

Office of Policy and Management

Executive Department

PAUL R. LEPAGE
Governor

JONATHAN P. LABONTÉ
Director

Consensus Economic Forecasting Commission Background Materials for the October 24, 2014 Forecasting Meeting

Summary

The Maine and U.S. economies continued to show signs of improvement since the CEFC met in January 2014.

Maine's Gross Domestic Product for 2013 was 0.9% higher than 2012, with all of the growth coming from private industry, but total GDP growth for the state was half the national growth of 1.8%. Personal income in Maine grew 3.4% year-over-year in the first half of 2014, while wage and salary income, which makes up around half of total personal income, grew 2.7% over the same period. In the second quarter of 2014, the debt-to-income level for Maine businesses and households rose to its highest point since the first quarter of 2008. The Consumer Price Index was 1.7% higher in August 2014 than it was in August 2013.

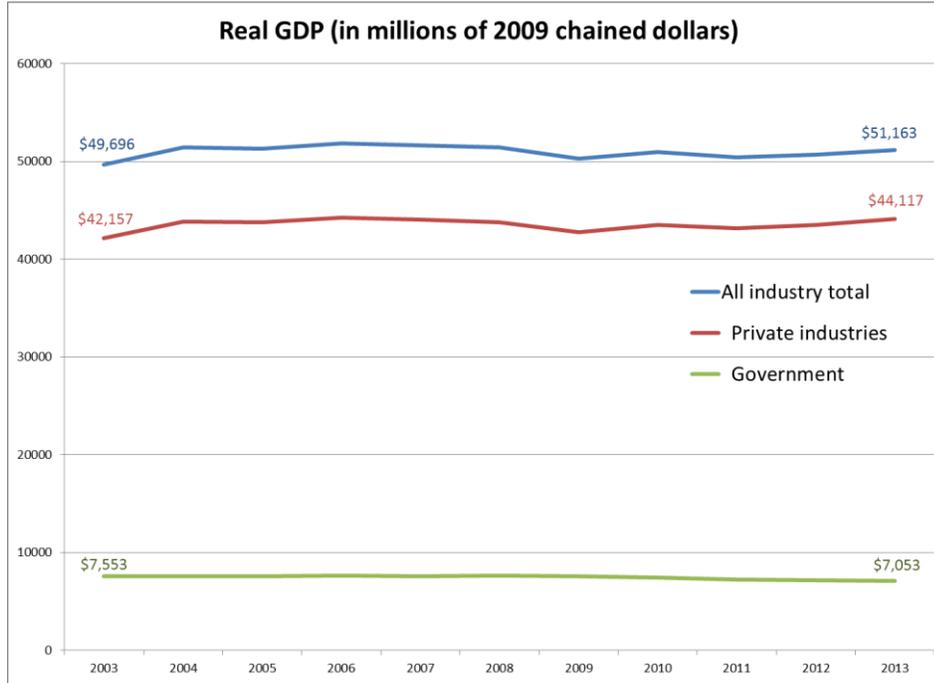
Nationwide, consumer sentiment in September 2014 was 9.2% higher than one year ago while small business optimism increased 1.5% over the previous year's level.

The price of crude oil decreased 5.8% in the third quarter of 2014 to around \$103 per barrel. Heating oil prices were considerably lower at the start of the current heating season compared to the past three years and gasoline prices have also declined recently. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 7.0% in FY 2013 compared to FY 2012, while the number of used auto titles decreased just 0.3%.

Existing single-family home sales in Maine were up 6.6% in September 2014 compared to September 2013 and housing permits for the September 2013-August 2014 year were 6.6% higher than the previous 12-month period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) decreased 2.6% year-over-year in the second quarter of 2014. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.57% in the second quarter of 2014 and remained above the national rate for an eighth straight quarter.

