

THE MAINE ECONOMY: TRENDS AND OUTLOOK

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Overview

- Demographics
- Labor Force and Employment
- Wages and Income
- Inflation and Spending
- State Gross Domestic Product (GDP)
- Looking Ahead

DEMOGRAPHICS

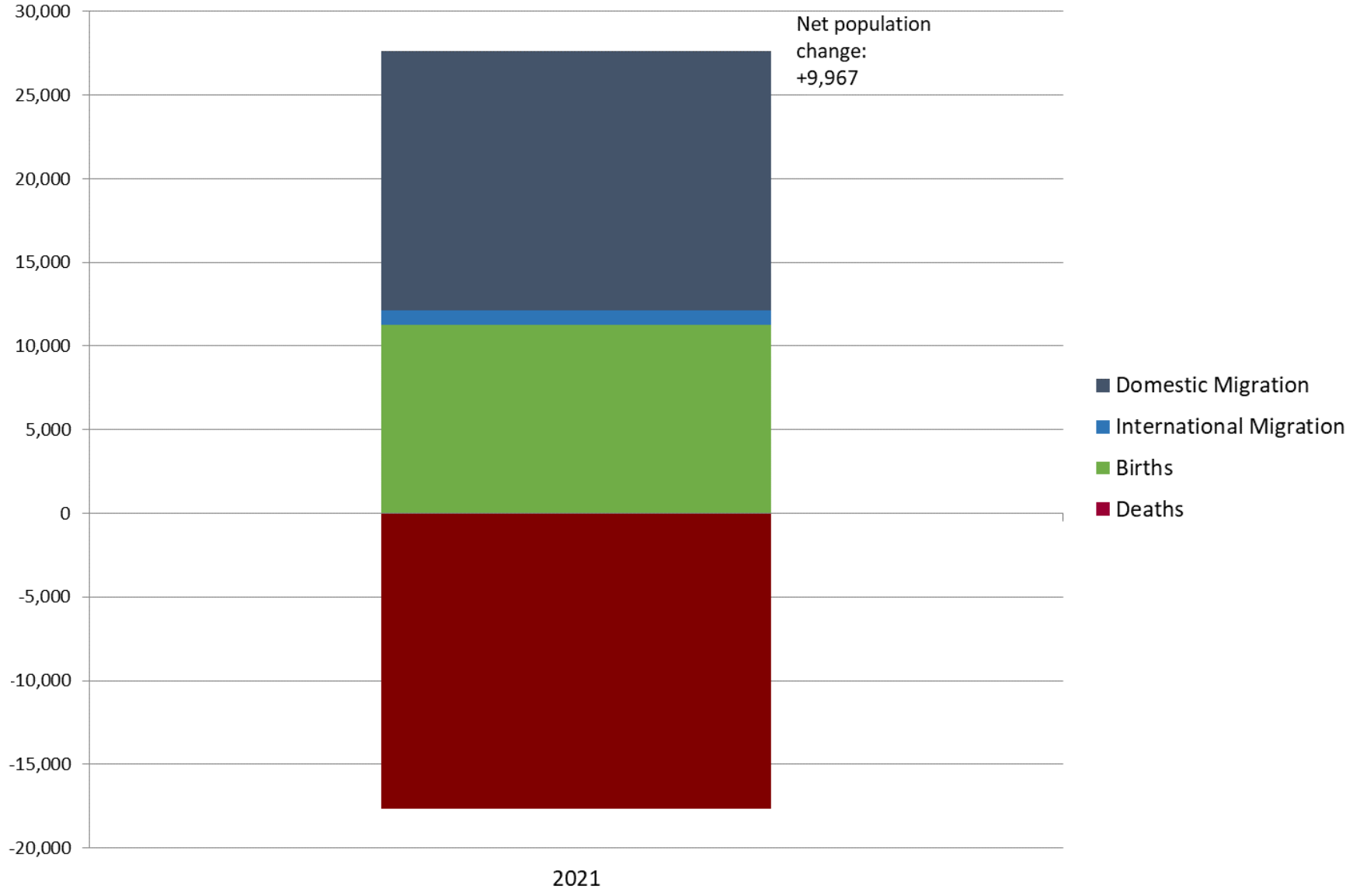
Components of Population Change, Maine

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

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

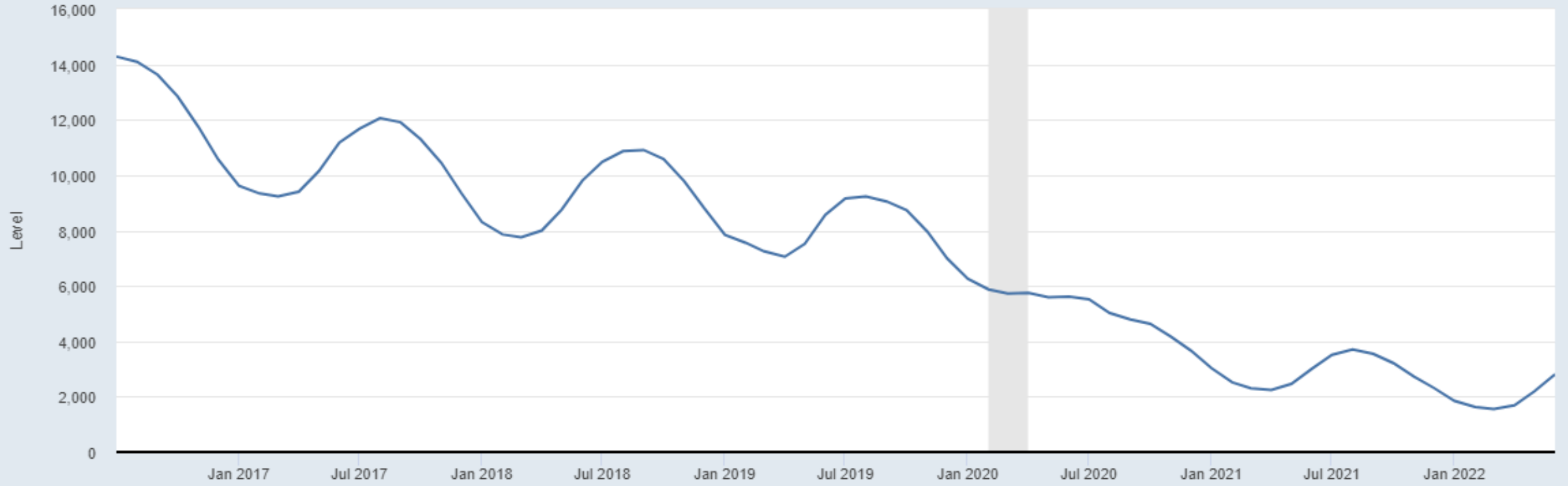
Population increase of 0.7% from 2020-2021 (14th in U.S.)

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





Housing Inventory: Active Listing Count in Maine

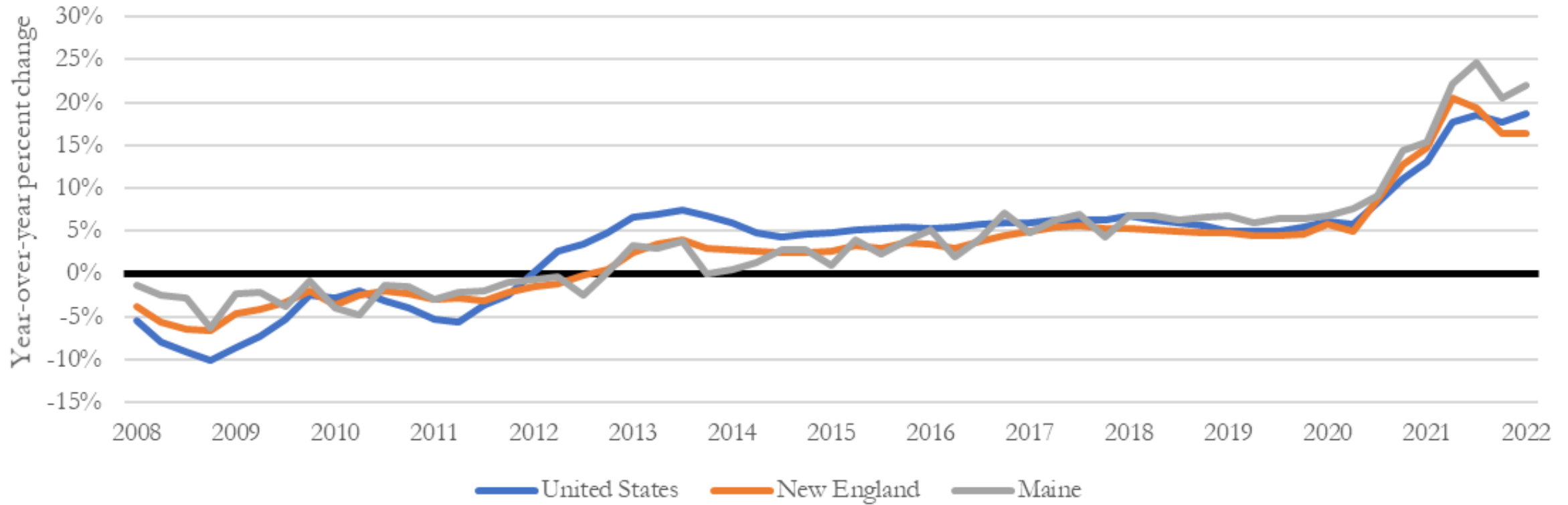


Shaded areas indicate U.S. recessions.

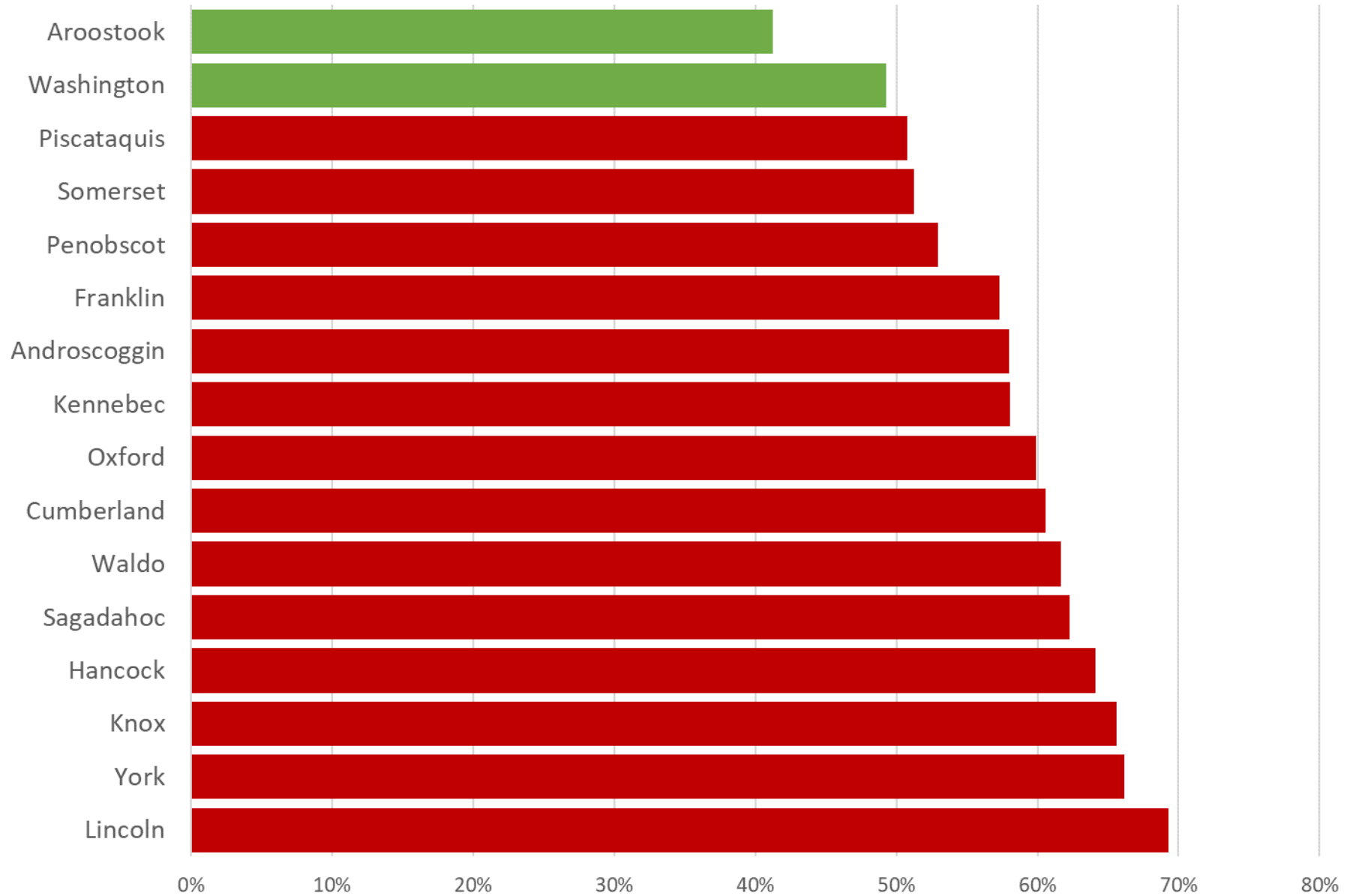
Source: Realtor.com

fred.stlouisfed.org

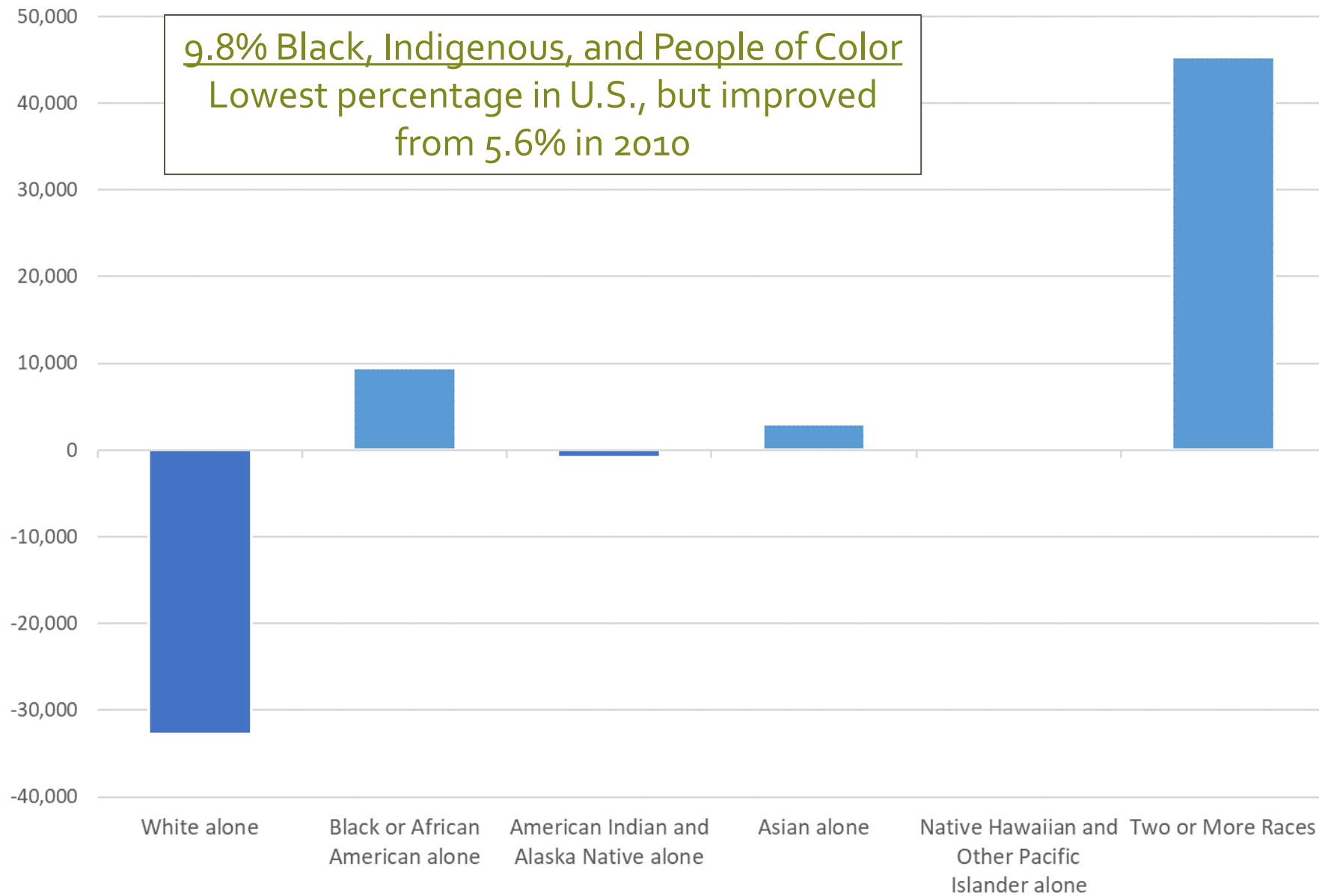
Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)



