

Economic Update

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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

CONSENSUS ECONOMIC FORECASTING COMMISSION
OCTOBER 30, 2025

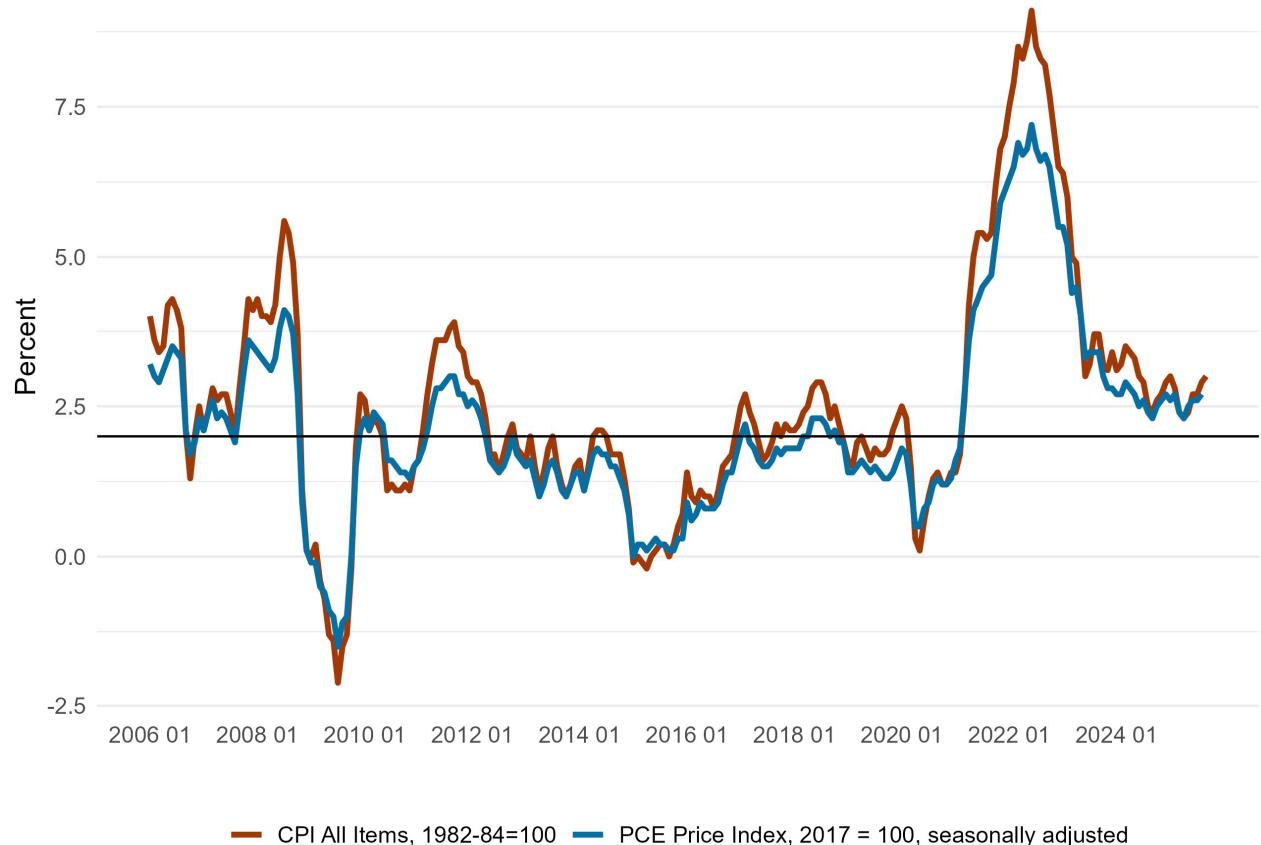
Inflation remains slightly above the Fed's 2% target.

CPI-U was up 3.0% year-over-year in September – the largest year-over-year increase since January

The FOMC cut rates 25 bps to 3.75% - 4%, bringing rates below 4% for the first time since late 2022

The FOMC will also stop shrinking the size of its balance sheet (\$6.6 trillion) as of Dec. 1.

