

REGIONAL PERSPECTIVES

## Maine Economic Outlook



J.P.Morgan

# Economic Forecast

## OUTPUT AND EMPLOYMENT

	2007	2008	2009	2010	2011	2012	2013	2014
<b>United States</b>								
Real GDP								
\$ billions (fourth quarter)	\$13,326	\$12,884	\$12,873	\$13,181	\$13,441	\$13,648	<b>\$14,090</b>	<b>\$14,654</b>
% change over the four quarters	2.2%	-3.3%	-0.1%	2.4%	2.0%	1.5%	<b>3.2%</b>	<b>4.0%</b>
Nonfarm employment								
Job count (fourth quarter)	137,943,000	135,153,333	129,526,667	130,283,667	132,286,667	134,455,000	<b>136,189,659</b>	<b>138,513,010</b>
% change over the four quarters	0.9%	-2.0%	-4.2%	0.6%	1.5%	1.6%	<b>1.3%</b>	<b>1.7%</b>
Average monthly change	99,750	-232,472	-468,889	63,083	166,917	180,694	<b>180,694</b>	<b>180,694</b>
<b>Maine</b>								
Real GDP								
\$ billions (fourth quarter)	\$46	\$45	\$45	\$45	\$45	<b>\$45</b>	<b>\$46</b>	<b>\$47</b>
% change over the four quarters	-0.4%	-1.4%	-0.9%	0.1%	0.0%	<b>0.8%</b>	<b>1.5%</b>	<b>2.3%</b>
Nonfarm employment								
Job count (fourth quarter)	620,067	611,600	592,600	593,033	593,100	593,667	<b>594,054</b>	<b>594,574</b>
% change over the four quarters	0.7%	-1.4%	-3.1%	0.1%	0.0%	0.1%	<b>0.1%</b>	<b>0.1%</b>
Average monthly change	383	-706	-1,583	36	6	47	<b>32</b>	<b>43</b>

## WHAT THE TABLE SHOWS:

- Maine's GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state's GDP share.
- Maine's economy has been in a stall since the national recovery began and that has held its employment base flat as well.

## KEY MESSAGES:

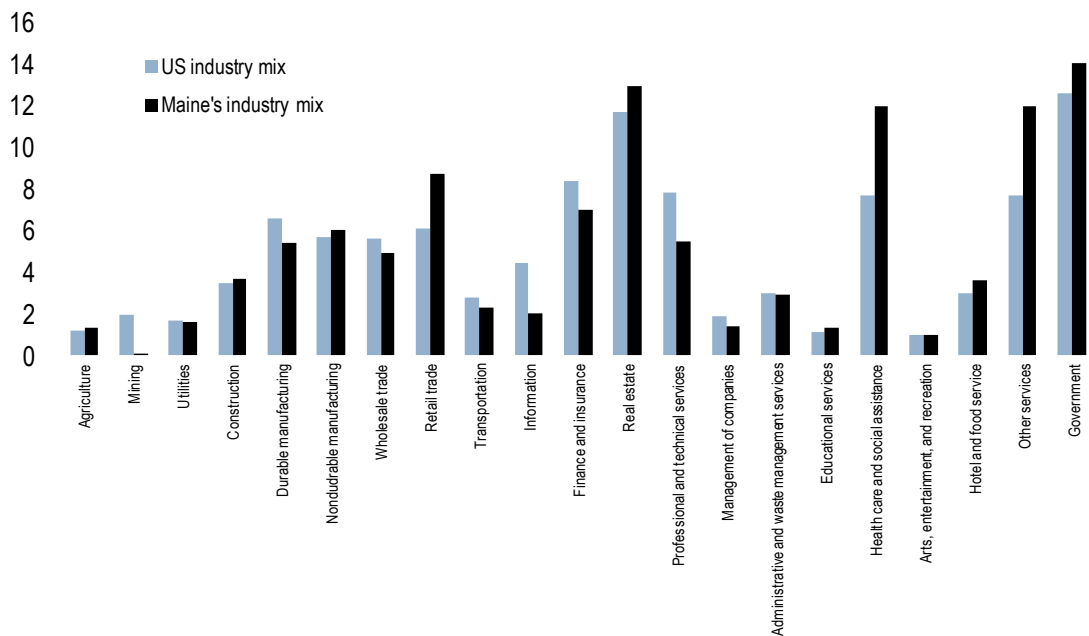
- The recovery in Maine's economy is likely to remain slow for the next several years.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce;  
US Department of Labor.

# The Economy's Structure

PERCENT OF TOTAL GDP DERIVED FROM SELECTED INDUSTRIES



**WHAT THE CHART SHOWS:**

- The figure compares the relative importance of selected industries to the state's economy with the national footprint of each industry (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- Maine is somewhat cushioned by its large exposure to retail (tourism) the services industries and government activities.

