

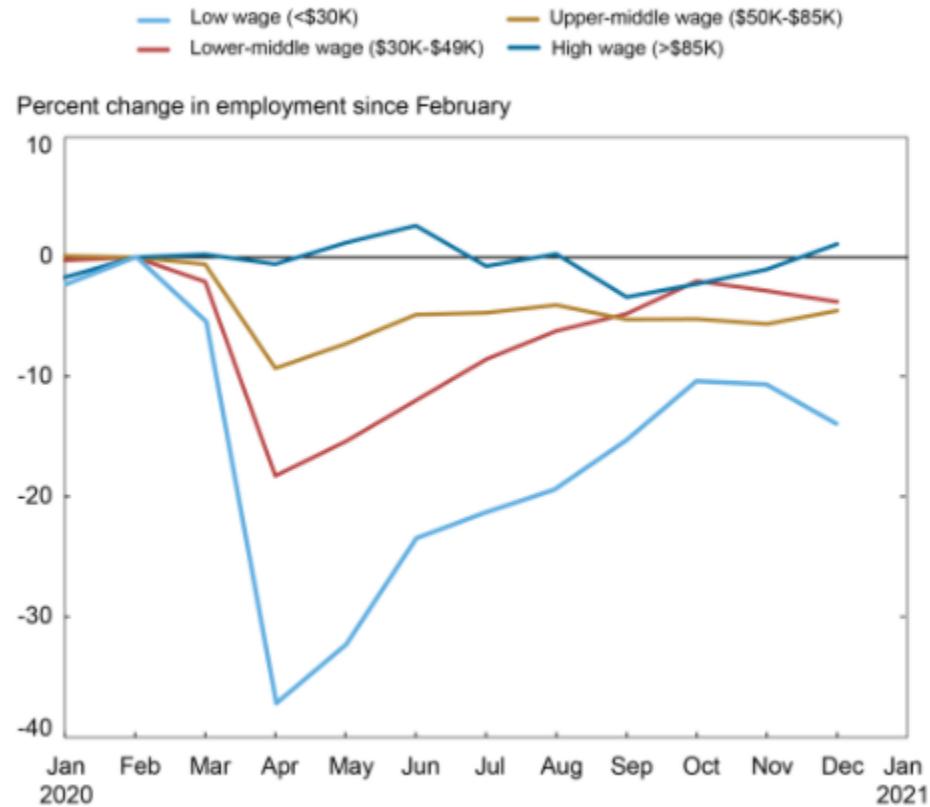
Economic Update

CEFC/RFC joint meeting

February 12, 2021

The labor market recovery has been more protracted for service industry, low-wage jobs

