

# Office of Policy and Management

Executive Department

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## **Consensus Economic Forecasting Commission Background Materials for the October 26, 2015 Forecasting Meeting**

### Summary

The Maine and U.S. economies showed continued signs of gradual improvement since the Consensus Economic Forecasting Commission (CEFC) met in March 2015.

Maine's real GDP increased 0.2% from 2013-2014, the second year in a row of GDP growth. Personal income in Maine grew 2.7% from 2014 to 2015, while wage and salary income, which is the largest component of total personal income, grew 1.8% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2015. The Consumer Price Index was unchanged in September 2015 from a year ago, driven by declines in energy prices.

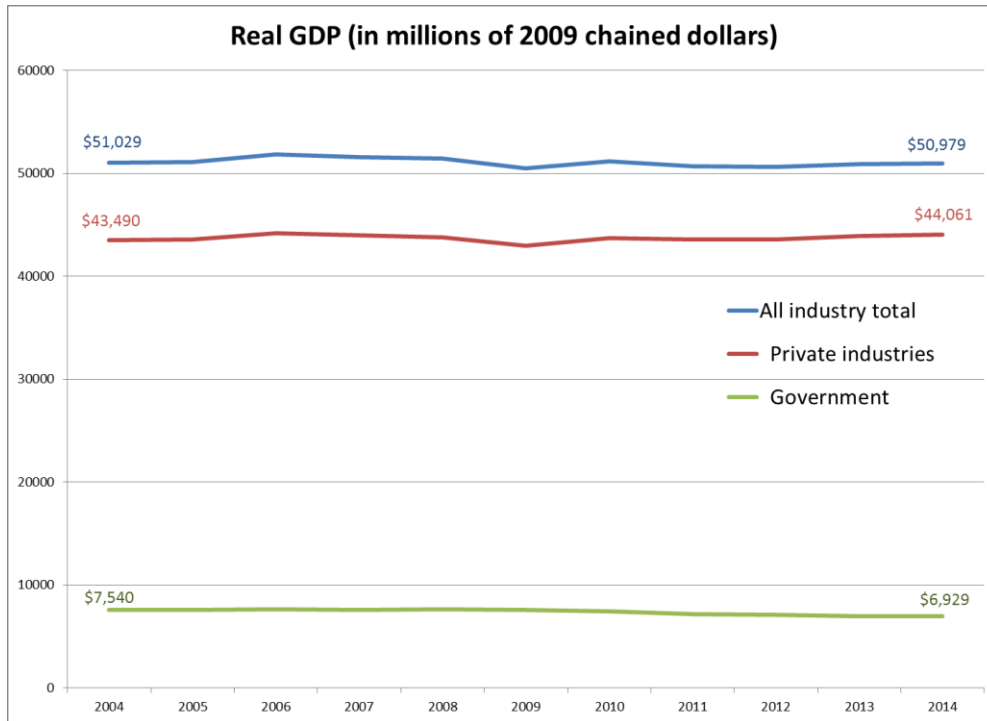
Nationwide, consumer sentiment in September 2015 was 3.1% higher than one year ago while small business optimism increased 0.8% over the previous year's level.

The price of crude oil decreased 19.2% in the third quarter of 2015 to around \$51 per barrel. As a result of continued declines in crude oil prices, heating oil prices declined throughout most of last year's heating season and have started this year's heating season considerably lower than the past five years while gasoline prices are also much lower. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 5.9% in FY 2015 compared to FY 2014, while the number of used auto titles increased 2.0%.

Existing single-family home sales in Maine were up 6.7% in August 2015 compared to August 2014 and housing permits for the October 2014-September 2015 year were 0.7% 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 5.5% year-over-year in the second quarter of 2015. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.52% in the second quarter of 2015 and has been above the national rate for eleven of the past twelve quarters.