Measures of Inflation, Year-Over-Year Percent Change



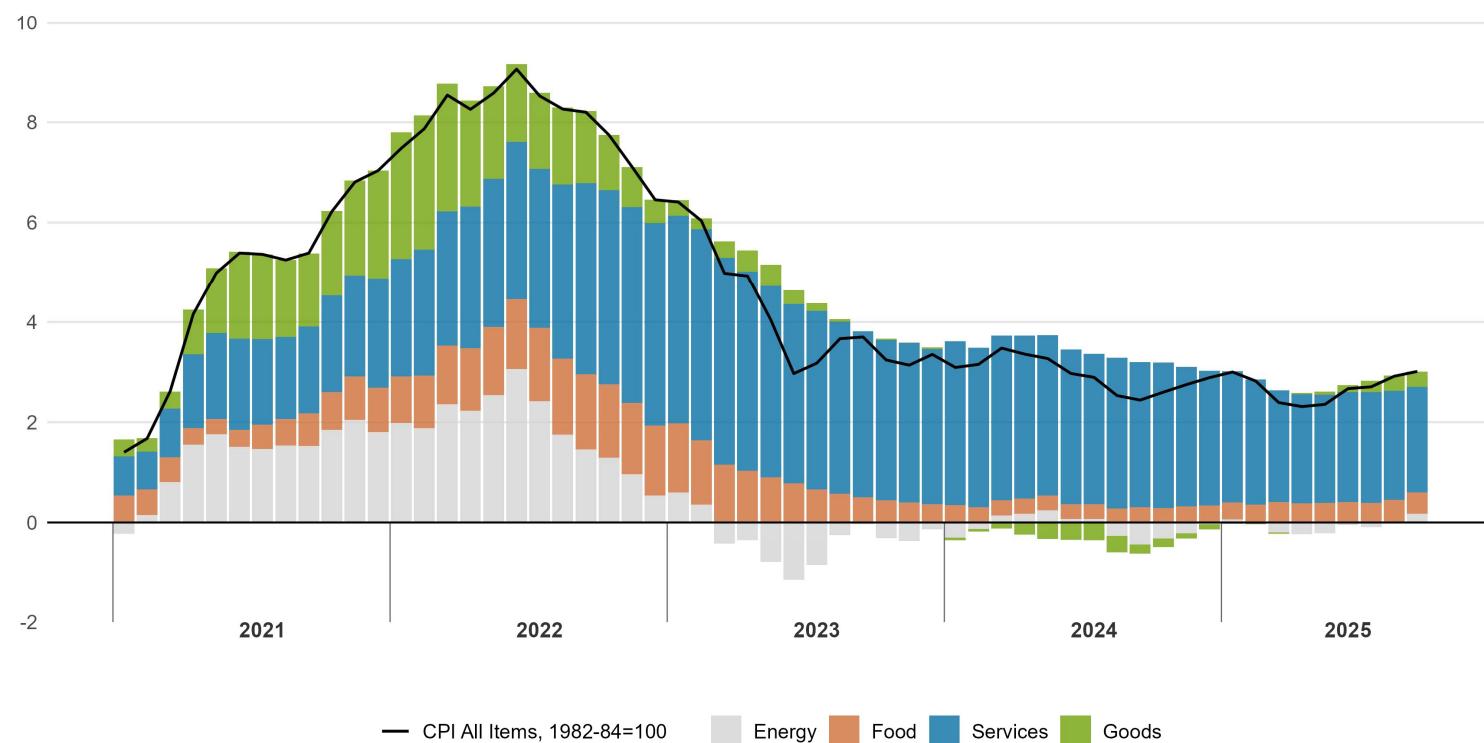
Source: U.S. Bureau of Labor Statistics; U.S. Bureau of Economic Analysis

Tariffs have begun to raise prices for a range of goods (after seeing a period of disinflation or low inflation)

Some policymakers are concerned about the stickiness of services inflation.

Government shutdown could cancel the next inflation report (have been unable to collect data)

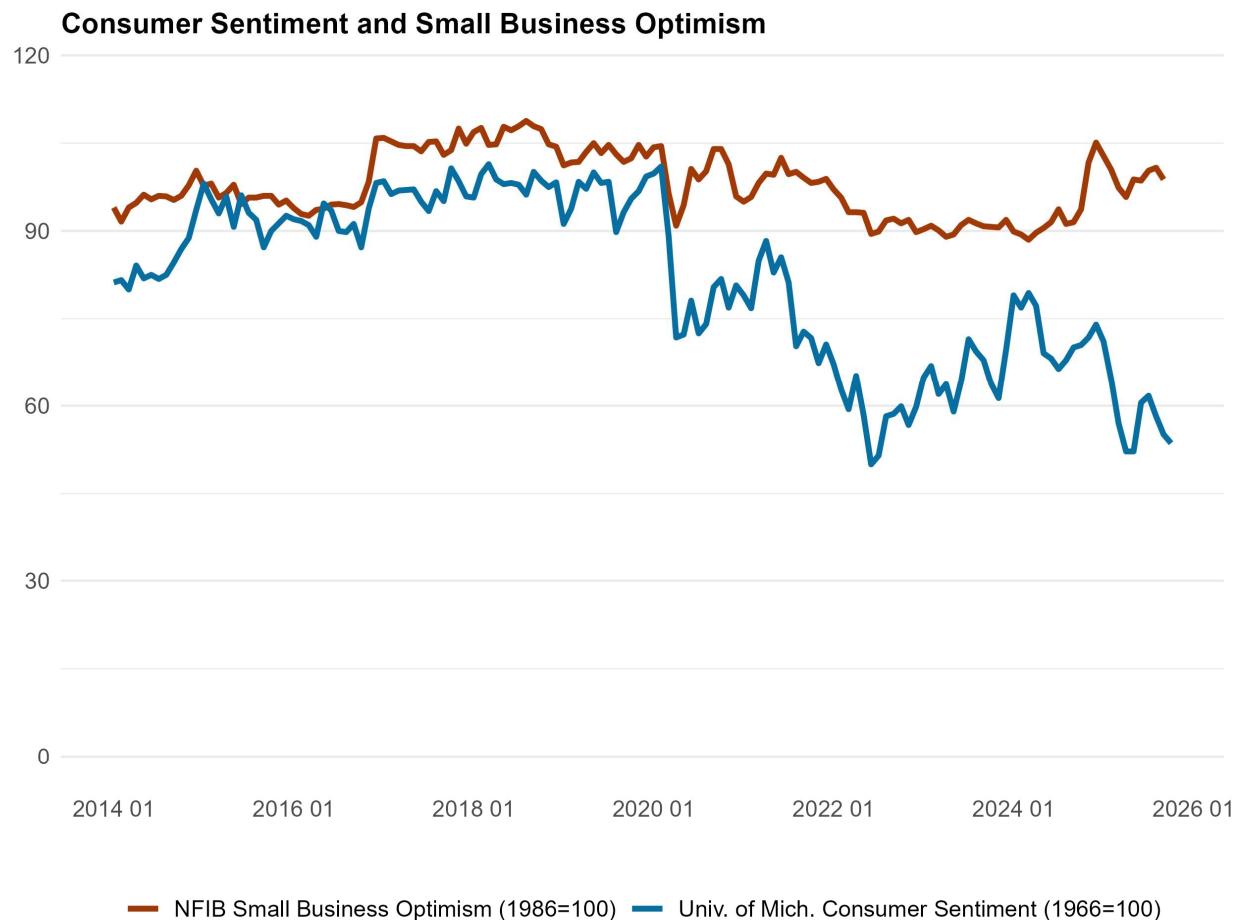
Contributions to Year-Over-Year Change in Consumer Price Index