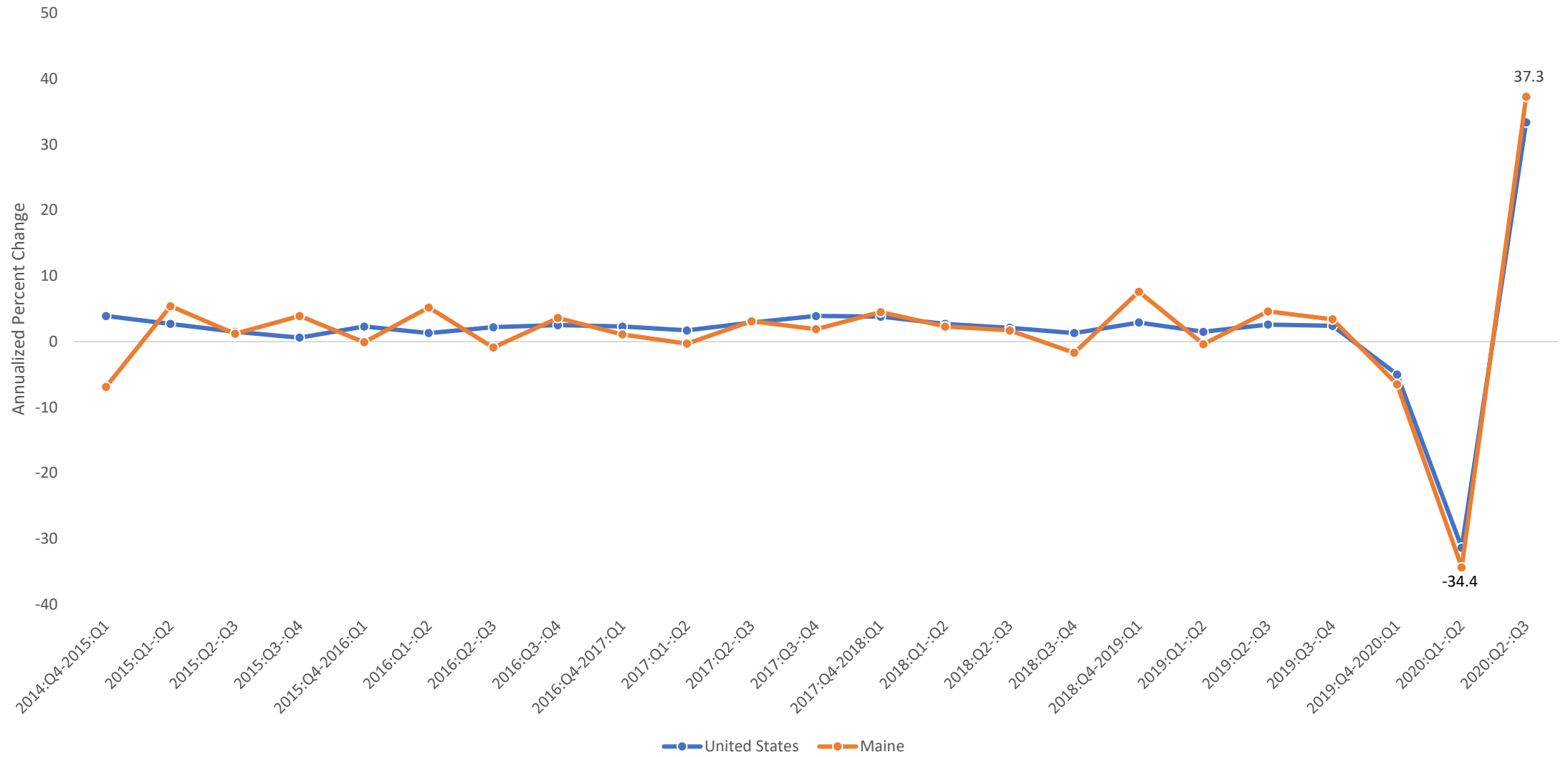
Steeper Job Losses Seen for Lower-Wage Workers



