

Looking Ahead: Maine's Demographic and Economic Outlook

Western Maine Wellesley Club

January 29, 2023

Amanda Rector '04

Maine State Economist

First: demographics

What have the recent trends been and will they continue?

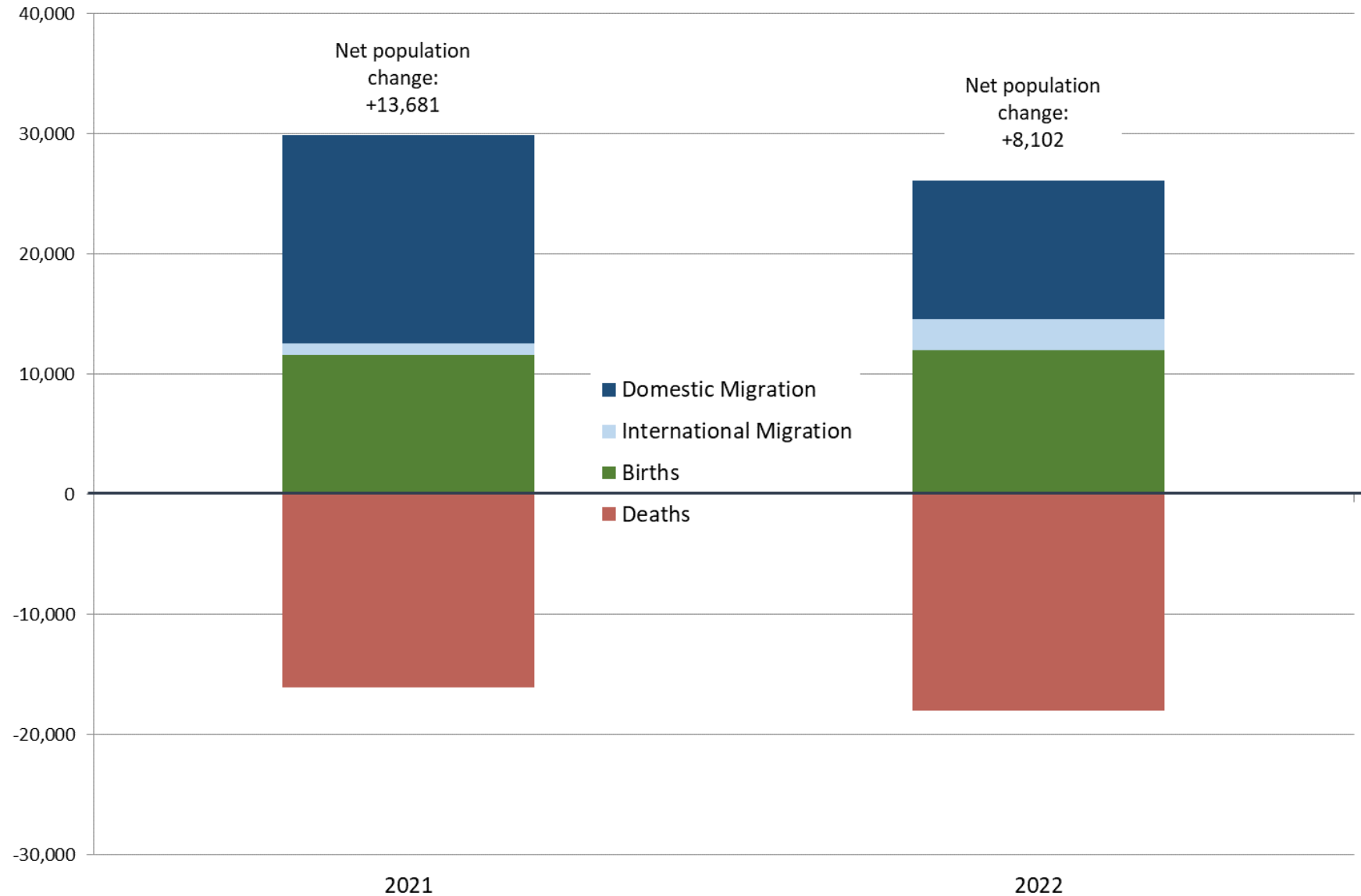
Components of Population Change, Maine

2020 Decennial
Population = 1,362,359
(42nd in U.S.)

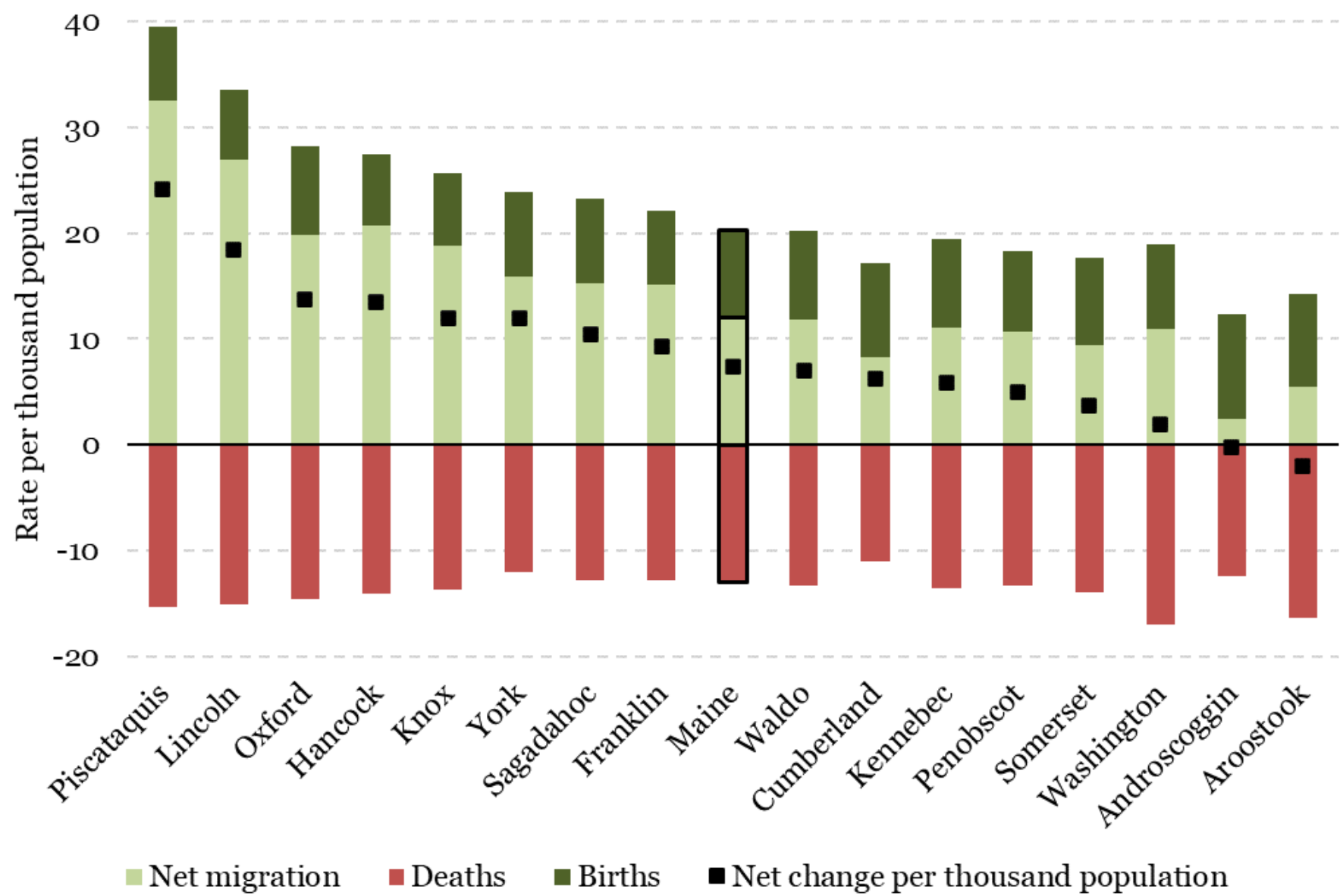
Population increase of
2.6% from 2010-2020
(42nd in U.S.)

Population increase of
1.7% from 2020-2022
(14th in U.S.)

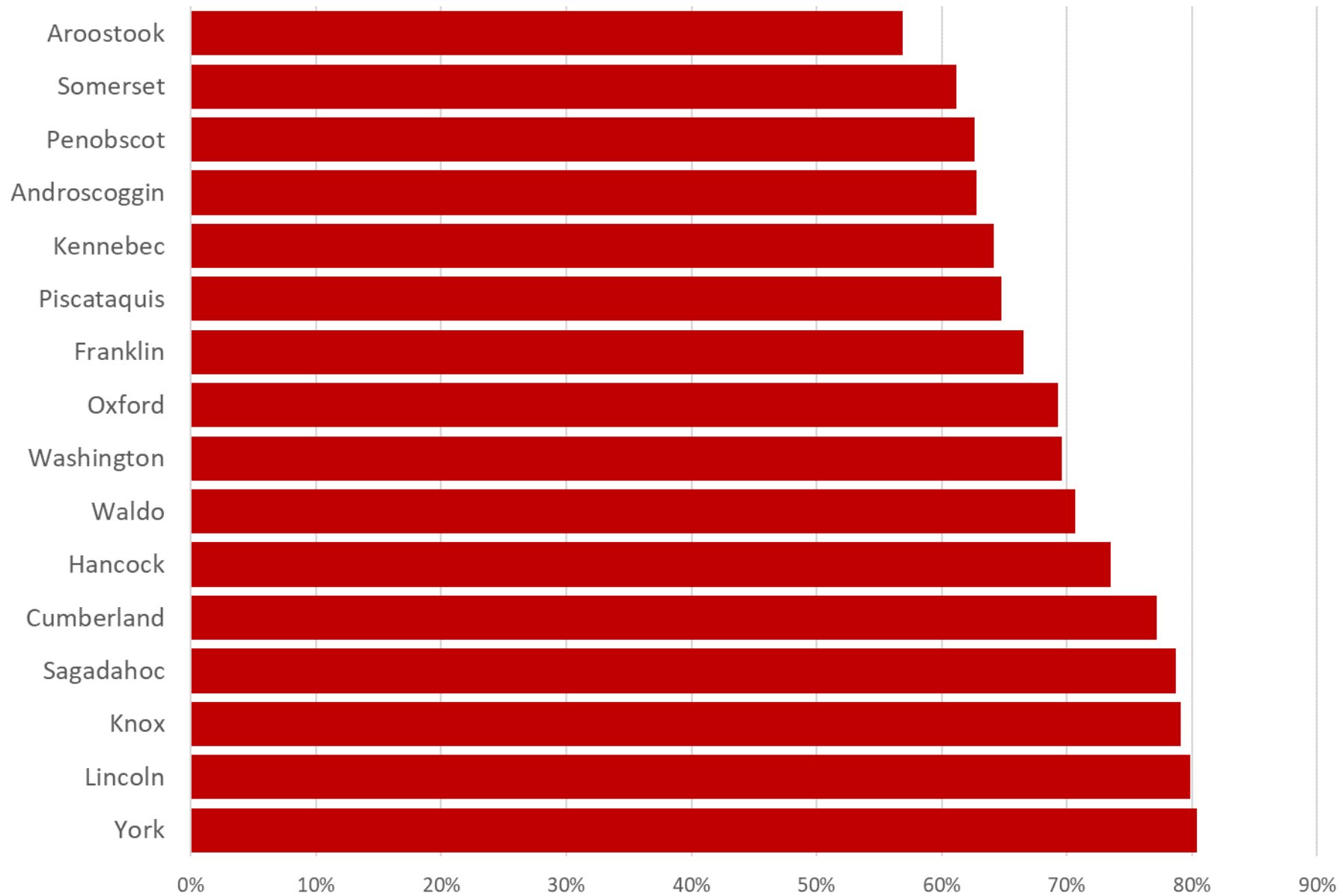
2022 net migration =
10.2 per thousand
(11th in U.S.)



