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## **Consensus Economic Forecasting Commission Background Materials for the October 23, 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.

Total personal income in Maine grew 41.0% in the second 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 28.8%. Gross State Product fell by \$5.7 billion, or 34.4% at an annualized rate in the second quarter of 2020 during the worst of the COVID-19 pandemic. The Consumer Price Index was up 1.4% year-over-year in September 2020, while energy prices remain 7.6% below September 2019 and food sits 3.9% over last year.

Nationwide, consumer sentiment plummeted in late March and has faced a rocky recovery. The October 2020 consumer sentiment index remained 15% under October 2019. However, the Small Business Optimism Index was up 2.2% in September compared to last year.

Following a massive drop in the second quarter, the price of crude oil rose by 46.4% from the second quarter to the third quarter of 2020. Gasoline prices averaged \$2.19 on October 12, 2020, in New England.

Data for August 2020 show total exports in Maine decreased by 21.9% over August 2019 and by 14.1% for the year through August.

Single family existing-home sales in Maine in August 2020 were up 1.3% compared to August 2019, while the median sales price increased 17.4% from a year prior as the market maintains a tight supply. Maine's House Price Index rose by 8.4% in the first quarter of 2020, higher than both New England and the United States.

The first week of October had a year-over-year decline of 6.4% 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 38% of households in Maine have experienced a loss of employment income since March, while other analysis shows employment recovery has been slowest for low-income jobs. Credit and debit card data indicate that consumer spending has begun to stagnate and now sits 13.4% below January 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 2019 population estimates indicate that approximately 28.3 percent of Maine's total population are baby boomers (55-73 years), while 35 percent of Maine's population is of younger working age, 15-44 years old. 15 out of 16 counties saw positive net migration from 2018-2019, with the highest net migration in York and Cumberland counties. 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.

The migration trends in the 2019 American Community Survey (ACS) 1-year estimates differ considerably from the population estimates, making it difficult to get a picture of the true situation. The ACS estimates show net domestic migration for the state to be negative, and many individual age cohorts saw negative net migration rates, with the largest decline occurring for 18-19 year-olds (-2.6%). This age cohort had the highest positive net migration rate in the 2018 data. The greatest positive net domestic migration rates for 2019 occurred for 35-29 year-olds (1.8%) and 25-29 year-olds (1.4%).

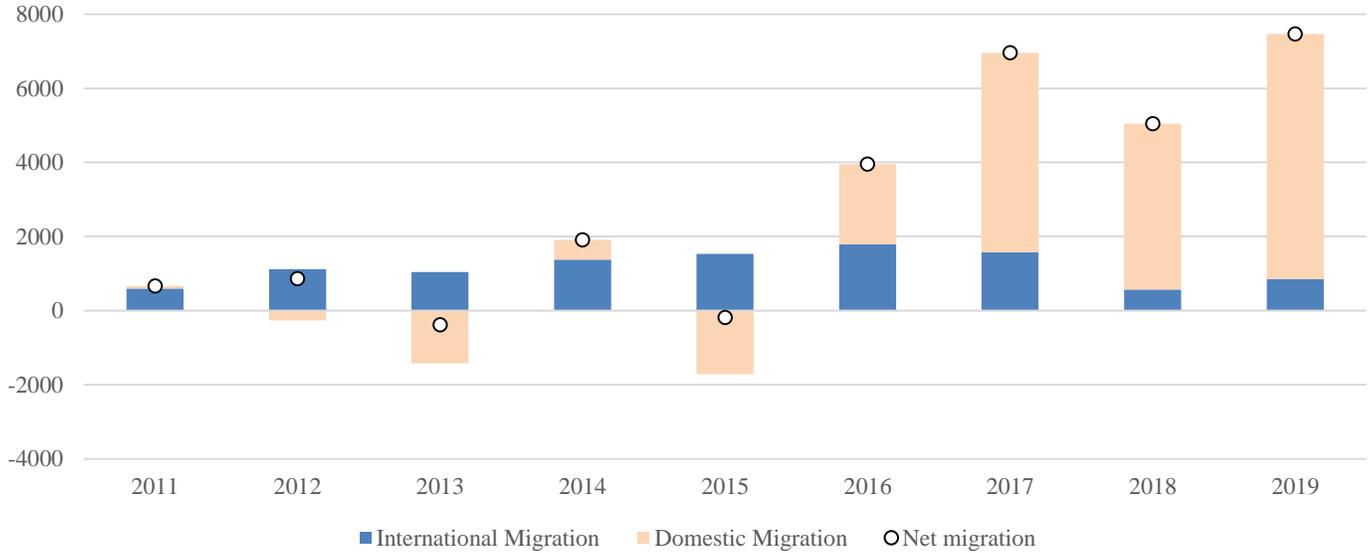
### Maine Domestic Migration by Age, 2018-2019

Age	Domestic in-migration	Domestic out-migration	Net domestic migration	Net migration as a percent of total population
1 to 4 years	924	1,227	-303	-0.6%
5 to 17 years	2,147	3,270	-1,123	-0.6%
18 and 19 years	2,334	3,198	-864	-2.6%
20 to 24 years	6,212	7,265	-1,053	-1.4%
25 to 29 years	5,425	4,328	1,097	1.4%
30 to 34 years	3,153	2,871	282	0.3%
35 to 39 years	2,862	1,533	1,329	1.8%
40 to 44 years	1,775	2,115	-340	-0.4%
45 to 49 years	1,591	917	674	0.8%
50 to 54 years	1,608	2,256	-648	-0.7%
55 to 59 years	1,569	2,001	-432	-0.4%
60 to 64 years	1,332	2,038	-706	-0.6%
65 to 69 years	2,102	1,425	677	0.7%
70 to 74 years	1,051	1,409	-358	-0.5%
75 years and over	2,044	2,414	-370	-0.3%
<b>Net</b>			<b>-2,138<sup>1</sup></b>	<b>-0.2%</b>

Source: U.S. Census Bureau 2019 American Community Survey 1-year estimates, Sept. 17, 2020 release

<sup>1</sup> Estimates of net migration from the American Community Survey and Population Estimates Program may differ due to varying methodology of estimation and sample selection.

## Maine Migration Patterns, 2011-2019



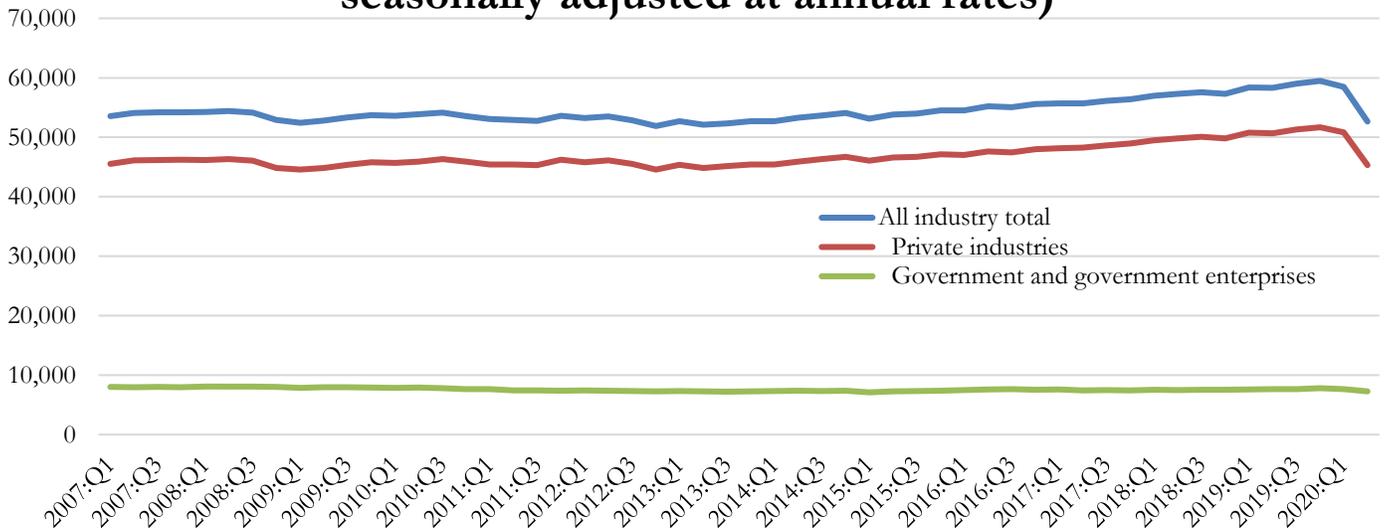
Source: U.S. Census Bureau 2019 Population Estimates, December 30, 2019 release

## 2. State Economy

### Gross Domestic Product (GDP)

In the second quarter of 2020, Maine's real GDP fell to \$52.6 billion, \$5.7 billion lower than in the same quarter last year. \$45.3 billion came from private industries, while \$7.3 billion was from government enterprises. Much of the loss experienced in the second quarter of 2020 was due to declines in private industry.

