

The Economic Outlook for Maine: 2026

Mainebiz Five on the Future Forum

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Last year, I said:

“2025 is starting off with a sturdy economy, but heightened uncertainty in terms of federal policies”

A+

What was I thinking about for 2025?

1. The change in the White House
2. Inflation
3. Interest rates
4. Housing
5. Migration and diversity
6. Labor force participation
7. Consumer and business sentiment
8. Global risks to the outlook

What am I thinking about for 2026?

1. ~~The change in the White House~~ **Federal policy changes** – Substantial and frequent
2. **Inflation/interest rates** – Are tariffs going to increase prices? And what will the FOMC do?
3. **Interest rates**
4. **Housing** – still a major challenge
5. ~~Migration and diversity~~ – no new data to share
6. **Labor force participation** - the perennial topic
New: AI – has been picking up speed as an economic factor
7. **Consumer and business sentiment** – and the “K-shaped” economy
8. **Global risks to the outlook** – some new, some old
New: Data availability challenges – what to do when federal data isn’t there

Federal policy changes

Tariffs have been a rollercoaster ride, with more twists and turns possible this year

Legality of International Emergency Economic Powers Act (IEEPA) tariffs being considered by the U.S. Supreme Court

Country/product-specific rates and exemptions continue to change on short notice

USMCA compliant imports have remained exempt (around 85% from Canada, 86% from Mexico exempt);
USMCA up for review this year (July)

The Budget Lab at Yale estimates (as of 11/17) average effective tariff rate for consumers of 14.4%, highest since 1939, and equates to \$1.3K per household loss

Immigration

Policies have been both limiting immigration to the U.S. and deporting people from the U.S.

Potentially significant implications for U.S. workforce shortages, which will drive up wages and prices

Federal funding has become more uncertain and unstable since the start of the new administration

OBBBA adds \$9.1 trillion to federal deficit over 10 years (\$8.4 trillion to tax cuts); offsets \$5.6 trillion through changes to tax policies, Medicaid, SNAP, student loans

FY 2026 budget proposal keeps overall discretionary base spending level with 2025, but changes how some of that money is allocated

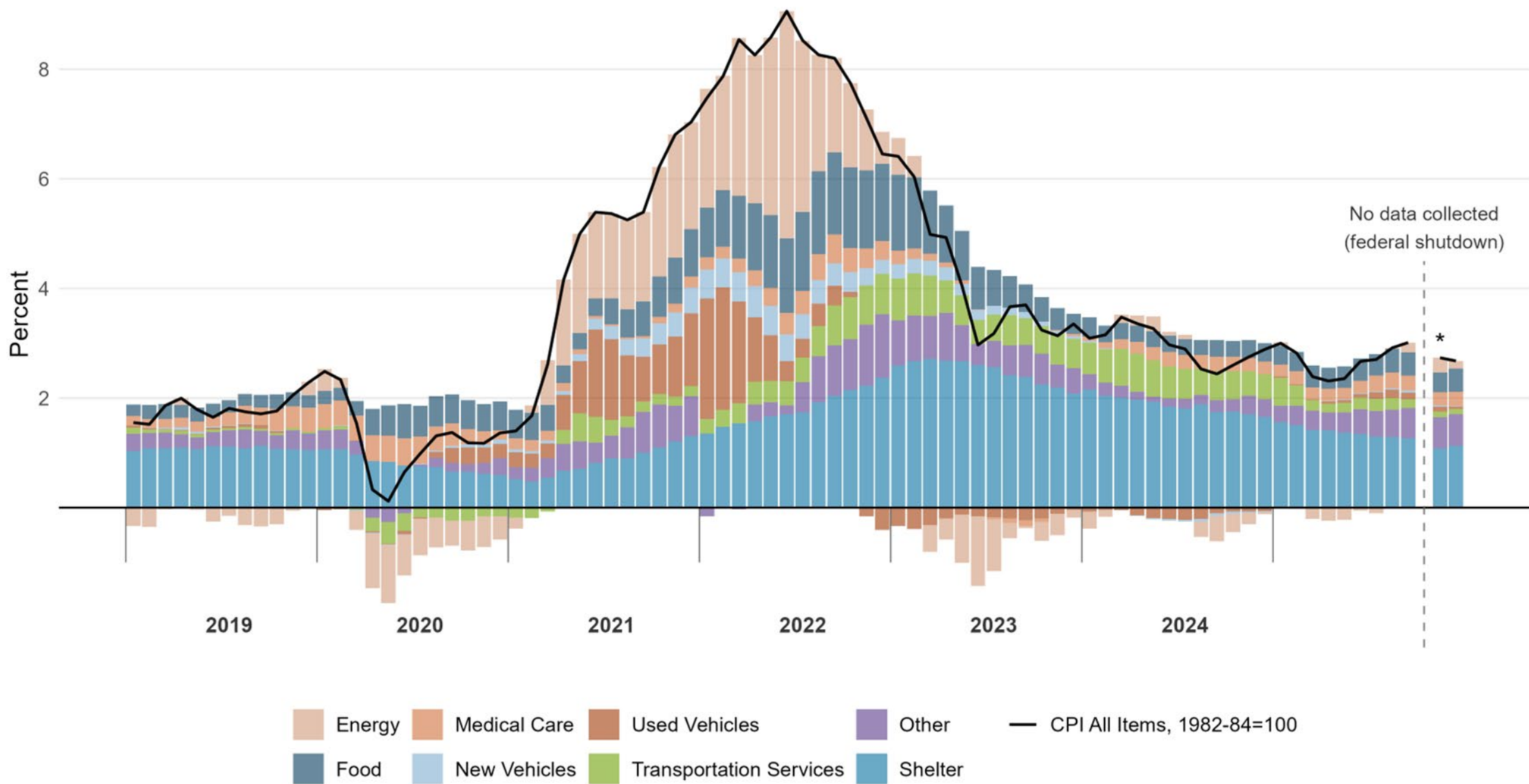
- Shifts \$119.3B from non-defense programs to defense programs

Department	Proposed Decrease (Billions)
Commerce	-\$1.7
Treasury	-\$2.7
Justice	-\$2.7
Labor	-\$4.6
Energy	-\$4.7
Agriculture	-\$5.0
Interior	-\$5.1
Education	-\$12.0
Health and Human Services	-\$33.3
Housing and Urban Development	-\$33.6
State and International Programs	-\$49.1

Will there be another federal government shutdown?

