

Economic Update

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CONSENSUS ECONOMIC FORECASTING COMMISSION
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In 2025, Maine had the 7th highest rate of total net migration (8.1 per thousand)

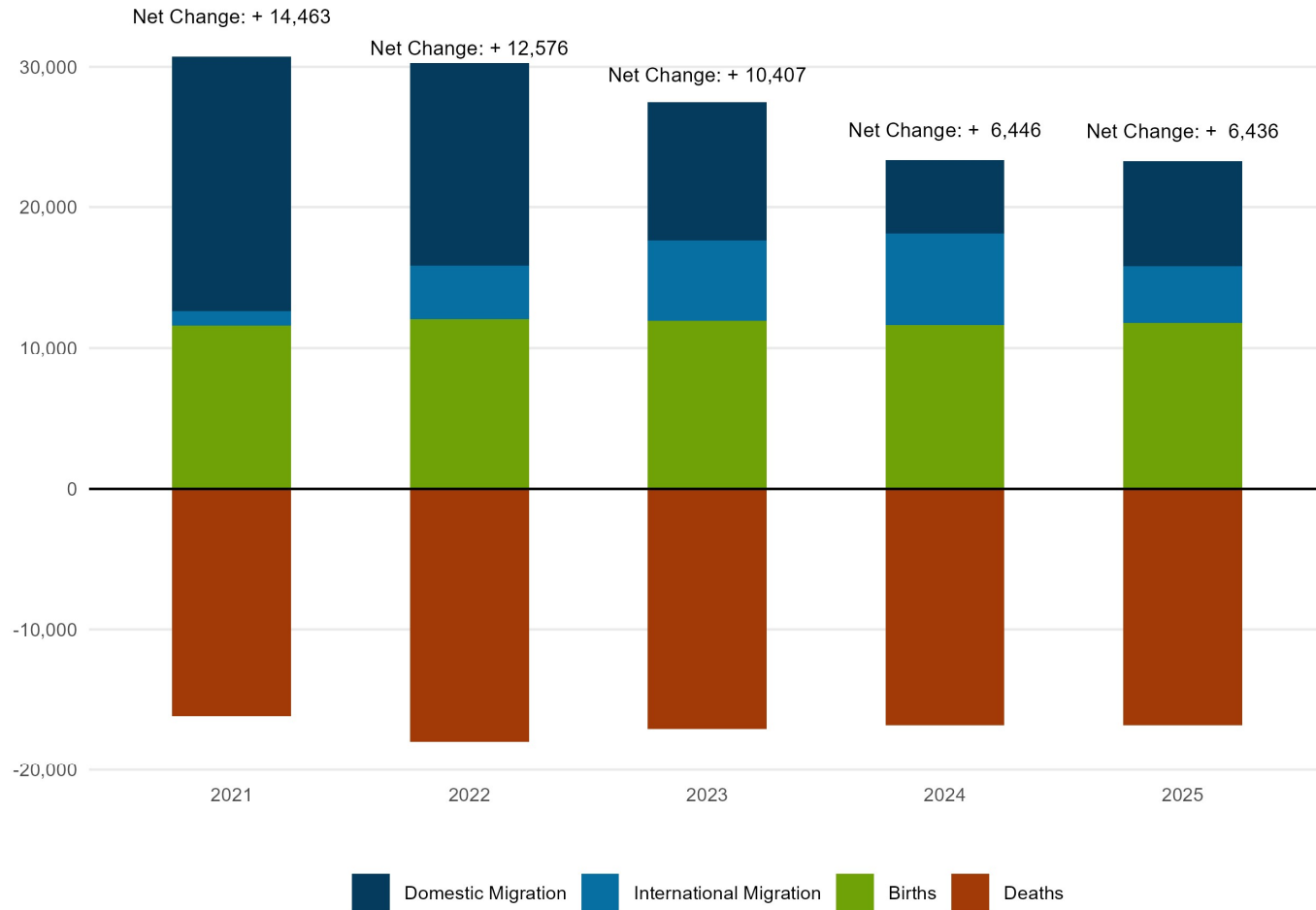
- Highest net migration rate in New England and well above the national rate (3.7 per thousand)

Maine had the 7th highest rate of domestic migration and the 25th highest rate of international migration

Maine's total population gain was 6,436

- Natural population decline of over 5K, a gain of over 4K from international migration, and a gain of over 7K from domestic migration

Components of Maine's Population Change



Source: US Census Bureau, Population Estimates Program, 2025 Vintage

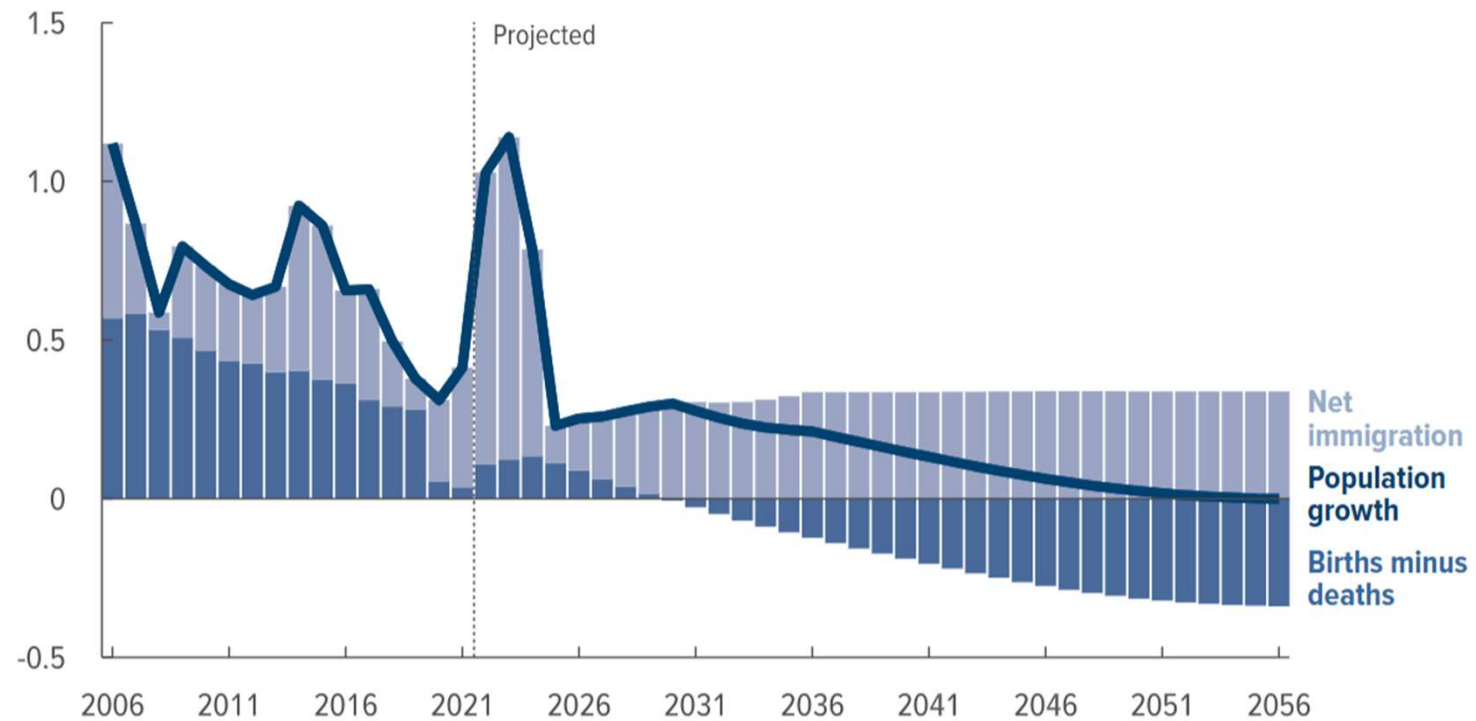
According to the Census Vintage 2025 Population Estimates, **US immigration numbers declined by more than 50%** between July 1, 2024, and July 1, 2025

