

MAINE'S ECONOMIC CONDITIONS: UPDATES AND OUTLOOK

Maine Insurance Agents Association annual meeting

April 27, 2021

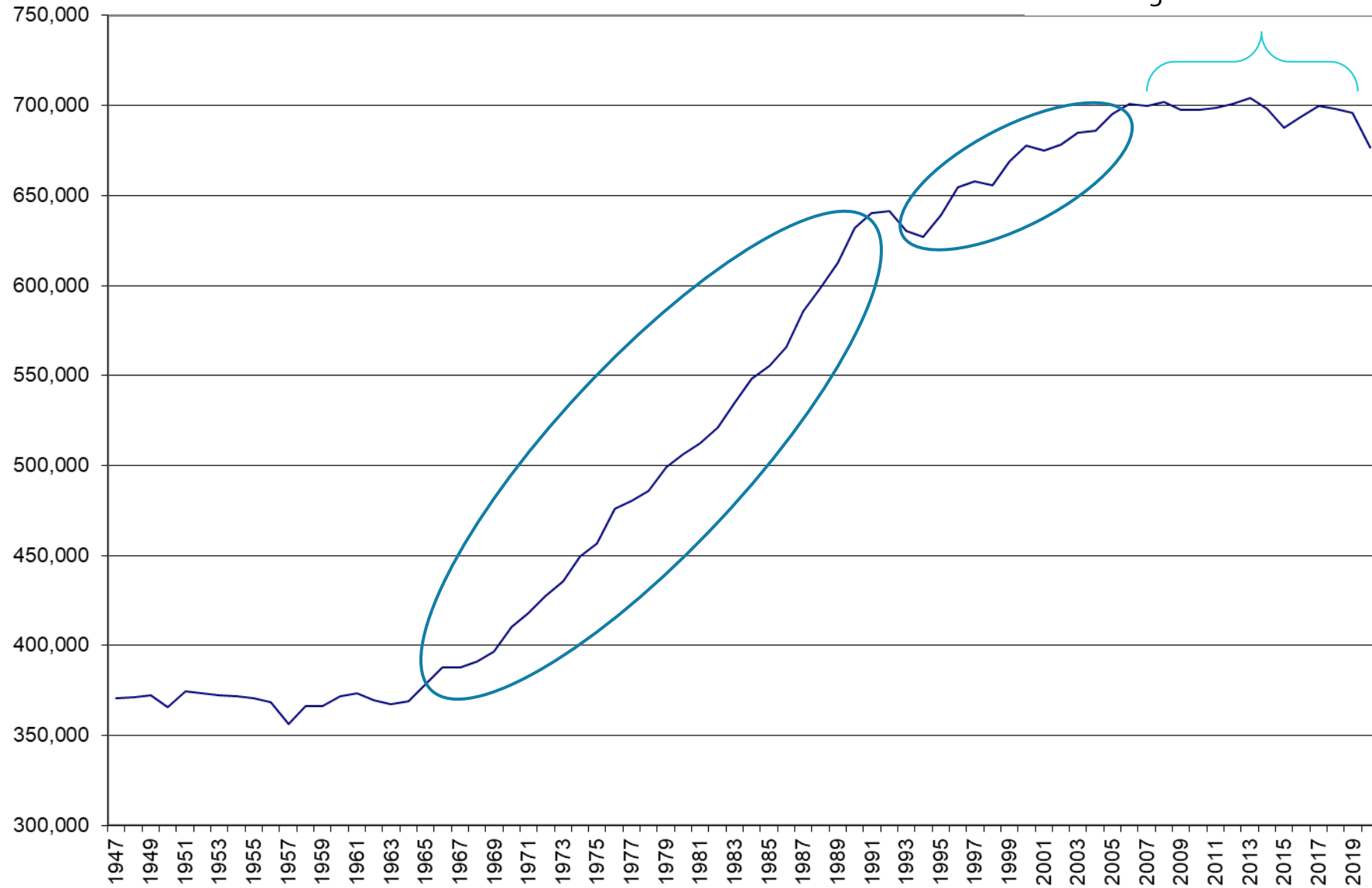
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Department of Administrative and Financial Services

Maine Civilian Labor Force

Labor force has been starting to trend down



Migration effects from COVID-19?

Maybe – it's still too soon to know for sure

- Maine has been seen as a safer place to be during the pandemic due to lower case counts/deaths/positivity rate
- Maine's lower population density may prove increasingly attractive to people in the coming months and years
- The ability to work remotely is making it easier for people to consider a move to Maine, especially if high speed internet access improves

Maine has already seen an influx of home buyers from out of state (but who are they and how long will they stay?)

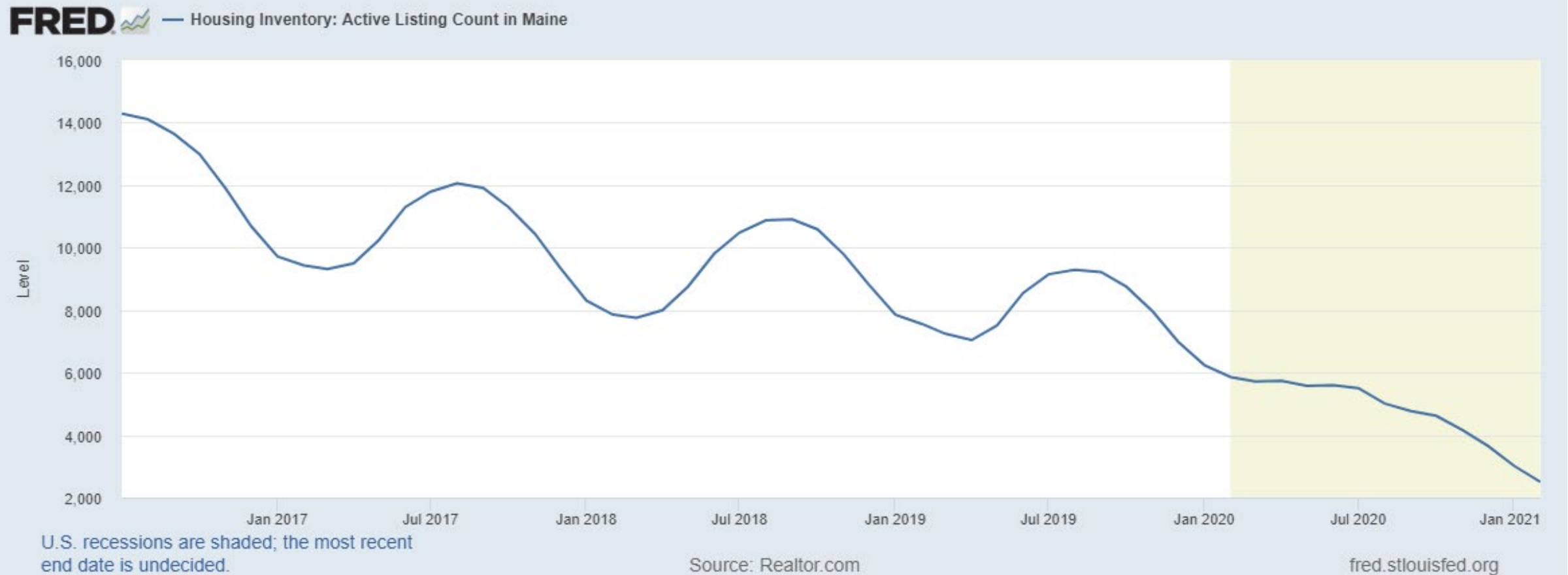
Year-Over-Year Growth of Real Estate Transactions, Maine



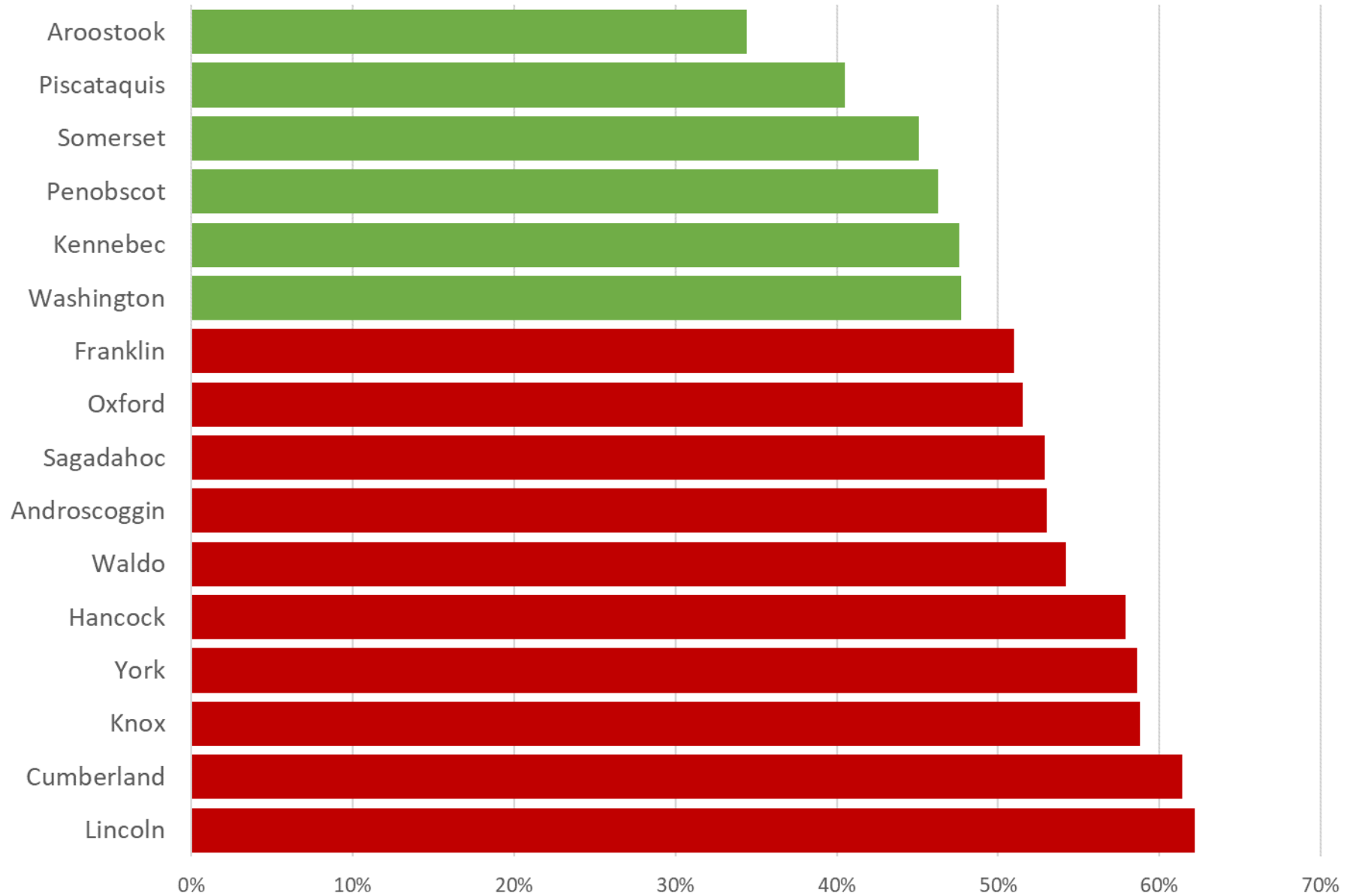
- Maine REALTORS noted in their March 2021 press release a 22.8% increase in single-family home sales in Feb. 2021 vs Feb. 2020 along with a 12.9% increase in the median sale price
- Out-of-state buyers normally represent about 1/4 of sales; in late 2020 they represented about 1/3 of sales

Housing inventory has plummeted

In Feb. 2021, listings were 21 days-on-market statewide, compared to 52 days in Feb. 2020



Percent of Households Unable to Afford Median Home



Percent Change in Time Spent Outside Home*

In **Maine**, as of **April 02 2021**, total time spent away from home **decreased** by **7.3%** compared to January 2020.



