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Consensus Economic Forecasting Commission Background Materials for the January 26, 2024, Forecasting Meeting

Summary

Maine saw continued population growth in 2023, gaining over 6,300 in population. Since 2021, Maine's total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022, and 9th in 2023). Most of this was driven by net domestic migration, in which Maine ranked 8th in the nation in 2023.

Total personal income increased by 3.8% at a seasonally adjusted, annualized rate in the third quarter of 2023, following a 2.1% decline in the second quarter. Wage and salary income, the largest component of personal income, grew 6.5% in the third quarter of 2023 while transfer receipts declined by 1.1%. This decline in transfer receipts in Maine, as in the U.S. overall, was due to decreases in Medicaid payments, state unemployment insurance compensation, and other personal current transfer receipts. Meanwhile, real GDP for Maine has increased for two consecutive quarters, growing to just over \$74 billion in the third quarter of 2023. Inflation has decelerated from the high in June of 2022, but is still above the Federal Reserve's 2% target. The CPI all-items index grew by 3.4% in December, up slightly from the 3.1% year-over-year increase in November.

The University of Michigan Consumer Sentiment Index was up 13% in January from the prior month and up 21% from the prior year, reaching its highest level since July 2021. The dramatic improvement in sentiment reflects positive perceptions of inflation trends and was seen across all age, income, education, geographic and political affiliation groups. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses, was up month-over-month in December (1.4%) and up 2.3% in the past 12 months. December was the 24th consecutive month below the 50-year average.

Gasoline cost \$3.22 on average in New England during the week of January 15, about \$0.18 less than a year ago. The statewide average cash price of No. 2 heating oil in Maine was \$3.832/gal in the third week (January 15) of the 2023-2024 heating oil season, 11% lower than the same week of last year, and about 5% lower than the first week of heating oil season.

Single-family existing-home sales fell by 6.1% year-over-year in December and prices continued to increase (6.3%). In the third quarter of 2023, Maine's year-over-year growth in the house price index was 11.1% (seasonally adjusted), second highest in the nation for year-over-year growth after Vermont.

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

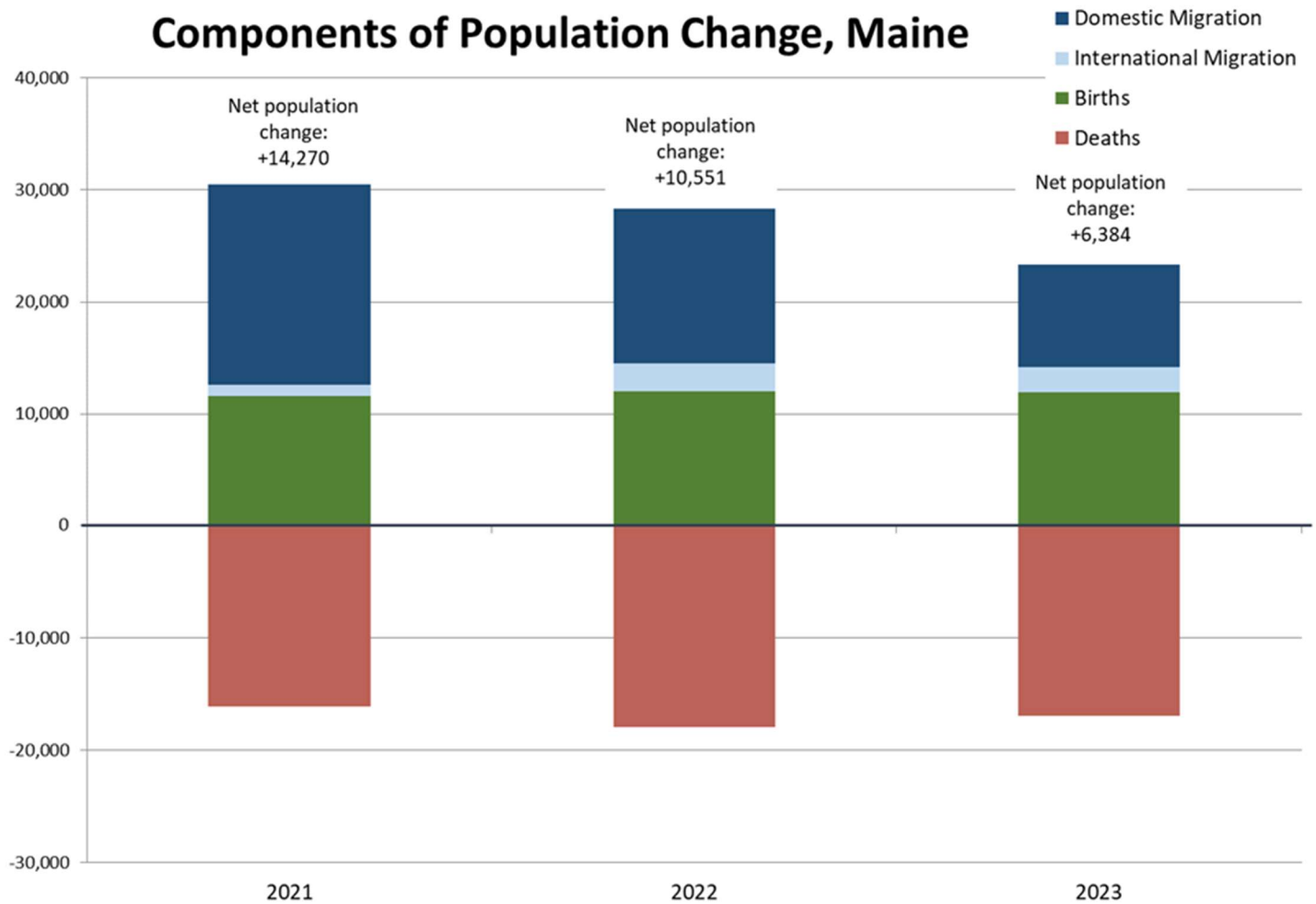
1. Demographic Trends

2023 Population Estimates

Maine’s population grew 0.5% from 2022 to 2023, bringing the population total to a new record high of 1,395,722. This ranks Maine 21st for percent growth in 2023 and 42nd for total population nationally, including D.C. Since April 2020, Maine’s population has increased 2.4%, which is 14th fastest in the nation.

Nationally, the population grew by 0.5% with more states experiencing population growth in 2023 than in any year since the start of the pandemic. While this is still a historically low growth rate, an increase in net international migration and fewer deaths led to the nation experiencing its largest population gain since 2018.

Since 2021, Maine’s total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022 and 9th in 2023). Most of this was driven by net domestic migration, in which Maine’s rate of 6.6 per thousand ranked 8th in the nation in 2023. Maine’s total population gain was 6,384, reflecting a natural decline of -5,053 (more deaths than births), a gain of +2,209 from international migration and a gain of +9,216 from domestic migration.

