



Maine's Economic Outlook

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Learning Objectives: participants will increase their understanding of recent and projected trends in Maine's:

Demographics

Labor Force and Employment

Income

Inflation and Spending

Forecast Considerations and Risks

Demographics



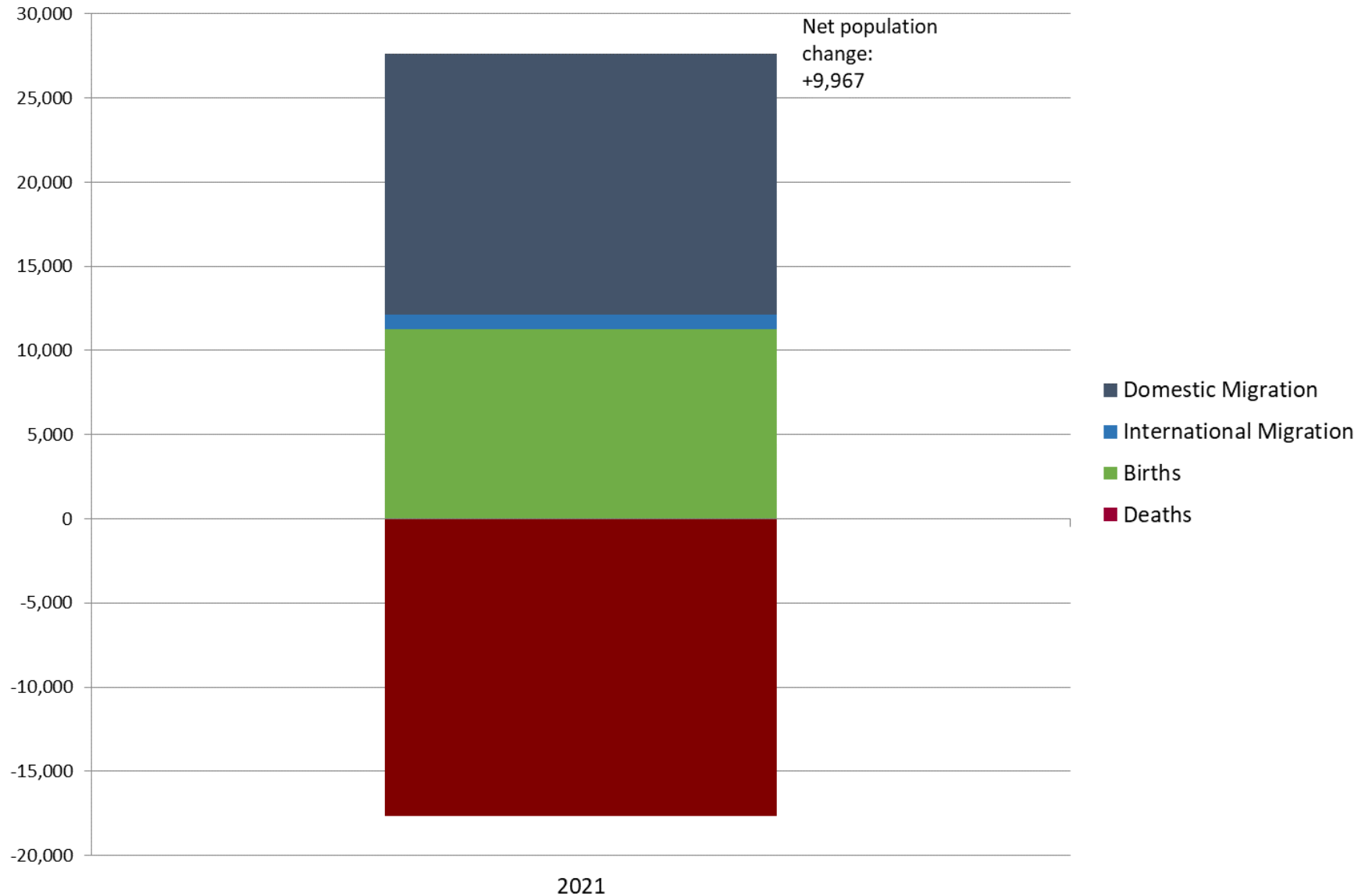
2020 Decennial
Population = 1,362,359
(42nd in U.S.)

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

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

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

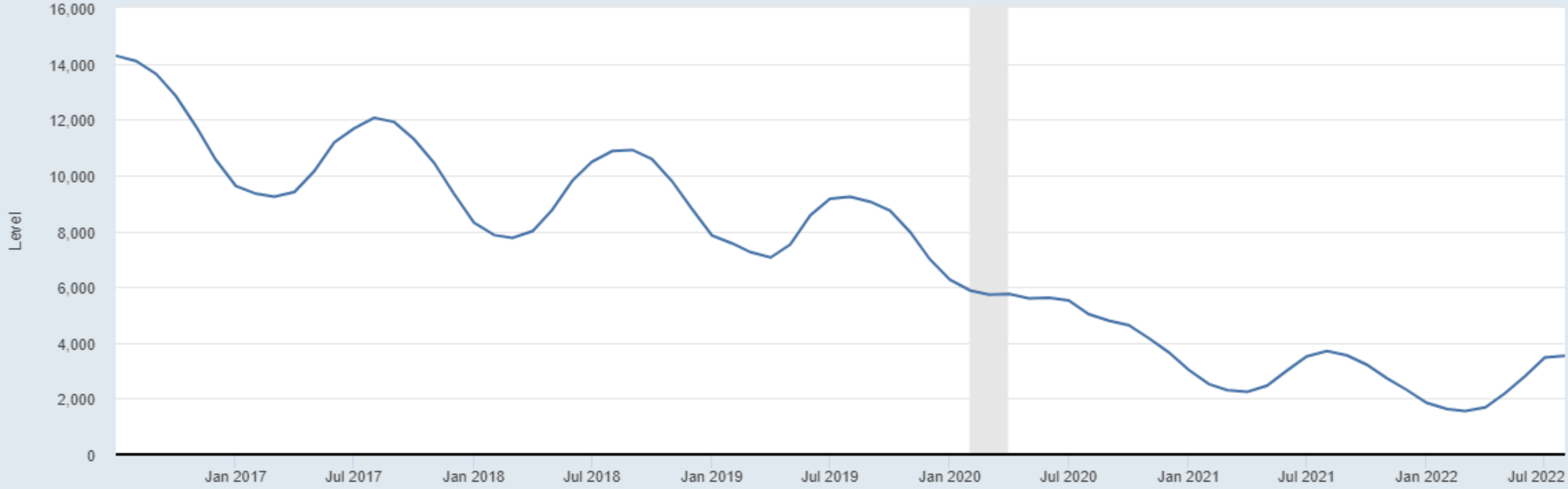
Components of Population Change, Maine





FRED

Housing Inventory: Active Listing Count in Maine



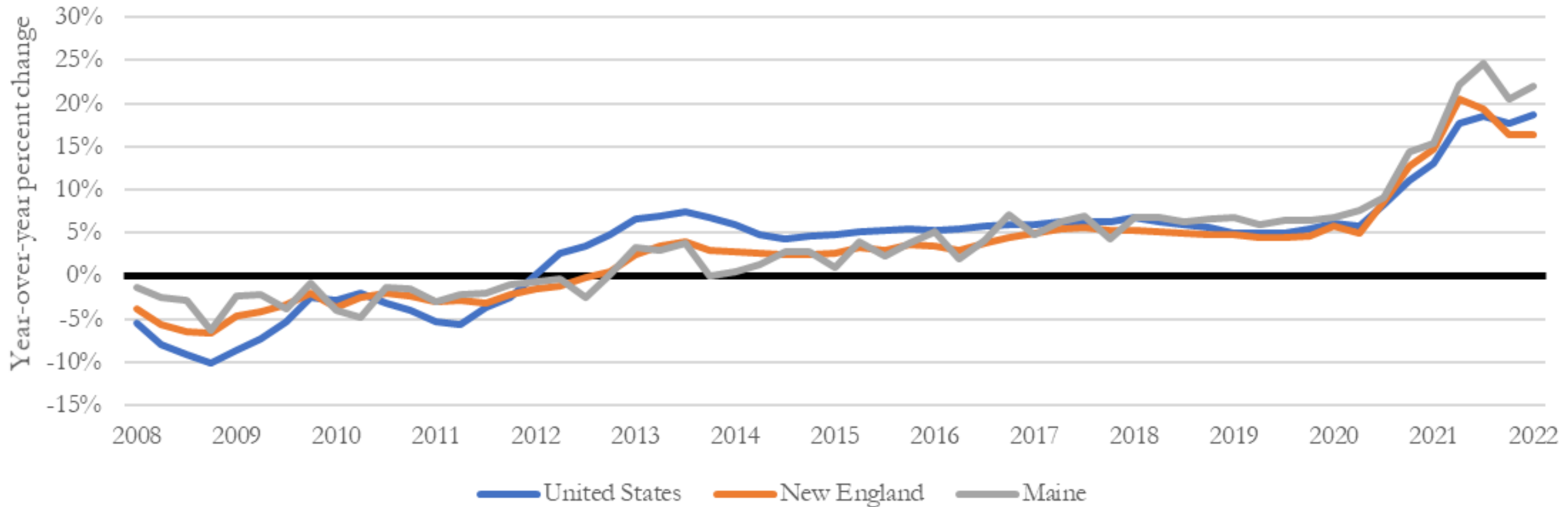
Shaded areas indicate U.S. recessions.

