



PRESS RELEASE

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Job Watch: State's unemployment up, economy now contracting Inflation-adjusted wages see slight raise

ALBUQUERQUE—New Mexico unemployment rose by more than one third -- or from 31,000 to 41,700 persons -- between November 2007 and November 2008. Over that same time period, New Mexico employment dropped by 2,100 jobs, and several sectors lost jobs over the year. That's the latest news from the US Bureau of Labor Statistics (BLS). These estimates do not include the fallout still to come from the bursting of the national housing bubble.

A new wrinkle in the national economic news has arisen: falling consumer prices leading to rising real wages. Falling prices can result in real (inflation-adjusted) wage growth even when wage gains are low. The BLS reported last week that consumer prices were falling by 1.7 percent in November after falling by 1.0 percent in October. Nationally, inflation-adjusted weekly wages were up by 2.3 percent in November after rising 1.3 percent in October.

But lower prices are of little consequence to those who are out of a job, particularly when they are unable to collect unemployment insurance (UI) benefits.

"We're seeing a substantial increase in the number people looking for work as the state's economy stalls," said Gerry Bradley, Research Director for the Fiscal Policy Project, the research and analysis program of NM Voices for Children. "Also, less than half of the state's unemployed receive unemployment insurance," he added.

Unemployment insurance supports basic-needs spending by the unemployed, which helps keep the recession from getting worse. Because of this, economists refer to UI as an 'automatic stabilizer.'

New Mexico's unemployment rate rose from 3.3 percent in November 2007 to 4.3 percent in November 2008, after adjusting for normal changes for the month and season. The state lost 3,700 manufacturing jobs from November 2007 to November 2008, reflecting this year's layoffs at Intel, Eclipse Aviation, and TMC in Roswell, among other staff reductions. Construction jobs fell by 2,500 over the year.

A second federal economic stimulus package would help, as the first one raised the state's overall personal income substantially. As soon as the first stimulus package wore off, state economic indicators fell.

"These unemployment numbers show the urgent need for a new economic stimulus for the nation's flagging economy," said Bradley. "The second round of economic stimulus should include an increase in federal support for the Medicaid program, which creates jobs, and increased eligibility for unemployment insurance."

The state's economic growth, as measured by growth in personal income, rose from 1.7 percent in the first quarter of 2008 to 2.5 percent in the second quarter before dropping by 0.2 percent in the third quarter, according to the US Bureau of Economic Analysis. The increase in the second quarter was largely due to the rebate checks included in the national economic stimulus package passed last February. The end of this stimulus caused growth in personal income to drop in the third quarter.

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