Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
February 1, 2022

Commissioners

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

Dr. Andrew Crawley
Assistant Professor and Co-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

Sarah Austin
Director of Policy and Research
Maine Center for Economic Policy

Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened January 28, 2022, to review and revise its forecast through 2025 and additionally forecast through 2027. This meeting builds on the Commission's forecast update of November 1, 2021, incorporating the most recent data available for all relevant baseline data. This report provides a summary of the Commission's findings.

The CEFC sees inflation, especially in energy prices; geopolitical upheaval; interest rate increases; and uncertainty pertaining to the ongoing pandemic and future variants as key risks in the near-term forecast. In addition, the Commission noted two striking facts drawn from 2021 data:

1. Maine's net domestic migration rate was first in New England and sixth in the U.S. and
2. Maine's actual growth in wage and salary income and in total personal income through the first three quarters of 2021 exceeded by a substantial margin the Commission's **full-year** forecast for both variables.

The implication of these facts as well as careful examination of Census survey data and much anecdotal information is that migration to Maine – whether from actual moves or remote work opportunities generated by the pandemic – seemed to be a significant factor in driving employment and income growth in Maine.

While the Commission continues to be optimistic about increased in-migration to Maine, it recognizes that demographic inequalities and uneven access to high-speed internet across the state will limit the range of increased in-migration and thus limit its impact on employment and income growth. Economic improvements will also likely see regional variations due to several factors, including public health conditions and uneven real estate market impacts from increasing interest rates and housing prices.

Based on information from the Maine Department of Labor, the CEFC expects an upward revision to employment for 2020 of around 2,000 jobs; this is not currently reflected in the numbers and if the revisions occurs as expected, will increase employment levels throughout the forecast years by around 2,000. Total nonfarm employment is forecast to increase by 3.7% in 2021 following an expected upward revision during the benchmarking process, 1.8% in 2022, 1.0% in 2023, 0.4% in 2024, and 0.2% in 2025 before leveling out in 2026 and 2027. The revised forecast anticipates employment will return to pre-pandemic levels between 2023 and 2024 and continue growing to 639.5 thousand (around 641 thousand once 2020 revisions are accounted for) in 2025 before leveling off. This reflects downward revisions in 2022, 2024, and 2025 as the state's demographics weigh against continued migration into the state.

The forecast for total personal income growth was revised up from 5.2% to 6.5% in 2021, from 0.5% to 1.7% in 2022, from 4.6% to 5.0% in 2023, and from 4.8% to 4.9% in 2024, with 2025 left unchanged at 4.6% and 2026 and 2027 forecast at 4.6% and 4.5%, respectively. This revision accounts for stronger growth in wages and salaries and supplements to wages and salaries in 2021-2023.

Growth in wages and salaries, the largest component of personal income, was revised up from 5.5% to 7.7% in 2021, from 5.0% to 6.5% in 2022, from 5.0% to 5.5% in 2023, and left unchanged at 5.0% in 2024 and 4.0% in 2025 with 2026 and 2027 forecast at 4.3% each. Growth in supplements to wages and salaries was revised up from 4.7% to 5.5% in 2021, from 4.0% to 6.5% in 2022, from 4.0% to 5.5% in 2023, and from 4.0% to 5.0% in 2024, with 2025 left unchanged at 4.0% and 2026 and 2027 forecast at 4.3%. This recognizes a shift with growth in supplements to wages and salaries tracking more closely with wage and salary growth.

Nonfarm proprietors' income was revised up from 5.5% to 10.0% in 2021 and from 6.5% to 8.5% in 2022. The forecasts for 2023-2025 were left unchanged, with 2026 forecast at 4.5% and 2027 forecast at 3.7%. The forecast for growth in dividends, interest, and rent was left unchanged for all years, with 2026 forecast at 5.1% and 2027 forecast at 5.0%. Growth in personal current transfer receipts was also left unchanged for all years, with 2026 and 2027 both forecast at 4.9%.

Growth in the Consumer Price Index (CPI) came in at 4.7% for 2021, up from the CEFC's forecast of 4.4%. The CEFC revised its forecast up from 3.5% to 5.0% in 2022, from 2.1% to 4.0% in 2023, and from 2.1% to 2.5% in 2024 and 2025, with 2026 and 2027 also forecast at 2.5%. The higher energy prices, increased demand, and supply constraints that have recently led to increased inflation are expected to continue through 2022 and into 2023 before abating.

