

Office of Policy and Management

Executive Department

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Consensus Economic Forecasting Commission Background Materials for the October 25, 2013 Forecasting Meeting

Summary

National and state economic indicators continue to show a slow and bumpy road to recovery since the CEFC met in March 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 2.3% year-over-year in the first half of 2013, while wage and salary income, which makes up around half of total personal income, grew 2.1% over the same period. Maine's debt-to-income level continued its recent slow rise to 22.4%. The Consumer Price Index was 1.5% higher in August 2013 than it was in August 2012, driven largely by increases in fuels and utilities.

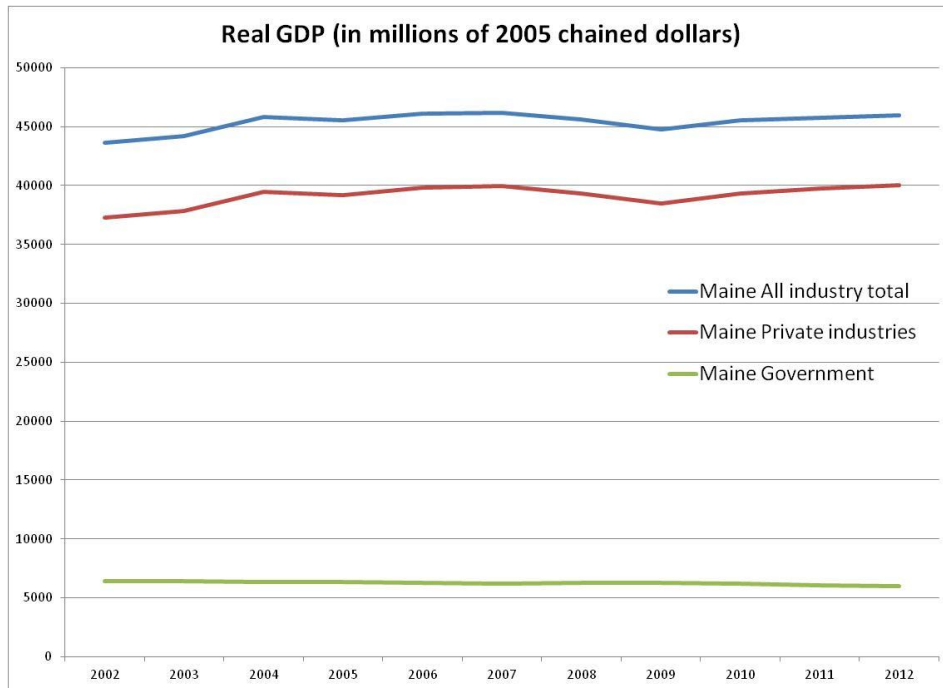
Nationwide, consumer sentiment declined 5.6% month-over-month in September due to the then-looming government shutdown, while small business optimism remained relatively stable over the month and was up over the previous year's level.

The price of crude oil increased 6.3% in the third quarter of 2013 to around \$110 per barrel. Heating oil and 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 20% in August 2013 compared to August 2012 and housing permits for the September 2012-August 2013 year were 13% higher than the previous September-August period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased 3.3% year-over-year in the second quarter of 2013. Mortgage delinquency rates remain well above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine increased in the second quarter of 2013 and remains well above pre-recession levels.

