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Consensus Economic Forecasting Commission Background Materials for the October 25, 2024, Forecasting Meeting

Summary

Maine saw continued population growth in 2023, gaining over 6,300 in population. Since 2021, Maine's total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022, and 9th in 2023). Most of this was driven by net domestic migration, in which Maine ranked 8th in the nation in 2023.

Maine's total personal income increased by 4.4% at a seasonally adjusted, annualized rate in the second quarter of 2024, following a 10.1% increase in the first quarter. Wage and salary income, the largest component of personal income, grew 4.7% in the second quarter of 2024 while dividends, interest and rent increased 1.8% (SAAR) in the second quarter and transfer receipts increased by 6.4%. Maine's growth in transfer receipts was higher than in New England (2.9%) and in the U.S. (6.1%). Meanwhile, real GDP for Maine grew to just over \$77 billion in the second quarter of 2024.

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 2.4% in September before seasonal adjustment. On September 18, the Federal Reserve Federal Open Market Committee cut its target interest rate by 0.5%. This was their first rate cut since 2020.

The University of Michigan Consumer Sentiment Index was up 3.2% in September. There were improvements in all five components of the index and improvements were seen across all education groups and political affiliations. Sentiment remains below the historical average in part due to high prices, but perceptions of future inflation are becoming more optimistic. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses, was down 2.7% in August, and little changed (-0.1%) from a year ago. Small business owners reported higher levels of uncertainty, while sales expectations and profit trends fell during the month. Inflation remains the top concern for business owners.

The price of a gallon of gasoline in New England was an average of \$3.18 during the week of October 14, about \$0.54 less than a year ago. The statewide average cash price of No. 2 heating oil in Maine was \$3.256/gal in the second week (October 14) of the 2024-2025 heating oil season, 18.5% lower than the same week of last year.

Single-family existing-home sales were up 1.7% year-over-year in August and prices continued to increase (7.5%). In the second quarter of 2024, Maine's year-over-year growth in the house price index (HPI) was 6.3% (seasonally adjusted), 23rd in the nation for year-over-year growth and last in New England.

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

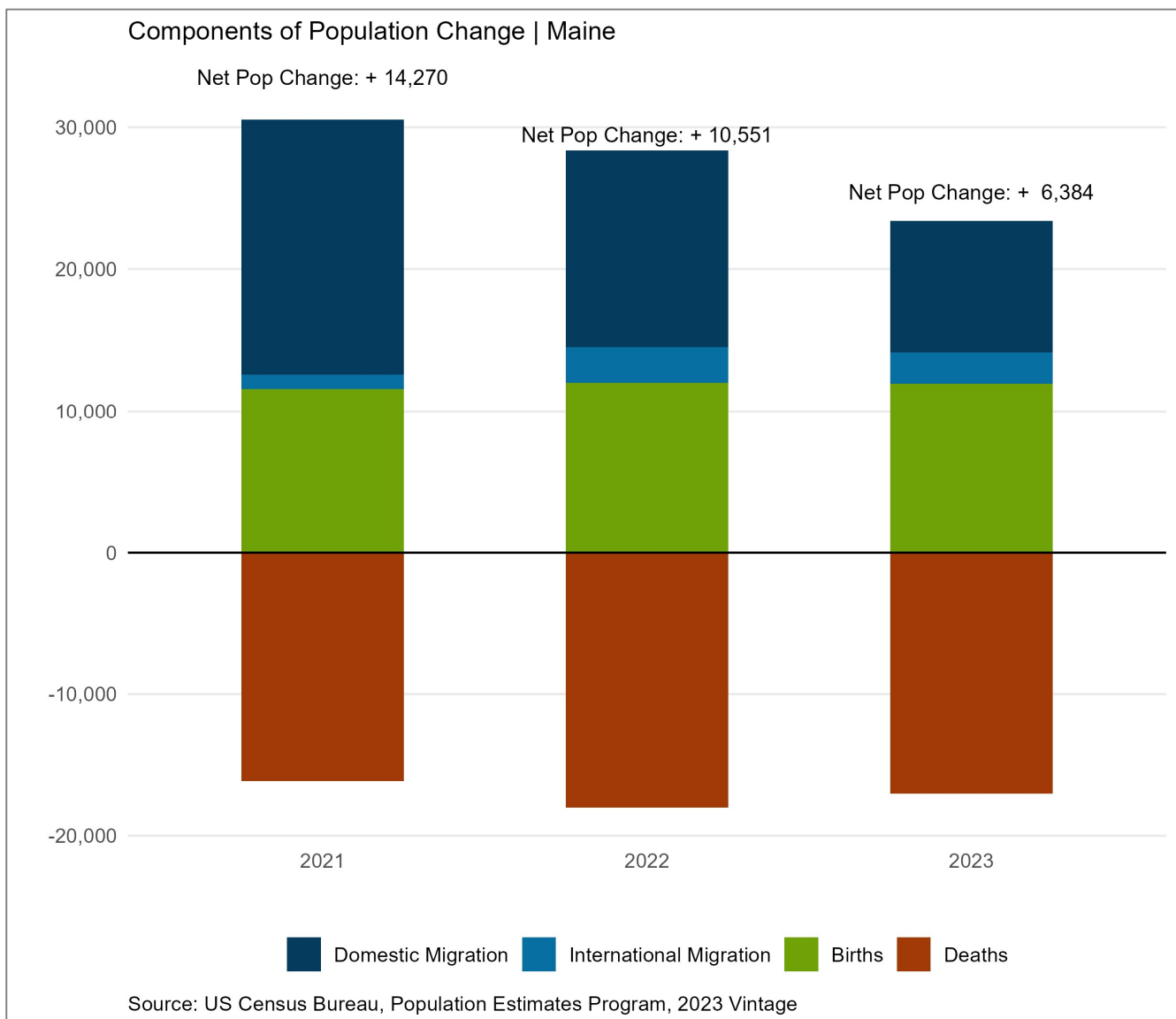
1. Demographic Trends

2023 Population Estimates

Maine's population grew 0.5% from 2022 to 2023, bringing the population total to a new record high of 1,395,722. This ranks Maine 21st for percent growth in 2023 and 42nd for total population nationally, including D.C. Since April 2020, Maine's population has increased 2.4%, which is 14th fastest in the nation.

Nationally, the population grew by 0.5% with more states experiencing population growth in 2023 than in any year since the start of the pandemic. While this is still a historically low growth rate, an increase in net international migration and fewer deaths led to the nation experiencing its largest population gain since 2018.

