

Economic Update

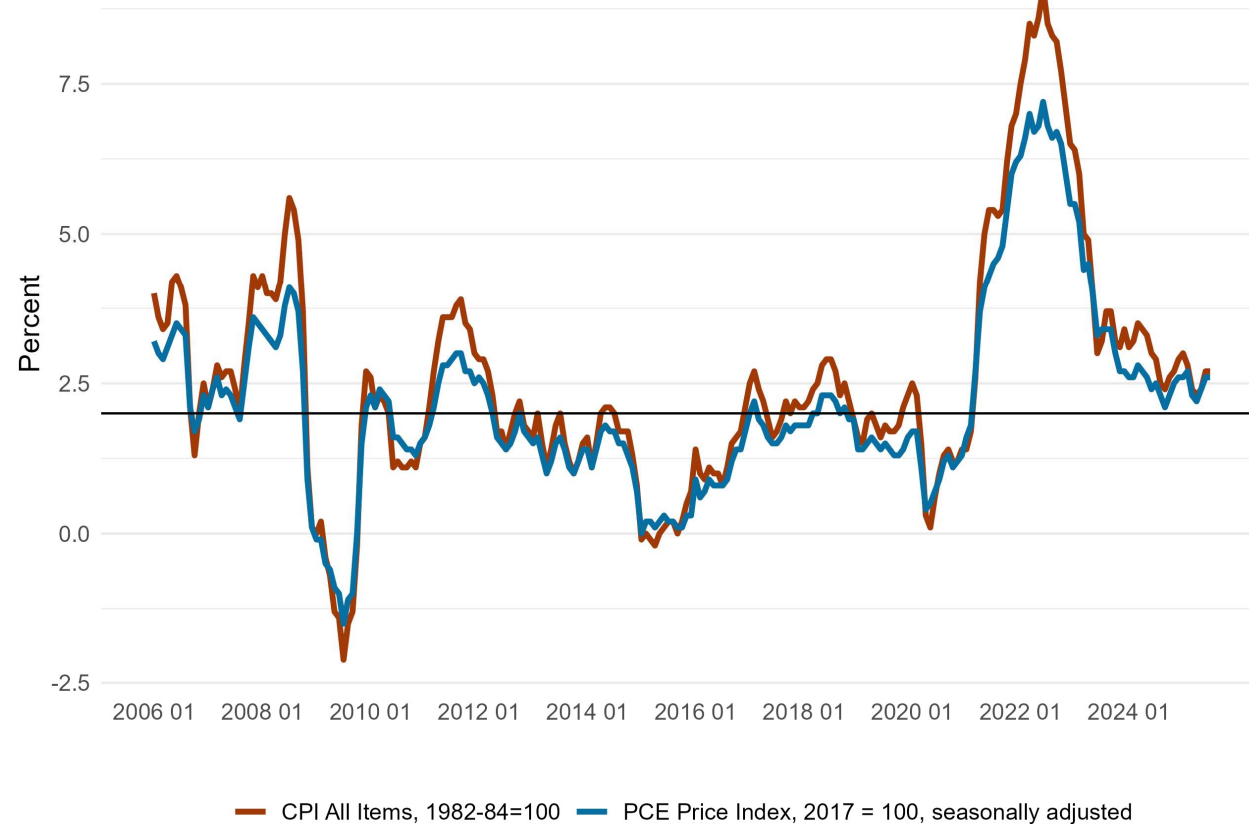
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DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES