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

Gross Domestic Product

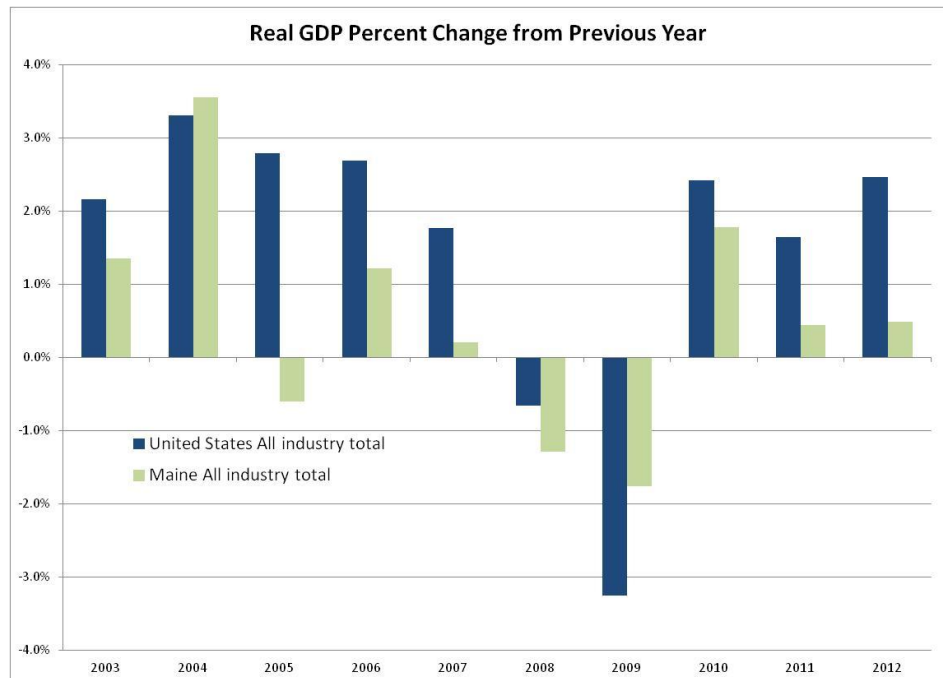


In 2012, Maine's real Gross Domestic Product was \$45.986 billion, with \$39.992 billion coming from private industries and \$6.011 billion from government (federal, state, and local). All of Maine's recent growth in GDP has come from private industry.

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.

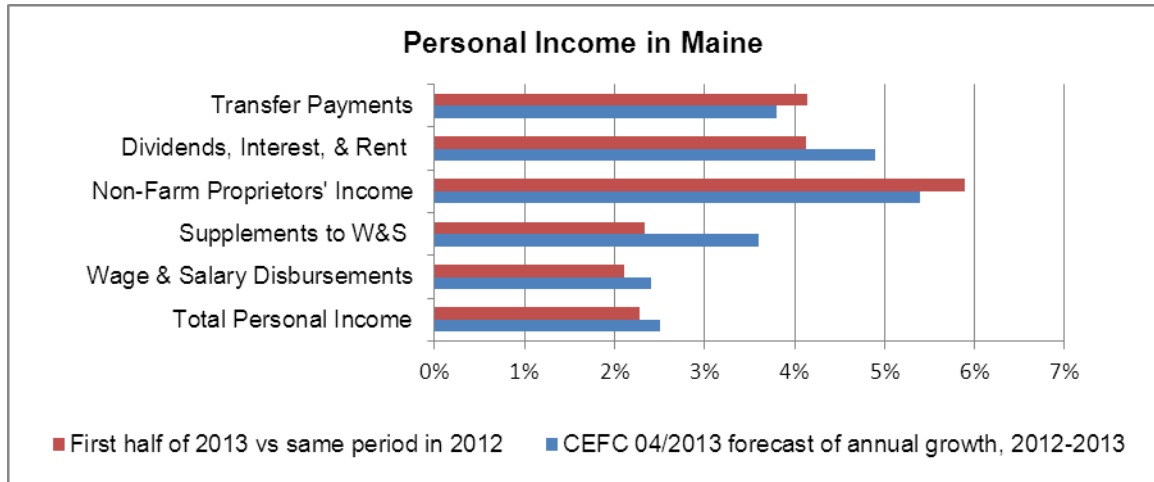
Source: U.S. Bureau of Economic Analysis, June 6, 2013 release



Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.3% year-over-year and wage and salary income grew 2.1% year-over-year in the first half of 2013.

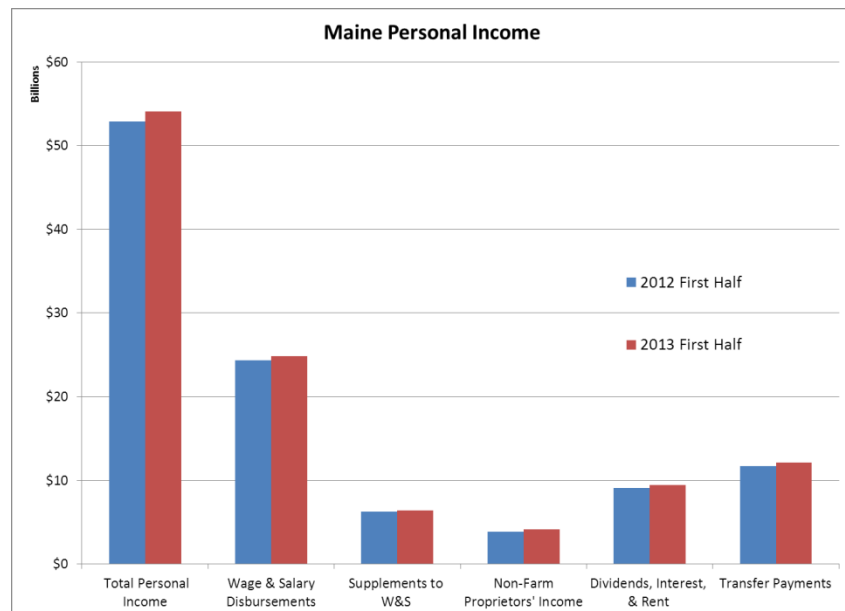
Total personal income for the second half of 2013 would need to be 1.0% higher than the first half of 2013 to hit the CEFC's annual forecast for 2013. Wage and salary disbursements would need to be 0.4% higher.

