



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

JANET T. MILLS
GOVERNOR

KIRSTEN LC FIGUEROA
COMMISSIONER

Consensus Economic Forecasting Commission Background Materials for the January 30, 2020 Forecasting Meeting

Summary

Both the national and state economies had a good year in 2019 with preliminary annual data indicating that both the U.S. economy and Maine economy continue to grow. Maine's population grew by 0.4% in 2019, bringing the total growth for the decade to 1.2%.

Maine's real GDP grew 2.1% in the third quarter of 2019. Total personal income in Maine grew 4.6% for the first three quarters of 2019. Wage and salary income, which is the largest component of total personal income, has grown 4.3% through the first three quarters. The debt-to-income level for Maine businesses and households has continued declining from its highest level, which was in the fourth quarter of 2017. The Consumer Price Index was up 1.8% in 2019.

Nationwide, consumer sentiment has improved after the recent worries of recession. The January 2020 level fell slightly month-over-month but is 8.7% higher than January 2019. The Small Business Optimism index was down by 1.6% in December 2019 compared to one year ago.

The price of crude oil has fallen by over 10% from the second quarter of 2019 to the third quarter. Heating oil prices for the winter of 2019-2020 have so far been lower than last season and have maintained a stable price throughout the first several months. The season-to-date average is \$2.67 per gallon while gasoline currently averages \$2.64 per gallon.

Existing single-family home sales in Maine reached new heights in December 2019, growing by 23.2% over December 2018, and up 2.3% for the 2019 calendar year. Conversely, single-unit housing permits in November were down 33% compared to the same month last year and average housing permits for the 12-month period of December 2018-November 2019 were 0.1% lower than same period the previous year. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.24% in the third quarter of 2019.

Total exports in Maine for the year through November 2019 were 4.3% lower than the same period in 2018, falling to an average monthly total of \$228.5 million compared to average monthly exports of \$238.6 million in 2018 through November.

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

1. Demographic Trends

Maine's population increased 0.4% from 2018 to 2019, driven by migration into the state. Data from the U.S. Census Bureau's 2018 population estimates indicate that approximately 23 percent of Maine's total population are baby boomers (55-74 years), while 35 percent of Maine's population is of younger working age, 15-44 years old. 14 out of 16 counties saw positive net migration from 2017-2018 with the highest net migration in York and Cumberland counties. A large contributor to the positive net migration is increased domestic migration with 12 out of 16 counties experiencing positive net domestic migration in 2018, although approximately 30% of Cumberland's new resident population was driven by international migration. Net domestic migration for the state in 2019 was 6,613. Note that the numbers reported above are subject to substantial revisions each year when new population estimates are released.

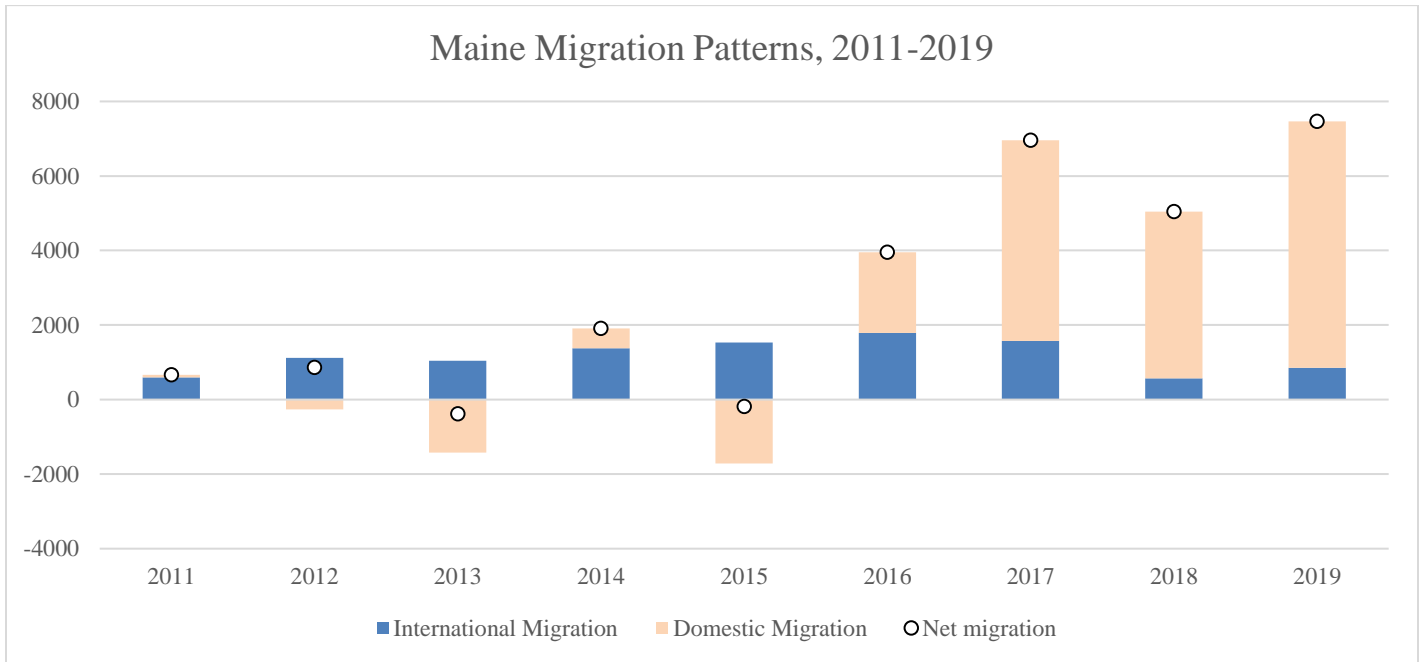
According to the 2018 ACS 1-year estimates, all age cohorts except for 75 years and older had positive net domestic migration in 2018. The table below highlights migration by age.

Maine Domestic Migration by Age, 2017-2018

Age	Domestic in-migration	Domestic out-migration	Net domestic migration	Net migration as a percent of total population
1 to 4 years	1,646	641	1,005	2.1%
5 to 17 years	3,067	1,251	1,816	1.0%
18 and 19 years	3,180	2,316	864	2.8%
20 to 24 years	4,930	4,647	283	0.4%
25 to 29 years	3,933	3,763	170	0.2%
30 to 34 years	2,697	1,582	1,115	1.4%
35 to 39 years	2,000	1,308	692	0.9%
40 to 44 years	1,934	878	1,056	1.5%
45 to 49 years	1,613	1,364	249	0.3%
50 to 54 years	1,311	807	504	0.5%
55 to 59 years	1,647	1,022	625	0.6%
60 to 64 years	2,247	1,360	887	0.8%
65 to 69 years	2,288	1,827	461	0.5%
70 to 74 years	1,082	732	350	0.5%
75 years and over	1,131	1,514	-383	-0.3%
Net			9,694¹	0.7%

Source: U.S. Census Bureau 2018 American Community Survey 1-year estimates, Sept. 26, 2019 release

¹Census Population Estimates and American Community Survey estimates differ due to estimation and sampling methods. Population estimates do not provide detailed information that can be found on ACS, such as age breakdowns for migration. For this reason, both are reported despite large variance.