CEFC / RFC RETREAT
SEPTEMBER 8, 2025

Both measures of underlying inflation remained steady in July

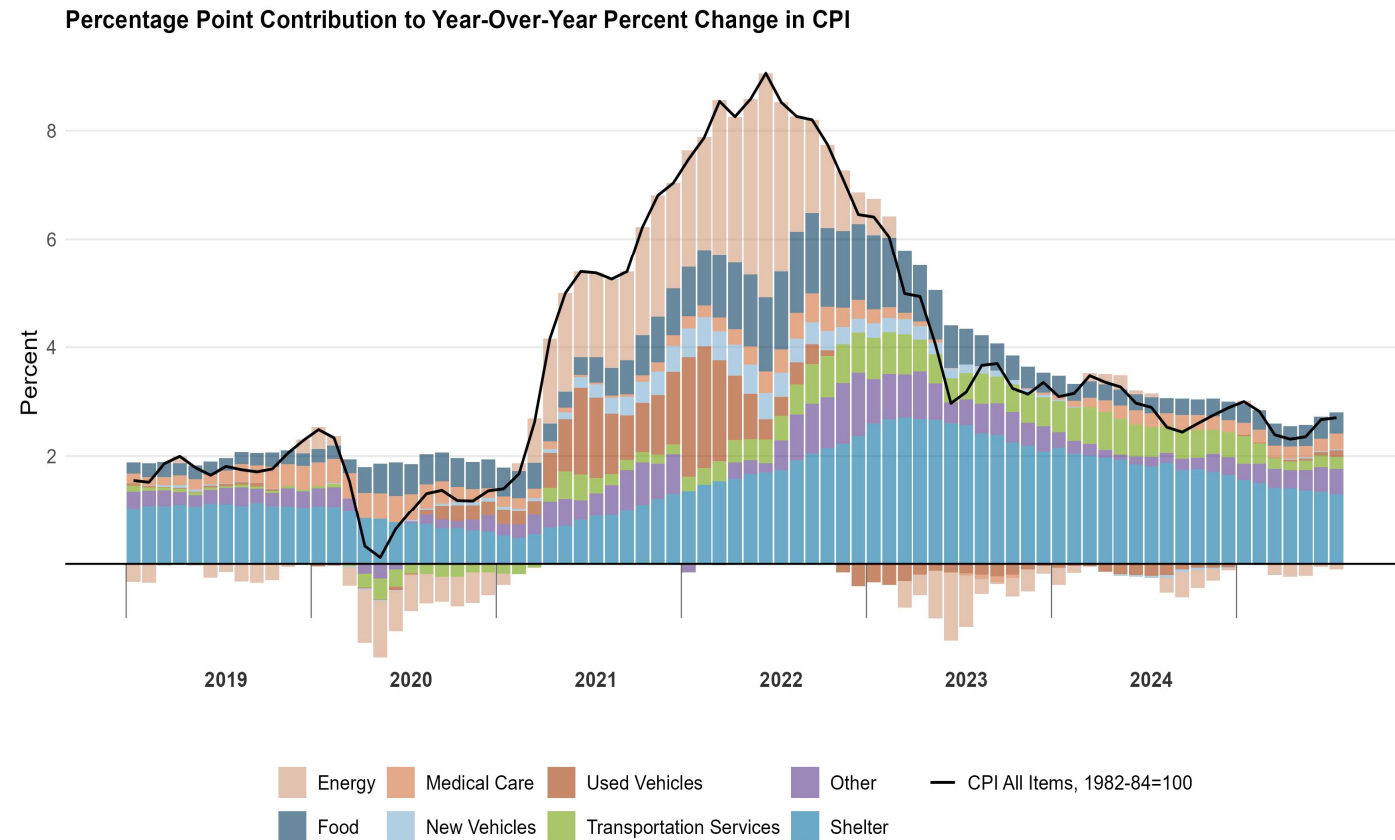
- PCE stayed at 2.6% YoY in July (rising 0.2% from June)
- CPI all-items stayed at 2.7% YoY in July (rising 0.2% from June)
 - Core CPI jumped 0.3% from June, or 3.1% YoY
 - One of the largest monthly increases this year and is the fastest annual pace in five months

