

Office of Policy and Management

Executive Department

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Consensus Economic Forecasting Commission Background Materials for the January 30, 2014 Forecasting Meeting

Summary

The Maine and U.S. economies continued along the path of gradual improvement since the CEFC met in October 2013.

Maine's Gross Domestic Product for 2012 was slightly higher than 2011, with all of the growth coming from private industry, but total GDP growth for the state was below the national level of growth. Personal income in Maine grew 2.5% year-over-year in the first three quarters of 2013, while wage and salary income, which makes up around half of total personal income, grew 2.7% over the same period. The debt-to-income level for Maine businesses and households jumped to pre-recession levels in the second quarter of 2013. The Consumer Price Index was 1.5% higher in December 2013 than it was in December 2012.

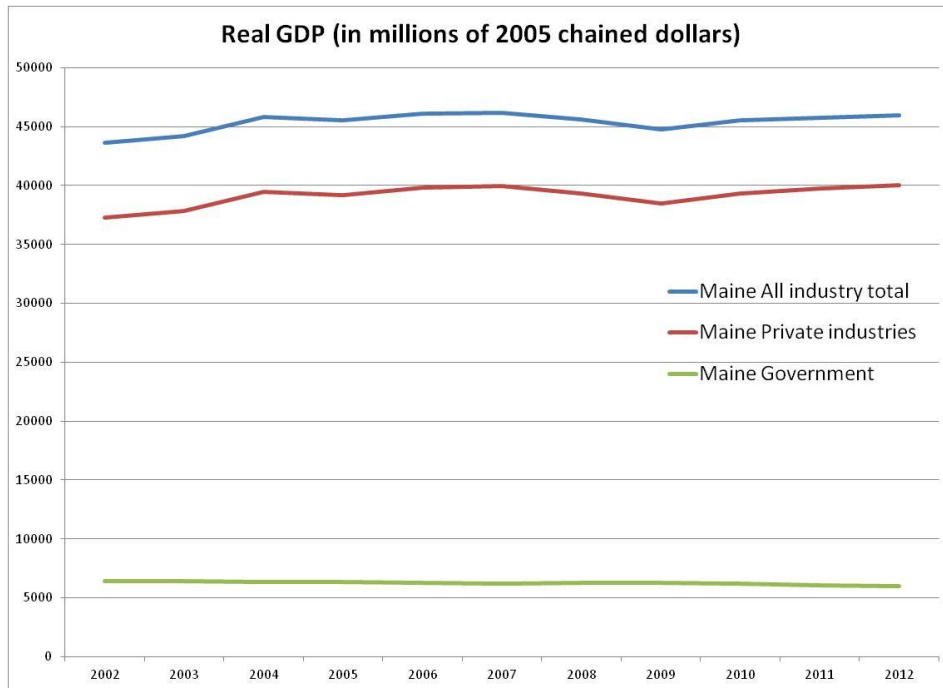
Nationwide, consumer sentiment increased 9.9% month-over-month in December while small business optimism increased 1.5% over the month and was up 6.7% over the previous year's level.

The price of crude oil decreased 0.3% in the fourth quarter of 2013 to around \$109 per barrel. Heating oil prices increased slightly through the current heating season while gasoline prices remained relatively steady. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased in FY 2012 compared to FY 2011, although the number of used auto titles decreased.

Existing single-family home sales in Maine were up 11.5% in December 2013 compared to December 2012 and housing permits for the December 2012-November 2013 year were 14.4% higher than the previous 12-month period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased 5.3% year-over-year in the third quarter of 2013. Mortgage delinquency rates remain above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine declined in the third quarter of 2013 although it remained above the national rate for a fifth straight quarter.

The following presents a picture of the Maine economy, comparing current economic indicators to historical results.

Gross Domestic Product

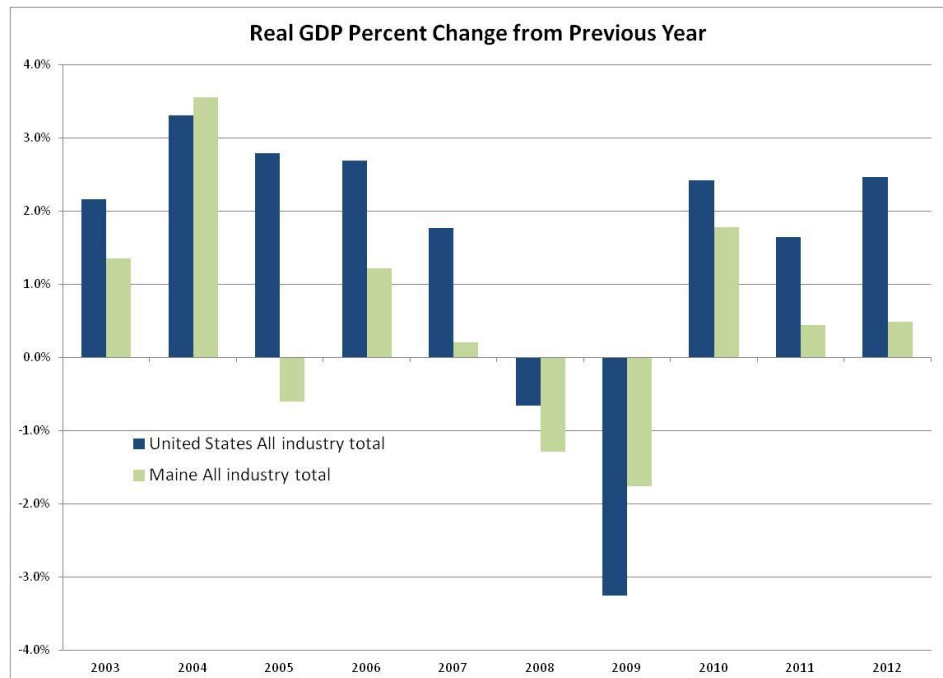


In 2012, Maine's real Gross Domestic Product was \$45.986 billion, with \$39.992 billion coming from private industries and \$6.011 billion from government (federal, state, and local). All of Maine's recent growth in GDP has come from private industry.

