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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

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Consensus Economic Forecasting Commission Background Materials for the October 25, 2019, Forecasting Meeting

Summary

Both the national and state economies had a good year in 2018 with annual data indicating that both the U.S. economy and Maine economy continue to grow. Some more recent data for 2019 may indicate a slowing economy to come.

Maine's real GDP grew 2.6% in the first quarter of 2019. Personal income in Maine grew 5.3% from 2017 to 2018, while wage and salary income, which is the largest component of total personal income, grew 4.4% over the same period. The debt-to-income level for Maine businesses and households has increased slightly in the end of 2018, although it seems to have stabilized since its peak in the second quarter of 2017. The Consumer Price Index was up 1.8% in August 2019 from a year ago.

Nationwide, sentiment is becoming less optimistic for both consumers and small businesses. The Consumer Sentiment Index in September 2019 was down 6.9% from a year ago but up 3.8% from the previous month. The Small Business Optimism Index has fallen both month-over-month and since last year, by 1.5% and 5.9%, respectively.

The price of crude oil has fallen recently quarter-over-quarter, and by 17% since this time last year. Heating oil prices for the winter of 2018-2019 were higher than the previous winter, but prices for the first week of the 2019-2020 season were over 70 cents lower than last year, and New England's price of \$2.66 per gallon was the lowest on the East coast. Gasoline is currently averaging \$2.60 per gallon.

Existing single-family home sales in Maine were up 11% in September 2019 compared to the same month last year and average monthly housing permits for the September 2018-August 2019 period were 9.4% higher than the previous 12-month period. The median home price in Cumberland County increased by 7.2%, year-over-year, and increased by 3.2% for Maine as a whole. Mortgage delinquency rates in Maine have seen an uptick in recent quarters to 2.9% in the second quarter of 2019 and remain higher than the national rate (2.6%). The foreclosure rate in Maine was 0.39% in the second quarter of 2019.

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

1. Demographic Trends

Data from the U.S. Census Bureau's 2018 population estimates indicate that approximately 23 percent of Maine's total population are baby boomers (55-74 years), while 35 percent of Maine's population is of younger working age, 15-44 years old. Maine's population increased 0.3% from 2017 to 2018, led by migration into the state. 14 out of 16 counties saw positive net migration from 2017-2018 with the highest net migration in York and Cumberland counties. A large contributor to the positive net migration is increased domestic migration with 12 out of 16 counties experiencing positive net domestic migration in 2018, although approximately 30% of Cumberland's new resident population was driven by international migration. Net domestic migration for the state in 2018 was 4,469. Note that the numbers reported above are subject to substantial revisions each year at the same time that new population estimates are released.

According to the 2018 ACS 1-year estimates, all age cohorts except for 75 years and older had positive net domestic migration in 2018. The table below highlights migration by age.

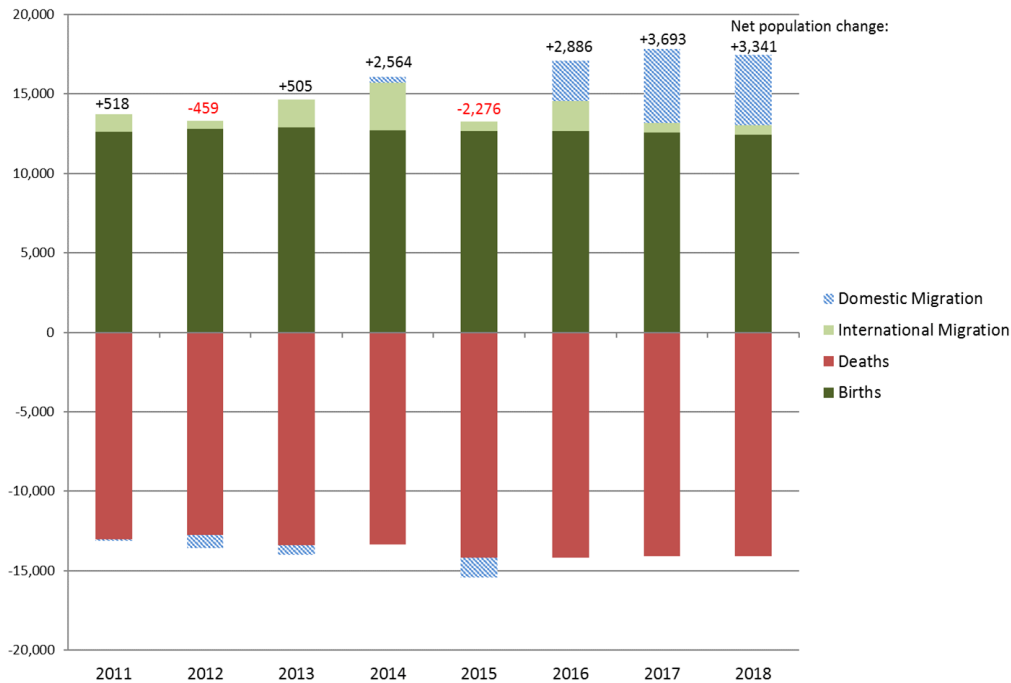
Maine Domestic Migration by Age, 2017-2018

Age	Domestic in-migration	Domestic out-migration	Net domestic migration	Net migration as a percent of total population
1 to 4 years	1,646	641	1,005	2.1%
5 to 17 years	3,067	1,251	1,816	1.0%
18 and 19 years	3,180	2,316	864	2.8%
20 to 24 years	4,930	4,647	283	0.4%
25 to 29 years	3,933	3,763	170	0.2%
30 to 34 years	2,697	1,582	1,115	1.4%
35 to 39 years	2,000	1,308	692	0.9%
40 to 44 years	1,934	878	1,056	1.5%
45 to 49 years	1,613	1,364	249	0.3%
50 to 54 years	1,311	807	504	0.5%
55 to 59 years	1,647	1,022	625	0.6%
60 to 64 years	2,247	1,360	887	0.8%
65 to 69 years	2,288	1,827	461	0.5%
70 to 74 years	1,082	732	350	0.5%
75 years and over	1,131	1,514	-383	-0.3%
Net			9,694¹	0.7%

Source: U.S. Census Bureau 2018 American Community Survey 1-year estimates, Sept. 26, 2019 release

¹Census Population Estimates and American Community Survey estimates differ due to estimation and sampling methods. Population estimates do not provide detailed information that can be found on ACS, such as age breakdowns for migration. For this reason, both are reported despite large variance.

