

# Office of Policy and Management

Executive Department

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## **Consensus Economic Forecasting Commission Background Materials for the March 29, 2017 Forecasting Meeting**

### Summary

Preliminary data indicate that 2016 was a strong year for Maine's economy, with most aspects of the economy improving. The U.S. economy also continued to grow since the Consensus Economic Forecasting Commission (CEFC) last met in November 2016.

Maine's real GDP increased 1.2% in the third quarter of 2016. This was the sixth consecutive quarter of real GDP growth. Personal income in Maine grew 4.1% from the first three quarters of 2015 to the first three quarters of 2016, while wage and salary income, which is the largest component of total personal income, grew 5.3% over the same period. This is stronger growth than the CEFC had forecast in November 2016. The debt-to-income level for Maine businesses and households continued to rise to new levels in the third quarter of 2016. The Consumer Price Index was up 2.7% in February 2017 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months with a slight bump up following the presidential election. The February 2017 level was up 5.0% from a year ago but down 2.2% from January 2017. Small business optimism also saw a post-election boost and is up 13.2% from a year ago.

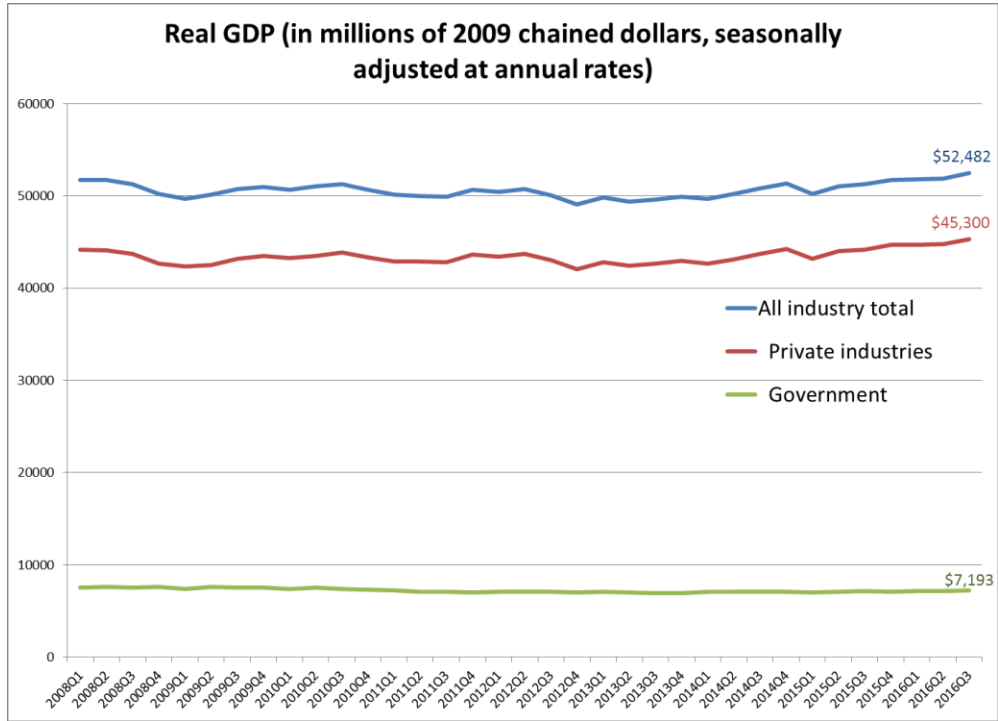
The price of crude oil has begun increasing recently with prices in the fourth quarter of 2016 up 16.4% from the fourth quarter of 2015. As a result of the recent increases in crude oil prices, heating oil prices and gasoline prices have begun to tick up as well. Heating oil has risen to around \$2.32 per gallon while gasoline is currently averaging \$2.37 per gallon.

Motor vehicle registrations slowed in FY16, with a decline of 26% in new auto titles. However, a large increase in trailer titles (both new and used) resulted in a 5.9% year-over-year increase overall.

Existing single-family home sales in Maine were up 7.9% in January 2017 compared to the same month last year and housing permits for the February 2016 – January 2017 year were 40.3% 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 7.1% year-over-year in the fourth quarter of 2016. Mortgage delinquency rates in Maine have been declining but remains higher than the national rate. The foreclosure rate in Maine was 0.37% in the third quarter of 2016 and has been above the national rate for sixteen of the past seventeen quarters.

