

The Trends and Outlooks for Maine's Workforce and Economy

Camden Conference Community Events
Rockland Public Library

November 3, 2022

Amanda Rector

Maine State Economist

Overview

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

Demographics

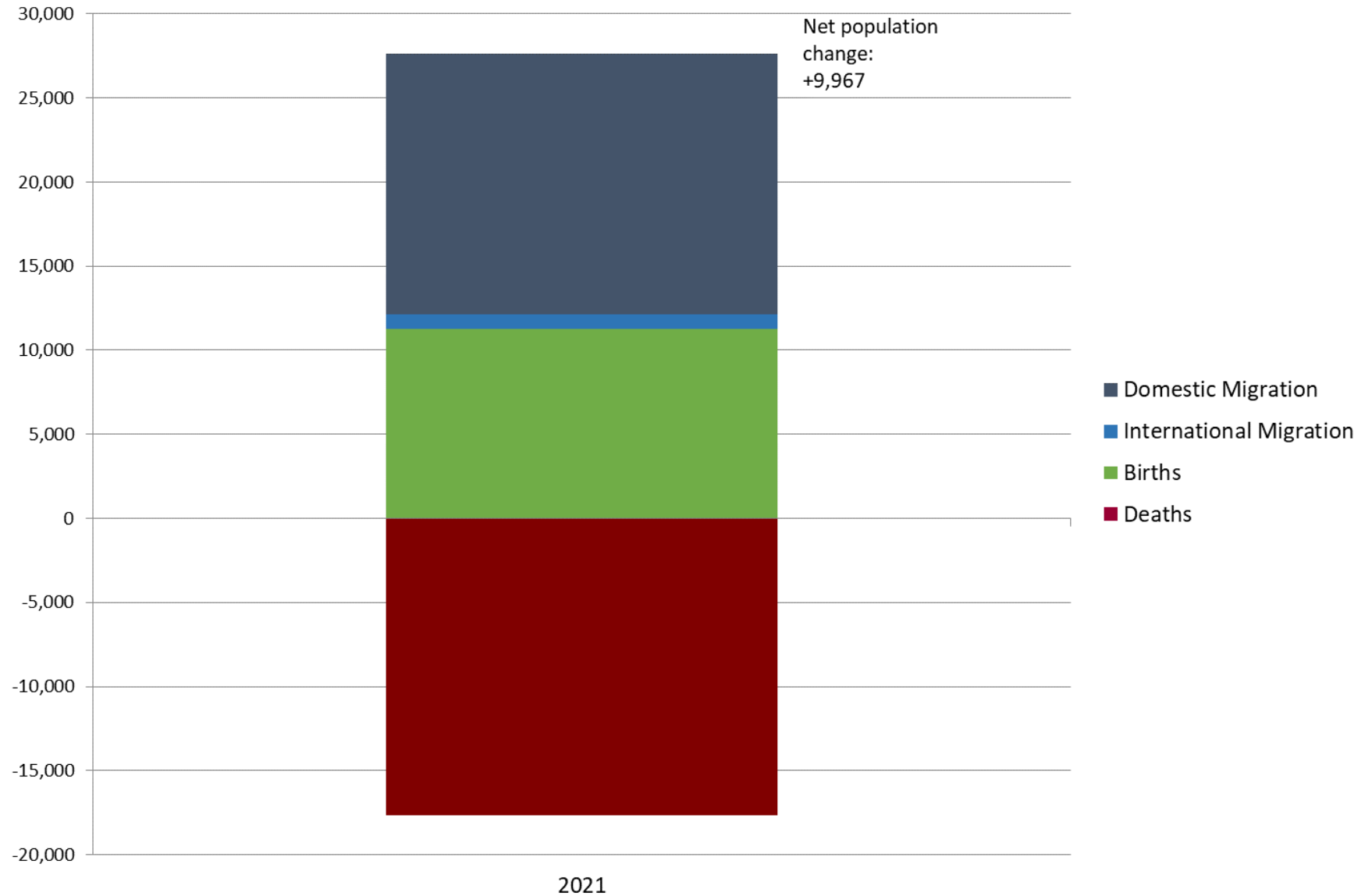
Components of Population Change, Maine

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.)

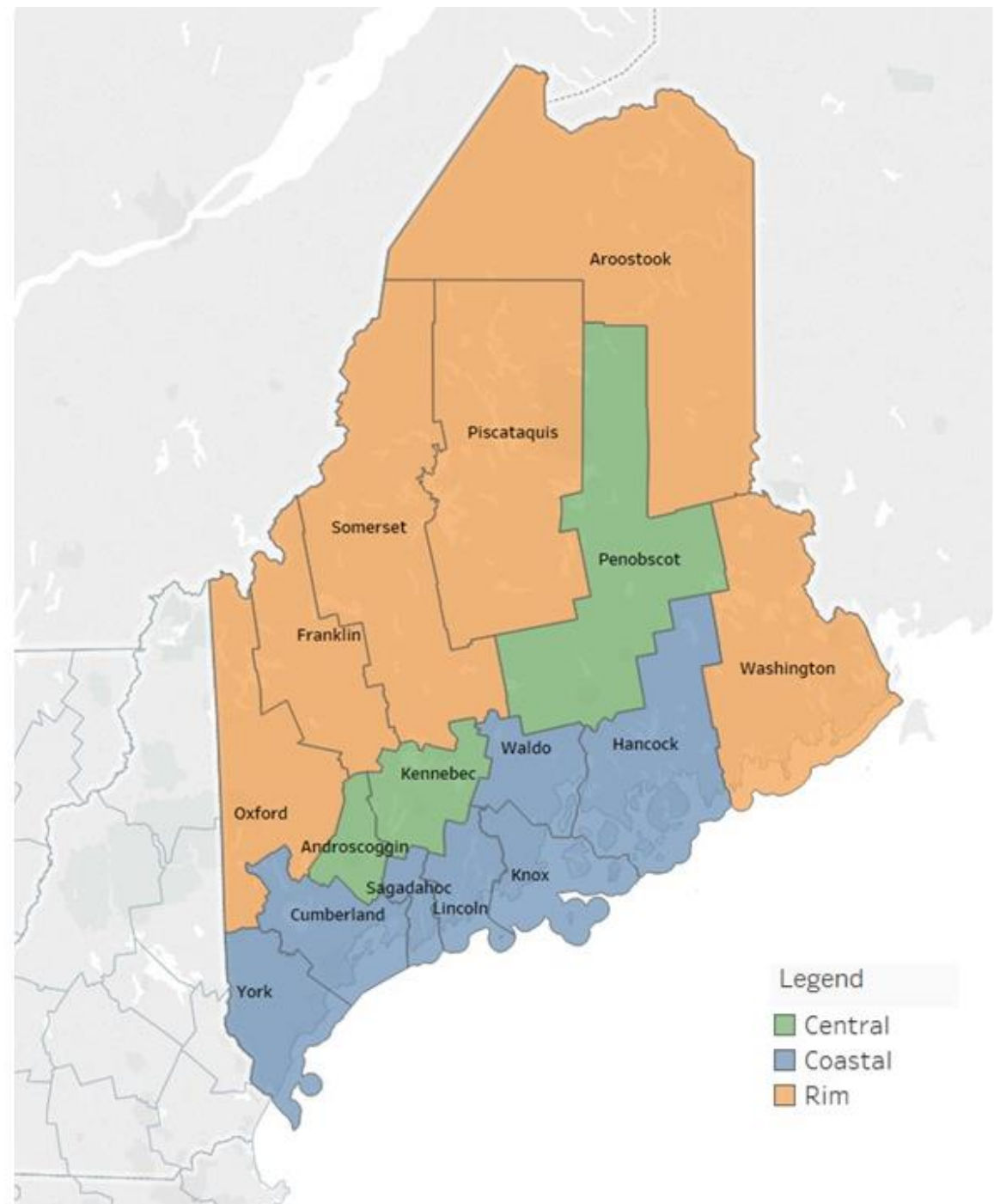
Net migration = 12.0 per
thousand (7th in U.S.)



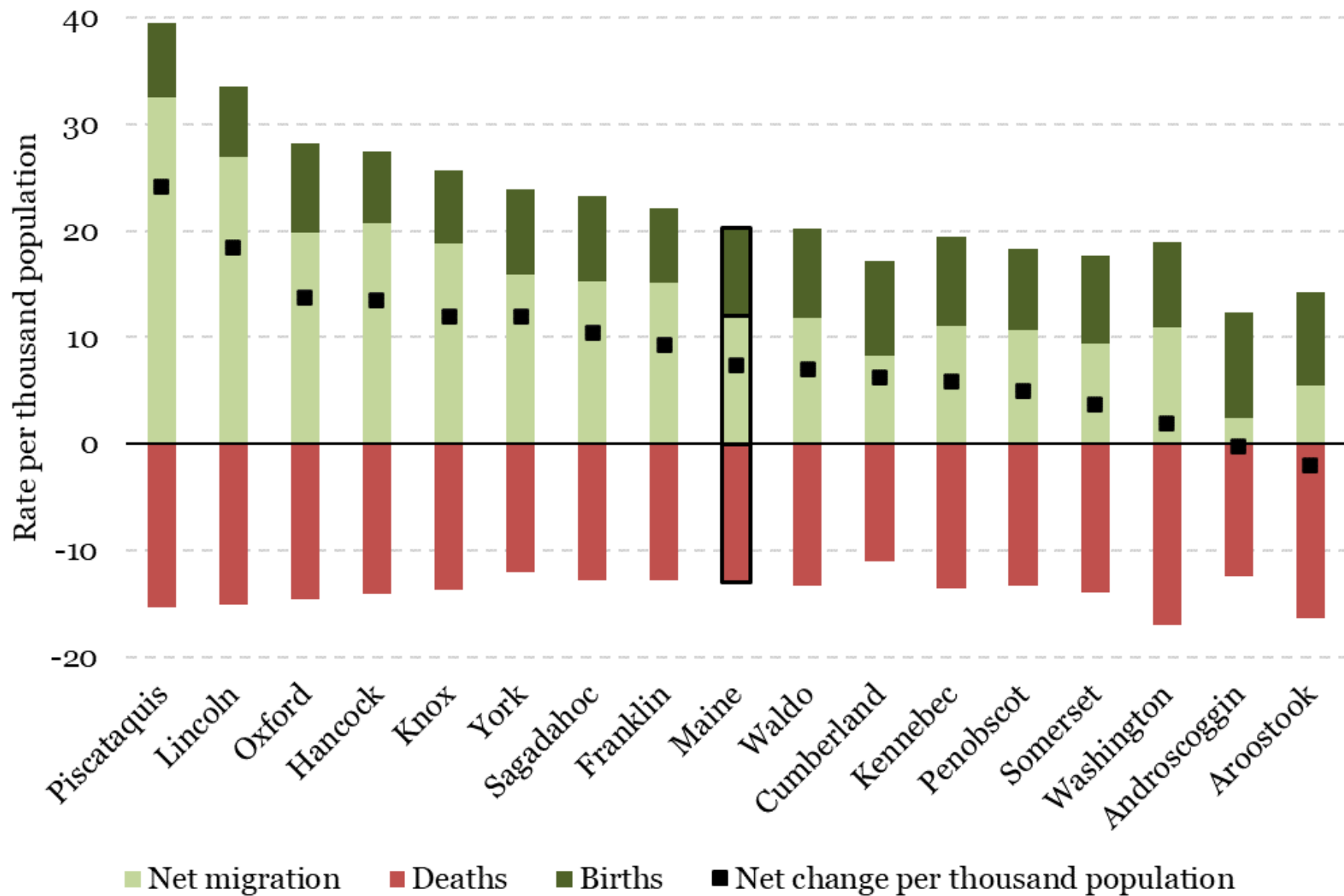
Regions of Maine

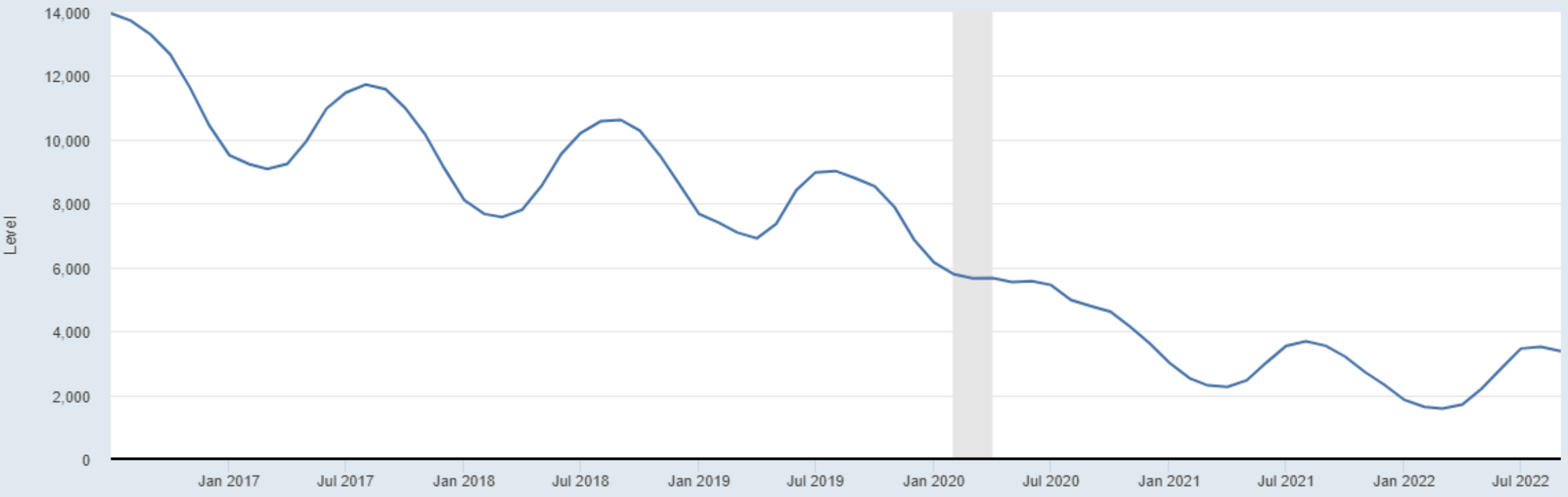
All six “rim” counties plus Penobscot had their highest decennial population count in a year other than 2020:

- Aroostook: 1960
- Franklin: 2010
- Oxford: 2010
- Penobscot: 2010
- Piscataquis: 1920
- Somerset: 2010
- Washington: 1900



Components of Population Change in Maine, 2021 Rate per thousand population



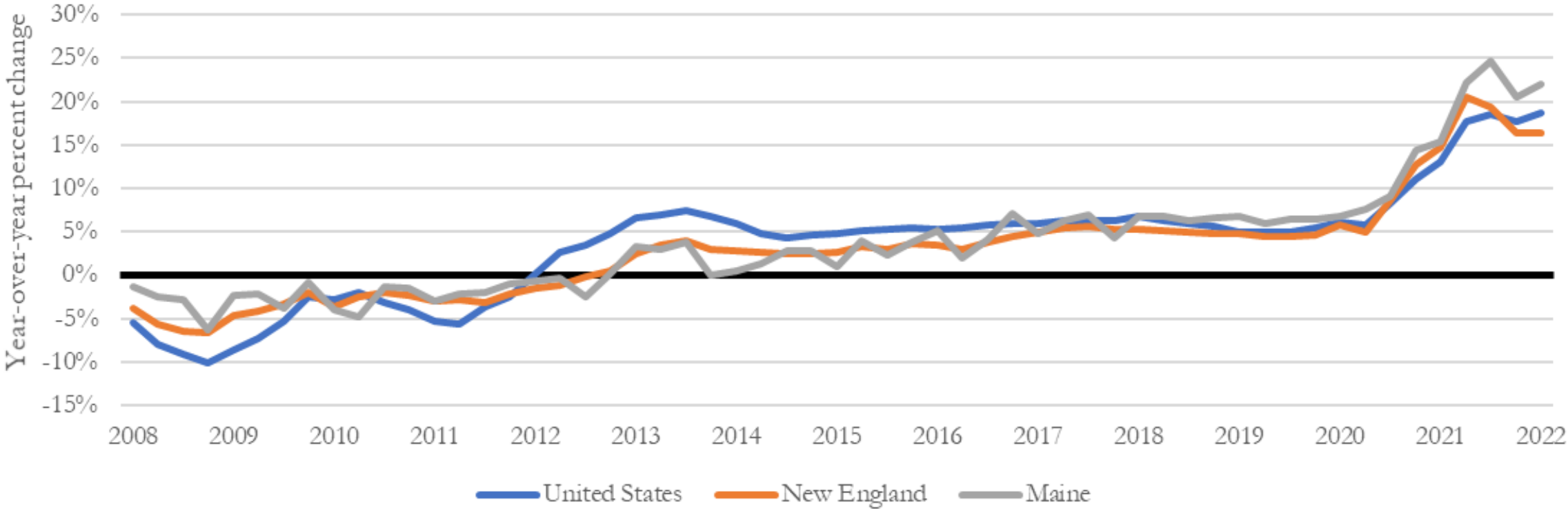


Shaded areas indicate U.S. recessions.

