

Economic and Demographic Trends in Maine

AGA Maine Chapter

May 7, 2024

Amanda Rector

Maine State Economist

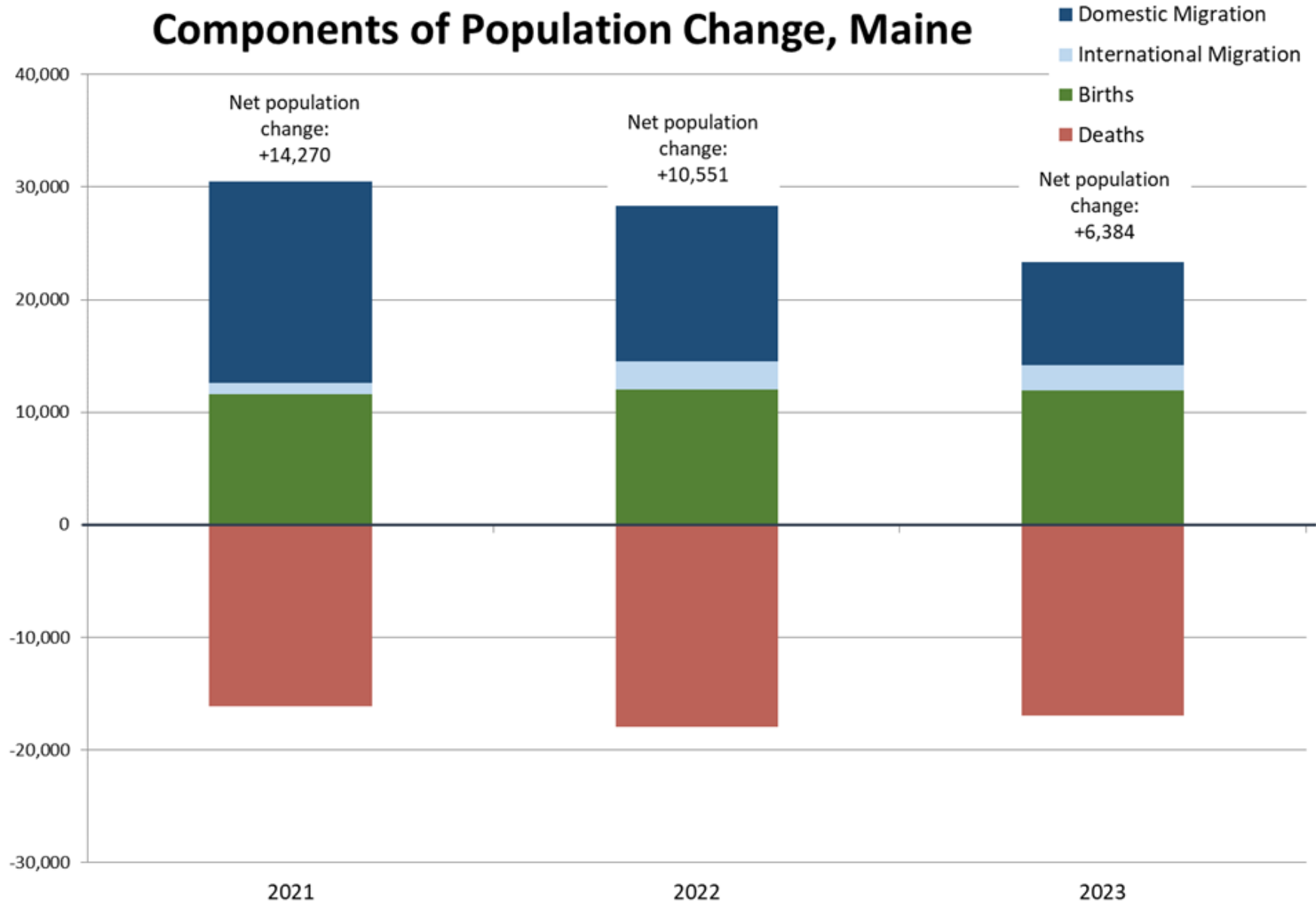
Population Change

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

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

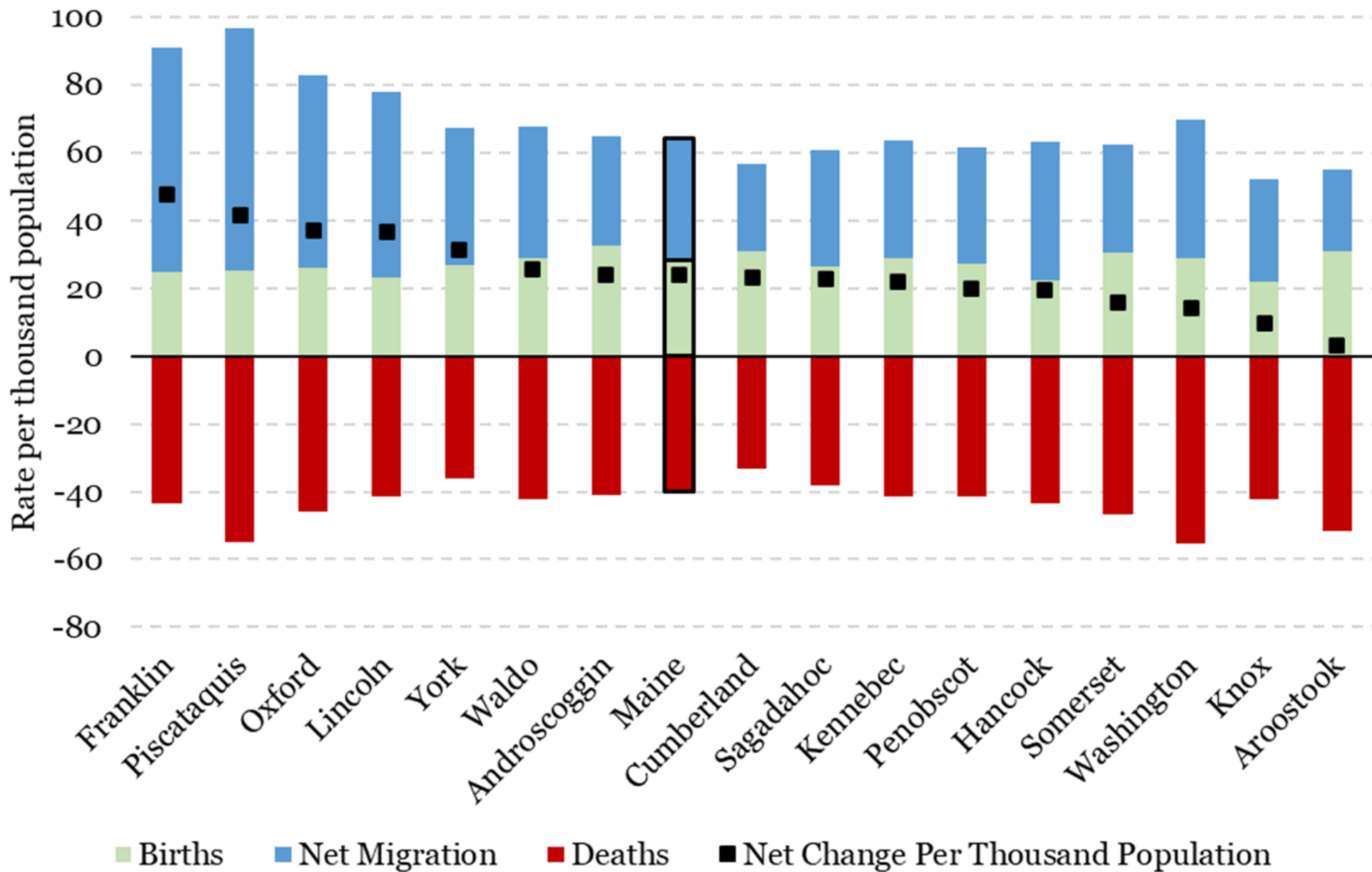
2023 Total Population: 1,395,722

Components of Population Change, Maine



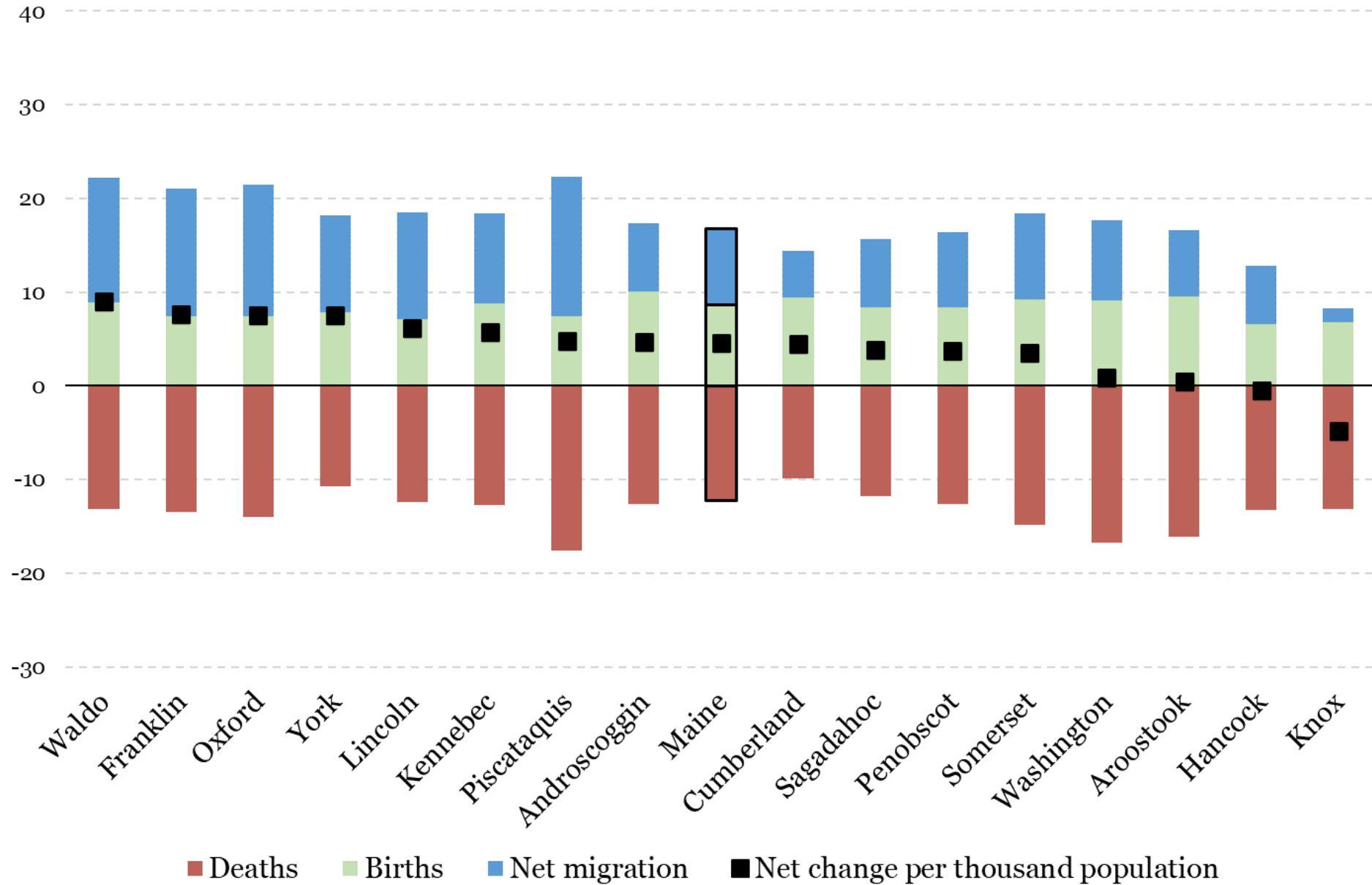
Source: U.S. Census Bureau, Population Estimates Program, 2023 vintage

Components of Population Change in Maine, 4/2020-7/2023 Rate per thousand population



Components of Population Change in Maine, 2023

Rate per thousand population

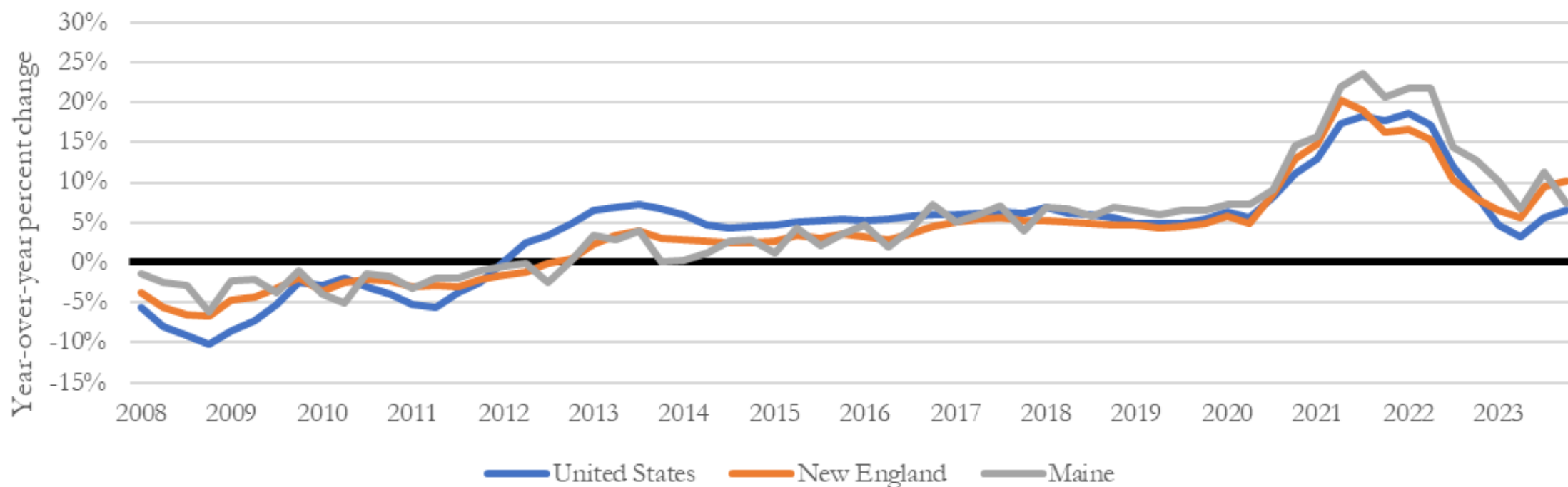


Housing

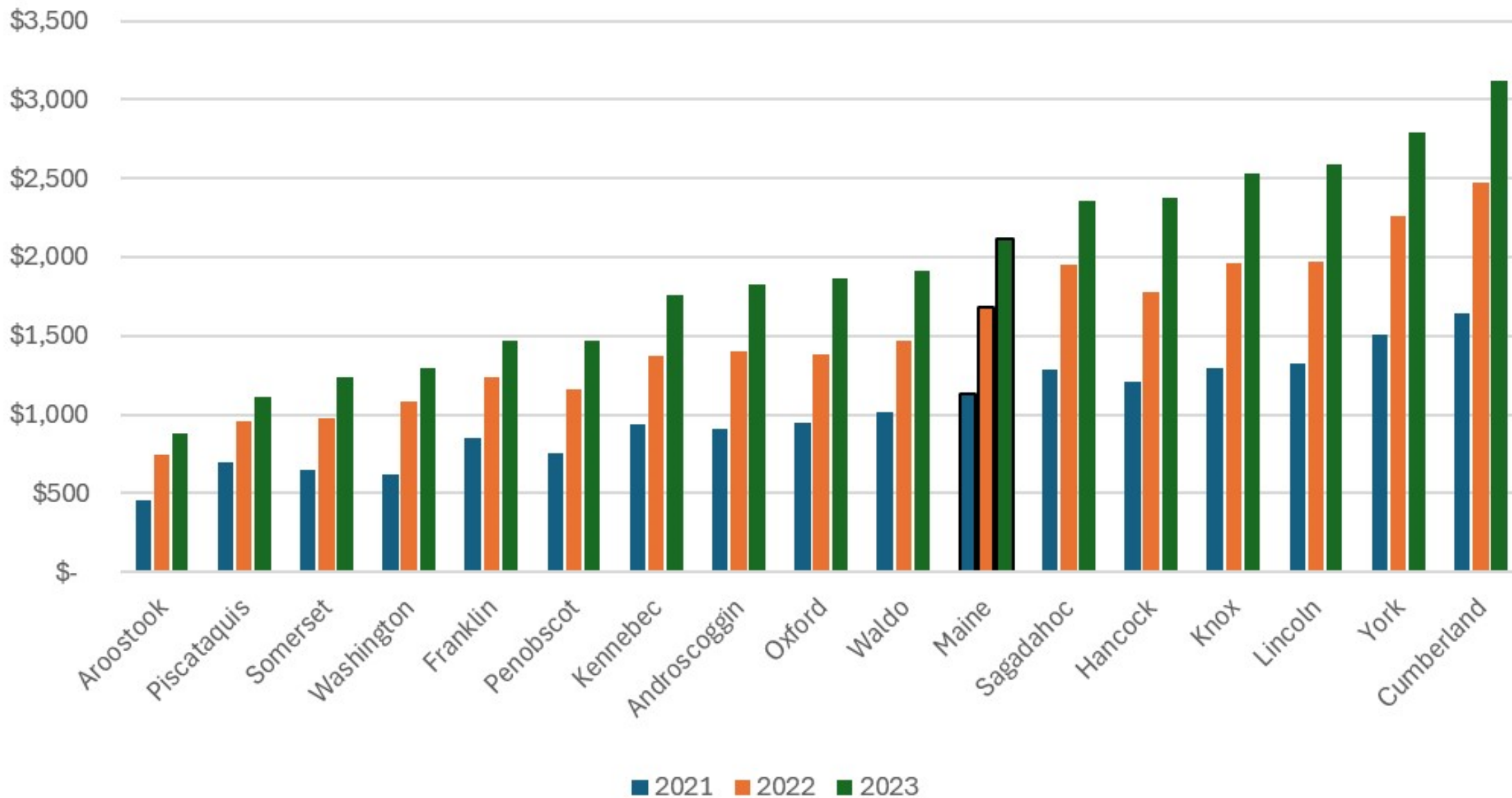


Migration into the state drove up demand for housing and further reduced the available supply; high mortgage rates have locked people into existing homes

