

Demographic and Economic Outlook for Maine

Breakfast with the Bank
Bath Savings Bank

May 18, 2023

Amanda Rector
Maine State Economist

Demographics

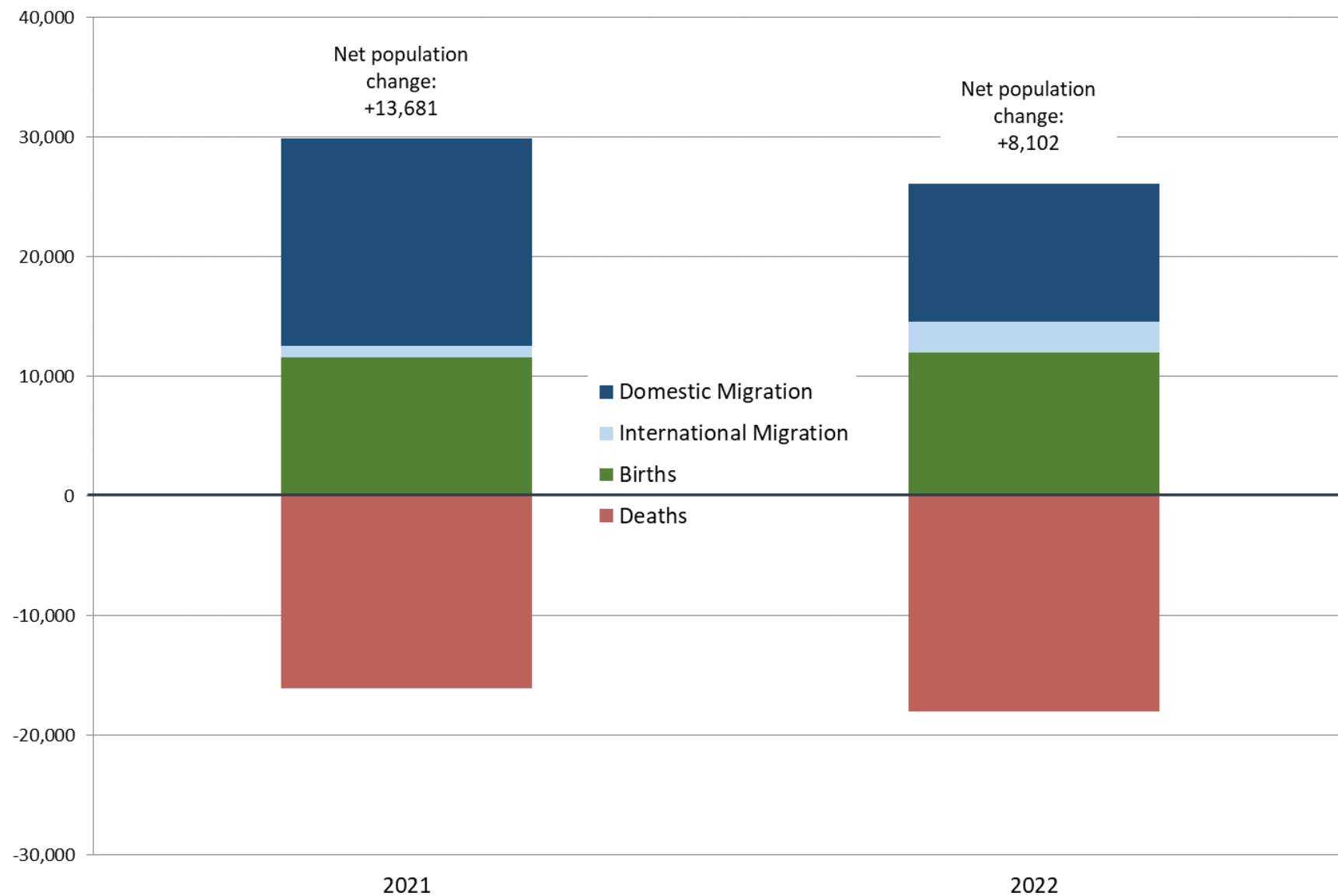
2020 Decennial
Population = 1,362,359
(42nd in U.S.)

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

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

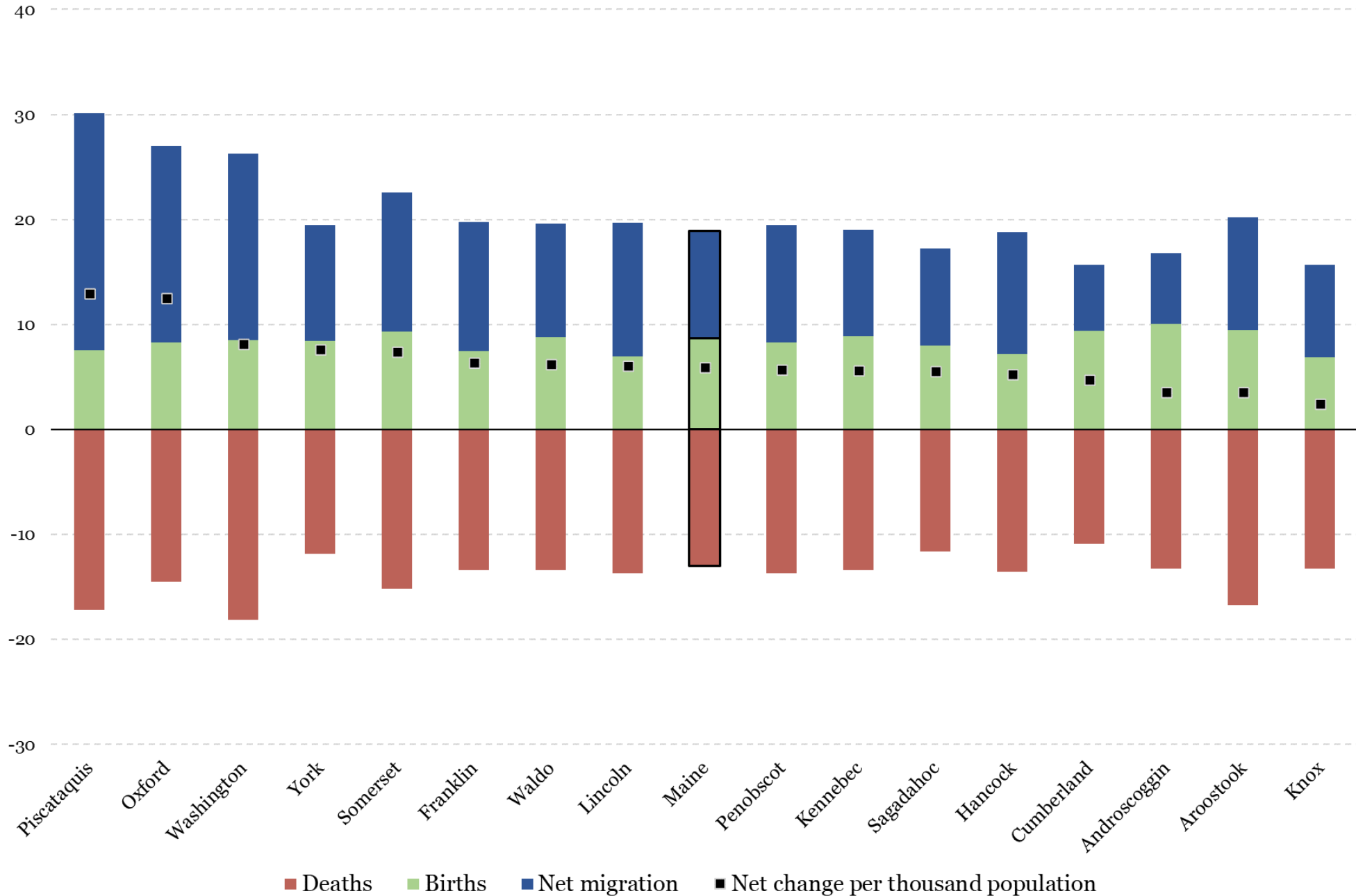
2022 net migration =
10.2 per thousand
(11th in U.S.)

