

Maine's Economic Outlook

RETAIL ASSOCIATION OF MAINE/MAINE GROCERS AND FOOD PRODUCERS ASSOCIATION

APRIL 27, 2022

AMANDA RECTOR

MAINE STATE ECONOMIST



Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices
3. Workforce, employment, and wages
4. Consumer and business sentiment
5. The national and international situation

Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19

Moving into an endemic phase of COVID-19

“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

Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices

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

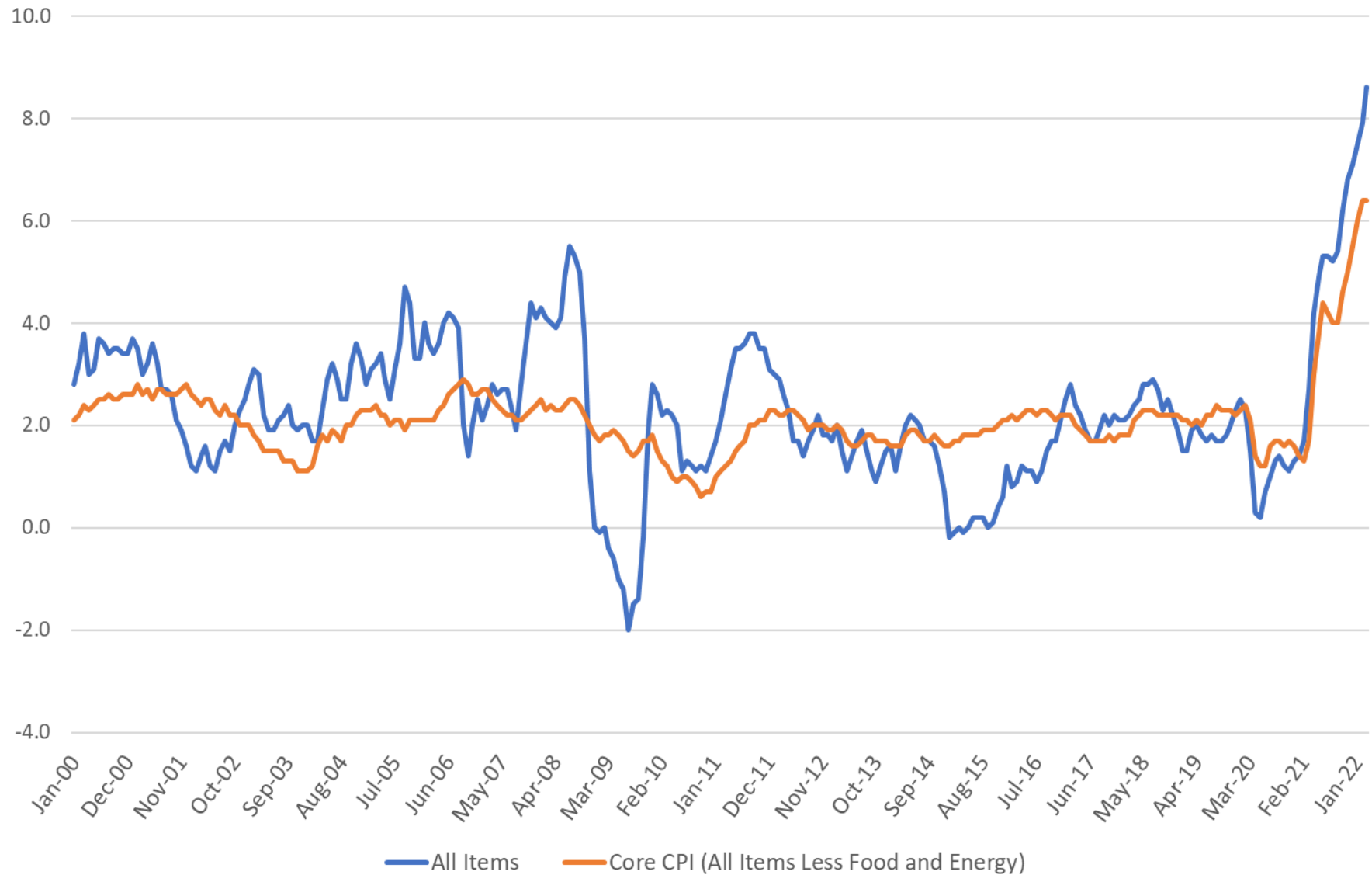
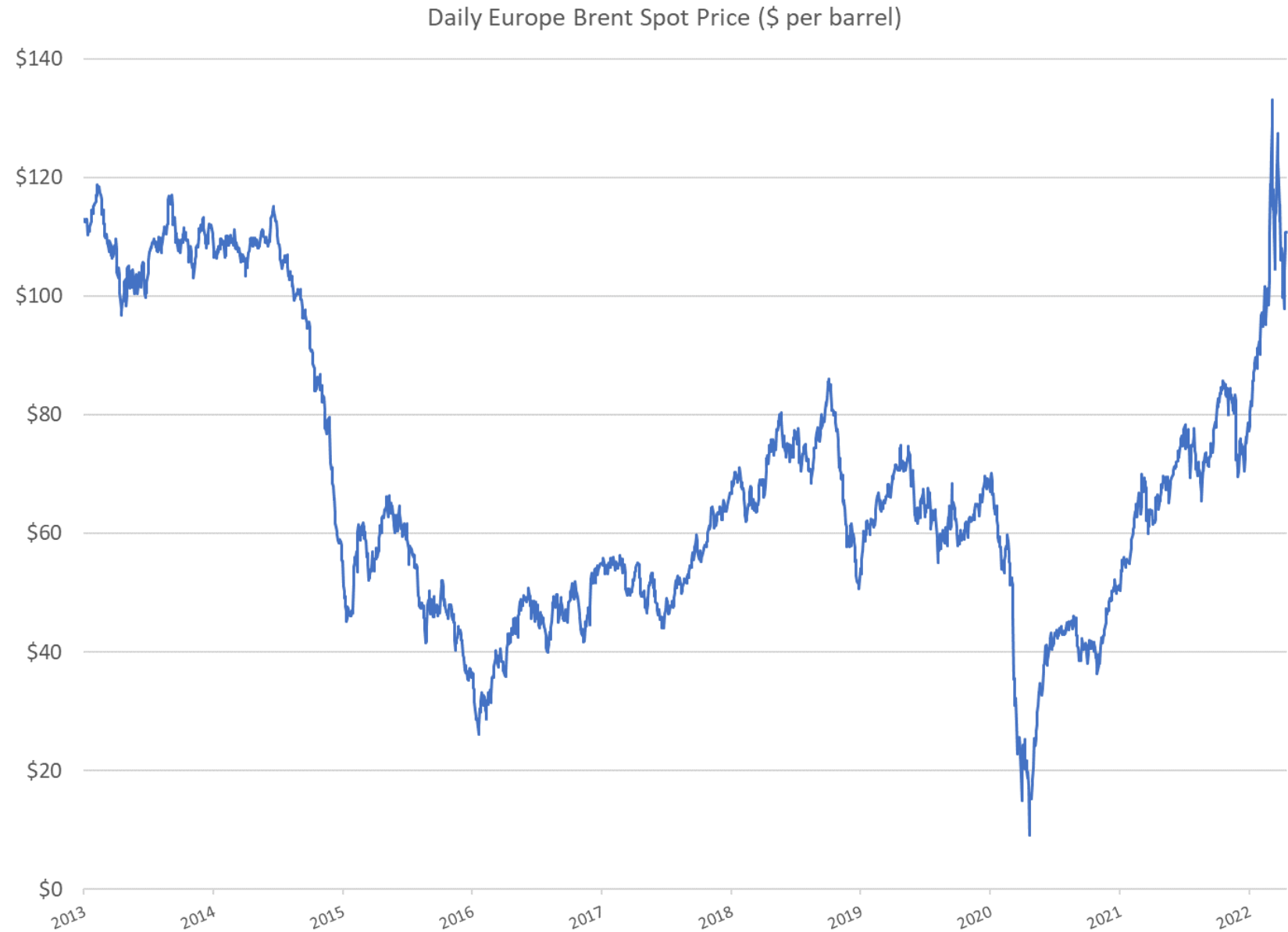


Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. City Average

March 2022	% Change from February 2022 (seasonally adjusted)	% Change from March 2021 (unadjusted)
All items	1.2%	8.5%
<i>Food</i>	<i>1.0%</i>	<i>8.8%</i>
Food at home	1.5%	10.0%
Food away from home	0.3%	6.9%
<i>Energy</i>	<i>11.0%</i>	<i>32.0%</i>
Energy commodities	18.1%	48.3%
Gasoline (all types)	18.3%	48.0%
Fuel oil	22.3%	70.1%
Energy services	1.8%	13.5%
Electricity	2.2%	11.1%
Utility (piped) gas service	0.6%	21.6%
All items less food and energy	0.3%	6.5%
<i>Commodities less food and energy commodities</i>	<i>-0.4%</i>	<i>11.7%</i>
New vehicles	0.2%	12.5%
Used cars and trucks	-3.8%	35.3%
Apparel	0.6%	6.8%
Medical care commodities	0.2%	2.7%
<i>Services less energy services</i>	<i>0.6%</i>	<i>4.7%</i>
Shelter	0.5%	5.0%
Transportation services	2.0%	7.7%
Medical care services	0.6%	2.9%

Oil prices have increased and are highly volatile

- As of April 18, 2022, the daily Brent spot price was \$110.83
- Prices have recently reached levels not seen since 2008
- Translates into higher prices for heating oil, gasoline, and other petroleum-based products

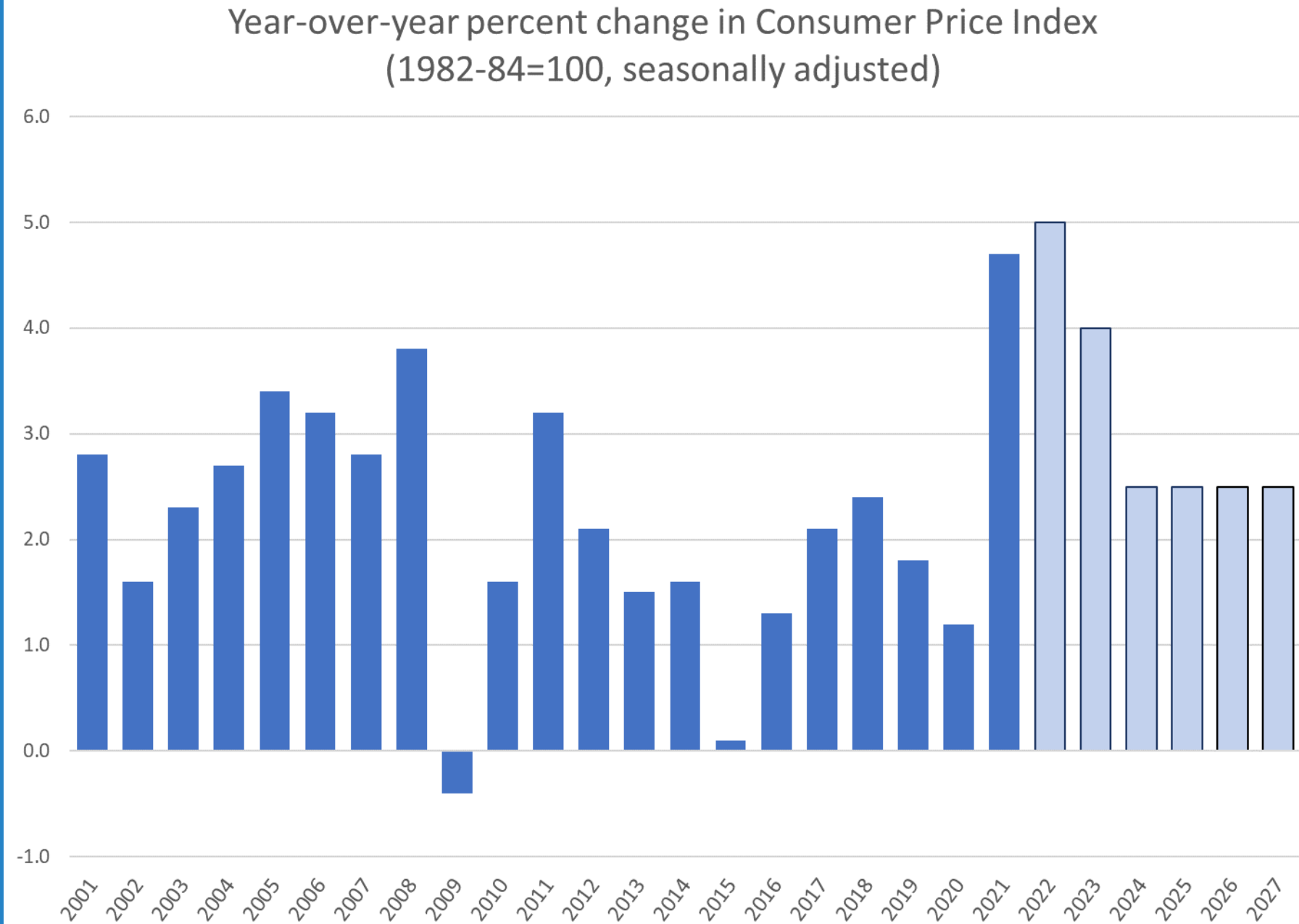


March 2022 inflation expectation from national Survey of Consumers (University of Michigan)

Next year: 5.4%
(up from 3.1% one year ago)

Next 5 years: 3.0%
(up from 2.8% one year ago)

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



What does this mean for interest rates?

“(...) the Committee decided to raise the target range for the federal funds rate to 1/4 to 1/2 percent and anticipates that ongoing increases in the target range will be appropriate.”

