

# MAINE'S ECONOMIC AND DEMOGRAPHIC OUTLOOK

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# Overview

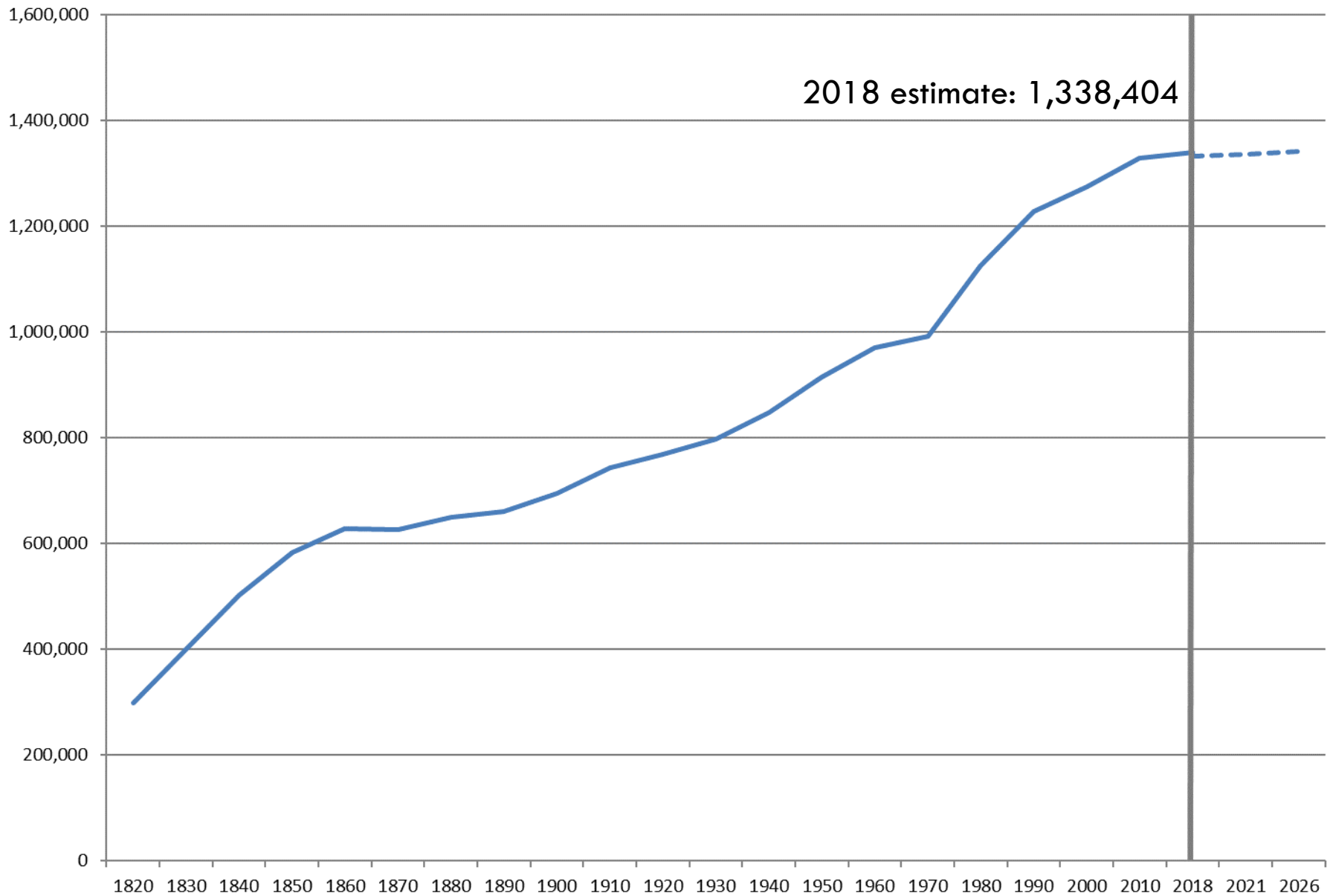


- Demographics
- Labor Force and Employment
- Income and GDP
- Macroeconomic Conditions
- Stress-testing Revenues

# Demographics



## Total Population, Maine

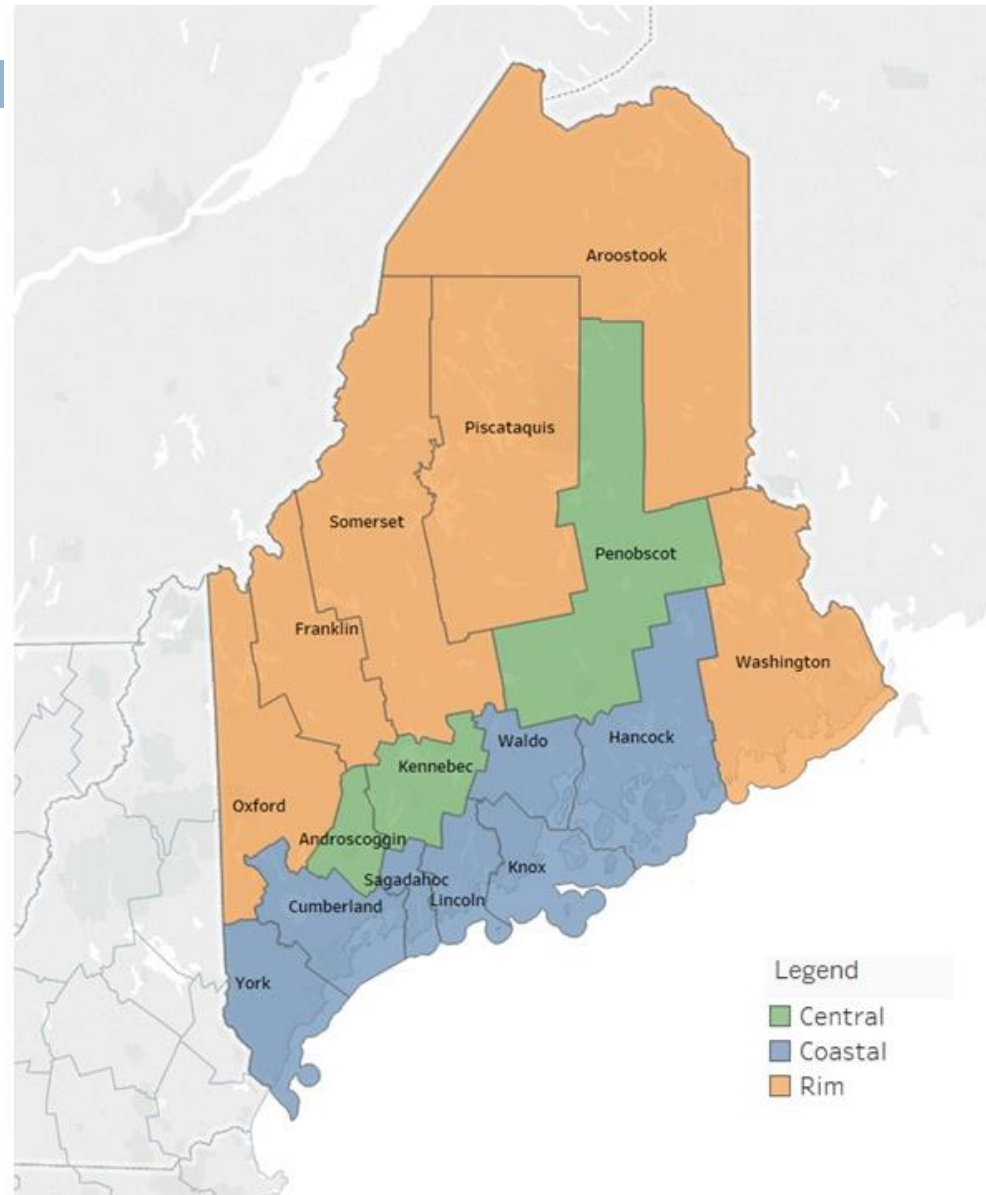


Sources: U.S. Census Bureau; State Economist population projections

# Regions of Maine

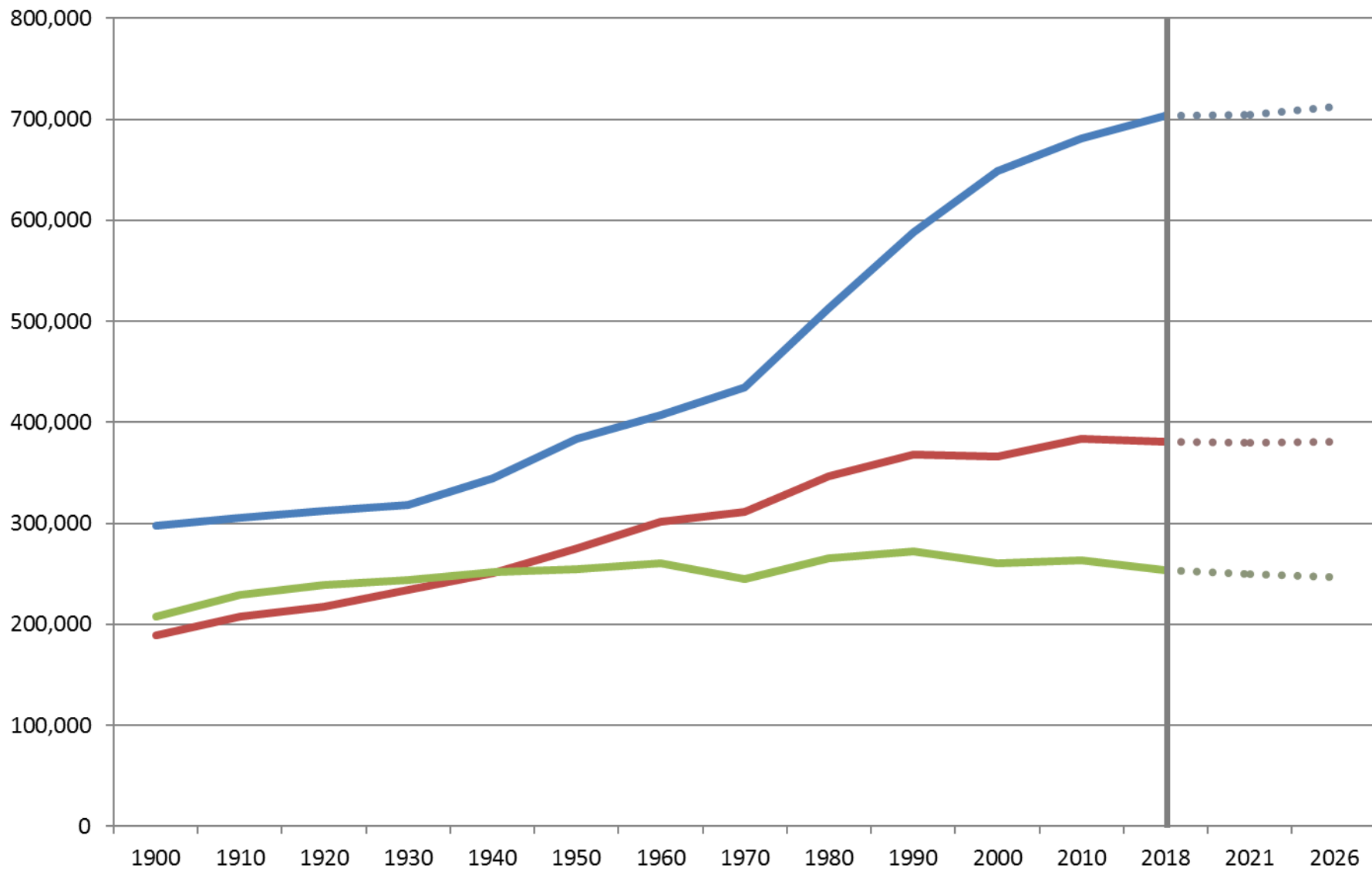
□ Three counties had peak decennial population in a year other than 2010:

- Aroostook: 1960
- Piscataquis: 1920
- Washington: 1900



## Total Population, Regions of Maine

Coastal Central Rim



# Maine: A Demographic Snapshot

- 2018 Population Estimate: 1,338,404
  - 42<sup>nd</sup> largest in US
- 2010 – 2018 Population Change: +0.8%
  - 42<sup>nd</sup> in US (ahead of WV, IL, CT, VT, RI, MS, NY, PA)
- 2018 Median age: 44.9 years
  - Oldest in US
- 93.1% White, Non-Hispanic
  - Highest percentage in US