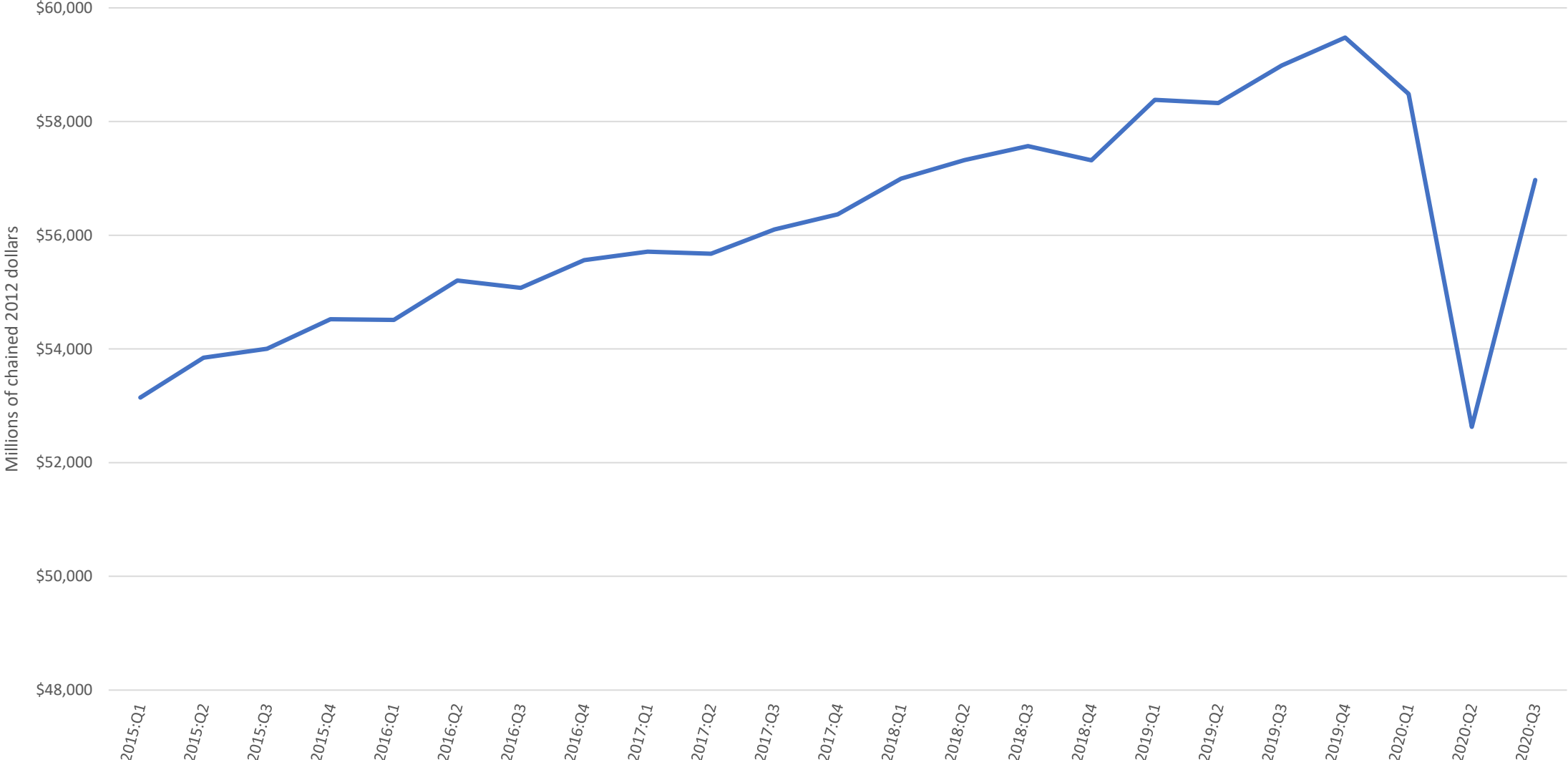
Source: IPUMS-CPS and IPUMS-USA, University of Minnesota, www.ipums.org.

