



COLBY ECONOMIC OUTLOOK

CURRENT ECONOMIC CONDITIONS & OUTLOOK FOR THE U.S. MACROECONOMY AND THE STATE OF MAINE



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The forecasts and analysis in the CEO represent the views of the authors and do not necessarily represent the opinions or advice of the faculty and staff at Colby College

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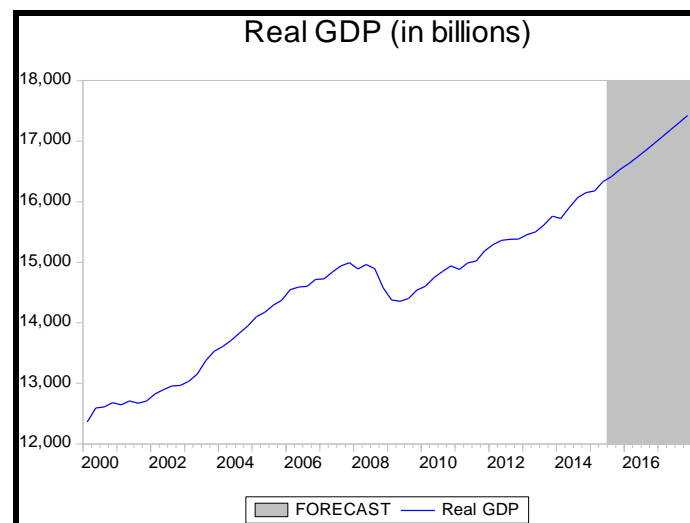
Introduction

This edition of the *Colby Economic Outlook* (CEO) was constructed by the students in Economics 473, a senior seminar at Colby College, under the guidance of Professor Michael Donihue. Since 1989 the CEO has provided a bridge between the academic experience of students at Colby College and the ‘real world’ of policy makers in Maine and Washington, DC. The forecasts in this newsletter represent the results of a 100 equation econometric model of the U.S. economy and a companion model for the state of Maine. Our structural model incorporates several sectors of the U.S. macroeconomy and underlying factors that we believe best represent our predictions for economic activity through the end of 2017.

Current State of the U.S. Macroeconomy

The CEO 2015 forecasts were produced at the end of Colby’s 2015 Fall semester. In 2015, the US economy has been recovering steadily from the effects of the Great Recession. We are now expecting the macroeconomy to become more dynamic after the long period of low volatility and zero interest rates. In the third quarter of 2015, real gross domestic product (GDP) increased by 2.1 percent, reflecting the rising of consumption and investment. From positive indicators of economic growth, we forecast real GDP to grow 2.60% in 2016 and 2.74% in 2017. Our forecasts are presented in the context of the Federal Reserve anticipating the first increase of interest rates since financial crisis. We believe that the risen of interest rates in the near future would shrunken the consumption on durable goods by 0.4%, and the employment rate would

increase slowly at a rate less than 0.9%. The stock market has a strong and steady performance since 2010, and we foreseen an increase in nonresidential investment by more than 3.8% through-out our forecast horizon.



Monetary Policy: A Return to Higher Interest Rates

During the financial crisis, the Federal Open Market Committee (FOMC) implemented an uncontroversial monetary policy – Quantitative Easing in hope to stimulate the economy. Instead of targeting the short-term interest rates through direct management of bank excess reserves, Quantitative Easing allowed the Federal Reserve to purchase interest-bearing assets from financial institutions raising the price of those assets, lowering their yield and thus expanding the monetary base. The Federal Reserve has effectively been in a liquidity trap since 2009 with the federal funds rate never exceeding 0.19% and falling as low as 0.07%.

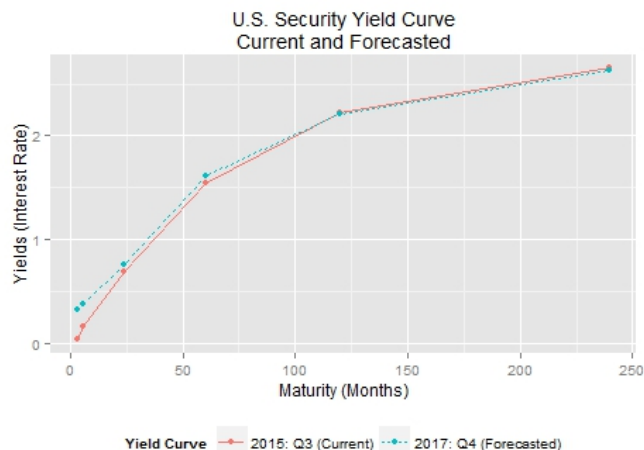
As the economy recovered and expanded at a solid pace with improved labor market conditions and advancing investments, the

Federal Reserve announced its plan to end its Quantitative Easing program last year. Now, in late 2015, all eyes turn to when the Fed will embark on an exit strategy to return to “normal” rates.

