

# The Economic Outlook for Maine in 2022

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MAINEBIZ FIVE ON THE FUTURE FORUM KEYNOTE

FEBRUARY 15, 2022

AMANDA RECTOR

MAINE STATE ECONOMIST

# What key factors am I looking to this year?

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1. COVID variants and vaccinations

# What happens with COVID-19?

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“New COVID-19 variants and sub-variants continue to be of concern. Regional variations across the state in public health conditions could contribute to an uneven recovery as areas with higher vaccination rates will rebound faster than areas with lower vaccination rates. The lack of vaccines for children under age 5 has been causing particular challenges not only for the families directly affected but for the employers of those parents.”

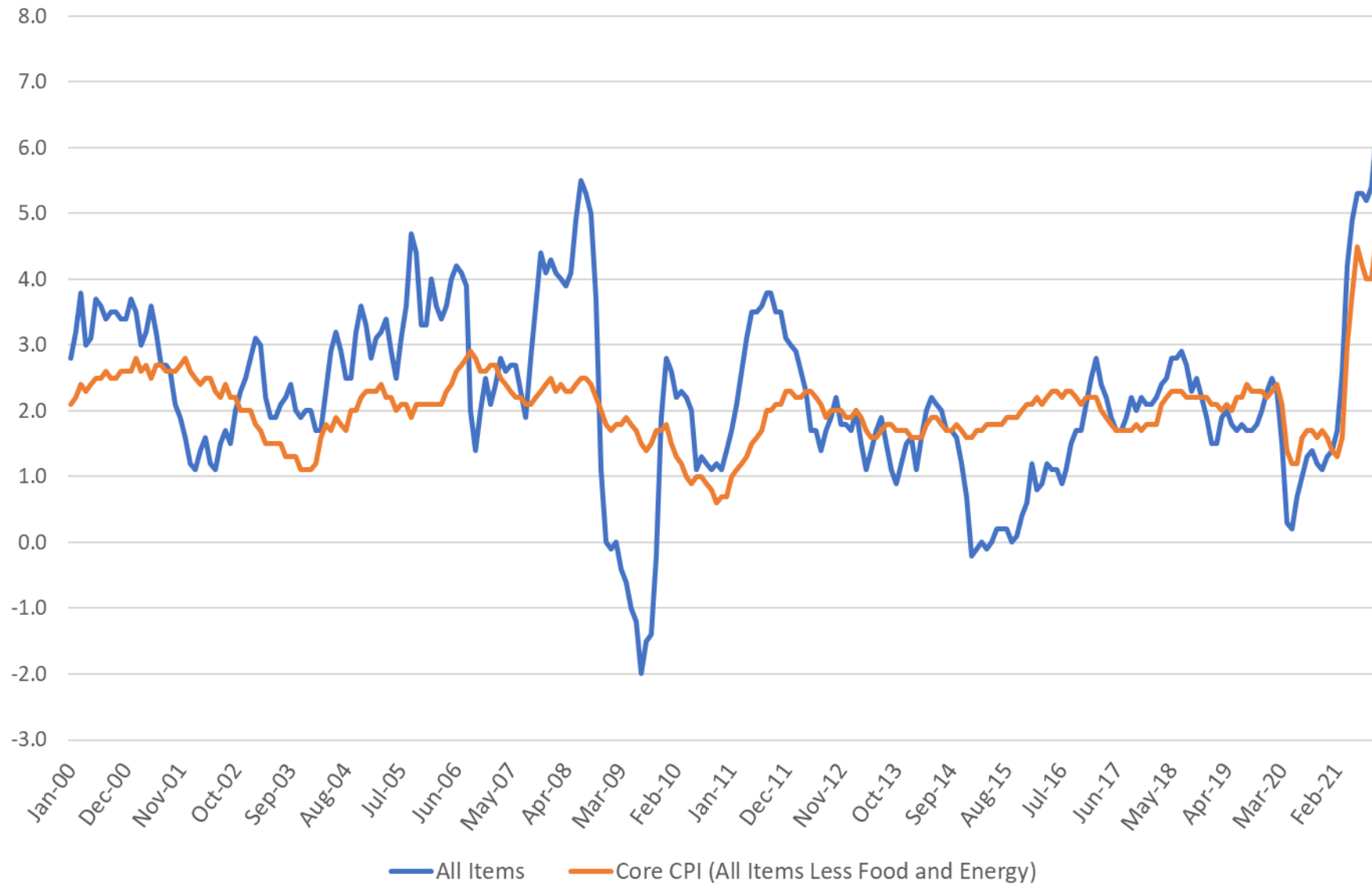
- Assumption from February 1, 2022, Maine Consensus Economic Forecasting Commission report

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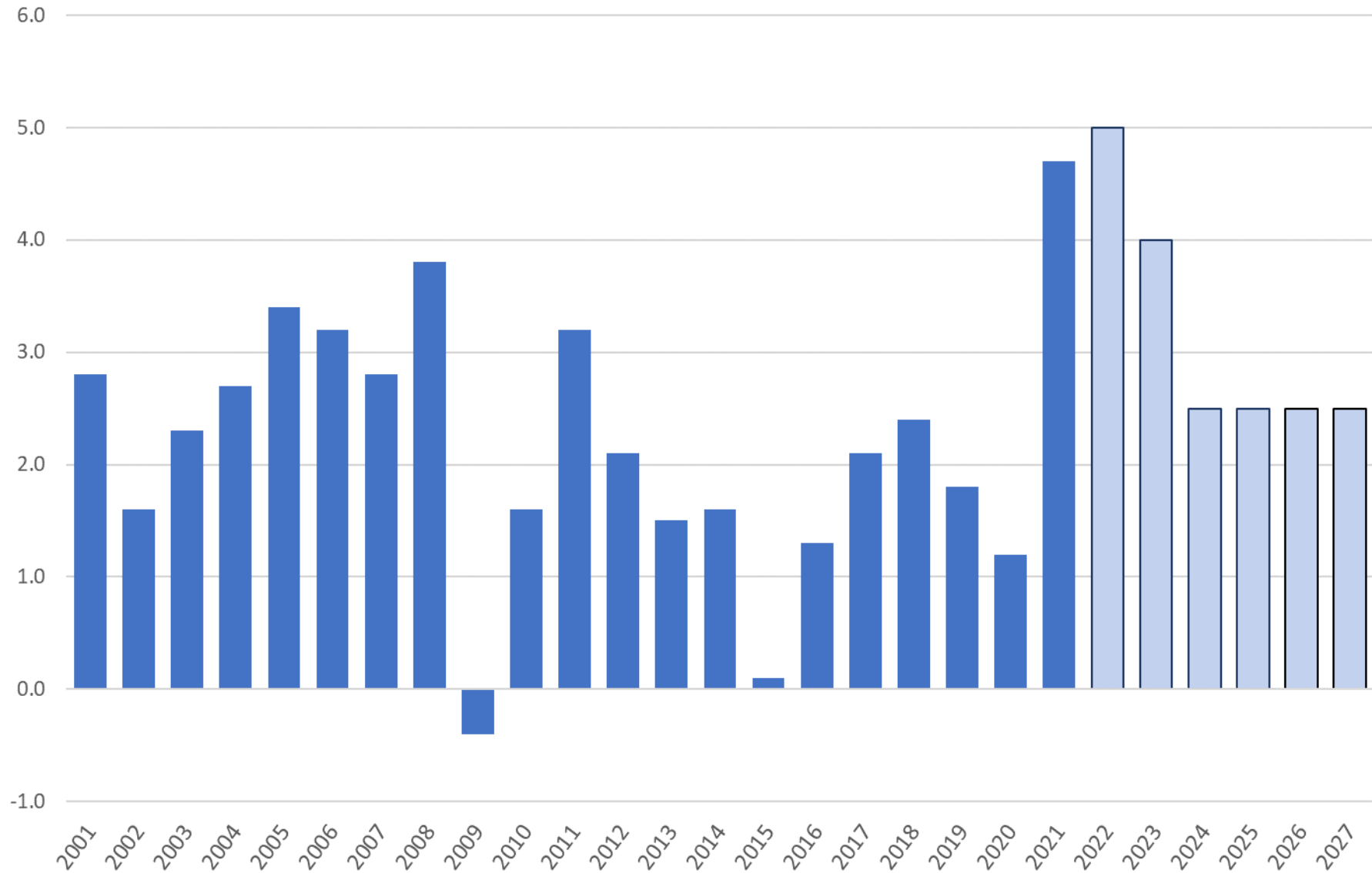
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1. COVID variants and vaccinations
2. Inflation, including energy prices

