

Office of Policy and Management

Executive Department

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Consensus Economic Forecasting Commission Background Materials for the January 29, 2016 Forecasting Meeting

Summary

The Maine and U.S. economies have generally continued to improve since the Consensus Economic Forecasting Commission (CEFC) last met in October 2015, although the decline in oil prices and global turmoil have recently caused some weakness in national consumer and business confidence.

Maine's real GDP increased 1.0% in the second quarter of 2015. While this follows a weak first quarter, the last three quarters of 2014 all saw increases in real GDP. Personal income in Maine grew 3.5% from the first three quarters of 2014 to the first three quarters of 2015, while wage and salary income, which is the largest component of total personal income, grew 3.3% over the same period. This is stronger growth than the CEFC had forecast in November 2015. The debt-to-income level for Maine businesses and households continued to rise to new levels in the third quarter of 2015. The Consumer Price Index was up just 0.7% in December 2015 from a year ago, weighed down by declines in energy prices.

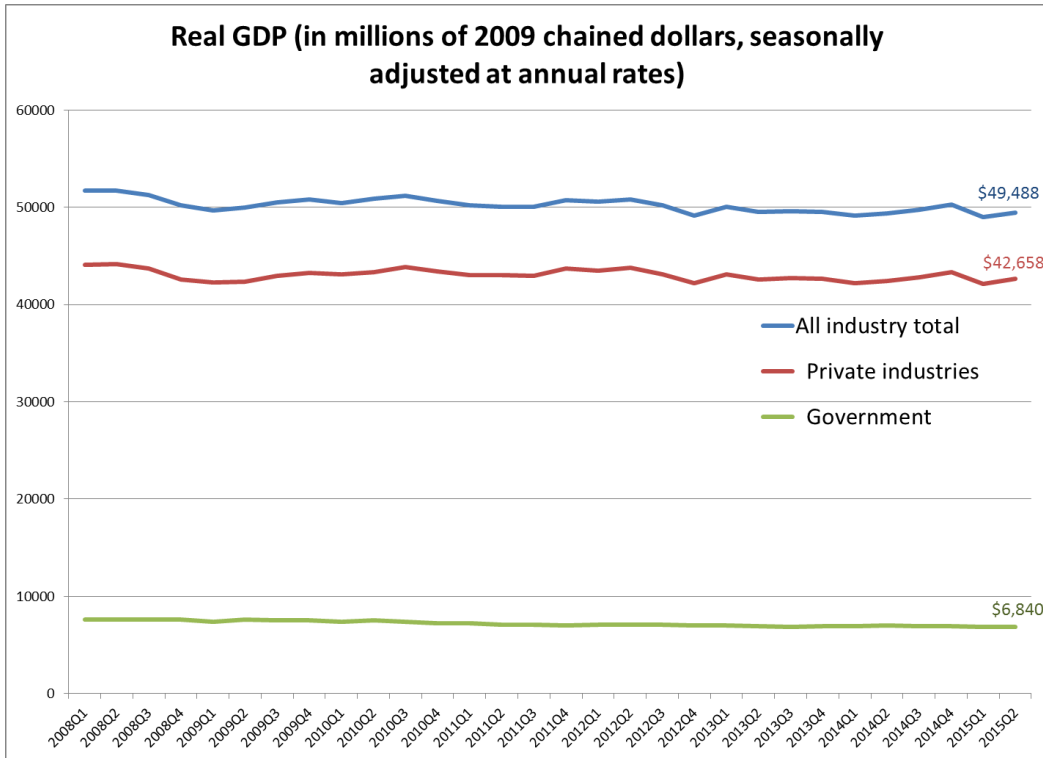
Nationwide, consumer sentiment has trended down in recent months, peaking in January 2015. The December 2015 level was down 1.1% from a year ago. Small business optimism peaked in December 2014 and is down 5.2% from that month.

The price of crude oil decreased 12.8% in the fourth quarter of 2015 to just under \$45 per barrel. As a result of continued declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil dropped below \$2 per gallon in December and gasoline is currently averaging just over \$2 per gallon.

Existing single-family home sales in Maine were up 15.6% in December 2015 compared to December 2014 and housing permits for the December 2014-November 2015 year were 3.3% higher than the previous 12-month period. The median home price in the Portland-South Portland-Biddeford Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 4.2% year-over-year in the third quarter of 2015. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.41% in the third quarter of 2015 and has been above the national rate for twelve of the past thirteen quarters.