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

Gross Domestic Product

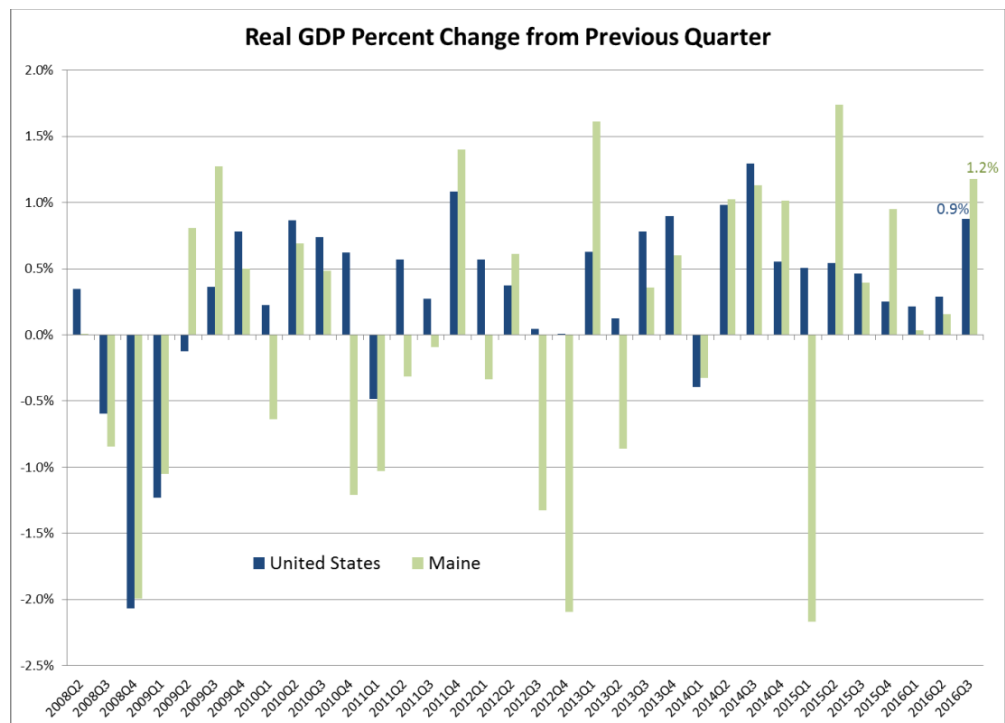


In the third quarter of 2016, Maine’s real Gross Domestic Product was \$52.5 billion, with \$45.3 billion coming from private industries and \$7.2 billion from government (federal, state, and local).

Source: U.S. Bureau of Economic Analysis, Feb. 2, 2017 release

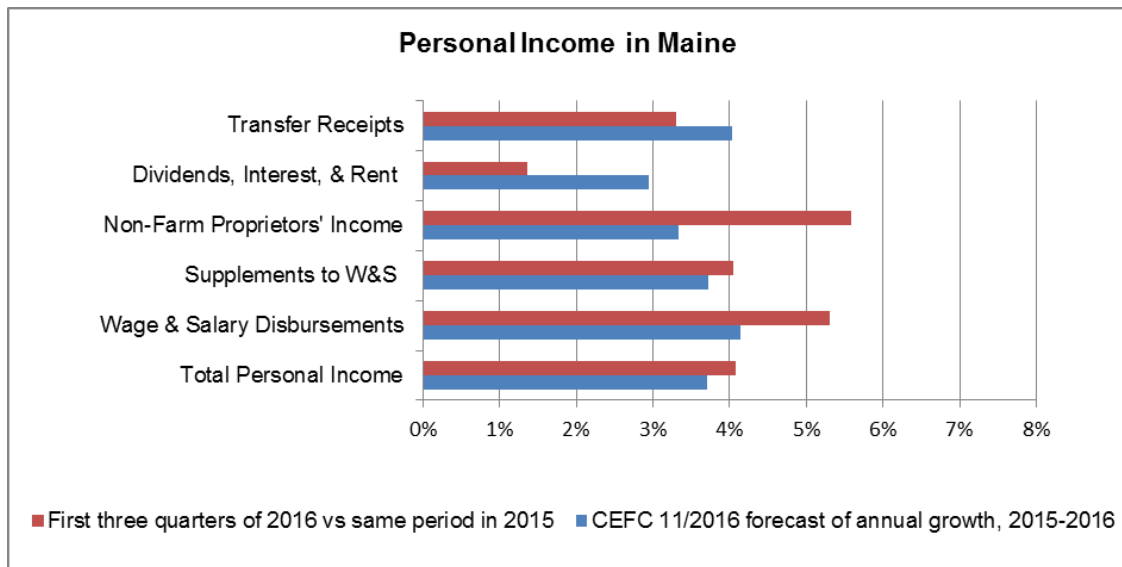
Maine’s total real GDP increased 1.2% in the third quarter of 2016. This was higher than the rate of national GDP growth, which was 0.9%. This was the sixth consecutive quarter of real GDP growth.

