Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
November 1, 2024

Commissioners

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Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on October 25, 2024, to review and revise its forecast through 2029. This meeting builds on the Commission's forecast update of February 1, 2024, incorporating the most recent updates available for all relevant baseline data. This includes revised actual values, including revisions to personal income through 2023 from the U.S. Bureau of Economic Analysis (BEA). This report provides a summary of the Commission's findings. Prior to its fall forecasting meeting the CEFC held an information gathering session, a summary of which is available online.

The CEFC continued to recognize ongoing uncertainty in economic conditions in the near-term but does not anticipate a recession in its forecast. Net migration is likely to be positive in the coming years and may play a role in the future supply of, and demand for, jobs. Some of the future demand for labor may be filled through productivity gains. The CEFC noted that inflation has moderated and the Federal Reserve, in its mission to find a 'soft landing', is expected to continue pursuing policies that will constrain inflation to its target levels. Overall, employment in the health care and social assistance sector has recovered and is slightly above pre-pandemic levels. However, some subsectors – like hospitals and nursing residential care facilities – are facing labor shortages and financial struggles. Demographic changes, a possible slowdown in job openings, and global geopolitical tensions were among the key risks to continued economic growth identified by the CEFC.

The Commission's forecast for wage and salary employment was left unchanged for all forecast years based on information from the Maine Department of Labor.

The Commission revised its forecast for total personal income growth in 2024 up from 4.7% to 5.3%. The forecast for 2025 was left unchanged (4.4%). The Commission made slight upward revisions for all remaining forecast years, going from 4.3% to 4.4% in 2026, 4.2% to 4.4% in 2027, 4.2% to 4.3% in 2028, and from 4.2% to 4.3% in 2029.

For all components of personal income, revisions for 2024 were informed by the growth as reported by the U.S. Bureau of Economic Analysis for the first two quarters of 2024 relative to the same period in 2023.

The forecast for wage and salary income growth was revised up for 2024 from 5.0% to 6.0%. The Commission left the rest of the forecast years unchanged.

The forecast for growth in supplements to wages and salaries was revised up from 3.5% to 6.5% in 2024. The remaining years of the forecast were revised upwards to more closely align with forecasts from Moody's Analytics and S&P. The Commission revised their forecasts from 3.5% to 4.0% in 2025 and 2026, and from 3.0% to 3.5% for 2027-2029.

The forecast for nonfarm proprietor's income growth was revised up from 5.0% to 6.0% for 2024. The remaining years of the forecast were all revised upwards from 3.0% to 4.0% to more closely align with forecasts from Moody's Analytics and S&P.

The forecast for growth in dividends, interest, and rent (DIR) was revised upward in 2024 from 5.5% to 6.0%. The Commission left the rest of the forecast years unchanged.

The forecast for personal current transfer receipts growth was revised downward for 2024 from 3.5% to 2.3%. The Commission left the rest of the forecast years unchanged.

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 left their forecast of annual inflation unchanged for all forecast years.

The forecast for corporate profits was revised upwards in 2024 from 1.0% to 9.0% based on data from the U.S. Bureau of Economic Analysis, and to more closely align with forecasts from Moody's Analytics and S&P. The Commission left the rest of the forecast years unchanged.

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

Calendar Years	2023	2024	2025	2026	2027	2028	2029
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 02/2024	*1.8*	0.8	0.4	0.2	0.1	0.1	0.1
CEFC Forecast 11/2024	*1.8*	0.8	0.4	0.2	0.1	0.1	0.1
Personal Income (Annual Percentage Change)							
CEFC Forecast 02/2024	*5.1*	4.7	4.4	4.3	4.2	4.2	4.2
CEFC Forecast 11/2024	*6.0*	5.3	4.4	4.4	4.4	4.3	4.3
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 02/2024	*6.1*	5.0	4.0	4.0	4.0	4.0	4.0
CEFC Forecast 11/2024	*5.4*	6.0	4.0	4.0	4.0	4.0	4.0
CPI (Annual Percentage Change)							
CEFC Forecast 02/2024	*4.1*	2.7	2.4	2.3	2.2	2.2	2.2
CEFC Forecast 11/2024	*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.