# Year-over-year percent change in Consumer Price Index (1982-84=100, seasonally adjusted)



## Year-over-year percent change in Consumer Price Index (1982-84=100, seasonally adjusted)



January 2022 inflation expectation from national Survey of Consumers (University of Michigan)

Next year: 4.9%  
(up from 3.0% one year ago)

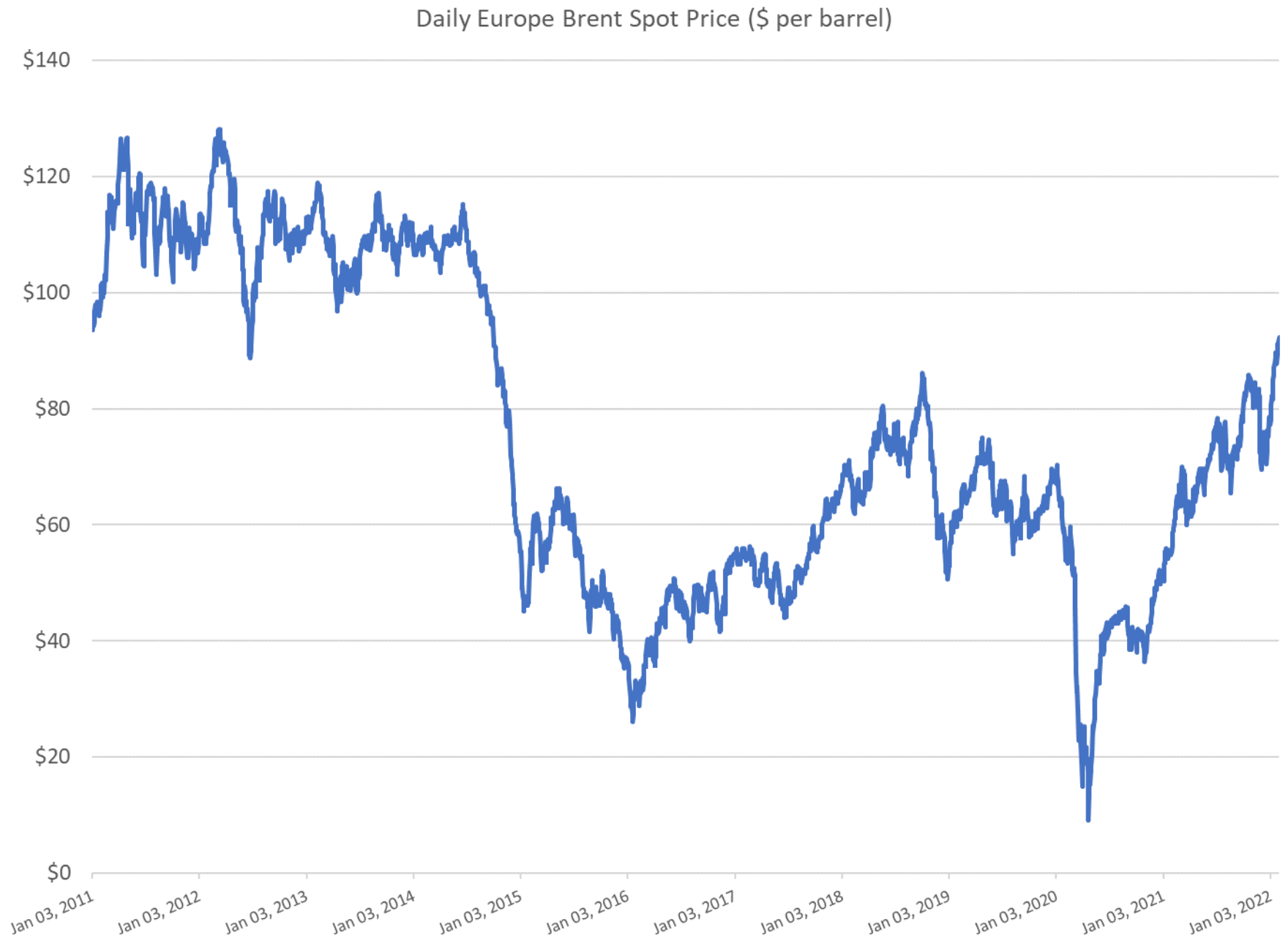
Next 5 years: 3.1%  
(up from 2.7% one year ago)

Sources: U.S. Bureau of Labor Statistics; CEFC report, February 1, 2022; University of Michigan Survey of Consumers

As of January 31, the daily Brent spot price was \$92.35

Prices have recently reached their highest levels since 2014

Heating oil prices continue to rise and have reached \$3.561 per gallon in Maine, the highest price since 2014



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1. COVID variants and vaccinations
2. Inflation, including energy prices
3. Interest rates



# What does this mean for interest rates?

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“With inflation well above 2 percent and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate.”

