

Economic Trends and the Outlook for Maine

LA Metro Chamber Breakfast

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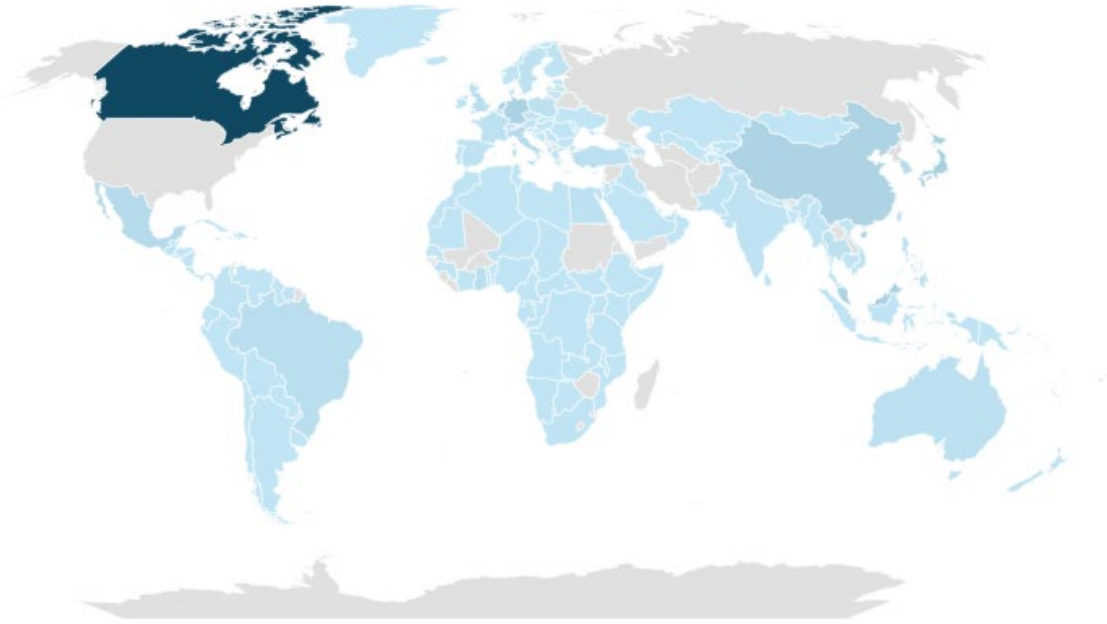
Consensus Economic Forecasting Commission

April 2025 report

Excerpts from key assumptions in April 2025 CEFC report

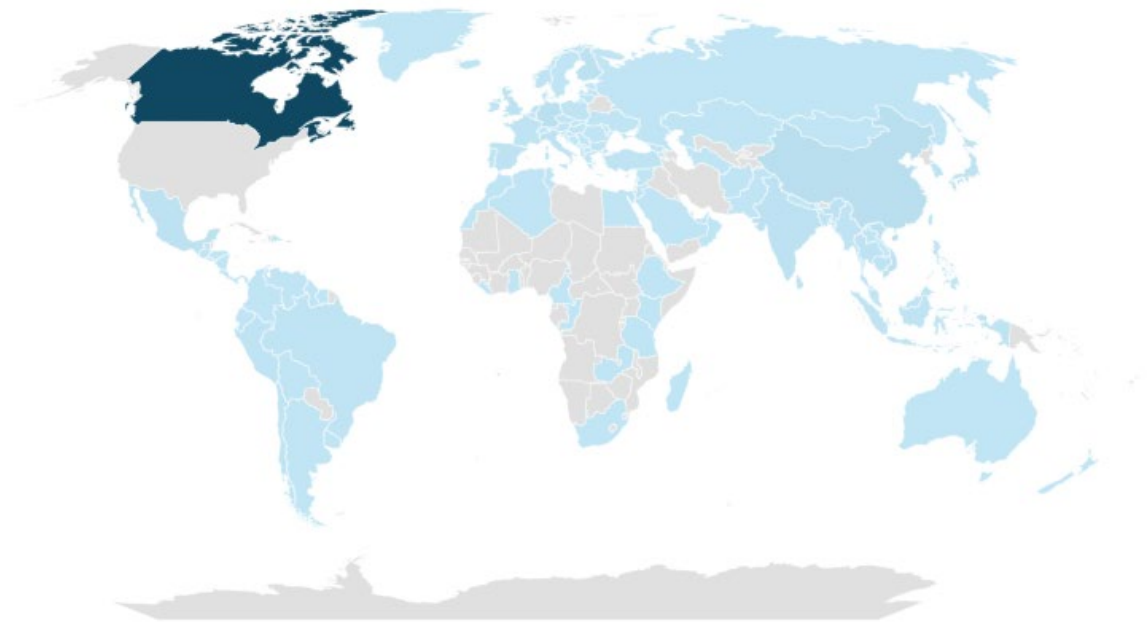
- Geopolitical tensions remain elevated (...). Rapidly changing tariff policies are contributing to the possibility of a global trade war. Strained relations between the U.S. and China, European nations, and Canada contribute to additional uncertainty, as does the risk of escalating tensions between China and Taiwan.
- The federal government has entered into a period of significant fiscal austerity. (...) Maine's economy will be impacted by any reduction of federal funding (...). Federal funds not only flow into Maine through state and local governments, but also through payments to individuals, contracts with nonprofits and businesses, grants to higher education and research institutions. (...)
- 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. (...) the tensions between Canada and the U.S. may also drive a decline in Canadian tourism to Maine.