In CBO's projections, the U.S. population grows from 349 million people in 2026 to 364 million in 2056, **and the average age rises.**

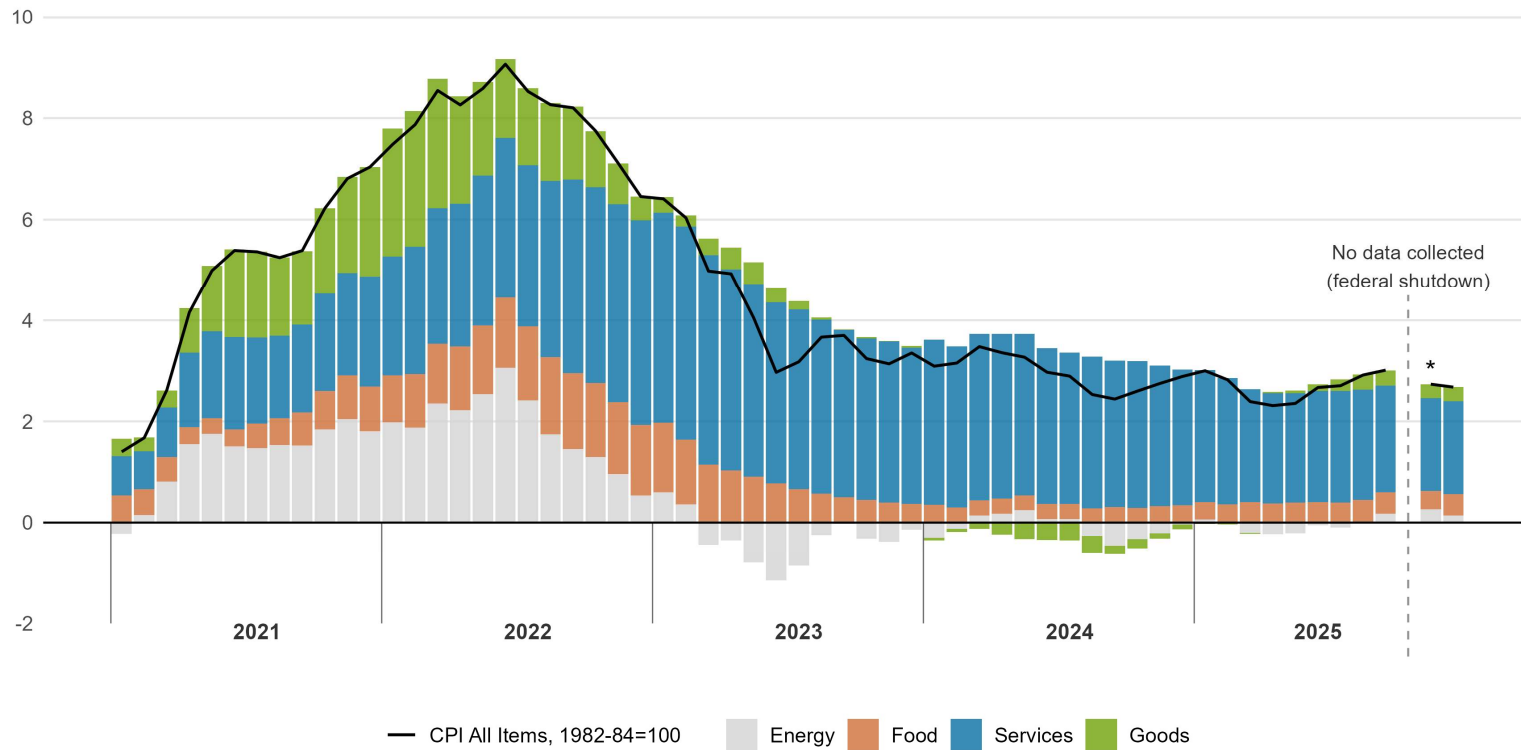
Starting in 2030, annual deaths exceed annual births, and **net immigration accounts for all population growth.**

Population Growth and Contributing Factors

Percent



Contributions to Year-Over-Year Change in Consumer Price Index



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

Inflation has been above the Fed's target of 2% since 2021

Manufacturers and retailers have been trying to absorb the tariff costs as much as possible

Recently:

- Greenland tariffs on and then off
- Threatened 100% tariffs on Canada if Canada makes a trade deal with China
- Increasing tariffs on South Korean exports back up to 25%
- President Trump on the USMCA agreement: "there's no real advantage to it, it's irrelevant."

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

USMCA agreement compliant
imports have remained exempt
(around 85% from CA and 86%
from MX are exempt)

USMCA up for review this year
(July)

Country/product specific rates and
exemptions continue to change on
short notice and with little detail