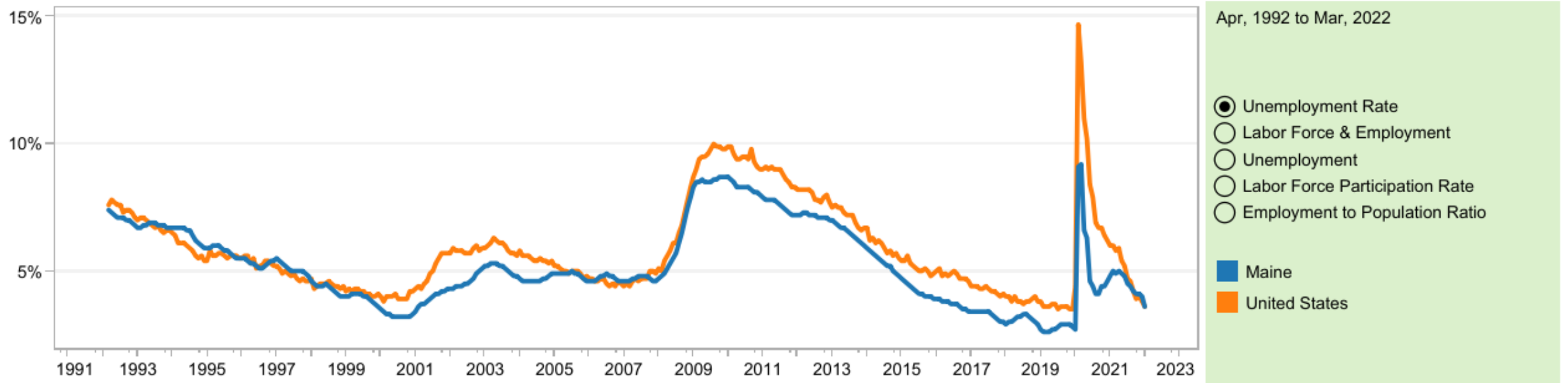
Excerpt from March 16, 2022, Federal Open Market Committee statement

Key factors for Maine's economic outlook

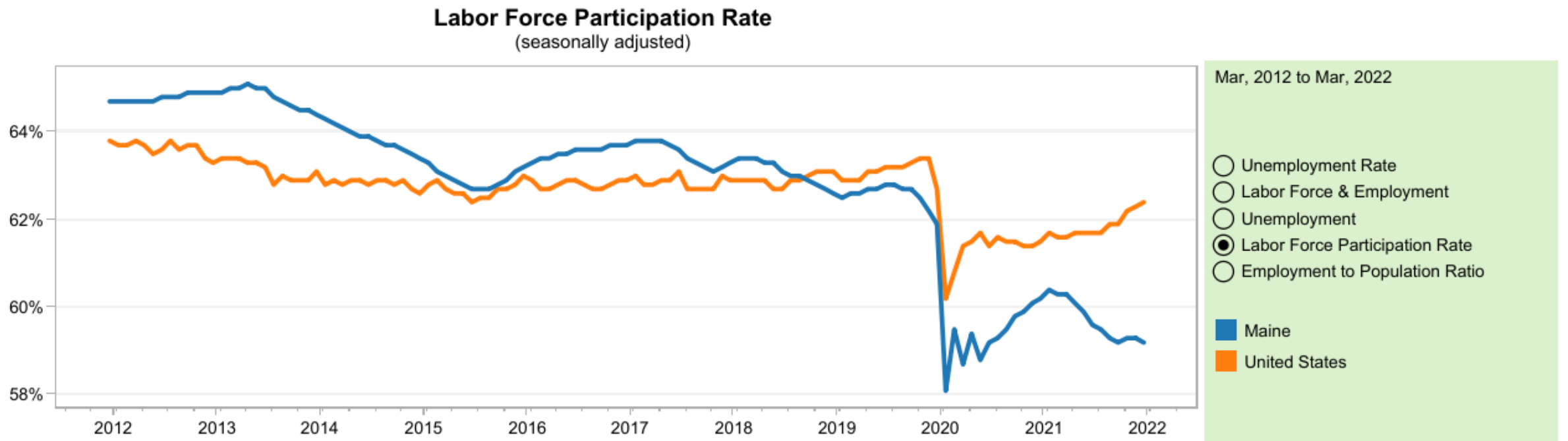
1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices
3. Workforce, employment, and wages

In March 2022, unemployment was 5,000 higher than February 2020 and the labor force was 20,000 lower

Unemployment Rate
(seasonally adjusted)



The Maine Department of Labor estimates that around two-thirds of the people who have left the labor force during the pandemic could be retirees



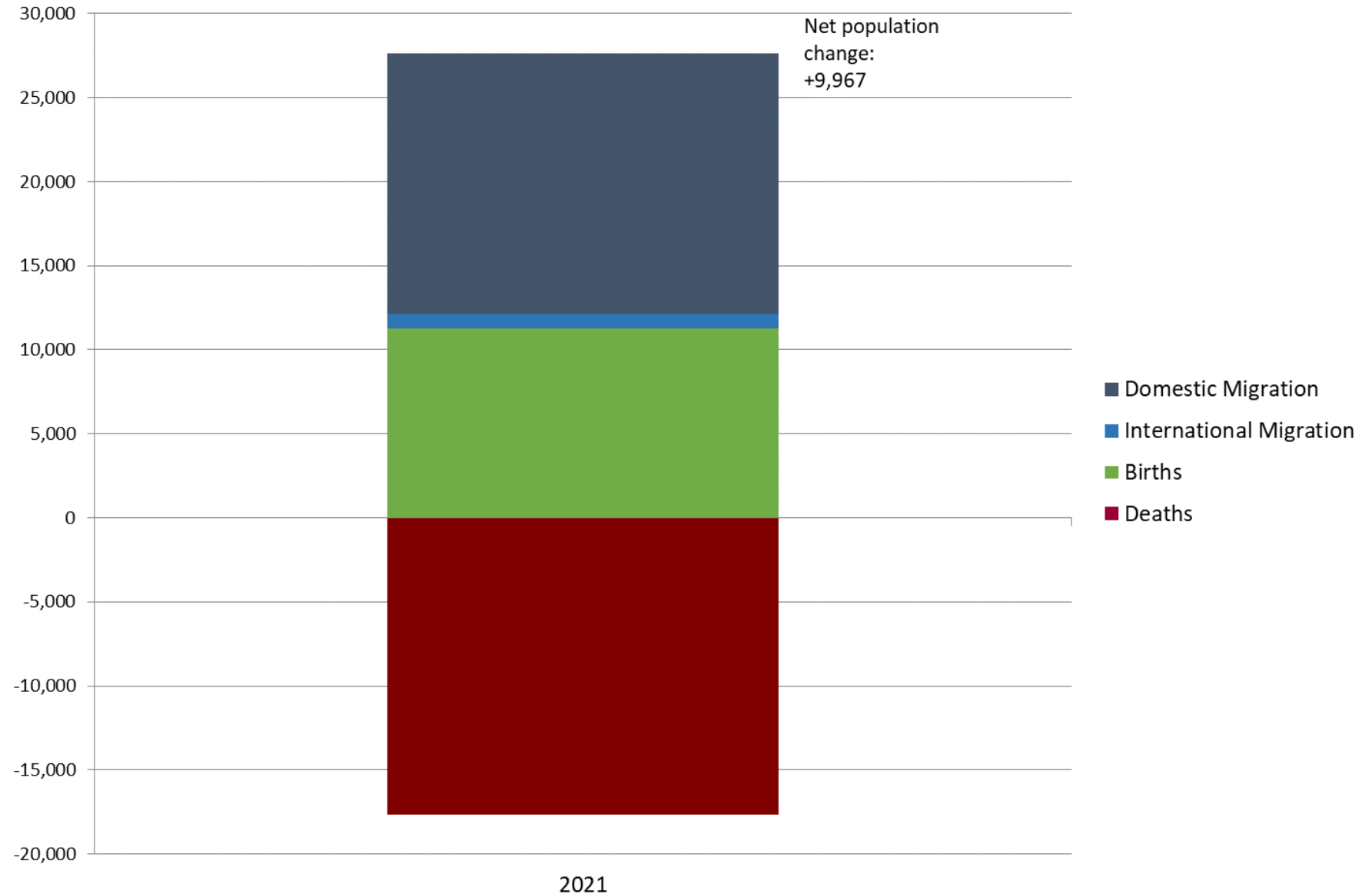
Components of Population Change, Maine

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 0.7%
from 2020-2021 (14th in U.S.)

