

Fundamentals of the Maine Economy

Maine Development Foundation
Policy Leaders Academy

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Amanda Rector
Maine State Economist

Overview

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

Demographics

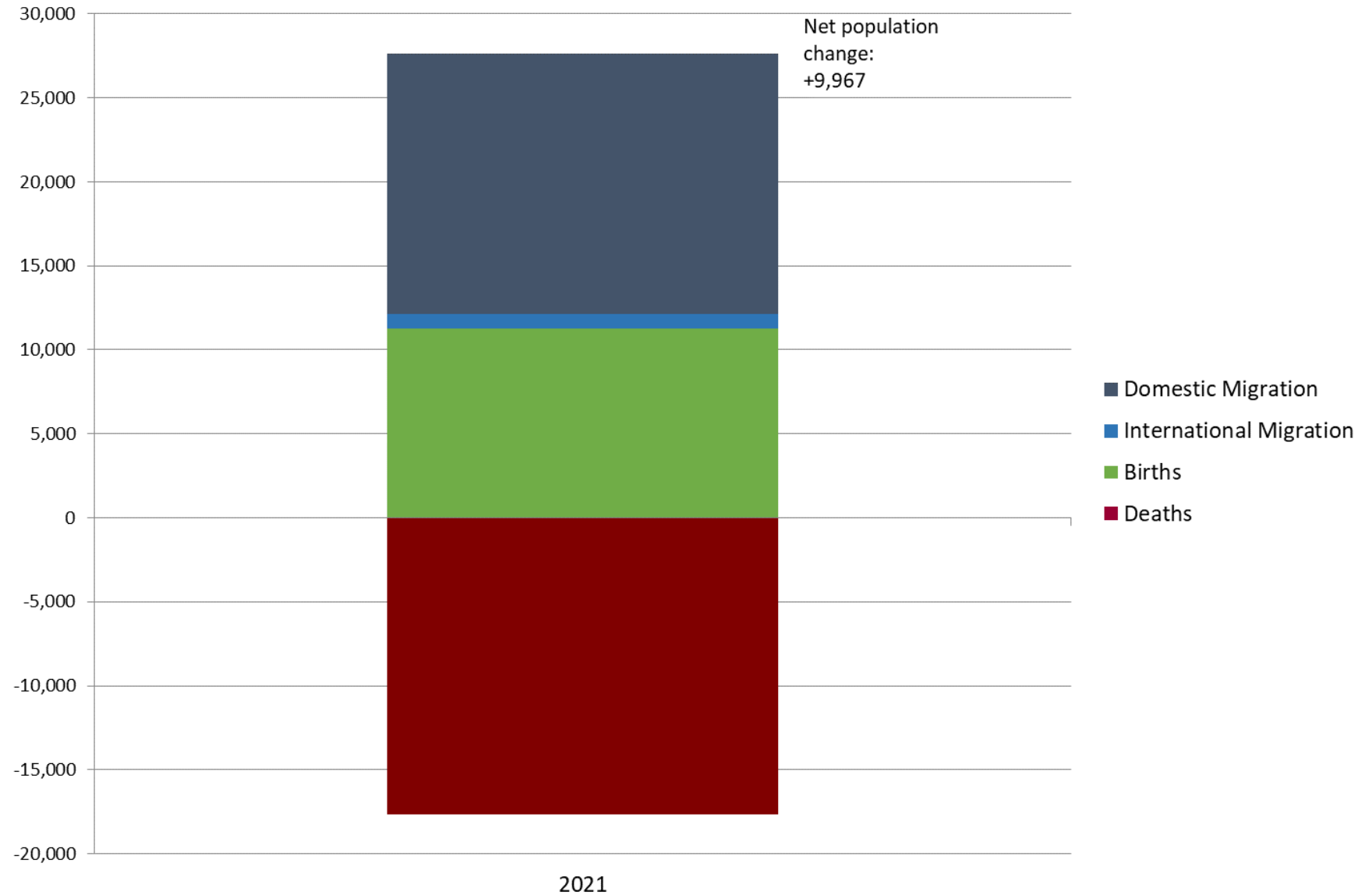
Components of Population Change, Maine

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

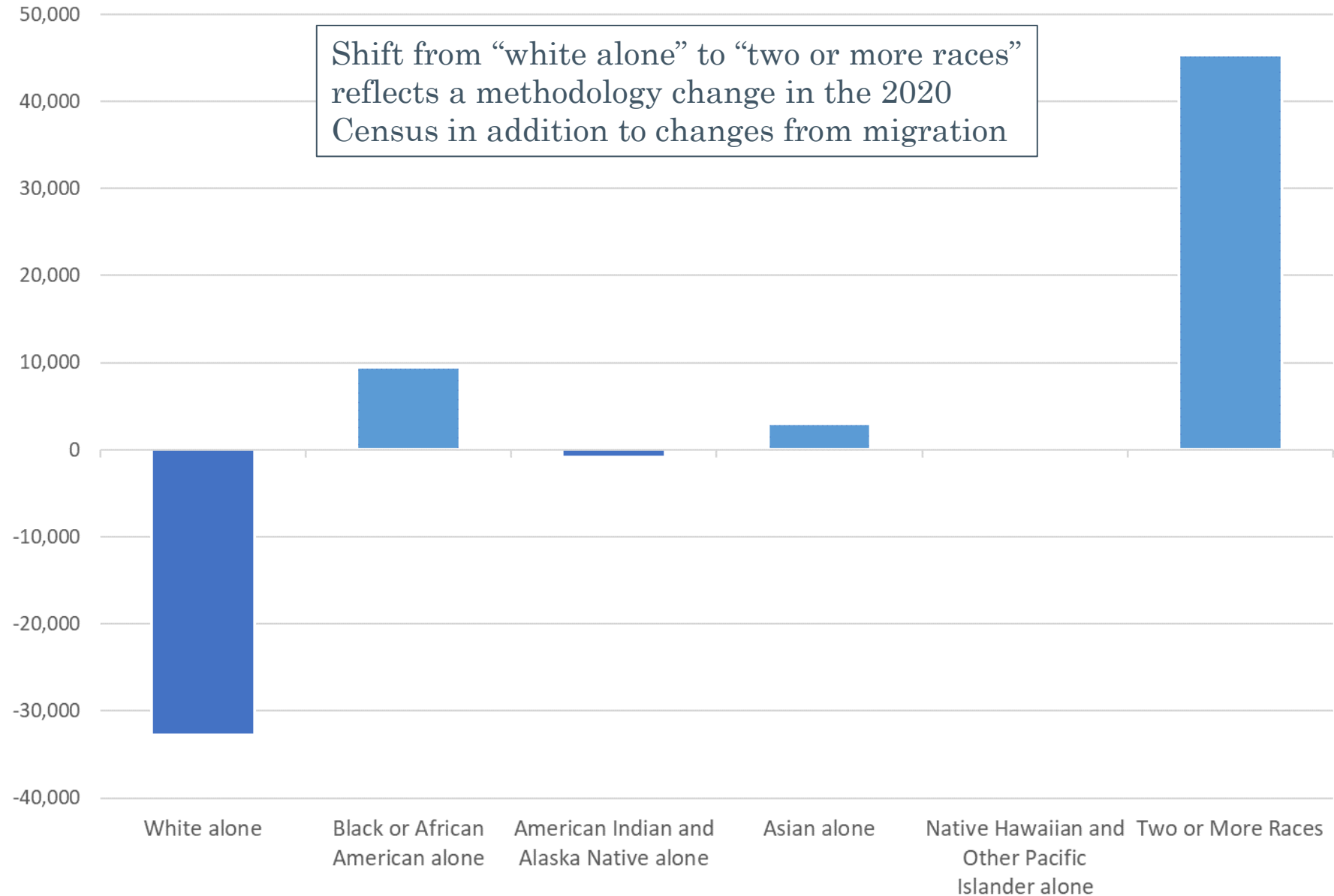
Population increase of
2.6% from 2010-2020
(42nd in U.S.)