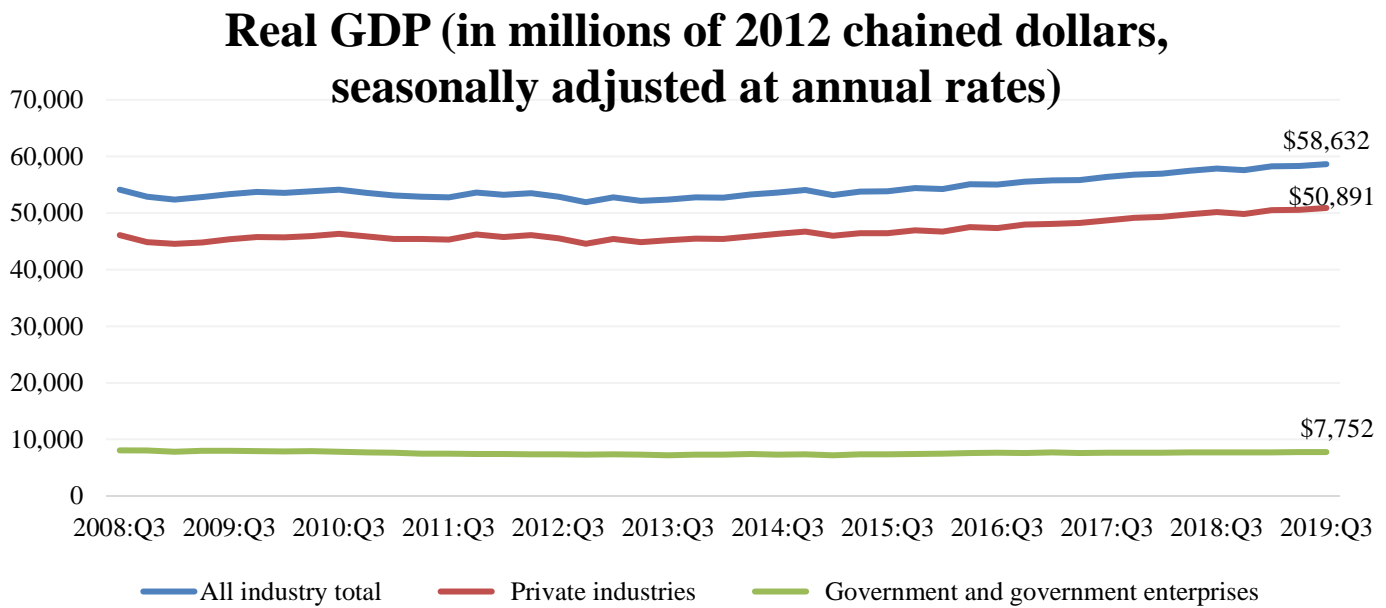


Source: U.S. Census Bureau 2019 Population Estimates, December 30, 2019 release

2. State Economy

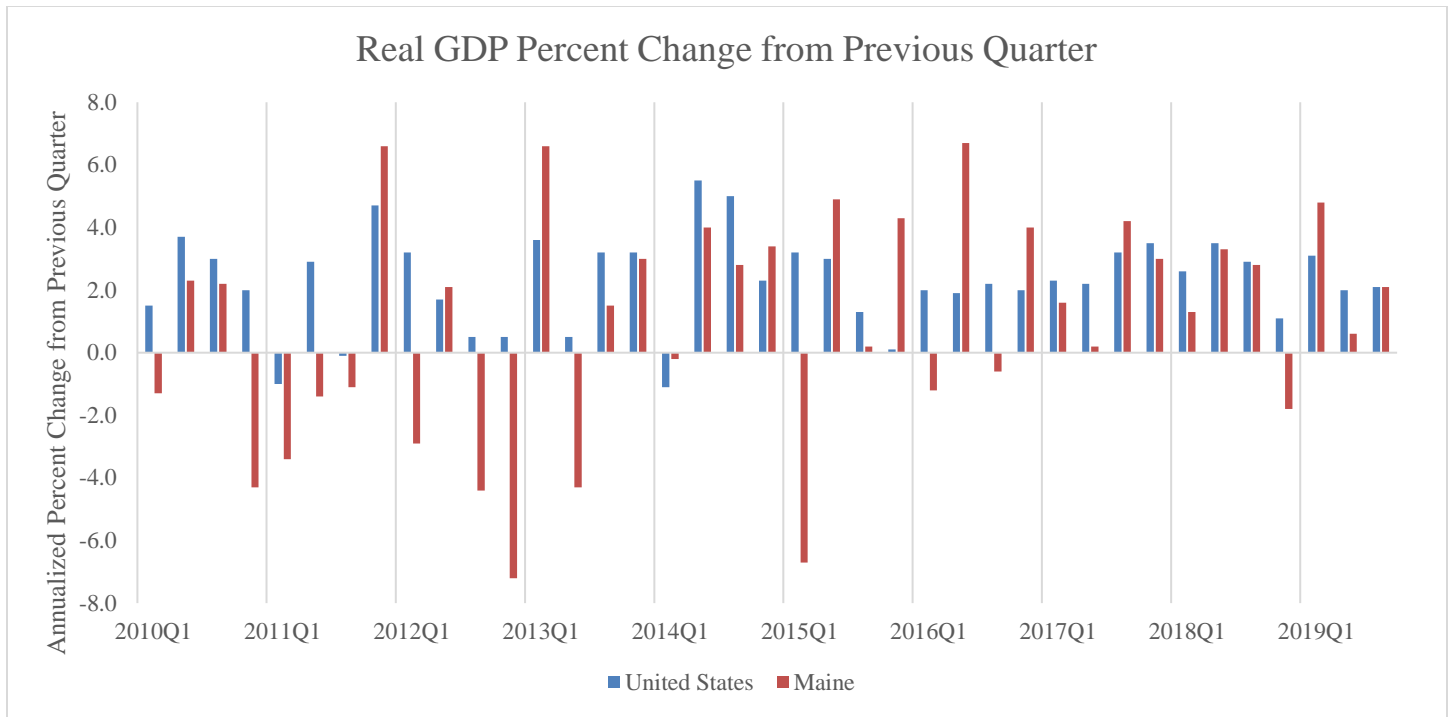
Gross Domestic Product (GDP)

In the third quarter of 2019, Maine's real GDP was \$58.6 billion, with \$50.9 billion coming from private industries and \$7.8 billion from government (federal, state, and local).



Source: U.S. Bureau of Economic Analysis, January 10, 2020 release

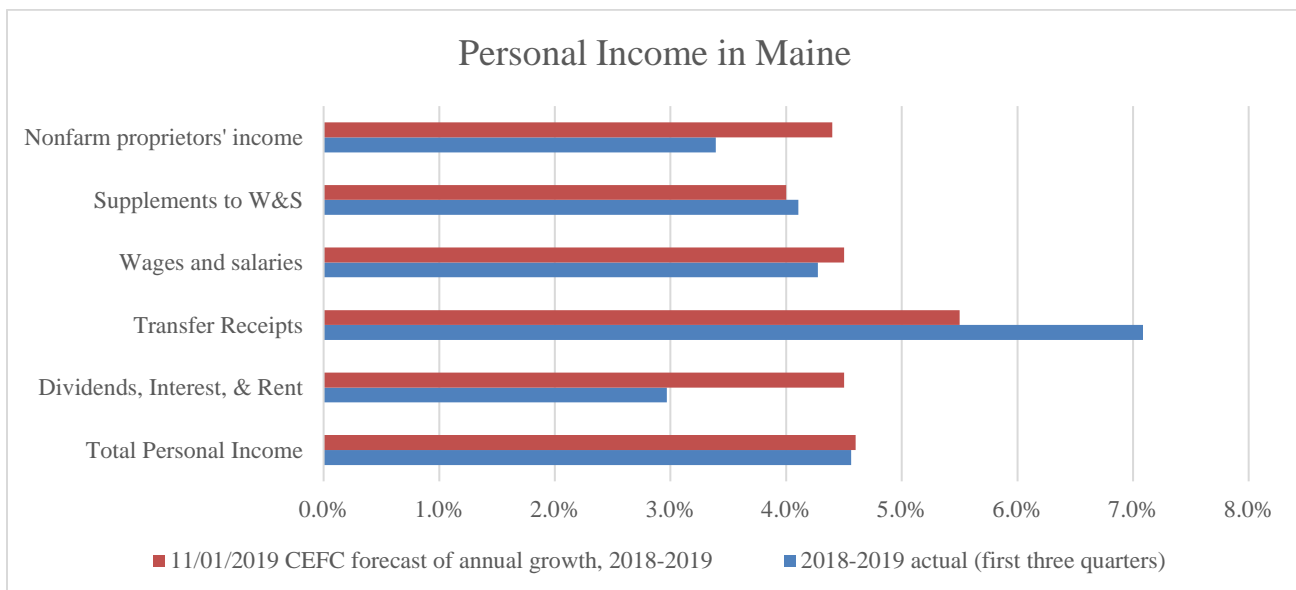
Maine’s annualized growth rate for total real GDP was 2.1% from the second quarter of 2019 to the third quarter of 2019. This was on par with national growth, which also came in at 2.1%.