Since 2021, Maine's total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022 and 9th in 2023). Most of this was driven by net domestic migration, in which Maine's rate of 6.6 per thousand ranked 8th in the nation in 2023. Maine's total population gain was 6,384, reflecting a natural decline of -5,053 (more deaths than births), a gain of +2,209 from international migration and a gain of +9,216 from domestic migration.

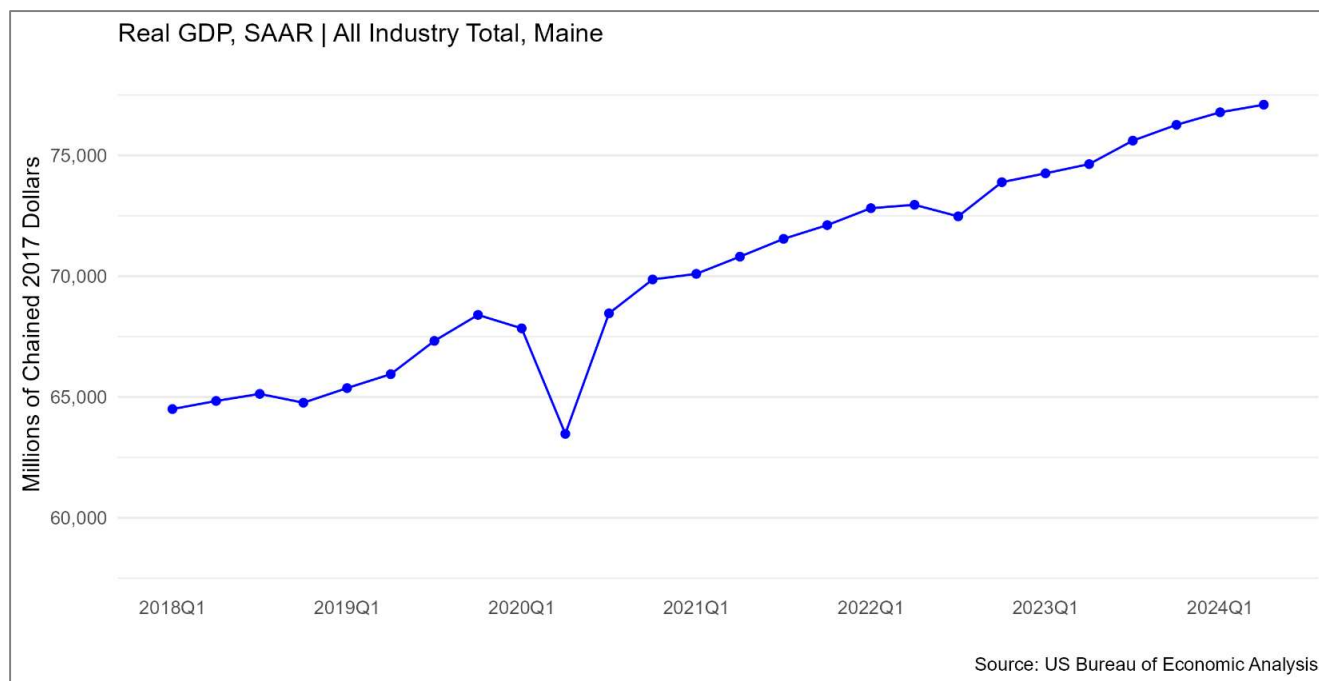


2. State Economy

Gross Domestic Product (GDP)

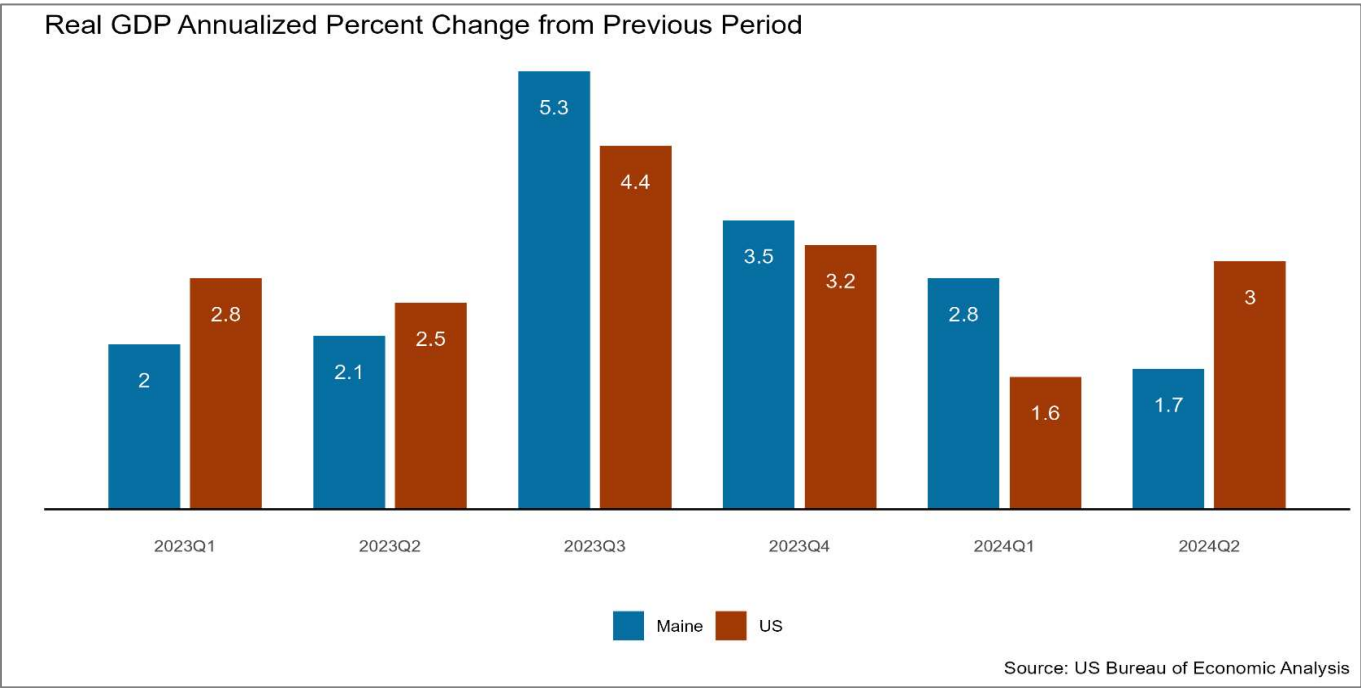
On September 27th the U.S. BEA released preliminary estimates of state GDP for the second quarter of 2024, as well as revised data for prior periods. Revised GDP data shows that Maine's real GDP increased by 7.8% in 2023, higher than the initial estimate of 6.2%.

