

Trends and Outlooks for the Maine Economy

Maine Association of Mortgage Professionals

April 5, 2023

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Maine State Economist

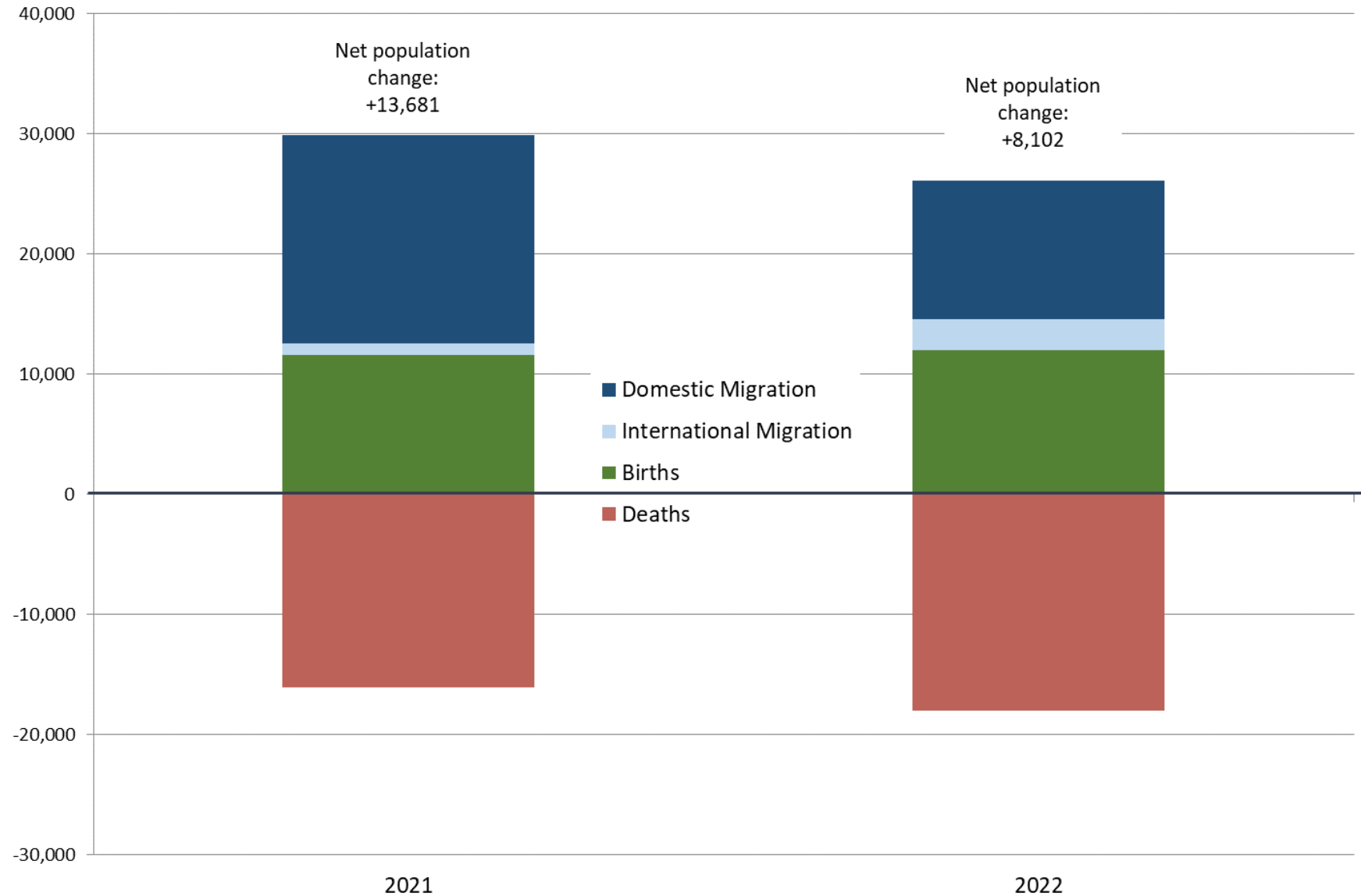
Components of Population Change, Maine

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

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

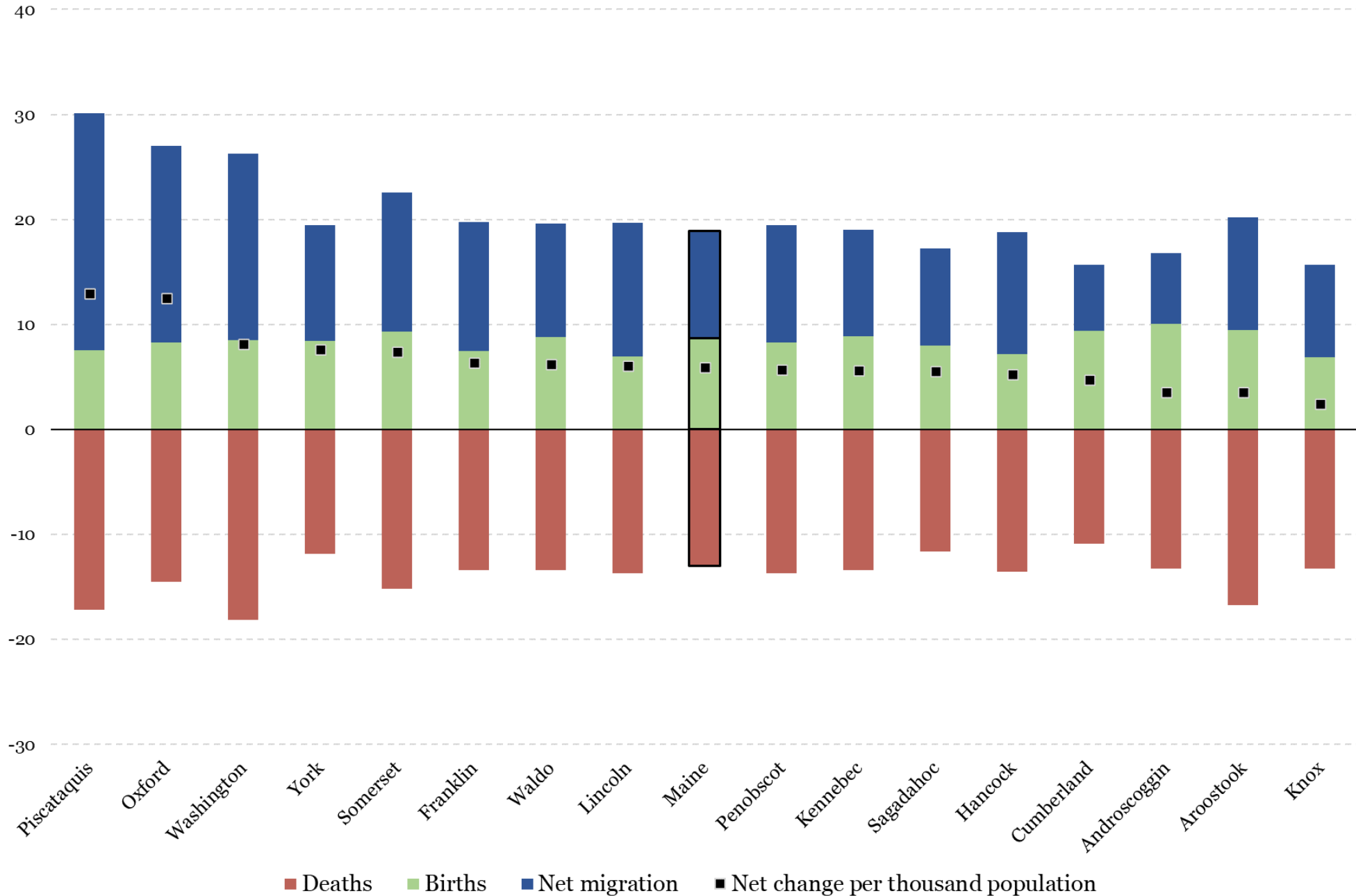
Population increase of
1.7% from 2020-2022
(14th in U.S.)

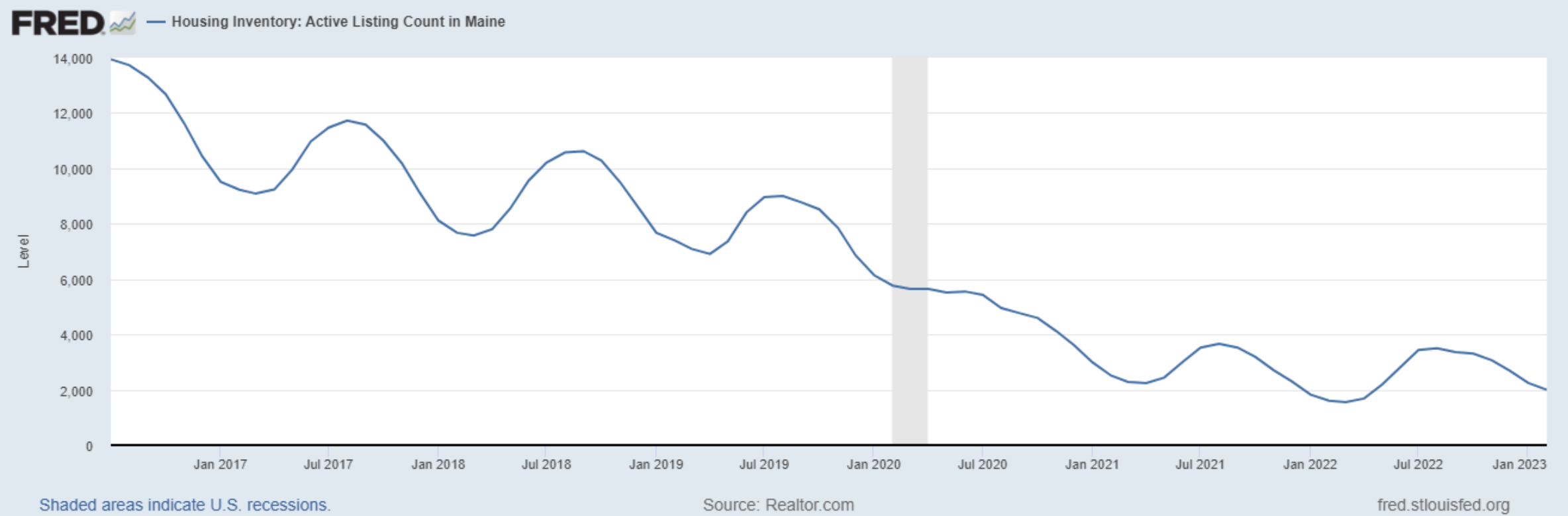
2022 net migration =
10.2 per thousand
(11th in U.S.)



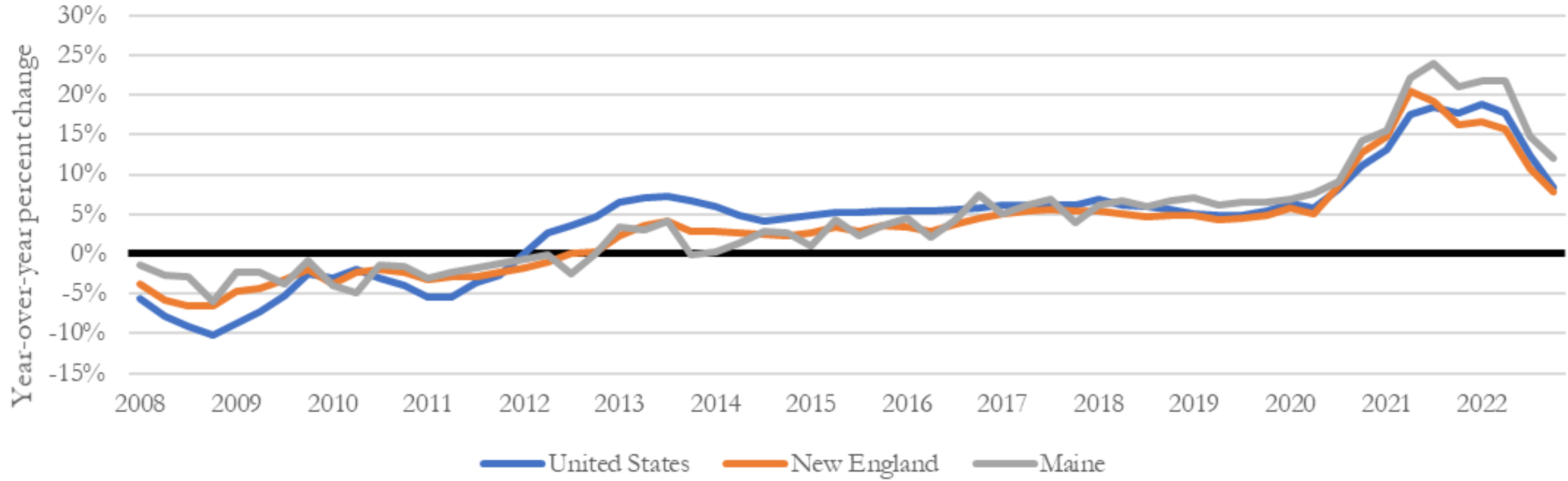
Components of Population Change in Maine, 2022