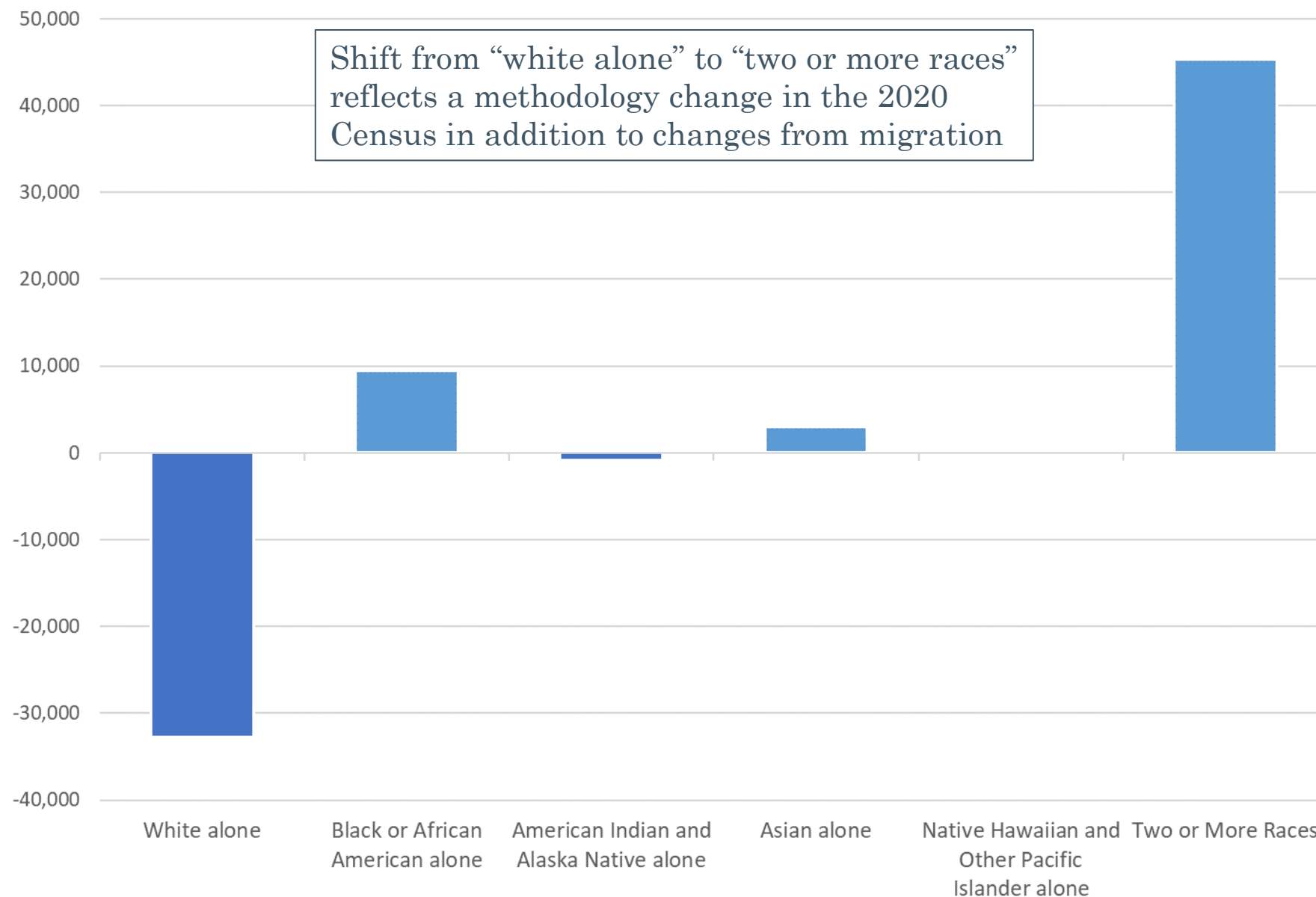
Components of Population Change in Maine, 2021 Rate per thousand population



Percent of Households Unable to Afford Median Home, 2022



Change in Maine Population by Race, 2010-2020

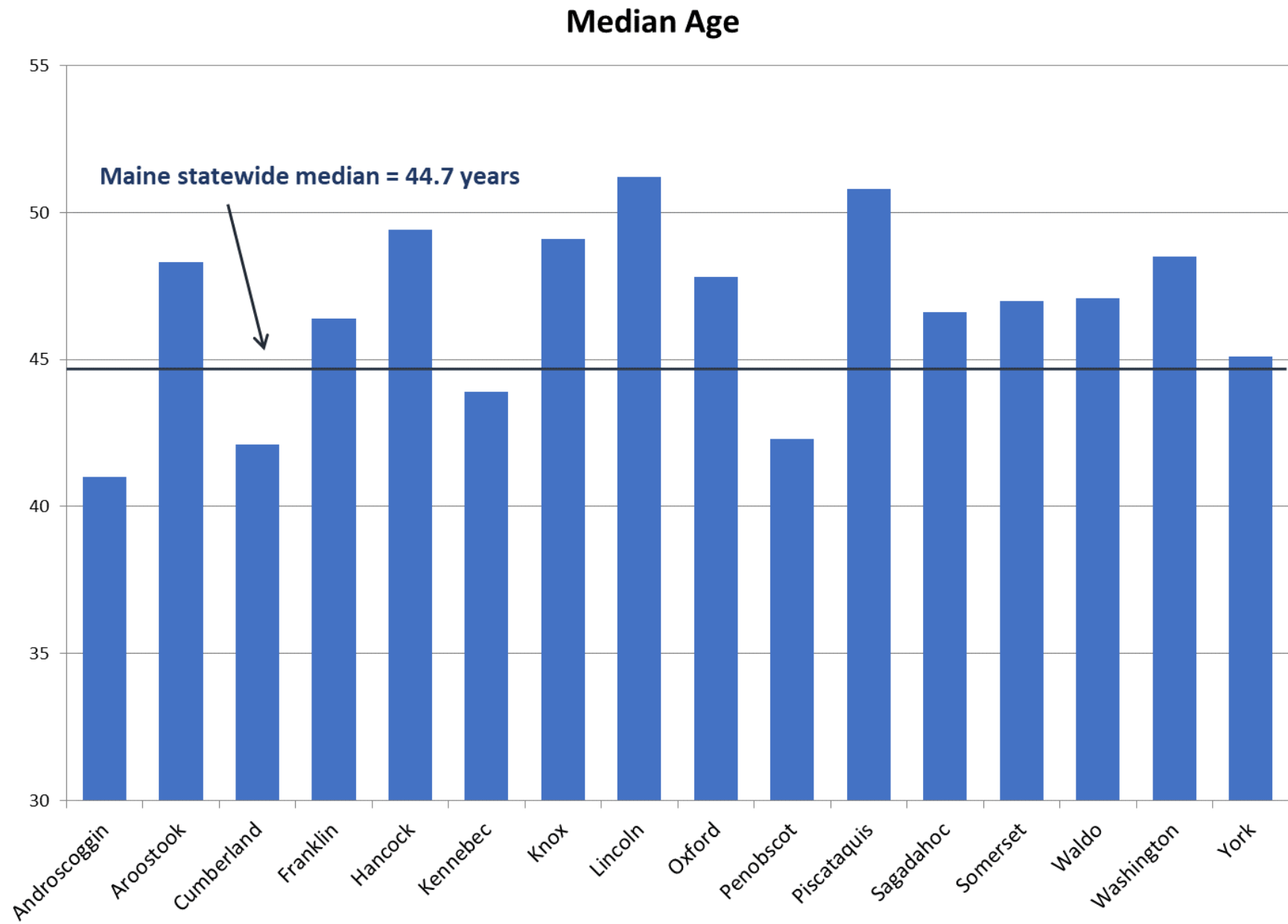


9.8% Black, Indigenous, and People of Color
Lowest percentage in U.S., but improved from 5.6% in 2010

Maine has the oldest population...
...by median age
(44.7 years)
...and by % of population
age 65+ (21.7%)

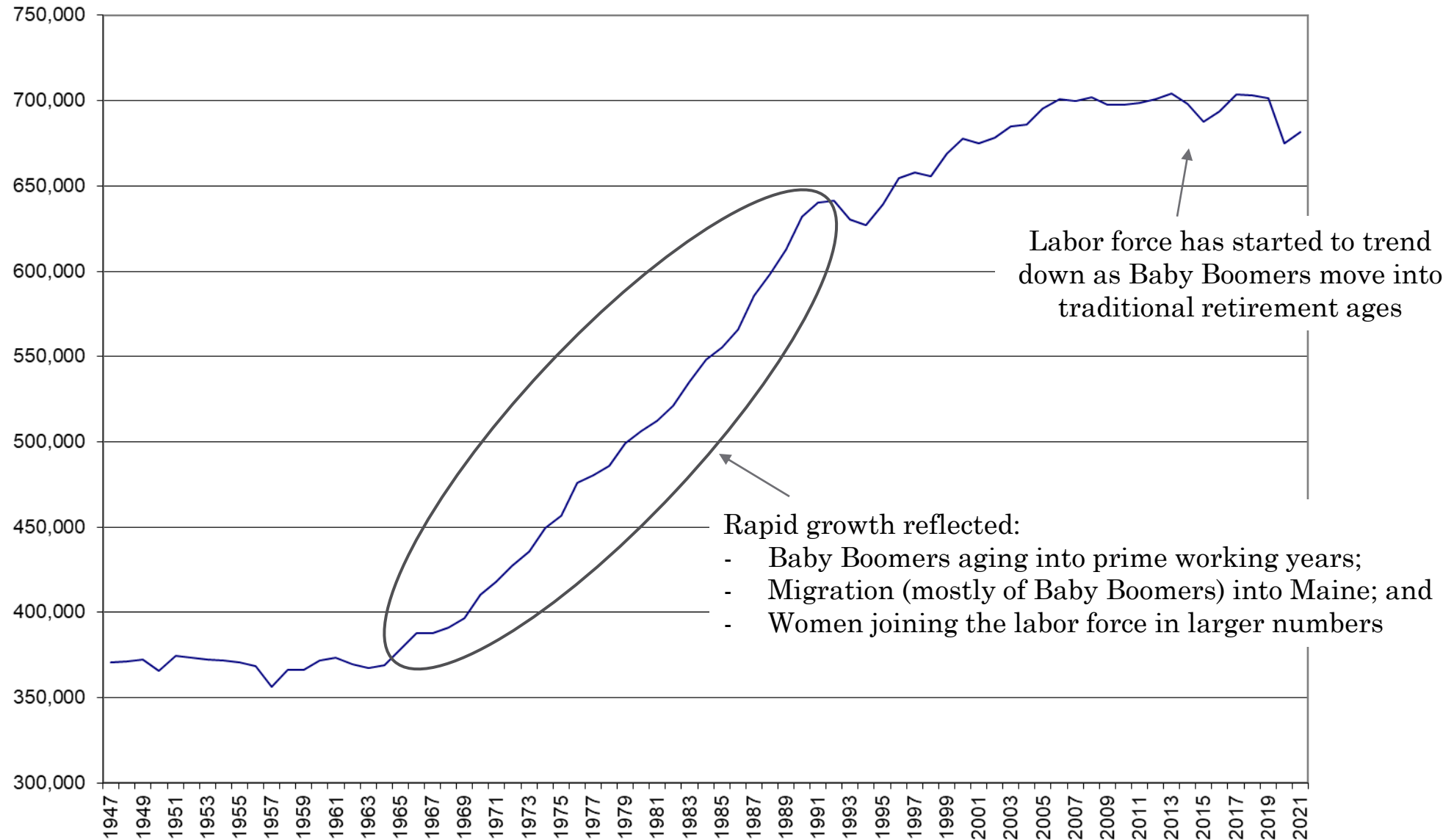
BUT!