Measures of Inflation, Year-Over-Year Percent Change



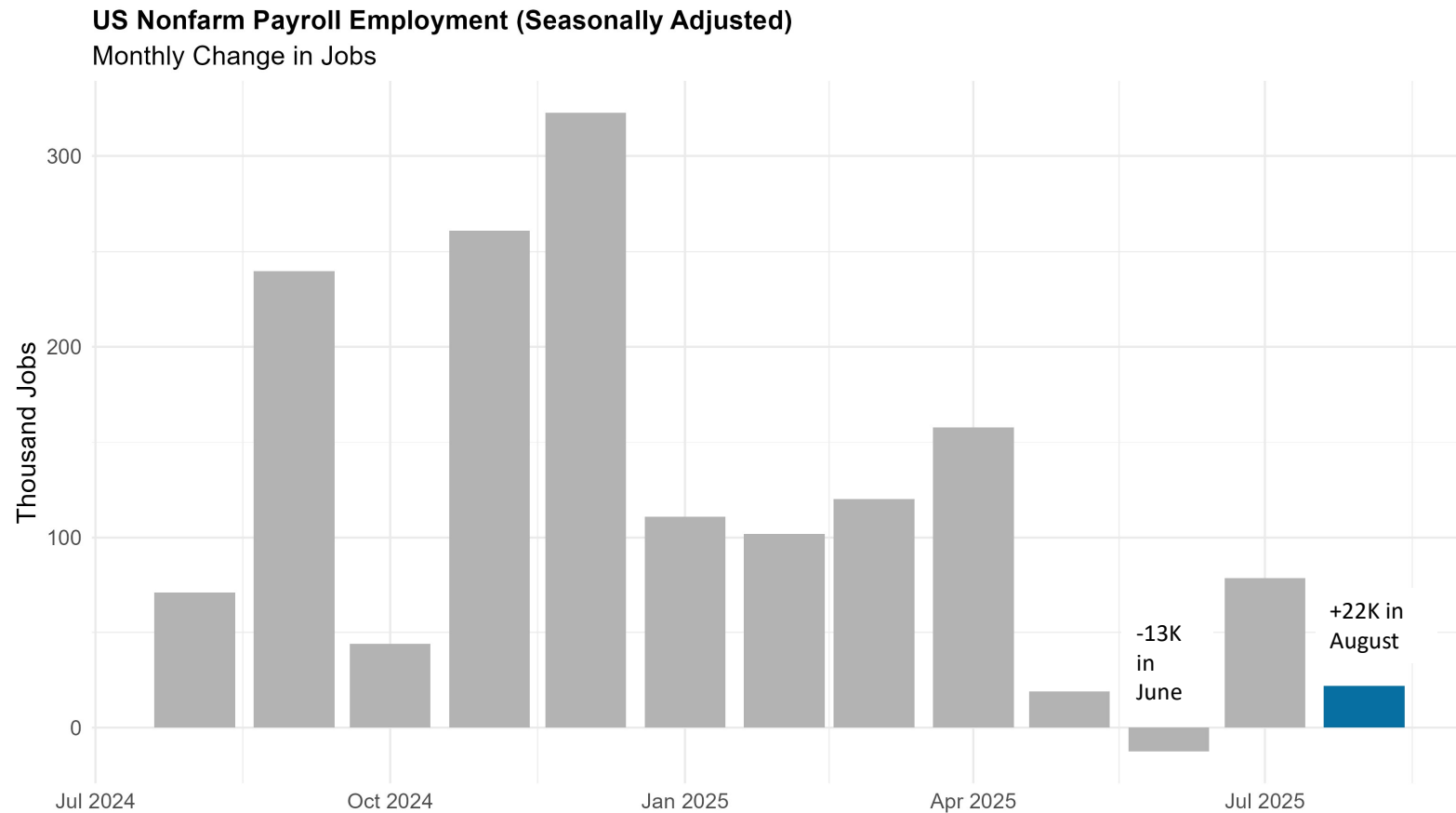
Higher tariffs have begun to push up prices in some categories of goods

- Effects of tariffs are expected to accumulate over the coming months, with high uncertainty about timing and amounts



