

Economic Update

MEGAN BAILEY | OFFICE OF THE STATE ECONOMIST
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

CEFC / RFC RETREAT
SEPTEMBER 18, 2026

What has changed since January?

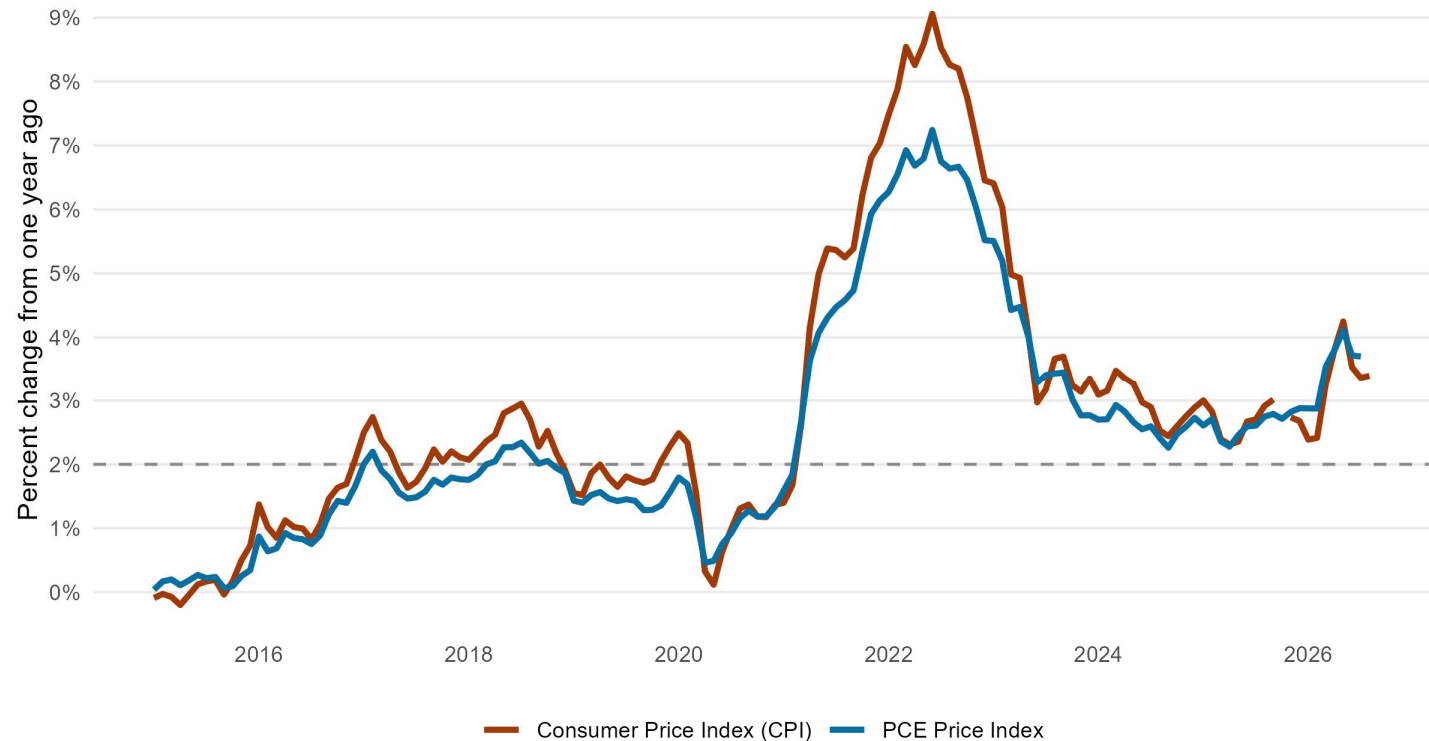
- Inflation remains elevated with renewed pressure from energy
- Geopolitical developments have increased energy-price risk
- Trade uncertainty has increased, particularly around Canada
- Cross-border travel remains below pre-pandemic levels
- Housing price growth has cooled but borrowing costs remain elevated
- Consumer credit stress has increased, though Maine remains in a comparatively better position overall
- The FOMC raised rates for the first time since 2023

Both measures remain elevated

- **PCE** grew by 3.7% YoY in July (unchanged from June)
- **CPI all-items** stayed at 3.4% YoY in August (unchanged from July)
 - **Core CPI** jumped 0.3% from July, or 2.4% YoY
 - **Gasoline** was up 3.9% for the month and is up 27.4% YoY
 - **Fuel oil** was up 10.1% for the month and up 52% YoY
- Inflation has remained above the FOMC's 2% target since March 2021

