

Economic Update

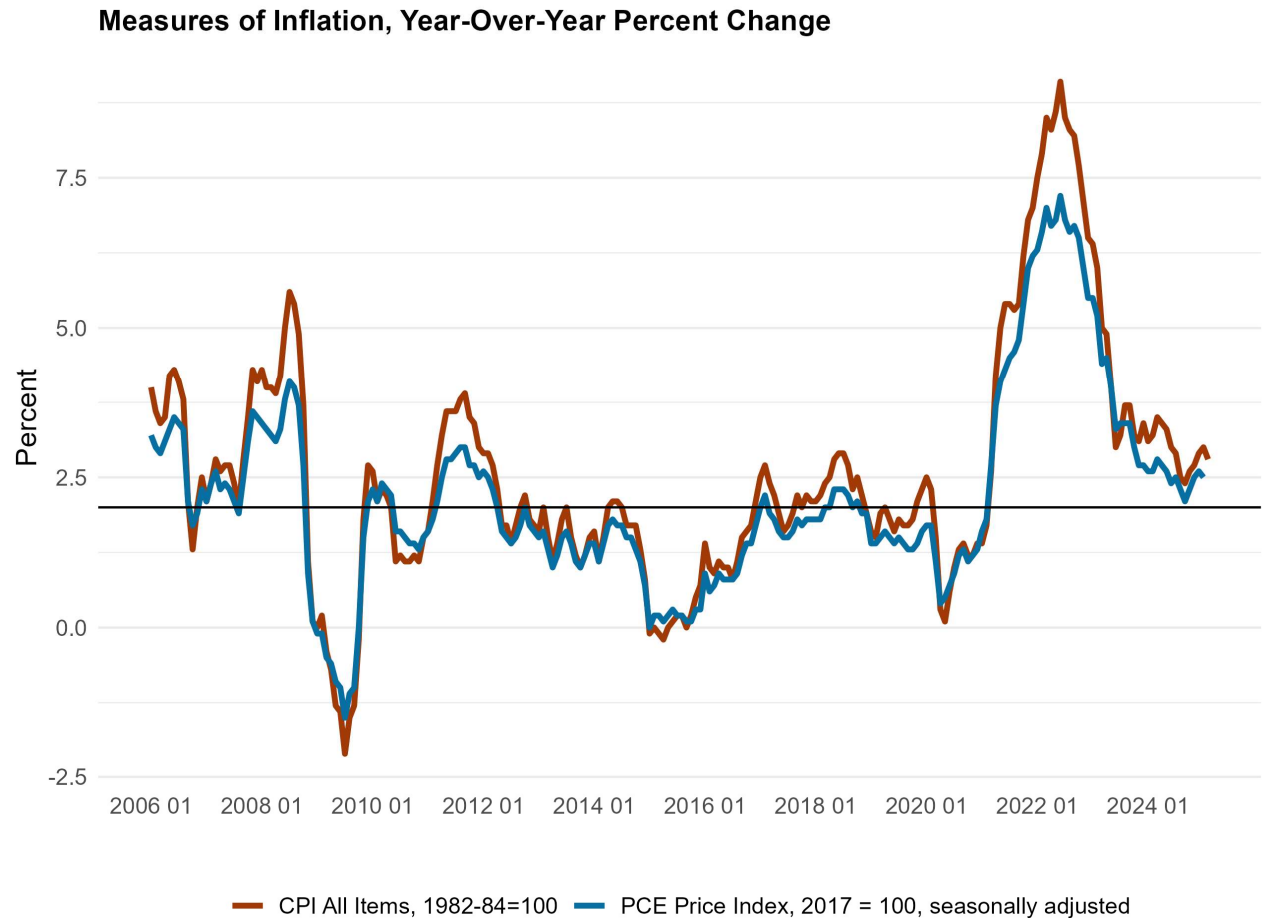
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CONSENSUS ECONOMIC FORECASTING COMMISSION
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Inflation remains slightly above the Fed's 2% target.

CPI-U was up 2.8% year-over-year in February – this is down slightly from an increase of 3.0% in January.

