



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

PAUL R. LEPAGE
GOVERNOR

ALEXANDER E. PORTEOUS
COMMISSIONER

Consensus Economic Forecasting Commission Background Materials for the October 26, 2018 Forecasting Meeting

Summary

Both the national and state economies had a good year in 2017 and the available data for the first half of 2018 indicates that both the U.S. economy and Maine economy continue to grow. Since the last Consensus Economic Forecasting Commission (CEFC) meeting in late January, 2018, the Bureau of Economic Analysis (BEA) has released considerable revisions to state personal income data that will also affect Gross Domestic Product (GDP) for the second quarter of 2018, set to release in November.

Maine's real GDP grew 0.6% in the first quarter of 2018. Personal income in Maine grew 4.3% from the first two quarters of 2017 to the first two quarters of 2018, while wage and salary income, which is the largest component of total personal income, grew 4.1% over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the fourth quarter of 2017. The Consumer Price Index was up 2.3% in September 2018 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has been relatively stable in recent months. The August 2018 level was down 0.6% from a year ago and down 1.7% from July 2018. Small business optimism reached a new record high in August 2018 of 108.8. Compared to August 2017, the index was up by 3.3% and up by 0.8% from the previous month (July 2018).

The price of crude oil has continued increasing recently with prices in the third quarter of 2018 over \$79 per barrel. As a result, heating oil prices and gasoline prices have been higher as well. Heating oil is around \$3.04 per gallon while gasoline is currently averaging \$2.92 per gallon.

Existing single-family home sales in Maine were down 5.1% in September 2018 compared to the same month last year and average housing permits for the September 2017–August 2018 period were 6.9% lower than the previous 12-month period. The median home price in York, Cumberland, and Sagadahoc counties increased by 4.0, 5.7, and 7.5%, 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.

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 (age cohorts 53-71), while 46 percent of Maine's population is working age (15-52 years) but not part of the Baby Boom generation. 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.

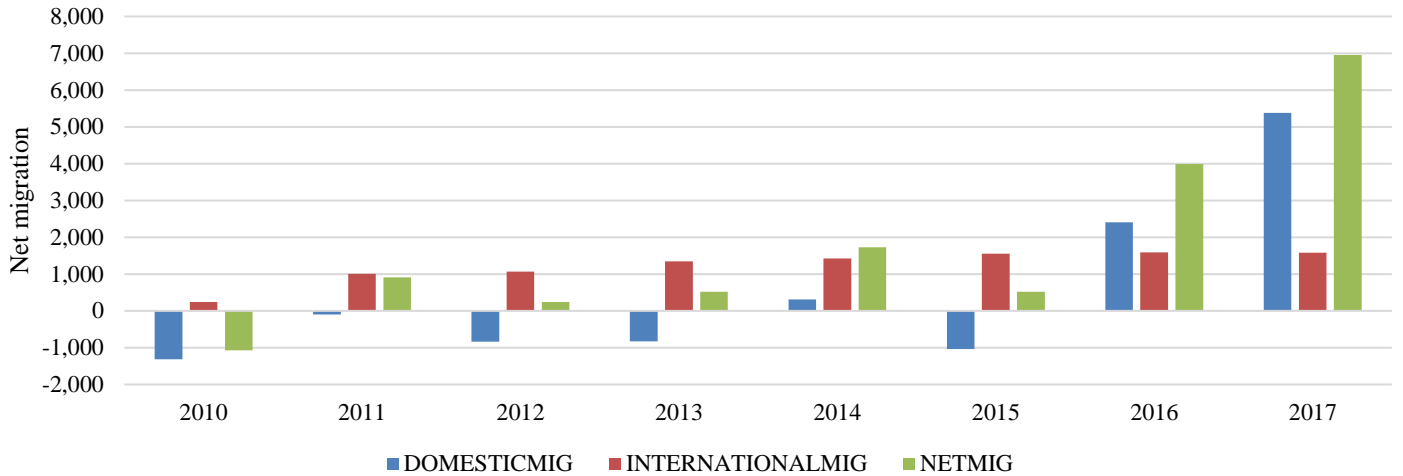
In terms of migration, 13 out of 16 counties saw positive net migration from 2016-2017 with highest net migration in York, Cumberland, and Penobscot counties. The primary contributor to the positive net migration is increased domestic migration with 13 out of 16 counties experiencing positive net domestic 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

Maine Migration Patterns, 2010 - 2017



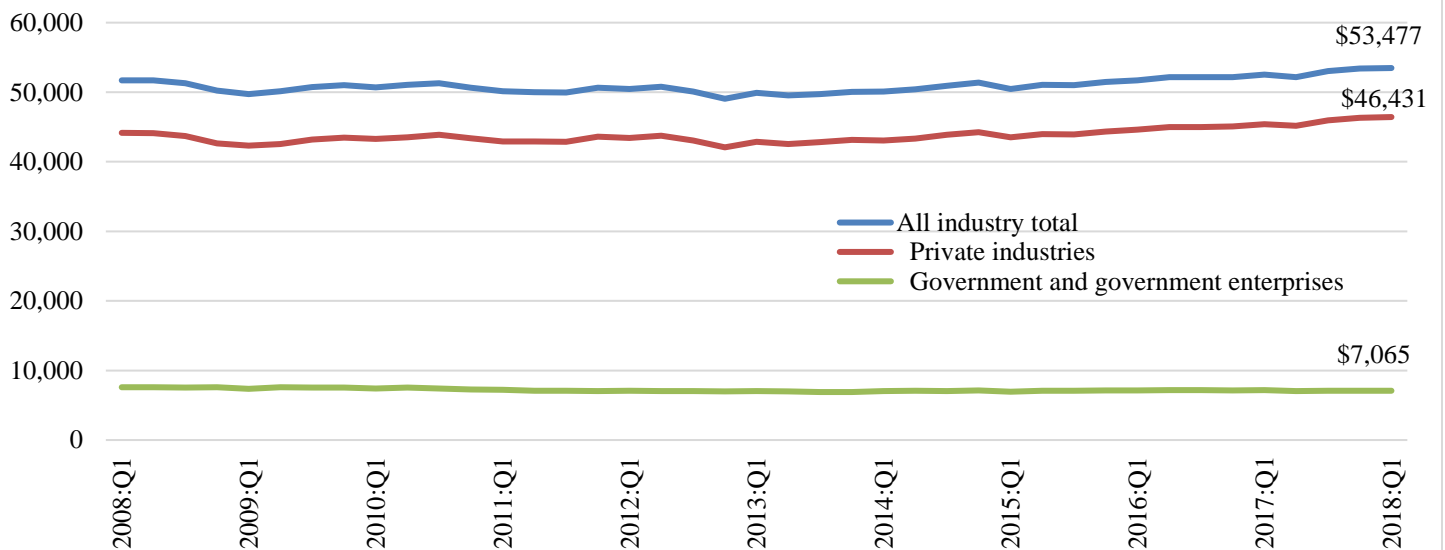
Source: U.S. Census Bureau 2017 Population Estimates, December 20, 2017 release