Components of Population Change, Maine

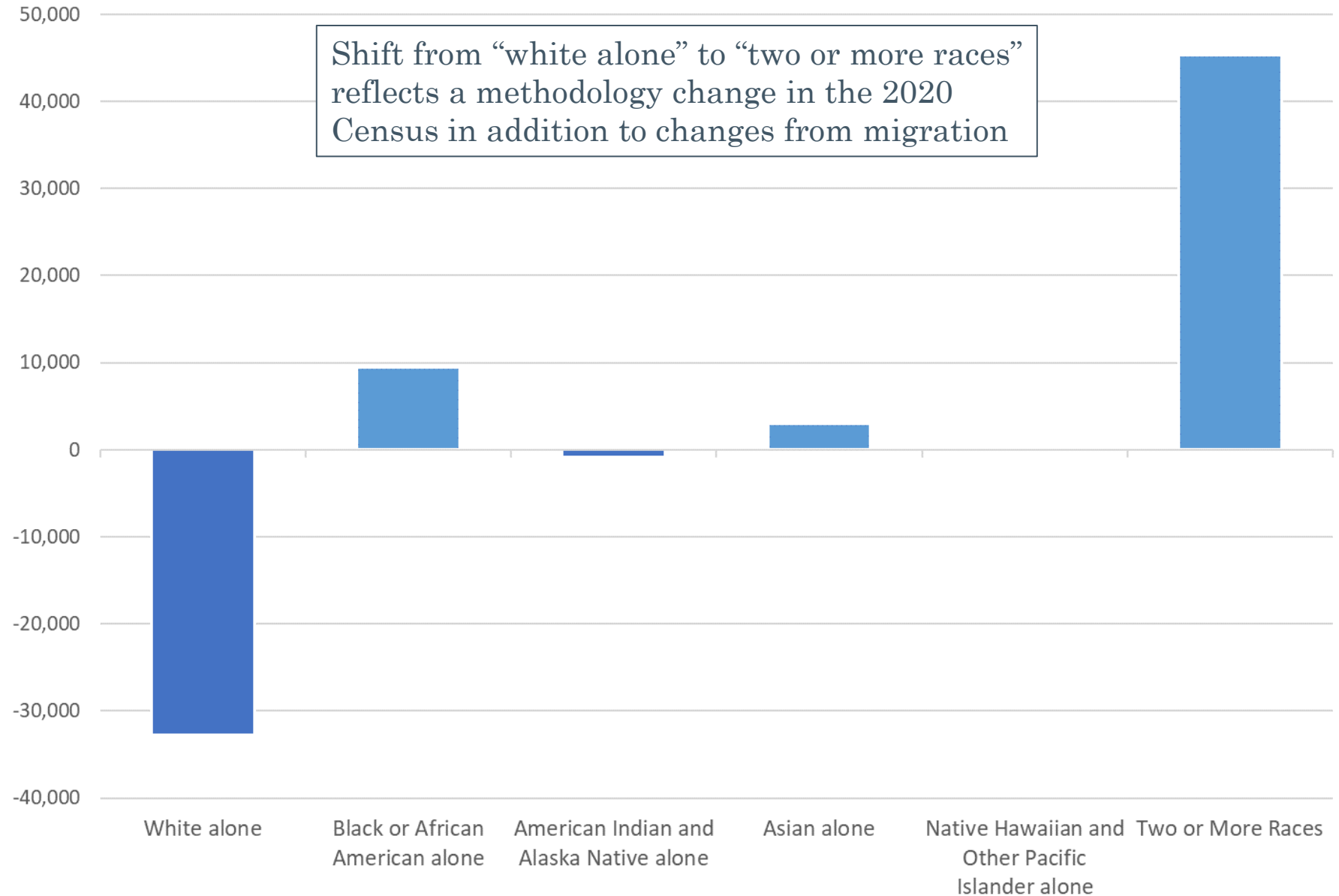


Components of Population Change in Maine, 2022

Rate per thousand population

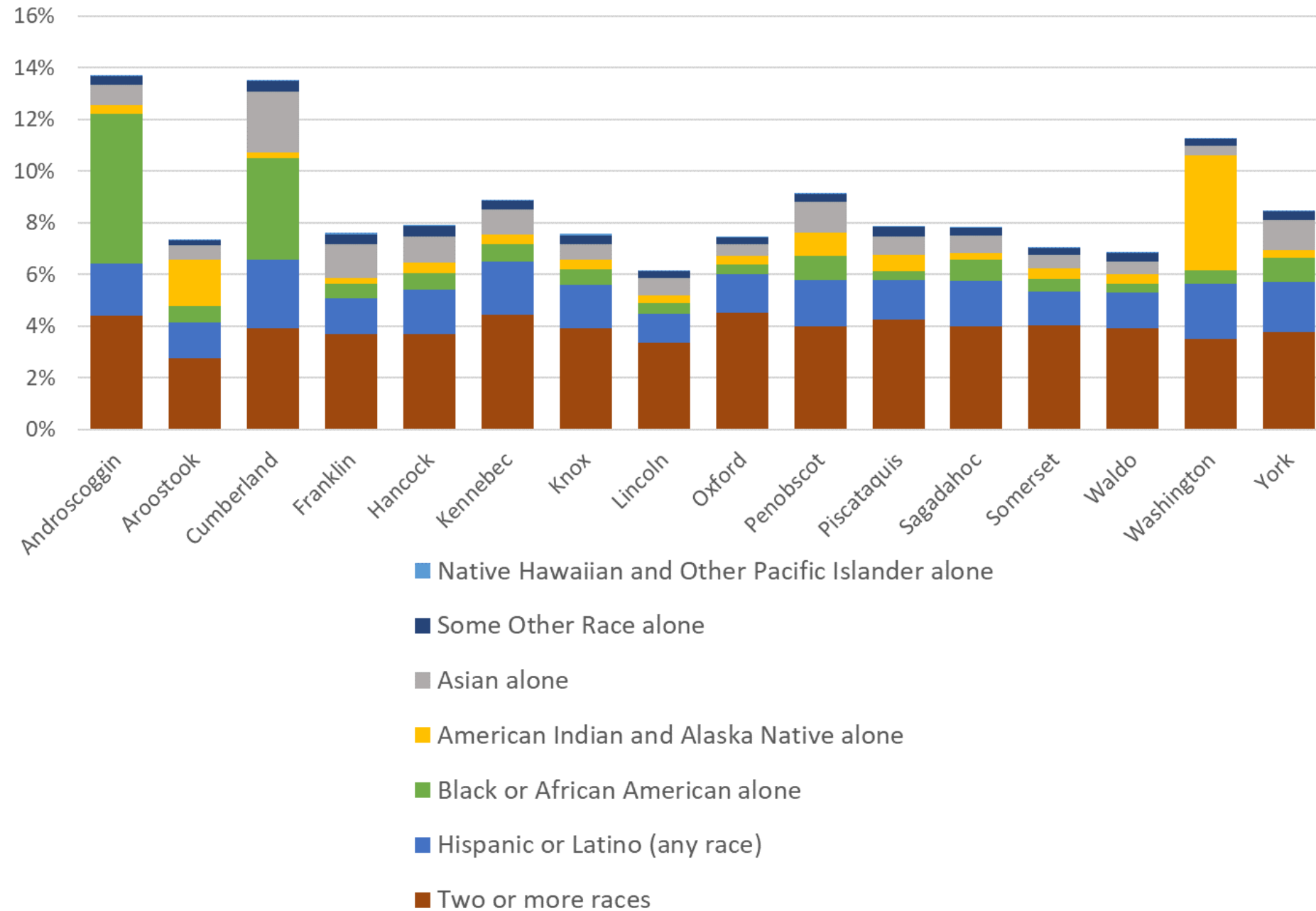


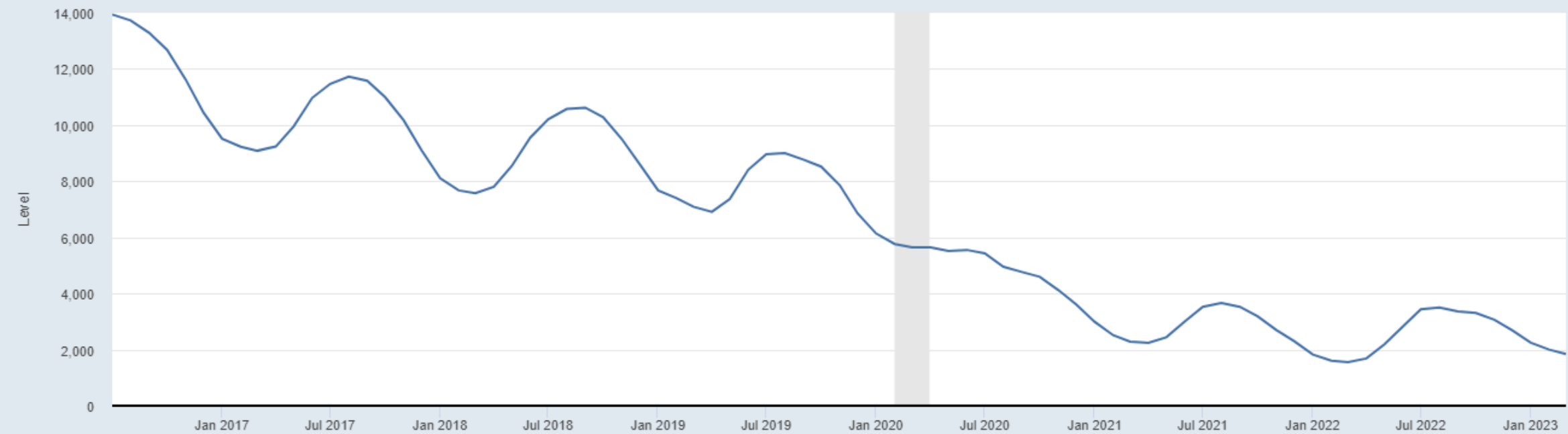
Change in Maine Population by Race, 2010-2020



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

Share of 2020 Population by Race/Ethnicity Excluding White Alone



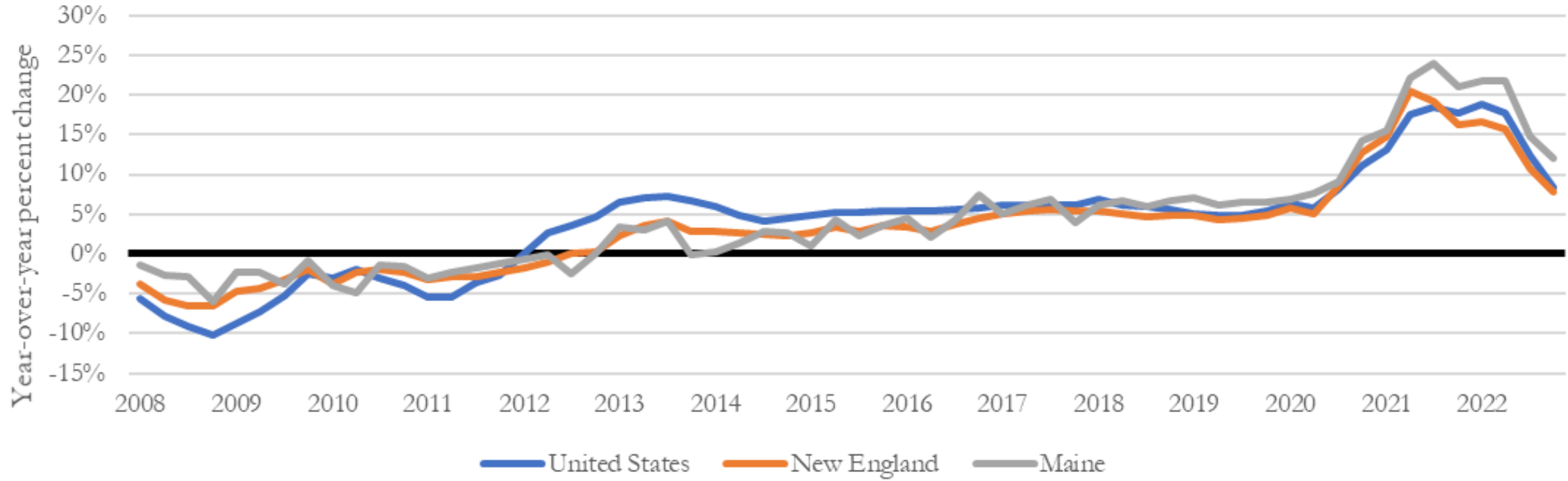


Shaded areas indicate U.S. recessions.