Source: Realtor.com

fred.stlouisfed.org

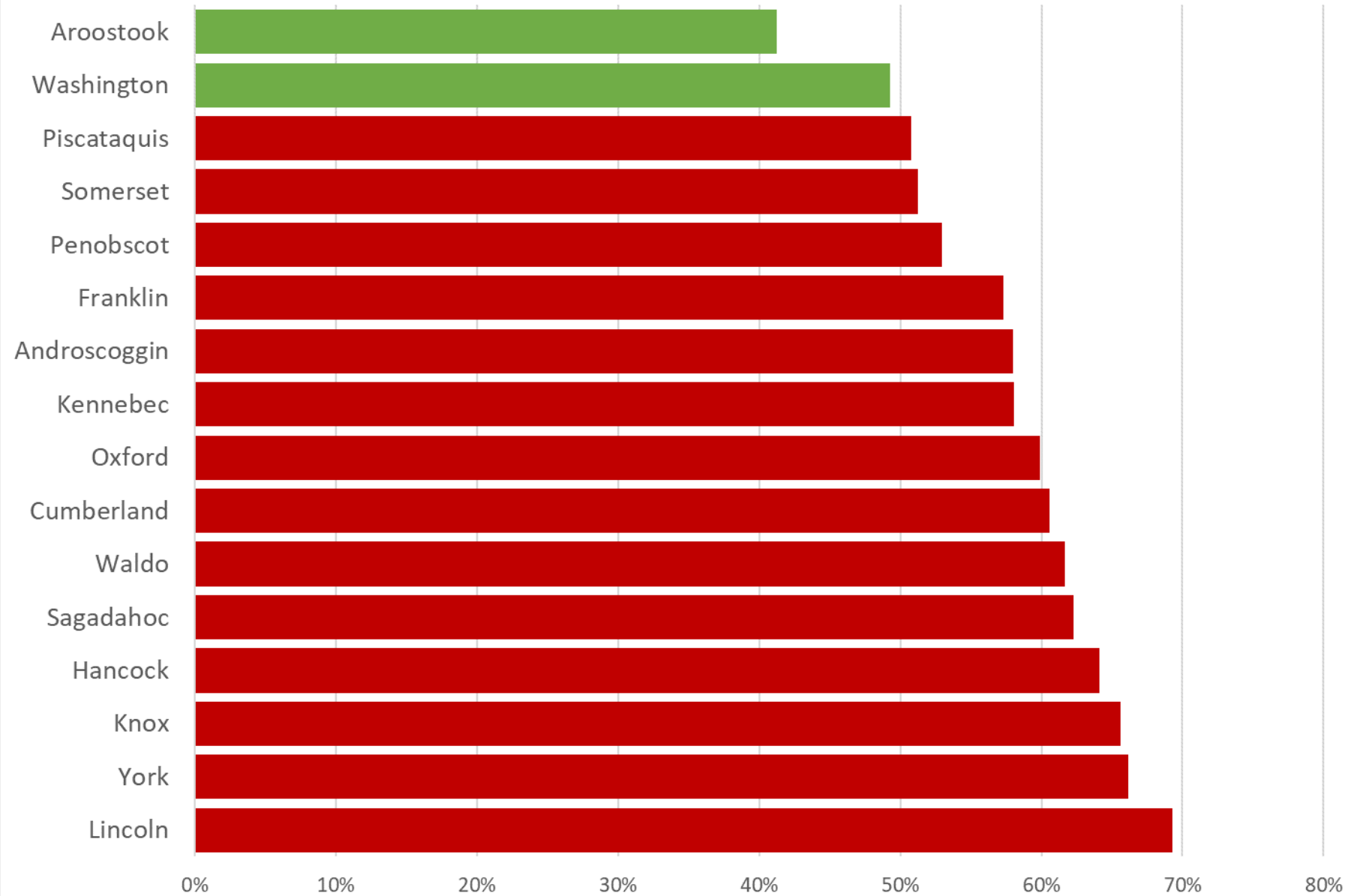


Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)





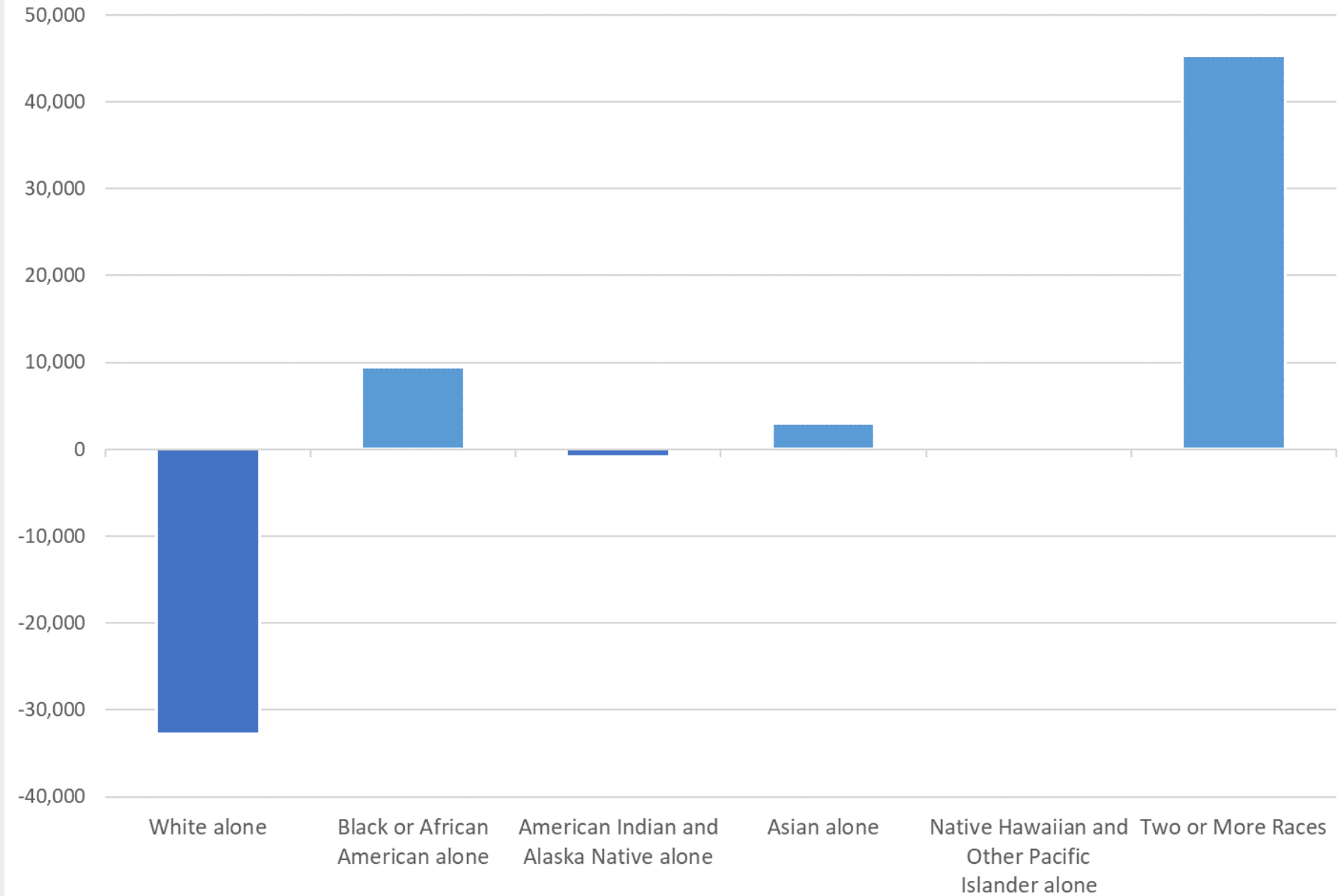
Percent of Households Unable to Afford Median Home, 2021





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

Change in Maine Population by Race, 2010-2020





Maine has the oldest population...