2. State Economy

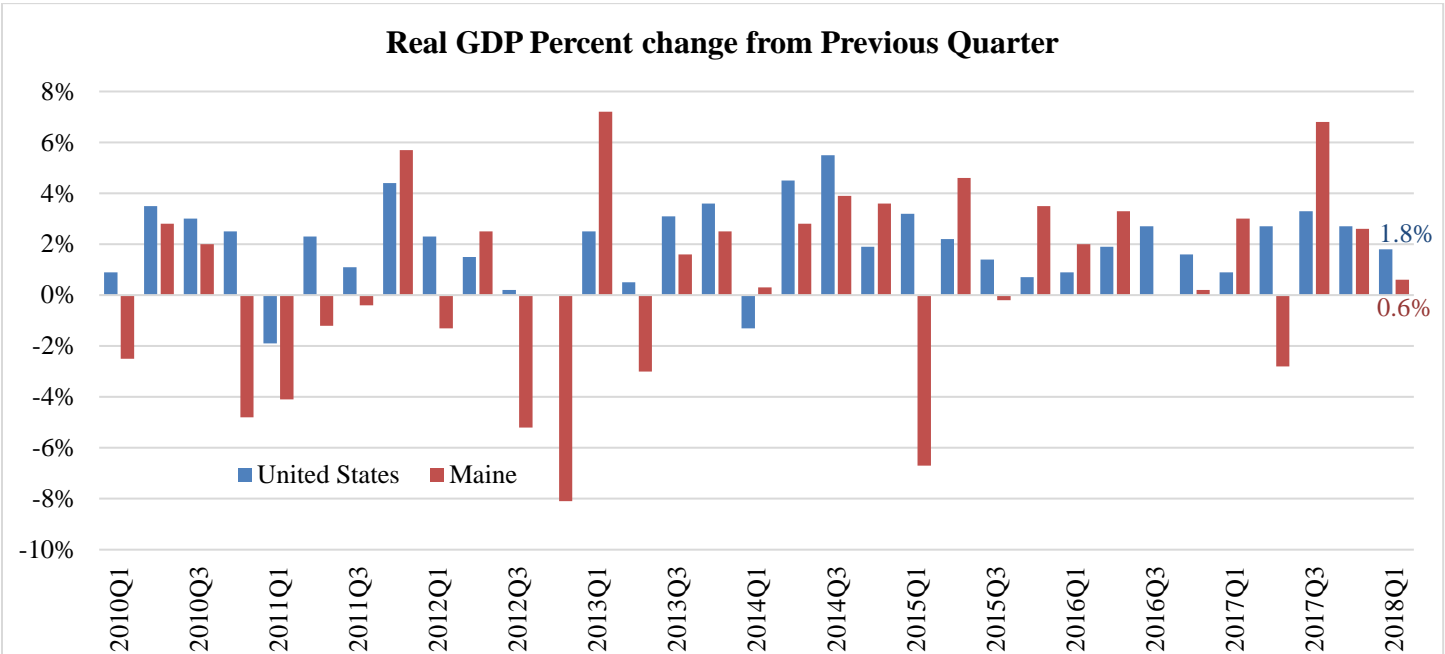
Gross Domestic Product (GDP)

In the first quarter of 2018, Maine's real GDP was \$53.5 billion, with \$46.4 billion coming from private industries and \$7.1 billion from government (federal, state, and local). Maine's total real GDP grew 0.6% from the last quarter of 2017 to the first quarter of 2018. This was lower than the rate of national GDP growth, which was 1.8%.

Real GDP (in millions of 2009 chained dollars, seasonally adjusted at annual rates)



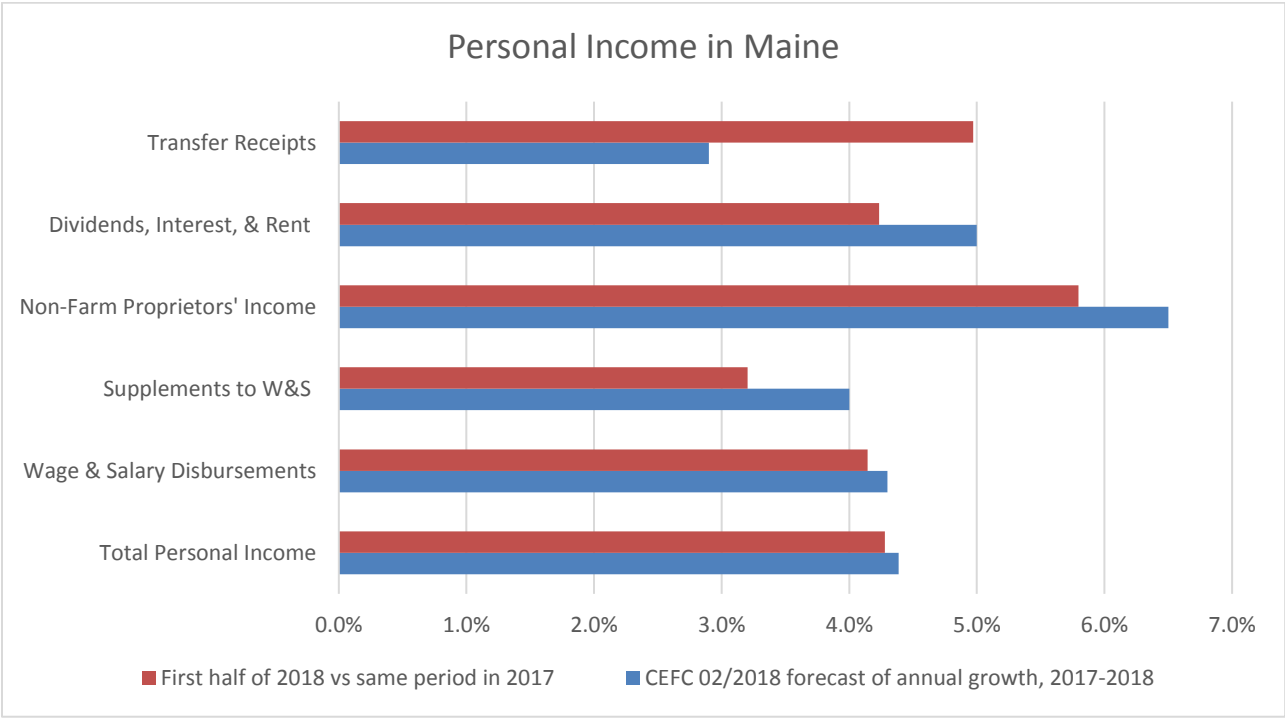
Source: U.S. Bureau of Economic Analysis, July 24, 2018 release



