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Consensus Economic Forecasting Commission Background Materials for the October 23, 2023, Forecasting Meeting

Summary

Maine had a fairly strong year of population growth in 2022, gaining just over 8,000 in population. This was driven by net domestic migration, in which Maine's rate ranked 10th in the nation. It is particularly notable that all counties in Maine are experiencing population growth as a result of migration. In fact, some of Maine's most rural counties are experiencing the highest rates of net migration and population growth overall.

Total personal income decreased by 2.7% at a seasonally adjusted, annualized rate in the second quarter of 2023, following a 10.4% increase in the first quarter. The decrease in personal income was driven by a decline in transfer receipts, following the \$450 energy relief payments that were issued in the prior quarter. Wage and salary income, the largest component of personal income, has grown 2.4% and 5.2% in the first two quarters of 2023, respectively. Meanwhile, real GDP for Maine has increased for three consecutive quarters, growing to almost \$65.5 billion in the first quarter of 2023. Inflation has decelerated from the high in June of 2022, but is still above the Federal Reserve's 2% target. The CPI all-items index grew by 3.7% in September, unchanged from the 3.7% year-over-year increase in August.

The University of Michigan Consumer Sentiment Index was down 2.0% in September from the prior month and up 16.2% year over year. However, a preliminary release for October shows a 7.5% decline month-over-month. In this preliminary release, consumers reported a decline in both expectations of their personal finances and in one-year business conditions. Meanwhile, in September the National Federation of Independent Business (NFIB) Small Business Optimism Index was down 0.5% year over year. September was the 21st consecutive month below the 49-year average.

Gasoline cost \$3.73 on average in New England during the week of October 9, about \$0.05 less than a year ago. The statewide average cash price of No. 2 heating oil in Maine was \$4.001/gal in the second week (October 9) of the 2023-2024 heating oil season, 19.5% lower than the same week of last year, and about 1% lower than the first week of heating oil season.

Single-family existing-home sales have cooled, with the number of sales falling by 18.8% year-over-year in August, although prices continued to increase (9.4%). Maine's House Price Index rose 7.6% in the second quarter of 2023 over the previous year. Maine's year-over-year growth was highest in the nation.

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

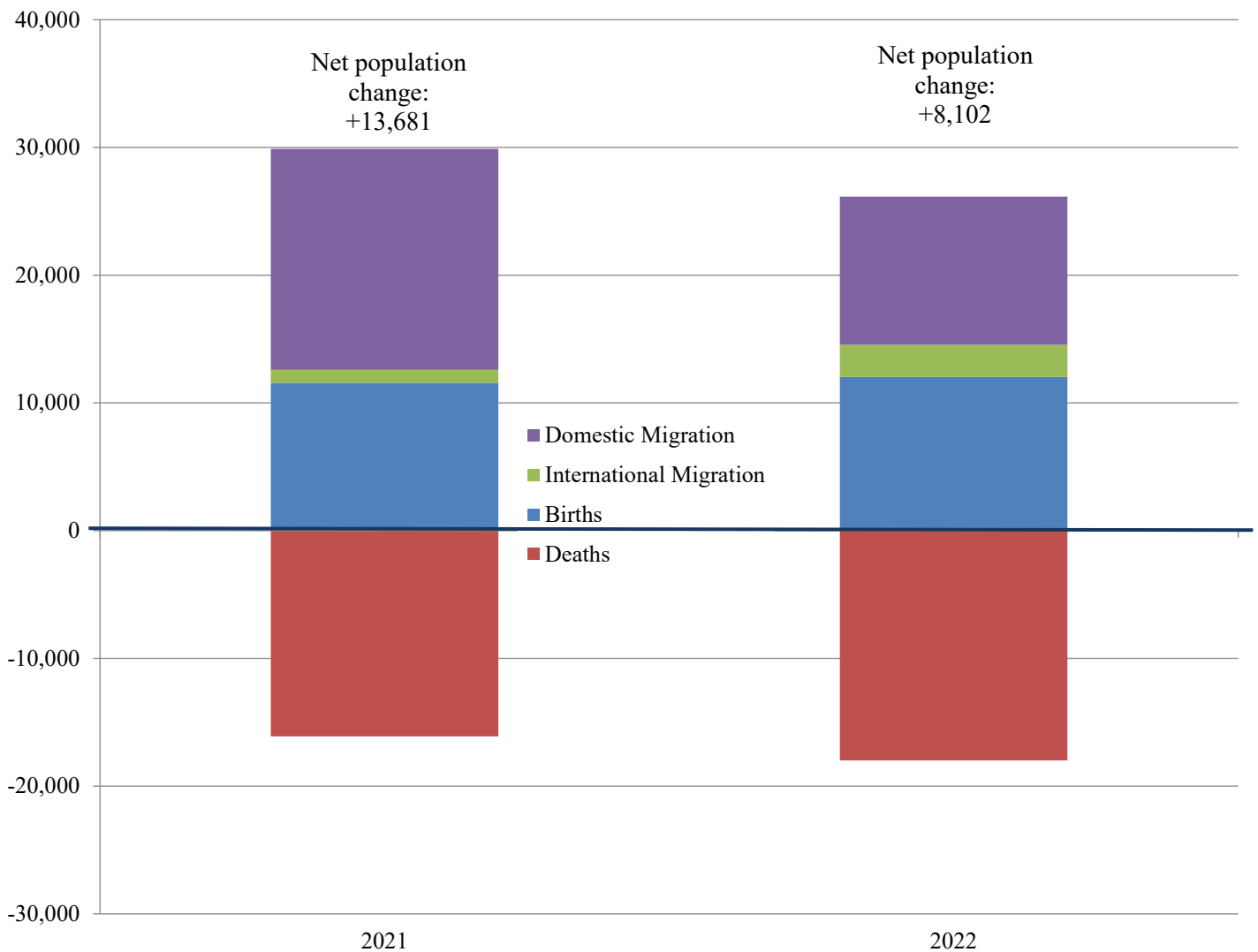
1. Demographic Trends

2022 Population Estimates

Maine gained just over 8,000 in population from July 2021 to July 2022, driven by net migration. Maine’s natural population decline accelerated in 2022; the state has consistently seen more deaths than births in recent years, however Maine saw even more deaths than usual in 2022.

In 2022 the nation’s population grew by 0.4%, slightly above the historic low of 0.1% in 2021, while Maine’s population grew by 0.6%. This was driven by net domestic migration, in which Maine’s rate ranked 10th in the nation. Only half of the New England states had positive net domestic migration. It is uncertain from this data whether Maine’s in-migration is temporary or permanent. Future data releases will lend more clarity on these population dynamics.

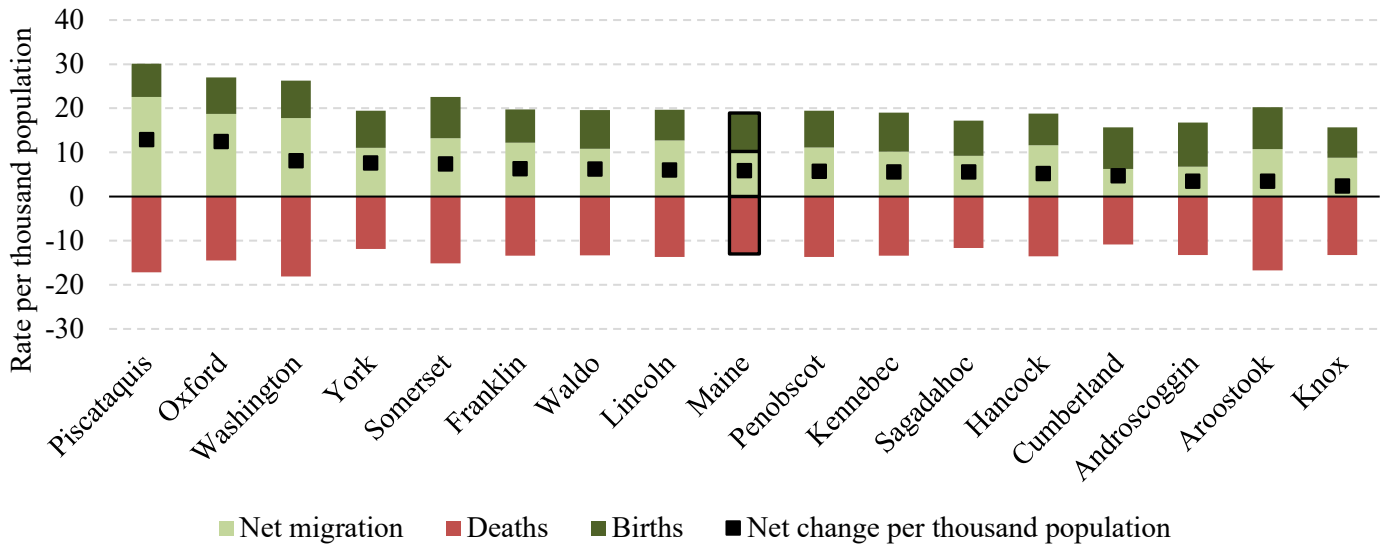
Components of Population Change, Maine



Source: U.S. Census Bureau, Population Estimates Program, 2022 vintage

All counties in Maine had natural population decreases, meaning they had more deaths than births. It is particularly notable that *all* counties in Maine are experiencing population growth as a result of migration. In fact, some of Maine’s most rural counties are experiencing the highest *rates* of net migration and population growth overall.

