

Impacts of Changing Trade Policy on Maine's Economy

Trade Day

Maine International Trade Center

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How much do tariffs impact an economy?

Higher rates

+ broader scope

+ fewer domestic alternatives

+ reciprocity

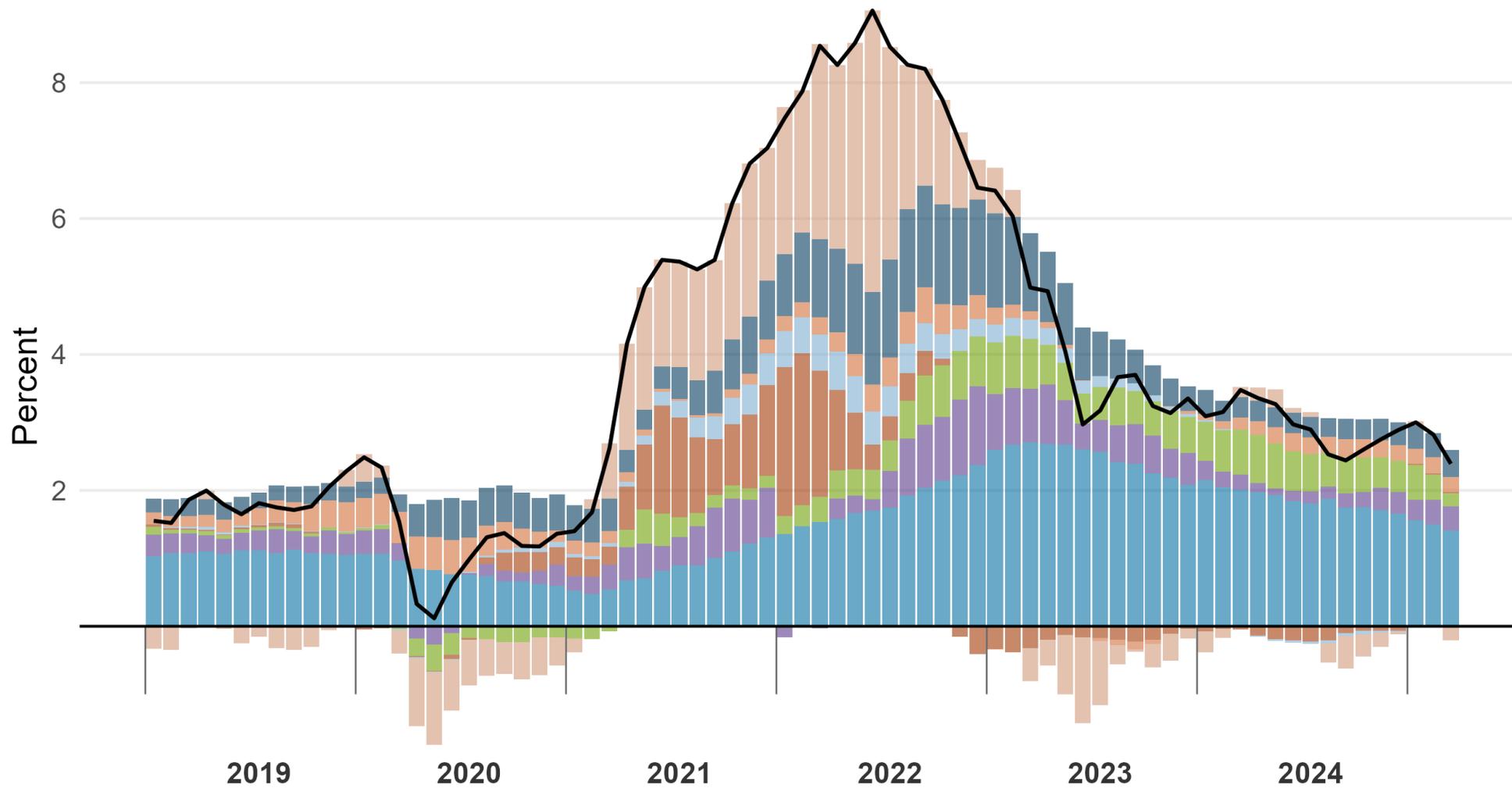
= larger impact

UNCERTAINTY

Excerpts from key assumptions in April 2025 CEFC report

- Geopolitical tensions remain elevated (...). Rapidly changing tariff policies are contributing to the possibility of a global trade war. Strained relations between the U.S. and China, European nations, and Canada contribute to additional uncertainty, as does the risk of escalating tensions between China and Taiwan.
- Inflation growth remains elevated above target levels and will face upward pressure from tariffs. Consumer sentiment has declined as expectations about future personal financial wellbeing have deteriorated (...).
- Maine may be at greater risk from federal funding and tariff policy changes. Maine has seen some targeted impacts from the federal government. (...) the tensions between Canada and the U.S. may also drive a decline in Canadian tourism to Maine.