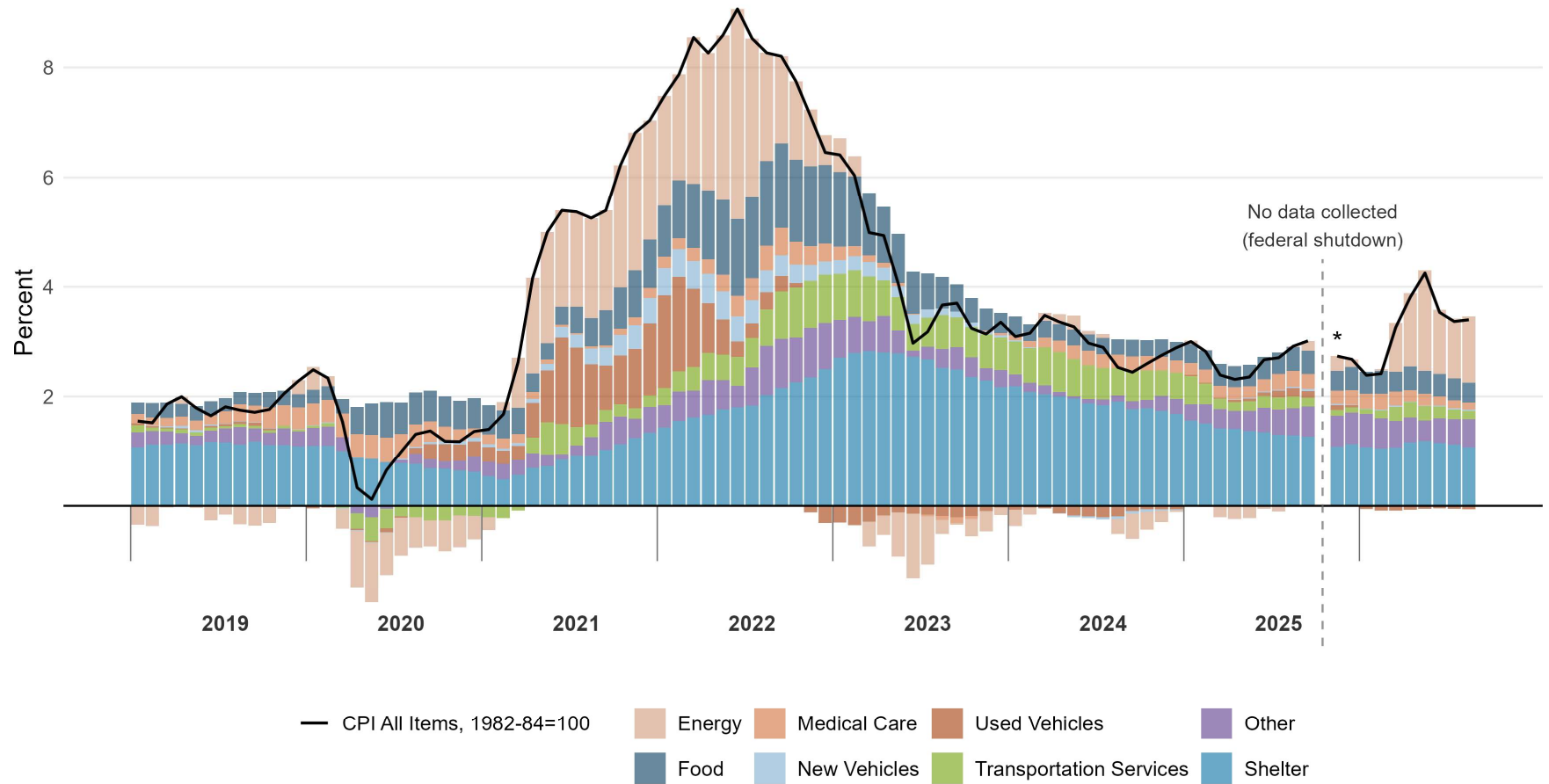
Measures of Inflation

Year-over-year percent change through August 2026



Source: U.S. Bureau of Labor Statistics and U.S. Bureau of Economic Analysis.
Dashed line indicates the Federal Reserve's 2% longer-run PCE inflation objective.
October 2025 headline CPI is unavailable because BLS did not collect survey data during the federal funding lapse.
BEA estimates missing October price inputs used in the PCE price index from surrounding-month CPI data.

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

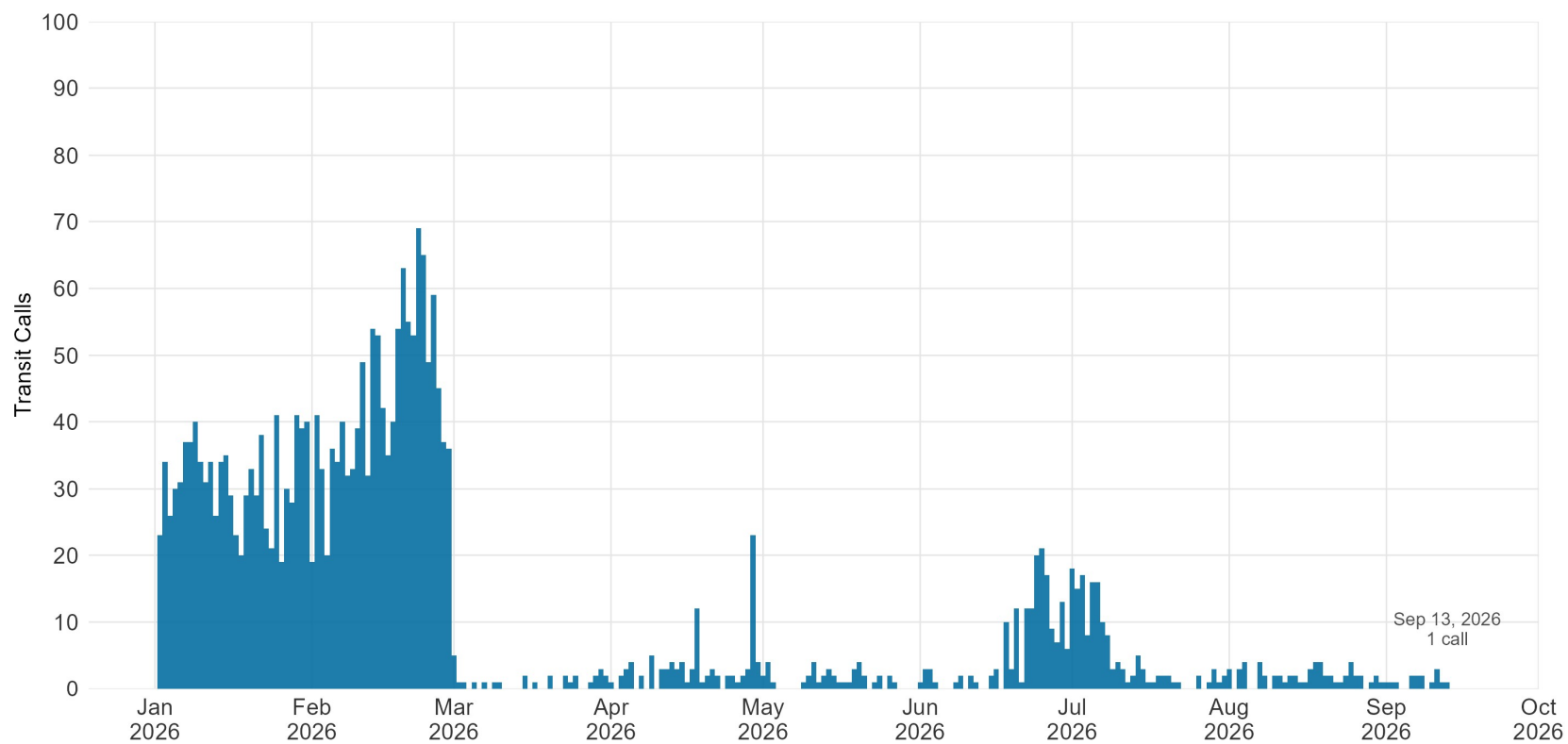


Source: US Bureau of Labor Statistics & Calculations by OSE Staff

*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

Strait of Hormuz Daily Tanker Transit (2026)

Daily tanker transit calls



Sources: UN Global Platform; IMF PortWatch (portwatch.imf.org)

Crude Oil and New England Gasoline Prices

Brent spot price through Sep 09; futures through Sep 15



Source: U.S. Energy Information Administration. Dashed orange segment shows newer Brent futures observations.