Rate per thousand population

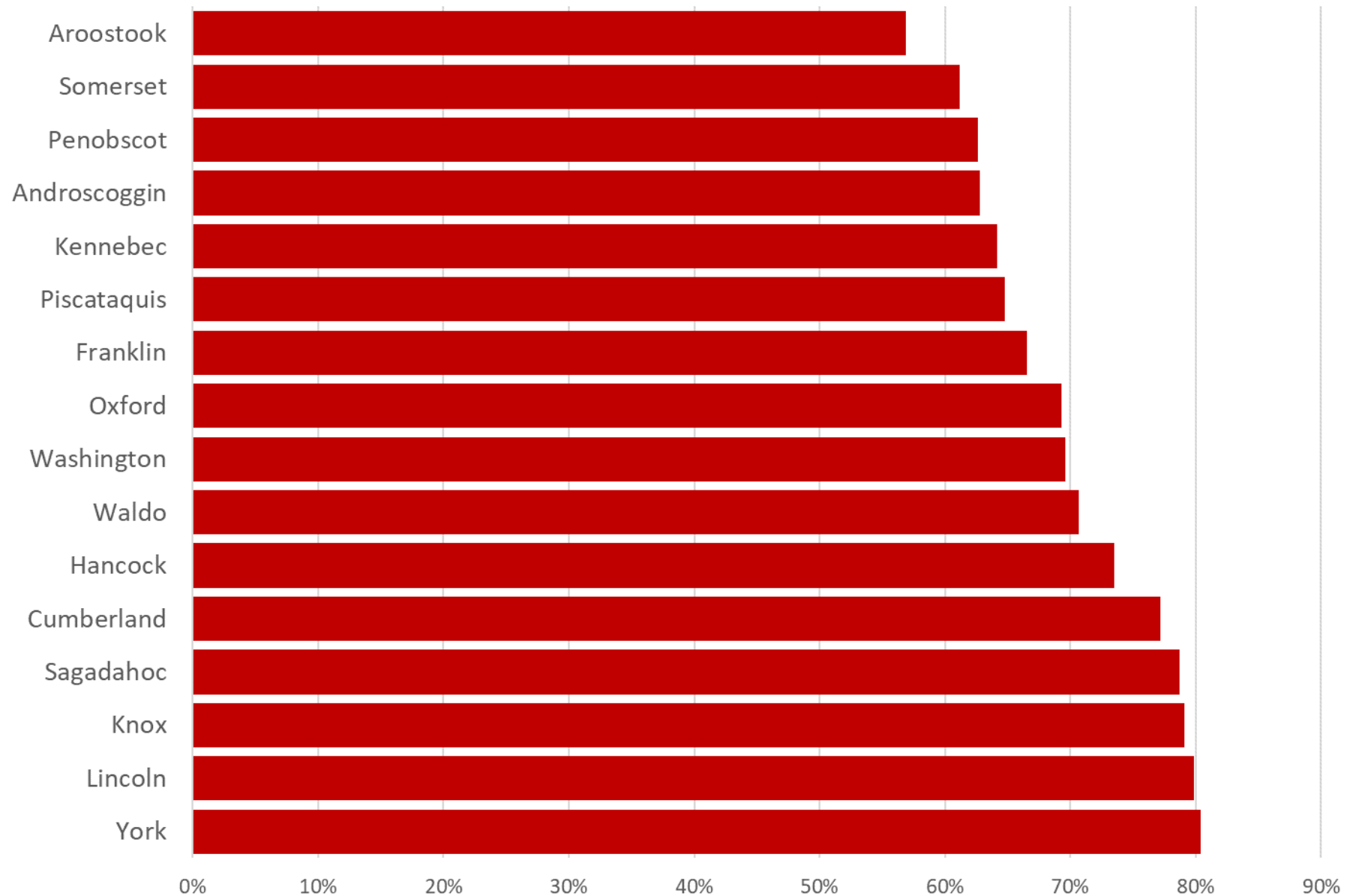




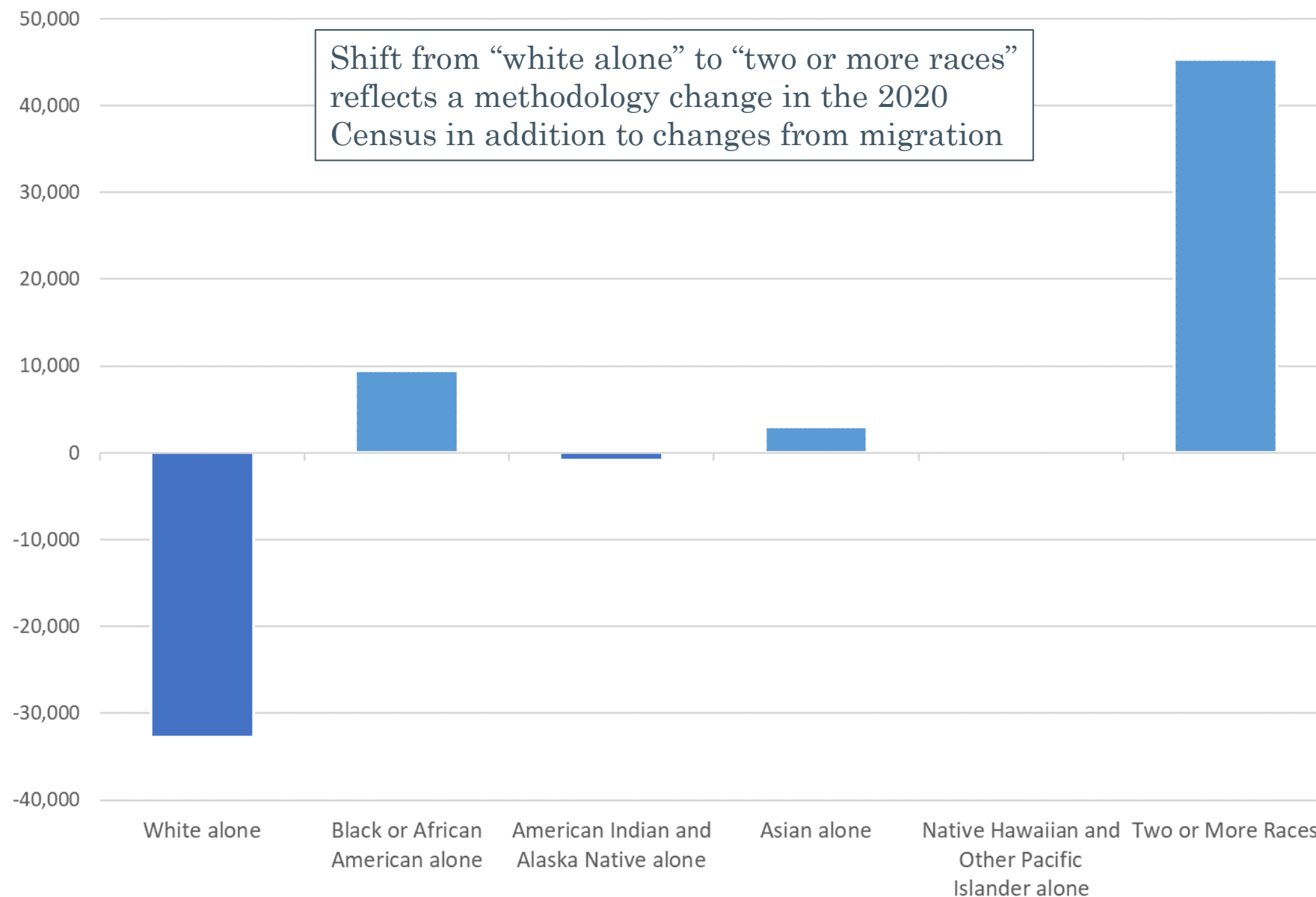
Percent Changes, Year-over-year in FHFA House Price Index (not seasonally adjusted)



Percent of Households Unable to Afford Median Home, 2022



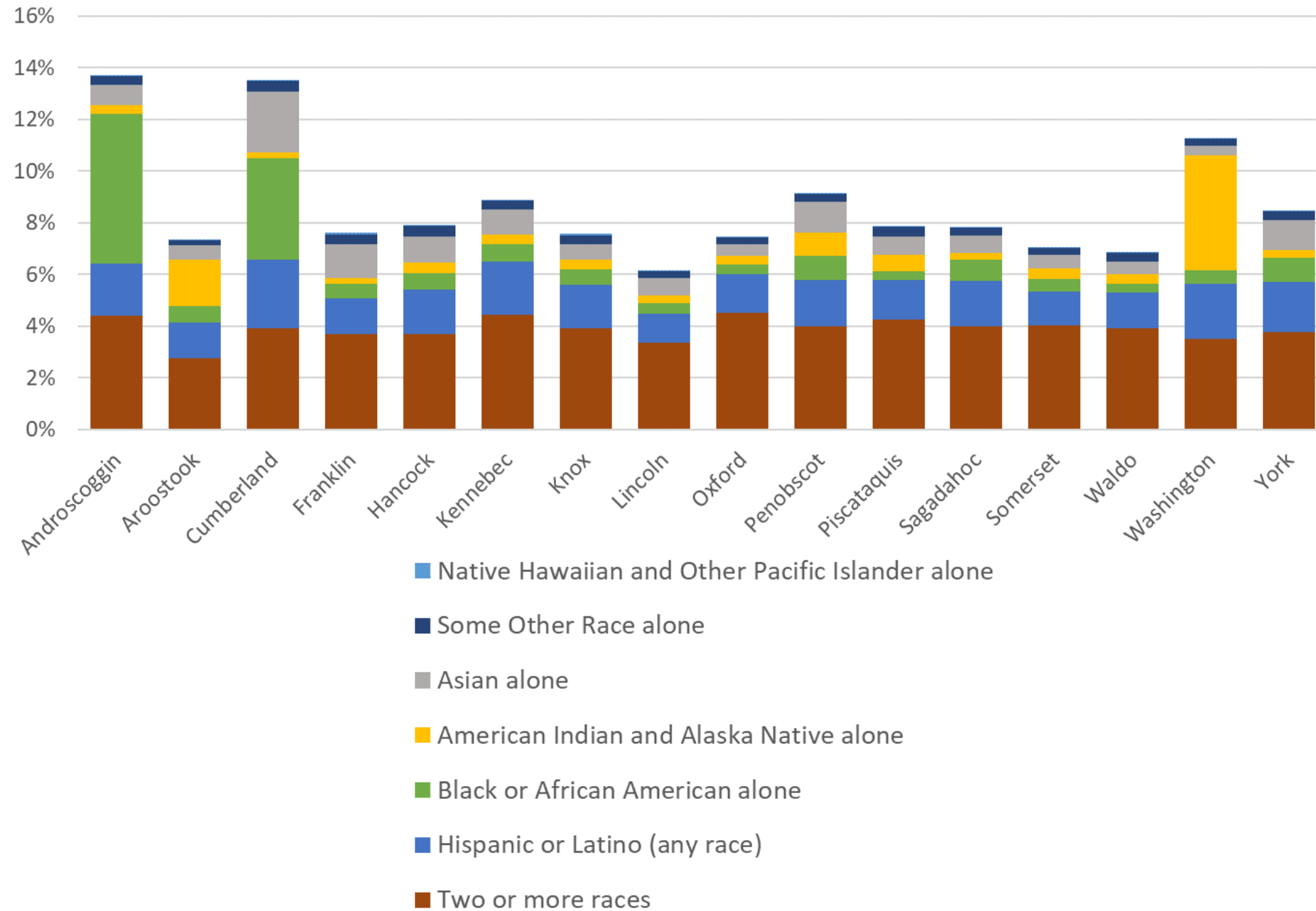
Change in Maine Population by Race, 2010-2020



Shift from “white alone” to “two or more races” reflects a methodology change in the 2020 Census in addition to changes from migration

