

# MAINE'S ECONOMIC OUTLOOK

Midcoast Assessors

November 20, 2019

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Maine State Economist

# Overview

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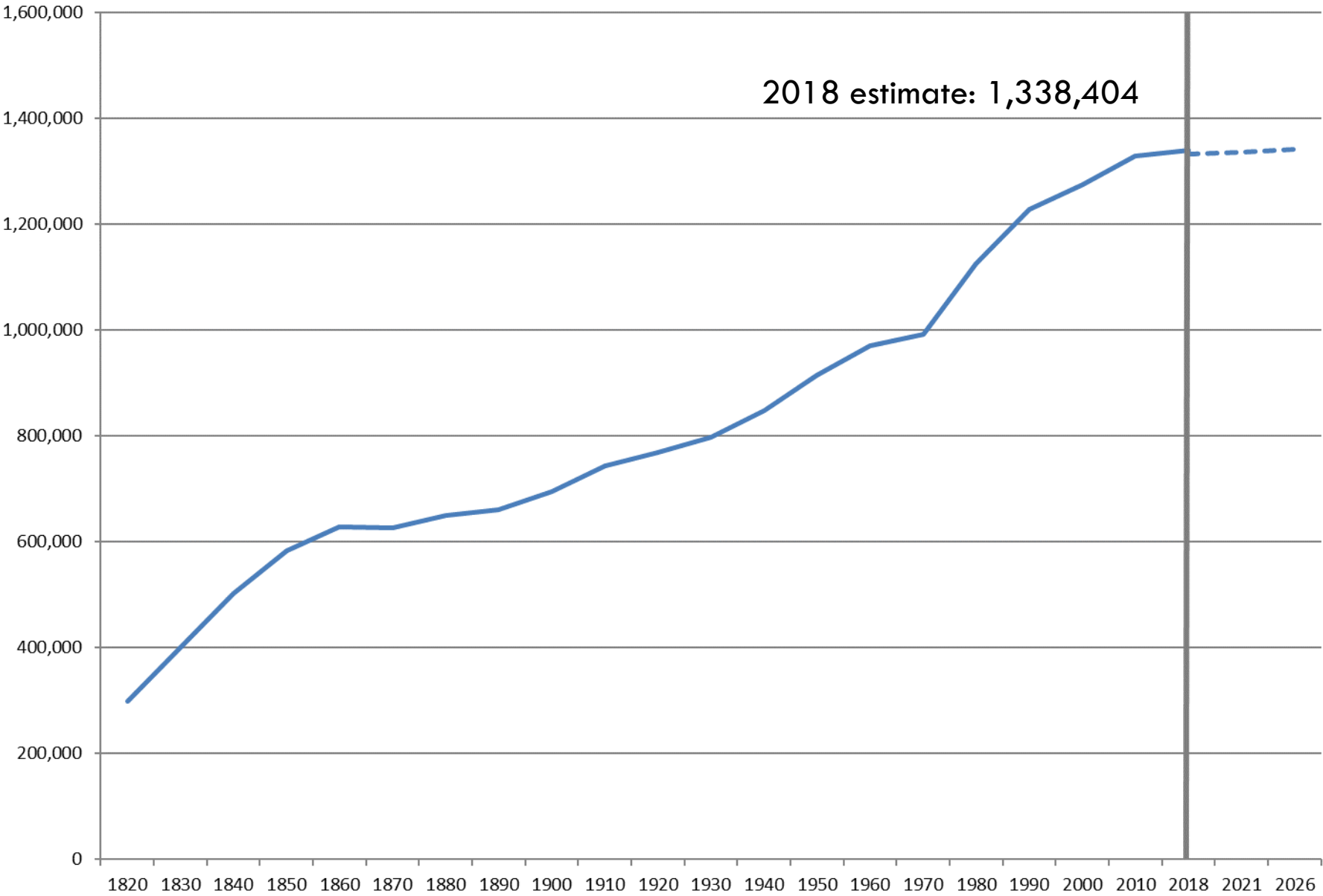
- Demographics and regional variations
- Labor force and employment
- Income and GDP
- Macroeconomic outlook
- Stress-testing revenues
- 10-year economic strategic planning

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# Demographics



# Total Population, Maine



Sources: U.S. Census Bureau; State Economist population projections

# Maine: A Demographic Snapshot

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- 2018 Population Estimate: 1,338,404
  - 42<sup>nd</sup> largest in US
- 2010 – 2018 Population Change: +0.8%
  - 42<sup>nd</sup> in US (ahead of WV, IL, CT, VT, RI, MS, NY, PA)
- 2018 Median age: 44.9 years
  - Oldest in US
- 93.1% White, Non-Hispanic
  - Highest percentage in US



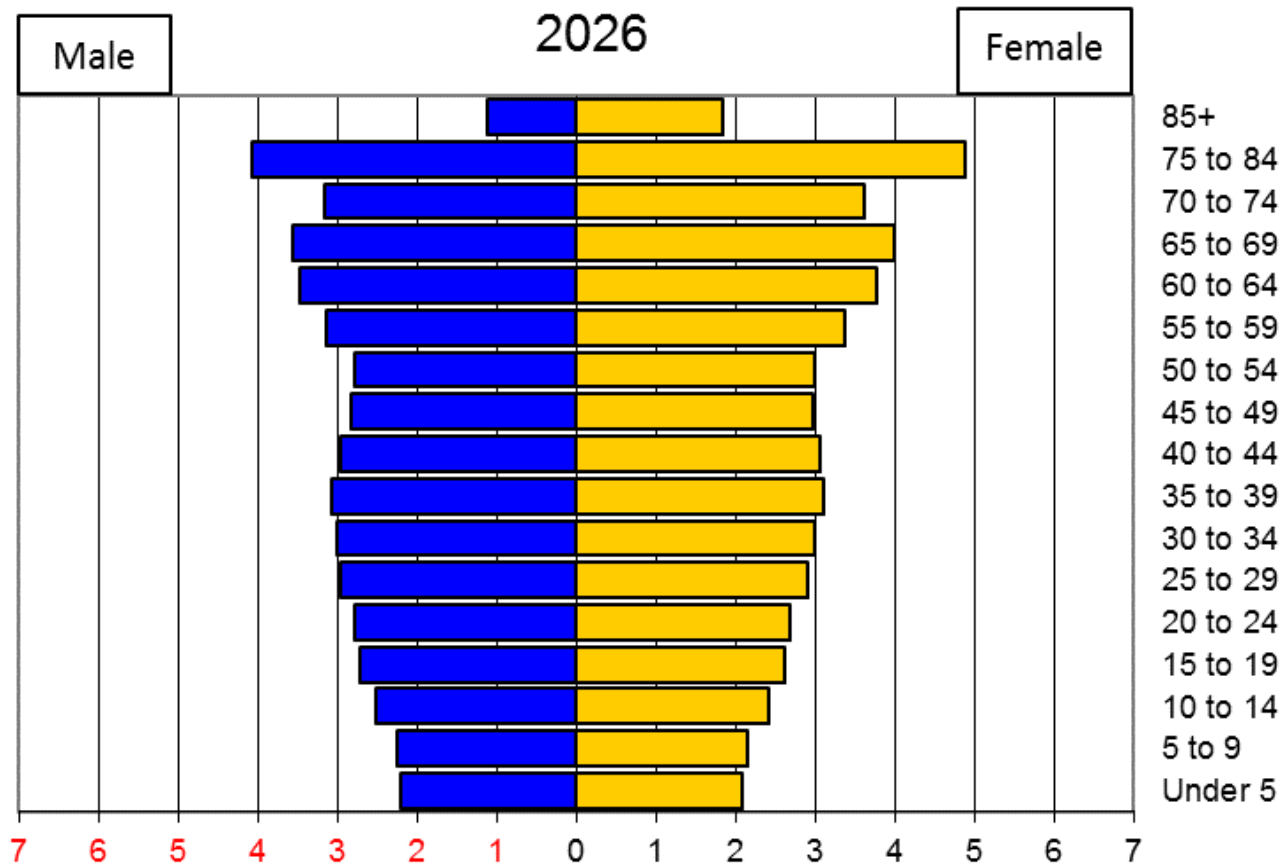
# Improving Population Growth

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- In 2018, Maine's rate of total population increase ranked 34th and the rate of total net migration ranked 19th in the U.S.
- Other states in the U.S. are starting to see their populations age and in-migration slow
- Maine has been at the leading edge and now other states are catching up

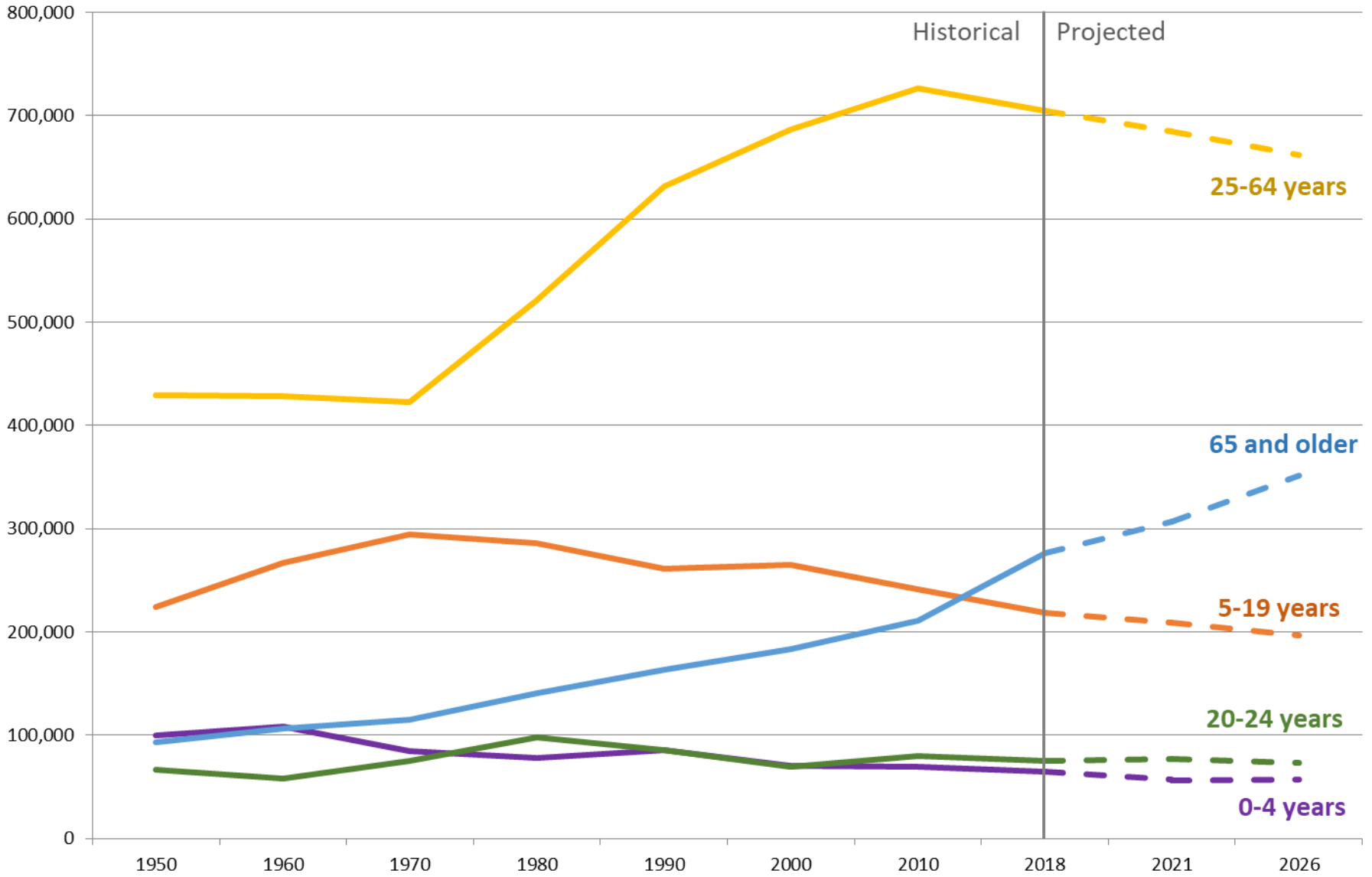
# The Baby Boom Wave

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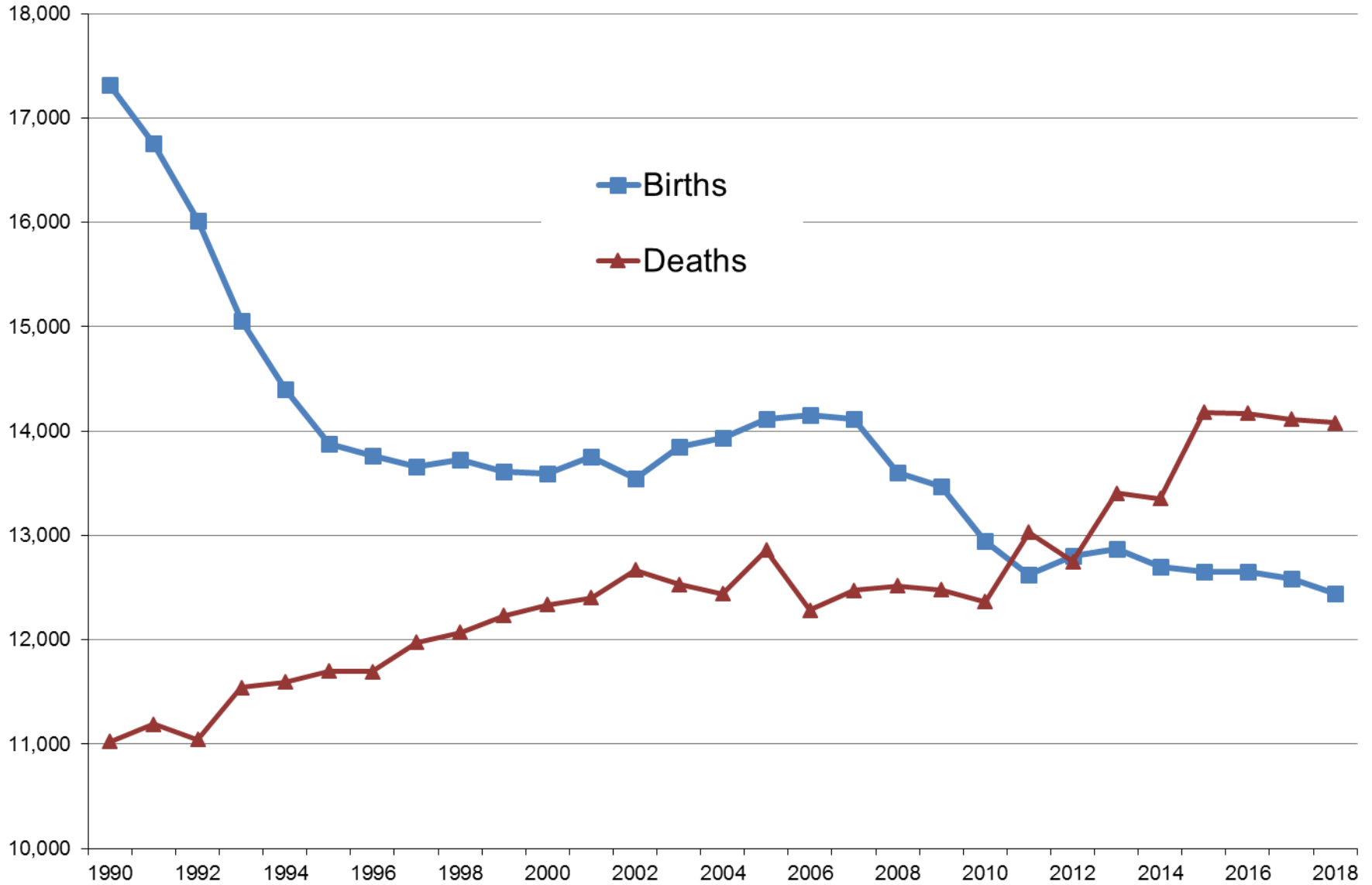
# Maine Population Trends by Age

## 1950-2026

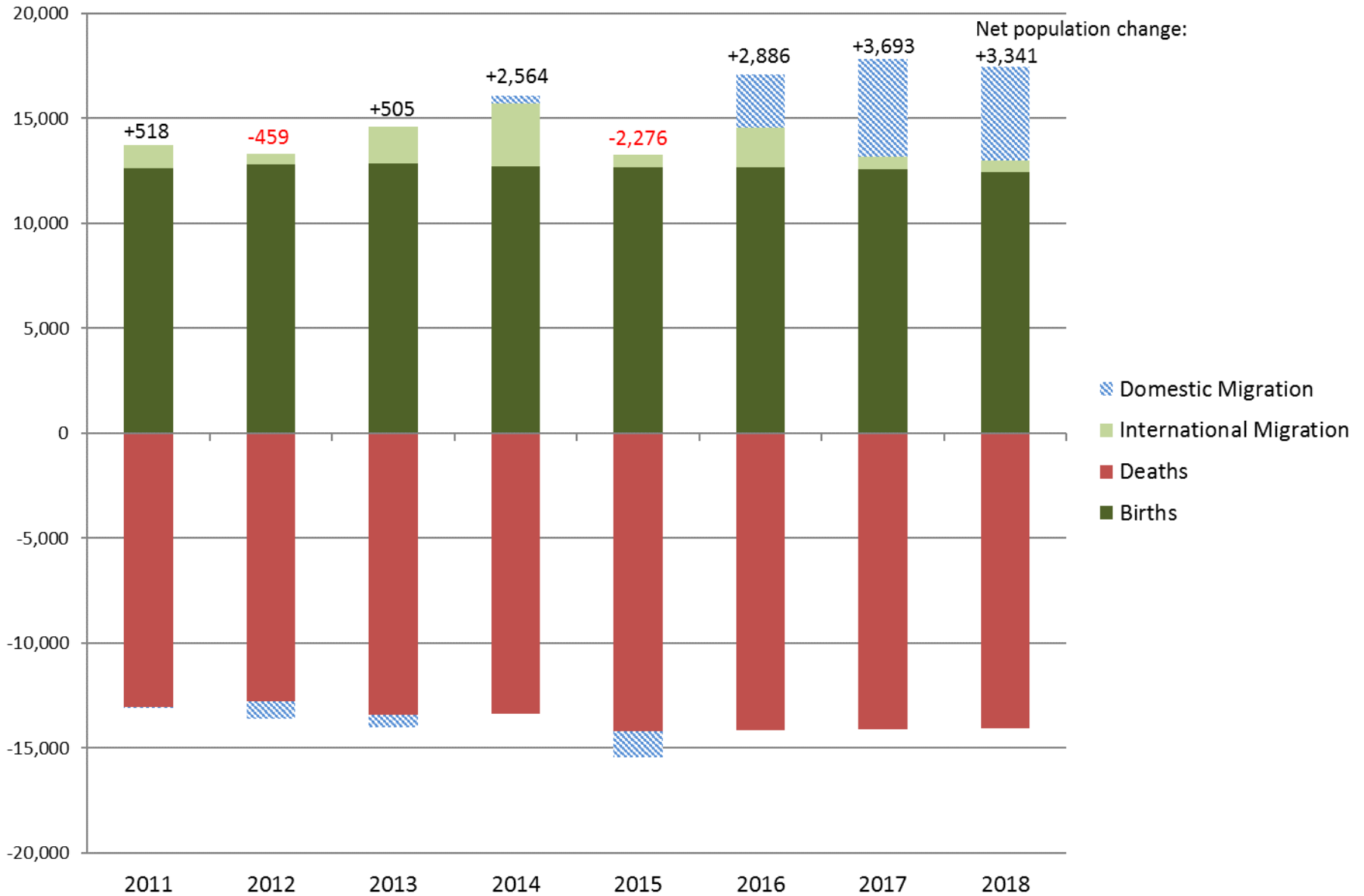




# Births and Deaths per year in Maine



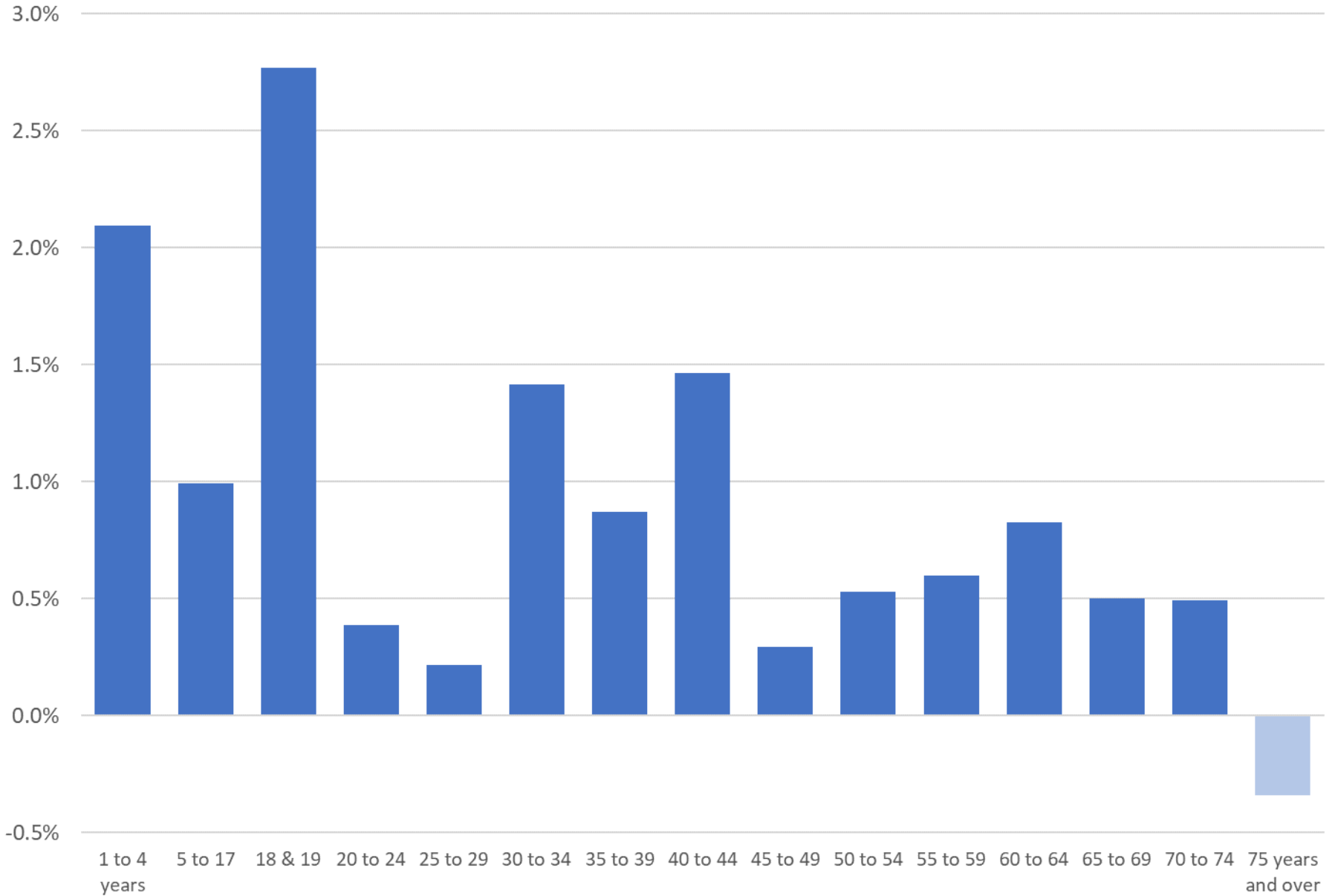
# Components of Population Change, Maine



