What Will Economic Recovery Look Like?

November 5, 2020

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First: a brief reminder of how we got to where we are now

Pre-pandemic

Maine's economy was generally robust at the beginning of the year

- Employment was at record highs; unemployment near record lows

- Wage growth had been strong, as had income growth

- GDP growth improved in recent years

Then March happened

The rapidly developing public health crisis precipitated a series of measures that culminated with the Governor's Stay Healthy at Home mandate, limiting economic activity and physical movement around the state

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The ensuing recession was rapid, deep, uneven, and highly unusual

NBER announced the recession just 4 months after the peak (February 2020)
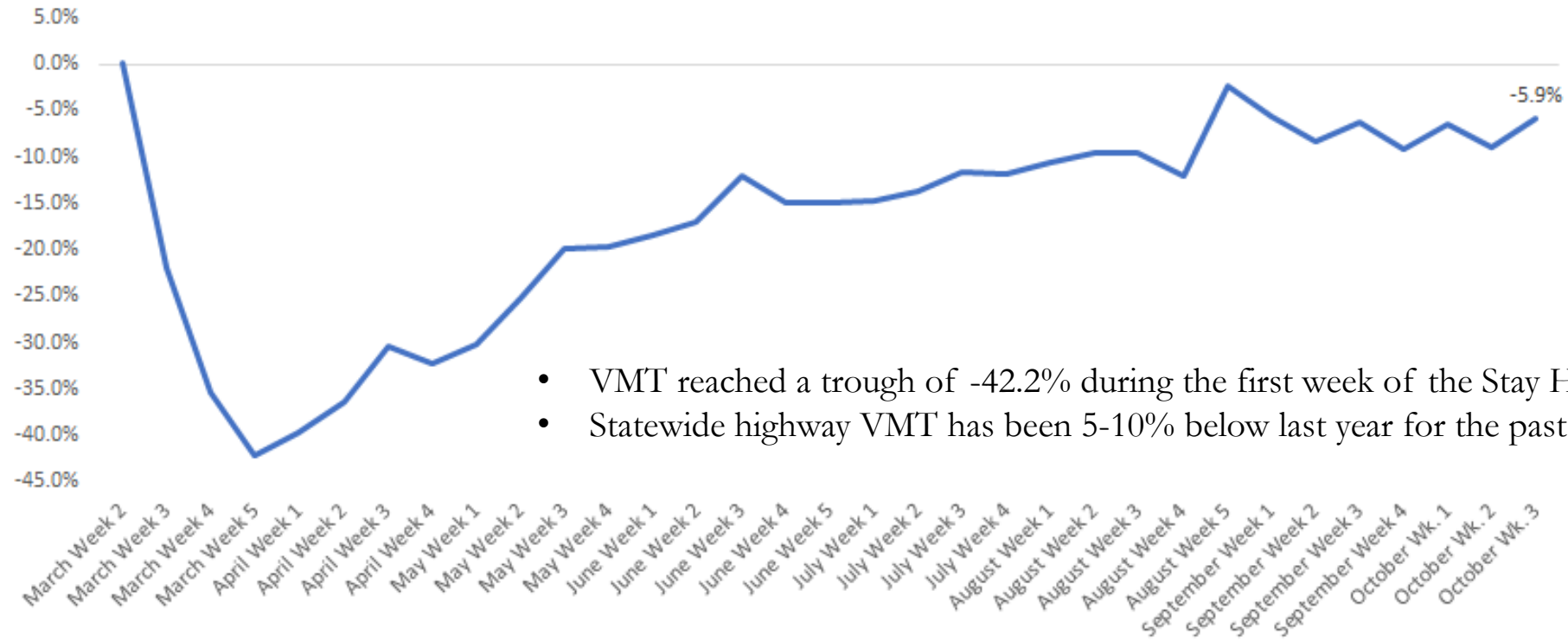
"Unprecedented" should be the word of the year for 2020

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Our earliest gauge of economic impacts?

Vehicle miles traveled.

Curtailed physical movement was a rough proxy for curtailed economic activity

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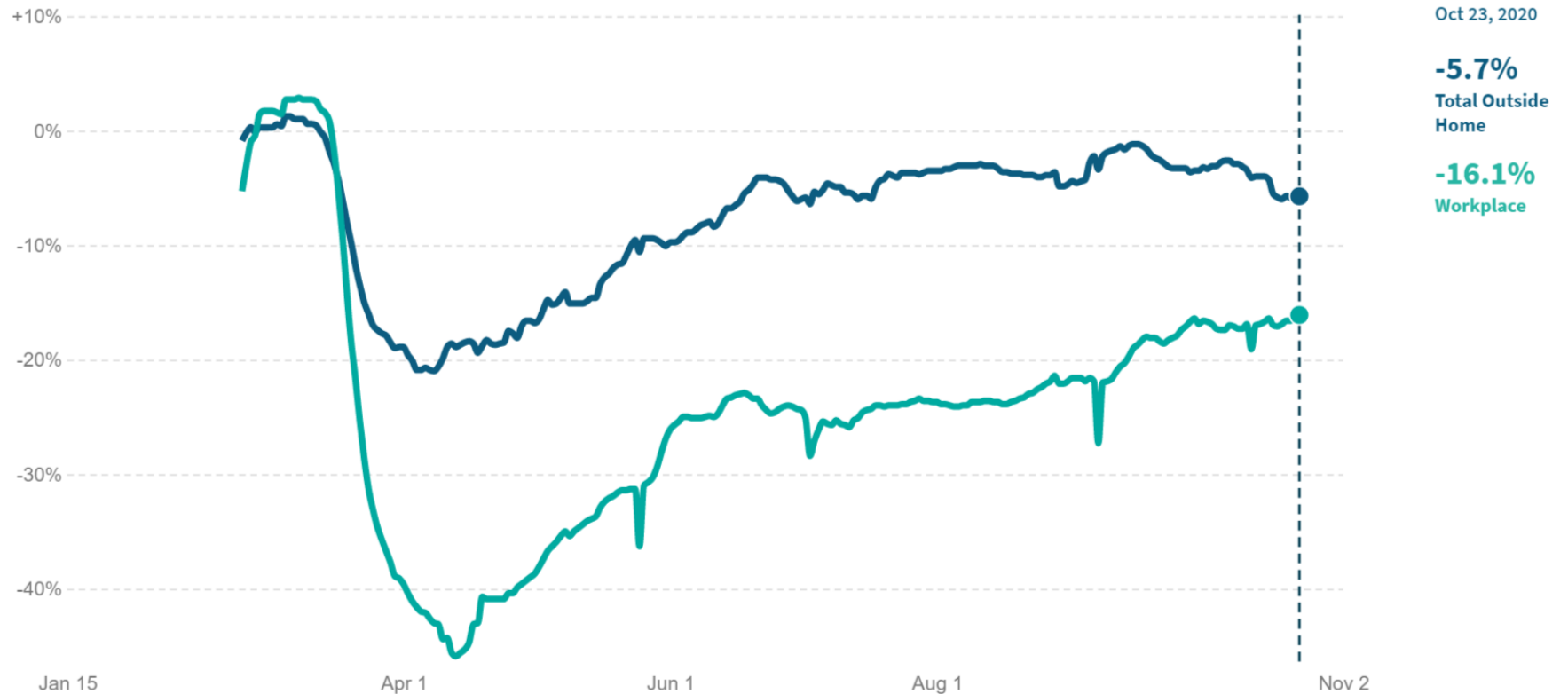## Maine Vehicle Miles Traveled, Year Over Year % Change