Components of Population Change in Maine, 2021-2022
Rate per thousand population

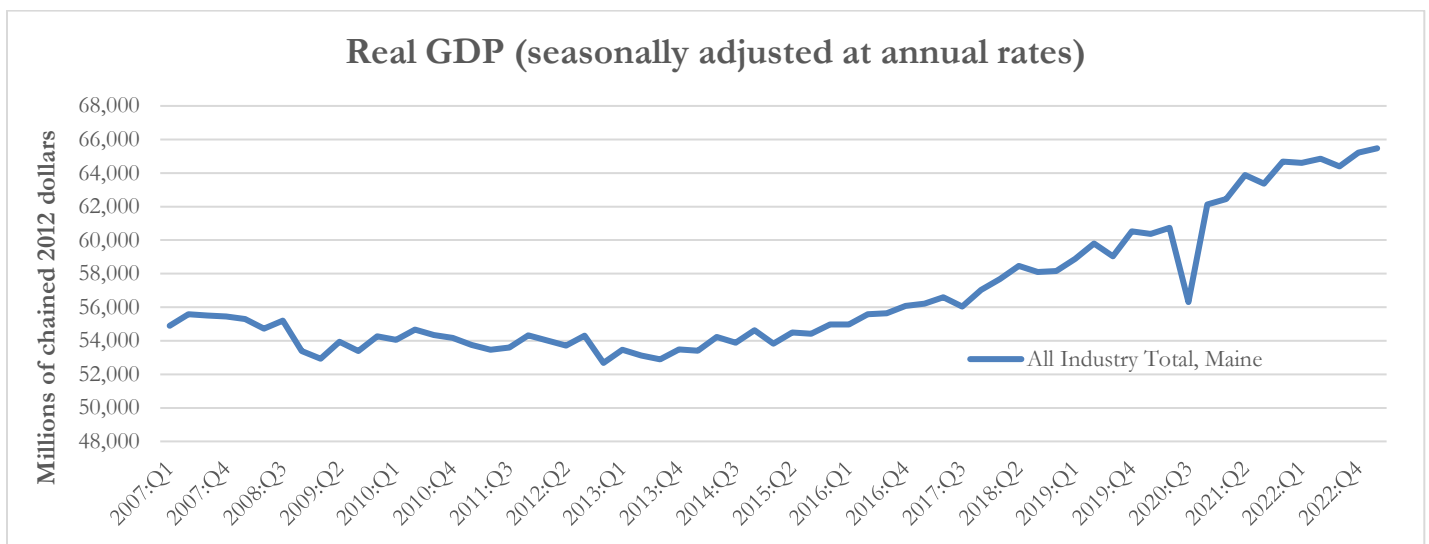


Source: U.S. Census Bureau, Population Estimates Program, 2022 vintage

2. State Economy

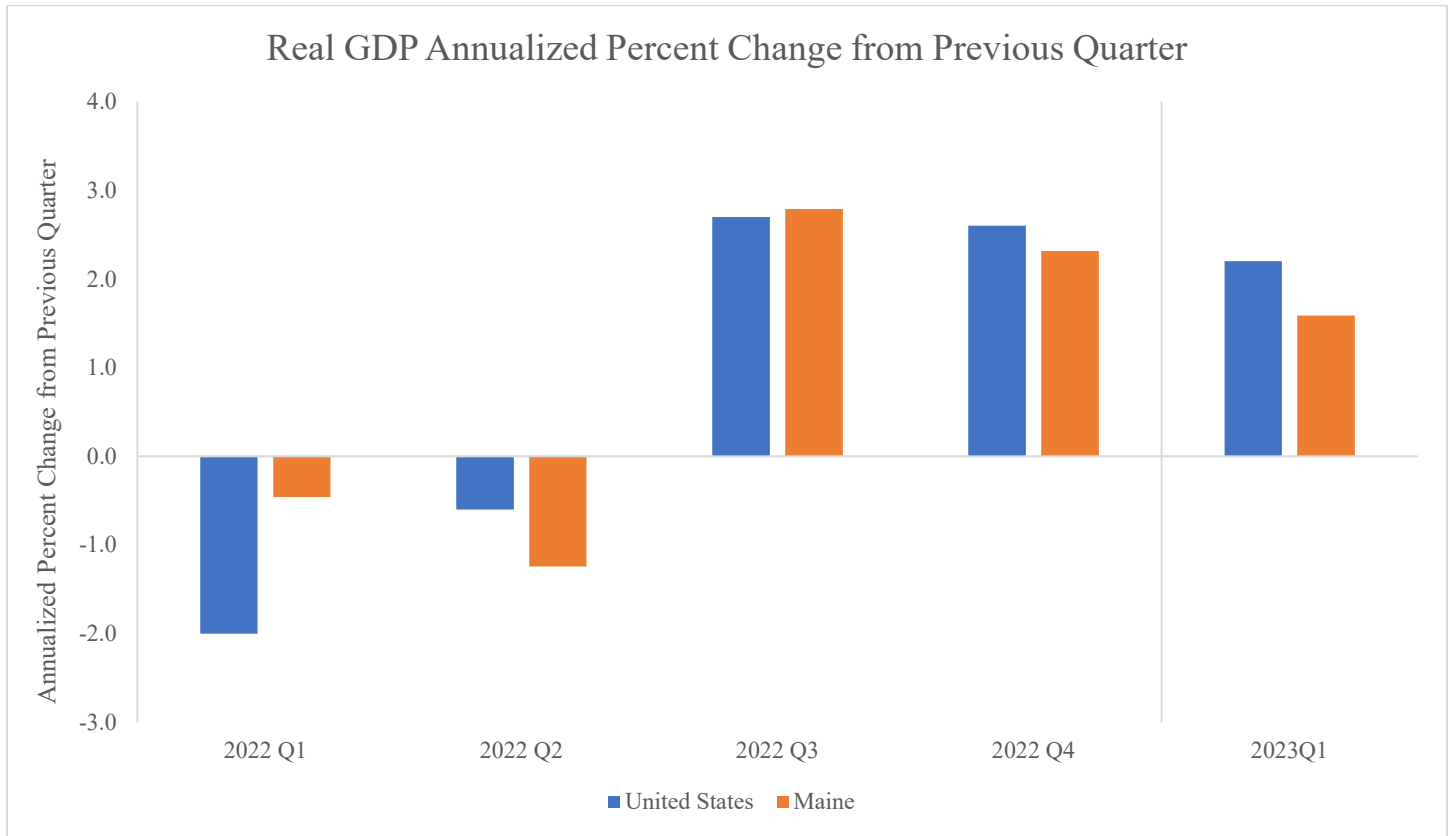
Gross Domestic Product (GDP)

Real GDP for Maine has increased for three consecutive quarters (2022Q3 to 2023Q1), growing to almost \$65.5 billion in the first quarter of 2023.



Source: U.S. Bureau of Economic Analysis, June 30, 2023, release

Maine’s annualized growth rate for total real GDP was 2.8% in the third quarter of 2022, slightly higher than the nation’s 2.7%. That said, in the fourth quarter of 2022 and the first quarter of 2023, Maine has seen a slightly smaller increase (2.3% and 1.6%) relative to the nation (2.6% and 2.2%).