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

Gross Domestic Product

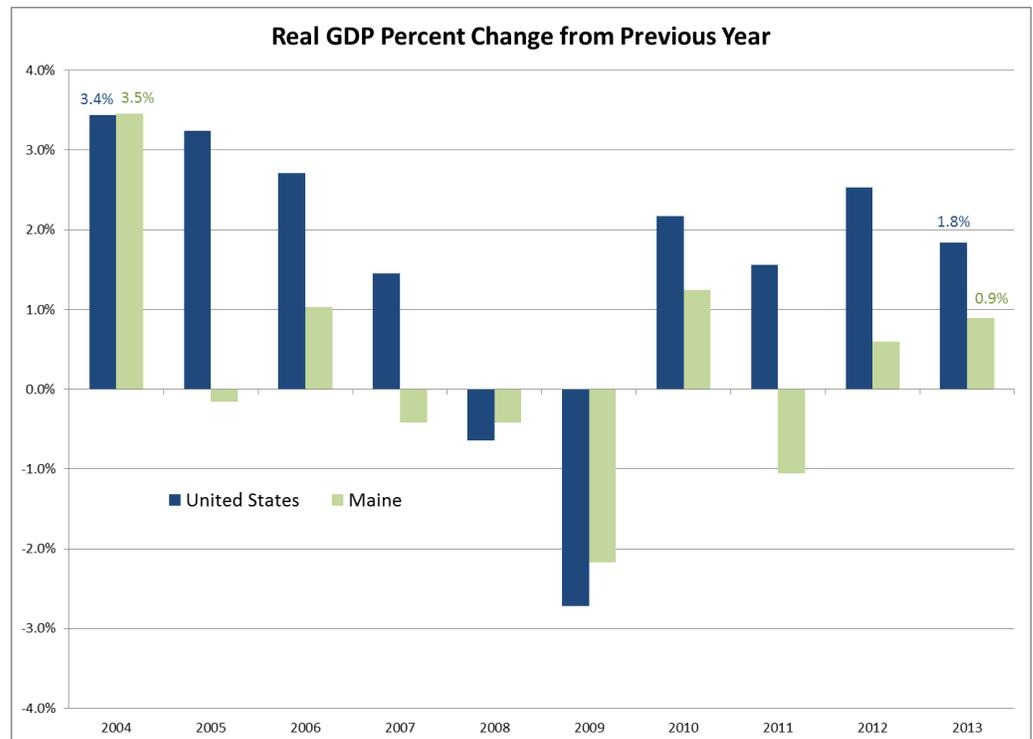


In 2013, Maine's real Gross Domestic Product was \$51.2 billion, with \$44.1 billion coming from private industries and \$7.1 billion from government (federal, state, and local). All of Maine's recent growth in GDP has come from private industry.

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.

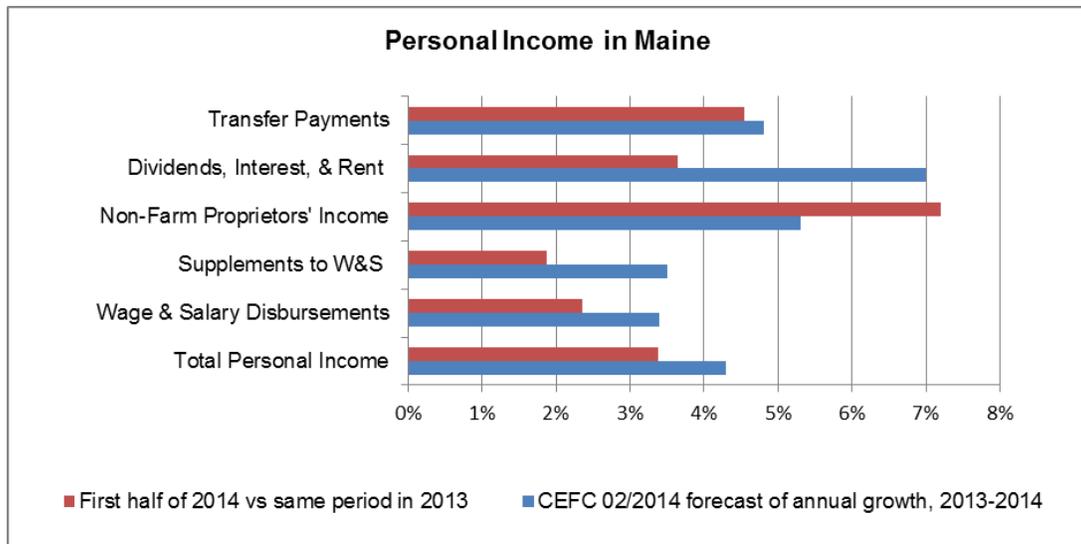
Source: U.S. Bureau of Economic Analysis, June 11, 2014 release



Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 3.4% year-over-year and wage and salary income grew 2.3% year-over-year in the first half of 2014.

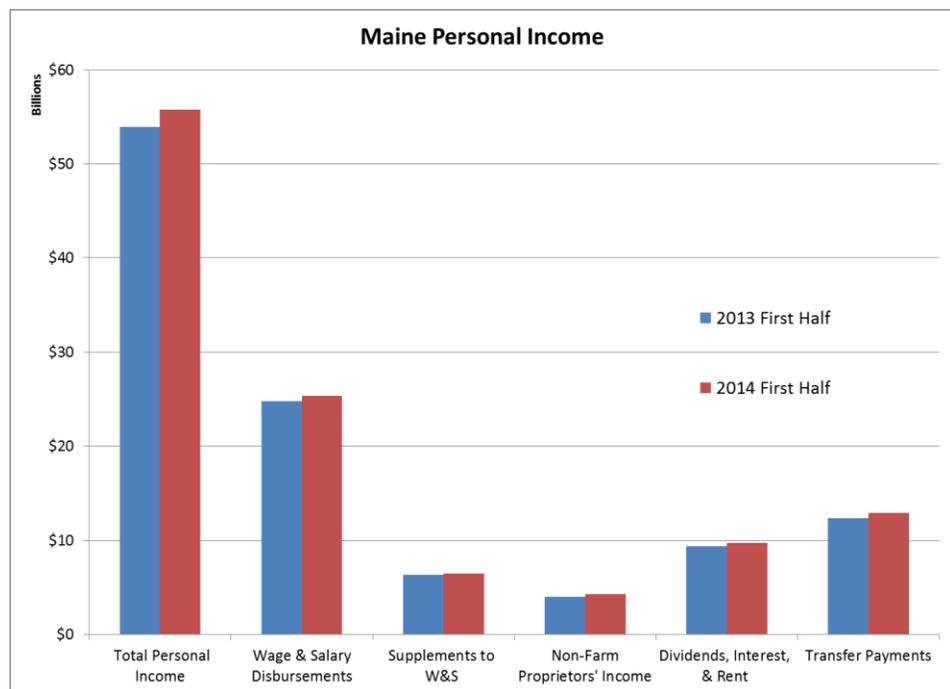
Total personal income for the second half of 2014 would need to be 1.7% higher than the first half of 2014 to hit the CEFC's annual forecast for 2014. Wage and salary disbursements would also need to be 1.3% higher.