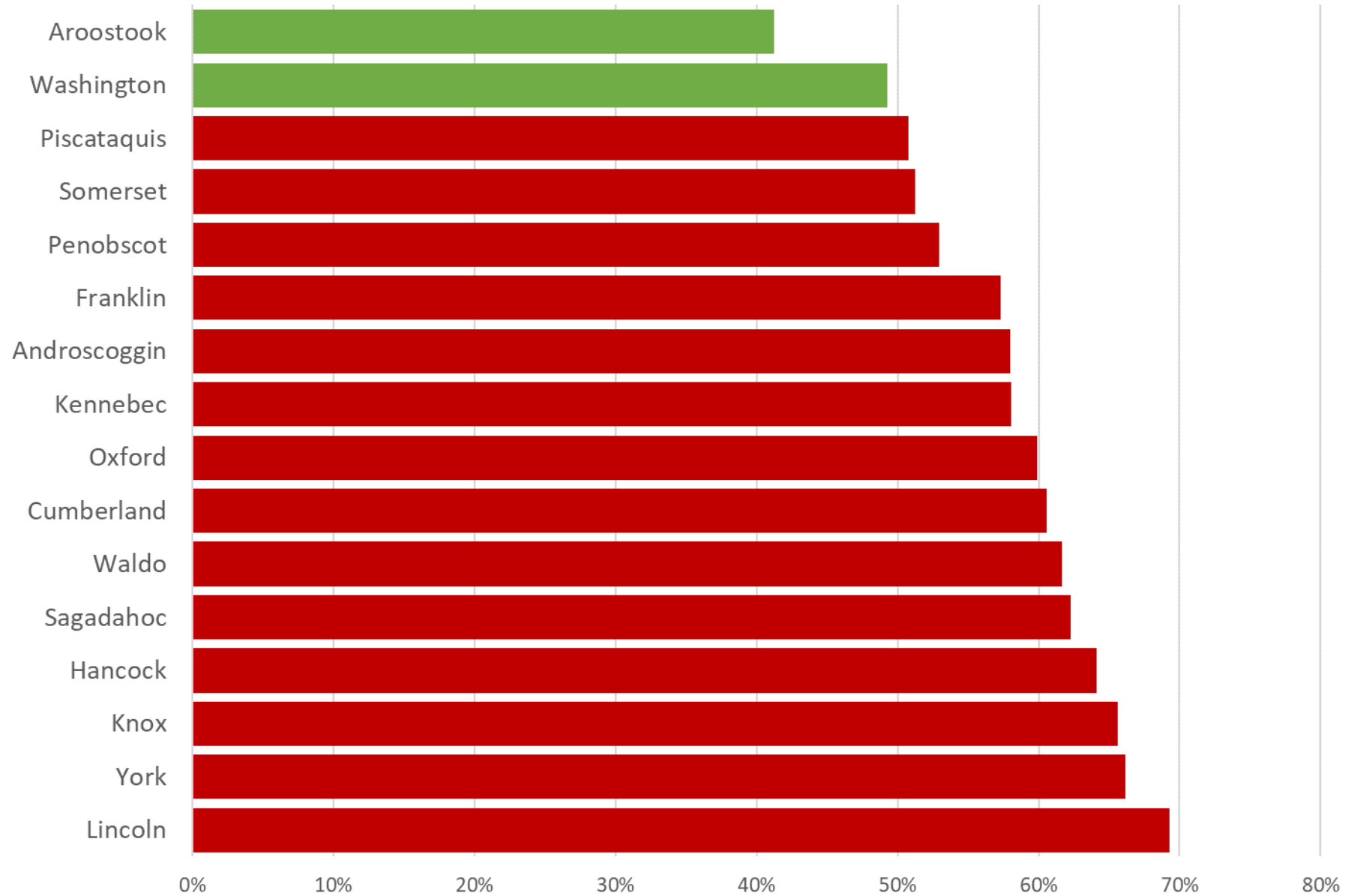
Source: Realtor.com

fred.stlouisfed.org

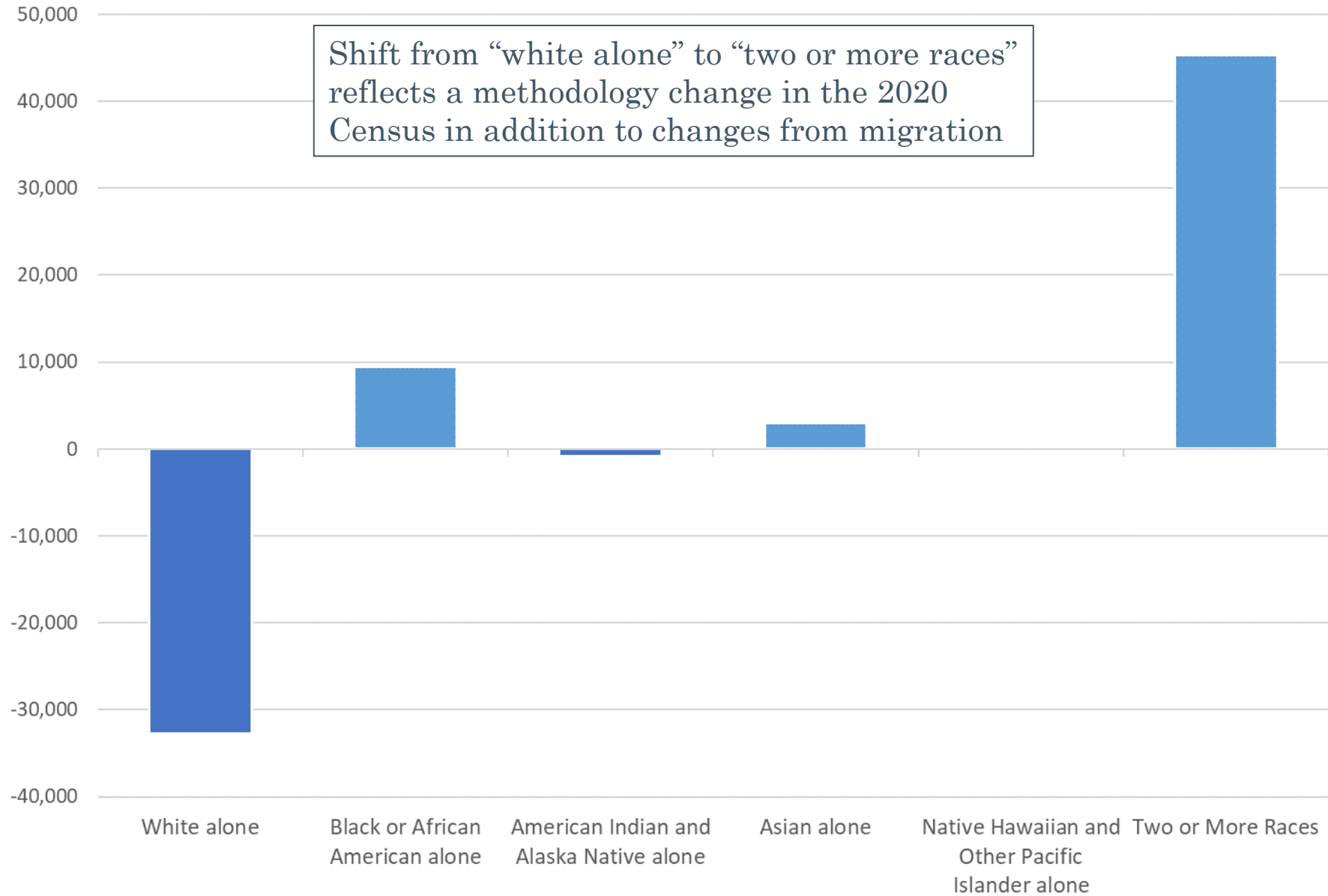
Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)



Percent of Households Unable to Afford Median Home, 2021



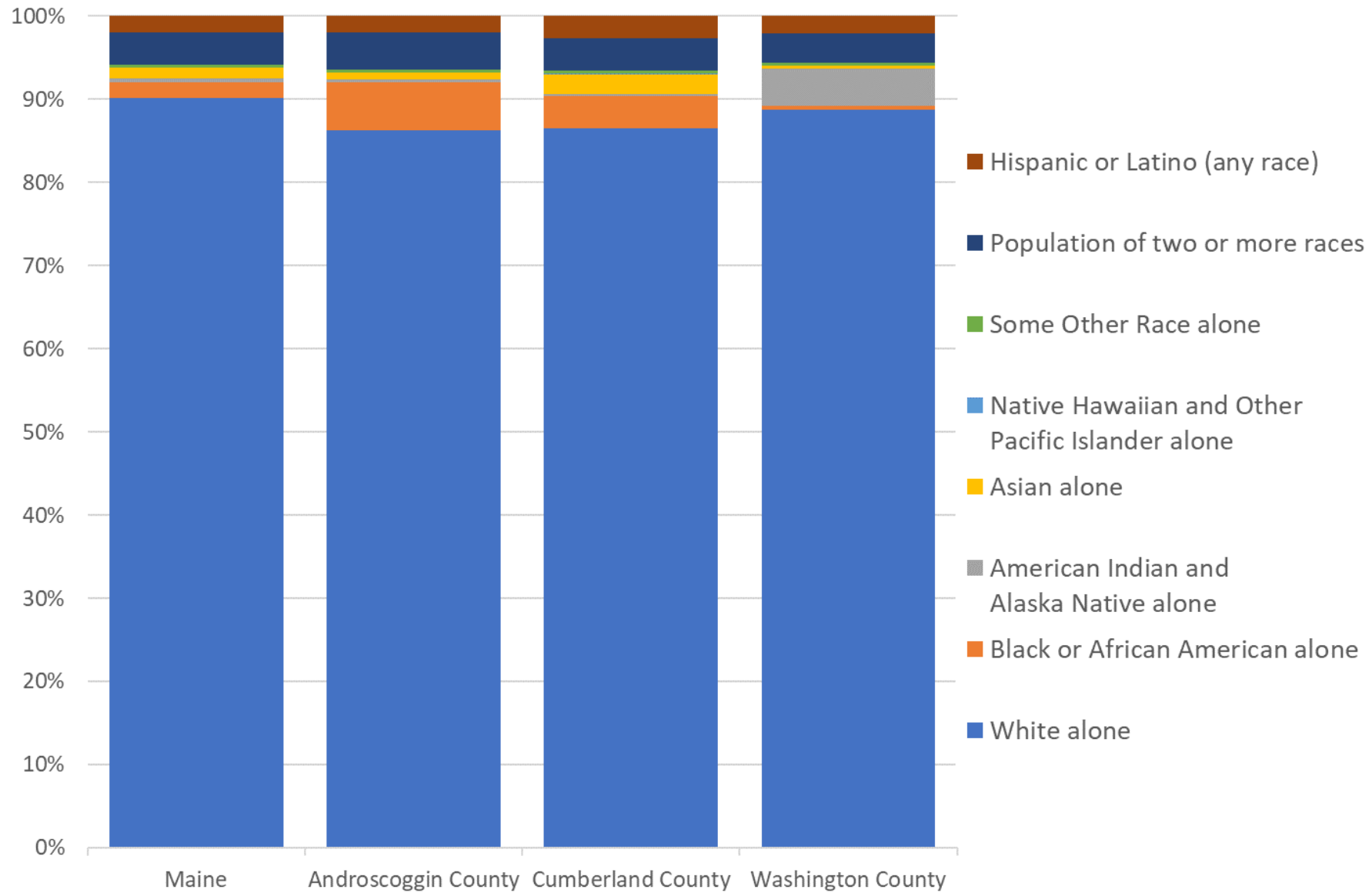
Change in Maine Population by Race, 2010-2020



Shift from “white alone” to “two or more races” reflects a methodology change in the 2020 Census in addition to changes from migration

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

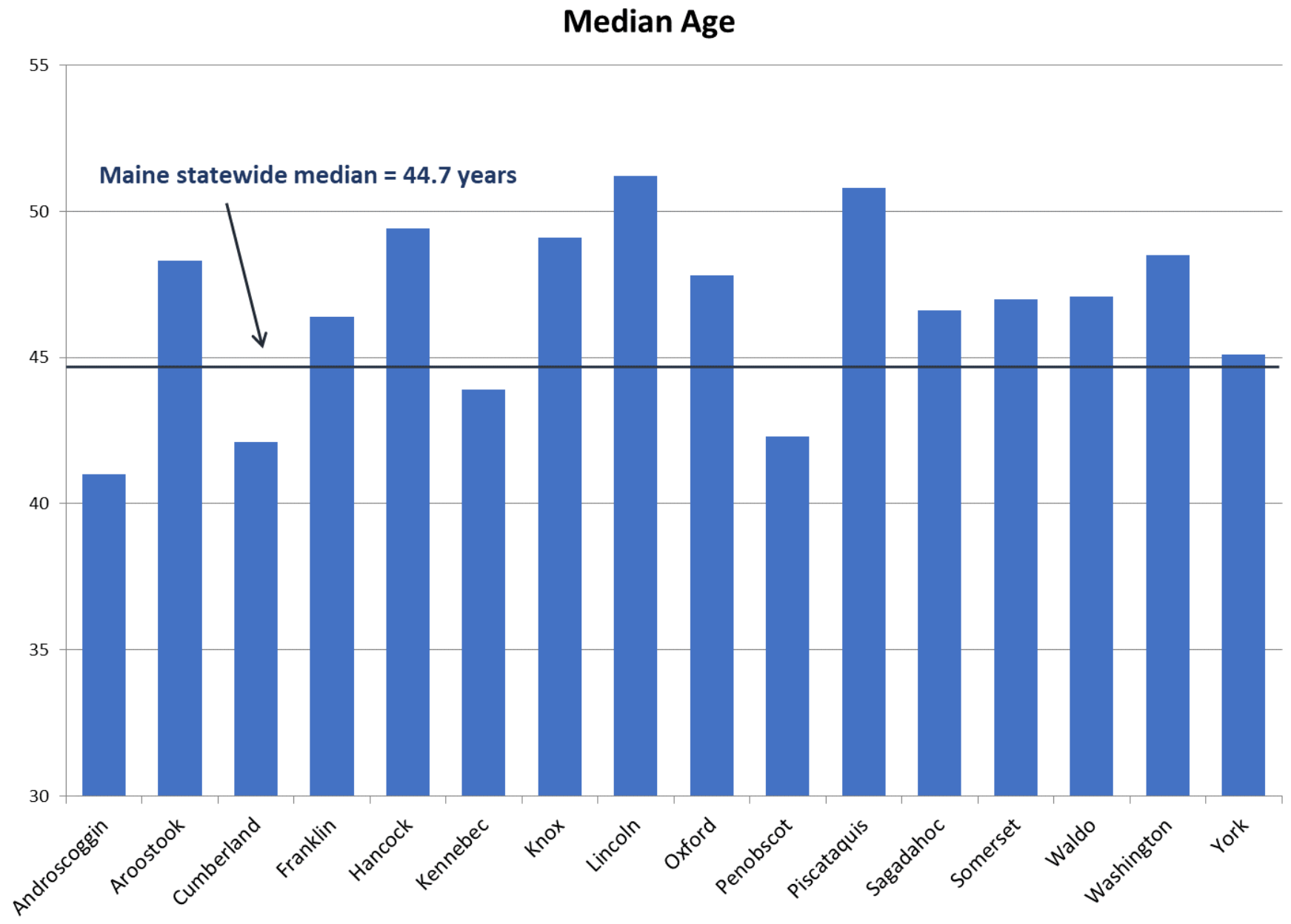
Percent of Population by Race and Ethnicity, 2020

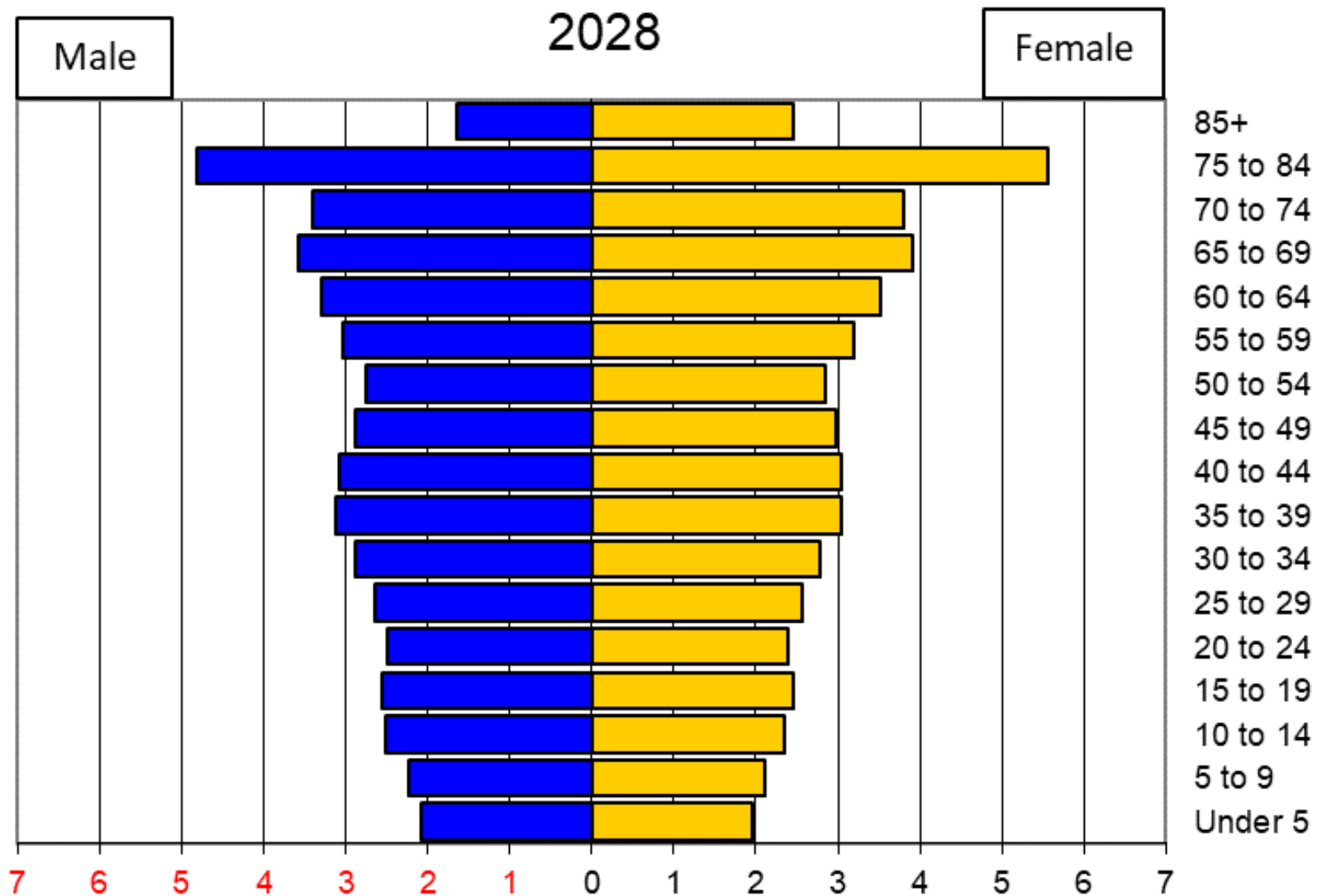


Maine has the oldest population...
...by median age
(44.7 years)
...and by % of population
age 65+ (21.7%)

BUT!