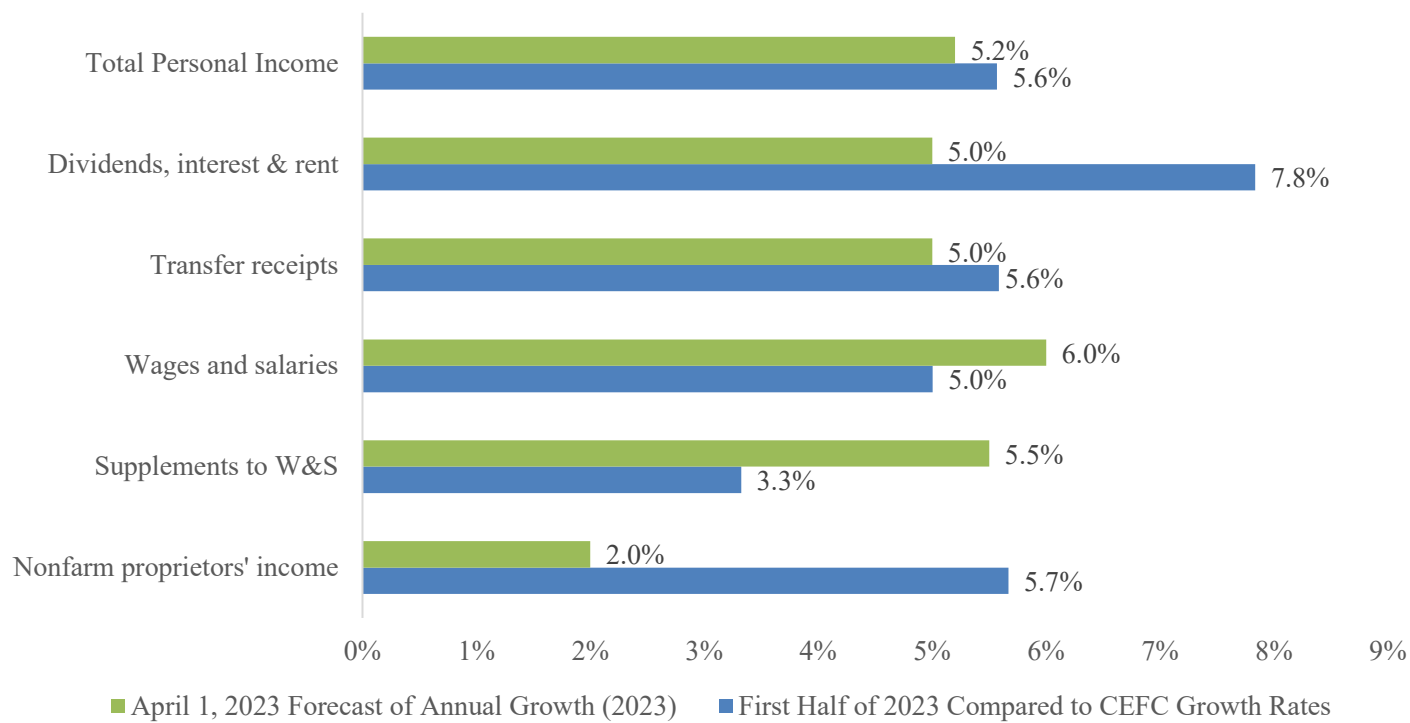
Source: U.S. Bureau of Economic Analysis, June 30, 2023, release

Personal Income

According to the U.S. Bureau of Economic Analysis, total personal income decreased by 2.7% at a seasonally adjusted, annualized rate in the second quarter of 2023, following a 10.4% increase in the first quarter. Wage and salary income, the largest component of personal income, has grown 2.4% and 5.2% in the first two quarters of 2023, respectively. Maine issued \$450 energy relief payments to approximately 880,000 Mainers during the first quarter of the year, boosting transfer receipts in the first quarter and resulting in a -23% annualized change in transfer receipts in the second quarter. The decrease in transfer receipts contributed -6.1 percentage points to the change in total personal income and offset growth in net earnings and dividends, interest, and rent.

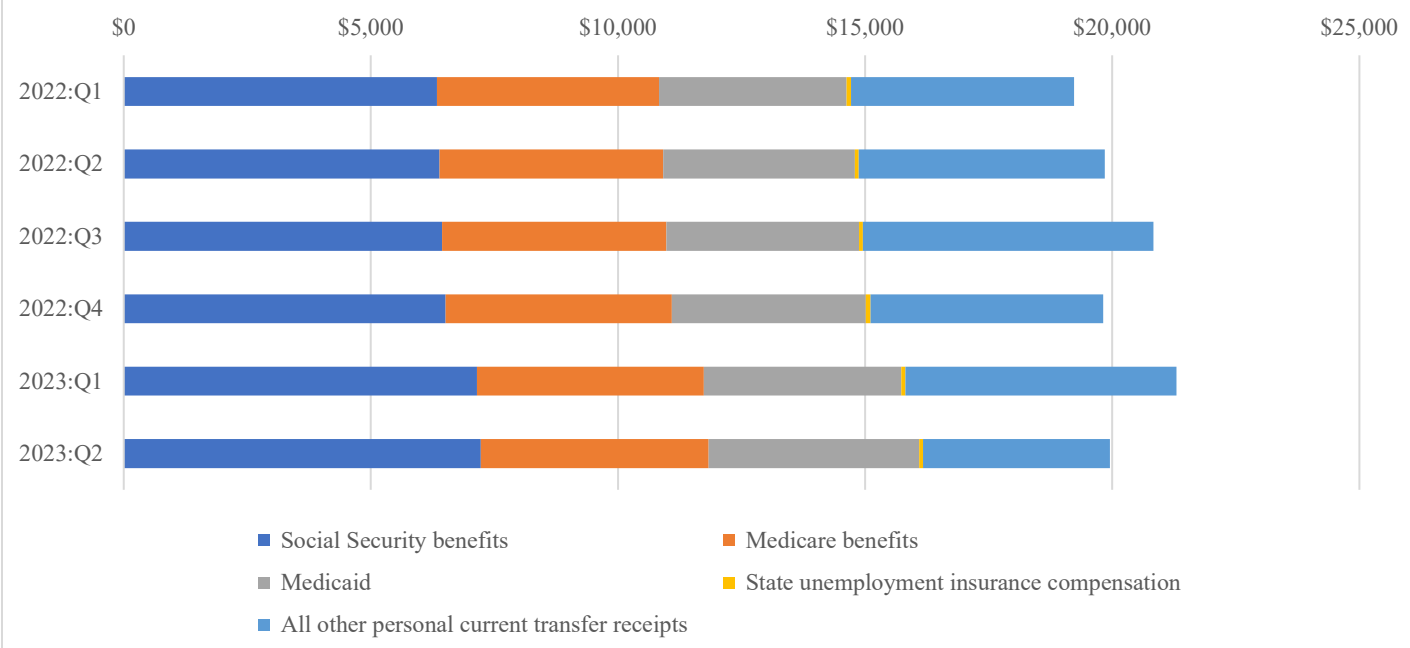
Compared to the first three quarters of 2021, growth in half of the components is relatively on track with the CEFC forecasts. The major exceptions are dividends, interests, and rents (where we’ve seen growth of 7.8%), nonfarm proprietors’ income (where we’ve seen growth of 5.7%), and supplements to W&S (where we’ve seen growth of 3.3%).