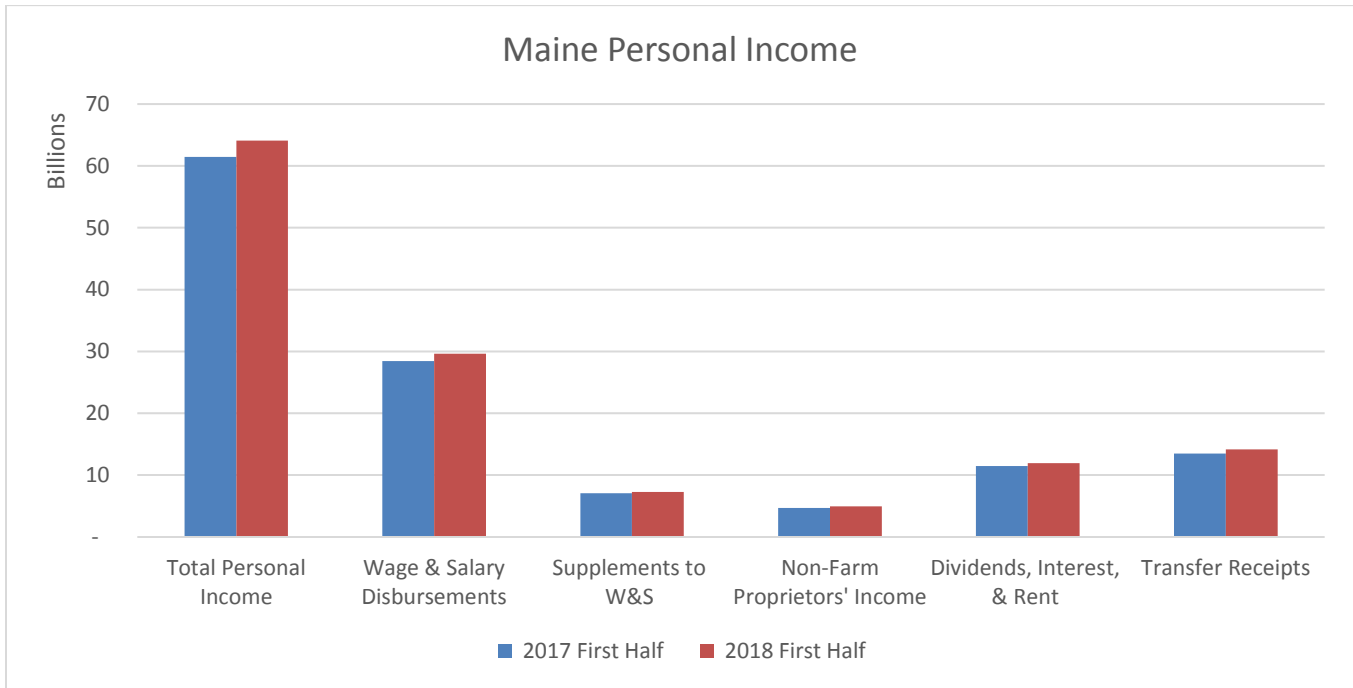
Source: U.S. Bureau of Economic Analysis, July 24, 2018 release

Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 4.3 percent from the first two quarters of 2017 to the first two quarters of 2018 and wage and salary income grew 4.1 percent during the same period. Total personal income as well as wages and salaries for the remainder of 2018 would both need to be 2.2 percent higher than the first half of the year to hit the CEFC's annual forecast for 2018. Wage and salary disbursements, which are the largest component of personal income, averaged around \$29.6 billion in the first two quarters of 2018 (seasonally adjusted at annual rates). Total personal income averaged around \$64.1 billion.



