



STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
78 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0078

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

PAUL R. LEPAGE
GOVERNOR

ALEC PORTEOUS
COMMISSIONER

Consensus Economic Forecasting Commission Background Materials for the January 26, 2018 Forecasting Meeting

Summary

Both the national and state economies appear to have had a good year in 2017. There are limited new data points available since the Consensus Economic Forecasting Commission (CEFC) last met in October 2017, but additional data on the performance of the economy last year indicates that GDP and personal income both grew. However, oil and gasoline prices have been trending upward recently as well.

Maine's real GDP grew 0.5% in the second quarter of 2017. Personal income in Maine grew 2.0% from the first three quarters of 2016 to the first three quarters of 2017, while wage and salary income, which is the largest component of total personal income, grew 1.8% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the third quarter of 2017. The Consumer Price Index was up 2.1% in December 2017 from a year ago, boosted by recent increases in energy prices.

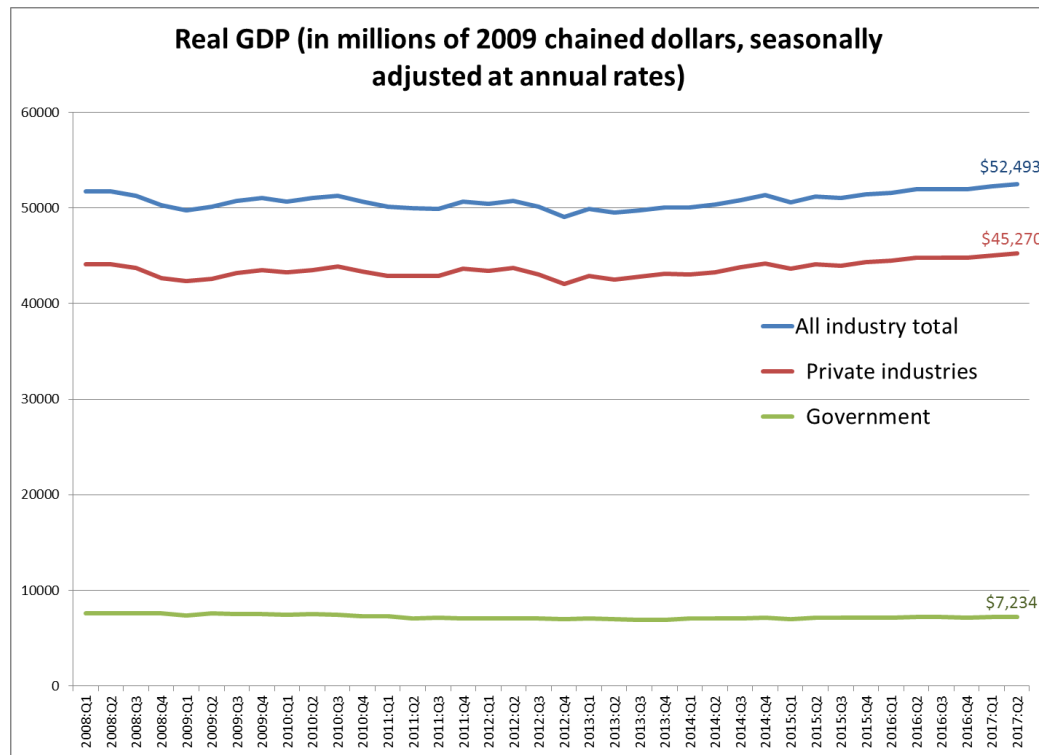
Nationwide, consumer sentiment has remained relatively stable in recent months. The December 2017 level was down 2.3% from a year ago and down 2.6% from November 2017. Small business optimism has also been fairly stable in recent months, down 2.4% from the previous month in December 2017 and down 0.9% year over year.

The price of crude oil has continued increasing recently with prices in the fourth quarter of 2017 up 17%. As a result, heating oil prices and gasoline prices have been higher as well. Heating oil is around \$2.96 per gallon while gasoline is currently averaging \$2.67 per gallon.

Existing single-family home sales in Maine were up 11.5% in November 2017 compared to the same month last year and housing permits for the December 2016 – November 2017 year were 9.4% higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 6.0% year-over-year in the third quarter of 2017. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.38% in the third quarter of 2017.

The following presents a picture of the Maine economy, comparing current economic indicators to historical results.

