Quarterly Economic Summary

Luna County

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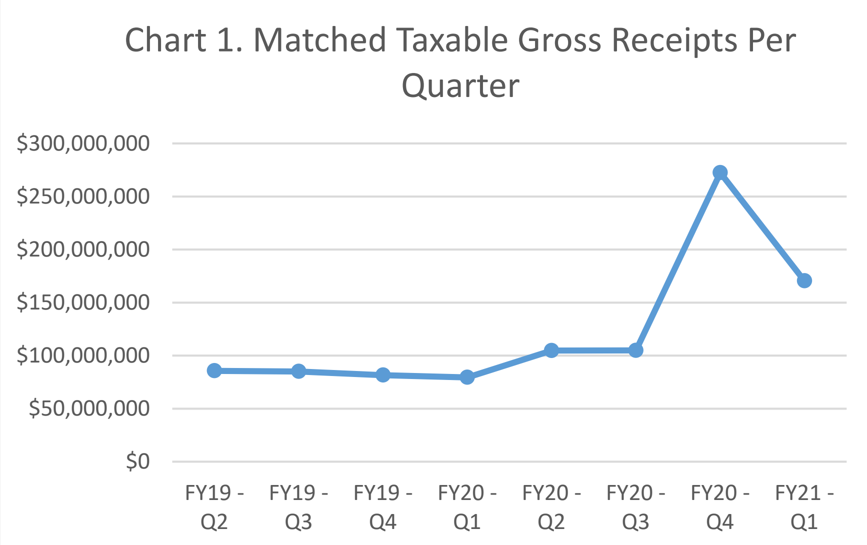
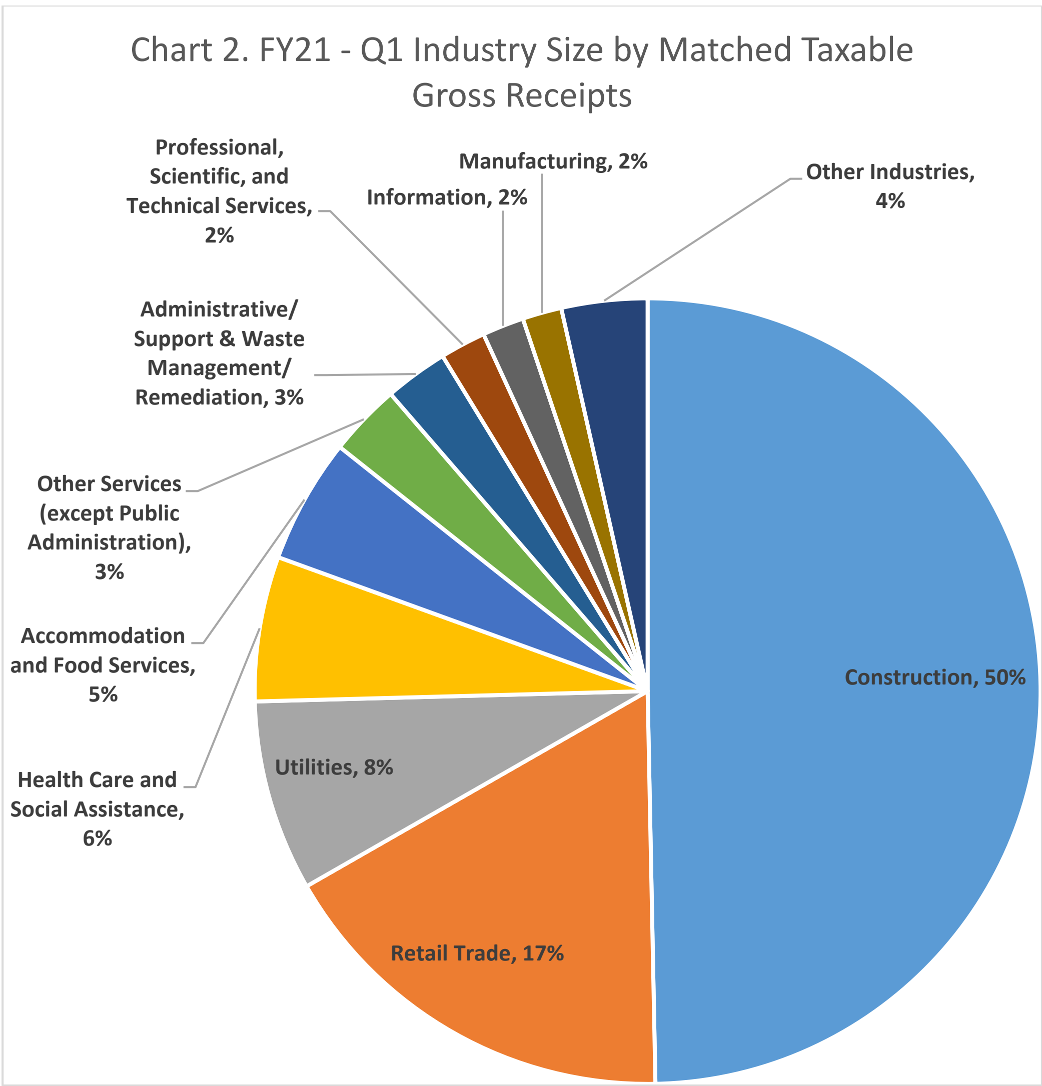


The three months making up FY21 Q1 were the worst three months of the state's economic impact from COVID-19, comparing gross receipts data with the same period a year ago, despite 14 counties experiencing a year-over-year increase. The impacts were significantly worse due to lapsing federal support and no new federal aid package. Importantly, the federal bonus for unemployment benefits of an additional $600/week expired, reducing consumer spending power.