Source: U.S. Bureau of Economic Analysis, January 10, 2020 release

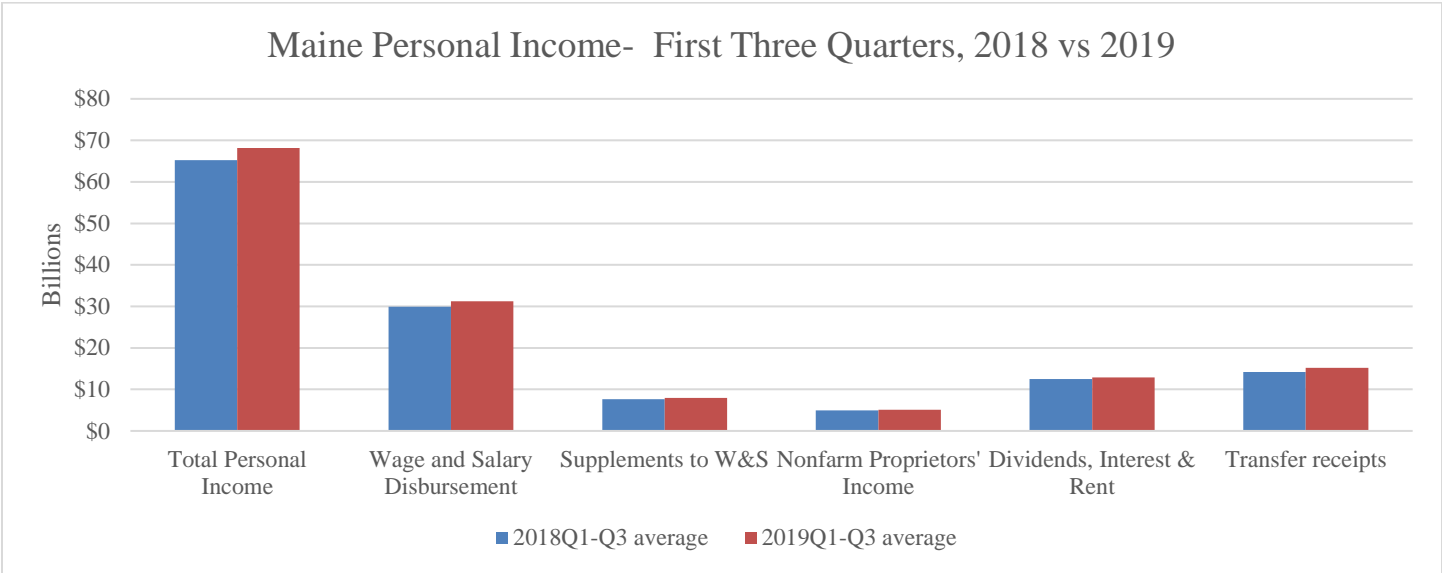
Personal Income

According to the U.S. Bureau of Economic Analysis, average total personal income in the first three quarters of 2019 averaged \$68.2 billion, which was 4.6% greater than the same period in 2018. Wage and salary disbursements, which are the largest component of personal income, averaged \$31.2 billion, representing a YTD growth rate of 4.3%. *Total personal income in the fourth quarter of 2019 would need to be \$69.3 billion or 0.8% higher than the third quarter to meet the CEFC’s current forecast, while wage and salary disbursements would need to be \$31.7 billion, also 0.8% higher than the third quarter of 2019.*



