

# The Economic Outlook for Maine: 2025

Mainebiz Five on the Future Forum

January 15, 2025

Amanda Rector

Maine State Economist

# 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

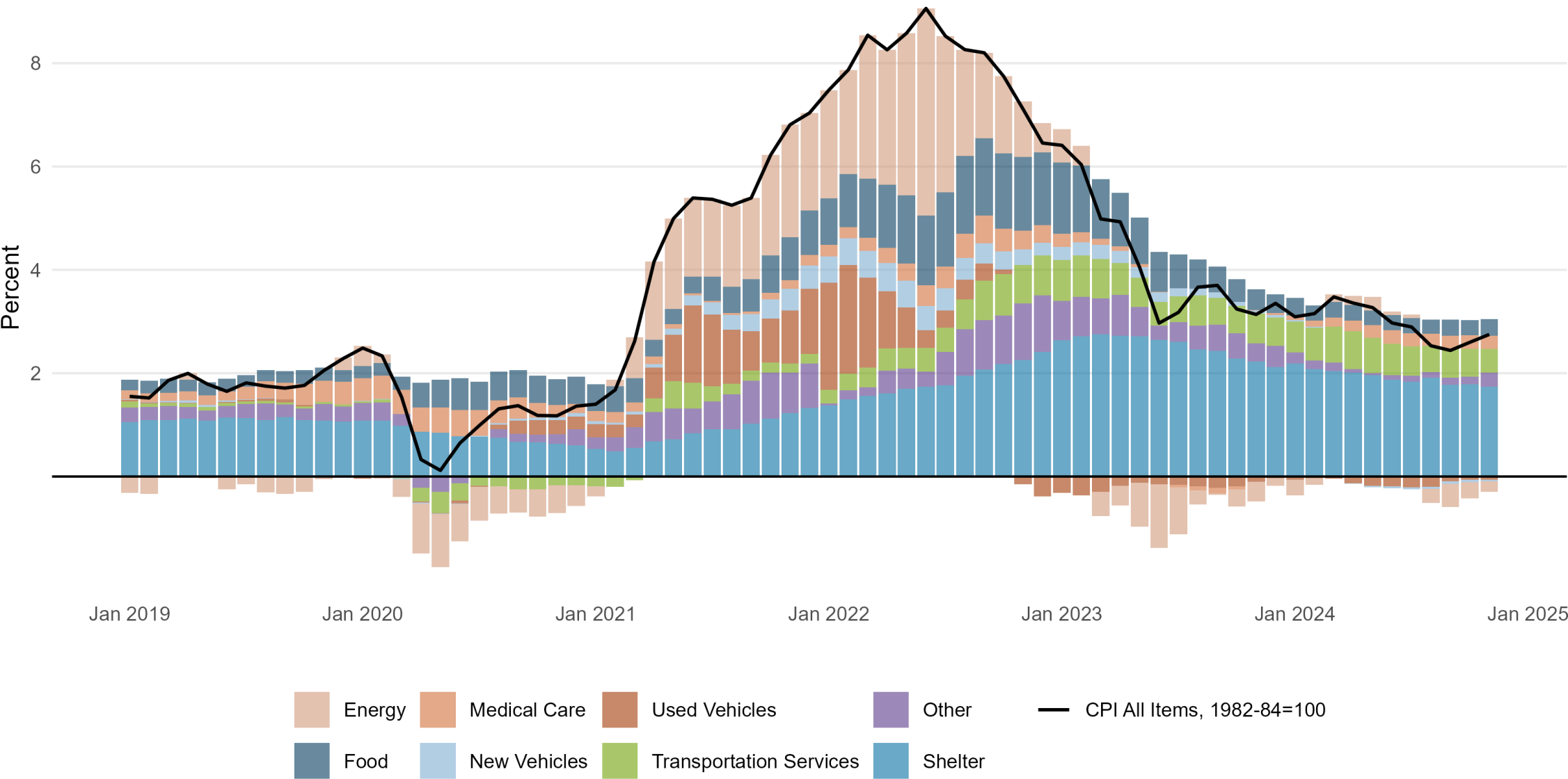
Potentially significant implications for U.S. workforce shortages, which will drive up wages and prices

