



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 28, 2022, Forecasting Meeting

Summary

Maine had a strong year of population growth in 2021, gaining just under 10,000 in population. Net domestic migration fueled Maine's growth as the state had the 6th highest net domestic migration rate in the U.S. and first in New England.

Total personal income grew by 0.8% in the third quarter of 2021, following a 24.9% decrease in the second quarter. The decline was driven by a drop in transfer receipts as provisions of the American Rescue Plan Act phased out. Wage and salary income, which is the largest component of personal income, grew by 9.8%. Gross Domestic Product rose 1.7% at an annual rate in the third quarter of 2021. The Consumer Price Index continues to show rising prices, up 7.0% year-over-year in December and closing 2021 with an average of 4.7% growth in prices. Meanwhile, the chained PCE price index was up 5.7% in November.

Nationwide, consumer sentiment has continued to fall as supply chains remain strained and COVID-19 infections are high following the surge in the Omicron variant. The December 2021 consumer sentiment index was down 12.5% compared to a year prior, while the Small Business Optimism Index was up 3.1%.

Energy prices have spiked through the end of 2021 into early 2022. Gasoline prices were \$3.42 per gallon on January 17, 2022, while heating oil has reached an 8-year high price of \$3.337 per gallon.

Single family existing-home sales in 2021 ended the year up 2.1% over 2020 while the median sale price soared to \$299,000, almost 17% higher than in 2020. Maine's House Price Index rose 24.5% in the third quarter of 2021 over a year prior, higher than both New England and the United States and reaching a series high for the fourth quarter consecutively.

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

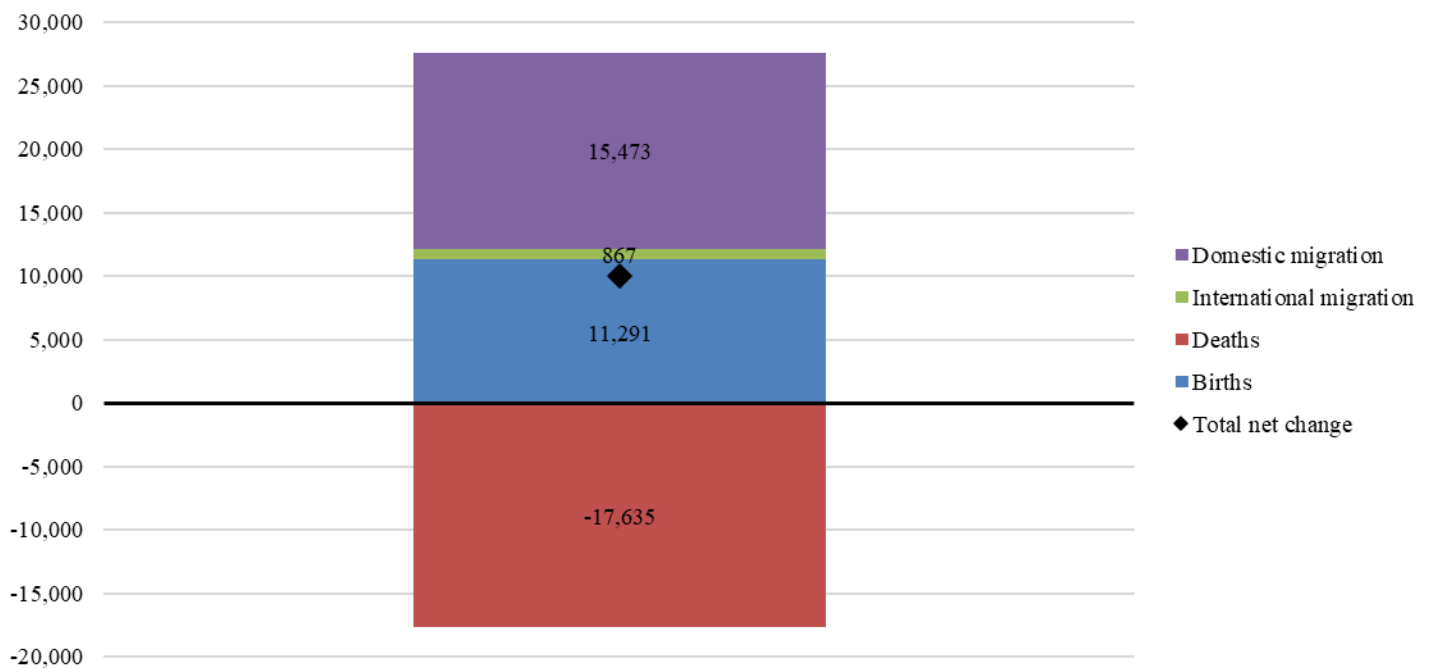
1. Demographic Trends

2021 Population Estimates

Maine gained just under 10,000 in population from July 2020 to July 2021, driven mostly by net domestic migration. Maine's natural population decline accelerated in 2021; the state has consistently seen more deaths than births in recent years, however Maine saw even more deaths and fewer births than usual in 2021.

While the nation's population grew at its slowest rate on record (0.1%), Maine's population grew by 0.7% in 2021. Maine's net domestic migration rate was the 7th highest in the nation and first in New England; Maine also had the most net in-migrants of its New England neighbors. All New England states had positive net domestic migration except for Massachusetts (-33,512). It is uncertain from this data whether Maine's in-migration is temporary or permanent. Future data releases will lend more clarity on these population dynamics.

Components of Population Change, Maine 2021

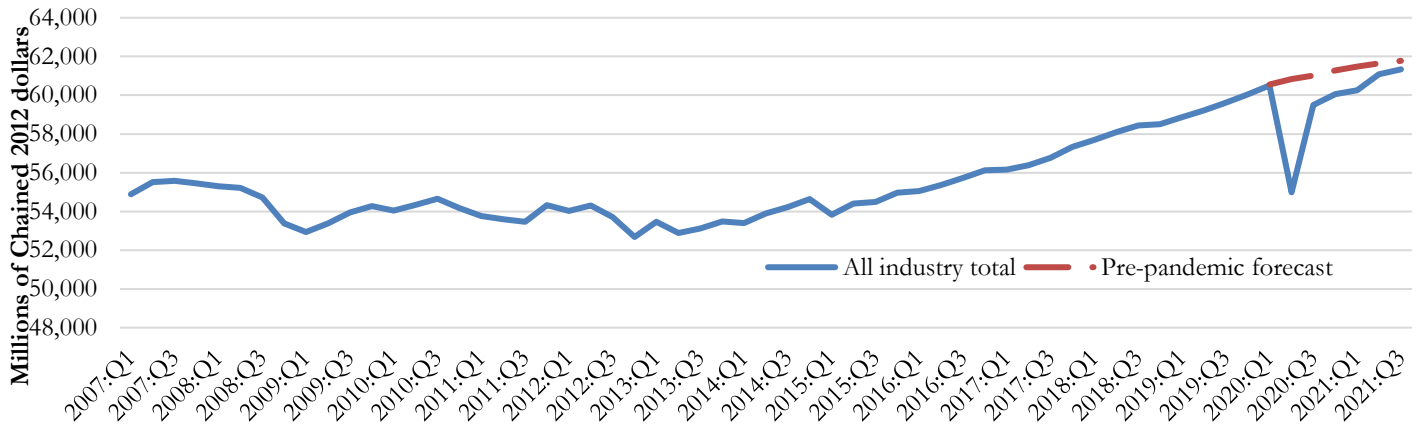


2. State Economy

Gross Domestic Product (GDP)

Real GDP for Maine rose 1.7% at an annual rate in the third quarter of 2021 to \$61.336 billion. Real GDP in Maine surpassed pre-pandemic levels in the second quarter, however, it remains below pre-pandemic forecast by approximately \$440 million. \$53.8 billion derives from private industry, while \$7.6 billion is from government enterprise.

