

Economic Trends and the Outlook for Maine

Maine Employee Benefits Council

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Amanda Rector

Maine State Economist

Consensus Economic Forecasting Commission (CEFC)

February 2026 report

Summary of key assumptions in February 2026 CEFC report

- Maine is navigating a period of significant uncertainty around economic policy, government spending, geopolitical tensions, and consumer sentiment.
- The economy seems to be experiencing K-shaped dynamics, with spending by wealthier households helping to keep the economy growing in the face of tariffs and uncertainty around other federal policies.
- The federal government has entered into a period of significant fiscal re-prioritization.
- Inflation remains elevated above target levels while consumer sentiment has weakened.
- Because of our state's demographics and close relationship with Canada, Maine may be particularly vulnerable to changes in federal funding and tariff policy.
- In the short term, net migration will be hampered by federal immigration policies and the housing market.

Trade and tariffs

Tariffs have been a rollercoaster ride, with more twists and turns this year

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

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

U.S.-Mexico-Canada Agreement (USMCA) compliant imports have remained exempt (around 85% from Canada, 86% from Mexico exempt)
USMCA up for review this year (July)

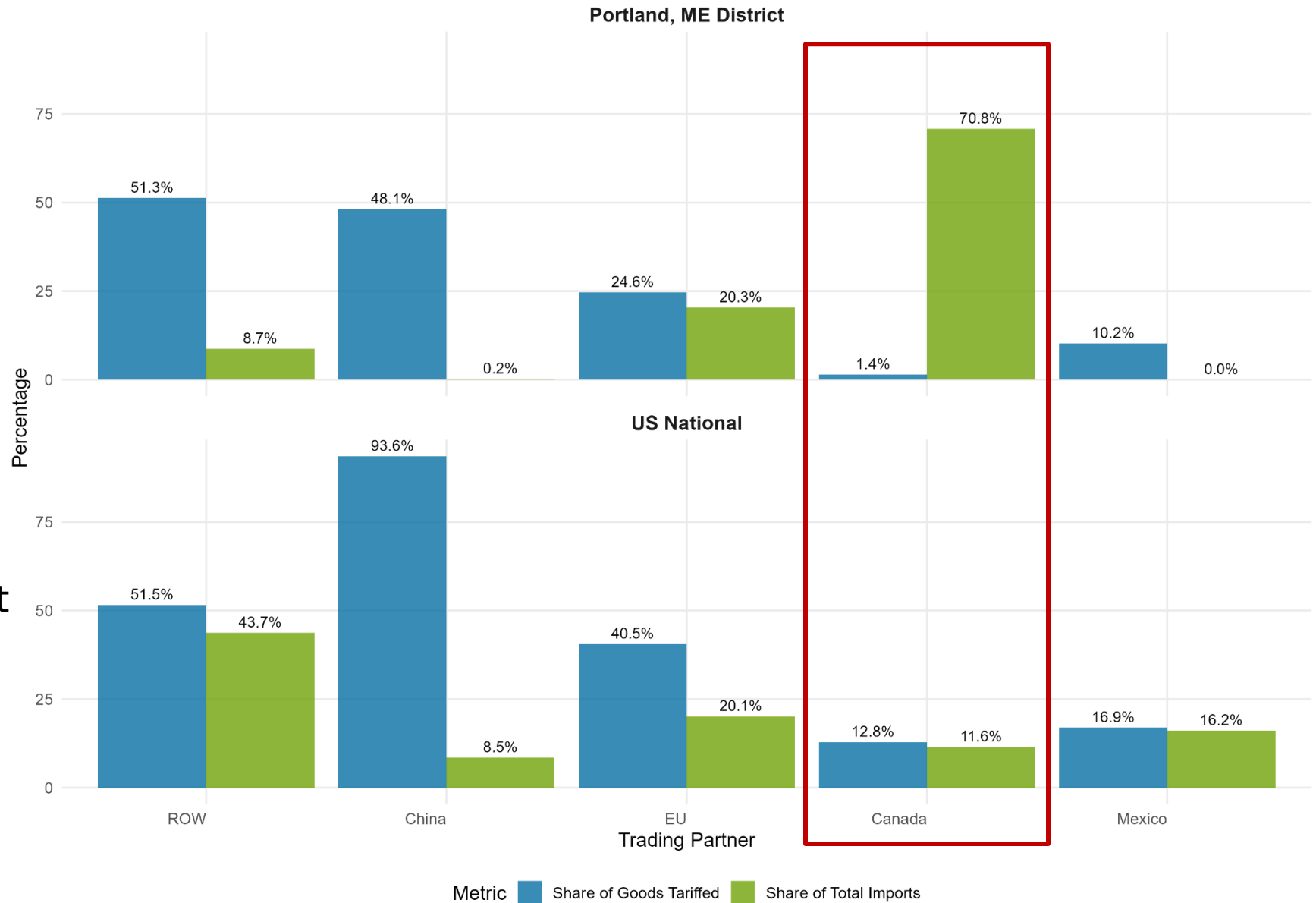
The Budget Lab at Yale estimates (1/19) average effective tariff rate for consumers (post-substitution) 14.3%; equates to about \$1,400 per household in the short-run

Comparing Tariff Share vs Import Volume

Latest Period: September 2025

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.



