

Economic and Demographic Trends in Maine

MEMIC

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Maine State Economist

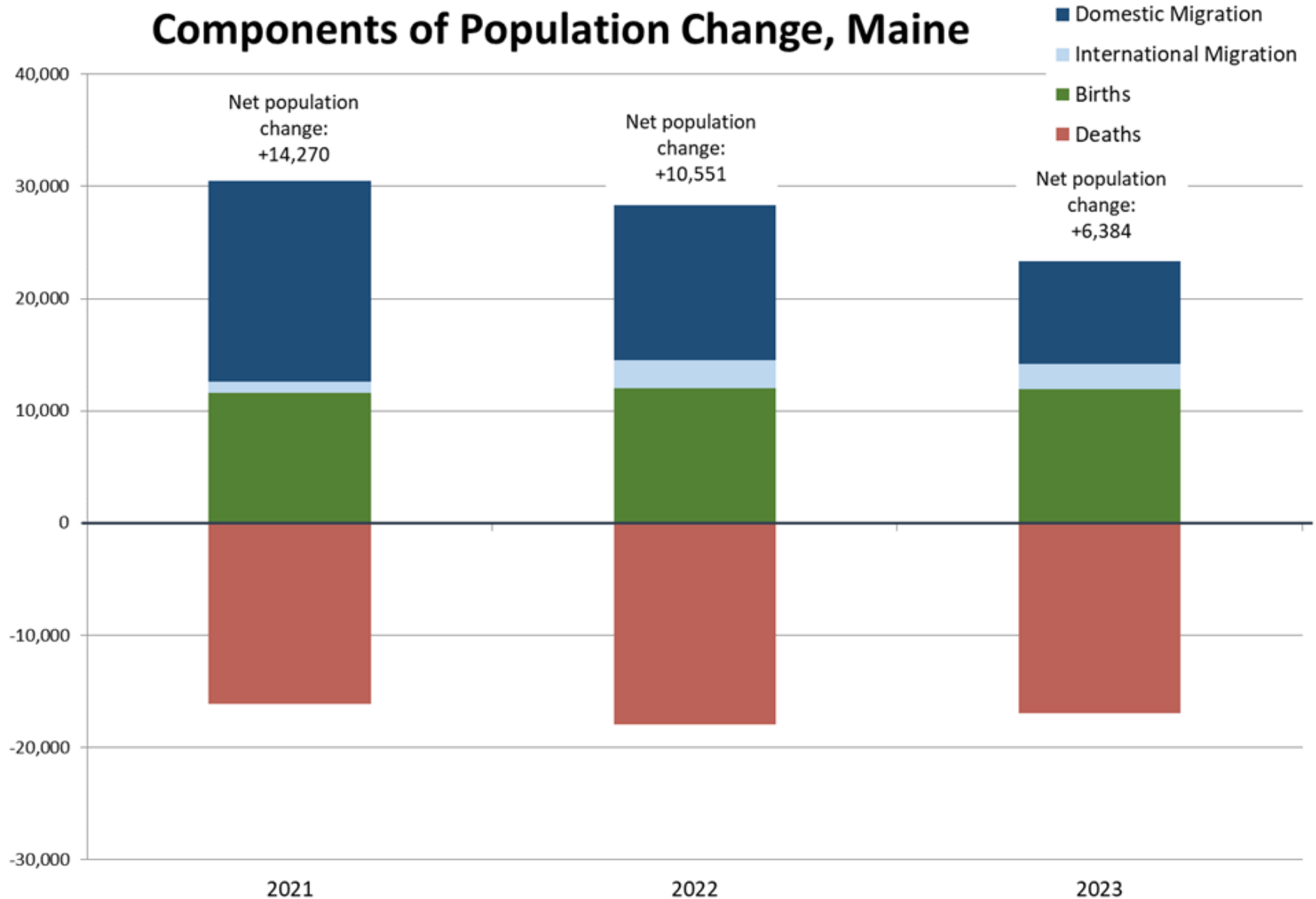
Population Change

Population increase of 2.6% from 2010-2020 (42nd in U.S.)

Population increase of 2.4% from 2020-2023 (14th in U.S.)

2023 Total Population: 1,395,722

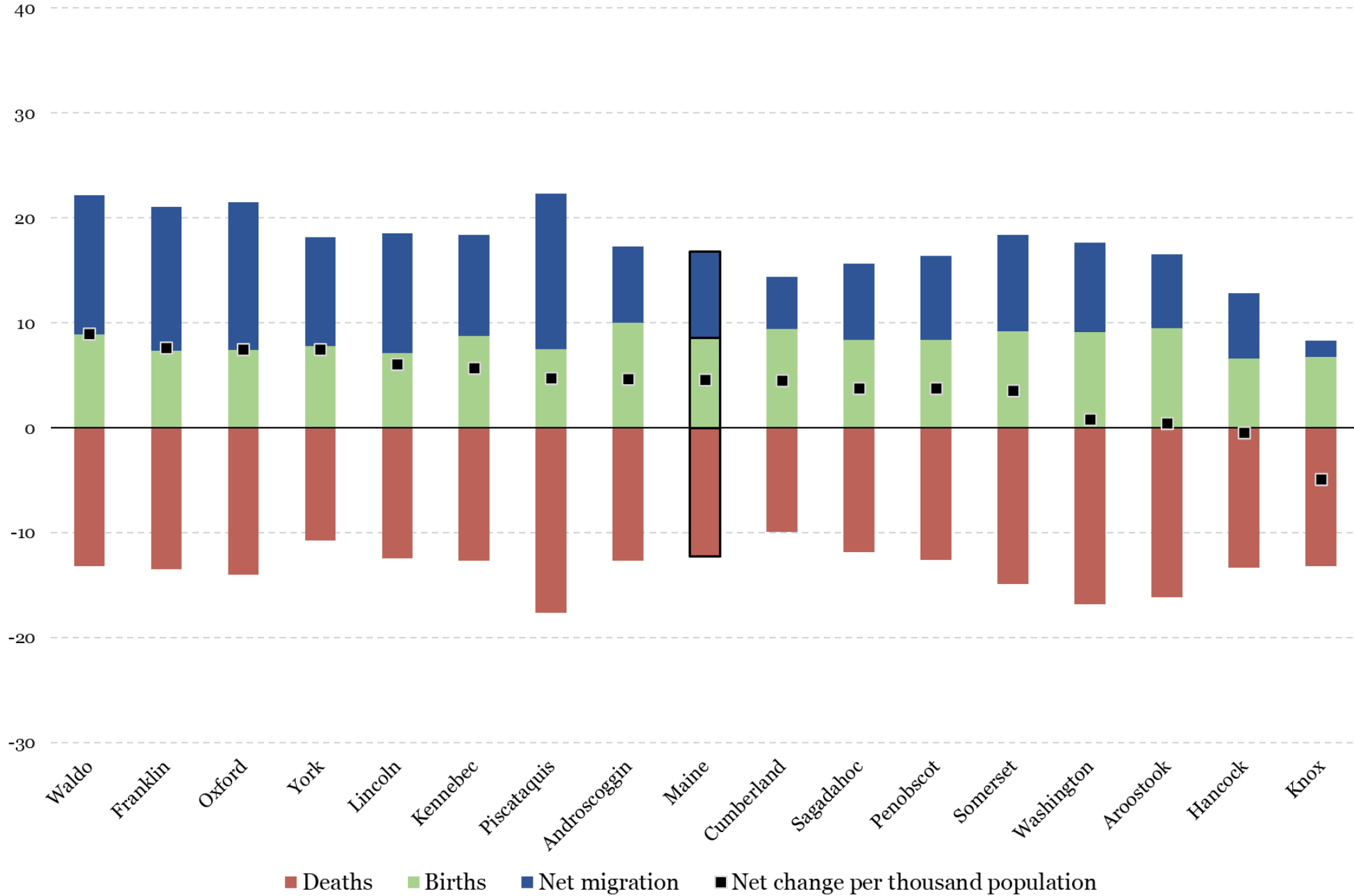
Components of Population Change, Maine



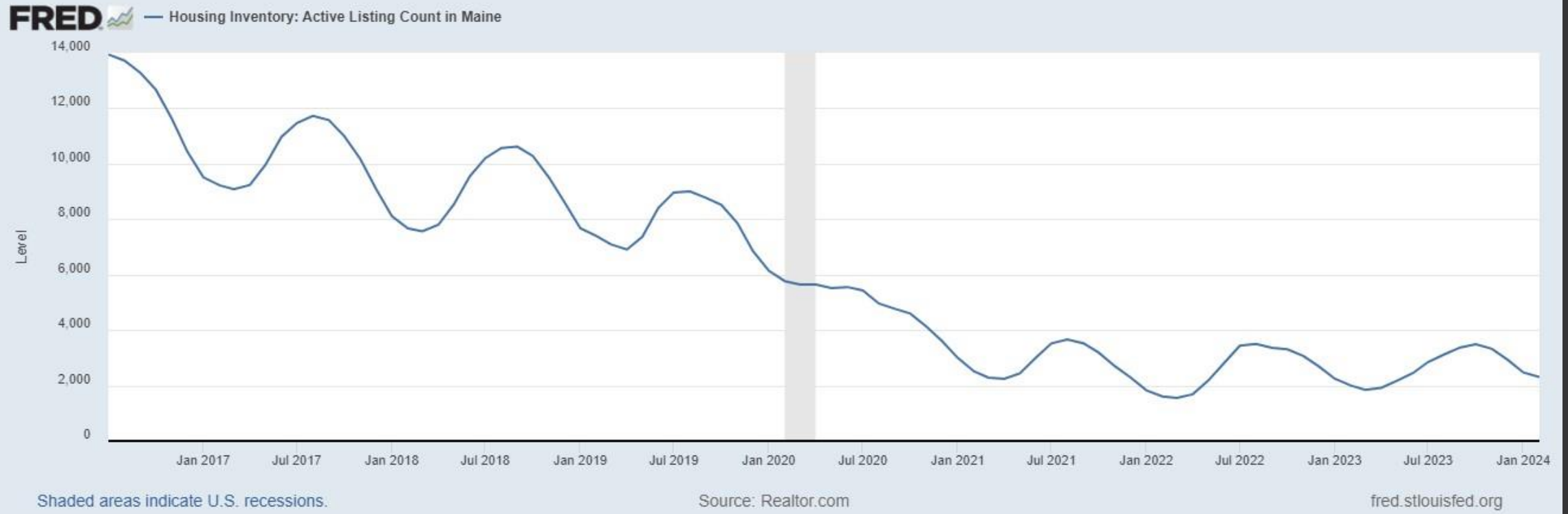
Source: U.S. Census Bureau, Population Estimates Program, 2023 vintage

Components of Population Change in Maine, 2023

Rate per thousand population

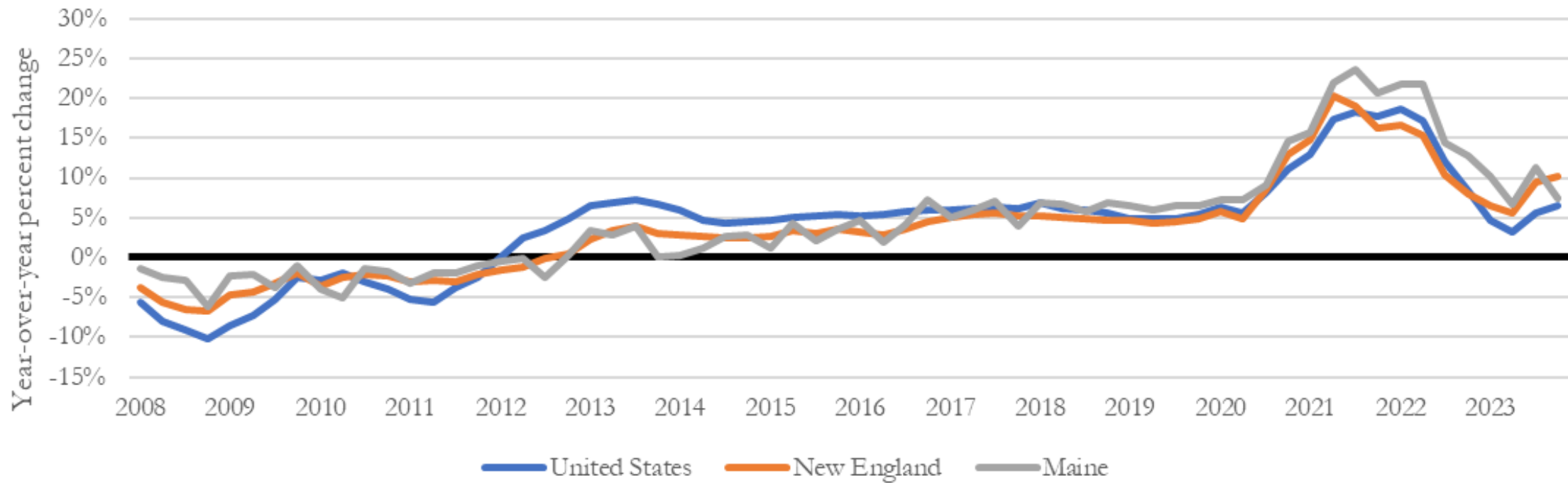


Housing

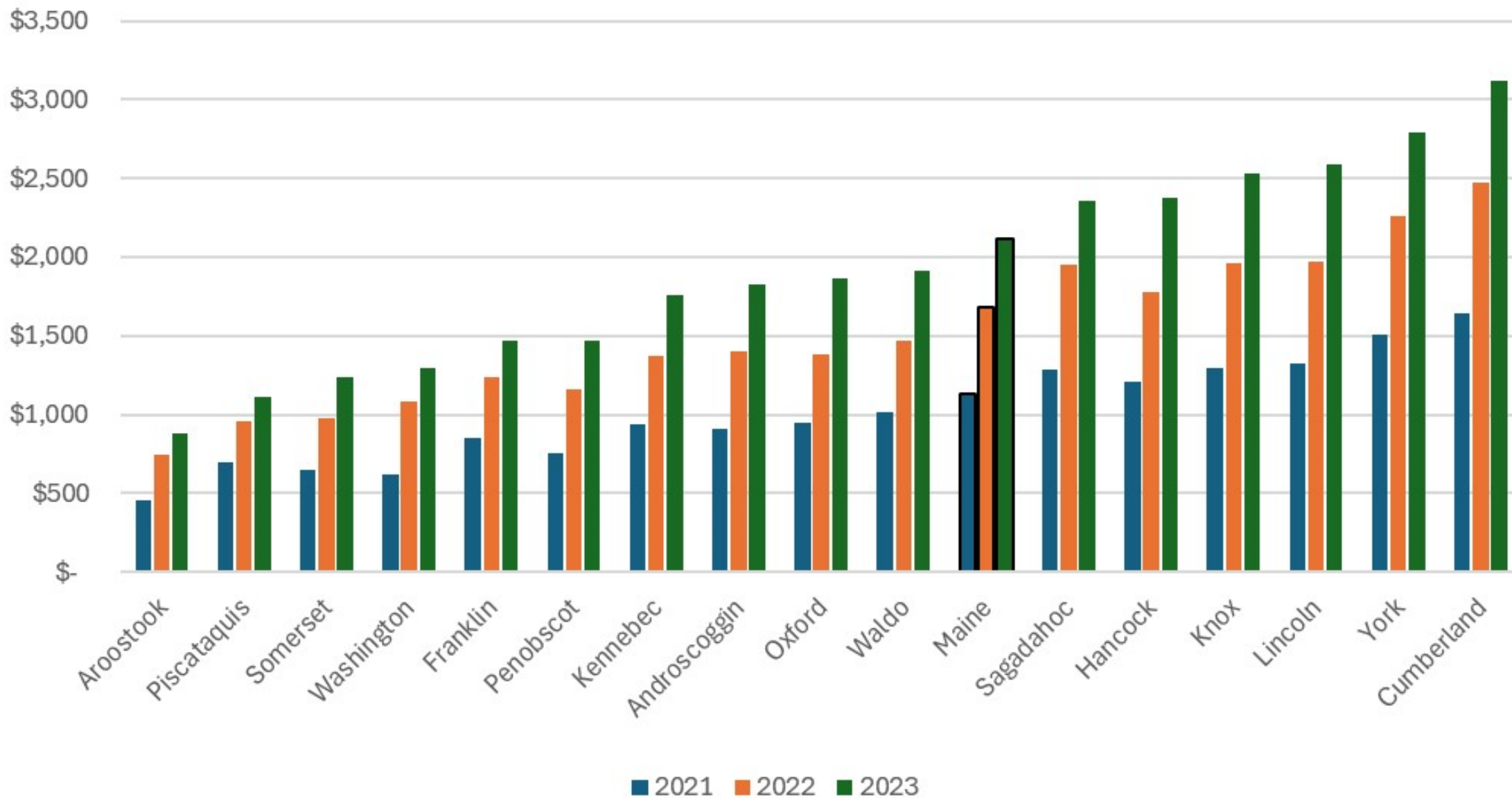


Migration into the state drove up demand for housing and further reduced the available supply; high mortgage rates have locked people into existing homes

Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)

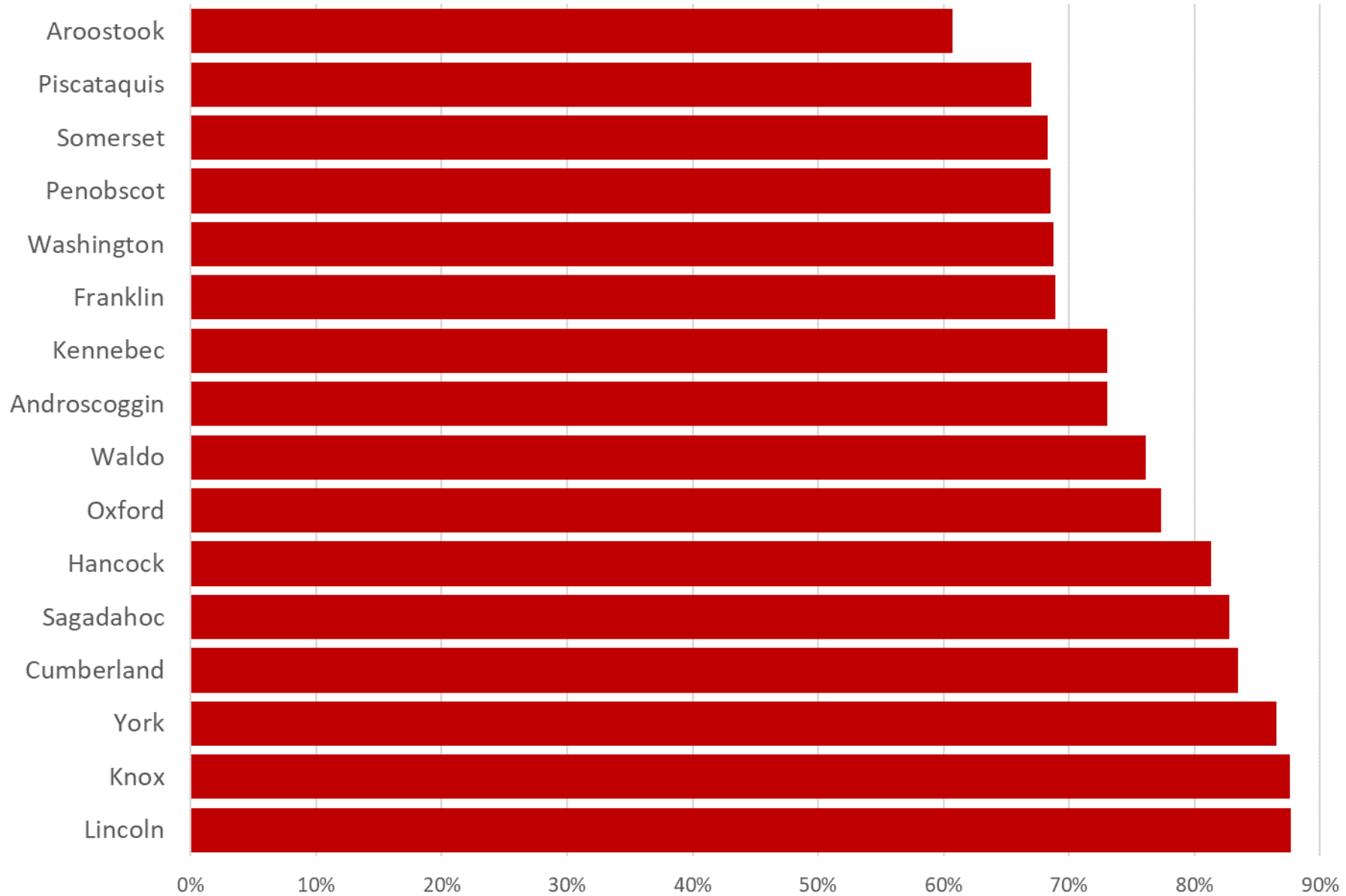


Monthly Mortgage Payment at the Median Sales Price 2021-2023

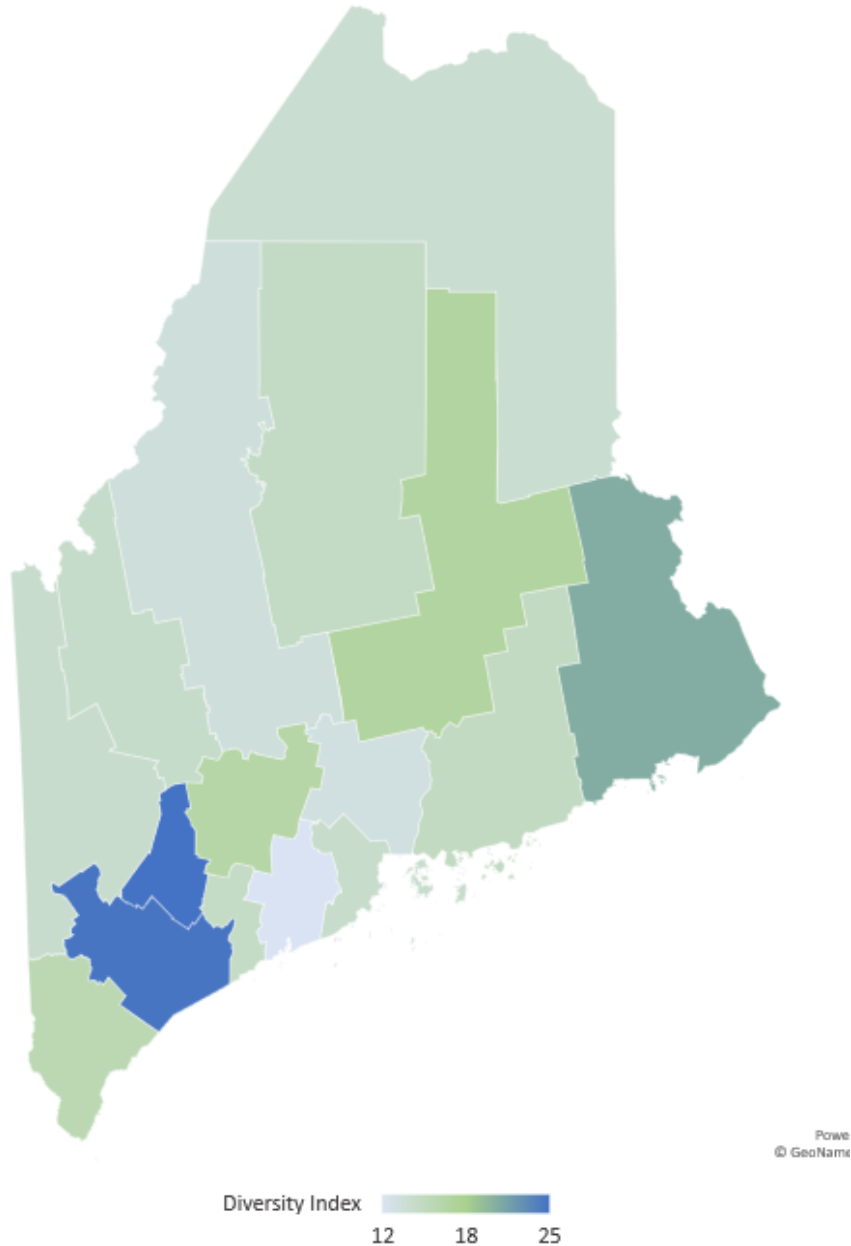


Source: Maine Association of Realtors (Prices), FRED Average 30-yr fixed rate mortgage (Rates), Principal and Interest only with 10% down payment

Percent of Households Unable to Afford Median Home, 2023



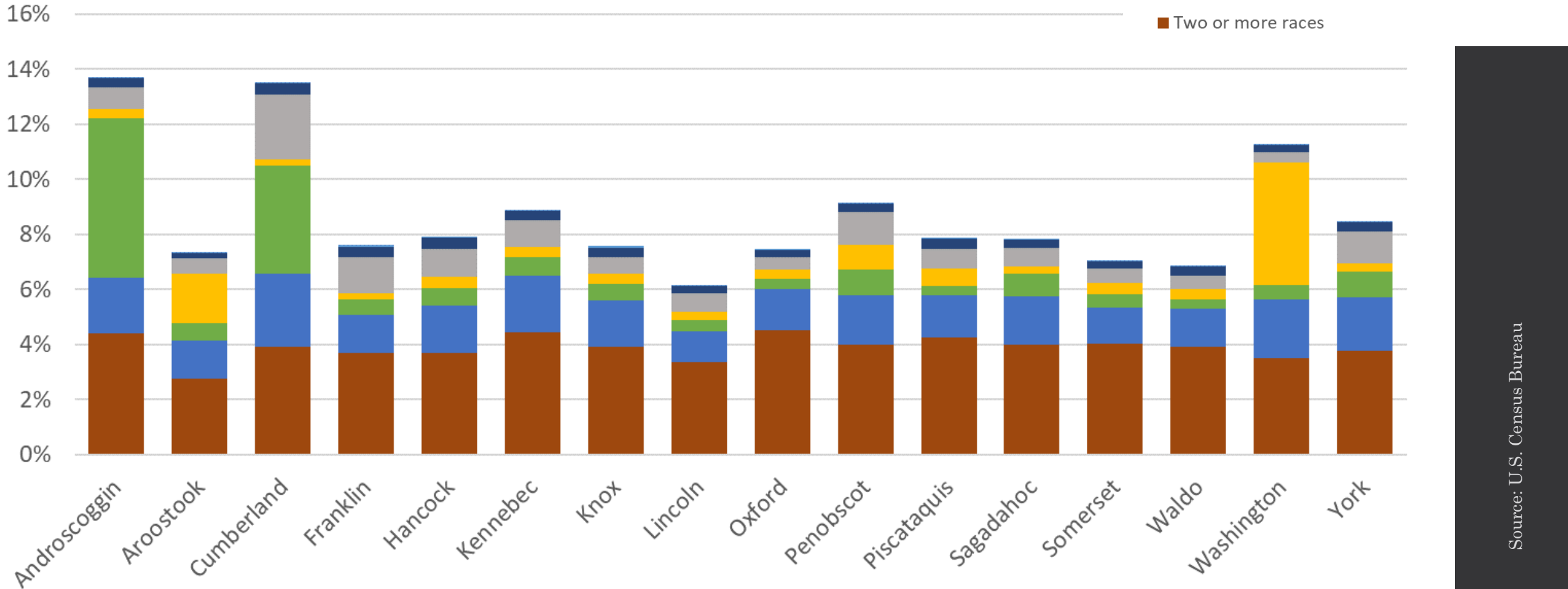
Demographics



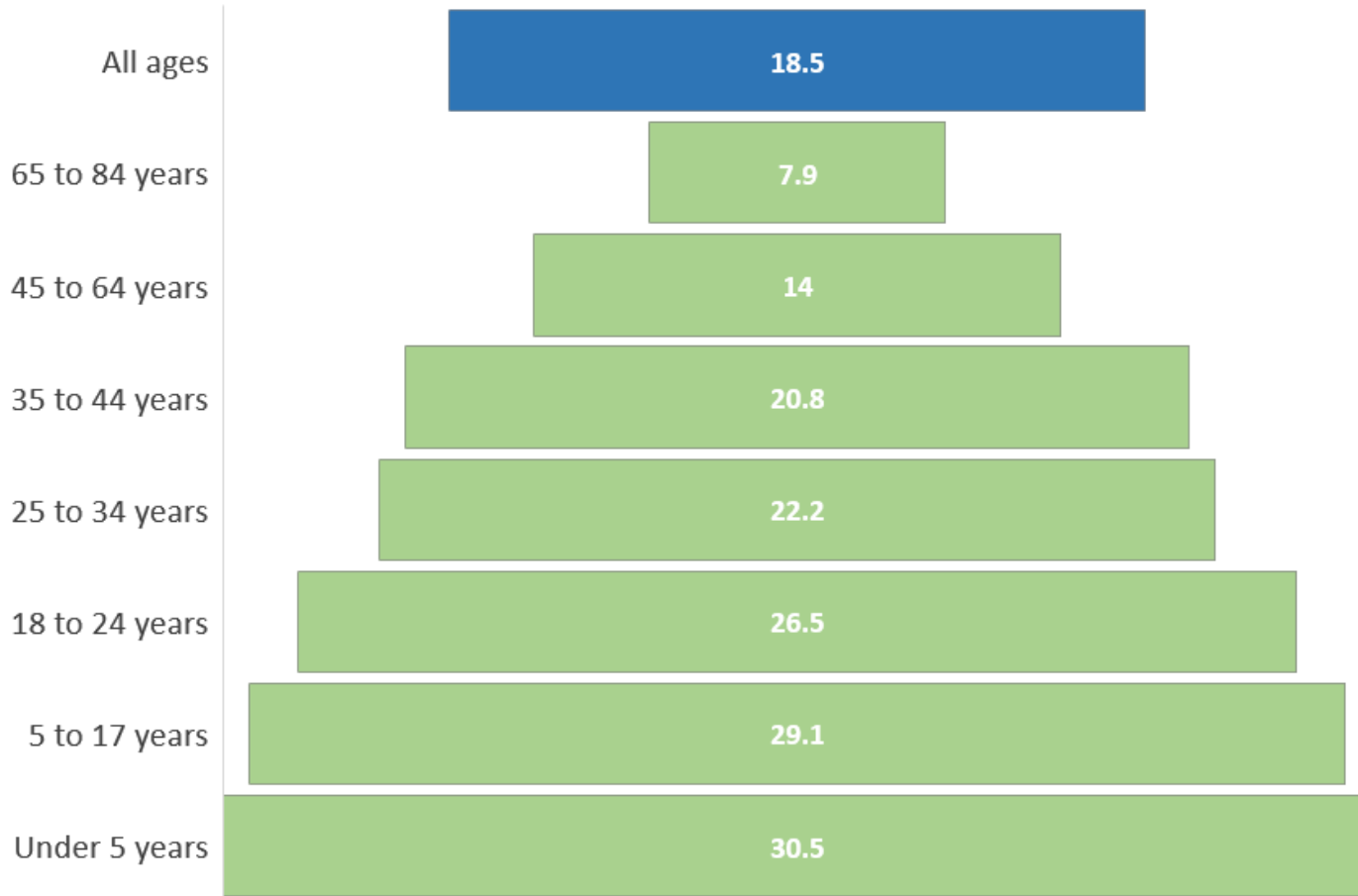
The diversity index tells us the chance that two people selected at random will be from different race or ethnicity groups