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

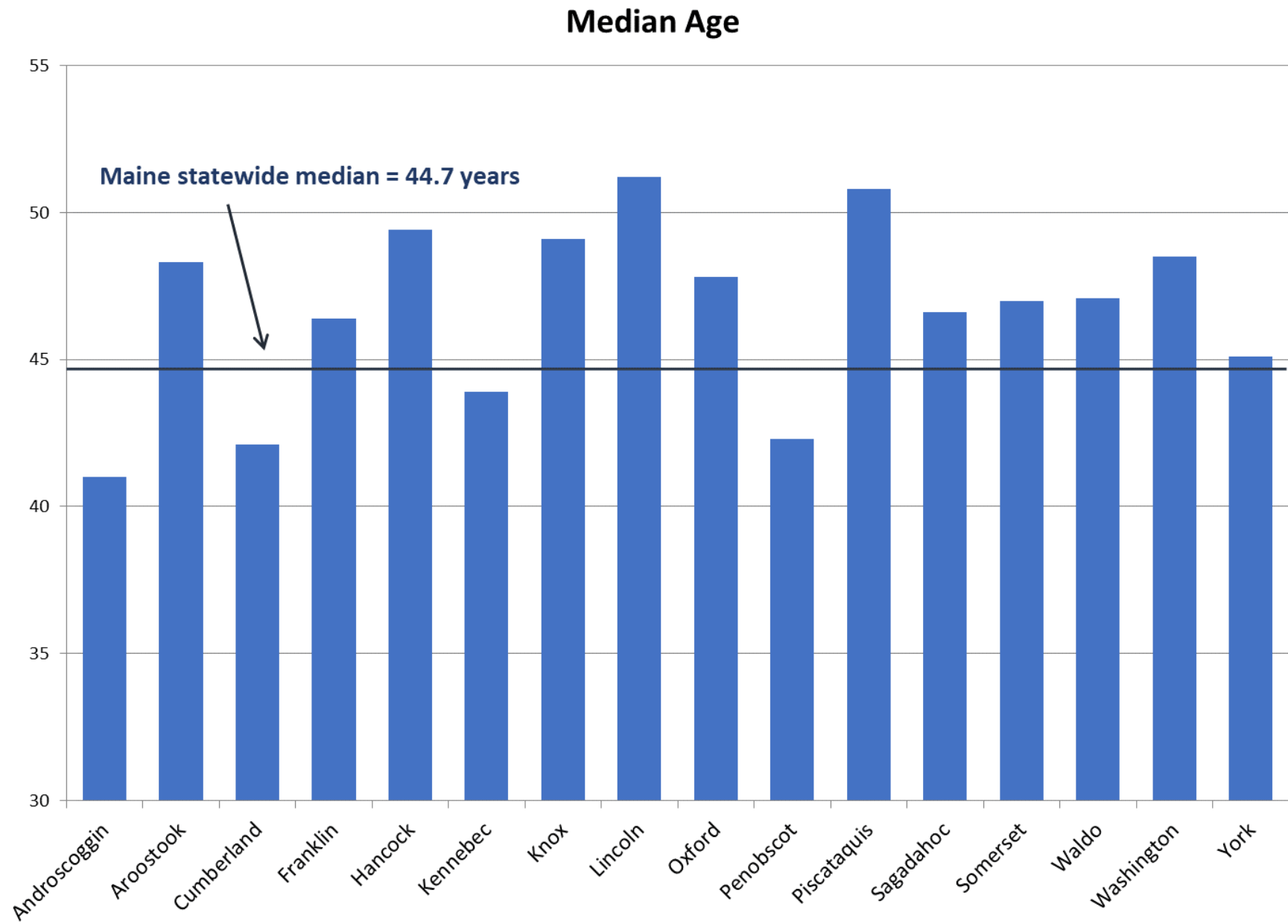
Share of 2020 Population by Race/Ethnicity Excluding White Alone



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

BUT!

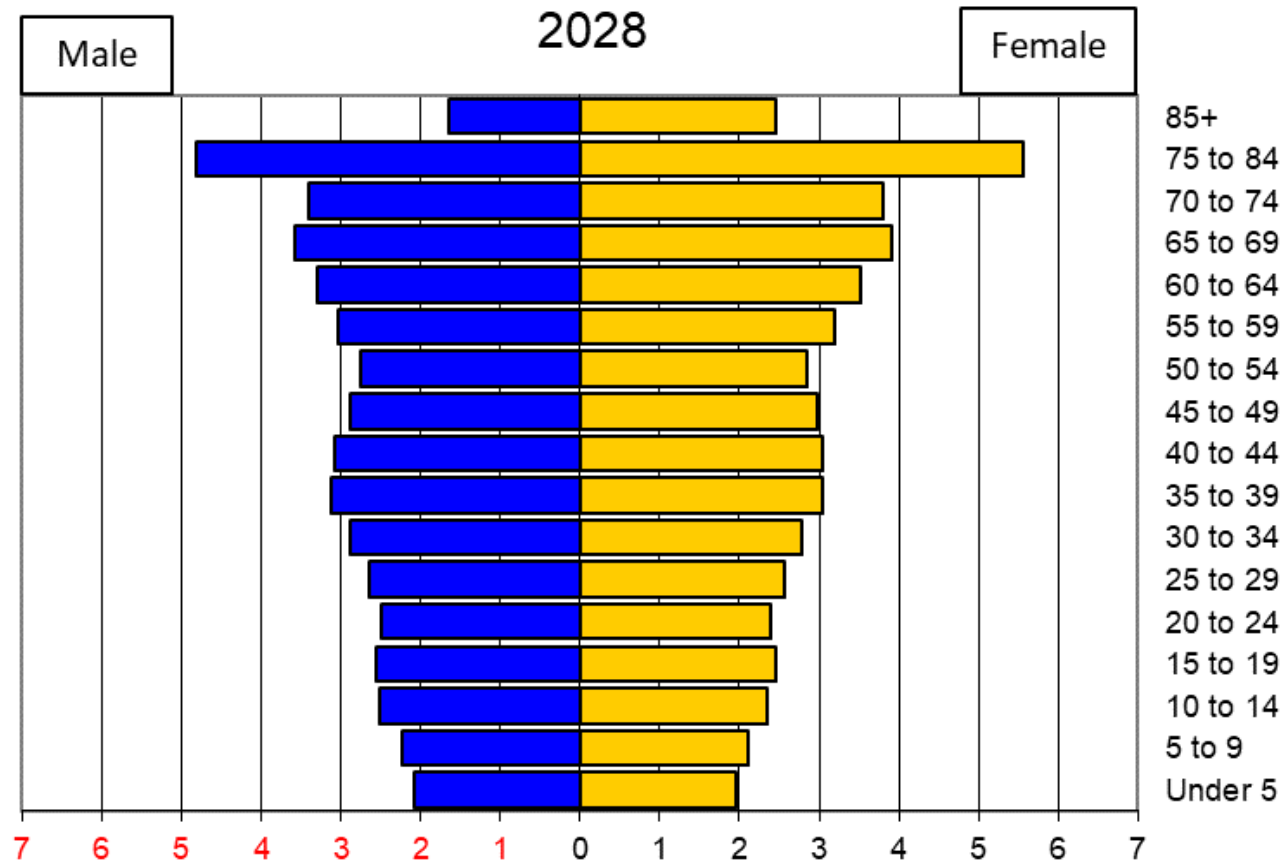
Maine was the **ONLY**
state in the U.S. to see a
decrease in median age
from 2020 to 2021



