

Office of Policy and Management

Executive Department

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Consensus Economic Forecasting Commission Background Materials for the October 28, 2016 Forecasting Meeting

Summary

The Maine and U.S. economies have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas.

Maine's real GDP increased 0.6% in the first quarter of 2016. This was the fourth consecutive quarter of real GDP growth. Personal income in Maine grew 3.9% from the first half of 2015 to the first half of 2016, while wage and salary income, which is the largest component of total personal income, grew 4.9% over the same period. This is stronger growth than the CEFC had forecast in February 2016. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2016. The Consumer Price Index was up 1.5% in September 2016 from a year ago, held down by the declines in energy prices.

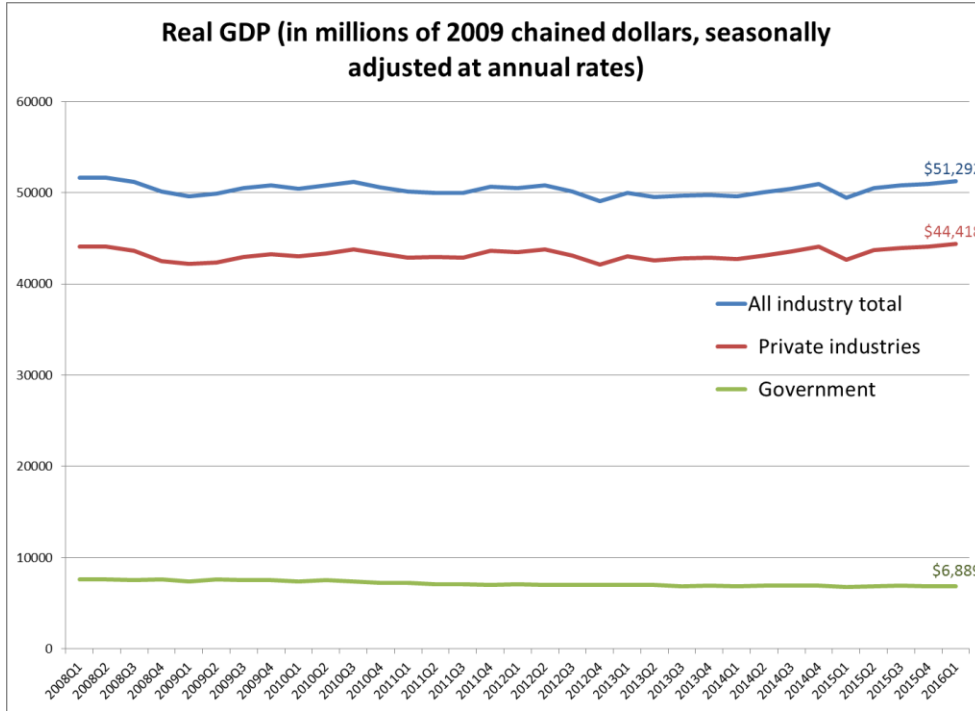
Nationwide, consumer sentiment has remained relatively stable in recent months, down somewhat from a peak in January 2015. The September 2016 level was up 1.6% from a year ago. Small business optimism peaked in December 2014 and is down 6.2% from that month.

The price of crude oil seems to have leveled out around \$47 per barrel as prices in the third quarter of 2016 were unchanged from the second quarter. As a result of the declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil was below \$2 per gallon for much of the 2015-2016 heating season and has started the 2016-2017 season around \$2 per gallon. Gasoline is currently averaging \$2.35 per gallon.

Existing single-family home sales in Maine were up 6.1% in September 2016 compared to the same month last year and housing permits for the September 2015 – August 2016 year were 33.0% higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 3.8% year-over-year in the second quarter of 2016. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49% in the second quarter of 2016 and has been above the national rate for fifteen of the past sixteen quarters.