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



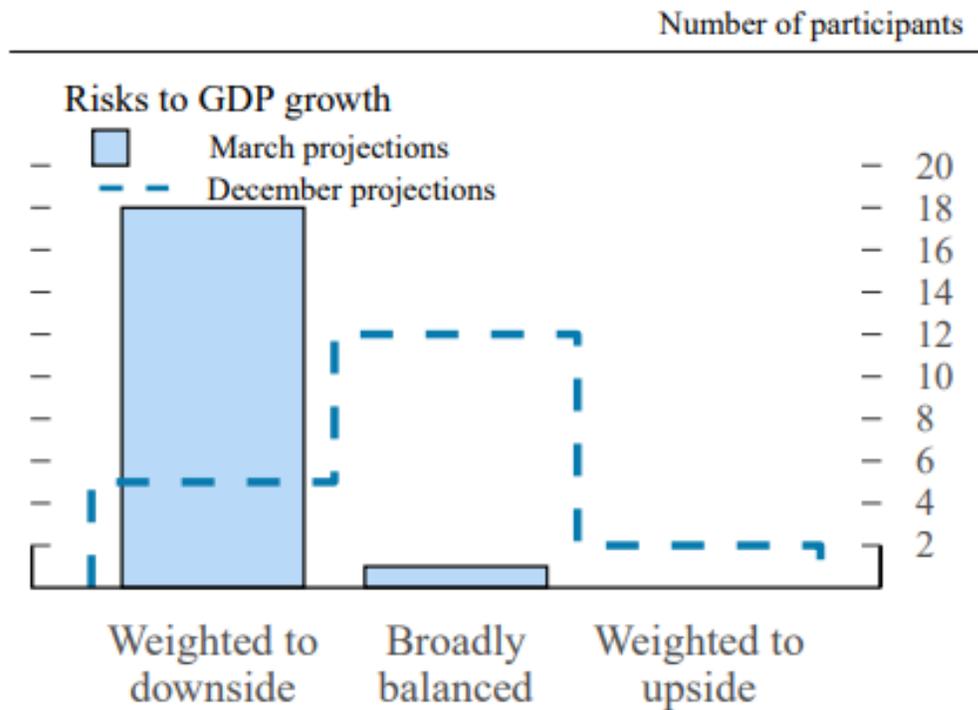
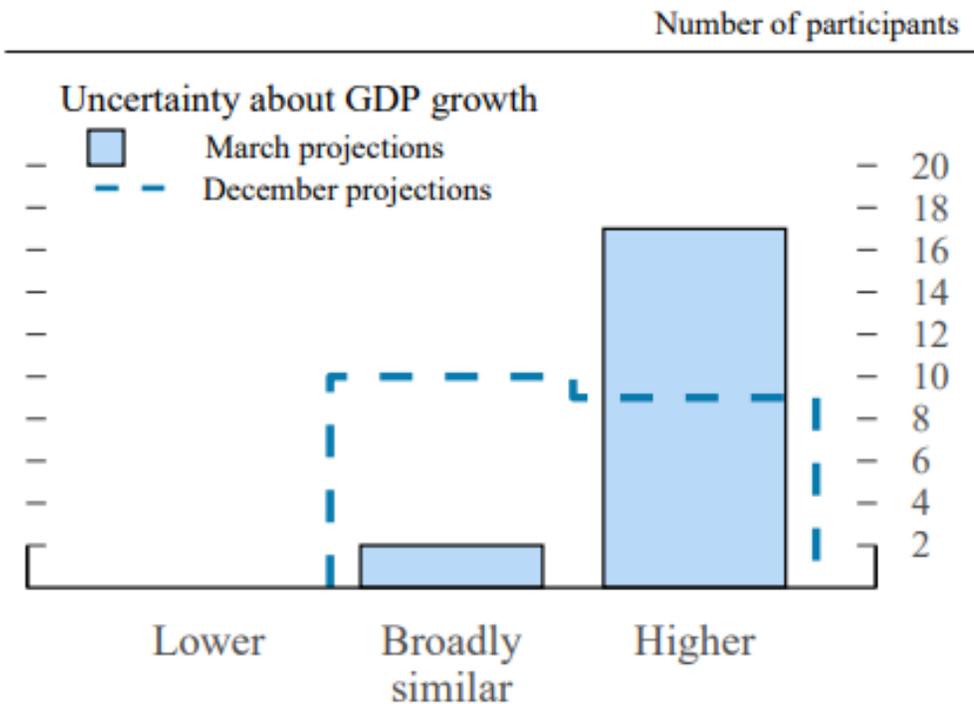
Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted); calculations by Office of the State Economist staff