Source: U.S. Bureau of Economic Analysis, June 6, 2013 release.

Maine's total real GDP increased 0.5% from 2011 to 2012, the third year in a row of GDP growth. However, this was considerably lower than national GDP growth, which was 2.5% from 2011 to 2012.

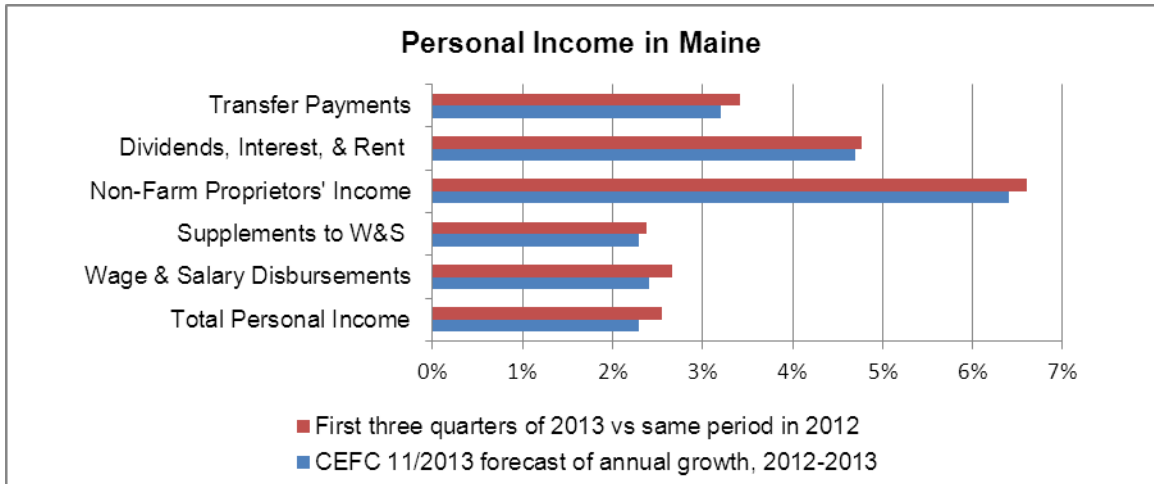
Source: U.S. Bureau of Economic Analysis, June 6, 2013 release



Personal Income

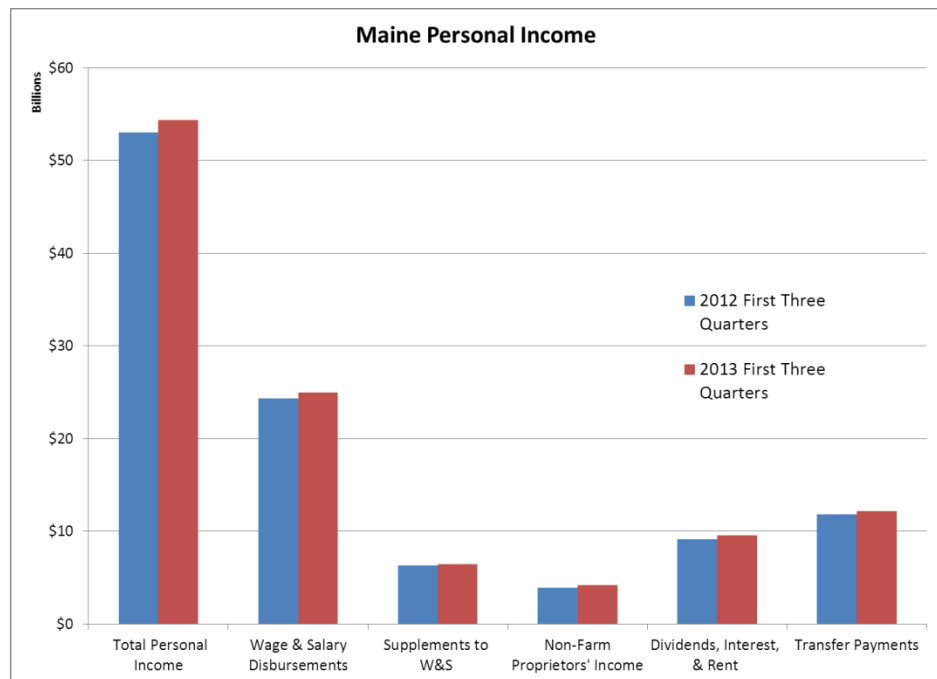
According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.5% year-over-year and wage and salary income grew 2.7% year-over-year in the first three quarters of 2013.