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

Gross Domestic Product

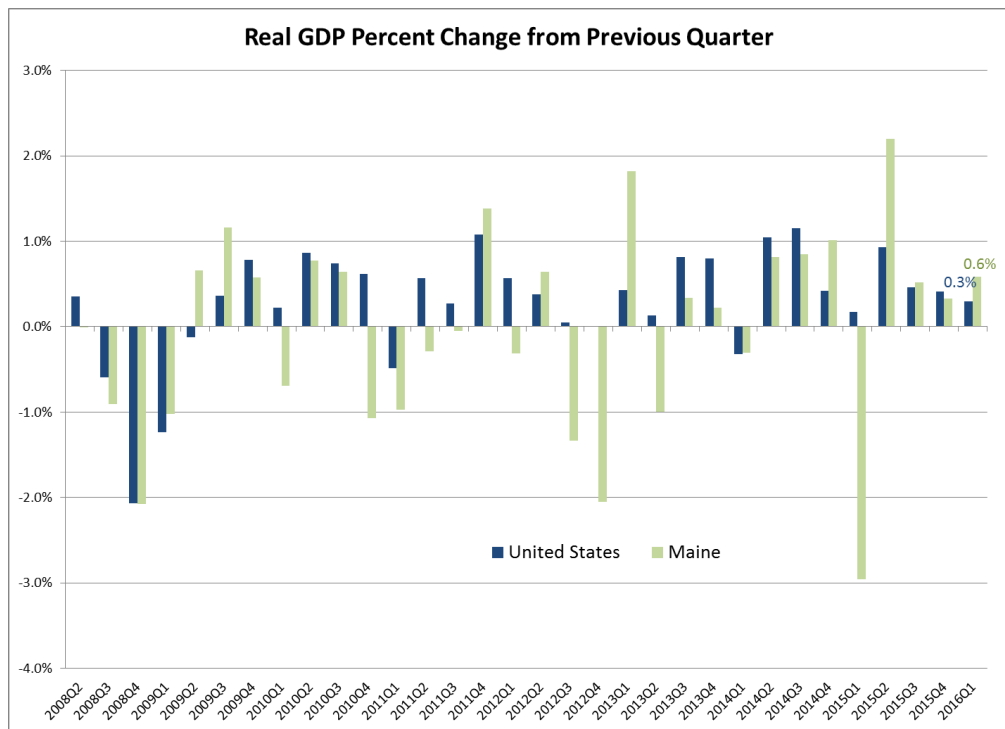


In the first quarter of 2016, Maine’s real Gross Domestic Product was \$51.3 billion, with \$44.4 billion coming from private industries and \$6.9 billion from government (federal, state, and local).

Source: U.S. Bureau of Economic Analysis, Jul. 27, 2016 release

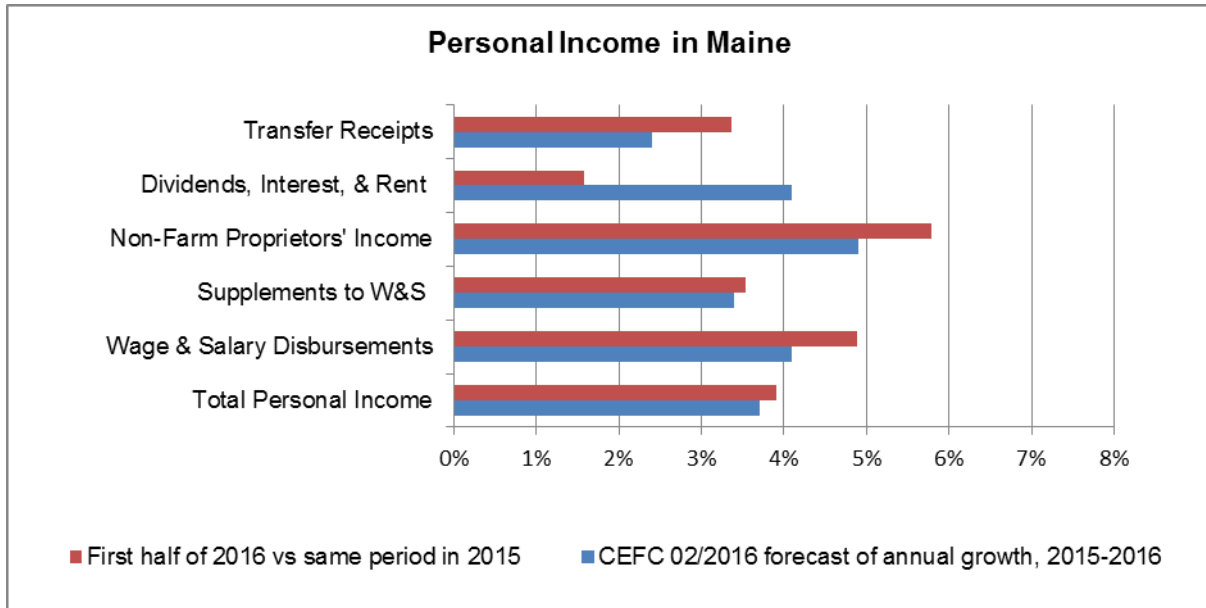
Maine’s total real GDP increased 0.6% in the first quarter of 2016. This was higher than the rate of national GDP growth, which was 0.3%. This was the fourth consecutive quarter of real GDP growth.