Expect the FOMC to begin cutting rates in September

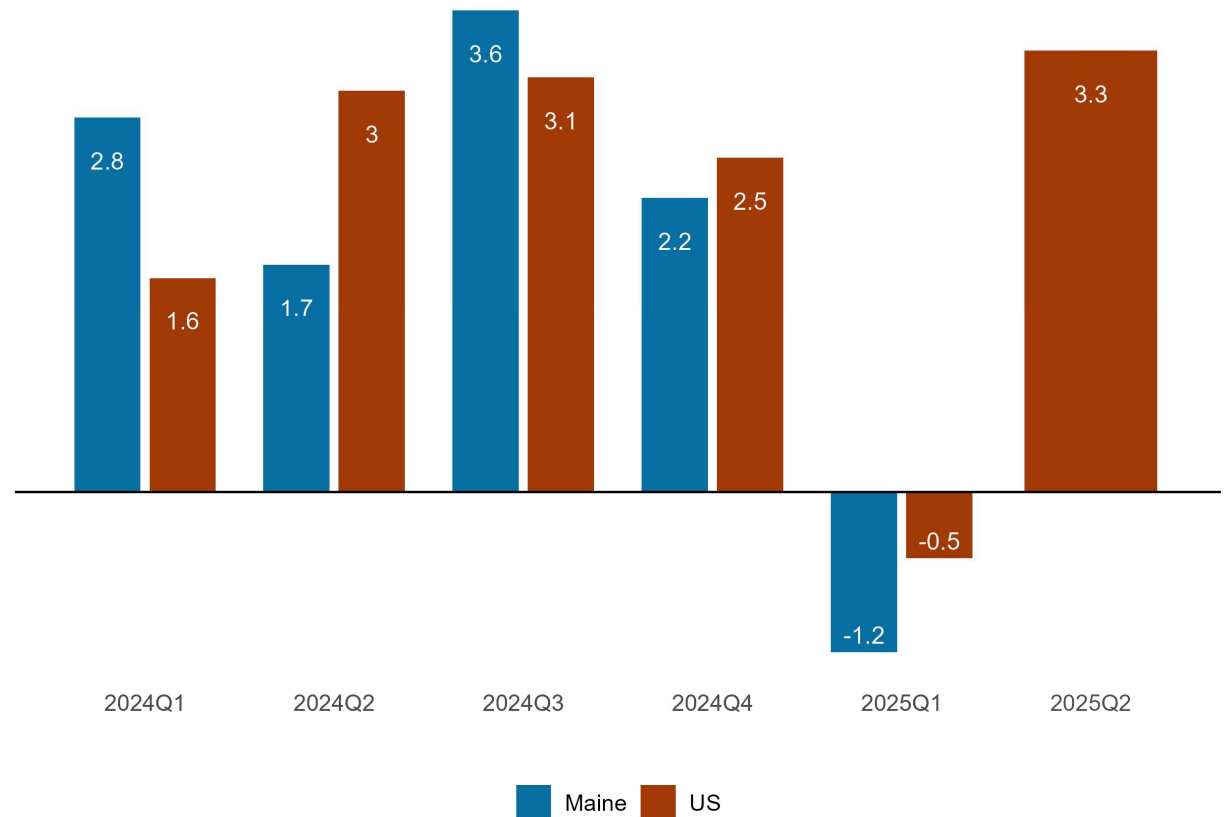
- Labor market is slowing; jobs were lost in June for the first time since 2020.
- Federal government firings have been subtracting more than 10K jobs per month this year.



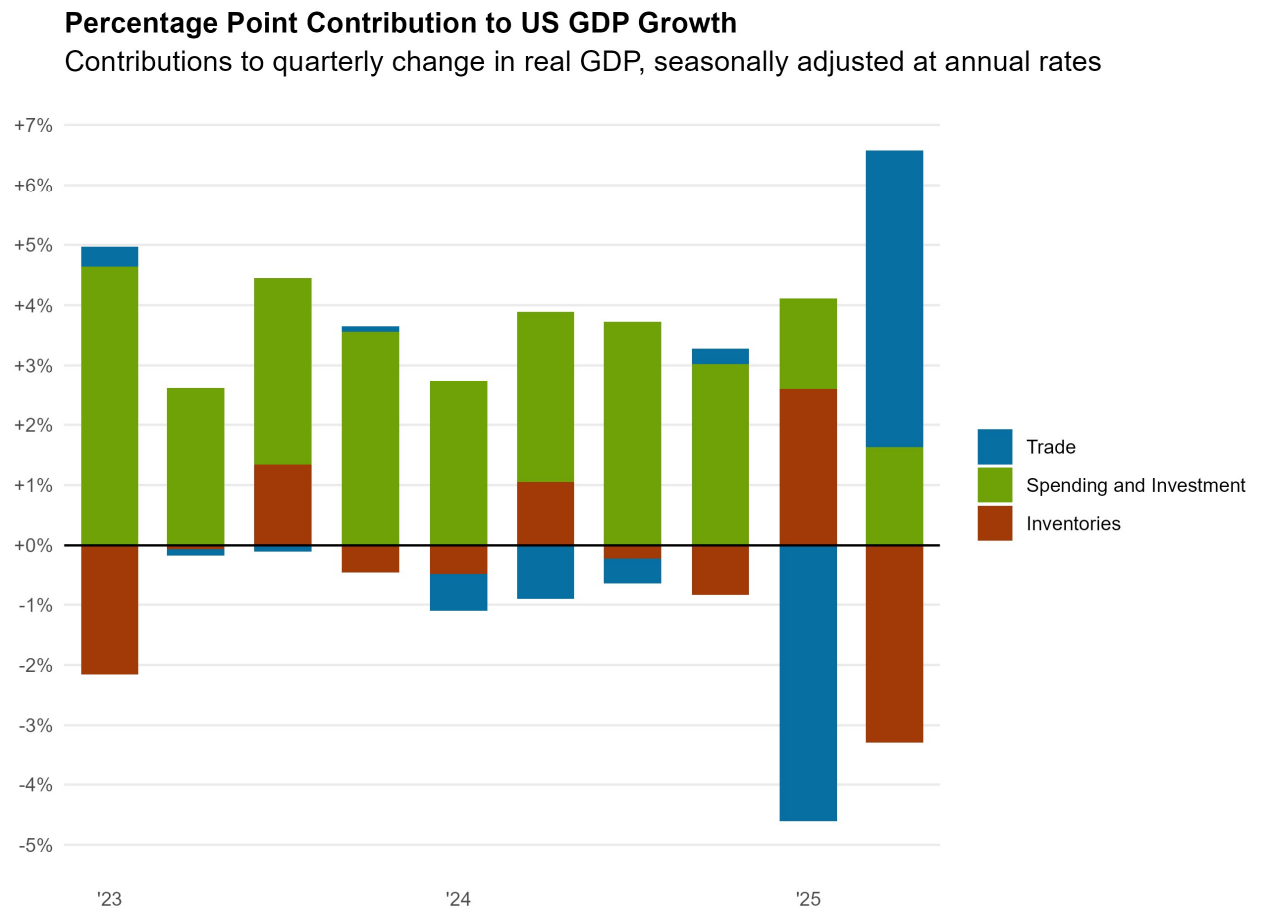
Maine's real GDP declined by 1.2% in Q1 of 2025