Source: Federal Reserve Bank of New York

Real GDP rebounded in the third quarter



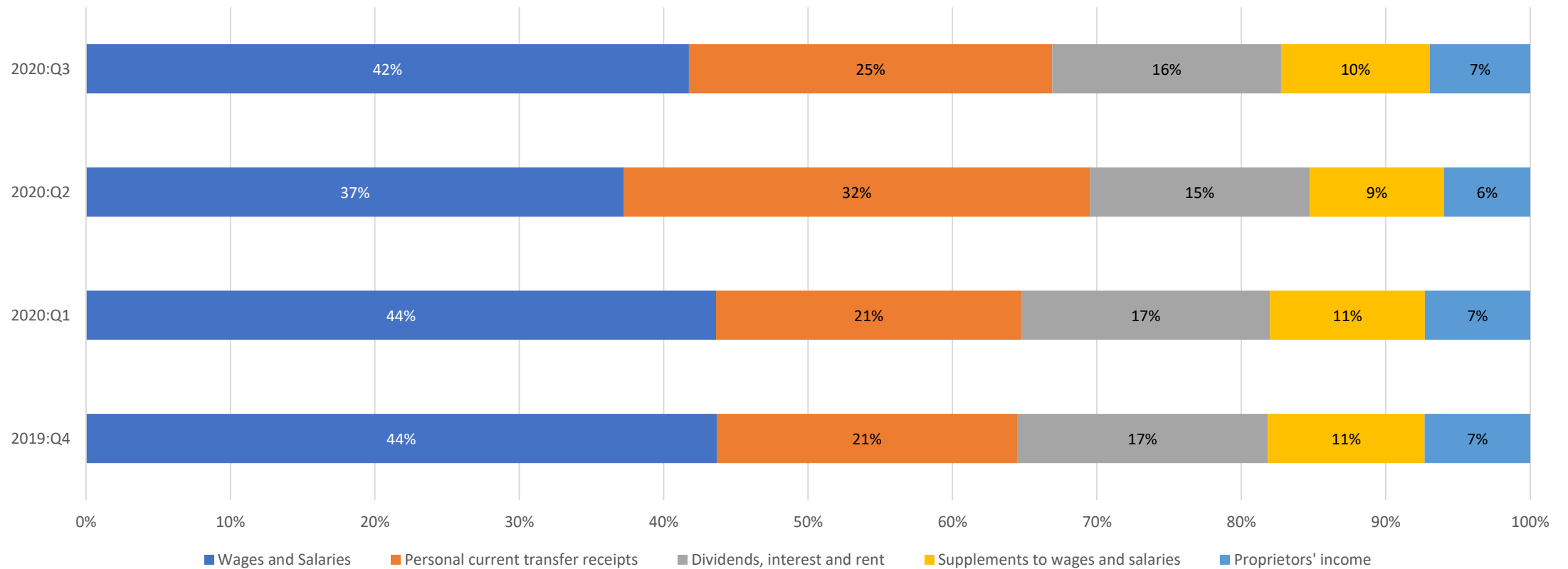
Maine's Real GDP -3.4% Year-Over-Year in 2020:Q3