Portland, ME District includes all ports of entry in ME as well as Portsmouth, NH, Lebanon Airport, NH, and Manchester, NH
Data: U.S. Census Bureau

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

Other tariff impacts

Uncertainty in trade policies (like tariffs) contributes to an unsettled economic environment and higher risk

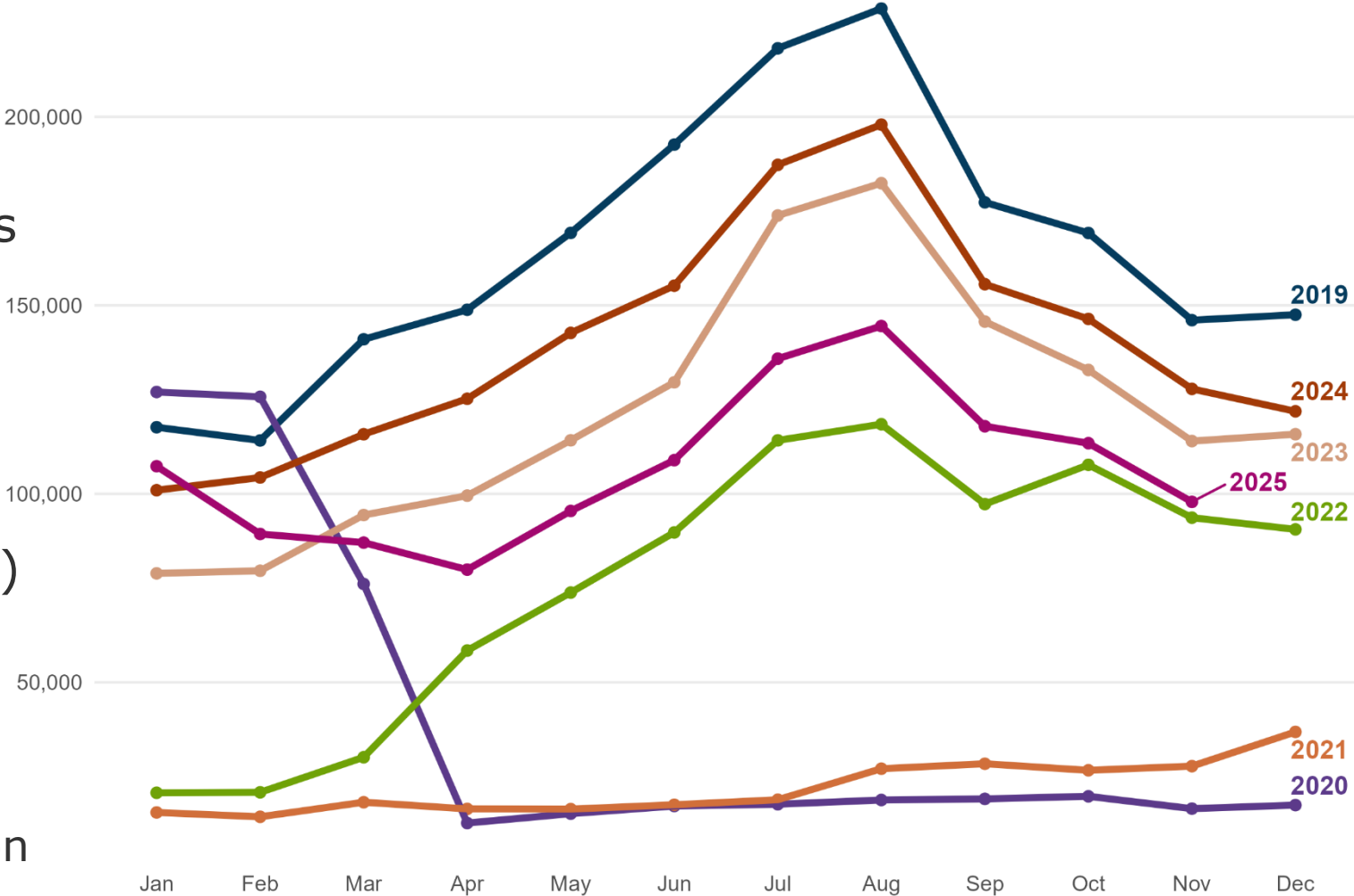
Intermediate goods are about half of total U.S. imports – tariffs on these products impact domestic manufacturers

Sector-specific tariffs may have a greater impact on certain industries: e.g. aluminum, steel, and softwood lumber on construction

