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Looking Past Economic Cycles

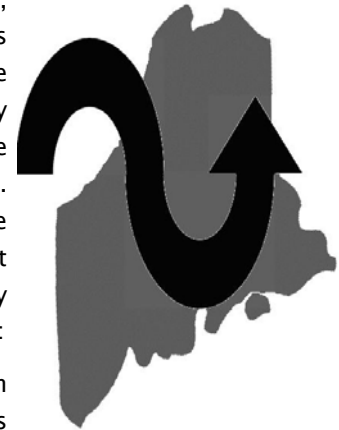
This winter was relentless. A few months ago, it seemed like spring would never arrive. Then just as the thermometer began to rise, the economy chilled.

Thus far, 2008 has been a dim year for the national economy. Oil prices have hit record levels. National job growth has stalled. The Sub-prime Mortgage Fallout has entered the economic text books next to the Savings and Loan Crisis and Black Monday.

Amidst this uncertainty, it's easy to forget that, like the weather, the economy always turns around... eventually. Until it does,

Maine governments, businesses, and households face tough decisions. The choices we make now may determine how we fare once the economy recovers. Fortunately, there are economic certainties that can guide our choices today and help us grow tomorrow:

1. Cost-based competition is getting harder. Maine's historical assets of semi-skilled labor, hydropower, and natural resources once allowed us to produce goods at lower cost than our competitors. The textile mills of Biddeford-Saco and Lewiston-Auburn arose during that era. Now, low transportation costs and



The economy always turns around... eventually.

trade liberalization have given businesses the freedom to locate in low-cost countries. In the last century, textile firms first left Maine for Appalachia;

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What's Your Approach to Economic Development?

Across the United States, the economic development pie is sliced into two pieces: needs-based and asset-based.

Needs-Based Development (NBD) entails identifying a region's weaknesses and creating programs to correct them. Most

traditional economic development initiatives fall into this category.

Asset-Based Development (ABD) involves identifying a region's strengths and building upon them. Strengths may range from natural resources and historic attractions to the

skills and knowledge of the local workforce. The region can use these assets to distinguish itself in the global economy.

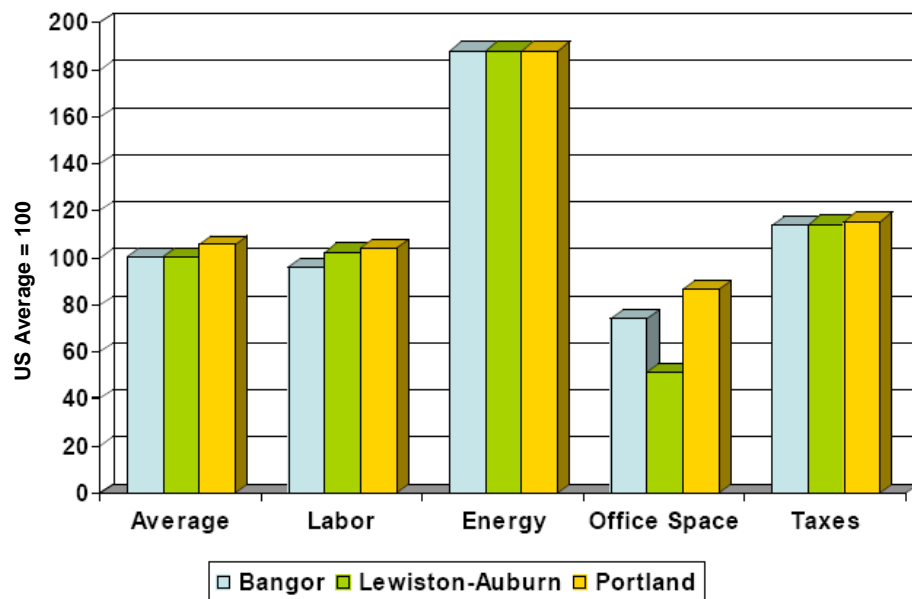
For example, a business pursuing an ABD strategy might focus its research, development, and

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Cost of Business Index: Maine Urban Areas, 2007

Moody's Economy.com compared the cost of workers, energy, office rental space and taxes in Maine urban areas against the national average. Overall, costs in Bangor, Lewiston-Auburn, and Portland are close to the national average. The two categories where Maine is above the national average are energy and taxes. There have been numerous initiatives to lower Maine's tax burden in recent years; this index highlights energy costs as one of the problems facing Maine businesses.

