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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 October 27, 2017 Forecasting Meeting

Summary

There are some early indications that rates of growth in Maine's economy in 2017 have been somewhat lower than in 2016. However, gasoline and heating oil prices remain low, personal income continues to rise, and mortgage delinquencies and foreclosures continue to decline. The U.S. economy also continued to grow since the Consensus Economic Forecasting Commission (CEFC) last met in March 2017.

Maine's real GDP was unchanged from the fourth quarter of 2016 to the first quarter of 2017. Personal income in Maine grew 2.5% from the first half of 2016 to the first half of 2017, while wage and salary income, which is the largest component 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 second quarter of 2017. The Consumer Price Index was up 2.2% in September 2017 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months. The September 2017 level was up 4.3% from a year ago and up 1.8% from August 2017. Small business optimism has also been fairly stable in recent months, but was down 2.2% from the previous month in September 2017.

The price of crude oil has continued increasing recently with prices in the third quarter of 2017 up 10.0% from the third quarter of 2016. As a result of the recent increases in crude oil prices, heating oil prices and gasoline prices have been higher as well, although gasoline prices have retreated from the post-Hurricane Harvey spike. Heating oil is around \$2.28 per gallon while gasoline is currently averaging \$2.69 per gallon.

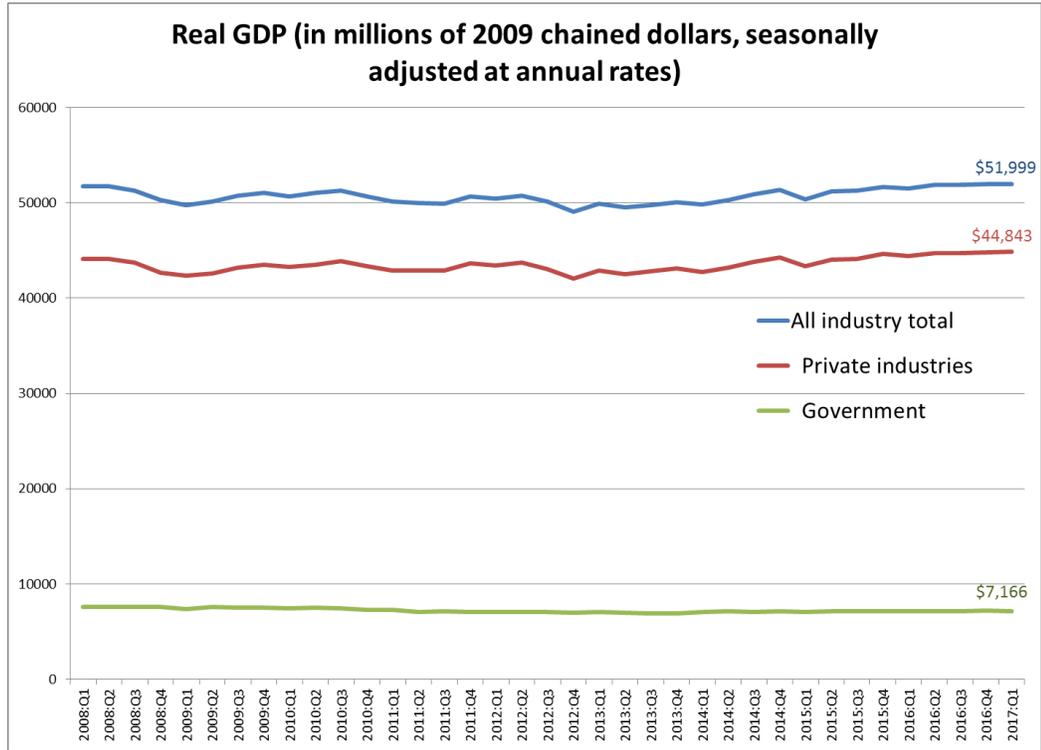
New and used auto registrations increased in FY17, with new titles increasing 48.8% and used titles increasing 23.6%. However, a large decrease in trailer titles (both new and used) resulted in a 1.5% year-over-year decrease overall.

Existing single-family home sales in Maine were up 6.4% in August 2017 compared to the same month last year and housing permits for the September 2016 – August 2017 year were 9.1% 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 8.9% year-over-year in the second quarter of 2017. Mortgage delinquency rates in Maine have been declining

but remain higher than the national rate. The foreclosure rate in Maine was 0.25% in the second quarter of 2017, falling below the national rate for the first time since 2014.