- VMT reached a trough of -42.2% during the first week of the Stay Healthy at Home order
- Statewide highway VMT has been 5-10% below last year for the past two months

Will we see VMT fully rebound?

- Commuter traffic may remain below pre-pandemic levels if telework continues permanently for some workers

- Tourism traffic, particularly in more rural parts of the state, may increase as out-of-state travel rebounds and first-time visitors become repeat visitors in subsequent years

- As we purchase more goods online, commercial and delivery traffic may see increases

Source: Maine Department of Transportation

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Time outside the home has started to decline again as the weather cools, while workplace mobility remains well below January levels

Percent Change in Time Spent Outside Home*

In **Maine**, as of **October 23 2020**, total time spent away from home **decreased** by **5.7%** compared to January 2020.

Oct 23, 2020

-5.7%
Total Outside Home

-16.1%
Workplace

*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: **October 28, 2020**   next update expected: **November 02, 2020**

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Employment impacts and recoveries have been uneven

Less impacted:

- Jobs that could easily transition to remote work

- Sectors related to pandemic response (scattered across several industries: some manufacturing, retail, construction, health care)
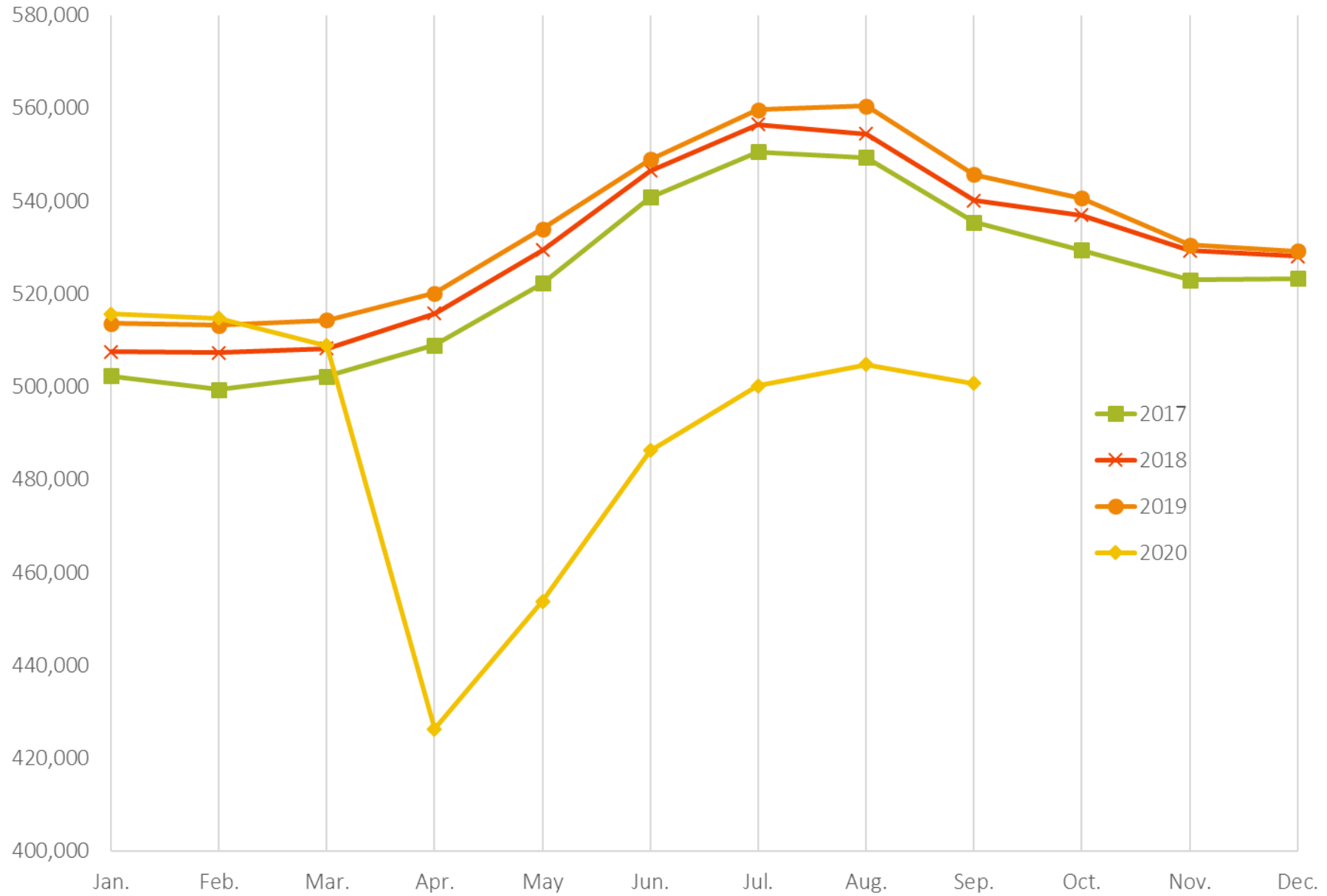
More impacted:

- "High-touch" jobs where face to face interactions are frequent

- Activities reliant on large gatherings (movie theaters, concerts/arts venues)

