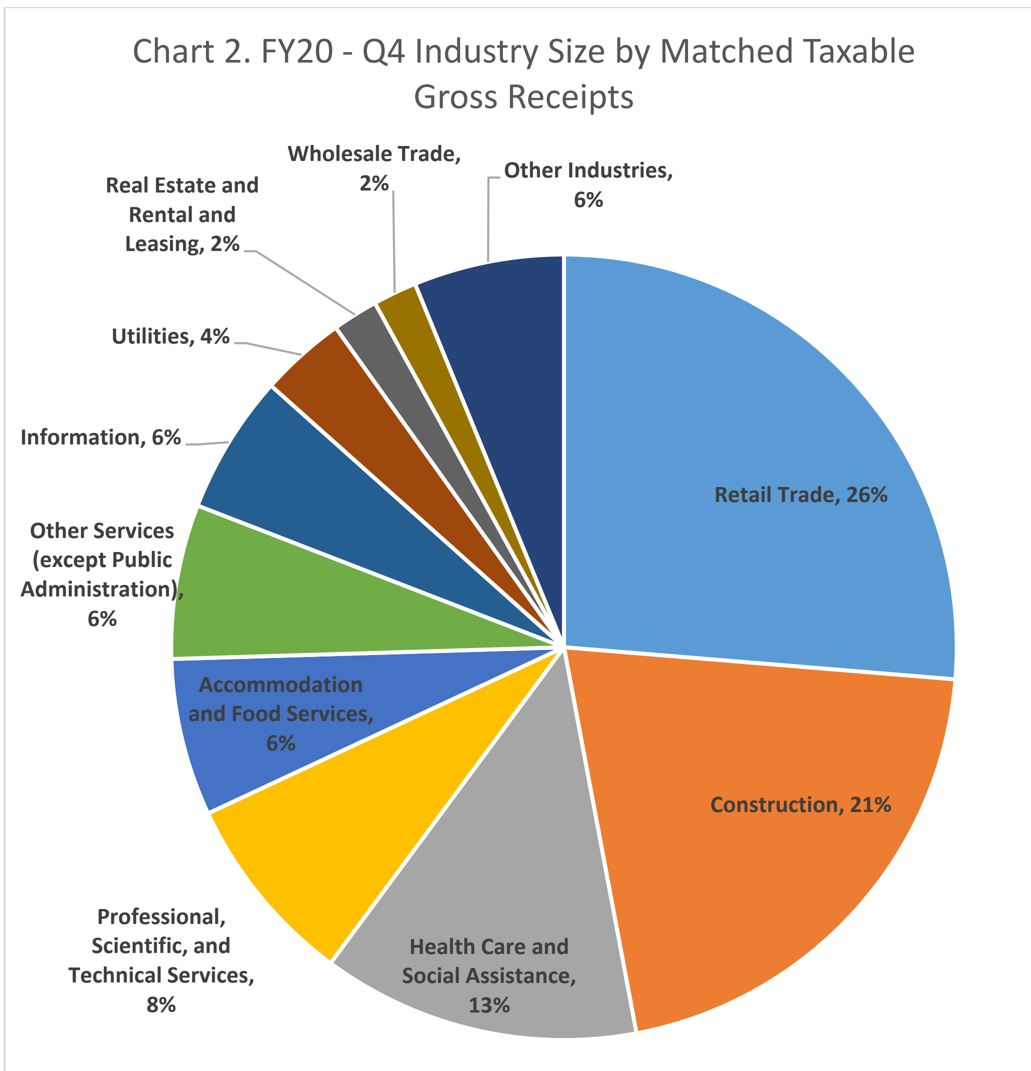
Prepared by: Joel Salas, Economist, and Ryan Eustice, Economist



The fourth quarter of FY20 is the first full quarter of economic impacts from the COVID-19 pandemic. Business closures and reduced consumer spending locally began to take effect at the end of March. Since then, the state instituted reopening phases designed to slow the spread of the virus while providing a systematic approach to reopening the economy. However, the continuation of the COVID-19 health crisis and the subsequent closures of many businesses statewide caused downward trends in matched taxable gross receipts across the state.