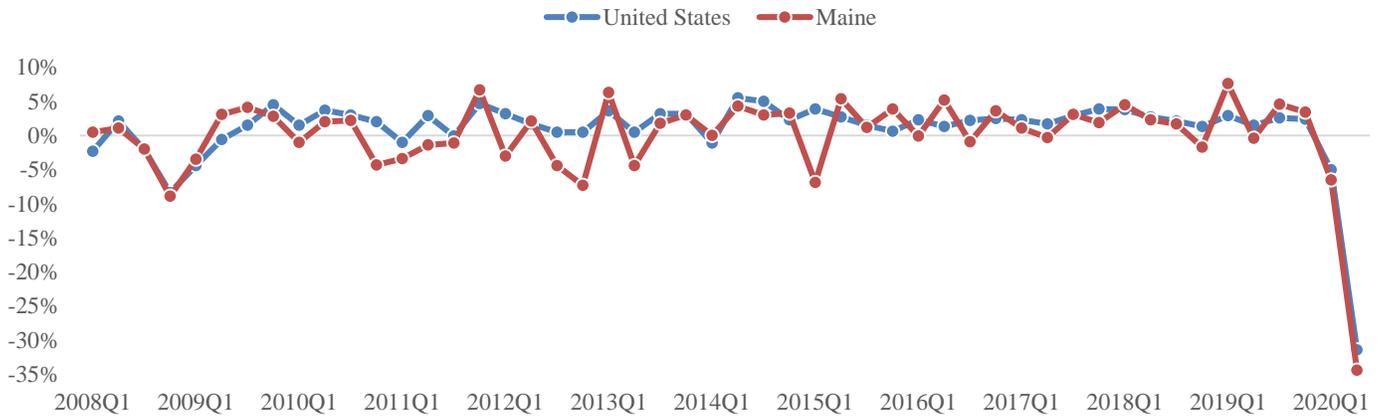
### Real GDP (in millions of 2012 chained dollars, seasonally adjusted at annual rates)



Source: U.S. Bureau of Economic Analysis, October 2, 2020 release

Maine’s annualized growth rate for total real GDP was -34.4% in the second quarter of 2020, compared to negative 31.4% for the U.S.

Real GDP Percent Change from Previous Quarter

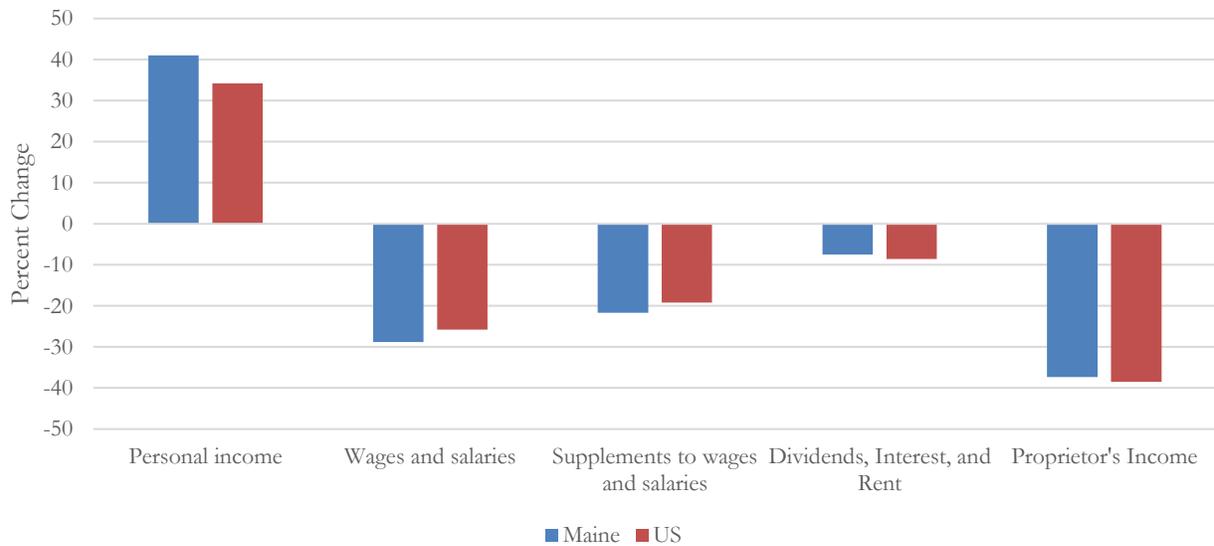


Source: U.S. Bureau of Economic Analysis, October 2, 2020 release

### Personal Income

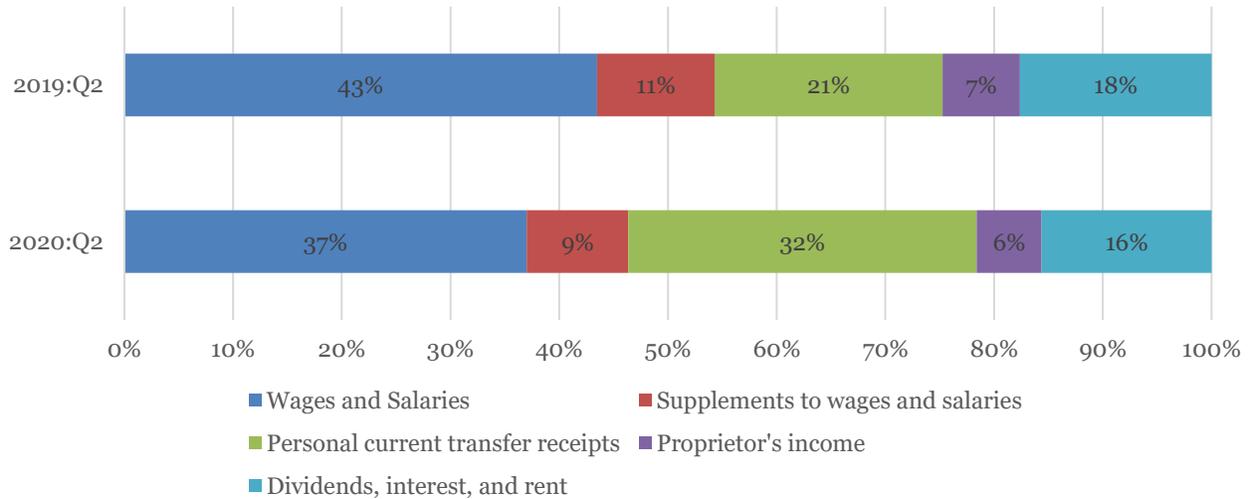
According to the U.S. Bureau of Economic Analysis, total personal income grew by 41% in the second quarter of 2020, annualized. Wage and salary disbursements, the largest component of personal income, averaged \$29.5 billion, 28.8% less than the previous quarter (annualized). Transfer receipts grew by 615.3% in Maine, compared to 853.9% for the U.S. on an annualized basis. On a non-annualized basis, transfer receipts grew 63.5% and 75.7% in Maine and the U.S., respectively. Growth in transfer receipts is driven by enhanced unemployment benefits, economic impact payments to households, and other provisions of the CARES act.