- Sectors tied to tourism

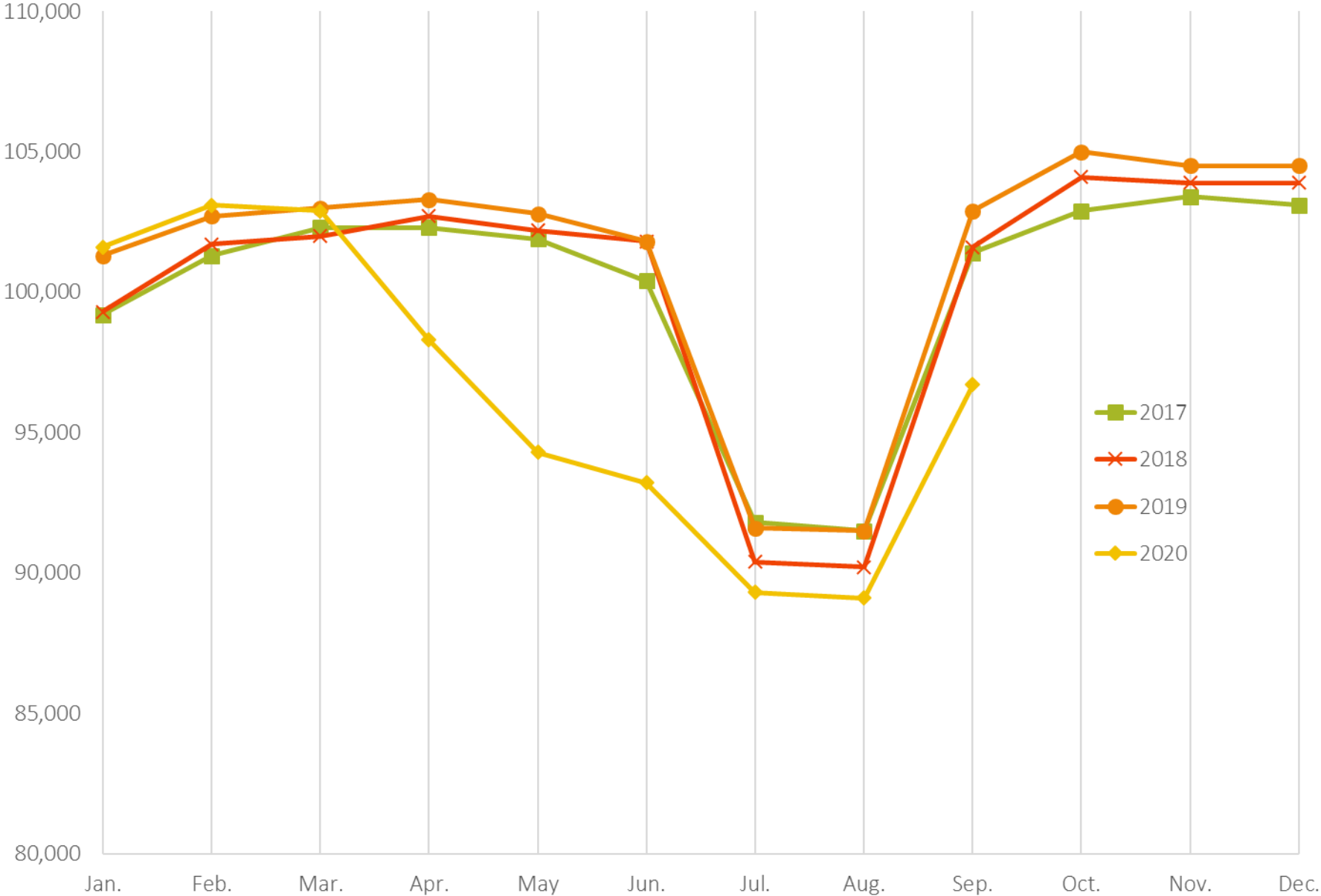Not seasonally adjusted employment data can help us see some of these differences
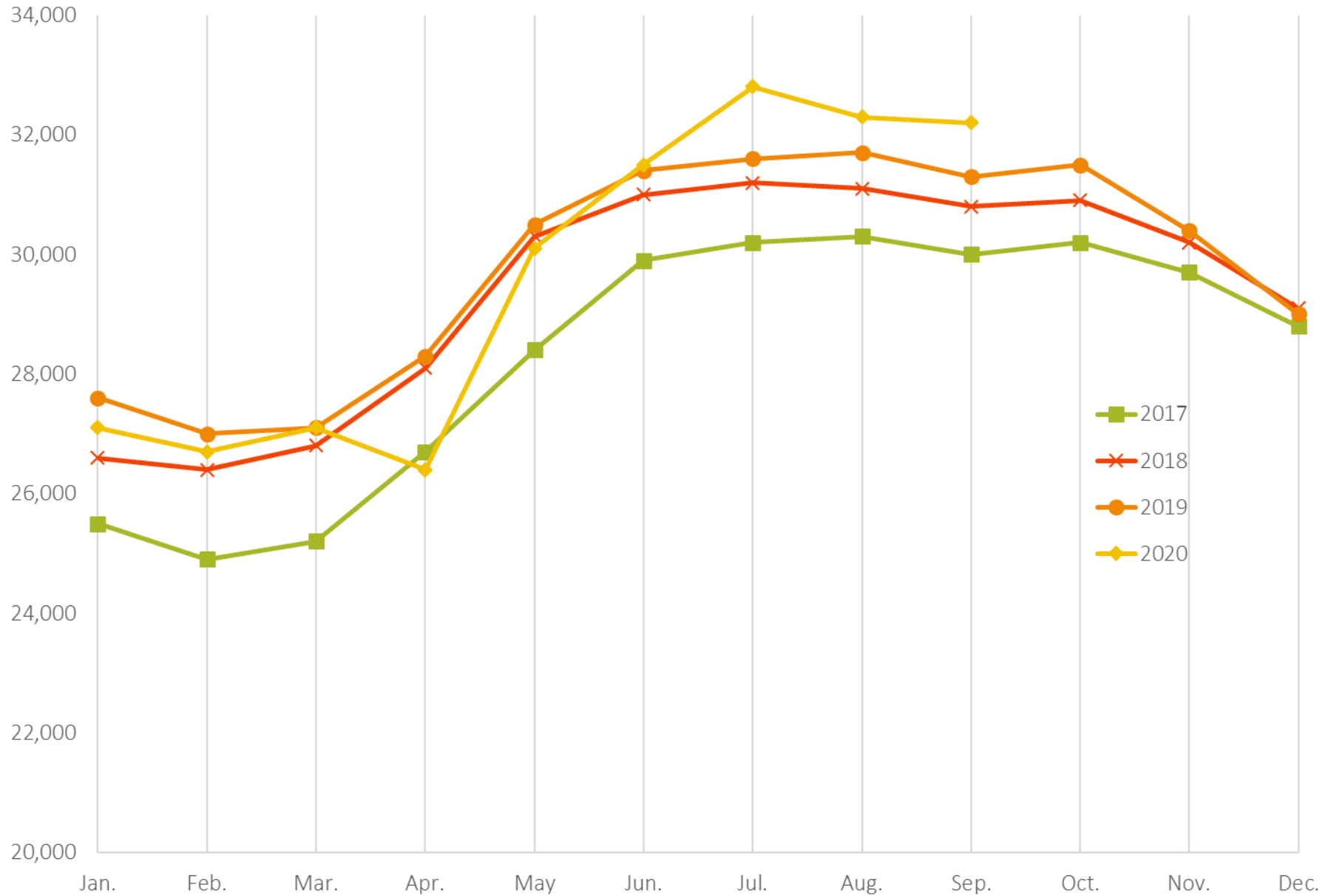
Total Private Employment, Not Seasonally Adjusted