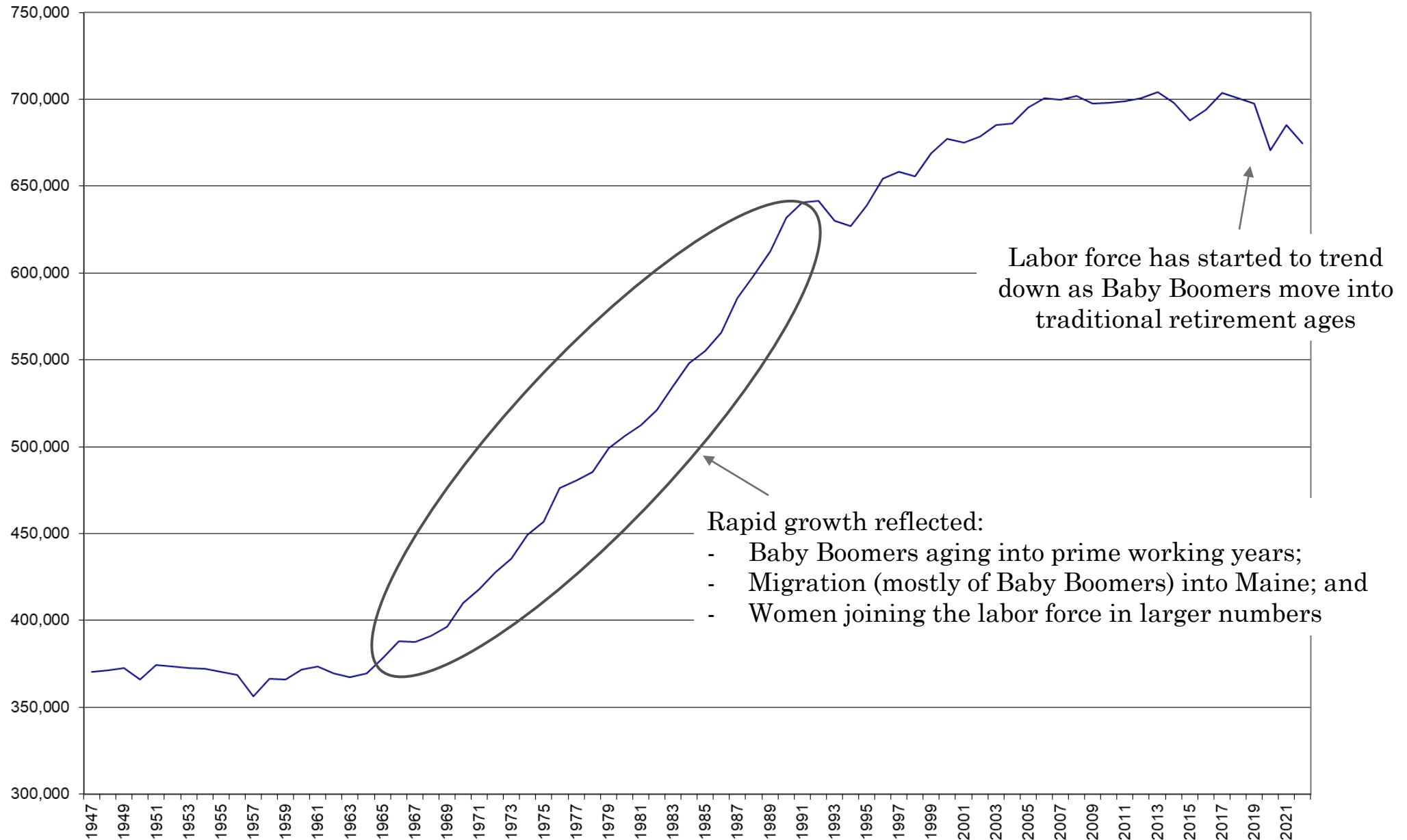
The Baby Boom: 1946-1964

Baby Boom
generation in
2028: age 64-82

Baby Boom
generation in
2021: age 57-75



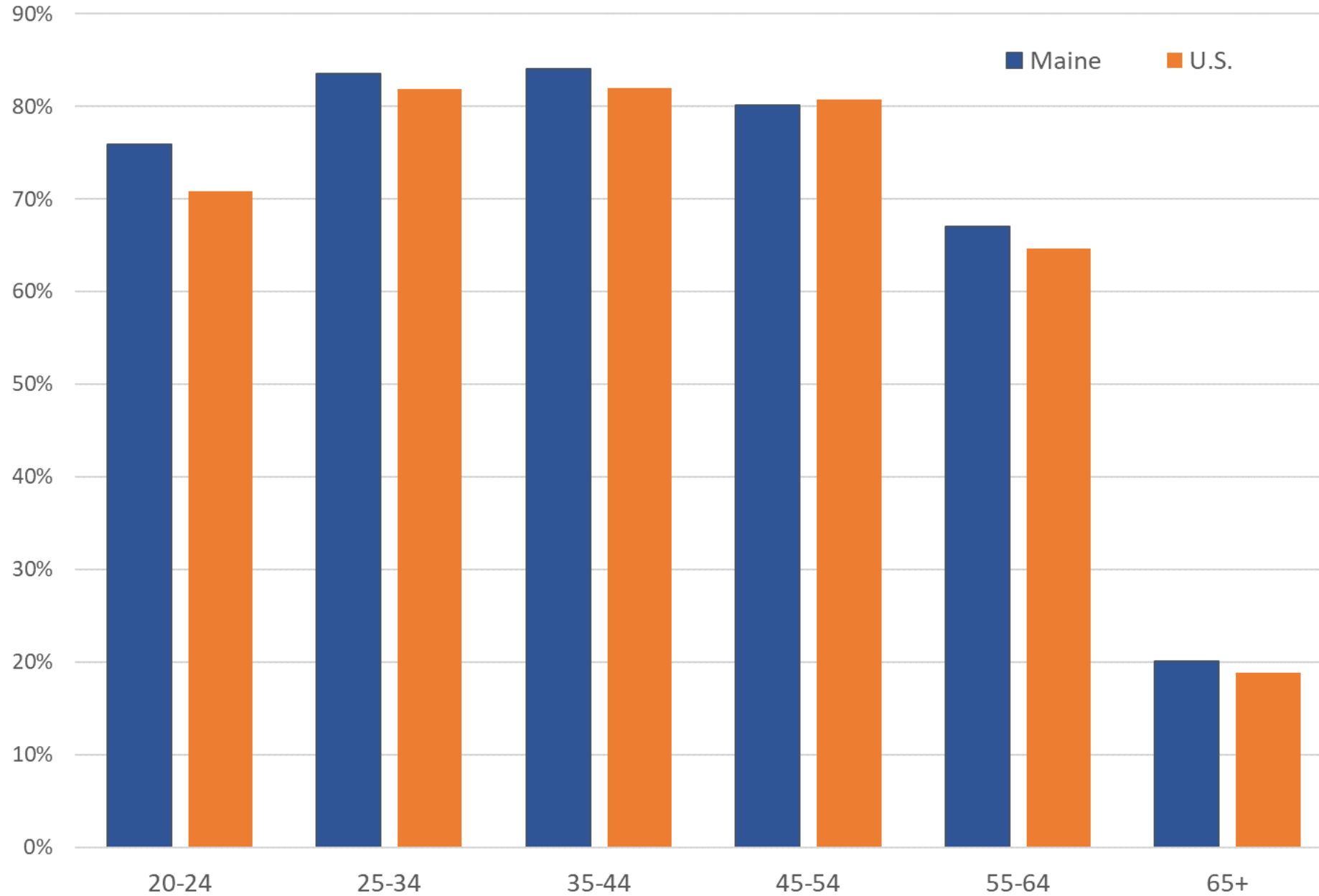
Maine Civilian Labor Force



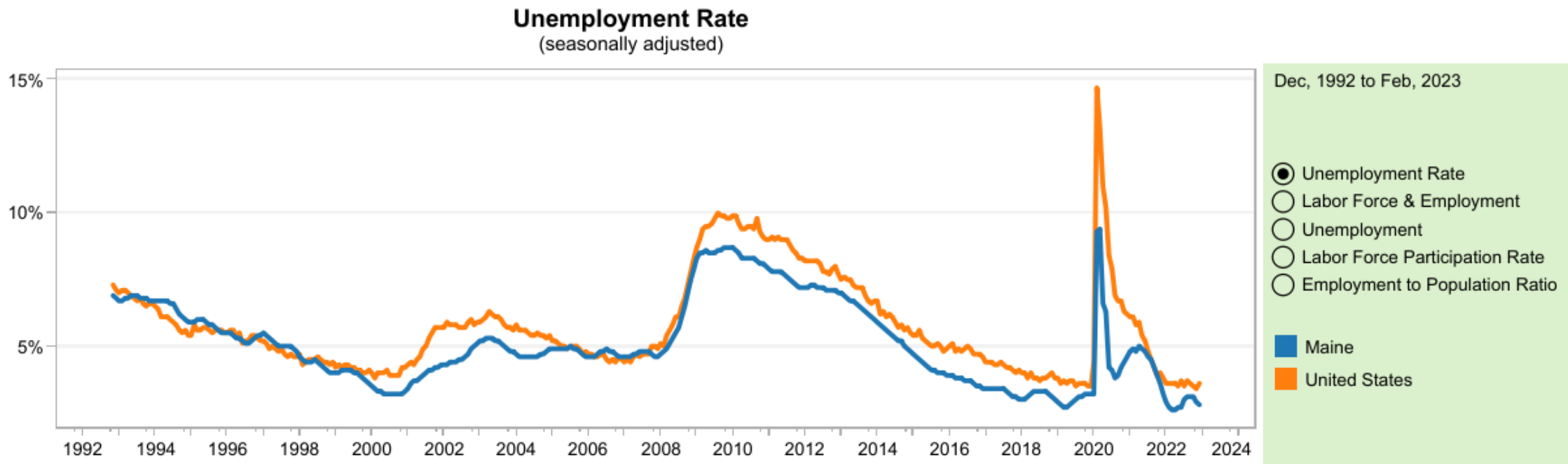
In the *Annual Workforce Report for 2021* (published Nov. 2022), the Maine Department of Labor notes:

- 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



Maine's unemployment rate in February 2023 of 2.8% is near record lows and below the U.S. rate of 3.6%



The lowest unemployment rates are in the southern, coastal, and central regions of the state

County Rates (not seasonally adjusted)

February, 2023

Table

Graph

Map/Graph Display

Unemployment rate

One-year change

County	Rate	Year ago	One-yr change	
Maine	3.1%	3.9%	-0.8	↓
Androscoggin	3.1%	3.7%	-0.6	↓
Aroostook	4.3%	5.2%	-0.9	↓
Cumberland	2.2%	2.8%	-0.6	↓
Franklin	3.3%	4.2%	-0.9	↓
Hancock	5.0%	6.3%	-1.3	↓
Kennebec	2.7%	3.5%	-0.8	↓
Knox	3.7%	4.4%	-0.7	↓
Lincoln	3.5%	4.2%	-0.7	↓
Oxford	3.4%	4.2%	-0.8	↓
Penobscot	3.0%	3.9%	-0.9	↓
Piscataquis	4.5%	5.1%	-0.6	↓
Sagadahoc	2.4%	3.0%	-0.6	↓
Somerset	4.8%	5.8%	-1.0	↓
Waldo	3.6%	4.5%	-0.9	↓
Washington	5.8%	6.8%	-1.0	↓
York	3.0%	4.0%	-1.0	↓

Unemployment rate

2.2% 5.8%

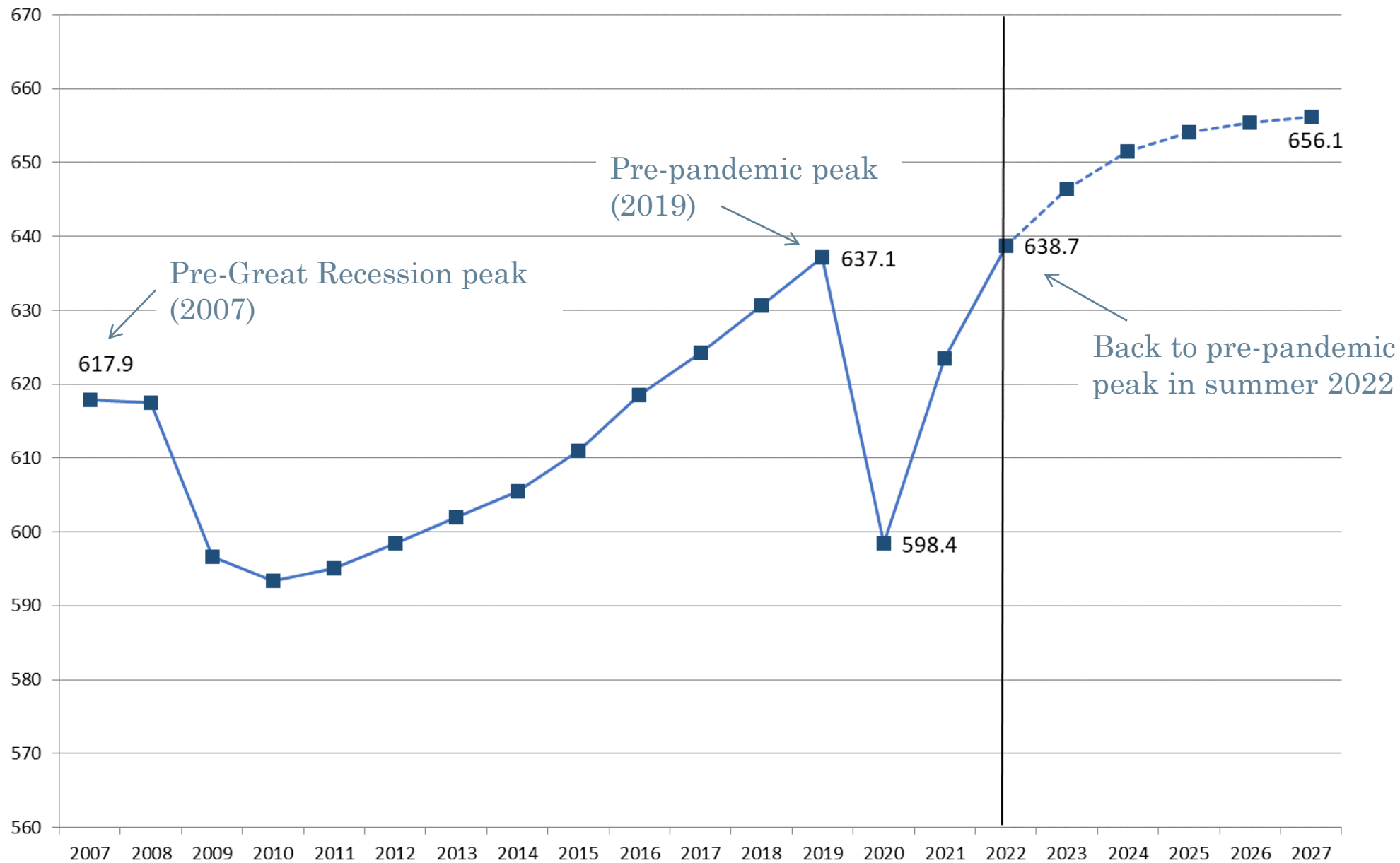
The map displays the unemployment rate for each of Maine's 16 counties. The color scale ranges from 2.2% (dark blue) to 5.8% (dark orange). Cumberland County has the lowest rate at 2.2%, while Washington County has the highest at 5.8%. Most counties show a decrease in unemployment rate compared to the previous year, indicated by green downward arrows in the table.

