

Economic Update

Office of the State Economist

Consensus Economic Forecasting Commission

Revenue Forecasting Committee

Joint meeting

September 24, 2020

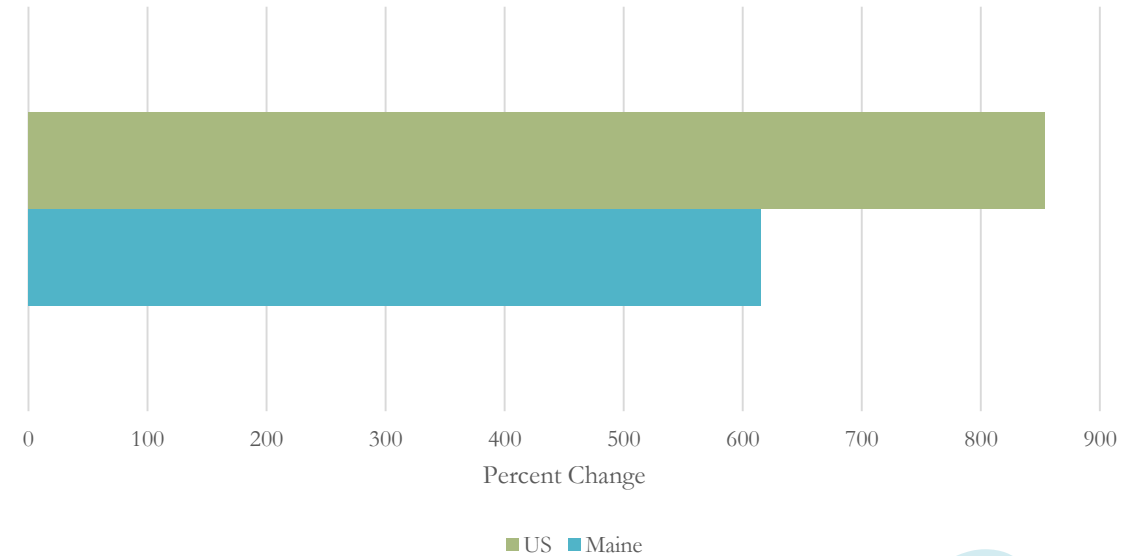
Components of Personal Income, 2020:Q2

Percent Change From Preceding Period	Maine	US
Personal income	41.0	34.2
Wages and salaries	-28.8	-25.8
Supplements to wages and salaries	-21.7	-19.2
Dividends, Interest, and Rent	-7.5	-8.6
Personal Current Transfer Receipts	615.3	853.9
Proprietor's Income	-37.3	-38.5

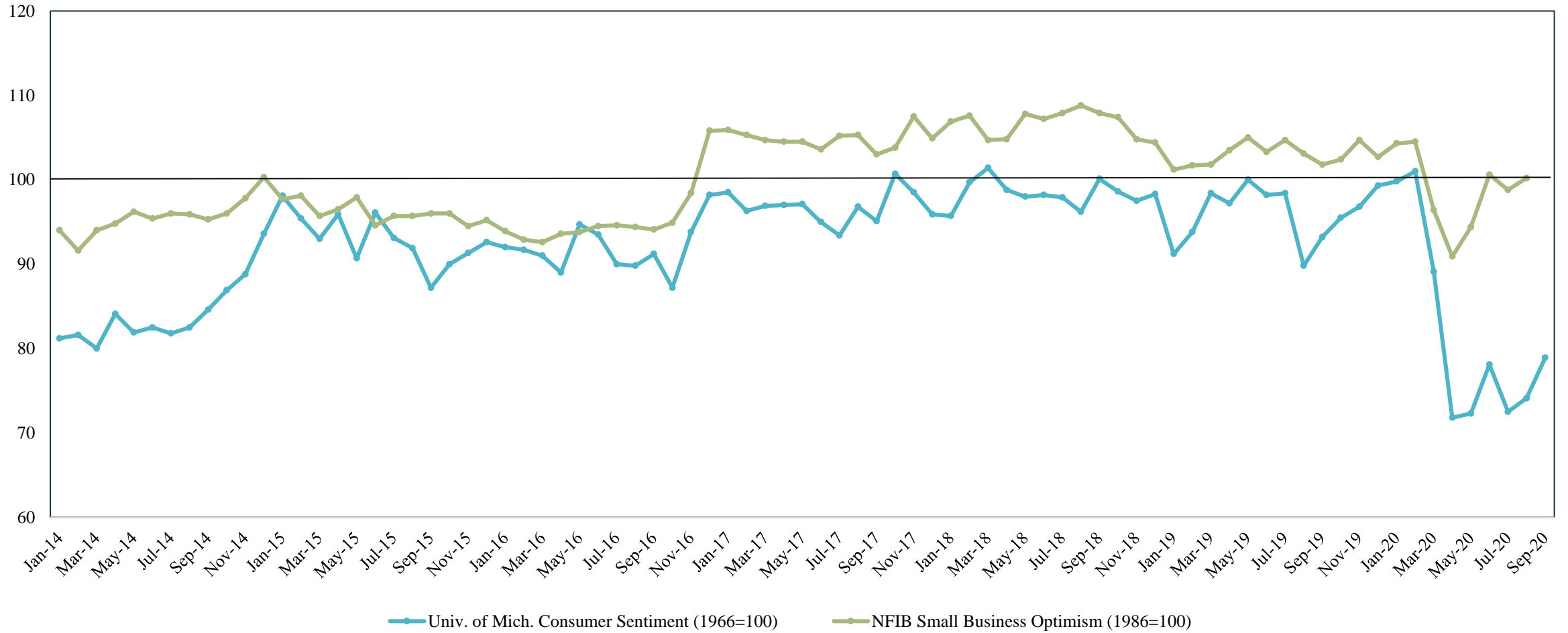
Components of Personal Income, Annualized Percent Change, 2020:Q1-2020:Q2