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

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



Change in Maine Population by Race, 2010-2020

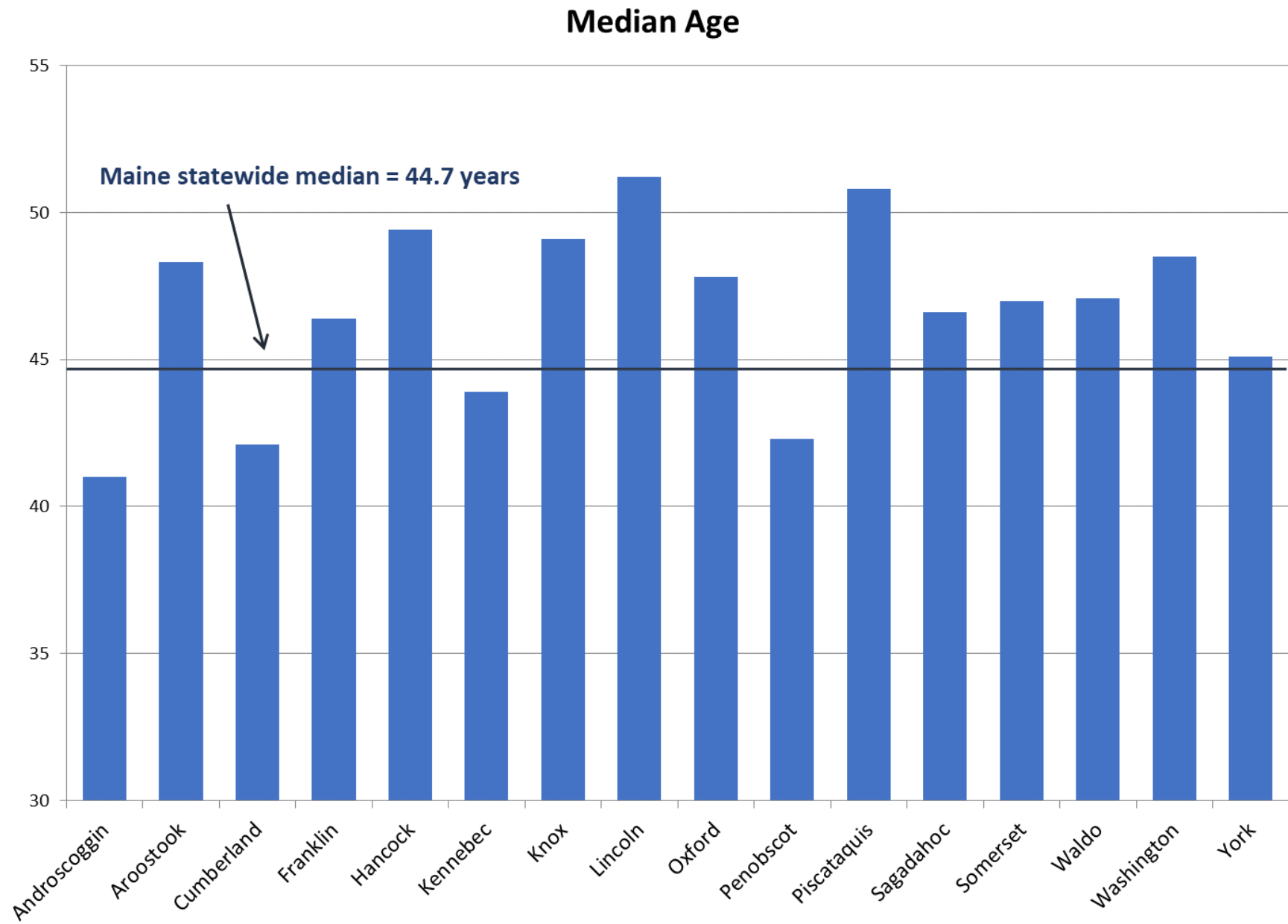


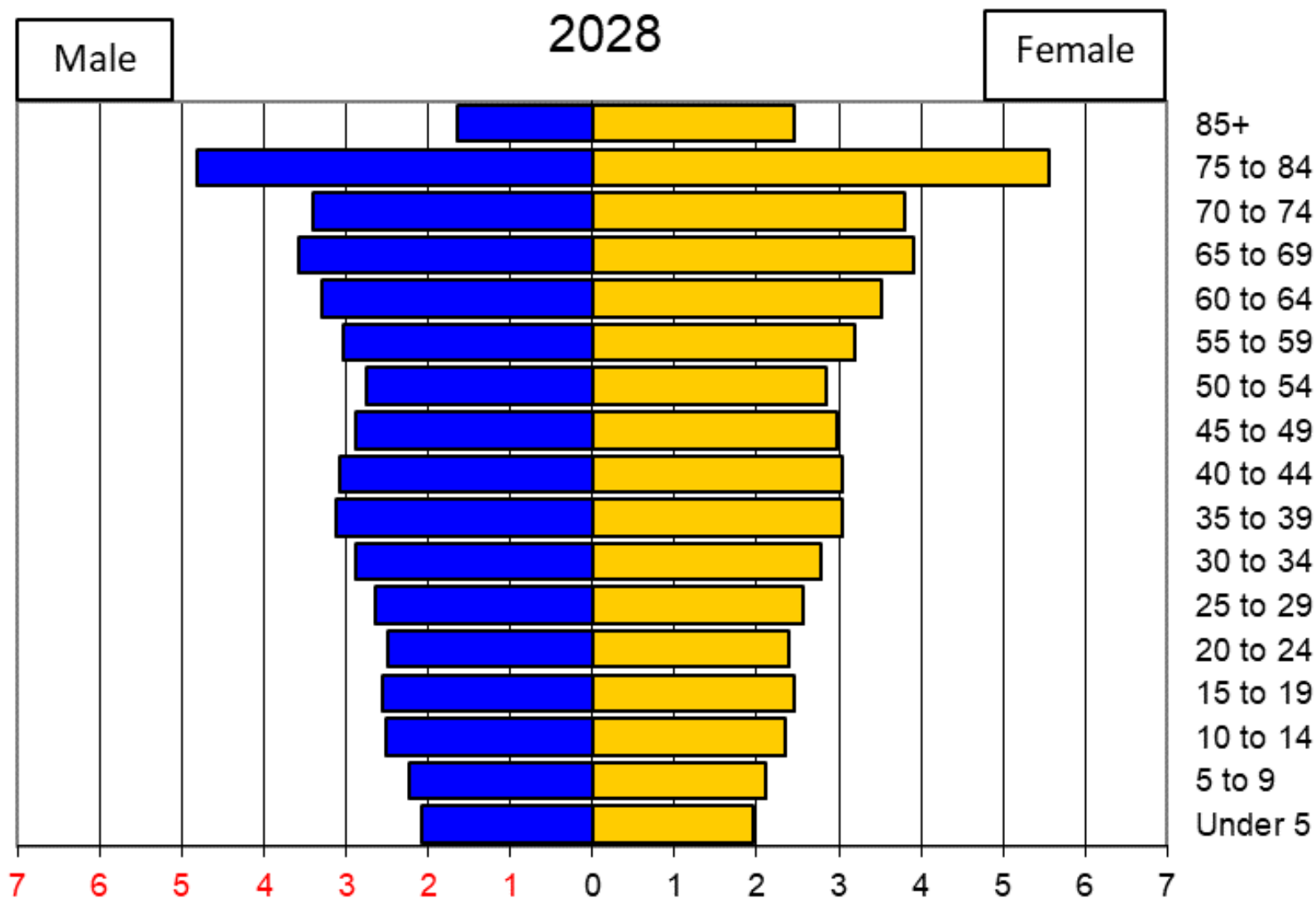
9.8% Black, Indigenous, and People of Color
Lowest percentage in U.S., but improved from 5.6% in 2010

