

**Consensus Economic Forecasting Commission (CEFC)
Summary of CEFC Data Gathering Session on October 26, 2015**

For the fifth year in a row, leaders of several Maine business and industry groups assembled at the State House to share economic data and industry-specific information with the Consensus Economic Forecasting Commission (CEFC) prior to the fall forecasting meeting. Following is a summary of those presentations. Any economic data, observations or forecasts contained in this summary appear as they were heard and interpreted at the meeting, so the CEFC is not responsible for their accuracy. Nothing in this summary necessarily reflects the views of the CEFC. The current official forecast of the CEFC can be found at <http://www.maine.gov/economist/forecasts/index.shtml>.

Bart Haag, Albin, Randall & Bennett

Mr. Haag presented information on the general business climate of the state as well as a focus on three particular industries: auto dealerships, construction contractors, and manufacturers. Overall, businesses in southern Maine and in Maine's larger cities are doing well, with increasing profits and access to capital. Results are mixed but generally positive for businesses in the mid-coast, while businesses in rural, northern, and downeast parts of the state are struggling. Tax burden concerns continue to top the list of issues for business owners along with regulatory complexity. More and more business owners are beginning the process of planning for the transfer of their businesses in the next few years.

The automotive industry has seen increased sales of new and used vehicles recently, although 2015 is expected to end flat or just above 2014 figures. Employment in the industry is not expected to change significantly in the coming years, but job responsibilities will likely change as technology continues to permeate the industry. The most significant investment dealers will be making in their businesses will be in their facilities. Workforce and succession are some of the biggest challenges for the industry.

Manufacturing in Maine is a diverse industry, with growth coming mostly from outside the state. Workforce availability is a challenge for the industry as many positions are for skilled laborers with in-depth knowledge of technology. This has been a limiting factor to growth for several years now. Energy and transportation continue to be significant costs to doing business as well.

The construction industry ranges from home builders to bridge builders of all sizes and includes both general contractors and subcontractors. Larger, multi-state general contractors are doing well, but there is still a pool of contractors that are struggling. Workforce issues are a concern in this industry as well, and contractors would like to see more professionals graduating in construction management programs. Compliance costs are another area of concern.

Chris Pinkham, Maine Bankers Association

Mr. Pinkham provided a summary of growth for the first half of 2015. Commercial real estate and C & I loans have seen strong growth in 2014 and the first half of 2015; some of this may be pent-up demand and some may be front-running an interest rate hike by the Federal Reserve Bank. The 90-day delinquency rate has continued its slow decline.

There is concern in the industry that high student loan debt has been holding down growth in housing. Individuals with excessive education debt are often constrained from purchasing a home, either unable to afford the downpayment or unqualified because of debt-to-income levels. The Association is working with FAME to try to address the student lending issue.

Maine Automobile Dealers Association

The Maine Automobile Dealers Association was unable to participate in the meeting but sent a written summary from Tom Brown. New and used sales in Maine in 2015 were down from 2014. Some of the factors having a negative impact on 2015 sales included direction in the stock and bond markets, general economic news, high profile job losses and

reductions at paper companies, and high prices for used vehicles. On the upside for 2015 were low interest rates, low gasoline and heating oil prices, manufacturer incentive programs, a high average age of vehicles, and a multitude of new and re-styled vehicles.

Nationally, 2016 is projected to be a peak year, and Maine will likely again see a slight decline in sales. Concerns for the industry include jobs, the timing and magnitude of an interest rate increase, potential fuel price increases, whether manufacturers will continue the strong incentive programs, and the impact of significant recalls. A projected decline in used vehicle prices is two-sided: an increased volume of vehicles at lower prices helps consumers, but lower prices may curtail strong incentives for leases in the new vehicle market.

Chris Fogg, Maine Tourism Association

Mr. Fogg presented information on national travel trends, Maine visitation, and possible threats to the industry. Nationally, there has been steady growth in tourism since 2008. For 2016, the U.S. Travel Association forecasts growth of 4% in expenditures and 1.8% in total trips nationally. International visitation should continue to grow as well.

Visitation to Maine has also been increasing. Both visitation and expenditures increased in 2014. One of the reasons for this growth is the research-based targeted marketing to new and emerging markets by the Maine Office of Tourism. The repeat visitor market in Maine is very strong, but Maine has also seen a dramatic uptick in first-time visitors in 2014. Marketing is focused on younger visitors and families with higher median incomes.

Weather is the one of the most significant concerns for the tourism industry in Maine. Visitors have begun booking later and taking shorter trips with the advent of the 10-day forecast. The El Nino weather pattern prediction is concerning. The national economy is another area of concern along with gas prices. The value of the Canadian dollar had an adverse effect on visitation to Maine this year.

David Clough, NFIB Maine and Maine Staffing Association

Mr. Clough reported findings from a recent survey of NFIB members in Maine. Overall, nearly 30% of members thought the next 6-12 months would be a good time to expand, while 42% did not think it was a good time for expansion. Businesses in the southern part of the state were more likely to see conditions in the next year improving compared to businesses in other parts of the state. Over half of businesses reported difficulty in finding qualified applicants while many members expressed concerns about being able to find someone to buy their business when the time came. Healthcare continues to be the top concern, followed by quality of labor.

Staffing companies in the state reported that it has become much more difficult to find field workers due to the low unemployment rate, declining labor force participation rate, transportation problems, and work ethic challenges. Meanwhile, more companies are turning to staffing agencies to recruit workers at all levels. Temp-to-hire rates are increasing as many clients do not have Human Resources departments or the capacity to effectively recruit workers. The lack of skilled workers is a growing problem and there is increasing pressure to raise pay rates for field workers.

Jess Knox, Maine Accelerates Growth

Mr. Knox began by sharing some of the rankings for Maine from the Kauffman Foundation Entrepreneurship Index 2015. Maine ranks 19th for the percent of adults becoming entrepreneurs, 23rd for the percent of startups who were not unemployed when starting a business, and 17th for the number of startups per 100,000 of population. Mr. Knox then went on to describe the transition from Blackstone Accelerates Growth to Maine Accelerates Growth. The focus is on accelerating the growth of startups and supporting businesses that aspire to large and rapid growth. Going forward, there are seven metrics that Maine Accelerates Growth will be tracking: density of startups and entrepreneurs, fluidity of labor and talent, connectivity of network, diversity, financial support for entrepreneurial ecosystem, co-opetition model, and effective program support. Mr. Knox also shared a number of statistics from the four years as Blackstone

Accelerates Growth. There were 293 participating companies; 121 individual student participants in the BxG Innovate for Maine Fellows Program and 122 individual students received Innovation Engineering or Top Gun Prep scholarships; the BxG companies had 12% average annual revenue growth, 8% increase in employment, and 14% increase in compensation per FTE.

Greg Dugal, Maine Restaurant Association and Maine Innkeepers Association

Mr. Dugal presented information from both the Maine Innkeepers and Maine Restaurant Associations. In 2014, lodging sales in Maine were up 5.7%; Bar Harbor was up 5.4% and Portland, with many new rooms added, was up 22%. Portland just passed Bar Harbor for the most lodging rooms (2,728 versus 2,644). Restaurant sales in Maine were up 4.4% in 2014; Bar Harbor was up 4.9% and Portland was up 13.2%. In 2014, total restaurant sales were around \$2.4 billion while total lodging sales were around \$809 million.