

VIII. Article Regarding Charlie Colgan's 2009 Maine Economic Forecast

- a) Slide Exerpt from Mr.
Colgan's 2009 Forecast**

Maine forecast: Job losses to pile up

18 more months of layoffs, economist warns

By **DAVID SHARP**

Associated Press

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PORTLAND, Maine — A fragile state economy skating on thin ice plunged into the frigid water at the end of 2008, and there will be another 18 months of job losses before the recession bottoms out in Maine, a prominent economist predicted Wednesday.

The recession stands to claim 17,000 jobs by the third quarter of next year, and it won't be until 2012 that the state's employment returns to pre-recessionary levels, said Charles Colgan of the University of Southern Maine's Muskie School.

"That's the basic outlook of a year-and-a-half of fairly steady downward motion in the employment picture for Maine, followed by a modest but slow recovery," Colgan said.

Even though Colgan painted a bleak picture, he said the current recession won't be as bad as the one in 1990-91 in Maine.

The former state economist briefed business leaders during his annual economic forecast, dubbed "Breakfast with Charlie."

The retail sector will be the biggest loser when it comes to jobs, Colgan said. Some big box stores won't survive the dive in consumer spending, but many stores will survive since Maine was late to the party when it came to big box construction, he said.

Overall, Maine fared well compared to the rest of the nation until the final quarter of 2008, Colgan said. The state's economy had been on thin ice for a couple of years, he said, and "we fell through the ice and found that it was indeed cold," he said.

"Consumers essentially deserted the economy en masse in the fourth quarter at a speed that was literally unprecedented," Colgan said.

Overall, Maine's job losses would be far worse without President-elect Barack Obama's proposed economic stimulus package, which could reach \$1 trillion in size.

"There has to be an effective fiscal stimulus. Effective means big, and it means getting the money into the economy and moving quickly," he said.

Colgan sees the potential for big investments in energy and the environment.

On the horizon, one bright spot is the potential for wind power in northern Maine, proposals to bolster the power grid and two liquefied natural gas terminal proposals in eastern Maine that together have the potential to create between 4,000 and 6,000 jobs, Colgan said.

Another bright spot is energy prices. Colgan said he anticipates a couple of years of relief from high oil prices, and he predicted an equilibrium of \$80 to \$100 per barrel. On Wednesday, crude oil was trading below \$40 per barrel on the New York Mercantile Exchange.

A negative factor, meanwhile, will be the closing of Brunswick Naval Air Station, which will eliminate jobs and add 2,500 units to the slumping housing market, he said.

As the economy moves toward recovery, one thing that will be needed is a change in mentality when it comes to hiring, Colgan said. He noted that the stock market rallied briefly upon the devastating economic news that 542,000 people lost their jobs in November.

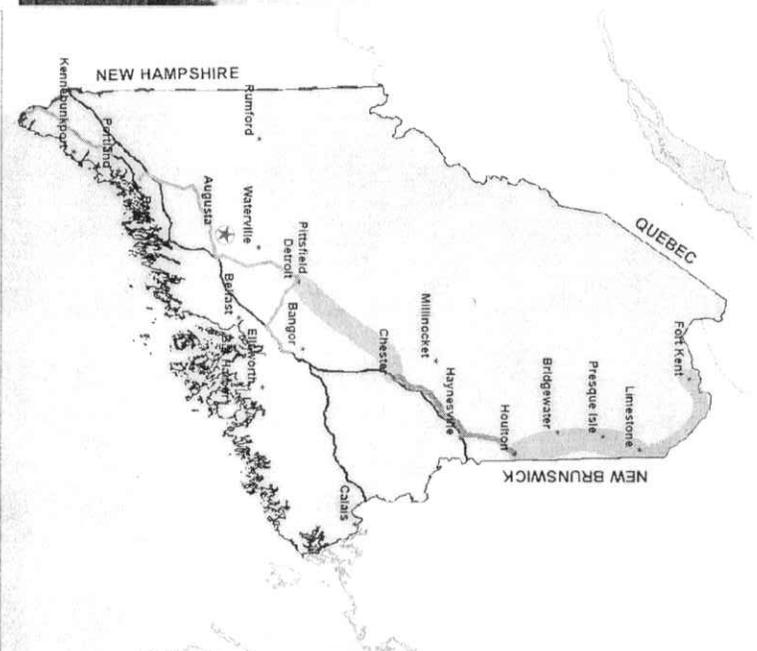
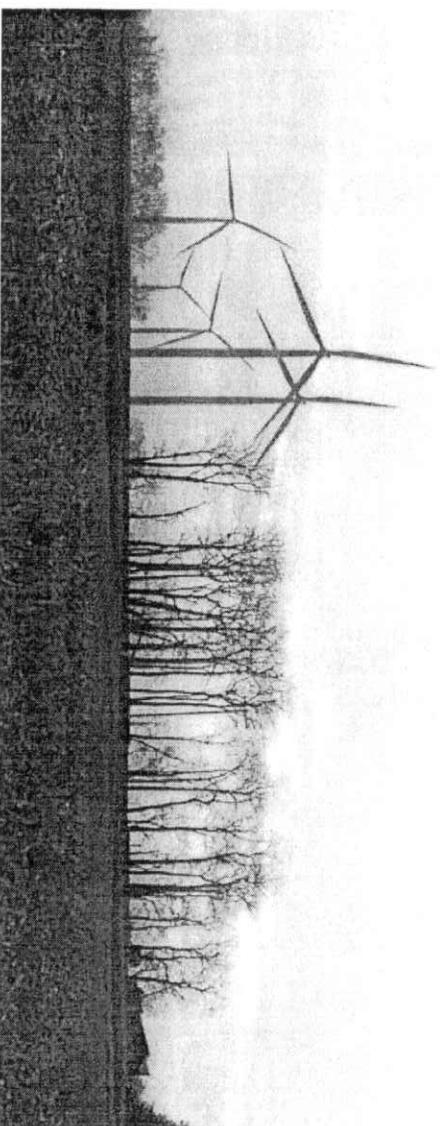
"There has to be an end to the war on labor," he said. "We have essentially made hiring people a bad thing, and we're going to have to find a way for people to have hiring people be a good thing."

After the recession ends, Americans can look forward to higher taxes as the federal government repays the debt it has incurred. "We're not going to be able to do it by cutting spending," he said. "Somebody, somewhere, sometime, is going to have to pay higher taxes."

In Augusta, state lawmakers possibly can get through the recession without raising taxes if they have the political stomach for it, but the state's tax structure that's linked to the economy's boom and bust cycles continues to be a problem, Colgan said.

Maine state government depends heavily on taxes on auto sales, home construction and capital gains, all of which have taken a major hit, and the state needs to expand the tax base so it's not so dependent upon those sectors, Colgan said.

A Possible Bright Spot



Source: Charlie Colgan, Maine's 2009 Economic Forecast Presentation