- 33rd in the US and last in New England (decrease of 0.8%)
- Contributions to growth:
 - Real estate and rental leasing (+0.95 pp), information (+0.29 pp), and state and local government (+0.08 pp)
 - Finance and insurance (-0.57 pp), retail trade (-0.33 pp), and wholesale trade(-0.30 pp)

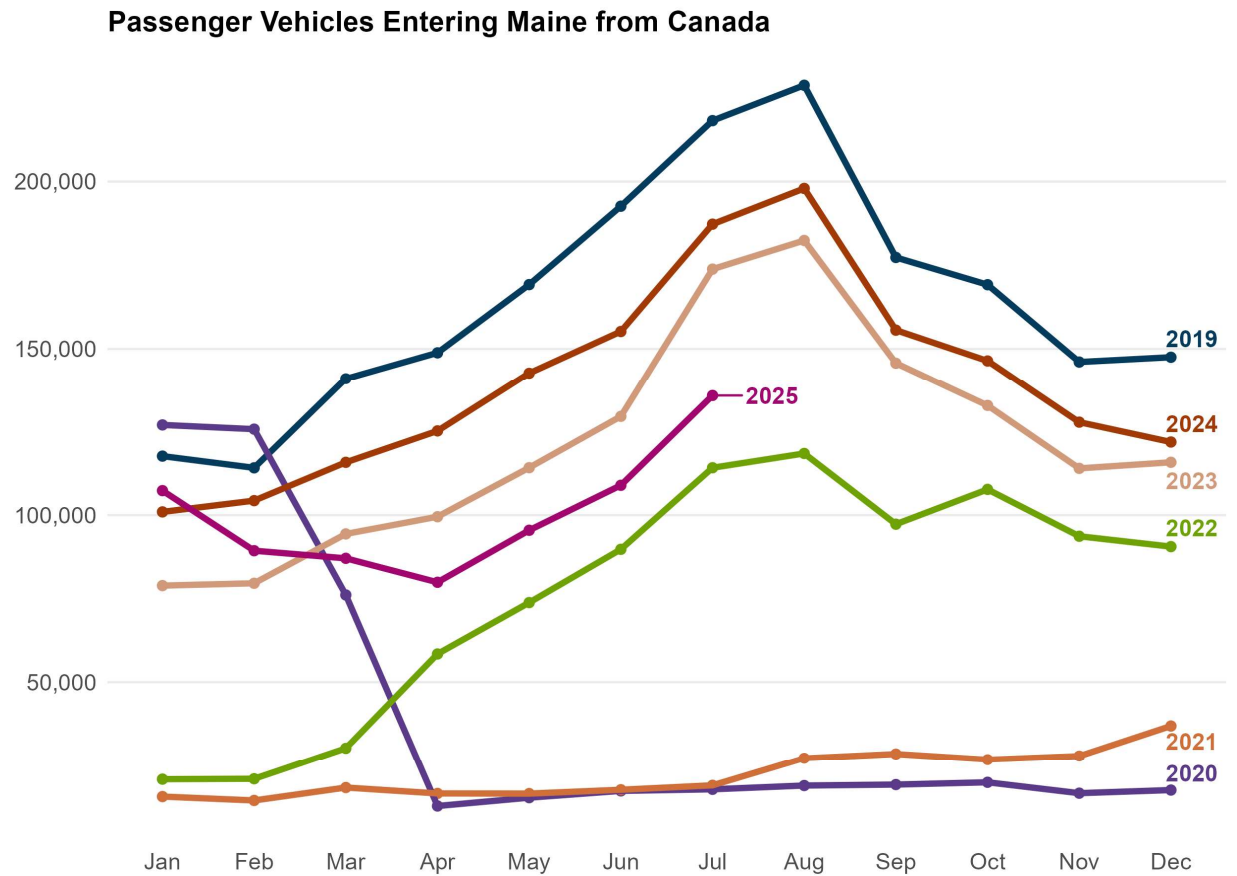
Real GDP Annualized Percent Change from Previous Period



