HUNT INSTITUTE
FOR GLOBAL COMPETITIVENESS

ECONOMIC PROFILE OF SANTA FE, NM
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THE UNIVERSITY OF TEXAS AT EL PASO

ECONOMIC PROFILE OF SANTA FE, NM

INTRODUCTION

The Hunt Institute for Global Competitiveness has produced this report to respond to the inquiries shared with the Hunt Institute and provide some additional information that may assist the City of Santa Fe Office of Economic Development making future decisions for the benefit of the Santa Fe residents.

The Hunt Institute used some data provided by *Local Analytics* in "The Fragile Capital" report to compare seventeen capital cities to each other using a score of 0-100, where 100 is the "perfect" city (zero leakage) and 50 is the mid-point. While Figure 1 depicts the "Relative Leakiness"[1] related to jobs, Figure 2 shows the wages version of that same concept. According to the figures developed by *Local Analytics*, Santa Fe's relative leakiness is located at the bottom of the list, with 28.2 points away from the average (mid-point) for both factors, jobs, and wages.
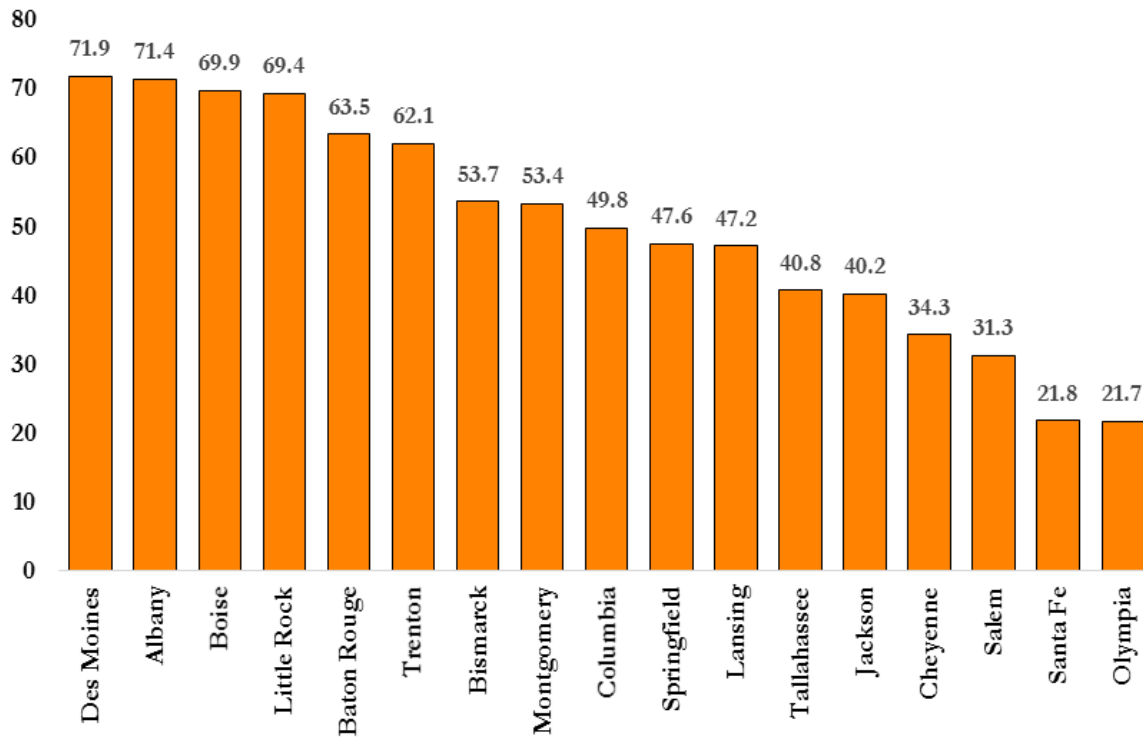
Figure 1
Relative Leakiness of Jobs at Selected Cities, 2015 (0-100 Score)
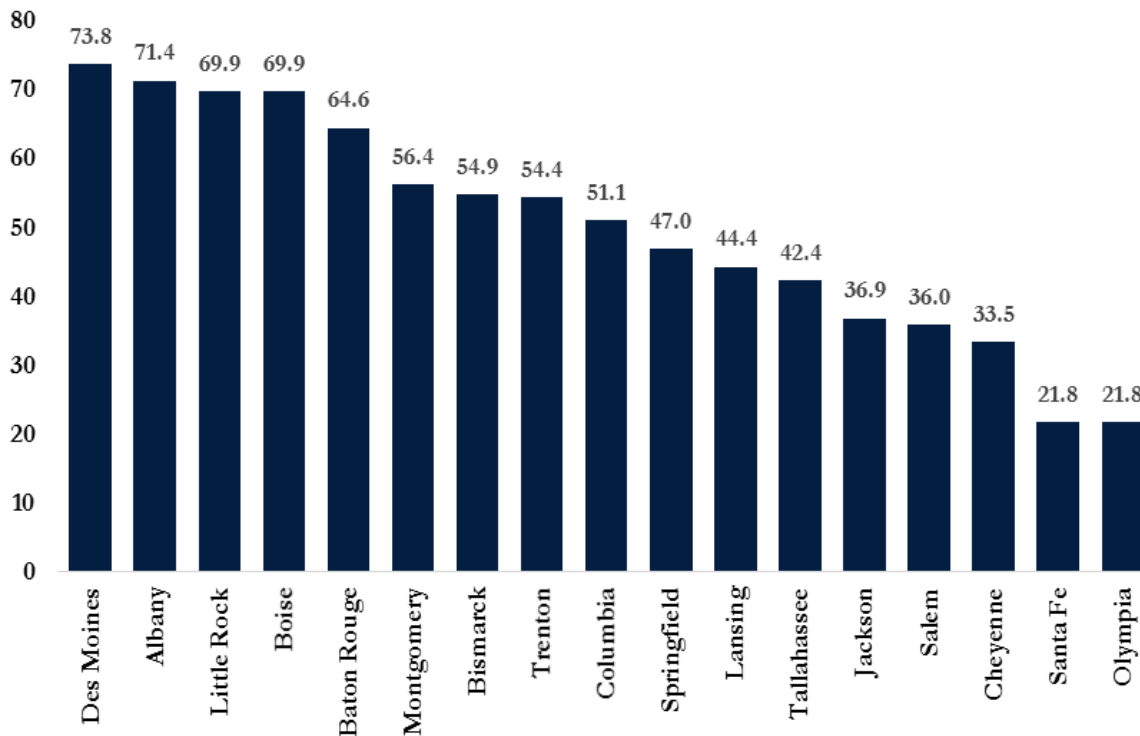
Source: *The Hunt Institute for Global Competitiveness using Local Analytics figures.*

