Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
February 1, 2024

Commissioners

Dr. Sheena S. Bunnell, Chair
Professor of Business Economics
University of Maine Farmington

Dr. Andrew Crawley
Associate Professor and Director Maine EDA University Center
School of Economics, University of Maine

Dr. Chuck Lawton

Ryan Low
Vice Chancellor for Finance and Administration & Treasurer
University of Maine System

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on January 26, 2024, to review and revise its forecast through 2027 and additionally forecast through 2029. Two additional hypothetical recession scenarios of varying severity were identified to meet the Commission's statutory requirement related to the stress-testing of revenues. This meeting builds on the Commission's forecast update of November 1, 2023, incorporating the most recent updates available for all relevant baseline data. This report provides a summary of the Commission's findings.

The CEFC continued to recognize ongoing uncertainty in economic conditions in the near-term but does not anticipate a recession in its forecast. While Maine is expected to continue seeing higher in-migration of working-age people in the coming years, this may not be sufficient to fully offset retirements in the future. Inflation decelerated throughout 2023, and the CEFC noted that the Federal Reserve is expected to continue pursuing policies that will constrain inflation to its target levels. Demographic changes and global geopolitical tensions were among the key risks to continued economic growth identified by the CEFC. The Commission also had conversations concerning potential future risks posed by skill shortages and emotional strains on workers in the healthcare sector and by the impacts of climate change, most notable in Maine by the damage from flooding and ocean storm surge.

The Commission revised its forecast for wage and salary employment up for 2023 from 1.2% to 1.8% reflecting the most recent data available from the Maine Department of Labor including anticipated upward revisions to the annual data. The forecasts for 2024 to 2027 were left unchanged and the Commission anticipated 0.1% growth in 2028 and 2029, bringing employment levels to 661,300 in 2029.

The Commission revised its forecast for total personal income growth in 2023 down from 5.9% to 5.1%. The forecasts for total personal income growth were revised up in 2024 from 4.5% to 4.7%, up in 2025 from 4.3% to 4.4%, down in 2026 from 4.4% to 4.3%, and down in 2027 from 4.4% to 4.2%. The Commission developed an initial forecast for 2028 and 2029 personal income growth of 4.2% for both years.

The forecast for wage and salary income growth was revised down for 2023 from 7.5% to 6.1% to reflect the most current data from the Maine Department of Labor, including anticipated upward revisions to the annual figures. No revisions were made for 2024 or 2025, but the Commission made downward adjustments for 2026 and 2027 from 4.3% to 4.0% for both years. The Commission also established a forecast of 4.0% for 2028 and 2029.

For the remaining components of personal income, the 2023 forecasts reflect growth as reported by the U.S. Bureau of Economic Analysis for the first three quarters of 2023 relative to the same period of 2022.

The forecast for growth in supplements to wages and salaries was revised up from 3.5% to 4.4% in 2023. The forecast for 2024-2027 was left unchanged and the Commission established a forecast of 3.0% growth for both 2028 and 2029.

The forecast for nonfarm proprietor's income growth was revised up from 3.8% to 6.6% for 2023. The Commission also revised its forecast upward for 2024 from 3.0% to 5.0% and downward for 2027 from 4.0% to 3.0%. With these revisions and the establishment of a forecast of 3.0% for both 2028 and 2029, the current forecast anticipates growth of 3.0% each year from 2025-2029.

The forecast for growth in dividends, interest, and rent (DIR) was revised upward in 2023 and 2024, from 6.5% and 5.0% to 7.0% and 5.5%, respectively. The Commission left the rest of the forecast years unchanged and anticipated that the 4.5% growth forecast for 2025 to 2027 would continue through 2028 and 2029.

The forecast for personal current transfer receipts growth was revised downward for 2023 from 3.5% to 2.0%. Forecast years 2024-2027 were left unchanged and the Commission established a forecast of 5.0% growth in transfer receipts for both 2028 and 2029.

