

The Economic Outlook for Maine: 2025

Mainebiz Five on the Future Forum

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What was I thinking about for 2024?

1. Inflation
2. Interest rates
3. Housing
4. Migration
5. Labor force participation
6. Diversity in the population and the workplace
7. Consumer and business sentiment
8. Global risks to the outlook
9. Ongoing roll-out of federal funds and other potential “cushions”

What am I thinking about for 2025?

New: The change in the White House

1. **Inflation** – down from where it was, but there are risks of it increasing again
2. **Interest rates** – expecting to see cuts this year, but fewer than last year
3. **Housing** – still a major challenge; what updates are there?
4. **Migration and diversity** – major changes to international migration estimates
5. **Labor force participation** – a perennial topic
6. ~~**Diversity in the population and the workplace**~~ – continuing to increase
7. **Consumer and business sentiment** – how are inflation and the election reflected here?
8. **Global risks to the outlook** – some new, some old
9. ~~**Ongoing roll-out of federal funds and other potential “cushions”**~~ – nothing new to report at this time – federal funding could be more uncertain in the future

The change in the White House

Tariffs

Talk has been of broad tariffs on China, Canada, and Mexico, with other targeted tariffs

We don't know any specifics yet

Outcomes will depend on the specific policies – could range from not that bad to really, really bad

Immigration

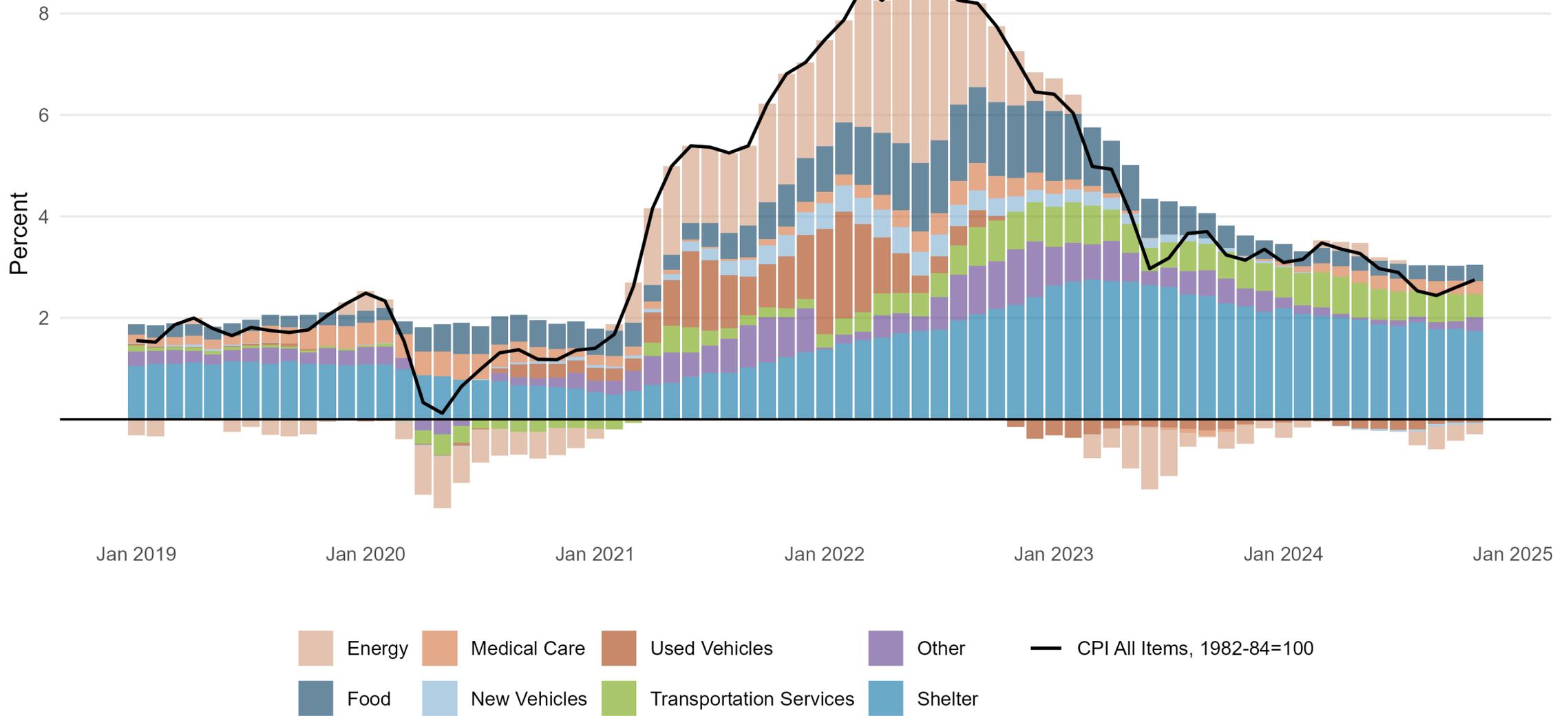
Policies instituted in the first Trump administration had a chilling effect on international immigration

Potentially significant implications for U.S. workforce shortages, which will drive up wages and prices