Personal Current Transfer Receipts, Annualized Percent Change, 2020:Q1-2020:Q2



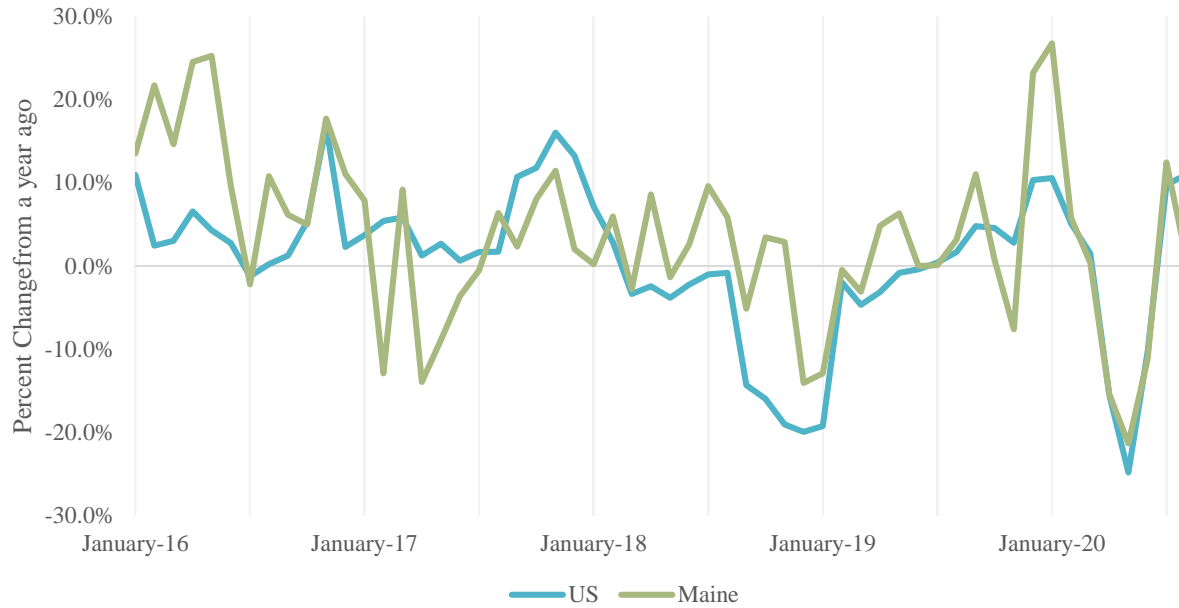
Consumer Sentiment and Small Business Optimism Indexes