Legend: 2017, 2018, 2019, 2020

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Government Employment, Not Seasonally Adjusted

Legend:
- 2017
- 2018
- 2019
- 2020

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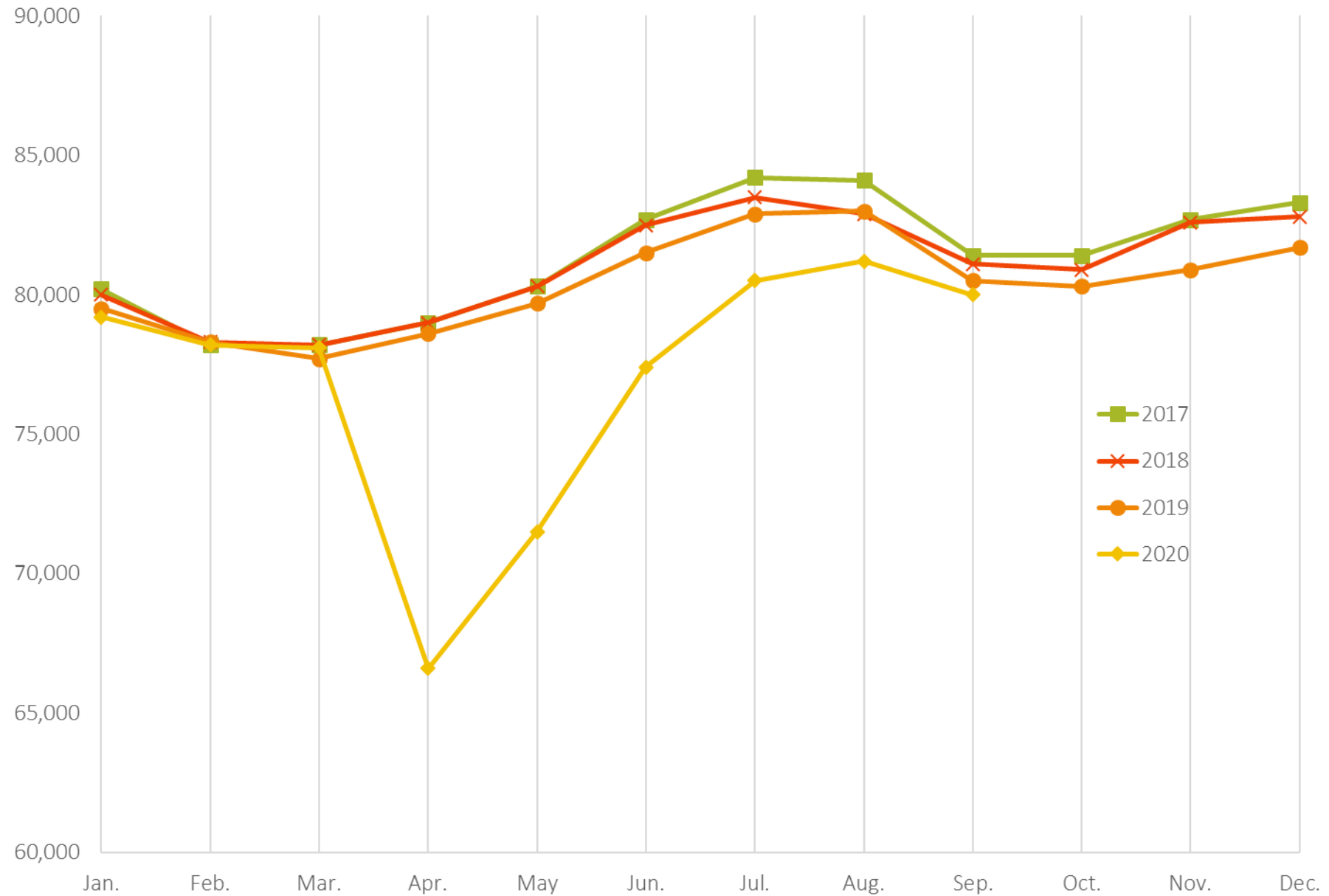
Construction Employment, Not Seasonally Adjusted

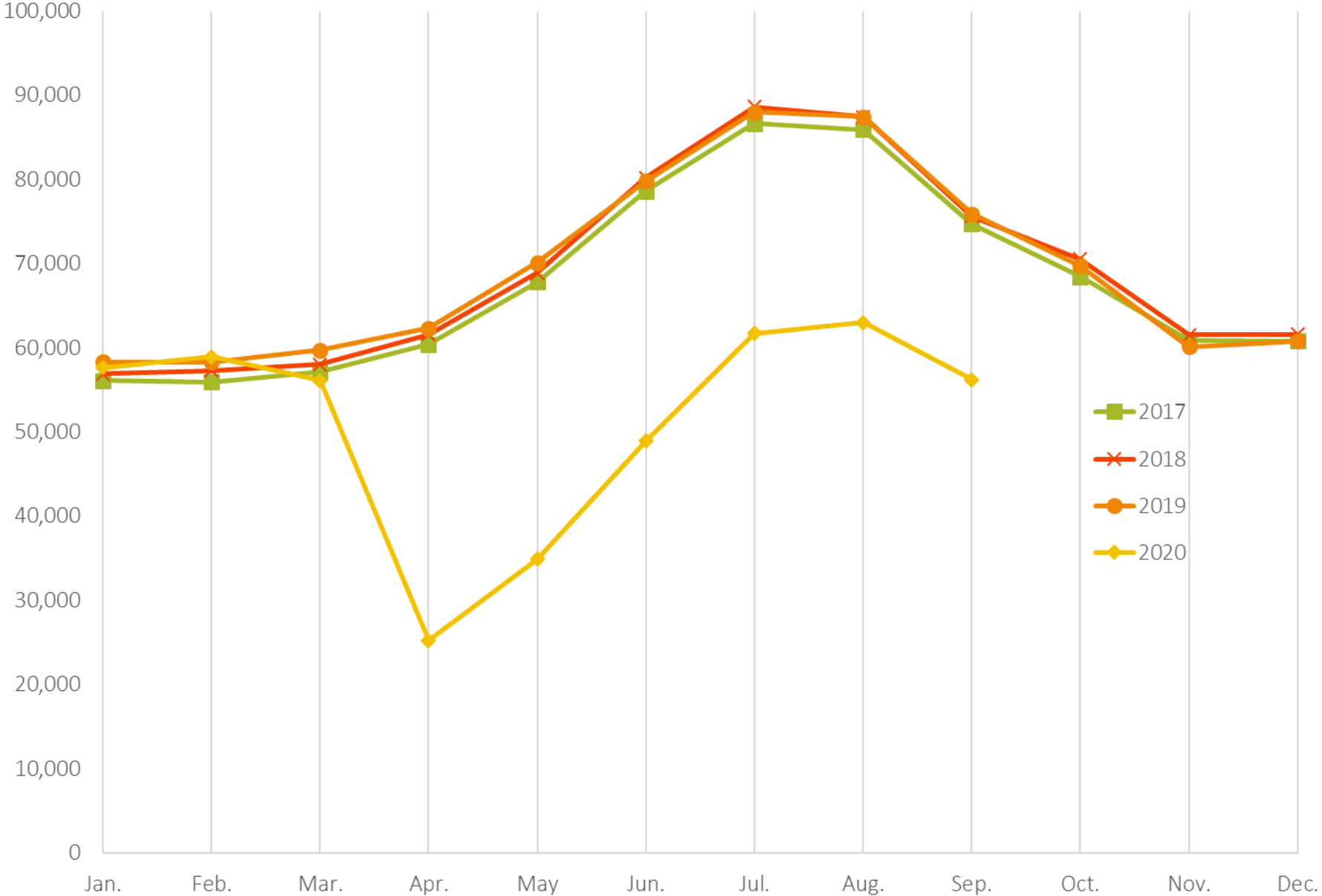Source: Maine Department of Labor, Center for Workforce Research and Information