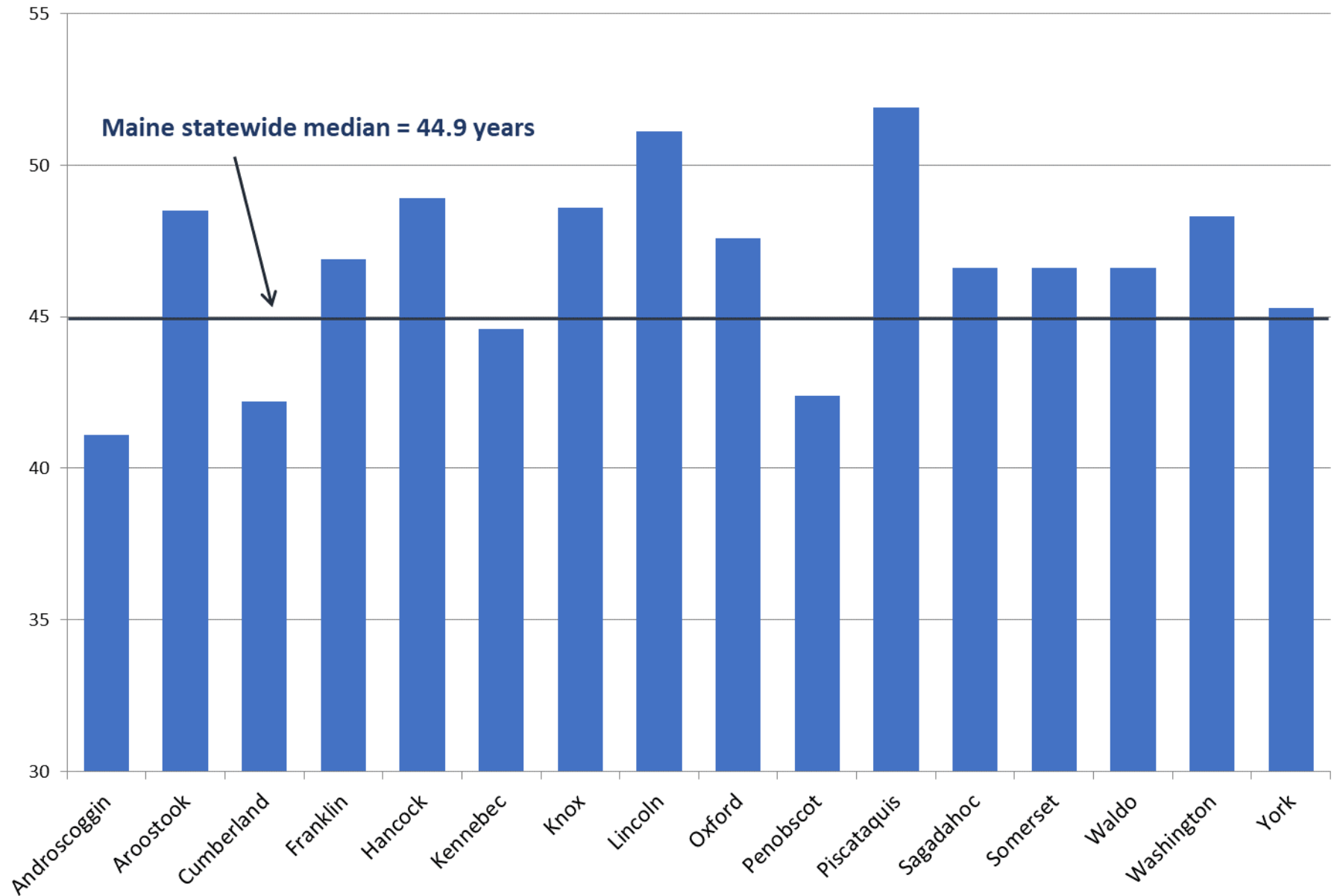


# Improving Population Growth

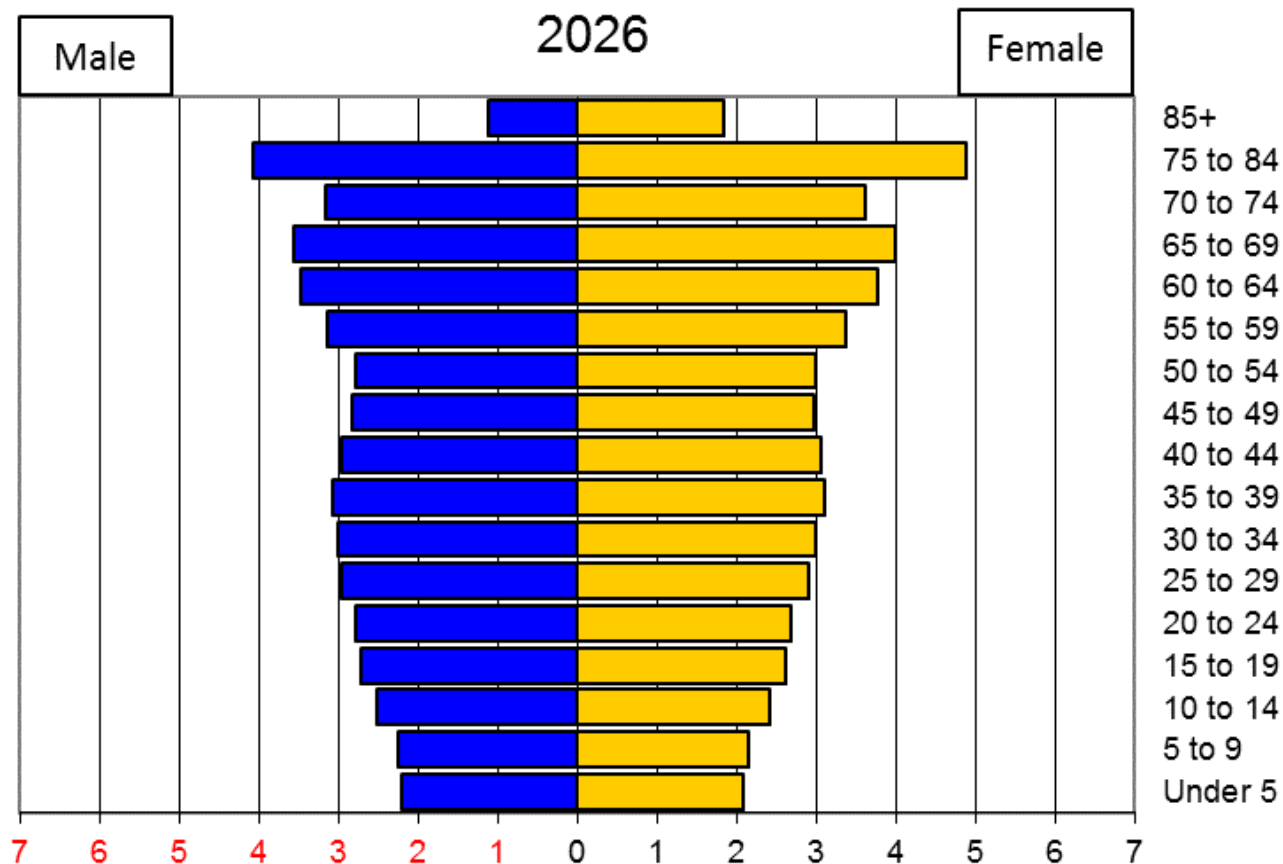
- In 2018, Maine's rate of total population increase ranked 34th and the rate of total net migration ranked 19th in the U.S.
- Other states in the U.S. are starting to see their populations age and in-migration slow
- Maine has been at the leading edge and now other states are catching up