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

Gross Domestic Product

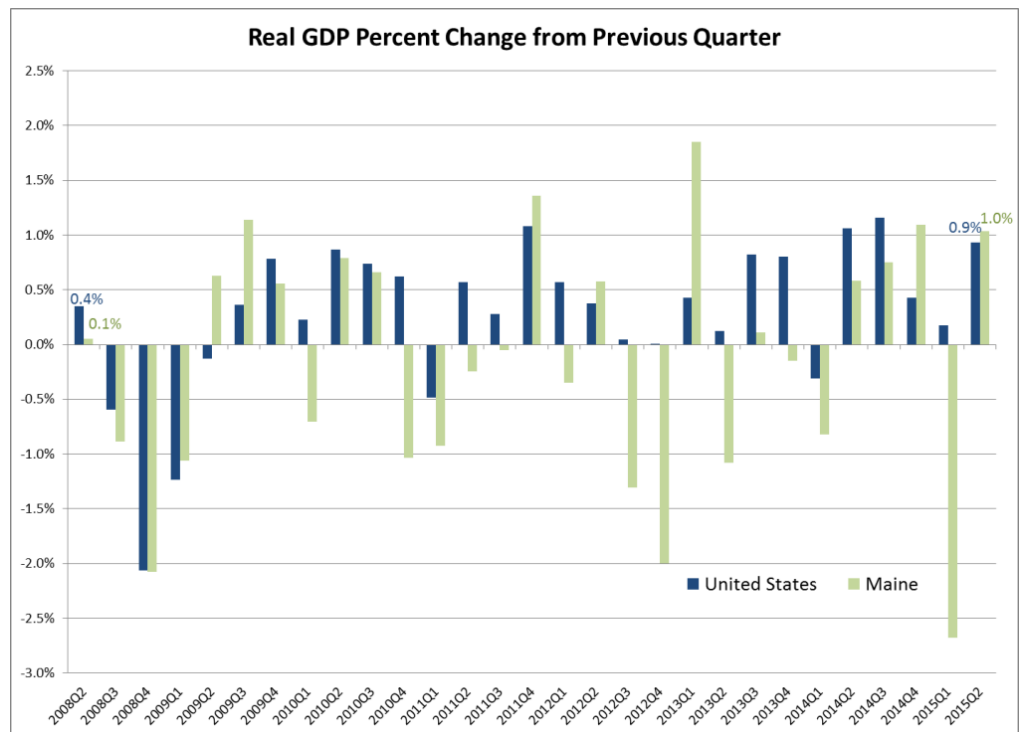


In the second quarter of 2015, Maine's real Gross Domestic Product was \$49.5 billion, with \$42.7 billion coming from private industries and \$6.8 billion from government (federal, state, and local).

Source: U.S. Bureau of Economic Analysis, Dec. 10, 2015 release

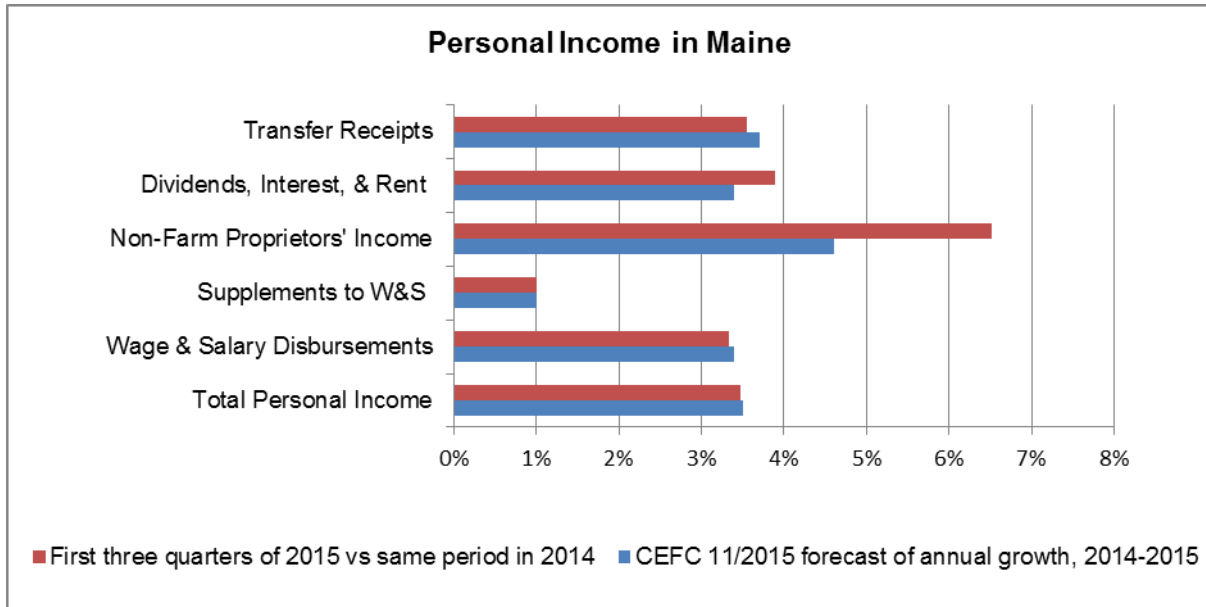
Maine's total real GDP increased 1.0% in the second quarter of 2015. This was slightly higher than the rate of national GDP growth, which was 0.9%. However, this follows a steep decline in GDP in the first quarter of 2015.