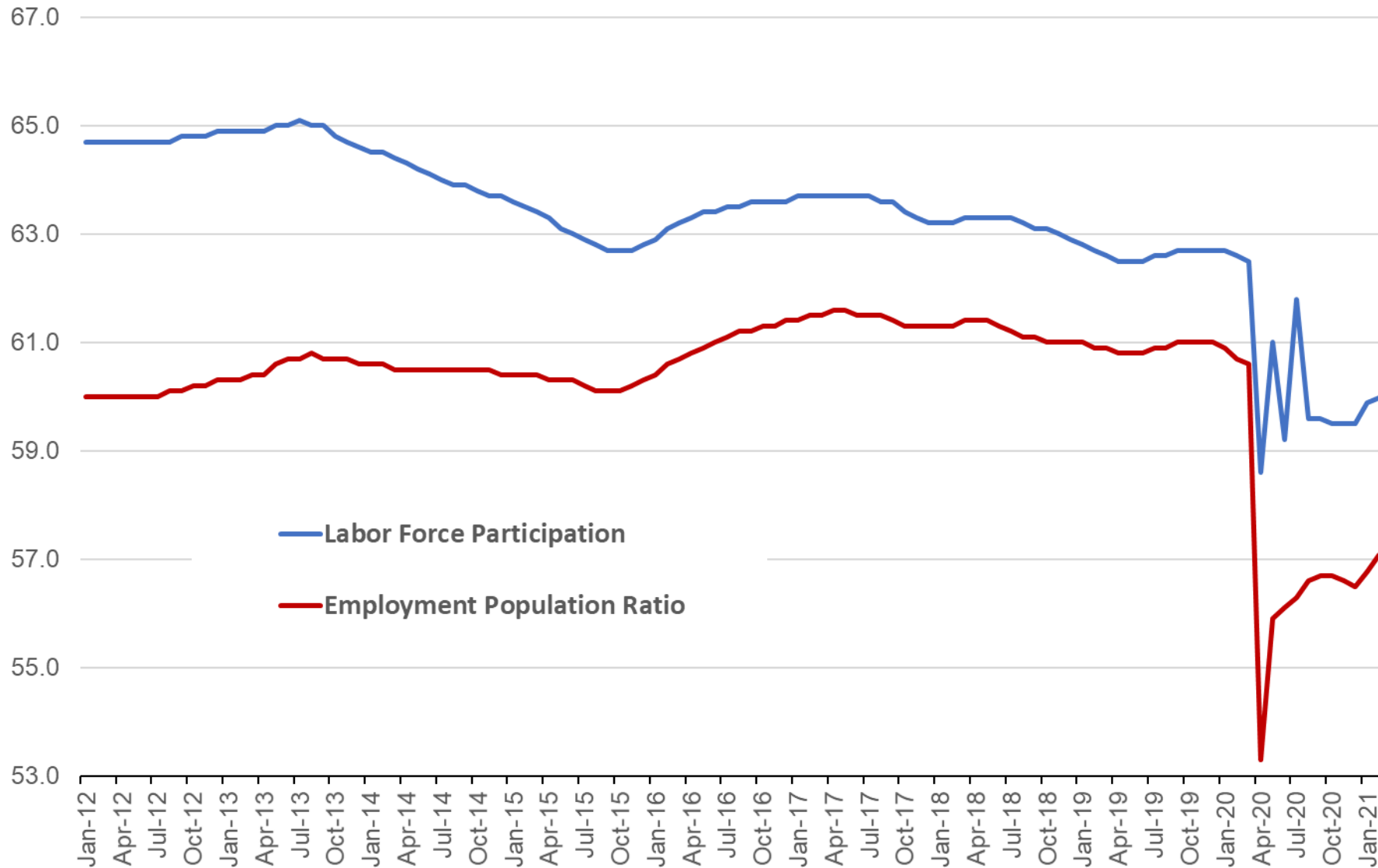
data source: **Google COVID-19 Community Mobility Reports**

*Change in the average time spent outside of residential locations indexed to the period between Jan 3-Feb 6 2020. This series uses data from Google's COVID-19 Community Mobility reports.

last updated: **April 06, 2021** next update expected: **April 13, 2021**

Labor Force Participation & Employment Population Ratio

(Seasonally Adjusted)

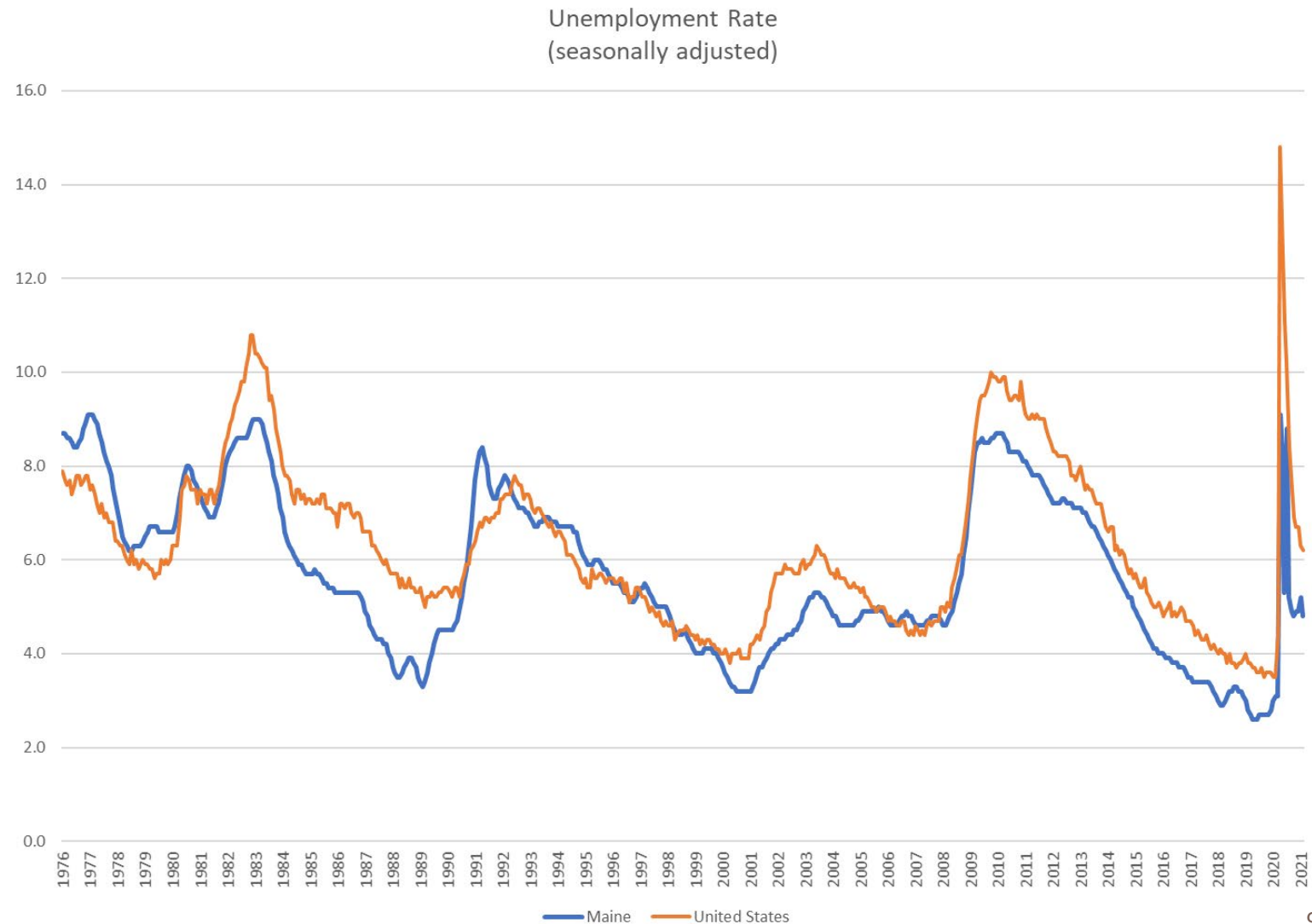


With disruptions to schools and child care, many children were suddenly home all day, resulting in people – more women than men – leaving the labor force to care for them.

Recent research from the Federal Reserve Bank of San Francisco found that nationally, approx. 700,000 more prime-age mothers would have been in the labor force in Dec. 2020 if their recovery had matched that of other women.