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

Gross Domestic Product

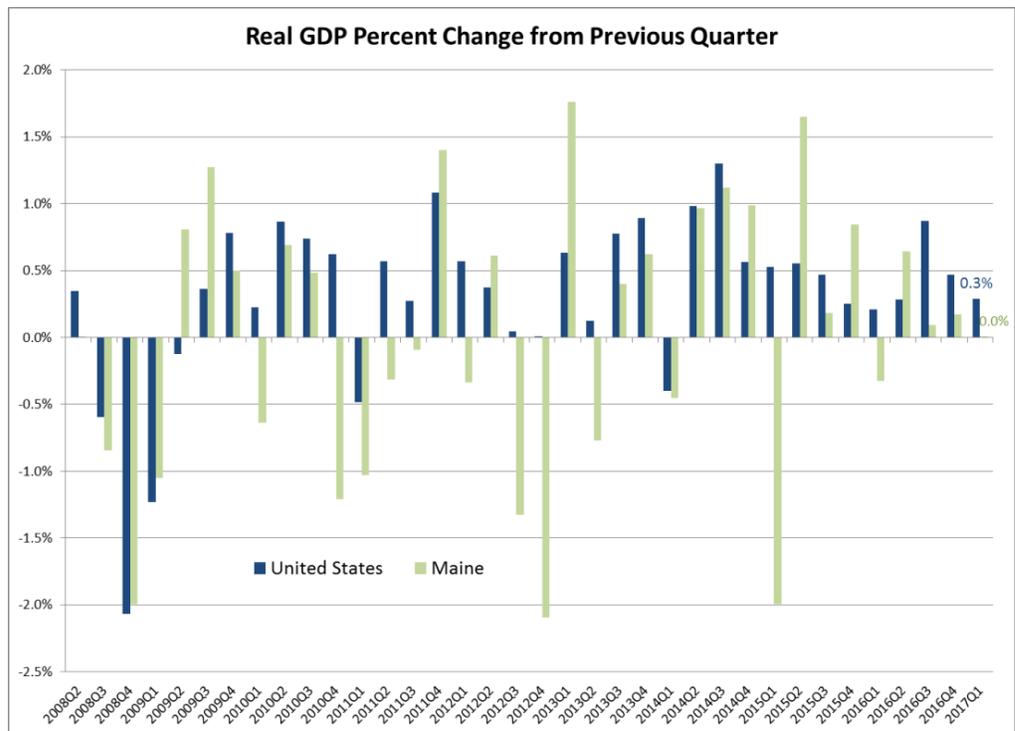


In the first quarter of 2017, Maine’s real Gross Domestic Product was \$52.0 billion, with \$44.8 billion coming from private industries and \$7.2 billion from government (federal, state, and local).

Source: U.S. Bureau of Economic Analysis, July 26, 2017 release

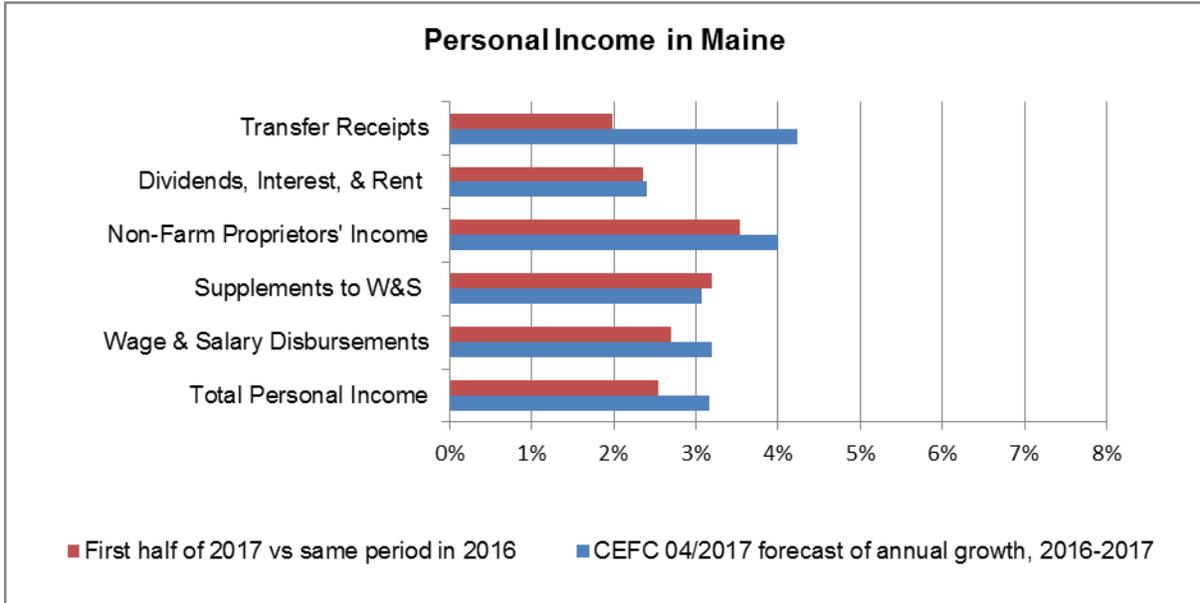
Maine’s total real GDP was unchanged from the fourth quarter of 2016 to the first quarter of 2017. This was lower than the rate of national GDP growth, which was 0.3%.

