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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 June 25, 2020 Forecasting Meeting**

### **Summary**

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While both the national and state economies experienced continued economic growth in 2019, the onset of COVID-19 in early 2020 has led to a sharp decline in conditions, with the National Bureau of Economic Research officially determining that the U.S. economy entered a recession beginning in February 2020.

Much of the traditional economic data in this report is lagged and so reflects conditions prior to the recession. Some data sources are beginning to show early indications of the effects. Total personal income in Maine grew 3.1% in the first quarter of 2020, driven by sharp increases in transfer receipts. Wage and salary income, which is the largest component of total personal income, fell by 0.5%. The Consumer Price Index was up 1.8% in 2019 but fell to 0.2% growth year-over-year in May 2020 as energy prices fell by over 18%.

Nationwide, consumer sentiment has plummeted in the wake of COVID-19. The June 2020 consumer sentiment index was down 19.7% compared to June 2019, however, the index rose 9.1% from May 2020. The Small Business Optimism Index was down by 10.1% in May 2020 compared to one year ago. Both indices bottomed out in April 2020.

The price of crude oil fell by 20.4% from the fourth quarter of 2019 to the first quarter of 2020, resulting in declines in both heating oil prices and gasoline prices. Gasoline prices averaged \$2.01 on June 8, 2020 in New England.

Data for April 2020 show total exports in Maine decreased by 20.8% over April 2019 and by 2.7% for the year through April.

Single family existing-home sales in Maine in April 2020 were down 15.4% compared to April 2019, while the median sales price increased 12.3% from a year prior. Maine's House Price Index rose by 8.4% in the first quarter of 2020, higher than both New England and the United States.

Social distancing measures have led to a decline in overall economic activity. The first week of June had a year-over-year decline of 18.5% in vehicle miles traveled, up from a decline of 42% in the last week of March. New data from the U.S. Census Bureau shows that 44% of households in Maine have experienced a loss of employment income since March. Credit and debit card data indicate that consumer spending has begun to recover and is currently positioned at 0.3% over its January levels, led by purchases of general merchandise. Spending in the hospitality industry remains at -30% compared to pre-COVID-19 levels.

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

## 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.

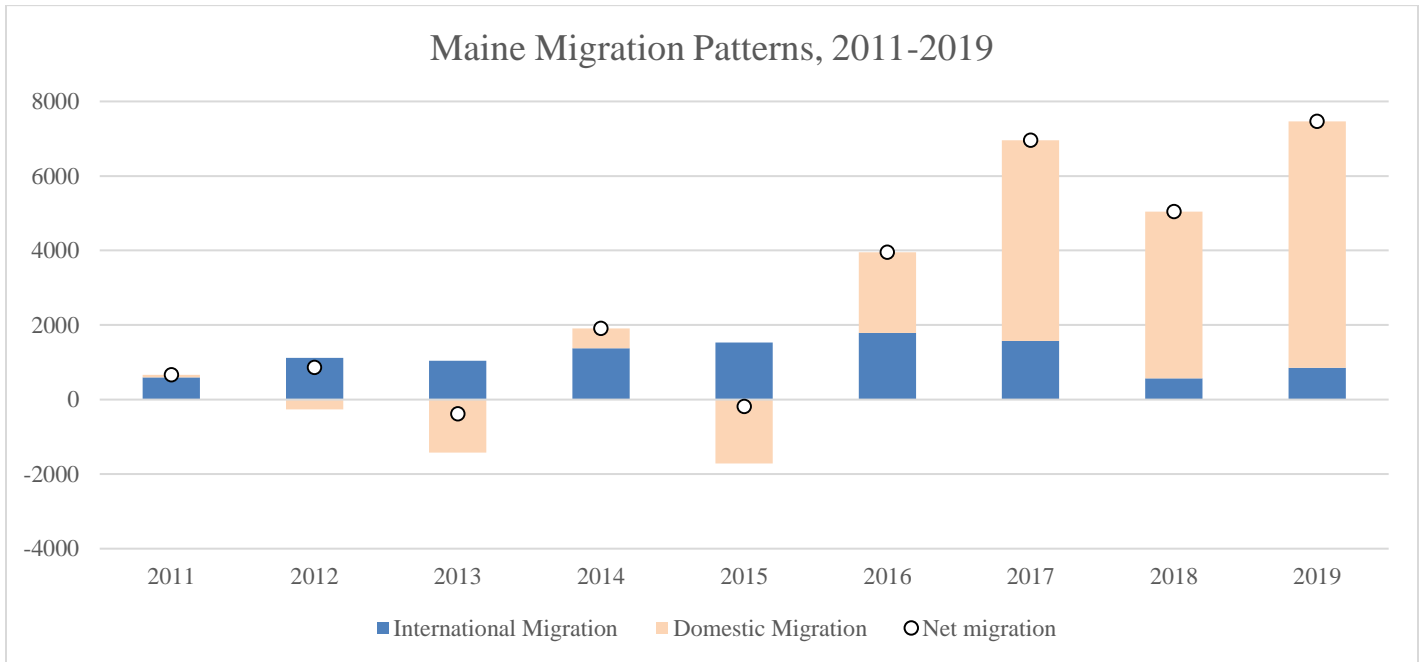
According to the 2018 ACS 1-year estimates, all age cohorts except for 75 years and older had positive net domestic migration in 2018. The table below highlights migration by age.

### 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%
<b>Net</b>			<b>9,694<sup>1</sup></b>	<b>0.7%</b>

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

<sup>1</sup>Census 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.