Our fed funds reaction function, which is a function of the rate of current period’s rate of inflation and unemployment, forecasts rates about 40 basis points higher than it has been over the past eight quarters indicating that the Federal Reserve might currently have the flexibility to begin “liftoff” and raise rates. However, these are not normal economic times and modeling the Fed behavior with a standard reaction function may be a fool’s errand. In October 2015, the Federal Reserve released a statement regarding their fund funds target of 0.25%:

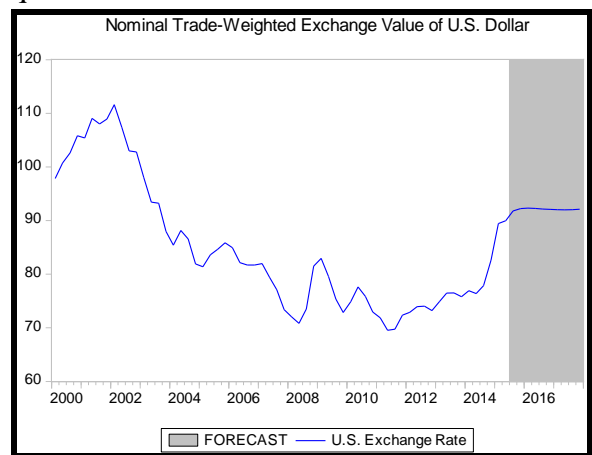
“To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate.”

The statement goes on to say that the Fed will consider raising rates once full employment has been reached and inflation remains stable at 2%. Our models forecast that by the end of 2017 the fed funds rate will reach 0.65% which would be the highest it has been since the crisis in 2008. The rise in short term interest rates over the next two years is reflected in our forecasted 2017 yield curve. Note that the long term rates are relatively unchanged which reflects the fact the market participants already expect the Fed to raise rates over the next two years.



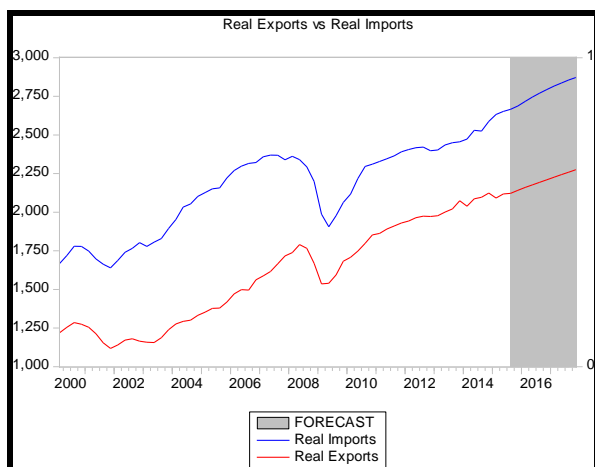
The Effects of a Stronger U.S. Dollar

When evaluating the world market, the headlines are the strengthening US dollar and a volatile situation developing within the emerging markets. Over the last four quarters, the US dollar has exhibited a rapid; specifically, the trade-weighted exchange rate of the U.S. dollar increased 15.82% in 2015. Since this type of growth is not sustainable, we expect the US dollar to experience a slight increase in value or to remain relatively flat over the next eight quarters.



From a theoretical perspective, we would expect the strengthening US dollar to decrease exports and to increase imports

because Americans will have higher bargaining power to purchase international goods. Yet, general United States economic growth, following the Great Recession and a slew of other positive factors, has caused imports and exports to increase. Considering future economic growth and the outlook of the US dollar, we expect the rate of imports to increase faster than the rate of exports. This is reflected in our model where we forecast imports to increase 3.65% in 2016 and 3.21% in 2017; while we forecast exports to increase 3.16% in 2016 and 3.02% in 2017.



Economic Outlook across the Pacific

Due to the rising strength of the U.S. dollar, we have adapted our forecast to portray the growth rate of imports to increase faster than that of exports. Despite a constant increase in world consumer prices, this rise of U.S. imports can be attributed to Americans holding more purchasing power for foreign products. Evaluating global market factors, we are confident regarding the increasing rate of imports due to the aforementioned U.S. economic growth and lackluster growth in international markets.

In Asia, Japanese economic reports, as recent as the third quarter of 2015, portray the nation still in an economic recession. We have slight concerns about Japan’s short-term outlook because consumers and businesses are spending less money. As a result, the Japanese economy is generally cutting back on investment. Shifting 2000 miles west, China is tinkering with undergoing a significant Yuan reform. Specifically, Asian nations are significantly worried about the ramifications of China’s devaluation of the Yuan because as China devalues its currency, we hypothesize that exports will increase and imports will decrease. From evaluating the U.S. economy, we understand theory does not always hold. Thereby, we can qualitatively characterize the Asian market situation as volatile.