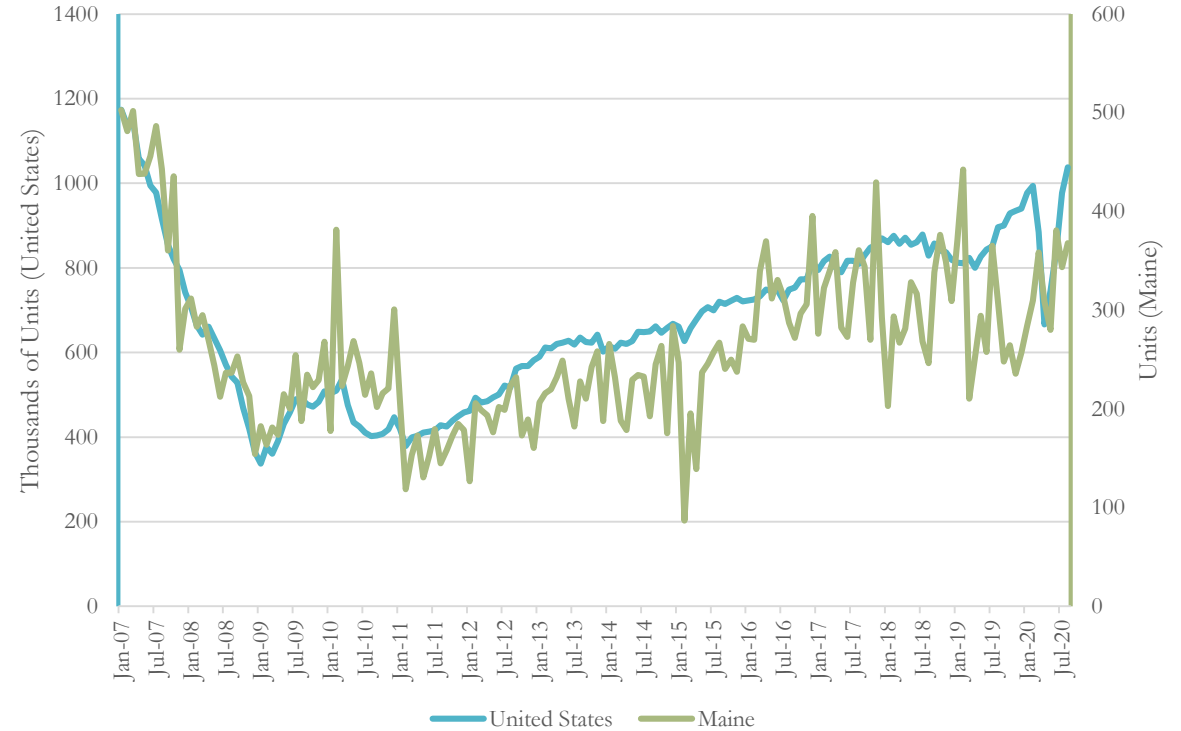
Source: University of Michigan, September 2020 release; National Federation of Independent Business, September 2020 release

Housing Market

Single Family Existing-Home Sales



New Private Single-Unit Housing Permits, seasonally Adjusted



- 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)

