

Maine's Economy: Past, Present, and Future

Presented to:
Maine NEW Leadership

MEGAN BAILEY

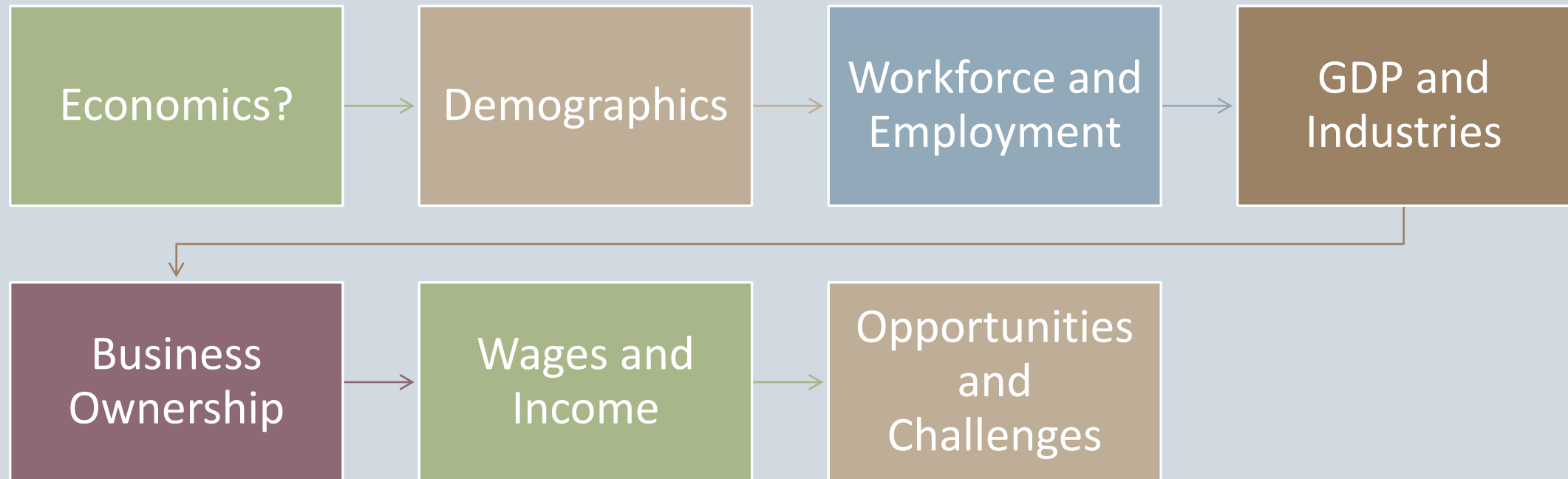
SENIOR ECONOMIC ANALYST | OFFICE OF THE STATE ECONOMIST

MAINE DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

JUNE 09, 2023



Agenda



Economics?



Graduate School



Island Institute



NOAA Fisheries



UM MCS Policy Center



State of Maine

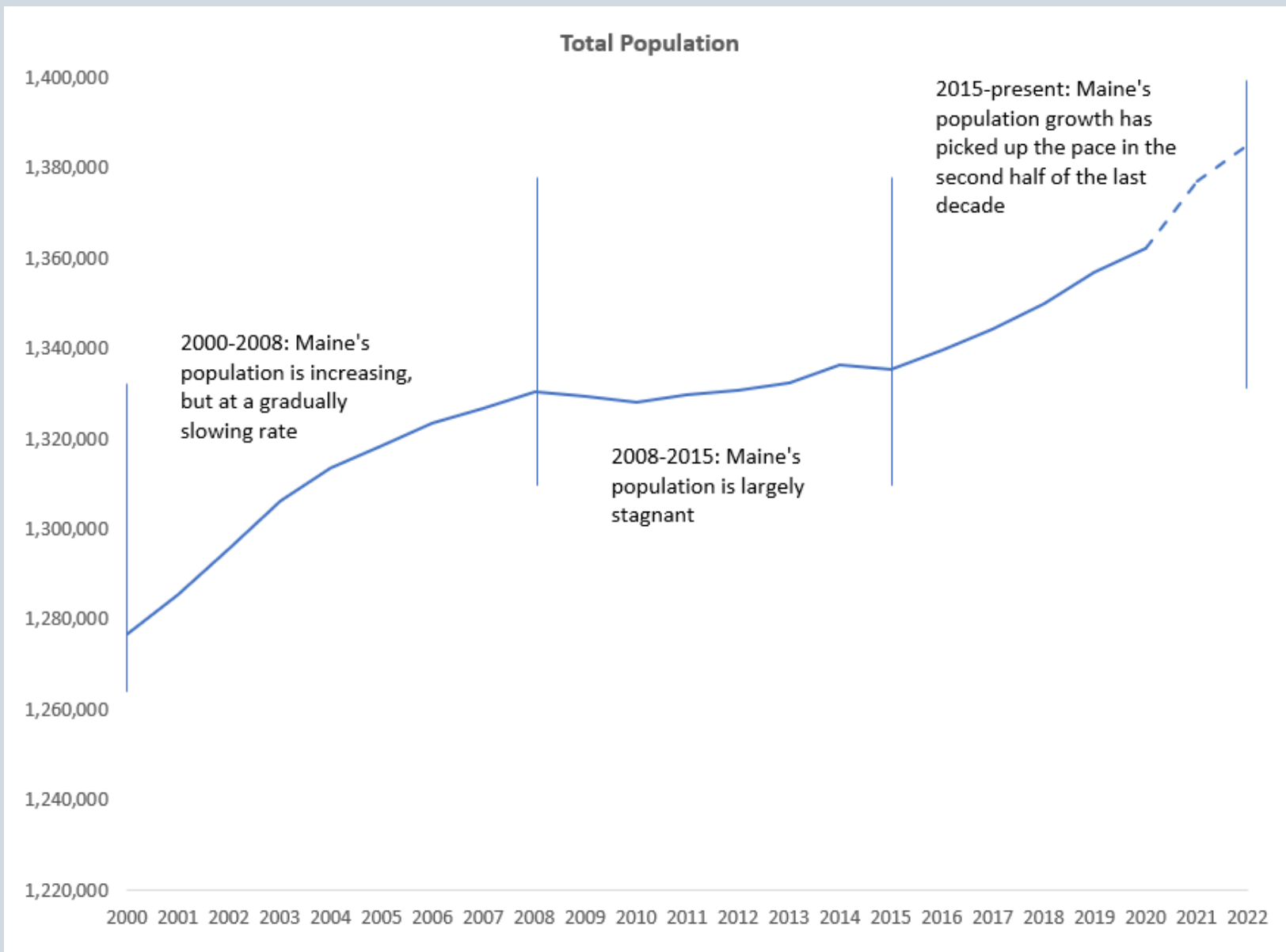
Demographics

Maine is the 42nd largest state in the U.S. (in terms of population)

2020 Decennial Population = 1,362,359

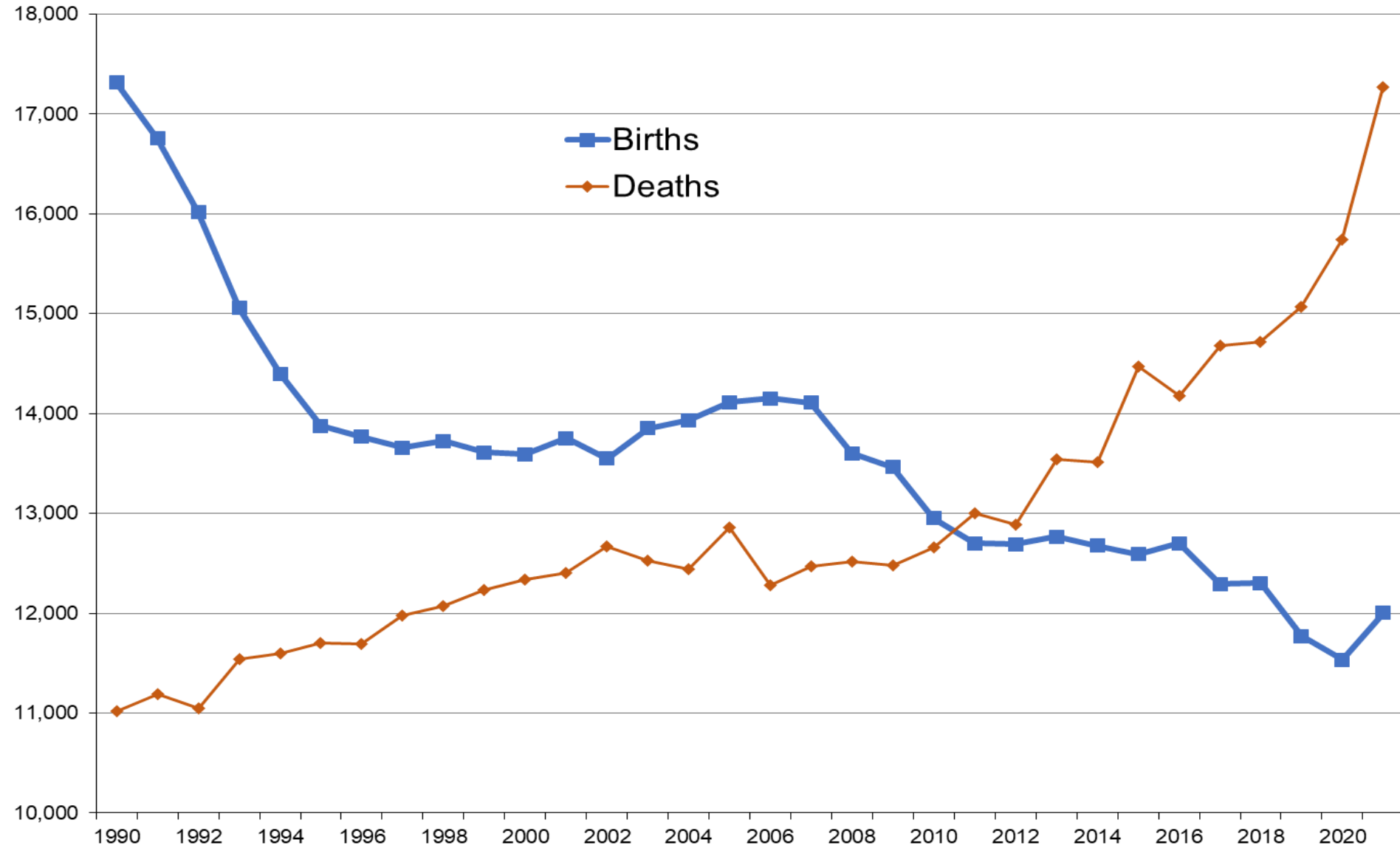
Population growth of 2.6% from 2010-2020 (42nd in U.S.)