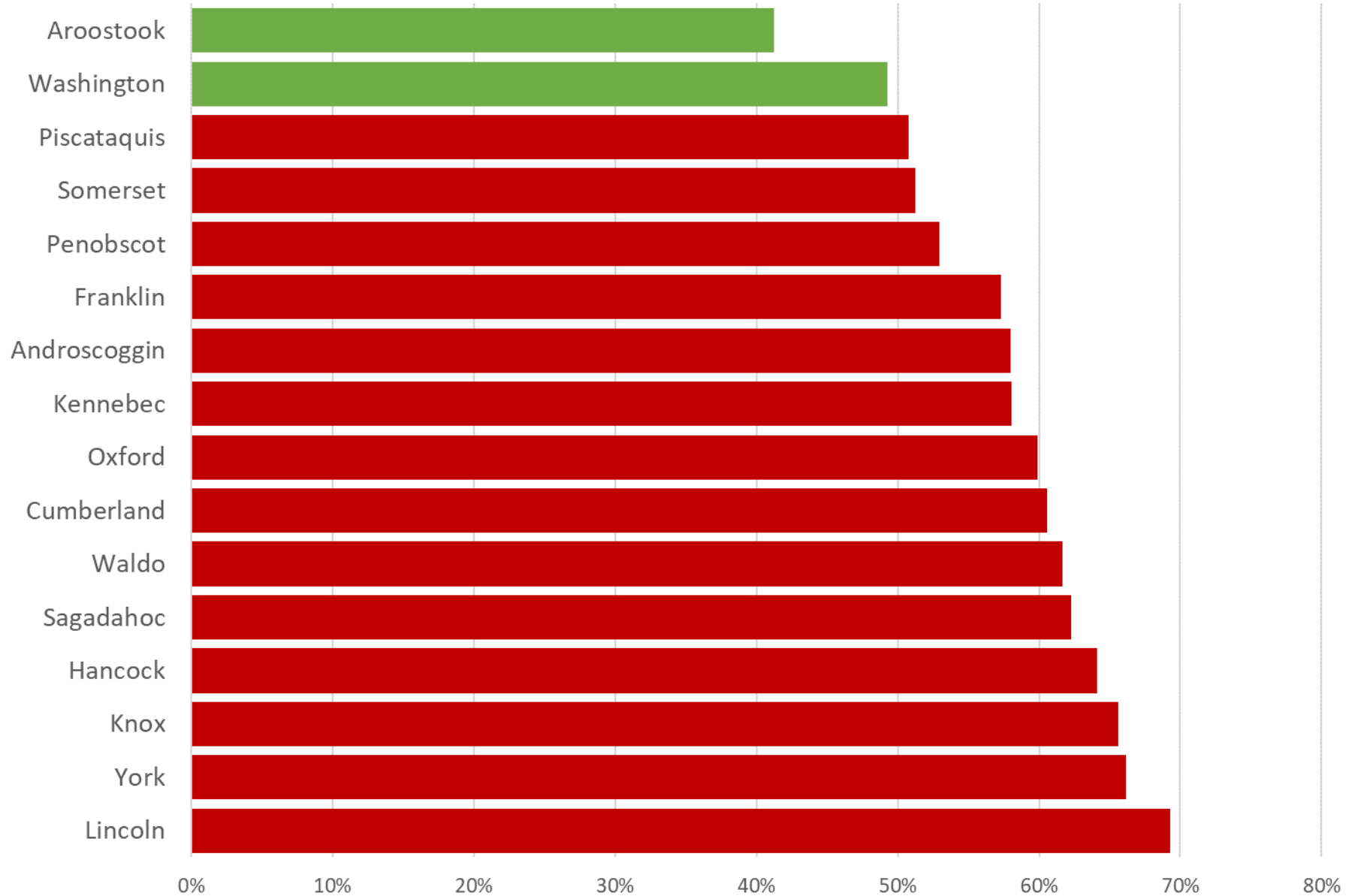
Excerpt from January 26, 2022, Federal Open Market Committee statement

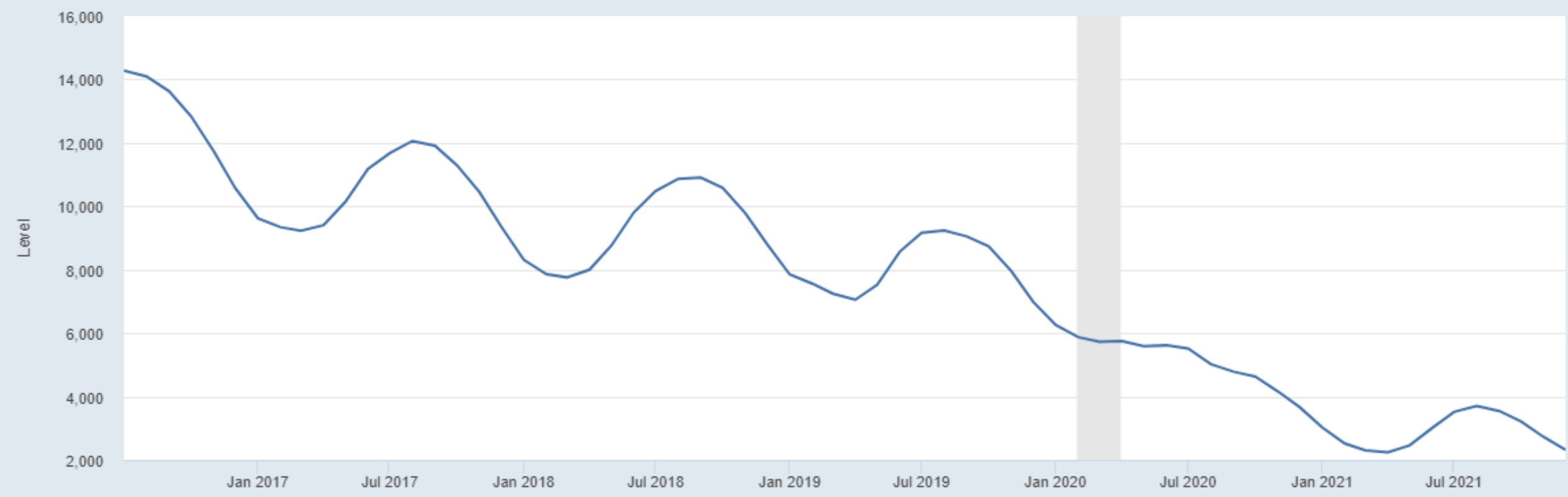
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1. COVID variants and vaccinations
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4. Housing

## Percent of Households Unable to Afford Median Home, 2021





Shaded areas indicate U.S. recessions.