Components of Population Change, Maine

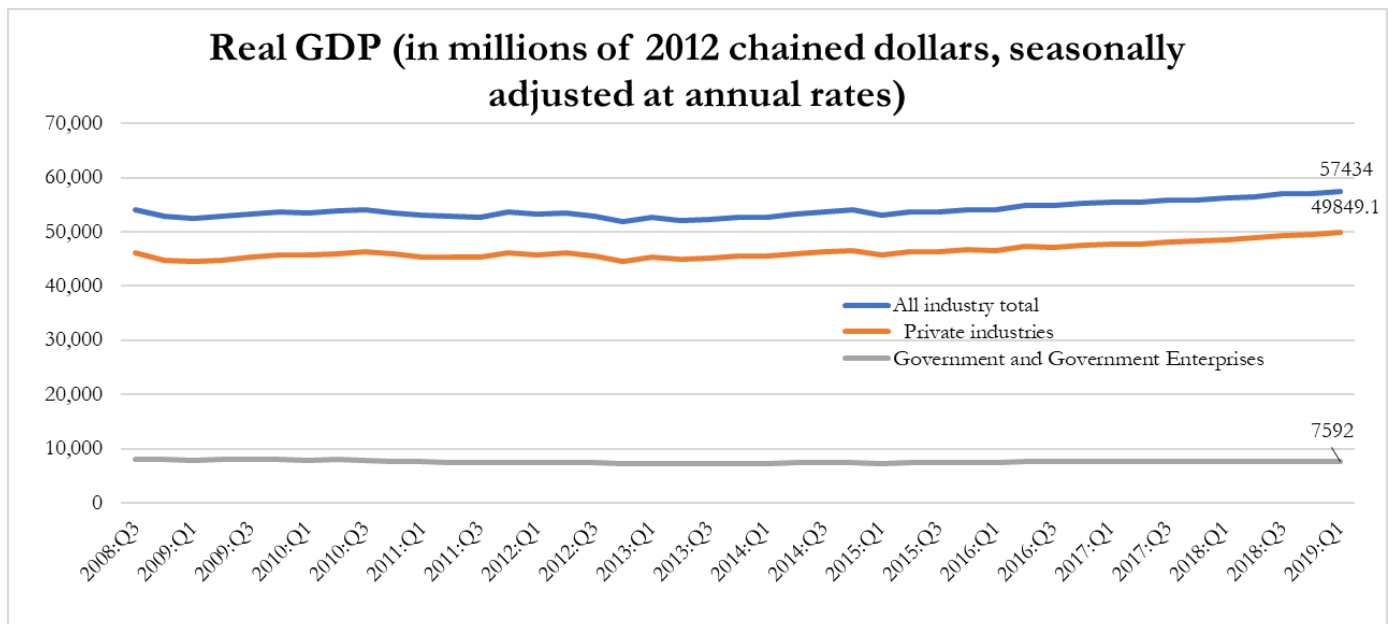


Source: U.S. Census Bureau 2018 Population Estimates, December 2018 release

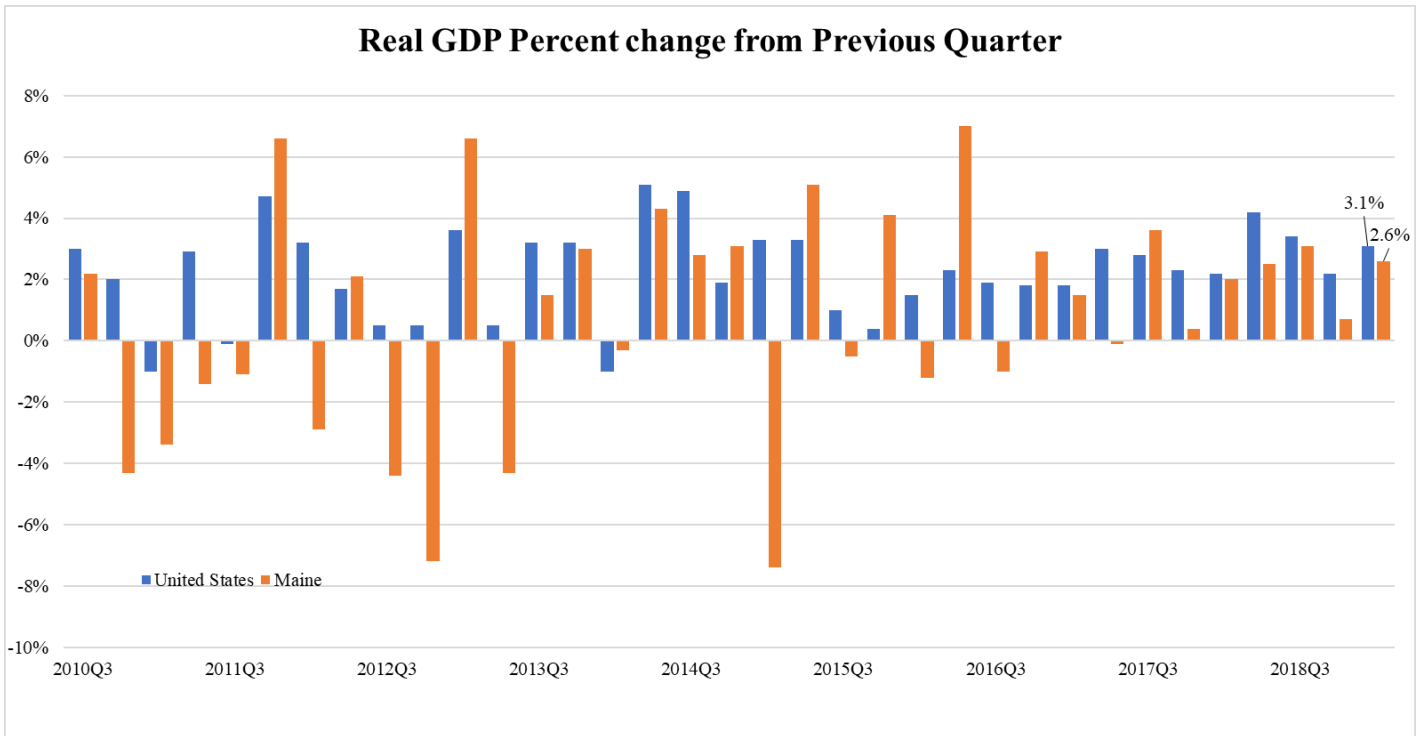
2. State Economy

Gross Domestic Product (GDP)

In the first quarter of 2019, Maine's real GDP was \$57.4 billion, with \$49.8 billion coming from private industries and \$7.6 billion from government (federal, state, and local). Maine's total real GDP grew 2.6% from the fourth quarter of 2018 to the first quarter of 2019. This was lower than the rate of national GDP growth, which was 3.1%.



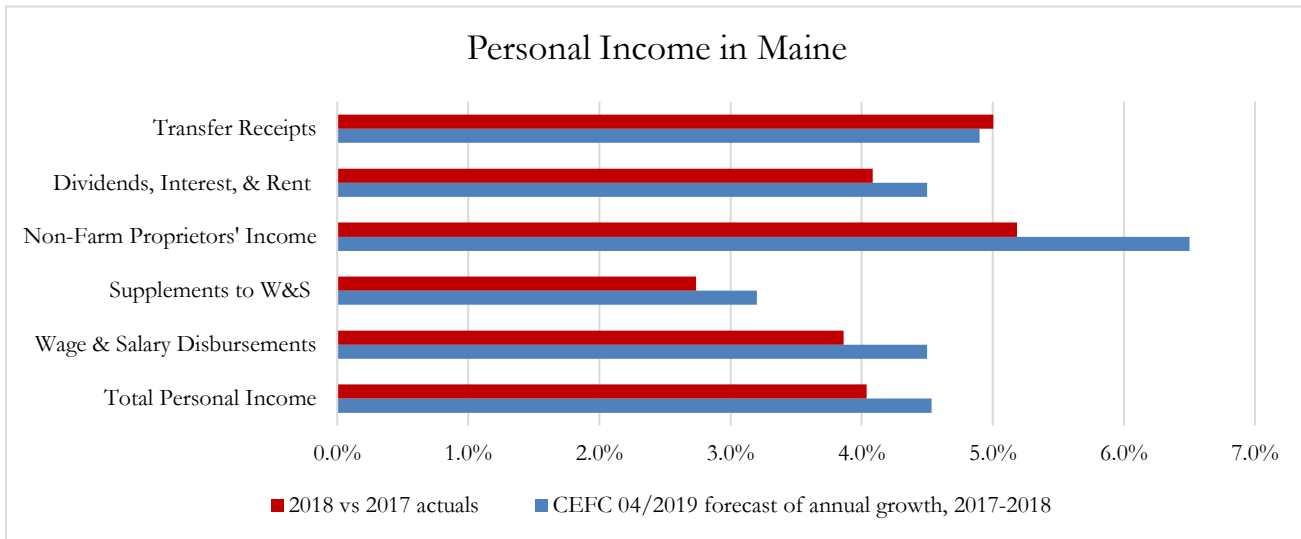
Source: U.S. Bureau of Economic Analysis, July 25, 2019 release