Percent of Households Unable to Afford Median Home, 2021



Change in Maine Population by Race, 2010-2020



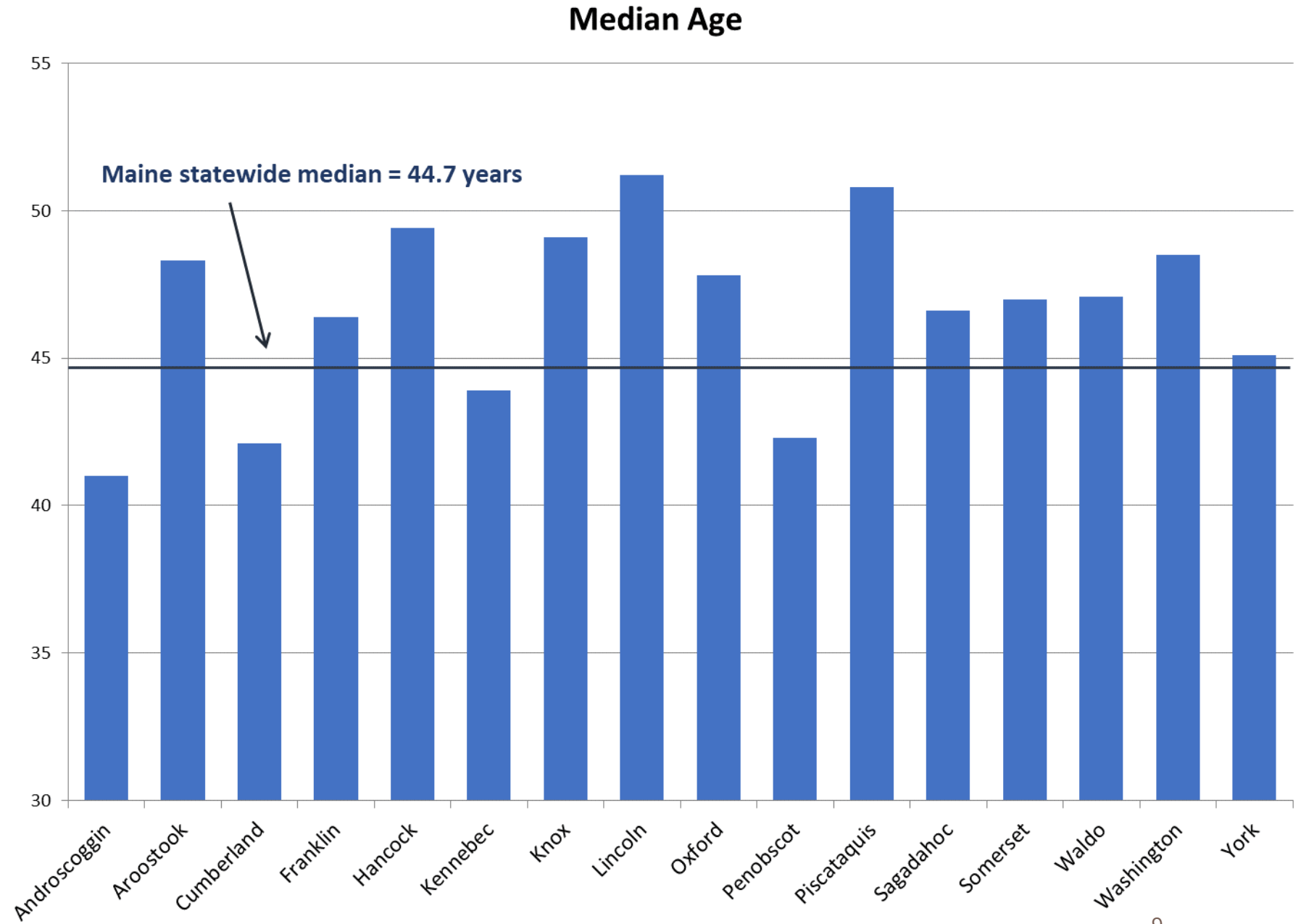
Maine has the oldest population...

...by median age
(44.7 years)

...and by % of population
age 65+ (21.7%)

BUT!

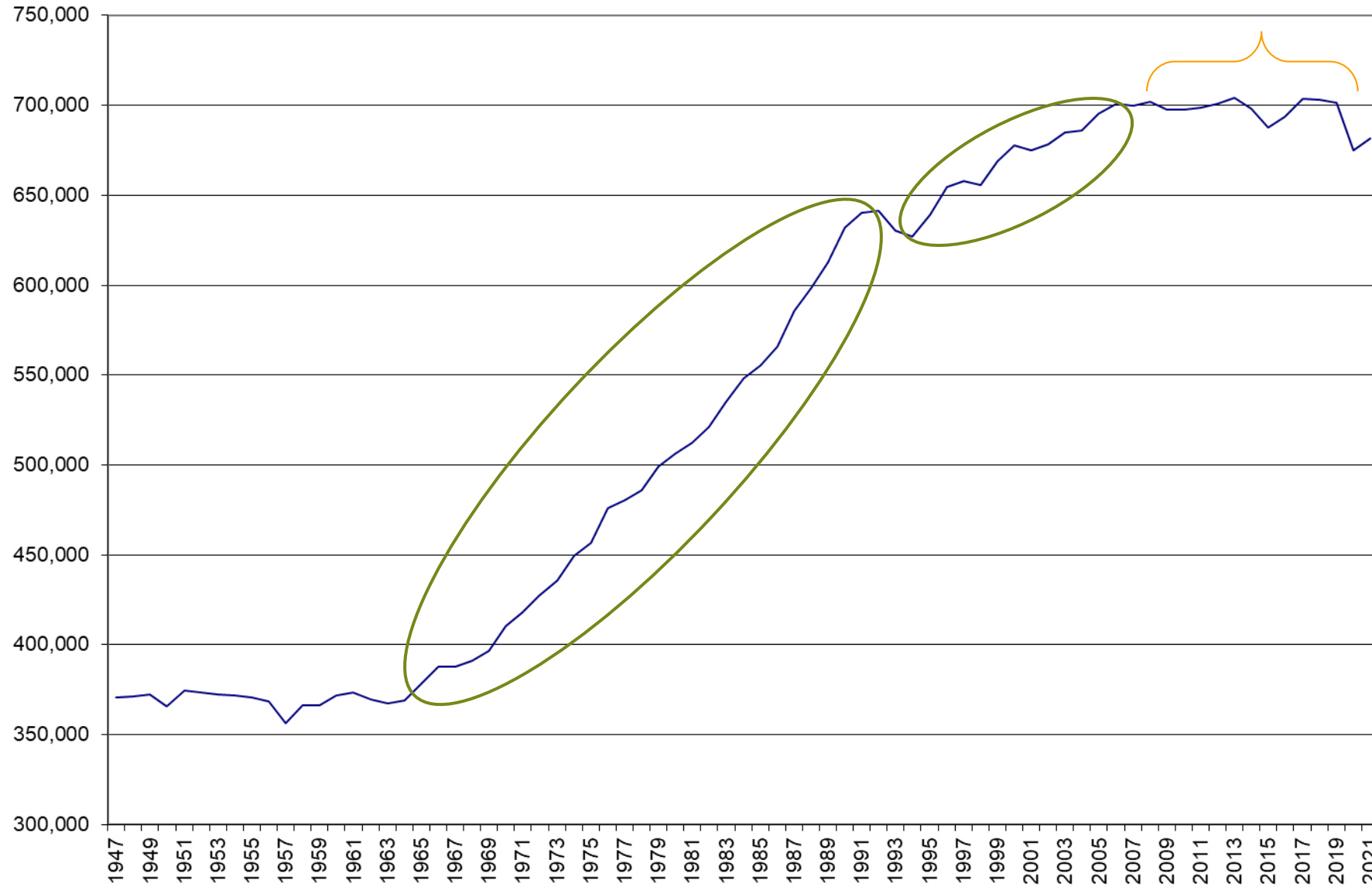
Maine was the **ONLY** state
in the U.S. to see a
decrease in median age
from 2020 to 2021



LABOR FORCE AND EMPLOYMENT

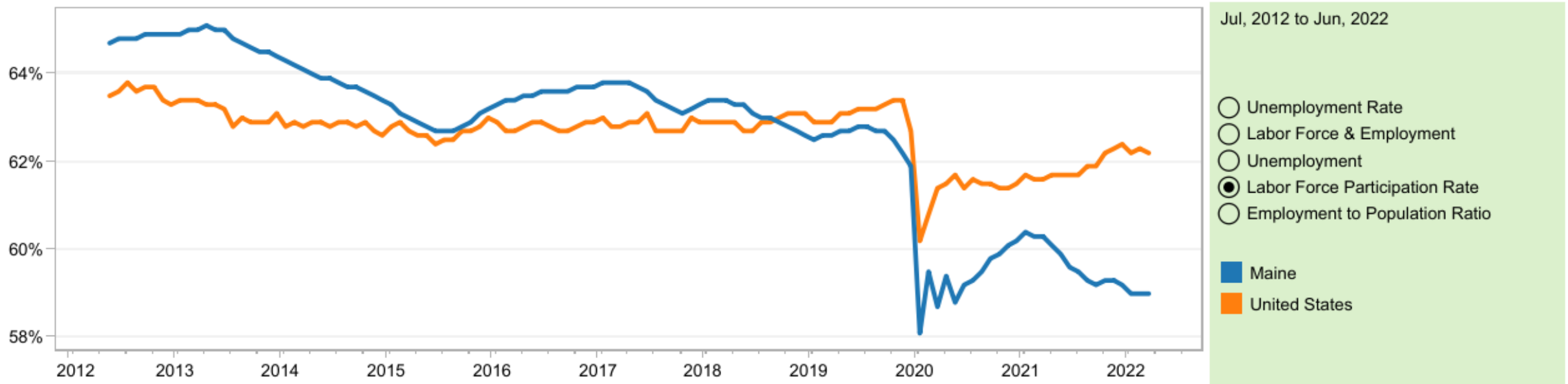
Maine Civilian Labor Force

Labor force has started to trend down

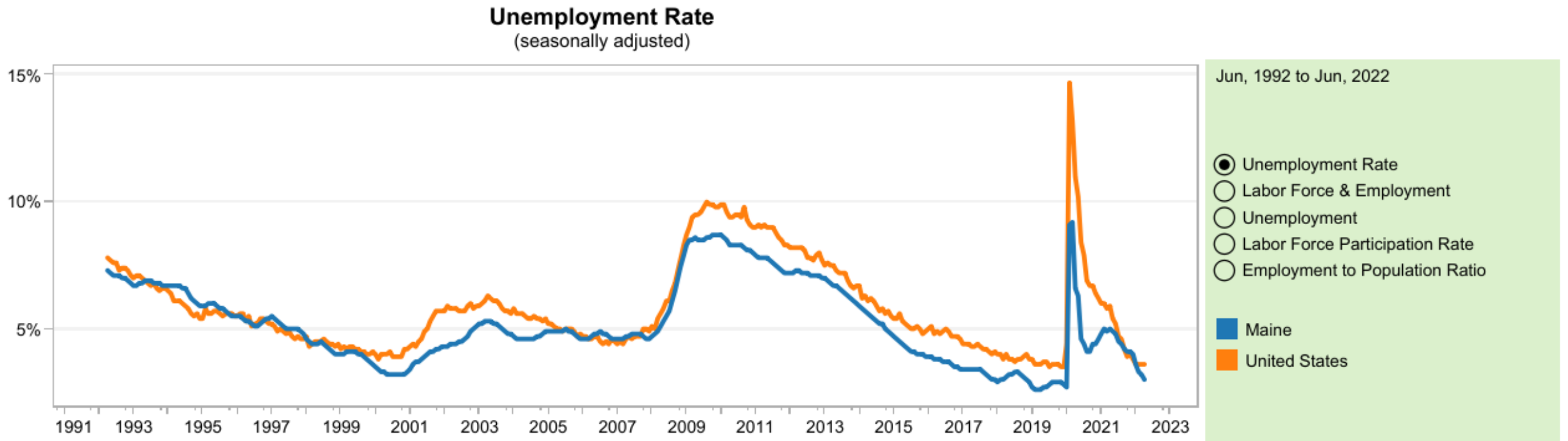


The Maine Department of Labor estimates that around two-thirds of the people who left the labor force during the pandemic could be retirees

Labor Force Participation Rate
(seasonally adjusted)



Maine's unemployment rate of 3.0% in June 2022, while somewhat higher than pre-pandemic, is around two percentage points lower than the average of the past 70 years



County Rates (not seasonally adjusted)