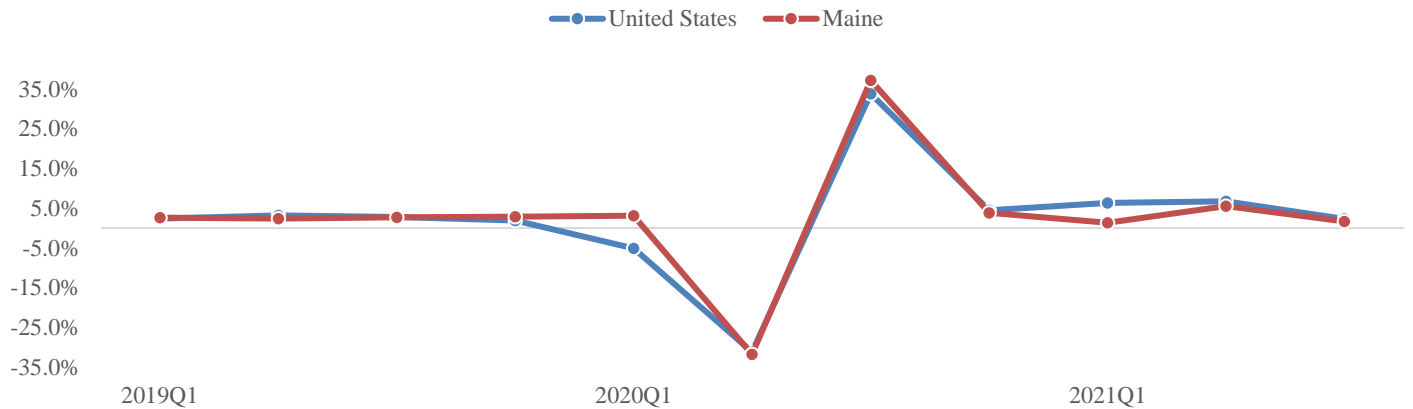
Real GDP (seasonally adjusted at annual rates)



Source: U.S. Bureau of Economic Analysis, December 23, 2021 release; IHS February 2020 Release

Maine’s annualized growth rate for total real GDP was 1.7% in the third quarter of 2021, slightly lagging the nation’s 2.3%. Maine has lagged the United States’ real GDP growth in each of the last four quarters.

Real GDP Percent Change from previous Quarter



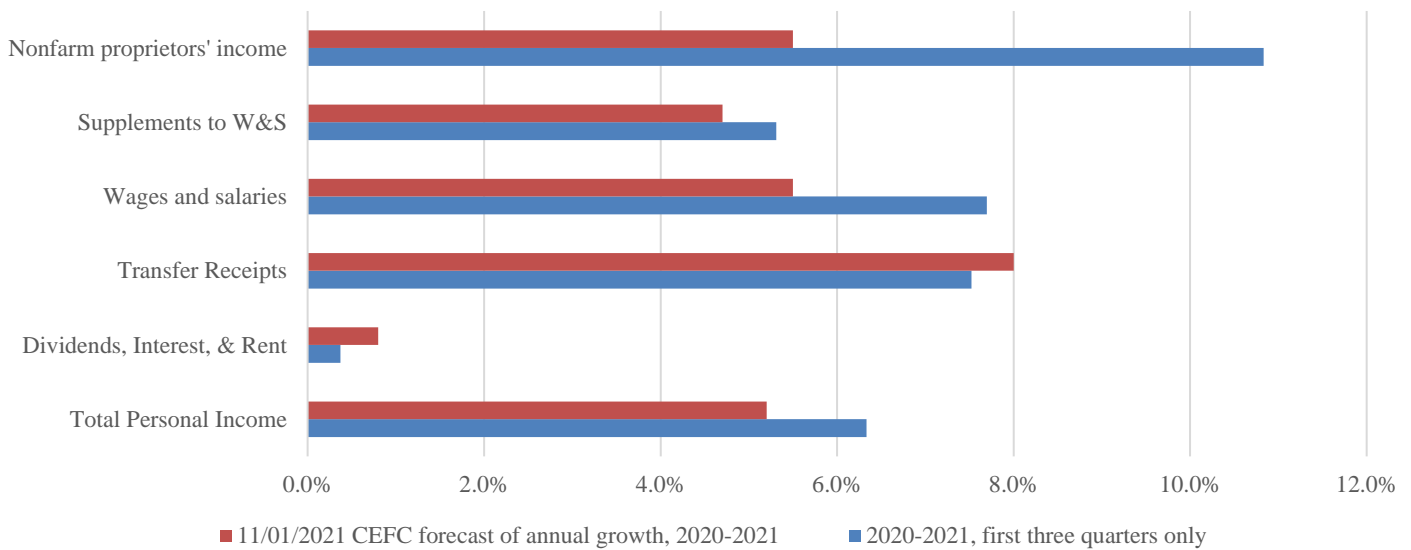
Source: U.S. Bureau of Economic Analysis, December 23, 2021 release

Personal Income

According to the U.S. Bureau of Economic Analysis, total personal income grew by 0.8% at a seasonally adjusted, annualized rate in the third quarter of 2021, following a 24.9% dip in the second quarter. These fluctuations have largely been driven by personal current transfer receipts, particularly transfers from the American Rescue Plan Act. Wage and salary disbursements, the largest component of personal income, grew by 9.8%. Transfer receipts were down -15.5% in Maine and -15.6% in the U.S. in the third quarter of 2021.

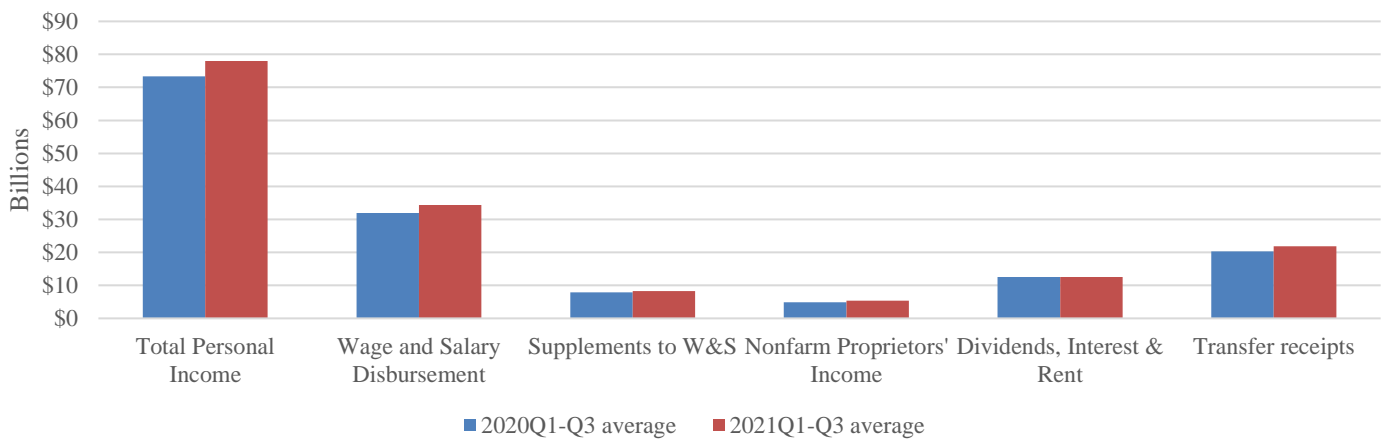
Based on growth in the first three quarters, the CEFC forecast for 2021 has already been met, with growth in the first three quarters averaging 6.6% over the same period of 2020. Total personal income would need to fall by 3.1% (non-annualized) in the fourth quarter to meet the CEFC's previous forecast of 5.2% growth in 2021. Wage and salary income would need to fall by 6.2% (non-annualized) to meet the previous forecast of 5.5%.