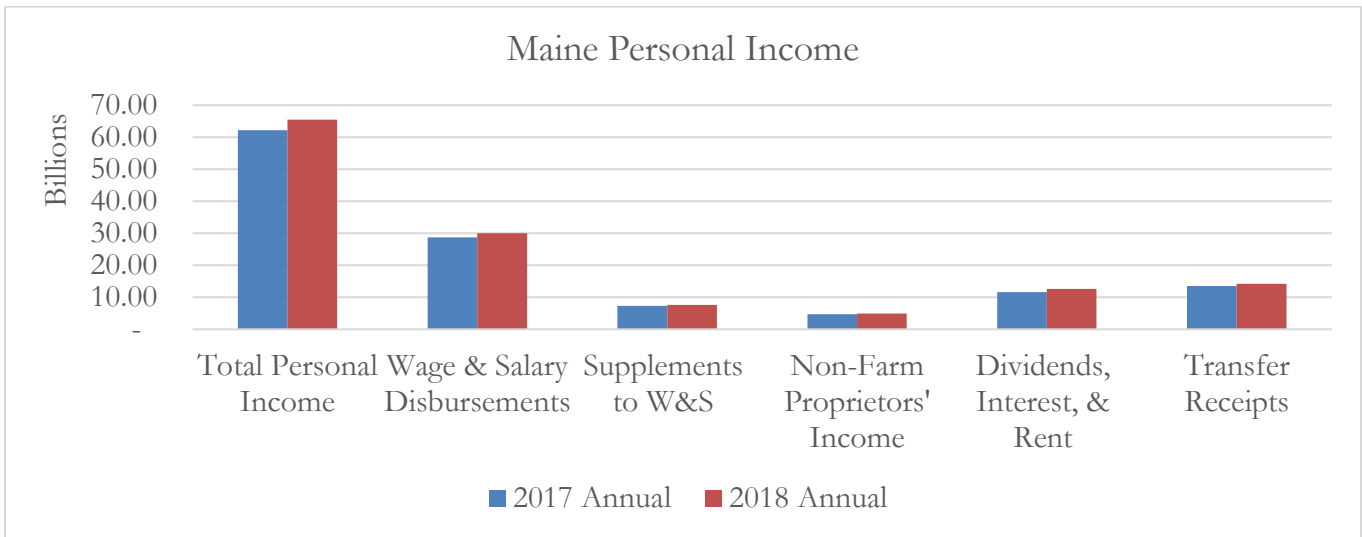
Source: U.S. Bureau of Economic Analysis, July 25, 2019 release

Personal Income

Revised estimates for total personal income show 5.3% growth for Maine between 2017 and 2018. Wage and salary income grew by 4.4 percent during the same period. Wage and salary disbursements, which are the largest component of personal income, averaged just under \$30 billion in 2018 (seasonally adjusted at annual rates). Total personal income averaged around \$65.4 billion. In anticipation of the upward revisions to the preliminary estimates in September 2019, the CEFC deliberately forecasted higher personal income growth rates at the March 2019 meeting based on additional information provided by Maine Revenue Services and the Maine Department of Labor.



Source: U.S. Bureau of Economic Analysis, September 24, 2019 release

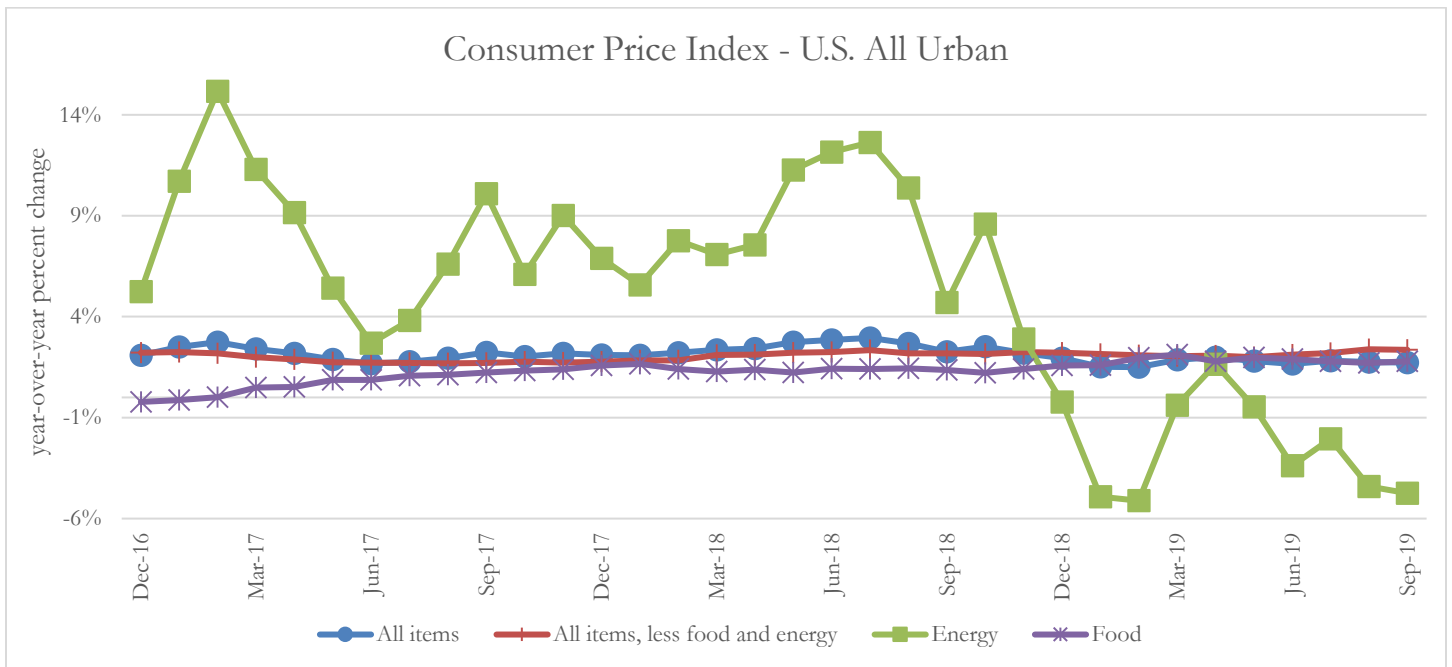


Source: U.S. Bureau of Economic Analysis, September 24, 2019 release

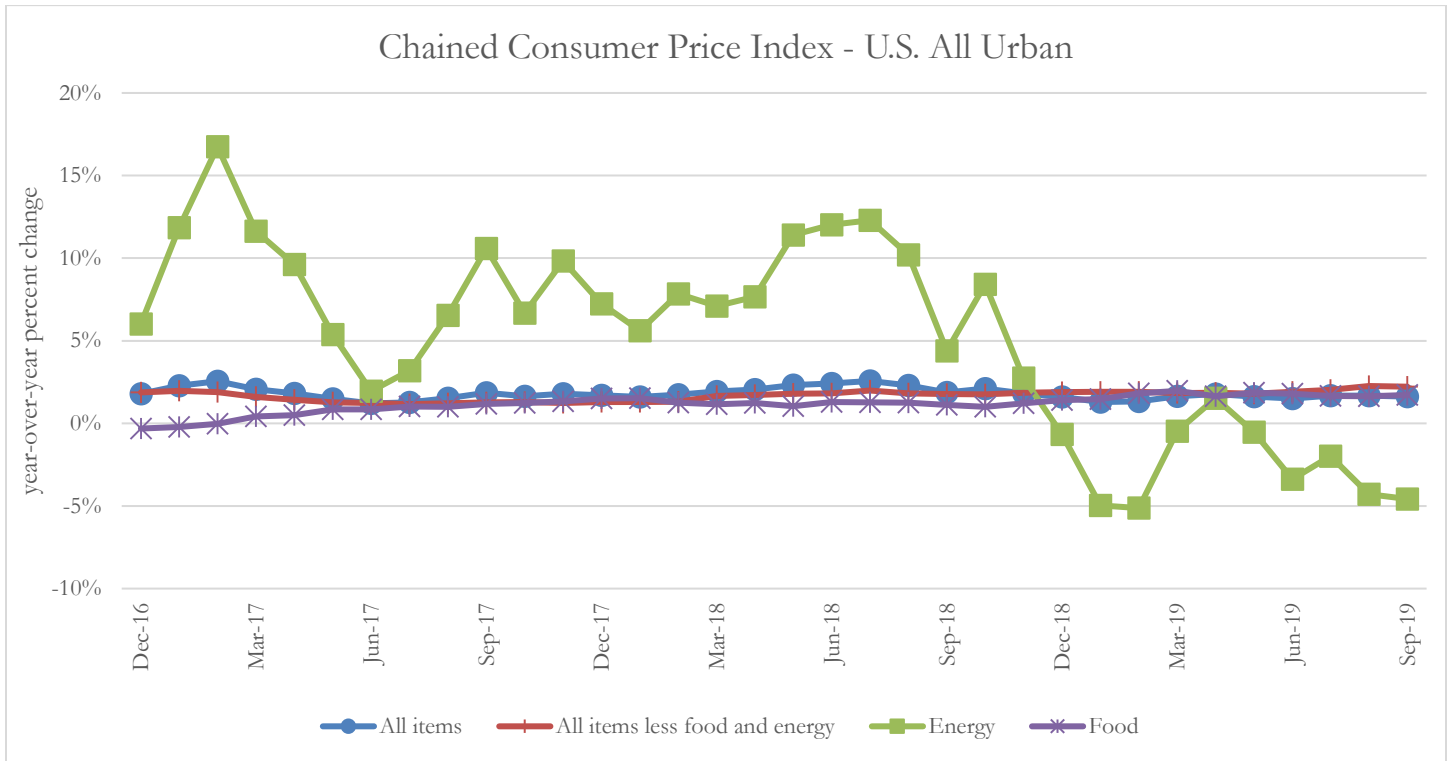
3. Consumption and Expenditures

Consumer Price Index

The Consumer Price Index for Urban Consumers (CPI-U) rose 1.8 percent from August 2018 to August 2019. Core inflation, which excludes food and energy prices, rose 2.3 percent over that same period. The Chained Consumer Price Index (Chained CPI) increased 1.7 percent from August 2018 to August 2019. Chained CPI allows for substitutions in the basket of goods and services to be measured.