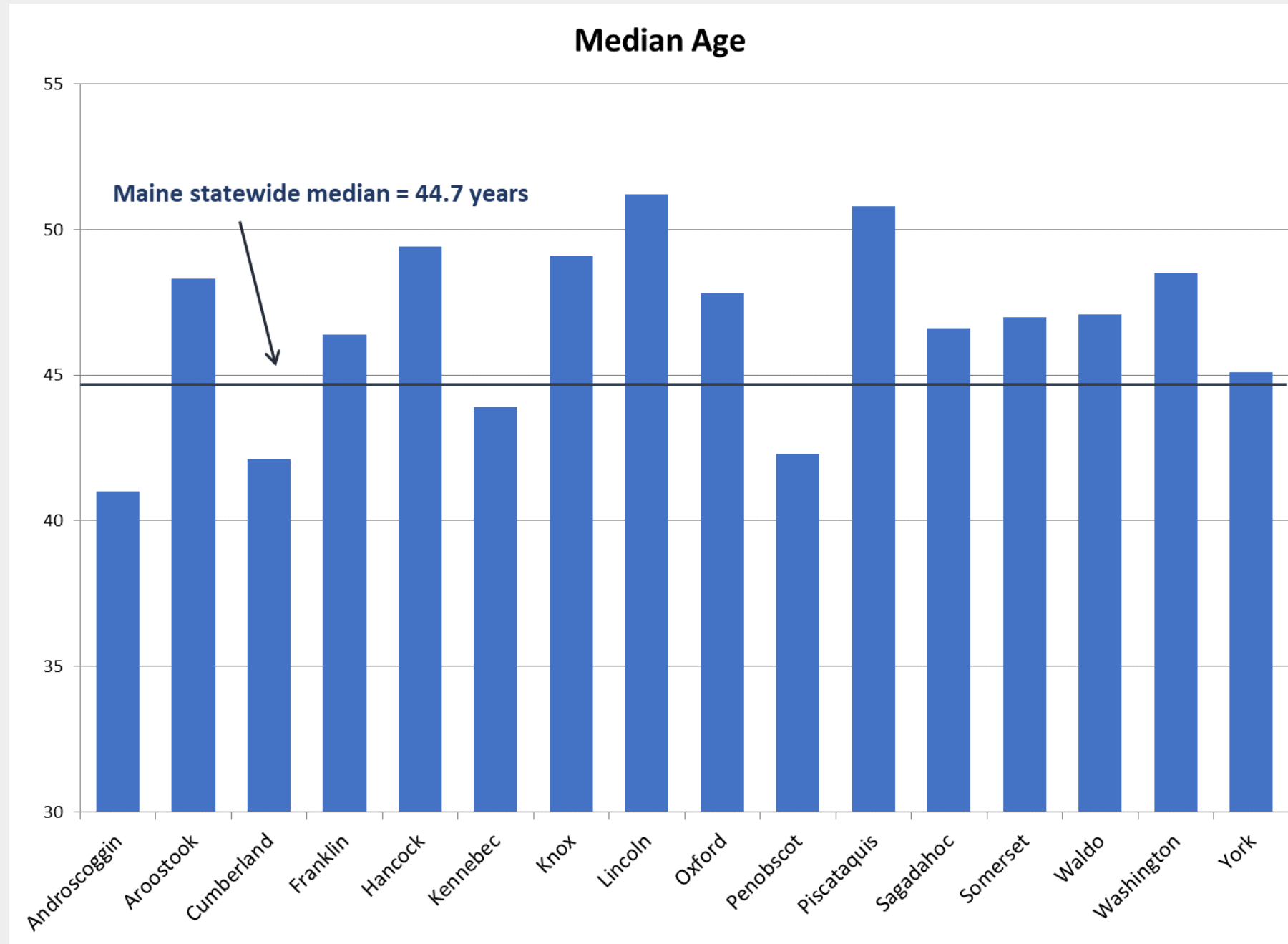
...by median age

(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

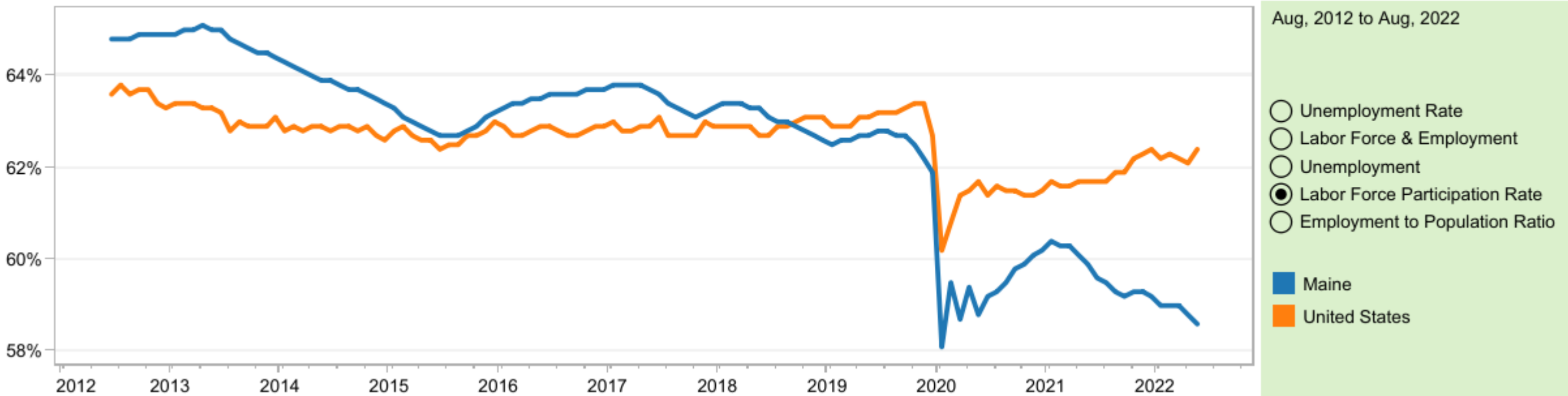


Labor Force and Employment



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

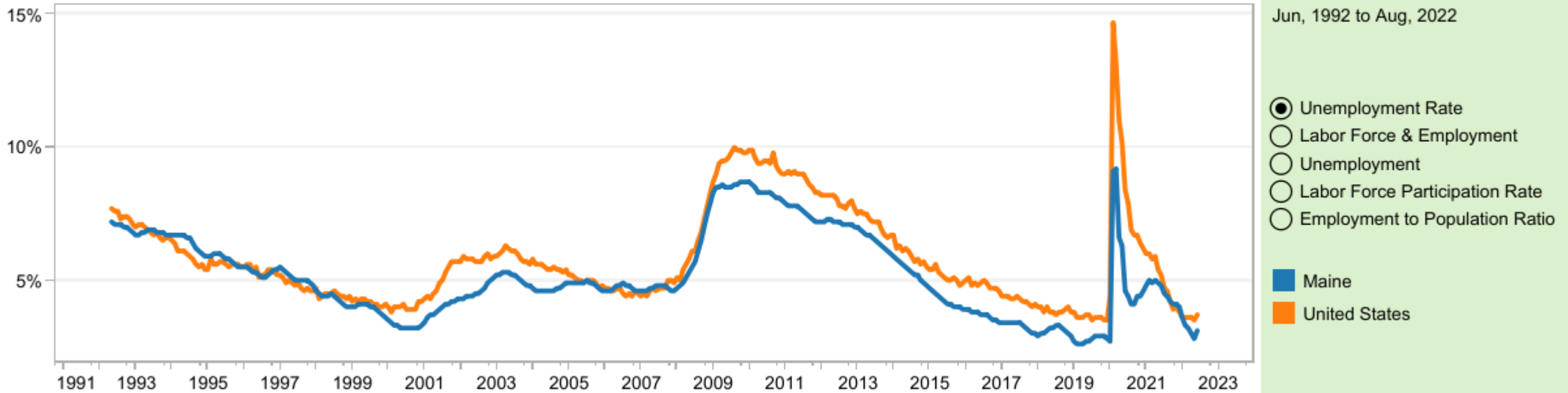
Labor Force Participation Rate
(seasonally adjusted)



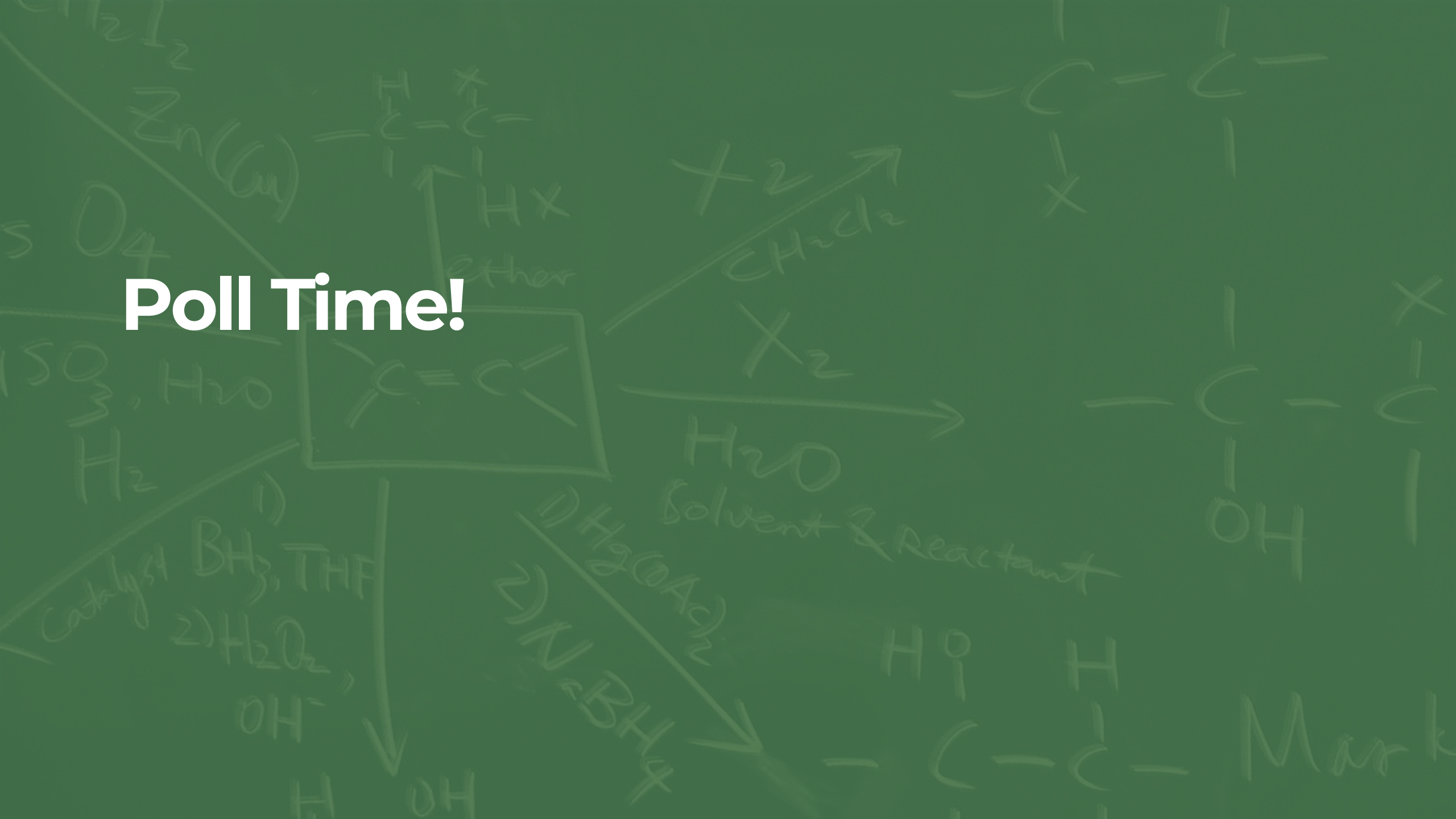


Maine's unemployment rate in August 2022 is just above pre-pandemic levels and well below the long-run average unemployment

Unemployment Rate
(seasonally adjusted)

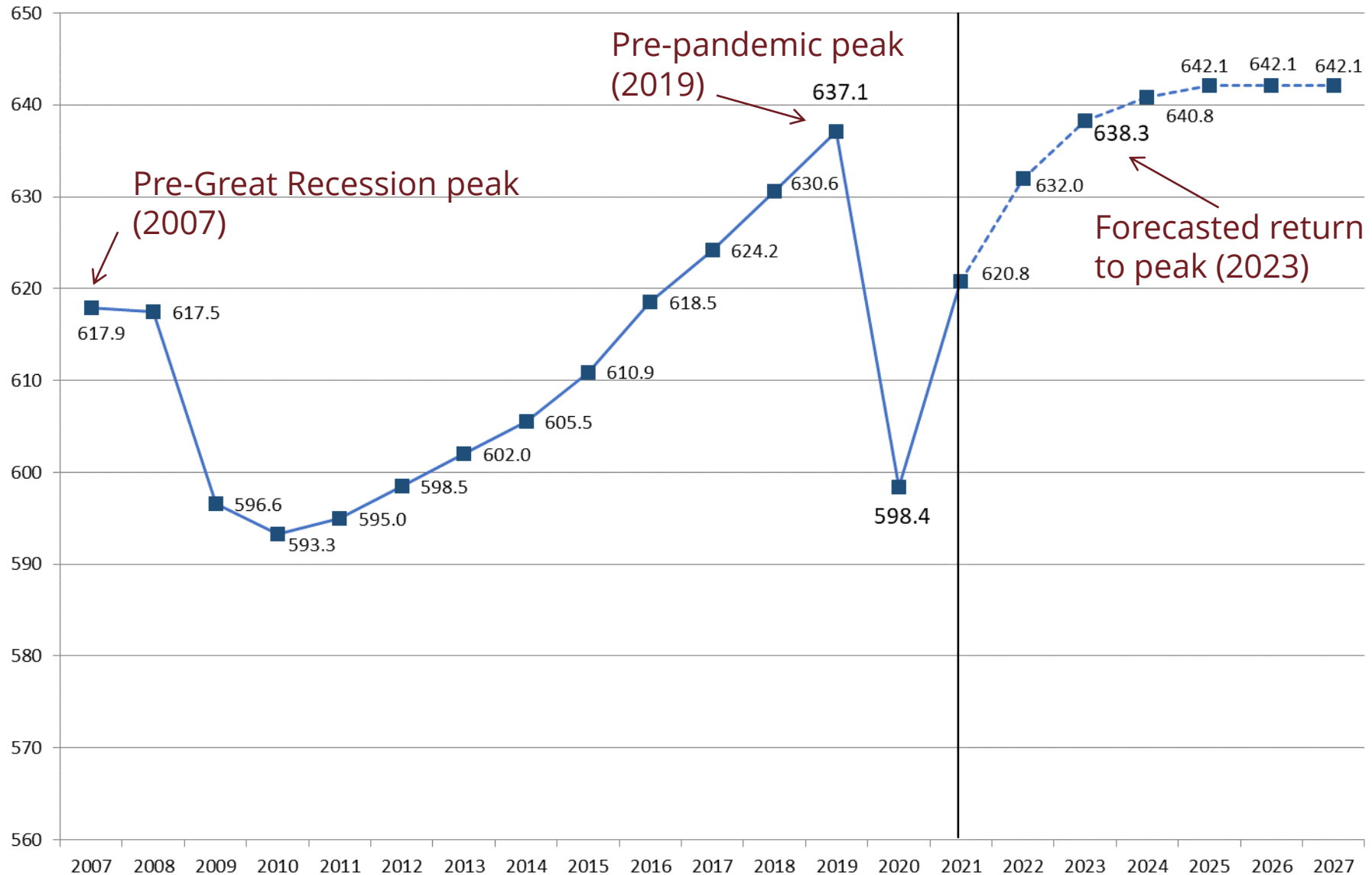


Poll Time!