Personal Income in Maine



Source: U.S. Bureau of Economic Analysis, December 17, 2021 release

Maine Personal Income- First Three Quarters, 2020 vs 2021



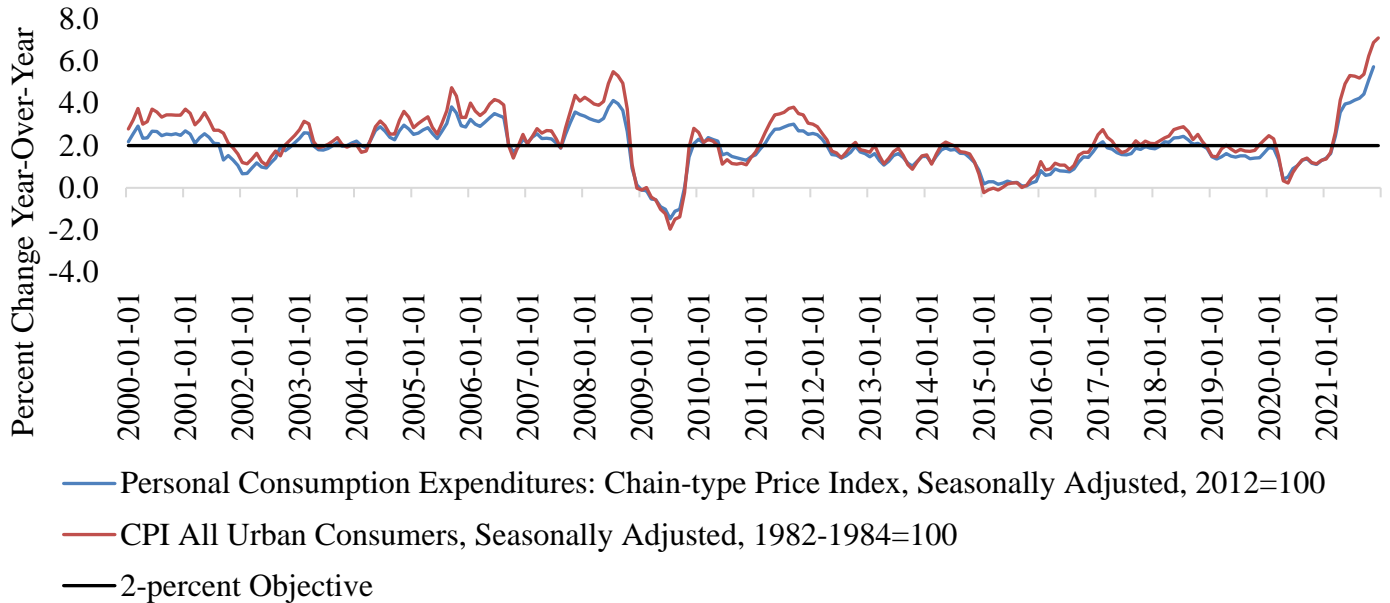
Source: U.S. Bureau of Economic Analysis December 17, 2021 release

3. Consumption and Expenditures

Inflation measures

Inflation has remained high through the fourth quarter of 2021, with annual growth in the Consumer Price Index reaching 4.7%. In December 2021, increases in the indexes for shelter and for used cars and trucks contributed the most to the 0.5% monthly gain. The PCE price index was up 5.7% in November (December data not yet available).

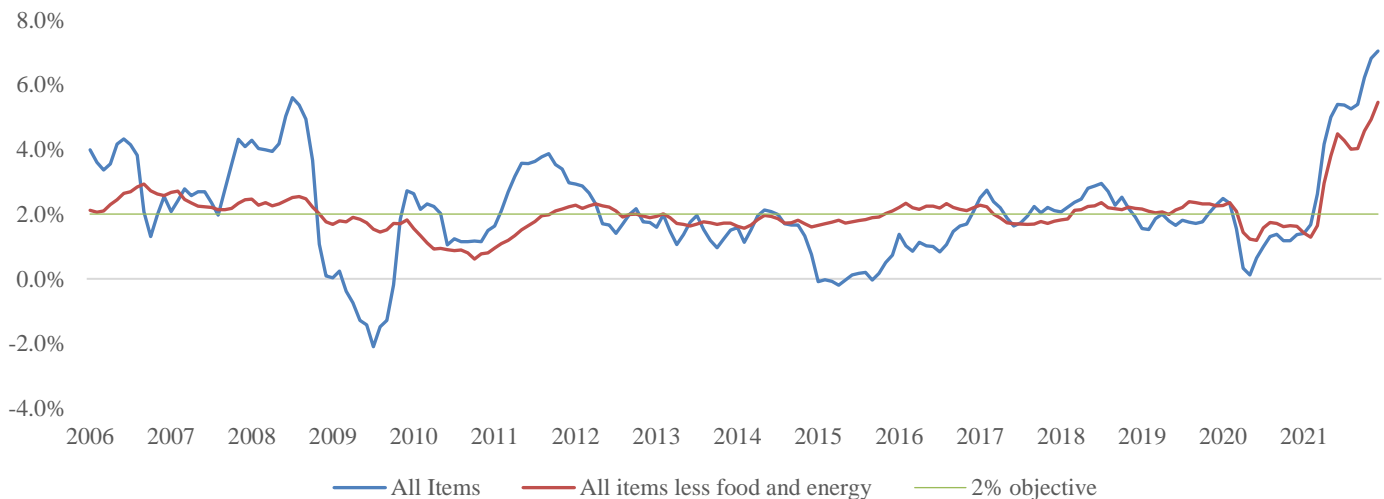
Measures of inflation, Year-Over-Year Percent Change



Sources: U.S. Bureau of Economic Analysis December 23, 2021 release; U.S. Bureau of Labor Statistics January 12, 2021 release