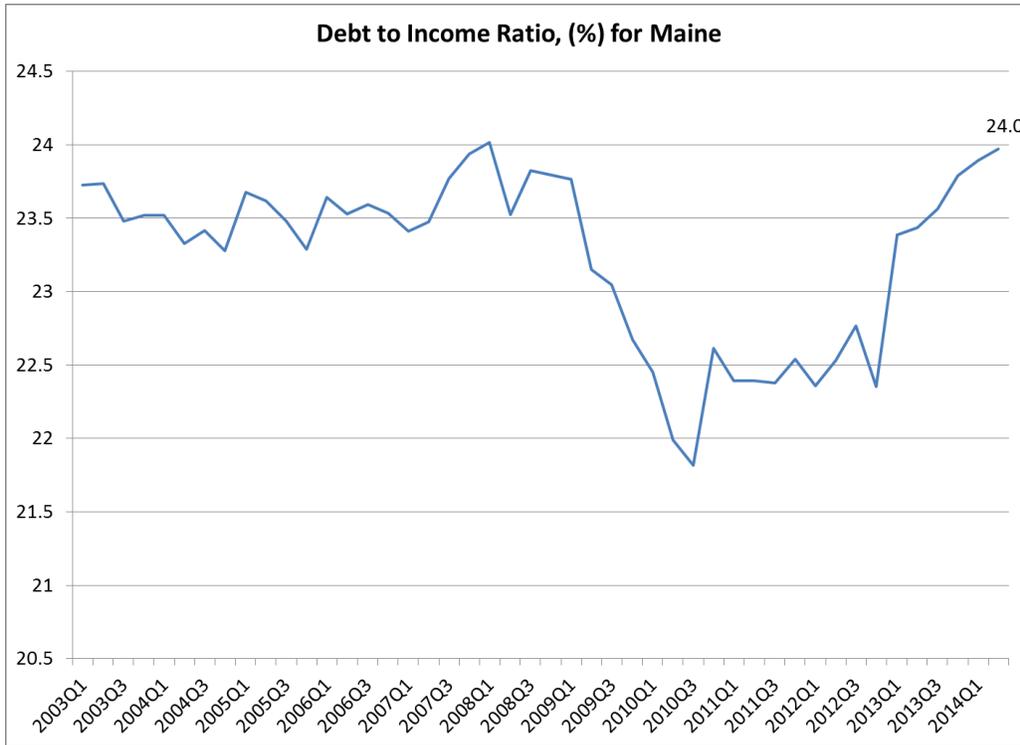


Source: U.S. Bureau of Economic Analysis, September 30, 2014 release

Wage and salary disbursements, which are the largest component of personal income, averaged around \$25 billion in the first half of 2014 (seasonally adjusted at annual rates). Total personal income averaged around \$56 billion.

Source: U.S. Bureau of Economic Analysis, September 30, 2014 release





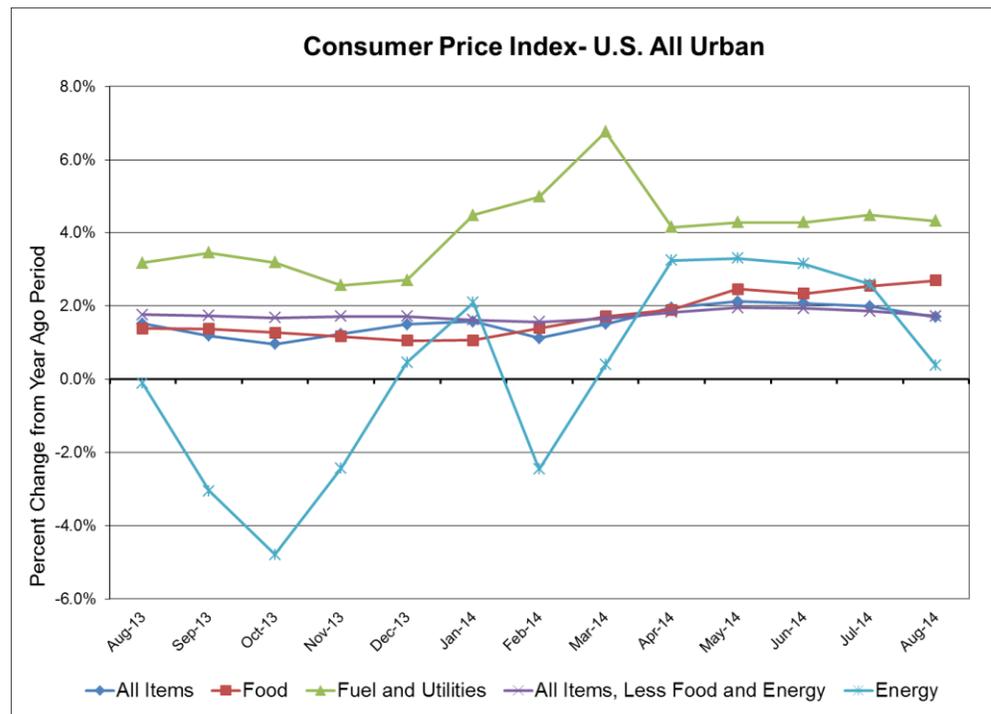
Maine's debt to income ratio was 24.0% in the second quarter of 2014. The debt is at its highest point since the first quarter of 2008.

