

# Office of Policy and Management

Executive Department

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## **Consensus Economic Forecasting Commission Background Materials for the March 25, 2015 Forecasting Meeting**

### Summary

The Maine and U.S. economies continued to show signs of improvement since the Consensus Economic Forecasting Commission (CEFC) met in October 2014.

Personal income in Maine grew 2.9% from 2013 to 2014, while wage and salary income, which makes up around half of total personal income, grew 2.7% 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 2014. The Consumer Price Index was unchanged in February 2015 from a year ago, driven by declines in energy prices.

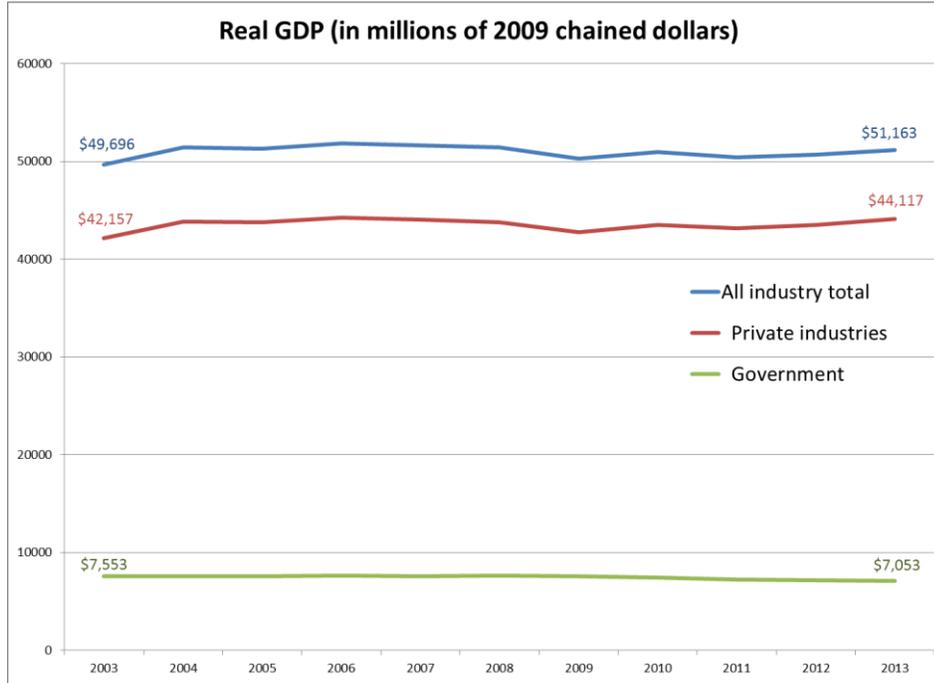
Nationwide, consumer sentiment in February 2015 was 16.9% higher than one year ago while small business optimism increased 7.2% over the previous year's level.

The price of crude oil decreased 25.5% in the fourth quarter of 2014 to around \$77 per barrel. As a result, heating oil prices declined throughout most of the heating season and were considerably lower than the past three years while gasoline prices are also much lower. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 2.2% in FY 2014 compared to FY 2013, while the number of used auto titles increased 7.7%.

Existing single-family home sales in Maine were up 8.6% in January 2015 compared to January 2014 and housing permits for the February 2014-January 2015 year were 1.7% higher than the previous 12-month period. The median home price in the Portland-South Portland-Biddeford Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 0.5% year-over-year in the fourth quarter of 2014. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49% in the third quarter of 2014 and remained above the national rate for a ninth straight quarter.