Finally, the forecast for corporate profits was revised up from 30.0% to 45.0% in 2021 to reflect year-to-date information on revenues from corporate income taxes. The forecasts for 2022 and 2023 were also revised up, from 2.0% in 2022 and 3.0% in 2023 to 4.0% in both years. 2024 and 2025 were left unchanged at 6.0%, with 2026 and 2027 also forecast at 6.0%.

The following table provides the forecast's major indicators along with a comparison to the previous forecast and the final pre-pandemic forecast.

Calendar Years	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Wage & Salary Employment (Annual Percentage Change)								
CEFC Forecast 02/2020	0.5	0.2	0.1	0.0	0.0	0.0		
CEFC Forecast 11/2021	-6.4	3.7	2.3	1.0	0.7	0.7		
CEFC Forecast 02/2022	-6.4	3.7	1.8	1.0	0.4	0.2	0.0	0.0
Personal Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	4.0	3.7	3.5	3.5	3.5		
CEFC Forecast 11/2021	7.9	5.2	0.5	4.6	4.8	4.6		
CEFC Forecast 02/2022	7.9	6.5	1.7	5.0	4.9	4.6	4.6	4.5
Wage and Salary Income (Annual Percentage Change)								
CEFC Forecast 02/2020	4.1	3.7	3.4	3.2	3.2	3.2		
CEFC Forecast 11/2021	2.9	5.5	5.0	5.0	5.0	4.0		
CEFC Forecast 02/2022	2.9	7.7	6.5	5.5	5.0	4.0	4.3	4.3
CPI (Annual Percentage Change)								
CEFC Forecast 02/2020	1.9	2.0	2.0	2.0	2.0	2.0		
CEFC Forecast 11/2021	1.2	4.4	3.5	2.1	2.1	2.1		
CEFC Forecast 02/2022	1.2	4.7	5.0	4.0	2.5	2.5	2.5	2.5

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 had a strong year of population growth in 2021, gaining just under 10,000 in population. Net domestic migration fueled Maine's growth as the state had the seventh highest domestic migration rate in the U.S. and the highest in New England.

Total personal income grew by 0.8 percent in the third quarter of 2021, following a 24.9 percent decrease in the second quarter. The decline was driven by a drop in transfer receipts as provisions of the American Rescue Plan Act phased out. Wage and salary income, which is the largest component of personal income, grew by 9.8 percent. Gross Domestic Product rose 1.7 percent at an annual rate in the third quarter of 2021. The Consumer Price Index continues to show rising prices, up 7.0 percent year-over-year in December and closing 2021 with an average of 4.7 percebnt growth in prices. Meanwhile, the chained PCE price index was up 5.7 percent in November.

Nationwide, consumer sentiment has continued to fall as supply chains remain strained and COVID-19 infections are high following the surge in the Omicron variant. The December 2021 consumer sentiment index was down 12.5 percent compared to a year prior, while the Small Business Optimism Index was up 3.1 percent.

Energy prices have spiked through the end of 2021 into early 2022. Gasoline prices were $3.42 per gallon on January 17, 2022, while heating oil has reached an 8-year high price of $3.337 per gallon.

Single family existing-home sales in 2021 ended the year up 2.1 percent over 2020 while the median sale price soared to $299,000, almost 17 percent higher than in 2020. Maine's House Price Index rose 24.5 percent in the third quarter of 2021 over a year prior, higher than both New England and the United States and reaching a series high for the fourth quarter consecutively.

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

Maine Department of Labor, Center for Workforce Research and Information

Nonfarm payroll jobs increased to 616,300 in December 2021. This was the highest number of jobs since July and the second highest total in 21 months. Overall, the state gained 15,100 jobs throughout 2021, mostly occurring in the first three months of the year. In December there were 3.7 percent fewer jobs than in February 2020, before the virus impacted the labor market. Of the pandemic-era net decrease in jobs, 49 percent has been in the leisure and hospitality sector, mostly in restaurants and bars; 27 percent in state and local governments, mostly in schools; and 21 percent in healthcare and social assistance, mostly in social assistance and nursing and residential care facilities. U.S. unemployment has steadily decreased during the recovery, reaching 3.9 percent in December. In Maine, unemployment was little changed in 2021, finishing the year at 4.7 percent. The unemployment rate in December was 1.6 percentage points higher than in February 2020.