Annual inflation according to the Consumer Price Index (CPI) was 4.1% in 2023, equivalent to the Commission's forecast for that year. The Commission made downward revisions for all remaining forecast years, going from 3.2% to 2.7% in 2024, from 2.7% to 2.4% in 2025, from 2.7% to 2.3% in 2026, and from 2.7% to 2.2% in 2027. The Commission established a forecast of 2.2% growth for 2028 and 2029.

The forecast for corporate profits was unchanged for 2023 but revised upward in 2024 from –1.0% to +1.0% to better align with the S&P and Moody's Analytics forecasts and reflecting the Commission's view that corporate profits are unlikely to decline in 2024. No changes were made for 2025, but the Commission made downward revisions for 2026 and 2027 from 3.0% growth to 2.0% growth for both years. The Commission established a forecast of 2.0% growth for 2028 and 2029.

The following table provides the forecast's major indicators along with a comparison to the previous forecast.

Calendar Years	2022	2023	2024	2025	2026	2027	2028	2029
Wage & Salary Employment (Annual Percentage Change)								
CEFC Forecast 11/2023	*2.4*	1.2	0.8	0.4	0.2	0.1	-	-
CEFC Forecast 02/2024	*2.4*	1.8	0.8	0.4	0.2	0.1	0.1	0.1
Personal Income (Annual Percentage Change)								
CEFC Forecast 11/2023	*3.9*	5.9	4.5	4.3	4.4	4.4	-	-
CEFC Forecast 02/2024	*3.9*	5.1	4.7	4.4	4.3	4.2	4.2	4.2
Wage and Salary Income (Annual Percentage Change)								
CEFC Forecast 11/2023	*8.5*	7.5	5.0	4.0	4.3	4.3	-	-
CEFC Forecast 02/2024	*8.5*	6.1	5.0	4.0	4.0	4.0	4.0	4.0
CPI (Annual Percentage Change)								
CEFC Forecast 11/2023	*8.0*	4.1	3.2	2.7	2.7	2.7	-	-
CEFC Forecast 02/2024	*8.0*	4.1	2.7	2.4	2.3	2.2	2.2	2.2

In deliberations leading to consensus, the CEFC considered information presented by the Maine Department of Labor, Maine Revenue Services, and by the Office of the State Economist in the Department of Administrative and Financial Services. The following sections summarize these reports.

Additional background materials are available online.

Office of the State Economist (Department of Administrative and Financial Services)

Maine saw continued population growth in 2023, gaining over 6,300 in population. Since 2021, Maine's total net migration rate has ranked in the top ten nationally (5th in 2021, 9th in 2022, and 9th in 2023). Most of this was driven by net domestic migration, in which Maine ranked 8th in the nation in 2023.

Total personal income increased by 3.8% at a seasonally adjusted, annualized rate in the third quarter of 2023, following a 2.1% decline in the second quarter. Wage and salary income, the largest component of personal income, grew 6.5% in the third quarter of 2023 while transfer receipts declined by 1.1%. This decline in transfer receipts in Maine, as in the U.S. overall, was due to decreases in Medicaid payments, state unemployment insurance compensation, and other personal current transfer receipts. Meanwhile, real GDP for Maine has increased for two consecutive quarters, growing to just over $74 billion in the third quarter of 2023. Inflation has decelerated from the high in June of 2022, but is still above the Federal Reserve's 2% target. The CPI all-items index grew by 3.4% in December, up slightly from the 3.1% year-over-year increase in November.

The University of Michigan Consumer Sentiment Index was up 13% in January from the prior month and up 21% from the prior year, reaching its highest level since July 2021. The dramatic improvement in sentiment reflects positive perceptions of inflation trends and was seen across all age, income, education, geographic and political affiliation groups. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses, was up month-over-month in December (1.4%) and up 2.3% in the past 12 months. December was the 24th consecutive month below the 50-year average.

Gasoline cost $3.22 on average in New England during the week of January 15, about $0.18 less than a year ago. The statewide average cash price of No. 2 heating oil in Maine was $3.832/gal in the third week (January 15) of the 2023-2024 heating oil season, 11% lower than the same week of last year, and about 5% lower than the first week of heating oil season.