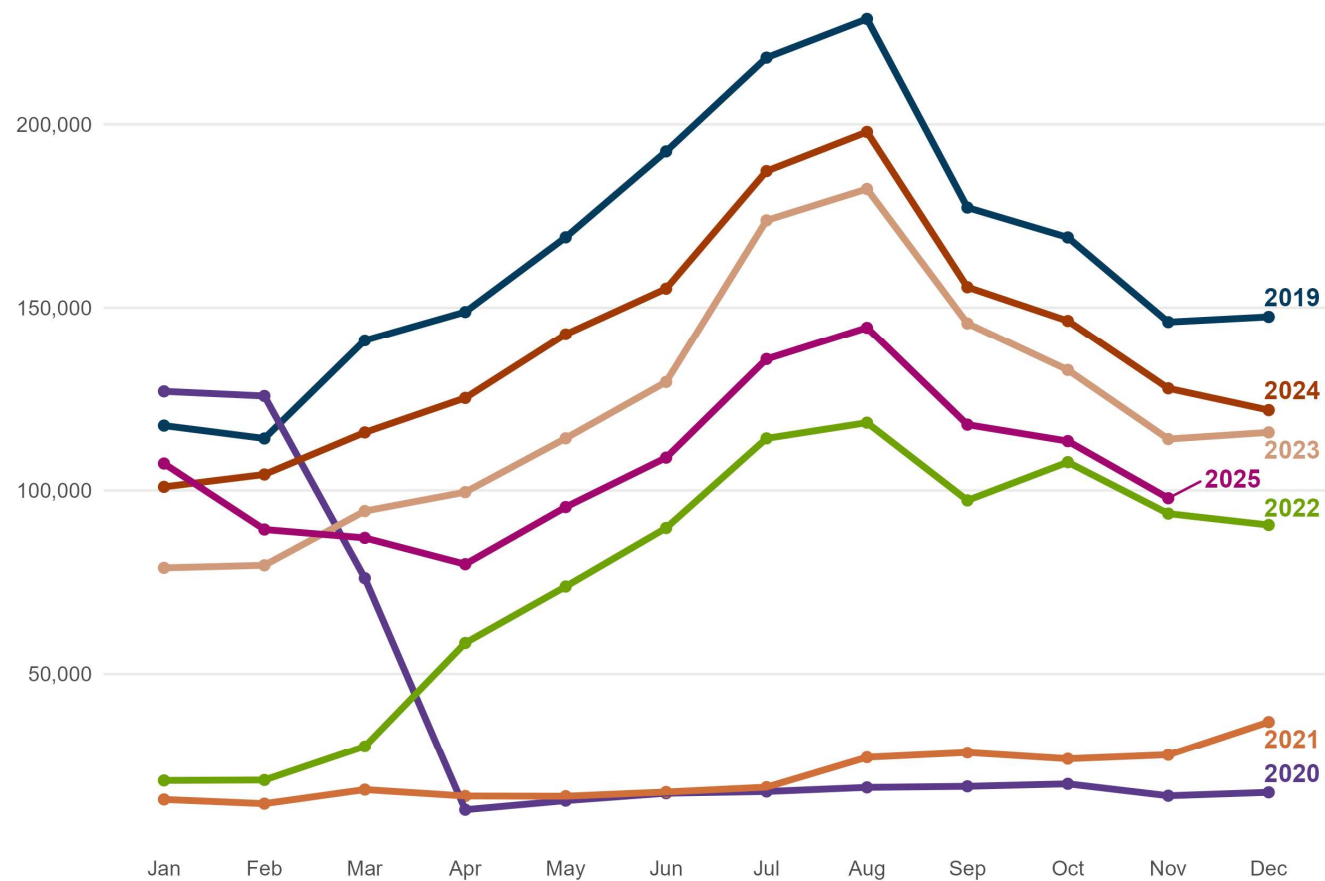
The Budget Lab at Yale estimates
(1/19) average effective tariff rate
for consumers (post-substitution)
14.3%

Equates to about \$1,400 per
household in the short-run

Summer tourism season:

- Direct spending was down 3.5%, reflecting the national trend of visitors being more price conscious
- Decrease in overall visitation was primarily from day trippers (who typically don't spend as much as overnight visitors)
- Fewer Canadian visitors than last year
 - 3pp lower (4% vs 7%) share of summer visitation

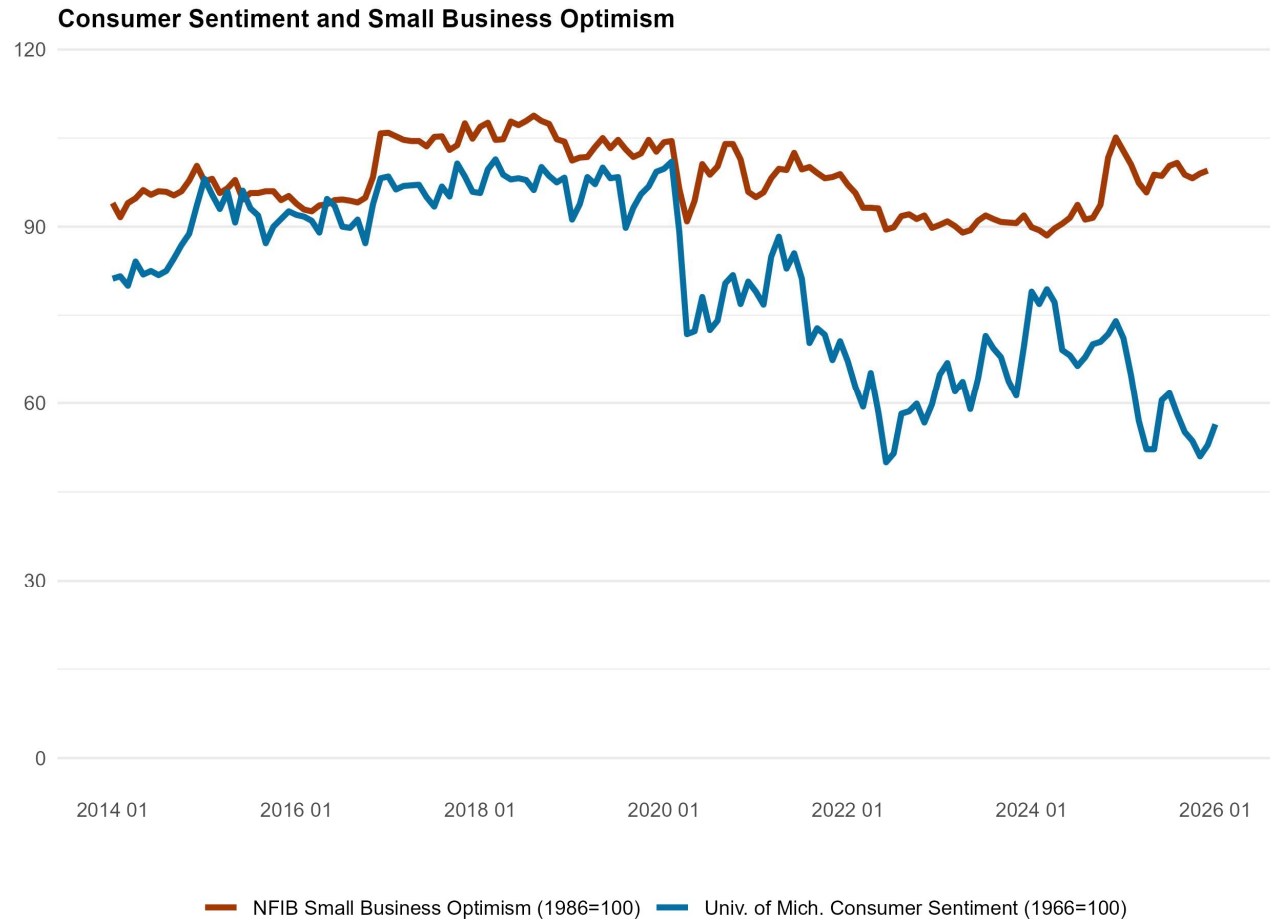
Passenger Vehicles Entering Maine from Canada



Source: U.