Figure 2
Relative Leakiness of Wages at Selected Cities, 2015 (0-100 Score)

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[1] "Relative Leakiness" is a concept developed and calculated by Local Analytics.

Source: *The Hunt Institute for Global Competitiveness using Local Analytics figures.*

To complement the *Local Analytics* figures, the Hunt Institute has analyzed Santa Fe's overall performance through three economic tools: location quotients, export-base employment multipliers, and per capita income.

Location Quotients

Any local economy may be classified into basic and non-basic industries. Economic growth is assumed to be related to sectors that export goods and services out of the region. These goods and services are known as basic industries. On the other hand, those businesses whose services remain local are known as non-basic industries. While basic industries promote local economic growth by bringing jobs and income into the local economy, non-basic industries serve local residents and provide support to basic industries.

Industries with a location quotient equal to 1.0 are industries where the number of jobs in Santa Fe are proportionally the same to the number of jobs used as a base in either New Mexico or the United States.

A location quotient greater than 1.0 indicates that a particular industry employs proportionally more workers locally that it does at the state or national level, and is considered a basic industry. Conversely, a location quotient of less than 1.0 indicates that the industry of note employs fewer workers locally as compared to the state or national average, and is considered a non-basic industry. The location quotients for the Santa Fe County are depicted in Table 1 using the state of New Mexico and the United States as basis for the comparison.

Industries such as *State government* (3.37), *Arts, entertainment, and recreation* (2.22), *Mining, quarrying, and oil and gas extraction* (1.46), *Accommodation and food services* (1.33), *Real estate and rental and leasing* (1.22), and *Professional, scientific, and technical services* (1.12) can be considered basic industries in Santa Fe compared to the national level (Table 1). As economic engines, these industries are predominant in determining the economic performance of Santa Fe County.