Source: U.S. Bureau of Economic Analysis, Feb. 2, 2017 release

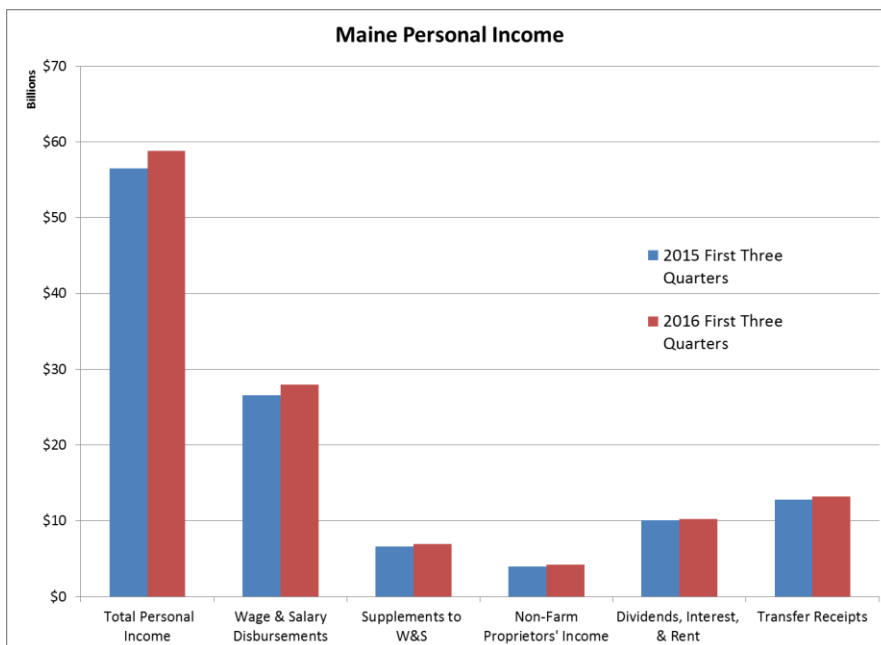


## Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 4.1% from the first three quarters of 2015 to the first three quarters of 2016 and wage and salary income grew 5.3% during the same period. Total personal income for the fourth quarter of 2016 would need to be 0.8% lower than the first three quarters to hit the CEFC's annual forecast for 2016. Wage and salary disbursements would need to be 1.7% lower.

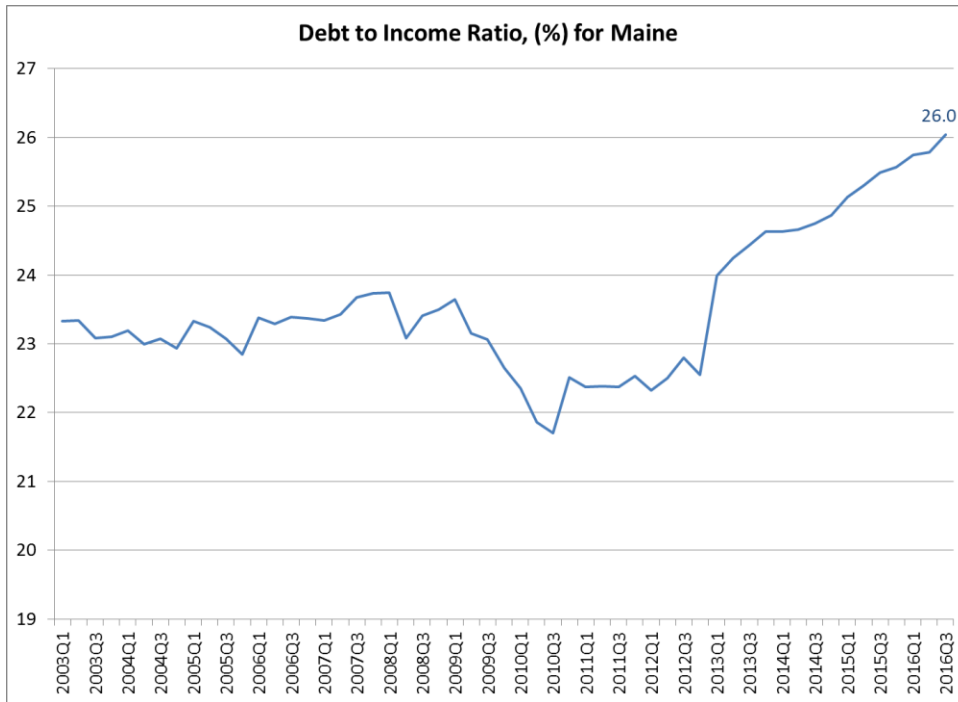


Source: U.S. Bureau of Economic Analysis, Dec. 20, 2016 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$28.0 billion in the first three quarters of 2016 (seasonally adjusted at annual rates). Total personal income averaged around \$58.8 billion.