Maine's total personal income increased by 4.4% at a seasonally adjusted, annualized rate (SAAR) in the second quarter of 2024, following a 10.1% increase in the first quarter. Wage and salary income, the largest component of personal income, grew 4.7% in the second quarter of 2024 while dividends, interest and rent increased 1.8% (SAAR) in the second quarter and transfer receipts increased by 6.4%. Maine's growth in transfer receipts was higher than in New England (2.9%) and in the U.S. (6.1%). Meanwhile, real GDP for Maine grew to just over $77 billion in the second quarter of 2024.

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 2.4% in September before seasonal adjustment. On September 18, the

Federal Reserve Federal Open Market Committee cut its target interest rate by 0.5%. This was their first rate cut since 2020.

The University of Michigan Consumer Sentiment Index was up 3.2% in September. There were improvements in all five components of the index and improvements were seen across all education groups and political affiliations. Sentiment remains below the historical average in part due to high prices, but perceptions of future inflation are becoming more optimistic. The Small Business Optimism Index, as measured by the National Federation of Independent Businesses, was down 2.7% in August, and little changed (-0.1%) from a year ago. Small business owners reported higher levels of uncertainty, while sales expectations and profit trends fell during the month. Inflation remains the top concern for business owners.

The price of a gallon of gasoline in New England was an average of $3.18 during the week of October 14, about $0.54 less than a year ago. The statewide average cash price of No. 2 heating oil in Maine was $3.256/gal in the second week (October 14) of the 2024-2025 heating oil season, 18.5% lower than the same week of last year.

Single-family existing-home sales were up 1.7% year-over-year in August and prices continued to increase (7.5%). In the second quarter of 2024, Maine's year-over-year growth in the house price index (HPI) was 6.3% (seasonally adjusted), 23rd in the nation for year-over-year growth and last in New England.

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

Maine Department of Labor, Center for Workforce Research and Information

The labor market continues to return toward the situation that prevailed prior to onset of the pandemic. Unemployment is stable and low – below four percent for 34 consecutive months – and job openings have trended down to rates similar to those in 2018 and 2019. Other than business cycle patterns that may emerge, openings rates could remain higher than they were a decade or more ago because the number of people reaching retirement is larger.

Nonfarm jobs are up from previous periods – there are about 19,000 more than at the beginning of 2020 – though growth has slowed after the recovery. Through the first nine months of 2024 there has been little job change – a pattern that is generally confirmed by the lagging complete count these estimates will be benchmarked to in annual revisions in March. The sharp upward trend in the number of employer establishments that emerged three years ago returned in the first half of this year after stalling through much of last year. Many of these new establishments represent a single job stemming from rising numbers of remote workers.

Despite little change in jobs this year, total wages paid continue to increase. Recent gains in the five percent range exceed most periods prior to 2021 when job growth was stronger. This has driven average wages up, with strong gains reemerging after slowing through much of 2023.

In the period from 2019 to 2023 the increase in average wages in Maine exceeded the nation – 28 percent compared to 22 percent – and exceeded the increase in the Consumer Price Index – 19 percent. This pattern was widespread across our economy. In nearly every sector the average wage in Maine increased at a faster rate than nationally and faster than inflation. Strong demand relative to supply accounted for about two-thirds of the wage gains here. The other third was from a compositional shift in the share of jobs toward higher-paying industries. Rising numbers of remote workers contributed to the sharper gains in the professional and business services and the information sectors. The competitive landscape for attracting workers contributed to sharper gains in hospitality industries (which lagged others getting back to pre-pandemic staffing levels). Those three sectors had the highest rates of wage gains, and they most sharply exceeded national gains, along with utilities.

The number of restaurant closures in the news recently has been notable, both in Maine and elsewhere. Through September there has not been significant change in the number of hospitality jobs – we will monitor the situation to see if a new employment trend develops.

The presentation is available at maine.gov/labor/cwri/publications/pdf/CEFC_October2024.pdf

Maine Revenue Services - Office of Tax Policy (OTP)

General Fund revenue ended fiscal year 2024 $20.9 million (0.4 percent) over budget. General Fund revenues were down $26.7 million (0.5 percent) compared to fiscal year 2023 partly from the recently enacted semiannual transfer (July and October) of General Fund sales tax revenue from automobile sales to the Highway Fund ($107.5 million) and partly from individual income tax receipts ending the fiscal year under budget by $53.1 million (2.2 percent) and $84.5 million (3.4 percent) below fiscal year 2023. The reason for the relatively large negative budget variance and year-over-year (YOY) decline in individual income tax receipts was a timing issue associated with the deferral of tax filings and payments in April and June because of the January natural disaster extension until July provided by the Internal Revenue Service and Maine Revenue Services.