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



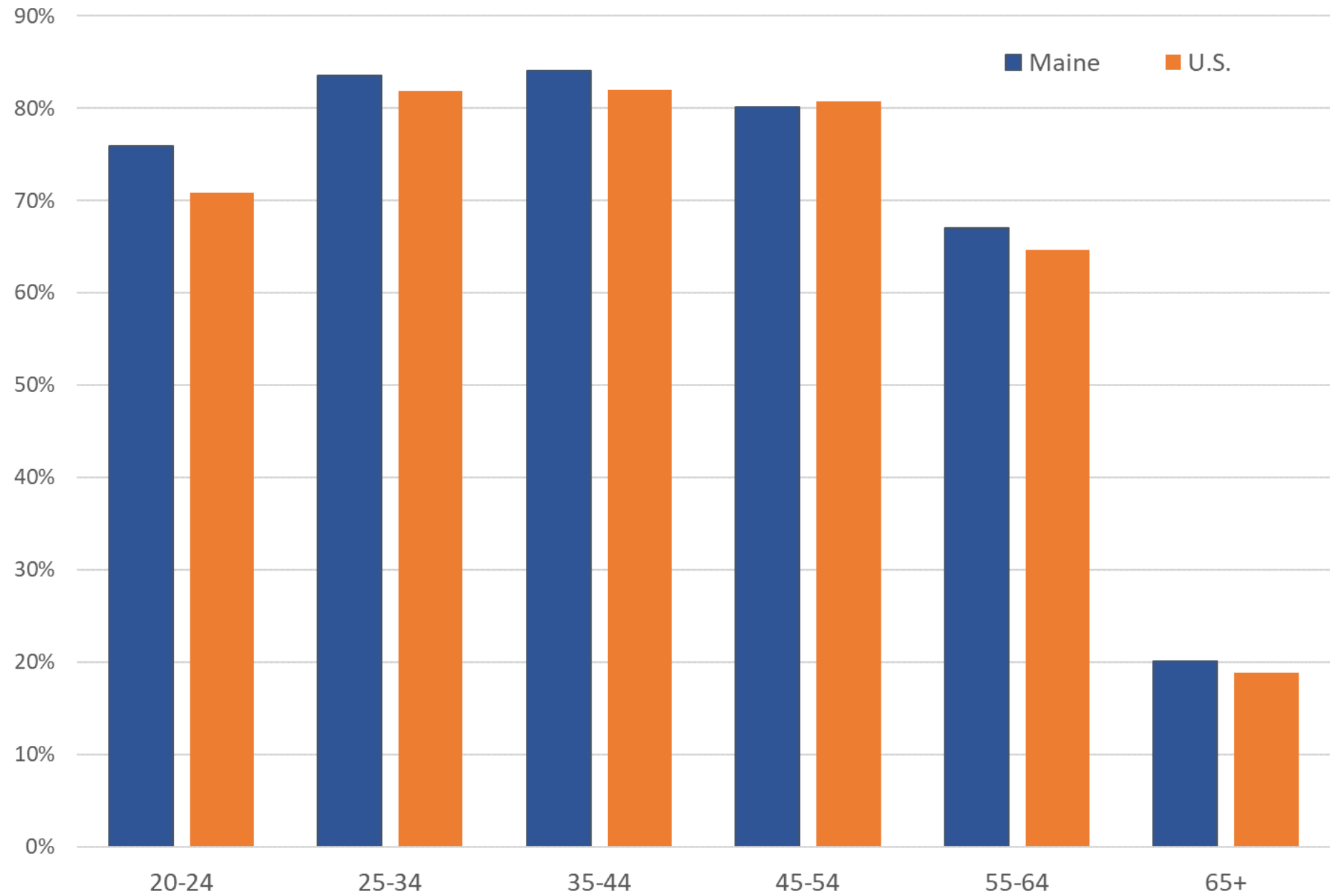


Baby Boom
generation in
2021: age 57-75

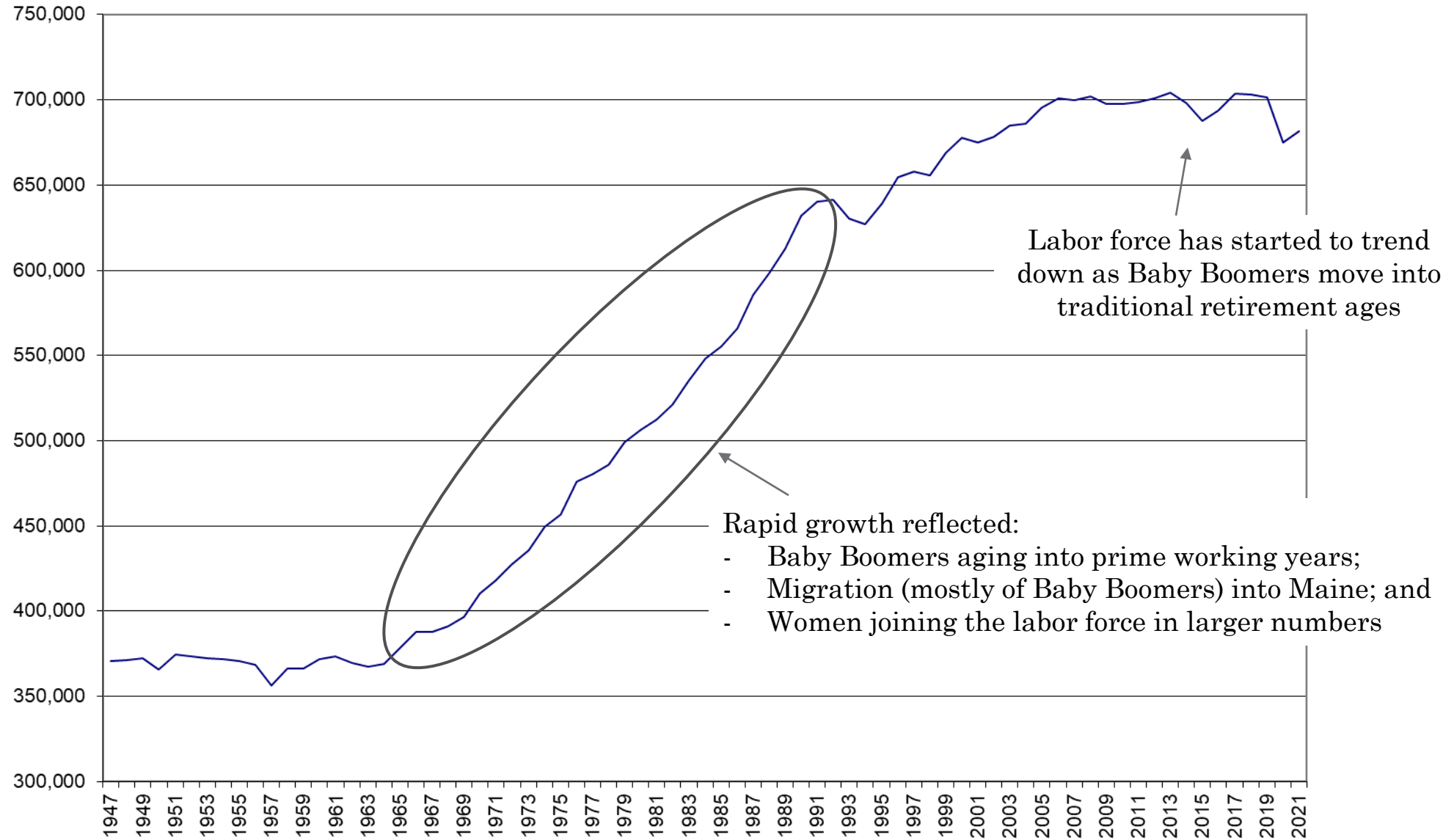
Baby Boom
generation in
2028: age 64-82

Labor Force and Employment

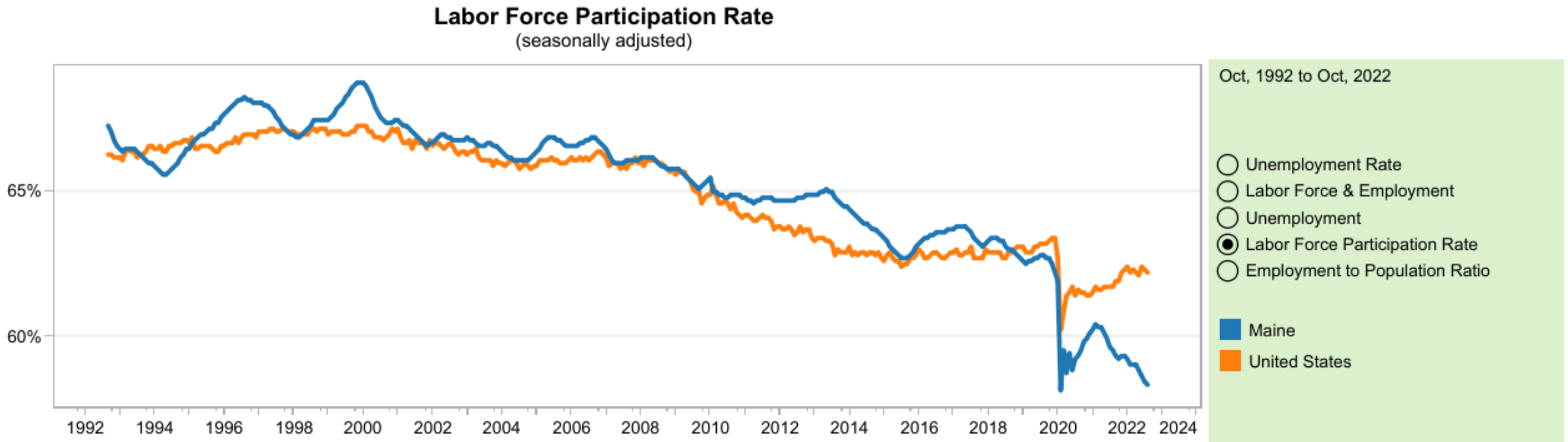
2021 Labor Force Participation Rate



Maine Civilian Labor Force

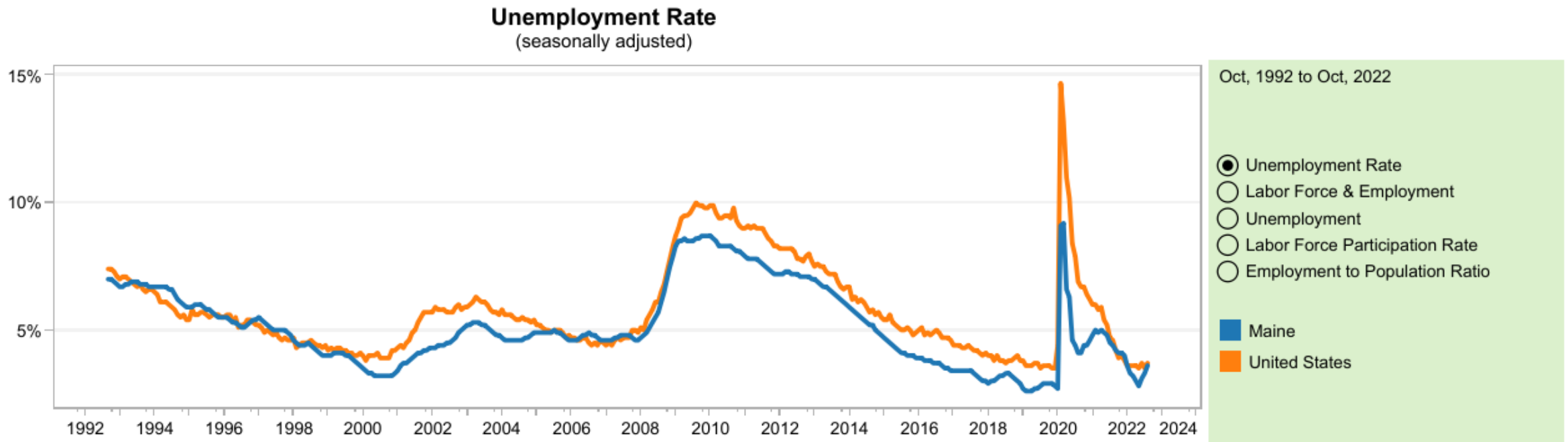


The Maine Department of Labor finds that, “(...) the persistently lower rates through the summer of 2022 are mostly caused by aging and retirement decisions that may have been accelerated during the pandemic and not by lower participation among people between the ages of 20-54”



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 October 2022 is slightly higher than pre-pandemic levels but well below the long-run average unemployment



Revenue Forecasting Process

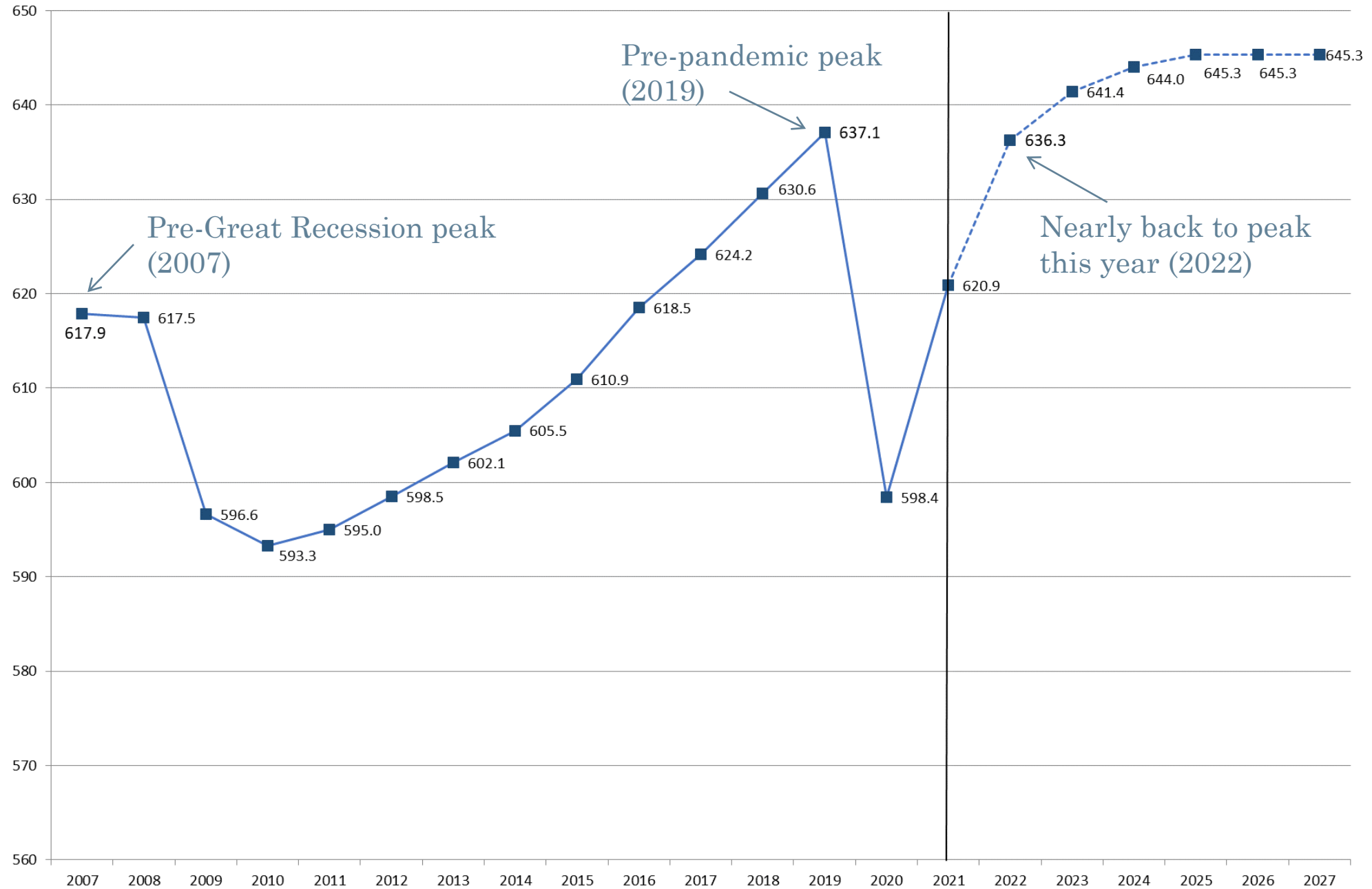
Consensus Economic Forecasting Commission (CEFC)

- 5 independent economists (not in legislative/executive)
- Forecasts key economic variables
- Updates forecast 2x per year

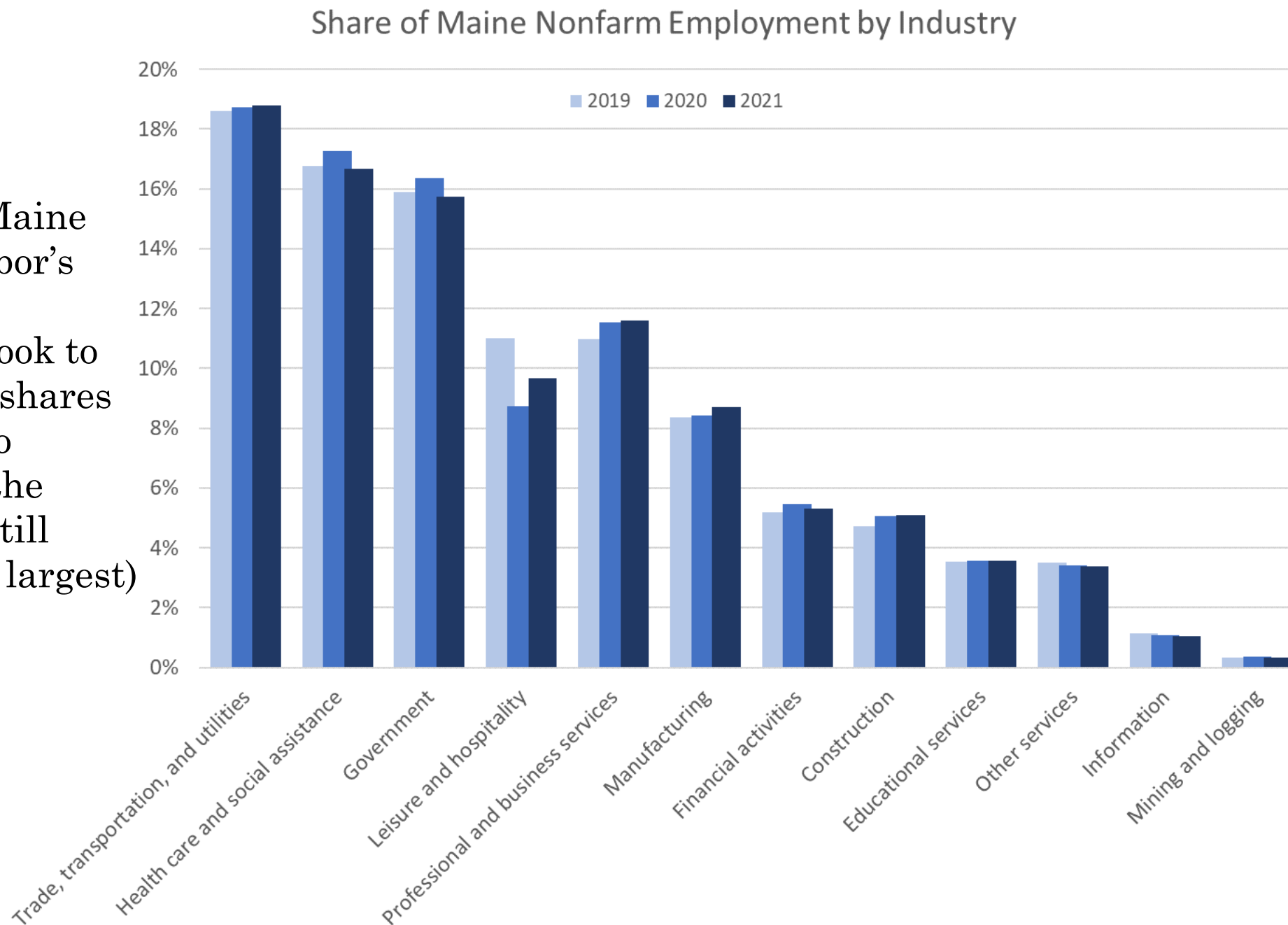
Revenue Forecasting Committee (RFC)