Consumer Sentiment was up 7% from December and is down 21% year-over-year. Consumers continue to report pressures on their purchasing power stemming from high prices and the prospect of weakening labor markets.

Small Business Optimism improved less than 1% in December, but the index is still down 5% from a year ago. The uncertainty index fell 7 points from November, the lowest reading since June 2024.



Sources: National Federation of Independent Businesses and University of Michigan

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

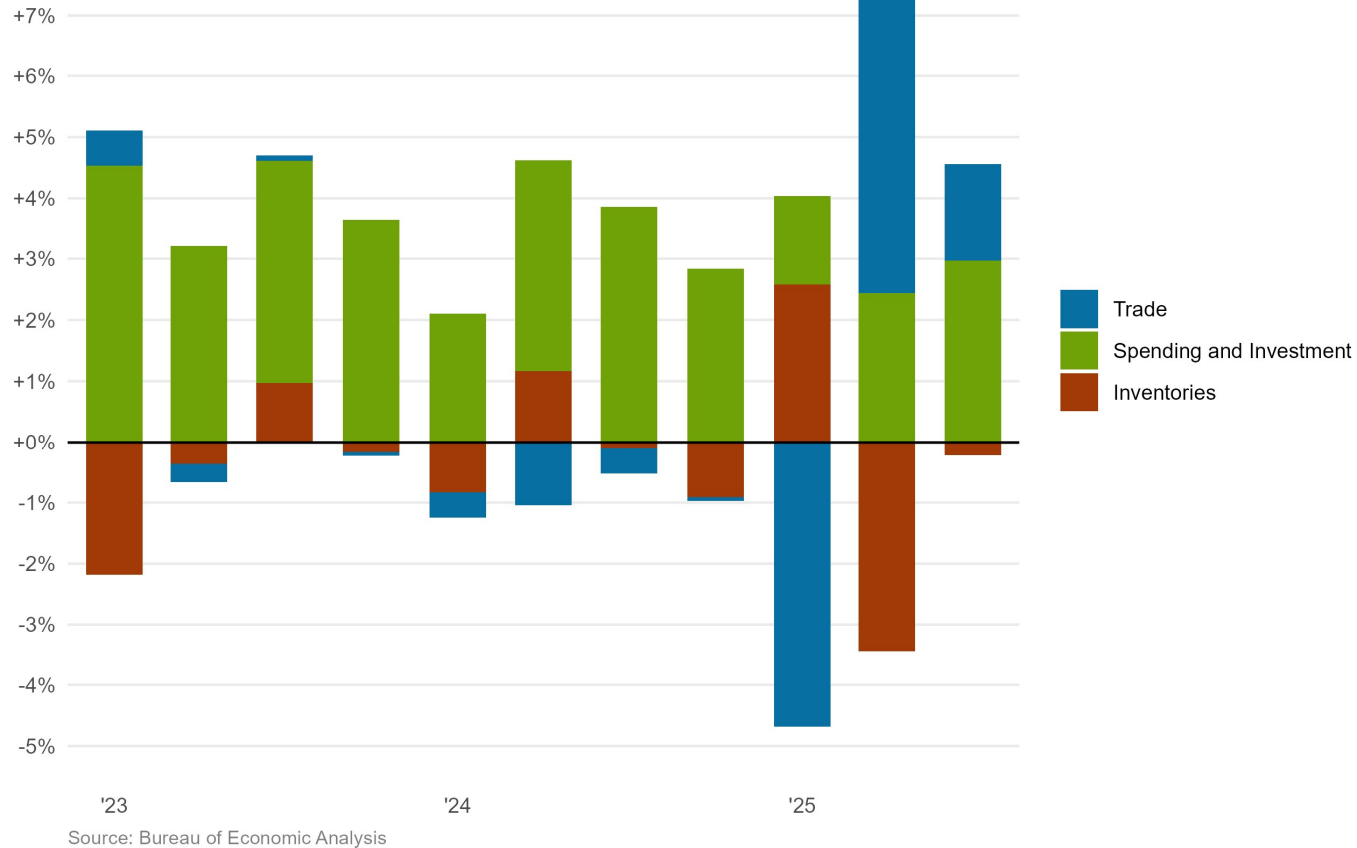
In Q1 US GDP was dragged down by a surge in imports as firms rushed to beat tariffs; imports have since declined.

Upturn in real GDP in Q2 primarily reflected this downturn in imports and an acceleration in consumer spending.

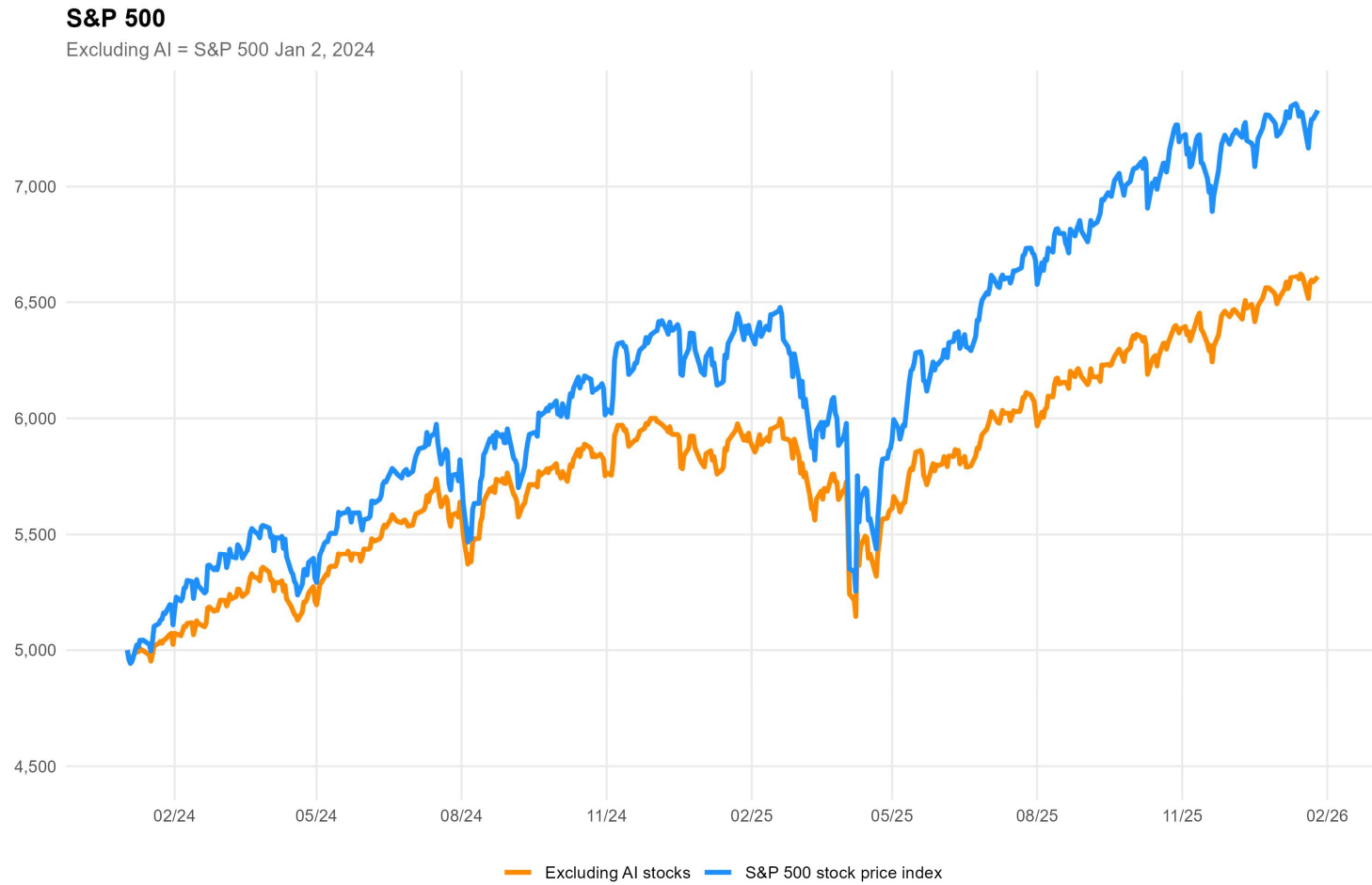
Much of the Q3 growth came from military spending, and total corporate profits rose sharply. But business investment (which had been fueled in part by the build-out of AI systems) cooled