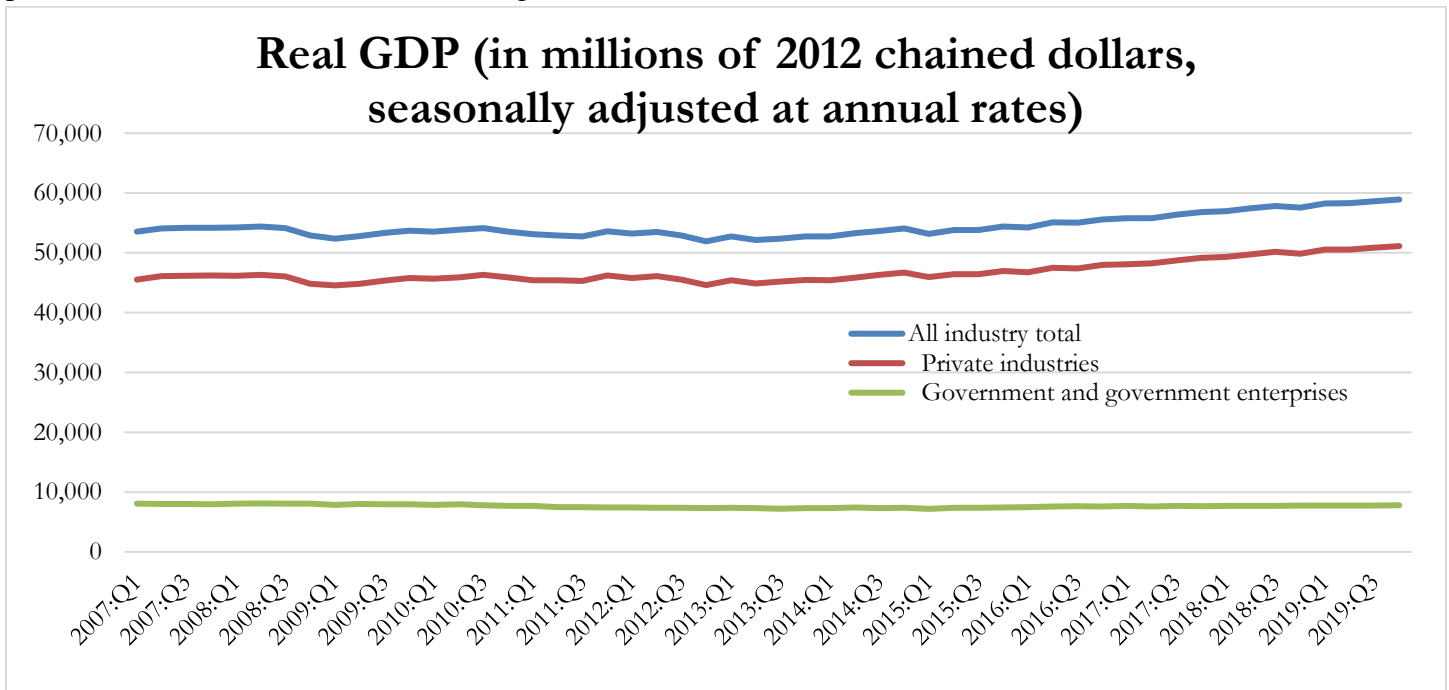


Source: U.S. Census Bureau 2019 Population Estimates, December 30, 2019 release

## 2. State Economy

### Gross Domestic Product (GDP)

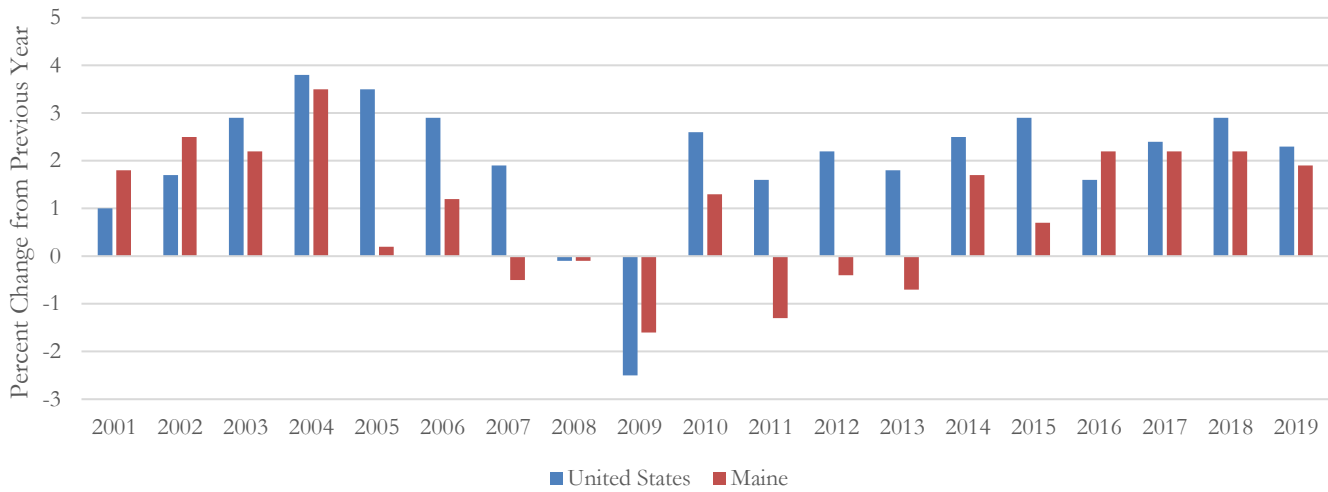
In the fourth quarter of 2019, Maine’s real GDP was \$58.9 billion, with \$51.1 billion coming from private industries and \$7.8 billion from government (federal, state, and local).



Source: U.S. Bureau of Economic Analysis, April 7, 2020 release

Maine’s annualized growth rate for total real GDP was 1.9% in 2019. This was slightly lower than national growth of 2.3% in 2019.

Real GDP Percent Change, Year

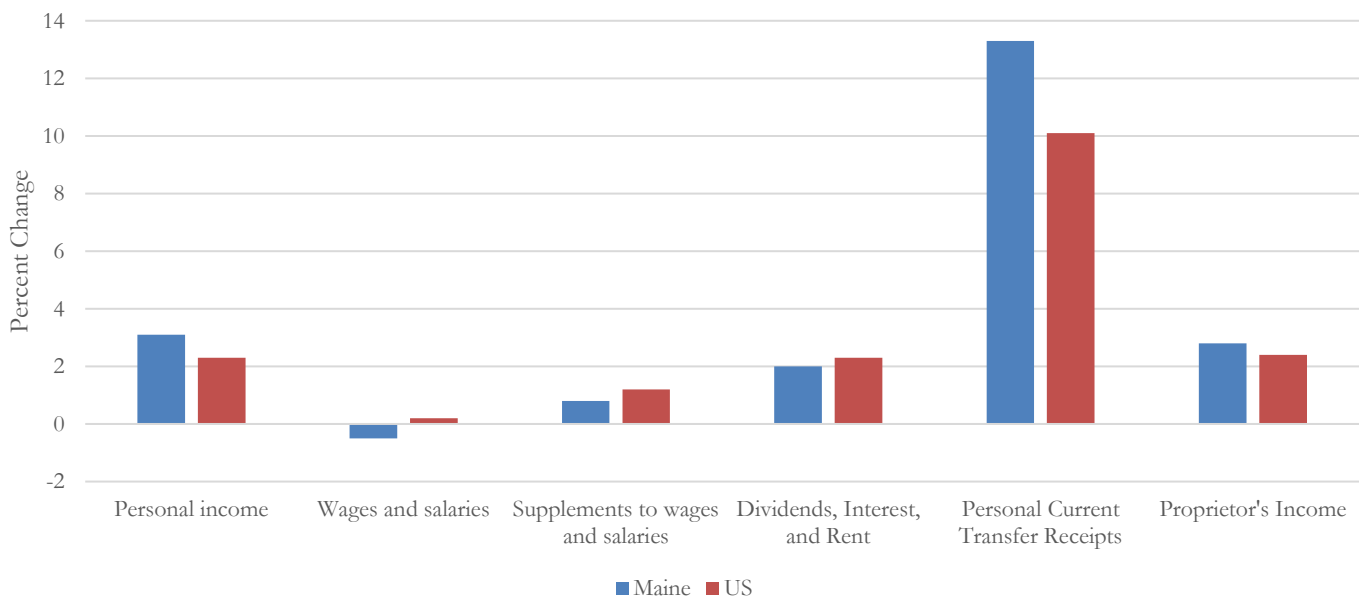


Source: U.S. Bureau of Economic Analysis, April 7, 2020 release

**Personal Income**

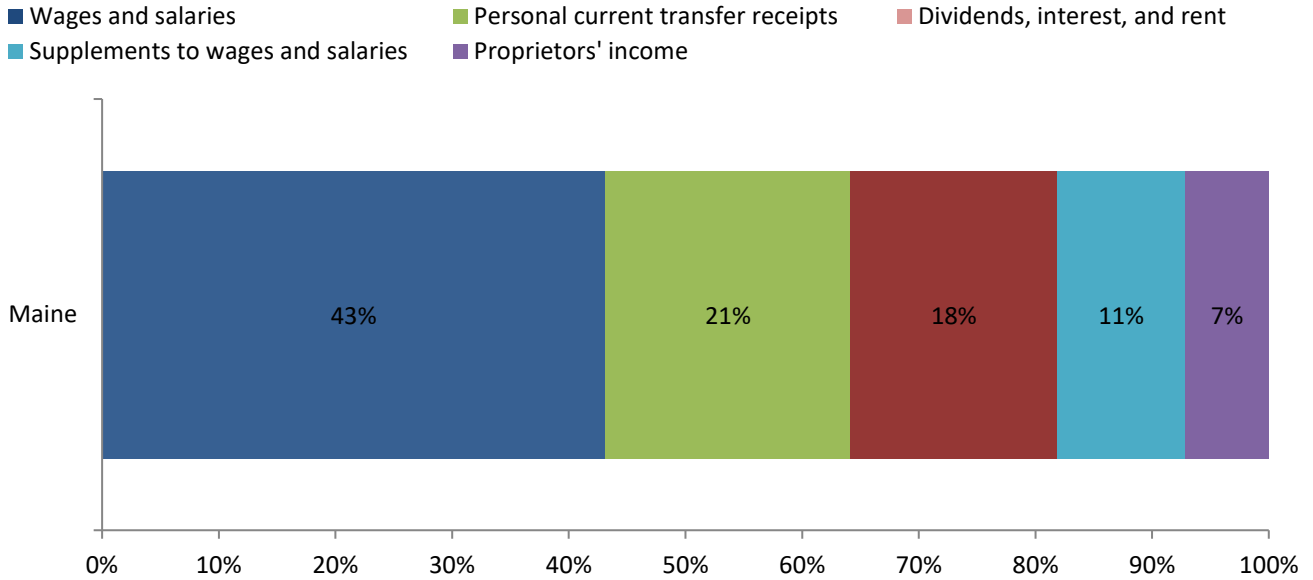
According to the U.S. Bureau of Economic Analysis, total personal income grew by 3.1% in the first quarter of 2020. Wage and salary disbursements, which are the largest component of personal income, averaged \$31.9 billion, 0.5% less than the previous quarter. Transfer receipts grew by 13.3% in Maine, compared to 10.1% for the U.S.