The overarching  
theme at this point is  
uncertainty

# Inflation

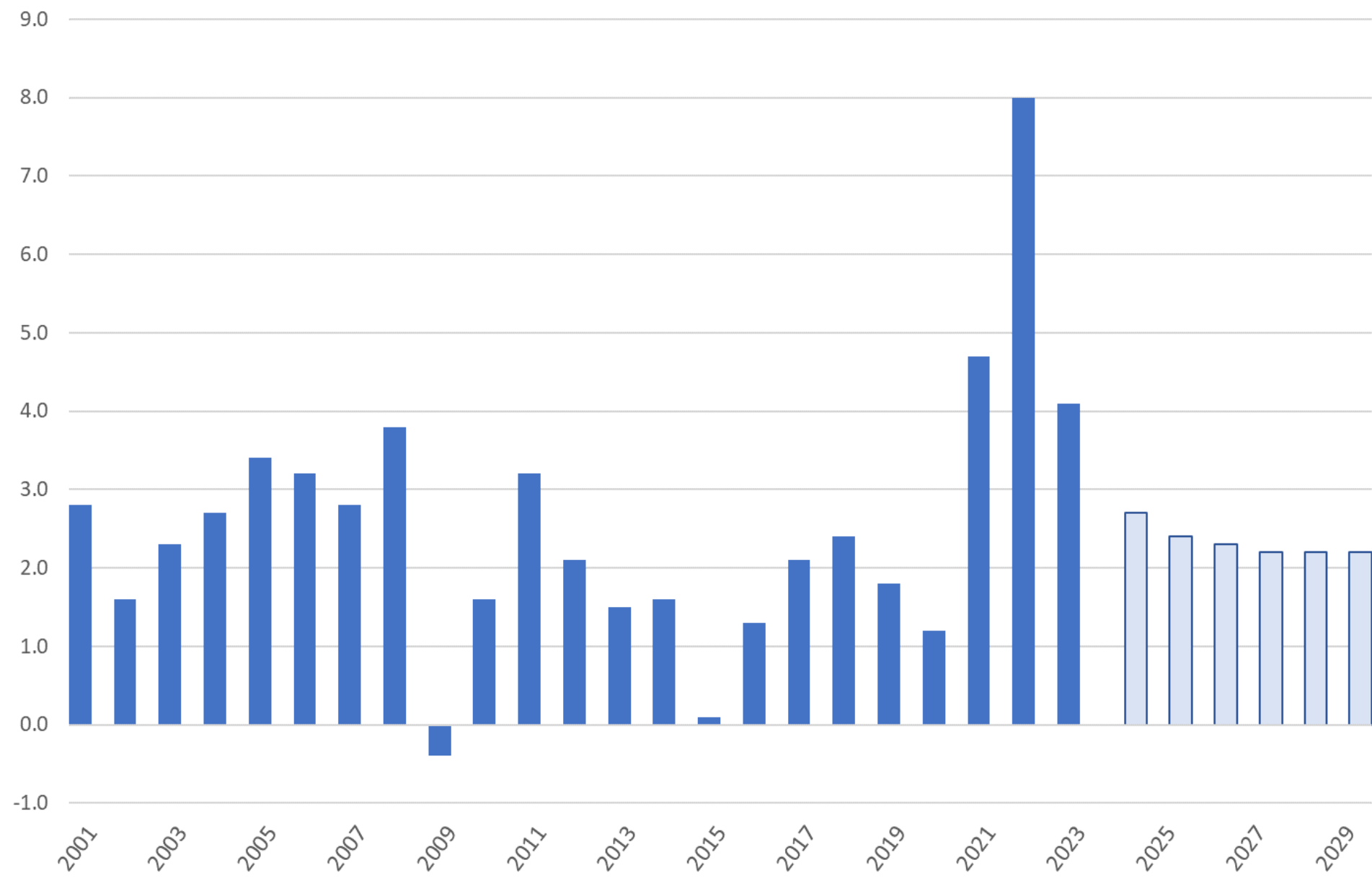


# Percentage Point Contribution to YoY Percent Change in CPI



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



Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted); Consensus Economic Forecasting Commission report, November 1, 2024

# 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%

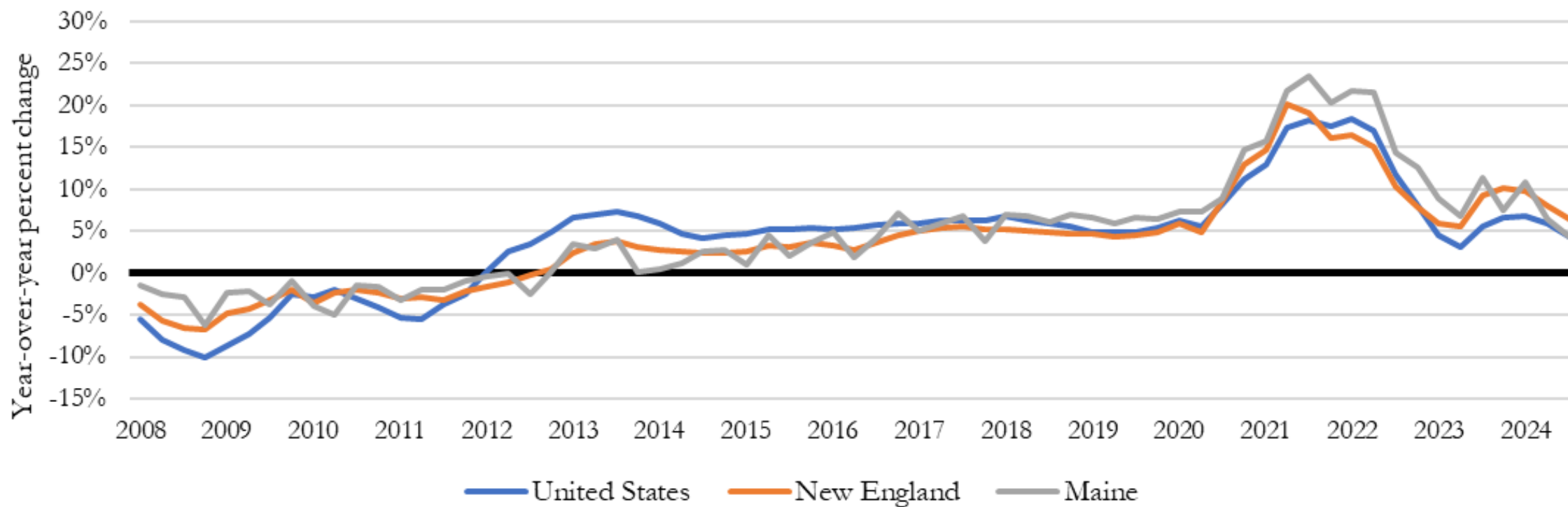
Median projection for 2025 from  
December 2024 Federal Open Market  
Committee statement was 3.9%