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

## Gross Domestic Product

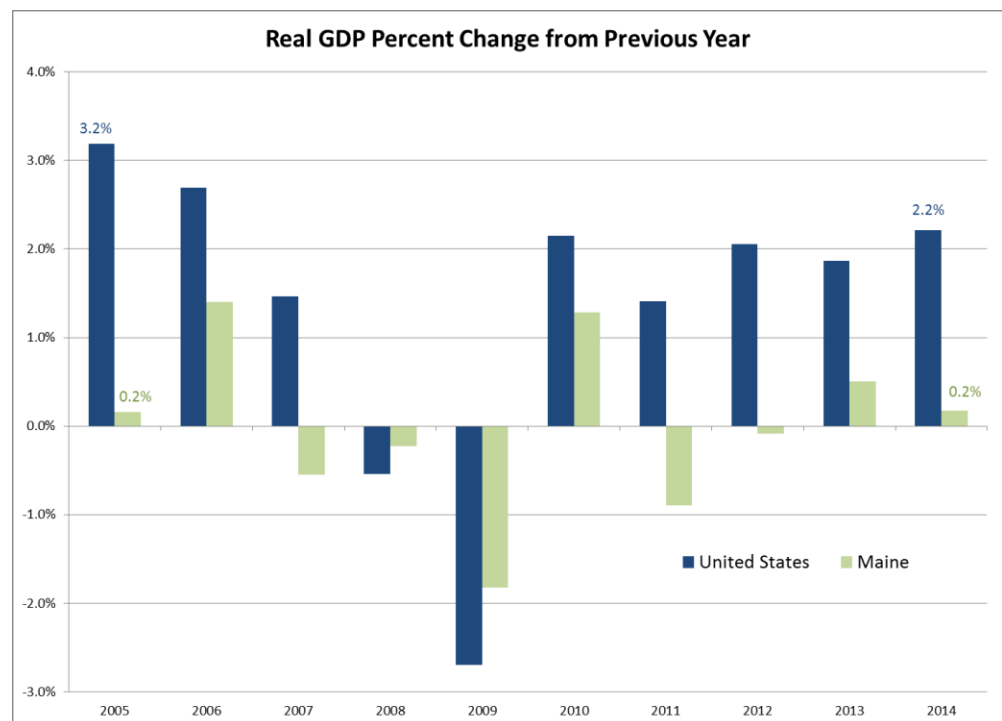


In 2014, Maine's real Gross Domestic Product was \$51.0 billion, with \$44.1 billion coming from private industries and \$6.9 billion from government (federal, state, and local). All of Maine's recent growth in GDP has come from private industry.

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

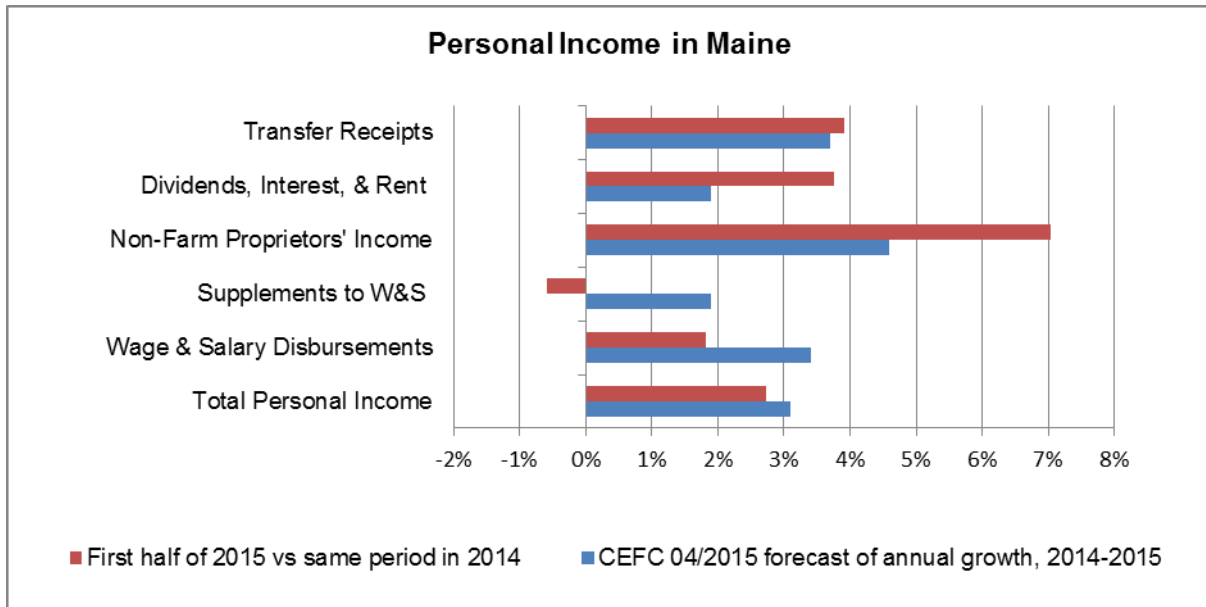
Maine's total real GDP increased 0.2% from 2013 to 2014, the second year in a row of GDP growth. However, this was considerably less than the rate of national GDP growth, which was 2.2% from 2013 to 2014.