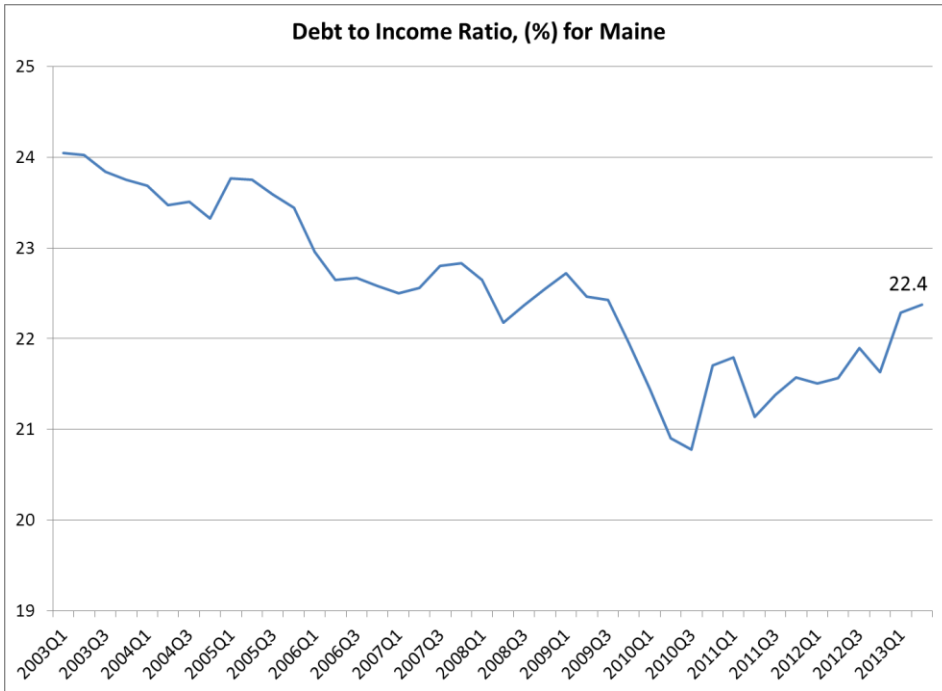


Source: U.S. Bureau of Economic Analysis, September 30, 2013 release

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

Source: U.S. Bureau of Economic Analysis, September 30, 2013 release



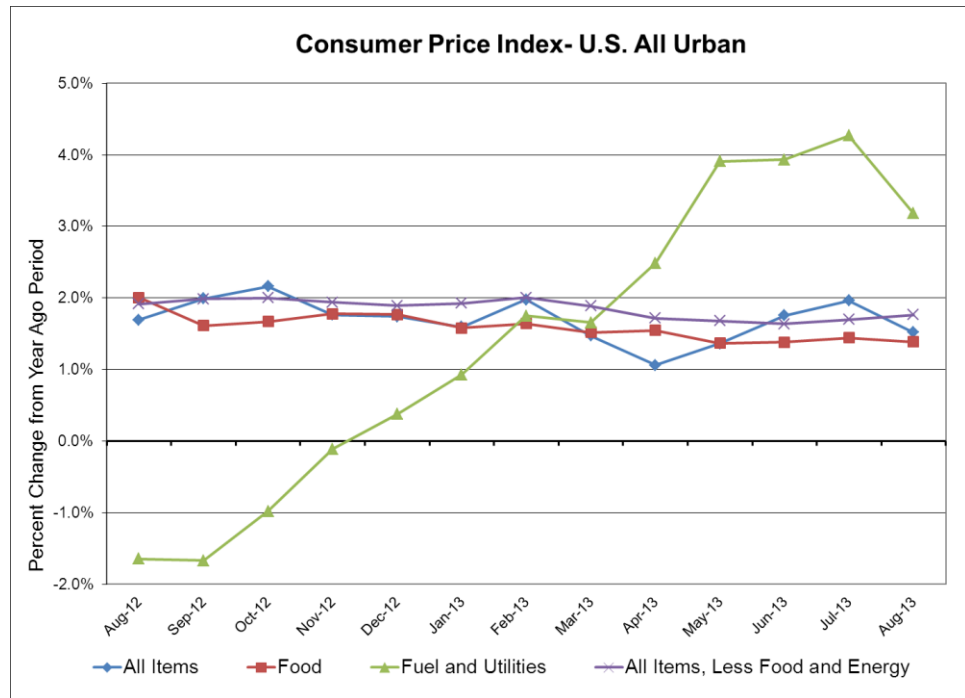


Maine's debt to income ratio was 22.4% in the second quarter of 2013. The debt to income ratio has been rising gradually since early 2011 following a sharp increase in the fourth quarter of 2010.

