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SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

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Consensus Economic Forecasting Commission Background Materials for the March 29, 2019, Forecasting Meeting

Summary

Both the national and state economies had a good year in 2018 with preliminary annual data indicating that both the U.S. economy and Maine economy continue to grow.

Maine's real GDP grew 0.6% in the third quarter of 2018. Personal income in Maine grew 4.0% from 2017 to 2018, while wage and salary income, which is the largest component of total personal income, grew 3.9% over the same period. The debt-to-income level for Maine businesses and households has started declining since its highest level, which was in the fourth quarter of 2017. The Consumer Price Index was up 1.5% in February 2019 from a year ago.

Nationwide, consumer sentiment has improved after the recent government shutdown. The February 2019 level was down 5.9% from a year ago and up 2.9% from January 2019. The small business optimism index was down by 5.5% in February 2019 compared to one year ago, but up by 0.5% from the previous month.

The price of crude oil has continued increasing recently compared to the last month of 2018. However, the price of crude oil is still lower than the high of \$85.44 per barrel last year. Heating oil prices for the winter of 2018-2019 were higher than the previous winter. Heating oil is around \$2.98 per gallon while gasoline is currently averaging \$2.50 per gallon.

Existing single-family home sales in Maine were down 0.5% in February 2019 compared to the same month last year and average housing permits for the February 2018–January 2019 period were 1.0% lower than the previous 12-month period. The median home price in York, Cumberland, and Sagadahoc counties increased by 5.6, 7.3, and 1.9%, respectively, year-over-year. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.30% in the third quarter of 2018.

Average monthly exports for Maine in 2018 were \$235 million compared to average monthly exports of \$226 million in 2017. Between 2017 and 2018, there was a 4.2% increase in total export value.

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

1. Demographic Trends

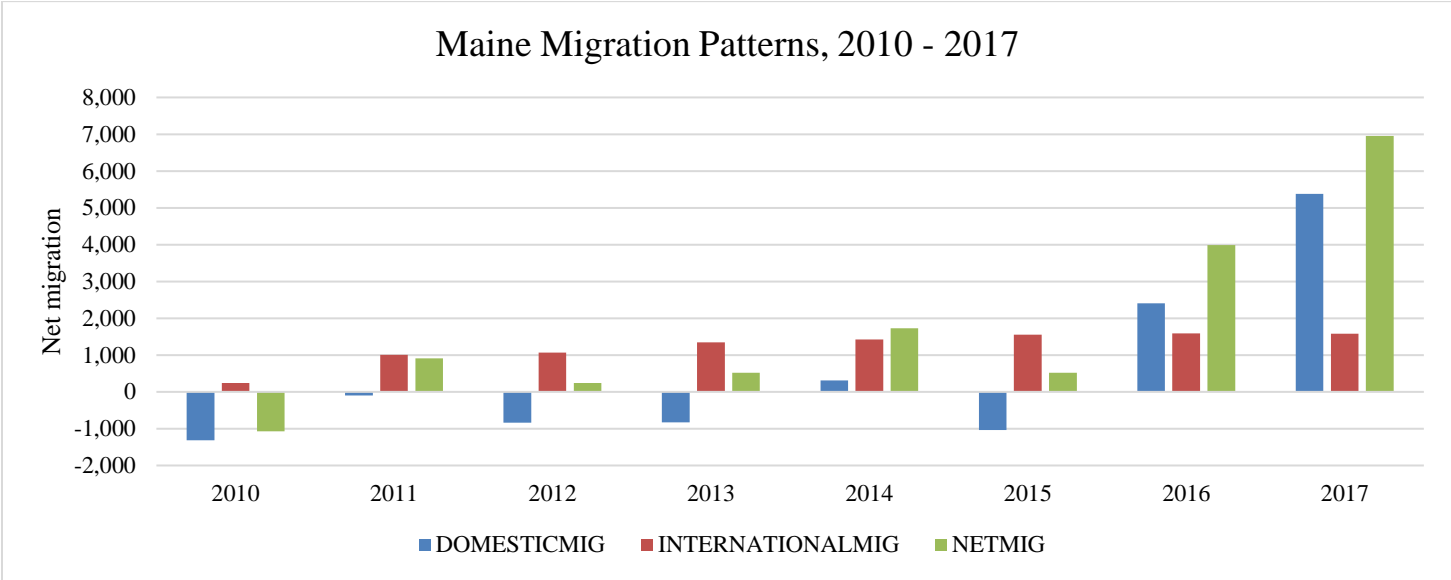
Data from the U.S. Census Bureau's 2017 population estimates indicate that approximately 28 percent of Maine's total population are baby boomers (53-71 years), while 46 percent of Maine's population is working age but not part of the Baby Boom generation (15-52 years). Note that the numbers reported above are subject to substantial revisions. Fertility for women in the age cohort 35 to 50 years old increased from 17 births per 1,000 women in 2016 to 31 births per 1,000 women in 2017. Between 2016 and 2017, the foreign-born population in Maine saw a statistically significant decline from 3.8 to 3.4 percent.

In terms of migration, 13 out of 16 counties saw positive net migration from 2016-2017 with highest net migration in York, Cumberland, and Penobscot counties. The primary contributor to the positive net migration is increased domestic migration with 13 out of 16 counties experiencing positive net domestic migration in 2017. Net domestic migration for the state in 2017 was 6,827. According to the 2017 ACS 1-year estimates, the two age cohorts with the largest net domestic in-migration were 25 to 29 and 30 to 34, with net migration of +3.5 and +2.0 percent, respectively. The table below highlights migration by age.

Maine Domestic Migration by Age, 2016-2017

Age	Domestic in-migration	Domestic out-migration	Net domestic migration	Net migration as a percent of total population
1 to 4 years	932	1,212	-280	-0.5%
5 to 17 years	1,720	2,864	-1,144	-0.6%
18 and 19 years	3,470	2,850	620	1.8%
20 to 24 years	4,476	5,502	-1,026	-1.4%
25 to 29 years	5,240	2,582	2,658	3.5%
30 to 34 years	3,121	1,556	1,565	2.0%
35 to 39 years	1,962	1,709	253	0.3%
40 to 44 years	1,987	1,346	641	0.9%
45 to 49 years	1,357	565	792	0.9%
50 to 54 years	2,308	1,381	927	1.0%
55 to 59 years	1,884	1,515	369	0.3%
60 to 64 years	1,745	1,098	647	0.6%
65 to 69 years	1,297	1,399	-102	-0.1%
70 to 74 years	1,192	869	323	0.5%
75 years and over	1,561	977	584	0.5%
Net			6,827	0.5%

Source: U.S. Census Bureau 2017 American Community Survey 1-year estimates, Sept. 13, 2018 release