Maine Personal Income: First Half of 2023 Compared to CEFC Growth Rates



Source: U.S. Bureau of Economic Analysis, September 29, 2023, release

Components of Transfer Receipts in Maine (Millions of Dollars)



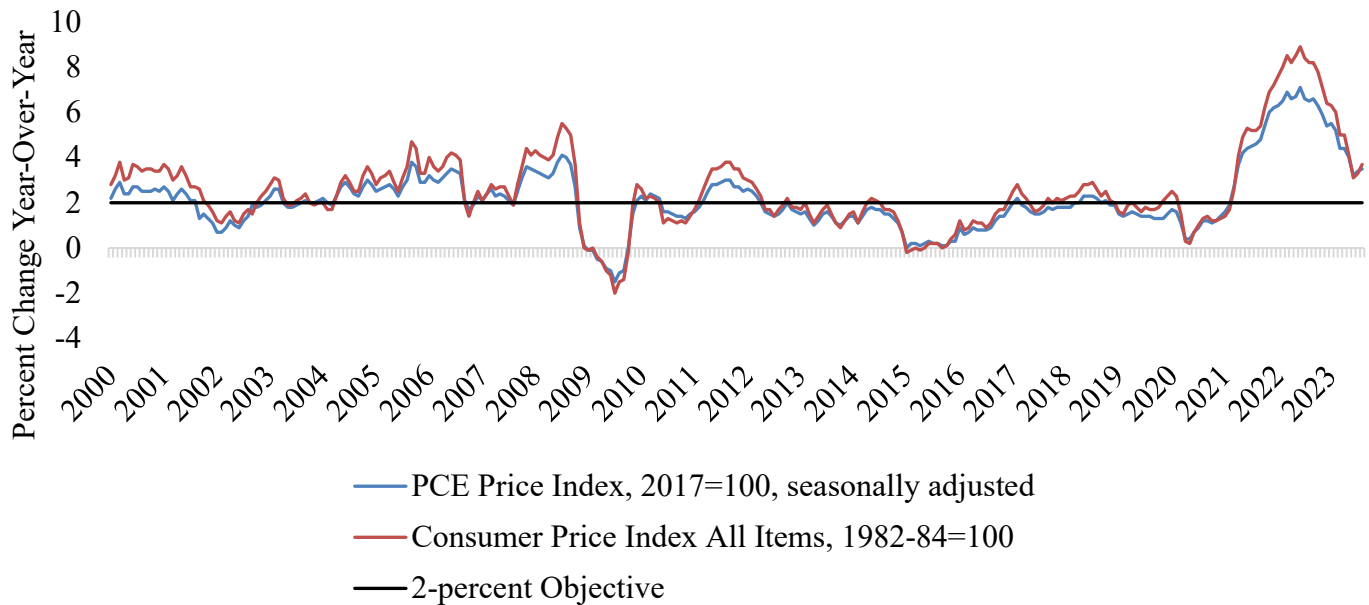
Source: U.S. Bureau of Economic Analysis, September 29, 2023, release

3. Consumption and Expenditures

Inflation measures

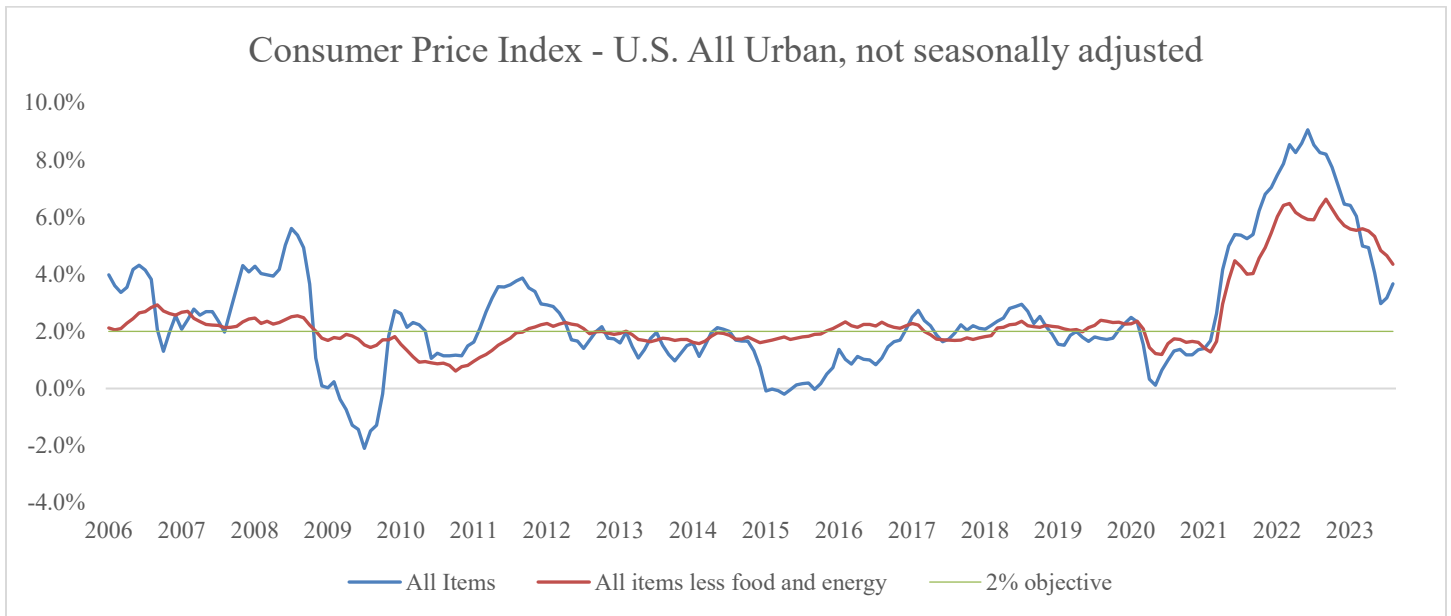
The most recent data for the PCE price index shows a 3.5% year-over-year increase in August, up from 3.4% in July. The CPI all-items index grew by 3.7% in September, unchanged from the 3.7% year-over-year increase in August. Growth in both indices has decelerated considerably since June 2022 but remains above the 2% Federal Reserve target.

Measures of Inflation, Year-Over-Year Percent Change

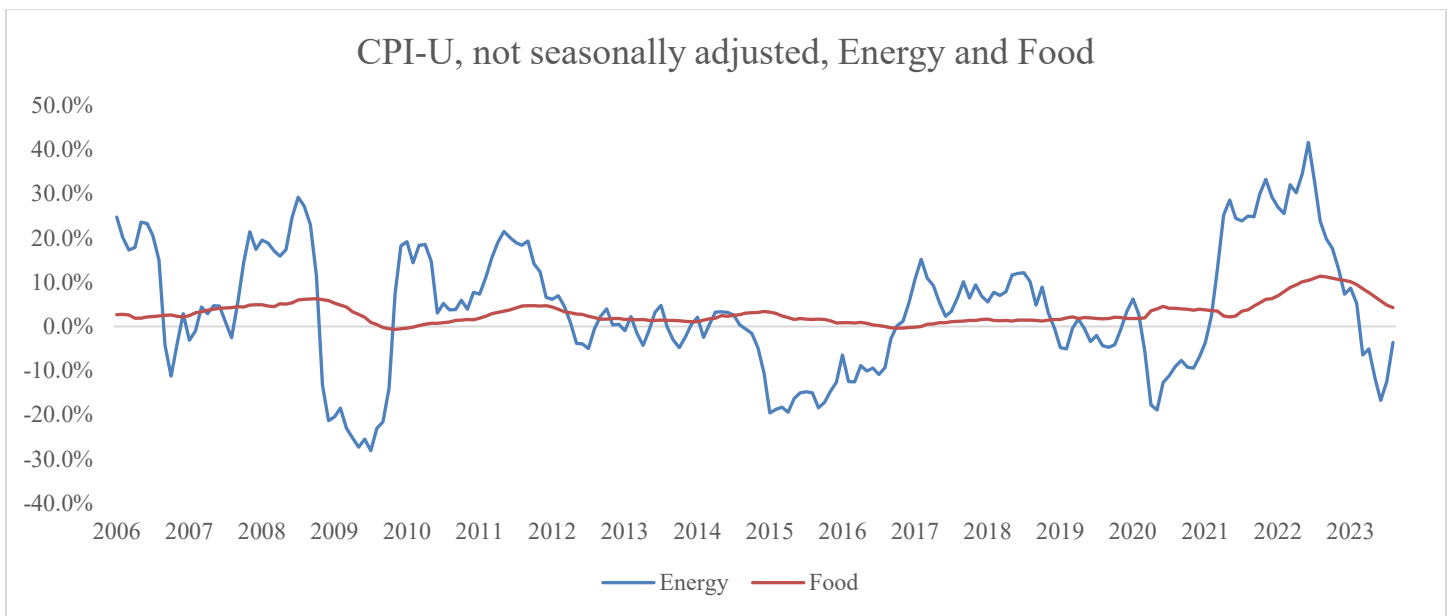


Sources: U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics

The CPI for all urban consumers increased 3.7% year-over-year in September and 0.4% from a month prior. Shelter (+0.6%) was the largest contributor to the all-items increase in September and accounted for more than half of the change. Gasoline (+2.1%) was also a major contributor. The energy index was up 1.5% in September but remains down 0.5% from September 2022. Fuel oil rose 8.5% in September, following a 9.1% monthly increase from July to August. The food index was up 0.2% in September and up 3.7% year-over-year. The core index, which excludes volatile food and energy prices, increased 0.3% from August and is up 4.1% year-over-year.