Source: U.S. Bureau of Economic Analysis, Jul. 27, 2016 release

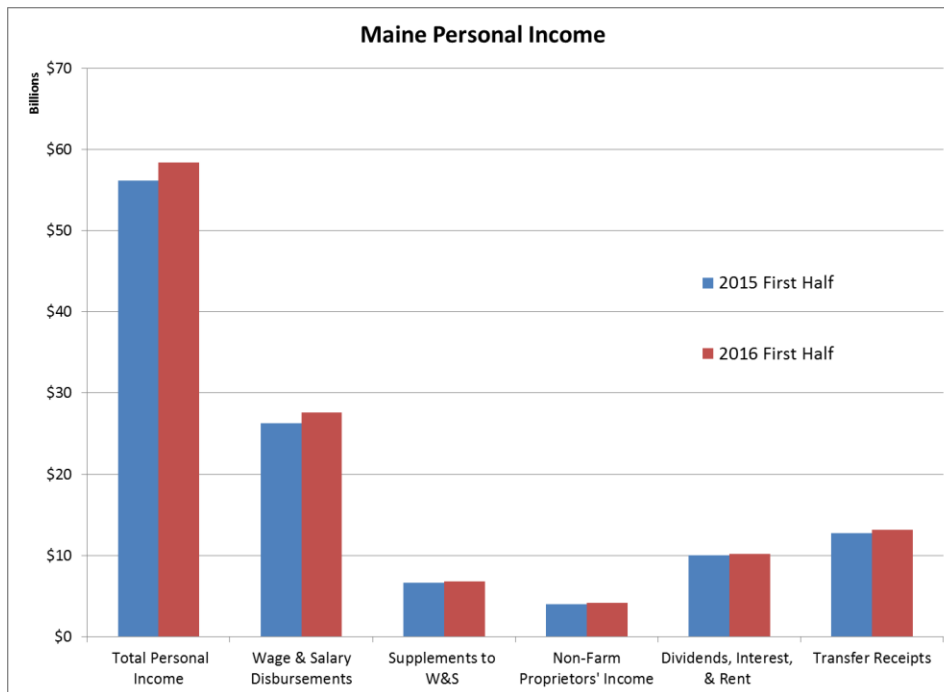


Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.9% from the first half of 2015 to the first half of 2016 and wage and salary income grew 4.9% during the same period. Total personal income for the second half of 2016 would need to be 1.1% higher than the first half to hit the CEFC's annual forecast for 2015. Wage and salary disbursements would need to be 1.2% higher.

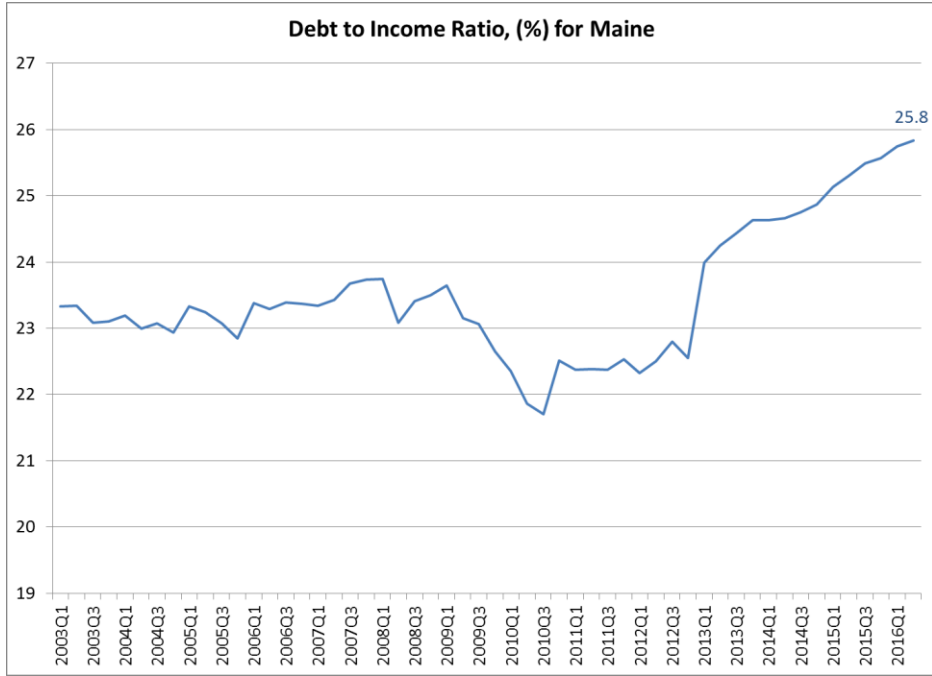


Source: U.S. Bureau of Economic Analysis, Sept. 28, 2016 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$27.6 billion in the first half of 2016 (seasonally adjusted at annual rates). Total personal income averaged around \$58.4 billion.

Source: U.S. Bureau of Economic Analysis, Sept. 28, 2016 release



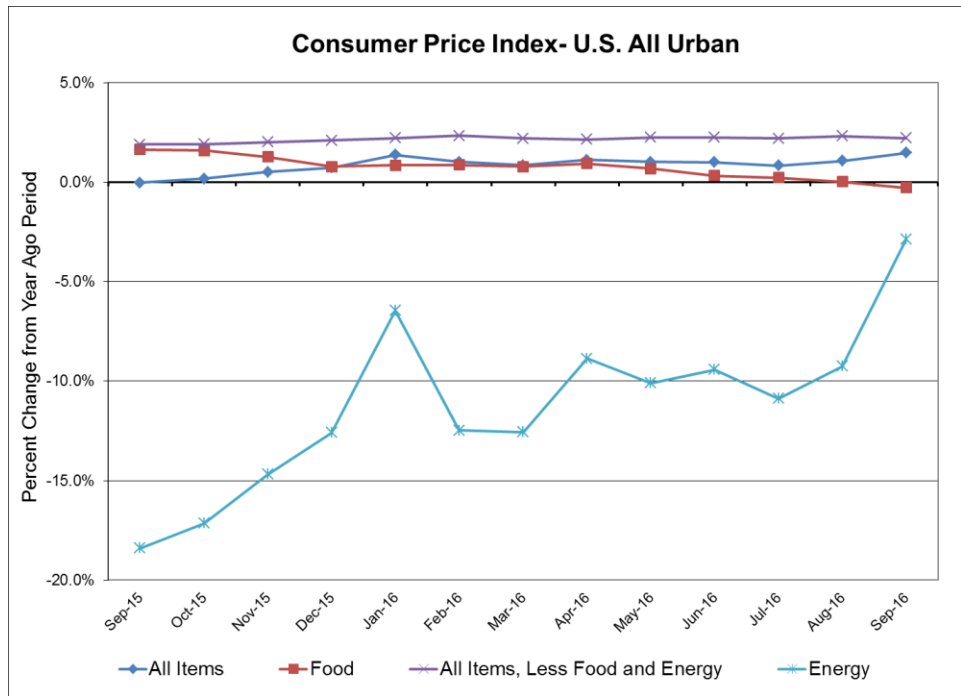
Maine's debt to income ratio was 25.8% in the second quarter of 2016. This is a new high point for the ratio.