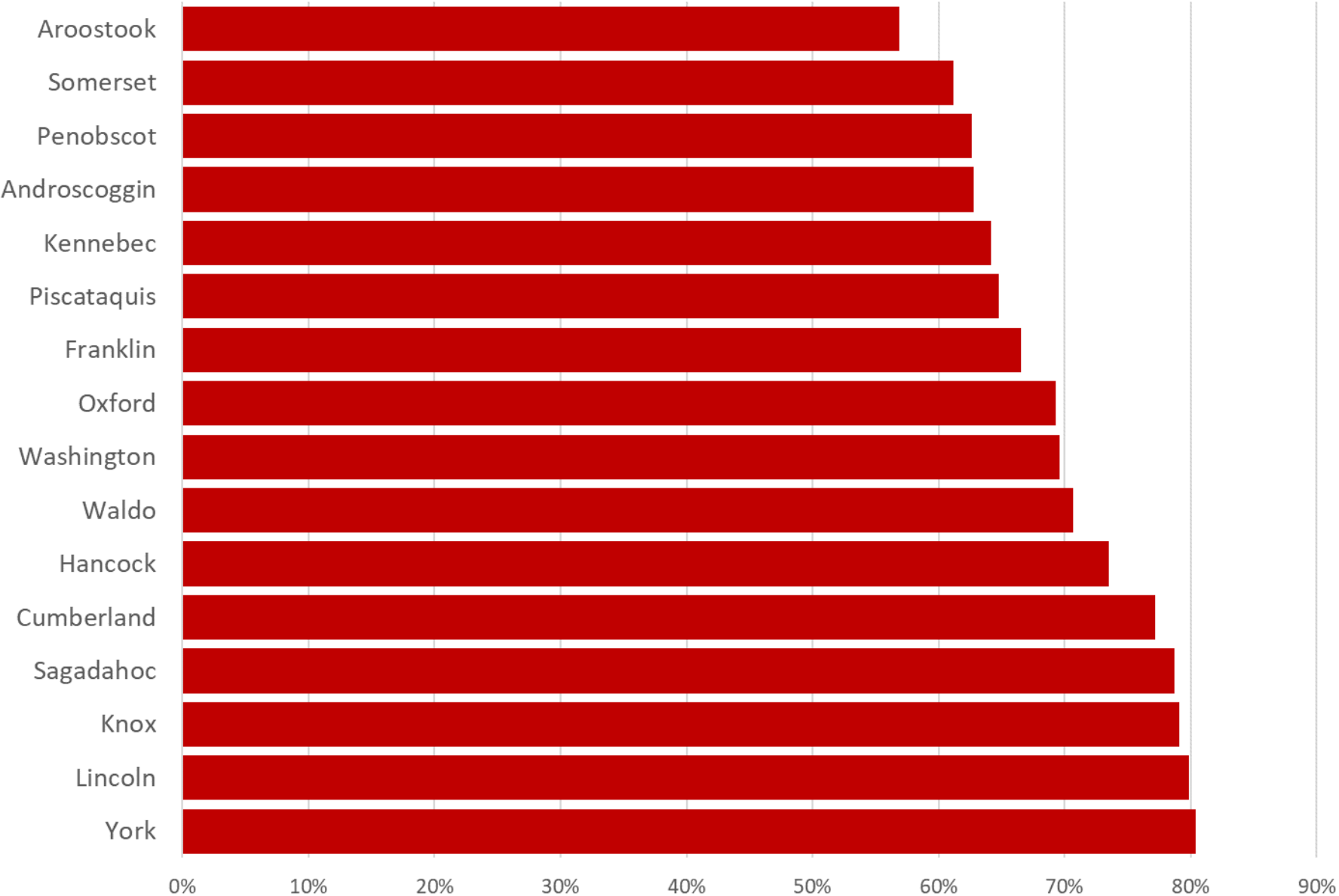
Source: Realtor.com

fred.stlouisfed.org

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



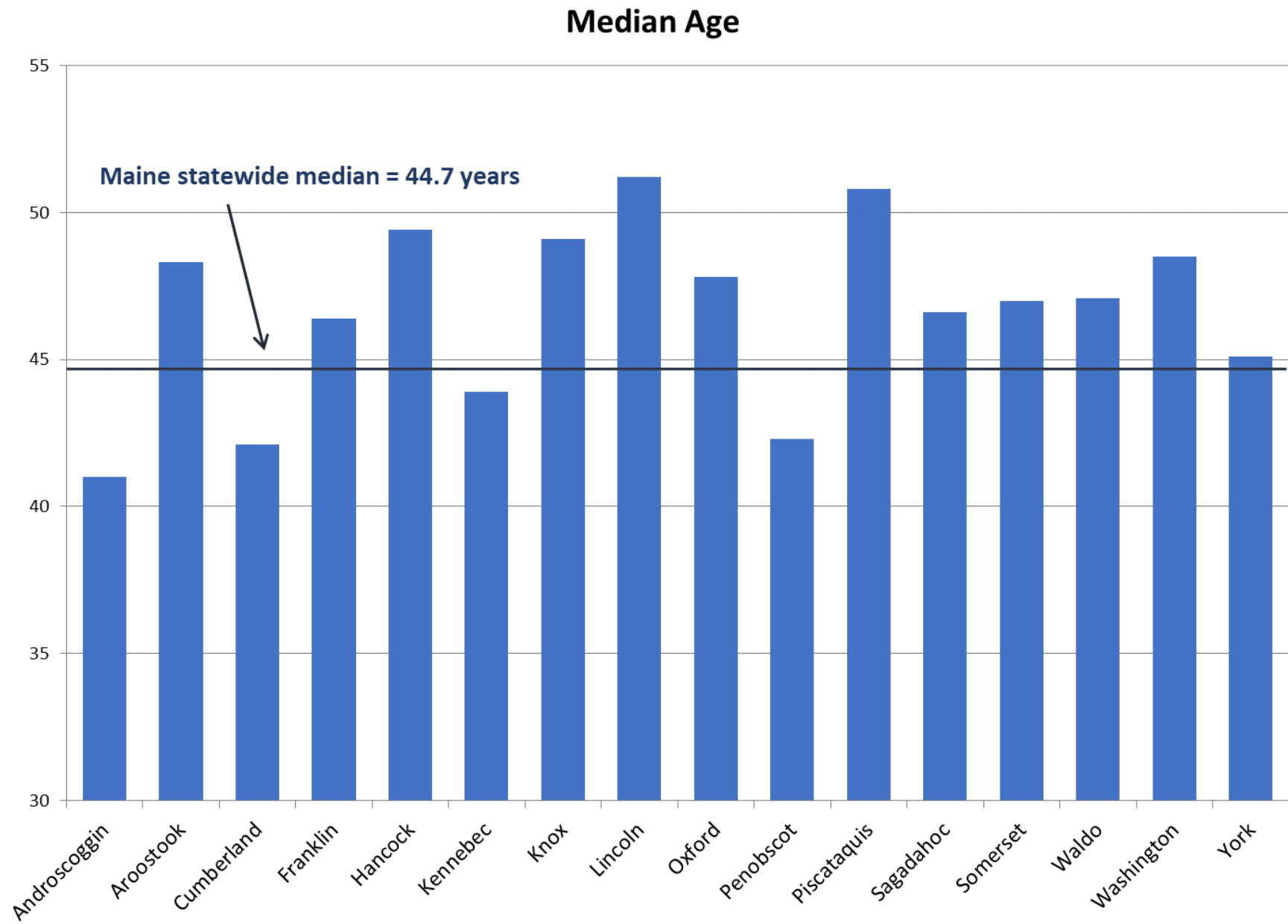
Percent of Households Unable to Afford Median Home, 2022



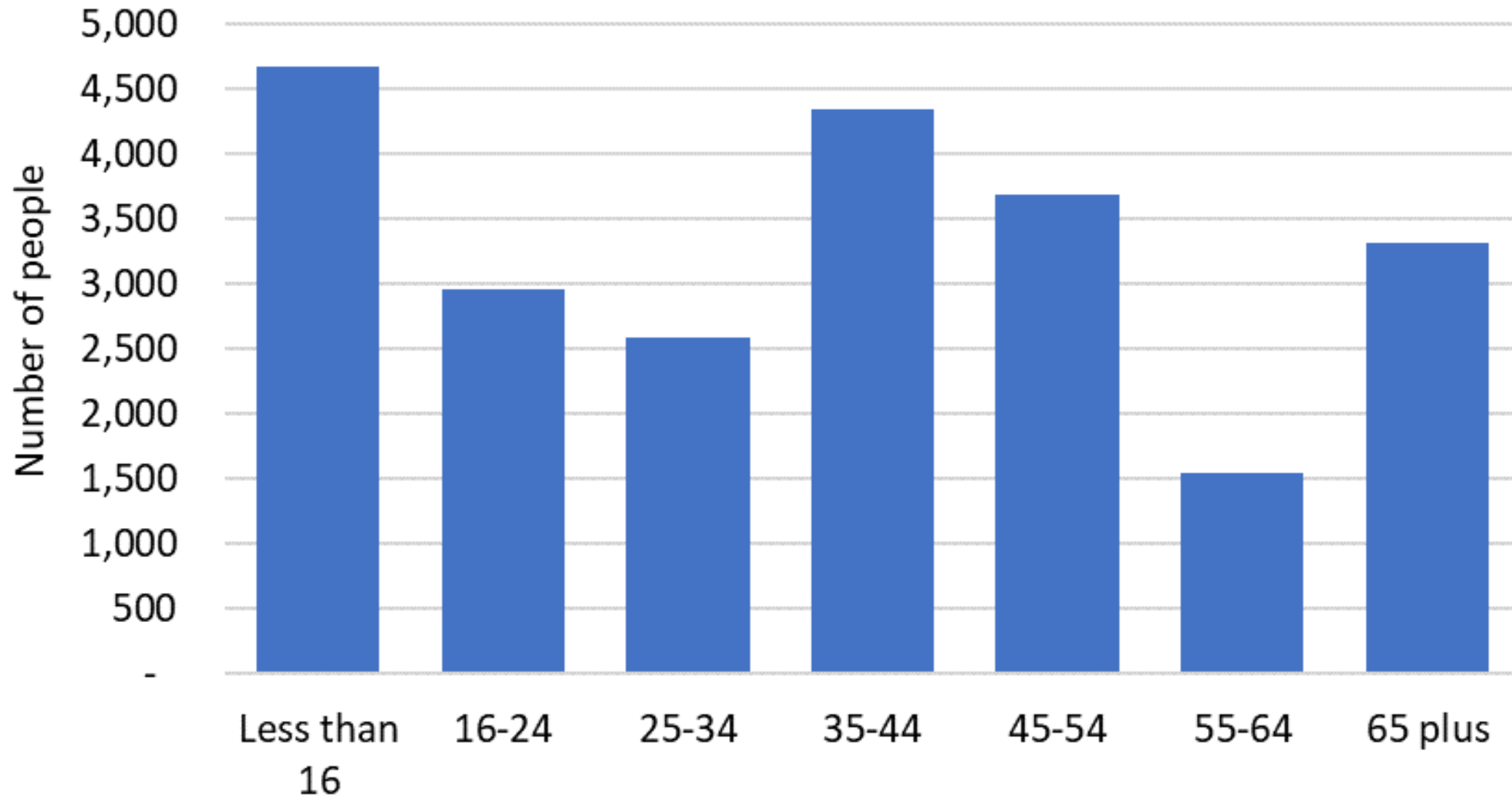
Maine has the oldest population...
...by median age
(44.7 years)
...and by % of population
age 65+ (21.7%)

BUT!