Source: U.S. Bureau of Economic Analysis, Dec. 20, 2016 release

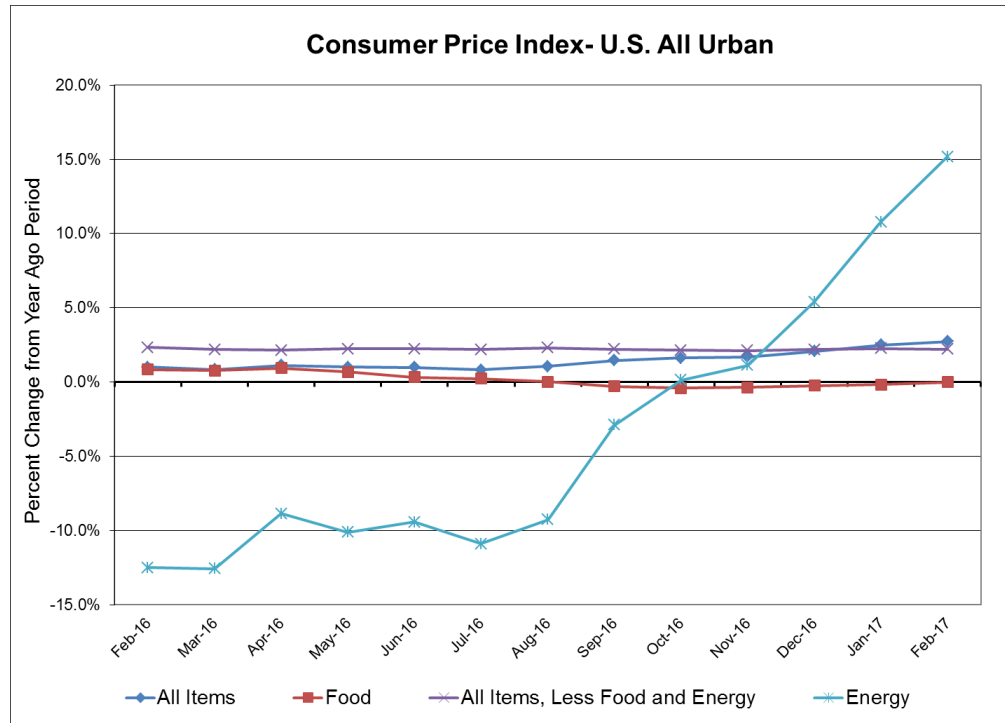


Maine's debt to income ratio reached a new high point of 26.0% in the third quarter of 2016.

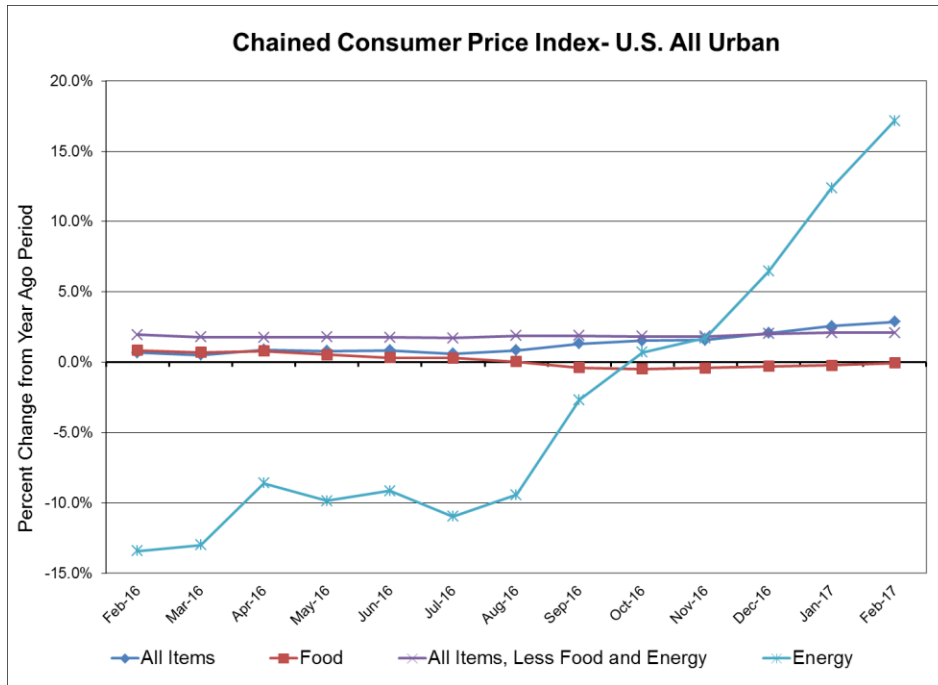
Source: Moody's Analytics, Feb. 2017 release

### Consumer Price Index

The Consumer Price Index (CPI) was up 2.7% from February 2016 to February 2017, rising as energy prices start increasing from recent lows. Core inflation, which excludes food and energy prices, rose 2.2% over that same period.



Source: U.S. Bureau of Labor Statistics, Mar. 15, 2017 release

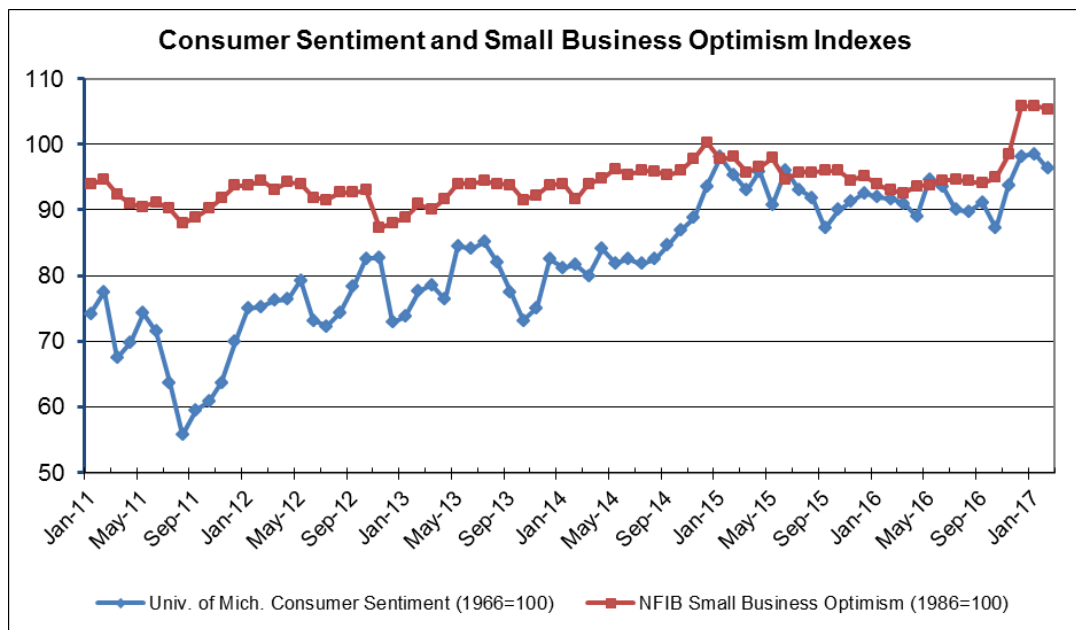


The Chained Consumer Price Index (Chained CPI) increased 2.9% from February 2016 to February 2017, again responding to an increase in energy prices. Core inflation rose 2.1% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, Mar. 15, 2017 release