Source: U.S. Bureau of Economic Analysis, December 18, 2019 release

Maine Personal Income- First Three Quarters, 2018 vs 2019

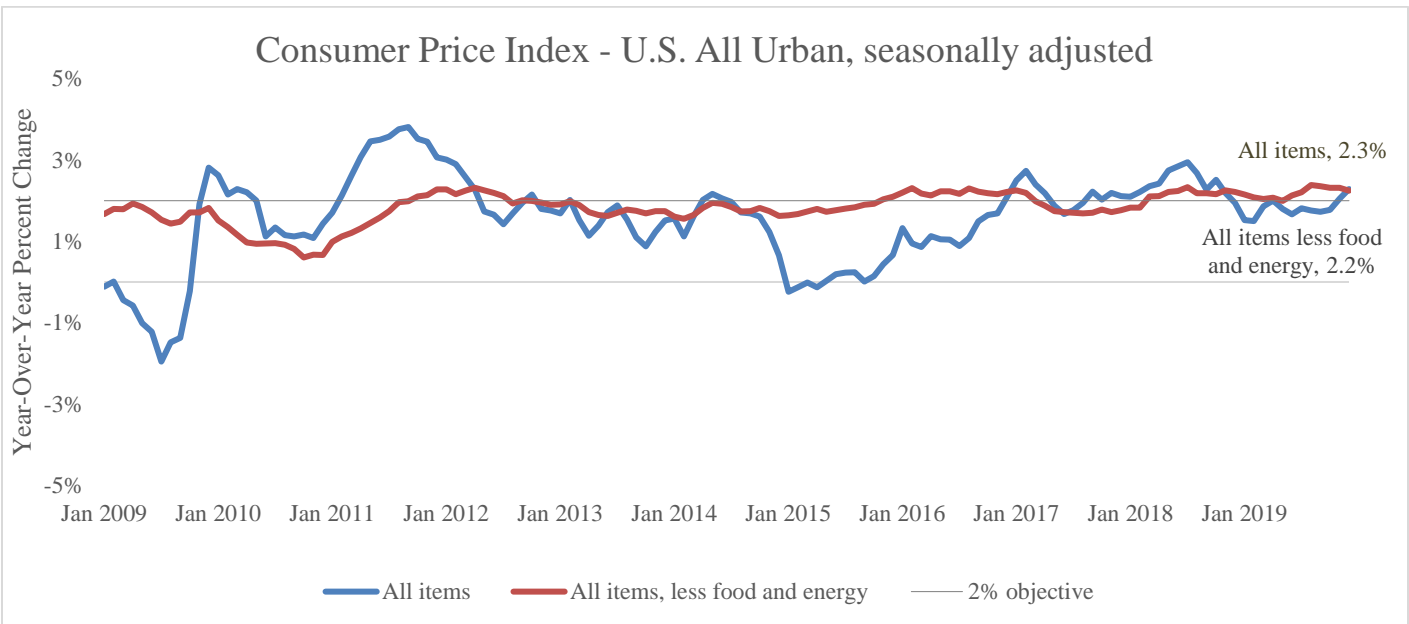


Source: U.S. Bureau of Economic Analysis December 18, 2019 release

3. Consumption and Expenditures

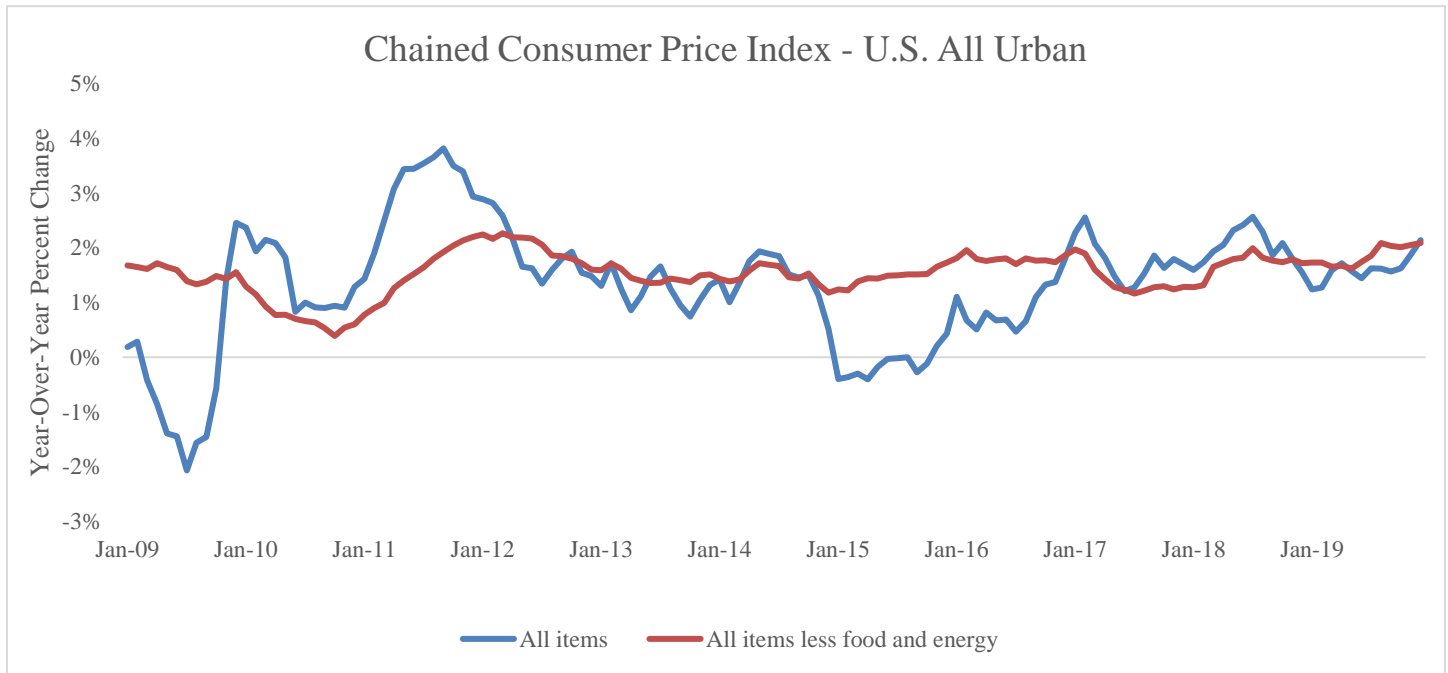
Consumer Price Index

The Consumer Price Index (CPI) was up 1.8% in 2019 over its 2018 average, while December 2019 grew 2.3% over December 2018. Core inflation, which excludes food and energy prices, rose 2.2 percent over both yearly averages and from December 2018 to December 2019.



Source: U.S. Bureau of Labor Statistics, January 14, 2020 release

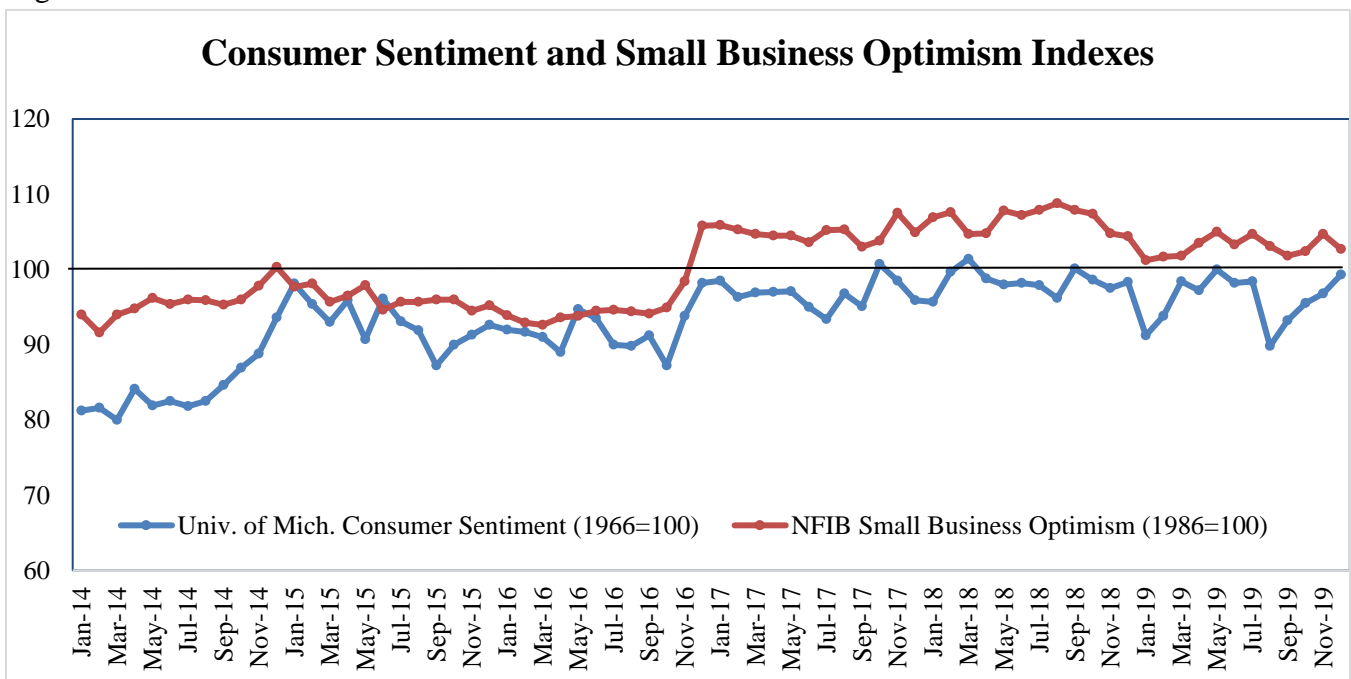
The Chained Consumer Price Index (Chained CPI) increased 1.6% from 2018 to 2019 on an annual average basis and core inflation rose 1.9% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.



Source: U.S. Bureau of Labor Statistics, January 14, 2020 release

Consumer Sentiment and Small Business Optimism

In January 2020, the survey-based University of Michigan Consumer Sentiment Index fell by 0.2% month-over-month but grew 8.7% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 1.9% from the previous month and 1.6% from a year ago.



Source: University of Michigan, January 2020 release; National Federation of Independent Business, December 2019 release

Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 3.6% from FY17/FY18 to the two years of FY18/FY19, while the number of used automobile titles issued decreased by 29.6%. Total registrations were up 26.2% from FY17/FY18 to FY18/FY19, though, led by a large increase in trailer registrations.

