

**Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
November 1, 2009**

Commissioners

Charles Colgan, Chair
*Professor of Public Policy and Management
University of Southern Maine*

John Davulis
*Senior Project Manager
GDS Associates, Inc.*

Kathryn Dion
*President
Bigelow Investment Advisors, LLC*

Charles Lawton
*Senior Economist
Planning Decisions, Inc.*

Catherine Reilly
*Director of External Affairs
Maine School of Science and Mathematics*

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 26, 2009 to revise its April 2009 forecast. This report provides a summary of the Commission's findings. The Commission will hold a follow-up meeting to provide additional details on the components of personal income. Further details on the changes in the components of personal income will be made available prior to the meeting of the Revenue Forecasting Commission.

The fall forecast reflects a slowing of the sharp decline in national and state economic activity that began in the fall of 2008. The revised forecast reduces expectations of employment declines compared with the Spring forecast, but three more quarters of employment loss are expected, with a modest recovery beginning in mid-2010. Sharp declines in wages and salaries and proprietors income during the first quarter of 2009 will result in a slight decline in personal income over the year, followed by a weak recovery through 2010. The growth in transfer payments (including unemployment insurance) will offset losses in wage and salary income, resulting in a small positive change in personal income even while wages and salaries are falling.

The decline in the national and state economic outlook has begun to ease since the CEFC met in March. Oil prices remain below their mid-2008 peak, and home sales appear to be gaining traction. Consumer sentiment has improved somewhat in recent months. Some states are beginning to see improving economic conditions. While there is growing belief that the national recession has now technically ended, economic conditions remain fragile.

The commission is projecting continued losses in Maine non-farm wage and salary employment in 2009 and 2010 (-2.9% and -1.2% respectively, on an annual average year over year basis), followed by a recovery period starting in mid 2010. The forecast for personal income in 2010 through 2013 has been increased as wage and salary income is expected to begin picking up in 2011. The commission left its forecast largely untouched for the Consumer Price Index (CPI), a measure of household inflation, revising 2009 upwards (from -1.4% to -0.5%) and 2011 downwards (from 2.3% to 2.0%).

The table below outlines the forecast's major indicators.

Calendar Years	2009	2010	2011	2012	2013
Wage & Salary Employment (Annual Percentage Change)					
CEFC Forecast 4/2009	-3.8	-1.6	1.4	2.2	2.0
CEFC Forecast 11/2009	-2.9	-1.2	1.2	2.2	2.0
Personal Income (Annual Percentage Change)					
CEFC Forecast 4/2009	1.0	1.2	2.8	4.0	4.7
CEFC Forecast 11/2009	-0.6	1.2	3.2	4.4	4.8
CPI (Annual Percentage Change)					
CEFC Forecast 4/2009	-1.4	1.7	2.3	2.1	2.0
CEFC Forecast 11/2009	-0.5	1.7	2.0	2.1	2.0

In making these adjustments, the CEFC drew upon information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and the Maine State Planning Office.