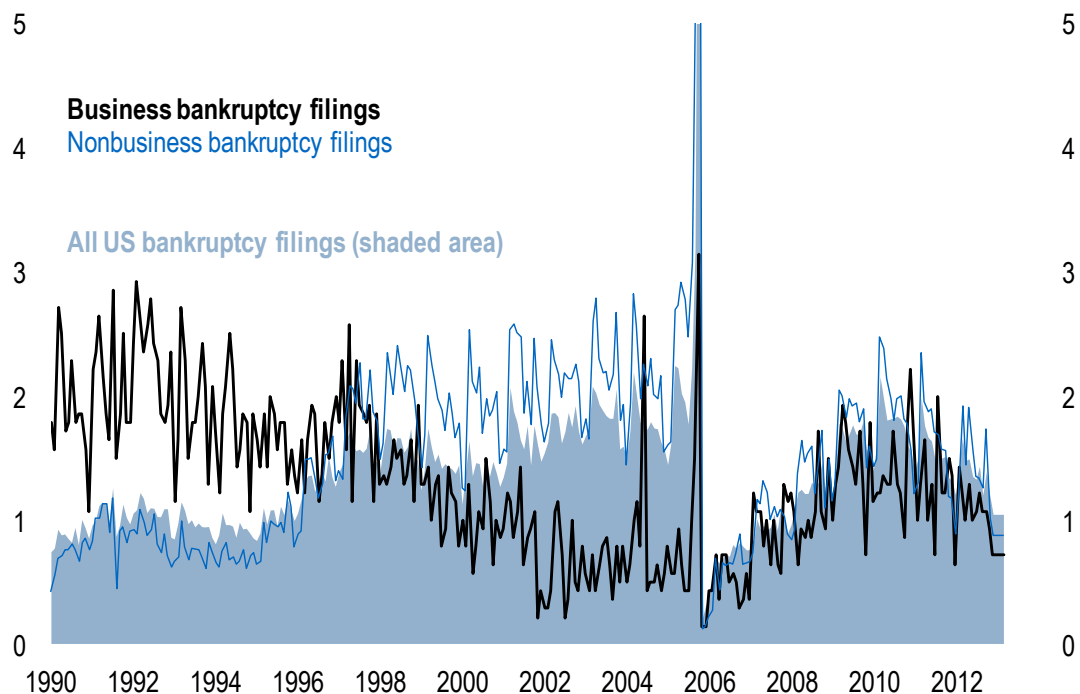
**KEY MESSAGES:**

- The state's economy enjoys a balanced industry mix.

Source: US Department of Commerce. Updated through 2011.

# Bankruptcies

## RATIO OF BANKRUPTCY FILINGS TO THE 2007 Q4 NUMBER



### WHAT THE CHART SHOWS:

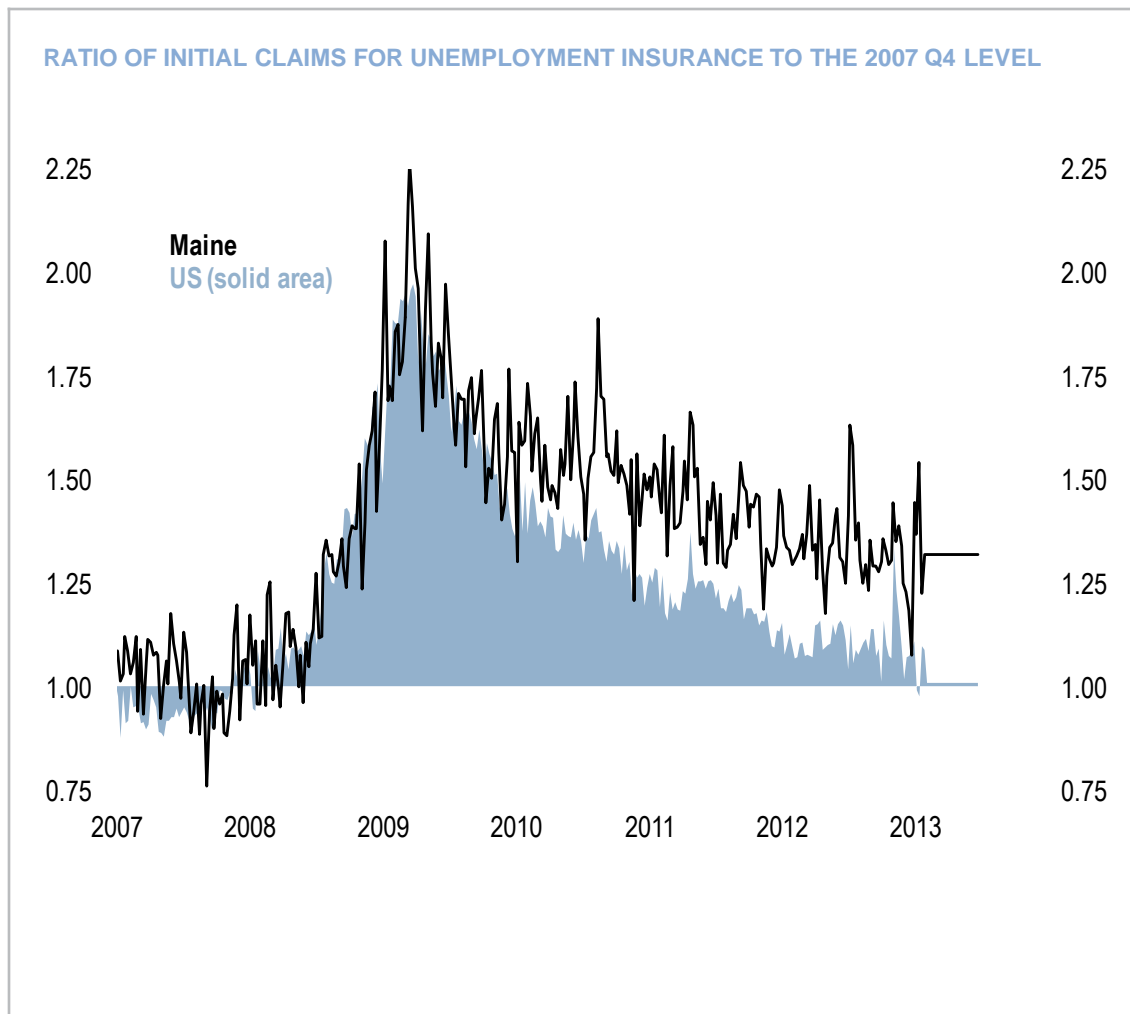
- The ratio of bankruptcy filing by businesses and persons to filings in 2007 Q4.
- Bankruptcy filings are receding slowly.

### KEY MESSAGES:

- Indicators of financial stress are a useful coincident indication of economic distress.
- Based on indicators of financial stress, the economy is slowly improving.

Source: Administrative Office of the U.S. Courts; Updated through December 2012.