Trade and tariffs



In 2024 Maine **exported** products to 168 countries and territories. Top export markets include:

1. Canada (42%)
2. Japan
3. Malaysia
4. Netherlands
5. Germany



In 2024 Maine **imported** products from 128 countries and territories. Top import markets include:

1. Canada (70%)
2. China
3. Germany
4. Vietnam
5. Finland

Tariffs have been a rollercoaster ride

Increase in tariff rates took effect on August 7 (includes 50% on Brazil; 50% on India set for late August)

USMCA compliant imports remain exempt (around 57% from Canada, 47% from Mexico exempt); otherwise, Canada 35%, Mexico still negotiating

Deal rates:
Vietnam = 20%
Indonesia, Philippines = 19%
EU, Japan, S. Korea = 15%
Britain = 10%

China still negotiating; 30% for now, with August 12 deadline extended 90 days

De minimis exemption eliminated; 40% on "transshipments" – specific details still unclear

The Budget Lab at Yale estimates (as of 8/7) average effective tariff rate for consumers of 17.7%, highest since 1934 and equates to \$2.1K per household loss

Other tariff impacts

Uncertainty in trade policies (like tariffs) contributes to an unsettled economic environment and higher risk

Intermediate goods are about half of total U.S. imports – tariffs on these products impact domestic manufacturers

Canada-U.S. relations

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

Passenger vehicle border crossings are down by nearly one-third in June 2025 vs June 2024

Federal spending

Federal funding reductions and OBBBA

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

Inflation Reduction Act reductions/recissions around 17% of total, but additional cuts being made through executive actions

TCJA tax cuts made permanent and adjusted for inflation; CTC made permanent, increased, and adjusted for inflation; estate and gift tax exemption raised from \$5M to \$15M; temporary tax break for tips, overtime pay, car loan interest