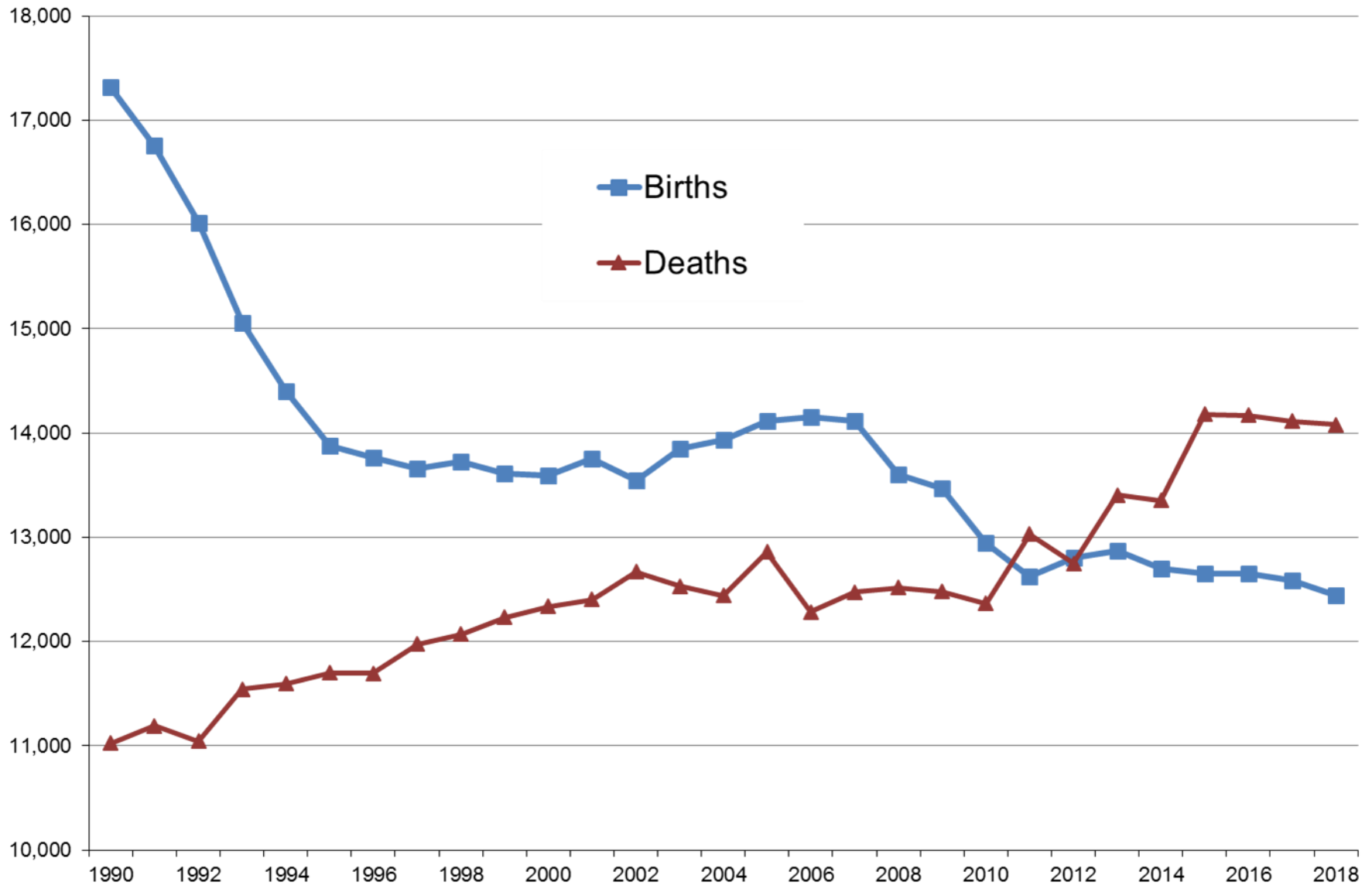
## Median Age



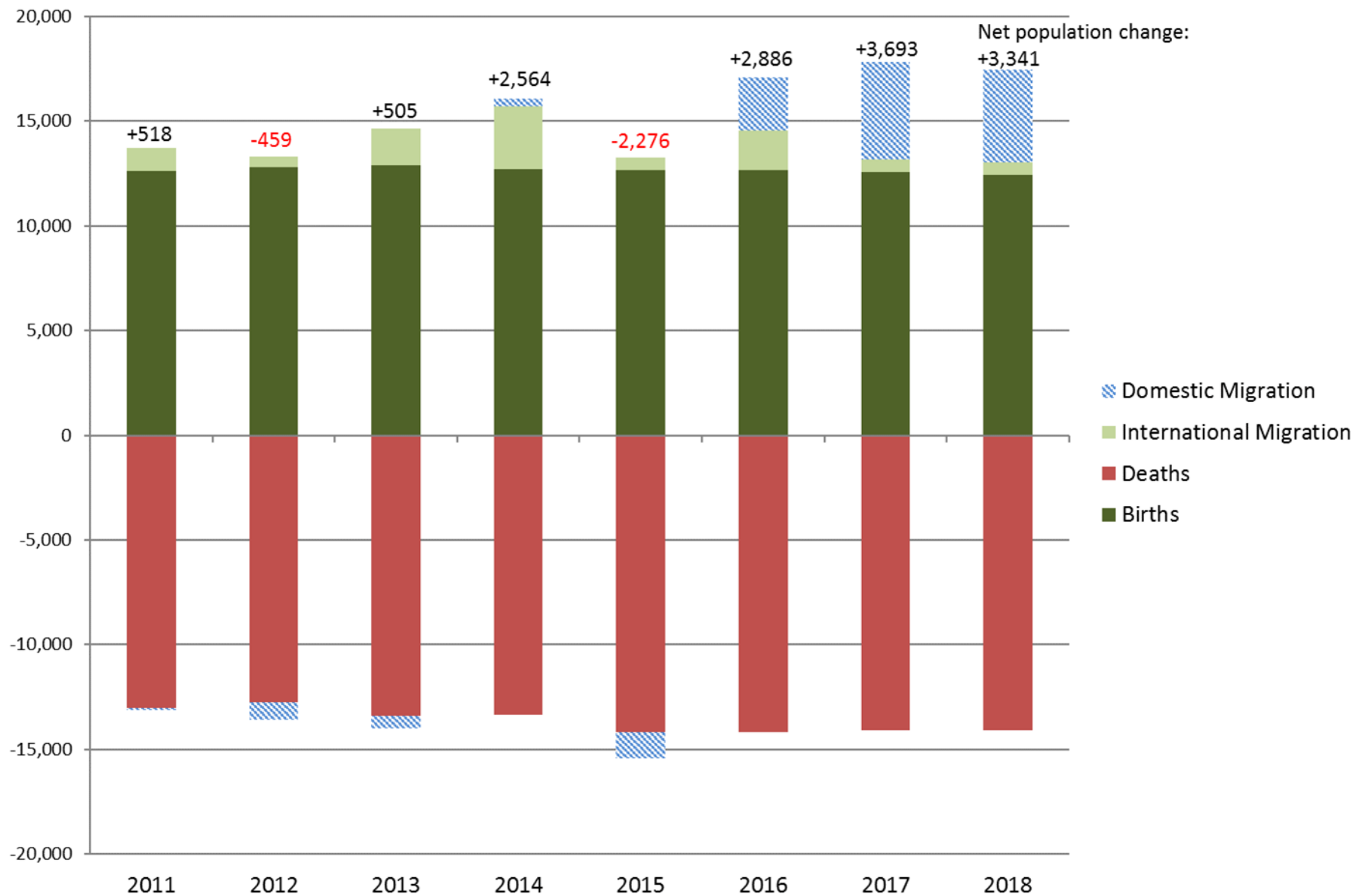
# The Baby Boom Wave



# Births and Deaths per year in Maine



# Components of Population Change, Maine

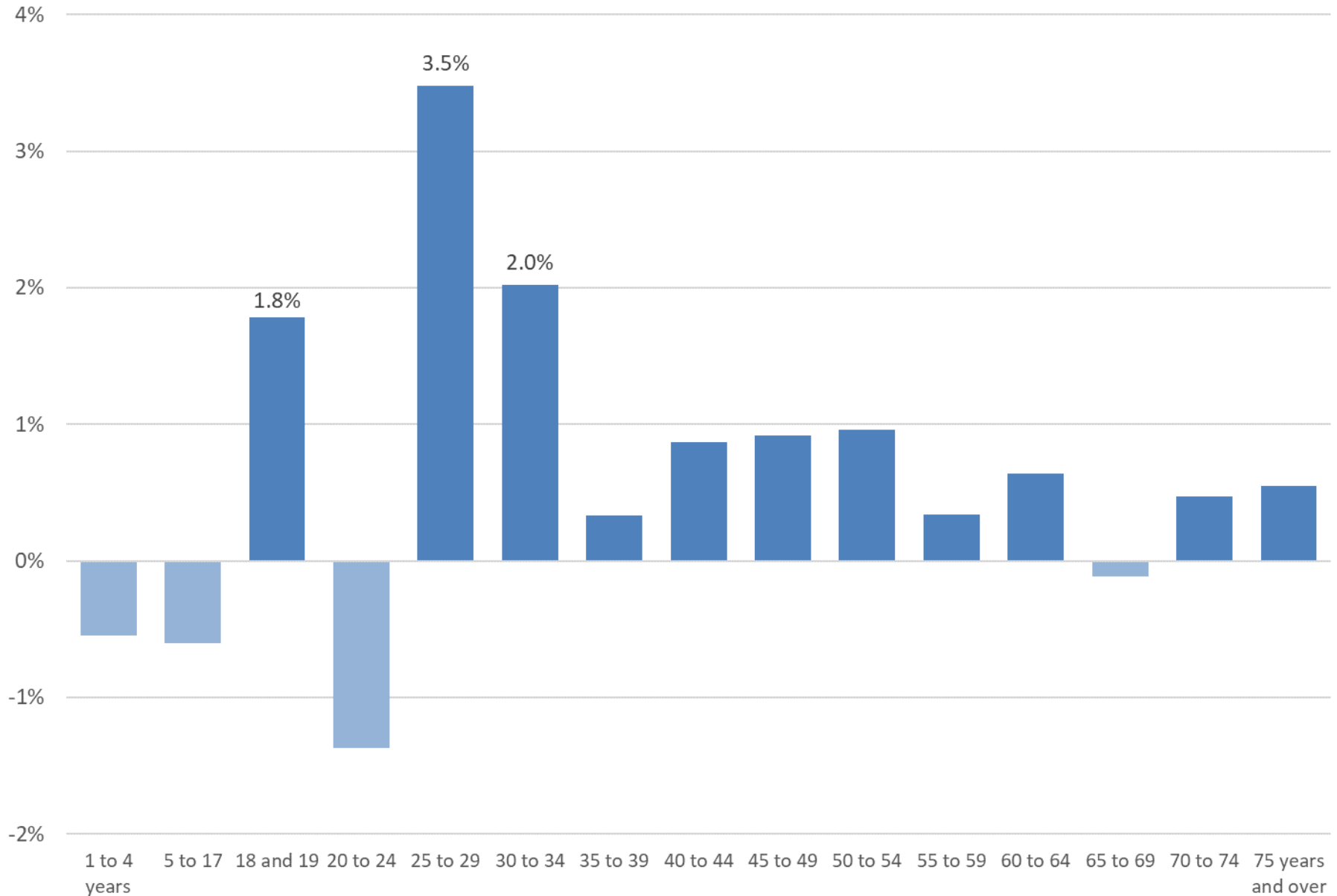


Source: U.S. Census Bureau, Population Estimates Program

# Where are people moving to/from?

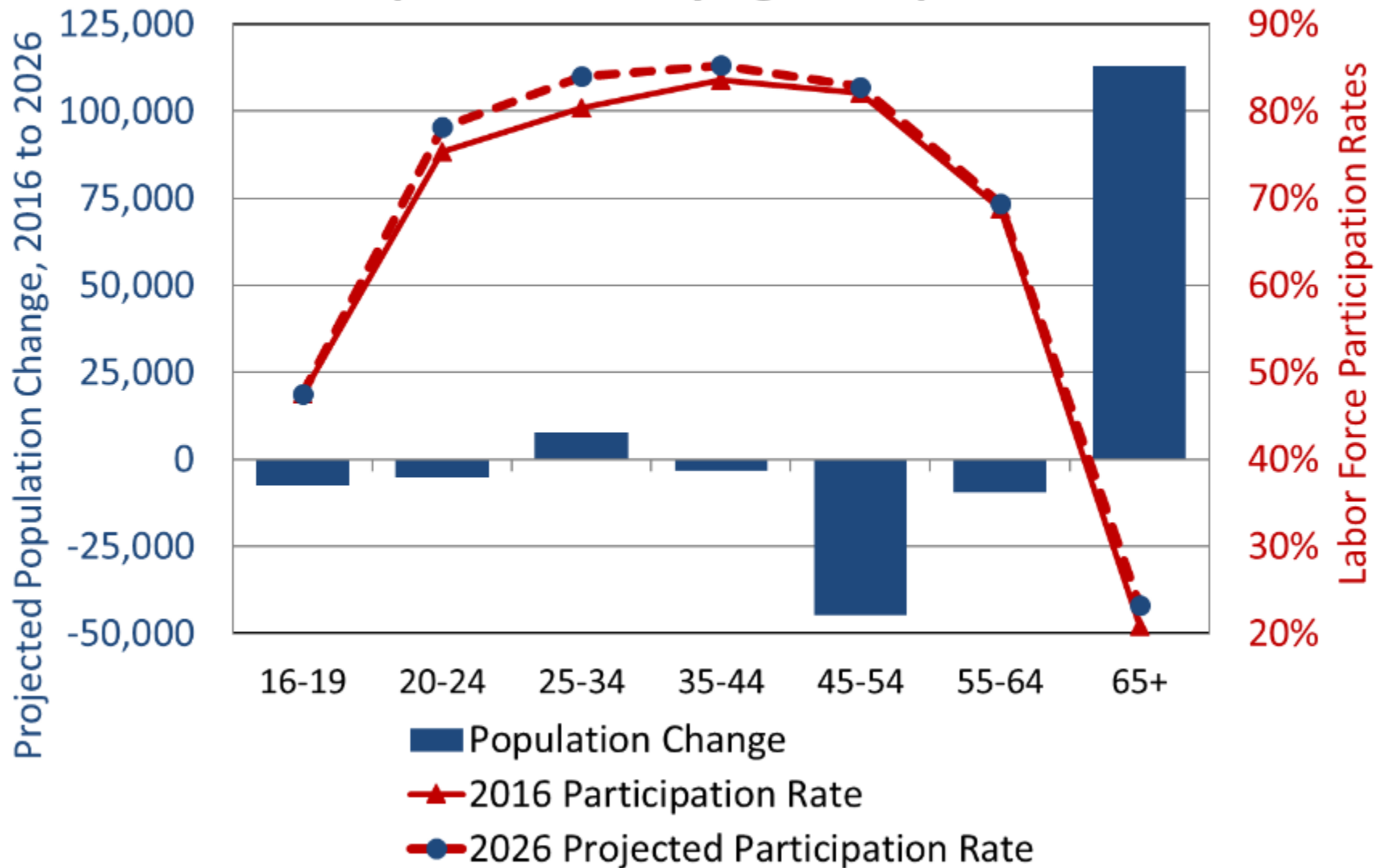
2017 State-to-State Migration Patterns			
<i>Moved to Maine from:</i>		<i>Moved from Maine to:</i>	
Massachusetts	7,567	Massachusetts	4,099
New Hampshire	4,274	New Hampshire	3,950
Florida	3,059	Florida	2,960
New York	2,478	California	2,578
Connecticut	1,690	New York	1,611
Pennsylvania	1,629	Pennsylvania	1,156
California	1,578	Virginia	1,135
Georgia	1,241	North Carolina	1,014
Virginia	1,162	Wisconsin	904
North Carolina	1,074	Texas	648

## Annual Domestic Migration Rate by Age, 2017



Source: U.S. Census Bureau, 2017 American Community Survey 1-year estimates

## Projected Population Change and Participation Rates by Age Group in Maine



Source: Maine Department of Labor, *Employment Outlook to 2026*;

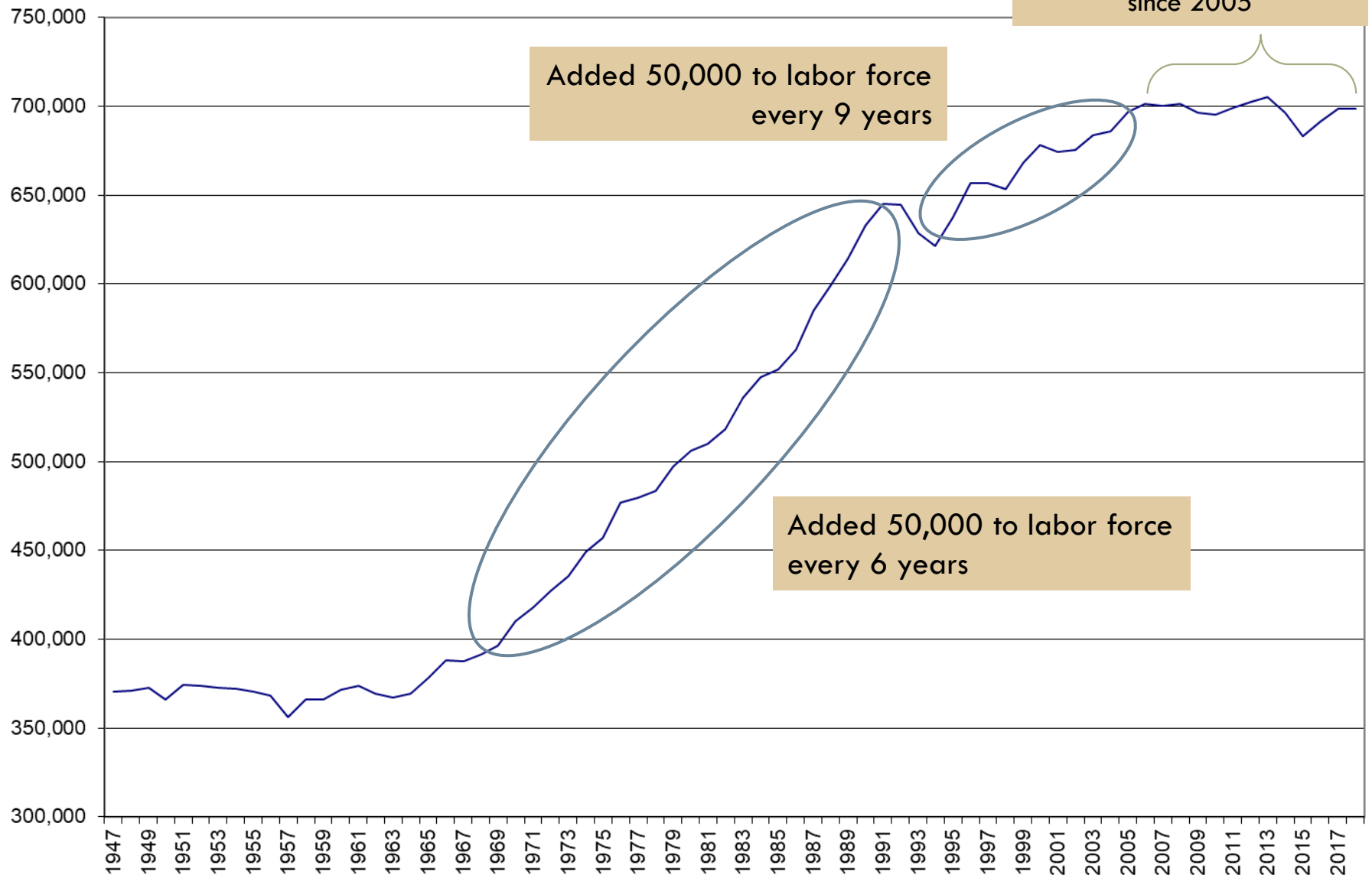
<https://cwri1.blogspot.com/2018/07/employment-outlookto-2026.html>