Source: U.S. Bureau of Economic Analysis, July 26, 2017 release

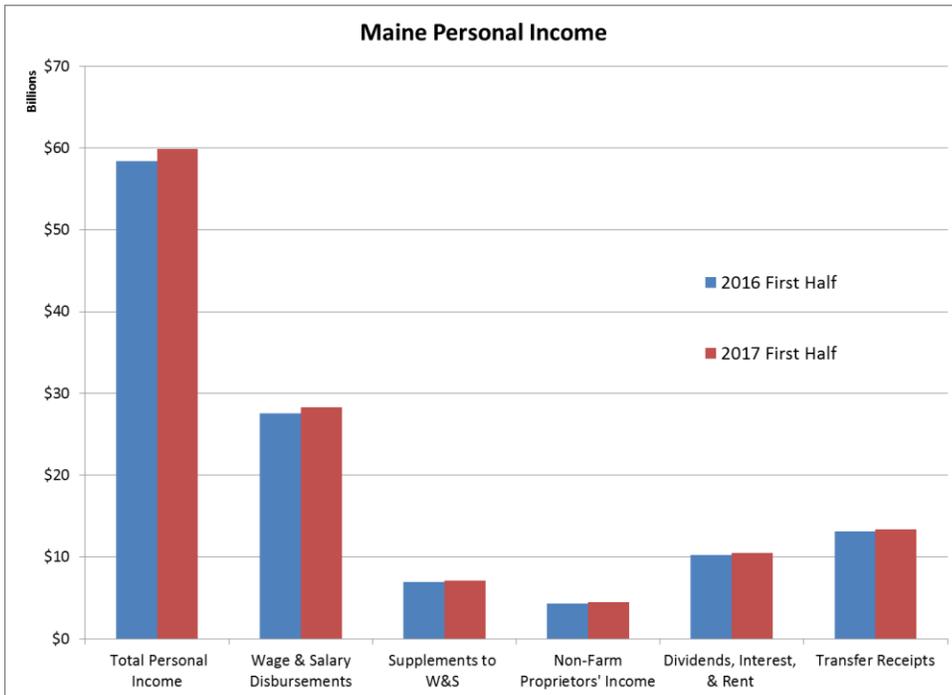


Personal Income

According to preliminary estimates from the U.S. Bureau of Economic Analysis, total personal income grew 2.5% from the first half of 2016 to the first half of 2017 and wage and salary income grew 2.7% during the same period. Total personal income for the second half of 2017 would need to be 1.0% higher than the first half to hit the CEFC's annual forecast for 2017. Wage and salary disbursements would need to be 0.9% higher.

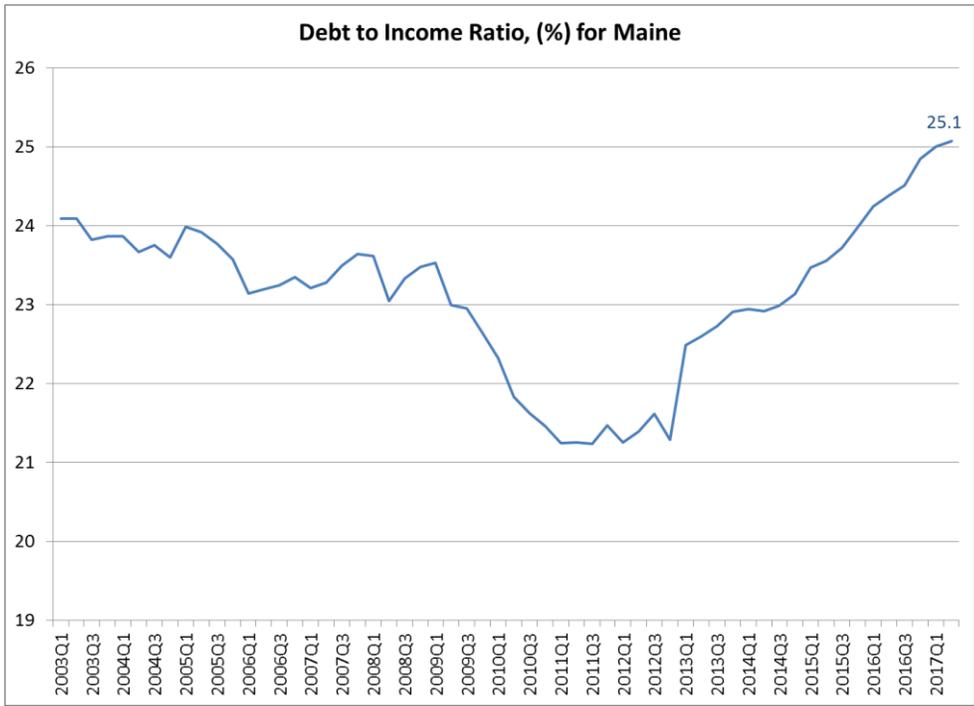


Source: U.S. Bureau of Economic Analysis, Sept. 26, 2017 release



Wage and salary disbursements, which are the largest component of personal income, averaged around \$28.3 billion in the first half of 2017 (seasonally adjusted at annual rates). Total personal income averaged around \$59.9 billion.

Source: U.S. Bureau of Economic Analysis, Sept. 26, 2017 release

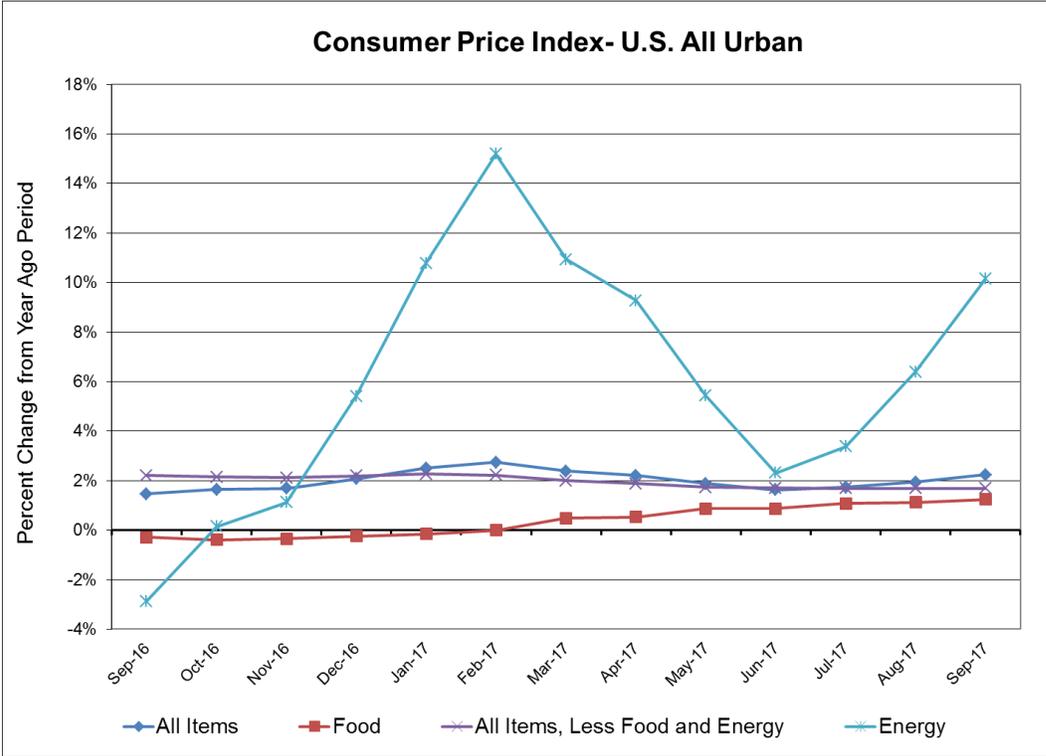


Maine’s debt to income ratio reached a new high point of 25.1% in the second quarter of 2017.