Total personal income for the final quarter of 2013 would need to be 0.7% lower than the first three quarters of 2013 to hit the CEFC’s annual forecast for 2013. Wage and salary disbursements would also need to be 0.7% lower.

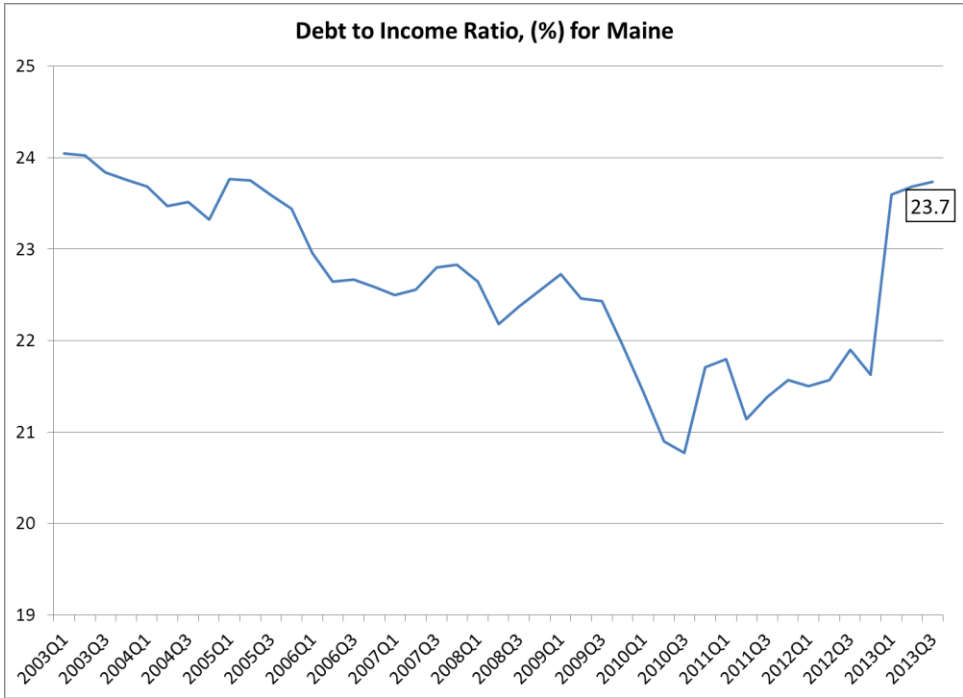


Source: U.S. Bureau of Economic Analysis, December 19, 2013 release

Wage and salary disbursements, which are the largest component of personal income, averaged around \$25 billion in the first three quarters of 2013 (seasonally adjusted at annual rates). Total personal income averaged around \$54 billion.



Source: U.S. Bureau of Economic Analysis, December 19, 2013 release



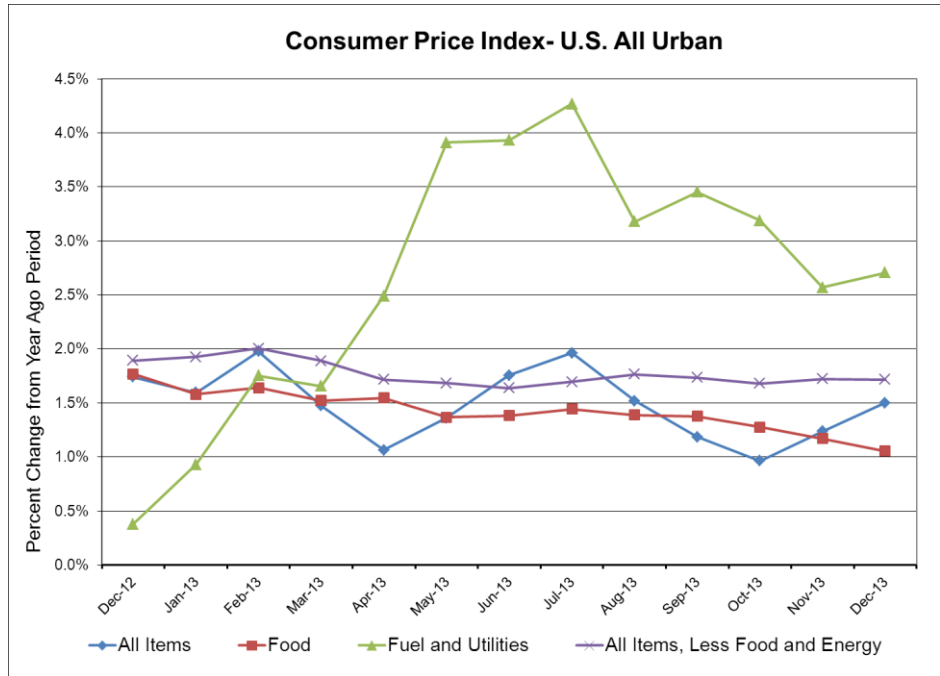
Maine's debt to income ratio was 23.7% in the third quarter of 2013. The debt to income ratio jumped dramatically in the second quarter of 2013, returning to pre-recession levels.