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

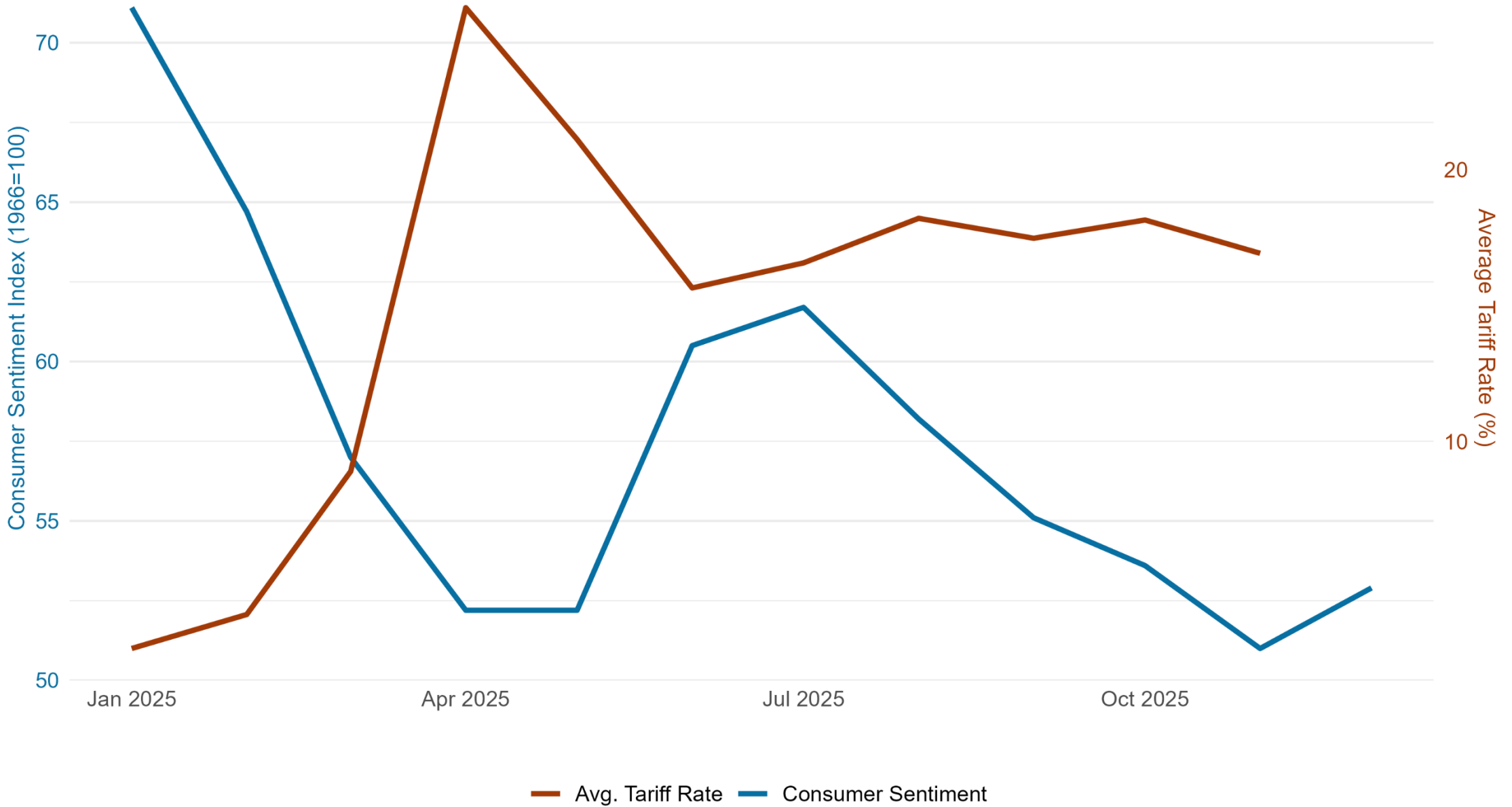


Source: U.S. Department of Transportation, Bureau of Transportation Statistics



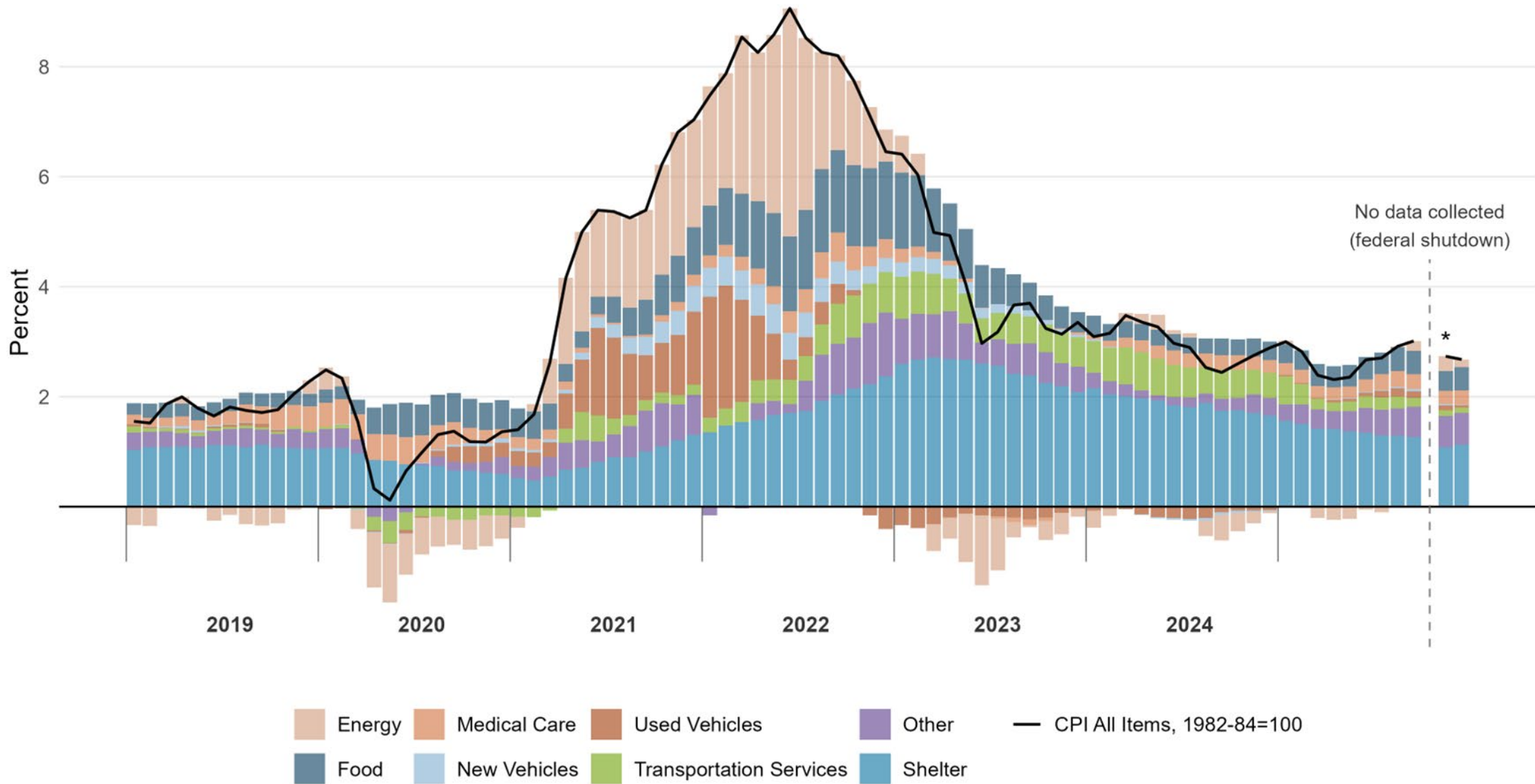
Inflation and consumer sentiment