Retail Trade Employment, Not Seasonally Adjusted

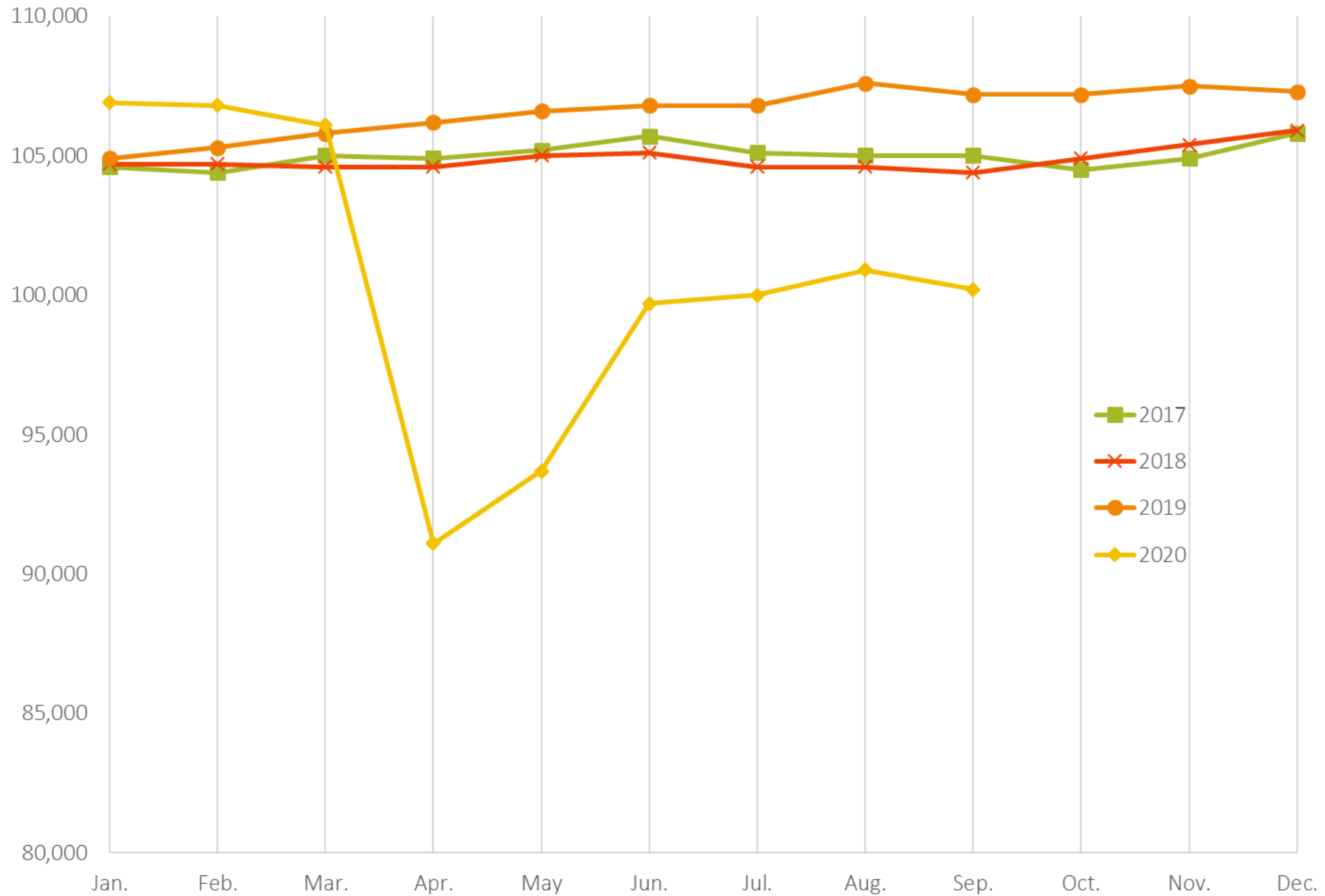Source: Maine Department of Labor, Center for Workforce Research and Information

Leisure and Hospitality Employment, Not Seasonally Adjusted

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Health Care and Social Assistance Employment, Not Seasonally Adjusted

Legend: 2017, 2018, 2019, 2020

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Employment is beginning to look like a "K-shaped" recovery.

In early September, low wage employment was nearly 25% below January 2020 levels, while high wage employment was 11% higher.

Percent Change in Employment*

In **Maine**, as of **September 10 2020**, employment rates among workers in the bottom wage quartile **decreased** by **23.3%** compared to January 2020 (not seasonally adjusted).