# Initial Jobless Claims



## WHAT THE CHART SHOWS:

- The figure tracks layoffs in Maine and the national level of claims.
- Weekly layoffs, both the state and national tallies, are illustrated in the figure as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession.
- Layoffs are coming down, but in proportionate terms remain well above the national experience.

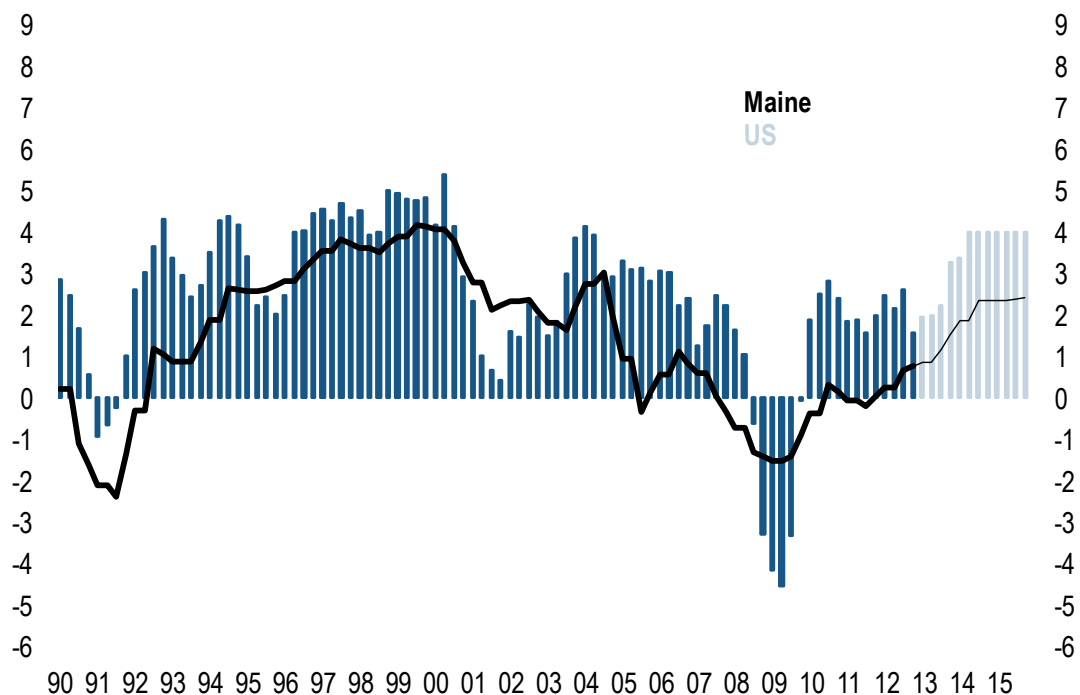
## KEY MESSAGES:

- Layoffs will signal any change in the economy's momentum and from this perspective the layoffs appear to be subsiding.
- The layoff picture in Maine implies the state's recovery is slow in coming.

Source: US Department of Labor. Updated through February 2, 2013 (state) and February 9, 2013 (US).

# Economic Growth

REAL GDP GROWTH (PERCENT CHANGE FROM FOUR QUARTERS EARLIER)



**WHAT THE CHART SHOWS:**

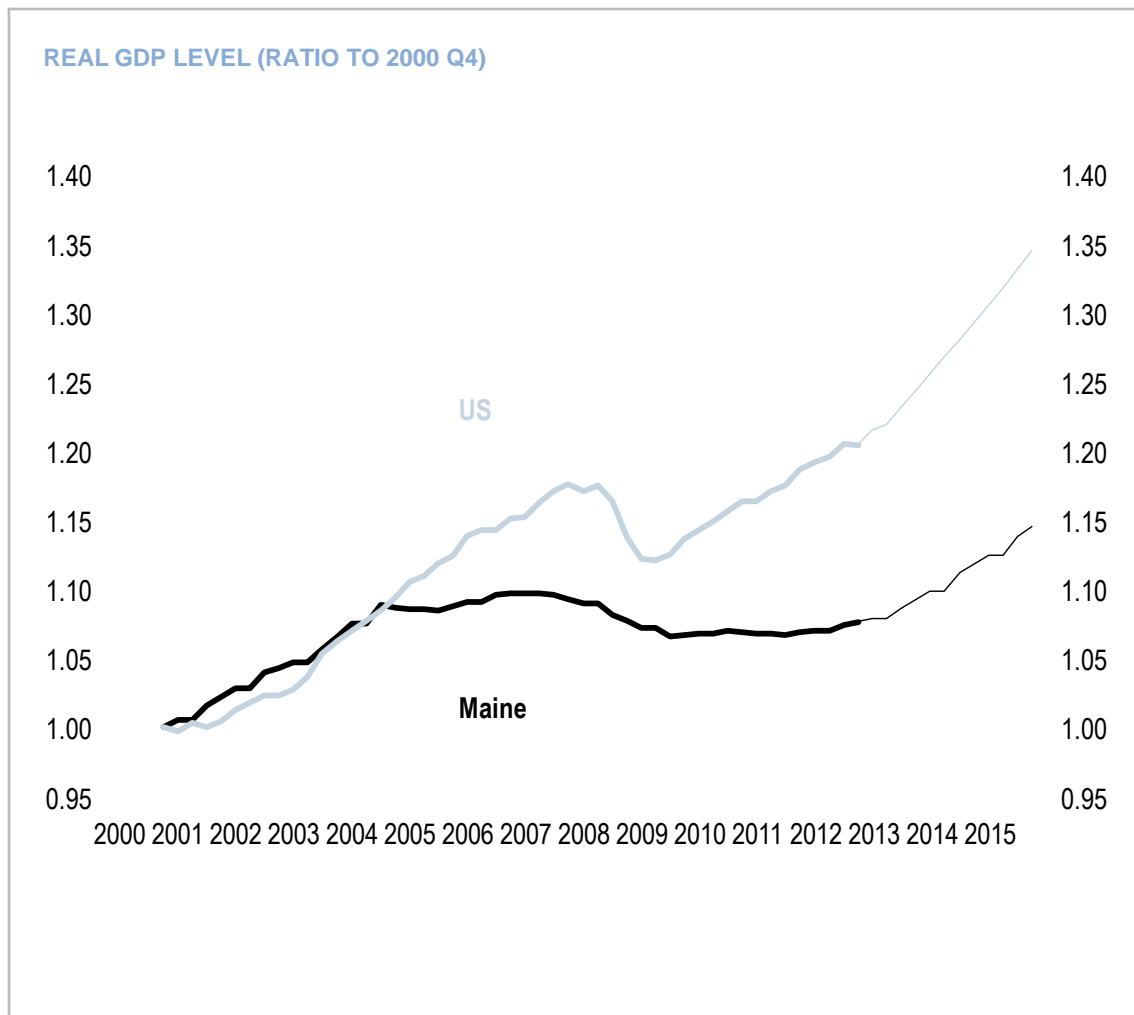
- Real GDP growth in Maine (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- The state's economic recovery is lagging the national economy by a noticeable amount.