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

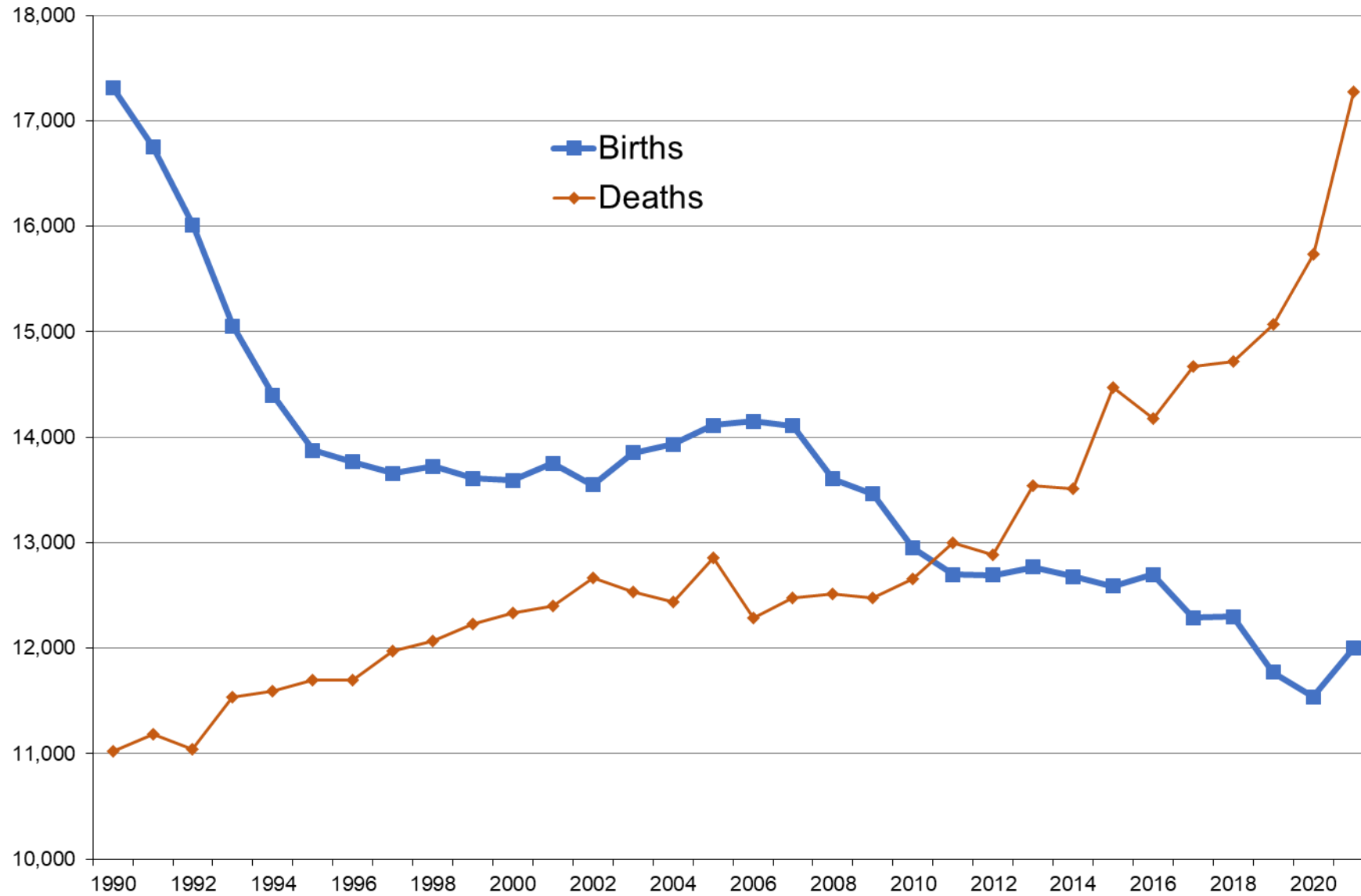




Baby Boom generation in 2021: age 57-75

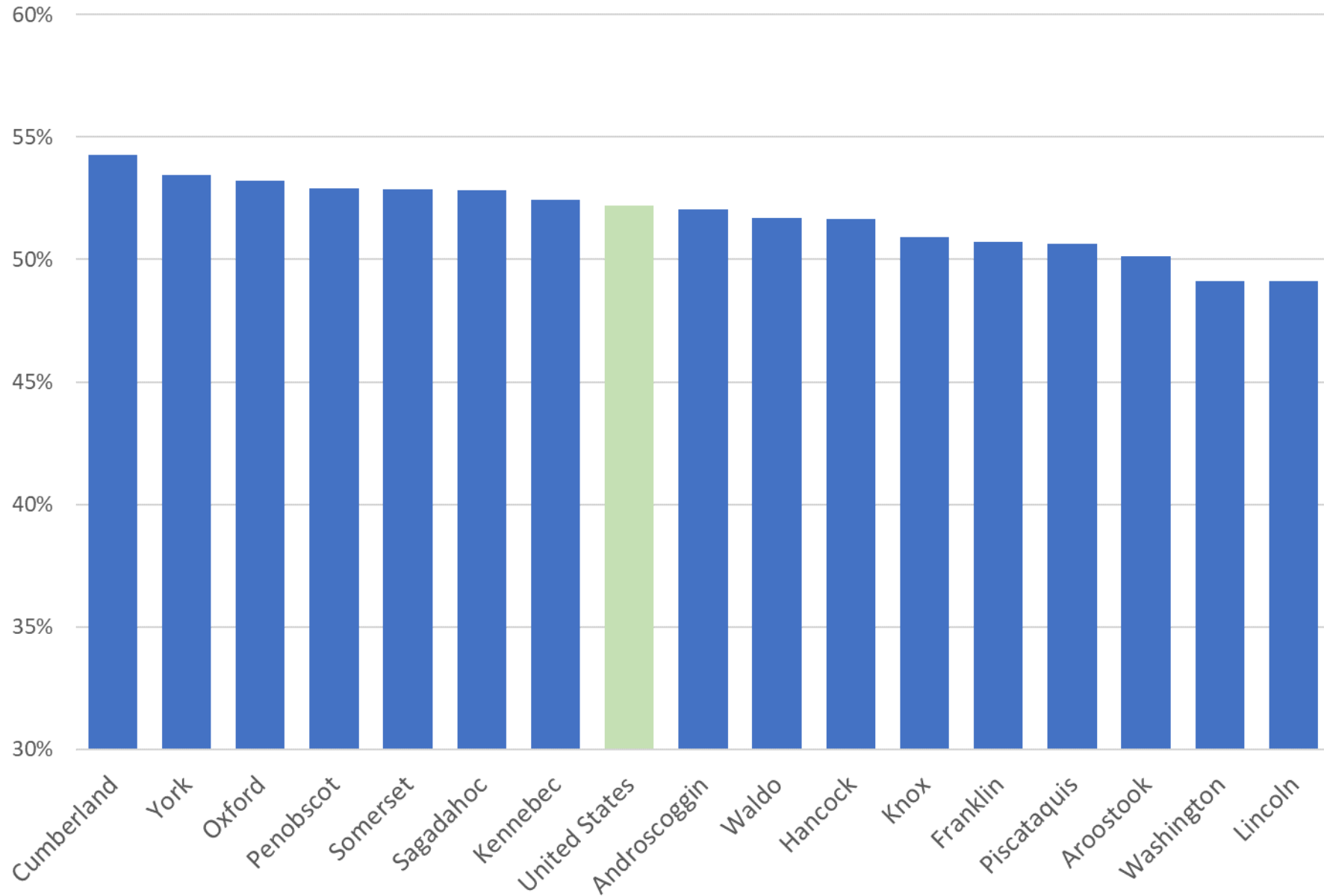
Baby Boom generation in 2028: age 64-82

Births and Deaths per year in Maine

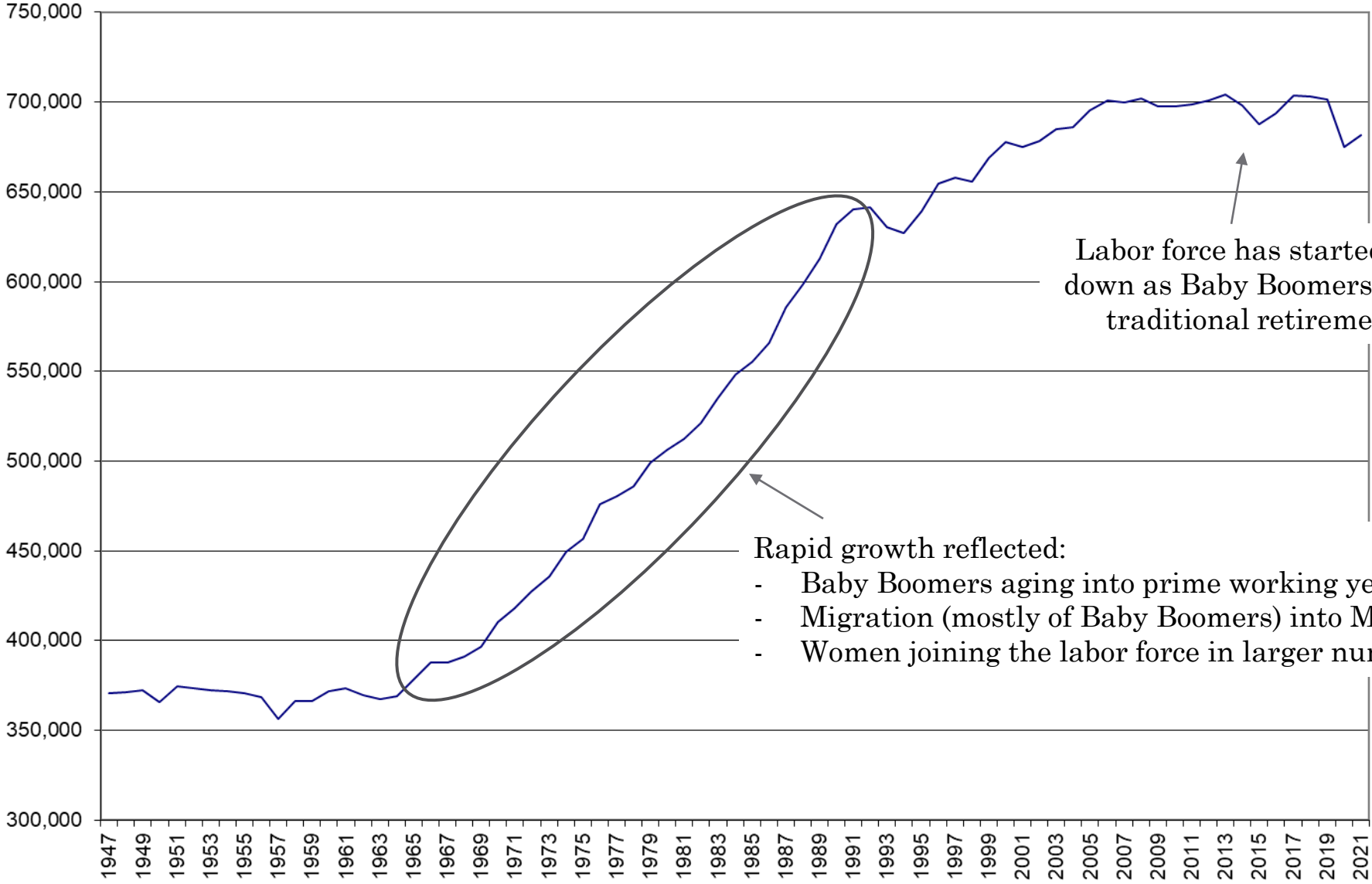


Labor Force and Employment

Percent of the population age 25 to 64 years



Maine Civilian Labor Force



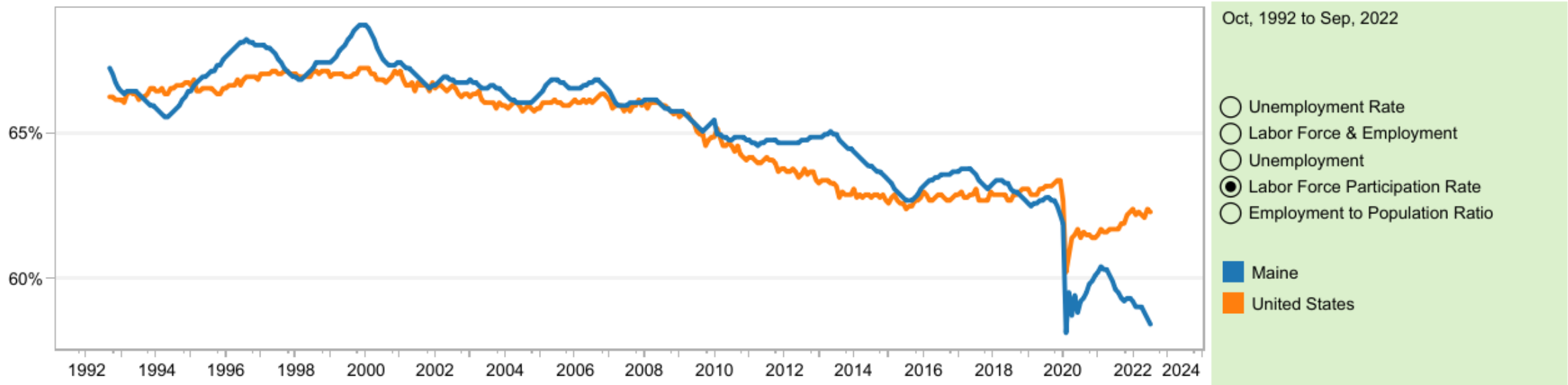
Labor force has started to trend down as Baby Boomers move into traditional retirement ages

Rapid growth reflected:

- Baby Boomers aging into prime working years;
- Migration (mostly of Baby Boomers) into Maine; and
- Women joining the labor force in larger numbers

The Maine Department of Labor finds that, “(...) the persistently lower rates through the summer of 2022 are mostly caused by aging and retirement decisions that may have been accelerated during the pandemic and not by lower participation among people between the ages of 20-54”

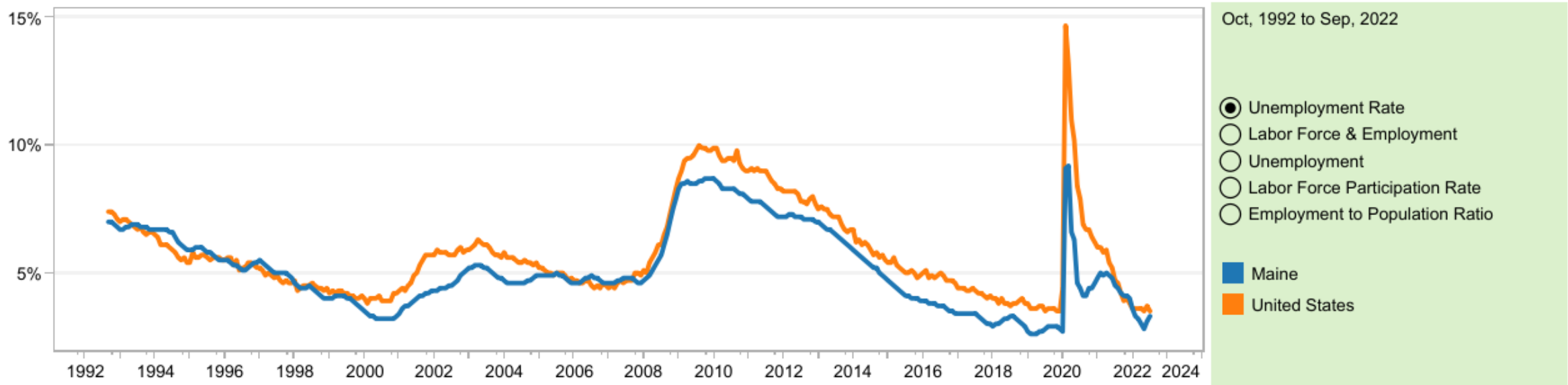
Labor Force Participation Rate
(seasonally adjusted)