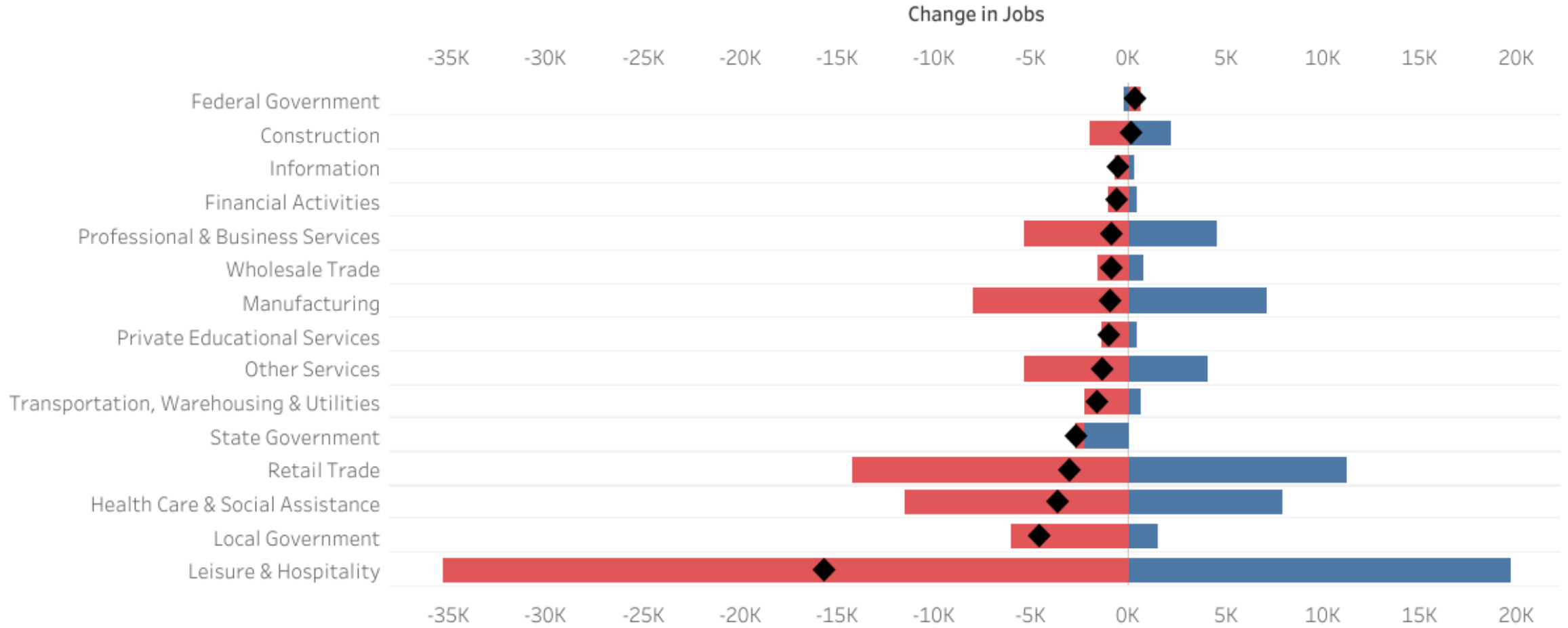
In April 2020, Maine's official unemployment rate was 9.1% - the highest since Feb. 1977. Even so, it underrepresented the true unemployment rate due to technical issues

Maine's official unemployment rate in Feb. 2021 was 4.8%; but the Maine Department of Labor estimates that if labor force participation were as high as a year ago, the unemployment rate would be 8.8%

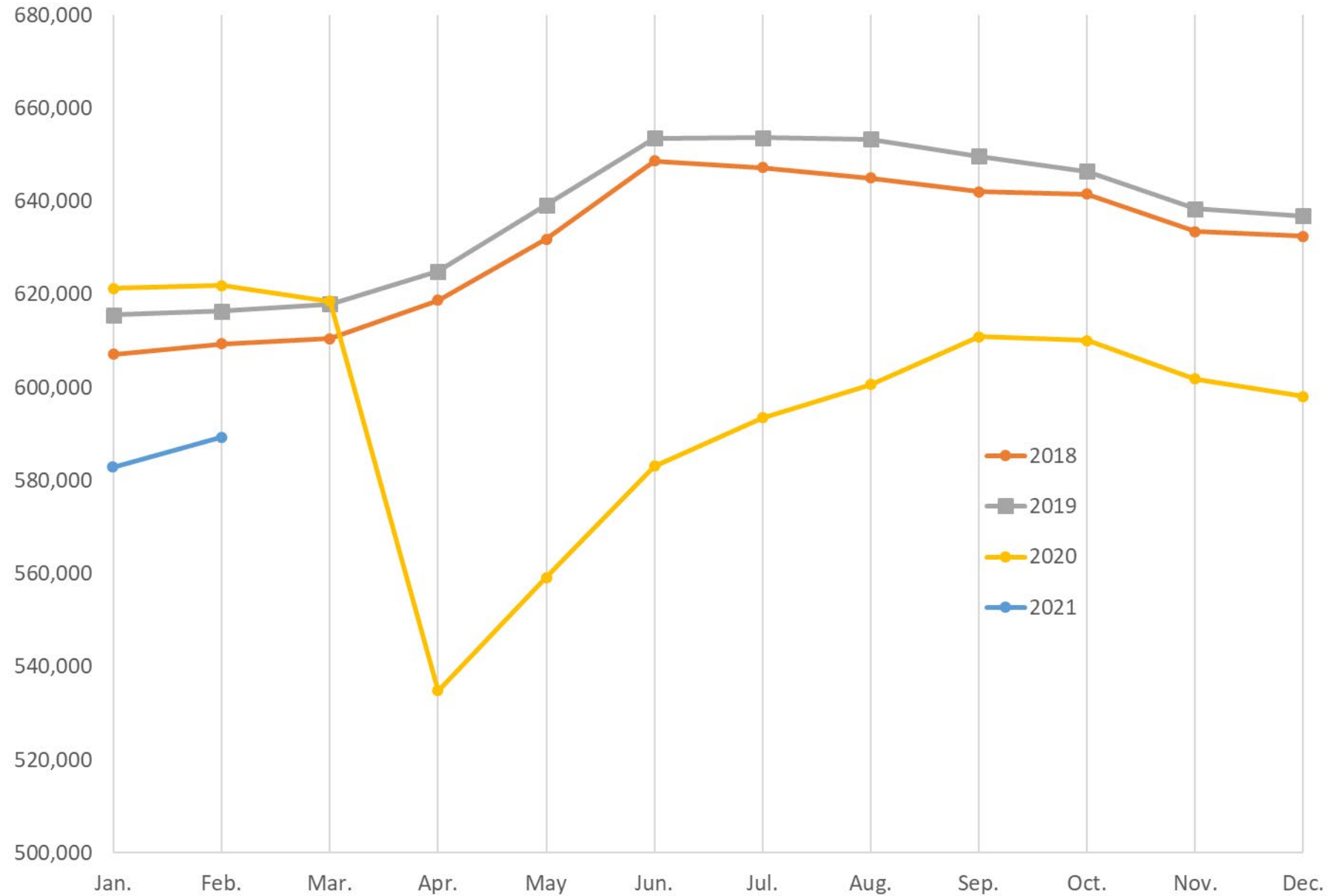


Change in Jobs by Sector

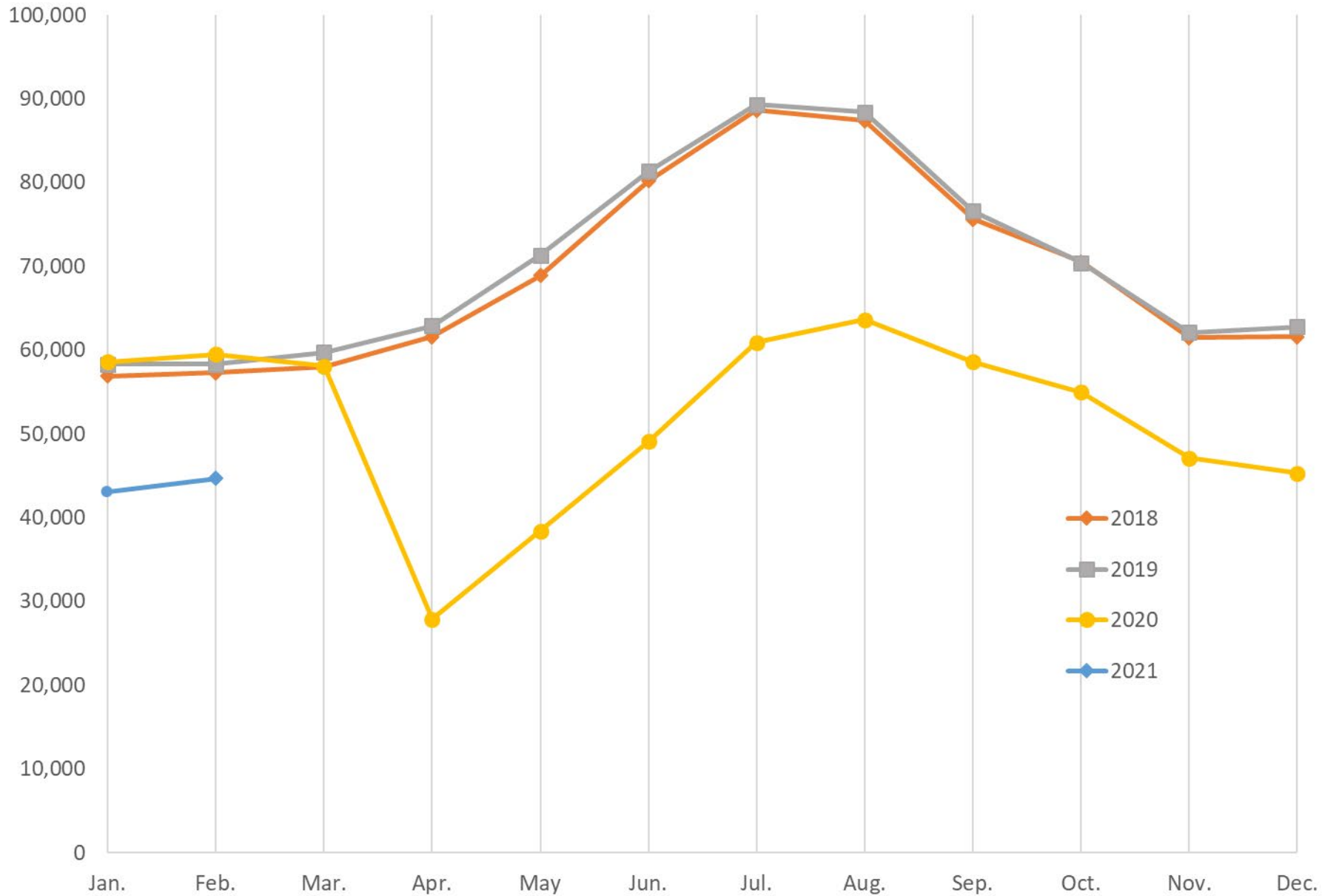
- February 2020 to April 2020
- April 2020 to February 2021
- February 2020 to February 2021