June, 2022

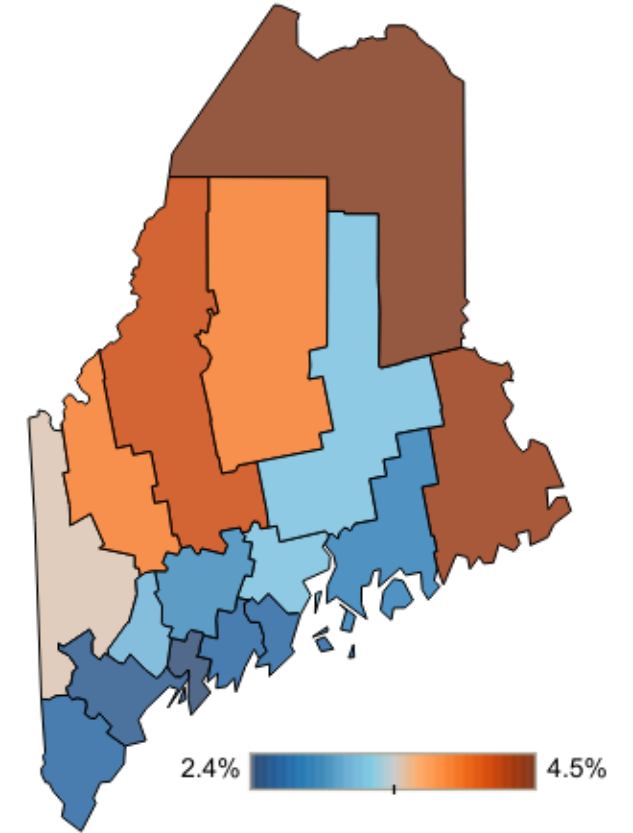
- Table
- Graph

Map/Graph Display

- Unemployment rate
- One-year change

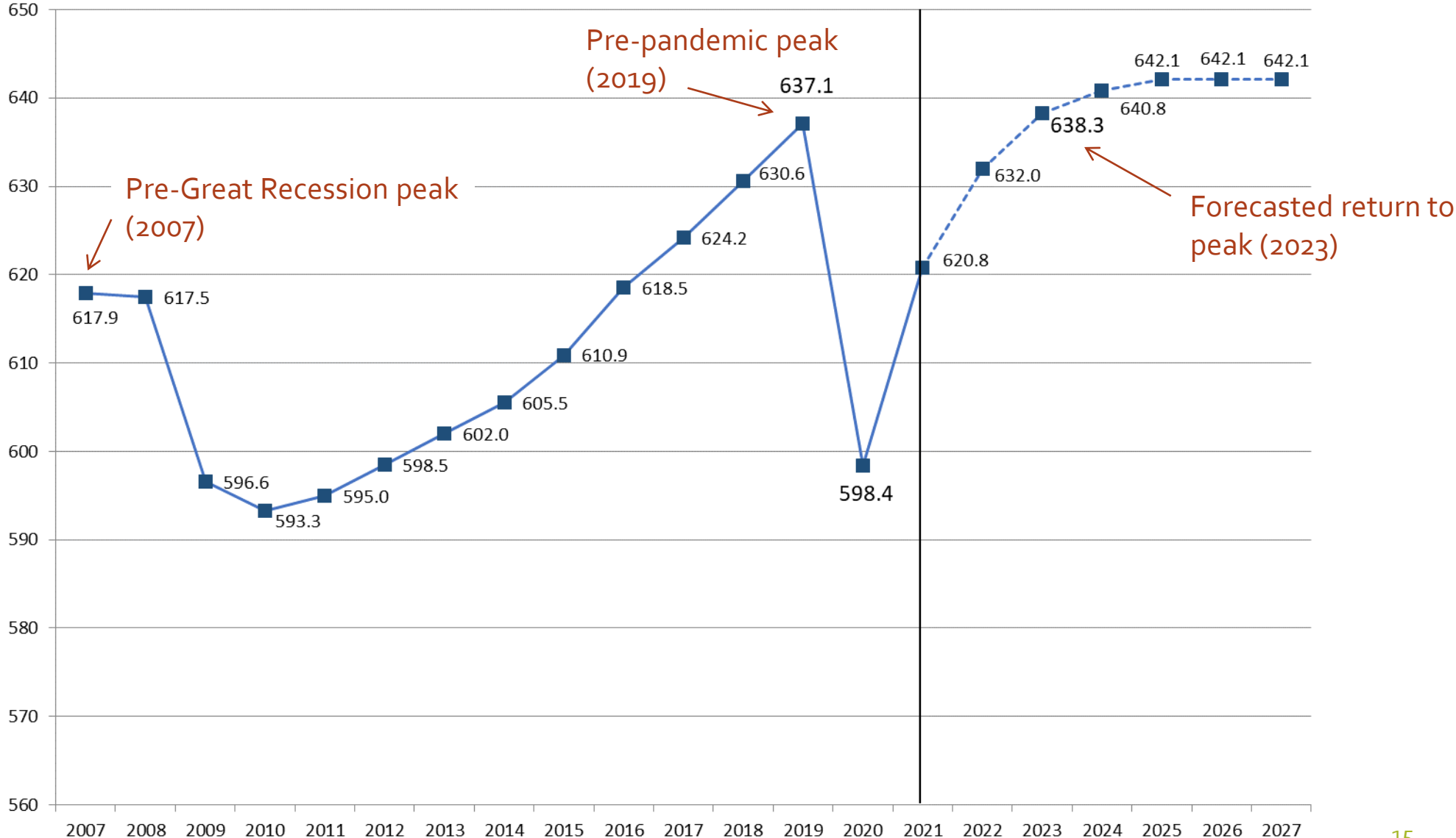
County	Rate	Year ago	One-yr change	
Maine	3.0%	5.1%	-2.1	↓
Androscoggin	3.1%	5.6%	-2.5	↓
Aroostook	4.5%	6.5%	-2.0	↓
Cumberland	2.5%	4.5%	-2.0	↓
Franklin	3.9%	6.1%	-2.2	↓
Hancock	2.8%	4.5%	-1.7	↓
Kennebec	2.9%	4.9%	-2.0	↓
Knox	2.6%	4.5%	-1.9	↓
Lincoln	2.6%	4.4%	-1.8	↓
Oxford	3.5%	6.2%	-2.7	↓
Penobscot	3.2%	5.4%	-2.2	↓
Piscataquis	3.9%	5.1%	-1.2	↓
Sagadahoc	2.4%	4.1%	-1.7	↓
Somerset	4.2%	6.7%	-2.5	↓
Waldo	3.2%	5.0%	-1.8	↓
Washington	4.4%	6.7%	-2.3	↓
York	2.6%	4.8%	-2.2	↓

Unemployment rate



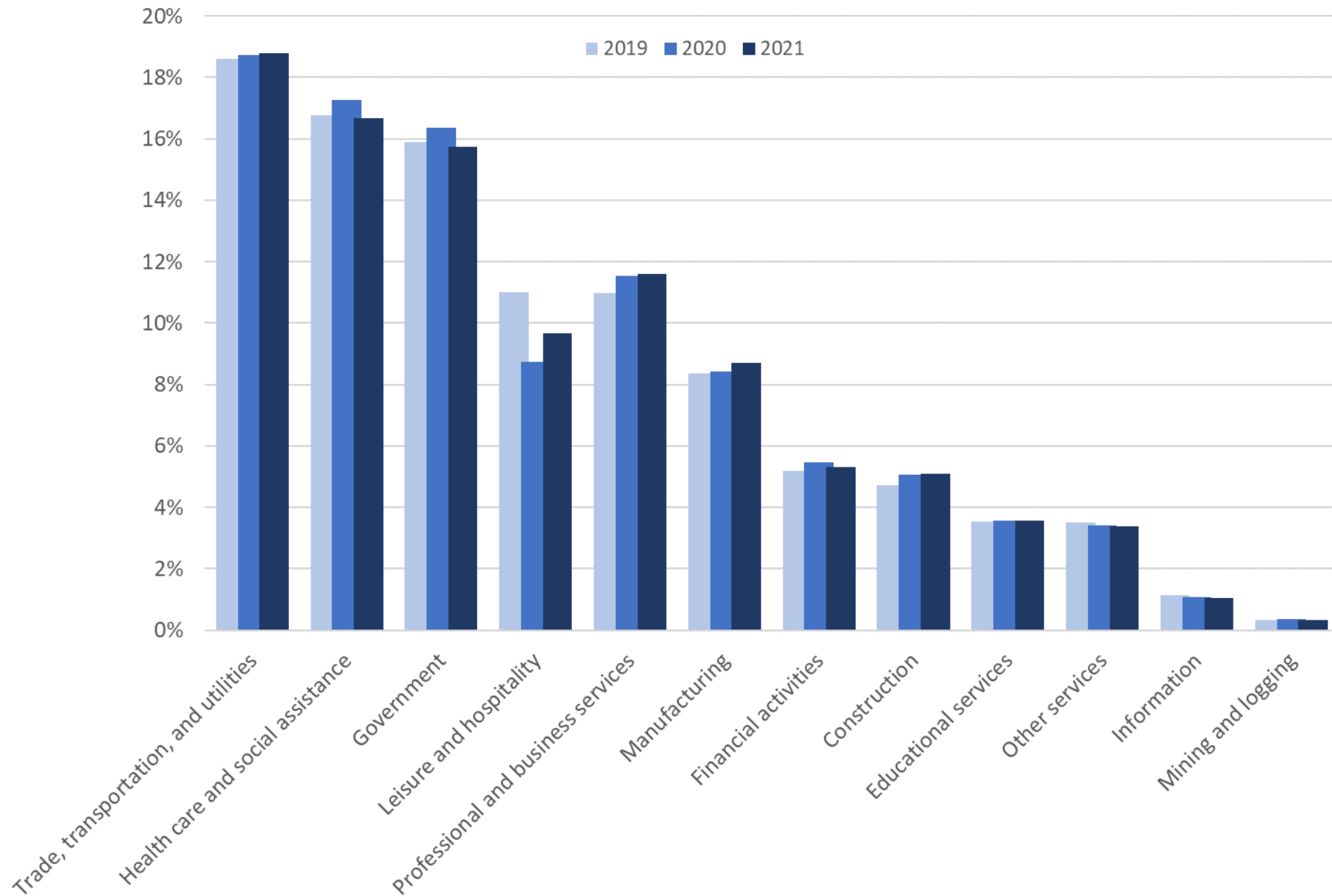
Maine Department of Labor, Center for Workforce Research and Information

Total Nonfarm Employment (in thousands) History and CEFC forecast

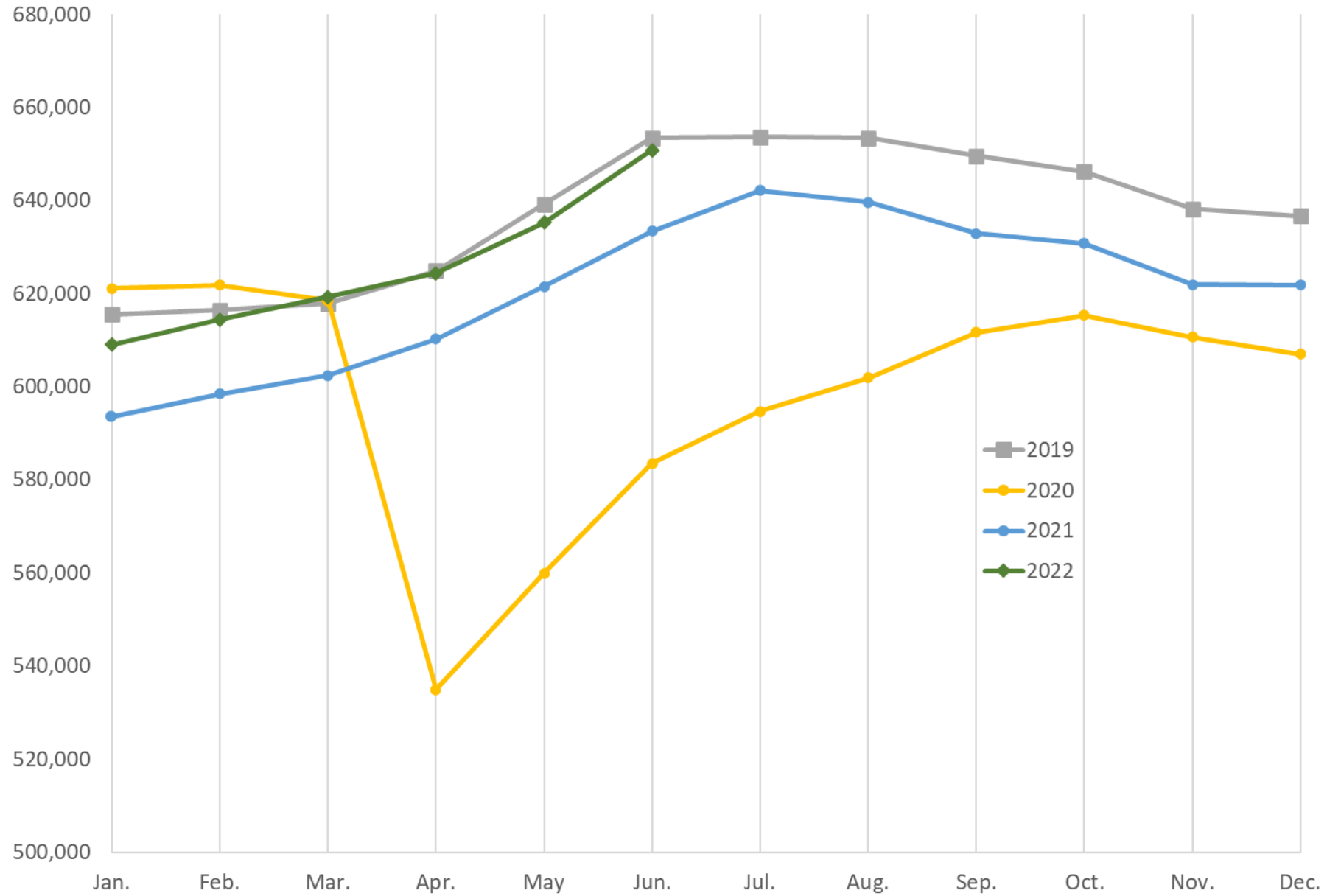


Sources: Maine Department of Labor and Consensus Economic Forecasting Commission report, February 1, 2022

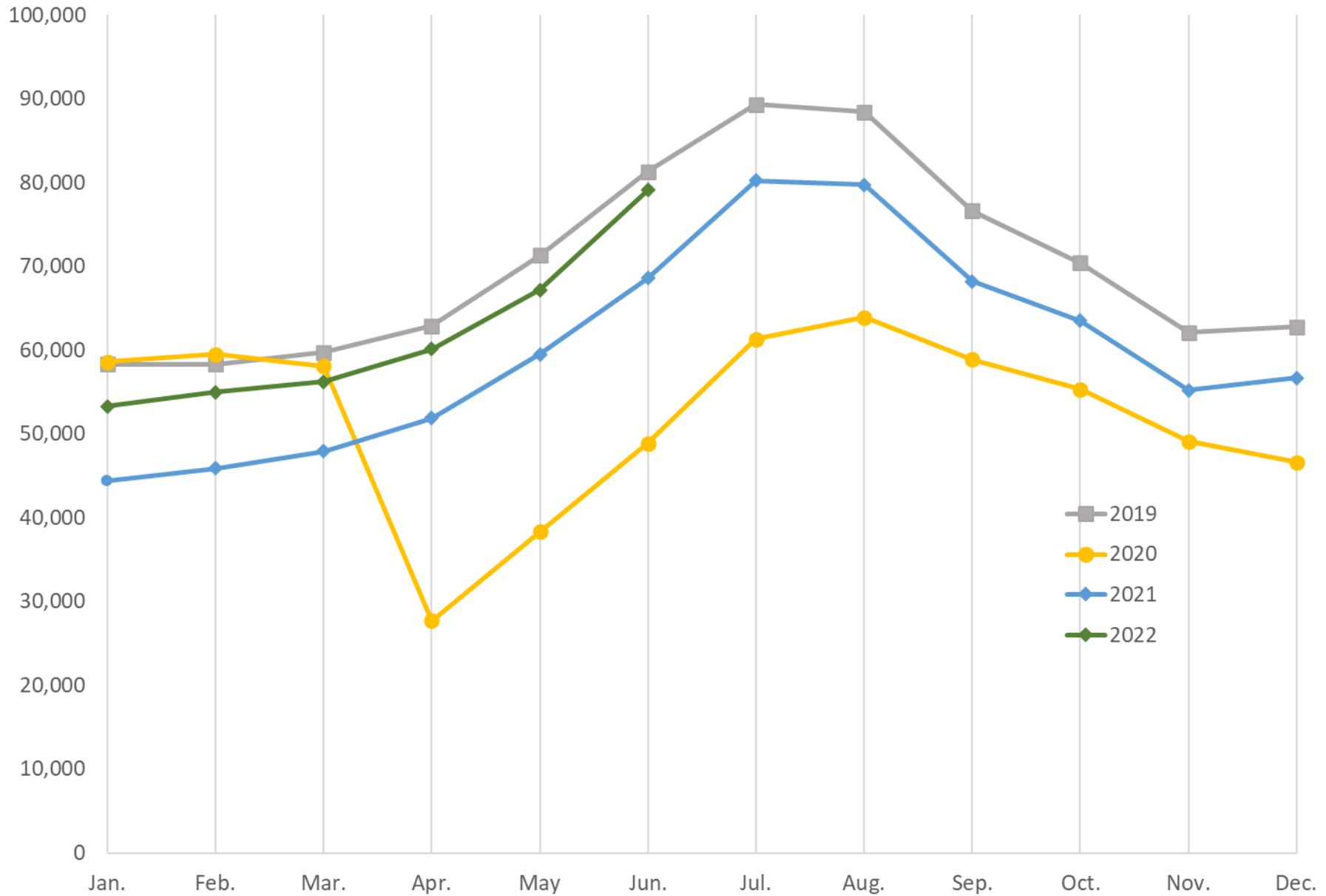
Share of Maine Nonfarm Employment by Industry