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

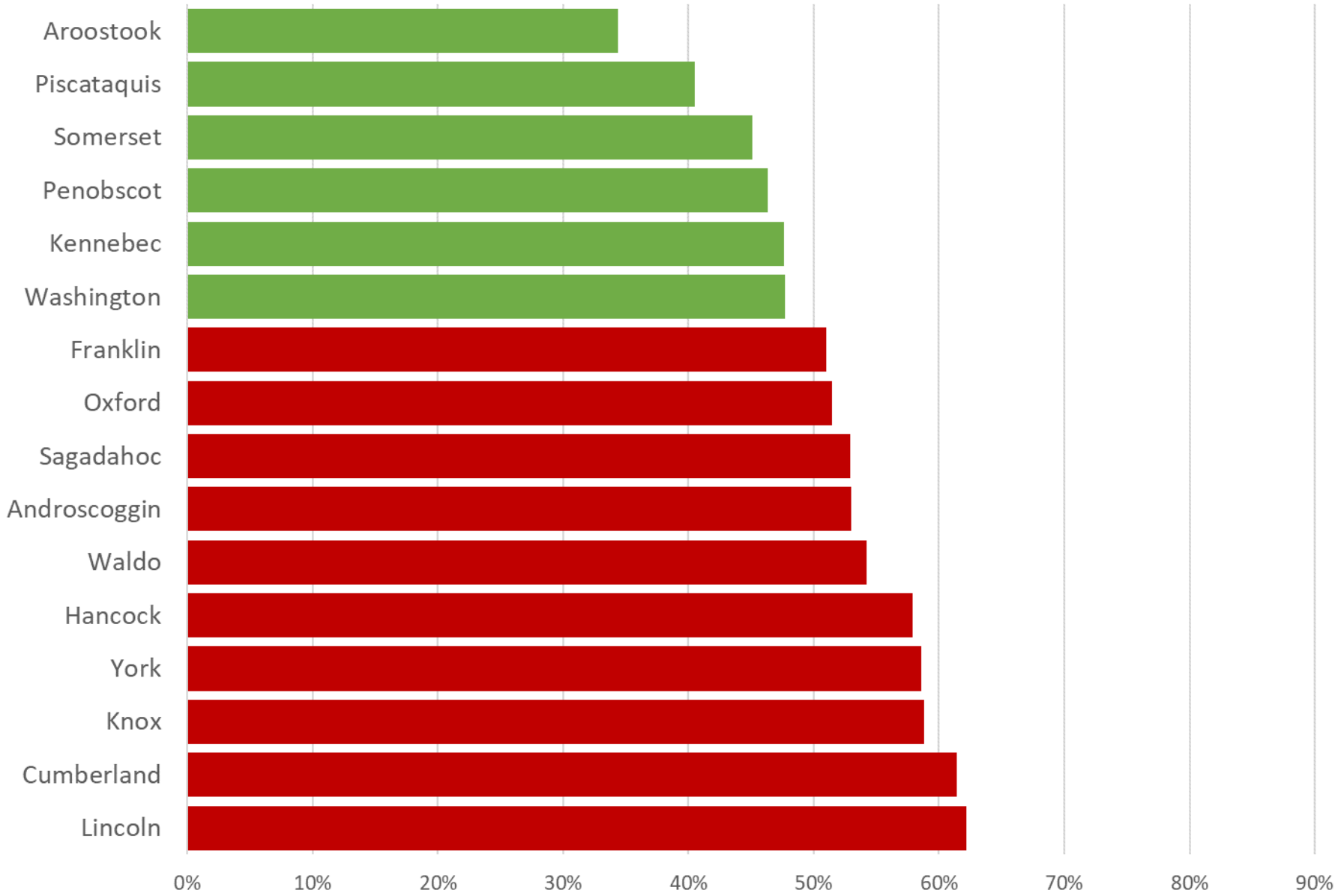


Monthly Mortgage Payment at the Median Sales Price 2021-2023



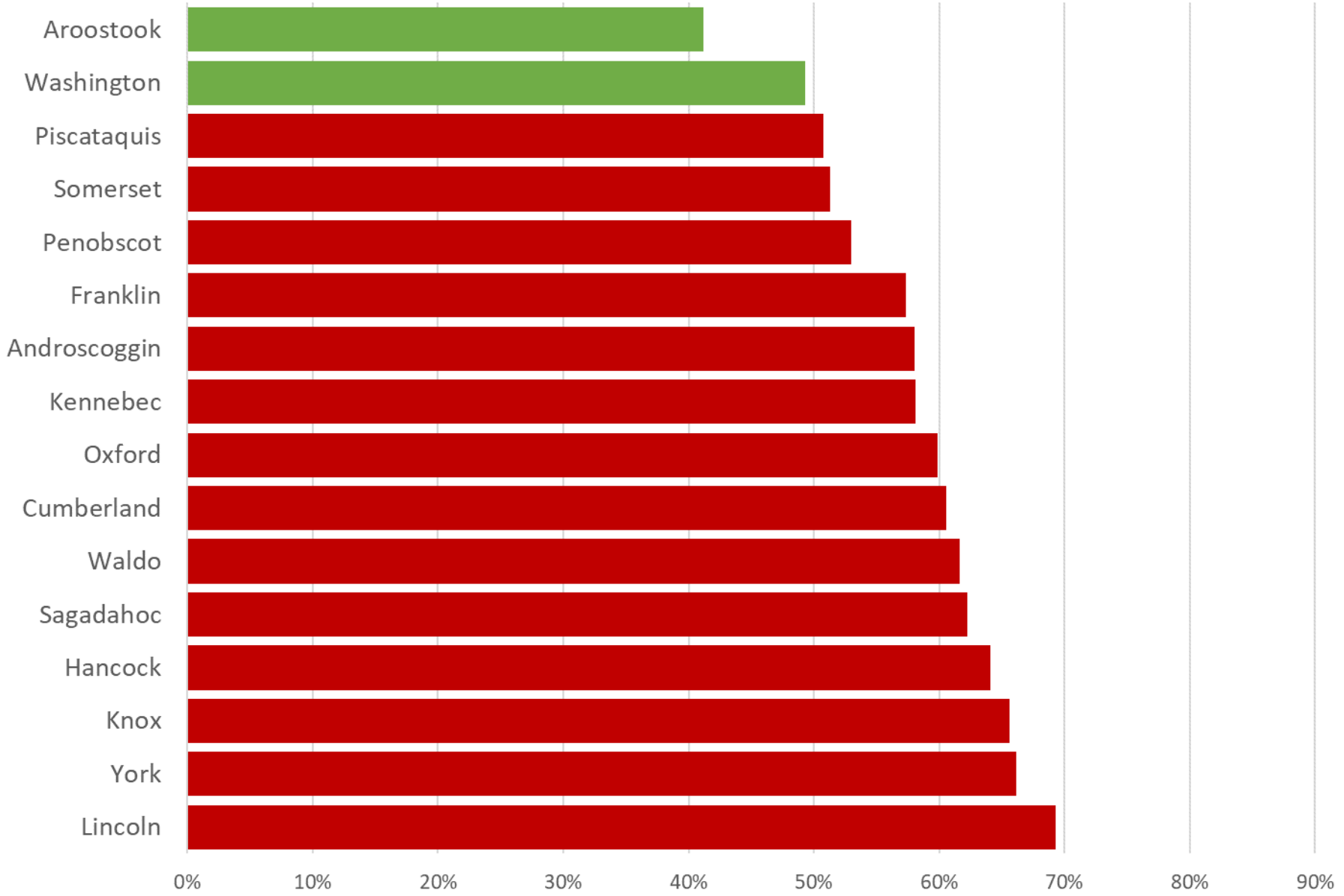
Source: Maine Association of Realtors (Prices), FRED Average 30-yr fixed rate mortgage (Rates), Principal and Interest only with 10% down payment

Percent of Households Unable to Afford Median Home, 2020



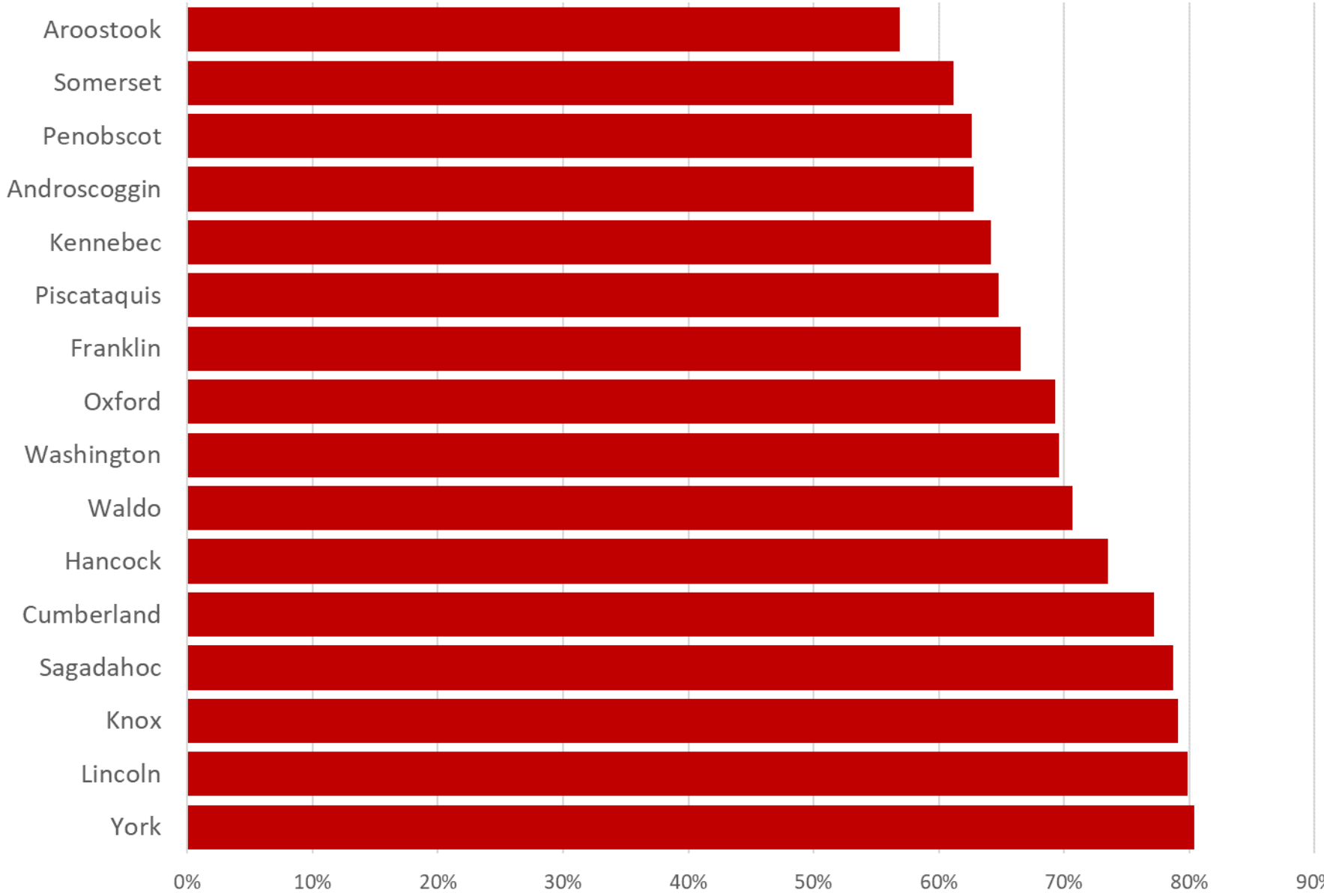
High demand
+ low supply
= price increases,
contributing to
sharp increase in
unaffordability

Percent of Households Unable to Afford Median Home, 2021



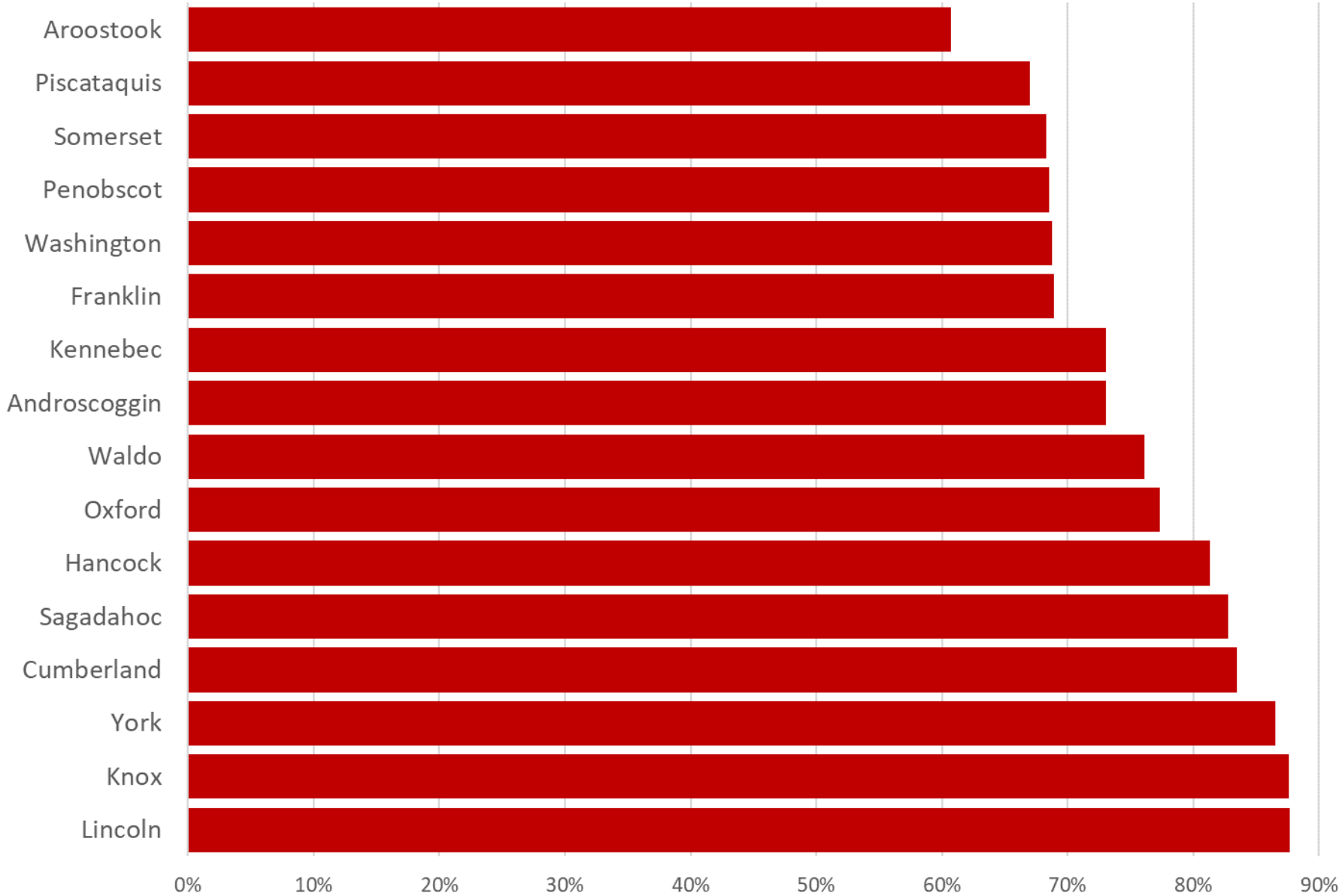
High demand
+ low supply
= price increases,
contributing to
sharp increase in
unaffordability

Percent of Households Unable to Afford Median Home, 2022



High demand
+ low supply
= price increases,
contributing to
sharp increase in
unaffordability