Components of Personal Income, Annualized Percent Change, 2019:Q4-2020:Q1



Source: U.S. Bureau of Economic Analysis, June 23, 2020 release

### Major Components of Personal Income, 2019

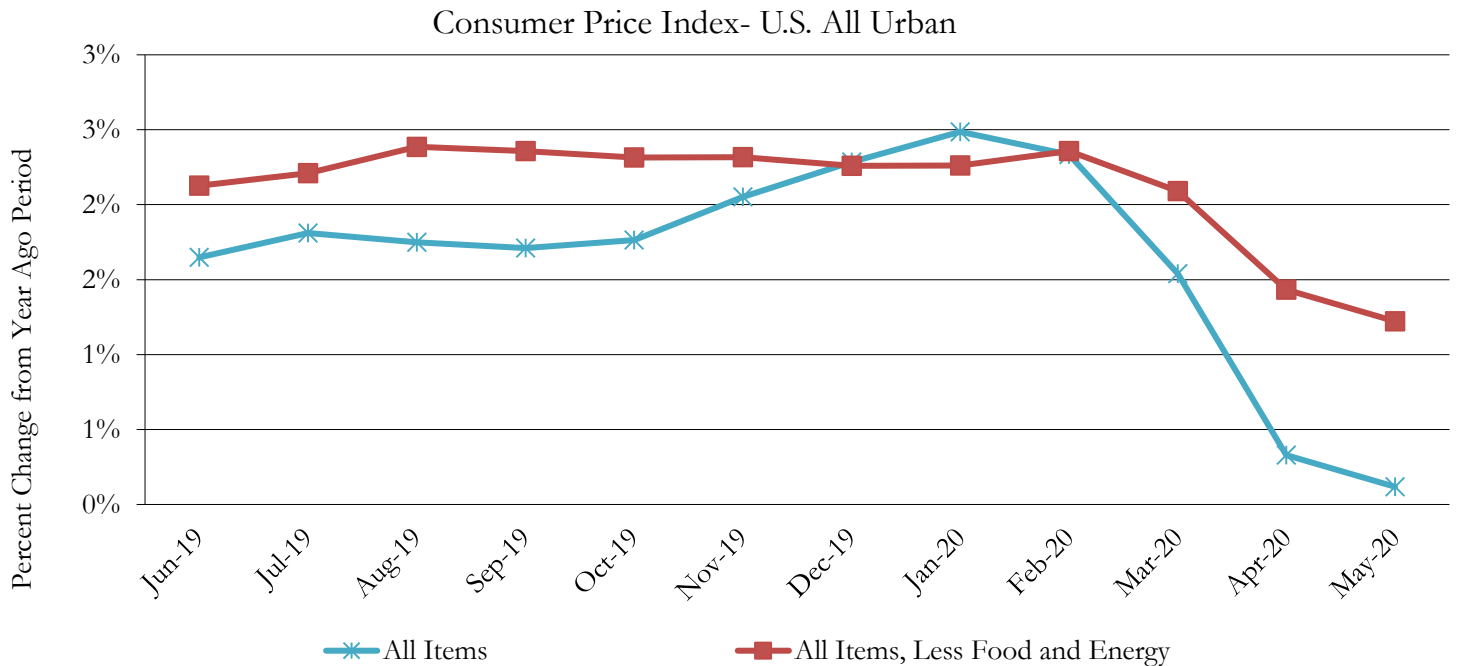


Source: U.S. Bureau of Economic Analysis March 24, 2020 release

### 3. Consumption and Expenditures

#### Consumer Price Index

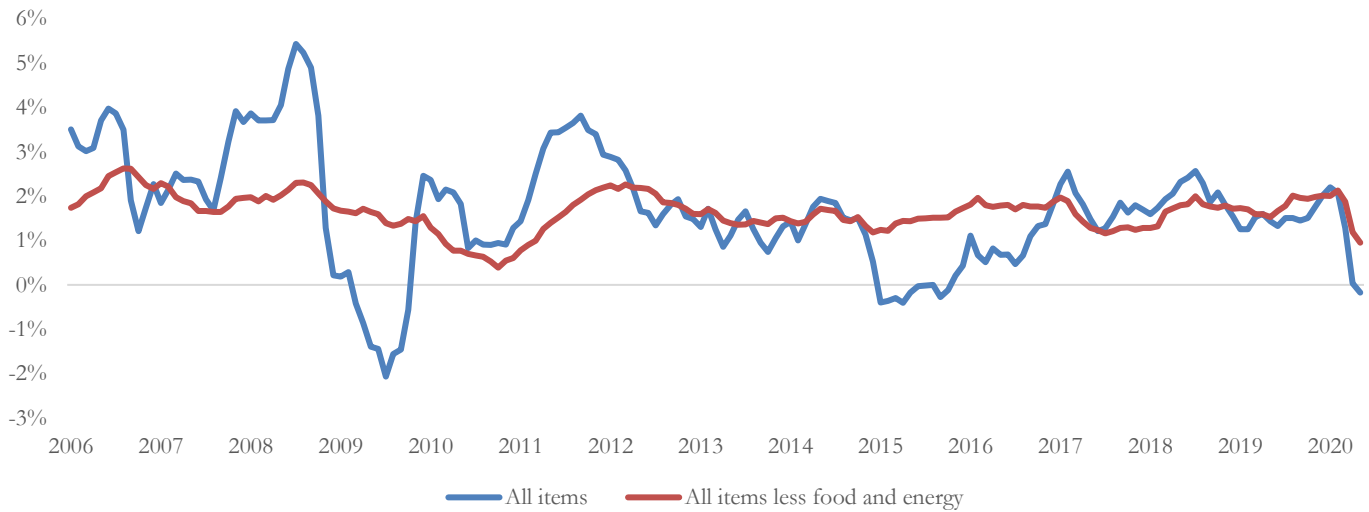
The Consumer Price Index (CPI) was up 0.2% in May 2019 over the previous year. Core inflation, which excludes food and energy prices, rose 1.2% over May of last year. While the CPI for energy was down 18.3% over last year, food at home was up substantially to 4.8% year-over-year.



Source: U.S. Bureau of Labor Statistics, June 10, 2020 release

The Chained Consumer Price Index (Chained CPI) fell -0.2% in May, compared to a year ago. Core inflation rose 1.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

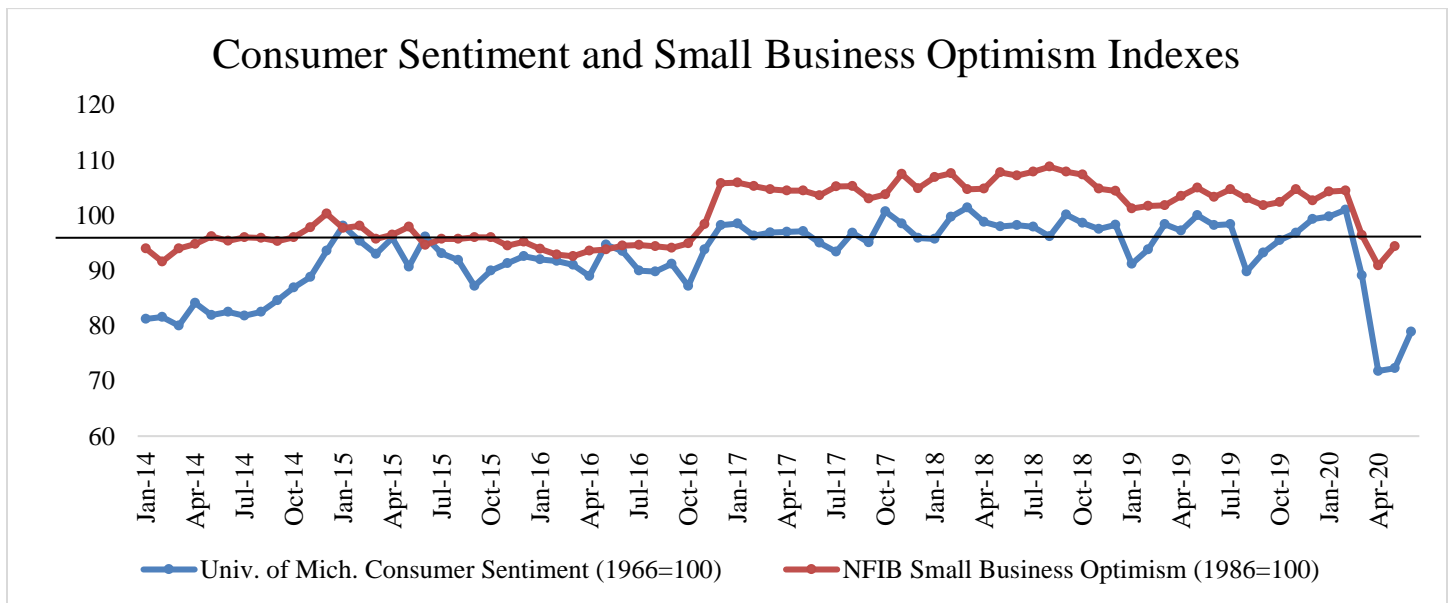
Chained Consumer Price Index - All US Urban



Source: U.S. Bureau of Labor Statistics, June 10, 2020 release

### Consumer Sentiment and Small Business Optimism

In June 2020, the survey-based University of Michigan Consumer Sentiment Index was down 19.7% over June 2019. This is up 9.1% compared to May 2020, when the index was 26.1% below the previous year. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 3.9% in May 2020 from the previous month and down 10.1% from a year ago. Similar to the Consumer Sentiment Index, this index fell sharply in April before having a slight rebound in May.