Source: U.S. Bureau of Labor Statistics



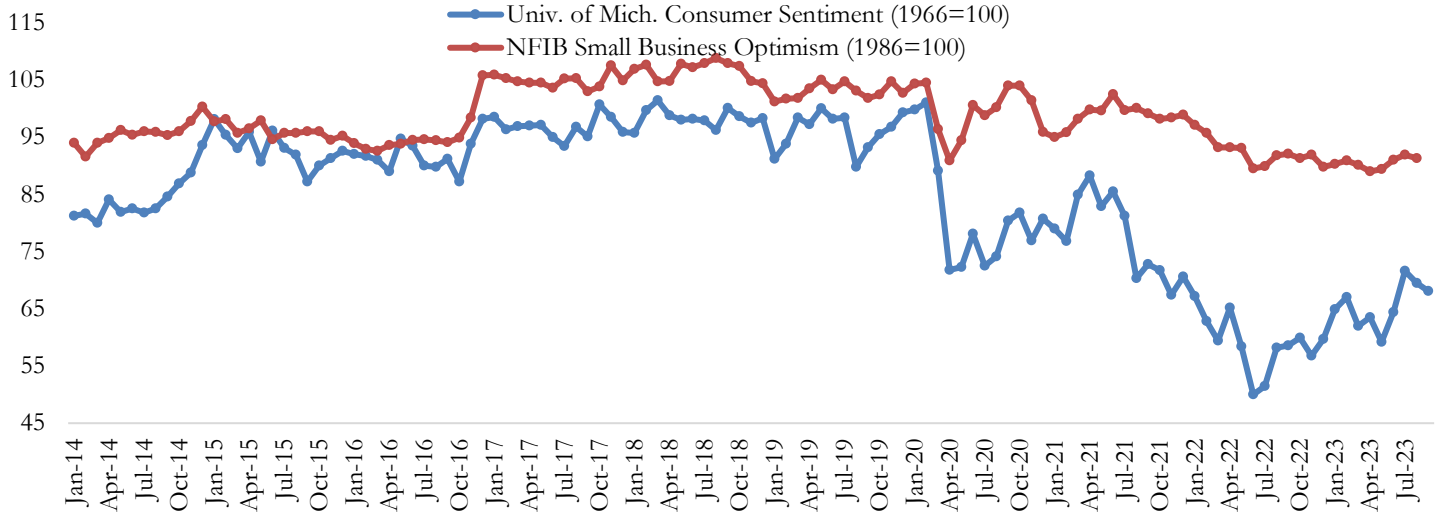
Source: U.S. Bureau of Labor Statistics

Consumer Sentiment and Small Business Optimism

The **Index of Consumer Sentiment** from the University of Michigan was down 2.0% in September from the prior month and up 16.2% year over year. However, a preliminary release for October shows a 7.5% decline month-over-month. In this preliminary release, consumers reported a decline in expectations of their personal finances (driven by a substantial increase in concerns over inflation) and in one-year business conditions.

The **Small Business Optimism Index**, as measured by the National Federation of Independent Businesses, was down 0.5% in September year over year. September was the 21st consecutive month below the 49-year average. Businesses expecting better business conditions over the next six months declined by 6 points in September with twenty-three percent of owners citing inflation as the single most important problem in operating their business, unchanged from last month and tied with labor quality as the top concern.

Consumer Sentiment and Small Business Optimism Indexes



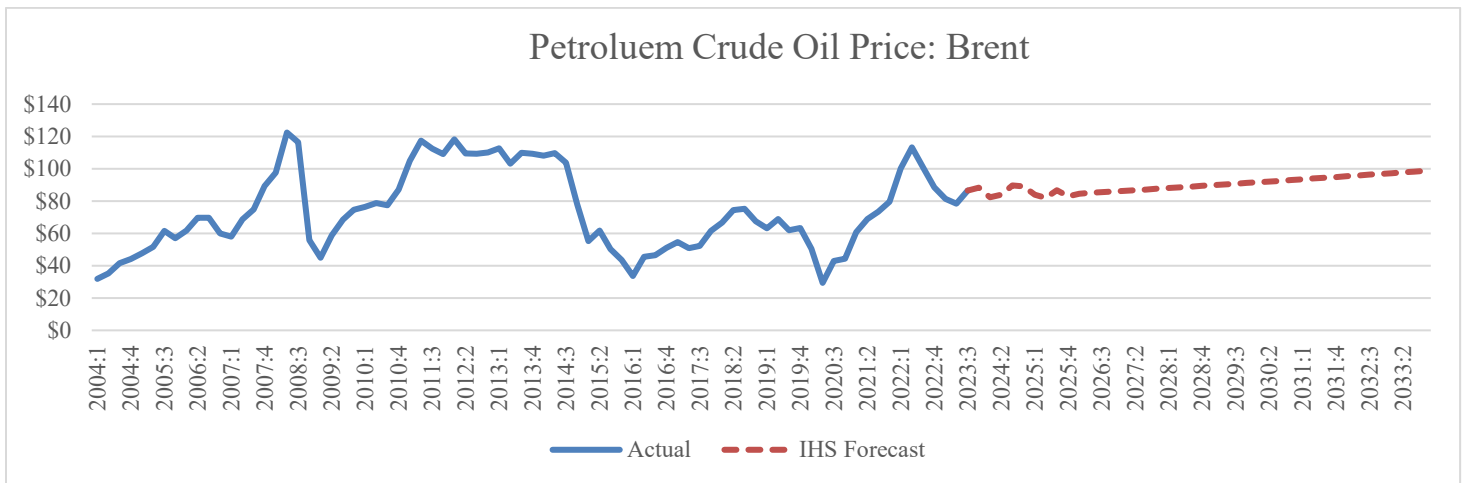
Sources: University of Michigan and National Federation of Independent Business

4. Energy Sector

In its September 2023 Short-term Energy Outlook, the Energy Information Administration (EIA) forecasts that a decline in global oil inventories in the coming months will contribute to crude oil prices averaging \$93 per barrel during the fourth quarter of 2023. However, they forecast that as global inventories rise prices will ease to an average of \$87 per barrel by the second half of 2024.