Source: Bureau of Economic Analysis

Composition of P.I. in flux

Major components of Personal Income, Last Four Quarters in Maine



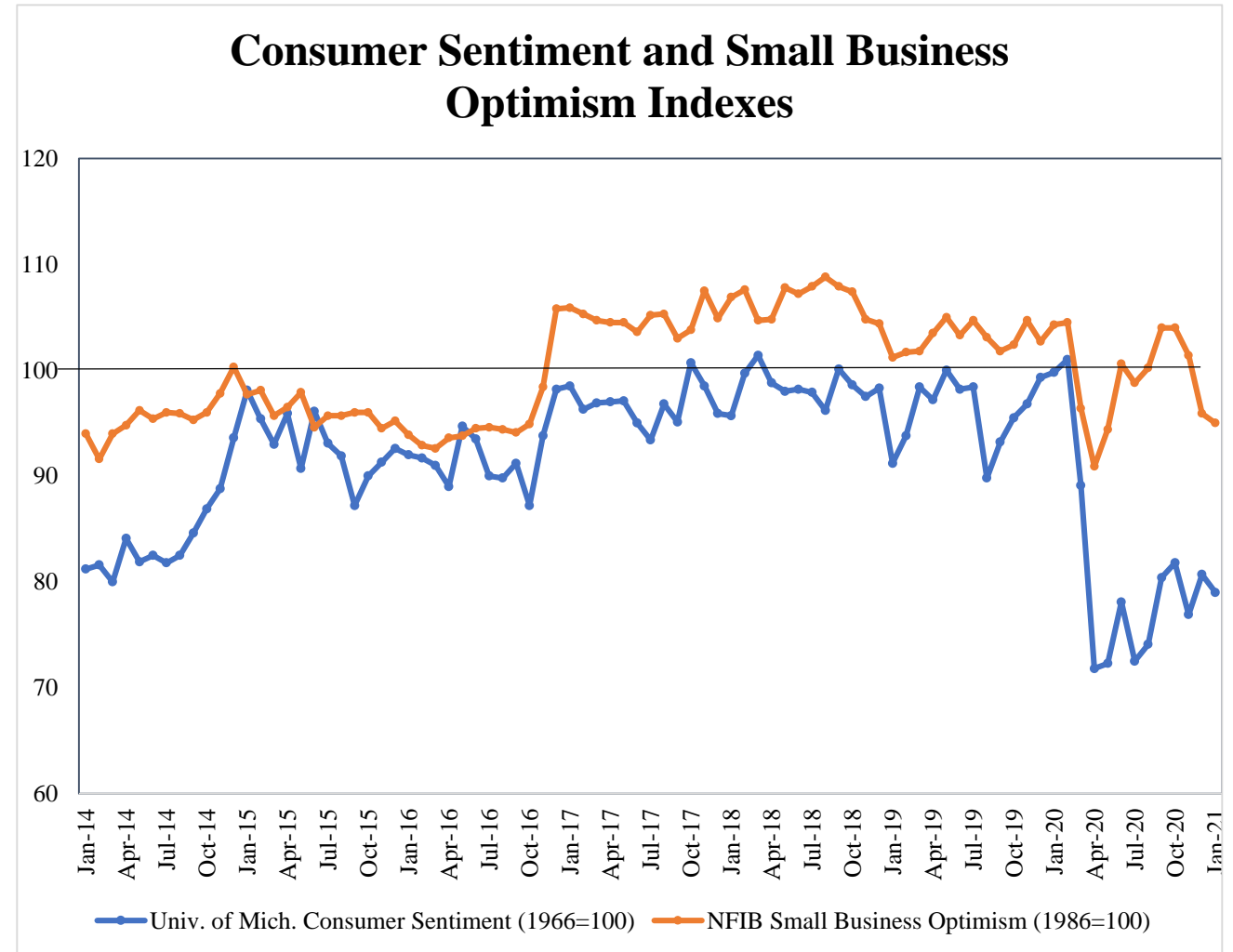
Home sales had a strong year in 2020

- There is some evidence that out-of-state sales bolstered the real estate market through the pandemic
- There is less evidence as to whether these out-of-state buyers are here to stay
- Out-of-state license transfers in 2020 were consistent with previous years, signaling that many of these purchases may have been second homes