Shelter costs accounted for more than half of the all-items index

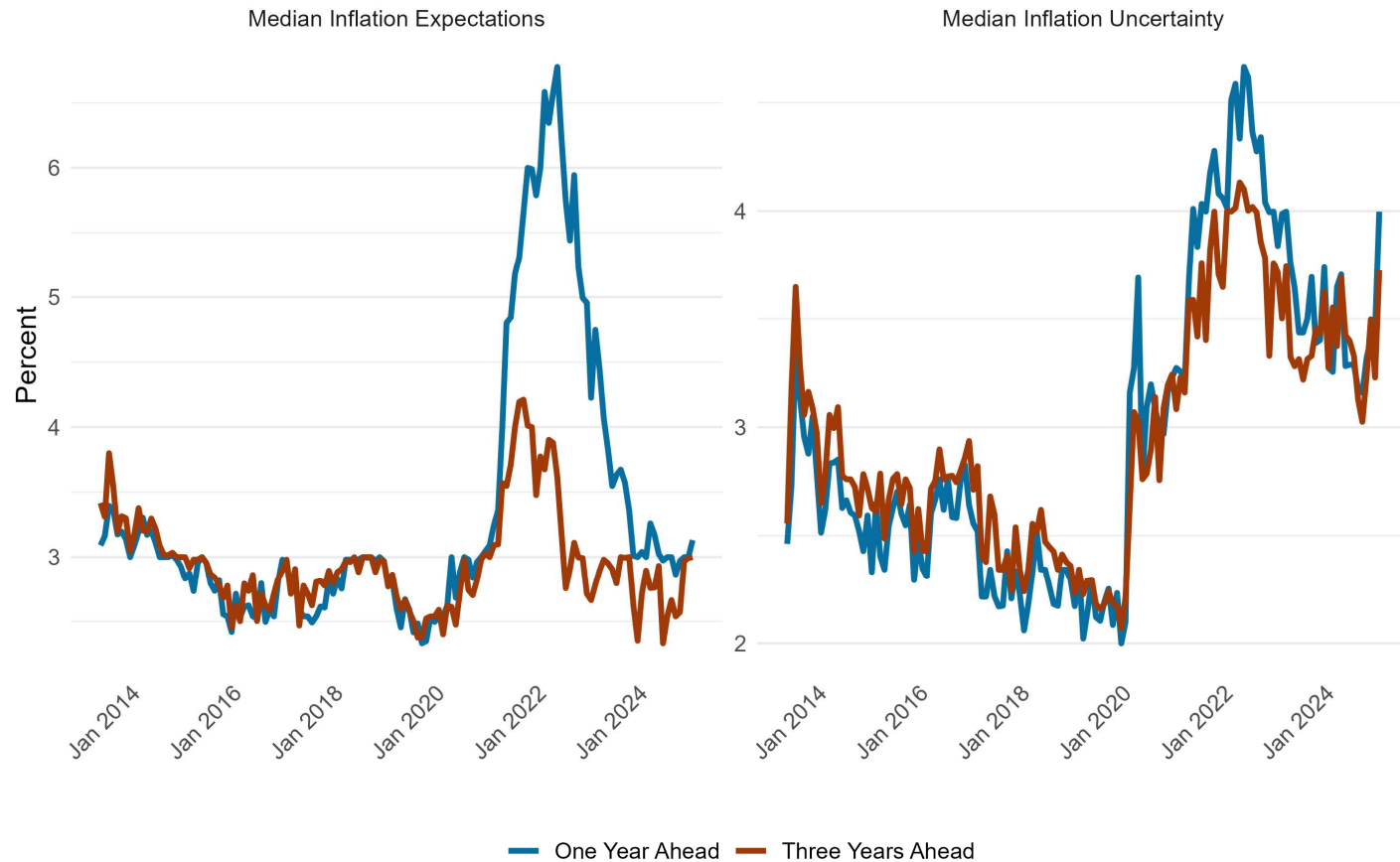


Inflation expectations increased slightly for the short-term horizon in February, but medium-term inflation expectations were unchanged.

This suggests there's not currently any sign of inflation expectations "becoming unmoored."