Percent of Households Unable to Afford Median Home, 2023

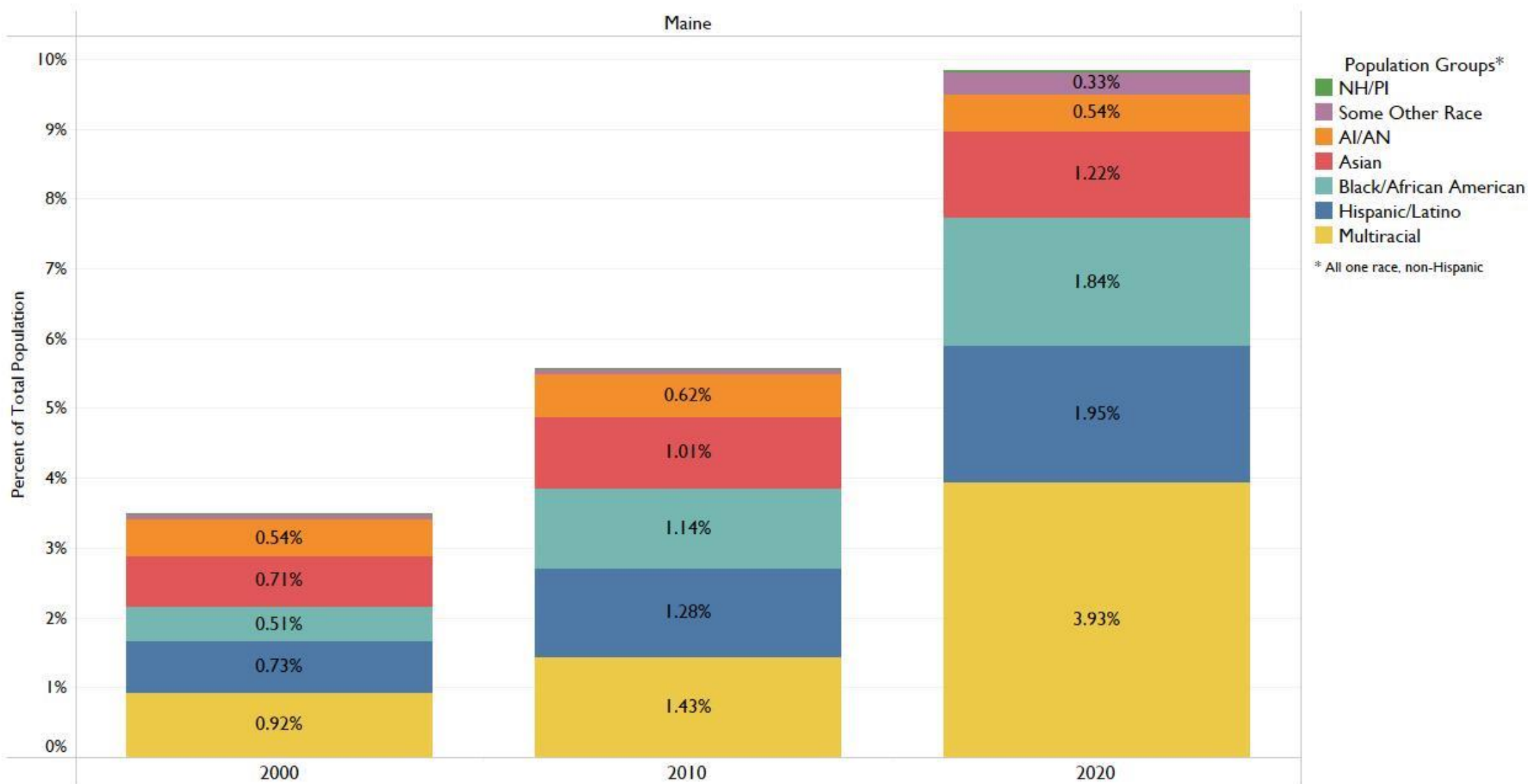


High demand
+ low supply
= price increases,
contributing to
sharp increase in
unaffordability

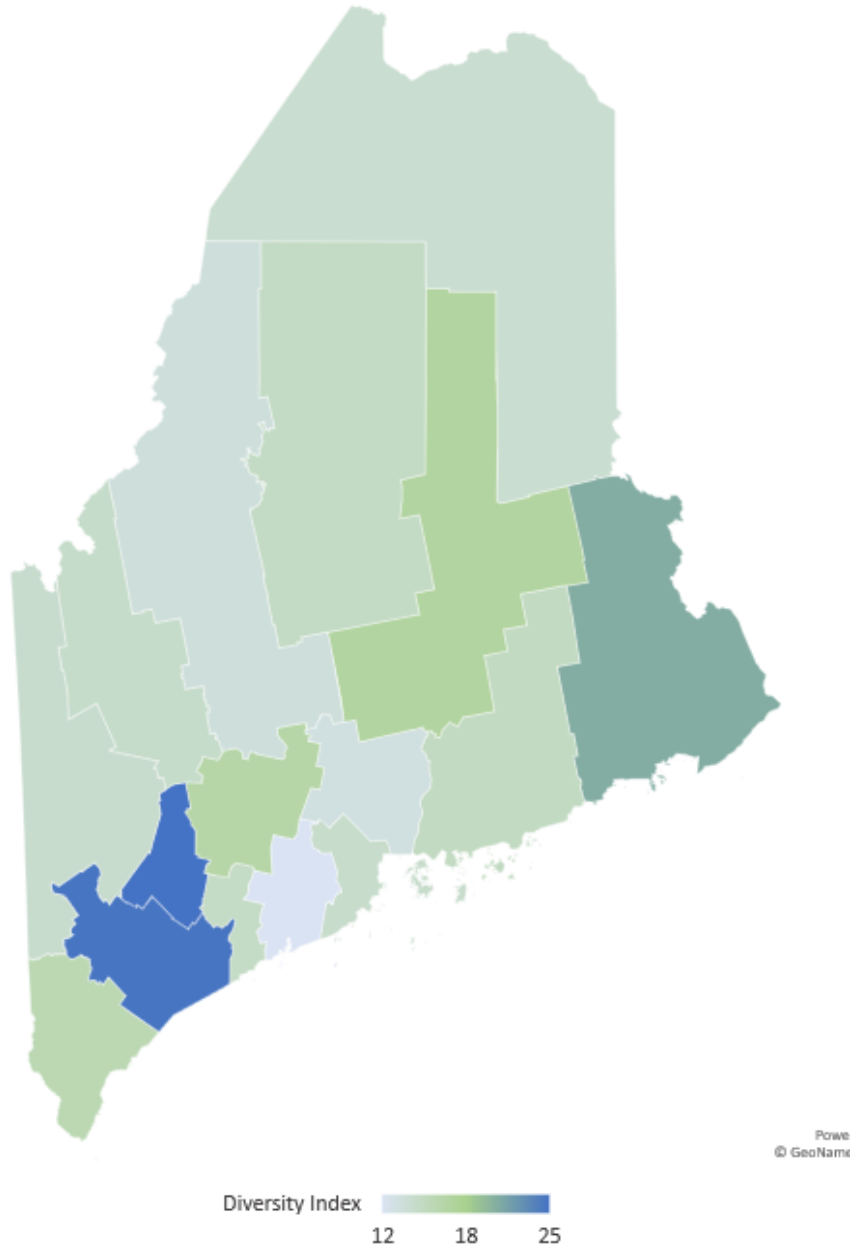
Demographics

Share of Total Population by Population Group | Maine

Data source: 2000, 2010, and 2020 U.S. Decennial Census



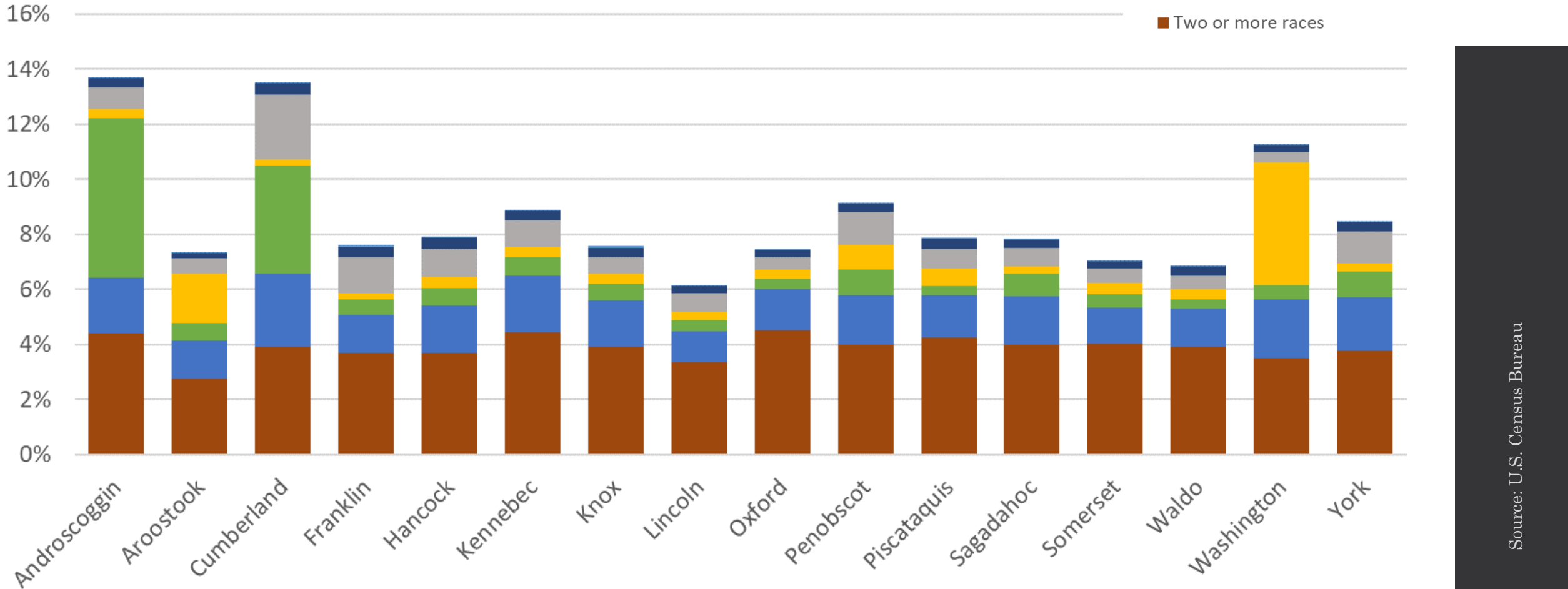
Note: Bars with less than 0.10% are not labeled for clarity and the White population is excluded from this figure because it comprises over 90% of the population.



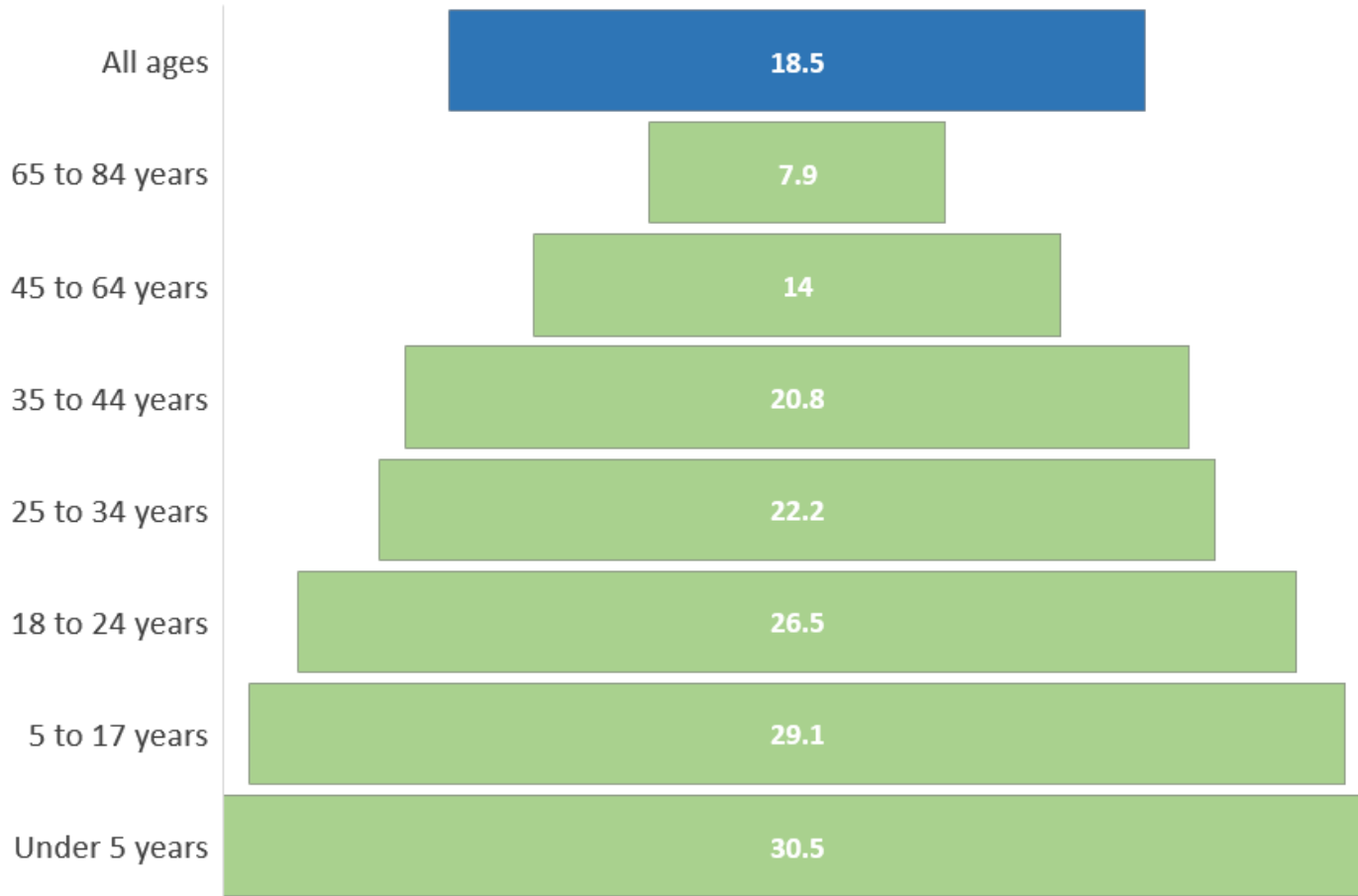
The diversity index tells us the chance that two people selected at random will be from different race or ethnicity groups

- 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



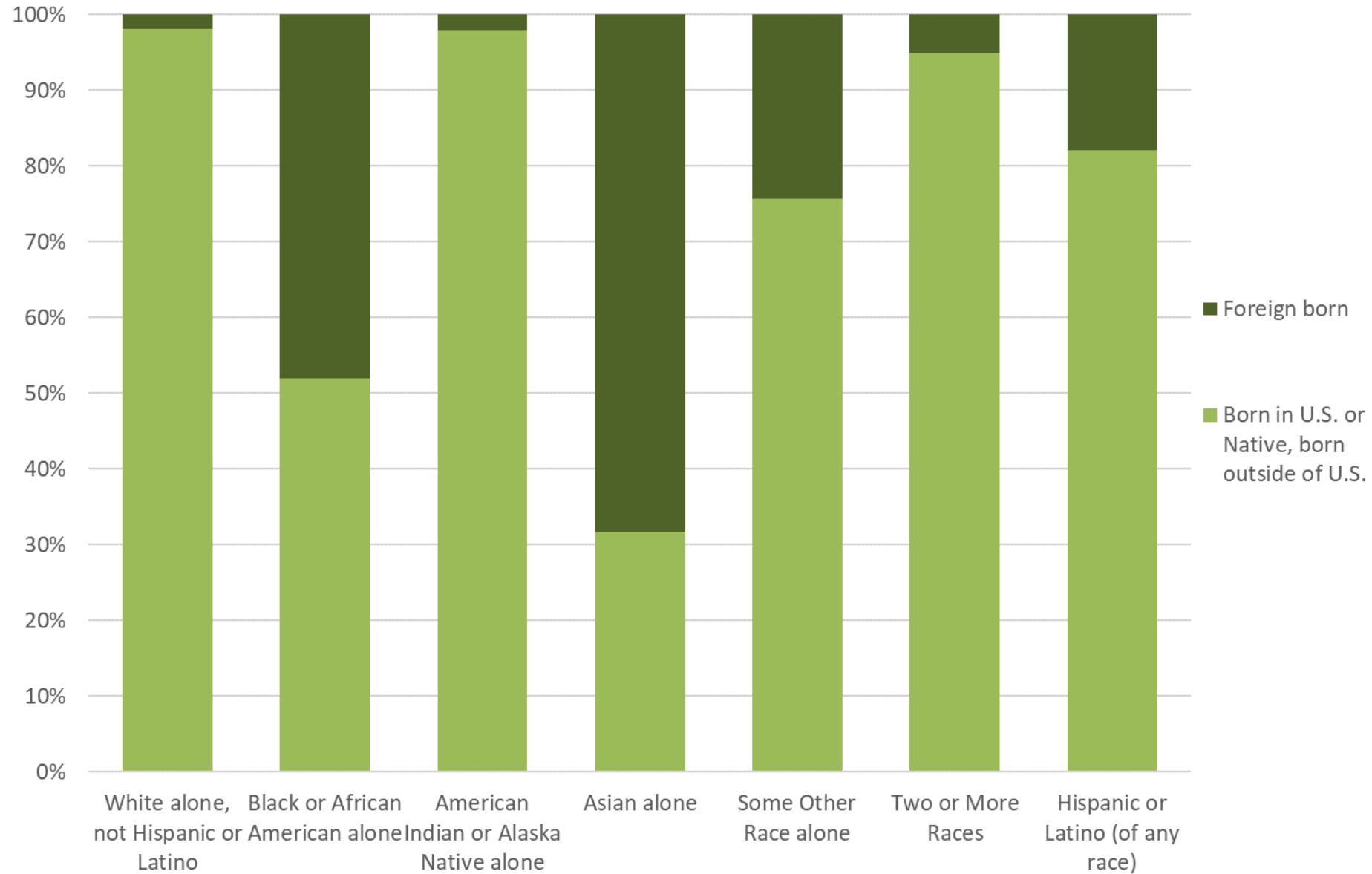
Diversity Index in Maine, 2020: Selected Age Groups