Source: U.S. Bureau of Economic Analysis, September 25, 2018 release

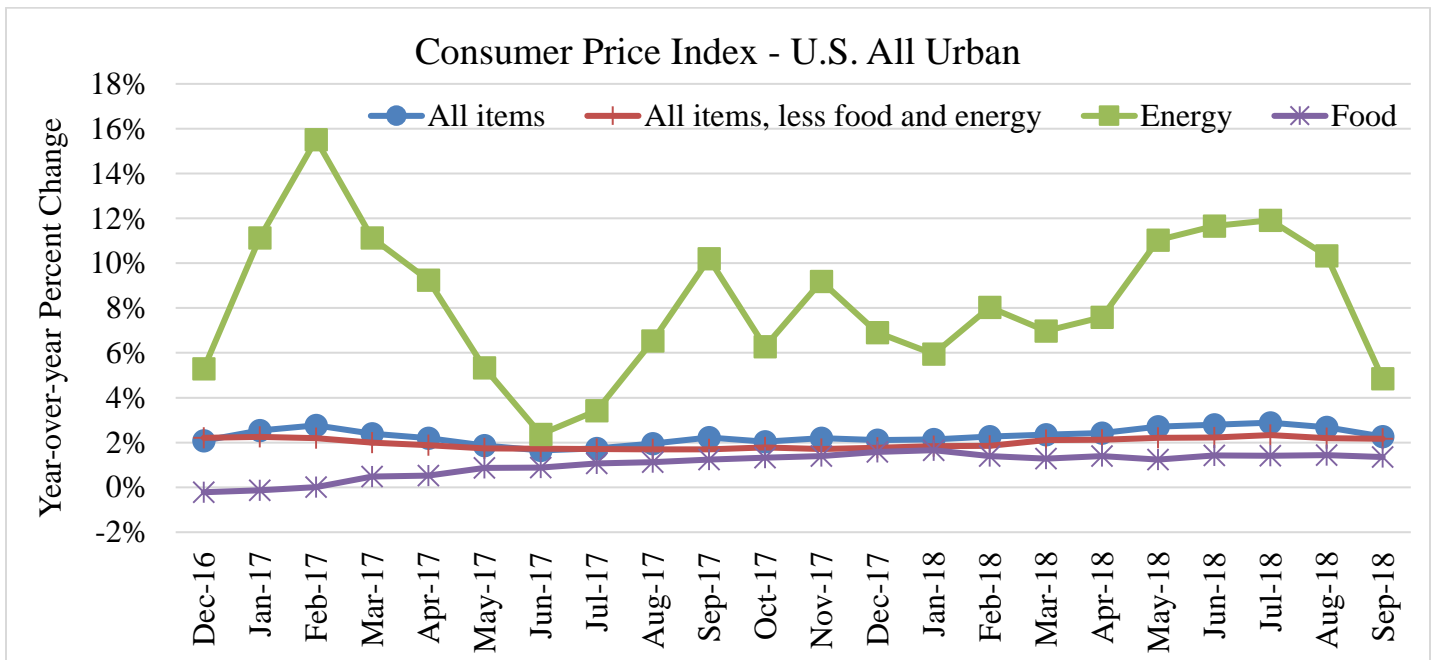


Source: U.S. Bureau of Economic Analysis, September 25, 2018 release

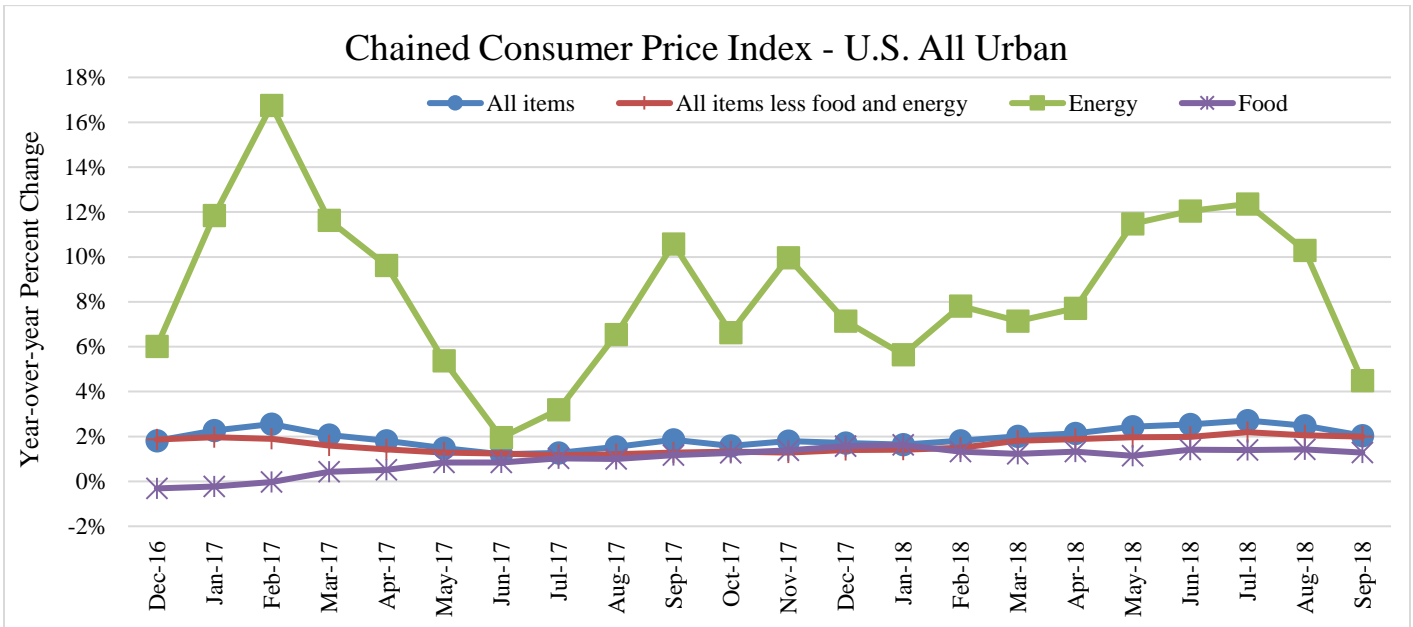
3. Consumption and Expenditures

Consumer Price Index

The Consumer Price Index (CPI) was up 2.3 percent from September 2017 to September 2018, rising as energy prices continued increasing from recent lows and as the unemployment rate continues to remain below 4.0 percent. Core inflation, which excludes food and energy prices, rose 2.2 percent over that same period. The Chained Consumer Price Index (Chained CPI) increased 2.0% from September 2017 to September 2018, again responding to an increase in energy prices and decreasing unemployment rates. Core inflation rose 2.0% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.



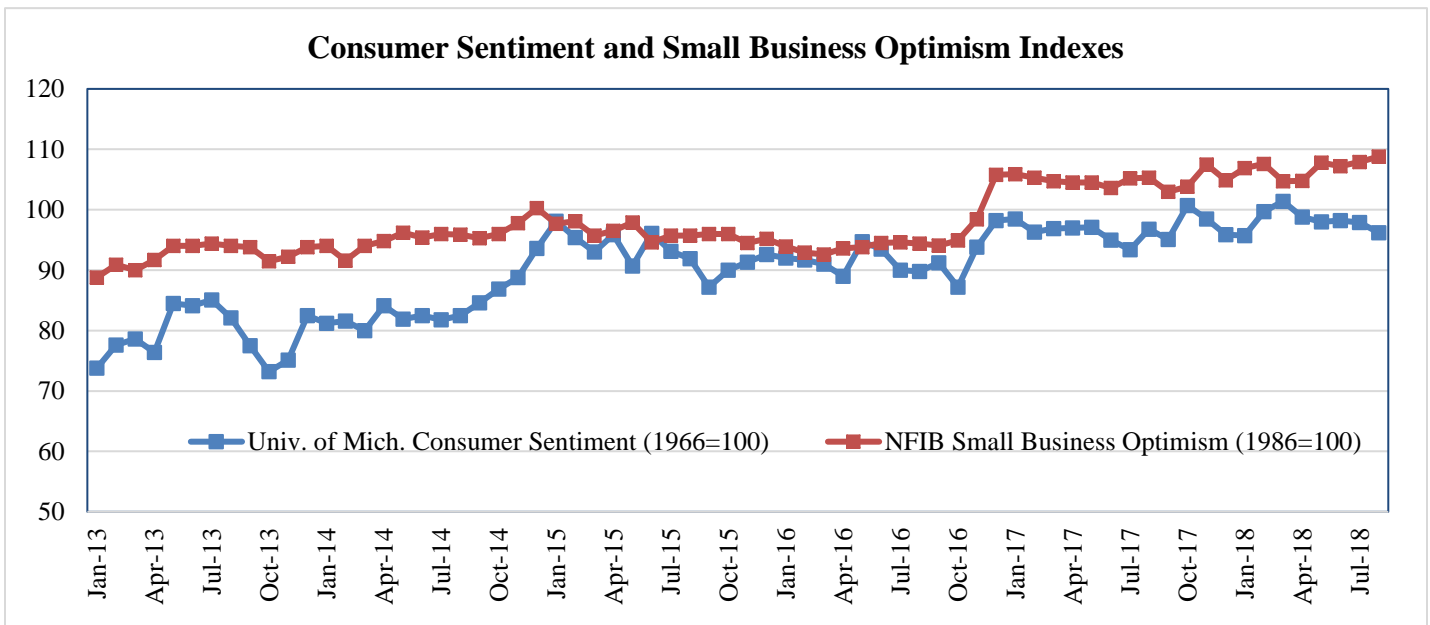
Source: U.S. Bureau of Labor Statistics, October 10, 2018 release



Source: U.S. Bureau of Labor Statistics, October 10, 2018 release

Consumer Sentiment and Small Business Optimism

In August 2018, the survey-based University of Michigan Consumer Sentiment Index decreased 1.7% month-over-month and was down 0.6% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 0.8% from the previous month and up 3.3% from a year ago. The monthly average for 2018 year-to-date was 107.0, a record high.



Source: University of Michigan, September 12, 2018 release; National Federation of Independent Businesses, Sept, 2018 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%