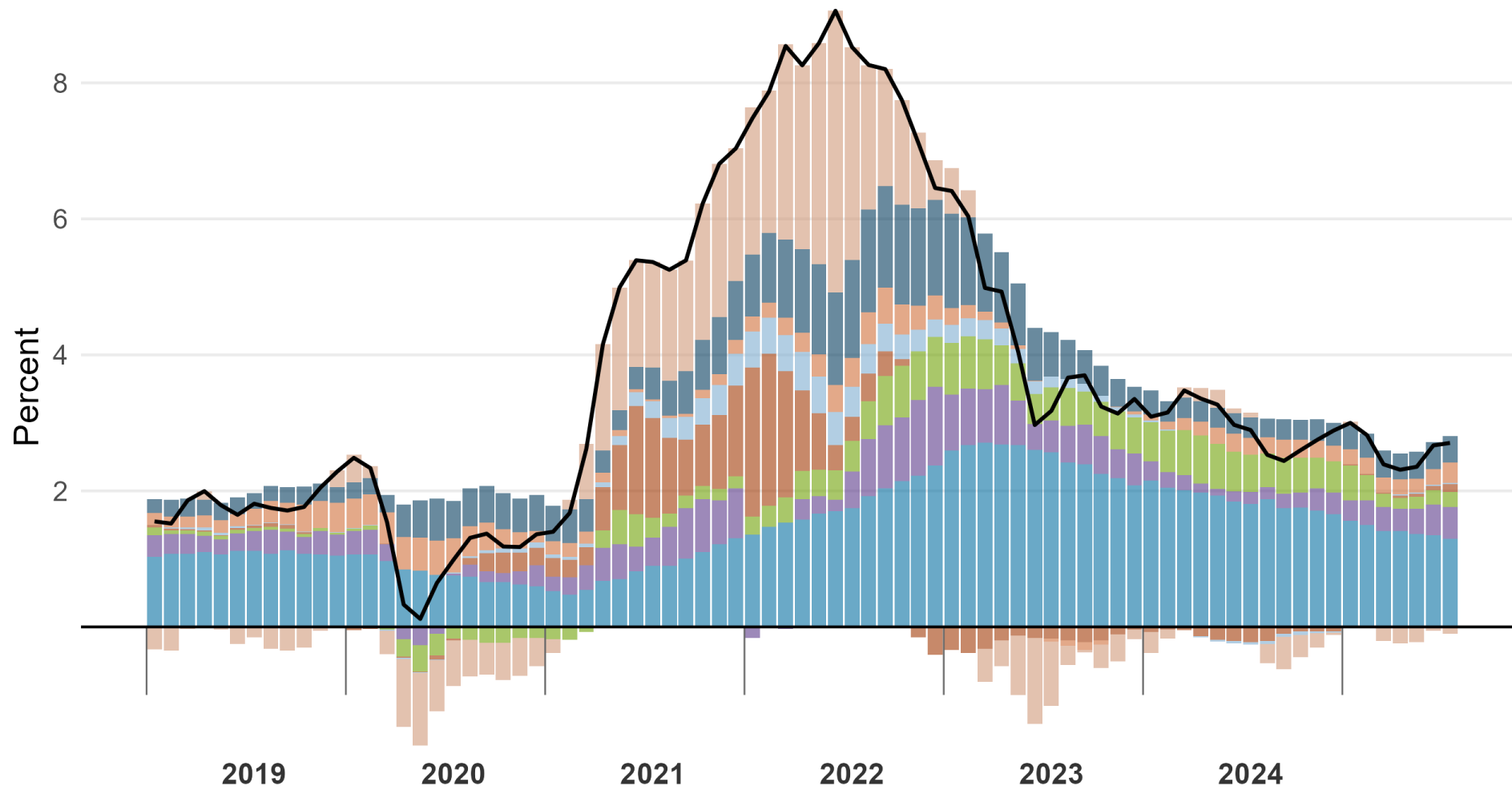
In 2023, the State of Maine received \$4.3 billion in federal funds, with \$2.8 billion going to Medicaid; almost 400,000 Mainers are enrolled in MaineCare

177,000 Mainers (including nearly 55,000 children) receive SNAP benefits

NIH funding – life sciences sector (top NIH recipients in Maine = JAX, MaineHealth, UNE, MDIBL, UMaine Orono)