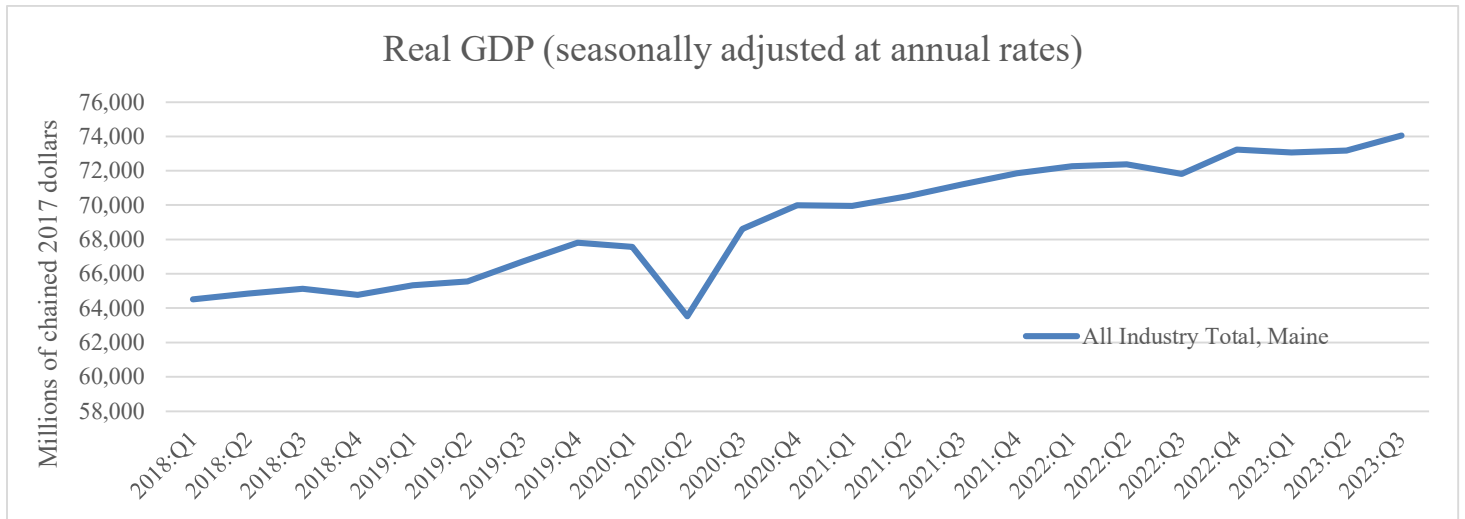


Source: U.S. Census Bureau, Population Estimates Program, 2023 vintage

2. State Economy

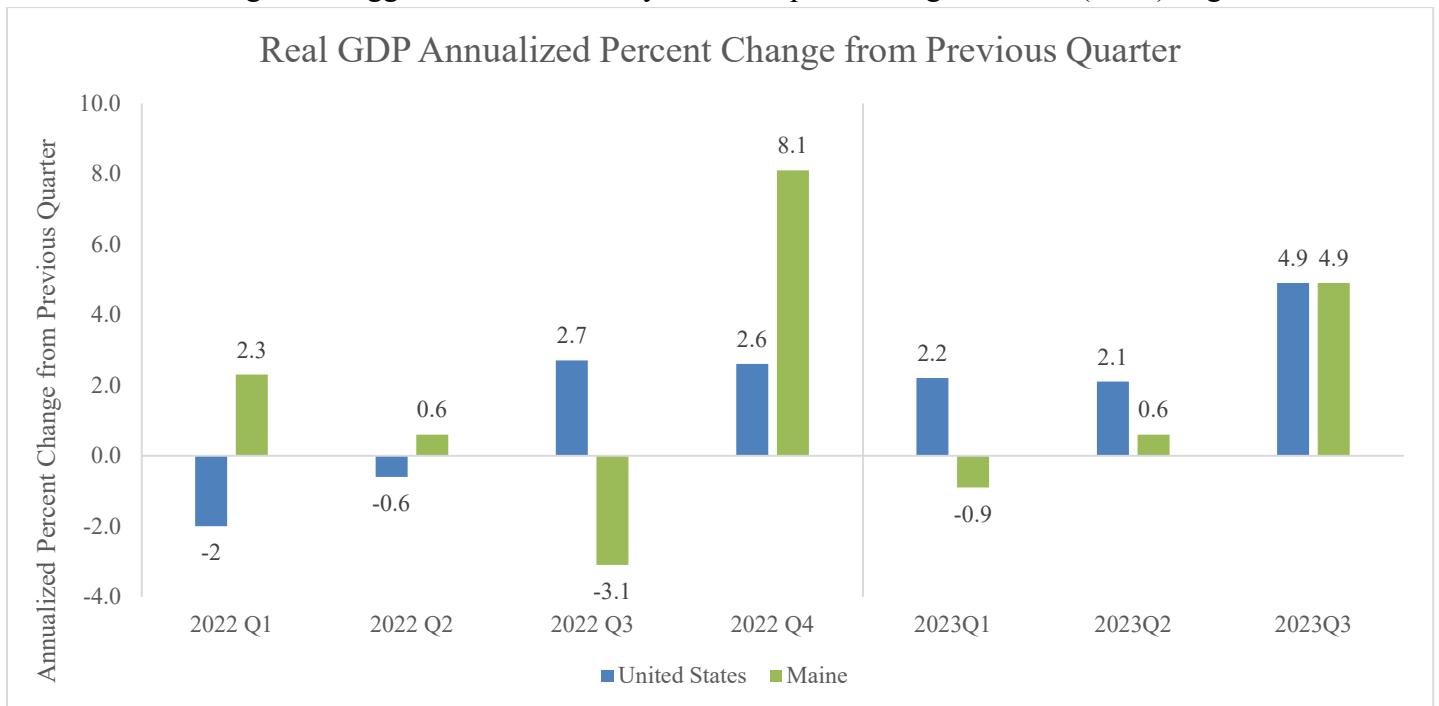
Gross Domestic Product (GDP)¹

Real GDP (millions of chained 2017 dollars) for Maine increased to just over \$74 billion in the third quarter of 2023.



Source: U.S. Bureau of Economic Analysis, December 22, 2023, release

Maine’s annualized GDP growth rate was above the U.S. for three quarters of 2022 and, notably, was a significant 5.5 percentage points higher than the U.S. in the fourth quarter of that year. For the first two quarters of 2023 Maine’s real GDP growth lagged the nation, but by the third quarter the growth rate (4.9%) aligned with the U.S.



Source: U.S. Bureau of Economic Analysis, December 22, 2023, release

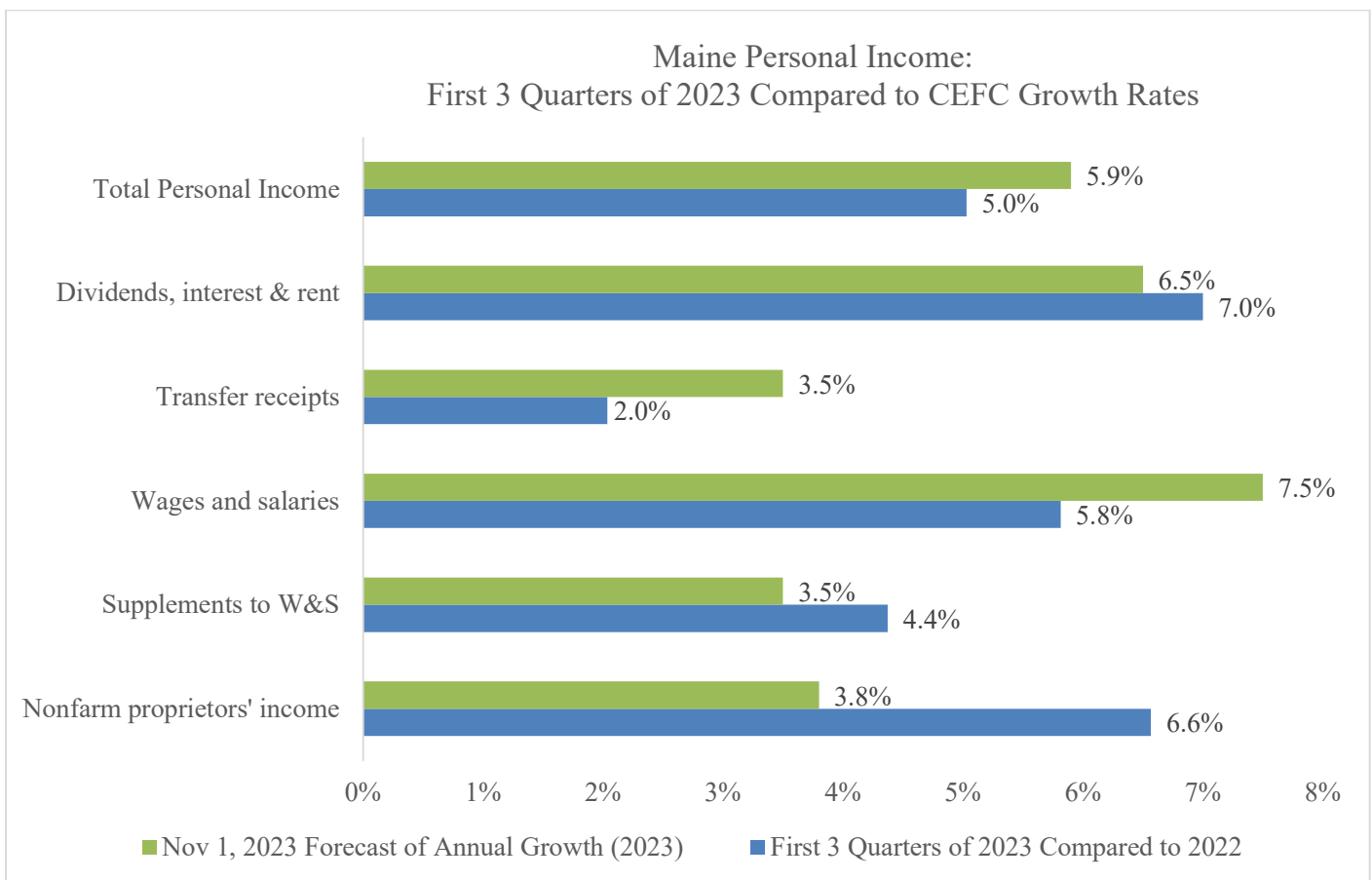
¹ In the fall of 2023, BEA released initial results of their comprehensive update of the National and Regional Economic Accounts. As of December 22, 2023, Revised Regional Economic Account statistics on GDP are available annually, for 2017 through 2022, and quarterly, for first quarter 2018 through third quarter 2023.