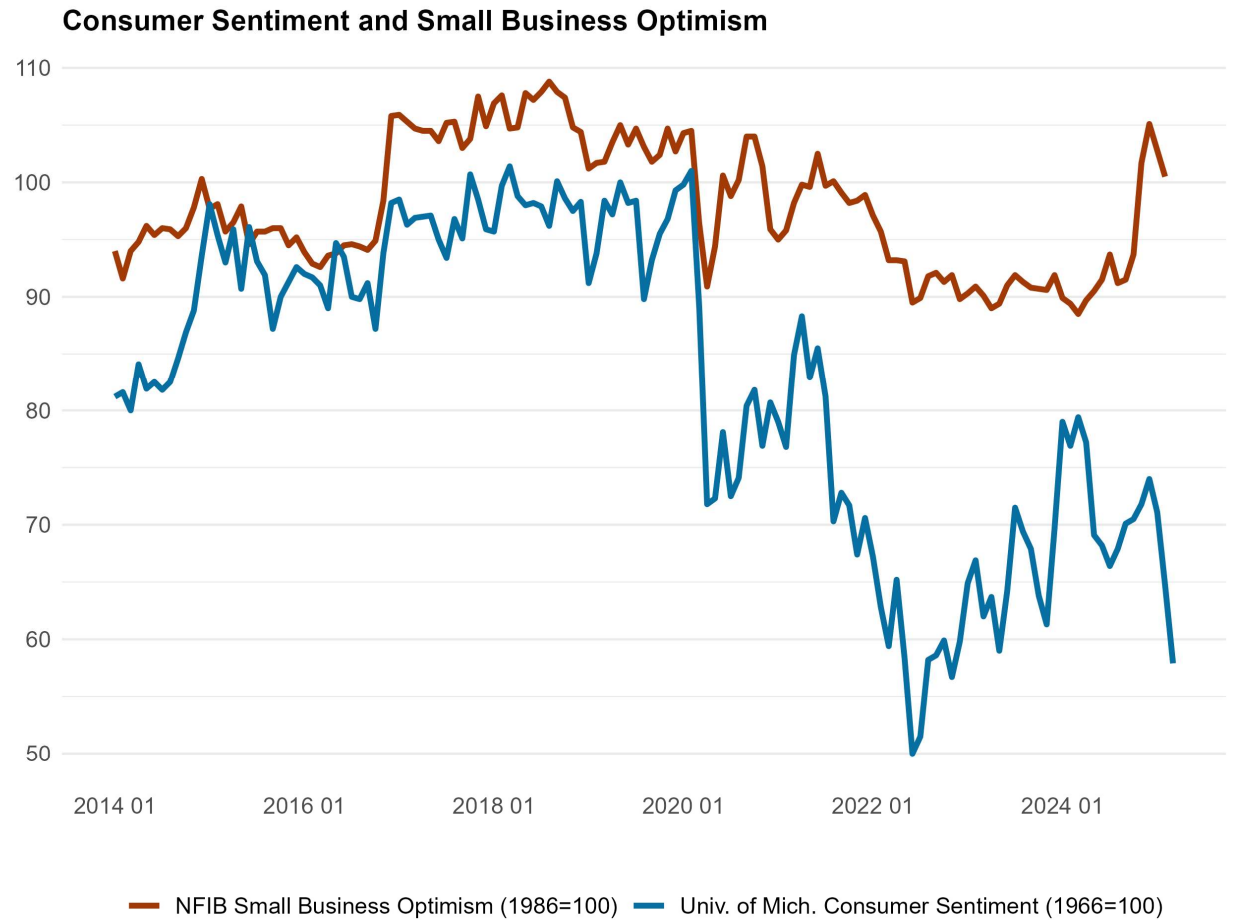
Uncertainty remains elevated.

Inflation Expectations and Uncertainty



Consumer Sentiment was down 12% in March and down 28% year-over-year. Consumers expect worsening personal finances, business conditions, unemployment, and inflation.