Real GDP (millions of chained 2017 dollars) for Maine increased to just over \$77 billion in the second quarter of 2024.



Maine's annualized GDP growth rate lagged the nation in the first two quarters of 2023, but by the third quarter Maine's growth rate (5.3%) was above that of the U.S (4.4%). Maine's growth rate continued to be above the U.S. for the latter half of 2023 and the first quarter of 2024.

In the second quarter of 2024, Maine's growth rate (1.7%) ranked 44th in the U.S. (growth of 3.0%) and last in New England (growth of 2.2%). The industry sectors that contributed the most to Maine's second quarter growth were health care and social assistance (+0.47 percentage points), real estate and rental and leasing (+0.45 percentage points), and finance and insurance (+0.39 percentage points). These gains were partially offset by declines in other industries, including accommodation and food services (-0.32 percentage points), state and local government (-0.16 percentage points), and management of companies and enterprises (-0.10 percentage points).



Personal Income

On September 27th the U.S. BEA released preliminary estimates of personal income for the second quarter of 2024, as well as revised data for prior periods. Maine’s annual total personal income was revised up for each year from 2019 through 2023, with relatively small revisions in 2019-2021 and larger revisions in 2022-2023 (up 2.1% and 3.1%, respectively). Growth in 2023 was revised from 4.9% to 6.0%. This growth rate was above growth in New England (+5.6%) and the U.S. (+5.9%). The revised figures place Maine second in New England for total personal income growth in 2023, after Connecticut.

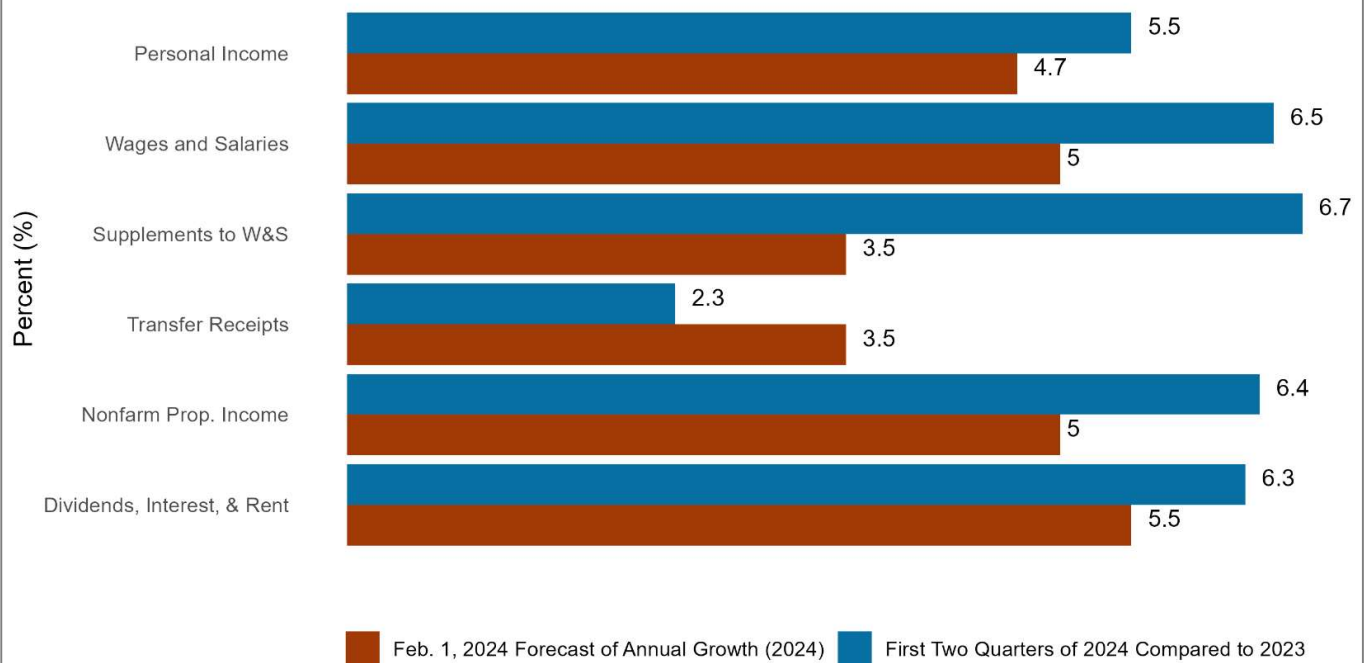
Maine’s total personal income increased by 4.4% at a seasonally adjusted, annualized rate in the second quarter of 2024, following a 10.1% increase in the first quarter. Wage and salary income, the largest component of personal income, grew 4.7% in the second quarter of 2024.

Dividends, interest and rent increased 1.8% (SAAR) in the second quarter and transfer receipts increased by 6.4%. Maine’s growth in transfer receipts was higher than in New England (2.9%) and in the U.S. (6.1%).

Compared to the first two quarters of 2023, with the exception of transfer receipts, growth in all components of personal income is outpacing the CEFC forecasts. This is seen most clearly in supplements to wages and salaries (where we’ve seen growth of 6.7%), wages and salaries (where we’ve seen growth of 6.5%), and nonfarm proprietors’ income (where we’ve seen growth of 6.4%).