Net migration = 12.0 per
thousand (7th in U.S.)



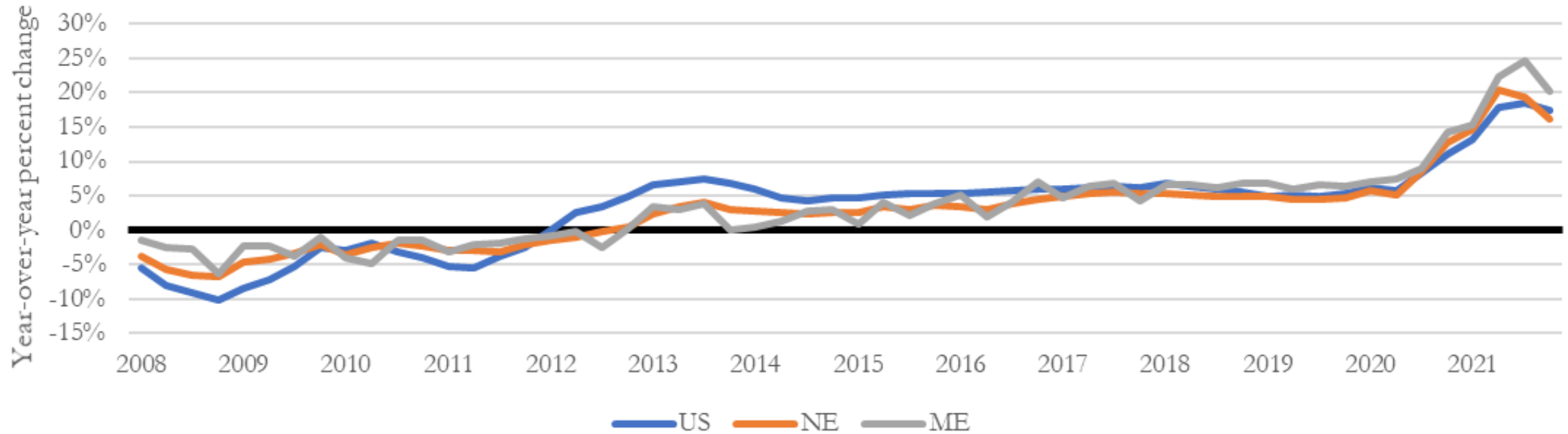


Shaded areas indicate U.S. recessions.

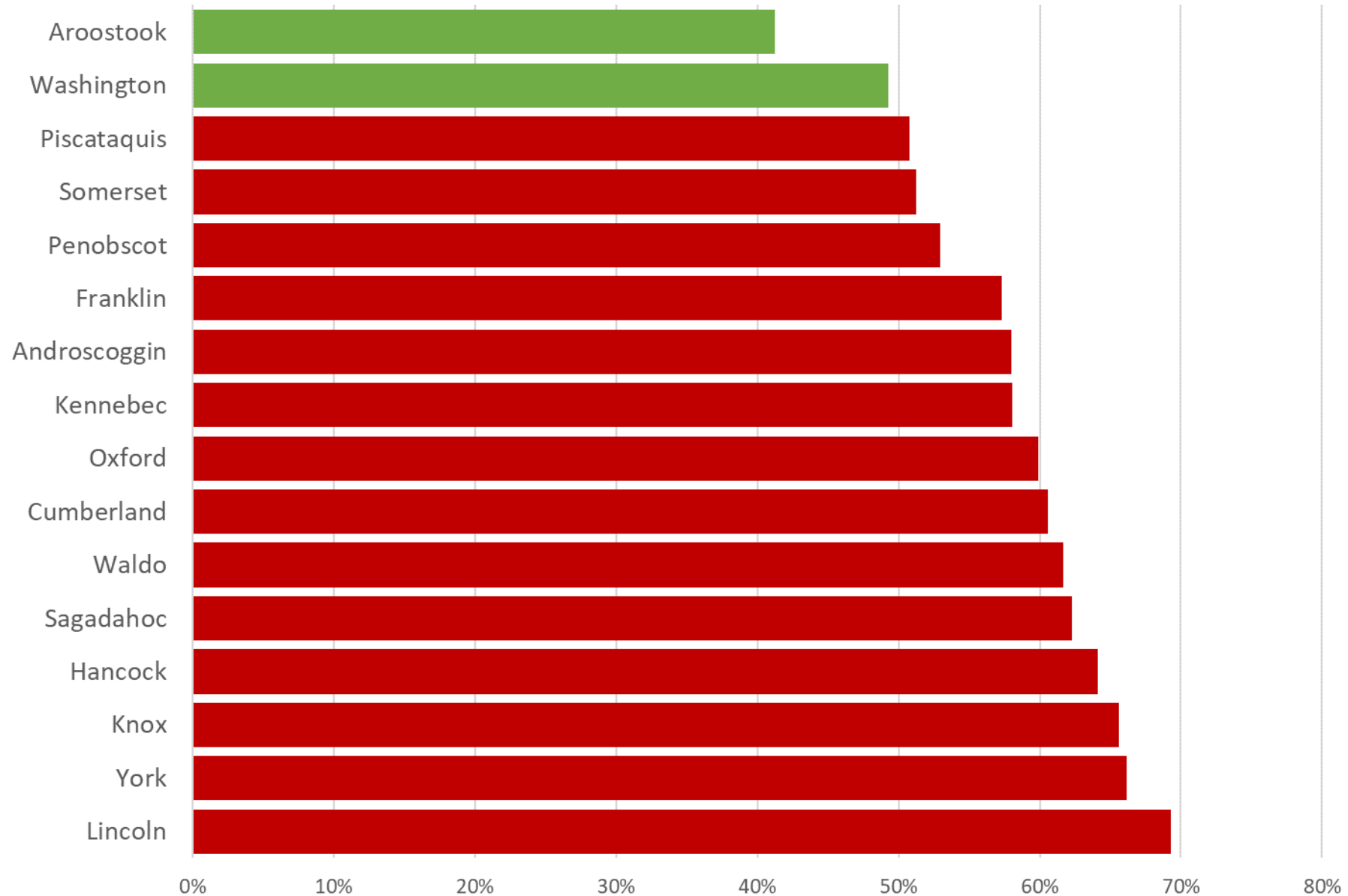
Source: Realtor.com

fred.stlouisfed.org

Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)