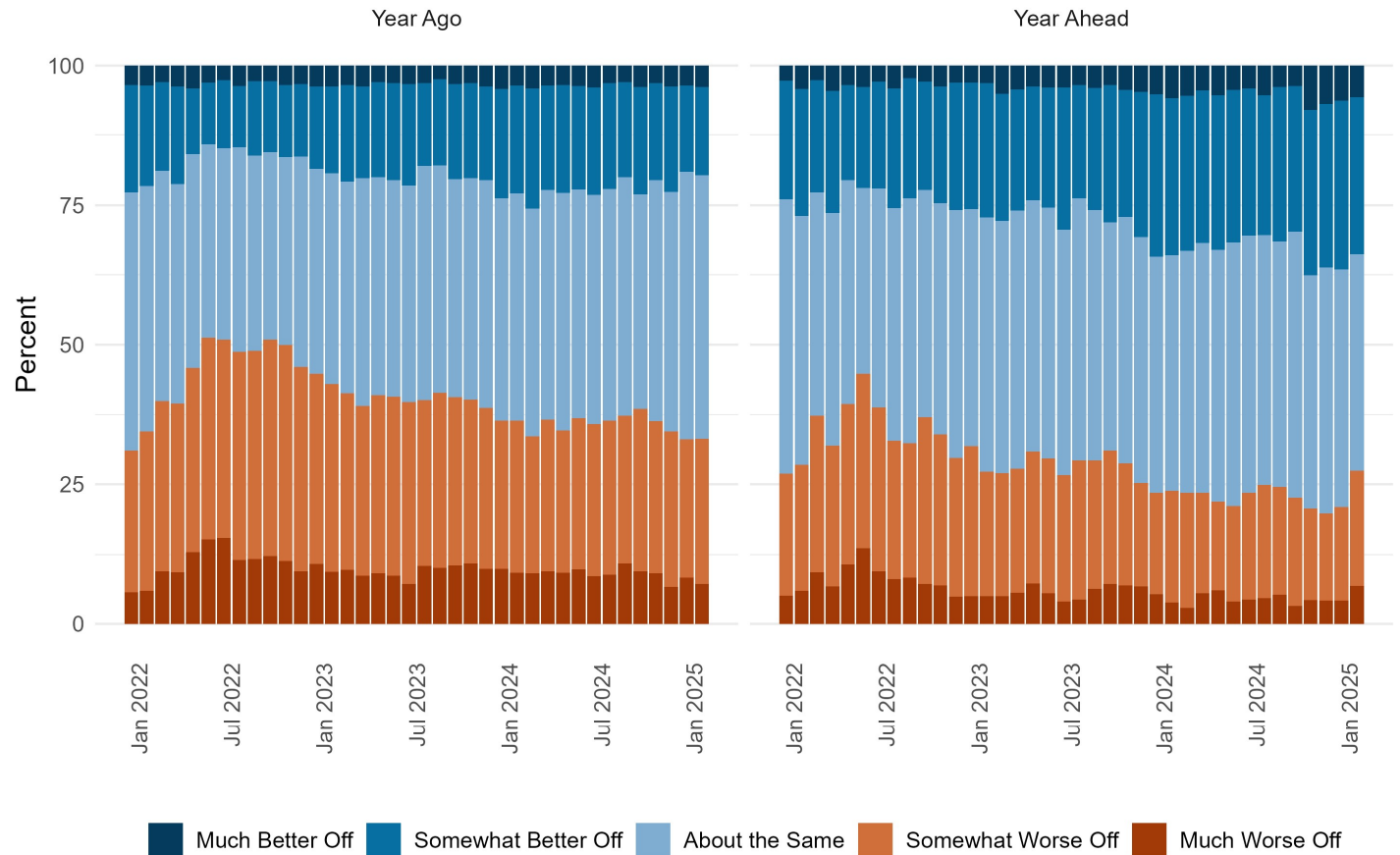
Small business owners reported higher levels of uncertainty and inflation remains a top concern. The net percentage of owners raising average selling prices increased 10 points from January, the largest monthly increase since April 2021



Households' Current Financial Situation

Perceptions about households' **current** financial situations compared to a year ago were mostly unchanged, but **year-ahead expectations** about households' financial situations deteriorated considerably.

The share of households expecting a worse financial situation one year from now rose to 27.4%, the highest level since November 2023.