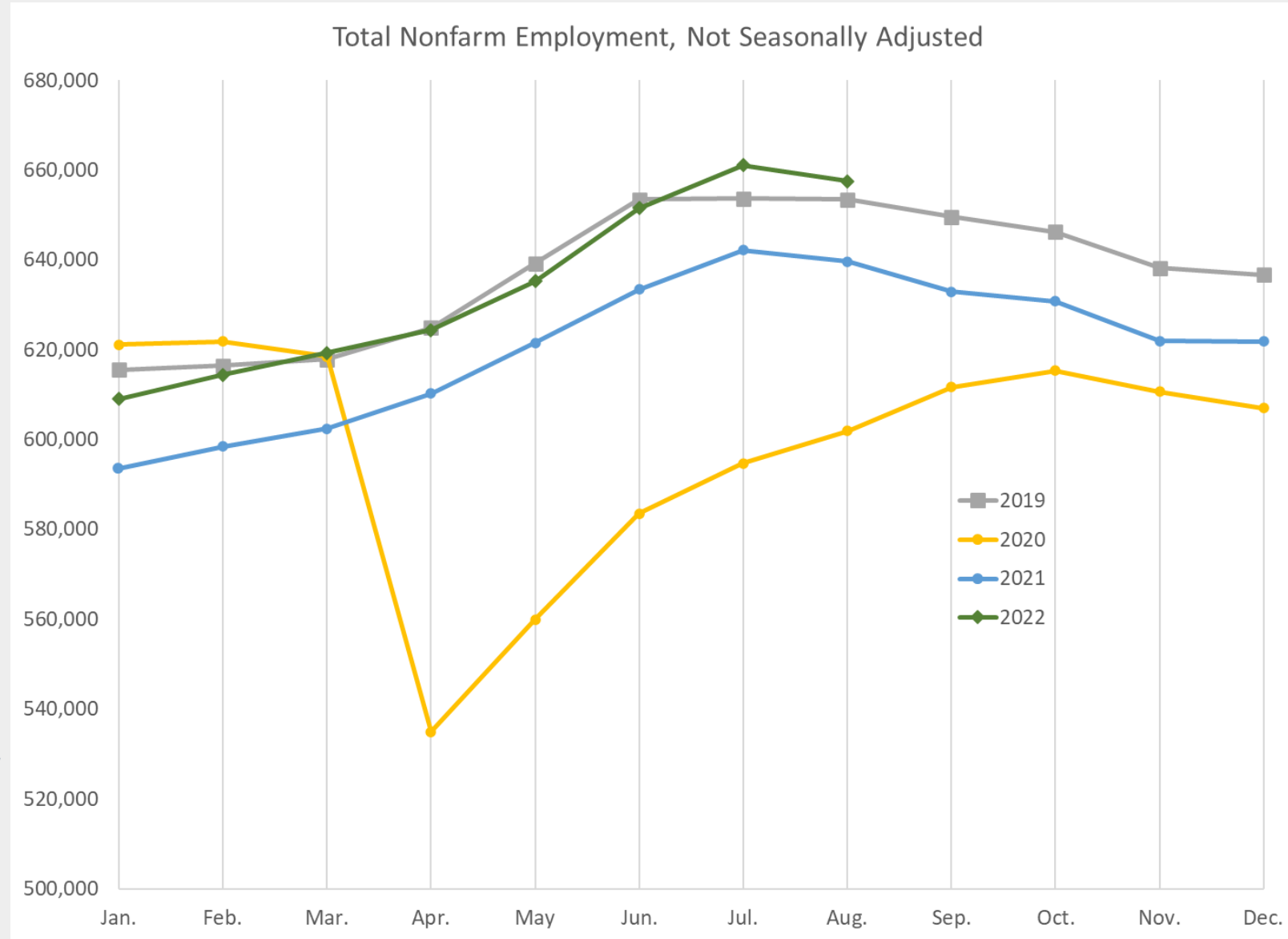
Total Nonfarm Employment (in thousands) History and CEFC forecast





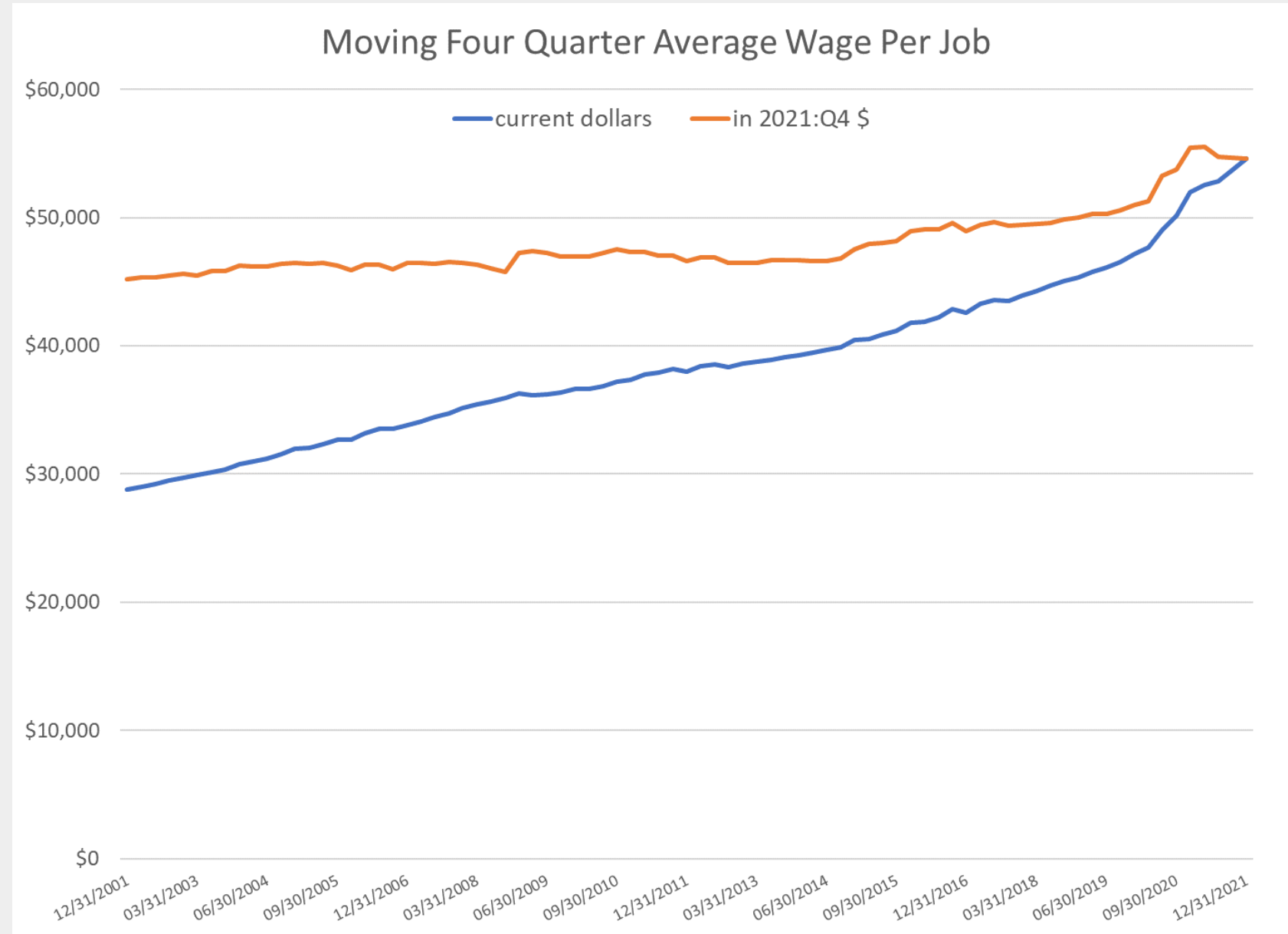
Most sectors in August 2022 were near or above August 2019 levels, the exceptions being:

- healthcare and social assistance (mostly long-term care and social assistance)
- state government education (public higher education)



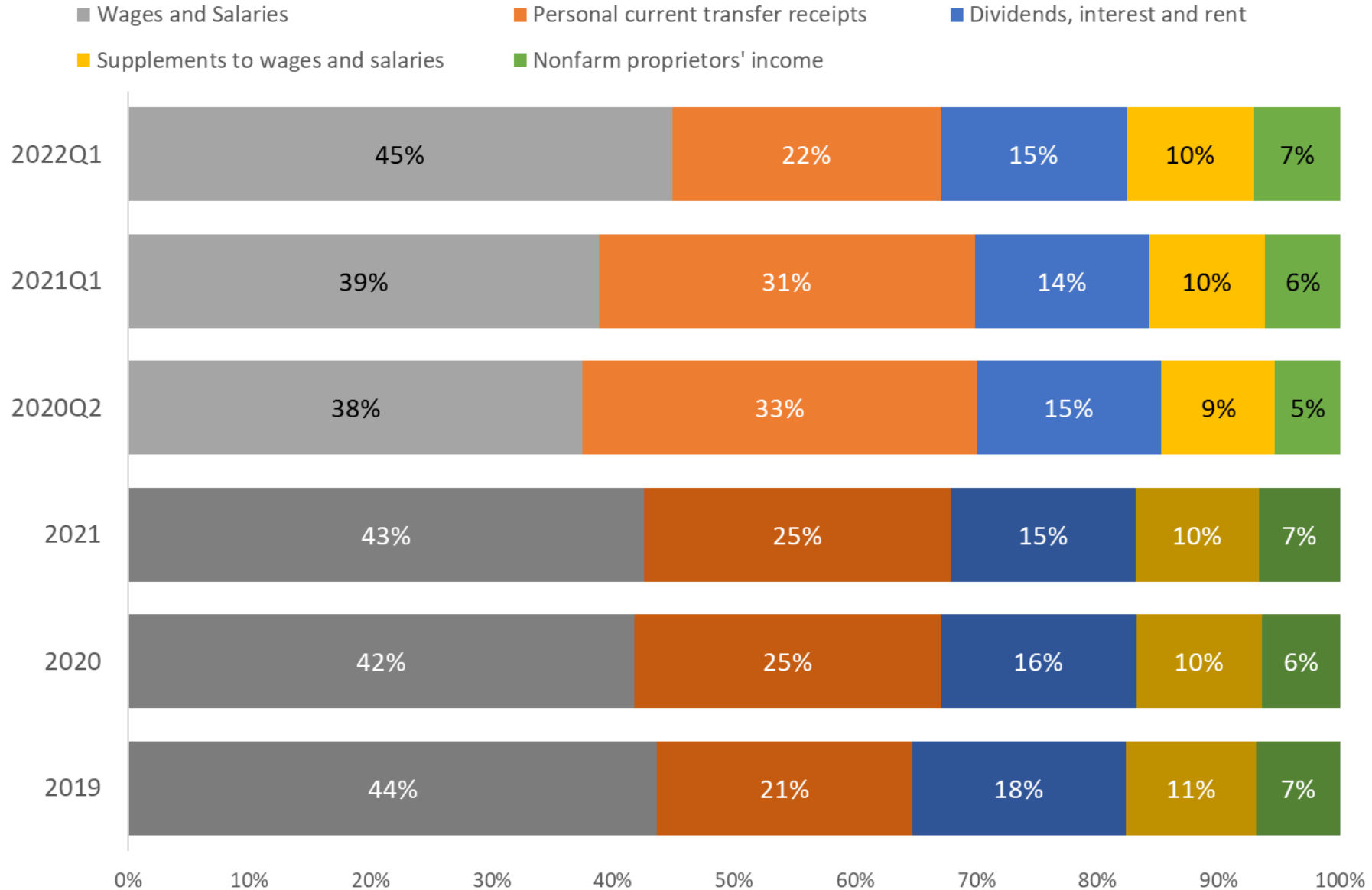


Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era, but inflation is making those gains less meaningful