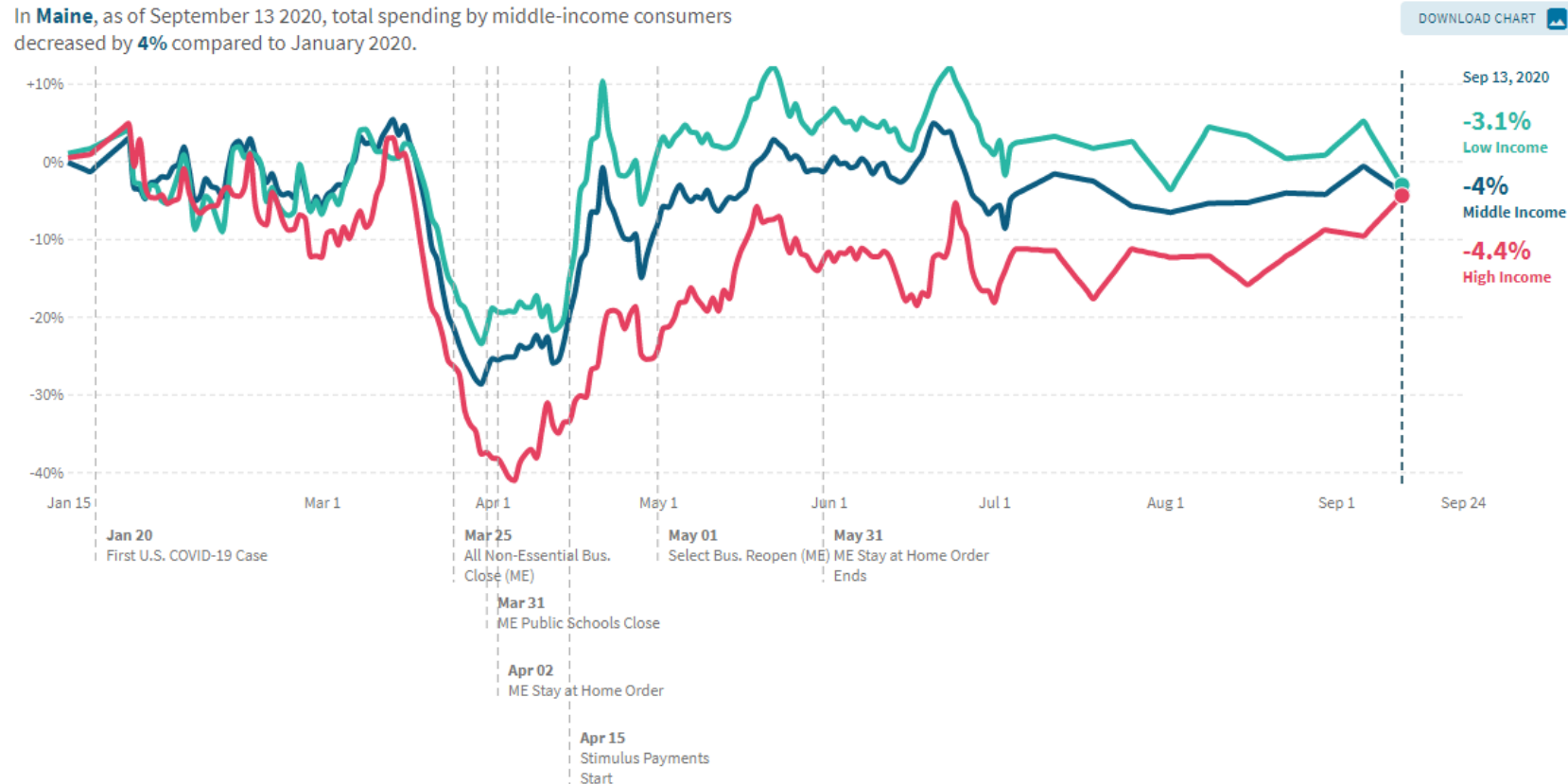
The Census Bureau is continuing weekly pulse surveys of households and small businesses