Type	FY17/FY18 Total	FY18/FY19 Total	% Change
Auto			
New	119,452	123,742	3.6%
Used	361,744	254,792	-29.6%
Bus	-	-	
New	326	335	2.8%
Used	292	209	-28.4%
Trucks	-	-	
New	7,833	5,153	-34.2%
Used	11,363	10,756	-5.3%
Motorcycles	-	-	
New	3,998	3,208	-19.8%
Used	14,472	13,422	-7.3%
Trailers	-	-	
New	40,892	115,136	181.6%
Used	77,169	277,102	259.1%
Motor Homes	-	-	
New	257	1,395	442.8%
Used	1,036	953	-8.0%
Unknown	-	-	
New	151	235	55.6%
Used	480	465	-3.1%
Total	639,465	806,903	26.2%

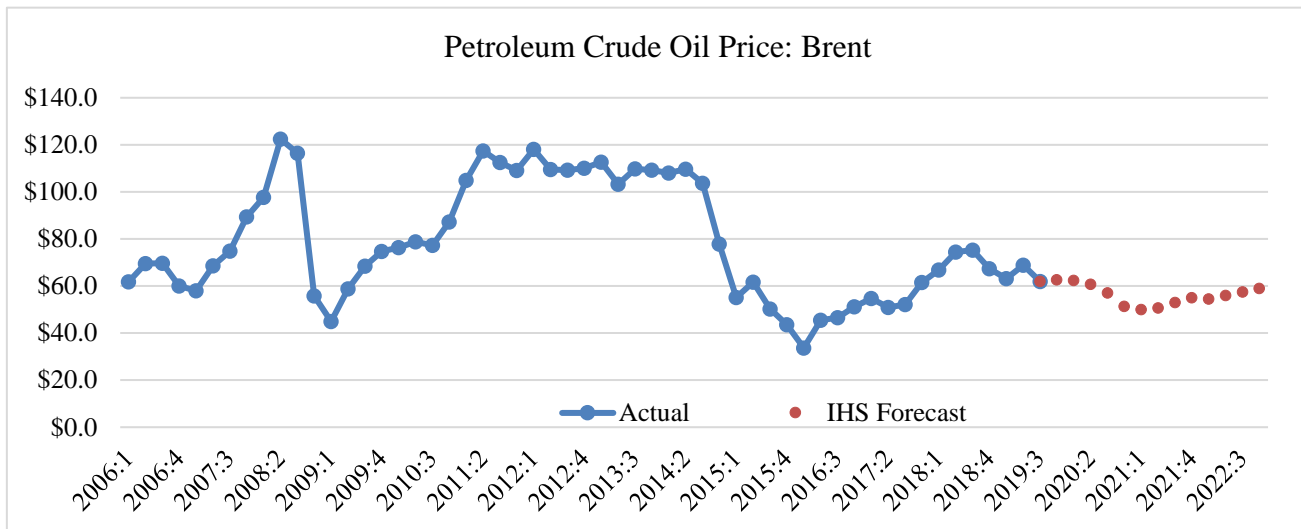
Source: Maine Bureau of Motor Vehicles

4. Energy Sector

The U.S. Energy Information Administration (EIA) indicates in its 2020 Annual Energy Outlook that the U.S. will become a net energy exporter in 2020 and will remain so in future years, as a result of large increases in crude oil and natural gas, coupled with slow growth in U.S. energy consumption. In the January 2020 short-term outlook, EIA projects Brent spot prices will increase to average \$65/b in 2020 and \$68/b in 2021. It also forecasts US regular gasoline will average \$2.63/gal in 2020 and 2021, compared to \$2.60/gal in 2019.

Crude Oil

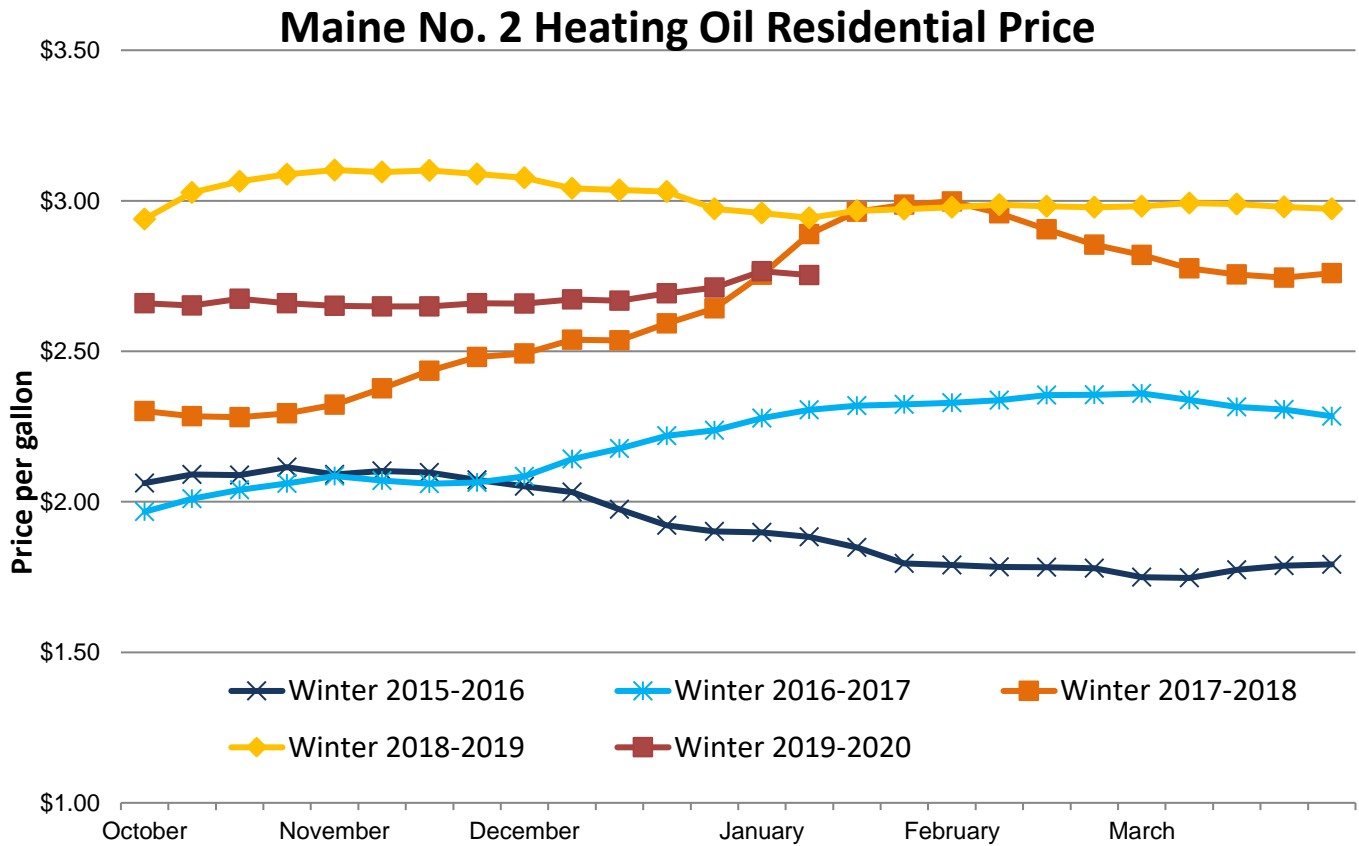
The price of Brent crude oil is lower than last quarter (2019:Q2) by 10 percent. The price/barrel as of December 30th was \$61.92/b.