Maine was the **ONLY**
state in the U.S. to see a
decrease in median age
from 2020 to 2021



This impacts Maine's
available labor force

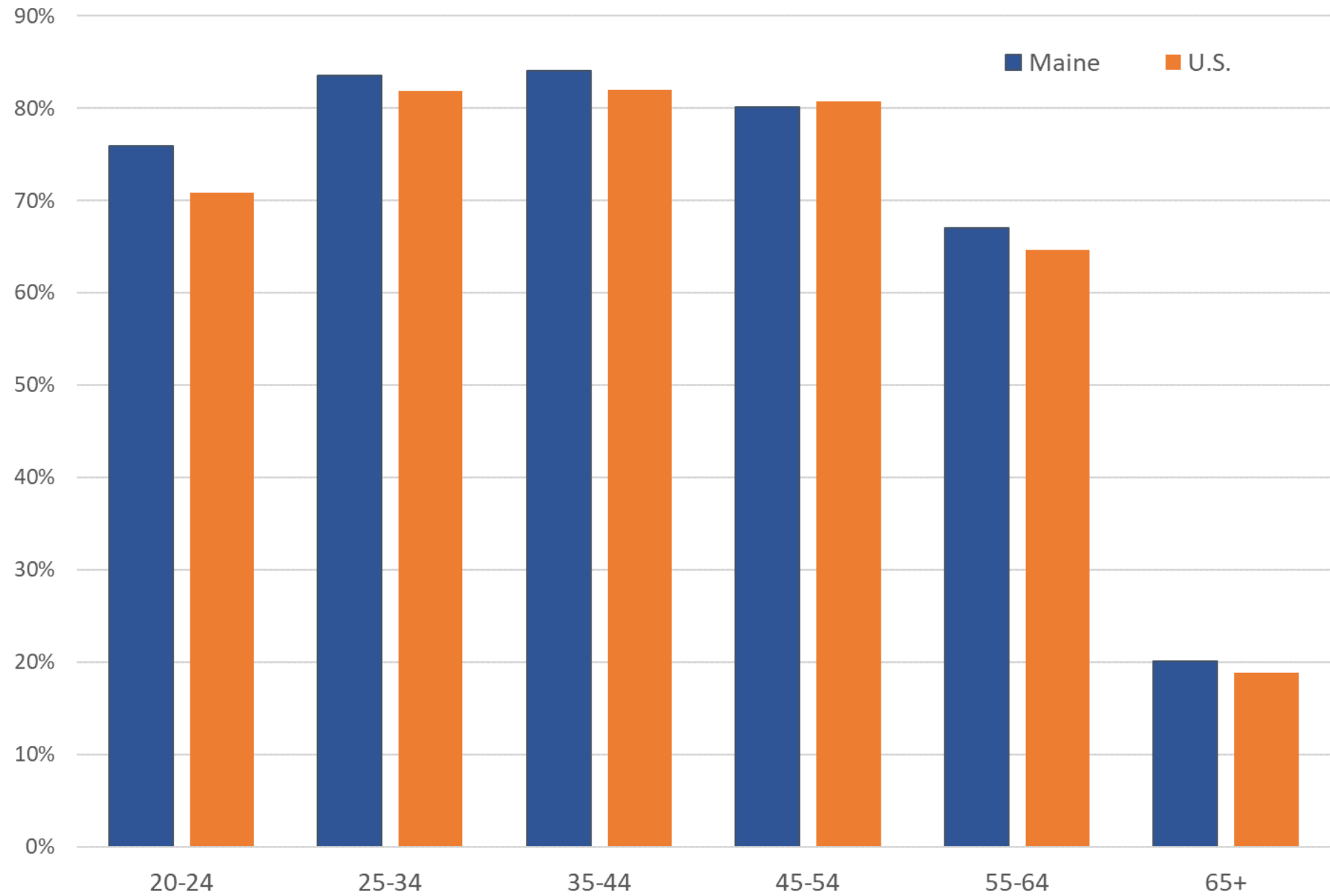
Maine Civilian Labor Force



In the *Annual Workforce Report for 2021*, the Maine Department of Labor notes:

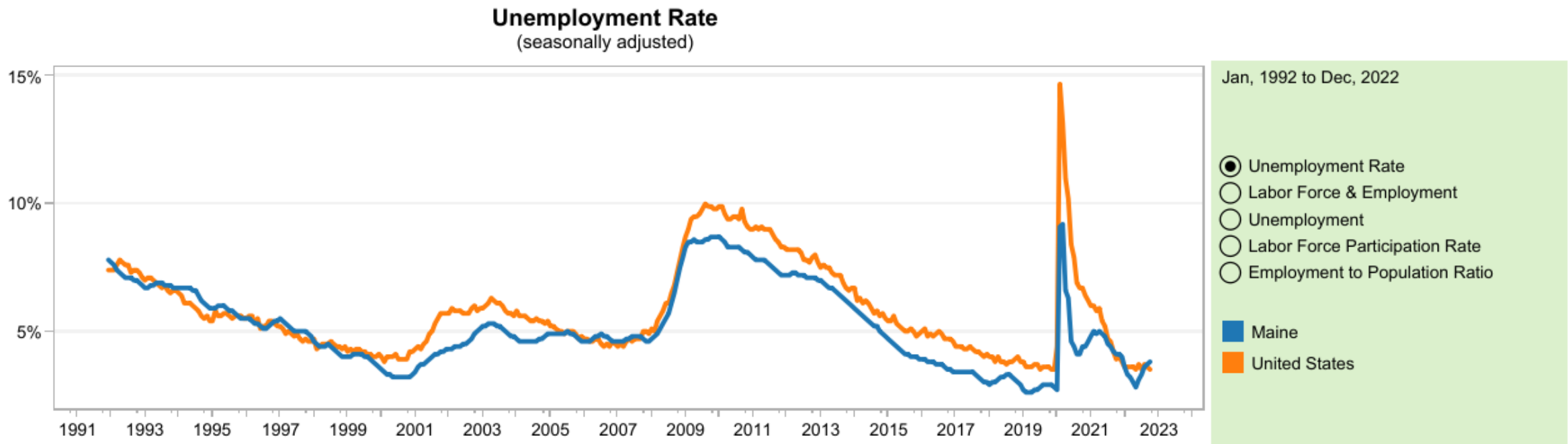
- The rising share of retired population is the primary factor in lower participation in the state.
- A higher share of retirement age population is the reason total labor force participation is lower in Maine than the nation.

2021 Labor Force Participation Rate



Pair that with a low
unemployment rate...

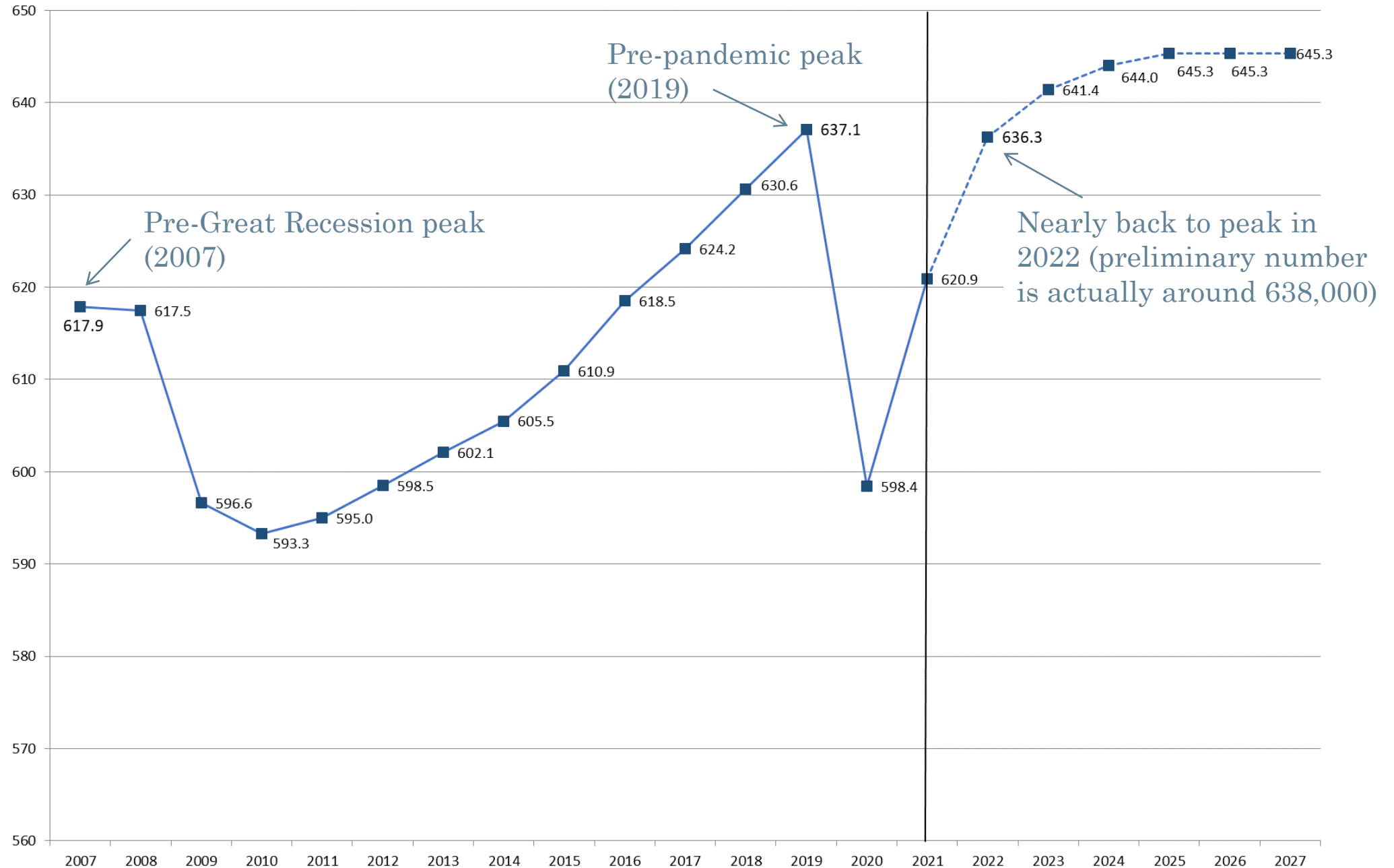
Maine's unemployment rate in December 2022 is above pre-pandemic levels but well below the long-run average



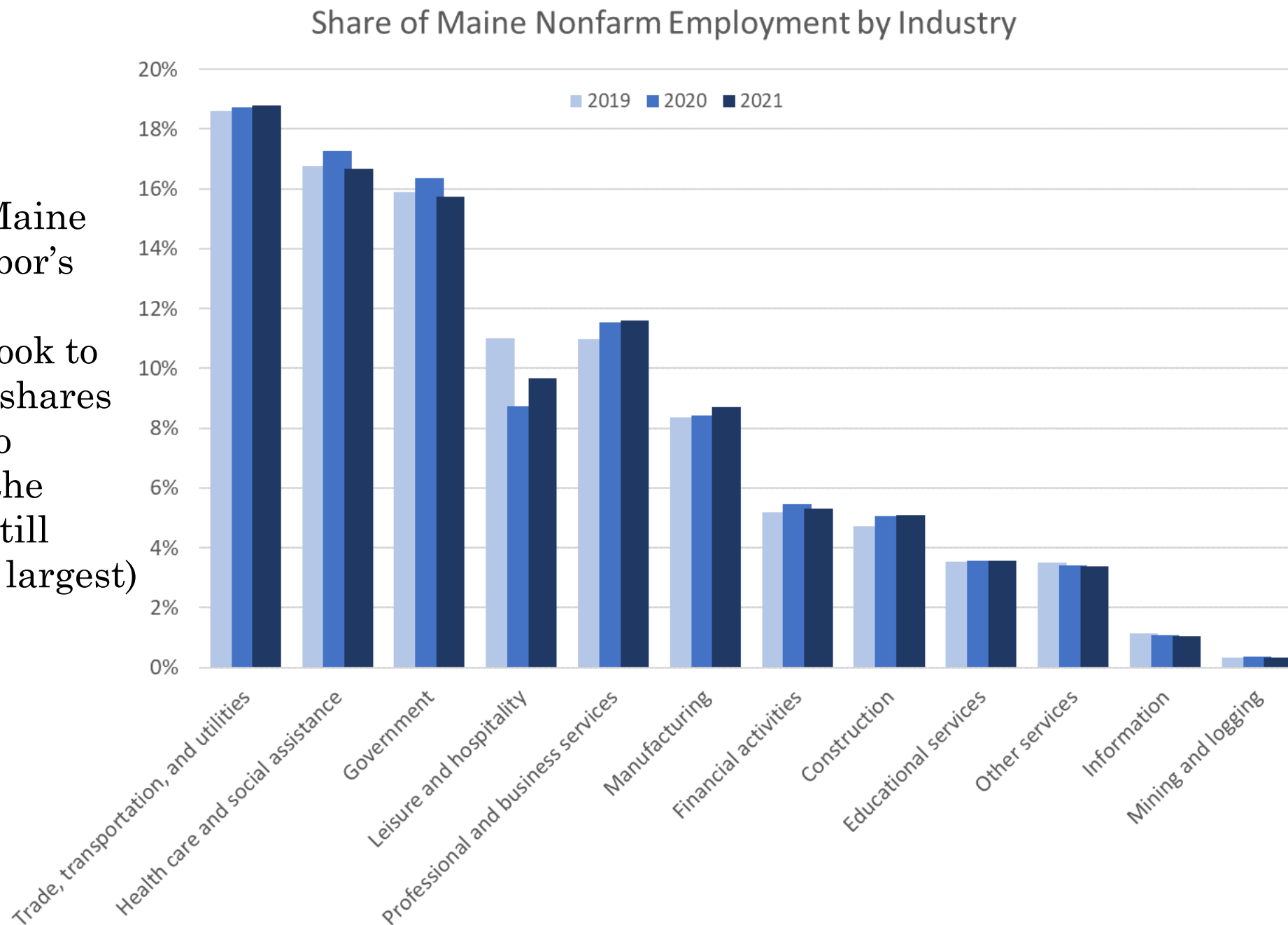
...and employment
growth could be
limited in the future