Percentage Point Contribution to US GDP Growth

Contributions to quarterly change in real GDP, seasonally adjusted at annual rates



According to estimates by Principal Asset Management, spending related to AI contributed to almost half of year-over-year growth in GDP during the first half of 2025

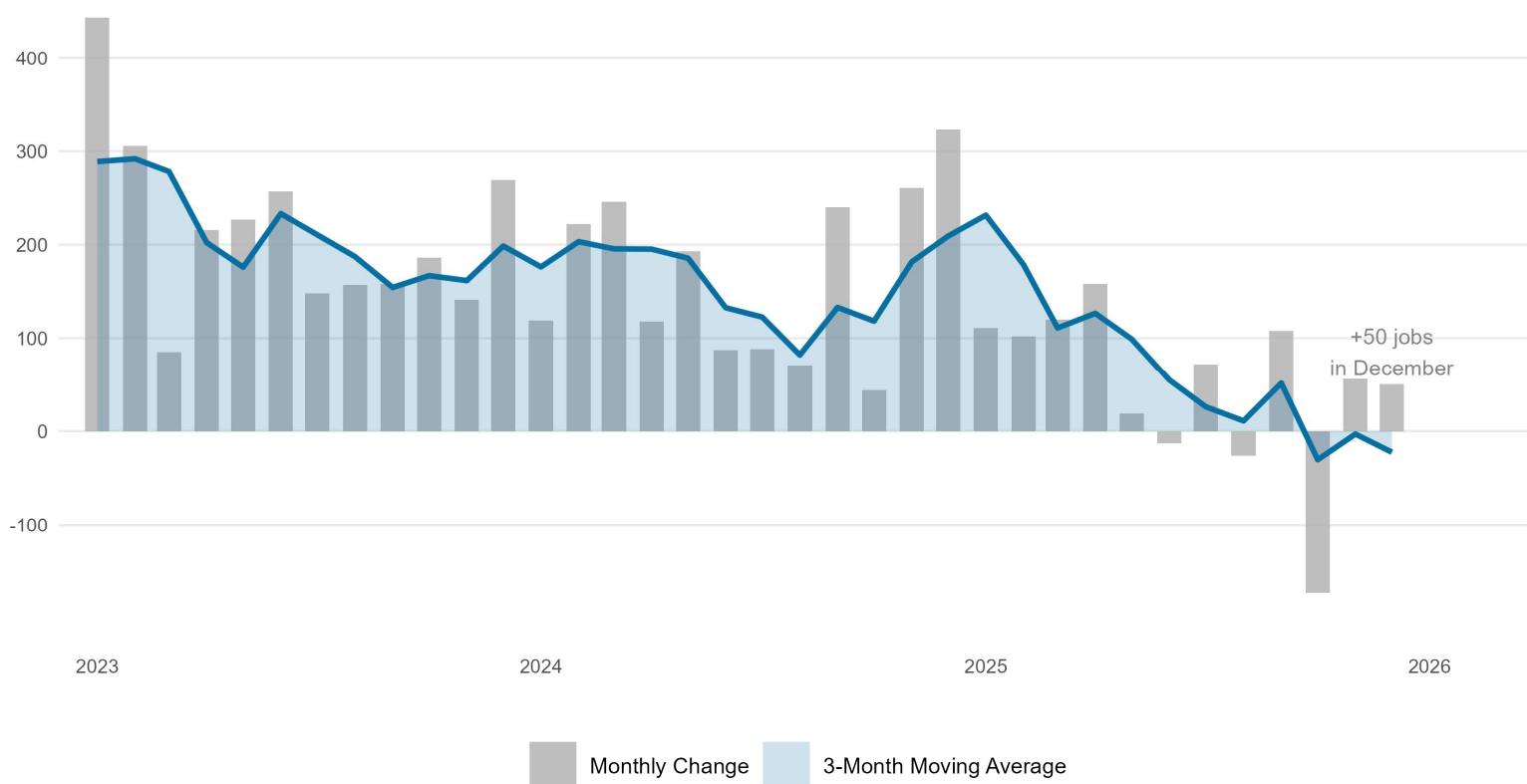


Note: AI includes Alphabet, Amazon, AMD, Apple, Broadcom, C3.ai, IBM, Intel, Meta Platforms, Microsoft, NVIDIA, Oracle, Palantir Technologies, Salesforce, ServiceNow, and Snowflake. As of Jan. 27, 2026. This is a simplified approximation.