Economic Outlook across the Atlantic

Although the economic outlook in Europe is not as volatile as that of Asia, we are uncertain about the potential ramifications from the heinous acts of terror in Paris and the United Kingdom’s possible departure out of the European Union. From evaluating economic impacts of previous terror attacks, history tells us that there is not an association between terrorist attacks and the market. Since France has one of the largest tourism sectors globally, we do have concerns about possible economic consequences from a short-term decline in tourists. Given France’s immediate response of togetherness, we do not foresee a lingering economic impact.

Across the English Channel, the scene in the United Kingdom is significantly different. The UK is seriously considering a European

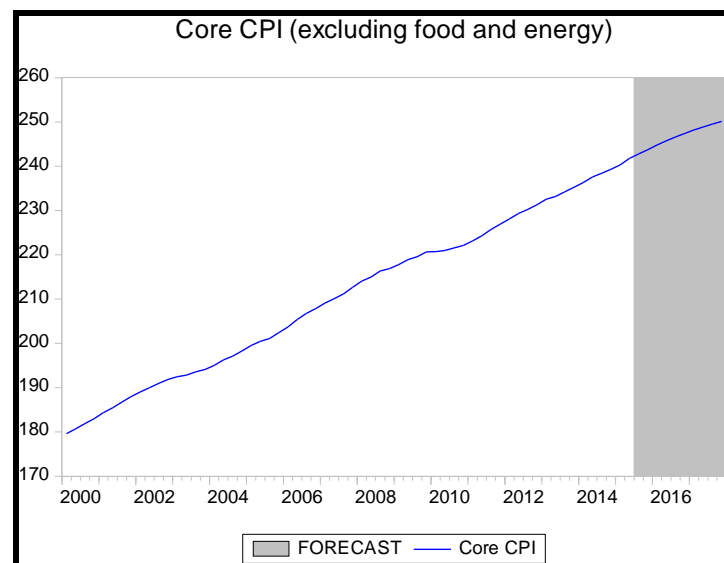
Union departure by the fourth quarter of 2017. Compared to the rest of the EU, UK is experiencing economic growth on par with Germany and the United States. Other economic indicators portray an attractive economic outlook for the UK; for example, UK unemployment is hovering around 5.5% which is nearly 'full employment'. Overall, this situation portrays that there is also significant uncertainty about the economic outlook in Europe.

Prices and Consumption: Low inflation spurs future consumption

The primary measure of inflation in our model is the overall price index for personal consumption expenditures. This broad measure of consumer prices is determined by expectations - augmented Phillips Curve that includes energy prices, labor productivity growth, and the gap between import prices and domestic prices. The inflation rate has continued to be relatively low (under 2%) which is expected with the slow overall growth of the economy. However, inflation rate is pretty close to the Fed 2% target and so we're expecting a move by the Fed to increase the federal funds rate by about 70 basis point by the end of 2017.

With an expected increase in the interest rate, our projection of the rate of growth of the core CPI (excluding food and energy costs) are 1.5% and 1.1% in 2016 and 2017, respectively. Gasoline prices are forecasted to decline over the forecast horizon by 4.9%. However, the steep drop in gasoline prices resulting from increased domestic energy production and Saudi Arabia's discounts for crude oil occurred at a time of faltering global demand and is set to provide the U.S.

economy with a multi-billion dollar boost, at least for the near term.



In our model, oil prices influence aggregate economy activity through the price of gasoline and its impact on overall inflation (via the Phillips Curve), on consumer sentiment, and on nondurable spending by households. In 2015, average gasoline prices in the US were \$2.17 per gallon (all grades of unleaded gasoline). The fall in oil and gasoline prices should provide a significant boost to the consumption sector. For an economy in which consumer spending accounts for more than 68% of GDP, this is a welcomed trend. If the continued drop in oil prices keeps up, the benefit to consumers will outweigh the loss to oil producers as investments in oil and gas production account for less than 1% of the country's GDP. The extra cash, that consumers are now able to save from gas, can be spent in other sectors of the economy.

The outlook on the consumption of durable goods is expected to decline steadily at an average growth rate of 1.4% in 2016 and 1%

in 2017. Particularly with auto sales, which constitute 3.5% of GDP, the current excess supply of oil should continue to fuel sales growth in the auto industry. Cheap gas prices mean that consumers are now more willing and able to spend on less fuel-efficient vehicles. We anticipate that increasing interest rate will contribute to a decrease in consumer spending on nondurable goods of 0.4% throughout the forecast period.