# Labor Force and Employment

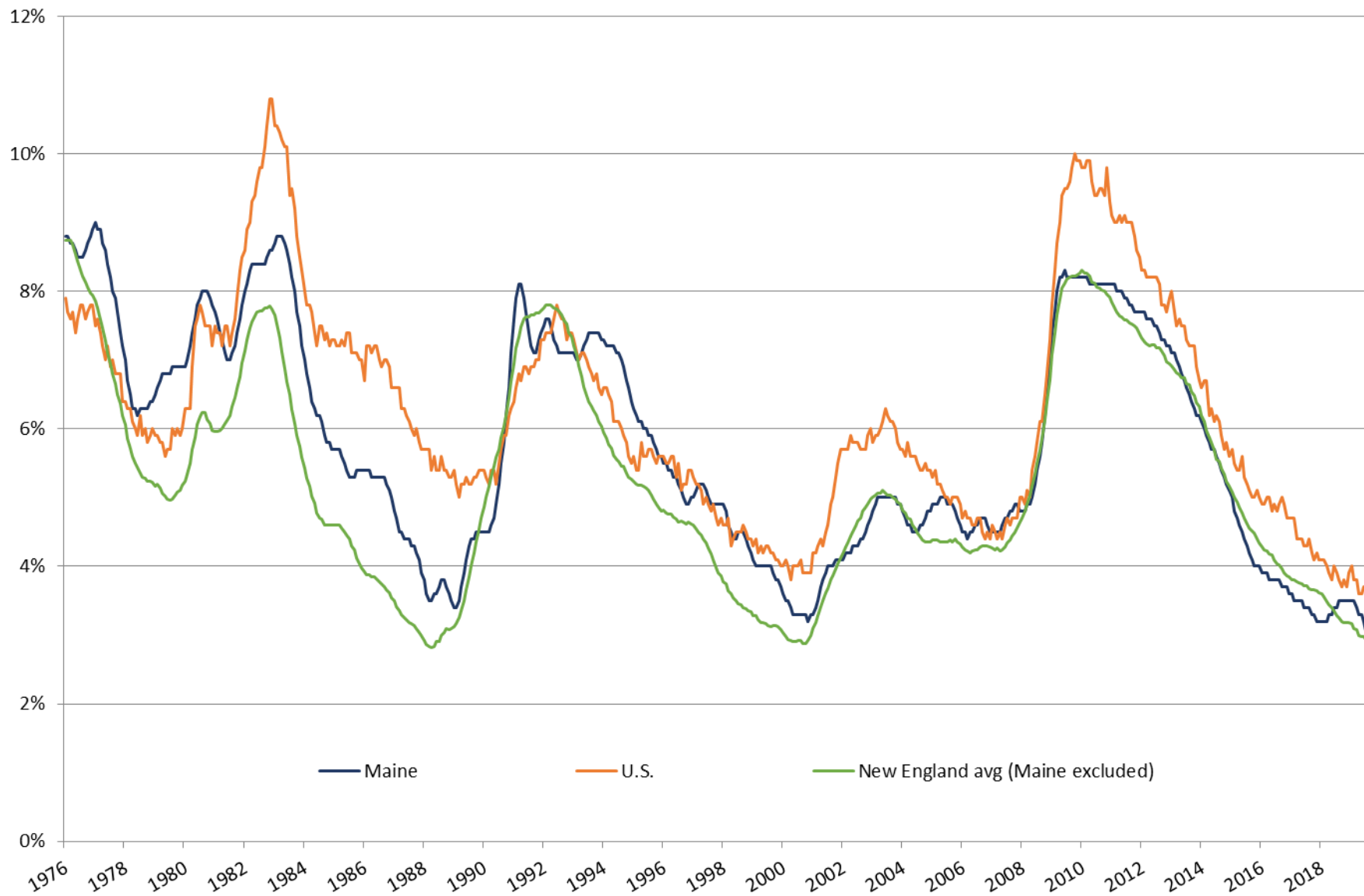




# Maine Civilian Labor Force

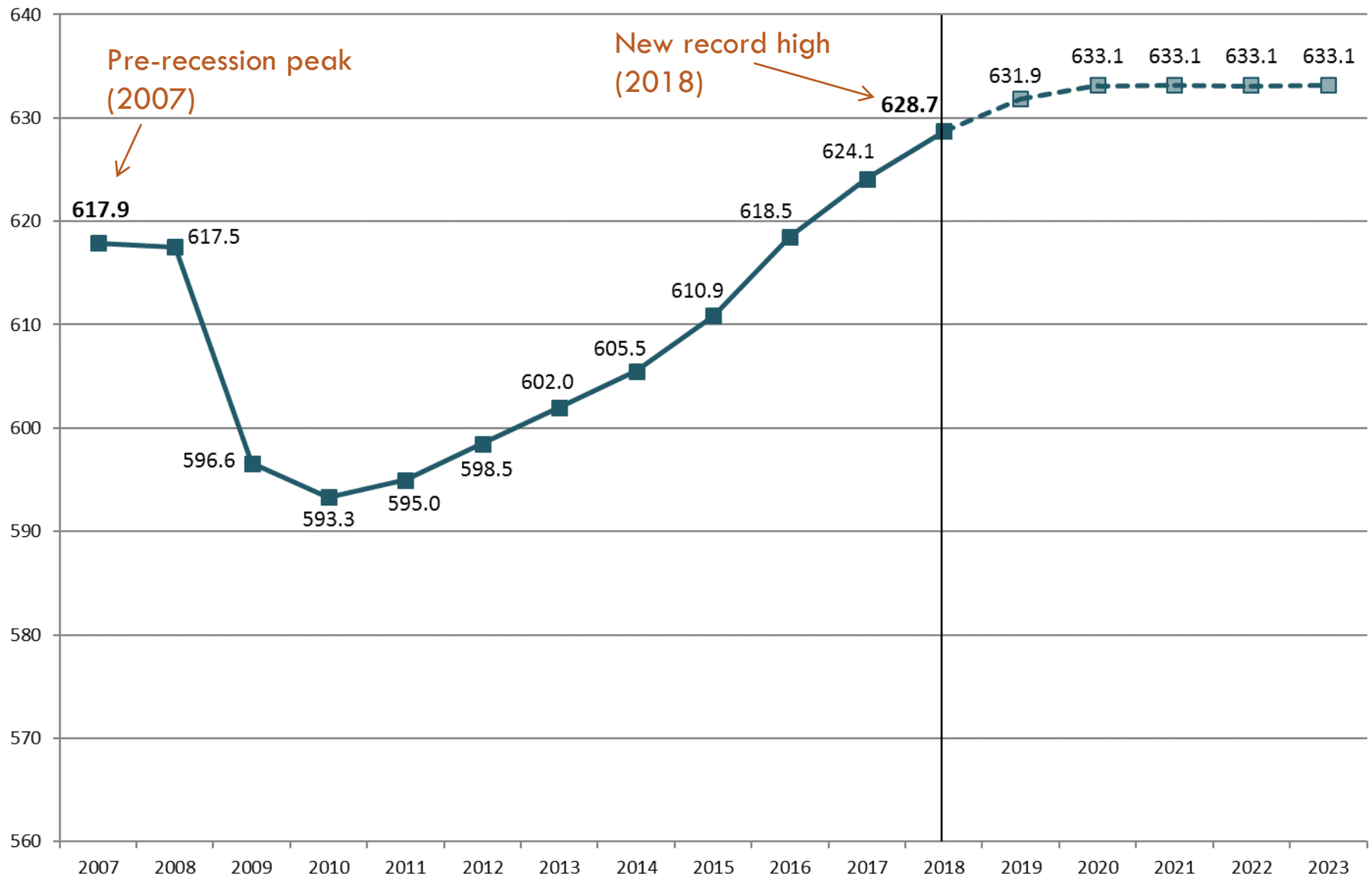


## Monthly Unemployment Rate (Seasonally Adjusted)



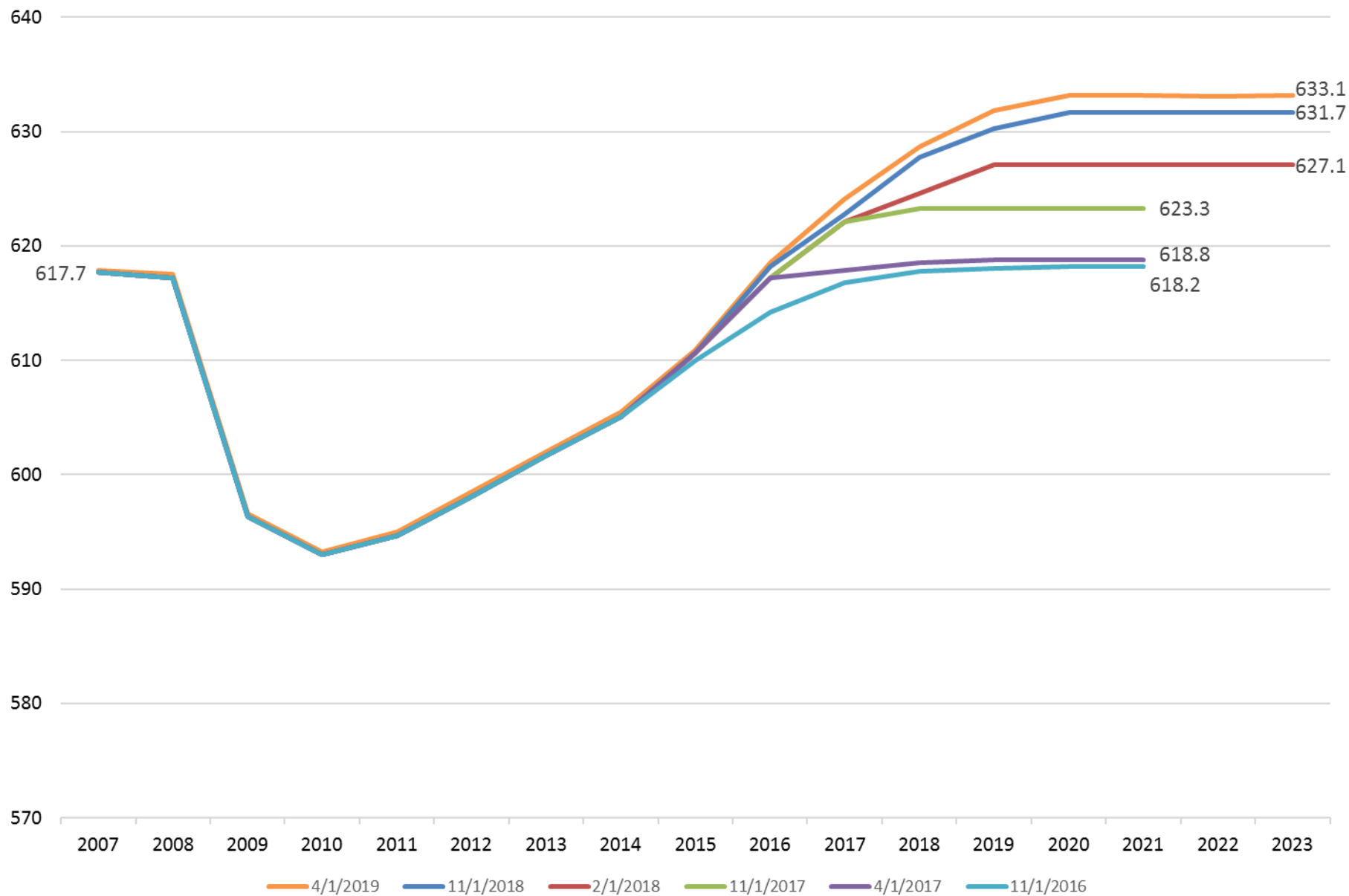
Source: Maine Department of Labor, Center for Workforce Research and Information

## Total Nonfarm Employment (in thousands) History and CEFC forecast

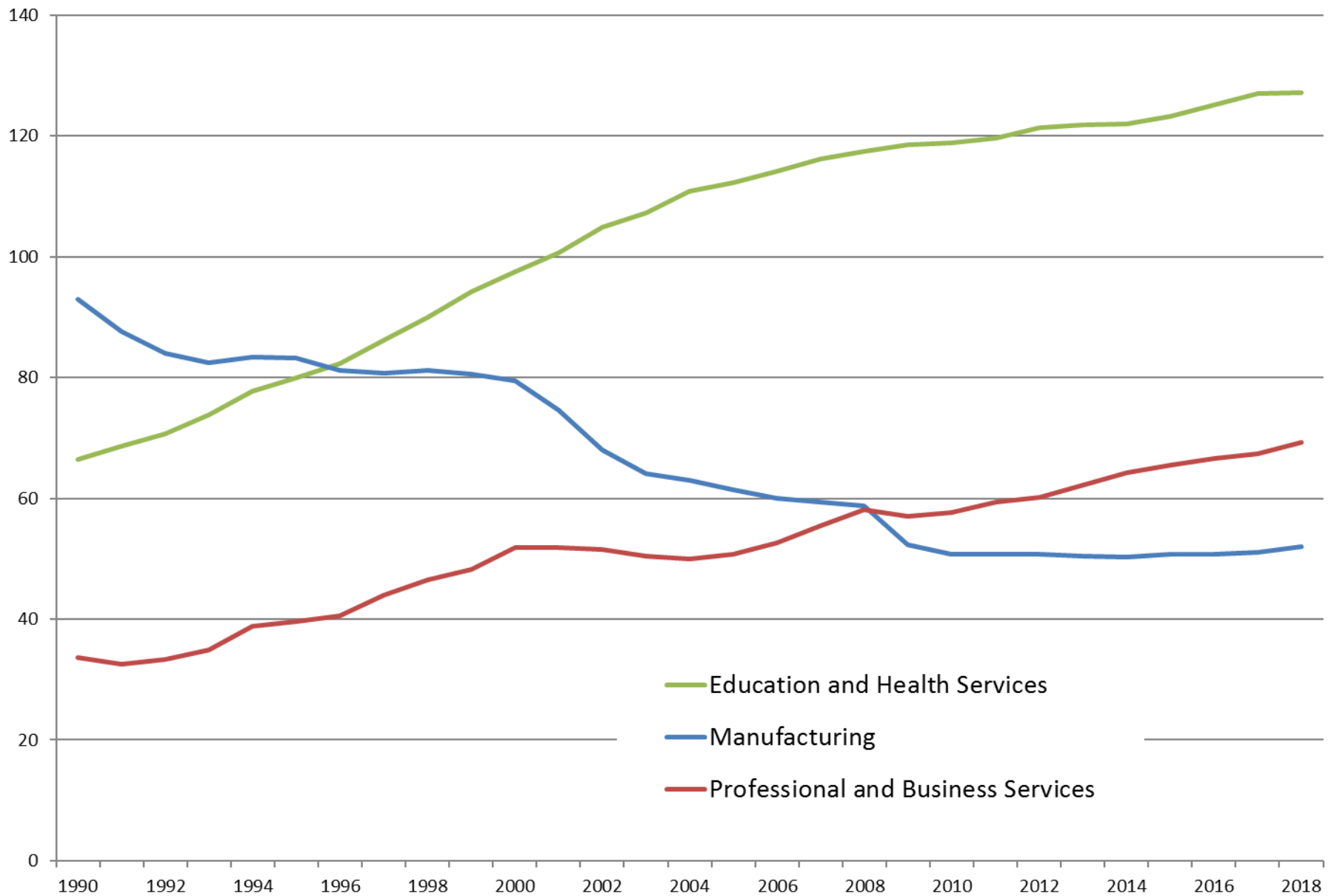


Sources: Maine Department of Labor and Consensus Economic Forecasting Commission report, April 1, 2019

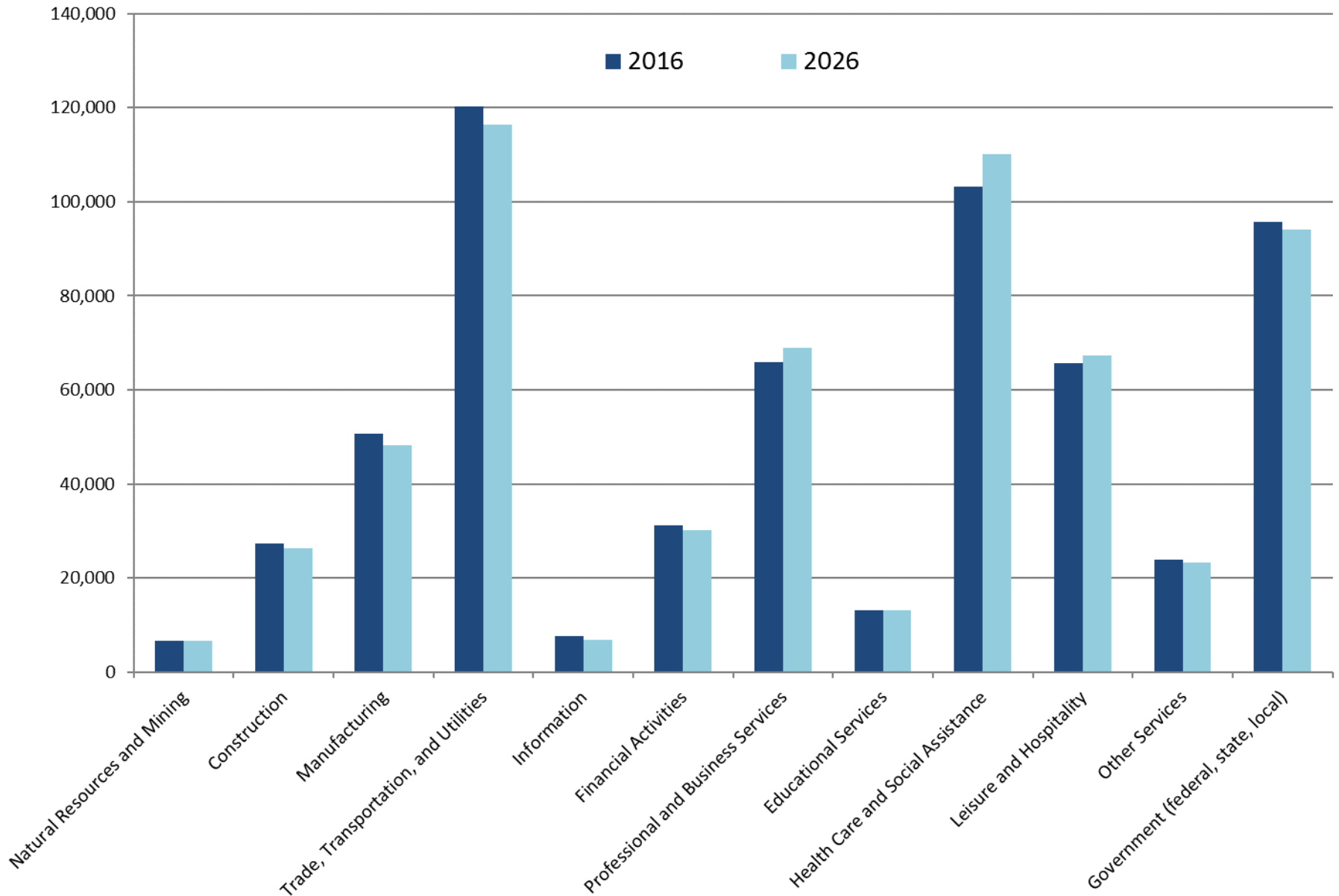
## Revisions to CEFC Forecast of Total Nonfarm Employment (in thousands)



## Maine Wage and Salary Employment by Industry (in thousands)



# Maine Wage and Salary Employment by Industry

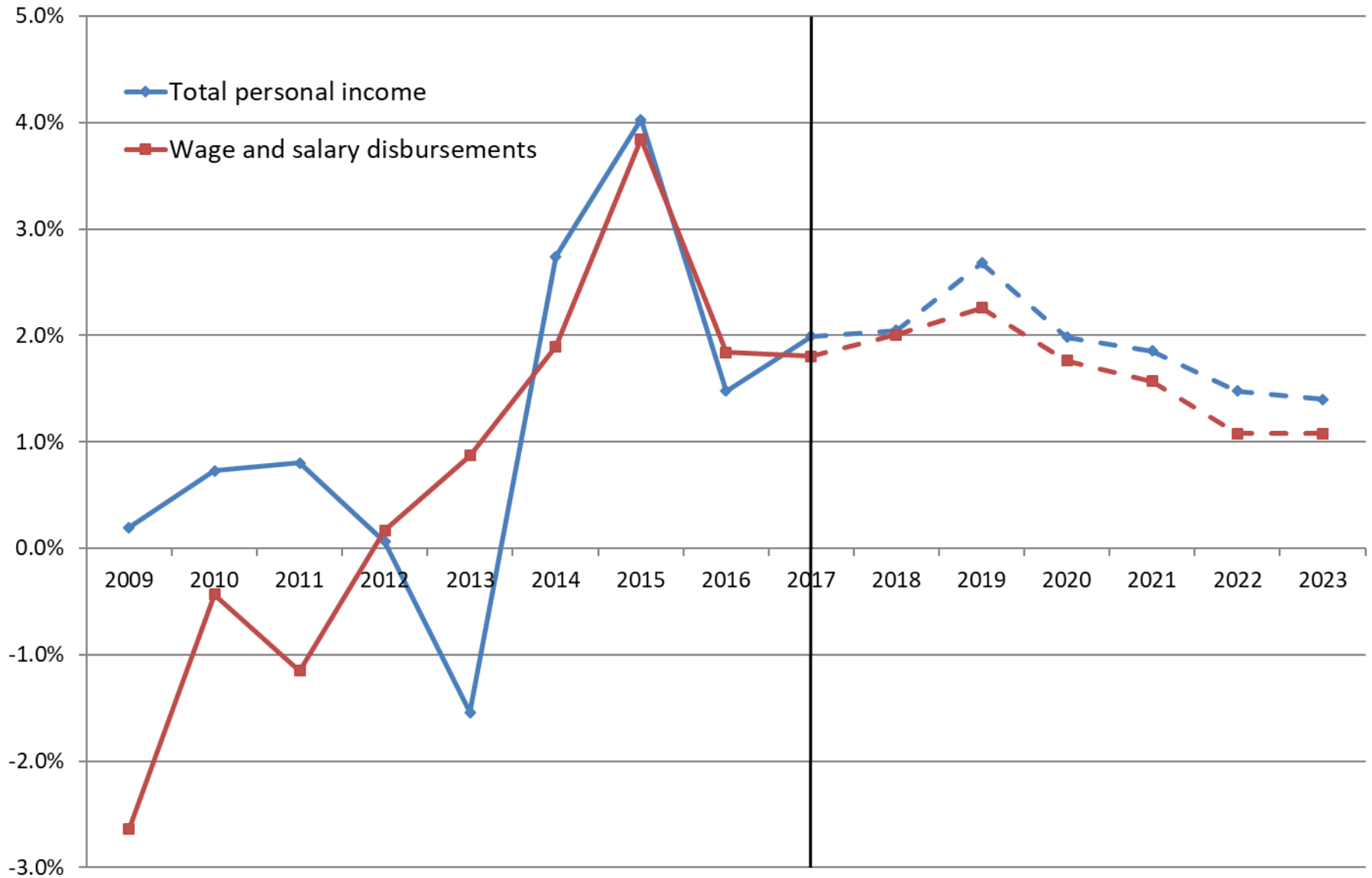


Sources: Maine Department of Labor, Center for Workforce Research and Information