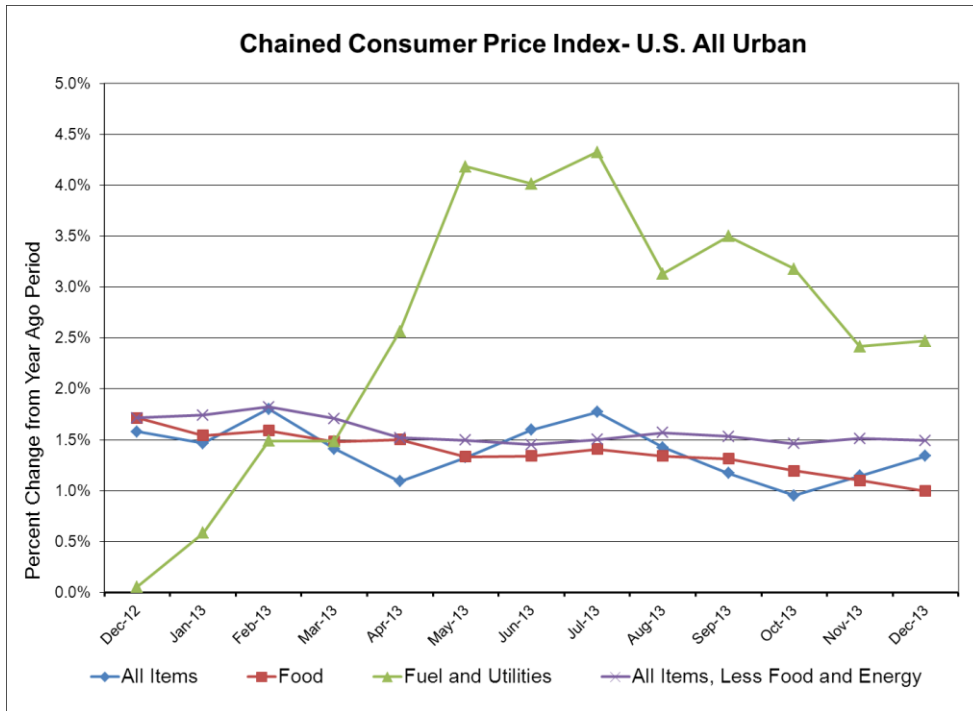
Source: Moody's Analytics, January 2014 release

Consumer Price Index

The Consumer Price Index (CPI) rose 1.5% from December 2012 to December 2013. Core inflation, which excludes food and energy prices, rose 1.7% over the same period.

Source: U.S. Bureau of Labor Statistics, January 16, 2014 release



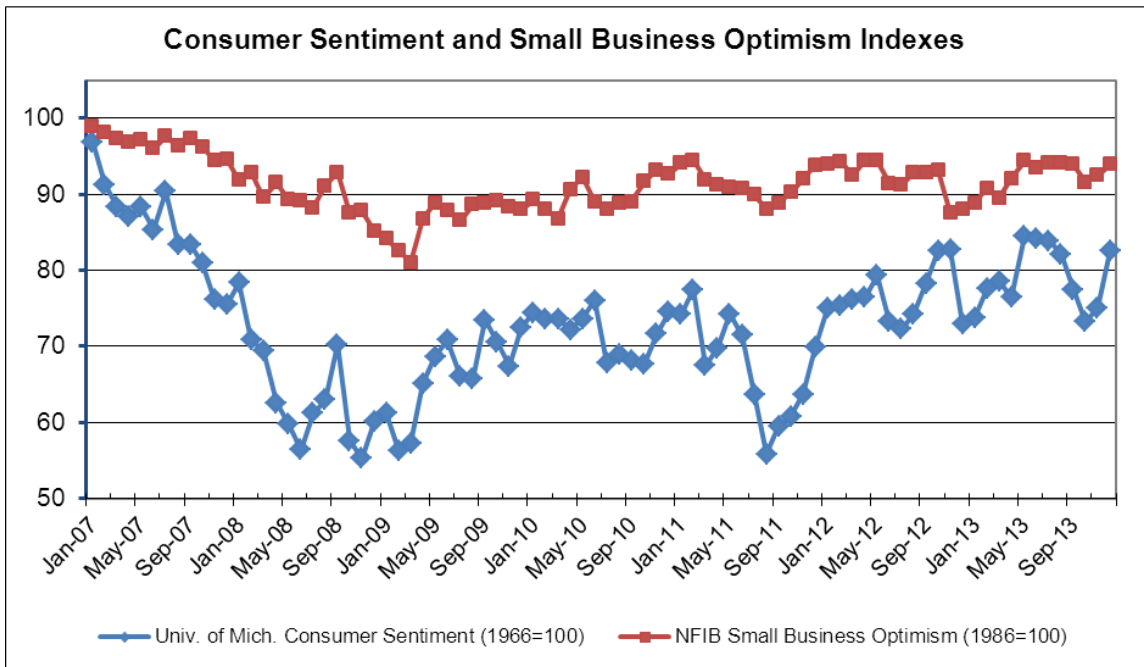


The Chained Consumer Price Index (Chained CPI) rose 1.3% from December 2012 to December 2013. Core inflation rose 1.5% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, January 16, 2014 release