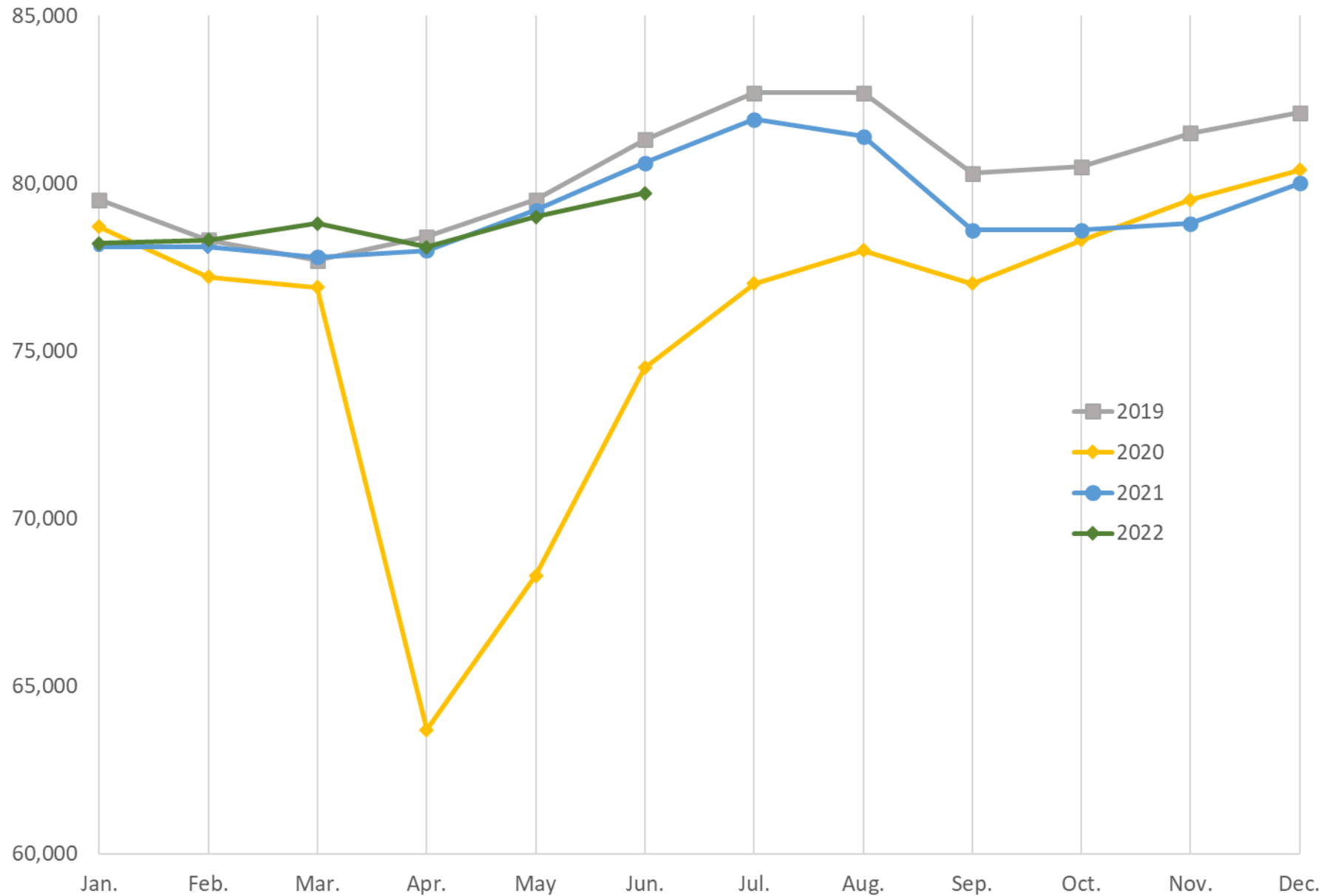
Total Nonfarm Employment, Not Seasonally Adjusted



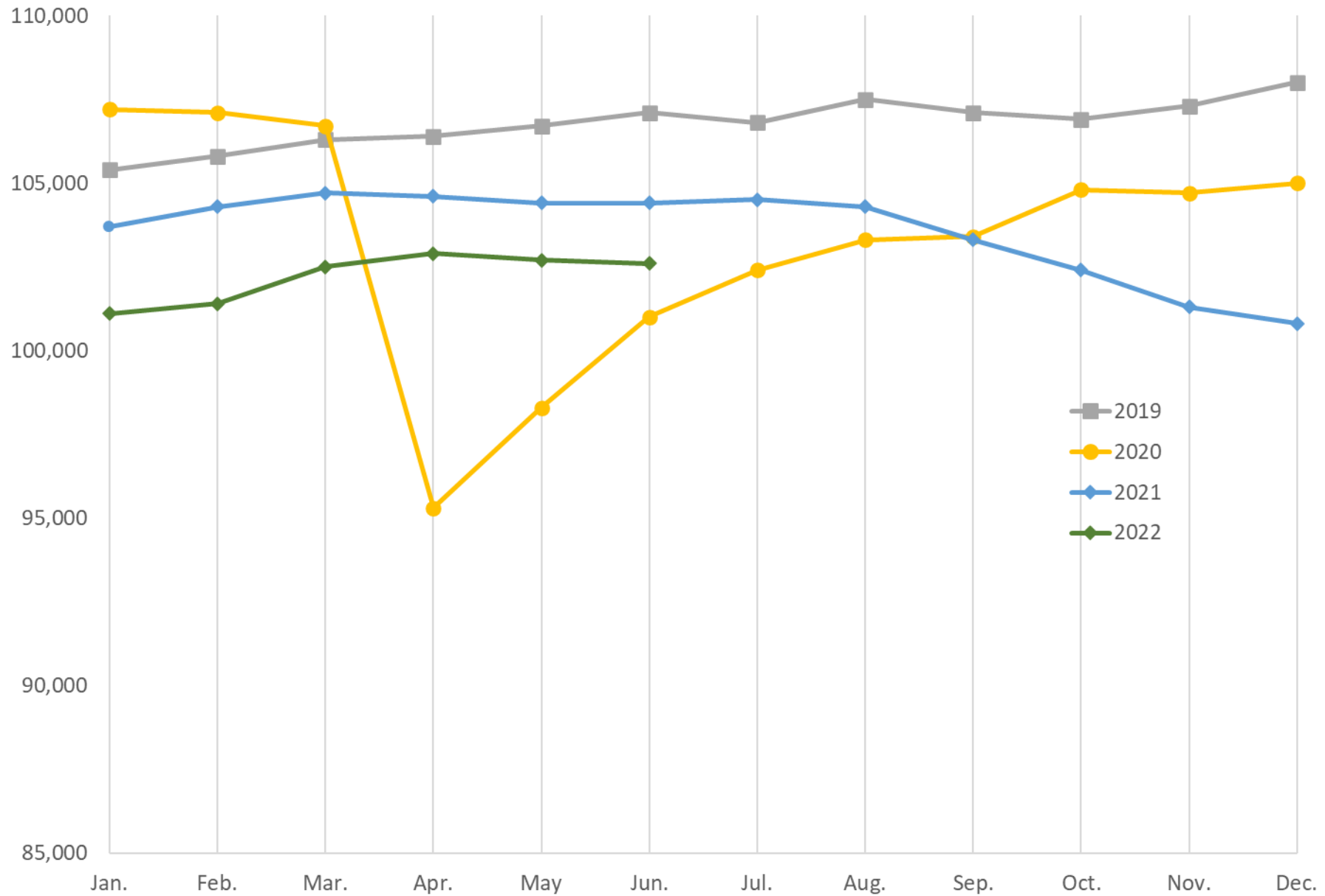
Leisure and Hospitality Employment, Not Seasonally Adjusted



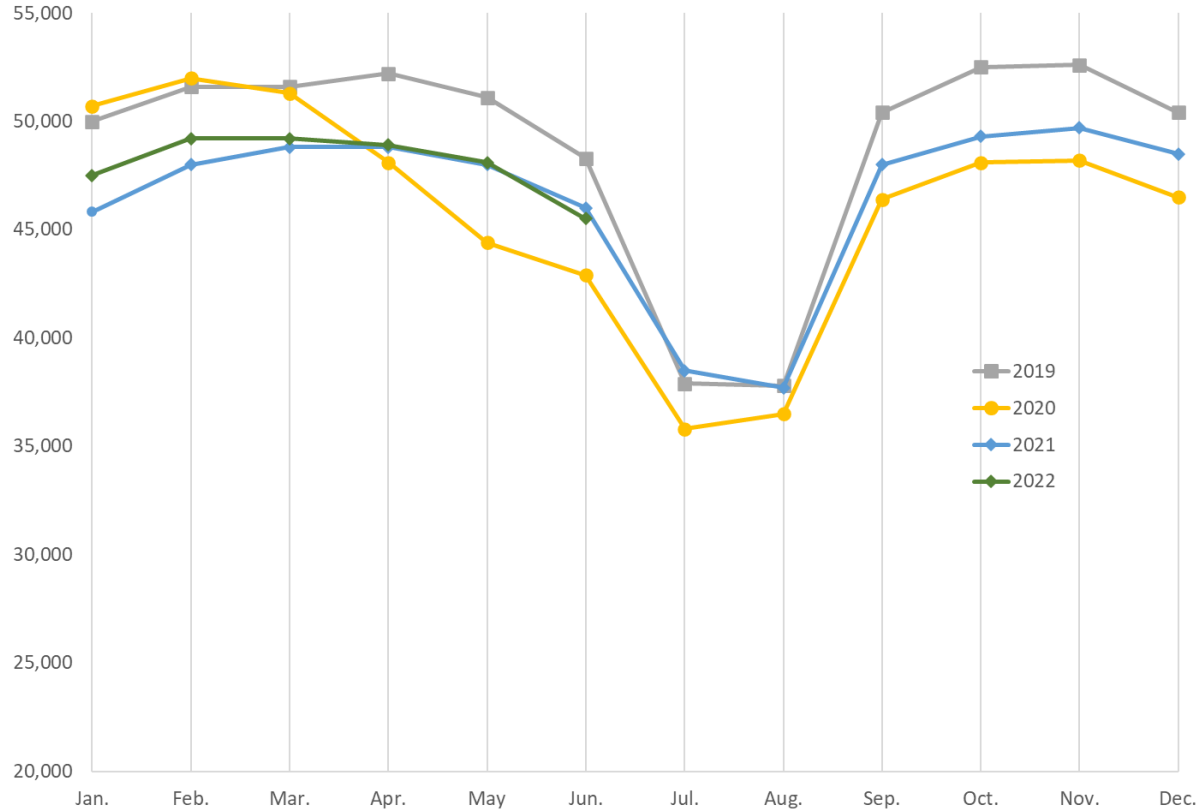
Retail Trade Employment, Not Seasonally Adjusted



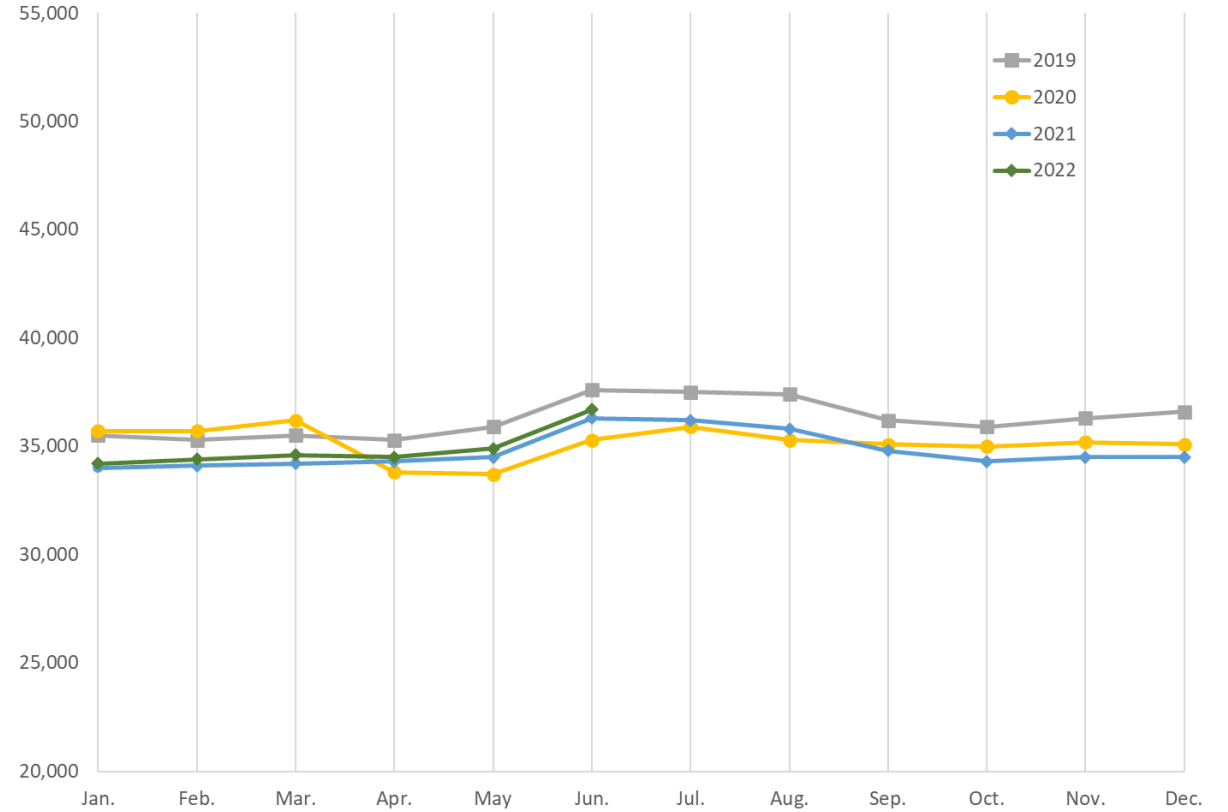
Health Care and Social Assistance Employment, Not Seasonally Adjusted