Source: University of Michigan, June 2020 release; National Federation of Independent Business, May 2020 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
<b>Auto</b>			
New	119,452	123,742	3.6%
Used	361,744	254,792	-29.6%
<b>Bus</b>	-	-	
New	326	335	2.8%
Used	292	209	-28.4%
<b>Trucks</b>	-	-	
New	7,833	5,153	-34.2%
Used	11,363	10,756	-5.3%
<b>Motorcycles</b>	-	-	
New	3,998	3,208	-19.8%
Used	14,472	13,422	-7.3%
<b>Trailers</b>	-	-	
New	40,892	115,136	181.6%
Used	77,169	277,102	259.1%
<b>Motor Homes</b>	-	-	
New	257	1,395	442.8%
Used	1,036	953	-8.0%
<b>Unknown</b>	-	-	
New	151	235	55.6%
Used	480	465	-3.1%
<b>Total</b>	639,465	806,903	26.2%

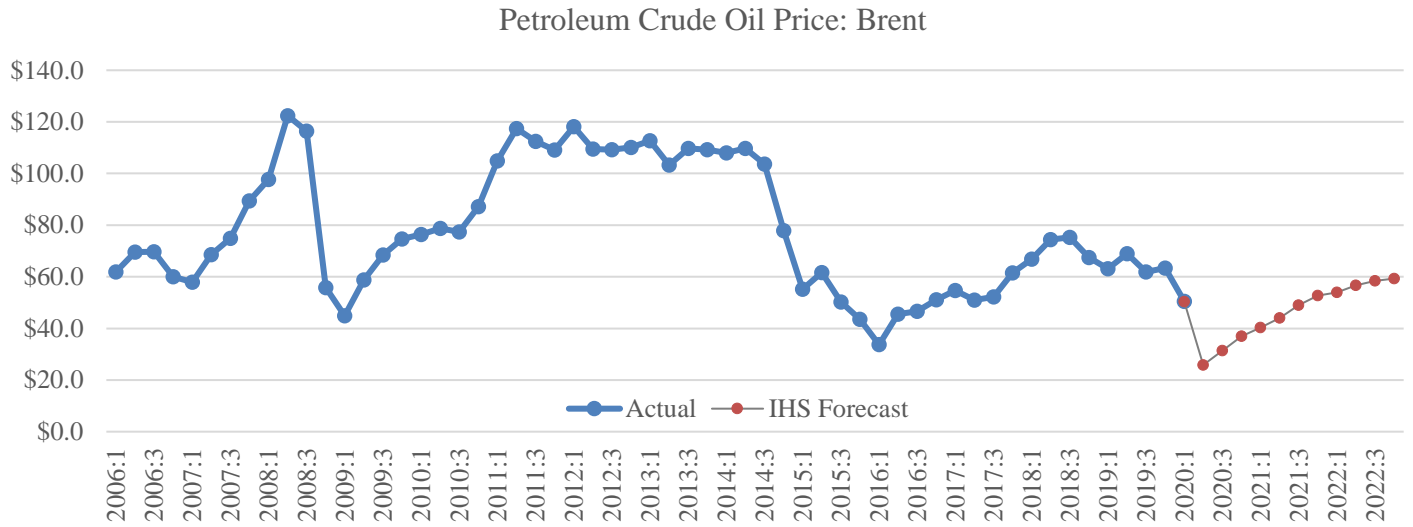
Source: Maine Bureau of Motor Vehicles

## 4. Energy Sector

In its June 2020 short-term outlook, the Energy Information Administration (EIA) projects Brent crude oil prices will average \$37 per barrel in the second half of 2020, and \$48 per barrel in 2021. This is down from projections of \$65 per barrel for 2020 and \$68 per barrel for 2021 in the January short-term outlook.

### Crude Oil

The price of Brent crude oil in 2020:Q1 was 20.4% lower than the previous quarter. The price per barrel as of June 8, 2020 was \$39.66.



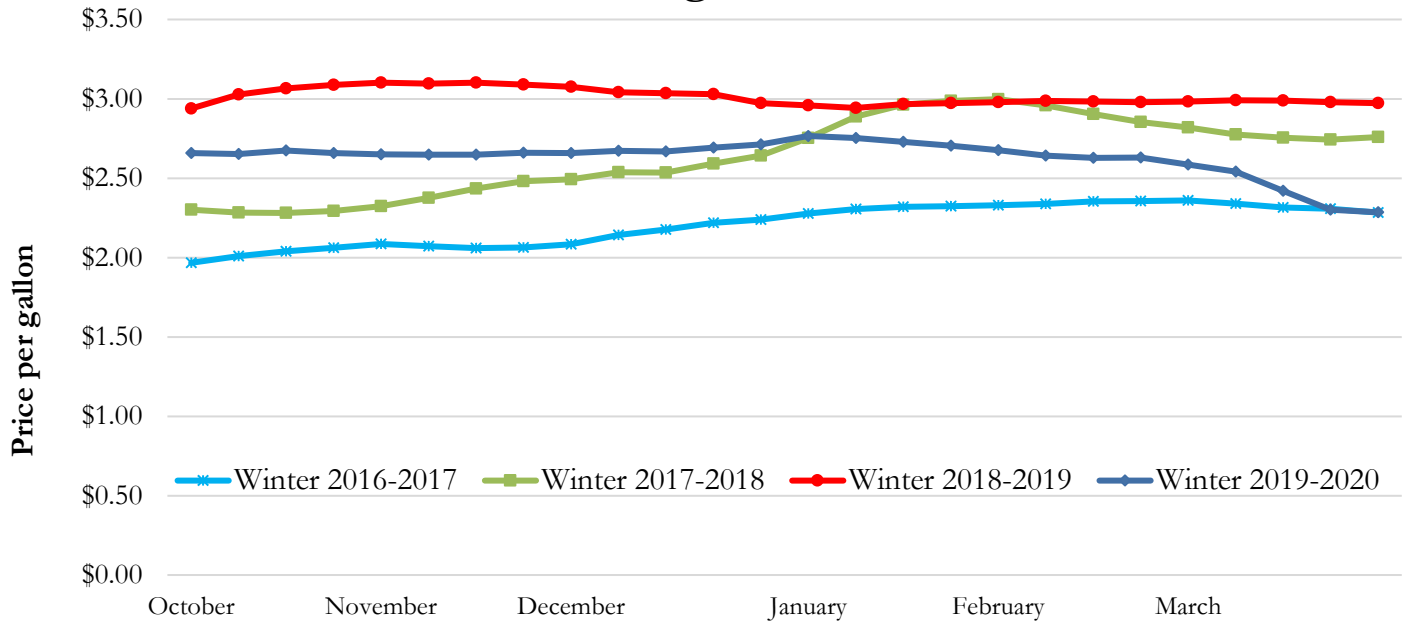
Source: IHS, June 2020 release



## Heating Oil

The statewide average cash price of No. 2 heating oil in Maine was \$2.63 per gallon for the 2019-2020 heating oil season. Prices declined late in the season as crude oil prices declined.