Source: U.S. Bureau of Economic Analysis, Dec. 10, 2015 release

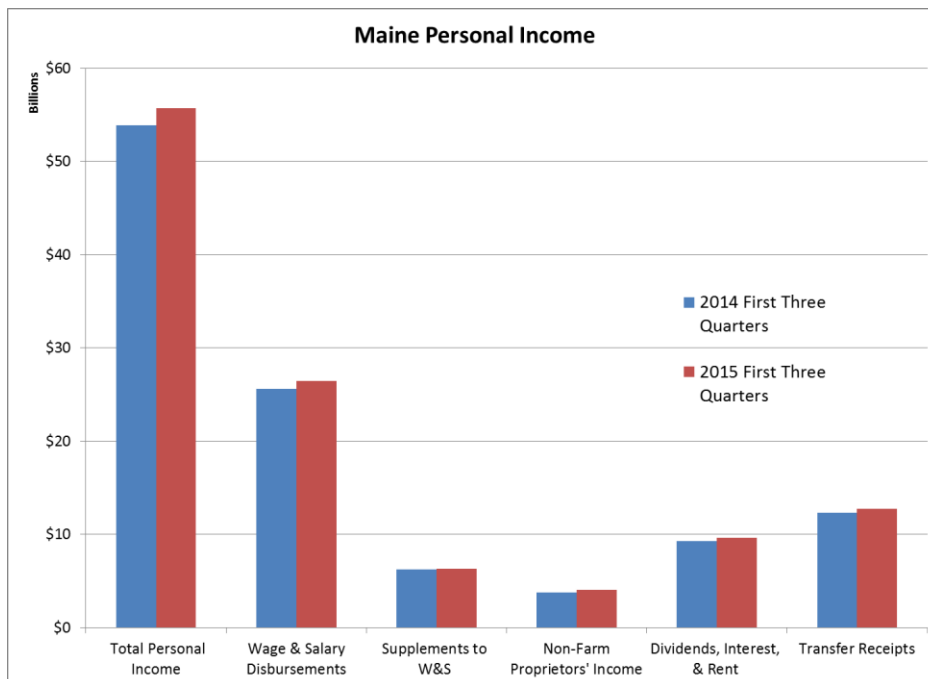


Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.5% from the first three quarters of 2014 to the first three quarters of 2015 and wage and salary income grew 3.3% during the same period. Total personal income for the fourth quarter of 2015 would need to be 1.8% lower than the third quarter to hit the CEFC's annual forecast for 2015. Wage and salary disbursements would need to be 0.9% lower.

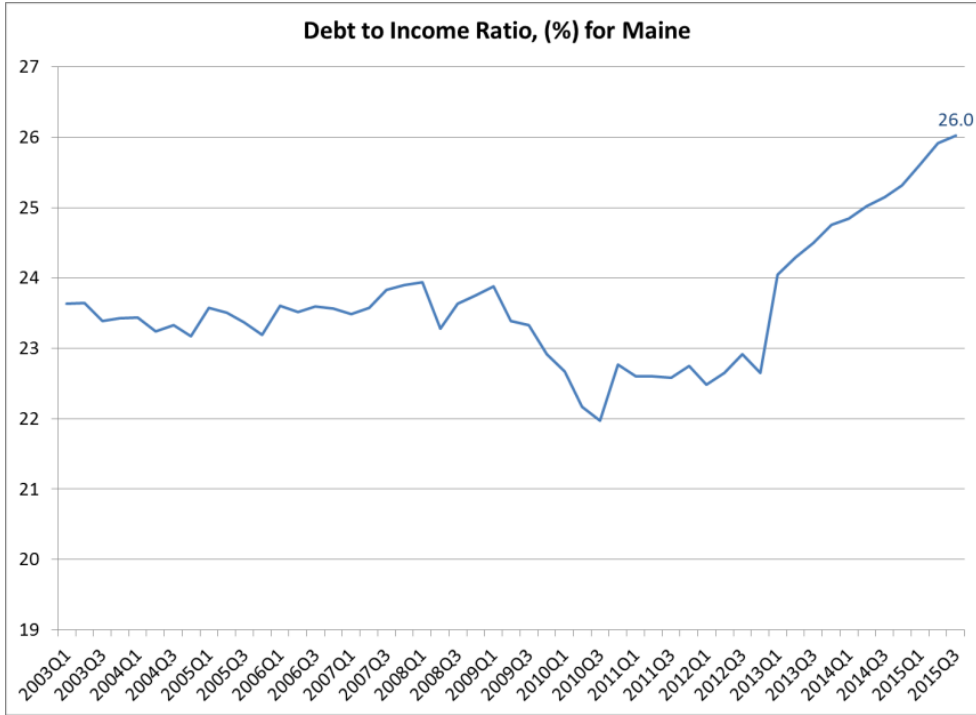


Source: U.S. Bureau of Economic Analysis, December 21, 2015 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$26.4 billion in the first three quarters of 2015 (seasonally adjusted at annual rates). Total personal income averaged around \$55.7 billion.

Source: U.S. Bureau of Economic Analysis, December 21, 2015 release



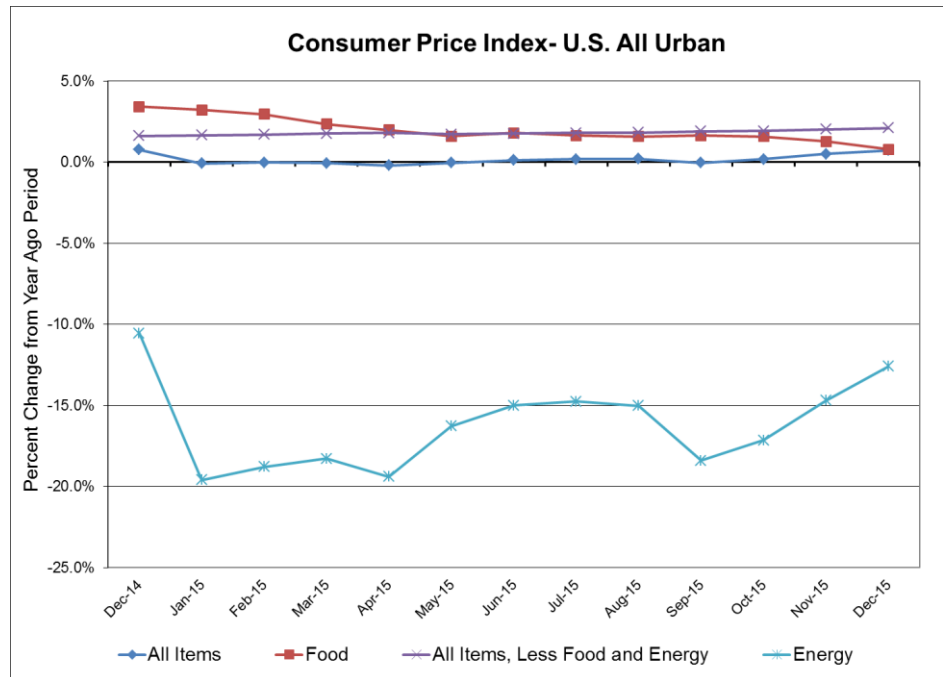
Maine's debt to income ratio was 26.0% in the third quarter of 2015. The ratio is at its highest point since the first quarter of 2008.