The robust jobs recovery has led to the reemergence of tight labor market conditions. These conditions are creating an environment in which employers must compete to attract and retain workers. Job openings nationally and in Maine reached record high levels in the summer of 2021. These conditions have led to strong gains in total wages paid, with wages rising much faster than jobs. As vaccines became widely available in the spring and many increased spending on travel, at restaurants and bars, at concerts and sporting events, employers sought to quickly increase their staffing levels. However, the speed at which the economic recovery has unfolded, while leading many employers to try to hire quickly, has not been met with a rebound in labor supply of equal magnitude.

While unemployment remains elevated, the primary factor preventing further jobs recovery has been lower labor force participation, which decreased drastically when the pandemic first began to affect the labor market. Though labor force participation has increased since the spring of 2020, participation remains about 4 percent lower and the labor force has contracted by 22,000 compared to just before the pandemic.

The decrease in labor force participation has been uneven across demographic groups. The reduction in labor force participation has been greater and persisted longer among those age 55 and older. Among the younger working age population (ages 16-54), job loss and lower labor force participation have disproportionally impacted women, particularly those between the ages of 25-44 who are most likely to have young children and to be affected by school and childcare disruptions.

The primary reasons for continued lower participation among the older population are concerns about getting or spreading the coronavirus and retirement. Nationally, the labor force participation rate remains 4.5 percent lower among the population age 55 or older compared to before the pandemic. While an aging cohort of baby boomers were nearing retirement independent of the pandemic, accelerated retirement occurring during the pandemic could account for 2.4 million of the 4.2 million people who left the labor force nationally (from the beginning of the pandemic to the second quarter of 2021). These retirement decisions may not be permanent and may have been hastened by public health or economic circumstances. High asset prices, a hot housing market, and economic stimulus may have enabled some to retire sooner than they planned. Improvements in public health may encourage some to re-enter the workforce in the future.

The primary reasons for continued lower participation among the younger working age population (ages 16-54) are concerns about getting or spreading the coronavirus and an increased care burden that has disproportionately fallen on women. This increased care burden is due to disruptions in schools and to the availability or cost of childcare.

This presentation is available at
https://www.maine.gov/labor/cwri/publications/pdf/CEFC_January_2022.pdf.

Maine Revenue Services - Office of Tax Policy (OTP)

In its December 2021 update, the Revenue Forecasting Committee (RFC) revised General Fund revenue forecasts upward by $822.2 million for the fiscal year (FY)22/23 biennium, an increase of 9.7 percent over the previous forecast. After increasing by 13.9 percent in FY21, the forecasted rate of year-over-year growth for General Fund revenue in FY22 is now 2.3 percent, followed by growth of 1.8 percent for FY23. In addition, Highway Fund revenues were increased by $4.0 million for FY22 and by $1.9 million for FY23 for a total increase of $5.9 million (0.9 percent) for the FY22/23 biennium. The forecasted rate of year-over-year growth for Highway Fund revenue for FY22 is 0.2 percent and for FY23 is 1.1 percent.

Almost all the FY22 and FY23 net increases are attributable to the sales and use and individual income tax revenue lines. In the case of the sales and use tax, the $209.0 million upward adjustment in FY22 reflects a positive variance of $92.5 million through October and preliminary November receipts that pointed to a monthly positive variance of approximately $20 million. While the sales tax forecast assumes year-over-year growth will slow starting in calendar year 2022, the CEFC's economic forecast estimates Maine households will experience income growth capable of sustaining the current level of spending on taxable goods and services. Most (55-60 percent) of the annual adjustments are from higher levels of the non-auto related portion of the sales tax base taxed at the general rate of 5.5 percent; in other words, taxable durable and nondurable goods. Lodging and prepared foods represent most of the remaining annual increases. After FY22, annual sales tax growth is forecasted to be between 2.7 and 3.1 percent, reflecting higher inflation and a gradual shift back to in-person non-taxable services as consumers adjust their mix of spending to where it was pre-pandemic. December sales and use tax receipts exceeded budget by $7.6 million (5.3 percent). Year-over-year growth in December was 18.6 percent, better than the 12.9 percent budgeted, but down from the average growth of 23 percent during the first 5 months of the fiscal year.

