Economic Update
Office of the State Economist

Consensus Economic Forecasting Commission
Revenue Forecasting Committee
Joint meeting

September 24, 2020
### Components of Personal Income, 2020:Q2

<table>
<thead>
<tr>
<th>Component</th>
<th>Maine</th>
<th>US</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal income</td>
<td>41.0</td>
<td>34.2</td>
</tr>
<tr>
<td>Wages and salaries</td>
<td>-28.8</td>
<td>-25.8</td>
</tr>
<tr>
<td>Supplements to wages and salaries</td>
<td>-21.7</td>
<td>-19.2</td>
</tr>
<tr>
<td>Dividends, Interest, and Rent</td>
<td>-7.5</td>
<td>-8.6</td>
</tr>
<tr>
<td>Personal Current Transfer Receipts</td>
<td>615.3</td>
<td>853.9</td>
</tr>
<tr>
<td>Proprietor’s Income</td>
<td>-37.3</td>
<td>-38.5</td>
</tr>
</tbody>
</table>

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

- FHFA House Price Index for Maine rose 6.5% year-over-year in the second quarter of 2020, higher than New England (4.6%) and the United States (5.4%)
- Preliminary data to date gives evidence of upward price pressure in the housing market as the pandemic continues
- Maine REALTORS noted in their September press release a nearly 47% increase in sales of single family homes to out-of-state buyers for August 2020 compared to August 2019 (707 vs 482)

Sources: National Association of REALTORS and Maine Association of REALTORS monthly releases, U.S. Census Bureau, FHFA House Price Index
The Census Bureau is continuing weekly pulse surveys of households and small businesses

Nationwide, 51% of households with children under age 18 present reported a loss of employment income compared to 42% of households without children

14.4% of renters report that they are behind on rent payments, while 6.3% of homeowners report being late on mortgage payments

Source: U.S. Census Bureau Household Pulse Survey, week 13
Total Consumer Spending dips, now 4.1% below January 2020 average

- Spending by Mainers is slightly below January averages after nearly recovering somewhat in late June
- Low, middle, and high income spending have converged for the first time since the crisis began
- Grocery and Apparel & General Merchandise remain the closest to a full “recovery”

Source: Affinity Solutions, Opportunity Insights Economic Tracker
Inflation measurements are complex, don’t tell the whole story

August 2020:
- All items: 1.3%
- Energy: -9.1%
- Food at home: 4.6%

Source: U.S. Bureau of Labor Statistics via Federal Reserve Bank of St. Louis
Mobility in Maine is nearly back to January levels, varies by type of travel

Source: Opportunity Insights Economic Tracker; Google Mobility Statistics
Not included: time spent at parks, +333% on September 11
Vehicle Miles Traveled, weekly year-over-year change

- Statewide VMT has plateaued at about 10% as of the third week of August
- VMT reached a trough of -42.2% during the first week of the Stay Healthy at Home order
- The largest gap remains in interstate travel, currently about 18% under last year (trough of about -55%)

Source: Maine Department of Transportation
State Revenue Forecast Revisions: June vs. September

Revised State Fiscal Year 2021 RevenueDeclines

Percentage Decline
- < 5%
- 6-10%
- 11-15%
- 16-20%
- > 20%

6/23/20 update

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9/10/20 update

Source: National Conference of State Legislators
In U.S., “accelerator effects” pushed durable goods consumption above pre-pandemic level, but overshoot predicted to unwind in 2020Q3

Recovery stabilizes with the availability of a vaccine, predicted by mid-2021

Full U.S. employment forecast to be regained in mid-2023

Q3 GDP tracker: 29.6% (around -4% for 2020 annual)
New England has seen slow but steady recovery, being the closest to recovery of all regions. The South and Midwest regions started to see good performance in early summer, which has stalled and reversed with recent infection pickup.

Back-to-normal index shows a plateau in the economic recovery, with the national economy still operating 20% below mid-March levels.

U.S. employment will remain 10 million jobs under pre-pandemic peak at the end of the year, unemployment near 9%.

Q3 GDP tracker: around 30% (around -5.6% annual 2020)
The Back-to-Normal Index

The pandemic economy is far from normal. So Moody’s Analytics and CNN Business have partnered to create a proprietary Back-to-Normal Index, comprised of 37 national and seven state-level indicators. The index ranges from zero, representing no economic activity, to 100%, representing the economy returning to its pre-pandemic level in March.

Maine

91%

The economy in Maine is operating at 91% of where it was in early March.

New coronavirus cases in the last 7 days
228

Back-to-Normal state rank
1 (1 = Best, 50 = Worst)

Learn how we created the Back-to-Normal Index
Source: Moody’s Analytics, JHU CSSE COVID-19 Data
Future federal action?

Discussions continue regarding further federal action - four questions: if, what, when, and how much

Governors have been unanimous in expressing need for additional federal assistance during NGA calls/calls with White House

Political will has fallen as time has gone on; lack of state and local aid likely to lead to payroll reductions nationwide

General disagreement over the total $ of the package and whether it includes aid for state and local governments
Federal aid assumption comparison

Moody’s Analytics:
With no additional federal support, macro model would show a significant backslide in coming months, particularly among state and local governments
Baseline forecast assumes $1.5 trillion deal, details not specified

IHS Markit
Assumes $300 checks extend through December and second round of stimulus is disbursed in December