Source: Realtor.com

fred.stlouisfed.org

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5. Migration

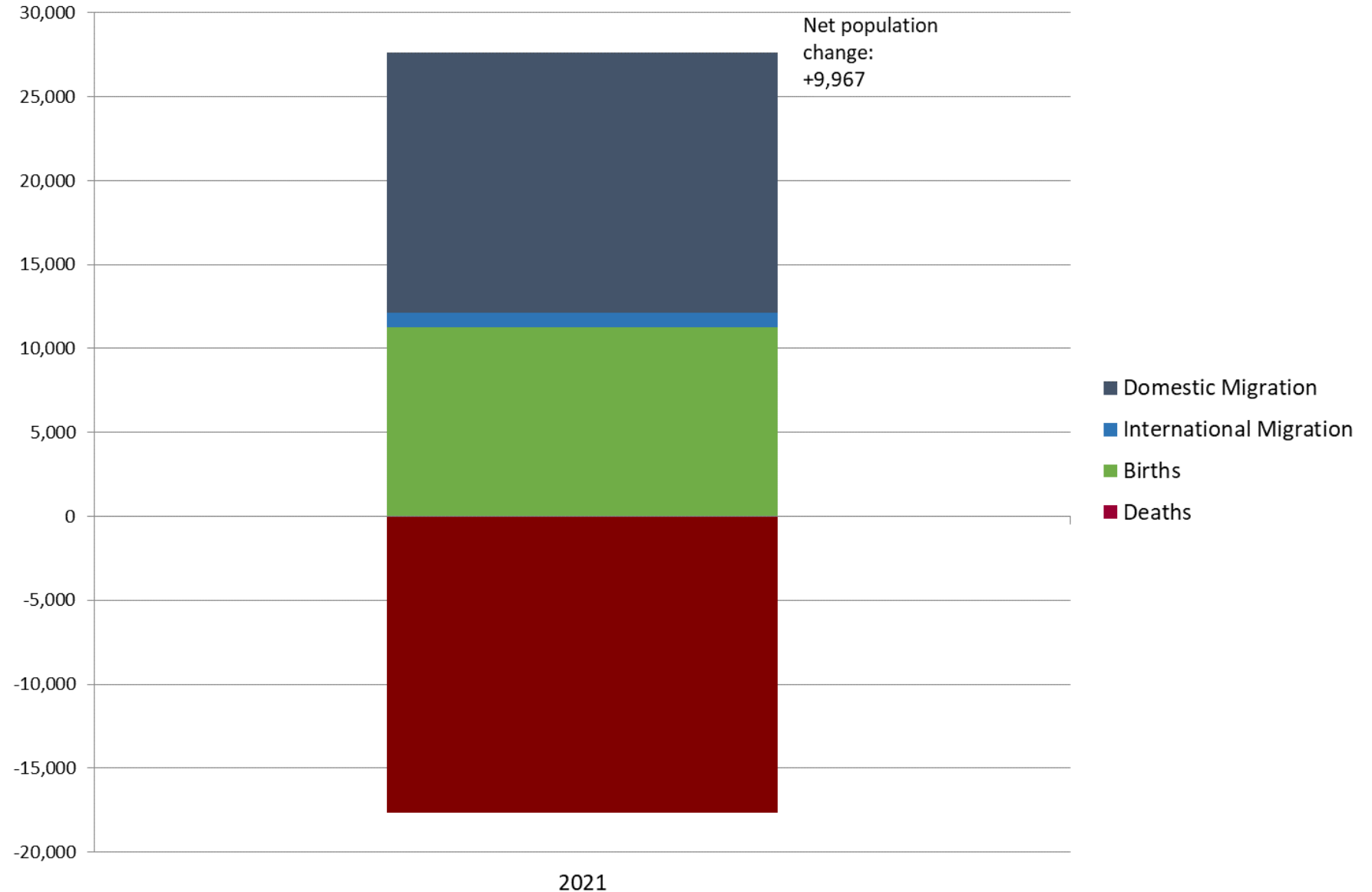
# Components of Population Change, Maine

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

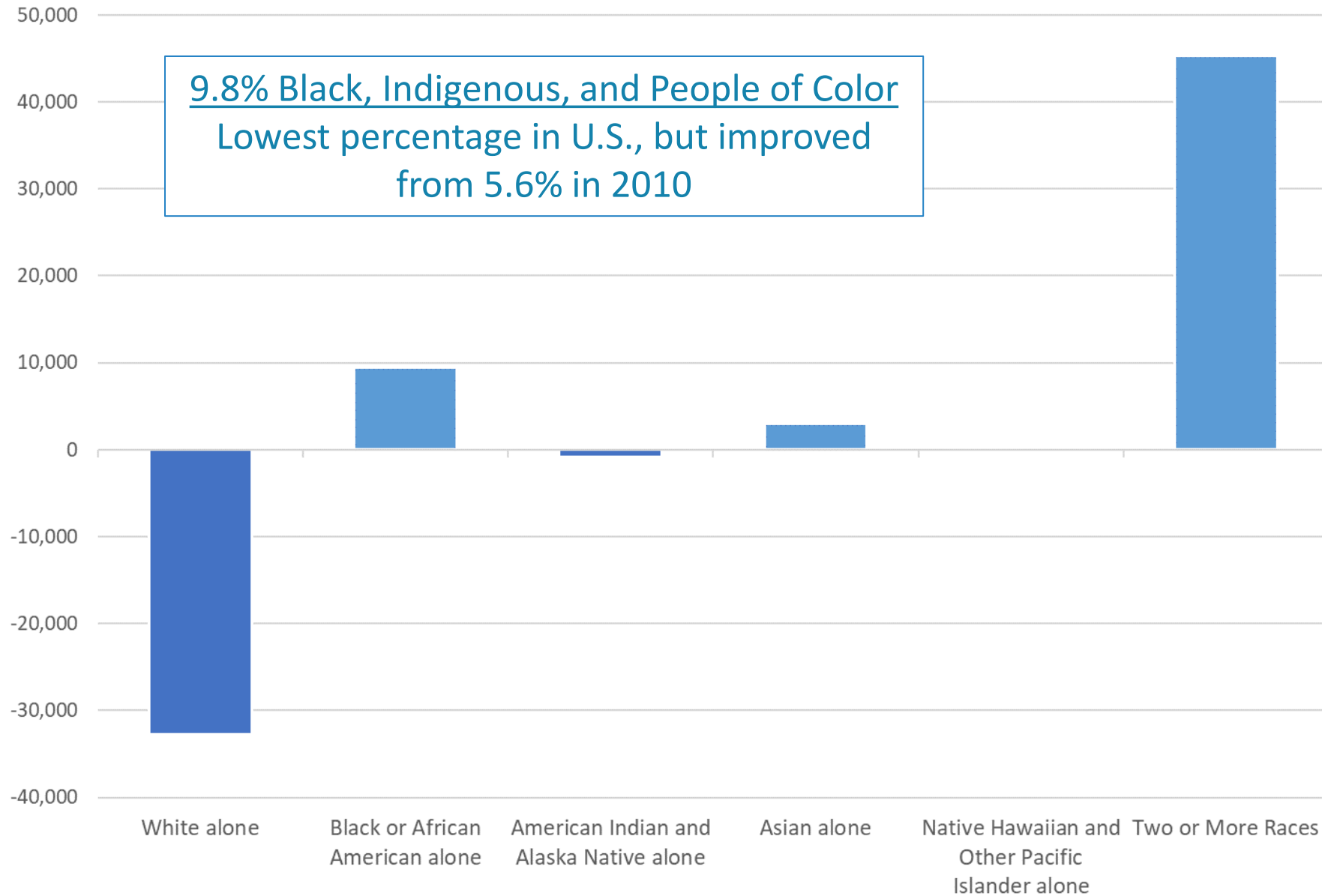
Population increase of 2.6%  
from 2010-2020 (42<sup>nd</sup> in U.S.)