Changes to the General Fund individual income tax were primarily the result of the 2020 tax year being stronger than previously forecasted, revenue performance through the first 10 months of tax year 2021 indicating that tax year 2021 will grow by more than previously forecasted, and more optimistic assumptions of wage and salary growth over the remainder of the forecast period. The November CEFC forecast assumed that wages and salaries will increase 5.5 percent during calendar year (CY)21, 5.0 percent per year for the CY22-CY24 period, and 4.0 percent in CY25. The wages and salaries forecast results in an increase in forecasted individual income tax liability of $39 million in tax year 2021, $60 million in tax year 2022, $84 million in tax year 2023, and approximately $110 million in tax years 2024 and 2025. Stronger growth in capital gains realizations increases 2021 tax liability by $64 million but has limited impact relative to the May forecast after 2021 as projected decreases in capital gains realizations eventually reduces tax liability. The revenue increase in FY22 is larger than the later years partly because of timing in receipts. The new forecast assumes some shifting of income into tax year 2021 and out of future tax years to avoid potential tax increases at the federal level. This behavior by high-income taxpayers will boost FY22 revenues at the expense of future fiscal years. December individual income tax receipts were over budget by $38.3 million (26.1 percent). The monthly variance was primarily from withholding receipts being well above budget. Withholding growth during the first half of fiscal year 2022 is 12.1 percent.

The corporate income tax line has been growing at unusually high year-over-year rates for the last 18 months. Last fiscal year corporate income tax receipts increased by 31.5 percent, and through the first six month of this fiscal year they have increased by 62.0 percent. Other states with a corporate income tax structure like ours and the federal government have experienced similar growth rates. In the latest revenue forecast the RFC increased the corporate income tax forecast by $70 million in the FY22/23 biennium and by $101.5 million in the FY24/25 biennium. Until more detailed information provided on income tax returns is received and analyzed, we can only postulate why corporate income tax revenues have been so high. Three possible explanations that have been discussed are: (1) corporate profits, particularly for larger companies, are much stronger than previously estimated, (2) the unique aspects of the pandemic economy have interacted with key provisions of the 2017 federal tax reform act (TCJA) to increase revenue, and (3) corporations in reaction to tax changes being discussed in Congress are shifting income into 2021 to avoid potential future tax increases.

Relative to the December 1, 2021, RFC forecast, General Fund revenues are $90.4 million (3.8 percent) over budget through December. Compared to the same 6-month period last fiscal year, General Fund revenues are 20.3 percent higher. Early indications are that January receipts will exceed budget as well, but not by as much as December.

Macroeconomic Assumptions

Two different baseline economic forecasts were examined at the meeting: the Moody's Analytics and IHS Markit baseline scenarios for January 2022. Each forecast was based on a different set of national macroeconomic assumptions. These forecasts were then compared to the CEFC's November 2021 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:

- With economic recovery underway, concerns remain that this recovery is uneven across different sectors, demographic/socioeconomic groups, and amongst Maine counties.
- New COVID-19 variants and sub-variants continue to be of concern. Regional variations across the state in public health conditions could contribute to an uneven recovery as areas with higher vaccination rates will rebound faster than areas with lower vaccination rates. The lack of vaccines for children under age 5 has been causing particular challenges not only for the families directly affected but for the employers of those parents.
- Federal stimulus and prolonged low interest rates have boosted consumption and aided in the economic recovery; poverty rates in 2020 were reduced through Federal stimulus and the successful deployment of economic assistance programs. Additional federal spending through the Build Back Better reconciliation bill is still uncertain at this time and interest rates will begin increasing soon.
- Structural changes in the economy are occurring as the demand for labor differs from the supply and its longer term impact is yet to be determined. The availability of regular, in-person childcare and K-12 education will remain a major determinant in returning labor force participation rates to normal levels; larger employers are increasingly providing childcare benefits. Workers age 55 and up may have decided to retire early due to the pandemic, which would contribute to the current reduced labor force.
- The healthcare system in Maine has been under tremendous stress during the pandemic and those strains are likely to continue for the near term with implications for the workforce and patients accessing care.
- The Commission is optimistic that there is an opportunity for Maine to see increased in-migration in the coming years as telework becomes part of the "new normal" and people look for less densely populated places to live; however, the supply of housing is extremely limited and may be a constraint both on continued home sales growth and the availability of workforce housing. Rising interest rates may slow demand for real estate in some parts of the state, although the hottest markets may not be affected, contributing to increased variation in regional economies. Higher home prices may also flow through to higher rental prices. On the commercial real estate front, office space is seeing uncertainty as hybrid work plans and staffing are being finalized; industrial space has been in very high demand; retail space was hit hardest by the pandemic, but the robust summer tourism season helped.
- 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.
- Human behavior underpins several key uncertainties at this time, including vaccination uptake, willingness to continue to adhere to social distancing procedures, and eventual willingness to return to normal activity once it is considered safe to do so. Continued interest in outdoor activities could lead to a strong winter sports season, providing a boost to rural areas. Pent-up demand for services as well as supply chain issues may lead to a substitution away from purchases of goods.