Components of Personal Income, Annualized Percent Change, 2020:Q1-2020:Q2



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

## Major Components of Personal Income, 2019:Q2 vs 2020:Q2



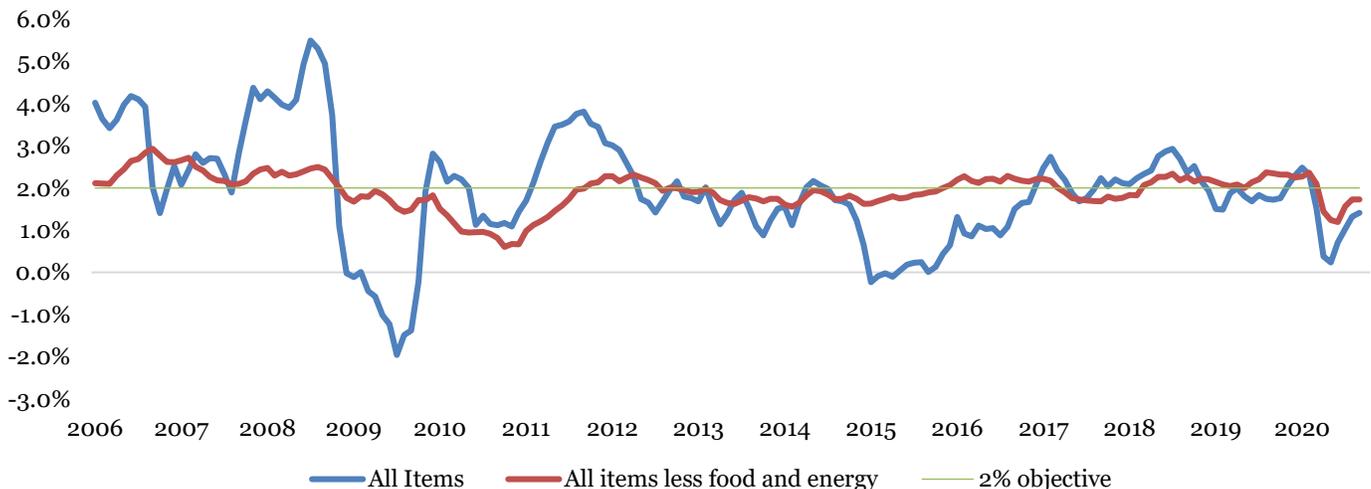
Source: U.S. Bureau of Economic Analysis September 24, 2020 release

### 3. Consumption and Expenditures

#### Consumer Price Index

The Consumer Price Index (CPI) was up 1.4% in September 2020 over the previous year. Core inflation, which excludes food and energy prices, rose 1.7% over September of last year. Despite regaining some ground in recent months, the CPI for energy remains 7.6% down year-over-year, while food is up by 3.9%, primarily driven by food at home (4.1%).

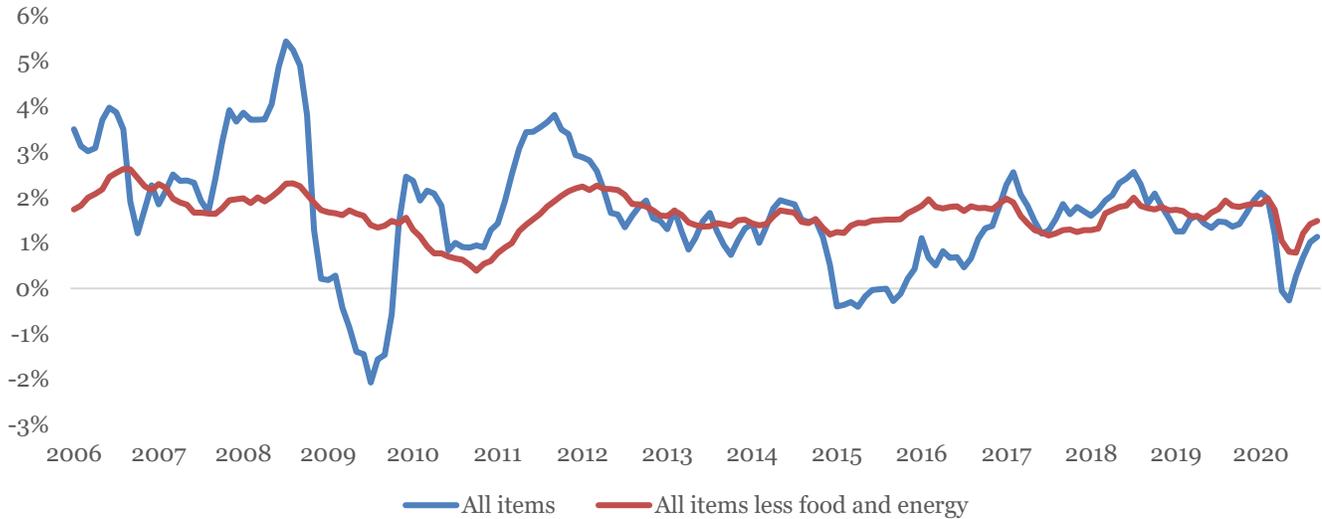
#### Consumer Price Index - U.S. All Urban, seasonally adjusted



Source: U.S. Bureau of Labor Statistics, October 13, 2020 release

The Chained Consumer Price Index (Chained CPI) rose 1.1% in September compared to a year ago. Core inflation rose 1.5% over the same period. Chained CPI allows for substitutions in the basket of goods and services being measured.

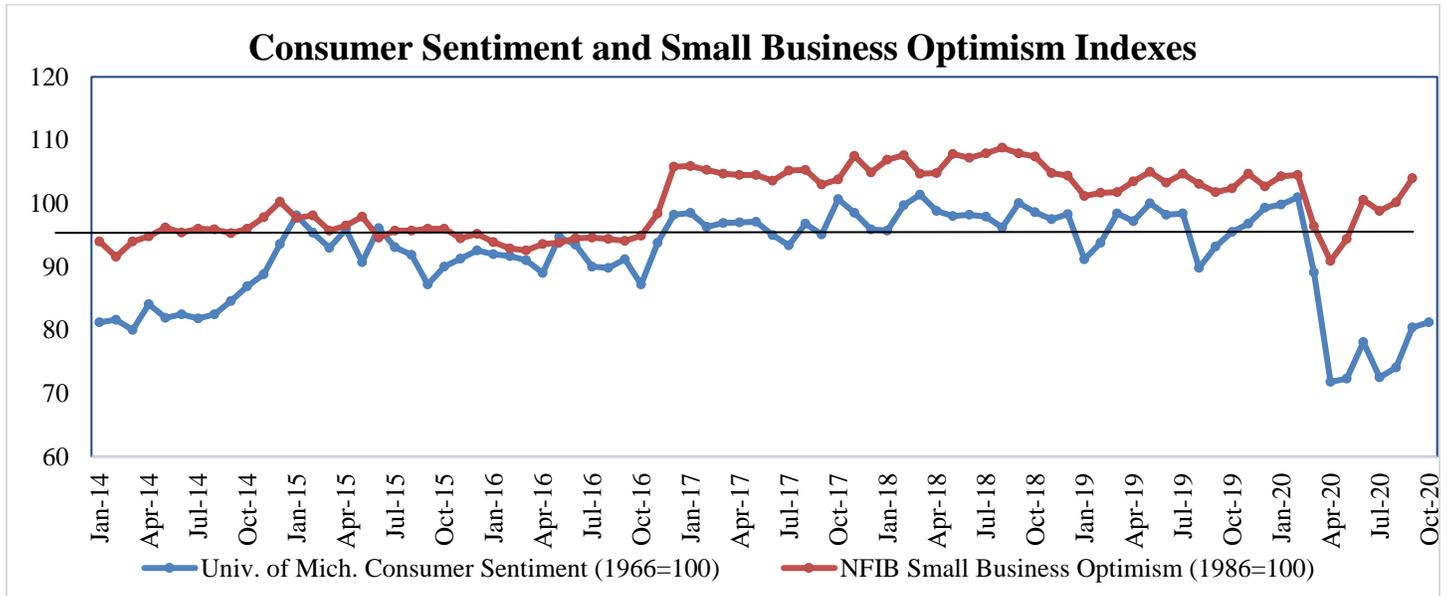
## Chained Consumer Price Index - All US Urban



Source: U.S. Bureau of Labor Statistics, October 13, 2020 release

### Consumer Sentiment and Small Business Optimism

In October 2020, the survey-based University of Michigan Consumer Sentiment Index was down 15.0% over October 2019. The survey-based National Federation of Independent Business (NFIB) Small Business Optimism Index was up 3.8% in September 2020 from the previous month and 2.2% from a year ago. Like the Consumer Sentiment Index, this index has taken a somewhat W-shaped form since its initial decline in March.



Source: University of Michigan, October 2020 release; National Federation of Independent Business, September 2020 release

## Vehicles

The number of new automobile titles issued by the Maine Bureau of Motor Vehicles decreased 3.6% from FY16/FY17 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 FY16/FY17 to FY18/FY19, though, led by a large increase in trailer registrations.

