

The Economic Outlook for Maine: 2024

Mainebiz Five on the Future Forum

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What was I thinking about for 2023?

1. Inflation, including energy and shelter
2. Interest rates
3. Housing
4. Migration
5. Labor force participation and workforce considerations
6. Recession?
7. Consumer and business sentiment
8. Ongoing roll-out of federal funds and other potential “cushions”

What am I thinking about for 2024?

1. **Inflation**, including energy and shelter – continuing to come down, but still elevated
2. **Interest rates** – expecting to see cuts this year
3. **Housing** – still a major challenge, but lots of efforts underway that are starting to gain momentum
4. **Migration** – 2023 was a return to normal for migration nationally - how did Maine fare?
5. **Labor force participation** – a perennial topic

New: Diversity in the population and the workplace

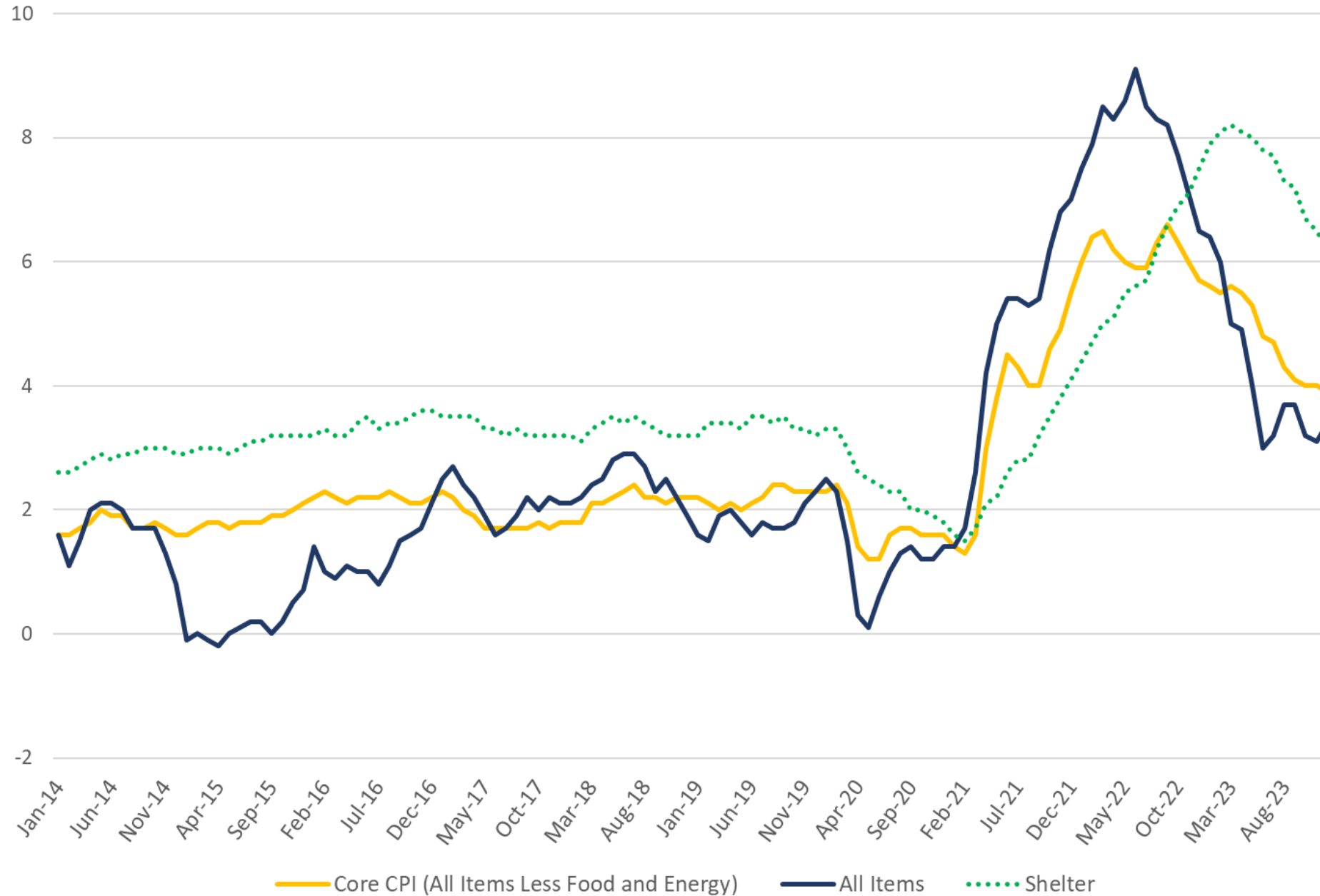
6. ~~Recession?~~ - fears have largely faded; did the Fed nail a “soft landing”?
7. **Consumer and business sentiment** – still a possible leading indicator

New: Global risks to the outlook

8. **Ongoing roll-out of federal funds and other potential “cushions”** – still rolling