**KEY MESSAGES:**

- Maine's real GDP growth is forecast to firm going forward.

Source: US Department of Commerce. Updated through 2012 Q4.

# Economic Output



**WHAT THE CHART SHOWS:**

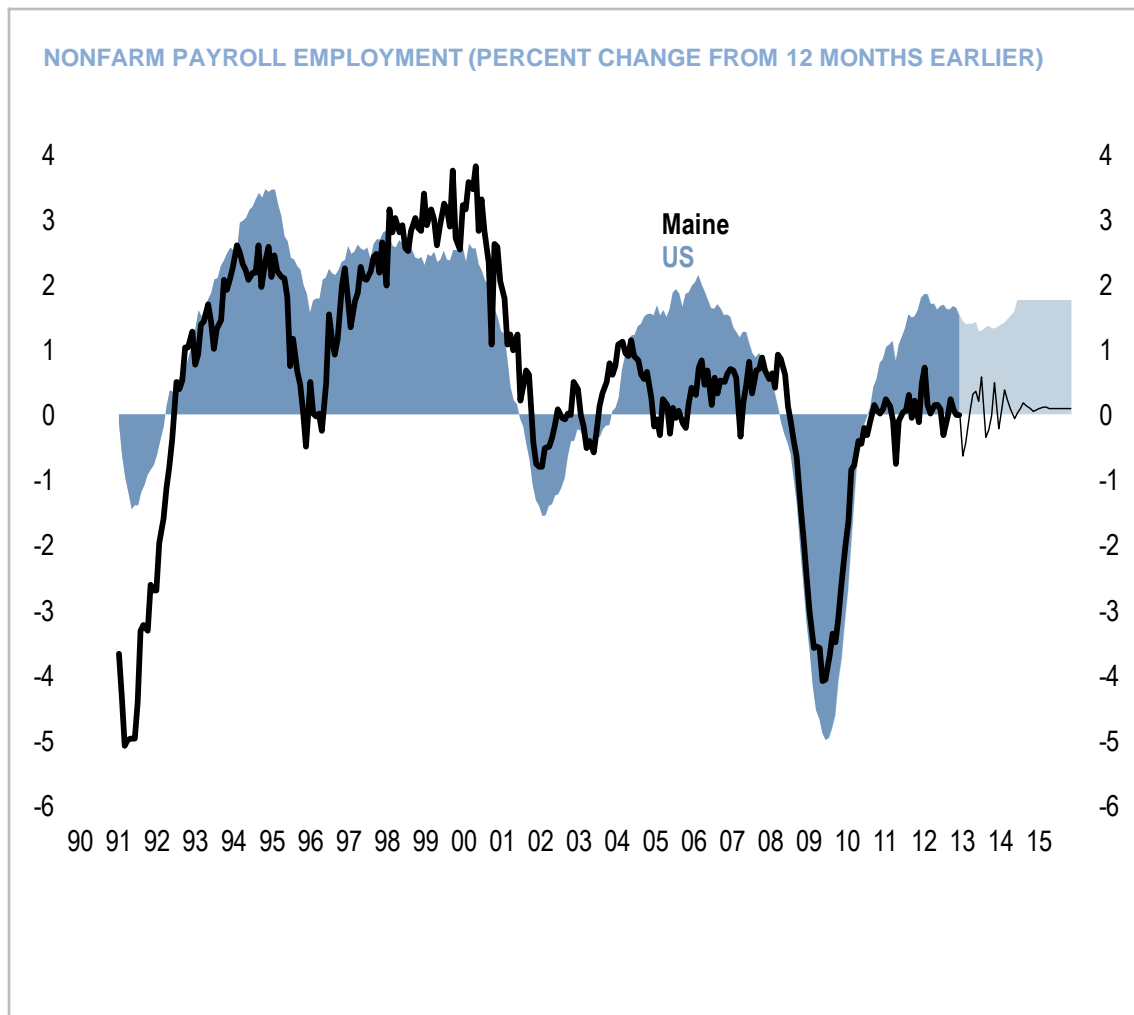
- The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.
- The state’s economy is merely moving sideways.

**KEY MESSAGES:**

- The state’s growth pace is expected to pick up into 2013.

Source: US Department of Commerce. Updated through 2012 Q4.

# Employment Growth



**WHAT THE CHART SHOWS:**

- Job growth is picking up.
- Maine’s slow job market echoes the same themes describing its GDP performance.
- Employment growth is negligible.