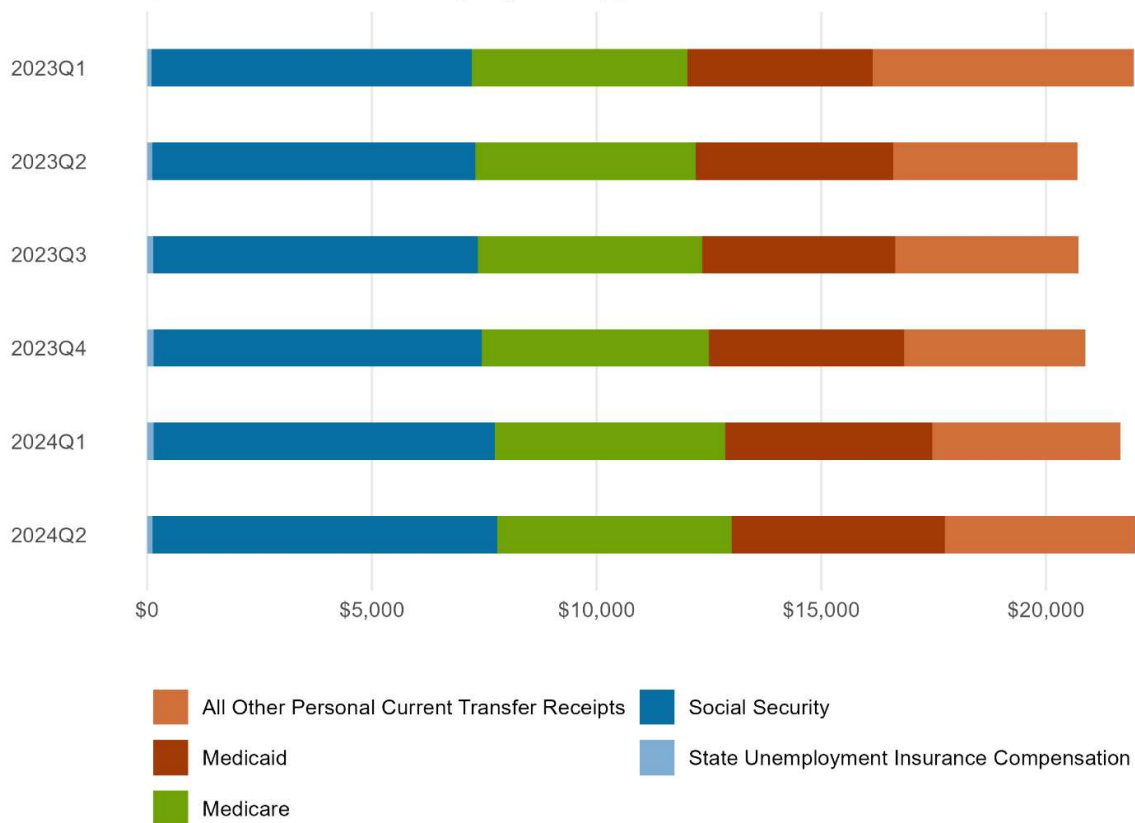
Personal Income | Maine

First Half of 2024 Compared to CEFC Forecasted Growth Rates



Sources: US Bureau of Economic Analysis and Feb. 1 2024 CEFC Forecast

Components of Transfer Receipts (Millions) | Maine

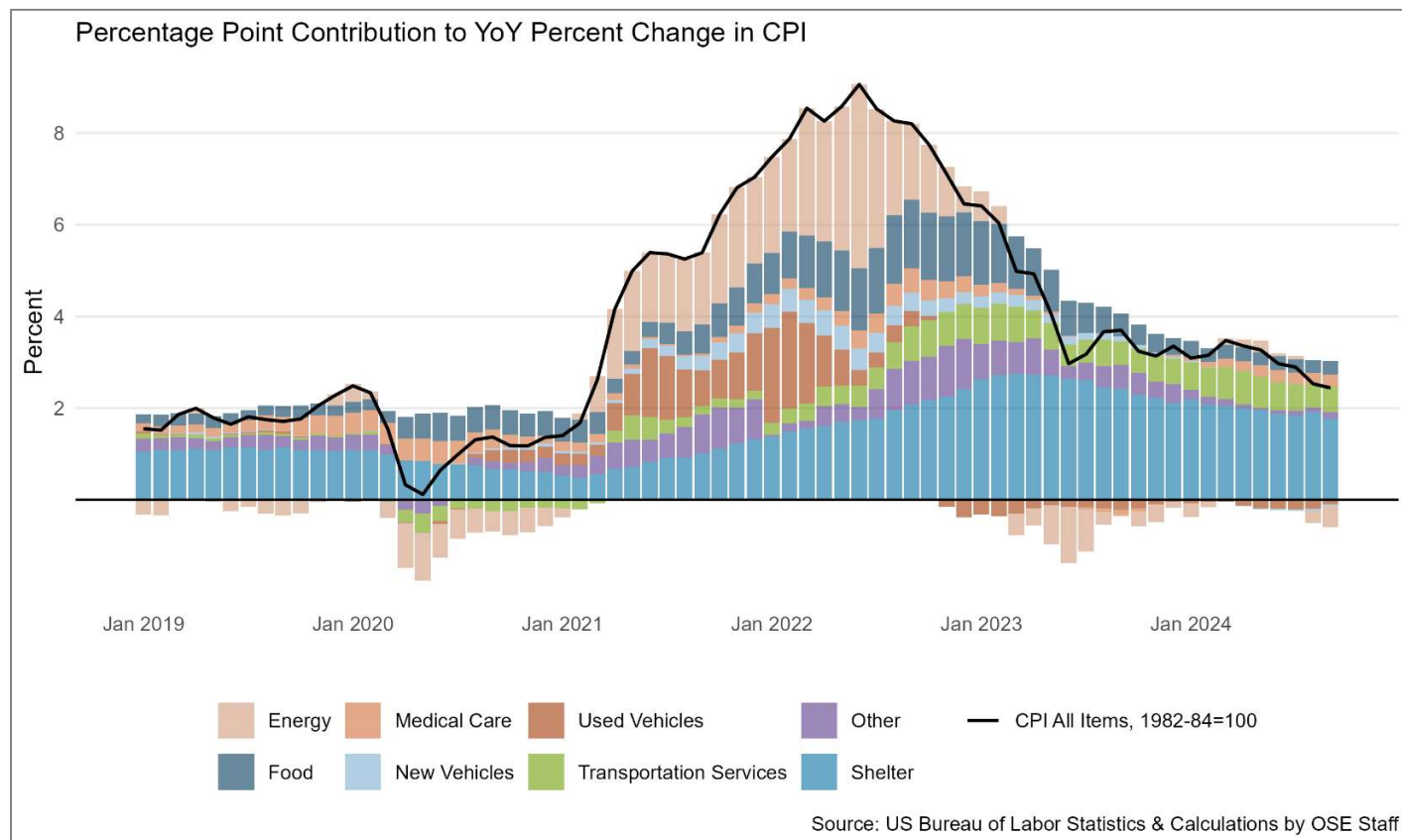
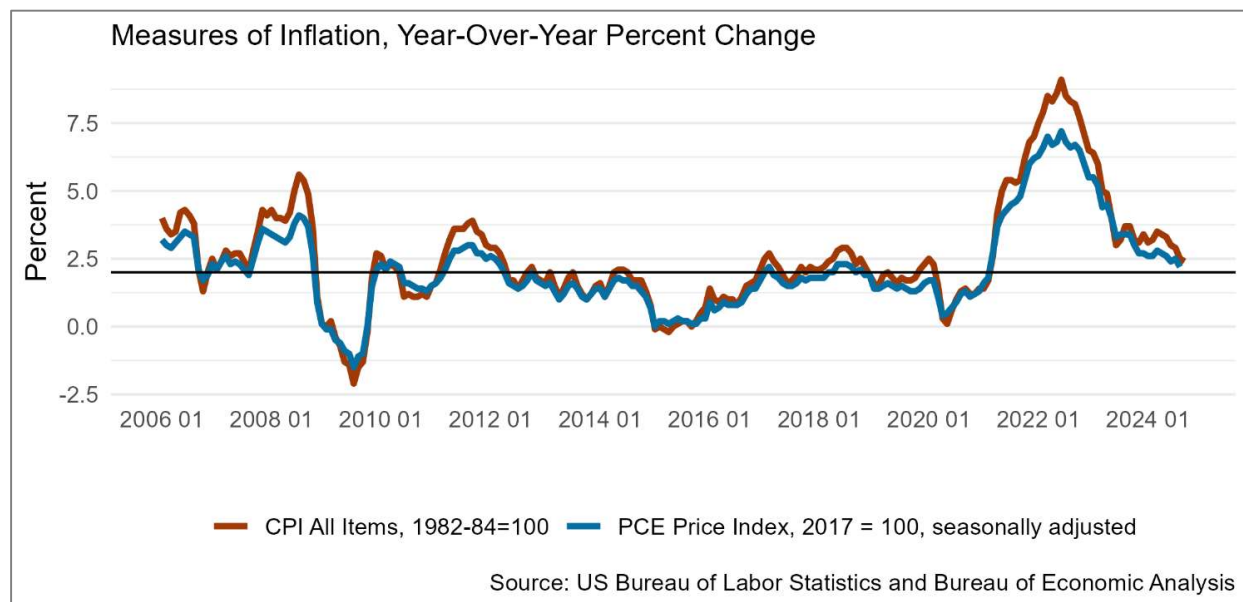