Population increase of 0.7%  
from 2020-2021 (14<sup>th</sup> in U.S.)

Net migration = 12.0 per  
thousand (7<sup>th</sup> in U.S.)



## Change in Maine Population by Race, 2010-2020



# What key factors am I looking to this year?

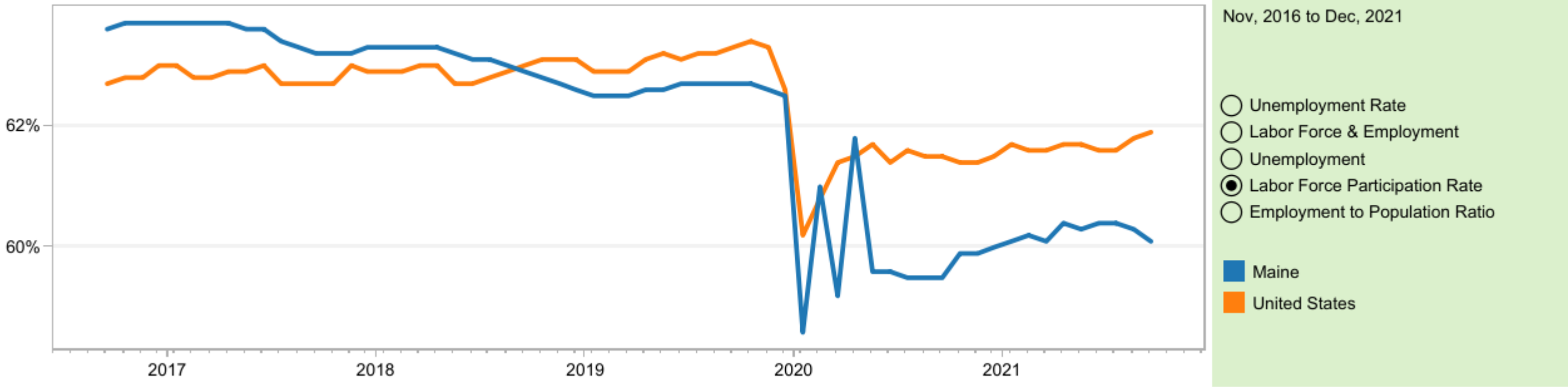
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1. COVID variants and vaccinations
2. Inflation, including energy prices
3. Interest rates
4. Housing
5. Migration
6. Labor force participation



In Dec. 2021, unemployment in Maine was 10,200 higher than in Feb. 2020 and the labor force was 22,000 lower

**Labor Force Participation Rate**  
(seasonally adjusted)