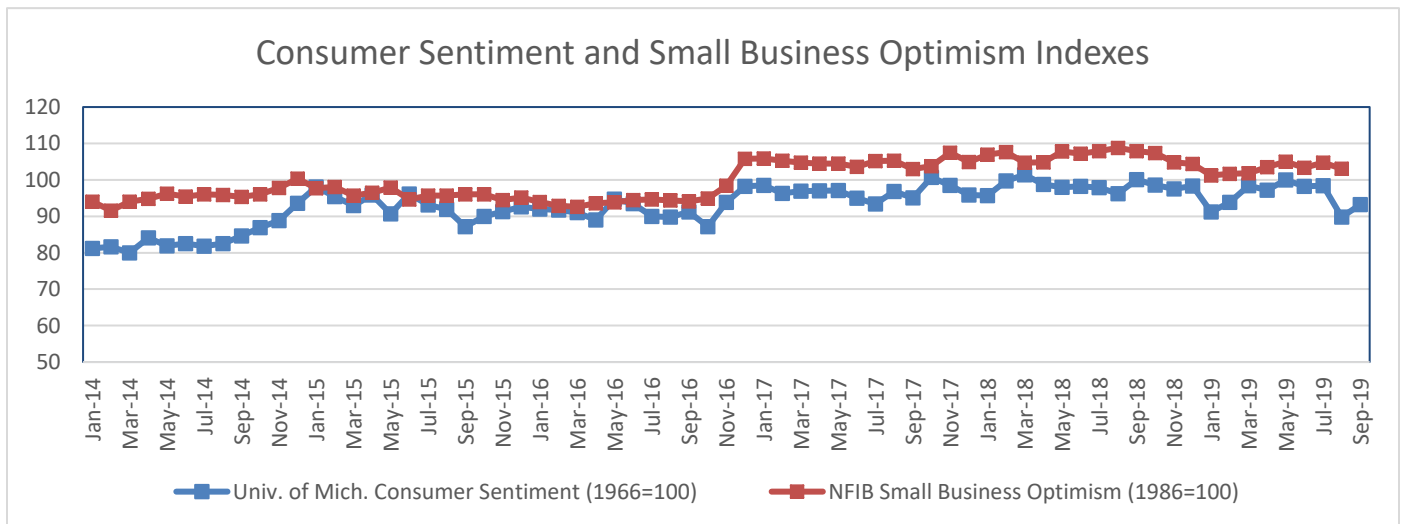
Source: U.S. Bureau of Labor Statistics, October 10, 2019 release



Source: U.S. Bureau of Labor Statistics, March 12, 2019 release

Consumer Sentiment and Small Business Optimism

In September 2019, the survey-based University of Michigan Consumer Sentiment Index increased 3.8% month-over-month and was down 6.9% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 1.5% from the previous month and down 5.2% from a year ago.



Source: University of Michigan, preliminary October 2019 release; National Federation of Independent Businesses, September 2019 release

Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 3.4% from the two years spanning FY15/FY16 to the two years of FY17/FY18, while the number of used automobile

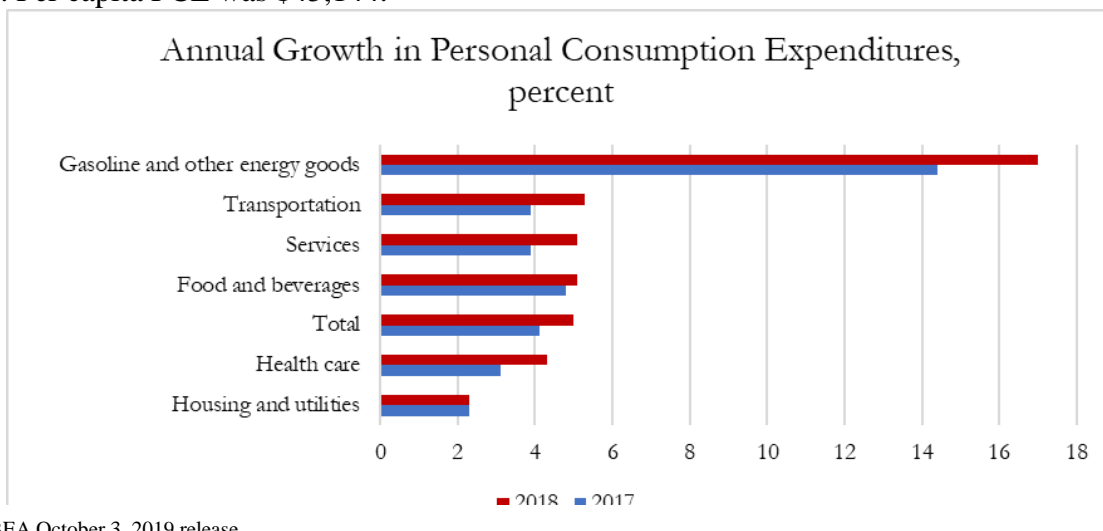
titles issued decreased 3.0%. Total registrations were up 2.9% from FY15/FY16 to FY17/FY18, though, led by a large increase in trailer and motor homes registrations.

Type	FY15/FY16 Total	FY17/FY18 Total	% Change
Auto			
New	113,170	109,346	-3.4%
Used	351,882	341,172	-3.0%
Bus			
New	298	344	15.4%
Used	321	286	-10.9%
Trucks			
New	9,128	5,845	-36.0%
Used	12,296	10,592	-13.9%
Motorcycles			
New	4,319	3,645	-15.6%
Used	16,440	13,681	-16.8%
Trailers			
New	41,928	55,990	33.5%
Used	75,048	101,168	34.8%
Motor Homes			
New	215	299	39.1%
Used	1,026	1,074	4.7%
Unknown			
New	96	281	192.7%
Used	245	557	127.3%
Total	626,412	644,280	2.9%

Source: Maine Bureau of Motor Vehicles

Personal Consumption Expenditures

Maine’s total personal consumption expenditures grew by 5.0% in 2018, which ranked 18th in the US and first in New England. The fastest-growing category was Gasoline and other energy goods, which grew by 17% from 2017-2018. Per capita PCE was \$45,144.



