



Maine's Economic Outlook: 2008 and Beyond

April 2008

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University of Maine System

Outline

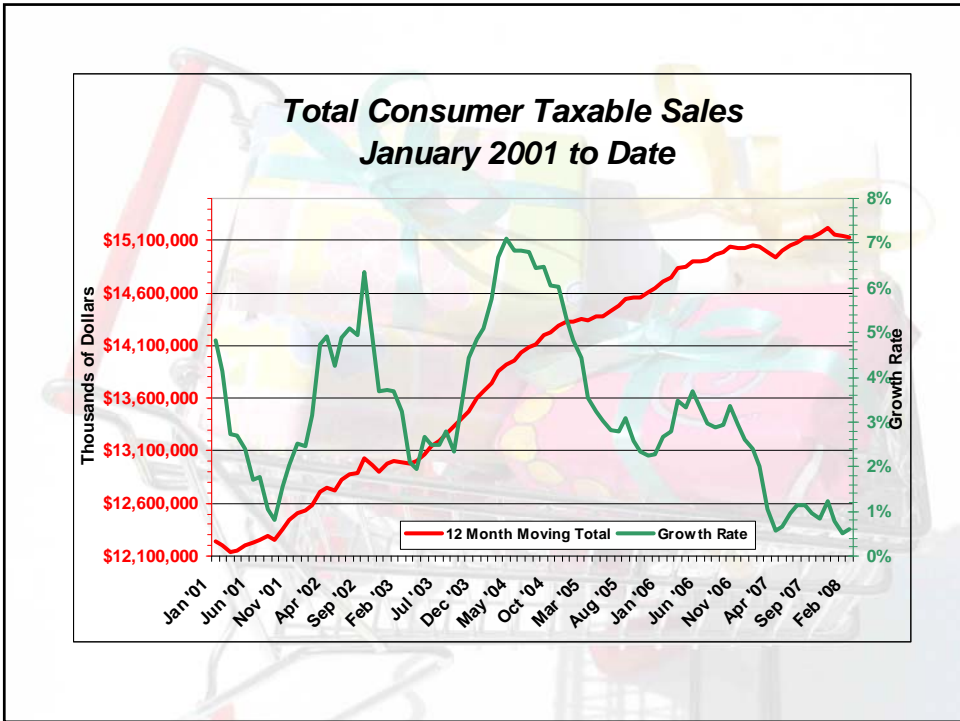
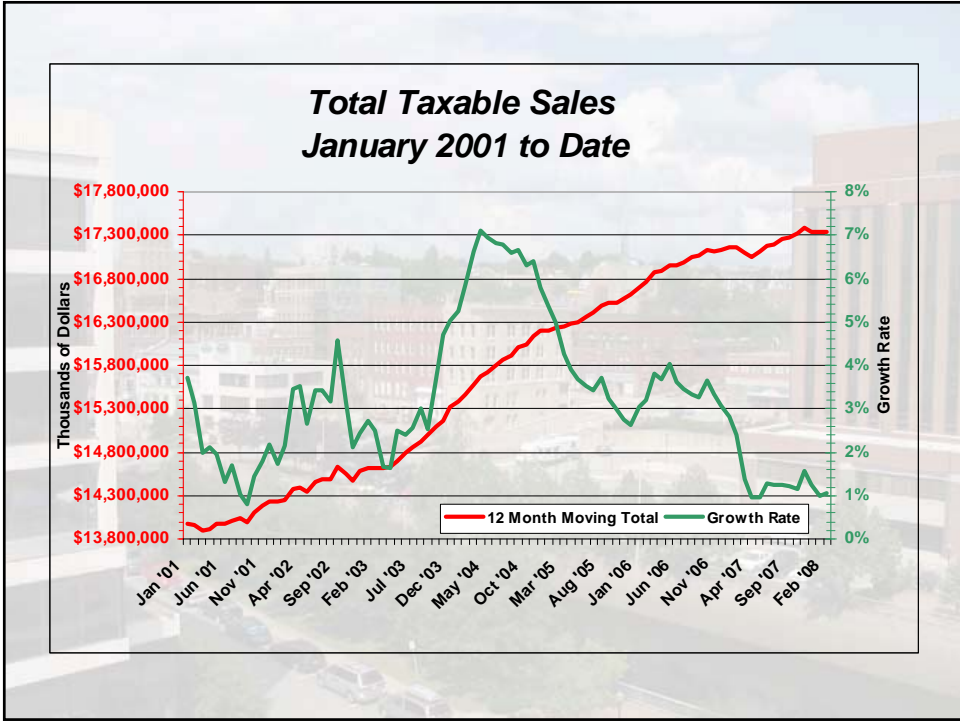
1. External Economic Drivers
2. Current Conditions
3. Long Term Trends
4. Possible Solutions