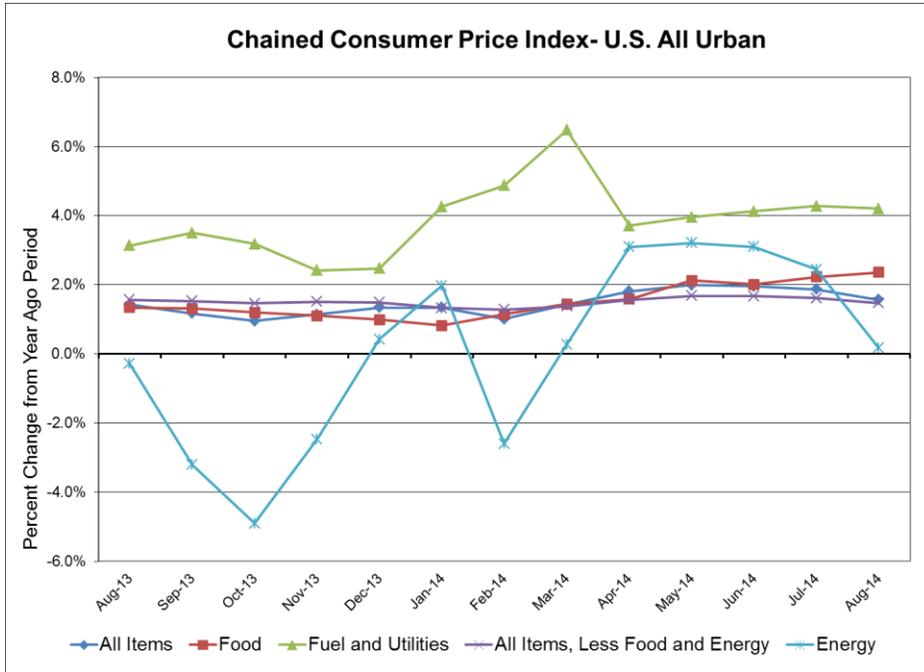
Source: Moody's Analytics, October 2014 release

Consumer Price Index

The Consumer Price Index (CPI) rose 1.7% from August 2013 to August 2014. Core inflation, which excludes food and energy prices, also rose 1.7% over that same period.

Source: U.S. Bureau of Labor Statistics, September 17, 2014 release



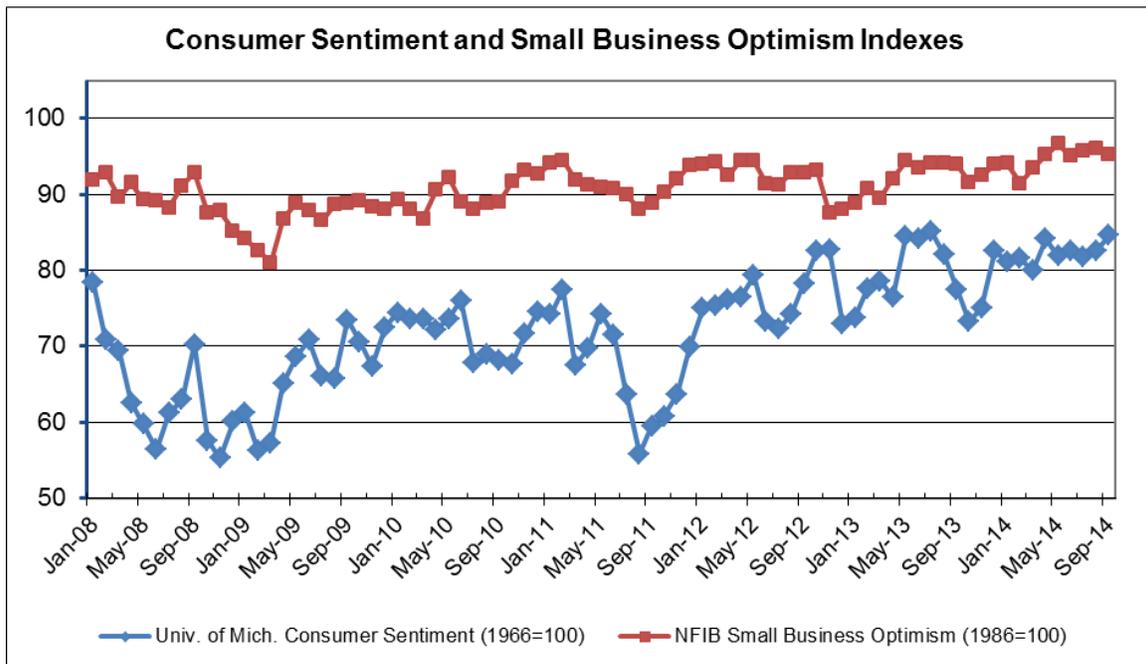


The Chained Consumer Price Index (Chained CPI) rose 1.6% from August 2013 to August 2014. Core inflation rose 1.5% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, September 17, 2014 release