The overarching
theme at this point is
uncertainty

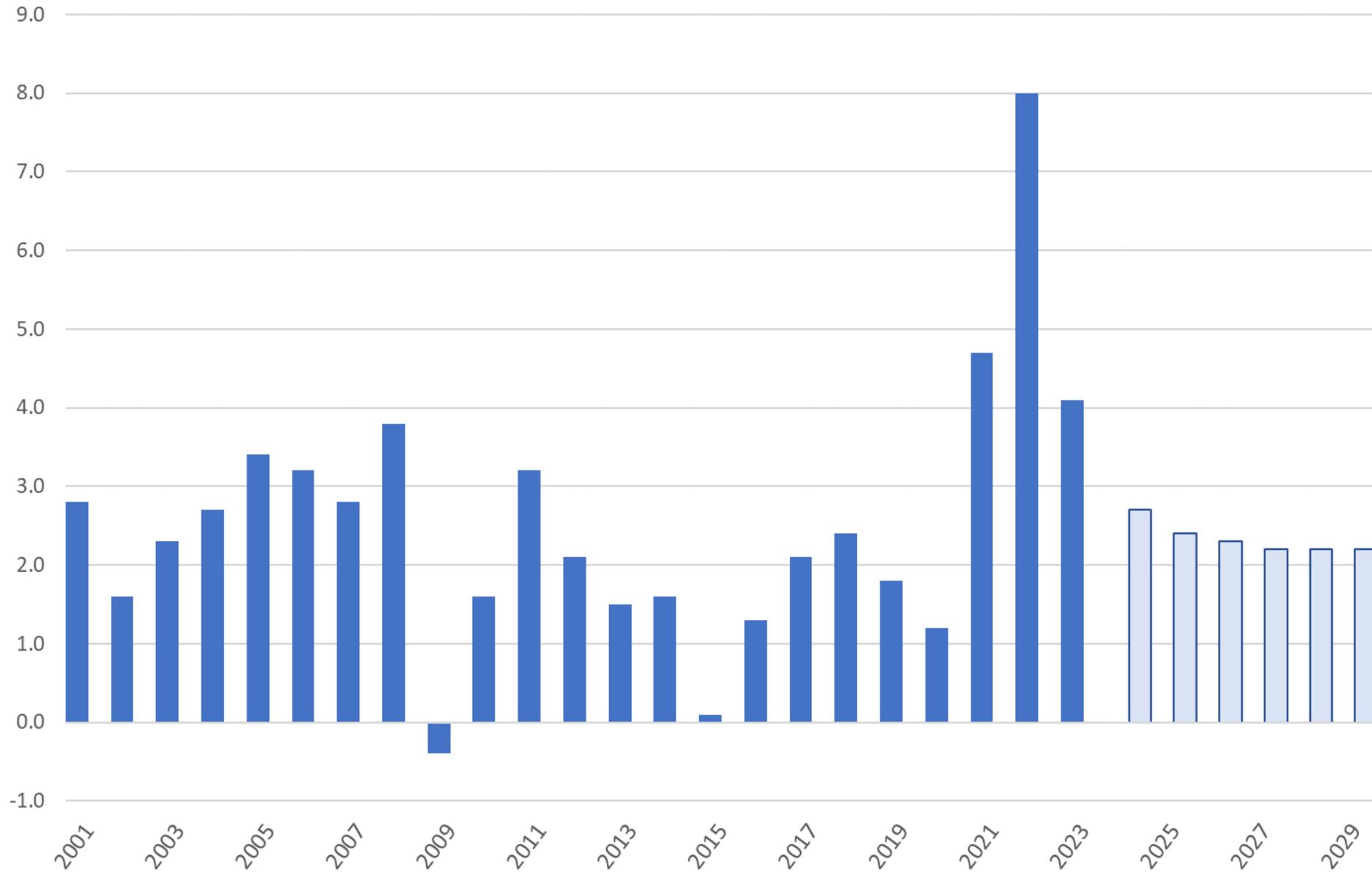
Inflation

Percentage Point Contribution to YoY Percent Change in CPI



Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

Year-over-year percent change in Consumer Price Index; 2001-2023 historical and 2024-2029 forecast



Interest rates

Current target range:
4.25% to 4.5%

Median projection for 2024 from
December 2023 Federal Open Market
Committee statement was 4.6%

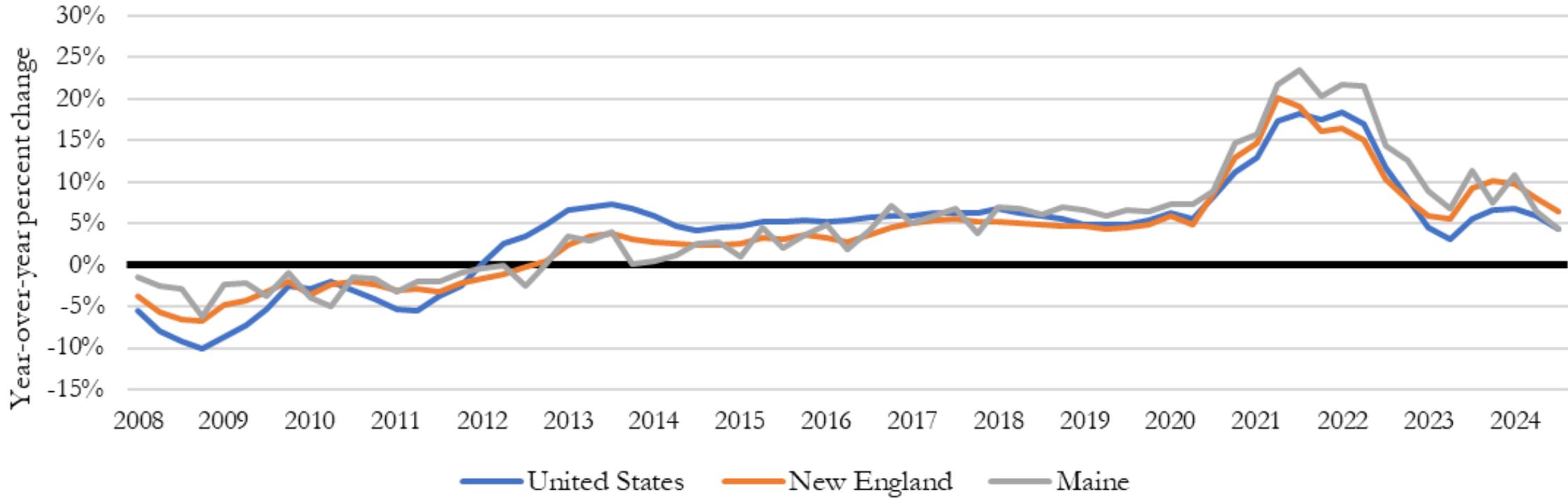
Median projection for 2025 from
December 2024 Federal Open Market
Committee statement was 3.9%

Housing



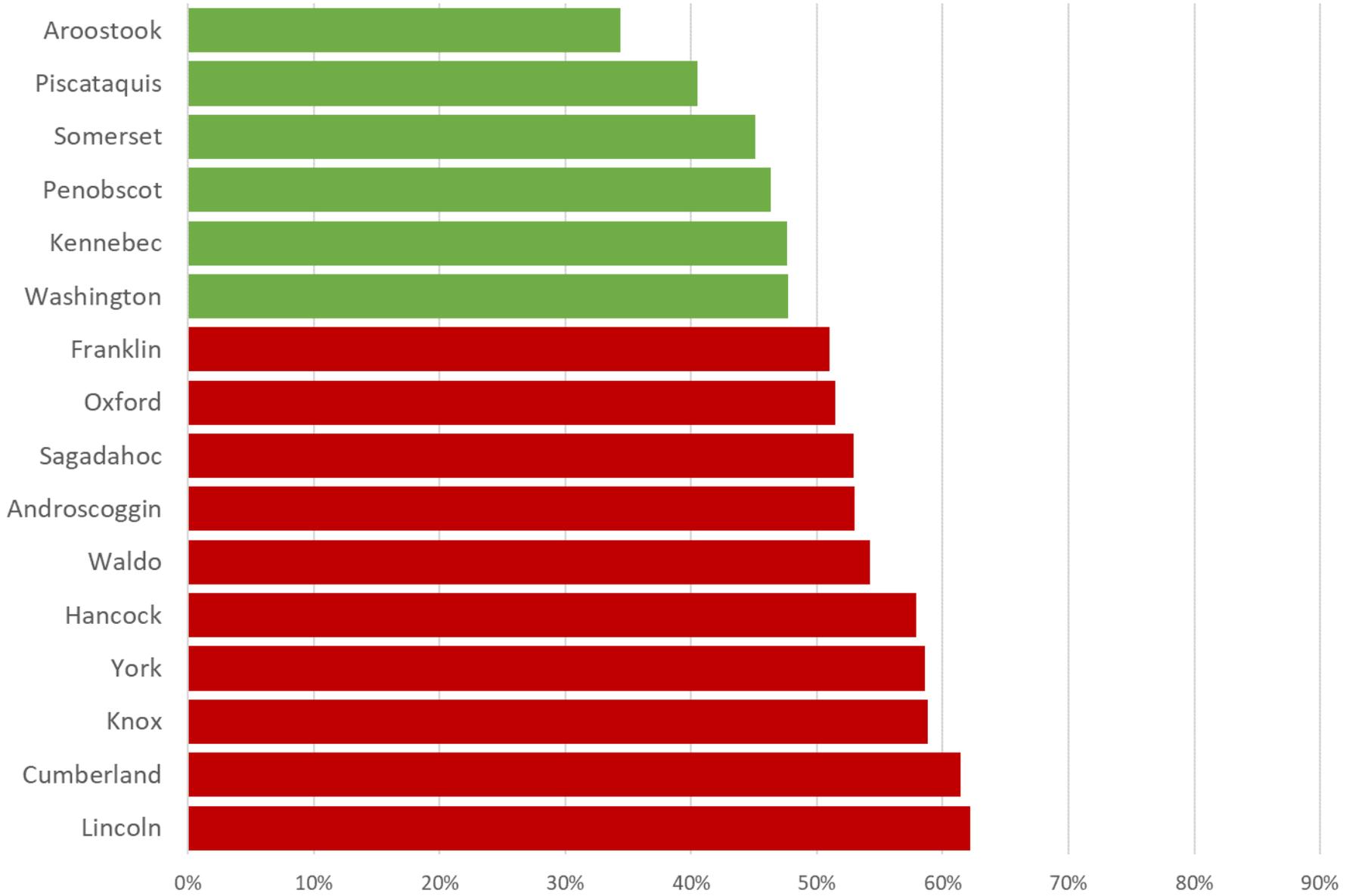
Migration into the state drove up demand for housing and further reduced the available supply and high mortgage rates locked people into existing homes – but there's been some improvement