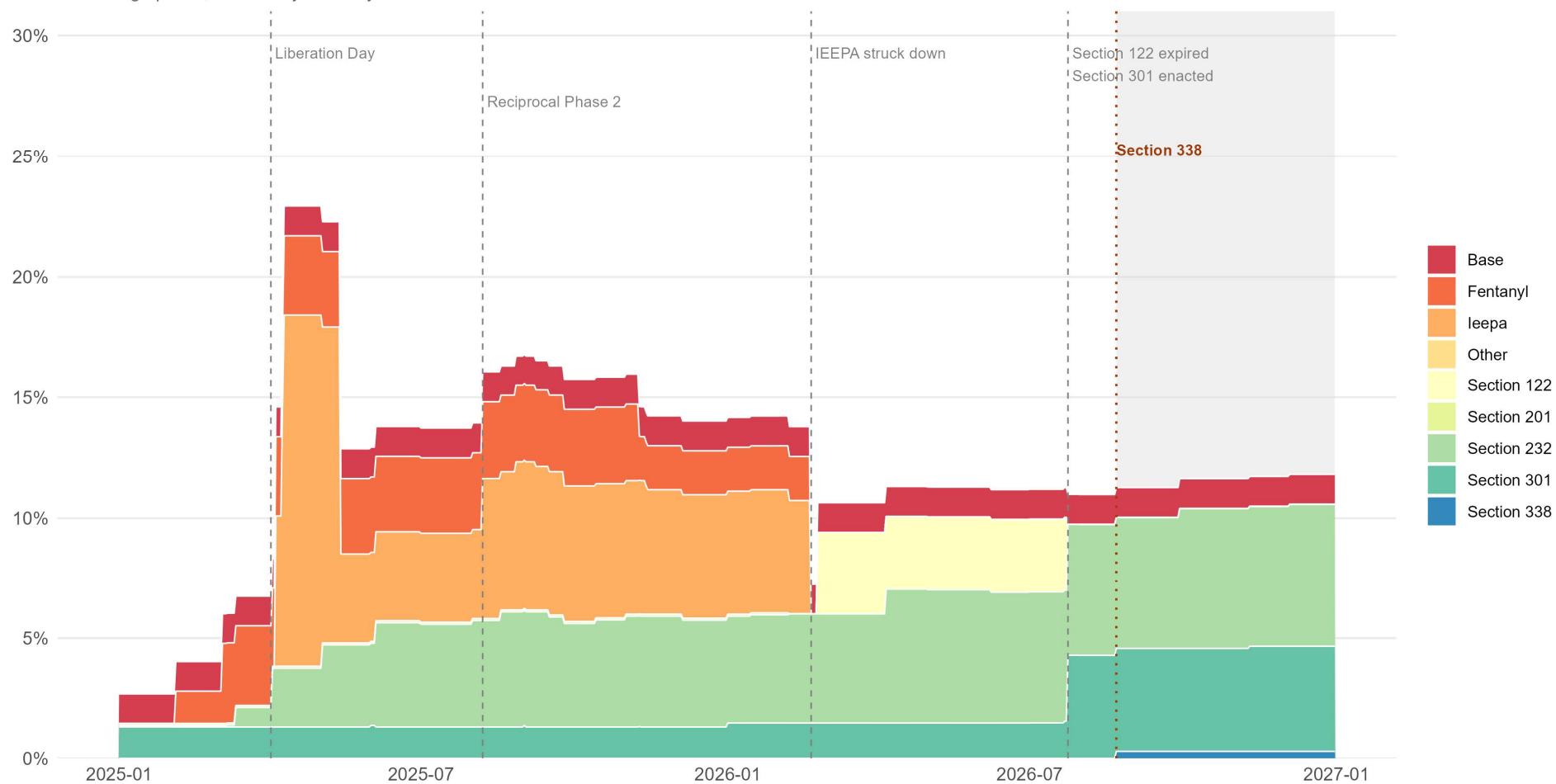
New England retail gasoline, weekly average



Source: U.S. Energy Information Administration.

U.S. Average Effective Tariff Rate by Legal Authority

Percentage points, stacked by authority



Canada Accounts for a Large Share of Goods Trade Across the Northern U.S.

Share of each state or province's total goods trade conducted with the country across the border, 2025

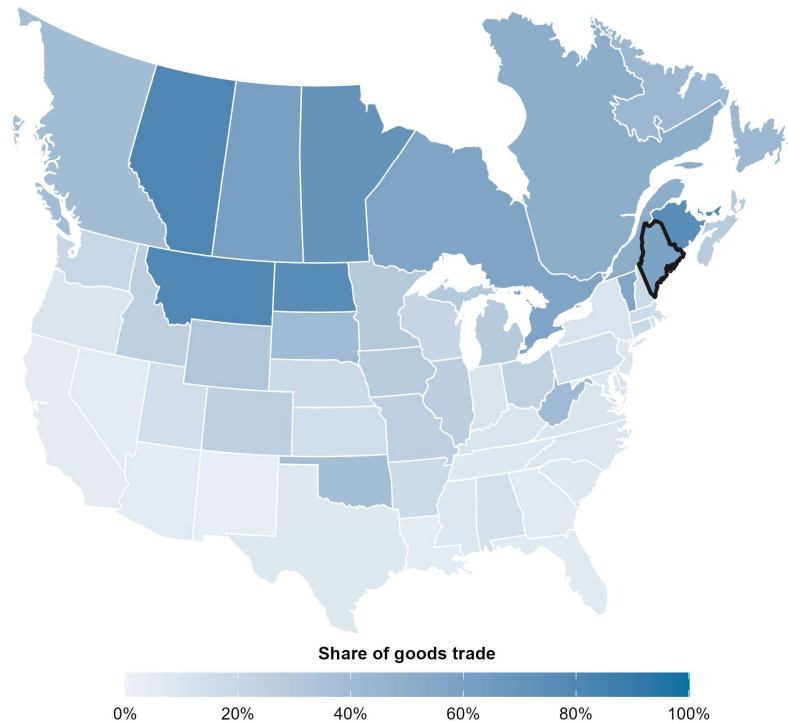
Section 338 Tariffs:

Canada retaliation:

Roughly \$170 million in 2025 Maine **exports** exposed (down from about \$450 million when seafood was included)

Latest round of tariffs went into effect this week on **imports** from Canada:

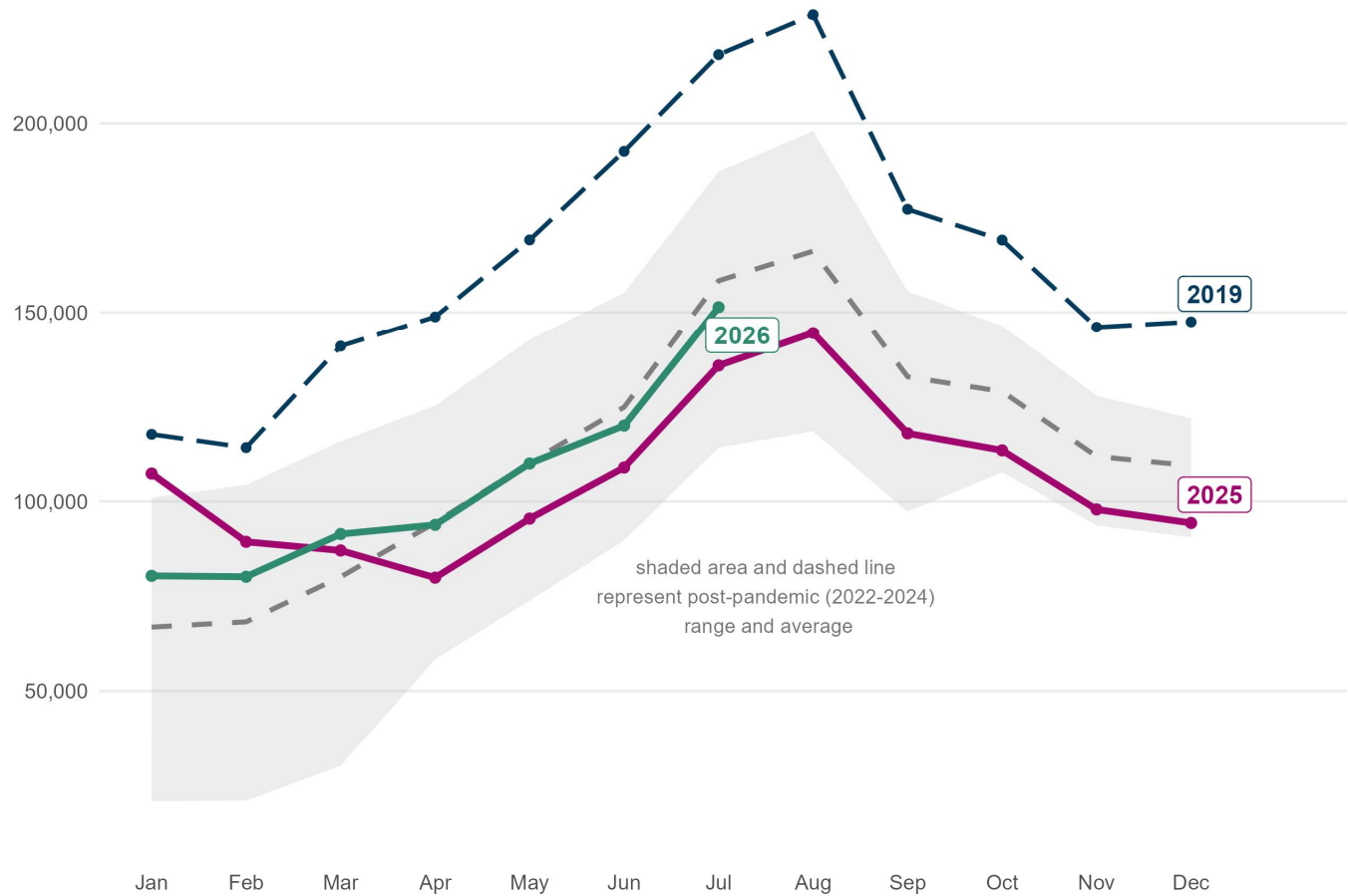
total of about \$212 million in Maine imports exposed, an increase of about \$42 million