Housing

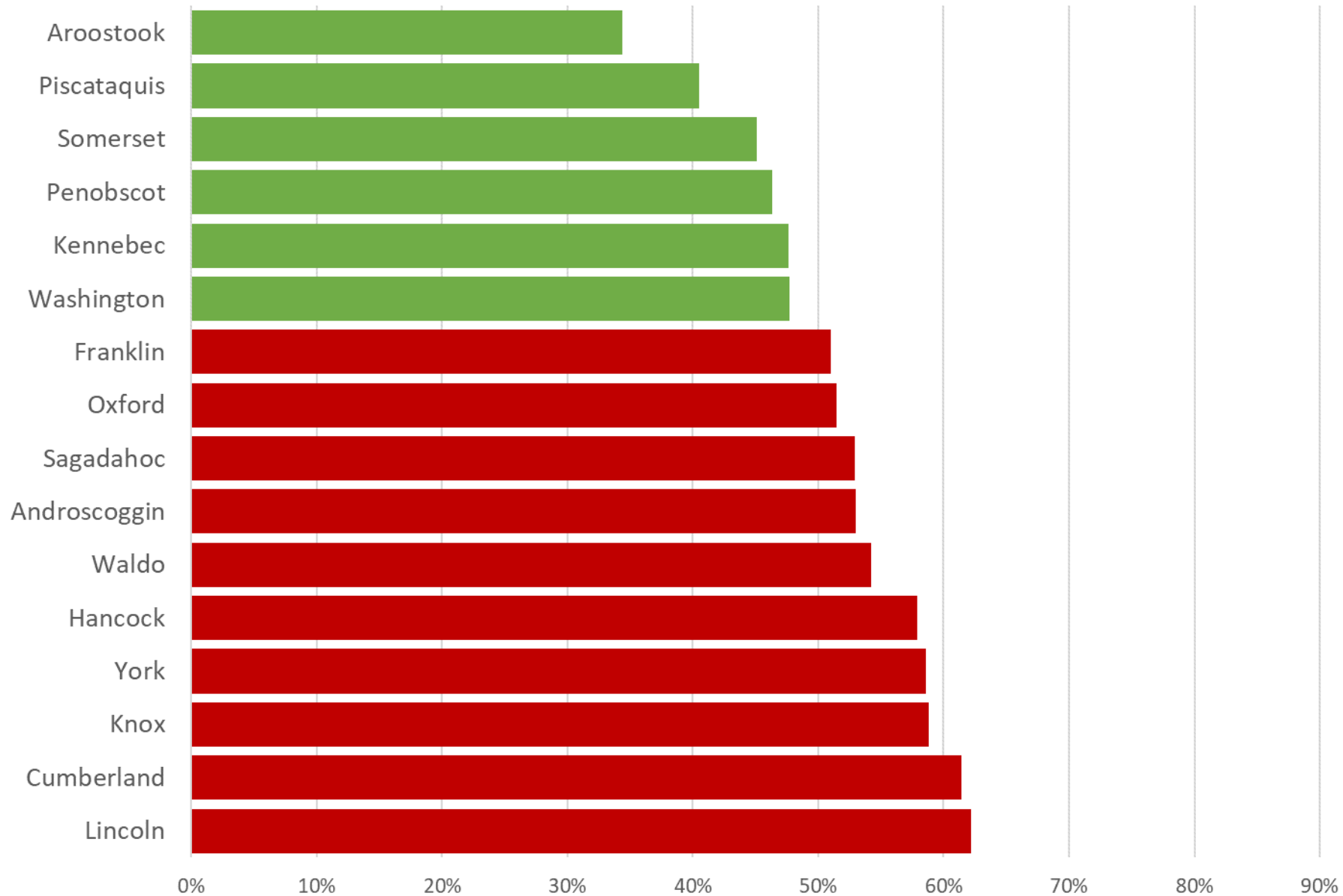


Migration into the state drove up demand for housing and further reduced the available supply and high mortgage rates locked people into existing homes – but there's been some improvement