2025 estimates for the US are skewed (in opposite directions) by big swings in trade and inventories

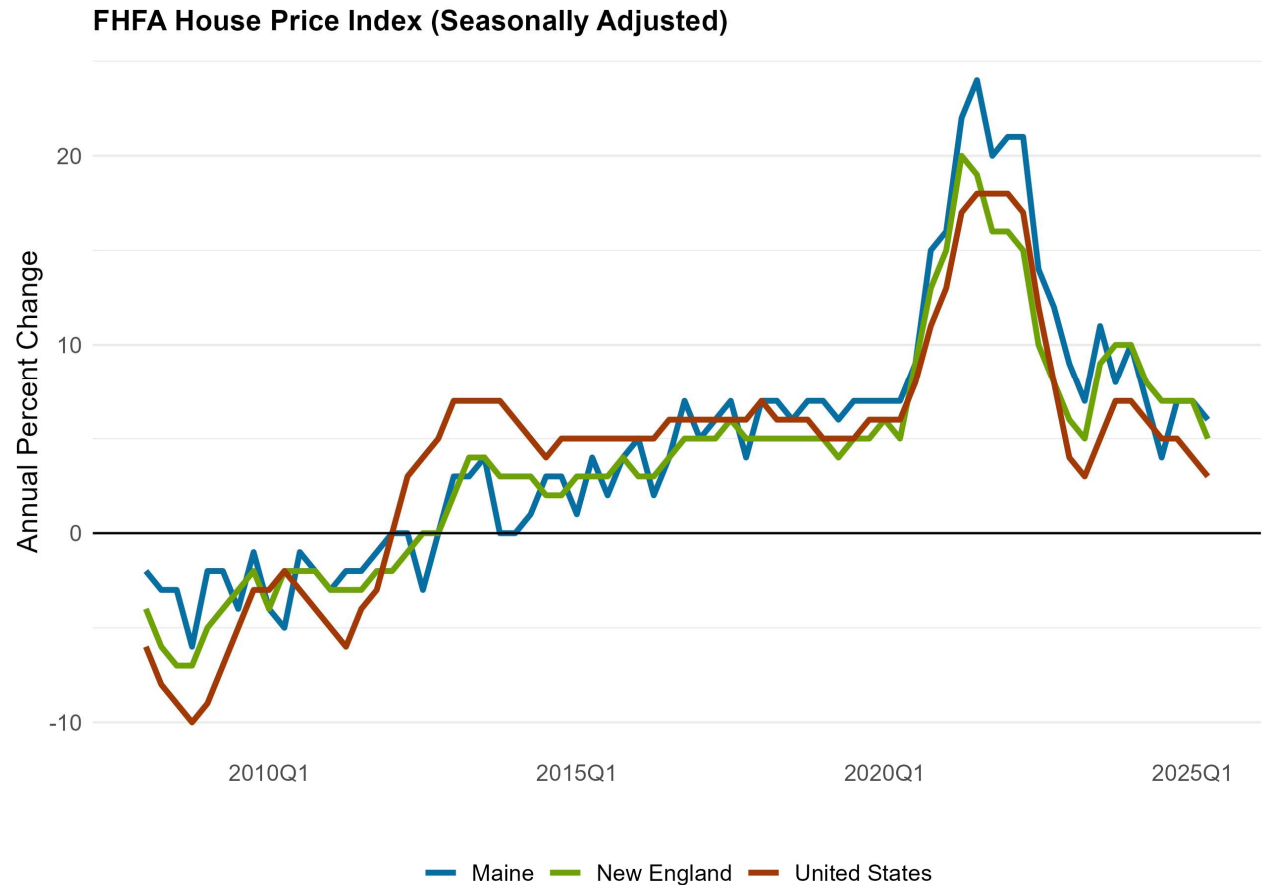


July passenger vehicle border crossings were down 27% from last year



In 2025 Q2, Maine's YoY growth in the HPI was 6%