Gross Domestic Product

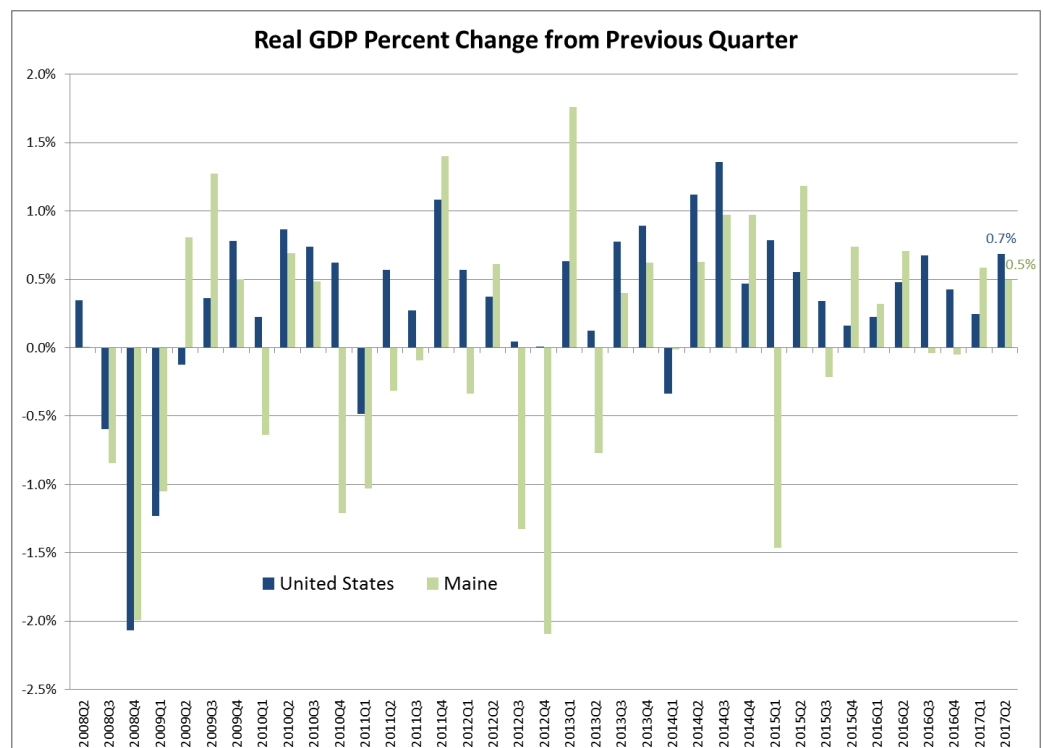


In the second quarter of 2017, Maine's real Gross Domestic Product was \$52.5 billion, with \$45.3 billion coming from private industries and \$7.2 billion from government (federal, state, and local).

Source: U.S. Bureau of Economic Analysis, Nov. 21, 2017 release

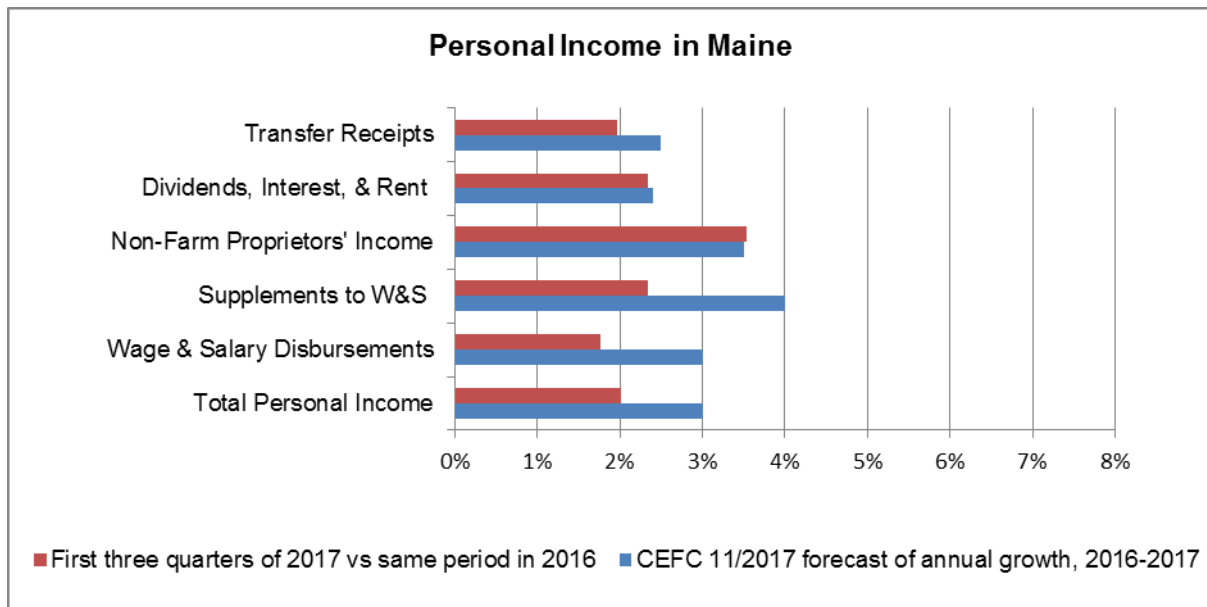
Maine's total real GDP grew 0.5% from the first quarter of 2017 to the second quarter of 2017. This was lower than the rate of national GDP growth, which was 0.7%.