Type	FY16/FY17 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%

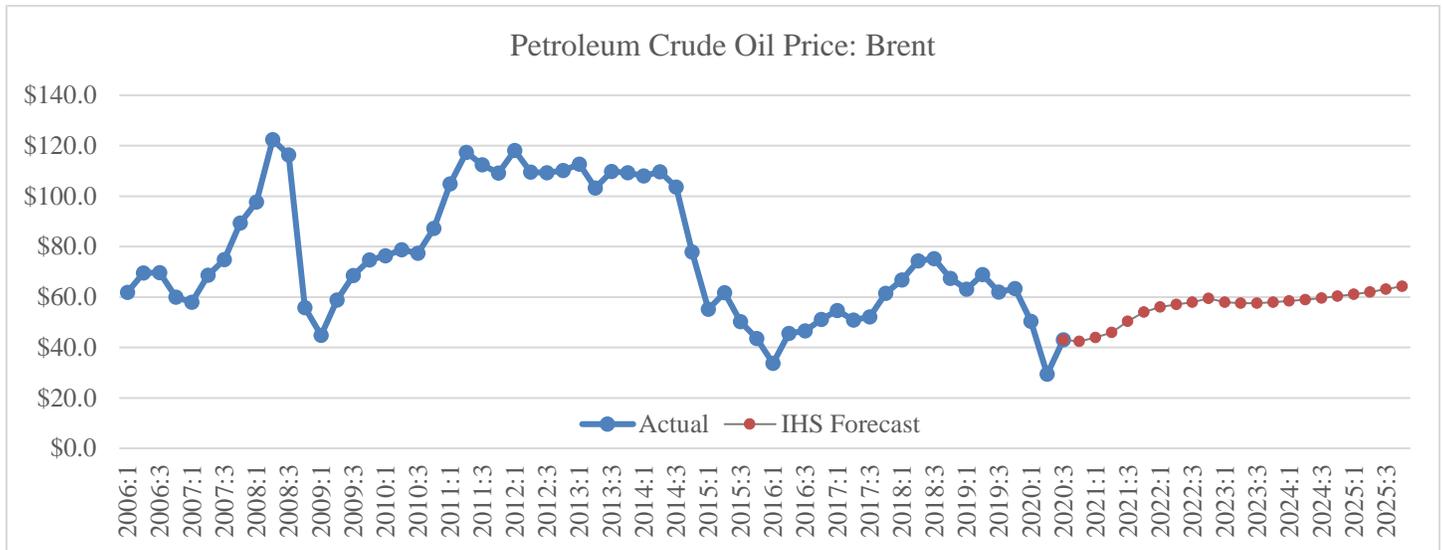
Source: Maine Bureau of Motor Vehicles

## 4. Energy Sector

In its October 2020 Short-term Energy Outlook, the Energy Information Administration (EIA) projects Brent crude oil prices will rise to an average of \$47 per barrel in 2021 while they averaged \$41 in September 2020. The agency projects that all home heating fuels will be more expensive this winter, except heating oil which is projected to fall by 10%.

### Crude Oil

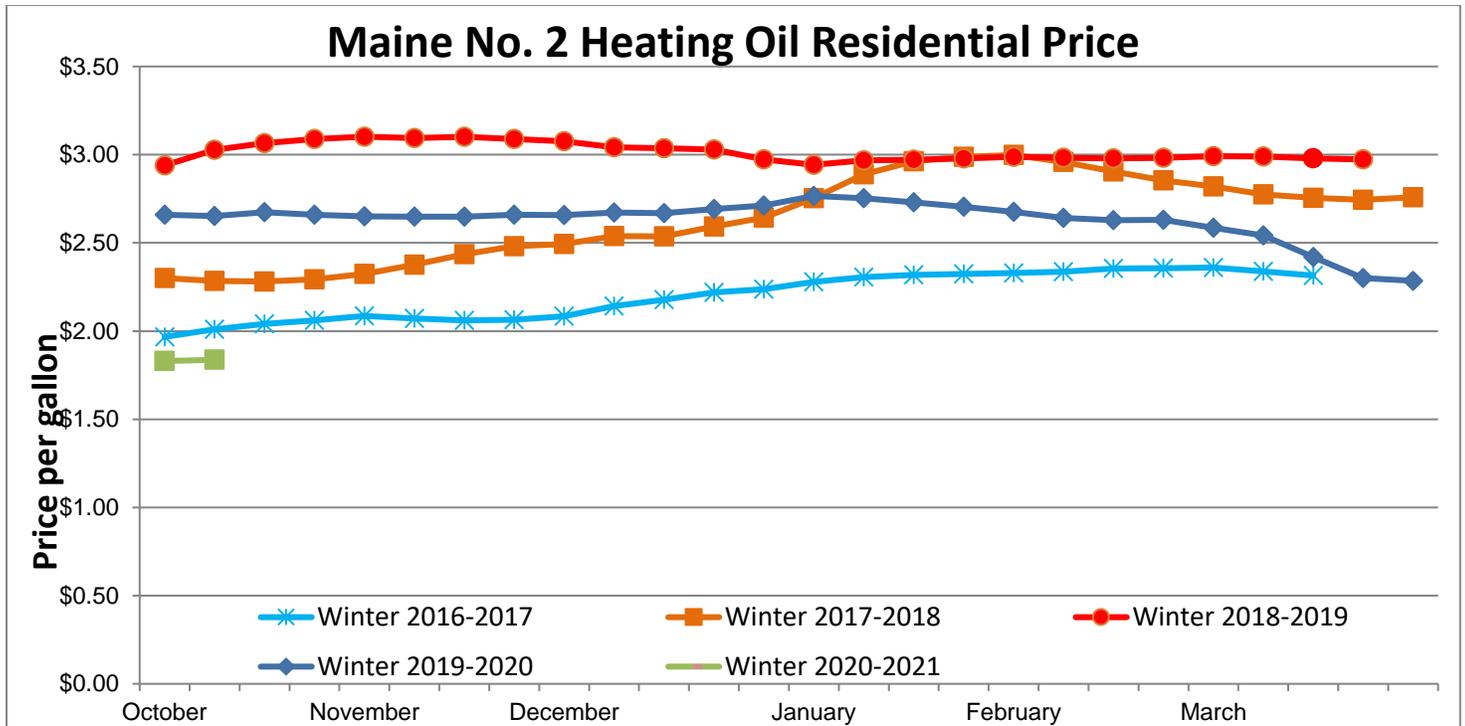
The price of Brent crude oil in the third quarter of 2020 was 46.4% higher than the previous quarter. The price per barrel as of October 6, 2020, was \$41.27 per barrel.



Source: IHS, October 2020 release; EIA October 15, 2020 release

## Heating Oil

The statewide average cash price of No. 2 heating oil in Maine was \$1.84 in the second week of the 2020-2021 heating oil season, 81.5 cents lower than the same week of last year. Prices declined steeply towards the end of the last heating oil season and have remained low through the start of the current season. The EIA projects heating oil prices this winter to be 10% lower than last year, nationwide.

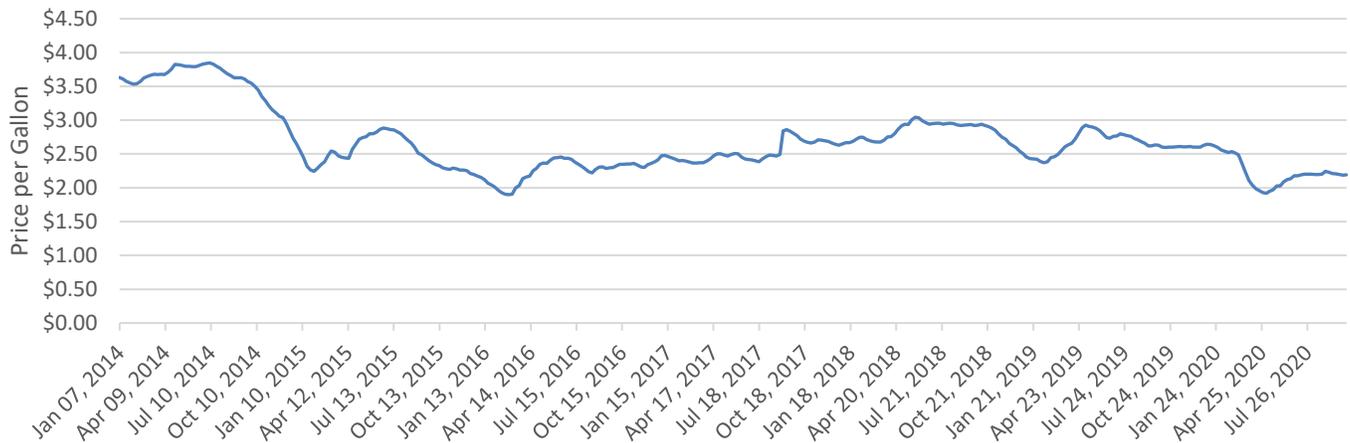


Source: U.S. Energy Information Agency, October 15, 2020 release

## Gasoline

The price of gasoline in New England averaged \$2.19 the week of October 12, 2020, slightly higher than the previous week and about 40 cents lower than one year ago. The average price of gasoline for the year through the first week of October 2020 was \$2.24 per gallon, compared to \$2.66 during the same period of 2019.