- Inflation expectations have increased considerably in recent months and are much higher than what the Federal Reserve Bank previously expected; there is a risk of continued inflation throughout 2022 and into 2023, with higher oil prices posing a particular risk for consumers in Maine where heating oil and gasoline are heavily relied on. Higher gasoline prices could also have an impact on the summer tourism season. Interest rates will begin increasing in March 2022, with a total of 4 to 6 increases expected over the year.
- Geopolitical tensions have increased recently and could have a negative effect on the forecast.

Consensus Forecast

Based on information from the Maine Department of Labor, the CEFC expects an upward revision to employment for 2020 of around 2,000 jobs; this is not currently reflected in the numbers and if the revision occurs as expected, will increase employment levels throughout the forecast years by around 2,000. Total nonfarm employment is forecast to increase by 3.7% in 2021 following an upward revision during the benchmarking process, 1.8% in 2022, 1.0% in 2023, 0.4% in 2024, and 0.2% in 2025 before leveling out in 2026 and 2027. The revised forecast anticipates employment will return to pre-pandemic levels between 2023 and 2024 and continue growing to 639.5 thousand (around 641 thousand once 2020 revisions are accounted for) in 2025 before leveling off. This forecast reflects downward revisions in 2022, 2024, and 2025 as the state's demographics weigh against continued migration into the state.

While the CEFC sees increased migration into Maine continuing, the aging of the workforce and early pandemic-related retirements of workers age 55 and up will make it difficult to sustain robust employment growth in the coming years. The CEFC remains optimistic that other factors, such as the return of K-12 school and childcare accessibility and a growing willingness by employers both to train potential workers who may not currently possess the experience and skills they have transitionally expected and to be increasingly flexible in work hours and locations will aid in employment growth in coming years. The CEFC continues to monitor structural changes that may impact the long-term trajectory of employment, in-migration, and labor force participation trends.

The forecast for total personal income growth was revised up from 5.2% to 6.5% in 2021, from 0.5% to 1.7% in 2022, from 4.6% to 5.0% in 2023, and from 4.8% to 4.9% in 2024, with 2025 left unchanged at 4.6% and 2026 and 2027 forecast at 4.6% and 4.5%, respectively. This revision accounts for stronger growth in wages and salaries and supplements to wages and salaries in 2021-2023.

Growth in wages and salaries, the largest component of personal income, was revised up from 5.5% to 7.7% in 2021, from 5.0% to 6.5% in 2022, from 5.0% to 5.5% in 2023, and left unchanged at 5.0% in 2024 and 4.0% in 2025 with 2026 and 2027 forecast at 4.3% each. Growth in supplements to wages and salaries was revised up from 4.7% to 5.5% in 2021, from 4.0% to 6.5% in 2022, from 4.0% to 5.5% in 2023, and from 4.0% to 5.0% in 2024, with 2025 left unchanged at 4.0% and 2026 and 2027 forecast at 4.3%. This recognizes a shift with growth in supplements to wages and salaries tracking more closely with wage and salary growth.

Nonfarm proprietors' income was revised up from 5.5% to 10.0% in 2021 and from 6.5% to 8.5% in 2022. The forecasts for 2023-2025 were left unchanged, with 2026 forecast at 4.5% and 2027 forecast at 3.7%. The forecast for growth in dividends, interest, and rent was left unchanged for all years, with 2026 forecast at 5.1% and 2027 forecast at 5.0%. Growth in personal current transfer receipts was also left unchanged for all years, with 2026 and 2027 both forecast at 4.9%.

Growth in the Consumer Price Index (CPI) came in at 4.7% for 2021, up from the CEFC's forecast of 4.4%. The CEFC revised its forecast up from 3.5% to 5.0% in 2022, from 2.1% to 4.0% in 2023, and from 2.1% to 2.5% in 2024 and 2025, with 2026 and 2027 also forecast at 2.5%. The higher energy prices, increased demand, and supply constraints that have recently led to increased inflation are expected to continue through 2022 and into 2023 before abating.