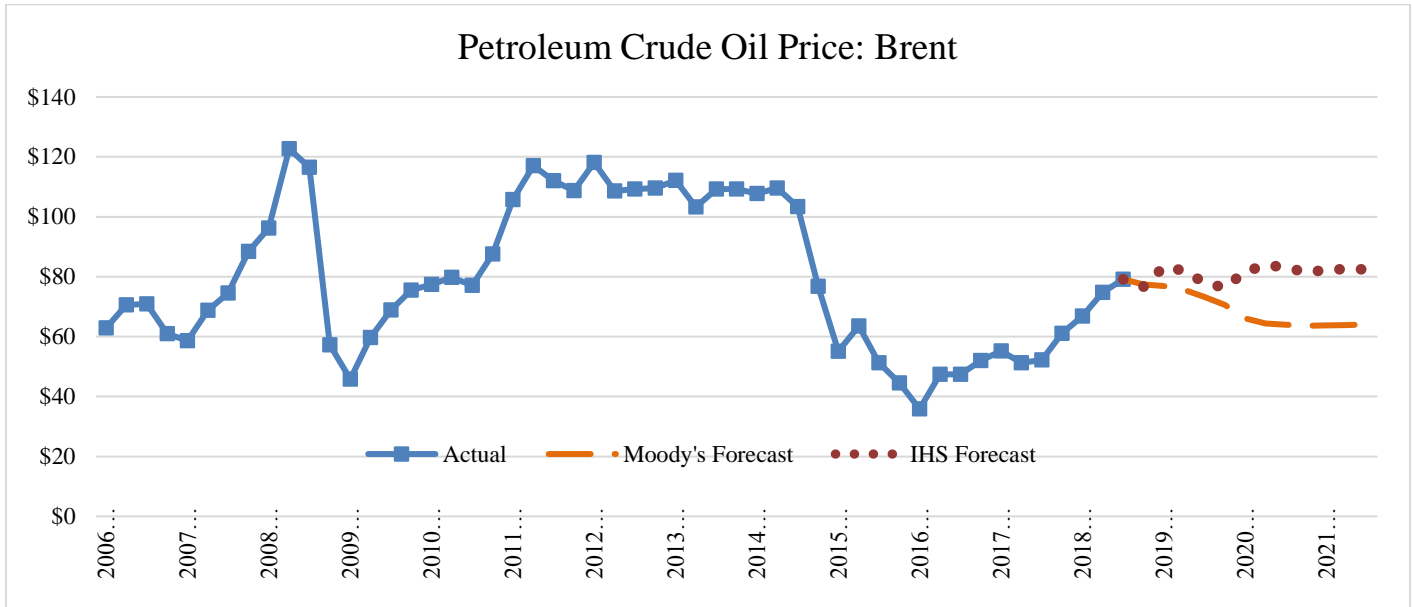
Source: Maine Bureau of Motor Vehicles

4. Energy Sector

The U.S. Energy Information Administration (EIA), in their October 10, 2018, press release, indicated that U.S. households can expect higher energy expenditures this winter compared to last winter. EIA attributes increased expenditures to increases in fuel prices (natural gas 5.0%, home heating oil 20.0%, and electricity 3.0%). Further, U.S. average heating degree days are expected to be 1.0 percent higher than last year (contingent on actual weather outcomes). The energy outlook also predicts that heating oil prices will be \$3.27/gallon for the upcoming winter, approximately 18 percent higher than last year, due to supply shortages stemming from political turmoil in the “Fragile Five” energy markets (Iran, Iraq, Libya, Nigeria and Venezuela).

Crude Oil

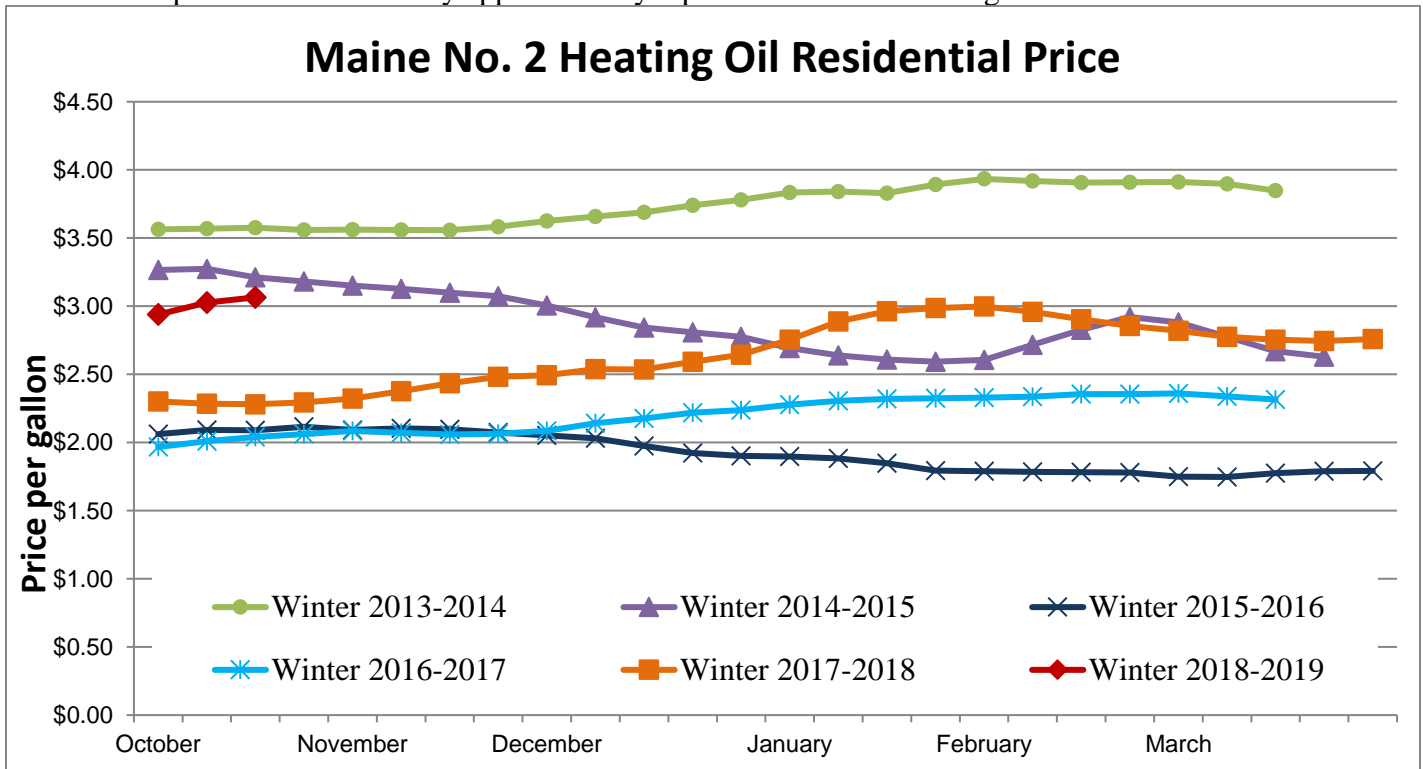
The price of Brent crude oil has continued increasing and is over \$79 per barrel in the third quarter of 2018, up 5.9% from the second quarter of 2018 and a 51.7% increase from the third quarter of 2017.



Source: Moody's Analytics, Oct. 2018 release; IHS, Oct. 2018 release

Heating Oil

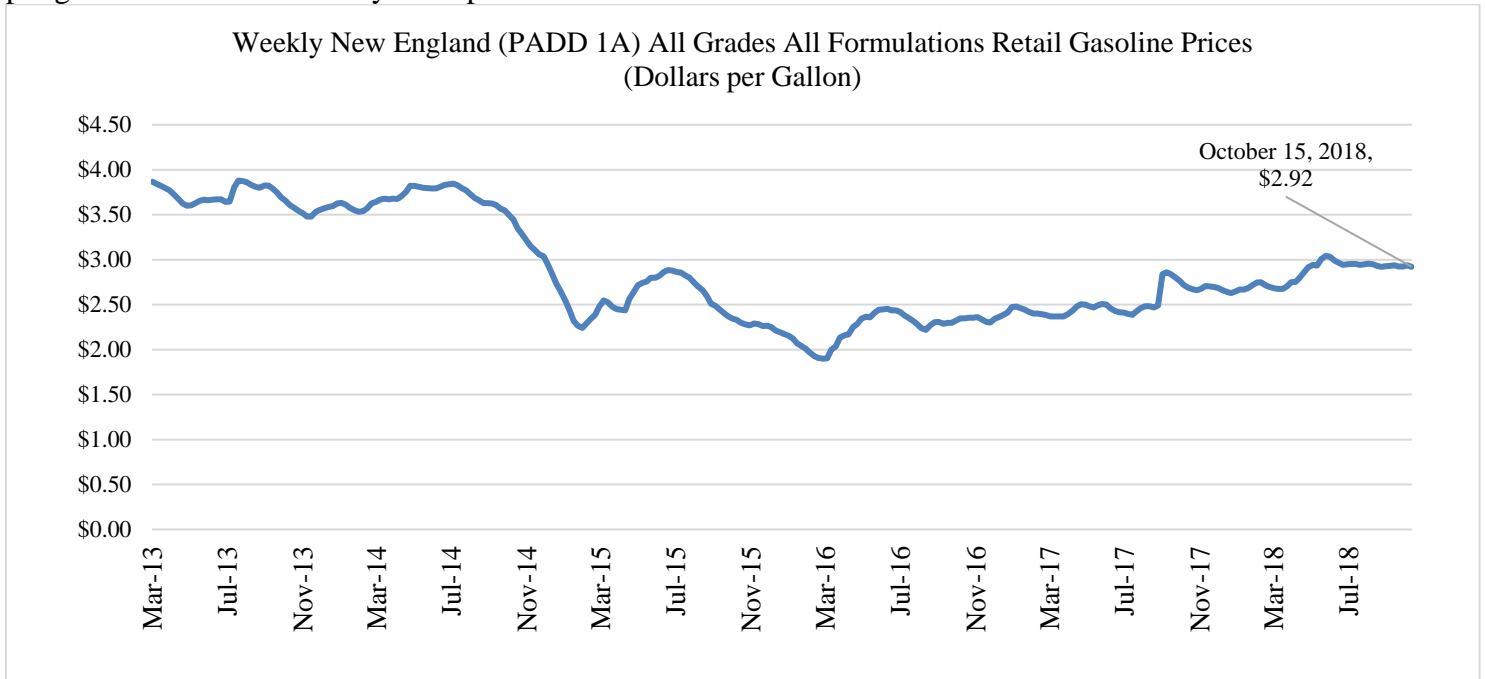
The current statewide average cash price of No. 2 heating oil in Maine was \$3.04/gallon based on the October 15 update and has risen by approximately 7 percent since a month ago.