Consumer Sentiment and Average Tariff Rate in 2025



Sources: University of Michigan Survey of Consumers and The Budget Lab at Yale

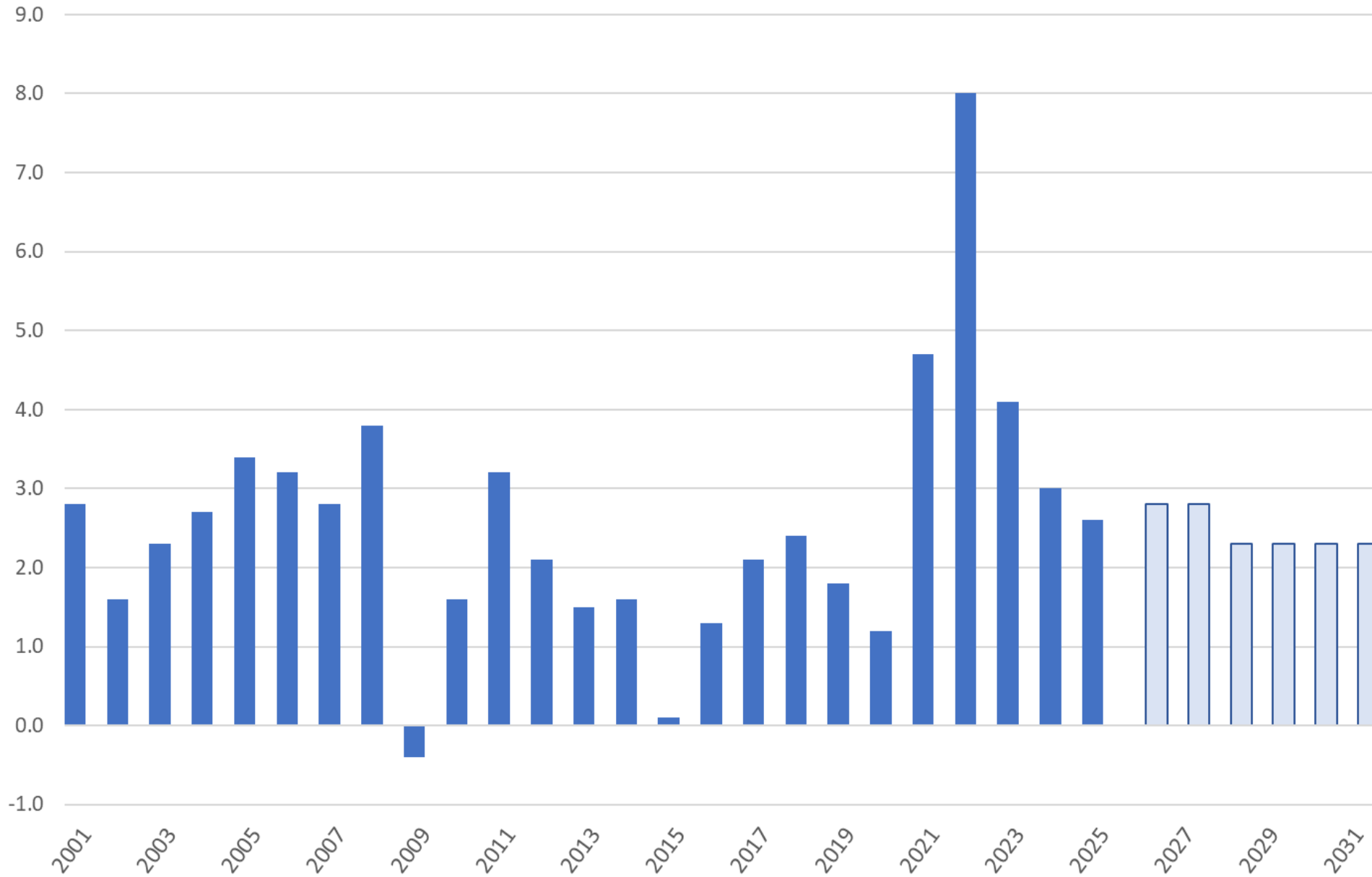
Percentage Point Contribution to Year-Over-Year Percent Change in CPI