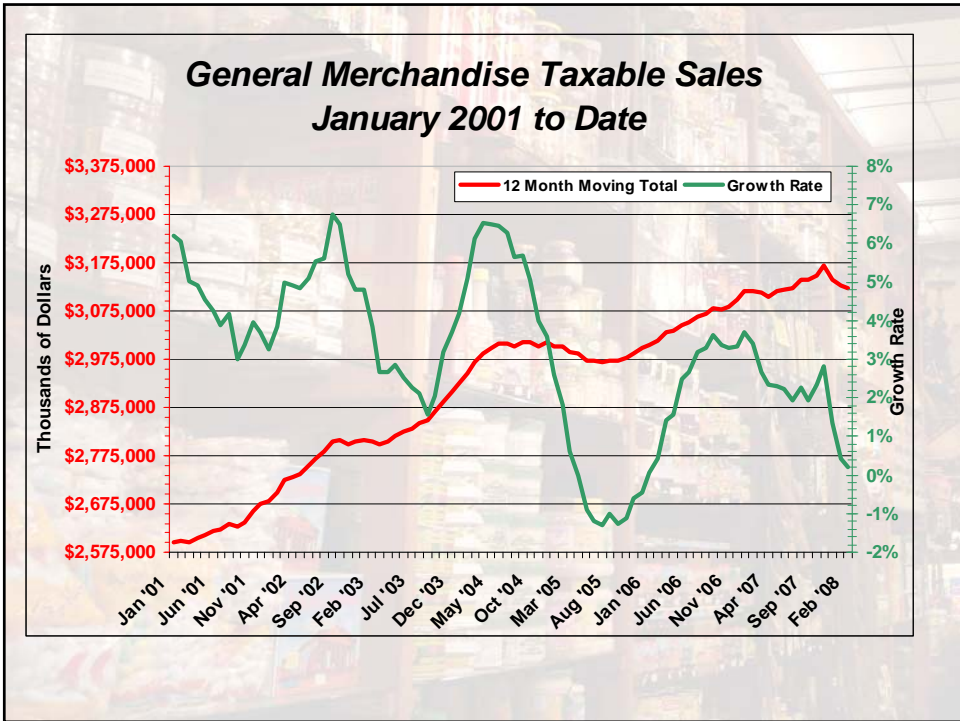
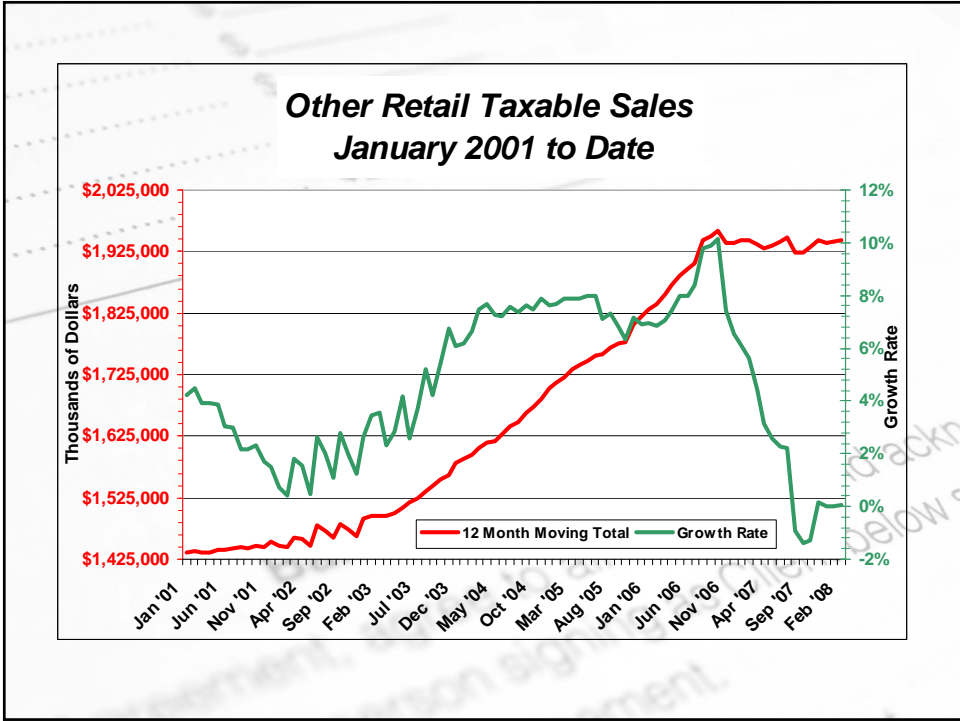
External Economic Drivers

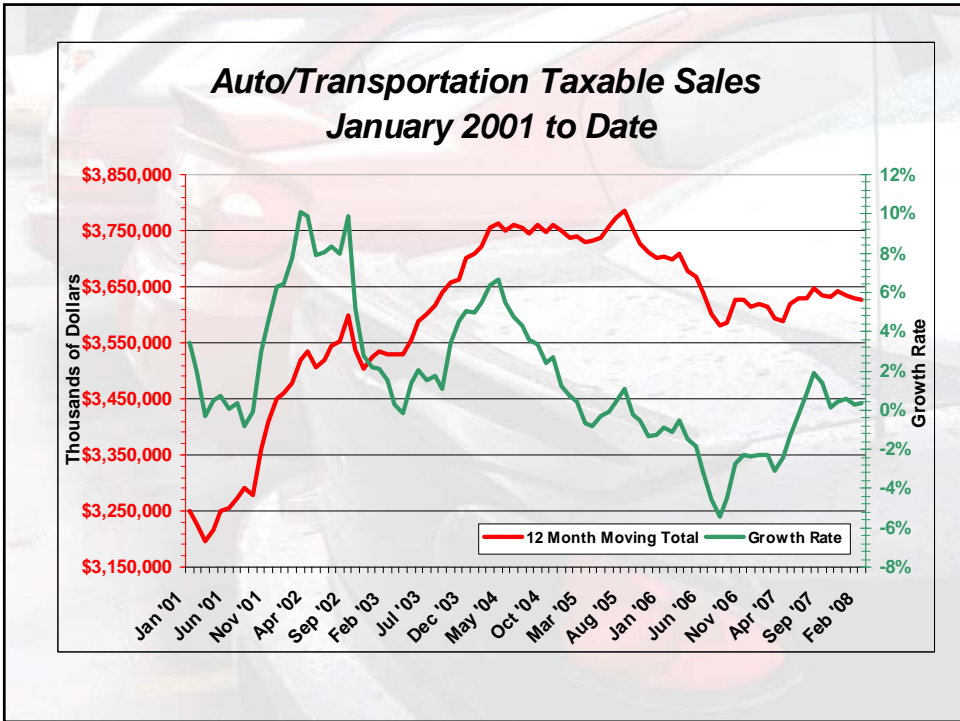
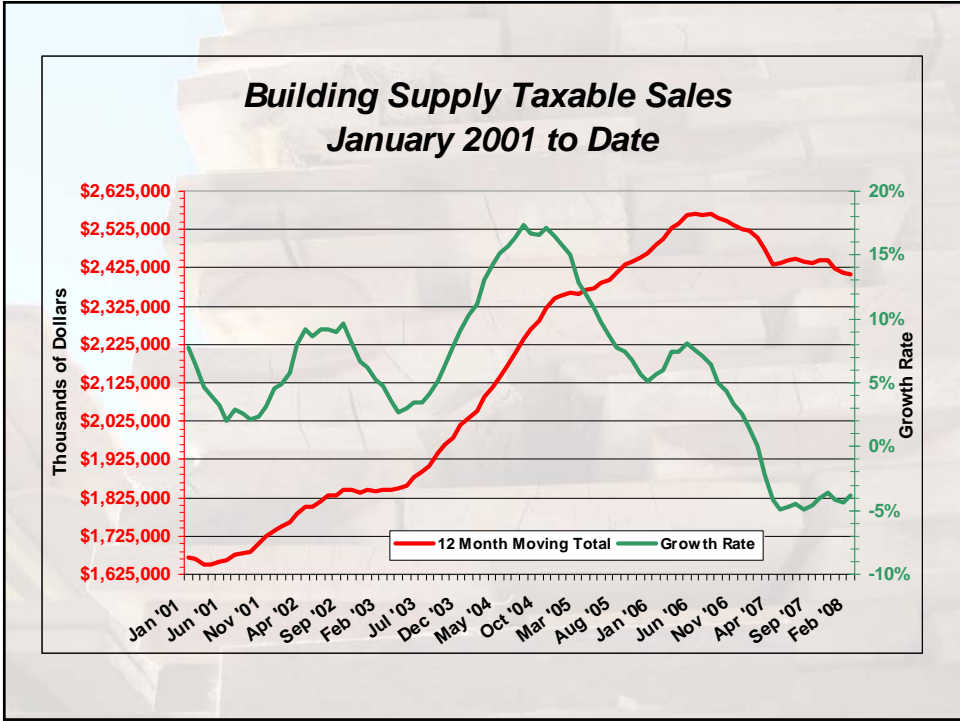
- Sluggish National Economy - Stagflation
 - High Oil Prices
 - Weak Housing Market - Depressed Prices
 - Fall in household wealth
 - Weak Credit Markets
 - Volatile Stock Market
 - Weak Dollar
 - Transitioning Economy
 - The War Effort
- “R” word ???**