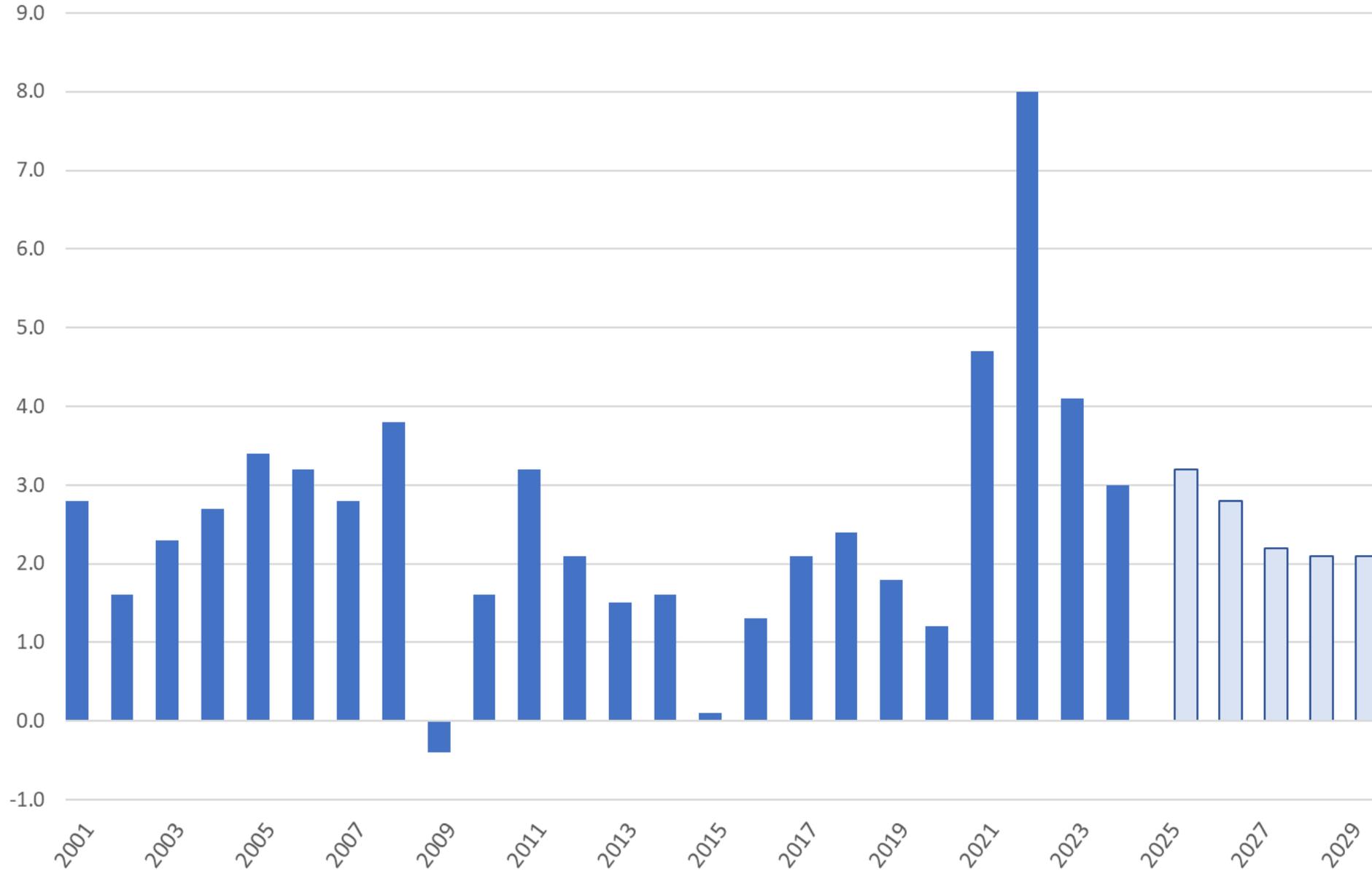
Current target range
(as of March):
4.25% to 4.5%