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

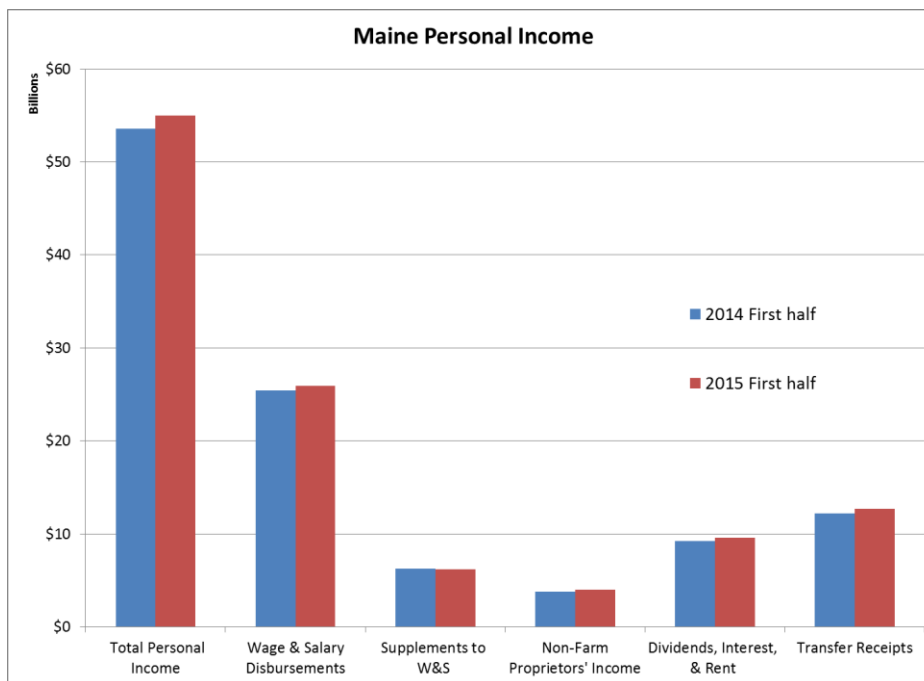


## Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.7% from the first half of 2014 to the first half of 2015 and wage and salary income grew 1.8% during the same period. Total personal income for the second half of 2015 would need to be 1.6% higher than the first half to hit the CEFC's annual forecast for 2015. Wage and salary disbursements would need to be 3.0% higher.

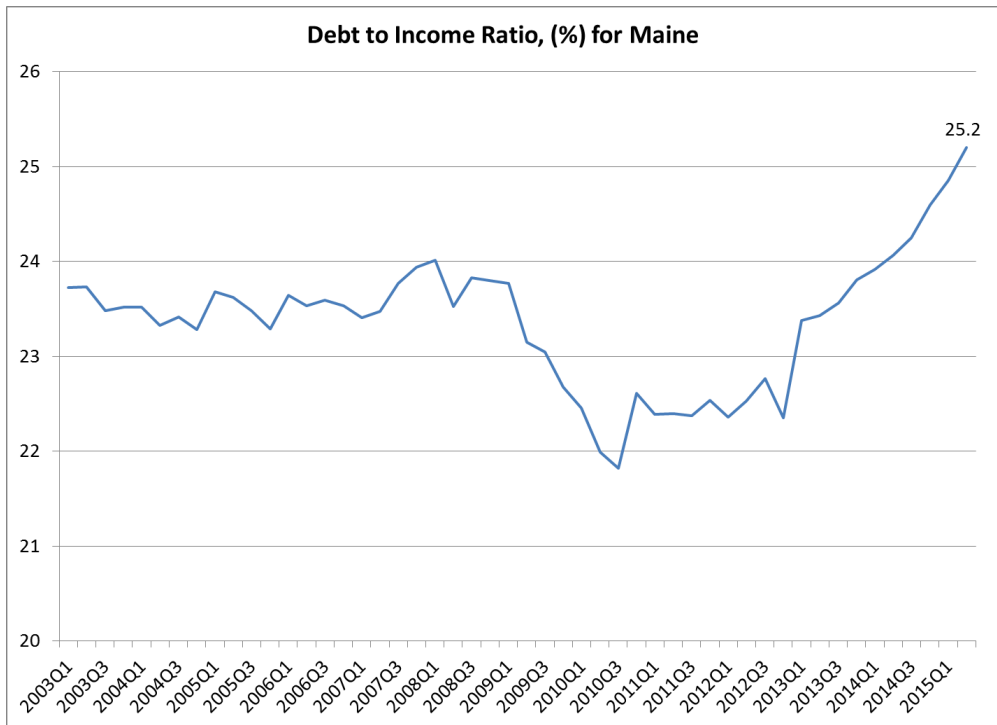


Source: U.S. Bureau of Economic Analysis, September 30, 2015 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$25.9 billion in the first half of 2015 (seasonally adjusted at annual rates). Total personal income averaged around \$55 billion.