Inflation/interest rates

Percentage Point Contribution to Year-Over-Year Percent Change in CPI



Source: US Bureau of Labor Statistics & Calculations by OSE Staff

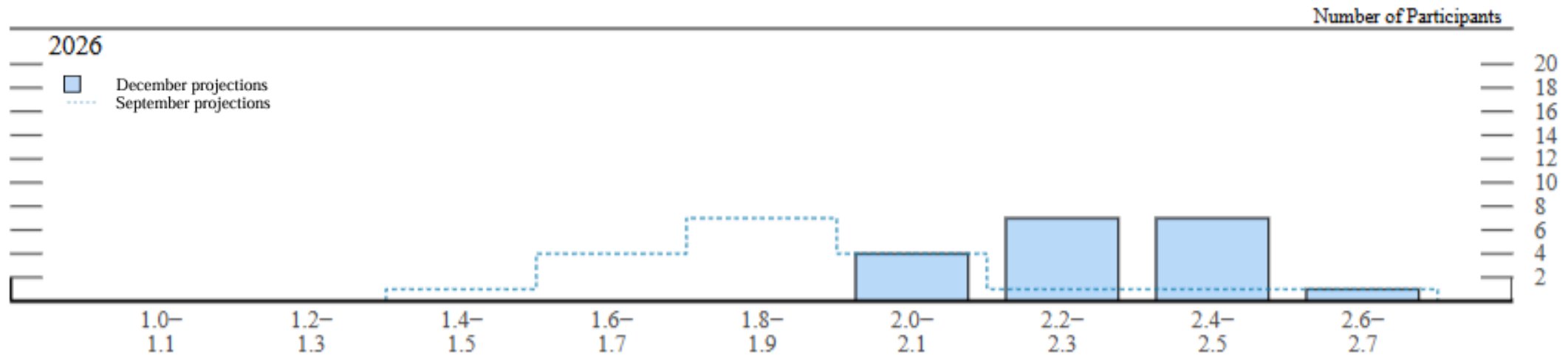
*November 2025: Shutdown not resolved until Nov 12; BLS operated on truncated schedule. Second half of November (Black Friday, holiday shopping) may have distorting effect

Current FOMC target range
(as of Dec.):
3.5% to 3.75%

Median projection for 2026
from Dec. 2025 Federal
Open Market Committee
statement was 3.4%

Distribution of participants' projections for the change in real GDP

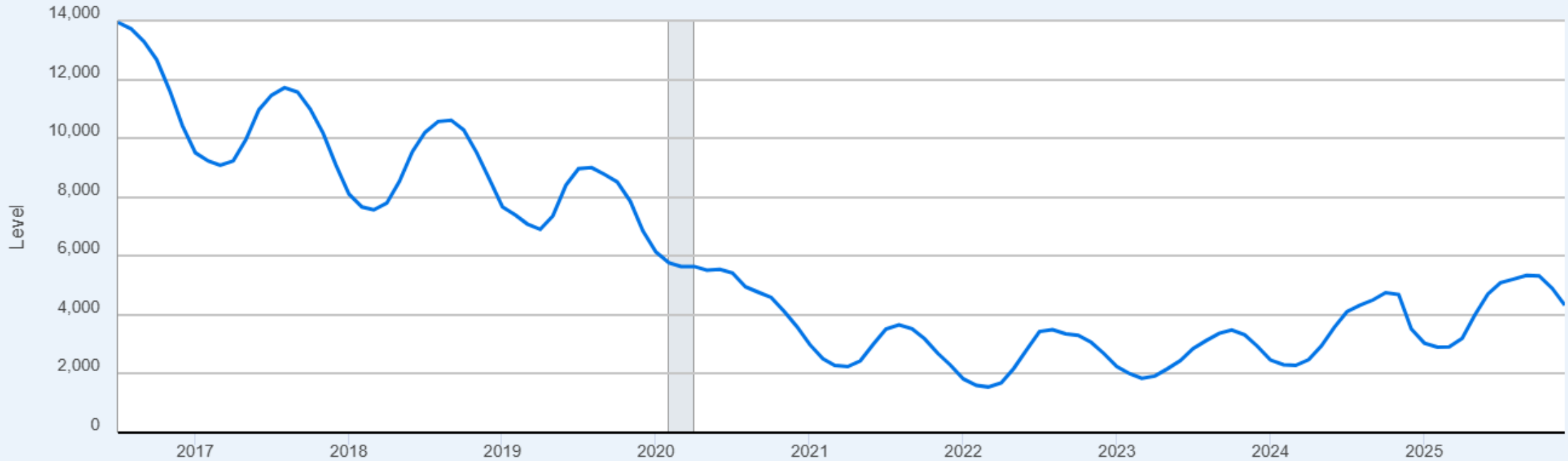
Percent range



Housing



Housing Inventory: Active Listing Count in Maine



Source: Realtor.com via FRED®
Shaded areas indicate U.S. recessions.

fred.stlouisfed.org

Migration into the state drove up demand for housing and further reduced the available supply while high mortgage rates locked people into existing homes, but there's been some improvement:

Dec. 2025 about 23% higher than Dec. 2024

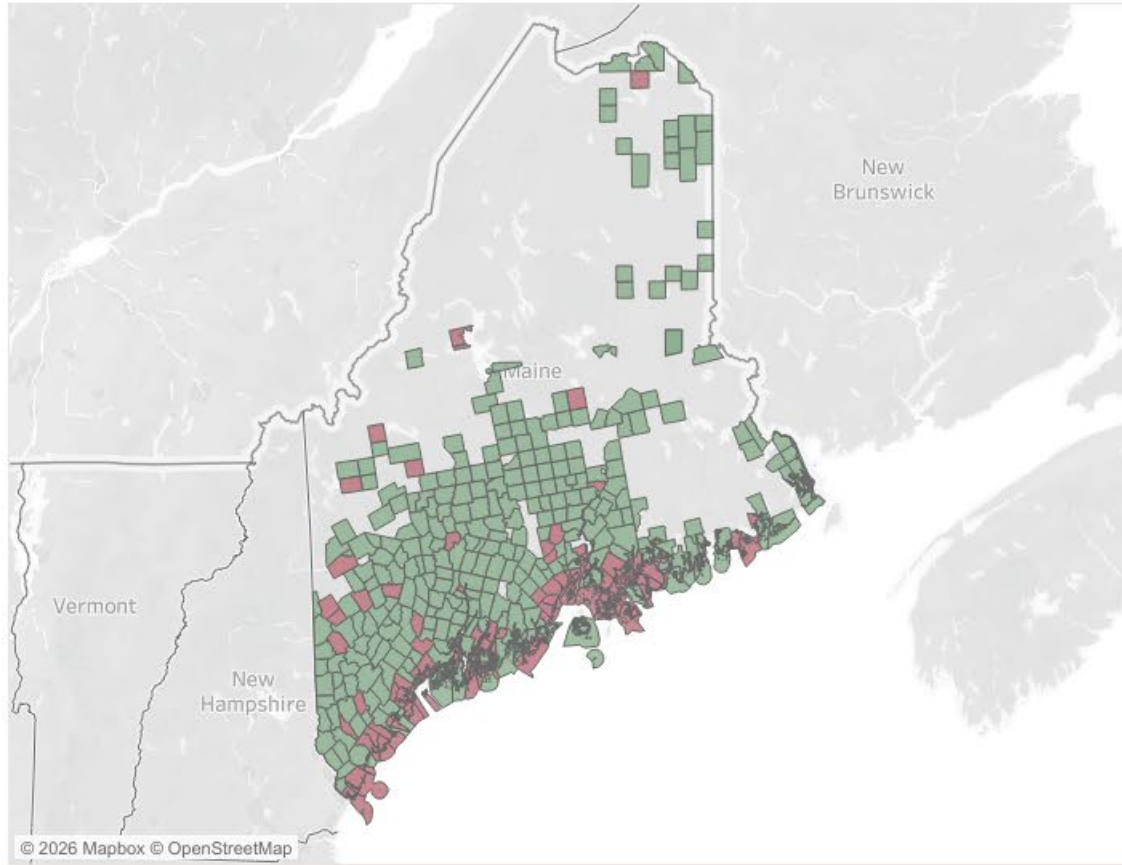
Homeownership Affordability Maps

Year

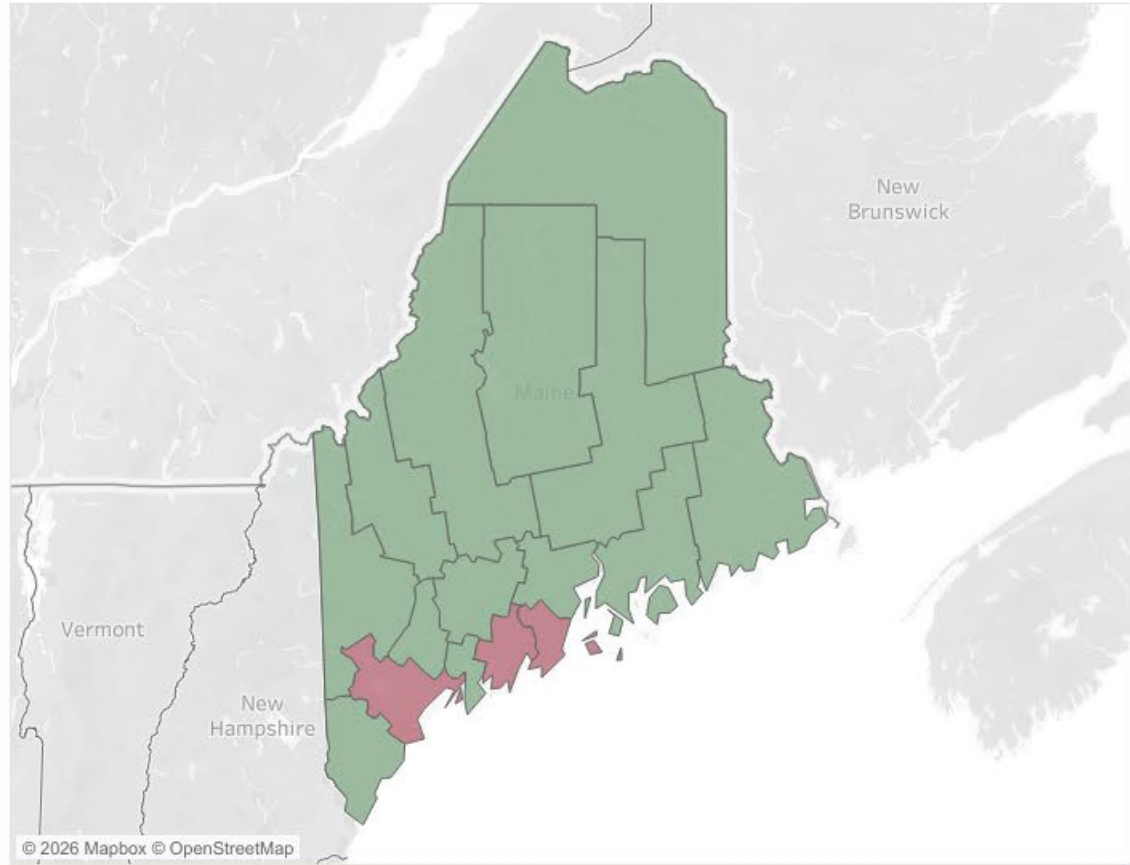
2020

Show history

Affordability By Town - 2020