Inflation

Year-over-year percent change in Consumer Price Index

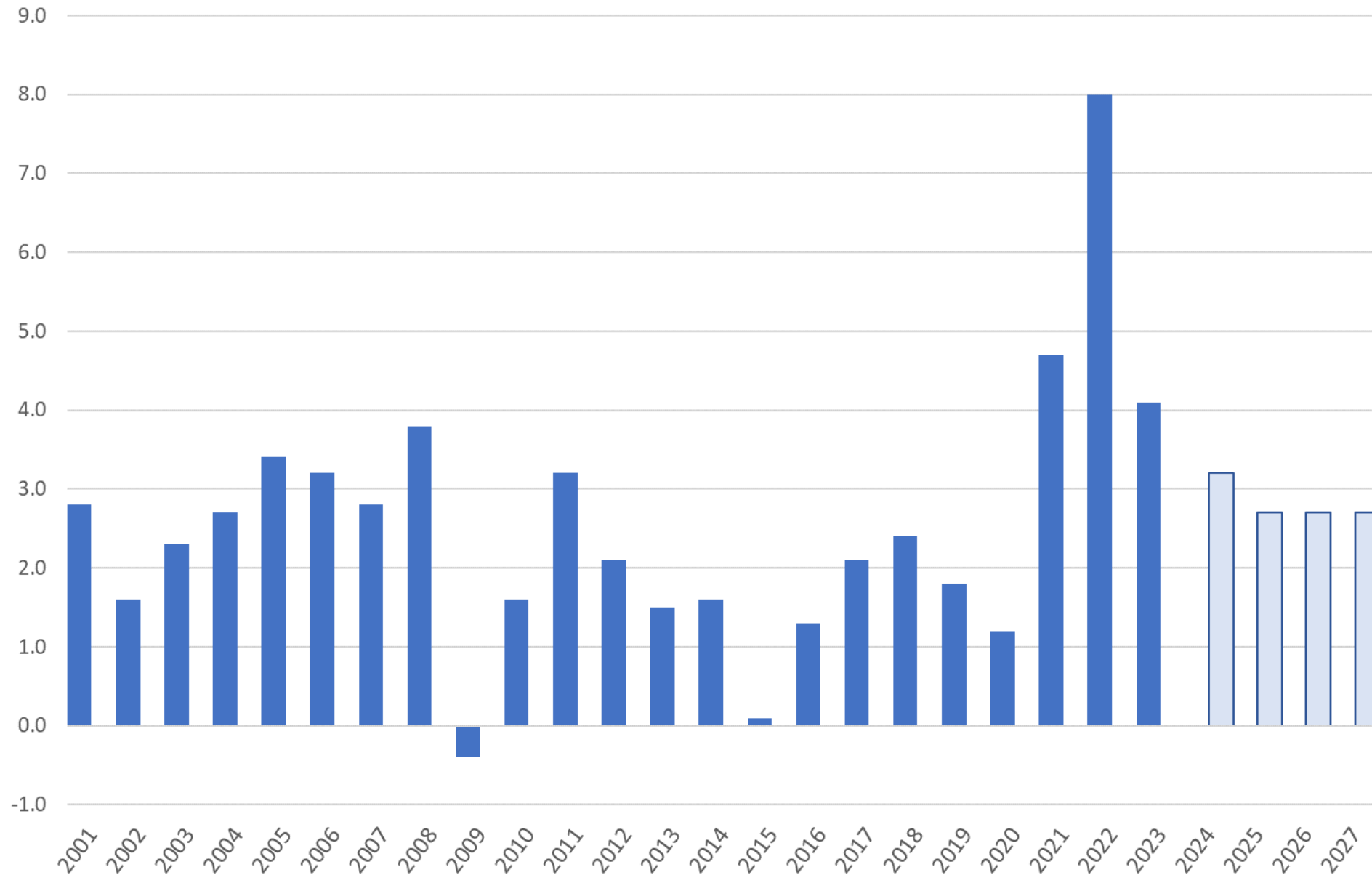


Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

Weekly Brent Spot Price - Dollars per Barrel



Year-over-year percent change in Consumer Price Index; 2001-2023 historical and 2024-2027 forecast



Sources: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, seasonally adjusted);
CEFC report, November 1, 2023