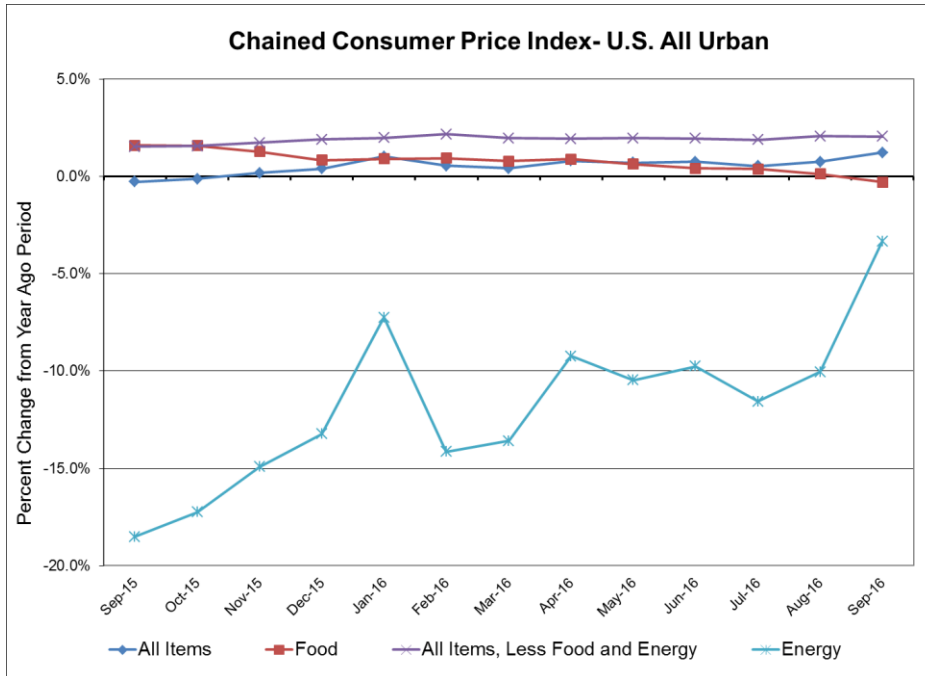
Source: Moody's Analytics, Oct. 2016 release

Consumer Price Index

The Consumer Price Index (CPI) was up 1.5% from September 2015 to September 2016, held down by continued energy price deflation. Core inflation, which excludes food and energy prices, rose 2.2% over that same period.