# Where are people moving to/from?

| 2018 State-to-State Migration Patterns |       |                             |       |
|--|-------|-----------------------------|-------|
| <i>Moved to Maine from:</i>            |       | <i>Moved from Maine to:</i> |       |
| Massachusetts                          | 5,775 | New Hampshire               | 4,016 |
| New Hampshire                          | 4,731 | Massachusetts               | 3,188 |
| New York                               | 2,909 | Florida                     | 2,783 |
| Texas                                  | 2,386 | Connecticut                 | 1,342 |
| Florida                                | 2,082 | California                  | 1,294 |
| Connecticut                            | 1,734 | North Carolina              | 1,235 |
| Pennsylvania                           | 1,393 | Maryland                    | 990   |
| Michigan                               | 1,320 | Pennsylvania                | 916   |
| North Carolina                         | 1,049 | Colorado                    | 912   |
| Vermont                                | 997   | Texas                       | 815   |

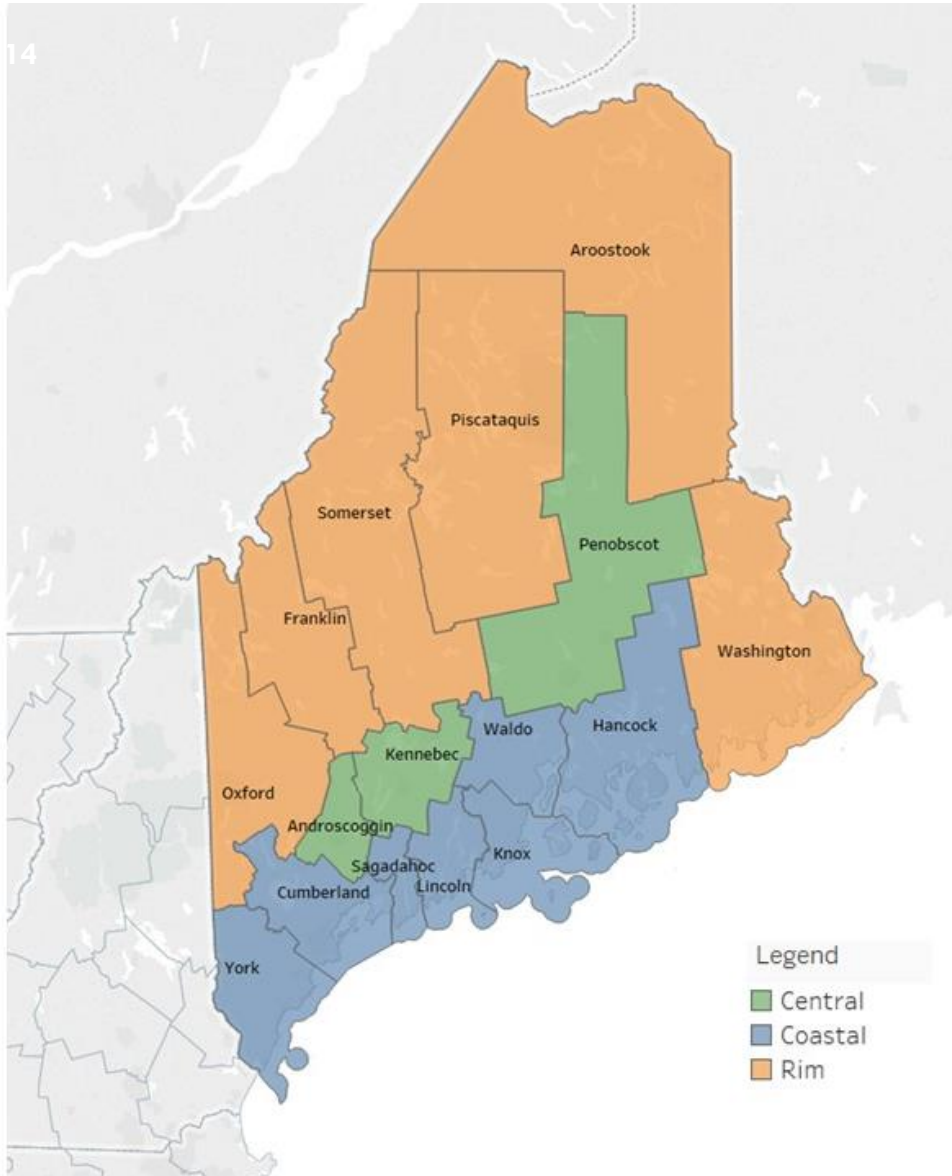
## Annual Domestic Migration Rate by Age, 2018



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# Regional Variations

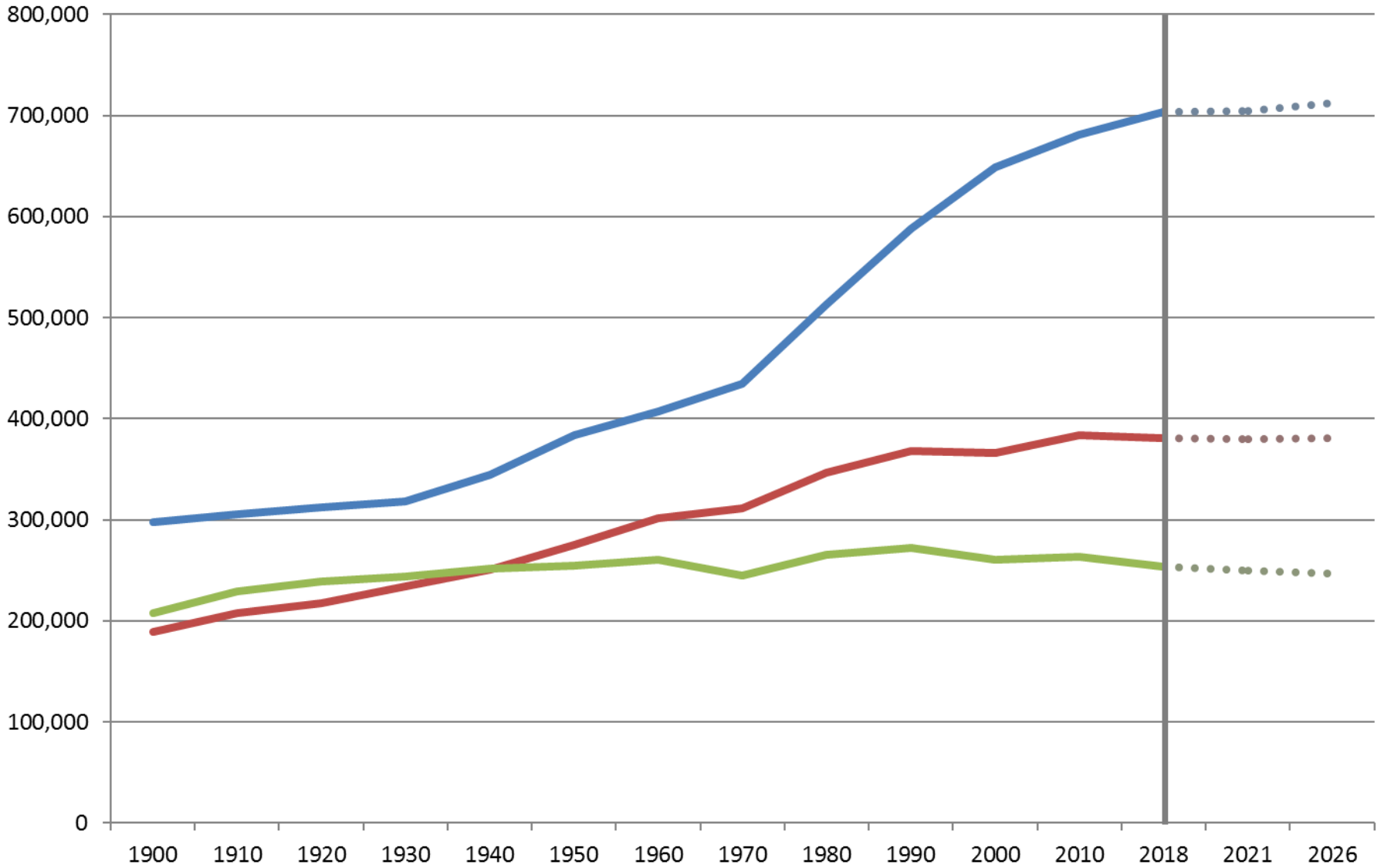
# Regions of Maine



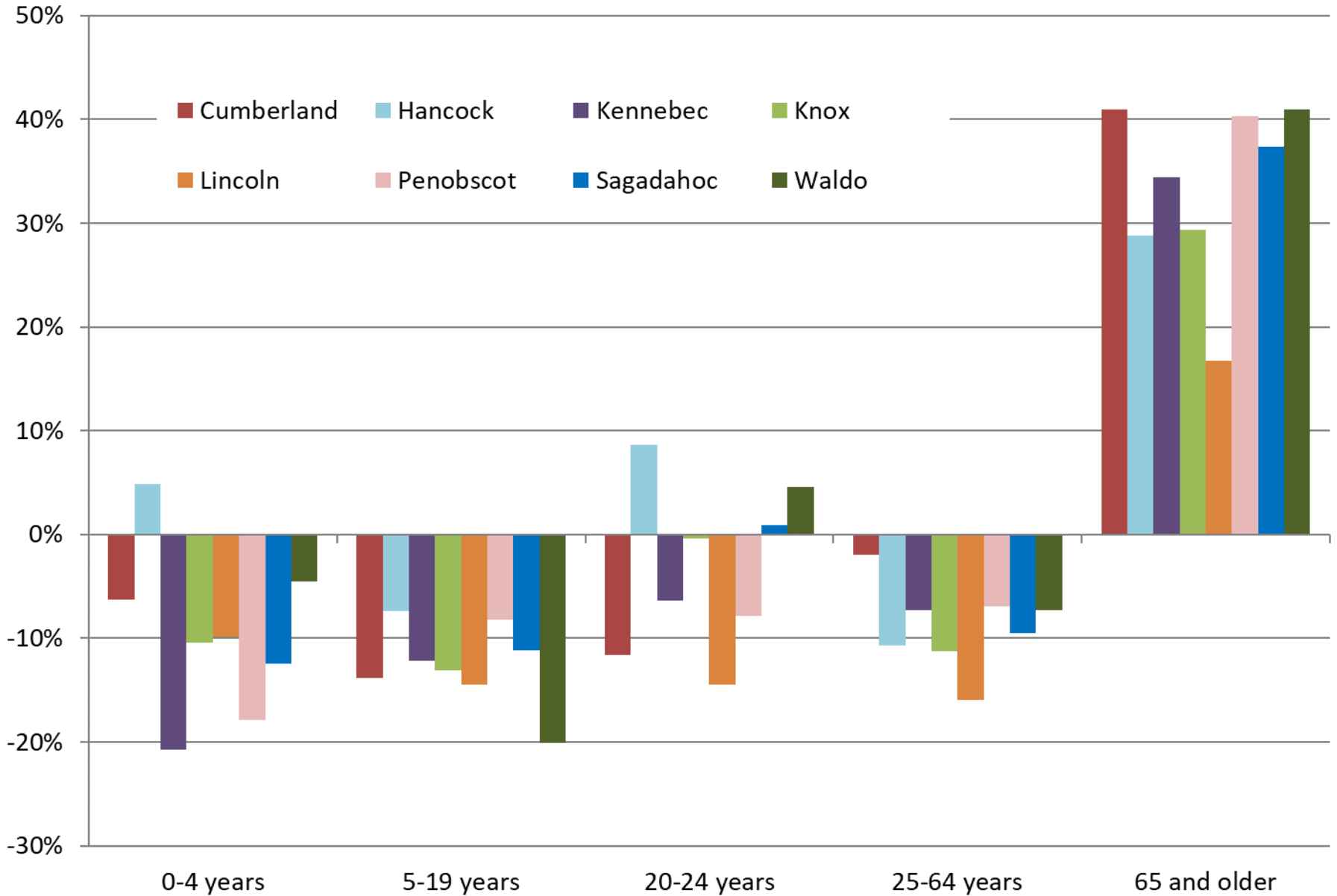
- Three counties had peak decennial population in a year other than 2010:
  - Aroostook: 1960
  - Piscataquis: 1920
  - Washington: 1900