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

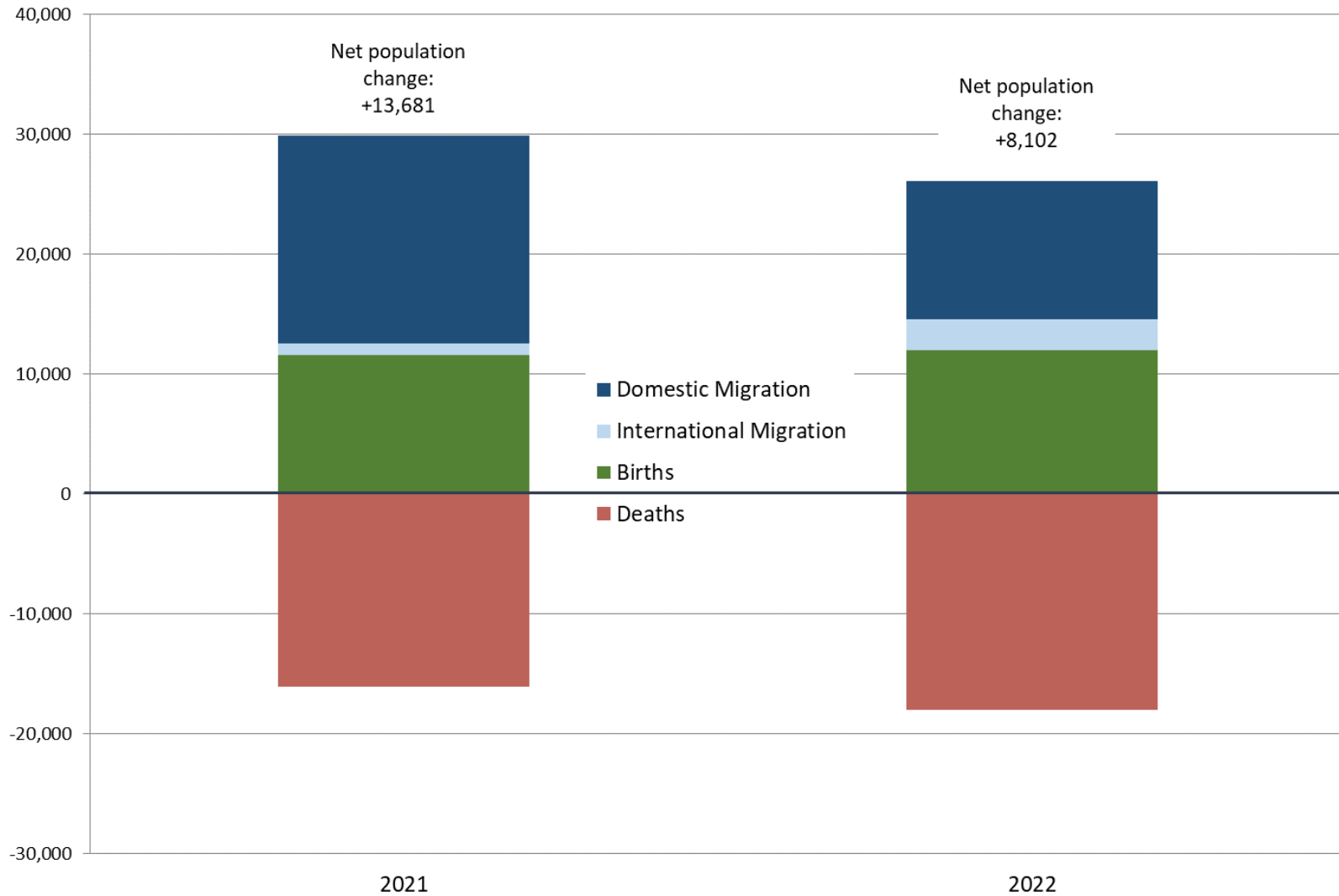


Population growth has varied over the last two decades

Births and Deaths per year in Maine

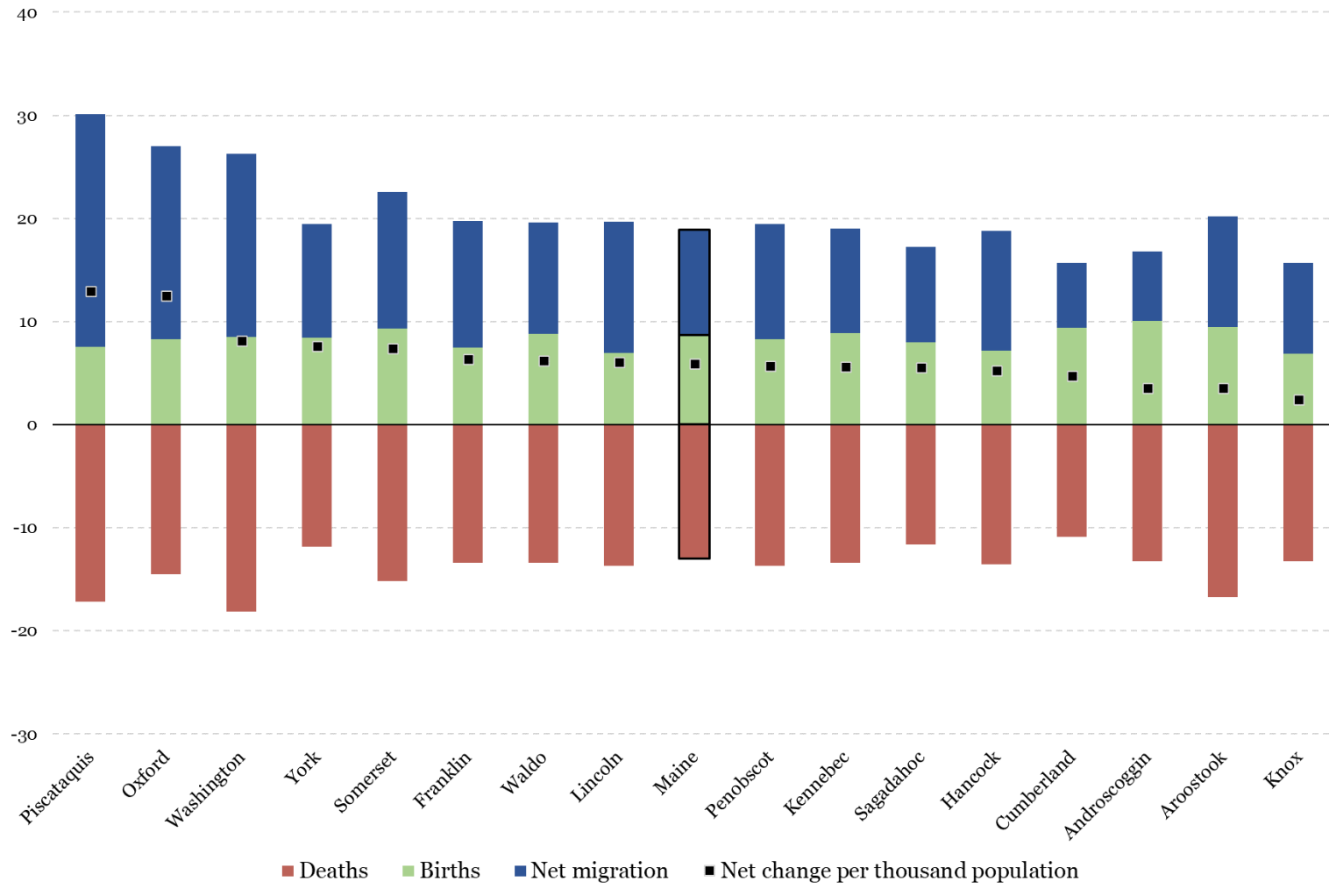


Components of Population Change, Maine



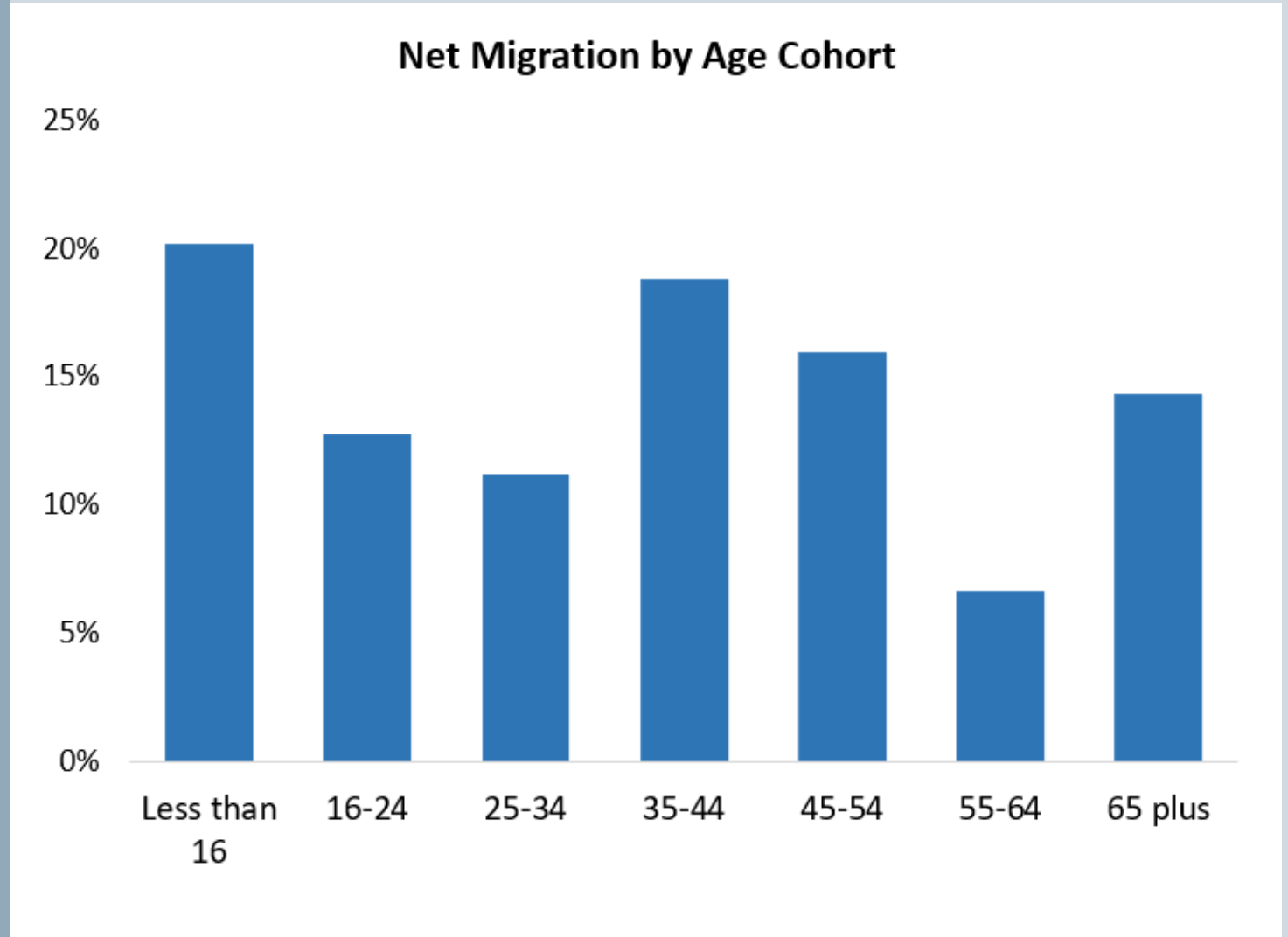
2022 net migration rate was 11th in U.S.

Components of Population Change in Maine, 2022
Rate per thousand population



It's some of
Maine's most rural
counties that have
the highest rates
of population
growth

44% of those migrating to Maine in 2021 were under the age of 35

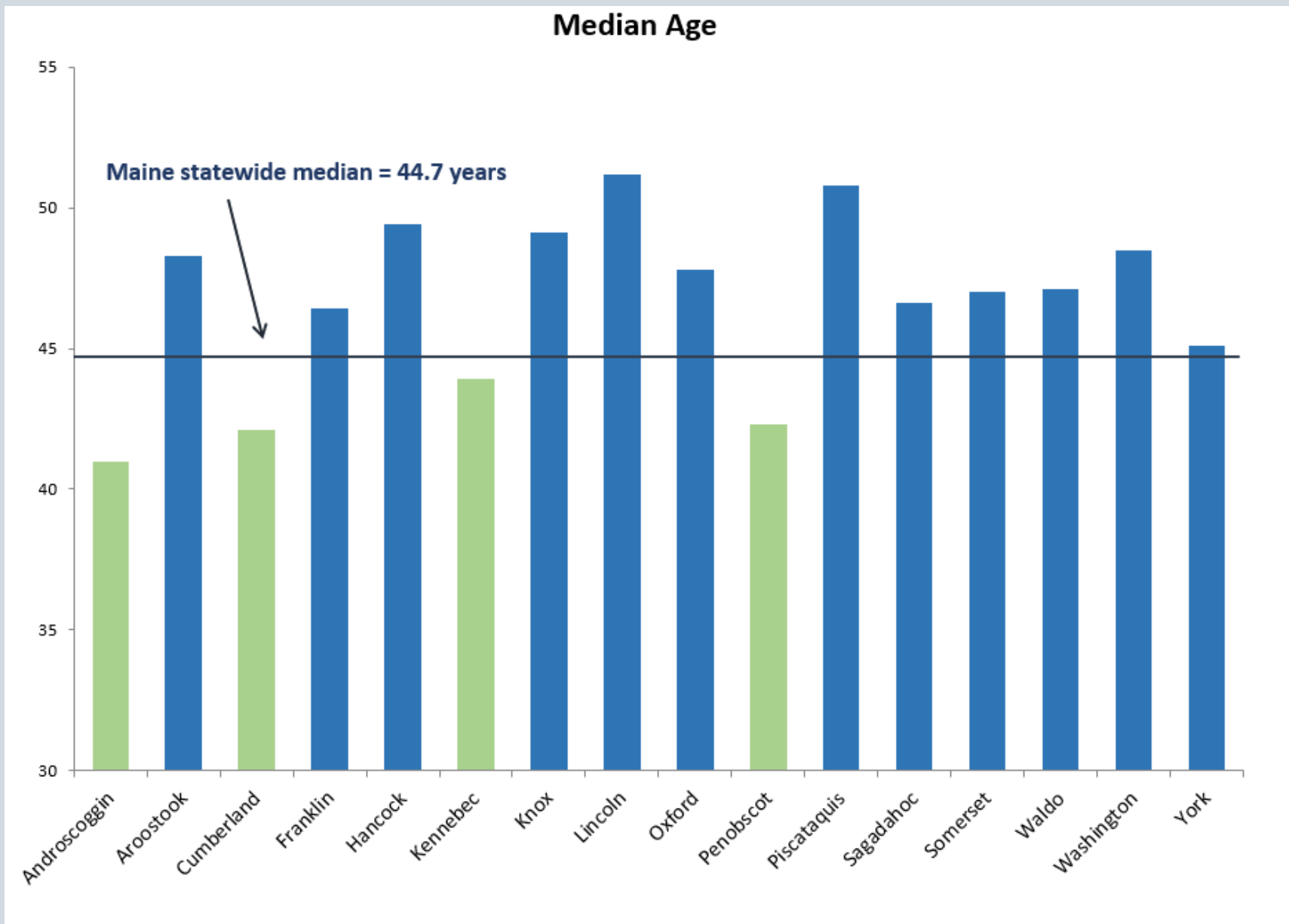


SOURCE: U.S. CENSUS BUREAU; AMERICAN COMMUNITY SURVEY 1-YEAR ESTIMATES

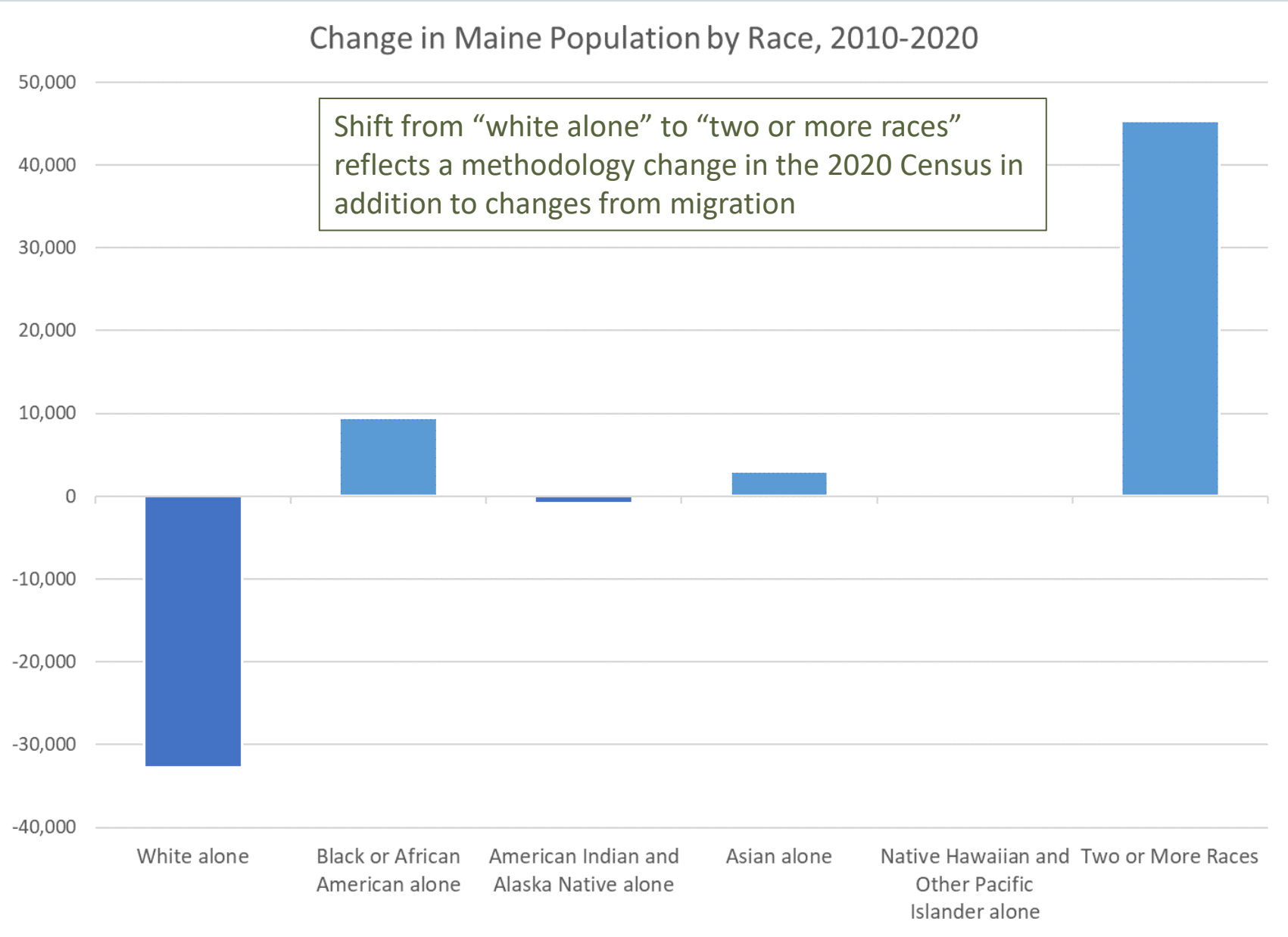
Maine has the oldest population...
...by median age
(44.7 years)
...and by % of population age 65+ (21.7%)

BUT!