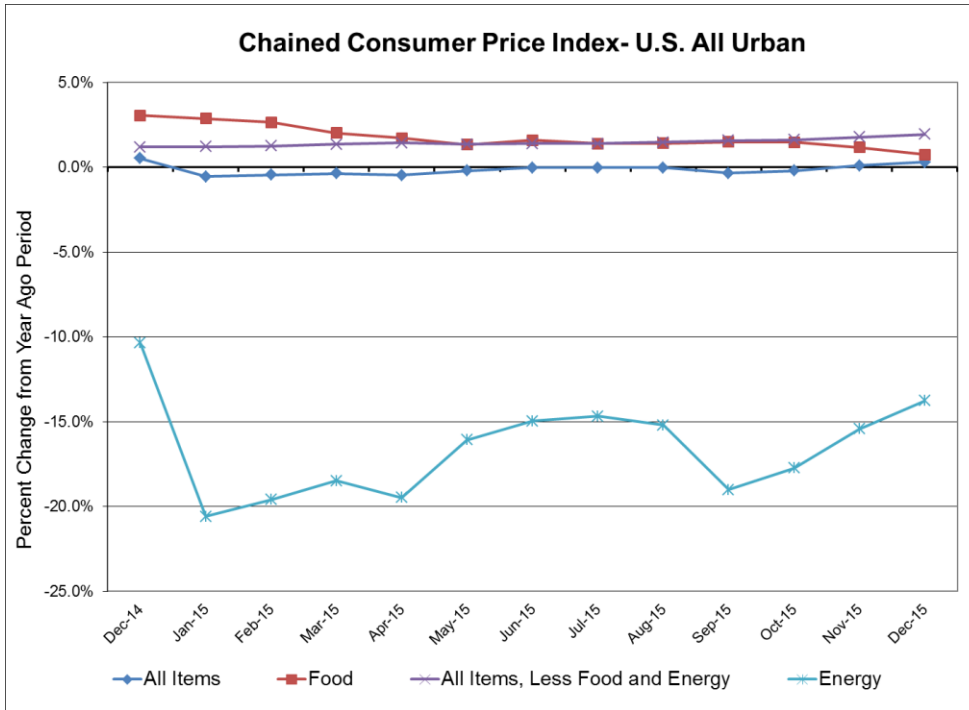
Source: Moody's Analytics, Jan. 2016 release

Consumer Price Index

The Consumer Price Index (CPI) was up just 0.7% from December 2014 to December 2015, weighed down by significant energy price deflation. Core inflation, which excludes food and energy prices, rose 2.1% over that same period.

Source: U.S. Bureau of Labor Statistics, Jan. 20, 2016 release



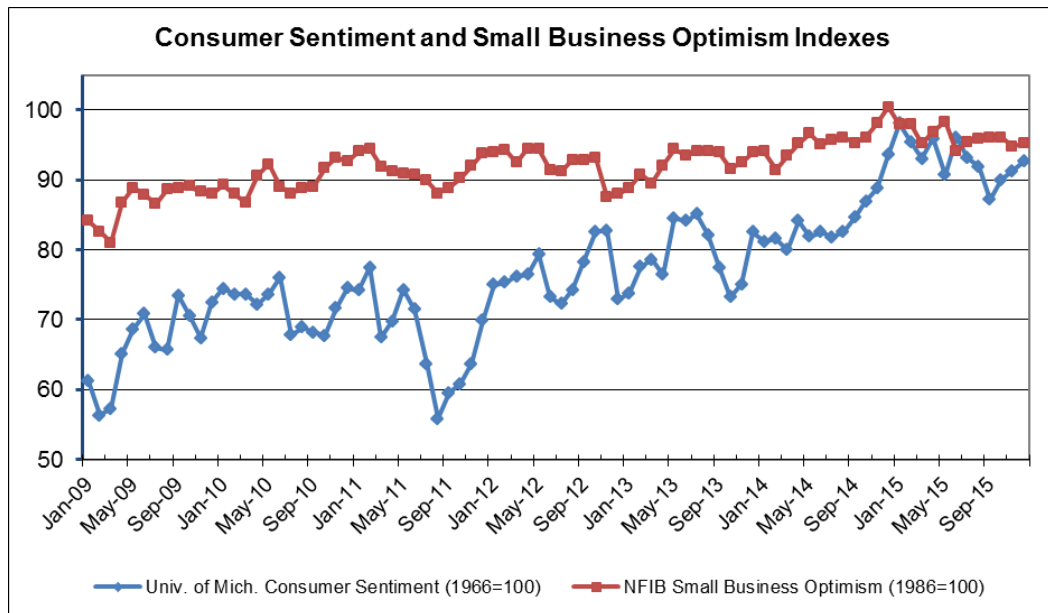


The Chained Consumer Price Index (Chained CPI) increased 0.3% from December 2014 to December 2015, again slowed by the drop in energy prices. Core inflation rose 1.9% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, Jan. 20, 2016 release