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

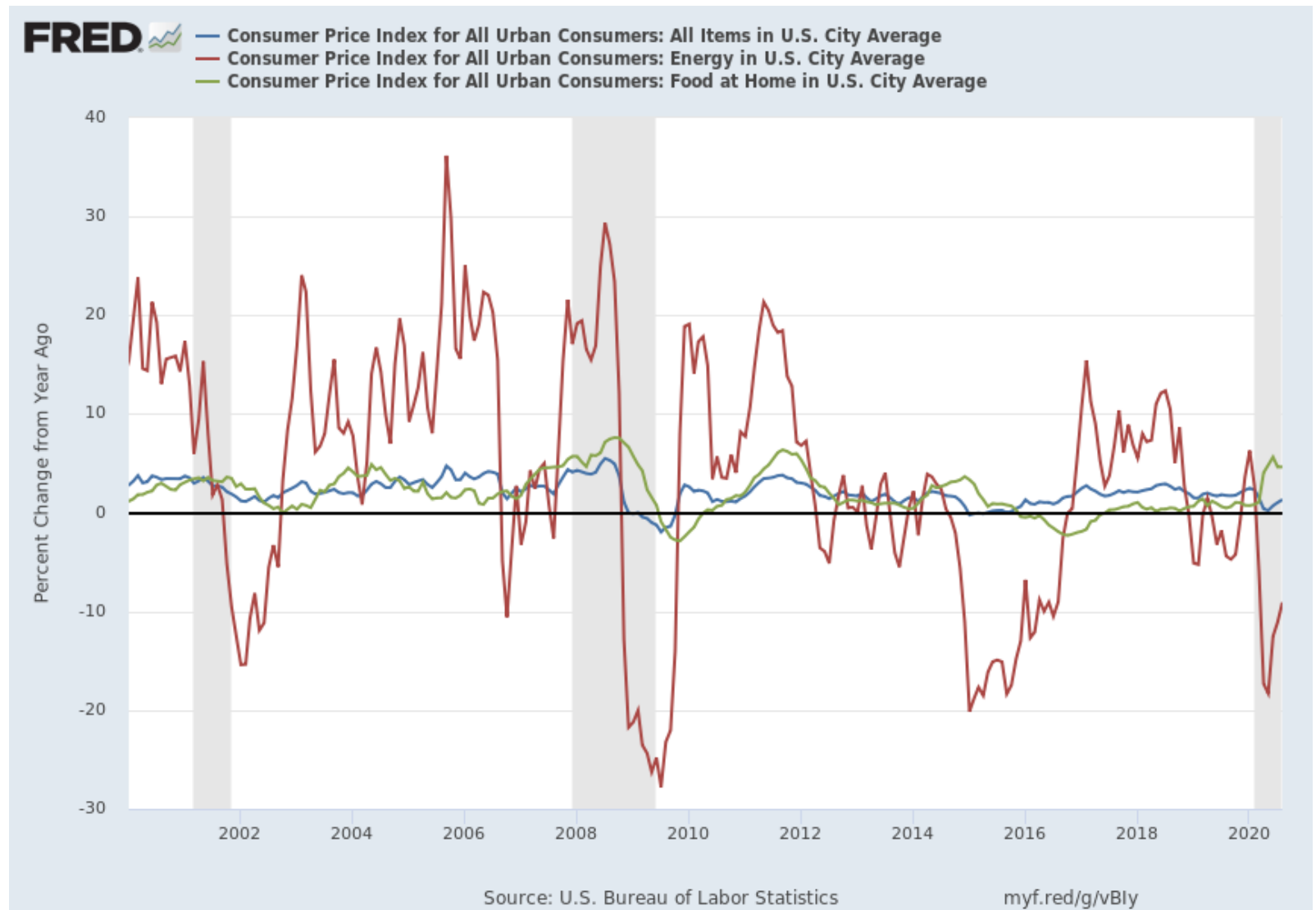
14.4% of renters report that they are behind on rent payments, while 6.3% of homeowners report being late on mortgage payments

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”