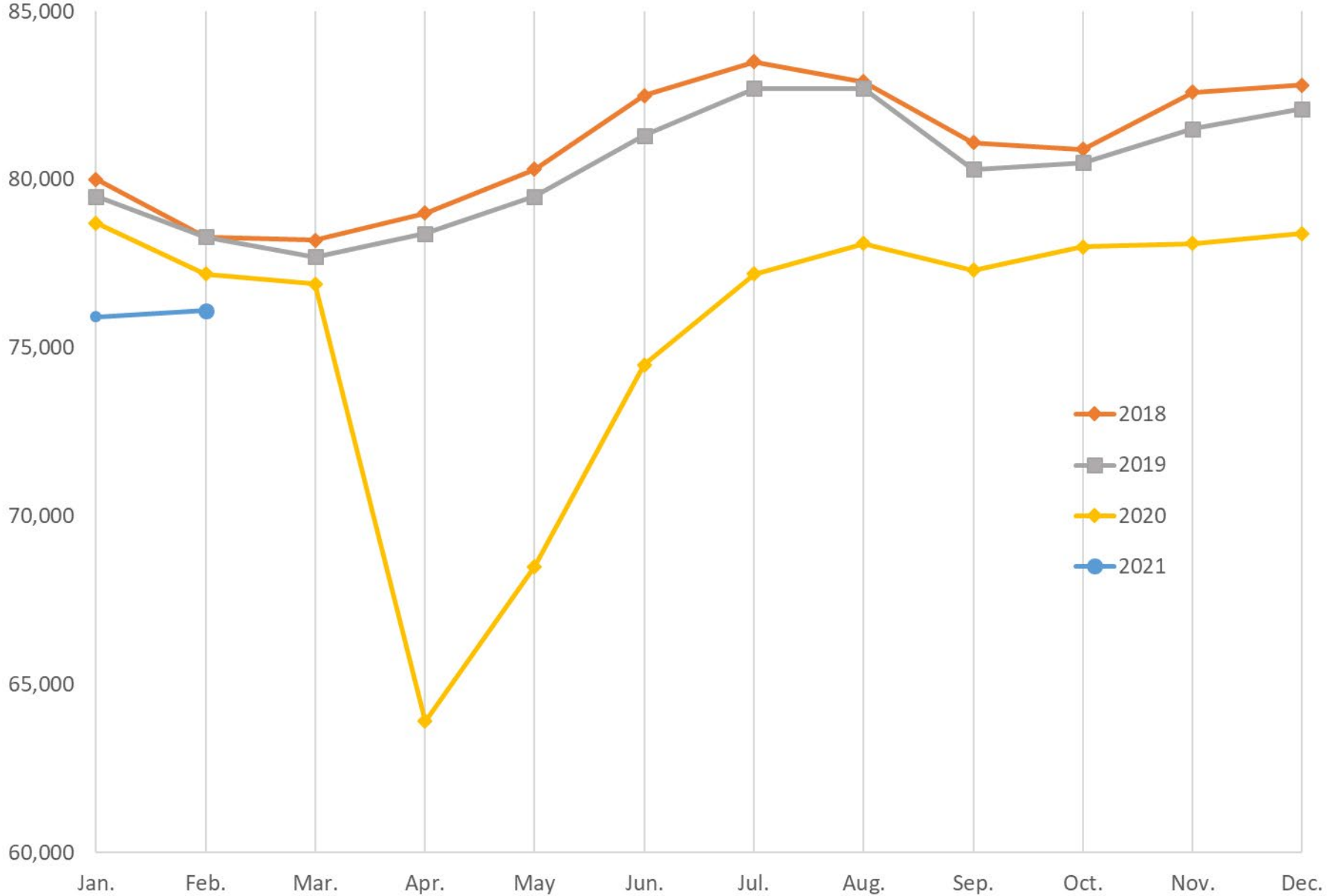
Total Nonfarm Employment, Not Seasonally Adjusted



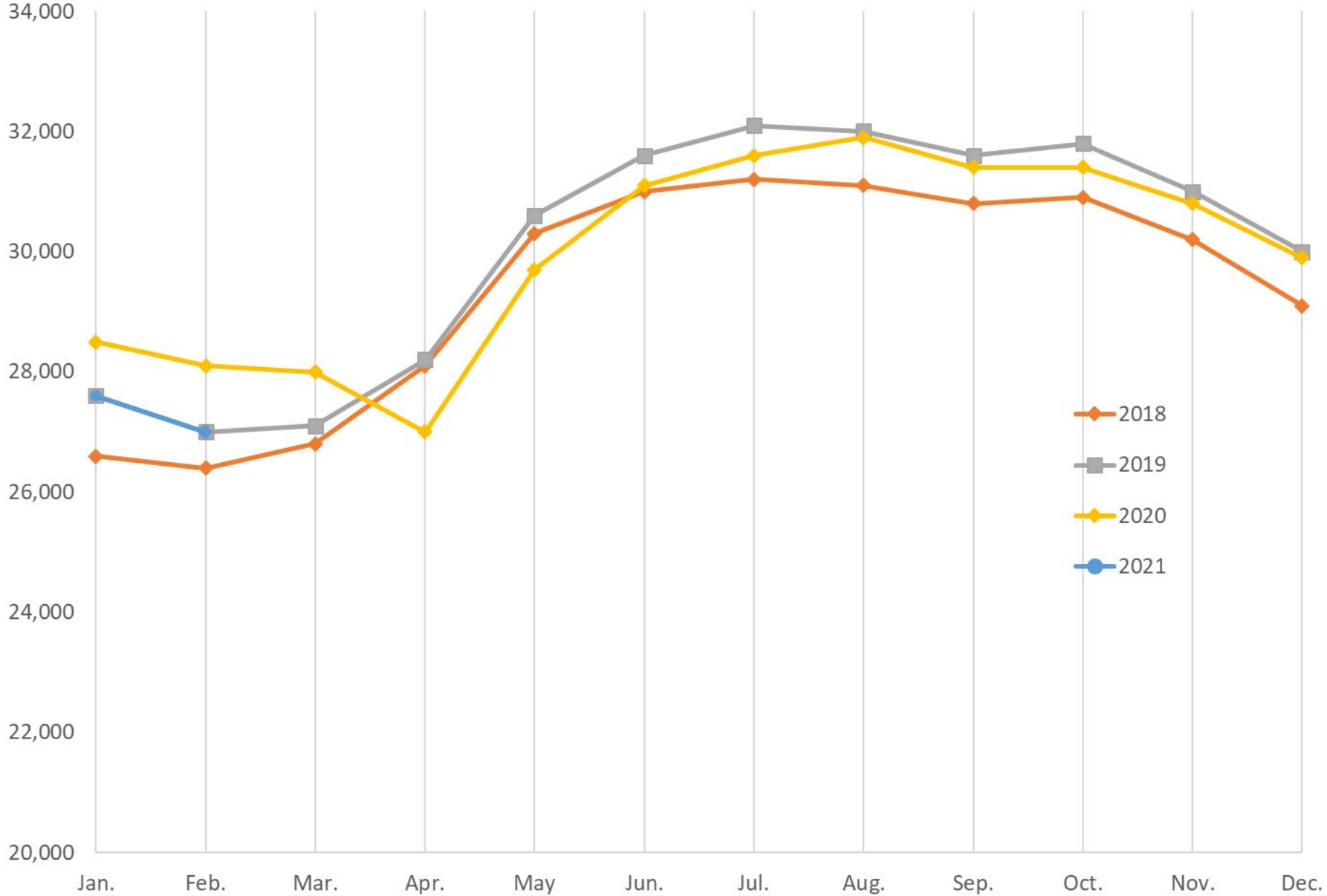
Leisure and Hospitality Employment, Not Seasonally Adjusted