Consumer Sentiment and Small Business Optimism

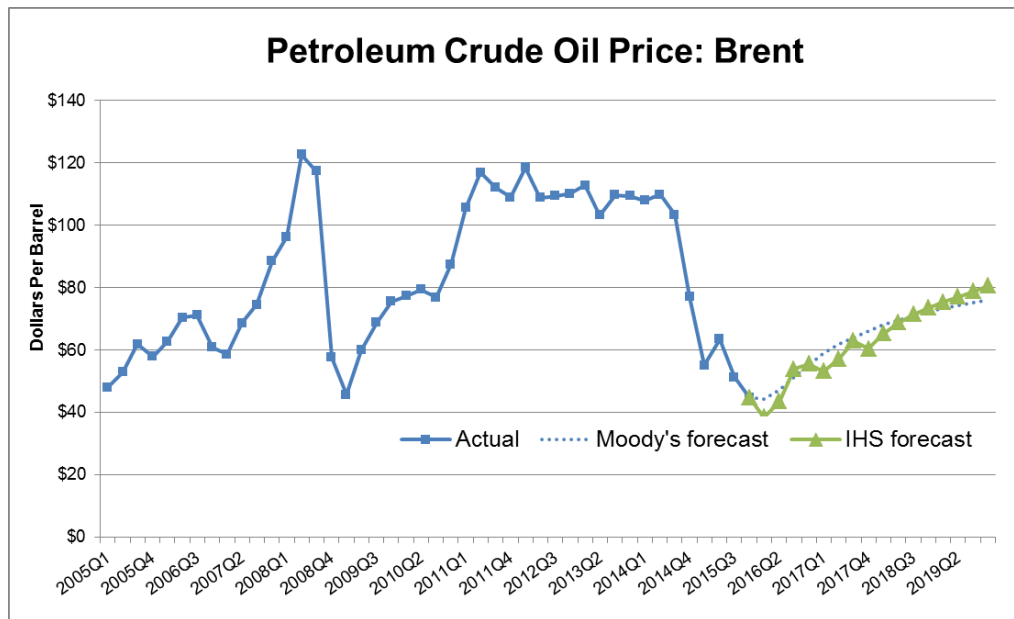
In December 2015, the survey-based University of Michigan Consumer Sentiment Index increased 1.4% month-over-month but was down 1.1% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 0.4% from the previous month and down 5.2% from December 2014.



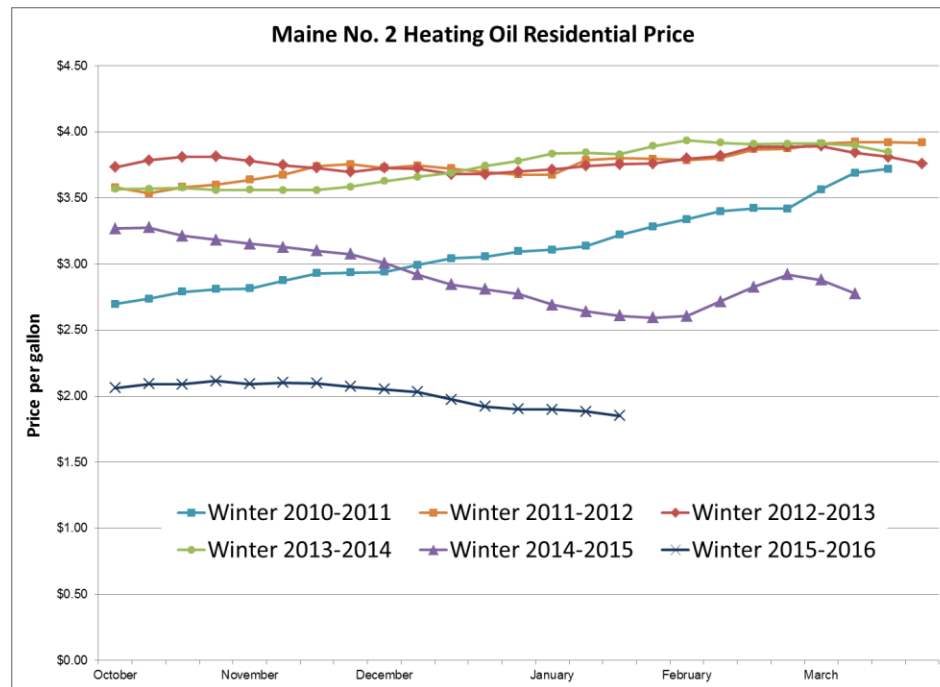
Source: University of Michigan, Dec. 23, 2015 release; National Federation of Independent Businesses, Jan. 12, 2016 release

Crude Oil

The price of Brent crude oil plunged starting in the later half of 2014 and was just under \$45 per barrel in the fourth quarter of 2015, a decrease of 12.8% from the third quarter of 2015 and a 41.9% decrease from the third quarter of 2014.