Single-family existing-home sales fell by 6.1% year-over-year in December and prices continued to increase (6.3%). In the third quarter of 2023, Maine's year-over-year growth in the house price index was 11.1% (seasonally adjusted), second highest in the nation for year-over-year growth after Vermont.

Full background materials are available at: https://www.maine.gov/dafs/economist/economic-forecasting

Maine Department of Labor, Center for Workforce Research and Information

Long-term demographic trends constrain job growth potential. In 2023 births continued the six decade long downward trend to the lowest rate on record. The population increased from net in-migration, which occurred at the third highest rate in the last 35 years, behind the prior two years. In 2022, 63 percent of the population was age 16 to 64. This group, often described as *working-age*, decreased from 67 percent a decade earlier. Though the working-age share decreased, it remained higher than it was in the years prior to 1980. Then it was lower because it included many children; today it is lower because the proportion of children is smaller.

The jobs to working-age population ratio reached an all-time high in 2022. When 2023 population by age is available, it is likely to show that the rate reached another new high. There is little room for further increases in the years ahead, as the factors that drove the increase appear to be fully played-out.

The age structure of the population today is very different than anytime previously. There are more people 65 and over and 55 to 64 than in any of the younger ten-year age cohorts. The state has a much larger share of population over 55 and over and much smaller share under age 35 than the nation.

Since 1990 job gains have primarily been in healthcare and social assistance and in professional and business services, each of which added more than 40,000 jobs. Leisure and hospitality added another 19,000 jobs, with much smaller gains in other sectors. Manufacturing jobs decreased more than 40,000, though the sector has stabilized over the last decade. Most sectors maintained a similar share of jobs, except these four.

Maine's industrial structure is similar to the nation's, except that Maine has relatively more jobs in healthcare and social assistance, partly as a result of its older population, and in federal government, because the Portsmouth Naval Shipyard is so large, employing more than 6,000.

Looking to more recent trends, the workforce continued to return toward normalcy in 2023 after the sharp disruption of the pandemic nearly four years ago. Currently official preliminary estimates indicate that nonfarm jobs were flat in the nine months through July and then increased sharply through the end of the year. Annual revisions, to be published in March, are underway. They indicate there were nearly 2,300 more jobs than currently published. Nearly all the upward revision will be to the leisure and hospitality sector. Hospitality and government are the only sectors in Maine that have not recovered to 2019 levels on an annual average basis.

The number of employer establishments spiked higher over the last three years after many years tracking at a similar rate of change as jobs. This divergence is primarily the result of the remote work revolution. It is a combination of people moving to the state while continuing to work for an employer located elsewhere, and it is from residents of the state gaining jobs that allow them to work here for employers located elsewhere. In each of those cases the employer is required to open an unemployment insurance tax account in Maine on behalf of those individuals; their employment is counted here rather than where the employer is located.

Total wages paid in Maine exceeded $9 billion in each of the last five quarters. The rate of change in the four quarters through September 2023 was similar to the pre-pandemic period. For the first nine months of the year, total wages increased 6.1 percent compared to the same months a year earlier. In the four quarters through September the average wage per job was $59,800. The rise in average wages leveled off in the year after sharp gains through much of the previous three years.

Preliminary unemployment estimates decreased each of the first four months, stabilized at all-time lows through July, and then increased each of the last five months of 2023. The rate for December was the highest in 22 months. The undulating pattern preliminary rates followed throughout the year is common; it is not as indicative of underlying trends as it may appear. Revisions to these estimates usually provide a different characterization of the situation that unfolded through the course of the year; each additional year of revised data tends to further smooth the pattern over the previous several years. The State's labor force analysts expect that the very low rates from the summer will be revised higher and that the highest months of the previous three years will be revised somewhat lower.

Job openings rates, both in Maine and nationally, continued to decrease after peaking more than a year ago.

The presentation is available at maine.gov/labor/cwri/publications/pdf/CEFC_January2024.pdf.