- In 2020, Maine ranked as the least diverse state in the U.S.
 - ME index = 18.5
 - U.S. index = 61.1
- But there is regional variation: Cumberland, Androscoggin, and Washington counties are more diverse

Share of 2020 Population by Race/Ethnicity Excluding White Alone



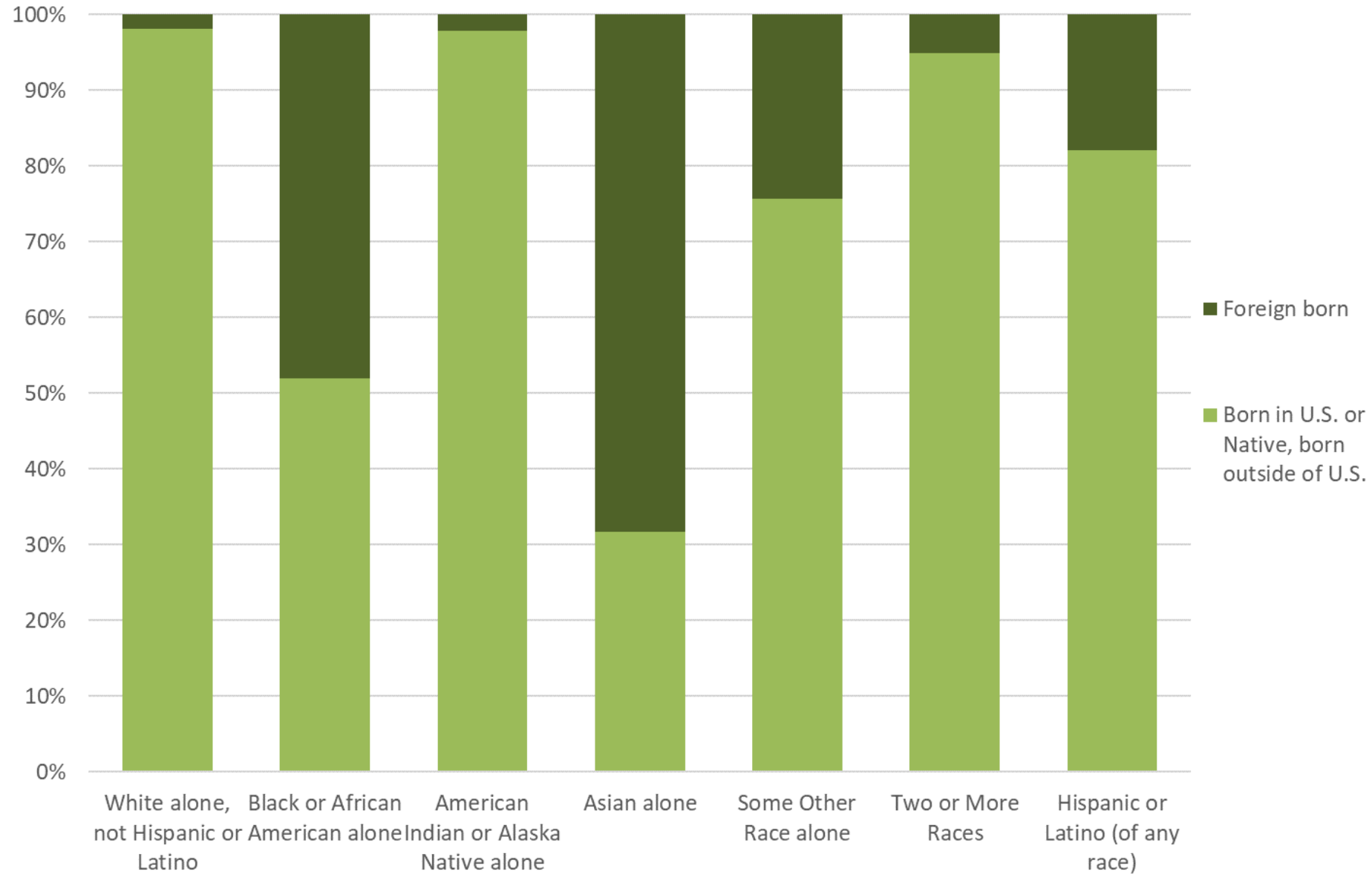
Diversity Index in Maine, 2020: Selected Age Groups



Younger generations in Maine are more diverse than older generations

Race and/or ethnicity
is not the same as
place of birth

Share of Maine Population by Region of Birth for Race/Ethnicity

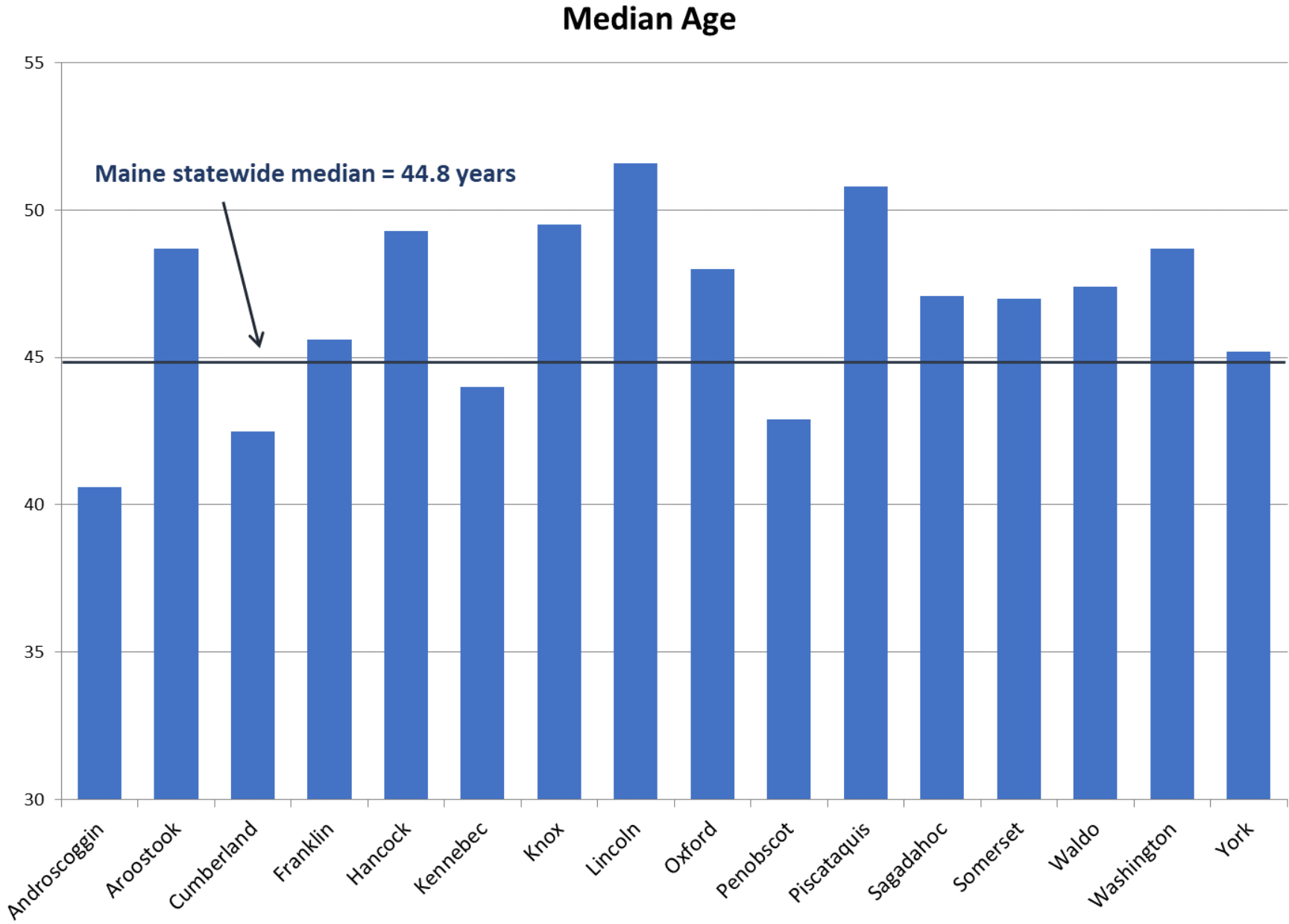


Maine has the oldest population...
 ...by median age (44.8 years)
 ...and by % of population age 65+ (22.5%)

BUT!

Maine was one of only two states to see a decrease in median age from 2020 to 2021...

...and was one of only four states to not see an increase from 2021 to 2022



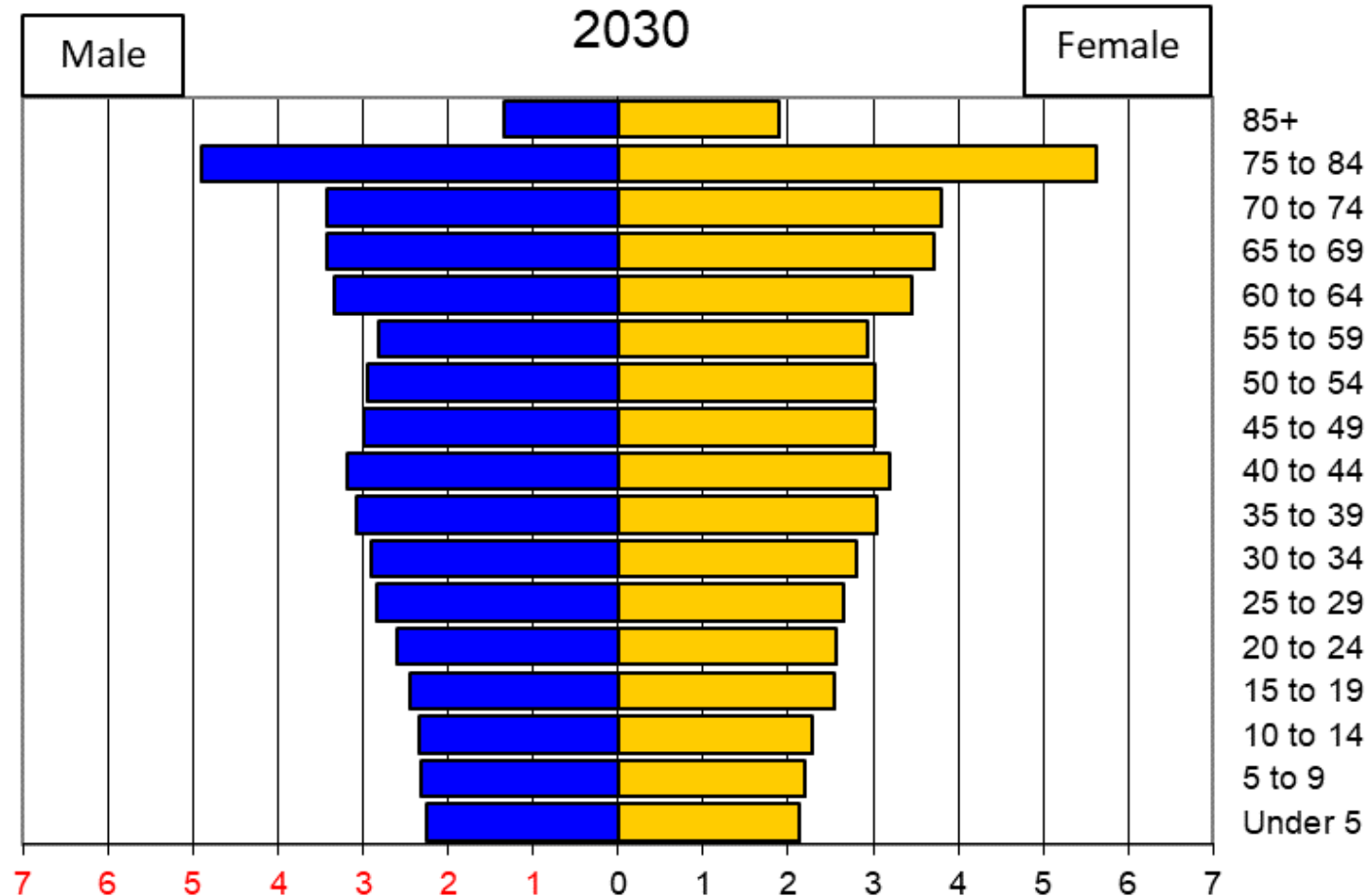
Source: U.S. Census Bureau, 2022 Population Estimates

2021 median age decreased in ME and CT; 2022 median age unchanged in ME, AL, TN, WV