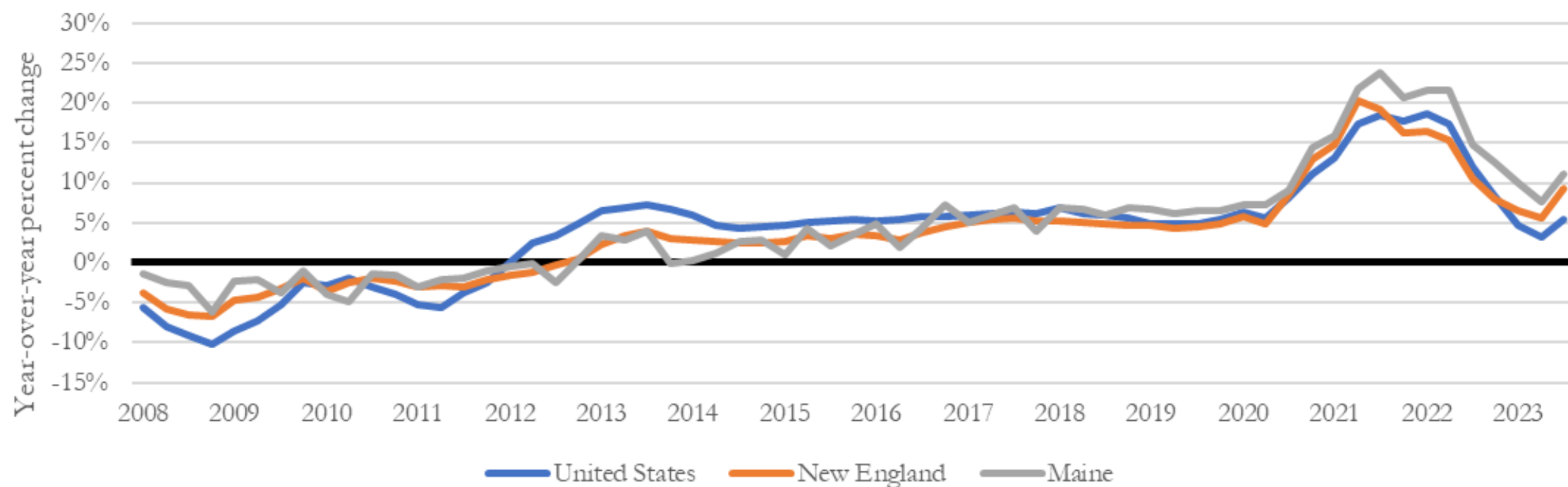
Interest rates

Current target range:
5.25% to 5.5%

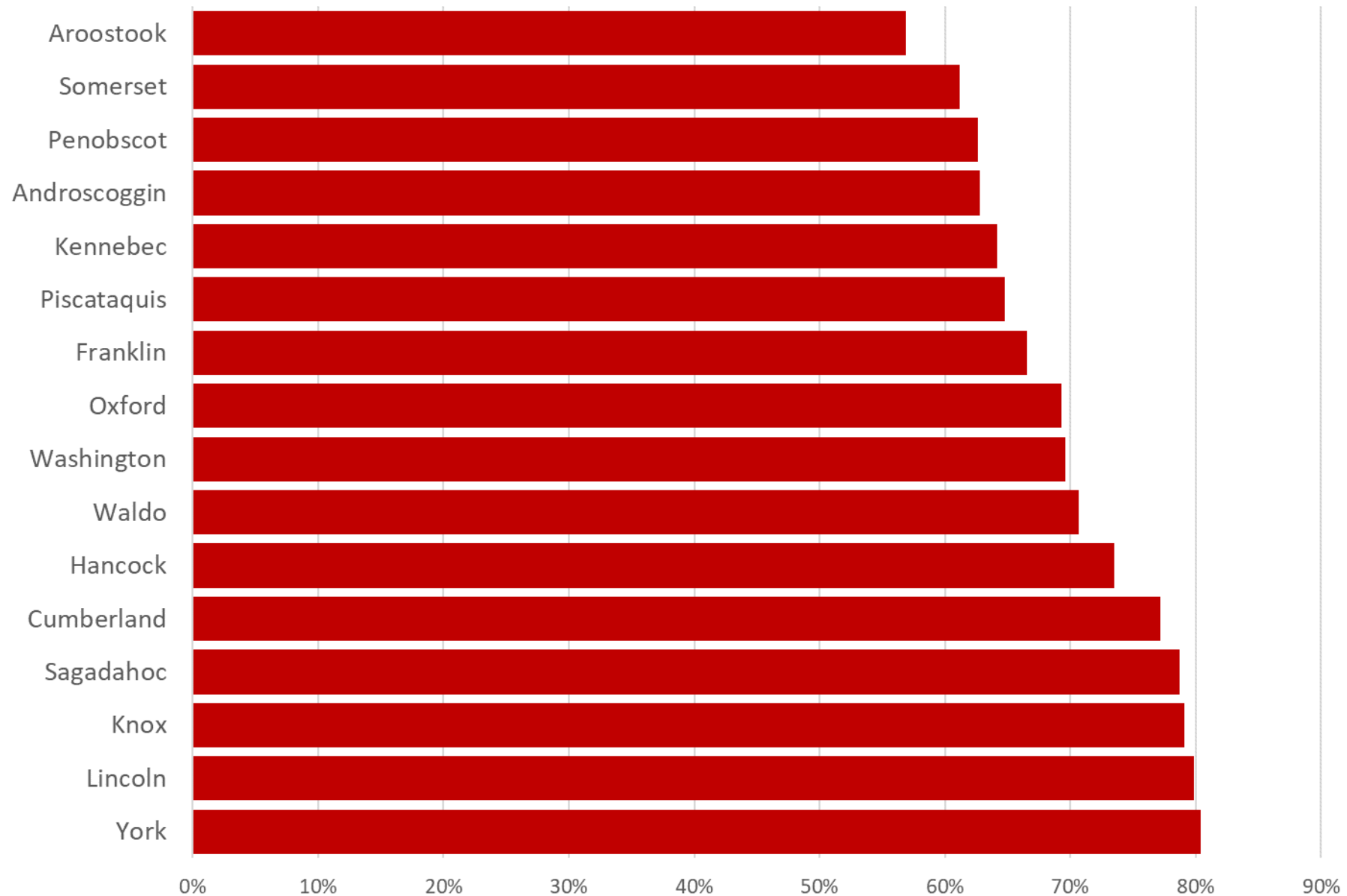
Median projection for 2024 from
December 2023 Federal Open Market
Committee statement was 4.6%, implying
3-4 decreases of 25 basis points this year