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

## Gross Domestic Product

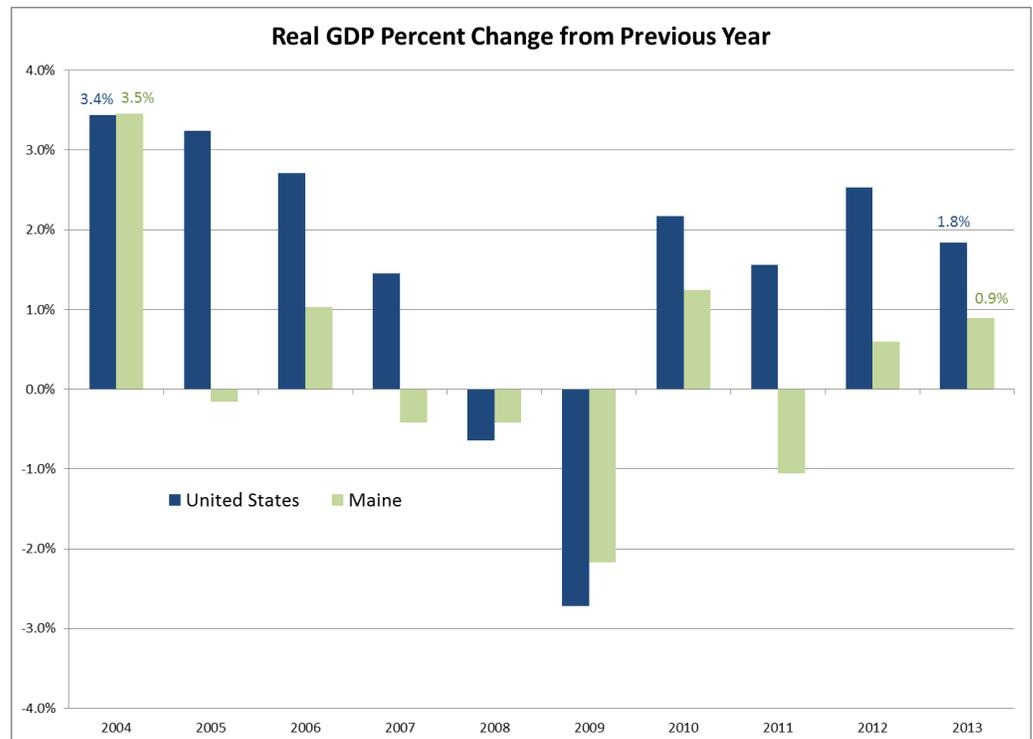


In 2013, Maine's real Gross Domestic Product was \$51.2 billion, with \$44.1 billion coming from private industries and \$7.1 billion from government (federal, state, and local). All of Maine's recent growth in GDP has come from private industry.

Source: U.S. Bureau of Economic Analysis, June 11, 2014 release.

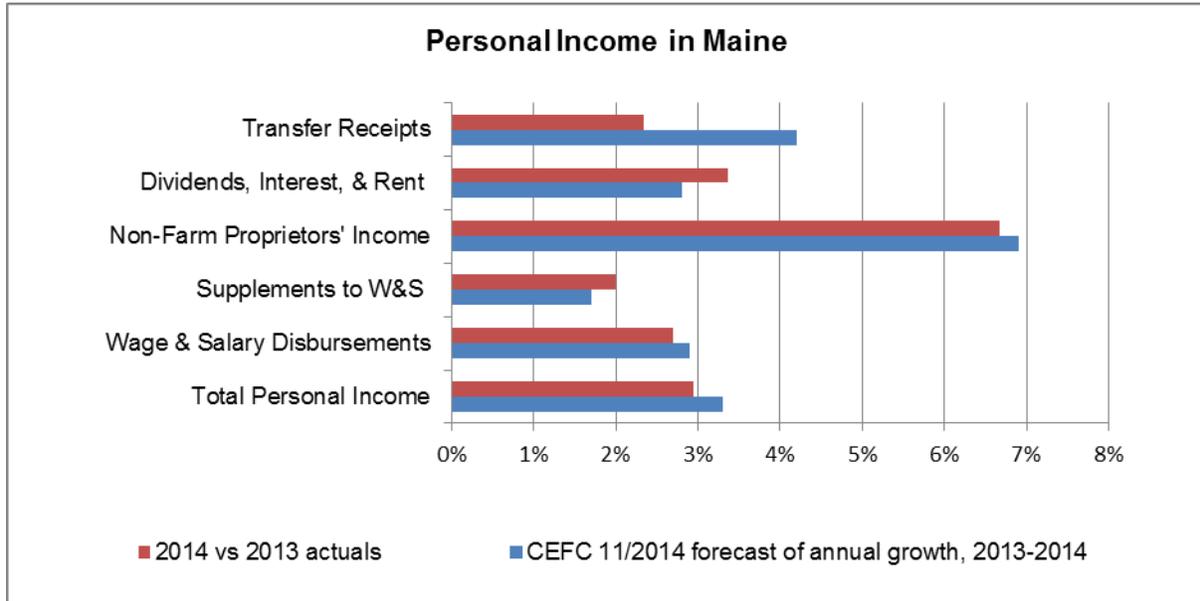
Maine's total real GDP increased 0.9% from 2012 to 2013, the second year in a row of GDP growth. However, this was half the rate of national GDP growth, which was 1.8% from 2012 to 2013.

Source: U.S. Bureau of Economic Analysis, June 11, 2014 release



## Personal Income

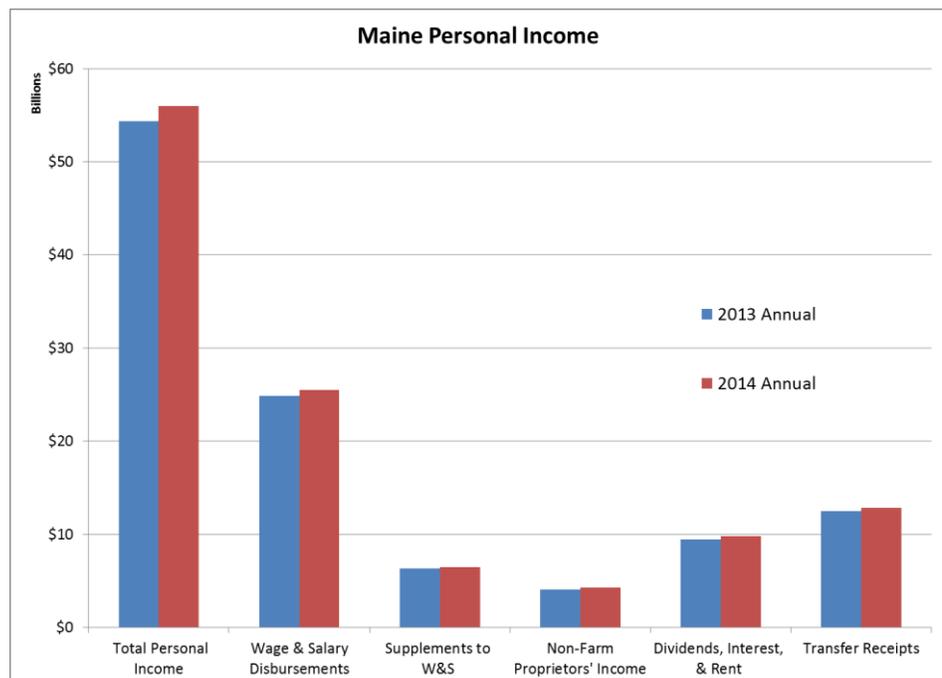
According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.9% from 2013 to 2014 and wage and salary income grew 2.7% year-over-year.