Sources: U.S. Census Bureau International Trade API; Statistics Canada Table 12-10-0175-01. Goods trade equals exports plus imports. Maine outlined in black.

July passenger vehicle border crossings were up 11% from last year but down 31% from 2019

Passenger Vehicles Entering Maine from Canada



Source: U.S. Department of Transportation, Bureau of Transportation Statistics.

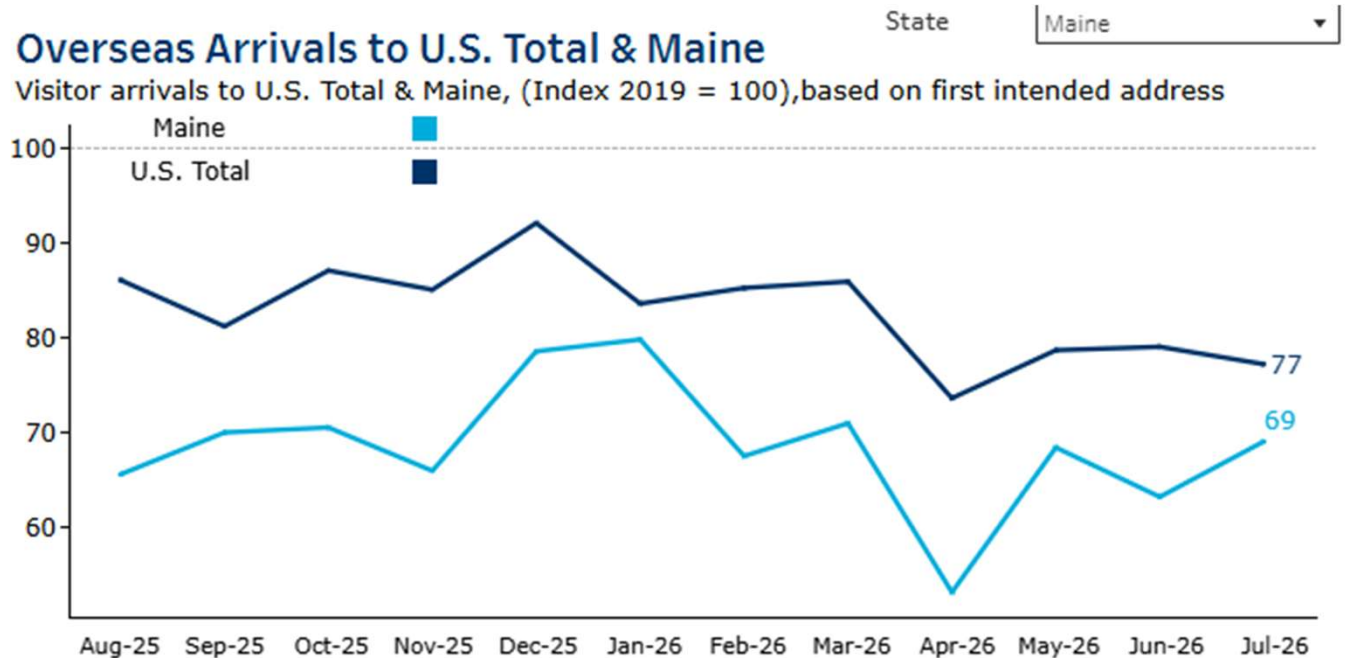
Source: US Department of Transportation, Bureau of Transportation Statistics

International travel is down for both Maine and the US relative to 2019

However, domestic travel remains steady.

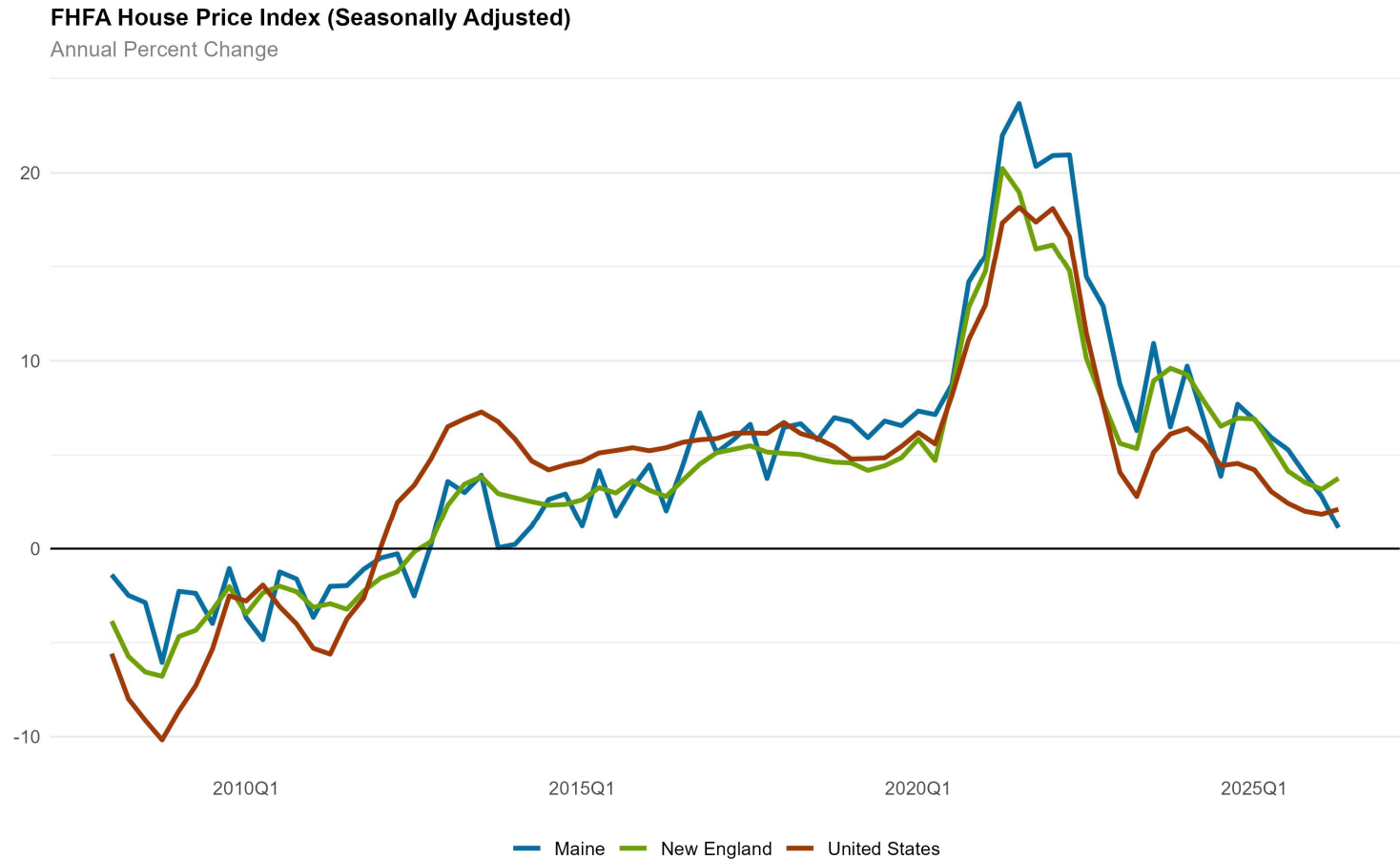
In July, Maine hotels experienced YoY growth in revenues (+12.2%), due to higher rates (+3.5%) and demand (+8.5%)