### Consumer Sentiment and Small Business Optimism

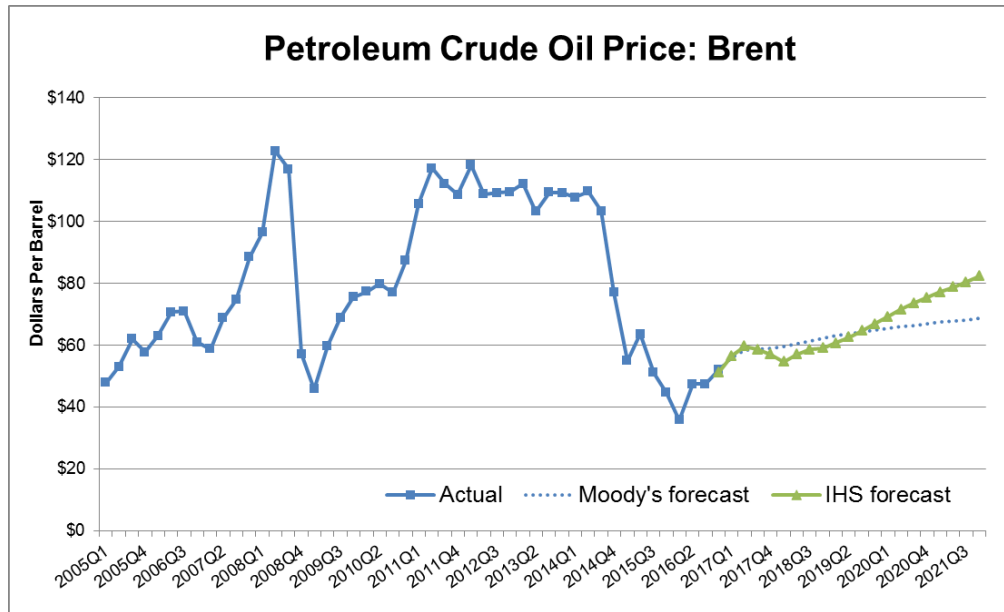
In February 2017, the survey-based University of Michigan Consumer Sentiment Index decreased 2.2% month-over-month and was up 5.0% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.6% from the previous month and up 13.2% from a year ago.



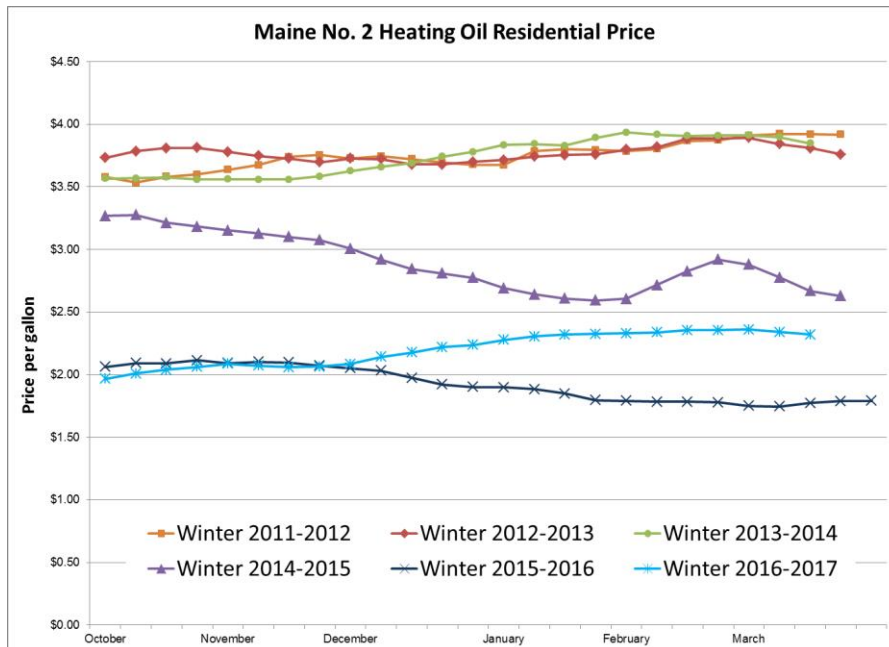
Source: University of Michigan, Feb. 24, 2017 release; National Federation of Independent Businesses, Mar. 14, 2017 release

## Crude Oil

The price of Brent crude oil has begun increasing from the recent low levels and was just over \$52 per barrel in the fourth quarter of 2016, up 9.6% from the third quarter of 2016 and a 16.4% increase from the fourth quarter of 2015. Prices appear to have bottomed out in mid-2016.