Luna County saw a substantial decline in its total matched taxable gross receipts (MTGR) from Q4 FY20 to Q1 FY21, shown in Chart 1. From Q4 FY20 to Q1 FY21 MTGR decreased by $102M, or 37%. This decline is almost exclusively due to the construction industry. During this time, the industry contracted by 56%, or $105M. Table 1, on the next page, shows an increase of nearly $91M in total MGTR from Q1 in FY20 to FY21 of the same



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.

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

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Table 1. Matched Taxable Gross Receipts by Industry

Industries	FY20 - Q1	FY21 - Q1	Growth	Year over year Change
Accommodation and Food Services	$ 9,320,192	$ 8,738,807	$ (581,385)	-6%
Administrative/Support & Waste Management/Remediation	$ 164,108	$ 4,438,709	$ 4,274,601	2605%
Agriculture, Forestry, Fishing, and Hunting	$ 100,970	$ 245,133	$ 144,163	143%
Arts, Entertainment, and Recreation	$ 58,361	$ 152,370	$ 94,009	161%
Construction	$ 11,303,657	$ 84,529,098	$ 73,225,441	648%
Educational Services	$ 9,539	$ 13,824	$ 4,285	45%
Finance and Insurance	$ 369,088	$ 381,374	$ 12,285	3%
Health Care and Social Assistance	$ 8,589,262	$ 10,137,306	$ 1,548,044	18%
Information	$ 5,127,493	$ 2,915,605	$ (2,211,888)	-43%
Management of Companies and Enterprises	$ -	$ -	$ -	N/A
Manufacturing	$ 1,335,144	$ 2,743,511	$ 1,408,367	105%
Mining, Quarrying, and Oil and Gas Extraction	$ 61,383	$ 869,450	$ 808,067	1316%
Other Services (except Public Administration)	$ (1,233,698)	$ 5,069,868	$ 6,303,566	500%
Professional, Scientific, and Technical Services	$ 1,952,546	$ 3,199,957	$ 1,247,411	64%
Public Administration	$ 306,915	$ 264,967	$ (41,947)	-14%
Real Estate and Rental and Leasing	$ 1,048,371	$ 1,094,850	$ 46,480	4%
Retail Trade	$ 25,259,562	$ 28,992,157	$ 3,732,595	15%
Transportation and Warehousing	$ 1,208,540	$ 972,810	$ (235,730)	-20%
Unclassified Establishments	$ 147,459	$ 156,385	$ 8,927	6%
Utilities	$ 11,802,902	$ 13,366,310	$ 1,563,408	13%
Wholesale Trade	$ 2,053,444	$ 1,853,323	$ (200,121)	-10%
All Industries	**$ 79,481,746**	**$ 170,425,350**	**$ 90,943,604**	**114%**

period. Table 1 also shows a year over year increase in the construction industry of $73M, or 648%. Despite Luna County seeing a large year over year increase, the information industry saw a contraction of $2.2M, or 43%, when comparing the two time periods.

Gross receipts tax (GRT) revenue collections declined significantly in Q1 FY21, as seen in Chart 4. From Q4 FY20 to Q1 FY21 quarterly collections declined by $1.6M, or 38%. When comparing Q1 FY20 to Q1 FY21, quarterly collections are up 126%, or nearly $1.5M.

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

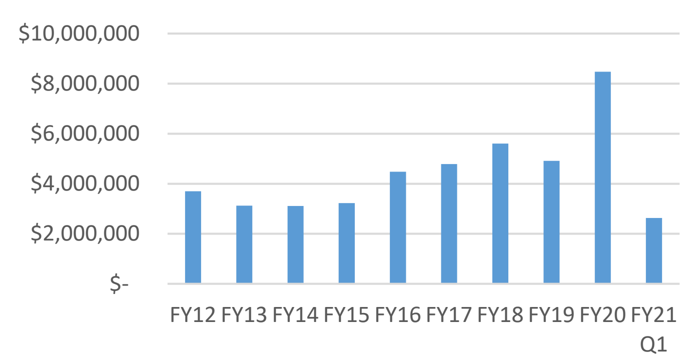

Chart 4. Quarterly GRT Revenue Collections

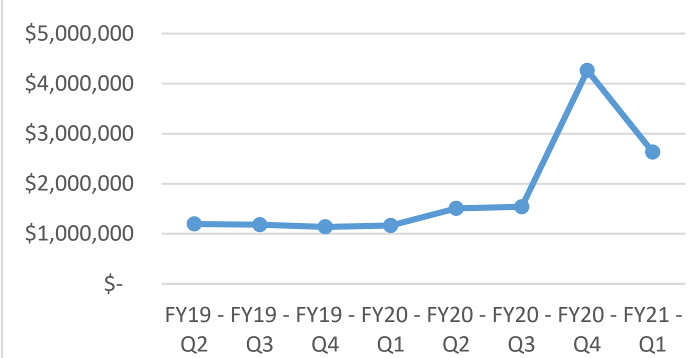

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Chart 5. Quarterly Average Total Employment & Weekly Wage