Source:
IHS,
December
2019
release

Heating Oil

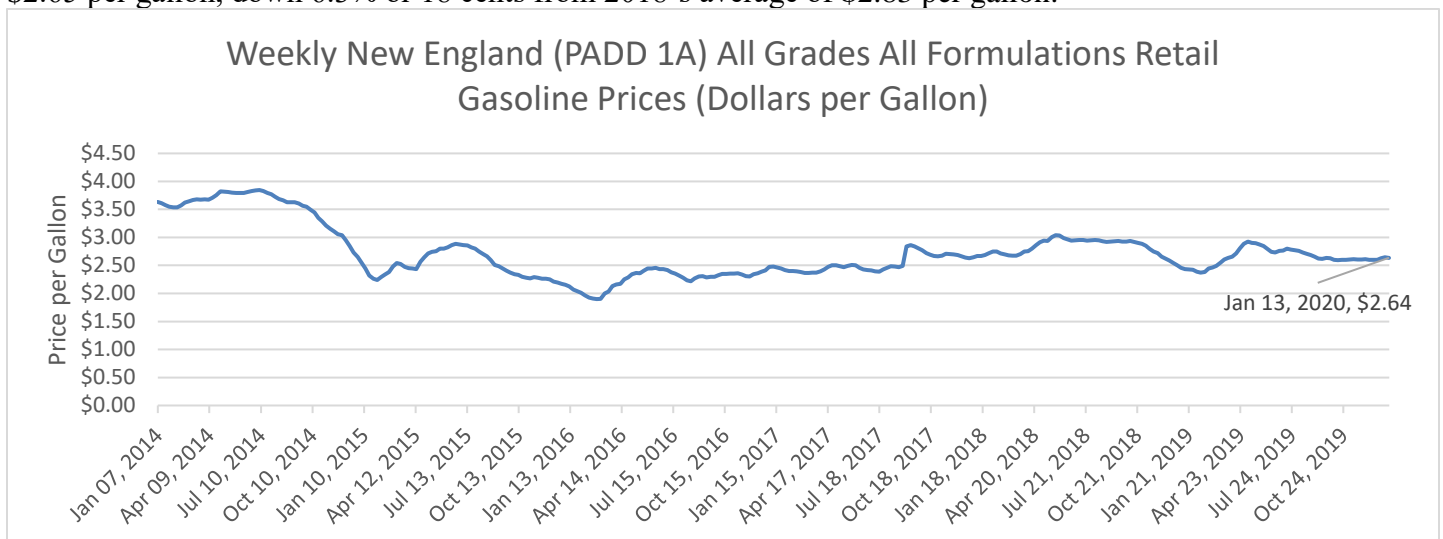
The current statewide average cash price of No. 2 heating oil in Maine was \$2.75/gallon based on the January 13, 2020, update. This brings the season's average during the first 15 weeks to \$2.67/gallon, compared to \$3.04 in the first 15 weeks of last year's season.



Source: U.S. Energy Information Agency, January 13, 2020 release

Gasoline

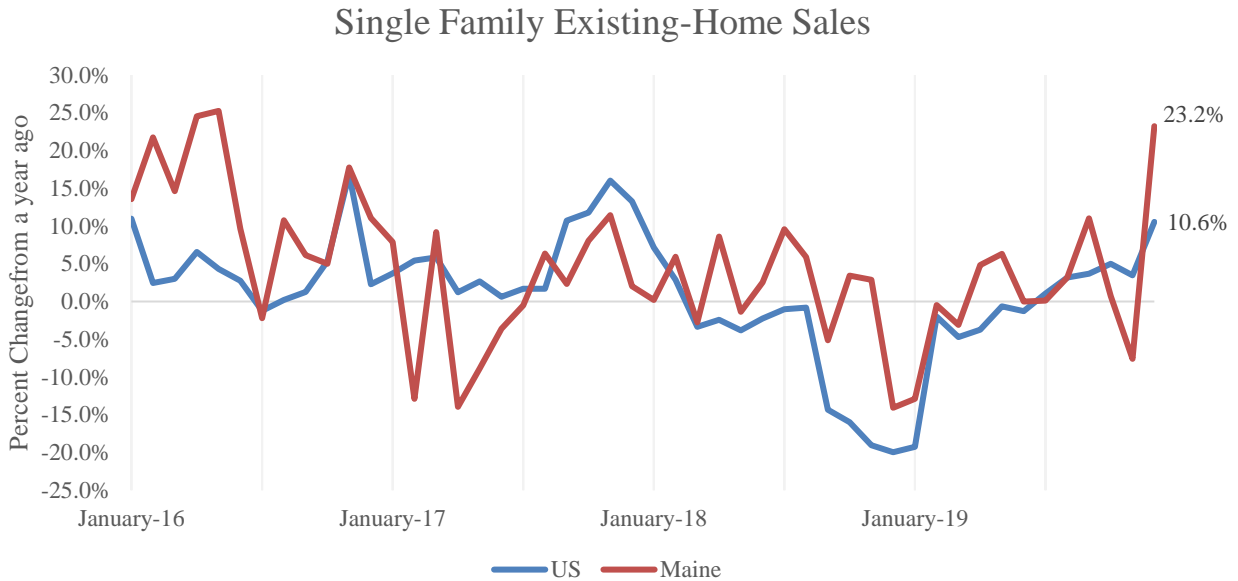
The price of gasoline in New England averaged \$2.64 the week of January 13, 2020, slightly lower than the previous week and about 20 cents higher than one year ago. The average price of gasoline in 2019 was \$2.65 per gallon, down 6.3% or 18 cents from 2018's average of \$2.83 per gallon.



Source: U.S. Energy Information Agency, January 13, 2020 release

5. Housing

Single family existing-home sales in Maine in December 2019 were up 23.2% compared to December 2018. Additionally, the median sales price increased 7.8% from a year prior to \$234,000 statewide, compared to \$312,500 in the U.S. The total number of sales in Maine for 2019 was 2.3% higher than last year, at 18,279, the highest number all decade.



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

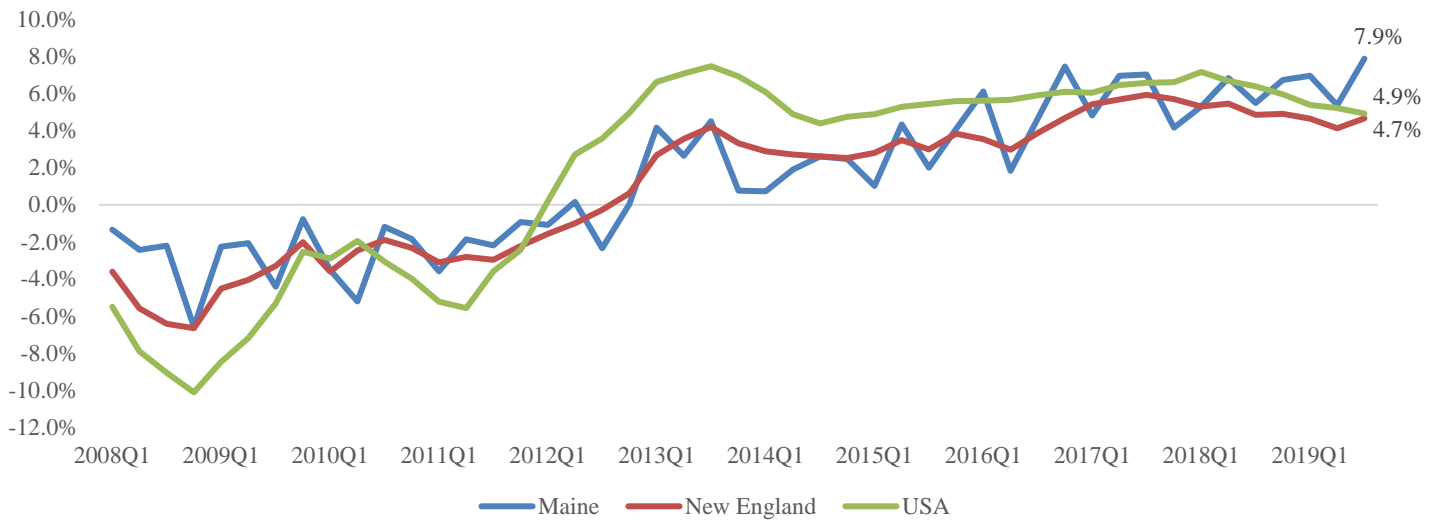
Conversely, single-unit housing permits issued in Maine in November 2019 were 33% lower than a year prior (November 2018) and 11.6% lower than a month prior (October 2019). The average for 2019 through November in Maine is 0.5% lower than the same period in 2018 compared to 1.5% lower for the U.S.