Sources: Principal Asset Management, "Investing in the AI era: growth, gains, and risks"; S&P, Yahoo Finance

US Nonfarm Payroll Employment (Seasonally Adjusted)

Monthly Change in Jobs (in thousands)



Source: U.S. Bureau of Labor Statistics

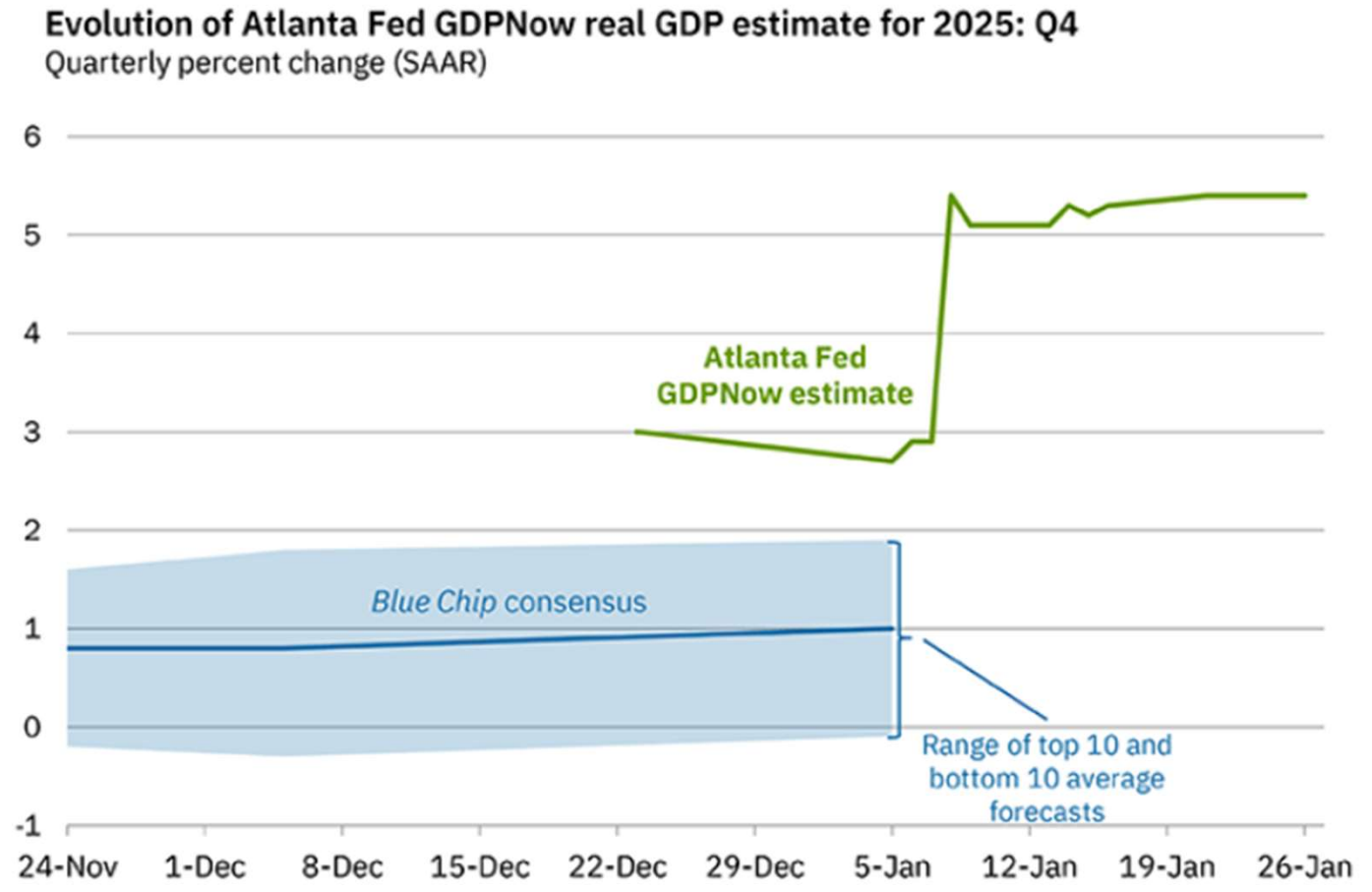
Hiring across 2025 was the weakest in five years (even before the benchmarking revisions).

AI *may* be making early structural marks on the economy. Sectors that are particularly exposed to AI are showing signs of weakness