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



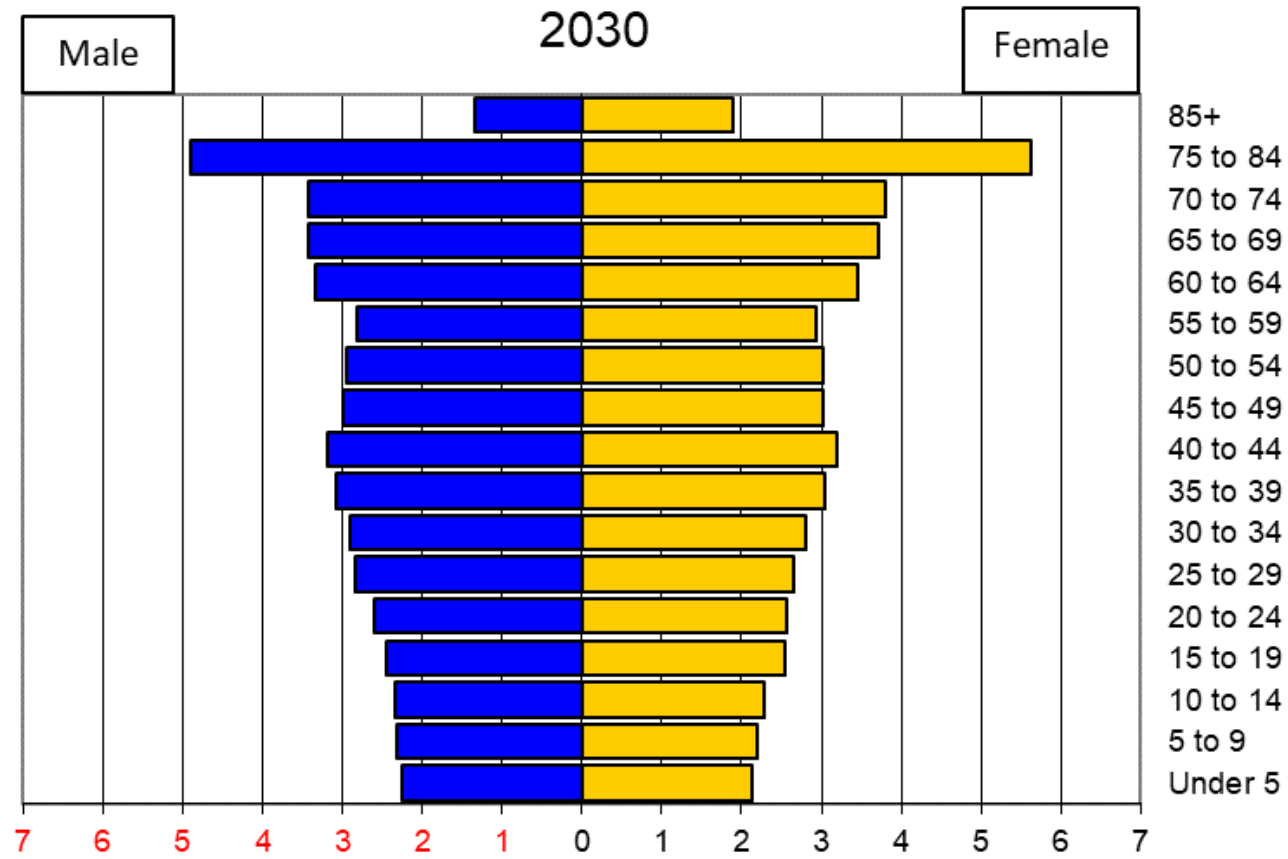
Net Migration by Age Cohort



The Baby Boom: 1946-1964

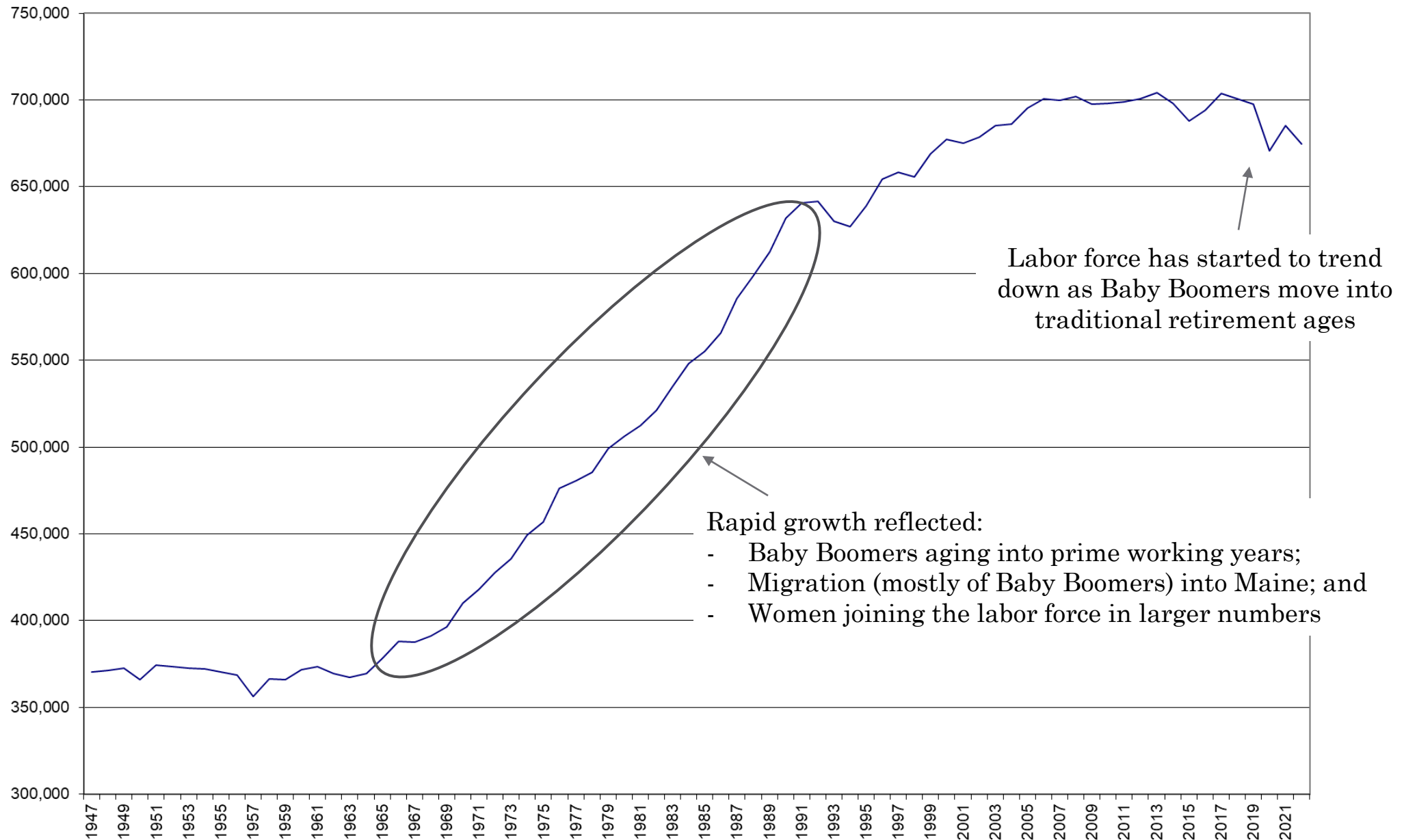
Baby Boom
generation in
2030: age 66-84

Baby Boom
generation in
2021: age 57-75

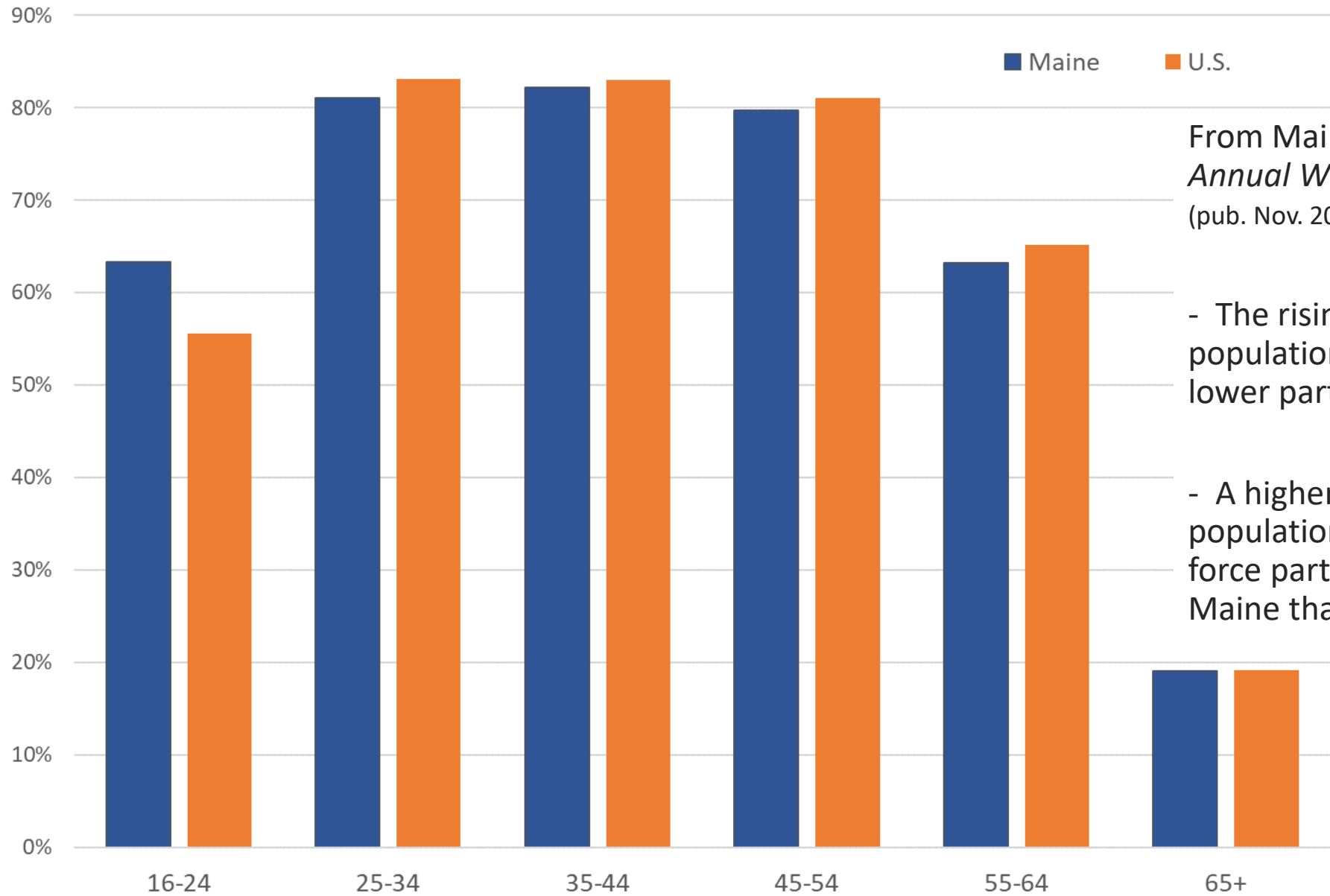


Workforce and Employment

Maine Civilian Labor Force



2022 Labor Force Participation Rate



From Maine Dept. of Labor’s
Annual Workforce Report for 2021
(pub. Nov. 2022):

- 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

Maine’s unemployment rate of 2.6% in March 2023 matches recent record lows and is below the U.S. rate of 3.5%

County Rates (not seasonally adjusted)