Based on national results from a study by the Federal Reserve Bank of St. Louis, the Maine Department of Labor estimates that 15,000 or more of the 22,000 people who have left the labor force in Maine could be retirees

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In 2020, 22% of all parents were either not working (9%) or working less (13%) due to disruptions to childcare or education.

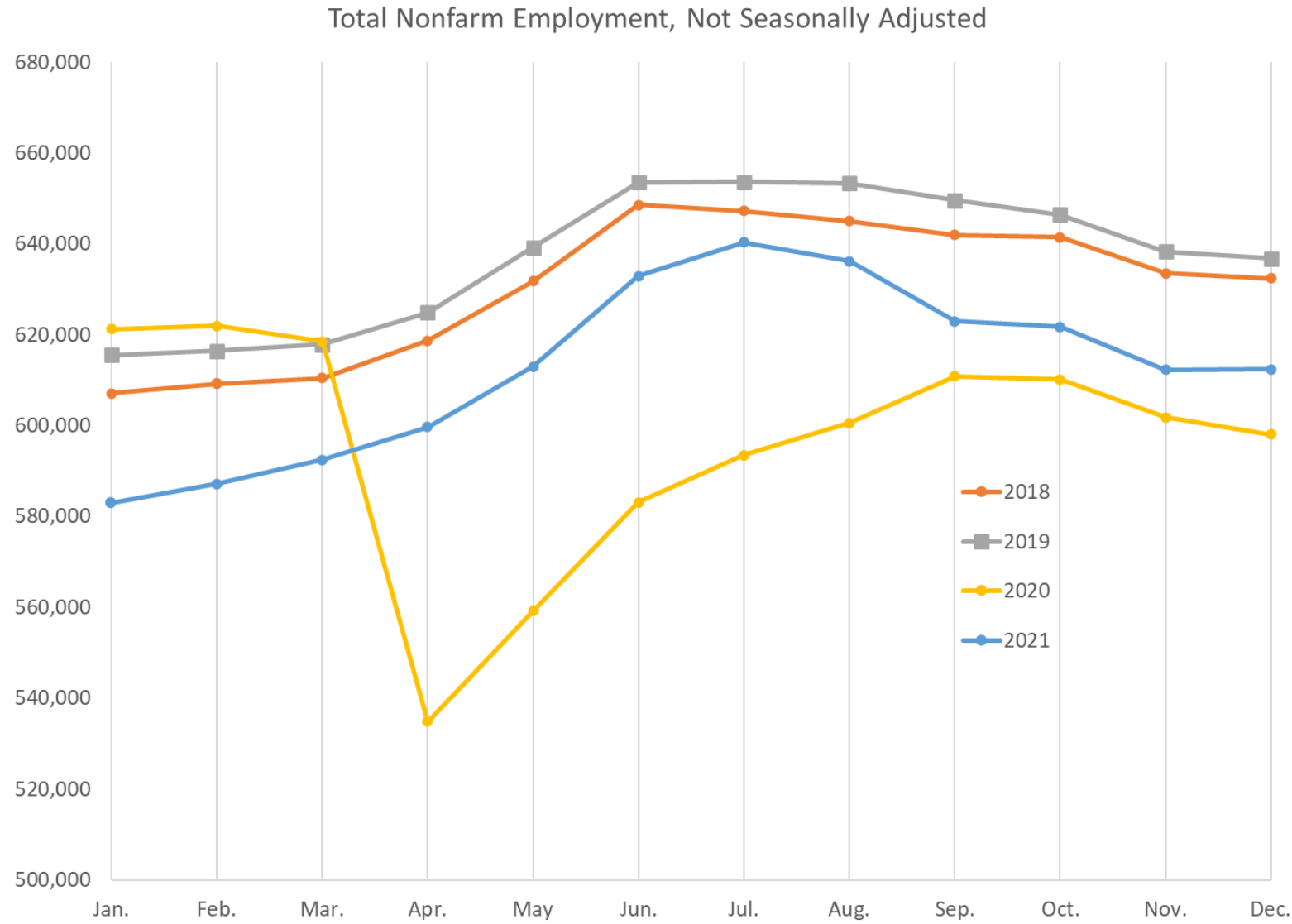
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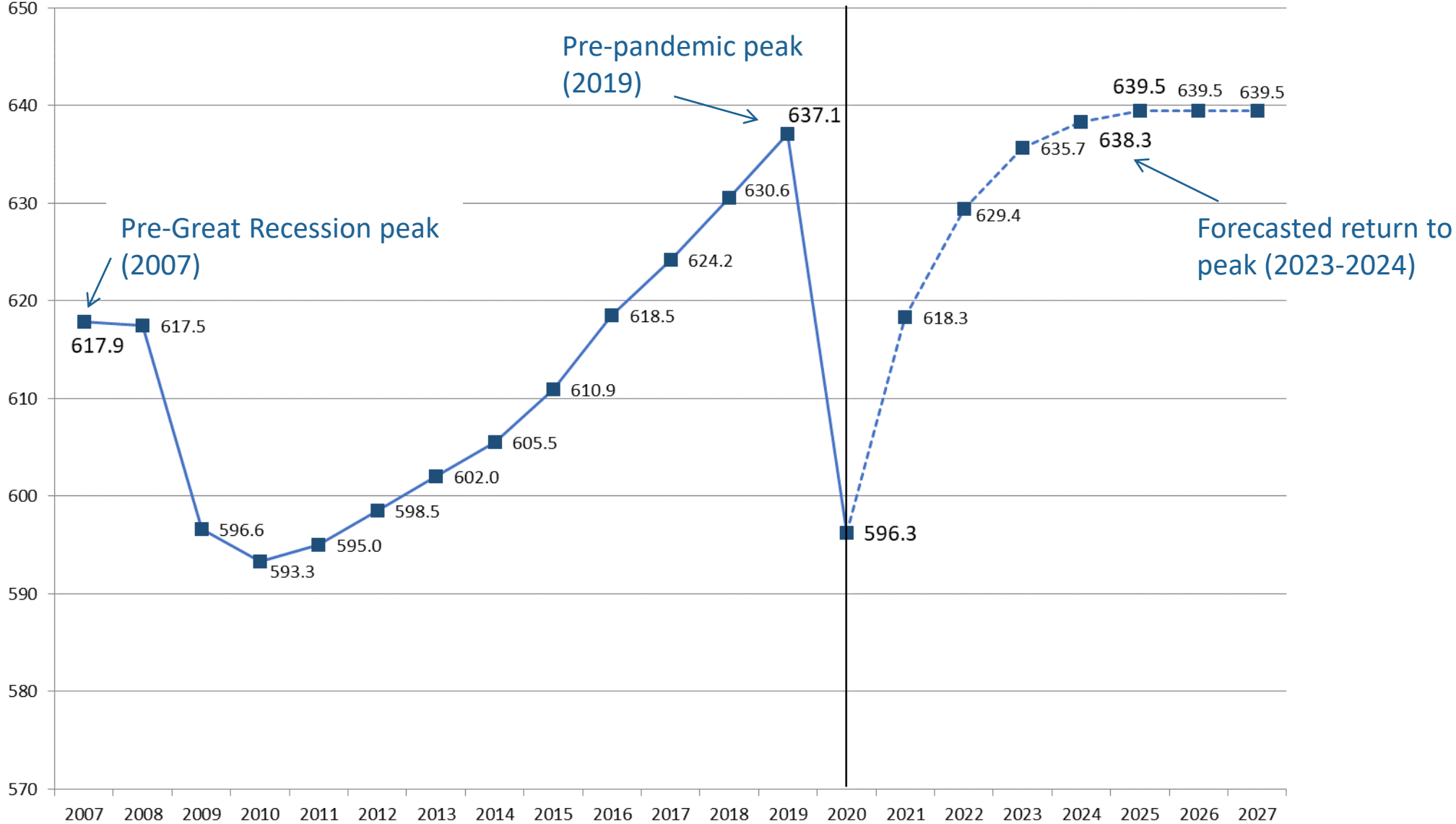
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7. Summer tourism season and continuing recovery of leisure and hospitality sector