### Maine No. 2 Heating Oil Residential Price

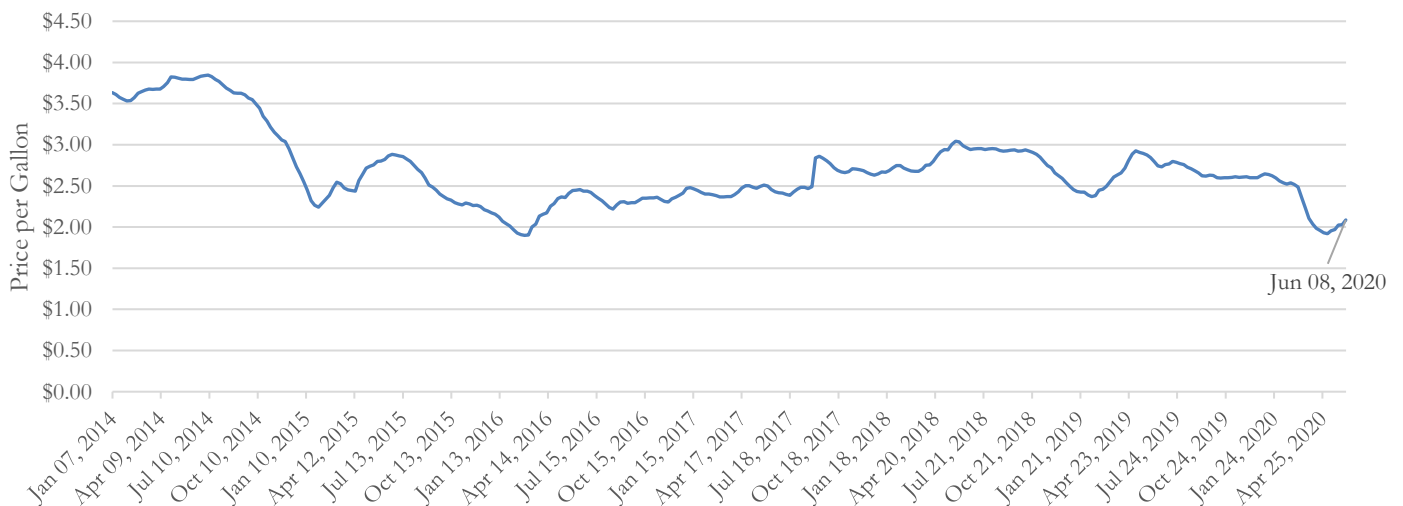


Source: U.S. Energy Information Agency, March 30, 2020 release

## Gasoline

The price of gasoline in New England averaged \$2.01 the week of June 8, 2020, slightly higher than the previous week and about 70 cents lower 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. The average for the first half of 2020 was \$2.29 per gallon.

### Weekly New England (PADD 1A) All Grades All Formulations Retail Gasoline Prices (Dollars per Gallon)

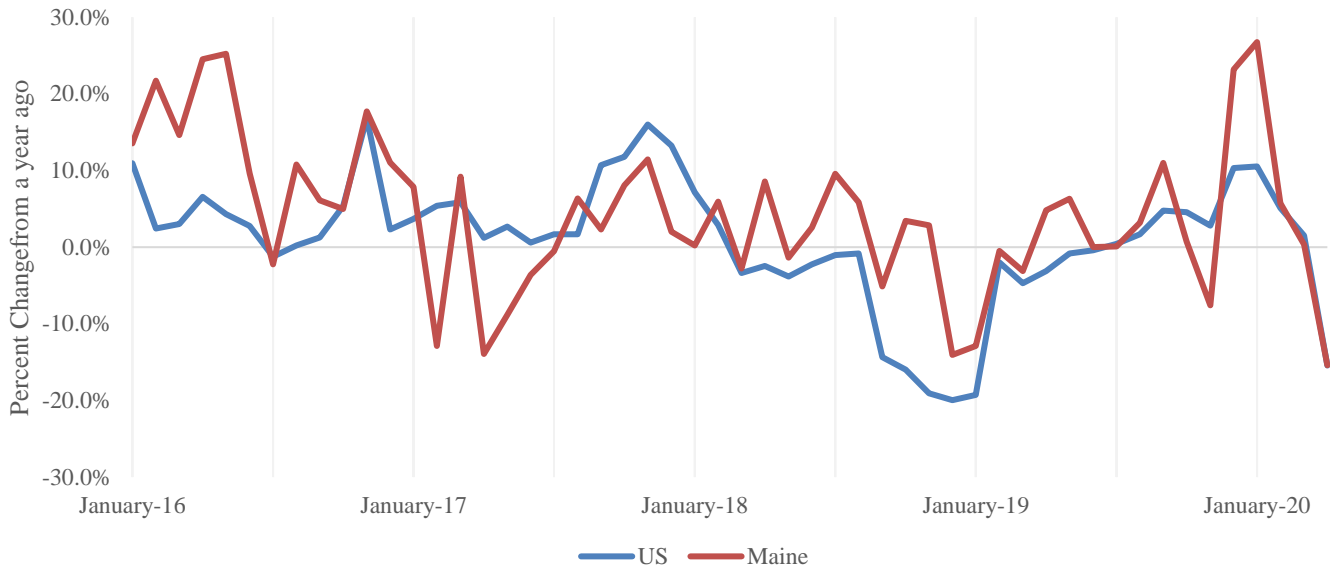


Source: U.S. Energy Information Agency, June 8, 2020 release

## 5. Housing

Single family existing-home sales in Maine in April 2020 were down 15.4% compared to April 2019, while the median sales price increased 12.3% from a year prior (to \$235,800 statewide). Total single-family sales nationwide were down 15.5% compared to a year prior and had a median price of \$288,700. The total number of sales in Maine for 2019 was 2.3% higher than 2018, at 18,279, the highest number all decade.

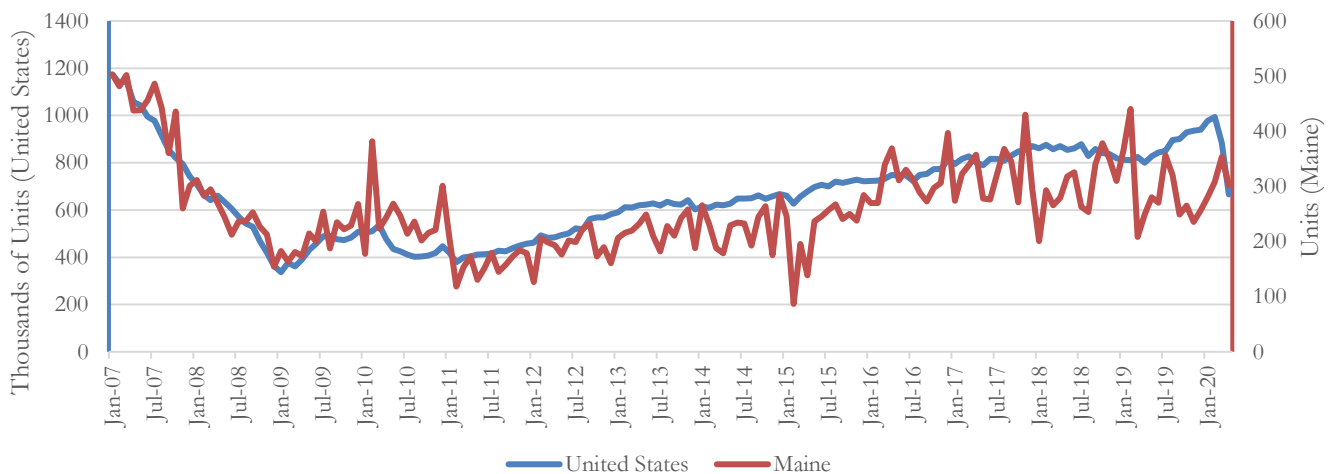
Single Family Existing-Home Sales



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

Private single-unit housing permits fell sharply at the national level in April 2020, coming in at 16.8% lower than April 2019 and nearly 25% lower than the previous month. In Maine, permits fell slightly by 14.5% over the previous month, but were 21.5% higher than April 2019.

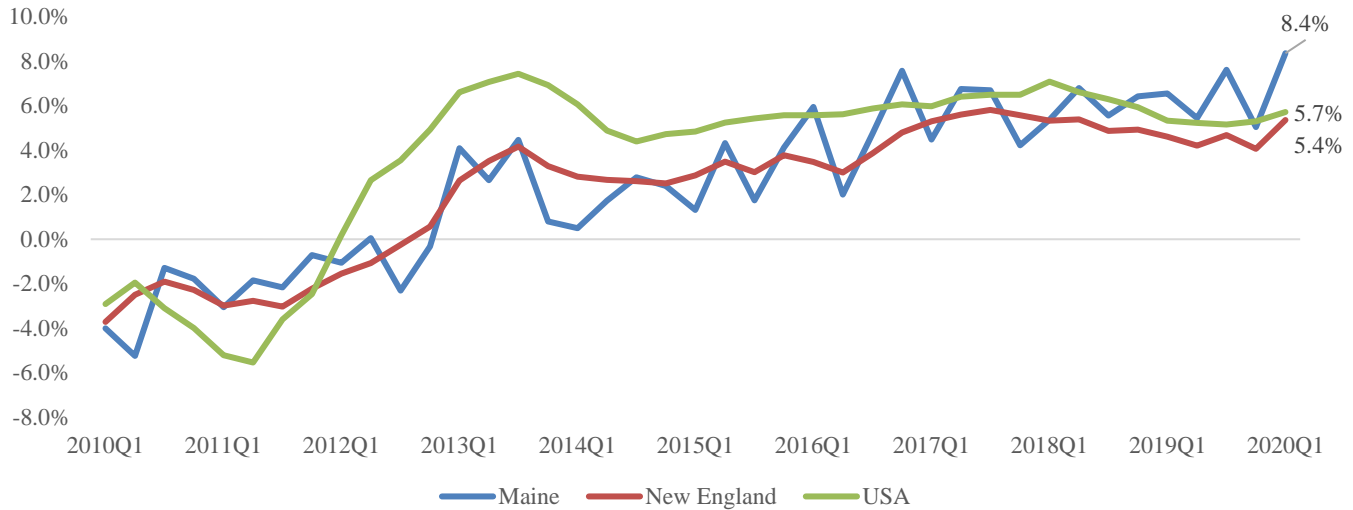
New Private Single-Unit Housing Permits, Seasonally Adjusted