Source: US Census Bureau, January 3, 2020 release, via Federal Reserve Bank of Boston

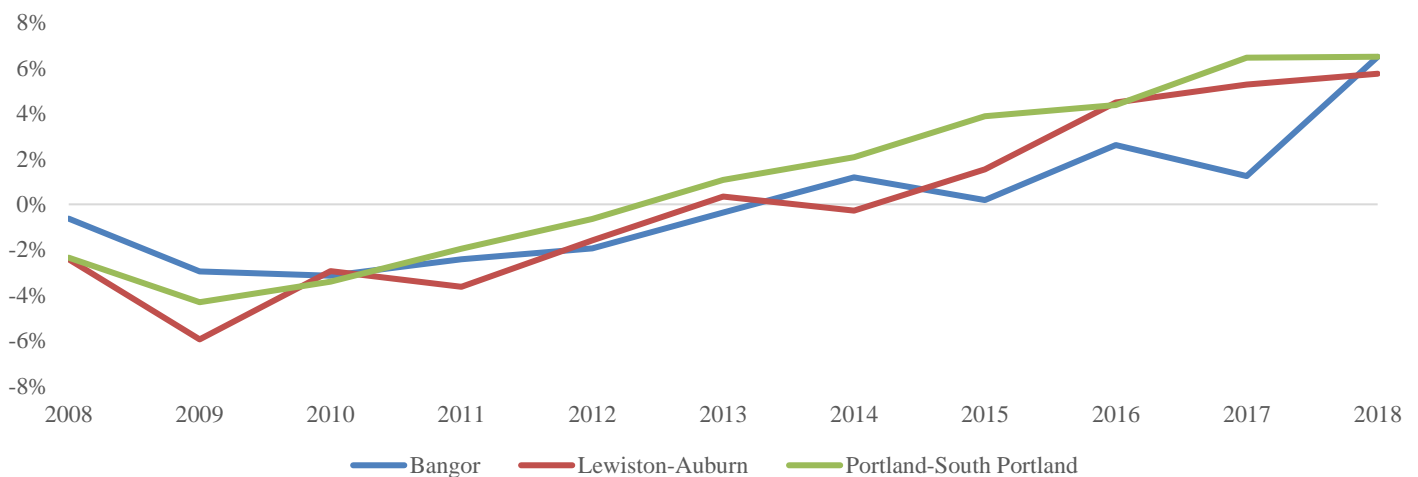
According to the Federal Housing Finance Agency (FHFA), the House Price Index, “measures average price changes in repeat sales or refinancing on the same properties.” Maine’s house price index increased by 7.9% from the third quarter of 2018 to the third quarter of 2019. In the most recent quarter, local year-over-year growth was higher than the U.S. and region, with New England growing by 4.7% and the U.S. by 4.9%. Maine’s MSAs - Bangor, Lewiston-Auburn, and Portland-South Portland - have all seen increases in house price indexes throughout 2019.

Housing Price Index, Seasonally Adjusted



Source: Federal Housing Finance Agency, November 26, 2019 release

MSA Housing Price Index, annual averages, year-over-year change

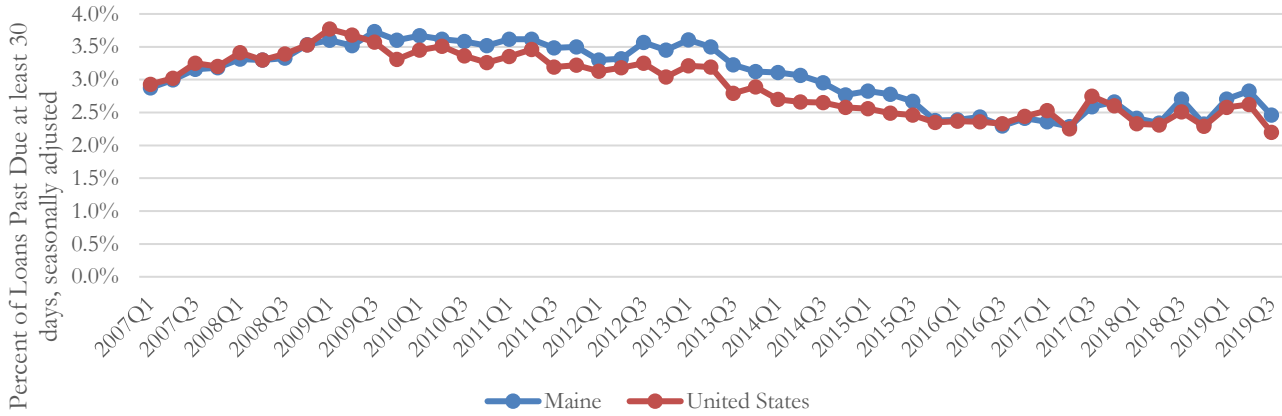


Source: Federal Housing Finance Agency, November 26, 2019 release

6. Borrowing

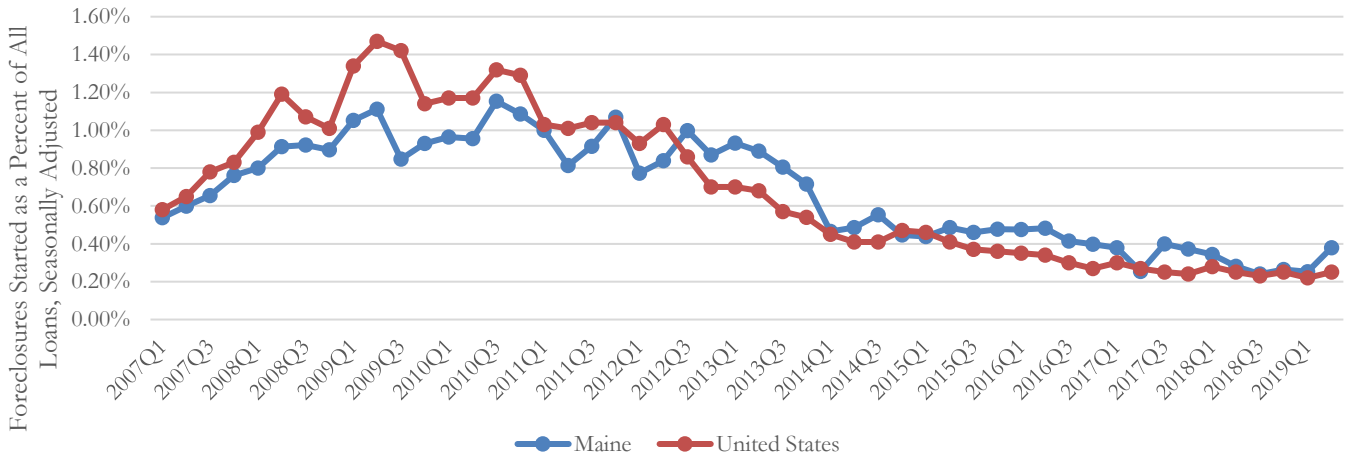
The share of mortgages in Maine that are delinquent 30 days or more was 2.5% in the third quarter of 2019. Maine’s foreclosure rate was 0.24% in the third quarter of 2019, down from the previous quarter but in line with recent foreclosure rates. Maine’s debt to income ratio is 24.17 as of 2018Q4, lower than a high point of 24.71 in 2017Q4.