96% of job losses between Feb. 2020 and Dec. 2021 are from three key sectors:

- 11,500 from leisure and hospitality (mostly restaurants and bars)
- 6,400 from state and local government (mostly public education)
- 4,900 from healthcare and social assistance (mostly social assistance and long-term care, plus hospitals)



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

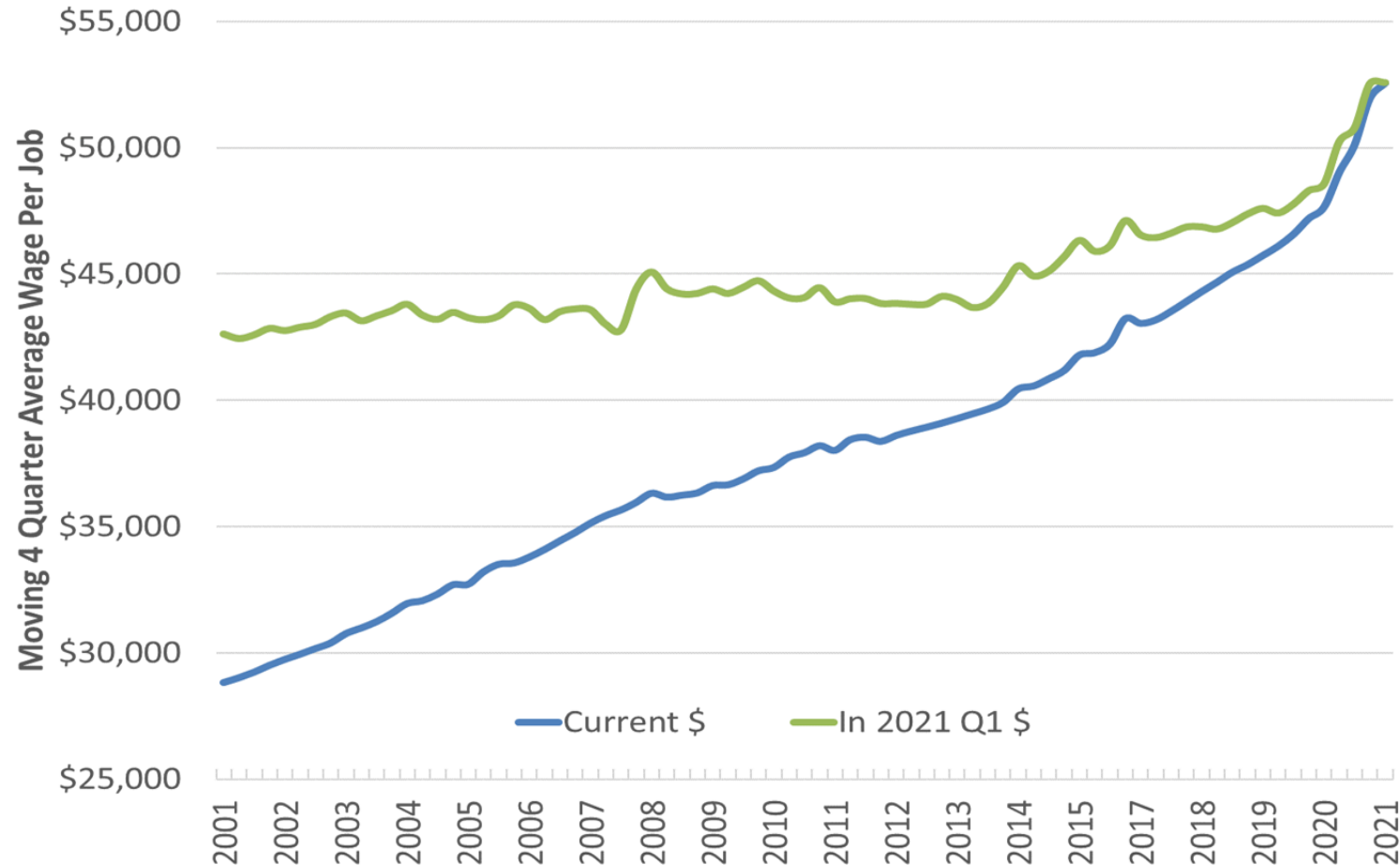


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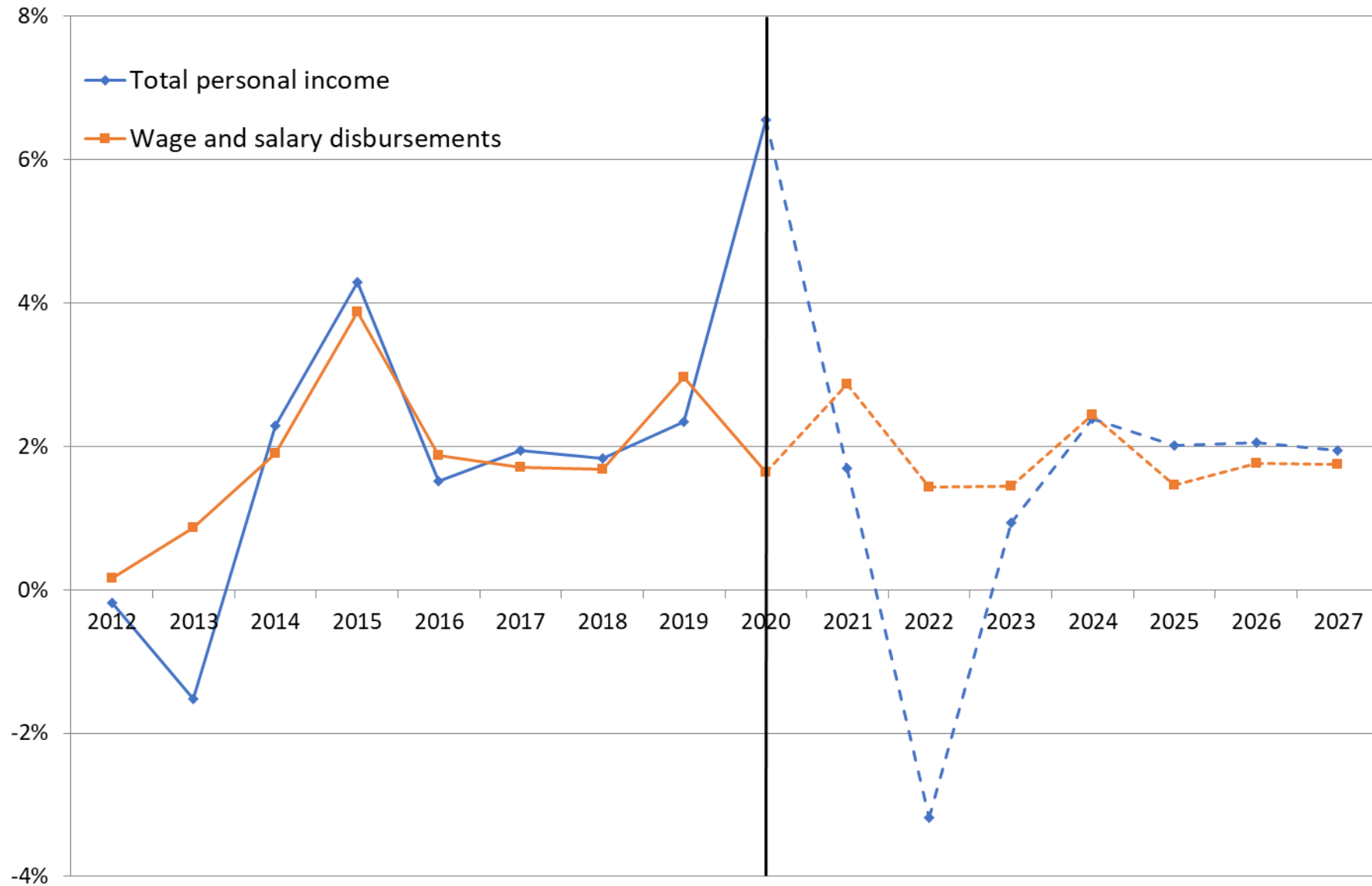
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7. Summer tourism season and continuing recovery of leisure and hospitality sector
8. The Great “Resignation” (and its effects on wages and benefits)

# Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era



## Percent Change in Real Personal Income, Maine 2010-2020 and forecast to 2027





## National impact of transfer receipts

2020 Supplemental Poverty Measure (SPM) = 9.1%

- 2.6 percentage points LOWER than 2019
- Without stimulus payments, the SPM would have been 12.7%