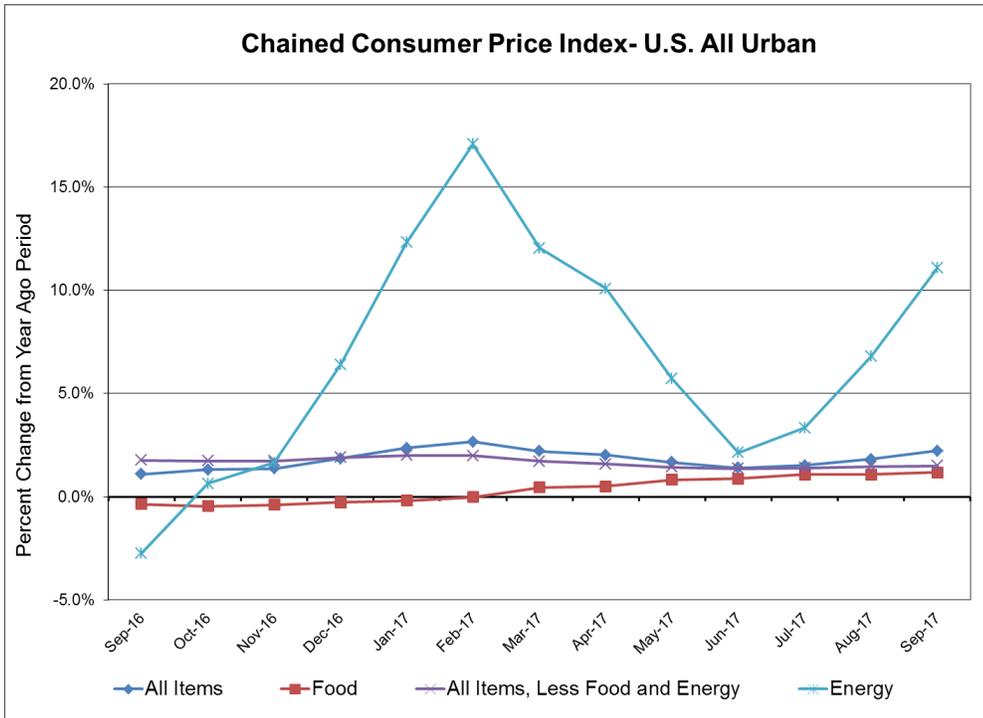
Source: Moody’s Analytics, Oct. 2017 release

Consumer Price Index

The Consumer Price Index (CPI) was up 2.2% from September 2016 to September 2017, rising as energy prices continued increasing from recent lows. Core inflation, which excludes food and energy prices, rose 1.7% over that same period.



Source: U.S. Bureau of Labor Statistics, Oct. 13, 2017 release

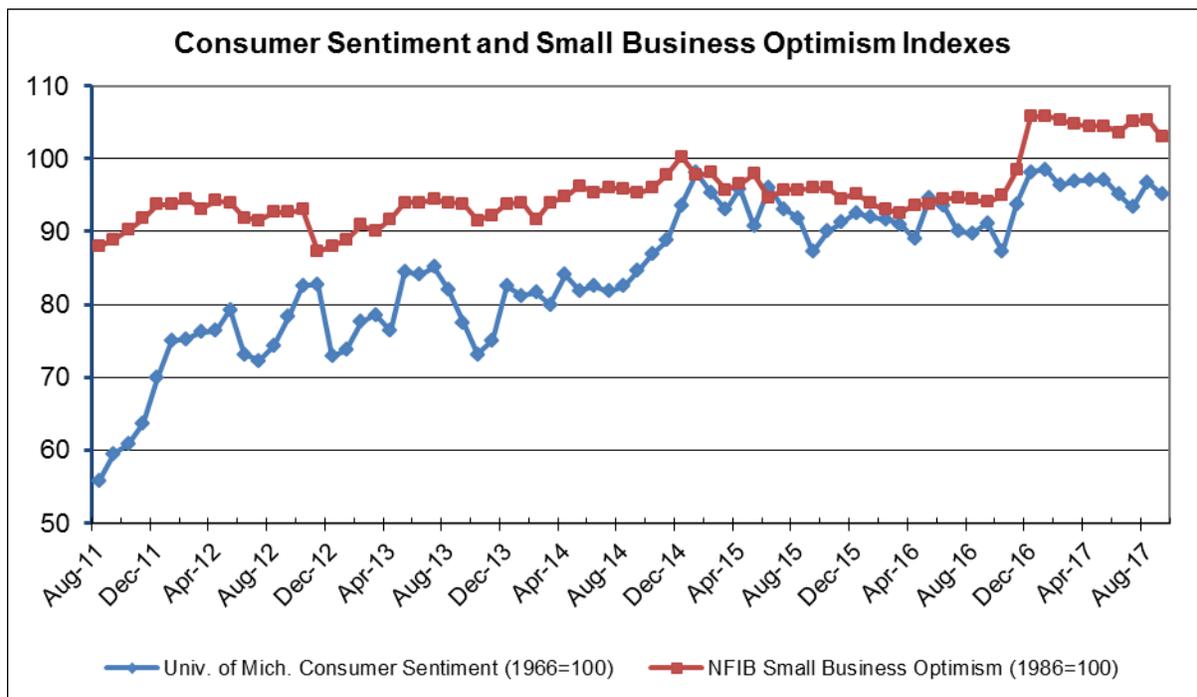


The Chained Consumer Price Index (Chained CPI) increased 2.2% from September 2016 to September 2017, again responding to an increase in energy prices. Core inflation rose 1.5% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

