

MAINE CONSENSUS ECONOMIC FORECASTING COMMISSION

Overview and Update for Joint Standing Committee on Appropriations and Financial Affairs

December 17, 2020

Amanda Rector, Maine State Economist

Department of Administrative and Financial Services

Current Membership

- Ryan Low, Chair
Vice Chancellor for Finance and Administration & Treasurer, University of Maine System
- Dr. Chuck Lawton
- Dr. Julieta Yung
Assistant Professor of Economics, Bates College
- Sarah Austin
Policy Analyst, Maine Center for Economic Policy
- Dr. Sheena S. Bunnell
Professor of Business Economics, University of Maine Farmington

Staff support from Dept. of Administrative and Financial Services (Office of the State Economist and Maine Revenue Services) and Maine Dept. of Labor (Center for Workforce Research and Information)

Overview of CEFC

- CEFC meets at least 3 times annually with 2 statutory forecast reports:
 - **November 1** and either
 - **February 1** in even-numbered years or **April 1** in odd-numbered years
 - Additional meeting held jointly with Revenue Forecasting Committee (RFC), usually in early fall, to discuss process improvements and items of mutual interest
- Official economic forecast is used as input to the revenue models for the RFC, which has statutory deadlines one month after CEFC
- In 2020, CEFC produced its statutory forecast on **February 1**, an off-cycle update on **July 1**, and its statutory forecast on **November 1**

Key Assumptions in Nov. 1 Forecast (1/4)

- A protracted and slow recovery from the current recession, highly uneven across sectors and different groups
- Although there is some concern that the holidays and winter months combined with “COVID fatigue” may lead to further spread of COVID-19, the State has developed resources that will help mitigate the effects
- The timeline for widespread availability and distribution of a vaccine remains uncertain

Key Assumptions in Nov. 1 Forecast (2/4)

- Further federal stimulus will likely follow in 2021 including support for state and local governments, unemployed workers, and lower-income households
- There is additional uncertainty in this forecast relating to the 2020 presidential election and subsequent policy action as well as the recent federal inflation target changes

Key Assumptions in Nov. 1 Forecast (3/4)

- Long-term structural changes are likely to occur as the labor market faces a skills mismatch; additionally, the challenges relating to the availability of childcare and K-12 education are seen as major factors in returning labor force participation rates to normal levels
- 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, this does have implications on the commercial real estate front, particularly for office space

Key Assumptions in Nov. 1 Forecast (4/4)

- Human behavior underpins several key uncertainties at this time, including participation in testing and contact tracing; continued adherence to social distancing procedures; and winter tourism decisions

Comparison of Key Indicators

Calendar Years	2019	2020	2021	2022	2023	2024	2025
Wage & Salary Employment (Annual Percentage Change)							
CEFC Forecast 02/2020	0.9	0.5	0.2	0.1	0.0	0.0	0.0
CEFC Forecast 07/2020	0.9	-8.0	4.0	2.0	0.0	0.0	0.0
CEFC Forecast 11/2020	0.9	-8.0	4.0	2.0	0.1	0.1	0.1
Personal Income (Annual Percentage Change)							
CEFC Forecast 02/2020	4.7	4.1	4.0	3.7	3.5	3.5	3.5
CEFC Forecast 07/2020	4.6	3.9	-1.2	3.7	3.5	3.6	3.6
CEFC Forecast 11/2020	4.2	5.3	-0.5	3.9	3.9	3.9	4.0
Wage and Salary Income (Annual Percentage Change)							
CEFC Forecast 02/2020	4.5	4.1	3.7	3.4	3.2	3.2	3.2
CEFC Forecast 07/2020	4.6	-5.0	2.0	3.0	3.0	3.0	3.0
CEFC Forecast 11/2020	4.9	-1.5	3.0	4.0	4.0	4.0	4.0
CPI (Annual Percentage Change)							
CEFC Forecast 02/2020	1.8	1.9	2.0	2.0	2.0	2.0	2.0
CEFC Forecast 07/2020	1.8	0.9	1.5	1.7	2.0	2.0	2.0
CEFC Forecast 11/2020	1.8	1.3	2.2	2.2	2.1	2.1	2.1