- 6 members from legislative/executive/university
- Required to use economic forecast from CEFC and current law
- Meets one month after CEFC

Total Nonfarm Employment (in thousands) History and CEFC forecast

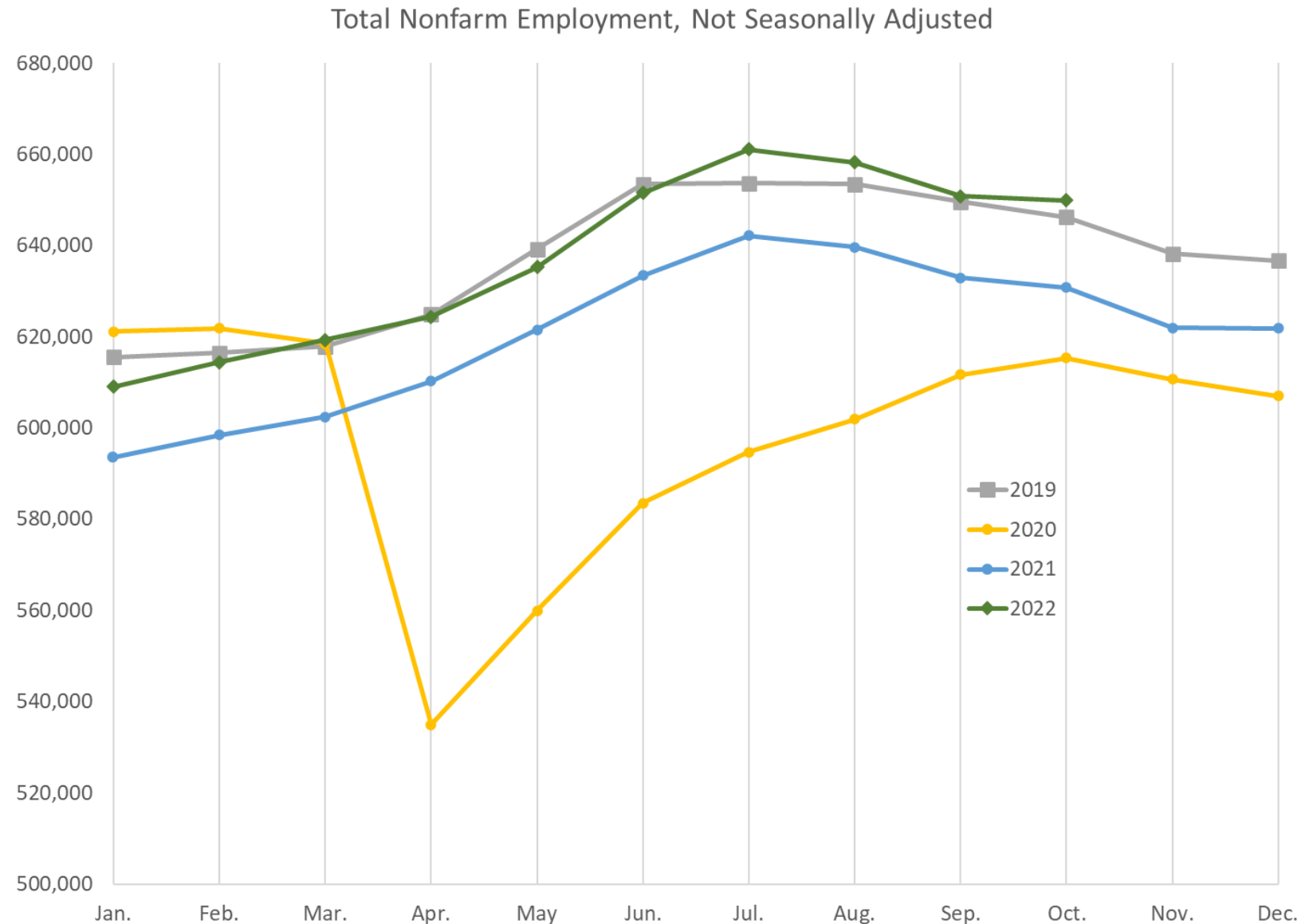


According to the Maine Department of Labor's newly-released Employment Outlook to 2030, the relative shares are not expected to change by much (the same sectors are still expected to be the largest)