Retail Trade Employment, Not Seasonally Adjusted

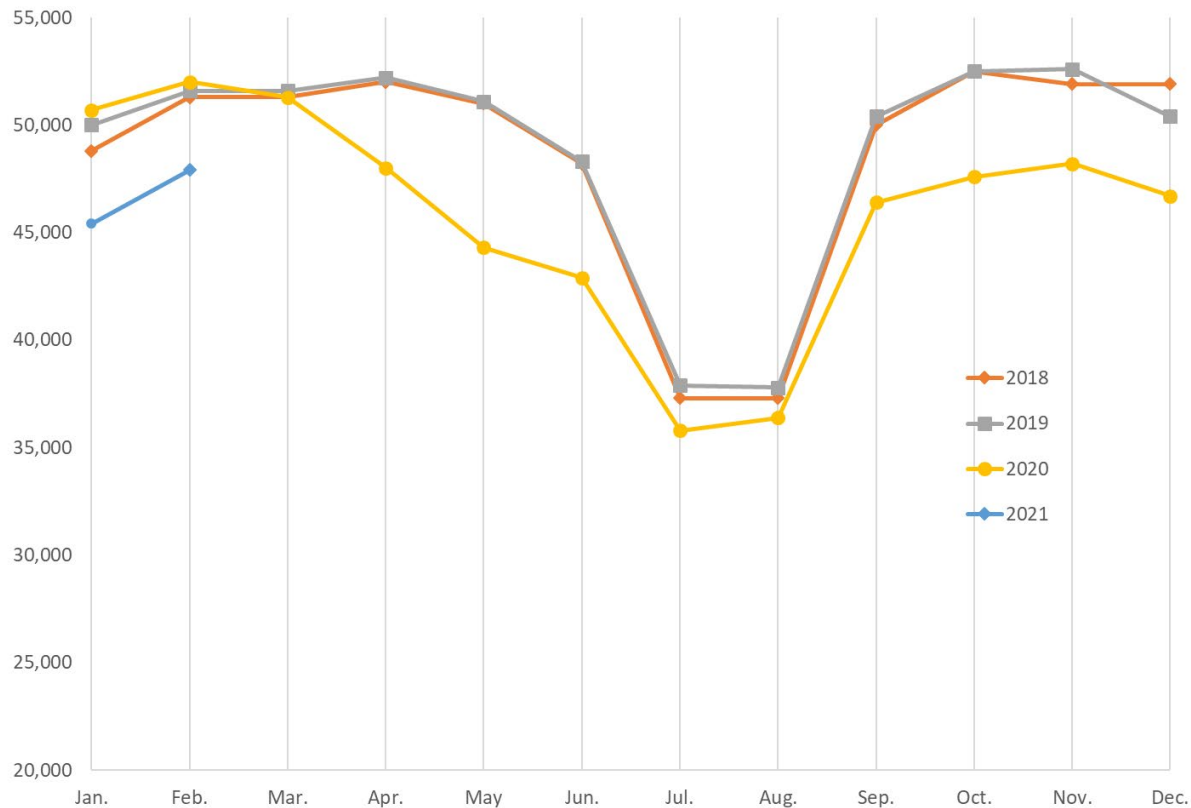


Construction Employment, Not Seasonally Adjusted

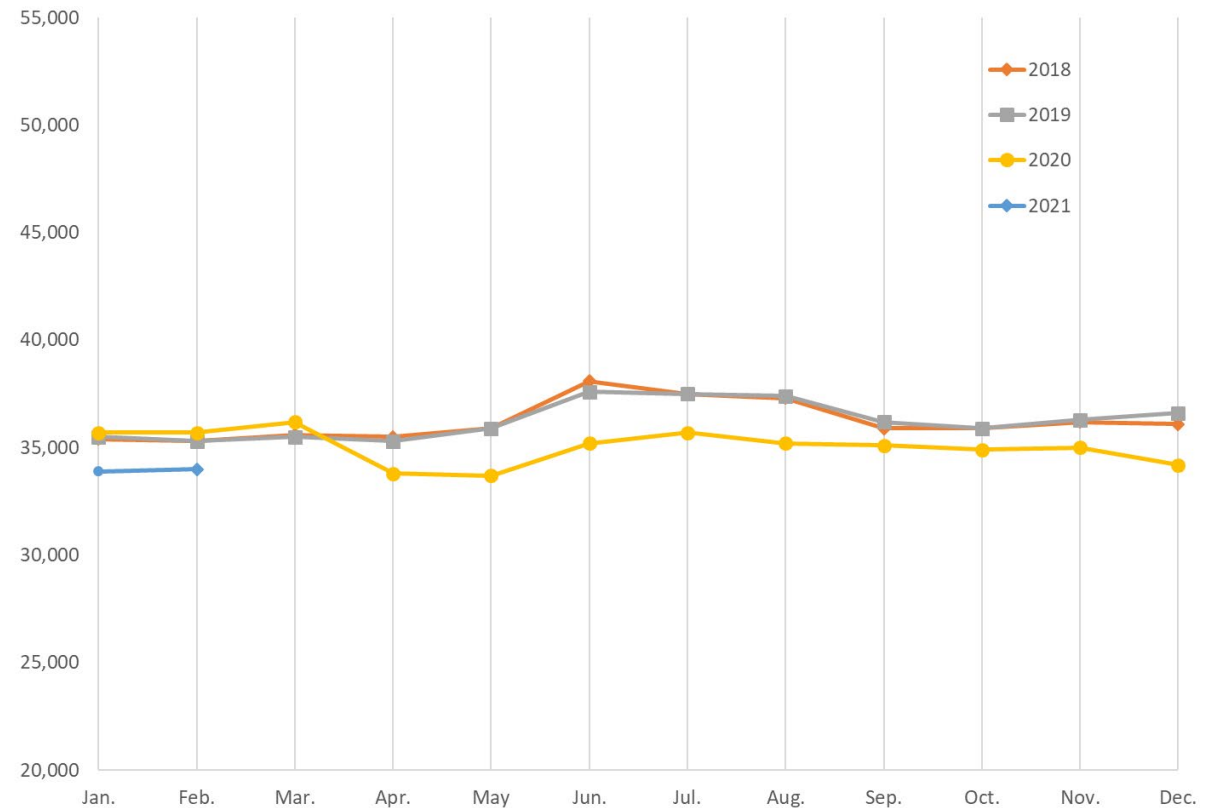


Most State & Local Government job losses were in public education (7.9% down vs 4.3% down YOY for non-education State & Local Government)

State & Local Government Education, Not Seasonally Adjusted



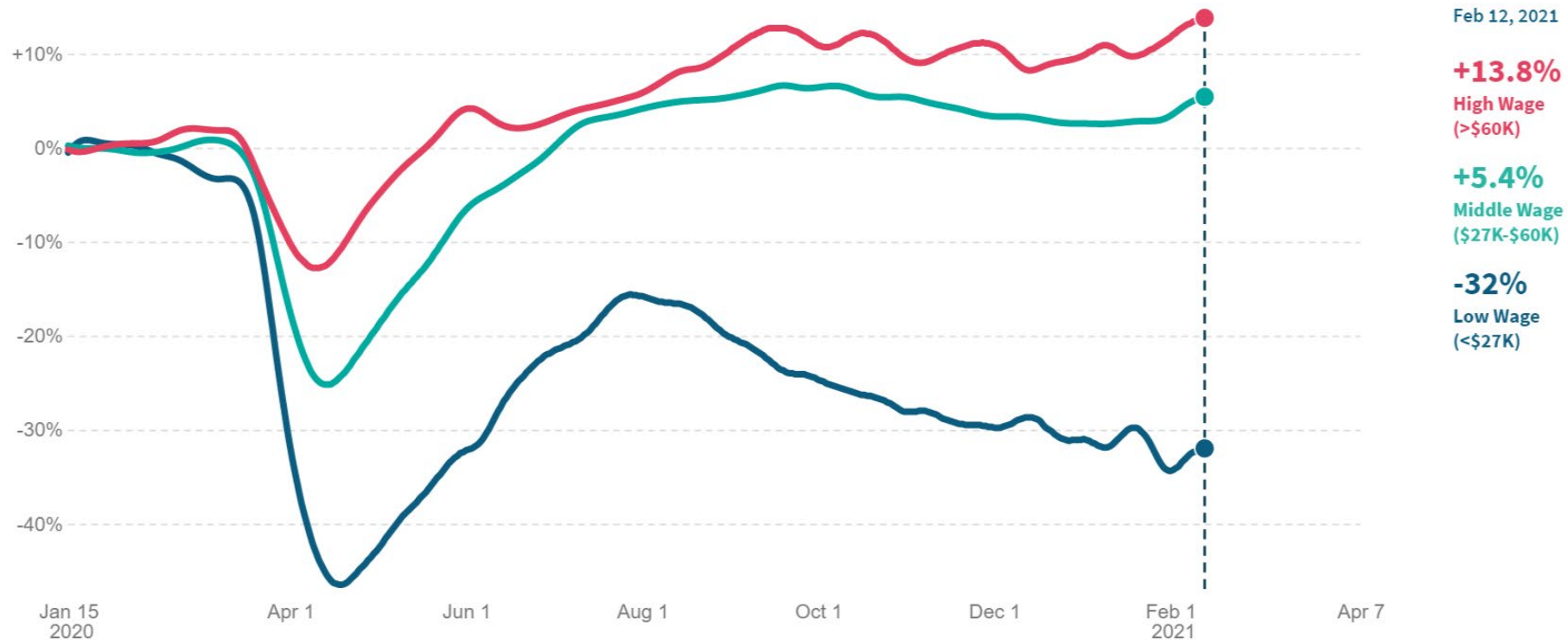
State & Local Government, Excluding Education, Not Seasonally Adjusted



Employment is following a “K-shaped” trajectory

Percent Change in Employment*

In **Maine**, as of **February 12 2021**, employment rates among workers in the bottom wage quartile **decreased** by **32%** compared to January 2020 (not seasonally adjusted).



data source: **Earnin, Intuit, Kronos, Paychex**

*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line is a prediction of employment rates based on Kronos and Paychex data.

last updated: **April 06, 2021** next update expected: **April 09, 2021**

Key assumptions from April 1, 2021, CEFC report (1/3)

- With economic recovery underway, concerns remain that this recovery is uneven across different sectors and demographic/socioeconomic groups.
- Although infection rates remain high, public health concerns will subside with the continuation of vaccine rollout. Continued social distancing, testing, and contact tracing will help the state mitigate the onset of COVID-19 variants.
- Federal stimulus and prolonged low interest rates will boost consumption and aid in the economic recovery; the service sector and tourism in particular may see increased demand during the summer.

Key assumptions from April 1, 2021, CEFC report (2/3)

- Long-term structural changes are likely to occur as the labor market faces a skills mismatch. The availability of regular, in-person childcare and K-12 education will remain a major determinant in returning labor force participation rates to normal levels.
- The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the “new normal” and people look for less densely populated places to live; however, this does have implications on the commercial real estate front, particularly for office space. The supply of housing is extremely limited and may be a constraint on continued home sales growth.

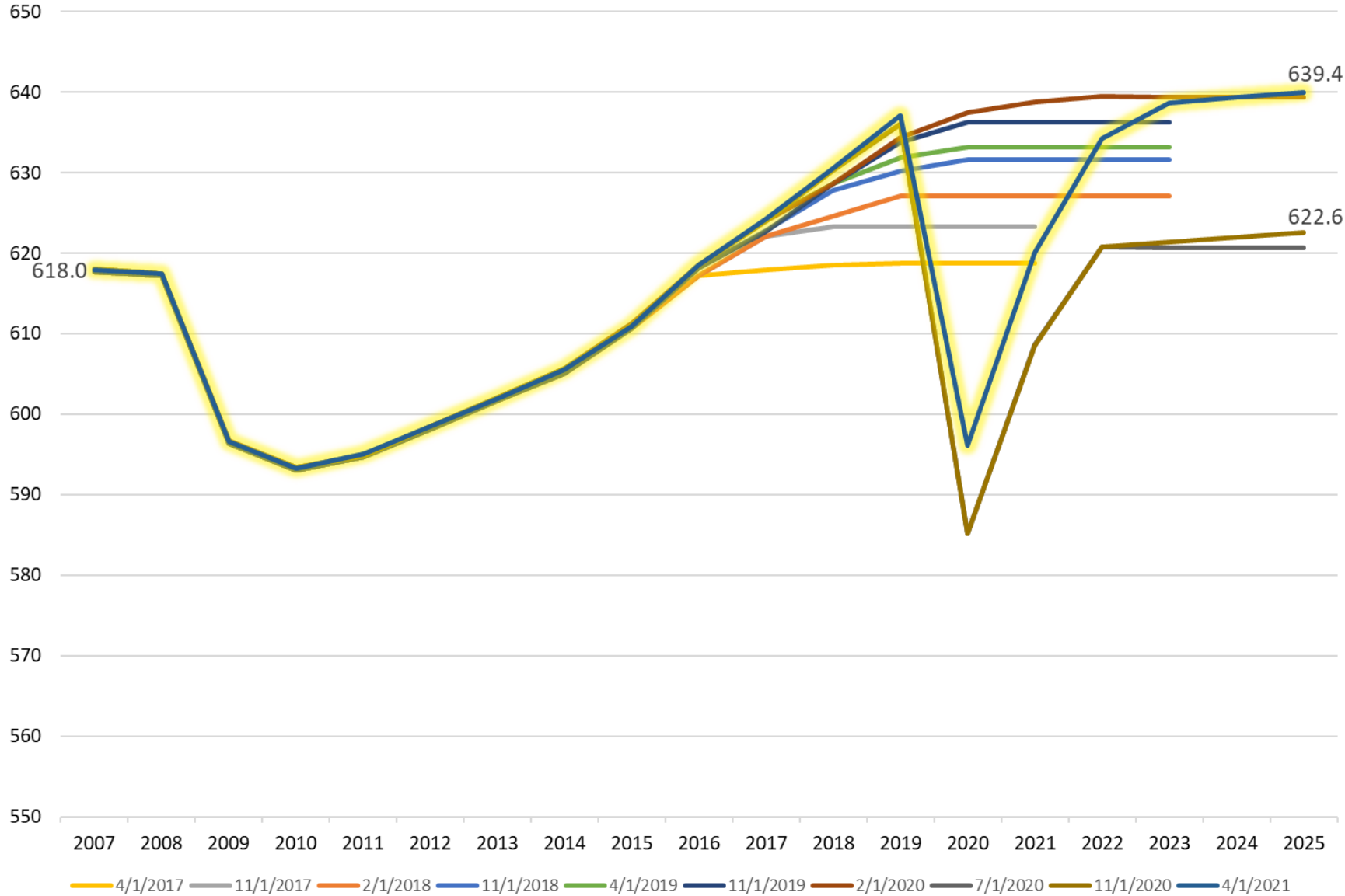
Key assumptions from April 1, 2021, CEFC report (3/3)

- Human behavior underpins several key uncertainties at this time, including vaccination uptake, willingness to continue to adhere to social distancing procedures, and eventual willingness to return to normal activity once it is considered safe to do so. Additionally, pent-up demand for services may lead to a substitution away from purchases of goods.
- Labor force constraints may be a risk if pent-up demand for tourism and services exceeds Maine's supply of workers, particularly if temporary workers are not able to travel to Maine for the summer tourism season. This may be mitigated somewhat on the lodging side if transient rental platforms are seen by visitors as preferable to traditional lodging facilities.