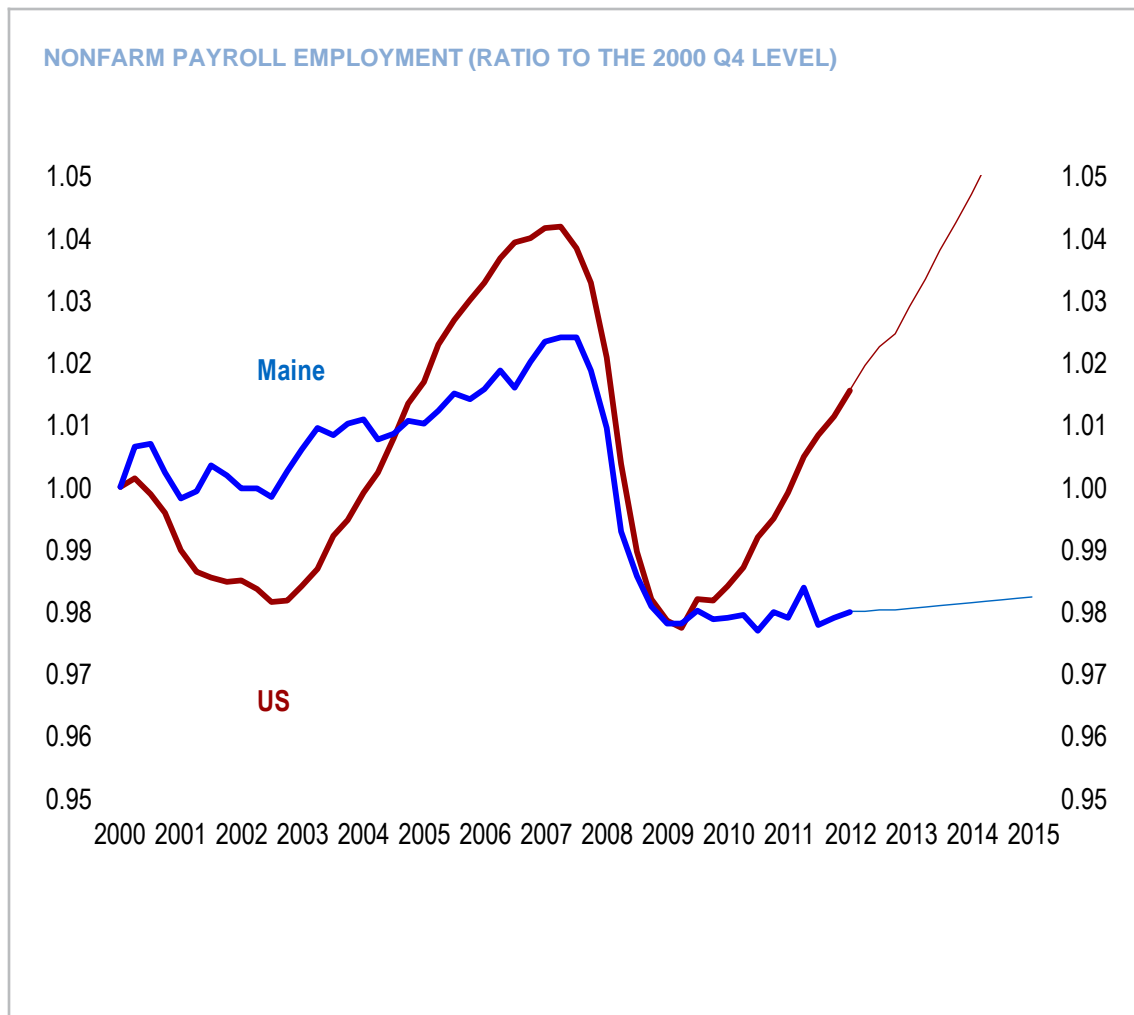
**KEY MESSAGES:**

- The job market is likely to recover at only a moderate pace.

Source: US Department of Labor. Updated through January 2013.



# Employment



**WHAT THE CHART SHOWS:**

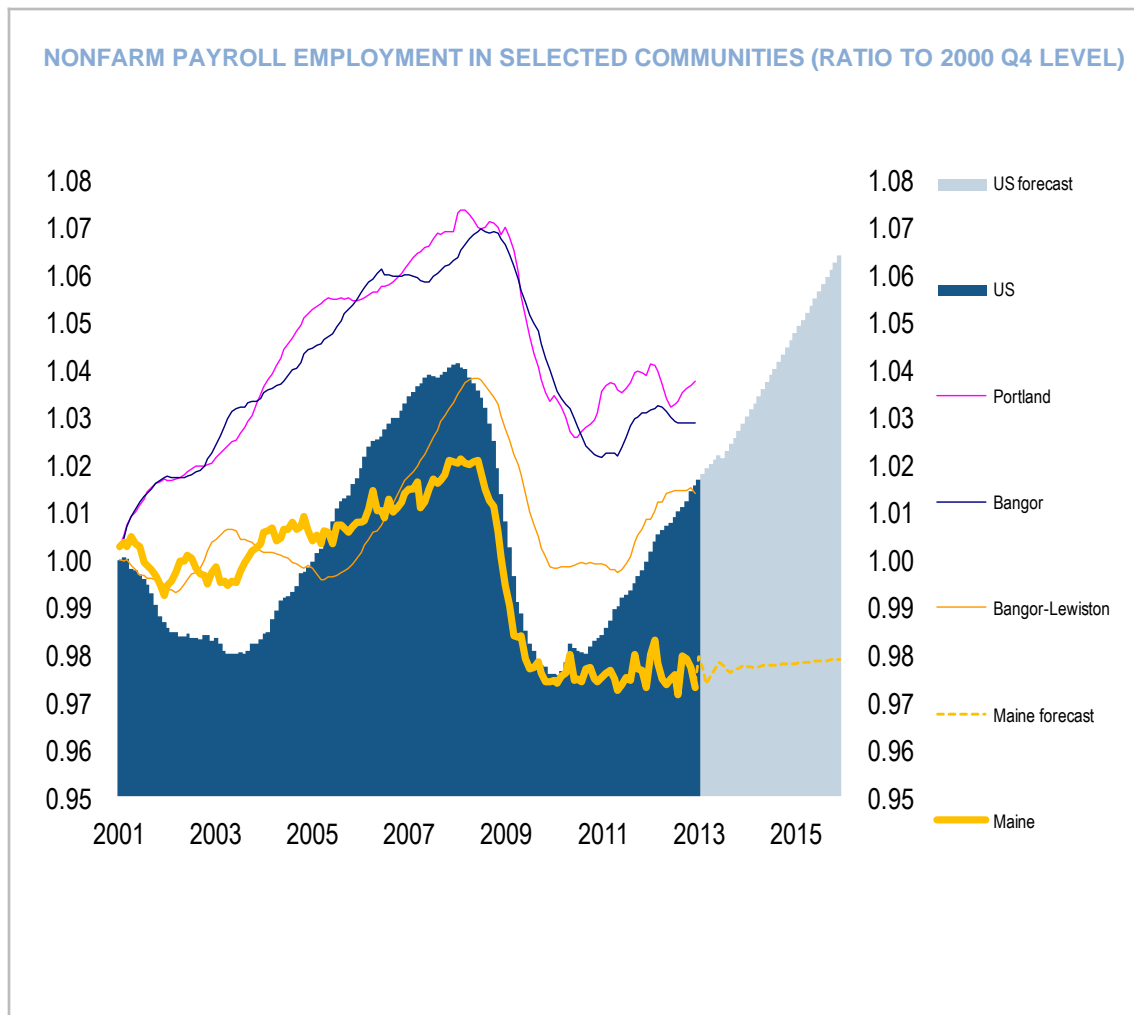
- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- Maine’s work force grew more slowly than the national economy in the last decade, but is tracking the national economy in this last cycle.