Percent Changes, Year-over-year in FHFA House Price Index (Seasonally Adjusted)



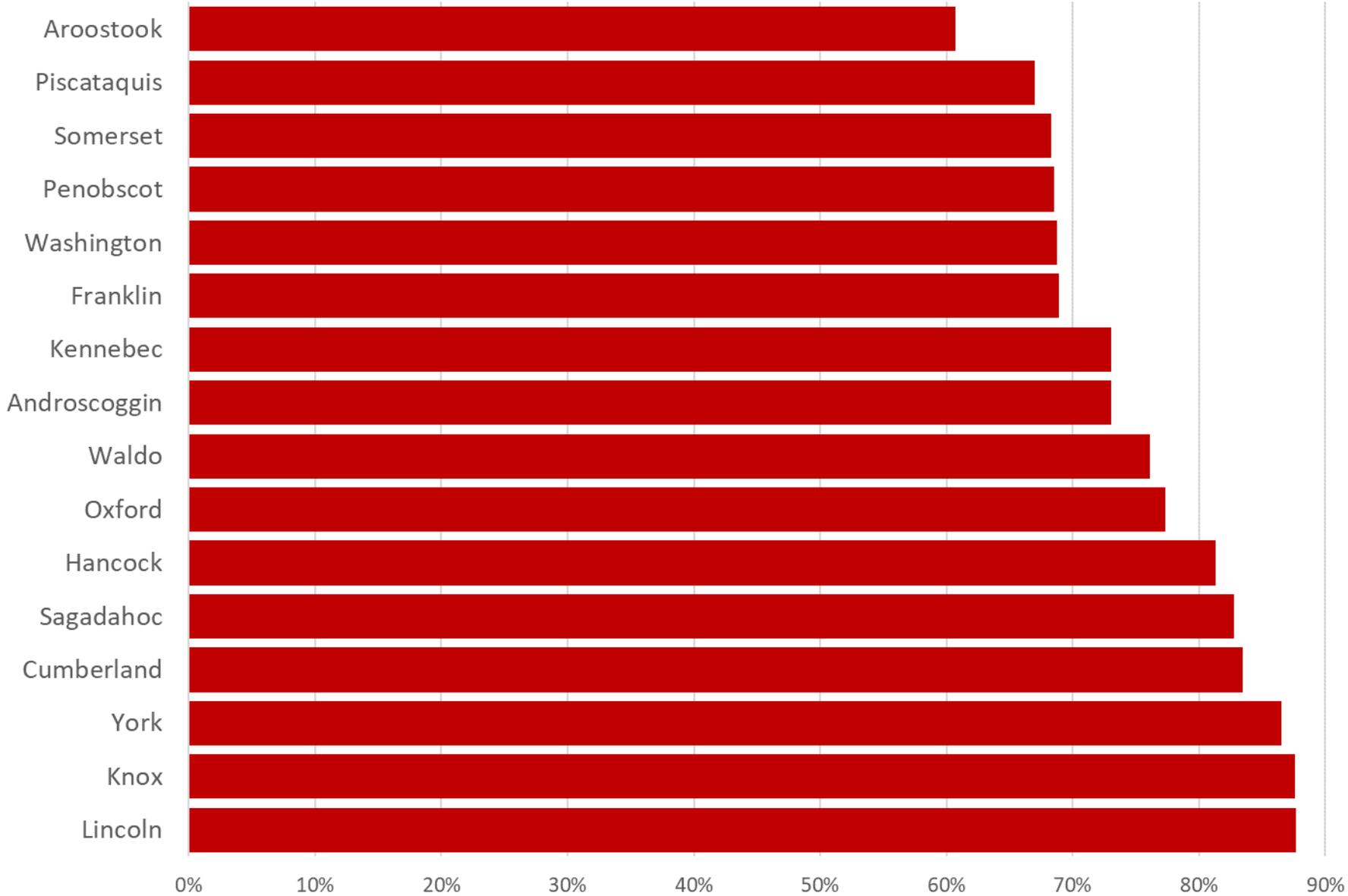
Source: Federal Housing Finance Agency

Percent of Households Unable to Afford Median Home, 2020



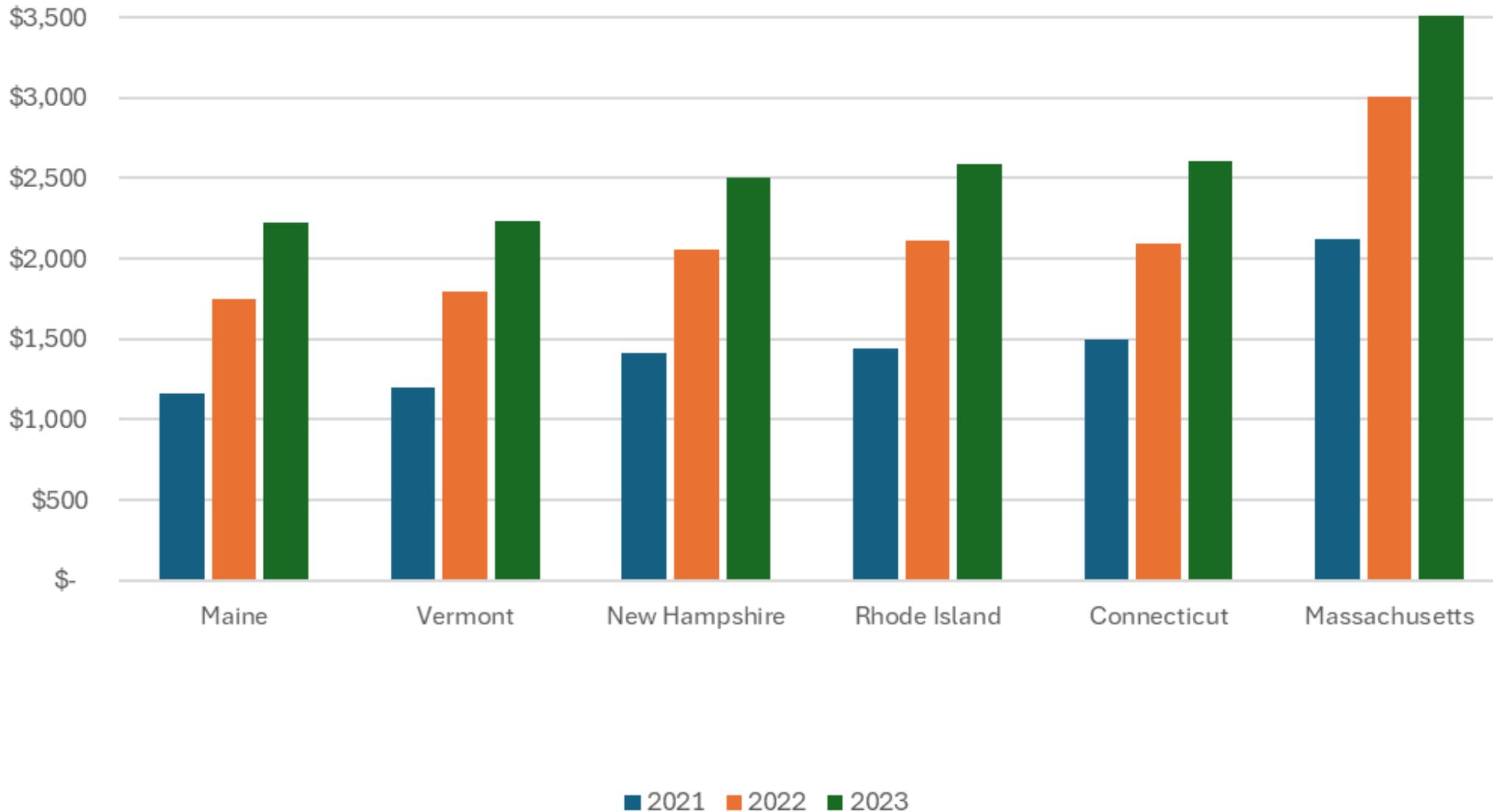
Source: MaineHousing homeownership facts and affordability index

Percent of Households Unable to Afford Median Home, 2023



High demand
+ low supply
= price increases,
contributing to
sharp increase in
unaffordability