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

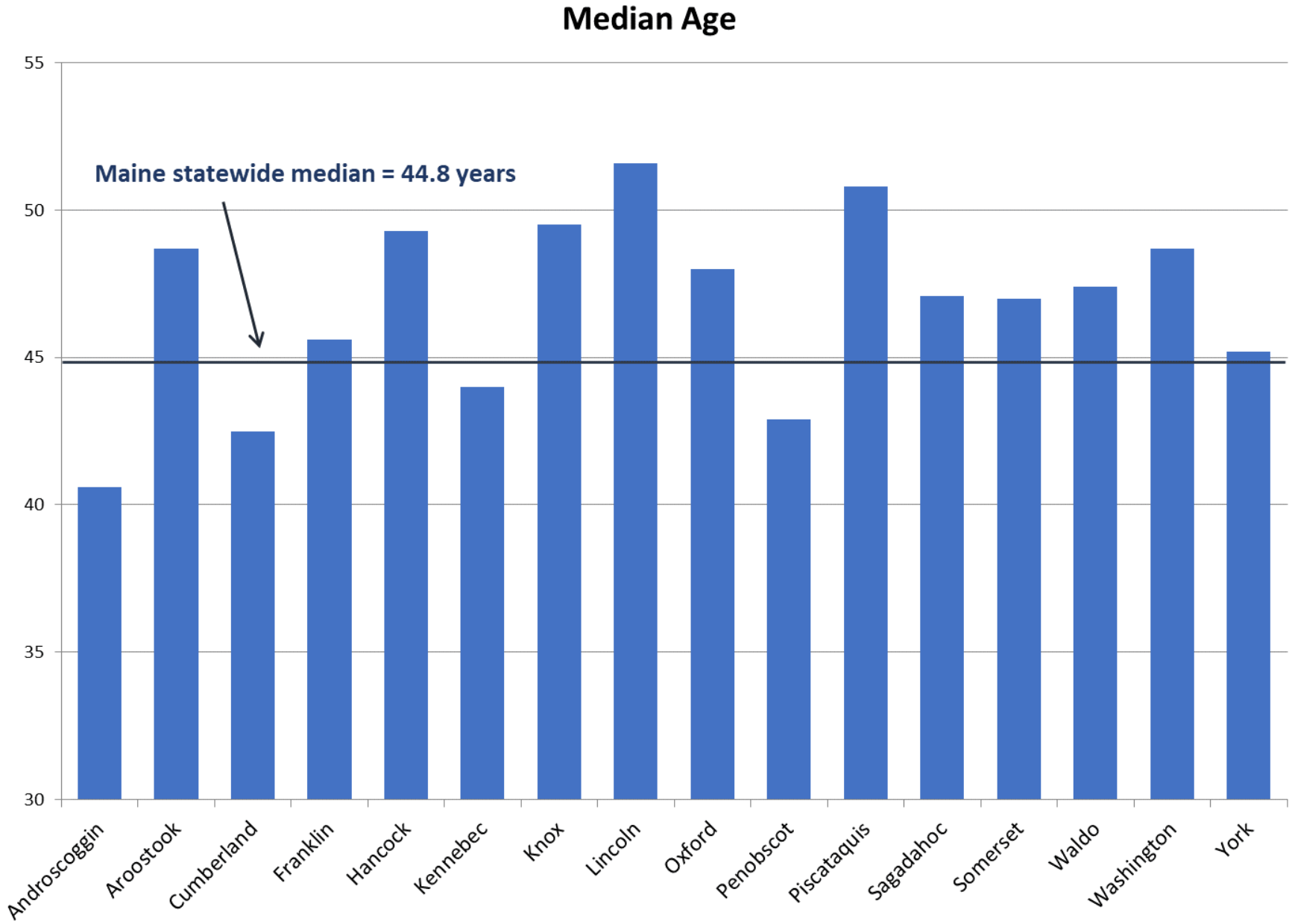


Maine has the oldest population...
 ...by median age (44.8 years)
 ...and by % of population age 65+ (22.5%)

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

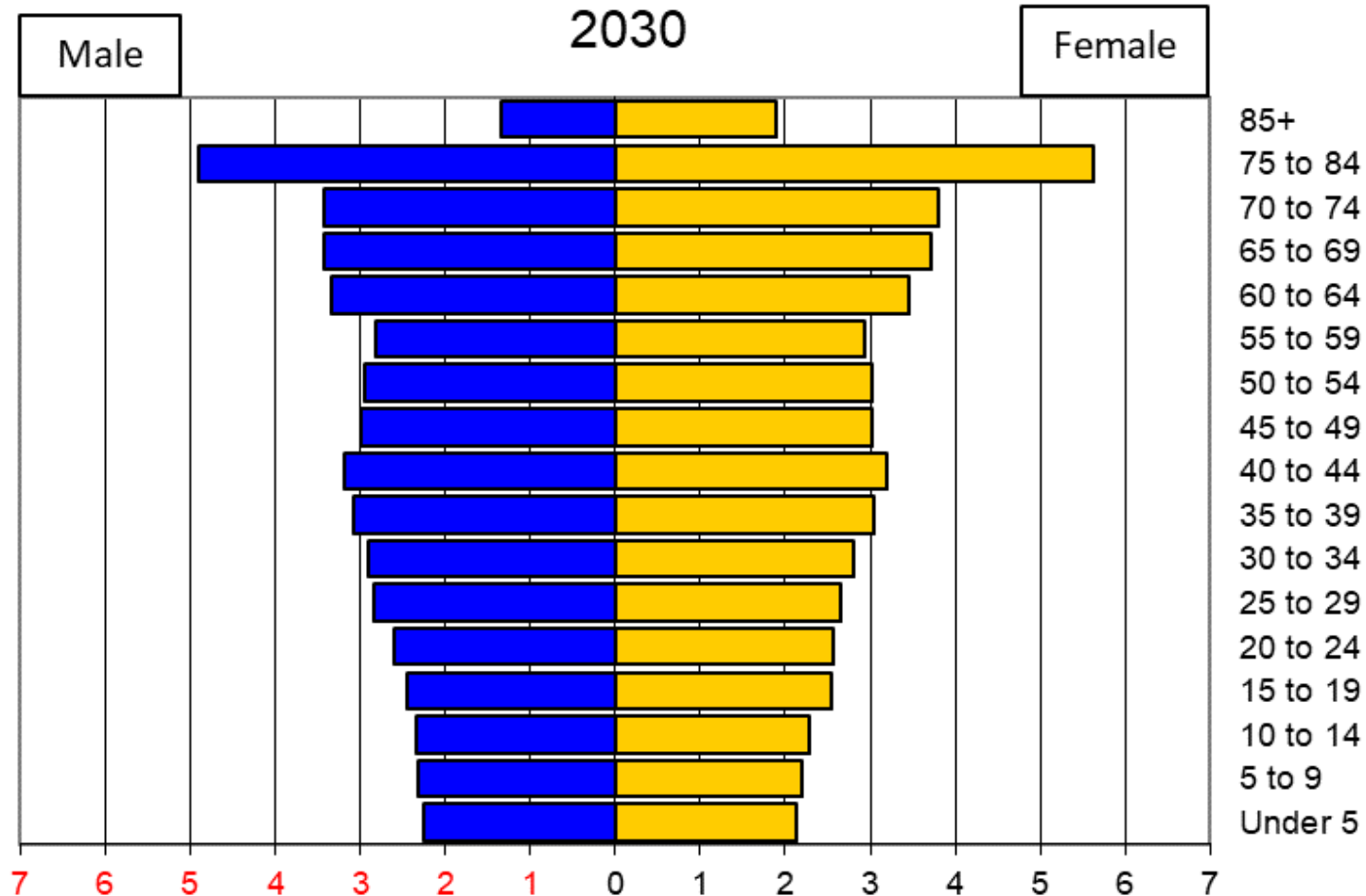


2021 median age decreased in ME and CT; 2022 median age unchanged in ME, AL, TN, WV

The Baby Boom: 1946-1964

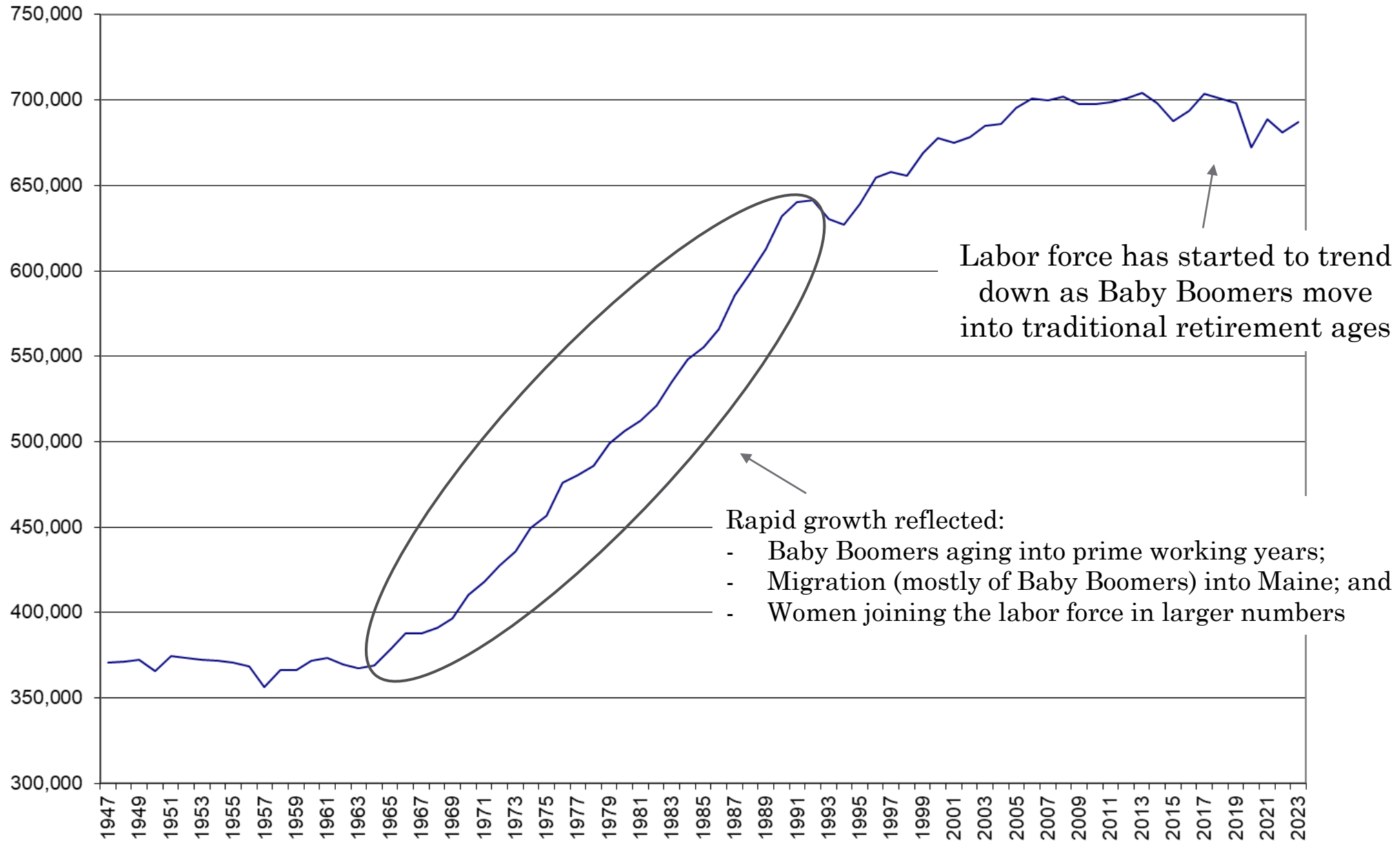
Baby Boom generation in 2030: age 66-84

Baby Boom generation in 2022: age 58-76

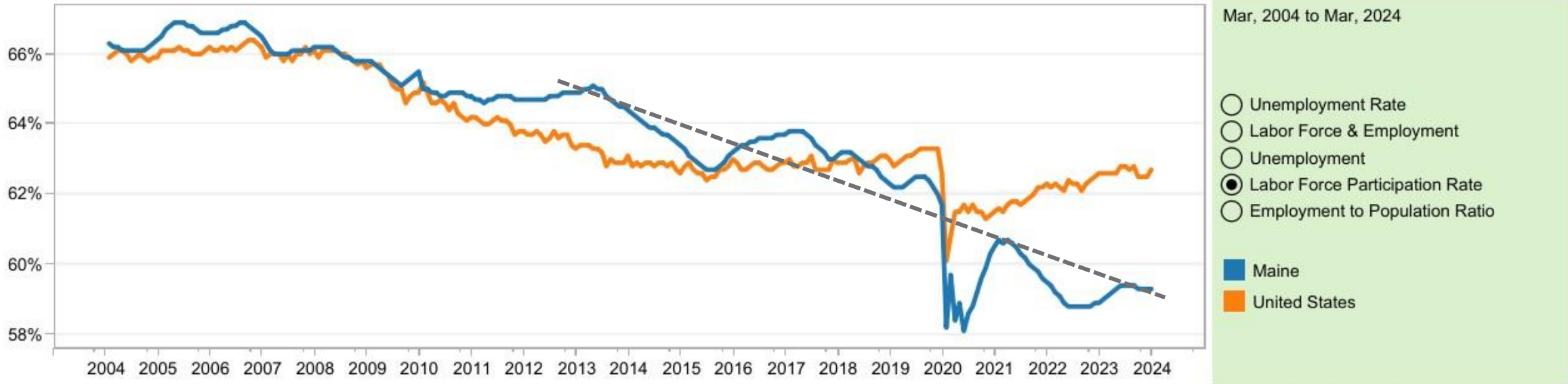


Labor Force and Employment

Maine Civilian Labor Force

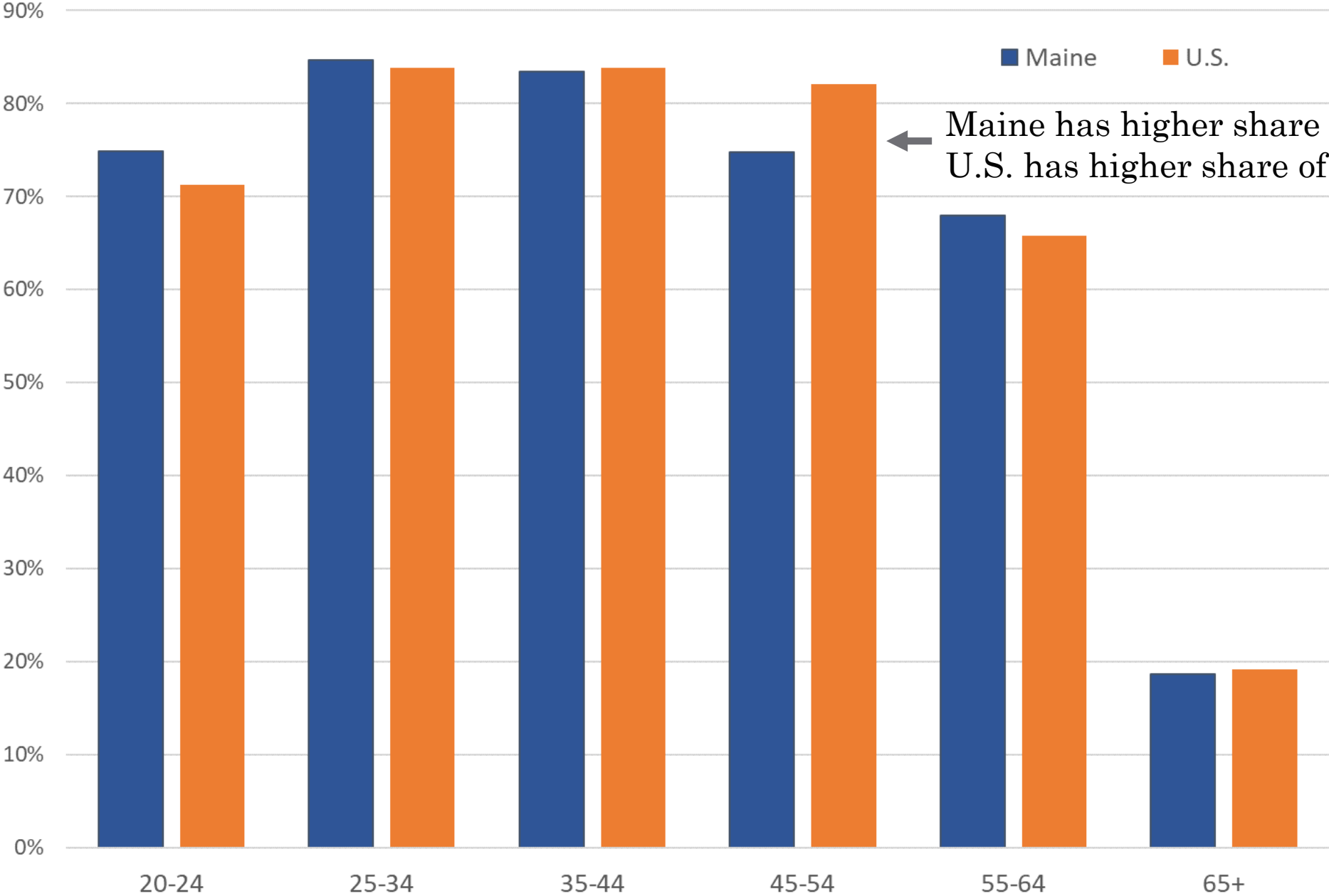


Labor Force Participation Rate (seasonally adjusted)