Source: U.S. Bureau of Economic Analysis, September 30, 2015 release

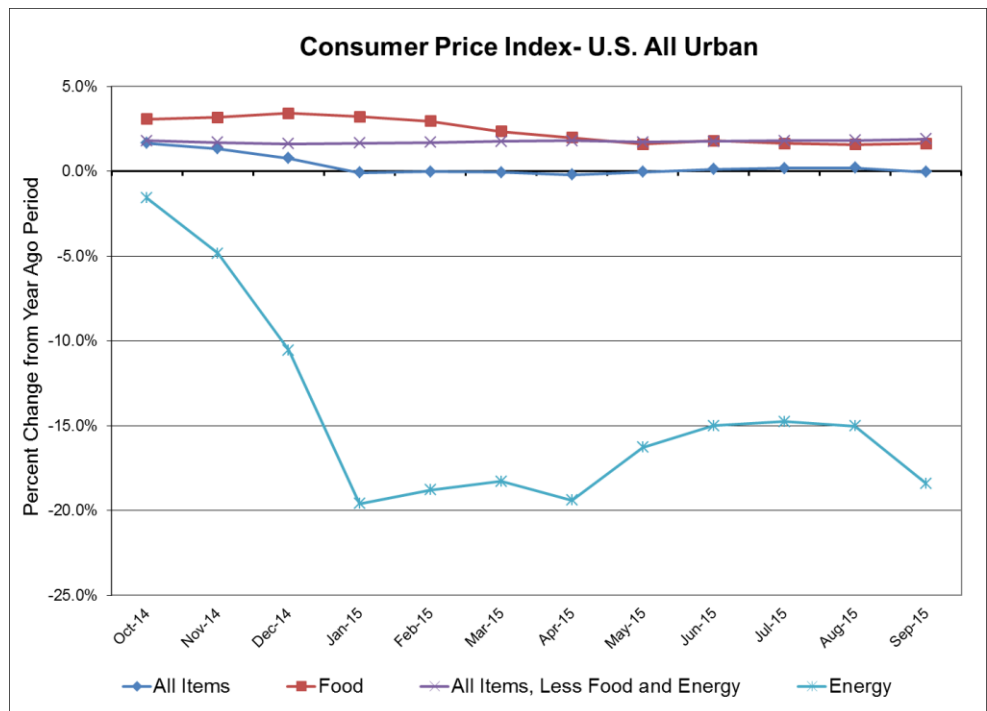


Maine’s debt to income ratio was 25.2% in the second quarter of 2015. The ratio is at its highest point since the first quarter of 2008.

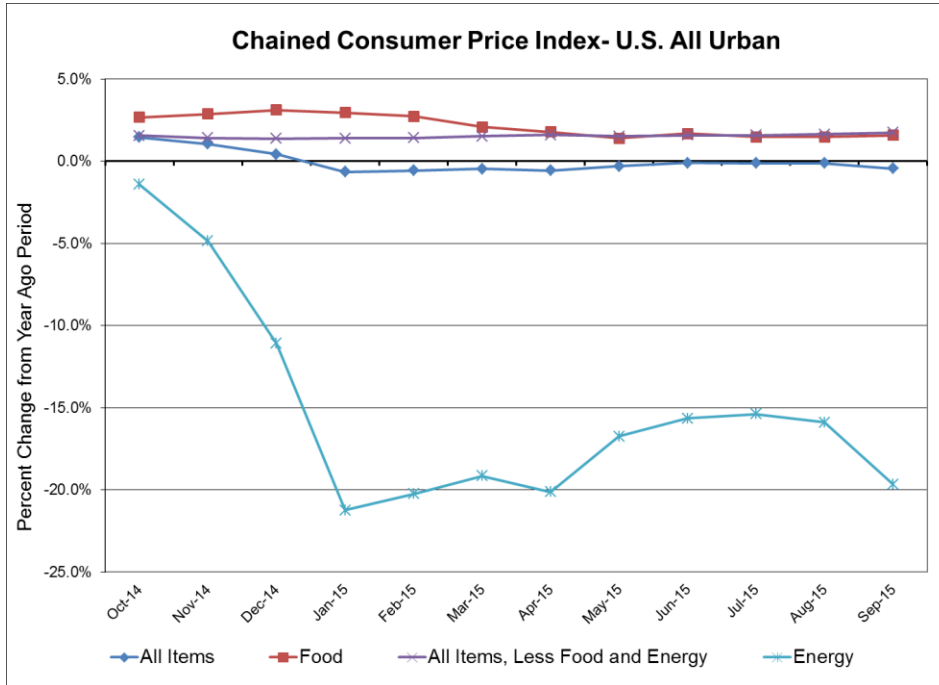
Source: Moody’s Analytics, October 2015 release

### Consumer Price Index

The Consumer Price Index (CPI) was flat from September 2014 to September 2015, dragged down by significant energy price deflation. Core inflation, which excludes food and energy prices, rose 1.9% over that same period.



Source: U.S. Bureau of Labor Statistics, October 15, 2015 release

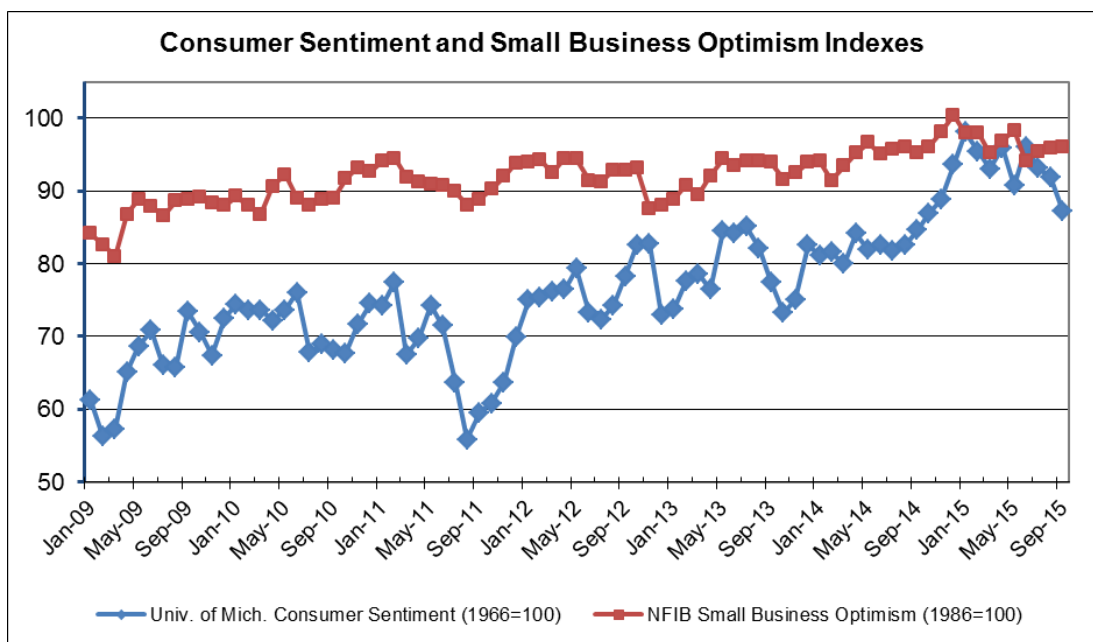


The Chained Consumer Price Index (Chained CPI) declined 0.5% from September 2014 to September 2015, again driven by the drop in energy prices. Core inflation rose 1.7% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, October 15, 2015 release