Source: US Census Bureau, April 2020 release, via Federal Reserve Bank of St. Louis

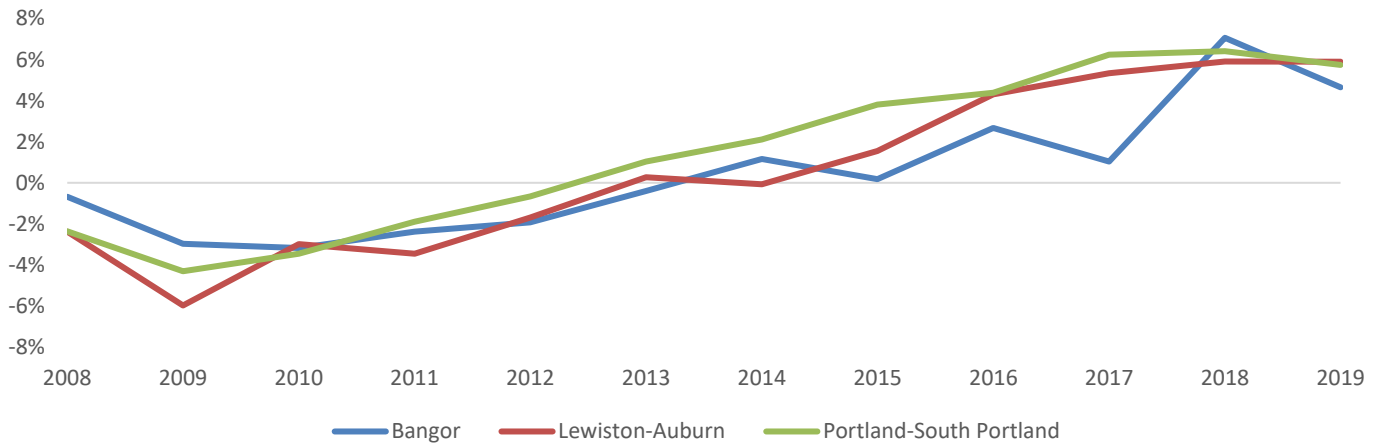
According to the Federal Housing Finance Agency (FHFA), the House Price Index, “measures average price changes in repeat sales or refinancing on the same properties.” Maine’s house price index increased by 8.4% from the fourth quarter of 2019 to the first quarter of 2020. In the most recent quarter, local year-over-year growth was higher than the U.S. and region, with New England growing by 5.4% and the U.S. by 5.7%. Maine’s MSAs - Bangor, Lewiston-Auburn, and Portland-South Portland – all saw increases in 2019.

Purchase-Only House Price Index, Seasonally Adjusted



Source: Federal Housing Finance Agency, May 26, 2020 release

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

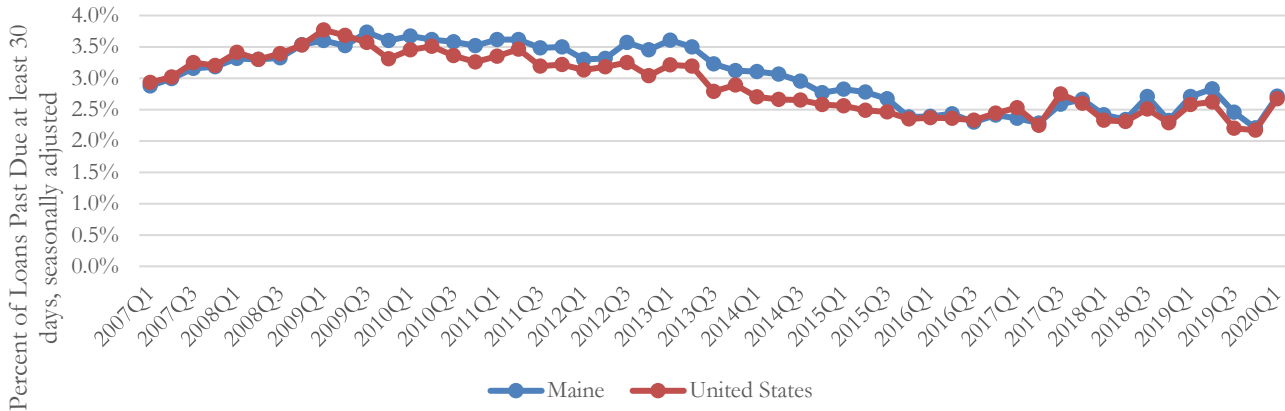


Source: Federal Housing Finance Agency, May 26, 2020 release

## 6. Borrowing

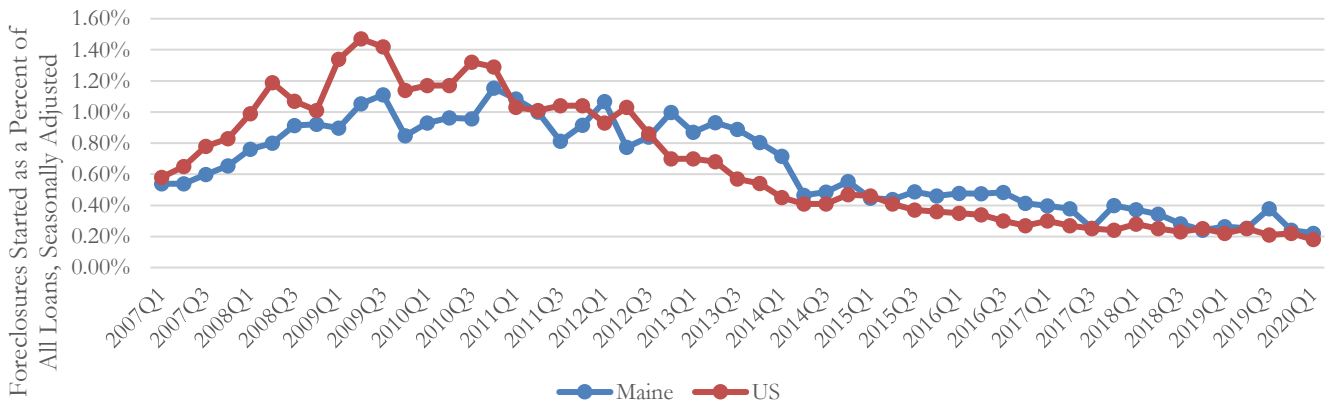
The share of mortgages in Maine that are delinquent 30 days or more was 2.7% in the first quarter of 2020. Maine’s foreclosure rate was 0.22% in the first quarter of 2020, down from the previous quarter but in line with recent foreclosure rates. Maine’s debt to income ratio was 23.19 as of 2019Q4 and has remained relatively flat since early 2018.

### MBA Mortgage Delinquencies



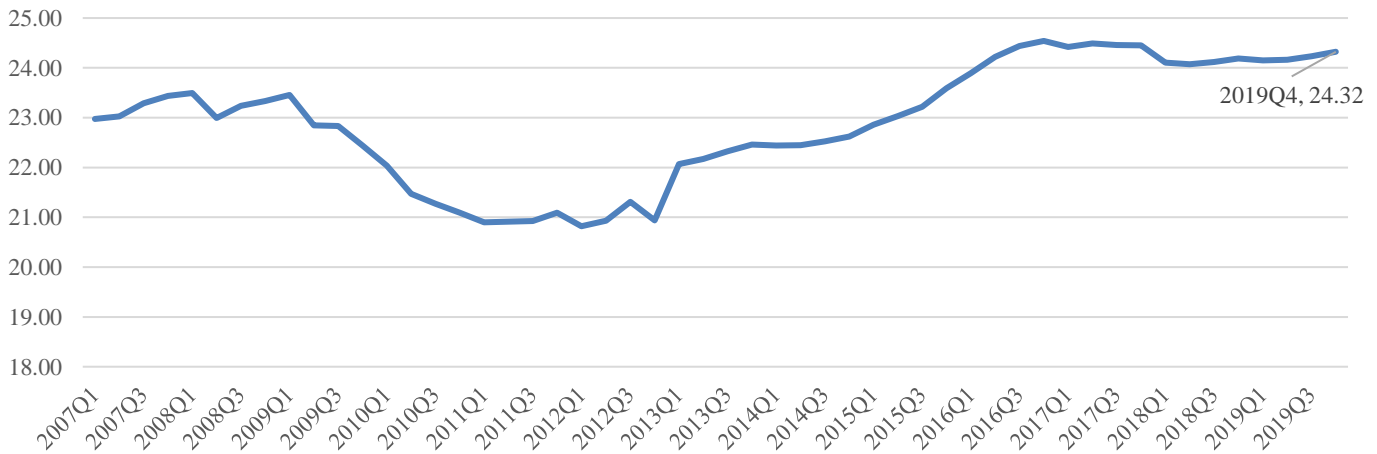
Source: Mortgage Bankers Association, via Moody's Analytics June 12, 2020 release