Source: U.S. Energy Information Agency, Oct. 10, 2018 release

Gasoline

The price of gasoline in New England averaged \$2.92 the week of October 15, 2018, unchanged from the previous week and \$0.23 higher than one year ago. The price of gasoline has risen recently but is still \$0.92 per gallon lower than the July 2014 peak.

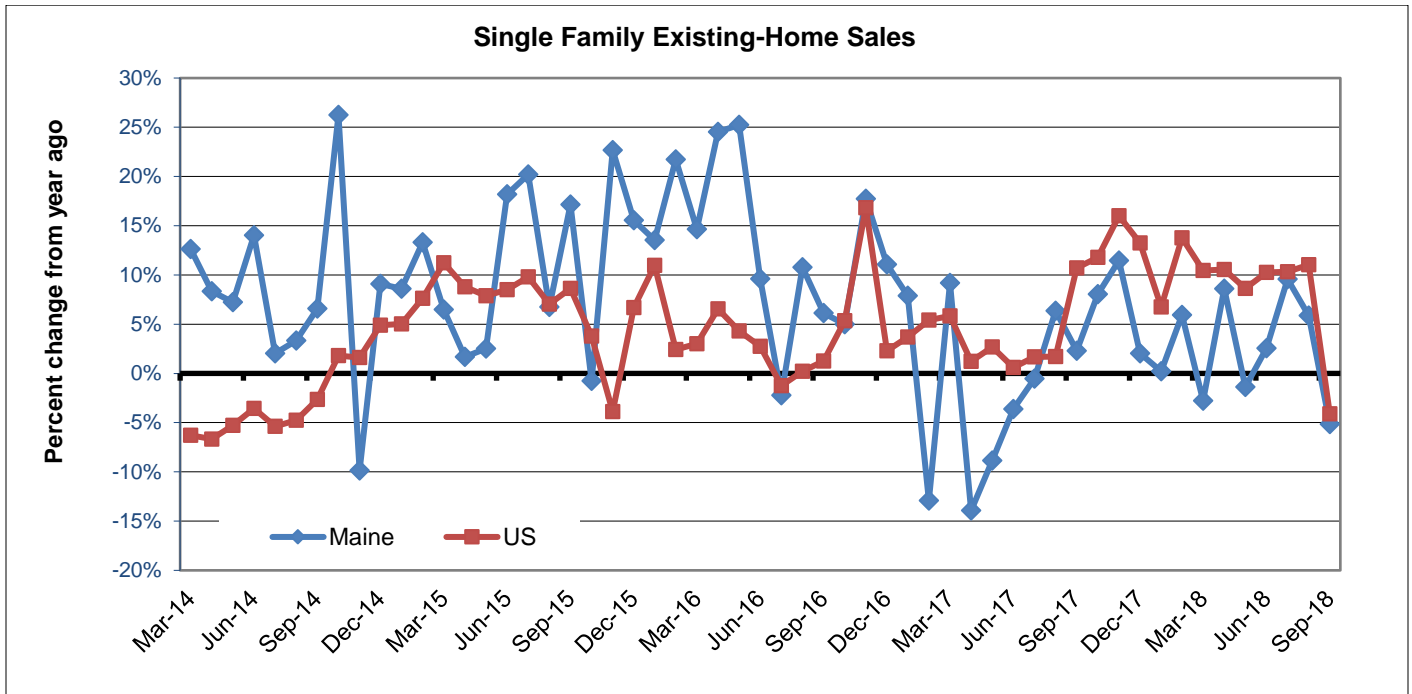


Source: U.S. Energy Information Agency, Oct. 16, 2018 release

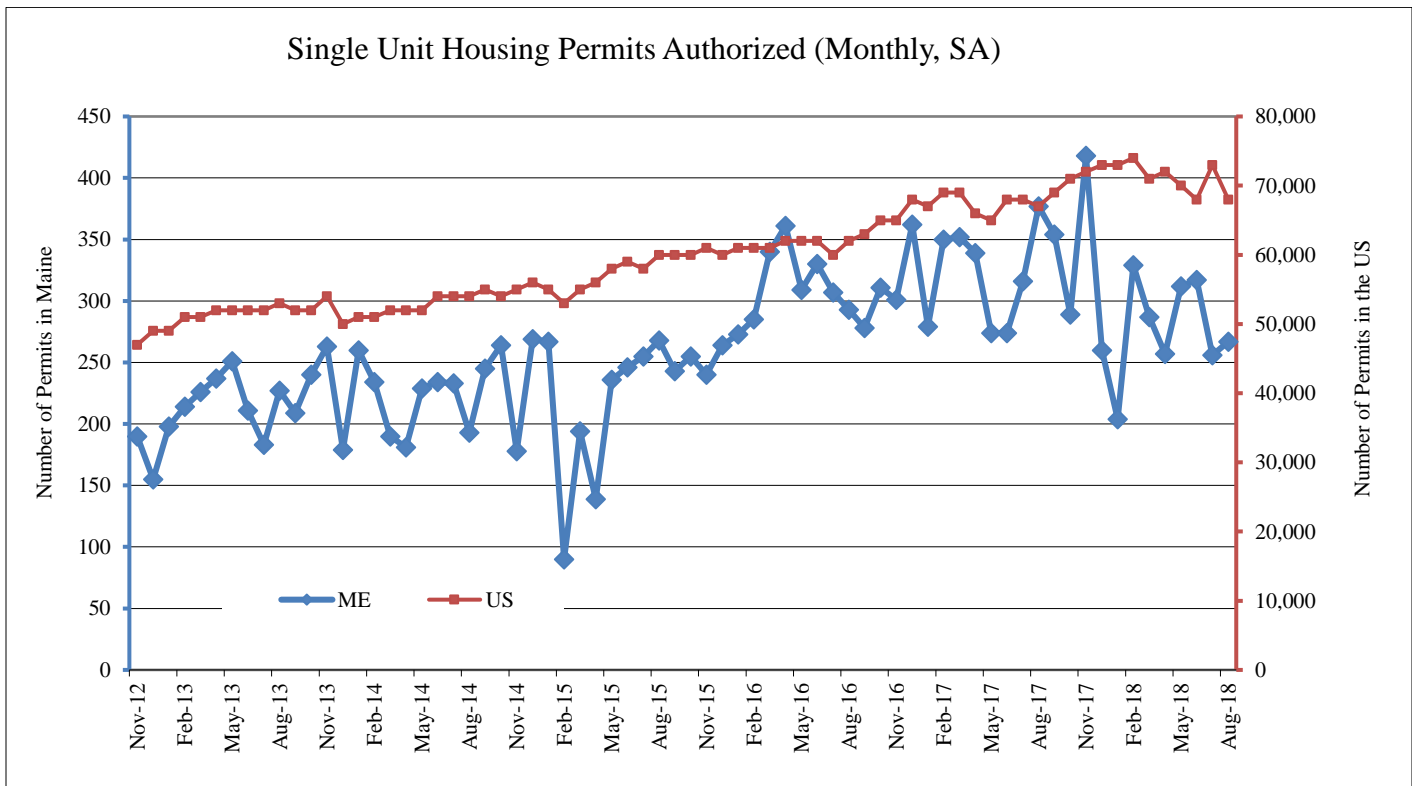
5. Housing

Single family existing-home sales in Maine were down 5.1% in September 2018 compared to September 2017. Although there was a decline in the number of units sold, median sales price of single family homes increased by 3.8% between September 2017 and 