Source: Moody's Analytics, January 2016 release; IHS, January 2016 release



Source: U.S. Energy Information Agency, Jan. 21, 2016 release

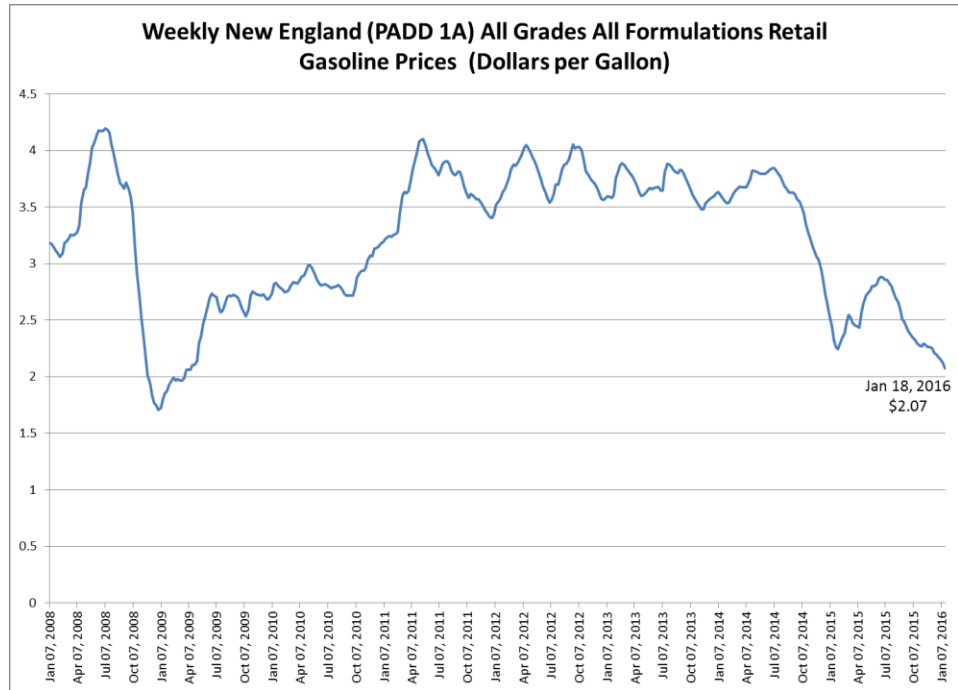
Heating Oil

The price of heating oil in Maine declined throughout most of the 2014-2015 heating season and the 2015-2016 heating season has been well below prices of the past few years, averaging \$1.85/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the recent decline in crude oil prices.

Gasoline

The price of gasoline in New England on January 18, 2016 averaged \$2.07, a decrease of \$0.05 per gallon over the previous week and \$0.25 lower than one year ago. The price of gasoline has dropped \$1.78 per gallon since the July 2014 peak.

Source: U.S. Energy Information Agency, Jan. 18, 2016 release



Motor Vehicles

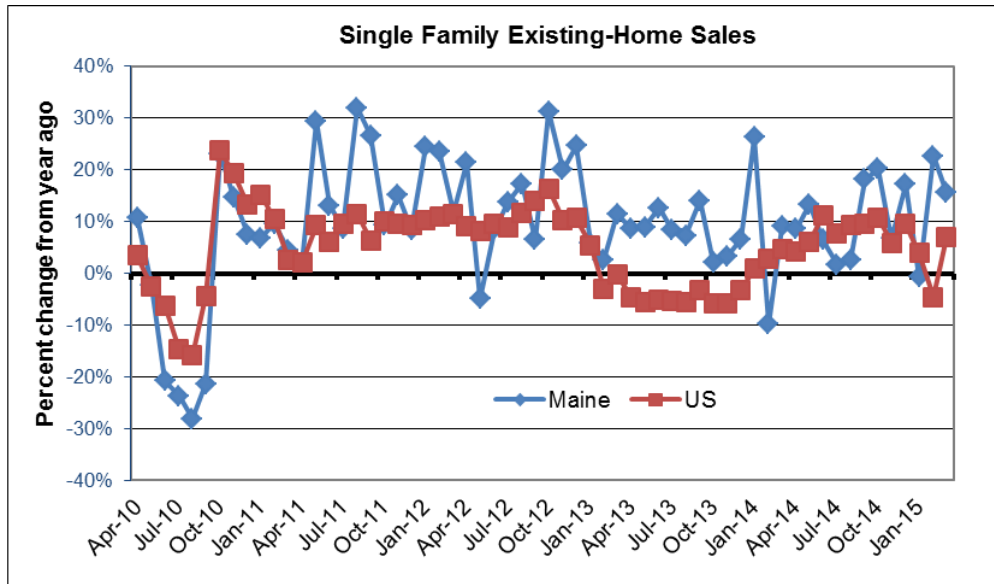
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 5.9% from FY 2014 to FY 2015, while the number of used automobile titles issued increased 2.0%. Total registrations were up 2.7% from FY 2014 to FY 2015.