Source: U.S. Bureau of Labor Statistics, calculations by OSE staff

Consumer Sentiment was down 2.7% in October and is down 24% year-over-year. Inflation and high prices remain at the forefront of consumers' minds.

Small Business Optimism declined 2 points in September to 98.8. This was the first decline in three months, though it remains above the 52-year average of 98. A majority reported that supply chain disruptions were affecting their business.



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

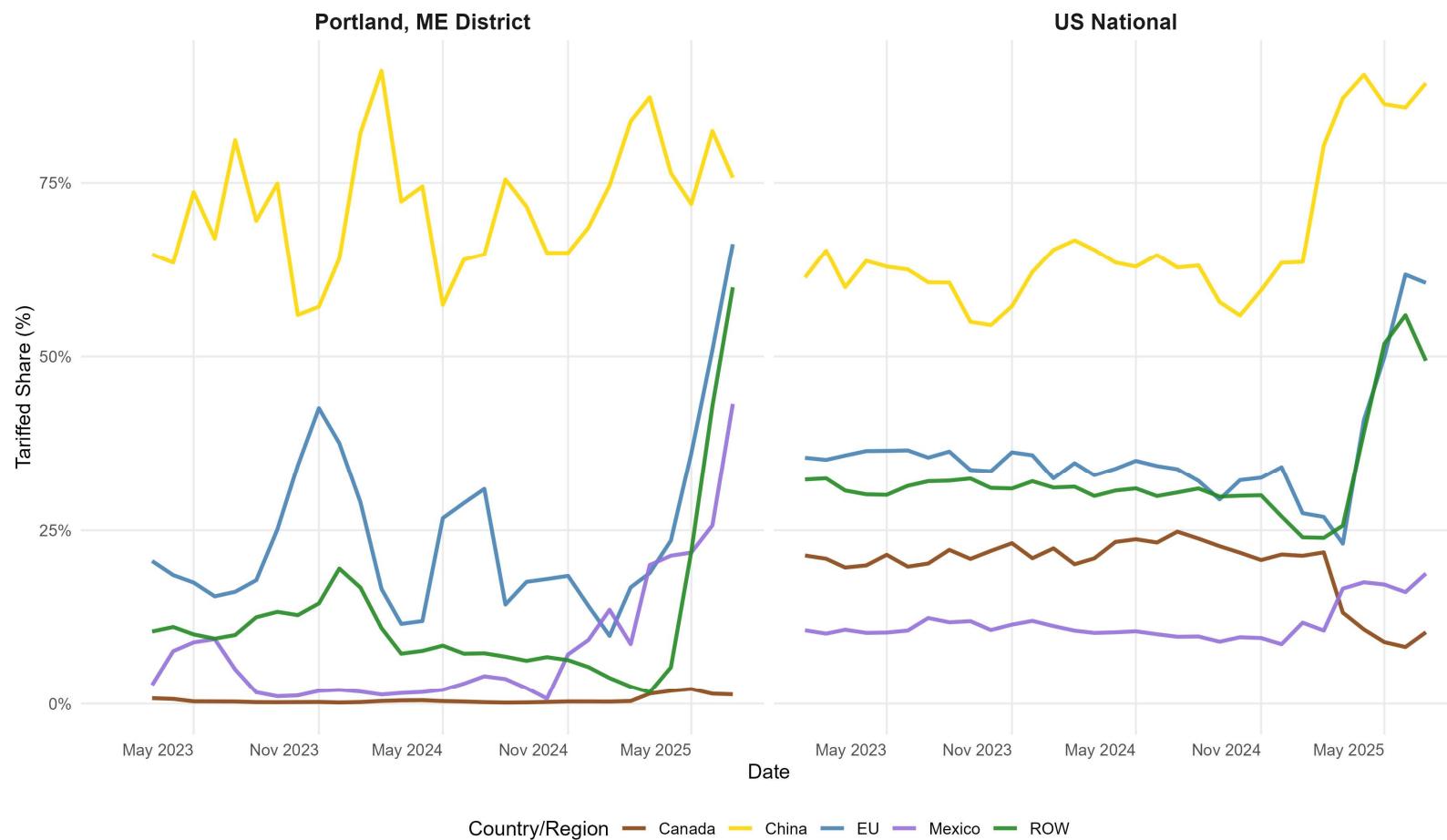
High-Level Summary of U.S. Tariffs and Trade Measures