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

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

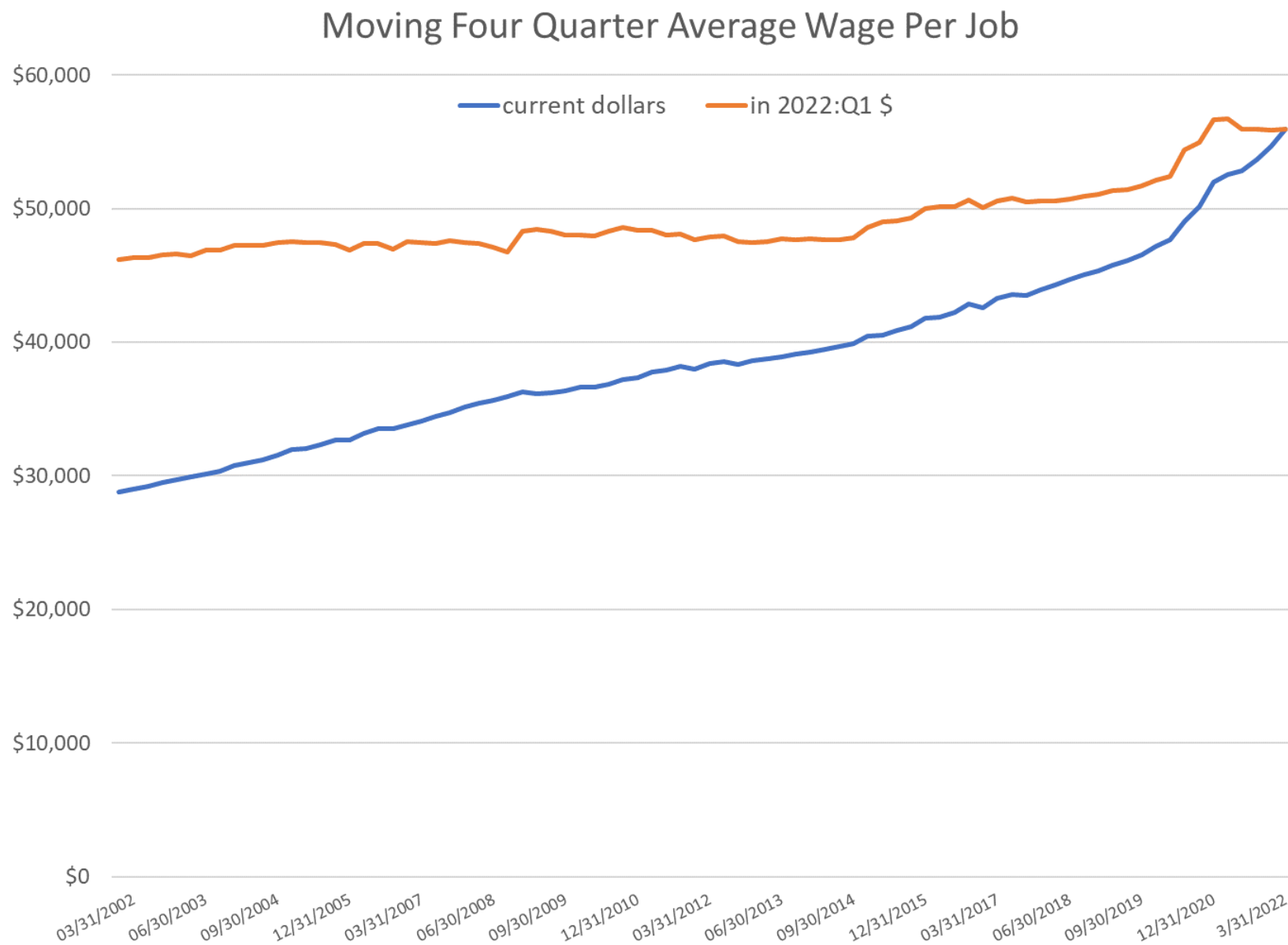


Workforce considerations

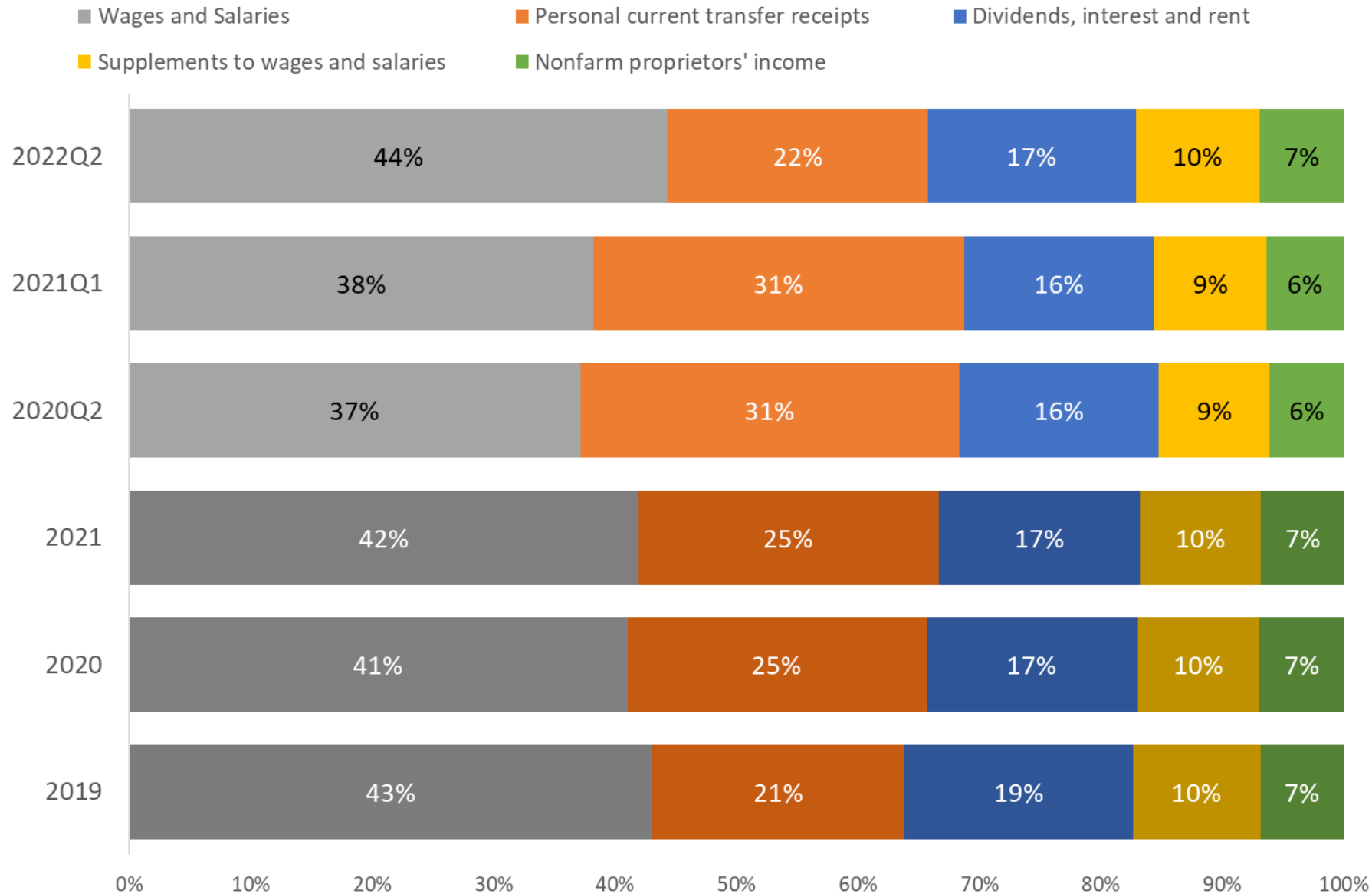
- Migration: will the trends continue?
 - *Remote work*: here to stay, but hybrid situations are geographically limiting
 - *Housing*: limited availability and unaffordability
 - *Childcare*: limited availability and unaffordability
- Retirements: will some retirees rejoin the workforce?
- Wages: how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

Wages and Income

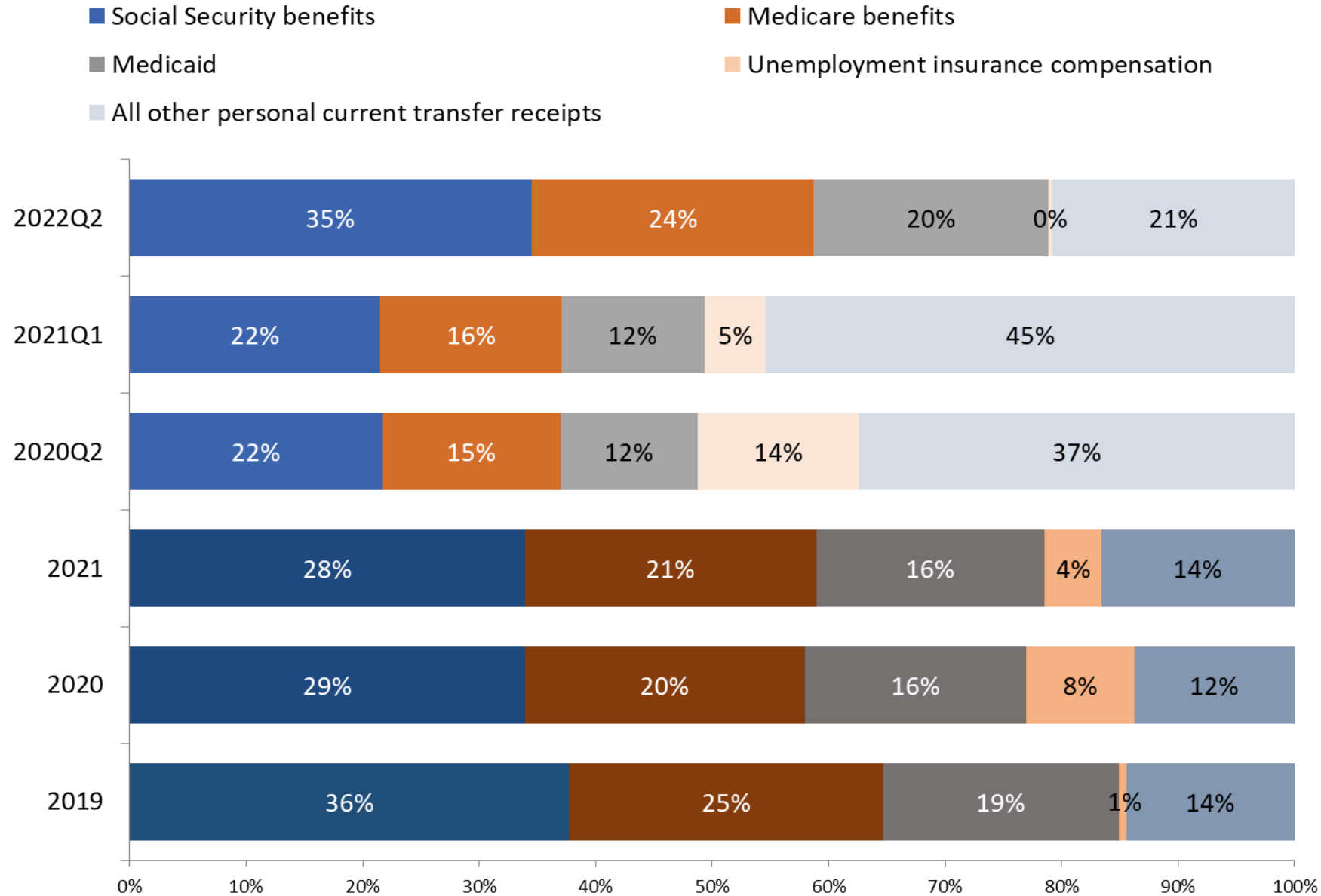
Wages have increased sharply over the past two years, but higher inflation has flattened out recent gains



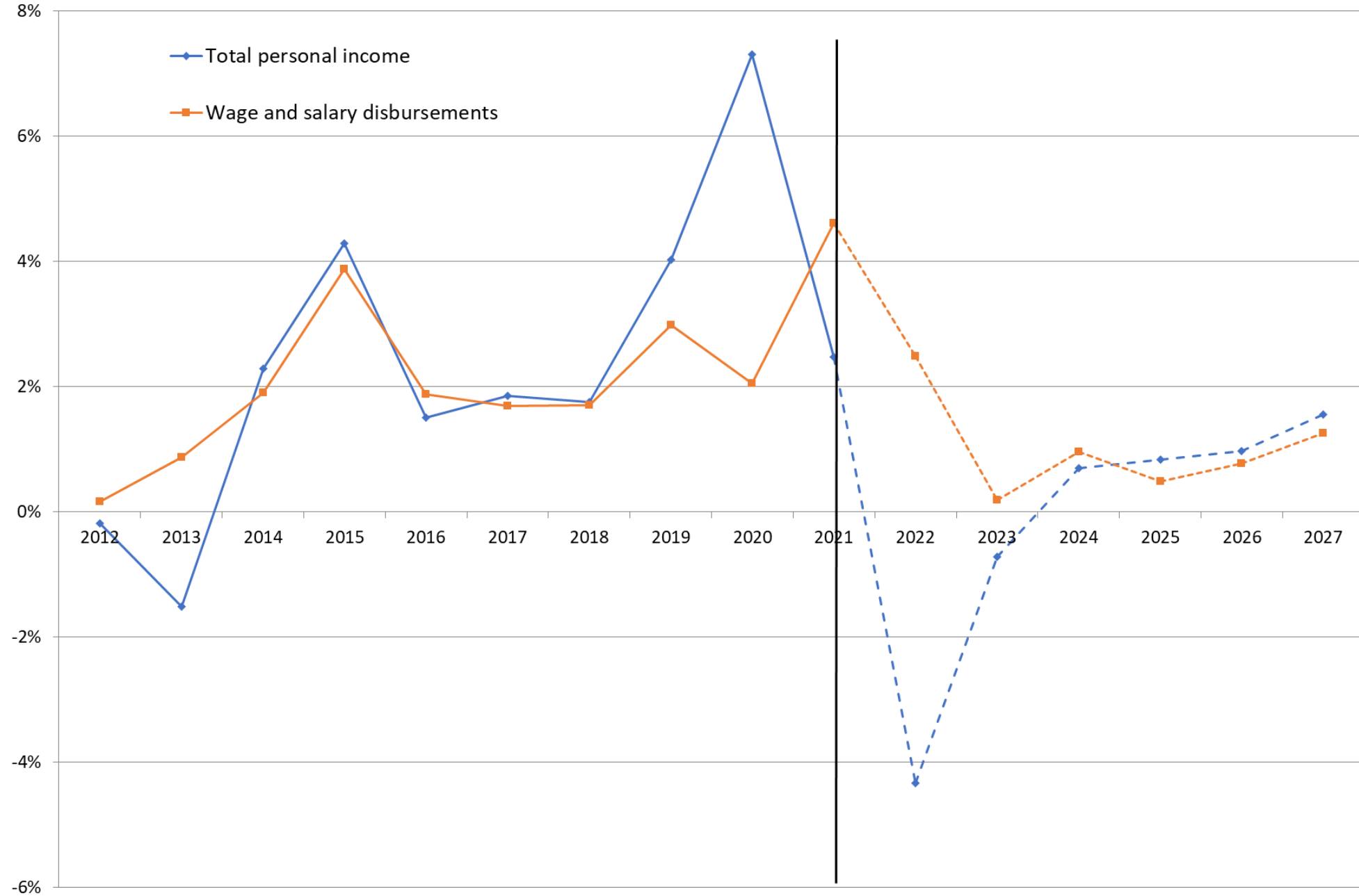
Major Components of Personal Income, Maine