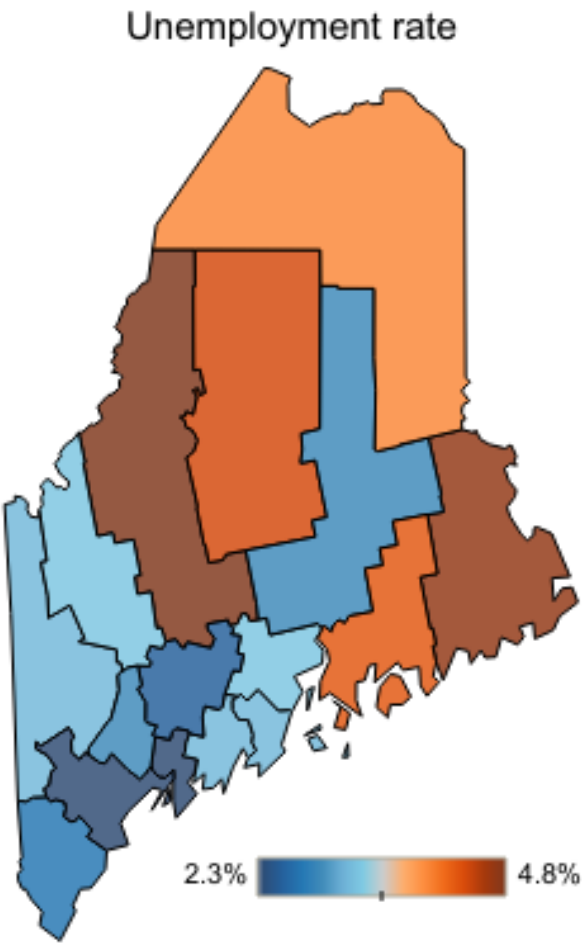
March, 2023

- Table
- Graph

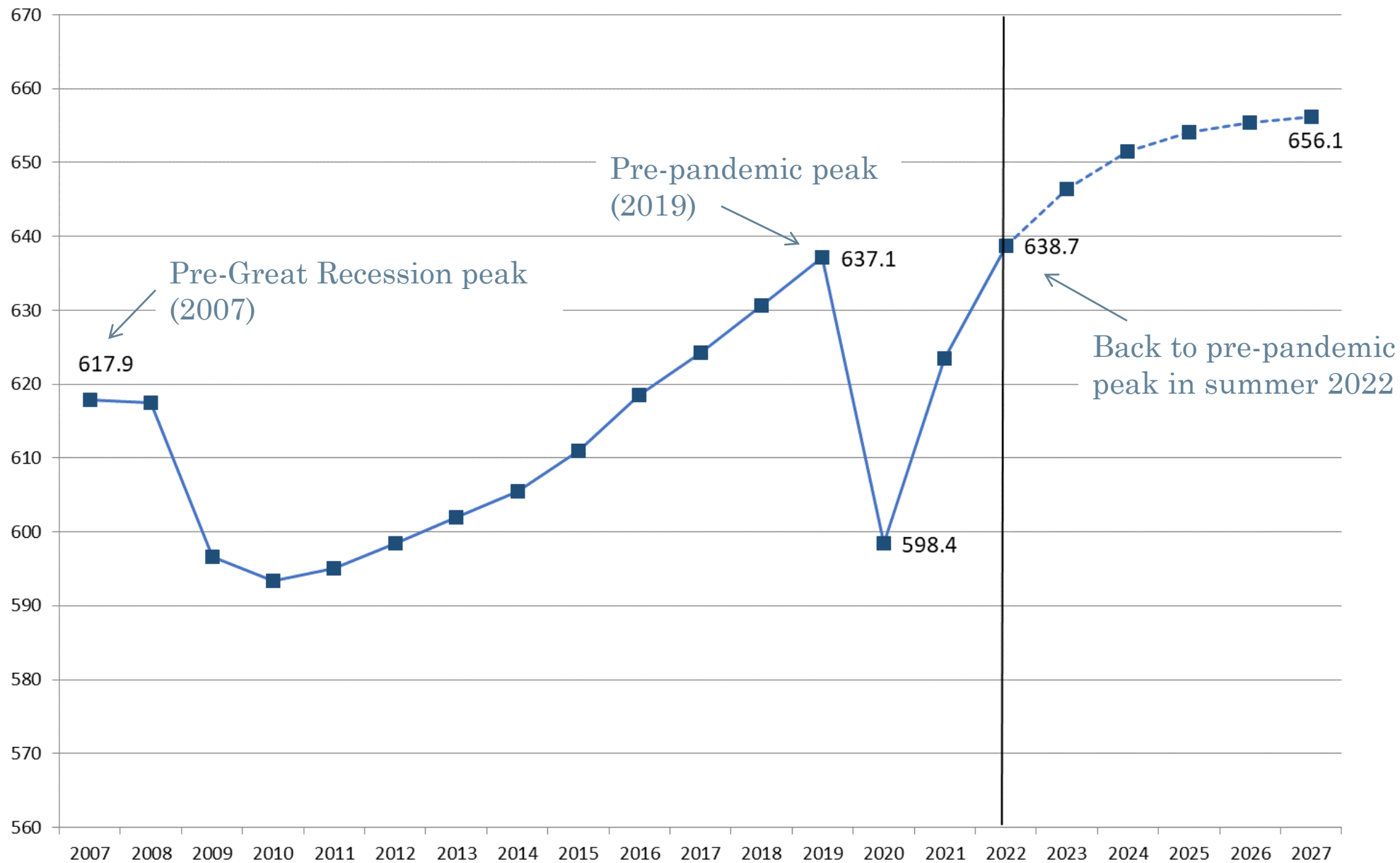
Map/Graph Display

- Unemployment rate
- One-year change

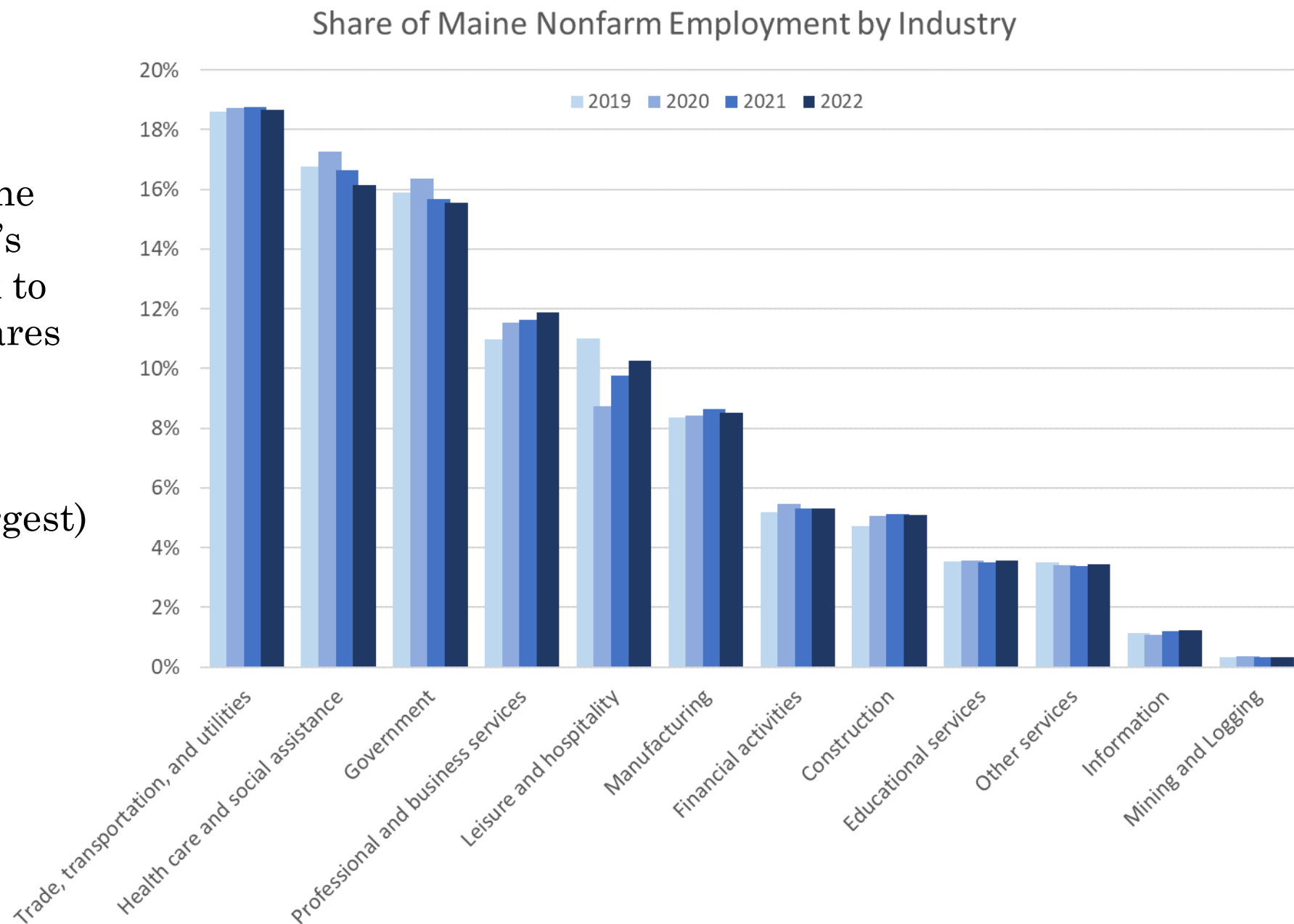
County	Rate	Year ago	One-yr change	
Maine	2.9%	3.5%	-0.6	↓
Androscoggin	2.9%	3.4%	-0.5	↓
Aroostook	4.0%	4.6%	-0.6	↓
Cumberland	2.3%	2.8%	-0.5	↓
Franklin	3.3%	3.9%	-0.6	↓
Hancock	4.3%	5.1%	-0.8	↓
Kennebec	2.5%	3.3%	-0.8	↓
Knox	3.2%	3.9%	-0.7	↓
Lincoln	3.2%	3.7%	-0.5	↓
Oxford	3.2%	3.9%	-0.7	↓
Penobscot	2.9%	3.6%	-0.7	↓
Piscataquis	4.4%	4.2%	0.2	↑
Sagadahoc	2.3%	2.8%	-0.5	↓
Somerset	4.8%	4.8%	0.0	—
Waldo	3.3%	3.7%	-0.4	↓
Washington	4.7%	5.5%	-0.8	↓
York	2.7%	3.5%	-0.8	↓



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)

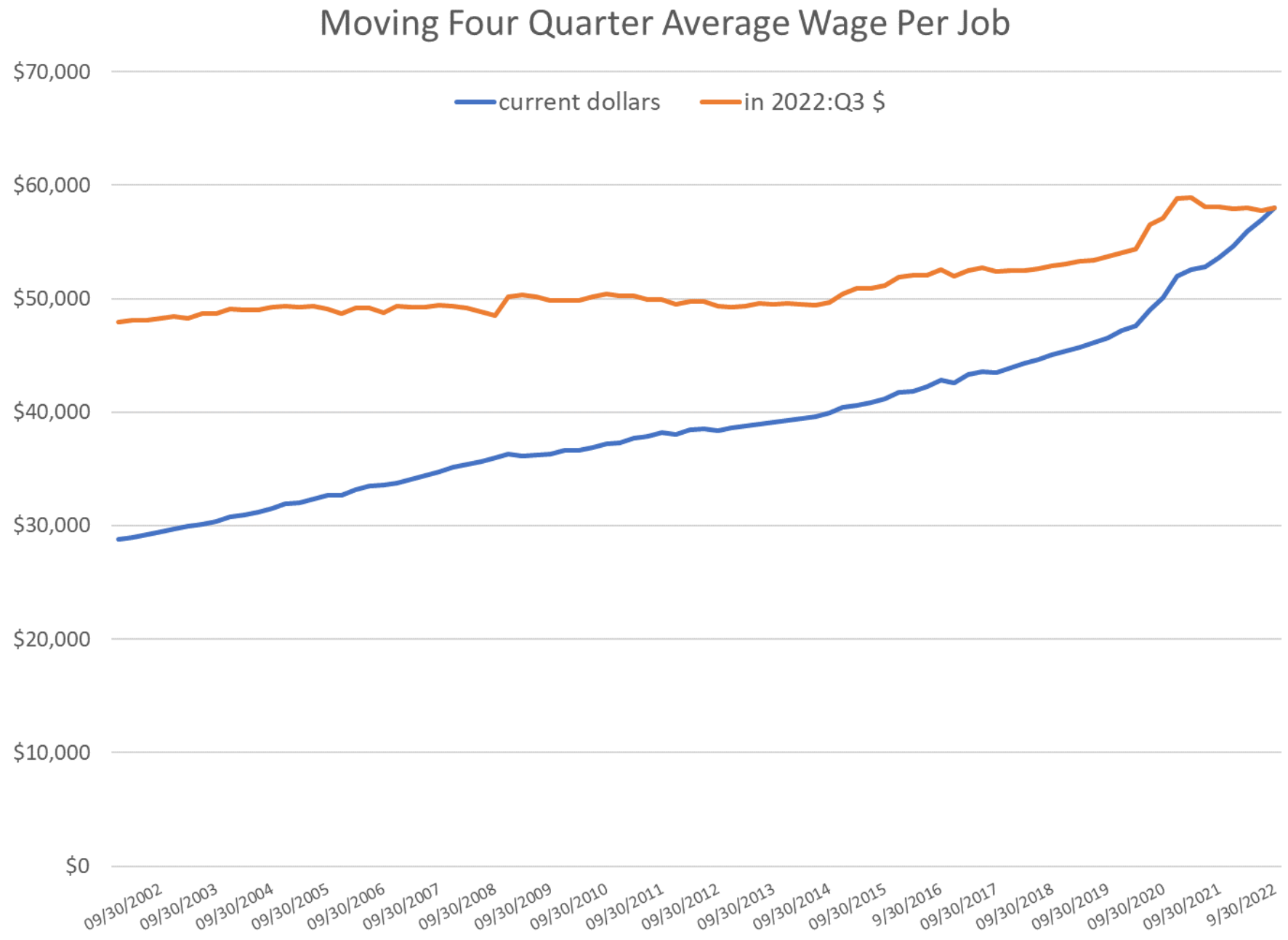


Workforce considerations

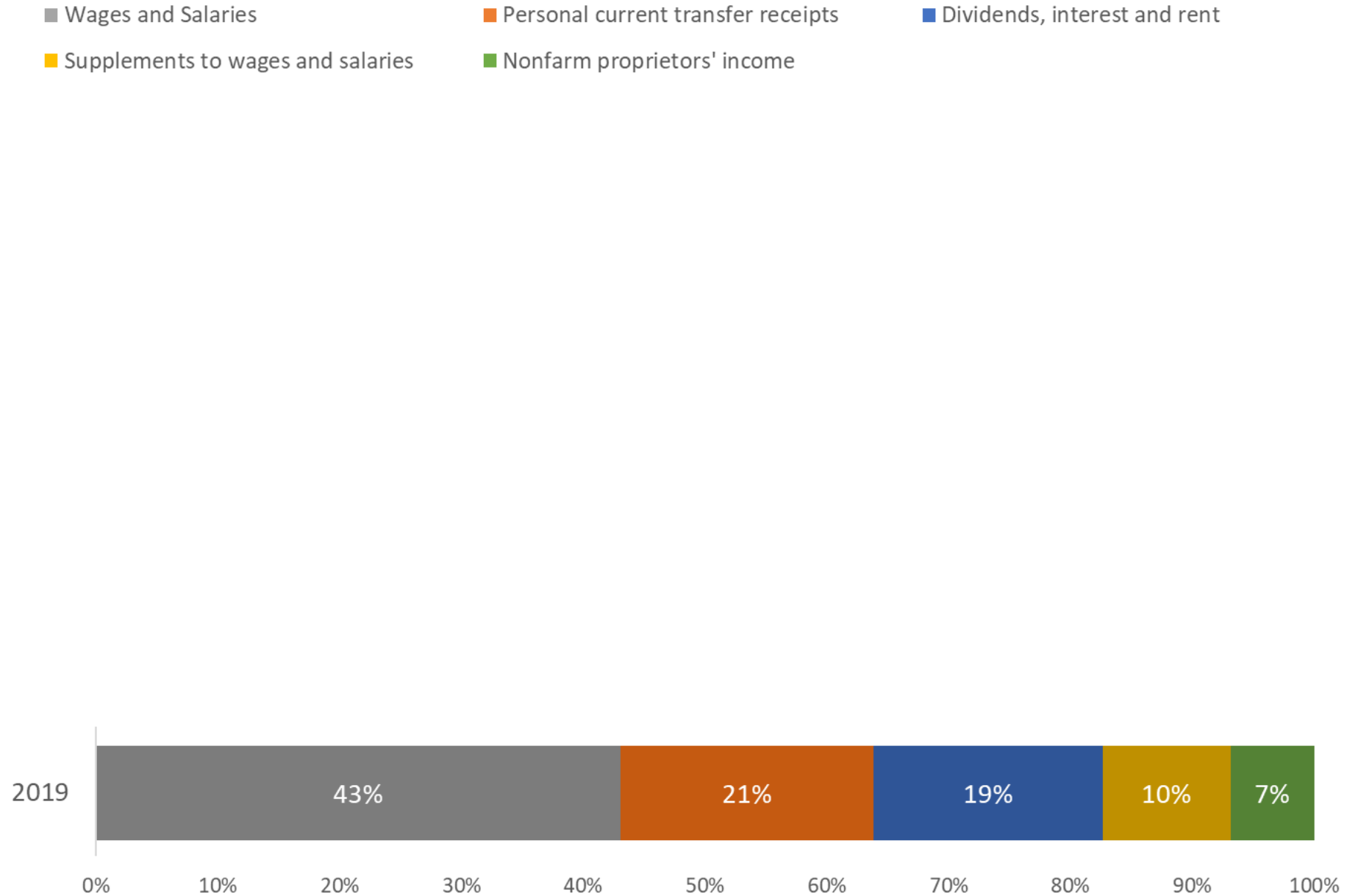
- Migration: will the trends continue?
 - *Remote work*: here to stay, but hybrid situations are geographically limiting
 - *Housing*: limited availability and unaffordability
 - *Dependent care*: limited availability and unaffordability
- Retirements: will some retirees rejoin the workforce?
- Wages: 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?