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

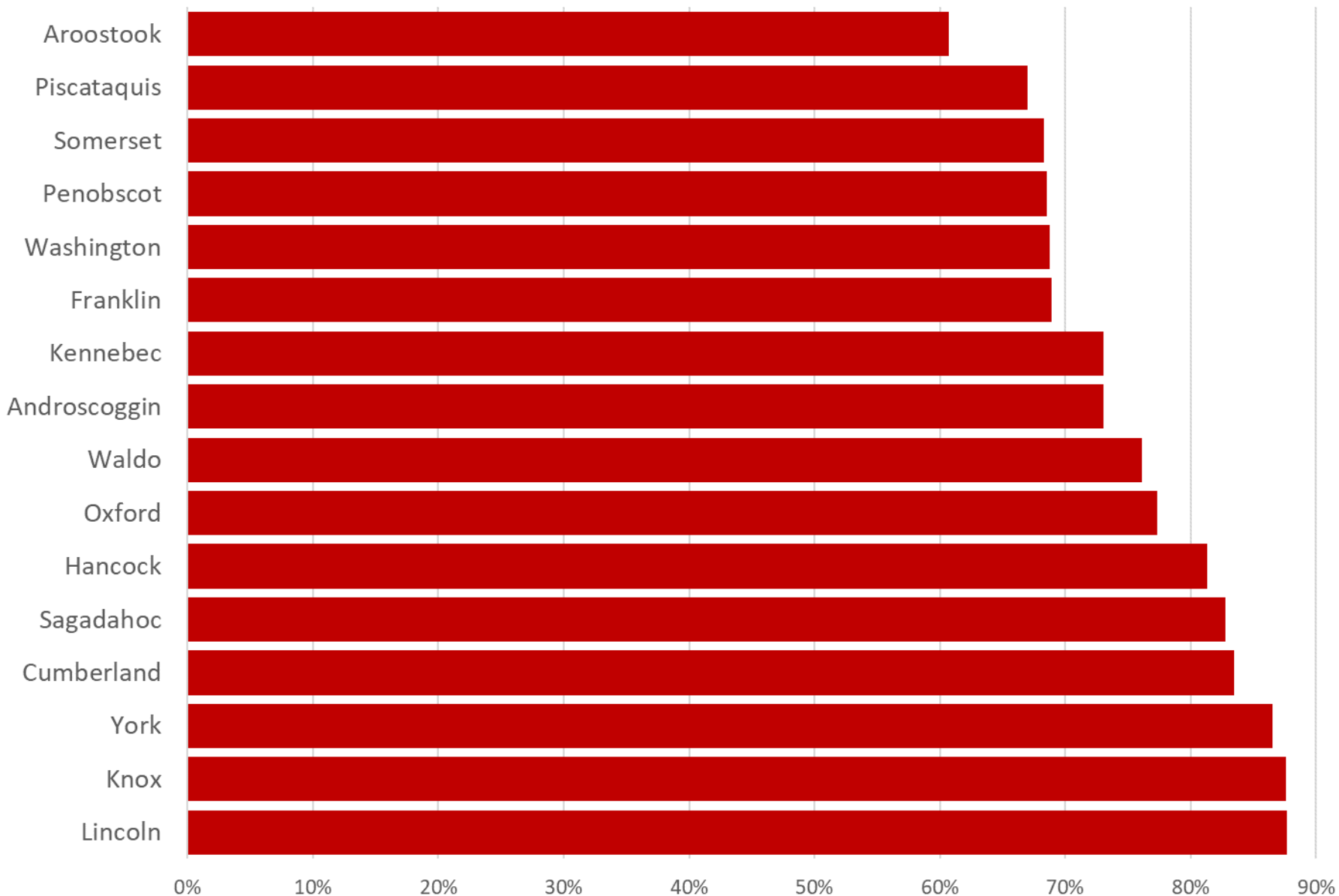


Percent of Households Unable to Afford Median Home, 2020



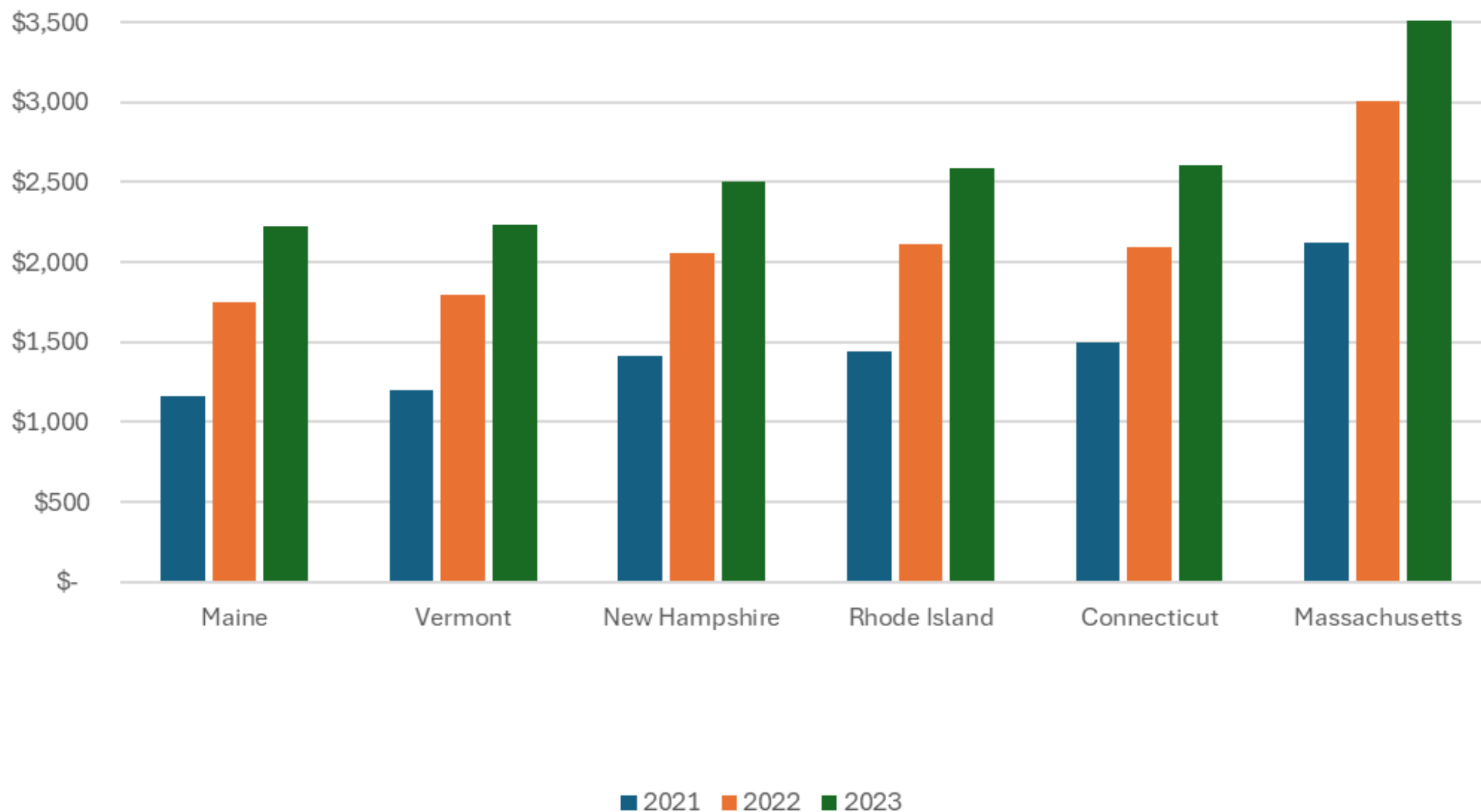


## Percent of Households Unable to Afford Median Home, 2023



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

## Monthly Mortgage Payment at the Median Sales Price 2021-2023



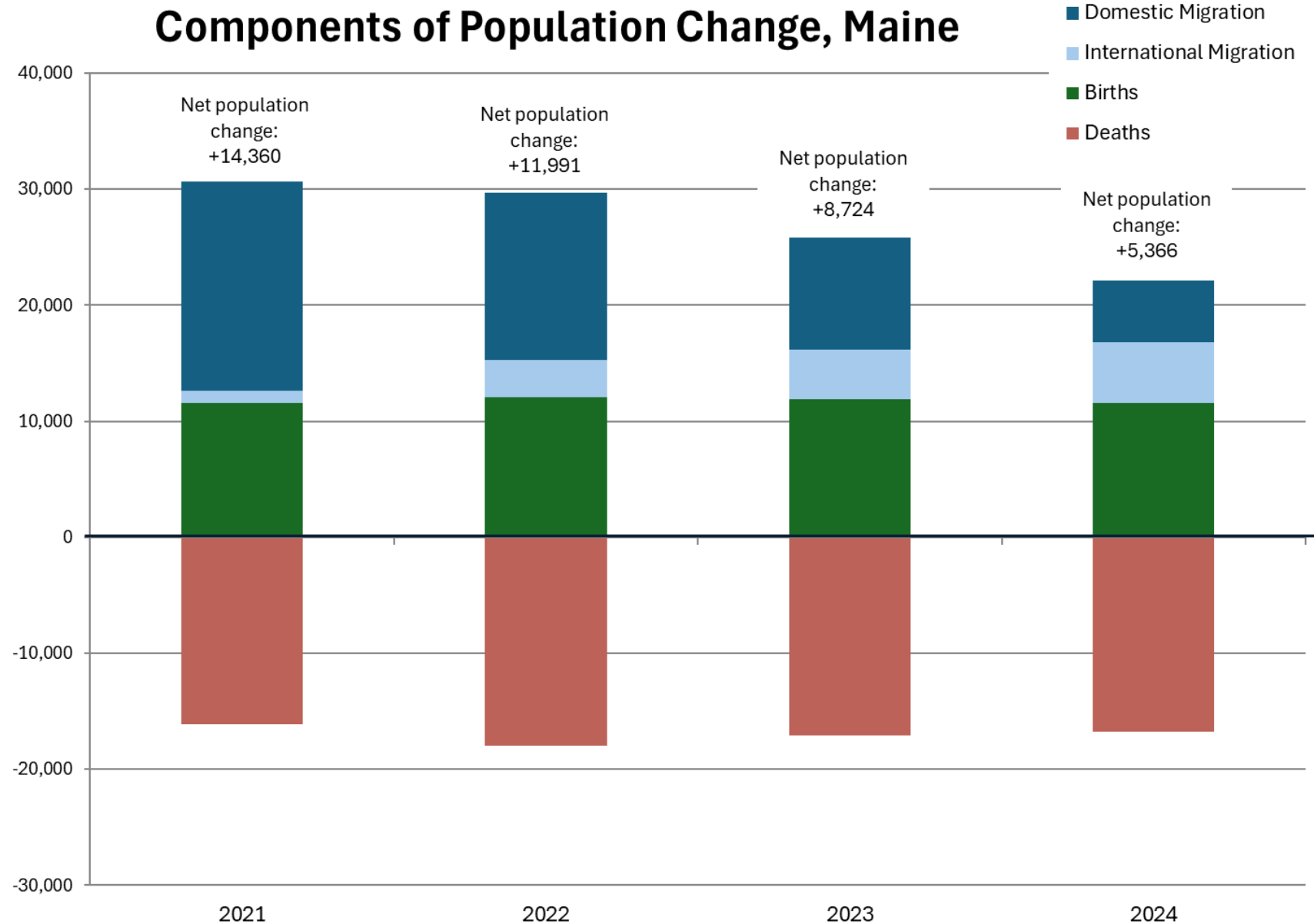
Sources: Moody's Analytics (median sale prices), FRED 30-year fixed rate mortgage rates, weekly (average of all weeks in the year). Assumes 30-year fixed rate mortgage and 10% down payment on a home at the median sales price.