Maine Revenue Services - Office of Tax Policy (OTP)

In its December 1, 2023, forecast, the Revenue Forecasting Committee (RFC) revised General Fund (GF) revenue estimates up by $139.3 million for FY24 and by $125.3 million for FY25, $264.6 million for the biennium. The resulting forecasted rate of year-over-year change in General Fund revenue for FY24 is now a 2.4% decrease from FY23 final revenue amounts, followed by a 1.2% rate of growth for FY25. It is important to note the residual decrease in estimated FY24 General Fund revenue from FY23 final amounts is largely the result of the newly enacted automotive sales tax transfer included in the 2024-2025 Highway Fund Budget (PL 2023, c. 189, Part I) that transfers $107.5 million from the General Fund to the Highway Fund in FY24. The December 2023 forecast also revises 2026-2027 revenue estimates upward by $256.5 million (2.4%) for the biennium, with a forecasted rate of year-over-year growth of 2.1% for FY26 and 3.7% for FY27. The increase in General Fund revenue during the forecast period is primarily from individual income and sales and use taxes.

December is the only month available to judge the accuracy of the new revenue forecast. December GF revenue exceeded budget by $22.9 million (5.8%) and was over budget for the fiscal year by $25.2 million (1.0%). Most of the monthly and fiscal year surplus is from individual and corporate income taxes. The individual income tax was over budget in December by $10.7 million, with refunds contributing $16.1 million of the monthly surplus. December refunds reflect prior year tax returns that were processed during December, and don't reflect current economic activity. Withholding is the best source of monthly revenue to gauge the strength of the underlying economy. In December, withholding receipts were under budget by $11.2 million, indicating that the increase in wage and salary growth in the November CEFC forecast may have been too much. With a few days of processing to go in January, withholding receipts were once again well below budget. The downward adjustment to wage and salary growth by the CEFC in their February 1, 2024, economic forecast should better reflect the current state of wage and salary growth.

The final estimated payment for corporate calendar year filers was due December 15, 2023, and based on the performance of corporate income tax payments in December, estimates were well above the new revenue forecast. Corporate income tax receipts in December were $14.5 million over budget, with payments exceeding budget by $13.6 million. Through late January, corporate income tax payments are exceeding budget by $17 million. The RFC will need to revisit their December revenue forecast for corporate income tax to determine if these two consecutive months of significant positive variances indicate ongoing strength in the tax, or if this is reflecting temporary factors that should be considered one-time.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics and S&P baseline scenarios released in January 2024. Each forecast was based on a different set of national macroeconomic assumptions. These forecasts were then compared to the CEFC's November 2023 forecast. In addition, the CEFC reviewed its assumptions for the previous forecast and made changes reflecting additional information and shifting concerns. The key assumptions made by the CEFC are as follows:

- 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.

- 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.

- 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.

- 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.

Consensus Forecast

The Commission revised its forecast for wage and salary employment up for 2023 from 1.2% to 1.8% to reflect the most recent data available from the Maine Department of Labor including anticipated upward revisions to the annual data. The forecast for 2024 to 2027 was left unchanged and the Commission anticipated 0.1% growth in each of 2028 and 2029. The Commission anticipates slower growth in the outer years as a large share of the population reaches traditional retirement age and in-migration slows from the pandemic-era highs in 2021 and 2022. The forecast anticipates that employment will continue to grow through 2029 to 661,300 with slower increases as 2029 approaches.

The Commission revised its forecast for total personal income growth in 2023 down from 5.9% to 5.1%. The forecasts for total personal income growth were revised up in 2024 from 4.5% to 4.7%, up in 2025 from 4.3% to 4.4%, down in 2026 from 4.4% to 4.3%, and down in 2027 from 4.4% to 4.2%. The Commission developed an initial forecast for 2028 and 2029 personal income growth of 4.2% for both years. For all components of personal income, the 2023 forecast was revised to align with the growth rates for the first three quarters of the calendar year (the most recent data from the U.S. Bureau of Economic Analysis). Additional information from the Maine Department of Labor and Maine Revenue Services was considered in the forecast for wage and salary income. Details by category of personal income are provided below.

The forecast for wage and salary income growth was revised down for 2023 from 7.5% to 6.1%. No revisions were made for 2024 or 2025, but the Commission made downward adjustments for 2026 and 2027 from 4.3% to 4.0% for both years. The Commission established a forecast of 4.0% for 2028 and 2029. Therefore, the current forecast projects a consistent 4.0% annual growth for 2025-2029.