Target	Rate	Products/Sectors	Key Exemptions and Notes
China	20% broad	All imports Steel/aluminum	90-day reductions available 10/30 – de-escalation, US cutting “fentanyl” tariffs (20%-10%), bringing new tariffs imposed on China down to 20%
Canada	10% energy/potash 35% general	Energy, potash General imports	USMCA-compliant trade remains duty-free 35% is up from 25%
Mexico	25% all imports	All products	USMCA-compliant trade remains duty-free
Auto Sector (Global)	25% base 10% UK (first 100K) 15% EU	All automobiles Auto parts	US content exempted Parts discount through April 2027
Steel & Aluminum	50% general 0% UK	All steel/aluminum Derivative products	UK fully exempted Expanded to derivatives in June 2025
Copper	50%	Copper imports	Excludes refined copper and ore
General minimum	10% minimum	All countries except China, Canada, and Mexico	Exempts: steel, aluminum, autos, copper, pharma, semiconductors, energy, critical minerals

Sources: Yale Budget Lab, New York Times, S&P

Tariffed Share Comparison: US National vs Portland, ME District

Dutiable value as a percent of customs value (Portland: 3-month moving average)



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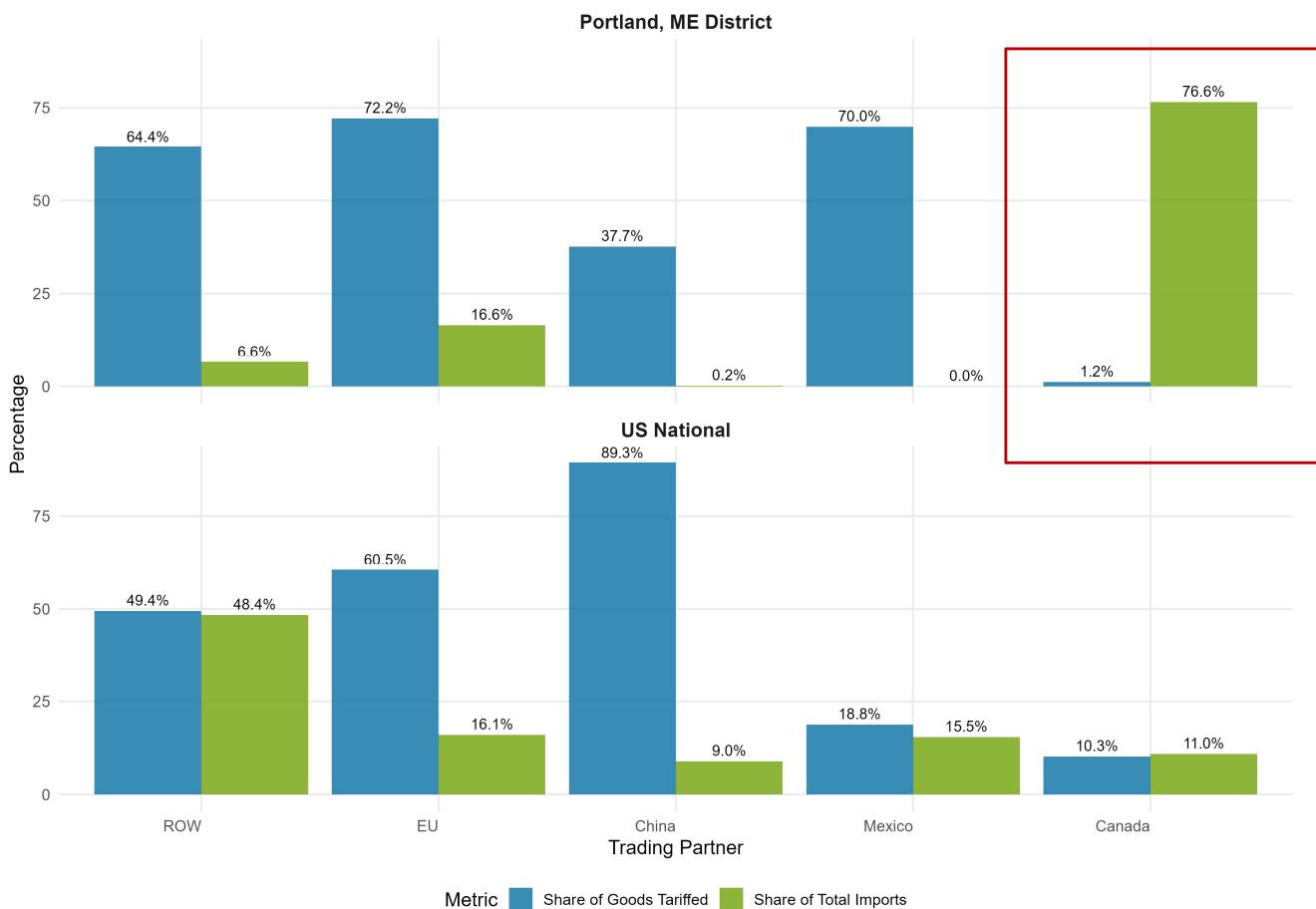
Source: US Census, USA Trade Online; Portland, ME District includes all ports of entry in ME as well as Portsmouth, NH, Lebanon Airport, NH, and Manchester Airport, NH