Labor Sector: The effects of a flat labor participation rate

As of November 2015, the unemployment rate was hovering at 5.0% compared to 4.7% in 2007 before the financial crisis. The current rate is the lowest it has been since pre-recession levels, continually falling from the 10% high in October 2009. This should be representative of a very strong and healthy economy with significant projected growth. However, the current economy seems more sluggish and growth is slower relative to what low unemployment figures suggest. This has led many people to question whether the current level of unemployment is below the so-called natural rate. This low rate could also show hidden weaknesses in the economy.

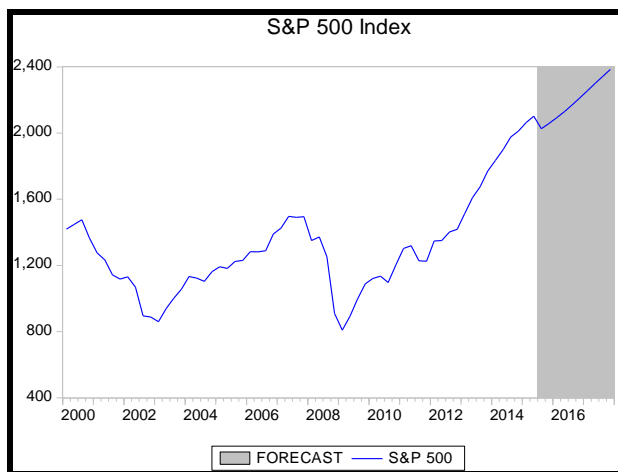
The high level of employment (low unemployment) could have been aided by an increase in part-time workers who would like to work full-time or discouraged workers who give up looking for a job and exit the labor force. Essentially, it seems as though the current level of employment does not match the upbeat economic conditions. Our model forecasts a sluggish increase in

employment of 0.89% and 0.84% in 2016 and 2017, respectively.

Firm Sector: A Globalized Stock Market and Recovering Housing Market

The S&P 500 index, our indicator for stock market performance, has experienced positive growth rates since 2010, growing 14% in the last 5 years. While a positive trend in Consumer Sentiment has helped drive the stock market up, corporate profits, a significant explanatory variable for our S&P 500 model, grew by 7% in the last 5 years. The growth in corporate profits caused the S&P 500 index to exhibit its positive trend. According to an article in Forbes magazine, globalization is the driver behind increasing corporate profits over recent years. We can expect U.S. corporations continuing to profit abroad, with returns from the S&P 500 containing to grow as well. This enables near perfect conditions for firms to increase their investments. As a result, non-residential investments saw an average growth rate of 5% over the same period.

We believe that the positive trend in the stock market will continue, as our forecast indicates that the S&P 500 index, as well as corporate profits, will grow steadily through 2016 and 2017. With corporate profits forecasted to rise for the next two years, corporations are provided with a positive scenario that firms can increase their investment over the coming quarters. Our model shows an increase in nonresidential investment of 3.85% in 2016 and 3.83% in 2017.

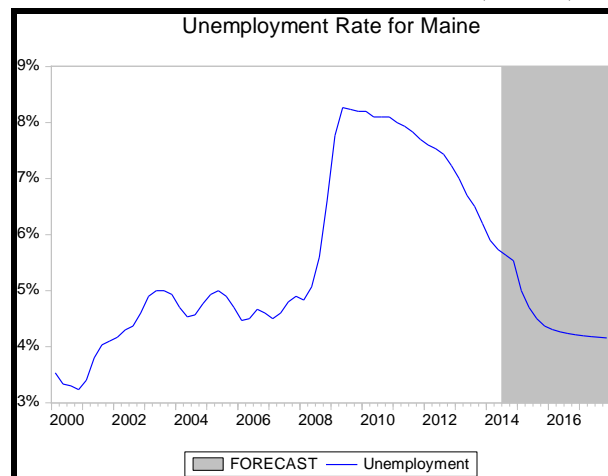


The housing market in the United States has been one of the most volatile sectors since 2000. After the recession in 2008, residential investment has seen positive growth and should continue to increase 14.8% over the next two years. Our forecast predicts a 5.8% increase in new housing starts from 2015 Quarter Four to 2017 Quarter Four, which seems appropriate given current economic conditions in the US and our forecasts for residential investment and GDP. The explanatory variables that we used in our equation to predict new housing starts are 30-year mortgage rates, real GDP, and household net-worth. We therefore expect growth in the housing market, with increase housing starts and residential investments during our forecast period.