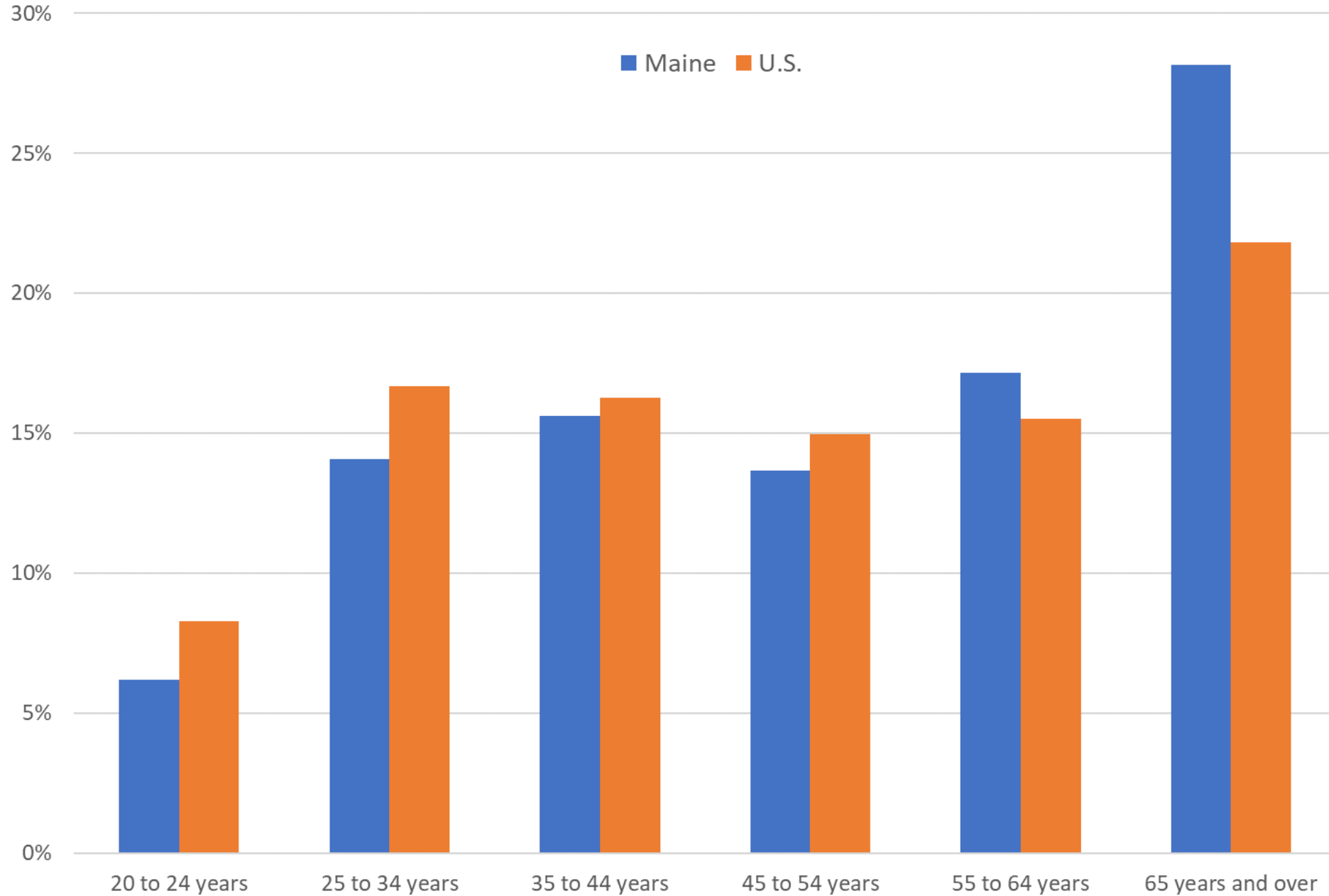
If the **age distribution** of Maine's population was the same as the U.S., our overall **labor force participation rate** would be about the same as the U.S.

2023 Labor Force Participation Rate



← Maine has higher share of 50-54, U.S. has higher share of 45-49

Civilian Noninstitutional Population by Age, 2023



Maine's 3.3% unemployment rate in March 2024 was close to recent record lows and little changed over the past six months

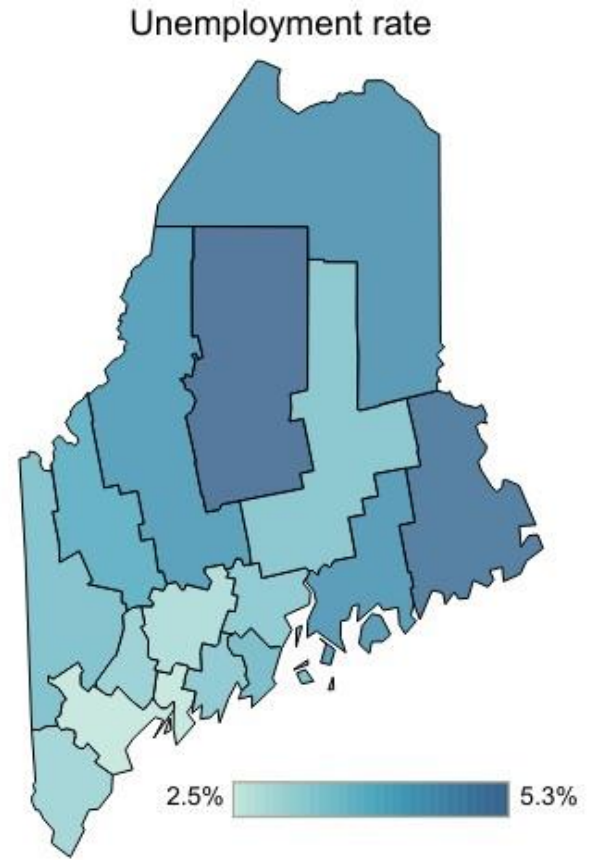
County Rates (not seasonally adjusted)

March, 2024

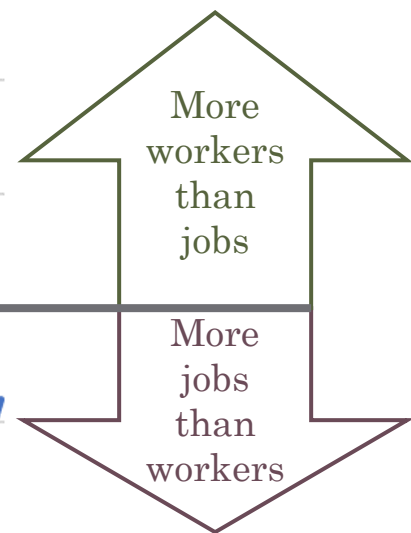
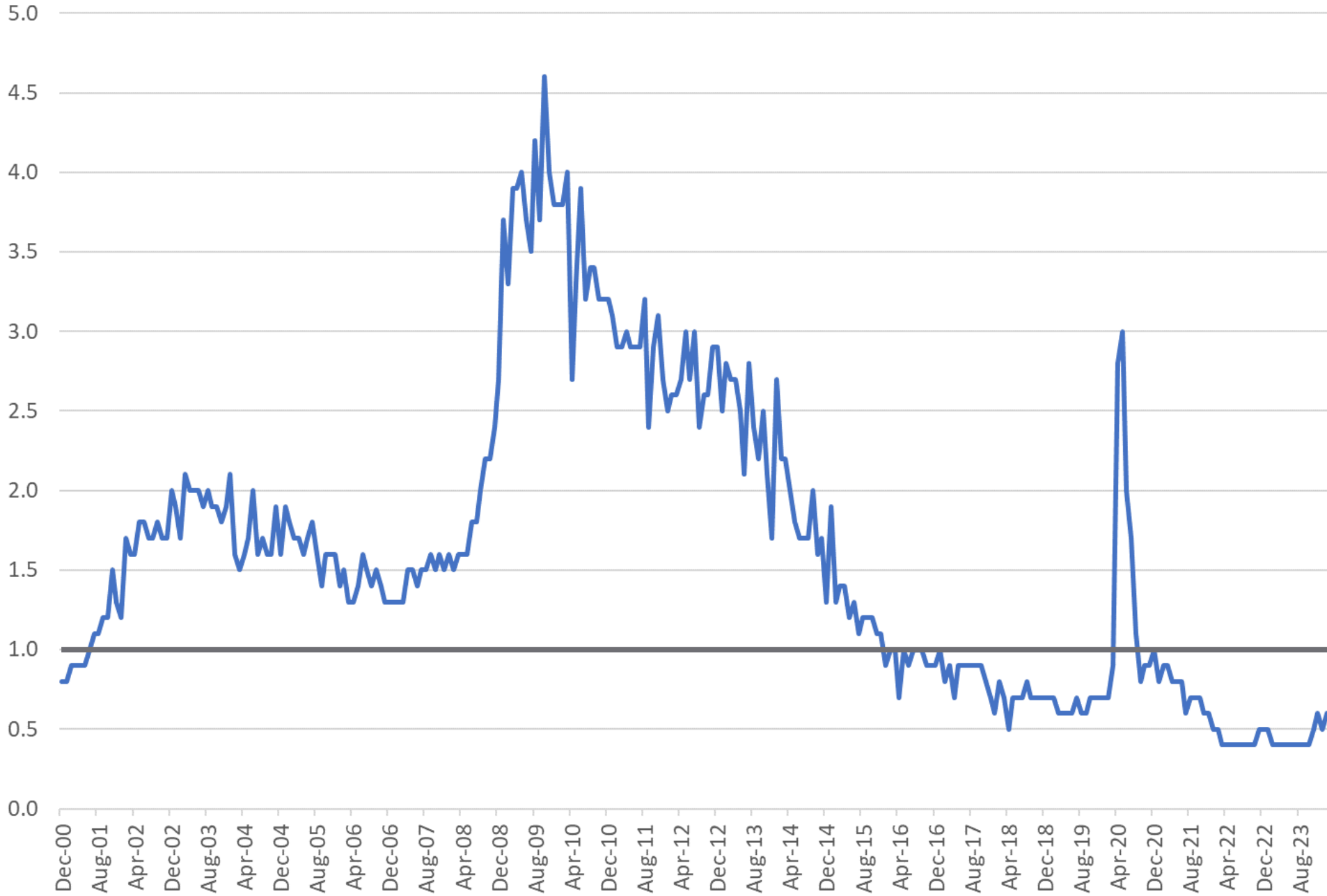
Table
 Graph

Map/Graph Display
 Unemployment rate
 One-year change

County	Rate	Year ago	One-yr change
Maine	3.2%	3.0%	0.2 ↑
Androscoggin	3.1%	3.1%	0.0 -
Aroostook	4.5%	4.1%	0.4 ↑
Cumberland	2.5%	2.4%	0.1 ↑
Franklin	3.9%	3.4%	0.5 ↑
Hancock	4.4%	4.5%	-0.1 ↓
Kennebec	2.8%	2.6%	0.2 ↑
Knox	3.6%	3.3%	0.3 ↑
Lincoln	3.3%	3.3%	0.0 -
Oxford	3.5%	3.3%	0.2 ↑
Penobscot	3.4%	3.1%	0.3 ↑
Piscataquis	5.3%	4.5%	0.8 ↑
Sagadahoc	2.5%	2.4%	0.1 ↑
Somerset	4.3%	4.9%	-0.6 ↓
Waldo	3.3%	3.4%	-0.1 ↓
Washington	5.1%	4.7%	0.4 ↑
York	3.0%	2.8%	0.2 ↑