Doña Ana County saw a slight decrease of $11.9M (1%) in its matched taxable gross receipts (MTGR) from Q3 to Q4 of FY20, as seen in Chart 1. The county saw a 5% year over year (YOY) increase in Q4 FY20, equaling a growth of $51.7M over Q4 FY19, as seen in Table 1 on page 2. The construction industry did particularly well in the quarter with YOY growth of $81.6M. The accommodation and food services industry saw the largest YOY decline,

Matched Taxable Gross Receipts (MTGR) is the best tax data available to show underlying economic activity. It matches a tax payment with reported receipts for each taxpayer, by industry.



Quarterly Economic Summary
Doña Ana County

Table 1. Matched Taxable Gross Receipts by Industry

Industry	FY19 - Q4	FY20 - Q4	Growth	Year over year Change
Accommodation and Food Services	$ 88,297,789	$ 65,046,924	$ (23,250,865)	-26%
Administrative/Support & Waste Management/Remediation	$ 30,403,726	$ 17,715,474	$ (12,688,253)	-42%
Agriculture, Forestry, Fishing, and Hunting	$ 2,087,020	$ 3,175,092	$ 1,088,072	52%
Arts, Entertainment, and Recreation	$ 7,750,493	$ 1,495,848	$ (6,254,644)	-81%
Construction	$ 126,715,092	$ 208,318,774	$ 81,603,682	64%
Educational Services	$ 9,895,993	$ 9,951,998	$ 56,005	1%
Finance and Insurance	$ 7,377,119	$ 7,023,069	$ (354,051)	-5%
Health Care and Social Assistance	$ 131,440,061	$ 131,442,585	$ 2,525	0%
Information	$ 55,211,900	$ 57,540,809	$ 2,328,909	4%
Management of Companies and Enterprises	$ 400,106	$ 760,083	$ 359,978	90%
Manufacturing	$ 20,659,751	$ 14,001,681	$ (6,658,070)	-32%
Mining, Quarrying, and Oil and Gas Extraction	$ 1,185,401	$ 962,339	$ (223,062)	-19%
Other Services (except Public Administration)	$ 69,577,164	$ 63,780,293	$ (5,796,871)	-8%
Professional, Scientific, and Technical Services	$ 69,265,426	$ 79,563,336	$ 10,297,910	15%
Public Administration	$ 806,899	$ 875,839	$ 68,941	9%
Real Estate and Rental and Leasing	$ 14,933,851	$ 18,841,410	$ 3,907,559	26%
Retail Trade	$ 251,057,013	$ 264,216,277	$ 13,159,263	5%
Transportation and Warehousing	$ 7,571,477	$ 4,785,695	$ (2,785,783)	-37%
Unclassified Establishments	$ 9,149,654	$ 2,169,540	$ (6,980,114)	-76%
Utilities	$ 33,373,802	$ 35,442,104	$ 2,068,303	6%
Wholesale Trade	$ 16,411,881	$ 18,128,315	$ 1,716,434	10%
All Industries	**$ 953,571,617**	**$ 1,005,237,486**	**$ 51,665,869**	**5%**

declining by $23.3M. The arts entertainment/rec industry saw the largest YOY percent change in Q4 FY20, declining by 81% (-$6.3M). The unclassified establishments industry saw a 76% YOY decrease in Q4. This decrease is not necessarily related to the negative impacts of COVID-19 and may be due to the correction of classification errors by the businesses in the industry. Annual gross receipts tax (GRT) revenue collections saw a 13% increase from FY19 to FY20 with FY20 totaling $45.4M, as seen in Chart 3. Quarterly GRT collections saw a slight decrease (2%) from Q3 to Q4 of FY20. Q4 FY20 saw a YOY increase of 10%, equaling a growth of $990K over FY19.

HB6, passed in 2019, made widespread tax changes within New Mexico. One notable change is the conversion to destination-based sourcing that will begin after a two-year delay. During the 2020 Special Session, that legislation was amended, increasing a temporary distribution to municipalities and counties. Now municipalities will receive a distribution that is a portion of $2.5 million while counties will receive a distribution that is a portion of $1.5 million. The amounts distributed will be proportional to the size of that community's population versus that of the entire group. These amounts are subject to change if the federal government provides municipalities and counties future grants to offset revenue declines attributable to COVID-19.