Affordability By County - 2020



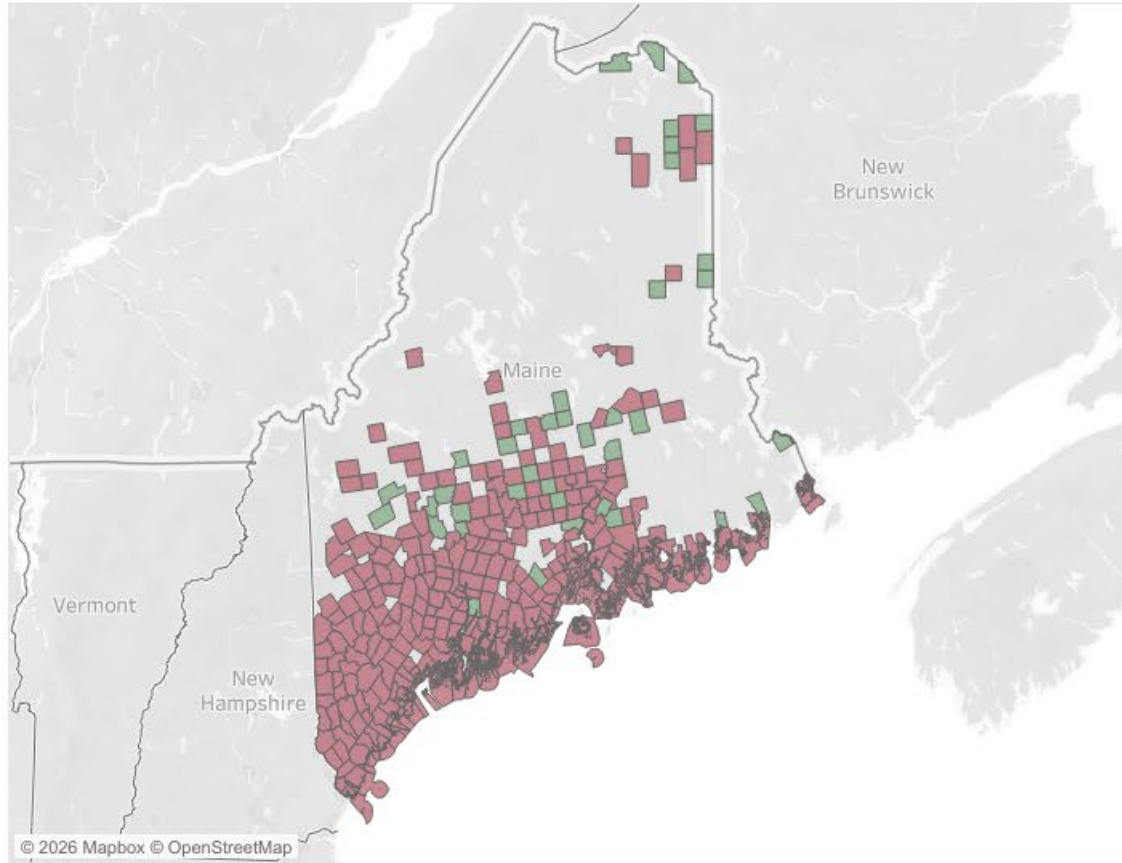
Homeownership Affordability Maps

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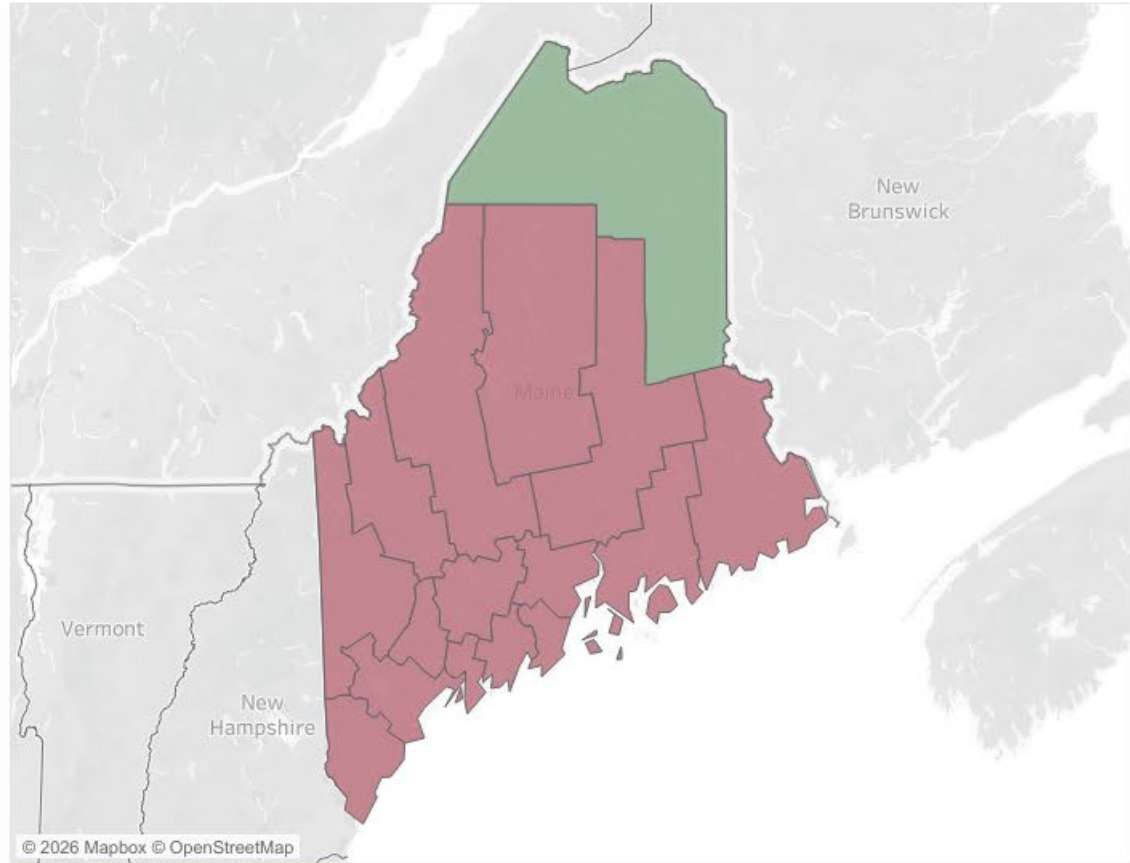
2024