Source: U.S. Bureau of Labor Statistics, Oct. 13, 2017 release

Consumer Sentiment and Small Business Optimism

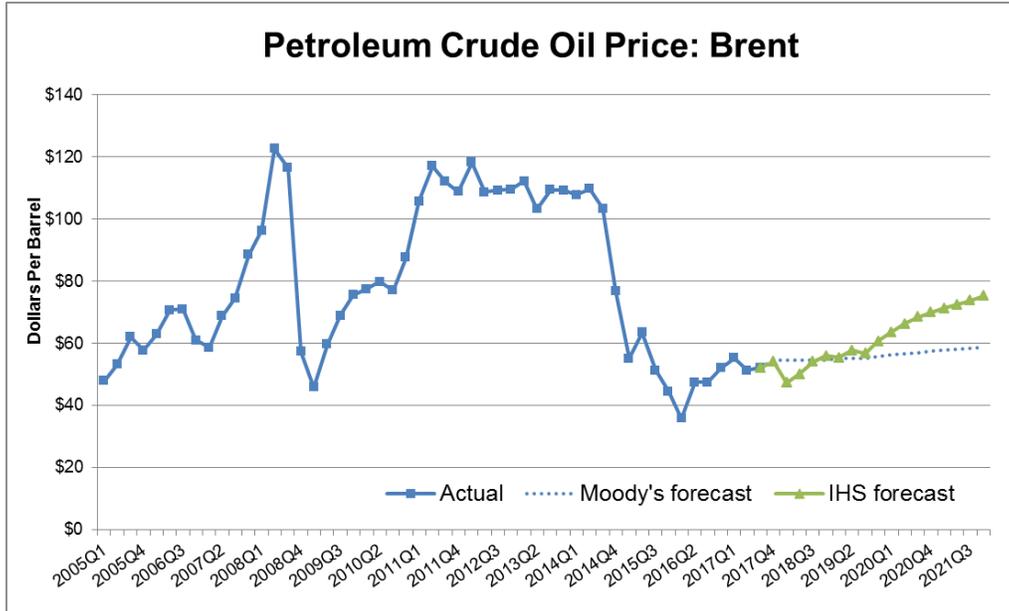
In September 2017, the survey-based University of Michigan Consumer Sentiment Index decreased 1.8% month-over-month and was up 4.3% from a year ago. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was down 2.2% from the previous month and up 9.5% from a year ago.



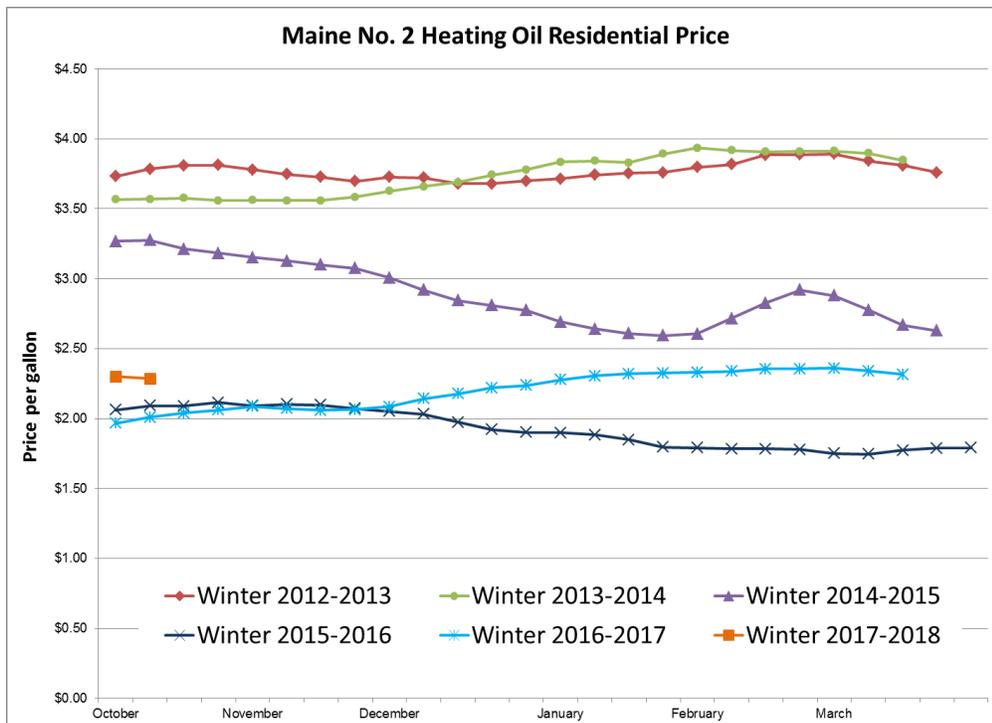
Source: University of Michigan, Sept. 29, 2017 release; National Federation of Independent Businesses, Oct. 10, 2017 release

Crude Oil

The price of Brent crude oil has continued increasing from the recent low levels and was just over \$52 per barrel in the third quarter of 2017, up 1.7% from the second quarter of 2017 and a 10.0% increase from the third quarter of 2016. Prices appear to have bottomed out in early 2016.