Sep 10, 2020

+11.2%
High Wage
(>$60K)

+3.7%
Middle Wage
($27K-$60K)

-23.3%
Low Wage
(<$27K)
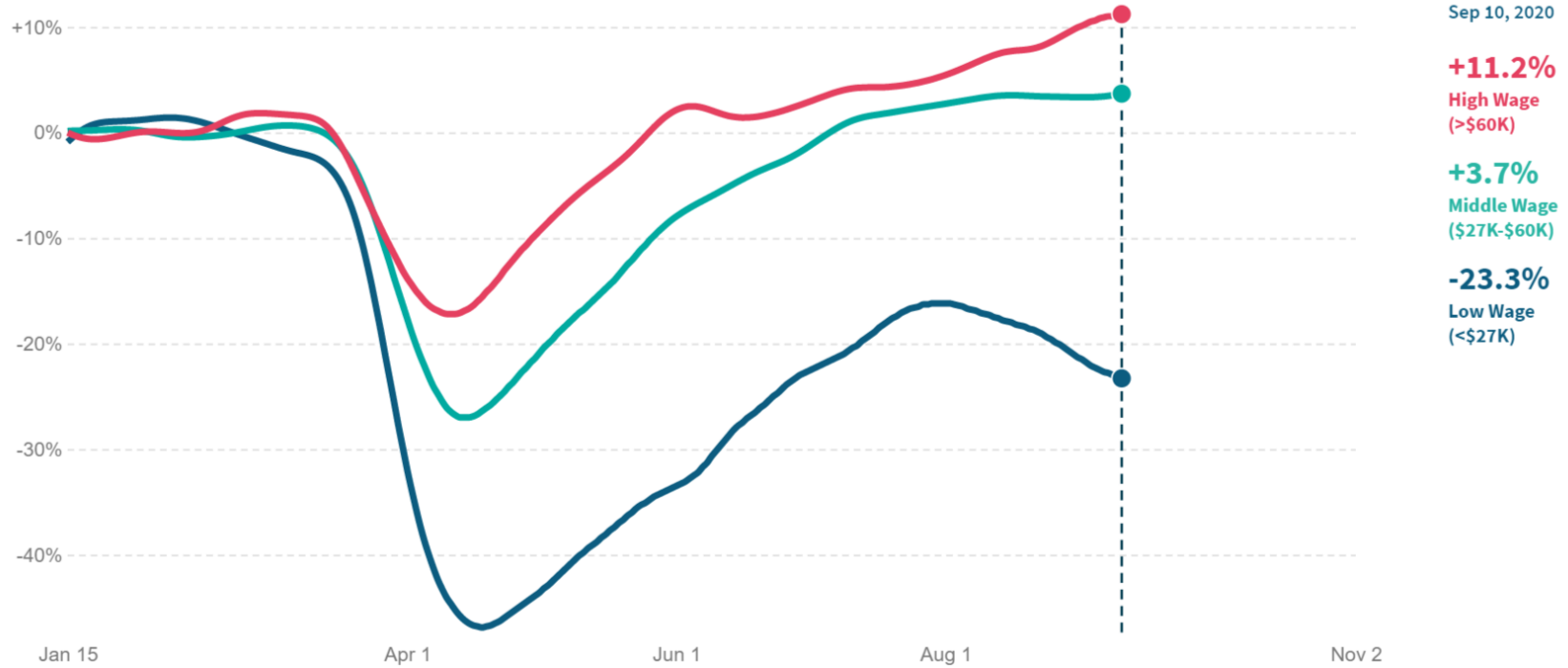
*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: **October 28, 2020**   next update expected: **November 06, 2020**

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Spending and saving have changed

Disruptions to work, school, and home life combined with federal stimulus measures have changed who is spending, how much they're spending, and what they're buying

- Spending more on food at home, construction/home renovations, durable goods; less on transportation, entertainment outside the home

Will patterns return to normal? Consumer confidence is a key measure here: even if people CAN spend, it doesn't mean they WILL

- People need to feel safe, both physically and economically

Federal stimulus supported lower-income spending as well as saving and paying down debt

When will there be additional stimulus and what will it include?

Total Consumer Spending in Maine is 8.6% below January 2020 levels

Spending on entertainment and recreation; transportation; and restaurants and hotels remains down 40-55%

Percent Change in All Consumer Spending*

In **Maine**, as of **October 18 2020**, total spending by middle-income consumers **decreased** by **11.7%** compared to January 2020.

Week ending
Oct 18, 2020

+2.6%
Low Income

-11.7%
Middle Income

-13.5%
High Income
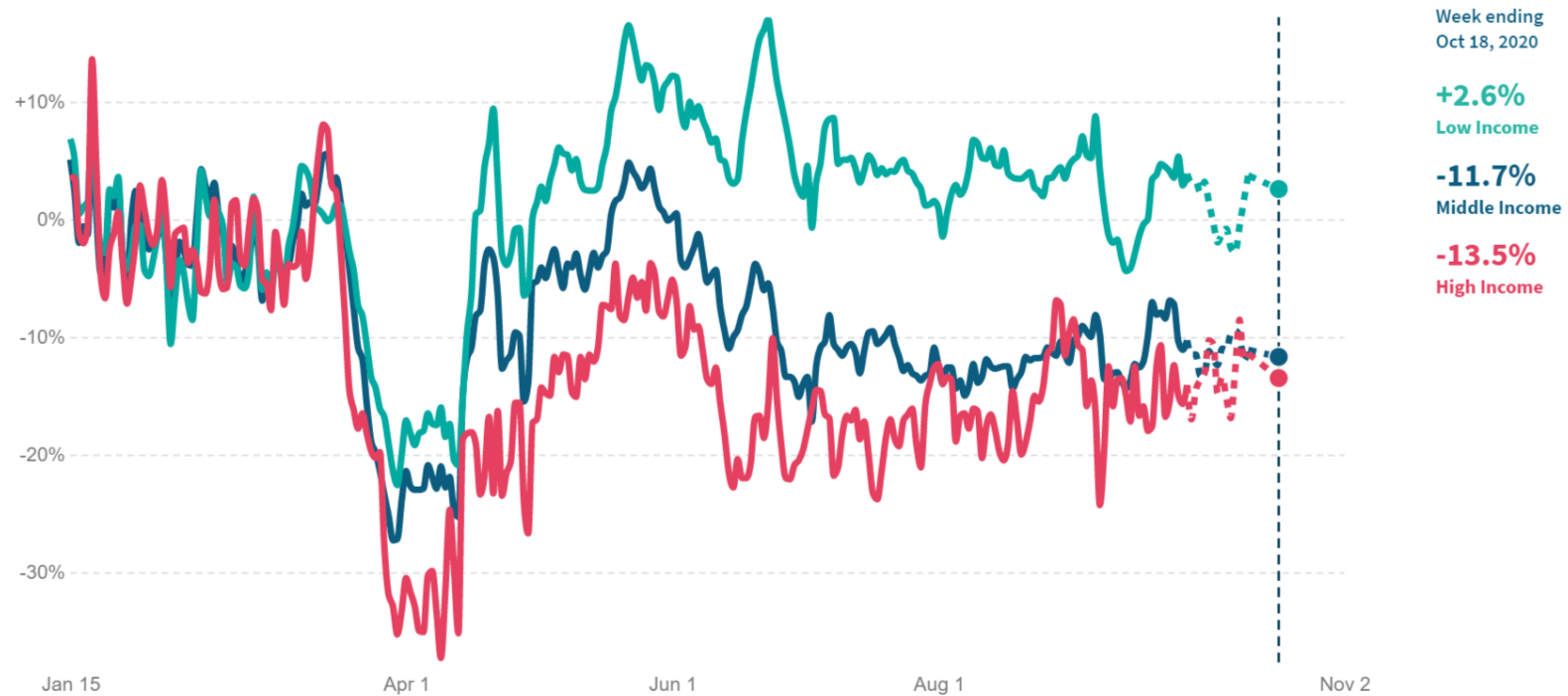
*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: *October 27, 2020*   next update expected: **November 04, 2020**