Show history

Affordability By Town - 2024

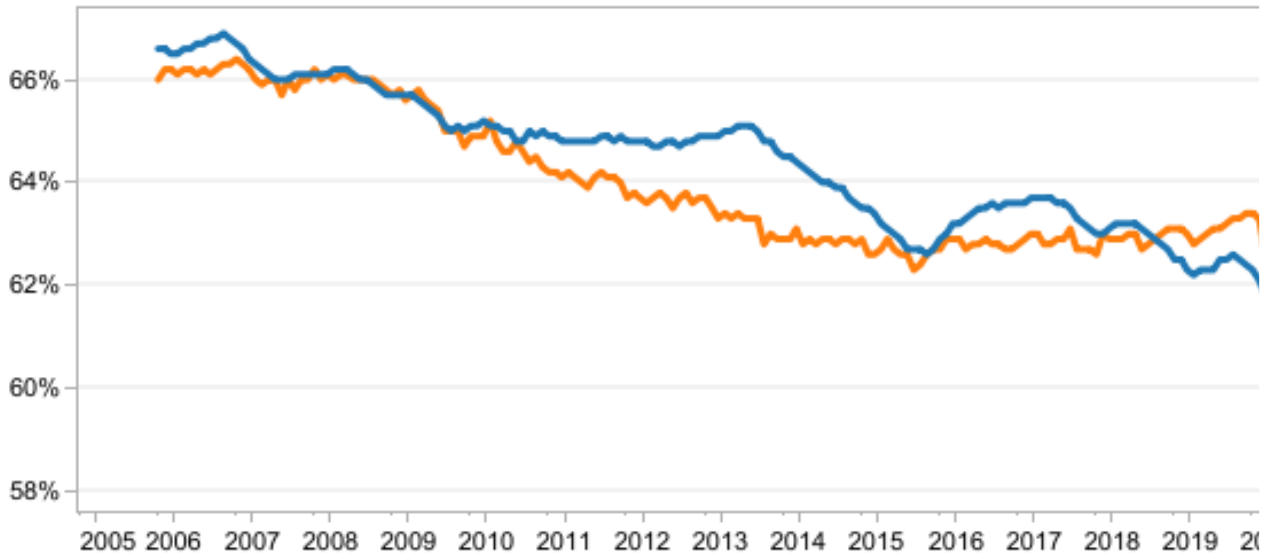


Affordability By County - 2024



Labor force participation

Labor Force Participation Rate (seasonally adjusted)

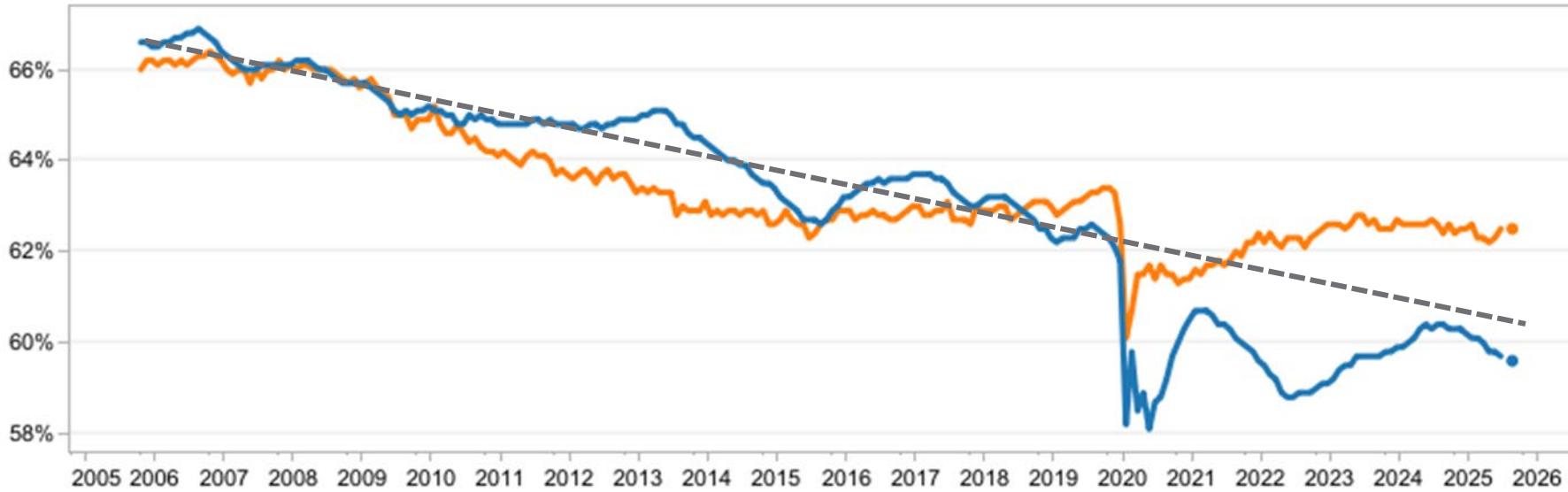


Dec, 2005 to Nov, 2025

- Unemployment Rate
- Labor Force & Employment
- Unemployment
- Labor Force Participation Rate
- Employment to Population Ratio

■ Maine
■ United States

Labor Force Participation Rate (seasonally adjusted)