Crude Oil

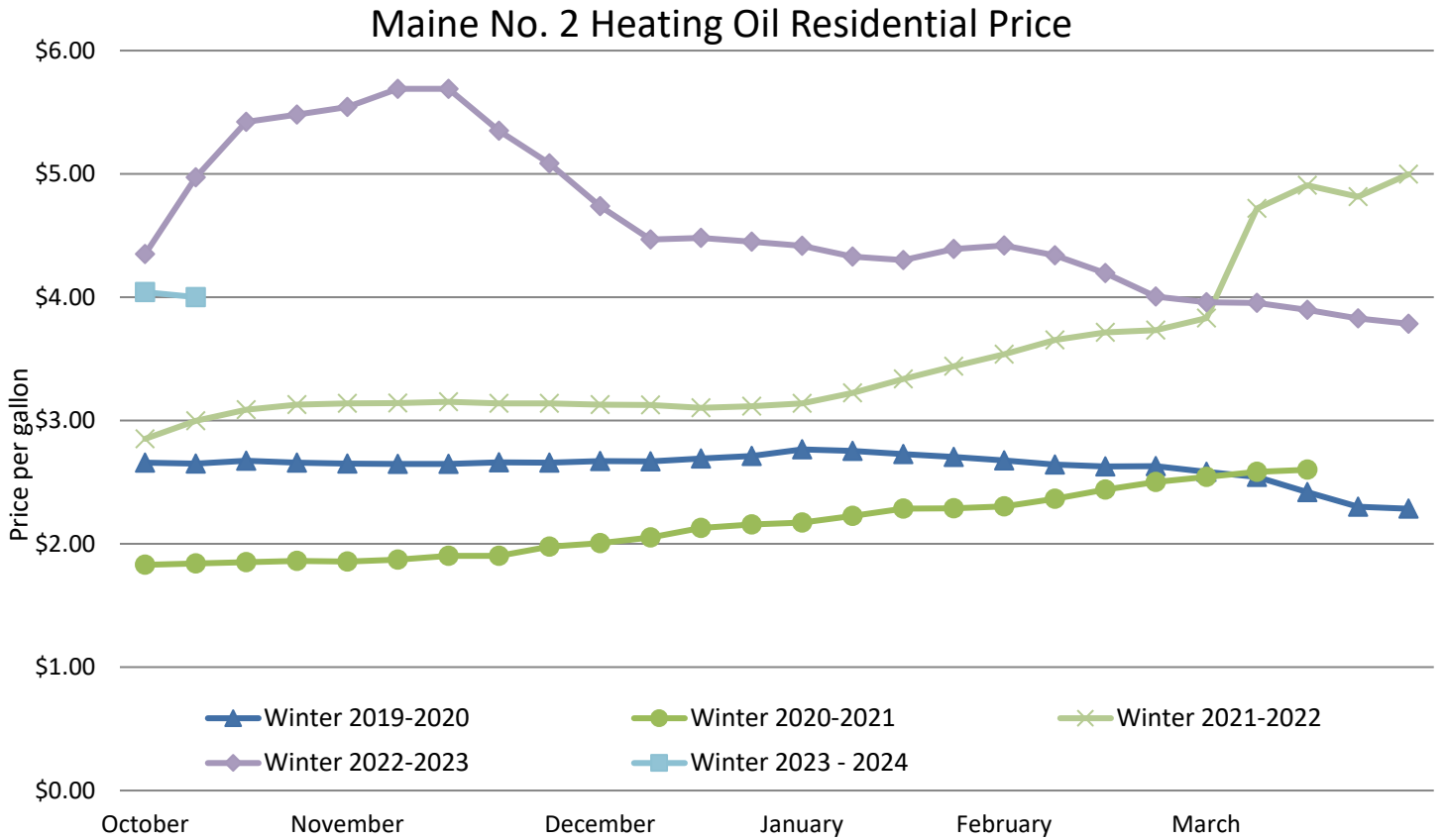
The price of Brent crude oil in the second quarter of 2023 was \$86.51, which was 10% higher than the previous quarter and 14% lower than a year prior.



Sources: S&P, October 2023 release

Heating Oil

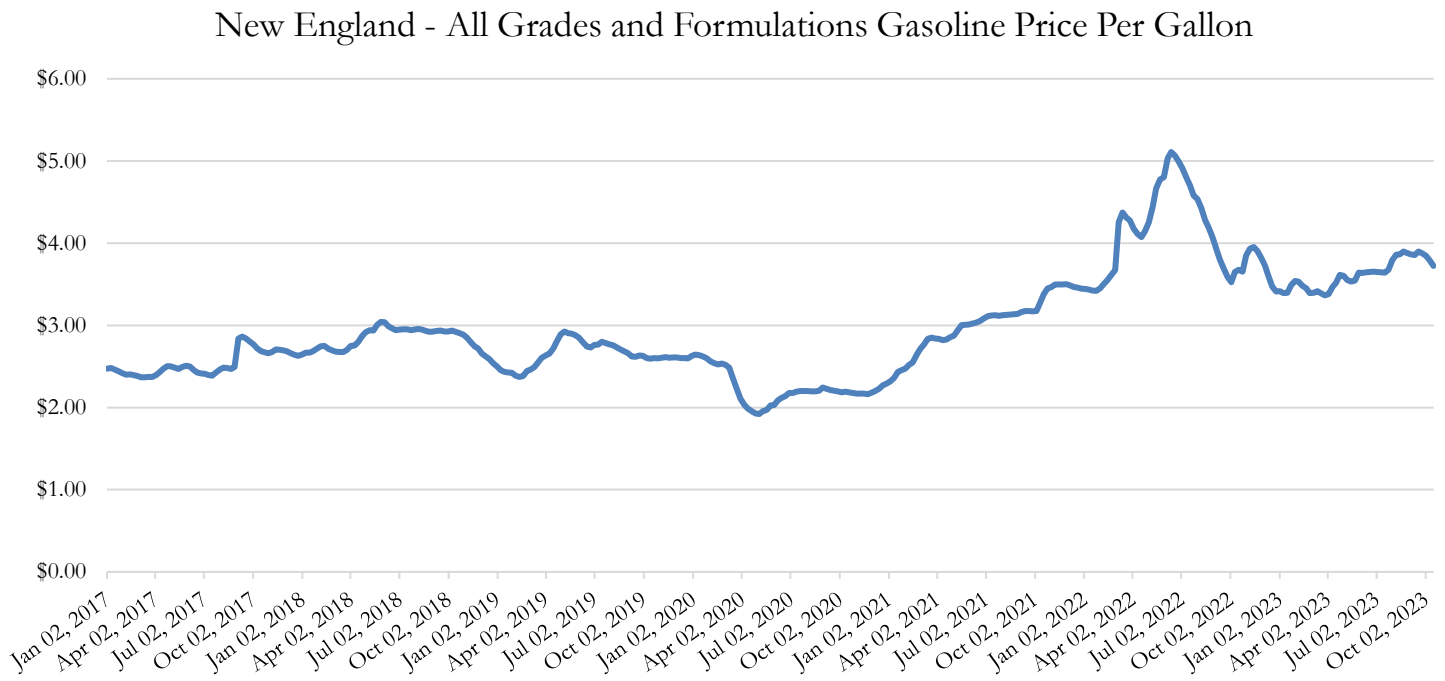
The statewide average cash price of No. 2 heating oil in Maine was \$4.001/gal in the second week (October 9) of the 2023-2024 heating oil season, 19.5% lower than the same week of last year and about 1% lower than the first week of the heating oil season.



Source: U.S. Energy Information Agency, October 12, 2023, release

Gasoline

The price of a gallon of gasoline in New England was an average of \$3.73 during the week of October 9, about \$0.05 less than a year ago.