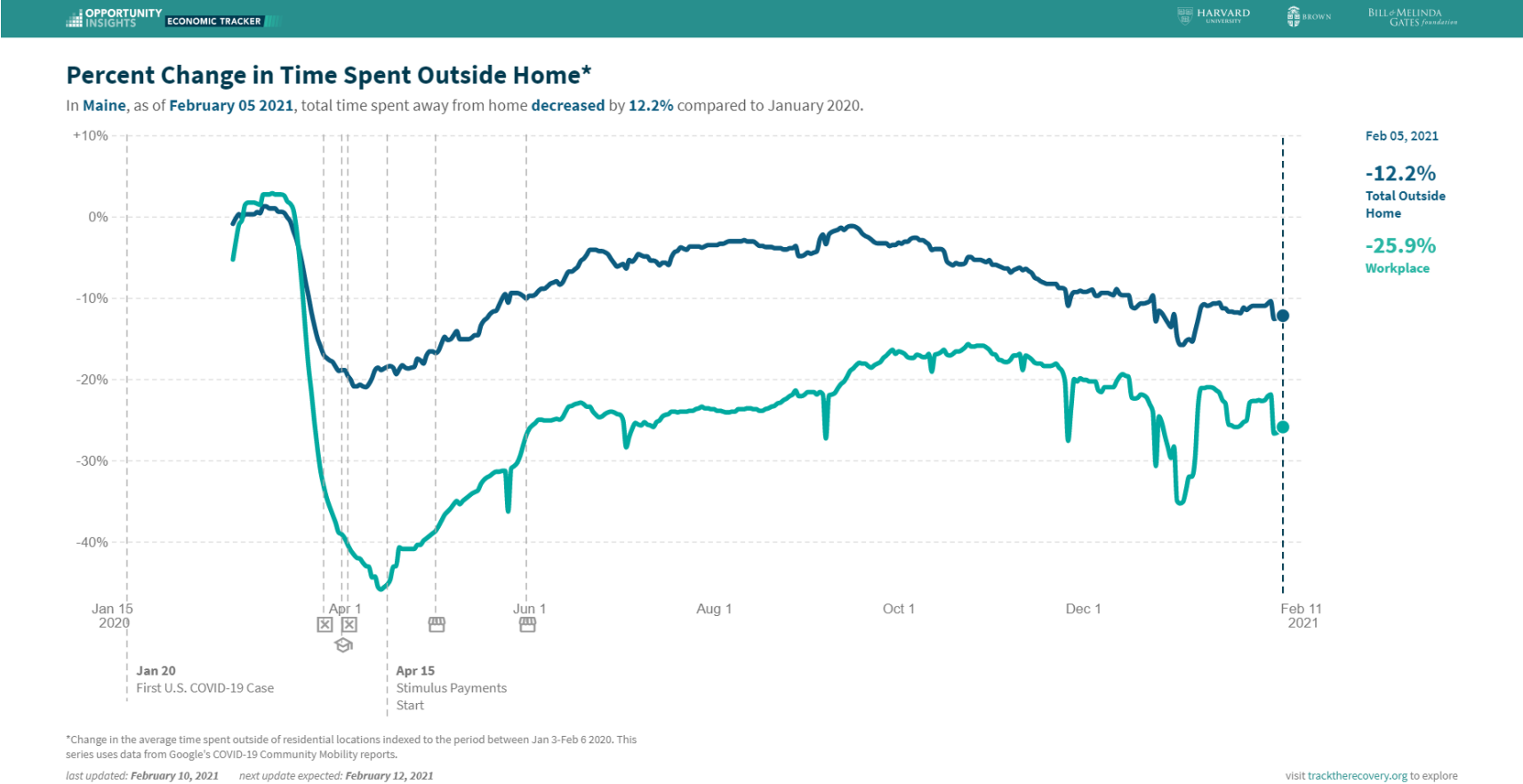


Consumer sentiment down significantly in 2020, has rebounded in recent months

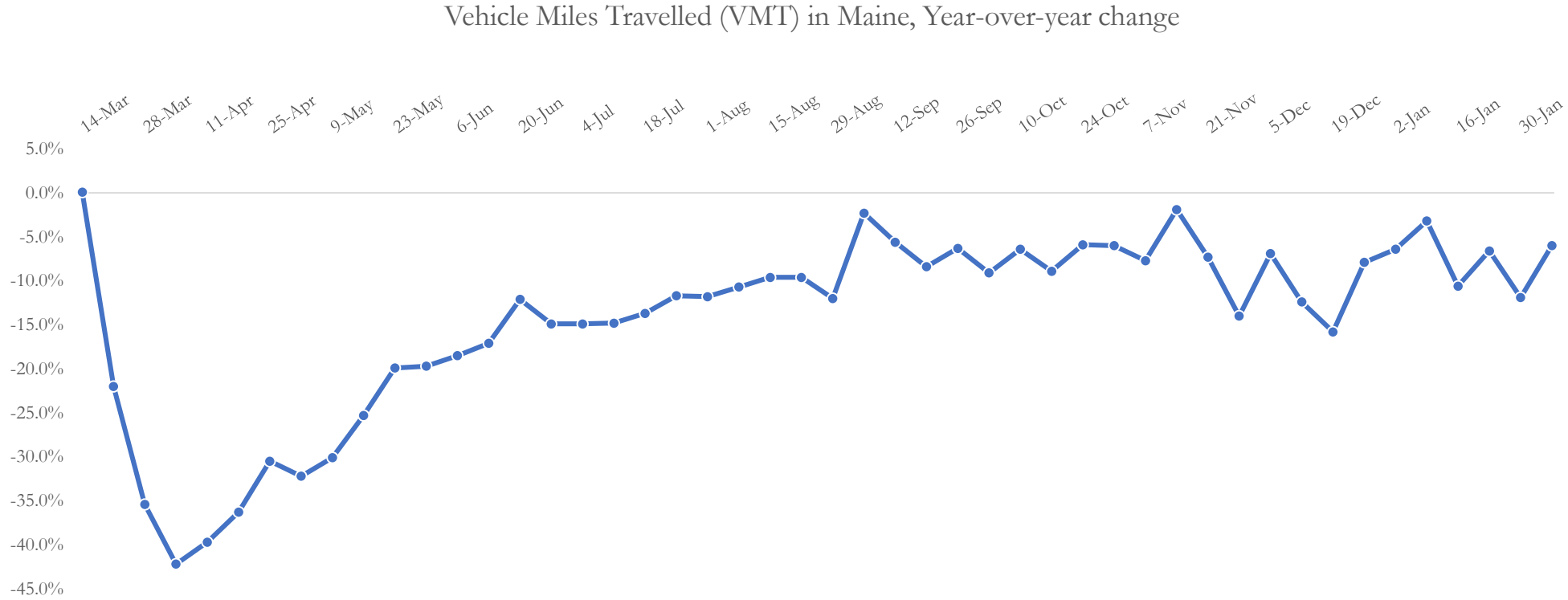
- The Michigan consumer sentiment index averaged 81.5 in 2020, significantly down from an average 96.0 in 2019
- Consumer sentiment varies widely based on political leanings of respondents
- The NFIB small business optimism index saw improvement over the summer and Fall, but has declined somewhat in recent months