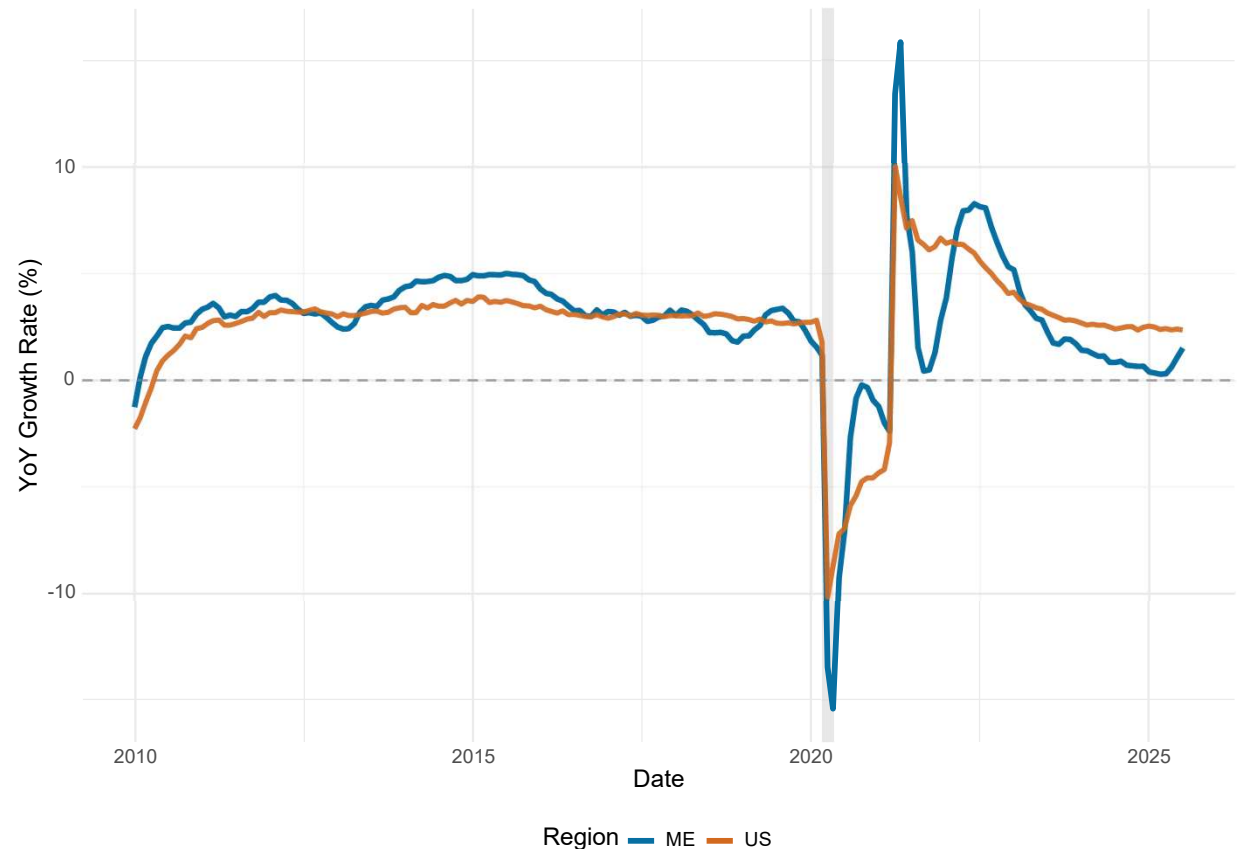
- 6th highest growth in the US and second in New England
- On a seasonally adjusted quarterly basis, Maine's HPI decreased 0.2% from 2025Q1 while New England saw growth (0.3%) and the US saw little change (0.0%)