2018. Month-over-month changes indicate home sales declined by 18.9%. Housing permits issued in Maine were 29% lower than a year ago (August 2017) and 4% higher than a month ago (July 2018). Average monthly single unit housing permits in Maine in the 12-month period from September 2017 through August 2018 were 6.9% 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 6.5% from the same quarter last year (2017:Q2 to 2018:Q2). 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 in the first and second quarters of 2018.

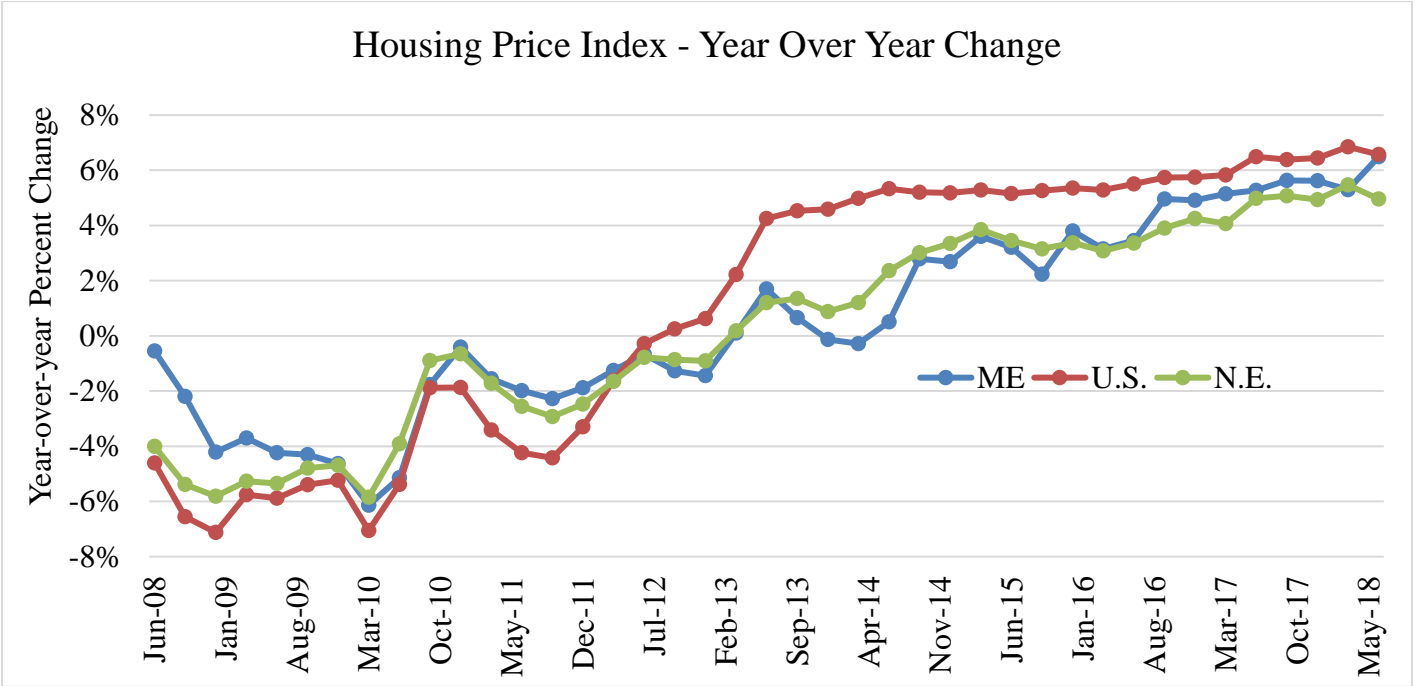


Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases



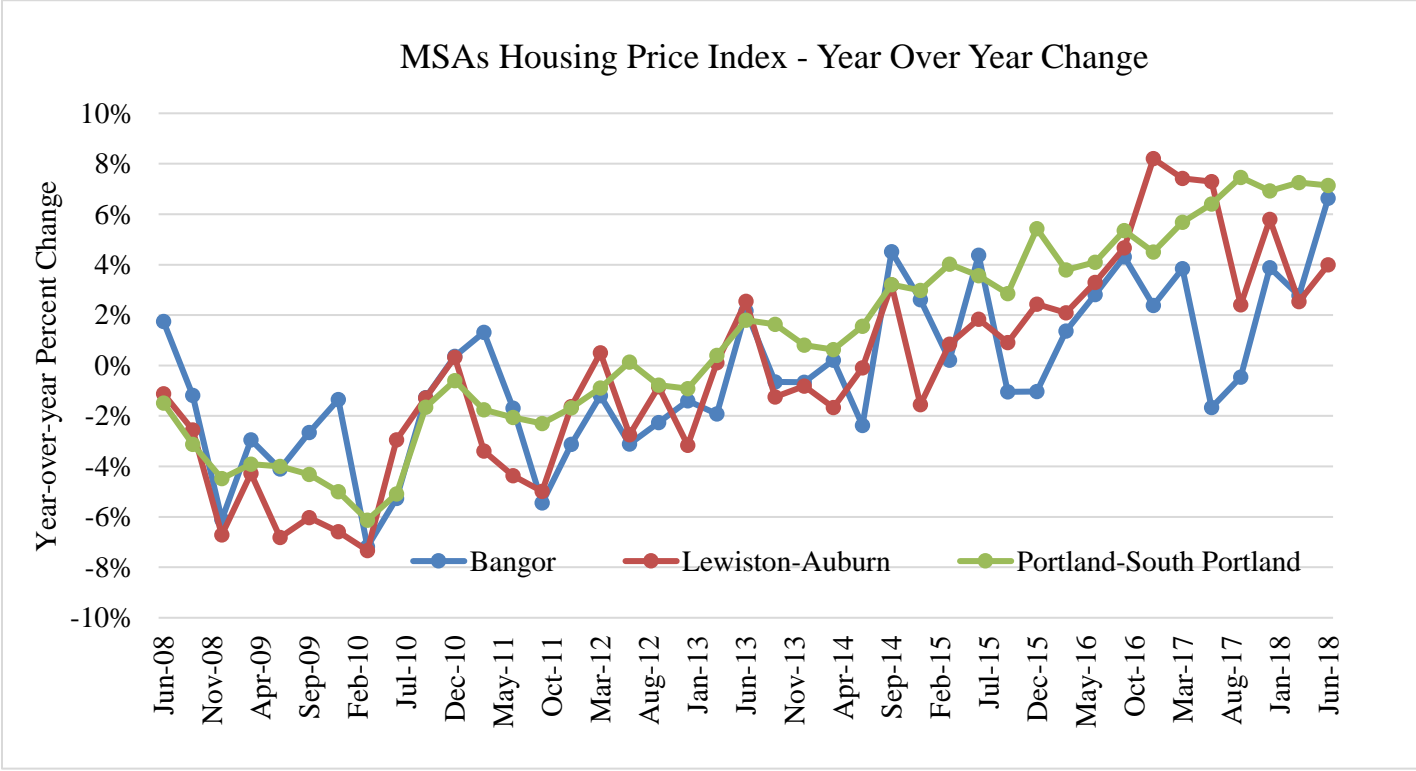
Source: US Census Bureau, August 23, 2018 release, via Federal Reserve Bank of Boston