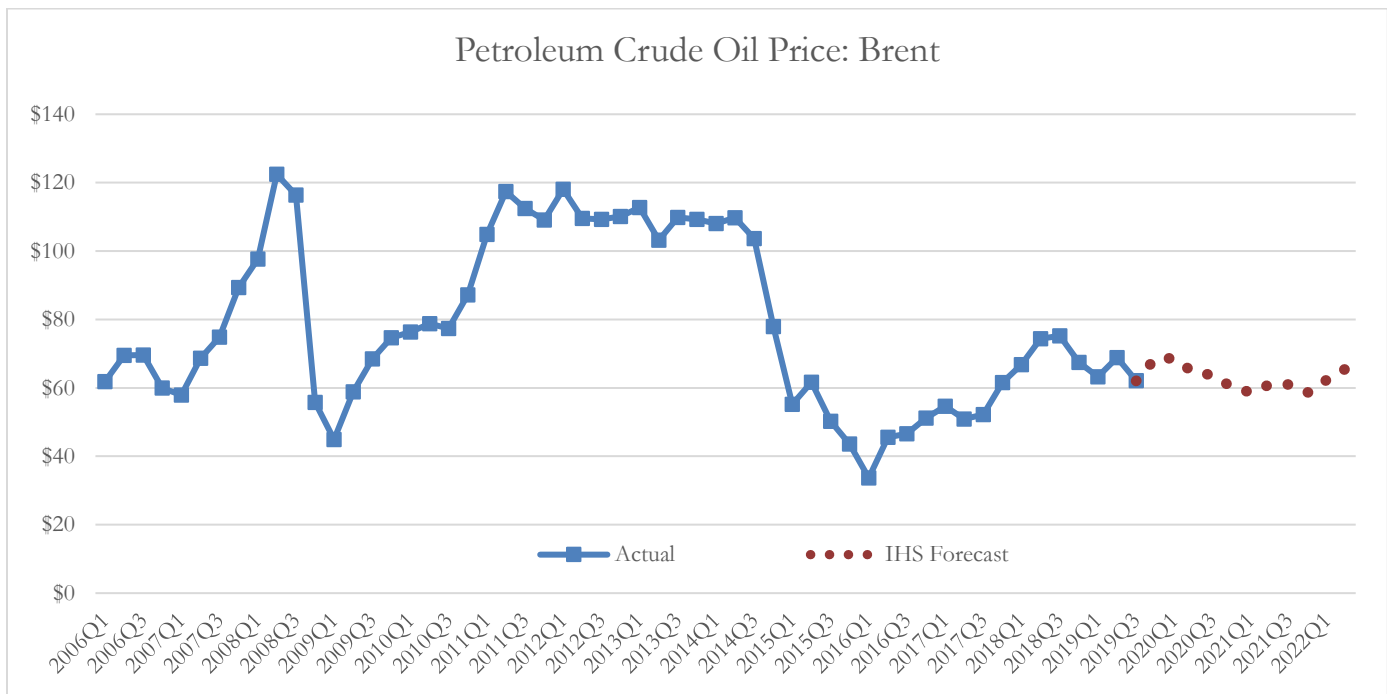
Source: BEA October 3, 2019 release

4. Energy Sector

The U.S. Energy Information Administration (EIA), in their Annual Energy Outlook 2019 press release, indicated that the U.S. will become a net energy exporter in 2020 and this will be coupled with slow growth in U.S. energy consumption. In the Winter Fuels outlook published in October 2019, EIA forecasts that Brent spot prices will average \$59/b in the coming winter and will fall slightly to \$58/b by March 2020. Heating oil expenditures are forecast to be slightly lower than last winter (\$1,501) but are still the second highest since the 2014-15 season.

Crude Oil

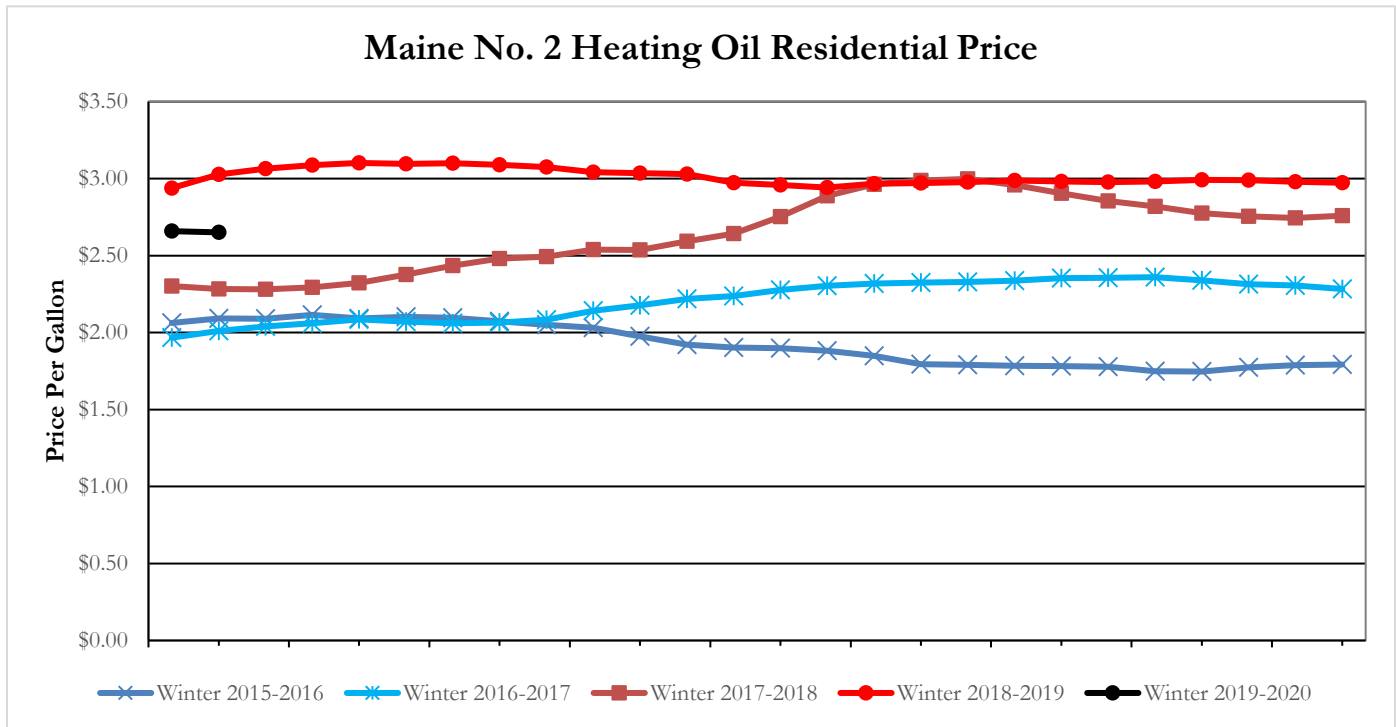
The price of Brent crude oil is lower in the third quarter of 2019 than the previous quarter by 10%, at \$68.90 per barrel on average over the quarter. The EIA shows most recent prices continuing to fall, with \$59.09 being the average price for the first half of October 2019. IHS also forecasts Brent Spot prices to fall throughout 2020.



Source: IHS, October 2019 release

Heating Oil

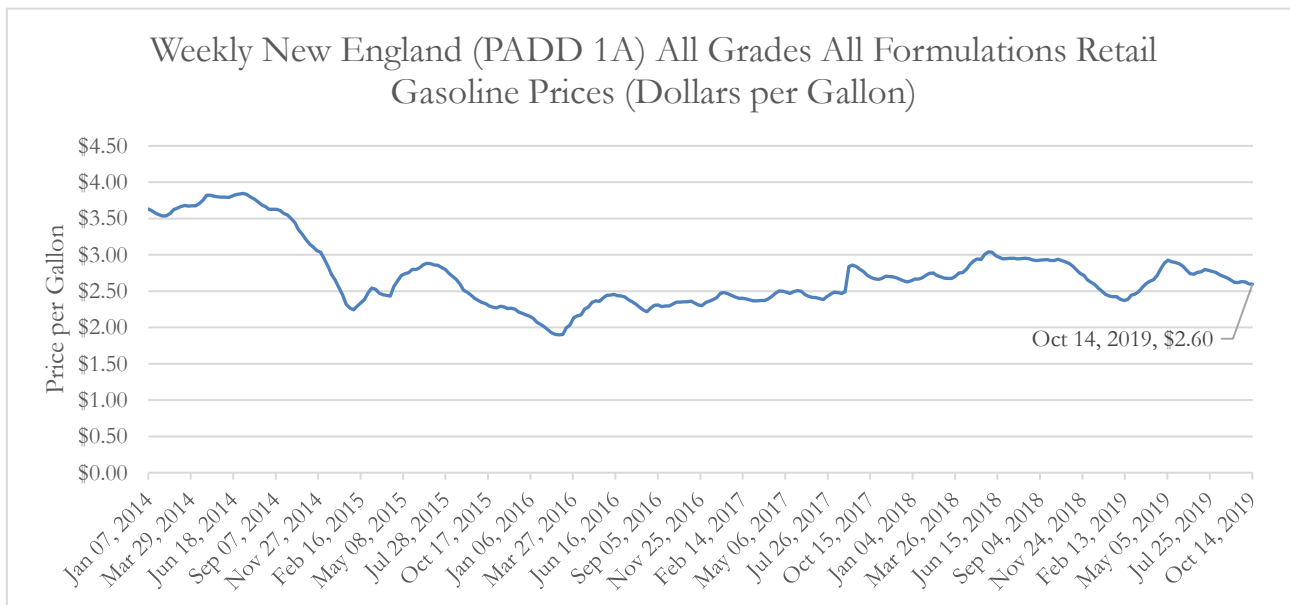
No. 2 heating oil in the second of the 2019-2020 Winter Season averaged about \$2.65/gal, 12% lower than the first two weeks last season. It also comes in under the US average of \$2.97/gal and is the lowest price on the East Coast.