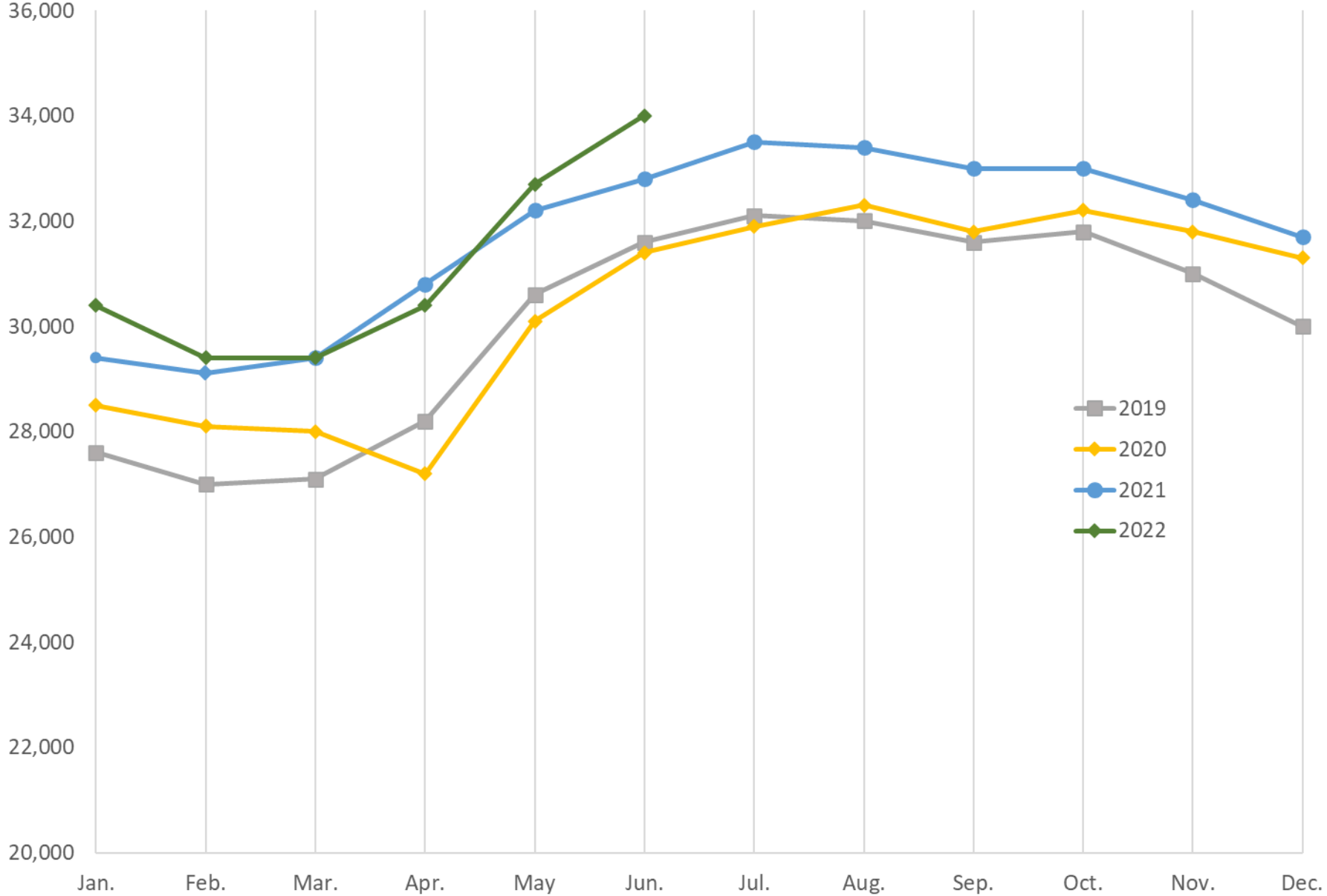
State & Local Government Education, Not Seasonally Adjusted



State & Local Government, Excluding Education, Not Seasonally Adjusted

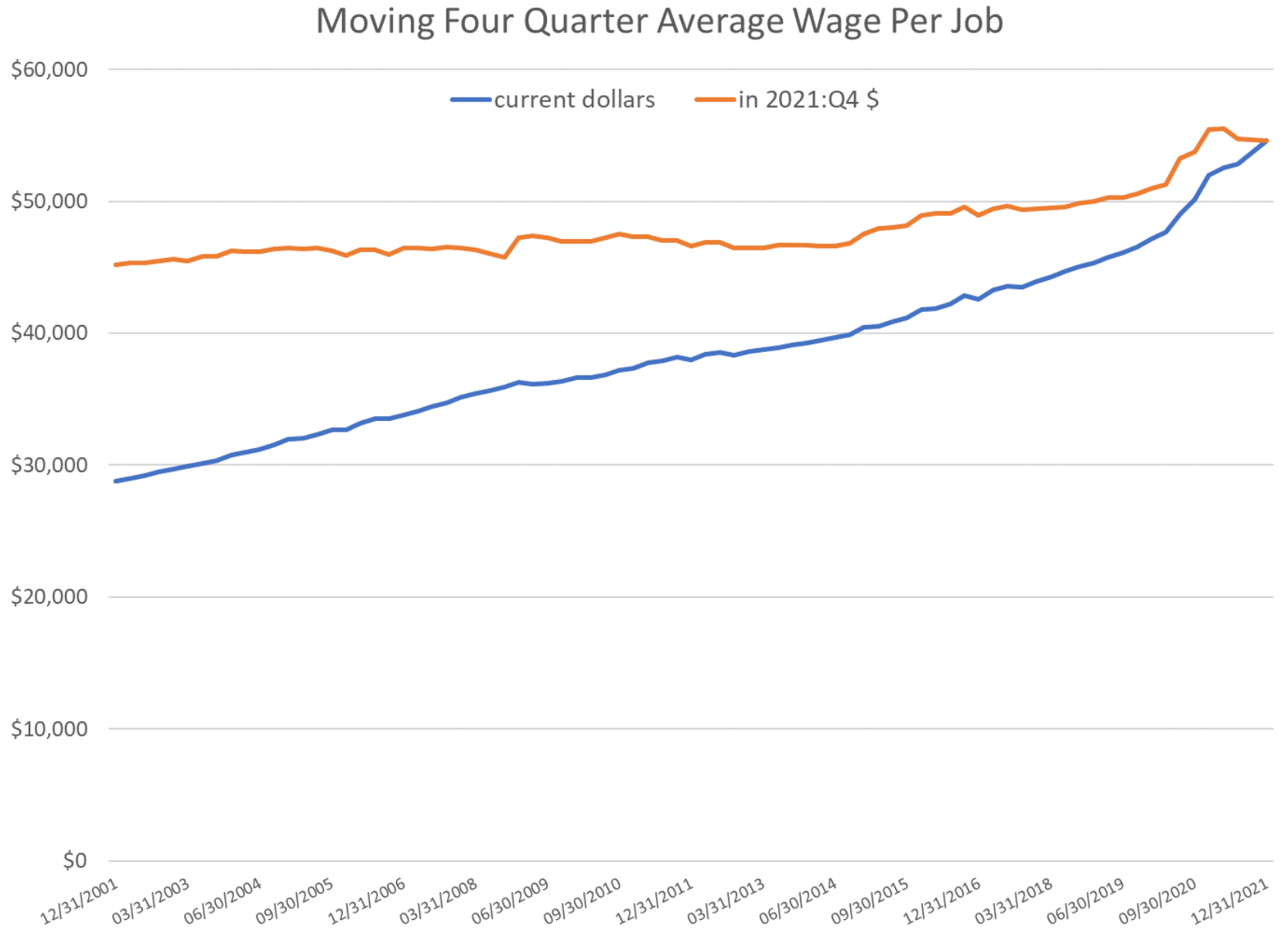


Construction Employment, Not Seasonally Adjusted

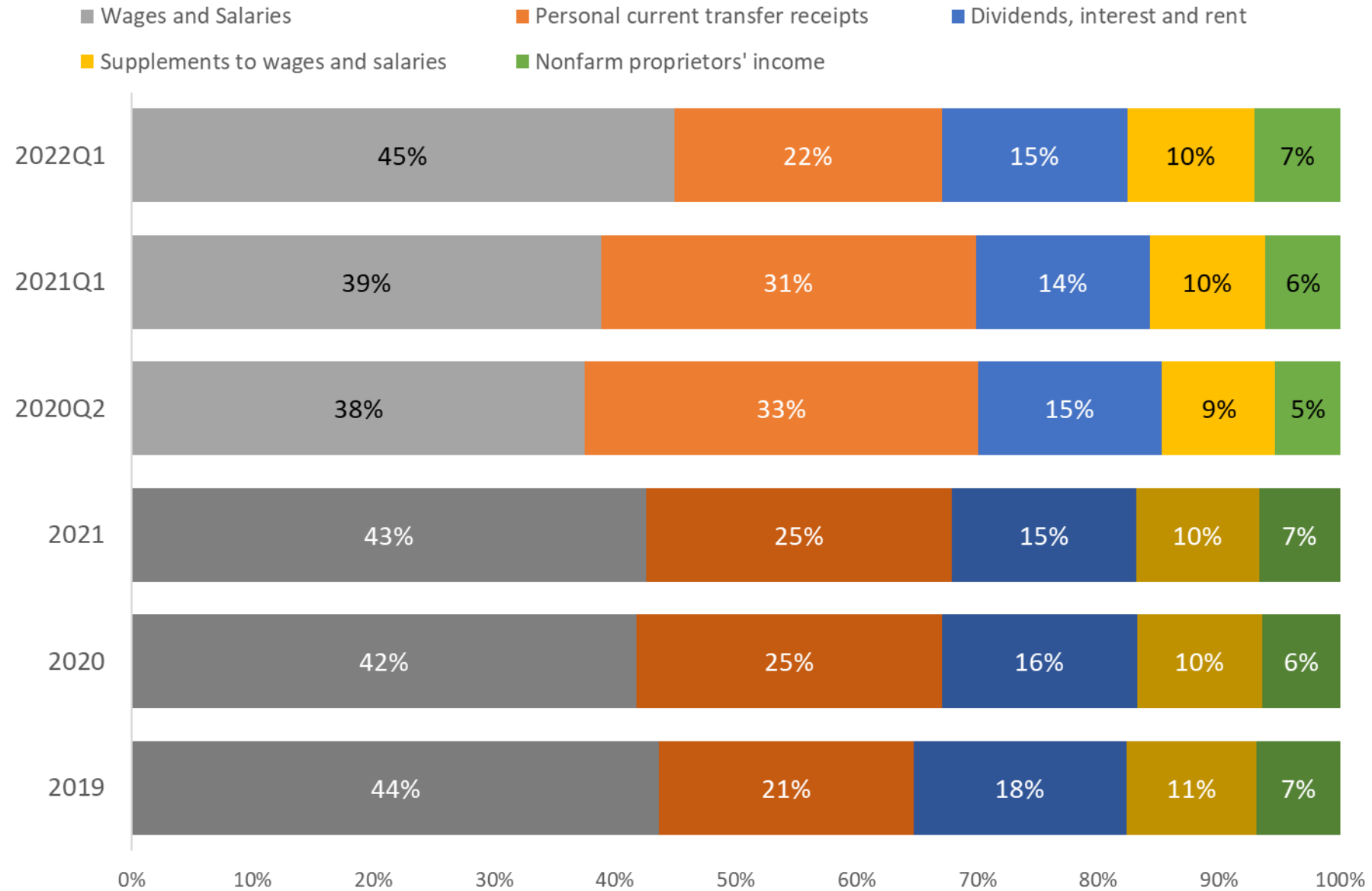


WAGES AND INCOME

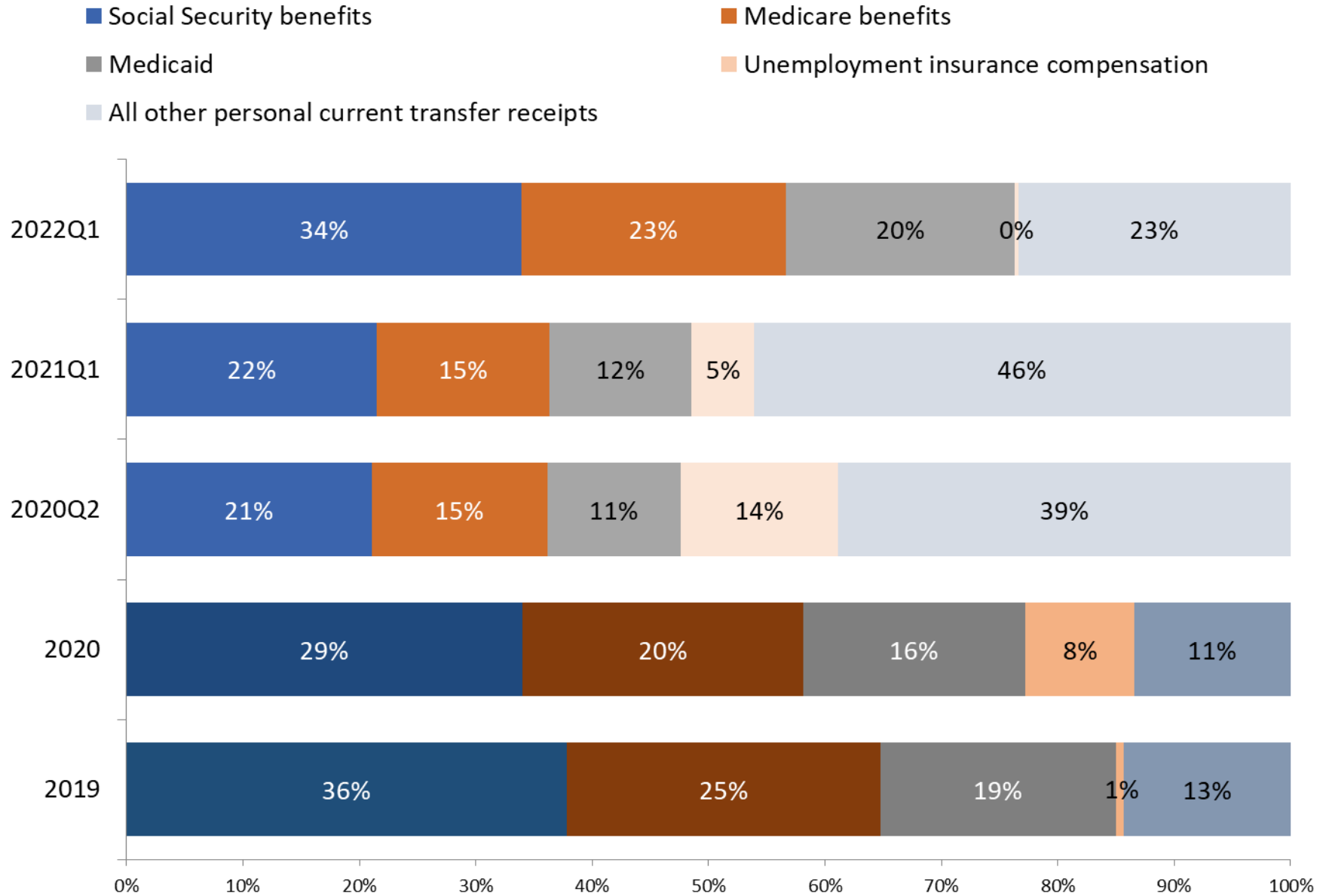
Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era, but inflation is making those gains less meaningful