Housing

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



Percent of Households Unable to Afford Median Home, 2022

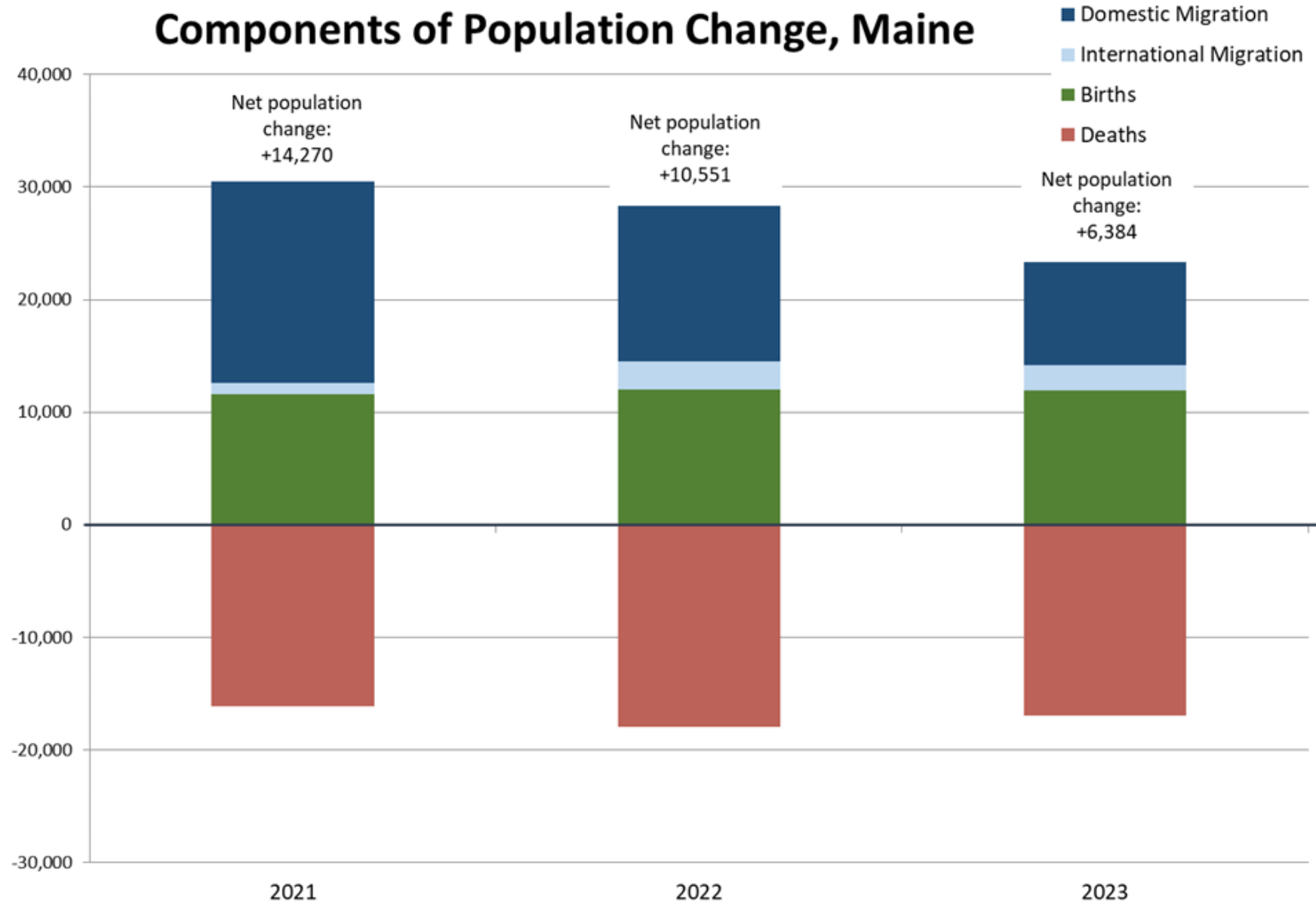


Migration

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

Population increase of
2.4% from 2020-2023
(14th in U.S.)

2023 Total Population:
1,395,722



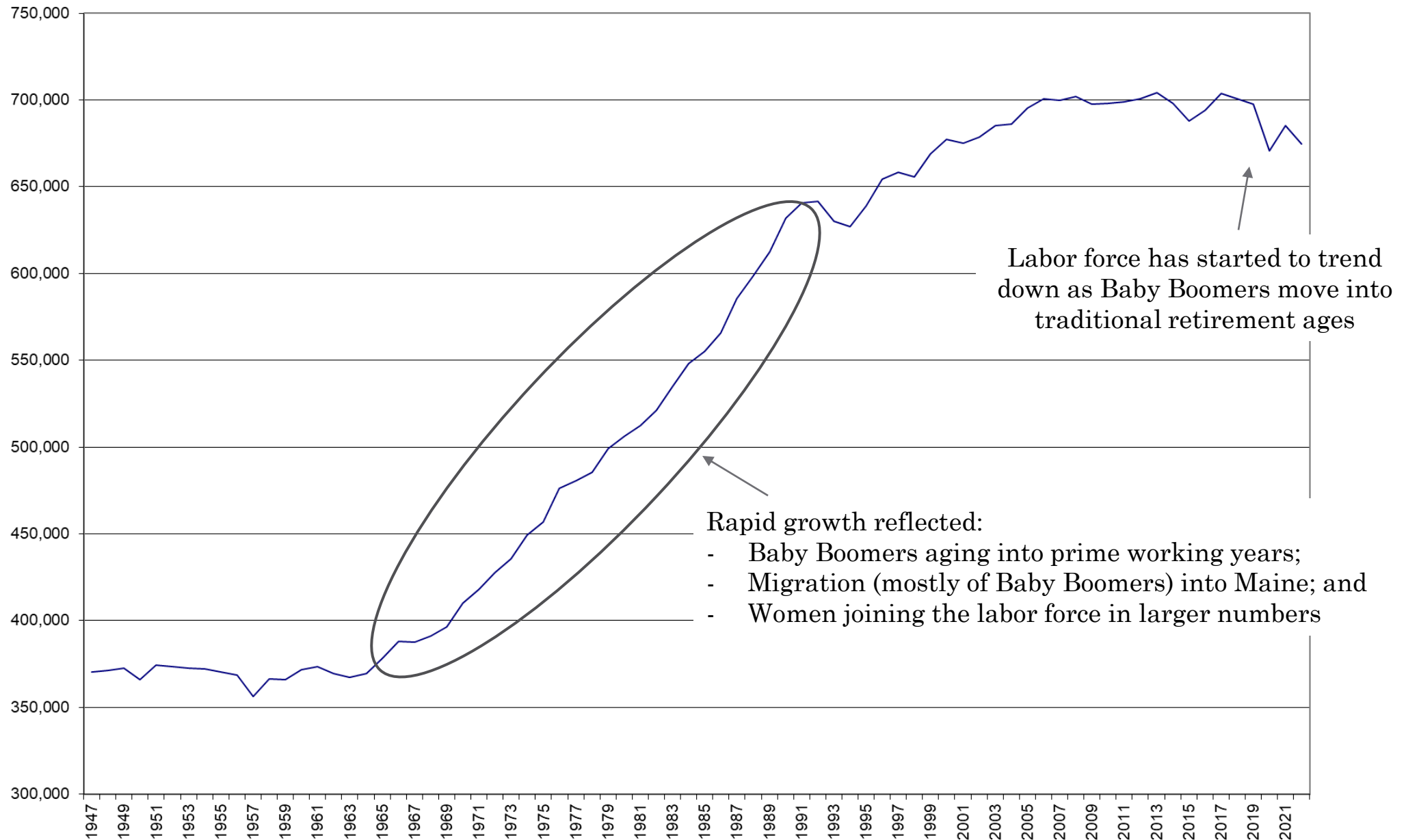
Source: U.S. Census Bureau, Population Estimates Program, 2023 vintage

Climate migration ???