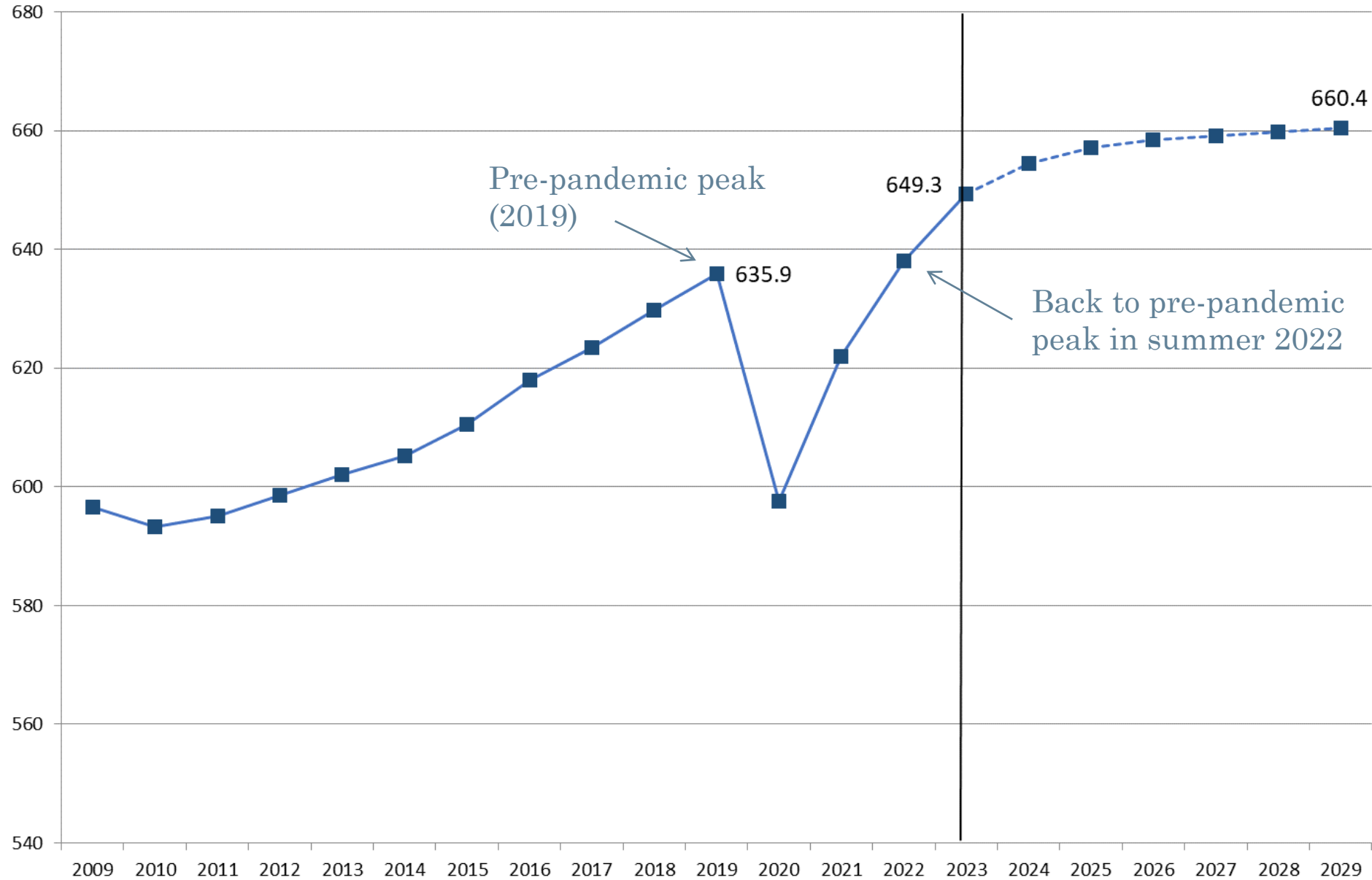


Unemployed Persons per Job Opening Ratio - Maine

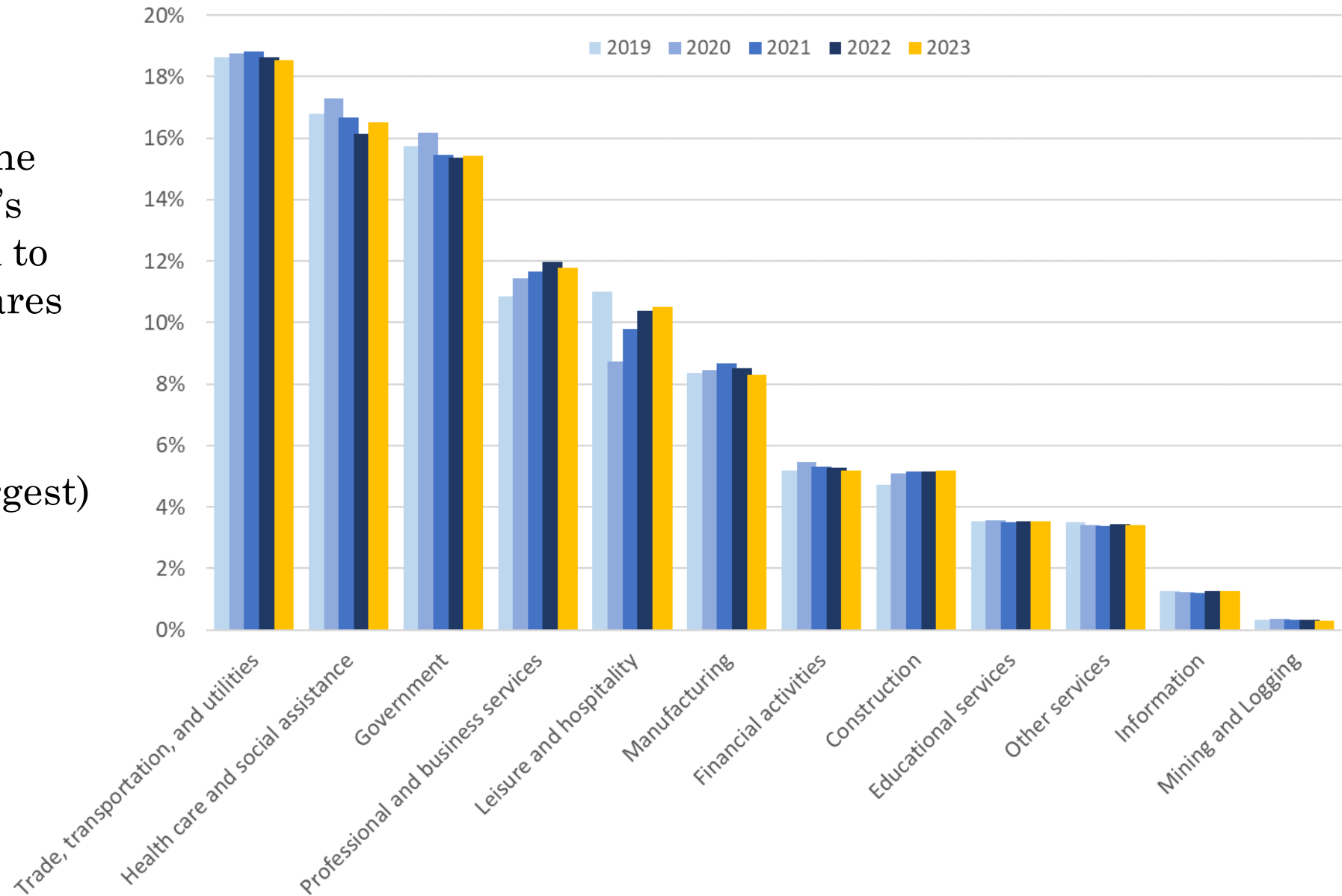


Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey

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

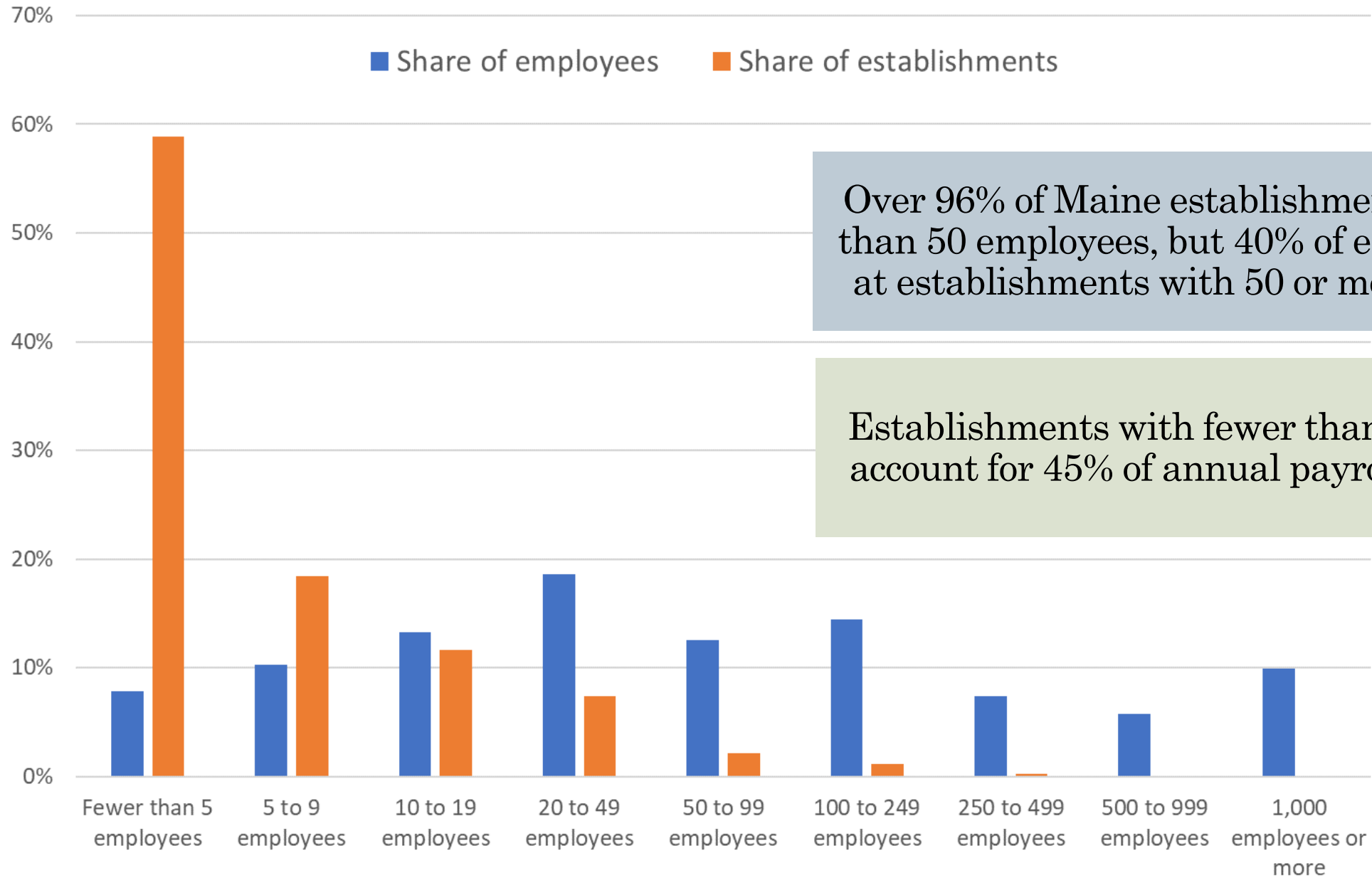


Share of Maine Nonfarm Employment by Industry



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)

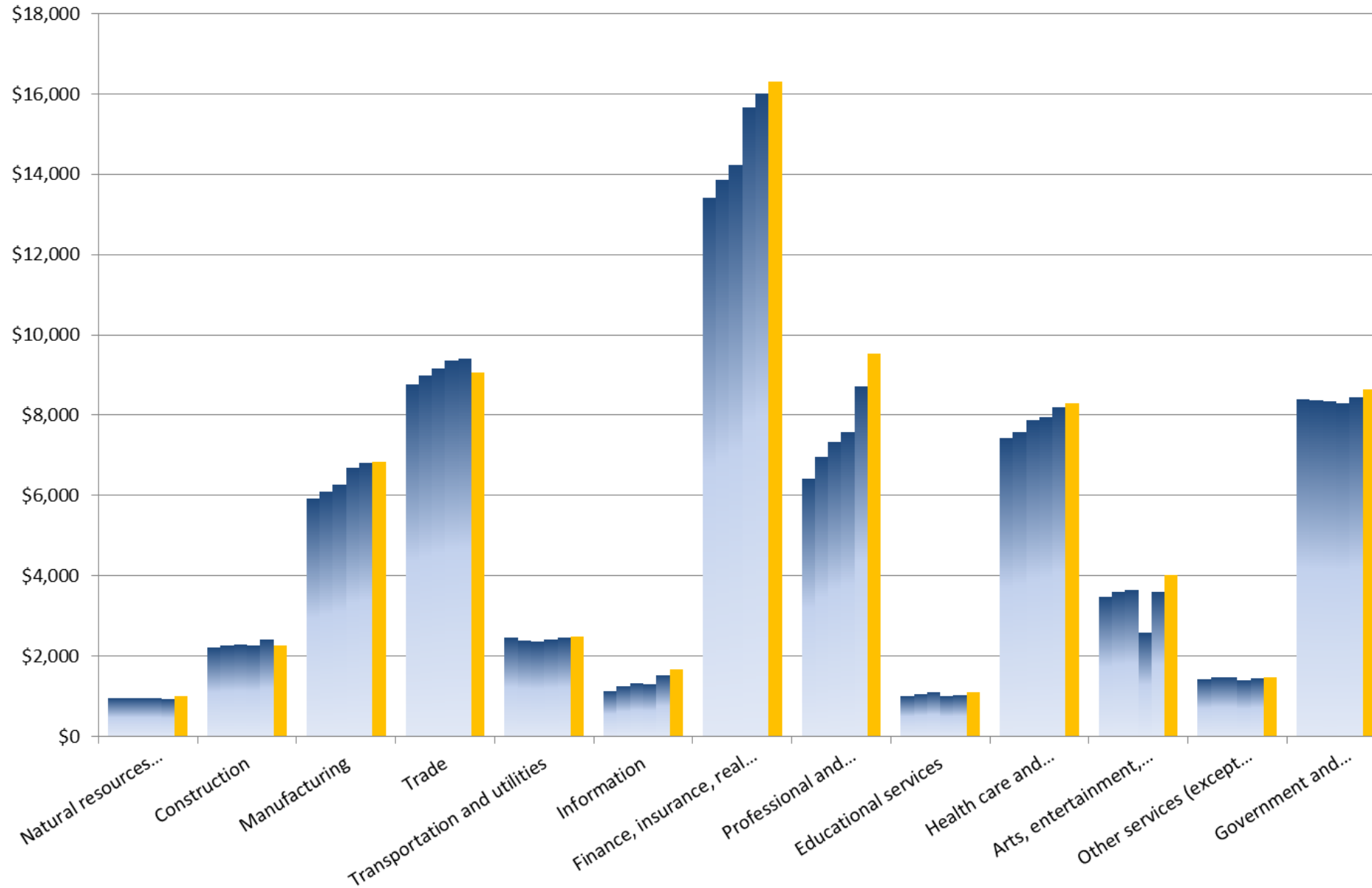
Share of establishments and employees by establishment size class Maine, 2021



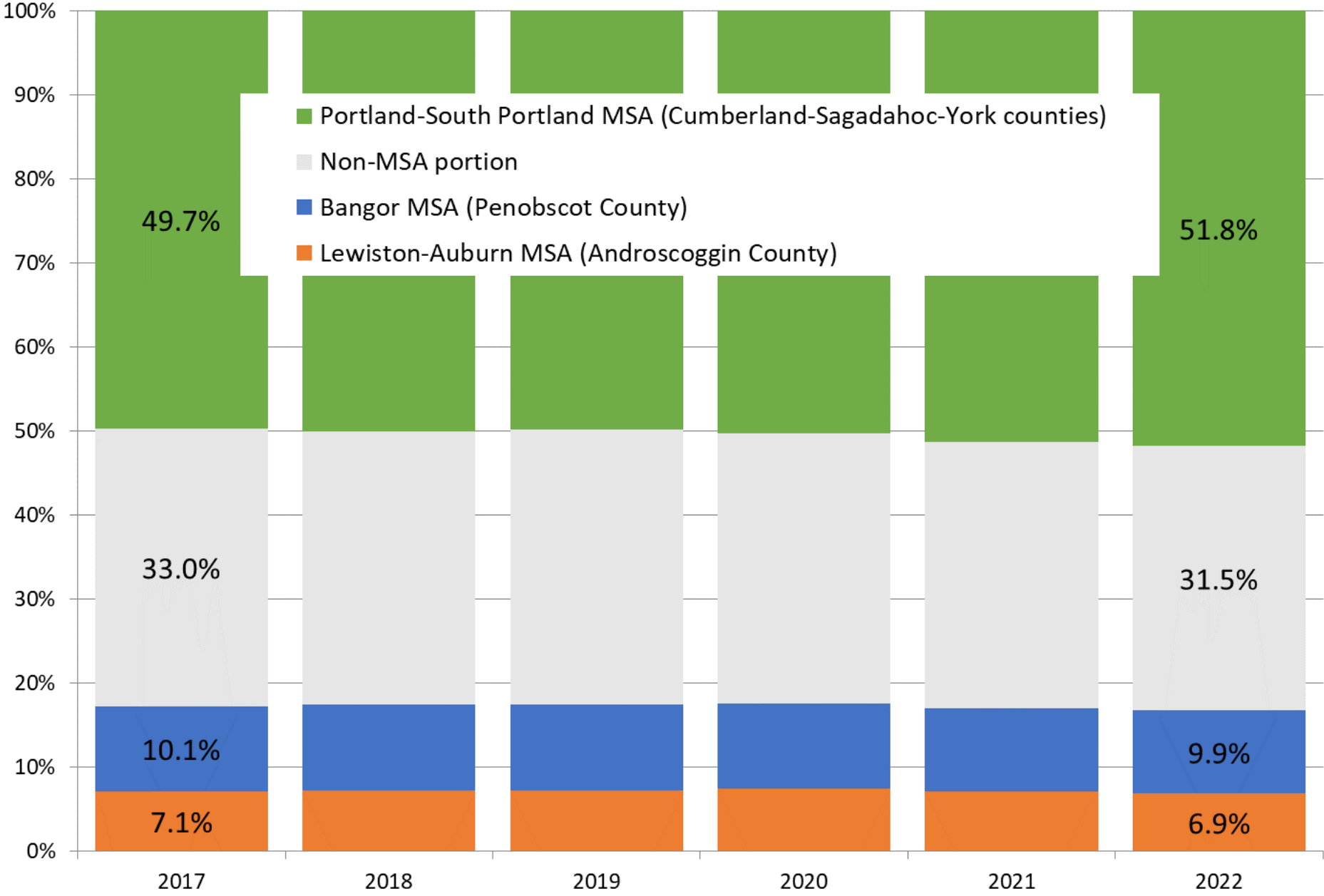
Over 96% of Maine establishments have fewer than 50 employees, but 40% of employees work at establishments with 50 or more employees

Establishments with fewer than 50 employees account for 45% of annual payroll (\$12 billion)