# Total Population, Regions of Maine

Coastal Central Rim

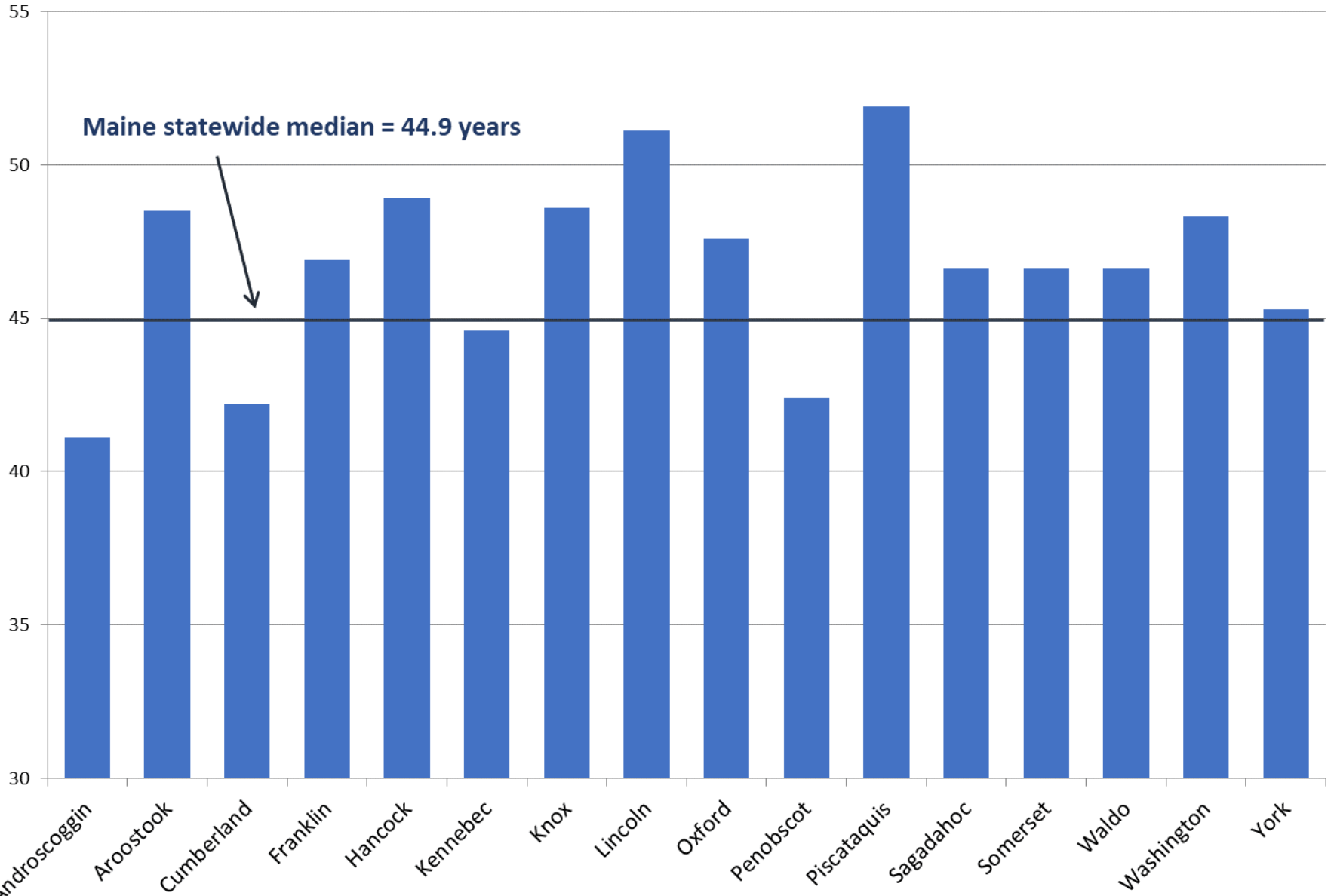


## Projected Population Change by Age, 2016-2026

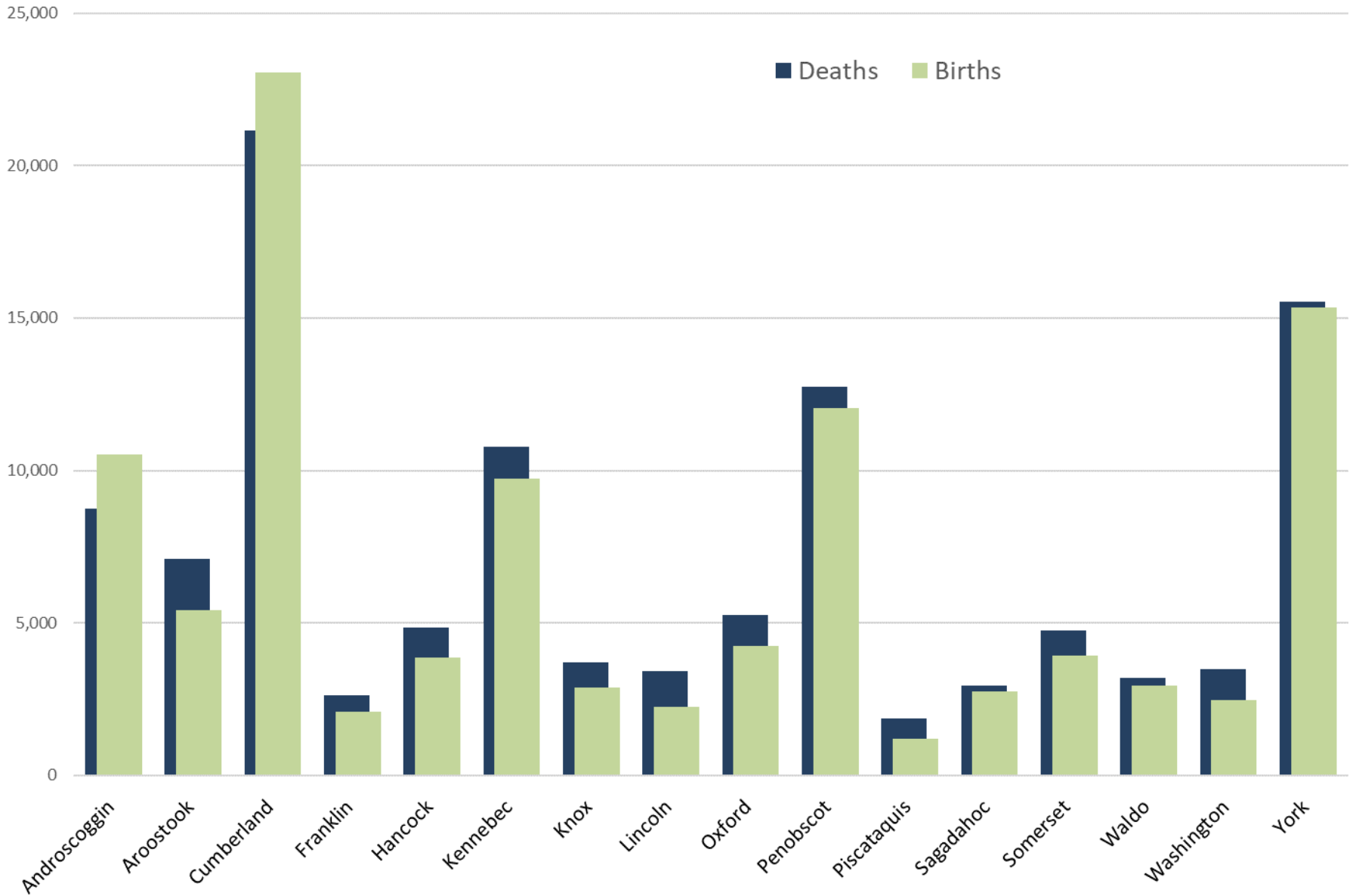




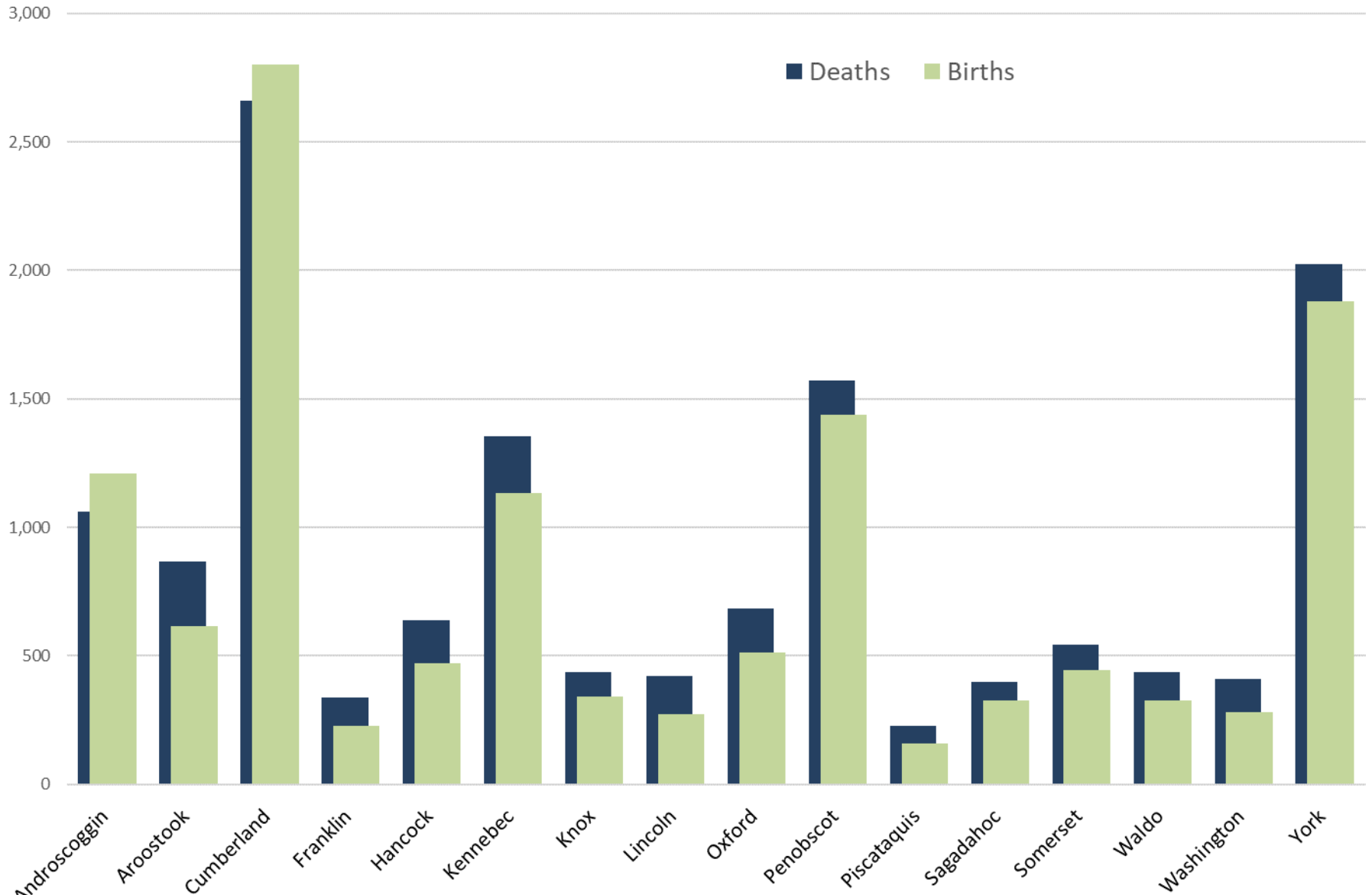
# Median Age



# Cumulative Births and Deaths, 2010-2018



# Births and Deaths, 2017-2018



# Counties with positive net migration

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## 2010 - 2018

- Cumberland (10,151)
- York (9,412)
- Hancock (1,408)
- Waldo (1,200)
- Lincoln (1,083)
- Kennebec (1,067)
- Knox (911)
- Oxford (840)
- Sagadahoc (533)

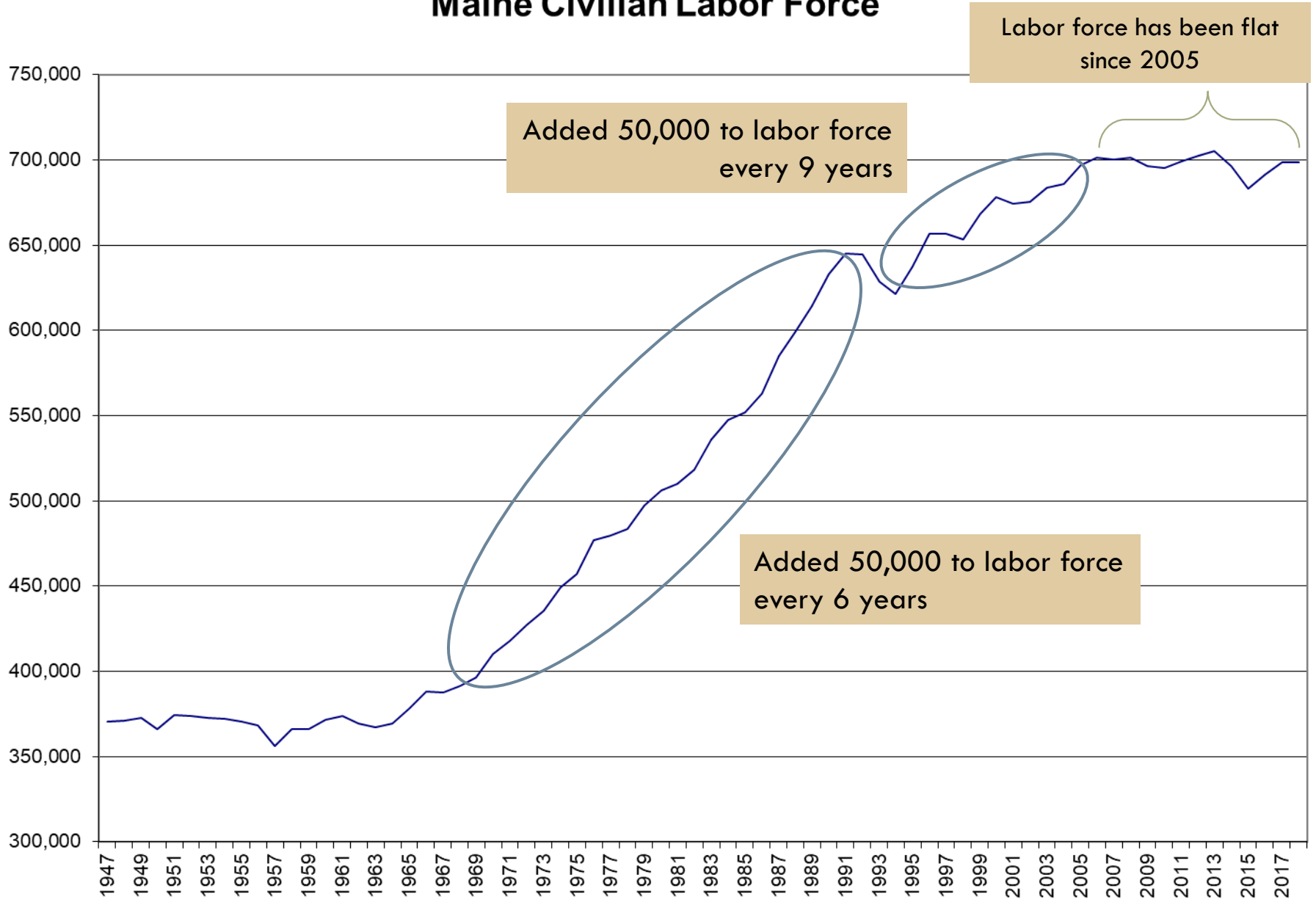
## 2017 - 2018

- York (1,856)
- Cumberland (1,080)
- Kennebec (386)
- Hancock (382)
- Oxford (366)
- Lincoln (304)
- Sagadahoc (288)
- Somerset (273)
- Franklin (155)
- Washington (85)
- Piscataquis (68)
- Penobscot (51)

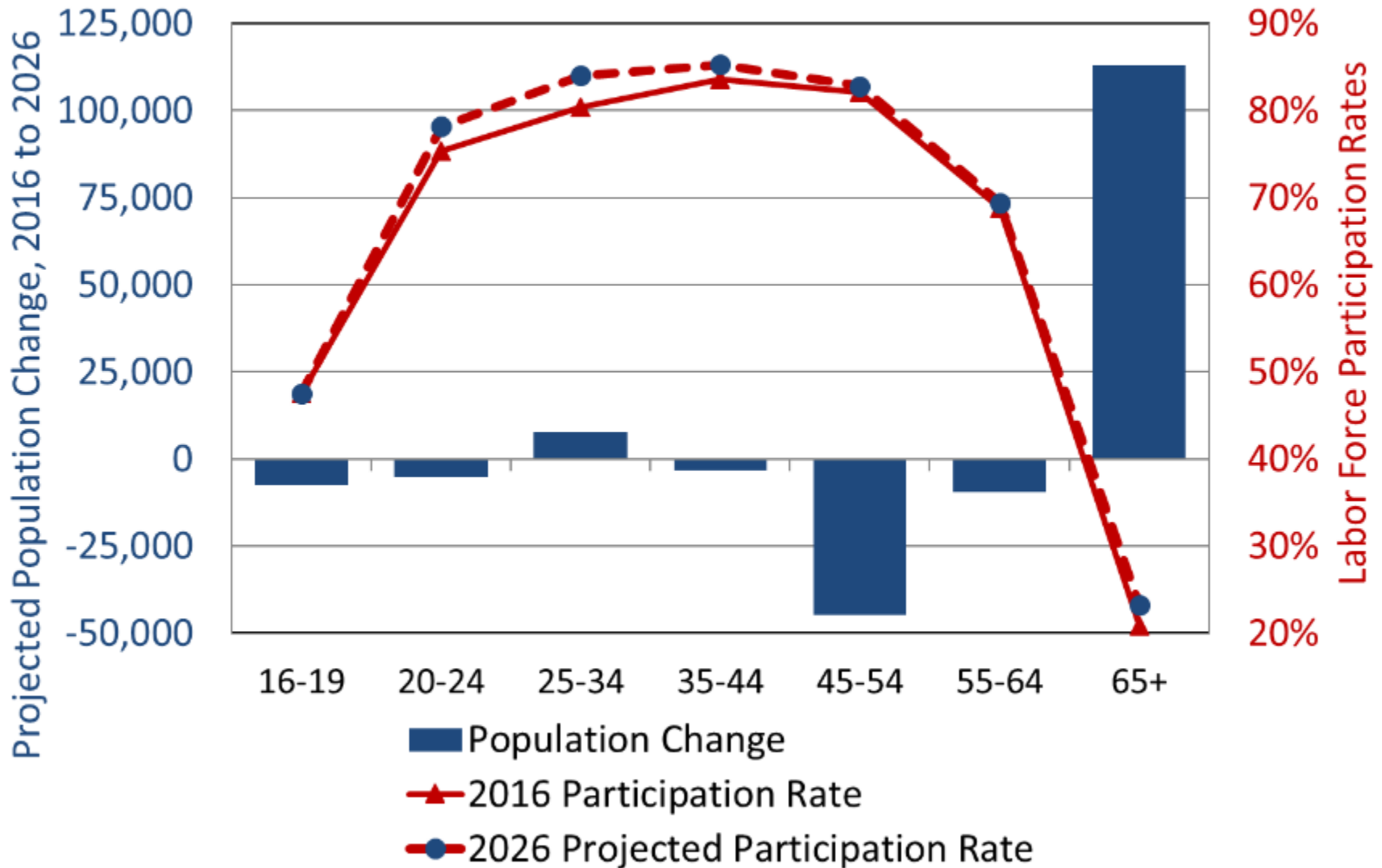
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# Labor Force and Employment

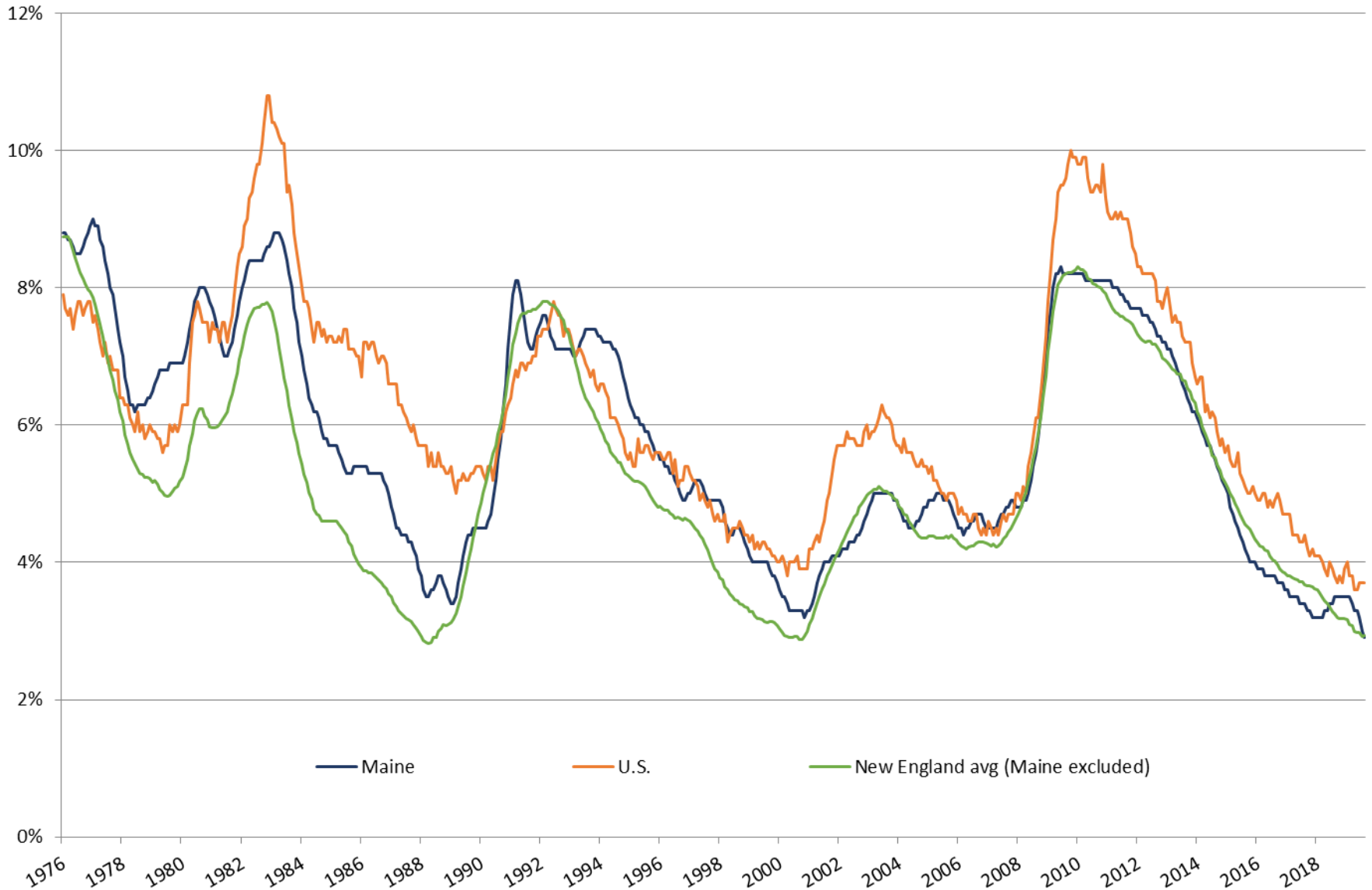
# Maine Civilian Labor Force



## Projected Population Change and Participation Rates by Age Group in Maine



# Monthly Unemployment Rate (Seasonally Adjusted)





# Regional variations persist in unemployment rates, although all are lower than one year prior

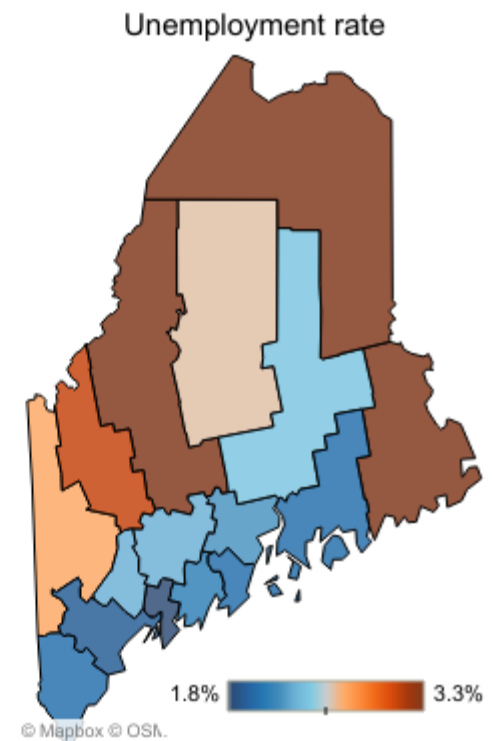
## County Rates (not seasonally adjusted)