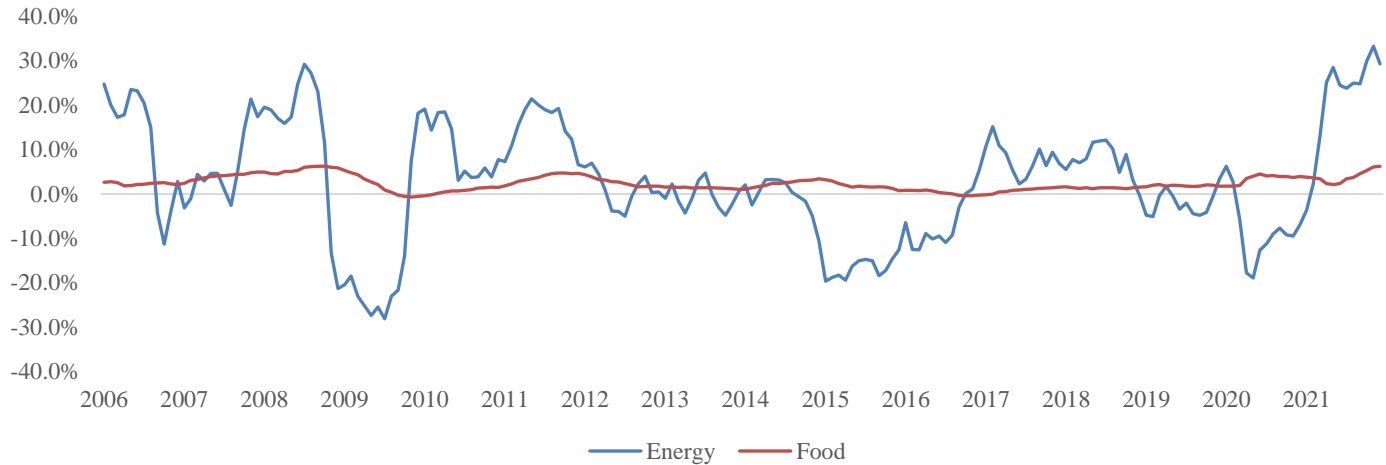
The Consumer Price Index (CPI) was up 7.0% in December 2021 over the previous year, its highest 12-month growth rate since June 1982. Core inflation, which excludes food and energy prices, rose 5.5% over December of last year. Food and energy prices remain elevated, up 6.3% and 29.3% year-over-year, respectively.

Consumer Price Index - U.S. All Urban, seasonally adjusted



Source: U.S. Bureau of Labor Statistics, January 12, 2021 release

CPI-U, seasonally adjusted, Energy and Food



Source: U.S. Bureau of Labor Statistics, January 12, 2021 release

Table A. Percent changes in CPI for All Urban Consumers (CPI-U): U.S. city average

	Seasonally adjusted changes from preceding month							Un-adjusted 12-mos. ended Dec. 2021
	Jun. 2021	Jul. 2021	Aug. 2021	Sep. 2021	Oct. 2021	Nov. 2021	Dec. 2021	
All items.....	0.9	0.5	0.3	0.4	0.9	0.8	0.5	7.0
Food.....	0.8	0.7	0.4	0.9	0.9	0.7	0.5	6.3
Food at home.....	0.8	0.7	0.4	1.2	1.0	0.8	0.4	6.5
Food away from home ¹	0.7	0.8	0.4	0.5	0.8	0.6	0.6	6.0
Energy.....	1.5	1.6	2.0	1.3	4.8	3.5	-0.4	29.3
Energy commodities.....	2.6	2.3	2.7	1.3	6.2	5.9	-0.6	48.9
Gasoline (all types).....	2.5	2.4	2.8	1.2	6.1	6.1	-0.5	49.6
Fuel oil ¹	2.9	0.6	-2.1	3.9	12.3	3.5	-2.4	41.0
Energy services.....	0.2	0.8	1.1	1.2	3.0	0.3	-0.1	10.4
Electricity.....	-0.3	0.4	1.0	0.8	1.8	0.3	0.3	6.3
Utility (piped) gas service.....	1.7	2.2	1.6	2.7	6.6	0.6	-1.2	24.1
All items less food and energy.....	0.9	0.3	0.1	0.2	0.6	0.5	0.6	5.5
Commodities less food and energy commodities.....	2.2	0.5	0.3	0.2	1.0	0.9	1.2	10.7
New vehicles.....	2.0	1.7	1.2	1.3	1.4	1.1	1.0	11.8
Used cars and trucks.....	10.5	0.2	-1.5	-0.7	2.5	2.5	3.5	37.3
Apparel.....	0.7	0.0	0.4	-1.1	0.0	1.3	1.7	5.8
Medical care commodities ¹	-0.4	0.2	-0.2	0.3	0.6	0.1	0.0	0.4
Services less energy services.....	0.4	0.3	0.0	0.2	0.4	0.4	0.3	3.7
Shelter.....	0.5	0.4	0.2	0.4	0.5	0.5	0.4	4.1
Transportation services.....	1.5	-1.1	-2.3	-0.5	0.4	0.7	-0.3	4.2
Medical care services.....	0.0	0.3	0.3	-0.1	0.5	0.3	0.3	2.5

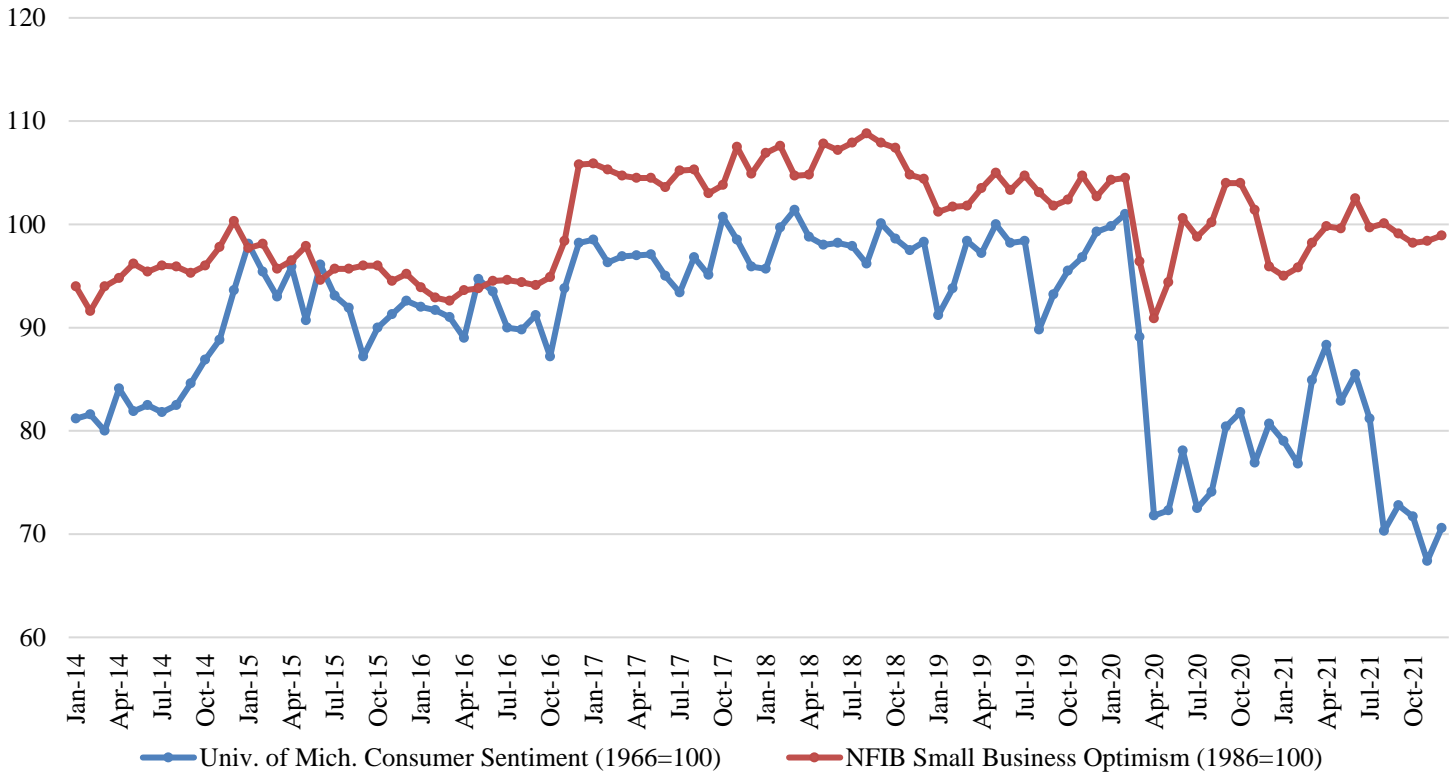
¹ Not seasonally adjusted.