Inflation and consumer sentiment

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

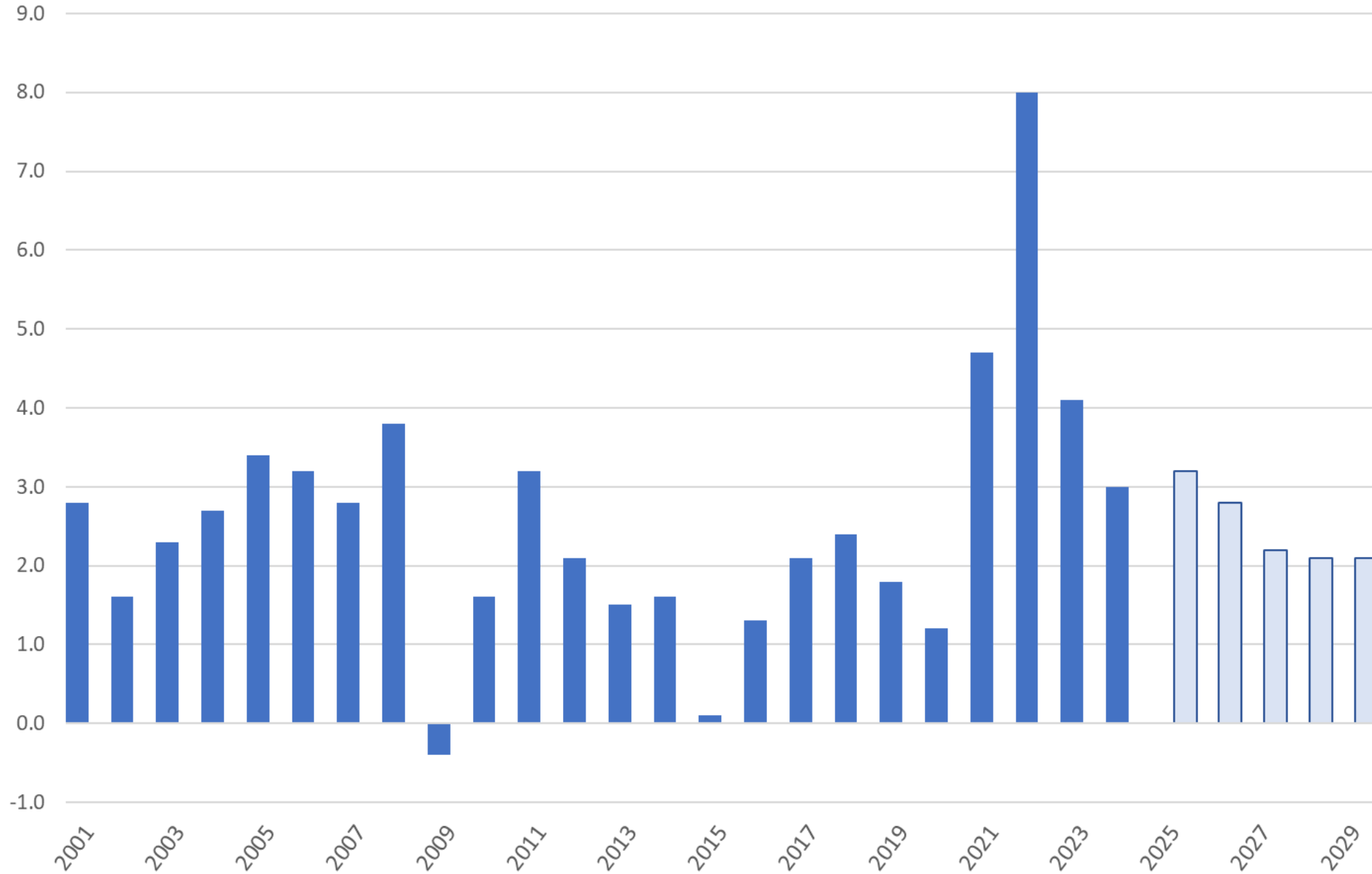


- Energy
- Medical Care
- Used Vehicles
- Other
- CPI All Items, 1982-84=100
- Food
- New Vehicles
- Transportation Services
- Shelter

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

Source: U.S. Bureau of Labor Statistics (CPI-U, 1982-84=100, not seasonally adjusted)