Personal Income

According to the U.S. Bureau of Economic Analysis, total personal income increased by 3.8% at a seasonally adjusted, annualized rate in the third quarter of 2023, following a 2.1% decline in the second quarter. Wage and salary income, the largest component of personal income, grew 6.5% in the third quarter of 2023.

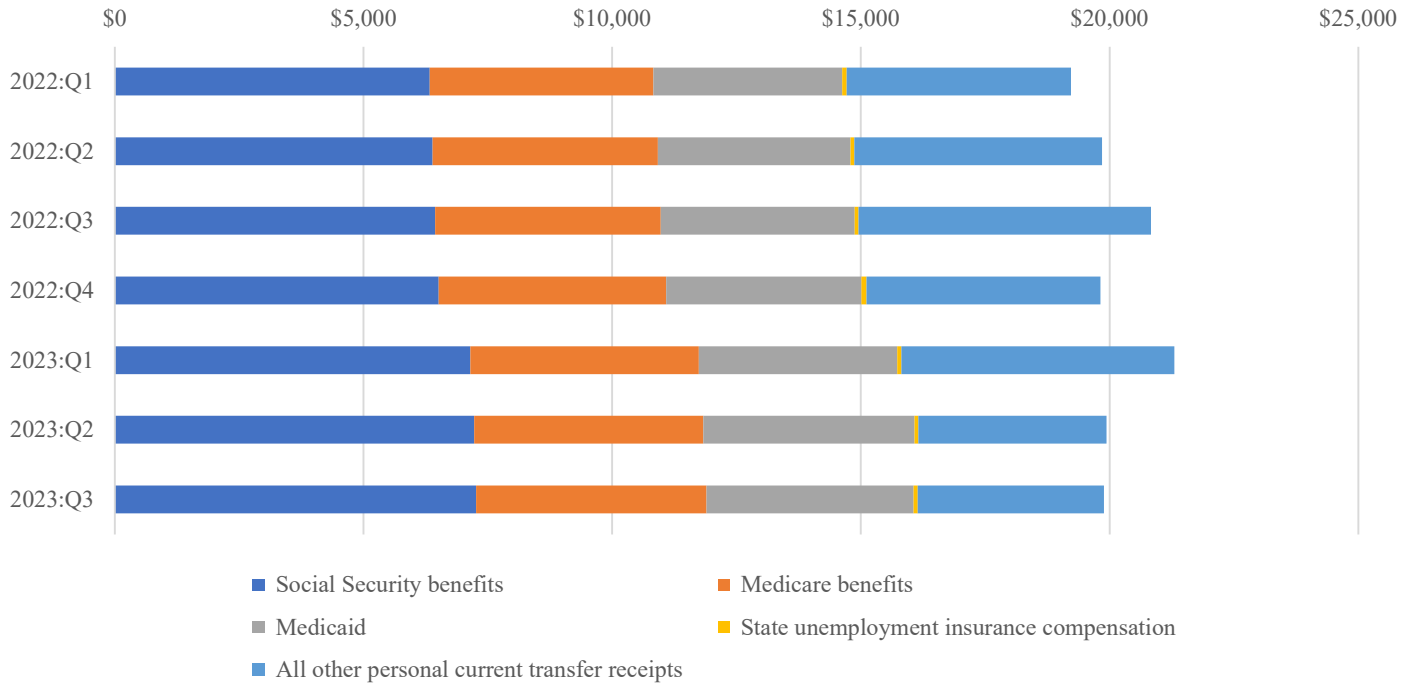
Dividends, interest and rent increased 1.6% (SAAR) in the third quarter and transfer receipts declined by 1.1%. This decline in transfer receipts in Maine, as in the U.S. overall, was due to decreases in Medicaid payments, state unemployment insurance compensation, and other personal current transfer receipts.

Compared to the first three quarters of 2022, growth in half of the components is relatively on track with the CEFC forecasts. The major exceptions are transfer receipts (where we've seen growth of 2%), nonfarm proprietors' income (where we've seen growth of 6.6%) and wages and salaries (where we've seen growth of 5.8%).



Source: U.S. Bureau of Economic Analysis, December 22, 2023, release

Components of Transfer Receipts in Maine (Millions of Dollars)



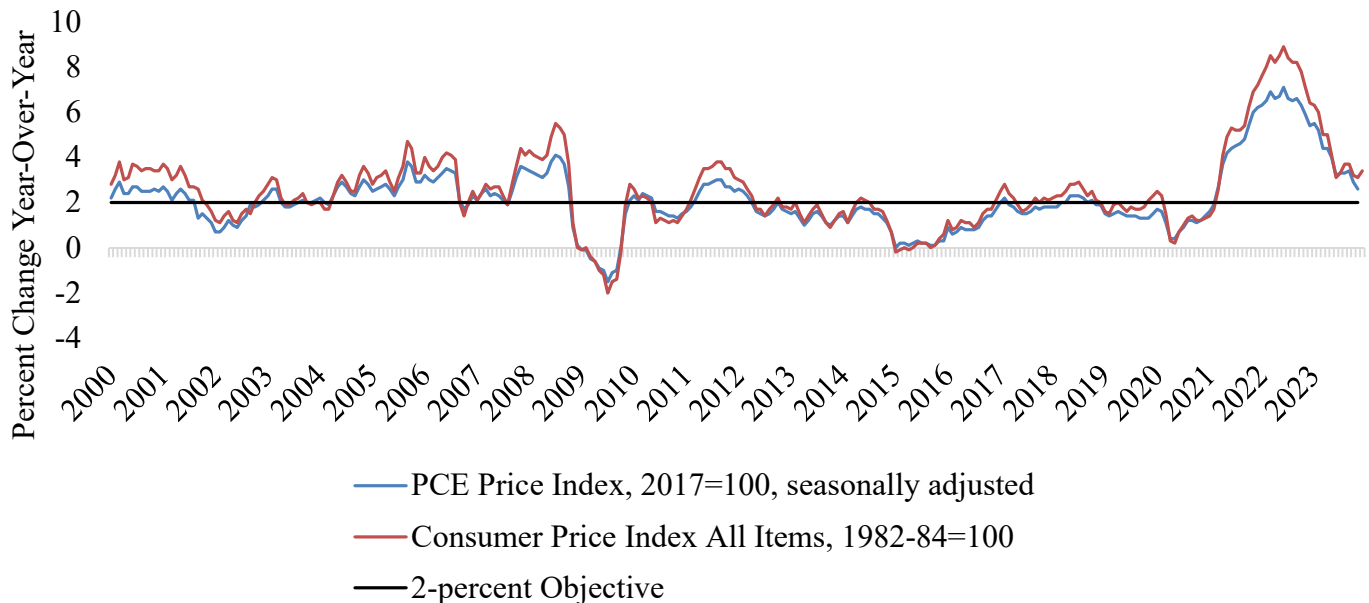
Source: U.S. Bureau of Economic Analysis, December 2023, release