Source: US Bureau of Economic Analysis

3. Consumption and Expenditures

Inflation measures

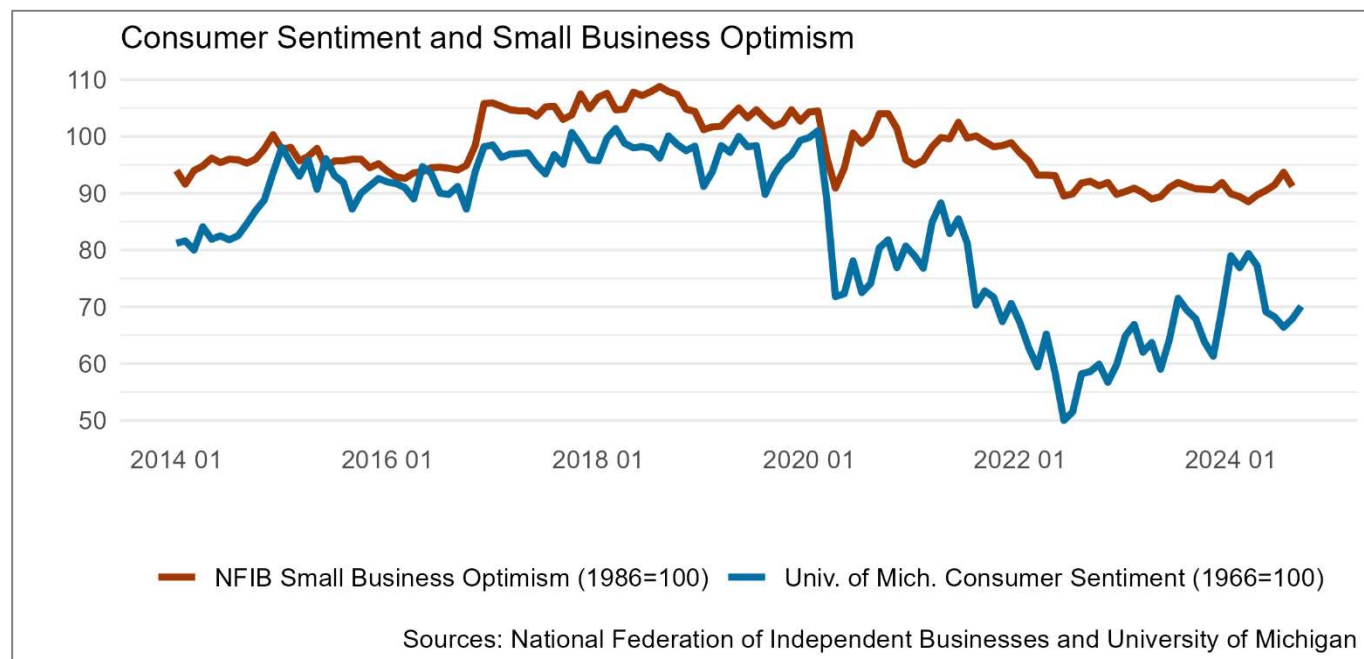
In August the PCE price index grew by 2.2% year-over-year (down from a 2.5% year-over-year change in July). On a monthly basis, it grew 0.1%. The CPI all-items index grew by 2.4% in September before seasonal adjustment. Growth in both indexes has decelerated since June 2022 and are approaching the 2% Federal Reserve target. On September 18, the Federal Reserve Federal Open Market Committee cut its target interest rate by 0.5%. This was their first rate cut since 2020.



Consumer Sentiment and Small Business Optimism

The **Index of Consumer Sentiment** from the University of Michigan was up 3.2% in September. There were improvements in all five components of the index and improvements were seen across all education groups and political affiliations. Sentiment remains below the historical average in part due to high prices, but perceptions of future inflation are becoming more optimistic.

The **Small Business Optimism Index**, as measured by the National Federation of Independent Businesses, was down 2.7% in August, and little changed (-0.1%) from a year ago. Small business owners reported higher levels of uncertainty, while sales expectations and profit trends fell during the month. Inflation remains the top concern for business owners.