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

Year-over-year percent change in Consumer Price Index; 2001-2025 historical and 2026-2031 forecast

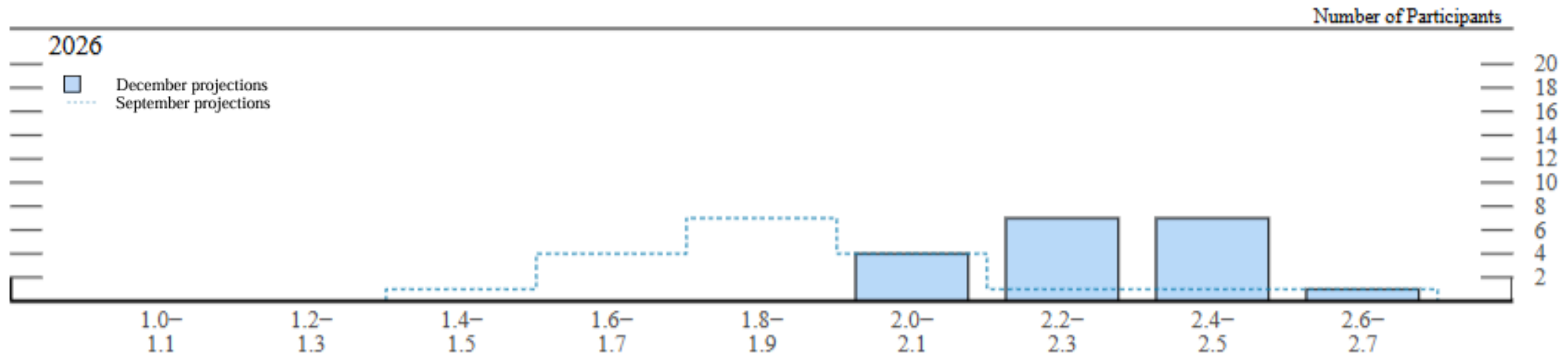


Current FOMC target range
(as of Jan.):
3.5% to 3.75%

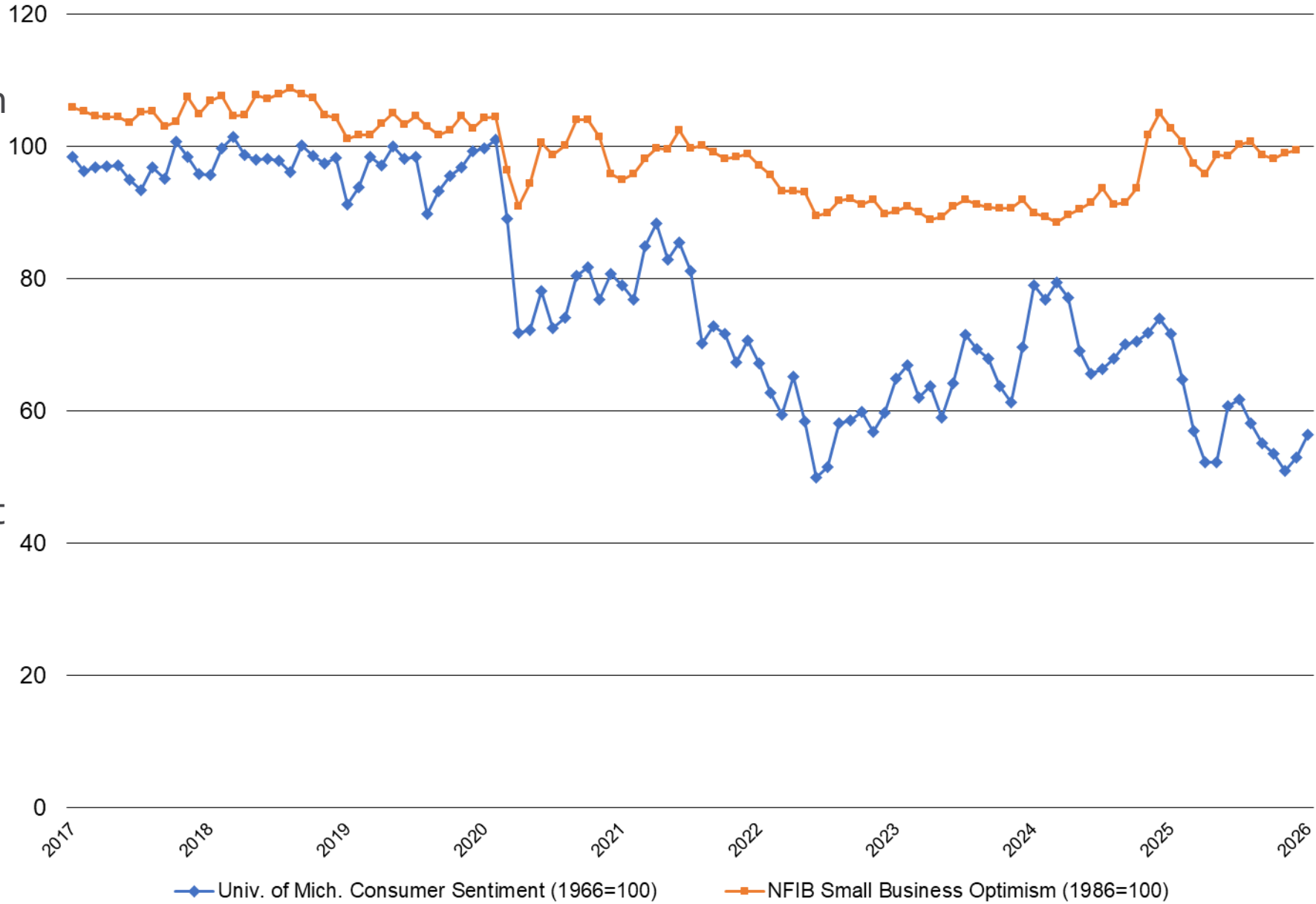
Median projection for 2026
from Dec. 2025 Federal
Open Market Committee
statement was 3.4%

Distribution of participants' projections for the change in real GDP

Percent range



Consumer Sentiment and Small Business Optimism Indexes



Small business optimism saw an increase in December in those expecting better business conditions for the first time since July