Median projection for 2025
from March 2025 Federal
Open Market Committee
statement was 3.9%

FOMC participants' assessments of uncertainty and risks around their economic projections

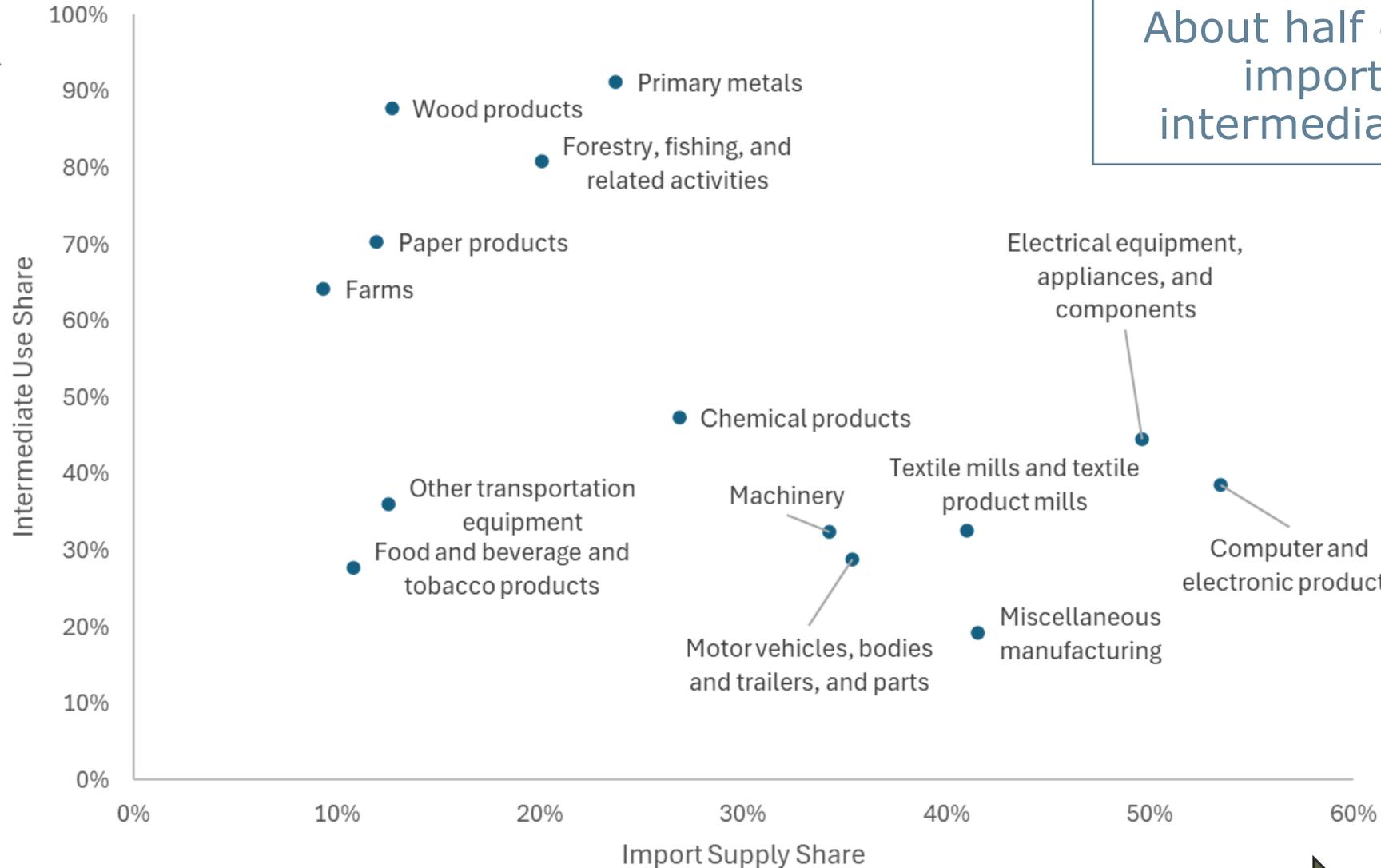


Year-over-year percent change in Consumer Price Index; 2001-2024 historical and 2025-2029 forecast