Source: U.S. Bureau of Labor Statistics, Oct. 18, 2016 release



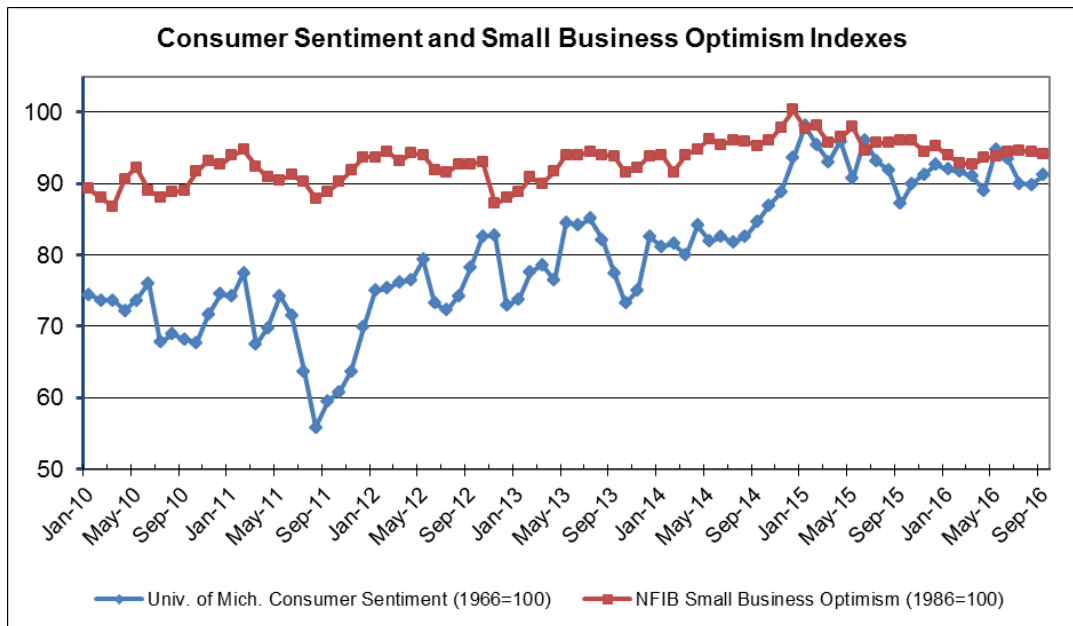


The Chained Consumer Price Index (Chained CPI) increased 1.2% from September 2015 to September 2016, again slowed by the drop in energy prices. Core inflation rose 2.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, Oct. 18, 2016 release

Consumer Sentiment and Small Business Optimism

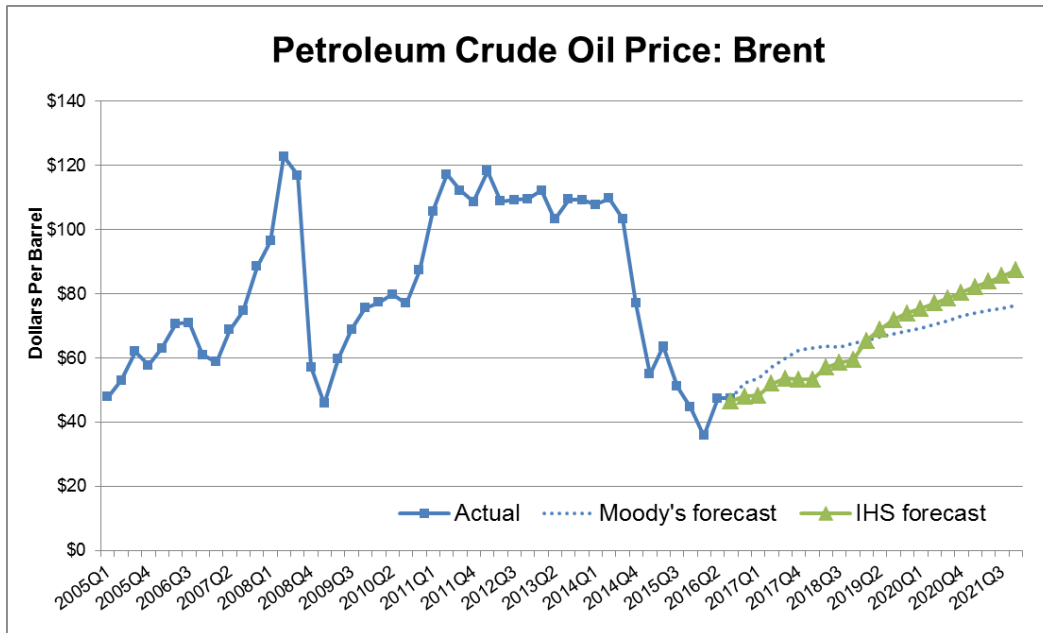
In September 2016, the survey-based University of Michigan Consumer Sentiment Index increased 1.6% month-over-month and was up 4.6% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.3% from the previous month and down 6.2% from the December 2014 peak.



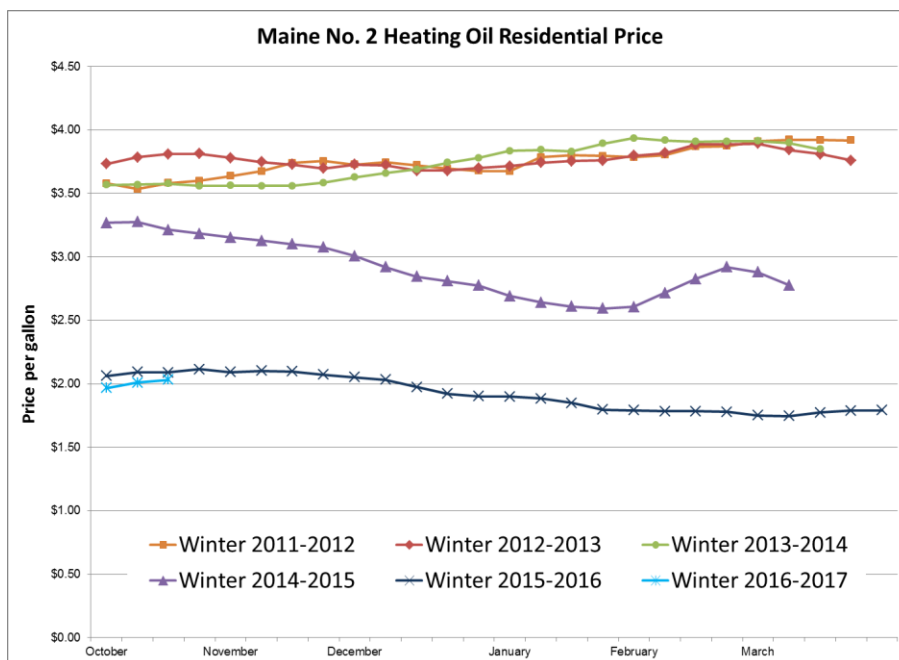
Source: University of Michigan, Sept. 30, 2016 release; National Federation of Independent Businesses, Sept. 13, 2016 release

Crude Oil

The price of Brent crude oil plunged starting in the later half of 2014 and was just over \$47 per barrel in the third quarter of 2016, unchanged from the second quarter of 2016 and a 4.7% decrease from the second quarter of 2015. Prices appear to have bottomed out in mid-2016.