The Baby Boom: 1946-1964

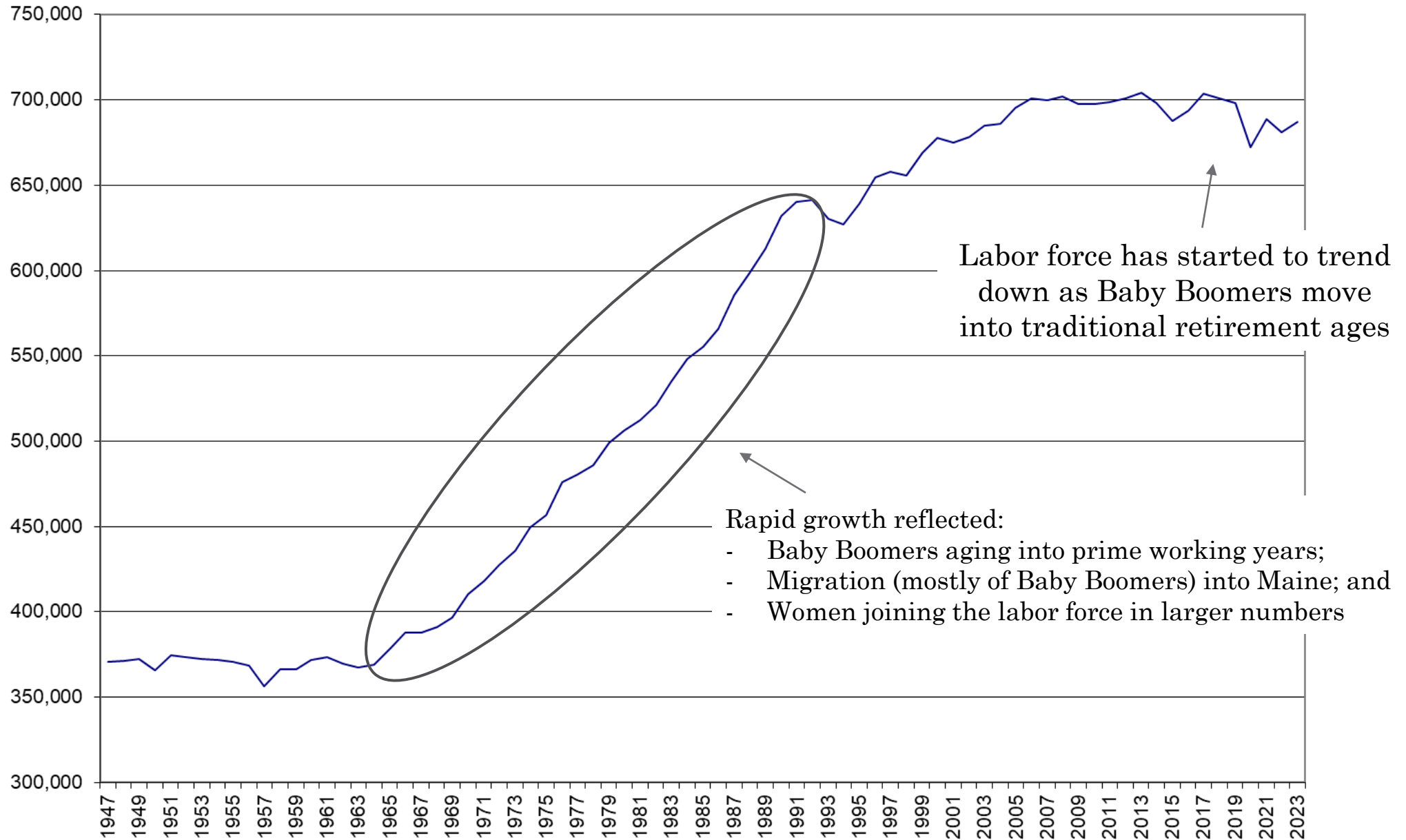
Baby Boom generation in 2030: age 66-84

Baby Boom generation in 2022: age 58-76

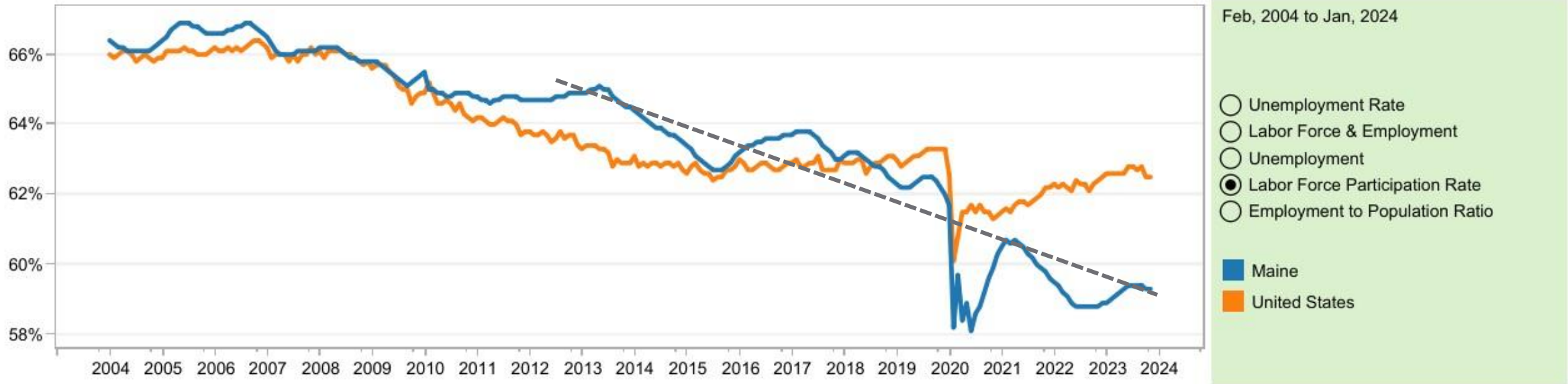


Labor Force and Employment

Maine Civilian Labor Force

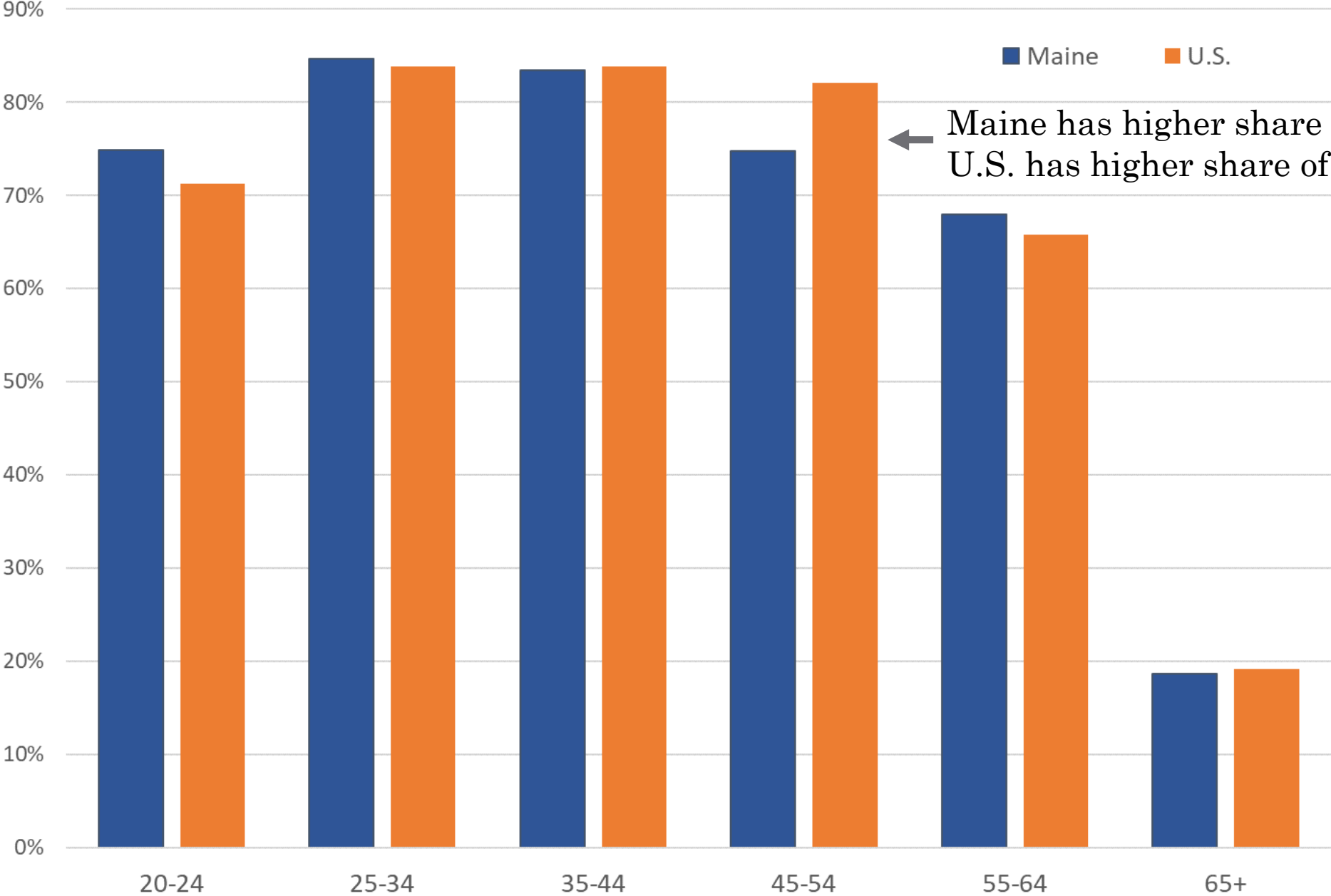


Labor Force Participation Rate (seasonally adjusted)

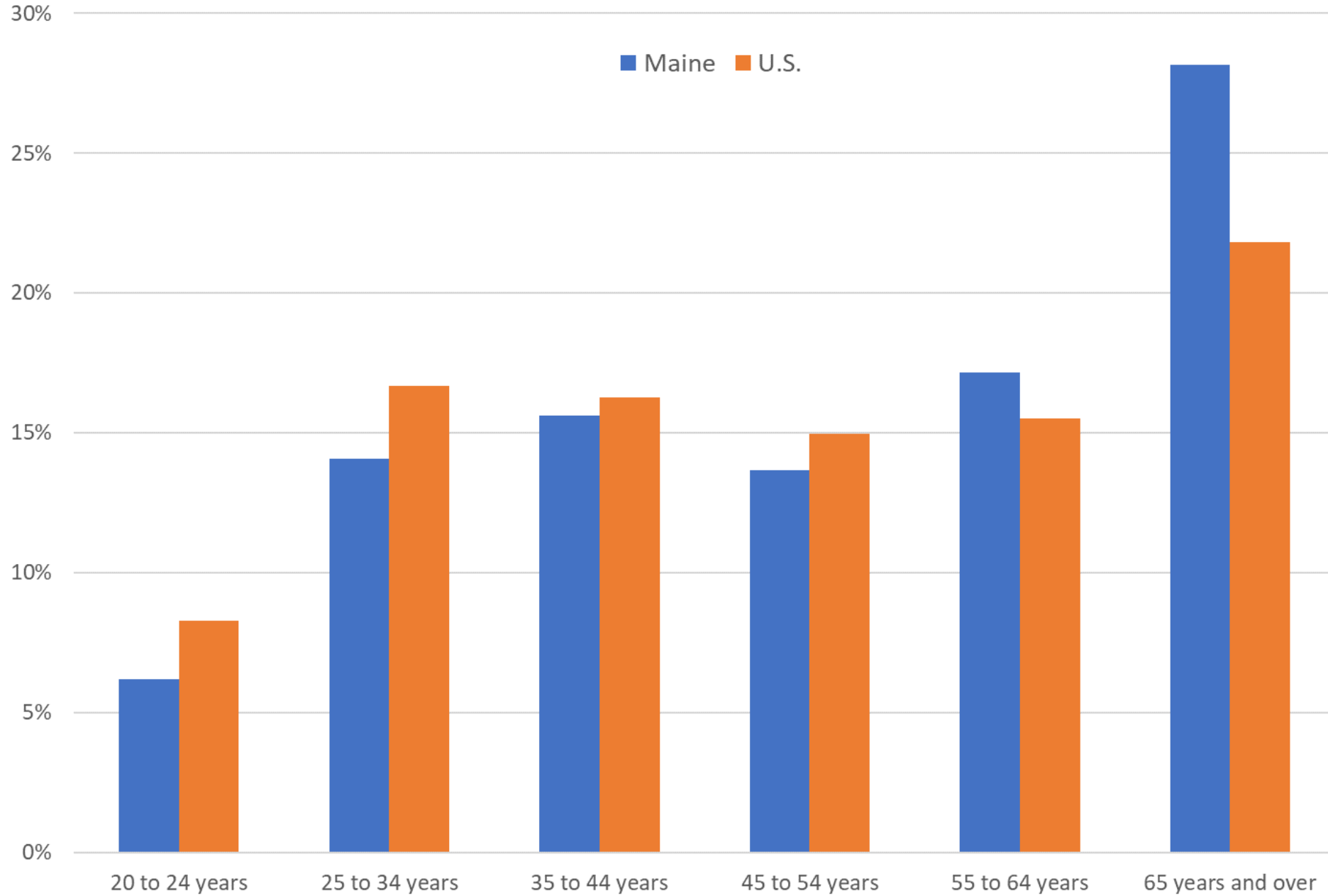


If the **age distribution** of Maine's population was the same as the U.S., our overall **labor force participation rate** would be about the same as the U.S.

2023 Labor Force Participation Rate



Civilian Noninstitutional Population by Age, 2023



Maine's 3.4% unemployment rate in February 2024 was close to recent record lows and unchanged for the fifth consecutive month

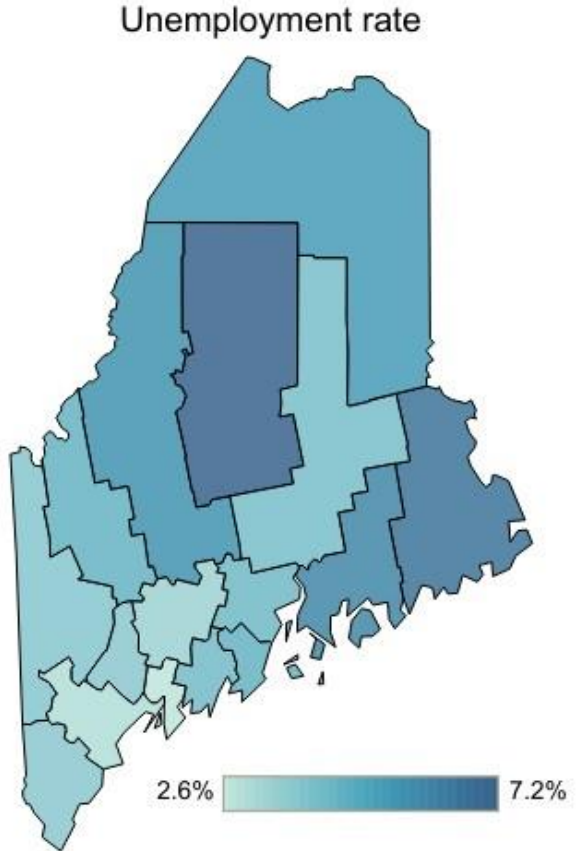
County Rates (not seasonally adjusted)