# Income and GDP



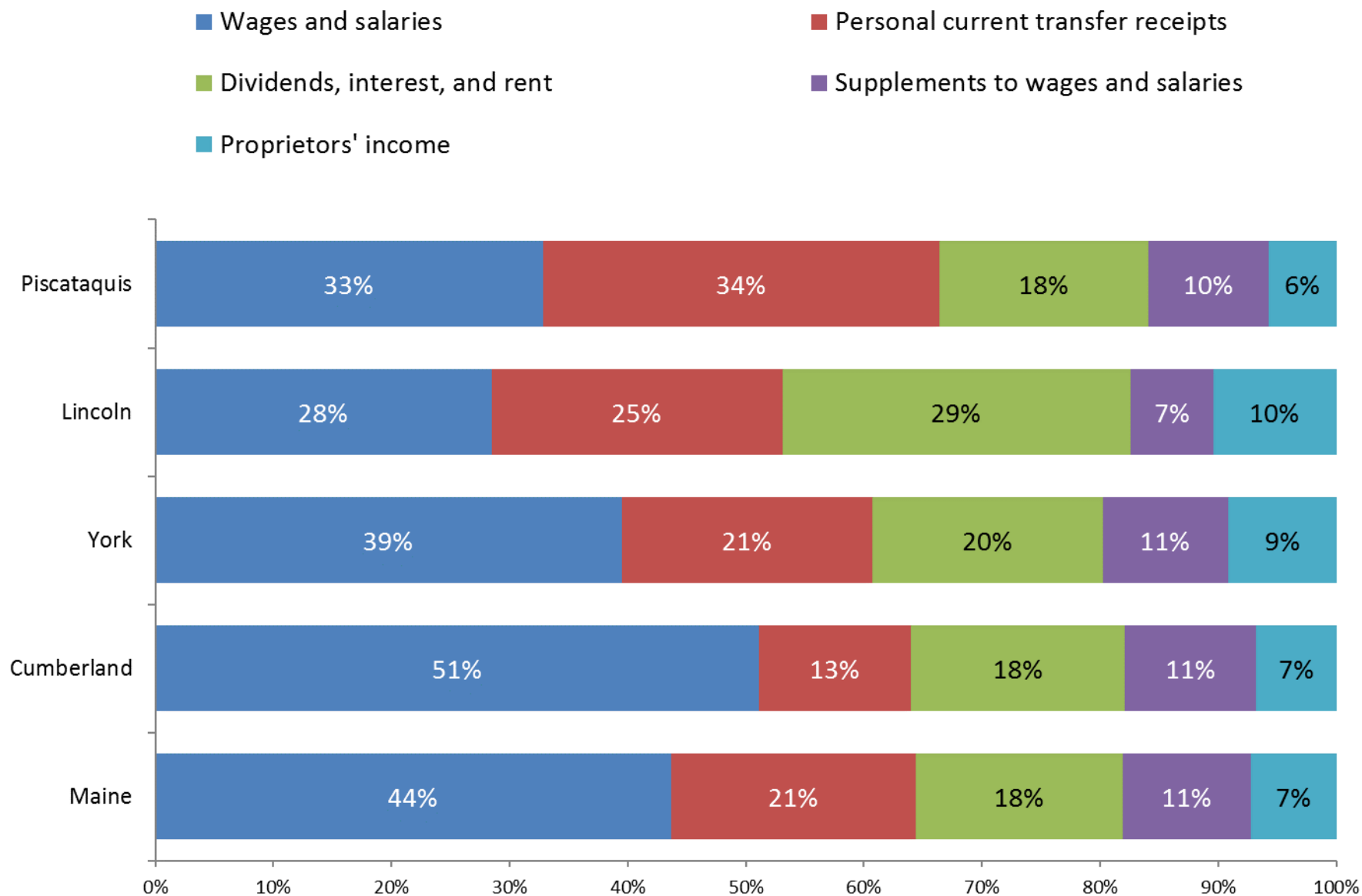
## Percent Change in Real Personal Income, Maine 2009-2017 and forecast to 2023



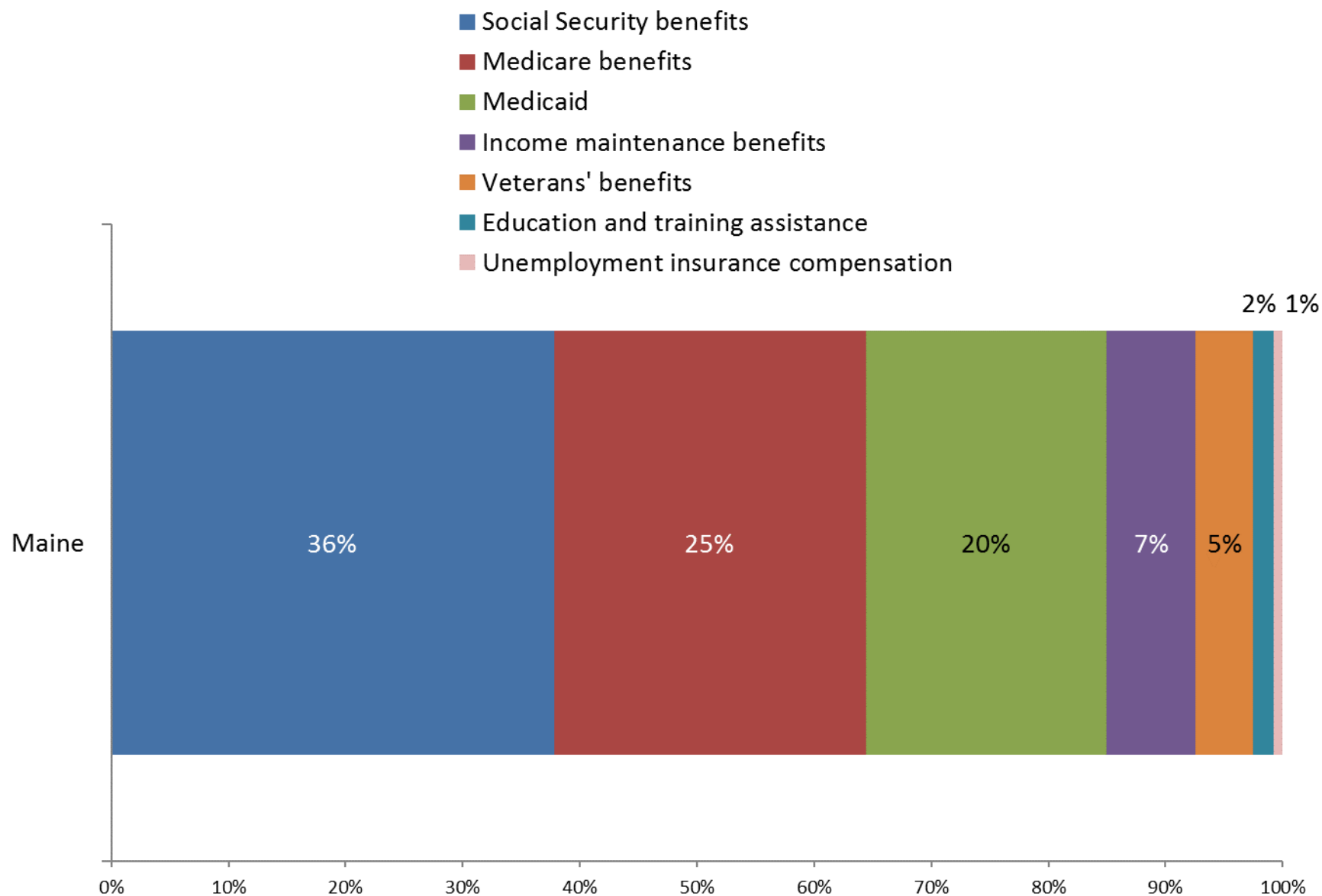
Sources: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis; CEFC report, April 1, 2019



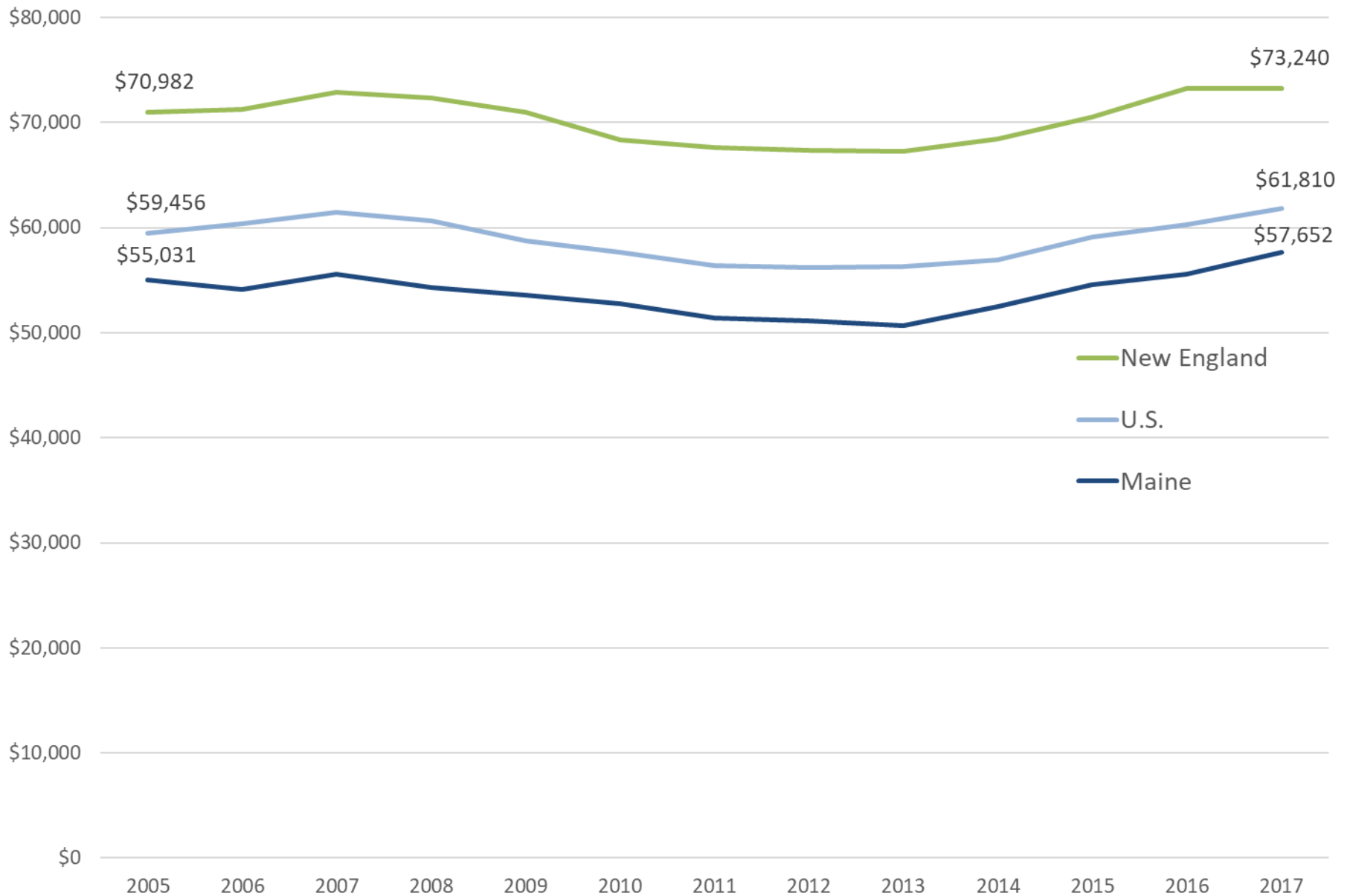
## Major Components of Personal Income, 2017