Consumer Sentiment and Small Business Optimism

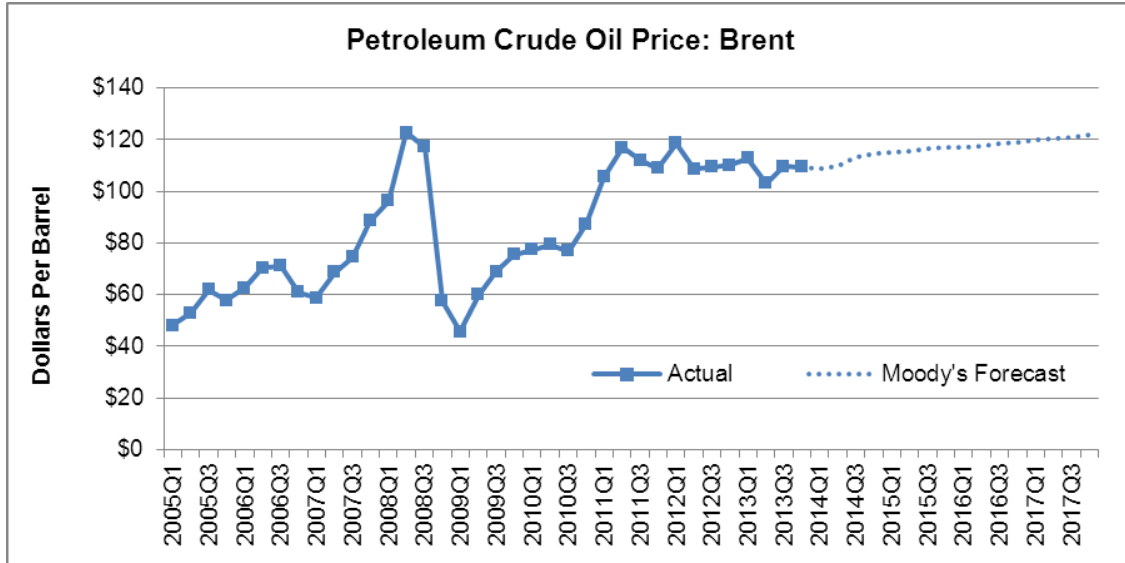
In December 2013, the survey-based University of Michigan Consumer Sentiment Index increased 9.9% month-over-month and was up 13.2% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index increased 1.5% from the previous month and was up 6.7% from December 2012.



Source: University of Michigan via Reuters; National Federation of Independent Businesses, January 14, 2014 release

Crude Oil

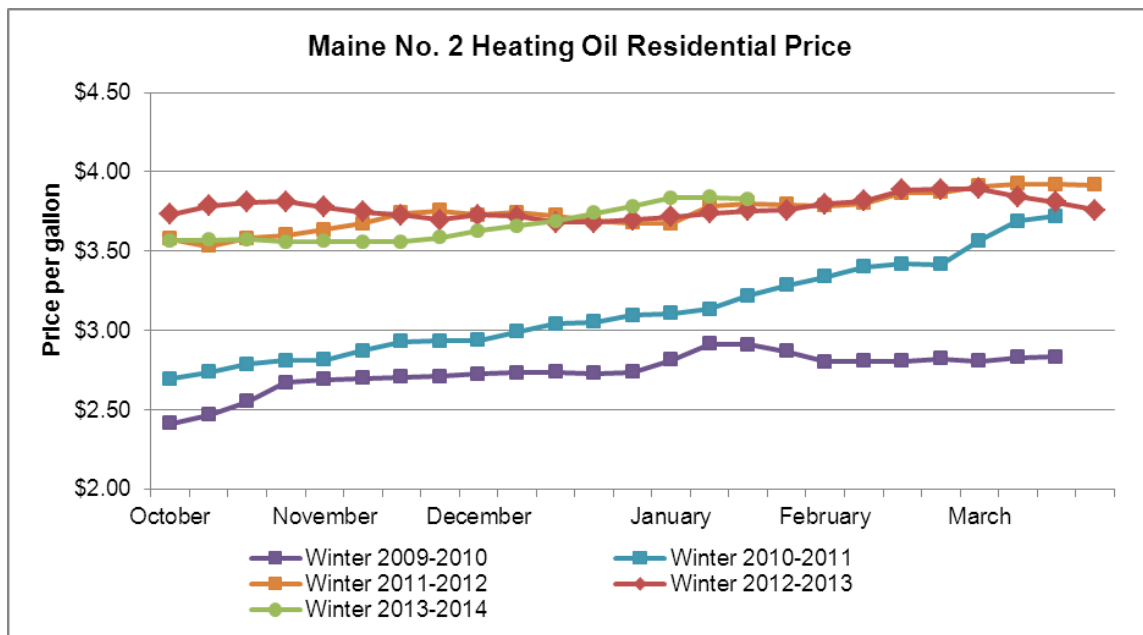
The price of Brent crude oil was \$109.35 per barrel in the fourth quarter of 2013, a decrease of 0.3% from the third quarter of 2013 and a 0.7% decrease from the fourth quarter of 2012.