February, 2024

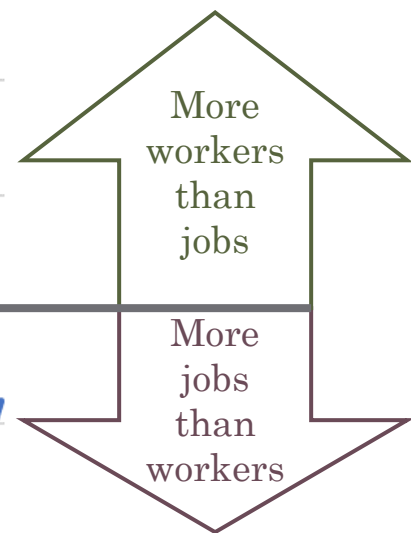
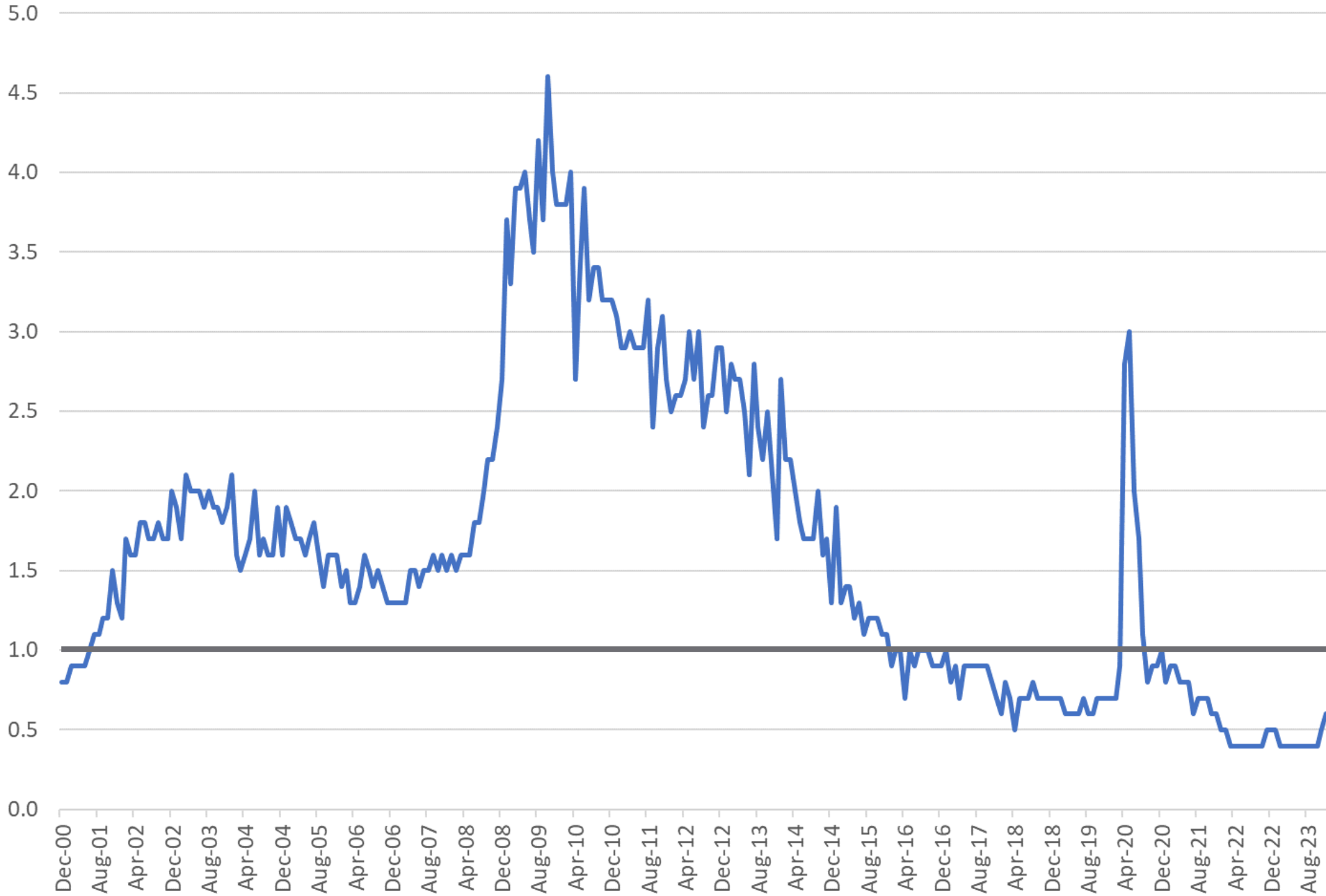
Table
 Graph

Map/Graph Display
 Unemployment rate
 One-year change

County	Rate	Year ago	One-yr change
Maine	3.9%	3.2%	0.7 ↑
Androscoggin	3.7%	3.2%	0.5 ↑
Aroostook	5.3%	4.3%	1.0 ↑
Cumberland	2.9%	2.3%	0.6 ↑
Franklin	4.5%	3.4%	1.1 ↑
Hancock	6.0%	5.2%	0.8 ↑
Kennebec	3.3%	2.7%	0.6 ↑
Knox	4.5%	3.8%	0.7 ↑
Lincoln	4.2%	3.5%	0.7 ↑
Oxford	3.8%	3.5%	0.3 ↑
Penobscot	4.1%	3.2%	0.9 ↑
Piscataquis	7.2%	4.7%	2.5 ↑
Sagadahoc	2.6%	2.4%	0.2 ↑
Somerset	5.6%	4.9%	0.7 ↑
Waldo	4.3%	3.8%	0.5 ↑
Washington	6.6%	5.9%	0.7 ↑
York	3.7%	3.1%	0.6 ↑

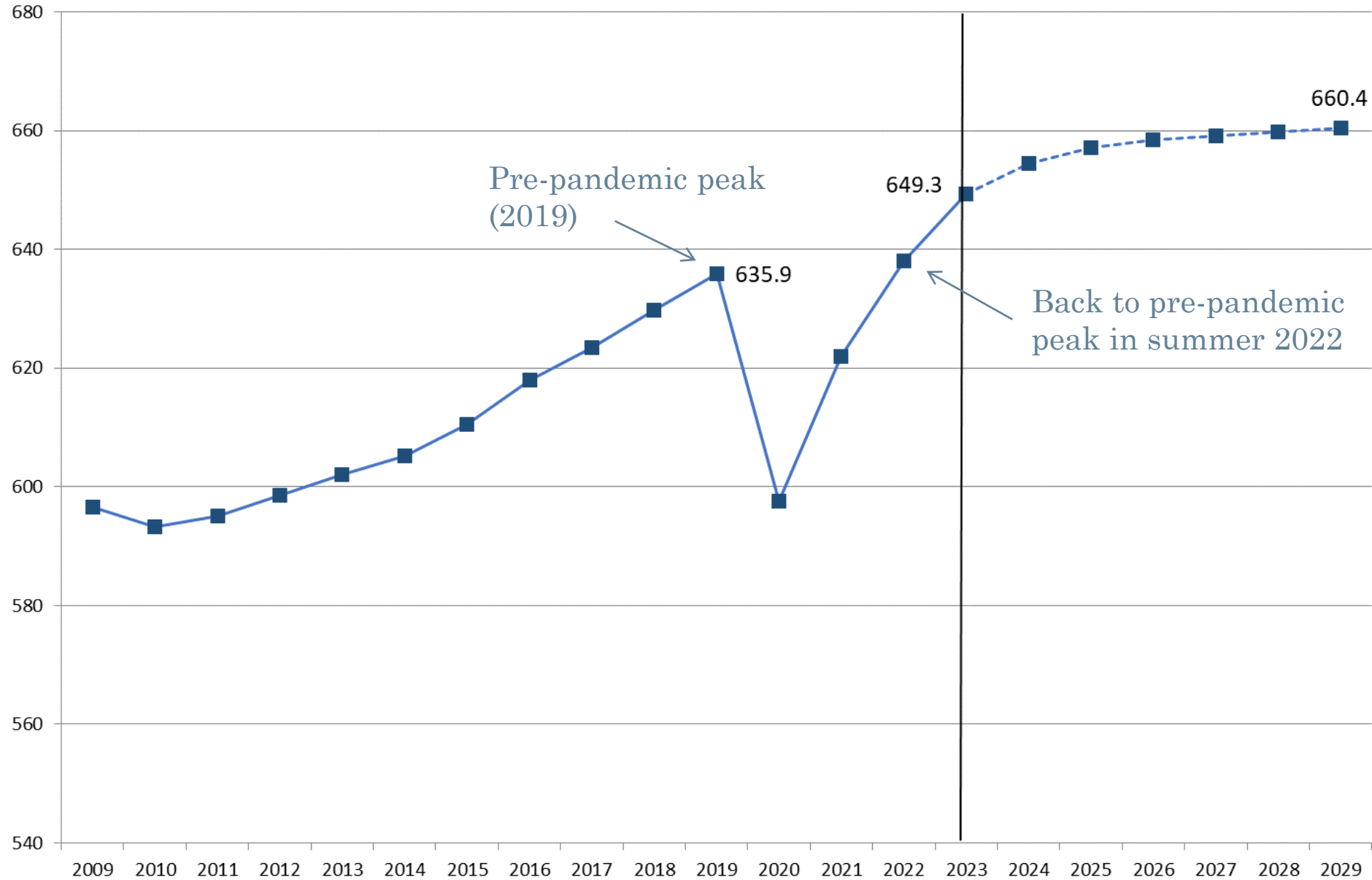


Unemployed Persons per Job Opening Ratio - Maine

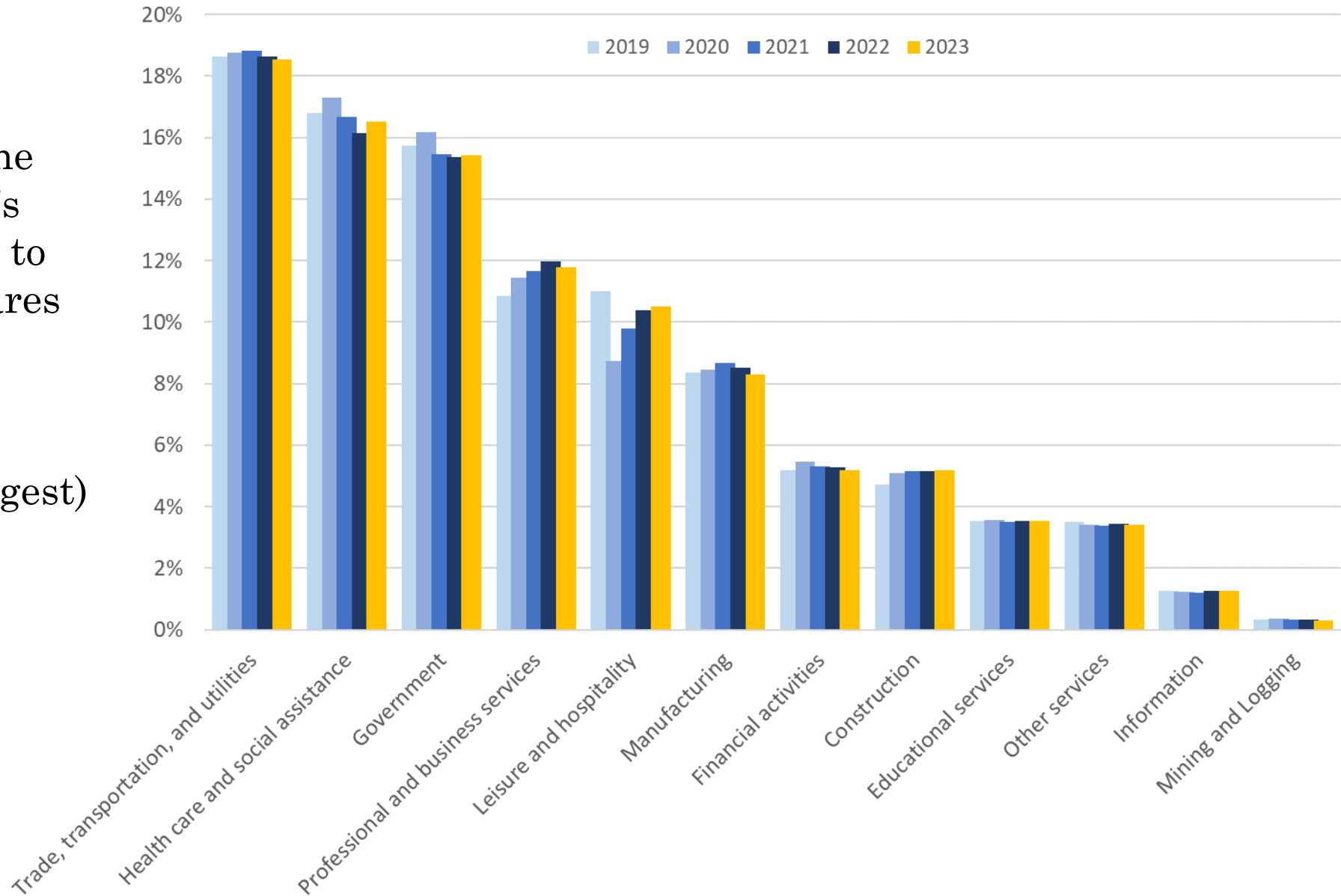


Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

Total Nonfarm Employment (in thousands) History and Consensus Economic Forecasting Commission forecast