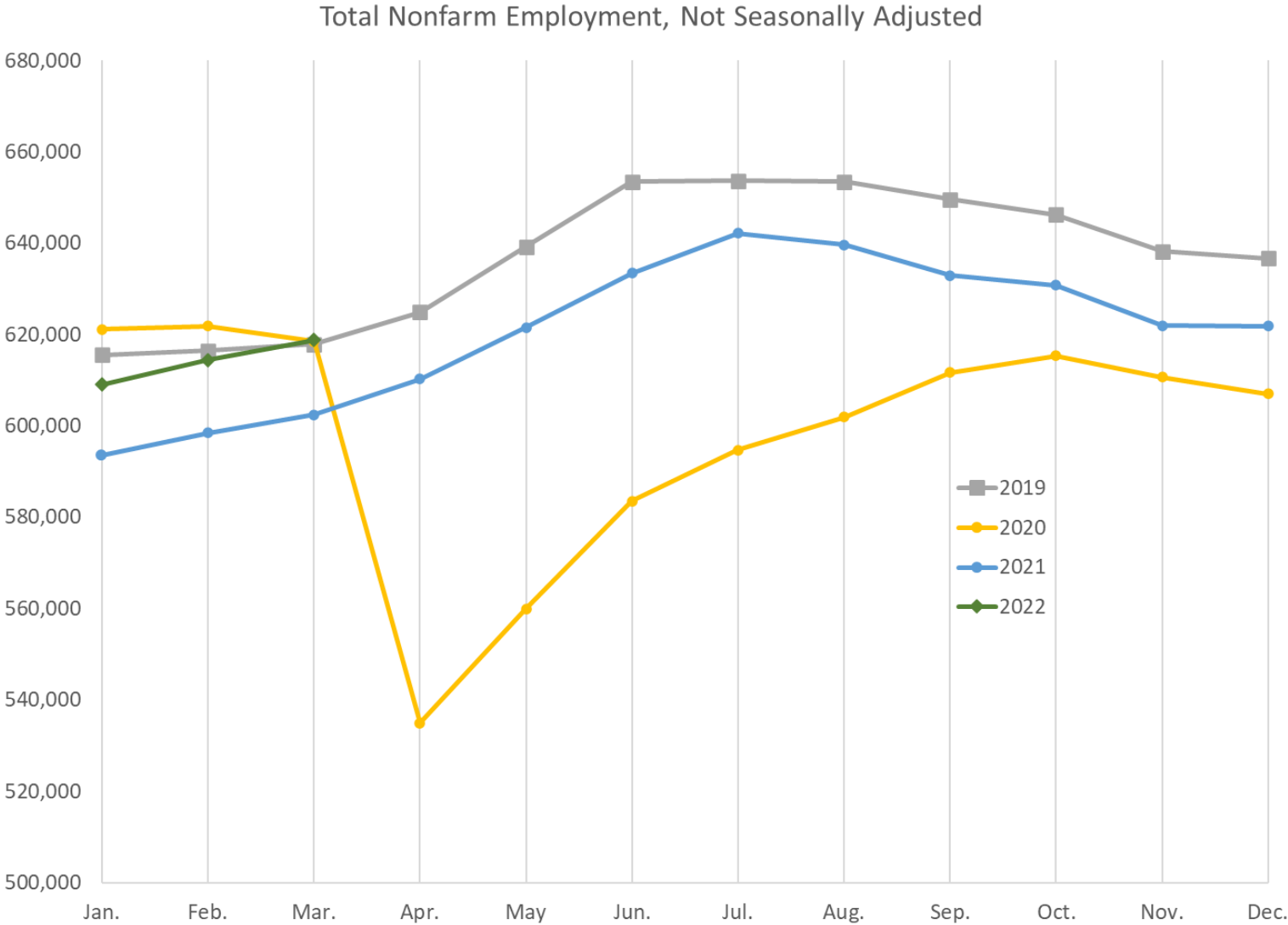


Percent of Households Unable to Afford Median Home, 2021

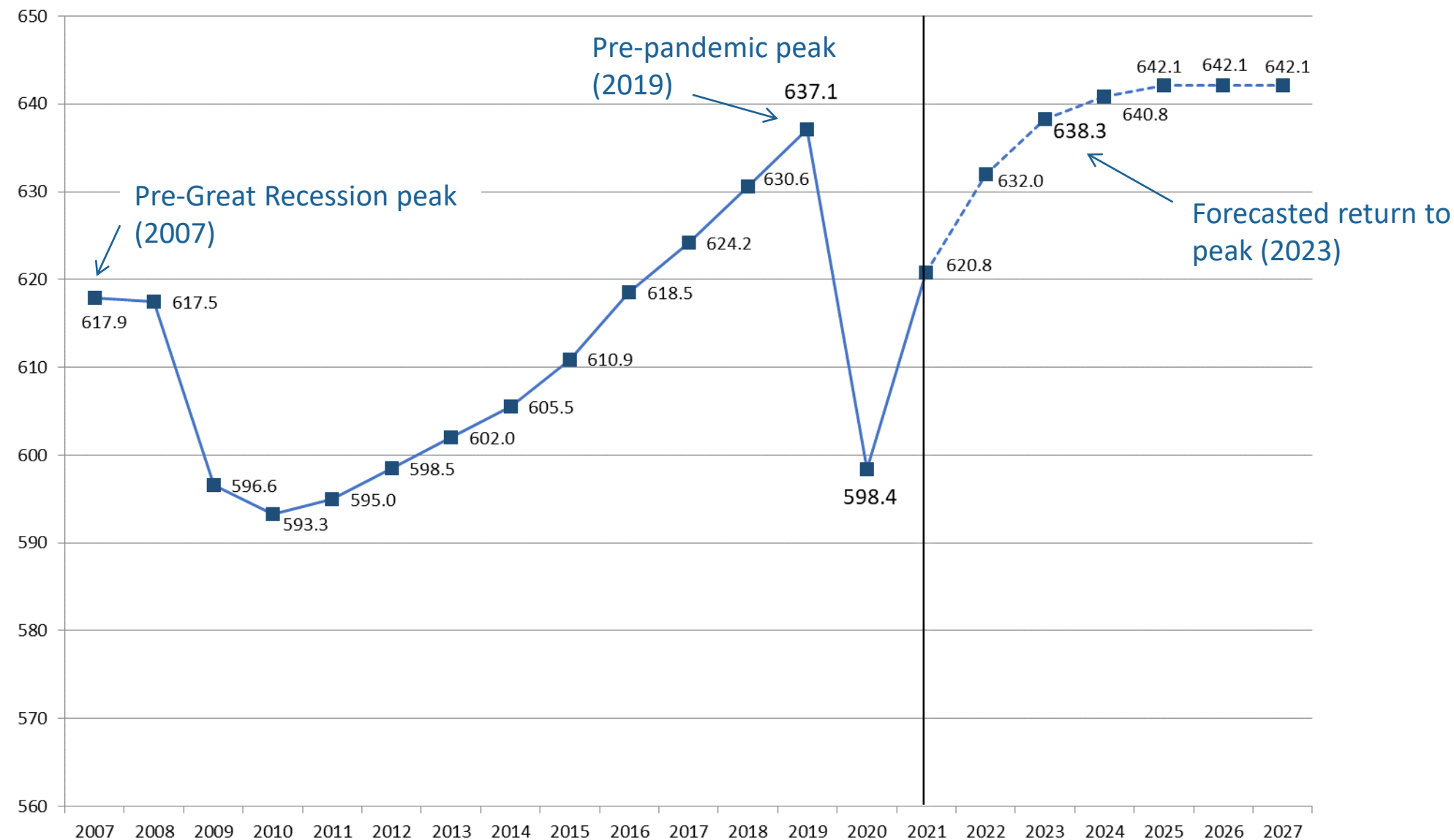


Compared to 2019, the 3-month average employment as of March 2022 remains lower in three sectors:

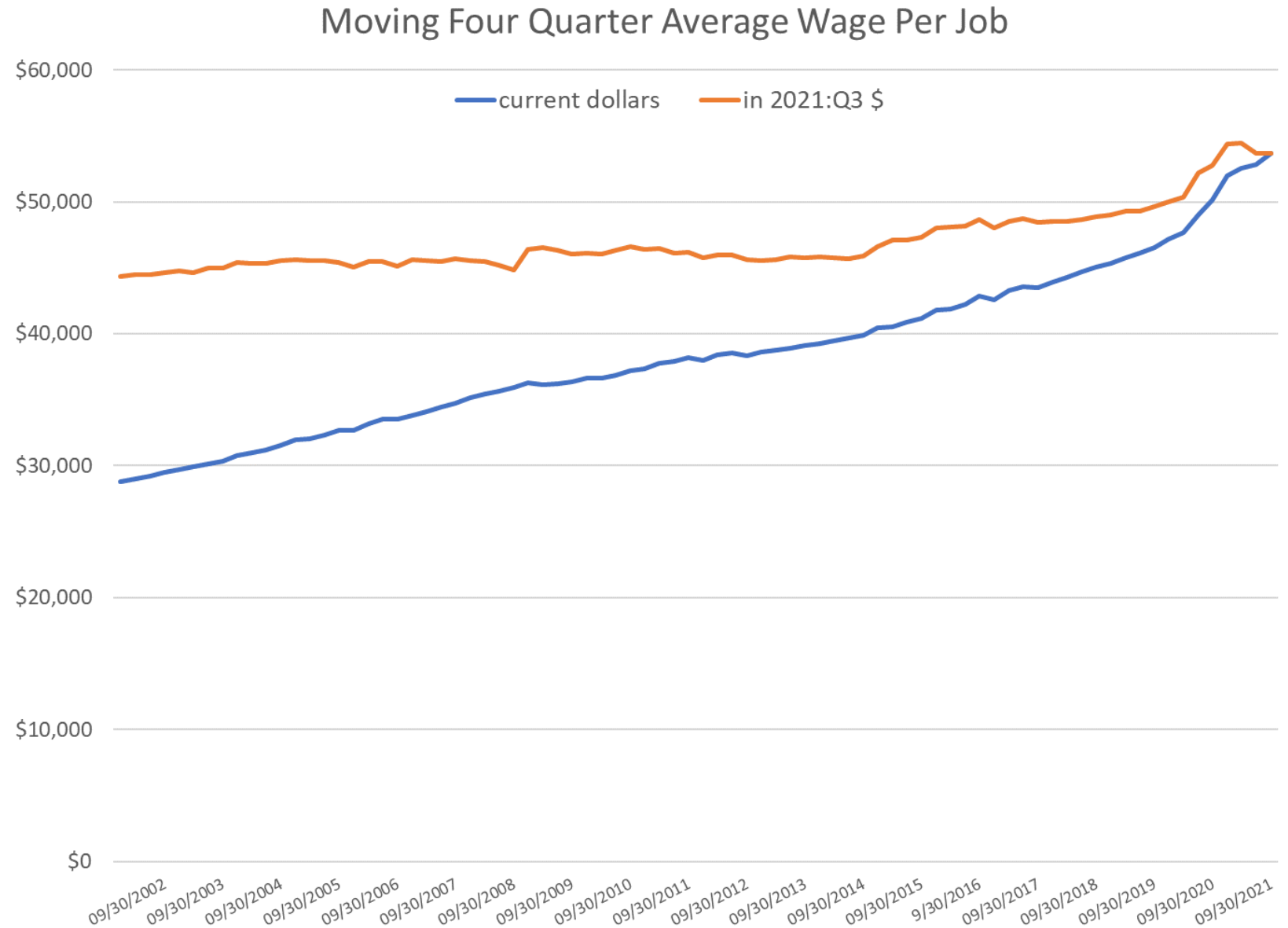
- healthcare and social assistance (mostly long-term care and social assistance)
- leisure and hospitality (mostly food services)
- state and local government (mostly public education)



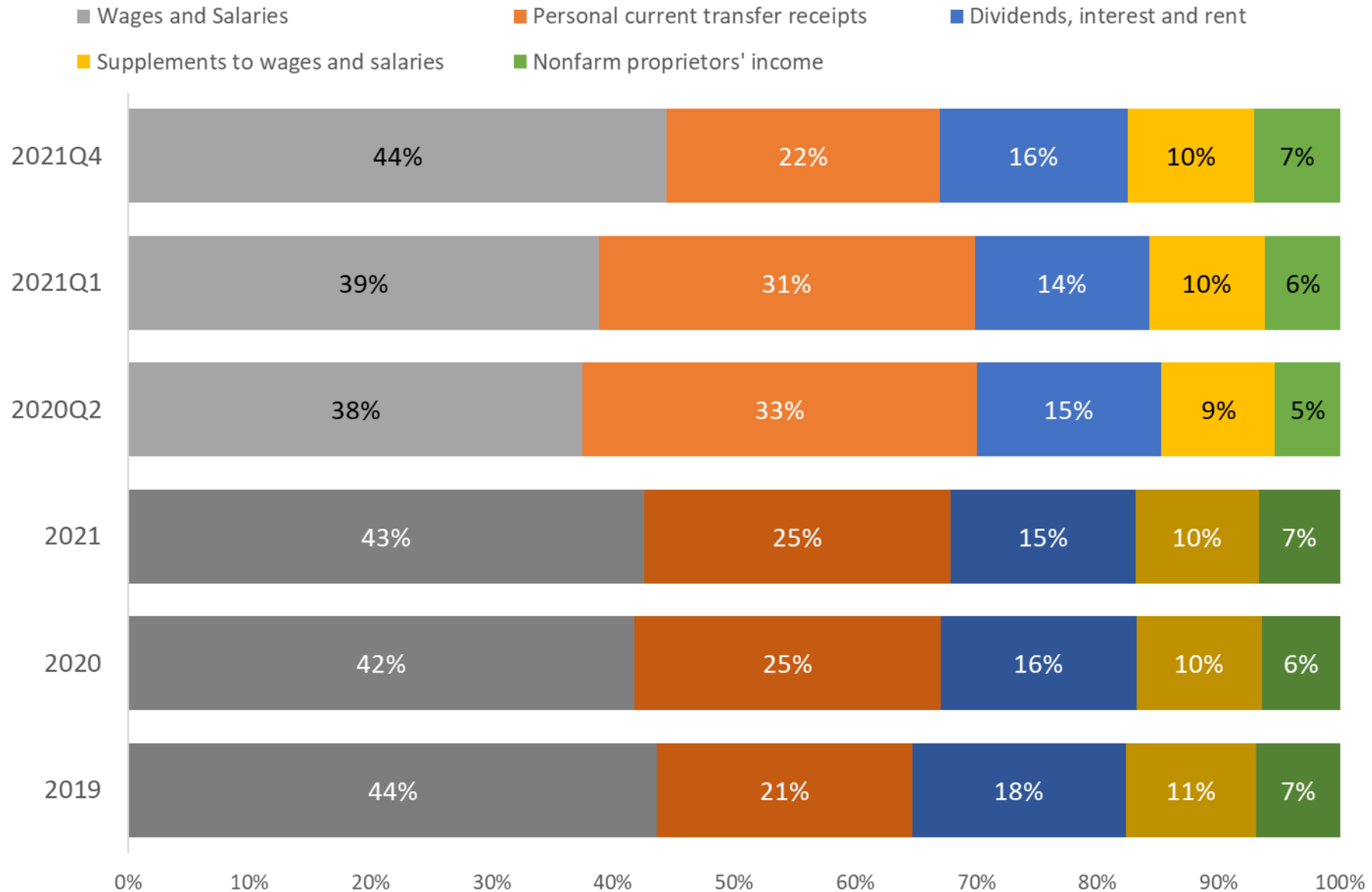
Total Nonfarm Employment (in thousands)
History and CEFC forecast