# Migration and diversity

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

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

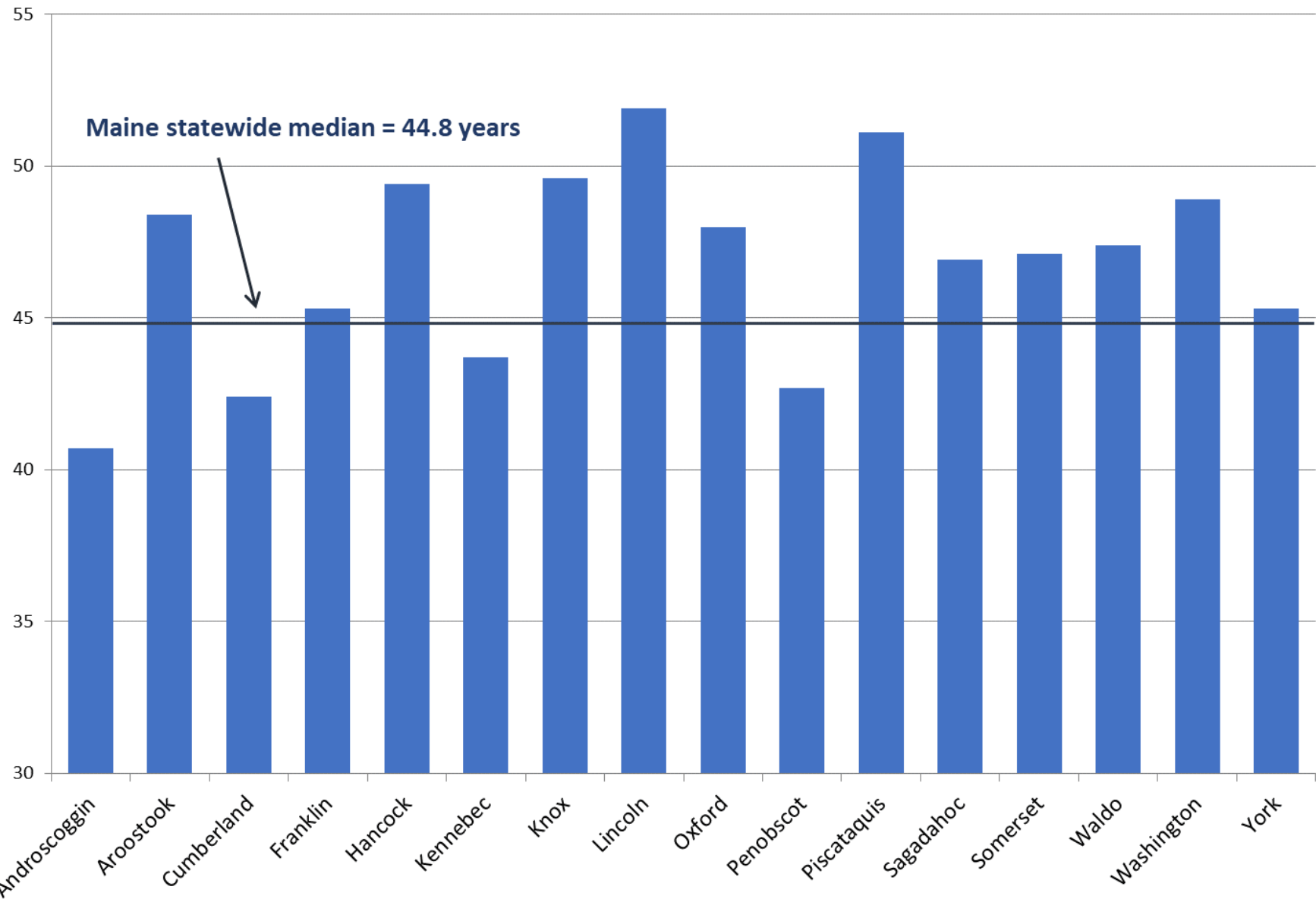
2024 Total Population:  
1,405,012



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

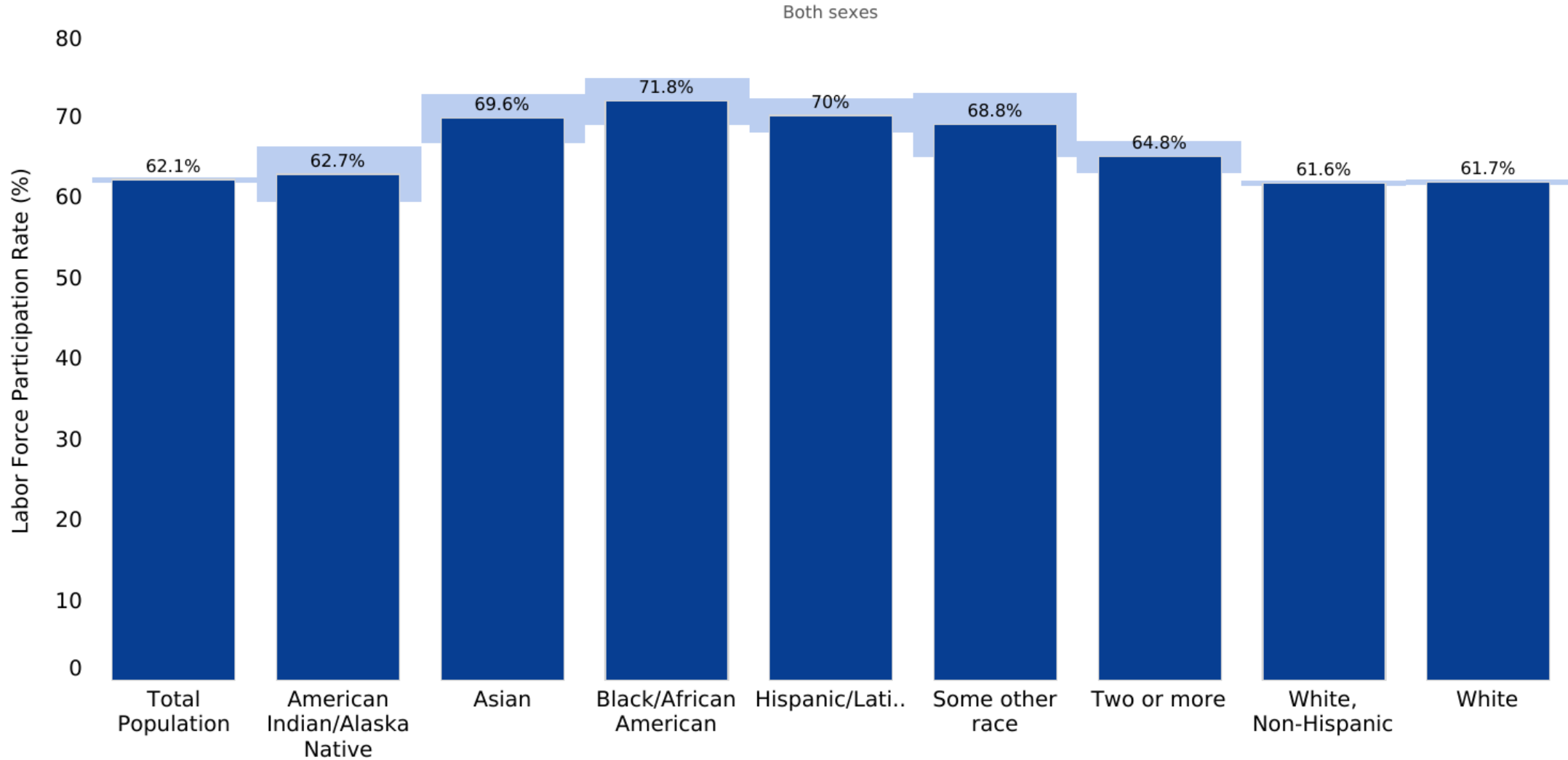


Maine has the highest...  
...median age (44.8 years)  
...and % of population  
age 65+ (23.0%)

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.