Monthly Mortgage Payment at the Median Sales Price 2021-2023



Sources: Moody's Analytics (median sale prices), FRED 30-year fixed rate mortgage rates, weekly (average of all weeks in the year). Assumes 30-year fixed rate mortgage and 10% down payment on a home at the median sales price.

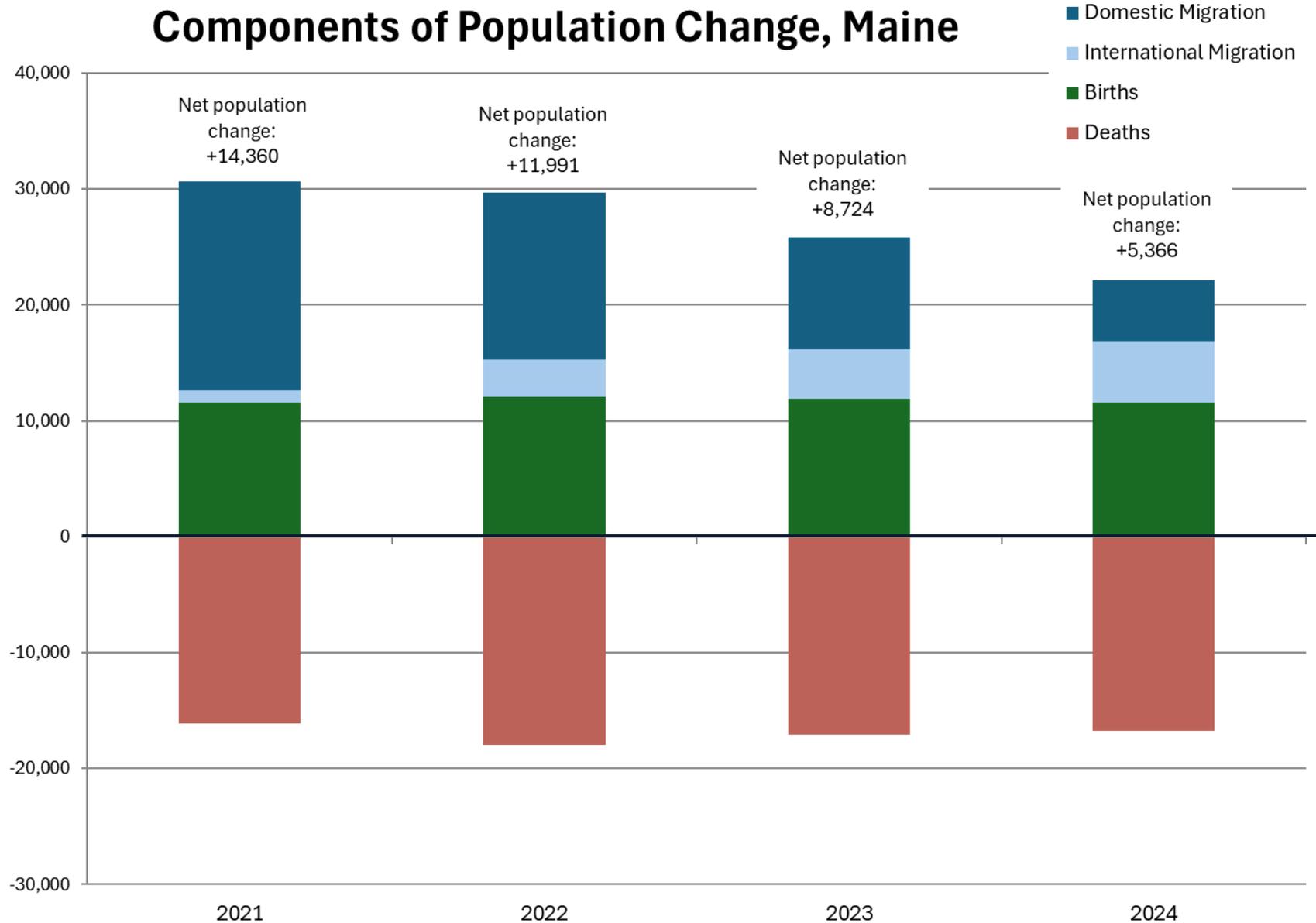
Migration and diversity

Population increase of 2.6% from 2010-2020 (42nd in U.S.)

Population increase of 3.1% from 2020-2024 (17th in U.S.)