Major Components of Personal Income, Maine



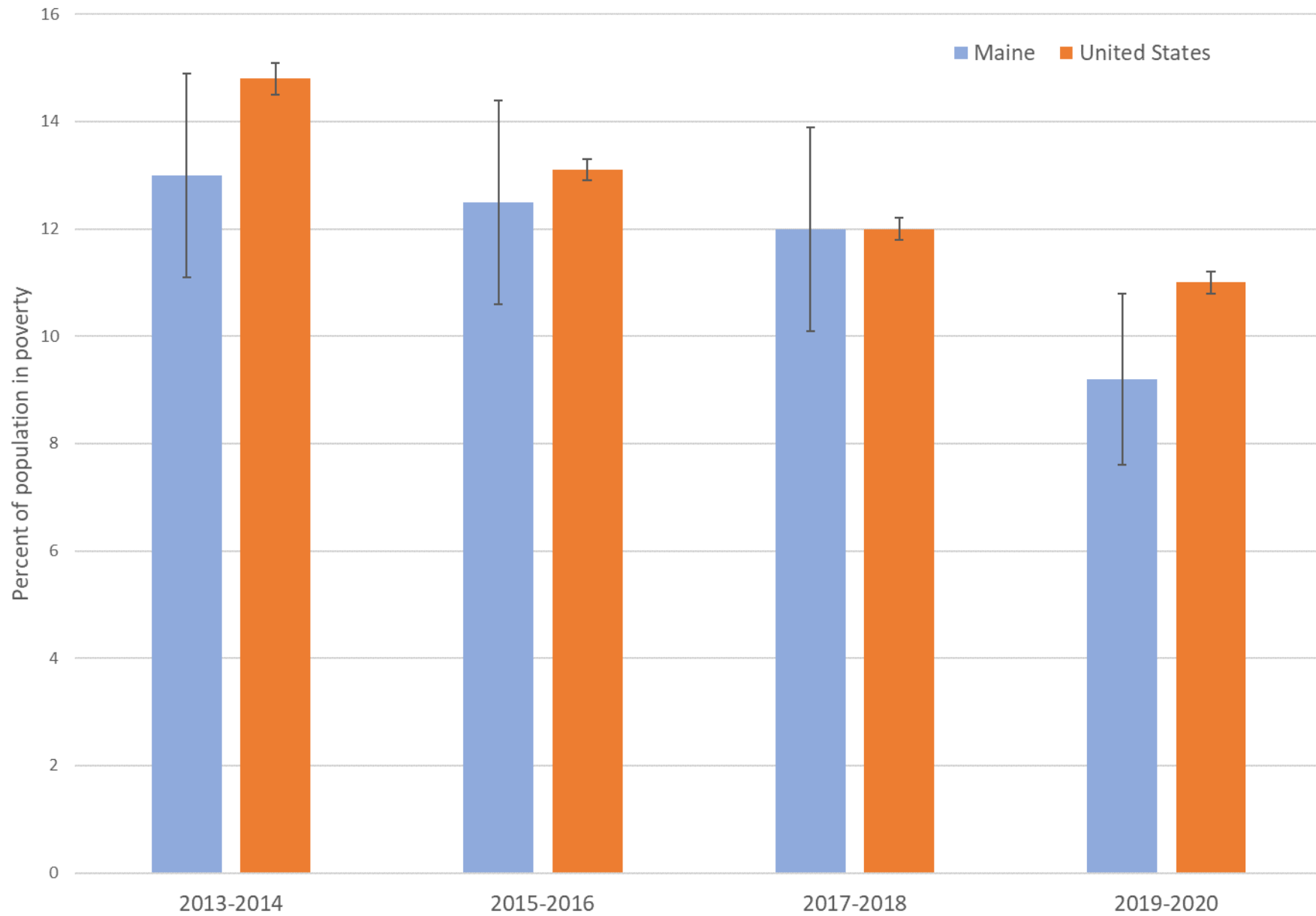
Components of Personal Current Transfer Receipts, Maine



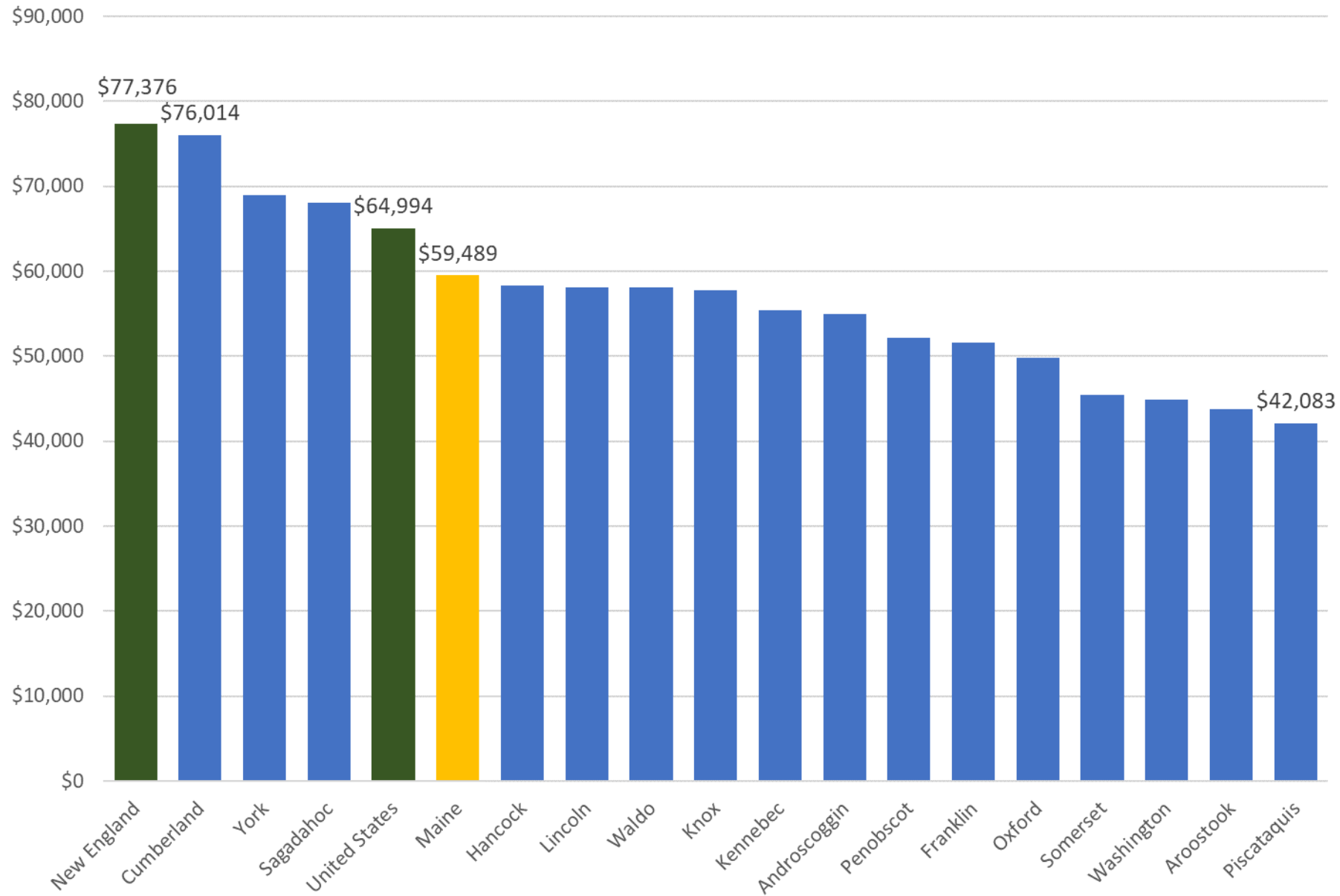
Federal supports including stimulus payments and enhanced UI played a role in reducing poverty in 2020, and Child Tax Credits reduced child poverty in 2021

- Official 2020 U.S. poverty rate = 11.4%, 1.0 percentage points higher than 2019
- Supplemental Poverty Measure (SPM) = 9.1%, 2.6 percentage points LOWER than 2019
 - Without stimulus payments, the SPM would have been 12.7%
- Nationally, 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
- The changes to the Child Tax Credit in the second half of 2021 were estimated to reduce monthly child poverty by around 30%; poverty returned to prior levels when the changes ended in January 2022