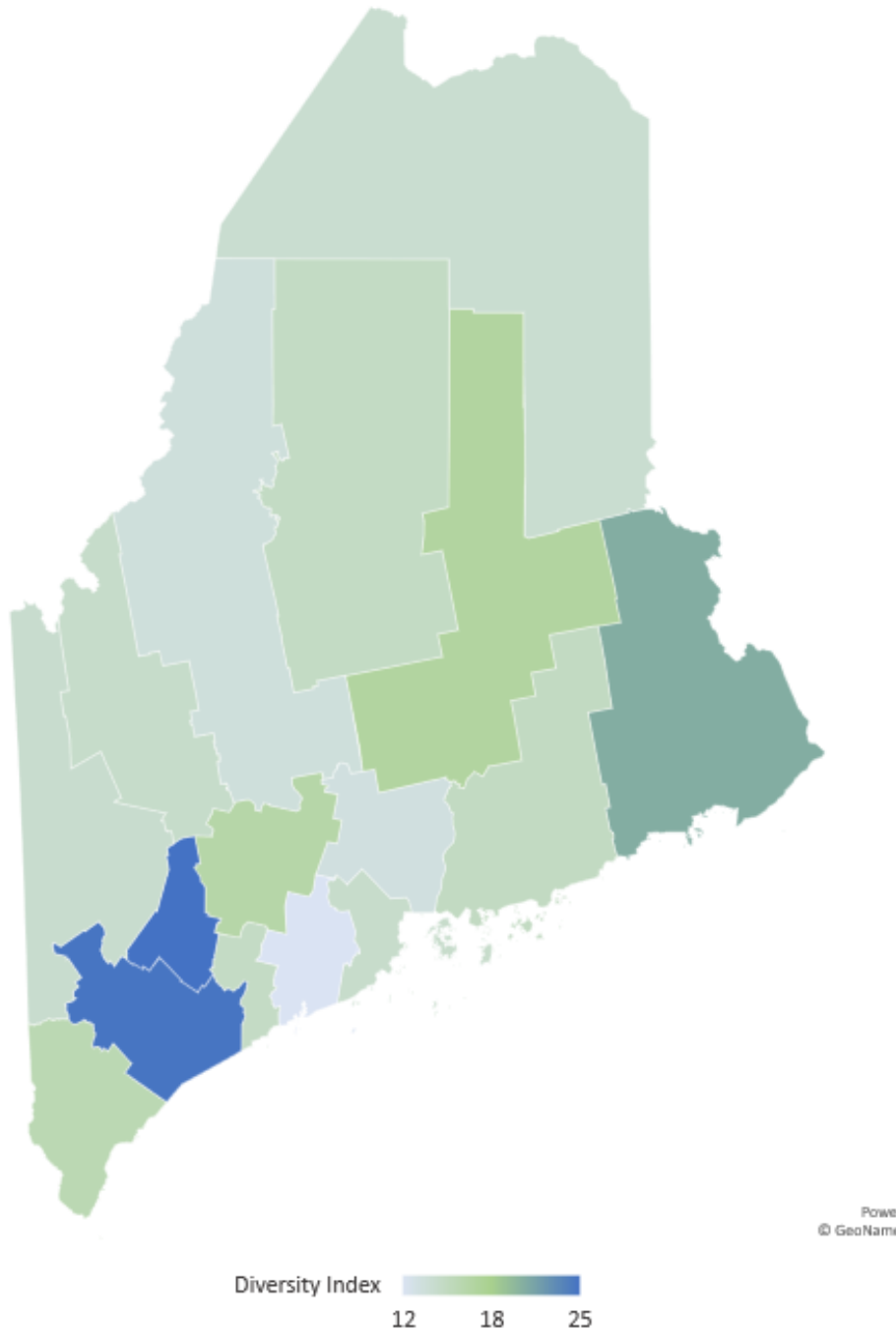
Maine was the **ONLY** state in the U.S. to see a decrease in median age from 2020 to 2021



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



Diversity Index in Maine, 2020: All Ages

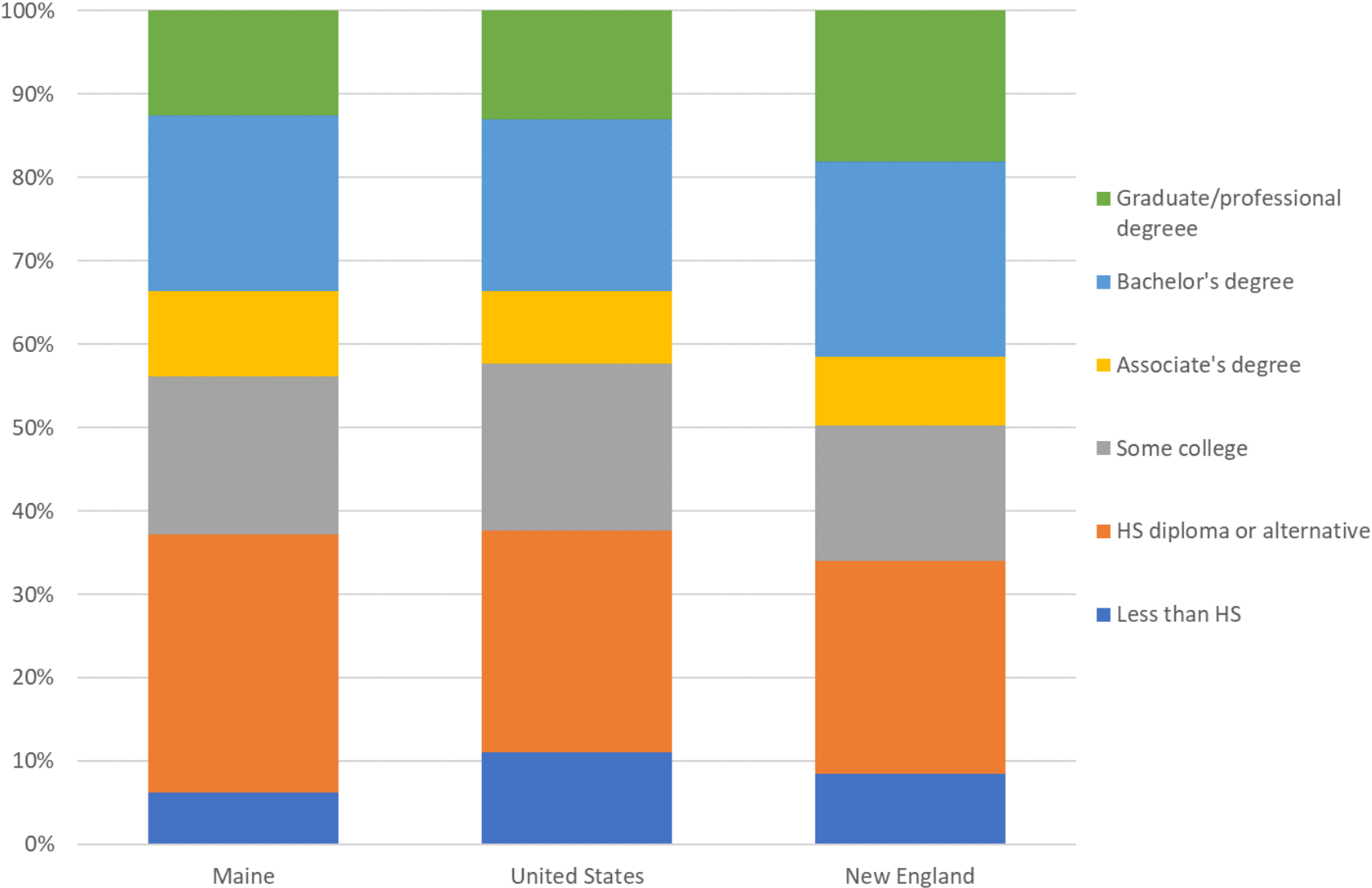


- This index tells us the chance that two people selected at random will be from different race or ethnicity groups
- In 2020, Maine ranked as the least diverse state in the U.S. (ME index = 18.5% versus US index = 61.1%)
 - HOWEVER, there is regional variation...

- ...and variation across age groups
- younger generations are **significantly** more diverse than the state as a whole



Educational Attainment of Population Age 25+



Workforce and Employment

Who is in the labor force?

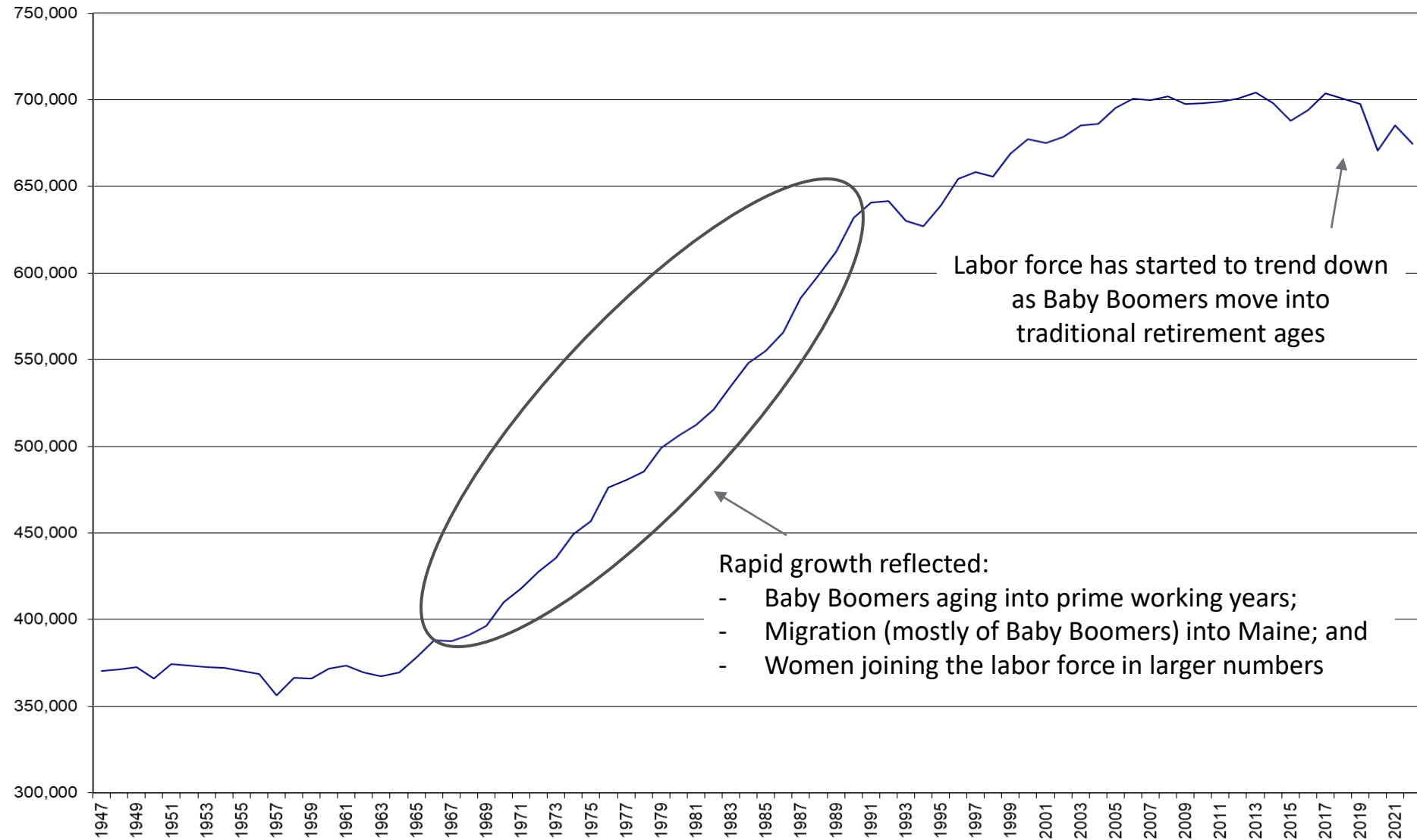
People who are employed

People who are unemployed and looking for work

Who is not in the labor force?

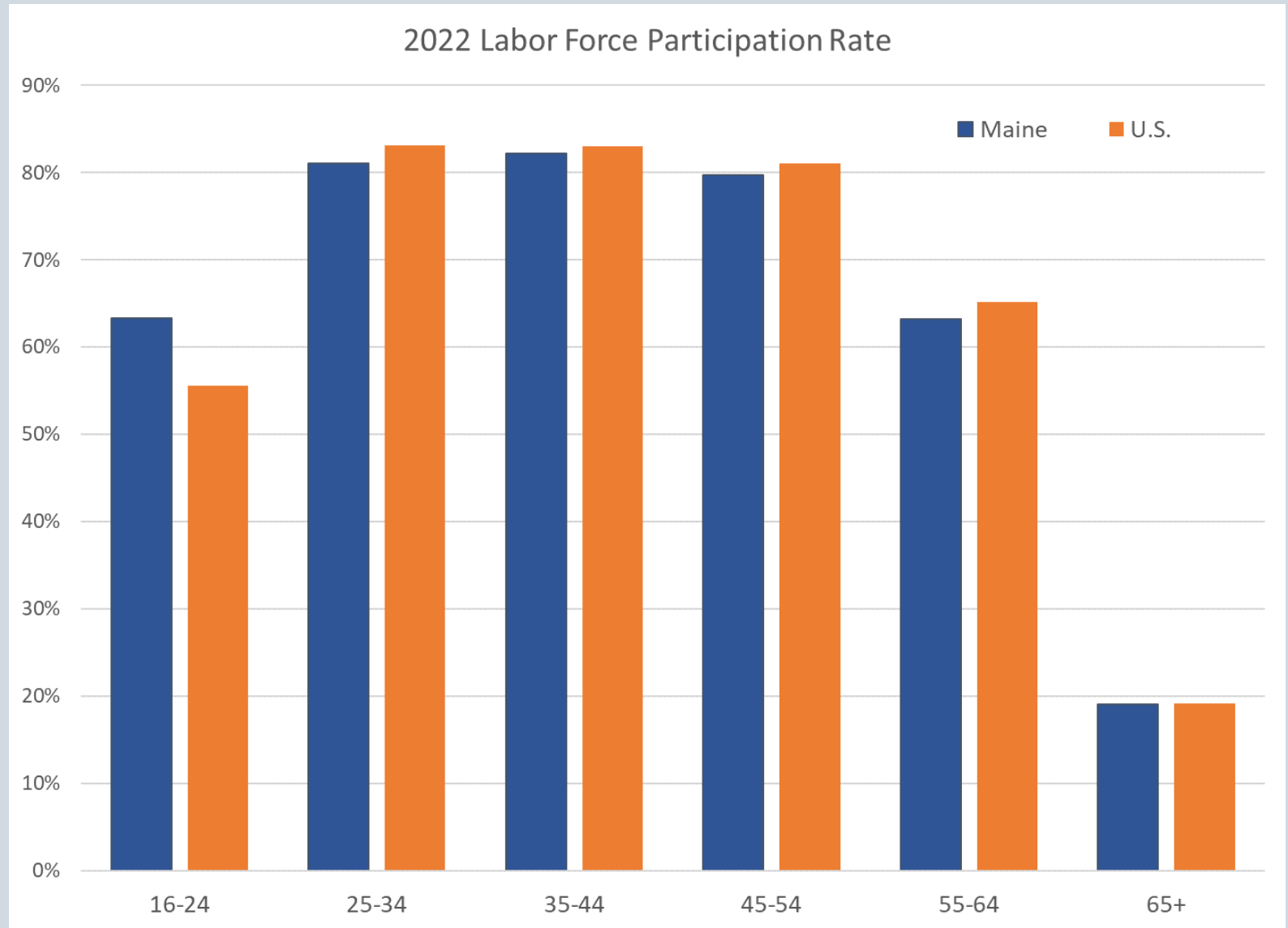
- People under age 16 who are still in school
- People in the military (not counted in civilian labor force)
- People who are retired
- People who are unemployed and not looking for work (might be caring for children or older parents; might be in college full-time)

Maine Civilian Labor Force

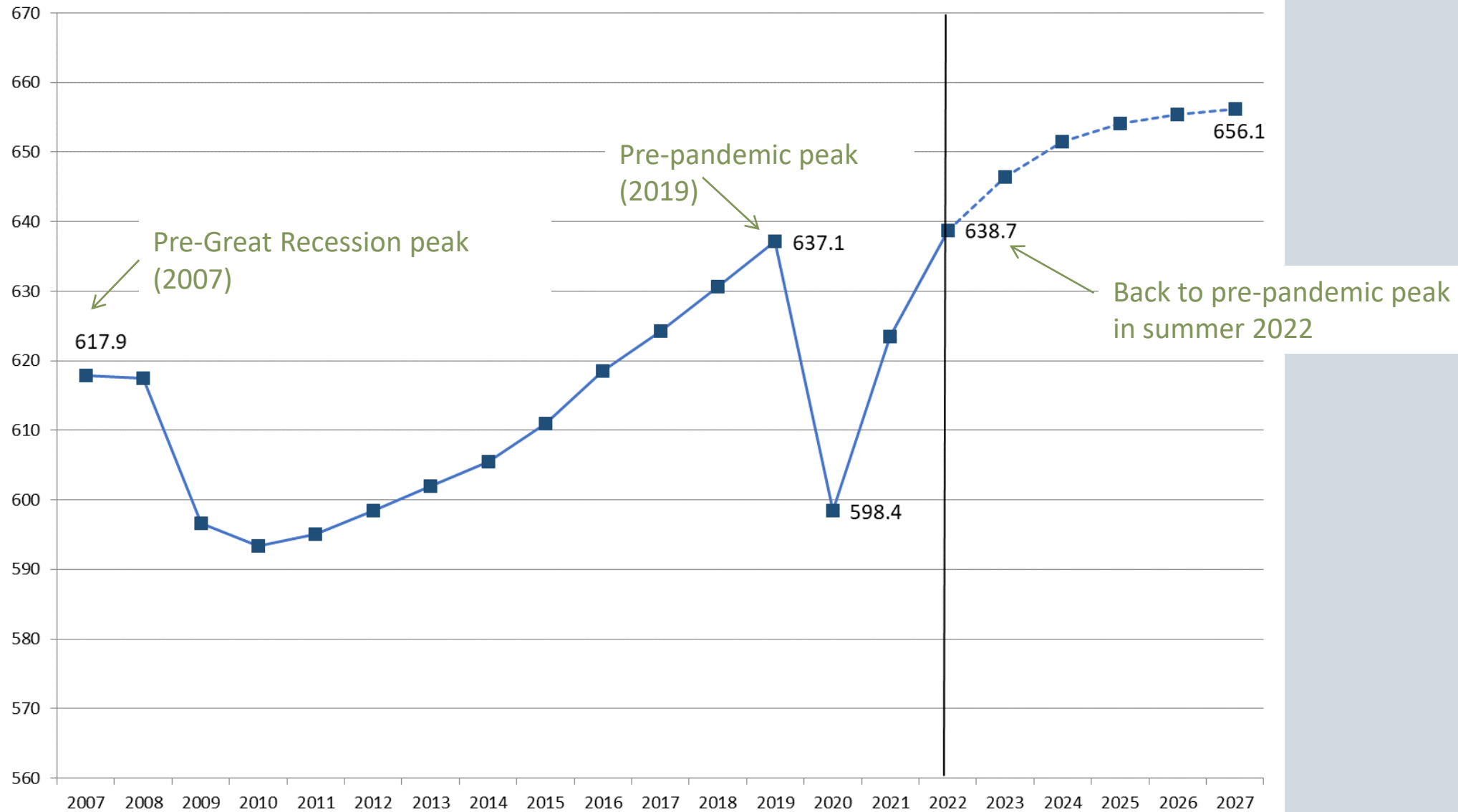


From Maine Dept. of Labor's *Annual Workforce Report for 2021* (pub. Nov. 2022):