Wages, Income, and Inflation

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

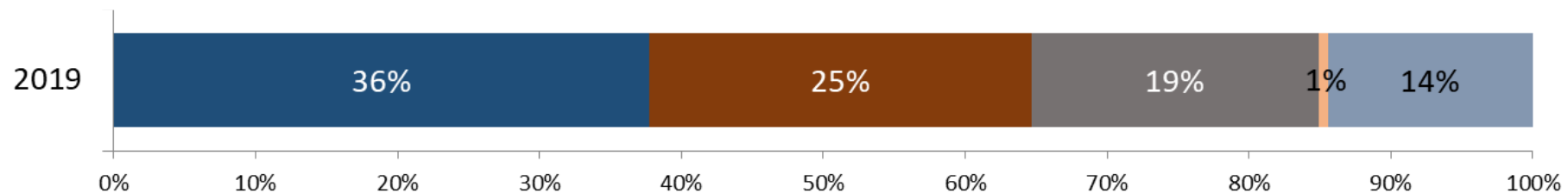


Major Components of Personal Income, Maine

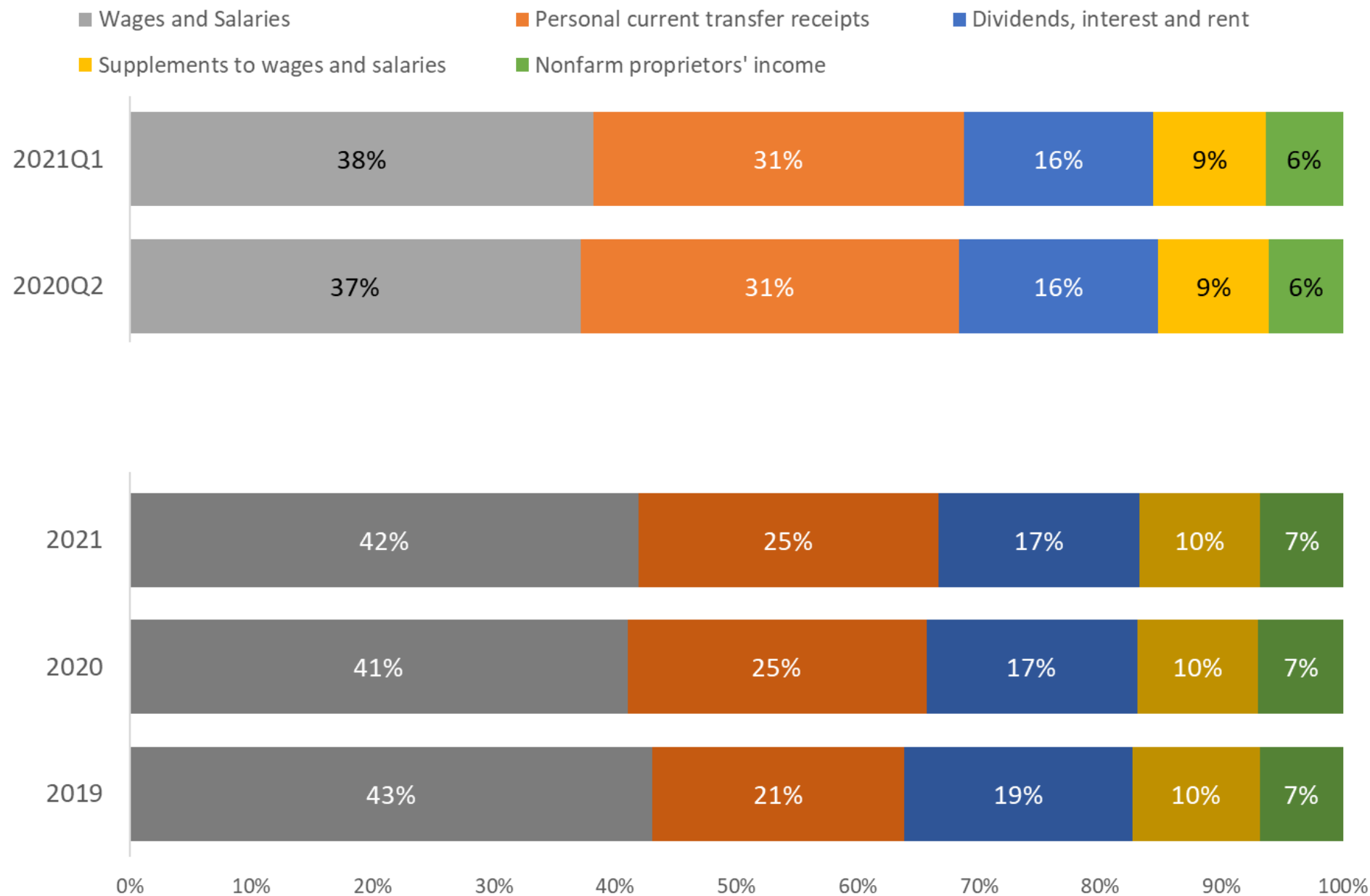


Components of Personal Current Transfer Receipts, Maine

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

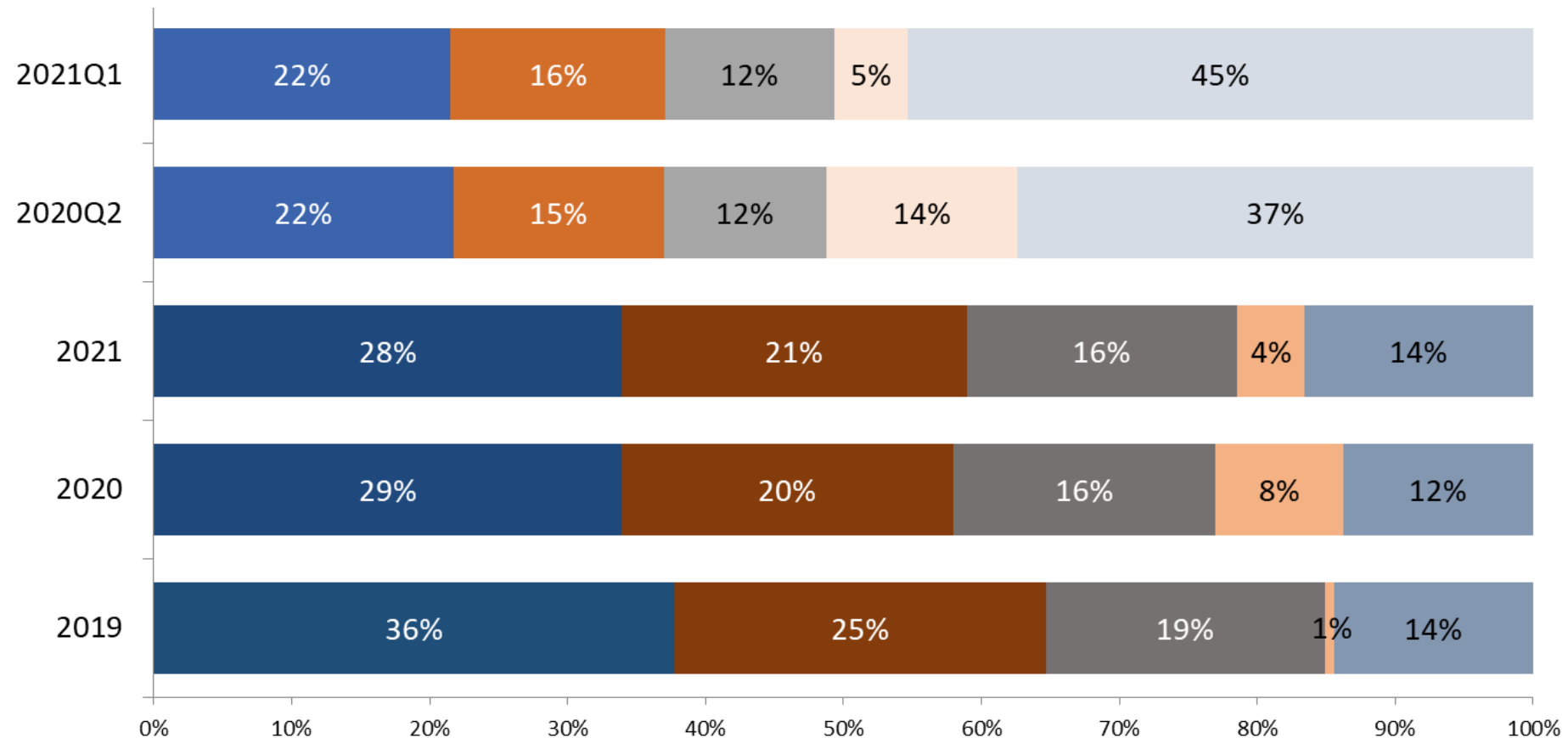


Major Components of Personal Income, Maine

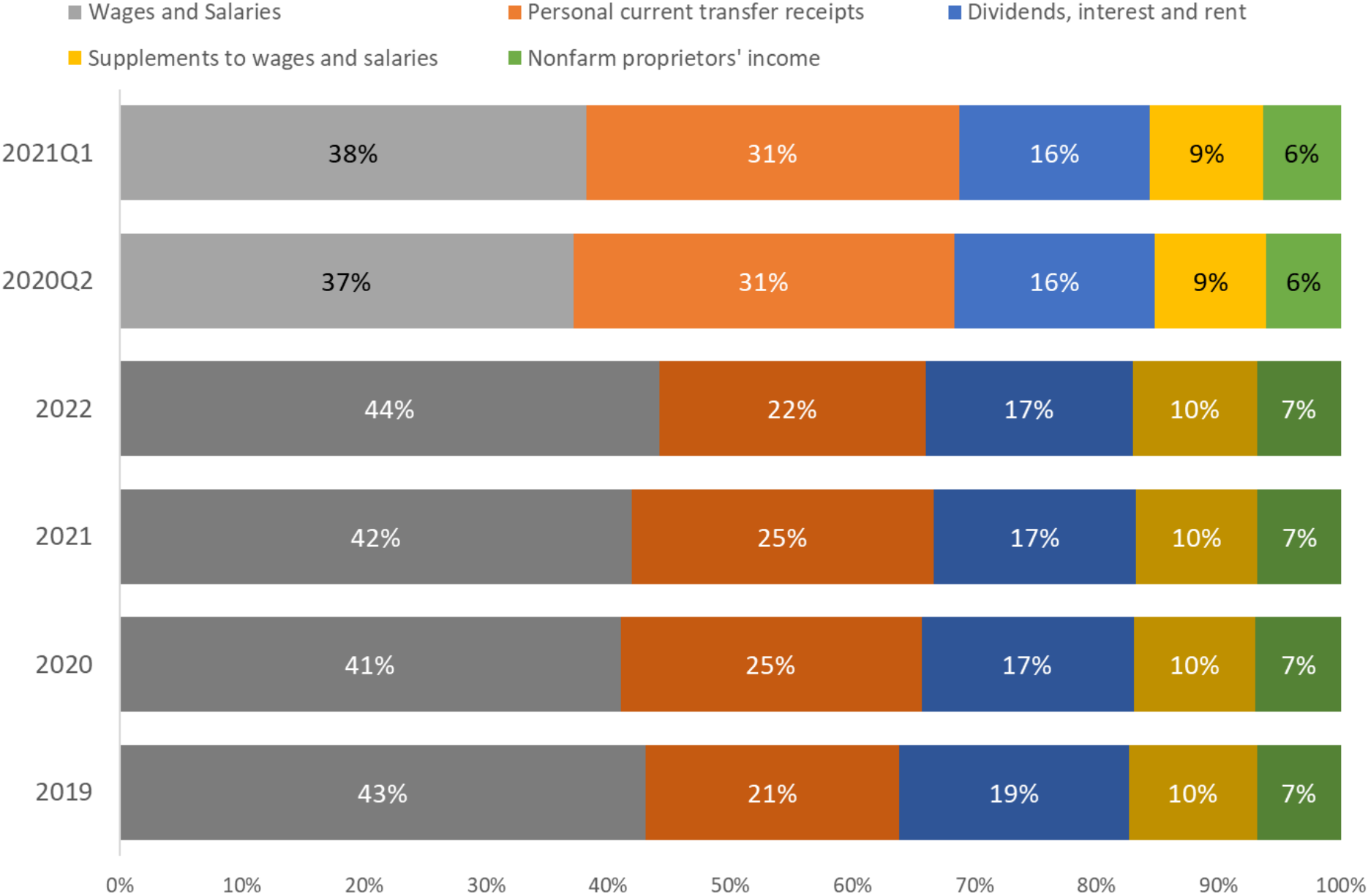


Components of Personal Current Transfer Receipts, Maine

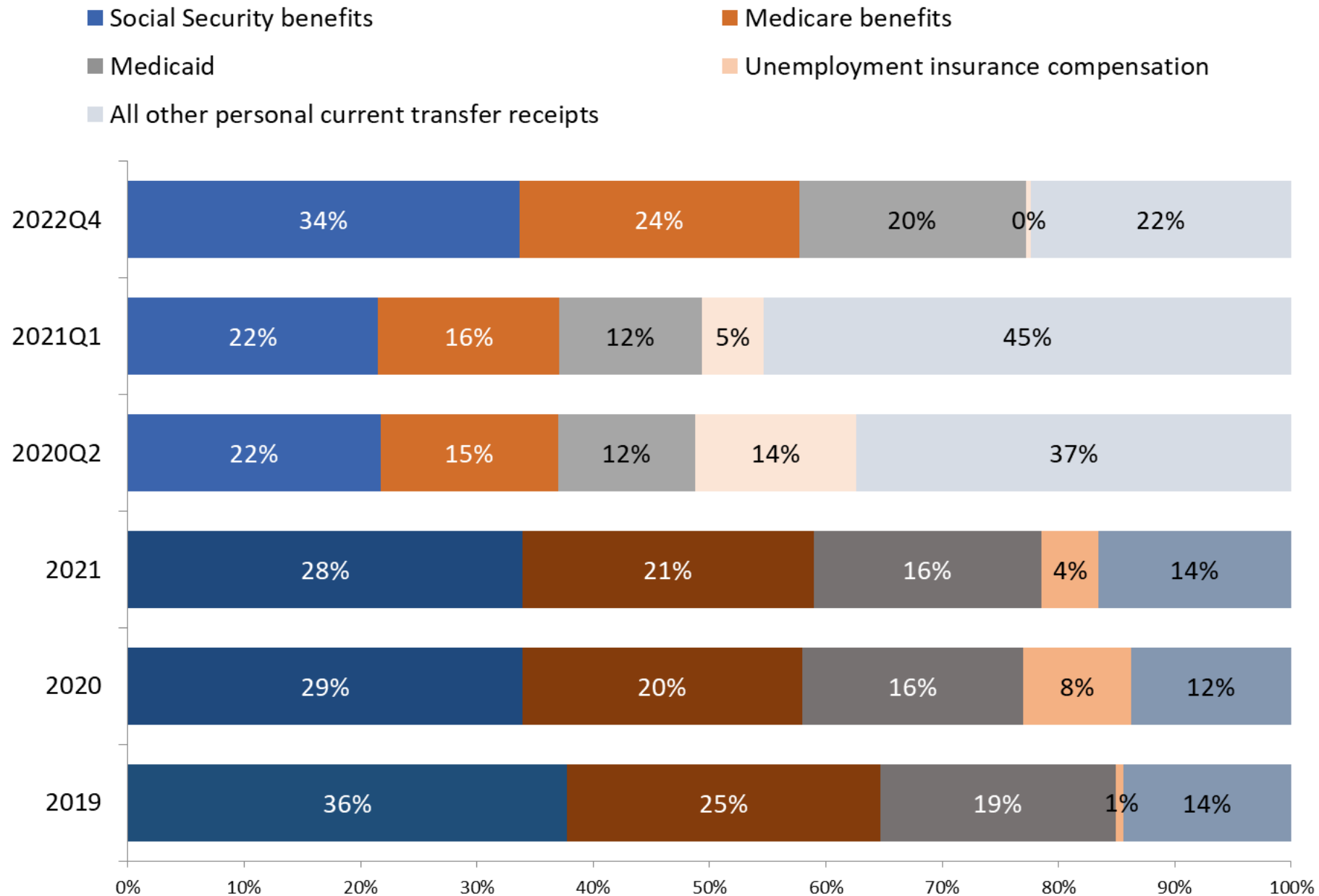
- Social Security benefits
- Medicare benefits
- Medicaid
- Unemployment insurance compensation
- All other personal current transfer receipts