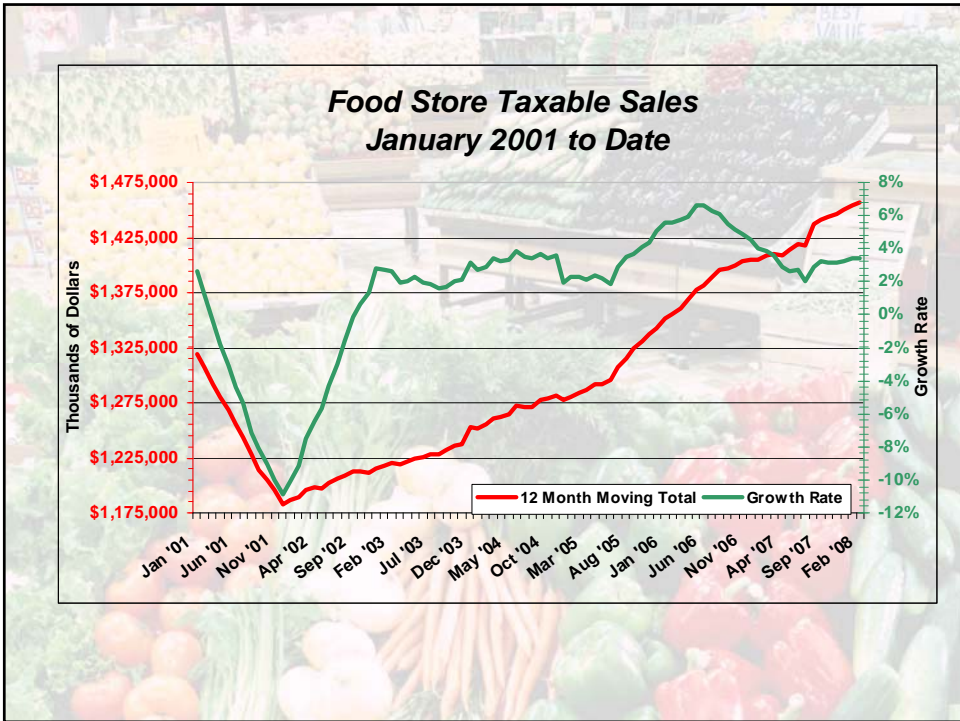
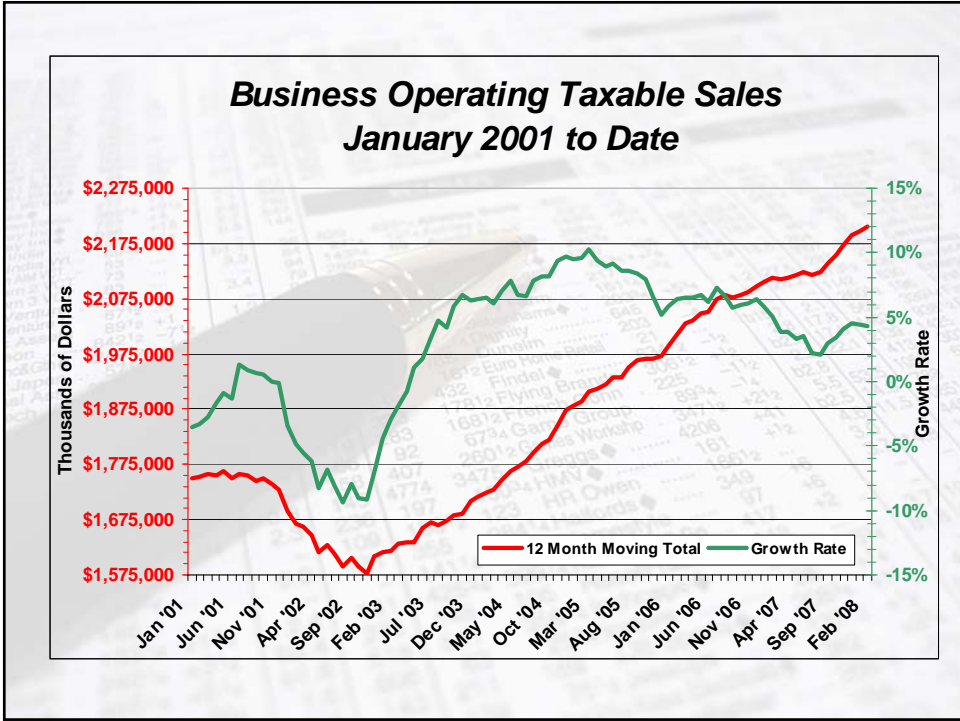
Maine’s Current Conditions