In the near term, though, employment
has recovered to pre-pandemic levels

Total Nonfarm Employment (in thousands) History and CEFC forecast

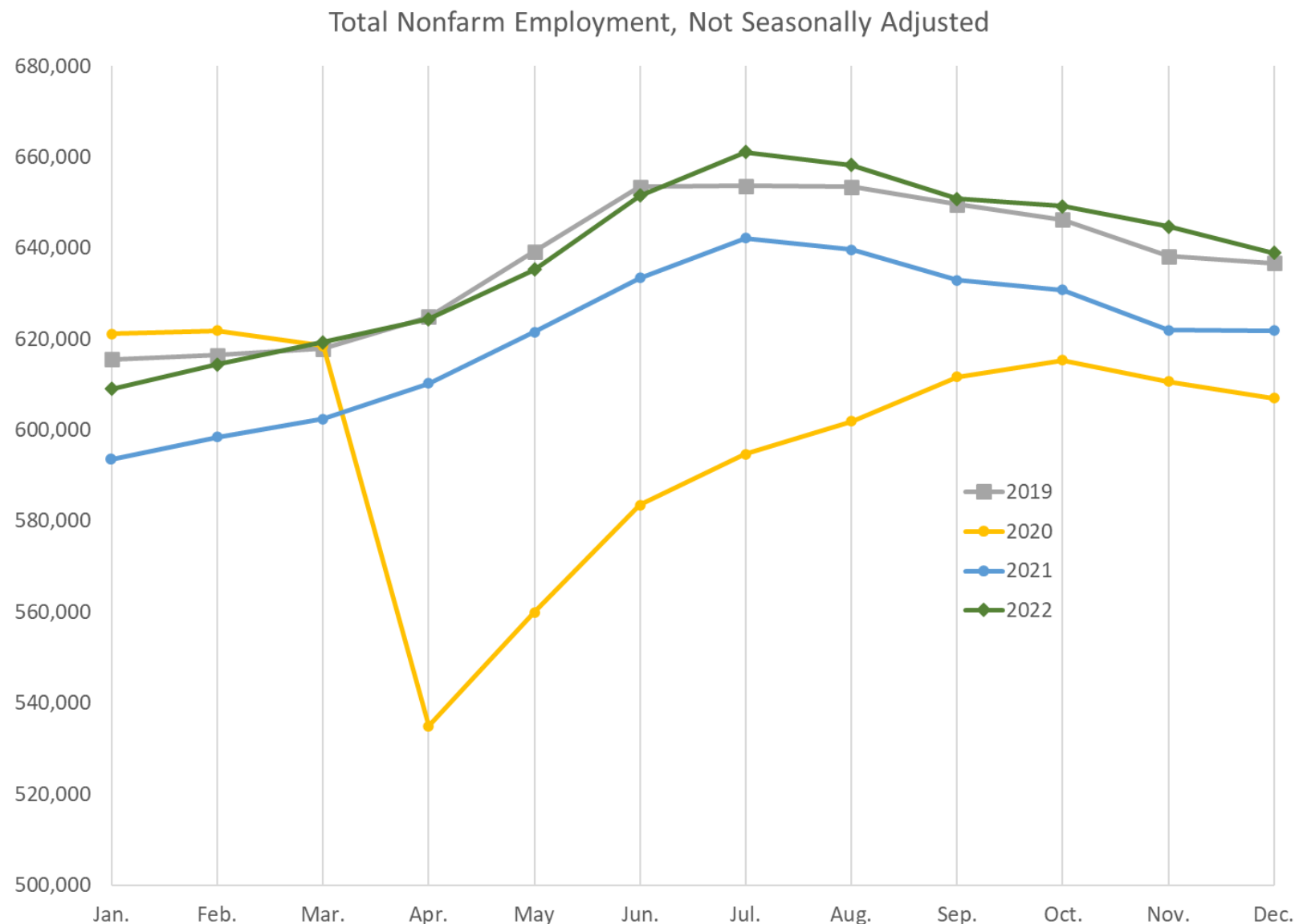


According to the Maine Department of Labor's newly-released Employment Outlook to 2030, the relative shares are not expected to change by much (the same sectors are still expected to be the largest)



Most sectors in December 2022 were near or above December 2019 levels, the exceptions being:

- healthcare and social assistance (mostly long-term care and social assistance)
- state government education (public higher education)

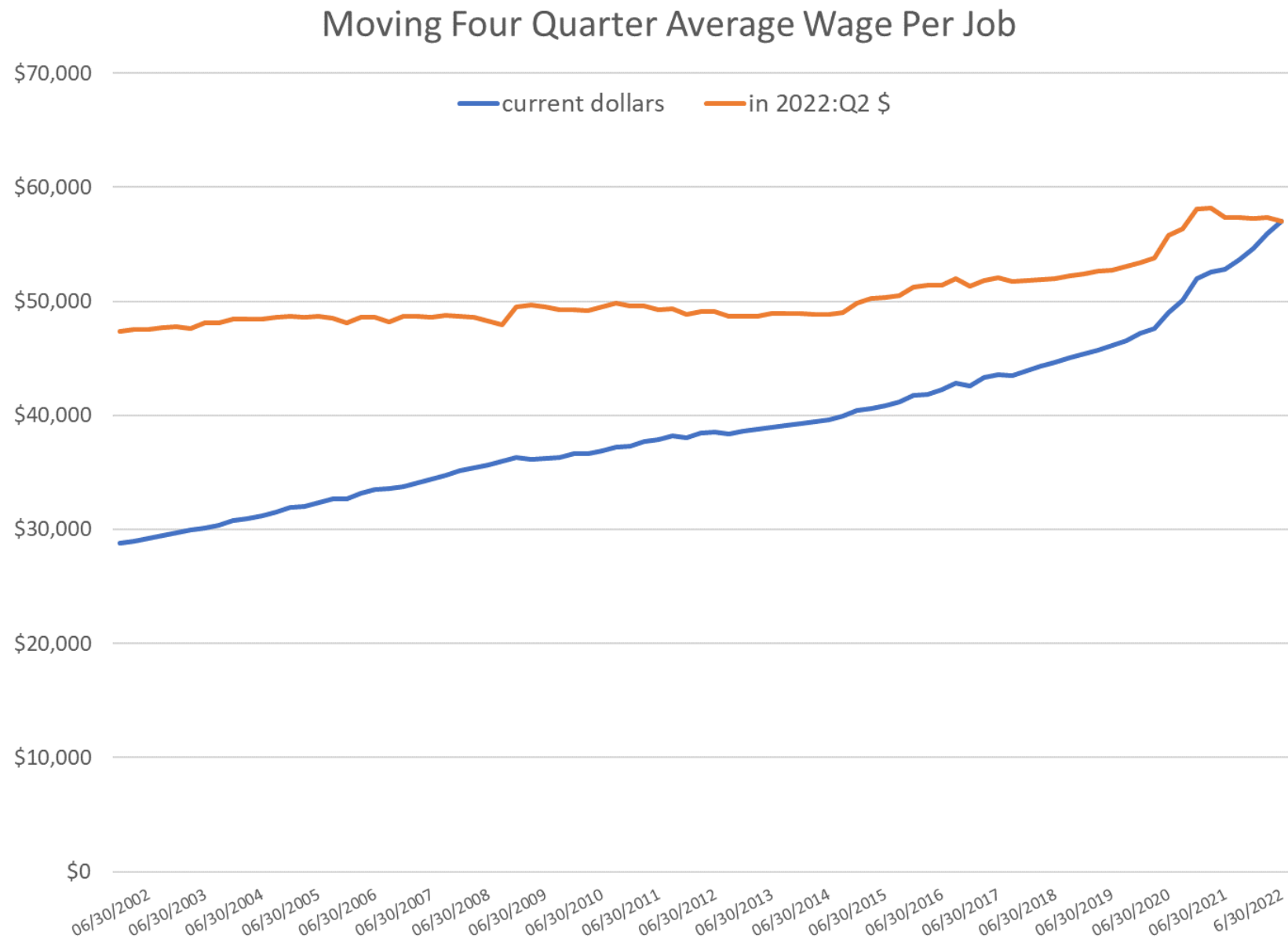


Workforce considerations

- Migration: will the trends continue?
 - *Remote work*: here to stay, but hybrid situations are geographically limiting
 - *Housing*: limited availability and unaffordability
 - *Dependent care*: limited availability and unaffordability
- Retirements: will some retirees rejoin the workforce?
- Wages: how will wage expectations adjust to inflation and the tight labor market?
- The Great Reshuffle: how does the search for “better” work pan out in the long run?
- Self-employment: are more workers choosing self-employment and gig work?
- Automation: will employers who struggle to find workers substitute with technology?

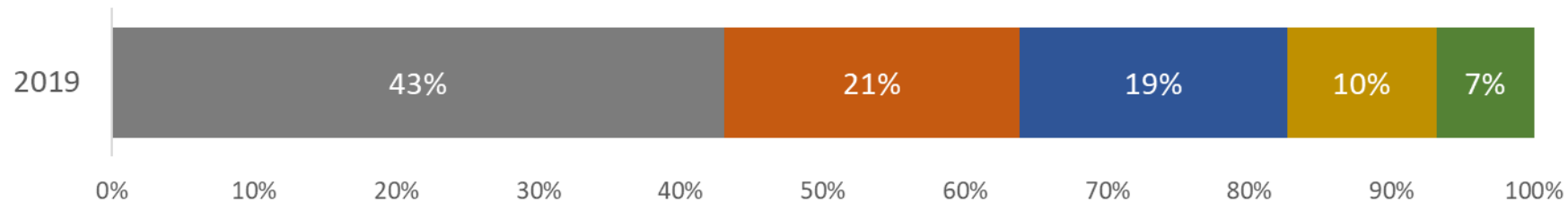
Wages and income
have had some big
changes recently

Wages have increased sharply over the past two years, but higher inflation has flattened out recent gains