Through the first quarter of fiscal year 2025, GF revenue is over budget by $132.0 million (9.4 percent) and has increased by $170.1 million (12.4 percent) compared to a year ago. $138.4 million of the YOY revenue growth is from individual income tax, while sales, corporate income, and estate taxes each contribute an additional $14 million to the YOY growth. After a review of July individual income tax receipts, it appears that approximately $80 million of final and estimated payments were shifted from fiscal year 2024 into fiscal year 2025 because of the payment extension associated with the January winter storm.

Sales and use taxes through the first quarter of fiscal year 2025 are $2.8 million over budget (0.4 percent) and are up $14.5 million (2.2 percent) over the first quarter of fiscal year 2024. Like the national data on retail sales, the YOY growth in Maine taxable sales have slowed considerably over the last 18 months. For the 12-month period ending March 31, 2024, YOY taxable sales growth averaged 3.2 percent and since the start of the second quarter of calendar year 2024 has averaged only 1.3 percent. The current revenue forecast assumes an average annual growth in the sales and use tax revenue line of less than 1.5 percent over fiscal years 2025-27. The Maine sales tax base is heavily reliant on goods, especially automobile and building supply store sales. The shift by consumers back to untaxed services, along with falling prices for durable and nondurable goods are the main reasons for the weak growth in sales and use tax receipts over the current forecast period.

Individual income tax receipts are $104.9 million (16.3 percent) over budget for the fiscal year. Withholding receipts are $17.6 million over budget through the first quarter of fiscal year 2024. Most of that year-to-date variance ($16.4 million) came in September. Adjusting for large withholding payments in March 2023, withholding receipts for the first nine months of calendar year 2024 are up a solid 5.73 percent compared to the same period last year. The third estimated payment for tax year 2024 was due September 16^{th} and increased 2.1 percent compared to last September. Through September, individual estimated payments for tax year 2024 are up 9.3 percent, above the 5.0 growth assumed in the March 1, 2024, revenue forecast. Non-wage income, which includes capital gains realizations, are likely growing faster than estimated earlier this year. The final estimated payment for individuals is due January 15, 2025, and that estimated payment will provide important information about final payments for tax year 2024 due next April.

Corporate income tax revenue is $15.8 million (15.6 percent) over budget through September and $13.4 million (12.9 percent) higher than fiscal year 2023. Most of the year-to-date corporate budget variance came in July when receipts were $12.4 million (75.1 percent) over budget and were $11.4 million higher than last July (64.9 percent). Tax year 2023 extension payments for calendar year corporate filers were due on April 17th, and the first and second estimated payments for tax year 2024 were due in April and June. Like individual income tax filers, corporations were provided the same natural disaster relief extensions. While the largest corporate income tax filers are multi-state corporations that most likely were not eligible for the disaster relief extensions or chose to make payments on the April 17th and June 15th due dates, it's likely that some corporations did take advantage of the extensions and the excess July payments are the result of deferred corporate payments. The extension due date for calendar year corporate income tax filers is November 15th, which will provide additional information on the accuracy of the latest corporate income tax forecast. Tax data from corporations is lagged because most large corporations file on extension and the complexity of these returns result in a further lag in posting the returns to the Maine Revenue Services accounting system. It will be some time before we fully understand the recent pattern of receipts and to what extent corporate income tax revenue is beginning to moderate like the other major tax lines.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics and S&P baseline scenarios released in October 2024. Each forecast was based on a different set of national macroeconomic assumptions. These forecasts were then compared to the CEFC's February 2024 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 (though job openings have slowed recently), supply is low, and unemployment rates are near historic lows in Maine and nationwide. Workers have experienced 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. Maine's net migration is likely to be positive in the coming years and may play a role in the future supply of, and demand for, jobs. Some of the future demand for labor may be filled through productivity gains.

- High interest rates, low supply of available properties, and ongoing in-migration are continuing to impact the housing market. Home sales remain low, 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.

- Absent any unexpected cuts, Maine will continue to see impacts of large, federally funded infrastructure programs (including the Bipartisan Infrastructure Law and the Inflation Reduction Act) throughout the duration of the forecast. This includes potential impacts on local job markets. Federal capital infrastructure projects already begun will continue into the future.