Finally, the forecast for corporate profits was revised up from 30.0% to 45.0% in 2021 to reflect year-to-date information on revenues from corporate income taxes. The forecasts for 2022 and 2023 were also revised up, from 2.0% in 2022 and 3.0% in 2023 to 4.0% in both years. 2024 and 2025 were left unchanged at 6.0%, with 2026 and 2027 also forecast at 6.0%.

The following page provides the full forecast.

Maine Consensus Economic Forecasting Commission

February 2022 Forecast

	History	Forecast						
	2020	2021	2022	2023	2024	2025	2026	2027
CPI-U* (Annual Change)	1.2%	4.7%	5.0%	4.0%	2.5%	2.5%	2.5%	2.5%
CPI for Energy Prices** (Annual Change)	-8.3%	20.8%	10.0%	-2.7%	0.8%	2.0%	2.2%	1.4%
Avg. Price of New Vehicles** (Annual Change)	5.7%	12.1%	5.6%	-11.2%	-3.3%	6.5%	10.0%	6.8%
New Vehicle Registrations** (Annual Change)	-7.7%	7.7%	-7.0%	6.2%	0.8%	-1.6%	-3.2%	-1.5%
Personal Savings Rate**	16.4%	11.9%	5.6%	6.1%	6.5%	6.7%	6.7%	6.4%
Maine Unemployment Rate**	5.4%	4.9%	3.6%	3.1%	3.1%	3.1%	3.2%	3.2%
3-Month Treasury Bill Rate**	0.37%	0.04%	0.35%	1.09%	1.58%	1.92%	2.15%	2.36%
10-Year Treasury Note Yield**	0.89%	1.44%	1.78%	2.40%	2.73%	2.93%	3.03%	3.08%
Before-Tax Corporate Profits* (Annual Change)	-3.1%	45.0%	4.0%	4.0%	6.0%	6.0%	6.0%	6.0%
Maine Wage & Salary Employment* (thousands)	596.3	618.3	629.4	635.7	638.3	639.5	639.5	639.5
Natural Resources	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.1
Construction	30.0	30.4	30.7	30.6	30.1	30.0	29.9	29.8
Manufacturing	50.7	53.2	53.9	54.0	53.7	53.1	52.7	52.3
Trade/Trans./Public Utils.	111.7	117.7	117.2	114.9	111.9	109.9	109.7	109.7
Information	6.4	6.5	6.4	6.5	6.7	6.8	6.7	6.6
Financial Activities	32.6	32.9	33.9	33.9	33.9	34.1	33.9	33.5
Prof. & Business Services	68.0	70.6	73.3	74.2	75.1	76.1	76.5	77.0
Education & Health Services	124.8	125.8	126.8	127.3	128.9	129.9	130.2	130.6
Leisure & Hospitality Services	51.8	59.5	63.4	68.5	71.5	72.6	72.9	73.0
Other Services	20.3	21.8	22.7	22.9	23.2	23.6	23.6	23.6
Government	97.8	97.6	98.8	100.8	101.2	101.3	101.3	101.3
Maine Wage & Salary Employment* (Annual Change)	-6.4%	3.7%	1.8%	1.0%	0.4%	0.2%	0.0%	0.0%
Natural Resources	-4.5%	1.0%	4.8%	-2.5%	-0.5%	2.2%	-0.5%	-3.1%
Construction	-0.3%	1.4%	1.0%	-0.4%	-1.6%	-0.5%	-0.1%	-0.4%
Manufacturing	-4.7%	5.0%	1.2%	0.2%	-0.5%	-1.1%	-0.8%	-0.6%
Trade/Trans./Public Utils.	-5.9%	5.4%	-0.4%	-2.0%	-2.6%	-1.8%	-0.2%	0.0%
Information	-11.1%	2.3%	-1.5%	0.1%	3.4%	1.3%	-1.0%	-1.2%
Financial Activities	-1.2%	1.0%	3.1%	0.0%	0.0%	0.4%	-0.5%	-1.1%
Prof. & Business Services	-2.9%	3.8%	3.9%	1.1%	1.3%	1.3%	0.5%	0.6%
Education & Health Services	-3.5%	0.8%	0.8%	0.4%	1.2%	0.8%	0.2%	0.3%
Leisure & Hospitality Services	-26.1%	14.9%	6.5%	8.0%	4.4%	1.6%	0.3%	0.2%
Other Services	-9.0%	7.3%	4.0%	1.2%	1.0%	1.7%	0.2%	0.1%
Government	-3.4%	-0.2%	1.2%	2.0%	0.4%	0.2%	0.0%	0.0%
	2020	2021	2022	2023	2024	2025	2026	2027
Personal Income* ($ million)	73,193	77,927	79,222	83,164	87,273	91,255	95,457	99,748
Wages & Salaries*	32,289	34,775	37,035	39,072	41,026	42,667	44,503	46,415