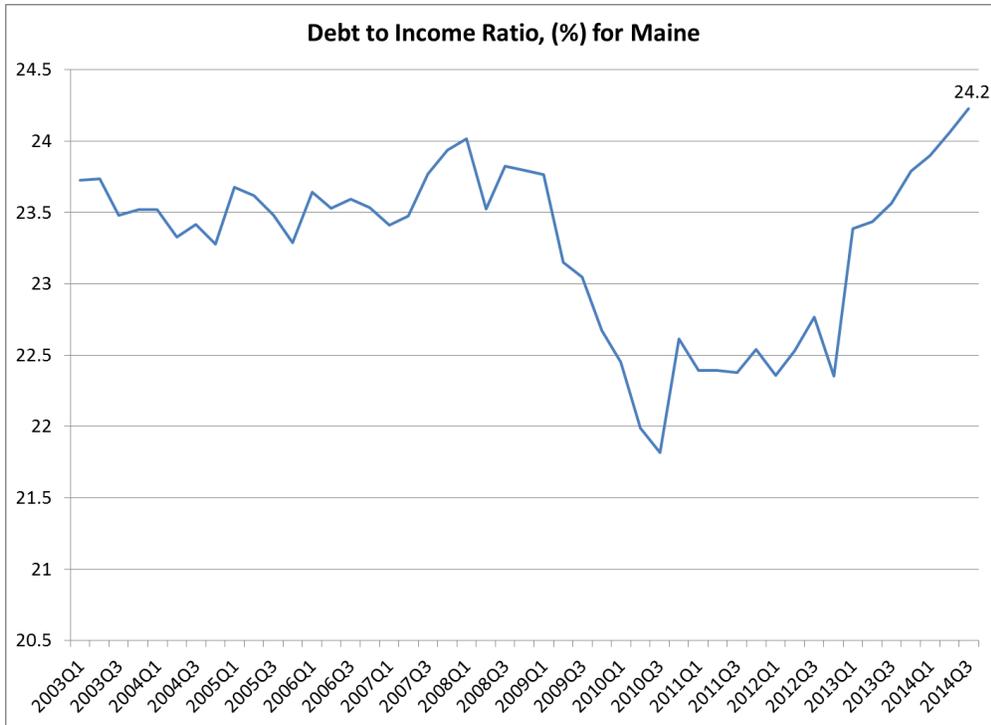


Source: U.S. Bureau of Economic Analysis, March 25, 2015 release

Wage and salary disbursements, which are the largest component of personal income, averaged around \$25.5 billion in 2014 (seasonally adjusted at annual rates). Total personal income averaged around \$56 billion.

Source: U.S. Bureau of Economic Analysis, March 25, 2015 release



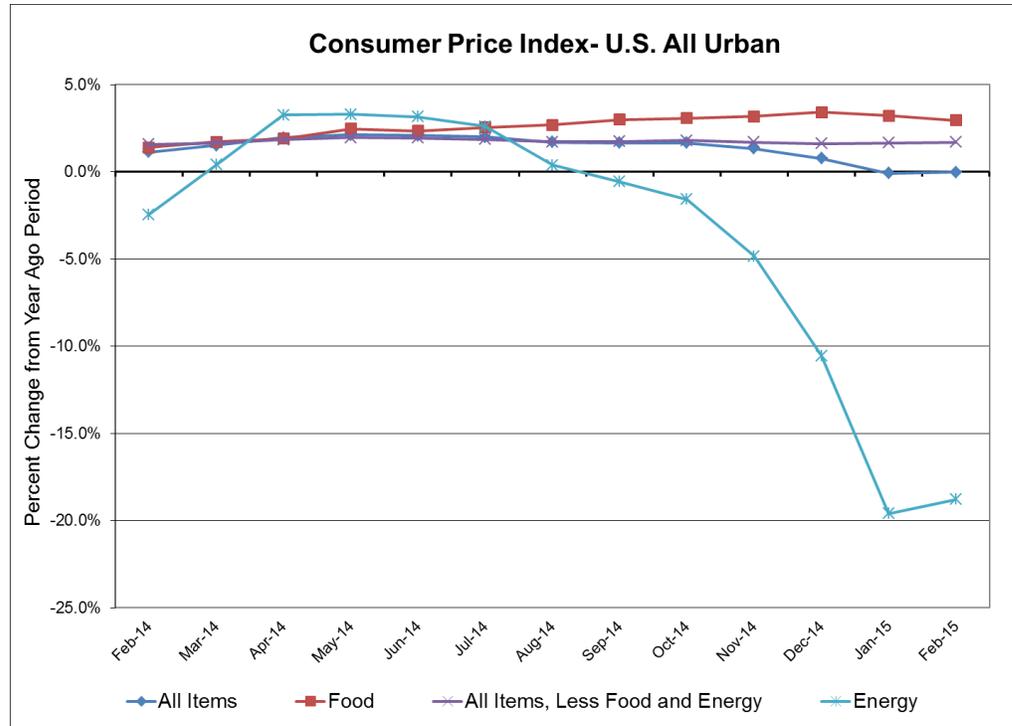


Maine's debt to income ratio was 24.2% in the third quarter of 2014. The ratio is at its highest point since the first quarter of 2008.