- Inflation growth has moderated, and the Federal Reserve Open Market Committee cut interest rates in 2024 for the first time since 2020. The Federal Reserve, in its mission to find a 'soft landing', is expected to continue pursuing policies that will constrain inflation to its target levels.

- 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 residential care facilities – as well as financial challenges.

- 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's forecast for wage and salary employment was left unchanged for all forecast years. The Commission anticipates slower growth in the out 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, with slower increases as 2029 approaches.

The Commission revised its forecast for total personal income growth in 2024 up from 4.7% to 5.3%. The forecast for 2025 was left unchanged (4.4%). The Commission made slight upward revisions for all remaining forecast years, going from 4.3% to 4.4% in 2026, 4.2% to 4.4% in 2027, 4.2% to 4.3% in 2028, and from 4.2% to 4.3% in 2029. For all components of personal income, revisions for 2024 were informed by the growth as reported by the U.S. Bureau of Economic Analysis for the first two quarters of 2024 relative to the same period in 2023.

The forecast for wage and salary income growth was revised up for 2024 from 5.0% to 6.0%. The Commission left the rest of the forecast years unchanged. 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 6.5% in 2024. The remaining years of the forecast were revised upwards to more closely align with forecasts from Moody's Analytics and S&P. The Commission revised their forecasts from 3.5% to 4.0% in 2025 and 2026, and from 3.0% to 3.5% for 2027-2029.

The forecast for nonfarm proprietor's income growth was revised up from 5.0% to 6.0% for 2024. The remaining years of the forecast were all revised upwards from 3.0% to 4.0% to more closely align with forecasts from Moody's Analytics and S&P. The current forecast anticipates constant growth of 4.0% from 2025-2029.

The forecast for growth in dividends, interest, and rent (DIR) was revised upward in 2024, from 5.5% to 6.0%. The Commission left the rest of the forecast years unchanged, anticipating constant growth of 4.5% from 2025-2029.

The forecast for personal current transfer receipts growth was revised downward for 2024 from 3.5% to 2.3%. The Commission left the rest of the forecast years unchanged.

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 left their forecast of annual inflation unchanged for all forecast years, anticipating that growth in the CPI will drop to 2.2% by 2027 and remain constant through 2029.

The forecast for corporate profits was revised upwards in 2024 from 1.0% to 9.0% based on data from the U.S. Bureau of Economic Analysis, and to more closely align with forecasts from Moody's Analytics and S&P. The Commission left the rest of the forecast years unchanged, and forecasts consistent 2.0% annual growth for 2026-2029.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