The hidden backbone of trade: intermediate goods

Higher share used as intermediate goods

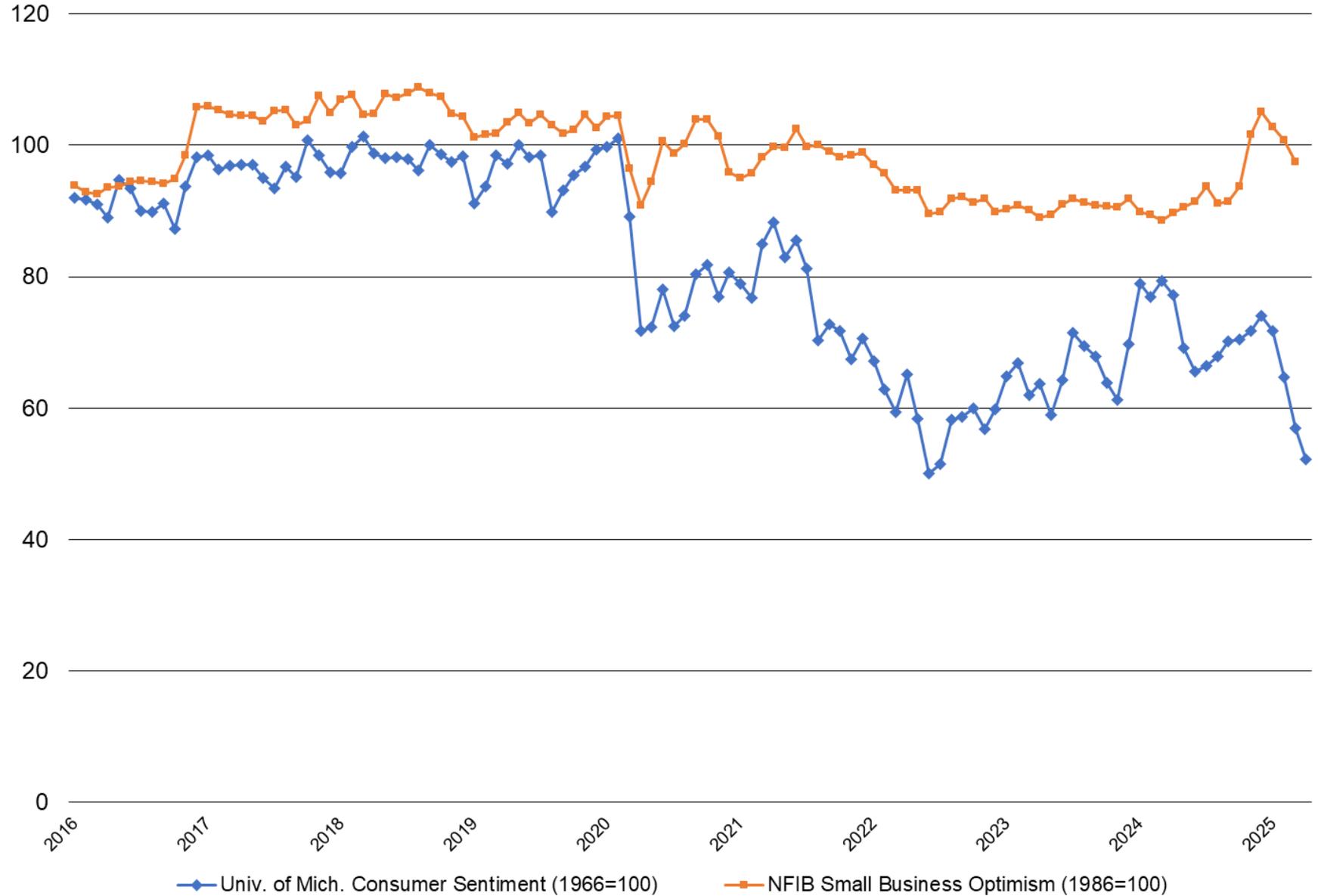


Higher share of imports used

Consumer Sentiment and Small Business Optimism Indexes

Consumer sentiment has seen sharp declines recently based on deteriorations in future expectations, including higher inflation

Small business optimism spiked following the election but has since dropped, reflecting increased uncertainty and higher inflation



Another
potential
impact

Tense relations between U.S. and Canada may impact the Maine tourism sector and retail industry if Canadian tourists avoid travel to the U.S.

But it isn't all gray skies:

Maine companies and people are **resilient** and **innovative** and will find a way to make the best of it and tap into any new opportunities that emerge