Chart 3. Annual Total GRT Revenue Collections

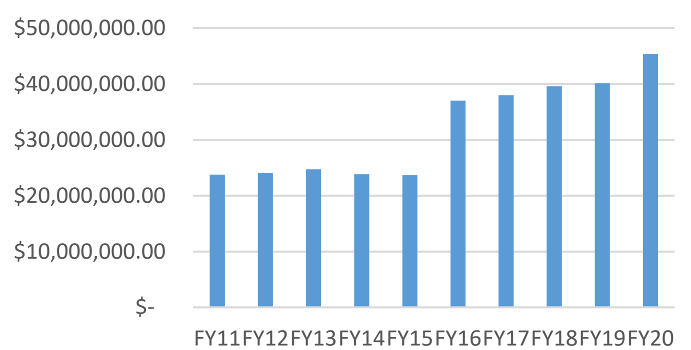
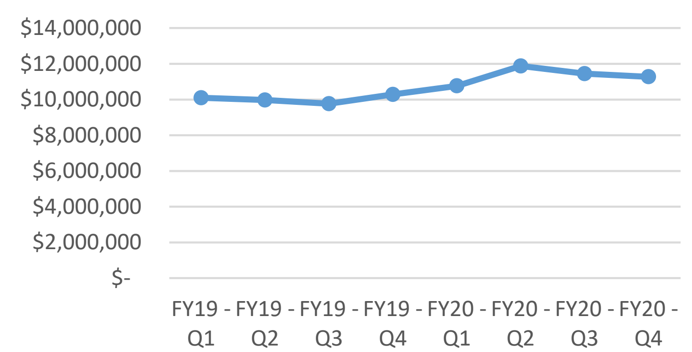


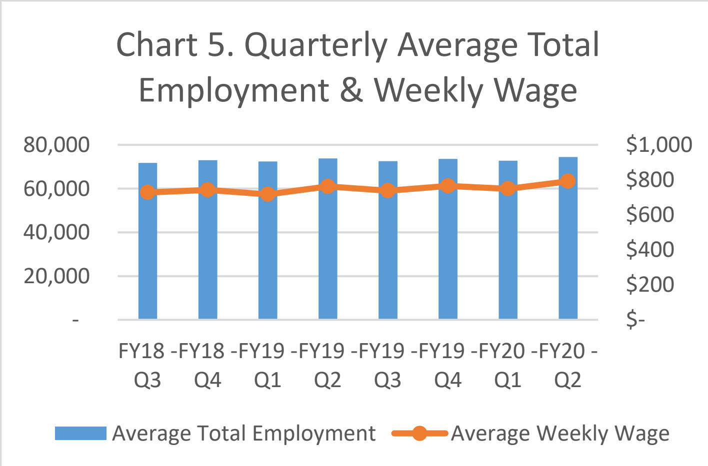
Chart 4. Quarterly GRT Revenue Collections

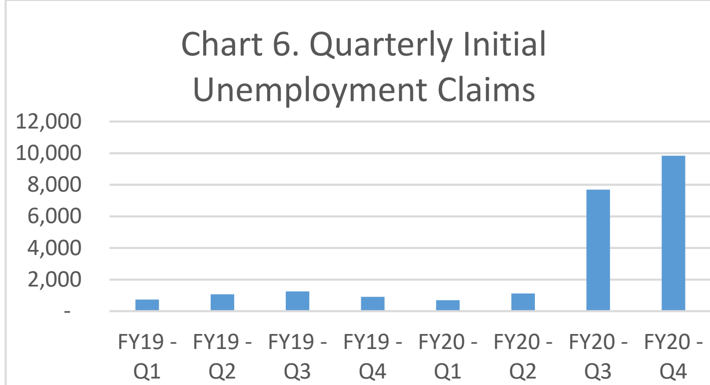


SOURCES: NEW MEXICO TAXATION AND REVENUE DEPT, NEW MEXICO DEPTARTMENT OF WORKFORCE SOLUTIONS, U.S. BUREAU OF LABOR STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS AND EDD CALCULATIONS