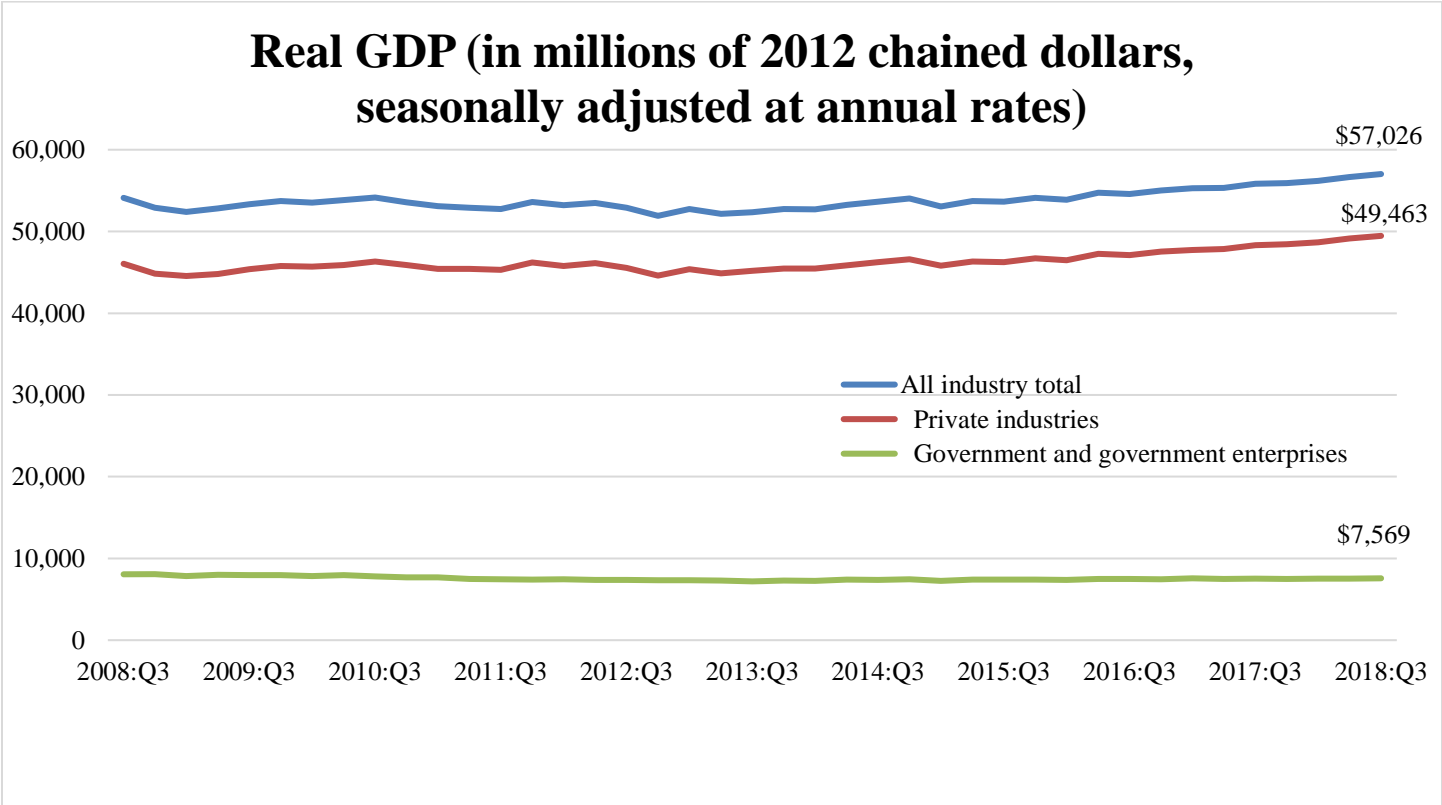


Source: U.S. Census Bureau 2017 Population Estimates, December 20, 2017 release

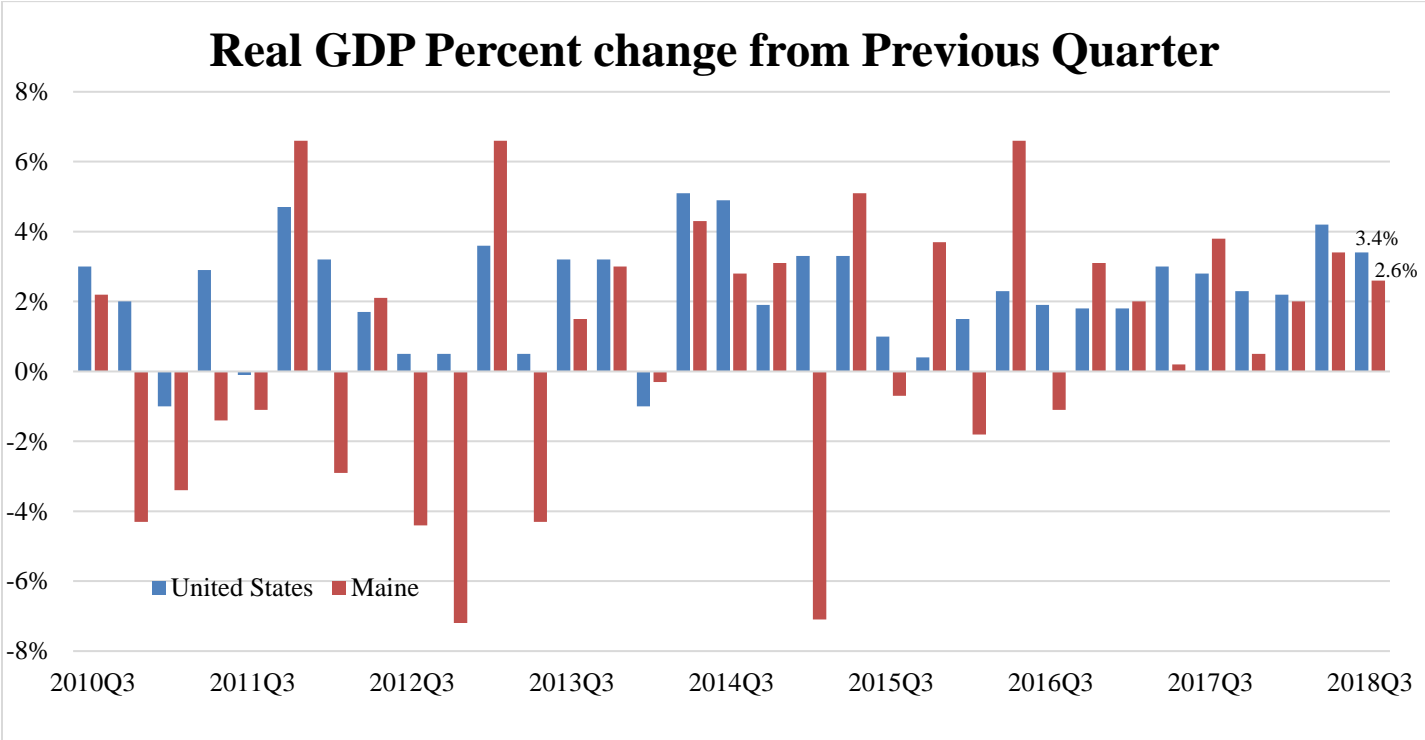
2. State Economy

Gross Domestic Product (GDP)

In the third quarter of 2018, Maine’s real GDP was \$57.0 billion, with \$49.4 billion coming from private industries and \$7.5 billion from government (federal, state, and local). Maine’s total real GDP grew 0.6% from the second quarter of 2018 to the third quarter of 2018. This was lower than the rate of national GDP growth, which was 0.8%.



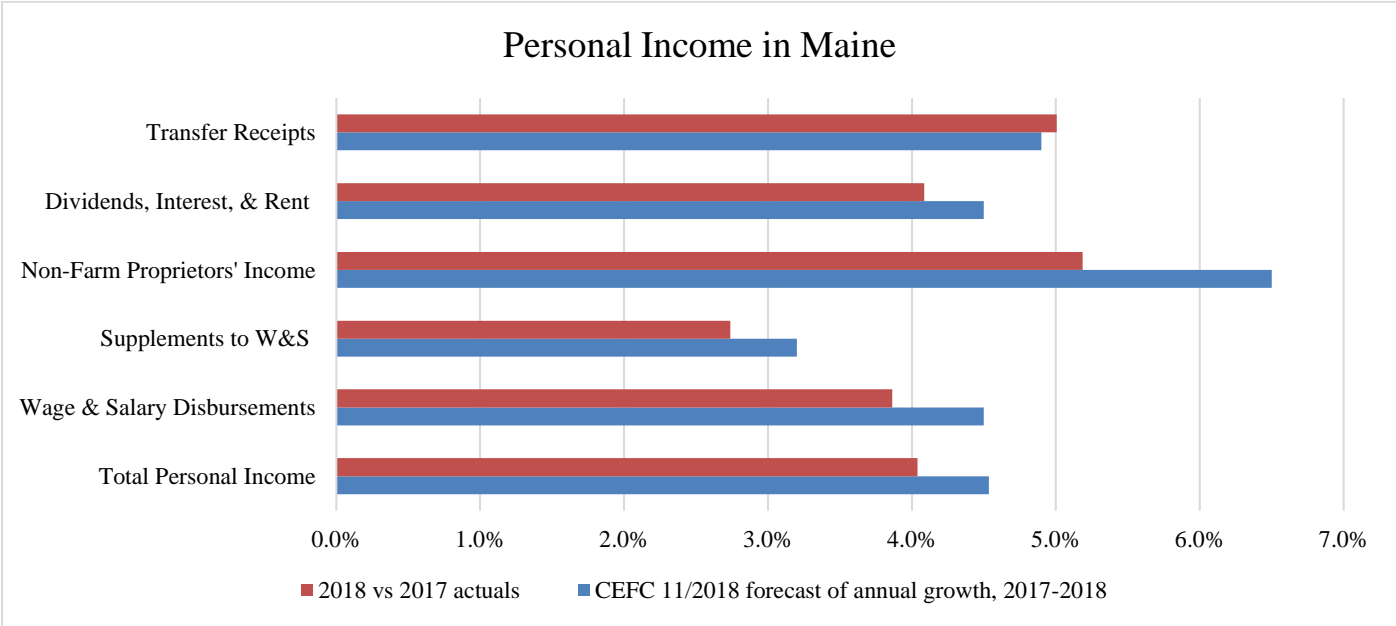
Source: U.S. Bureau of Economic Analysis, February 26, 2019 release