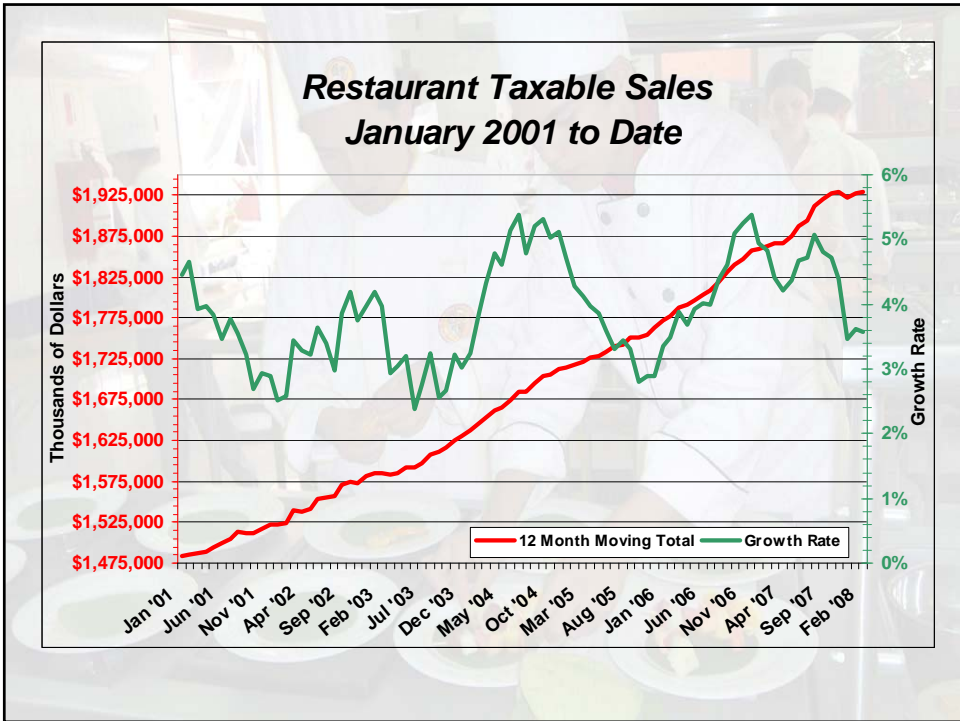
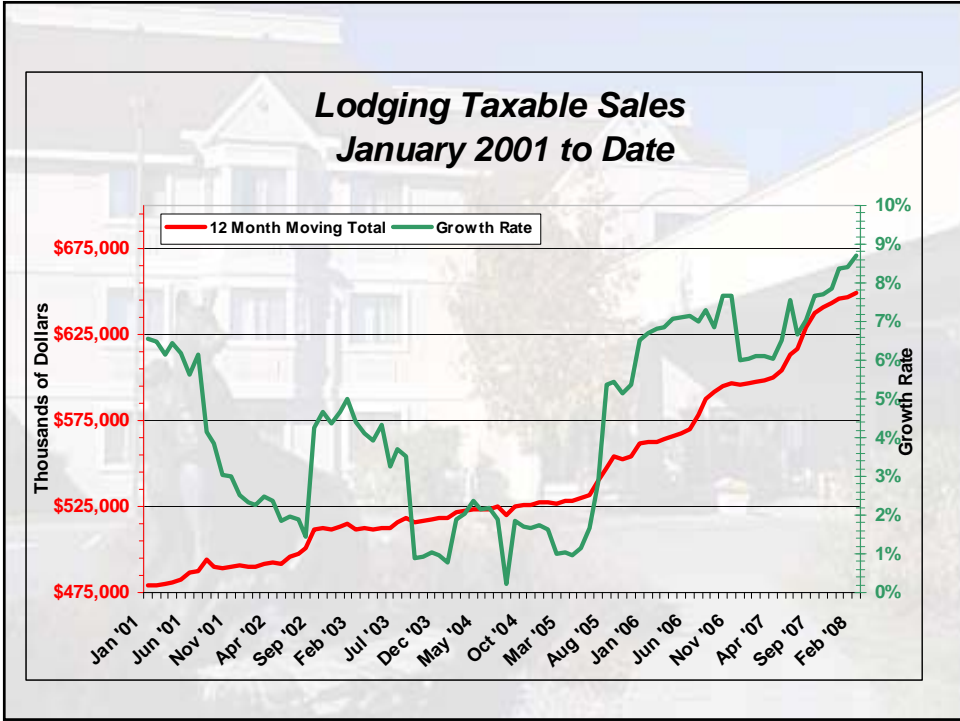
- Performance of Selective Sectors
- Personal Income Growth
 - Capital Gains
- Bankruptcy Filings
- Consensus Economic Forecast
Commission Outlook







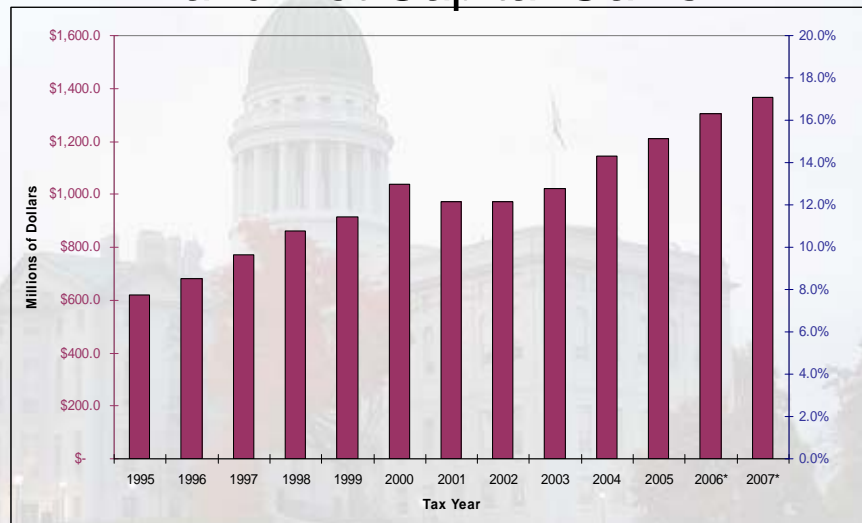




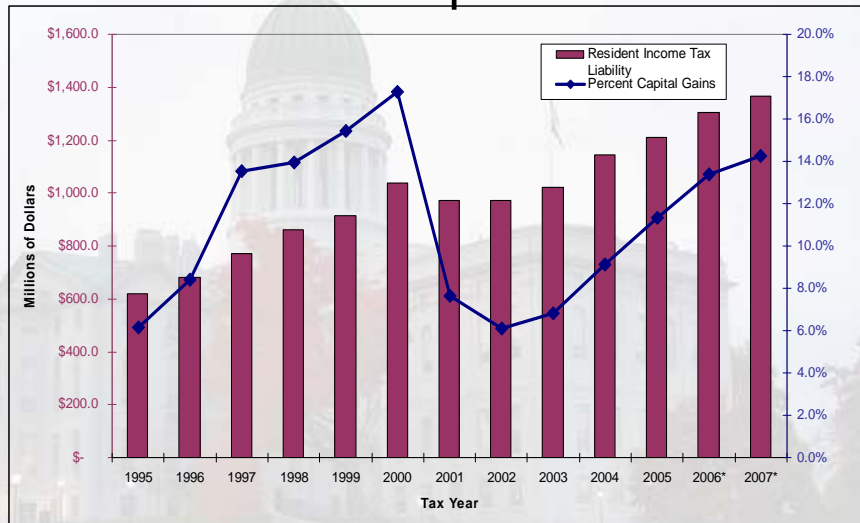
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Resident Income Tax Liability and Net Capital Gains