In July Maine saw its highest YoY growth (1.5%) since Dec. of 2023

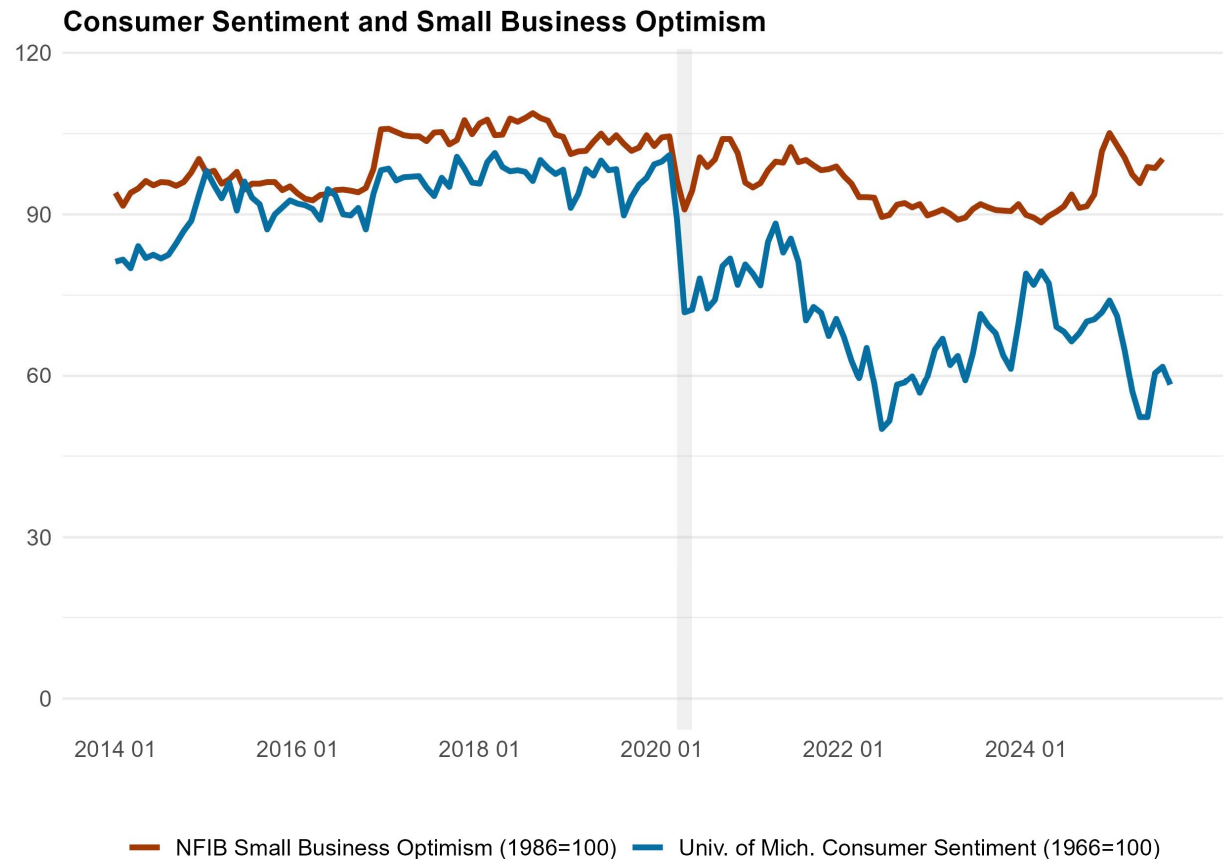
- The index uses nonfarm payroll employment, average hours worked in manufacturing by production workers, unemployment rate, and the sum of wages and salaries and proprietor's income deflated by CPI.

Maine vs United States Coincident Index Growth
Year-over-Year Growth Rate Comparison (Gray areas = US Recessions)



Sentiment declined in August - down 6% from July and 15% from one year ago

- Decrease was visible across groups by age, income, and stock wealth; perceptions of many aspects of the economy slipped; consumers expressed concern around buying conditions for durable goods and the labor market.
- Small Business Optimism improved in July, increasing 2% from June, and 7% from July 2024; more positive expectations on business conditions and business expansion opportunities; labor quality top concern



“Over the course of this year, the U.S. economy has shown resilience in a context of sweeping changes in economic policy...at the same time, the balance of risks appears to be shifting.”

-FOMC Chair Jerome Powell, Aug. 22, 2025