Source: U.S. Bureau of Economic Analysis, February 26, 2019 release

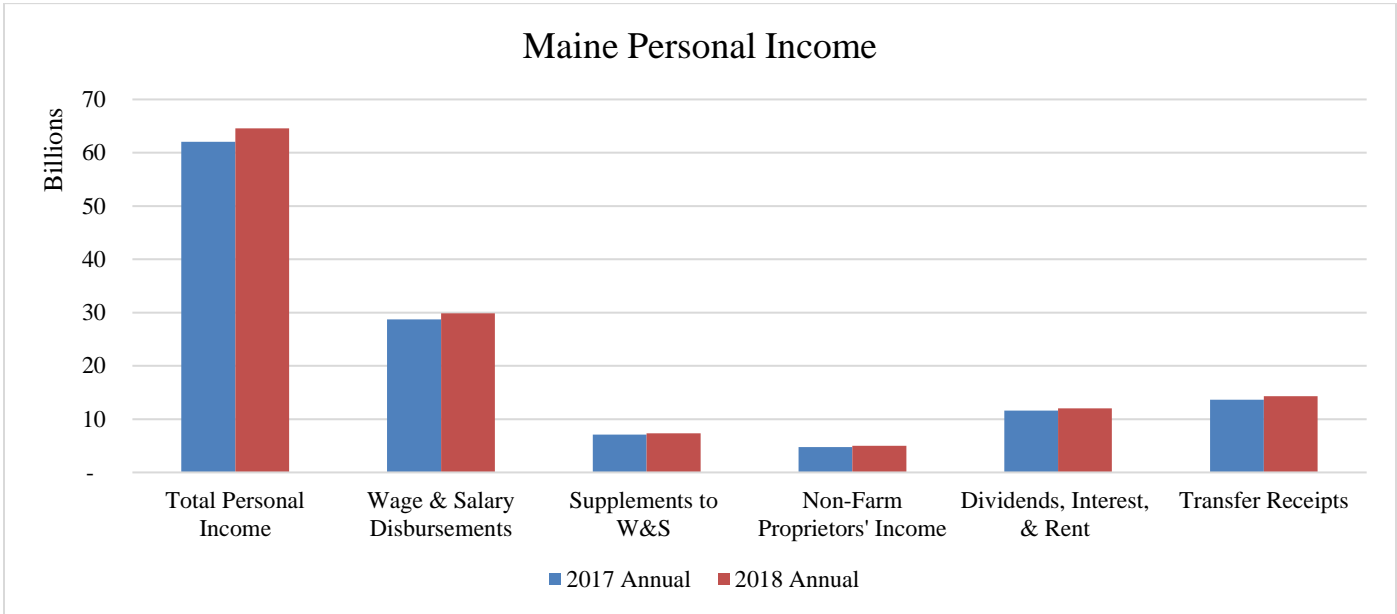
Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 4.0 percent from 2017 to 2018. Wage and salary income grew by 3.9 percent during the same period. Wage and salary disbursements, which are the largest component of personal income, averaged around \$29.8 billion in 2018 (seasonally adjusted at annual rates). Total personal income averaged around \$64.5 billion. In anticipation of upward revisions to the preliminary estimates in September 2019, the CEFC deliberately forecasted higher personal income growth rates based on additional information provided by Maine Revenue Services and the Maine Department of Labor.



Source: U.S. Bureau of Economic Analysis, March 26, 2019 release

Maine Personal Income

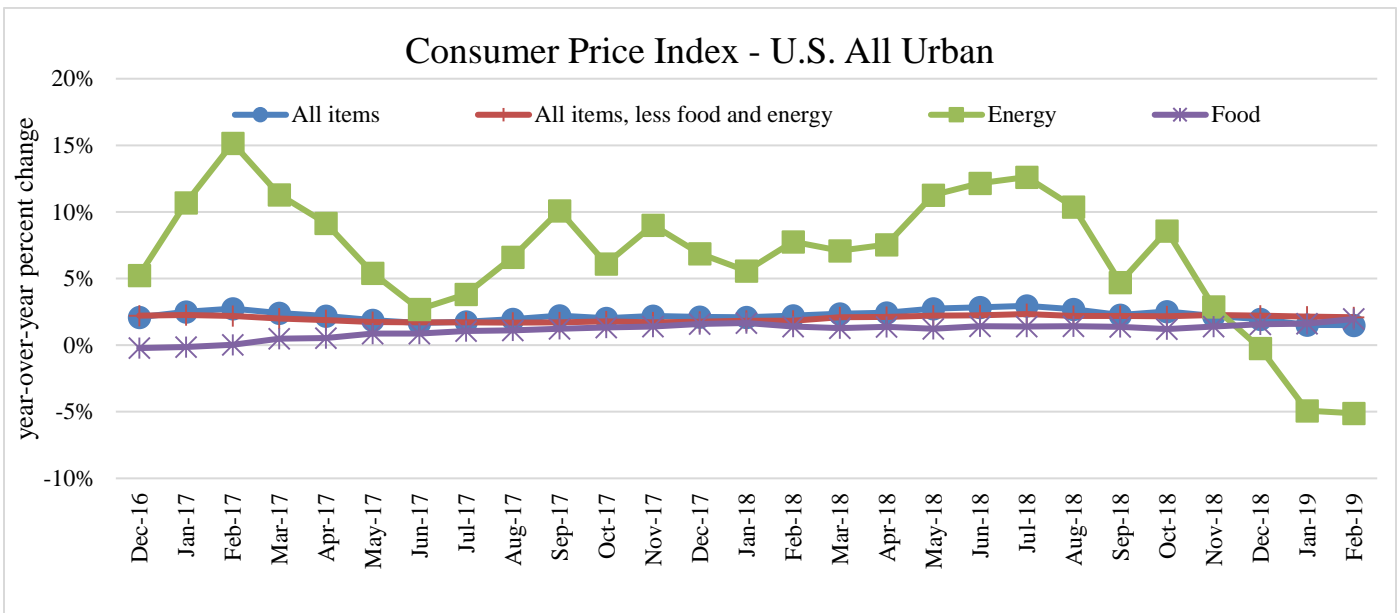


Source: U.S. Bureau of Economic Analysis, March 26, 2019 release

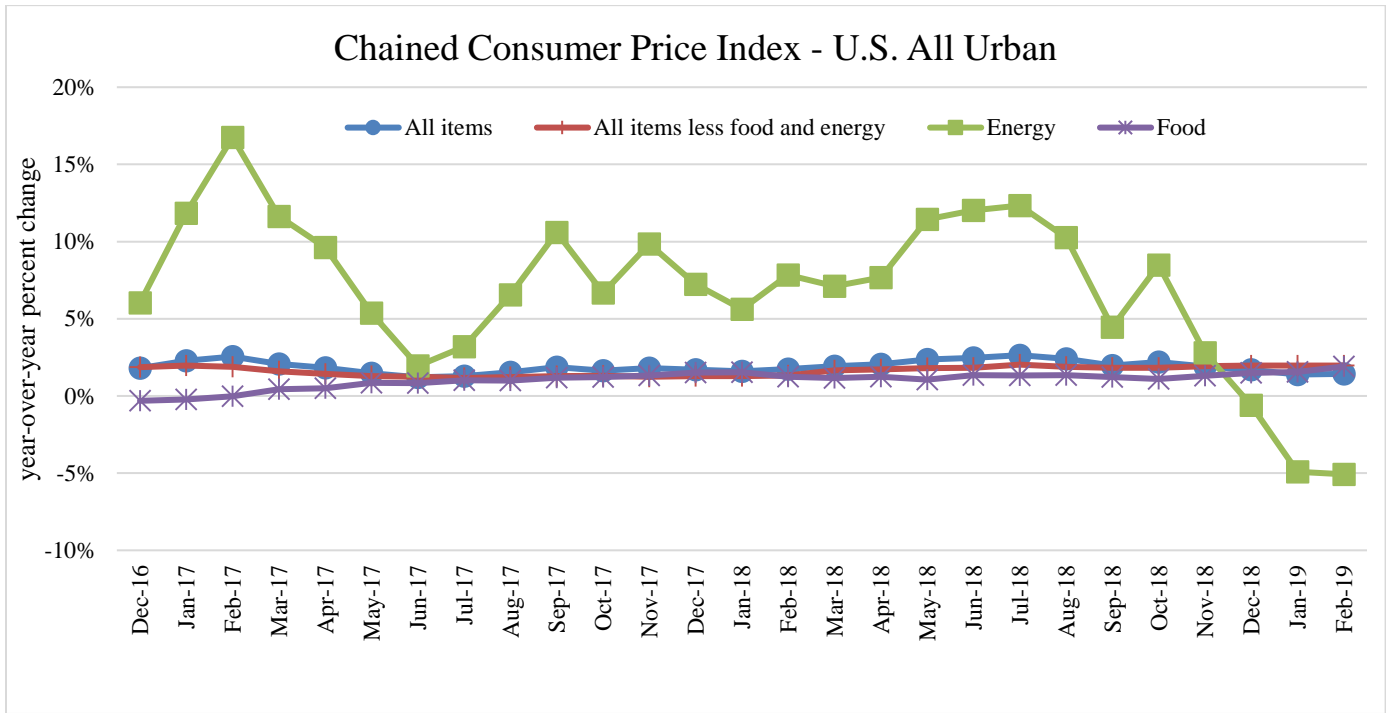
3. Consumption and Expenditures

Consumer Price Index

The Consumer Price Index (CPI) was up 1.5 percent from February 2018 to February 2019. Core inflation, which excludes food and energy prices, rose 2.1 percent over that same period. CPI rose modestly for the first time in four months reflecting slowing economic growth. The Chained Consumer Price Index (Chained CPI) increased 1.4 percent from February 2018 to February 2019. Core inflation rose 2.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.