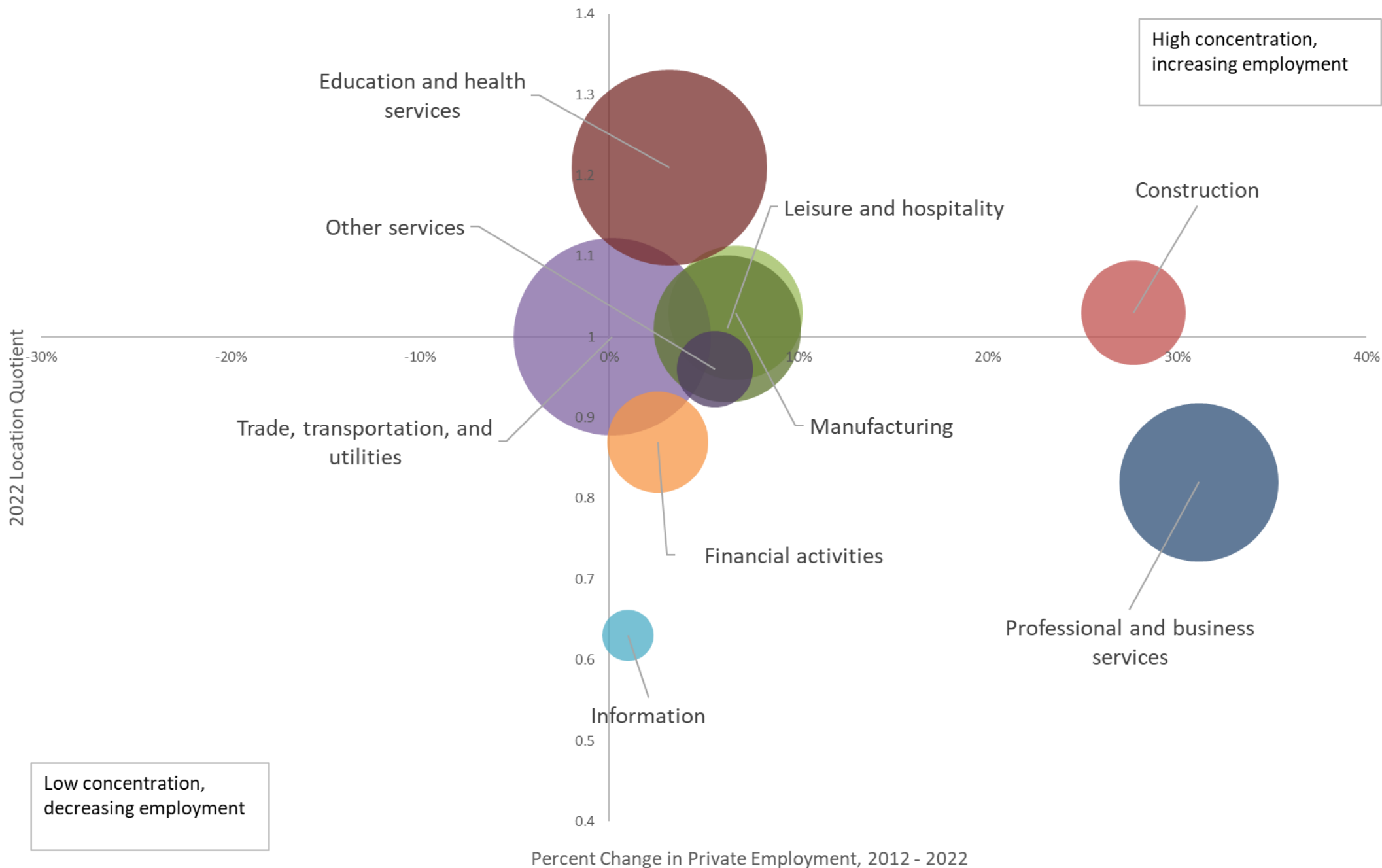


Share of Maine Nonfarm Employment by Industry

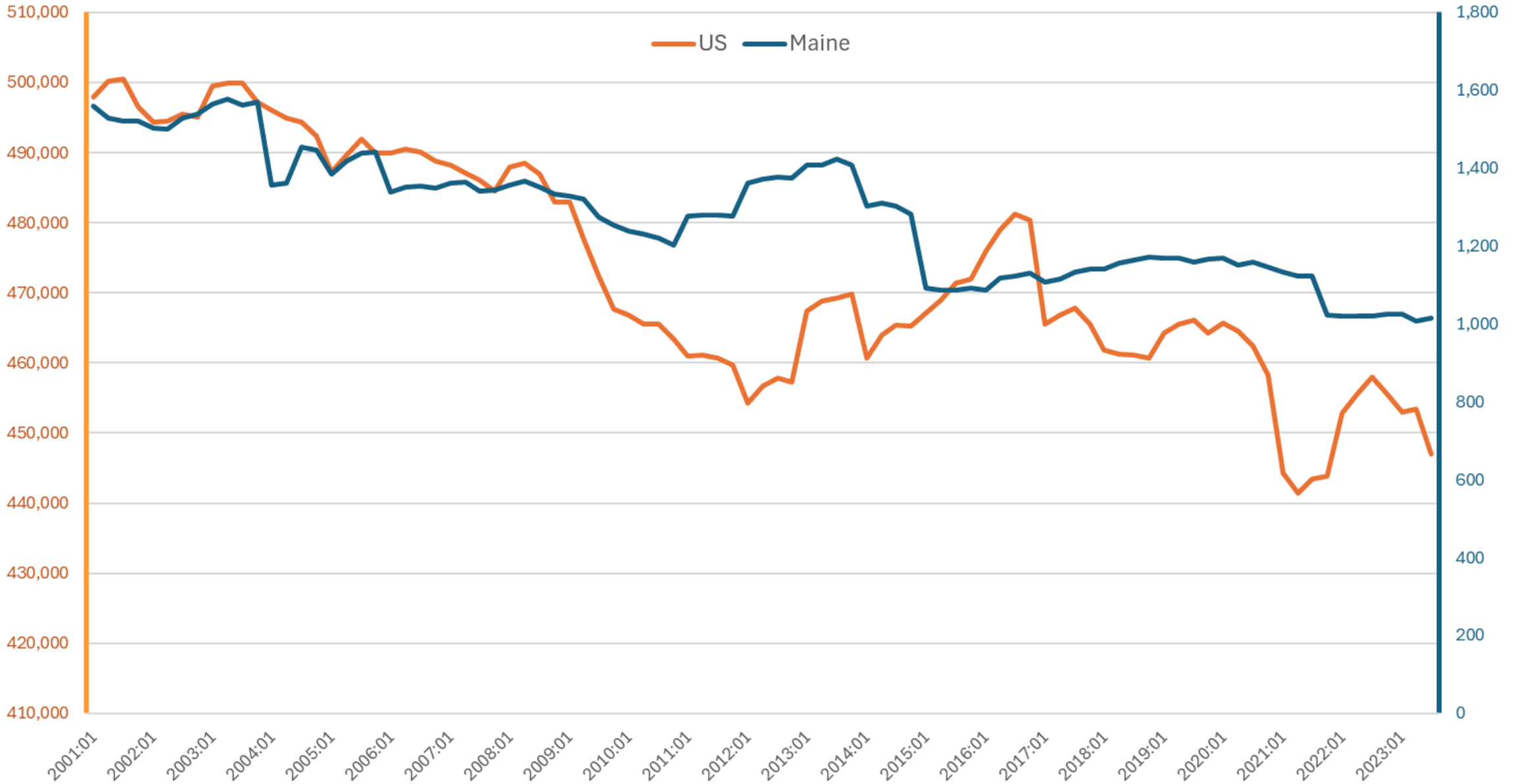


According to the Maine Department of Labor’s Employment Outlook to 2030, the relative shares are not expected to change by much (the same sectors are still expected to be the largest)

Maine Location Quotients for Private Industry Super Sectors, 2012 -2022



Direct Property and Casualty Insurance Carriers: Employment



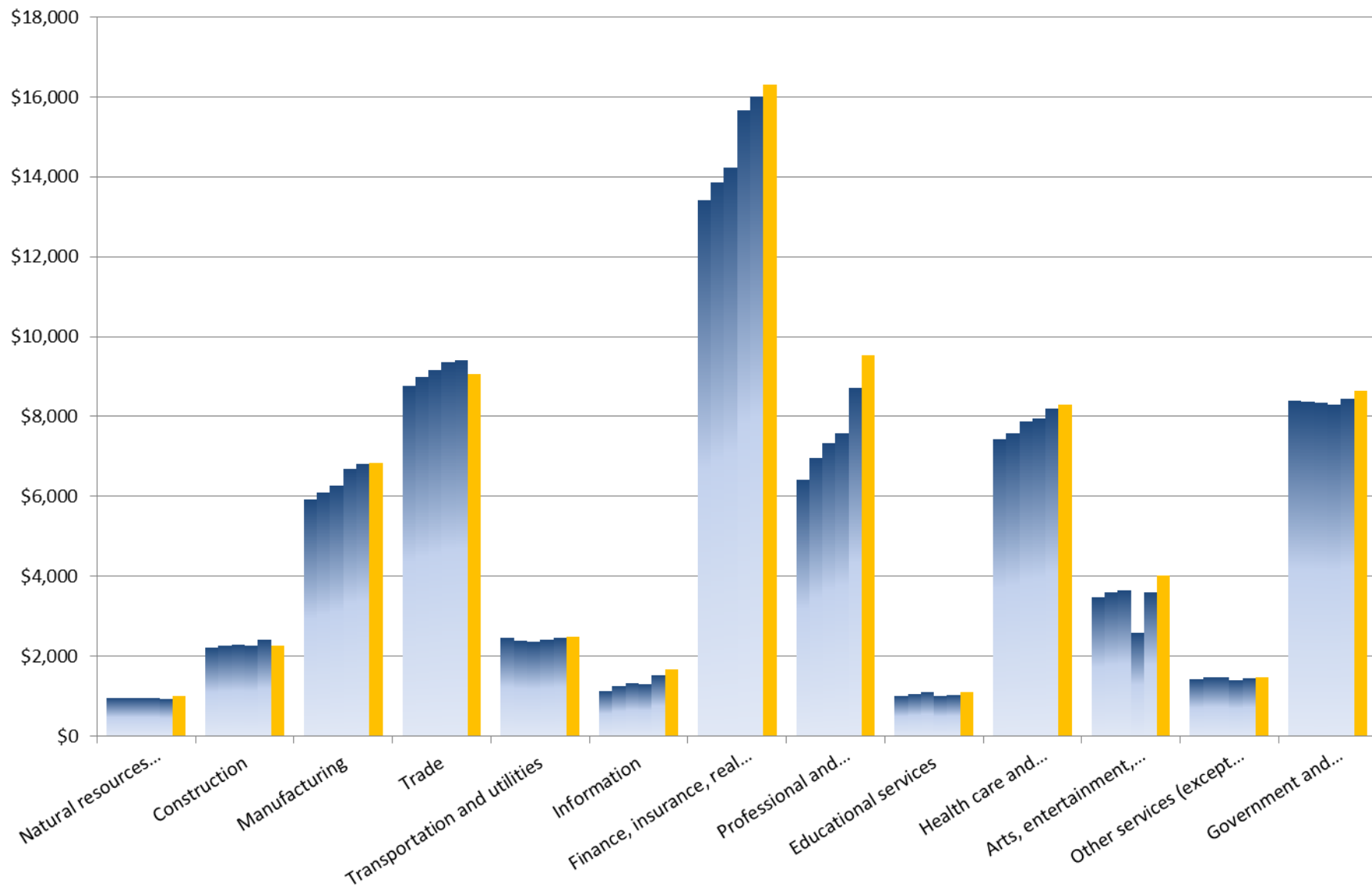
Sources: U.S. Bureau of Labor Statistics and Maine Department of Labor

Maine Real GDP by Industry, 2017-2022 (in millions of chained 2017 dollars)

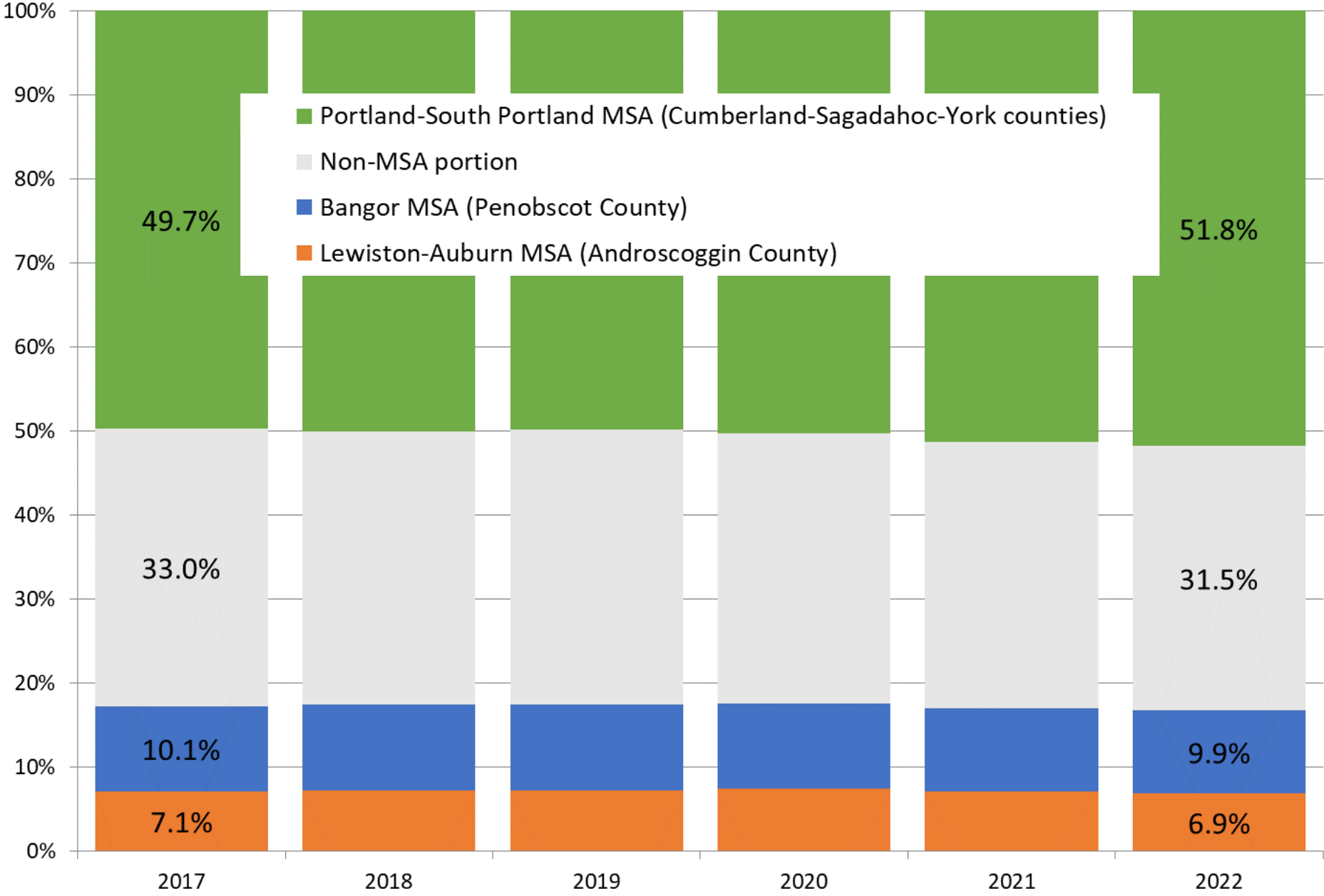
Insurance carriers and related activities (millions of chained 2017 dollars)

2017	\$2,312.5
2018	\$2,153.4
2019	\$2,326.2
2020	\$2,453.7
2021	\$2,357.8
2022	\$2,548.7