Compared to the last 5 years, July occupancy ranked 2nd (78.4%)



In 2026 Q2, Maine's YoY growth in the HPI was 1.1% (seasonally adjusted)

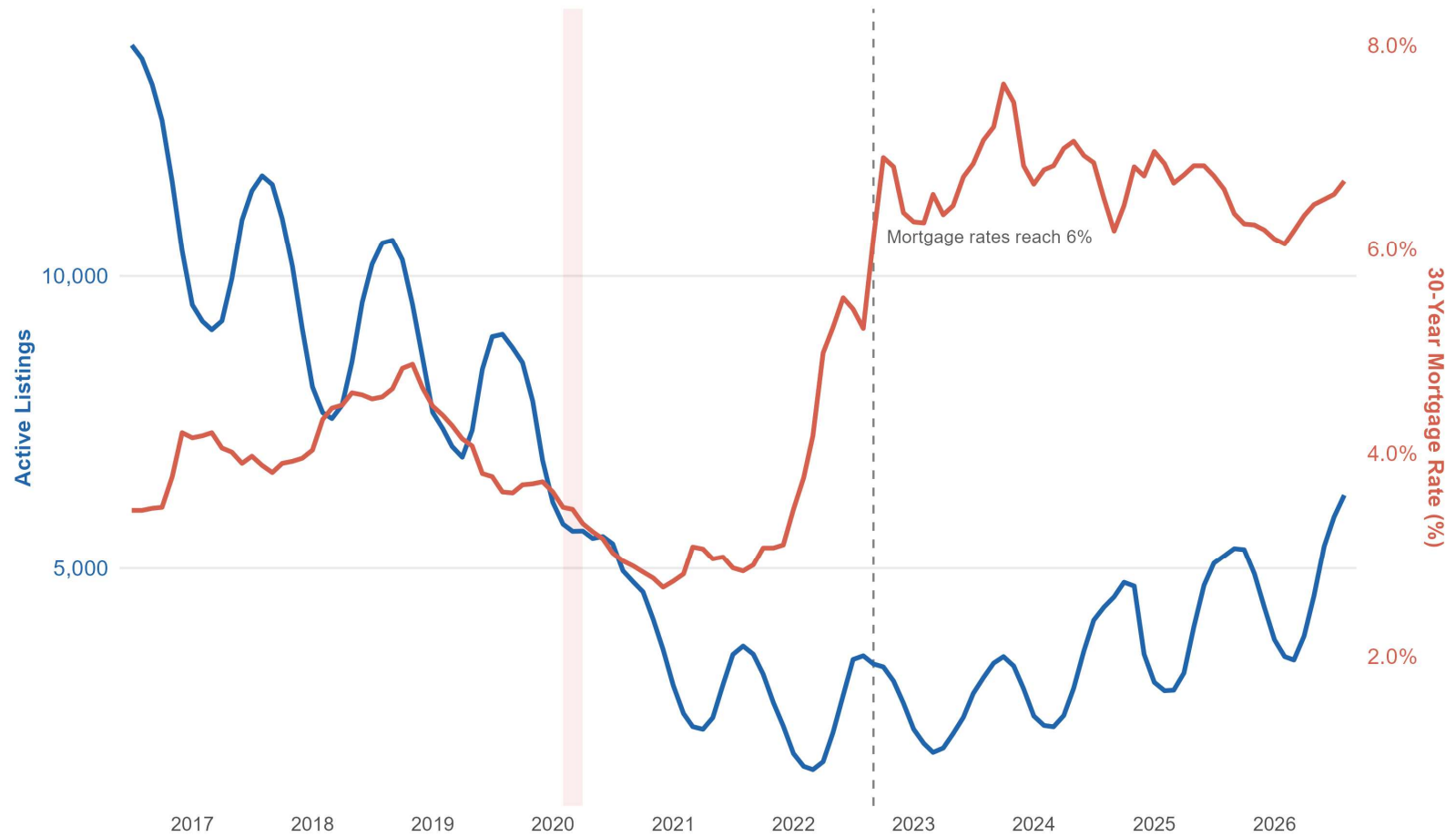
- 38th in the US and lowest in New England
- On a seasonally adjusted quarterly basis, Maine's HPI decreased 1.3% from 2026Q1 below growth of 0.9% in New England and 0.3% in the US