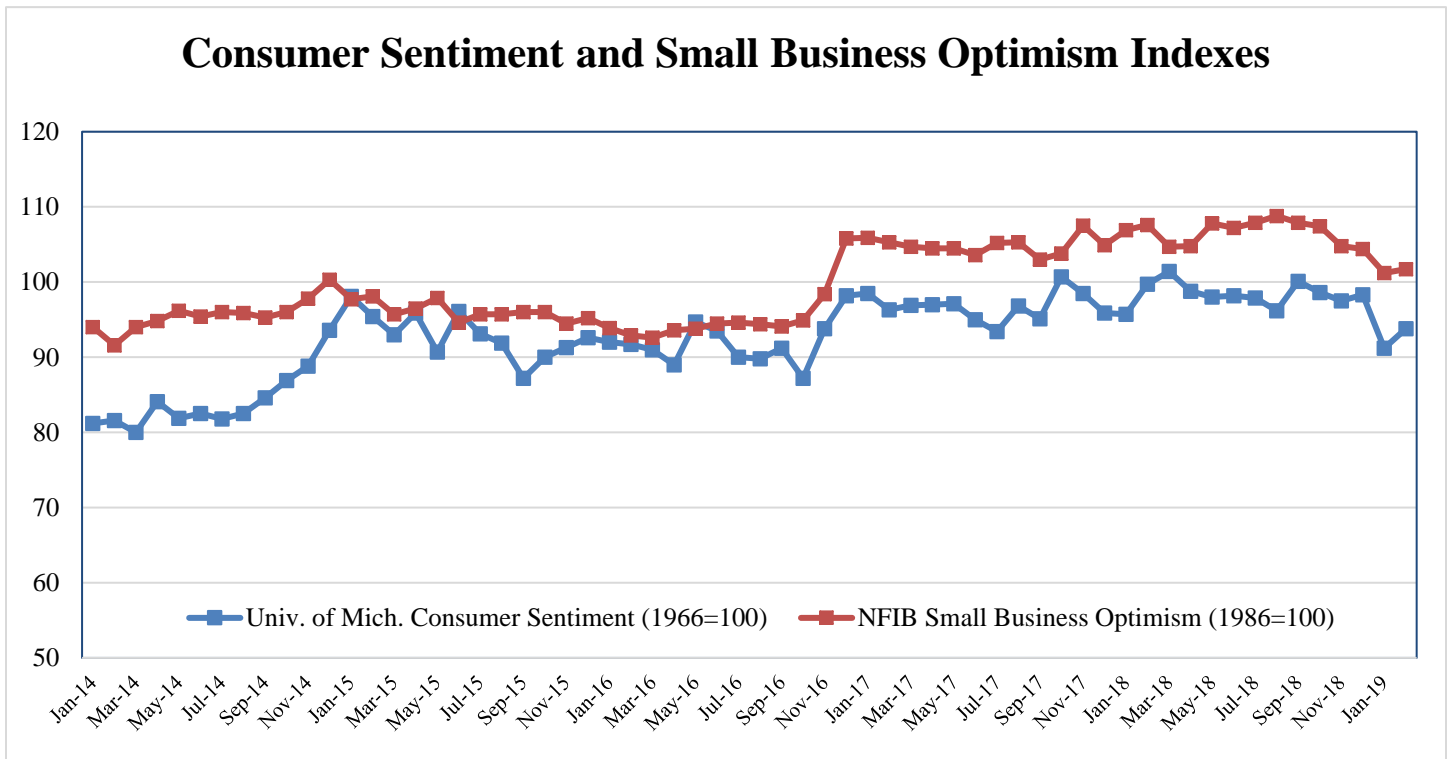
Source: U.S. Bureau of Labor Statistics, March 12, 2019 release



Source: U.S. Bureau of Labor Statistics, March 12, 2019 release

Consumer Sentiment and Small Business Optimism

In February 2019, the survey-based University of Michigan Consumer Sentiment Index increased 2.9% month-over-month and was down 5.9% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 0.5% from the previous month and down 5.5% from a year ago.



Source: University of Michigan, March 1, 2019 release; National Federation of Independent Businesses, March 12, 2019 release

Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 3.4% from the two years spanning FY15/FY16 to the two years of FY17/FY18, while the number of used automobile titles issued decreased 3.0%. Total registrations were up 2.9% from FY15/FY16 to FY17/FY18, though, led by a large increase in trailer and motor homes registrations.

Type	FY15/FY16 Total	FY17/FY18 Total	% Change
Auto			
New	113,170	109,346	-3.4%
Used	351,882	341,172	-3.0%
Bus	-	-	
New	298	344	15.4%
Used	321	286	-10.9%
Trucks	-	-	
New	9,128	5,845	-36.0%
Used	12,296	10,592	-13.9%
Motorcycles	-	-	
New	4,319	3,645	-15.6%
Used	16,440	13,681	-16.8%
Trailers	-	-	
New	41,928	55,990	33.5%
Used	75,048	101,168	34.8%
Motor Homes	-	-	
New	215	299	39.1%
Used	1,026	1,074	4.7%
Unknown	-	-	
New	96	281	192.7%
Used	245	557	127.3%
Total	626,412	644,280	2.9%

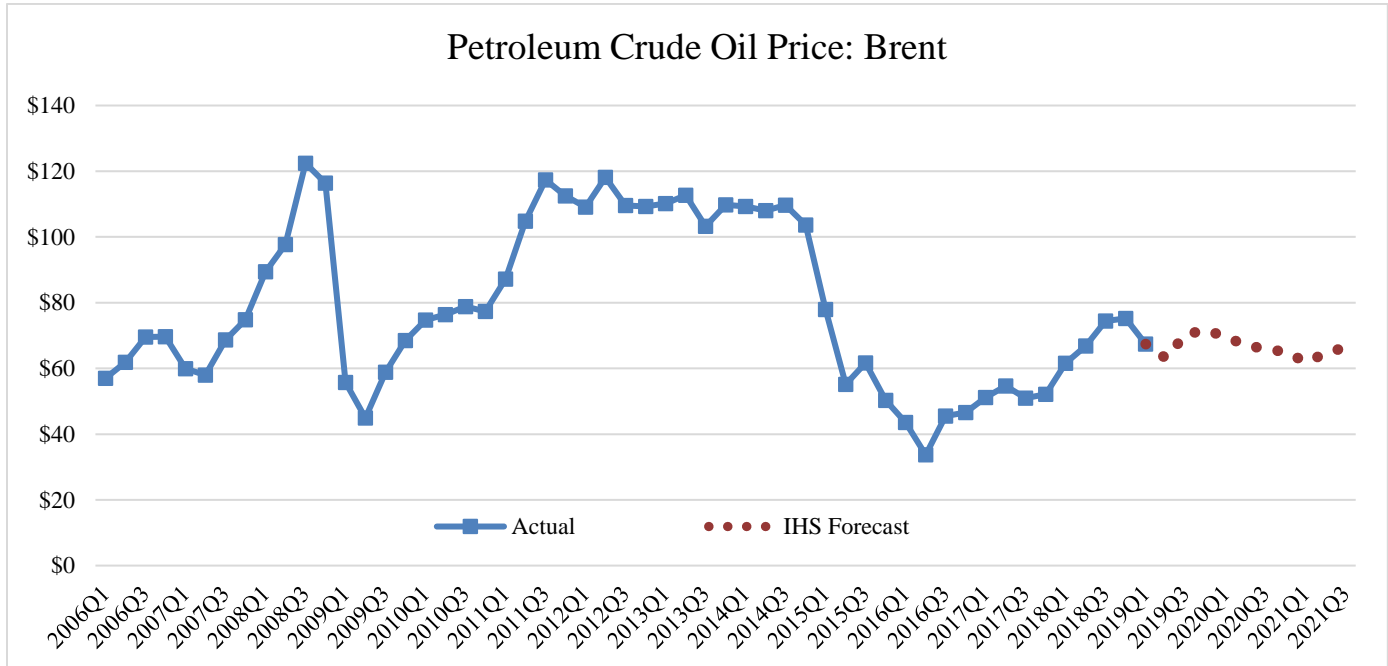
Source: Maine Bureau of Motor Vehicles

4. Energy Sector

The U.S. Energy Information Administration (EIA), in their Annual Energy Outlook 2019, press release, indicated that the U.S. will become a net energy exporter in 2020 and this will be coupled with slow growth in U.S. energy consumption. In the short-term outlook published in March 2019, EIA forecasts that Brent spot prices will average \$63/b in 2019 and \$62/b in 2020.