2024 Total Population: 1,405,012

Components of Population Change, Maine



Net international migration accounted for 84% of U.S. population growth from 2023-2024

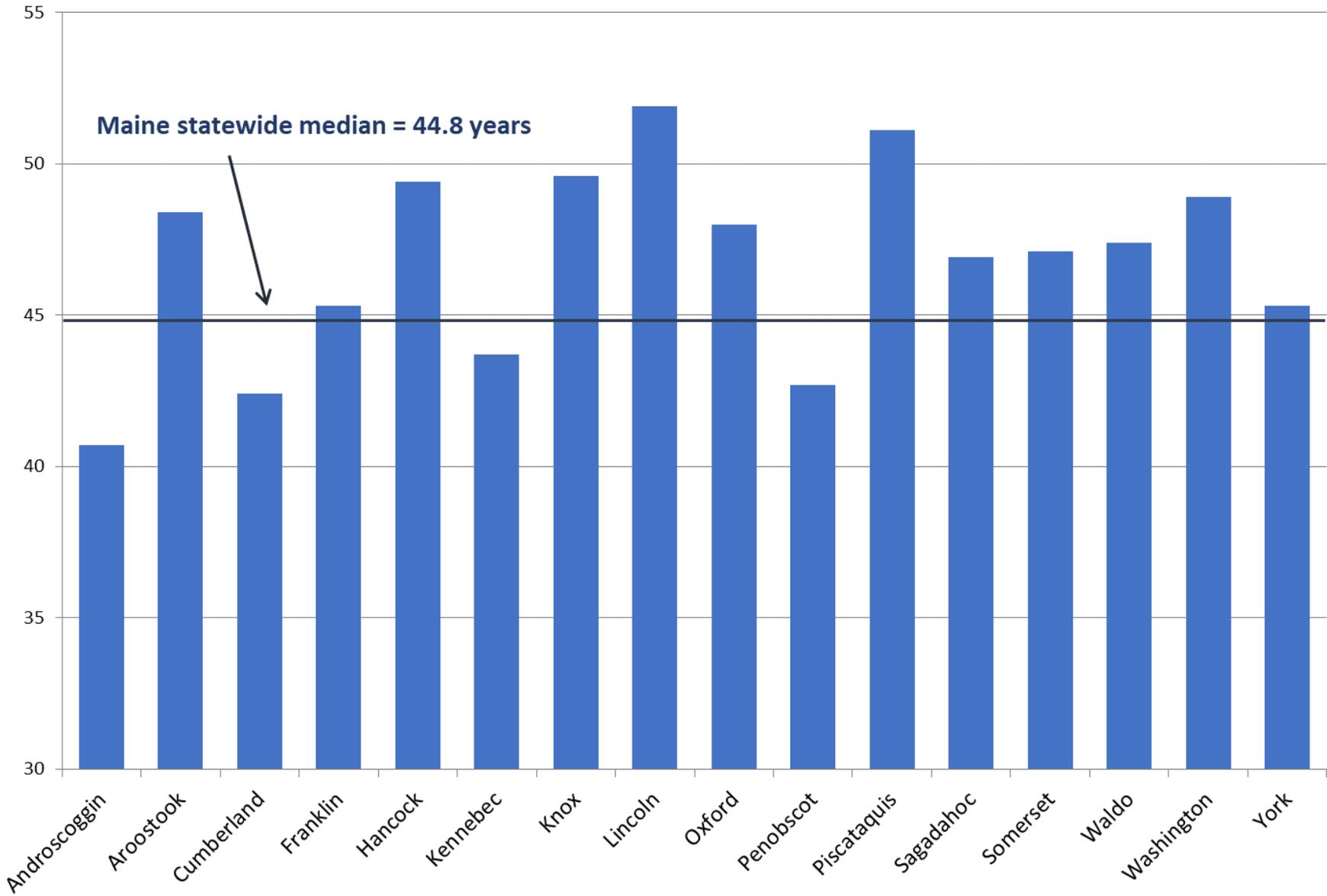
U.S. Census Bureau made significant methodological changes in 2024 to better account for humanitarian migrants, resulting in large upward revisions

Median Age

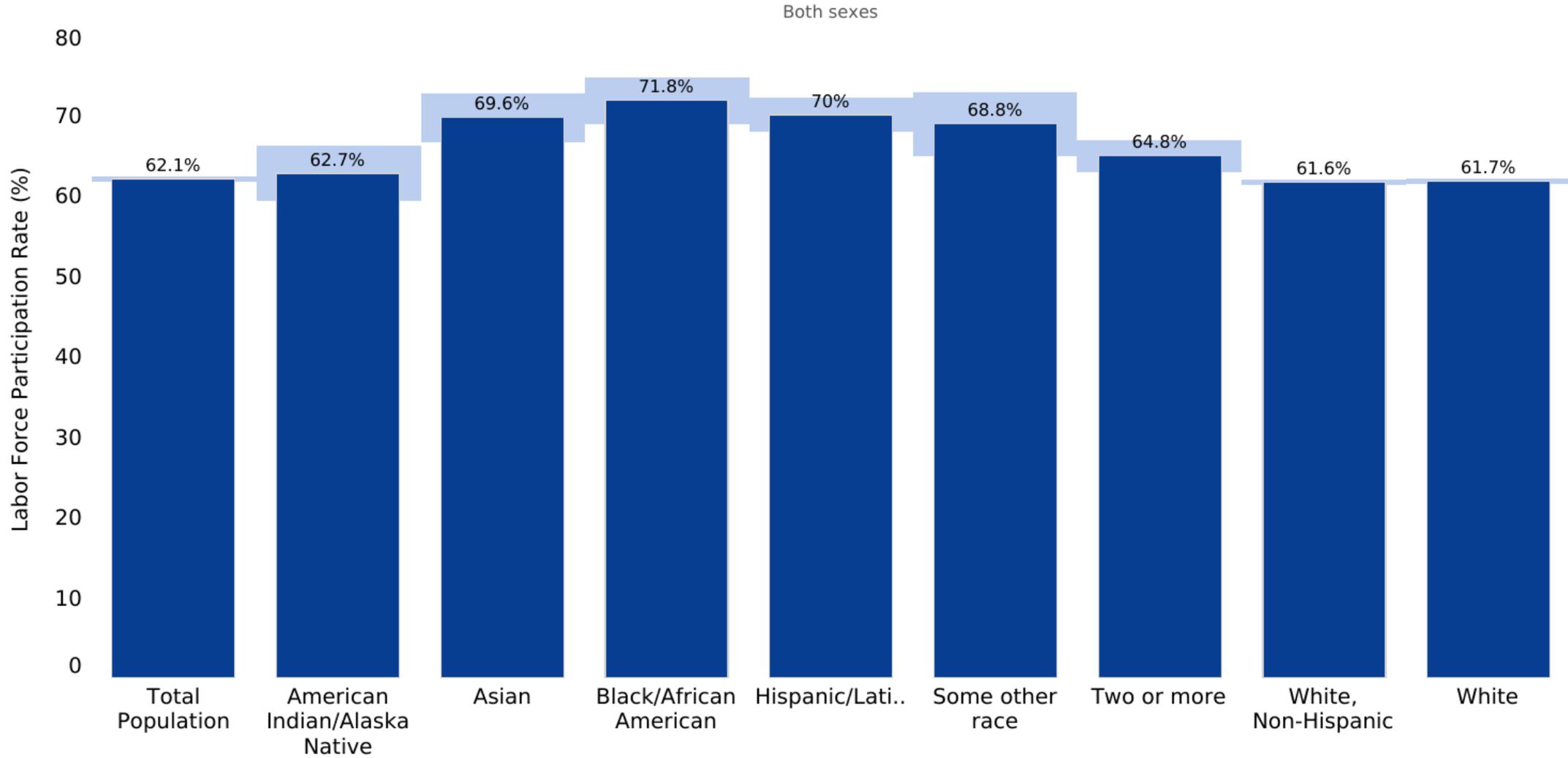
Maine has the highest...
...median age (44.8 years)
...and % of population
age 65+ (23.0%)