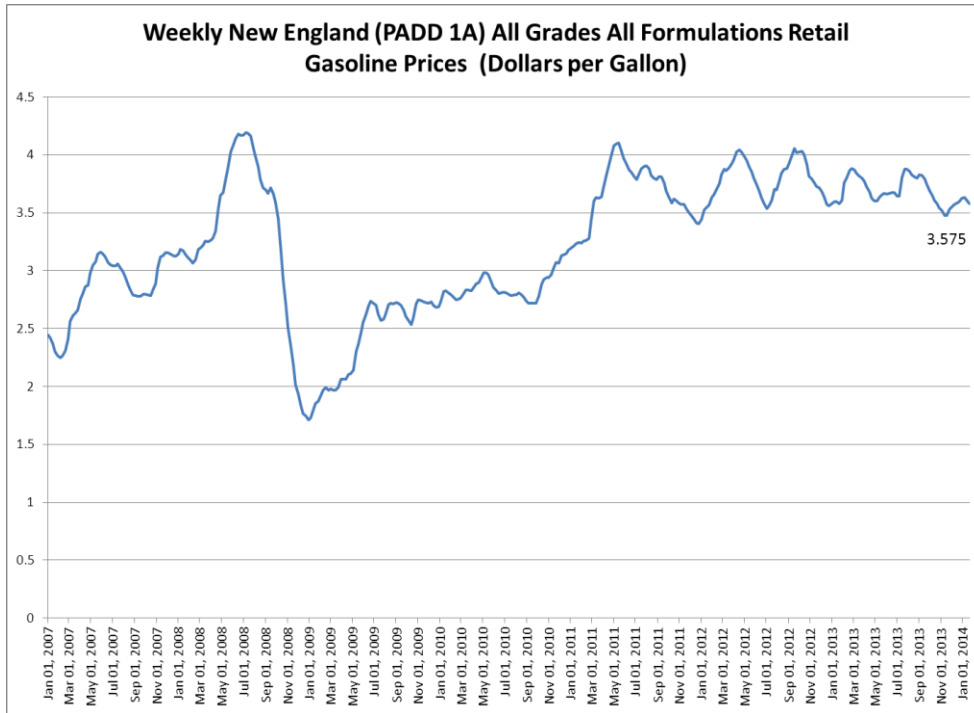
Source: Moody's Analytics, January 2014 release

Heating Oil

The price of heating oil in Maine has risen slightly through the 2013-2014 heating season, to \$3.83 the week of January 20, 2014. The price of heating oil in Maine has been fairly steady over the past three heating seasons, averaging around \$3.73/gallon.



Source: U.S. Energy Information Agency



Gasoline

The price of gasoline in New England on January 20, 2014 averaged \$3.58, a decrease of \$0.03 per gallon over the previous week and unchanged from a year ago. The price of gasoline has ranged between approximately \$3.50 and \$4.00 per gallon since March of 2011.

Source: U.S. Energy Information Agency

Maine Bureau of Motor Vehicles Title Information			
	FY11	FY12	Change from previous year
Autos - new	55,173	58,776	6.5%
Autos - used	179,983	173,619	-3.5%
Bus-new	184	206	12.0%
Bus-used	237	282	19.0%
Trucks - new	2,746	2,704	-1.5%
Trucks - used	4,724	4,543	-3.8%
Motorcycles - new	2,688	2,147	-20.1%
Motorcycles - used	9,654	8,618	-10.7%
Trailers - new	4,520	5,002	10.7%
Trailers - used	15,554	12,481	-19.8%
Motor Homes - new	71	104	46.5%
Motor homes - used	367	386	5.2%
Unknown - new	63	68	7.9%
Unknown - used	73	78	6.8%

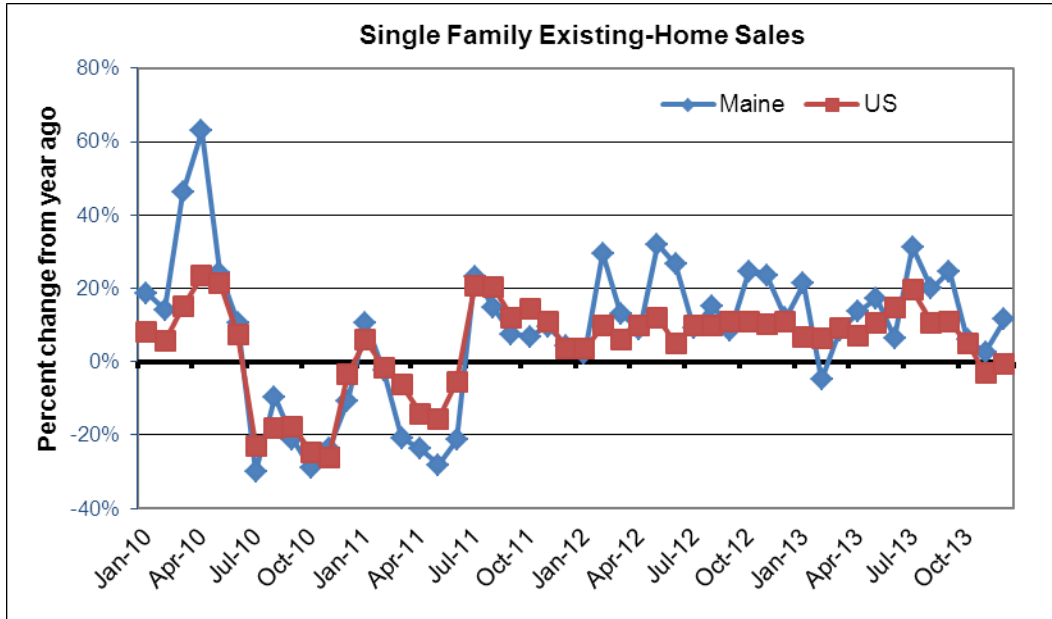
Motor Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 6.5% from FY 2011 to FY 2012, while the number of used automobile titles issued decreased 3.5%.