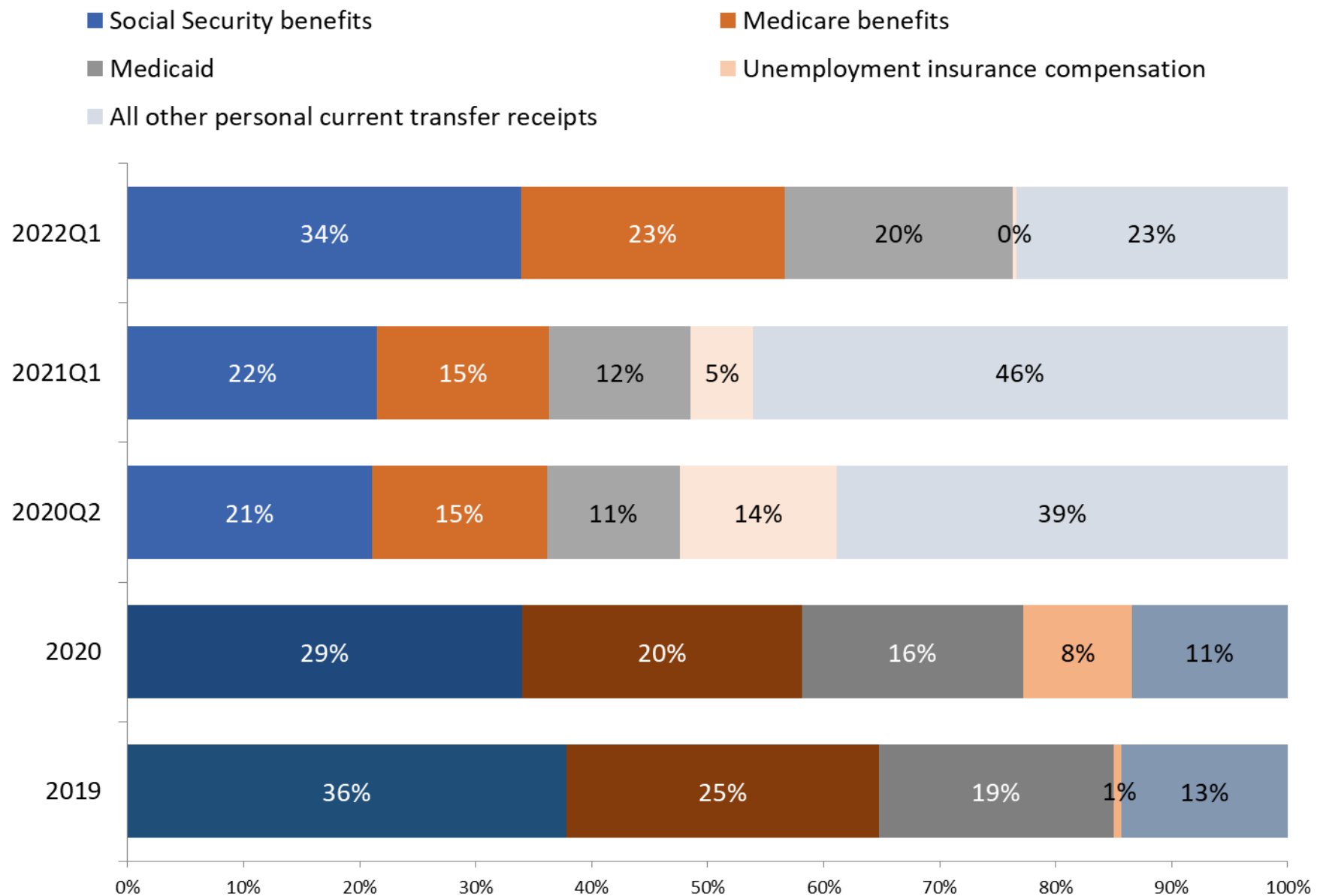


Major Components of Personal Income, Maine





Components of Personal Current Transfer Receipts, Maine





Federal supports including stimulus payments and Child Tax Credit played a role in reducing poverty in 2021

Official 2021 U.S. poverty rate = 11.6%, essentially unchanged from 2020

Supplemental Poverty Measure (SPM) = 7.8%, 1.4 percentage points lower than 2020 and the lowest rate since the measure was first published

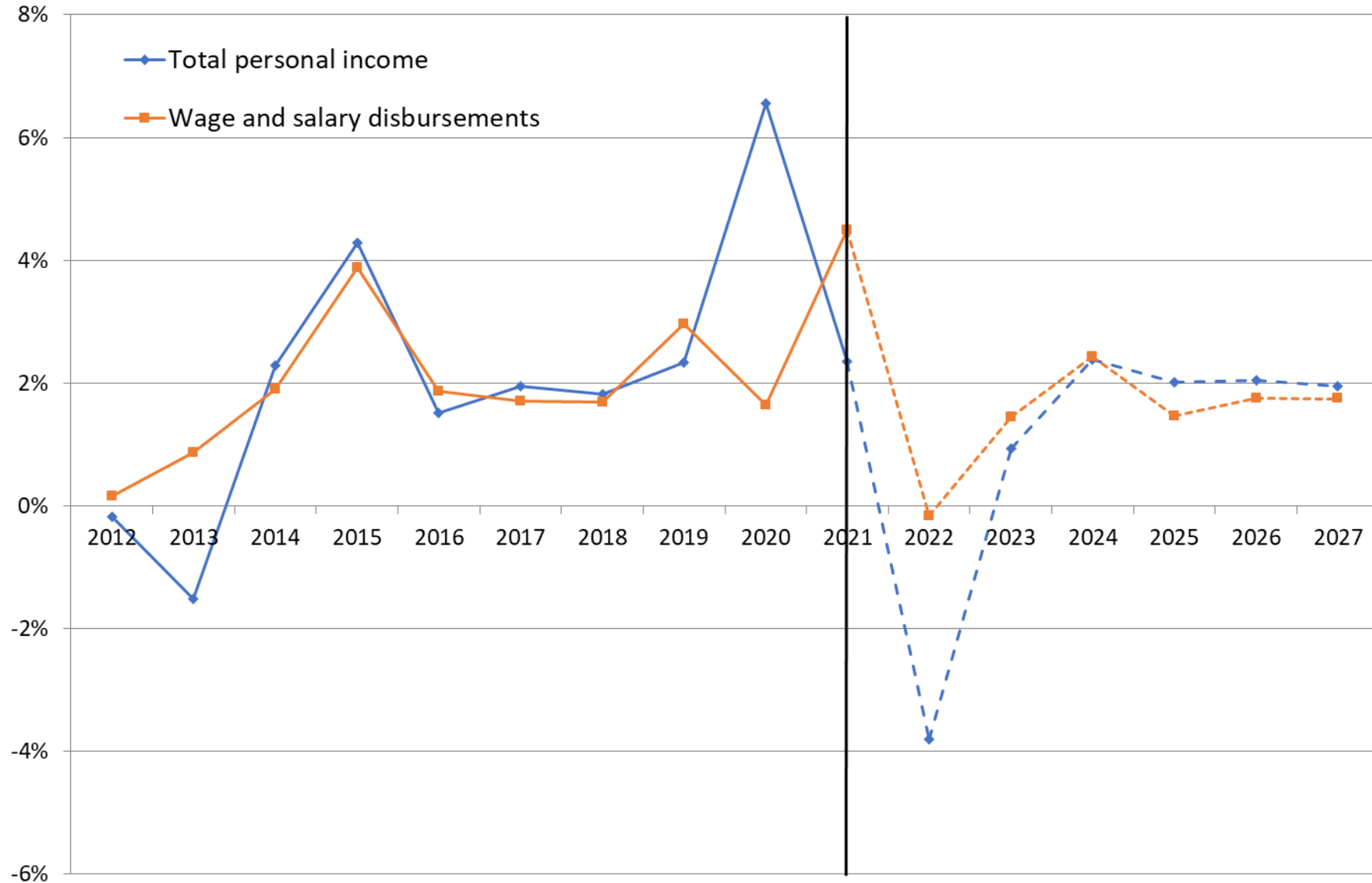
The SPM child poverty rate fell 46% in 2021, from 9.7% to 5.2%, the lowest rate on record

Social Security is the most significant antipoverty program, moving 26.3 million people nationally out of poverty as measured by the SPM

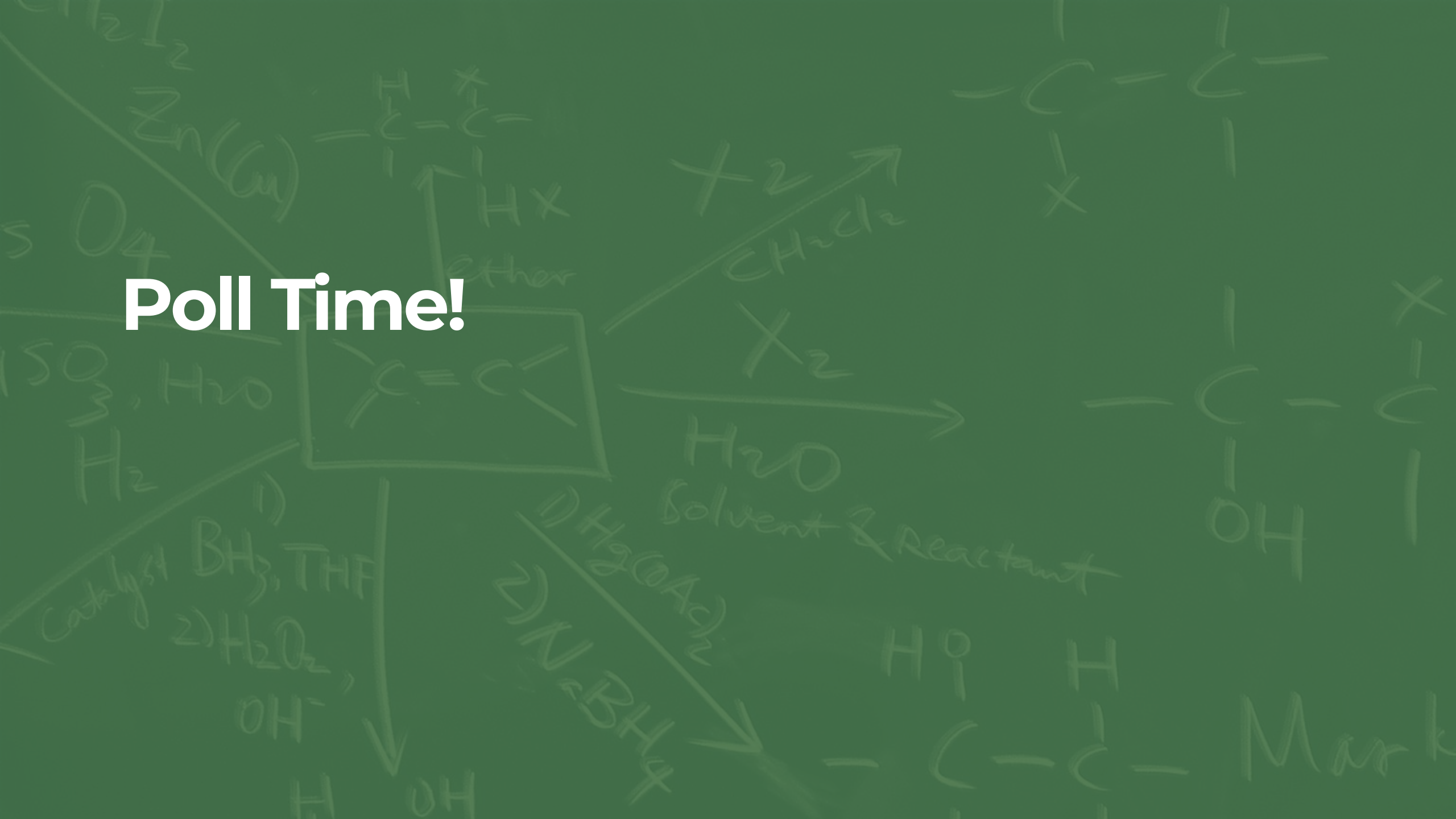
In Maine, the 3-year average SPM for 2019-2021 was 5.4%, 3.8 percentage points below the official poverty rate of 9.2% and the second-lowest in the nation along with Wisconsin