**KEY MESSAGES:**

- Maine’s job market has considerable ground to recover.

Source: US Department of Labor. Updated through January 2013.

# Intrastate Employment



## WHAT THE CHART SHOWS:

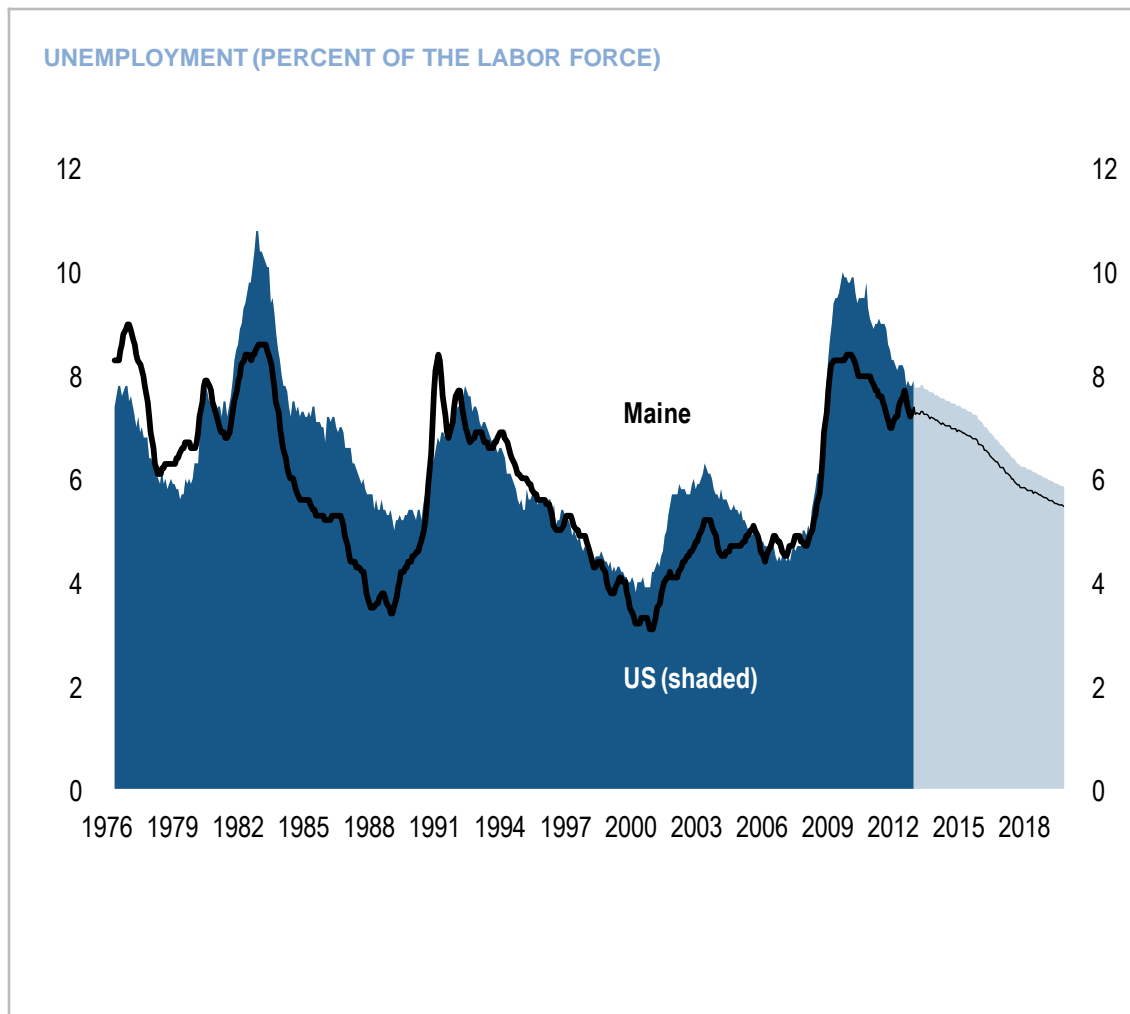
- Job trends in local communities within the state.
- Job market conditions are mixed across the state.