The State of Maine: Economic Recovery from the Great Recession

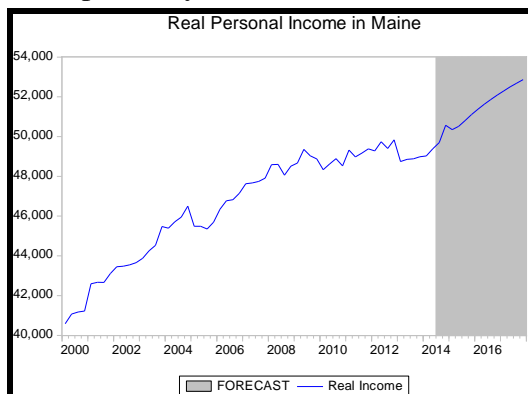
Maine’s economic health has steadily fought to rebound from the drastic effects of the Great Recession. In recent years, the traditional indicator of Maine economic stability, the manufacturing industry, has become consistently weaker as jobs within the industry are declining. Relative to the

United States manufacturing sector, the fall in Maine manufacturing has been significantly greater than national figures. While the manufacturing industry is expected to continue falling, Maine’s total employment (without the farming industry) is forecasted to grow 1.06% in 2016. Likewise, unemployment should continue to see a drop into rates not seen since before 2003 (4.16%).



Within the next two years, the education and health employment are projected to exhibit flat growth around 1% in 2016 and 2017; while the employment within restaurant and lodging industries are forecasted to grow closer to 2% throughout 2016 and 2017. Sales within the restaurant, lodging, and retail industries are all supportive indicators of Maine’s overall positive growth. In Maine, tourism is an important piece of the state’s economy because it is linked to many vacationers enjoying Maine’s beaches during the summer months and beautiful ski slopes in the state during the winter months. Given Maine’s economic revival and preferred travel destination, our forecast projects rising personal incomes for Maine households that should reflect positive economic growth for the state. Specifically, we forecast personal

income to grow 2.07% and 1.63% in 2016 and 2017, respectively.



Looking forward to 2017, the economic status of Maine seems to be on a positive track. This becomes evident with the Colby Coincidence Index (CCI), which was created to gauge the economic status of Maine, as it is steady growing at a 1% rate per year.

Colby Coincident Index (CCI): Positive Future Growth for the State of Maine

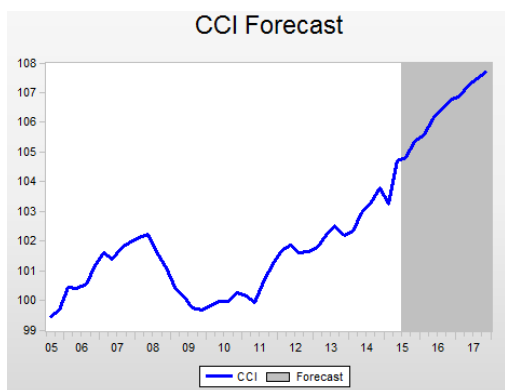
The Colby Coincident Index of the Maine Economy (CCI) is designed to provide a clear and up to date assessment of aggregate economic activity in Maine. Traditionally, Gross State Product (GSP) is widely accepted as the best measure of aggregate economic activity. However, it is reported on an annual basis and with a two-year lag. To resolve these issues, the CCI is created using current values of key economic indicators to provide insight for the overall economy in Maine. Moreover, these indicators are forecasted allows us to predict the overall economic activity in Maine.

The index is created in a fashion consistent with the coincident index published by the Philadelphia Federal Reserve Bank, using indicators that reflect the economy in Maine.

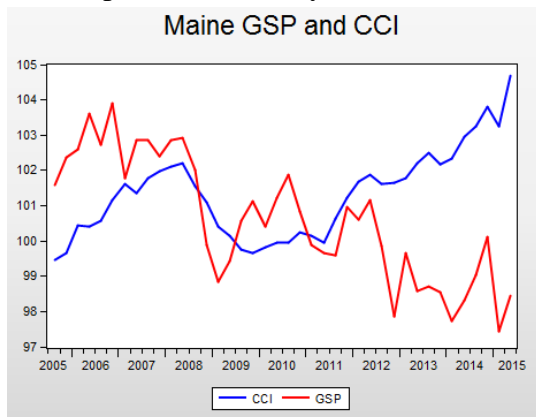
The indicators we use for this index are: retail sales, employment in manufacturing, employment in health and education services, employment in tourism, employment in other industries, turnpike traffic, and restaurant and lodging sales. Lodging sales and turnpike traffic are not commonly used in coincident indices, but we decided to include in the CCI for Maine to capture the economy's reliance on tourism. These components also show how the Maine economy is affected by economic fluctuations outside the state.

The CCI is created using a symmetric percentage change formula to produce a series of quarter-to-quarter changes for each indicator. This index weighs components with high variability less to capture trends in aggregate economic activity and smooth out expected variations in the particular components. Therefore, the index is a weighted average of its different components. We choose 2009 as the base year for our index. This way, all index values can be interpreted relative to when the Great Recession had its largest impact on Maine. Future values can be viewed as a forecast of Maine's economic recovery and growth from this low point in 2009.