Consumer Sentiment and Small Business Optimism

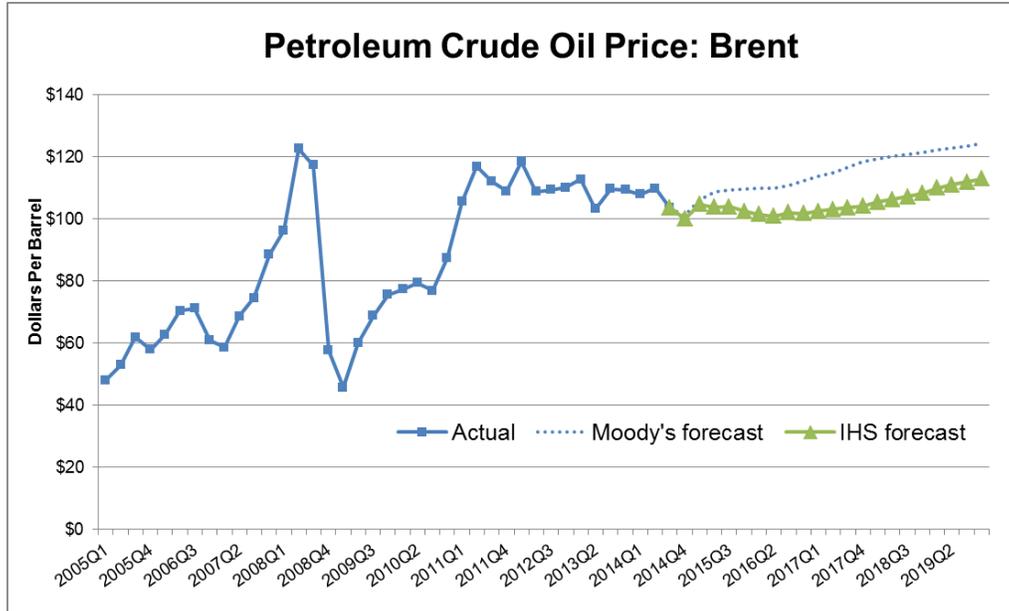
In September 2014, the survey-based University of Michigan Consumer Sentiment Index increased 2.5% month-over-month and was up 9.2% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index decreased 0.8% from the previous month but was up 1.5% from September 2013.



Source: University of Michigan, Sept. 26, 2014 release; National Federation of Independent Businesses, Oct. 14, 2014 release

Crude Oil

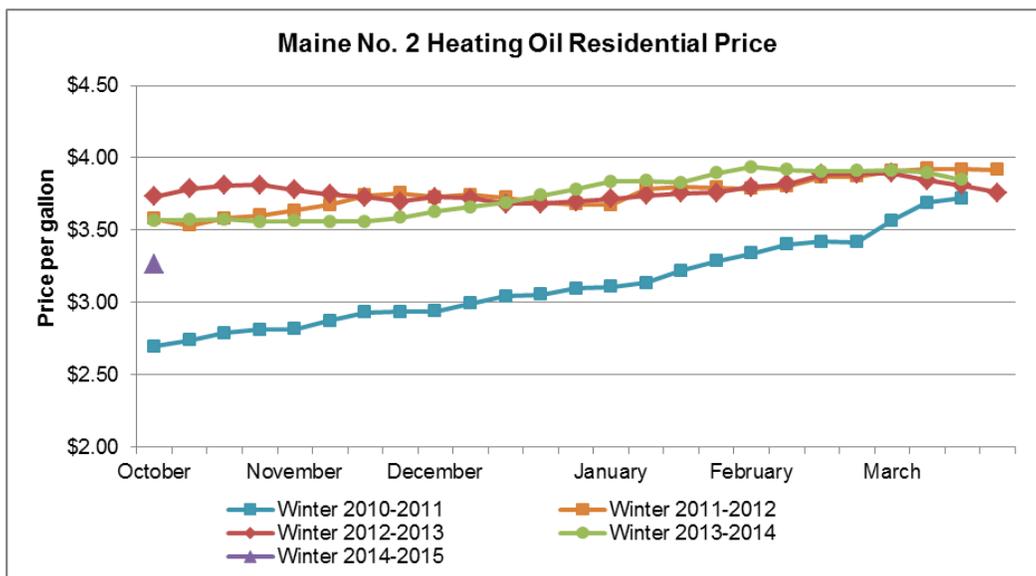
The price of Brent crude oil was \$103.42 per barrel in the third quarter of 2014, a decrease of 5.8% from the second quarter of 2014 and a 5.7% decrease from the third quarter of 2013.