But migration has made
a difference:

Maine's median age in
2023 is unchanged
from 2020, while the
U.S. median age has
increased 0.6 years



Maine | Labor Force Participation Rate (%) | 2023 (2019-2023)



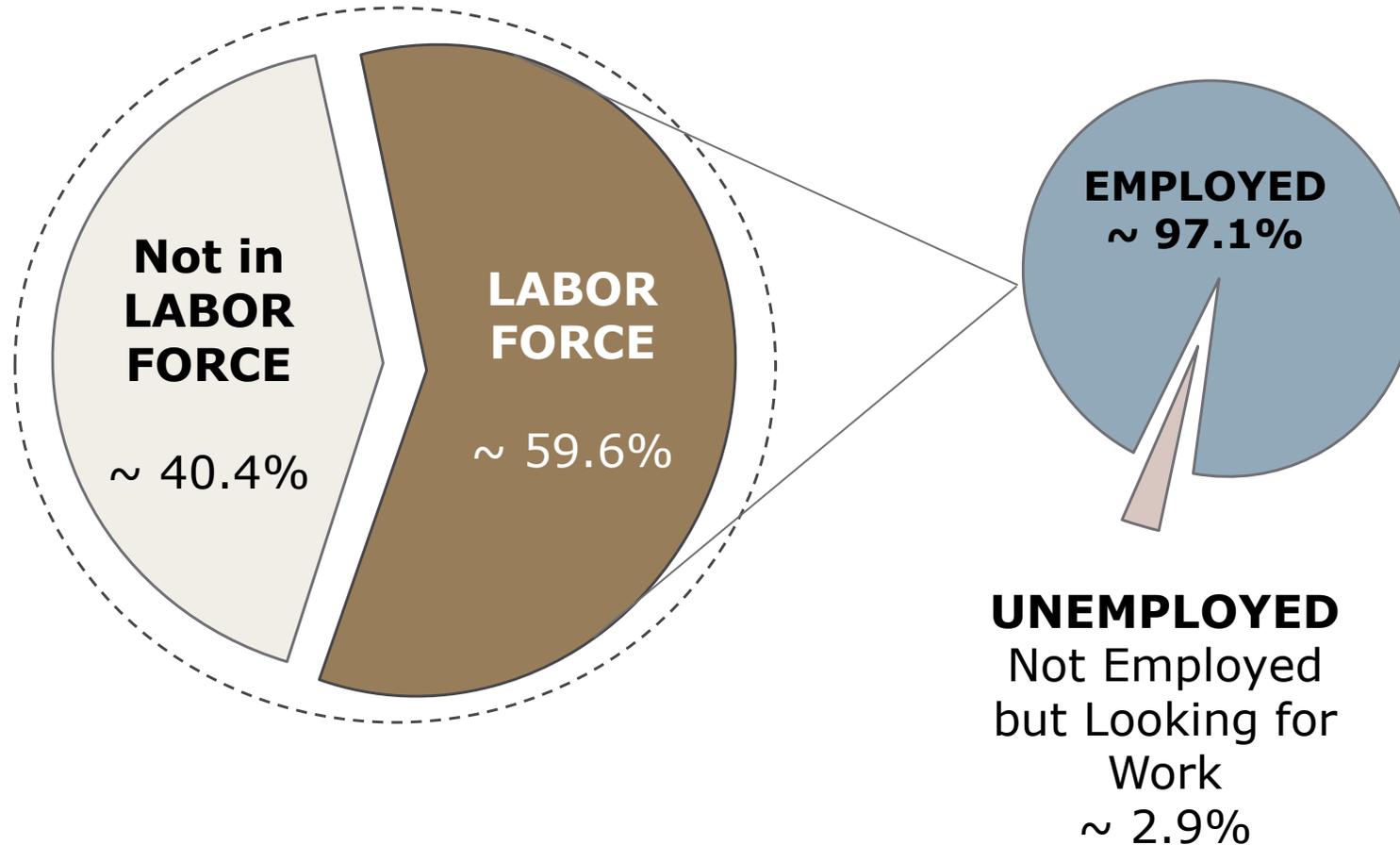
Source: 2023 (2019-2023) ACS, 5-Year Estimates via the Maine Office of the State Economist

Note: All dollars reported in 2023 inflation adjusted values.

Labor Force Participation

Who is in the labor force?