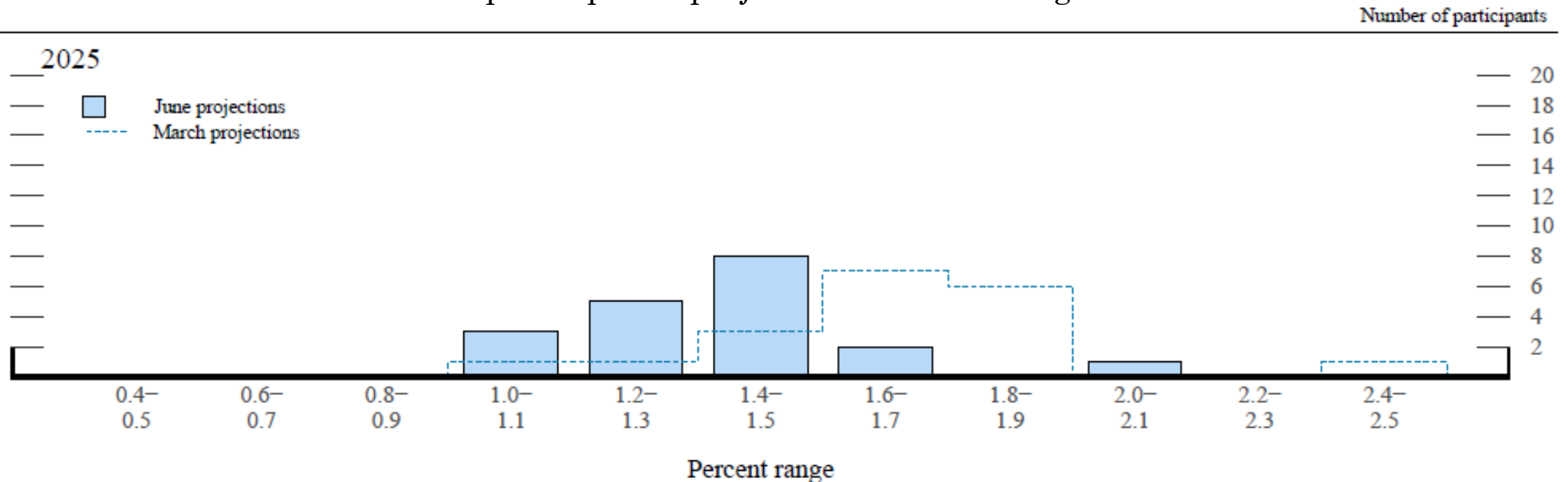
Year-over-year percent change in Consumer Price Index; 2001-2024 historical and 2025-2029 forecast



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

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

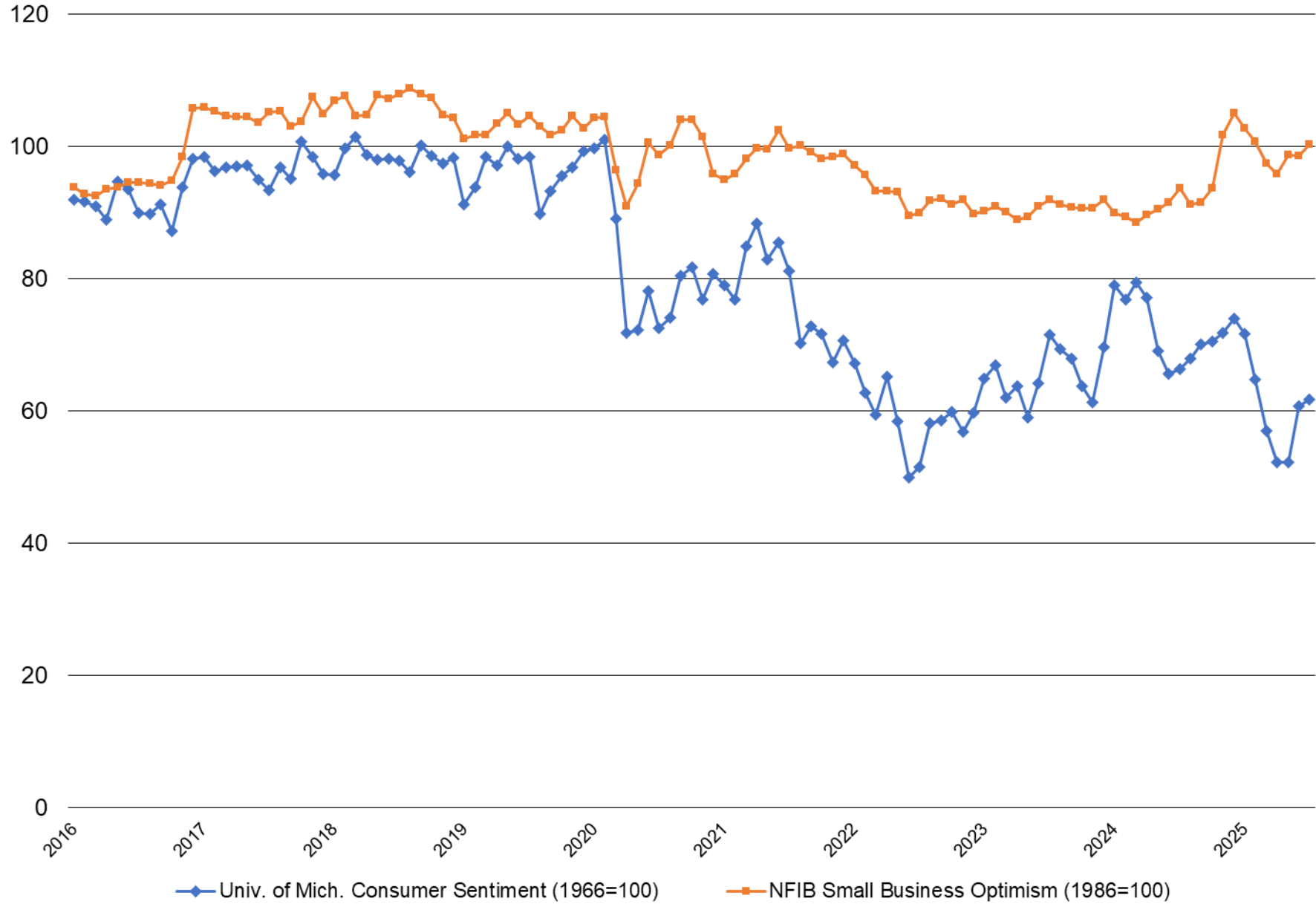
Distribution of participants' projections for the change in real GDP