Source: Federal Housing Finance Agency

Maine Housing Inventory and Mortgage Rates

Active listings and average 30-year fixed mortgage rate

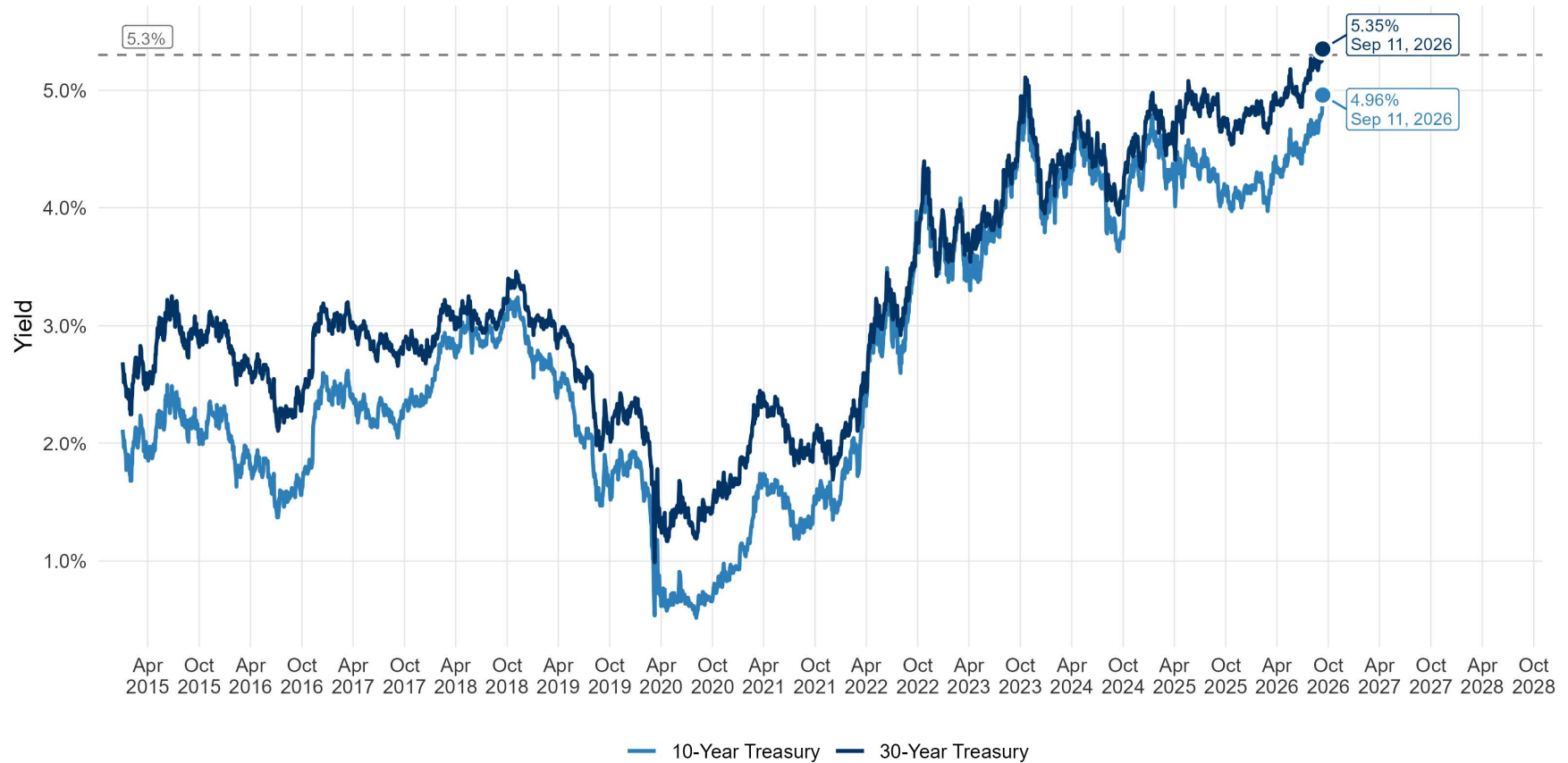


Source: Realtor.com and Freddie Mac via FRED

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Long-Term Treasury Yields Have Surged

The 30-year yield rose above 5.3% on August 18, 2026 — the highest level since 2007



Source: FRED (Federal Reserve Bank of St. Louis).

Source: FRED, Federal Reserve Bank of St. Louis

Where Maine Delinquencies Sit Relative to Their Own History

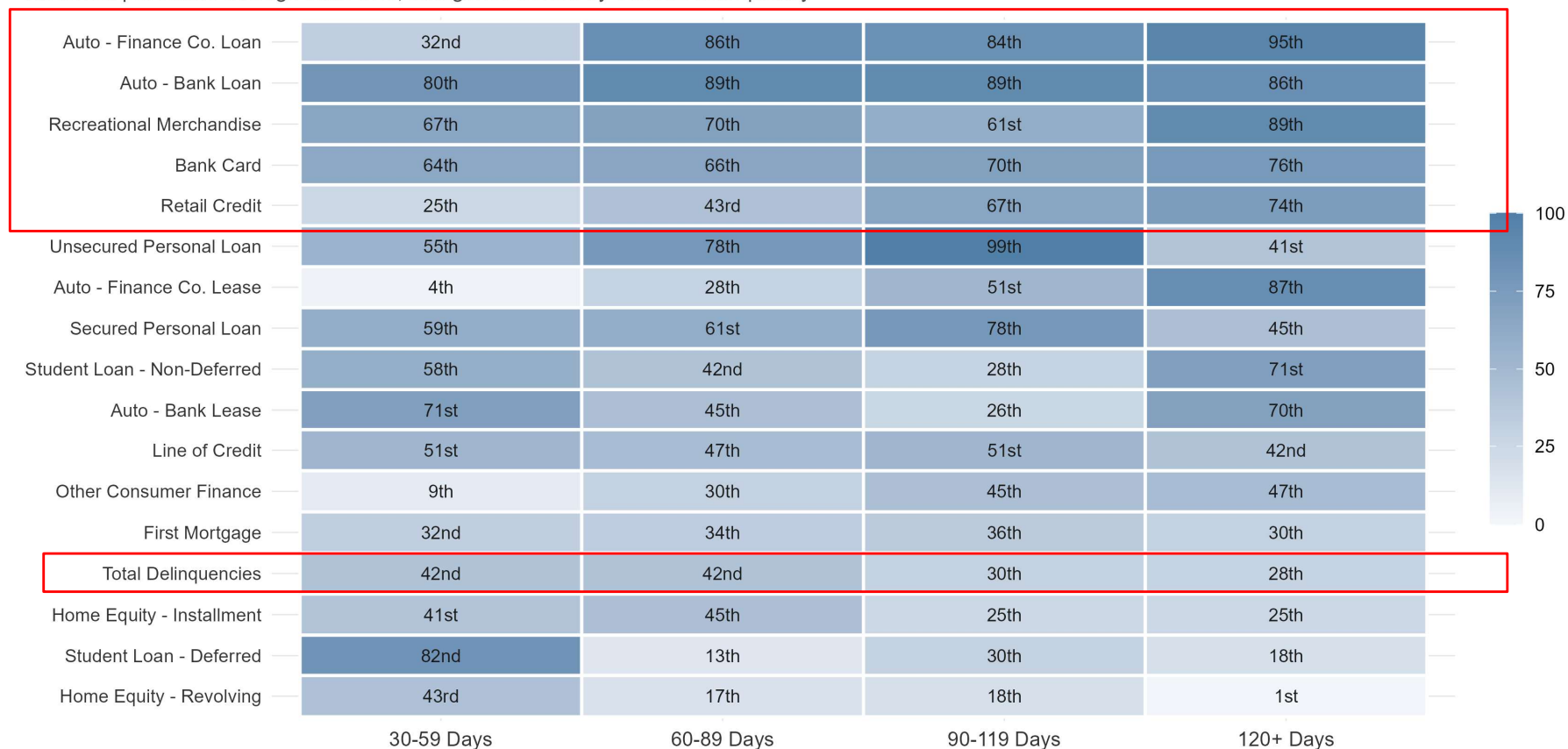
Historical percentile through Jun 2026



Source: Moody's Analytics. 50th = historical median; higher percentiles indicate unusually high delinquency rates.