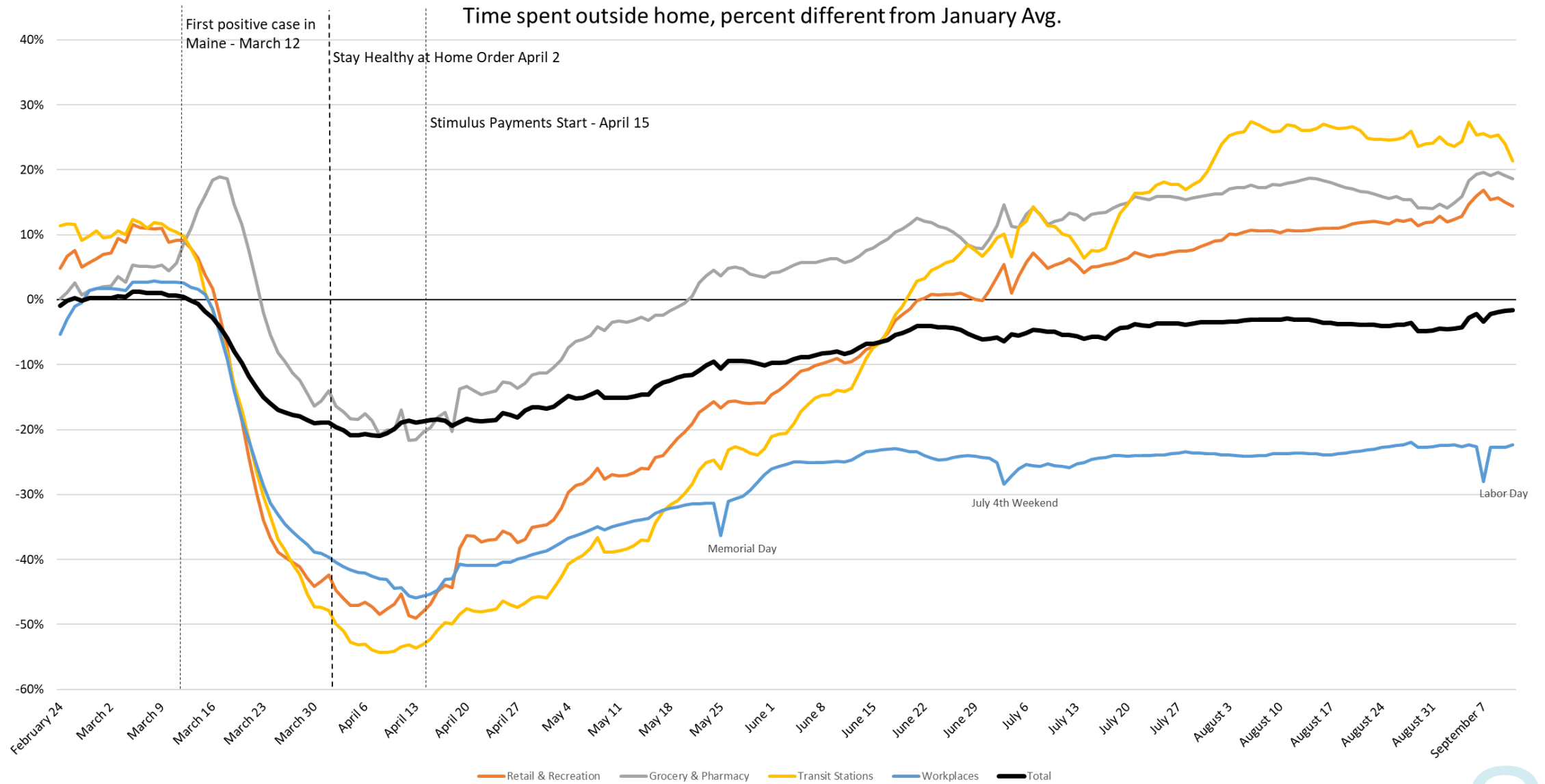
Inflation measurements are complex, don't tell the whole story



August 2020:

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

Mobility in Maine is nearly back to January levels, varies by type of travel

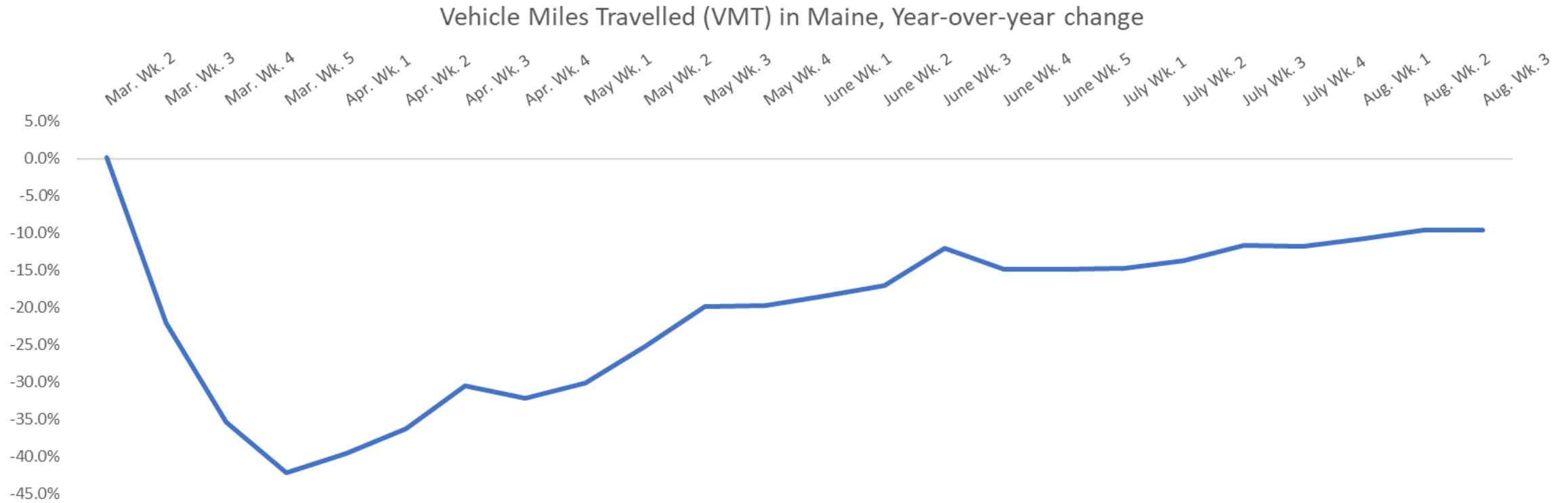


Source: Opportunity Insights Economic Tracker; Google Mobility Statistics
Not included: time spent at parks, +333% on September 11



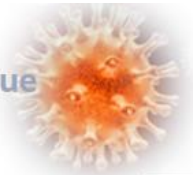
Vehicle Miles Traveled, weekly year-over-year change

- 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%)



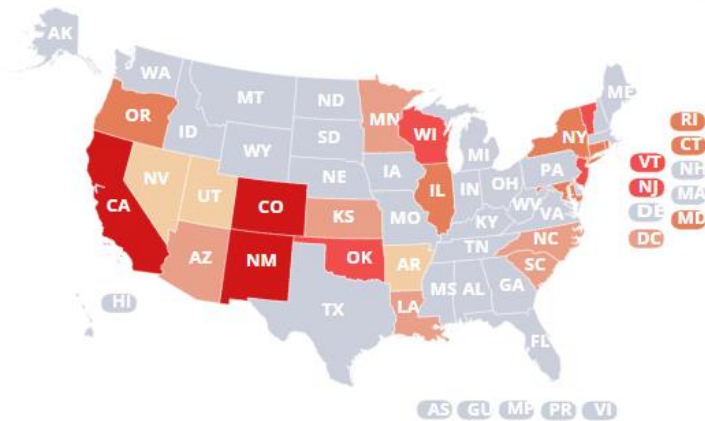
State Revenue Forecast Revisions: June vs. September

Revised State Fiscal Year 2021 Revenue Declines



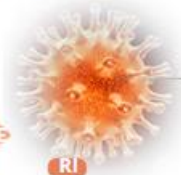
Percentage Decline

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



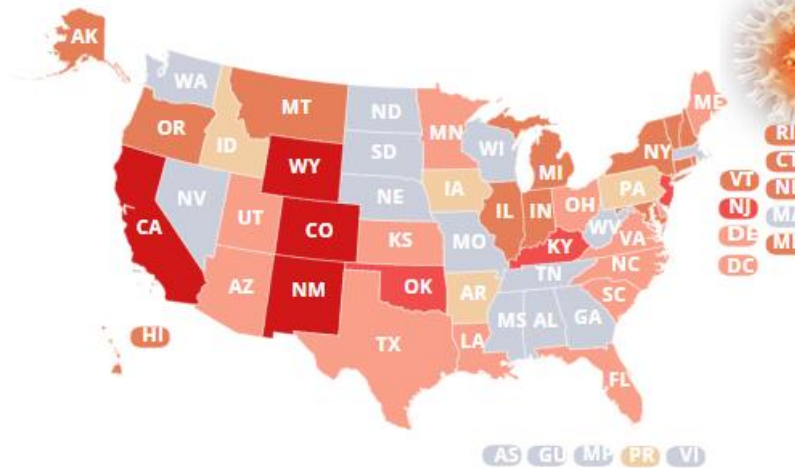
6/23/20 update

Revised State Fiscal Year 2021 Revenue Declines



Percentage Decline

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9/10/20 update

IHS Markit

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)

Moody's Analytics

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

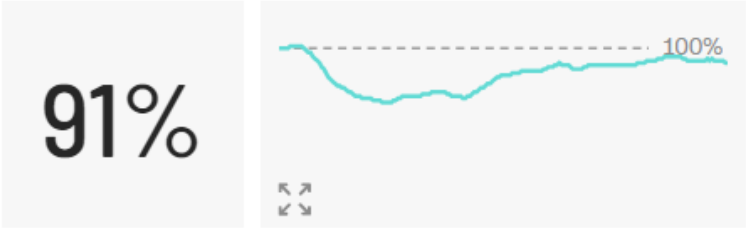
U.S. employment will remain 10 million jobs under pre-pandemic peak at the end of the year, unemployment near 9%