Index	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	-0.6	Growing	Slower	2
New Orders	-6.5	Contracting	From Growing	1
Production	-1.8	Growing	Slower	2
Employment	-2.7	Contracting	From Growing	1
Supplier Deliveries	3.6	Slowing	Faster	3
Inventories	4	Contracting	Slower	6
Customers' Inventories	-1.4	Too Low	Faster	5
Prices	7.5	Increasing	Faster	5
Backlog of Orders	1.9	Contracting	Slower	29
New Export Orders	-1	Growing	Slower	2
Imports	1.5	Growing	Faster	2
OVERALL ECONOMY		Growing	Slower	58
Manufacturing Sector		Growing	Slower	2

Source: Institute for Supply Management, February 2025 Manufacturing ISM *Report on Business*

Where Tariffs Currently Stand....

Status	Date	Country	Description
In effect	Feb. 4	China	10% on all imports
In effect	Mar. 4	China	Additional 10% on all imports
Partial effect	Mar. 6	Canada, Mexico	25% on most goods that do not fall under USMCA trade pact
In effect	Mar. 12	World	25% on aluminum and steel
Planned	Apr. 2	World	Unspecified tariff on all agricultural products
Planned	Apr. 2	World	Tariffs to match rates of other countries
Planned	Apr. 2	World	25% tariff on finished cars and trucks

“Customers are **pausing on new orders as a result of uncertainty regarding tariffs**. There is no clear direction from the administration on how they will be implemented, so it’s harder to project how they will affect business.” [Transportation Equipment]

“Tariff impact has been minimal to overall manufacturing and raw material supply. **Limits on U.S. government spending in key organizations like the Food and Drug Administration, Environmental Protection Agency and National Institutes of Health are delaying some orders.**” [Computer & Electronic Products]

“The **incoming tariffs are causing our products to increase in price**. Sweeping price increases are incoming from suppliers. Most are noting increases in labor costs. Vendors are indicating open capacity. **Inflationary pressures are a concern**. Our company is working diligently to see how the new tariffs will affect our business.” [Machinery]

Maine's economy is particularly vulnerable to these tariffs due to strong trade ties with Canada. Key imports include oil, electricity, and wood pulp.

80% of gasoline, diesel and home heating oil burned in Maine comes from Canada.

Forest products and fishing are deeply interconnected with Canada, with supply chains that rely on the movement of raw and processed products across the border.

Disruptions could hurt businesses and jobs in these sectors.

NAICS	2024 Imports Value	2024 Exports Value
113 Forestry Products	\$2,649,411	\$103,524,214
114 Fish, Fresh/chilled/frozen & Other Marine Products	\$150,101,759	\$250,158,686
321 Wood Products	\$239,121,740	\$45,127,909
322 Paper	\$373,424,325	\$208,774,760
Total all NAICS	\$4,734,064,768	\$1,290,859,215

There were 30,000 fewer travelers crossing the Canadian border into Maine in February compared to the same month last year, and passenger vehicle crossings were down 14% year-over-year.

There are reports of Canadians canceling trips – particularly to the Old Orchard Beach area.

The OOB Chamber of Commerce told CNN that Canadians make up 30% to 40% of revenue for the average seasonal business.