Professional and business services lost 9K jobs in Dec. and 97K in 2025

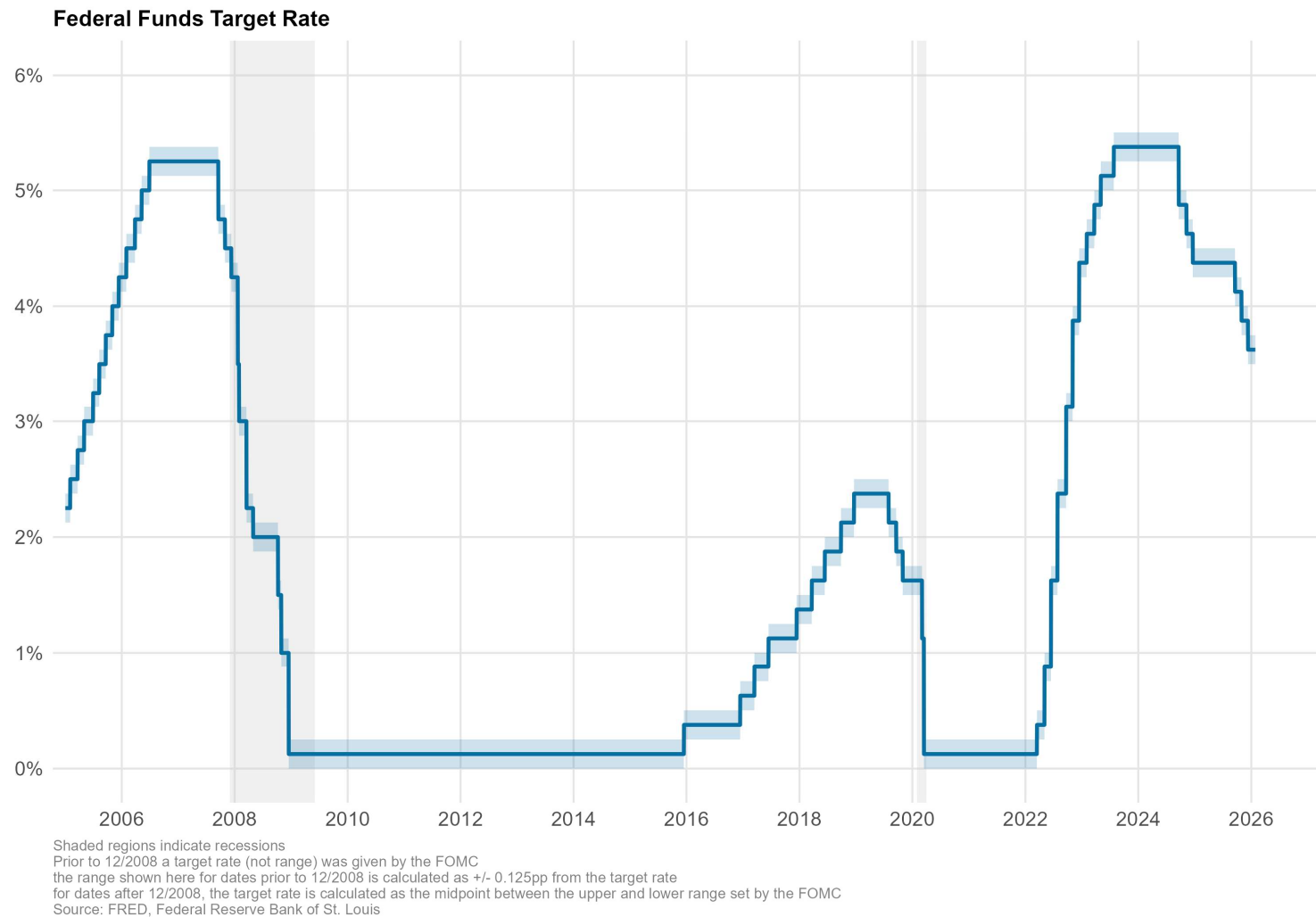
GDPNow estimate as of 01/26
→ 5.4%

Largest contributors to growth:
- PCE
- Net exports

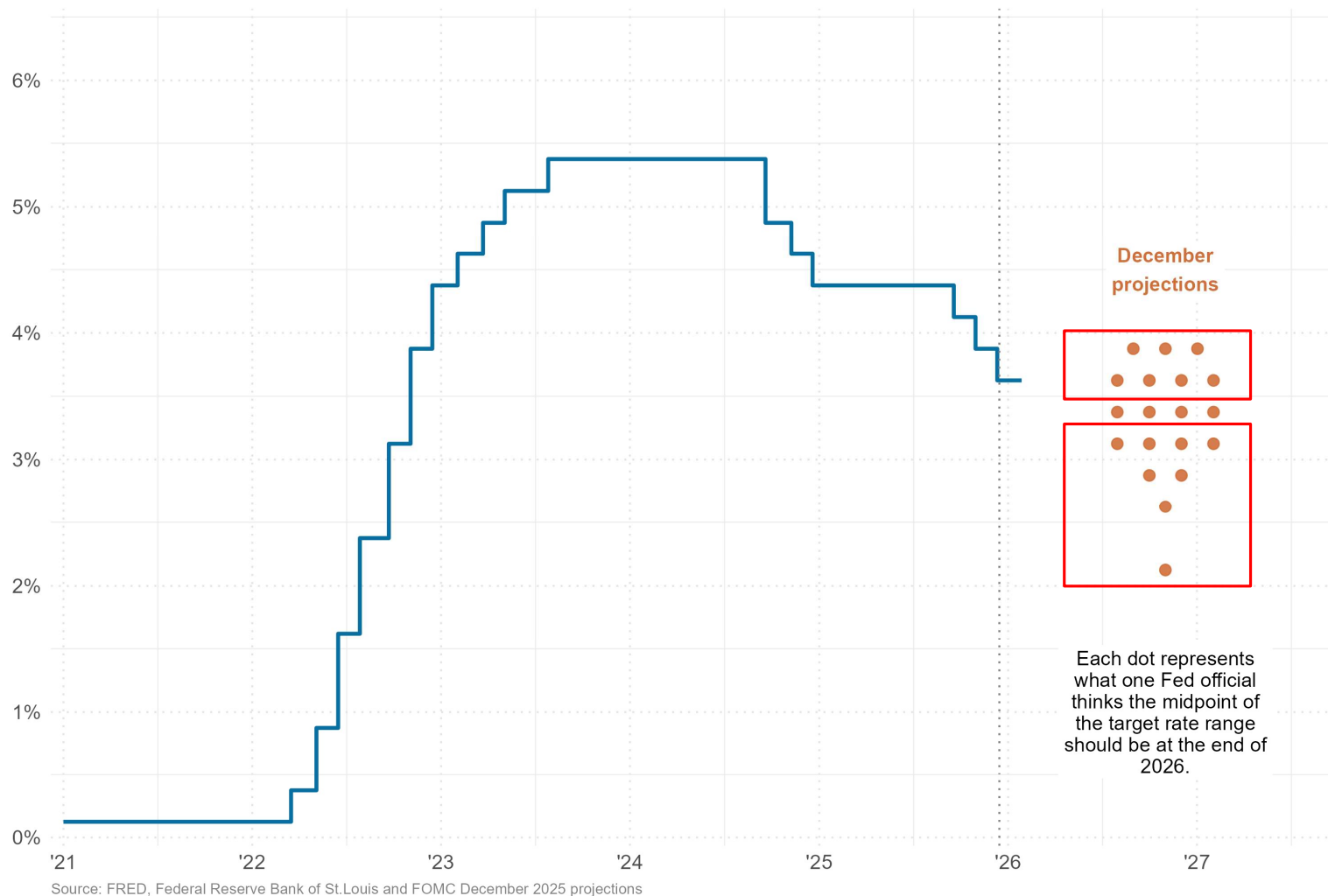


At their December meeting the FOMC lowered the target range 25 bps to 3.50% – 3.75%

They cut rates three times in 2025, but the December rate cut marked the fourth straight vote not backed by all members.



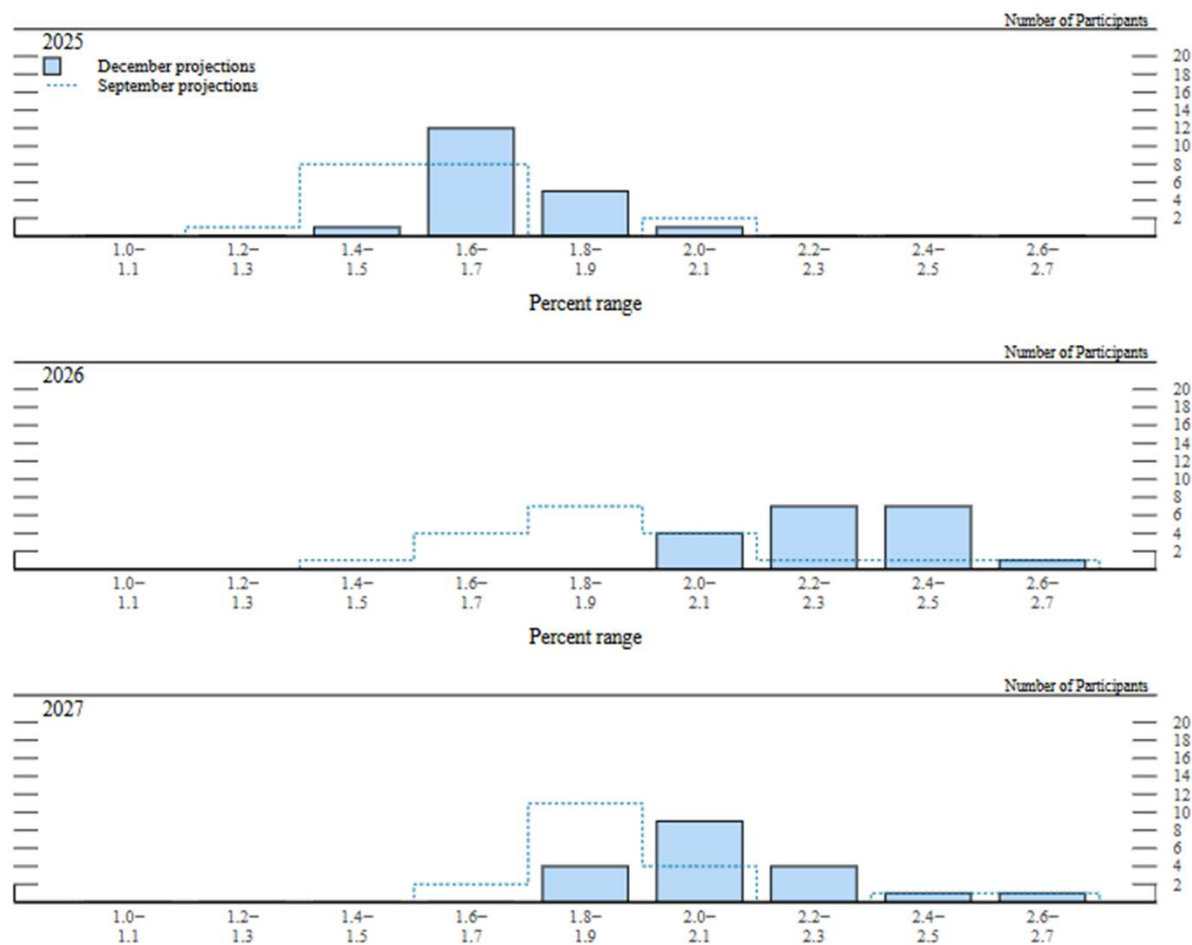
Fed Funds Target Rate and FOMC Officials' Expectations for Rates