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



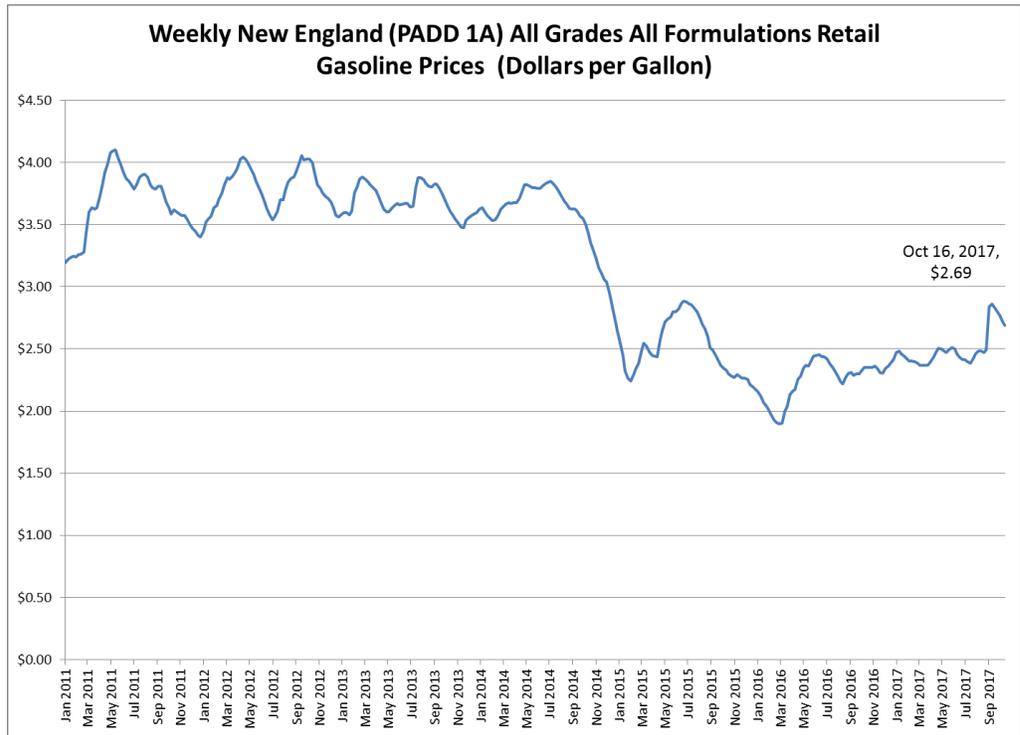
Source: U.S. Energy Information Agency, Oct. 12, 2017 release

Heating Oil

The price of heating oil in Maine has risen slightly above the last two seasons at this time but remains well below the high prices of earlier heating seasons, averaging \$2.28/gallon most recently. The price of heating oil in Maine had averaged around \$3.75/gallon before the 2014 decline in crude oil prices.

Gasoline

The price of gasoline in New England averaged \$2.69 the week of October 16, 2017, down \$0.03 from the previous week and \$0.34 higher than one year ago. The price of gasoline has risen recently but is still \$1.16 per gallon lower than the July 2014 peak.



Source: U.S. Energy Information Agency, Oct. 16, 2017 release

Motor Vehicles

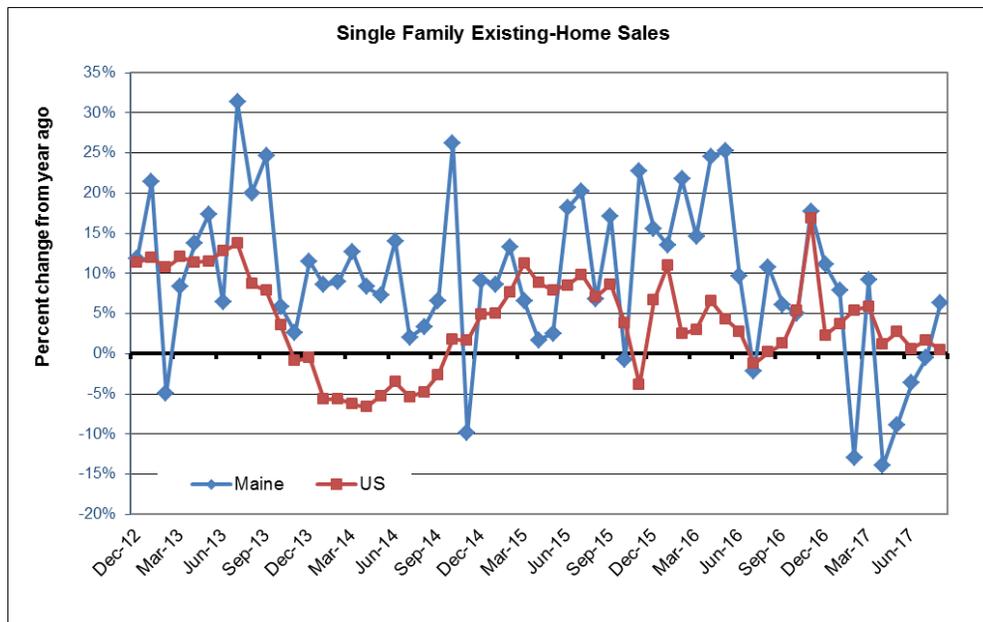
The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 48.8% from FY 2016 to FY 2017, while the number of used automobile titles issued increased 23.6%. Total registrations were down 1.5% from FY 2016 to FY 2016, though, led by a large decrease in trailer registrations.