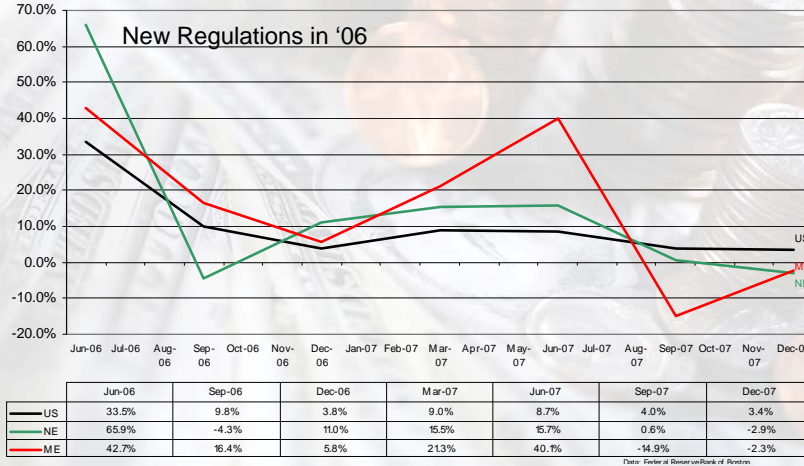
Resident Income Tax Liability and Net Capital Gains



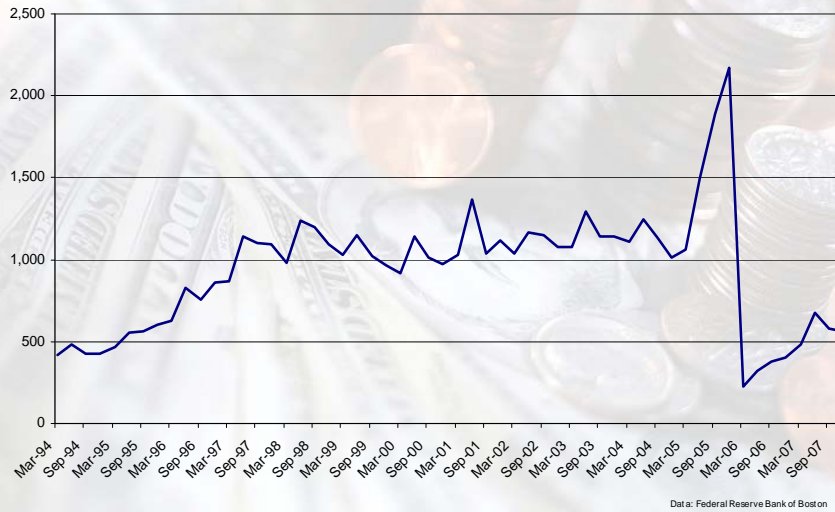
Maine's Current Conditions

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Quarterly Change in Bankruptcy Filings



Maine Bankruptcy Filings



Maine's Current Conditions

- Performance of Selective Sectors
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Commission Outlook

Consensus Economic Forecasting Commission

Projections of Annual Employment and Population Growth

	2007	2008	2009	2010	2011
Wage & Salary Employment (Annual Percentage Change)					
CEFC February 2008	0.5	0.0	0.6	0.7	0.6
Personal Income (Annual Percentage Change)					
CEFC February 2008	5.1	3.5	4.1	4.2	4.1

Consensus Economic Forecasting Commission

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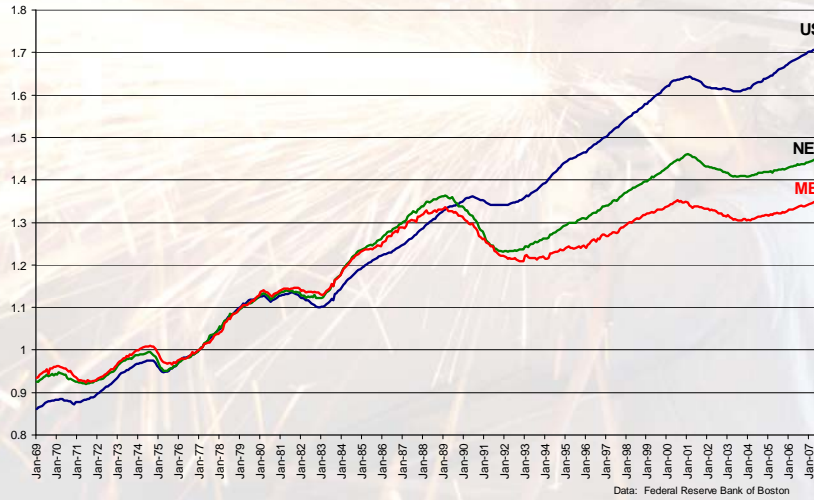
OUTLOOK: A fragile Maine economy in the short run that is heavily dependent on the performance of the national economy.