Major Components of Personal Income, Maine



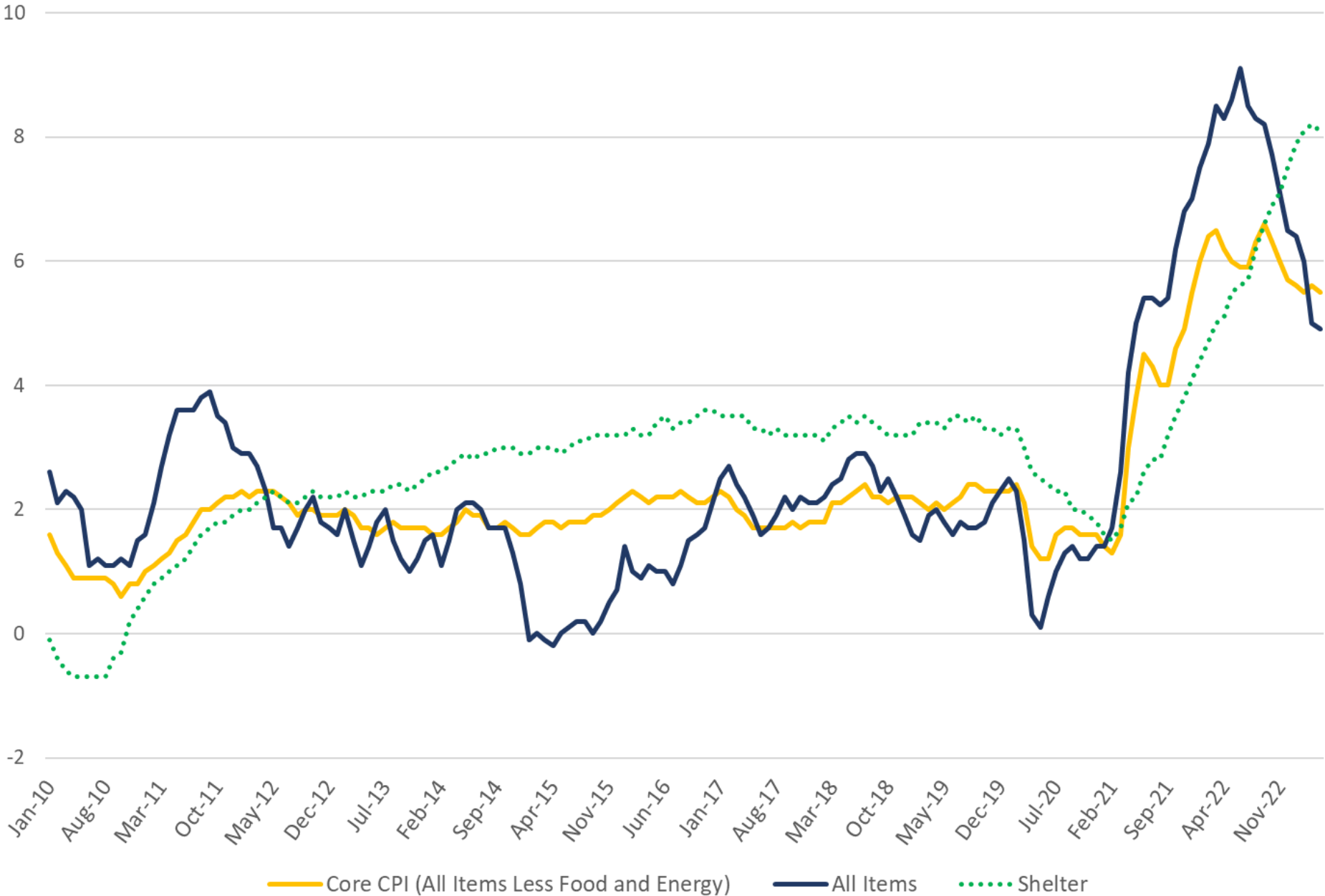
Components of Personal Current Transfer Receipts, Maine



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



Year-over-year percent change in Consumer Price Index



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

Daily Europe Brent Spot Price (\$ per barrel)



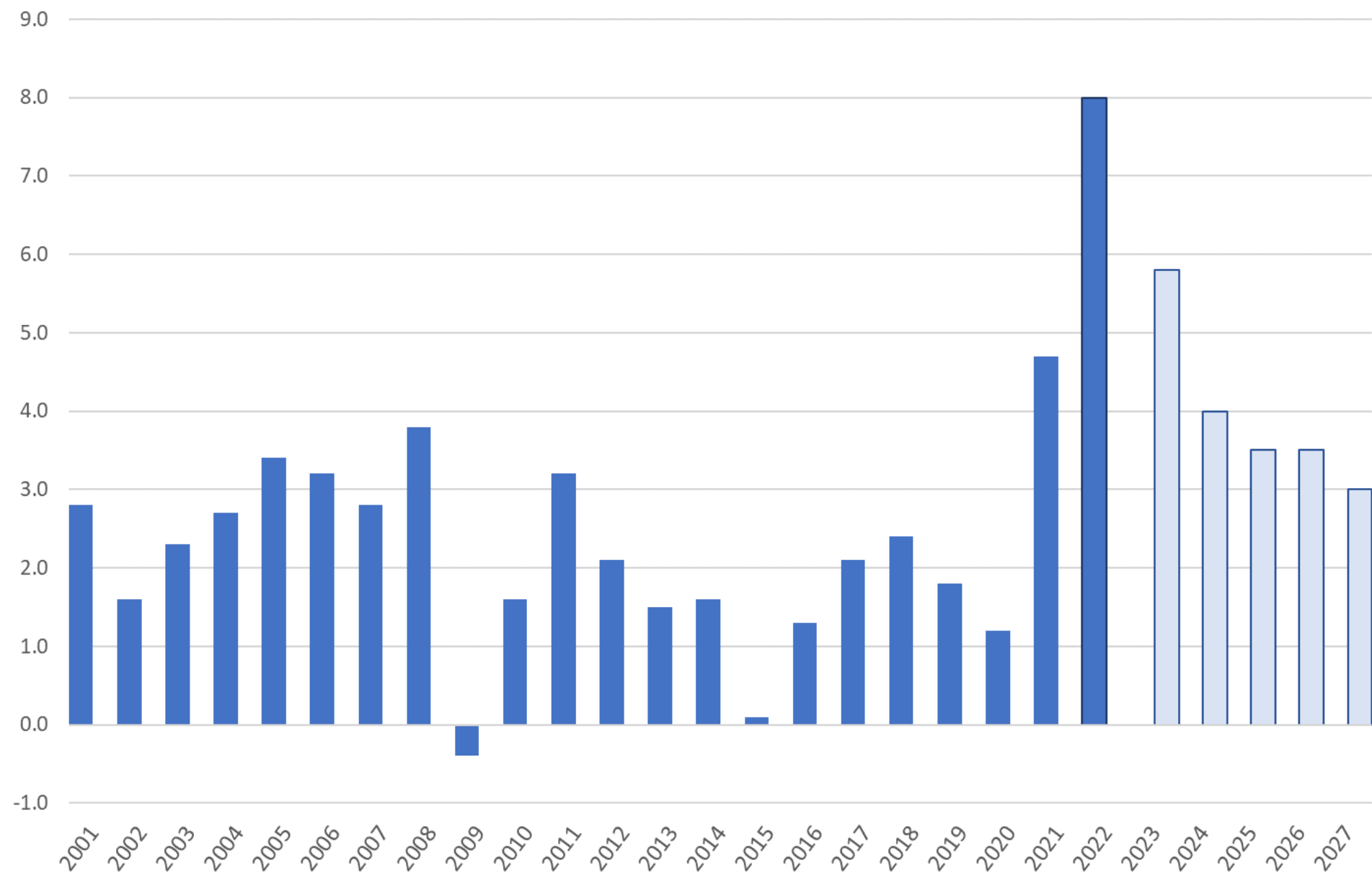
What does this mean for interest rates?

Current target range: 5.0% to 5.25%

“The Committee will closely monitor incoming information and assess the implications for monetary policy. In determining the extent to which additional policy firming may be appropriate to return inflation to 2 percent over time, 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 May 3, 2023, Federal Open Market Committee statement

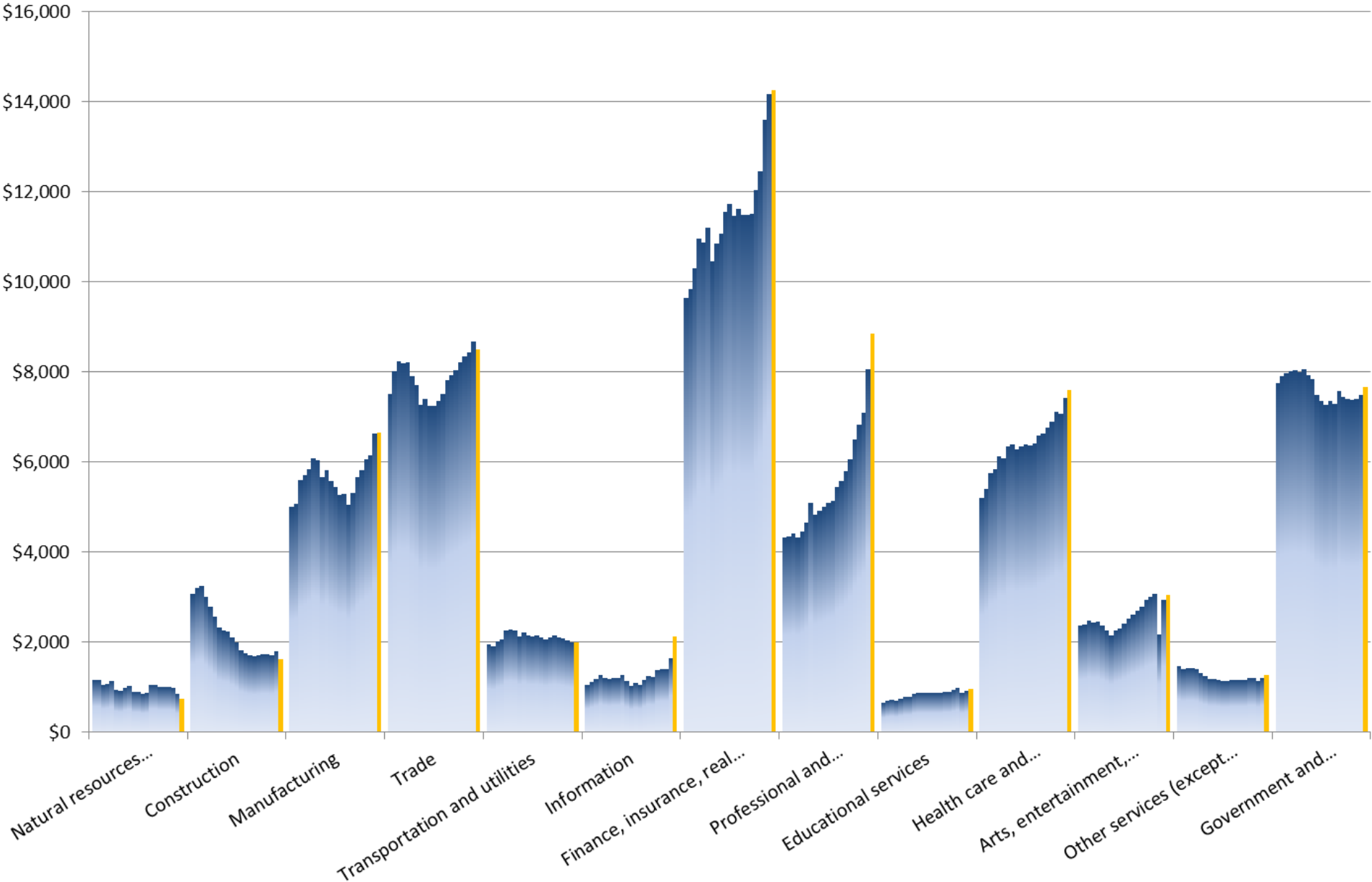
Year-over-year percent change in Consumer Price Index;
2001-2022 historical and 2023-2027 forecast



