

Quarterly Economic Summary

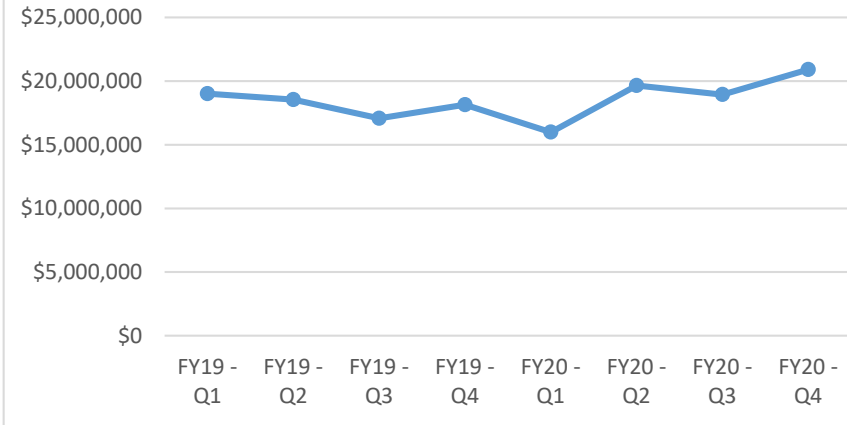
Hidalgo County



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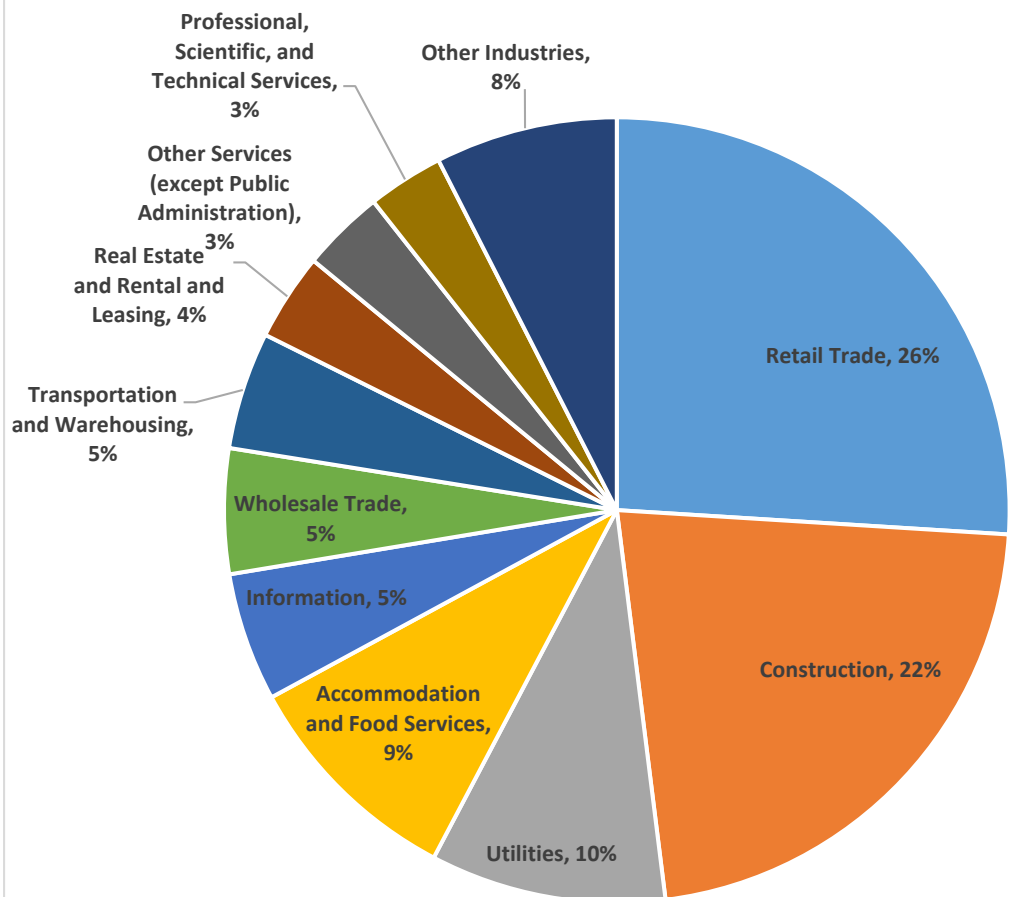
Chart 1. Matched Taxable Gross Receipts Per Quarter



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.