Source: Moody's Analytics, February 2015 release

### Consumer Price Index

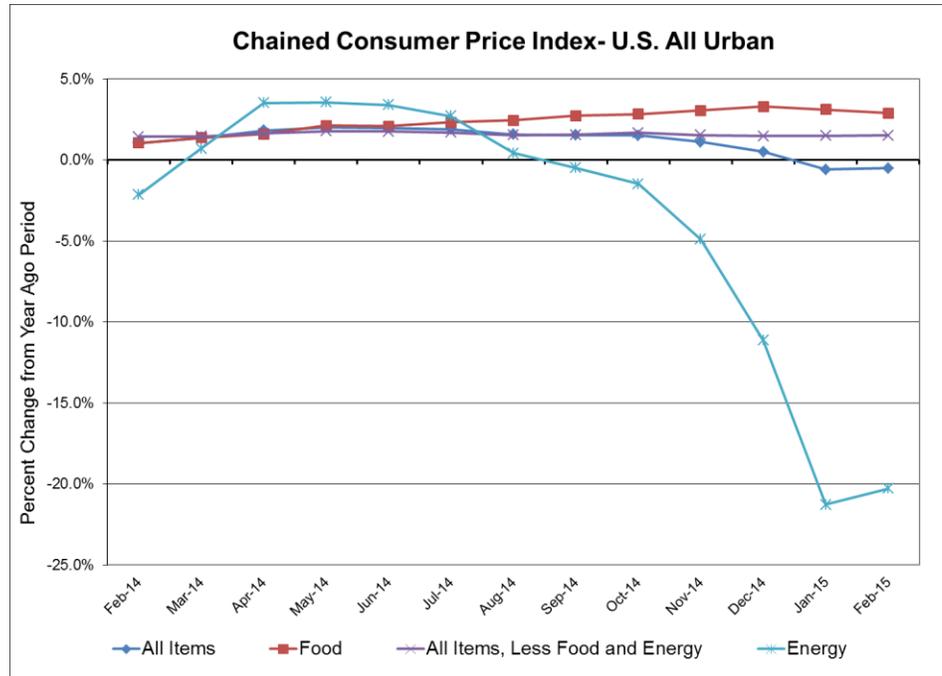
The Consumer Price Index (CPI) was flat from February 2014 to February 2015, dragged down by significant energy price deflation. Core inflation, which excludes food and energy prices, rose 1.7% over that same period.



Source: U.S. Bureau of Labor Statistics, March 24, 2015 release

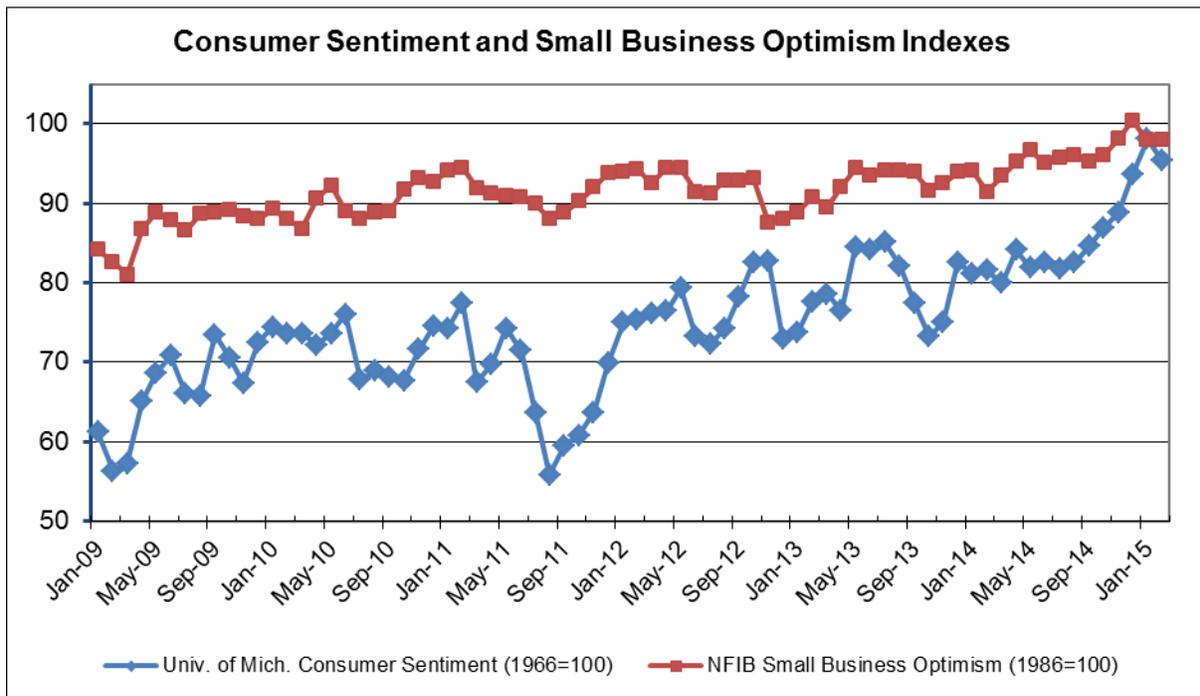
The Chained Consumer Price Index (Chained CPI) declined 0.5% from February 2014 to February 2015, again driven by the drop in energy prices. Core inflation rose 1.5% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, March 24, 2015 release