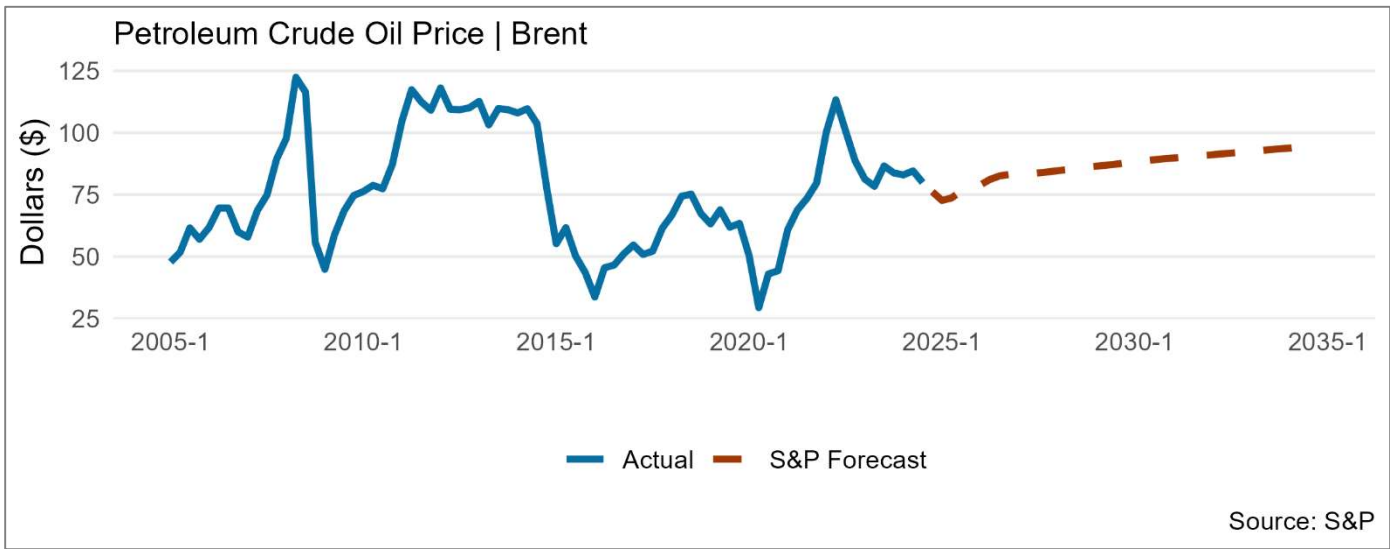


4. Energy Sector

In its October 2024 Short-term Energy Outlook, the Energy Information Administration (EIA) forecasts that Brent crude oil prices will average \$81 per barrel in 2024, about the same as in 2023, before falling to an average of \$78 per barrel in 2025 when they expect oil demand growth will be lower. Recent developments in the Middle East increase the risk for supply disruptions, which could result in higher and more volatile prices than are currently forecast.

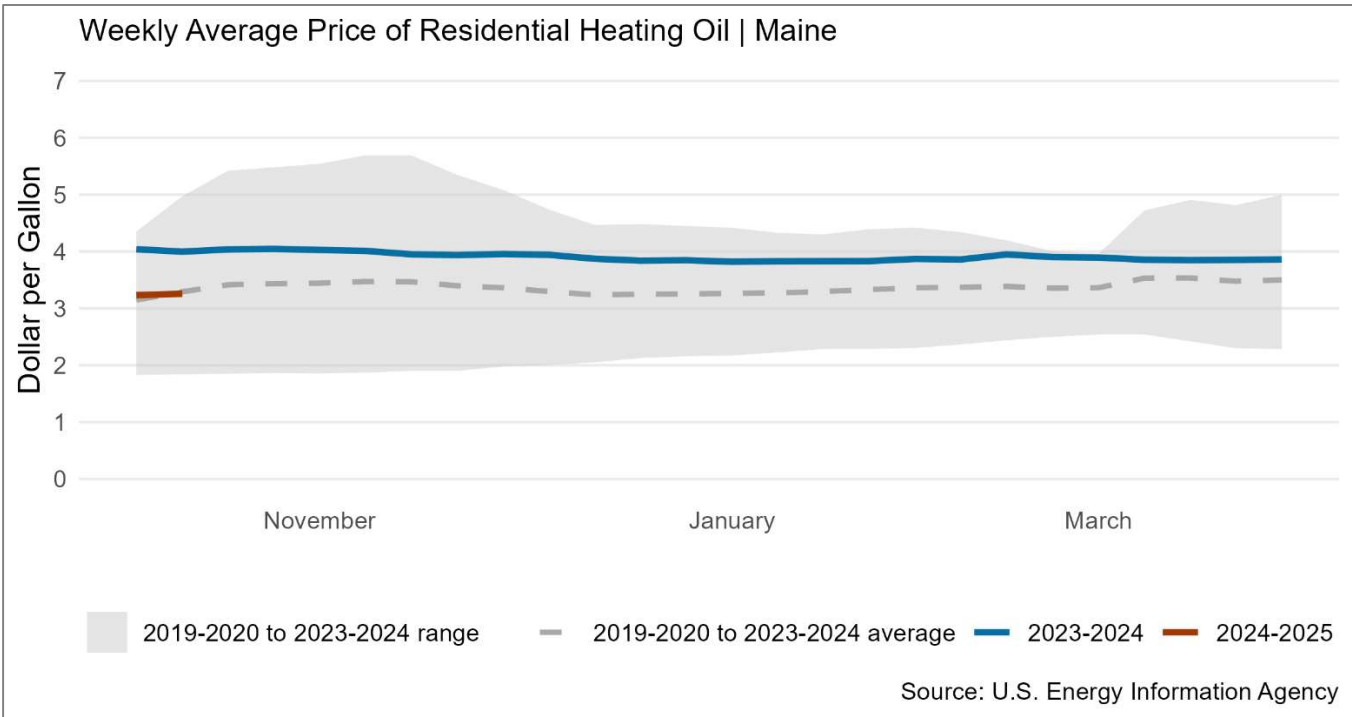
Crude Oil

The price of Brent crude oil in the third quarter of 2024 was \$80.03, which was 5.5% lower than the previous quarter and 7.6% lower than a year prior.