September, 2019

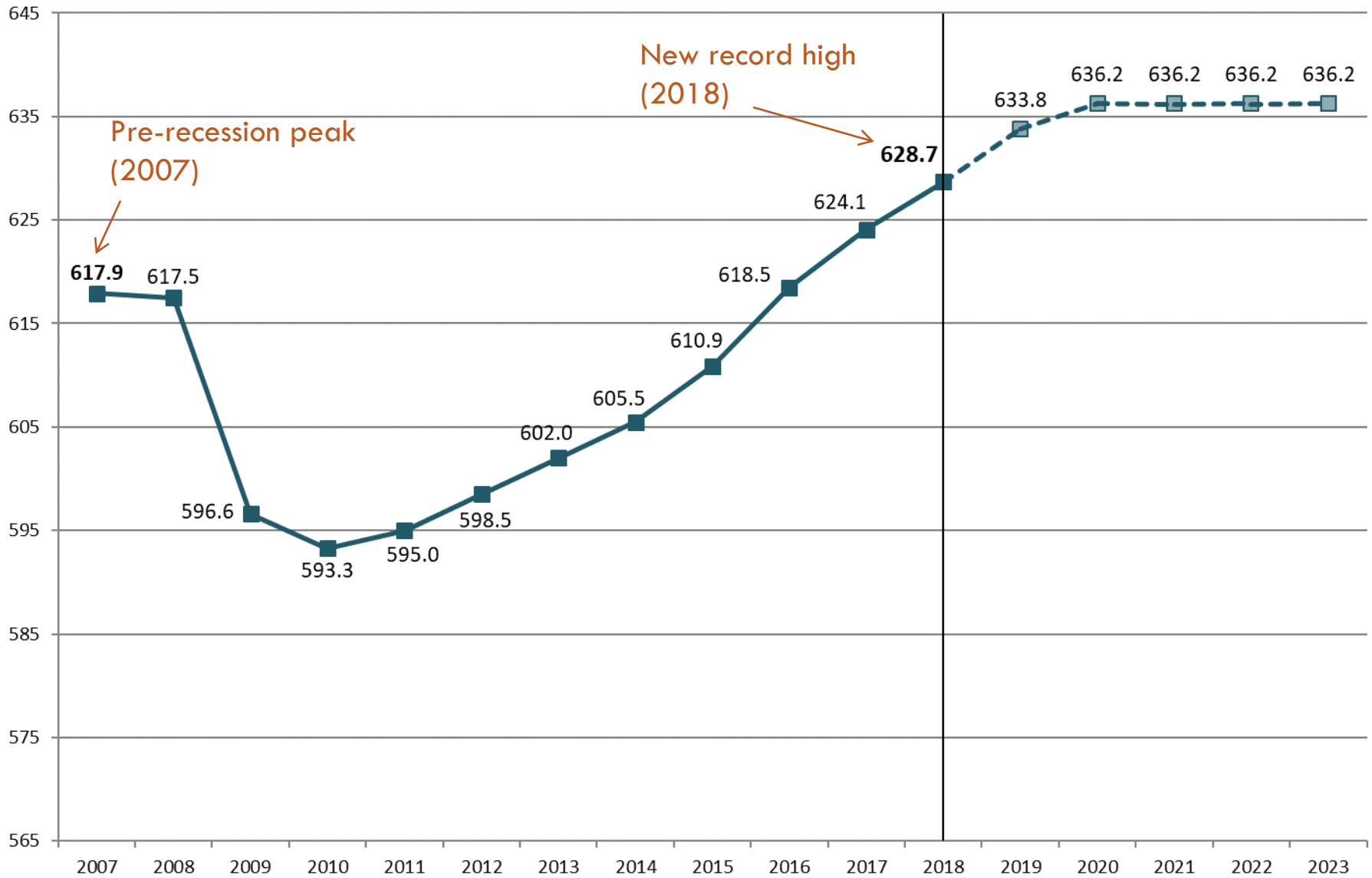
Table  
 Graph

**Map/Graph Display**  
 Unemployment rate  
 One-year change

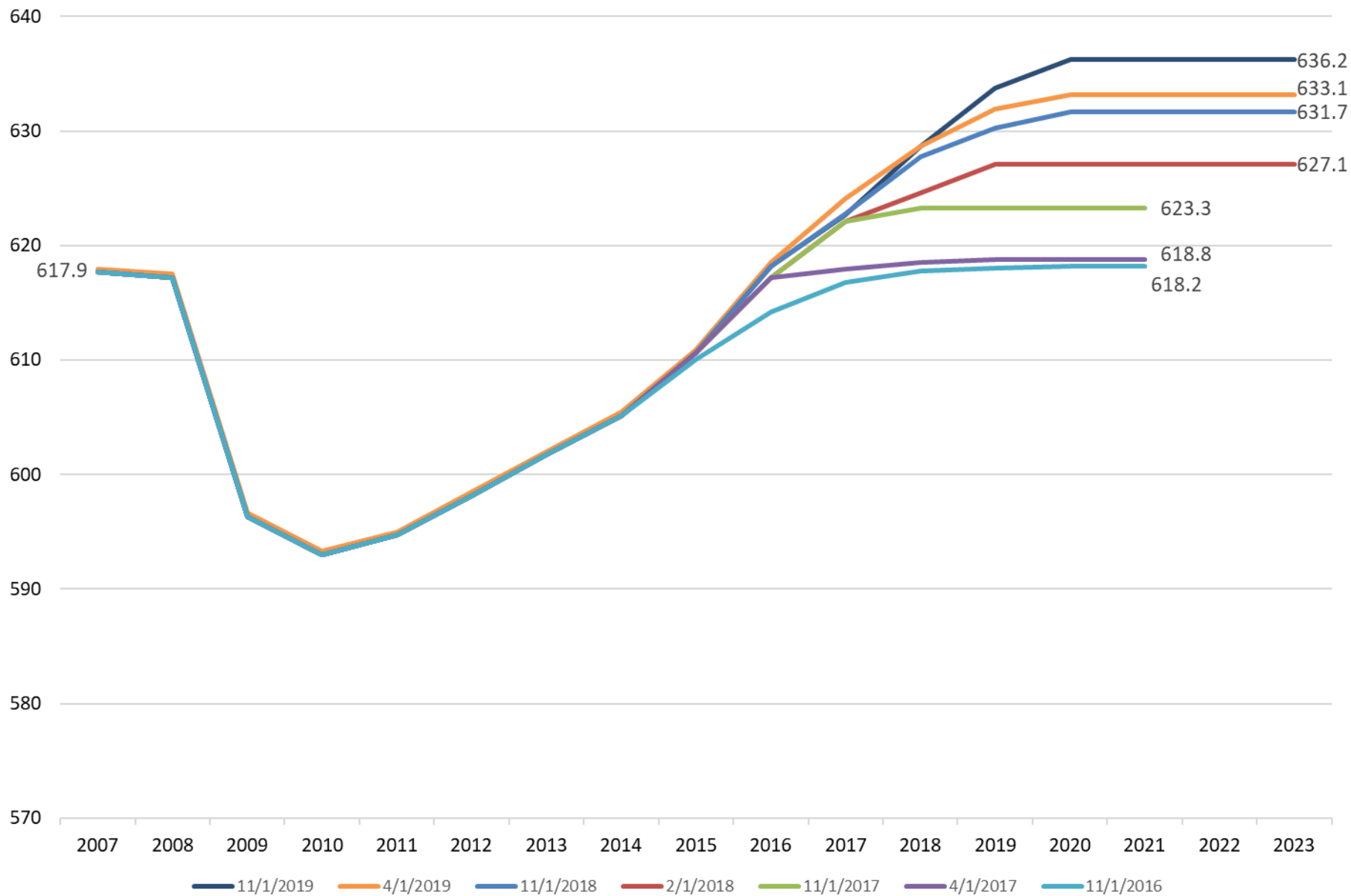
| County           | Rate | Year ago | One-yr change |
|------------------|------|----------|---------------|
| Maine            | 2.3% | 2.8%     | -0.5          |
| Androscoggin Cty | 2.3% | 3.0%     | -0.7          |
| Aroostook Cty    | 3.3% | 3.9%     | -0.6          |
| Cumberland Cty   | 1.9% | 2.4%     | -0.5          |
| Franklin Cty     | 3.1% | 3.2%     | -0.1          |
| Hancock Cty      | 2.0% | 2.3%     | -0.3          |
| Kennebec Cty     | 2.3% | 2.8%     | -0.5          |
| Knox Cty         | 2.0% | 2.6%     | -0.6          |
| Lincoln Cty      | 2.1% | 2.4%     | -0.3          |
| Oxford Cty       | 2.7% | 3.7%     | -1.0          |
| Penobscot Cty    | 2.4% | 3.3%     | -0.9          |
| Piscataquis Cty  | 2.6% | 3.1%     | -0.5          |
| Sagadahoc Cty    | 1.8% | 2.3%     | -0.5          |
| Somerset Cty     | 3.3% | 4.1%     | -0.8          |
| Waldo Cty        | 2.2% | 2.9%     | -0.7          |
| Washington Cty   | 3.3% | 4.0%     | -0.7          |
| York Cty         | 2.0% | 2.5%     | -0.5          |



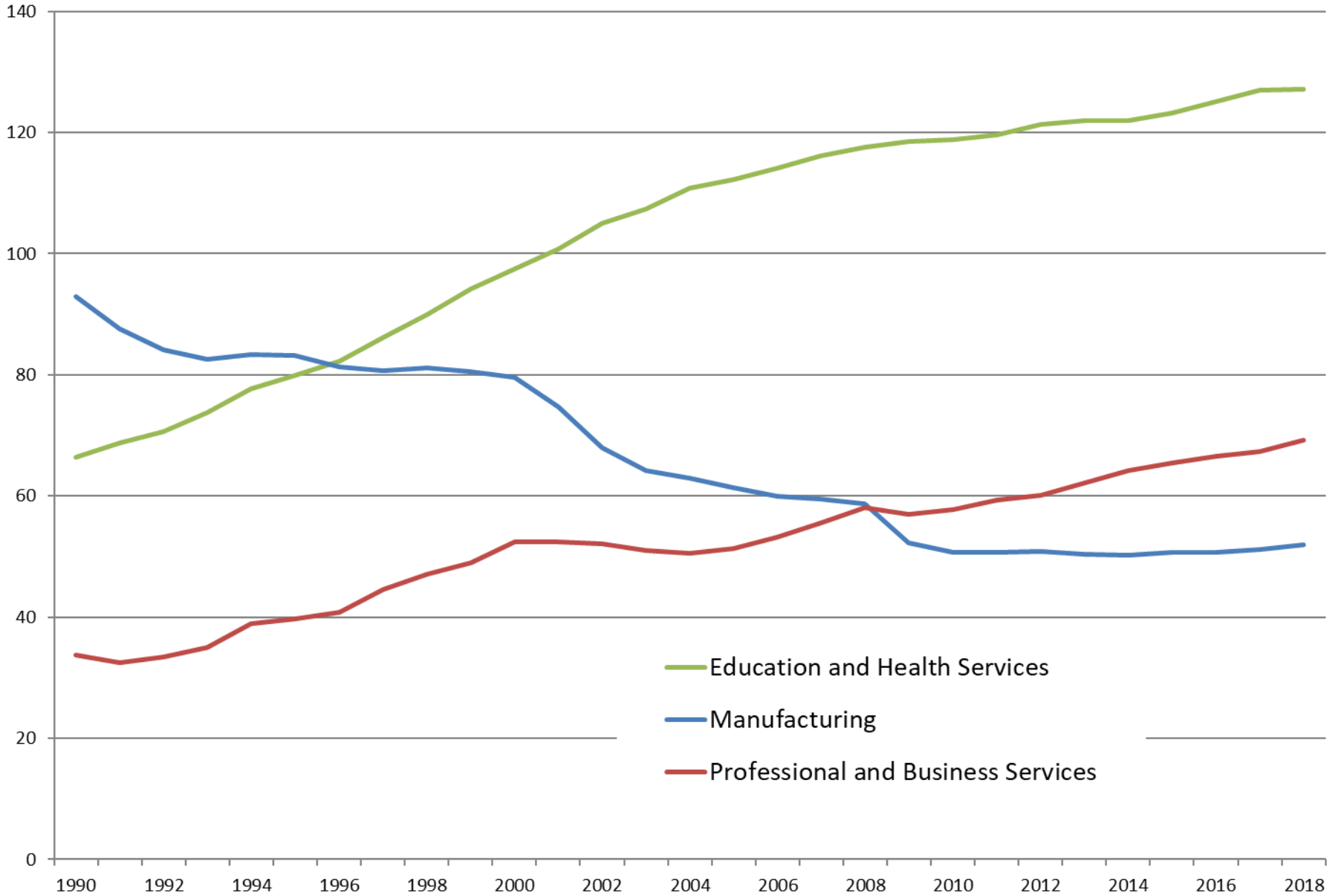
## Total Nonfarm Employment (in thousands) History and CEFC forecast



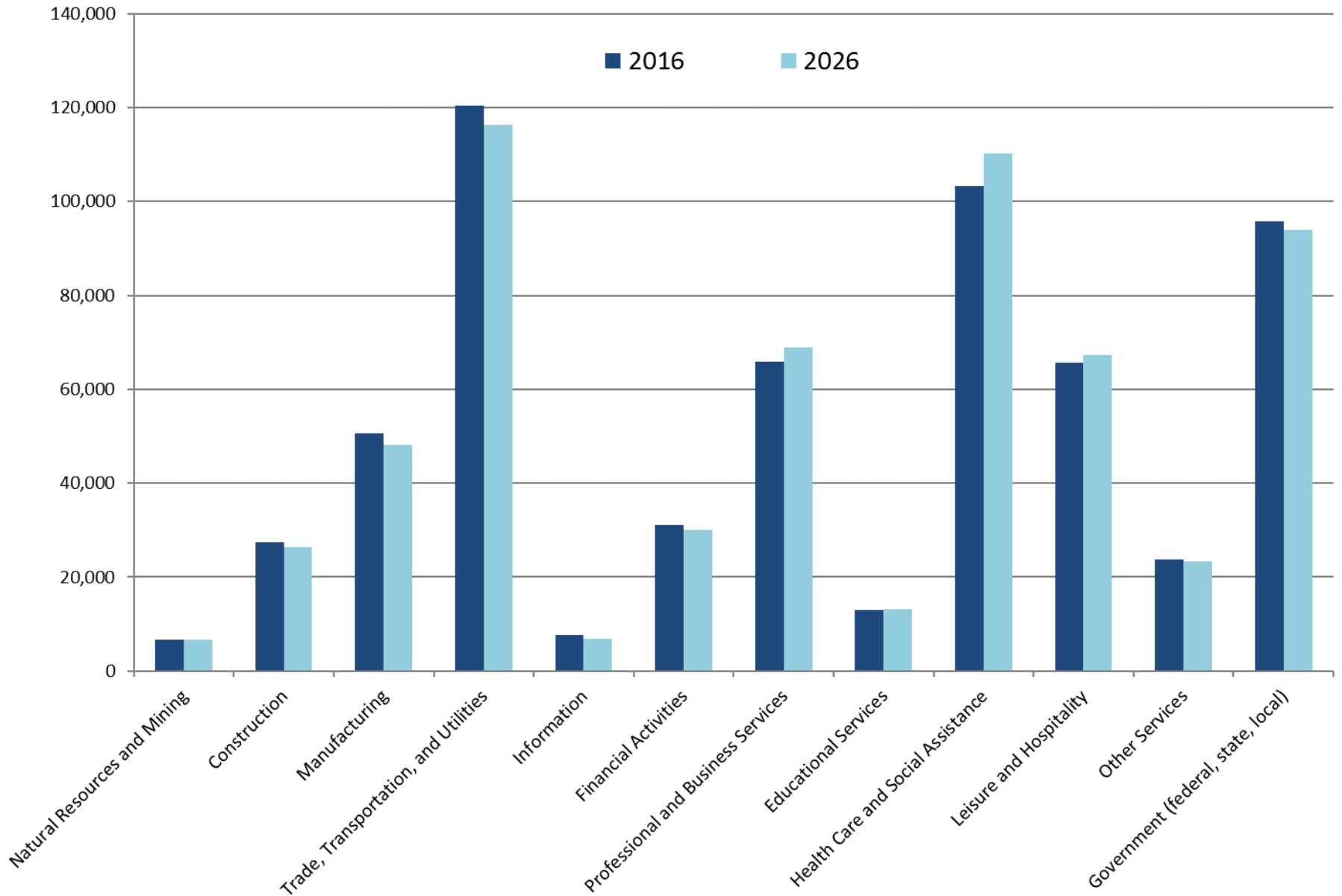
# Revisions to CEFC Forecast of Total Nonfarm Employment (in thousands)



# Maine Wage and Salary Employment by Industry (in thousands)



# Maine Wage and Salary Employment by Industry



# In nearly all counties, the local hospital/health care system is the 1<sup>st</sup> or 2<sup>nd</sup> largest employer

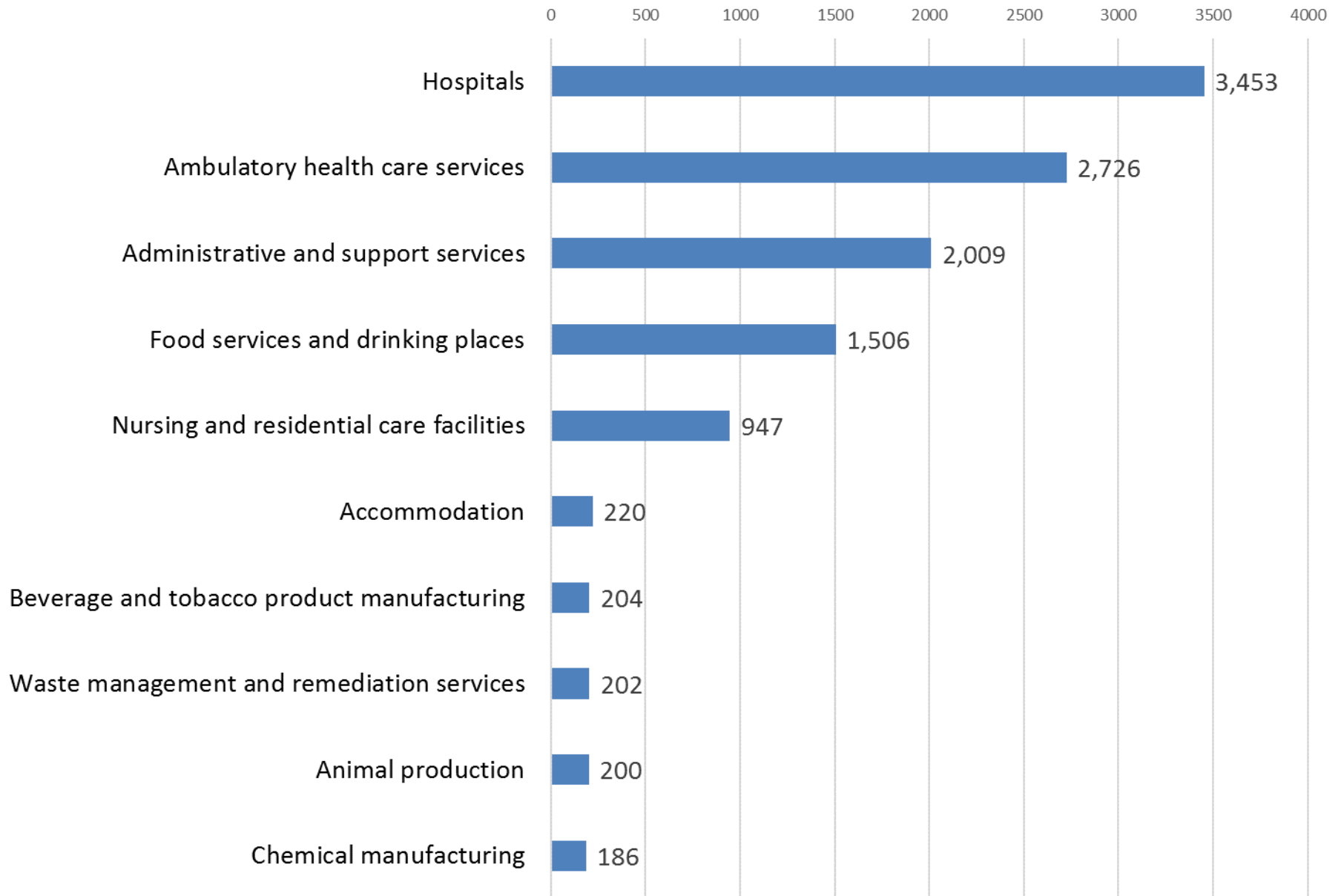
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Employment Range:  
All

## Top 50 Private Employers in Maine by Average Monthly Employment 3rd Quarter 2018

| Name                           | Location      | Business Description                        | Employment Range | Rank |
|--------------------------------|---------------|---|------------------|------|
| MAINEHEALTH                    | STATEWIDE     | General medical and surgical hospitals      | 15,001 to 15,500 | 1    |
| HANNAFORD BROS CO              | STATEWIDE     | Supermarkets and other grocery stores       | 8,501 to 9,000   | 2    |
| WAL MART / SAM'S CLUB          | STATEWIDE     | Warehouse Clubs and Supercenters            | 6,501 to 7,000   | 3    |
| BATH IRON WORKS CORP GEN DYN.. | BATH          | Ship building and repairing                 | 5,001 to 5,500   | 4    |
| L.L.BEAN, INC.                 | STATEWIDE     | Electronic Shopping and Mail-Order Houses   | 4,501 to 5,000   | 5    |
| EASTERN MAINE MEDICAL CENTER   | STATEWIDE     | General medical and surgical hospitals      | 4,001 to 4,500   | 6    |
| MAINEGENERAL MEDICAL CTR       | STATEWIDE     | General medical and surgical hospitals      | 3,501 to 4,000   | 7    |
| T D BANK N A                   | STATEWIDE     | Commercial banking                          | 3,001 to 3,500   | 8    |
| UNUM GROUP                     | PORTLAND      | Direct life insurance carriers              | 2,501 to 3,000   | 9    |
| CENTRAL MAINE HEALTHCARE CO..  | LEWISTON      | General medical and surgical hospitals      | 2,501 to 3,000   | 10   |
| SHAWS SUPERMARKETS INC         | STATEWIDE     | Supermarkets and other grocery stores       | 2,501 to 3,000   | 11   |
| PRATT & WHITNEY AIRCRAFT GRO.. | NORTH BERWI.. | Aircraft engine and engine parts mfg.       | 2,001 to 2,500   | 12   |
| ST MARY'S REGIONAL MEDICAL CTR | STATEWIDE     | General medical and surgical hospitals      | 1,501 to 2,000   | 13   |
| THE JACKSON LABORATORY         | BAR HARBOR    | Research and Development in Biotechnology.. | 1,001 to 1,500   | 14   |
| HOME DEPOT USA INC             | STATEWIDE     | Home centers                                | 1,001 to 1,500   | 15   |
| MERCY HOSPITAL                 | PORTLAND      | General medical and surgical hospitals      | 1,001 to 1,500   | 16   |
| LOWES HOME CENTERS LLC         | STATEWIDE     | Home centers                                | 1,001 to 1,500   | 17   |
| MID COAST HOSPITAL             | BRUNSWICK     | General medical and surgical hospitals      | 1,001 to 1,500   | 18   |
| UNIVERSITY OF NEW ENGLAND      | STATEWIDE     | Colleges and universities                   | 1,001 to 1,500   | 19   |
| BOWDOIN COLLEGE                | BRUNSWICK     | Colleges and universities                   | 1,001 to 1,500   | 20   |
| CIRCLE K                       | STATEWIDE     | Gasoline stations with convenience stores   | 1,001 to 1,500   | 21   |
| S D WARREN                     | STATEWIDE     | Paper, except newsprint, mills              | 1,001 to 1,500   | 22   |
| IDEXX LABORATORIES INC         | WESTBROOK     | Pharmaceutical preparation manufacturing    | 1,001 to 1,500   | 23   |
| GOODWILL INDUSTRIES OF NORTH.. | STATEWIDE     | Vocational rehabilitation services          | 1,001 to 1,500   | 24   |
| YORK HOSPITAL                  | STATEWIDE     | General medical and surgical hospitals      | 1,001 to 1,500   | 25   |

## Industries Projected to Gain the Largest Number of Jobs in Maine Between 2016 and 2026



## 25 Occupations with the Fastest Projected Rate of Job Growth in Maine

### Display

Graph

Table

### Top

25

### Education Requirement:

All

High School Diploma or Less

Some College or Associate's De..

Bachelor's Degree or Higher

### Select Topic:

Largest Annual Openings

Largest Net Job Growth

Fastest Rate of Job Growth

Largest Net Job Loss

Fastest Rate of Job Loss

High school diploma or equiv..

Postsecondary non-degree a..