Source: Moody's Analytics, Oct. 2016 release; IHS, Oct. 2016 release



Source: U.S. Energy Information Agency, Oct. 19, 2016 release

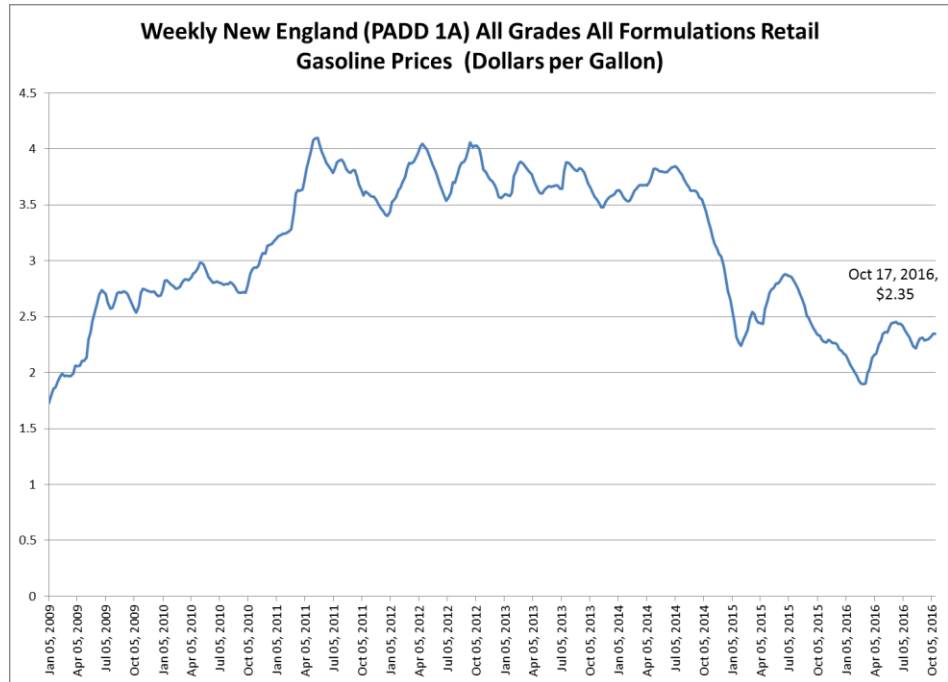
Heating Oil

The price of heating oil in Maine remained well below prices of the past few years in the 2015-2016 heating season and the 2016-2017 heating season has started at the same level, averaging \$2.03/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices.

Gasoline

The price of gasoline in New England on October 17, 2016 averaged \$2.35, unchanged from the previous week and \$0.05 higher than one year ago. The price of gasoline has risen somewhat recently but is still \$1.50 per gallon lower than the July 2014 peak.

Source: U.S. Energy Information Agency, Oct. 17, 2016 release



Motor Vehicles

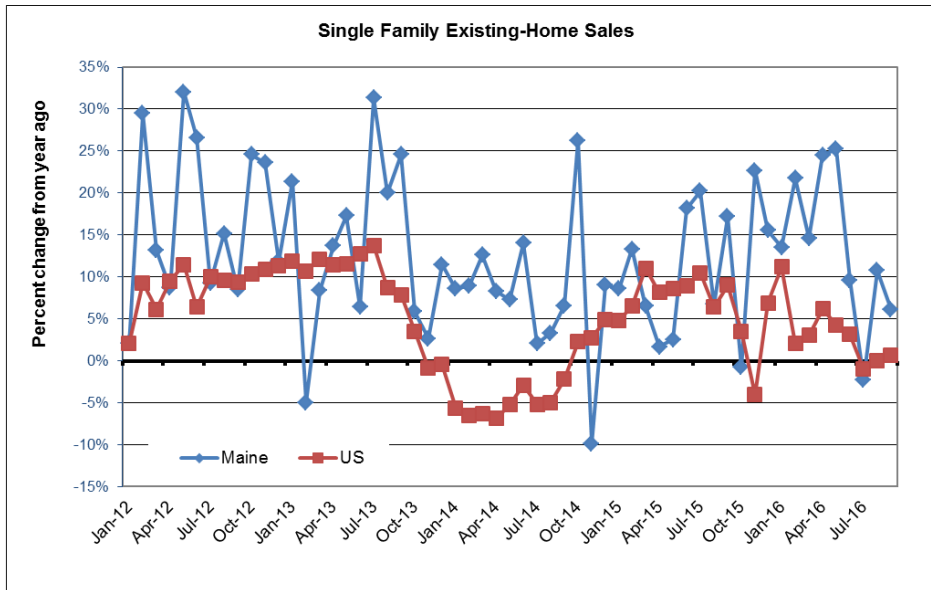
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 5.9% from FY 2014 to FY 2015, while the number of used automobile titles issued increased 2.0%. Total registrations were up 2.7% from FY 2014 to FY 2015.