- 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

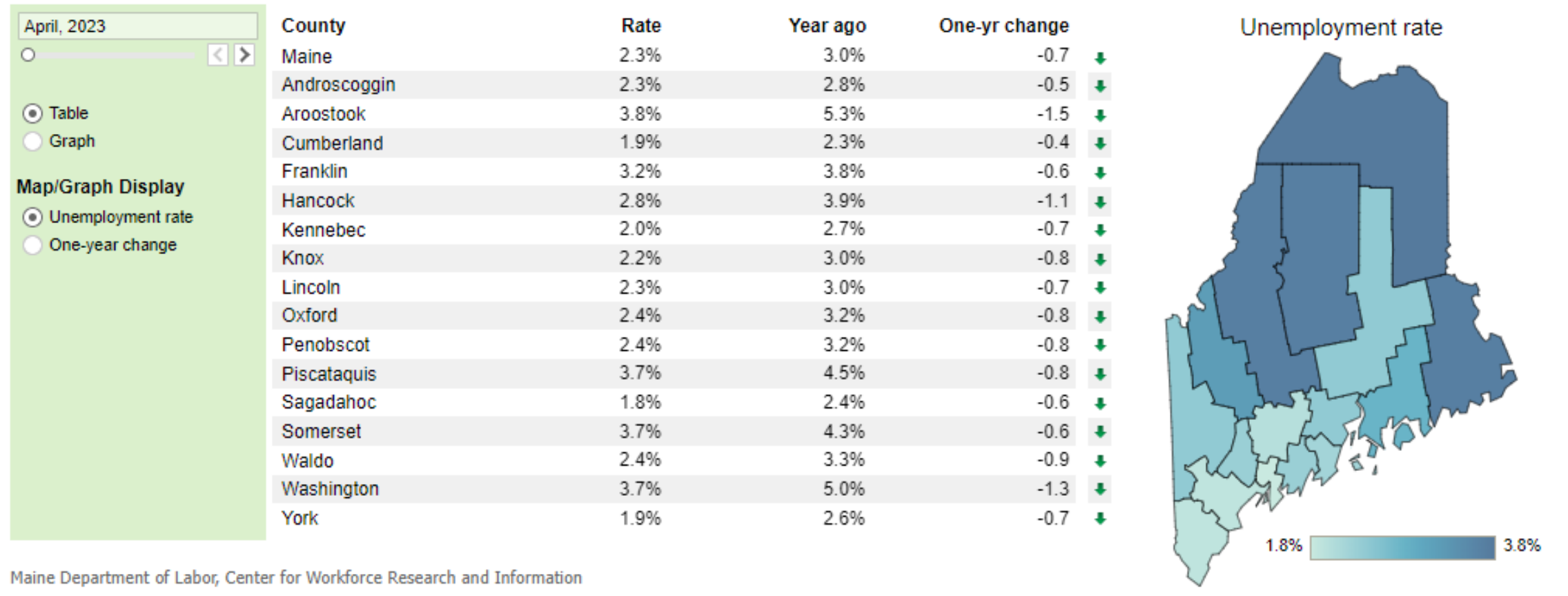


Total Nonfarm Employment (in thousands) History and CEFC forecast



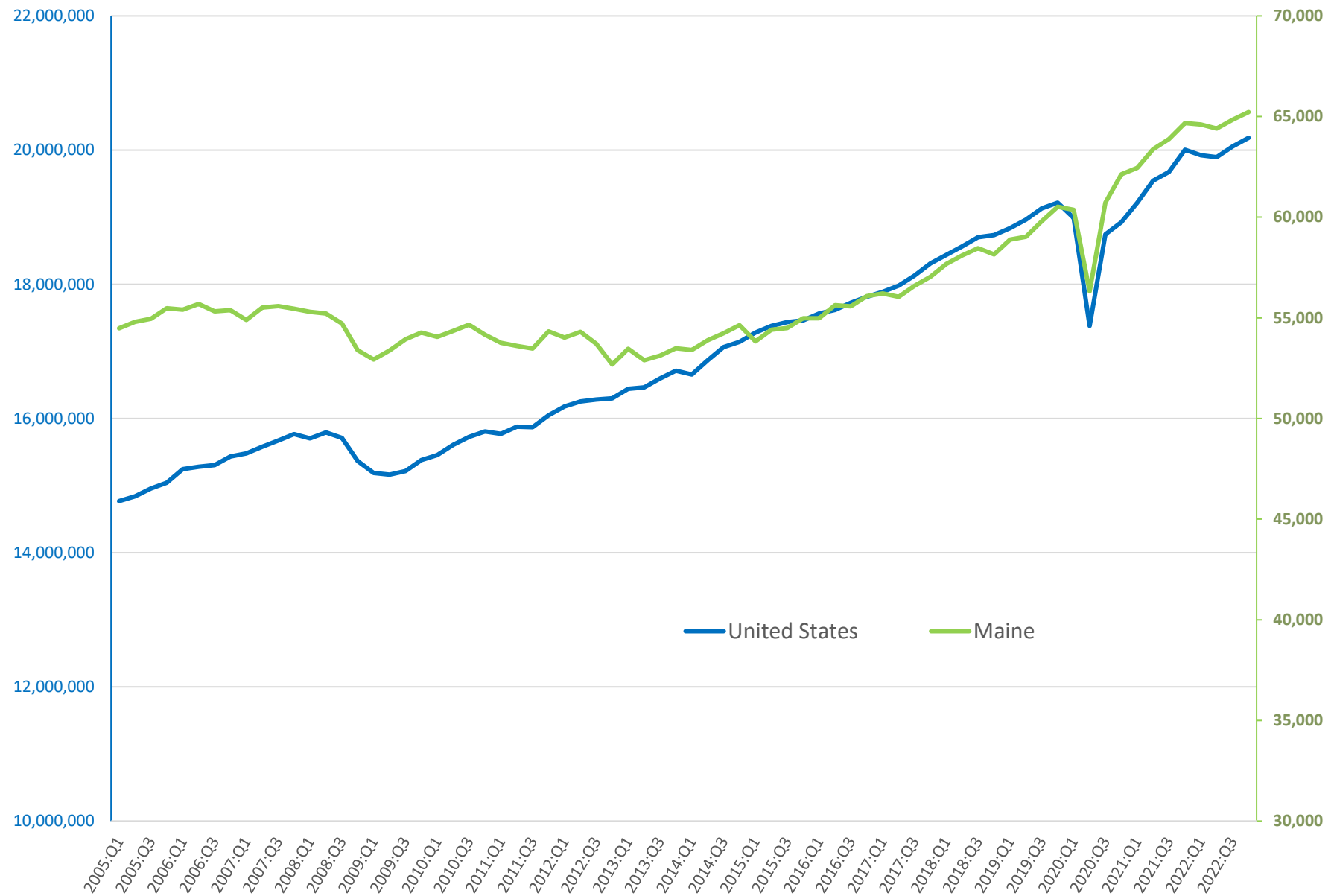
Maine's unemployment rate in April 2023 is a record low and below the U.S.

County Rates (not seasonally adjusted)

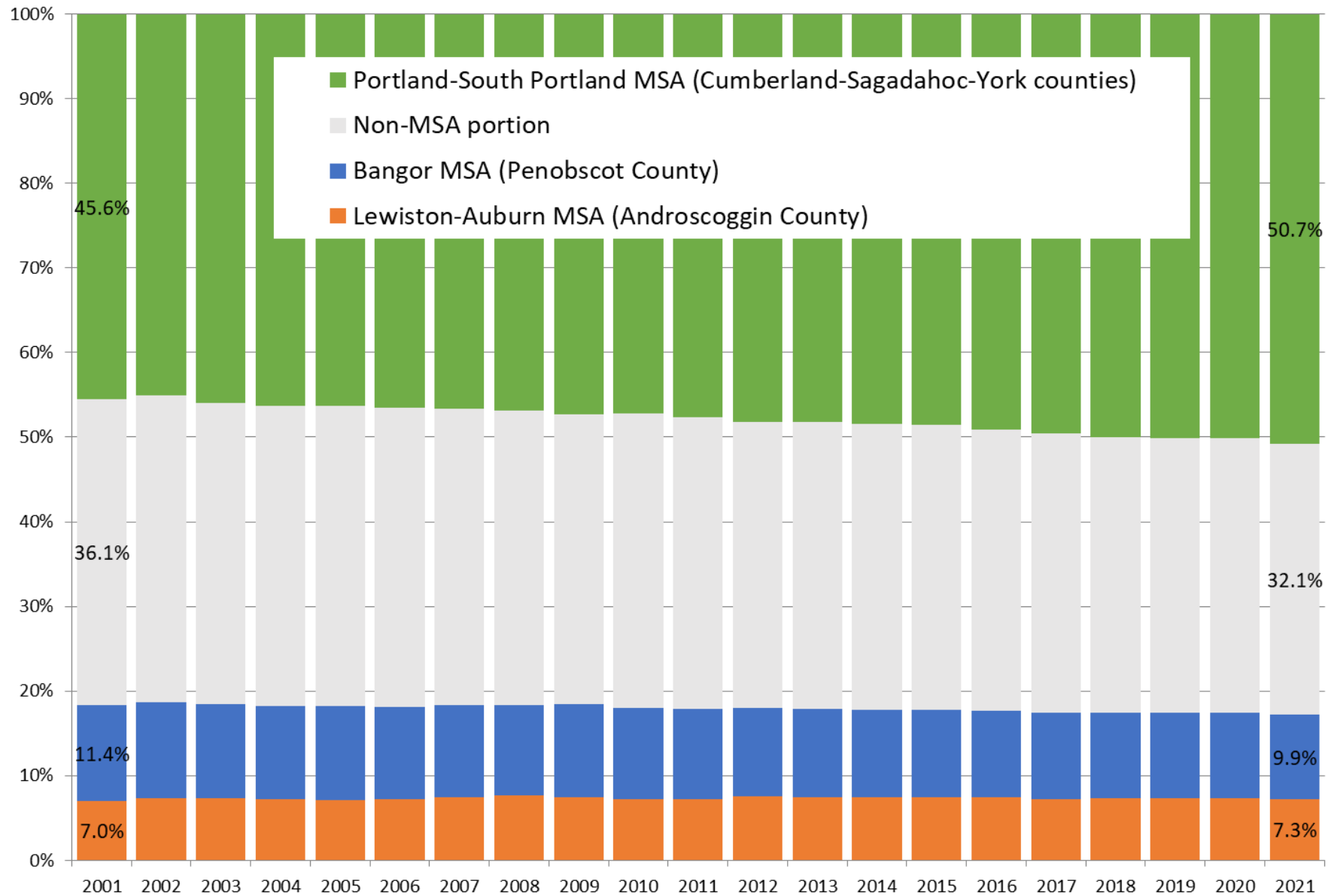


GDP and Industries

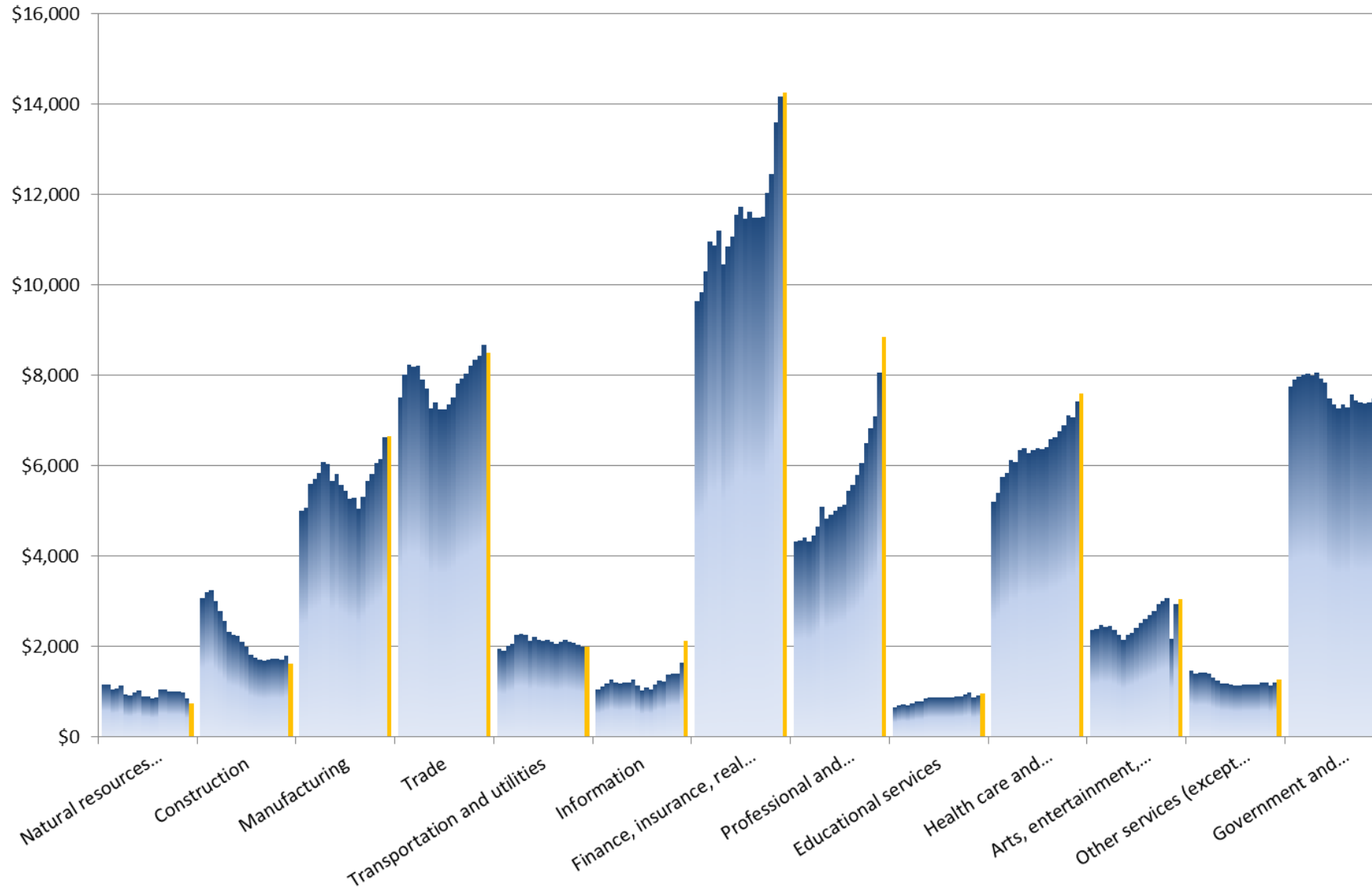
Quarterly Real GDP (in millions of chained 2012 dollars)