Source: U.S. Bureau of Economic Analysis, Nov. 21, 2017 release

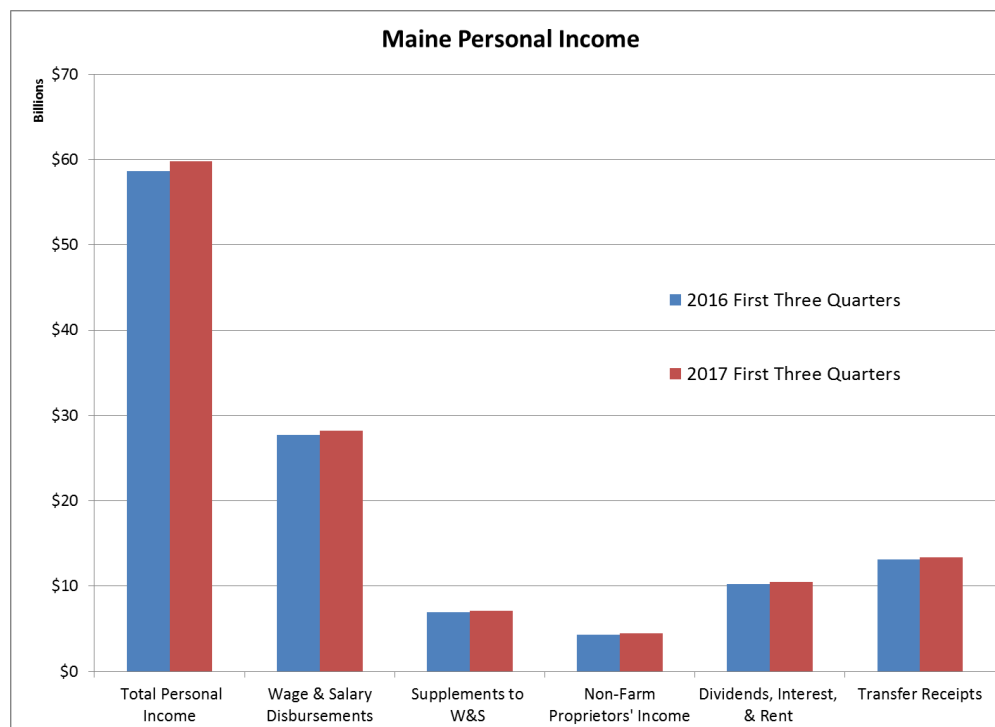


Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.0% from the first three quarters of 2016 to the first three quarters of 2017 and wage and salary income grew 1.8% during the same period. Total personal income for the fourth quarter of 2017 would need to be 4.0% higher than the third quarter to hit the CEFC's annual forecast for 2017. Wage and salary disbursements would need to be 4.4% higher.

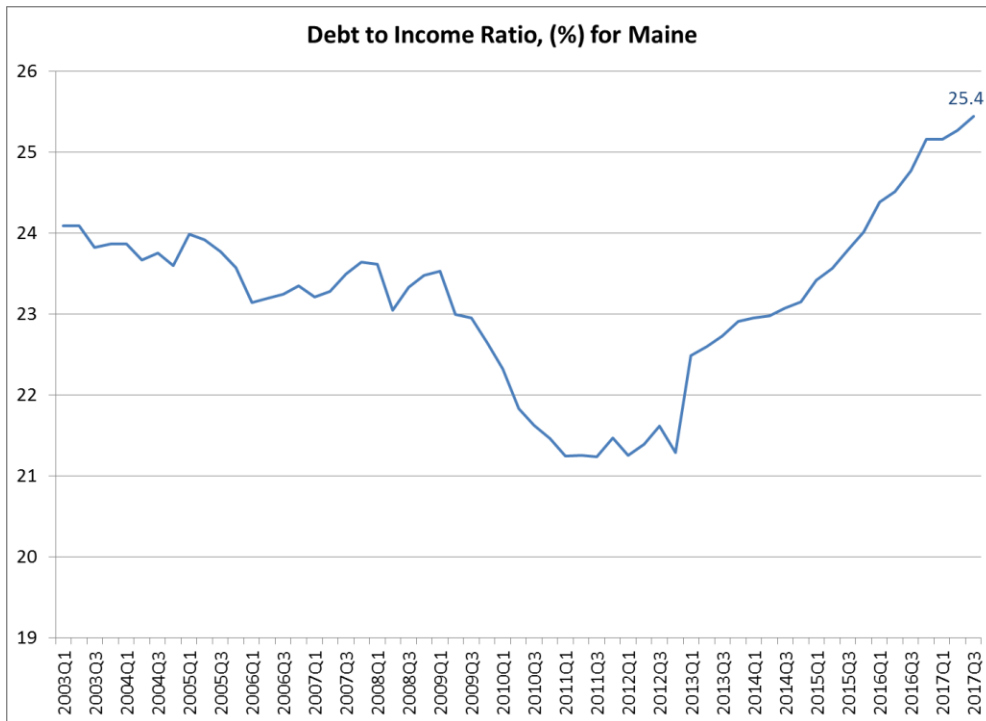


Source: U.S. Bureau of Economic Analysis, Dec. 20, 2017 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$28.2 billion in the first three quarters of 2017 (seasonally adjusted at annual rates). Total personal income averaged around \$59.8 billion.

Source: U.S. Bureau of Economic Analysis, Dec. 20, 2017 release



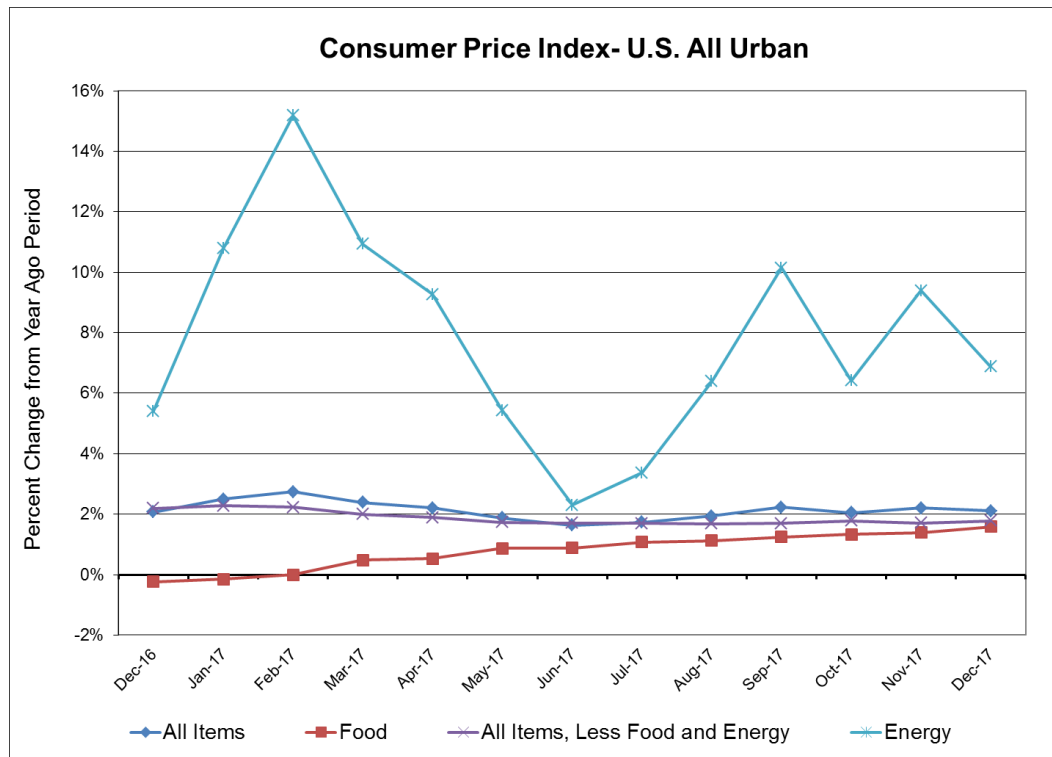
Maine's debt to income ratio reached a new high point of 25.4% in the third quarter of 2017.