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



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

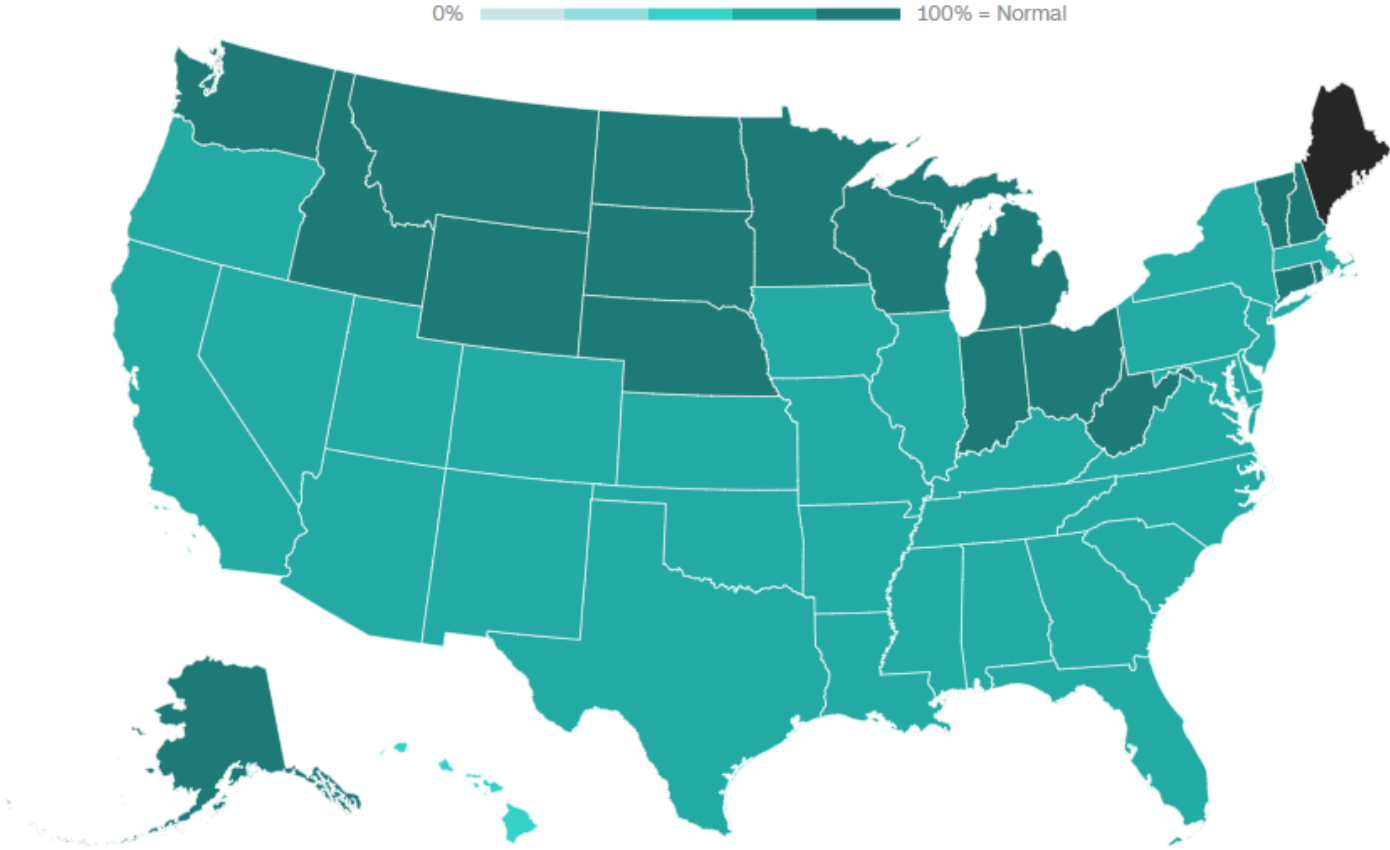
New coronavirus cases in the last 7 days

228 ▲

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

1

[Learn how we created the Back-to-Normal Index](#)
[Source: Moody's Analytics, JHU CSSE COVID-19 Data](#)



Data as of September 18, 2020

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