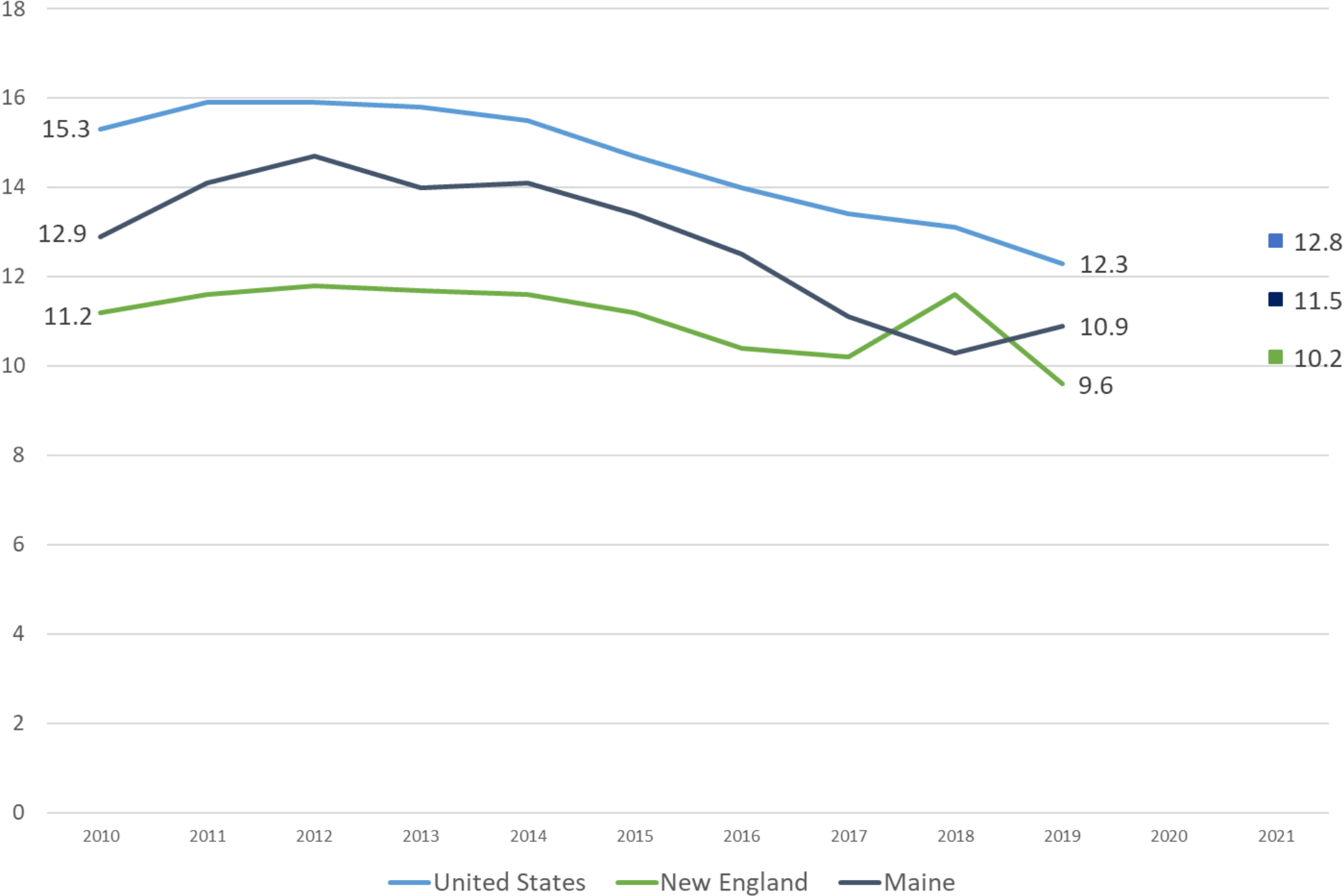
Components of Personal Current Transfer Receipts, Maine



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



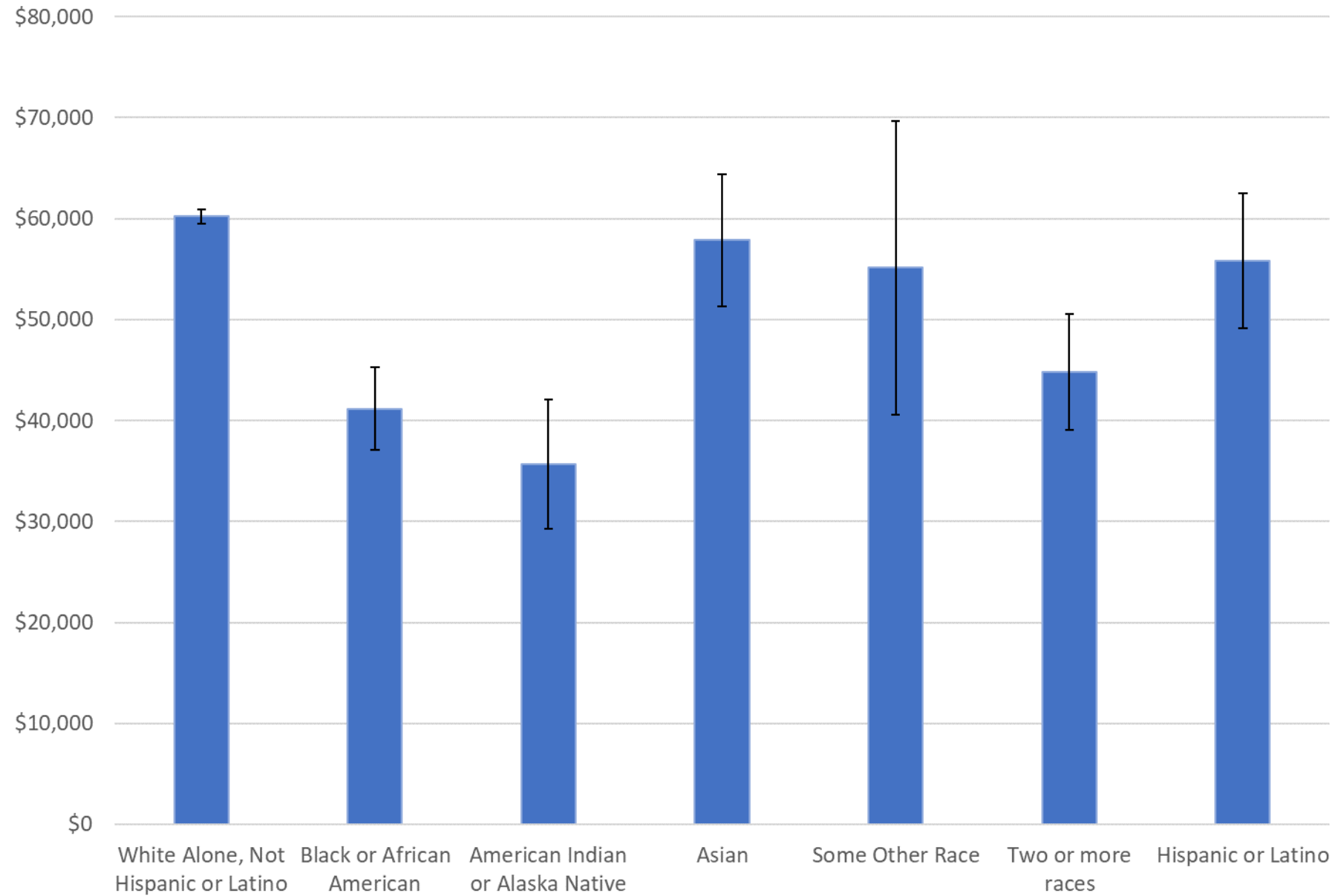
Percent Below Poverty Level; Population for whom poverty status is determined



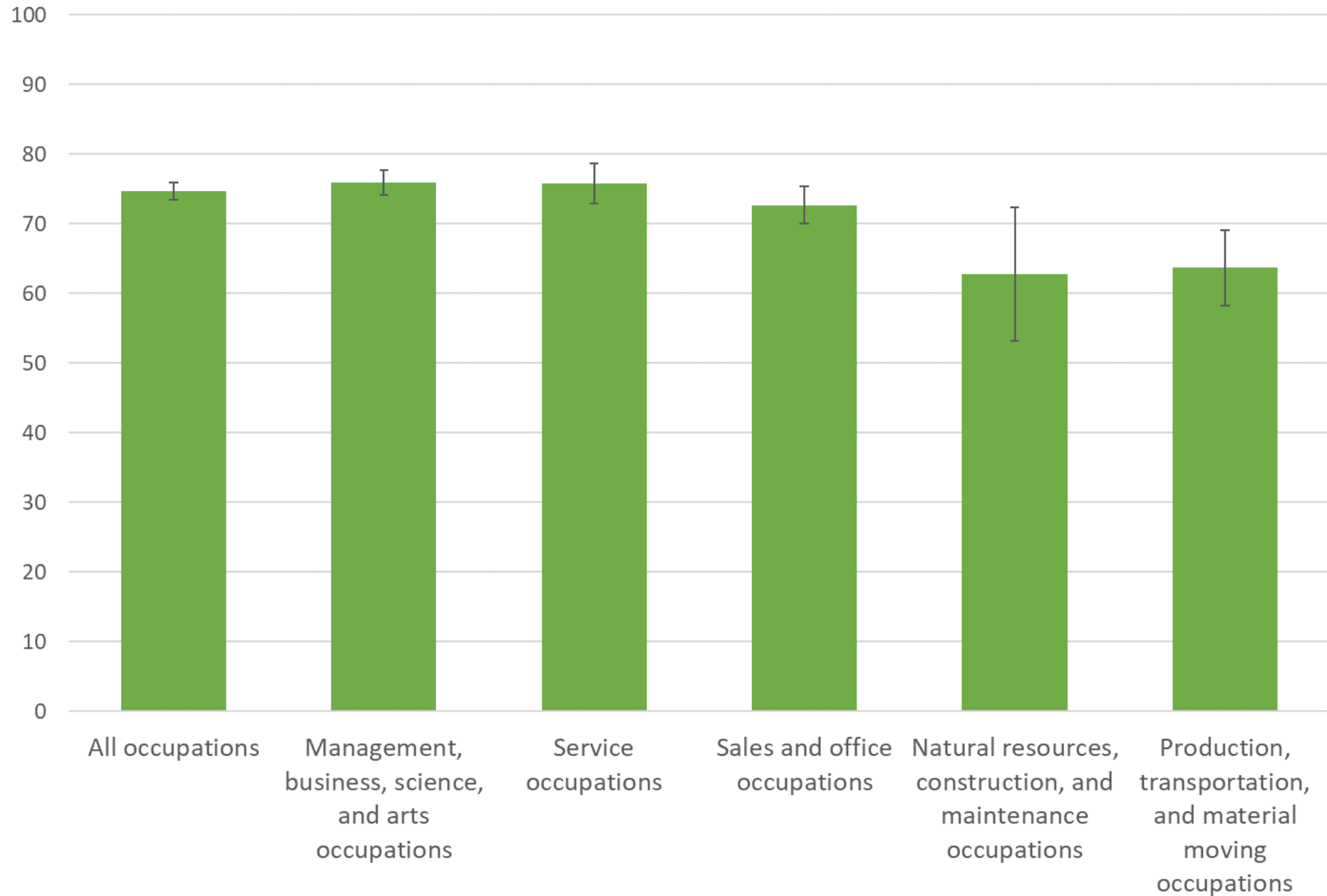
Federal supports including stimulus payments and Child Tax Credit played a role in reducing poverty in 2021