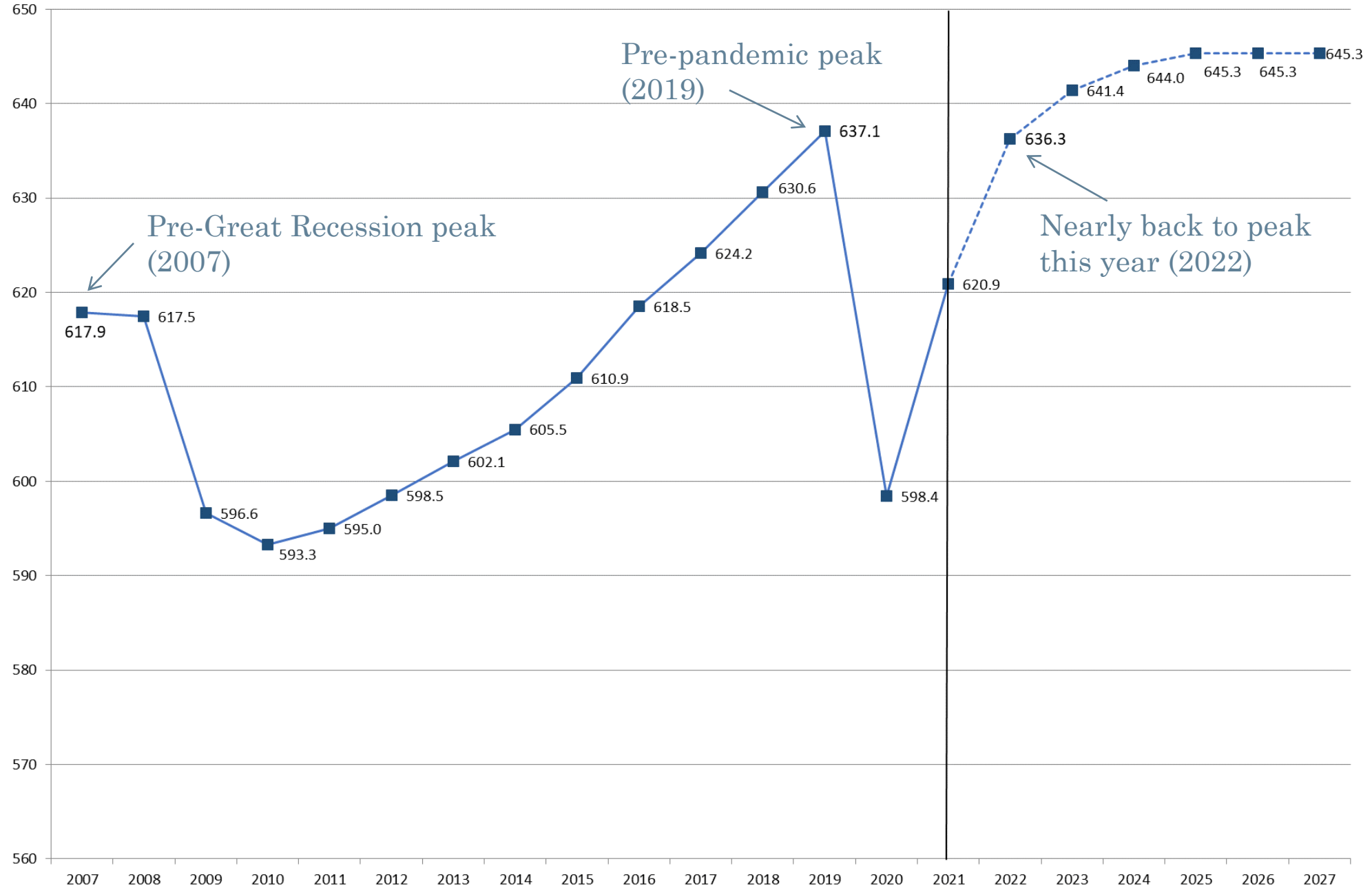
Note: it is likely that the household survey is underestimating available labor supply and estimates from the past year will be revised up, although remaining below pre-pandemic levels

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

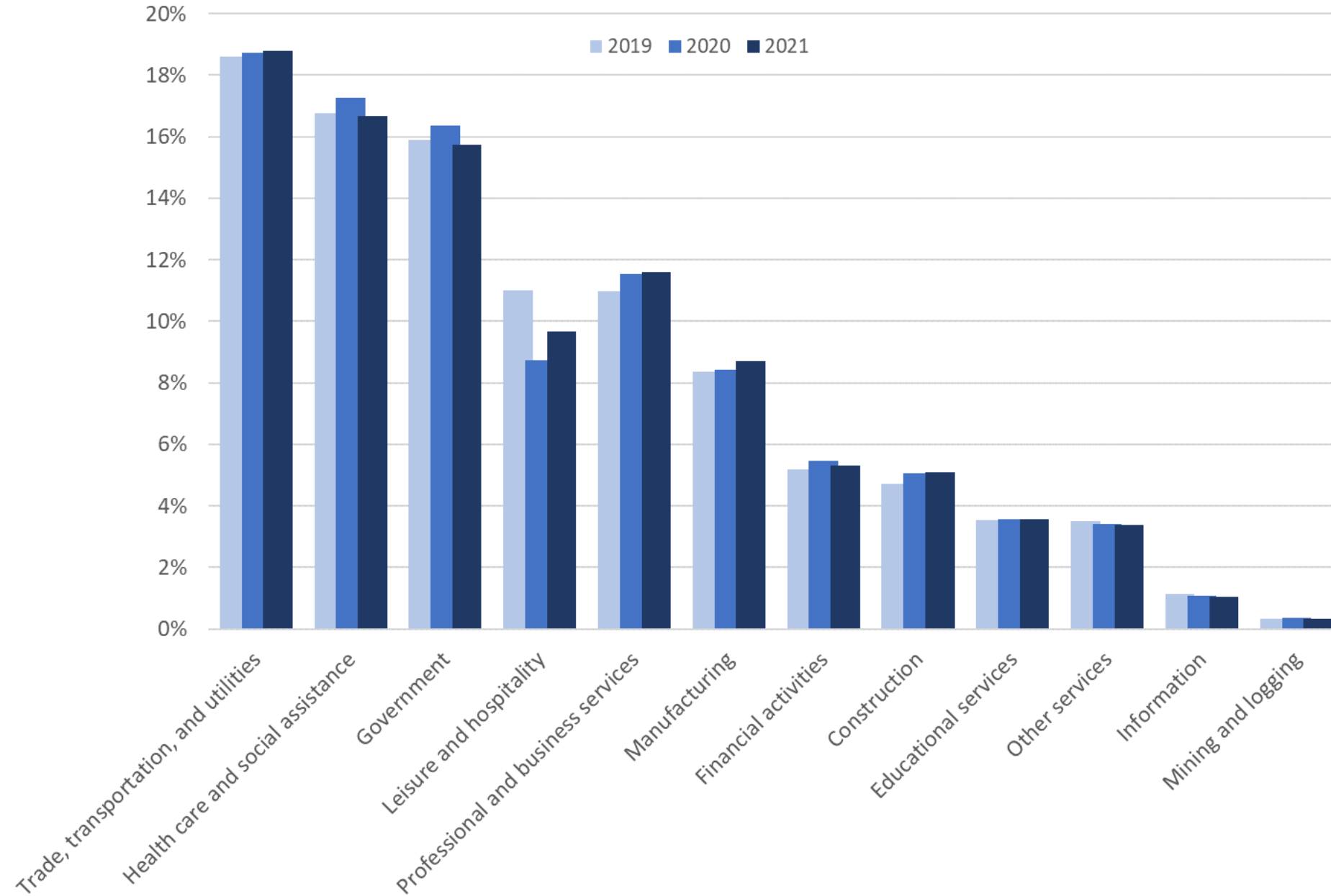
Unemployment Rate
(seasonally adjusted)



Total Nonfarm Employment (in thousands) History and CEFC forecast

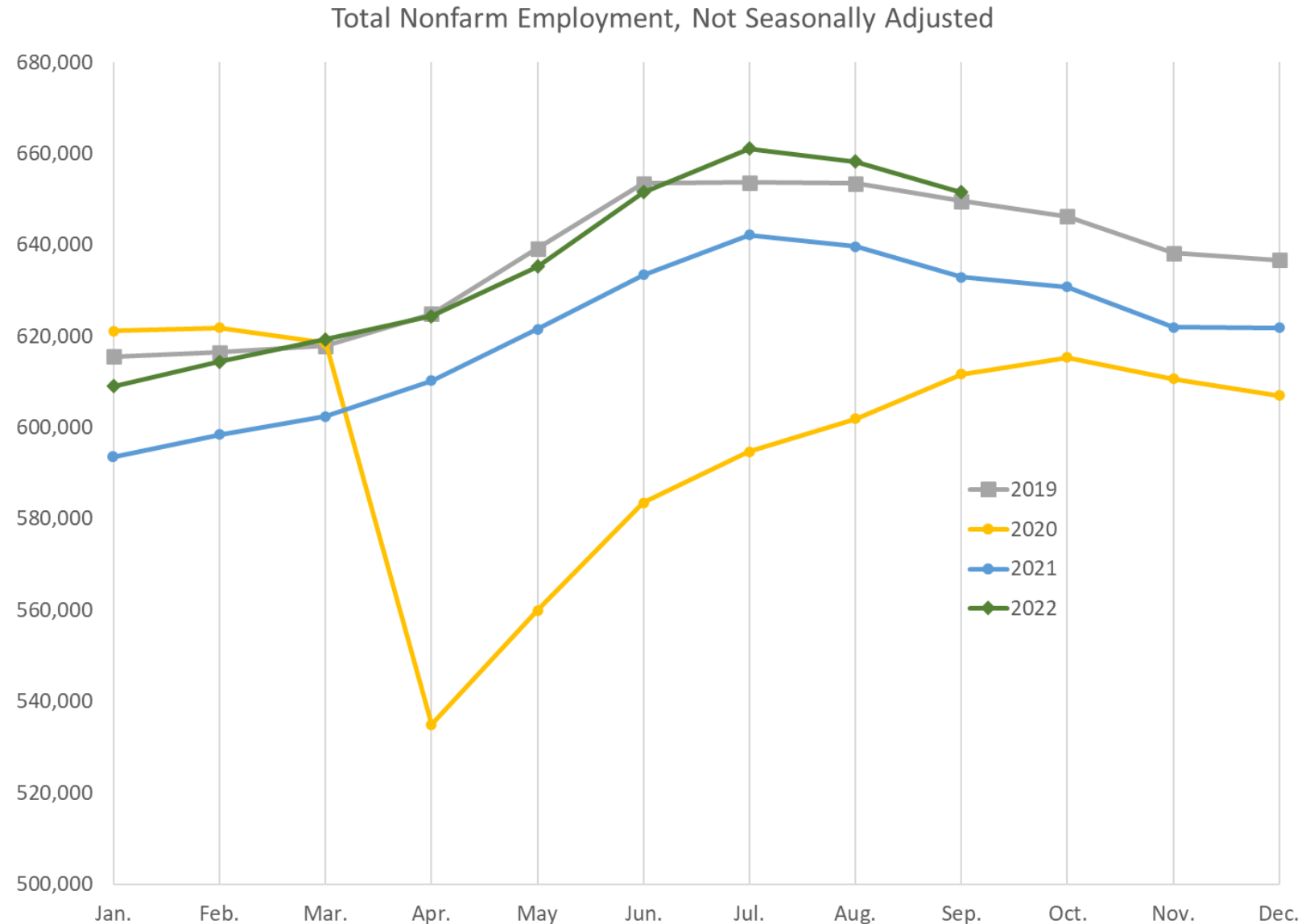


Share of Maine Nonfarm Employment by Industry

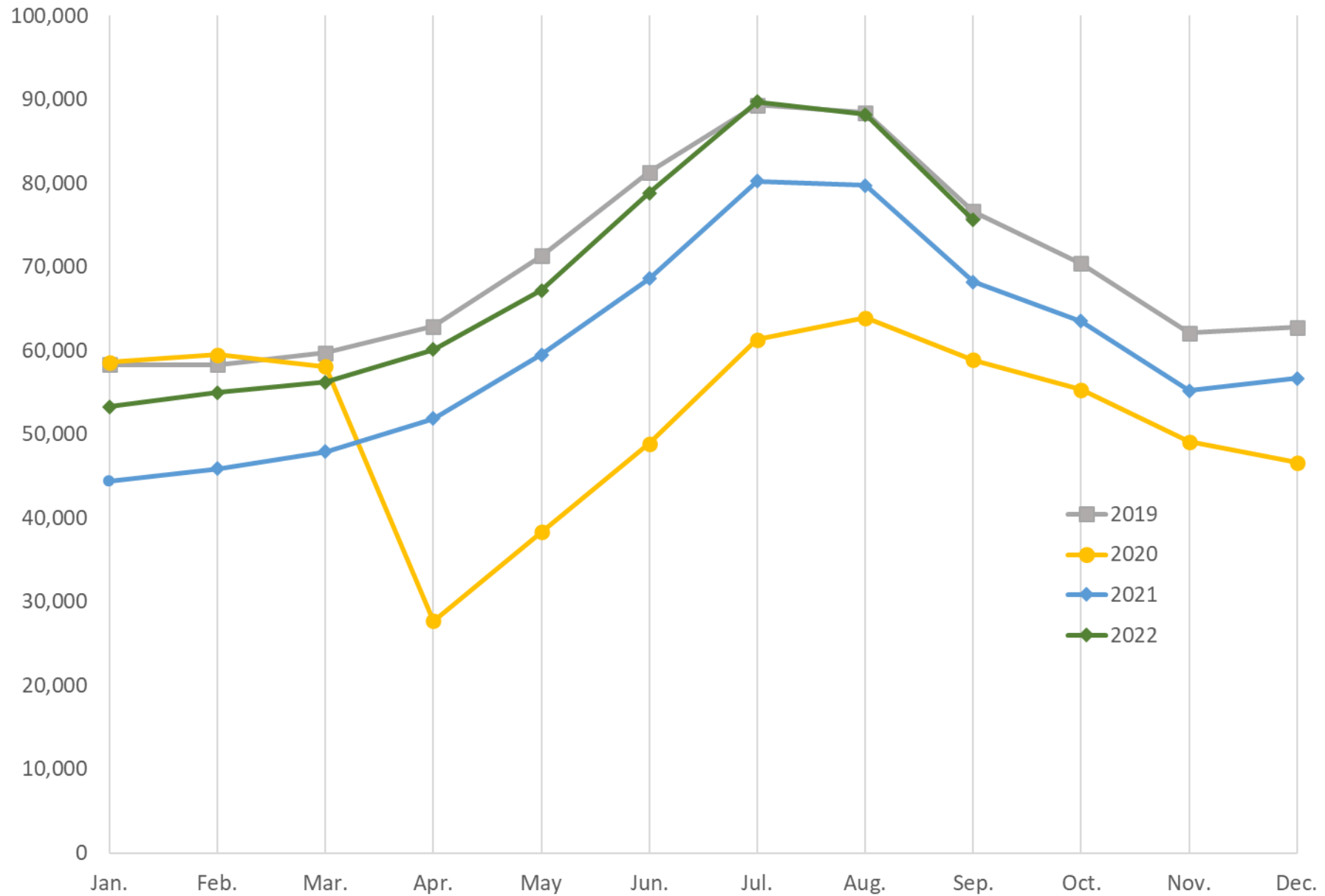


Most sectors in September 2022 were near or above September 2019 levels, the exceptions being:

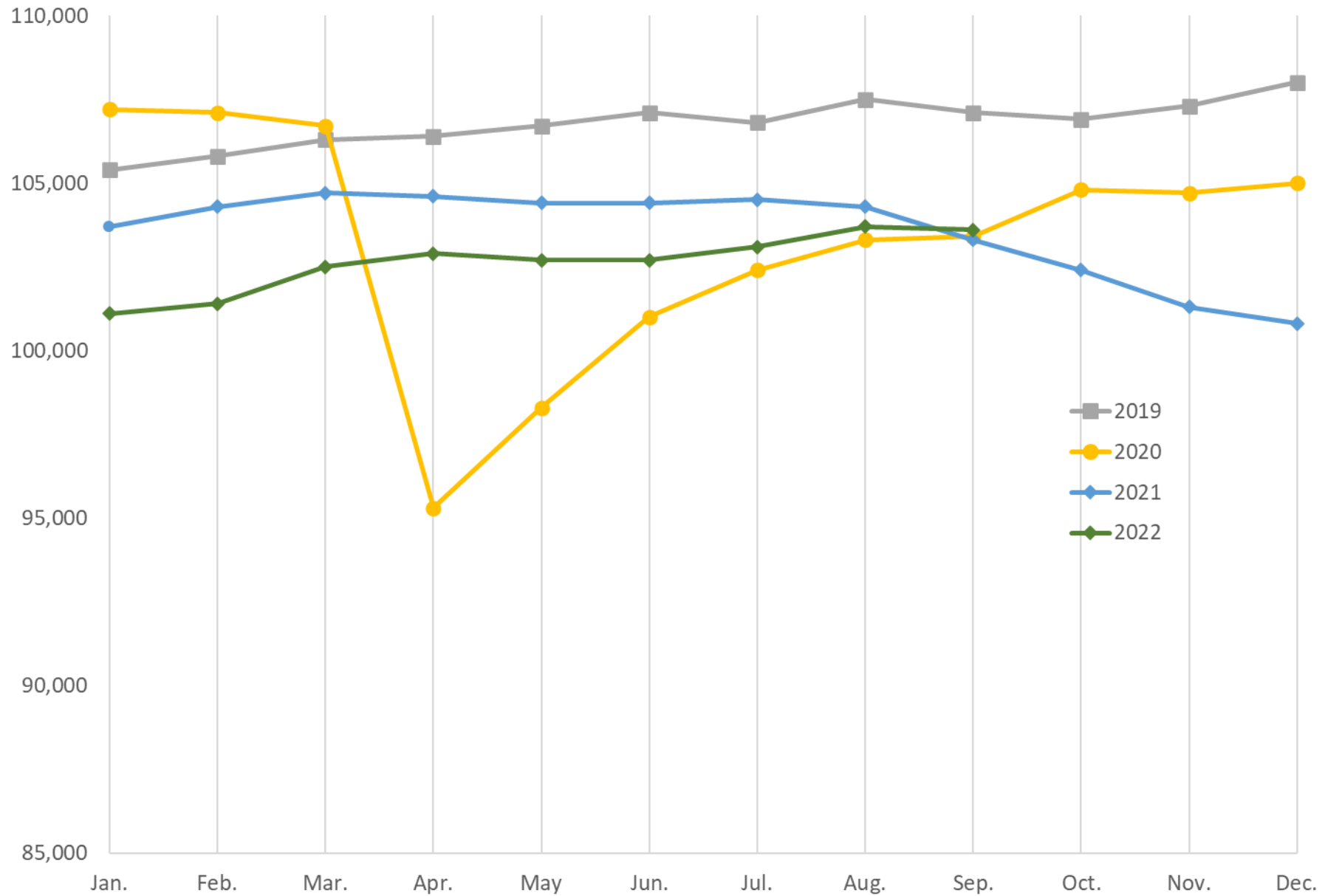
- healthcare and social assistance (mostly long-term care and social assistance)
- state government education (public higher education)



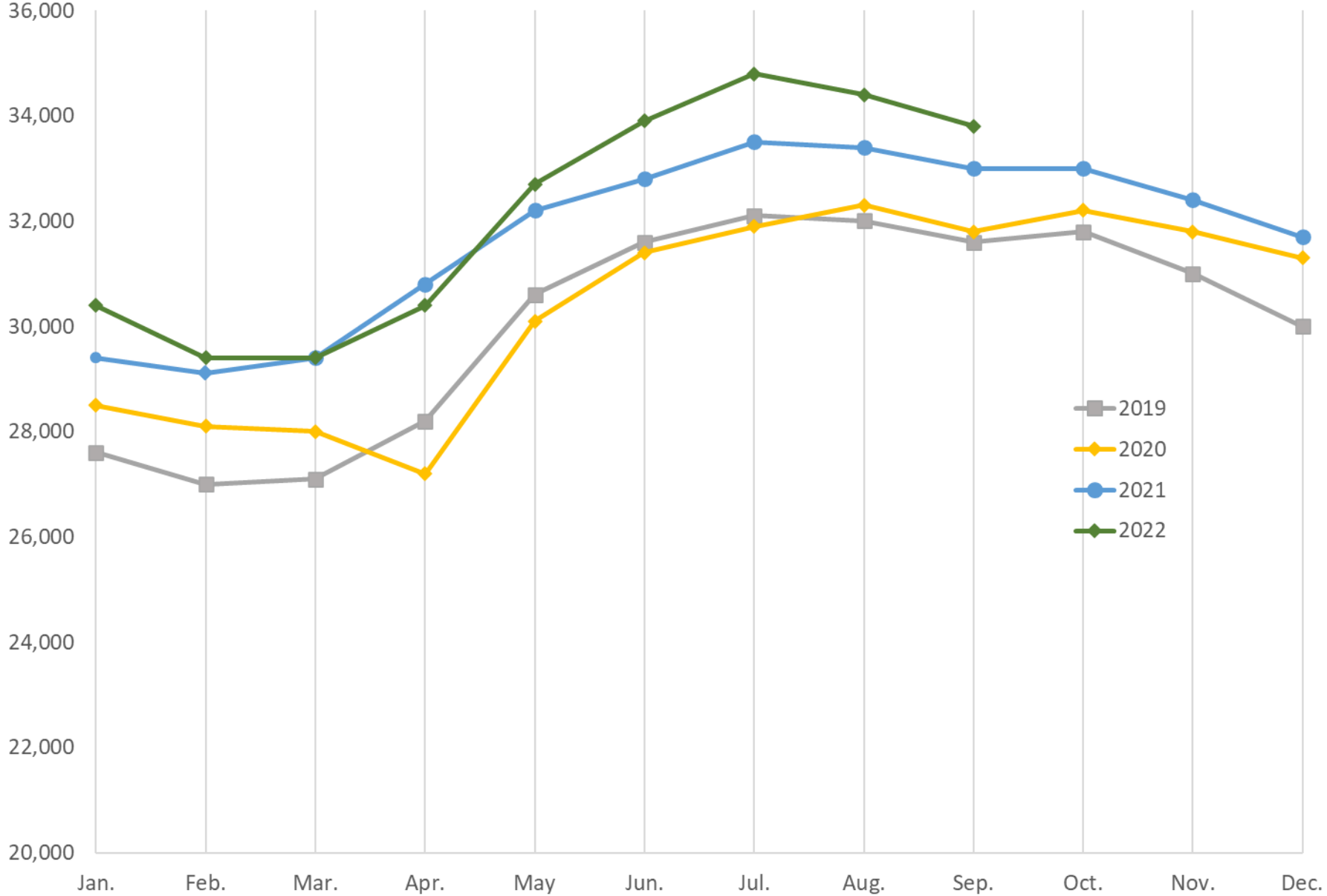
Leisure and Hospitality Employment, Not Seasonally Adjusted



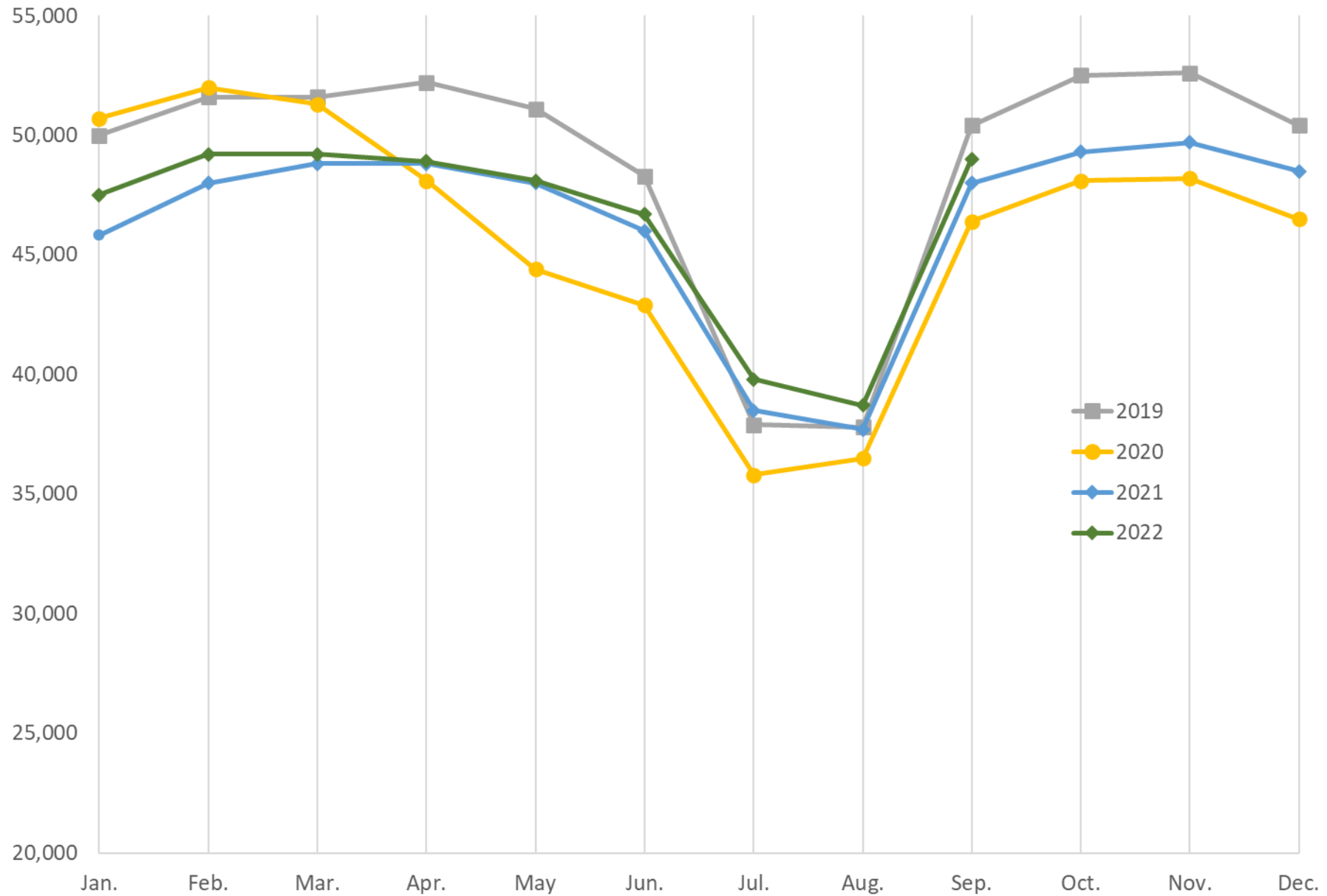
Health Care and Social Assistance Employment, Not Seasonally Adjusted