The CCI forecast suggests that Maine will grow 1.41% in 2015, 1.61% in 2016, and 1.05% in 2017.



On December of 2015, it is the first time when Maine released its quarterly GSP without a lag. This allows us to compare the CCI with the Maine GSP by scaling GSP using 2009 as its base year. As we can see from the graph below, the CCI tracks the overall Maine economy fairly well prior 2012. While the GSP decreased and remained relatively stable after, the CCI shows a growing economy. Since the CCI emphasizes on the tourism industry, it provides a different perspective for the Maine economy. The CCI suggests that overall, Maine had an overall positive recovery after the recession.



Special Report: 2016 Presidential Election

As the election approaches in less than a year, it is time to predict who will be sitting in the Oval Office in January 2017. In order to predict the election, we used Ray Fair’s economic model, which has only predicted

three elections incorrectly. This model predicts what percentage of the popular vote each party would receive in a two party election. Each of his predictions has accurately predicted this within his margin of error.

In this model, he places different coefficients on each of three variables:

1. Growth rate of real per capita GDP in the first three quarters of 2016 at an annualized rate
2. Growth rate of the GDP deflator in the first 15 quarters of the second Obama administration at an annualized rate
3. Number of quarters in the first 15 quarters of the second Obama administration in which the growth rate of real per capita GDP is greater than 3.2% at an annual rate

Using data that we forecasted for real GDP, the GDP Deflator, and population, we were able to use this model. Our prediction is that the Republican Party candidate will garner 54.4% of the vote.

Along with this prediction reliant on economic factors, Ray Fair also looks at the political spectrum for elections. One of these aspects is that if the incumbent is running for reelection, then the incumbent tends to have a competitive advantage. Unfortunately for Democrats, President Obama has served his two terms and cannot run for reelection (although this theory may benefit Hillary Clinton should she win the primary since she was a major part of the Obama administration). Also, historically, in terms of which party is in power in the White House, the country tends to vote for a change after two terms. Since the Democratic Party

has been in power for two terms, this theory suggests that voters will favor the Republican candidate. These two political factors clearly favor the Republican Party, which should strengthen the prediction of a Republican Party victory based on recent and future economic conditions.

Given our prediction utilizing Ray Fair's model, the 2016 Presidential Election will likely be atypical. Predicting using purely numbers can be useful and accurate, but we also have to look at the candidates and their intangible qualities. From 2015 alone, there has been an abundance of media coverage on potential party representatives, including characters like Donald Trump and Dr. Ben Carson on the Republican side, and Hillary Clinton and Senator Bernie Sanders on the Democrat side. Sure, there have been characters in the past, but with Trump and Carson leading the way in the Republican polls, there might be an unusual election ahead of us. Neither Trump nor Carson have formal political experience. People point to Ronald Reagan being an actor and becoming President, but even Reagan was Governor of California for eight years before becoming President.

In addition, we are in an age where news is more available than ever with the prevalence of social media and smartphones allowing politics to dominate the media 24 hours a day. This has led to increasing transparency, or at least perceived transparency, of what goes on in Washington and increasing frustration with the lack of progress being made. With this frustration comes a desire from the American people to search for a new leader that may not fit the historical mold of an American President. These factors may be responsible for the rise of Trump, Dr. Carson, and even Senator Sanders. The leading two candidates from each party, especially Donald Trump for Republicans, have garnered extra attention to this election. From a purely qualitative standpoint, we believe this will lead to a higher voter participation rate than historical norm.

With the lackluster performance of the economy during the past term under Obama, the prediction leans towards a Republican candidate. However, we are heading into an unusual election year, which may ignore the patterns of history.