Supplements to Wages & Salaries*	7,953	8,391	8,936	9,427	9,899	10,295	10,740	11,202
Nonfarm Proprietors' Income*	4,994	5,494	5,961	6,318	6,679	7,039	7,359	7,634
Farm Proprietors' Income**	273	208	142	140	140	135	132	133
Dividends, Interest, & Rent*	12,521	12,621	13,151	13,677	14,224	14,793	15,552	16,331
Dividends	3,807	3,786	4,032	4,254	4,481	4,645	4,868	5,095
Interest	5,365	5,423	5,567	5,826	6,131	6,539	7,014	7,545
Rent	3,350	3,414	3,551	3,597	3,613	3,610	3,670	3,691
Personal Current Transfer Receipts*	19,557	21,122	19,010	19,770	20,759	22,004	23,091	24,212
Less: Contributions for Social Ins.**	5,531	5,945	6,325	6,597	6,861	7,138	7,437	7,753
Adjustment for Residence**	1,137	1,261	1,312	1,355	1,408	1,460	1,516	1,574
Personal Income* (Annual Change)	7.9%	6.5%	1.7%	5.0%	4.9%	4.6%	4.6%	4.5%
Wages & Salaries*	2.9%	7.7%	6.5%	5.5%	5.0%	4.0%	4.3%	4.3%
Supplements to Wages & Salaries*	2.7%	5.5%	6.5%	5.5%	5.0%	4.0%	4.3%	4.3%
Nonfarm Proprietors' Income*	0.8%	10.0%	8.5%	6.0%	5.7%	5.4%	4.5%	3.7%
Farm Proprietors' Income**	89.5%	-23.7%	-31.6%	-1.6%	-0.3%	-3.5%	-2.0%	0.7%
Dividends, Interest, & Rent*	-1.0%	0.8%	4.2%	4.0%	4.0%	4.0%	5.1%	5.0%
Dividends	-1.0%	-0.5%	6.5%	5.5%	5.3%	3.7%	4.8%	4.7%
Interest	-4.5%	1.1%	2.7%	4.7%	5.2%	6.7%	7.3%	7.6%
Rent	5.1%	1.9%	4.0%	1.3%	0.4%	-0.1%	1.7%	0.6%
Personal Current Transfer Receipts*	29.3%	8.0%	-10.0%	4.0%	5.0%	6.0%	4.9%	4.9%
Less: Contributions for Social Ins.**	5.0%	7.5%	6.4%	4.3%	4.0%	4.0%	4.2%	4.3%
Adjustment for Residence**	1.1%	10.9%	4.0%	3.3%	3.9%	3.7%	3.8%	3.8%

*CEFC Forecast

**From IHS Markit and Moody's Analytics baselines (Jan. 2022)

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 2022 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, with the "moderate" scenario intended to reflect pressures from higher rates of inflation. 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 2022 baseline forecast and will show hypothetical downturns beginning in the first quarter of calendar year 2023. Brief descriptions of the economic conditions follow; forecast details will be included in the October 1, 2022, 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 four quarters and is brought on in part by persistently higher inflation. The cumulative decline in national real gross domestic product is 2.0 percent, comparable to the postwar average prior to COVID-19. Employment in Maine declines around 2.3 percent. Wage and salary income in Maine declines around 0.1 percent, while total personal income continues to grow but at a slower pace.

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 0.9 percent in the first year of the recession and 1.2 percent in the second year. Employment in Maine declines around 2.6 percent in the first year and 2.2 percent in the second year. Wage and salary income in Maine declines around 3.2 percent in the first year and 1.7% in the second year and total personal income declines around 7.5 percent in the first year and 0.8 percent in the second year.