MBA Mortgage Delinquencies



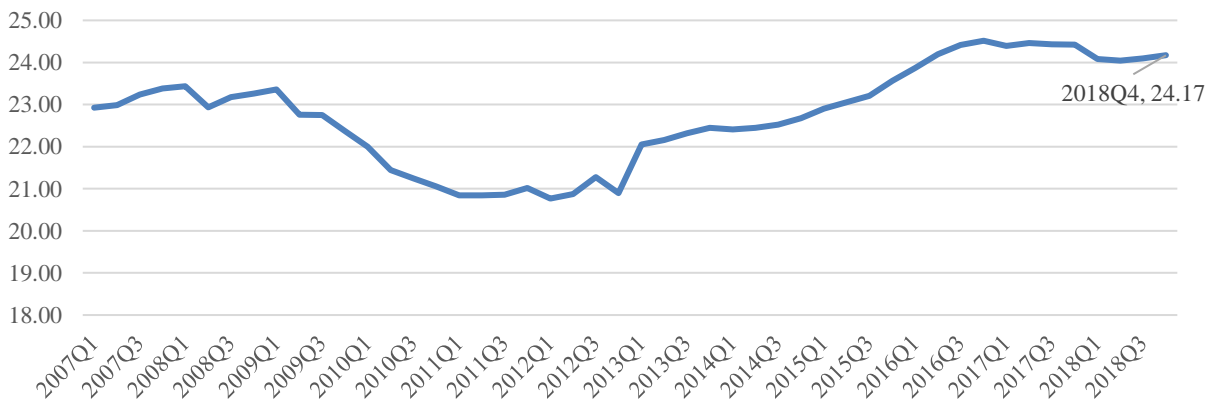
Source: Mortgage Bankers Association, via Moody's Analytics January 16, 2020 release

MBA Foreclosure Starts



Source: Mortgage Bankers Association, via Moody's Analytics January 16, 2020 release

Debt to Income Ratio, (%) for Maine

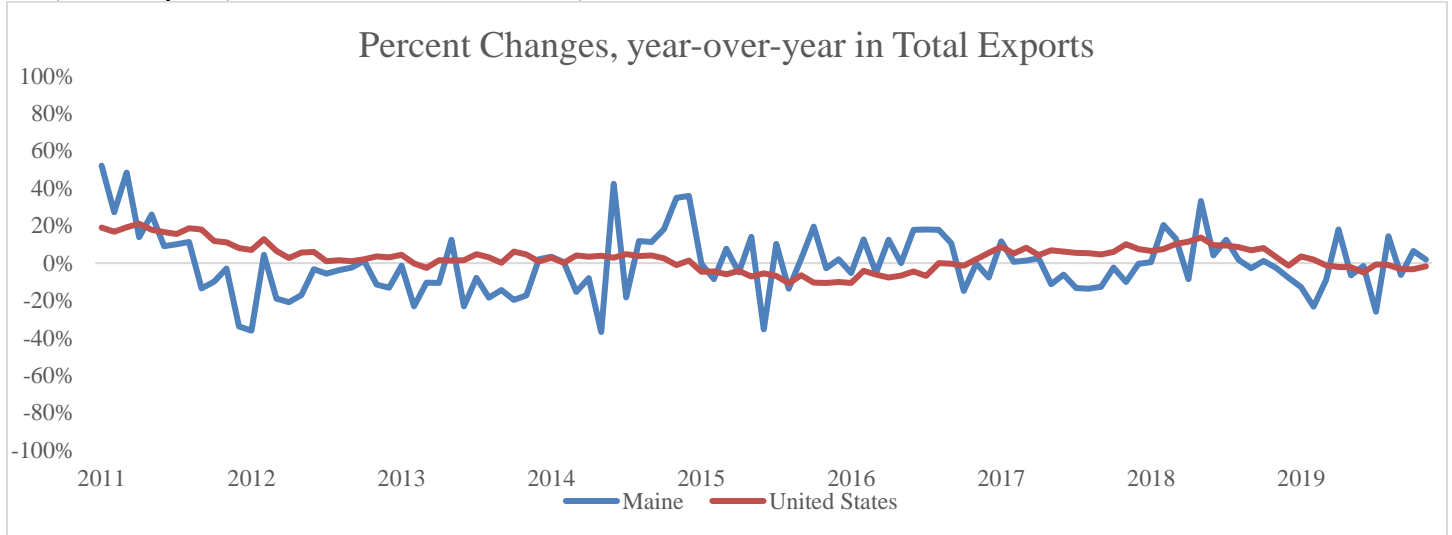


Source: Moody's Analytics, Jan 2020 release

7. Trade Outlook

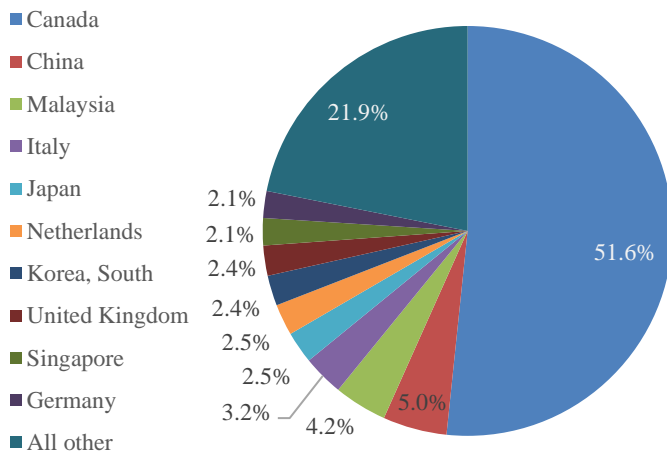
Exports

Data for November 2019 shows that total exports in Maine decreased by 1.8% compared to November 2018 and by 4.3% for the year through November. The losses for the latter are primarily due to reduced exports to key partners; Canada (-3.5% from 2018 through November, 42% of total loss), China (-31.3%, 51.6% of total loss), and Japan (-20.6%, 14.6% of total loss).

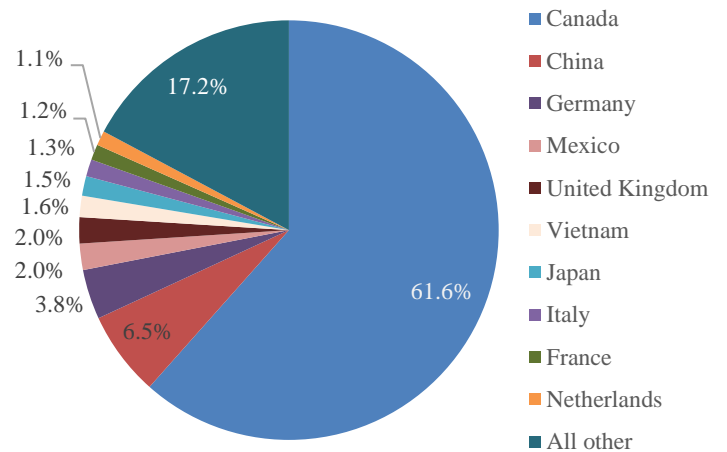


Source: USA Trade Online, January 7, 2020 release

Top export partners of 2019



Top Import Partners of 2019



Source: USA Trade Online, January 7, 2020 release