Lower income households saw some improvements in sentiment in January but consumer sentiment in 2025 generally held up better among consumers with larger stock holdings

Federal spending

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

OBBBA adds \$9.1 trillion to federal deficit over 10 years (\$8.4 trillion to tax cuts); offsets \$5.6 trillion through changes to tax policies, Medicaid, SNAP, student loans

FY 2026 budget proposal keeps overall discretionary base spending level with FY 2025, but changes how some of that money is allocated

- Shifts \$119.3B from non-defense programs to defense programs

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

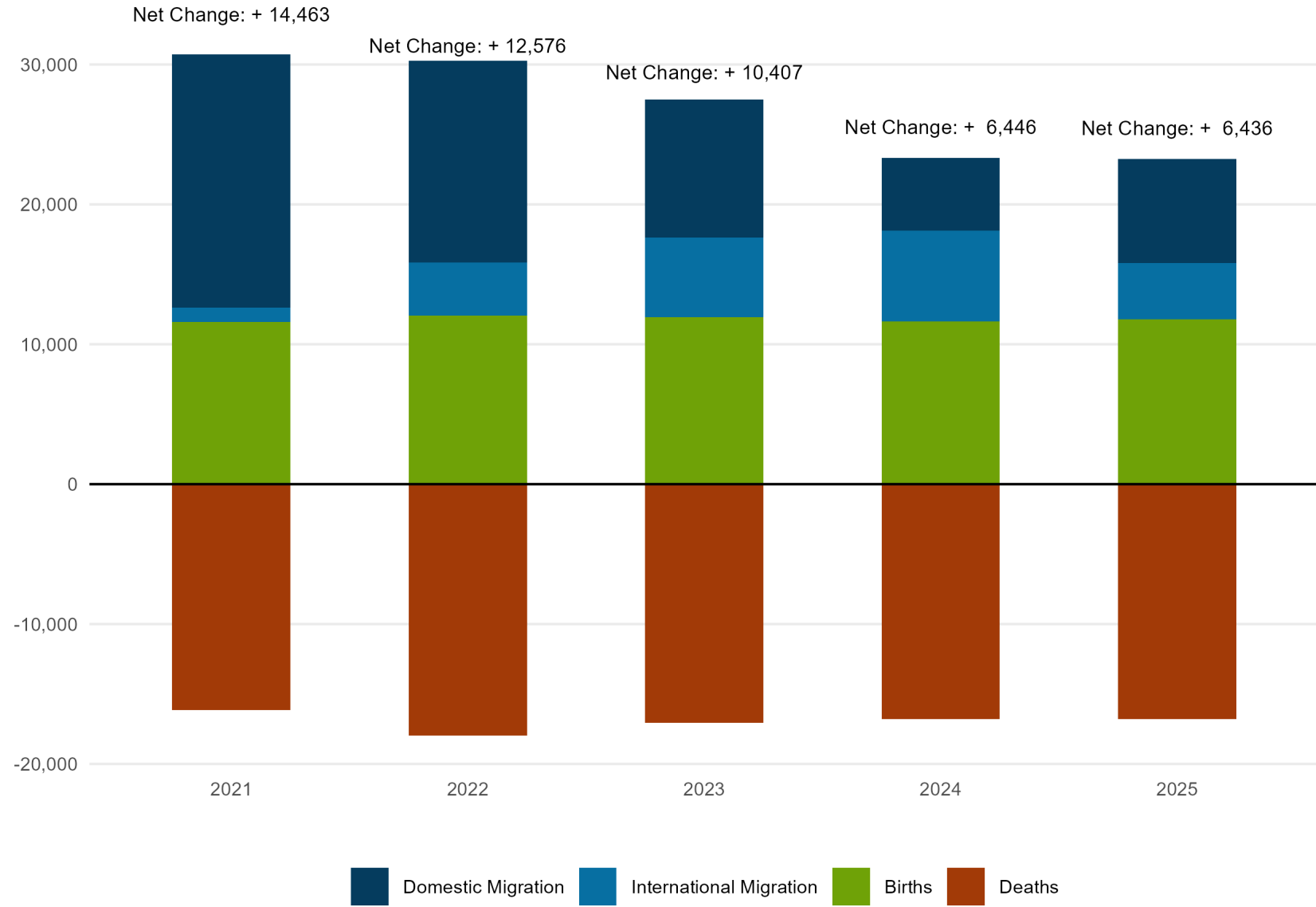
Population growth,
migration, and
employment