### Consumer Sentiment and Small Business Optimism

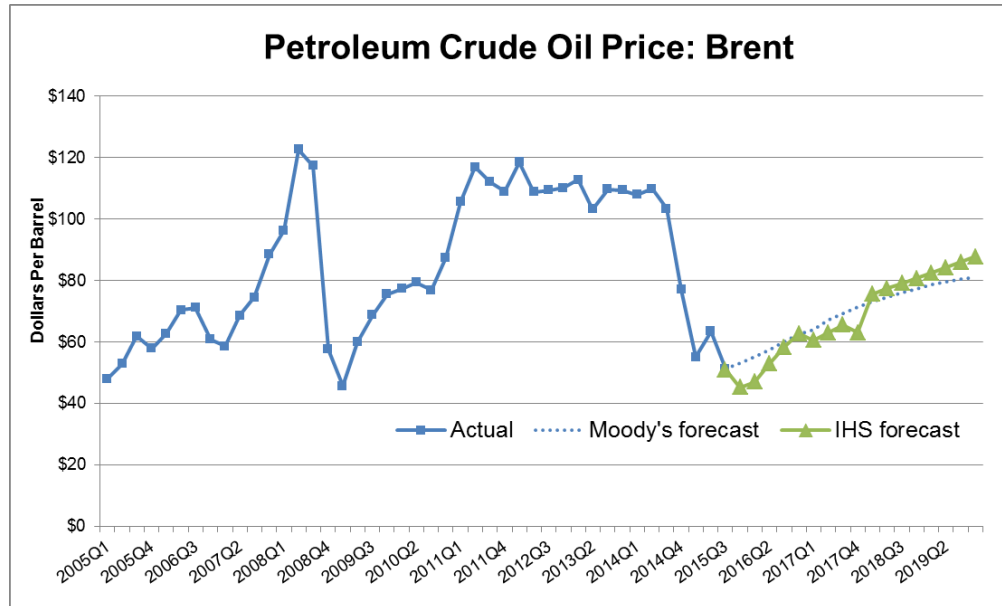
In September 2015, the survey-based University of Michigan Consumer Sentiment Index decreased 5.1% month-over-month but was up 3.1% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 0.2% from the previous month and was up 0.8% from September 2014.



Source: University of Michigan, Sept. 25, 2015 release; National Federation of Independent Businesses, October 16, 2015 release

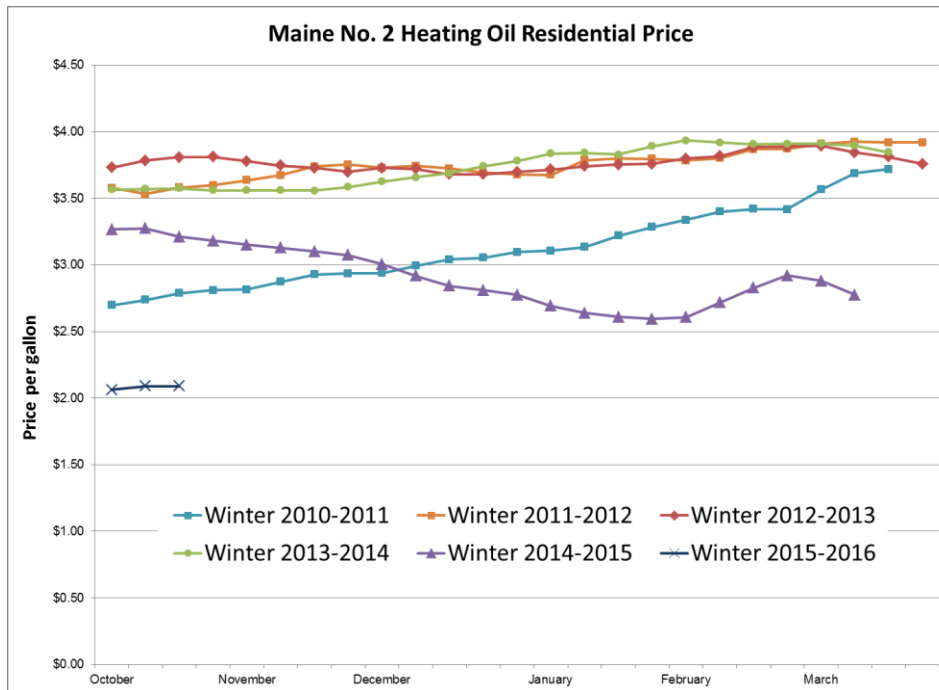
## Crude Oil

The price of Brent crude oil plunged starting in the later half of 2014 and was just \$51 per barrel in the third quarter of 2015, a decrease of 19.2% from the second quarter of 2015 and a 50.4% decrease from the second quarter of 2014.