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



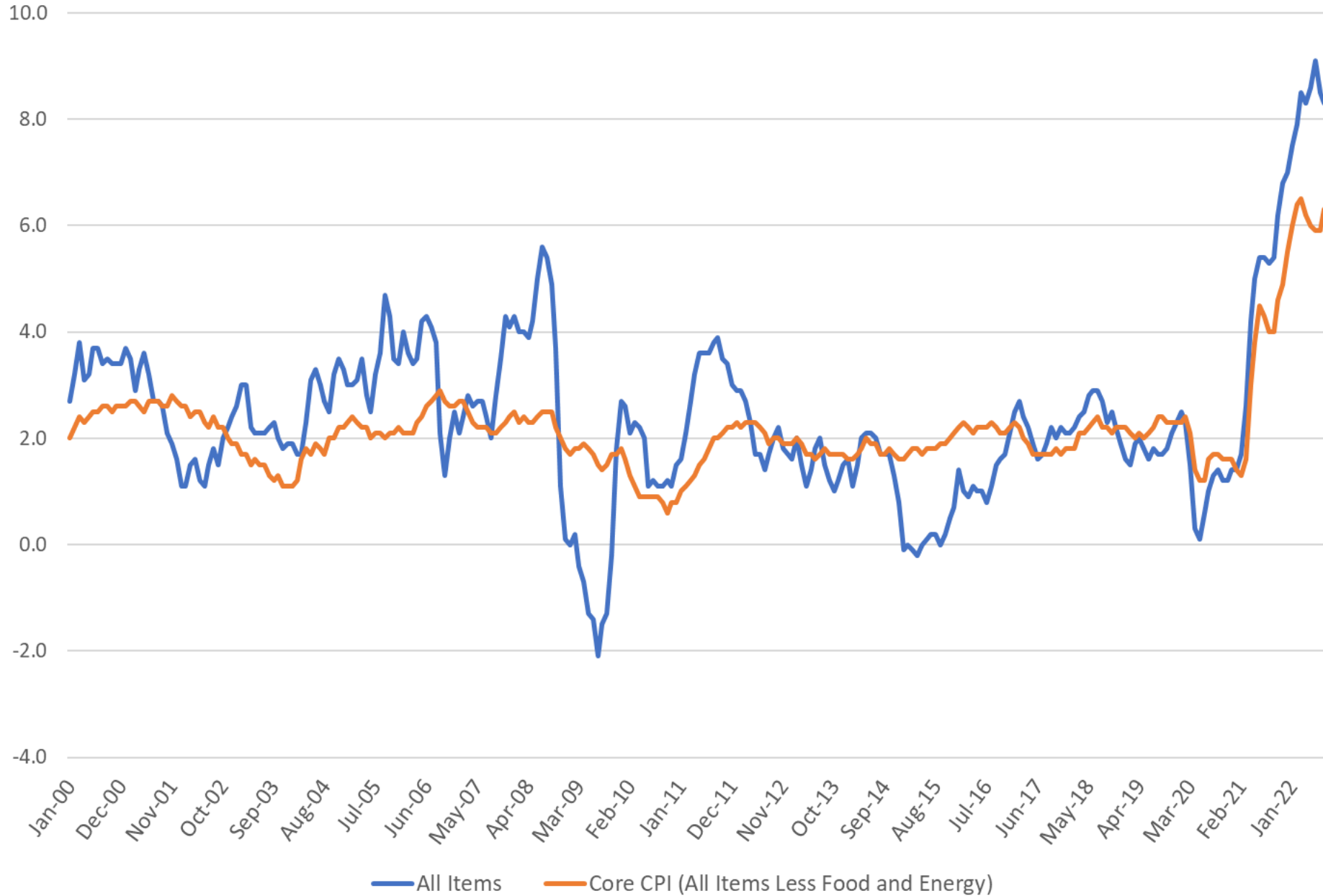
Poll Time!



Inflation and Spending

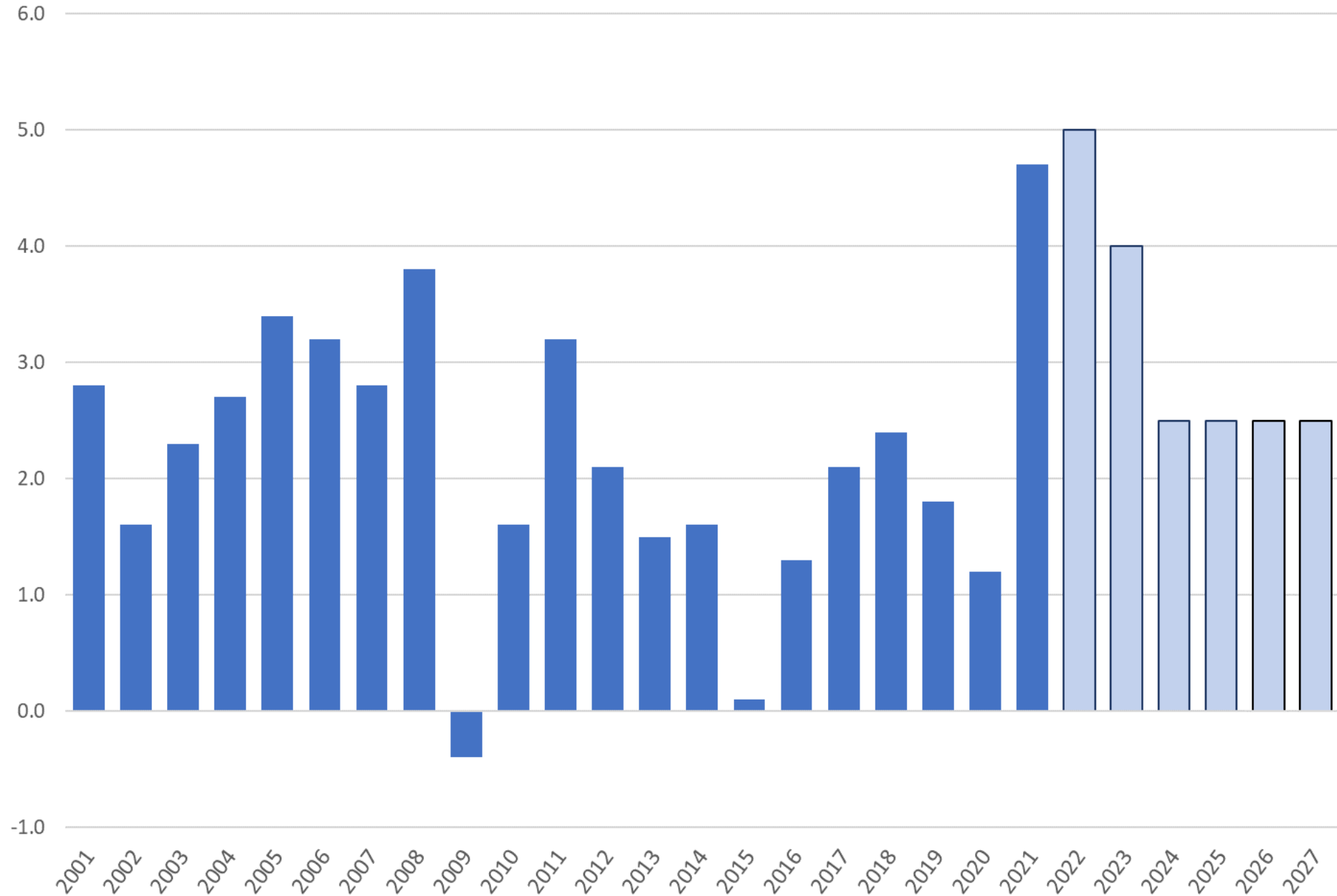


Year-over-year percent change in Consumer Price Index





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.”