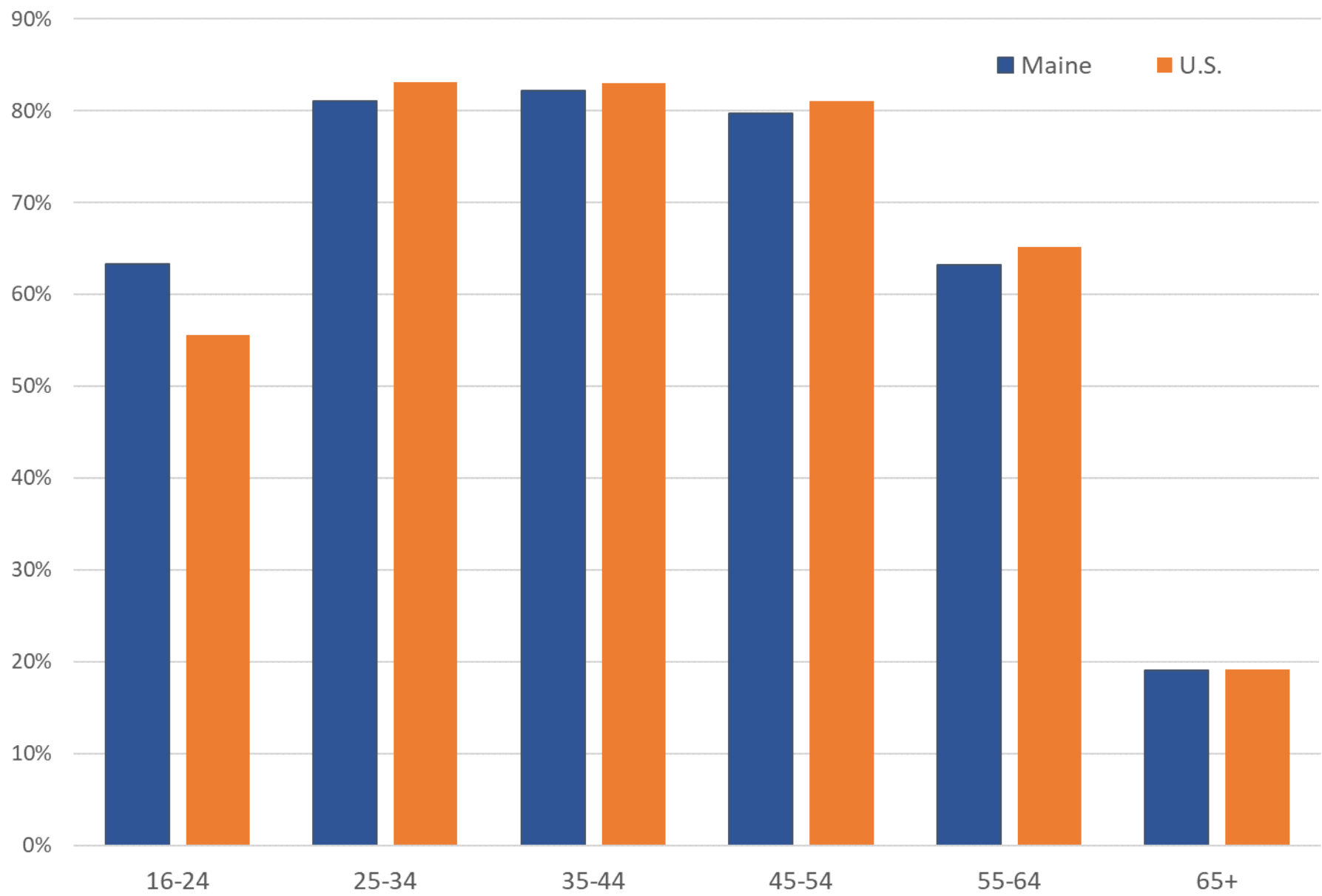
No answers yet, but starting to be front of mind for more people – we're starting to see more research on this question

Labor Force Participation

Maine Civilian Labor Force



2022 Labor Force Participation Rate



November 2023 LFPR

U.S. = 62.8%

Maine = 59.0%

If the age distribution of Maine’s population was the same as the U.S., our overall labor force participation rate would be about the same as the U.S.

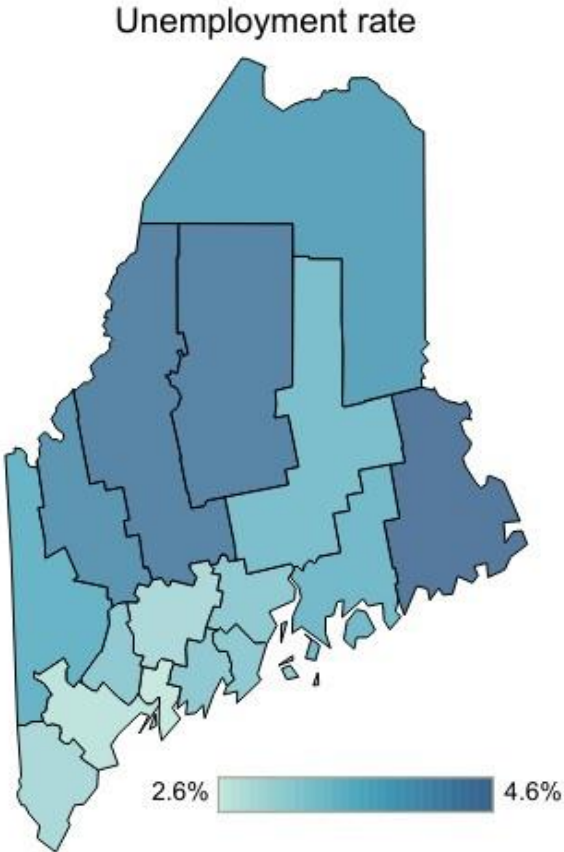
Maine’s 3.0% unemployment rate in November 2023 was close to recent record lows, with the slight rise coming from an increase in labor force participation, and was below the U.S. rate of 3.7%

County Rates (not seasonally adjusted)