For the Portland, ME District the story (in terms of the *direct* impact of tariffs) is all about maintaining favorable Canada trade relations.

But of course, we're also affected by indirect impacts of tariffs.

Comparing Tariff Share vs Import Volume

Latest Period: July 2025



Source: US Census, USA Trade Online; Portland, ME District includes all ports of entry in ME as well as Portsmouth, NH, Lebanon Airport, NH, and Manchester Airport, NH

- 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

SEASONAL SNAPSHOT



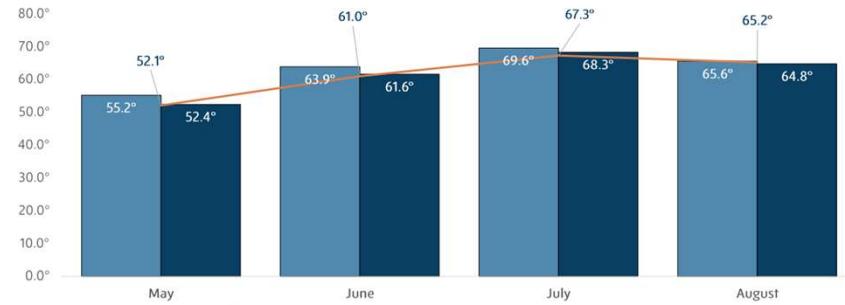
	35,606,400	7,293,400	\$4,991,454,900
VISITOR DAYS		TOTAL VISITORS	DIRECT SPENDING
vs. 2024	- 0.4%	- 6.0%	- 3.5%

- Compared to last year, more visitors relied on advice from their friends/family to help plan their trip (+6% pts)
- More visitors considered and visited other New England states for this same trip (+6% pts, respectively)
- More visitors recalled seeing travel stories, advertising, or promotions for Maine in the past 6 months (+7% pts)
- The proportion of visitors who are residents of Maine and traveling to another region increased +7% pts
- Compared to last year, there were fewer Canadian visitors (-3% pts)
- Compared to last year, more visitors explored more than one region of Maine on their trip (+4% pts)

Source: Maine Office of Tourism. 2025 Summer Visitor Tracking Report

- MOT's Summer Visitor Tracking Report including general look at weather
- Weather can have counterintuitive, or mixed, impacts on retail sales
 - e.g., a storm → more spending to rebuild
- Exploring larger effort to analyze climate and its impact on retail sales

TEMPERATURE



Source: NOAA National Centers for Environmental Information, Climate at a Glance: Statewide Time Series, published September 2025, retrieved on September 16, 2025 from <https://www.ncdc.noaa.gov/access/monitoring/climate-at-a-glance/statewide/time-series>.

Maine Statewide Summer 2025 Report

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RESEARCH

PRECIPITATION



Source: NOAA National Centers for Environmental Information, Climate at a Glance: Statewide Time Series, published September 2025, retrieved on September 16, 2025 from <https://www.ncdc.noaa.gov/access/monitoring/climate-at-a-glance/statewide/time-series>.