Over the last eight quarters, Hidalgo County has produced consistent matched taxable gross receipts (MTGR), fluctuating between \$16M and \$20M dating back to Q4 FY18. From Q3 FY20 to Q4 FY20, MTGR increased by \$1.9M or 10%, to a nine quarter high. Table 1, on the next page, shows an increase of \$2.7M from Q4 in FY19 to Q4 FY20. The industry with the largest growth, when comparing both periods is

Chart 2. FY20 - Q4 Industry Size by Matched Taxable Gross Receipts



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

Hidalgo County



Table 1. Matched Taxable Gross Receipts by Industry

| Industry | FY19 - Q4 | FY20 - Q4 | Growth | Year over year Change |
|---|----------------------|----------------------|---------------------|-----------------------|
| Accommodation and Food Services | \$ 2,668,596 | \$ 1,960,346 | \$ (708,250) | -27% |
| Administrative/Support & Waste Management/Remediation | \$ 222,803 | \$ 178,492 | \$ (44,311) | -20% |
| Agriculture, Forestry, Fishing, and Hunting | \$ - | \$ - | \$ - | N/A |
| Arts, Entertainment, and Recreation | \$ - | \$ - | \$ - | N/A |
| Construction | \$ 2,494,502 | \$ 4,605,110 | \$ 2,110,609 | 85% |
| Educational Services | \$ - | \$ 742 | \$ 742 | N/A |
| Finance and Insurance | \$ 49,734 | \$ 133,468 | \$ 83,735 | 168% |
| Health Care and Social Assistance | \$ 1,056,647 | \$ 454,493 | \$ (602,154) | -57% |
| Information | \$ 1,344,360 | \$ 1,105,888 | \$ (238,471) | -18% |
| Manufacturing | \$ 40,030 | \$ 88,898 | \$ 48,868 | 122% |
| Mining, Quarrying, and Oil and Gas Extraction | \$ 10,773 | \$ 8,661 | \$ (2,111) | -20% |
| Other Services (except Public Administration) | \$ 746,832 | \$ 713,963 | \$ (32,869) | -4% |
| Professional, Scientific, and Technical Services | \$ 415,348 | \$ 653,774 | \$ 238,426 | 57% |
| Public Administration | \$ 101,584 | \$ 93,090 | \$ (8,494) | -8% |
| Real Estate and Rental and Leasing | \$ 190,742 | \$ 751,087 | \$ 560,346 | 294% |
| Retail Trade | \$ 5,541,213 | \$ 5,432,773 | \$ (108,440) | -2% |
| Transportation and Warehousing | \$ 292,156 | \$ 1,009,915 | \$ 717,759 | 246% |
| Unclassified Establishments | \$ 81,495 | \$ 610,259 | \$ 528,763 | 649% |
| Utilities | \$ 1,903,739 | \$ 2,027,339 | \$ 123,600 | 6% |
| Wholesale Trade | \$ 981,400 | \$ 1,076,139 | \$ 94,739 | 10% |
| All Industries | \$ 18,141,953 | \$ 20,904,439 | \$ 2,762,485 | 15% |

the construction industry, which saw an increase of \$2M or nearly 85%. The accommodation and food services industry experienced the largest year over year change, (\$708K).

Annual GRT collections rebounded well during FY20, as seen in Chart 3. From FY19 to FY20, collections increased by \$58K or just over 11%. Quarterly GRT collections, as seen in Chart 4, have trended upward since the eight quarter low seen in Q3 FY19. From Q3 FY20 to Q4 FY20, quarterly collections rose by \$14K or 10%.

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 the 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

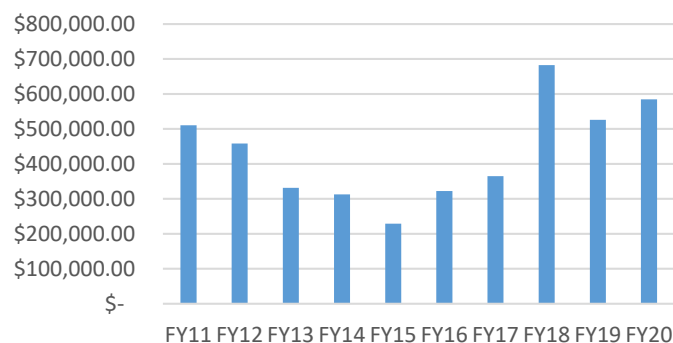
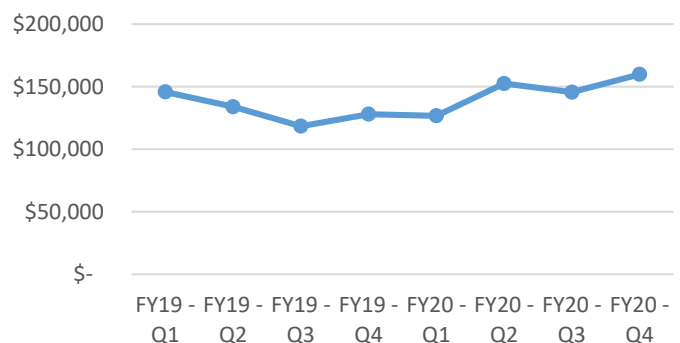