Crude Oil

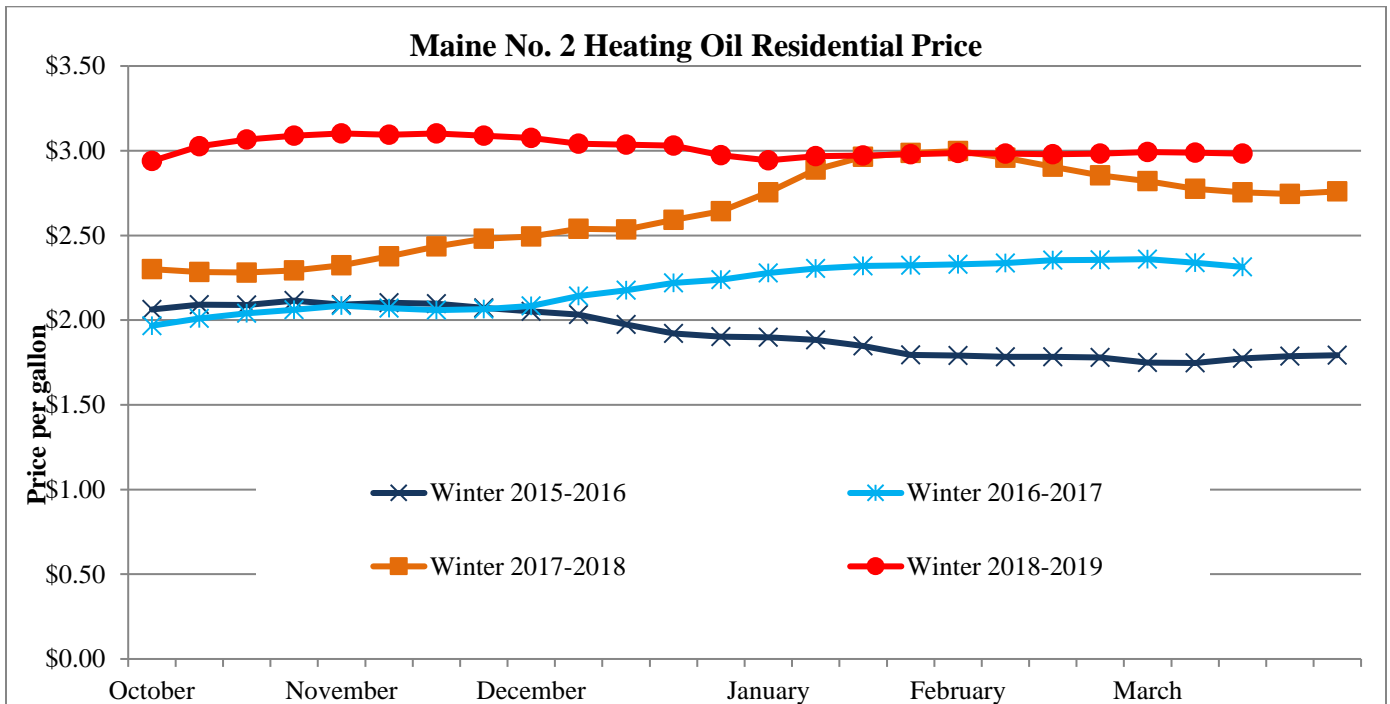
The price of Brent crude oil is lower than last quarter (2018Q4) by 15 percent. The price/barrel as of March 25, 2019, was \$67.37.



Source: IHS, March 2019 release

Heating Oil

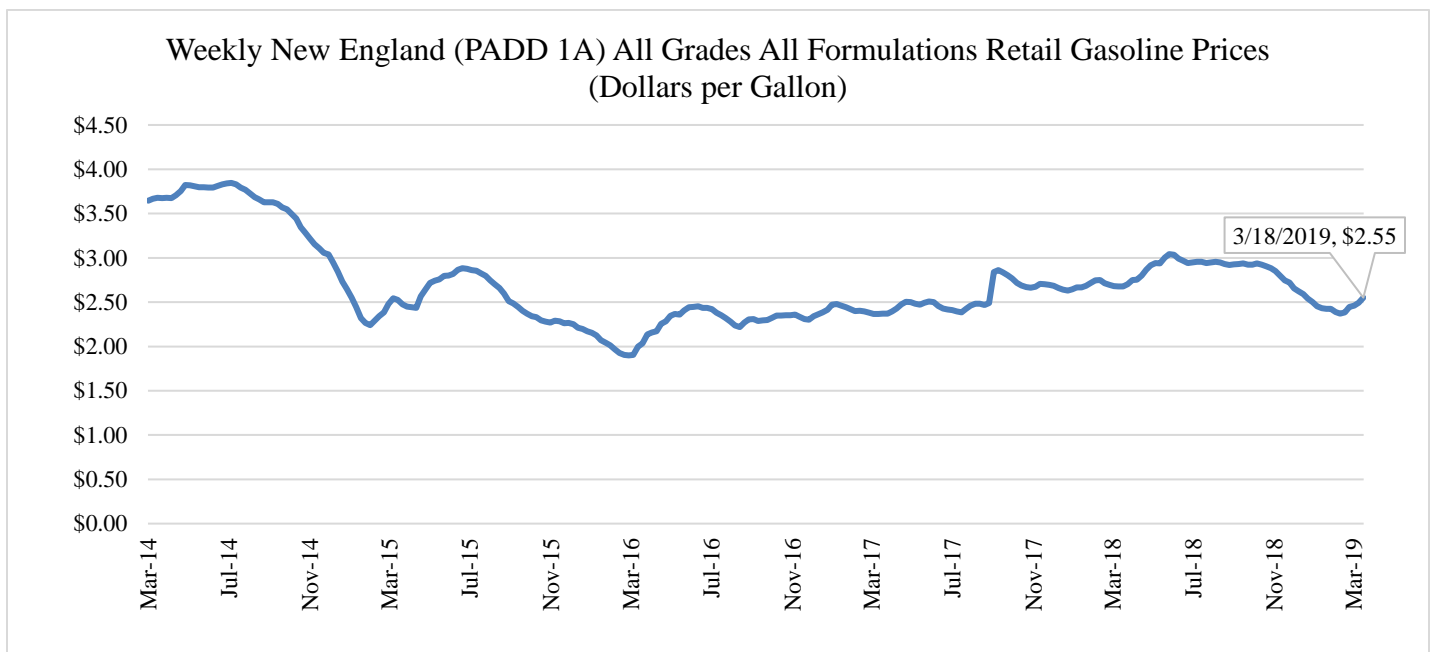
The current statewide average cash price of No. 2 heating oil in Maine was \$2.98/gallon based on the March 20 update and has risen by approximately 0.1% since a month ago.



Source: U.S. Energy Information Agency, March 20, 2019 release

Gasoline

The price of gasoline in New England averaged \$2.55 the week of March 18, 2019, slightly increased from the previous week and \$0.13 lower than one year ago. The average price of gasoline in the first three months of 2019, \$2.44, is lower than the average price of gasoline in the same period last year (\$2.69).