Source: Moody's Analytics, October 2015 release; IHS, October 2015 release

## Heating Oil



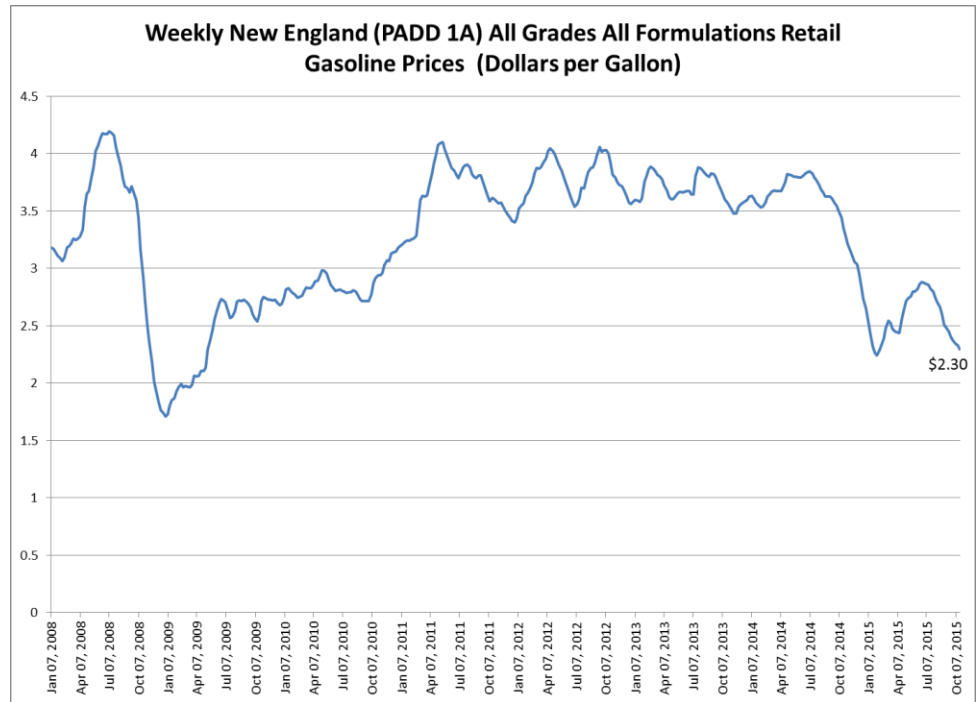
Source: U.S. Energy Information Agency

The price of heating oil in Maine declined throughout most of the 2014-2015 heating season and has started the 2015-2016 heating season well below prices for the past few years, averaging \$2.09/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 October 19, 2015 averaged \$2.30, a decrease of \$0.03 per gallon over the previous week and \$1.05 lower than one year ago. The price of gasoline has dropped \$1.55 per gallon since the July 2014 peak.

Source: U.S. Energy Information Agency



## Motor Vehicles

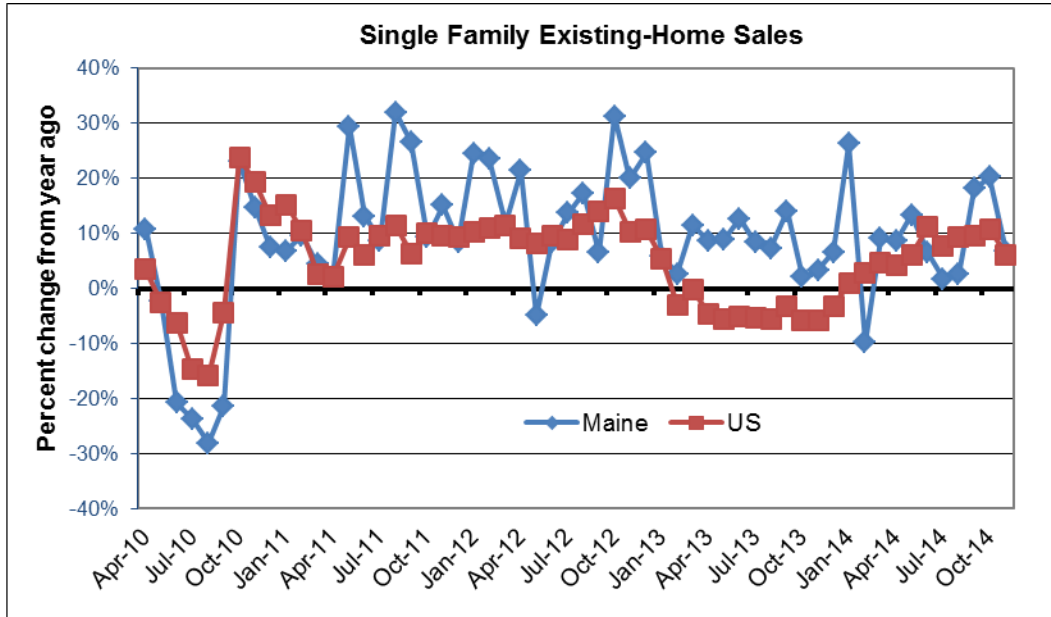
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 5.9% from FY 2014 to FY 2015, while the number of used automobile titles issued increased 2.0%. Total registrations were up 2.7% from FY 2014 to FY 2015.