Source: Maine Bureau of Motor Vehicles

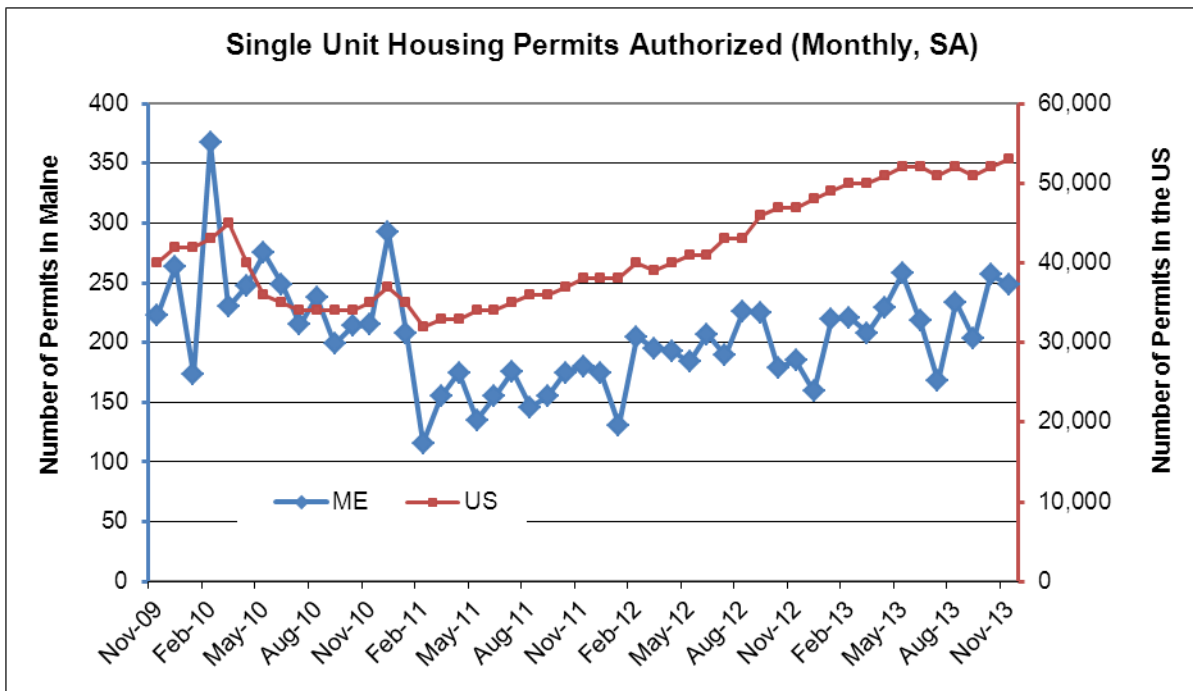
Housing

Single family existing-home sales in Maine were up 11.5% in December 2013 compared to December 2012.



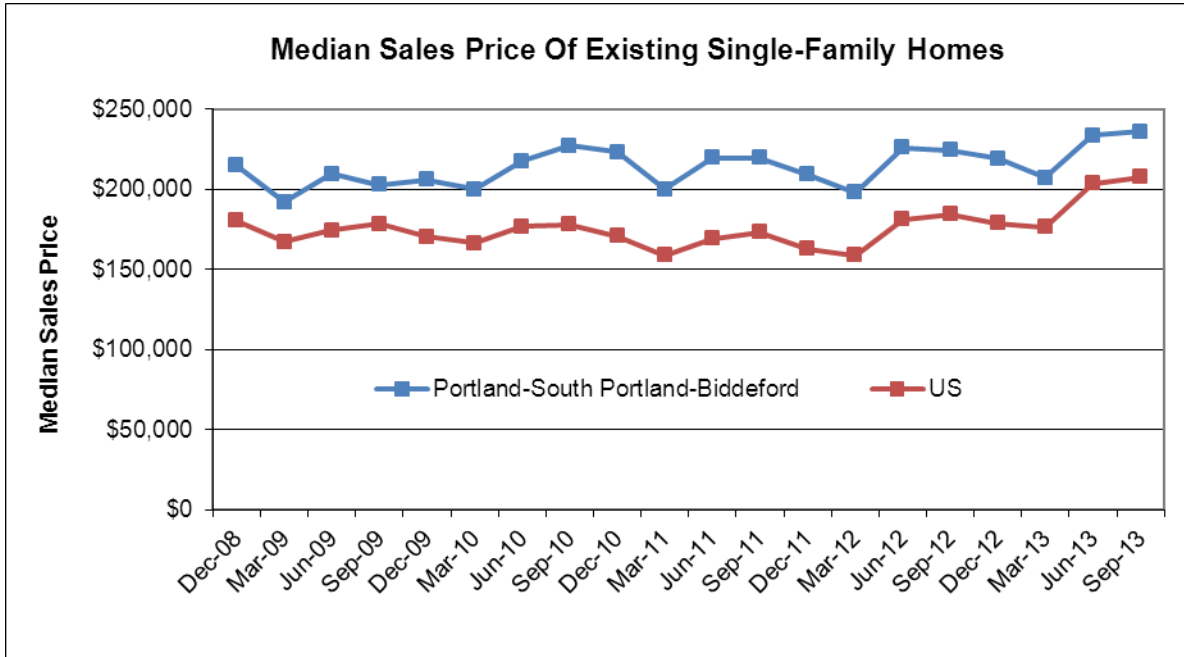
Source: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Average monthly single unit housing permits in Maine in the 12-month period from December 2012 through November 2013 were 14.4% higher than in the previous 12-month period.