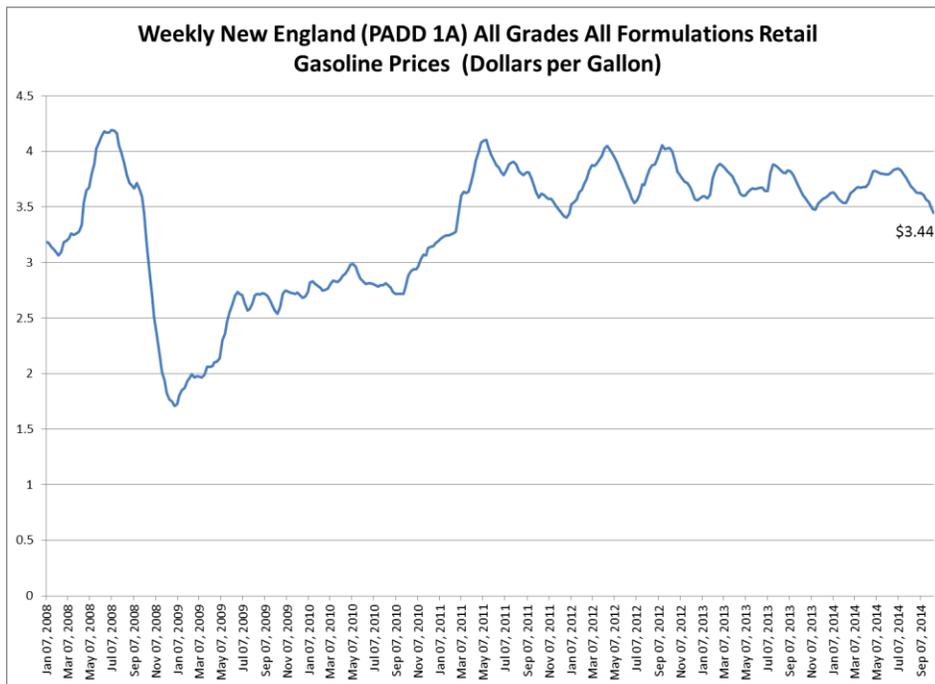
Source: Moody's Analytics, October 2014 release; IHS, October 2014 release

Heating Oil

The price of heating oil in Maine began declining near the end of the 2013-2014 heating season and has continued to drop, starting the 2014-2015 heating season at \$3.27/gallon. The price of heating oil in Maine had been fairly steady over the past three heating seasons, averaging around \$3.75/gallon.



Source: U.S. Energy Information Agency



Gasoline

The price of gasoline in New England on October 13, 2014 averaged \$3.44, a decrease of \$0.06 per gallon over the previous week and \$0.16 lower than one year ago. The price of gasoline has ranged between approximately \$3.50 and \$4.00 per gallon since March of 2011.

Source: U.S. Energy Information Agency

Maine Bureau of Motor Vehicles Title Information			
	FY12	FY13	Change from previous year
Autos - new	58,776	62,908	7.0%
Autos - used	173,619	173,028	-0.3%
Bus-new	206	122	-40.8%
Bus-used	282	70	-75.2%
Trucks - new	2,704	652	-75.9%
Trucks - used	4,543	1,044	-77.0%
Motorcycles - new	2,147	2,102	-2.1%
Motorcycles - used	8,618	6,239	-27.6%
Trailers - new	5,002	27,896	457.7%
Trailers - used	12,481	167,699	1243.6%
Motor Homes - new	104	26	-75.0%
Motor homes - used	386	188	-51.3%
Unknown - new	68	36	-47.1%
Unknown - used	78	0	-100.0%
Total	269,014	442,010	64.3%

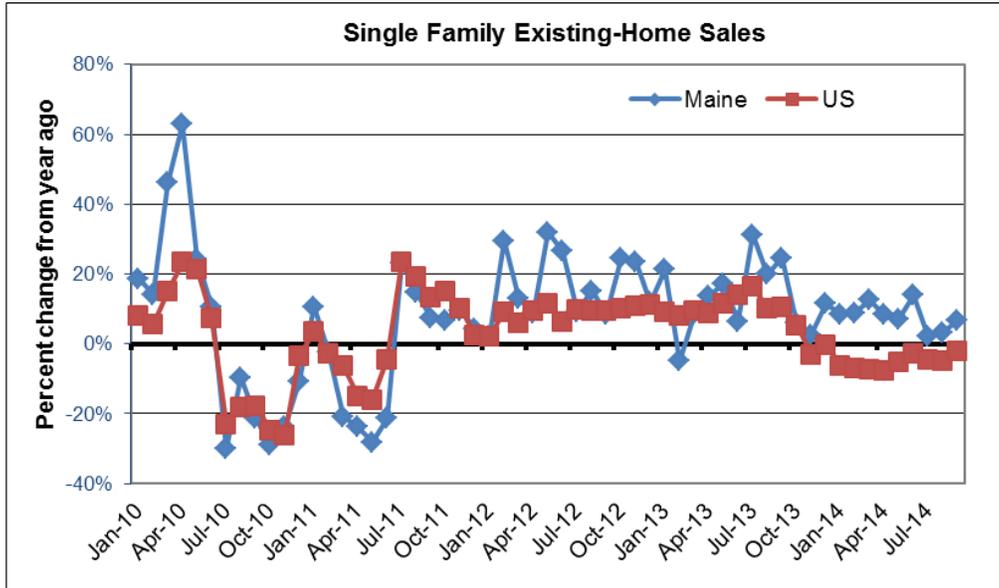
Motor Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 7.0% from FY 2012 to FY 2013, while the number of used automobile titles issued decreased 0.3%. A major registrant re-titled a very large fleet of trailers, leading to the substantial increase in trailer titles.