The forecast for growth in supplements to wages and salaries was revised up from 3.5% to 4.4% in 2023. Years 2024 to 2027 were left unchanged, and the Commission established a forecast of 3.0% growth for both 2028 and 2029.

The forecast for nonfarm proprietor's income growth was revised up from 3.8% to 6.6% for 2023. The Commission also revised its forecast upward for 2024 from 3.0% to 5.0% and downward for 2027 from 4.0% to 3.0%. With these revisions and the establishment of a forecast of 3.0% for both 2028 and 2029, the current forecast anticipates constant growth of 3.0% from 2025-2029.

The forecast for growth in dividends, interest, and rent (DIR) was revised upward in 2023 and 2024, from 6.5% and 5.0% to 7.0% and 5.5%, respectively. The Commission left the rest of the forecast years unchanged and anticipated that the 4.5% growth forecast for 2025 to 2027 would continue through 2028 and 2029.

The forecast for personal current transfer receipts growth was revised downward for 2023 from 3.5% to 2.0%. Forecast years 2024 to 2027 were left unchanged and the Commission established a forecast of 5.0% growth in transfer receipts for both 2028 and 2029.

Annual inflation according to the Consumer Price Index (CPI) was 4.1% in 2023, equivalent to the Commission's forecast for that year. The Commission made downward revisions for all remaining forecast years, going from 3.2% to 2.7% in 2024, from 2.7% to 2.4% in 2025, from 2.7% to 2.3% in 2026, and from 2.7% to 2.2% in 2027. The Commission established a forecast of 2.2% growth for 2028 and 2029. Alignment with forecasts from S&P and Moody's Analytics and unknowns around the impacts of Federal Reserve interest rate policy were factors influencing these revisions.

The forecast for corporate profits was unchanged for 2023 but revised upward in 2024 from –1.0% to +1.0% to better align with the S&P and Moody's Analytics forecasts and reflecting the Commission's view that corporate profits are unlikely to decline in 2024. No changes were made for 2025, but the Commission made downward revisions for 2026 and 2027 from 3.0% growth to 2.0% growth for both years. The Commission established a forecast of 2.0% growth for 2028 and 2029.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