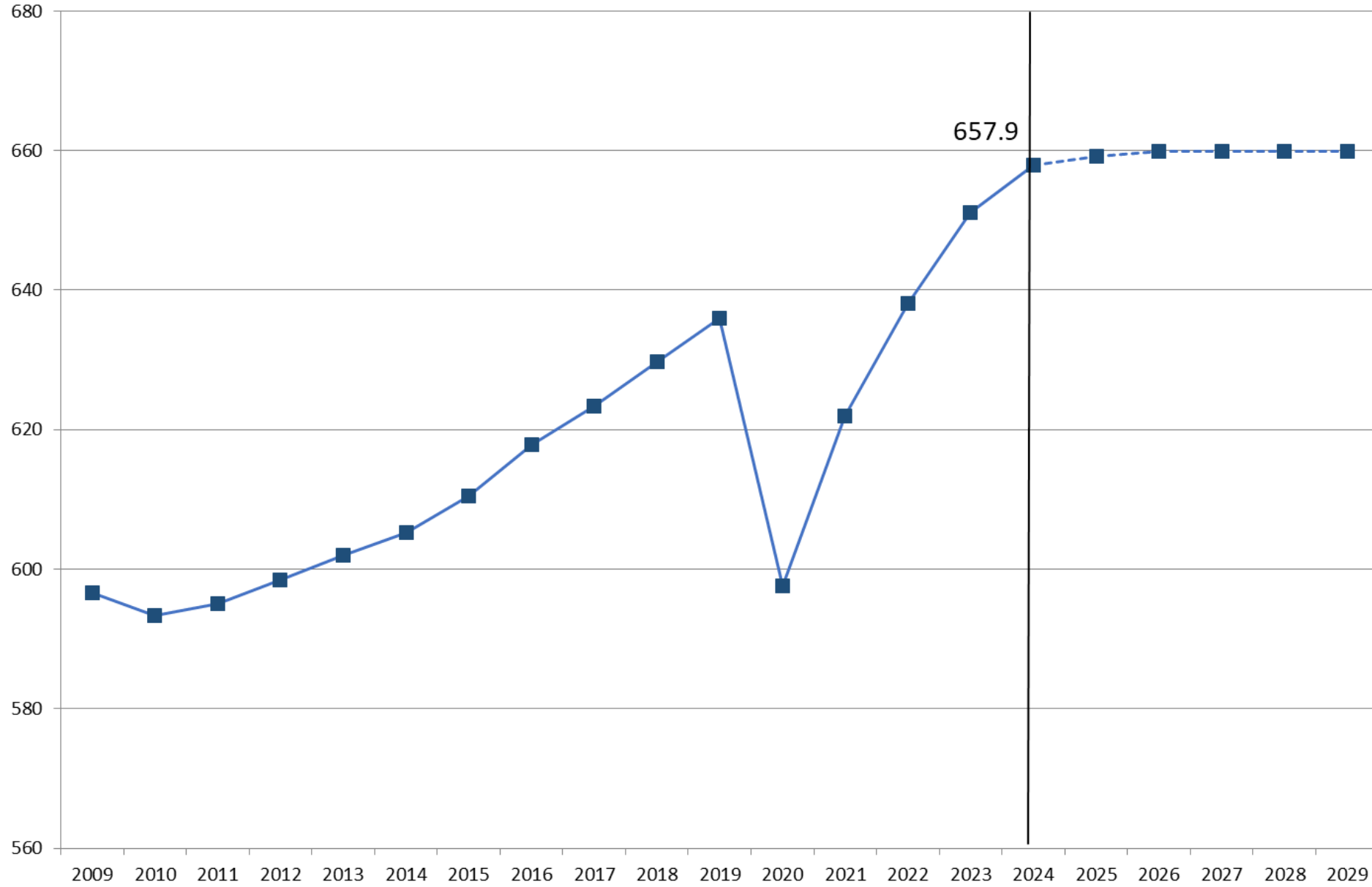
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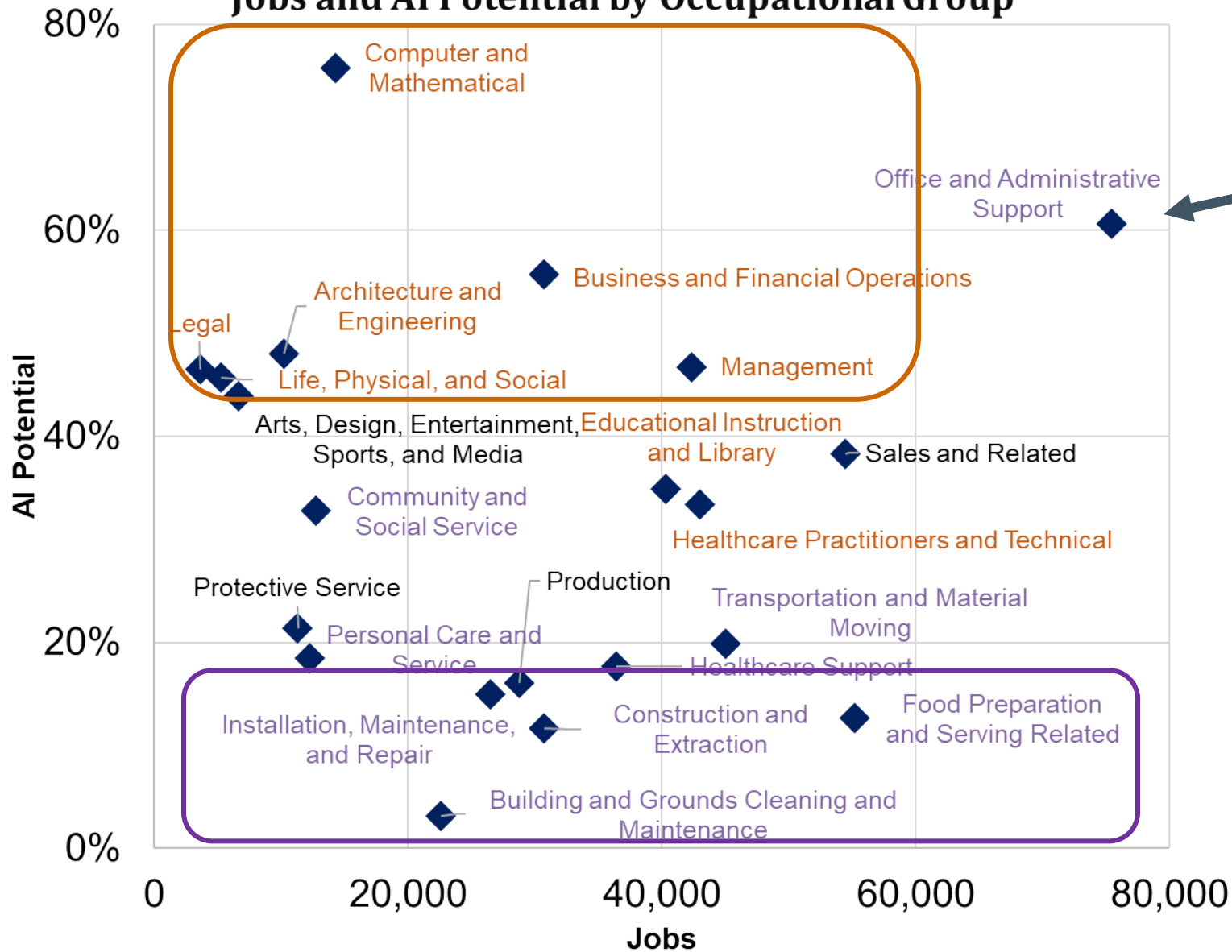
Total Nonfarm Employment (in thousands)