Maine Statewide Summer 2025 Report

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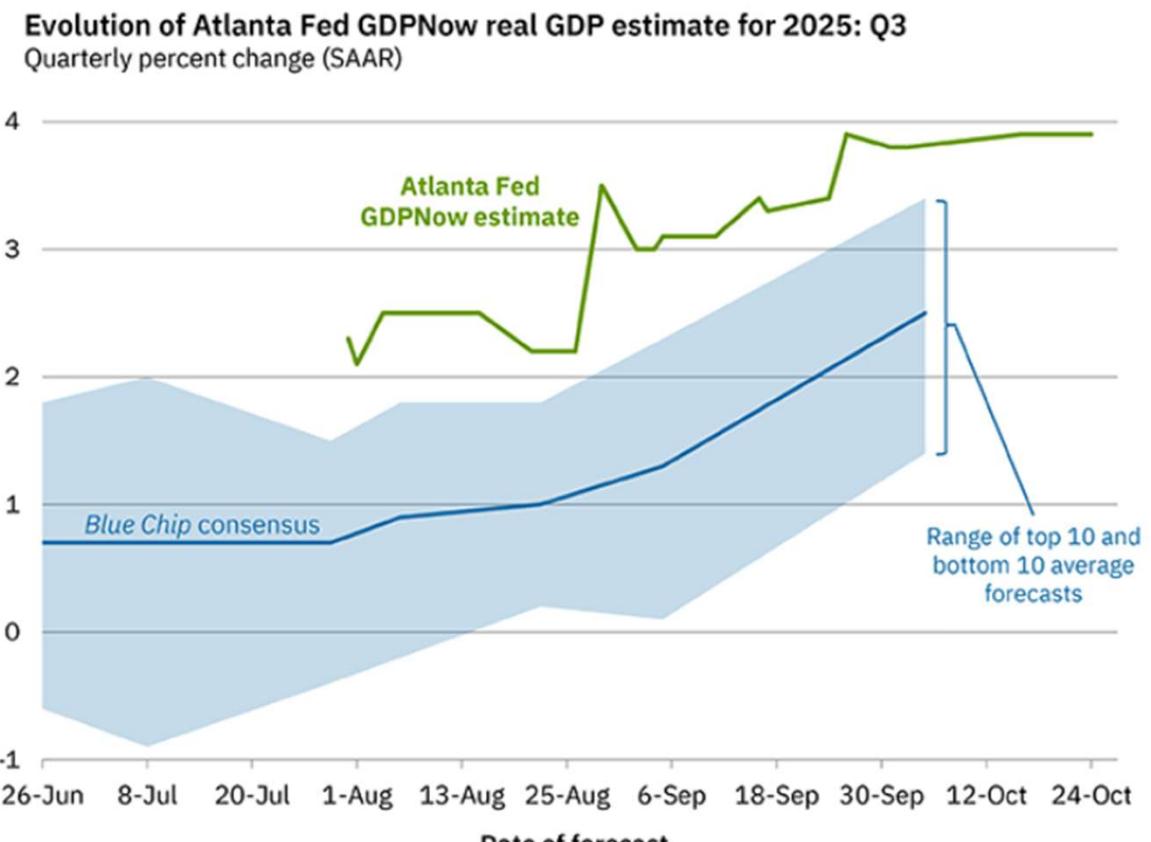
Source: Maine Office of Tourism. 2025 Summer Visitor Tracking Report

GDPNow estimate as of 10/27 → 3.9%

In Q1 US GDP was dragged down (-0.6%) by a surge in imports as firms rushed to beat tariffs; imports have since declined.

Upturn in real GDP in Q2 (+3.8%) primarily reflected this downturn in imports and an acceleration in consumer spending.

Moody's Analytics estimates the top 10% of earners accounted for about 50% of consumer spending in Q2.



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Source: Federal Reserve Bank of Atlanta and US Bureau of Economic Analysis

- Federal funding has become more uncertain and unstable since the start of the new administration.
- FY 2026 budget proposal keeps overall discretionary base spending level with 2025, but changes how some of that money is allocated
 - Shift \$119.3B from non-defense programs to defense programs
 - Budget decreases for 11 cabinet departments (all but Defense, Homeland Security, Veterans Affairs, and Transportation)

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

Source: Office of Management and Budget

Elimination of ACA Enhanced Premium Tax Credits

Premium Tax Credit (PTC)

- Federal tax credit that lowers monthly premiums for marketplace health insurance
- Can be taken in advance of filing federal income taxes (called APTC)
- 85% of the 61K CoverME.gov consumers receive APTC

Enhanced premium tax credits (EPTC)

- Authorized in American Rescue Plan Act of 2021 (ARPA); extended in Inflation Reduction Act (IRA)
- Temporarily increased amount of premium tax credits and expanded eligibility
- Eliminated premium 'cliff' for thousands of Mainers
- EPTC expires 12/31/25 unless Congress takes action to extend
- If EPTC expires, premiums will increase for all who receive APTC with greatest impacts for older, rural adults, households with children

If EPTC expires, average premium increase for CoverME.gov households will be 77% in 2026

Town	Family Size/Age	Annual Income	Annual Premium for Silver plan (w/EPTC)	Annual Premium for Silver Plan (w/o EPTC)	Increase in Premium
Lisbon	5/ ages 50, 50, 20, 15, 12	\$120,000	\$7,760	\$11,950	+54%
Calais	3/ ages 63, 60, 25	\$107,000	\$9,177	\$47,300	+415%
Kittery	4/ ages 40, 38, 8, 5	\$100,000	\$6,280	\$9,960	+59%
Fort Kent	2/ both age 60	\$85,000	\$7,200	\$38,490	+435%
Fairfield	3/ ages 30, 27, 1	\$82,000	\$4,920	7,550	+53%
Bangor	2/ both age 63	\$50,000	\$1,730	\$3,370	+95%

Source: Maine DHHS, 10/17/2025 presentation to AFA

Federal Government Shutdown began Oct. 1

- Shutdown record is 34 days (late Dec. 2018 – late Jan. 2019)
 - However, during that shutdown, Congress passed enough appropriations bills to keep the government partially funded. This time, none have been passed.
 - This is the longest *full* shutdown
- At least 600K federal workers furloughed - others working without pay
- About 4K workers received layoff notices (a judge has temporarily blocked this)
- SNAP will run out of money on Nov. 1
 - US – 42 million people
 - ME – 170K people (nearly 12.5% of pop.) - average family of four receiving \$572/month
 - Gov. Mills delivering \$1 million contingency and \$250K from John T Gorman foundation to Good Shepherd Food Bank and other anti-hunger programs to help offset
- Concerns around other programs as well (LIHEAP, WIC, Head Start etc.)