## People moved out of poverty due to federal programs:

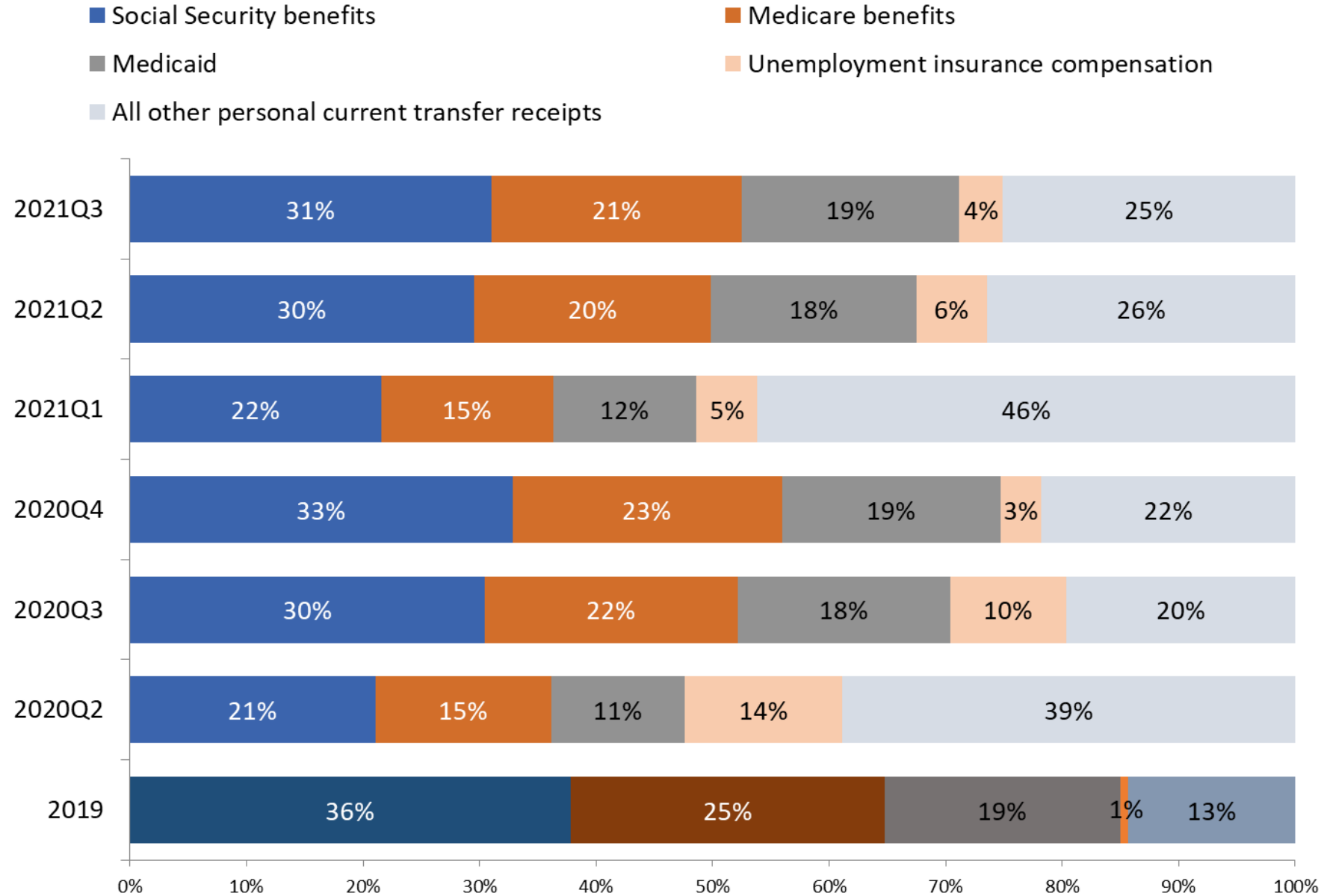
Social Security moved 26.5 million people out of poverty

Unemployment benefits = 5.5 million

Stimulus payments = 11.7 million

Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau, <https://www.census.gov/newsroom/press-releases/2021/income-poverty-health-insurance-coverage.html>

## Components of Personal Current Transfer Receipts, Maine

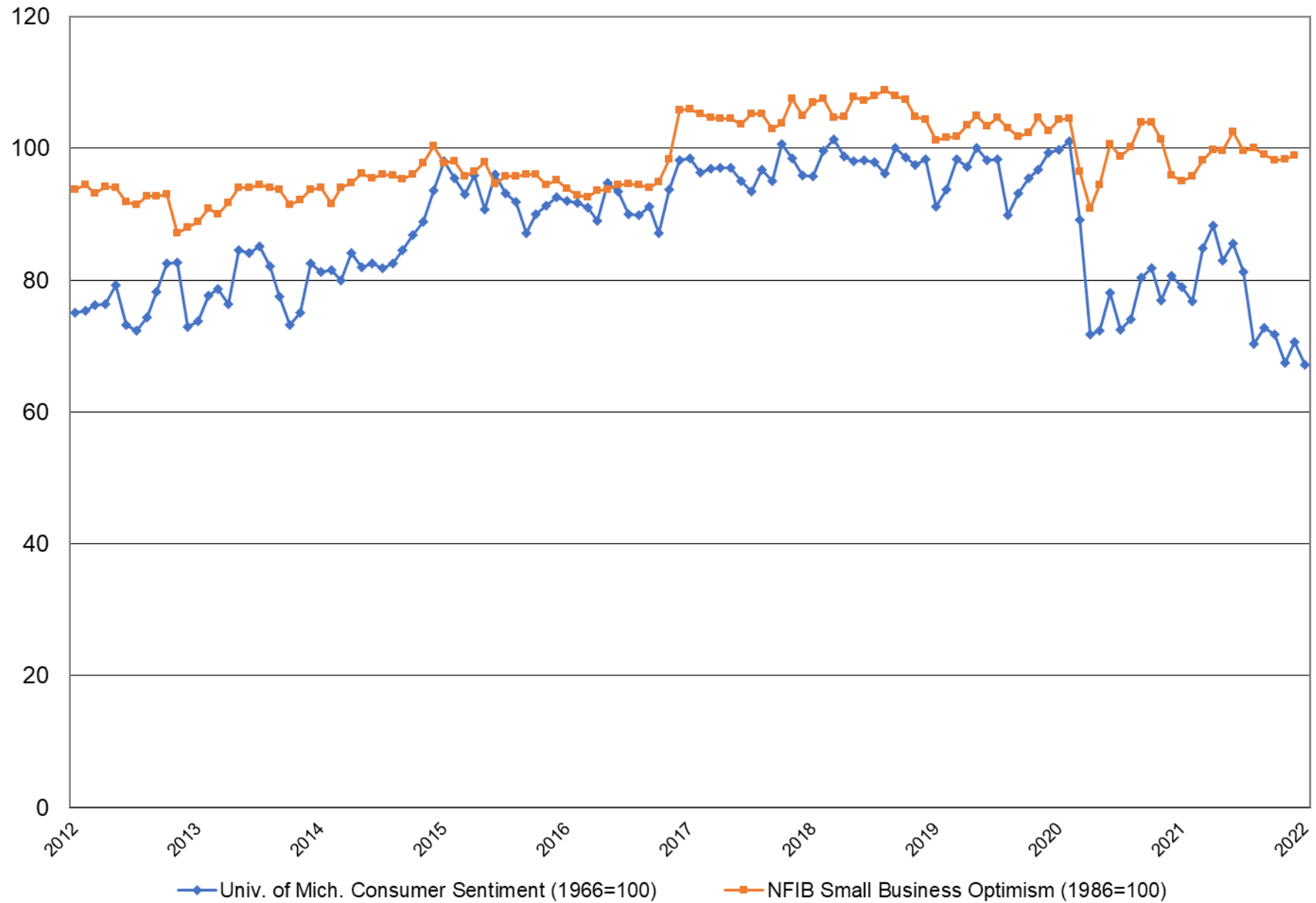


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9. Consumer and business sentiment

## Consumer Sentiment and Small Business Optimism Indexes



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10. Ongoing roll-out of federal funds

The ongoing roll-out of funding from the [Maine Jobs and Recovery Plan](#) (which distributes the nearly [\\$1 billion](#) Maine is getting from the federal American Rescue Plan Act) will continue to bolster economic activity

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- Areas of focus based on 10-year Economic Development Strategy and recommendations of the Governor's Economic Recovery Committee
- \$300 million already rolling out for job training, housing/health care/childcare affordability, and small business assistance

<https://www.maine.gov/jobsplan/>

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# Contact Information

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Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

[amanda.rector@maine.gov](mailto:amanda.rector@maine.gov)

<https://www.maine.gov/dafs/economist>