Long Term Trends in Maine

- Employment
- Value Added Economic Activities
- Demographics
- Business Attraction Factors

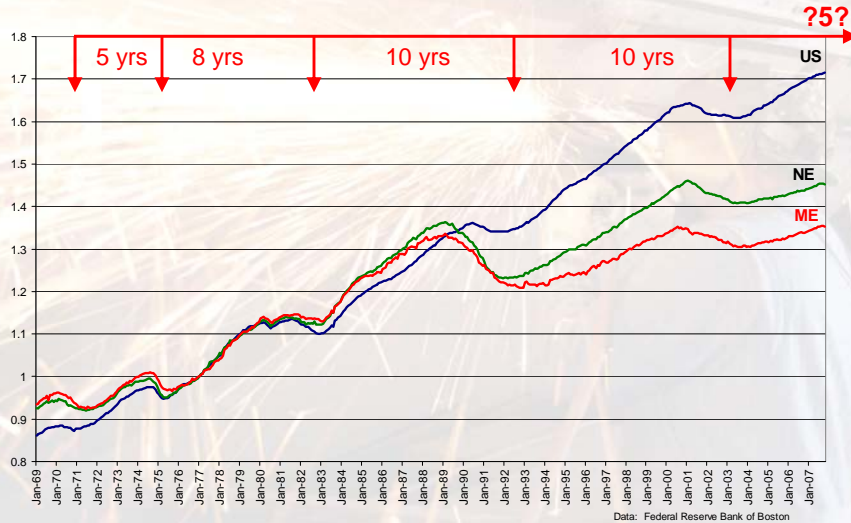
Monthly Total Employment Index

January 1969 - October 2007
US, New England & Maine



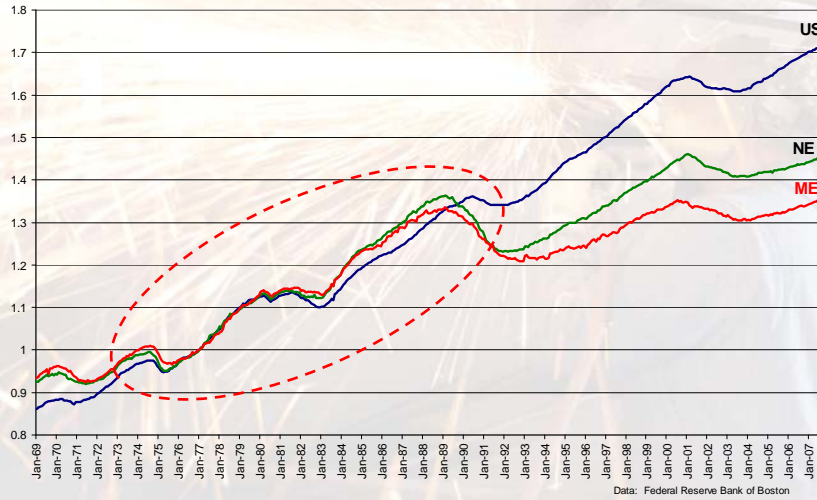
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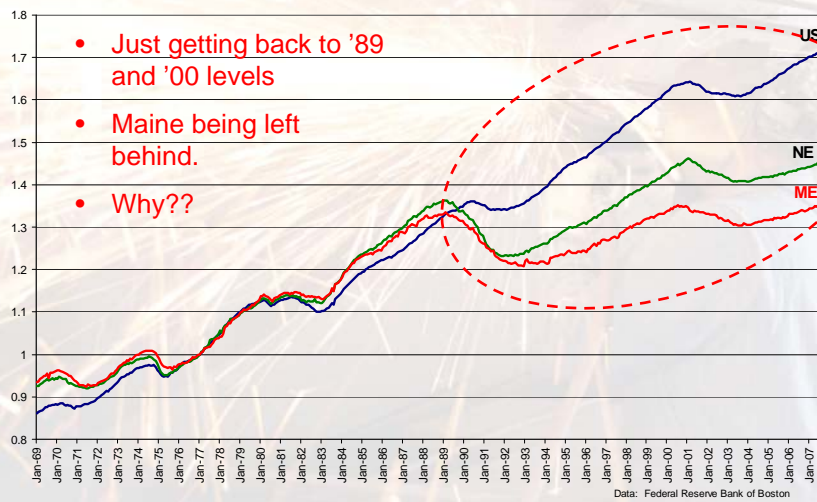
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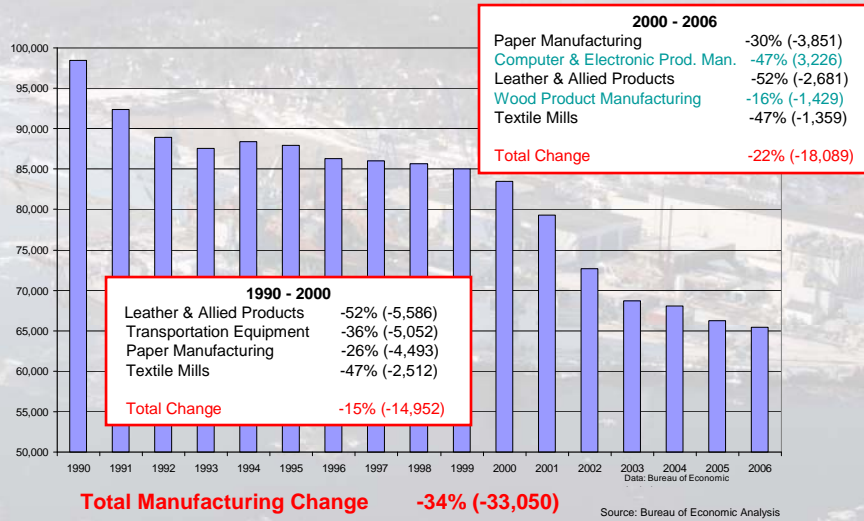


Monthly Total Employment Index

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Maine Manufacturing Employment 1990 - 2006