Consumer Sentiment and Small Business Optimism Indexes

Consumer sentiment saw sharp declines based on deteriorations in future expectations, including higher inflation

Small business optimism spiked following the election and then dropped, reflecting increased uncertainty and higher inflation



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

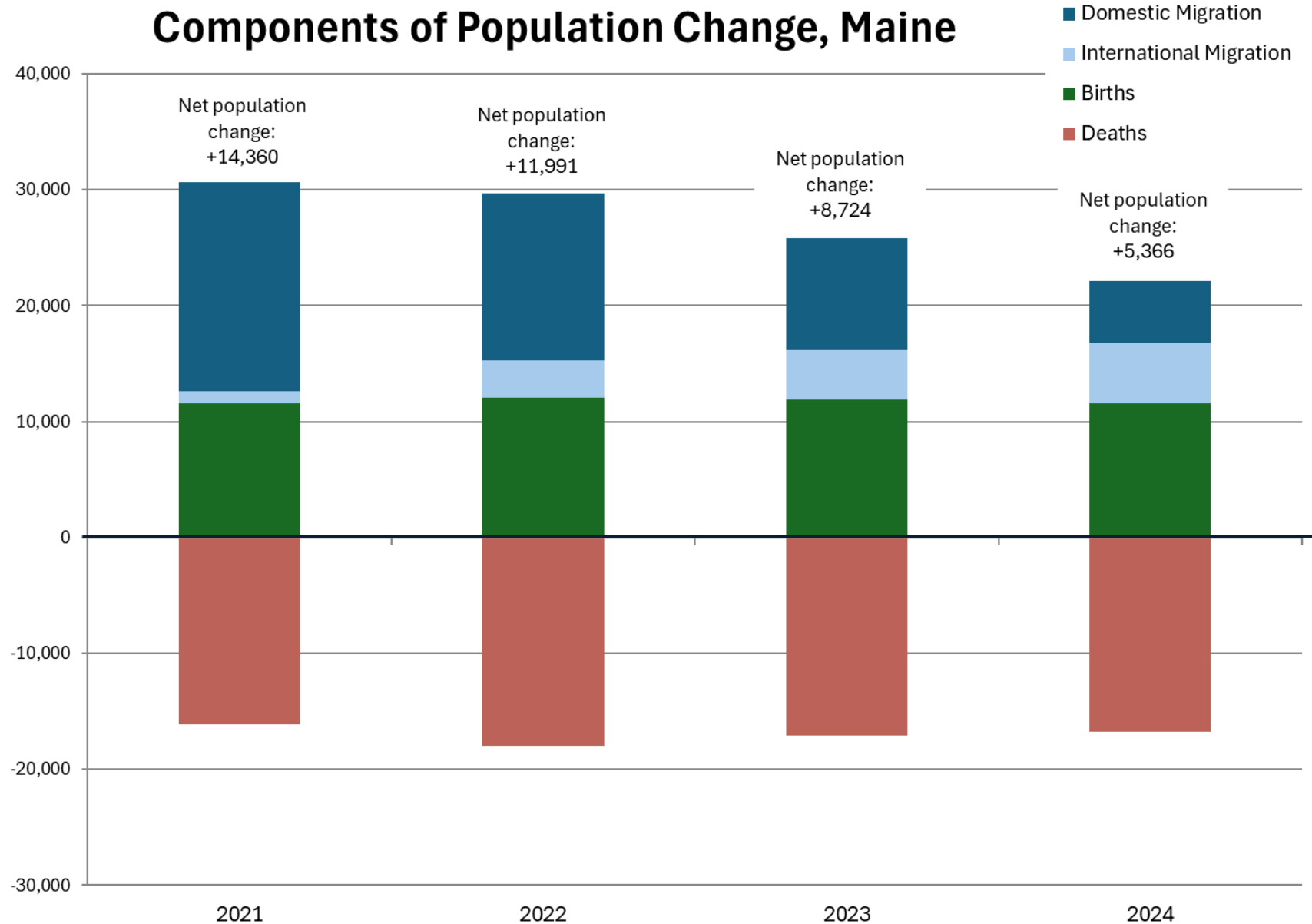
Population growth,
migration, and
employment