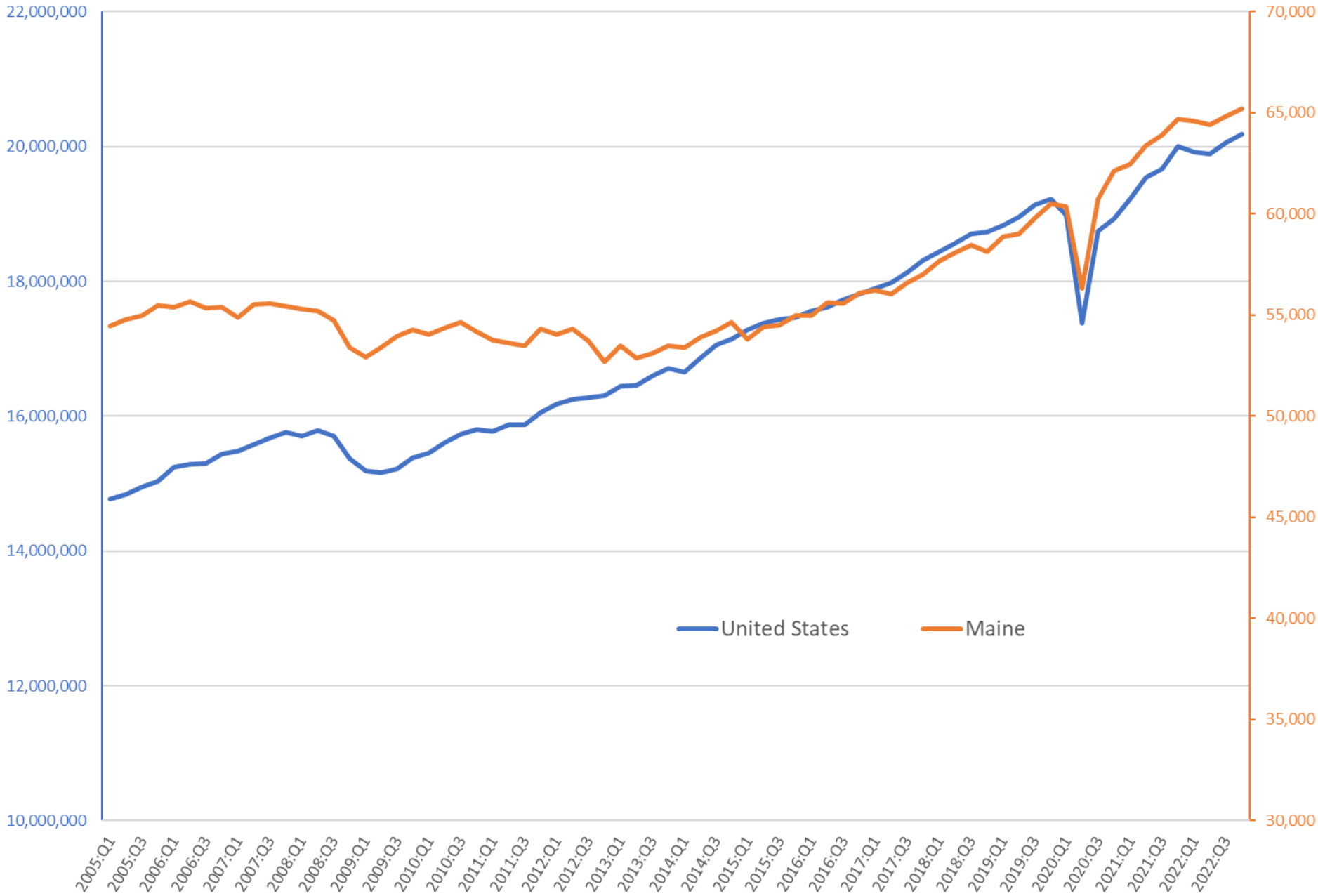
Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted);
CEFC report, April 1, 2023

State Gross Domestic Product (GDP)

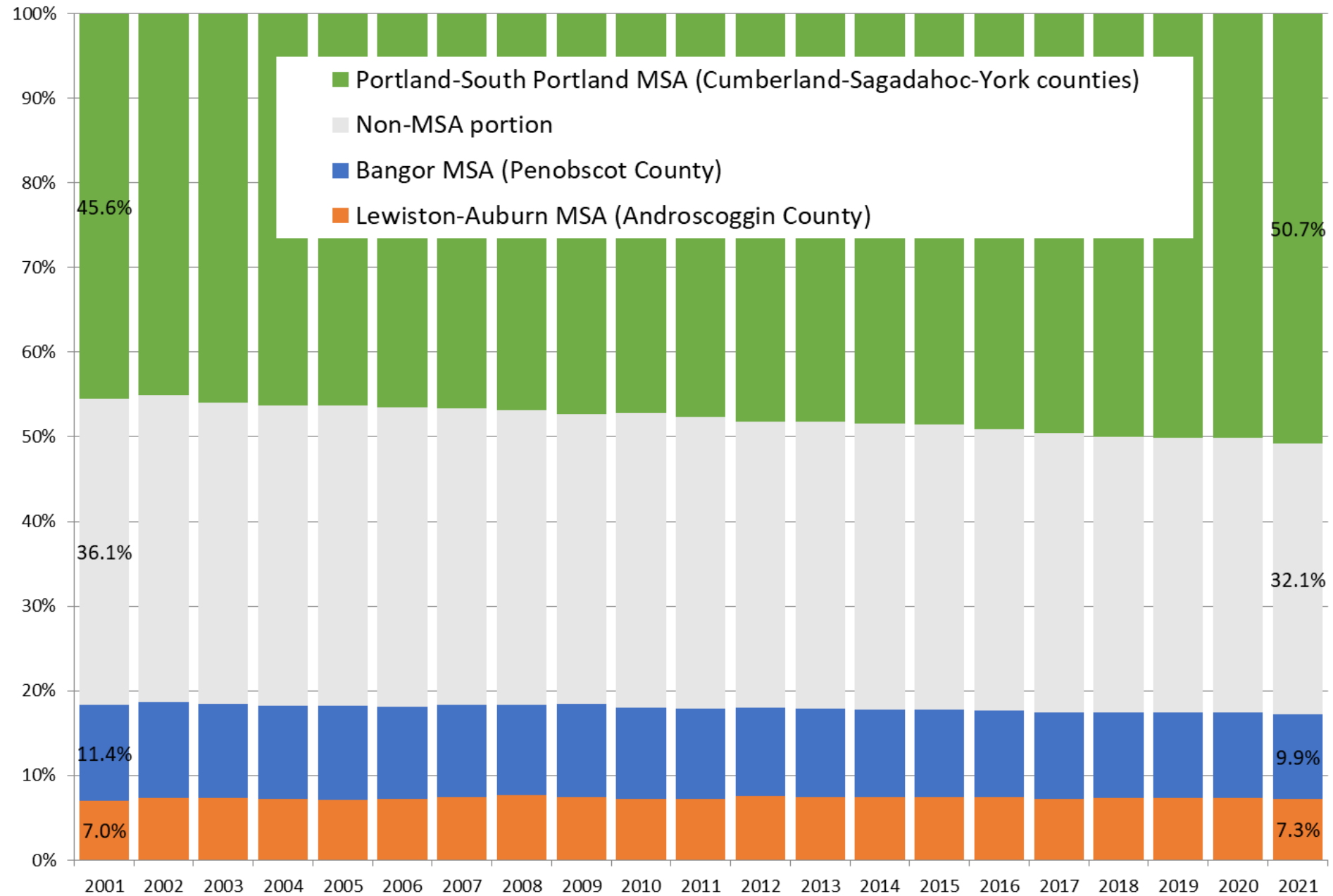
Maine Real GDP by Industry, 2002-2022
(in millions of chained 2012 dollars)



Quarterly Real GDP (in millions of chained 2012 dollars)

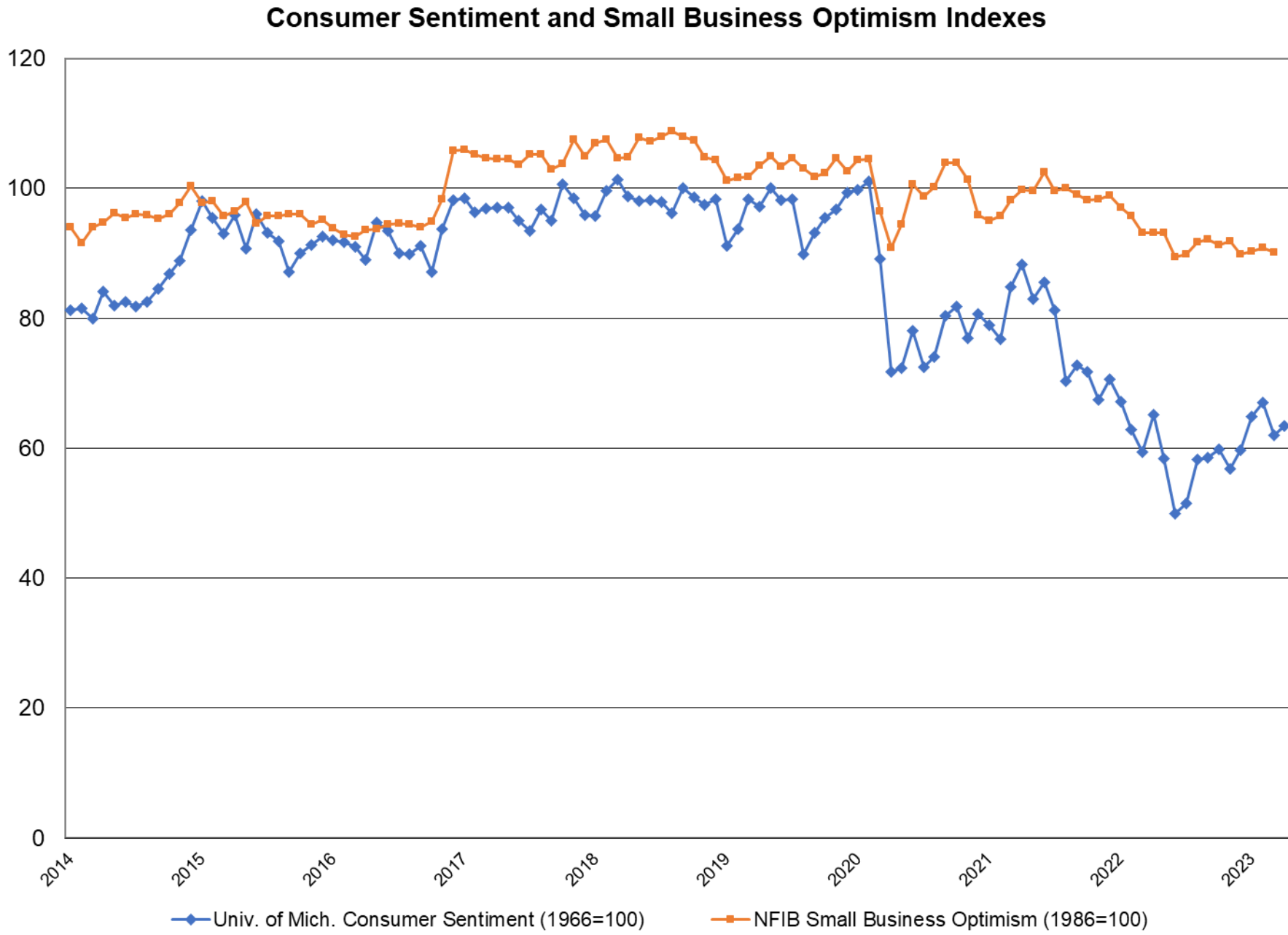


Share of Maine Real GDP by Metropolitan Area



Outlook

Inflation has been a major contributor to the downward trend in small business and consumer sentiment; higher expenses continue to bring down these indices



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.

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
- Inflation has started slowing, but not quickly – the Federal Reserve has continued to raise interest rates in response
- Will we see continued migration into Maine? Telework, housing, and dependent care are three key determinants
- Threat of recession is still out there; uncertainty remains elevated, especially with debt ceiling debate ongoing
- 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