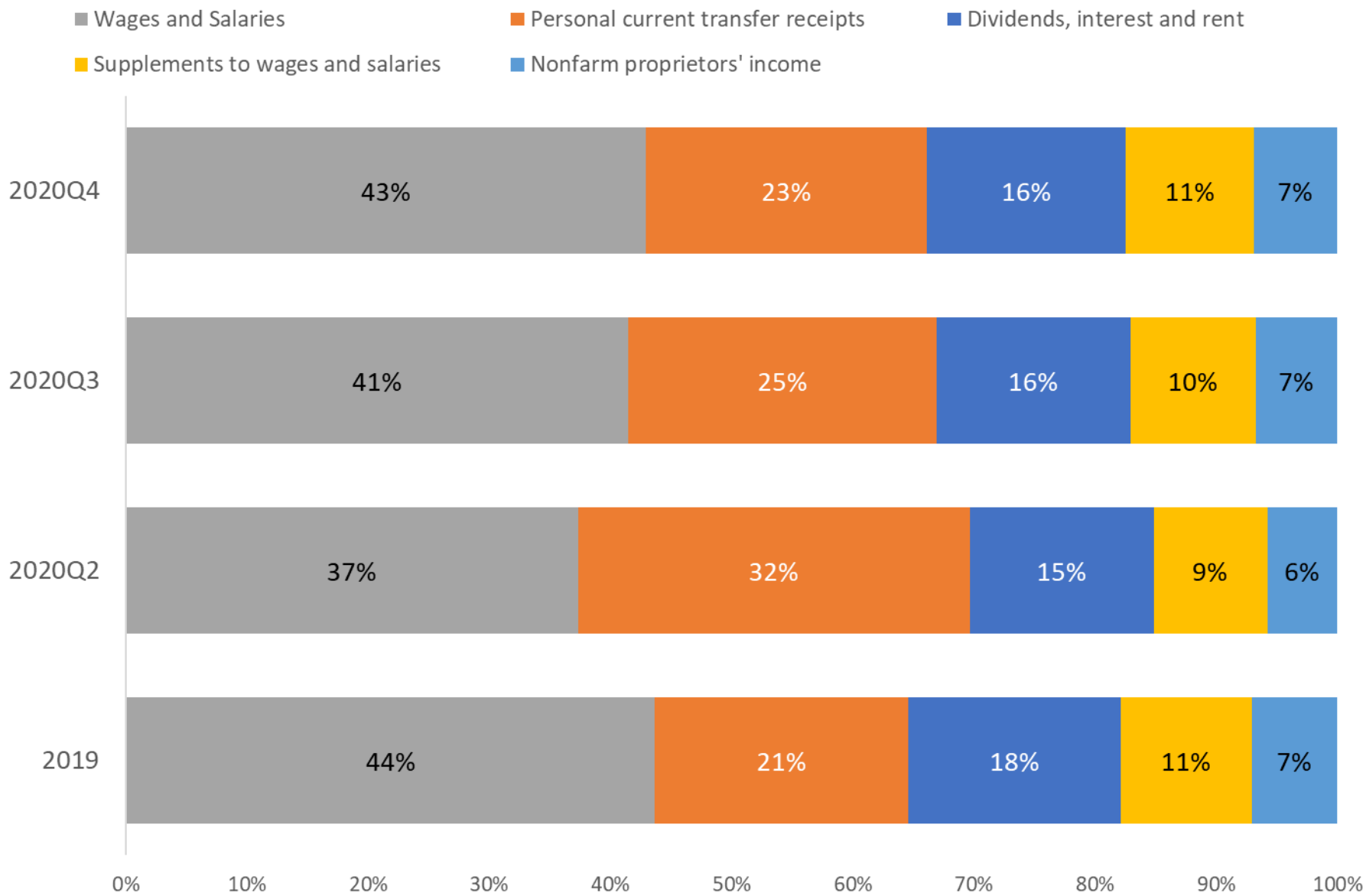
Forecast Highlights

Calendar Years	2020	2021	2022	2023	2024	2025
Wage & Salary Employment (Annual Percentage Change)						
CEFC Forecast 02/2020	0.5	0.2	0.1	0.0	0.0	0.0
CEFC Forecast 07/2020	-8.0	4.0	2.0	0.0	0.0	0.0
CEFC Forecast 11/2020	-8.0	4.0	2.0	0.1	0.1	0.1
CEFC Forecast 04/2021	-6.4	4.0	2.3	0.7	0.1	0.1
Personal Income (Annual Percentage Change)						
CEFC Forecast 02/2020	4.1	4.0	3.7	3.5	3.5	3.5
CEFC Forecast 07/2020	3.9	-1.2	3.7	3.5	3.6	3.6
CEFC Forecast 11/2020	5.3	-0.5	3.9	3.9	3.9	4.0
CEFC Forecast 04/2021	7.6	5.0	0.2	4.1	4.3	4.5
Wage and Salary Income (Annual Percentage Change)						
CEFC Forecast 02/2020	4.1	3.7	3.4	3.2	3.2	3.2
CEFC Forecast 07/2020	-5.0	2.0	3.0	3.0	3.0	3.0
CEFC Forecast 11/2020	-1.5	3.0	4.0	4.0	4.0	4.0
CEFC Forecast 04/2021	1.4	5.0	4.0	4.0	4.0	4.0
CPI (Annual Percentage Change)						
CEFC Forecast 02/2020	1.9	2.0	2.0	2.0	2.0	2.0
CEFC Forecast 07/2020	0.9	1.5	1.7	2.0	2.0	2.0
CEFC Forecast 11/2020	1.3	2.2	2.2	2.1	2.1	2.1
CEFC Forecast 04/2021	1.2	2.4	2.2	2.1	2.1	2.1

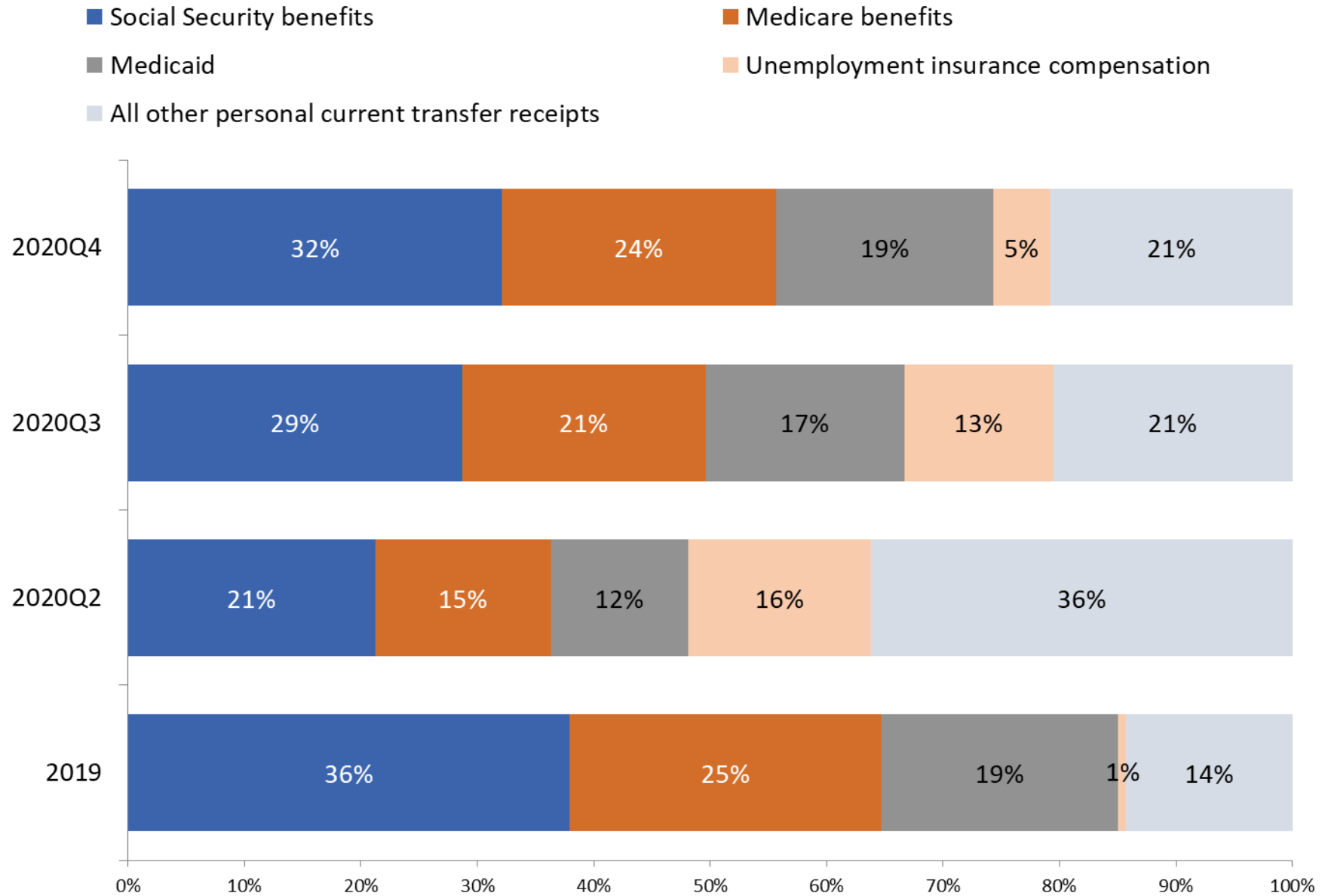
Revisions to CEFC Forecast of Total Nonfarm Employment (in thousands)