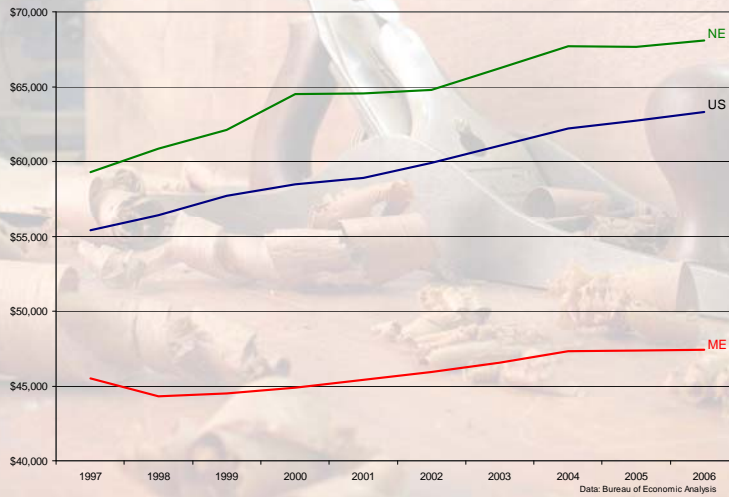
Long Term Trends in Maine

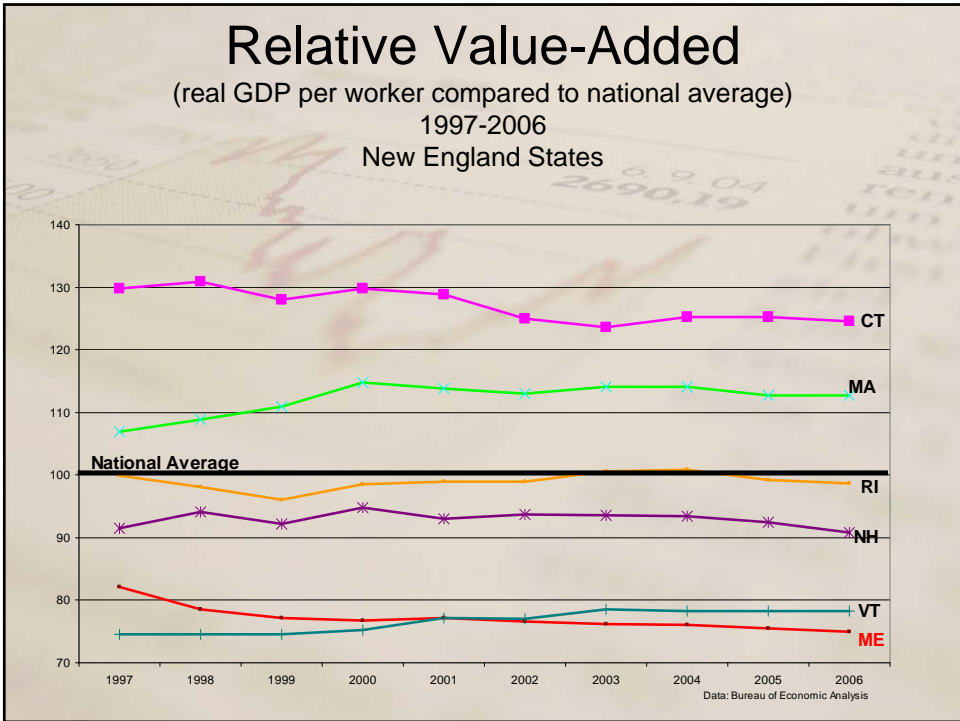
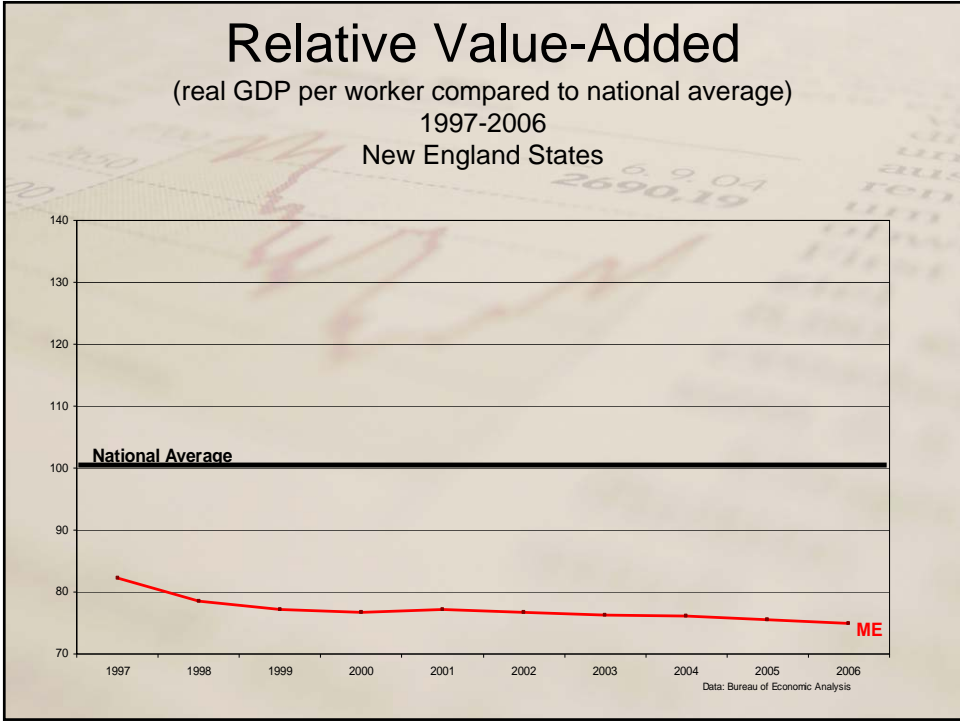
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Value-Added Economic Activity (real GDP per Worker)



Value-Added Economic Activity (real GDP per Worker)





2006 State Rankings Maine

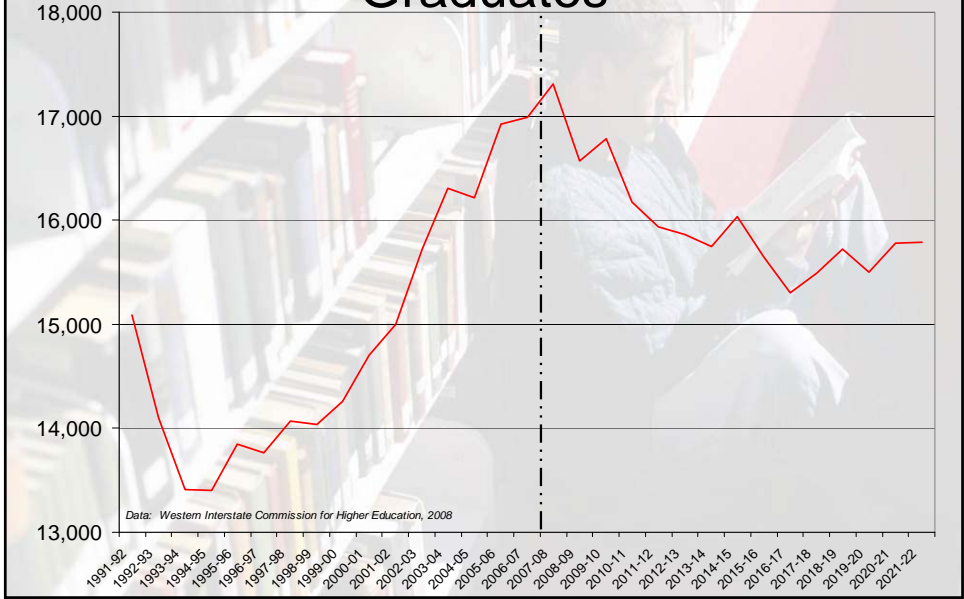
- Personal Income Per Capita 39th
- Gross Domestic Product 44th
- Value-Added Activity 47th