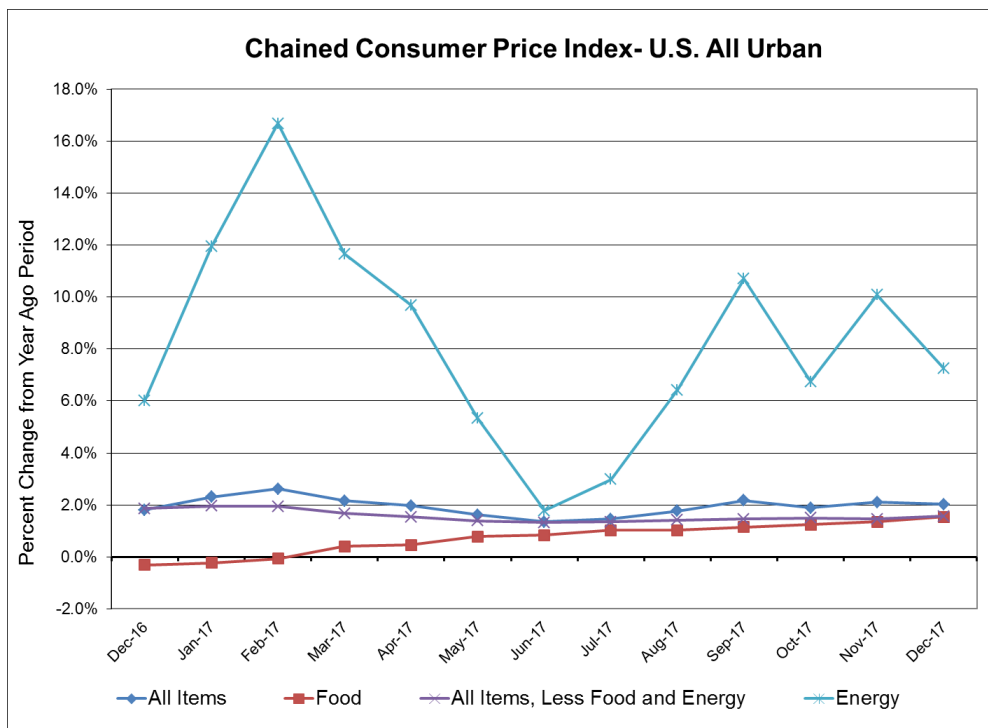
Source: Moody's Analytics, Jan. 2018 release

Consumer Price Index

The Consumer Price Index (CPI) was up 2.1% from December 2016 to December 2017, rising as energy prices continued increasing from recent lows. Core inflation, which excludes food and energy prices, rose 1.8% over that same period.