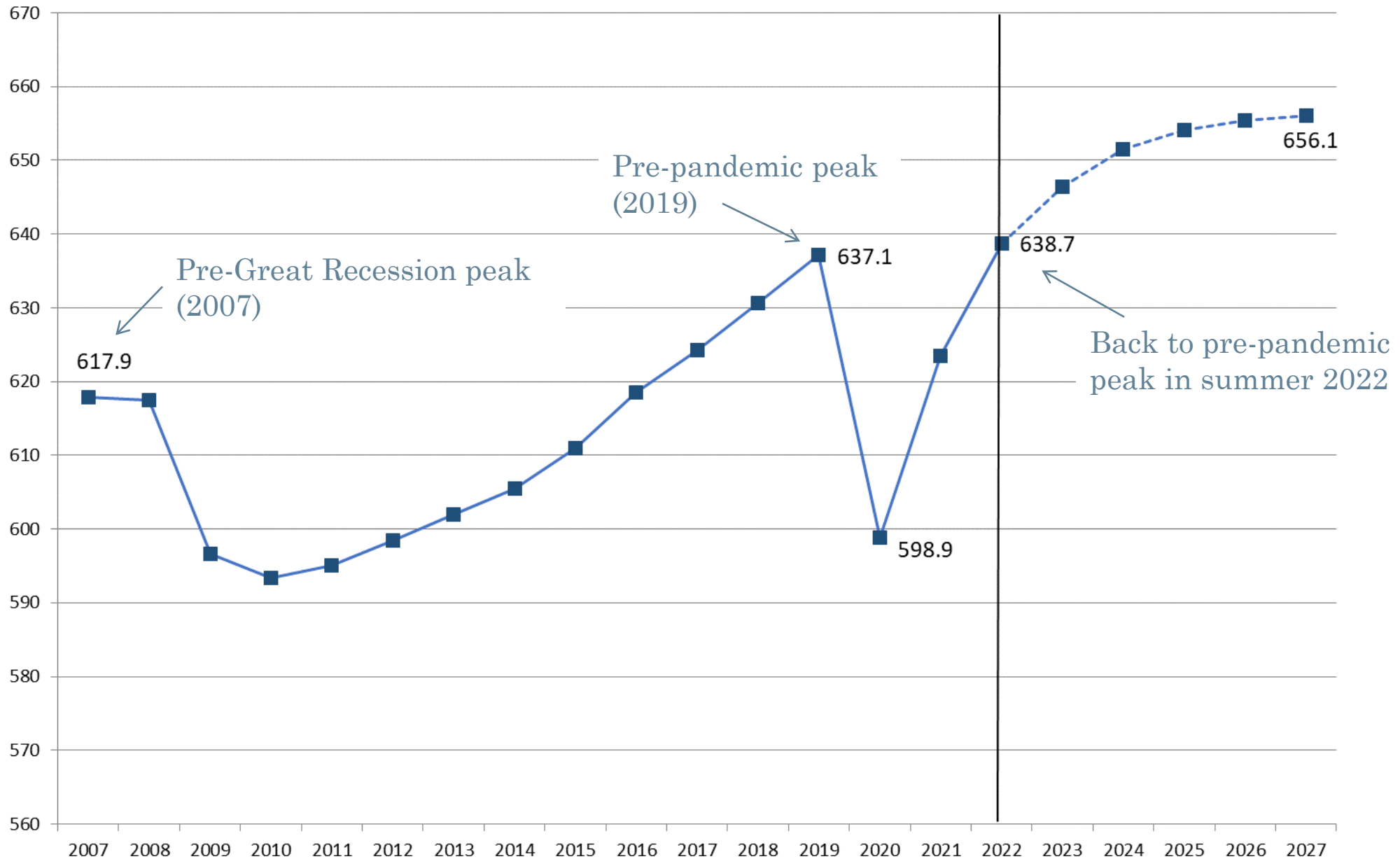
November, 2023

County	Rate	Year ago	One-yr change
Maine	3.2%	2.9%	0.3
Androscoggin	3.2%	3.0%	0.2
Aroostook	3.9%	3.8%	0.1
Cumberland	2.7%	2.4%	0.3
Franklin	4.1%	3.6%	0.5
Hancock	3.5%	3.4%	0.1
Kennebec	2.9%	2.7%	0.2
Knox	3.2%	3.0%	0.2
Lincoln	3.2%	3.0%	0.2
Oxford	3.6%	3.3%	0.3
Penobscot	3.4%	2.9%	0.5
Piscataquis	4.4%	3.6%	0.8
Sagadahoc	2.6%	2.3%	0.3
Somerset	4.4%	4.1%	0.3
Waldo	3.2%	2.9%	0.3
Washington	4.6%	3.7%	0.9
York	2.9%	2.6%	0.3