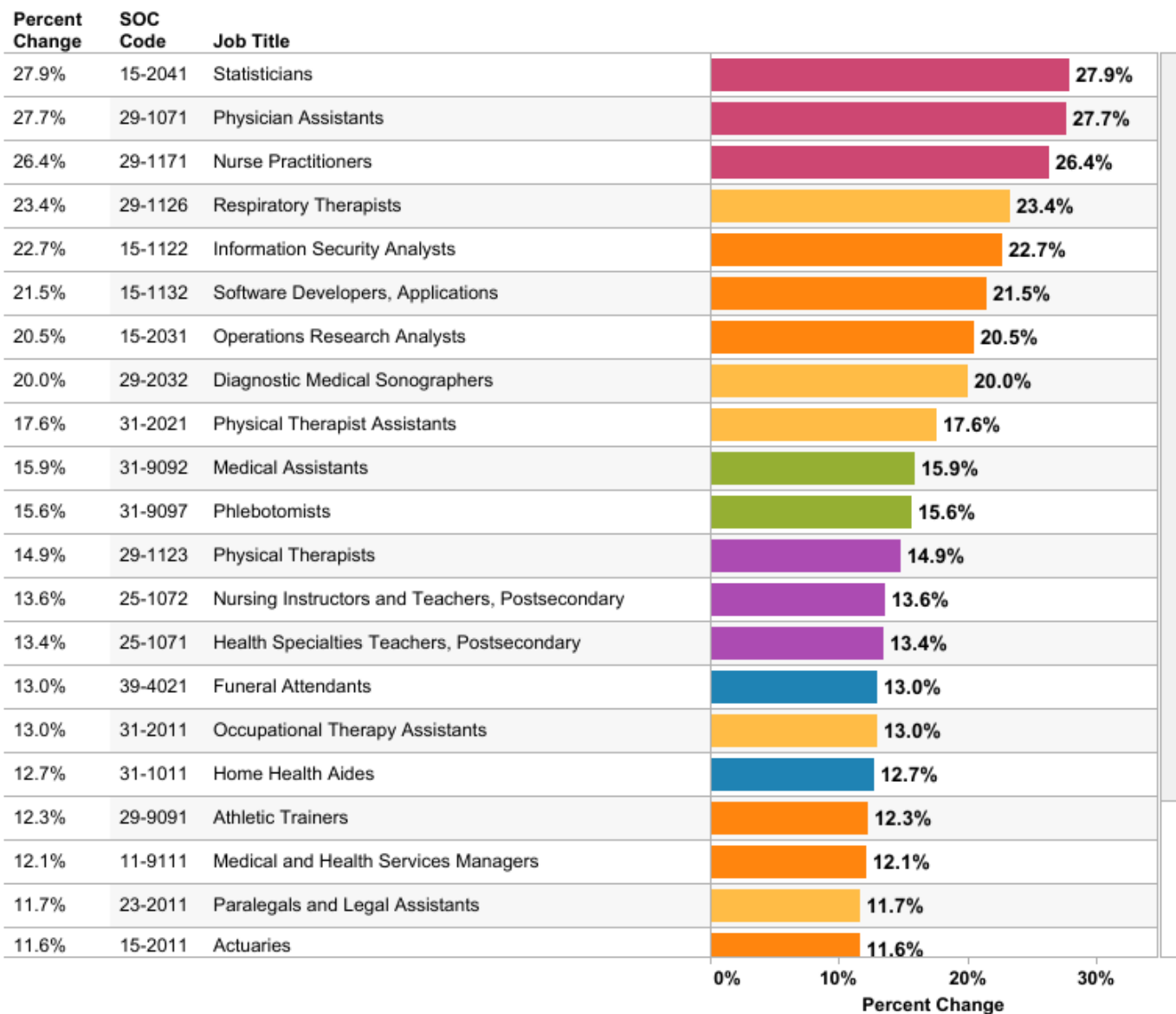
Associate's degree

Bachelor's degree

Master's degree

Doctoral or professional degr..

No formal educational crede..





## 25 Occupations with the Largest Projected Annual Openings by Region



0 1,000 2,000  
Annual Total Openings

### Display

- Graph  
 Table

### Region

- Coastal Counties Region  
 Central-Western Region  
 Northeast Region

### Top

25

### Education Requirement:

- All  
 High School Diploma or Less  
 Some College or Associate's De..  
 Bachelor's Degree or Higher

High school diploma or equivale..

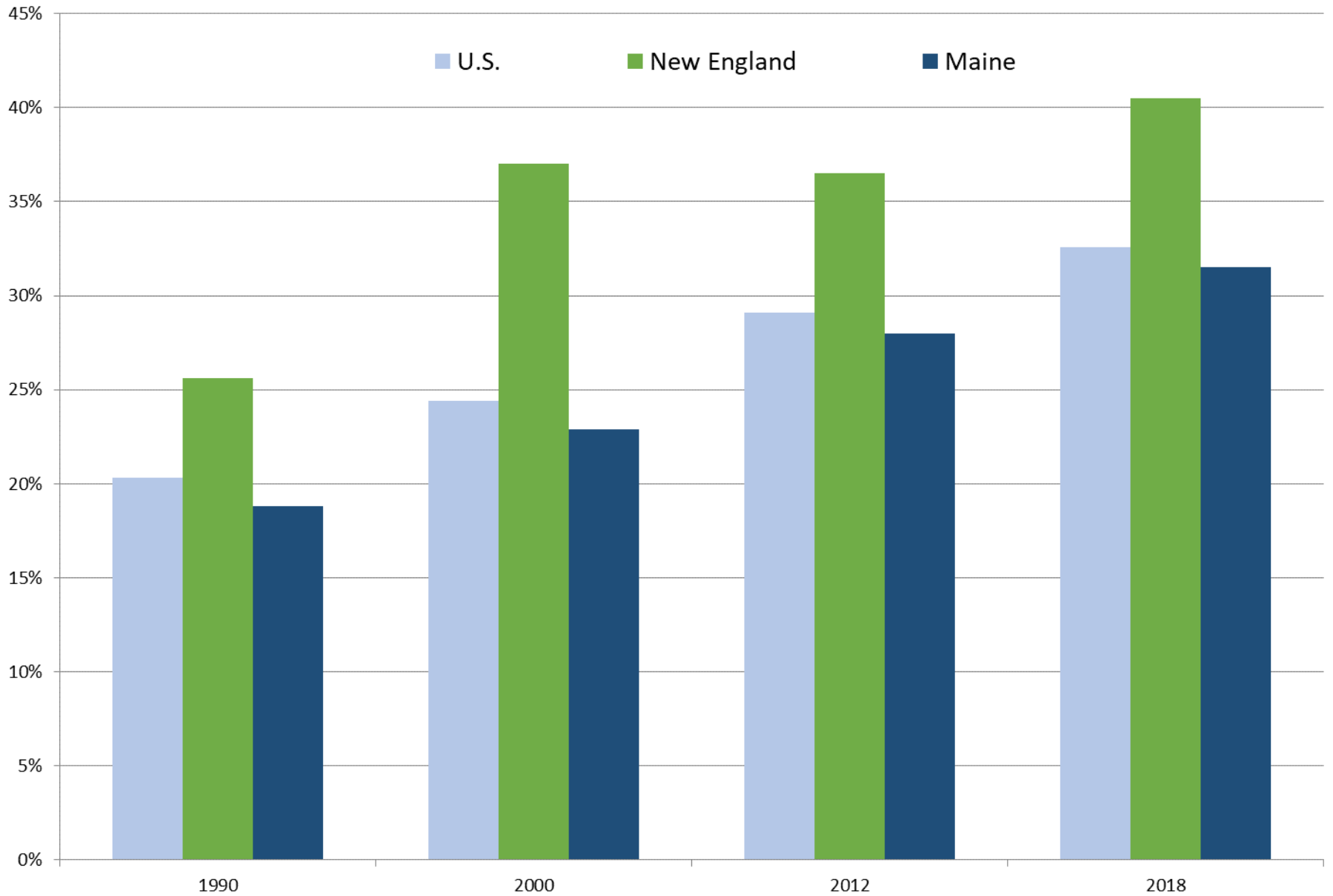
Some college, no degree

Postsecondary non-degree awa..

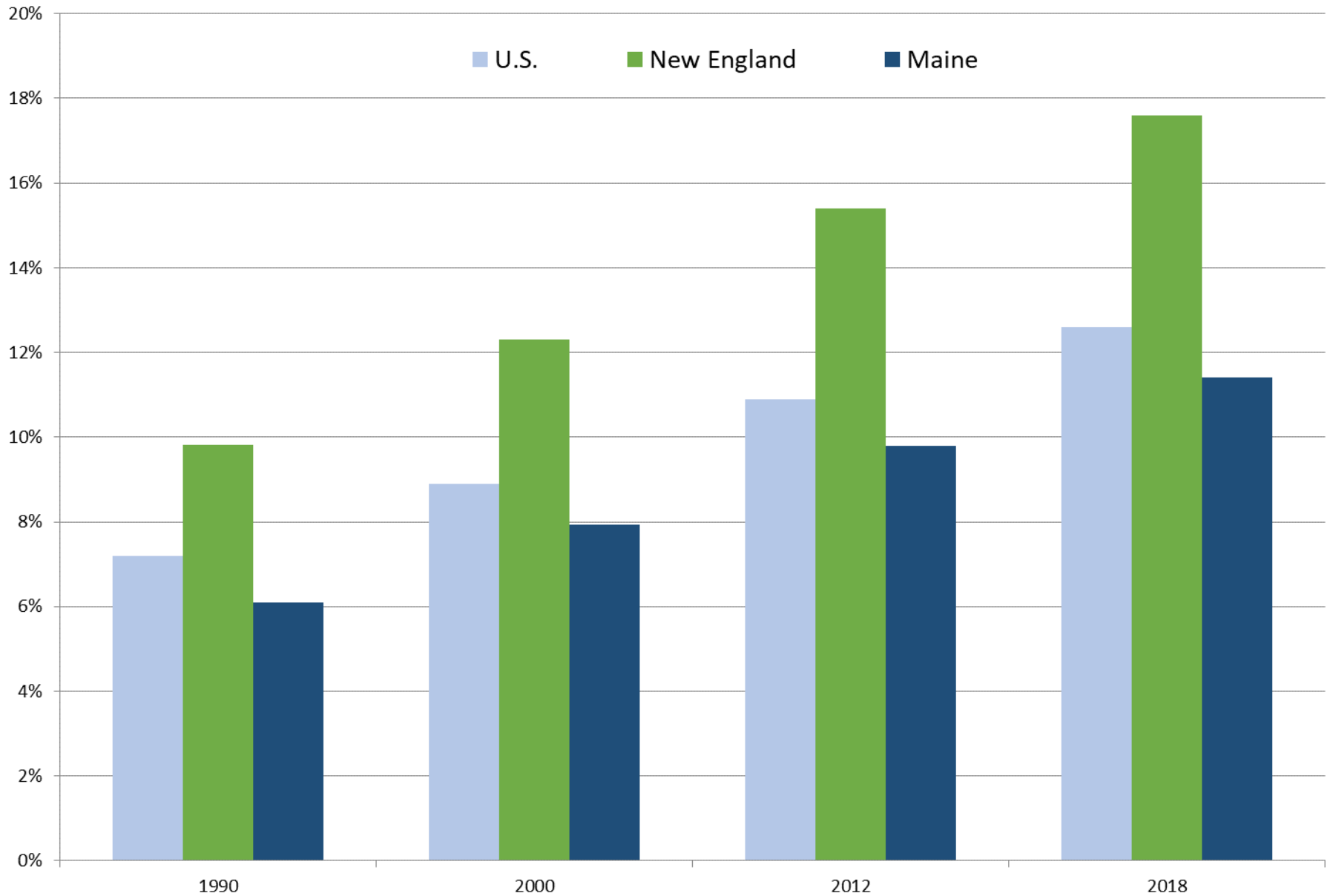
Bachelor's degree

No formal educational credential

# Percent of Population Age 25+ with a Bachelor's Degree or Higher



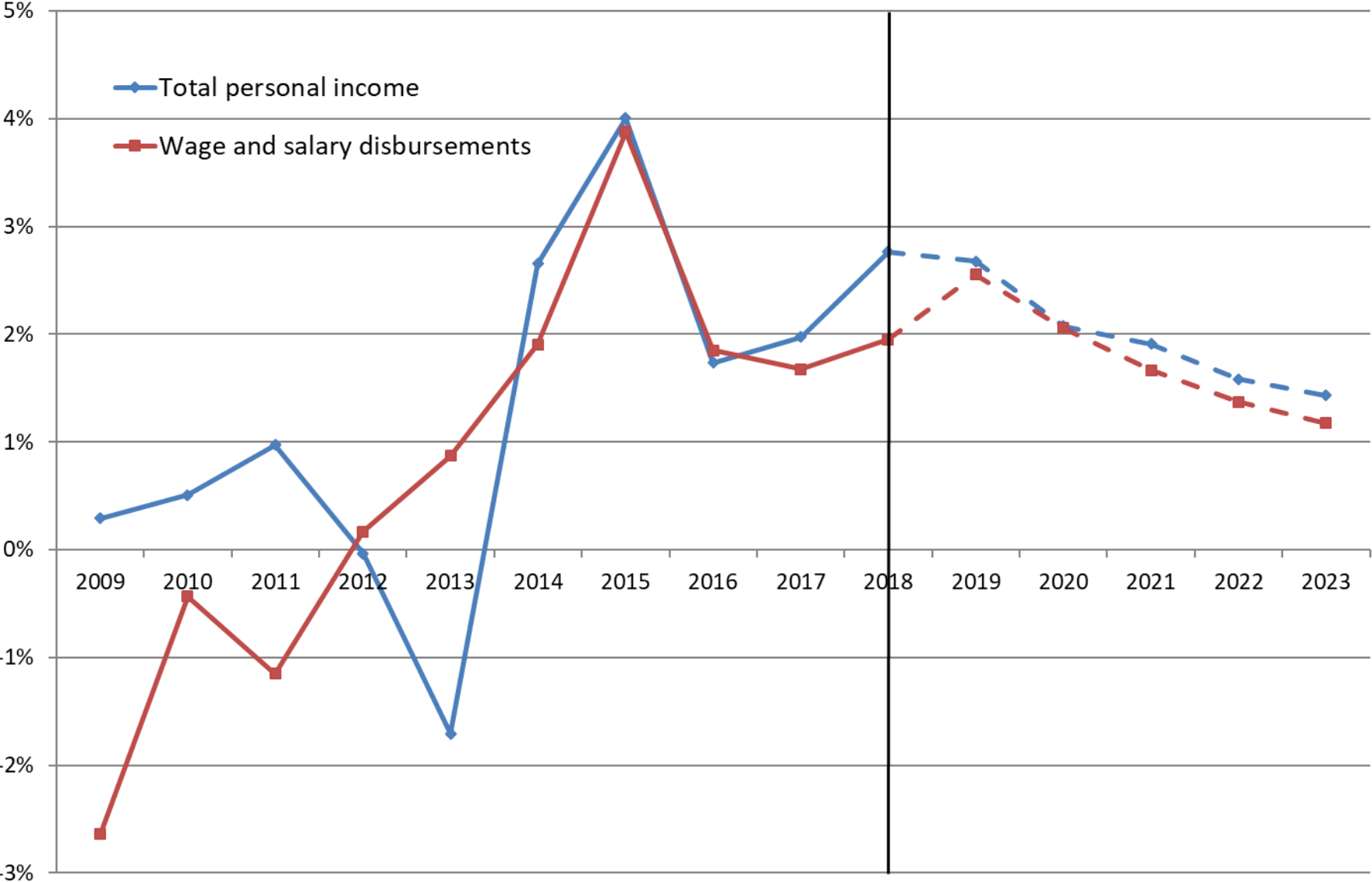
# Percent of Population Age 25+ with a Graduate or Professional Degree



36

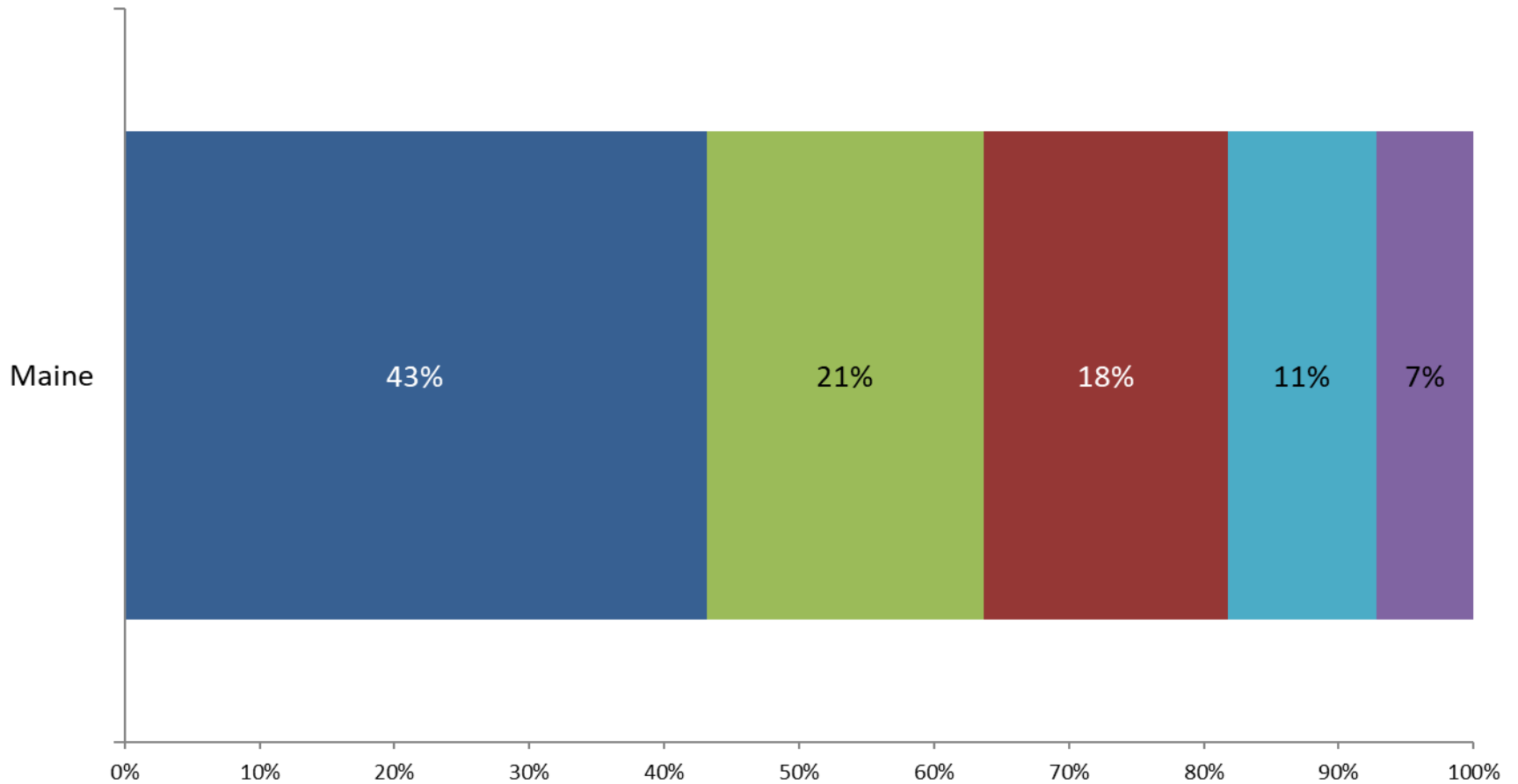
# Income and GDP

# Percent Change in Real Personal Income, Maine 2009-2018 and forecast to 2023



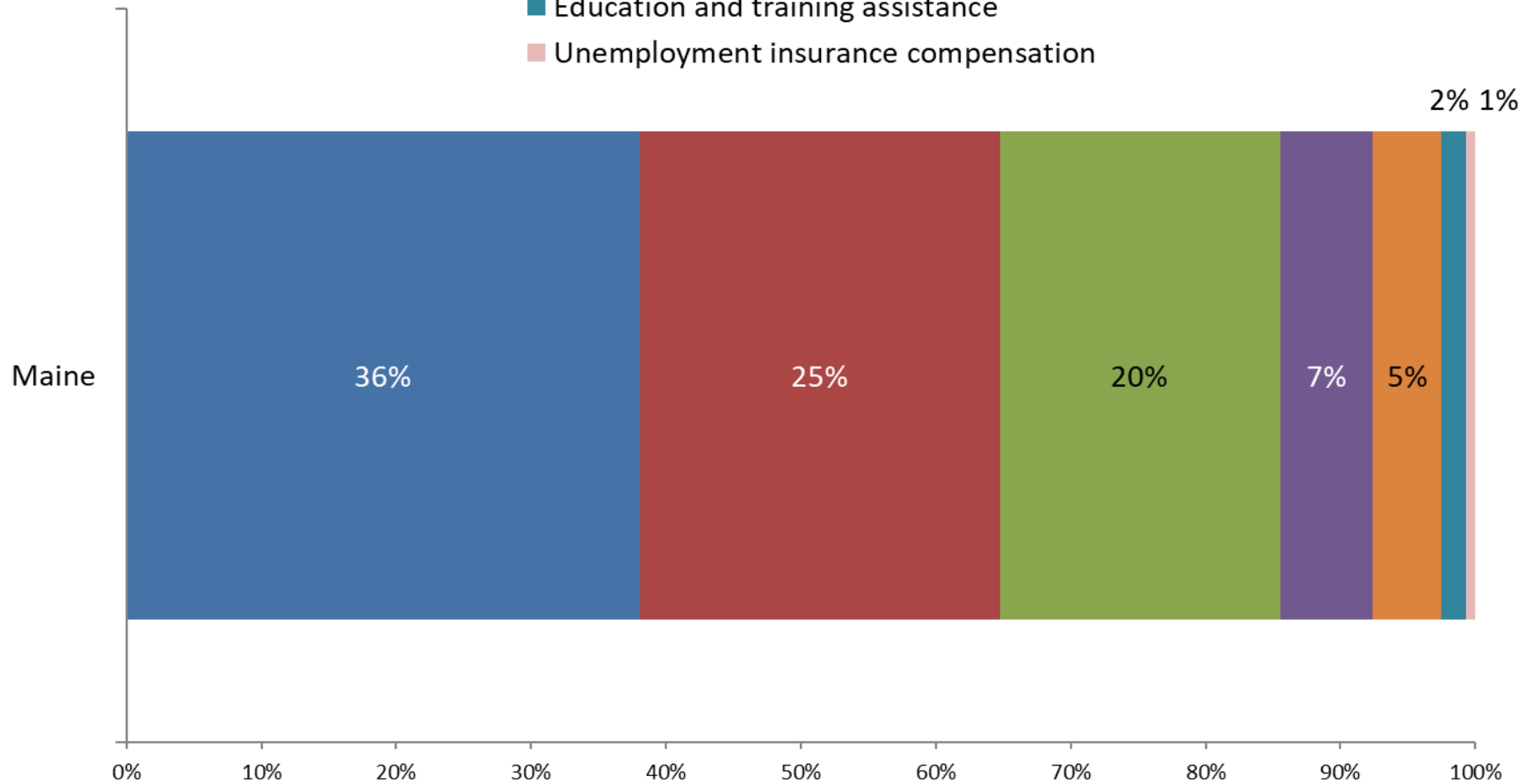
# Major Components of Personal Income, 2018