Source: U.S. Energy Information Agency, October 17, 2019 release

Gasoline

The price of gasoline in New England averaged \$2.60 the week of October 14, 2019, slightly lower than a month ago and \$0.33 lower than one year ago. The average price of gasoline for all of 2019 Q3 was \$2.71, which is lower than the average price of gasoline in the same period last year (\$2.94).

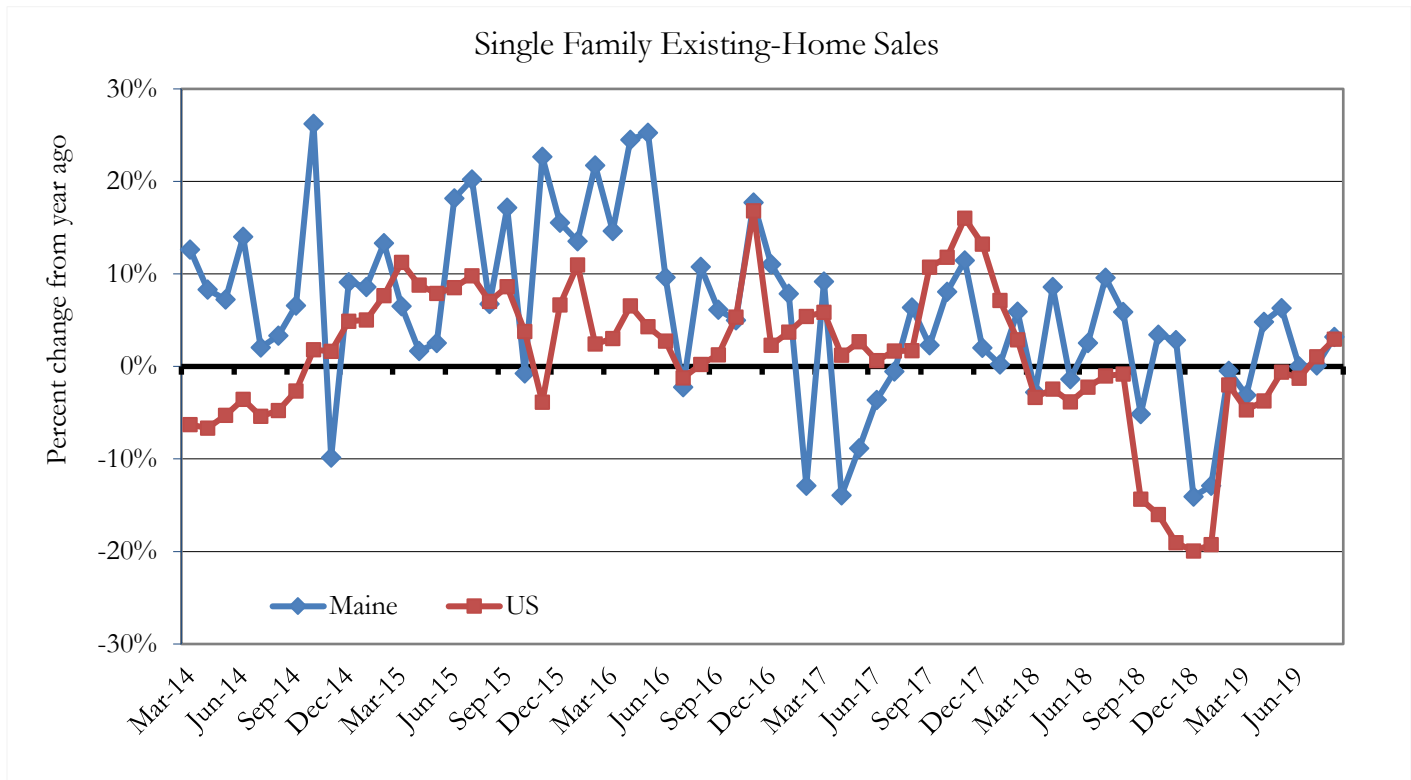


Source: U.S. Energy Information Agency, October 14, 2019 release

5. Housing

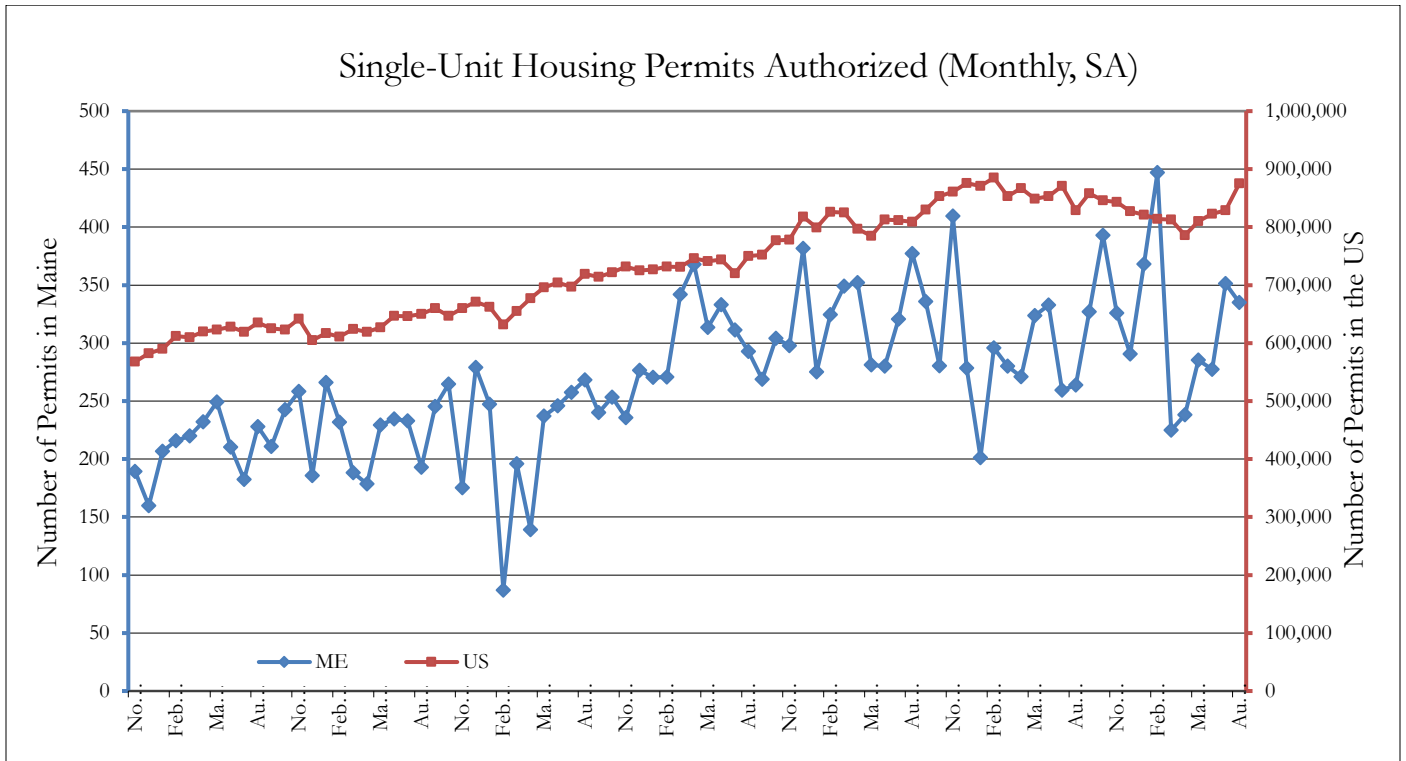
Single family existing-home sales in Maine were up 3.2% in August 2019 compared to August 2018. The median sales price of single family homes is equal to what it was in August 2018, \$230,000. Single unit housing permits issued in Maine were 27% higher than a year ago (August 2018) but 4.6% lower than a month ago (July 2018). Average monthly single unit housing permits in Maine in the 12-month period from September 2018 through August 2019 were 9.4% higher than in the same 12-month period last year.