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

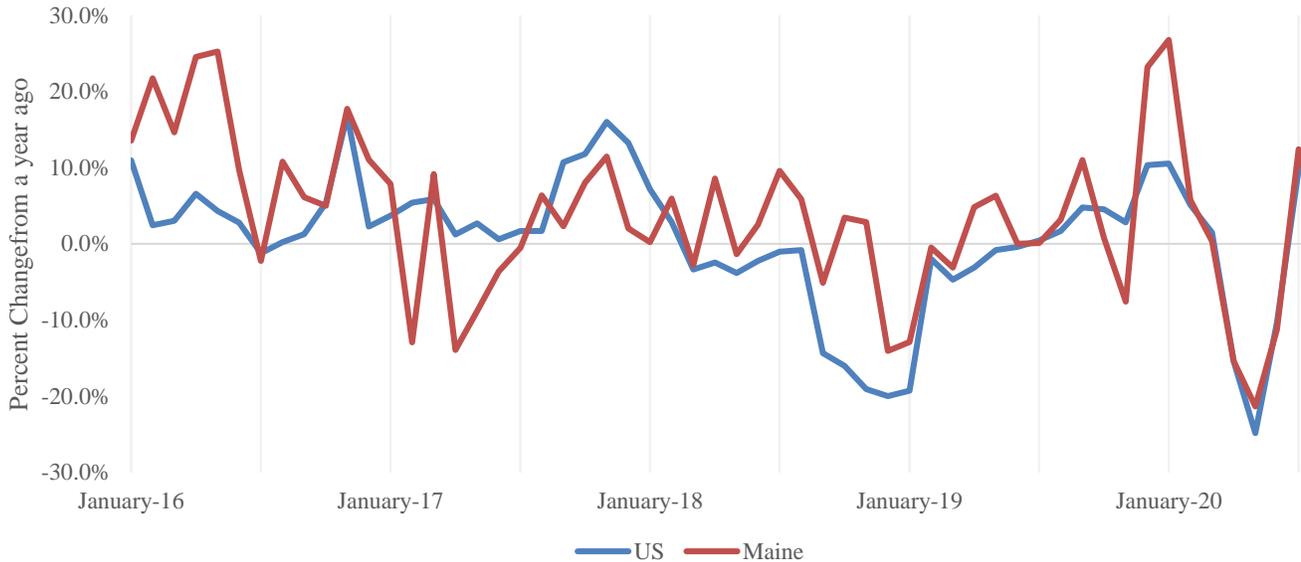


Source: U.S. Energy Information Agency, October 15, 2020 release

## 5. Housing

Single family existing-home sales in Maine in August 2020 were up 1.3% compared to August 2019, while the median sales price increased 17.4% from a year prior (to \$270,000 statewide). Total single-family sales nationwide were down up 11.0% compared to a year prior and had a median price of \$370,000, 11.7% over last year. However, total single family existing-home sales for the year 2020 through August remain 1.6% and 1.9% below the same period last year for the U.S. and Maine, respectively.

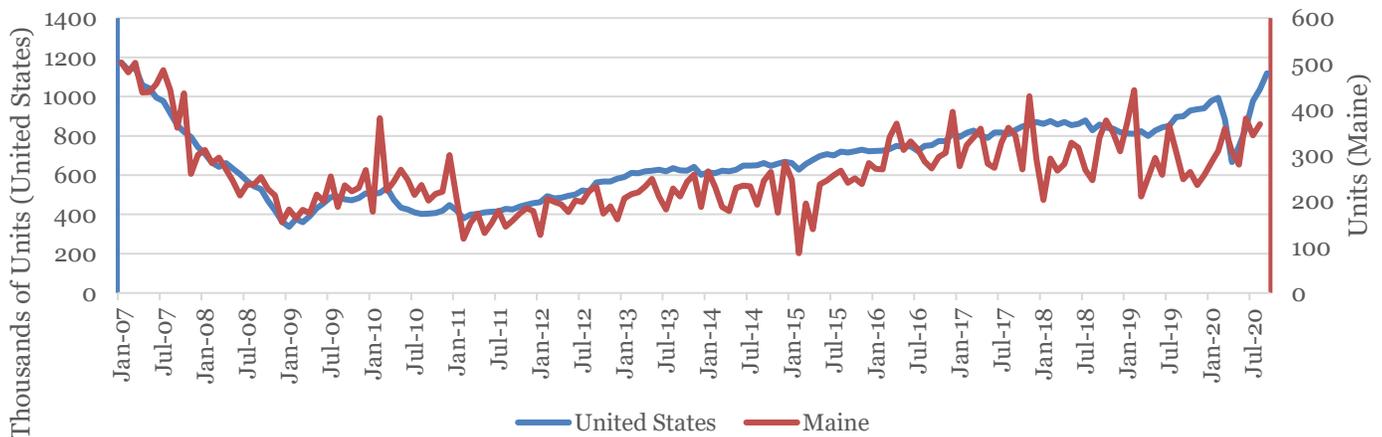
Single Family Existing-Home Sales



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

In the U.S., single-unit housing permits were up 24.4% in September 2020 over the previous year and 7.8% over the previous month. In Maine, the recovery has been less pronounced, although housing permits were up 19.4% year-over-year in August and 7.0% month-over-month. Single-unit permits for the year through August were up 6.9% and 5.3% in the U.S. and Maine, respectively.

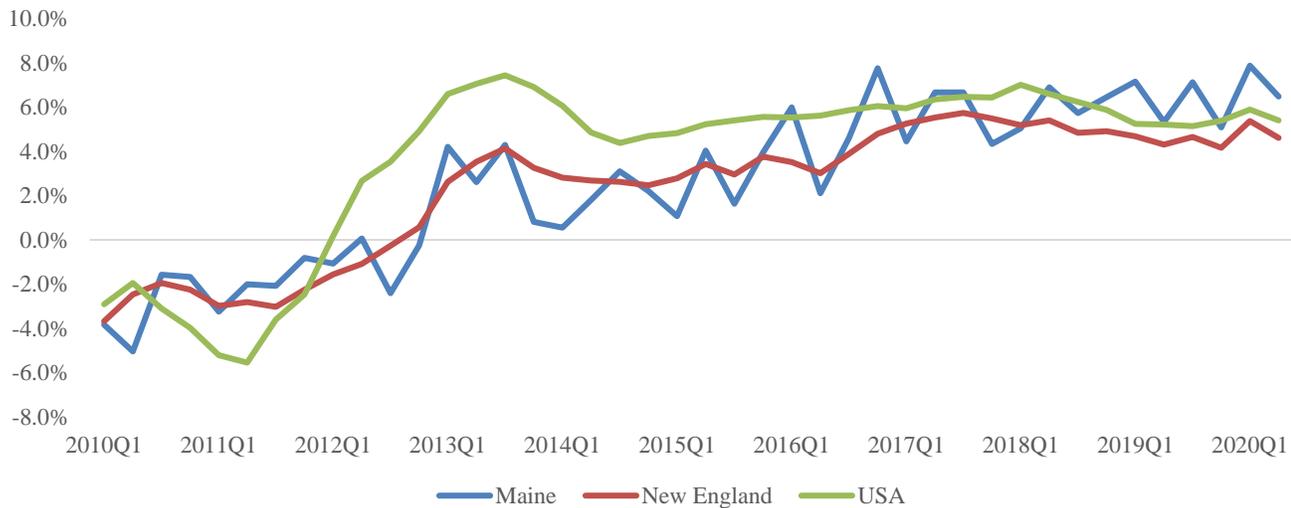
New Private Single-Unit Housing Permits, seasonally adjusted