2025 Total Population:
1,414,874

Population increase of
3.8% from 2020-2025
(17th in U.S.);
0.5% from 2024-2025
(25th in U.S.)

7th for total net
migration and net
domestic migration
and 25th for net
international migration
in 2025

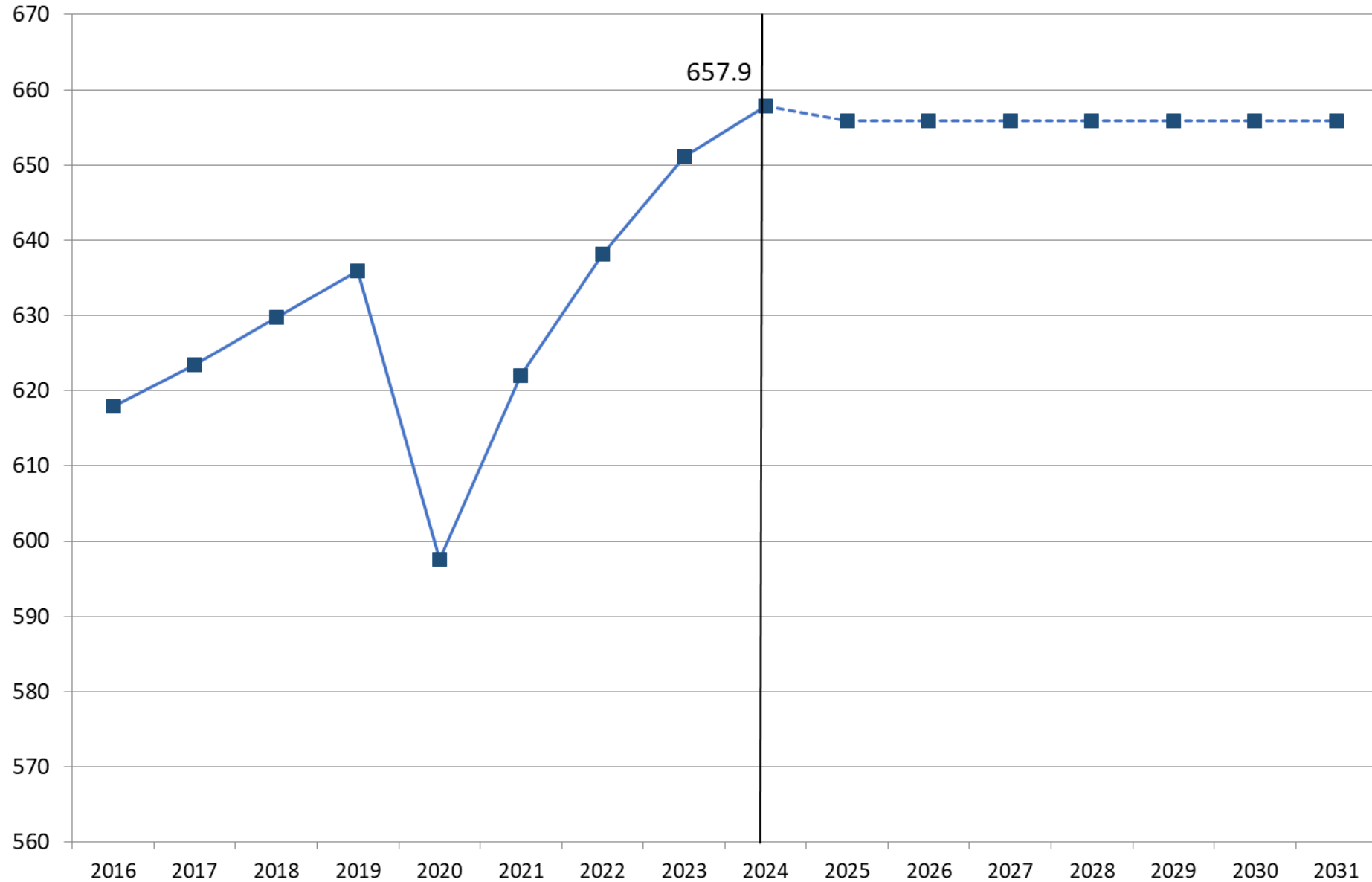