According to the Federal Housing Finance Agency (FHFA), the House Price Index, “measures average price changes in repeat sales or refinancing on the same properties.” Maine’s house price index increased by 4.5% from the same quarter last year (2018:Q2 to 2019:Q2). In the most recent quarter, local growth rates were in line with national growth rates. Further, Maine’s growth in recent quarters has been higher than New England growth rates. Maine’s MSAs - Bangor, Lewiston-Auburn, and Portland-South Portland - have all seen positive growth in house price indexes throughout the start of 2019.



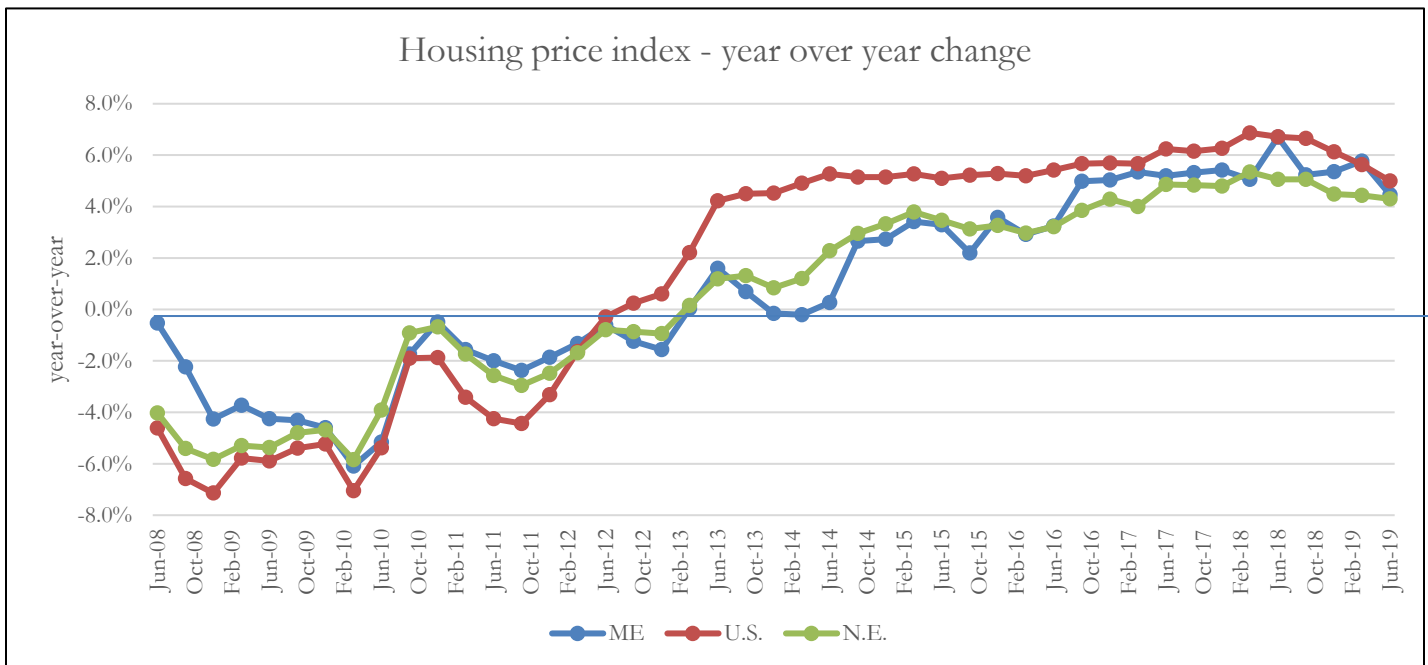
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Single-Unit Housing Permits Authorized (Monthly, SA)

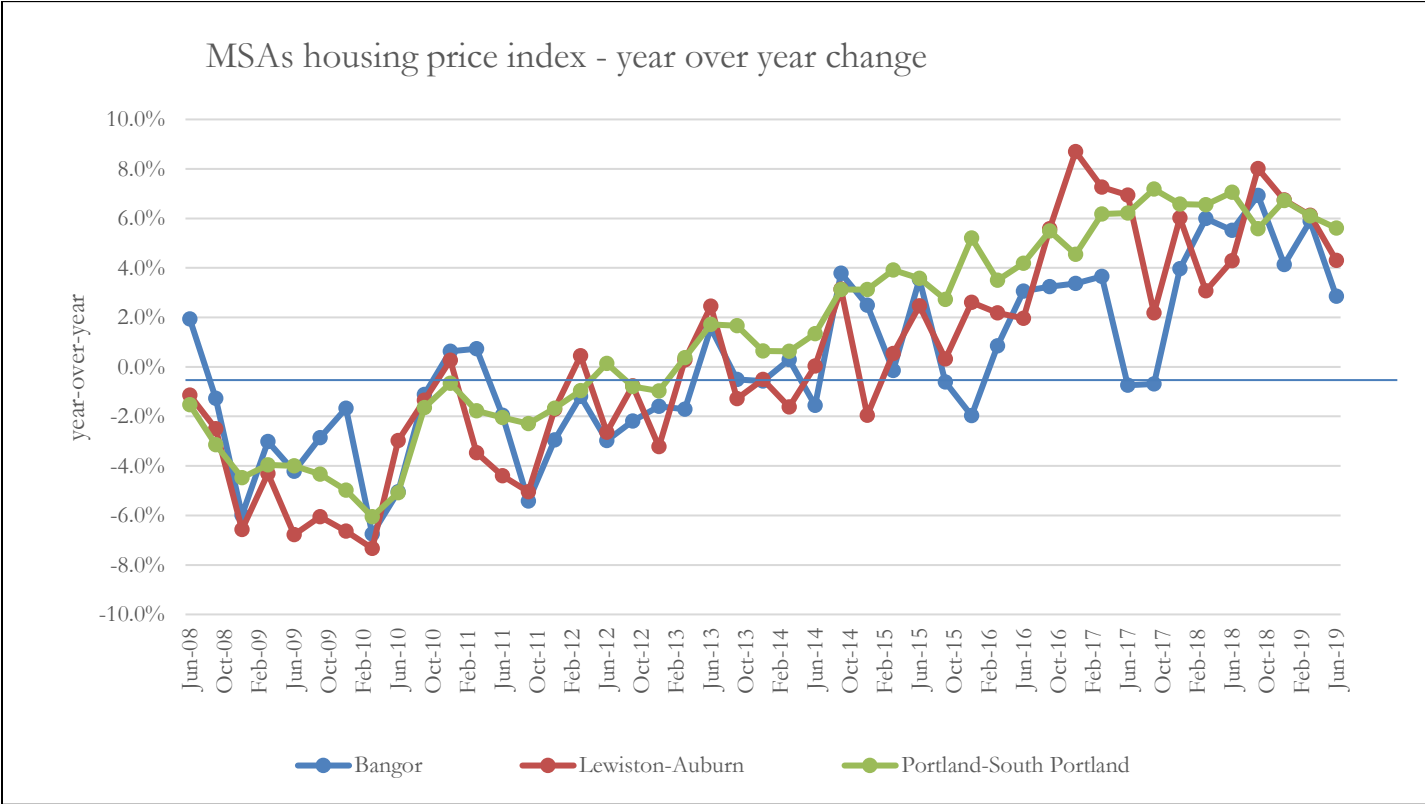


Source: US Census Bureau, US Department of Housing and Urban Development September 25, 2019 release, via Federal Reserve Bank of St. Louis