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

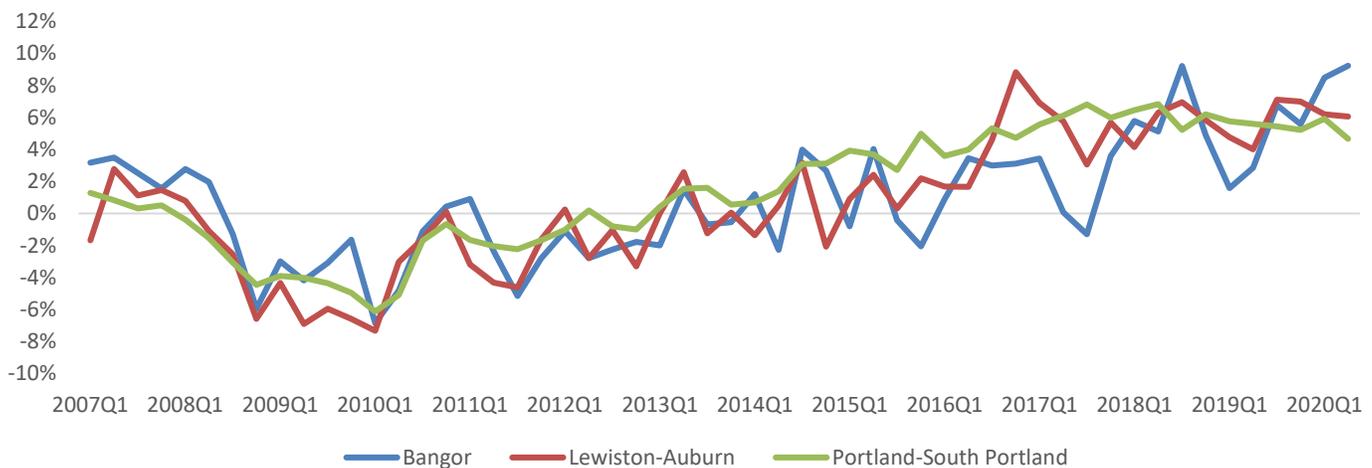
According to the Federal Housing Finance Agency (FHFA), the House Price Index “measures average price changes in repeat sales or refinancing on the same properties.” Maine’s house price index increased by 6.5% in the second quarter of 2020 over the previous year. In the most recent quarter, local year-over-year growth was higher than the U.S. and region, with New England growing by 4.6% and the U.S. by 5.4%. Maine’s MSAs - Bangor, Lewiston-Auburn, and Portland-South Portland – all saw substantial increases in the second quarter, at 9.2%, 6.1% and 4.7%, respectively, over the same quarter last year.

Purchase-Only House Price Index, Seasonally Adjusted



Source: Federal Housing Finance Agency, August 25, 2020 release

MSA All-transactions Index, percent change year-over-year



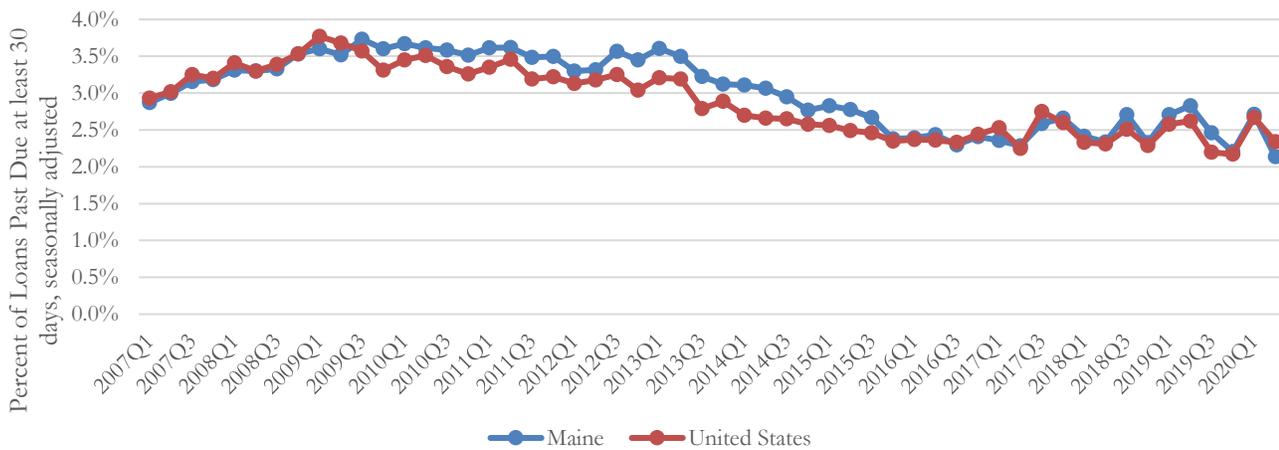
Source: Federal Housing Finance Agency, August 25, 2020 release

## 6. Borrowing

The share of mortgages in Maine that are delinquent 30 days or more was 2.1% in the second quarter of 2020. Maine’s foreclosure rate was 0.18% in the second quarter of 2020 and .02% in the U.S. Maine’s debt to income ratio was 24.44 as of the fourth quarter of 2019 and has remained relatively flat since early 2018.

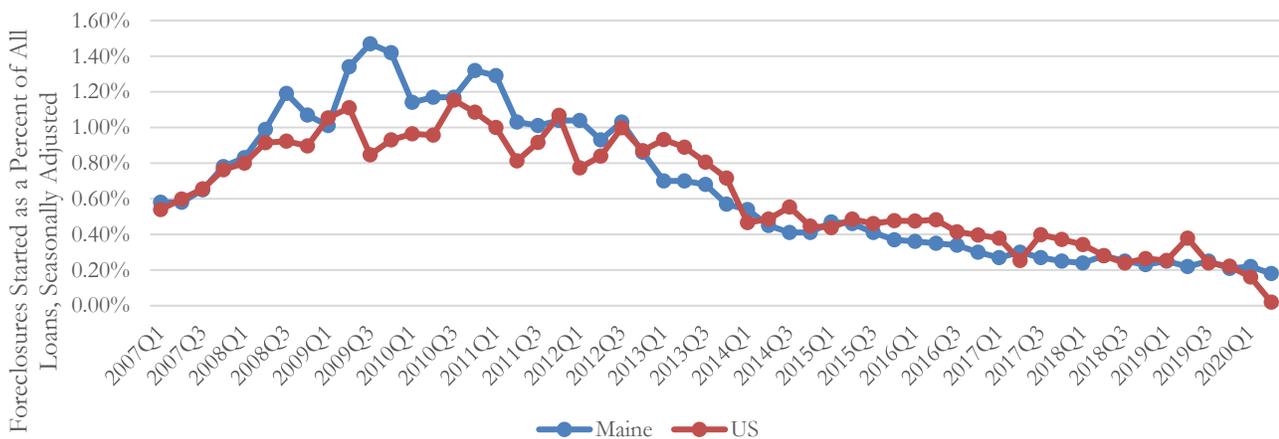
Borrowing and delinquency have been held stable by forbearance, deferments, and foreclosure moratoria provided in the CARES Act.