Source: Bureau of Labor Statistics, January 12, 2021 release

Consumer Sentiment and Small Business Optimism

In December 2021, the University of Michigan Consumer Sentiment Index was down 12.5% compared to December 2020. The National Federation of Independent Business (NFIB) Small Business Optimism Index was up 3.1% from a year prior. Both have trended downward recently after seeing improvements over the spring and summer and remain below pre-pandemic levels.

Consumer Sentiment and Small Business Optimism Indexes



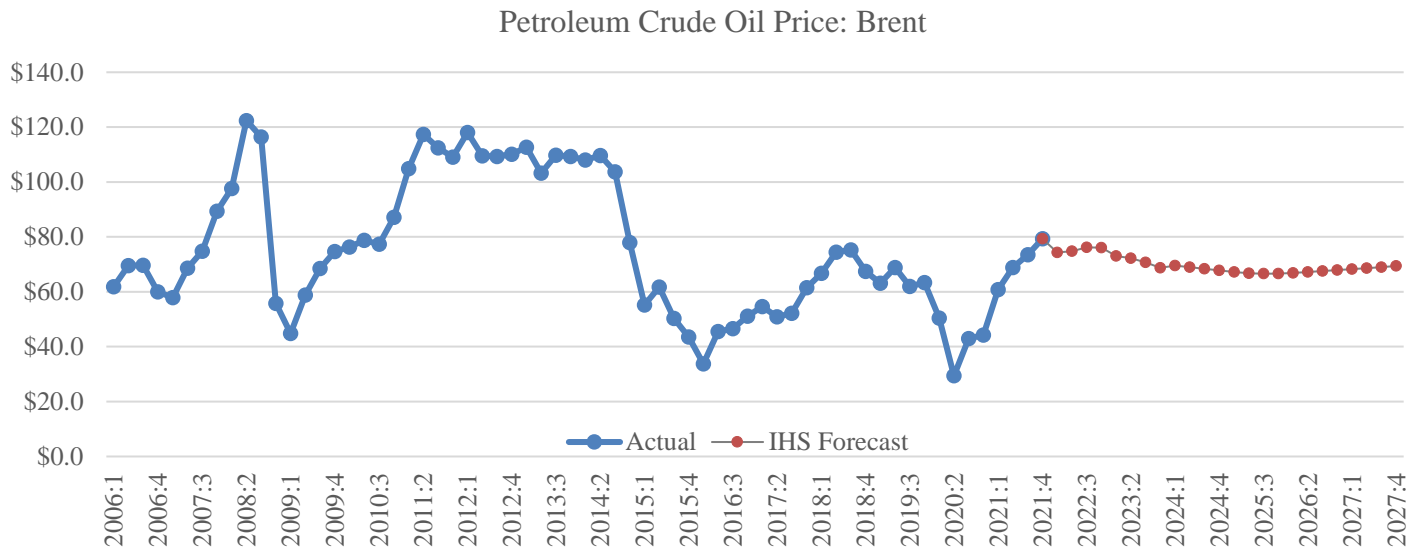
Sources: University of Michigan and National Federation of Independent Business

4. Energy Sector

In its December 2021 Short-term Energy Outlook, the Energy Information Administration (EIA) projects Brent crude oil prices will rise to an average of \$75 per barrel in 2022 before falling to an average of \$68 per barrel in 2023. The EIA notes that uncertainties about macroeconomic conditions relating to COVID-19 pandemic and Omicron variant, along with uncertain winter weather and consumer demand are causes for a wide range of outcomes in its December forecast.

Crude Oil

The price of Brent crude oil in the fourth quarter of 2021 was 7.9% higher than the previous quarter. The price per barrel as of January 18, 2022, was \$88.83.