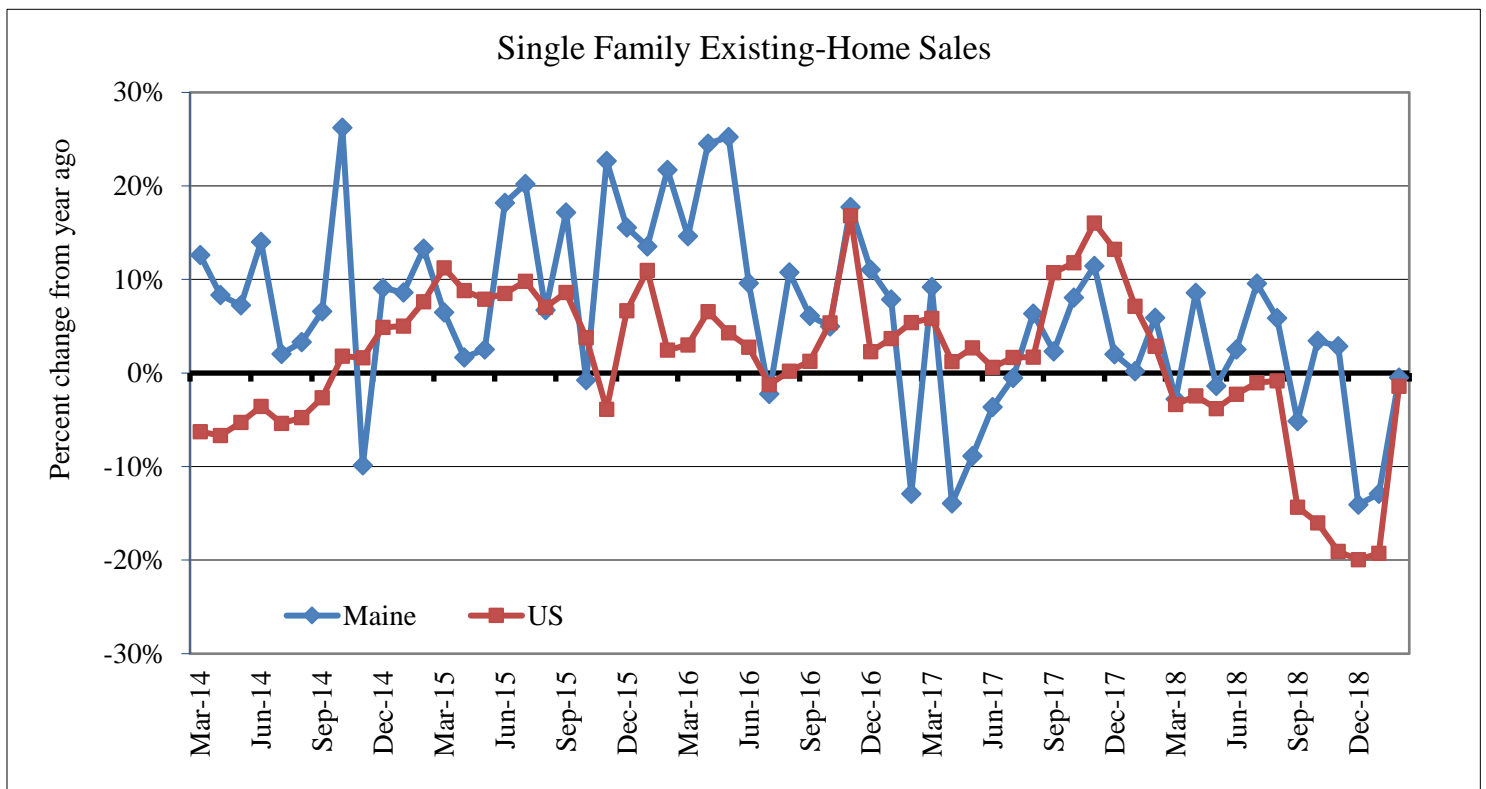


Source: U.S. Energy Information Agency, March 20, 2019 release

5. Housing

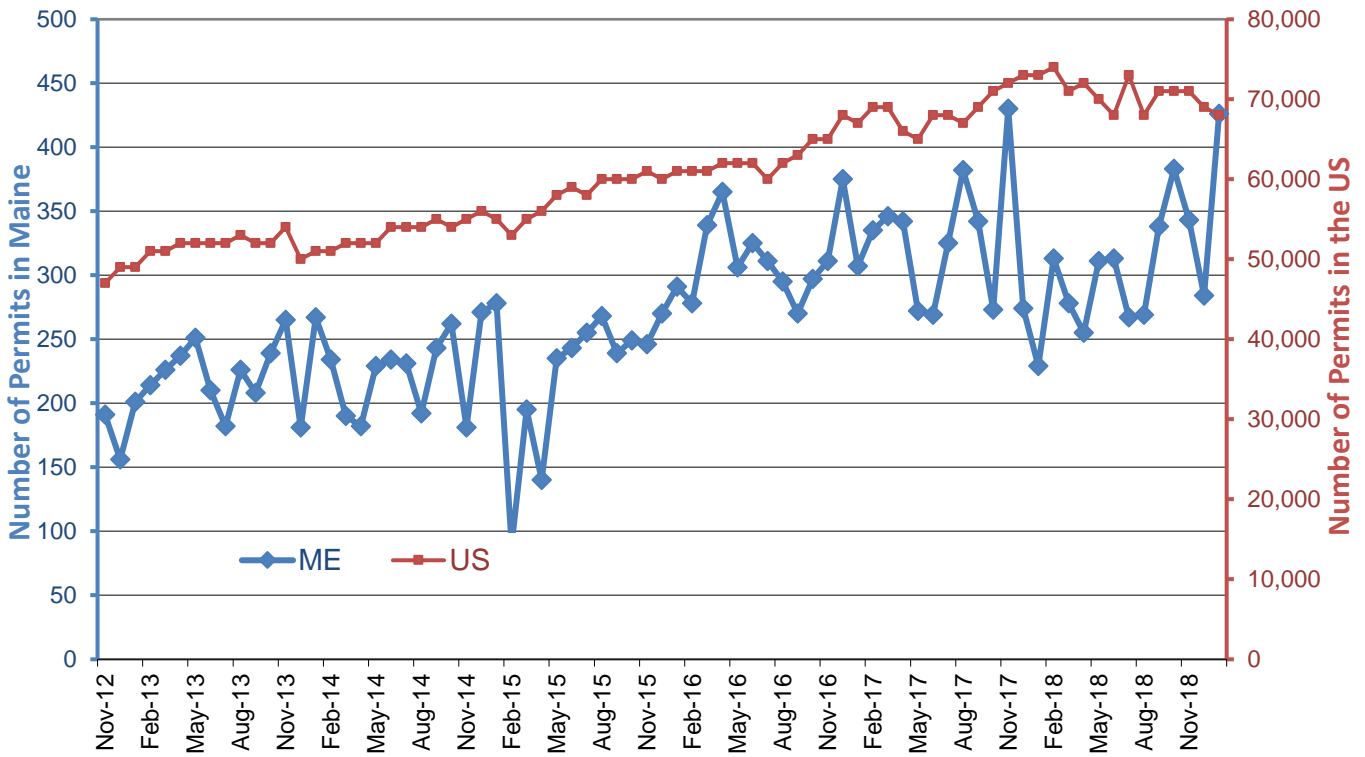
Single family existing-home sales in Maine were down 0.5% in February 2019 compared to February 2018. Although there was a decline in the number of units sold, median sales price of single family homes increased by 2.9% between February 2018 and 2019. Single unit housing permits issued in Maine were 86% higher than a year ago (January 2018) and 50% higher than a month ago (December 2018). Average monthly single unit housing permits in Maine in the 12-month period from February 2018 through January 2019 were 1.0% lower than in the previous 12-month period.

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 5.3% from the same quarter last year (2017:Q4 to 2018:Q4). In the most recent quarter, local growth rates were in line with national growth rates. Further, Maine’s growth in recent quarters has been higher than New England growth rates. Maine’s MSAs - Bangor, Lewiston-Auburn, and Portland-South Portland - have all seen positive growth in house price indexes throughout 2018.



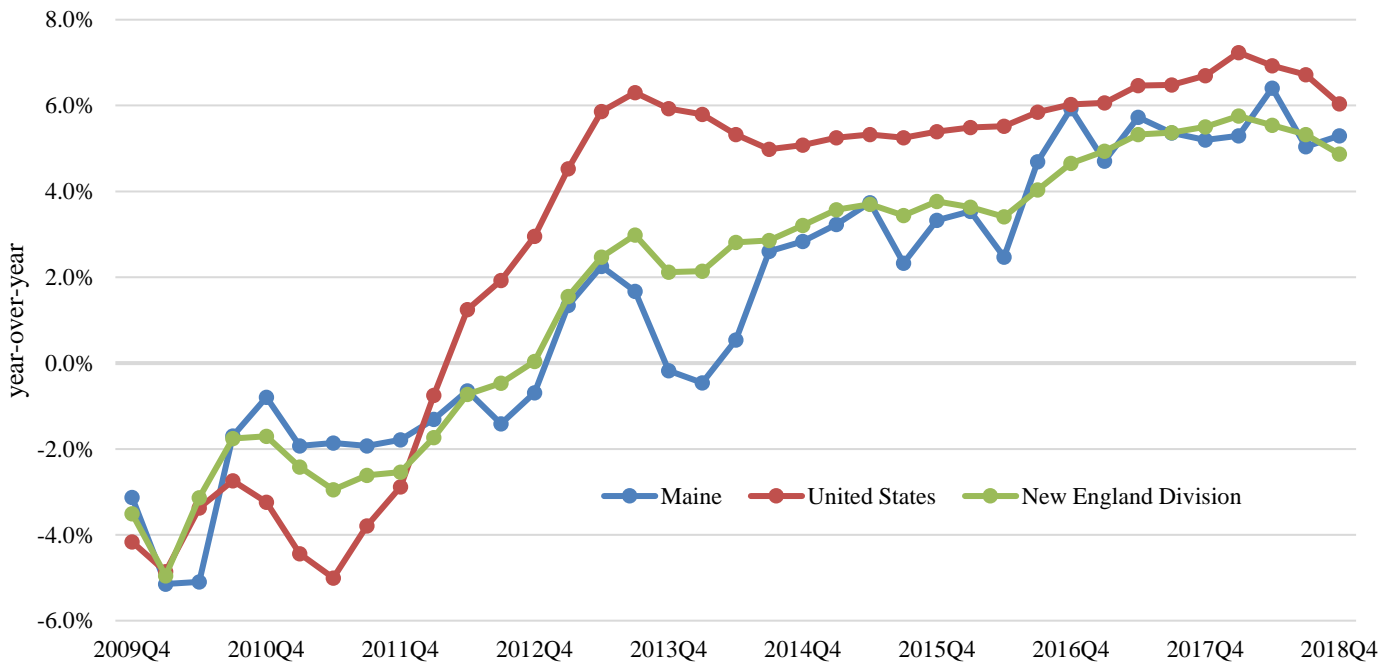
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Single Unit Housing Permits Authorized (Monthly, SA)