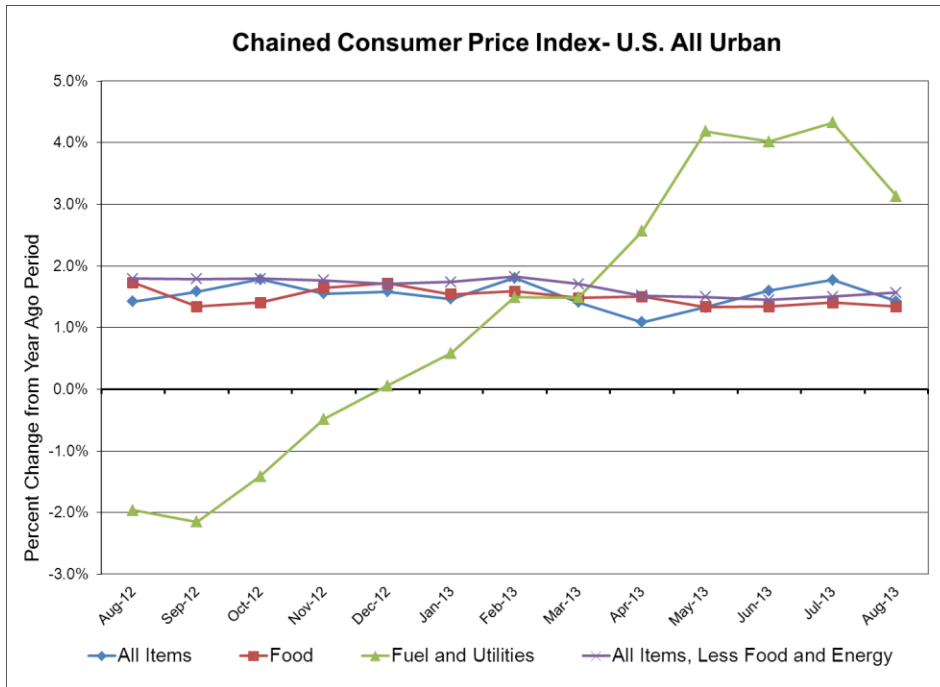
Source: Moody's Analytics, October 2013 release

Consumer Price Index

The Consumer Price Index (CPI) rose 1.5% from August 2012 to August 2013. Core inflation, which excludes food and energy prices, rose 1.8% over the same period, due largely to increases in fuel and utilities.



Source: U.S. Bureau of Labor Statistics, September 17, 2013 release

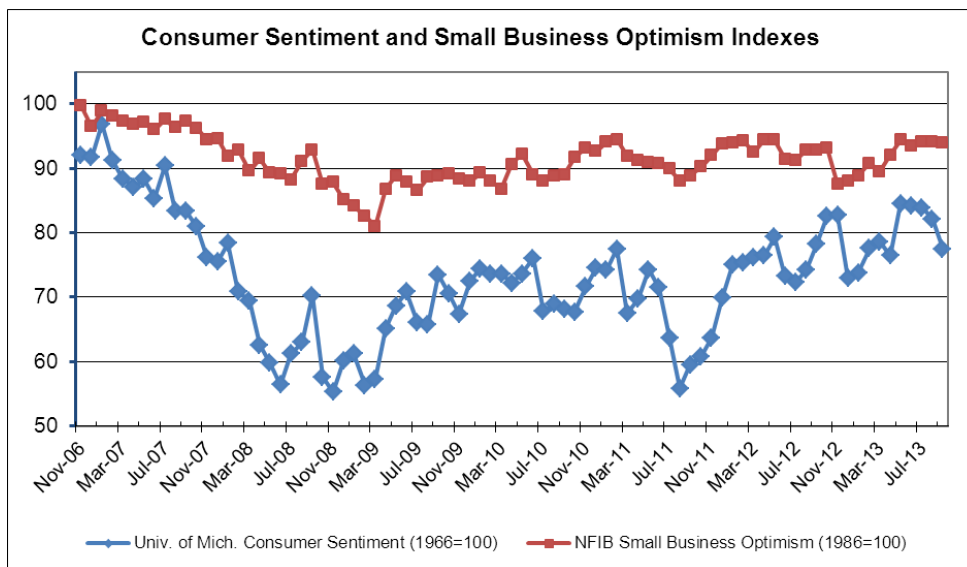


The Chained Consumer Price Index (Chained CPI) rose 1.4% from August 2012 to August 2013. Core inflation rose 1.6% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, September 17, 2013 release