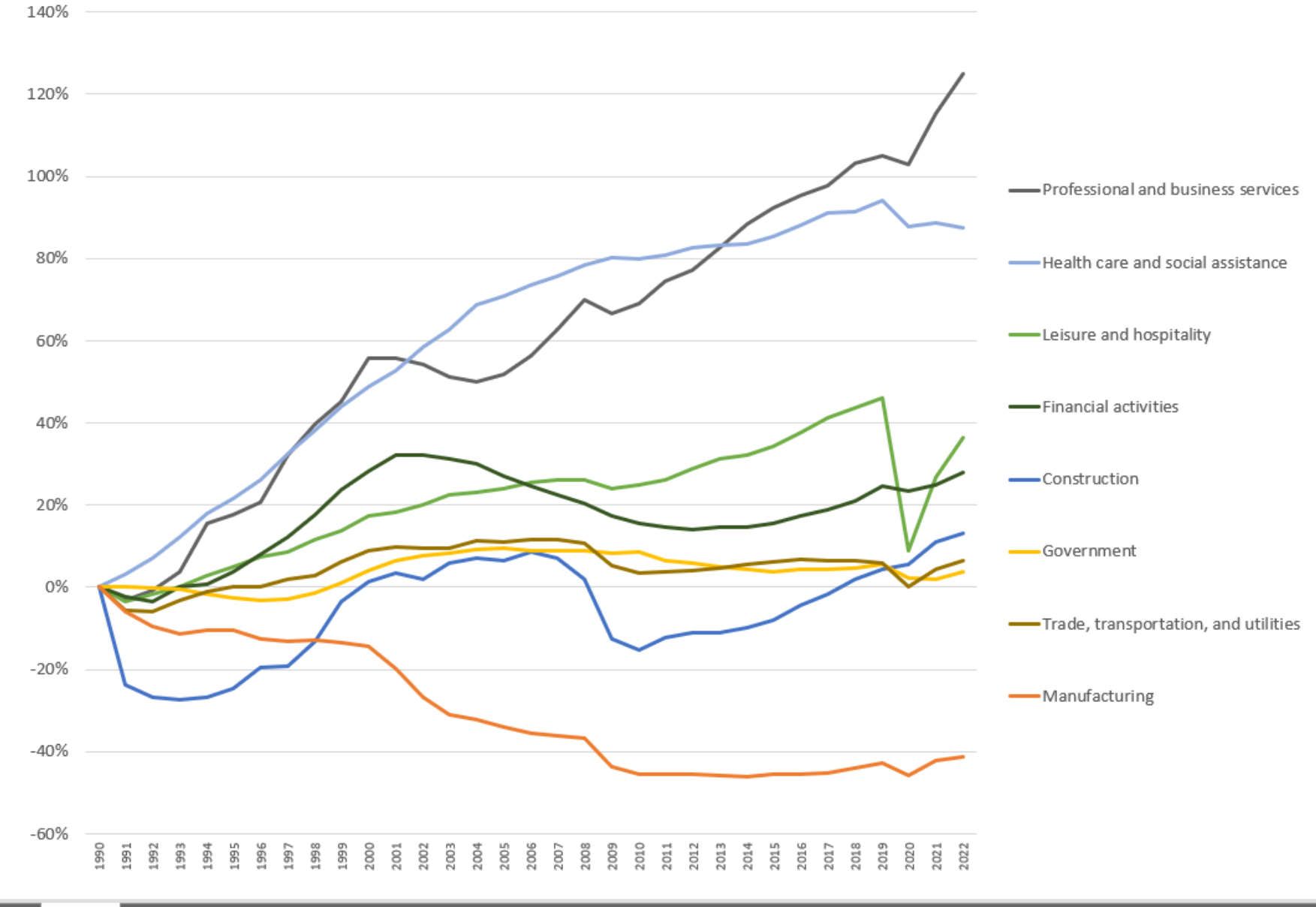
Share of Maine Real GDP by Metropolitan Area



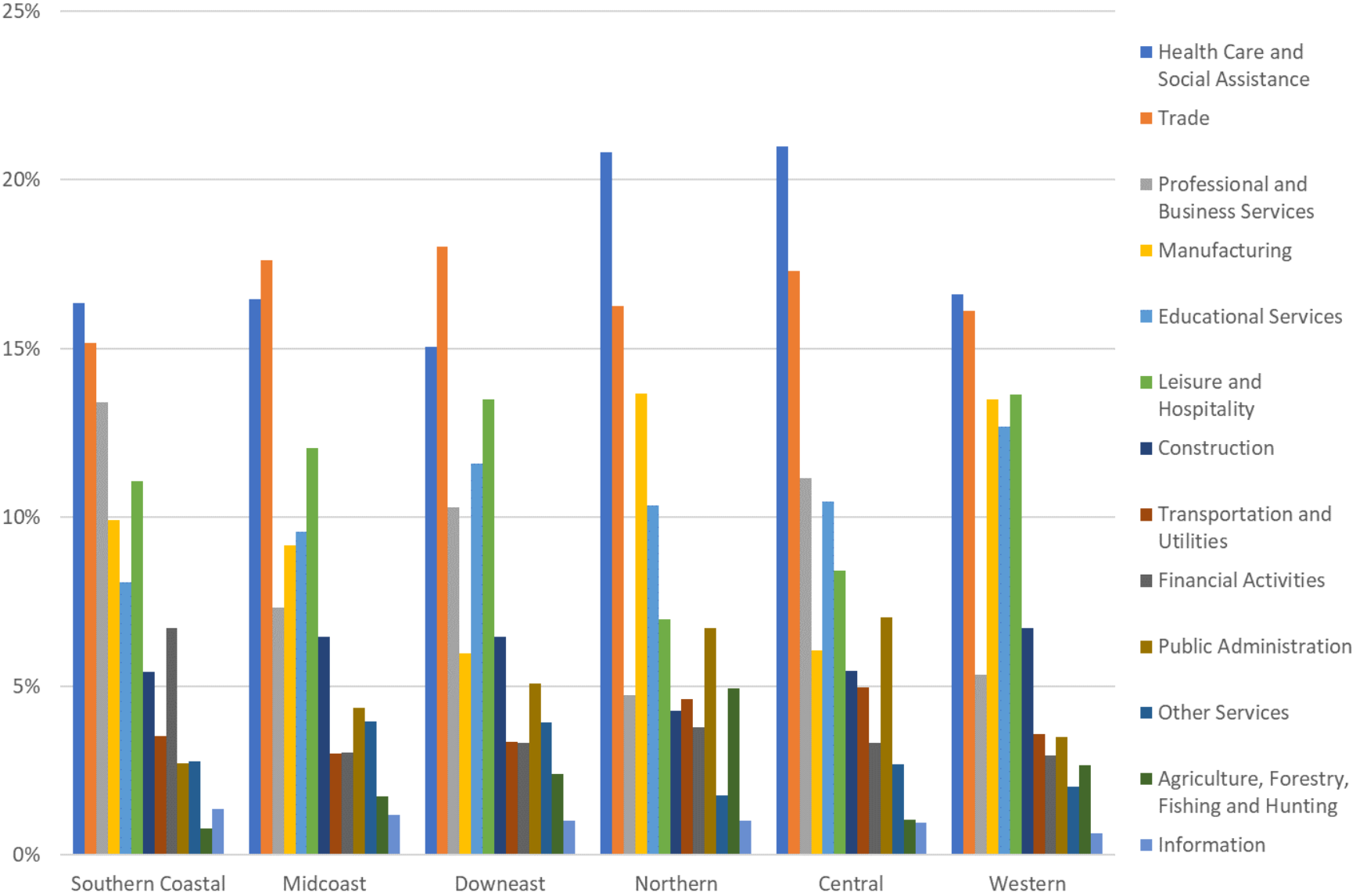
Maine Real GDP by Industry, 2002-2022 (in millions of chained 2012 dollars)



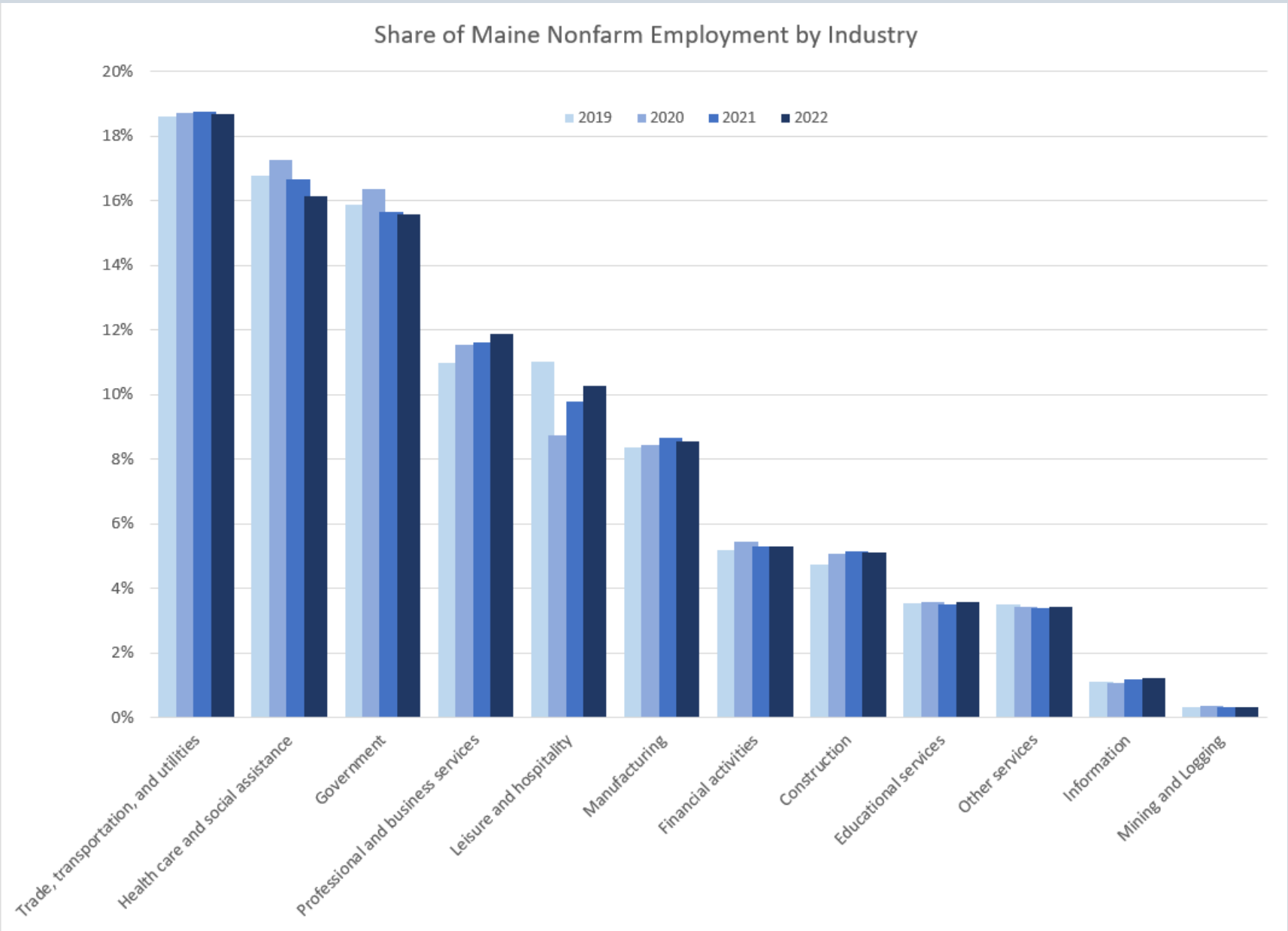
Percent change in select Maine employment sectors since 1990



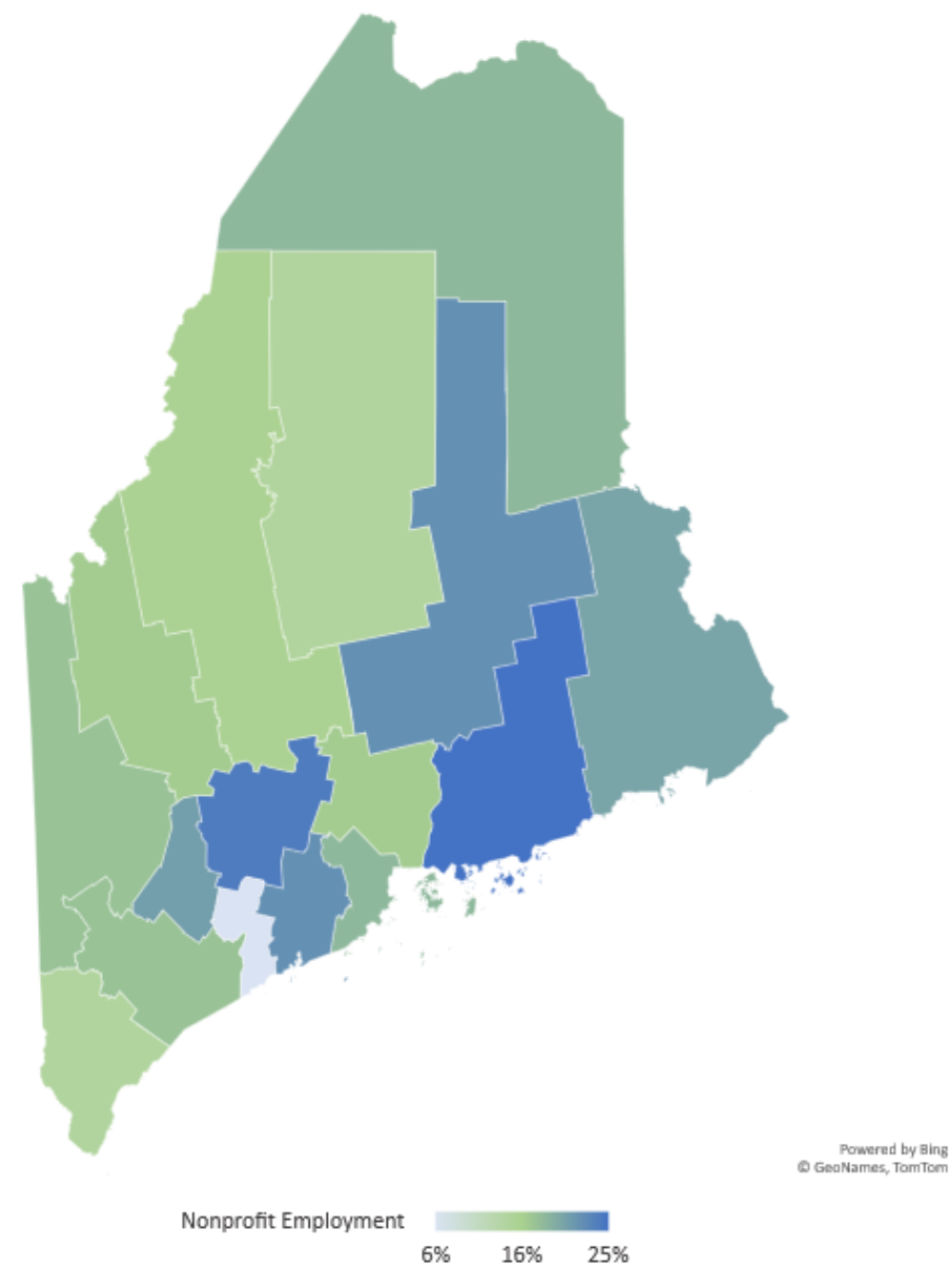
Share of 2021 Regional Employment by Industry Sector



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)