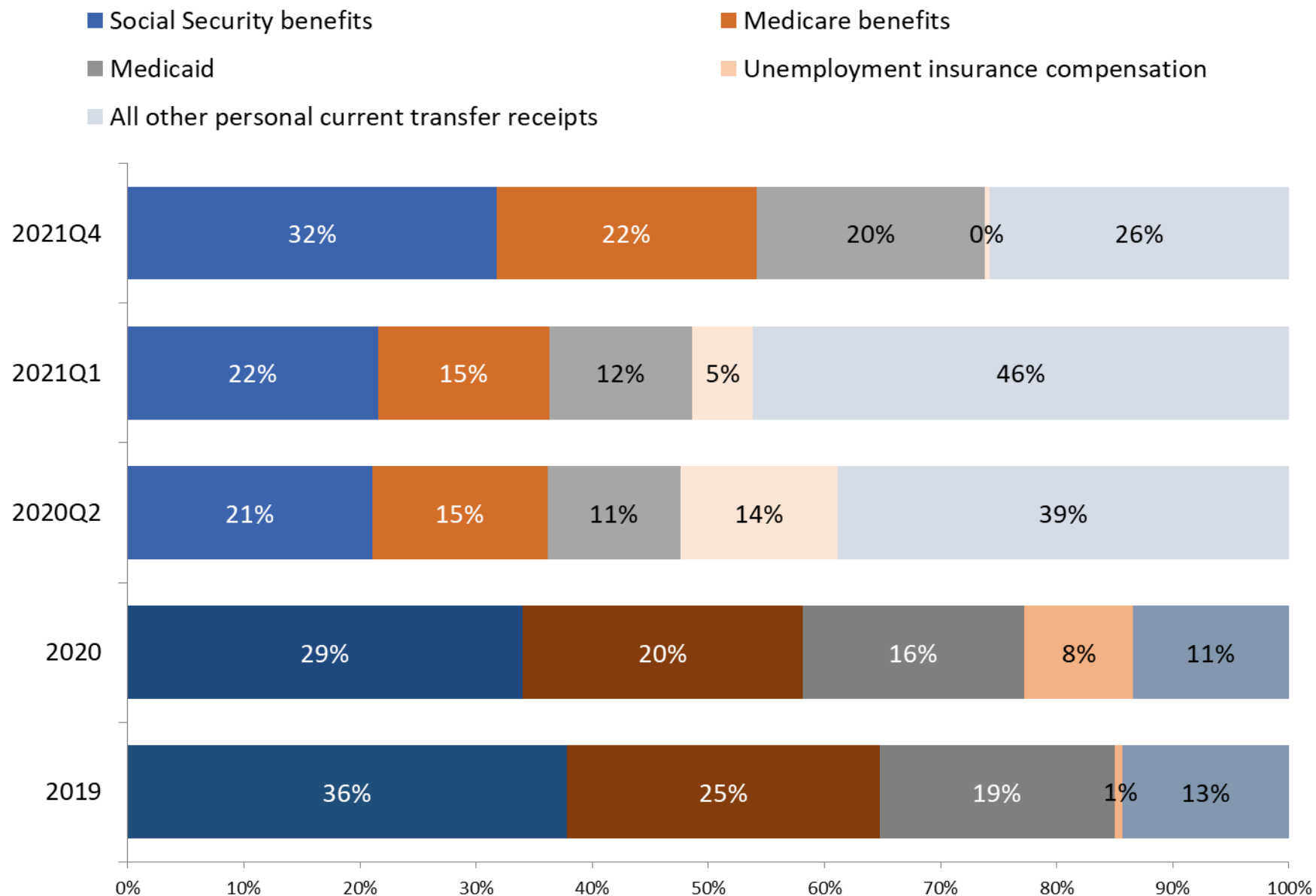
Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era, but inflation is making those gains less meaningful



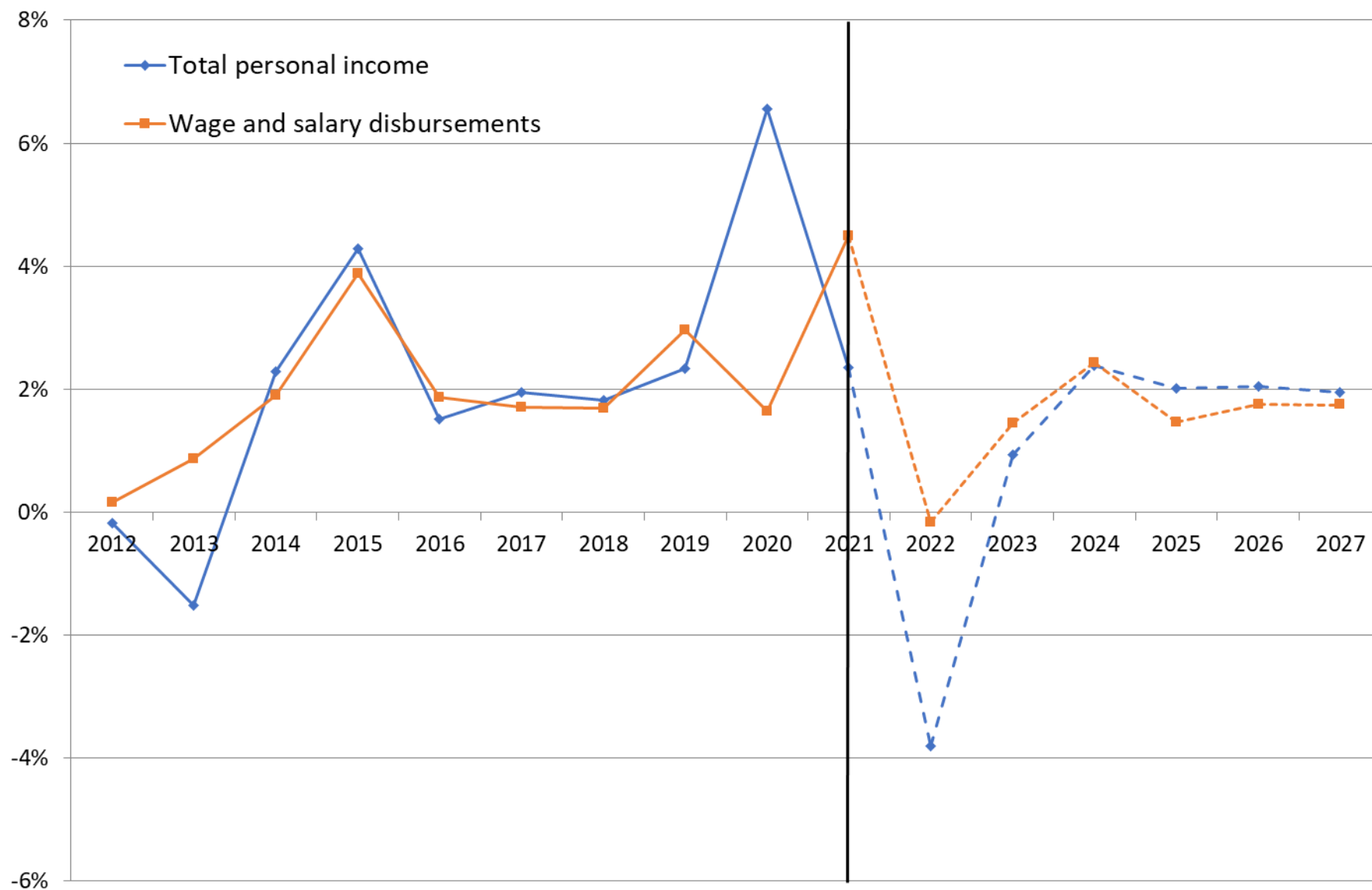
Major Components of Personal Income, Maine