Maine Department of Labor, Center for Workforce Research and Information

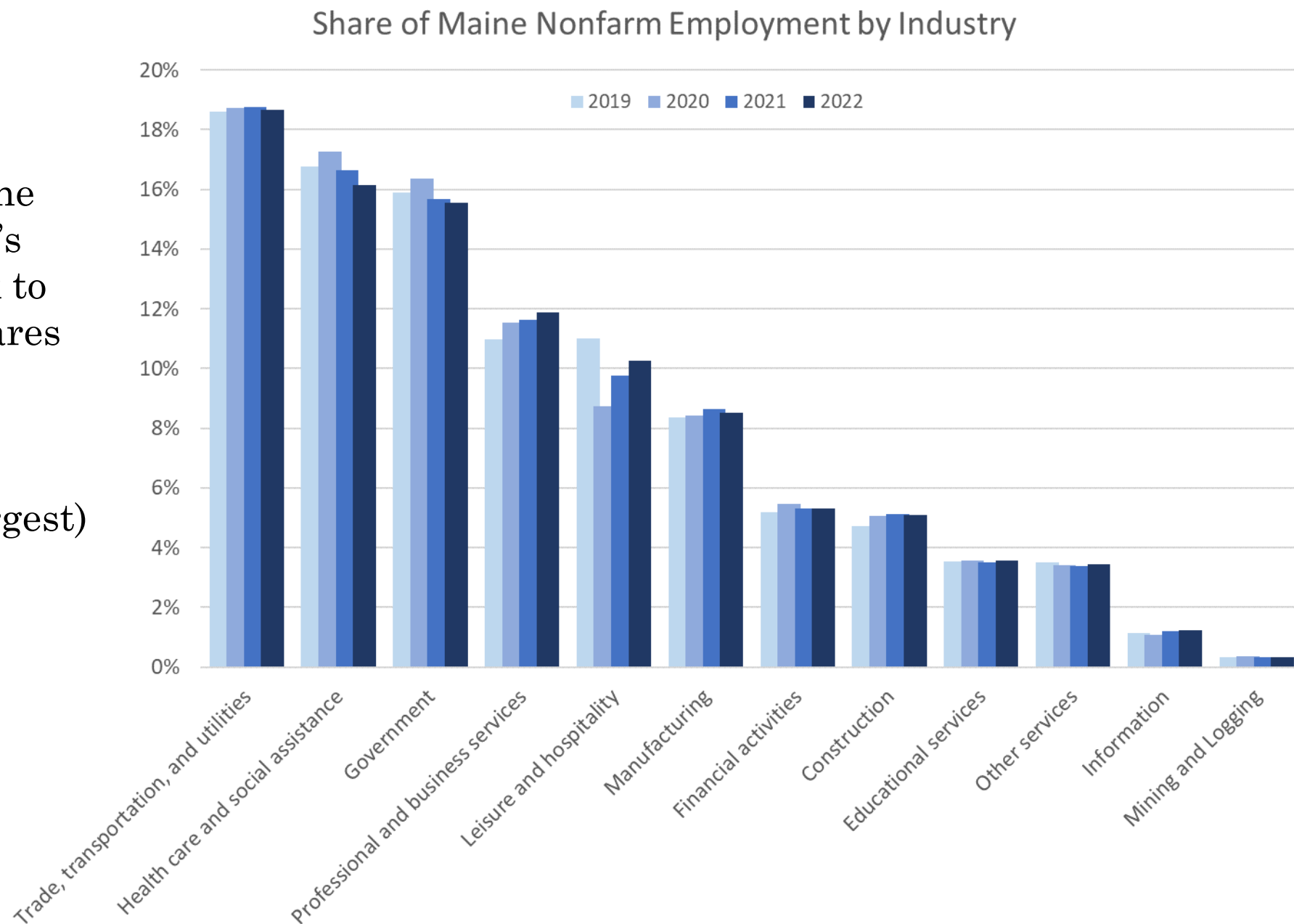
Source: Maine Department of Labor

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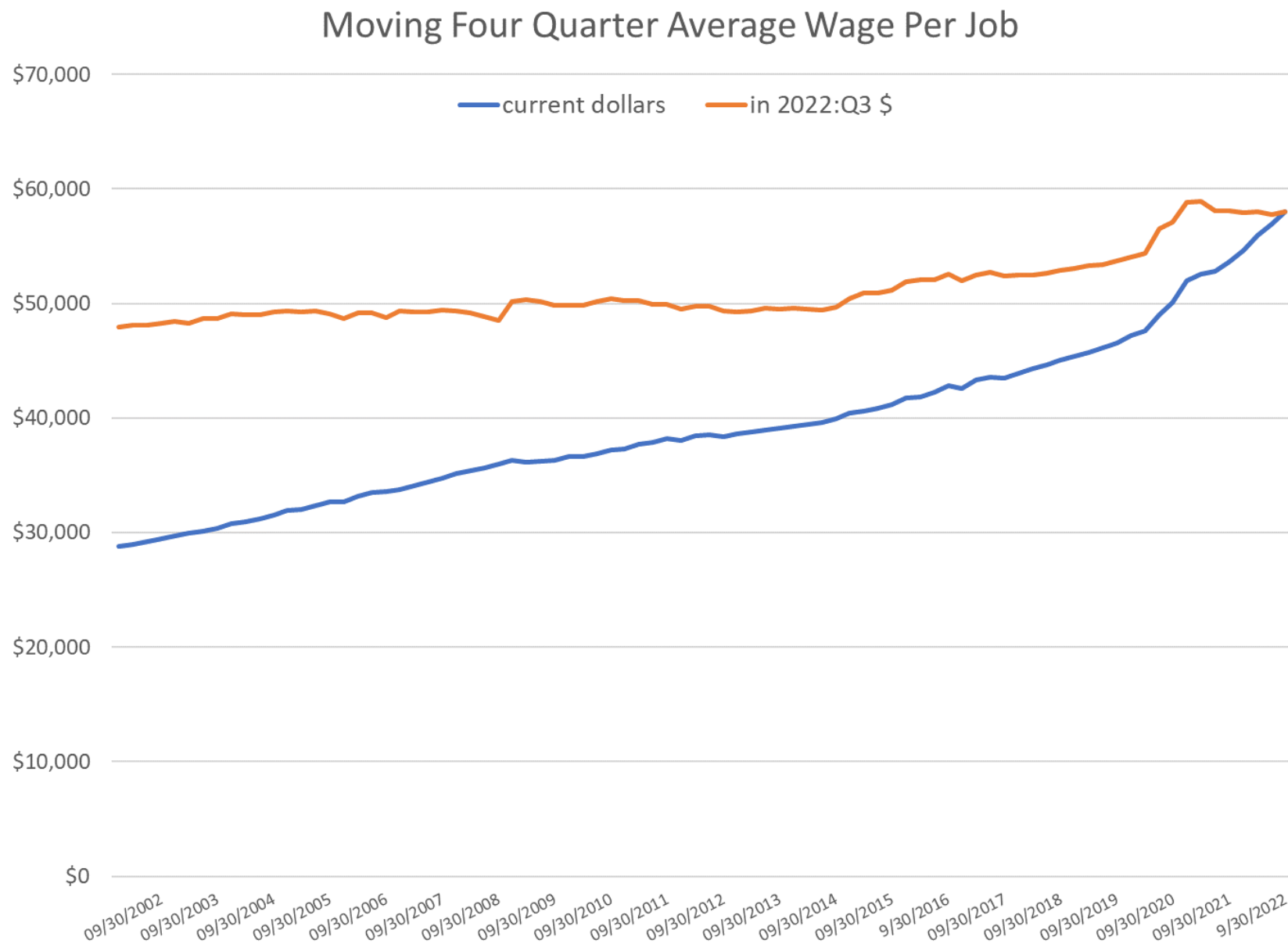
Total Nonfarm Employment (in thousands) History and CEFC forecast



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



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

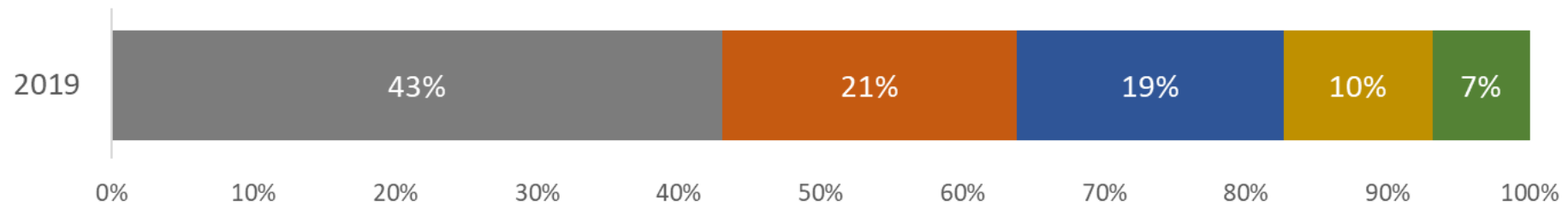


Workforce considerations

- 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: will the tight labor market continue to put upward pressure on wages?
- 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?

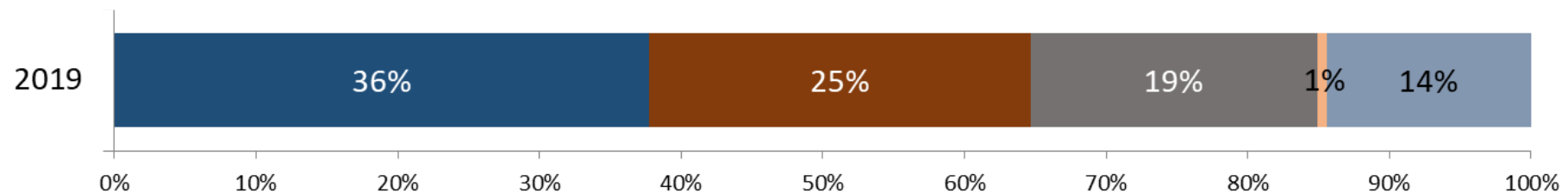
Major Components of Personal Income, Maine