## Components of Personal Current Transfer Receipts, 2017

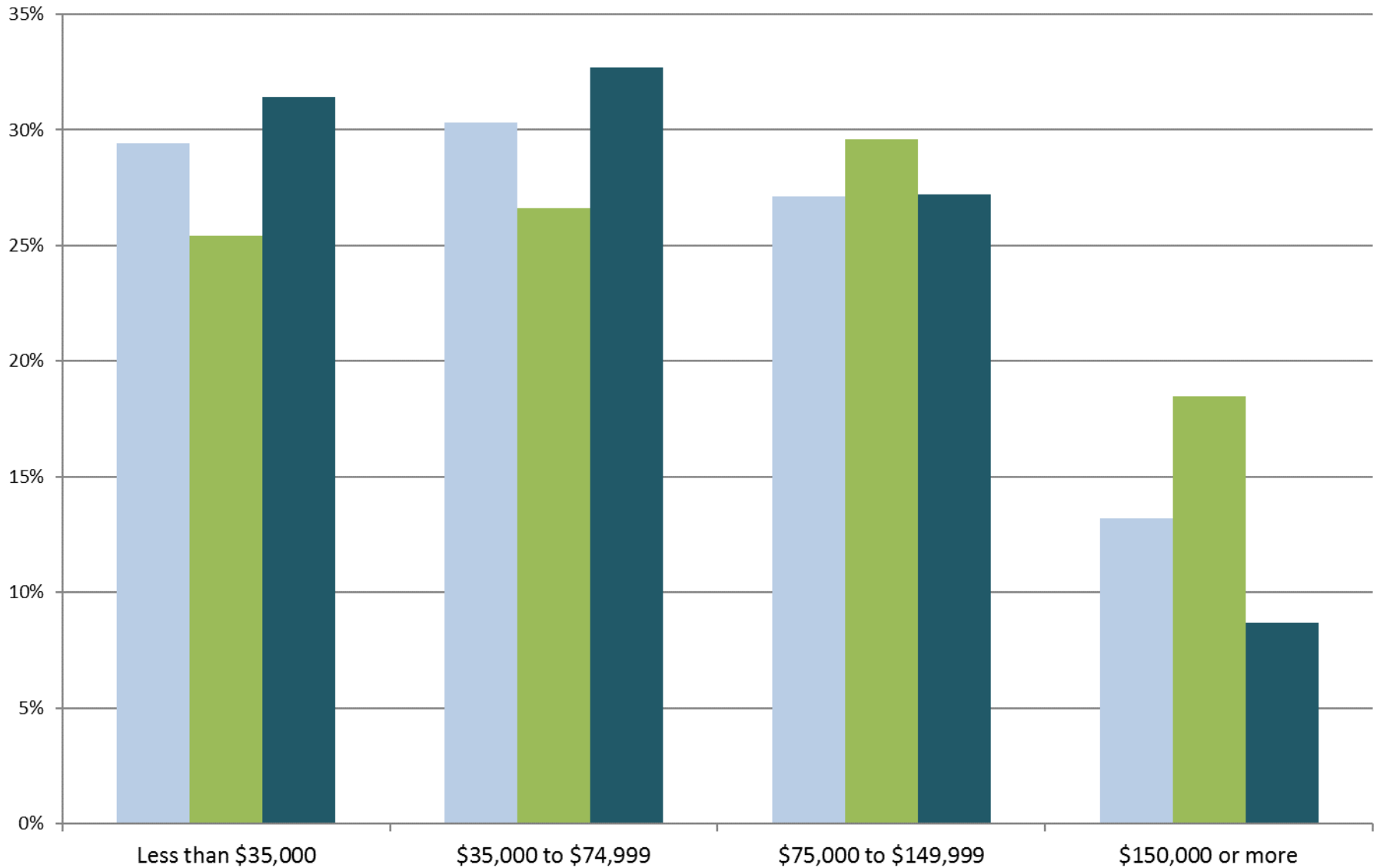


## Real Median Household Income (in 2018 \$)

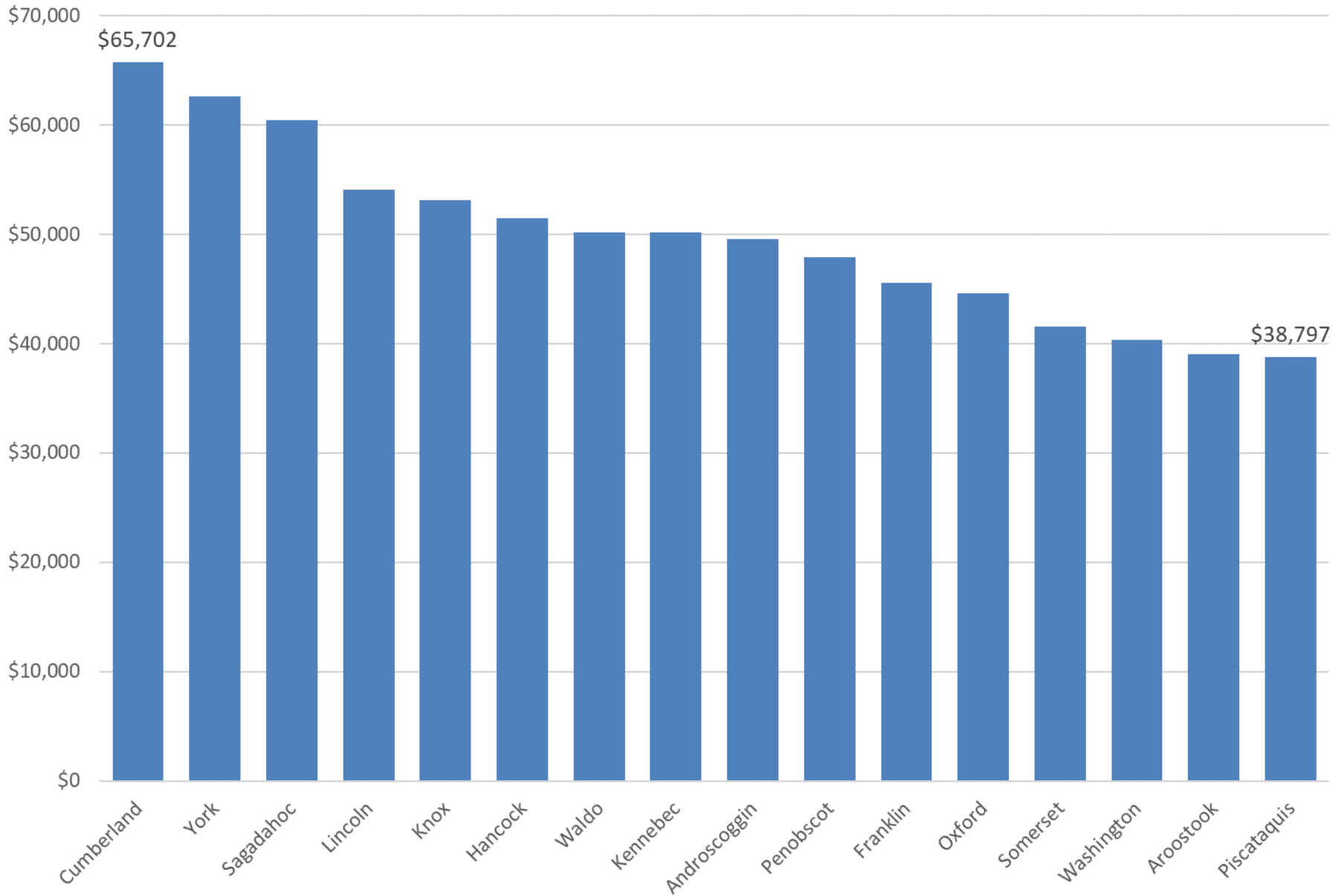


## Percent of Households by Income Level, 2017

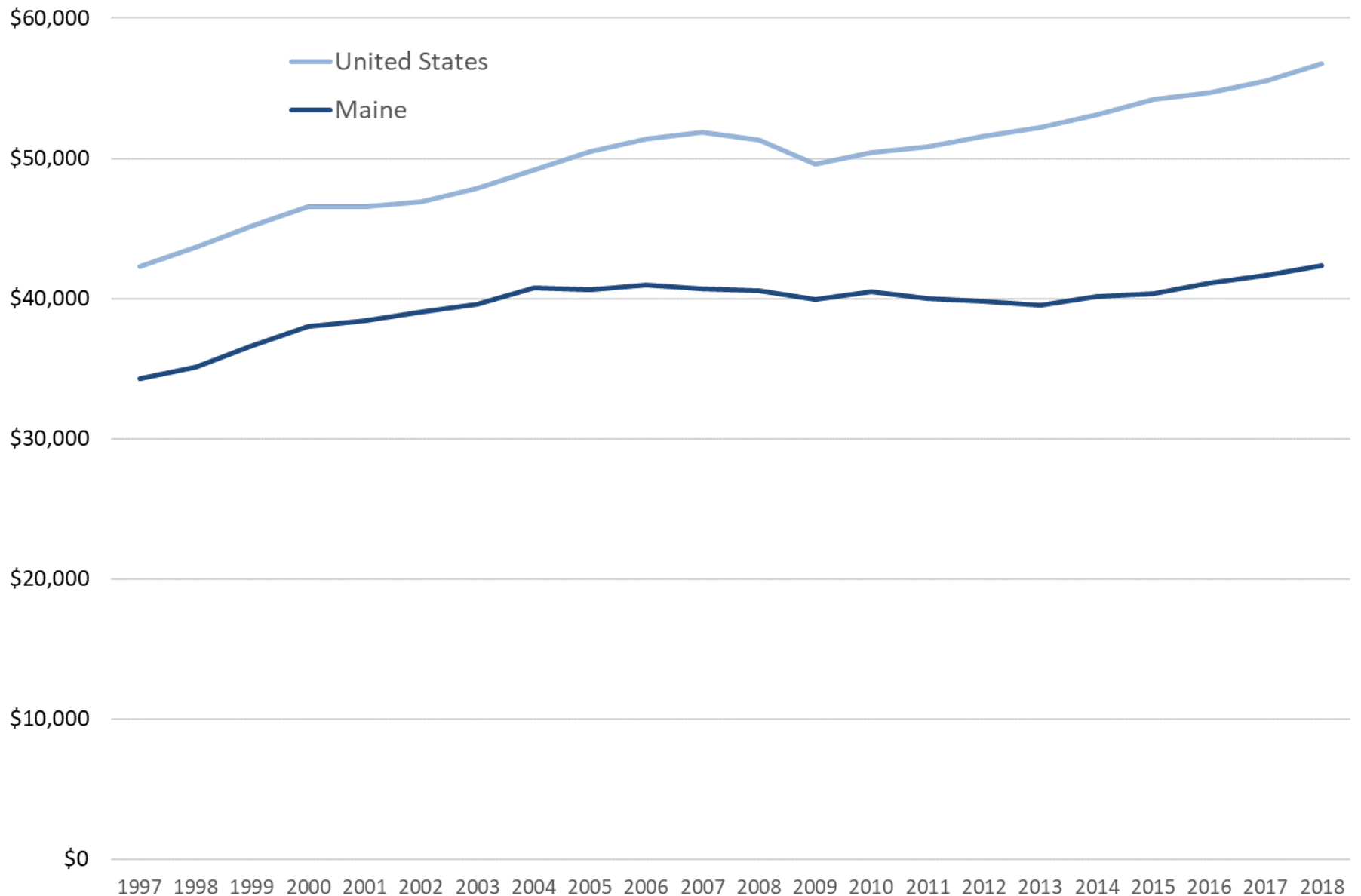
■ U.S. ■ New England ■ Maine



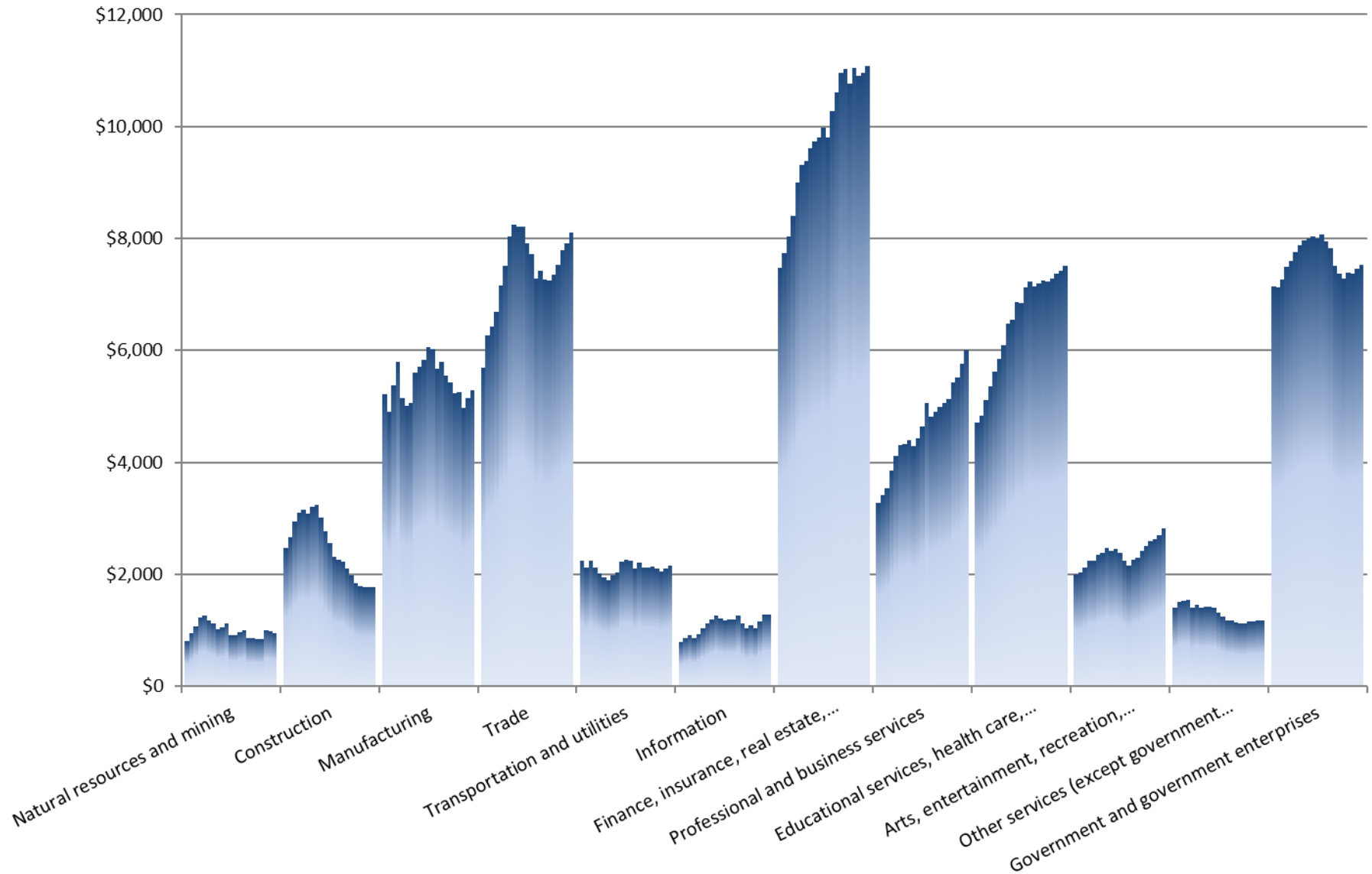
## Median Household Income



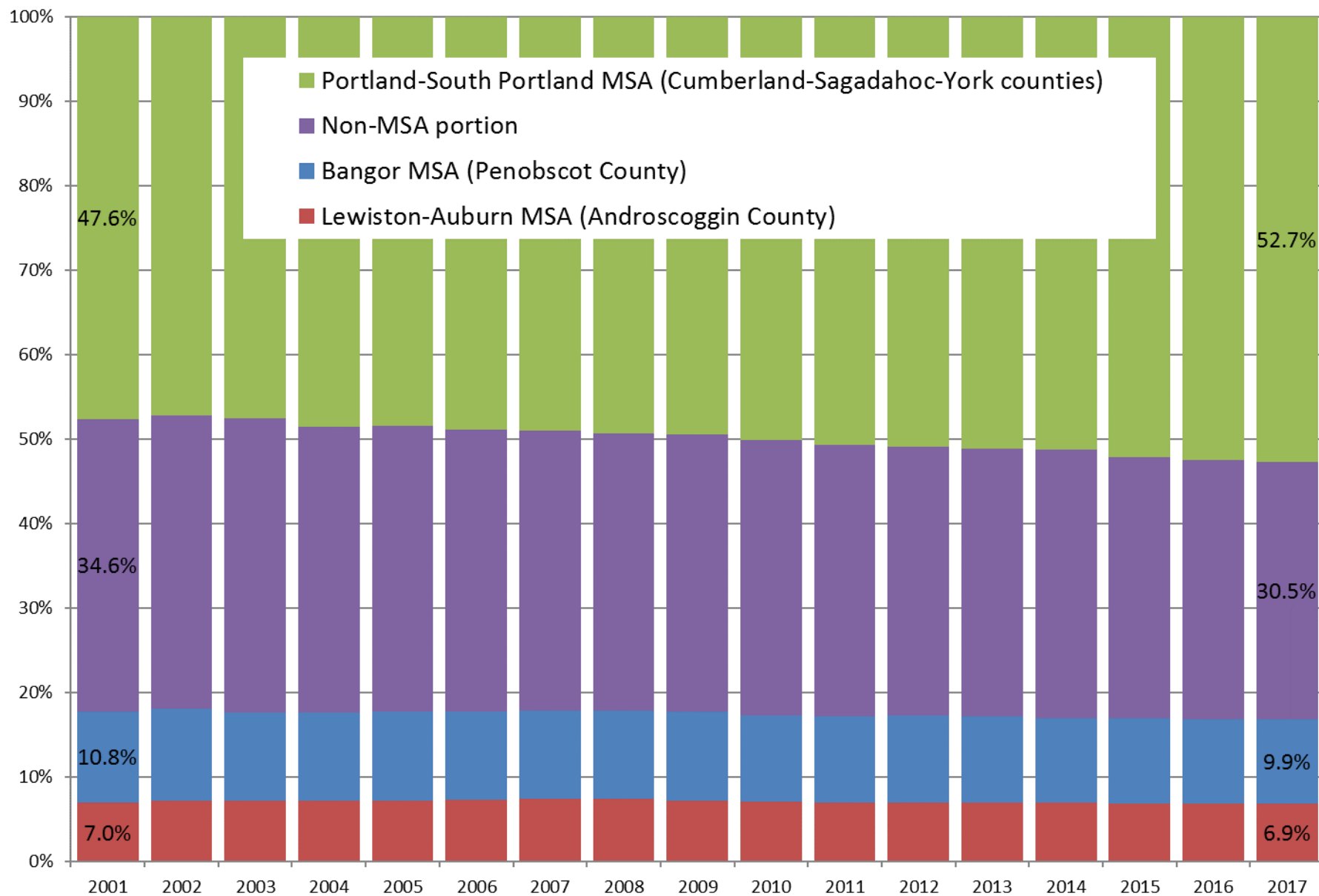
# Per Capita Real Total GDP



## Maine Real GDP by Industry, 1997-2017 (in millions of chained 2012 dollars)

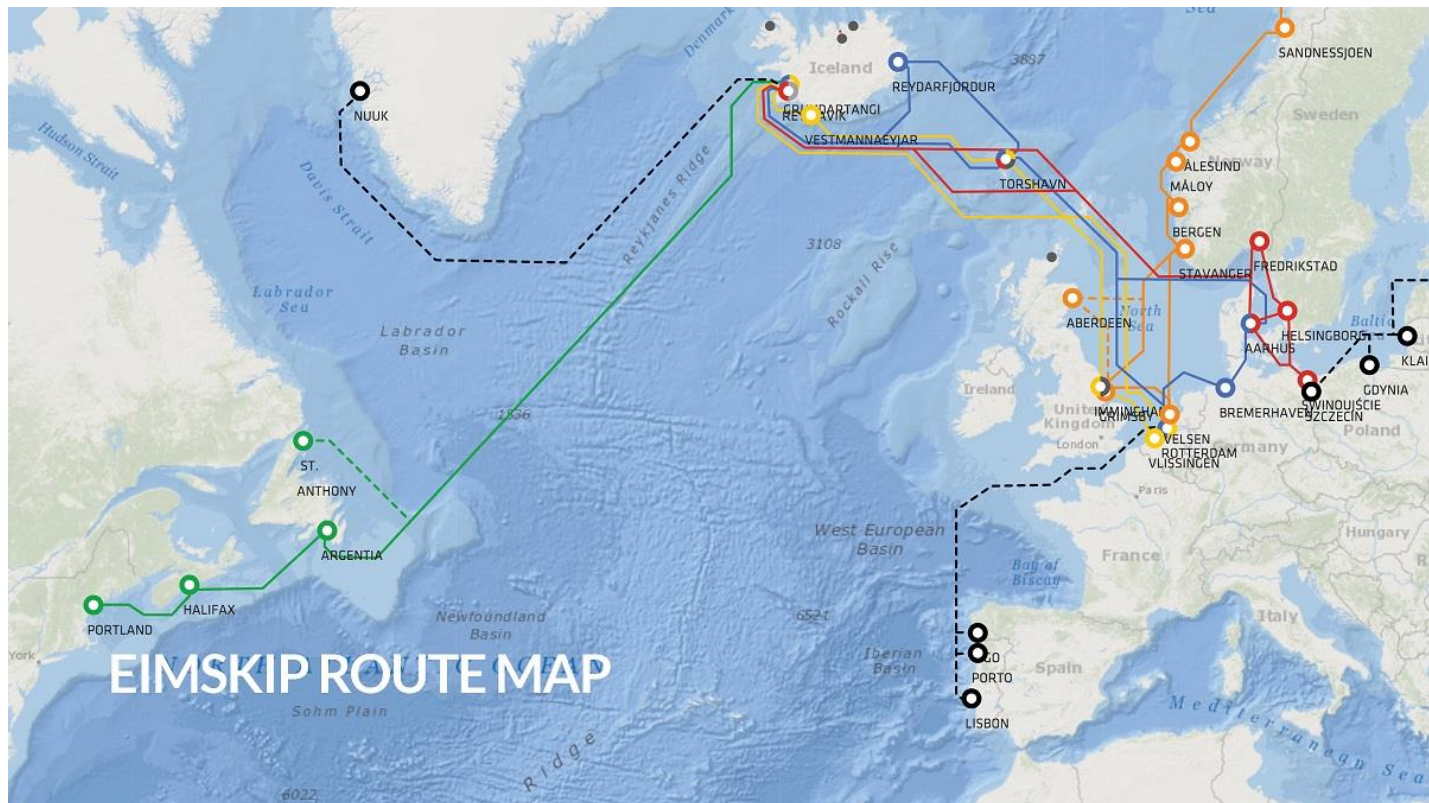


## Share of Maine Real GDP by Metropolitan Area



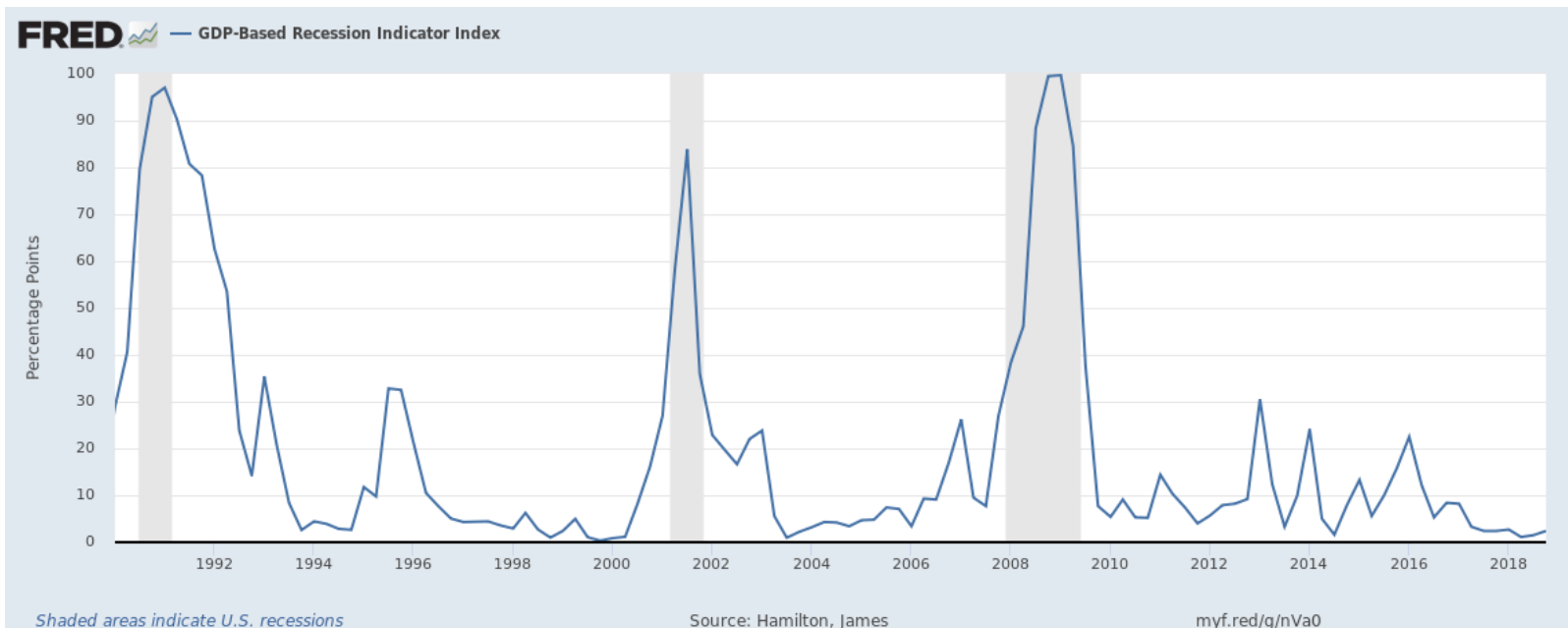


# Macroeconomic Conditions



# Macroeconomic conditions

- We are now in the longest period of economic expansion on record