- Wages and salaries
- Personal current transfer receipts
- Dividends, interest, and rent
- Supplements to wages and salaries
- Proprietors' income



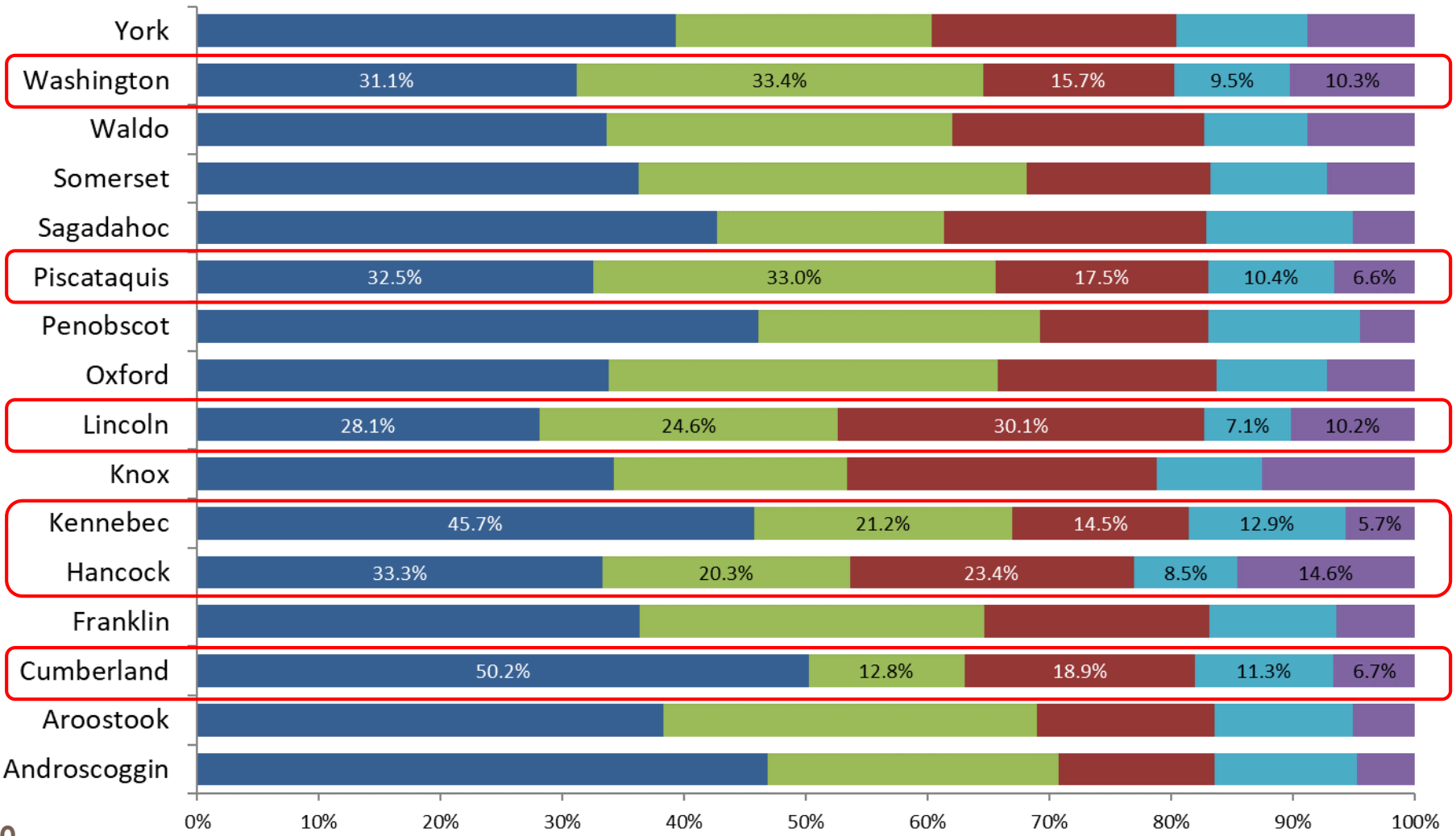
# Components of Personal Current Transfer Receipts, 2018

- Social Security benefits
- Medicare benefits
- Medicaid
- Income maintenance benefits
- Veterans' benefits
- Education and training assistance
- Unemployment insurance compensation



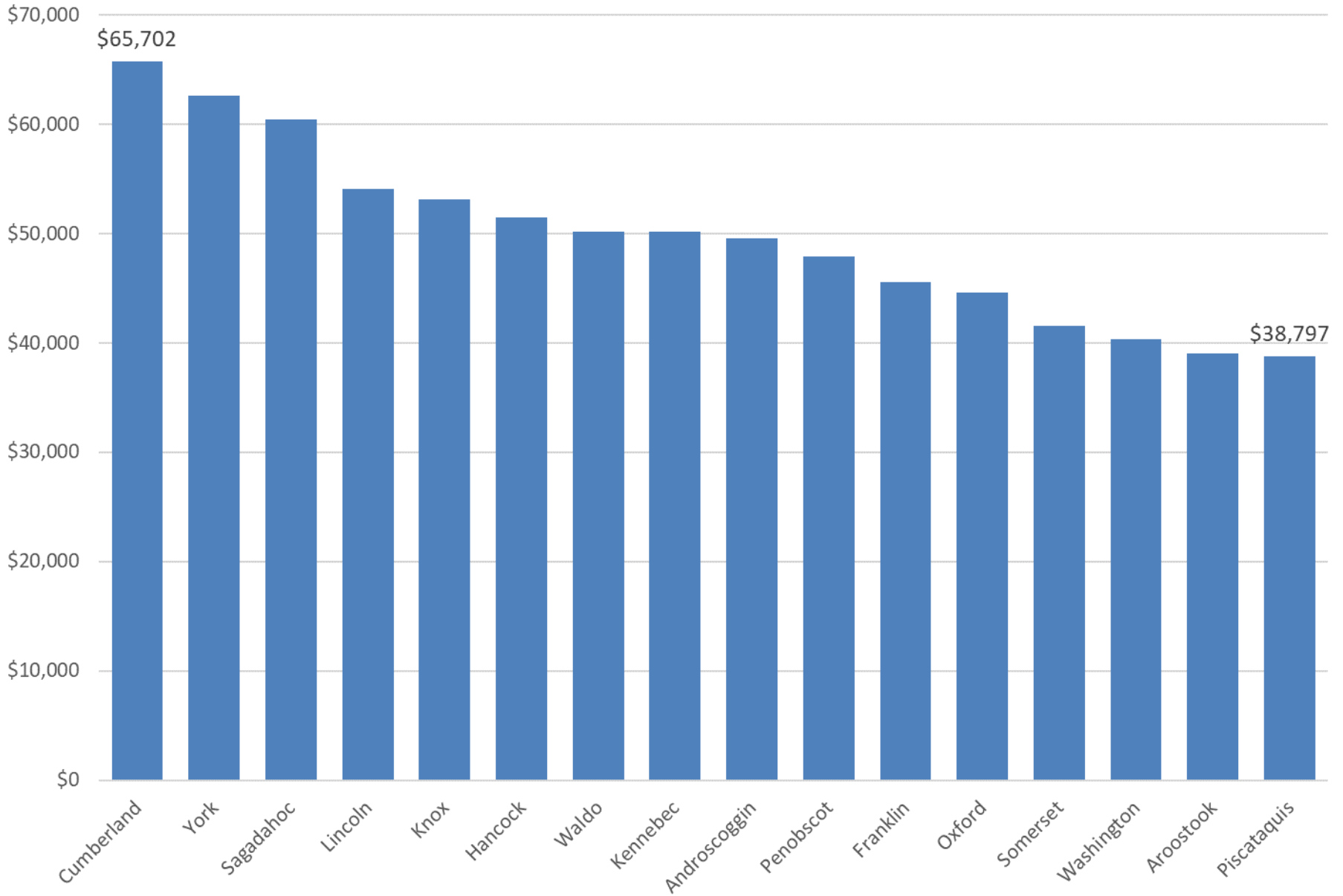
# Major Components of Personal Income, 2018

■ Wages and salaries     
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 ■ Dividends, interest, and rent  
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 ■ Proprietors' income