Source: Maine Bureau of Motor Vehicles

Maine Bureau of Motor Vehicles Title Information			
	FY14	FY15	Change from previous year
Autos - new	61,521	65,160	5.9%
Autos - used	186,326	190,088	2.0%
Bus-new	267	175	-34.5%
Bus-used	204	215	5.4%
Trucks - new	3,299	4,333	31.3%
Trucks - used	5,965	6,704	12.4%
Motorcycles - new	2,230	2,281	2.3%
Motorcycles - used	8,595	8,745	1.7%
Trailers - new	7,990	9,550	19.5%
Trailers- used	18,557	16,344	-11.9%
Motor Homes - new	89	97	9.0%
Motor homes - used	417	484	16.1%
Unknown - new	145	31	-78.6%
Unknown - used	693	43	-93.8%
Total	296,298	304,250	2.7%

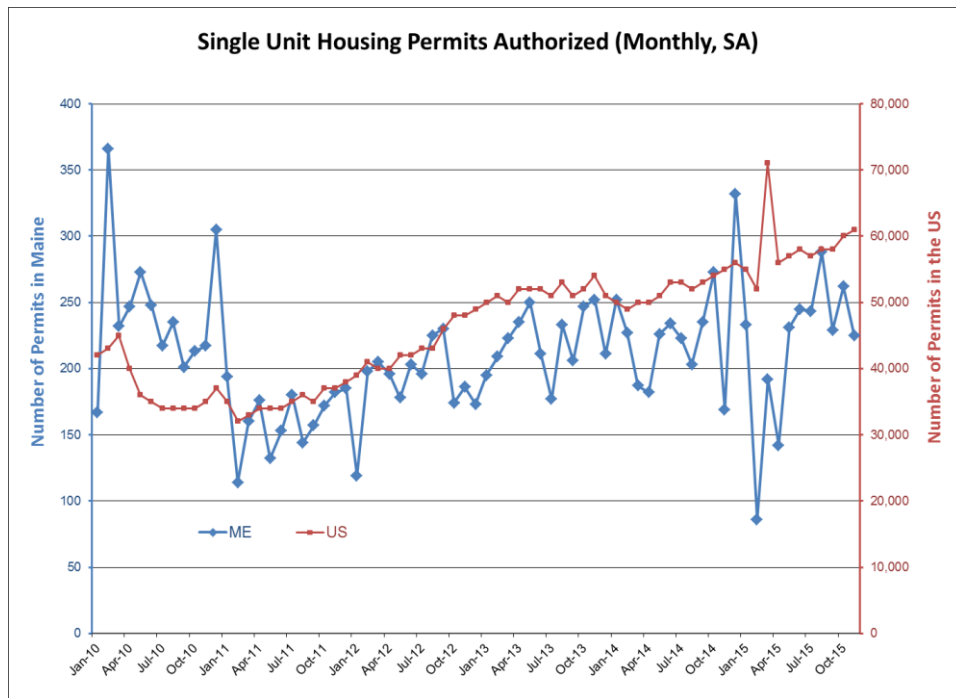
Housing

Single family existing-home sales in Maine were up 15.6% in December 2015 compared to December 2014. Home sales in Maine have grown year-over-year in 51 of the last 54 months.



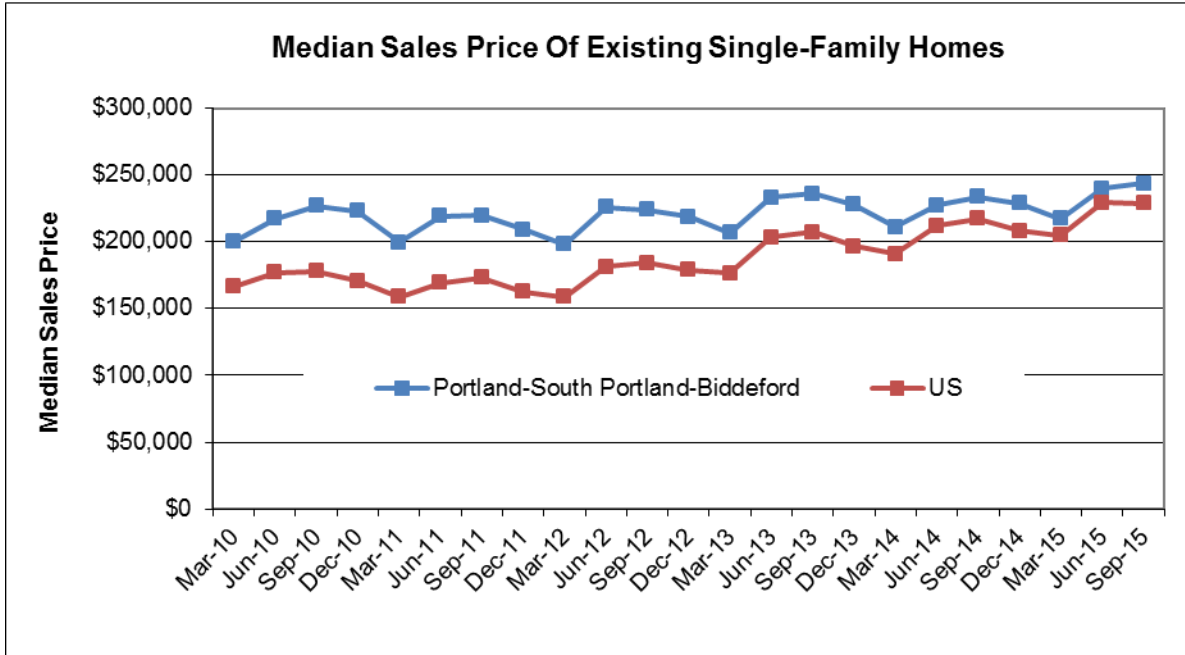
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Average monthly single unit housing permits in Maine in the 12-month period from December 2014 through November 2015 were 3.3% higher than in the previous 12-month period.