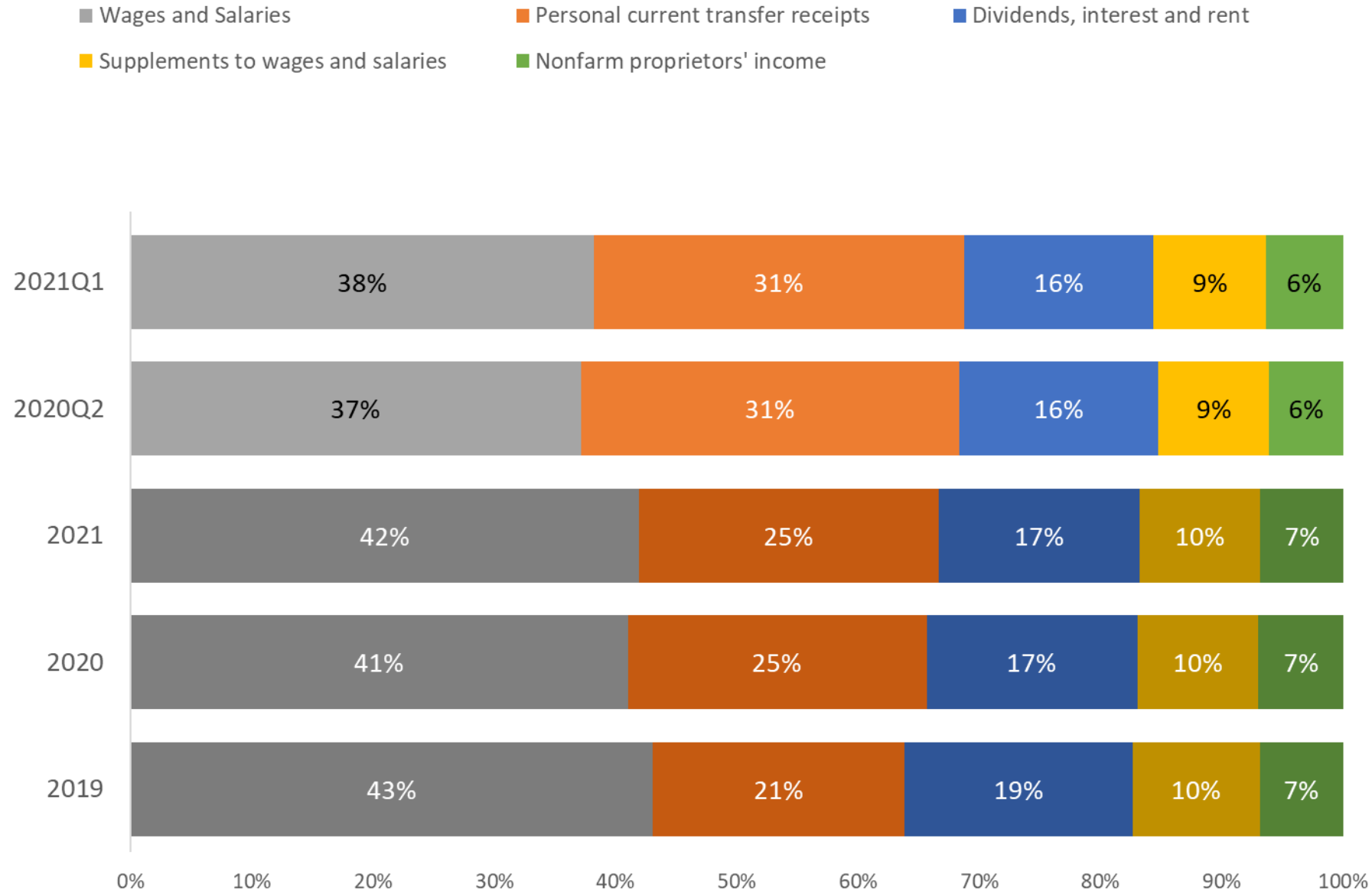


Major Components of Personal Income, Maine

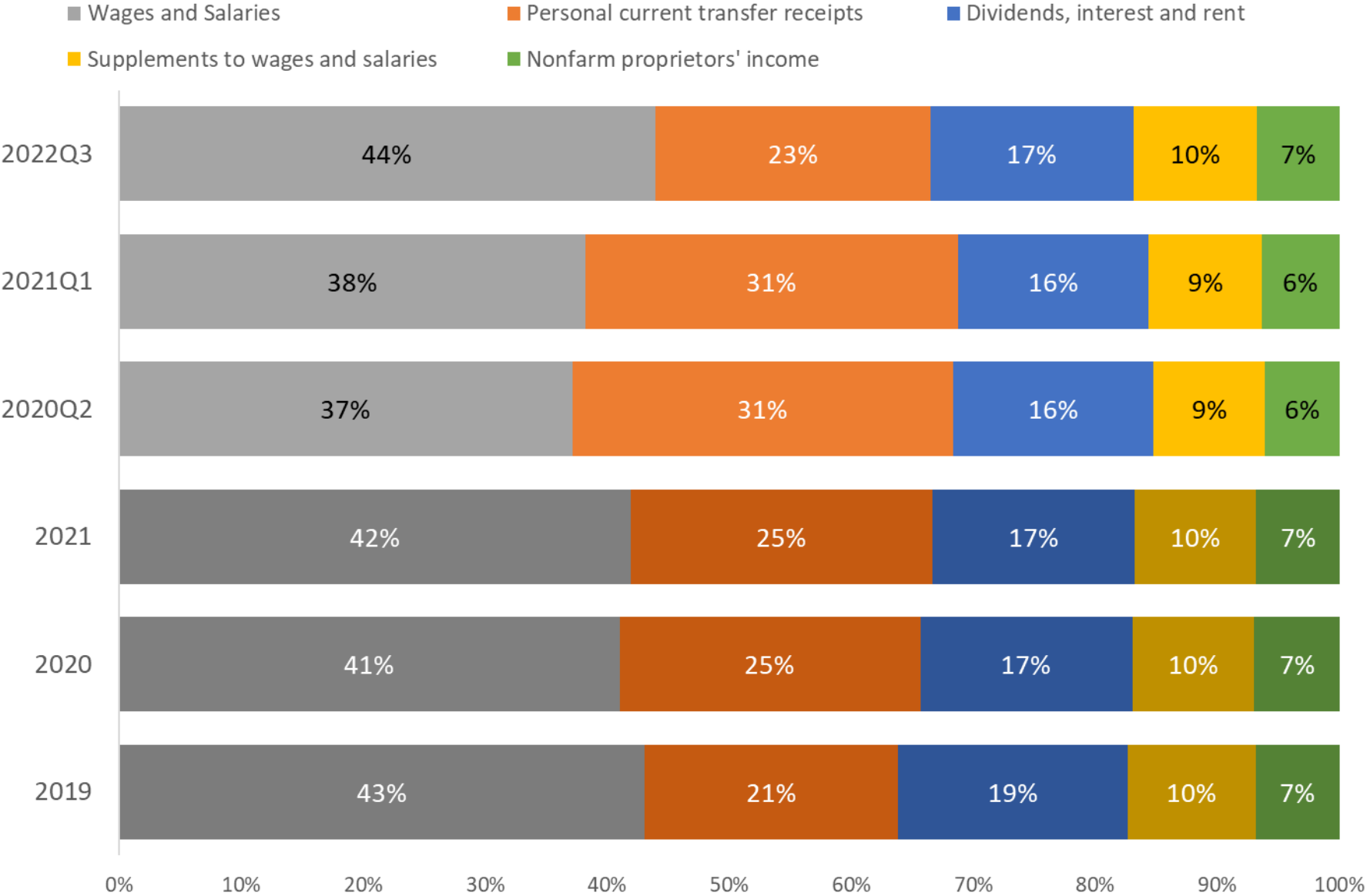
- Wages and Salaries
- Personal current transfer receipts
- Dividends, interest and rent
- Supplements to wages and salaries
- Nonfarm proprietors' income