### Consumer Sentiment and Small Business Optimism

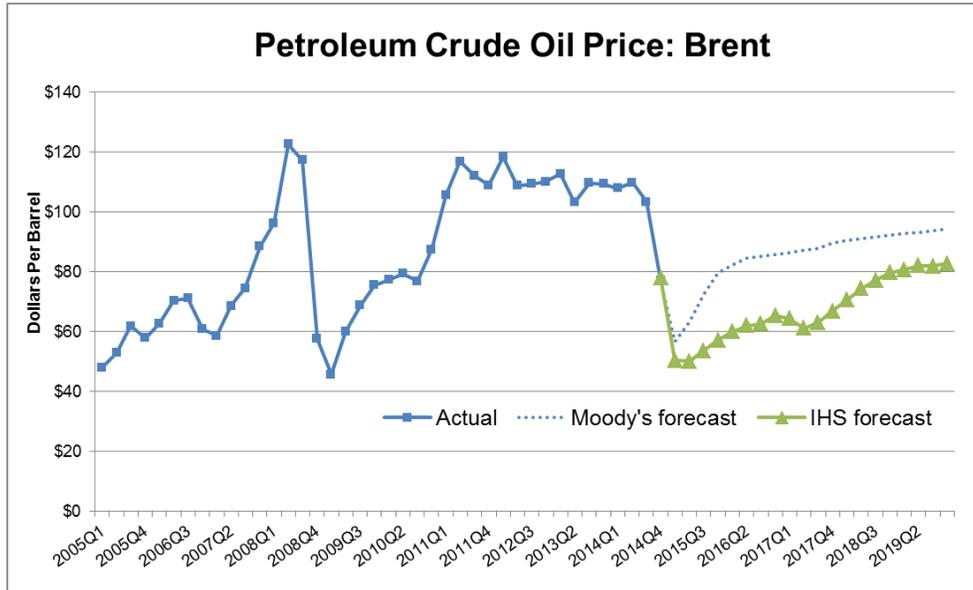
In February 2015, the survey-based University of Michigan Consumer Sentiment Index decreased 2.8% month-over-month but was up 16.9% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 0.1% from the previous month and was up 7.2% from February 2014.



Source: University of Michigan, Feb. 27, 2015 release; National Federation of Independent Businesses, March 11, 2015 release

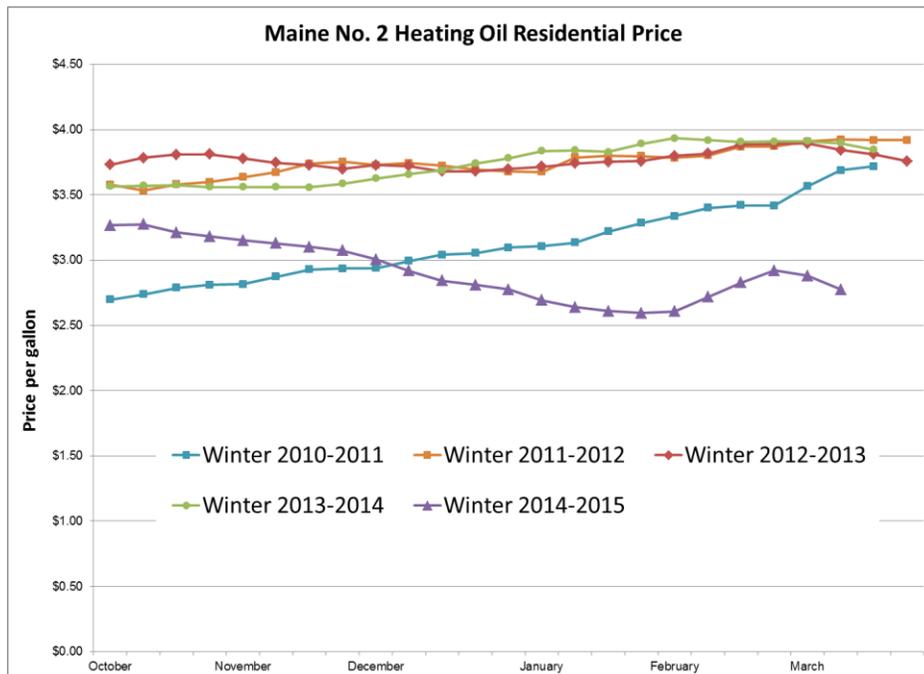
## Crude Oil

The price of Brent crude oil plunged starting in the later half of 2015 and was just \$77.03 per barrel in the fourth quarter of 2014, a decrease of 25.5% from the third quarter of 2014 and a 29.6% decrease from the fourth quarter of 2013.