February 2024 Forecast

	History	Forecast						
	2022	2023	2024	2025	2026	2027	2028	2029
CPI-U* (Annual Change)	8.0%	4.1%	2.7%	2.4%	2.3%	2.2%	2.2%	2.2%
CPI for Energy Prices** (Annual Change)	24.9%	-4.9%	-0.1%	-0.3%	-0.1%	0.9%	1.1%	1.1%
Avg. Price of New Vehicles** (Annual Change)	9.5%	0.7%	-4.7%	-5.2%	2.1%	4.9%	5.9%	5.3%
New Vehicle Registrations** (Annual Change)	-11.8%	6.6%	1.9%	3.4%	-0.5%	-2.0%	-1.7%	-0.8%
Personal Savings Rate**	3.3%	4.5%	4.9%	6.5%	7.4%	7.9%	8.3%	8.6%
Maine Unemployment Rate**	2.9%	2.7%	3.1%	3.2%	3.3%	3.4%	3.4%	3.4%
3-Month Treasury Bill Rate**	2.0%	5.1%	4.8%	3.3%	2.4%	2.4%	2.4%	2.4%
10-Year Treasury Note Yield**	3.0%	4.0%	3.6%	3.2%	3.2%	3.2%	3.2%	3.2%
Before-Tax Corporate Profits* (Annual Change)	8.4%	2.0%	1.0%	0.5%	2.0%	2.0%	2.0%	2.0%
Maine Wage & Salary Employment* (thousands)	638.7	650.2	655.4	658.0	659.3	660.0	660.7	661.3
Natural Resources	2.1	2.1	2.2	2.2	2.3	2.3	2.3	2.3
Construction	32.6	33.1	32.7	33.1	33.6	33.1	32.7	32.2
Manufacturing	54.5	54.6	54.7	54.8	54.9	55.5	55.0	54.5
Trade/Trans./Public Utils.	119.2	121.1	121.1	121.6	122.1	121.7	121.7	121.7
Information	7.9	7.8	7.8	7.8	7.8	7.8	7.8	7.7
Financial Activities	33.9	33.9	33.8	33.9	34.0	34.0	34.0	33.9
Prof. & Business Services	75.8	77.4	77.9	78.3	79.0	80.2	81.5	82.7
Education & Health Services	125.8	129.6	132.1	132.8	132.9	132.7	132.7	132.9
Leisure & Hospitality Services	65.5	67.9	69.3	69.4	69.2	69.0	69.3	69.7
Other Services	22.0	22.1	22.2	22.4	22.3	22.3	22.3	22.3
Government	99.4	100.5	101.6	101.7	101.4	101.4	101.4	101.4
Maine Wage & Salary Employment* (Annual Change)	2.4%	1.8%	0.8%	0.4%	0.2%	0.1%	0.1%	0.1%
Natural Resources	0.0%	2.2%	1.2%	2.9%	0.8%	1.1%	0.2%	-0.1%
Construction	1.9%	1.4%	-1.1%	1.1%	1.5%	-1.3%	-1.3%	-1.5%
Manufacturing	1.1%	0.1%	0.3%	0.2%	0.2%	1.0%	-0.9%	-0.9%
Trade/Trans./Public Utils.	1.9%	1.6%	0.0%	0.4%	0.4%	-0.3%	0.0%	0.0%
Information	5.3%	-0.9%	-0.9%	0.7%	0.0%	-0.2%	-0.5%	-0.3%
Financial Activities	2.4%	0.1%	-0.3%	0.3%	0.1%	0.1%	-0.1%	-0.1%
Prof. & Business Services	4.6%	2.1%	0.6%	0.6%	0.8%	1.6%	1.6%	1.5%
Education & Health Services	0.1%	3.1%	1.9%	0.5%	0.1%	-0.1%	0.0%	0.1%
Leisure & Hospitality Services	7.6%	3.7%	2.0%	0.2%	-0.3%	-0.3%	0.5%	0.6%
Other Services	4.3%	0.5%	0.5%	0.7%	-0.3%	-0.1%	0.0%	-0.2%
Government	1.7%	1.1%	1.1%	0.0%	-0.3%	0.0%	0.0%	0.0%
	2022	2023	2024	2025	2026	2027	2028	2029
Personal Income* ($ million)	83,951	88,272	92,392	96,419	100,531	104,778	109,156	113,727
Wages & Salaries*	38,678	41,037	43,089	44,813	46,605	48,470	50,408	52,425
Supplements to Wages & Salaries*	8,757	9,142	9,462	9,793	10,136	10,440	10,754	11,076
Nonfarm Proprietors' Income*	6,529	6,960	7,308	7,527	7,753	7,986	8,225	8,472
Farm Proprietors' Income**	175	124	112	182	208	183	173	183
Dividends, Interest, & Rent*	15,150	16,211	17,102	17,872	18,676	19,517	20,395	21,313
Dividends	5,531	5,641	5,883	6,166	6,611	6,870	7,077	7,374
Interest	5,748	6,063	6,653	6,934	7,078	7,436	7,872	8,248
Rent	3,872	4,507	4,566	4,772	4,987	5,211	5,445	5,690
Personal Current Transfer Receipts*	19,932	20,330	21,042	22,094	23,199	24,358	25,576	26,855
Less: Contributions for Social Ins.**	6,590	6,920	7,172	7,360	7,597	7,787	8,053	8,339
Adjustment for Residence**	1,320	1,389	1,448	1,498	1,550	1,612	1,677	1,743
Personal Income* (Annual Change)	3.9%	5.1%	4.7%	4.4%	4.3%	4.2%	4.2%	4.2%
Wages & Salaries*	8.5%	6.1%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Supplements to Wages & Salaries*	4.4%	4.4%	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%
Nonfarm Proprietors' Income*	6.2%	6.6%	5.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Farm Proprietors' Income**	21.7%	-29.2%	-9.3%	62.6%	13.9%	-11.8%	-5.4%	5.6%
Dividends, Interest, & Rent*	7.6%	7.0%	5.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Dividends	7.8%	2.0%	4.3%	4.8%	7.2%	3.9%	3.0%	4.2%
Interest	7.9%	5.5%	9.7%	4.2%	2.1%	5.1%	5.9%	4.8%
Rent	7.0%	16.4%	1.3%	4.5%	4.5%	4.5%	4.5%	4.5%
Personal Current Transfer Receipts*	-5.8%	2.0%	3.5%	5.0%	5.0%	5.0%	5.0%	5.0%
Less: Contributions for Social Ins.**	8.6%	5.0%	3.6%	2.6%	3.2%	2.5%	3.4%	3.6%
Adjustment for Residence**	-1.1%	5.2%	4.3%	3.4%	3.5%	4.0%	4.1%	3.9%