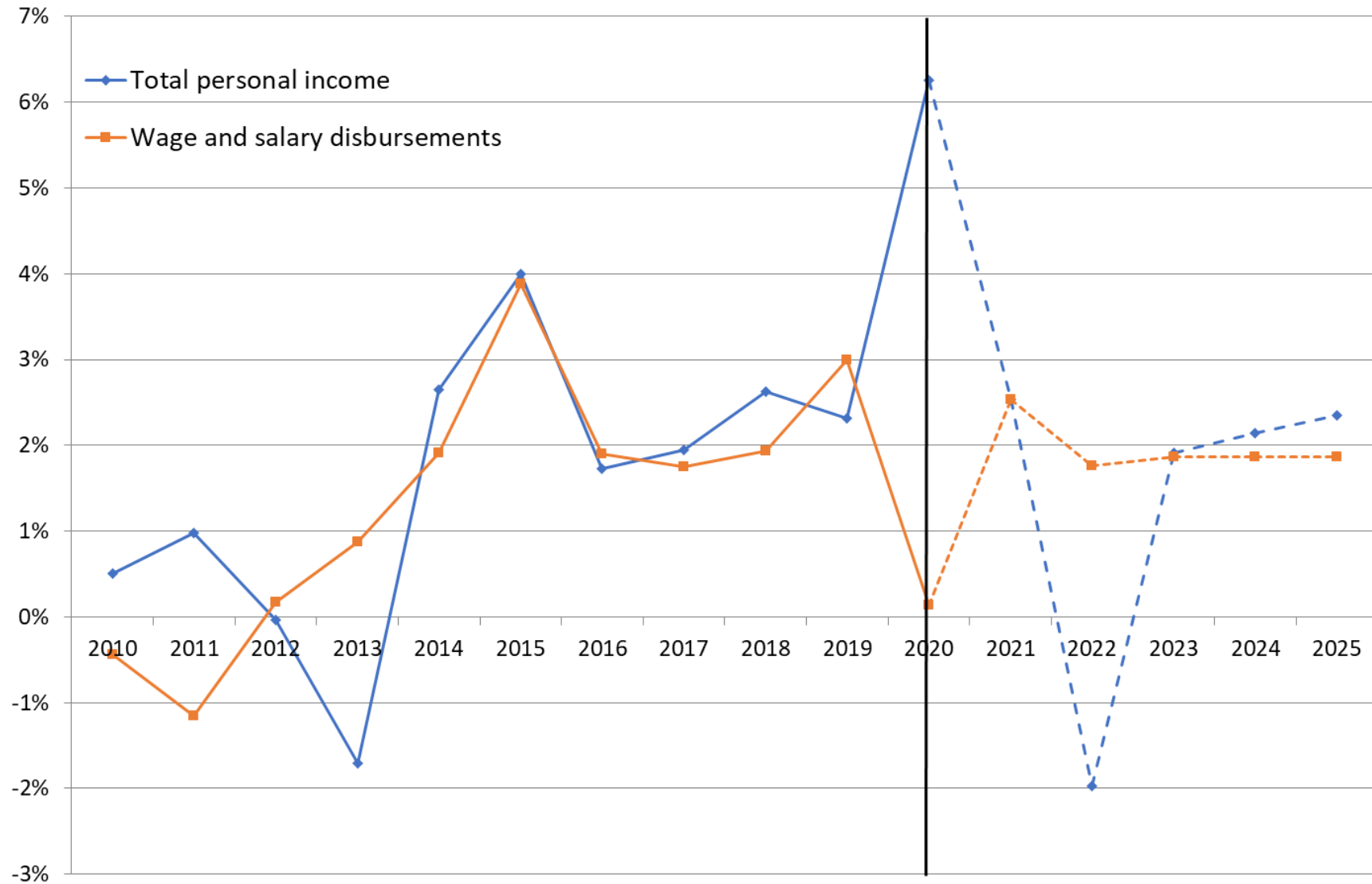
Major Components of Personal Income, Maine



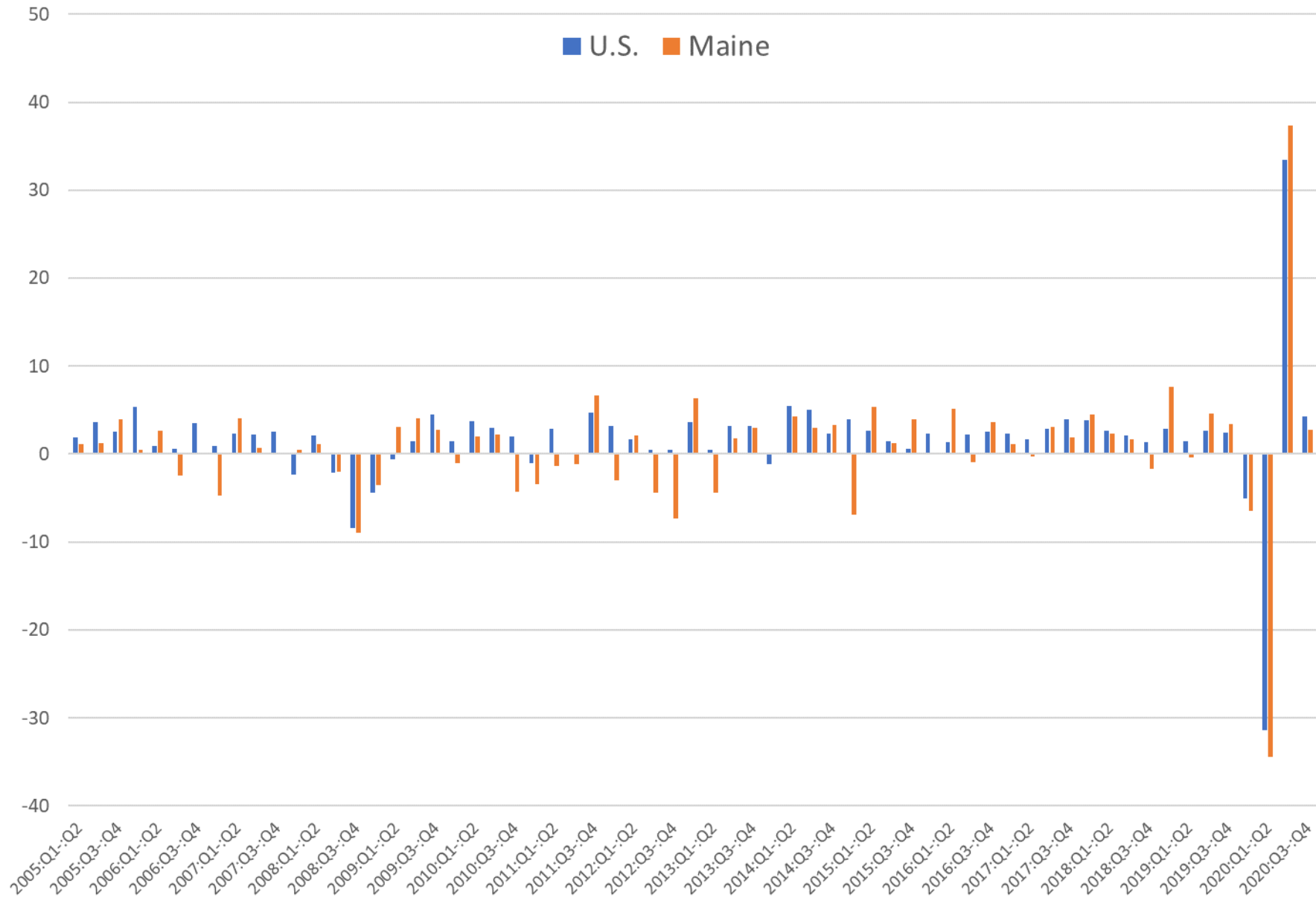
Components of Personal Current Transfer Receipts, Maine



Percent Change in Real Personal Income, Maine 2010-2020 and forecast to 2025

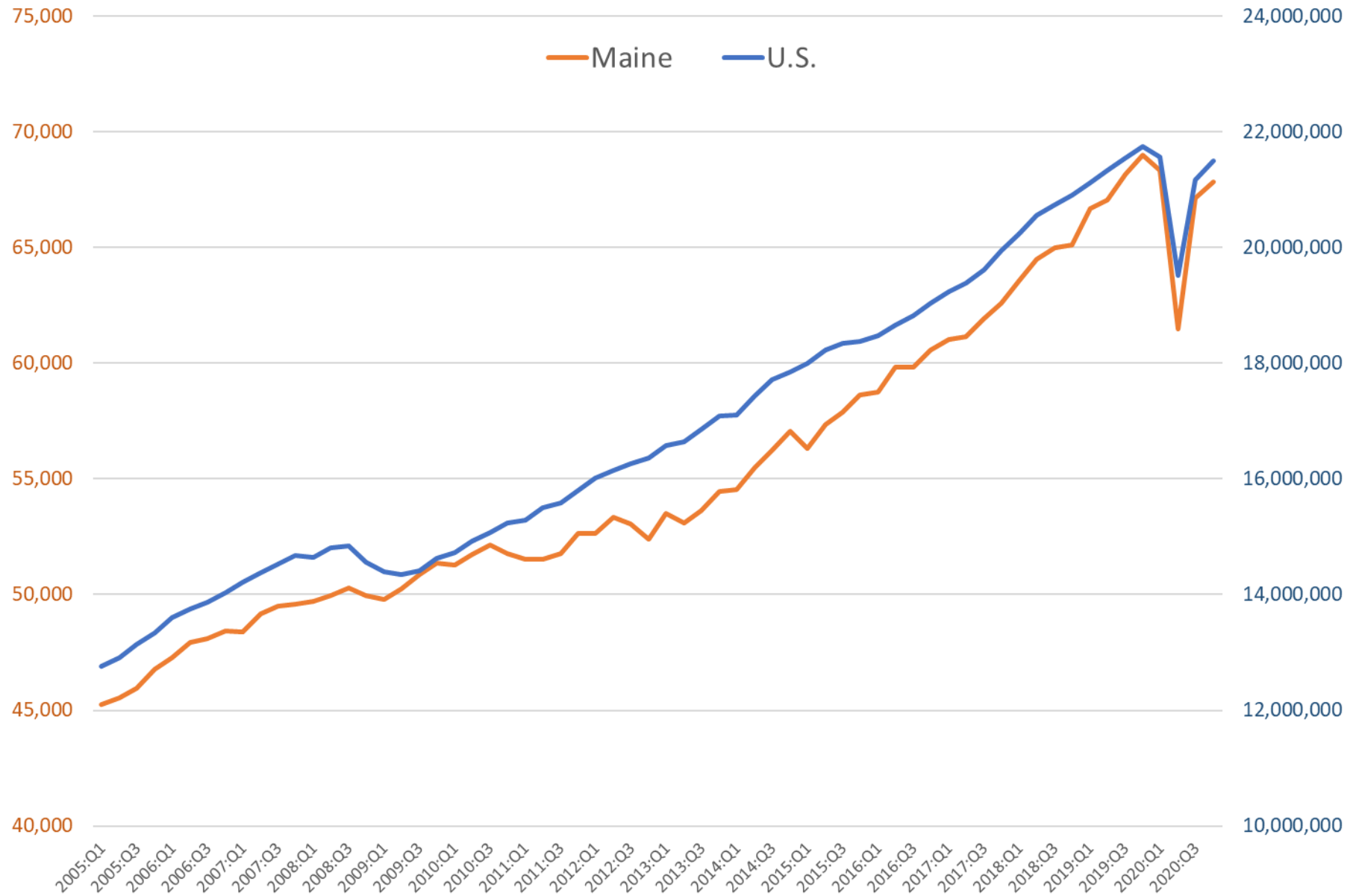


Quarterly Real GDP, Annualized Percent Change from Previous Quarter



Source: U.S. Bureau of Economic Analysis, March 26, 2021 release

Quarterly GDP (in millions of current dollars)