The winter season has seen less travel away from home



Travel has recovered slightly, but is less consistent during the winter months



Source: Maine Department of Transportation

CEFC assumptions

November 1, 2020 forecast report

November 1, 2020, key forecast assumptions

Assumption:

A protracted and slow recovery from the current recession, highly uneven across sectors and different groups

What we're seeing:

- “K-shaped” recovery for low-wage vs middle- and high-wage jobs
- Leisure and hospitality still furthest from recovery
- Labor force participation declines and employment income losses more severe for women, people of color, younger workers, households with children

November 1, 2020, key forecast assumptions

Assumption:

Although there is some concern that the holidays and winter months combined with “COVID fatigue” may lead to further spread of COVID-19, the State has developed resources that will help mitigate the effects

What we’re seeing:

- There was indeed an increase in COVID-19 spread related to the holidays and onset of cold weather
- The rates of infection have begun falling back again in recent weeks

November 1, 2020, key forecast assumptions

Assumption:

The timeline for widespread availability and distribution of a vaccine remains uncertain

What we're seeing:

- Vaccinations have begun; the scheduled rollout has been dependent on available supplies coming into the state

November 1, 2020, key forecast assumptions

Assumption:

Further federal stimulus will likely follow in 2021 including support for state and local governments, unemployed workers, and lower-income households

What we're seeing:

- Additional stimulus was passed at the end of December 2020 including support for unemployed workers and households (stimulus checks), but without support for state and local governments
- An additional stimulus package is under negotiation now

November 1, 2020, key forecast assumptions

Assumption:

Long-term structural changes are likely to occur as the labor market faces a skills mismatch; additionally, the challenges relating to the availability of childcare and K-12 education are seen as major factors in returning labor force participation rates to normal levels

What we're seeing:

- Labor force participation levels remain lower than usual with many schools still toggling between remote and in-person learning
- Long-term: TBD

November 1, 2020, key forecast assumptions

Assumption:

The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the “new normal” and people look for less densely populated places to live; however, this does have implications on the commercial real estate front, particularly for office space

What we’re seeing:

- Single-family home sales to out-of-state buyers remain elevated, but limited information is available related to the demographic details of these buyers
- Commercial real estate has been a mixed bag with long-term outcomes still TBD

November 1, 2020, key forecast assumptions

Assumption:

There is additional uncertainty in this forecast relating to the 2020 presidential election and subsequent policy action as well as the recent federal inflation target changes

What we're seeing:

- Some clarity has emerged on this point, with policy trajectories beginning to take shape

November 1, 2020, key forecast assumptions

Assumption:

Human behavior underpins several key uncertainties at this time, including participation in testing and contact tracing; continued adherence to social distancing procedures; and winter tourism decisions

What we're seeing:

- Participation in testing, contact tracing, and now vaccinations seems to be robust
- Demand for outdoor activities remains strong, with a relatively mild winter thus far likely helping