↳ 3.5% of Maine total

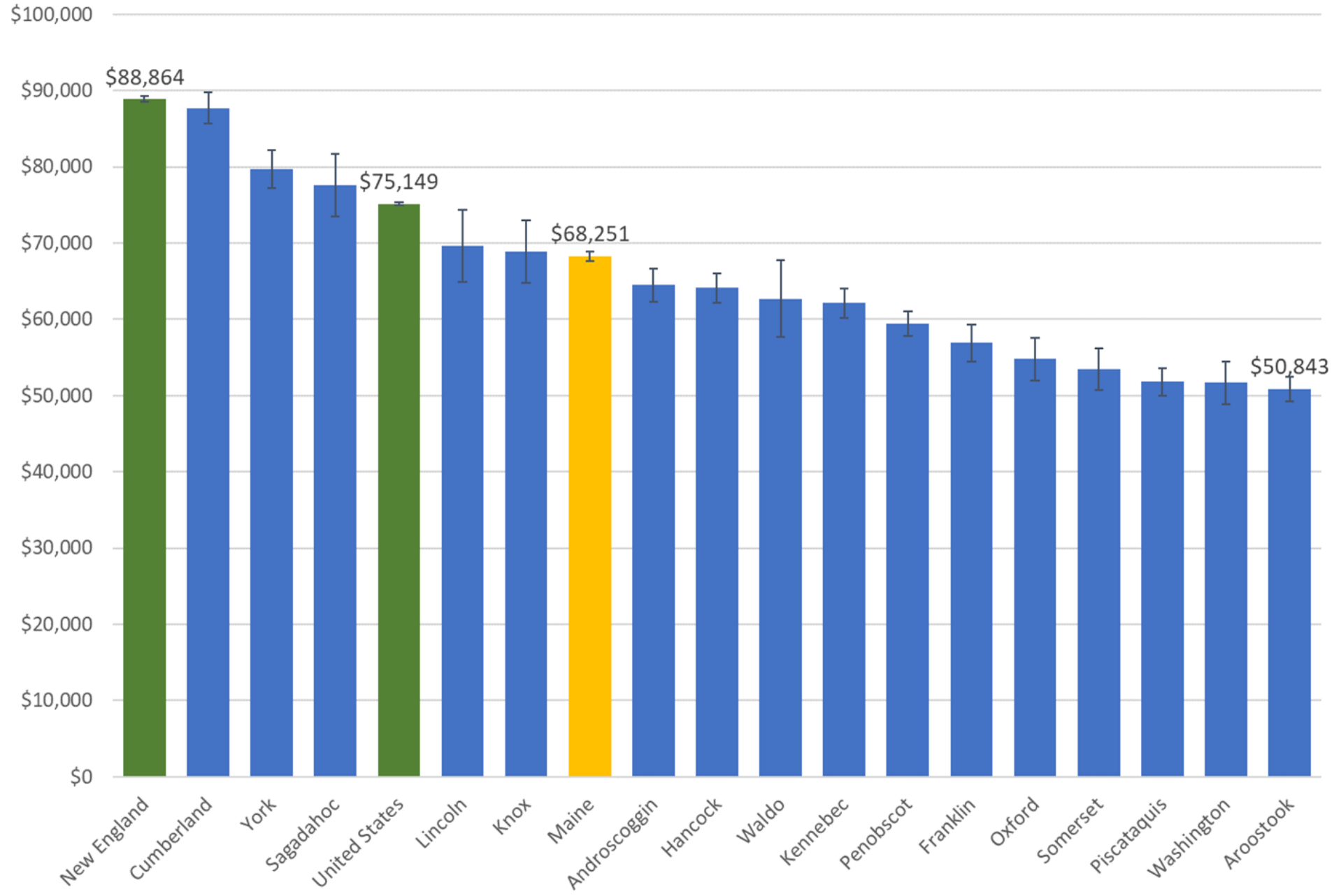


Share of Maine Real GDP by Metropolitan Area

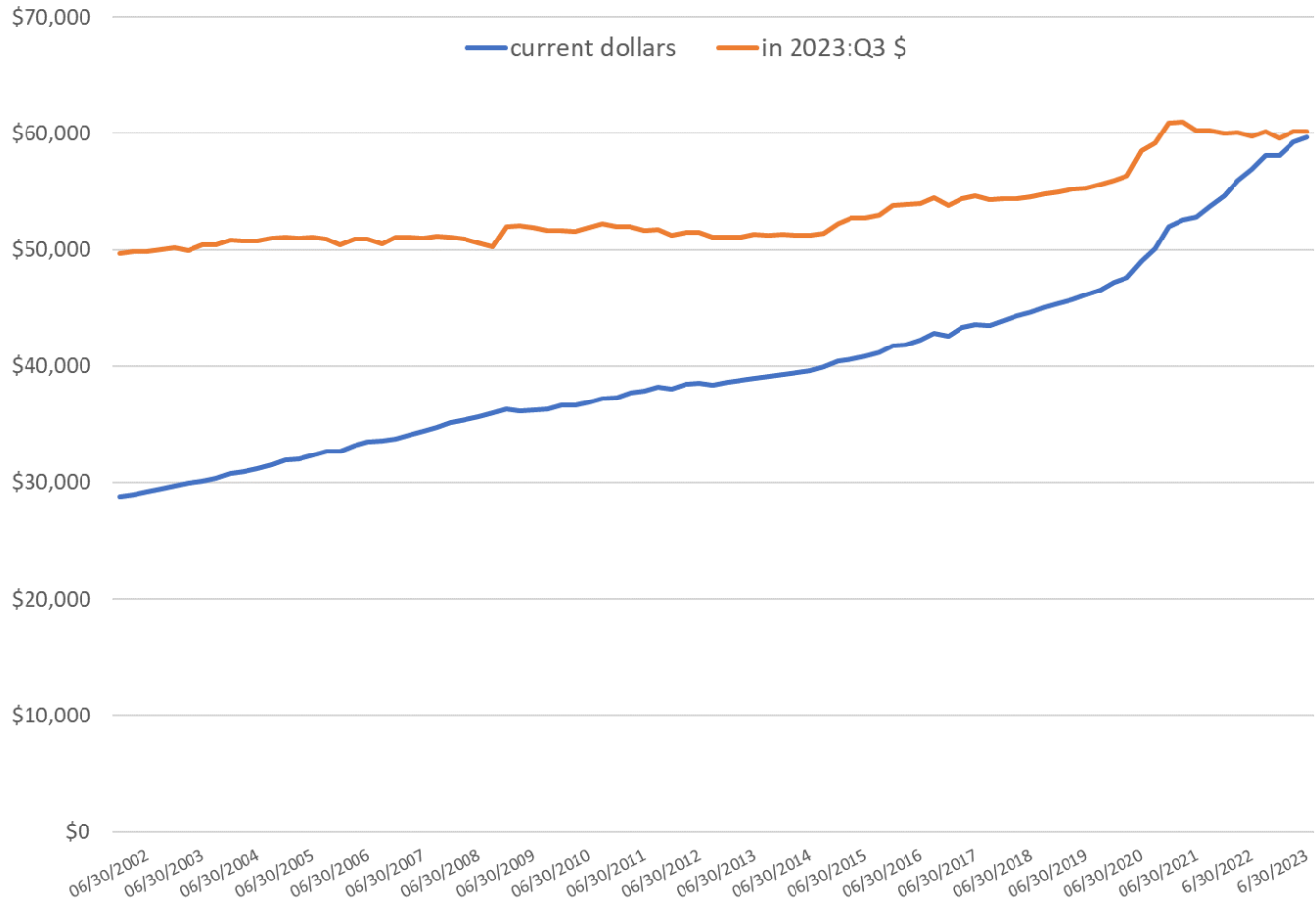


Wages, Income, and Inflation

Median Household Income



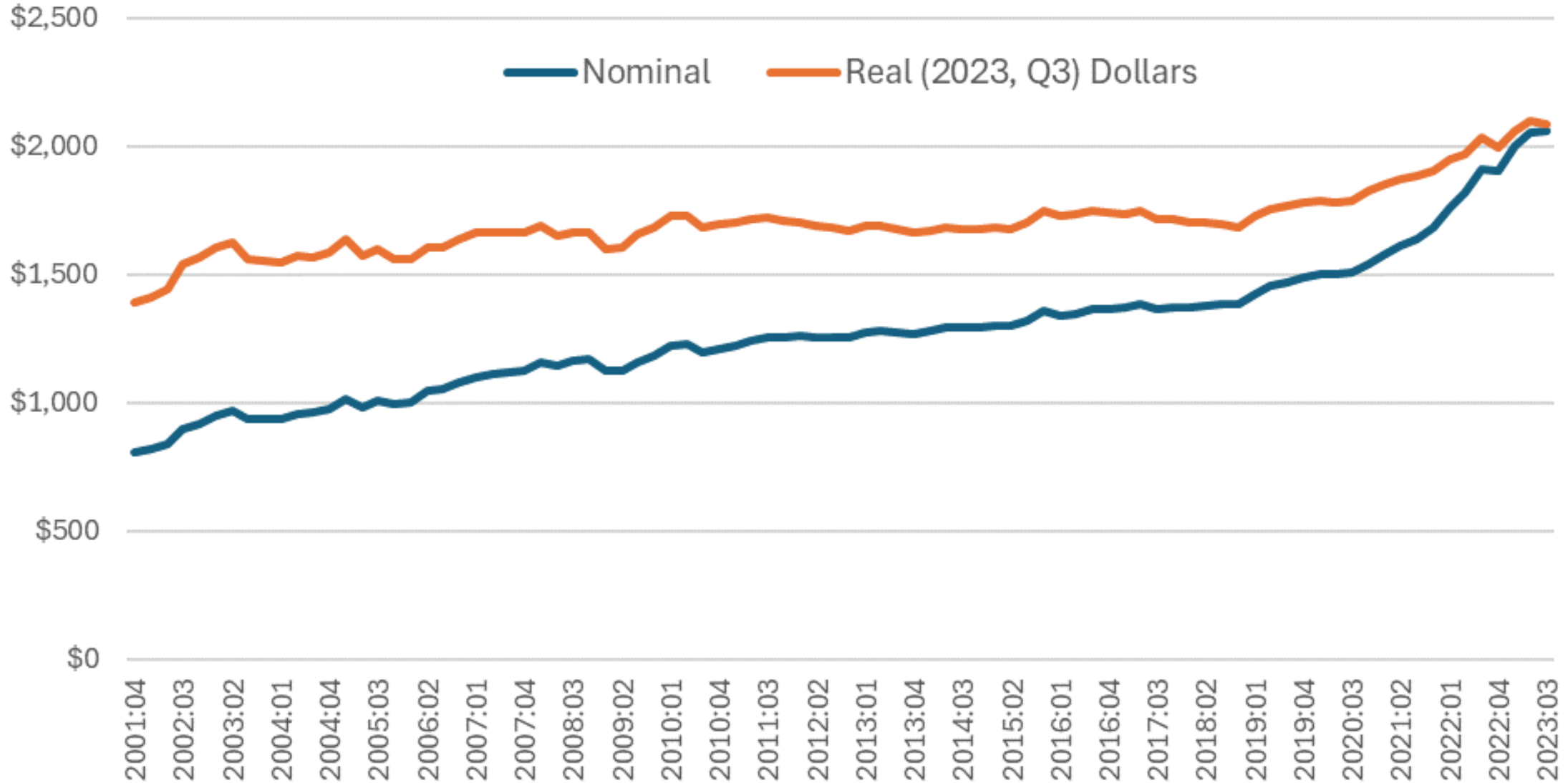
Moving Four Quarter Average Wage Per Job



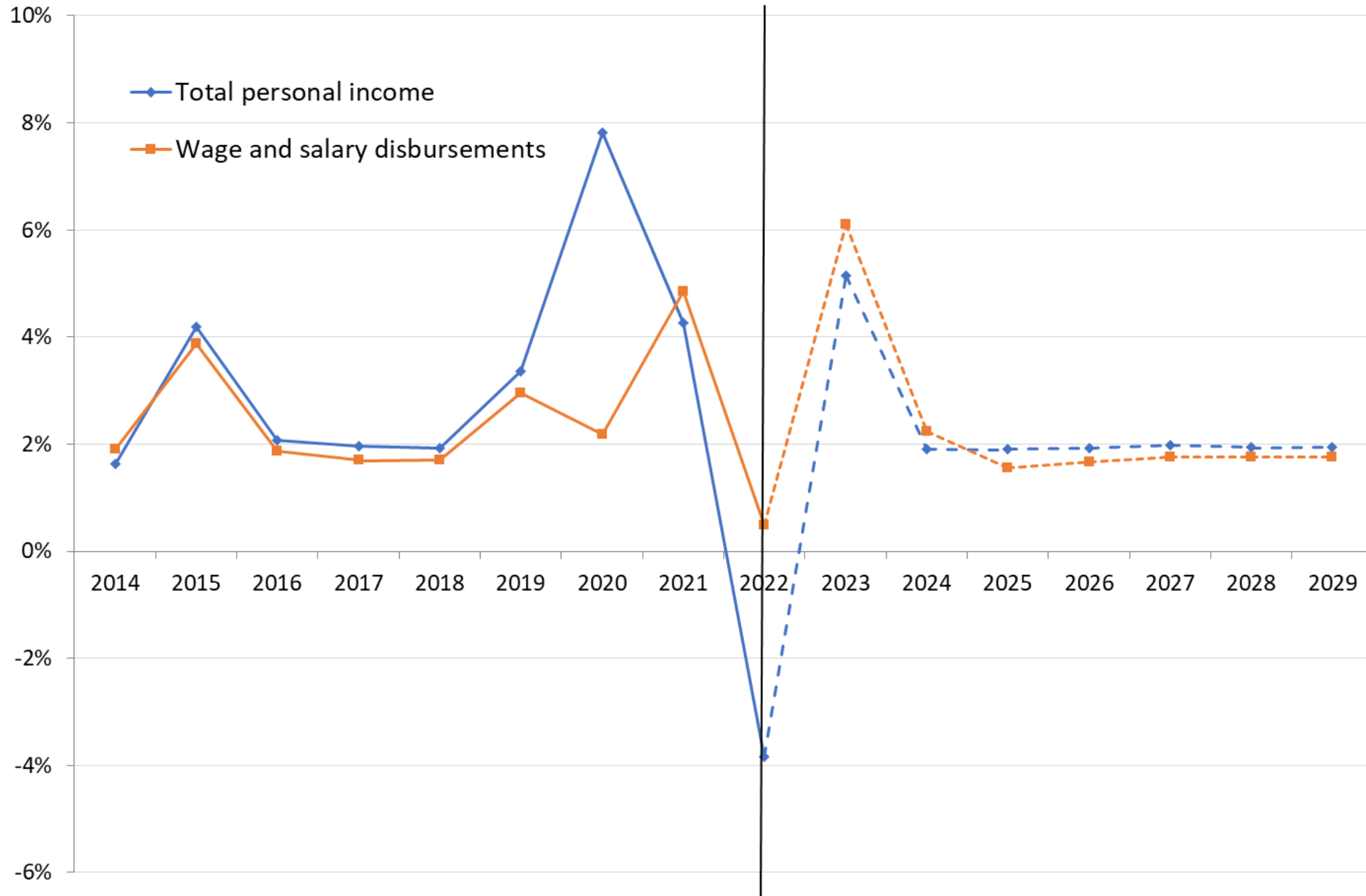
Wages increased sharply during the first part of the pandemic, but increases more recently have just kept pace with inflation

Sources: Maine Department of Labor, Center for Workforce Research and Information; U.S. Bureau of Labor Statistics