Nonprofit Employment as Percentage of Total Private Employment, 2017

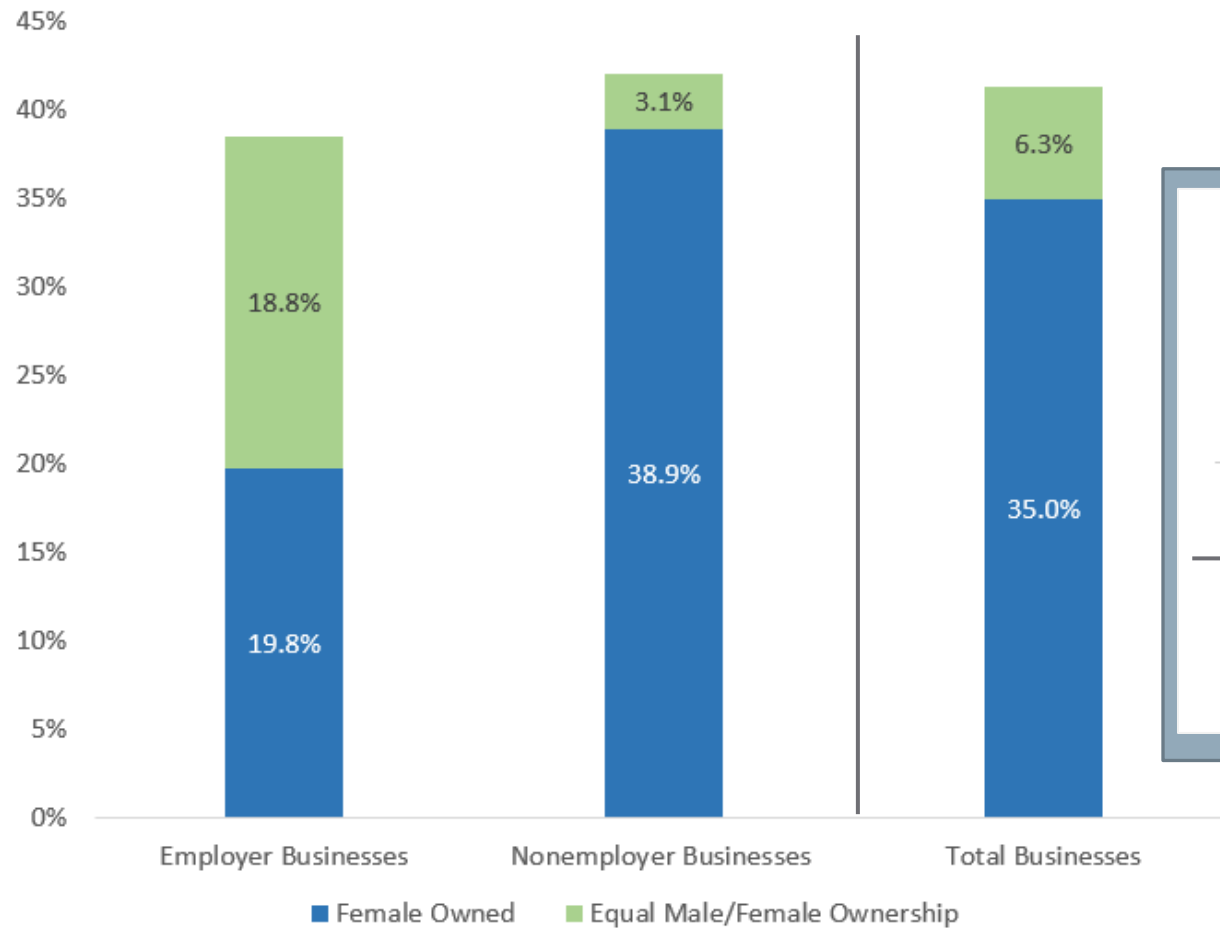


Nonprofit organizations are responsible for about 10% of total U.S. private sector employment.

Maine (18%) is ranked third, only behind Washington D.C. and Vermont.

Business Ownership

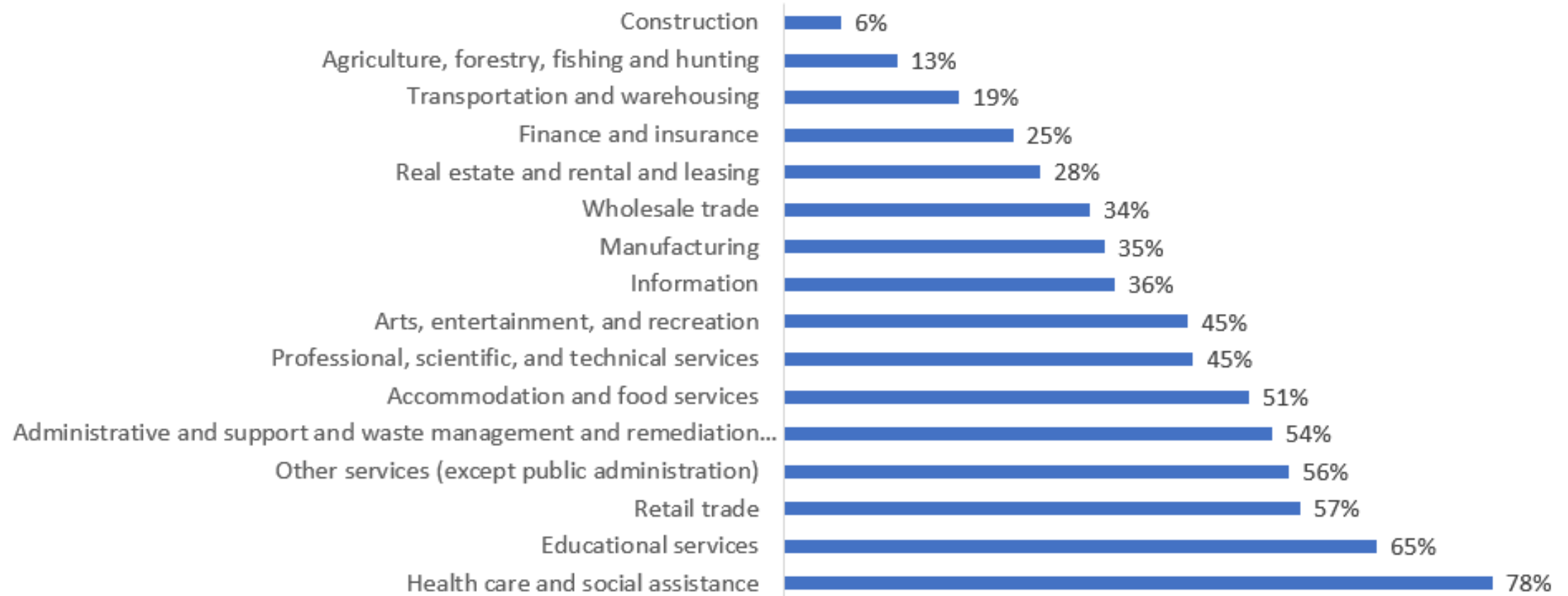
Business Ownership: Maine, 2019



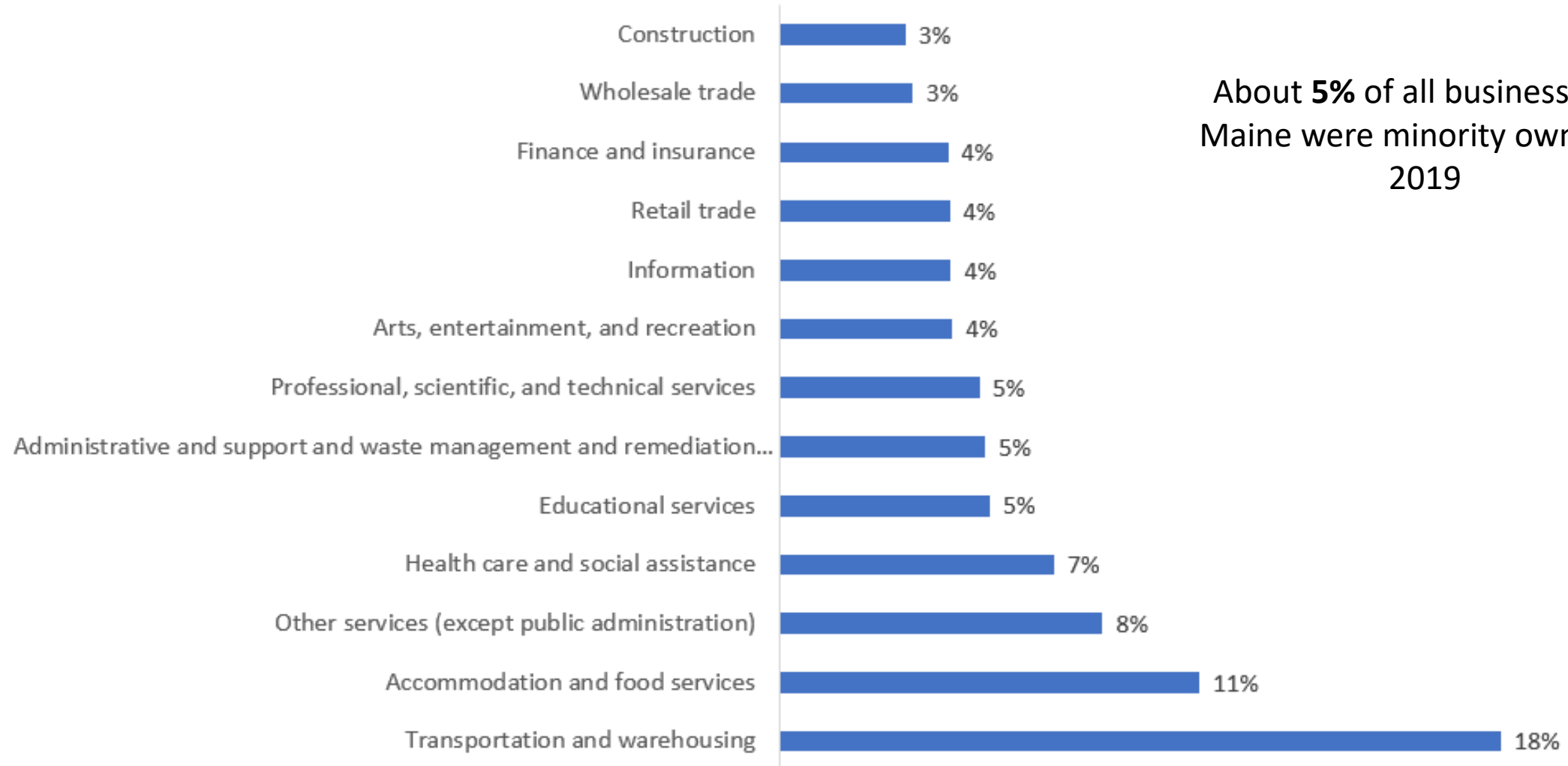
Maine's US Rank

	Employer Businesses	Nonemployer Businesses	Total Businesses
Female Owned (%)	35	50	47
Equal Male/Female Ownership (%)	16	17	12

Nonemployer Businesses, Percent Female Owned: Maine, 2019



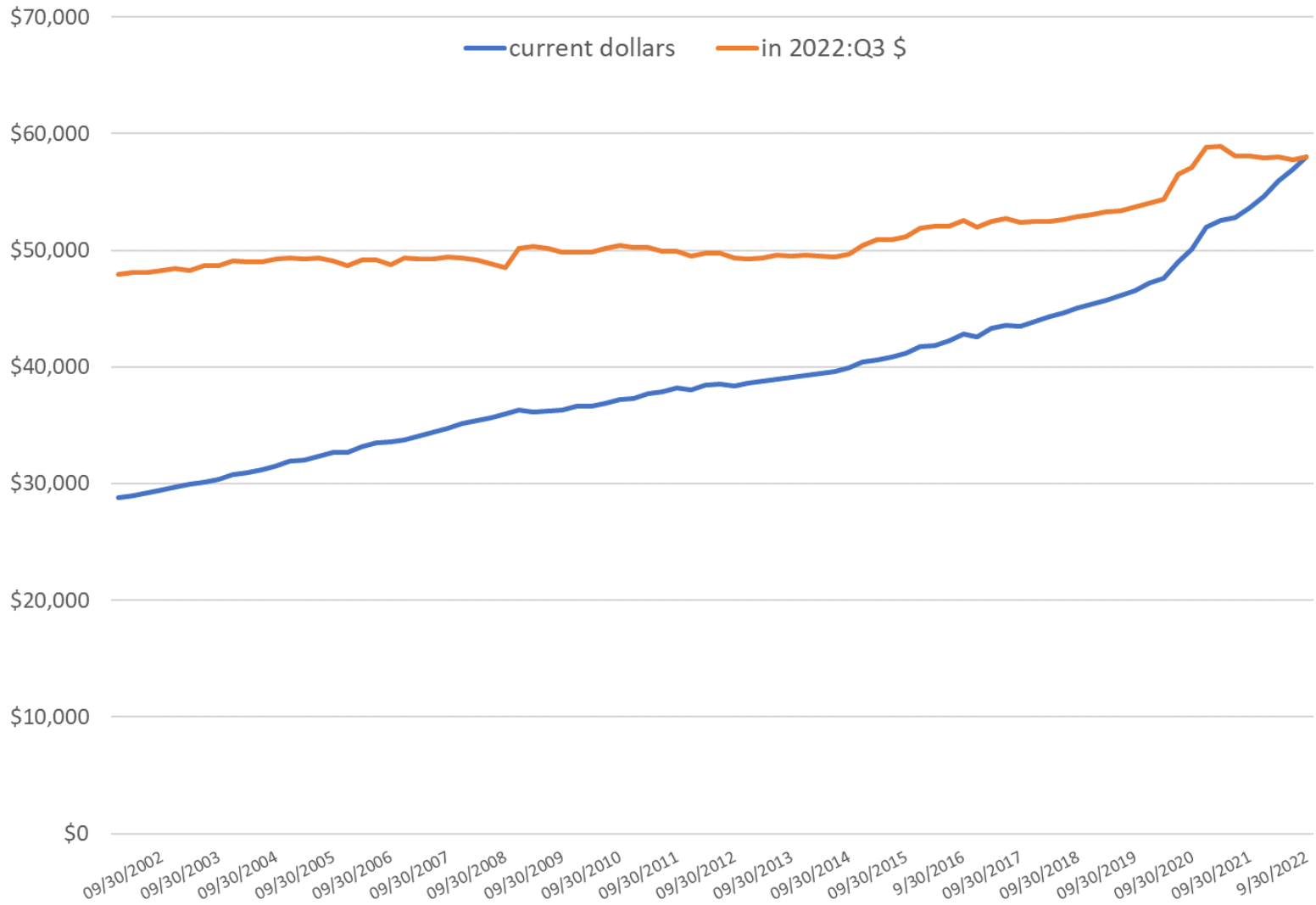
Nonemployer Businesses, Percent Minority Owned: Maine, 2019