3. Consumption and Expenditures

Inflation measures

The most recent data for the PCE price index shows a 2.6% year-over-year increase in November, down from 2.9% in October. The CPI all-items index grew by 3.4% in December, up slightly from the 3.1% year-over-year increase in November. Growth in both indices has decelerated considerably since June 2022 but remains above the 2% Federal Reserve target.

Measures of inflation, Year-Over-Year Percent Change

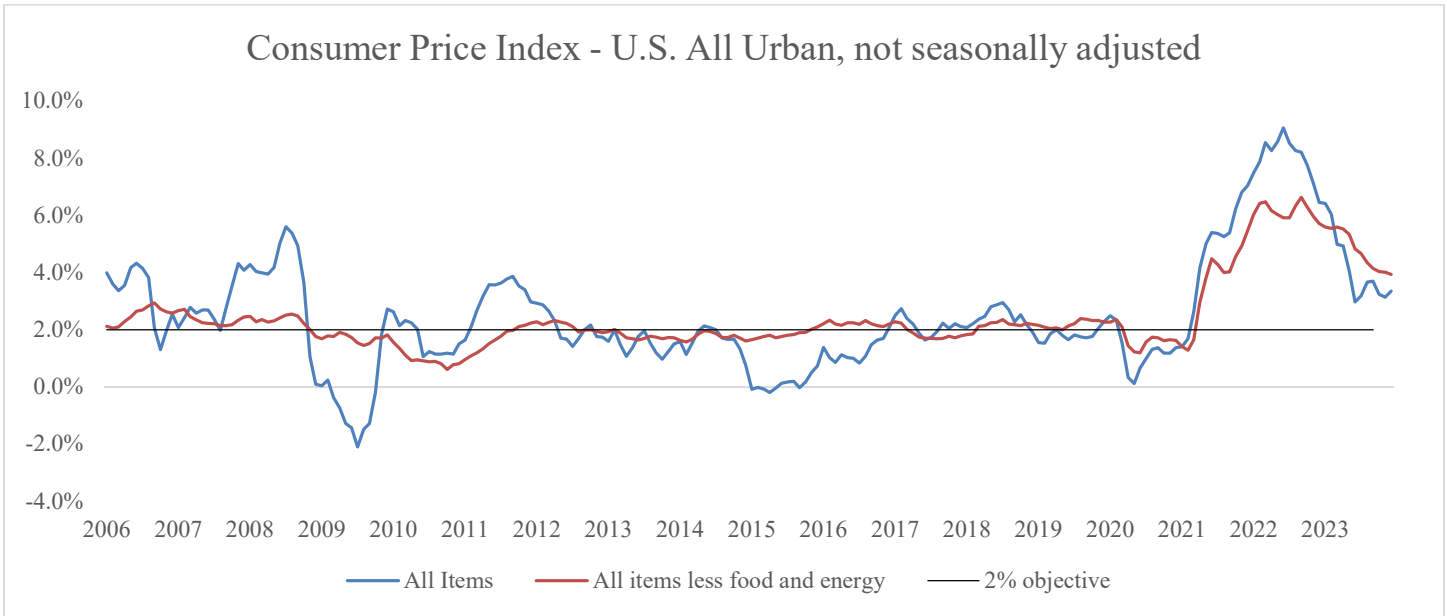


Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

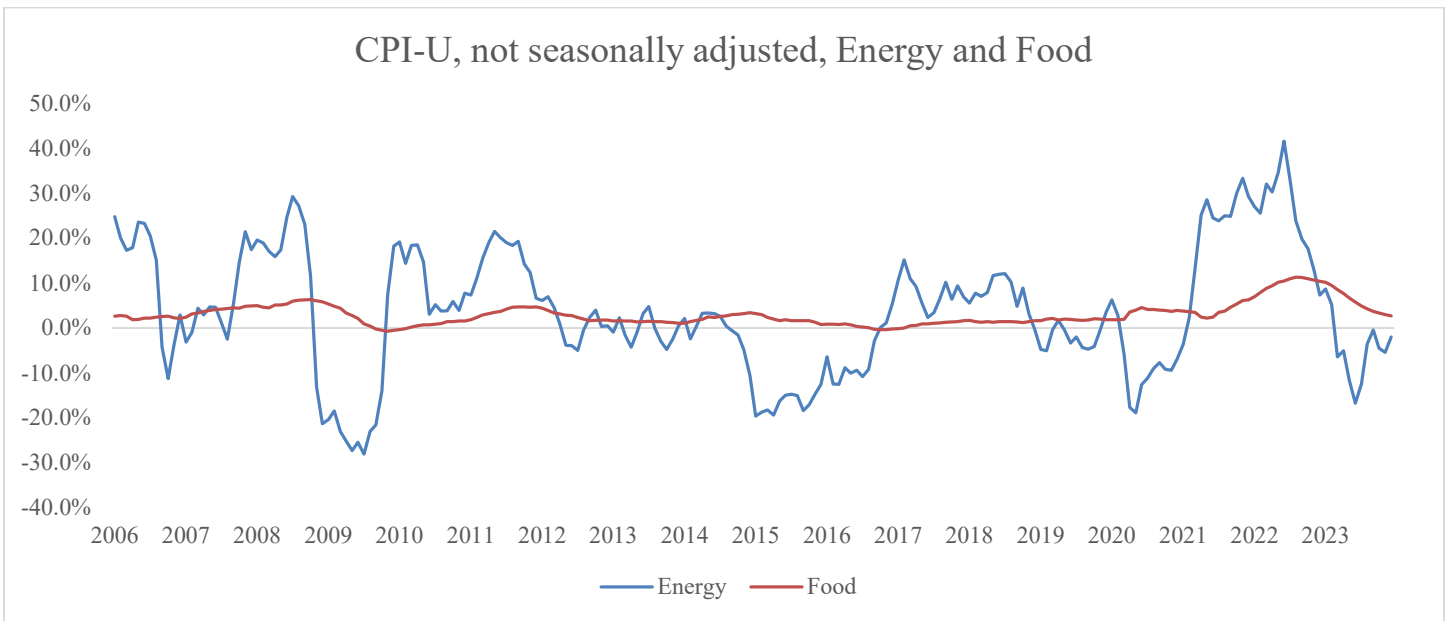
The CPI for all urban consumers increased 3.4% year-over-year in December, and 0.3% from a month prior. Shelter (+0.5%) continued to increase and accounted for more than half of the all-items increase.

The energy index increased 0.4% in December on a monthly basis, driven by increases to the electricity index. Fuel oil was down 5.5% in December and is down 14.7% year-over-year. (Heating oil prices were at historic heating season highs in November 2022).

The food index was up 0.2% in December and up 2.7% year-over-year, its lowest year-over-year increase since June 2021. The core index, which excludes volatile food and energy prices, increased 0.3% from November and is up 3.9% year-over-year. This is its lowest year-over-year increase since May 2021.