Table 1
Location Quotients for Santa Fe County, 2015 (New Mexico and United States Base)

Industry	NM Based	US Based
Farm employment	0.30	0.57
Nonfarm employment	1.02	1.01
Private nonfarm employment	1.03	0.94
Forestry, fishing, and related activities	0.37	0.39
Mining, quarrying, and oil and gas extraction	0.35	1.46
Utilities	0.36	0.49
Construction	0.89	0.94
Manufacturing	0.57	0.26
Wholesale trade	0.66	0.48
Retail trade	1.08	1.13
Transportation and warehousing	0.39	0.27
Information	1.13	0.93
Finance and insurance	1.11	0.69
Real estate and rental and leasing	1.51	1.22
Professional, scientific, and technical services	1.10	1.12
Management of companies and enterprises	0.62	0.26
Administrative and support and waste management and remediation services	0.79	0.62
Educational services	1.91	1.25
Health care and social assistance	0.97	1.03
Arts, entertainment, and recreation	2.21	2.22
Accommodation and food services	1.19	1.33
Other services (except public administration)	1.30	1.14
Government and government enterprises	0.96	1.44
Federal, civilian	0.37	0.68
Military	0.26	0.40
State and local	1.14	1.65
State government	1.75	3.37
Local government	0.79	1.01
Total Employment	1.00	1.00

Source: *The Hunt Institute for Global Competitiveness using Bureau of Economic Analysis (BEA) data.*

Export-Base Employment Multipliers

Another economic development tool frequently used while evaluating the economic condition of local economies is the export-base employment multiplier. This employment multiplier is obtained by dividing total employment by total employment in the basic industries. Santa Fe County employment by industry is depicted in Table 2, with the mentioned basic industries highlighted in yellow. In Santa Fe County, this multiplier is equal to 2.58 (95,211 /36,874). This ratio suggests that

any additional basic industry job in Santa Fe County would be associated with additional 2.58 non-basic sector jobs. The export base multiplier (2.58) calculated above reinforces the importance of basic (exporting) industries to the economy of Santa Fe County. In general terms, this employment multiplier is not to be compared to employment multipliers included in economic impact analysis tools such as IMPLAN and REMI. Yet, it provides a very useful figure to understand a local economy without paying costs related to the acquisition of software.

Table 2
Santa Fe County Employment by Industry, 2015 (Basic Industries in yellow)

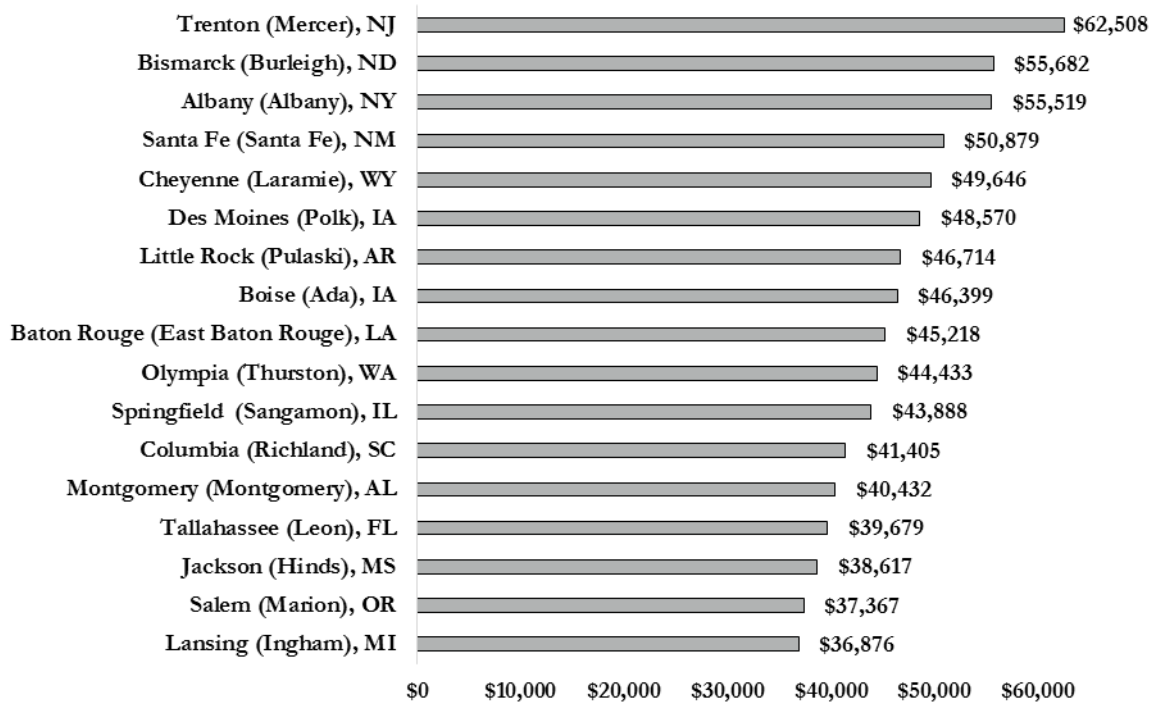| Industry	Employment
Farm employment	751
Nonfarm employment	94,460
Private nonfarm employment	77,095
Forestry, fishing, and related activities	188
Mining, quarrying, and oil and gas extraction	1,101
Utilities	145
Construction	4,659
Manufacturing	1,685
Wholesale trade	1,632
Retail trade	10,819
Transportation and warehousing	907
Information	1,577
Finance and insurance	3,338
Real estate and rental and leasing	5,321
Professional, scientific, and technical services	7,408
Management of companies and enterprises	313
Administrative and support and waste management and remediation services	3,732
Educational services	2,916
Health care and social assistance	10,969
Arts, entertainment, and recreation	4,771
Accommodation and food services	9,337
Other services (except public administration)	6,277
Government and government enterprises	17,365
Federal, civilian	950
Military	388
State and local	16,027
State government	8,936
Local government	7,091
Total Employment	95,211