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%
<b>Total</b>	<b>296,298</b>	<b>304,250</b>	<b>2.7%</b>

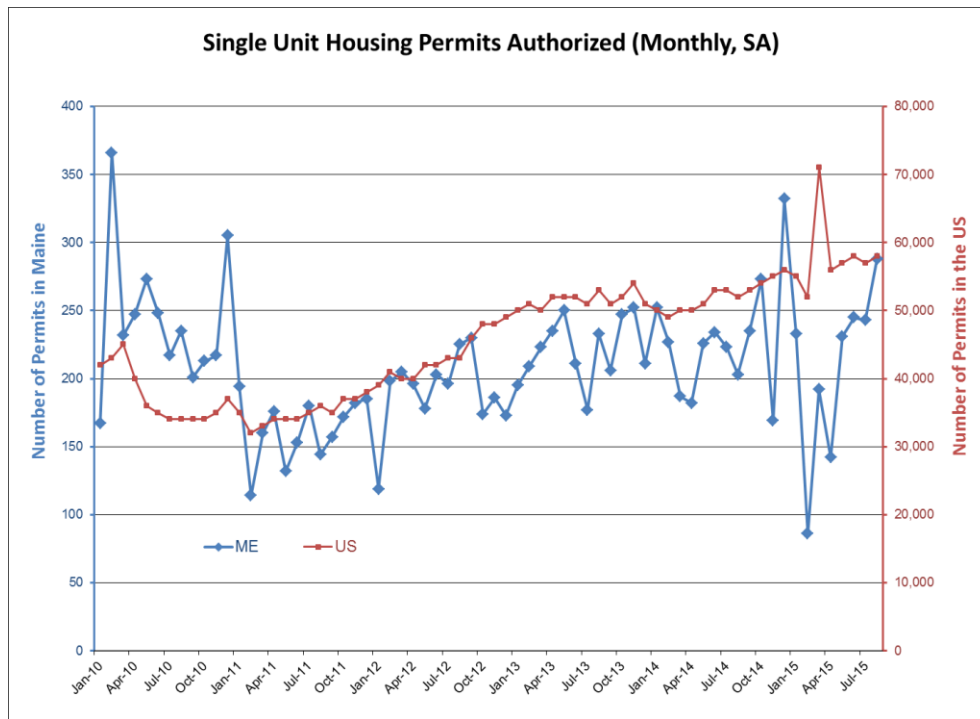
## Housing

Single family existing-home sales in Maine were up 6.7% in August 2015 compared to August 2014. Home sales in Maine have grown year-over-year in 48 of the last 50 months.



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

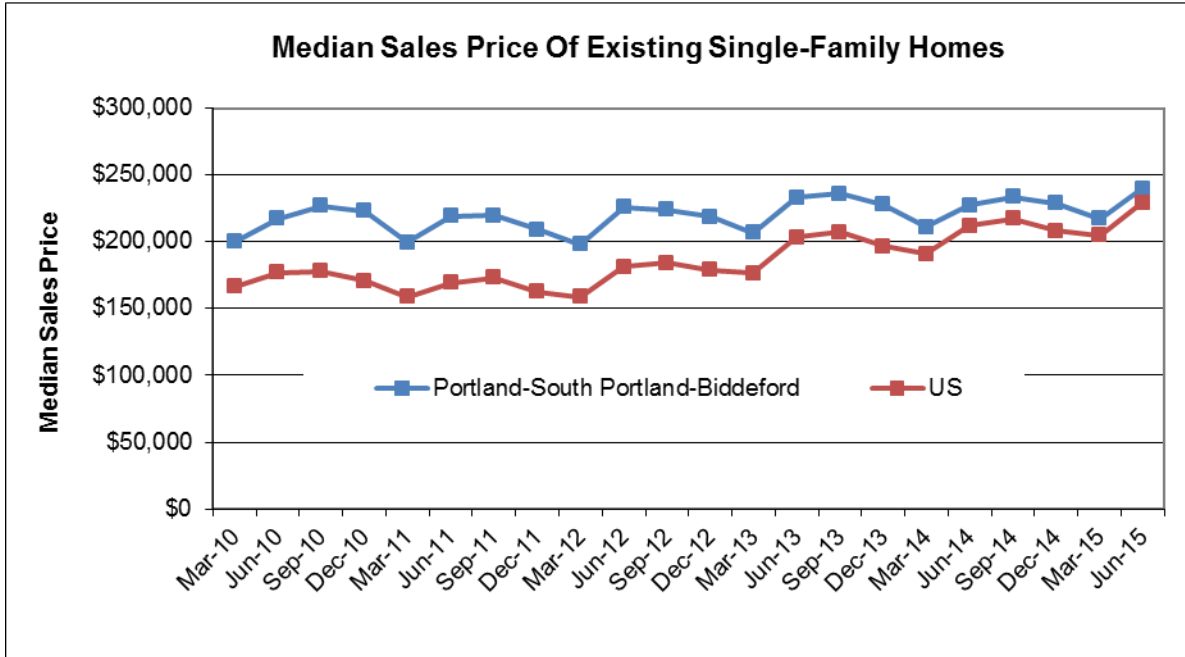
Average monthly single unit housing permits in Maine in the 12-month period from October 2014 through September 2015 were 0.7% higher than in the previous 12-month period.