Chart 4. Quarterly GRT Revenue Collections



Quarterly Economic Summary Hidalgo County



Chart 5. Quarterly Average Total Employment & Weekly Wage

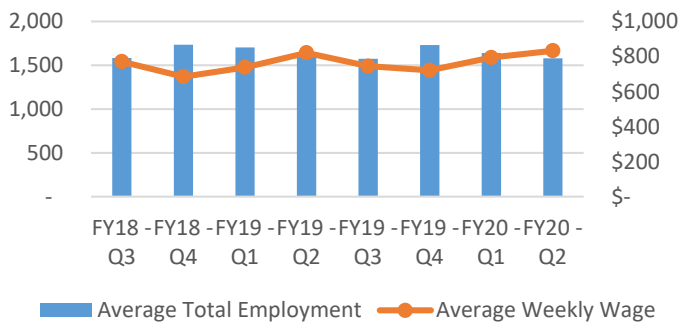
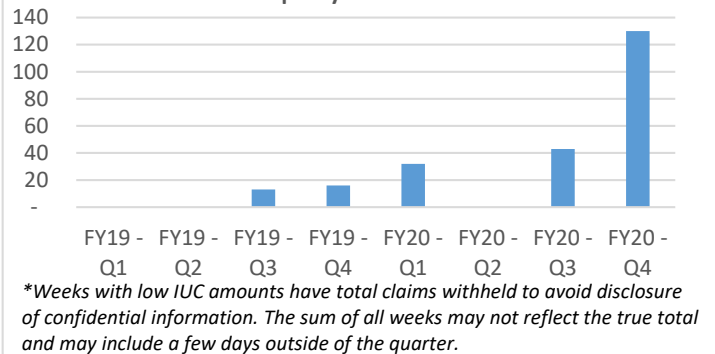


Chart 6. Quarterly Initial Unemployment Claims



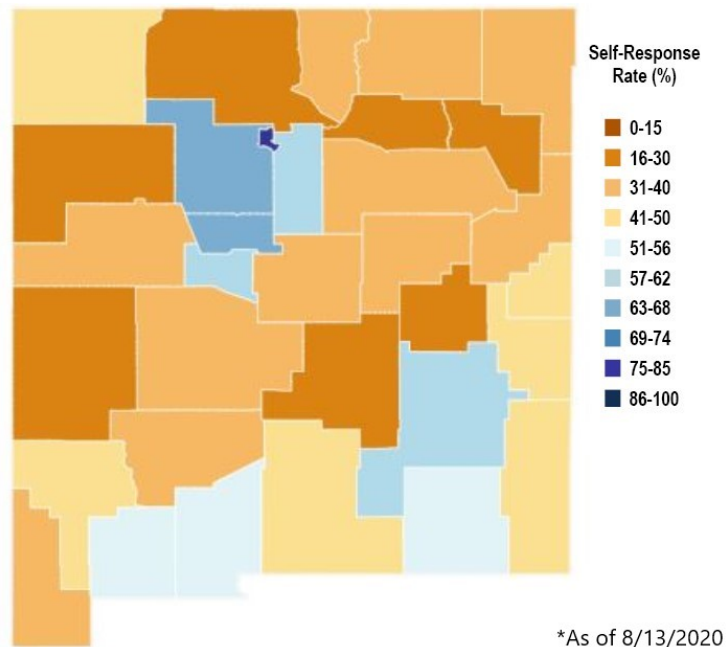
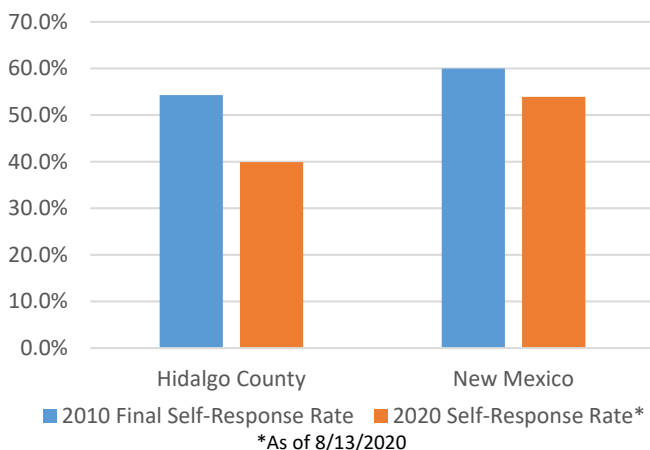
New Mexico receives over \$6 billion each year through federal programs which benefit the entire community: health care, nutrition, highways, education, housing, jobs and more that allocate funds on per capita basis. Each New Mexican not counted equates to a loss of approximately \$3,745 in funding per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

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.

Cost of 1% Census Undercount Over 10 Years in Hidalgo County

\$1,279,446

Census Self-Response Rates



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