### MBA Foreclosure Starts



Source: Mortgage Bankers Association, via Moody's Analytics June 12, 2020 release

### Debt to Income Ratio, (%) for Maine

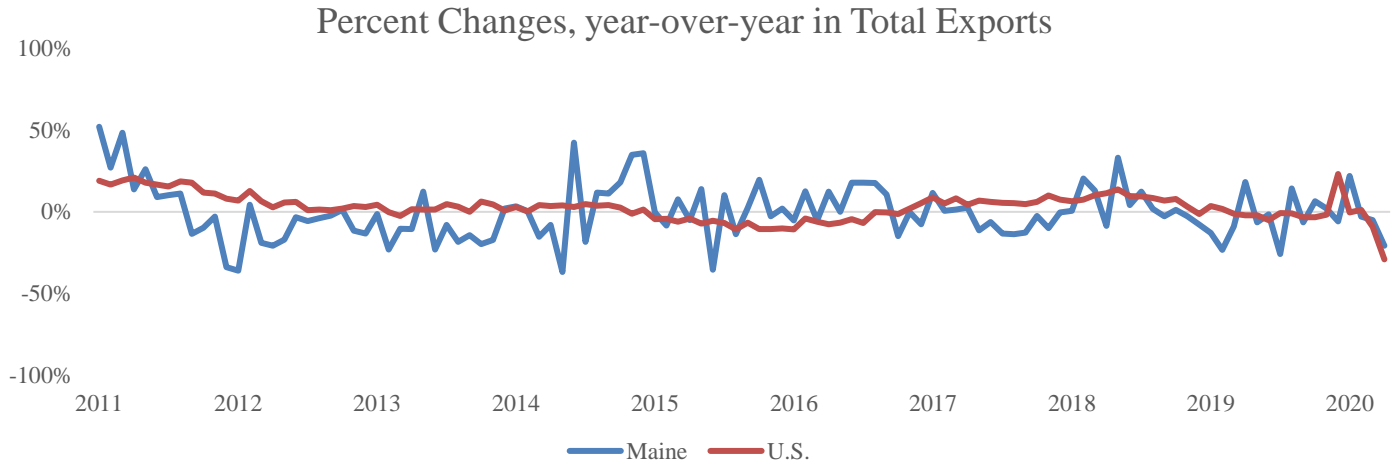


Source: Moody's Analytics, June 2020 release

## 7. Trade Outlook

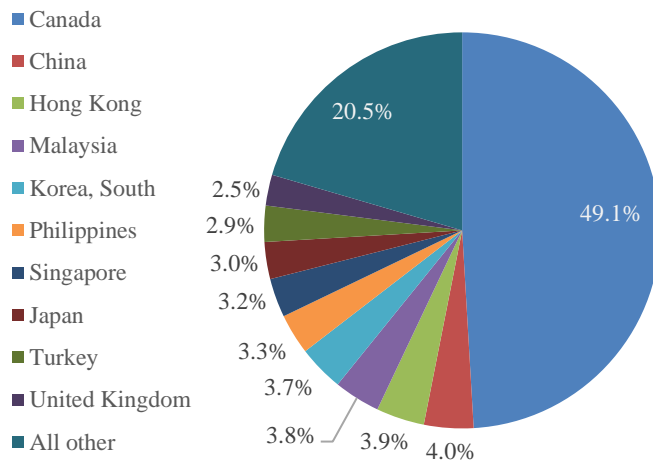
### Exports

Data for April 2020 show total exports in Maine decreased by 20.8% over April 2019 and by 2.7% for the year through April. Total exports from Maine totaled \$181,694,649 in April 2020, while imports totaled \$283,320,050.

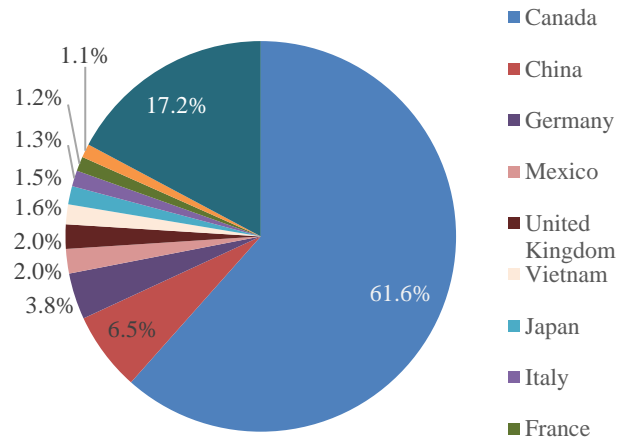


Source: USA Trade Online, January 7, 2020 release

Top export partners of April 2020



Top Import Partners of April 2020



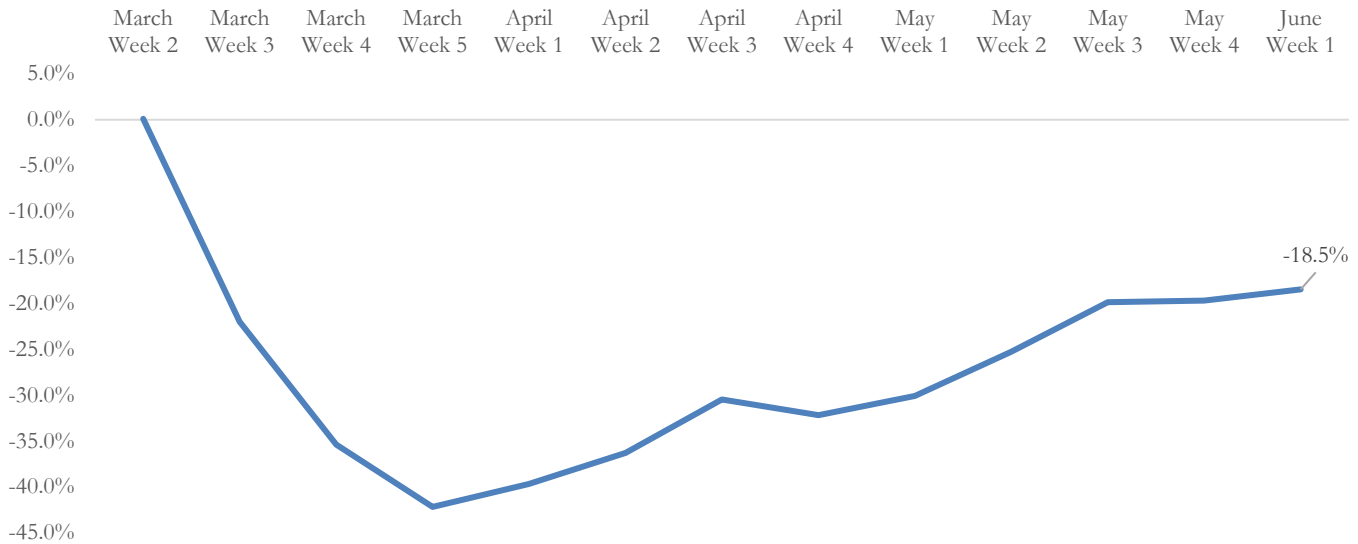
Source: USA Trade Online, June 4, 2020 release

## 8. COVID-19 Impacts

### Traffic reductions

Since the second week of March, traffic on Maine roadways has significantly decreased as more people work from home and fewer businesses are open to customers. As of the first week of June, total Vehicle Miles Traveled (VMT) was 18.5% lower than the same week of 2019. VMT has been gradually rising since it reached a trough of -42% in the last week of March.