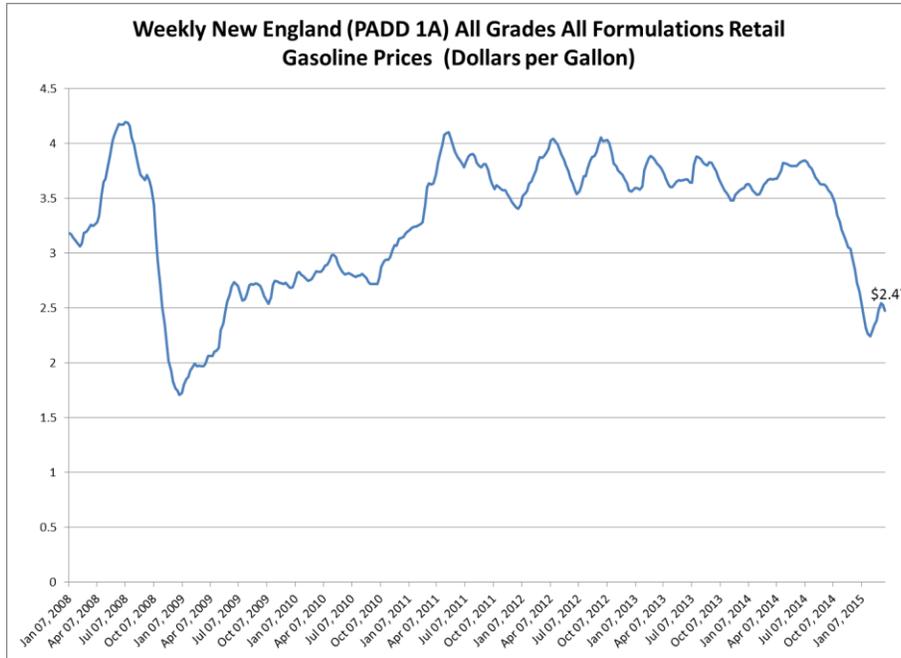
Source: Moody's Analytics, February 2015 release; IHS, February 2015 release

## Heating Oil



Source: U.S. Energy Information Agency

The price of heating oil in Maine began declining near the end of the 2013-2014 heating season and has continued to drop throughout most of the 2014-2015 heating season, most recently at \$2.76/gallon. The price of heating oil in Maine had been fairly steady over the past three heating seasons, averaging around \$3.75/gallon before the recent decline in crude oil prices.



Gasoline

The price of gasoline in New England on March 23, 2015 averaged \$2.47, a decrease of \$0.05 per gallon over the previous week and \$1.20 lower than one year ago. The price of gasoline has dropped \$1.37 per gallon since the July 2014 peak.

Source: U.S. Energy Information Agency

Motor Vehicles

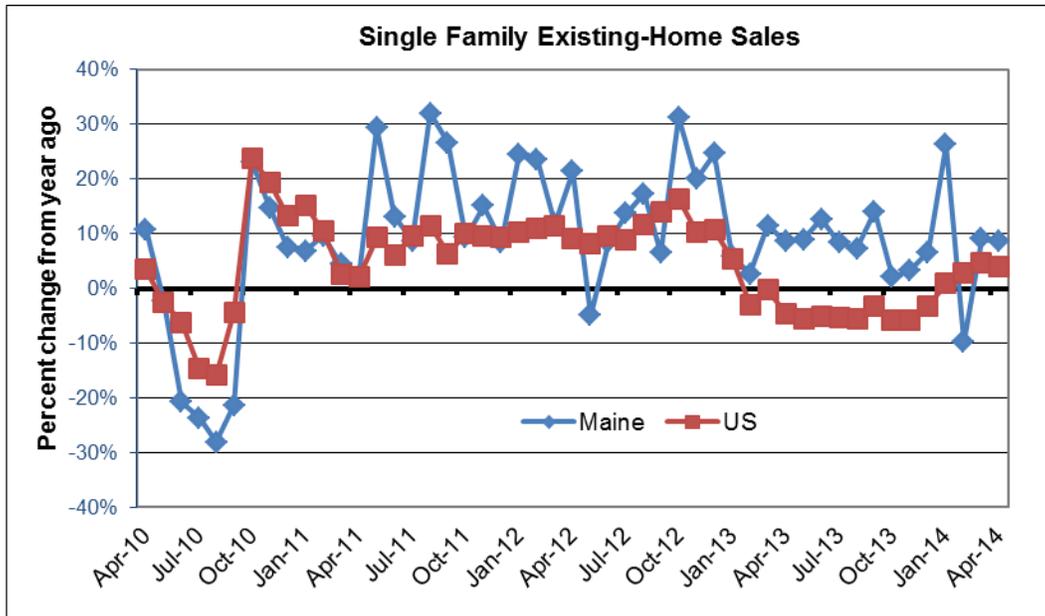
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 2.2% from FY 2013 to FY 2014, while the number of used automobile titles issued increased 7.7%. A major registrant re-titled a very large fleet of trailers in FY13, leading to the substantial decrease in trailer titles in FY14.