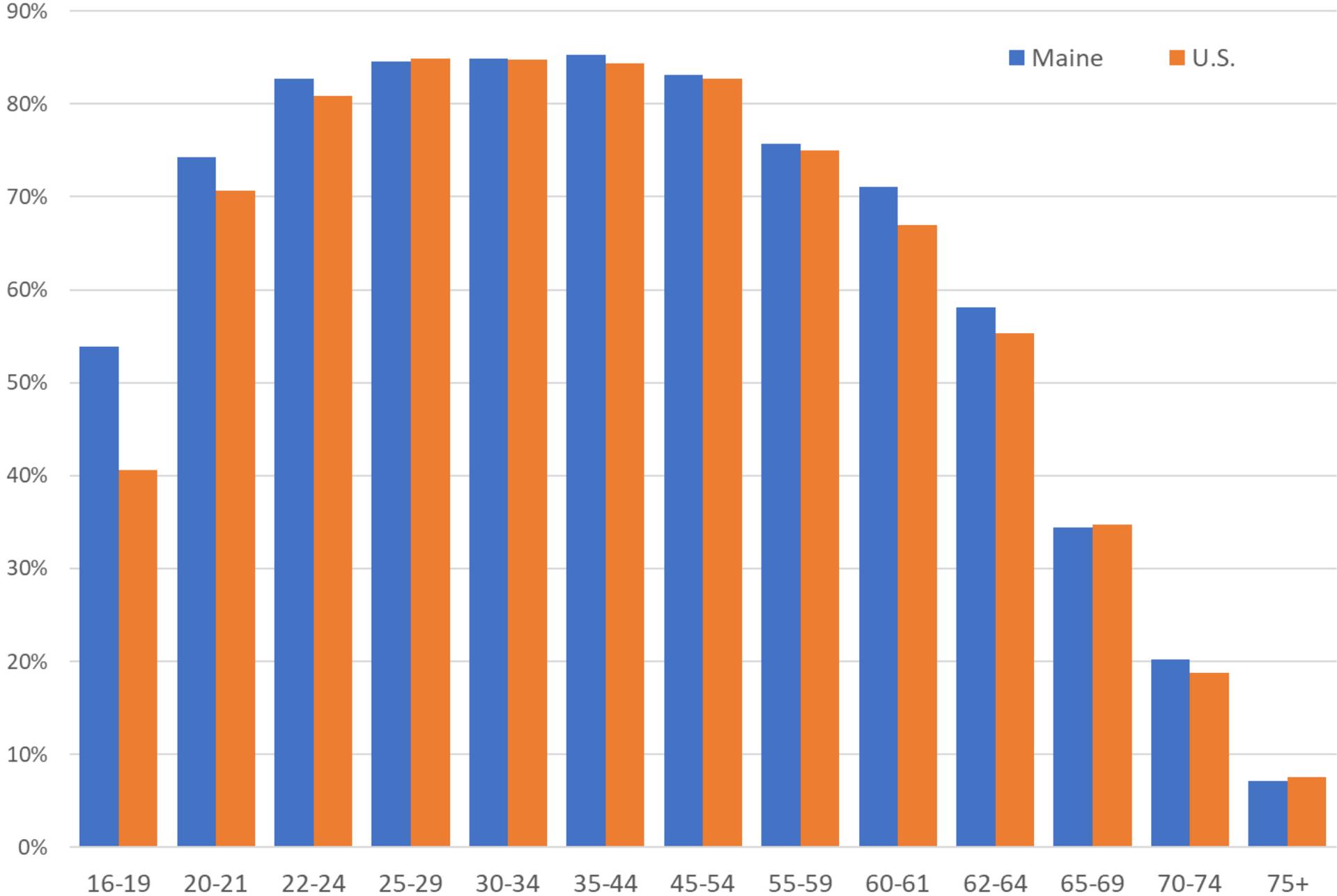
Civilian population, age 16+



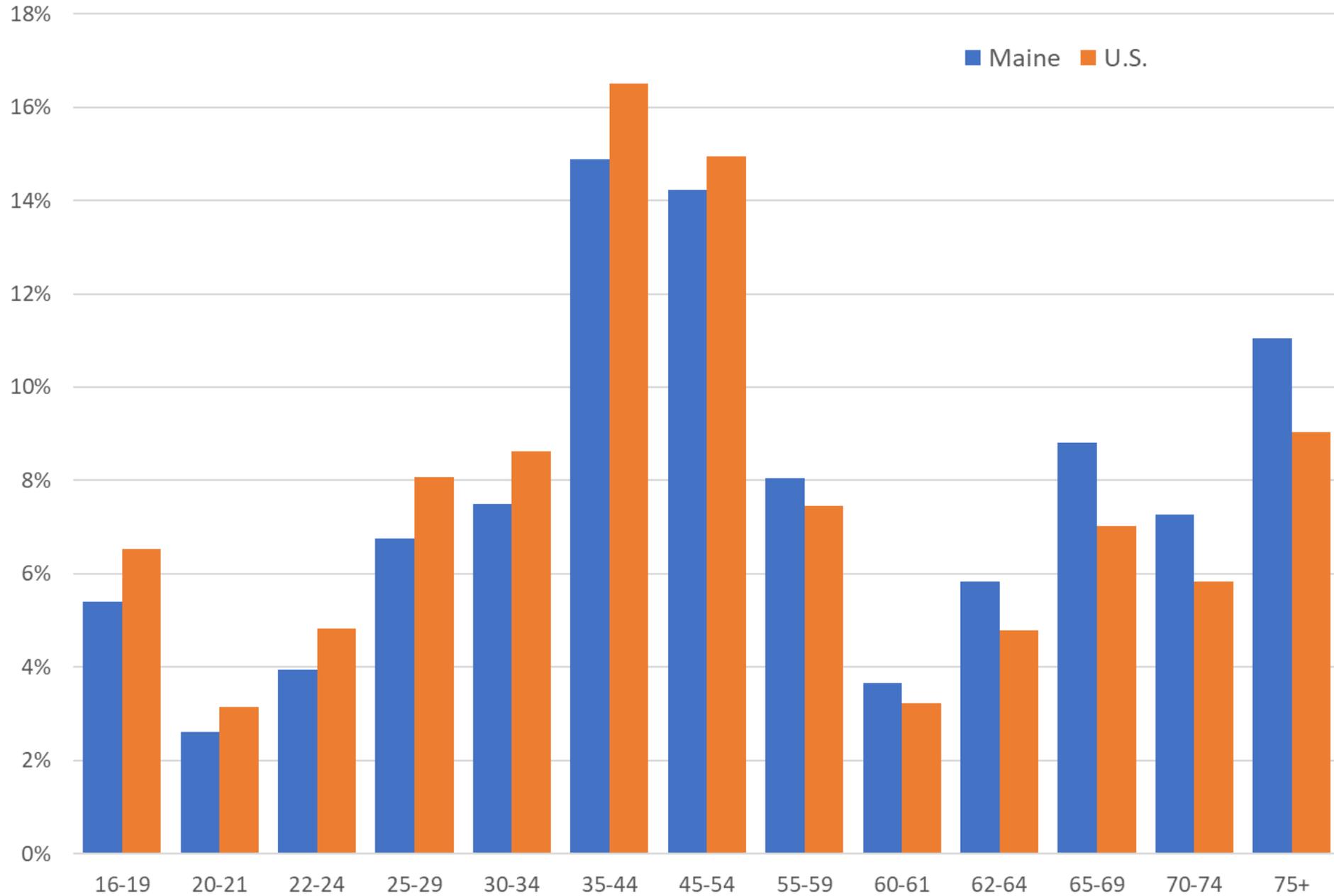
Not available and not looking for work. This could include people who are retired, full-time students, full-time caregivers, etc.