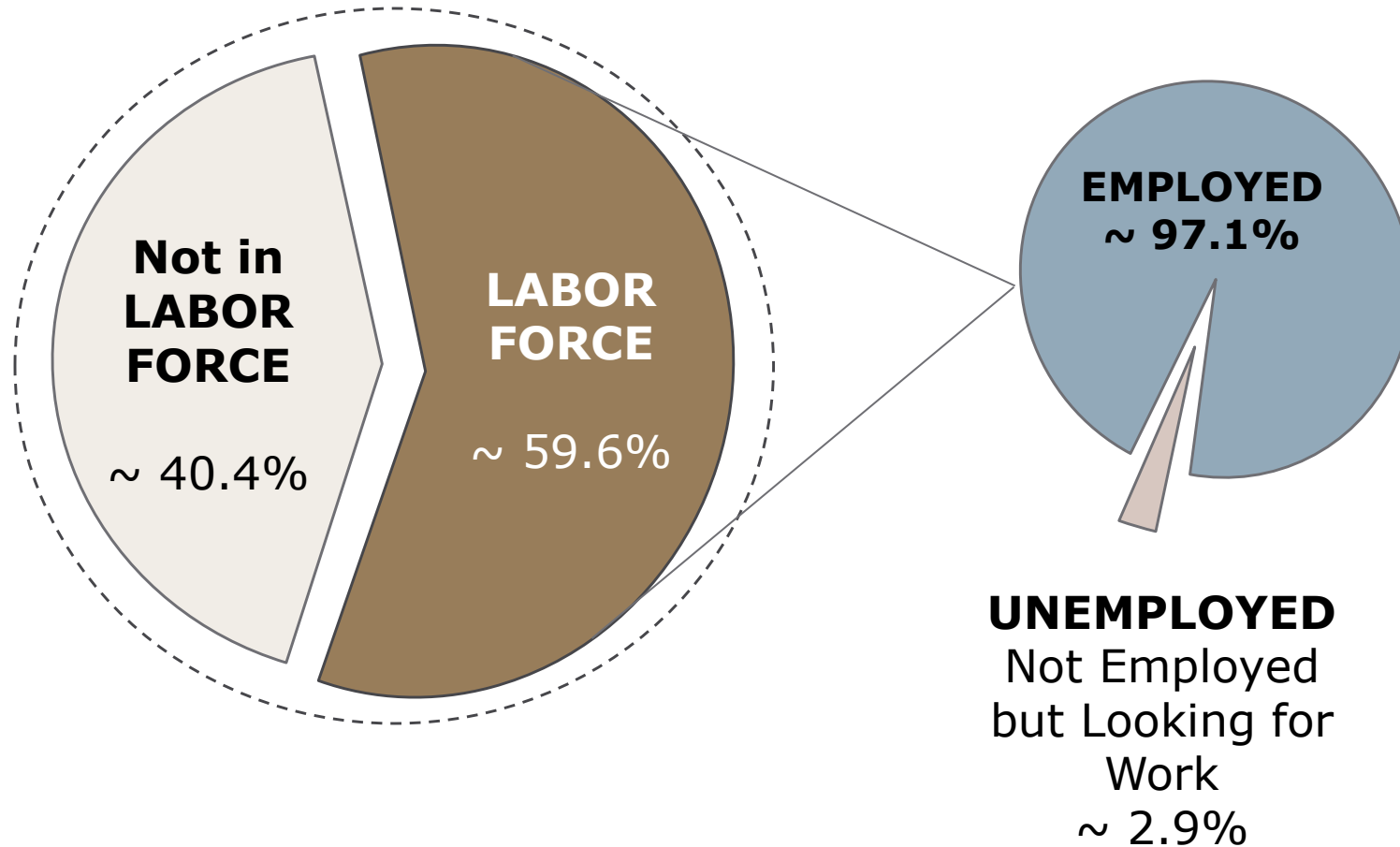
# Labor Force Participation



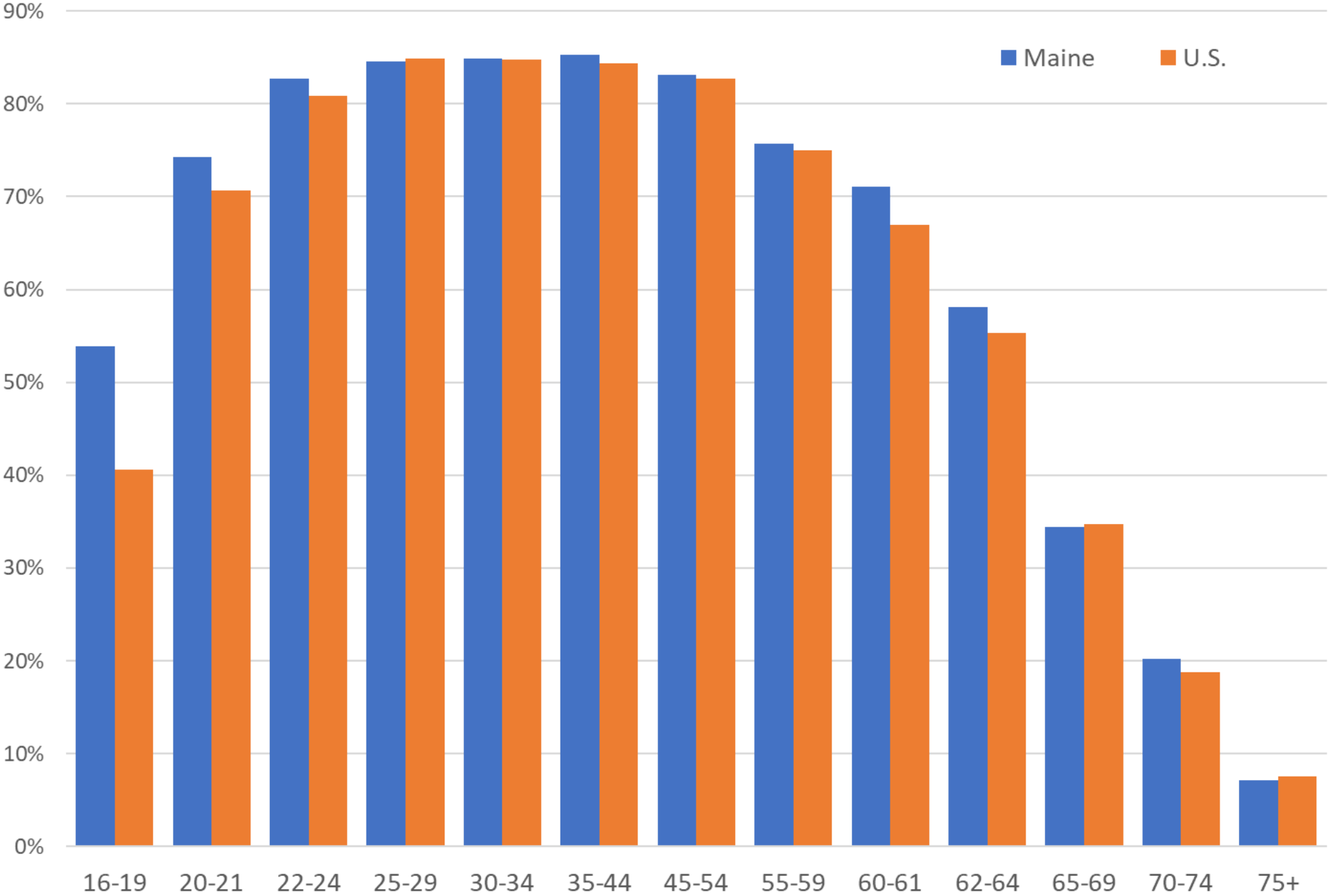
# Who is in the labor force?