Major Components of Personal Income, Maine

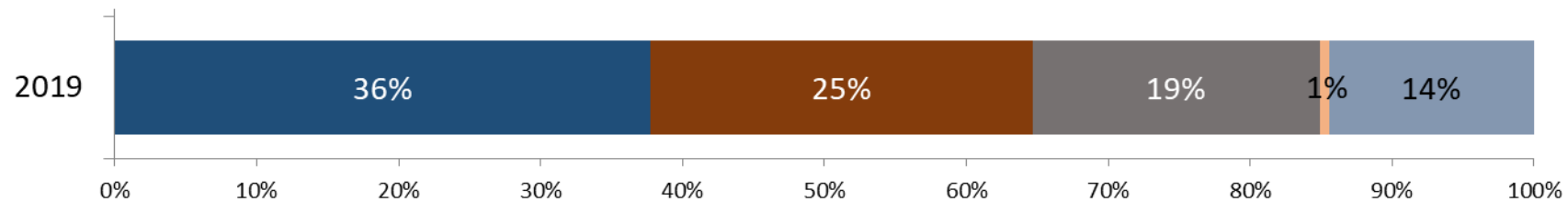


Major Components of Personal Income, Maine

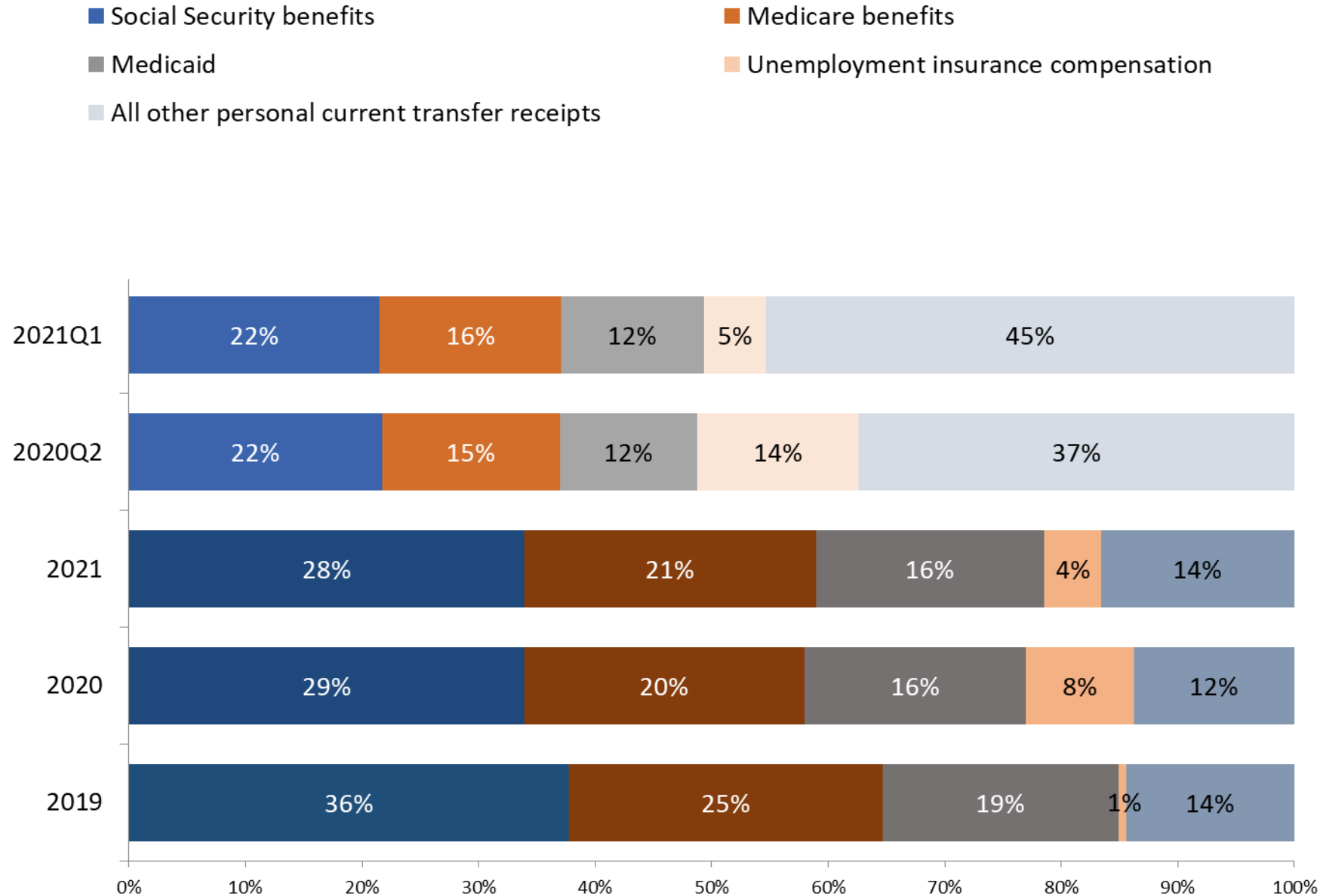


Components of Personal Current Transfer Receipts, Maine

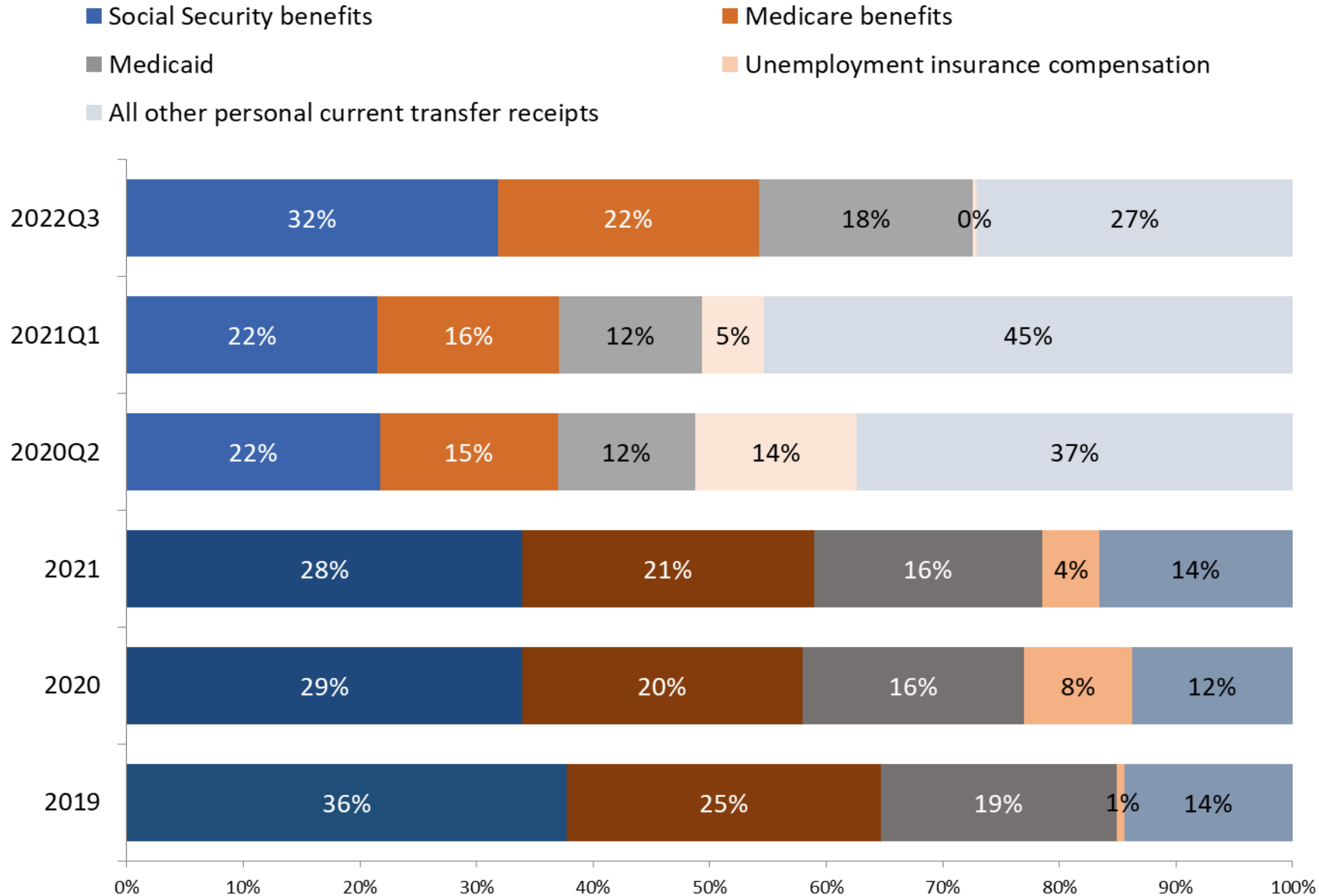
- Social Security benefits
- Medicare benefits
- Medicaid
- Unemployment insurance compensation
- All other personal current transfer receipts



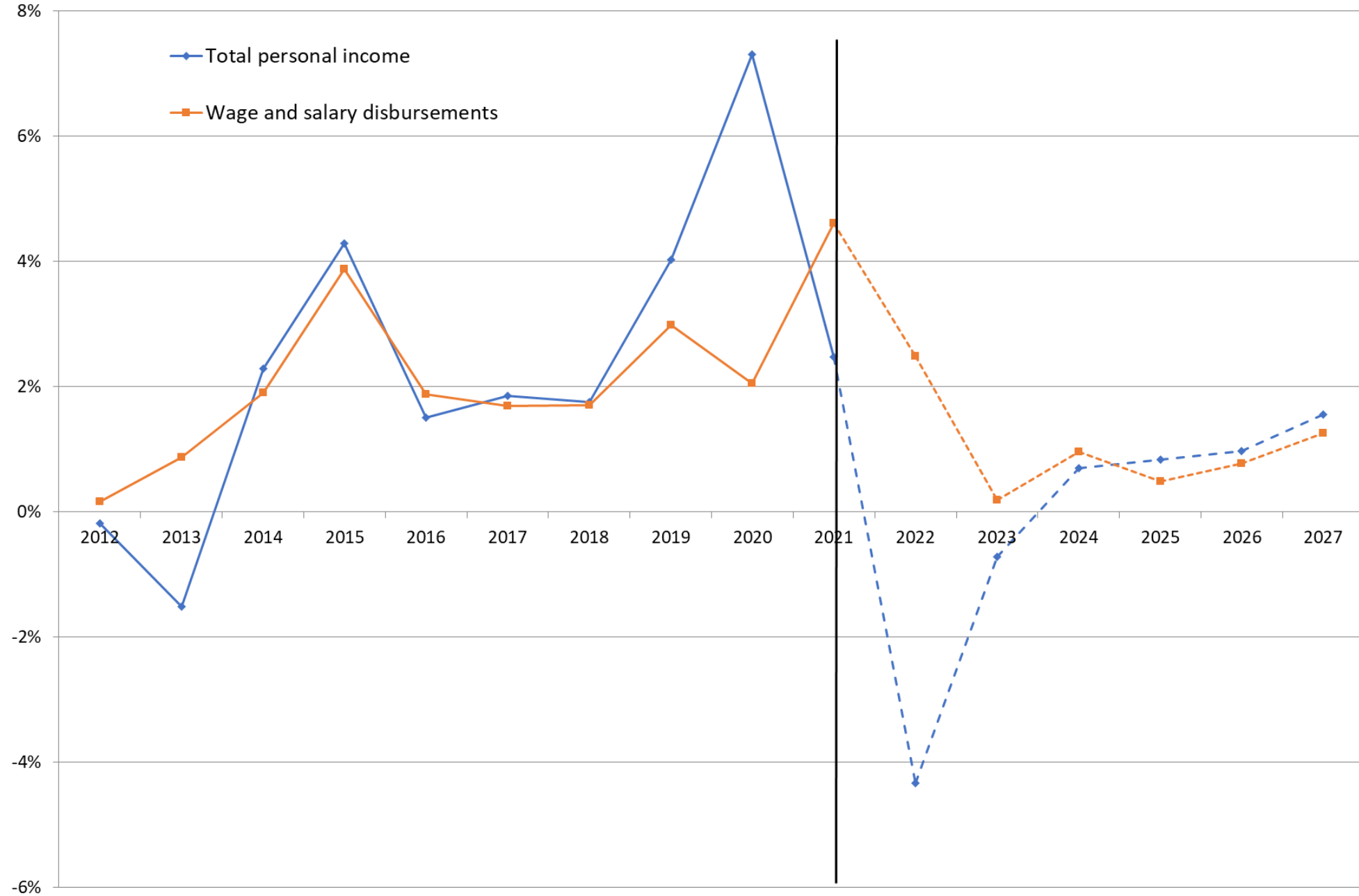
Components of Personal Current Transfer Receipts, Maine