CBO estimate of impact on U.S. economy:

- The effects intensify the longer the shutdown persists.
- Decline driven by:
 - Fewer services provided by federal workers
 - Federal spending on goods and services and SNAP benefits will be temporarily lower
 - Temporary reduction in aggregate demand will lower output in the private sector
- Real GDP will rebound when federal funding resumes with *most* of the forgone output made up in the future
- 4-week shutdown: - 7 billion end of 2026
- 8-week shutdown: -14 billion end of 2026

Estimated Economic Effects of the Government Shutdown Under Three Scenarios

	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Four-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-1.0	1.4	-0.3	-0.1	*
Effect on real GDP (billions of 2025 dollars)	-18	9	2	1	**
Cumulative effect on real GDP (billions of 2025 dollars)	-18	-10	-7	-7	-7
Six-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-1.5	2.2	-0.5	-0.1	-0.1
Effect on real GDP (billions of 2025 dollars)	-28	13	4	1	**
Cumulative effect on real GDP (billions of 2025 dollars)	-28	-15	-11	-10	-11
Eight-week shutdown					
Effect on the annualized quarterly growth rate of real GDP (percentage points)	-2.0	3.1	-0.7	-0.2	-0.1
Effect on real GDP (billions of 2025 dollars)	-39	19	5	1	-1
Cumulative effect on real GDP (billions of 2025 dollars)	-39	-20	-15	-14	-14

Data source: Congressional Budget Office.

Real values have been adjusted to remove the effects of changes in prices and are shown at a (nonannualized) quarterly rate. The cumulative effect of the shutdown on real GDP is measured as the sum of the quarterly difference between each scenario's estimate of real GDP and what real GDP would have been in the absence of the shutdown.

GDP = gross domestic product; * = between zero and -0.05 percentage points; ** = between -\$500 million (2025 dollars) and zero.

Source: Congressional Budget Office

Another important consideration: missing government data

“What do you do when you’re driving in the fog? You slow down.”

– Fed Chair Powell, FOMC Meeting Press Conference (10/29/25)

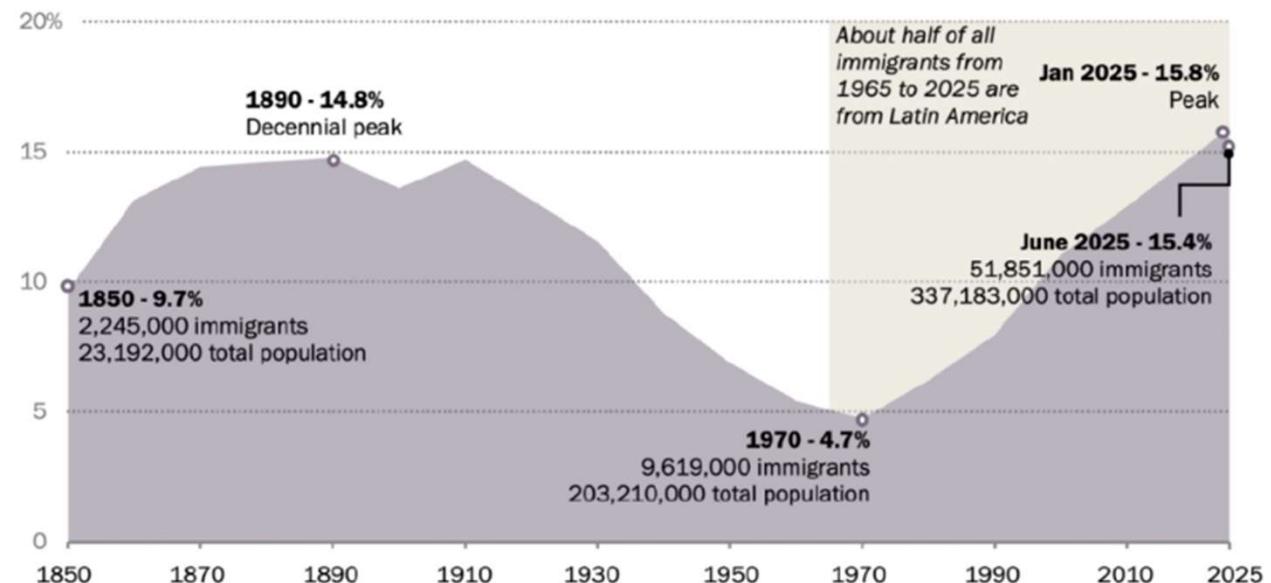
Date	Indicator	Period
1-Oct	Construction spending	August
2-Oct	Jobless claims	Week ended 9/27
2-Oct	Factory orders	August
	Nonfarm payrolls, unemployment rate	
3-Oct	Trade balance	September
7-Oct	Jobless claims	August
9-Oct	Retail sales	Week ended 10/4
16-Oct	Producer Price Index	September
16-Oct	Jobless claims	Week ended 10/11
16-Oct	Business inventories	August
17-Oct	Import prices	September
17-Oct	New residential construction	September
23-Oct	Jobless claims	Week ended 10/18
24-Oct	New-home sales	September
27-Oct	Advanced durable goods orders	September

Pew Research Center analysis of Census Bureau data finds that after more than 50 years of growth, the US immigrant population is in decline.