Source: U.S. Bureau of Labor Statistics, Jan. 12, 2018 release



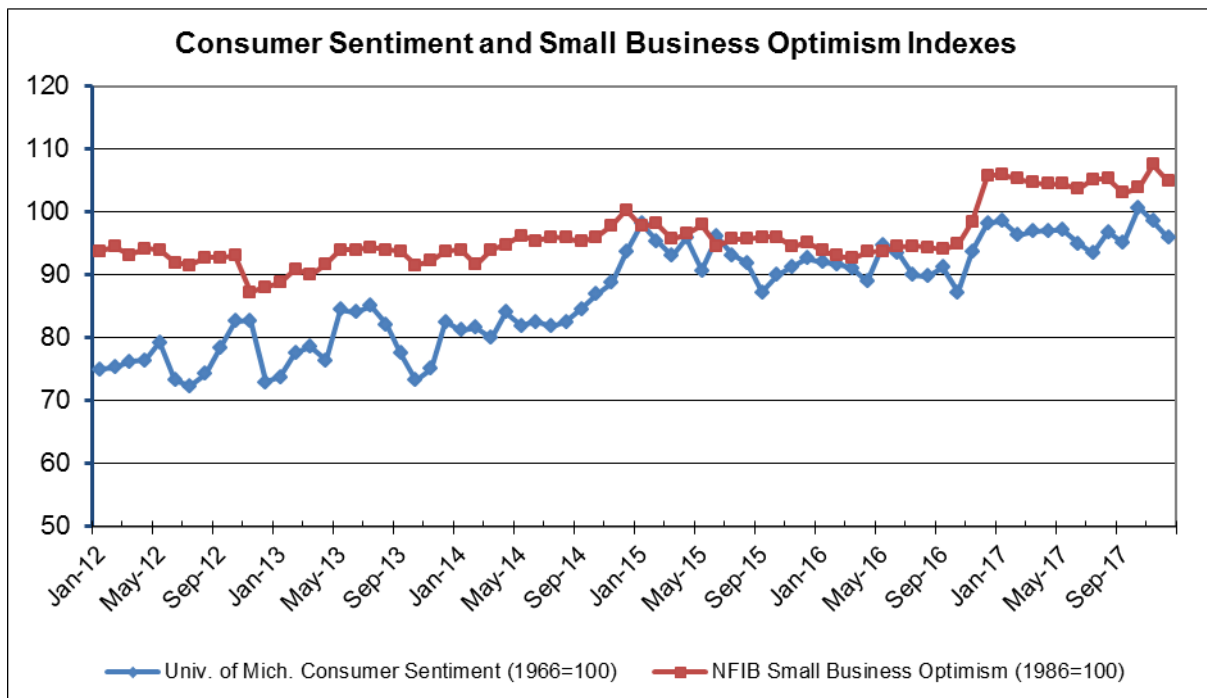


The Chained Consumer Price Index (Chained CPI) increased 2.0% from December 2016 to December 2017, again responding to an increase in energy prices. Core inflation rose 1.6% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, Jan. 12, 2018 release

Consumer Sentiment and Small Business Optimism

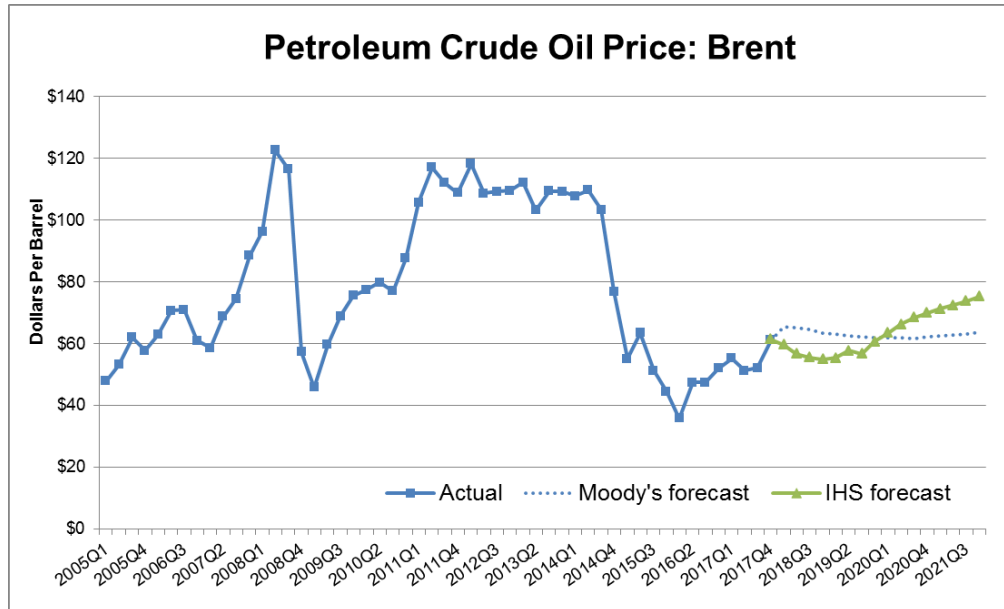
In December 2017, the survey-based University of Michigan Consumer Sentiment Index decreased 2.6% month-over-month and was down 2.3% from a year ago. However, it remains very high, reaching a level above 100 in October 2017. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 2.4% from the previous month and down 0.9% from a year ago, but the monthly average for 2017 was 104.8, a record high.



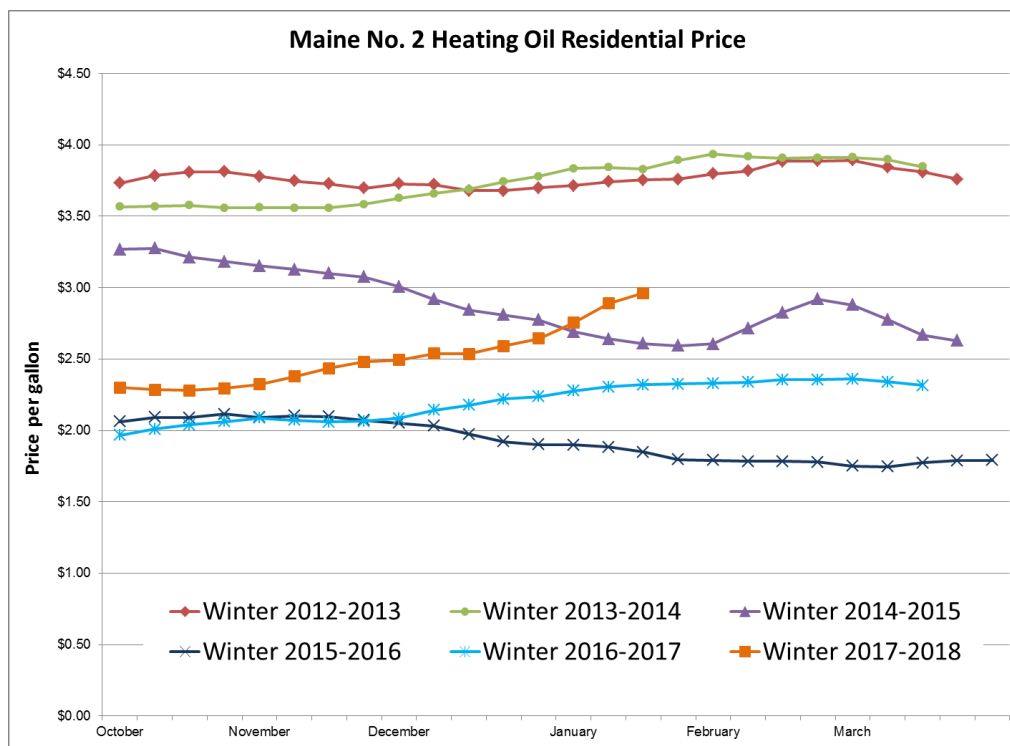
Source: University of Michigan, Dec. 22, 2017 release; National Federation of Independent Businesses, Jan. 9, 2018 release

Crude Oil

The price of Brent crude oil has continued increasing from the recent low levels and was just over \$61 per barrel in the fourth quarter of 2017, up 17.2% from the third quarter of 2017 and a 17.5% increase from the fourth quarter of 2016. Prices appear to have bottomed out in early 2016.