Consumer Sentiment and Small Business Optimism

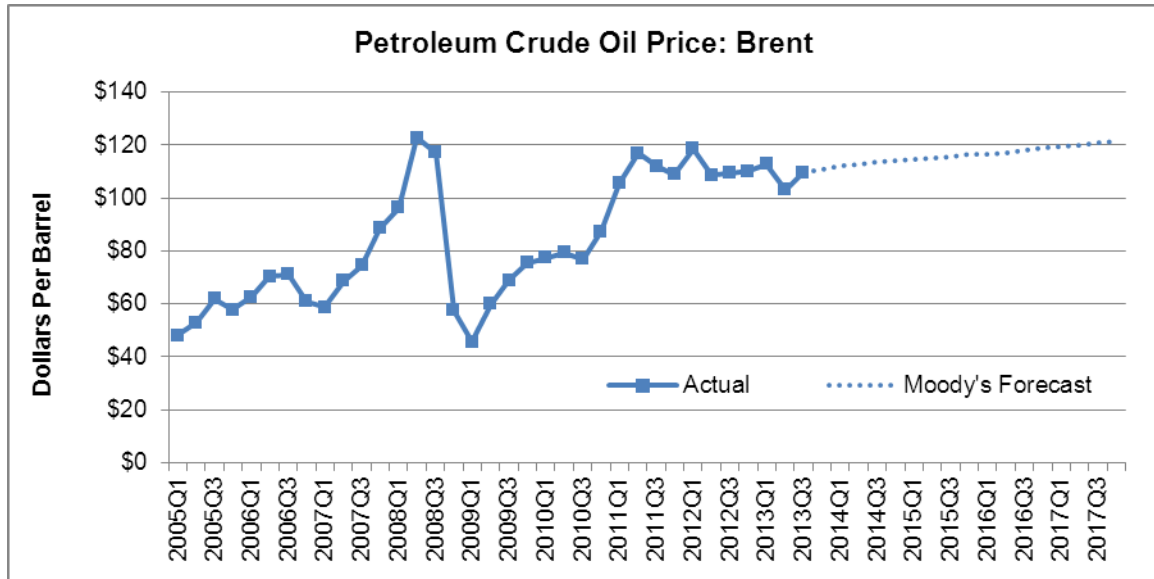
In September 2013, the survey-based University of Michigan Consumer Sentiment Index decreased 5.6% month-over-month and was down 1.0% from a year ago as a result of the as-then anticipated government shutdown. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index decreased 0.2% from the previous month, although it was up 1.2% from September 2012.



Source: University of Michigan via Reuters; National Federation of Independent Businesses, October 8, 2013 release

Crude Oil

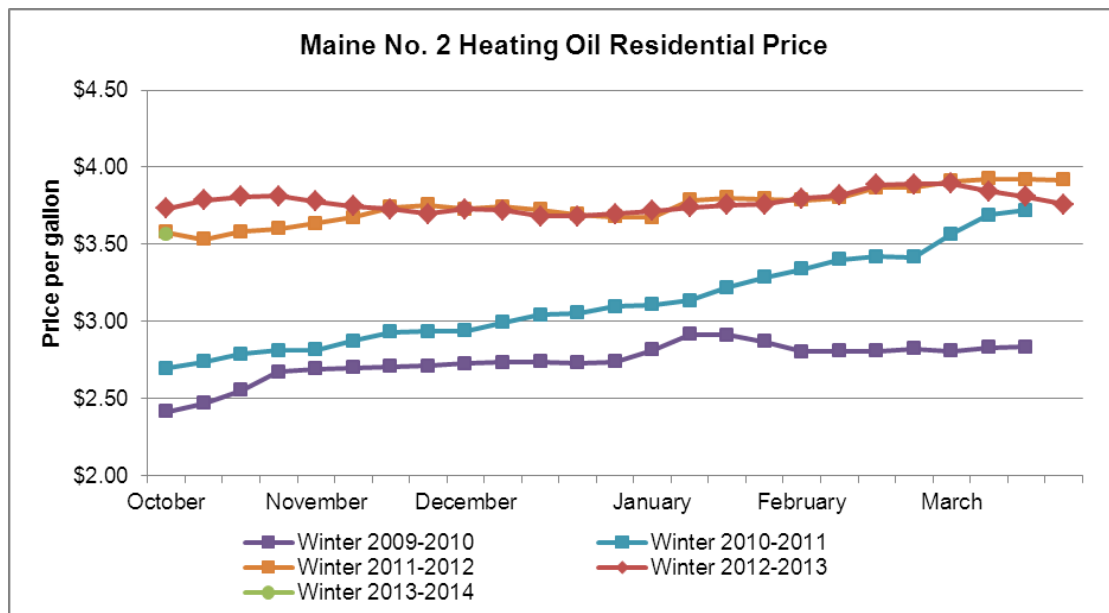
The price of Brent crude oil was \$109.65 per barrel in the third quarter of 2013, an increase of 6.3% from the second quarter of 2013 and a 0.2% increase from the third quarter of 2012.