Source: Moody's Analytics, Feb. 2017 release; IHS, Mar. 2017 release



## Heating Oil

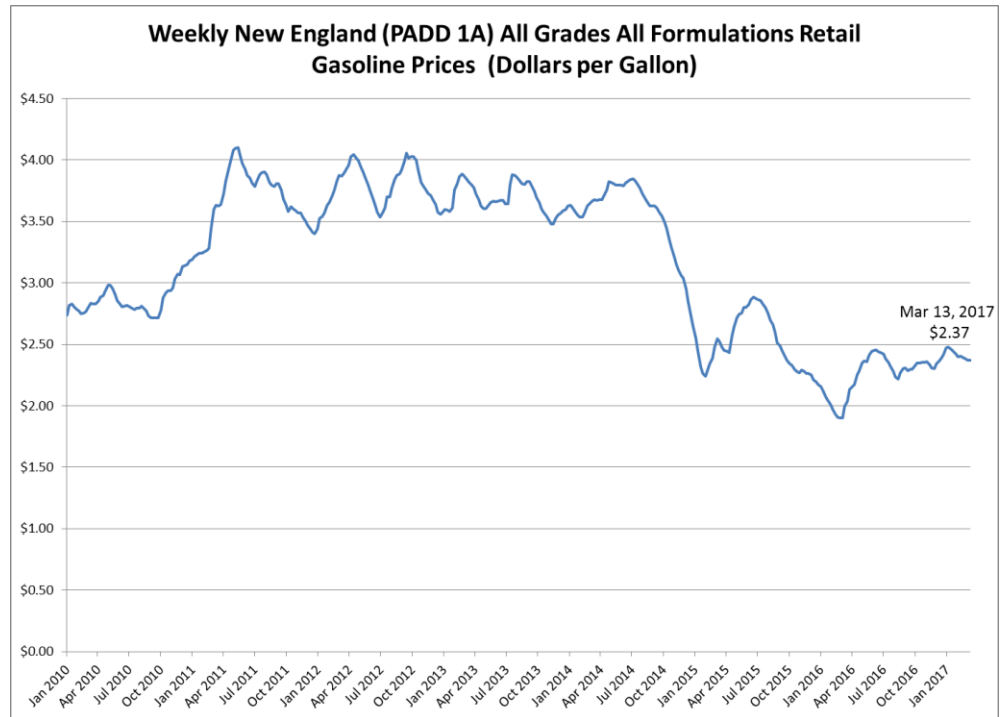
The price of heating oil in Maine has risen slightly above last year's levels but remains well below the 2011-2014 highs, averaging \$2.32/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices.

Source: U.S. Energy Information Agency, Mar. 15, 2017 release

## Gasoline

The price of gasoline in New England on March 13, 2017 averaged \$2.37, unchanged from the previous week and \$0.37 higher than one year ago. The price of gasoline has risen somewhat recently but is still \$1.48 per gallon lower than the July 2014 peak.

Source: U.S. Energy Information Agency, Mar. 13, 2017 release



## Motor Vehicles

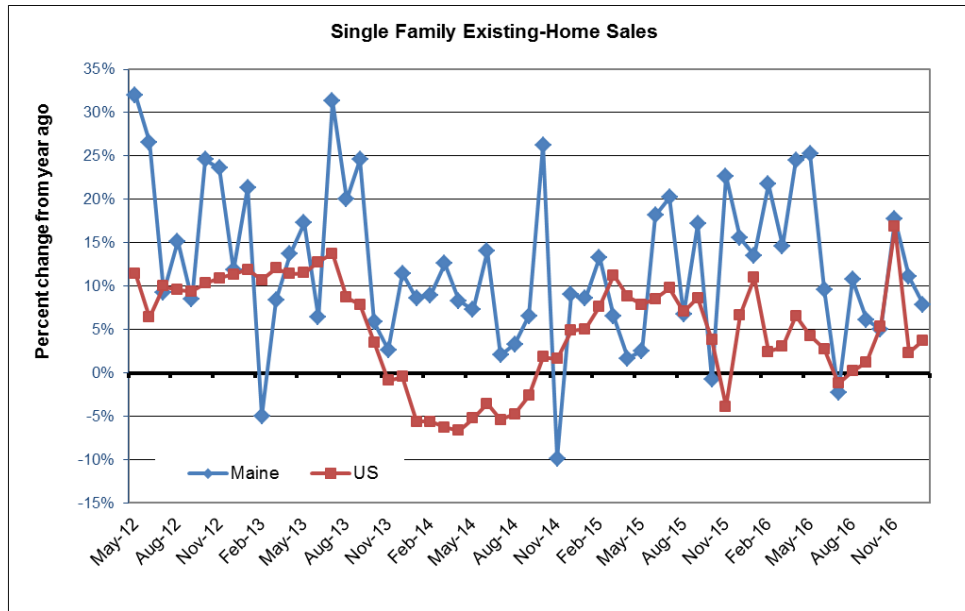
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 26.3% from FY 2015 to FY 2016, while the number of used automobile titles issued decreased 14.9%. Total registrations were up 5.9% from FY 2015 to FY 2016, led by a large increase in trailer registrations.