Components of Personal Current Transfer Receipts, Maine

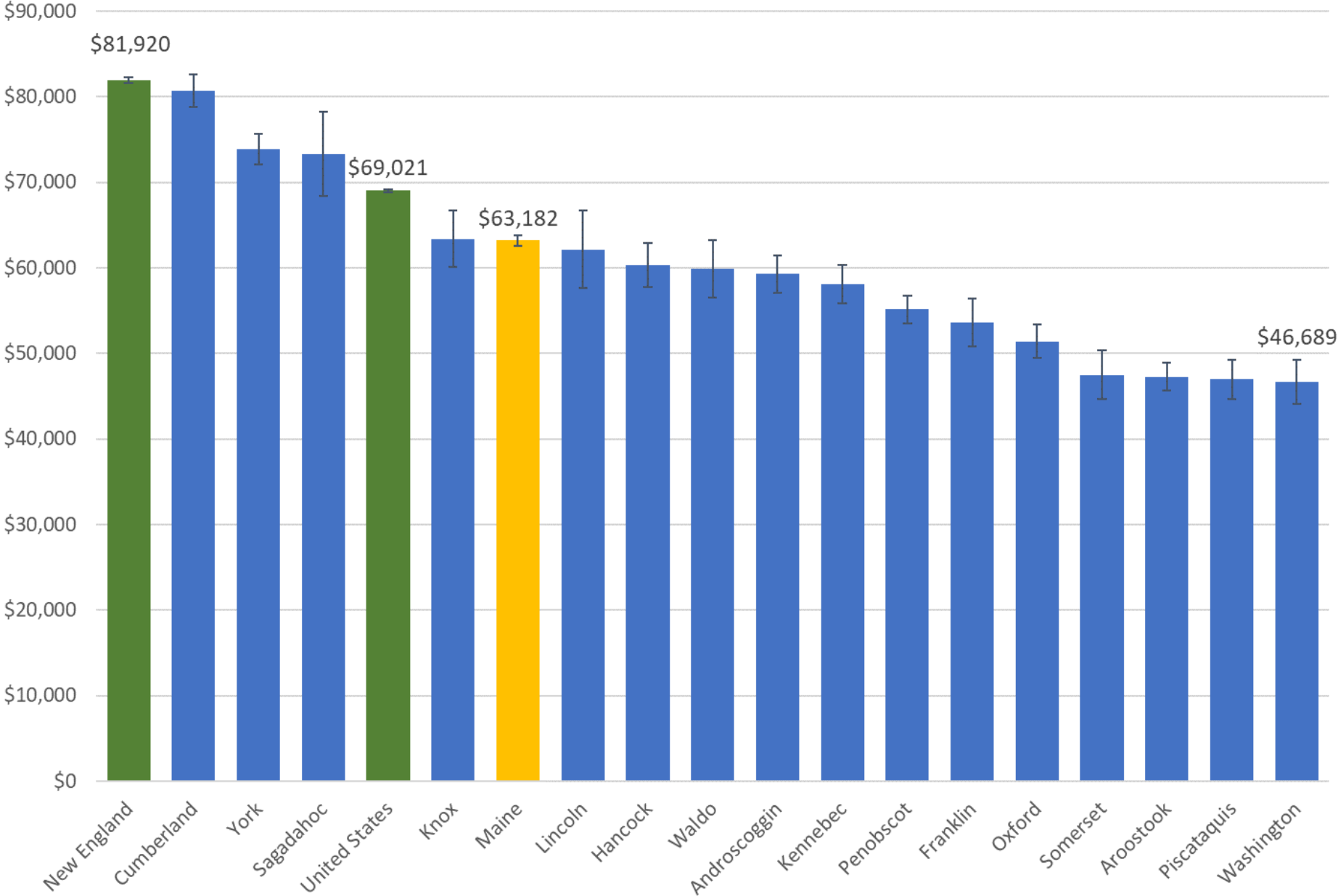


Percent Change in Real Personal Income, Maine 2012-2021 and forecast to 2027

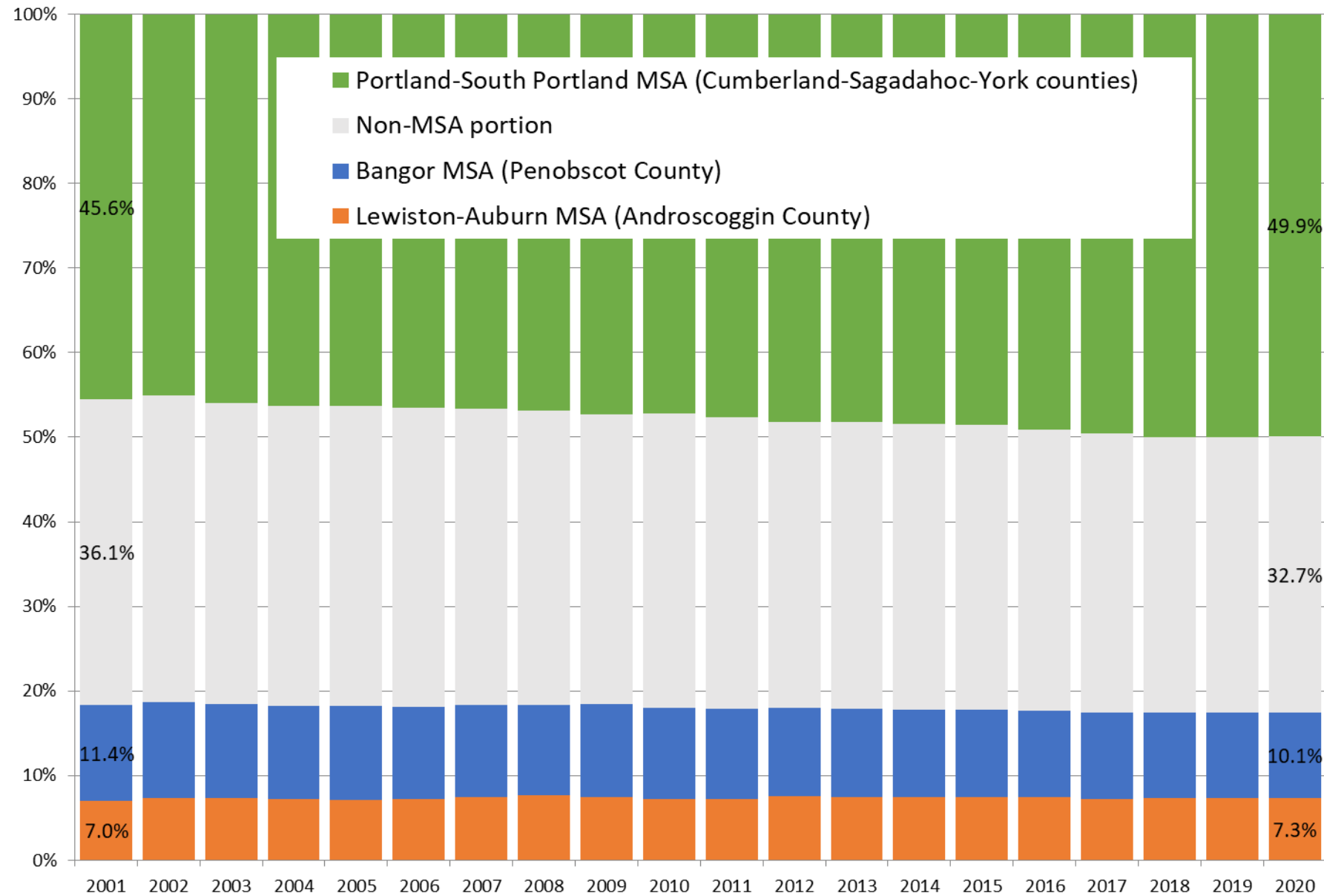


Regional variations in income and GDP

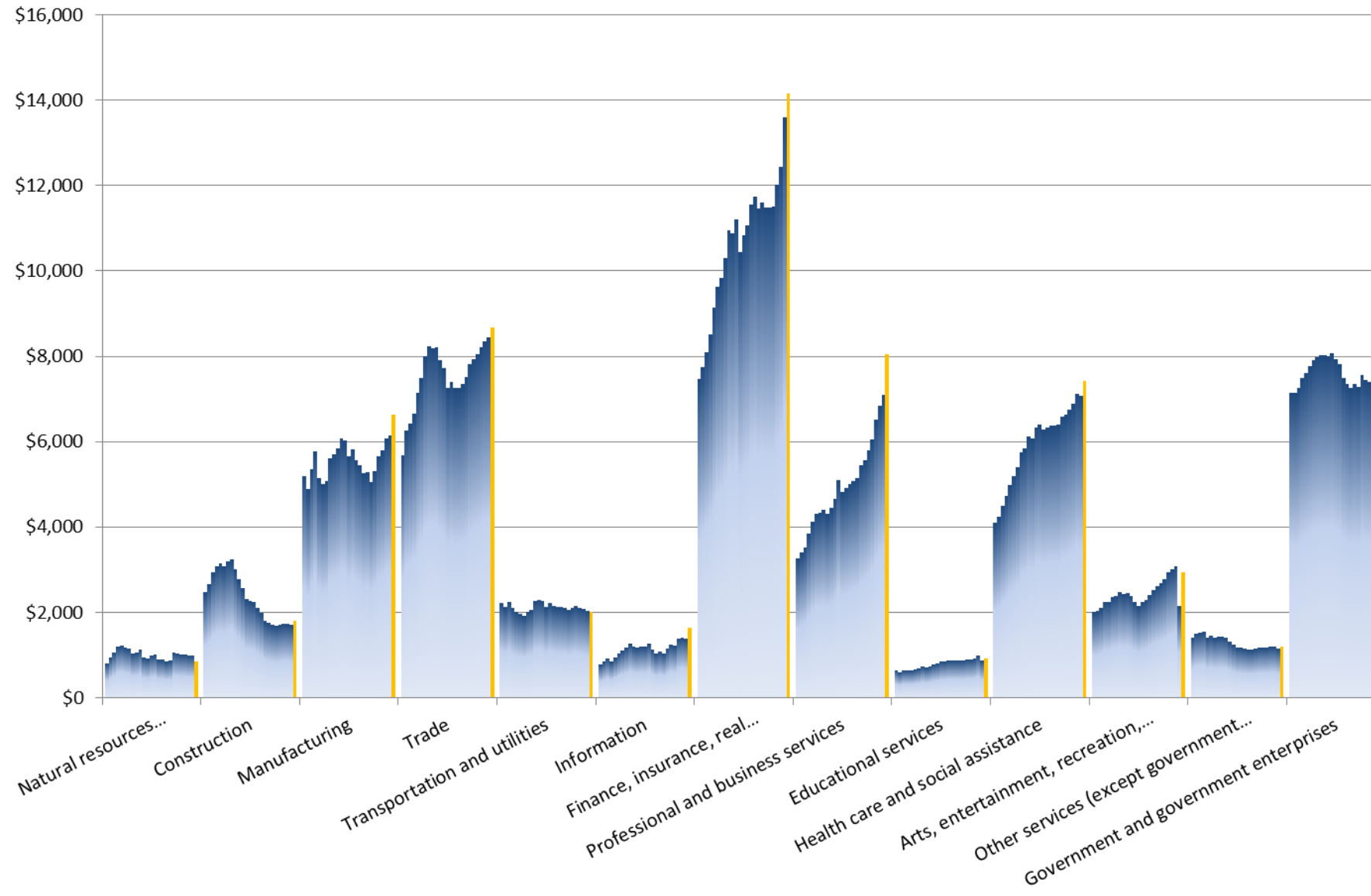
Median Household Income

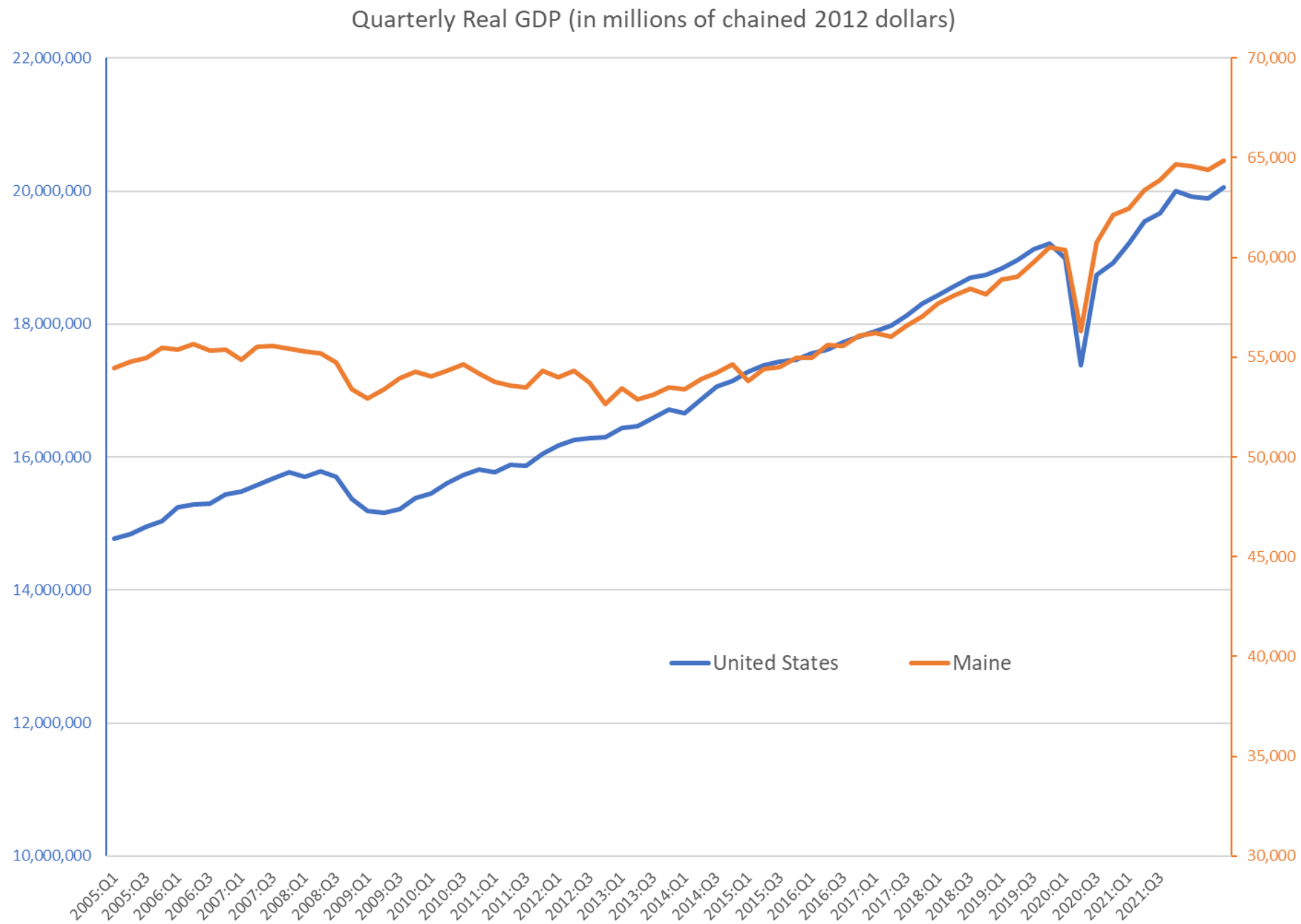


Share of Maine Real GDP by Metropolitan Area



Maine Real GDP by Industry, 1997-2021 (in millions of chained 2012 dollars)

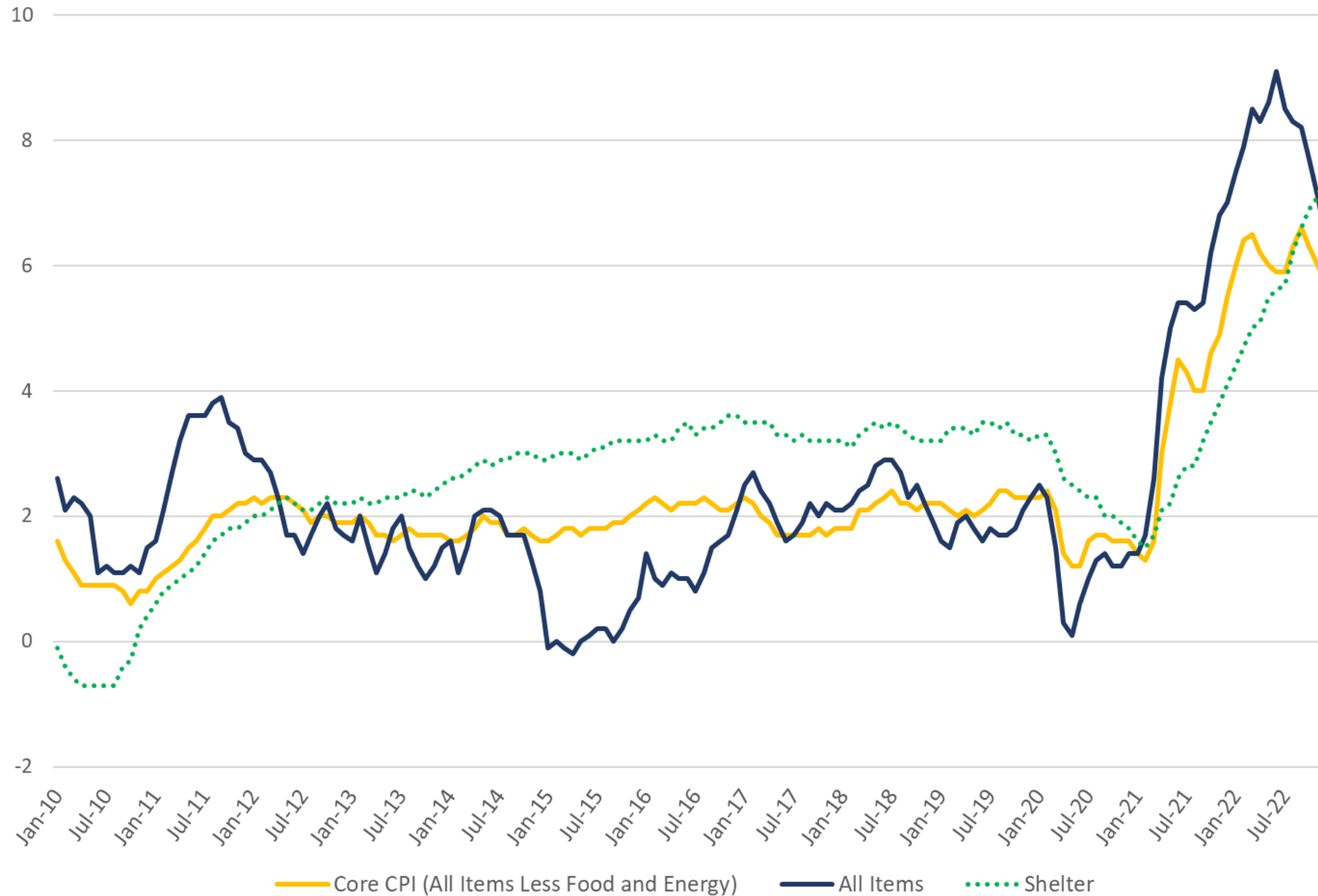




So... recession?