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%

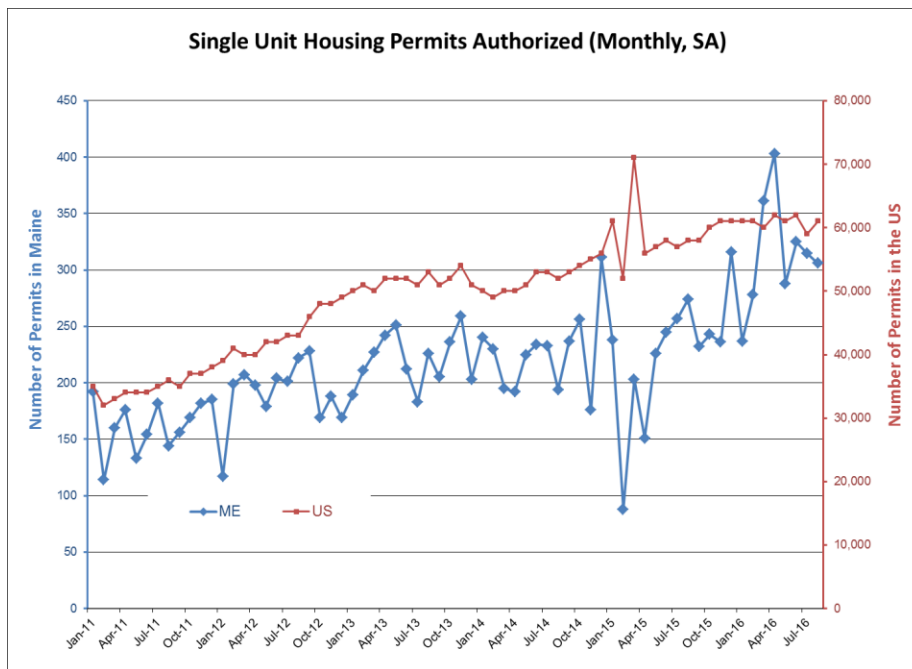
Housing

Single family existing-home sales in Maine were up 6.1% in September 2016 compared to September 2015. Over the past five years, home sales in Maine have only declined year-over-year in four months.



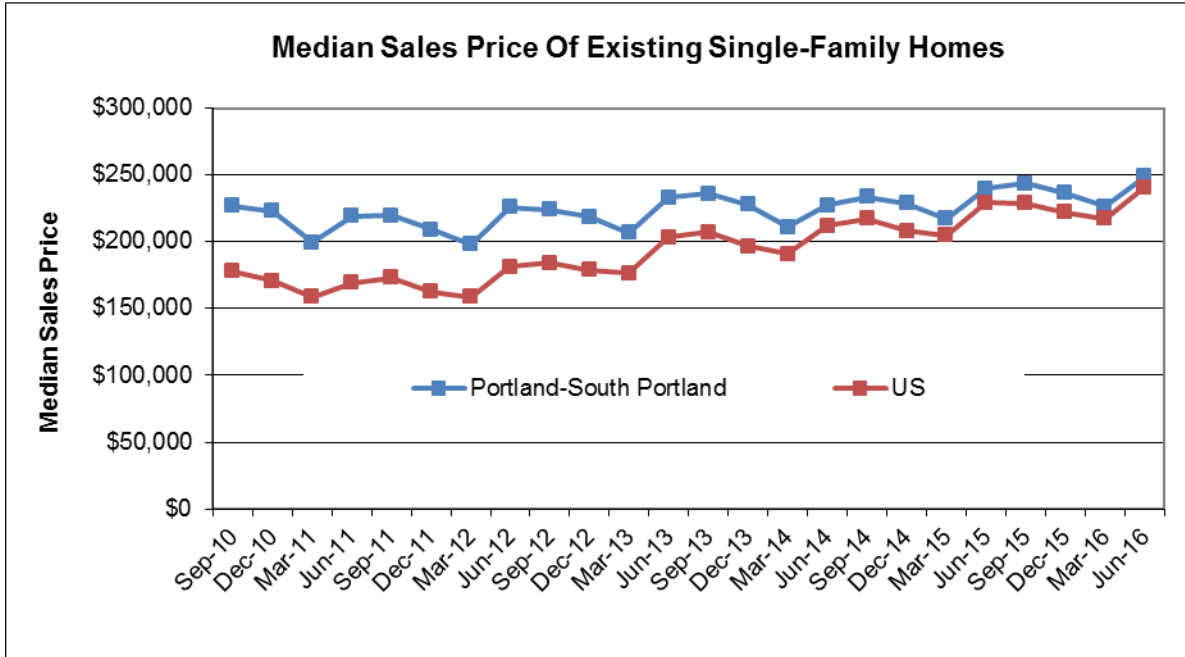
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Maine has seen a rebound in housing permits in 2016. Average monthly single unit housing permits in Maine in the 12-month period from September 2015 through August 2016 were 33.0% higher than in the previous 12-month period.