Source: U.S. Bureau of Labor Statistics



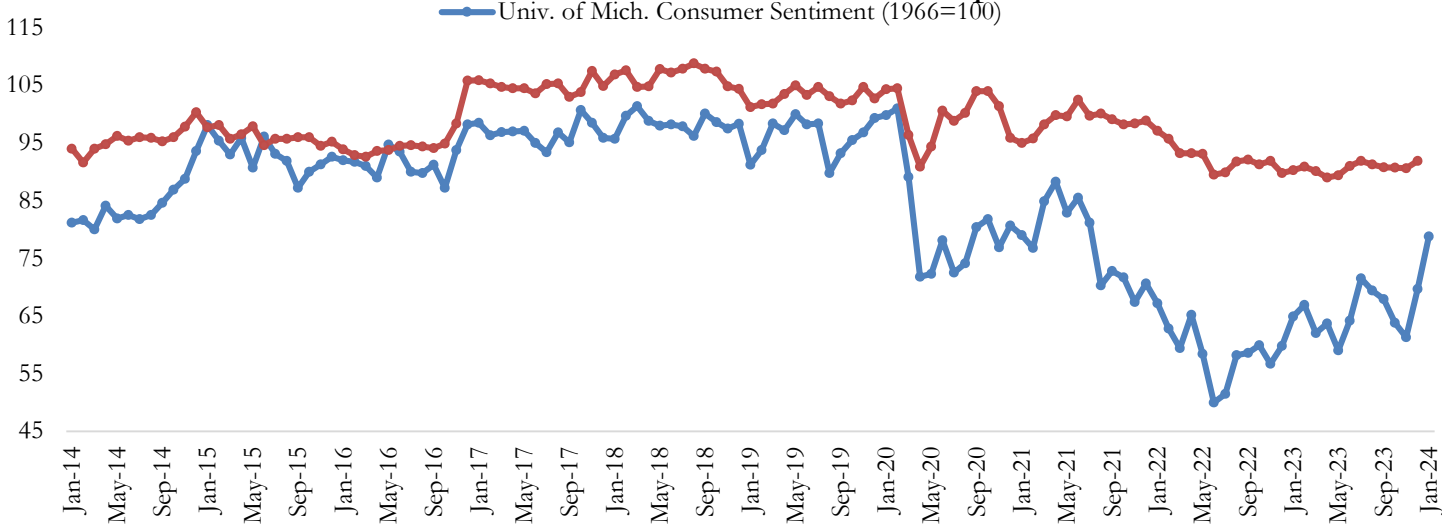
Source: U.S. Bureau of Labor Statistics

Consumer Sentiment and Small Business Optimism

The **Index of Consumer Sentiment** from the University of Michigan was up 13% in January from the prior month and up 21% from the prior year, reaching its highest level since July 2021. Over the last two months, sentiment has climbed a cumulative 29%, the largest two-month increase since 1991. The dramatic improvement in sentiment reflects positive perceptions of inflation trends and was seen across all age, income, education, geographic and political affiliation groups.

The **Small Business Optimism Index**, as measured by the National Federation of Independent Businesses, was up month-over-month in December (1.4%) and up 2.3% in the past 12 months. December was the 24th consecutive month below the 50-year average.

Consumer Sentiment and Small Business Optimism Indexes



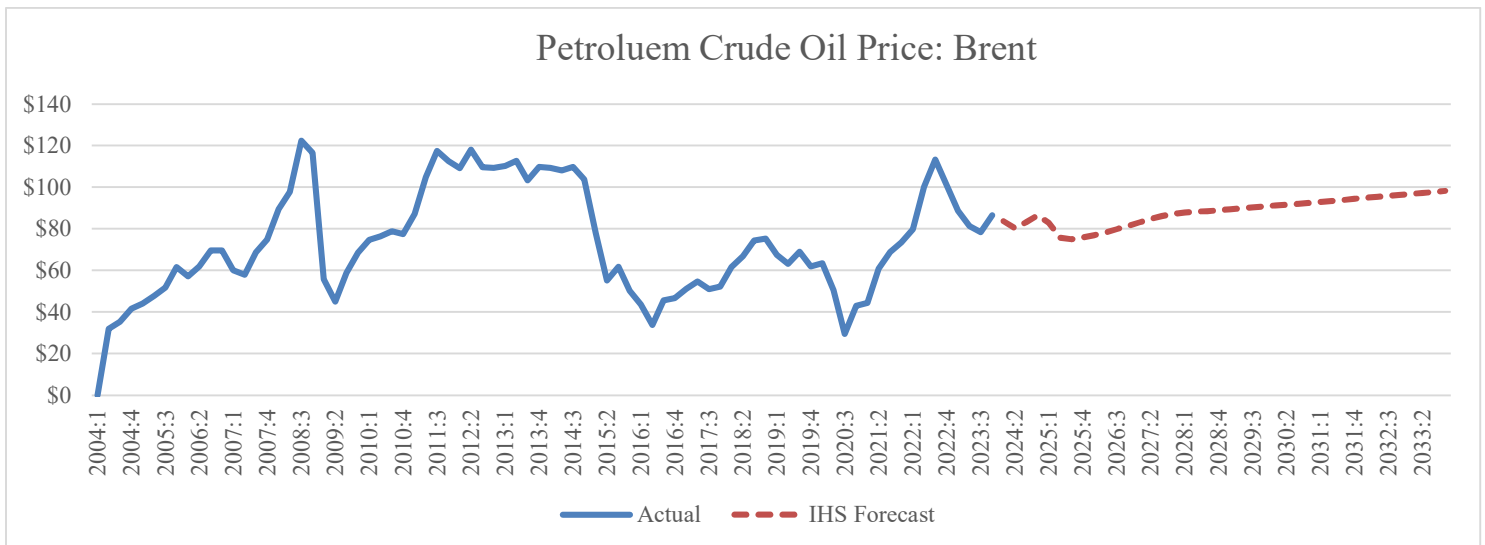
Sources: University of Michigan and National Federation of Independent Business

4. Energy Sector

In its January 2024 Short-term Energy Outlook, the Energy Information Administration (EIA) forecasts that Brent crude oil prices will average \$82 per barrel in 2024, about the same as in 2023, before falling to an average of \$79 per barrel in 2025 when they expect production growth will slightly outpace demand growth. Recent developments in the Middle East increase the risk for supply disruptions, which could result in higher and more volatile prices than are currently forecast.