Vehicle Miles Travelled (VMT) in Maine, Year-over-year change

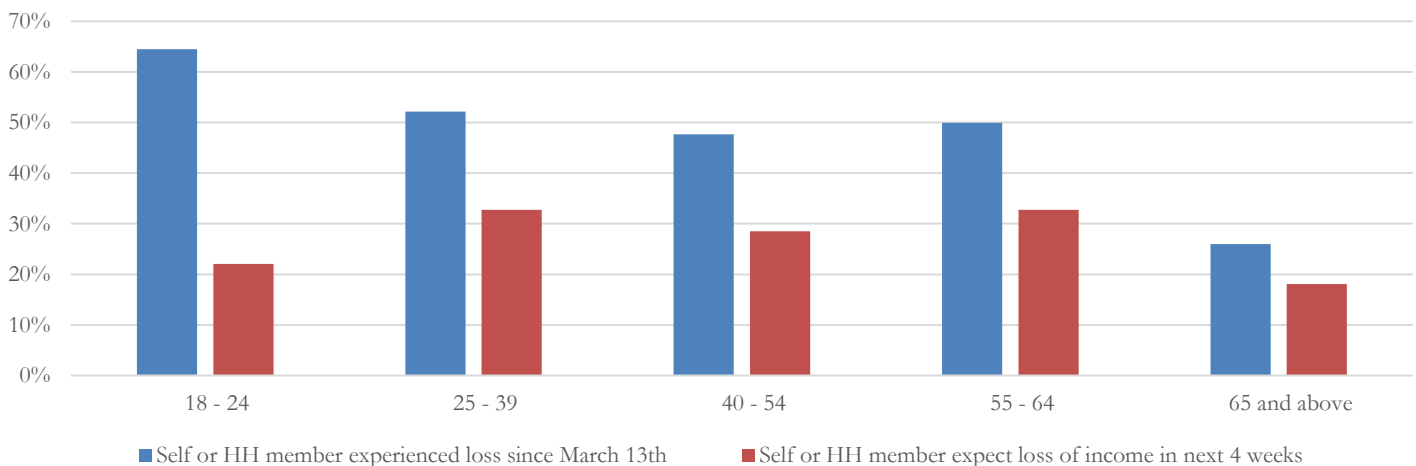


Source: Department of Transportation, June 9, 2020

### Household Pulse Surveys

Surveys from the U.S. Census Bureau and the University of Maine School of Economics give a clearer picture of the economic situation for households and businesses in Maine. The Household Pulse Survey from the Census Bureau indicates that as of the second week of June, 44.7% of households in Maine have experienced a loss of employment income, with losses skewed towards younger workers.

Experienced and Expected loss of employment income by age (June 4-June 9)



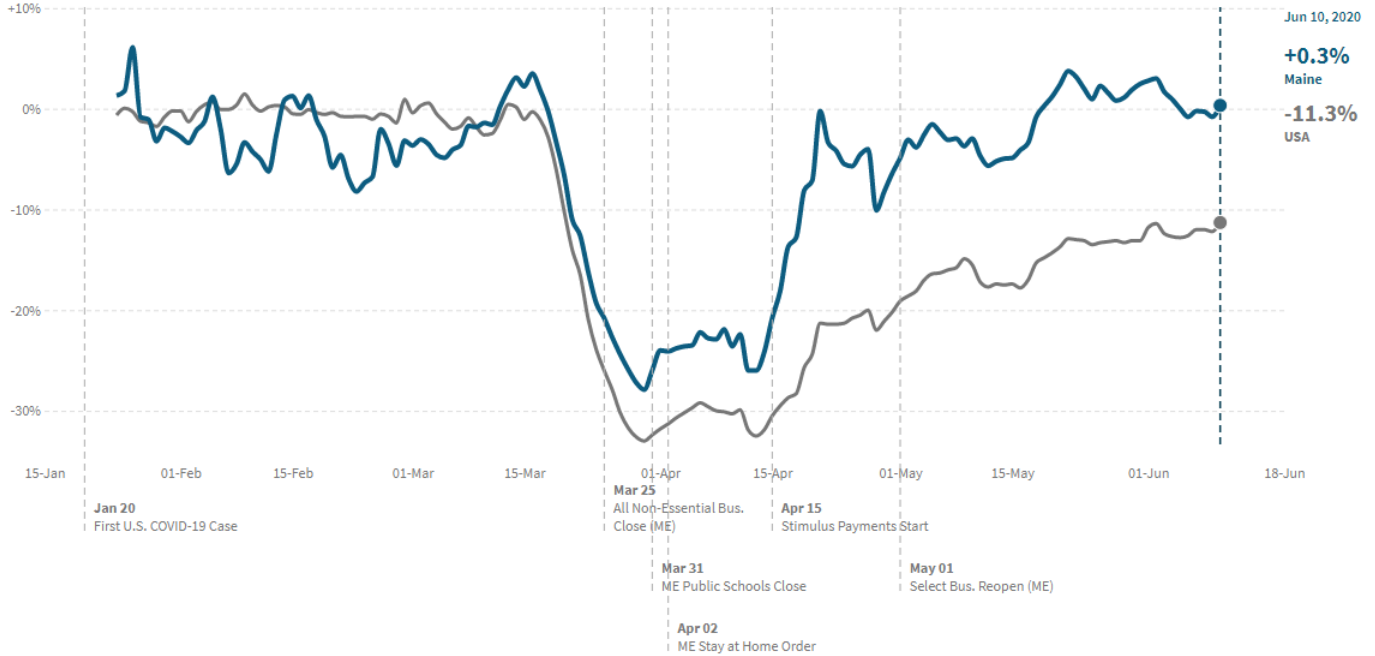
Source: U.S. Census Bureau Household Pulse Survey, June 17, 2020 release

## Consumer Spending

Credit and debit card purchase data as of June 10 show that spending seems to have recovered, and sits at +0.3% in Maine, much higher than -11.3% for the nation. Spending data also appear to demonstrate that stimulus payments contributed to this growth in spending.

In **Maine**, as of June 10 2020, total spending by all consumers increased by **0.3%** compared to January 2020.

[DOWNLOAD CHART](#)

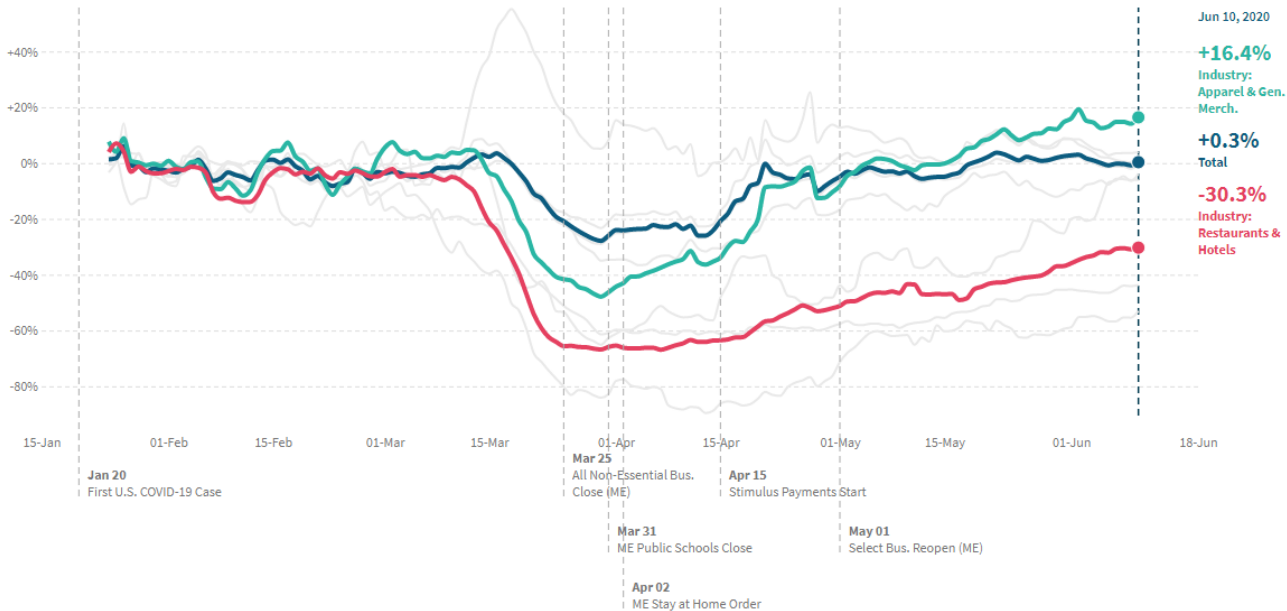


Source: Affinity Solutions, Opportunity Insights Economic Tracker

The recovery of consumer spending is largely due to increasing purchases of apparel and general merchandise (+16.4%) and healthcare (-3.8%). Restaurant & Hotel spending remains at -30.3%, while Entertainment & Recreation spending remains 53% lower than in January.

In **Maine**, as of June 10 2020, total spending by all consumers increased by **0.3%** compared to January 2020.

[DOWNLOAD CHART](#)



Source: Affinity Solutions, Opportunity Insights Economic Tracker