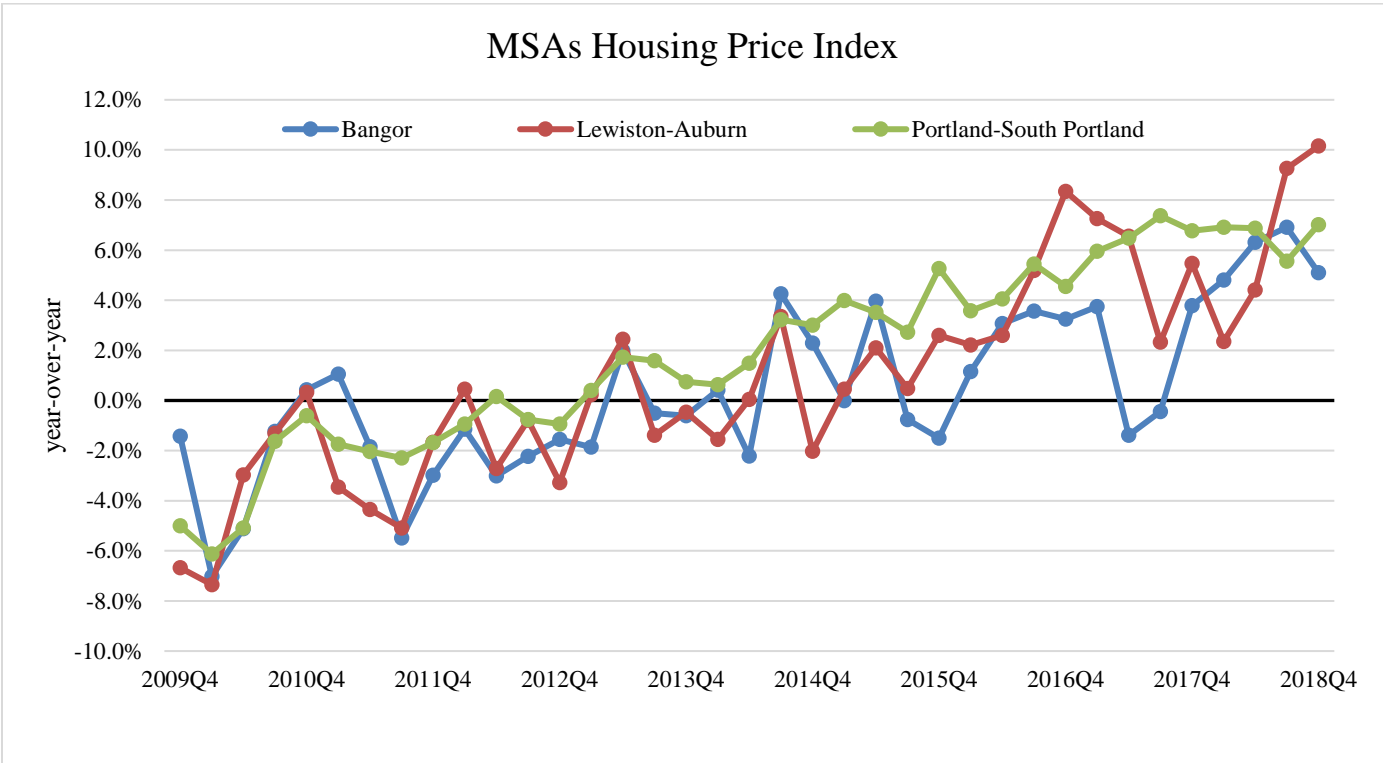


Source: US Census Bureau, March 25, 2019 release, via Federal Reserve Bank of Boston

Housing Price Index



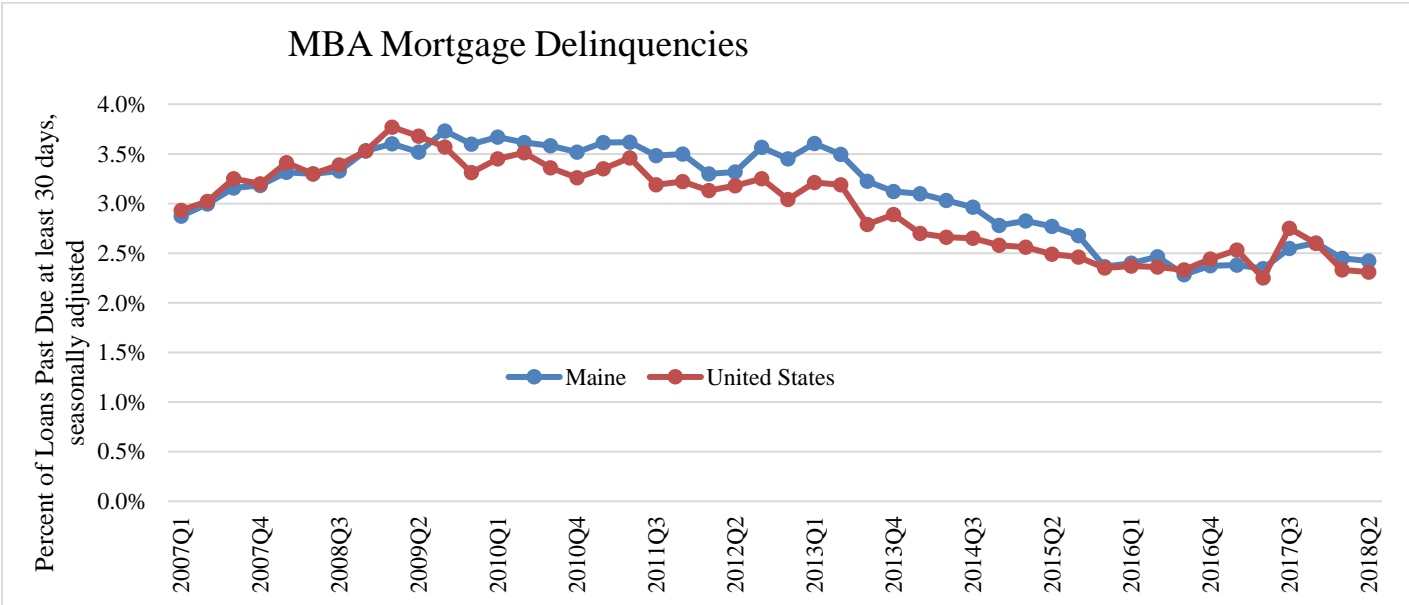
Source: Federal Housing Finance Agency, February 26, 2019 release



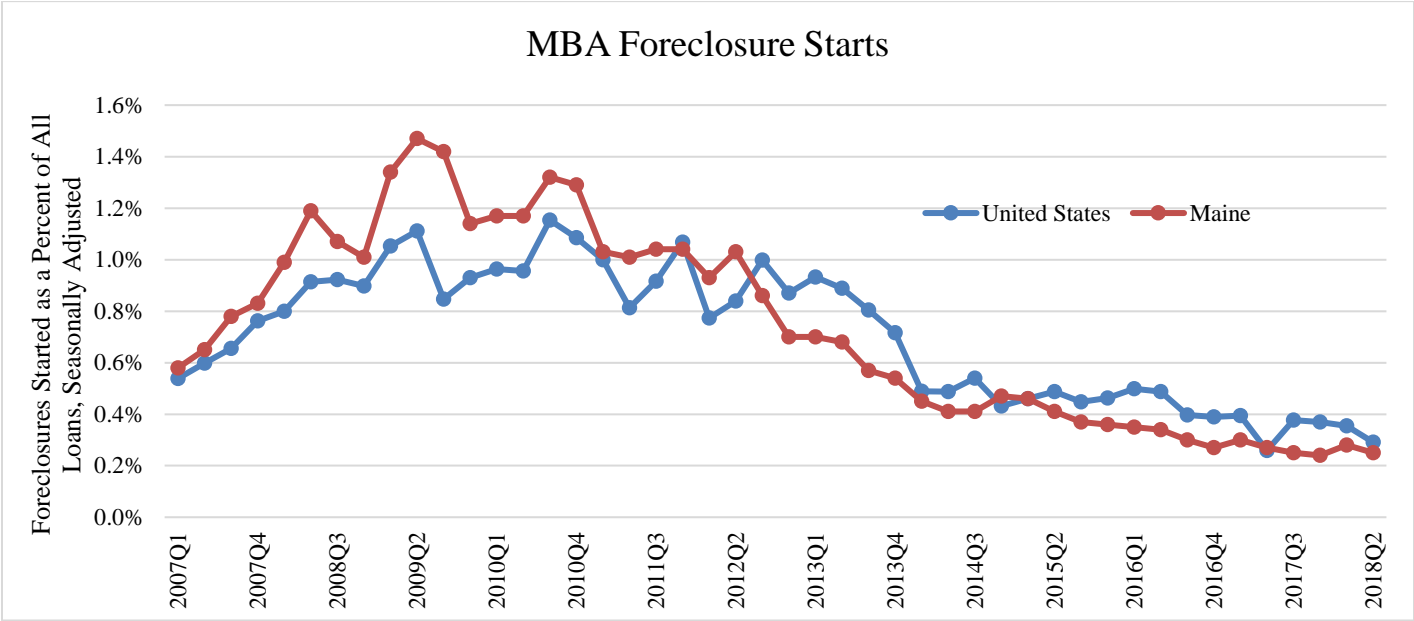
Source: Federal Housing Finance Agency, February 26, 2019 release