Source: Maine Bureau of Motor Vehicles

Maine Bureau of Motor Vehicles			
Title Information			
	FY13	FY14	Change from previous year
Autos - new	62,908	61,521	-2.2%
Autos - used	173,028	186,326	7.7%
Bus - new	122	267	118.9%
Bus - used	70	204	191.4%
Trucks - new	652	3,299	406.0%
Trucks - used	1,044	5,965	471.4%
Motorcycles - new	2,102	2,230	6.1%
Motorcycles - used	6,239	8,595	37.8%
Trailers - new	27,896	7,990	-71.4%
Trailers - used	167,699	18,557	-88.9%
Motor Homes - new	26	89	242.3%
Motor homes - used	188	417	121.8%
Unknown - new	36	145	302.8%
Unknown - used	N/A	693	N/A
<b>Total</b>	<b>442,010</b>	<b>296,298</b>	<b>-33.0%</b>

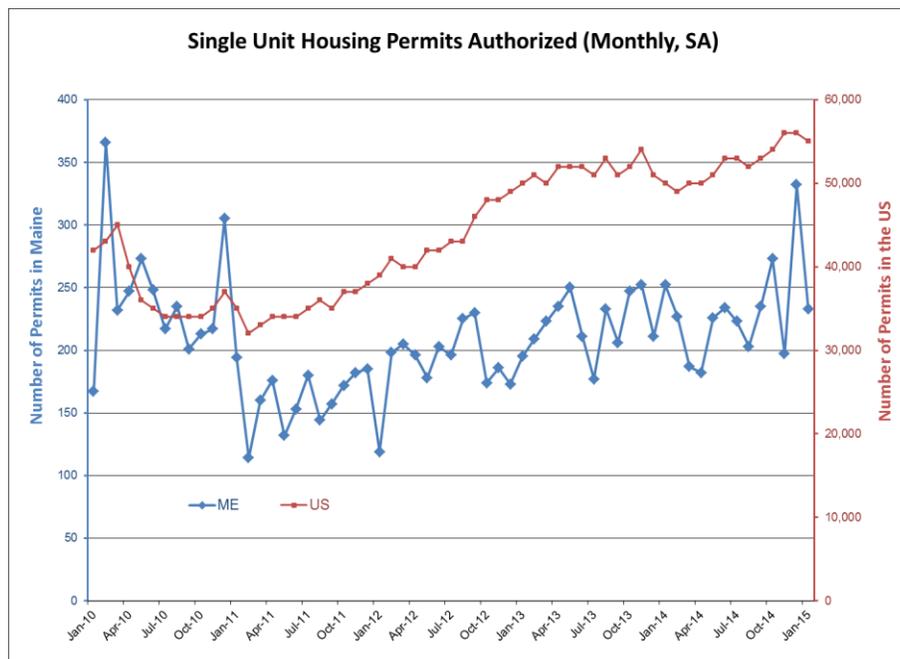
## Housing

Single family existing-home sales in Maine were up 8.6% in January 2015 compared to January 2014. Home sales in Maine have continued to grow year-over-year in recent months while sales in the U.S. have been declining.



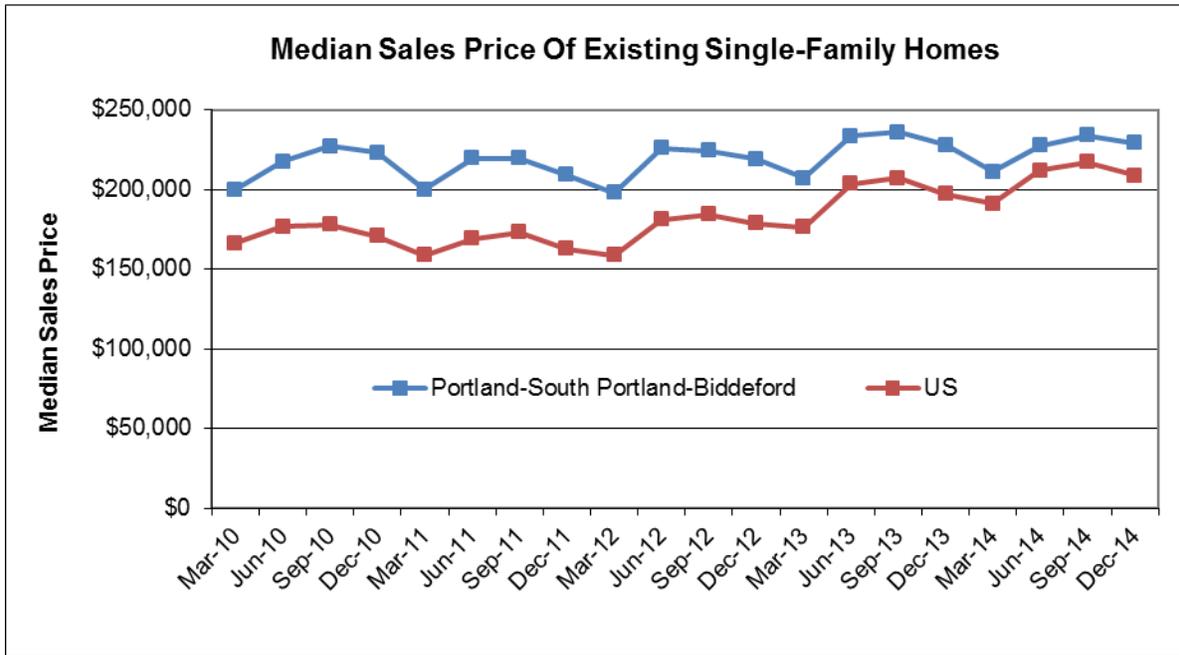
Source: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Average monthly single unit housing permits in Maine in the 12-month period from February 2014 through January 2015 were 1.7% higher than in the previous 12-month period.