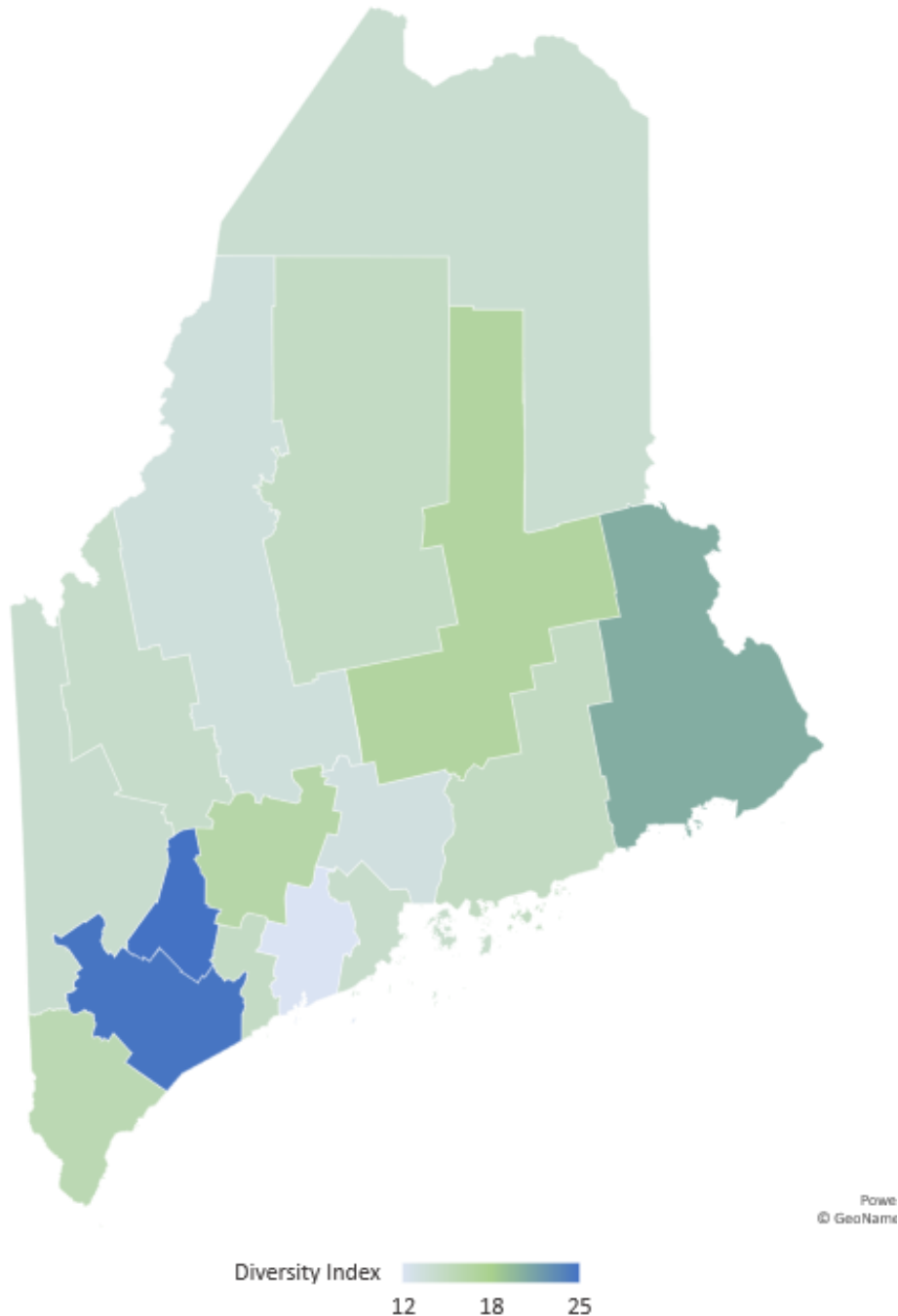
- Table
- Graph
- Map/Graph Display
- Unemployment rate
- One-year change



Total Nonfarm Employment (in thousands) History and CEFC forecast



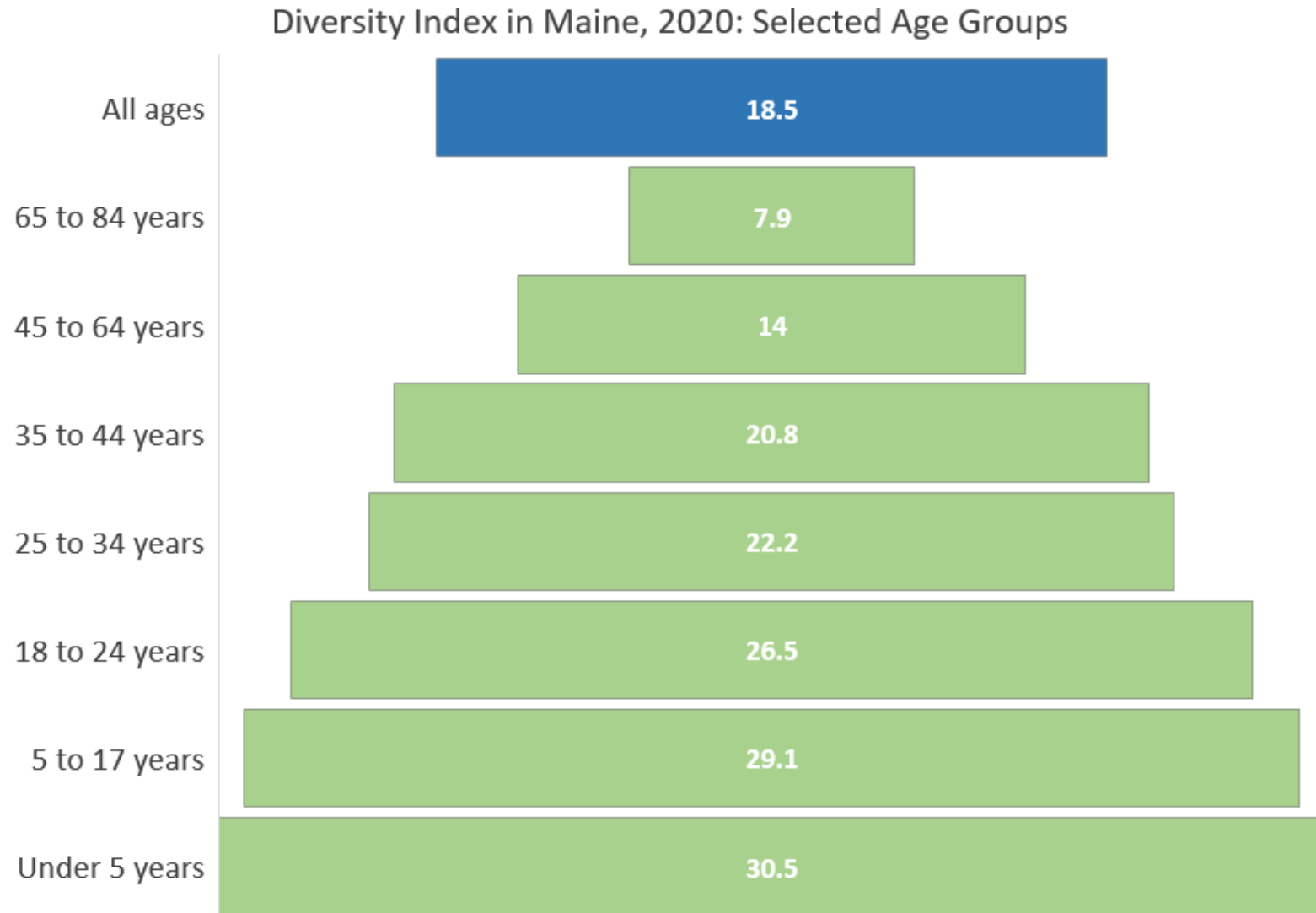
Diversity in the Population and the Workplace