Source: Maine Bureau of Motor Vehicles

Maine Bureau of Motor Vehicles Title Information			
	FY16	FY17	Change from previous year
Autos- new	48,010	71,442	48.8%
Autos - used	161,794	199,950	23.6%
Bus-new	123	203	65.0%
Bus-used	106	186	75.5%
Trucks - new	4,795	3,038	-36.6%
Trucks - used	5,592	5,771	3.2%
Motorcycles - new	2,038	1,960	-3.8%
Motorcycles - used	7,695	6,777	-11.9%
Trailers - new	32,378	8,514	-73.7%
Trailers- used	58,704	18,465	-68.5%
Motor Homes - new	118	139	17.8%
Motor homes - used	542	494	-8.9%
Unknown - new	65	86	32.3%
Unknown - used	202	278	37.6%
Total	322,162	317,303	-1.5%

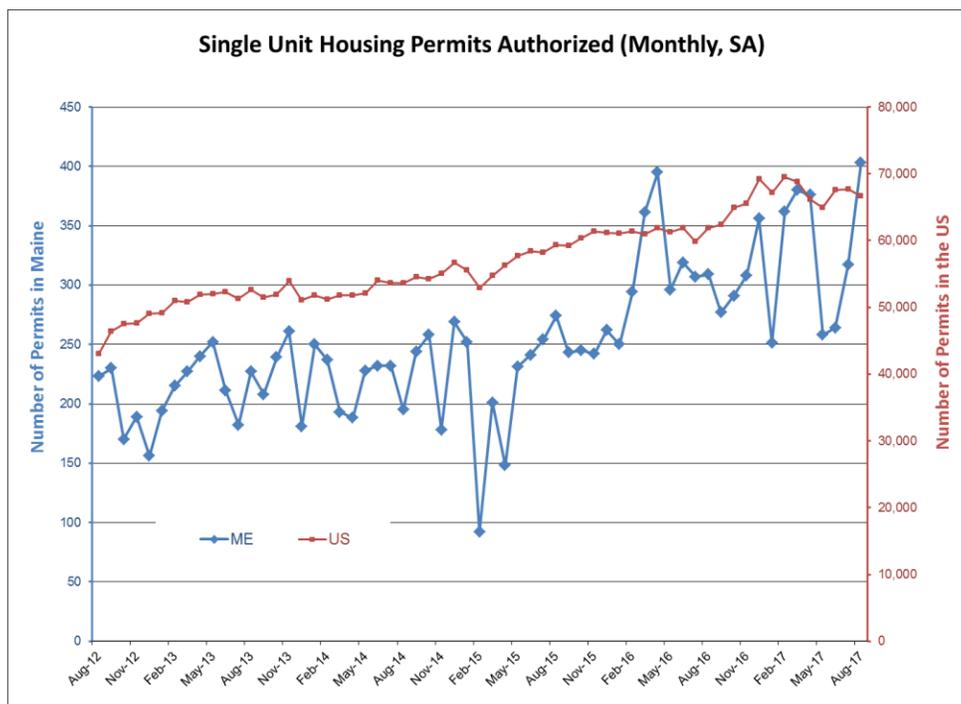
Housing

Single family existing-home sales in Maine were up 6.4% in August 2017 compared to August 2016. Home sales in Maine have weakened recently and have seen year-over-year declines in five of the last seven months.



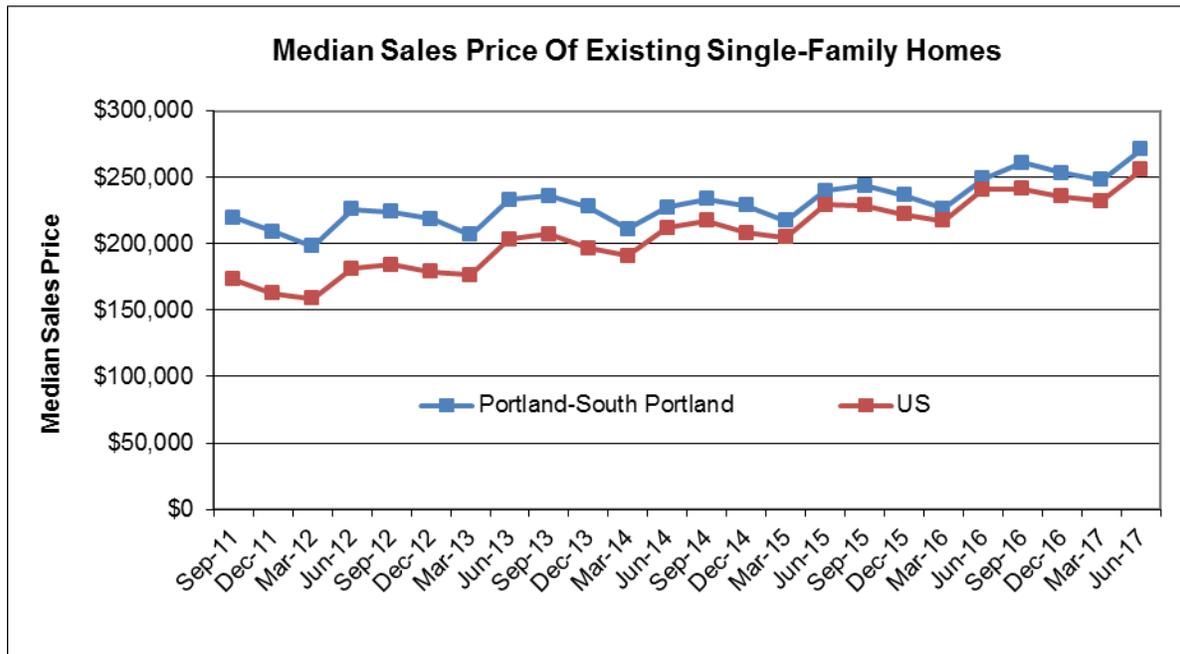
Sources: National Association of REALTORS and Maine Association of REALTORS, monthly releases

Housing permits in Maine continued to rise in 2017. Average monthly single unit housing permits in Maine in the 12-month period from September 2016 through August 2017 were 9.1% higher than in the previous 12-month period.