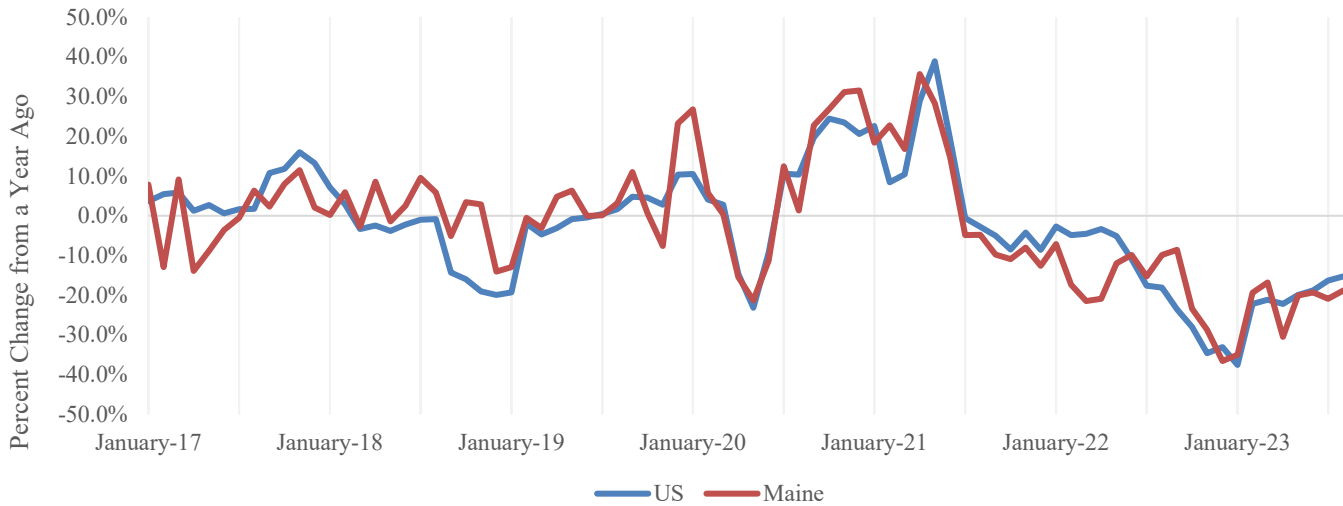


Source: U.S. Energy Information Agency, October 16, 2023, release

5. Housing

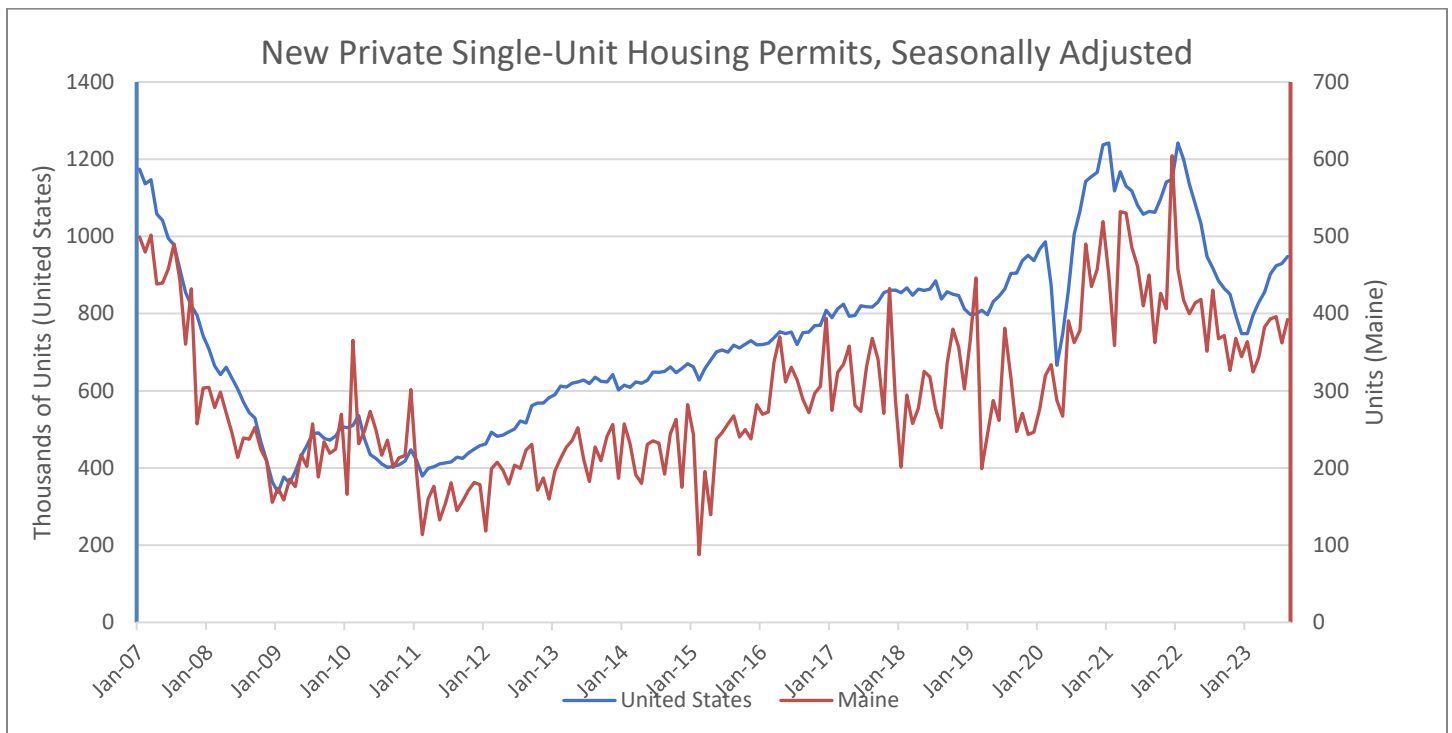
Maine single-family existing-home sales were down 18.8% from 12 months prior in August 2023. The median sales price continued to increase (9.41%) from a year prior (to \$372,000 statewide) in August. Total existing single-family sales nationwide were down 15.3% in August compared to a year prior, with a median price of \$413,500, up 3.7% over last year.

Single-Family Existing-Home Sales



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

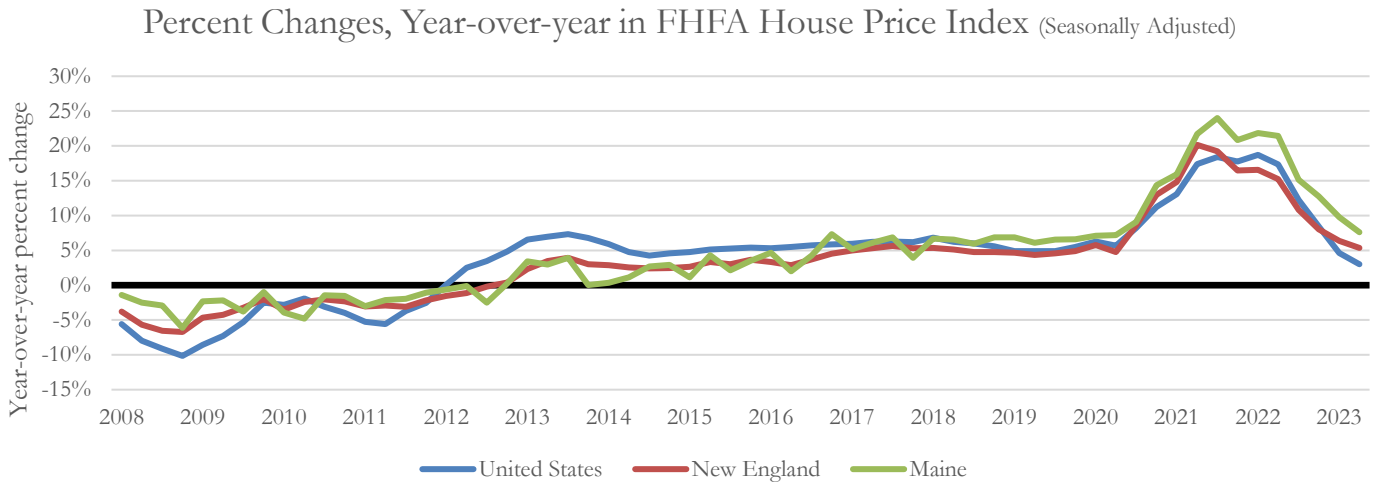
In the U.S., single-unit housing permits were up 7.1% in August 2023 over the previous year and up 1.9% over the previous month. In Maine, permits were up 6.8% year-over-year and 8.4% month-over-month in August.



Source: US Census Bureau, October 17, 2023, release, via FRED

House Price Index

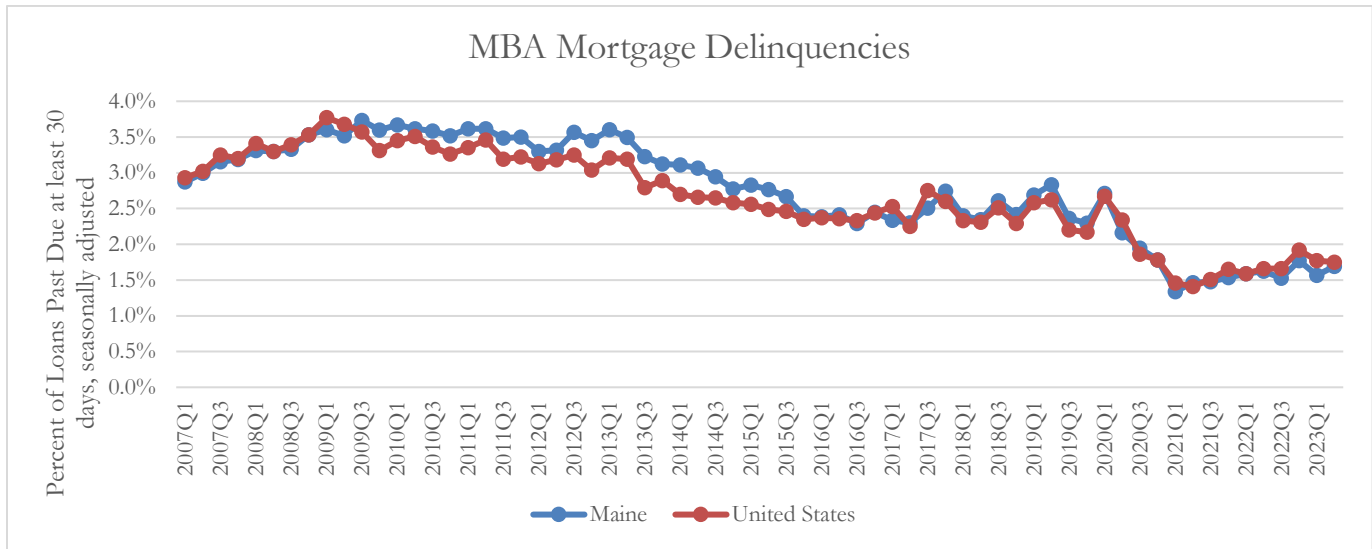
According to the Federal Housing Finance Agency (FHFA), the House Price Index (HPI) “measures average price changes in repeat sales or refinancing on the same properties.” In the second quarter of 2023, Maine’s year-over-year growth in the house price index (HPI) was 7.6% (seasonally adjusted), slower than previous quarters, but more than double the U.S. growth (3.0%) and higher than the rest of New England (5.3%). In fact, Maine’s price growth was the highest in the nation from Q2 2022 to Q2 2023. On a seasonally adjusted quarterly basis, Maine’s house price index increased 3.5% from the first quarter of 2023 compared to 2.2% in New England and 1.7% in the U.S.