Components of Personal Current Transfer Receipts, Maine



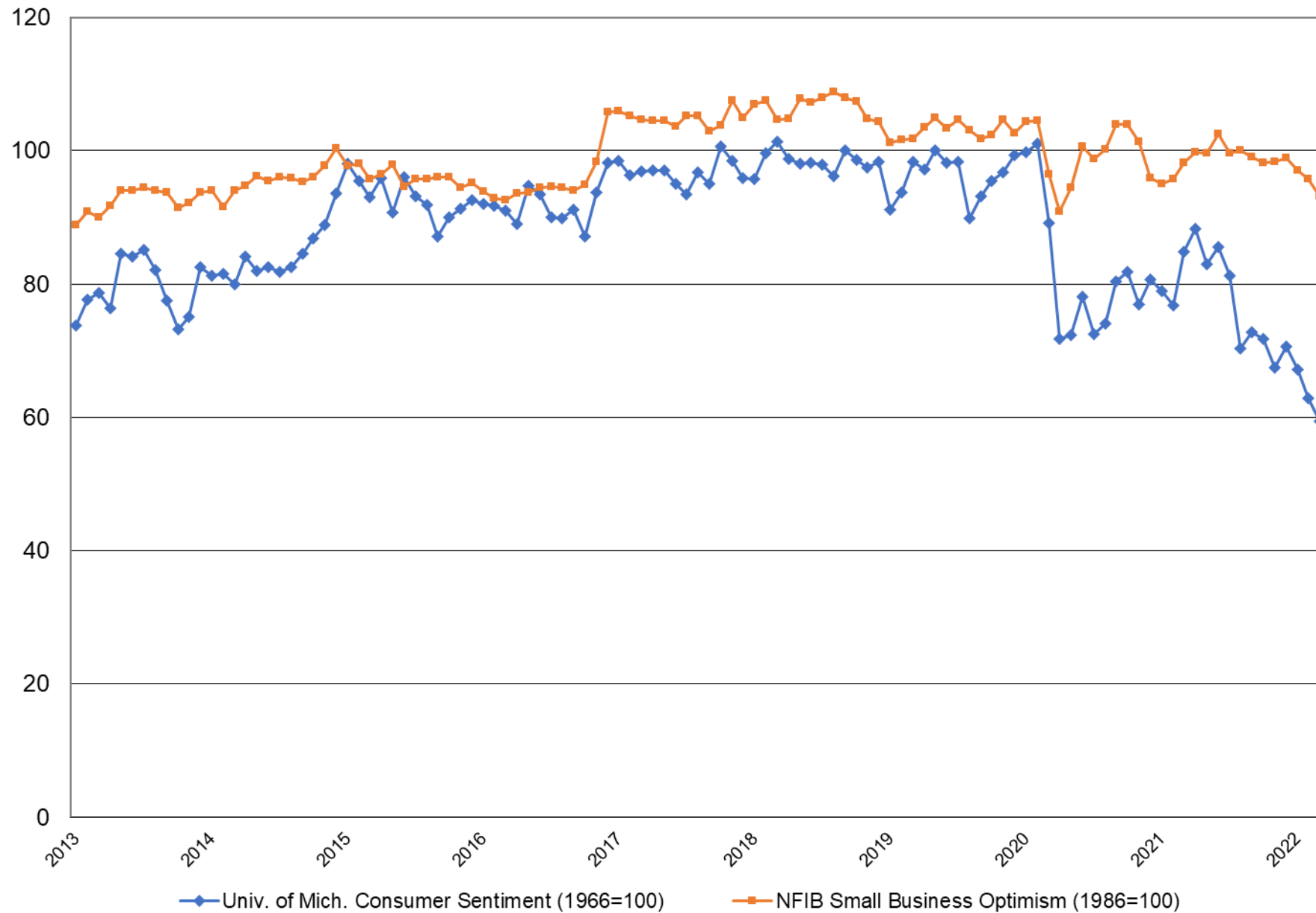
Percent Change in Real Personal Income, Maine 2012-2021 and forecast to 2027



Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices
3. Workforce, employment, and wages
4. Consumer and business sentiment

Consumer Sentiment and Small Business Optimism Indexes



Consumers are particularly concerned about inflation, bringing future expectations down

- Inflation expectation of 5.4% is the highest since November 1981
- 32% of all surveyed consumers expect overall financial position to worsen in the year ahead: the highest recorded level since the survey began in the mid-1940s

Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices
3. Workforce, employment, and wages
4. Consumer and business sentiment
5. The national and international situation

Uncertainty persists and risks are elevated

- The Russian invasion of Ukraine set off ripples in the global economy
 - Particular risks to energy and food prices
- The Federal Reserve's attempts to cool inflation with increased interest rates don't always go smoothly
- More forecasters are raising the possibility of a recession

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

Unrest overseas might encourage more tourism in Maine this summer

Ongoing roll-out of funds from Maine Jobs and Recovery Plan with targeted investments based on 10-year Economic Development Strategy

Continued migration into Maine?

The Budget Stabilization Fund is at a record level of nearly \$500 million

Key factors for Maine's economic outlook

1. Moving into an endemic phase of COVID-19
2. Inflation, including energy prices
3. Workforce, employment, and wages
4. Consumer and business sentiment
5. The national and international situation

Contact Information

Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

amanda.rector@maine.gov

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