Note: change may be artificial due to response rates

U.S. immigrant population peaked at nearly 16% in January 2025

% of U.S. population that is foreign born



Note: Populations are rounded to the nearest 1,000. Shares are calculated using unrounded population numbers. Data for 2025 represents the civilian, noninstitutional population.

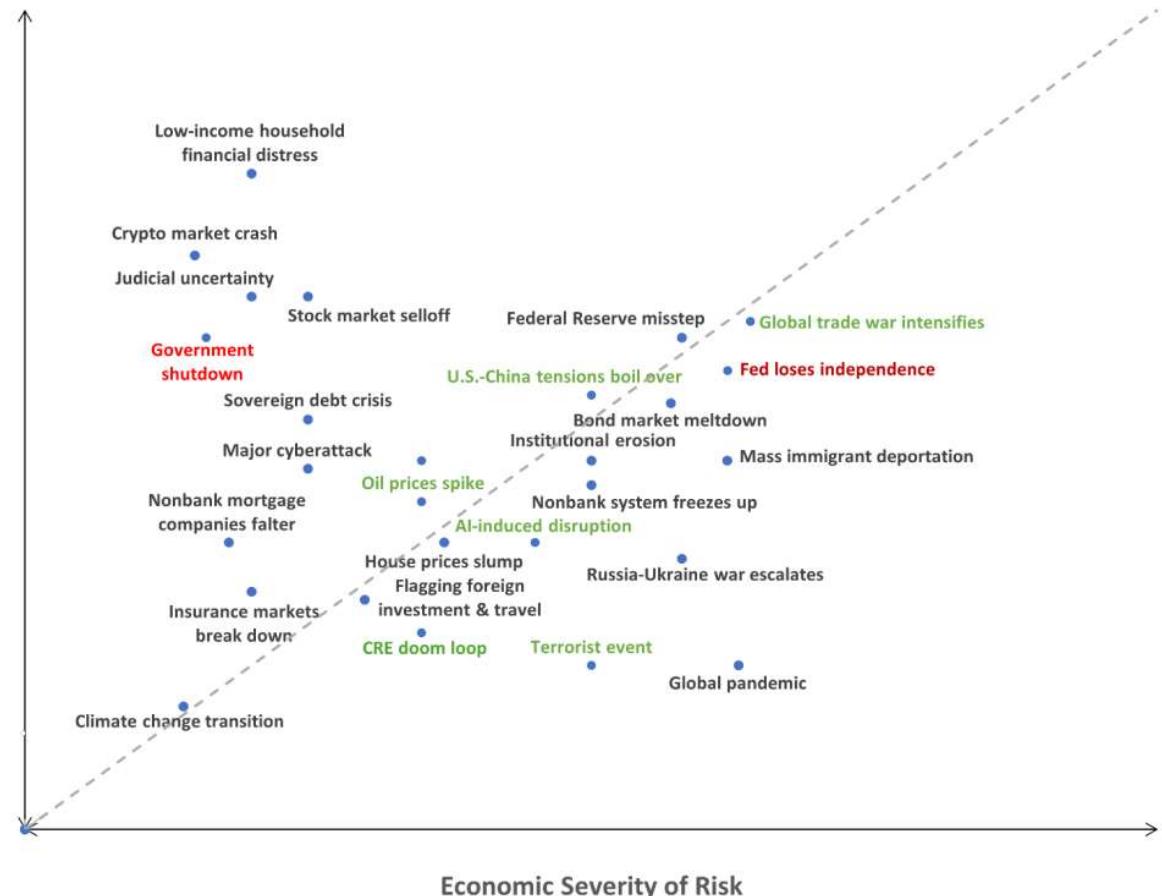
Source: U.S. Census Bureau, "Historical Census Statistics on the Foreign-Born Population of the United States: 1850-2000," Pew Research Center tabulations of 2010 and 2023 American Community Surveys and 2025 Current Population Surveys (IPUMS).

PEW RESEARCH CENTER

Source: Pew Research Center - <https://www.pewresearch.org/short-reads/2025/08/21/key-findings-about-us-immigrants/>

Moody's Analytics October forecast:

- Decline in odds:
 - Global trade war intensifies
 - US-China tensions boil over
 - Oil prices spike
 - AI-induced disruption
 - Commercial real estate doom loop
 - Terrorist event
- Increase in odds or new downside risk:
 - Government shutdown
 - Fed loses independence



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.

Source: Moody's Analytics, October 2025 Forecast

	Q1:Q2 2024 to Q1:Q2 2025 Avg. Growth Rates	April 2025 CEFC Forecast 2025 Growth	Q3:Q4 Growth Needed to Hit CEFC Forecast
Total Personal Income	4.9	4.1	3.3
Wages and Salaries	3.7	4.0	4.3
Supplements to W&S	3.7	4.0	4.3
Transfer Receipts	9.9	5.0	0.1
DIR	2.7	3.0	3.3
Nonfarm Prop. Income	2.7	3.5	4.3

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.