Population increase of 2.6% from 2010-2020 (42nd in U.S.)

Population increase of 3.1% from 2020-2024 (17th in U.S.)

2024 Total Population: 1,405,012

Components of Population Change, Maine



Net international migration accounted for 84% of U.S. population growth from 2023-2024

U.S. Census Bureau made significant methodological changes in 2024 to better account for humanitarian migrants, resulting in large upward revisions

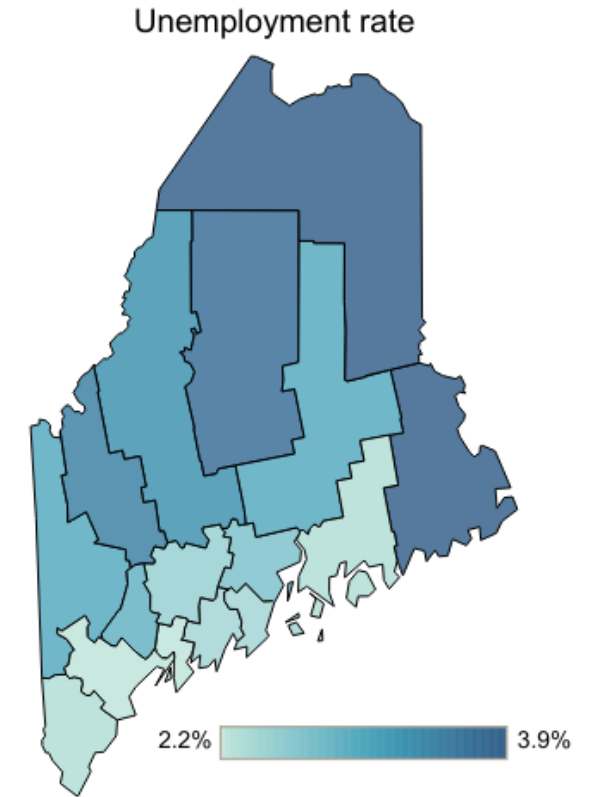
County Rates (not seasonally adjusted)

June, 2025

Table
 Graph

Map/Graph Display
 Unemployment rate
 One-year change

County	Rate	Year ago	One-yr change
Maine	2.6%	2.8%	-0.2
Androscoggin	2.9%	3.0%	-0.1
Aroostook	3.9%	3.9%	0.0
Cumberland	2.2%	2.3%	-0.1
Franklin	3.5%	3.9%	-0.4
Hancock	2.3%	2.5%	-0.2
Kennebec	2.5%	2.8%	-0.3
Knox	2.4%	2.7%	-0.3
Lincoln	2.4%	2.5%	-0.1
Oxford	3.0%	3.3%	-0.3
Penobscot	3.0%	3.0%	0.0
Piscataquis	3.7%	4.4%	-0.7
Sagadahoc	2.2%	2.3%	-0.1
Somerset	3.3%	3.4%	-0.1
Waldo	2.7%	2.9%	-0.2
Washington	3.9%	4.1%	-0.2
York	2.3%	2.5%	-0.2