### MBA Mortgage Delinquencies



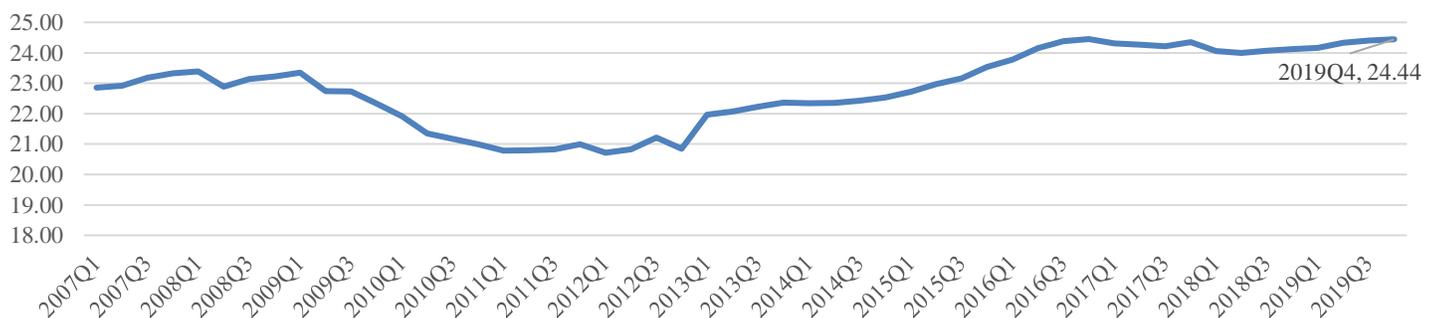
Source: Mortgage Bankers Association, via Moody's Analytics October 16, 2020 release

### MBA Foreclosure Starts



Source: Mortgage Bankers Association, via Moody's Analytics October 16, 2020 release

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



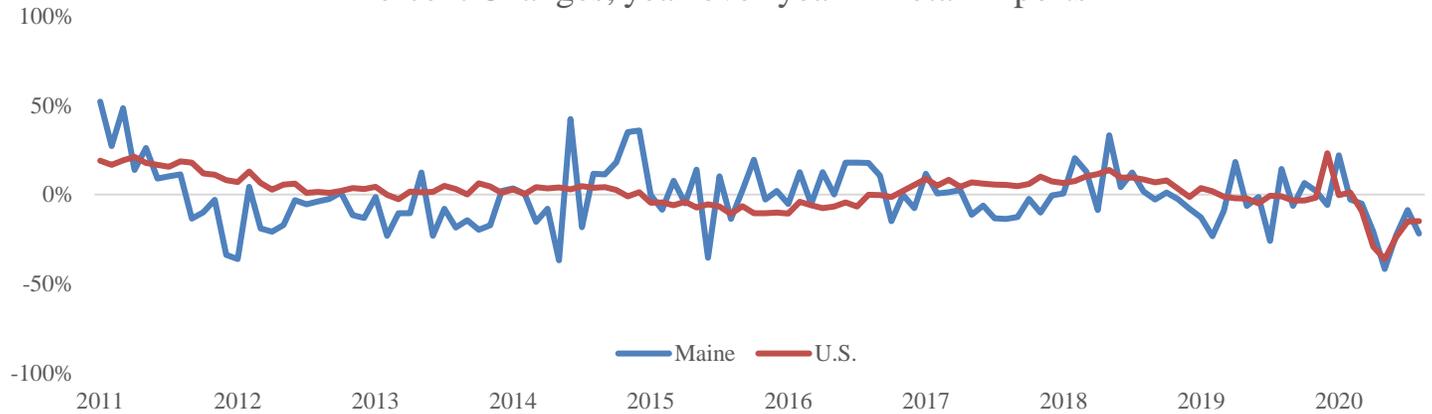
Source: Moody's Analytics, October 16, 2020 release

## 7. Trade Outlook

### Exports

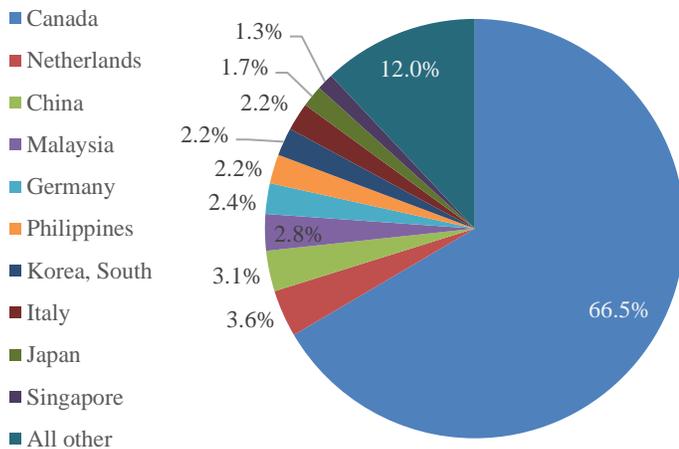
Total exports in Maine decreased by 21.9% year-over-year in August, and by 14.1% for the year through August. Total exports from Maine totaled \$241.2 million in August 2020, while imports totaled \$380.9 million.