Civilian population, age 16+

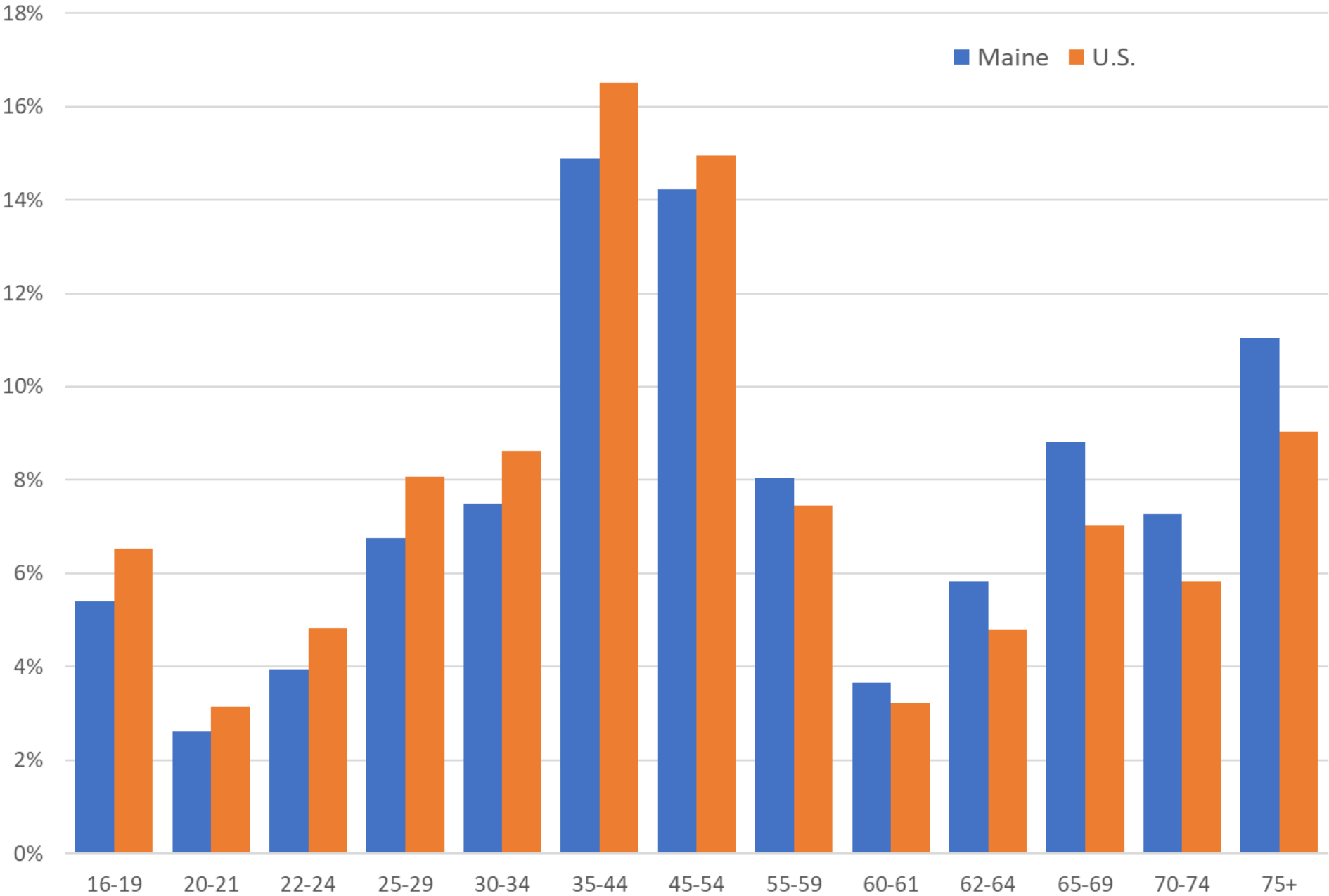
Not available and not looking for work. This could include people who are retired, full-time students, full-time caregivers, etc.