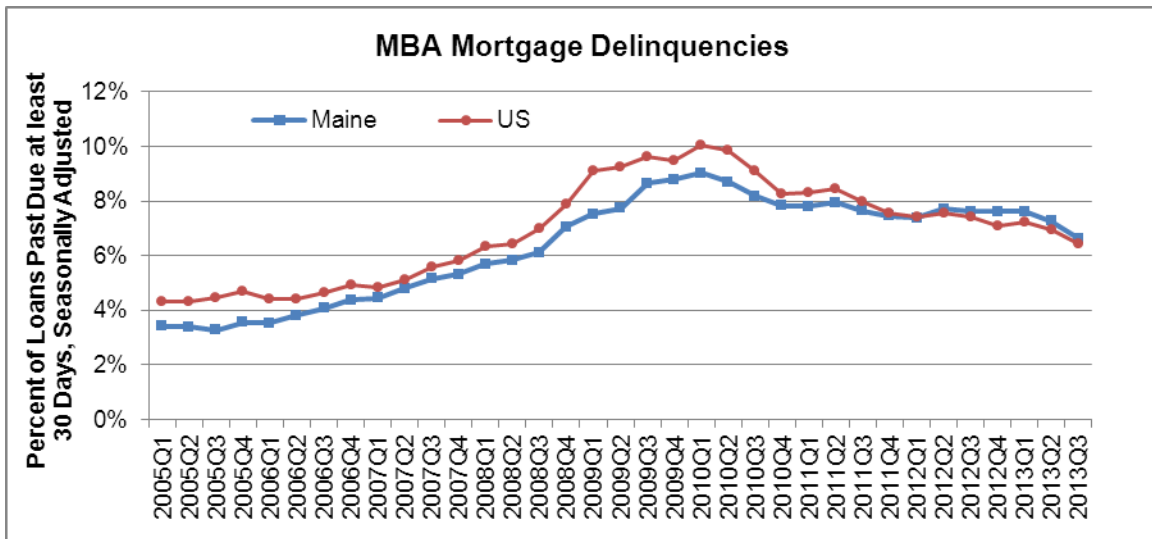
Source: US Census Bureau, December 26, 2013 release, via Federal Reserve Bank of Boston

The median home price in the Portland – South Portland – Biddeford metropolitan area increased 5.3% year-over-year in the third quarter of 2013. The median home price in the third quarter of 2013 was \$236,000.



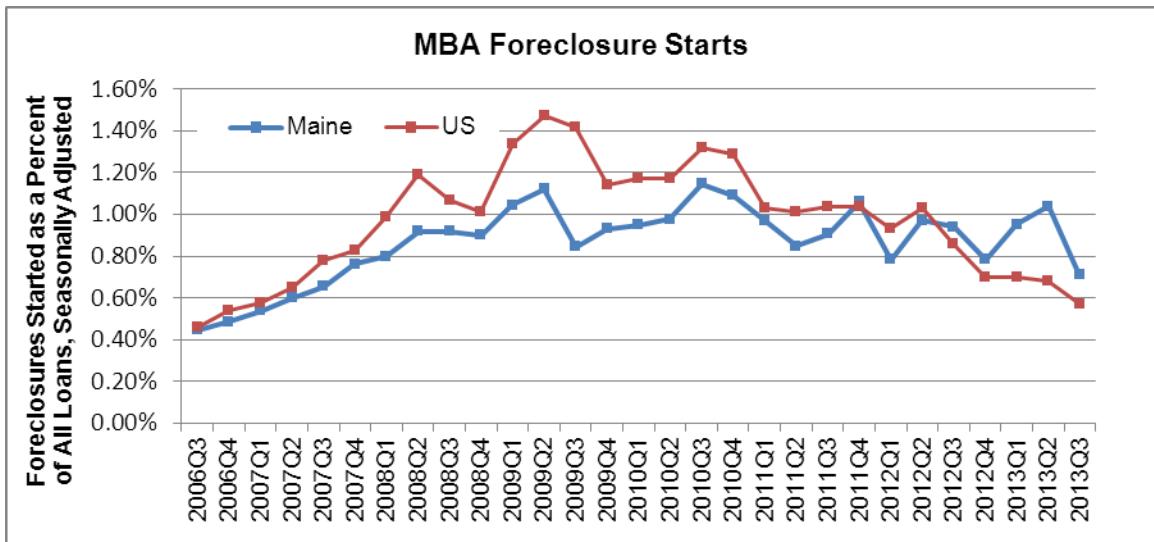
Source: National Association of Realtors, November 12, 2013 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 6.6% in the third quarter of 2013, continuing the recent downward trend. The rate is below the recent peak of 9% in the first quarter of 2010 but remains above pre-recession levels.



Source: Mortgage Bankers Association, via Moody's Analytics January 2014 release

Maine's foreclosure rate declined to 0.71% in the third quarter of 2013, coming back down from two quarters of higher foreclosure starts, although remaining above the national rate for a fifth straight quarter.



Source: Mortgage Bankers Association, via Moody's Analytics January 2014 release