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

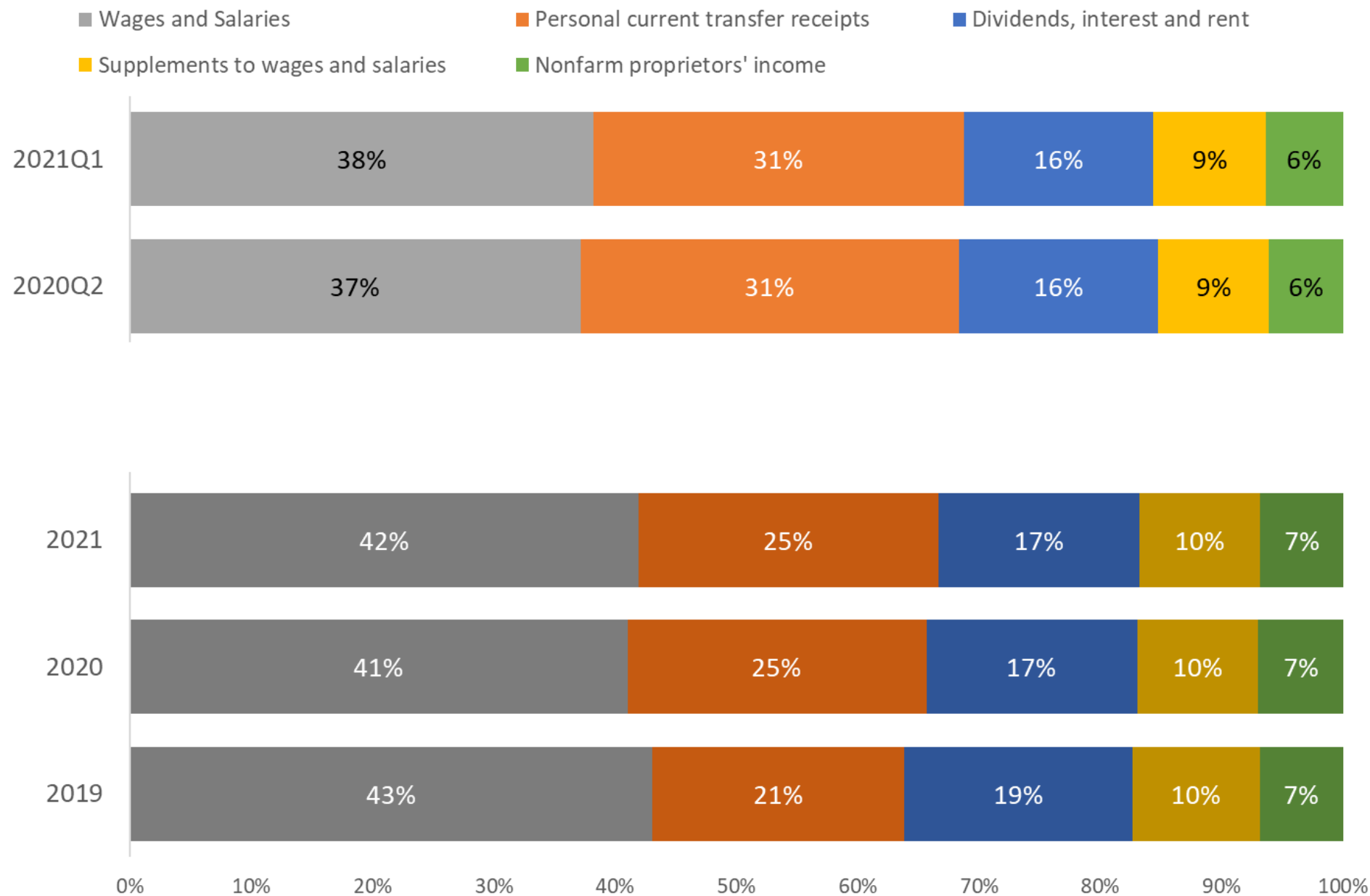


Components of Personal Current Transfer Receipts, Maine

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

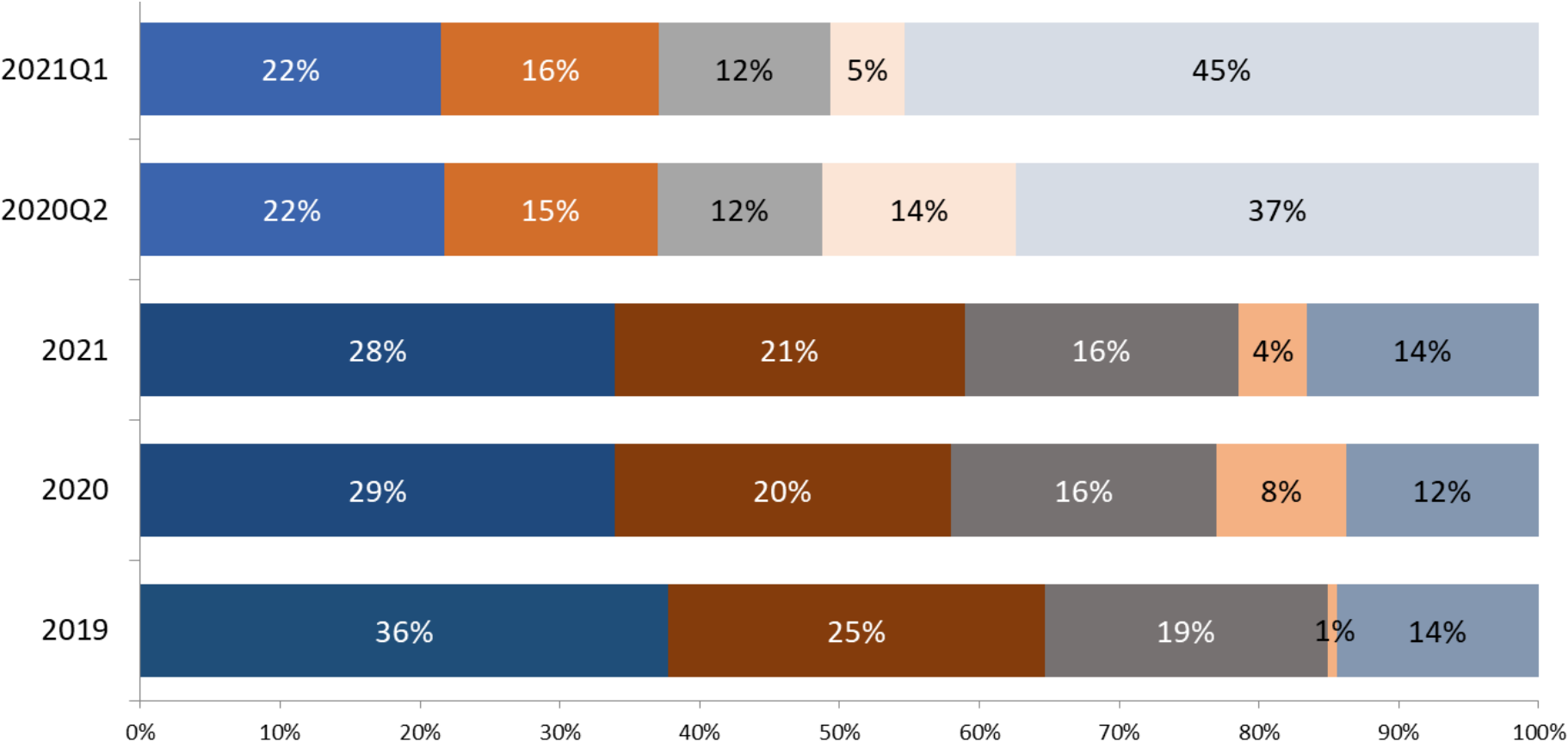


Major Components of Personal Income, Maine

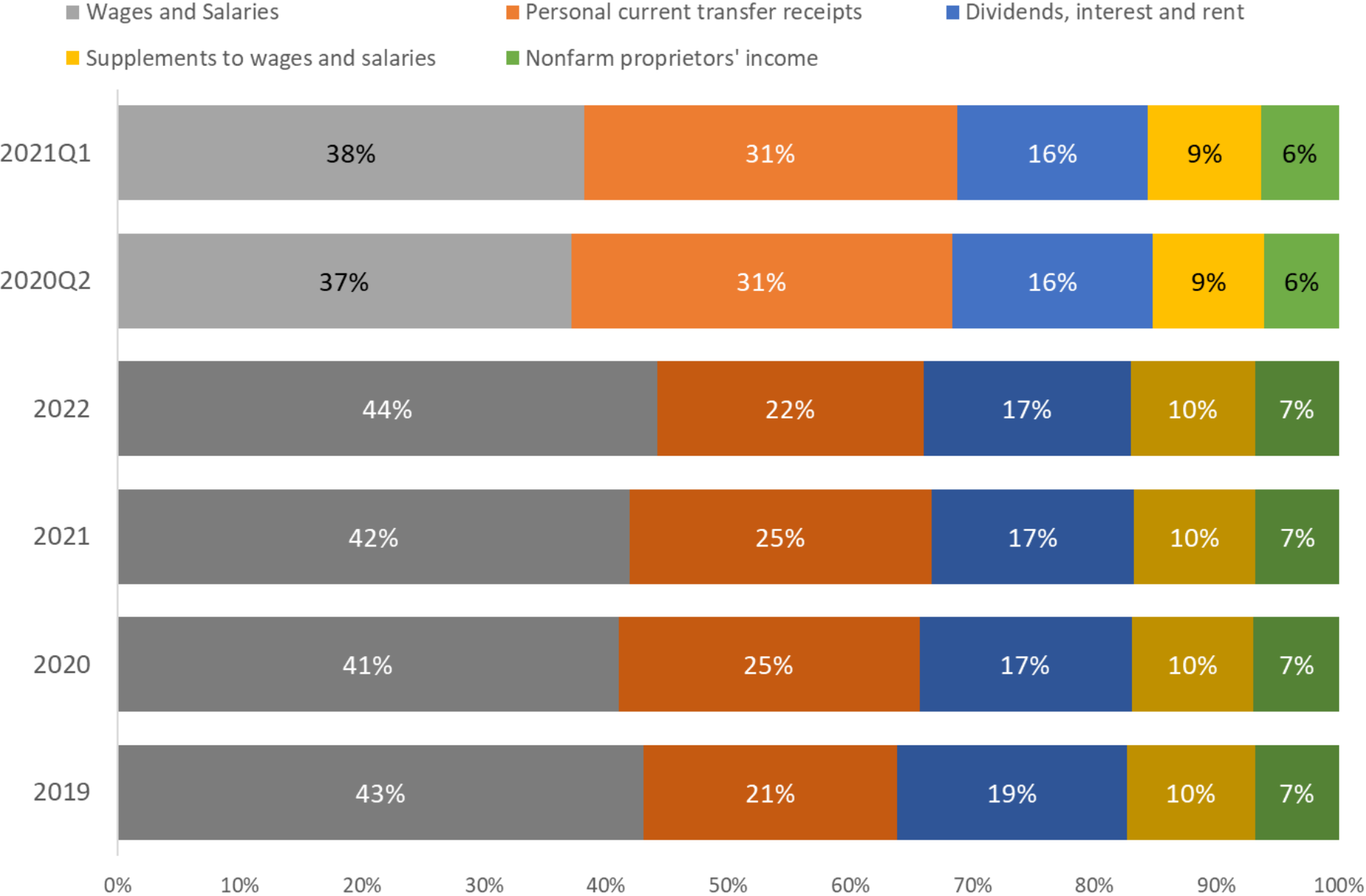


Components of Personal Current Transfer Receipts, Maine

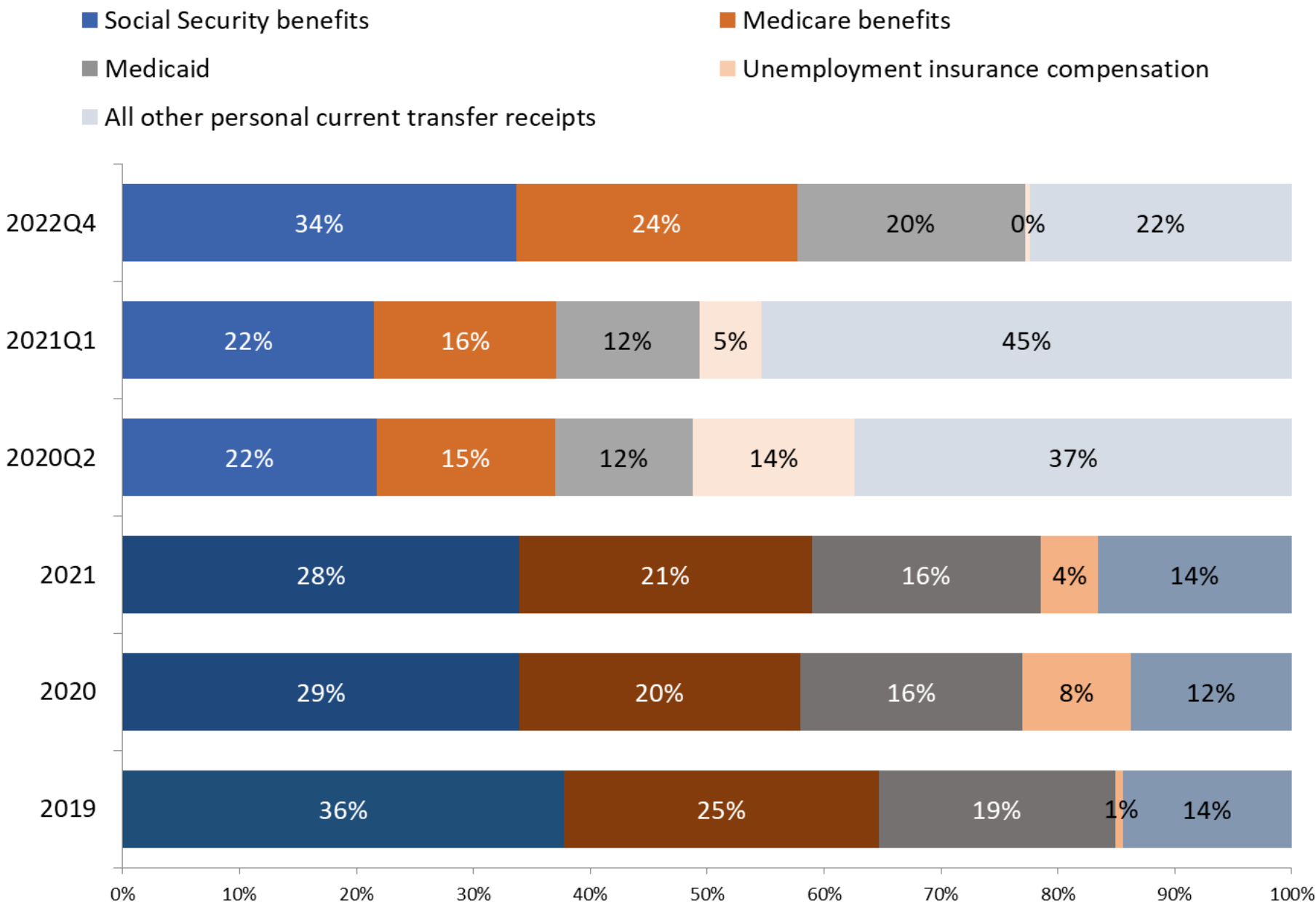
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Major Components of Personal Income, Maine



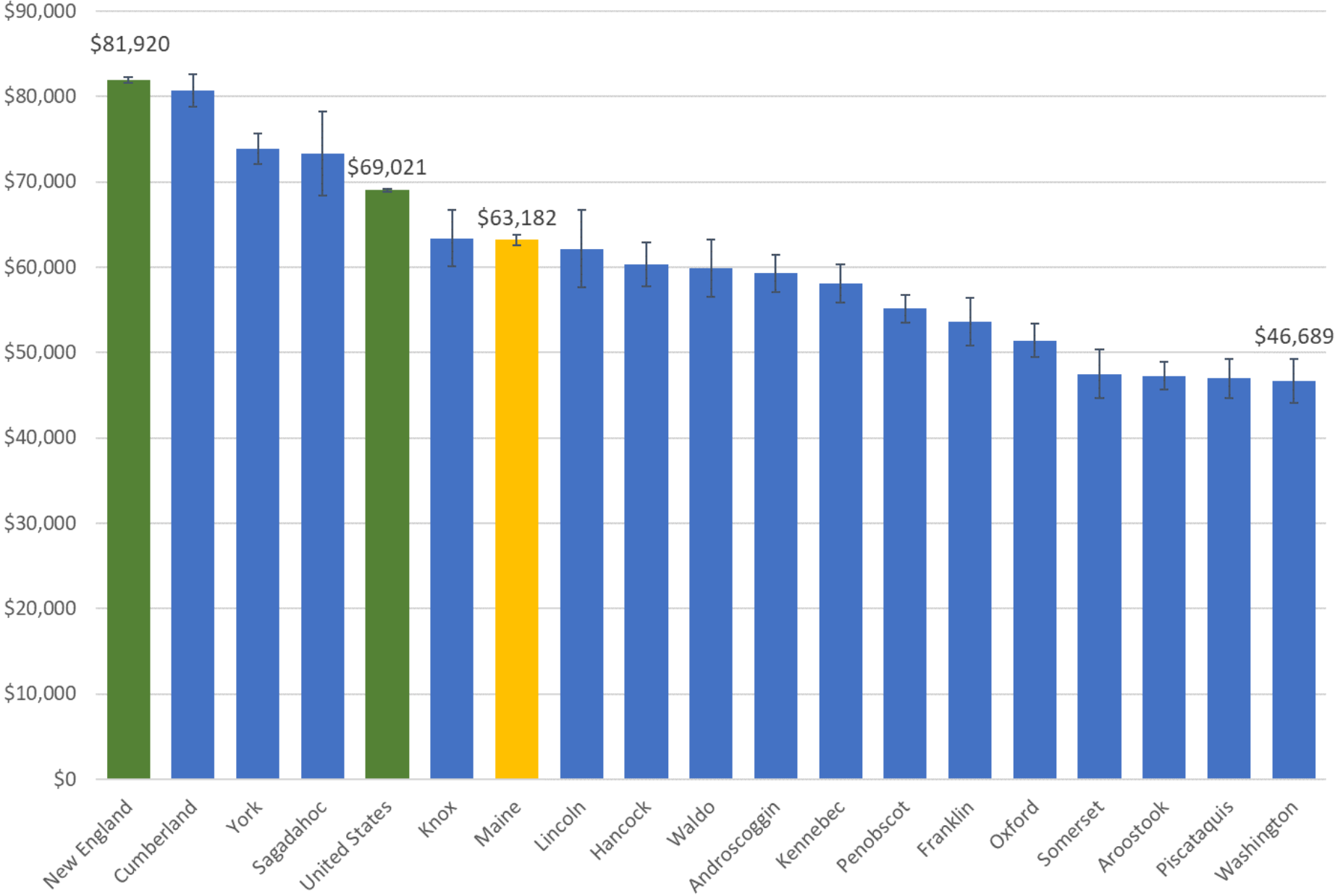
Components of Personal Current Transfer Receipts, Maine