About **5%** of all businesses in Maine were minority owned in 2019

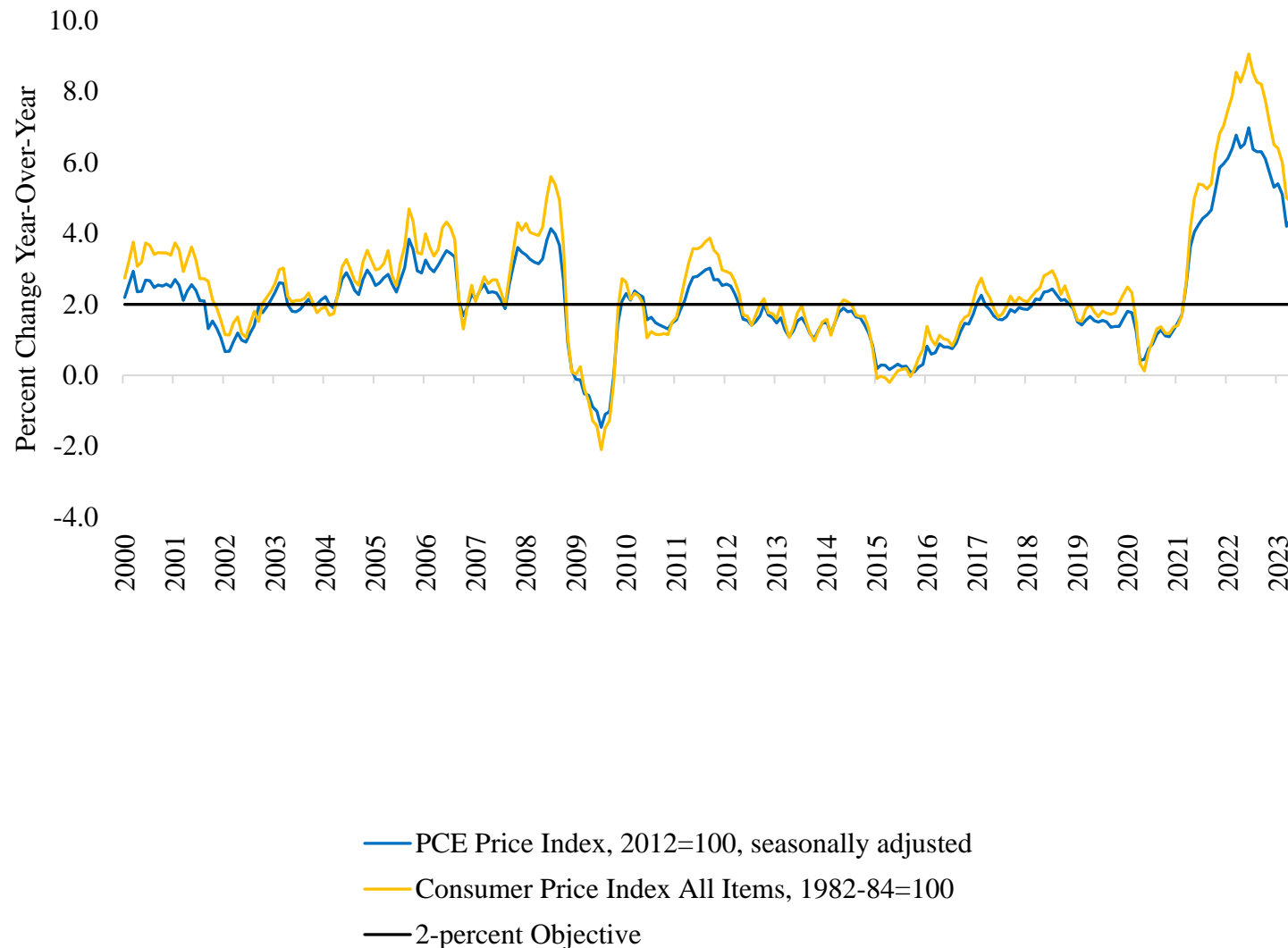
Wages and Income

Moving Four Quarter Average Wage Per Job



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

Measures of inflation, Year-Over-Year Percent Change

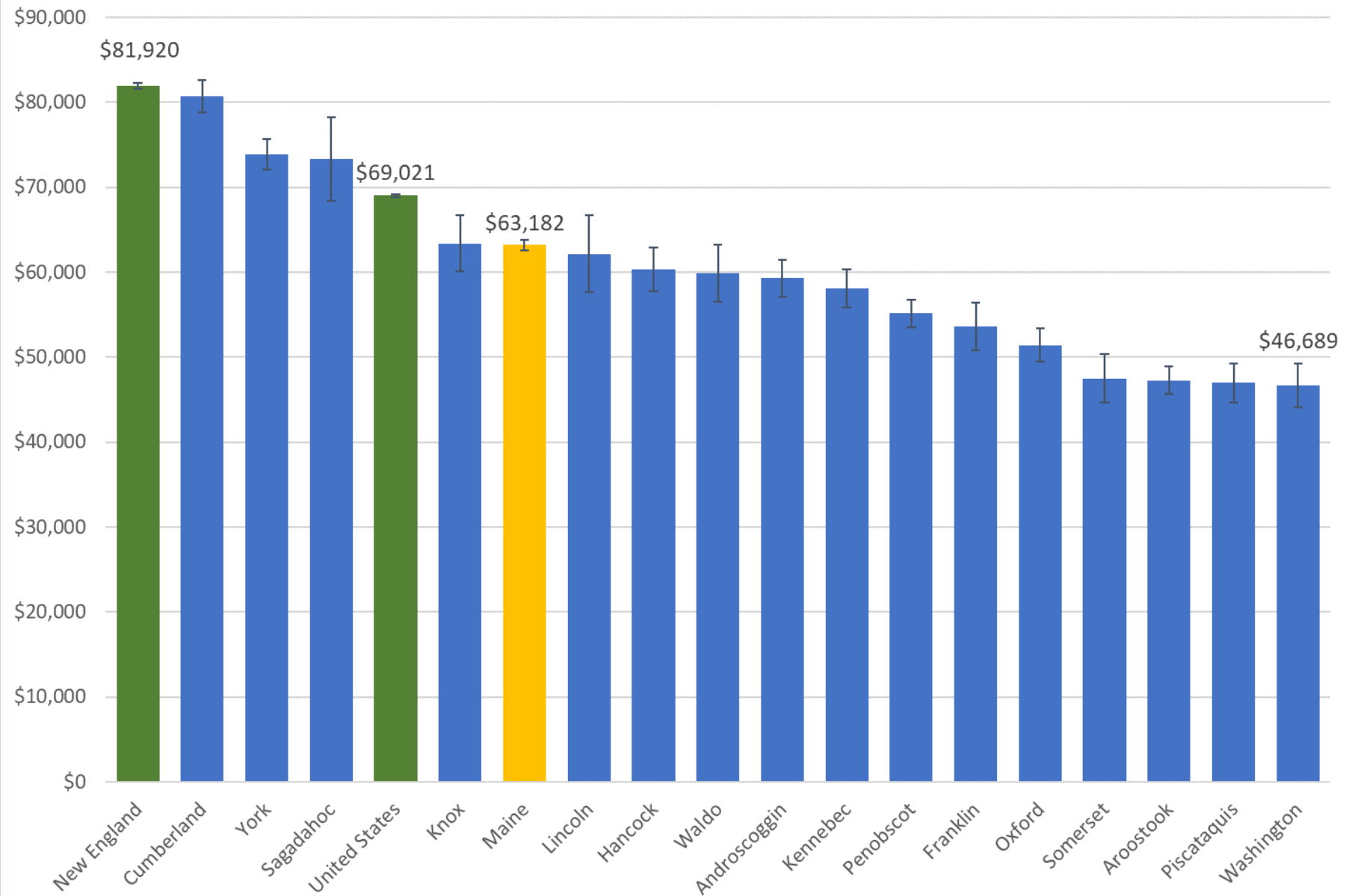


CPI is released by the Bureau of Labor Statistics and is based on surveys of urban consumers

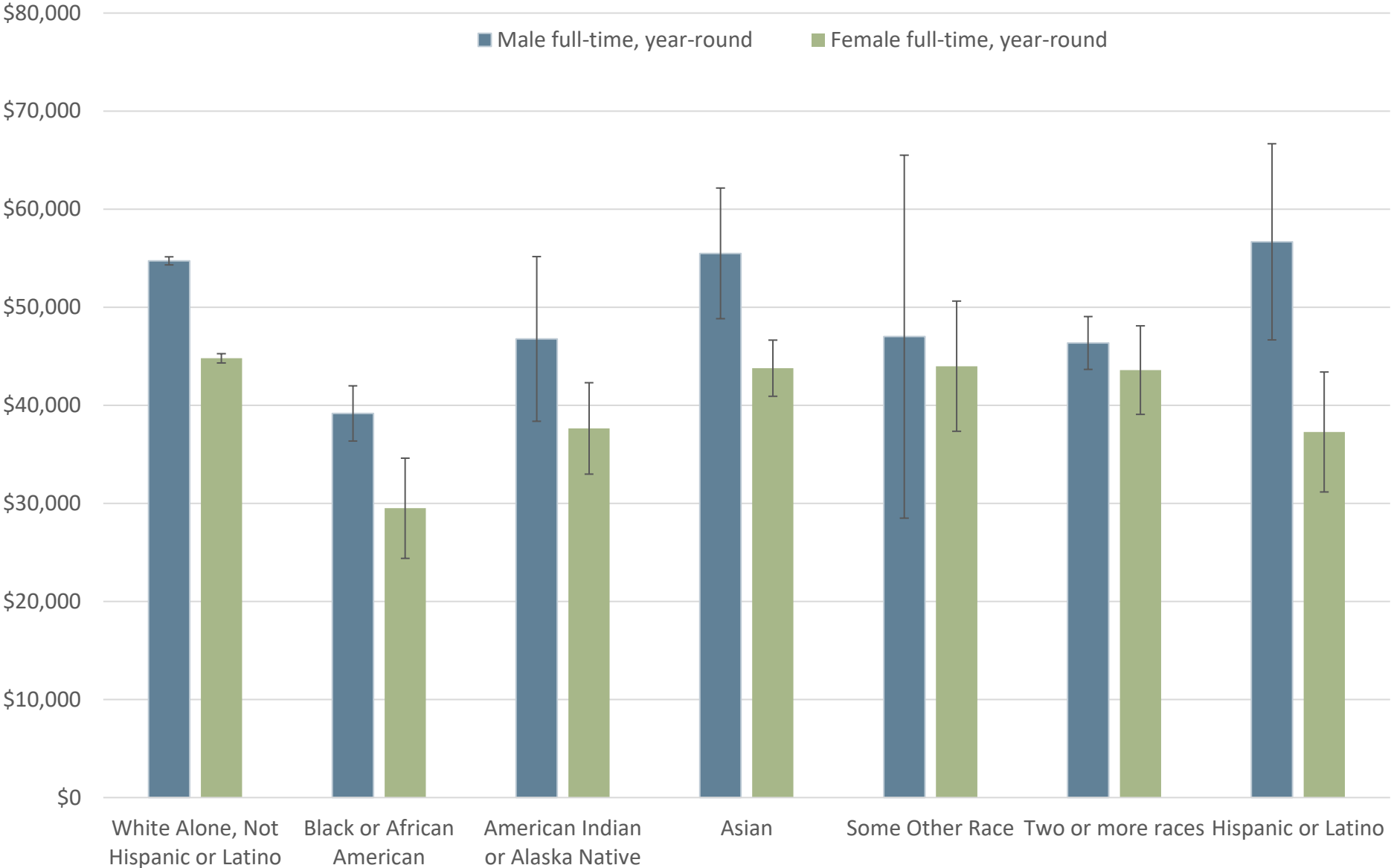
PCE is calculated by the Bureau of Economic Analysis and is based on surveys of what businesses are selling

Federal Reserve focuses on the PCE in monetary policy decisions

Median Household Income

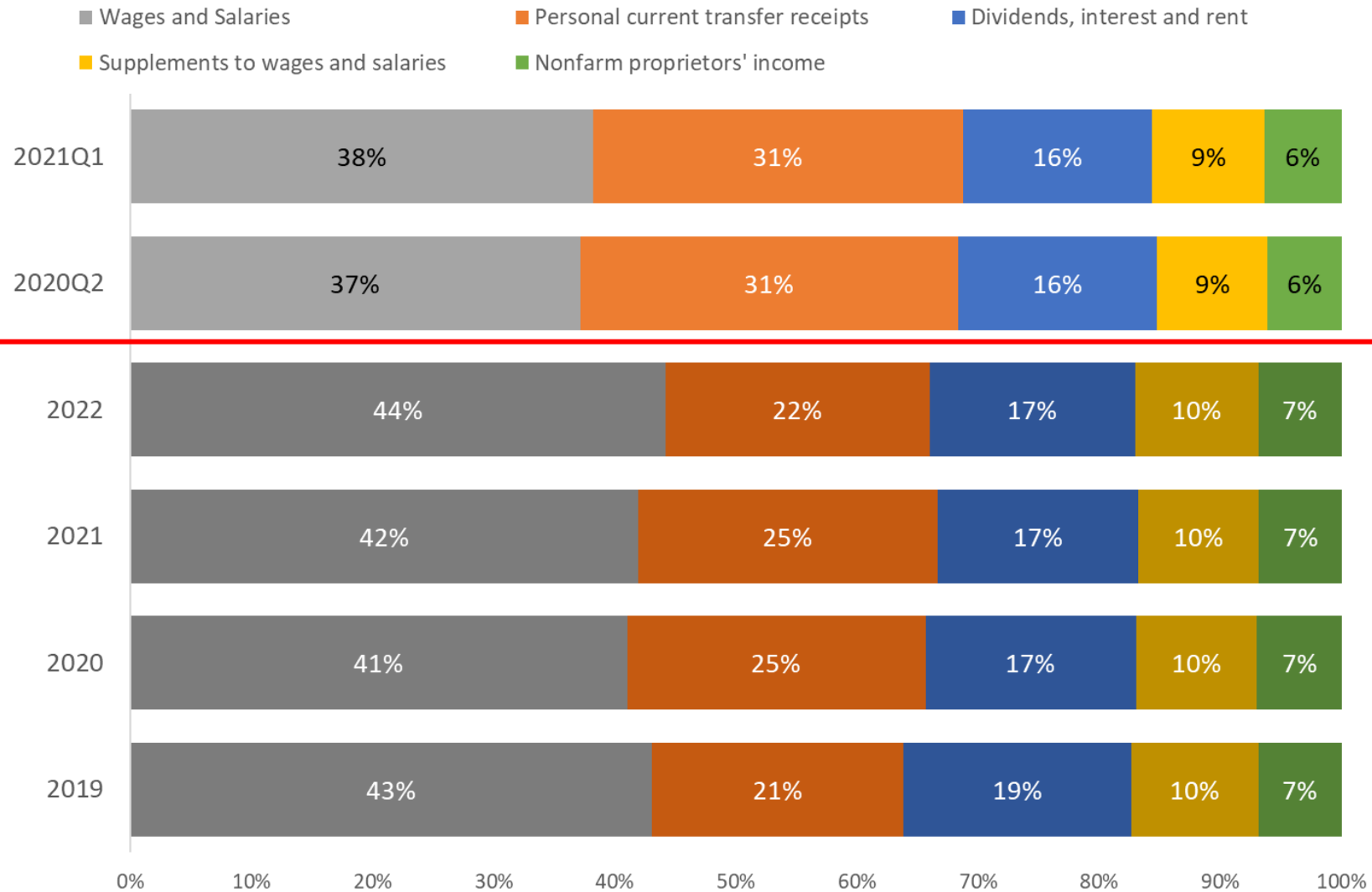


Median Earnings by Race/Ethnicity and Sex, Maine



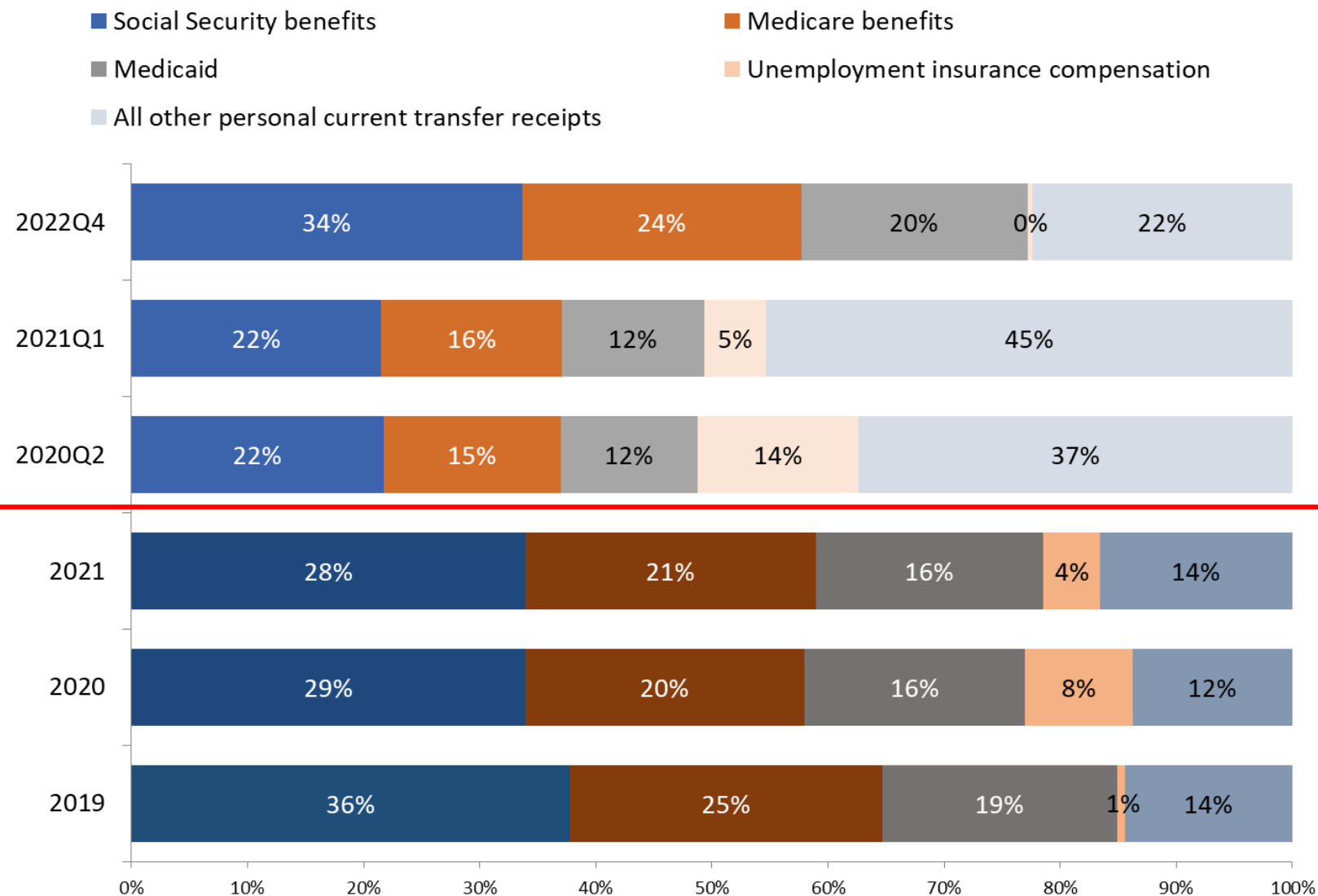
SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY 5-YEAR ESTIMATES