## KEY MESSAGES:

- Some local communities are faring well, all things considered.

Source: US Department of Labor. Updated through December 2012 (state) and January 2013 (US).

# Unemployment



## WHAT THE CHART SHOWS:

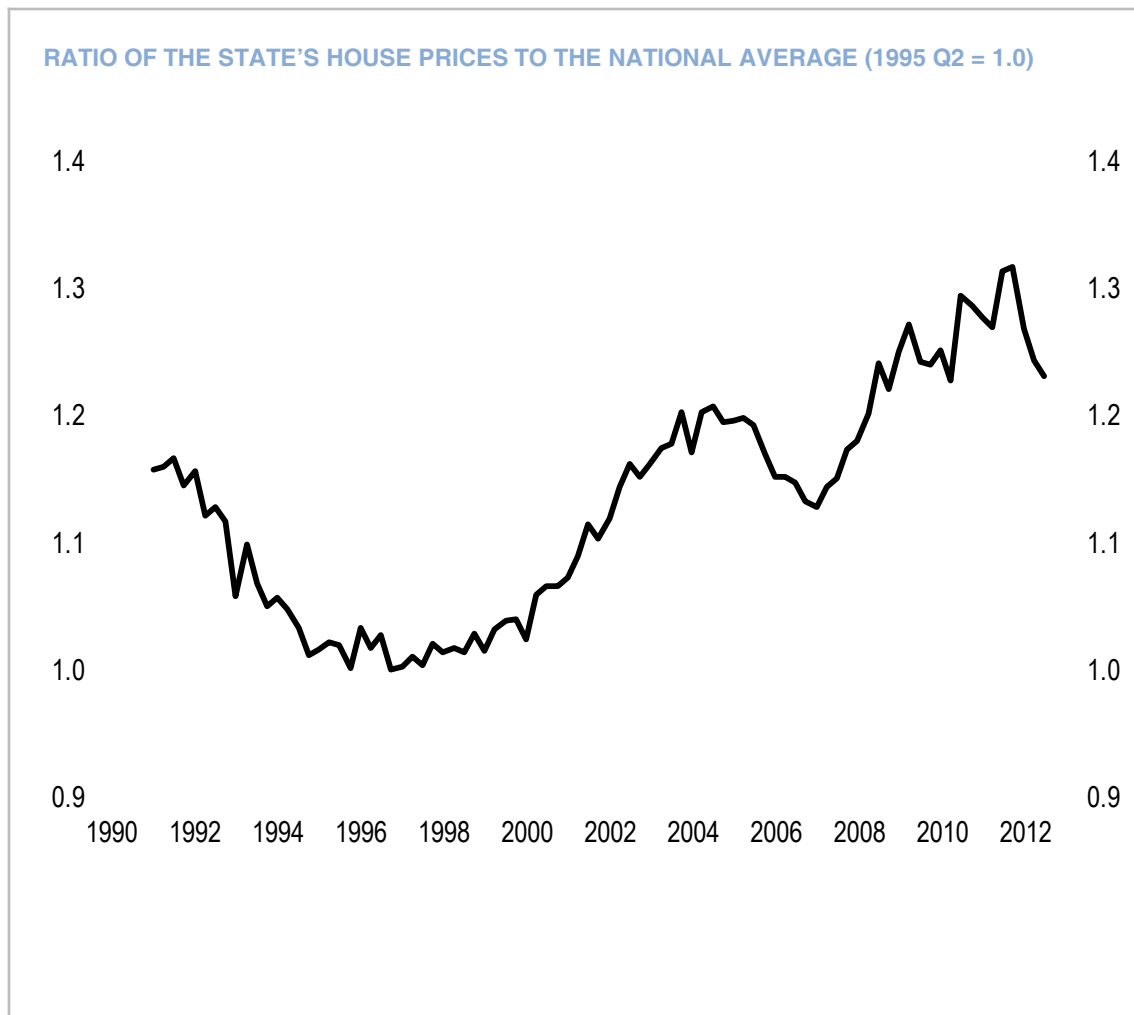
- Unemployment rate trends in Maine, compared with the national average.
- Maine's unemployment rate is coming down, despite its snail's-pace recovery.

## KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region and by this standard the local economy is weakening, like the national economy.
- Falling unemployment is an encouraging sign.

Source: US Department of Labor. Updated through December 2012 (state) and January 2013 (US).

# Relative House Prices



## WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses in the state versus the nation—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- The state's housing market has become a little pricey relative to the national housing market.

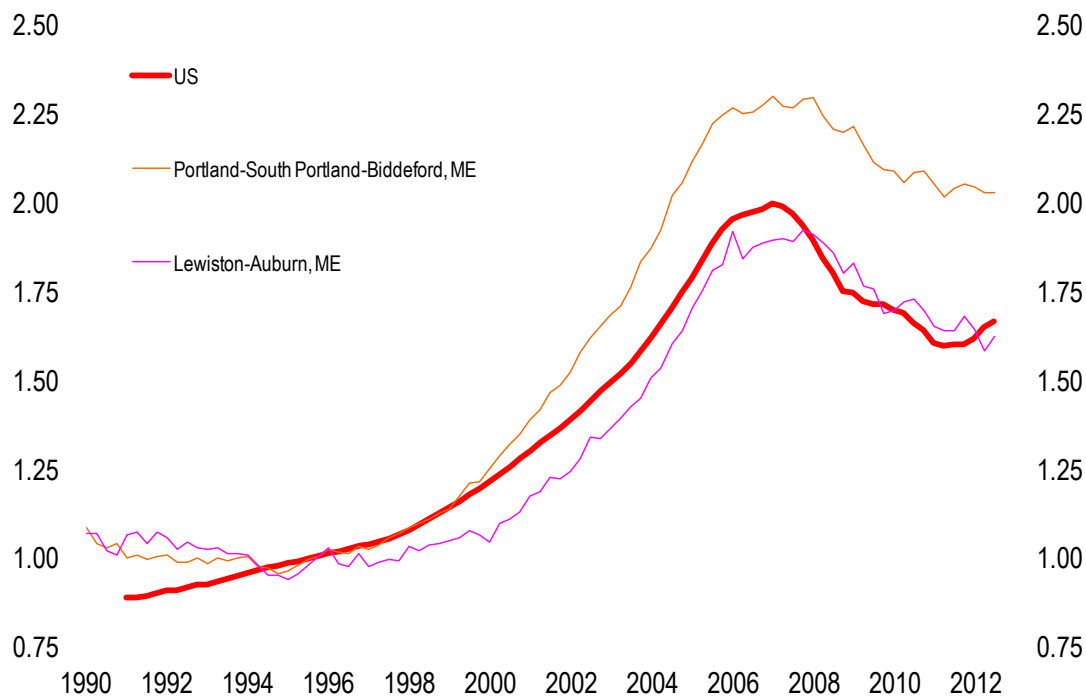
## KEY MESSAGES:

- House prices may have more downside, given the correction in previously pricey markets out west and in Florida.

Source: FHFA. Updated through 2012 Q3.

# Real Estate Markets

HOUSE PRICES IN SELECTED COMMUNITIES (RATIO TO THE 1995 Q2 LEVEL)



## WHAT THE CHART SHOWS:

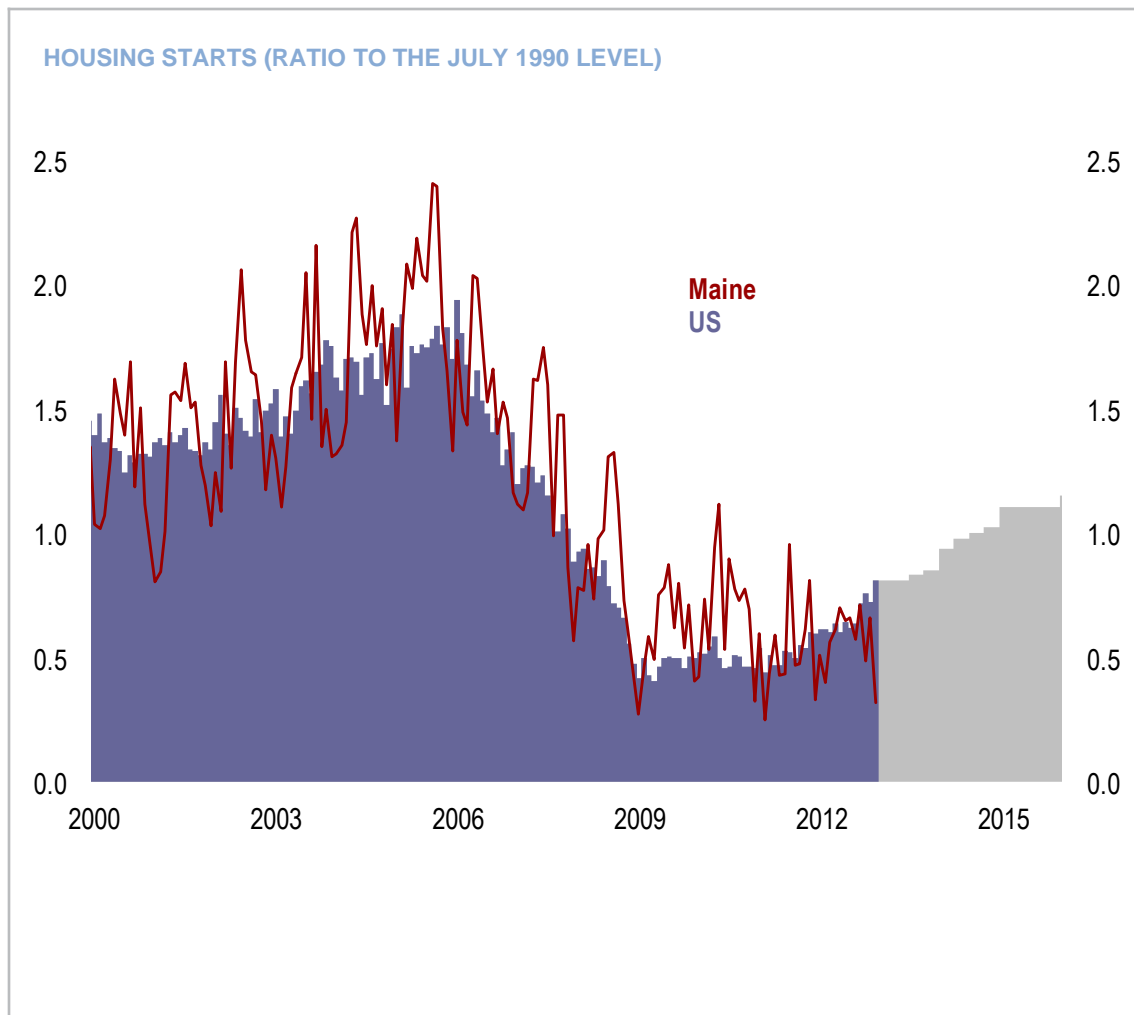
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- Maine's real estate markets look like a carbon copy of the national drift in house prices.

## KEY MESSAGE:

- Maine's pricey markets likely will see little appreciation for a while.

Sources: FHFA; Standard & Poor's. Updated through 2012 Q3.

# New Home Building



**WHAT THE CHART SHOWS:**

- New home construction in Maine, compared with the US average level of construction.
- New home building in the state has dropped back about 50% since the peak of the boom, less than the national average, but seems to be stabilizing.

**KEY MESSAGES:**

- Home building is likely to remain slow for a while.

Source: Census Department. Updated through December 2012.

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