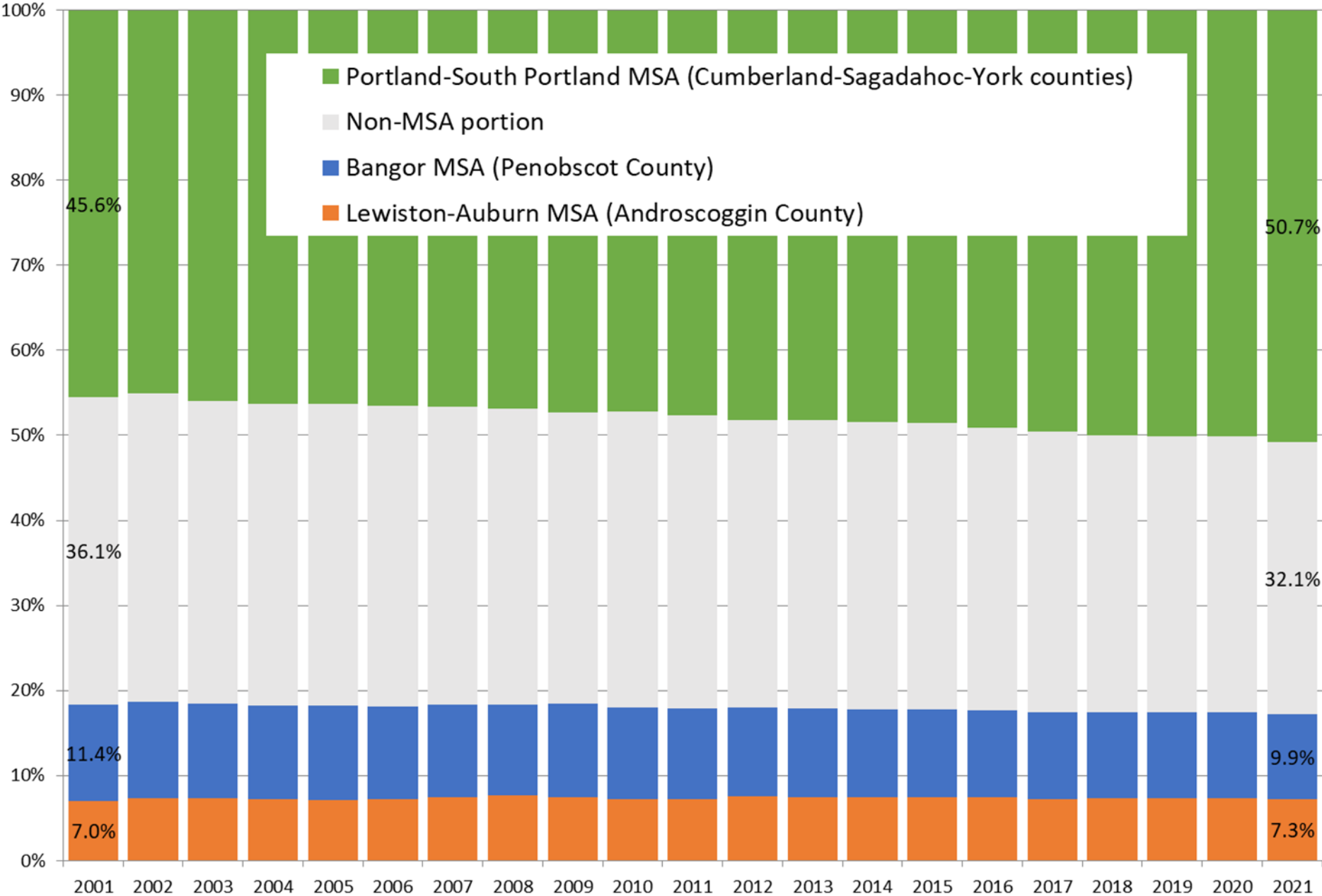
Percent Change in Real Personal Income (2022 \$), Maine
2012-2022 and forecast to 2027



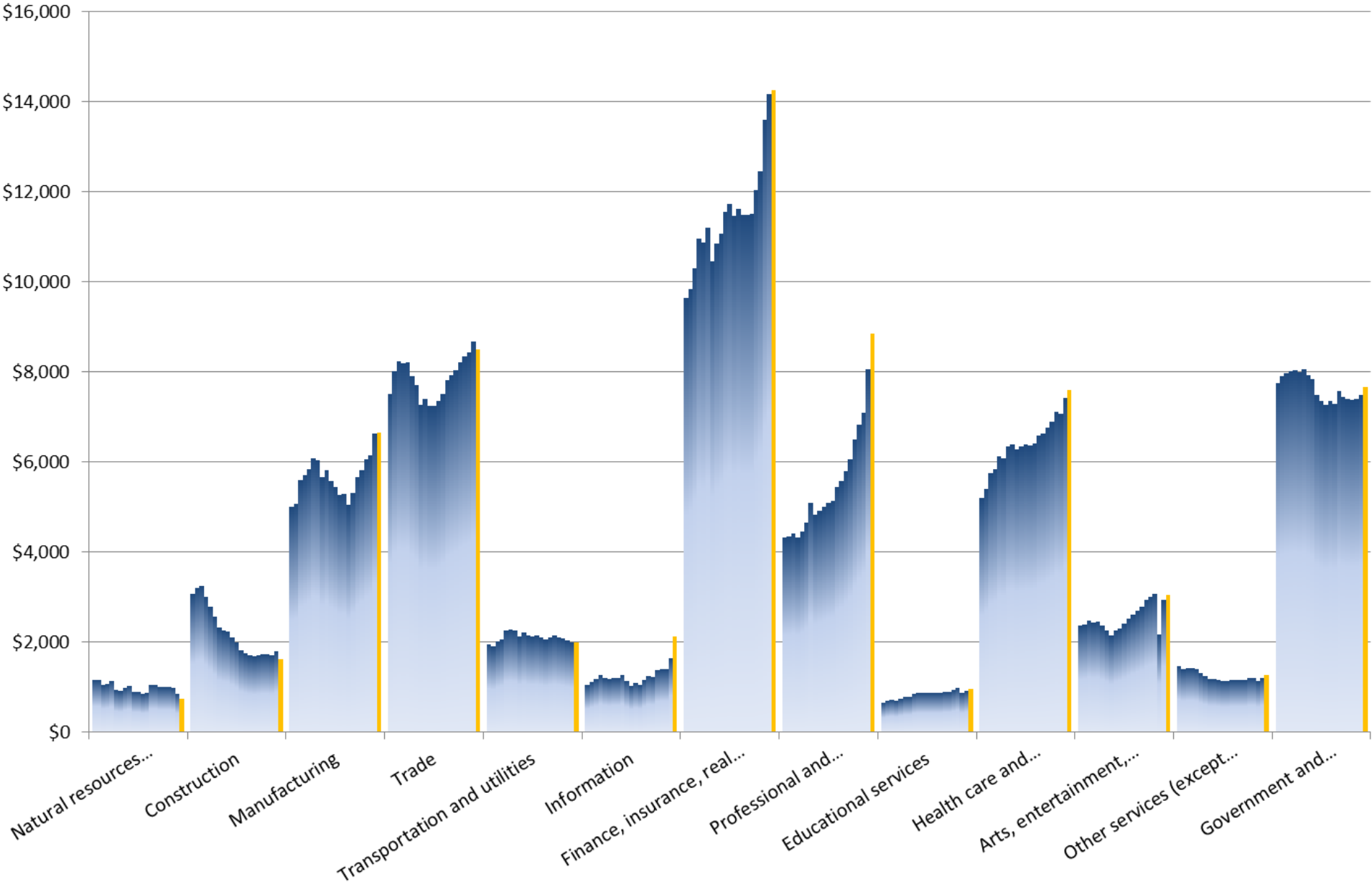
Median Household Income



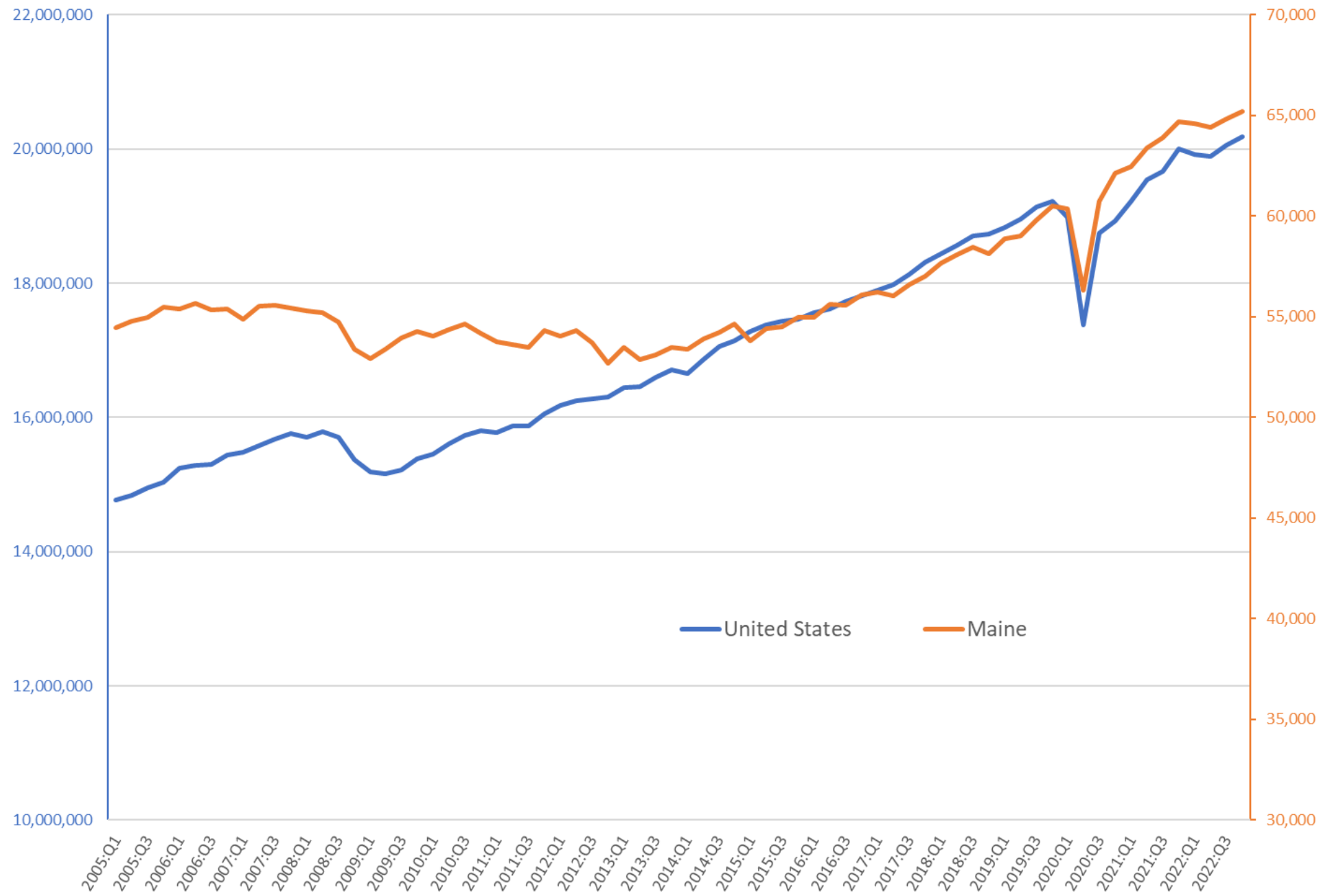
Share of Maine Real GDP by Metropolitan Area