Taxable retail sales: the good, the bad, and the unusual

Good:

- Remote sales/other retail have done very well during the pandemic (up 39.4% in 2020)
- Auto sales have been robust (up 5.6%)
- Building supply sales have been through the roof (up 19.9%)

Bad:

- Restaurant (down 25.5%) and lodging sales (down 35.2%) still lag well behind normal levels

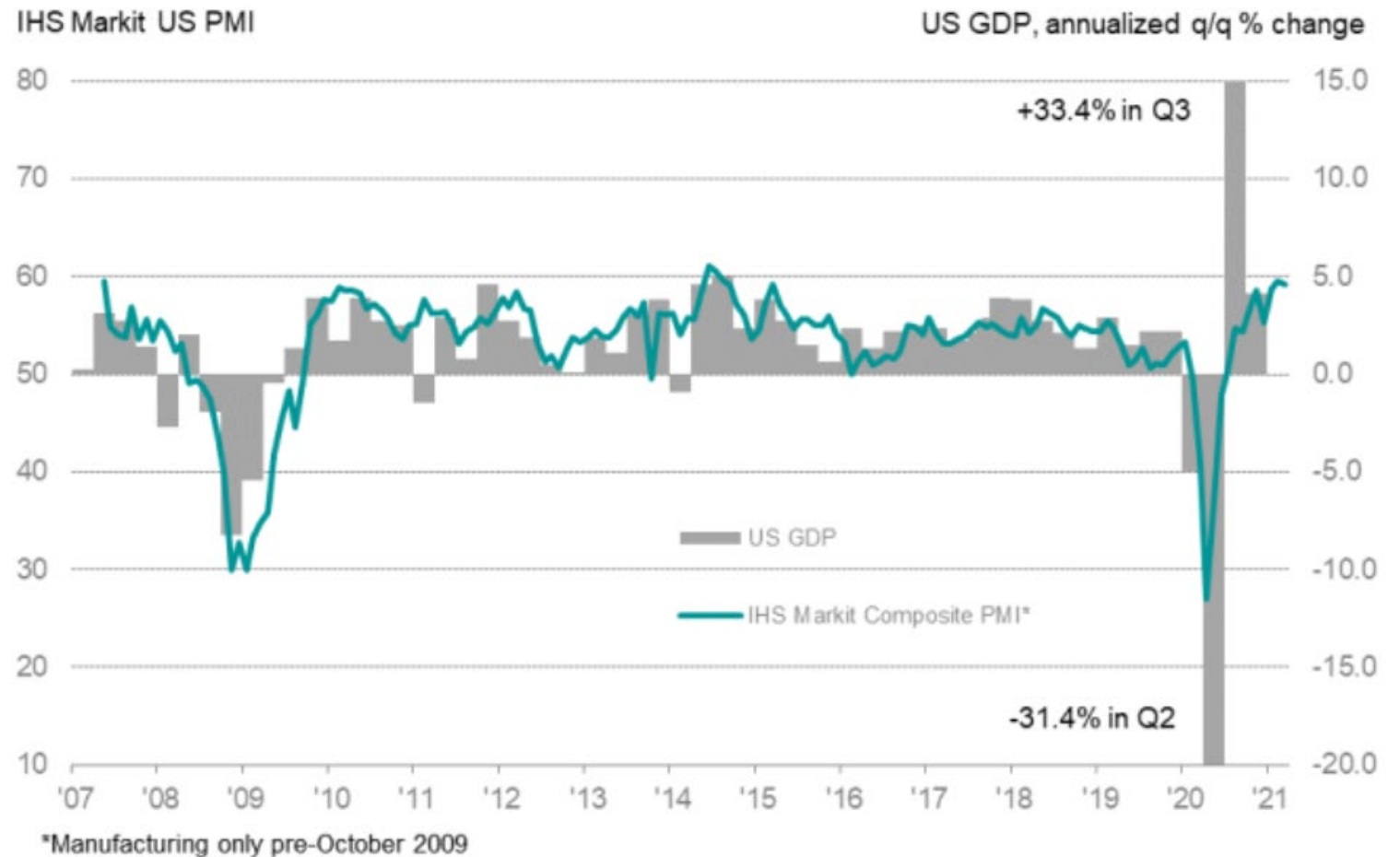
Unusual:

- Normally in a recession we see purchases of durable goods and construction drop off quickly while services generally do okay – just the opposite has happened this time

Data collected March 12-23

IHS Markit Composite PMI and U.S. GDP

- Supply chain disruptions are limiting goods production, driving prices up and hindering sales
- COVID-19 outbreaks, the Texas freeze, semiconductor shortages, the Suez Canal blockage, and port backlogs have all contributed to supply bottlenecks in recent months



Sources: IHS Markit, U.S. Bureau of Economic Analysis

This is not a typical recession (as much as there is such a thing as a “typical” recession)

Normally in a recession, we see more losses in goods-producing sectors, but this time around, we’re seeing the opposite

- Leisure and hospitality plus public and private education accounted for 64% of net job loss over the year

Impacts have been highly disparate, with women, BIPOC, low-income households, households with children, and younger workers more affected (share of employment in hard hit sectors one of the contributing factors)

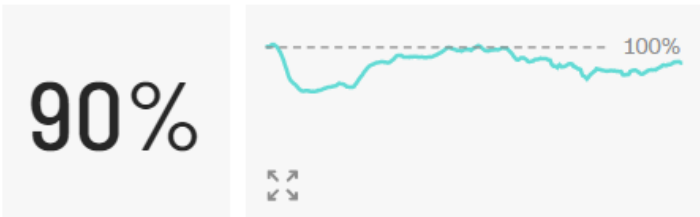
- This is exacerbating existing inequities and is somewhat disguised by top-level indicators

For state-to-state comparisons, public health (and related policies) and weather/seasonality have played more of a role than usual in economic conditions

The Back-to-Normal Index

The pandemic economy is far from normal. So Moody's Analytics and CNN Business have partnered to create a proprietary Back-to-Normal Index, comprised of 37 national and seven state-level indicators. The index ranges from zero, representing no economic activity, to 100%, representing the economy returning to its pre-pandemic level in March.

Maine ▼



The economy in Maine is operating at 90% of where it was in early March.

New coronavirus cases in the last 7 days
1,122 ▼

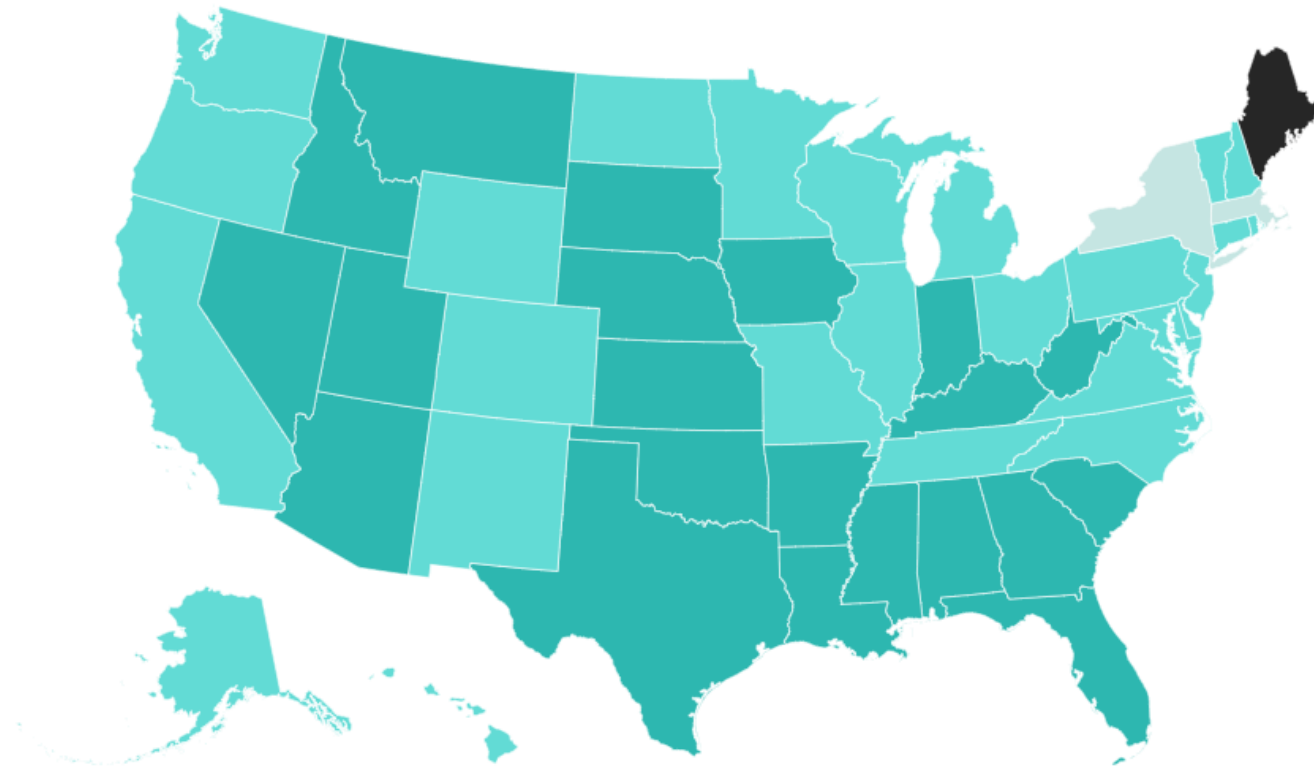
Back-to-Normal state rank (1 = Best, 50 = Worst)
21 ▲

[Learn how we created the Back-to-Normal Index](#)

Source: [Moody's Analytics](#), [JHU CSSE COVID-19 Data](#)

Percent of the way back to normal (100%=normal):

- Less than 60%
- 60% to 69%
- 70% to 79%
- 80% to 89%
- 90% to 99%
- 100% or more



- RI
- NJ
- DE
- MD

Data as of April 02, 2021

What to look for in the coming weeks/months

- Economic health relies on public health, especially in key sectors
 - Increased vaccinations and decreased infection rates should result in improved economic conditions, assuming that consumer confidence rebounds (people need to feel both physically and economically secure)
- Supply chain issues are becoming a significant problem and could hold back the recovery, especially if they become more widespread and/or drag on for an extended period
- Federal support has been critical thus far; ARPA will help continue bridging the gap, especially for the harder-hit households and businesses, until the pandemic is fully under control
- An early spring would help matters, too

Contact Information

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