Quarterly Economic Summary

Doña Ana County

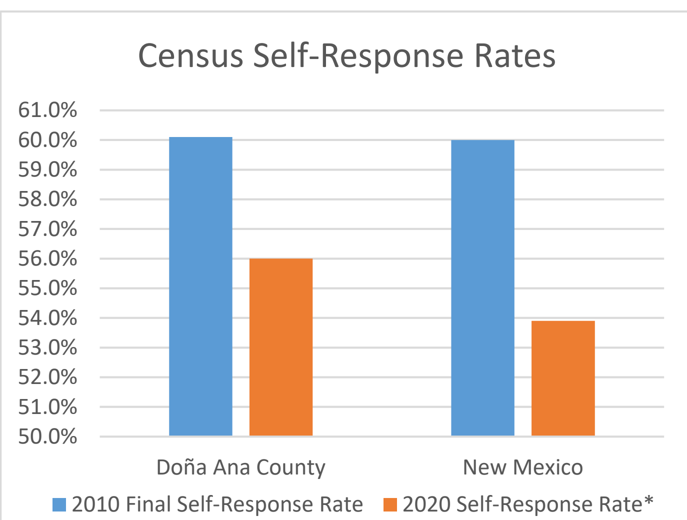




**Weeks with low IUC amounts have total claims withheld to avoid disclosure of confidential information. The sum of all weeks may not reflect the true total and may include a few days outside of the quarter.*

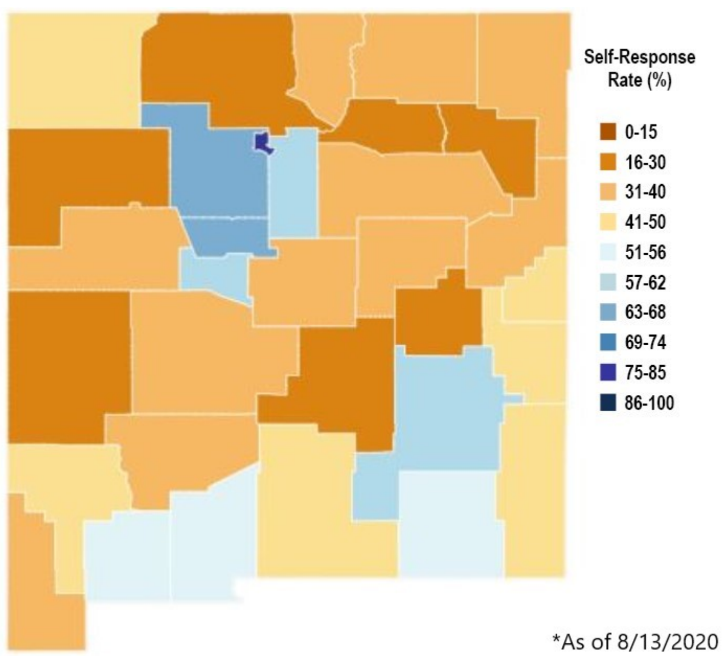
New Mexico receives over $6 billion each year through federal programs which benefit the entire community: health care, nutrition, highways, education, housing, jobs and more that allocate funds on per capita basis. Each New Mexican not counted equates to a loss of approximately $3,745 in funding per year. If New Mexico undercounts residents by only 1%, the state would lose $780 million in revenue over the next 10 years.

Cost of 1% Census Undercount Over 10 Years in Doña Ana County
$64,070,079



*As of 8/13/2020

A significant unexplained increase in initial unemployment claims can be an early indicator of an economic downturn. Explained increases commonly include seasonal job fluctuations, federal government shutdowns resulting in employee furloughs, or the closing of a major regional facility. This unprecedented uptick in initial unemployment claims is obviously tied directly to the COVID-19 pandemic and subsequent furloughs and layoffs by affected businesses. As the phased reopening continues, it is likely the number of initial unemployment claims will flatten out and then decrease, but it is impossible to predict how quickly the employment numbers will return to pre-COVID levels.



*As of 8/13/2020

SOURCES: NEW MEXICO TAXATION AND REVENUE DEPT, NEW MEXICO DEPTARTMENT OF WORKFORCE SOLUTIONS, U.S. BUREAU OF LABOR STATISTICS, U.S. BUREAU OF ECONOMIC ANALYSIS AND EDD CALCULATIONS