Source: Maine Bureau of Motor Vehicles

Maine Bureau of Motor Vehicles Title Information			
	FY15	FY16	Change from previous year
Autos - new	65,160	48,010	-26.3%
Autos - used	190,088	161,794	-14.9%
Bus - new	175	123	-29.7%
Bus - used	215	106	-50.7%
Trucks - new	4,333	4,795	10.7%
Trucks - used	6,704	5,592	-16.6%
Motorcycles - new	2,281	2,038	-10.7%
Motorcycles - used	8,745	7,695	-12.0%
Trailers - new	9,550	32,378	239.0%
Trailers - used	16,344	58,704	259.2%
Motor Homes - new	97	118	21.6%
Motor homes - used	484	542	12.0%
Unknown - new	31	65	109.7%
Unknown - used	43	202	369.8%
<b>Total</b>	<b>304,250</b>	<b>322,162</b>	<b>5.9%</b>

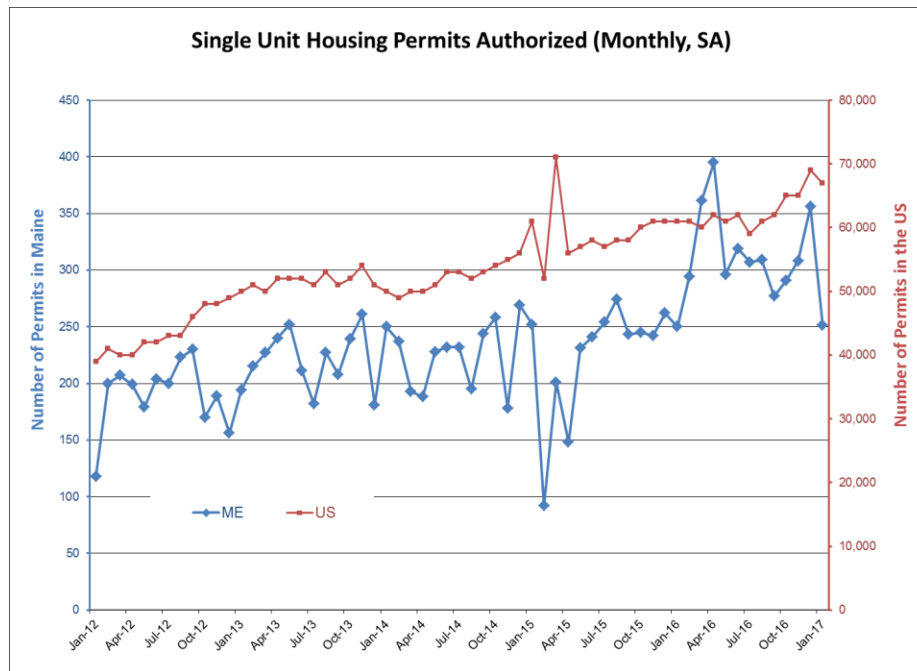
## Housing

Single family existing-home sales in Maine were up 7.9% in January 2017 compared to January 2016. Over the past five years, home sales in Maine have declined year-over-year in just four different months.



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

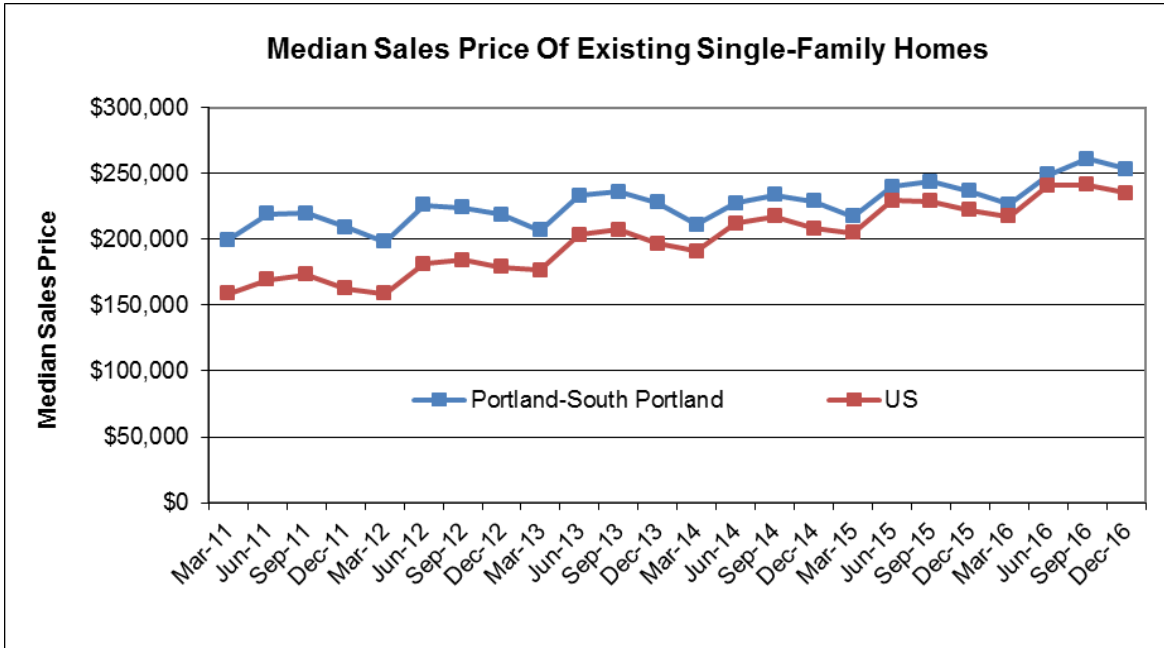
Maine saw a rebound in housing permits in 2016. Average monthly single unit housing permits in Maine in the 12-month period from February 2016 through January 2017 were 40.3% higher than in the previous 12-month period.