Maine is being left behind

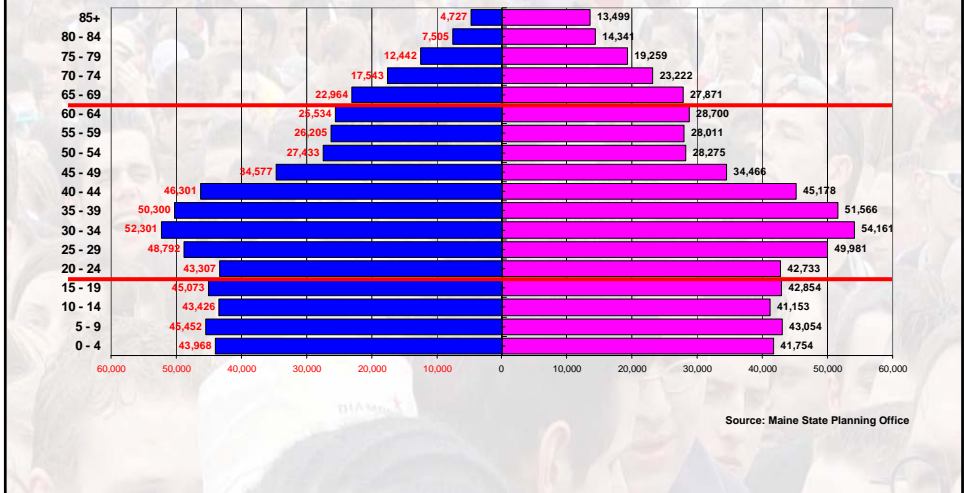
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Projection of Maine High School Graduates



Population of Maine by Age Cohort and Gender (1990)



Population of Maine by Age Cohort and Gender (2030)



Long Term Trends in Maine

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Business Attraction Factors: Maine's Advantage?

- Skilled Labor Force
- Work Ethic
- Energy Costs
- Transportation Costs
- Telecommunications
- Taxes
- Cultural and Environmental
- Labor Costs

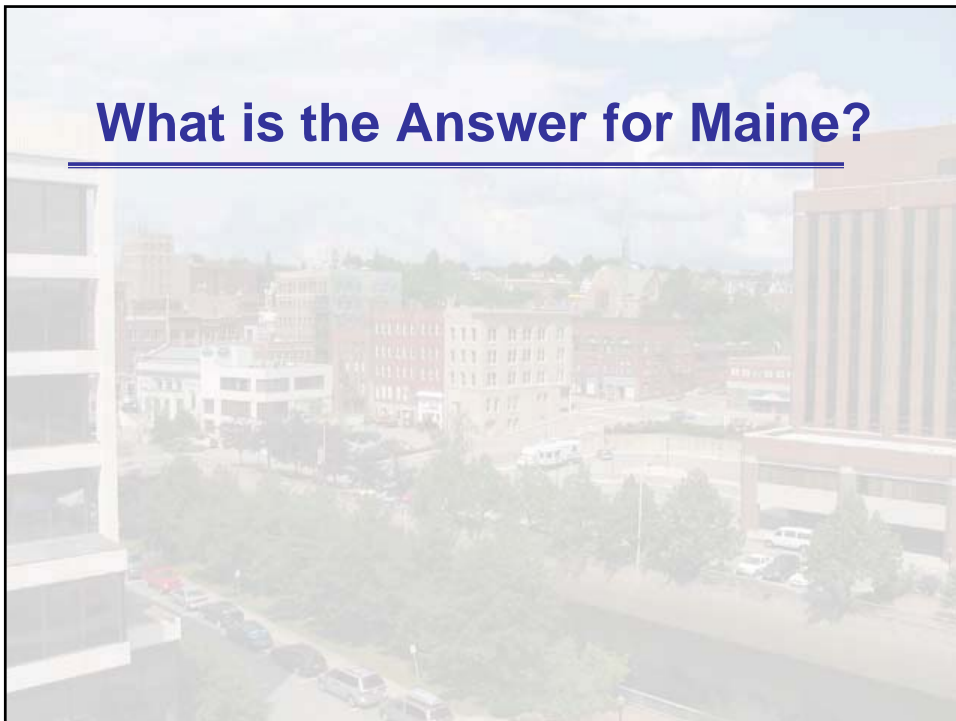
Business Attraction Factors: Maine's Advantage?

- | | |
|------------------------------|---|
| • Skilled Labor Force | NO: Only 27% of ME pop. with a BA
NE average is 34% |
| • Work Ethic | YES |
| • Energy Costs | NO |
| • Transportation Costs | NO |
| • Telecommunications | NO |
| • Taxes | NO |
| • Cultural and Environmental | YES |
| • Labor Costs | YES/NO |

Overall Assessment for Maine

- The combination of:
 - Low value-added activity
 - An aging workforce
 - Few business attraction factors
- Does **not** yield a robust and vibrant economy in the long run

What is the Answer for Maine?



What is the Answer for Maine?

Generate more high
VALUE-ADDED
economic activities

Examples of High Value-Added

Precision manufacturing	not just	welding
Coated publication papers	not just	pulpwood
Eco-tourism	not just	lodging
Building materials	not just	logs
Furniture	not just	stump wood
Composites	not just	lumber
Financial services	not just	banking
Telecommunications	not just	phone-lines
Yachts	not just	boats
Yogurt	not just	milk
Vodka	not just	potatoes

How to Accomplish?

- Entrepreneurial management
- R&D activities based on Maine’s natural resources
- Reverse “brain-drain”; generate a “brain-gain”
- Skilled/educated workforce in critical areas
- A strong higher education system

How to Accomplish?

- Entrepreneurial management
- R&D activities based on Maine’s natural resources
- Reverse “brain-drain”; generate a “brain-gain”
- Skilled/educated workforce in critical areas
- **A strong higher education system**
 - Based on partnerships with businesses, government, and non-profits

Departing Thought...

If the % of Maine's population with a BA degree were to reach the New England average of 34%...

...then Maine's economy would be 27% larger, and its value-added activities would match that of New Hampshire.