Passenger Vehicles Entering Maine from Canada



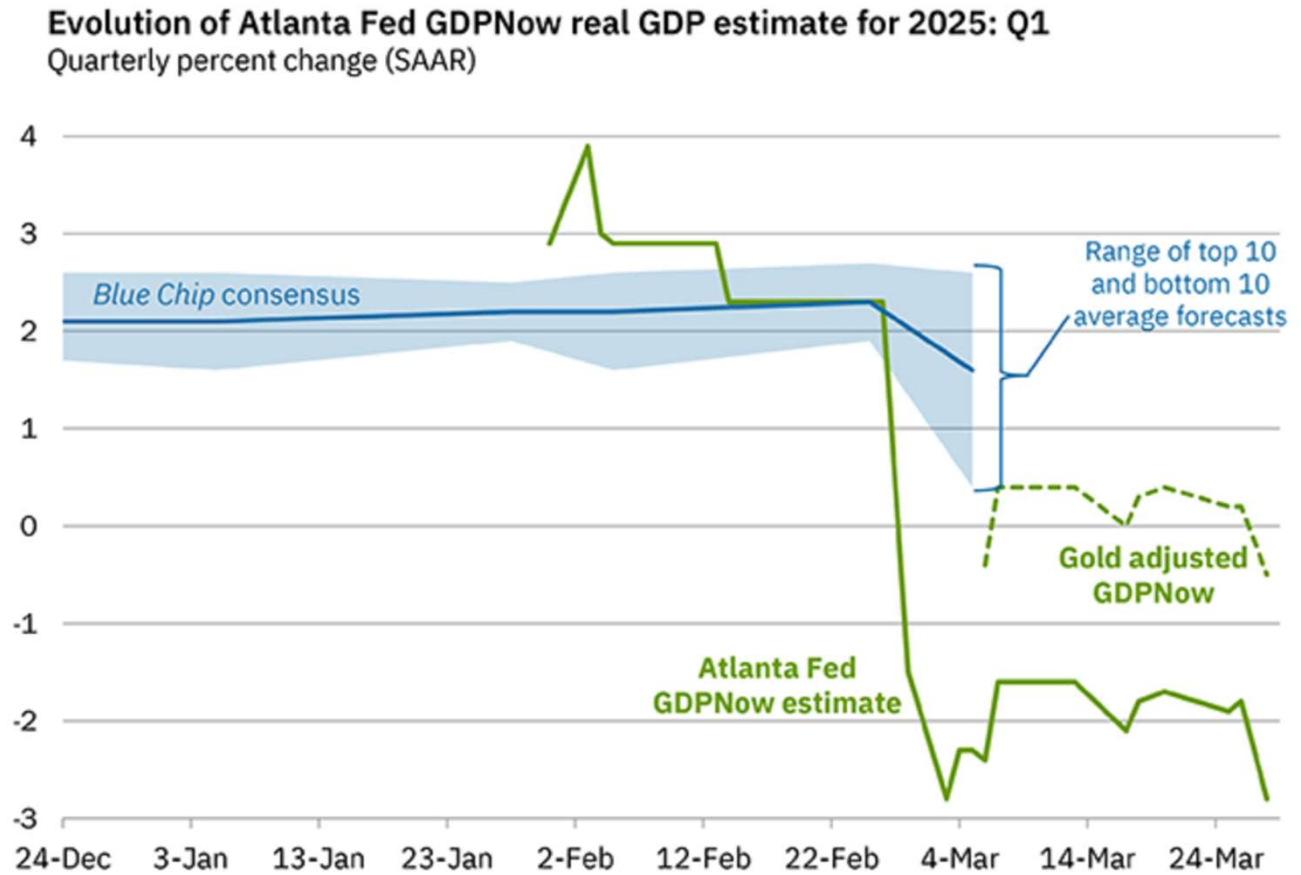
Federal funding has become more uncertain and unstable since the start of the new administration.