Source: US Census Bureau, Feb. 27, 2017 release, via Federal Reserve Bank of Boston

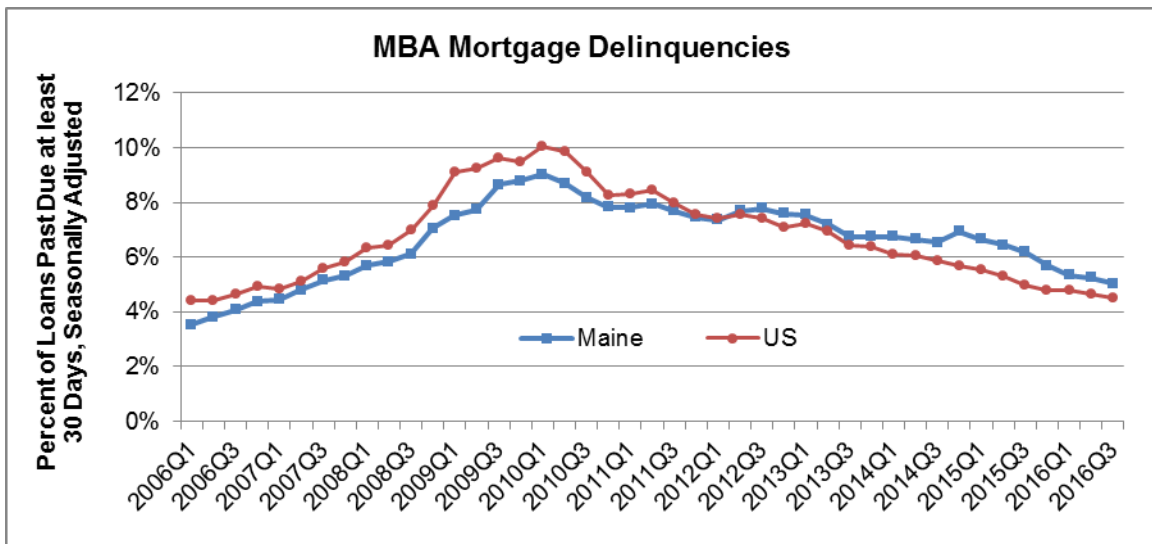


The median home price in the Portland-South Portland metropolitan area increased 7.1% year-over-year in the fourth quarter of 2016. The median home price in the fourth quarter of 2016 was \$253,300.



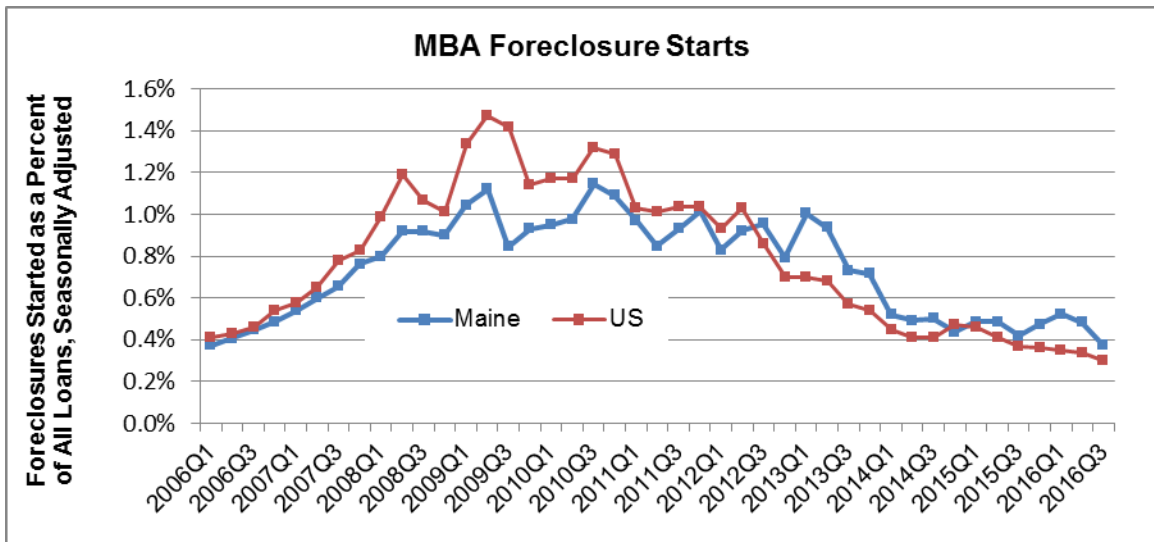
Source: National Association of Realtors, Feb. 14, 2017 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 5.0% in the third quarter of 2016. The rate of delinquencies in Maine has been above the U.S. rate for eighteen straight quarters now.



Source: Mortgage Bankers Association, via Moody's Analytics February 2017 release

Maine’s foreclosure rate was 0.37% in the third quarter of 2016, down slightly from the previous quarter and approaching pre-housing crisis levels. Maine’s foreclosure rate has been above the U.S. rate for sixteen of the past seventeen quarters.



Source: Mortgage Bankers Association, via Moody’s Analytics February 2017 release