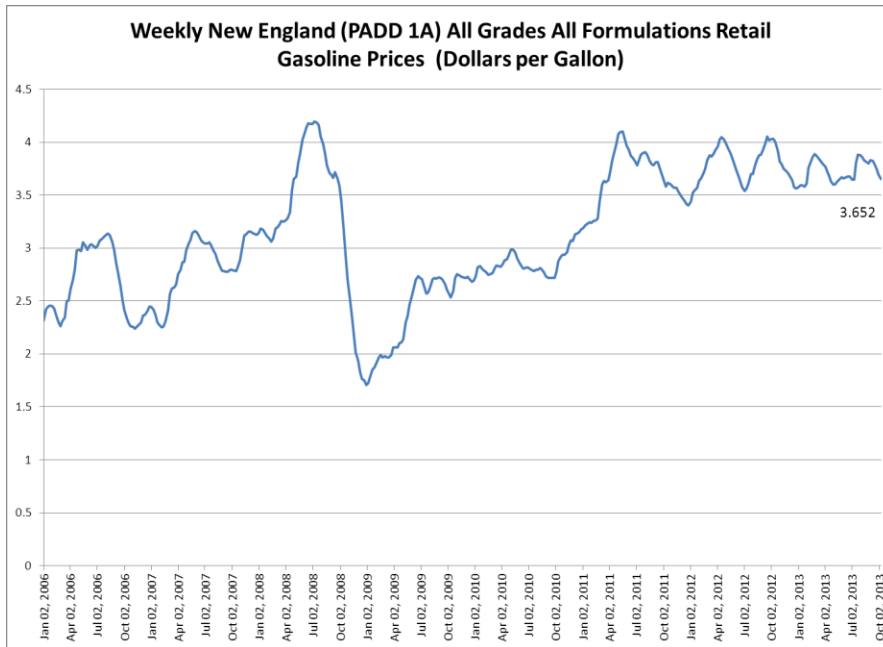
Source: Moody's Analytics, October 2013 release

Heating Oil

The price of heating oil in Maine at the start of the 2013-2014 season (\$3.57/gallon on October 7, 2013) is slightly lower than the end of the 2012-2013 season. The price of heating oil in Maine has been fairly steady over the past two heating seasons, averaging around \$3.76/gallon.



Source: U.S. Energy Information Agency



Gasoline

The price of gasoline in New England on October 7, 2013 averaged \$3.65, a decrease of \$0.04 per gallon over the previous week and a decrease of \$0.38 from the previous year. 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%