- 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

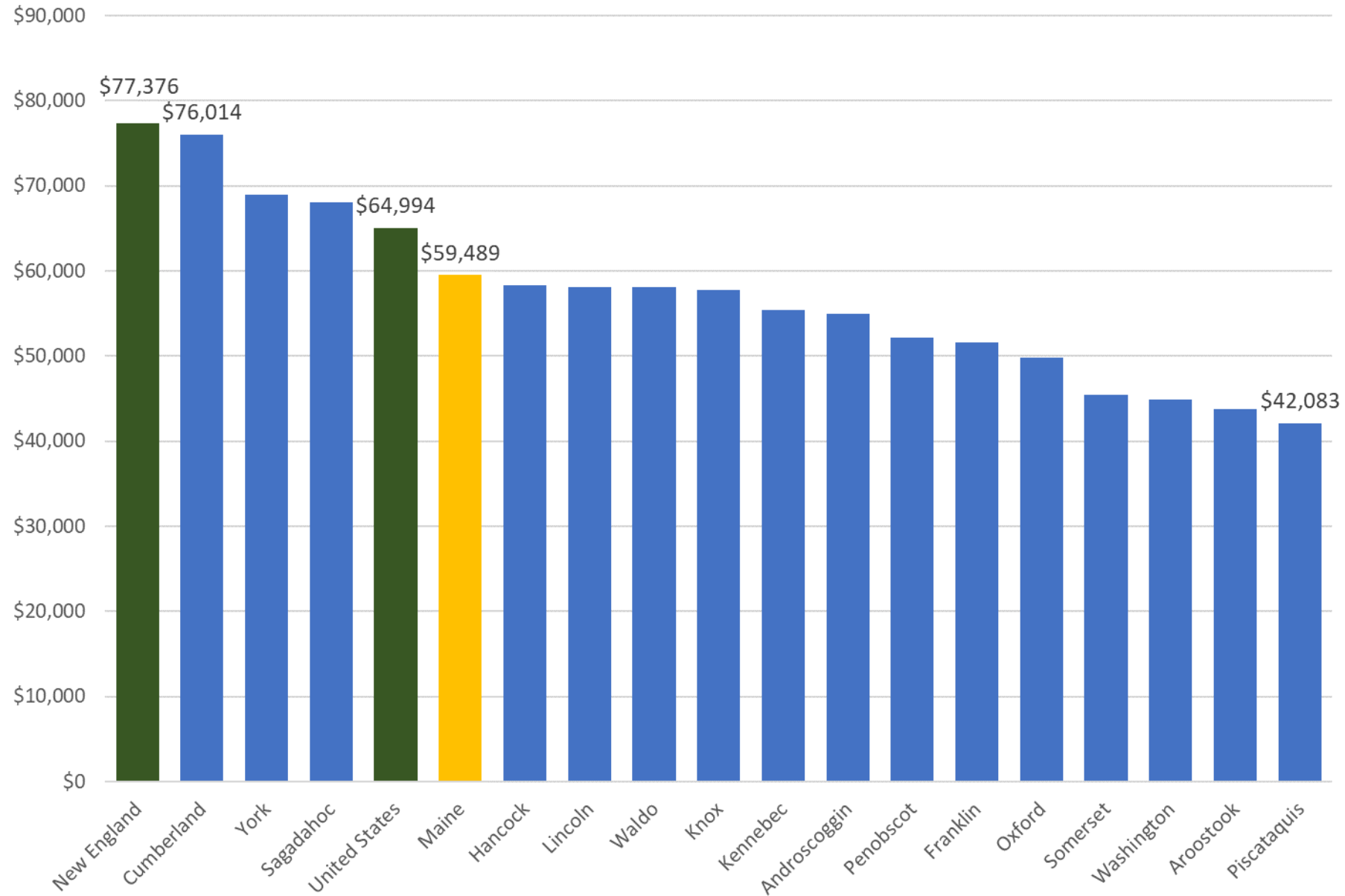
Median Household Income by Race/Ethnicity, Maine