This index does not show some important factors that influence business growth, such as the skills



Source: Moody's Economy.com

of a city's labor force, the majority of business population growth, and expenses, the higher access to technology and energy and tax prices have a limited impact on overall average costs. Also note that since wages account for

Maine Housing Market in Better Shape than National

From 2002 to 2006 the median sale price of Maine homes increased over 80%. Last year the median price stayed the same while the national median home value fell 3%. News reports of much higher price drops in other parts of the country raise fears that Maine prices may start to fall. However, the following indicators suggest that Maine prices will likely remain relatively stable.

Much of the recent growth

in prices was the result of Maine playing catch up. Compared to other New England states Maine had the lowest median sale price relative to the median income in 2000. Now Maine looks more like the rest of New England.

The Maine housing market did not include as much of the speculative building that is making national headlines. As a result Maine does not

have a lot of extra houses. The rental vacancy rate is still below the long term average, suggesting that some houses can be rented. The need to replace old homes and house new families will quickly fill vacant homes.

Lastly, Maine homes are still priced below homes in other New England states. Homeowners in other states can sell their house and get more house for their money in Maine.

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STATE DATA CENTER NEWS

MAINE'S SOURCE FOR CENSUS DATA

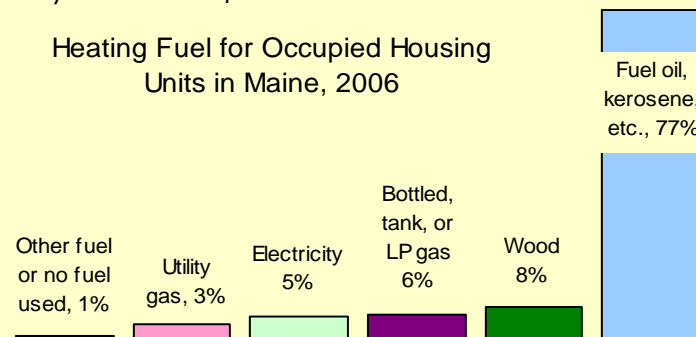
What is the State Data Center Program?

The State Data Center program is a partnership between the states and the U.S. Census Bureau. The mission of the program is to provide efficient access to U.S. Census Bureau data and data products, provide training and technical assistance to data users, and provide a mechanism for feedback to the Census Bureau on data usability, state and local government data needs, and operational issues. Many states, including Maine, also have Business and Industry Data Centers, which help meet the economic data needs of local business communities.

In order to accomplish this mission, the Census Bureau works through a network of state data centers. Each state identifies a lead agency, which then establishes a network of affiliates throughout the state. In Maine, the State Planning Office is the lead agency for both the State Data Center and the Business and Industry Data Center.

Recently Released Data from the Census Bureau

Heating Fuel for Occupied Housing Units in Maine, 2006



Source: 2006 American Community Survey

There are currently 35 affiliates in the Maine network, including state agencies, regional planning agencies, public libraries, and academic libraries, among others.

SPO is in the process of redesigning the Maine State Data Center. It has expanded the network of affiliates and held a training session in November 2007. Future training sessions are being planned, both for affiliate agencies and the general public. The website currently contains some Maine census data, and will develop further over time.

Census 2010 is coming!
The upcoming decennial census will have many changes from past censuses. To find out more, visit the U.S. Census Bureau's website at www.census.gov.

State Data Center Resources

- For more information on the national State Data Center program, see <http://www.census.gov/sdc/www/>.
- The complete list of Maine State Data Center affiliates and their contact information can be viewed at <http://www.maine.gov/spo/economics/census/directory.htm>.
- Visit the current Maine State Data Center at <http://www.maine.gov/spo/economics/census/index.htm>.
- Go directly to the source: visit the U.S. Census Bureau's website at <http://www.census.gov>.
- The American FactFinder is the Census Bureau's portal to a variety of census data and can be accessed at <http://factfinder.census.gov>.
- To learn more about Census 2010, visit <http://www.census.gov/2010census/>.