December projections also show division

7 (of 19) see no reductions at all next year while 8 want at least 2 (assuming reductions of 25 bps)

Figure 3.A. Distribution of participants' projections for the change in real GDP, 2025–28 and over the longer run



When asked about the fairly optimistic economic projections released in December:

“...it’s partly that consumer spending has held up. It’s been resilient. To another degree, it is that...spending on data centers and related to AI has been holding up business investment.

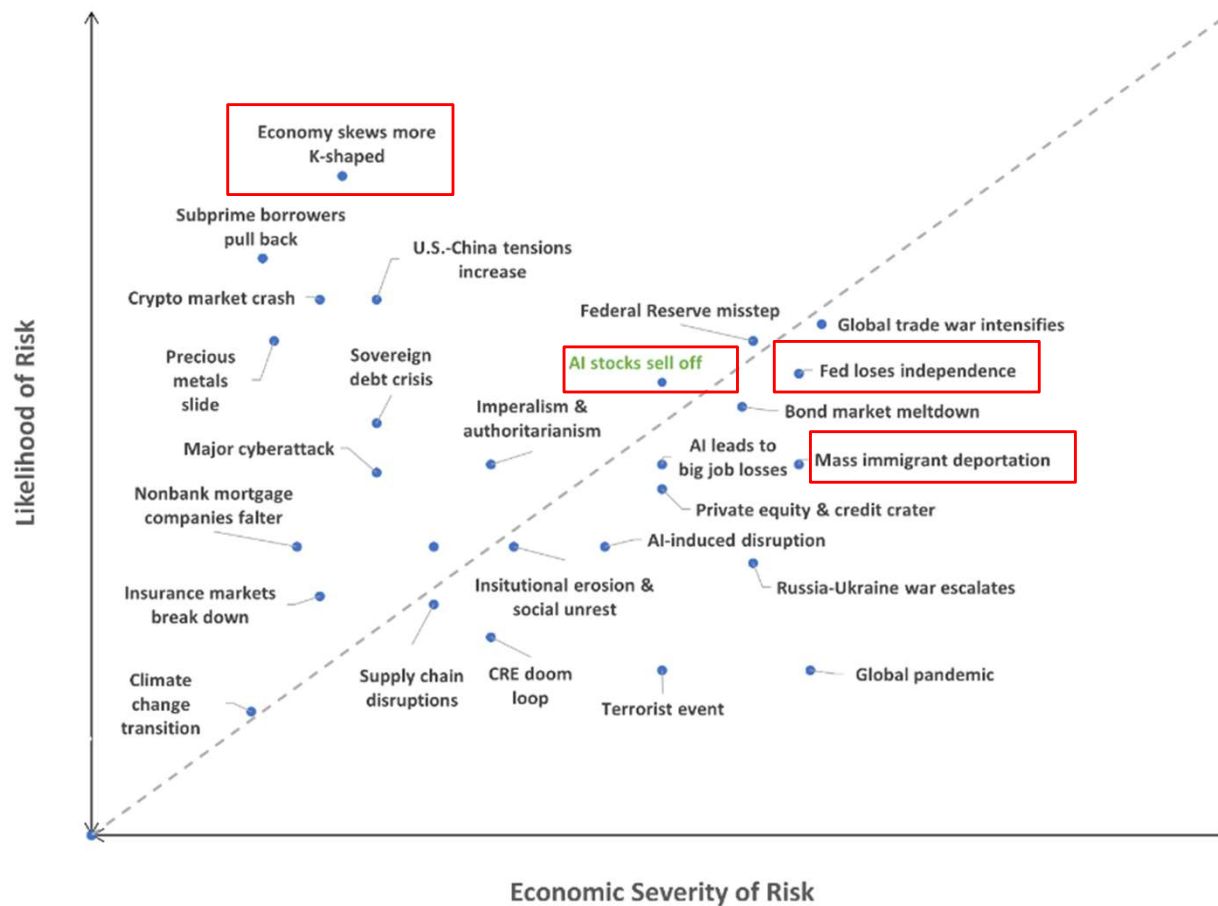
So overall, the baseline expectation for next year is...a pickup in growth....AI spending will continue. The consumer will continue to spend” – Chair Powell

	Q1:Q3 2024 to Q1:Q3 2025 Avg. Growth Rates	Nov 2025 CEFC Forecast 2025 Growth	Q4 Growth Needed to Hit CEFC Forecast
Total Personal Income	4.9	5.6	7.8
Wages and Salaries	3.9	4.8	7.6
Supplements to W&S	4.4	4.0	2.8
Transfer Receipts	9.7	9.9	10.6
DIR	2.6	3.0	4.1
Nonfarm Prop. Income	2.2	3.5	7.4

Note: the large increase in transfer receipts nationwide was due in part to retroactive payments to Social Security beneficiaries from the Social Security Fairness Act (2024). This act eliminates (as of Jan. 2024) the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) which previously reduced or eliminated benefits for over 3.2 million individuals.

Possible Partial Federal Shutdown?

- Congress faces a Friday night deadline to pass funding legislation and avoid a partial government shutdown
- Some Senators are refusing to approve Dept. of Homeland Security funding without additional restrictions on immigration enforcement
- This could derail the entire \$1.3 trillion spending package required to fund defense, health, transportation, and other federal agencies
- While Congress has already enacted some full-year appropriations through September, the pending measure represent 75% of total annual federal discretionary spending
- However, there will be no impacts to key benefit programs (like Social Security, Medicare, Medicaid, SNAP and TANF)



Note: Changes in red are either an increase in the odds of the event occurring or a new downside risk. Changes in green reflect a decline in the probability of the event occurring.