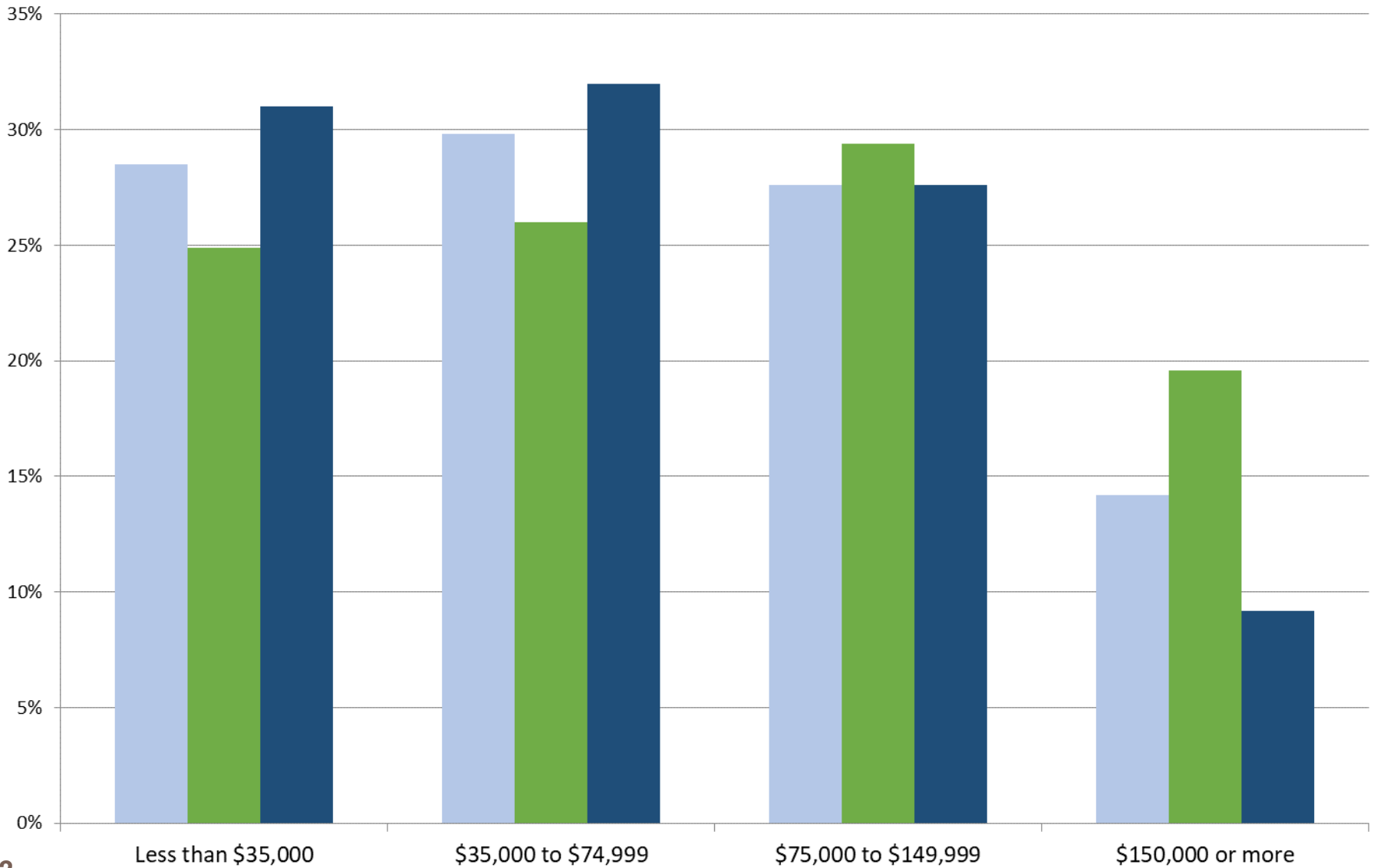


# Median Household Income

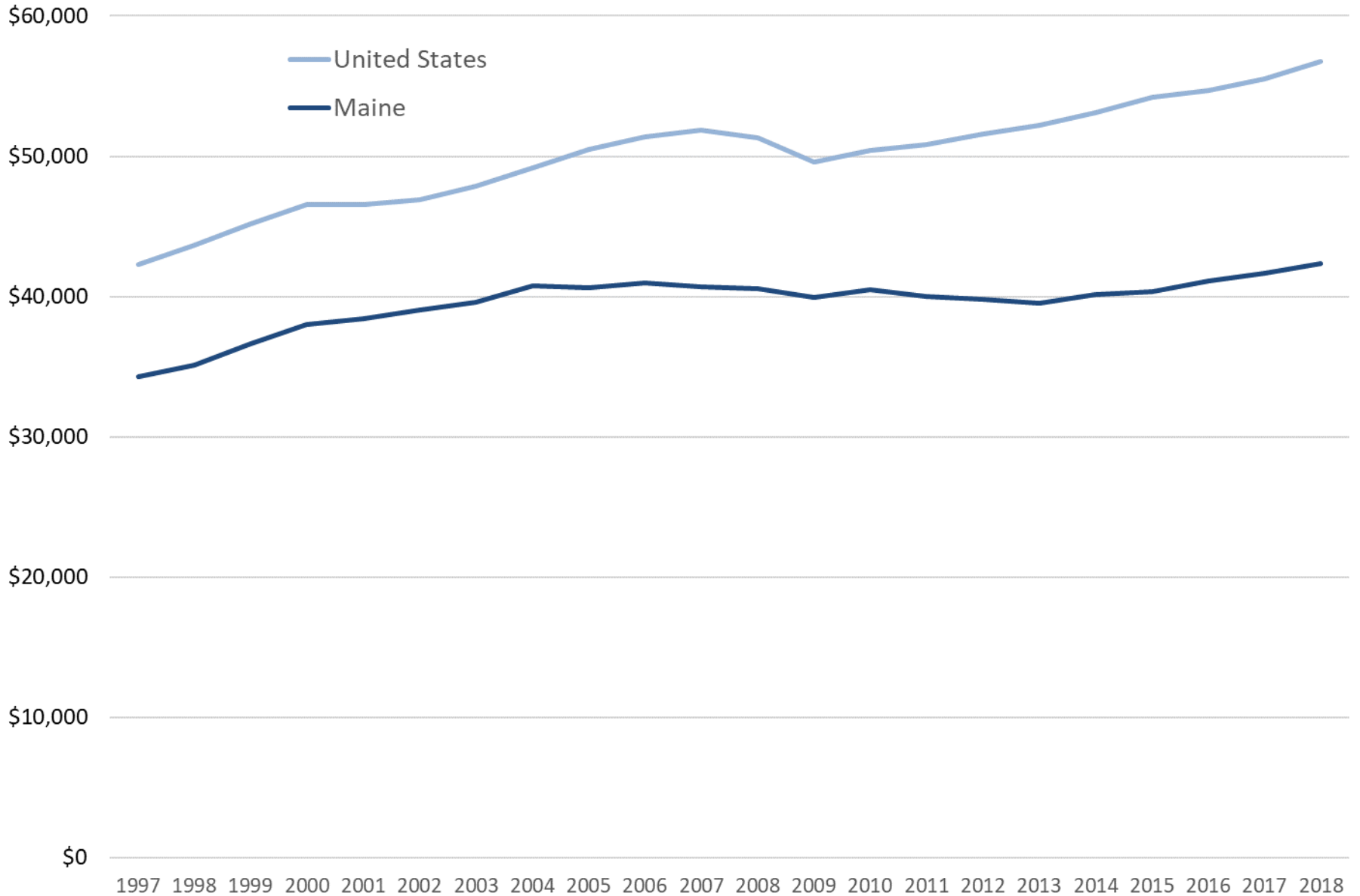


# Percent of Households by Income Level, 2018

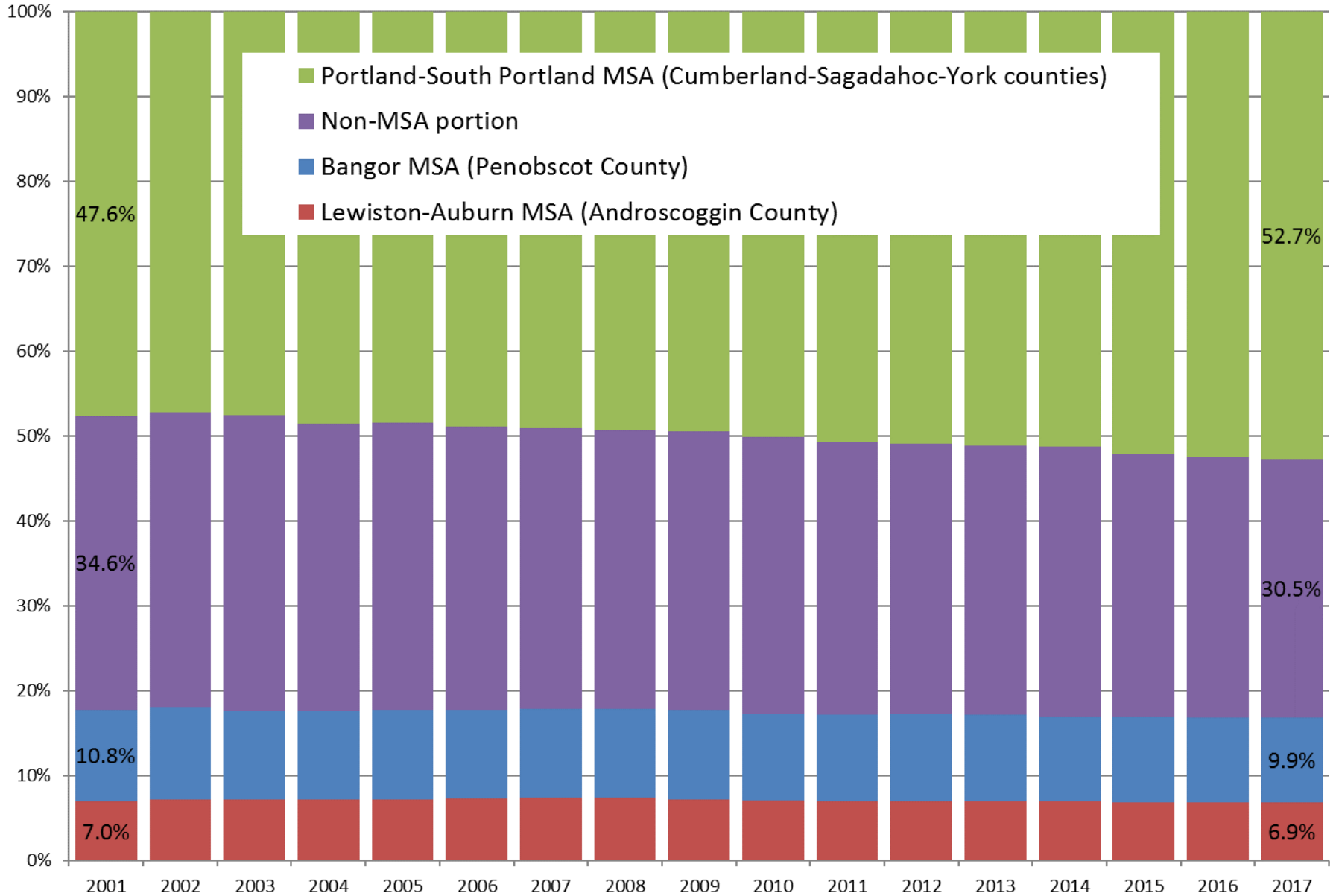
■ U.S. ■ New England ■ Maine



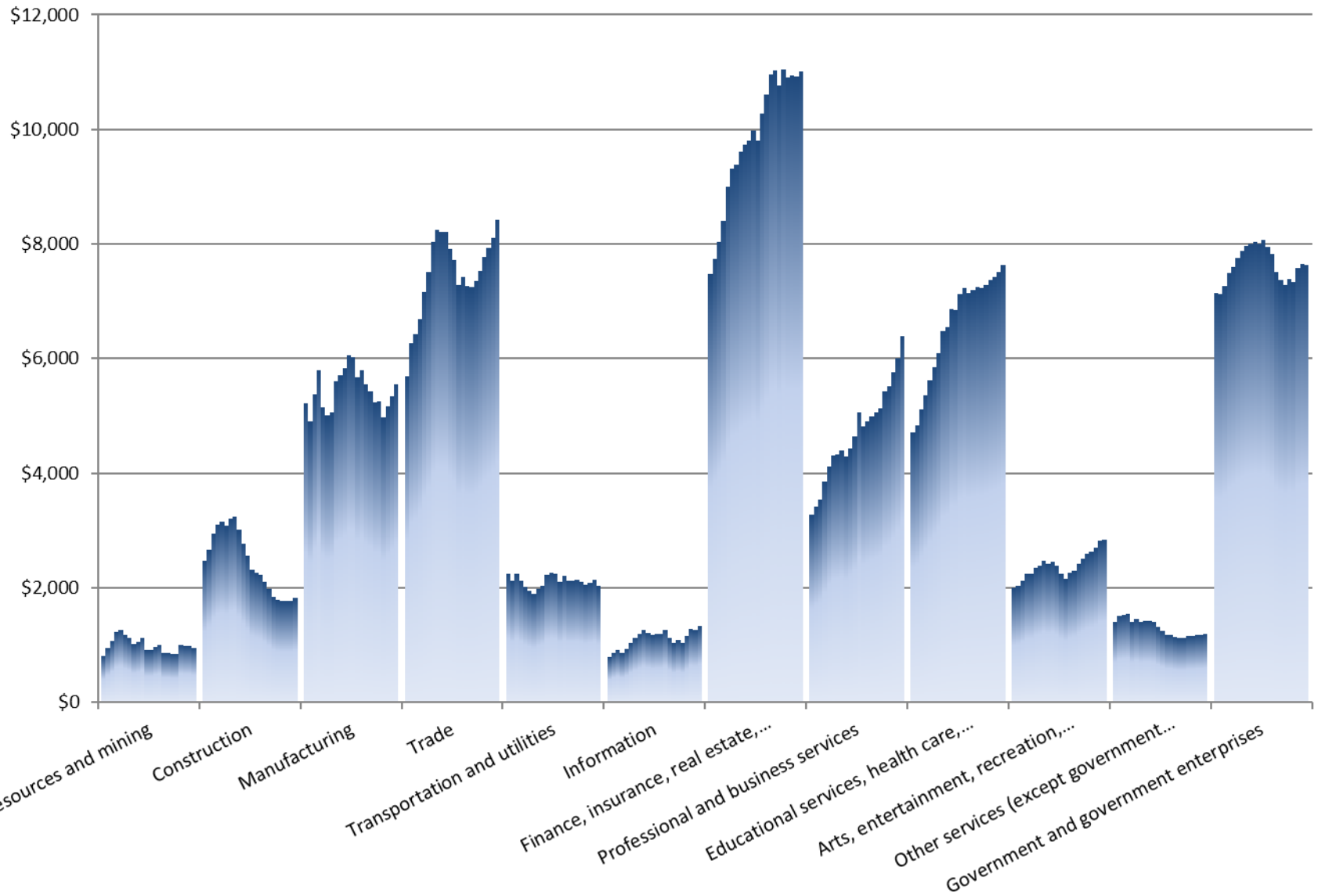
# Per Capita Real Total GDP



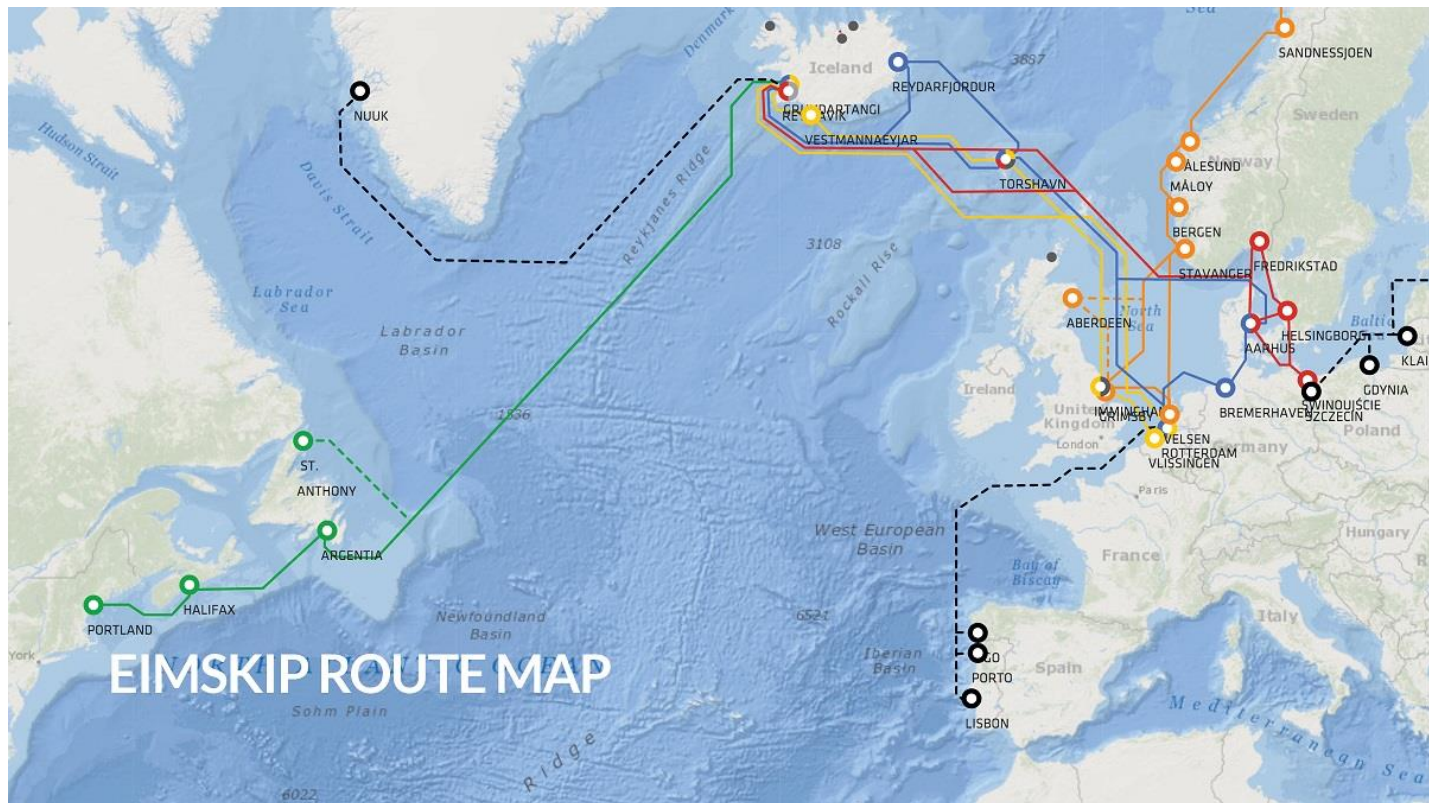
## Share of Maine Real GDP by Metropolitan Area



## Maine Real GDP by Industry, 1997-2018 (in millions of chained 2012 dollars)



# Macroeconomic Conditions



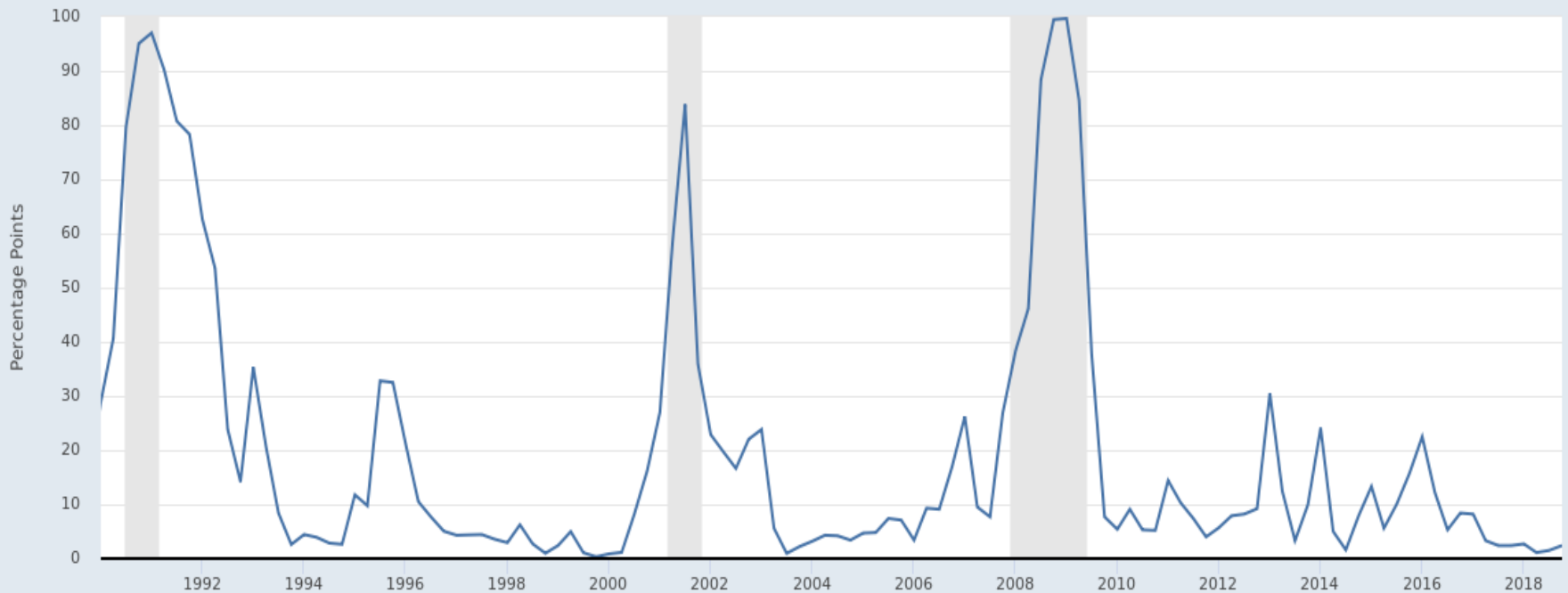
# Macroeconomic conditions

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- We are now in the longest period of economic expansion on record
- Some early warning signs of economic slowdown on the horizon (e.g. inverted yield curve, slowed hiring of temp workers), but...

# GDP-Based Recession Indicator remains low

FRED — GDP-Based Recession Indicator Index



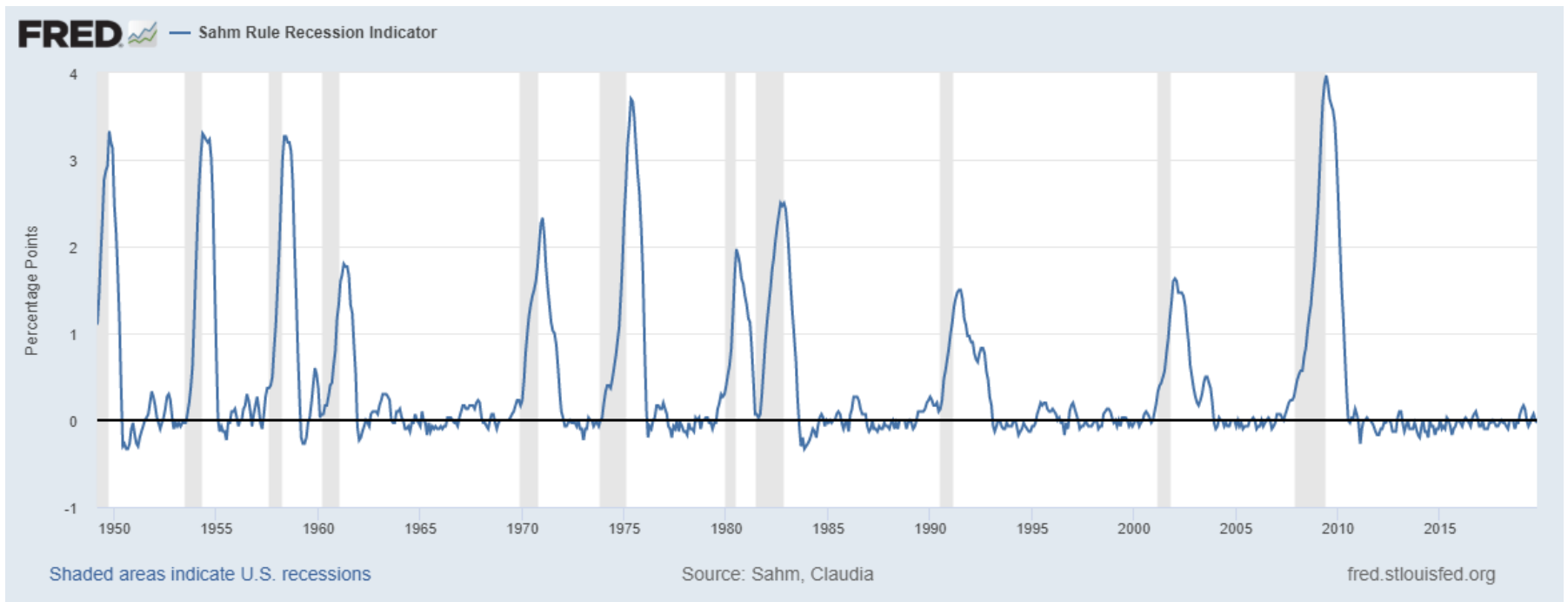
Shaded areas indicate U.S. recessions

Source: Hamilton, James

myf.red/g/nVa0



# Sahm Rule Recession Indicator also remains low



# One possible trigger: tariffs

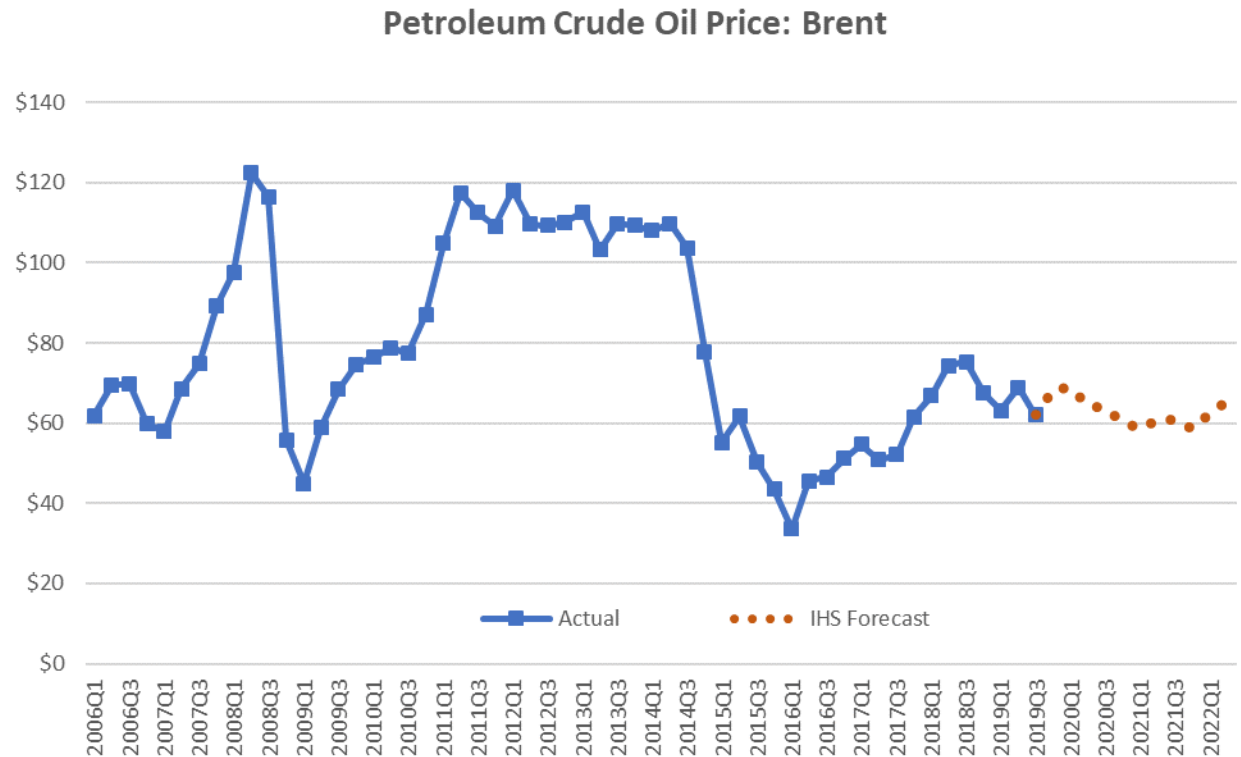
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- Trade war has created uncertainty for businesses and is starting to impact consumers
- Slowdown in consumer spending could lead to larger economic slowdown
- For those businesses that primarily sell to domestic market (e.g. potatoes, apples), increased competition from states that previously exported abroad (e.g. California)

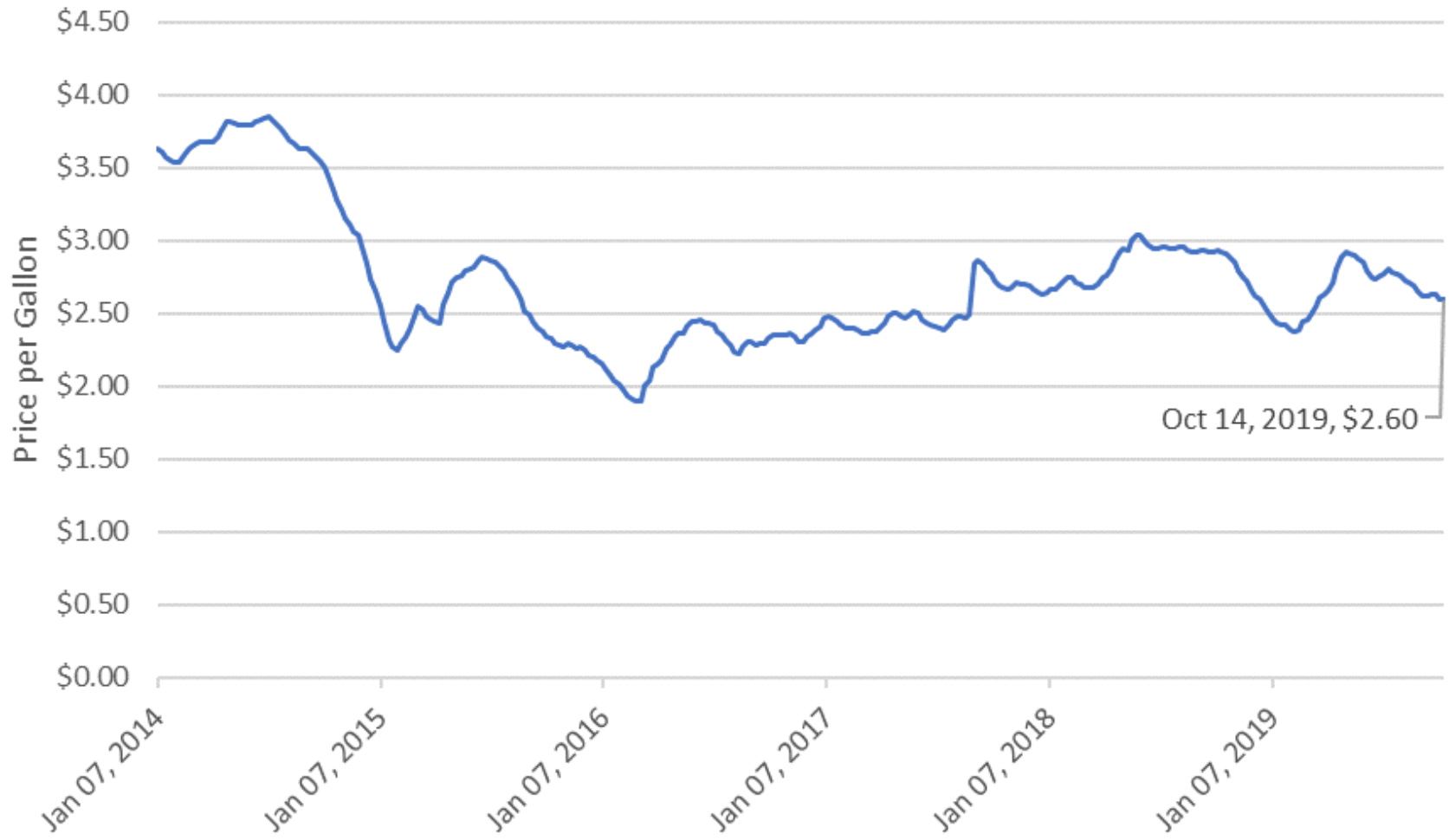
# Energy Prices

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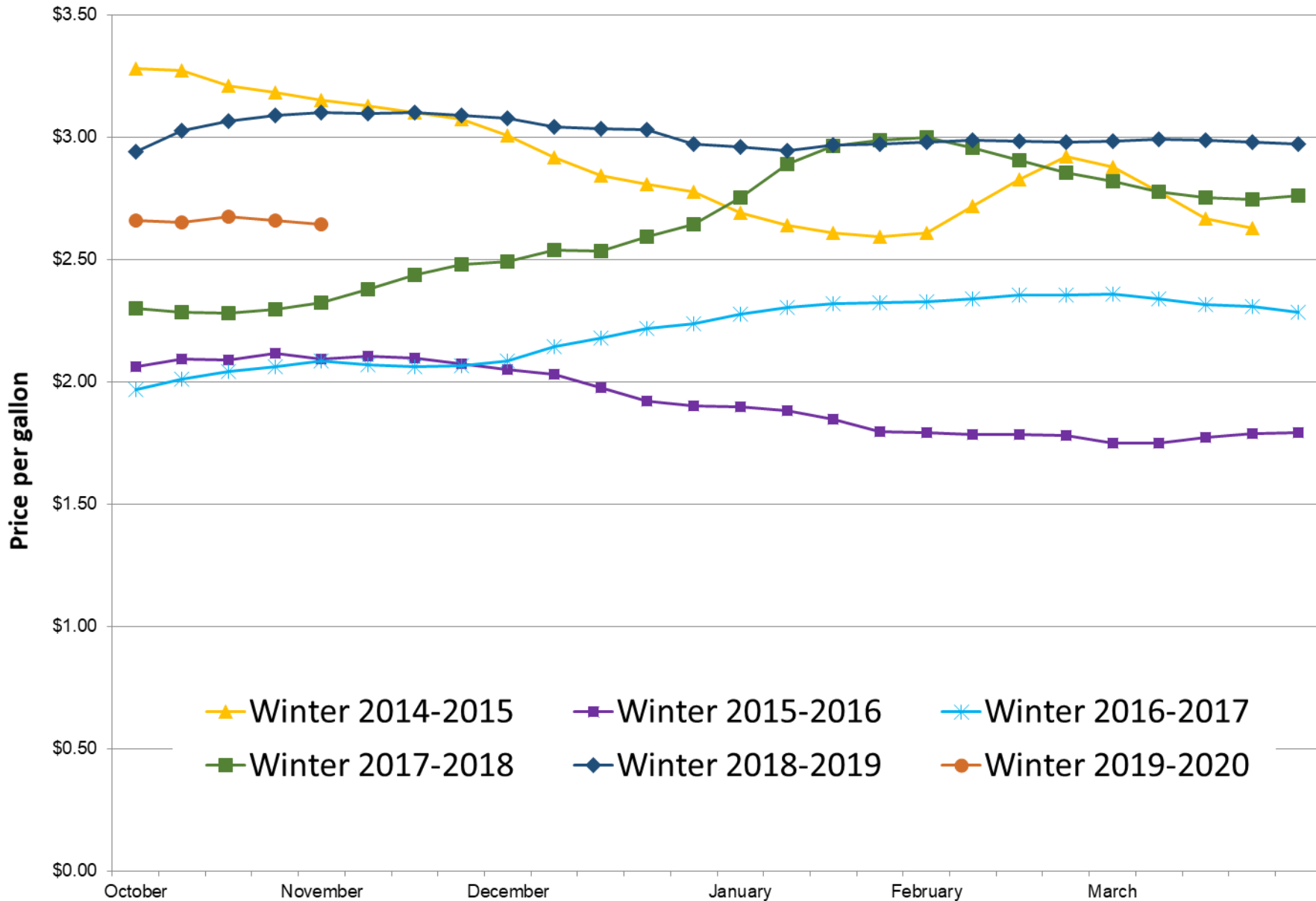
Recent spike in oil prices was relatively small and diminished quickly; forecast is for stable prices, but that could change quickly