History and Consensus Economic Forecasting Commission forecast



AI

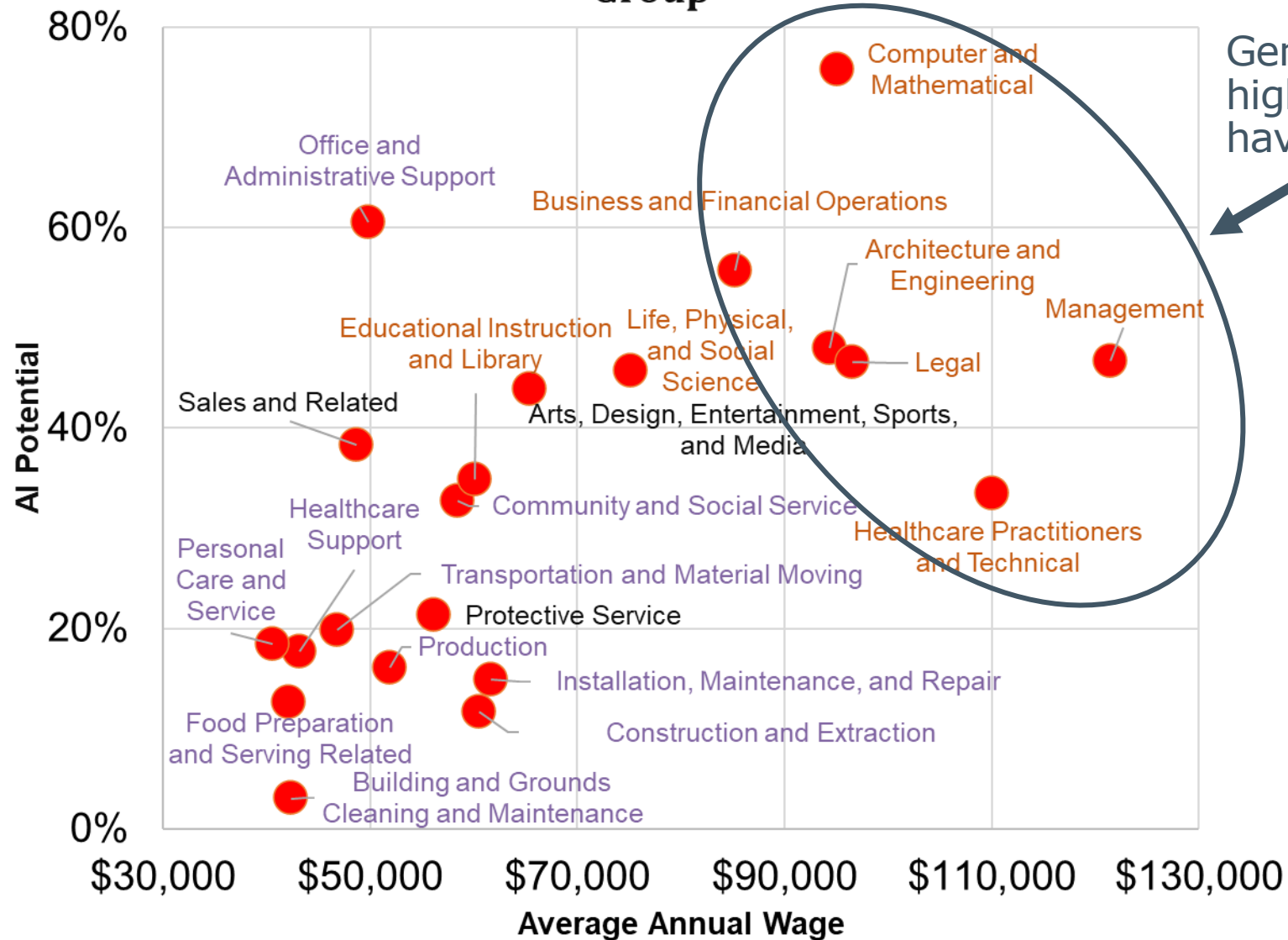
Jobs and AI Potential by Occupational Group



The most job impact is expected in administrative support jobs

Most jobs in these occupations require post-secondary education
Most jobs in these occupations do not require post-secondary education
Educational requirements in these occupations vary

Average Annual Wage and AI Potential by Occupational Group



Generally, jobs with the highest potential AI impact have high average wages

Most jobs in these occupations require post-secondary education
Most jobs in these occupations do not require post-secondary education
Educational requirements in these occupations vary