The diversity index tells us the chance that two people selected at random will be from different race or ethnicity groups

- In 2020, Maine ranked as the least diverse state in the U.S.
 - ME index = 18.5
 - U.S. index = 61.1
- But there is regional variation: Cumberland, Androscoggin, and Washington counties are more diverse

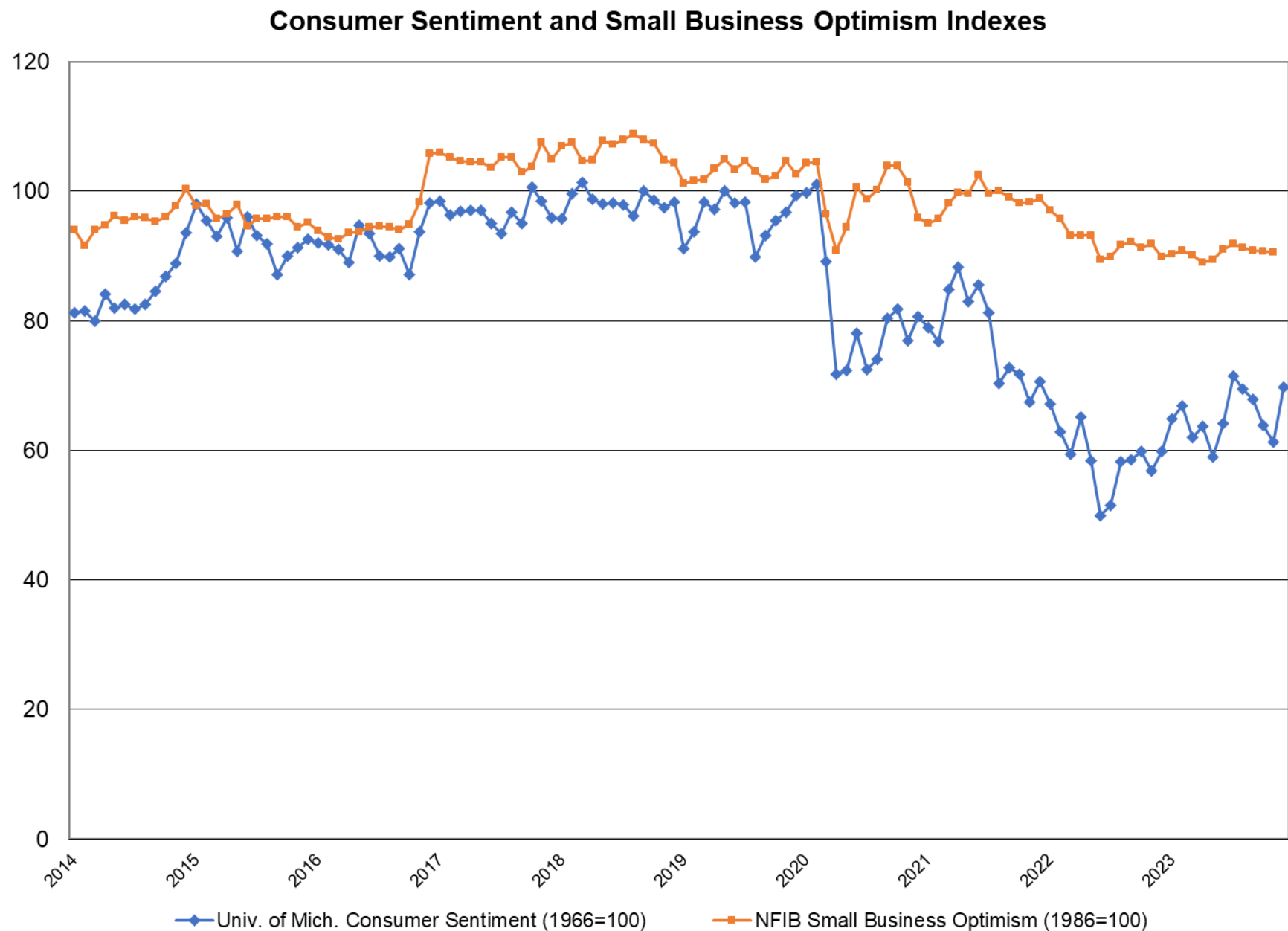
Younger generations in Maine are more diverse than older generations



Consumer and Business Sentiment

Inflation and lack of available workers have been contributors to the lack of gains in small business optimism over the past two years

Consumer sentiment improved 14% in December 2023 based on more optimistic views of inflation trends



Global risks to the outlook

Areas of global uncertainty that contribute to economic risks:

- “Geo-political tensions remain elevated and continue to pose a negative risk to the forecast.”
 - November 2023 Maine Consensus Economic Forecasting Commission report
- Upcoming national election
- Federal budget negotiations
- Consumer spending

Ongoing rollout of federal
funds and other potential
“cushions”

- 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.
 - November 2023 Maine Consensus Economic Forecasting Commission report
- The Budget Stabilization Fund is at statutory limit (nearly \$970 million)
 - Allows the Governor and Legislature time to make thoughtful adjustments in case of unexpected and sudden revenue shortfalls

What am 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. Geo-political tensions and other risks to the outlook
9. Ongoing roll-out of federal funds and other potential “cushions”

In short:
2023 ended on solid footing
and we're starting 2024 in
reasonably good shape

Contact Information

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