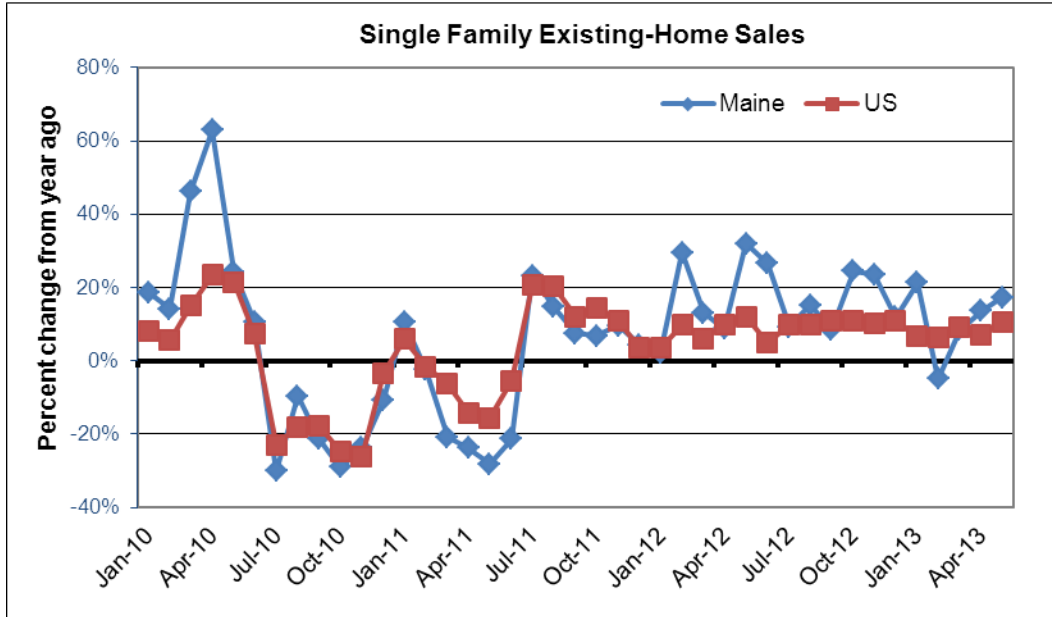
Motor Vehicles

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

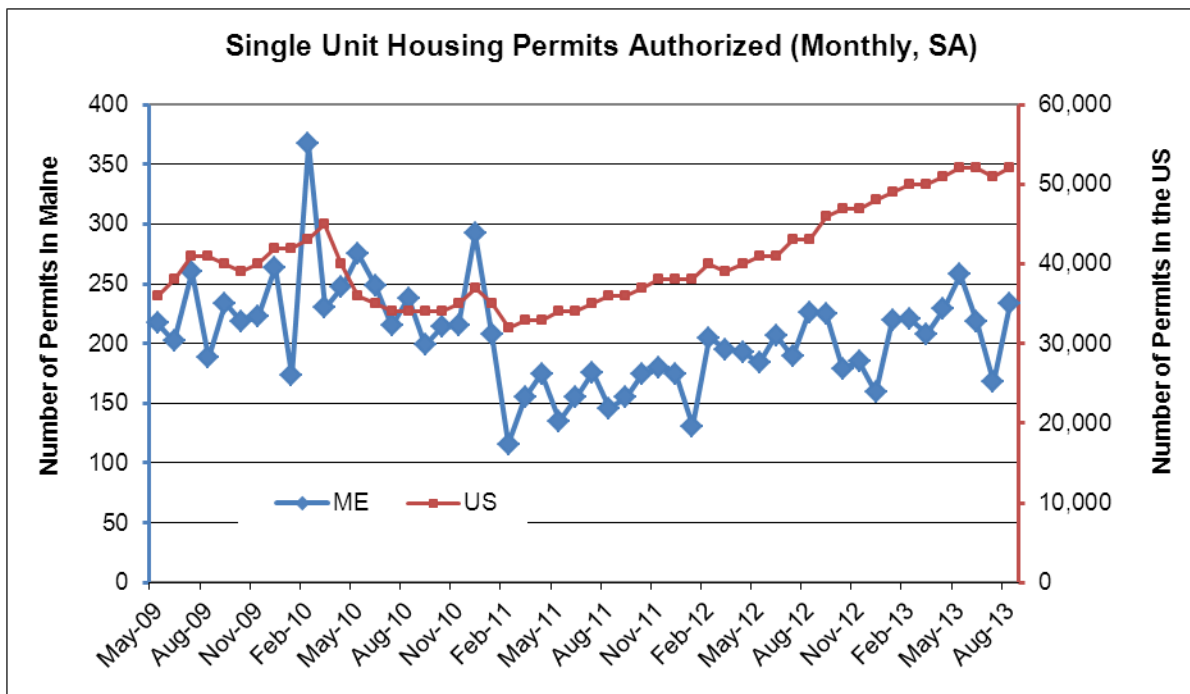
Housing

Single family existing-home sales in Maine were up 20.0% in August 2013 compared to August 2012.



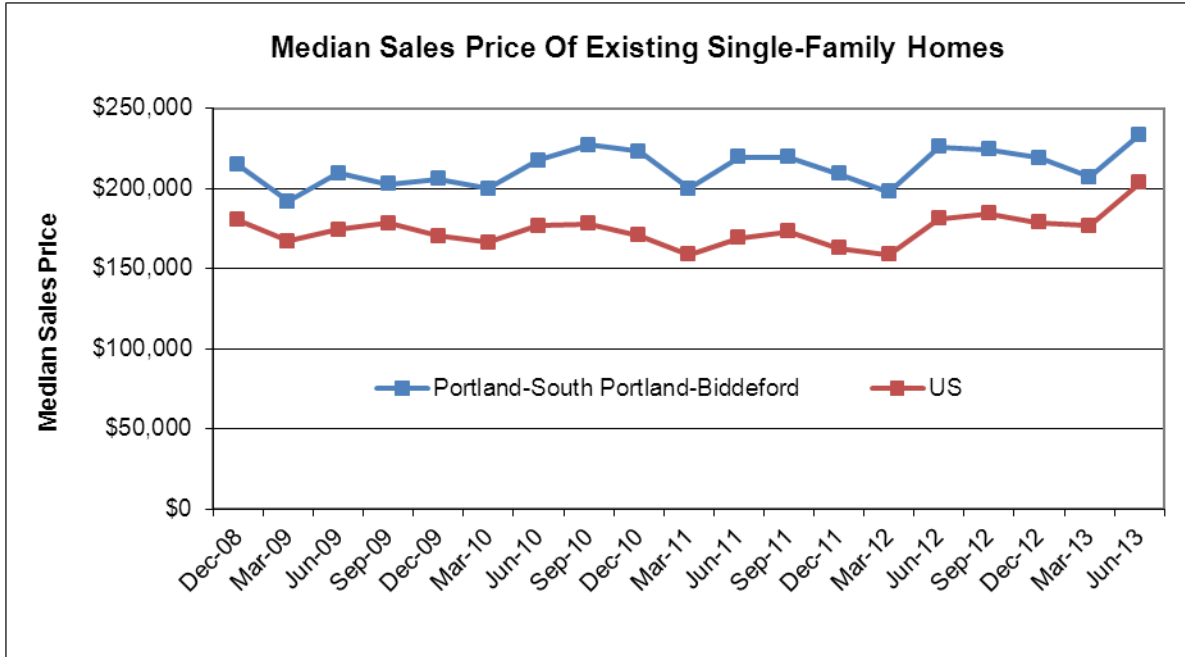
Source: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Average monthly single unit housing permits in Maine in the 12-month period from September 2012 through August 2013 were 13.1% higher than in the previous 12-month period.