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Source: Affinity Solutions, Opportunity Insights Economic Tracker

Restaurant and lodging remain weak, offset by building supply, auto transportation, and online sales

| Maine Taxable Retail Sales	% Change from August 2019 to August 2020	% Change last three months / same 3 month period one year ago
Building Supply	18.9%	18.8%
Food Store	1.0%	1.3%
General Merchandise	-8.0%	-5.2%
Other Retail	36.3%	39.7%
Restaurant	-25.0%	-30.4%
Lodging	-24.9%	-38.8%
Auto Transportation	11.1%	9.6%
Total	1.5%	1.6%
Business Operating	2.3%	6.6%
Personal Consumption	1.5%	1.1%

Source: Maine Revenue Services

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Federal fiscal stimulus at work: Total Personal Income for 2020:Q2 was boosted by Transfers (stimulus checks, additional unemployment benefits, etc.)

| Percent Change From Preceding Period	Maine	U.S.
Personal income	41.0	34.2
Wages and salaries	-28.8	-25.8
Supplements to wages and salaries	-21.7	-19.2
Dividends, Interest, and Rent	-7.5	-8.6
Personal Current Transfer Receipts	615.3	853.9
Proprietor's Income	-37.3	-38.5

The industry sectors that contributed the most to Maine's second quarter decline in GDP were accommodation and food services (-7.09 percentage points) and health care and social assistance (-6.07 percentage points)

Real GDP Percent Change from Previous Quarter

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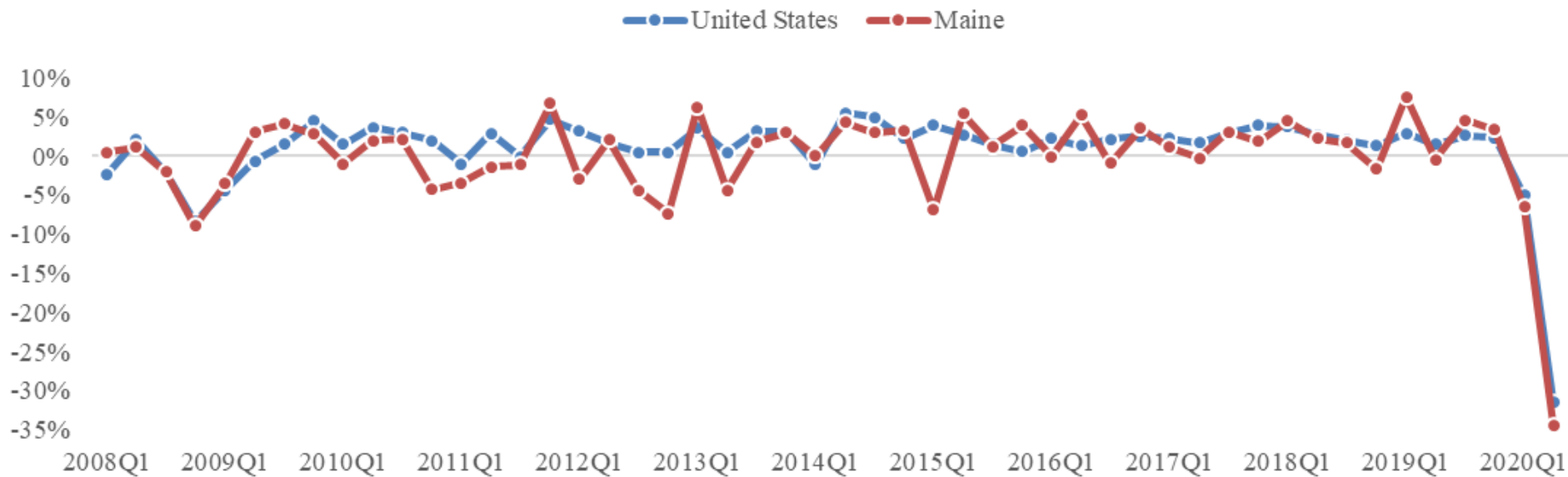
Sources: U.S. Bureau of Economic Analysis, September 24, 2020 (personal income) and October 2, 2020 (GDP) releases

One potential up-shot: Maine has been seeing an influx of home buyers from out of state (but who are they and how long will they stay?)