Source: *Bureau of Economic Analysis (BEA).*

Per Capita Income

Given the uniqueness of each jurisdiction and the number of measures available to evaluate the economic performance of a local economy, each county and city must be assessed with a profound consideration of its peculiarities. Nevertheless, some measures are recurrently used while evaluating whether the economy of a specific jurisdiction is in good health. Per capita income is a measure for a county's economic performance.

Per capita income at the county level is available from the Bureau of Economic Analysis (BEA). County data for the seventeen capital state cities analyzed before are depicted in Figure 3. Trenton, located in Mercer County, NJ has the highest per capita income of the list with $62,508, while Lansing, from Ingham County, MI is found at the bottom of the list with $36, 876. Remarkably, Santa Fe is located in the top third of the list with $50,879.

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Figure 3
Per Capita Income at Selected Cities, 2015 (County in parenthesis)

City	Per Capita Income
Trenton (Mercer), NJ	$62,508
Bismarck (Burleigh), ND	$55,682
Albany (Albany), NY	$55,519
Santa Fe (Santa Fe), NM	$50,879
Cheyenne (Laramie), WY	$49,646
Des Moines (Polk), IA	$48,570
Little Rock (Pulaski), AR	$46,714
Boise (Ada), IA	$46,399
Baton Rouge (East Baton Rouge), LA	$45,218
Olympia (Thurston), WA	$44,433
Springfield (Sangamon), IL	$43,888
Columbia (Richland), SC	$41,405
Montgomery (Montgomery), AL	$40,432
Tallahassee (Leon), FL	$39,679
Jackson (Hinds), MS	$38,617
Salem (Marion), OR	$37,367
Lansing (Ingham), MI	$36,876

Source: *Bureau of Economic Analysis (BEA).*

CONCLUSION

In general, estimating how many cents are leaving the economy for every dollar being spent (leakage) is very circumstantial. It will depend on where specifically (industry or sector) that dollar is being spent. Some local industries have a larger presence (backward and forward linkages) in a specific city than others, which will generate a larger impact from that dollar. Also, having an industry with high leakages (relative low local number of jobs) is not necessarily harmful to a local economy. Cities tend to specialize or cluster on five or six sectors or industries, which may vary significantly from one city to another depending on their demographics, geography, policies, etc.

In cities like Santa Fe, where tourism is an important activity, is not uncommon to find a large employment concentration on services (mainly hospitality) rather than product manufacturing. Yet, an appropriate development strategy would be to conduct a more detailed analysis of the Santa Fe basic industries (e.g. *State government; Arts, entertainment, and recreation; Mining, quarrying, and oil and gas extraction; or Accommodation and food services*) to identify their needs in terms of products and services, and then incentivize local businesses to cover for those needs. This would create stronger backward and forward linkages thrusting economic growth.