Source: Moody's Analytics, Jan. 2018 release; IHS, Jan. 2018 release



Heating Oil

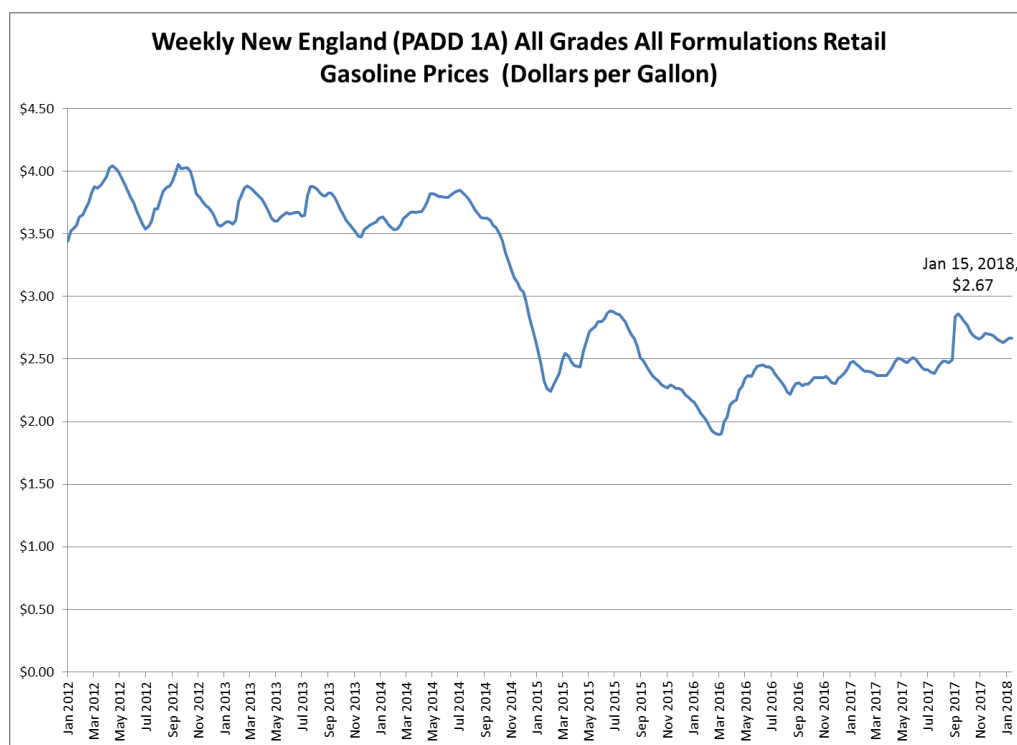
The price of heating oil in Maine has risen about \$0.66/gallon during the current heating season but remains below the high prices of earlier heating seasons, averaging \$2.96/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices.

Source: U.S. Energy Information Agency, Jan. 18, 2018 release

Gasoline

The price of gasoline in New England averaged \$2.67 the week of January 15, 2018, unchanged from the previous week and \$0.20 higher than one year ago. The price of gasoline has risen recently but is still \$1.18 per gallon lower than the July 2014 peak.

Source: U.S. Energy Information Agency, Jan. 16, 2018 release



Maine Bureau of Motor Vehicles			
Title Information			
	FY14/FY15	FY16/FY17	Percent change
Autos- new	126,681	119,452	-5.7%
Autos - used	376,414	361,744	-3.9%
Bus-new	442	326	-26.2%
Bus-used	419	292	-30.3%
Trucks - new	7,632	7,833	2.6%
Trucks - used	12,669	11,363	-10.3%
Motorcycles - new	4,511	3,998	-11.4%
Motorcycles - used	17,340	14,472	-16.5%
Trailers - new	17,540	40,892	133.1%
Trailers- used	34,901	77,169	121.1%
Motor Homes - new	186	257	38.2%
Motor homes - used	901	1,036	15.0%
Unknown - new	176	151	-14.2%
Unknown - used	736	480	-34.8%
Total	600,548	639,465	6.5%

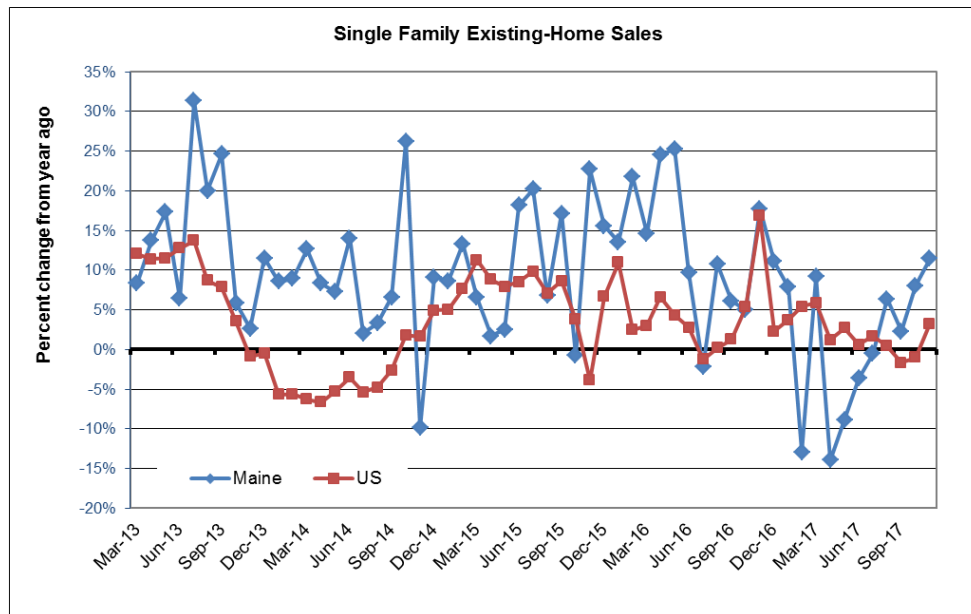
Motor Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 5.7% from the two years spanning FY14/FY15 to the two years of FY16/FY17, while the number of used automobile titles issued decreased 3.9%. Total registrations were up 6.5% from FY14/FY15 to FY16/FY17, though, led by a large increase in trailer registrations.