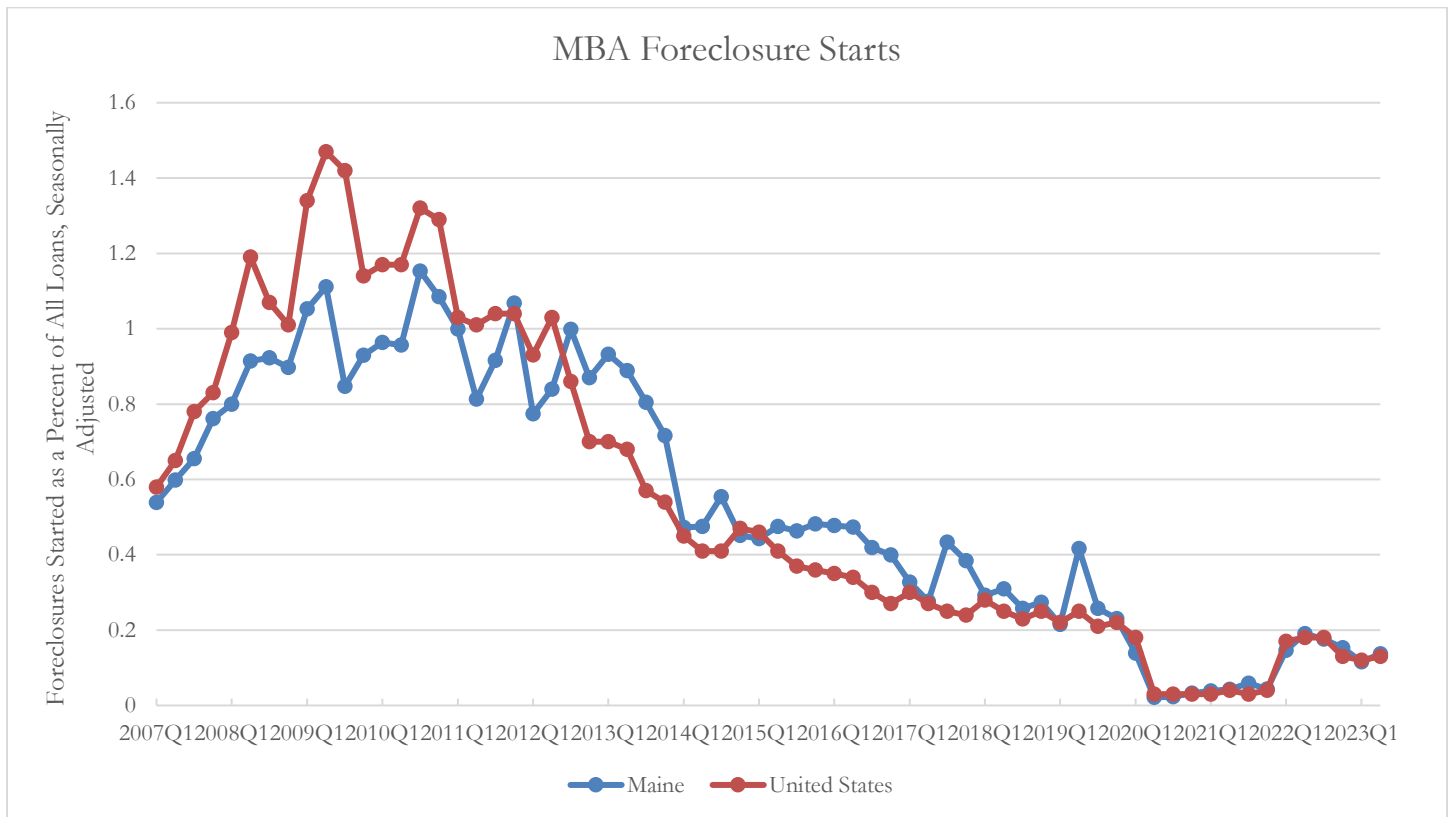
Source: Federal Housing Finance Agency

6. Borrowing

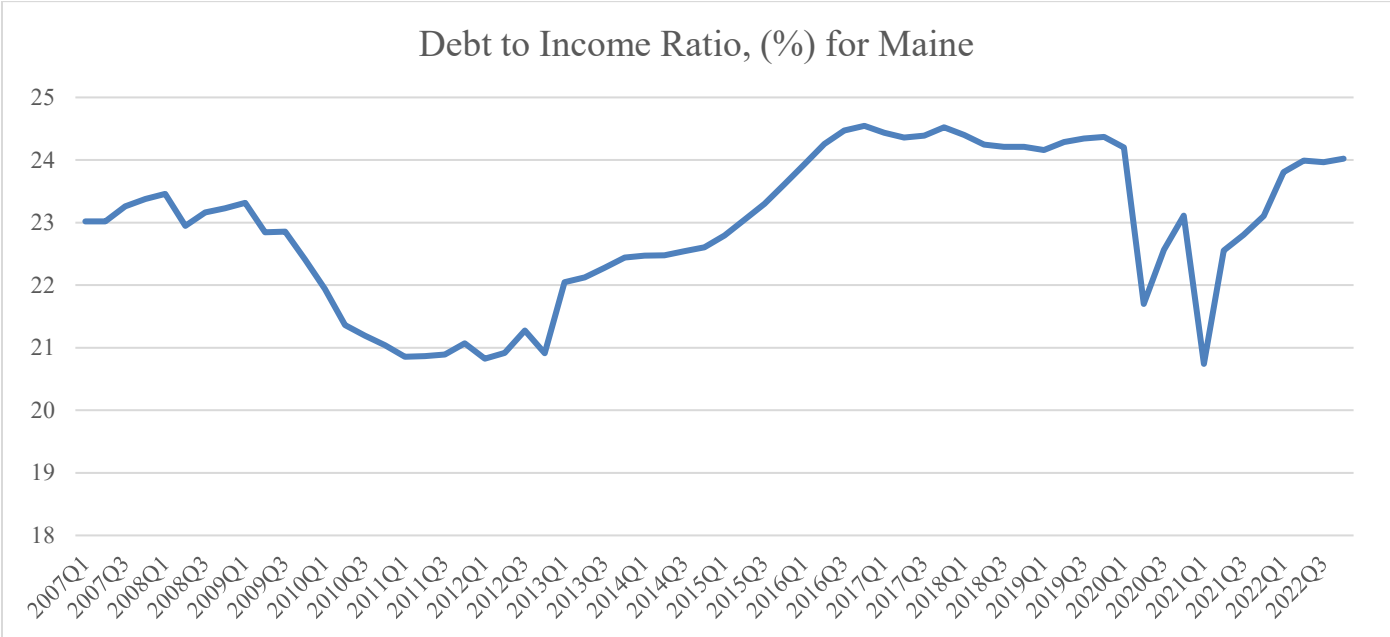
The share of mortgages in Maine that are delinquent 30 days or more was 1.7% in the second quarter of 2023. Maine's foreclosure rate was 0.14%, about the same as the national rate of 0.13%. The average debt-to-income ratio in Maine was 24 in the last quarter of 2022.



Source: Mortgage Bankers Association, via Moody's Analytics October 11, 2023 release



Source: Mortgage Bankers Association, via Moody's Analytics October 11, 2023 release



Source: Federal Reserve Board of Governors; U.S. Bureau of Economic Analysis, via Moody's Analytics October 11, 2023 release