Percent Changes, year-over-year in Total Exports

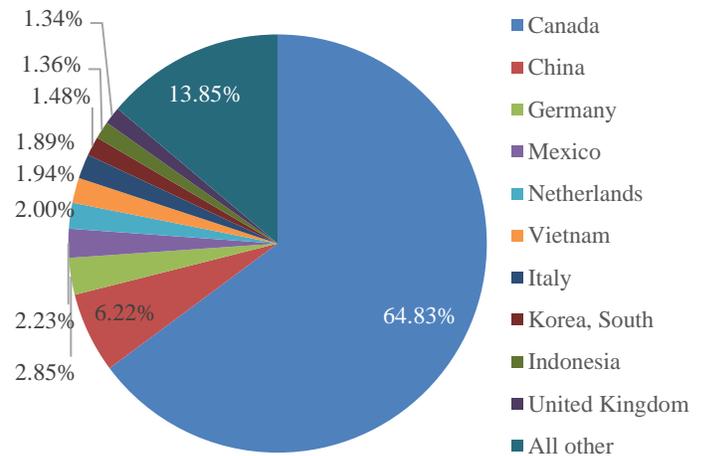


Source: USA Trade Online, October 6, 2020 release

Top export partners of August 2020



Top import partners of August 2020

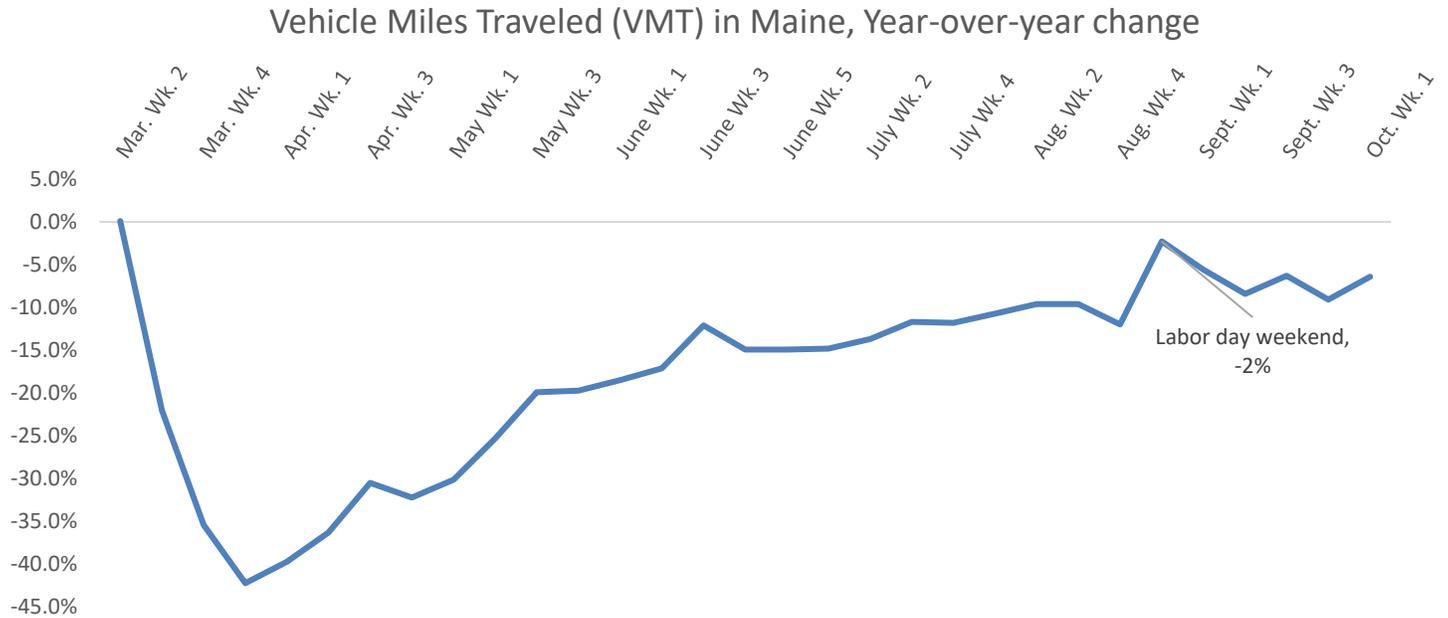


Source: USA Trade Online, October 6, 2020 release

## 8. COVID-19 Impacts

### Traffic reductions

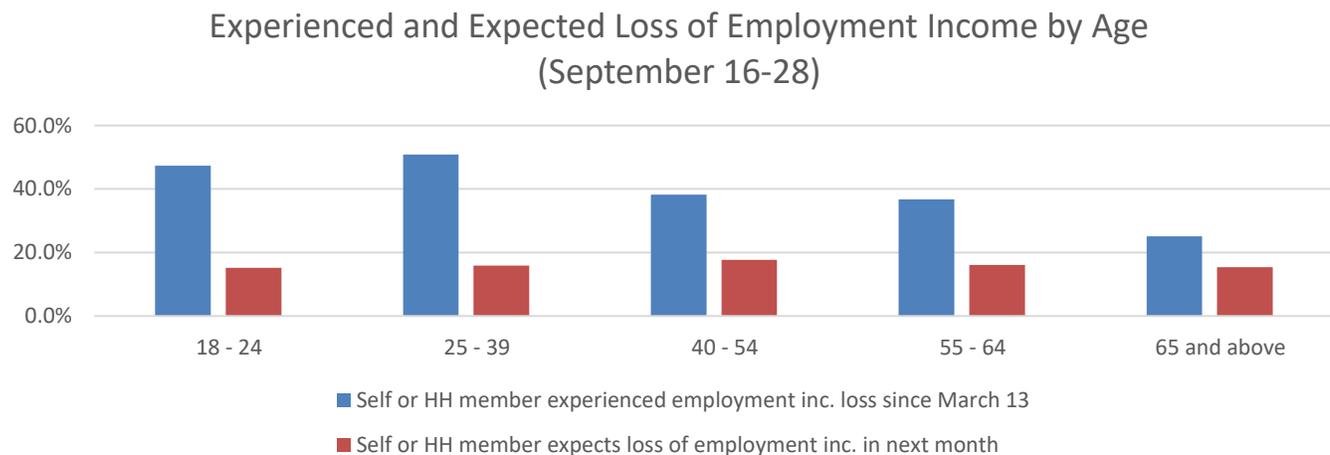
Vehicle miles traveled have slowly rebounded since falling in March. In the first week of October, highway VMT was 6.4% below the same week last year, close to the average gap for the past six weeks.



Source: Department of Transportation, October 15, 2020

### Household Pulse Surveys

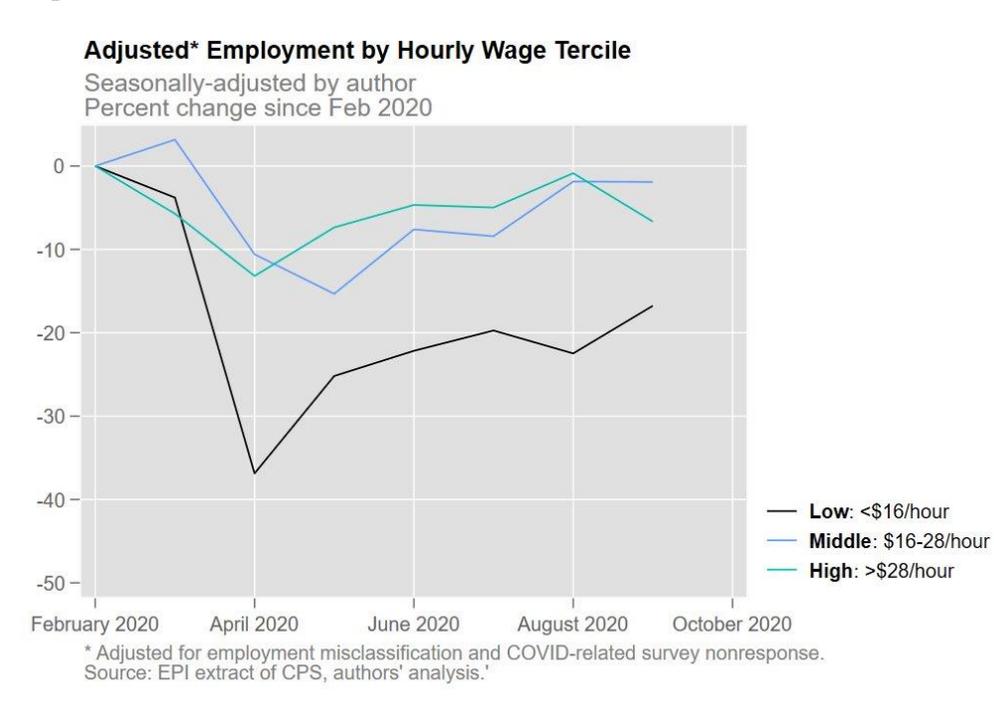
Surveys from the U.S. Census Bureau give a clearer picture of the economic situation for households and businesses in Maine. The Household Pulse Survey from the Census Bureau indicates that as of mid-September, 38% of households in Maine have experienced a loss of employment income, with losses skewed towards younger workers. Meanwhile, 16% of Mainers expect to have a loss of employment income in the next month, according to the survey.



Source: U.S. Census Bureau Household Pulse Survey, October 7, 2020 release

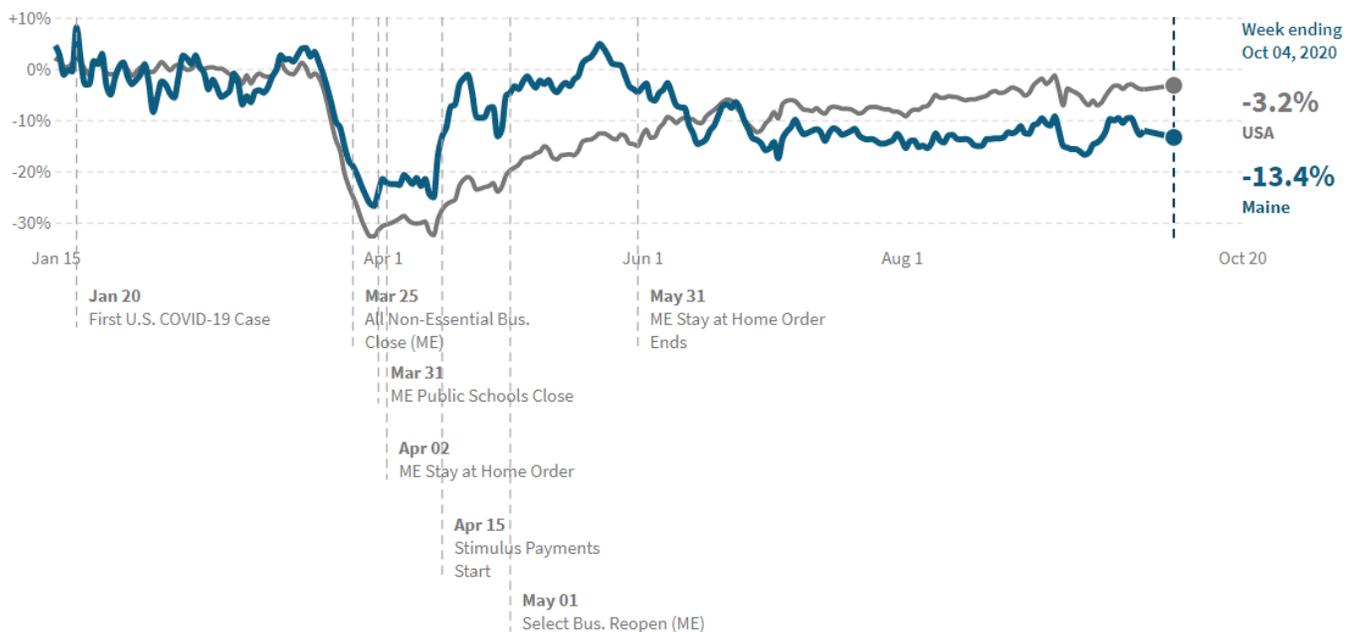
## Disproportionate Employment Recovery

Data from the Current Population Survey and analysis from the Economic Policy Institute show that employment loss has been most severe for low-income jobs, which have also been slowest to recover. While middle- and high-income jobs are only slightly below pre-pandemic levels, low-income jobs persist at nearly 20% below pre-COVID times.



## Consumer Spending

Credit and debit card purchase data as of October 4 show that spending recovery has slowed significantly in Maine and sits at -13.4% in Maine, compared to -3.2% for the nation. While Maine's spending recovery surpassed that of the nation through the early summer, that trend reversed in late June.



Source: Affinity Solutions, Opportunity Insights Economic Tracker