Crude Oil

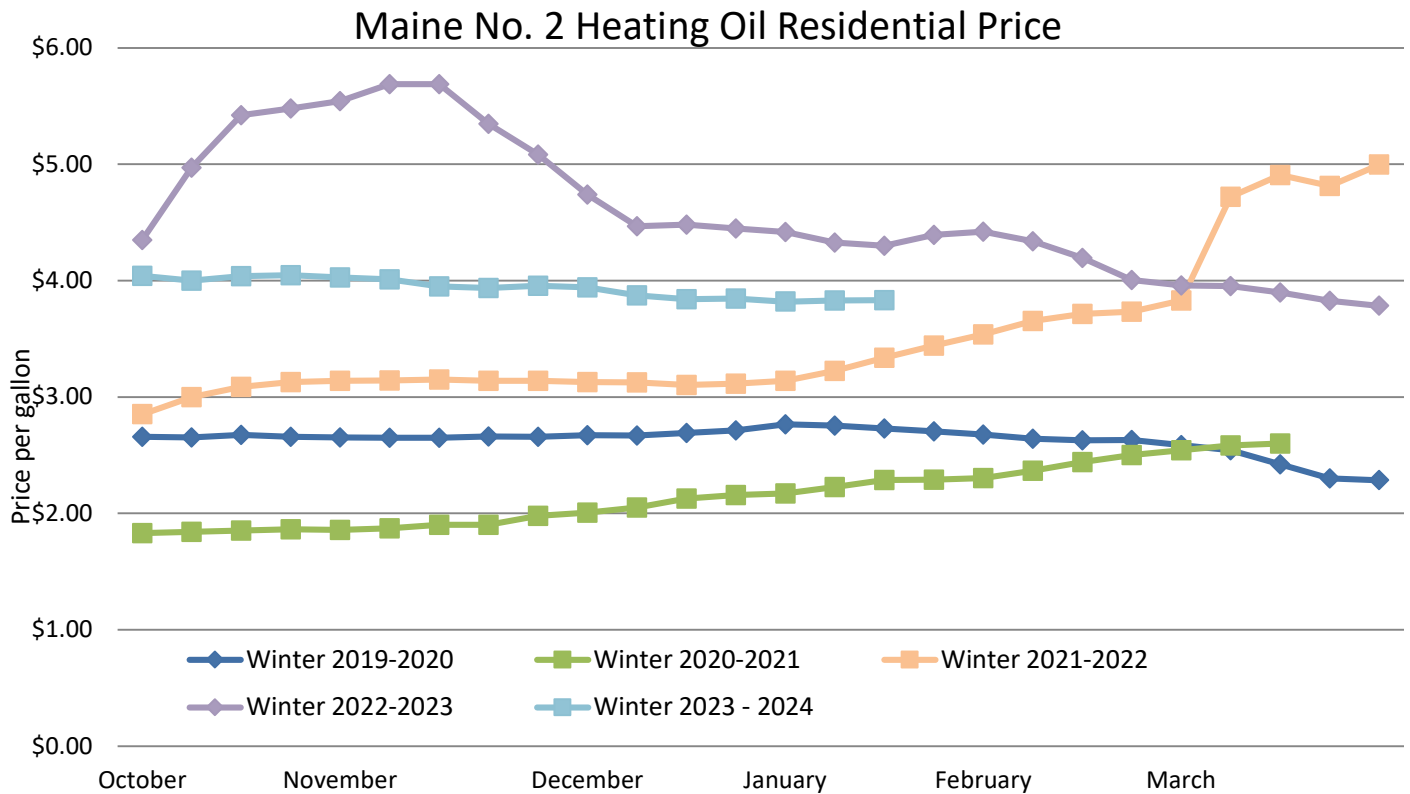
The price of Brent crude oil in the fourth quarter of 2023 was \$86.60, which was 10% lower than the previous quarter and 14% lower than a year prior.



Sources: S&P

Heating Oil

The statewide average cash price of No. 2 heating oil in Maine was \$3.832/gal in the third week (January 15) of the 2023-2024 heating oil season, 11% lower than the same week of last year and about 5% lower than the first week of the heating oil season.

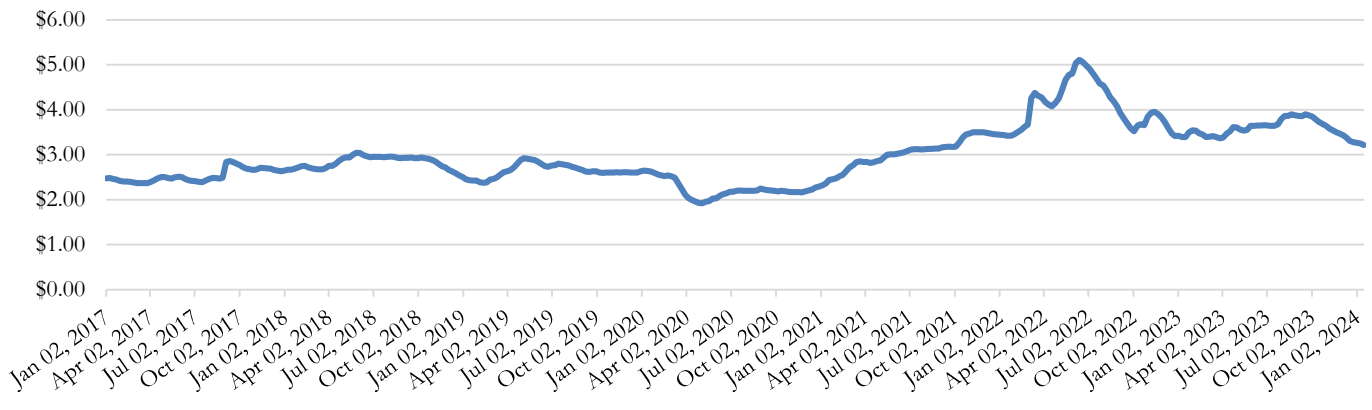


Source: U.S. Energy Information Agency

Gasoline

The price of a gallon of gasoline in New England was an average of \$3.22 during the week of January 15, about \$0.18 less than a year ago.