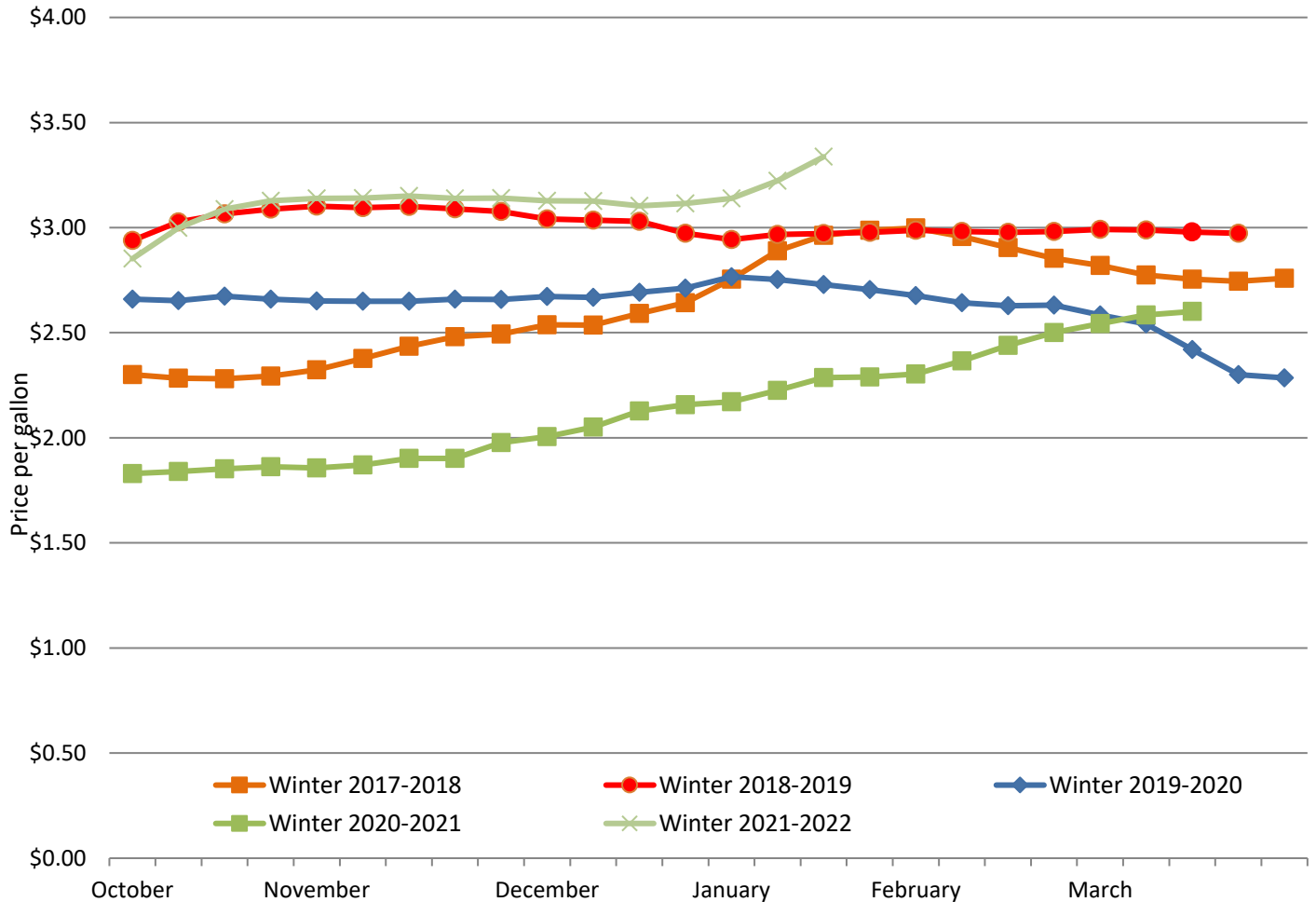


Sources: IHS, January 2022 release; EIA January 20, 2022 release

Heating Oil

The statewide average cash price of No. 2 heating oil in Maine was \$3.337/gal in the sixteenth week (January 17th) of the 2021-2022 heating oil season, \$1.05 per gallon higher than the same week of last year and \$0.11 higher than the previous week. Prices have risen sharply week-over-week in January 2022 and are now the at their highest since Spring 2014. The series-high price for heating oil was in February 2014, \$3.934.

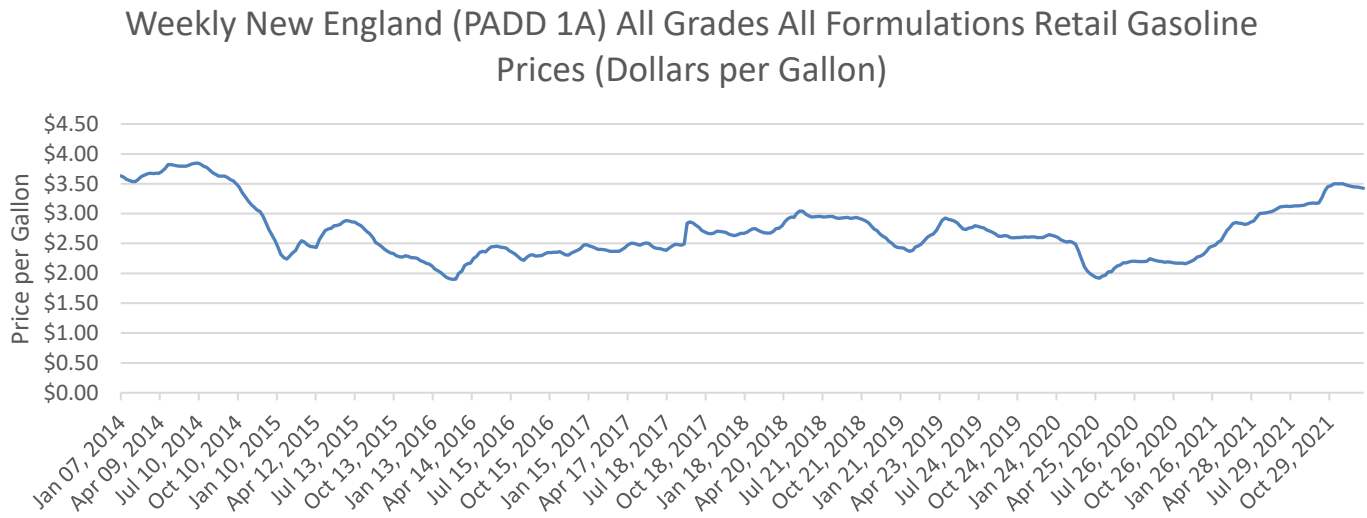
Maine No. 2 Heating Oil Residential Price



Source: U.S. Energy Information Agency, January 20, 2022 release

Gasoline

The price of a gallon of gasoline in New England was \$3.42 on January 17, 2022, about \$0.99 higher than a year ago and one cent less than a week prior.