Colby Quarterly Econometric Model of the US Economy															
December 2015 forecasts															
Variable	Units	Actual	Forecast										Annual Growth Rates/Averages		
		2015q3	2015q4	2016q1	2016q2	2016q3	2016q4	2017q1	2017q2	2017q3	2017q4	2015	2016	2017	
Gross Domestic Product	Bil Chn 2009 \$s	16,417.8	16,532.7	16,626.9	16,732.8	16,843.1	16,958.0	17,074.5	17,191.9	17,309.0	17,425.3	2.53%	2.60%	2.74%	
Personal Consumption Exp	Bil Chn 2009 \$s	11,262.8	11,341.1	11,418.3	11,495.5	11,573.3	11,650.1	11,725.2	11,798.1	11,868.9	11,937.5	3.13%	2.84%	2.58%	
Durables	Bil Chn 2009 \$s	1,481.4	1,499.2	1,518.6	1,539.8	1,562.9	1,586.0	1,608.0	1,628.4	1,647.1	1,664.0	6.01%	5.76%	5.48%	
Nondurables	Bil Chn 2009 \$s	2,446.8	2,466.3	2,482.7	2,496.9	2,509.3	2,520.5	2,530.8	2,540.4	2,549.4	2,558.1	2.77%	2.83%	1.69%	
Services	Bil Chn 2009 \$s	7,364.9	7,407.6	7,451.2	7,495.5	7,540.6	7,586.0	7,631.6	7,677.0	7,722.3	7,767.3	2.79%	2.38%	2.41%	
Fixed Investment															
Nonresidential	Bil Chn 2009 \$s	2,223.7	2,236.2	2,253.0	2,273.6	2,295.0	2,316.8	2,339.0	2,361.2	2,383.3	2,405.3	3.10%	3.15%	3.83%	
Residential	Bil Chn 2009 \$s	533.3	539.0	545.2	552.2	560.5	569.8	579.8	590.4	601.4	612.6	8.38%	5.63%	7.03%	
Government Spending	Bil Chn 2009 \$s	2,868.7	2,881.2	2,893.6	2,905.9	2,918.0	2,930.1	2,942.1	2,954.0	2,965.8	2,977.6	0.81%	1.77%	1.65%	
Exports	Bil Chn 2009 \$s	2,122.1	2,141.6	2,159.7	2,176.9	2,193.7	2,210.3	2,226.7	2,243.0	2,259.2	2,275.3	1.52%	3.16%	3.02%	
Imports	Bil Chn 2009 \$s	2,666.2	2,687.5	2,716.8	2,744.7	2,770.5	2,794.4	2,816.2	2,836.4	2,855.2	2,872.7	5.17%	3.65%	3.21%	
CPI less food and energy	% arog	1.69%	1.61%	1.75%	1.52%	1.39%	1.34%	1.23%	1.13%	1.06%	0.97%	1.80%	1.65%	1.23%	
Pers Consumption Price Index	% arog	1.26%	1.49%	1.61%	1.40%	1.28%	1.24%	1.14%	1.05%	0.99%	0.91%	0.38%	1.47%	1.14%	
Non-farm GDP Price Index	% arog	0.95%	1.23%	1.52%	1.59%	1.66%	1.73%	1.75%	1.76%	1.76%	1.75%	0.75%	1.48%	1.73%	
CPI: Gasoline Prices	% arog	1.97%	-10.12%	-8.64%	-3.87%	-1.02%	0.39%	1.02%	1.30%	1.42%	1.46%	-25.76%	-2.56%	0.46%	
Housing Prices	% arog	4.75%	0.82%	1.00%	0.91%	0.90%	0.95%	0.94%	0.92%	0.90%	0.87%	-0.68%	1.04%	0.92%	
Import Price Index	% arog	-3.44%	0.00%	0.61%	0.76%	0.79%	0.79%	0.79%	0.78%	0.78%	0.77%	-7.22%	-0.27%	0.78%	
Civilian Unemployment Rate	%	5.17	5.12	5.07	5.06	5.06	5.06	5.05	5.05	5.04	5.04	5.31	5.06	5.05	
Employment	workers	148,892	149,232	149,614	149,936	150,251	150,567	150,883	151,199	151,517	151,834	1.69%	0.89%	0.84%	
Average Hourly Earnings	\$/hour	21.06	21.10	21.14	21.18	21.22	21.27	21.31	21.36	21.40	21.45	1.86%	1.02%	0.84%	
Business Productivity	2009=100	106.4	106.9	107.3	107.9	108.4	109.0	109.5	110.1	110.7	111.3	0.83%	1.98%	2.10%	
Fed Funds Rate	%	0.14	0.14	0.20	0.20	0.25	0.33	0.41	0.50	0.59	0.67	0.13	0.24	0.54	
3 Month T-Bills	%	0.04	0.08	0.09	0.08	0.10	0.15	0.20	0.25	0.29	0.33	0.04	0.10	0.27	
6 Month T-Bills	%	0.17	0.10	0.10	0.10	0.12	0.16	0.21	0.27	0.32	0.36	0.11	0.12	0.29	
2 Year Treasury Bonds	%	0.69	0.58	0.54	0.53	0.54	0.57	0.62	0.67	0.72	0.77	0.62	0.55	0.70	
5 Year Treasury Bonds	%	1.55	1.50	1.46	1.44	1.43	1.45	1.49	1.53	1.58	1.62	1.51	1.45	1.55	
10 Year Treasury Bonds	%	2.22	2.16	2.12	2.09	2.07	2.08	2.10	2.14	2.18	2.22	2.13	2.09	2.16	
20 Year Treasury Bonds	%	2.65	2.62	2.59	2.55	2.54	2.53	2.54	2.57	2.60	2.64	2.55	2.55	2.59	
Aaa Corporate Bonds	%	4.09	3.83	3.65	3.53	3.45	3.40	3.37	3.37	3.38	3.41	3.85	3.50	3.38	
30 Year Mortgages	%	3.95	3.79	3.70	3.62	3.57	3.54	3.53	3.54	3.55	3.58	3.83	3.61	3.55	
Trade-weighted exchange rate	Mar-73=100	91.8	92.2	92.3	92.2	92.2	92.1	92.0	92.0	92.0	92.1	15.82%	1.47%	-0.16%	
Consumer Sentiment	1966q1=100	90.7	91.8	93.7	96.1	99.0	101.3	103.0	104.4	105.5	106.4	10.64%	4.80%	7.47%	
Household Net Worth	Bil Chn 2009 \$s	78,296.1	78,173.0	78,074.0	78,072.2	78,152.7	78,297.0	78,508.7	78,777.2	79,089.0	79,437.1	4.22%	-0.12%	1.03%	
S&P 500 Stock Index	1941-43=10	2,026.1	2,058.2	2,092.6	2,129.1	2,169.4	2,212.1	2,255.8	2,299.5	2,342.8	2,384.9	6.83%	4.28%	7.90%	
Disposable Personal Income	Bil Chn 2009 \$s	12,312.2	12,344.5	12,378.4	12,412.3	12,446.6	12,481.8	12,517.0	12,552.2	12,587.2	12,621.9	3.42%	1.54%	1.13%	
Corporate Profits	Bill \$s	2,060.3	2,072.4	2,077.8	2,088.3	2,101.0	2,115.6	2,130.8	2,146.0	2,160.9	2,175.2	-0.77%	1.88%	2.74%	
Housing Starts	Thousands of Units	1,163	1,167	1,175	1,186	1,197	1,206	1,214	1,220	1,226	1,230	11.58%	6.67%	2.65%	
Crude Oil Prices	\$/BBL	48	50	50	50	50	50	50	50	50	50	50.85	50.00	50.00	
Federal Government Deficit	Million \$s	597,228	558,294	530,516	504,268	480,722	459,450	440,291	423,060	407,579	393,691	-8.58%	-14.47%	-15.71%	