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

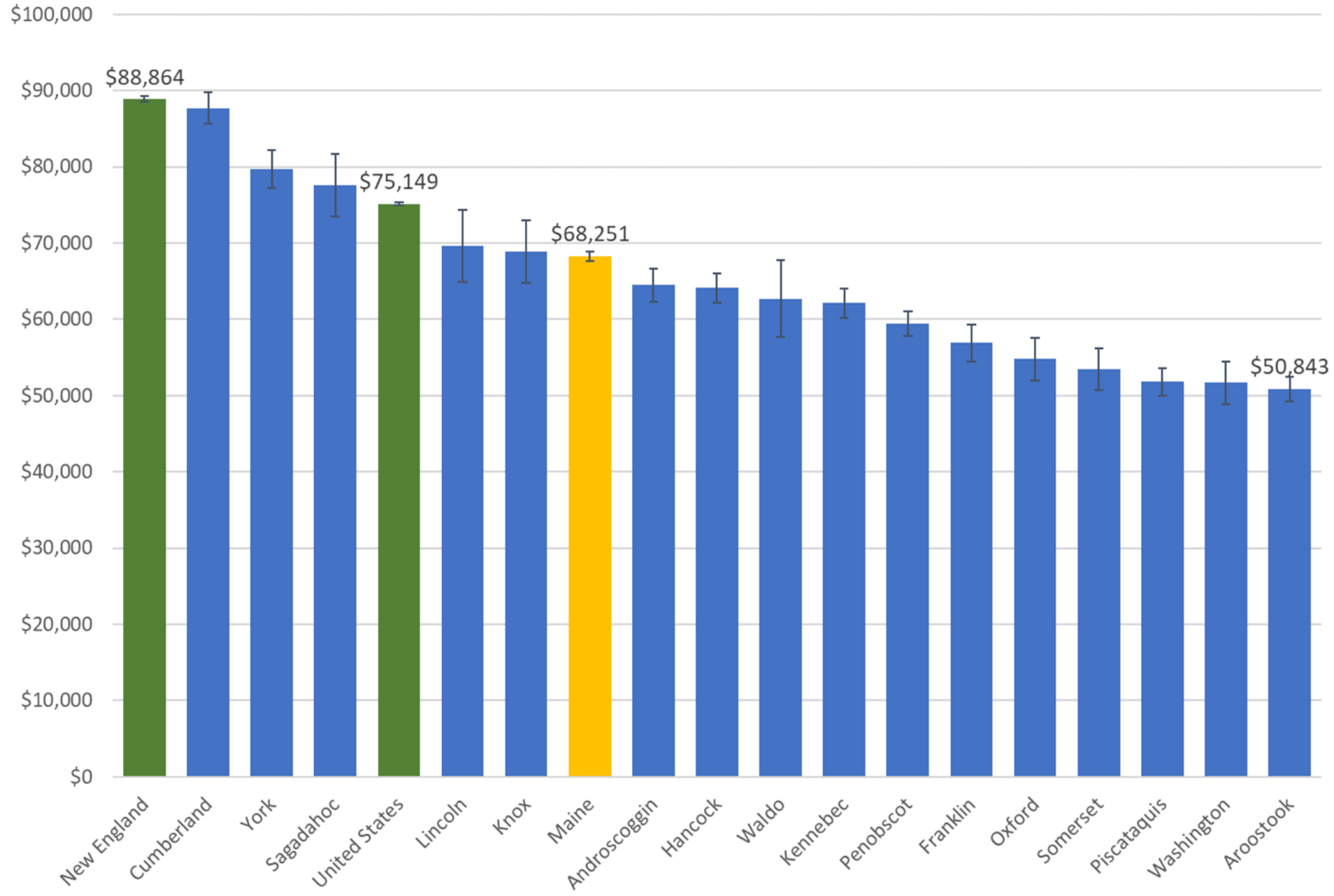


Share of Maine Real GDP by Metropolitan Area

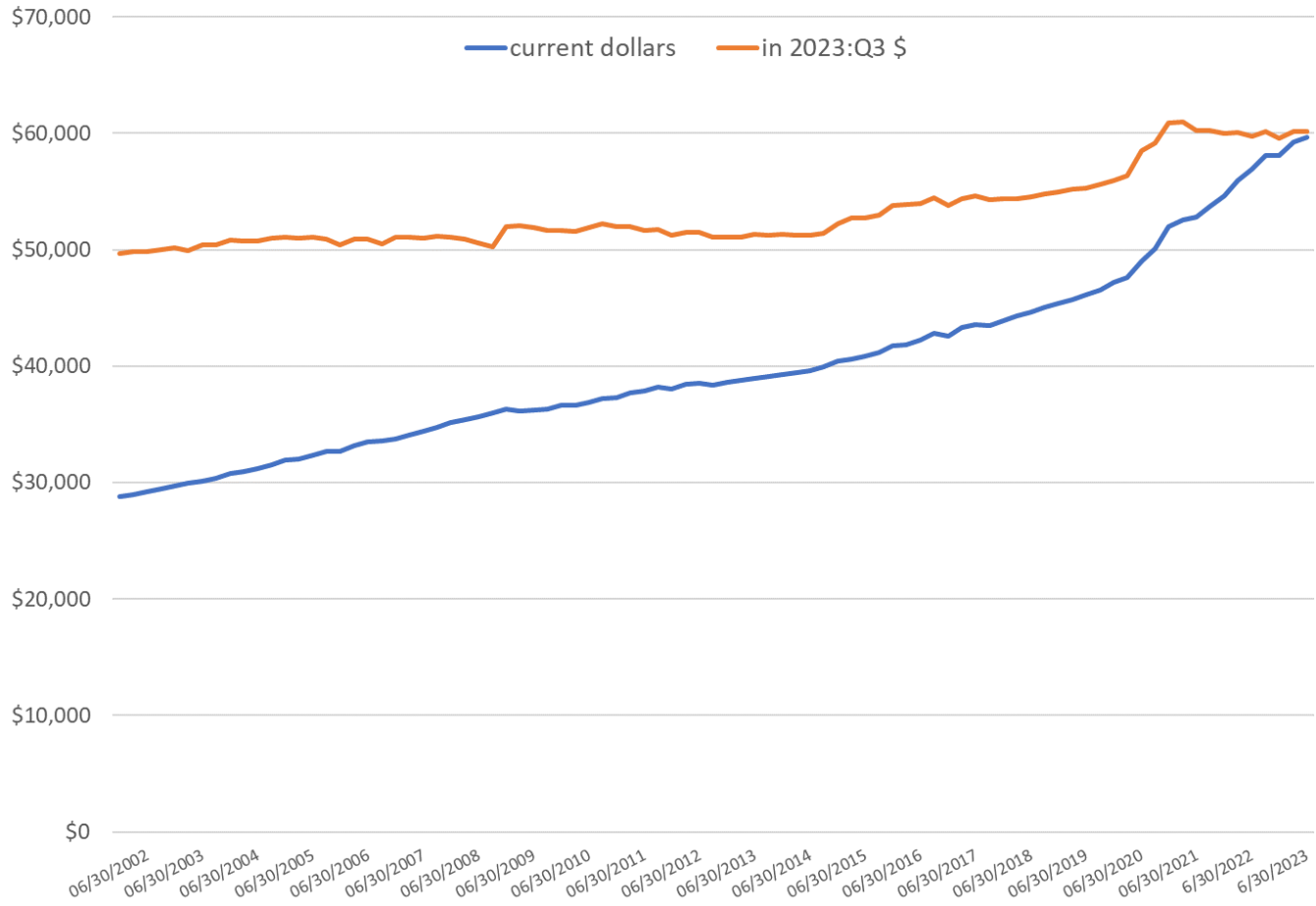


Wages, Income, and Inflation

Median Household Income



Moving Four Quarter Average Wage Per Job

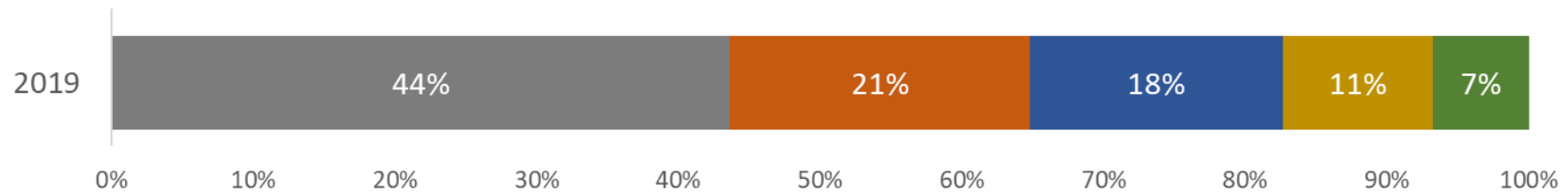


Wages increased sharply during the first part of the pandemic, but increases more recently have just kept pace with inflation

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

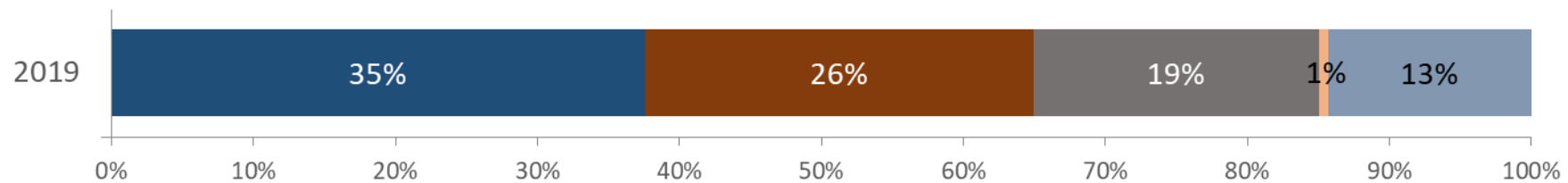
Major Components of Personal Income, Maine

- Wages and Salaries
- Personal current transfer receipts
- Dividends, interest and rent
- Supplements to wages and salaries
- Nonfarm proprietors' income

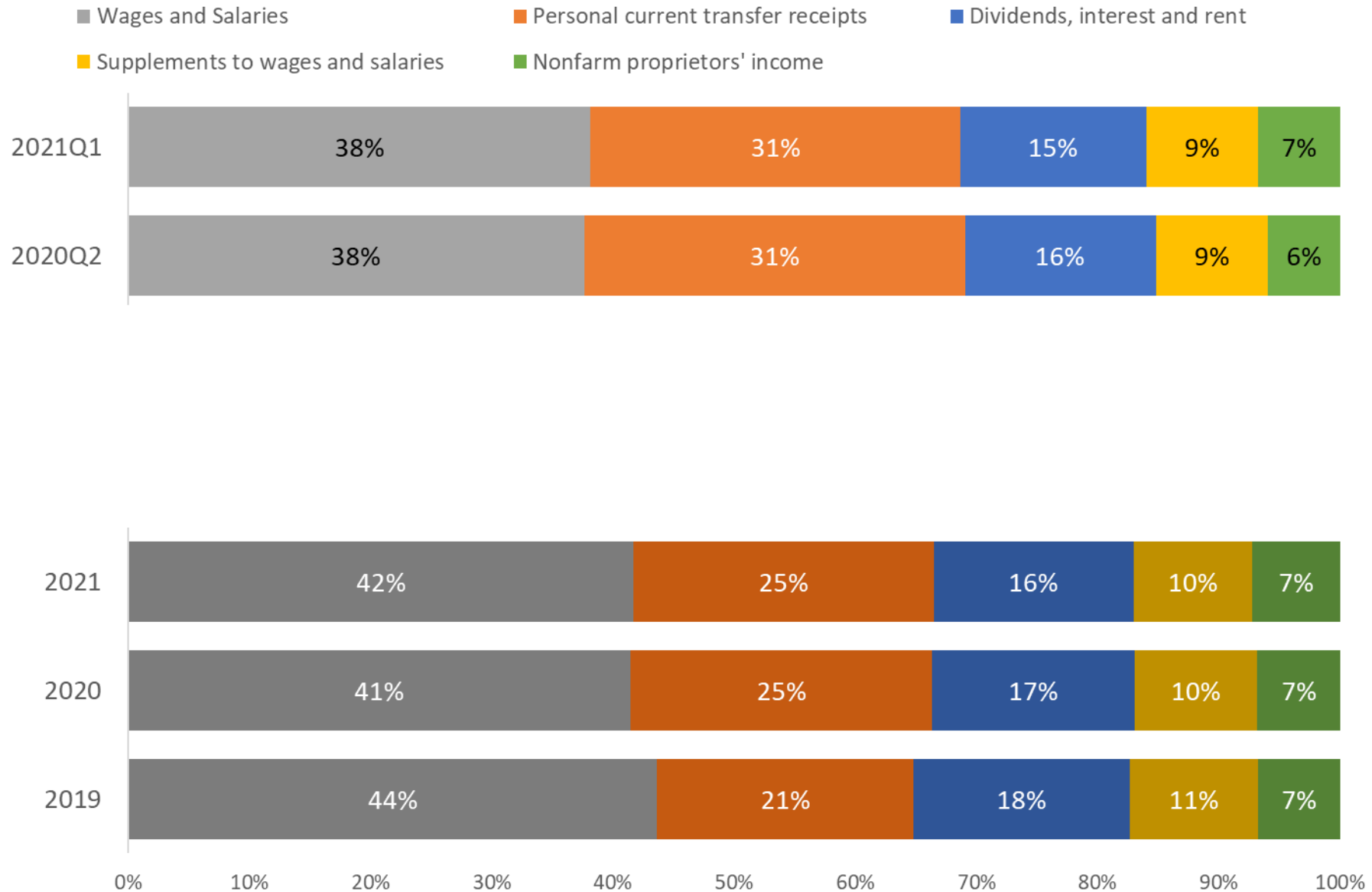


Components of Personal Current Transfer Receipts, Maine

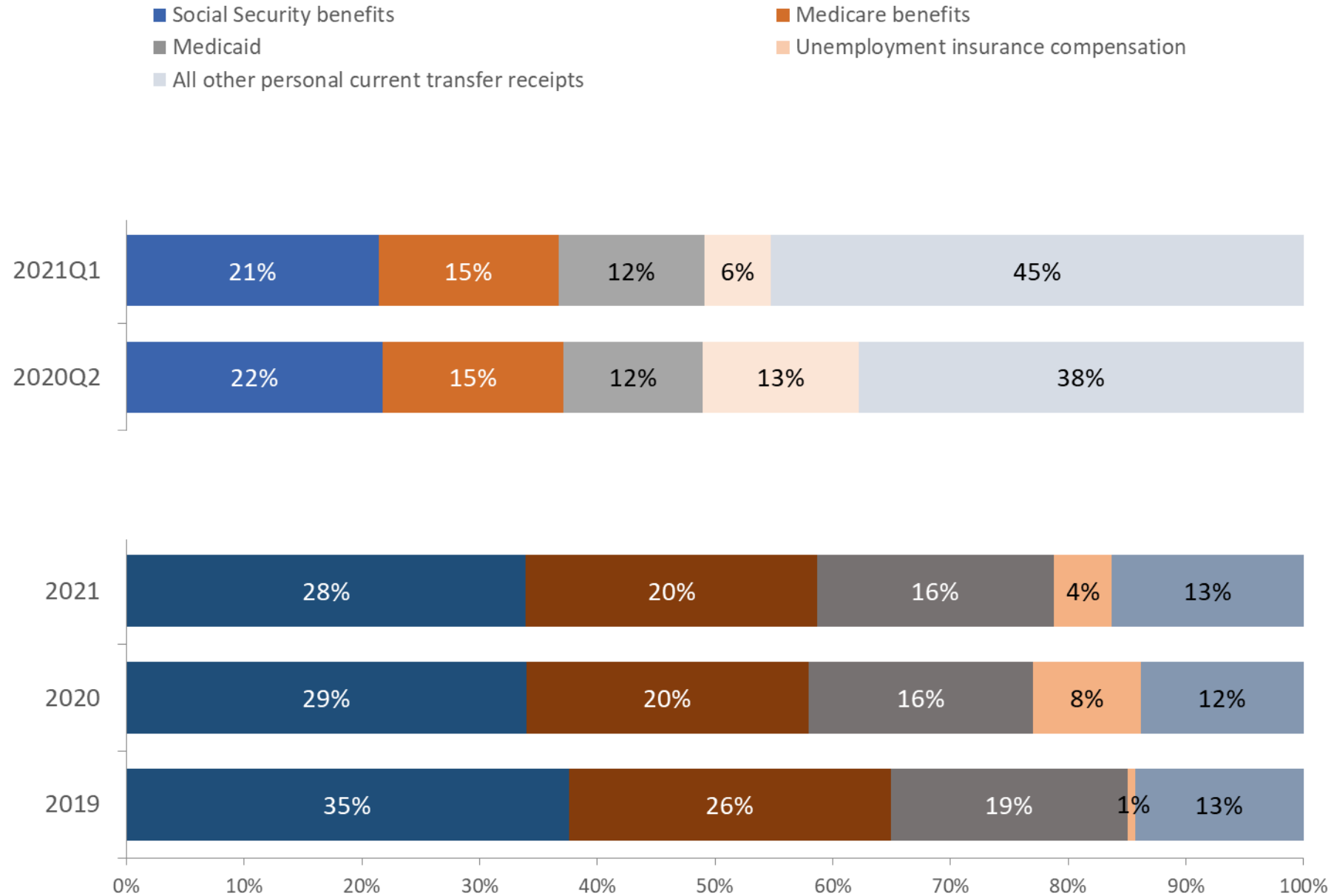
- Social Security benefits
- Medicare benefits
- Medicaid
- Unemployment insurance compensation
- All other personal current transfer receipts