November 2024 Forecast

	History	Forecast					
	2023	2024	2025	2026	2027	2028	2029
CPI-U* (Annual Change)	4.1%	2.7%	2.4%	2.3%	2.2%	2.2%	2.2%
CPI for Energy Prices** (Annual Change)	-4.9%	-0.8%	1.3%	0.9%	0.5%	0.8%	0.9%
Avg. Price of New Vehicles** (Annual Change)	2.4%	-1.2%	2.0%	1.7%	1.2%	4.9%	6.9%
New Vehicle Registrations** (Annual Change)	9.1%	3.4%	1.4%	0.1%	0.2%	-0.6%	-1.8%
Personal Savings Rate**	4.7%	5.1%	5.3%	5.9%	6.2%	6.2%	6.3%
Maine Unemployment Rate**	2.8%	3.0%	3.4%	3.7%	3.8%	3.8%	3.7%
3-Month Treasury Bill Rate**	5.1%	5.3%	5.0%	3.5%	2.4%	2.4%	2.4%
10-Year Treasury Note Yield**	4.0%	4.1%	3.5%	3.3%	3.3%	3.2%	3.3%
Before-Tax Corporate Profits* (Annual Change)	4.6%	9.0%	0.5%	2.0%	2.0%	2.0%	2.0%
Maine Wage & Salary Employment* (thousands)	649.2	654.5	657.1	658.4	659.1	659.7	660.4
Natural Resources	2.0	1.9	1.9	1.9	1.9	1.9	1.9
Construction	33.6	32.7	32.4	32.6	32.7	32.2	32.3
Manufacturing	53.9	54.0	53.9	53.7	53.9	53.6	53.1
Trade/Trans./Public Utils.	120.5	121.1	121.7	122.1	122.0	122.1	122.7
Information	8.2	8.1	8.0	8.0	8.1	8.0	8.0
Financial Activities	33.7	33.4	33.3	33.4	33.5	33.5	33.5
Prof. & Business Services	76.5	76.1	76.0	76.8	77.6	78.5	79.0
Education & Health Services	130.2	133.6	134.8	135.1	134.9	135.0	134.9
Leisure & Hospitality Services	68.3	69.6	70.2	70.0	69.9	70.1	70.4
Other Services	22.1	21.7	21.9	21.9	21.9	21.9	21.9
Government	100.2	102.3	102.9	102.8	102.7	102.8	102.9
Maine Wage & Salary Employment* (Annual Change)	1.8%	0.8%	0.4%	0.2%	0.1%	0.1%	0.1%
Natural Resources	-4.8%	-4.0%	0.5%	0.9%	-0.7%	0.1%	-1.4%
Construction	2.1%	-2.6%	-0.8%	0.6%	0.1%	-1.4%	0.2%
Manufacturing	-0.9%	0.1%	-0.2%	-0.2%	0.2%	-0.5%	-1.0%
Trade/Trans./Public Utils.	1.3%	0.5%	0.5%	0.3%	-0.1%	0.1%	0.5%
Information	2.5%	-1.5%	-0.8%	0.2%	0.7%	-0.5%	-0.4%
Financial Activities	-0.3%	-0.9%	-0.4%	0.4%	0.2%	0.1%	-0.1%
Prof. & Business Services	0.0%	-0.5%	-0.1%	1.0%	1.1%	1.1%	0.6%
Education & Health Services	3.7%	2.6%	0.9%	0.2%	-0.1%	0.1%	-0.1%
Leisure & Hospitality Services	3.0%	1.9%	0.9%	-0.3%	-0.1%	0.3%	0.3%
Other Services	0.9%	-1.8%	0.8%	0.1%	0.2%	-0.1%	-0.2%
Government	2.2%	2.1%	0.6%	-0.1%	-0.1%	0.1%	0.1%
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Personal Income* ($ million)	90,868	95,699	99,940	104,341	108,963	113,687	118,580
Wages & Salaries*	40,784	43,231	44,960	46,758	48,628	50,574	52,597
Supplements to Wages & Salaries*	9,482	10,099	10,503	10,923	11,305	11,701	12,110
Nonfarm Proprietors' Income*	6,933	7,349	7,643	7,948	8,266	8,597	8,941
Farm Proprietors' Income**	19	5	36	79	117	148	163
Dividends, Interest, & Rent*	18,081	19,166	20,028	20,929	21,871	22,855	23,884
Dividends	6,463	6,516	6,769	6,837	6,835	6,857	7,189
Interest	6,890	6,516	6,810	7,179	7,808	8,228	8,694
Rent	4,729	6,133	6,449	6,907	7,217	7,771	8,001
Personal Current Transfer Receipts*	21,061	21,545	22,622	23,753	24,941	26,188	27,498
Less: Contributions for Social Ins.**	6,896	7,205	7,417	7,683	7,867	8,145	8,450
Adjustment for Residence**	1,405	1,511	1,566	1,633	1,701	1,769	1,838
Personal Income* (Annual Change)	6.0%	5.3%	4.4%	4.4%	4.4%	4.3%	4.3%
Wages & Salaries*	5.4%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Supplements to Wages & Salaries*	7.9%	6.5%	4.0%	4.0%	3.5%	3.5%	3.5%
Nonfarm Proprietors' Income*	6.8%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Farm Proprietors' Income**	-87.8%	-76.0%	684.1%	117.5%	48.0%	26.7%	10.2%
Dividends, Interest, & Rent*	12.6%	6.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Dividends	4.8%	0.8%	3.9%	1.0%	0.0%	0.3%	4.8%
Interest	15.4%	-5.4%	4.5%	5.4%	8.8%	5.4%	5.7%
Rent	20.5%	29.7%	5.2%	7.1%	4.5%	7.7%	3.0%
Personal Current Transfer Receipts*	1.9%	2.3%	5.0%	5.0%	5.0%	5.0%	5.0%
Less: Contributions for Social Ins.**	6.1%	4.5%	3.0%	3.6%	2.4%	3.5%	3.7%
Adjustment for Residence**	5.3%	7.5%	3.7%	4.3%	4.2%	4.0%	3.9%

*CEFC Forecast

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

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