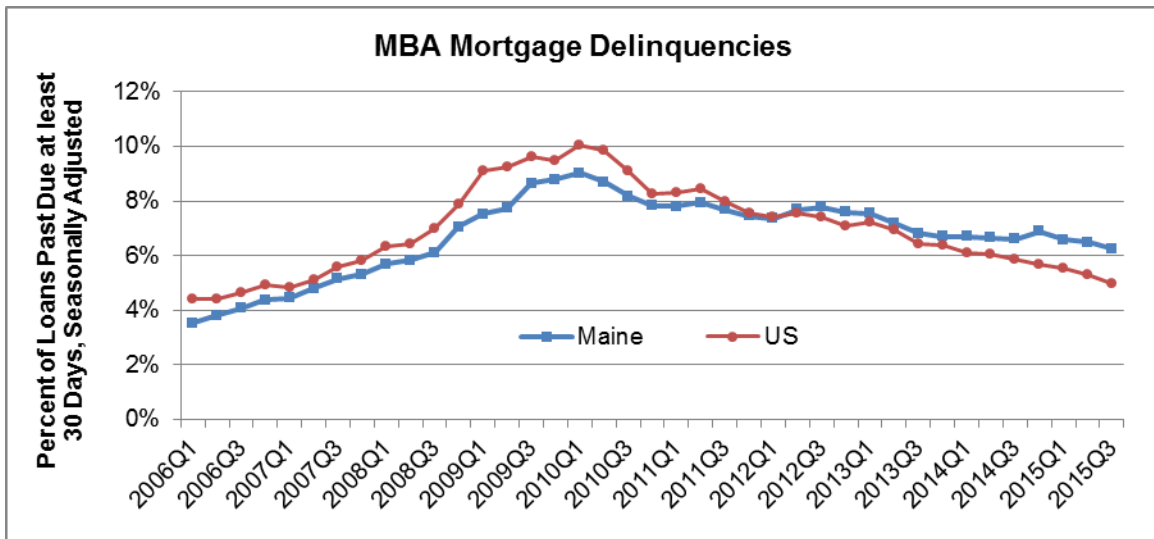
Source: US Census Bureau, December 28, 2015 release, via Federal Reserve Bank of Boston

The median home price in the Portland – South Portland – Biddeford metropolitan area increased 4.2% year-over-year in the third quarter of 2015. The median home price in the third quarter of 2015 was \$243,600.



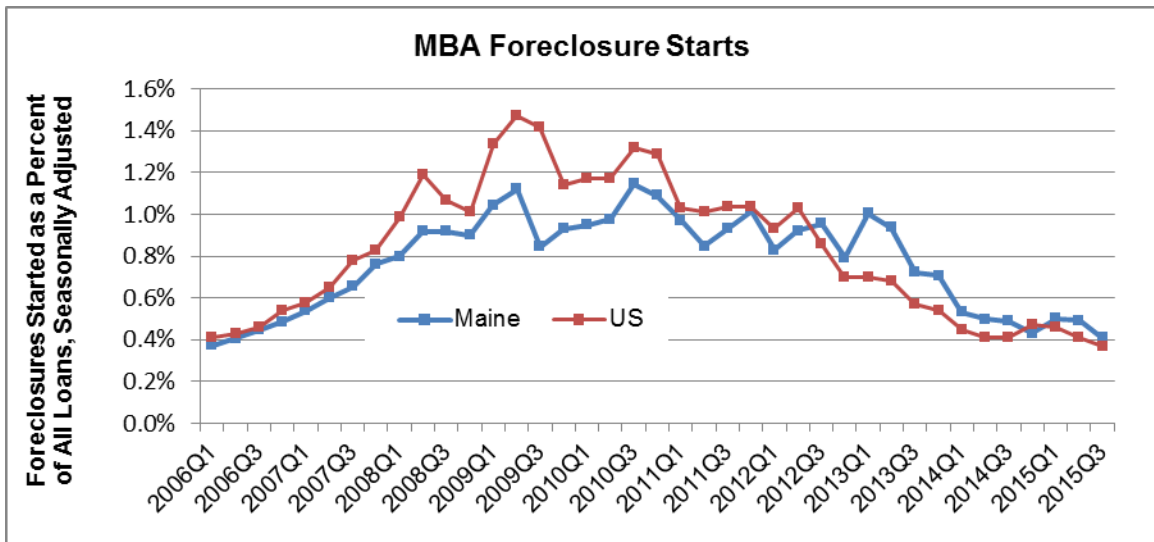
Source: National Association of Realtors, November 13, 2015 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 6.3% in the third quarter of 2015. The rate of delinquencies in Maine has been above the U.S. rate for fourteen straight quarters now.



Source: Mortgage Bankers Association, via Moody's Analytics January 2016 release

Maine’s foreclosure rate was 0.41% in the third quarter of 2015, down slightly from the previous quarter. Maine’s foreclosure rate has been above the U.S. rate for twelve of the past thirteen quarters.



Source: Mortgage Bankers Association, via Moody’s Analytics January 2016 release