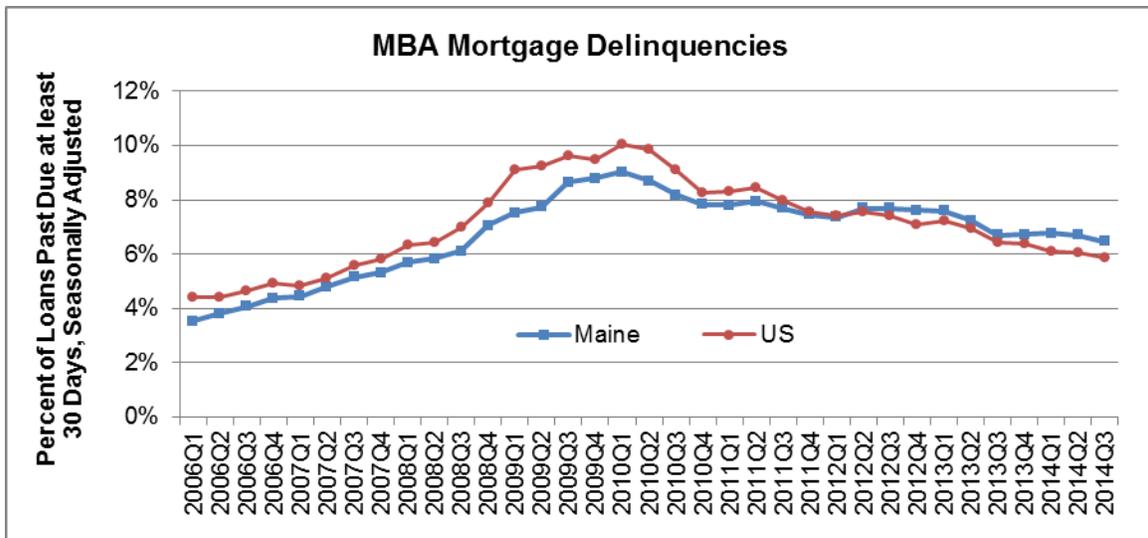
Source: US Census Bureau, March 25, 2015 release, via Federal Reserve Bank of Boston

The median home price in the Portland – South Portland – Biddeford metropolitan area increased 0.5% year-over-year in the fourth quarter of 2014. The median home price in the fourth quarter of 2014 was \$229,000.



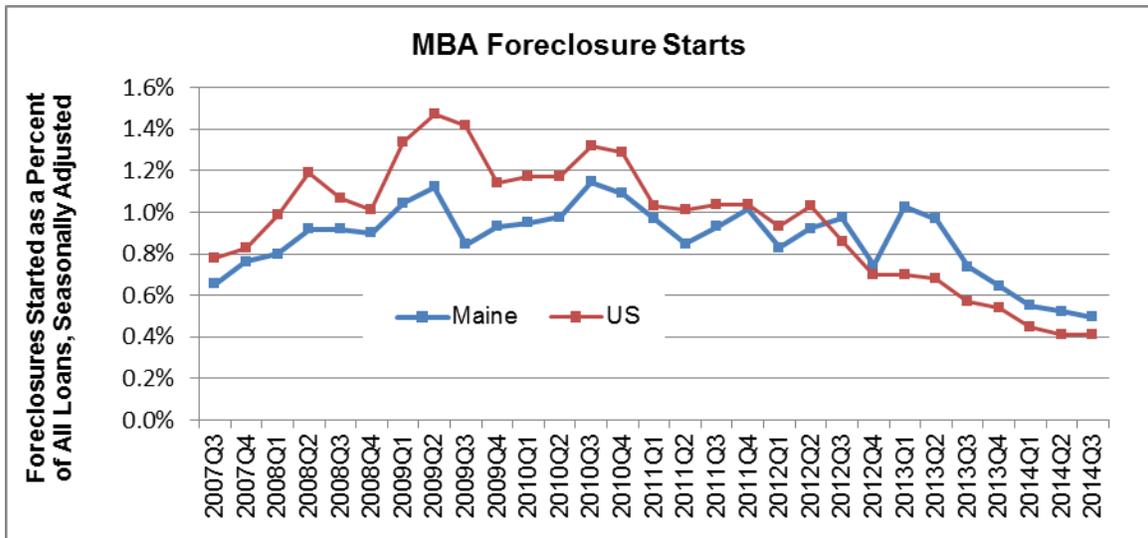
Source: National Association of Realtors, March 11, 2015 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 6.5% in the third quarter of 2014. The rate of delinquencies in Maine has been above the U.S. rate for ten straight quarters now.



Source: Mortgage Bankers Association, via Moody's Analytics February 2015 release

Maine’s foreclosure rate was 0.49% in the third quarter of 2014, down slightly from the previous quarter. Maine’s foreclosure rate has been above the U.S. rate for nine straight quarters now.



Source: Mortgage Bankers Association, via Moody’s Analytics February 2015 release