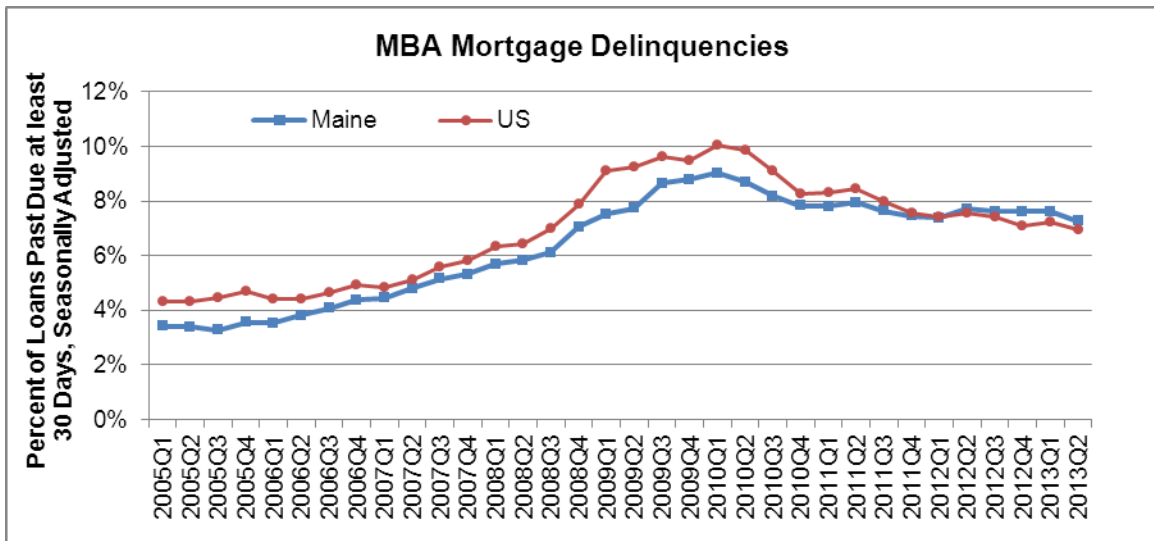
Source: US Census Bureau, September 26, 2013 release, via Federal Reserve Bank of Boston

The median home price in the Portland – South Portland – Biddeford metropolitan area increased 3.3% year-over-year in the second quarter of 2013. The median home price in the second quarter of 2013 was \$233,400.



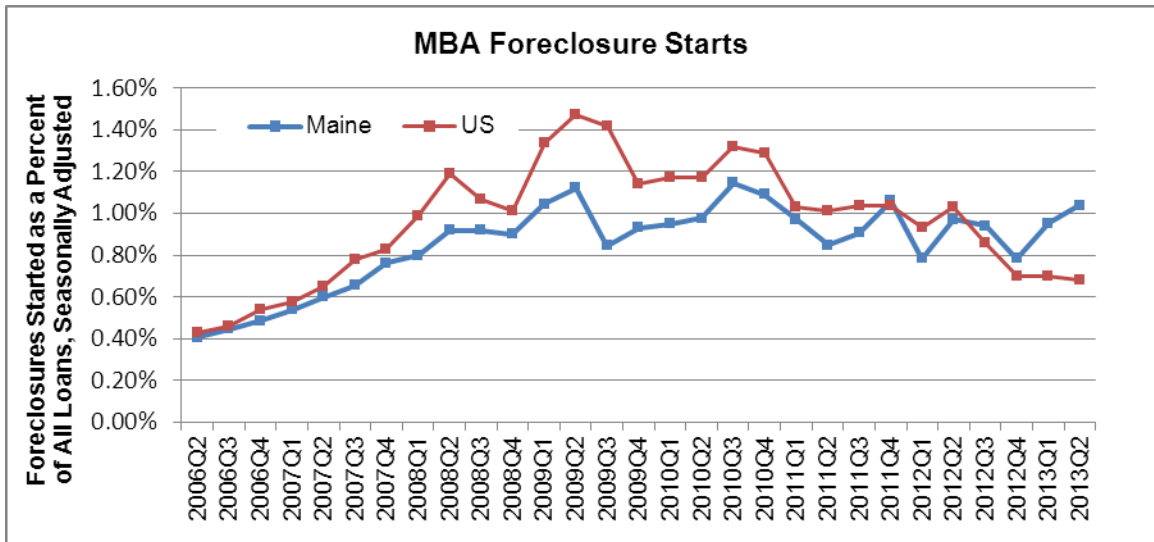
Source: National Association of Realtors, August 8, 2013 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 7.3% in the second quarter of 2013. That is below the recent peak of 9% in the first quarter of 2010 but well above pre-recession levels.



Source: Mortgage Bankers Association, via Moody's Analytics October 2013 release

Maine’s foreclosure rate increased to 1.04% in the second quarter of 2013 and remains well above pre-recession levels and is now considerably higher than the U.S. rate.



Source: Mortgage Bankers Association, via Moody’s Analytics October 2013 release