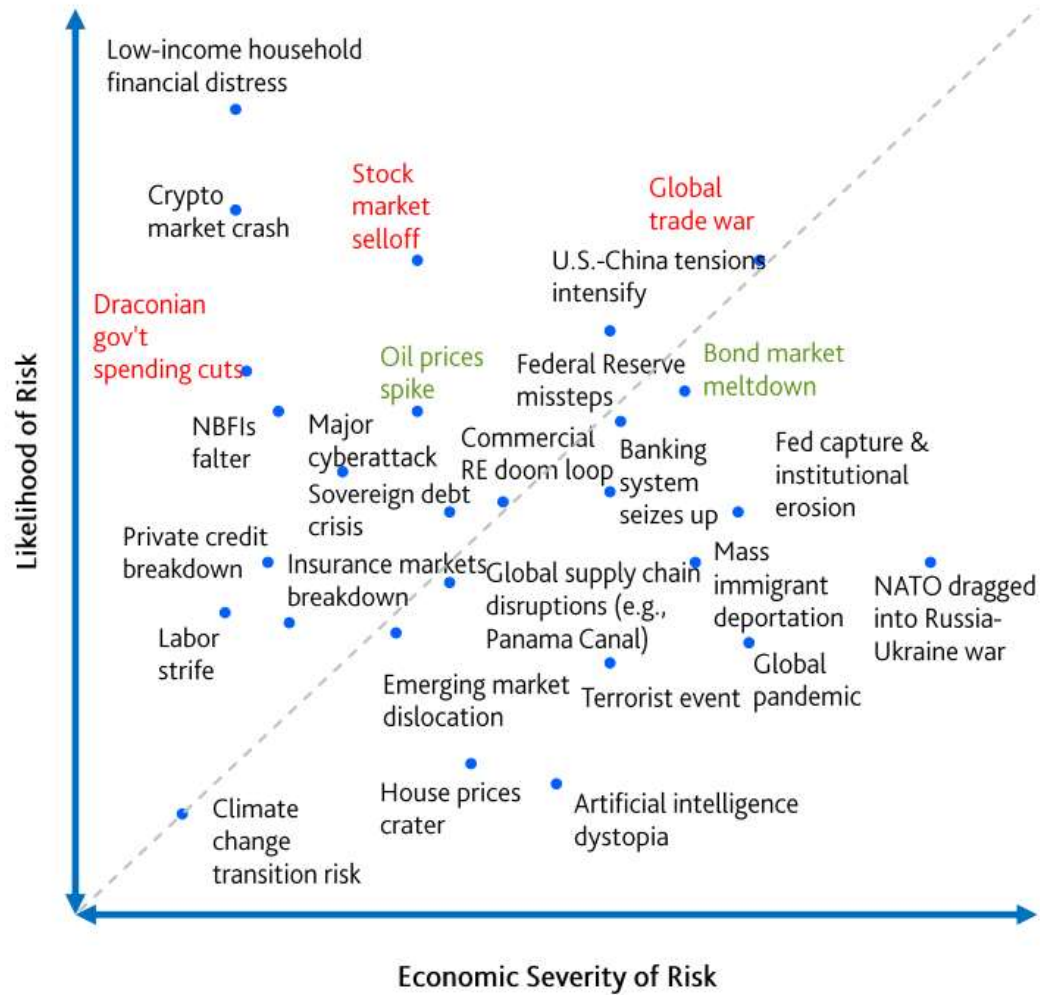
In 2023, the State of Maine received \$4.3 billion, with \$2.8 billion going to Medicaid.

Category	FY 2023 Share of Non-Medicaid Federal Funding (\$1.5 billion)
Income Security and Social Services	32.1%
Transportation	27.3%
Education	14.1%
Energy, Environment, and Natural Resources	12.6%
Health (non-medicaid)	9.7%
Community and Regional Development	1.9%
Employment and Training	1.0%
Justice	0.7%
Agriculture	0.5%
General Government Support	0.1%

The large drop in the GDPNow estimate reflected an increase in nonmonetary gold imports (used for both industrial and investment purposes).

The gold adjusted GDPNow estimate leaves out investment-related gold flows and is a better reflection of real economic activity





The Fed held rates steady at their March meeting.