Women's Earnings as a Percent of Men's Earnings by Occupation, Maine

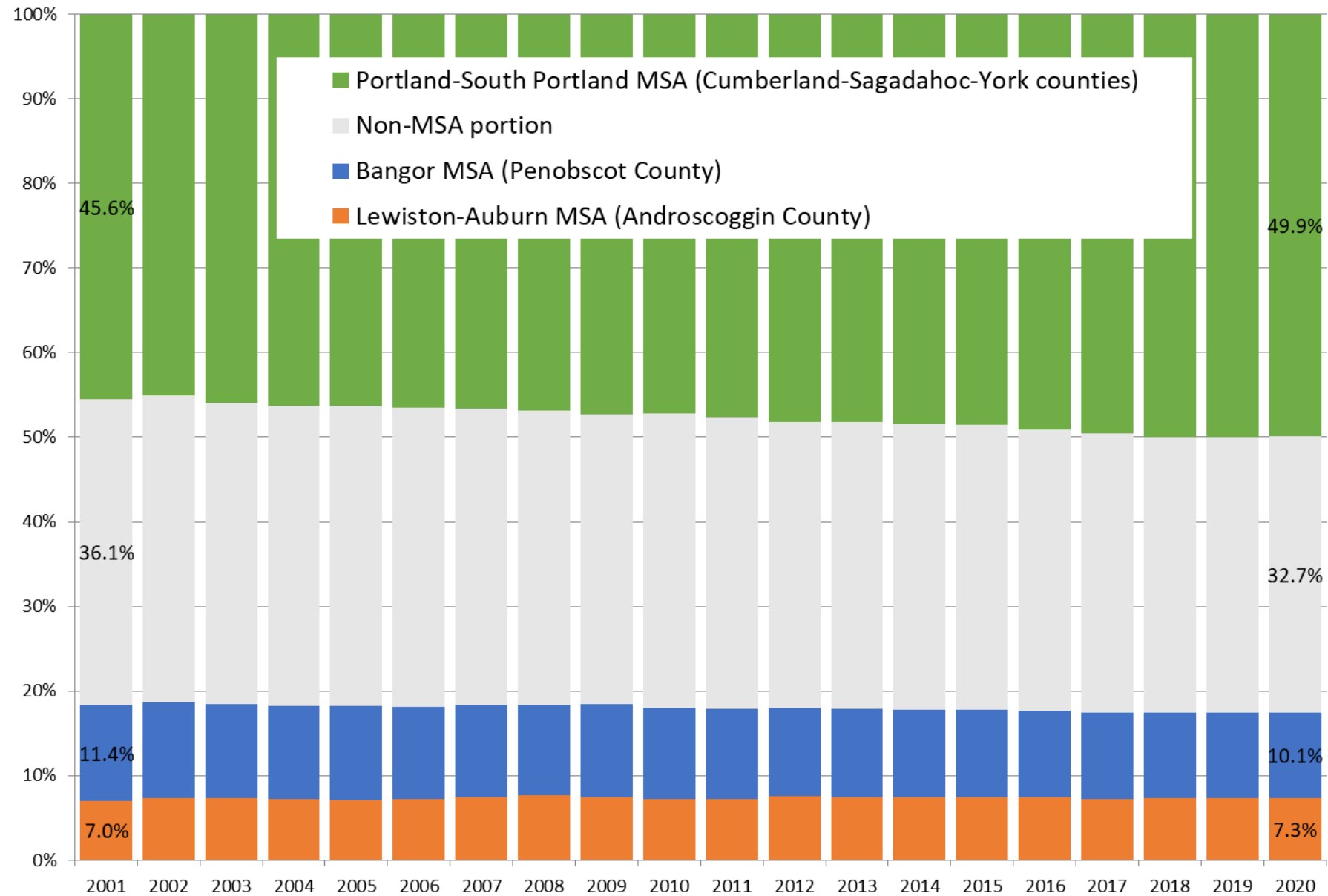


Median Household Income

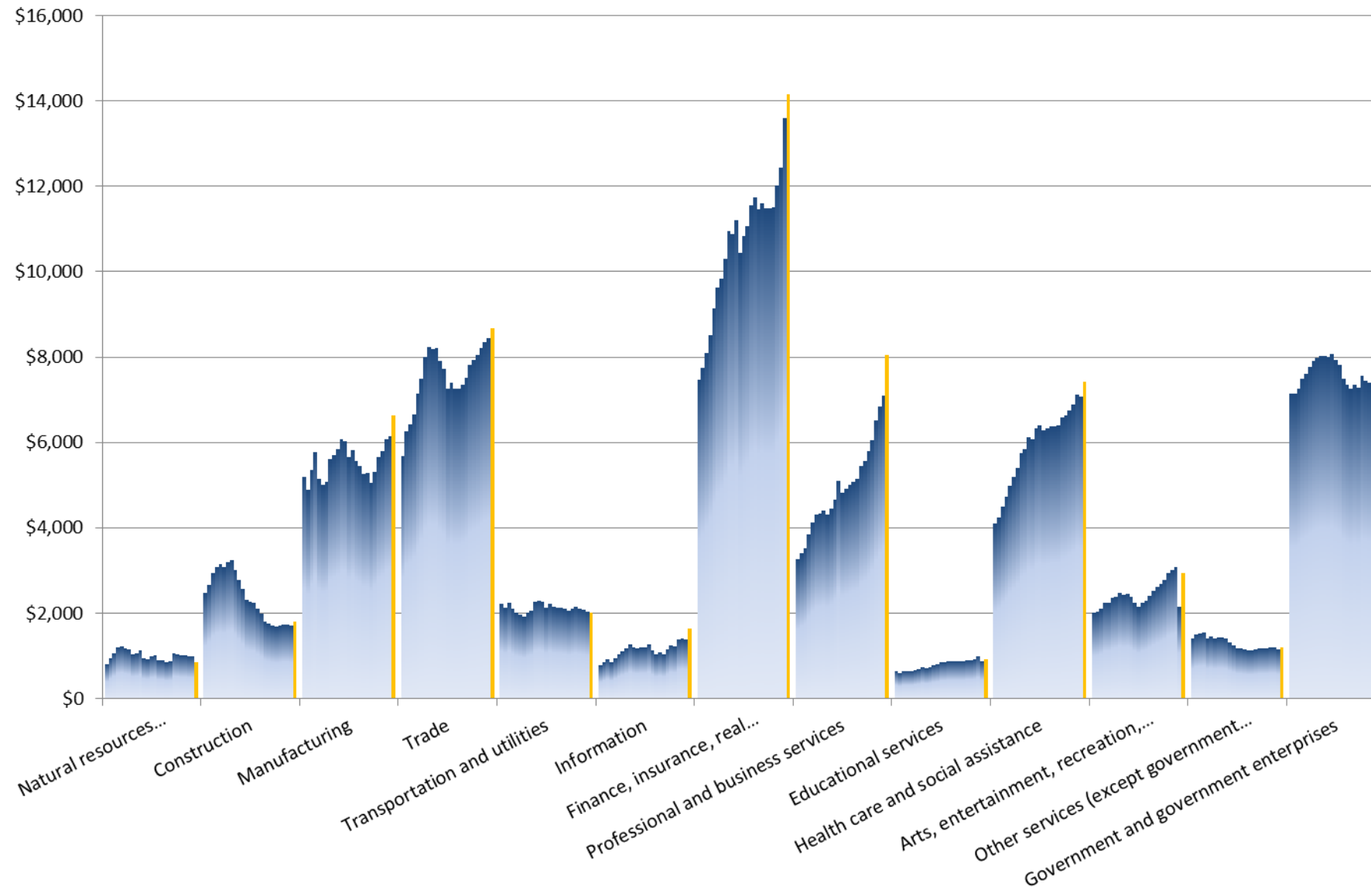


State GDP

Share of Maine Real GDP by Metropolitan Area



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



Maine's Value-Added trails the U.S., but made up some ground in 2020

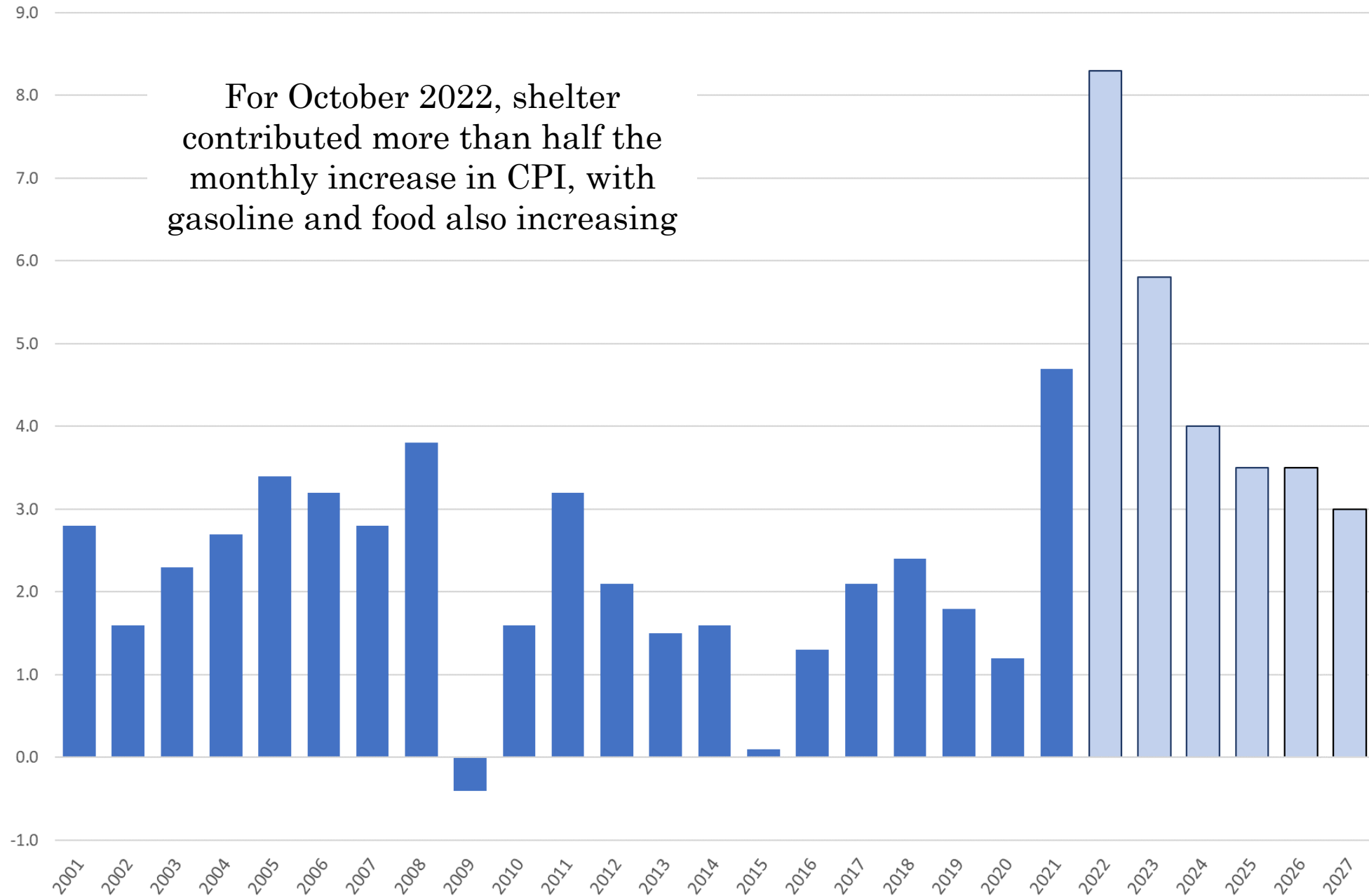
Real GDP per worker	2017	2018	2019	2020	2021
United States	\$ 118,965	\$ 120,555	\$ 121,607	\$ 125,718	\$ 129,171
Maine	\$ 88,519	\$ 90,170	\$ 91,407	\$ 97,759	\$ 99,832
Year-over-year percent change	2017	2018	2019	2020	2021
United States		1.3%	0.9%	3.4%	2.7%
Maine		1.9%	1.4%	6.9%	2.1%
Maine as % of nation	2017	2018	2019	2020	2021
Maine	74%	75%	75%	78%	77%

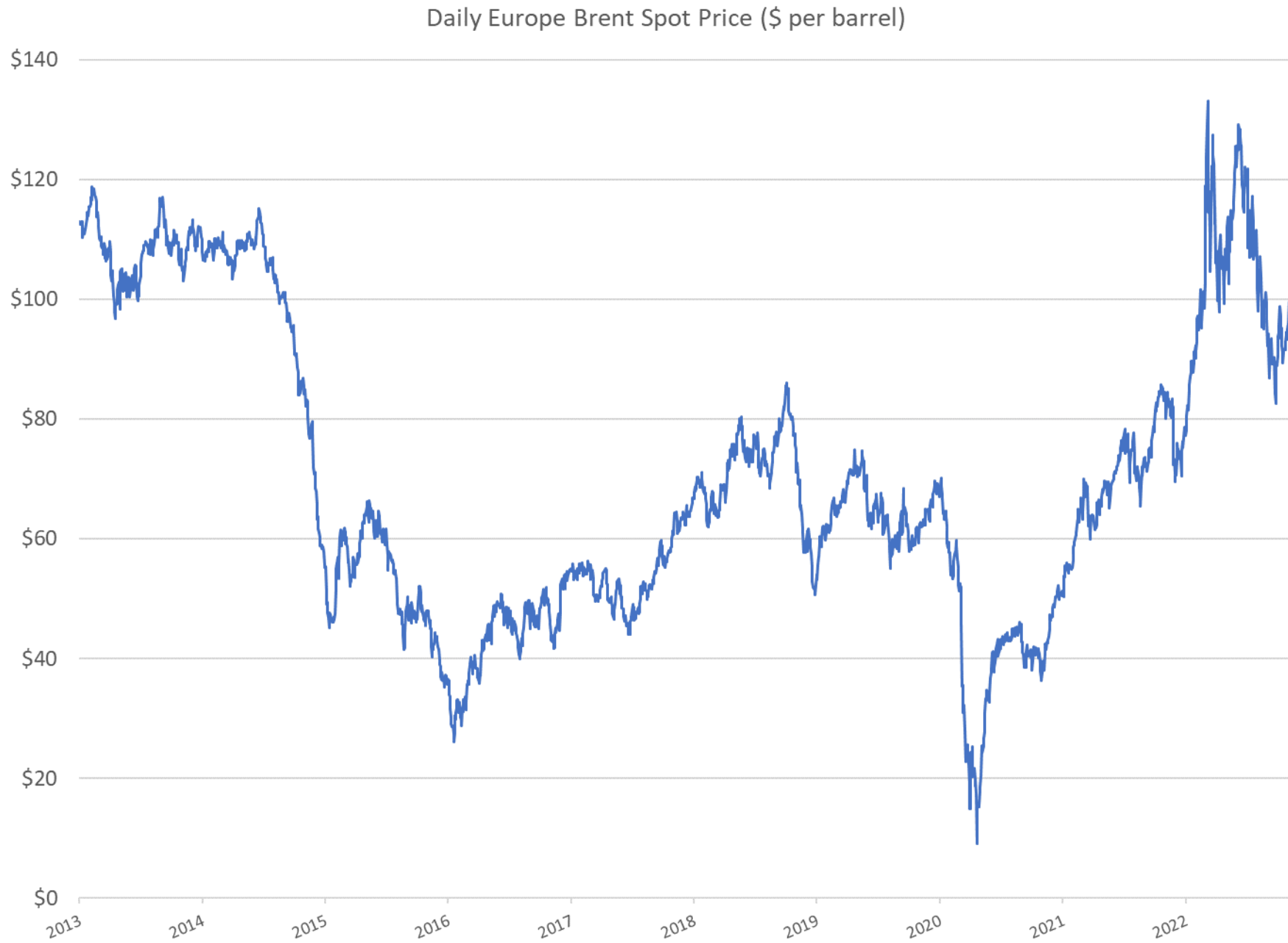
Value-Added = Real GDP divided by Total Full-Time and Part-Time Employment

Inflation and Spending

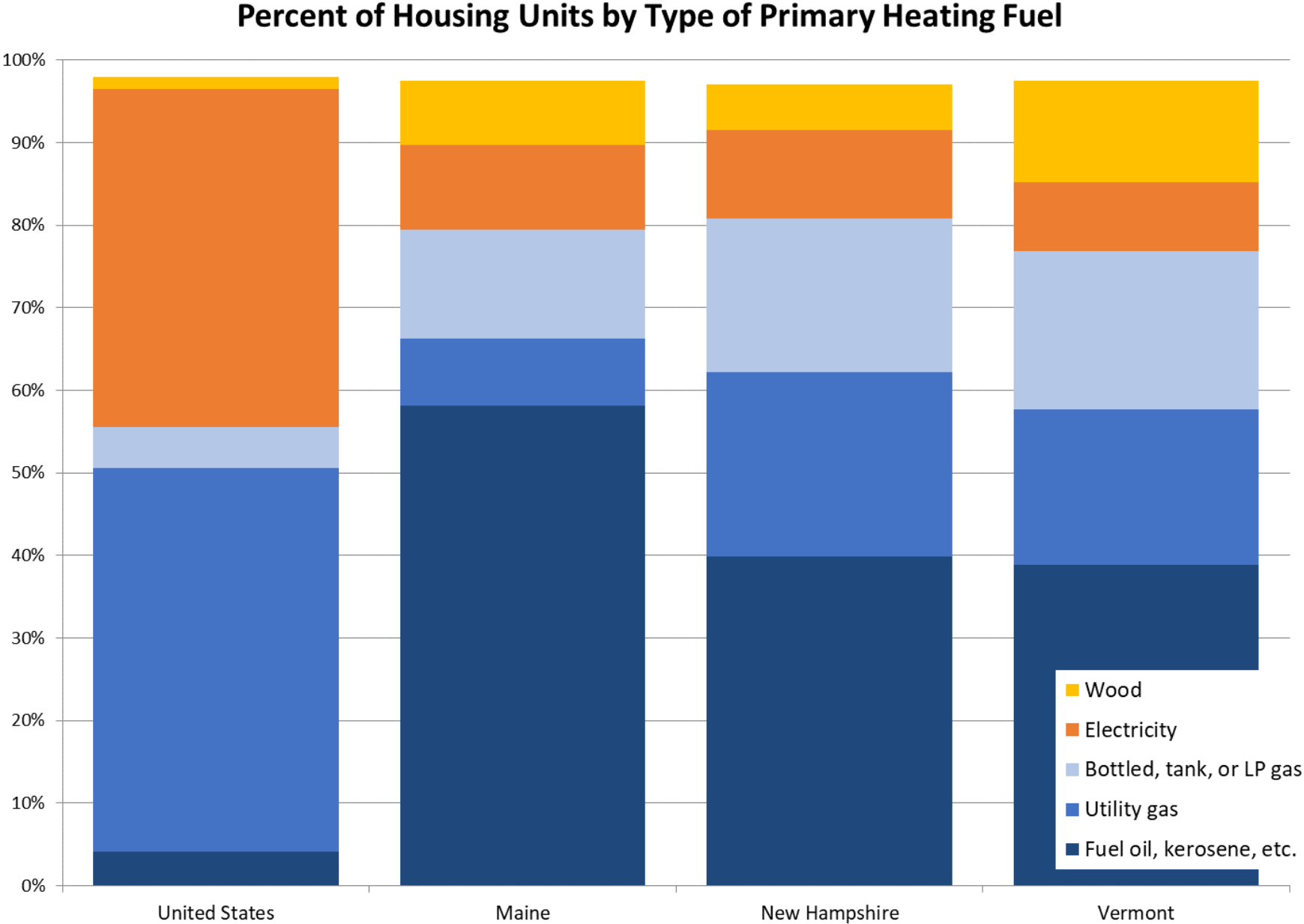
Maine Taxable Retail Sales	% Change from September 2021 to September 2022	% Change last three months / same 3 month period one year ago
Building Supply	10.8%	15.3%
Food Store	5.2%	6.4%
General Merchandise	6.9%	7.2%
Other Retail	2.9%	6.3%
Restaurant	9.9%	8.3%
Lodging	7.9%	8.7%
Auto Transportation	4.7%	4.4%
Total	6.5%	7.8%

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





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



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 – high energy prices are particularly concerning as we're headed into winter
- Will we see continued migration into Maine? Telework, housing, and childcare are three key determinants
- 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 (nearly \$900 million) 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