Colby Quarterly Econometric Model of the Maine Economy														
December 2015 forecasts														
		Actual	Forecast									Annual Growth Rates/Averages		
Variable	Units	2015q3	2015q4	2016q1	2016q2	2016q3	2016q4	2017q1	2017q2	2017q3	2017q4	2015	2016	2017
Total Employment	Thousands	610.9	612.7	613.9	615.1	616.2	617.3	618.4	619.4	620.4	621.4	0.76%	1.06%	0.69%
Education & Health Services	Thousands	123.2	123.6	123.9	124.2	124.5	124.8	125.1	125.4	125.7	125.9	0.57%	1.05%	0.92%
Leisure & Hospitality	Thousands	62.8	63.4	63.9	64.2	64.5	64.8	65.0	65.2	65.5	65.7	0.72%	1.99%	1.55%
Manufacturing	Thousands	50.6	50.6	50.6	50.6	50.6	50.7	50.7	50.7	50.7	50.7	-0.24%	0.98%	0.14%
Other	Thousands	374.4	375.1	375.5	376.0	376.5	377.0	377.6	378.1	378.6	379.0	0.97%	0.92%	0.55%
Unemployment Rate	%	4.50	4.37	4.31	4.26	4.24	4.21	4.20	4.18	4.17	4.16	4.64	4.25	4.17
Personal Income	Millions, 2009 \$s	50,800.0	51,110.4	51,380.6	51,632.8	51,866.8	52,089.8	52,299.6	52,499.0	52,687.9	52,867.4	2.06%	2.07%	1.63%
Wage & Salary Income	Millions of \$s	26,197.0	26,396.1	26,578.2	26,748.2	26,908.0	27,060.2	27,205.9	27,346.7	27,482.9	27,615.2	1.17%	2.79%	2.20%
Retail Sales Sales	Thousands of \$s	4,414.1	4,480.7	4,502.7	4,567.8	4,609.3	4,649.0	4,663.8	4,701.5	4,720.7	4,741.6	4.74%	4.64%	2.72%
Restaurant & Lodging Sales	Thousands of \$s	846.3	865.2	876.9	892.6	904.5	915.4	922.6	932.1	938.9	945.6	5.81%	6.78%	4.17%
Passenger Car Turnpike Traffic	Thousands	17,949.0	18,041.2	17,755.8	18,323.9	18,210.6	18,283.1	18,061.9	18,359.9	18,218.8	18,267.7	4.76%	2.24%	0.46%
Colby Coincident Index	% a.r.o.g.	0.5%	2.0%	0.9%	2.1%	1.0%	1.2%	0.6%	1.4%	0.7%	0.9%	1.41%	1.61%	1.05%
All variables are seasonally adjusted														