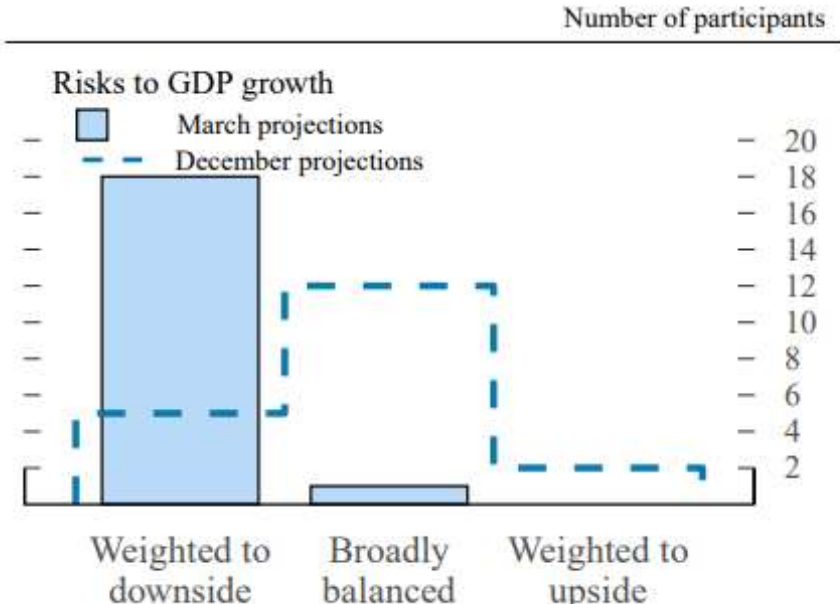
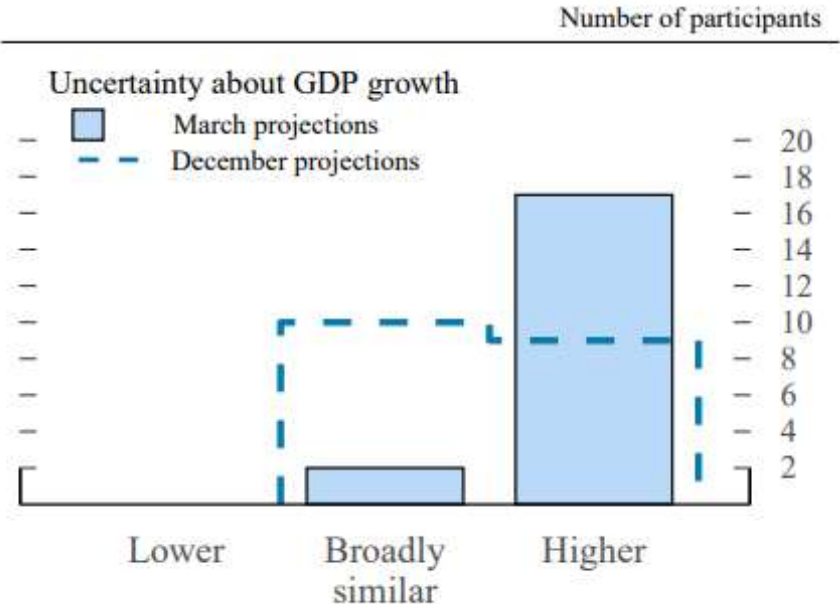
Current target range: 4.25% - 4.50%

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2025

Percent

Variable	Median ¹				Central Tendency ²				Range ³			
	2025	2026	2027	Longer run	2025	2026	2027	Longer run	2025	2026	2027	Longer run
Change in real GDP	1.7	1.8	1.8	1.8	1.5-1.9	1.6-1.9	1.6-2.0	1.7-2.0	1.0-2.4	0.6-2.5	0.6-2.5	1.5-2.5
December projection	2.1	2.0	1.9	1.8	1.8-2.2	1.9-2.1	1.8-2.0	1.7-2.0	1.6-2.5	1.4-2.5	1.5-2.5	1.7-2.5
Unemployment rate	4.4	4.3	4.3	4.2	4.3-4.4	4.2-4.5	4.1-4.4	3.9-4.3	4.1-4.6	4.1-4.7	3.9-4.7	3.5-4.5
December projection	4.3	4.3	4.3	4.2	4.2-4.5	4.1-4.4	4.0-4.4	3.9-4.3	4.2-4.5	3.9-4.6	3.8-4.5	3.5-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-2.9	2.1-2.3	2.0-2.1	2.0	2.5-3.4	2.0-3.1	1.9-2.8	2.0
December projection	2.5	2.1	2.0	2.0	2.3-2.6	2.0-2.2	2.0	2.0	2.1-2.9	2.0-2.6	2.0-2.4	2.0
Core PCE inflation ⁴	2.8	2.2	2.0		2.7-3.0	2.1-2.4	2.0-2.1		2.5-3.5	2.1-3.2	2.0-2.9	
December projection	2.5	2.2	2.0		2.5-2.7	2.0-2.3	2.0		2.1-3.2	2.0-2.7	2.0-2.6	
Memo: Projected appropriate policy path												
Federal funds rate	3.9	3.4	3.1	3.0	3.9-4.4	3.1-3.9	2.9-3.6	2.6-3.6	3.6-4.4	2.9-4.1	2.6-3.9	2.5-3.9
December projection	3.9	3.4	3.1	3.0	3.6-4.1	3.1-3.6	2.9-3.6	2.8-3.6	3.1-4.4	2.4-3.9	2.4-3.9	2.4-3.9

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



“I don’t know anyone who has a lot of confidence in their forecast...forecasting is always very, very hard, and in the current situation, I just think uncertainty is remarkably high.”

– Fed Chair Powell, FOMC Meeting Press Conference (03/19/25)