Major Components of Personal Income, Maine



SOURCE: U.S. BUREAU OF ECONOMIC ANALYSIS

Components of Personal Current Transfer Receipts, Maine



Opportunities and Challenges

Calendar Years	2022	2023	2024	2025	2026	2027
Wage & Salary Employment (Annual Percentage Change)						
CEFC Forecast 11/2022	2.5	0.8	0.4	0.2	0.0	0.0
CEFC Forecast 04/2023	2.4	1.2	0.8	0.4	0.2	0.1
Personal Income (Annual Percentage Change)						
CEFC Forecast 11/2022	3.6	5.0	4.7	4.4	4.5	4.6
CEFC Forecast 04/2023	2.6	5.2	4.9	4.5	4.6	4.7
Wage and Salary Income (Annual Percentage Change)						
CEFC Forecast 11/2022	11.0	6.0	5.0	4.0	4.3	4.3
CEFC Forecast 04/2023	8.6	6.0	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)						
CEFC Forecast 11/2022	8.3	5.8	4.0	3.5	3.5	3.0
CEFC Forecast 04/2023	8.0	5.8	4.0	3.5	3.5	3.0

In April, the CEFC revised employment and total personal income forecasts **UP** for all years (2023 – 2027)

One key
assumption
from April 2023
Consensus
Economic
Forecasting
Commission
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.**

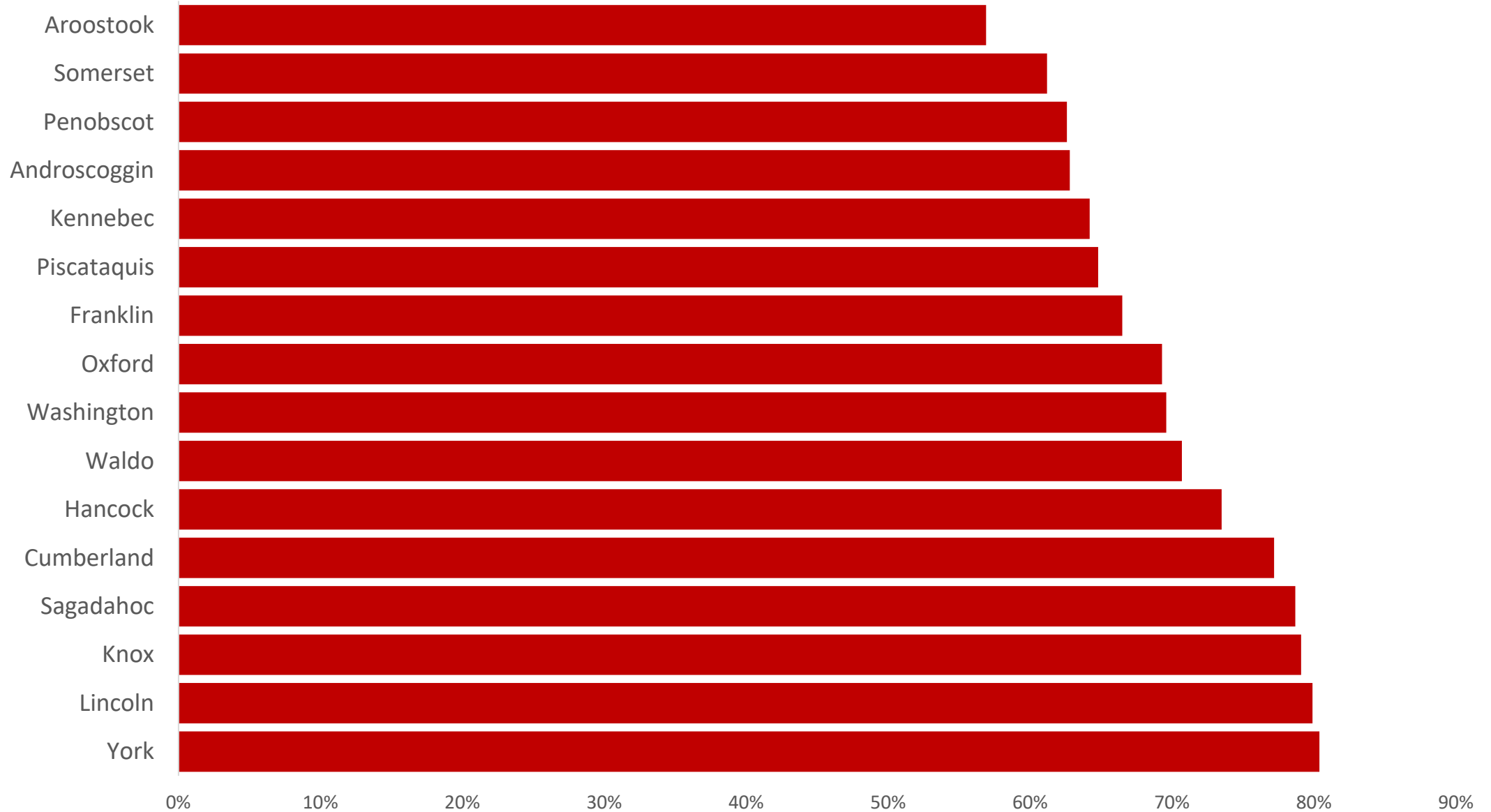
Workers are experiencing higher wage growth, particularly for lower wage jobs. Some demographic trends, including a **growing share of the population reaching retirement age,** will continue to constrain labor supply.

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.

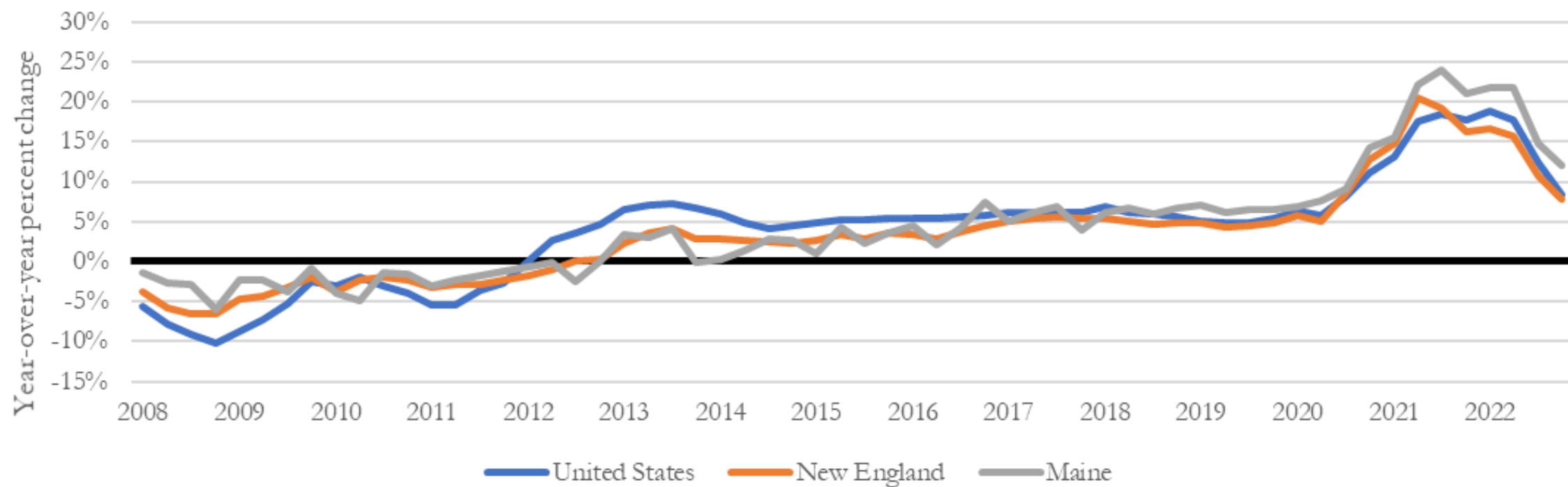
Maine's outlook
upgraded from
'stable' to
'positive' in
recent credit
rating

Moody's attributed its upgrade of Maine to
'positive' because of Maine's "continued GDP
growth at or above the national rate" and
Maine's growing population and employment
rates.

Percent of Households Unable to Afford Median Home, 2022

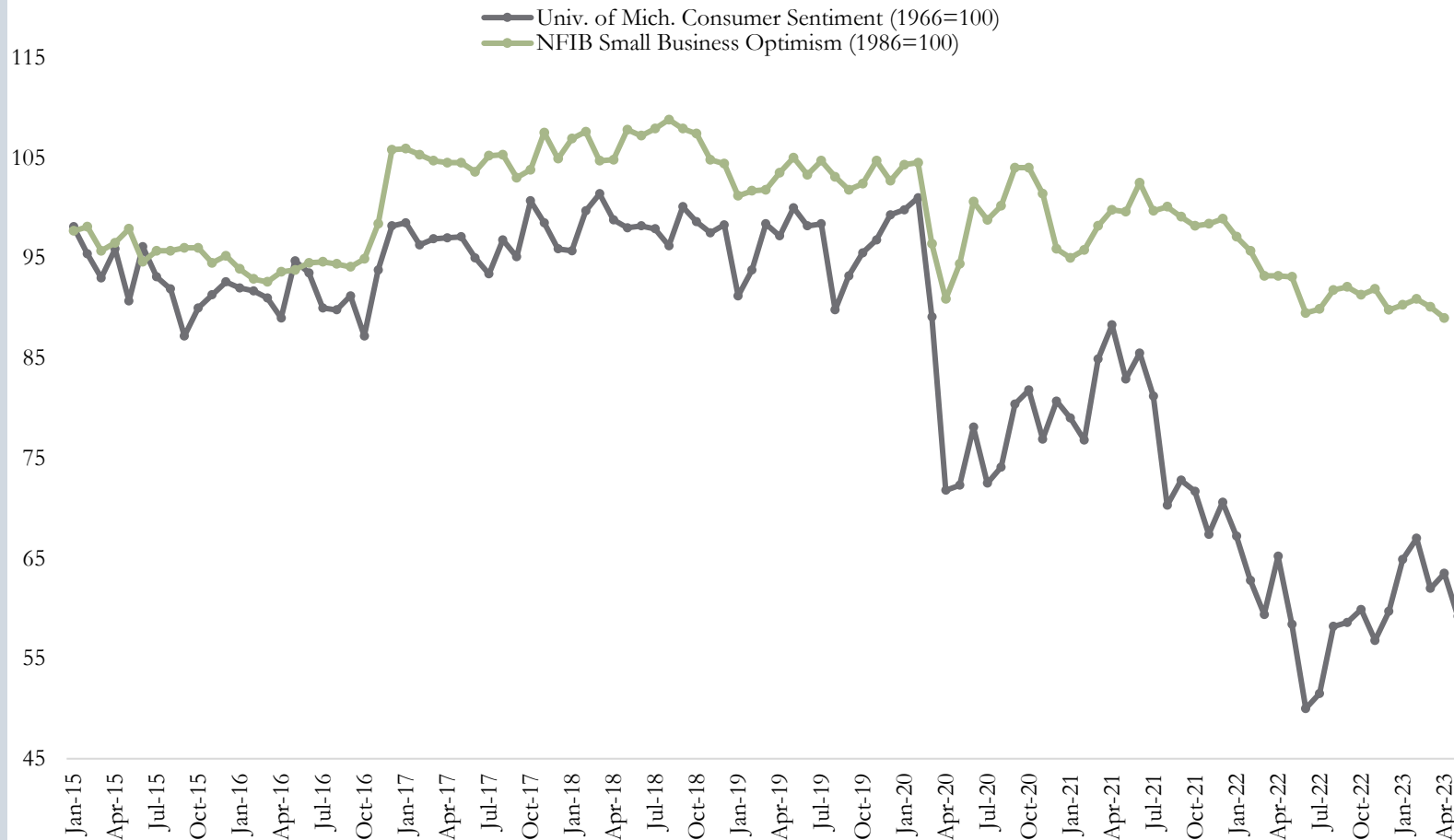


Percent Changes, Year-over-year in FHFA House Price Index (not seasonally adjusted)



SOURCE: FEDERAL HOUSING FINANCE AGENCY

Consumer Sentiment and Small Business Optimism Indexes



Consumer sentiment has been trending up since its all-time-low in June 2022 – **but has now (April 2023) lost about half of those gains.**

There have been significant declines in short- and long-term economic outlook, mirroring the 2011 debt ceiling crisis. **Inflation and labor quality remain top issues facing small businesses**

Future workforce considerations

Migration: will the trends continue?

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?

Contact Information

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Appendix Slides

NAICS	General Definition
Agriculture, Forestry, Fishing and Hunting	primarily engaged in growing crops, raising animals, harvesting timber or fish and other animals
Mining, Quarrying, and Oil and Gas Extraction	extract naturally occurring mineral solids, such as coal and ores; liquid materials, such as crude petroleum, and gases such as natural gas
Utilities	utility services: electric power, natural gas, steam supply, water supply, and sewage treatment and disposal
Construction	construction of buildings or engineering projects
Manufacturing	the mechanical, physical, or chemical transformation of materials, substances or components into new products
Wholesale Trade	wholesaling merchandise - generally without transformation - and rendering services incidental to the sale of merchandise (an intermediate step in distribution of merchandise)
Retail Trade	retailing merchandise - generally without transformation - final stop in the distribution of merchandise
Transportation and Warehousing	provide transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation
Information	production and distribution of information and cultural products, providing means to transmit or distribute these products, and data processing (e.g.
Finance and Insurance	engaging in financial transactions and or/in facilitation financial transactions
Real Estate and Rental and Leasing	renting, leasing, or otherwise allowing the use of tangible and intangible assets (e.g., real estate)
Professional, Scientific, and Technical Services	specialize in performing professional, scientific, and technical activities for others - legal advice, payroll, architecture, veterinary services, photographic services, specialized design services, computer services, consulting
Management of Companies and Enterprises	establishments that hold the securities of (or other equities interest in) companies and enterprises for the purpose of owning a controlling interest or influencing management decisions
Administrative and Support and Waste Management and Remediation Services	comprise establishments performing routine support activities for day-to-day operations of other organizations (clerical work, cleaning, surveillance etc.)
Educational Services	provide instruction and training in a wide variety of subjects (schools, colleges, training centers)
Health Care and Social Assistance	provide health care and social assistance for individuals
Arts, Entertainment, and Recreation	operate facilities or provide services to meet varied cultural, entertainment, or recreational interests of their patrons
Accommodation and Food Services	provide lodging and/or preparing meals/snacks/beverages for immediate consumption
Other Services (except Public Administration)	provide services not capture elsewhere (e.g., grantmaking, advocacy, death care services, dating services)

2022 Employment by Occupation, Maine