S&P 500

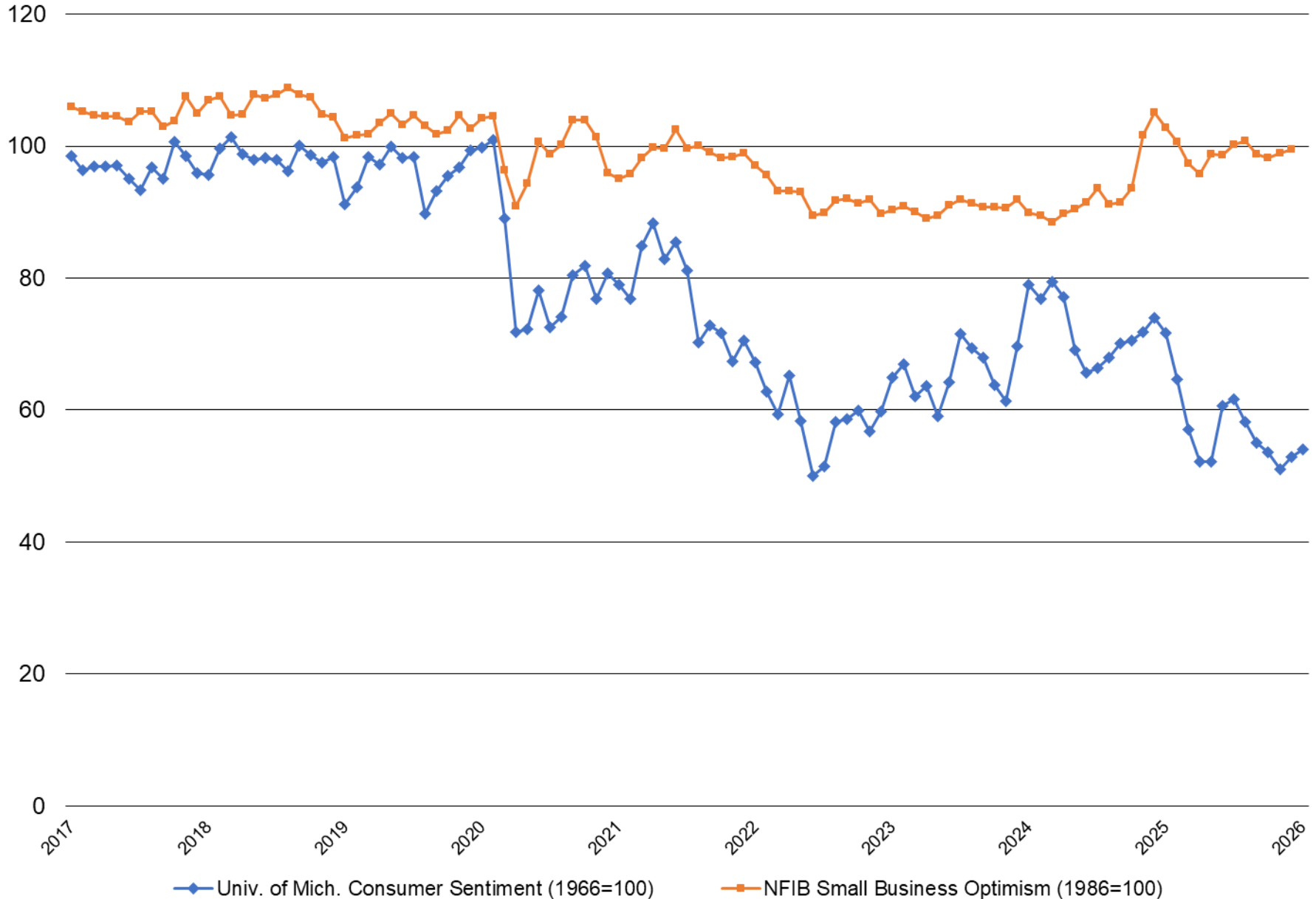
Excluding AI = S&P 500 Jan 2, 2024



Note: AI includes Alphabet, Amazon, AMD, Apple, Broadcom, C3.ai, IBM, Intel, Meta Platforms, Microsoft, NVIDIA, Oracle, Palantir Technologies, Salesforce, ServiceNow, and Snowflake. As of Jan. 09, 2026. This is a simplified approximation.

Consumer and business sentiment

Consumer Sentiment and Small Business Optimism Indexes

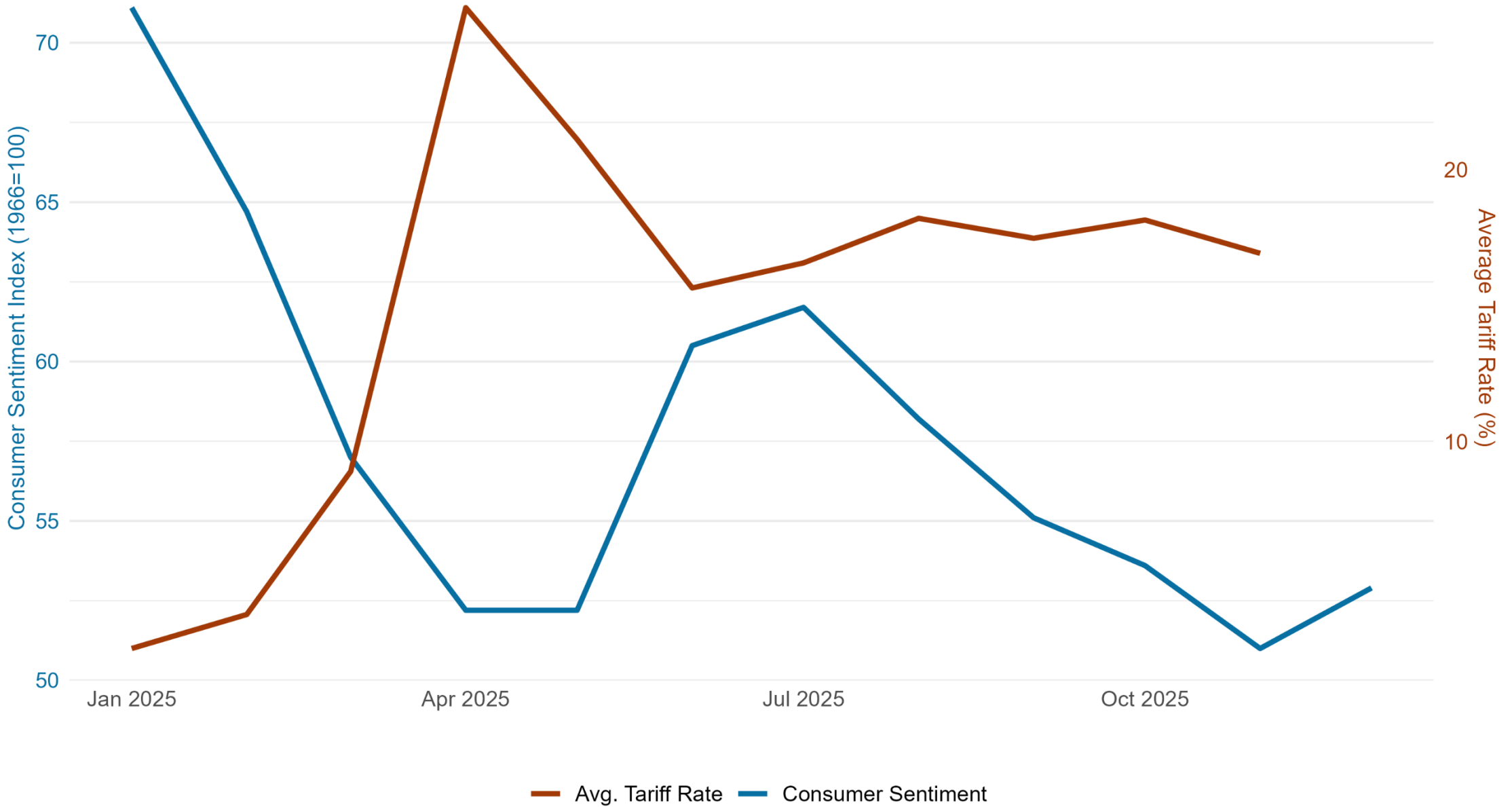


Small business optimism saw an increase in December in those expecting better business conditions for the first time since July.

Consumer sentiment has been highly responsive to inflation expectations this year; lower income households saw some improvements in sentiment in January but sentiment in 2025 generally held up better among consumers with larger stock holdings

Sources: University of Michigan Survey of Consumers and NFIB Small Business Optimism Index

Consumer Sentiment and Average Tariff Rate in 2025



Sources: University of Michigan Survey of Consumers and The Budget Lab at Yale

Global risks to the outlook

“Geopolitical tensions exist and continue to pose a negative risk to the forecast.”

- November 2025 Maine Consensus Economic Forecasting Commission report

- Russia-Ukraine war
- U.S./China relations
- South America (Venezuela)
- Greenland

- Potential for global trade war

Data availability challenges

Federal data availability challenged from two directions

Temporary

- Related to shutdown
- Some data delayed (e.g. 2025 population estimates)
- Some data not released (e.g. Oct. CPI; Oct. unemployment and labor force estimates)

Permanent

- Related to policy and staffing changes
- Data quality may suffer (e.g. CPI)
- Some surveys eliminated (e.g. Food Security Supplement to CPS)

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The uncertainty
continues in 2026...

Contact Information

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