Source: Maine Bureau of Motor Vehicles

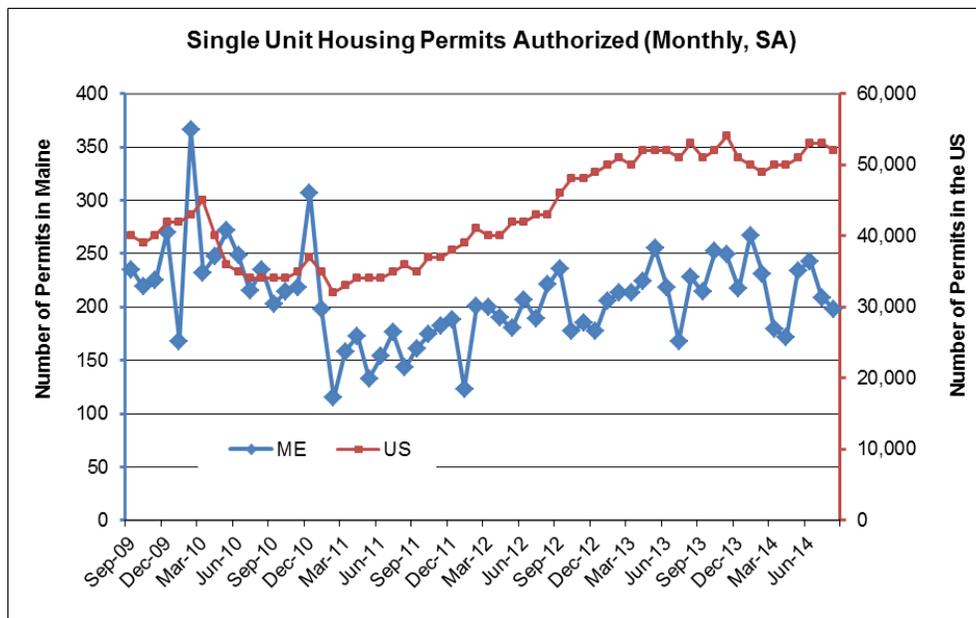
Housing

Single family existing-home sales in Maine were up 6.6% in September 2014 compared to September 2013. Home sales in Maine have continued to grow year-over-year in recent months while sales in the U.S. have been declining.



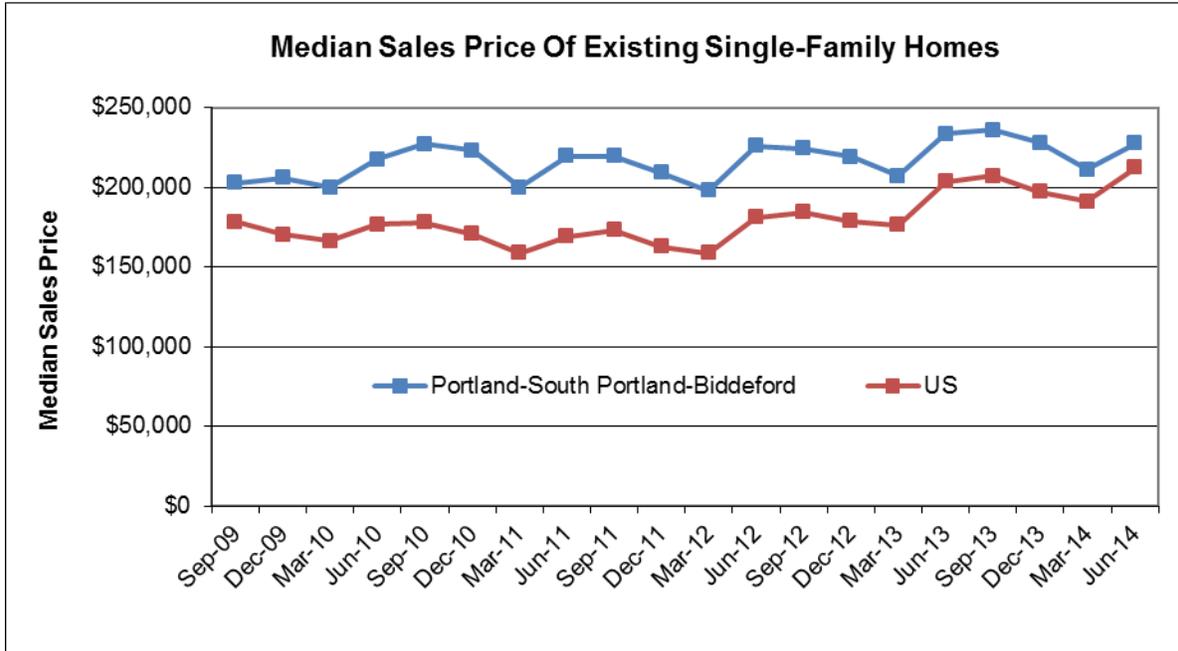
Source: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Average monthly single unit housing permits in Maine in the 12-month period from September 2013 through August 2014 were 6.6% higher than in the previous 12-month period.