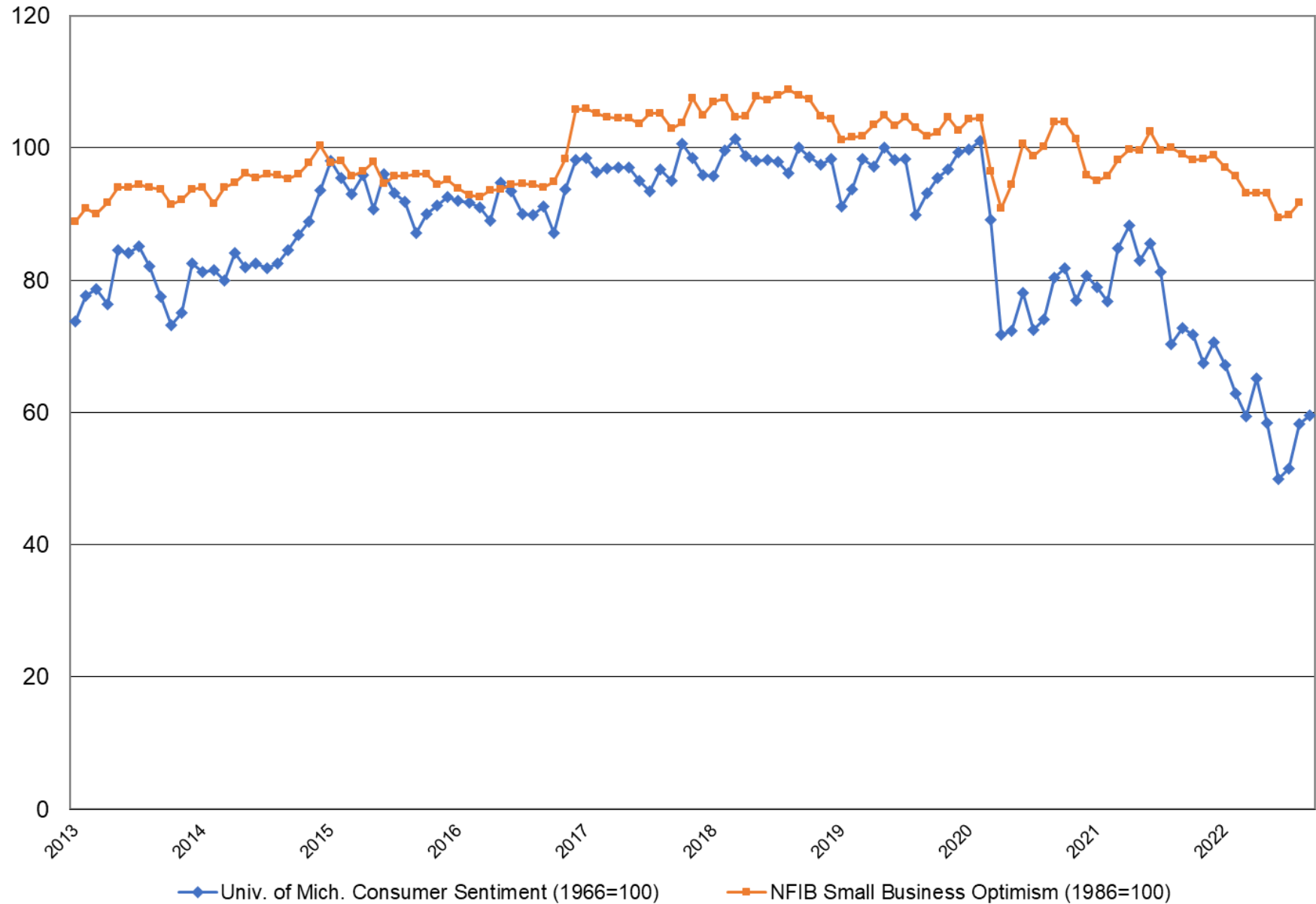
Excerpt from July 27, 2022, Federal Open Market Committee statement

- 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



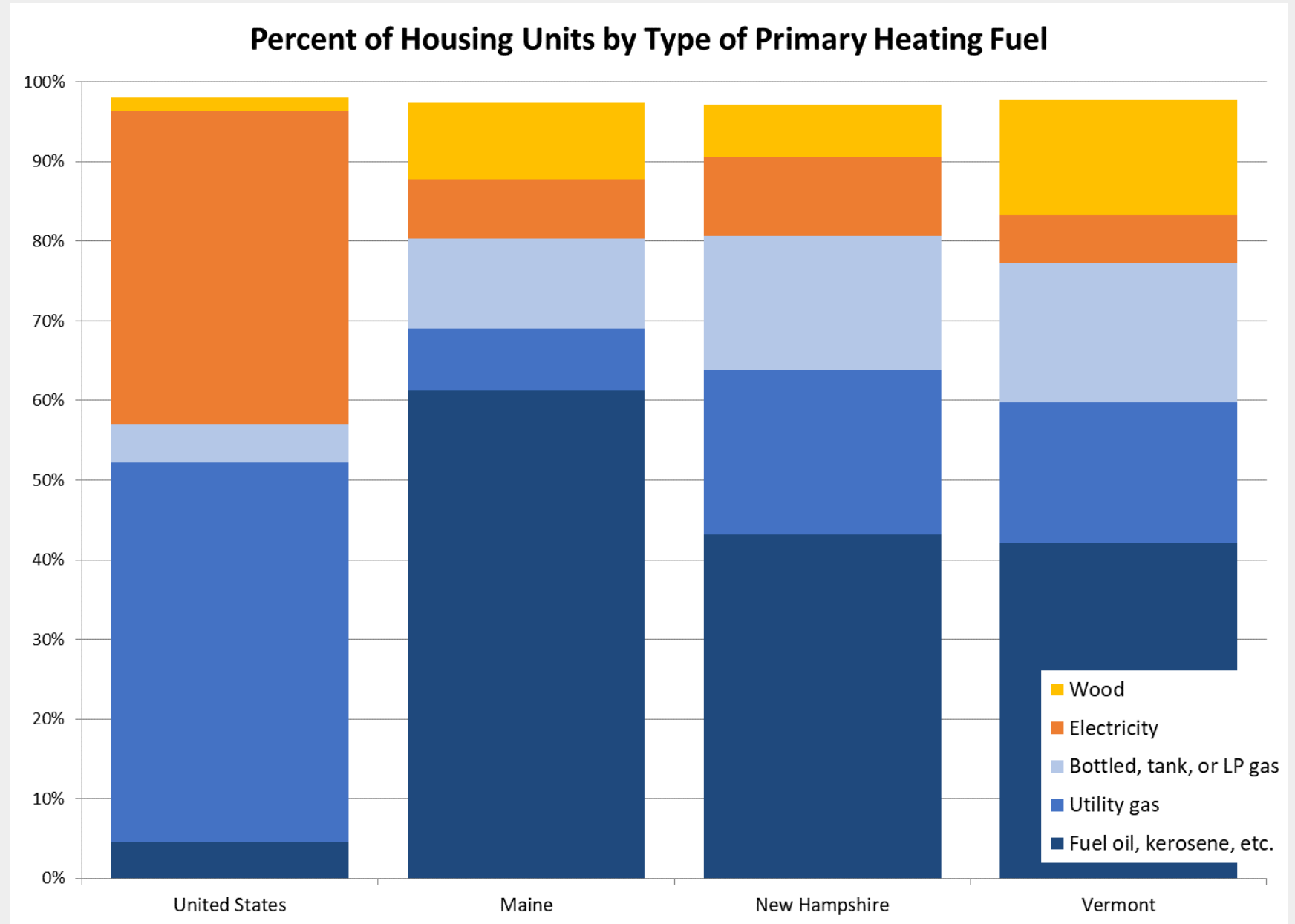
Inflation has been a major contributor to the downward trend in consumer sentiment over the past year; easing gas prices ahead of August survey helped improve current sentiment, but uncertainty about future economic trajectory persists

Consumer Sentiment and Small Business Optimism Indexes





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



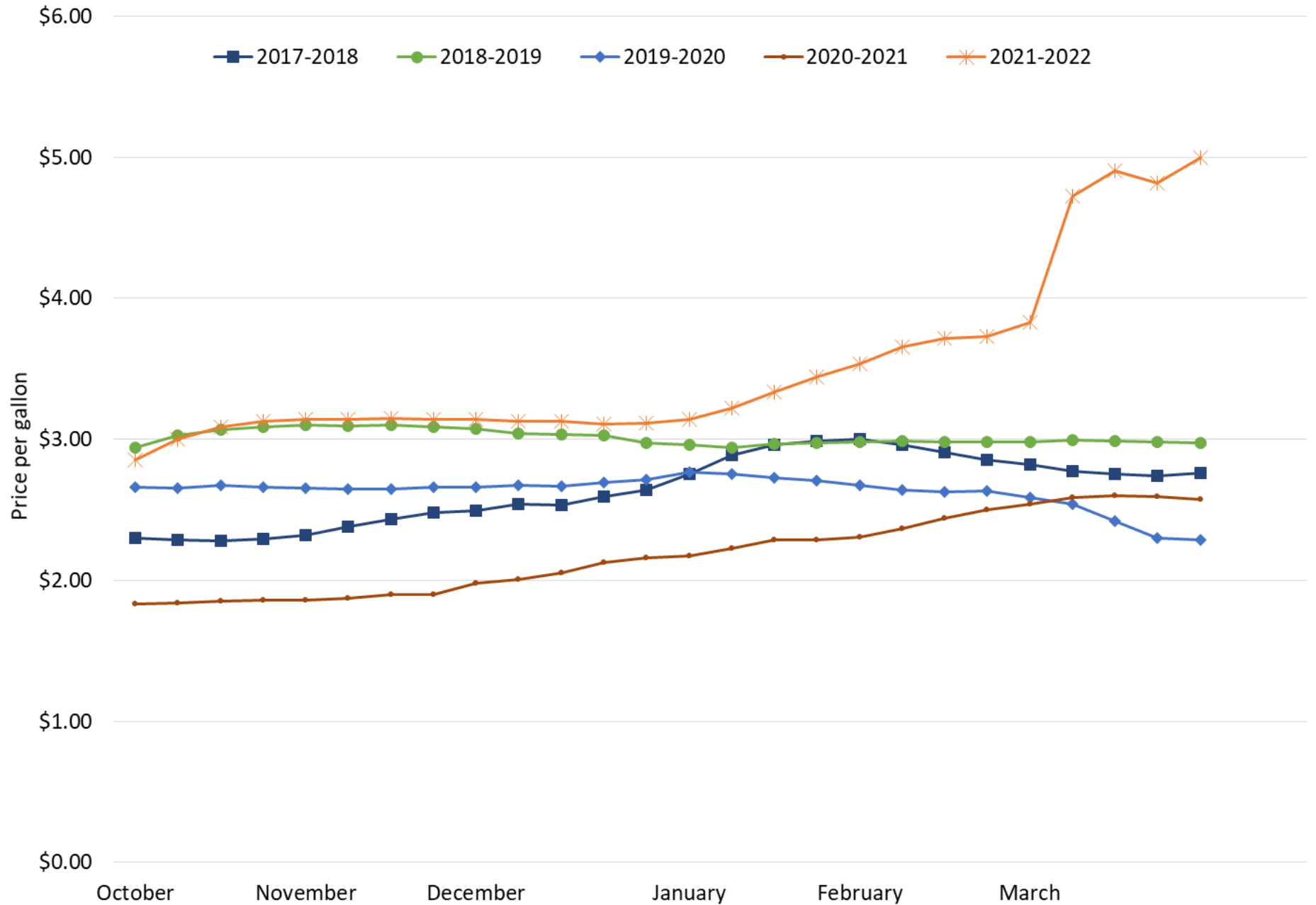


Daily Europe Brent Spot Price (\$ per barrel)