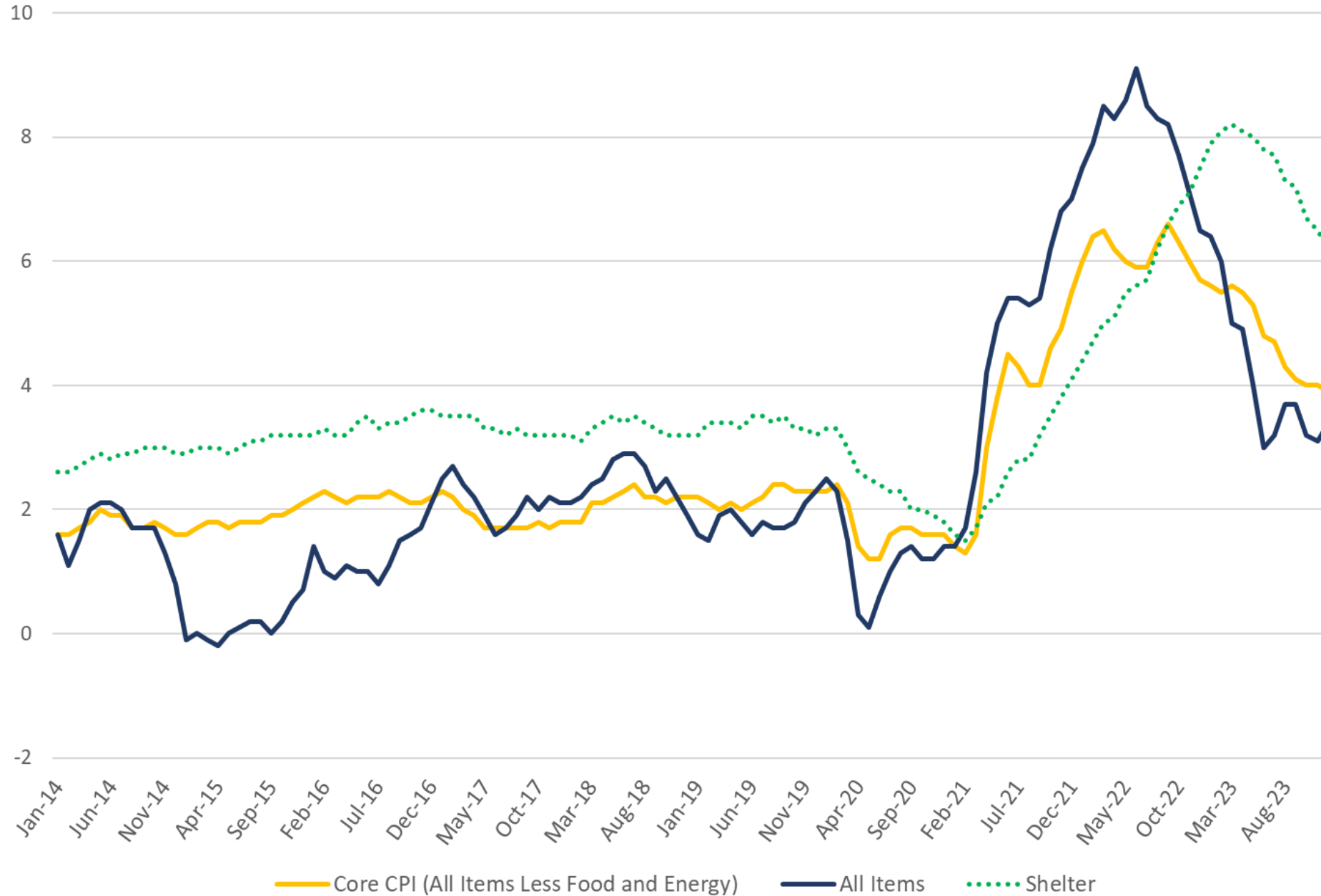
Direct Property and Casualty Insurance Carriers: Average Weekly Wage | ME, 4Q Moving Average



Percent Change in Real Personal Income (2023 \$), Maine 2012-2022 and forecast to 2029



Year-over-year percent change in Consumer Price Index

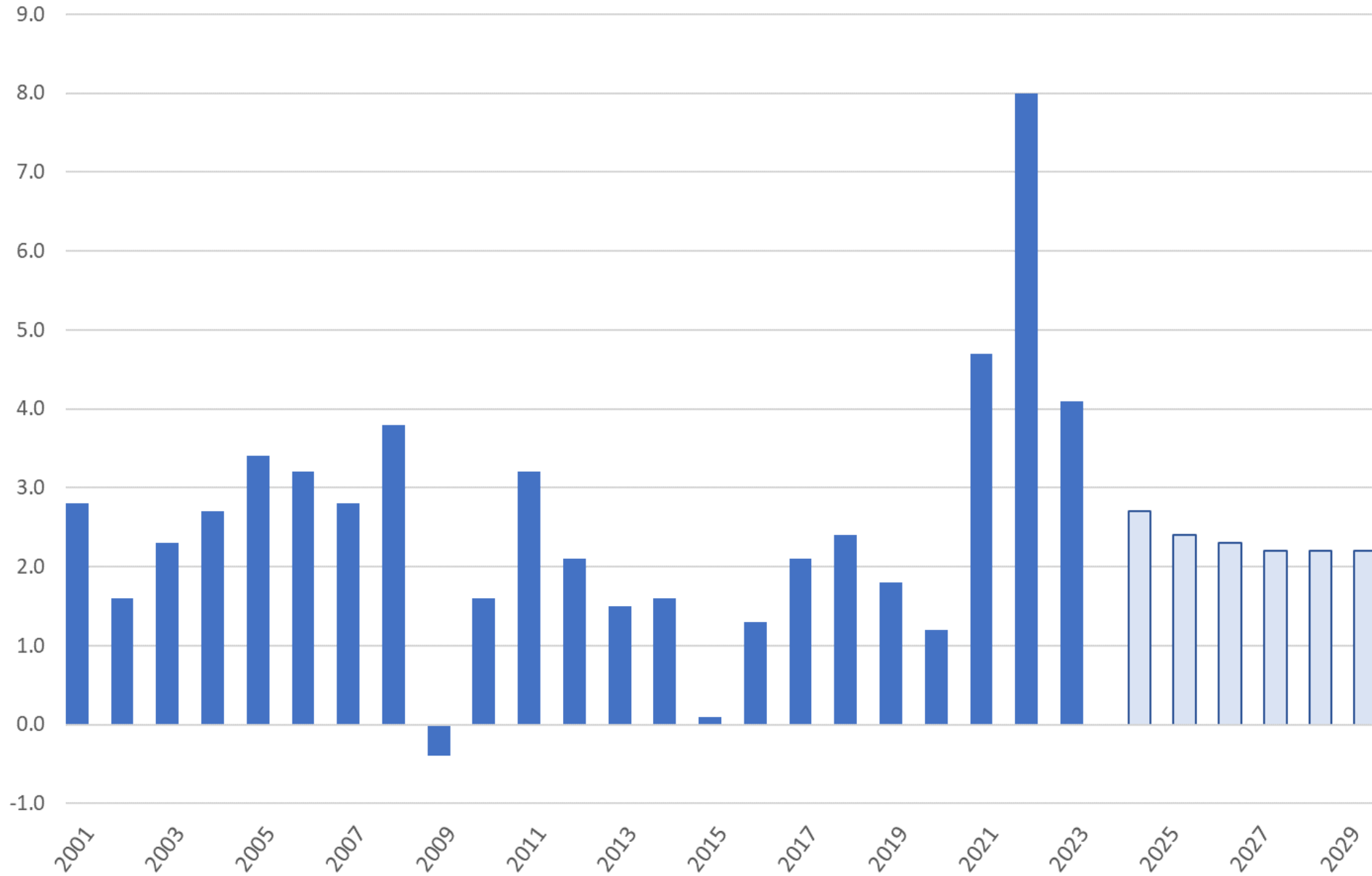


What does
this mean
for interest
rates?

Current target range:
5.25% to 5.5%

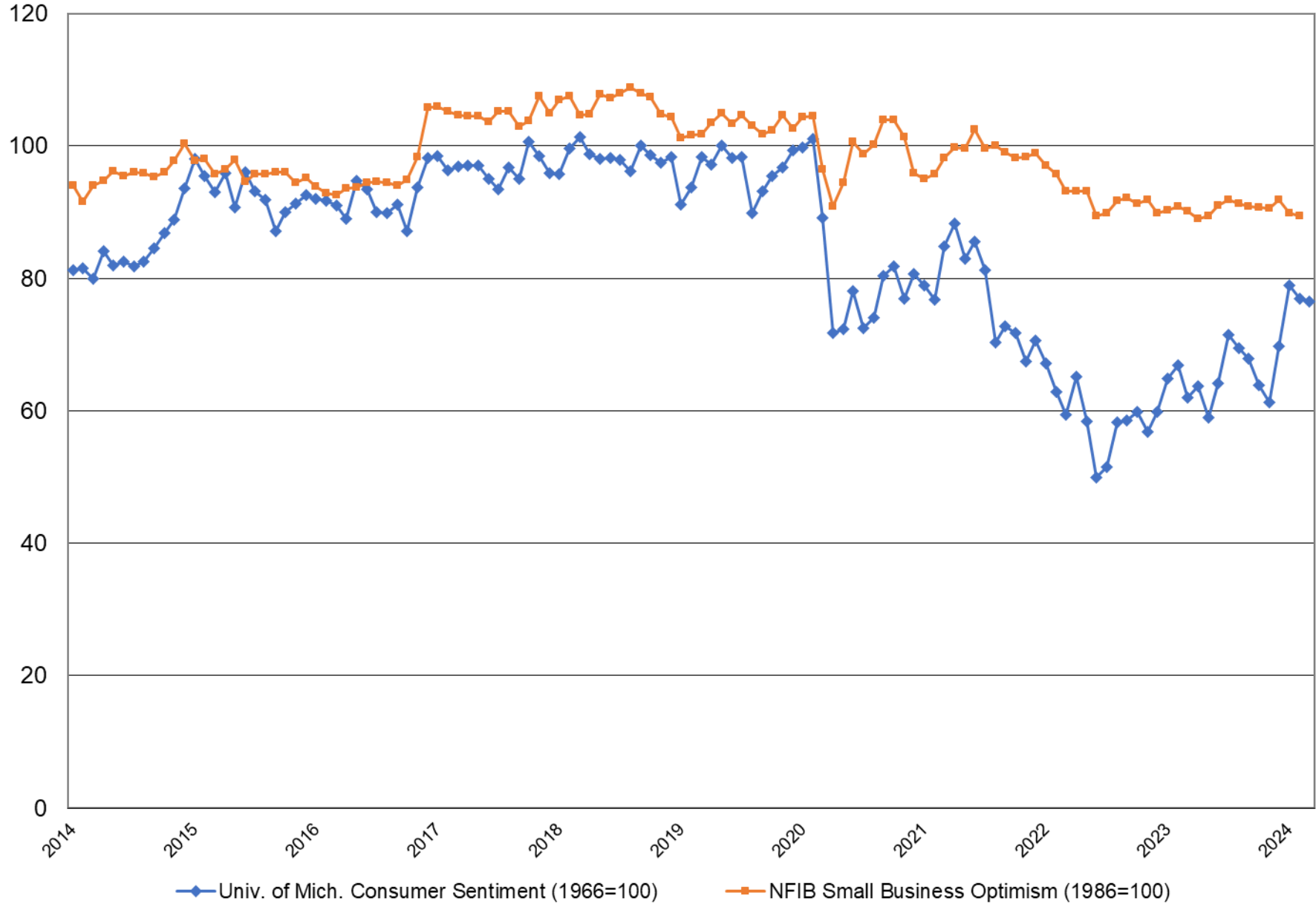
Median projection for 2024 from
March 2024 Federal Open Market
Committee statement was 4.6%,
implying three possible decreases
of 25 basis points later this year

Year-over-year percent change in Consumer Price Index; 2001-2023 historical and 2024-2029 forecast



Where might we be going?

Consumer Sentiment and Small Business Optimism Indexes



Consumer sentiment has held fairly stable since January 2024, with consumers seeing few indications of changing conditions (for better or worse).

Key assumptions from February 2024 CEFC report (emphasis added)

- There is an unequal distribution of supply and demand in the labor market. Demand for labor is high, supply is low, and unemployment rates are near historic lows in Maine and nationwide. Workers are experiencing higher wage growth, particularly for lower wage jobs. Some demographic trends, including a growing share of the population reaching retirement age, will continue to constrain labor supply. While Maine will continue to see higher in-migration of working-age people in the coming years, this may not be sufficient to fully offset retirements in the future.
- Rising interest rates, low supply of available properties, and ongoing in-migration are continuing to impact the housing market. Home sales are down, while sale prices have continued to increase. Affordability is of particular concern as higher interest rates caused more potential buyers to be priced out of the market. Higher home prices have contributed to higher rental prices.

Key assumptions from February 2024 CEFC report (emphasis added) cont'd

- Large, federally funded infrastructure programs, including the Bipartisan Infrastructure Law (BIL) and Maine Jobs and Recovery Plan (MJRP), will lead to significant investments in Maine, with potential impacts on local job markets. In addition to funds from the MJRP, it is estimated that there will be at least \$2.5 billion from the BIL invested in Maine's infrastructure over the next few years, with much of the implementation beginning in 2024.
- High inflation and interest rates continued through 2023, though there were improvements in some sectors. The Federal Reserve is expected to continue pursuing policies that will constrain inflation to their target levels. In addition, increasing interest rates in an environment of continuing federal budget deficits raises the risk of capital markets pushing interest rates higher still, increasing the risks of recession in the future.

Key assumptions from February 2024 CEFC report (emphasis added) cont'd

- Overall, employment in the **health care and social assistance** sector has recovered and is slightly above pre-pandemic levels. However, staffing remains a concern in some subsectors – specifically in **hospitals and nursing and residential care facilities**.
- The **availability of high-speed internet and mobile phone coverage will be an important equalizer between urban and rural areas** and could contribute to the diffusion of migration across the state. The creation of the Maine Connectivity Authority and infusion of federal funding will help the successful buildout of high-speed internet. More workers have returned to the office or transitioned to hybrid work arrangements than during the peak of the pandemic.

Key assumptions from February 2024 CEFC report (emphasis added) cont'd

- The **strength of the U.S. dollar** could pose a challenge to exporters in Maine. A high dollar also keeps energy prices high and could also affect the numbers of Canadian tourists choosing to come to Maine.
- **Geopolitical tensions** remain elevated and continue to pose a negative risk to the forecast.
- **Climate shocks are beginning to impact some sectors of Maine's economy, particularly hospitality**; while future impacts are unknown, the Commission recognizes the potential for resulting economic changes and intends to track and consider possible implications in future forecasts.

Things to keep in mind:

- Housing costs increased sharply as demand outstripped supply and then interest rate hikes made mortgages more expensive, locking people into existing lower-rate mortgages, but there may be some improvement in the future as interest rates come down and more housing is built
- Inflation has eased, but the question now is when will the Fed start lowering its target rate and how low will we get this year?
- Migration into Maine continued in 2023 as population patterns nationally returned to normal
- Economic uncertainty remains elevated, especially with geopolitical upheaval and a presidential election year
- Maine has a robust Budget Stabilization Fund (nearly \$970 million – the statutory maximum) and spending from pandemic-era infusion of federal funds is ongoing, with much of the infrastructure spending starting this year, which will help Maine weather a potential slowdown

Contact Information

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