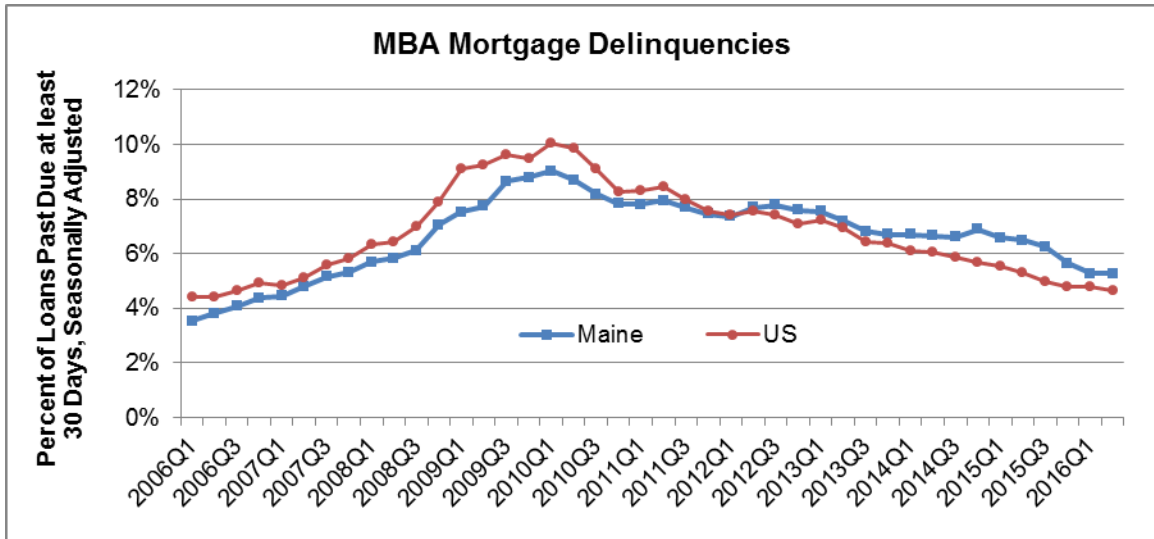
Source: US Census Bureau, Sept. 27, 2016 release, via Federal Reserve Bank of Boston

The median home price in the Portland-South Portland metropolitan area increased 3.8% year-over-year in the second quarter of 2016. The median home price in the second quarter of 2016 was \$248,800.



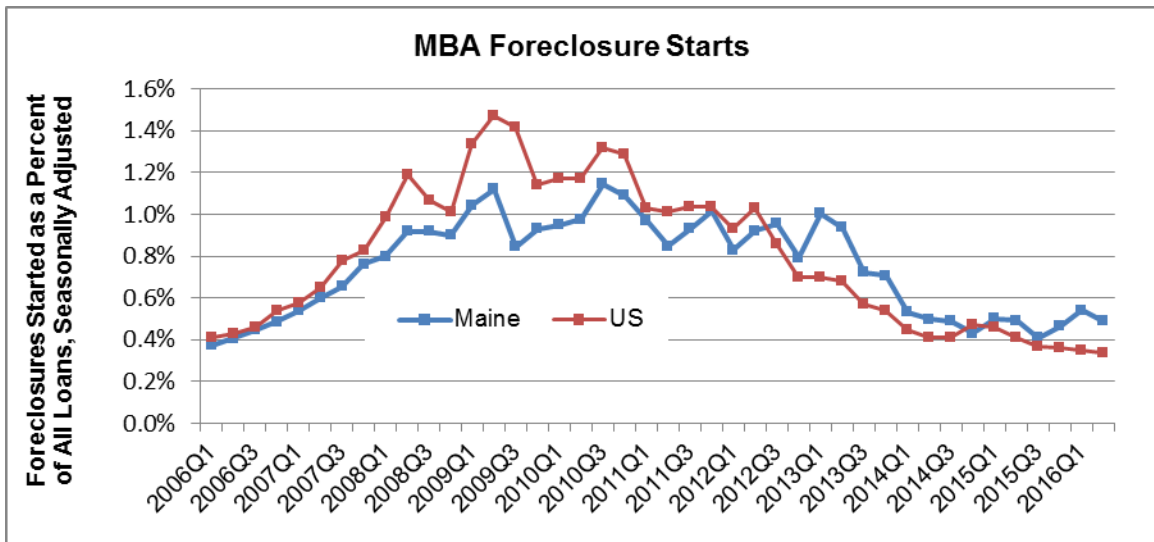
Source: National Association of Realtors, Aug. 10, 2016 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 5.3% in the second quarter of 2016. The rate of delinquencies in Maine has been above the U.S. rate for seventeen straight quarters now.



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

Maine’s foreclosure rate was 0.49% in the second quarter of 2016, down slightly from the previous quarter. Maine’s foreclosure rate has been above the U.S. rate for fifteen of the past sixteen quarters.



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