Source: Maine Bureau of Motor Vehicles

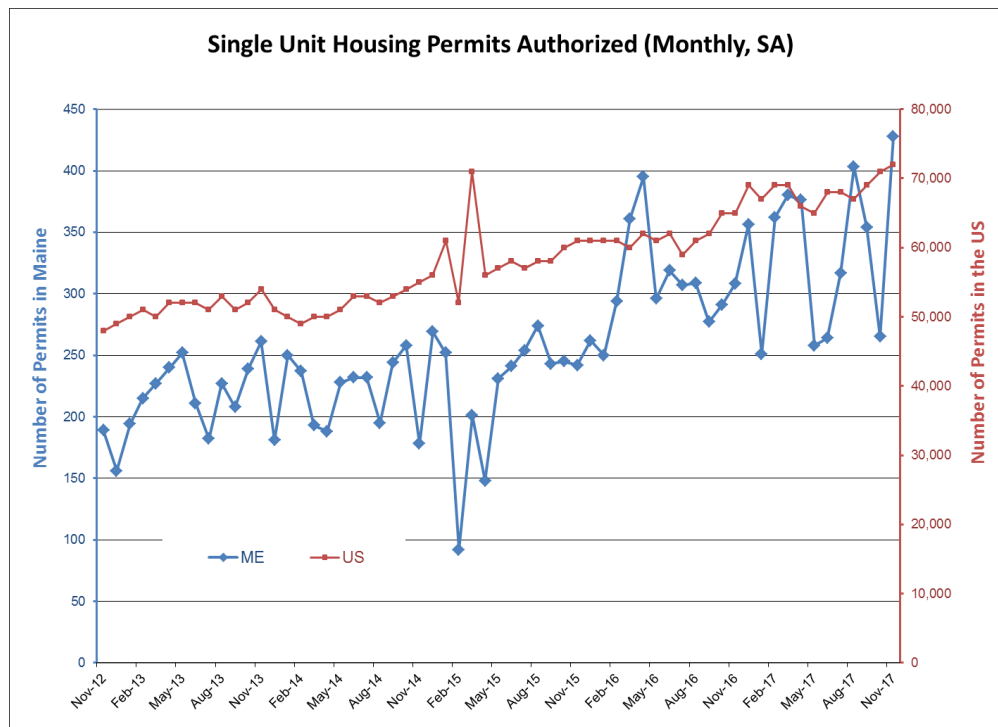
Housing

Single family existing-home sales in Maine were up 11.5% in November 2017 compared to November 2016. Home sales in Maine rebounded in the second half of 2017 following several months of year-over-year declines.



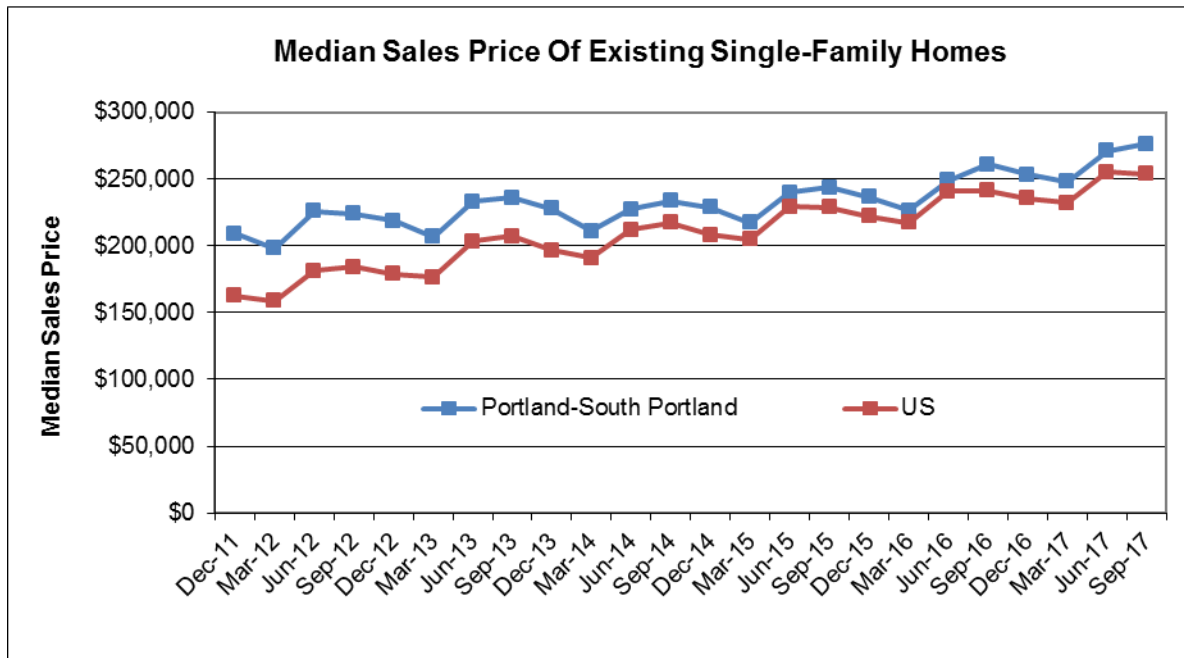
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Housing permits in Maine continued to rise in 2017. Average monthly single unit housing permits in Maine in the 12-month period from December 2016 through November 2017 were 9.4% higher than in the previous 12-month period.