- Some early warning signs of economic slowdown on the horizon (e.g. inverted yield curve), but...



# One possible trigger: tariffs

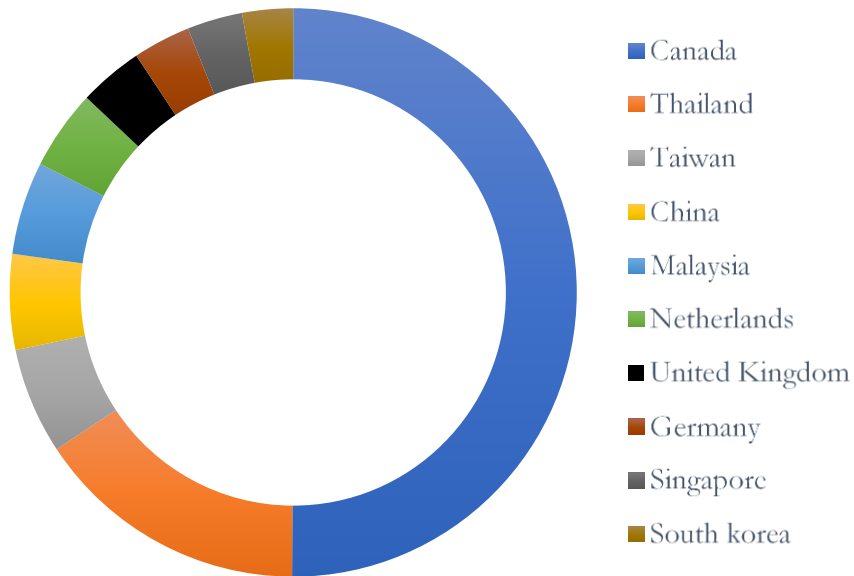
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- Latest rounds of tariffs have greater potential impact on consumers
- Slowdown in consumer spending could lead to larger economic slowdown

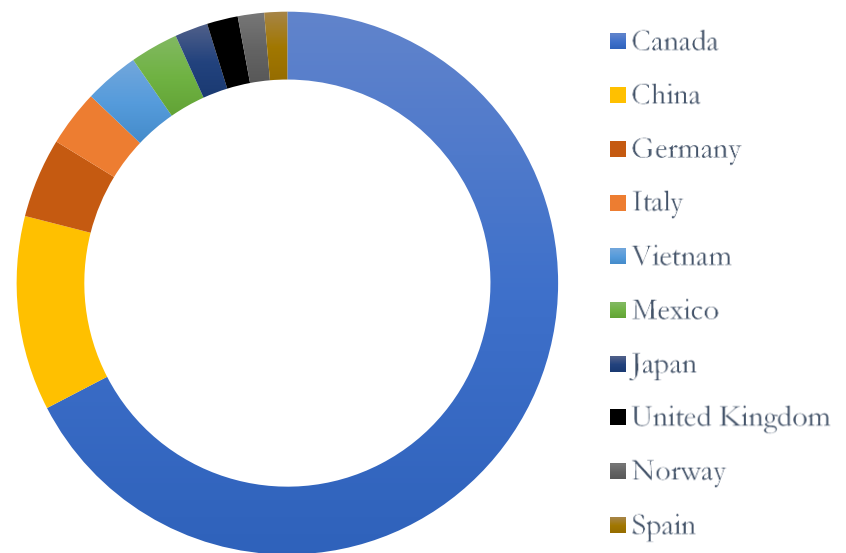
# Canada is Maine's top trading partner; impacts from China trade war/tariffs have been fairly limited (thus far)

June 2019 Trading Partners

## Top 10 export partners



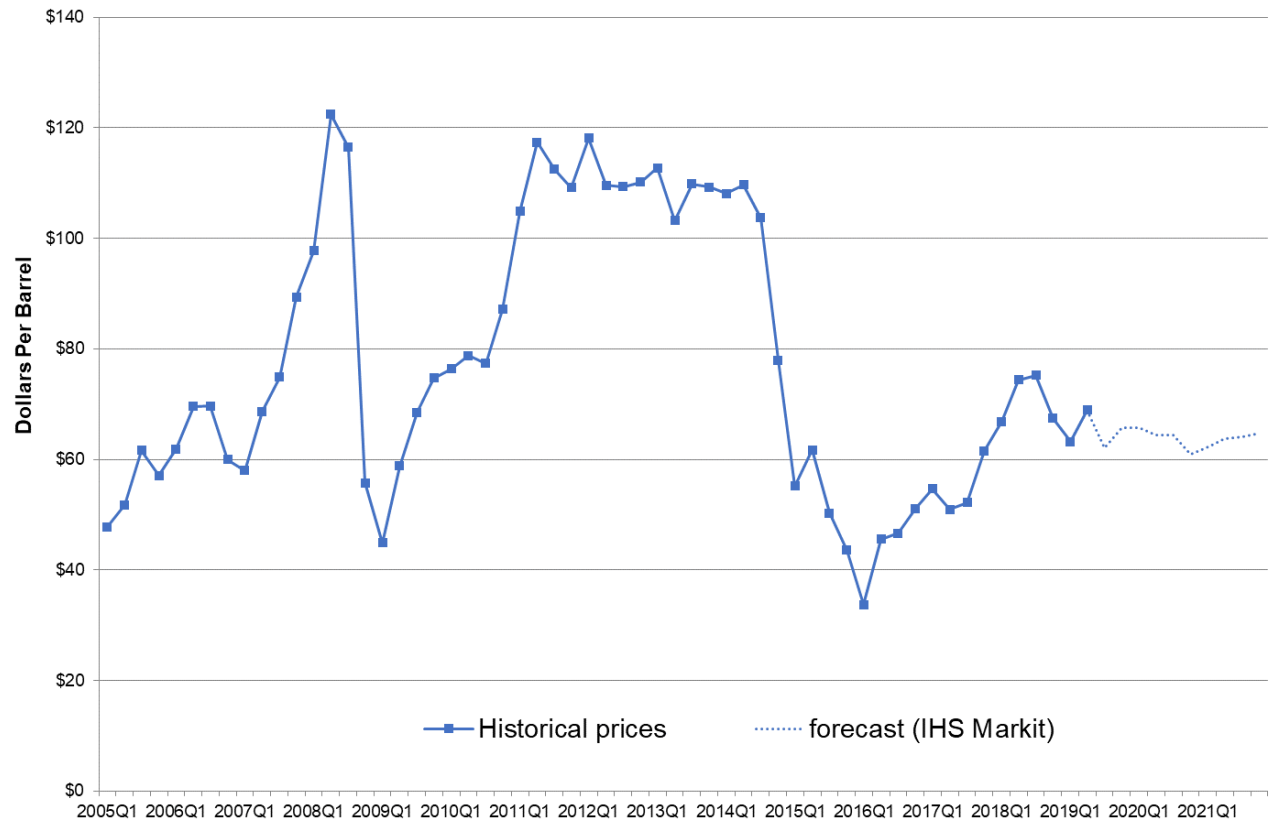
## Top 10 import partners



# Energy Prices

Recent spike in oil prices was relatively small and diminished quickly; forecast is for stable prices, but that could change quickly