*CEFC Forecast

**From S&P and Moody's Analytics baselines (January 2024)

Remaining lines derived from CEFC forecast by CEFC staff and reviewed by CEFC

Alternative Economic Scenarios

Statute and Background: 5 M.R.S.A. §1710-A

*4. **Alternative economic scenarios.** No later than February 1st of each even-numbered year the commission shall provide to the State Budget Officer, the State Economist and the Associate Commissioner for Tax Policy at least 2 additional economic forecasts that assume potential economic recession scenarios of varying levels of severity. These additional forecasts must include economic assumptions for the current fiscal biennium and the next 2 fiscal biennia. In each report the commission shall fully describe the methodology employed in reaching its recommendations.*

Every other year, beginning in 2018, statute requires the CEFC to provide the State Economist, the State Budget Officer, and the Associate Commissioner for Tax Policy with at least two alternative economic recession scenarios of varying levels of severity. The alternative scenarios are required to be included in the CEFC's report due February 1st of each even-numbered year and also must include assumptions for calendar years that encompass the current and next two biennia. By October 1st of each even-numbered year the CEFC and RFC will jointly issue a report to the Governor, the Legislative Council and the joint standing committee of the Legislature having jurisdiction over appropriations and financial affairs that utilizes the alternative economic scenarios recommended by the CEFC. The report will include analyses and findings that detail the stress impact such economic recession scenarios would have on the current General Fund revenue projections of sales and income tax revenues. In addition, the report must include an analysis of the sufficiency of the current level of the Budget Stabilization Fund and an estimate of the reserves in the Budget Stabilization Fund necessary to offset the declines in revenue as a result of potential economic recession scenarios.

Methodology

The CEFC decided to designate two alternative scenarios provided by Moody's Analytics in January 2024 as the moderate and severe recession scenarios. While the scenarios describe a particular set of specific events surrounding the recessions, the Commission does not ascribe to these specifics, instead selecting the scenarios based on the numbers and growth rates that seemed reasonable as generic "moderate" and "severe" recessions. These scenarios should provide plausible economic inputs for an analysis of the General Fund revenue projections in both a moderate and severe downturn. In both cases, the scenarios will be adjusted to reflect the CEFC's February 2024 baseline forecast and will show hypothetical downturns beginning in the first quarter of calendar year 2025. Brief descriptions of the economic conditions follow; forecast details will be included in the October 1, 2024, stress test report.

Moderate recession scenario

The moderate recession scenario selected by the CEFC is the "S7" Next-Cycle Recession scenario. This scenario has the recession lasting three quarters and is brought on in part by the combination of tight monetary policy and reduced consumer confidence. The cumulative decline in national real gross domestic product is 1.2 percent. Employment in Maine declines around 0.9 percent. Total personal income continues to grow, but at a slower rate.

Severe recession scenario

The severe recession scenario selected by the CEFC is the "S4" downside scenario. This scenario has the recession lasting five quarters with a much slower recovery. National real gross domestic product declines around 1.6 percent in the first year of the recession and 1.6 percent in the second year. Employment in Maine declines around 2.3 percent in the first year and 0.5 percent in the second year. Total personal income continues to grow, but at a much slower rate.