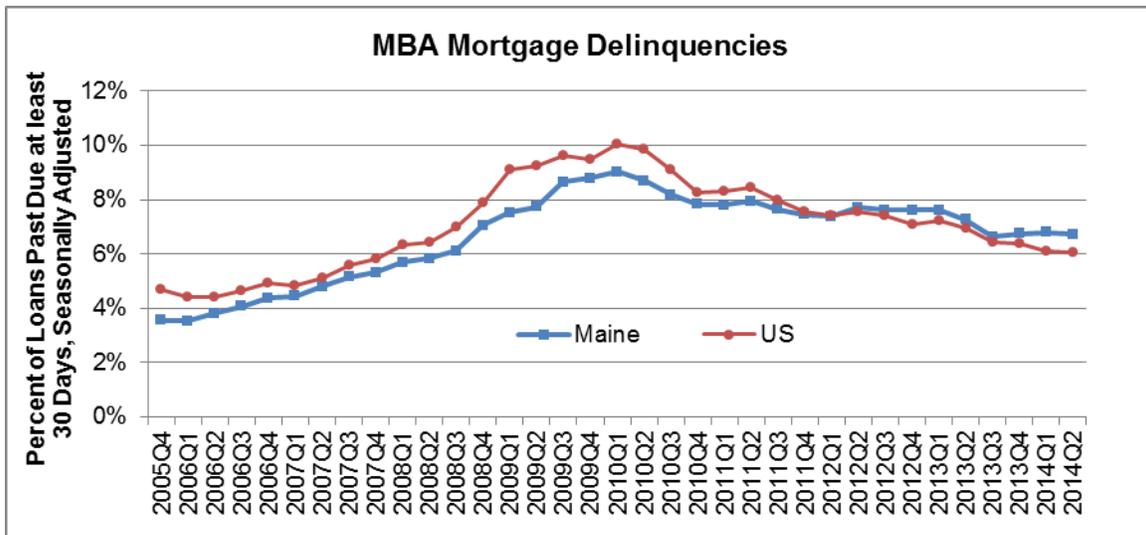
Source: US Census Bureau, September 25, 2014 release, via Federal Reserve Bank of Boston

The median home price in the Portland – South Portland – Biddeford metropolitan area decreased 2.6% year-over-year in the second quarter of 2014. The median home price in the second quarter of 2014 was \$227,400.



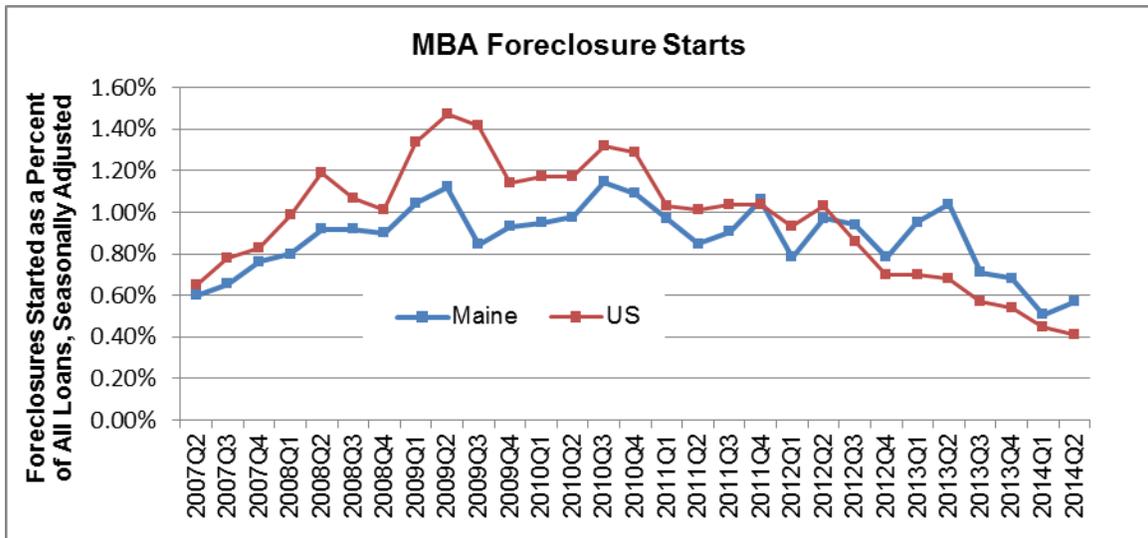
Source: National Association of Realtors, August 12, 2014 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 6.7% in the second quarter of 2014. The rate of delinquencies in Maine has been above the U.S. rate for eight straight quarters now.



Source: Mortgage Bankers Association, via Moody's Analytics October 2014 release

Maine’s foreclosure rate was 0.57% in the second quarter of 2014, up slightly from the previous quarter. Maine’s foreclosure rate has been above the U.S. rate for eight straight quarters now.



Source: Mortgage Bankers Association, via Moody’s Analytics October 2014 release