Construction Employment, Not Seasonally Adjusted

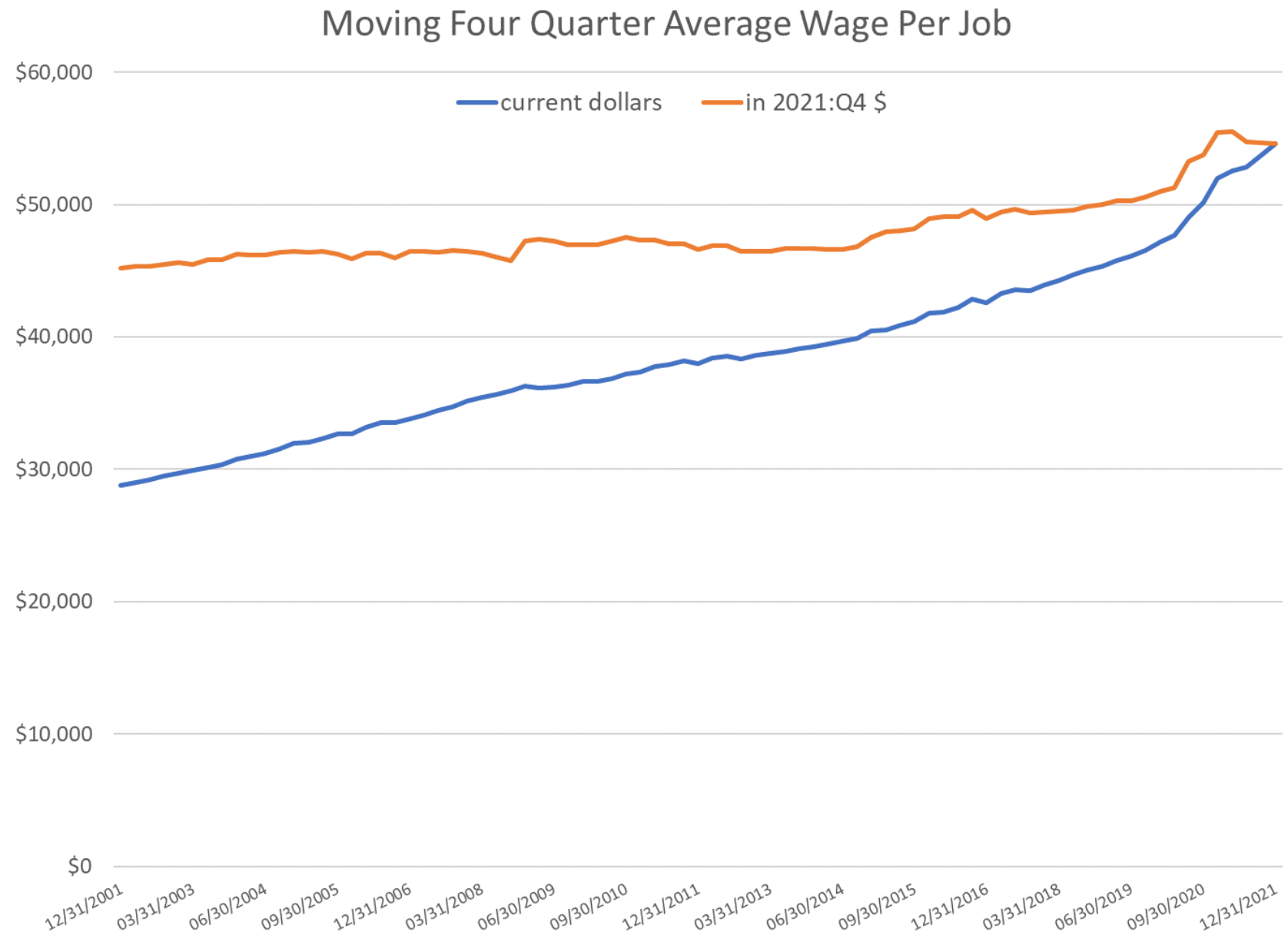


State & Local Government Education, Not Seasonally Adjusted

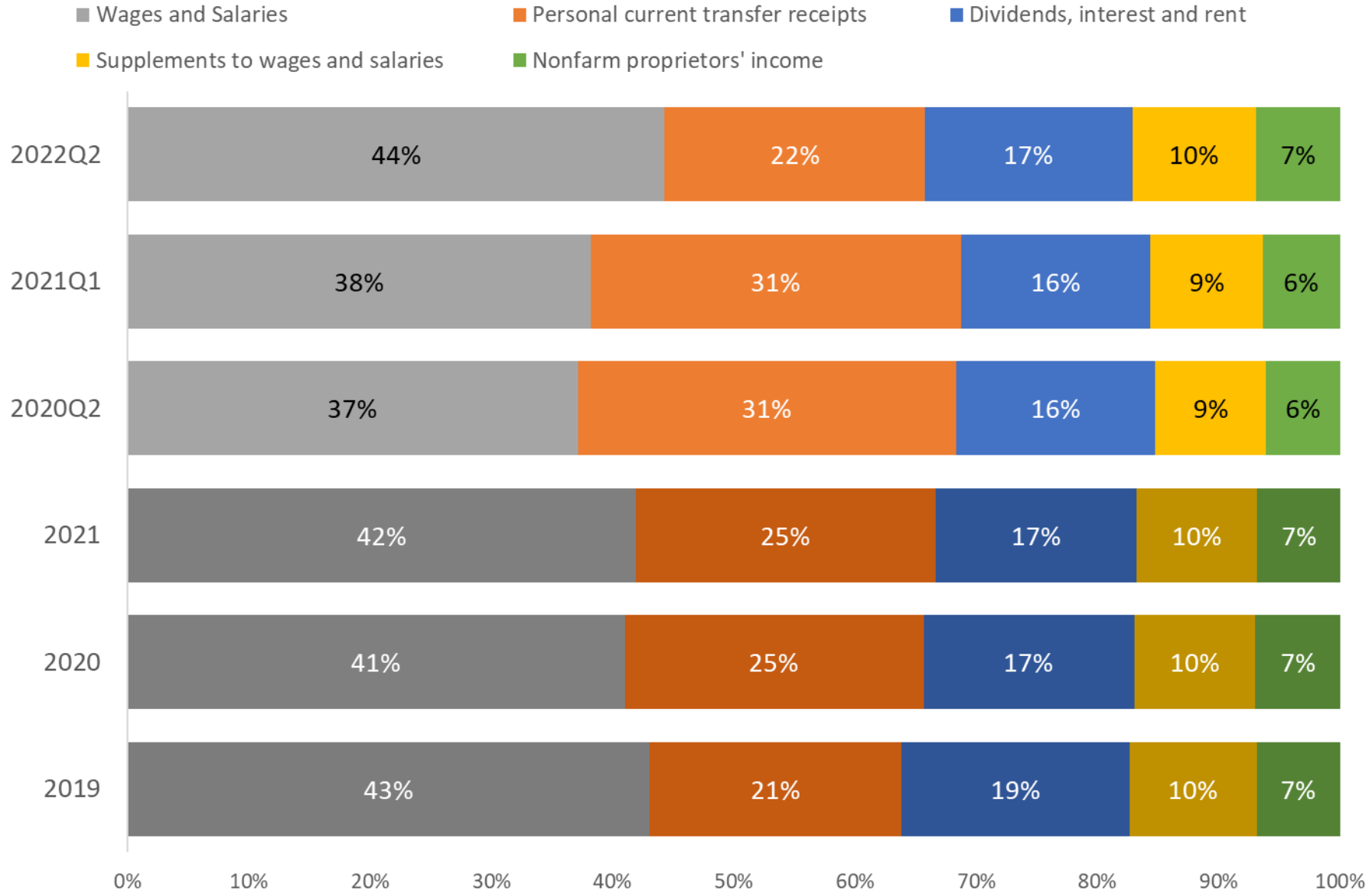


Wages and Income

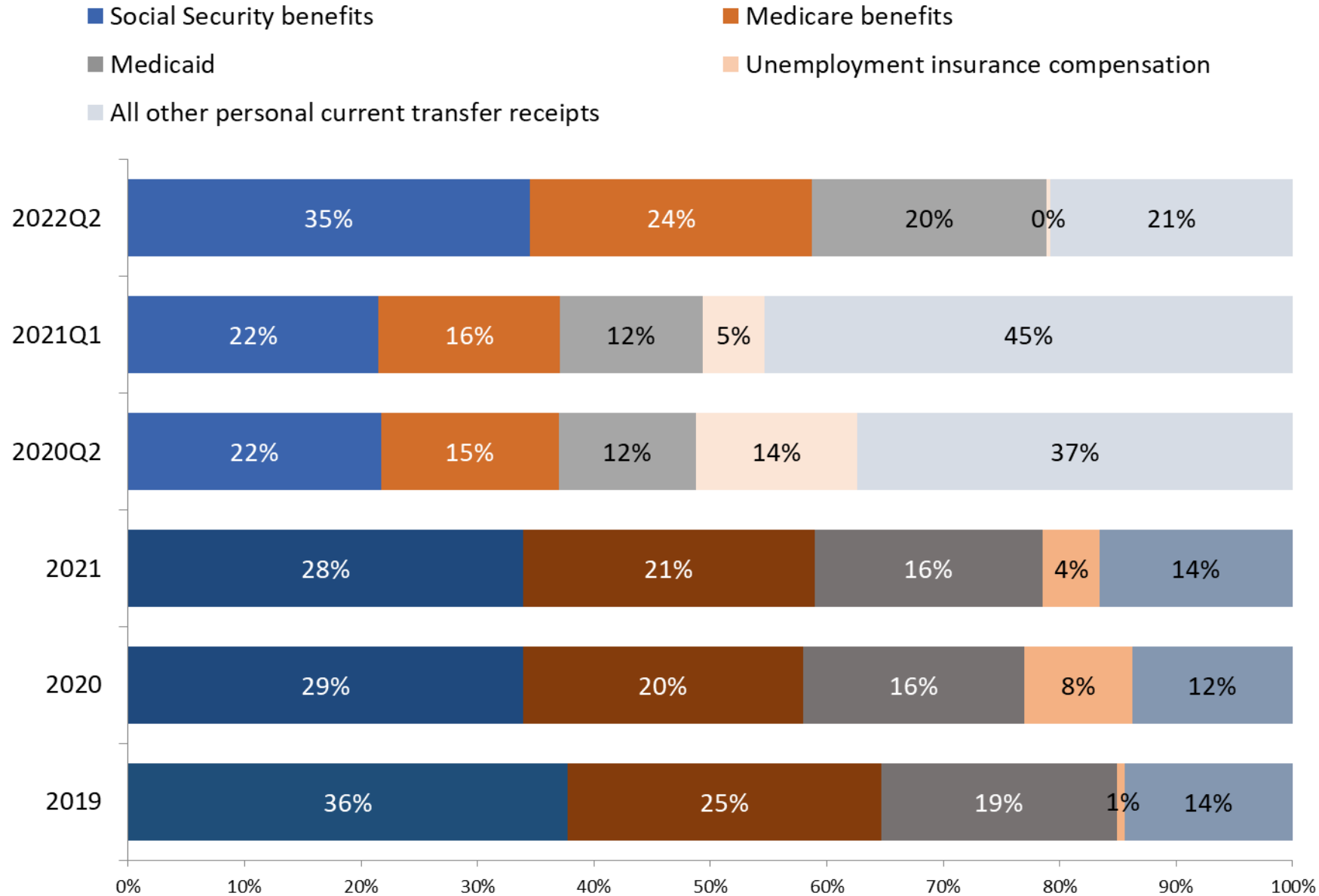
Higher total wages spread across fewer jobs drove the average wage per job up sharply in the pandemic era, but inflation is making those gains less meaningful



Major Components of Personal Income, Maine



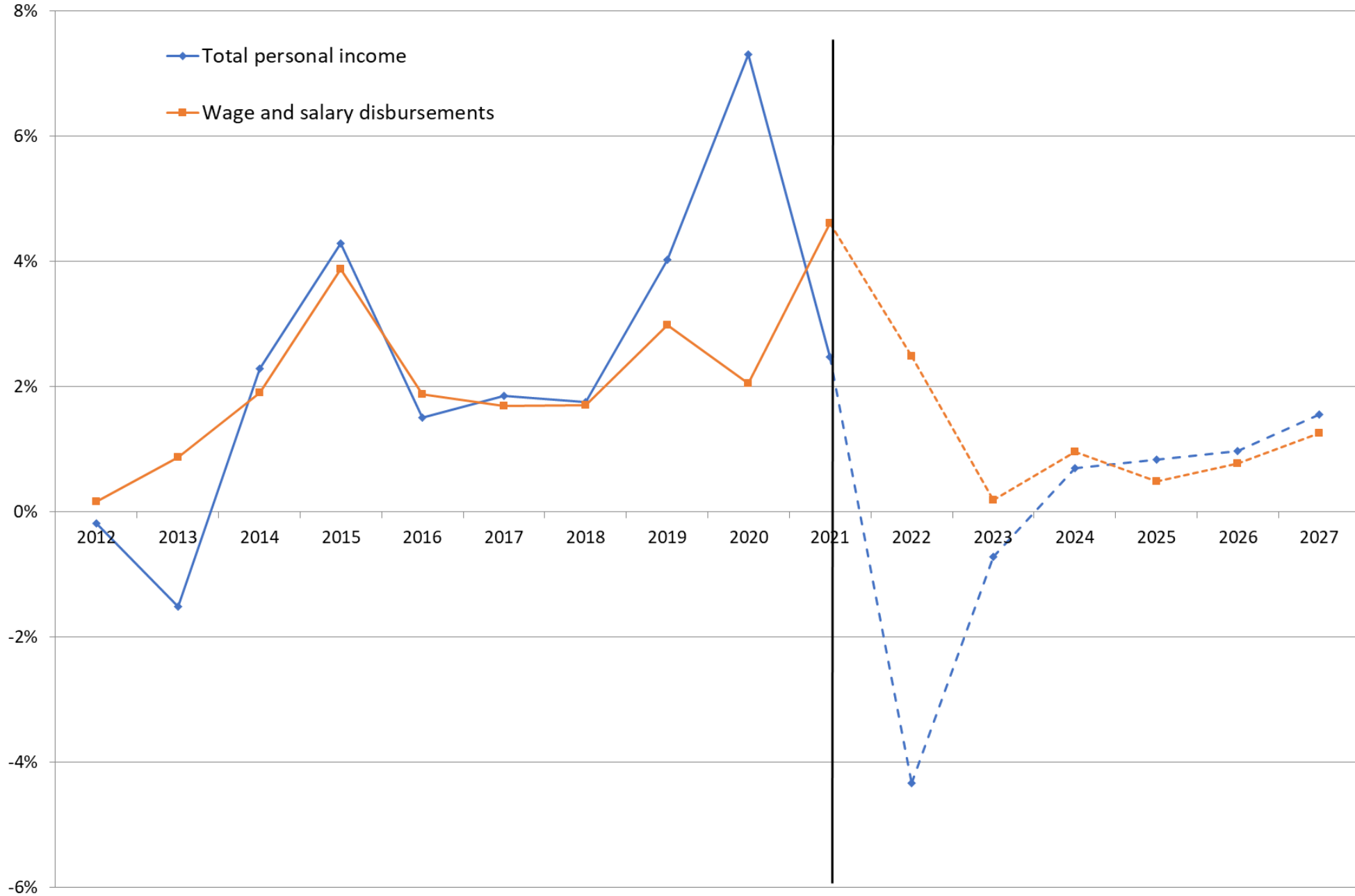
Components of Personal Current Transfer Receipts, Maine



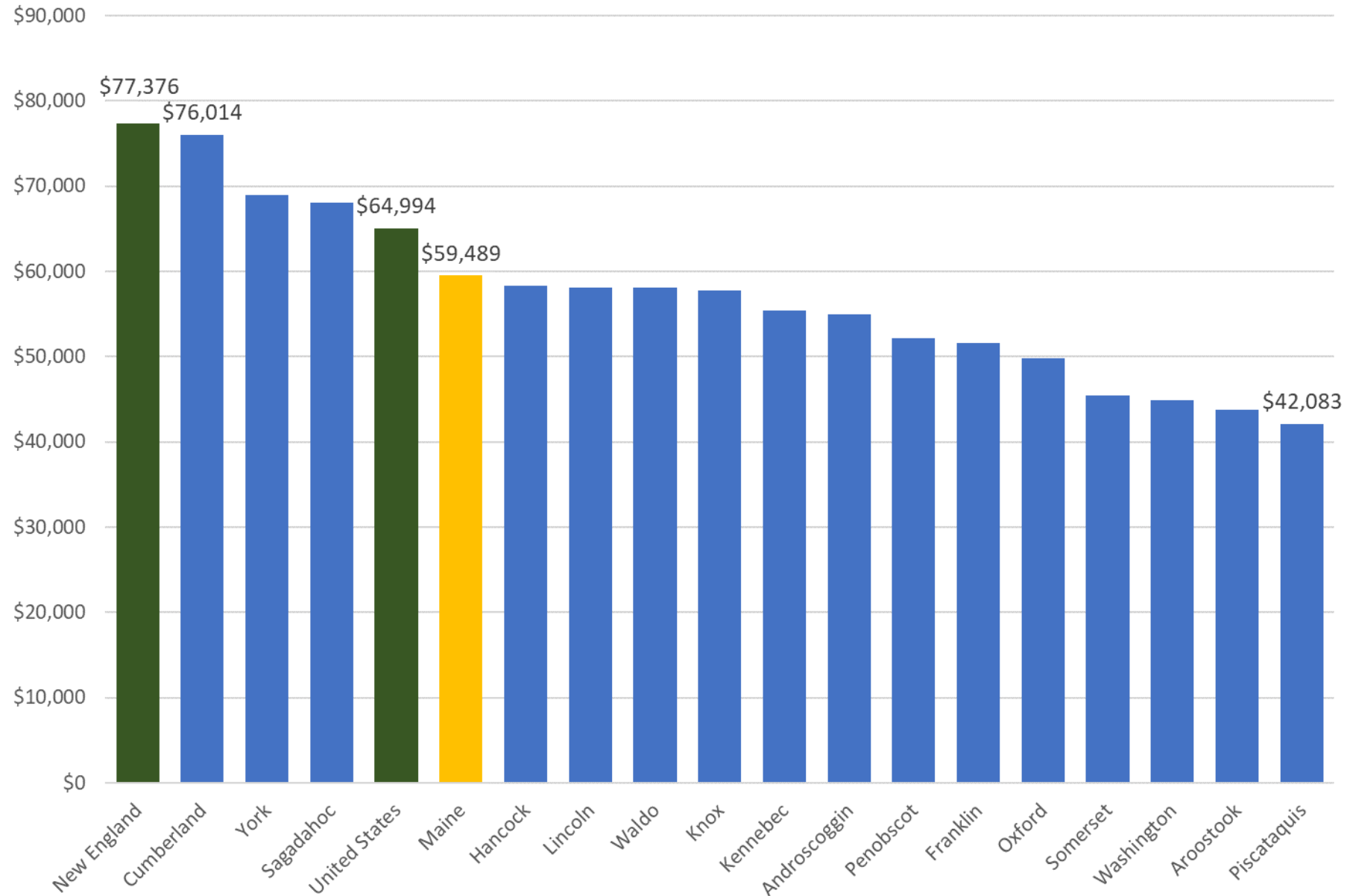
Federal supports including stimulus payments and Child Tax Credit played a role in reducing poverty in 2021