Where Maine Delinquencies Sit by Delinquency Stage

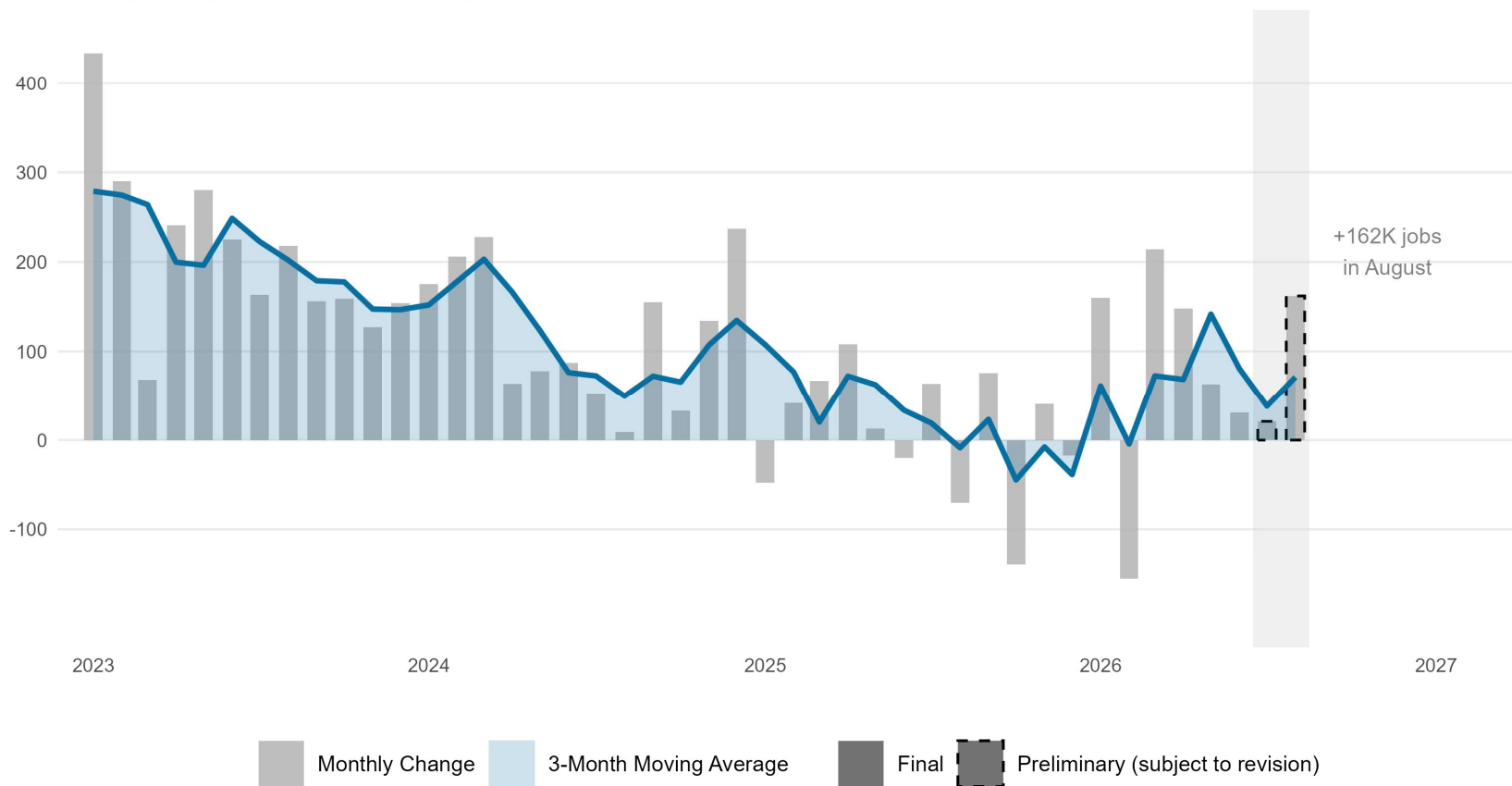
Historical percentile through Jun 2026; categories sorted by serious delinquency



Source: Moody's Analytics. 50th = historical median; higher percentiles indicate unusually high delinquency rates.

US Nonfarm Payroll Employment (Seasonally Adjusted)

Monthly Change in Jobs (in thousands)

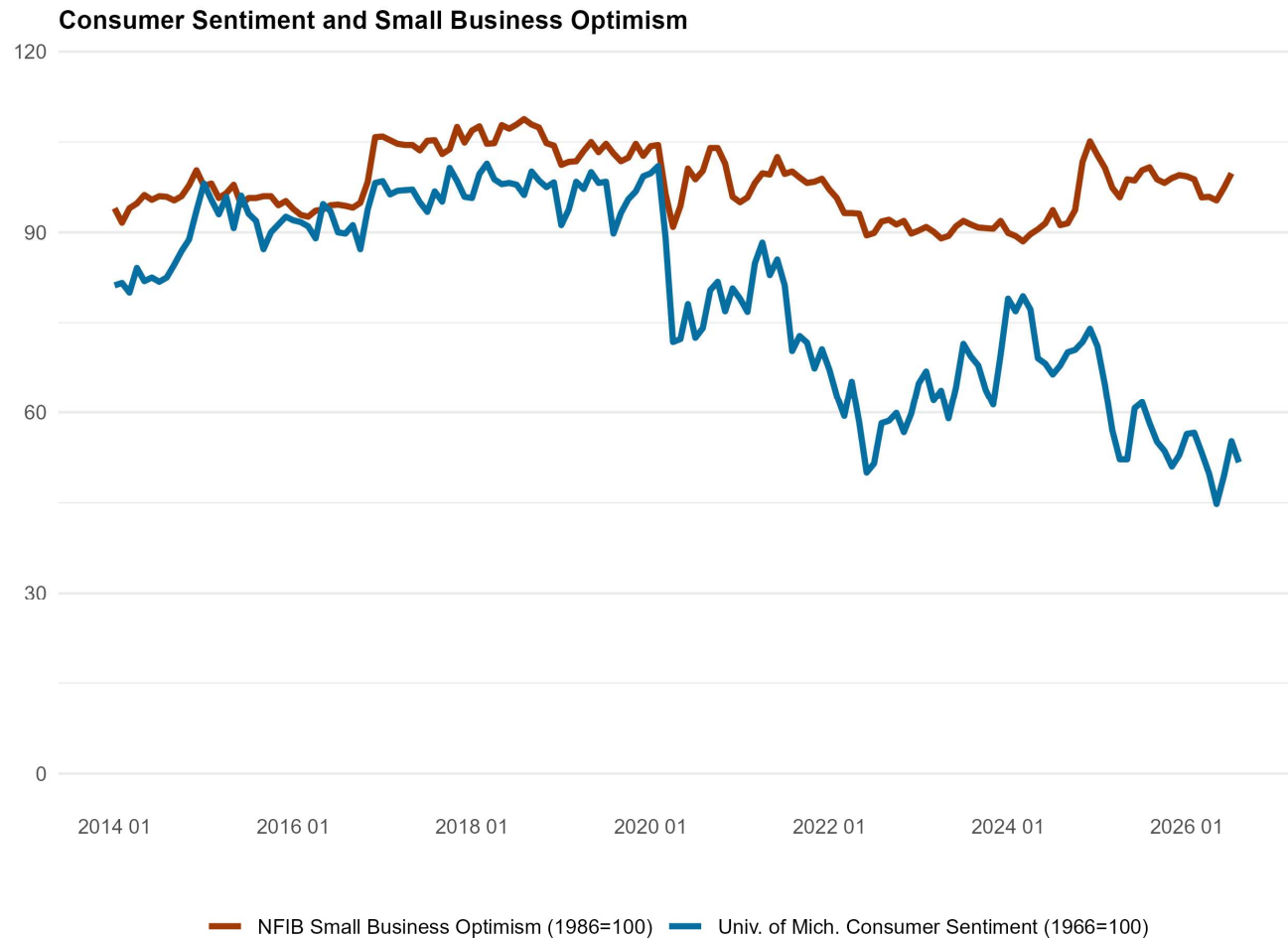


Source: U.S. Bureau of Labor Statistics

Dashed outline / shaded band = data not yet final; BLS revises the two most recent months in subsequent releases.