New England - All Grades and Formulations Gasoline Price Per Gallon

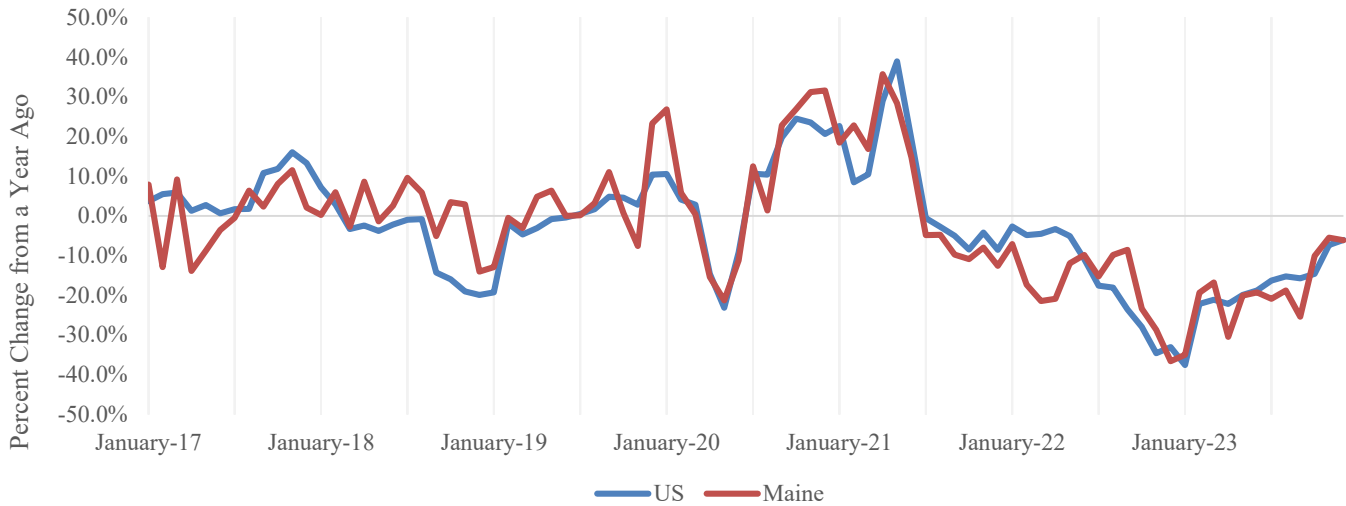


Source: U.S. Energy Information Agency

5. Housing

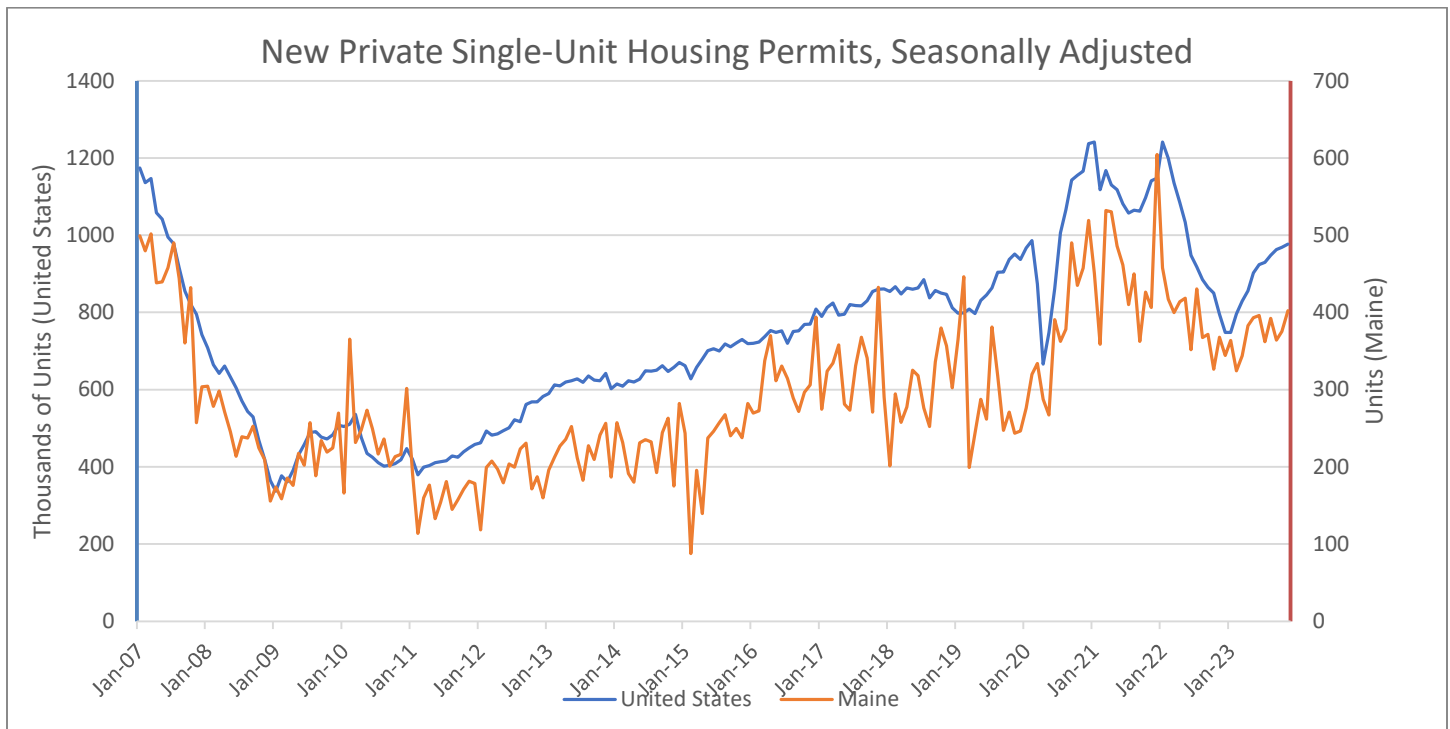
Maine single-family existing-home sales were down 6.1% from 12 months prior in December 2023. The median sales price increased 6.3% from a year prior (to \$350,500 statewide) in December. Total existing single-family sales nationwide were also down 6.1% in December compared to a year prior, with a median price of \$382,600, up 3.7% over last year.

Single Family Existing-Home Sales



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

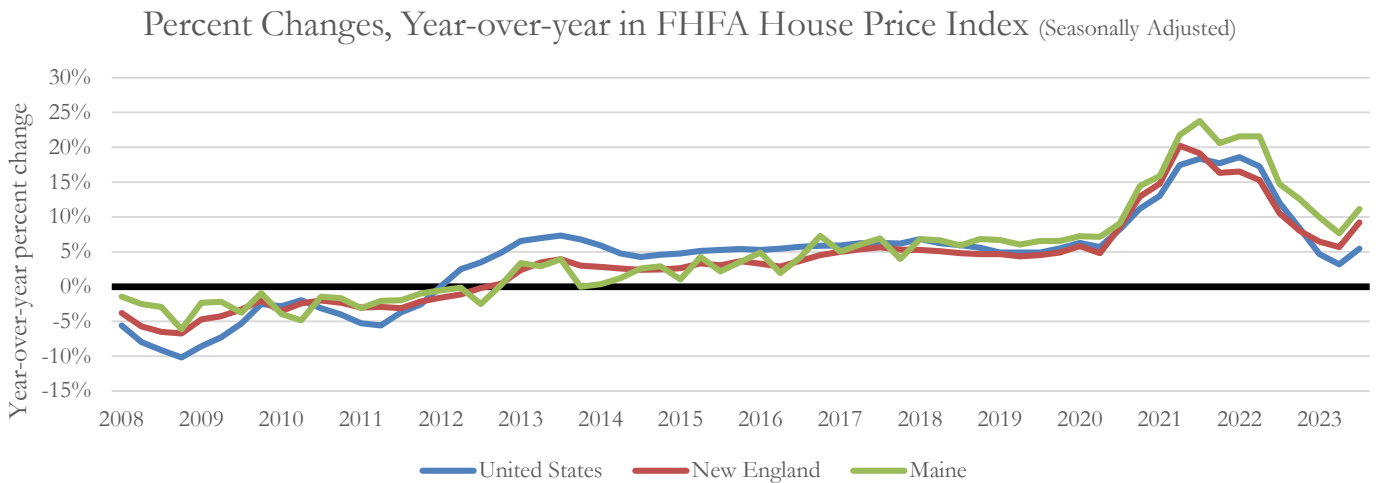
In the U.S., single-unit housing permits were up 33% in December 2023 over the previous year and up 1.7% over the previous month. In Maine, permits were up 9.5% year-over-year and 7.2% month-over-month in August.



Source: US Census Bureau via FRED

House Price Index

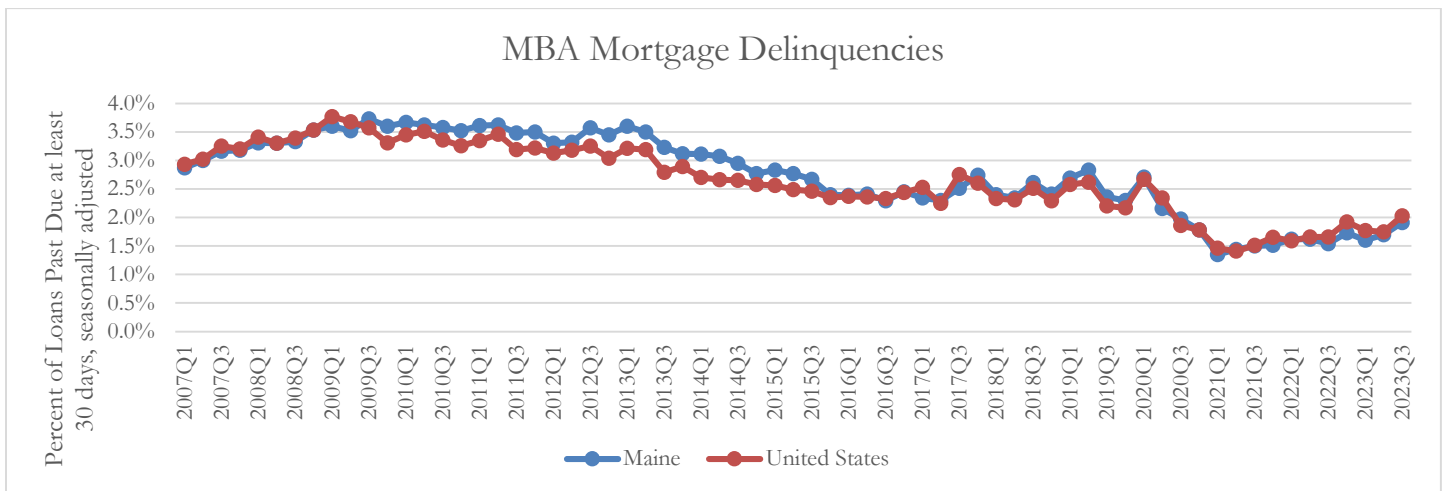
In the third quarter of 2023, Maine’s year-over-year growth in the house price index (HPI)² was 11.1% (seasonally adjusted), second highest in the nation for year-over-year growth after Vermont (11.8%). On a seasonally adjusted quarterly basis, Maine’s house price index increased 2.7% from the second quarter of 2023 compared to 3.8% in New England and 1.7% in the U.S. As shown in the chart below, Maine’s percent change in HPI remains well above the U.S. and New England, and all three saw an uptick in HPI growth in Q3 following recent declines.