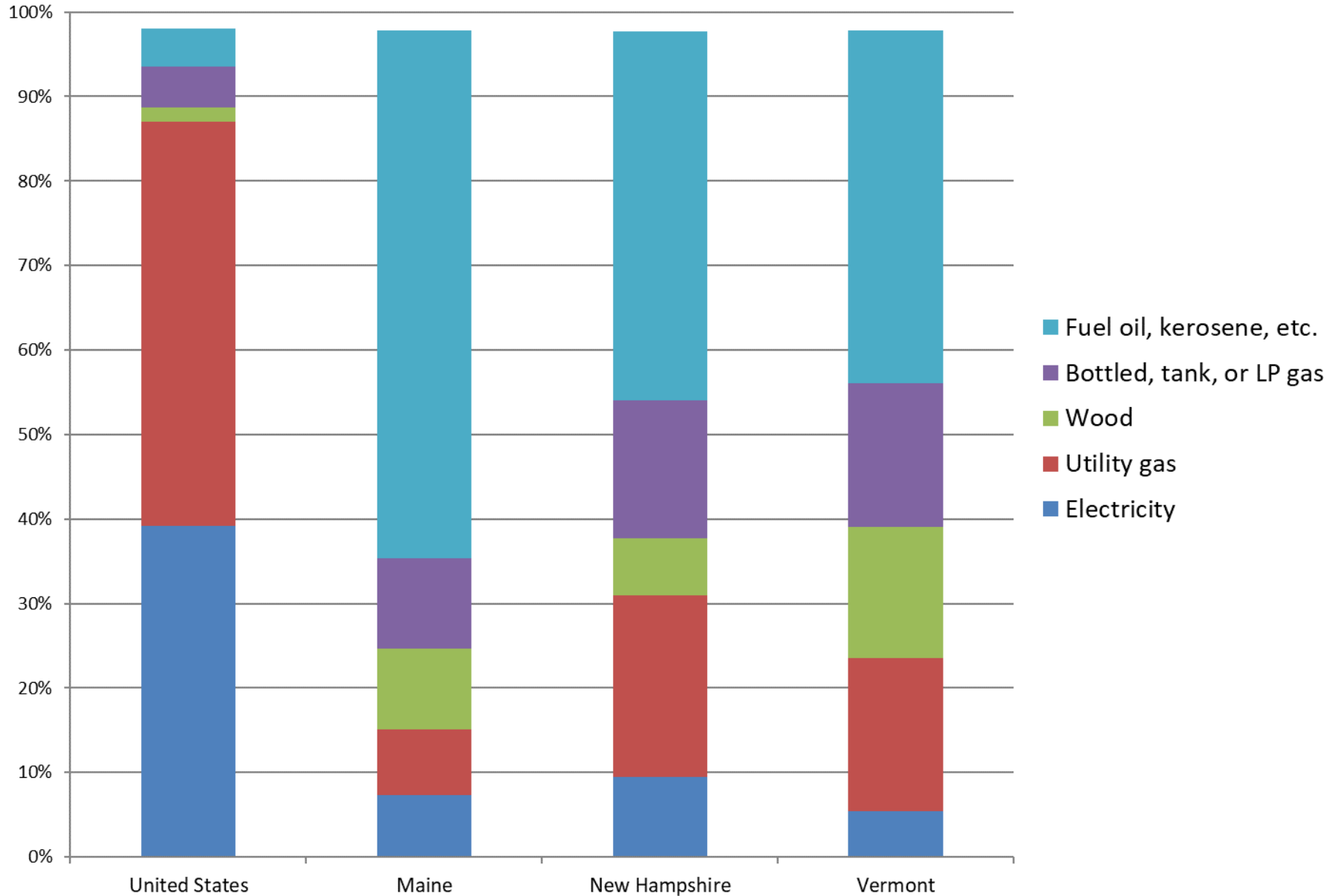
## Weekly New England Retail Gasoline Prices (Dollars per Gallon)



# Maine No. 2 Heating Oil Residential Price



## Percent of Housing Units by Type of Primary Heating Fuel (2018)



# Taxable Retail Sales for Maine

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| Maine Retail Sales   | % Change from August 2018 to August 2019 | % Change last three months / same 3 month period one year ago |
|----------------------|--|---|
| Building Supply      | -0.7%                                    | 1.7%  |
| Food Store           | -6.5%                                    | -7.7%   |
| General Merchandise  | 4.4%                                     | 10.3%   |
| Other Retail         | 10.5%                                    | 10.1%   |
| Restaurant           | 5.8%                                     | 4.8%  |
| Lodging              | 17.5%                                    | 16.1%   |
| Auto Transportation  | 2.2%                                     | 5.8%  |
|                      |  |   |
| Total                | 4.3%                                     | 5.3%  |
|                      |  |   |
| Business Operating   | 4.3%                                     | 2.9%  |
| Personal Consumption | 4.3%                                     | 5.6%  |

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# The path ahead





# Looking Ahead

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- At the national level: National economy likely to slow in the not-too-distant future: how much and when are unknown
- At the state level: Maine currently engaged in 10-year economic strategic planning (report due to Governor Mills in mid-November)

# Stress-testing Revenues



# Economic and Revenue Forecasting

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- **Consensus Economic Forecasting Commission (CEFC)**
  - Typically meets each January (March in odd-numbered years) and October in advance of the Revenue Forecasting Committee
  - Five independent economists from academia and/or private sector
  - Statute requires the Governor, Speaker of the House, and President of the Senate to make appointments
  
- **Revenue Forecasting Committee (RFC)**
  - Typically meets each February (April in odd-numbered years) and November
  - Members are State Budget Officer, Associate Commissioner of Tax Policy, State Economist, Director of Office of Fiscal and Program Review (OFPR), Analyst from OFPR, and University of Maine Economist
  - Must use recommendations from CEFC

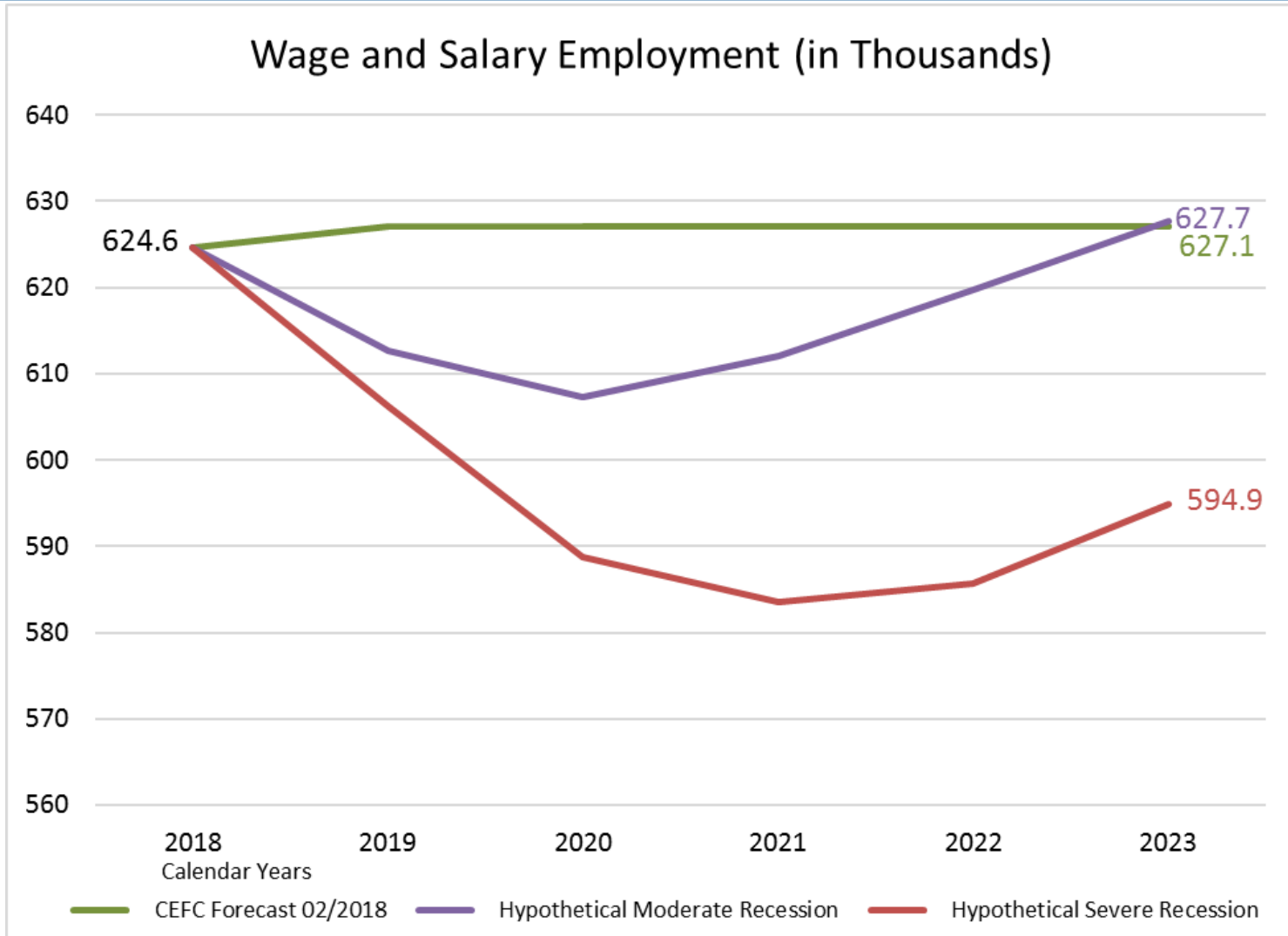
# Stress-Testing GF Revenues & Reserves FY19-FY23

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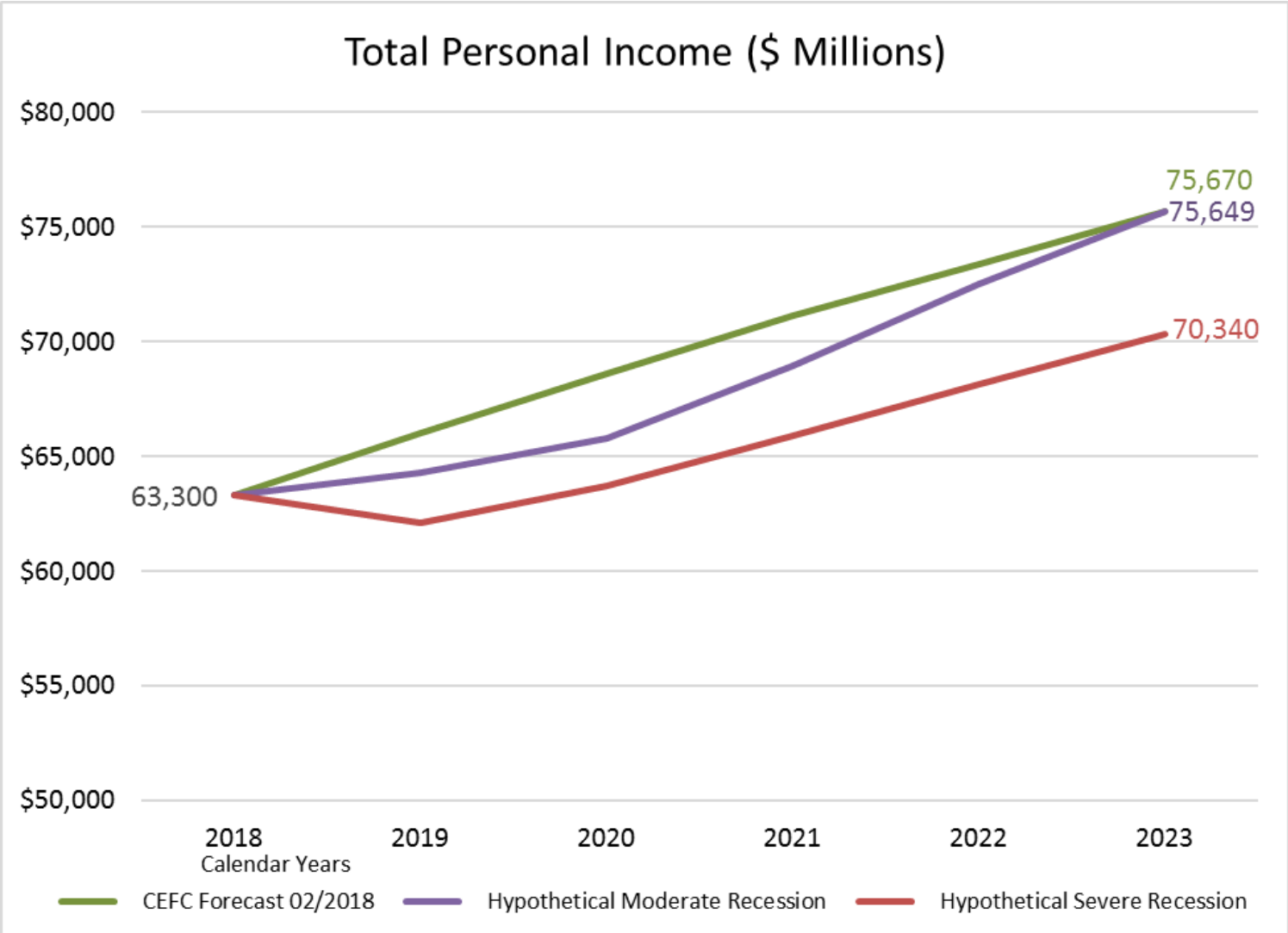
- Joint report of the CEFC and RFC
- Impact of two recession scenarios on sales and individual income tax revenues (Feb/Mar 2018)
  - ▣ Moderate recession
  - ▣ Severe recession
- Sufficiency of current level of the Budget Stabilization Fund (BSF) to maintain spending limitation
- BSF necessary to maintain spending limitation in each recession scenario

# Recession Scenarios: Wage & Salary Employment

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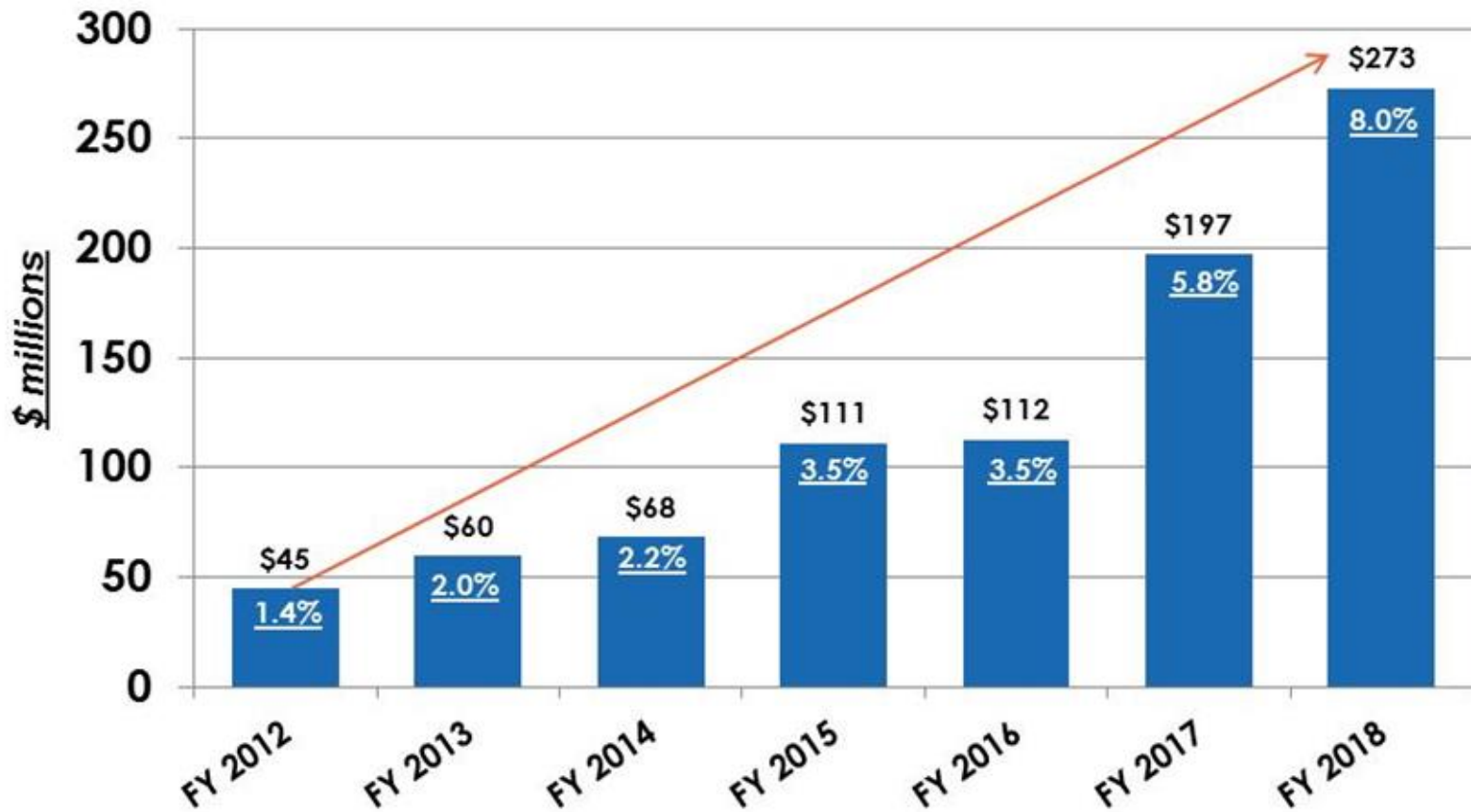


# Recession Scenarios: Total Personal Income



# Budget Stabilization Fund

\$ Budget Stabilization Fund / % of GF



# Stress-Test Conclusions

- The then-current BSF of \$273 million is not sufficient to fully offset the revenue shortfalls estimated as the result of a moderate and severe recession.
- The BSF is at a level that will provide the Governor and Legislature time to make the changes necessary to bring the budget back into balance.
- The statutory maximum for the BSF of 18 percent of prior year General Fund revenues (currently \$646 million) would be sufficient to fully offset a moderate recession modeled in this report.



# 10-Year Economic Strategic Plan



Department of Economic  
& Community Development

# Strategic Planning

## Process Flow



# Strategic Goals



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Equitably grow the real average annual wage 10% by investing in long-term talent development.

Drive the real dollar value added<sup>1</sup> contribution per job by 10% while protecting Maine's quality of life by focusing on sectors of promise in each region of the state.

Attract 75,000 people to Maine's workforce. The target addresses the increase in people entering retirement age and the current shortage.

<sup>1</sup> Value added is GDP/employment

# Key Themes

- Talent is the economic driver at the heart of the plan.
- Maine must grow its workforce to grow the economy.
- Business climate must be stable and predictable to grow GDP
- Innovation is key for growth
- Ubiquitous connectivity enables access for economic growth and is required to attract talent.
- Modern infrastructure needed for business to thrive and to retain and attract talent.

# Contact Information

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