6. Borrowing

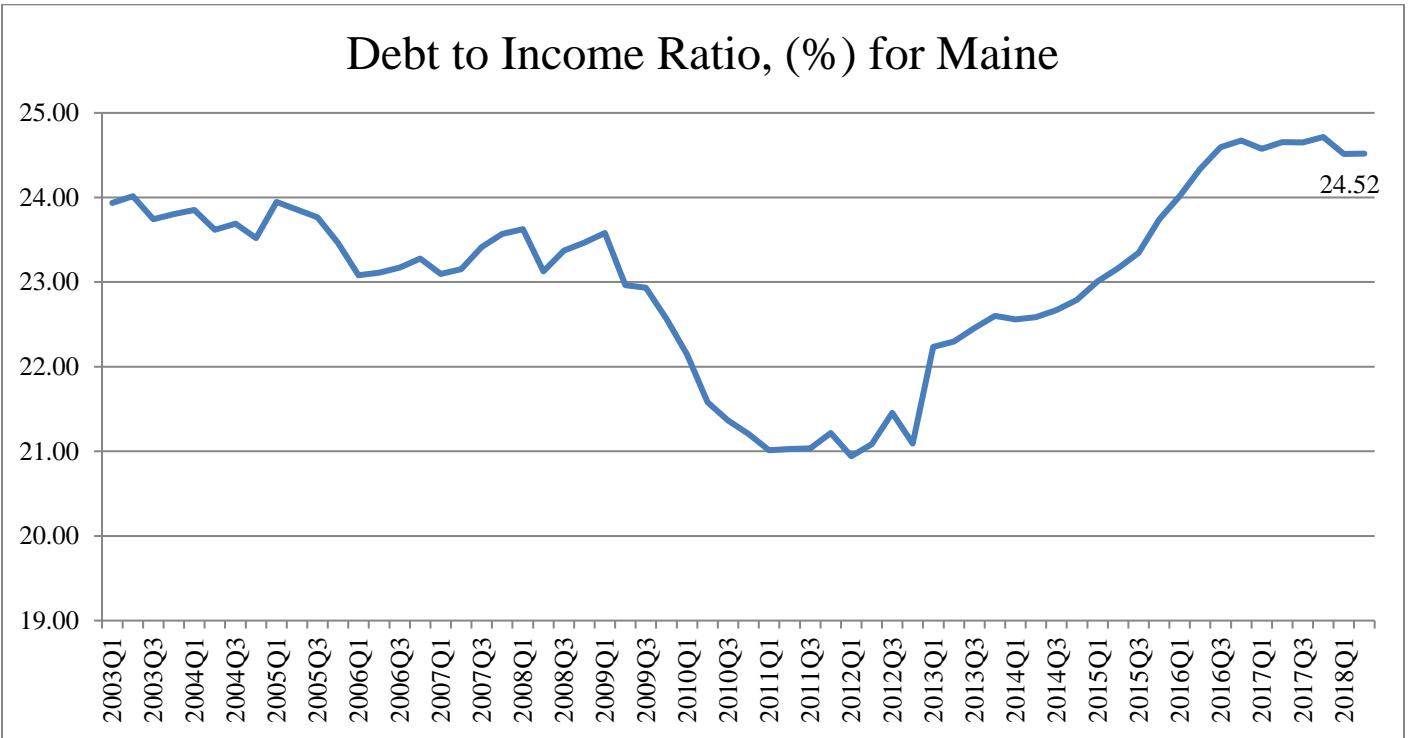
The share of mortgages in Maine that are delinquent 30 days or more was 2.4% in the second quarter of 2018. Maine’s foreclosure rate was 0.3% in the second quarter of 2018, unchanged from the previous quarter but in line with recent foreclosure rates. Maine’s debt to income ratio is 24.52, lower than a high point of 24.71 in 2017Q4.



Source: Mortgage Bankers Association, via Moody’s Analytics Feb. 2019 release



Source: Mortgage Bankers Association, via Moody's Analytics Feb. 2019 release

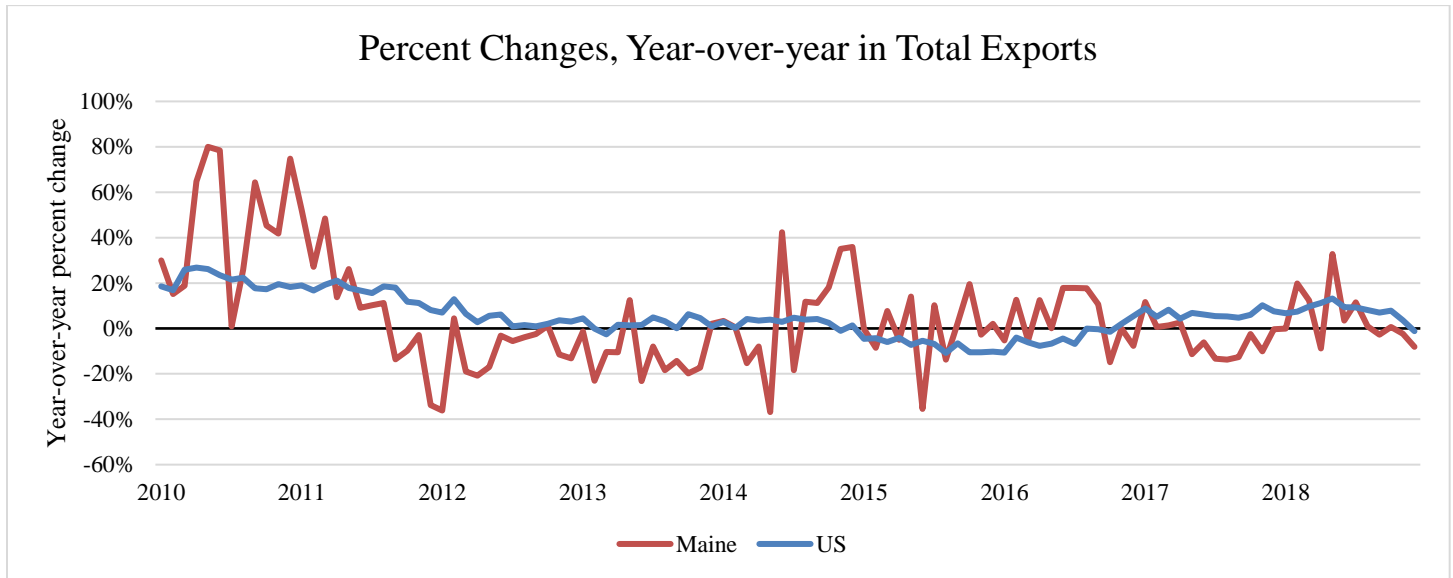


Source: Moody's Analytics, Feb. 2019 release

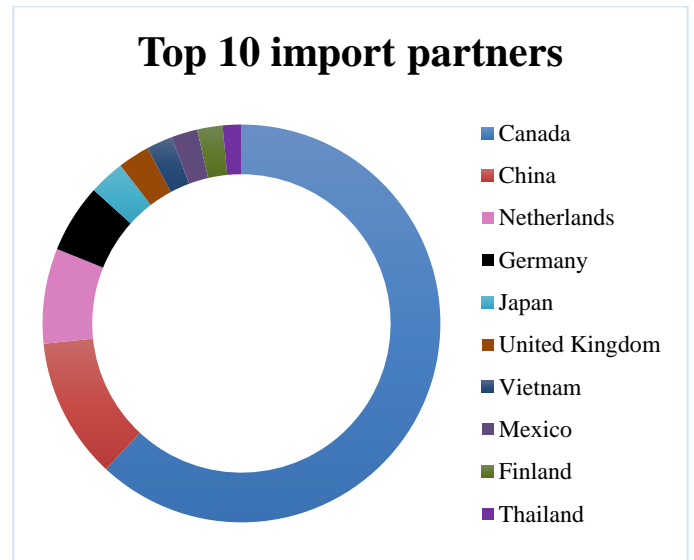
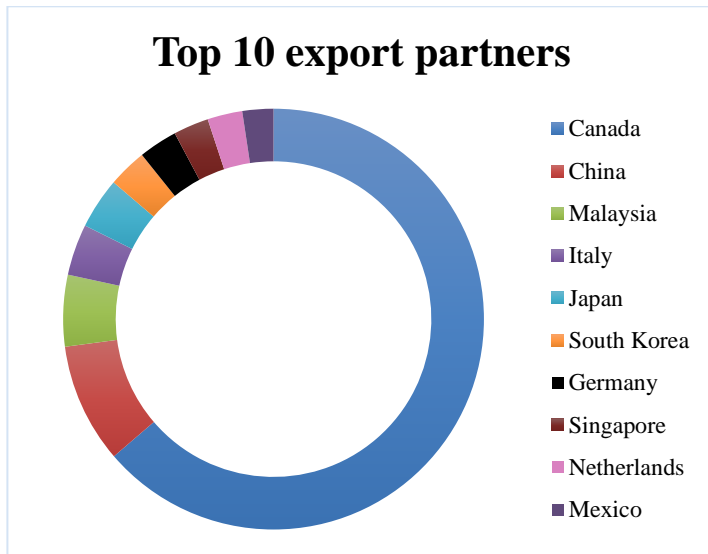
7. Trade Outlook

Exports

Year-over-year comparisons show that compared to December 2017, total exports for December 2018 in Maine decreased by 8.1%. Similarly, year-over-year comparisons show that total exports decreased by 1.1% nationally and 3.1% regionally. Compared to December 2017, two export industries – paper and computer & electronic products – saw increases in total exports, while the fish industry experienced a decline in December 2018.



Source: USA Trade Online, March 6, 2019 release



Source: USA Trade Online, March 6, 2019 release