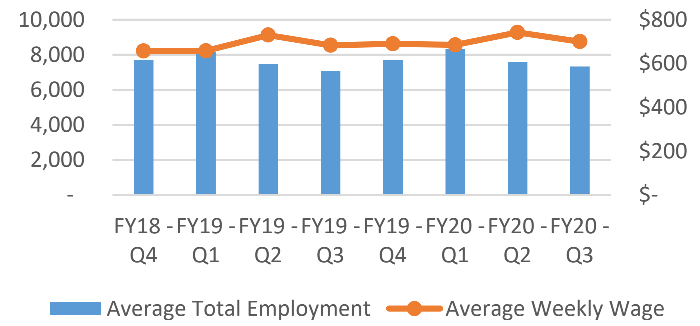
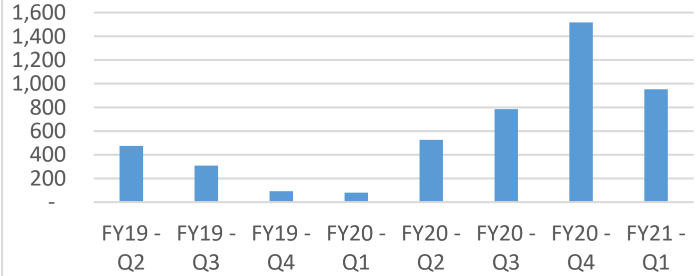
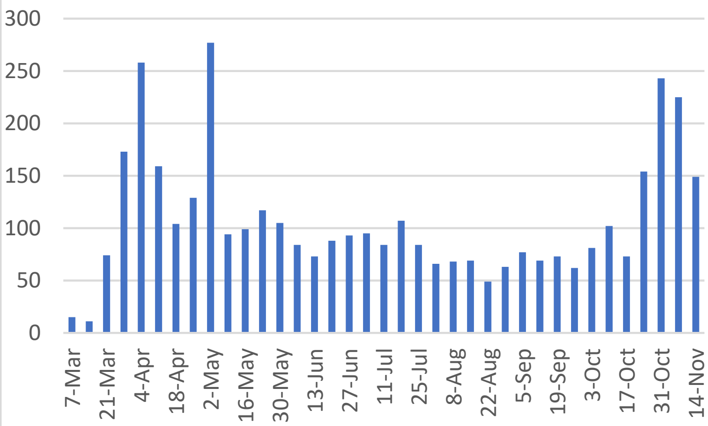


Chart 6. Quarterly Initial Unemployment Claims



**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.*

Chart. 7 Initial UI Claims - Weekly



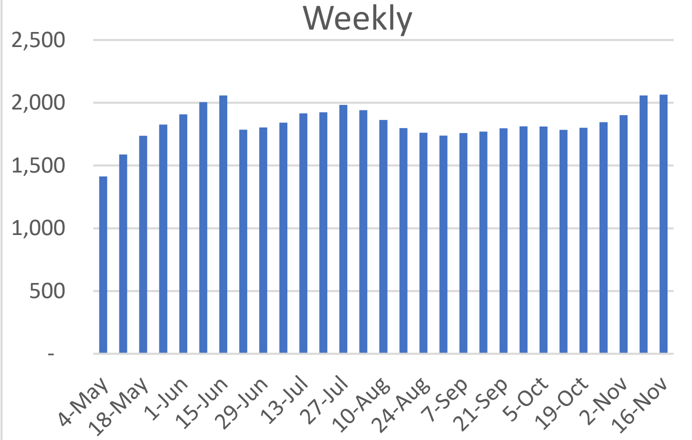
** Weeks with low claims have data withheld to avoid disclosure of confidential information.*

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 tied directly to the COVID-19 pandemic and subsequent furloughs and layoffs by affected businesses. As we continue into early and mid-2021, it is likely the number of initial unemployment claims will vary based on the effects of the pandemic but gradually wane; however, it is impossible to predict how quickly the employment numbers will return to pre-COVID-19 levels.

Chart 7 – Includes weekly initial claims for regular unemployment insurance (UI) but excludes pandemic unemployment assistance (PUA) and pandemic emergency unemployment assistance (PEUA) claims. Weeks shown as zero were redacted for confidentiality.

Chart 8 – Includes claimants receiving payment and pending certifications for standard UI, PUA, PEUA, extended benefits, and trade readjustment allowances. As of 11/2/2020, claimants who were initially considered eligible but have either never filed a certification or have not certified within 14 days have been removed from data, resulting in lower numbers.

Chart 8. Ongoing UI Claimants - Weekly



** Weeks with low claims have data withheld to avoid disclosure of confidential information.*

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