Official Poverty Estimate



Median Household Income

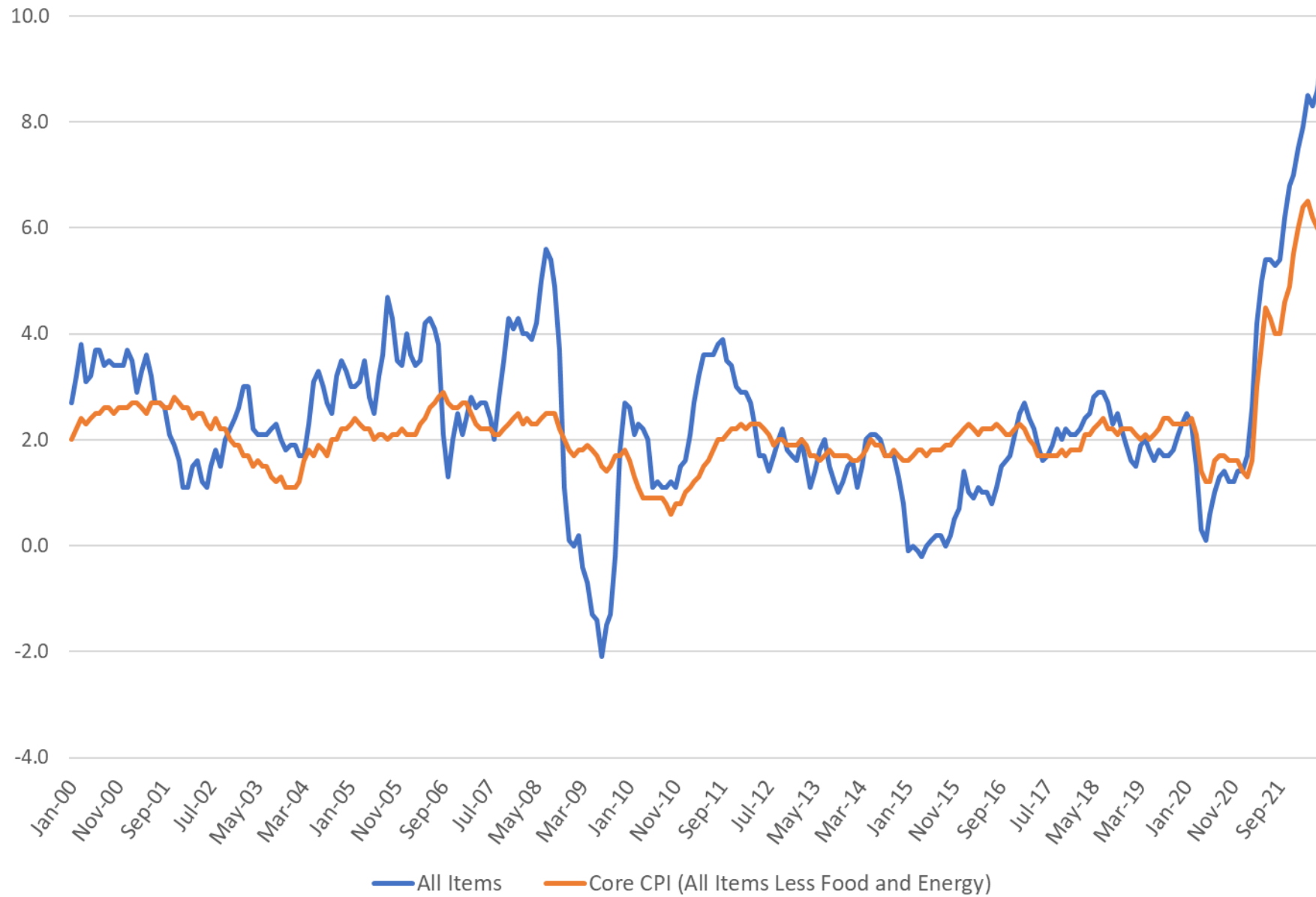


Percent Change in Real Personal Income, Maine 2012-2021 and forecast to 2027

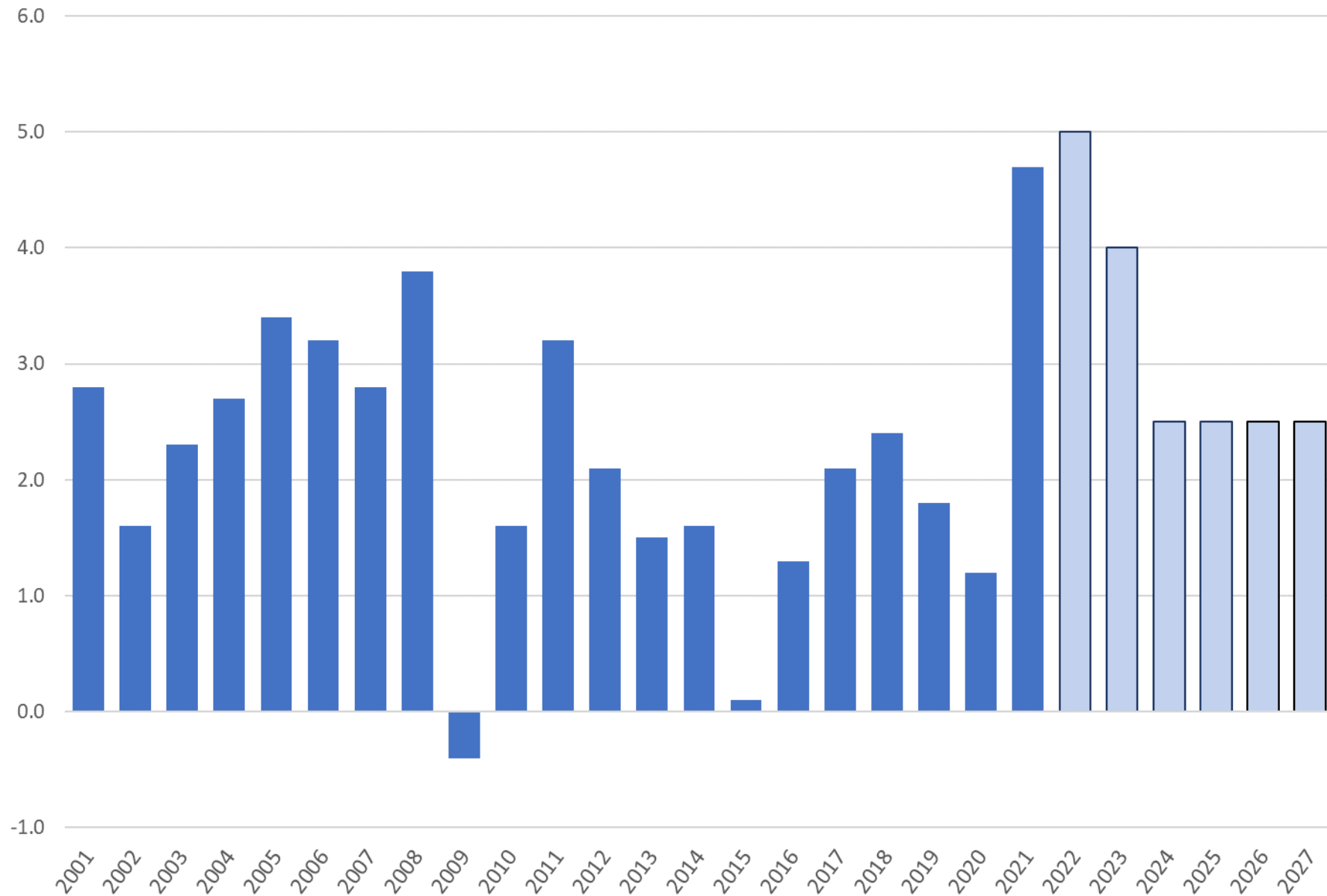


INFLATION AND SPENDING

Year-over-year percent change in Consumer Price Index



Year-over-year percent change in Consumer Price Index

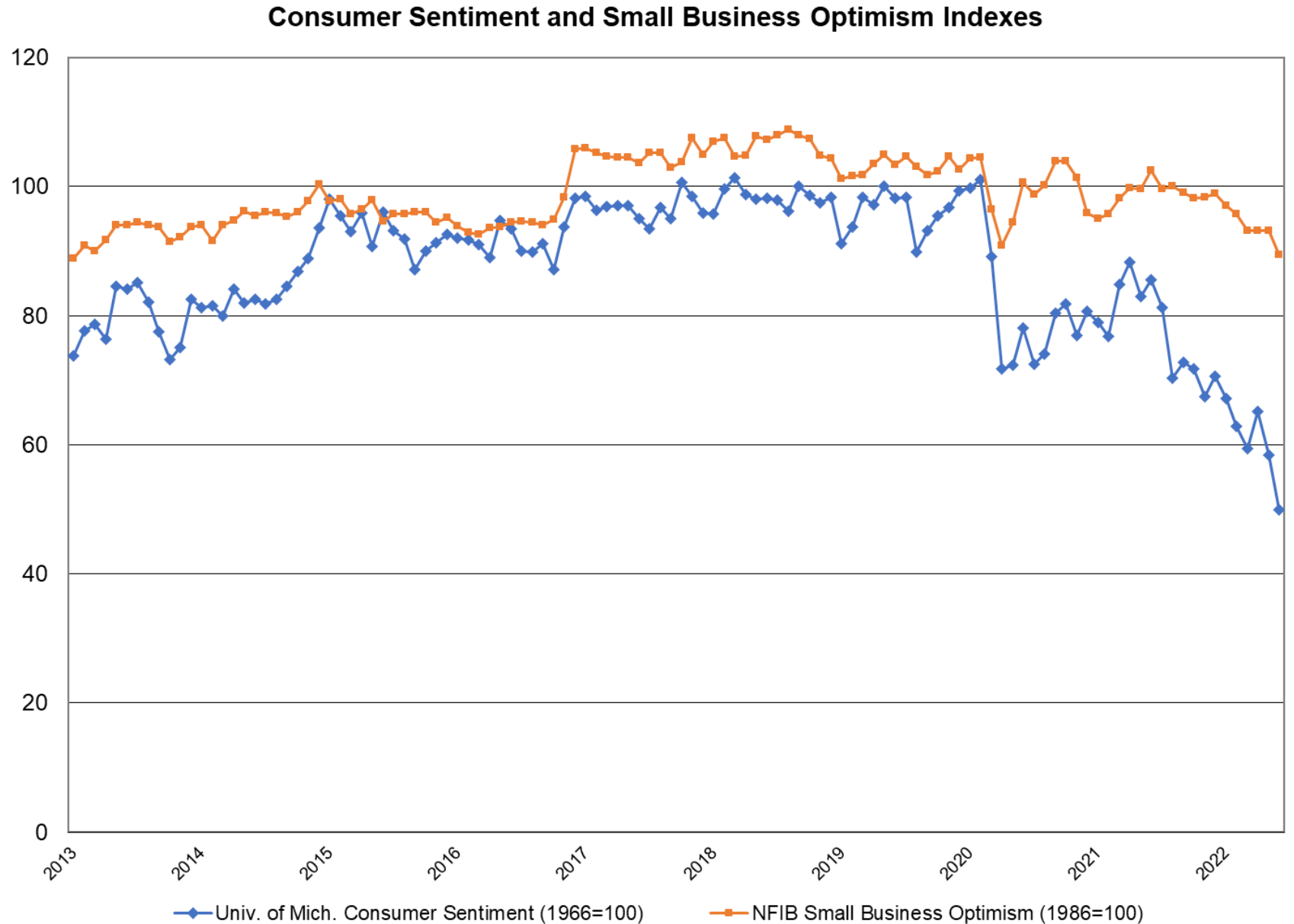


What does this mean for interest rates?

- “(...) the Committee decided to raise the target range for the federal funds rate to 2-1/4 to 2-1/2 percent and anticipates that ongoing increases in the target range will be appropriate.”
- Excerpt from July 27, 2022, Federal Open Market Committee statement
 - Range of June FOMC projections for federal funds rate for 2022 was 3.1-3.9 percent
 - This implies increases of 0.5 to 0.75 percent at next 1-2 meetings
 - Increases are expected into early next year

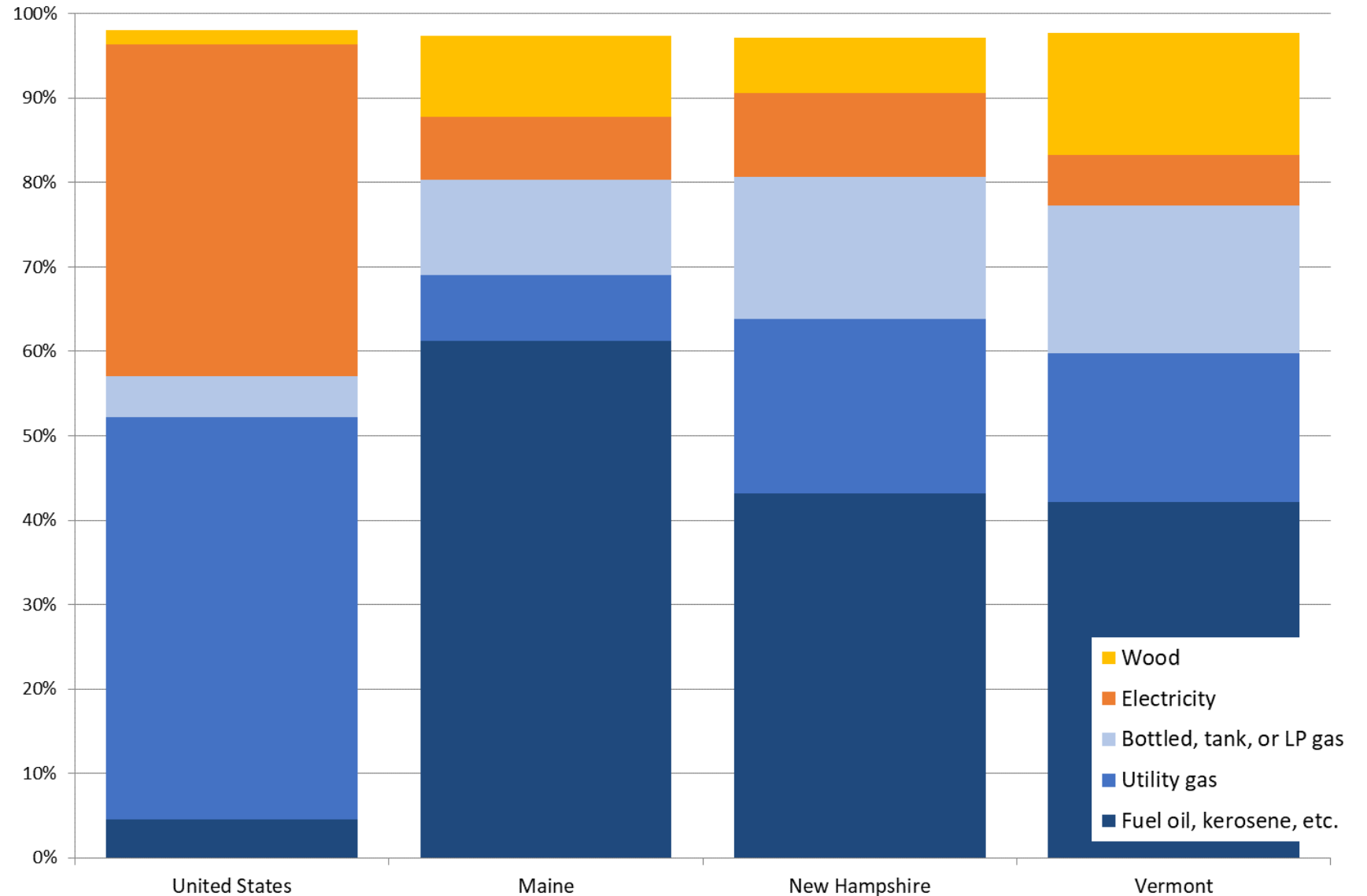
Consumers are particularly concerned about inflation:

Year-ahead inflation expectation has been around 5.3-5.4% (levels not seen in 40 years)



Maine's heavy reliance on fossil fuels exposes us to price spikes and volatility

Percent of Housing Units by Type of Primary Heating Fuel

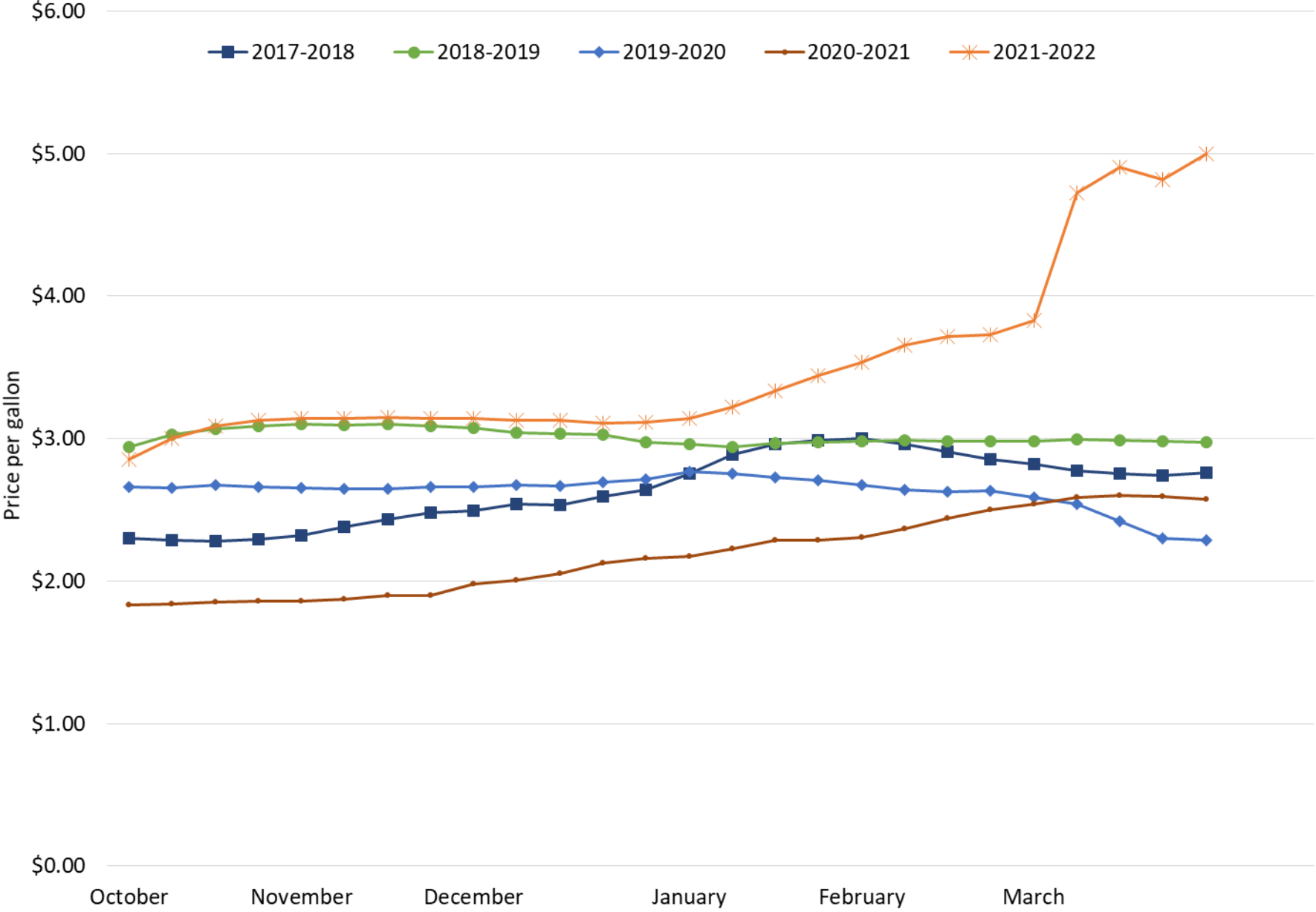


Daily Europe Brent Spot Price (\$ per barrel)