Major Components of Personal Income, Maine

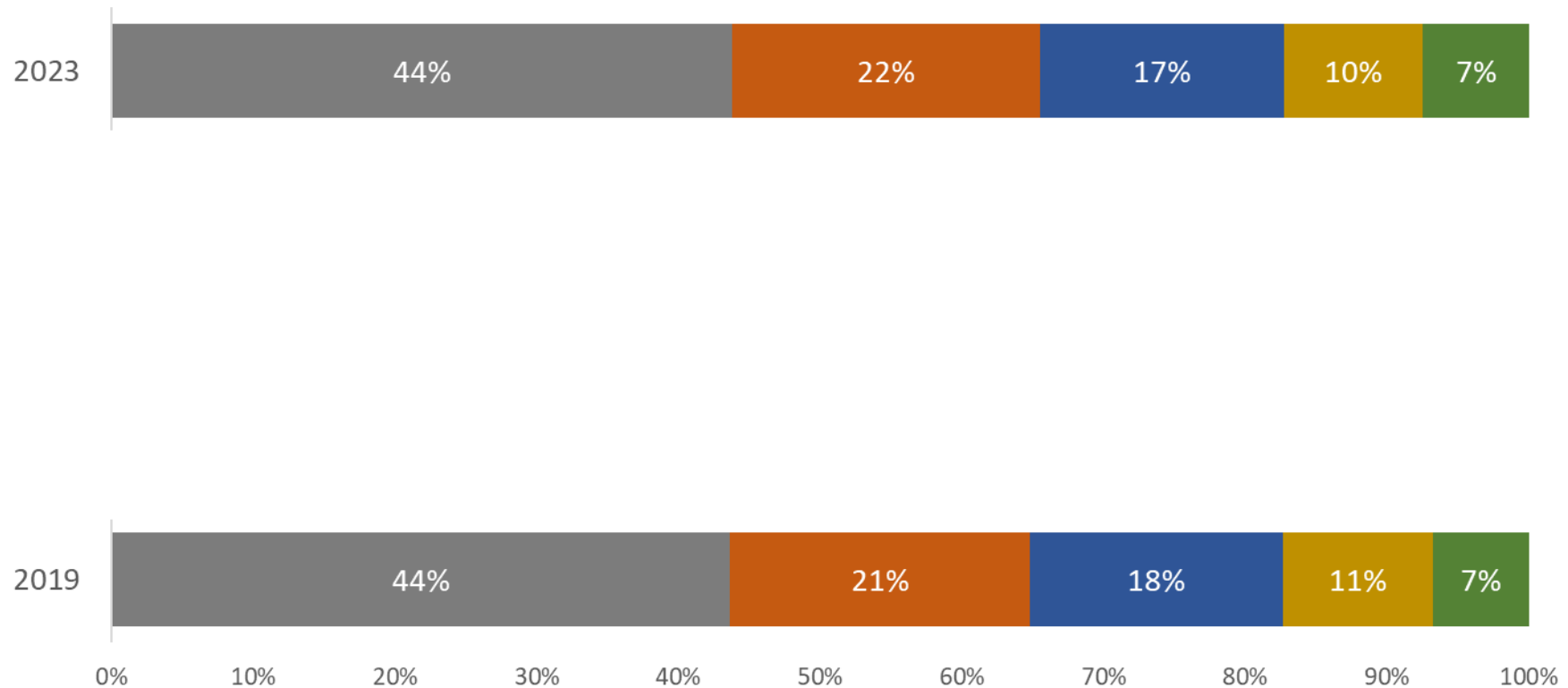


Components of Personal Current Transfer Receipts, Maine

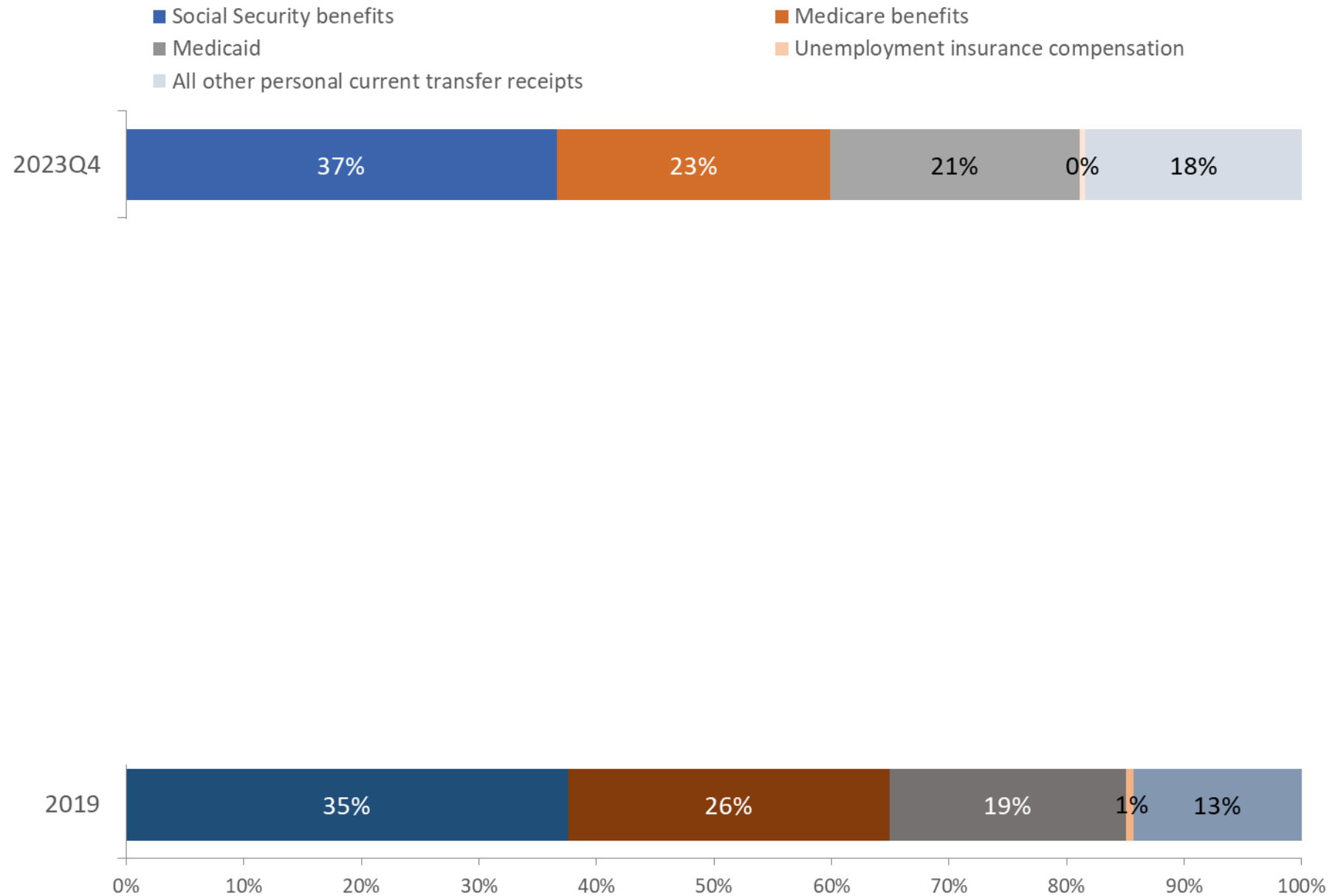


Major Components of Personal Income, Maine

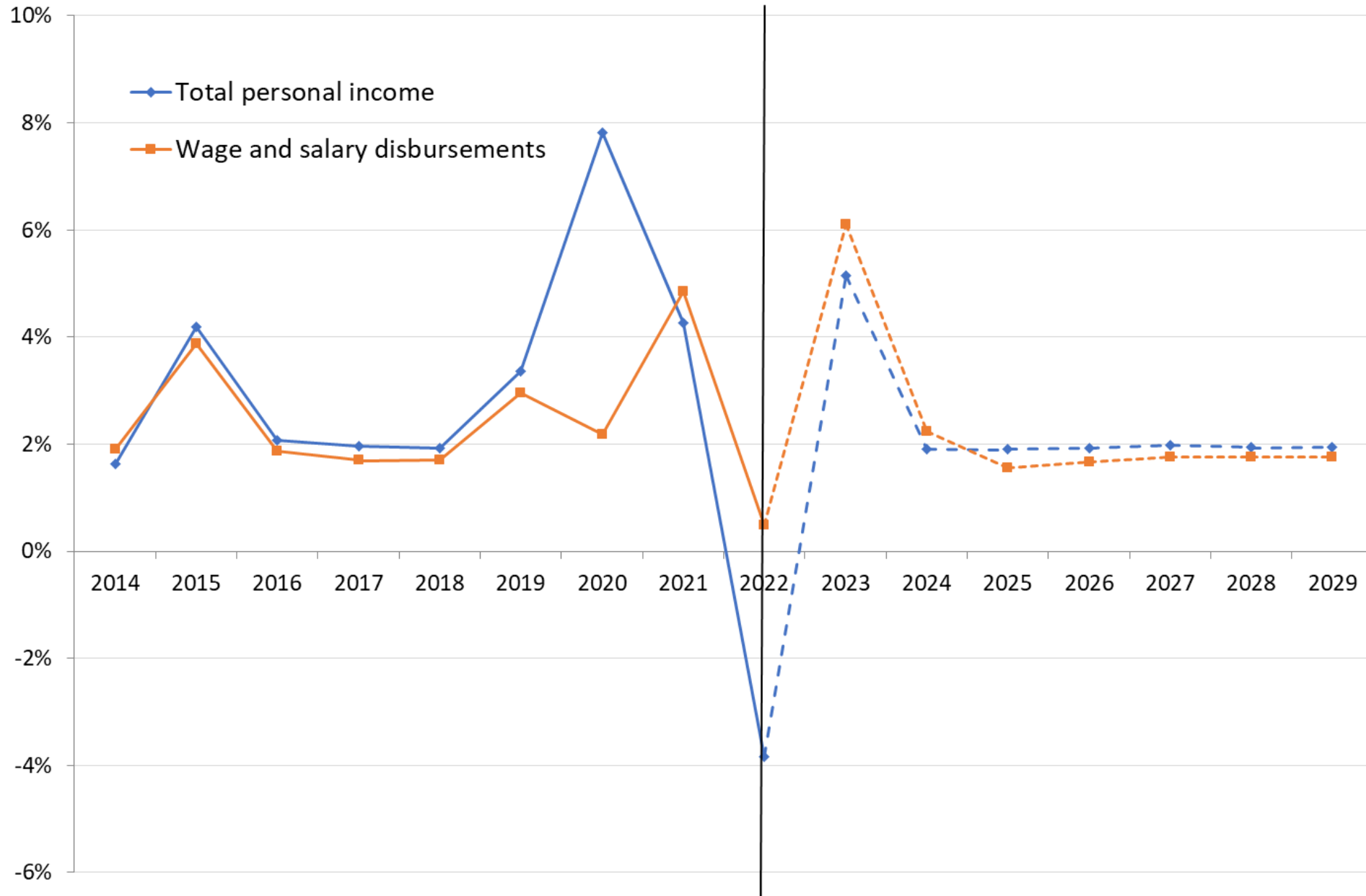
- Wages and Salaries
- Personal current transfer receipts
- Dividends, interest and rent
- Supplements to wages and salaries
- Nonfarm proprietors' income



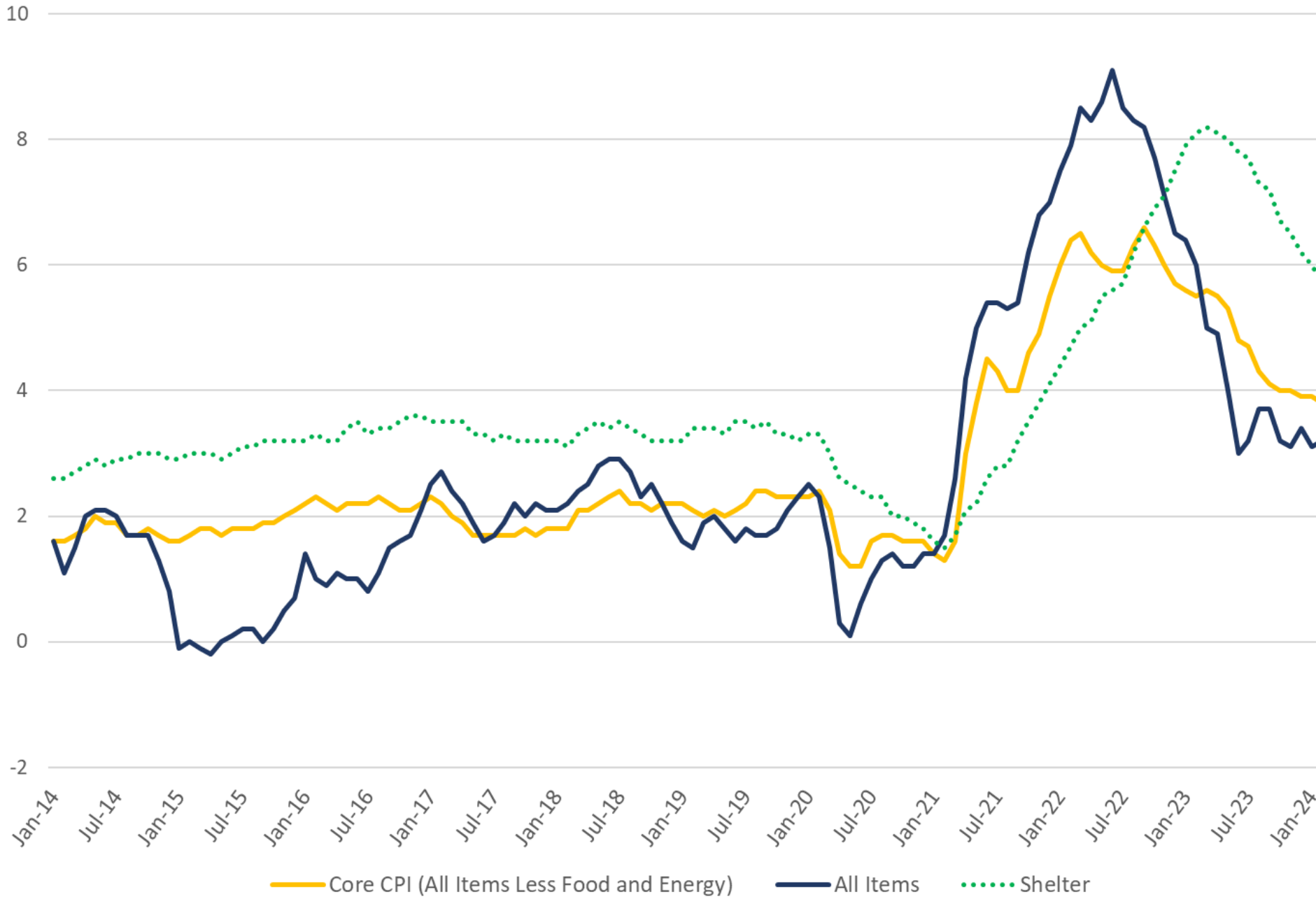
Components of Personal Current Transfer Receipts, Maine



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



Year-over-year percent change in Consumer Price Index



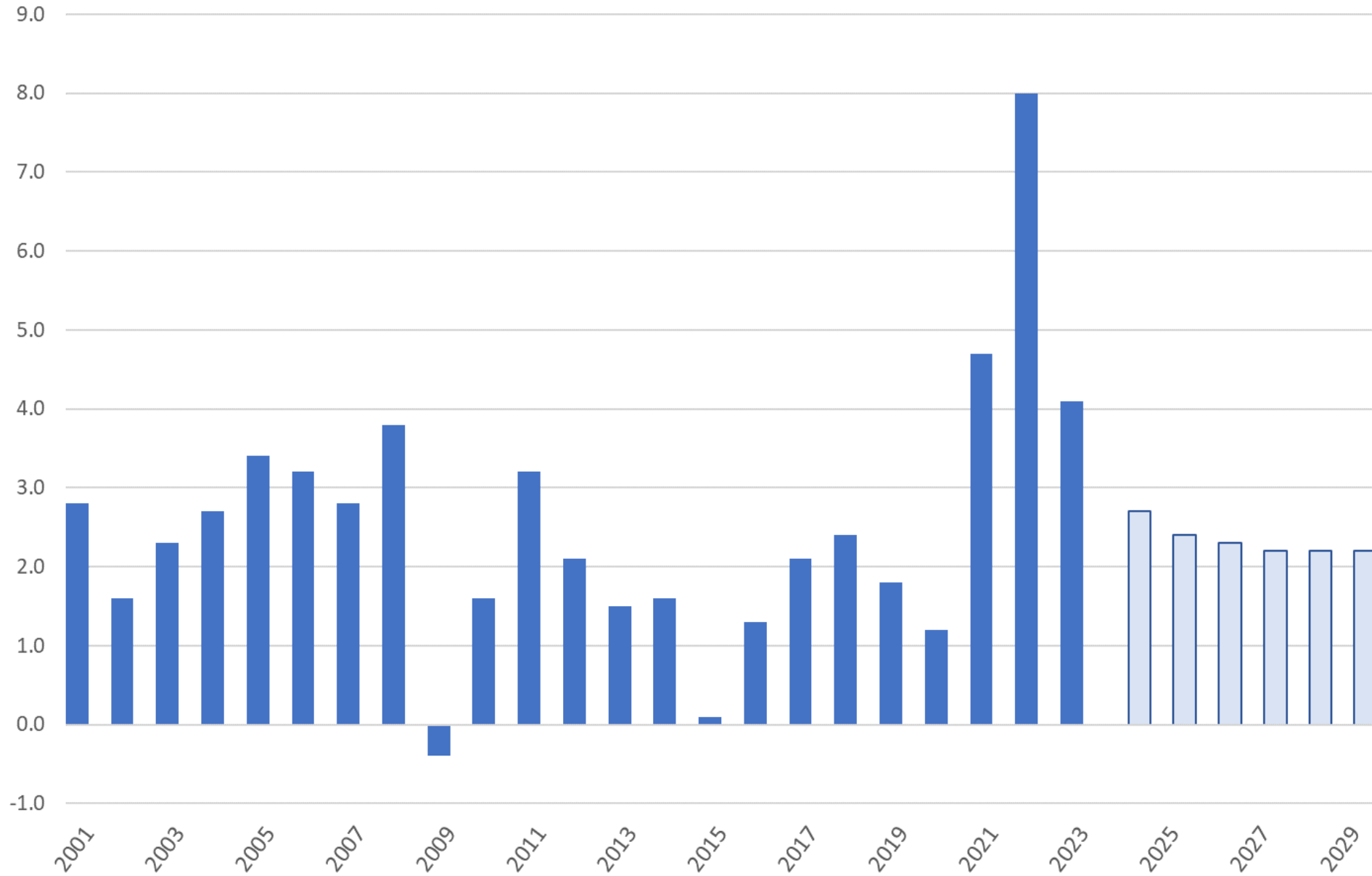
Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

What does
this mean
for interest
rates?

Current target range:
5.25% to 5.5%

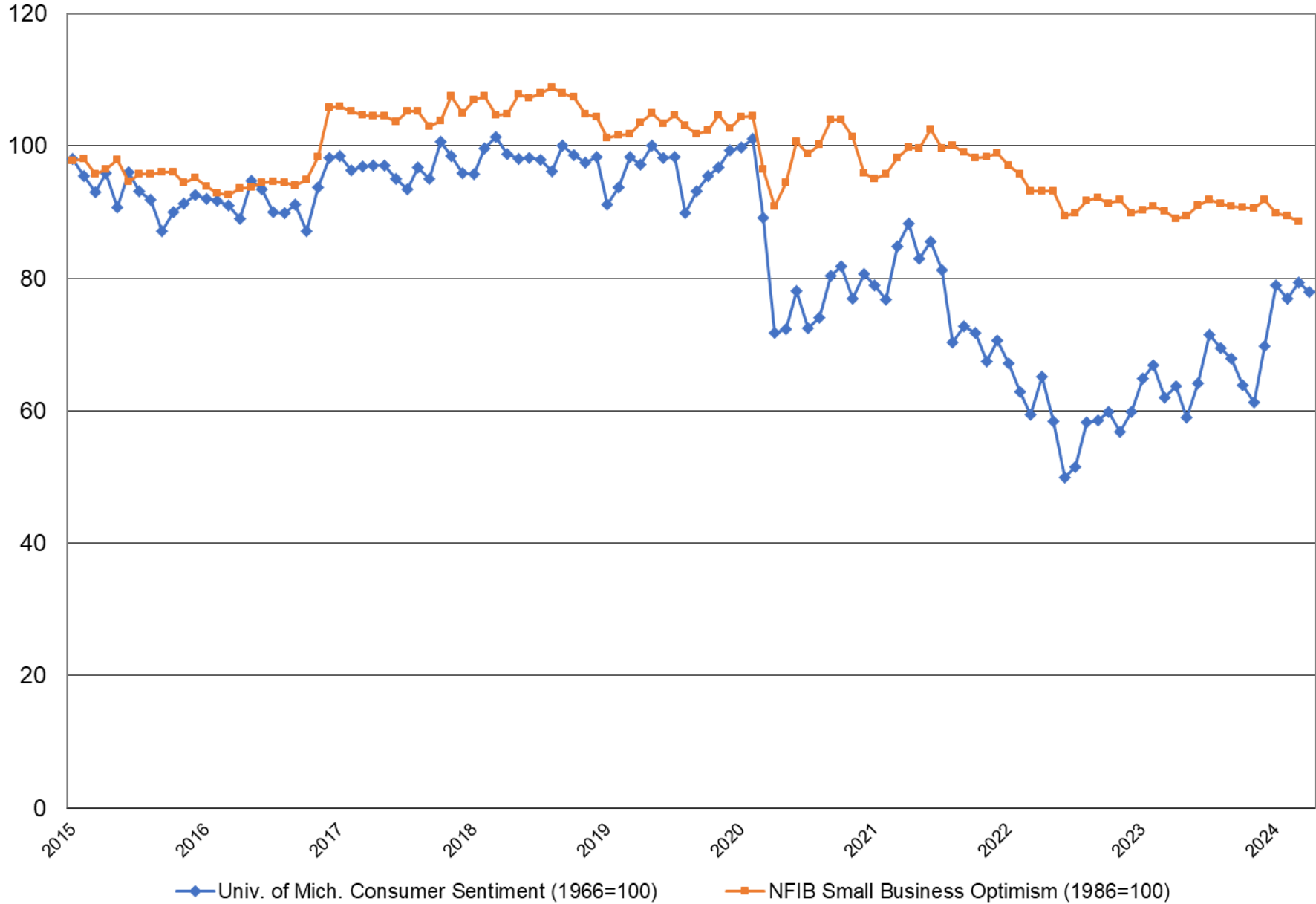
Median projection for 2024 from March 2024 Federal Open Market Committee statement was 4.6%, implying three possible decreases of 25 basis points later this year, but inflation hasn't slowed as quickly as expected

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.
- 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, although not as quickly as hoped - 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 as of March 2024 – the current 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

Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

www.maine.gov/dafs/economist

amanda.rector@maine.gov