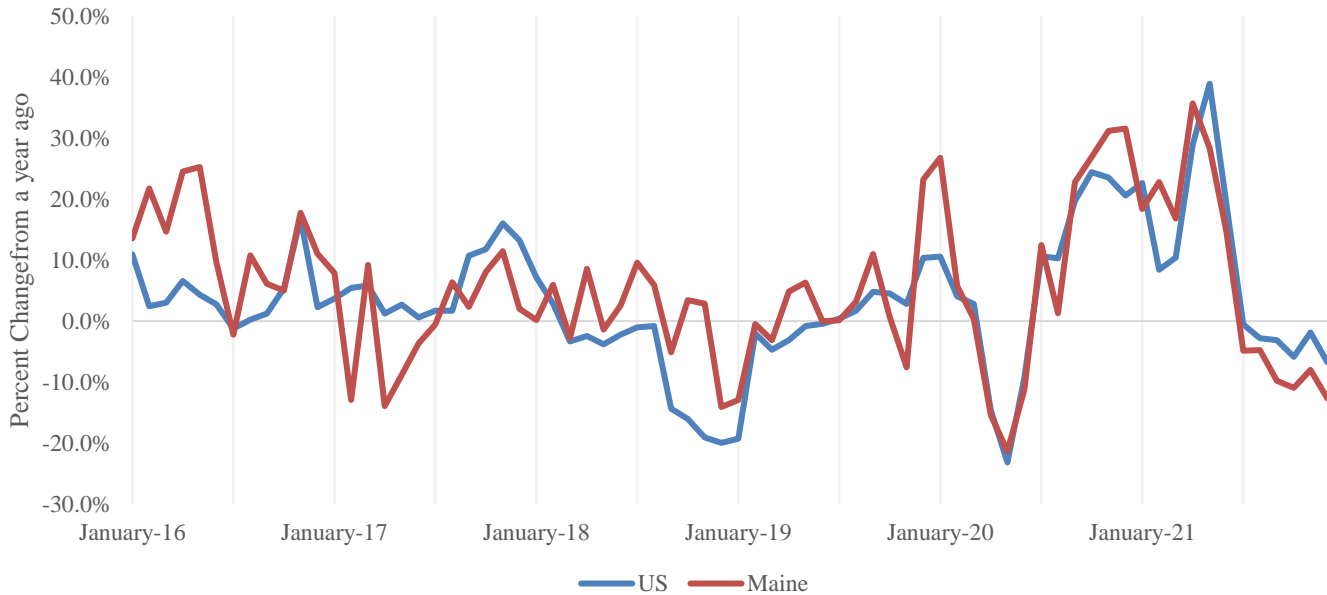


Source: U.S. Energy Information Agency, January 20, 2022 release

5. Housing

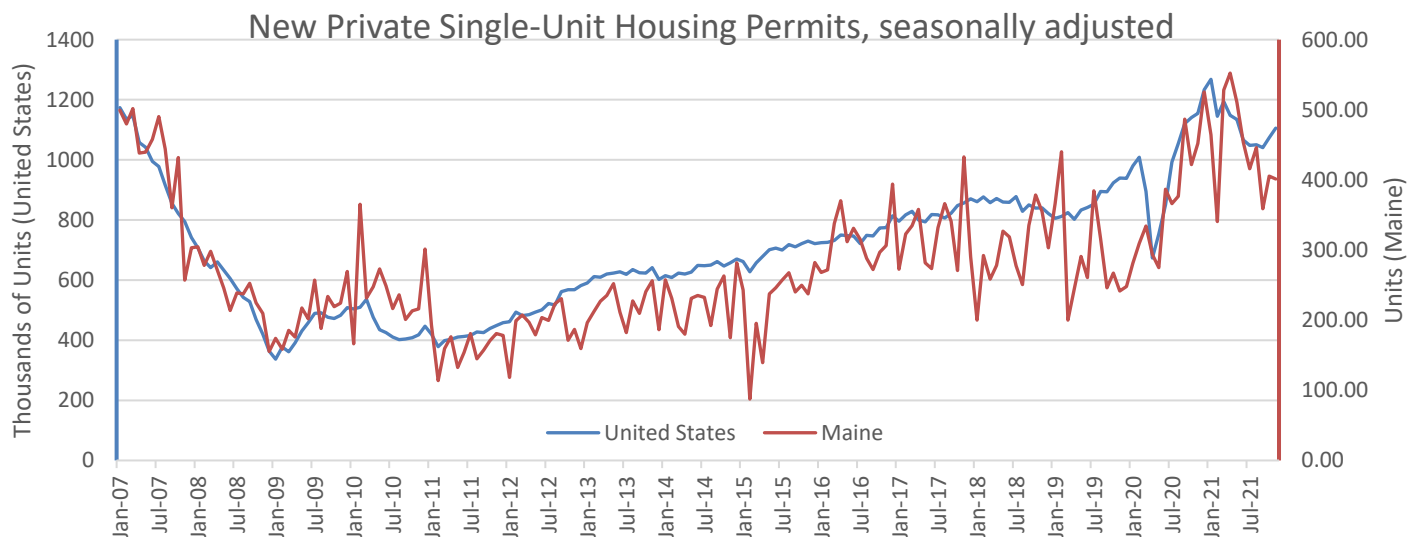
Single family existing-home sales in Maine in December 2021 fell 12.6% from December 2020, although sales rose 14.9% from December 2019. The median sales price continued its upward trajectory at 12.2% growth from a year prior (to \$303,000 statewide). For the calendar year 2021, sales were up 2.4% while prices were up 16.8%. Total single-family sales nationwide were down 6.8% in December compared to a year prior and had a median price of \$364,000, 16.1% over last year.

Single Family Existing-Home Sales



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

In the U.S., single-unit housing permits were down 4.2% in December 2021 over the previous year and up 3.0% over the previous month. In Maine, permits were down 11.2% year-over-year and 1.0% month-over-month.

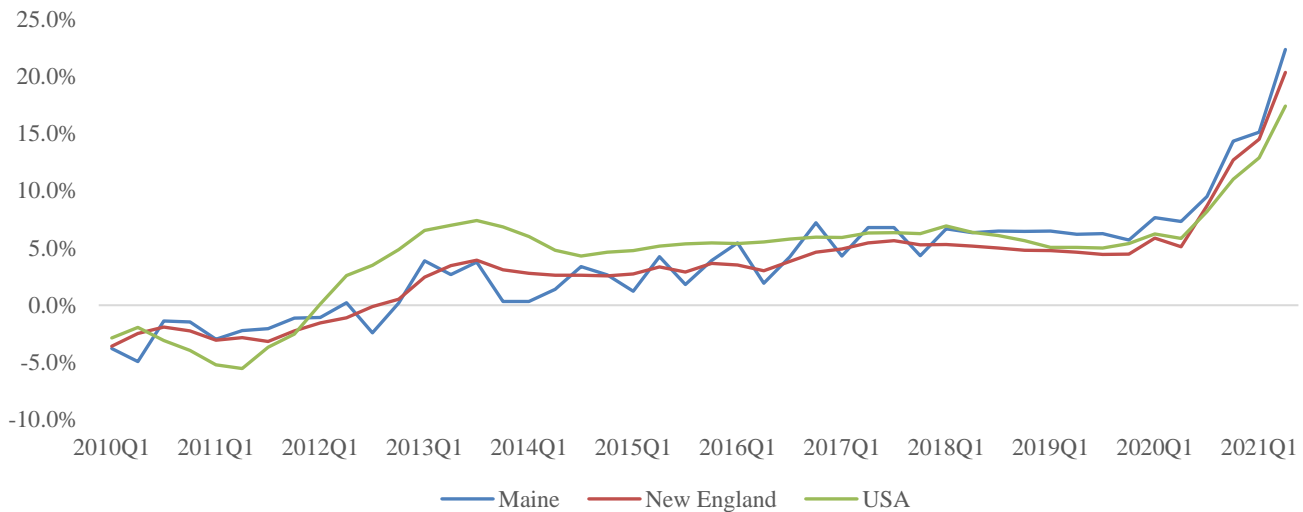


Source: US Census Bureau, January 19, 2022 release, via FRED

House Price Index

According to the Federal Housing Finance Agency (FHFA), the House Price Index (HPI) “measures average price changes in repeat sales or refinancing on the same properties.” Maine’s house price index increased substantially, by 24.5% in the third quarter of 2021 over the previous year. Maine’s year-over-year growth was higher than the U.S. and region, with New England growing by 19.4% and the U.S. by 18.5%. Maine’s HPI year-over-year growth rate broke all-time records for the past four quarters. The U.S. also had all-time high growth rates in the second quarter of 2021. Maine’s Metropolitan Statistical Areas – Bangor, Lewiston-Auburn, and Portland-South Portland – all saw substantial increases in the second quarter, at 11.4%, 19.3% and 15.3%, respectively, over the same quarter last year. These were also series-high growth rates.

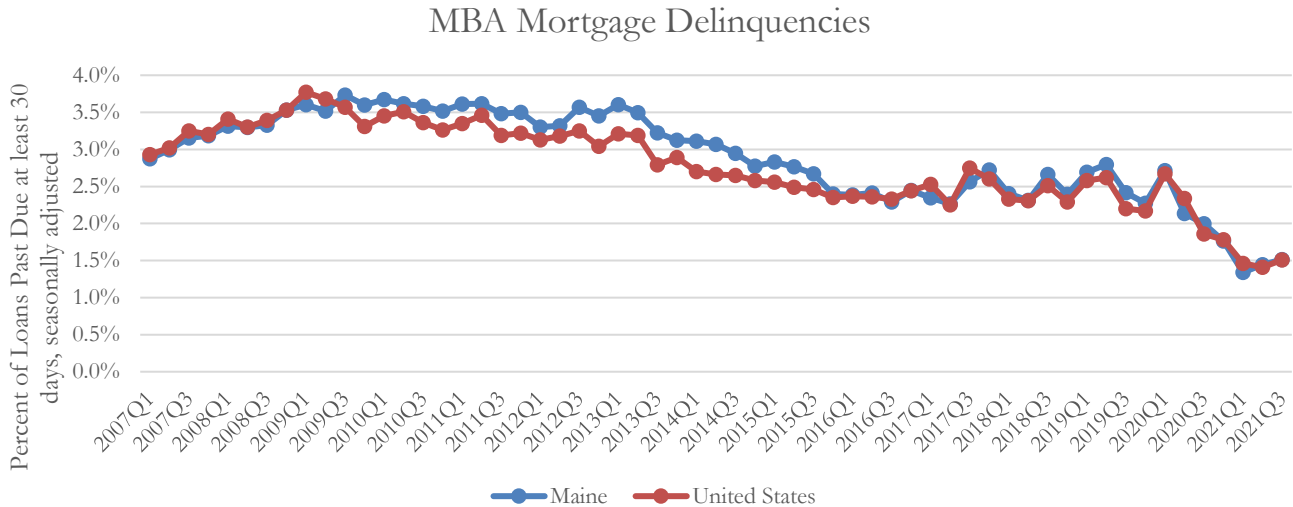
Purchase-Only House Price Index, Seasonally Adjusted