Housing price index - year over year change



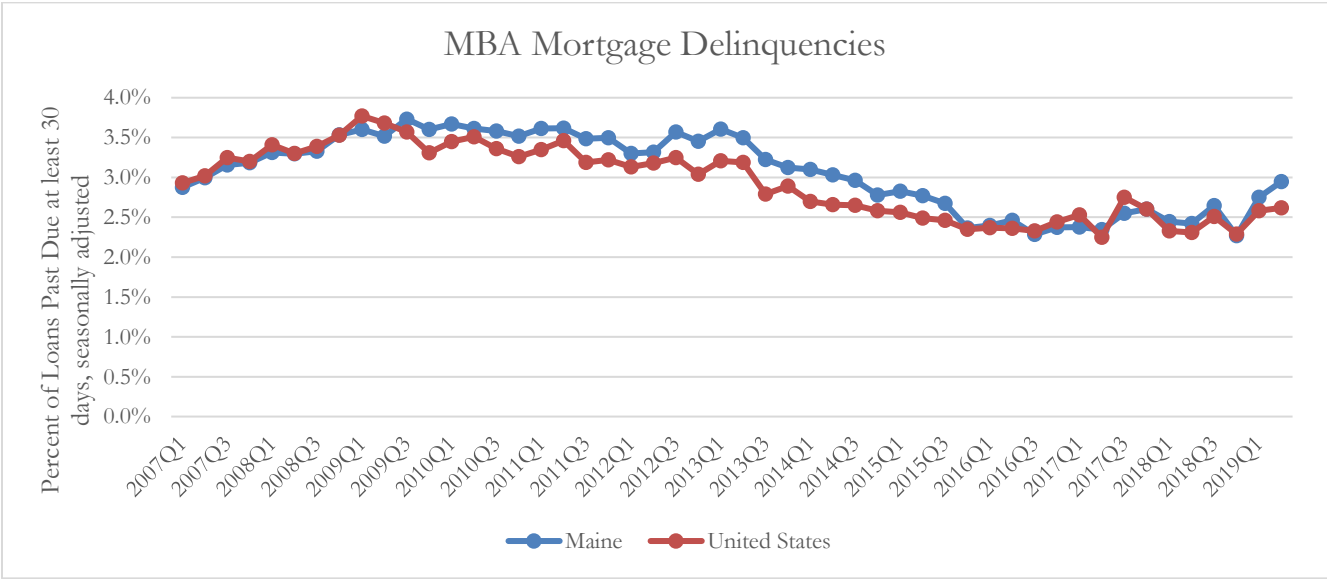
Source: Federal Housing Finance Agency, September 24, 2019 release



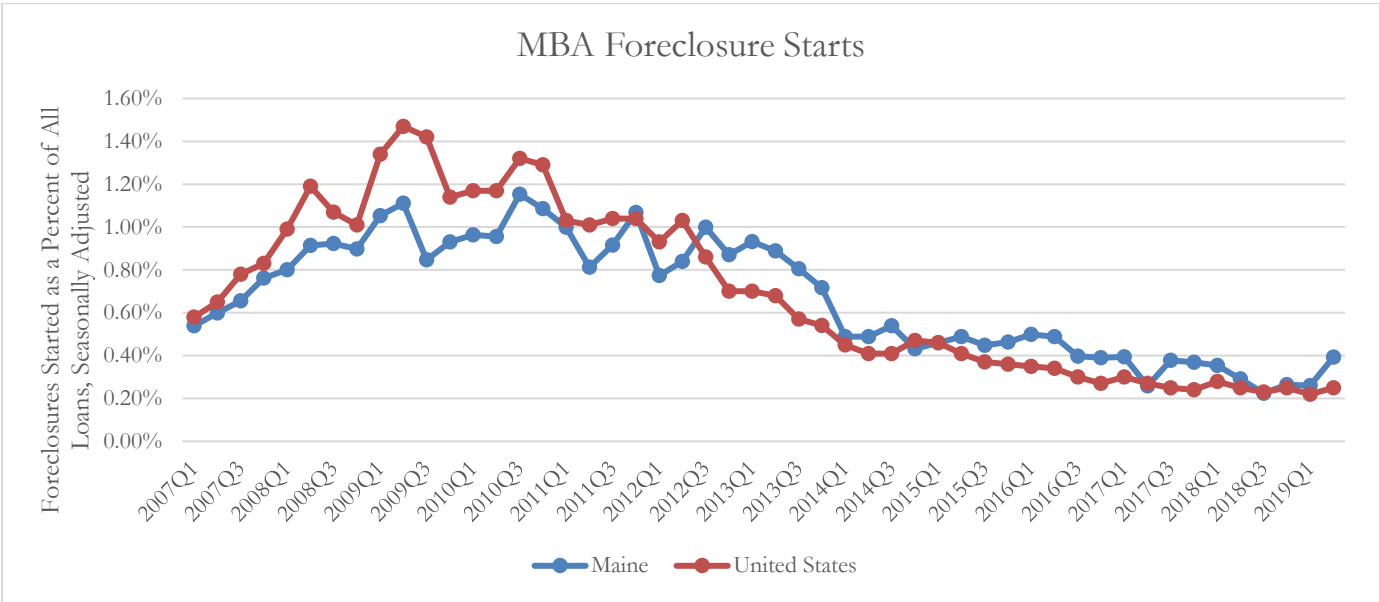
Source: Federal Housing Finance Agency, September 24, 2019 release

6. Borrowing

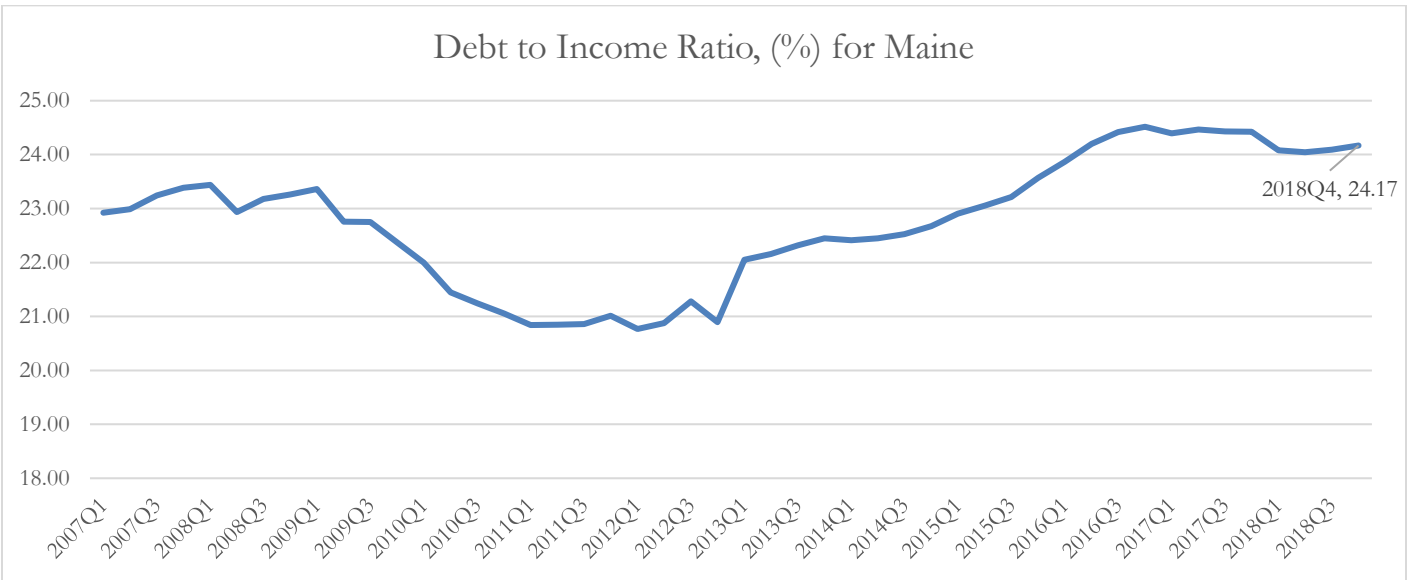
The share of mortgages in Maine that are delinquent 30 days or more was 2.95% in the second quarter of 2019. Maine’s foreclosure rate was 0.39% in the second quarter of 2019, greater than the previous quarter (0.26). Maine’s debt to income ratio was 24.17 in the fourth quarter of 2018.



Source: Mortgage Bankers Association, via Moody’s Analytics Oct. 2019 release



Source: Mortgage Bankers Association, via Moody's Analytics Oct. 2019 release



Source: Moody's Analytics, Oct. 2019 release