Housing Price Index - Year Over Year Change



Source: Federal Housing Finance Agency

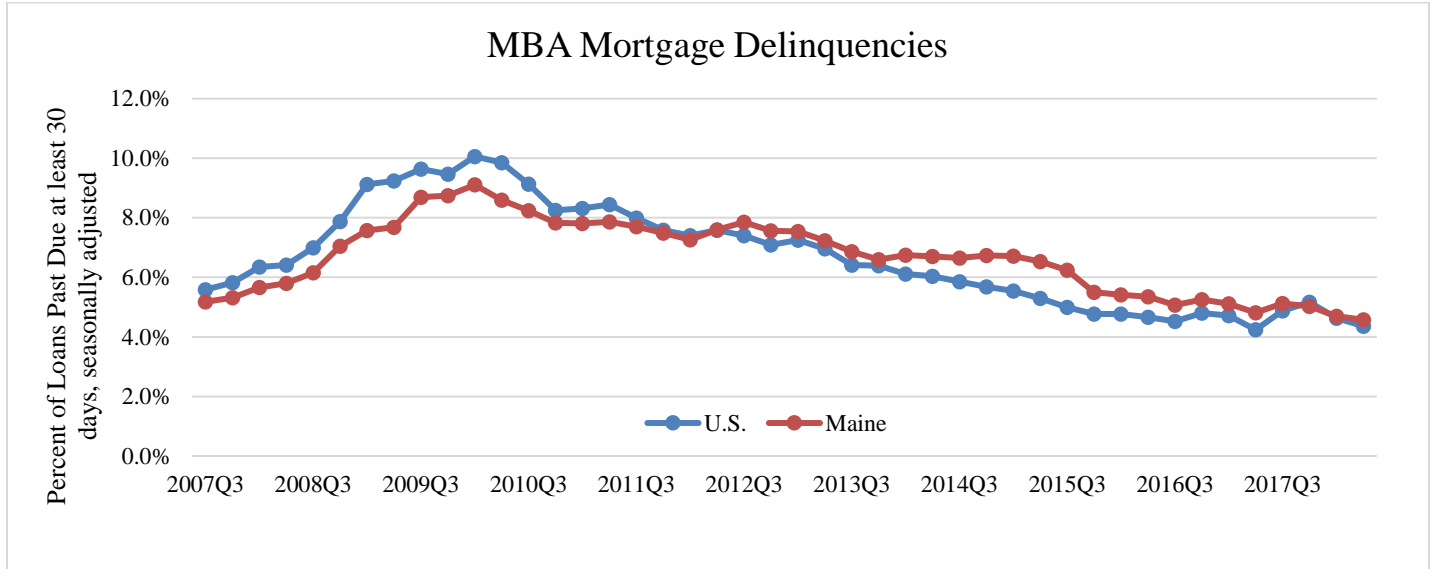
MSAs Housing Price Index - Year Over Year Change



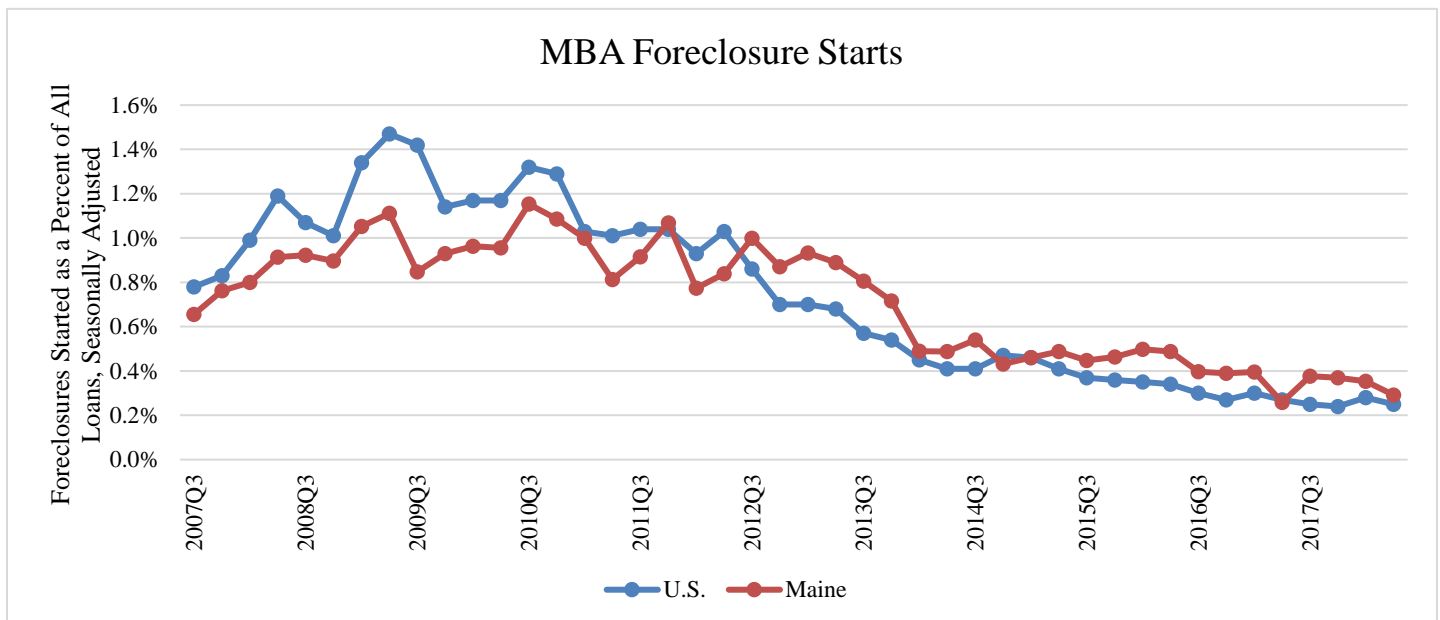
Source: Federal Housing Finance Agency

6. Borrowing

The share of mortgages in Maine that are delinquent 30 days or more was 4.6% in the second quarter of 2018. Maine's foreclosure rate was 0.3% in the second quarter of 2018, down slightly from the previous quarter but in line with recent foreclosure rates. Maine's debt to income ratio reached a new high point of 24.8% in the fourth quarter of 2017.



Source: Mortgage Bankers Association, via Moody's Analytics Oct. 2018 release



Source: Mortgage Bankers Association, via Moody's Analytics Oct. 2018 release

Debt to Income Ratio, (%) for Maine



Source: Moody's Analytics, Oct. 2018 release