Single Family Existing-Home Sales
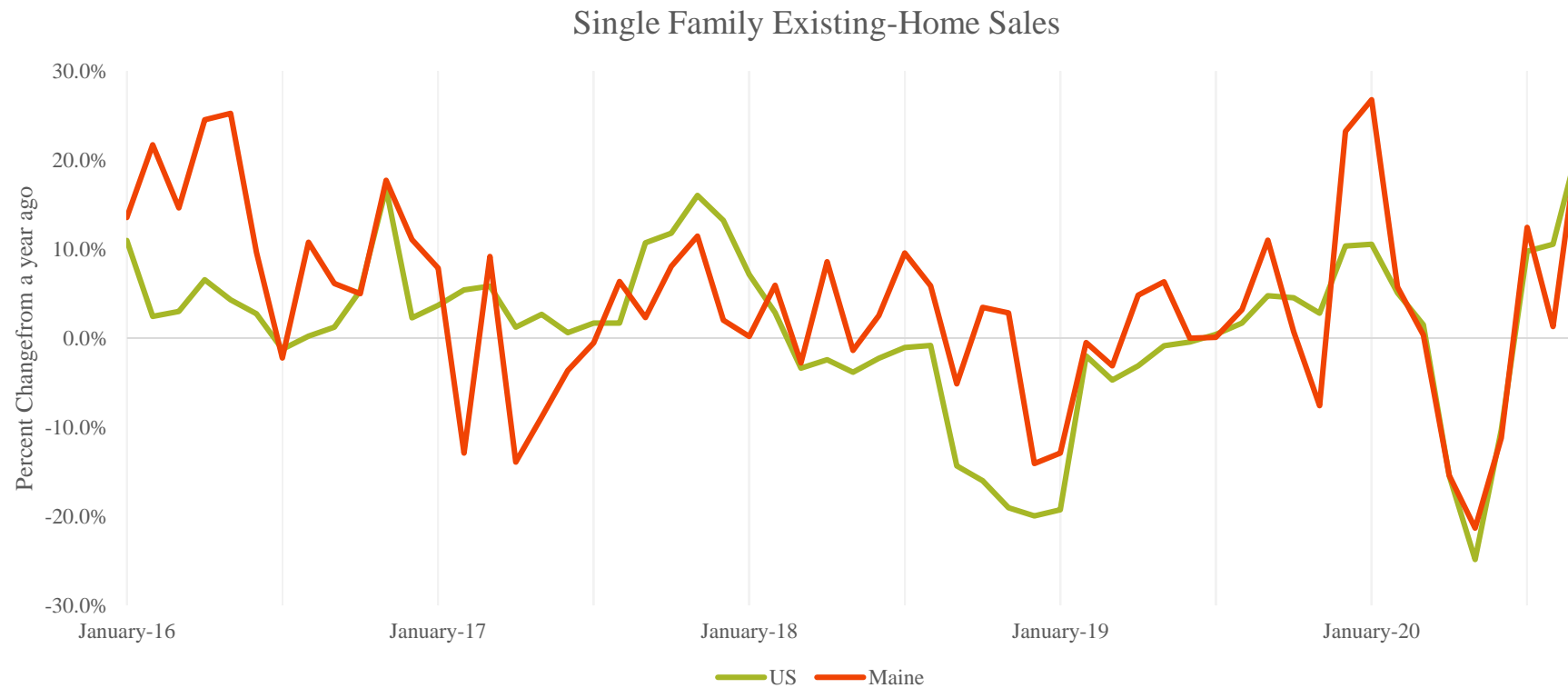
Maine REALTORS noted in their October press release a nearly 23% increase in home sales in September 2020 vs September 2019 along with a nearly 20% increase in the median sale price; sales of single family homes to out-of-state buyers increased 65% from 445 last year to 735 this year

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What about the children?

Nationwide, 52% of households with children under age 18 present reported a loss of employment income compared to 41% of households without children

With disruptions to schools and child care, many children were suddenly home all day.

This resulted in people – more women than men – leaving the labor force to care for children.

For these people to re-enter the labor force, they not only need a job to return to, they also need in-person school and/or child care

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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 ⌄

94%
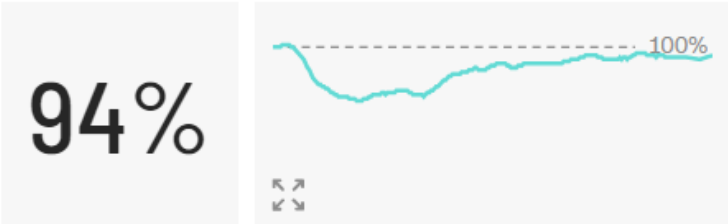
The economy in Maine is operating at 94% of where it was in early March.

New coronavirus cases in the last 7 days
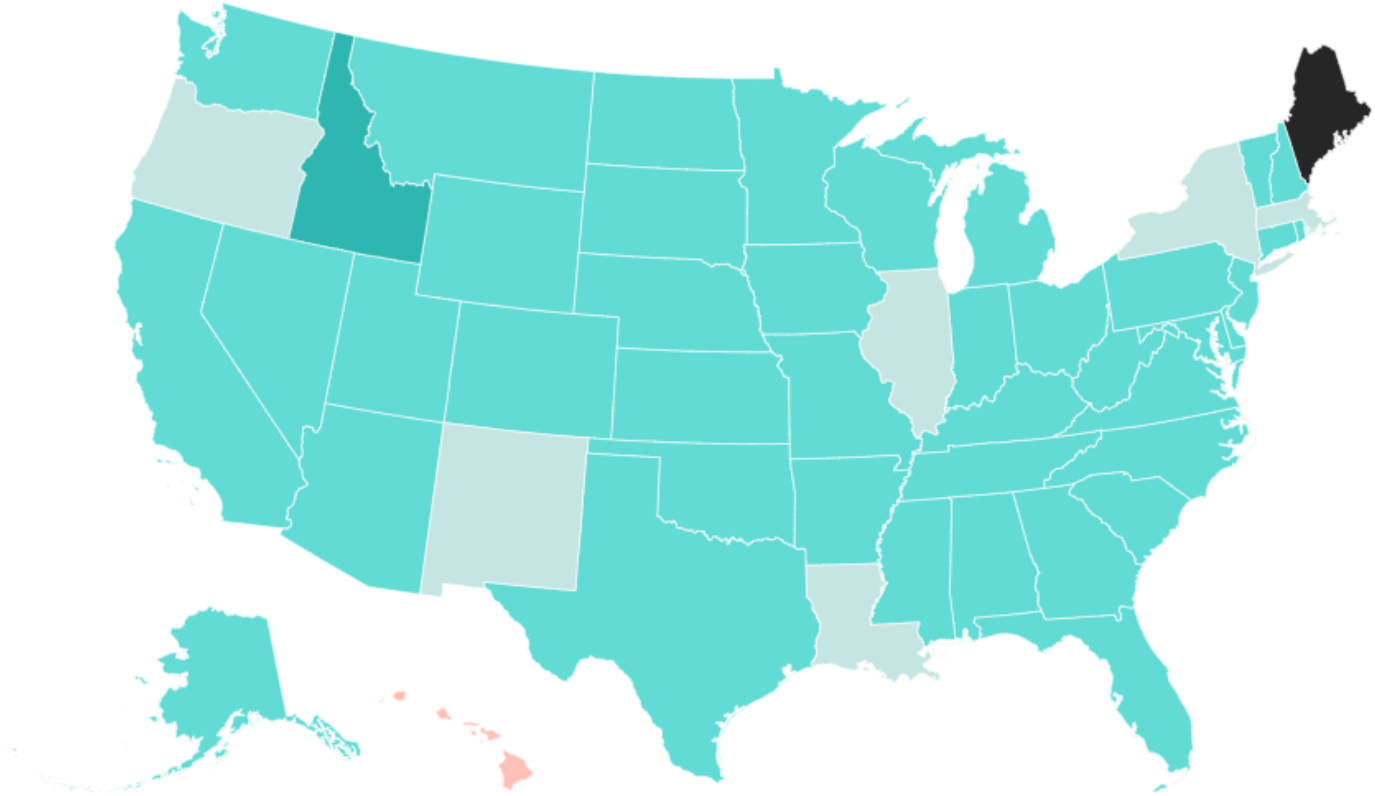**362** ▲

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

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 October 30, 2020

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Source: https://www.cnn.com/business/us-economic-recovery-coronavirus accessed November 2, 2020

Public health and economic health are intertwined