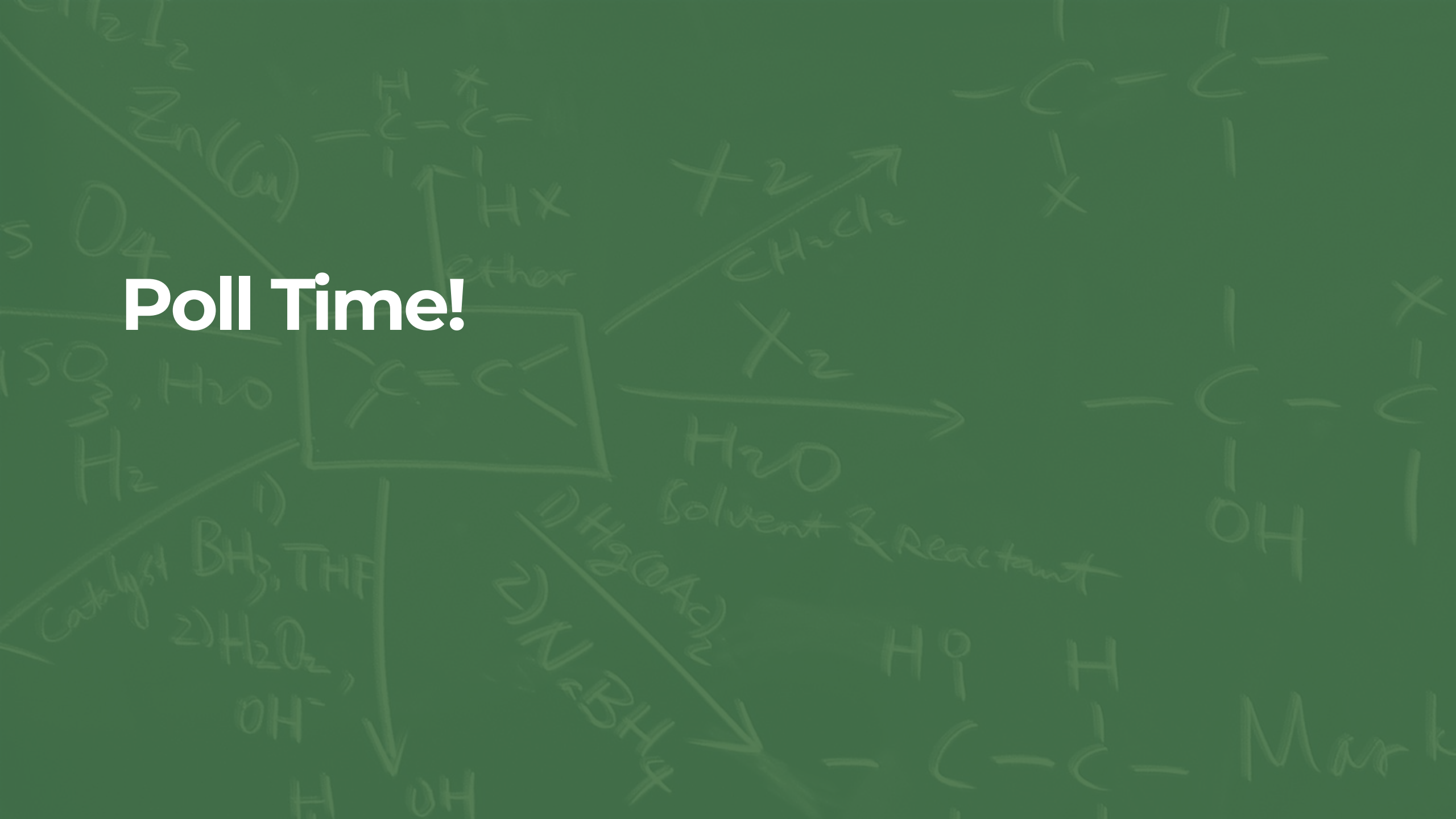




Maine No. 2 Heating Oil Residential Price

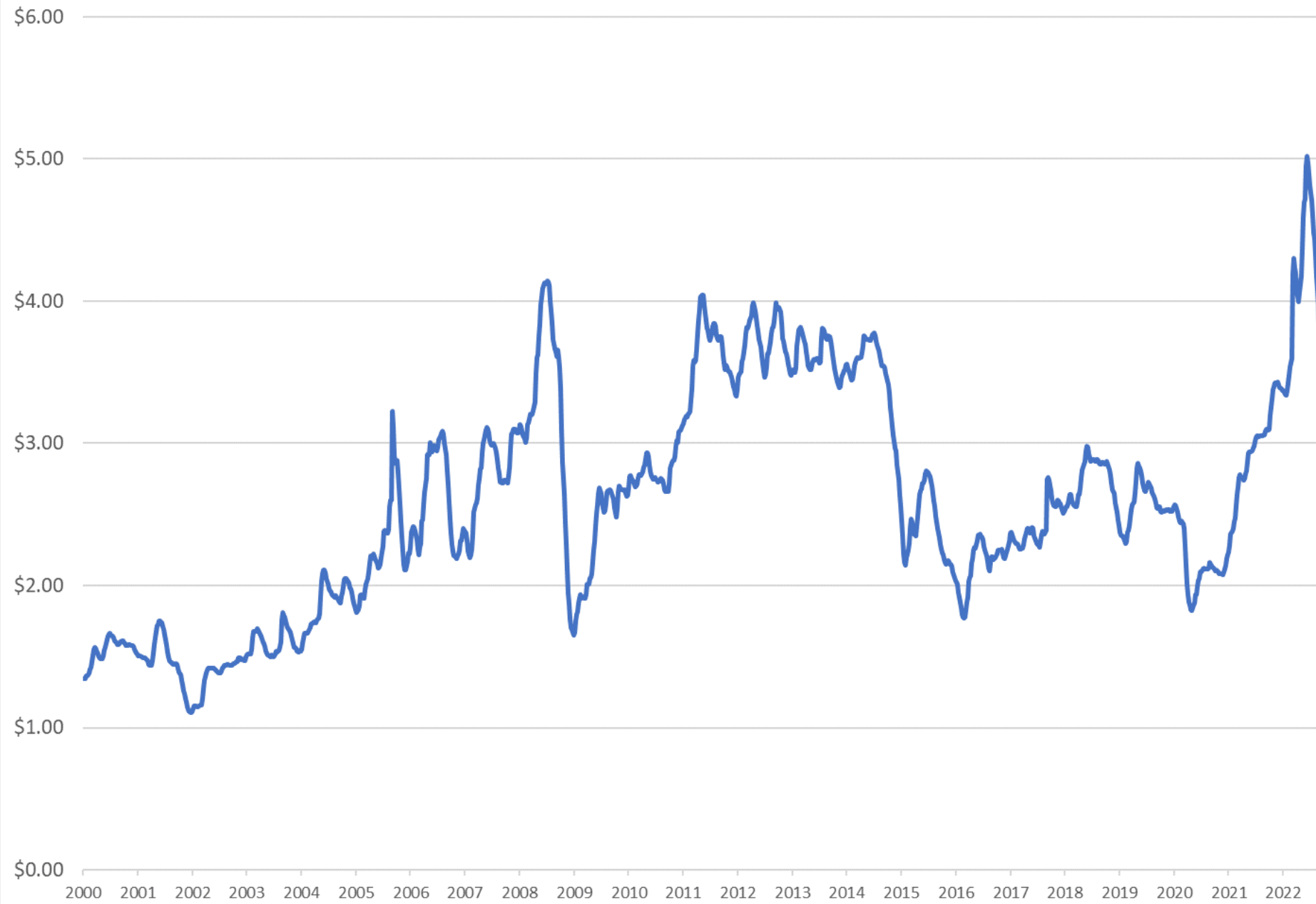


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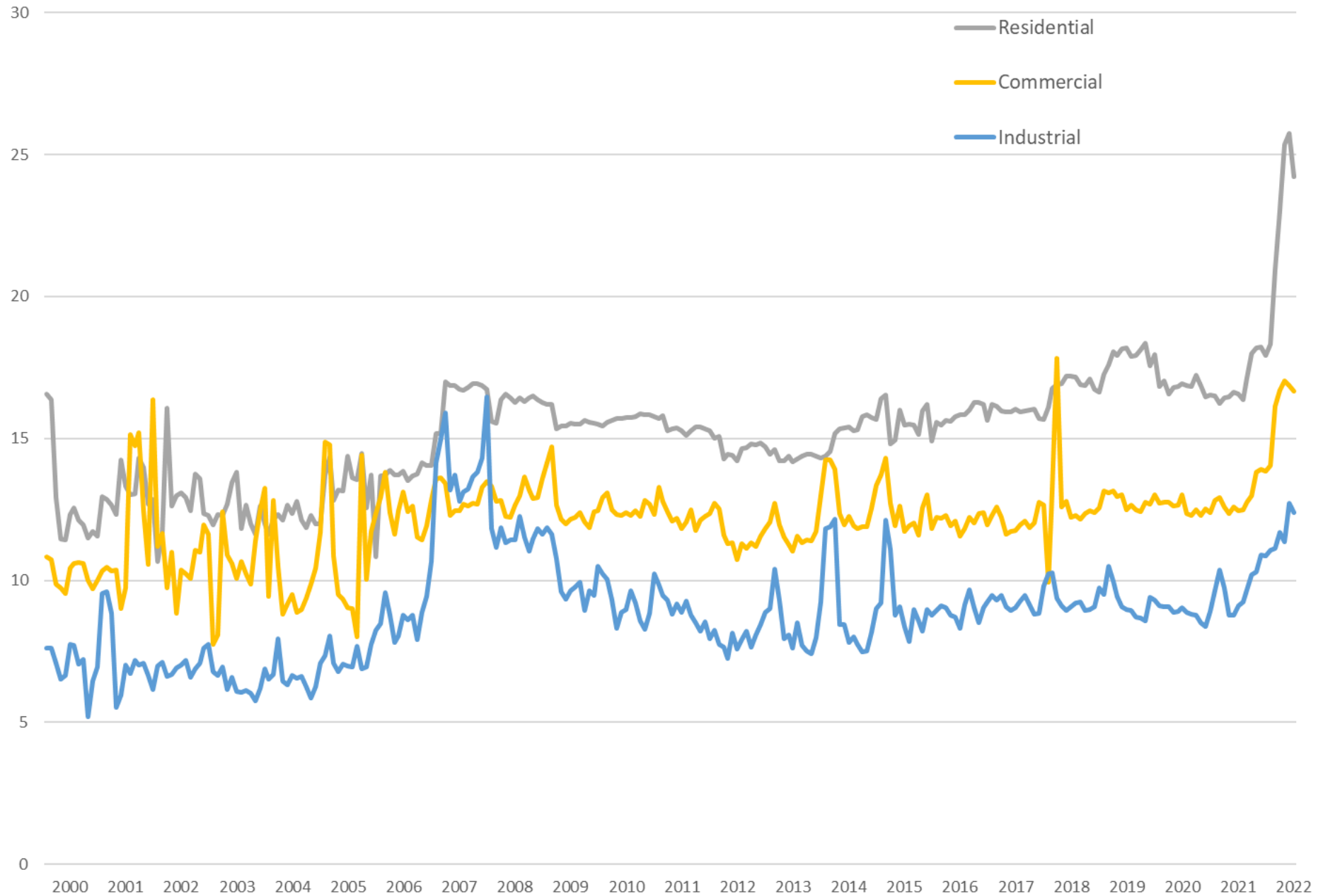


New England - Regular All Formulations Retail Gasoline Price Per Gallon





Retail Electricity Price, Maine (Cents/kWh)



Forecast Considerations and Risks



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



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

High energy prices are troubling, especially heading into the fall heating season

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 nearly \$896 million



Things to keep in mind:

- 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?
- We're not officially in a recession, but short- and medium-term conditions remain at a higher-than-usual level of uncertainty



Questions?

Thank you.

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