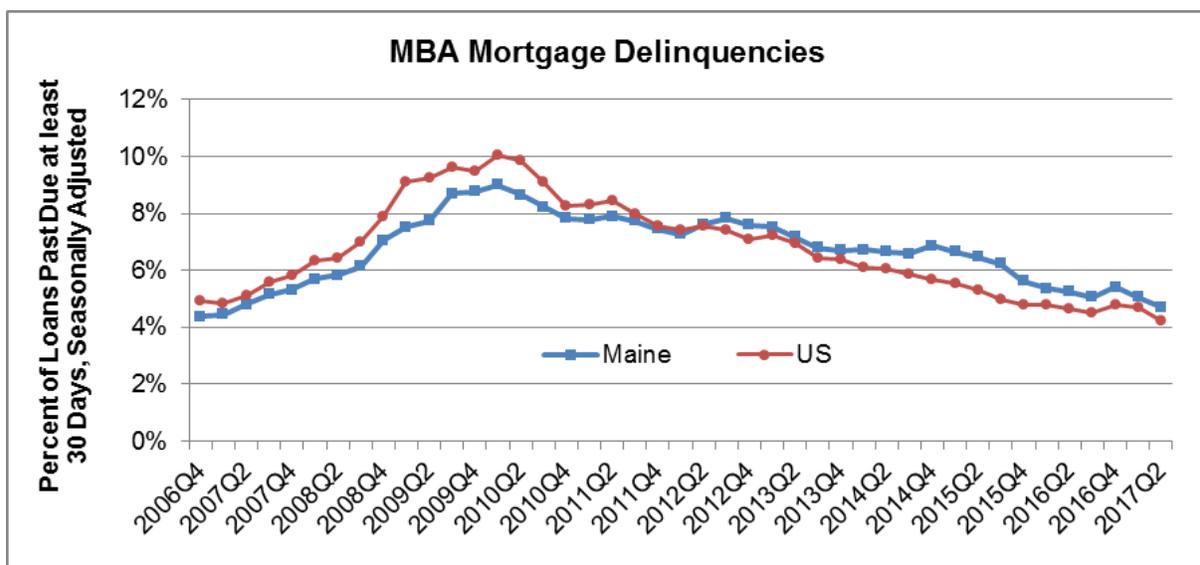
Source: US Census Bureau, Sept. 27, 2017 release, via U.S. Census Bureau (U.S.) and Federal Reserve Bank of Boston (Maine)

The median home price in the Portland-South Portland metropolitan area increased 8.9% year-over-year in the second quarter of 2017. The median home price in the second quarter of 2017 was \$270,900.



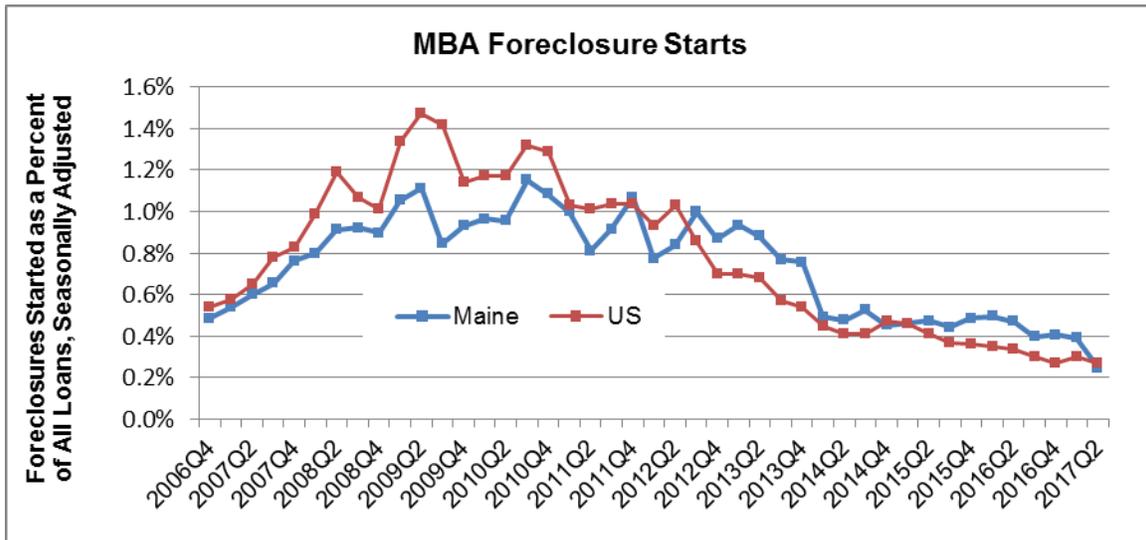
Source: National Association of Realtors, Feb. 14, 2017 release, via Federal Reserve Bank of Boston

The share of mortgages in Maine that are delinquent 30 days or more was 4.7% in the second quarter of 2017. The rate of delinquencies in Maine has been above the U.S. rate since the second quarter of 2012.



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

Maine’s foreclosure rate was 0.25% in the second quarter of 2017, down slightly from the previous quarter and having returned to pre-housing crisis levels. This also marked the first time that Maine’s foreclosure rate has dipped below the U.S. since 2014.



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