Source: US Census Bureau, September 25, 2015 release, via Federal Reserve Bank of Boston

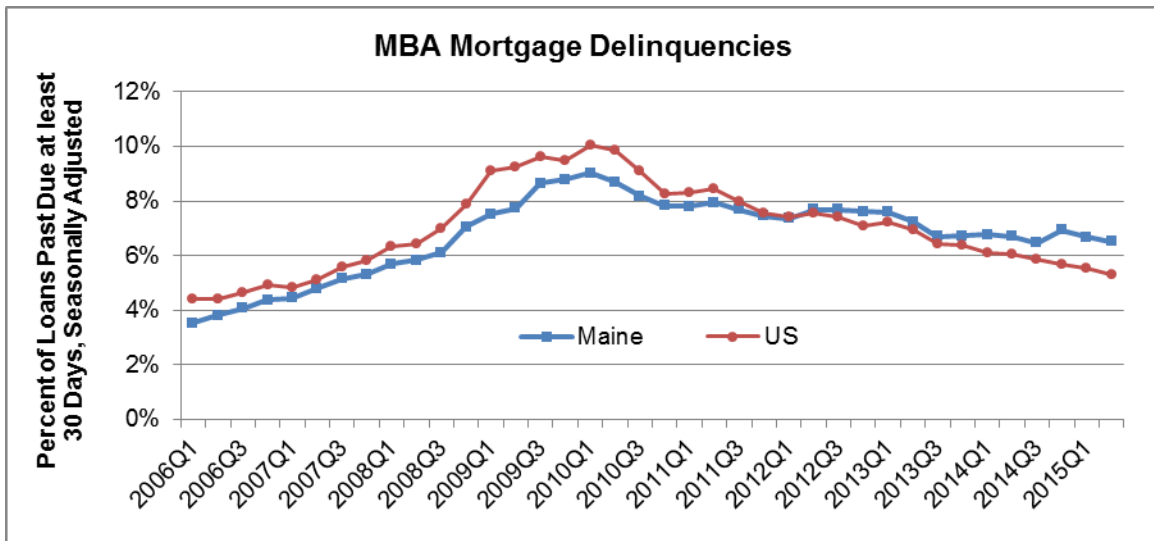


The median home price in the Portland – South Portland – Biddeford metropolitan area increased 5.5% year-over-year in the second quarter of 2015. The median home price in the second quarter of 2015 was \$239,800.



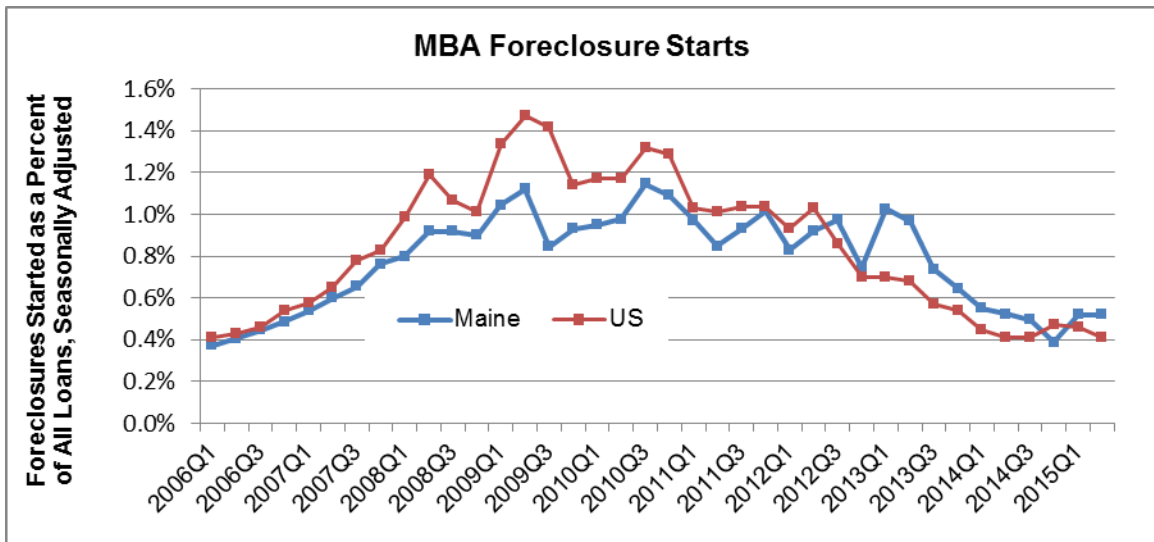
Source: National Association of Realtors, August 11, 2015 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 6.5% in the second quarter of 2015. The rate of delinquencies in Maine has been above the U.S. rate for thirteen straight quarters now.



Source: Mortgage Bankers Association, via Moody's Analytics October 2015 release

Maine’s foreclosure rate was 0.52% in the second quarter of 2015, unchanged from the previous quarter. Maine’s foreclosure rate has been above the U.S. rate for eleven of the past twelve quarters.



Source: Mortgage Bankers Association, via Moody’s Analytics October 2015 release