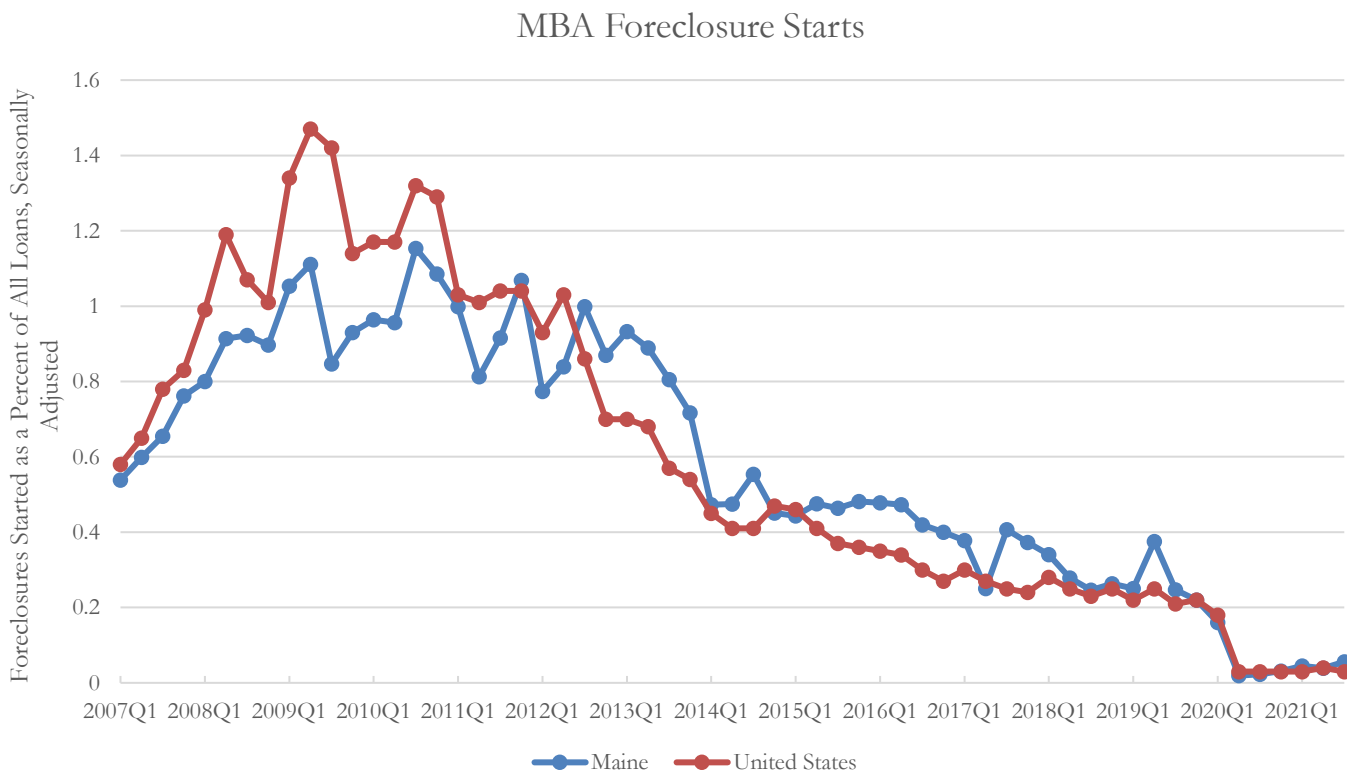
Source: Federal Housing Finance Agency, November 30, 2021 release

6. Borrowing

The share of mortgages in Maine that are delinquent 30 days or more was 1.5% in the third quarter of 2021. Maine's foreclosure rate was 0.04% in the third quarter of 2021, slightly lower than the national rate of 0.068%. The federal foreclosure moratorium ended on July 31, 2021, with the third quarter of 2021 including two months of post-moratorium data.

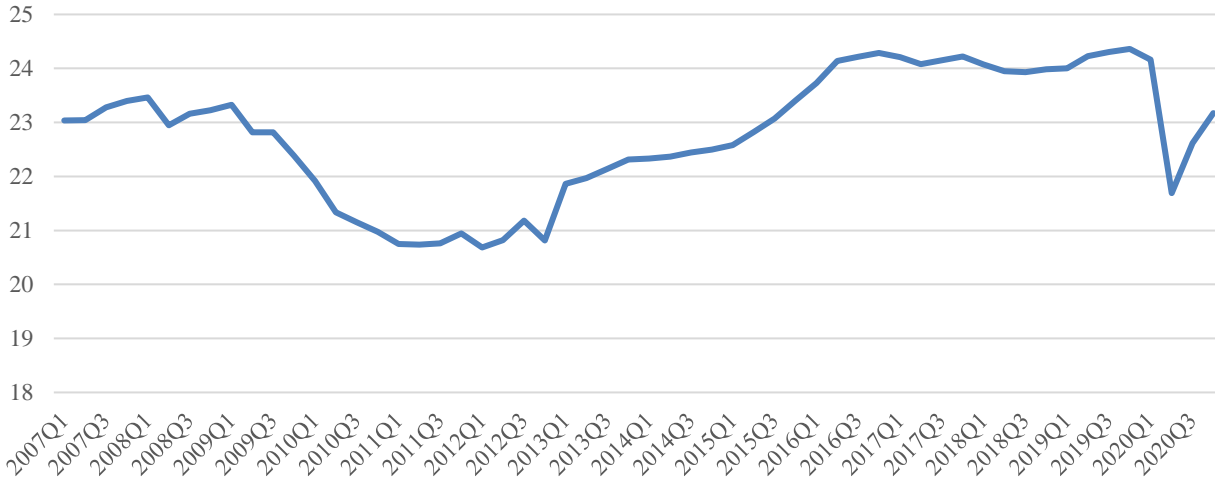


Source: Mortgage Bankers Association, via Moody's Analytics January 14, 2022 release



Source: Mortgage Bankers Association, via Moody's Analytics January 14, 2022 release

Debt to Income Ratio, (%) for Maine



Source: Federal Reserve Board of Governors; U.S. Bureau of Economic Analysis, via Moody's Analytics January 14, 2022 release