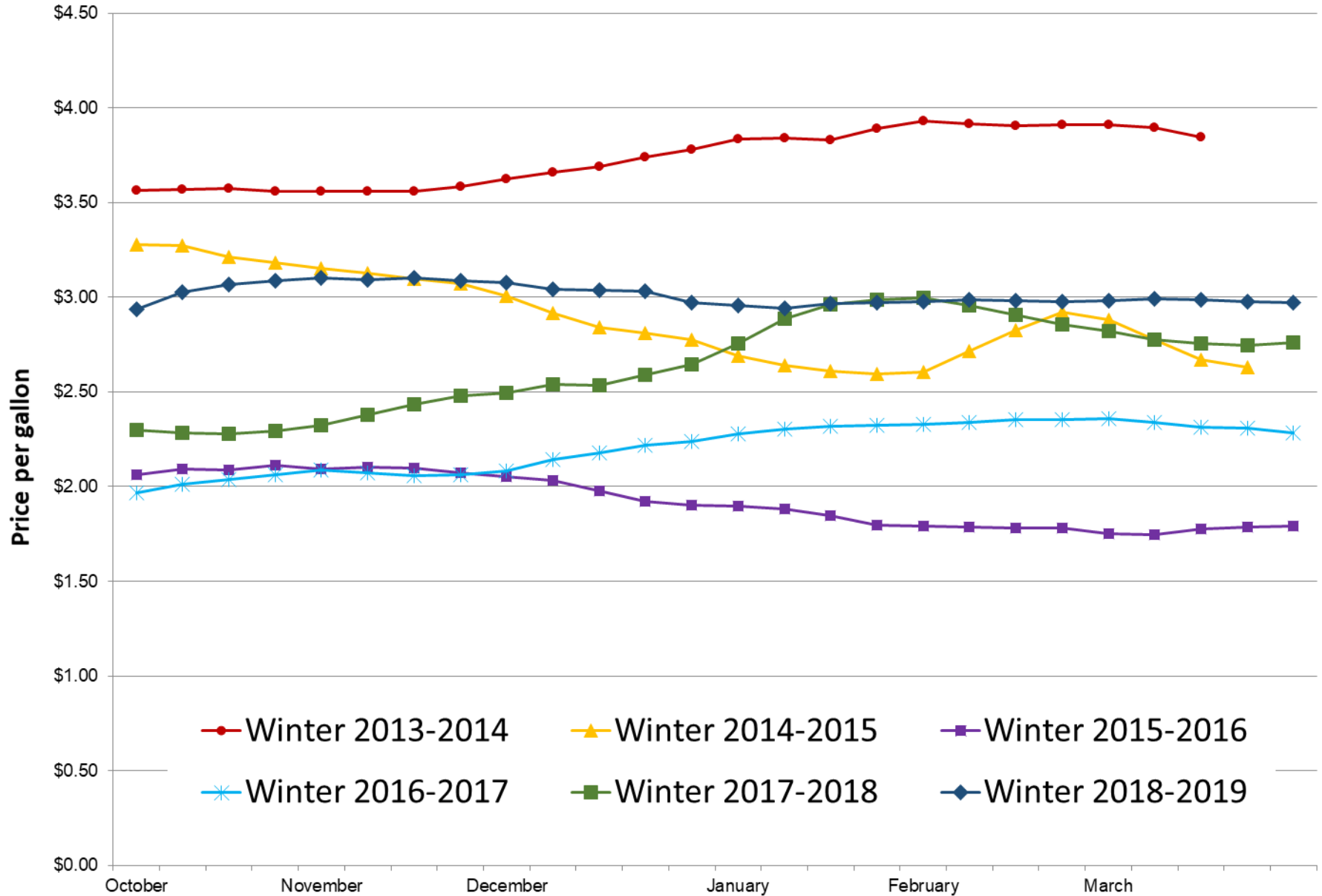
**Petroleum Crude Oil Price: Brent**



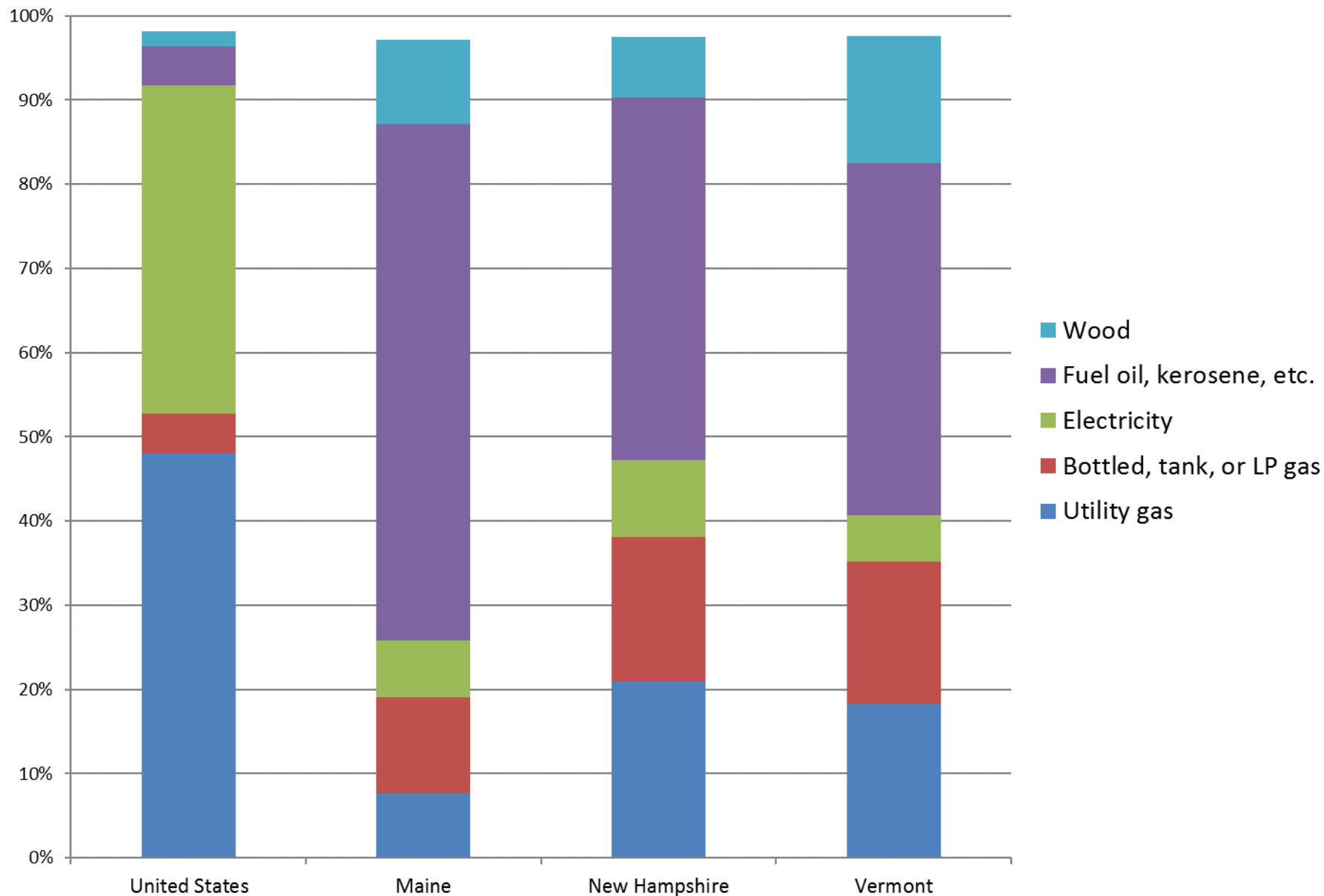
## Weekly New England Retail Gasoline Prices (Dollars per Gallon)



## Maine No. 2 Heating Oil Residential Price



## Percent of Housing Units by Type of Primary Heating Fuel (2017)





# Stress-testing Revenues



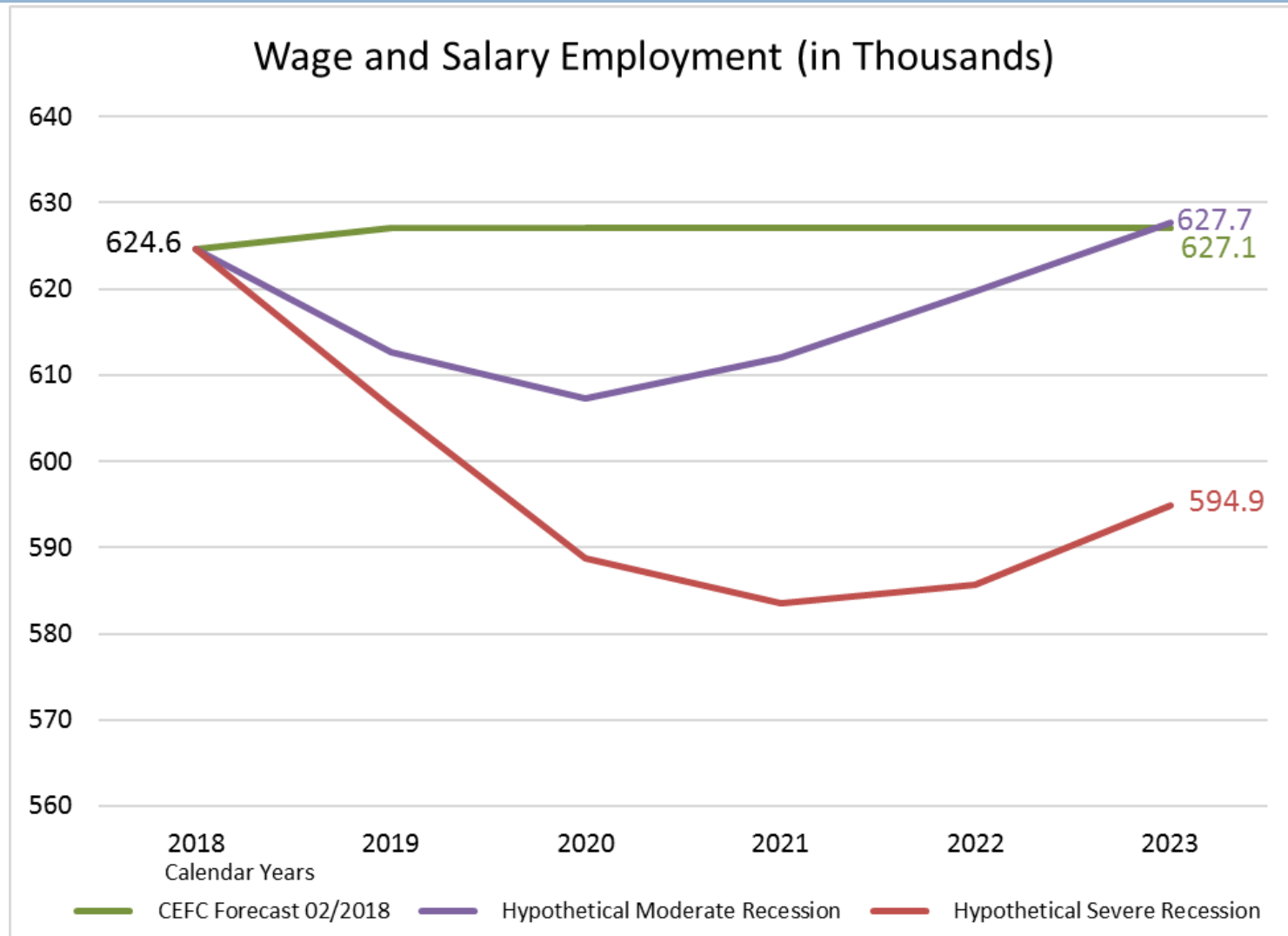
# Economic and Revenue Forecasting

- Consensus Economic Forecasting Commission (CEFC)
  - Typically meets each January (March in odd-numbered years) and October in advance of the Revenue Forecasting Committee
  - Five independent economists from academia and/or private sector
  - Statute requires the Governor, Speaker of the House, and President of the Senate to make appointments
  
- Revenue Forecasting Committee (RFC)
  - Typically meets each February (April in odd-numbered years) and November
  - Members are State Budget Officer, Associate Commissioner of Tax Policy, State Economist, Director of Office of Fiscal and Program Review (OFPR), Analyst from OFPR, and University of Maine Economist
  - Must use recommendations from CEFC

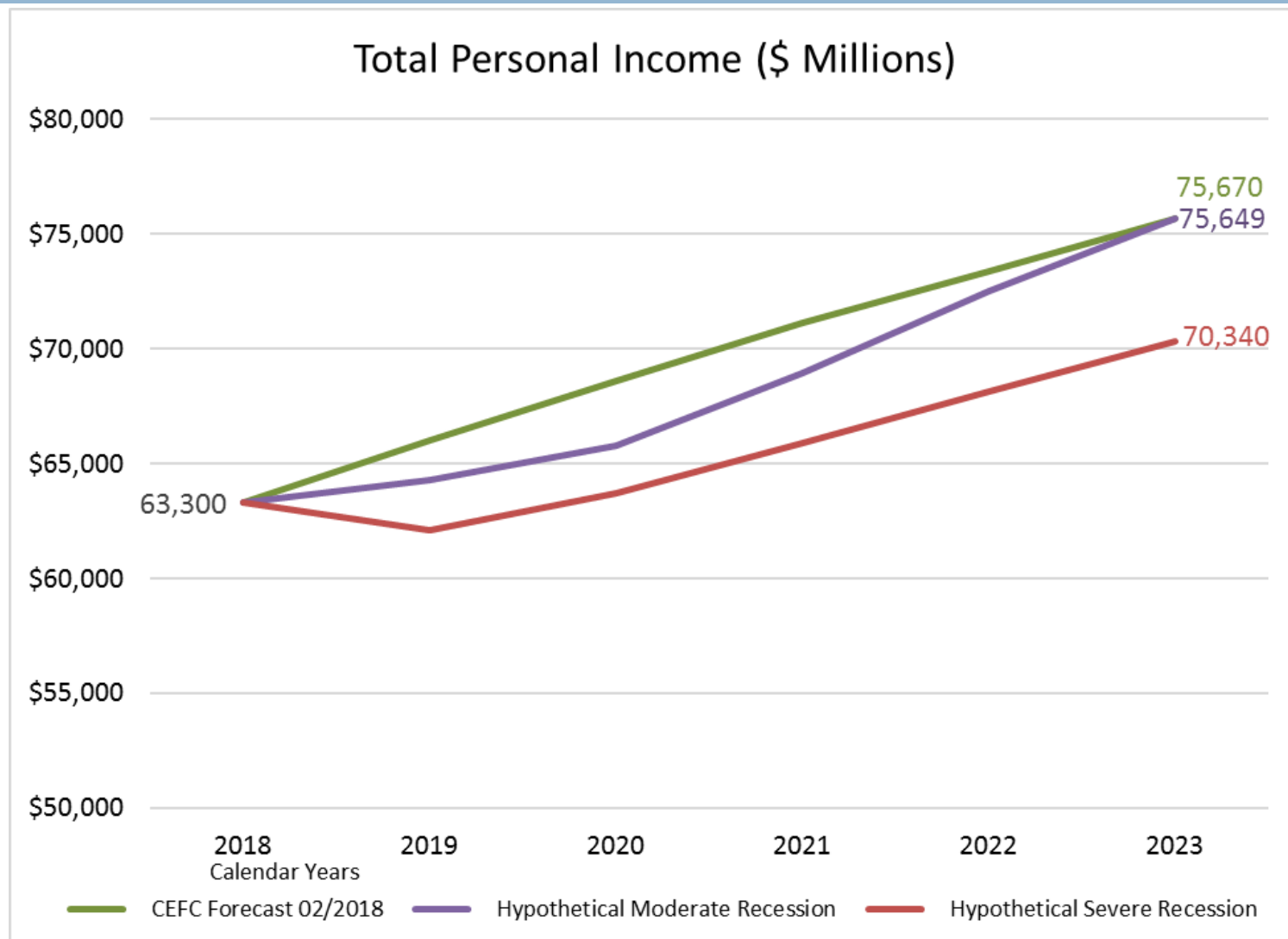
# Stress-Testing GF Revenues & Reserves FY19-FY23

- Joint report of the CEFC and RFC
- Impact of two recession scenarios on sales and individual income tax revenues (Feb/Mar 2018)
  - ▣ Moderate recession
  - ▣ Severe recession
- Sufficiency of current level of the Budget Stabilization Fund (BSF) to maintain spending limitation
- BSF necessary to maintain spending limitation in each recession scenario

# Recession Scenarios: Wage & Salary Employment

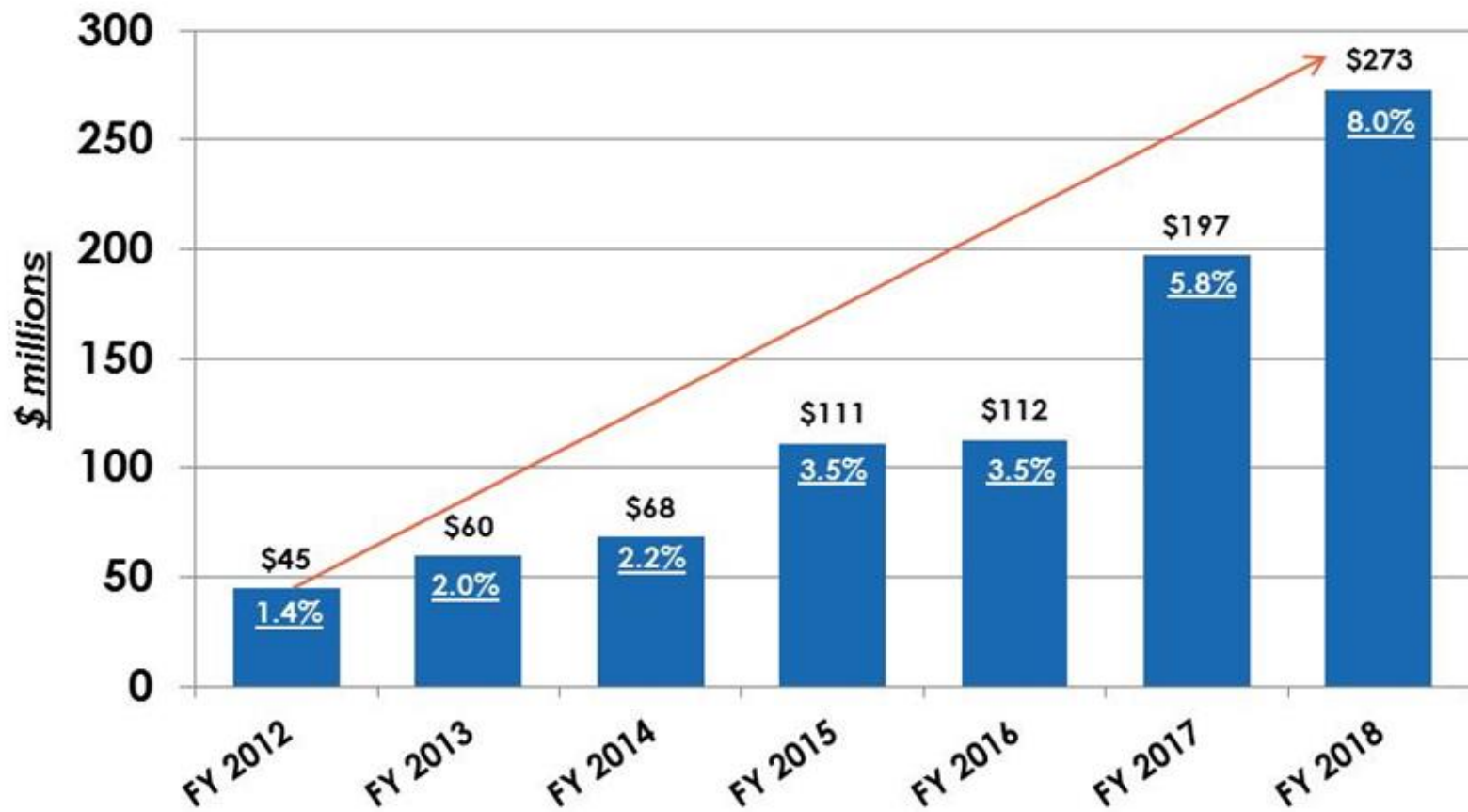


# Recession Scenarios: Total Personal Income



# Budget Stabilization Fund

\$ Budget Stabilization Fund / % of GF



# Stress-Test Conclusions

- The current BSF of \$273 million is not sufficient to fully offset the revenue shortfalls estimated as the result of a moderate and severe recession.
- The BSF is at a level that will provide the Governor and Legislature time to make the changes necessary to bring the budget back into balance.
- The statutory maximum for the BSF of 18 percent of prior year General Fund revenues (currently \$646 million) would be sufficient to fully offset a moderate recession modeled in this report.

# Looking Ahead



- Maine currently engaged in 10-year economic strategic planning (report due to Governor Mills in mid-November)
- National economy likely to slow in the not-too-distant future: how much and when are unknown



# Contact Information



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