UNEMPLOYED
Not Employed but Looking for Work
~ 2.9%

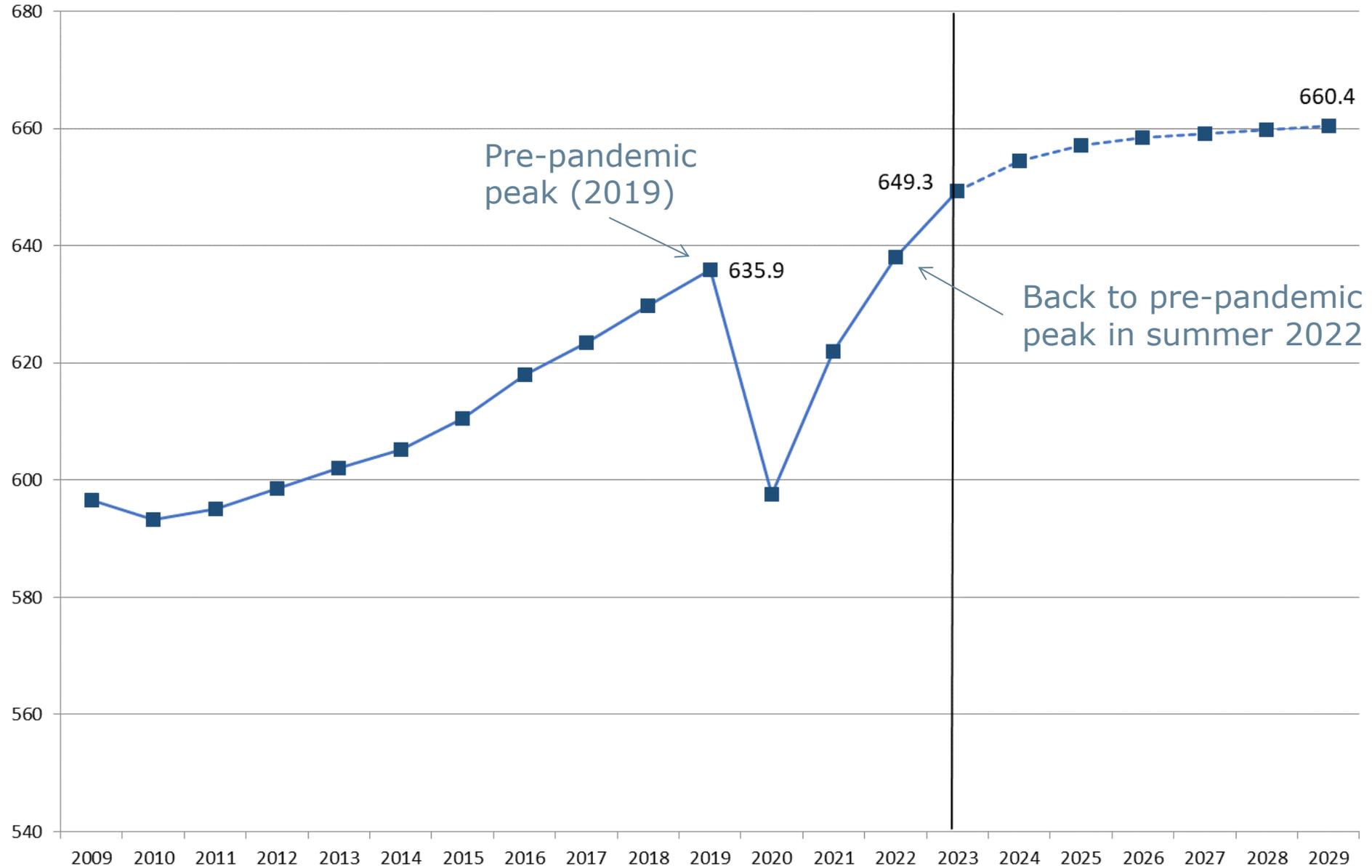
2023 Labor Force Participation Rate



Share of 16+ Population by Age, 2023



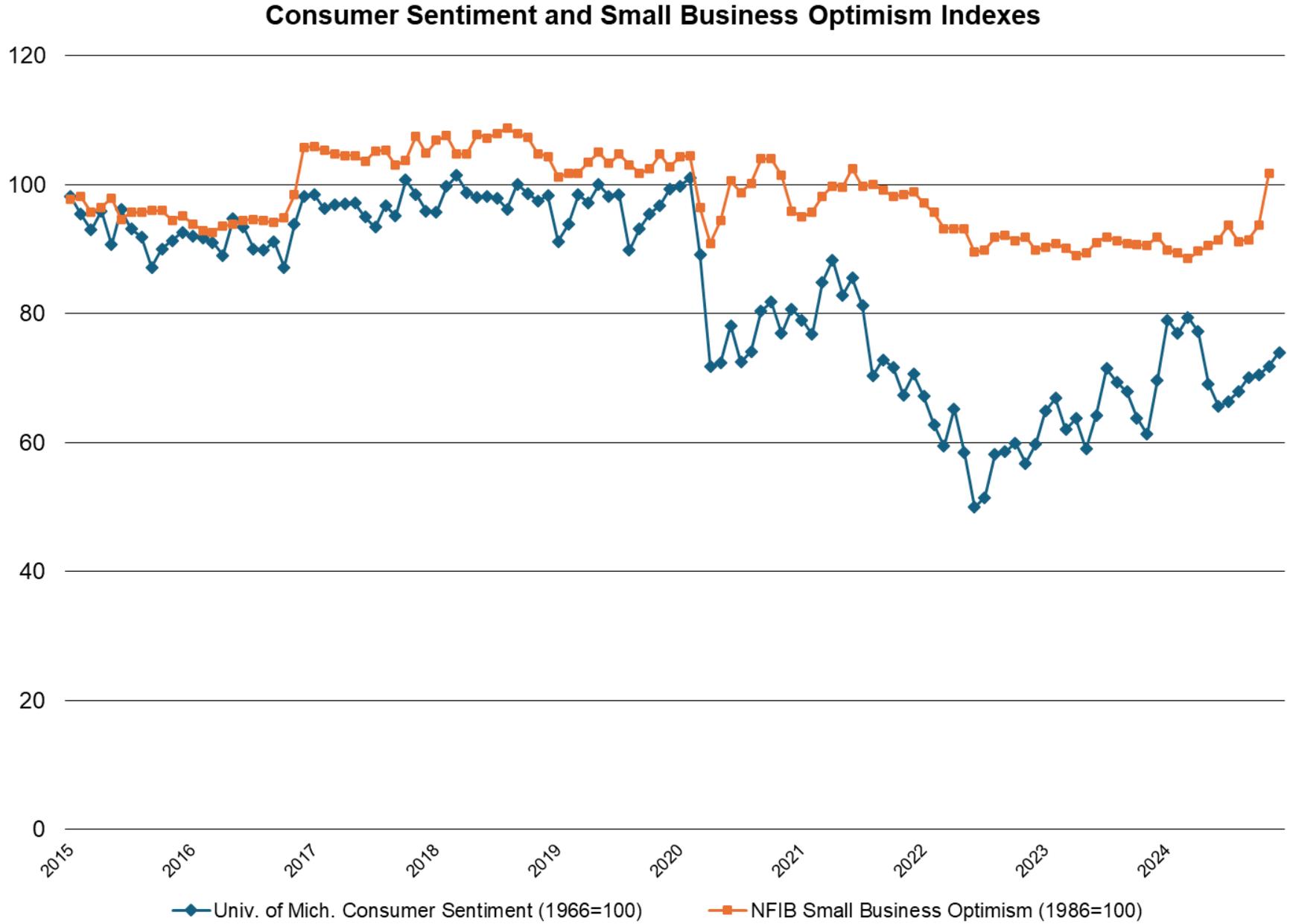
Total Nonfarm Employment (in thousands) History and Consensus Economic Forecasting Commission forecast



Consumer and Business Sentiment

Consumer sentiment has been gradually improving over the past six months

Small business optimism spiked following the election, with a large increase in the net percent of owners expecting the economy to improve



Sources: University of Michigan Survey of Consumers and NFIB Small Business Optimism Index

Global risks to the outlook

“Geo-political tensions remain elevated and continue to pose a negative risk to the forecast.”

- November 2024 Maine Consensus Economic Forecasting Commission report

- Russia/Ukraine conflict
- Israel/Hamas conflict
- Potential for global trade war

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In short:

2025 is starting off with a sturdy economy, but heightened uncertainty in terms of federal policies

Contact Information

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