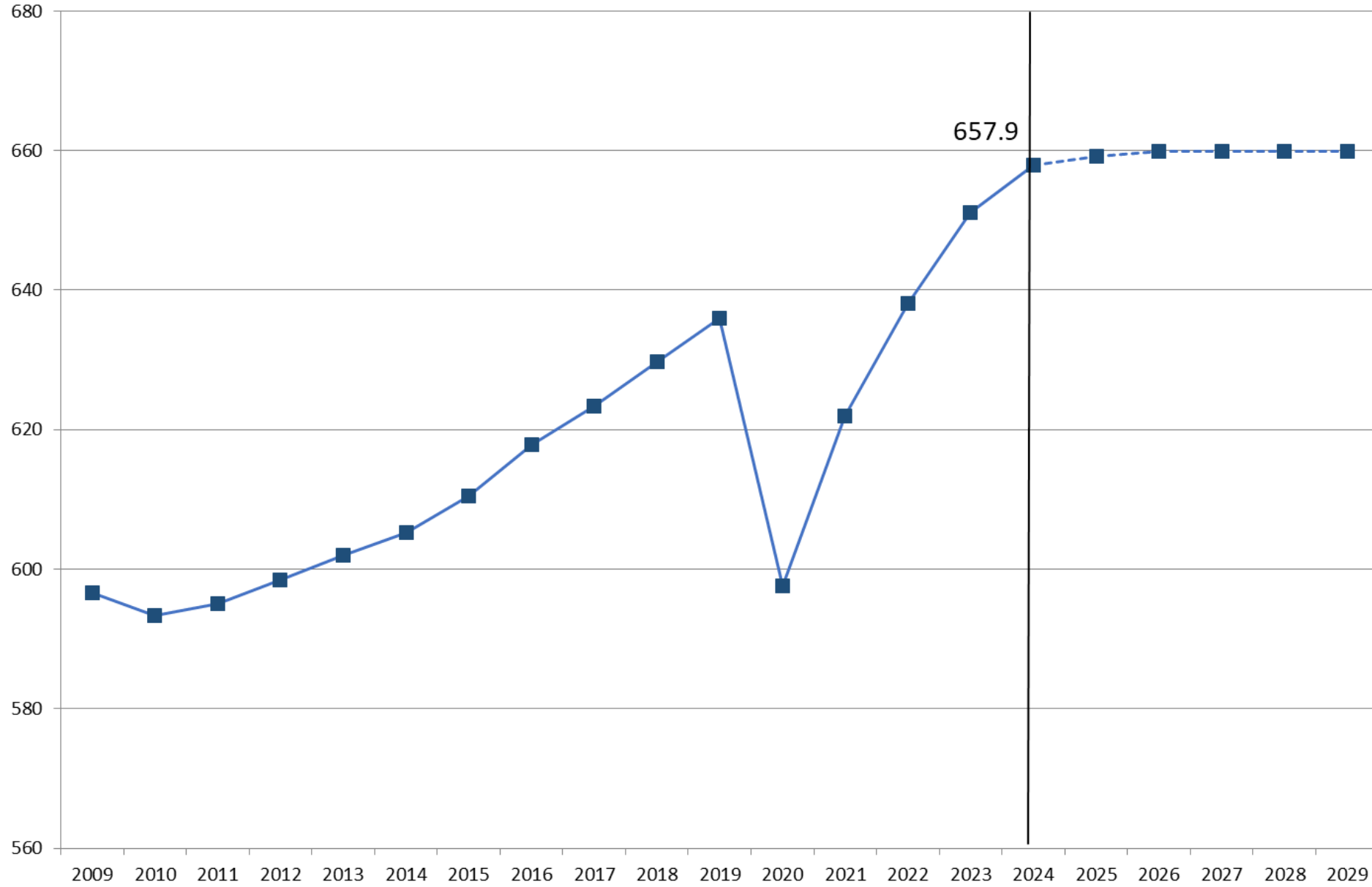


Maine Department of Labor, Center for Workforce Research and Information

Maine's seasonally-adjusted 3.3% unemployment rate in June 2025 is below both the U.S. and New England rates

Total Nonfarm Employment (in thousands)

History and Consensus Economic Forecasting Commission forecast



Things to keep in mind:

- Economic uncertainty is extremely high, particularly related to federal policies on tariffs, immigration, and spending – impacts are hard to gauge in such a fluid policy environment
- Maine's economy will be impacted by federal policies, federal spending, and national economic trends
- Consumer sentiment and business optimism have been highly responsive to expectations of future inflation and general economic uncertainty

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