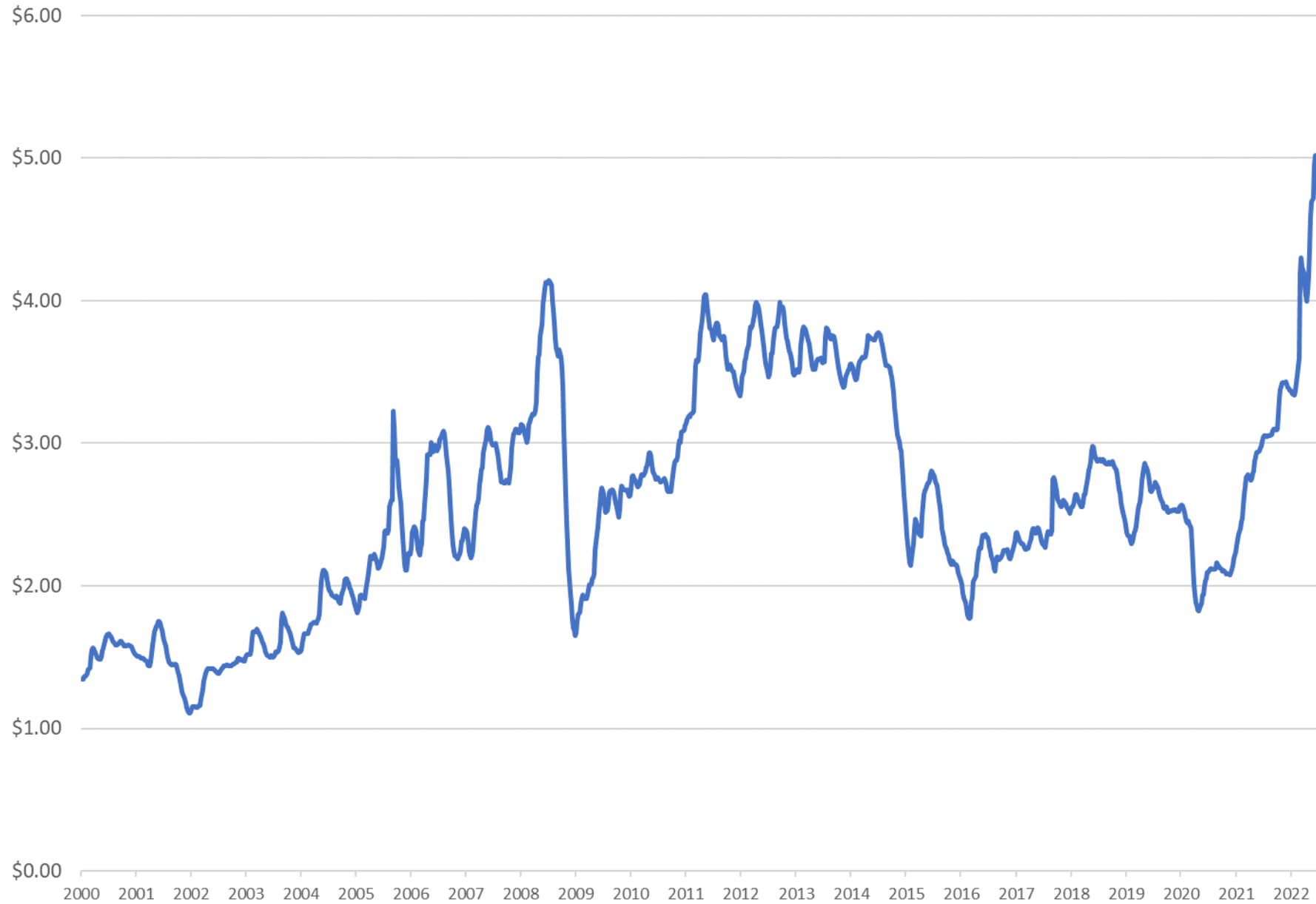


Source: U.S. Energy Information Administration

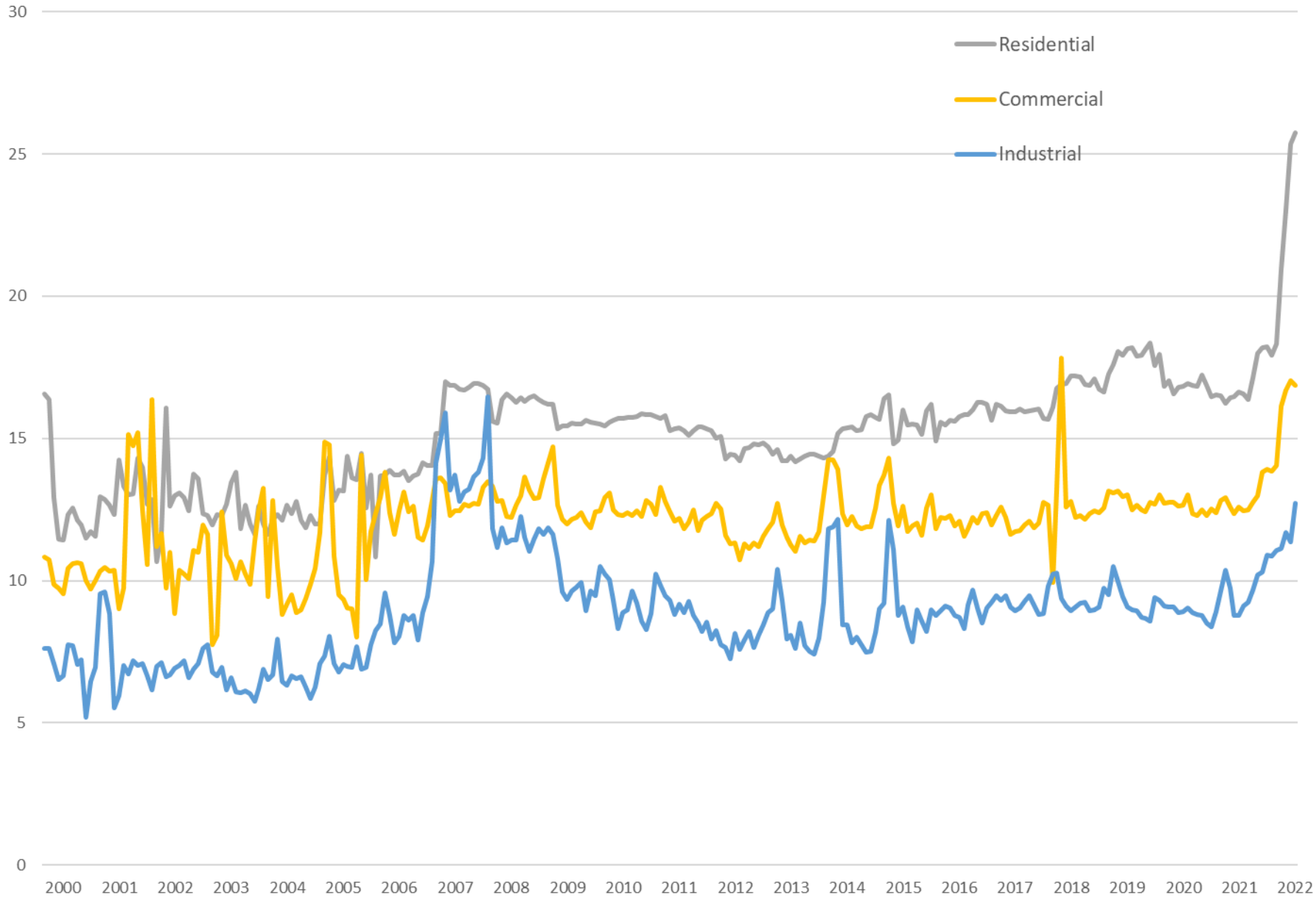
Maine No. 2 Heating Oil Residential Price



New England - Regular All Formulations Retail Gasoline Price Per Gallon



Retail Electricity Price, Maine (Cents/kWh)

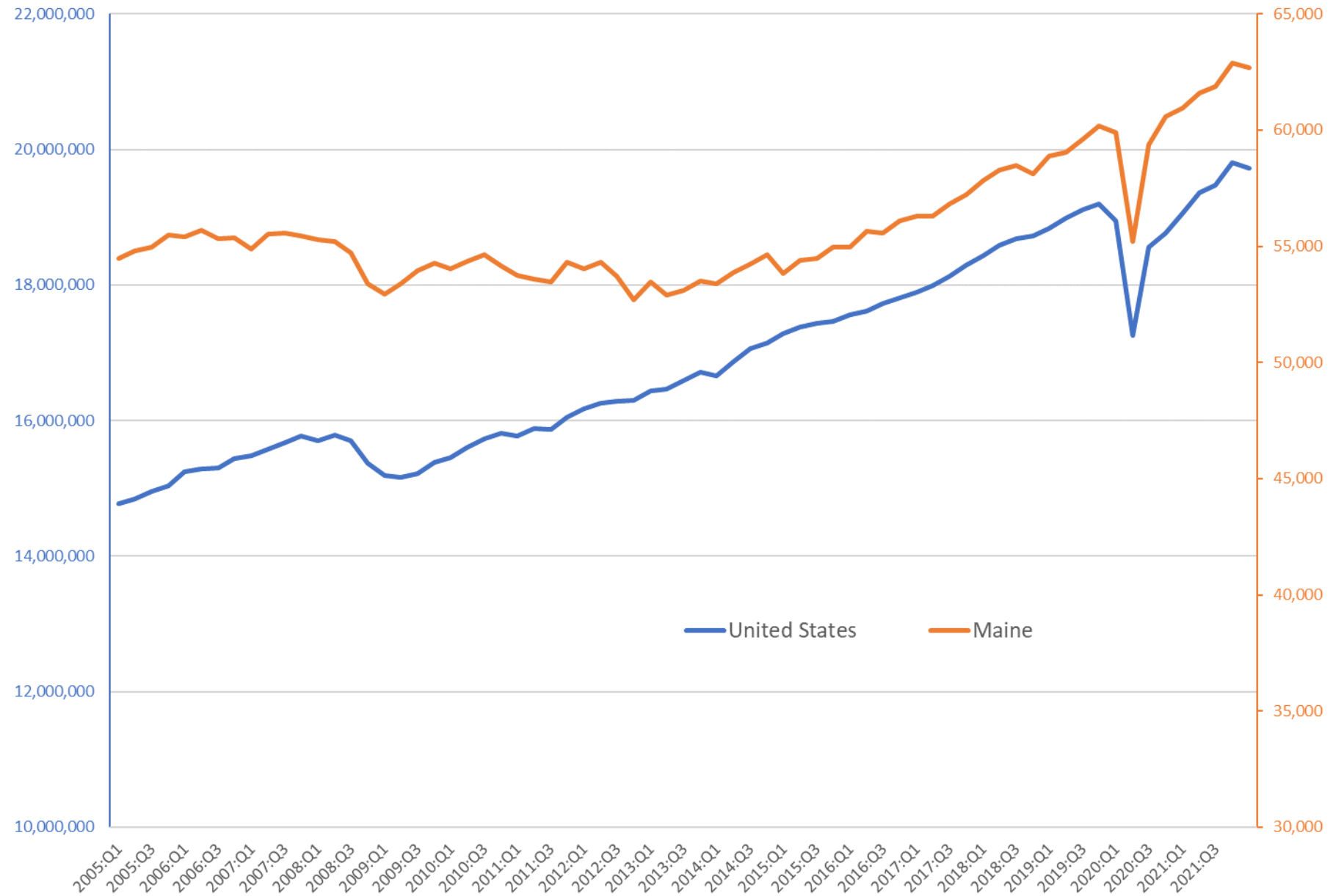


Source: U.S. Energy Information Administration

Maine Taxable Retail Sales	% Change from May 2021 to May 2022	% Change from May 2019 to May 2022	% Change last three months / same 3 month period one year ago
Building Supply	6.6%	52.6%	4.9%
Food Store	3.0%	16.8%	2.4%
General Merchandise	3.2%	22.5%	0.0%
Other Retail	5.8%	96.2%	0.0%
Restaurant	7.8%	11.4%	13.2%
Lodging	17.2%	42.2%	18.4%
Auto Transportation	-0.7%	24.9%	-1.8%
Total	4.7%	36.3%	3.1%

STATE GDP

Quarterly Real GDP (in millions of chained 2012 dollars)



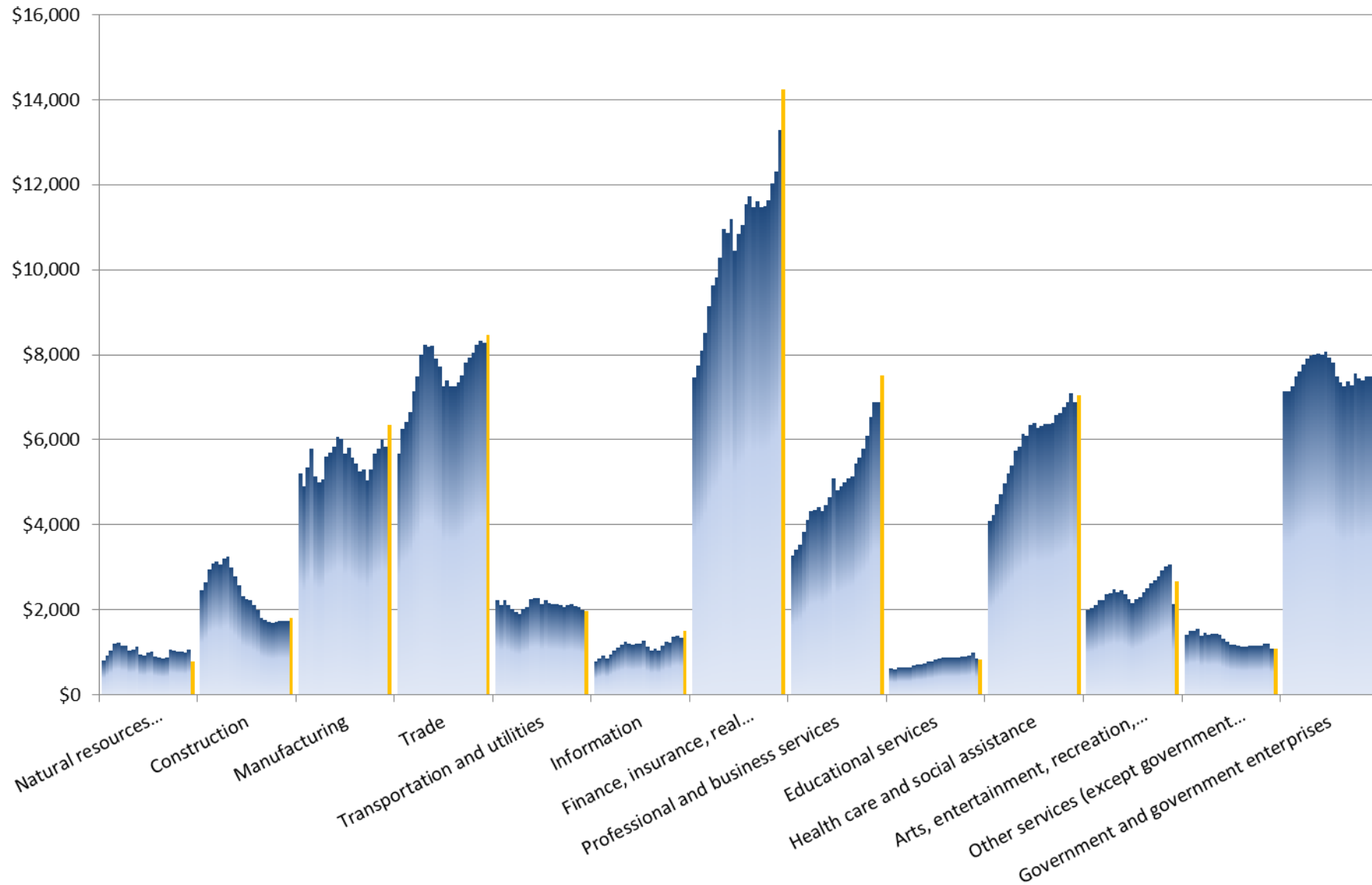
What is a recession, anyway?

National real GDP declined at an annual rate of 1.6% in the first quarter of 2022 and 0.9% (advance estimate) in the second quarter of 2022

In the U.S., recessions are officially declared by the National Bureau of Economic Research:

“a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months”

Maine Real GDP by Industry, 1997-2021 (in millions of chained 2012 dollars)



LOOKING AHEAD

Forecast Highlights

Calendar Years	2020	2021	2022	2023	2024	2025	2026	2027
Wage & Salary Employment (Annual Percentage Change)								
CEFC Forecast 02/2020	0.5	0.2	0.1	0.0	0.0	0.0		
CEFC Forecast 11/2021	-6.4	3.7	2.3	1.0	0.7	0.7		
CEFC Forecast 02/2022	-6.4	3.7	1.8	1.0	0.4	0.2	0.0	0.0
Personal Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	4.0	3.7	3.5	3.5	3.5		
CEFC Forecast 11/2021	7.9	5.2	0.5	4.6	4.8	4.6		
CEFC Forecast 02/2022	7.9	6.5	1.7	5.0	4.9	4.6	4.6	4.5
Wage and Salary Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	3.7	3.4	3.2	3.2	3.2		
CEFC Forecast 11/2021	2.9	5.5	5.0	5.0	5.0	4.0		
CEFC Forecast 02/2022	2.9	7.7	6.5	5.5	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)								
CEFC Forecast 02/2020	1.9	2.0	2.0	2.0	2.0	2.0		
CEFC Forecast 11/2021	1.2	4.4	3.5	2.1	2.1	2.1		
CEFC Forecast 02/2022	1.2	4.7	5.0	4.0	2.5	2.5	2.5	2.5

Key short-term risks from February 2022 CEFC report

- Inflation, especially in energy prices
- Geopolitical upheaval
- Interest rate increases affecting housing affordability
- Uncertainty pertaining to the ongoing pandemic and future variants

Next update is November 1, 2022

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

- High energy prices are troubling and may be weighing on summer tourism
- Ongoing roll-out of funds from Maine Jobs and Recovery Plan with targeted investments based on 10-year Economic Development Strategy
- Will we see continued migration into Maine?

The Budget Stabilization Fund is at a record level of \$895.9 million

Final thoughts:

- We're moving into an endemic phase of COVID, but it's still out there and new variants may arise, impacting employment, supply chains, and the global economy
- Housing costs have increased sharply as demand far outstrips supply, limiting availability for workforce expansion; interest rate increases may cool some demand, but will make affordability a continuing problem
- Wages have increased, but so has inflation – real gains aren't as robust
- What happens with pandemic-related workforce trends in the long term?
- Near- to medium-term global and national economic conditions are highly uncertain reflecting war in Ukraine and interest rate hikes, among other things, but states are in a position to provide the kinds of support that typically come from the federal government

Contact Information

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