Source: Federal Housing Finance Agency

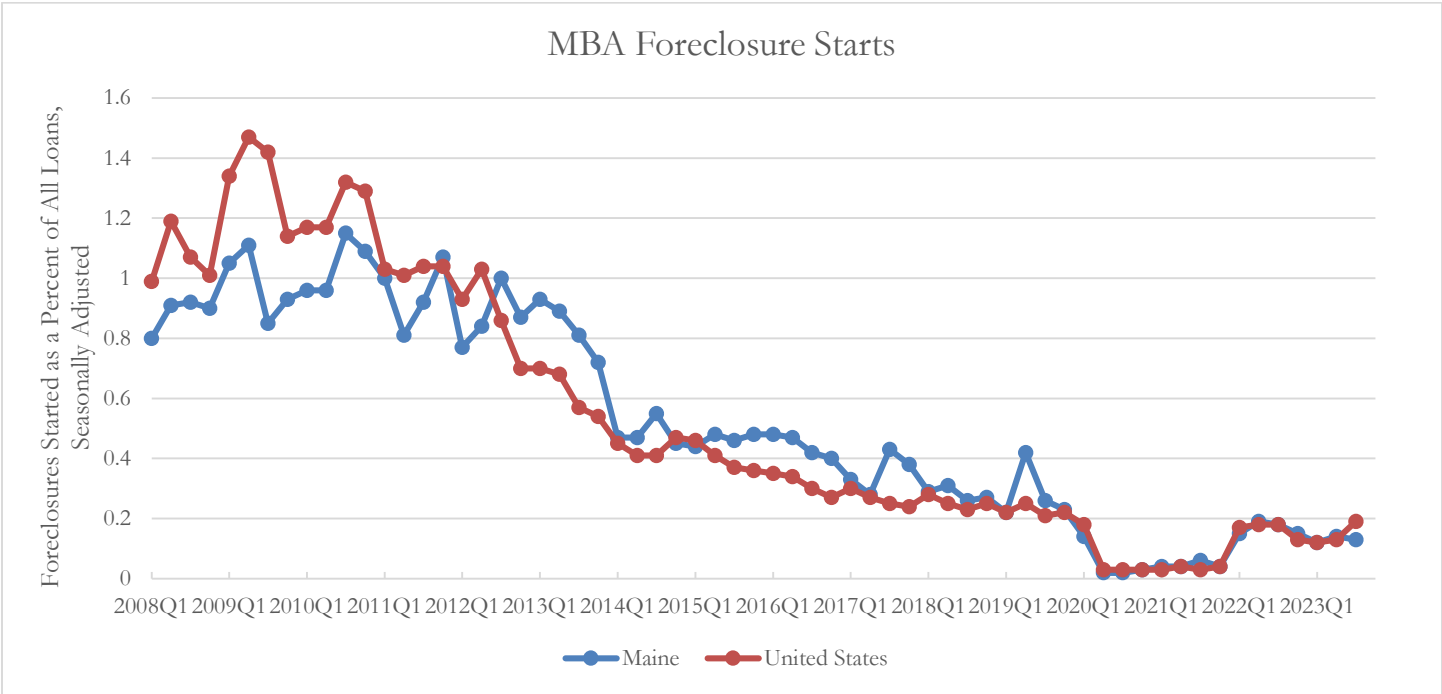
6. Borrowing

The share of mortgages in Maine that are delinquent 30 days or more was 1.9% in the third quarter of 2023. Maine’s foreclosure rate was 0.13%, below the national rate of 0.19%. The average debt-to-income ratio in Maine was 24 in the last quarter of 2022.

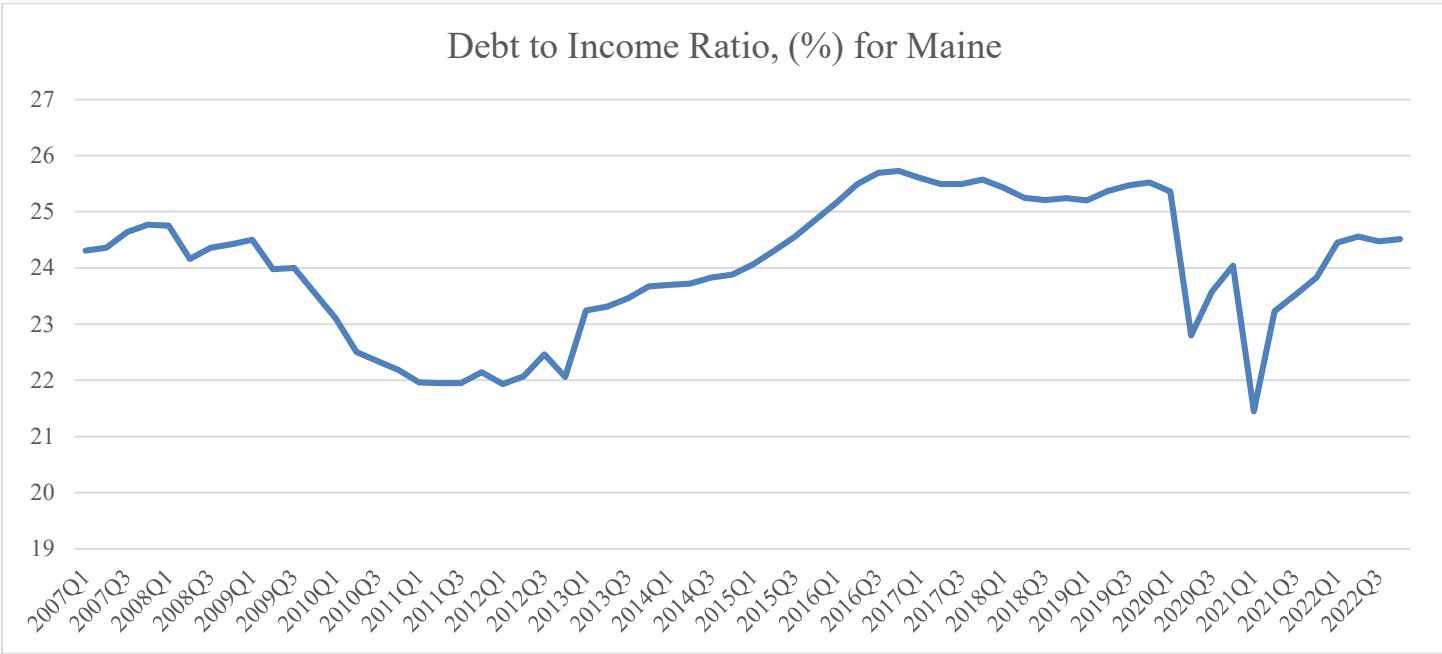


Source: Mortgage Bankers Association, via Moody’s Analytics, January 2024 release

² According to the Federal Housing Finance Agency (FHFA), the HPI “measures average price changes in repeat sales or refinancing on the same properties.”



Source: Mortgage Bankers Association, via Moody's Analytics, January 2024 release



Source: Federal Reserve Board of Governors; U.S. Bureau of Economic Analysis, via Moody's Analytics, January 2024 release