Sentiment declined in August - down 6% from July and 11% from one year ago

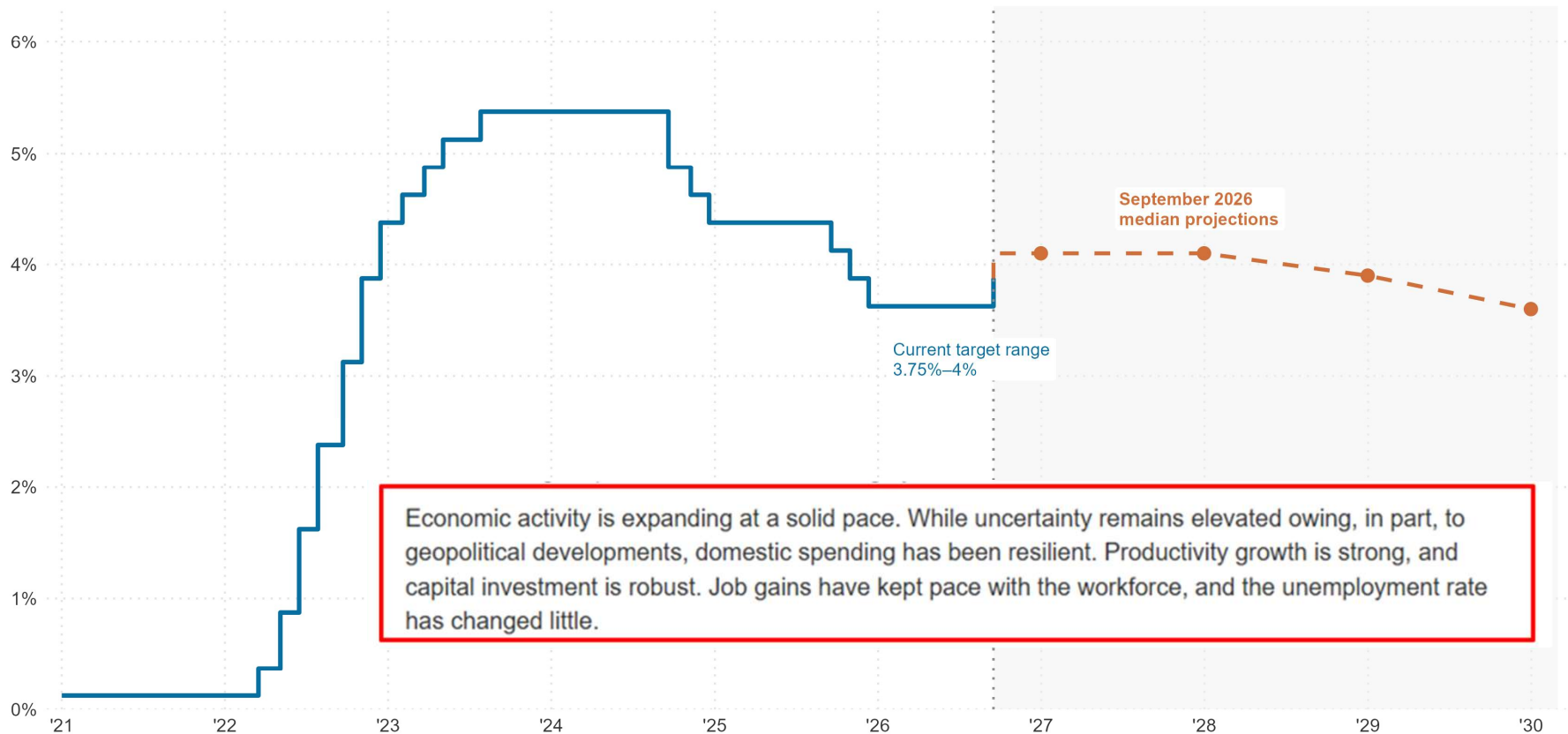
- Older consumers, those with lower and middle incomes, and those without stockholdings had larger declines and sentiment decreased for all political groups during the month.
- Small Business Optimism improved in July, increasing 2.5% from June, and was down less than 1% from a year ago; improvements in hiring plans contributed most to the increase in the index, but uncertainty remains a significant challenge for business owners.



Sources: National Federation of Independent Businesses and University of Michigan

Fed Funds Rate Is Expected to Remain Elevated

Federal funds target range midpoint and FOMC year-end median projections



Economic activity is expanding at a solid pace. While uncertainty remains elevated owing, in part, to geopolitical developments, domestic spending has been resilient. Productivity growth is strong, and capital investment is robust. Job gains have kept pace with the workforce, and the unemployment rate has changed little.

Sources: Federal Reserve Bank of St. Louis (FRED); Federal Reserve Board, September 2026 Summary of Economic Projections. Projected values are year-end medians of FOMC participants' assessments of appropriate monetary policy.

Census Changes: Disclosure Avoidance (DAO 216-6)

The order limits the privacy protections that can be used in all Census Bureau and BEA data products to two methods: coarsening and suppression. Many of the modern privacy methods used by the Department, including data swapping, the use of synthetic data, and differential privacy, are no longer allowed under this order.

Concerns/Implications:

- **Privacy risks**, particularly in the context of advancing AI technologies. Even perceptions of privacy risk could affect response rates.
- **Loss of useable data**, especially for small populations. Census and BEA may need to significantly restrict which data are published in order to comply with their responsibility to protect confidentiality.
- **Delays in the availability of data**, as the Census Bureau updates data products to comply with the order. (ACS 1-year has been indefinitely delayed and the order would affect population estimates as well).

Census Changes: 2030 Census

On September 10, the U.S. Census Bureau published a [Federal Register Notice](#) proposing substantial changes for the 2030 decennial census. The Census Bureau is soliciting comments on the proposed rule until October 13, 2026.

The proposal, as written:

- Changes residence criteria to include **only citizens and permanent residents** for apportionment purposes.
- **Prohibits the collection of data on race, ethnicity, and sexual orientation** in the decennial census.
- **Defines “usual residence” as the residence where a person has “spent the greatest number of days” from January 3 to April 1** instead of “the residence where they live most of the time.”
- **Expands use of administrative records** to determine or verify immigration status and usual residence.