

**Report of the
CONSENSUS ECONOMIC FORECASTING COMMISSION
April 1, 2009**

Commissioners

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Summary

The Maine Consensus Economic Forecasting Commission (CEFC) convened on March 31, 2009 to revise its November 2008 forecast. The Commission delayed its normal spring meeting time in order to have the most recent employment data for Maine available at the time of the meeting. This report provides a summary of the Commission's findings. Further details on the changes in the components of personal income will be made available prior to the meeting of the Revenue Forecasting Commission.

The spring forecast reflects the sharp decline in national and state economic activity that began in the fall of 2008. The revised forecast estimates that this decline will result in continued employment losses through 2009 and the beginning of 2010, with a recovery beginning in late 2010. Personal income will continue to grow in 2009 and 2010 but at significantly diminished rates. Sharp declines in employment will result in reductions in total wages and salaries paid in Maine on a year over year basis in both 2009 and 2010.

The national and state economic outlook has continued to worsen since the CEFC met in October. Although oil prices fell from their mid-2008 peak, the housing and credit markets have continued to decline. Significant anxiety among consumers and business owners along with tight credit conditions have caused steep drops in consumption, which has resulted in drops in business activity and U.S. gross output. While funds from the American Recovery and Reinvestment Act of 2009 have begun entering the economy, these majority of these funds will not begin to affect the economy until later in 2009, and then will only ameliorate the decline in economic activity.

The commission is projecting continued losses in Maine non-farm wage and salary employment in 2009 and 2010 (-3.8% and -1.6% respectively, on an annual average year over year basis), followed by a recovery period starting in late 2010. The forecast for personal income in 2009 through 2012 has been reduced as a result of the weak job market. The commission decreased its forecast for the Consumer Price Index (CPI), a measure of household inflation, reflecting the significant drop in energy prices that followed the 2008 peak.

The table below outlines the forecast's major indicators.

Calendar Years	2008	2009	2010	2011	2012	2013
Wage & Salary Employment (Annual Percentage Change)						
CEFC Forecast 11/2008	-0.2	-0.7	0.4	1.0	0.8	0.7
CEFC Forecast 4/2009	-0.3	-3.8	-1.6	1.4	2.2	2.0
Personal Income (Annual Percentage Change)						
CEFC Forecast 11/2008	3.7	2.6	3.9	4.0	4.3	4.3
CEFC Forecast 4/2009	4.2	1.0	1.2	2.8	4.0	4.7
CPI (Annual Percentage Change)						
CEFC Forecast 11/2008	4.4	2.5	2.5	2.2	2.2	2.2
CEFC Forecast 4/2009	3.8	-1.4	1.7	2.3	2.1	2.0

In making these adjustments, the CEFC drew upon information presented by several state agencies, including the Maine Department of Labor, Maine Revenue Services, and the Maine State Planning Office.