Not necessarily, but there's a higher-than-usual chance of at least a slowdown in the economy

Year-over-year percent change in Consumer Price Index



Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

What does this mean for interest rates?

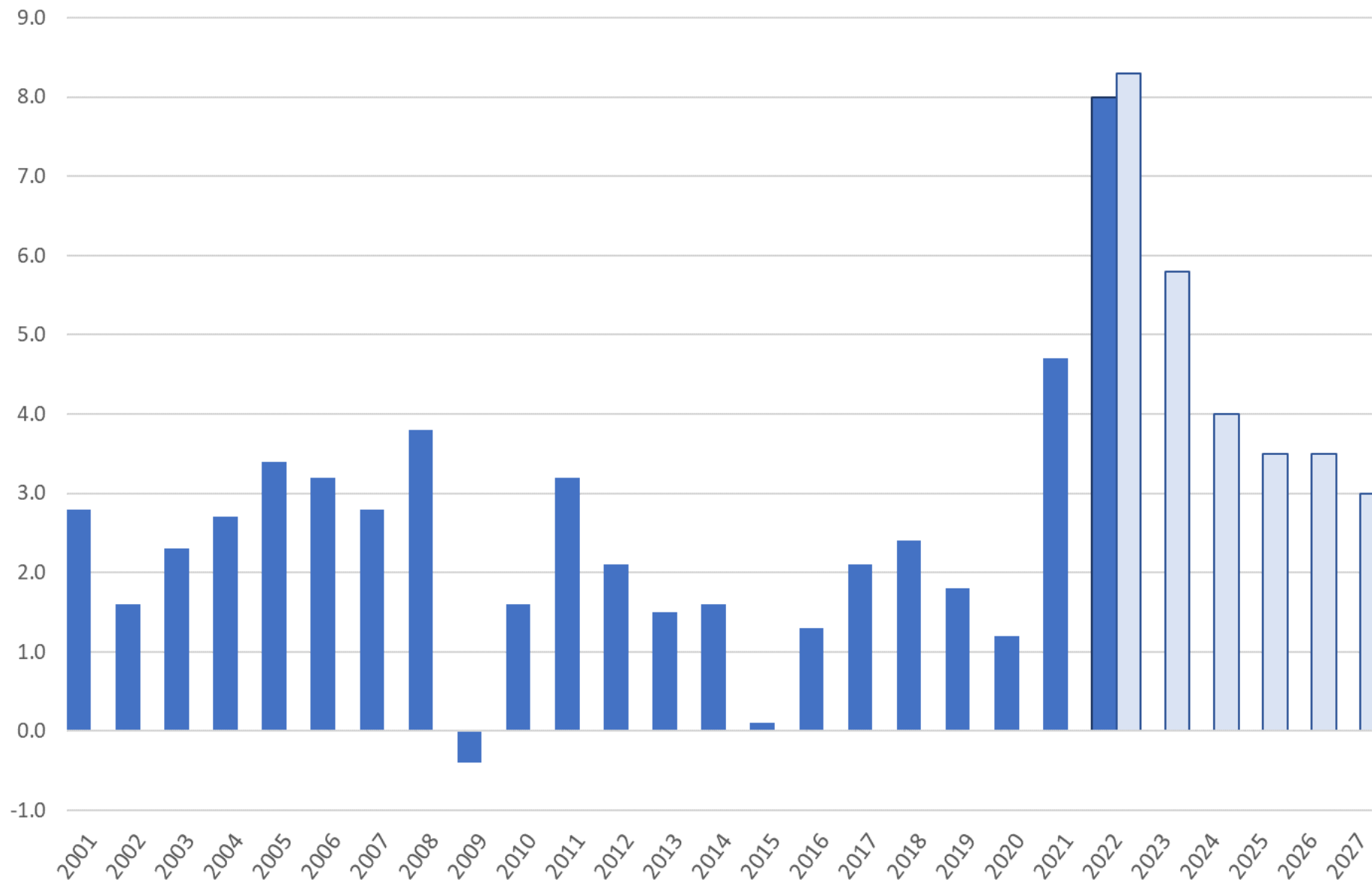
Current target range: 4.25% to 4.5%

“The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the pace of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.”

- Excerpt from December 14, 2022, Federal Open Market Committee statement

- Range of December FOMC projections for federal funds rate for 2023 was 4.9-5.6 percent, implying ongoing increases early this year

Year-over-year percent change in Consumer Price Index; 2001-2022 historical and 2022-2027 forecast

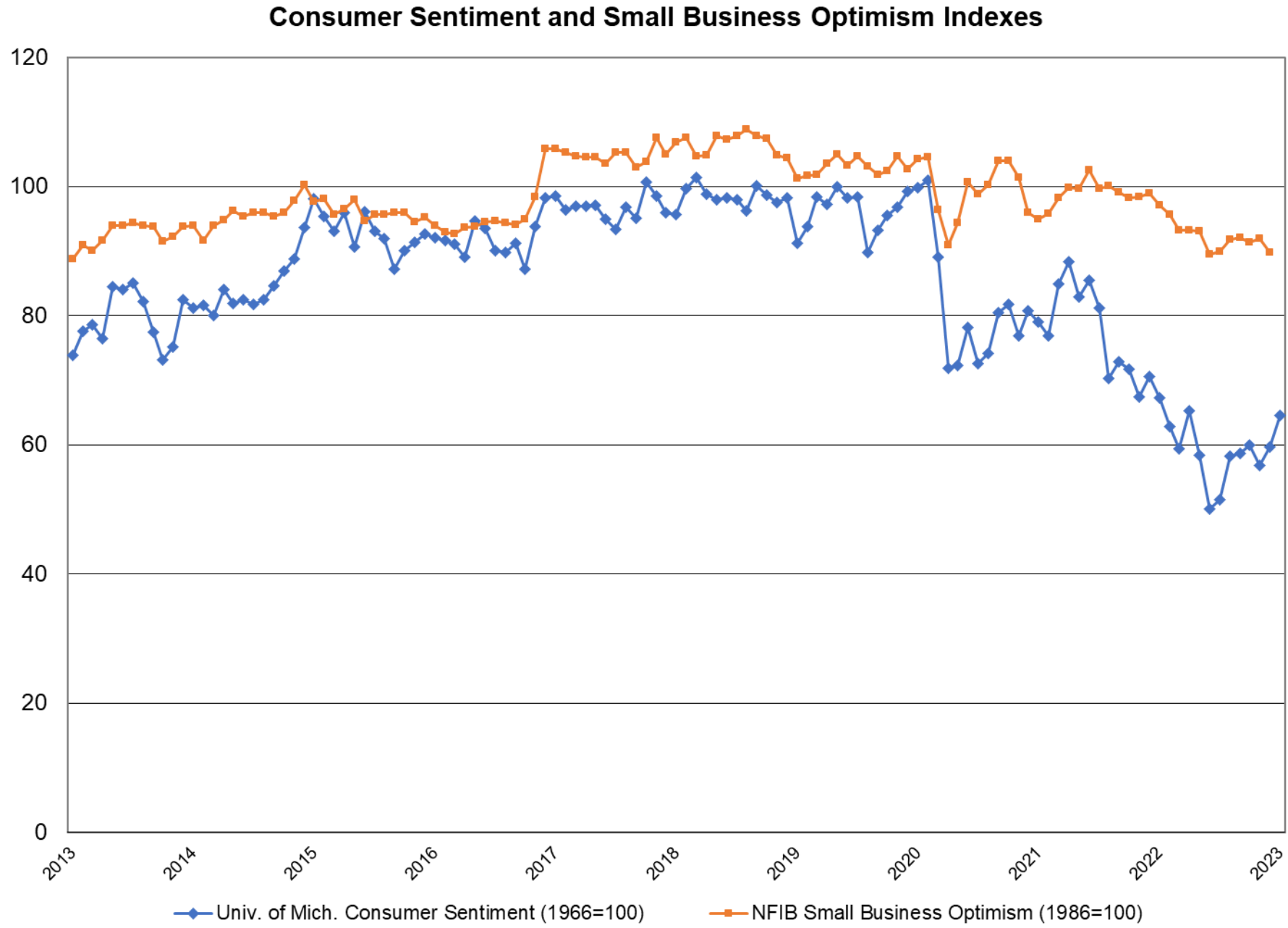


Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted);
CEFC report, November 1, 2022

Daily Europe Brent Spot Price (\$ per barrel)



Inflation has been a major contributor to the downward trend in small business and consumer sentiment over the past 18 months; as inflation has eased, consumer confidence has improved, but remains low



Sources: University of Michigan Survey of Consumers
and NFIB Small Business Optimism Index

Key assumptions from November 2022 CEFC report

- Economic conditions are highly uncertain, with the potential for a slowdown in 2023.
- High inflation, high interest rates, low consumer sentiment, housing affordability/availability, and the correction in the stock market combine to create a challenging macroeconomic environment.
- There is a risk of continued higher inflation into 2023, with higher energy prices posing a particular concern for consumers in Maine where heating oil and gasoline are heavily relied on. Heating oil prices have started the heating season high and are expected to remain elevated, with the potential for even larger costs to households and businesses if there is a colder than usual winter. Inflation risks are likely to take several years to fully ease.
- We have transitioned to an endemic phase of COVID-19; people's behavior has adjusted to living with the risks of the virus (the “new normal”) and the economy and health system will be minimally disrupted by foreseeable future waves.
- There is an opportunity for Maine to see continued increased in-migration in the coming years due to telework and people looking for locations that allow for work-life balance and access to outdoor recreation, but housing and childcare/schooling for those with children are potential limiting factors.

How much is Maine at risk and how well-positioned are we to deal with the results?

- High energy prices are troubling, especially in the winter heating season; \$450 relief checks should help
- Ongoing roll-out of funds from Maine Jobs and Recovery Plan with targeted investments based on 10-year Economic Development Strategy

The Budget
Stabilization
Fund is at a
record level of
around \$900
million

Things to keep in mind:

- Housing costs have increased sharply as demand far outstripped supply and then interest rate hikes made mortgages more expensive – this limits availability for ongoing migration and workforce expansion
- Wages have increased, but so has inflation – high energy prices are particularly concerning during the winter months, but \$450 checks should help
- Will we see continued migration into Maine? Telework, housing, and dependent care are three key determinants
- We're not officially in a recession, but short- and medium-term conditions remain at a higher-than-usual level of uncertainty; the CEFC recognized an increased possibility of an economic slowdown in 2023
- Maine has a robust Budget Stabilization Fund (around \$900 million) and spending from Maine Jobs and Recovery Plan is ongoing, which will help Maine weather a potential slowdown

Contact Information

Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

www.maine.gov/dafs/economist

amanda.rector@maine.gov