- National 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

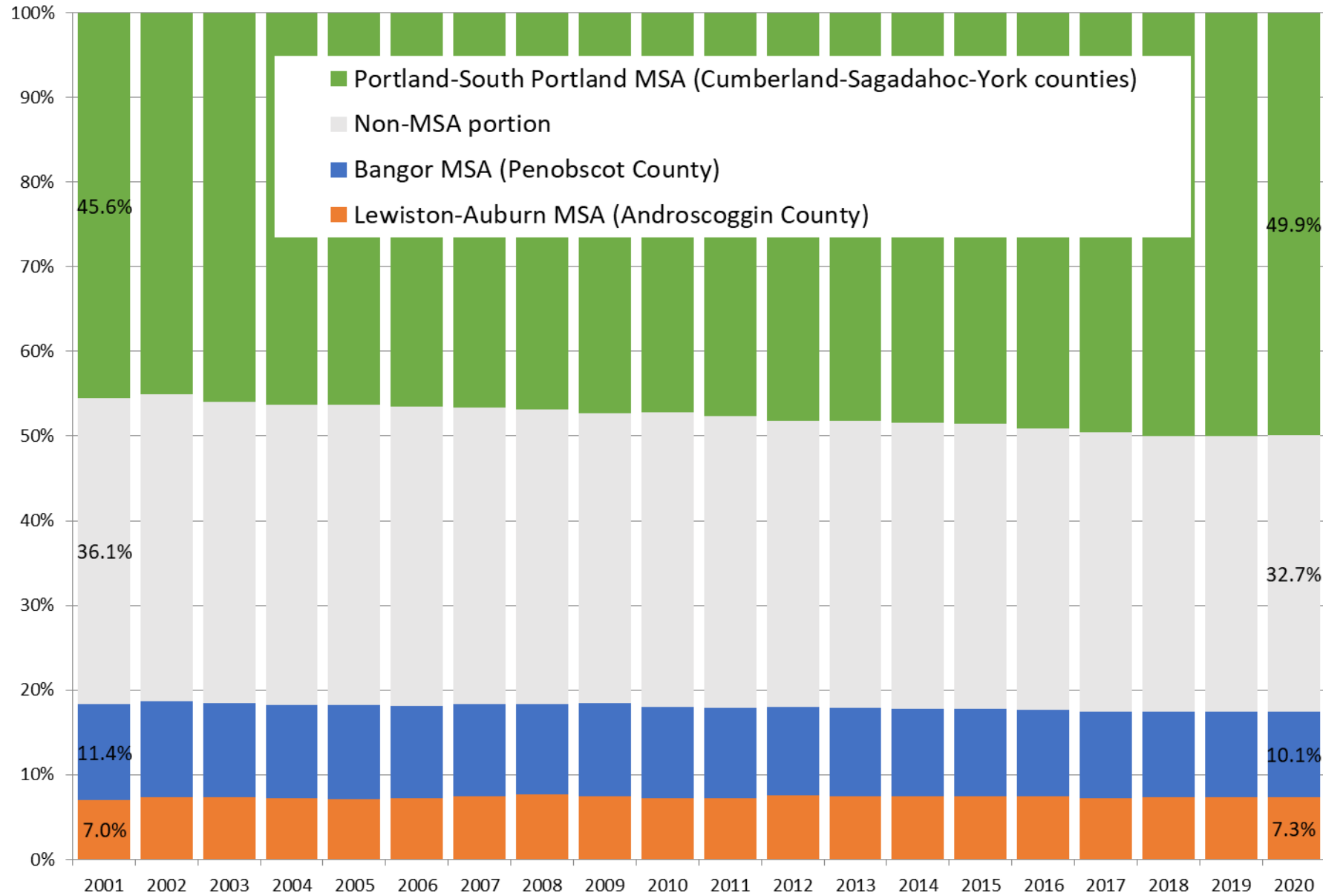


Median Household Income

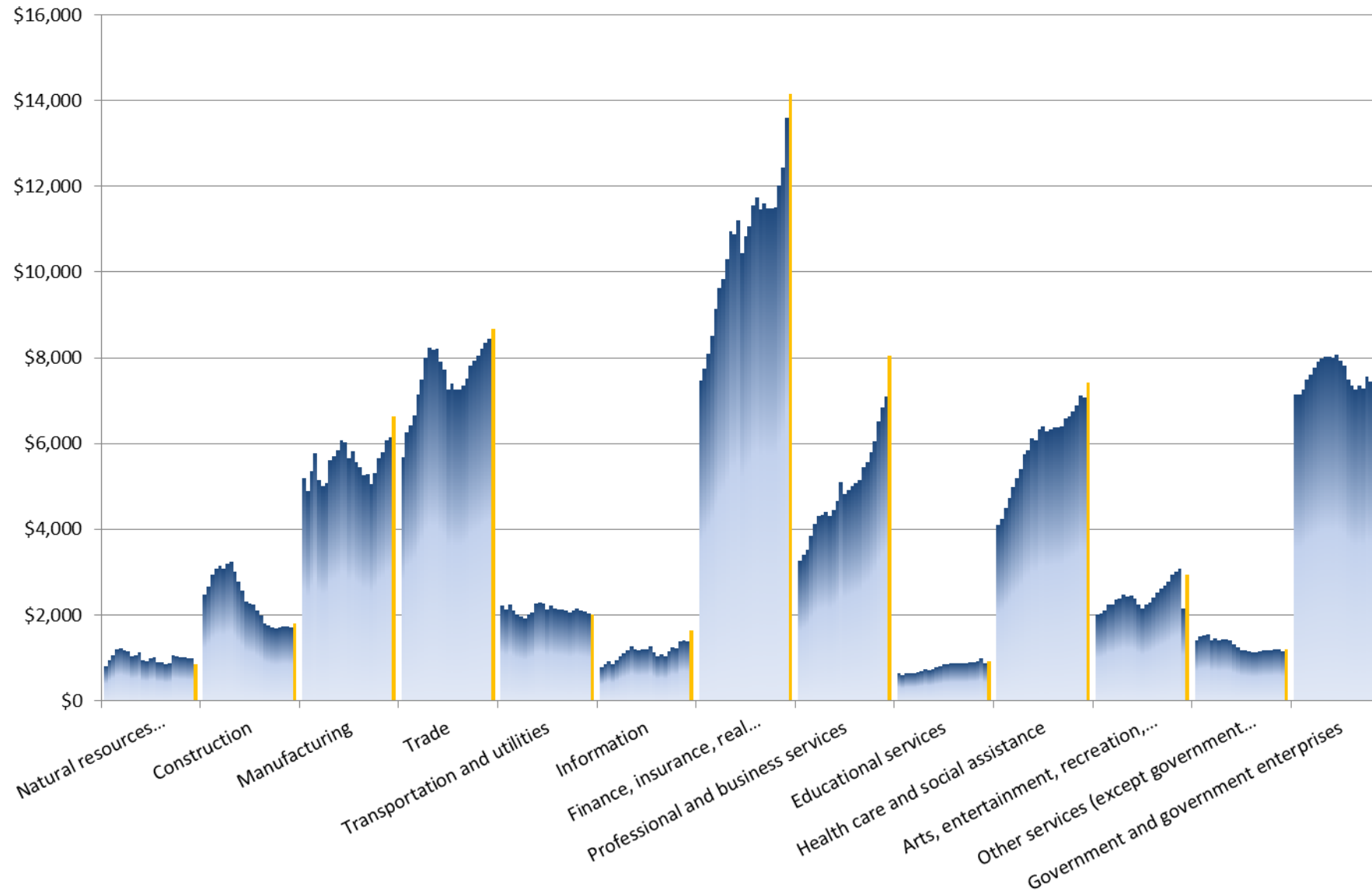


State GDP

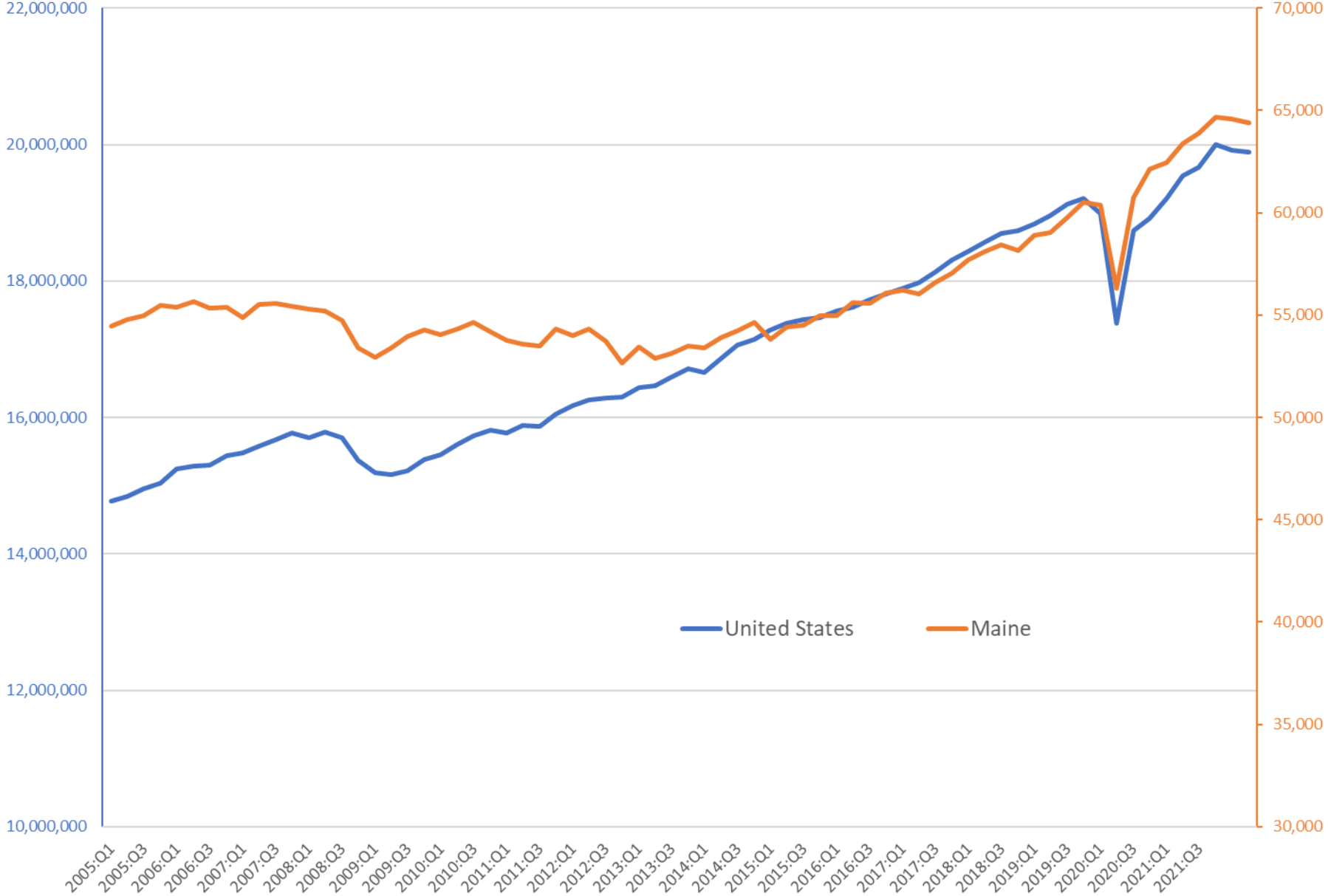
Share of Maine Real GDP by Metropolitan Area



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



Quarterly Real GDP (in millions of chained 2012 dollars)



What is a recession, anyway?

National real GDP declined at an estimated annual rate of 1.6% in the first quarter of 2022 and 0.6% in the second quarter of 2022

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

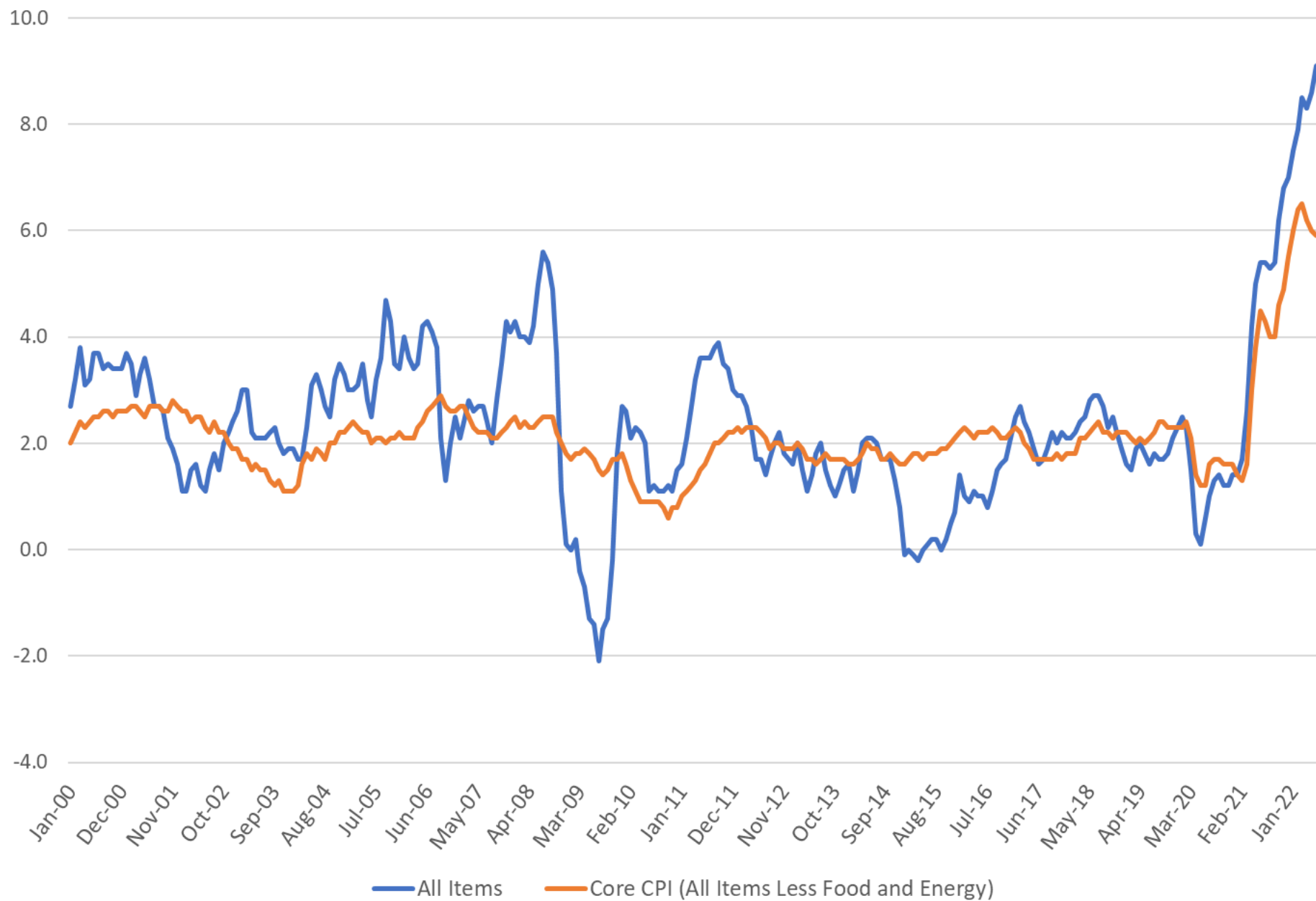
“a recession involves a significant decline in economic activity that is spread across the economy and lasts more than a few months”

The advance estimate of GDP for the third quarter of 2022 is growth of 2.6%

Inflation and Spending

Maine Taxable Retail Sales	% Change from August 2021 to August 2022	% Change last three months / same 3 month period one year ago
Building Supply	20.1%	13.6%
Food Store	5.6%	5.7%
General Merchandise	6.8%	6.0%
Other Retail	6.7%	5.7%
Restaurant	8.3%	7.4%
Lodging	8.6%	9.2%
Auto Transportation	6.7%	3.6%
Total	9.2%	7.1%

Year-over-year percent change in Consumer Price Index



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

What does this mean for interest rates?

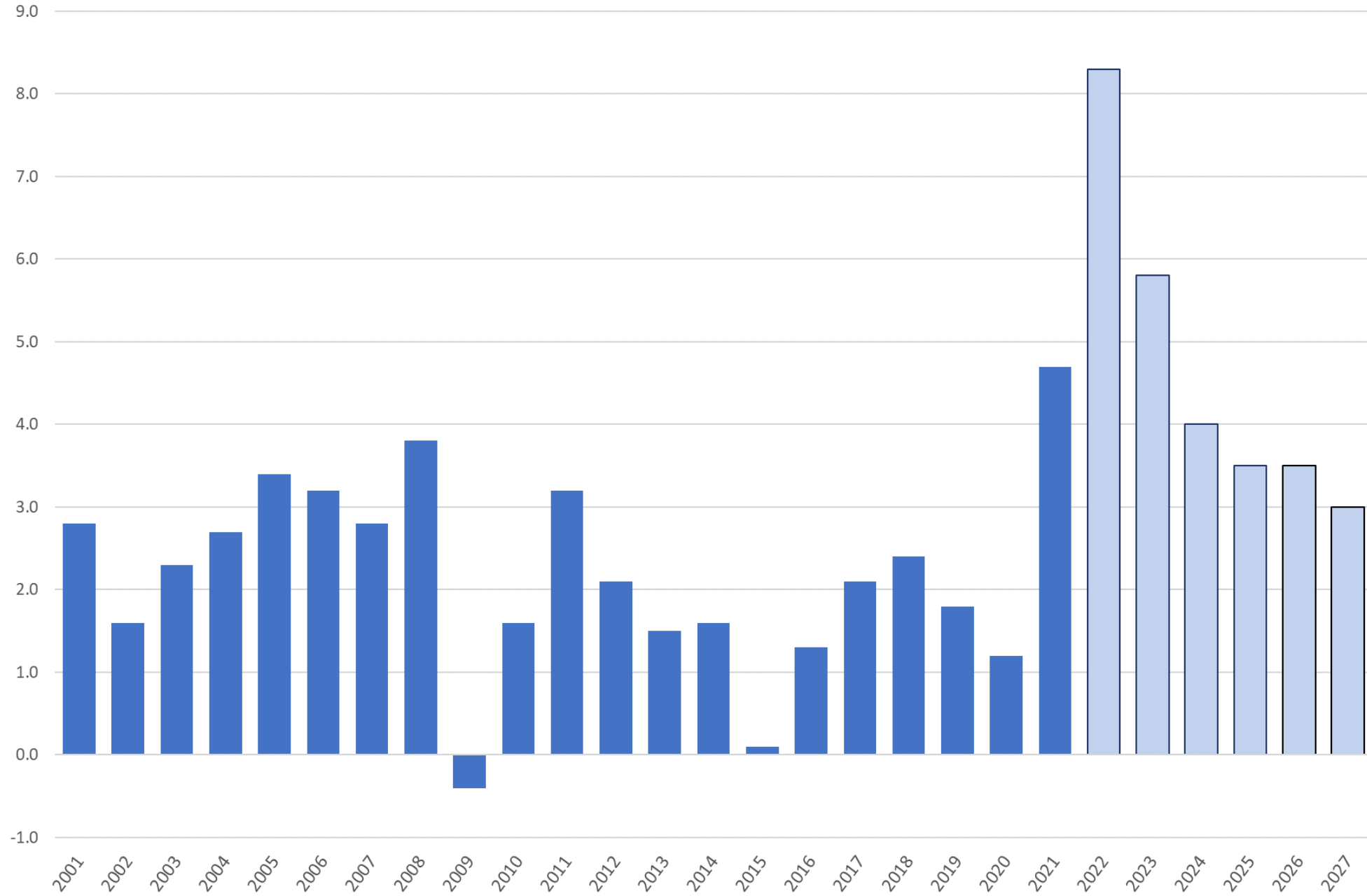
Current target range: 3.75% to 4%

“The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the pace of future increases in the target range, 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.”