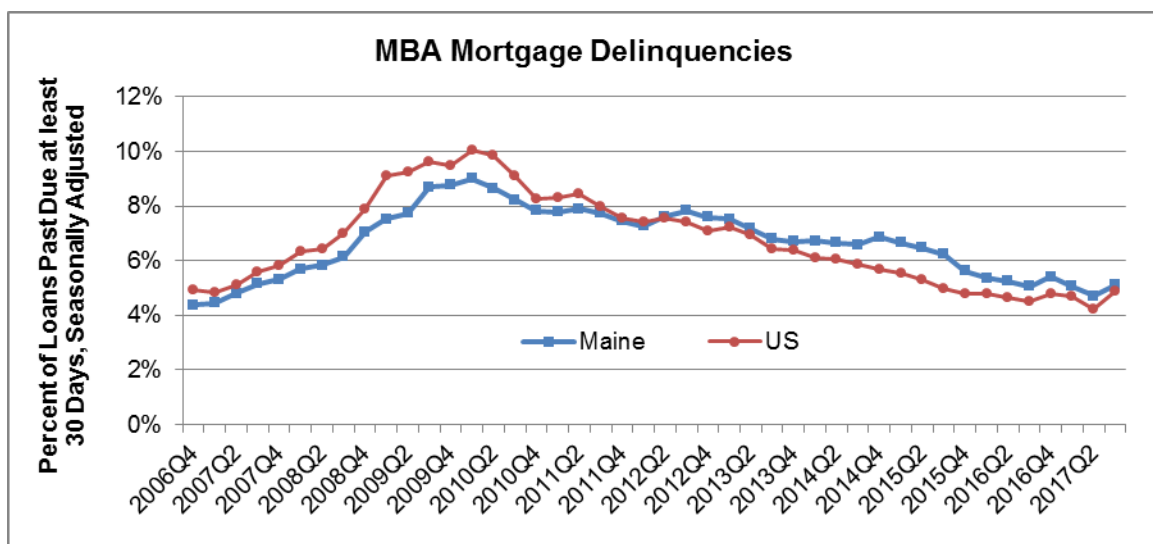
Source: US Census Bureau, Jan. 5, 2018 release, via Federal Reserve Bank of Boston

The median home price in the Portland-South Portland metropolitan area increased 6.0% year-over-year in the third quarter of 2017. The median home price in the third quarter of 2017 was \$276,400.



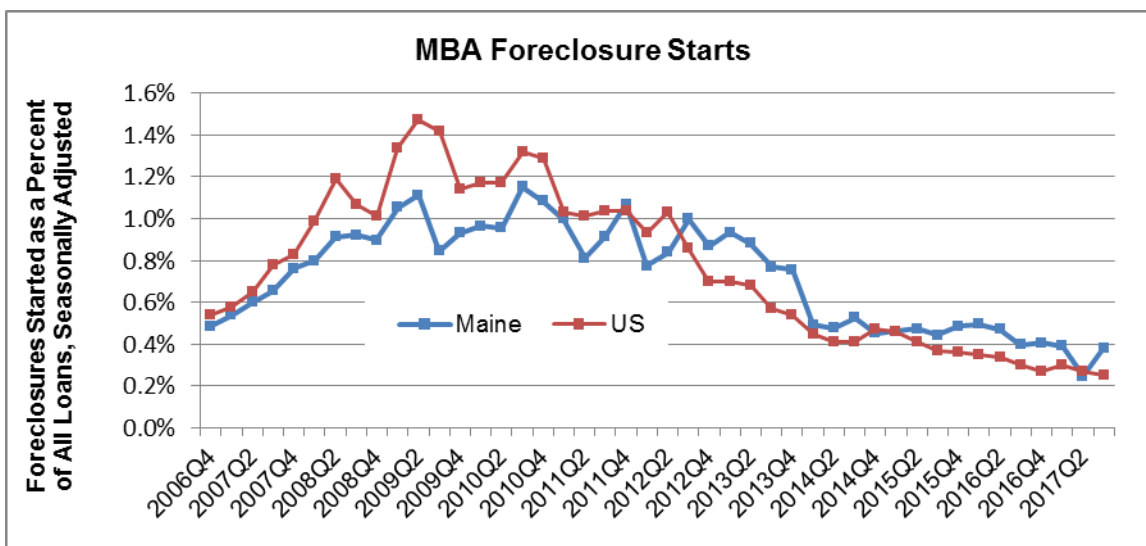
Source: National Association of Realtors, Nov. 7, 2017 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 5.1% in the third quarter of 2017. The rate of delinquencies in Maine has been above the U.S. rate since the second quarter of 2012.



Source: Mortgage Bankers Association, via Moody's Analytics Jan. 2018 release

Maine's foreclosure rate was 0.38% in the third quarter of 2017, up slightly from the previous quarter but in line with recent foreclosure rates.



Source: Mortgage Bankers Association, via Moody's Analytics Jan. 2018 release