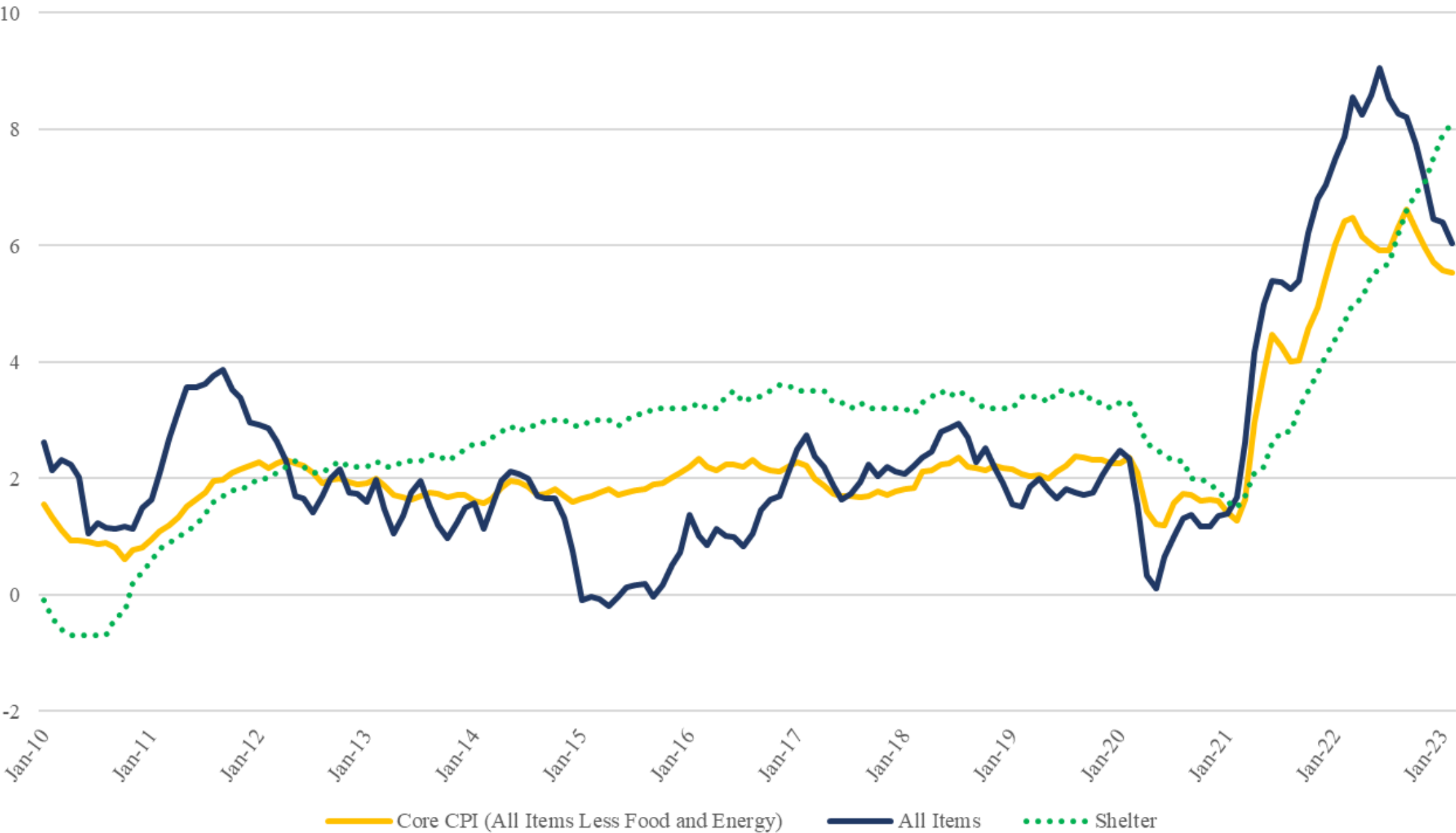
Maine Real GDP by Industry, 2002-2022
(in millions of chained 2012 dollars)



Quarterly Real GDP (in millions of chained 2012 dollars)



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?

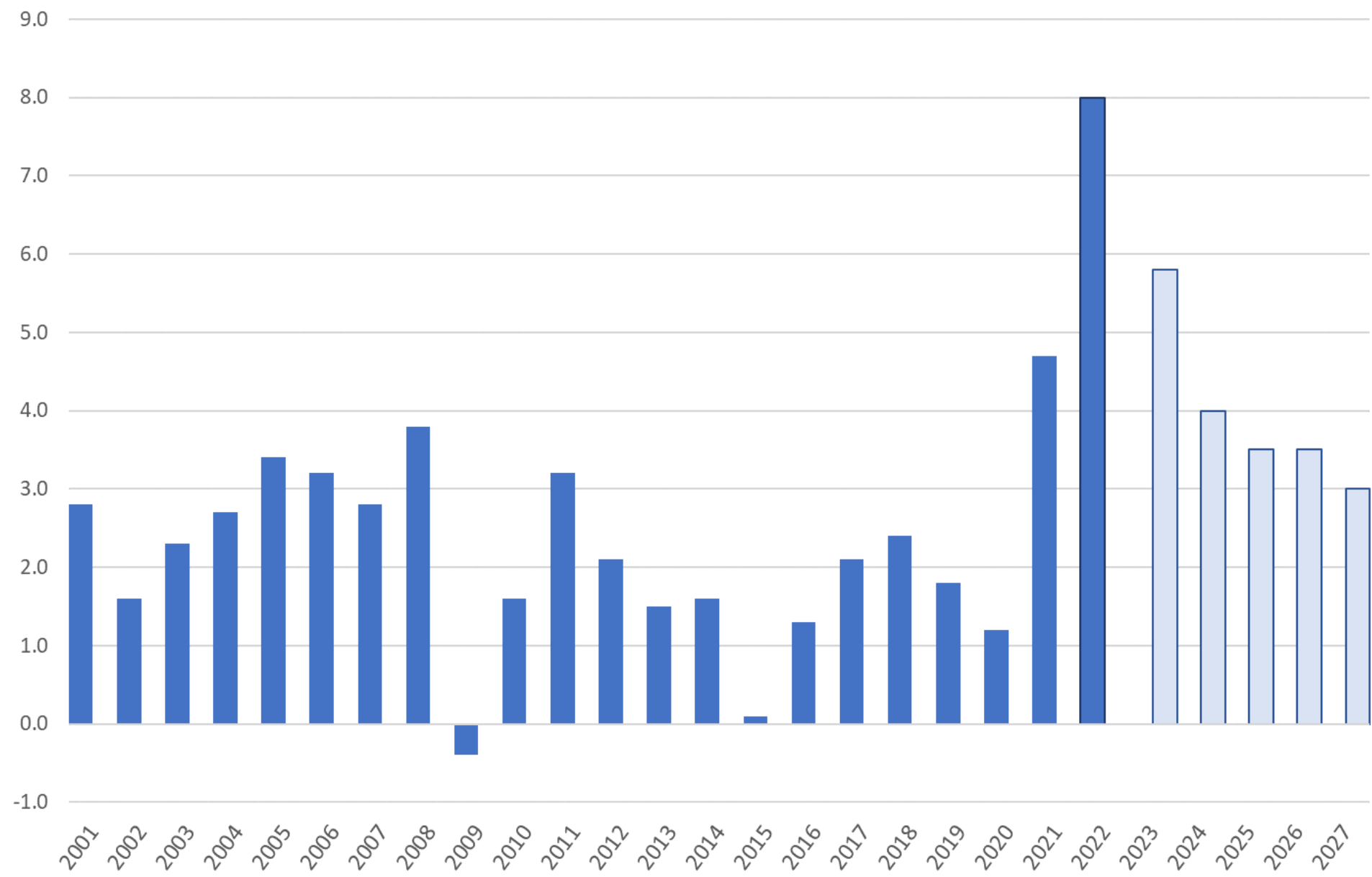
Current target range: 4.75% to 5.0%

“The Committee anticipates that some additional policy firming may 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 extent 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 March 22, 2023, Federal Open Market Committee statement

- Median of March FOMC projections for federal funds rate for 2023 was 5.1 percent, implying possible additional increases in the first half of this year

Year-over-year percent change in Consumer Price Index;
2001-2022 historical and 2023-2027 forecast



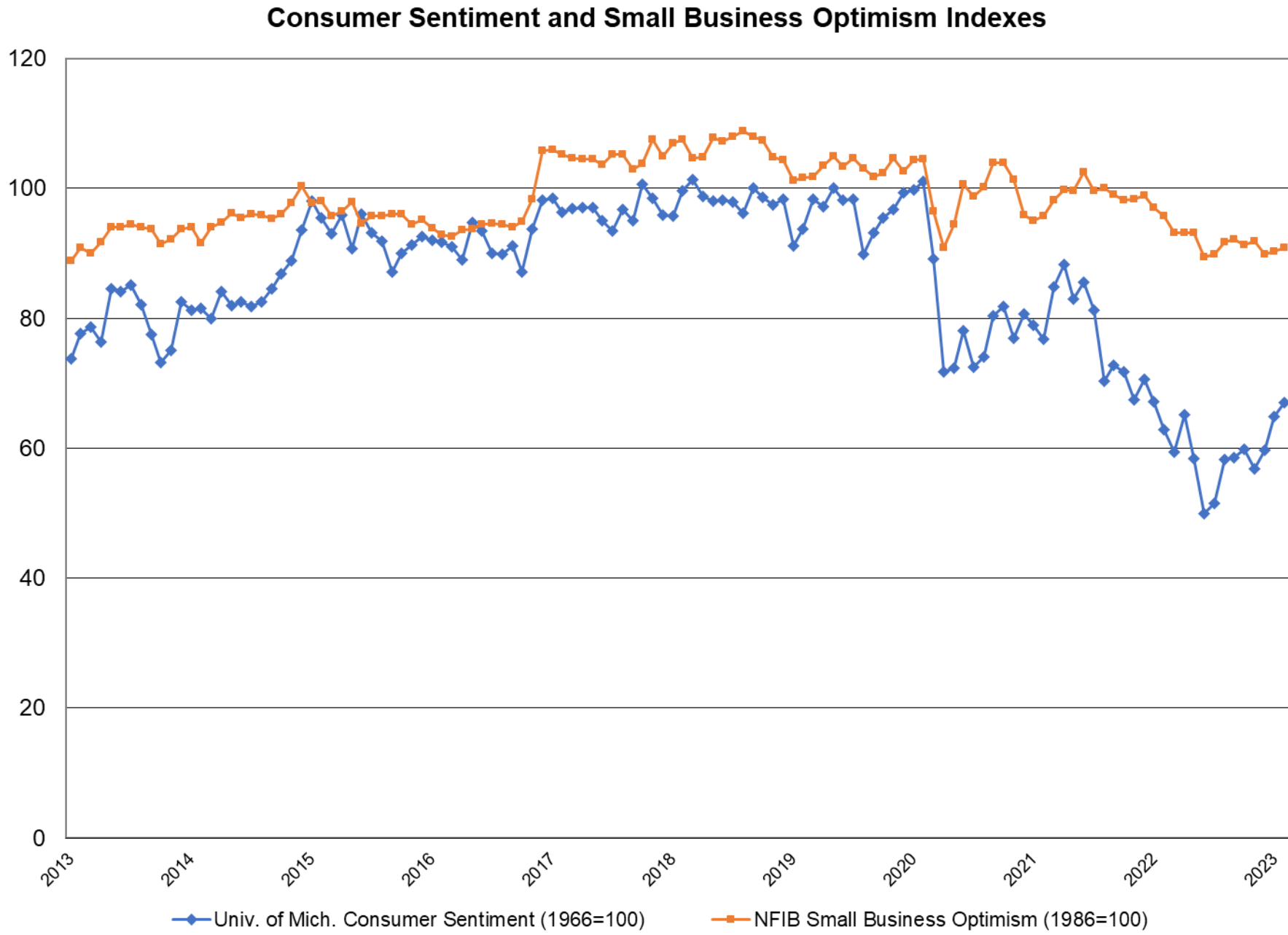
Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted);
CEFC report, April 1, 2023

Daily Europe Brent Spot Price (\$ per barrel)



Source: U.S. Energy Information Administration

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

Select key assumptions from April 2023 CEFC report (emphasis added)

- There is an unequal distribution of supply and demand in the labor market. Demand for labor is high, supply is low, and unemployment rates are near historic lows in Maine and nationwide. Workers are experiencing higher wage growth, particularly for lower wage jobs. Some demographic trends, including a growing share of the population reaching retirement age, will continue to constrain labor supply. However, the Commission is optimistic that Maine will continue to see higher in-migration of working-age people in the coming years that will be more than sufficient to offset retirements in the forecast period.
- High inflation and interest rates have continued into 2023, though there have been improvements in some sectors, notably the energy sector. The Federal Reserve is expected to continue pursuing policies that will constrain inflation, but inflation risks are likely to take several years to fully ease.
- Rising interest rates, low supply of available properties, and ongoing in-migration are continuing to impact the housing market. Home sales are down, while sale prices have continued to increase. Affordability is of particular concern as more potential buyers to be priced out of the market. Higher home prices have contributed to higher rental prices.

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

- Inflation remains high, but \$450 relief checks were distributed, energy prices have been coming down, and we're at the end of the winter heating season
- 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 – the Federal Reserve has continued to raise interest rates in response
- Will we see continued migration into Maine? Telework, housing, and childcare are three key determinants
- Immediate threat of recession seems to have faded, but uncertainty remains elevated and there is still a chance of “slowdown” or “pause”
- 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

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