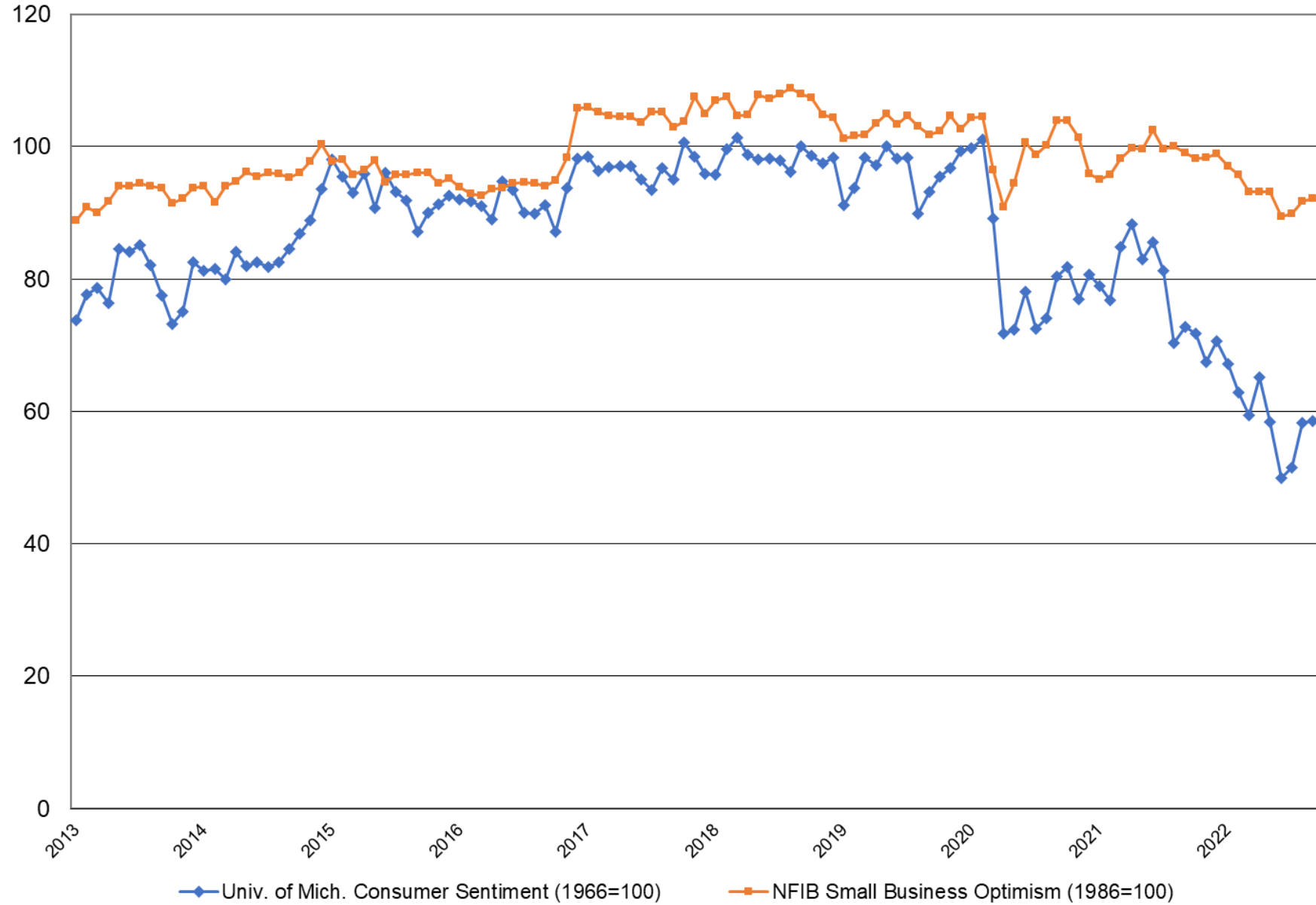
- Excerpt from November 2, 2022, Federal Open Market Committee statement

- Range of September FOMC projections for federal funds rate for 2022 was 3.9-4.6 percent and for 2023 was 3.9-4.9 percent
- This implies increases of 0.5 to 0.75 percent at next 2-3 meetings (could be fewer but higher or more but lower)
- Increases are expected into early next year

Year-over-year percent change in Consumer Price Index; 2001-2021 historical and 2022-2027 forecast



Consumer Sentiment and Small Business Optimism Indexes



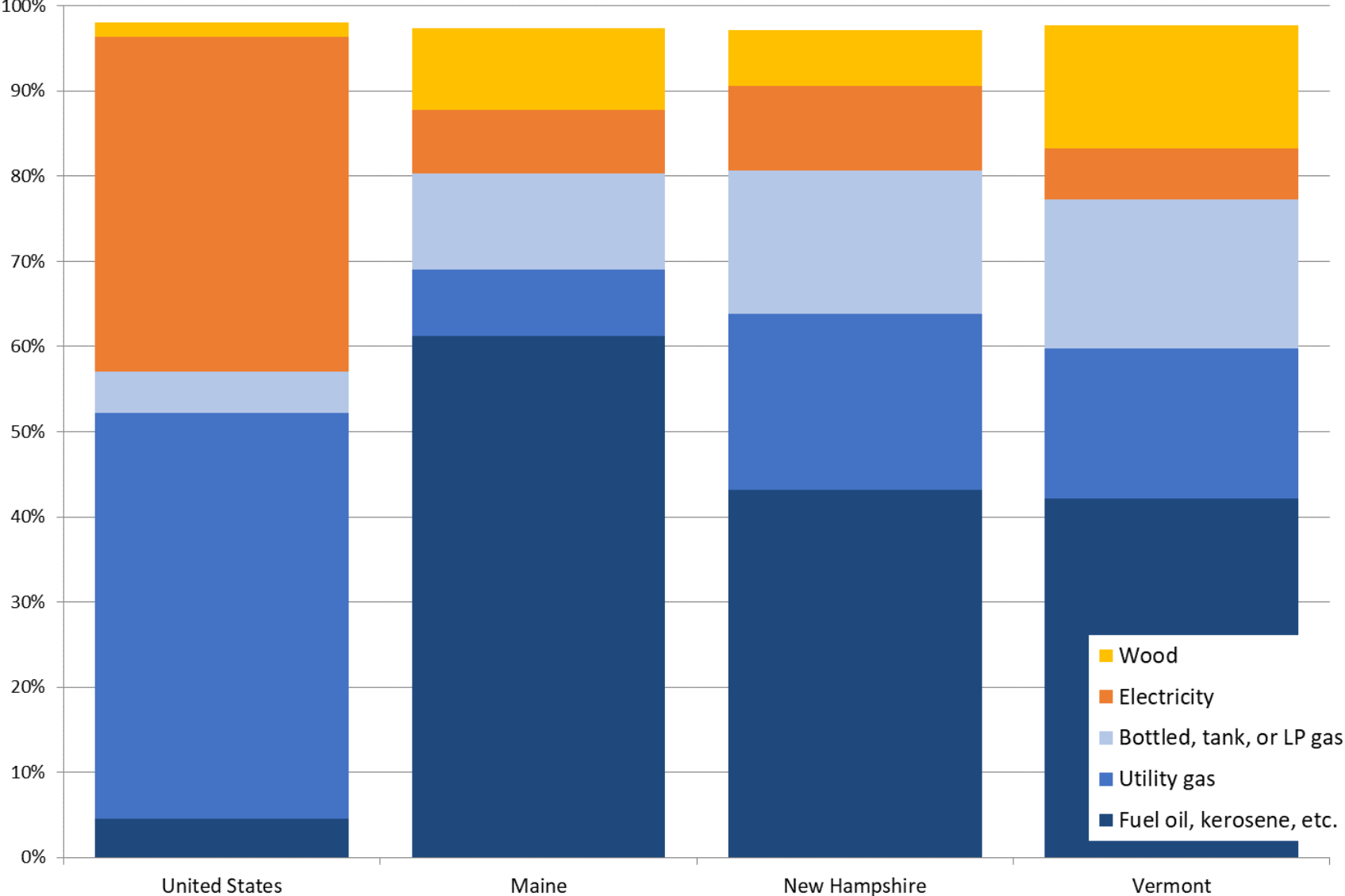
Inflation has been a major contributor to the downward trend in small business and consumer sentiment over the past year; easing gas prices ahead of August survey helped improve current sentiment, but uncertainty about future economic trajectory persists

Daily Europe Brent Spot Price (\$ per barrel)



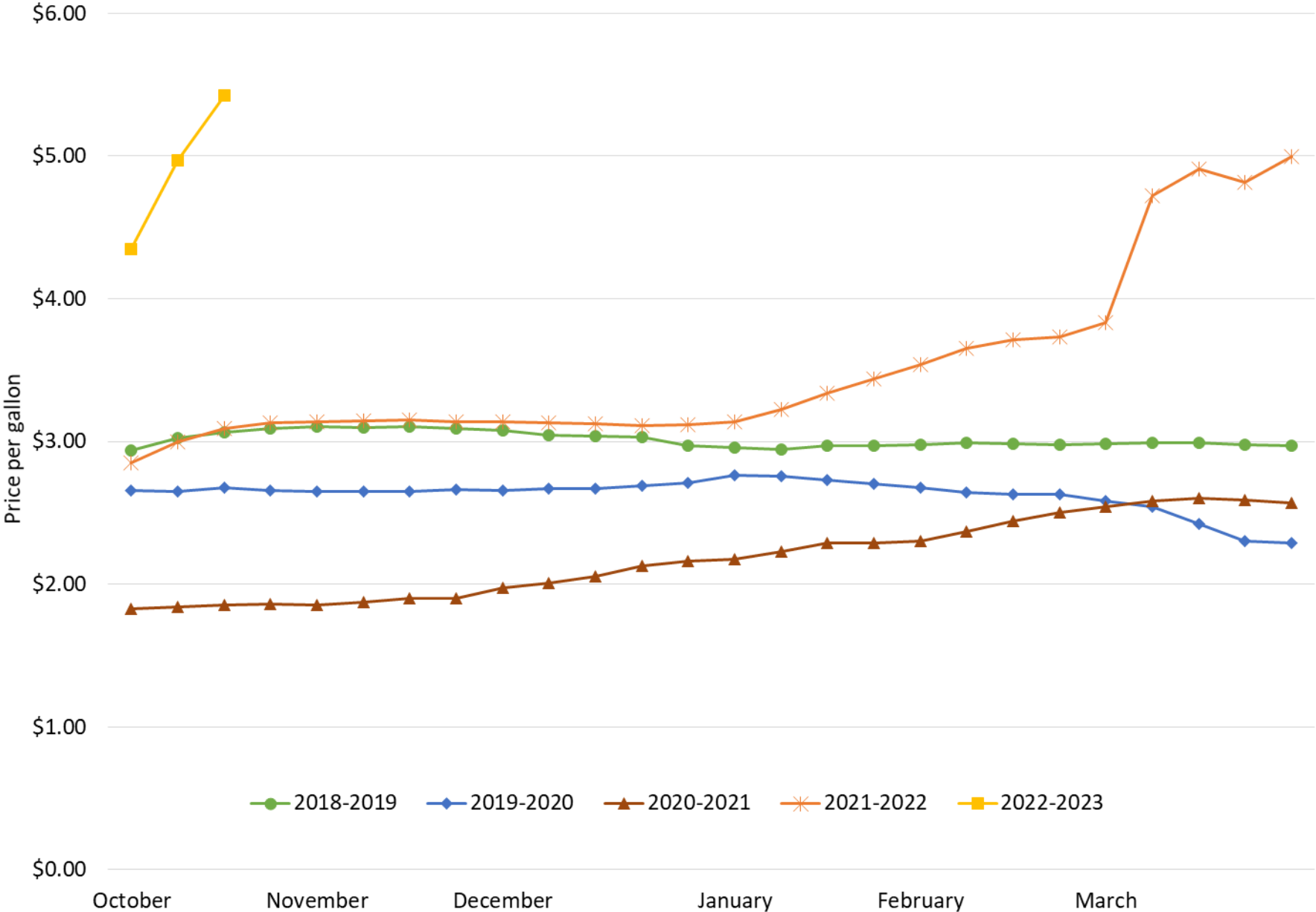
Maine's heavy reliance on fossil fuels exposes us to price spikes and volatility

Percent of Housing Units by Type of Primary Heating Fuel



Source: U.S. Census Bureau, 2020 American Community Survey 5-year estimates

Maine No. 2 Heating Oil Residential Price

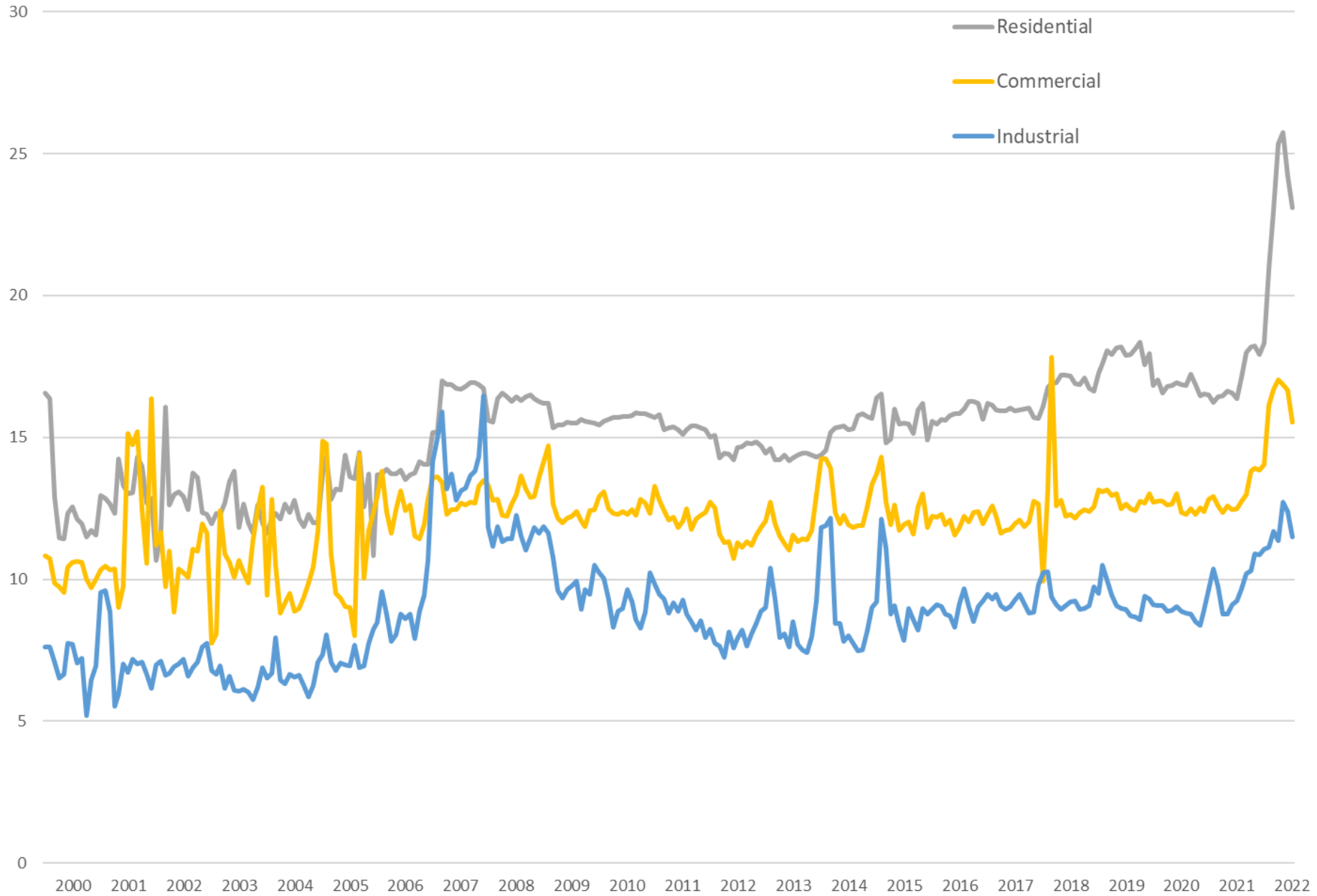


New England - Regular All Formulations Retail Gasoline Price Per Gallon



Source: U.S. Energy Information Administration

Retail Electricity Price, Maine (Cents/kWh)



Looking Ahead

November 2022 Consensus Economic Forecasting Commission report highlights

Calendar Years	2021	2022	2023	2024	2025	2026	2027
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 11/2021	3.7	2.3	1.0	0.7	0.7		
CEFC Forecast 02/2022	3.7	1.8	1.0	0.4	0.2	0.0	0.0
CEFC Forecast 11/2022	3.8	2.5	0.8	0.4	0.2	0.0	0.0
Personal Income (Annual Percentage Change)							
CEFC Forecast 11/2021	5.2	0.5	4.6	4.8	4.6		
CEFC Forecast 02/2022	6.5	1.7	5.0	4.9	4.6	4.6	4.5
CEFC Forecast 11/2022	7.3	3.6	5.0	4.7	4.4	4.5	4.6
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 11/2021	5.5	5.0	5.0	5.0	4.0		
CEFC Forecast 02/2022	7.7	6.5	5.5	5.0	4.0	4.3	4.3
CEFC Forecast 11/2022	9.5	11.0	6.0	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)							
CEFC Forecast 11/2021	4.4	3.5	2.1	2.1	2.1		
CEFC Forecast 02/2022	4.7	5.0	4.0	2.5	2.5	2.5	2.5
CEFC Forecast 11/2022	4.7	8.3	5.8	4.0	3.5	3.5	3.0

Key assumptions from November 2022 CEFC report

- Economic conditions are highly uncertain, with the potential for a slowdown in 2023.
- High inflation, high interest rates, low consumer sentiment, housing affordability/availability, and the correction in the stock market combine to create a challenging macroeconomic environment.
- There is a risk of continued higher inflation into 2023, with higher energy prices posing a particular concern for consumers in Maine where heating oil and gasoline are heavily relied on. Heating oil prices have started the heating season high and are expected to remain elevated, with the potential for even larger costs to households and businesses if there is a colder than usual winter. Inflation risks are likely to take several years to fully ease.
- We have transitioned to an endemic phase of COVID-19; people's behavior has adjusted to living with the risks of the virus (the "new normal") and the economy and health system will be minimally disrupted by foreseeable future waves.
- There is an opportunity for Maine to see continued increased in-migration in the coming years due to telework and people looking for locations that allow for work-life balance and access to outdoor recreation, but housing and childcare/schooling for those with children are potential limiting factors.

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? Telework, housing, and childcare are three key determinants

The Budget Stabilization Fund is at a record level of nearly \$900 million

Workforce considerations

- Migration: will the trends continue?
 - *Remote work*: here to stay, but hybrid situations are geographically limiting
 - *Housing*: limited availability and unaffordability
 - *Childcare*: limited availability and unaffordability
- Retirements: will some retirees rejoin the workforce?
- Wages: how will wage expectations adjust to inflation and the tight labor market?
- 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?

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
- 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; the CEFC recognized an increased possibility of an economic slowdown in 2023
- Maine has a robust Budget Stabilization Fund and spending from Maine Jobs and Recovery Plan is still rolling out, 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