Cycles continued

now they have migrated to Asia and Central America.

2. Today's economy favors professional services and high value-added manufacturing over traditional manufacturing and resource extraction. Successful US businesses are those that exploit new technologies, find new markets, and respond to changing consumer demand. Think of Maine boatbuilders using new, high-tech composite materials and retailers like LL Bean and Stonewall Kitchen.

3. New technologies have decreased the constraints of distance. Businesses and individuals are now freer to locate wherever they like. Technology firms are less tied to

traditional factors such as transportation costs and proximity to raw materials. Their success often depends on their ability to attract and retain skilled workers.

4. Nationwide, businesses and workers in high-growth industries have shown a preference for attractive settings with ample opportunities for outdoor recreation, low crime rates, historic downtowns, and cultural amenities like museums, restaurants, and galleries. Sound like someplace you know? A broad body of economic research shows that these "Quality of Place" amenities help to attract economic activity.

5. Maine is well positioned to compete based on Quality of Place.

Recently, the Brookings Institution noted that "Maine possesses a globally known 'brand' built on images of livable communities, stunning scenery, and great recreational opportunities." In this regard, "...Maine is surprisingly well-positioned for the future."

More and more, Maine's growing businesses are those that leverage its unique Quality of Place to attract and retain talented workers, and entice new customers. Businesses that compete solely on cost have a more difficult time.

As we revel in the long-awaited spring sun, we do well to think about warmer economic days ahead and how to turn Maine's unique assets into new economic opportunities..

A broad body of economic research shows that Quality of Place helps to attract economic activity. To learn more, check out the "Place and Prosperity" report available on the SPO website.

Approach continued

marketing efforts on its best selling product, or a promising product for which there is a known market. An NBD strategy might address the deficiencies of poorly selling products, or seek new markets for those products.

All states, including Maine, use a combination

of these two approaches. Events always arise that require immediate action to address the needs of certain communities or groups of workers. At the same time, long-term prosperity requires strategic development of a region's strengths.

The trick is balancing how resources are divided

between ABD and NBD projects. Focusing too much on immediate needs and weaknesses may jeopardize a region's long-term prosperity. Focusing only on strengths could marginalize some communities and households.

It takes a steady hand to slice the pie just right.



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Public Access to Private Land: A Cultural and Economic Asset

Mainers are known for their love of the outdoors. Hiking, fishing, birding, snowmobiling – they're always up to something. What's even more unique about Maine is that many of these activities take place on private land.

The Maine tradition of public access to private land is without parallel in the nation. With 94% of Maine land privately owned, landowners who allow access play an important role in our recreational and tourism economies. The well-being and quality of life

Maine residents have come to expect depend on access to private land.

But, as more landowners post 'No Trespassing' signs, this tradition is at risk. In the past decade or so, the number of Maine landowners restricting their land has risen – one study suggests posting has doubled since 1991.

The reasons are complex. Landowners cite vandalism, poaching, ATV damage, and liability concerns.

The Governor's Council on Maine's Quality of

Place recently issued recommendations to strengthen Maine's Landowner Relations program, including making the newly formed position of Director of Landowner Relations, within the Department of Conservation, permanent.

One thing is certain. Preserving Maine's unique tradition of open-land is vital to Maine's economy and way of life. This will require individual recreators, user groups, and local and state governments to all play a responsible role.

Did You Know...

- Over 90 percent of snowmobilers in Maine ride on private land, relying on 13,000 miles of trails, almost all of which are privately owned.
- 90 percent of hunters in Maine hunt on private land, with 98 percent of all hunting days spent on private land.
- Half of Maine residents taking wildlife-watching trips do so on private land.
- 44 percent of ATV riders ride on private lands over more than 5,500 miles of ATV trails, much of which are privately owned.
- 38% of Mainers over the age of 16 participate in hiking or backpacking, much of which is done on private land.

Sources: U.S. Census Bureau; Margaret Chase Smith Policy Center; Outdoor Industry Foundation.

This newsletter is prepared by the Maine State Planning Office's Economics and Demographics team. It is designed to provide economic and demographic information and analysis to state policy makers and affiliates of the Maine State Data Center.

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