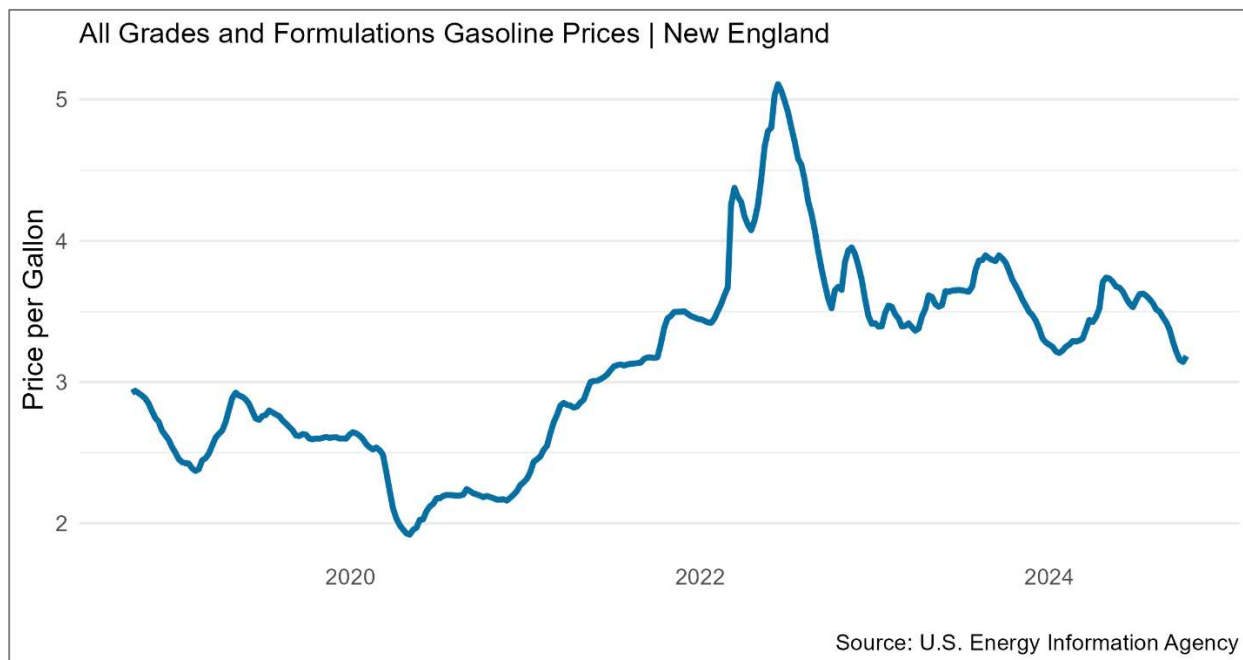
Heating Oil

The statewide average cash price of No. 2 heating oil in Maine was \$3.256/gal in the second week (October 14) of the 2024-2025 heating oil season, 18.5% lower than the same week of last year.



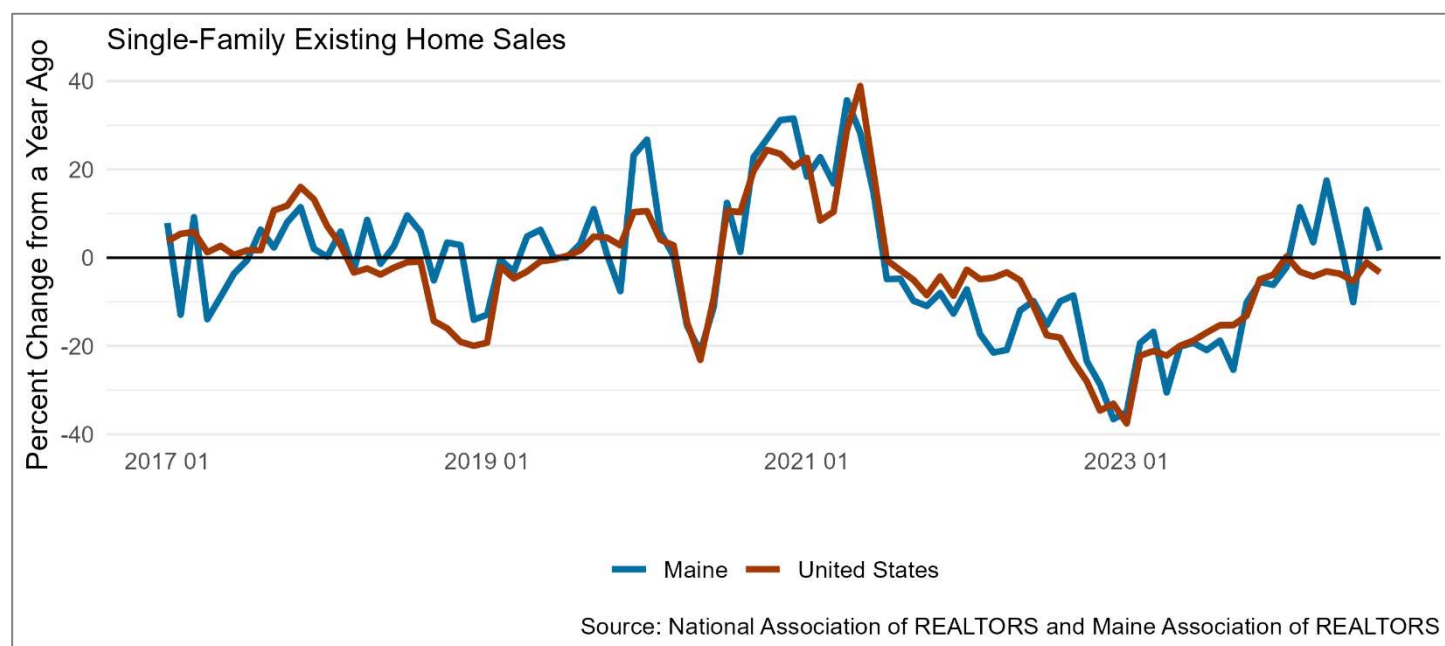
Gasoline

The price of a gallon of gasoline in New England was an average of \$3.184 during the week of October 14, about \$0.54 less than a year ago.