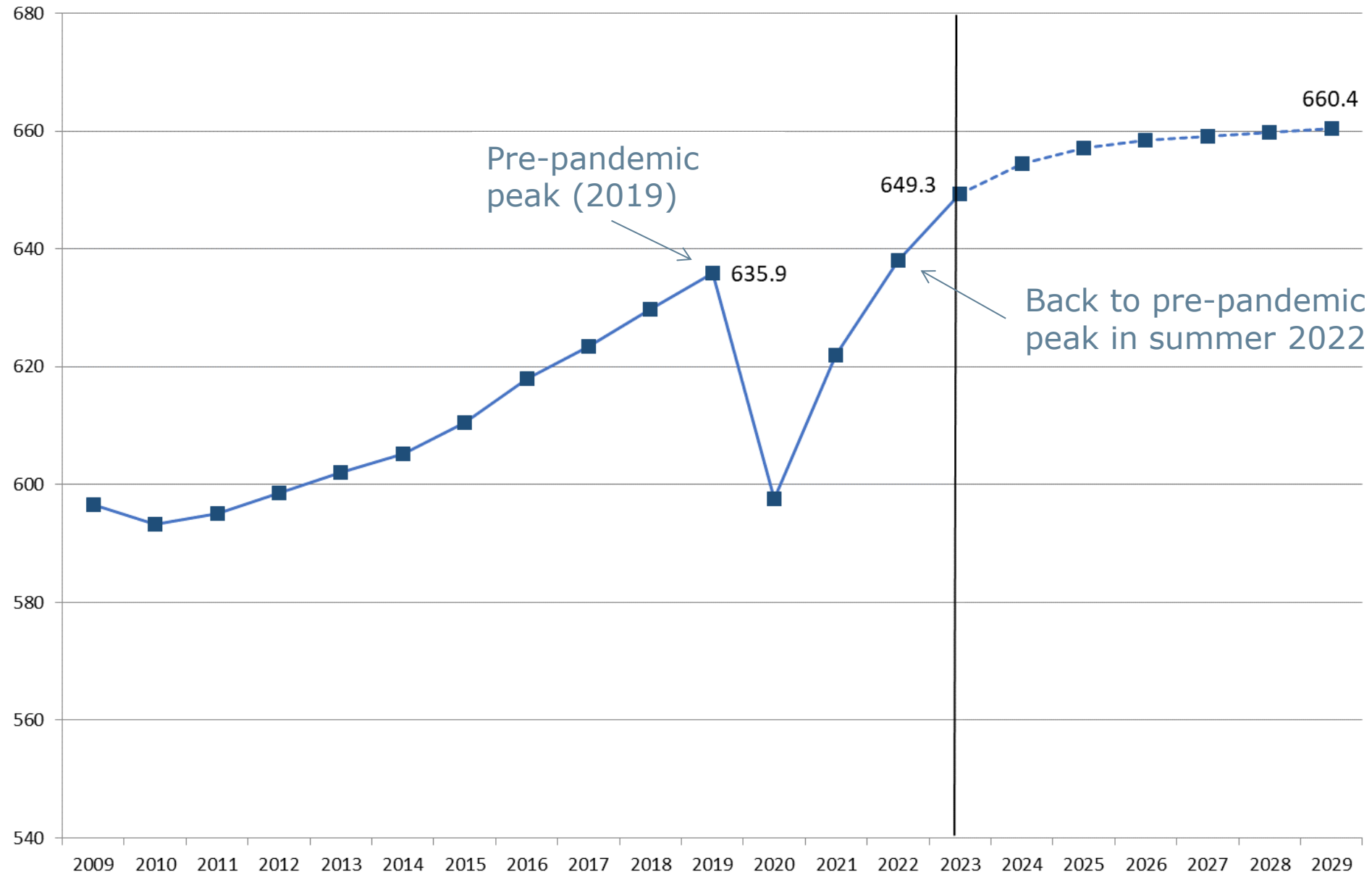
# 2023 Labor Force Participation Rate



# Share of 16+ Population by Age, 2023



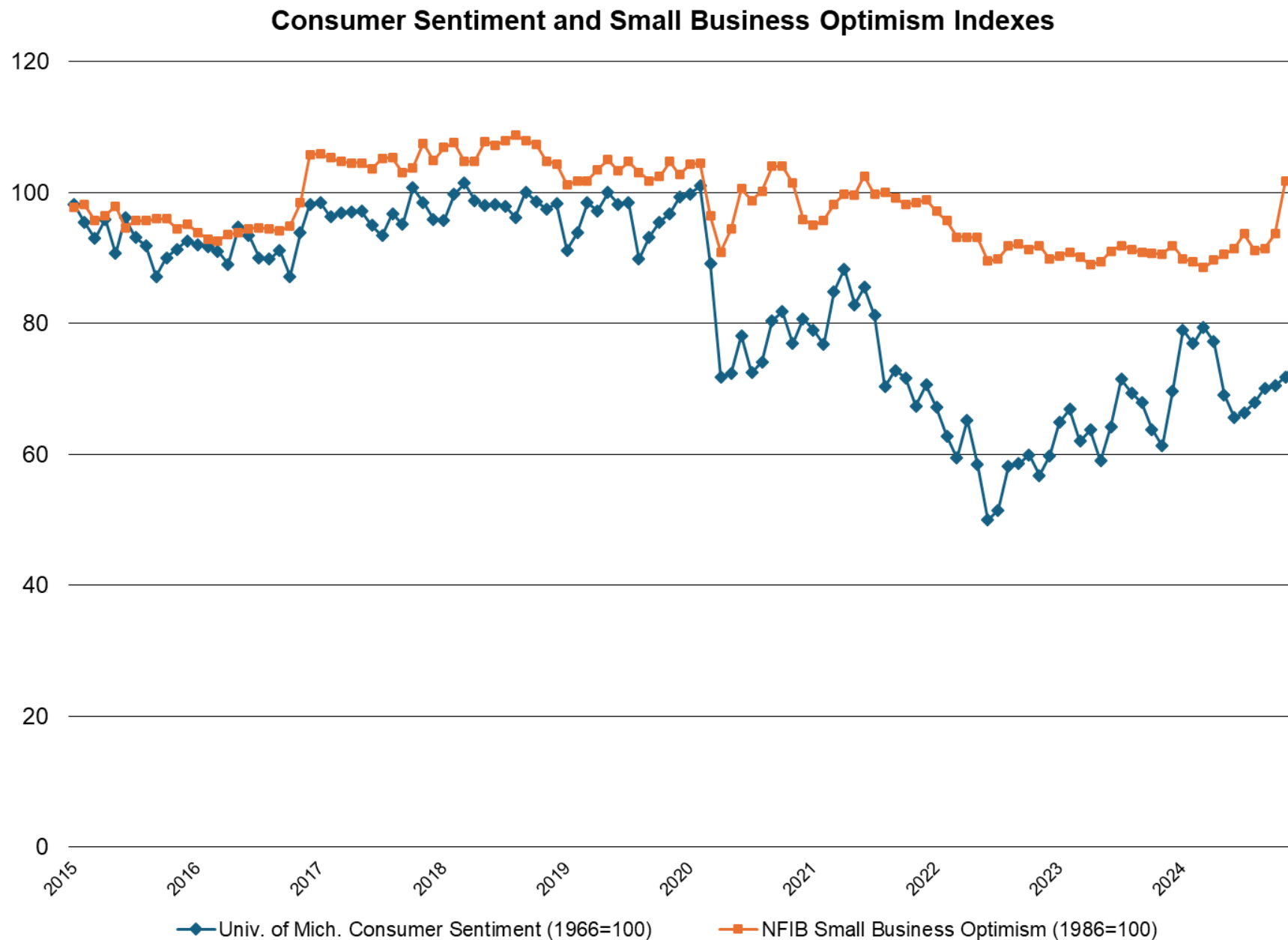
## Total Nonfarm Employment (in thousands) History and Consensus Economic Forecasting Commission forecast



# 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



# 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



# What am I thinking about for 2025?

1. The change in the White House
2. Inflation
3. Interest rates
4. Housing
5. Migration and diversity
6. Labor force participation
7. Consumer and business sentiment
8. Global risks to the outlook

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

# Contact Information

Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

[www.maine.gov/dafs/economist](http://www.maine.gov/dafs/economist)

[amanda.rector@maine.gov](mailto:amanda.rector@maine.gov)