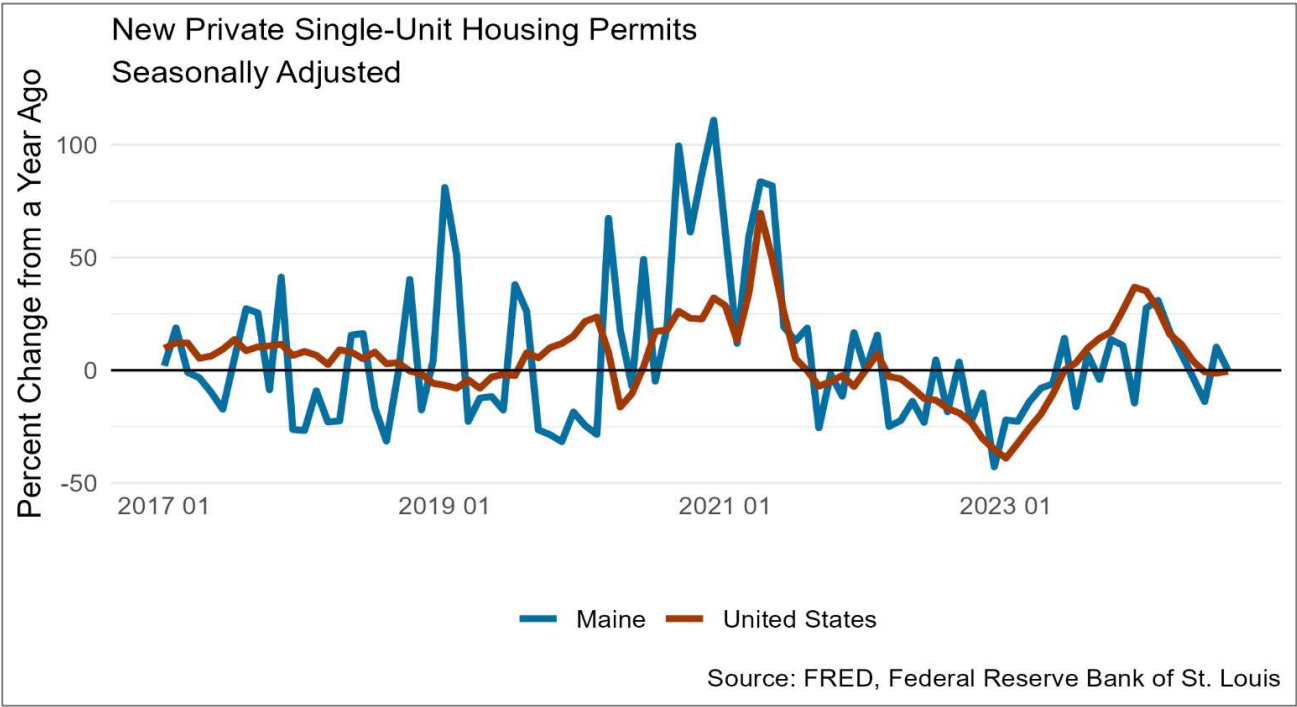


5. Housing

Maine single-family existing-home sales were up 1.7% from 12 months prior in August of 2024. The median sales price in Maine was \$400,000, an increase of 7.5% year-over-year. Total existing single-family sales nationwide were down 2.5% in August compared to a year prior, with a median price of \$422,100, up 2.9% over last year.

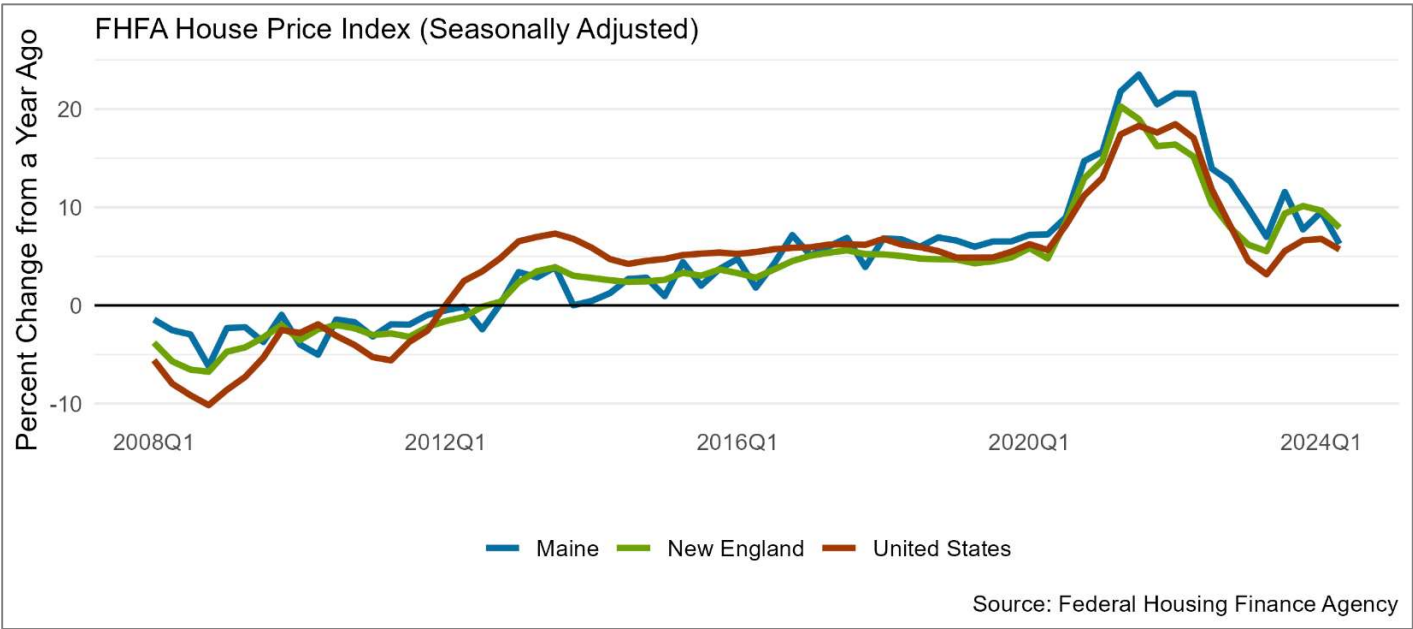


In the U.S., single-unit housing permits were down 0.51% in August 2024 over the previous year. In Maine, permits were down 0.18% year-over-year in August.



House Price Index

In the second quarter of 2024, Maine’s year-over-year growth in the house price index (HPI)¹ was 6.3% (seasonally adjusted), 23rd in the nation for year-over-year growth and last in New England. (Vermont, Rhode Island, and Connecticut were all in the top 10). Maine and New England have both had faster year-over-year growth than the U.S. for more than a year. On a seasonally adjusted quarterly basis, Maine’s HPI increase 0.5% from the first quarter of 2024 compared to growth of 1.2% in New England and 0.9% in the U.S.



¹ According to the Federal Housing Finance Agency (FHFA), the HPI “measures average price changes in repeat sales or refinancing on the same properties.”

6. Borrowing

The share of mortgages in Maine that are delinquent 30 days or more was 2.2% in the second quarter of 2024. Maine's foreclosure rate was 0.11%, similar to the national rate of 0.12%. The average debt-to-income ratio in Maine was 24 in the last quarter of 2023.