Components of Maine's Population Change



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

Total Nonfarm Employment (in thousands)

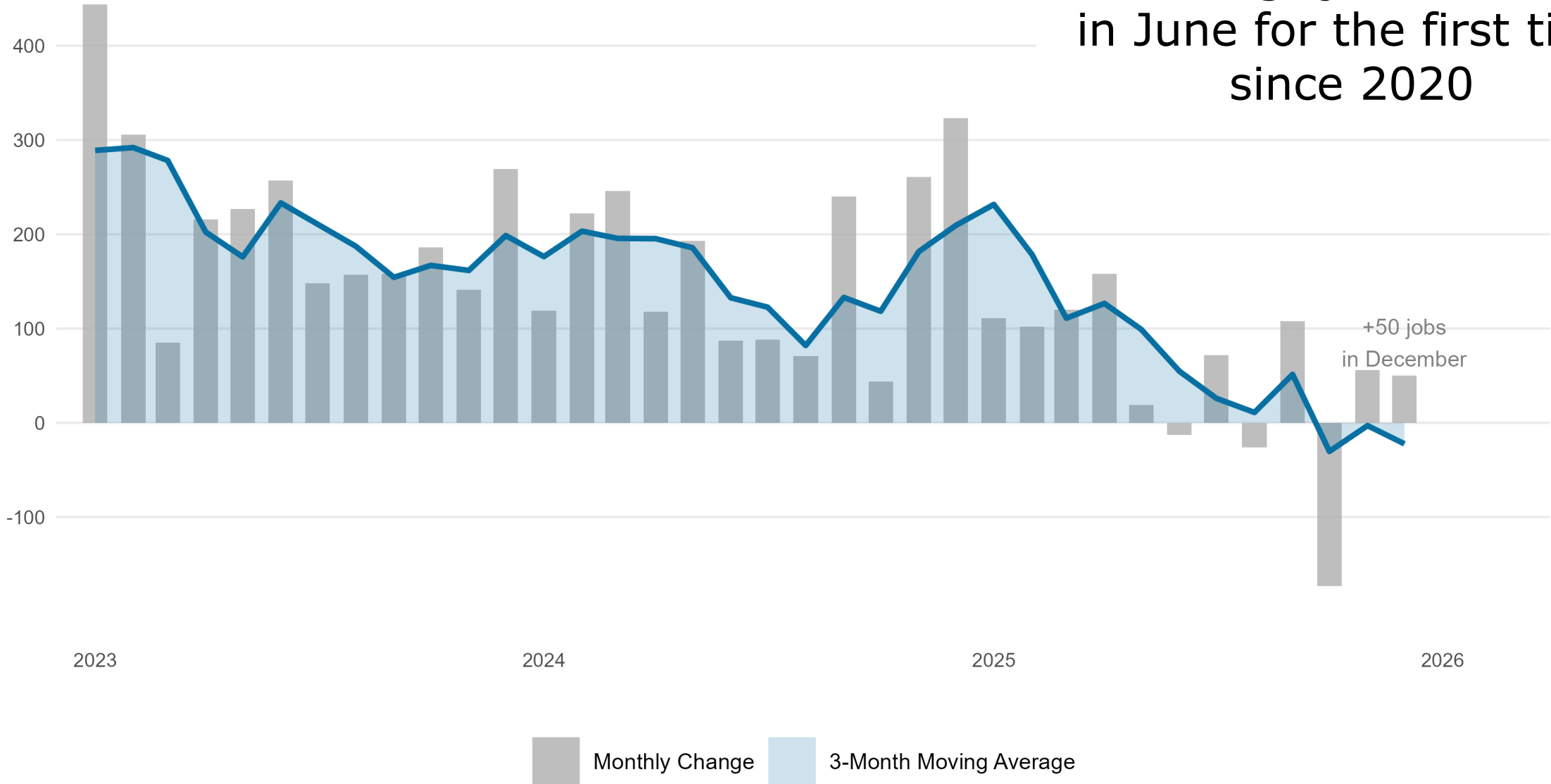
History and Consensus Economic Forecasting Commission forecast



US Nonfarm Payroll Employment (Seasonally Adjusted)

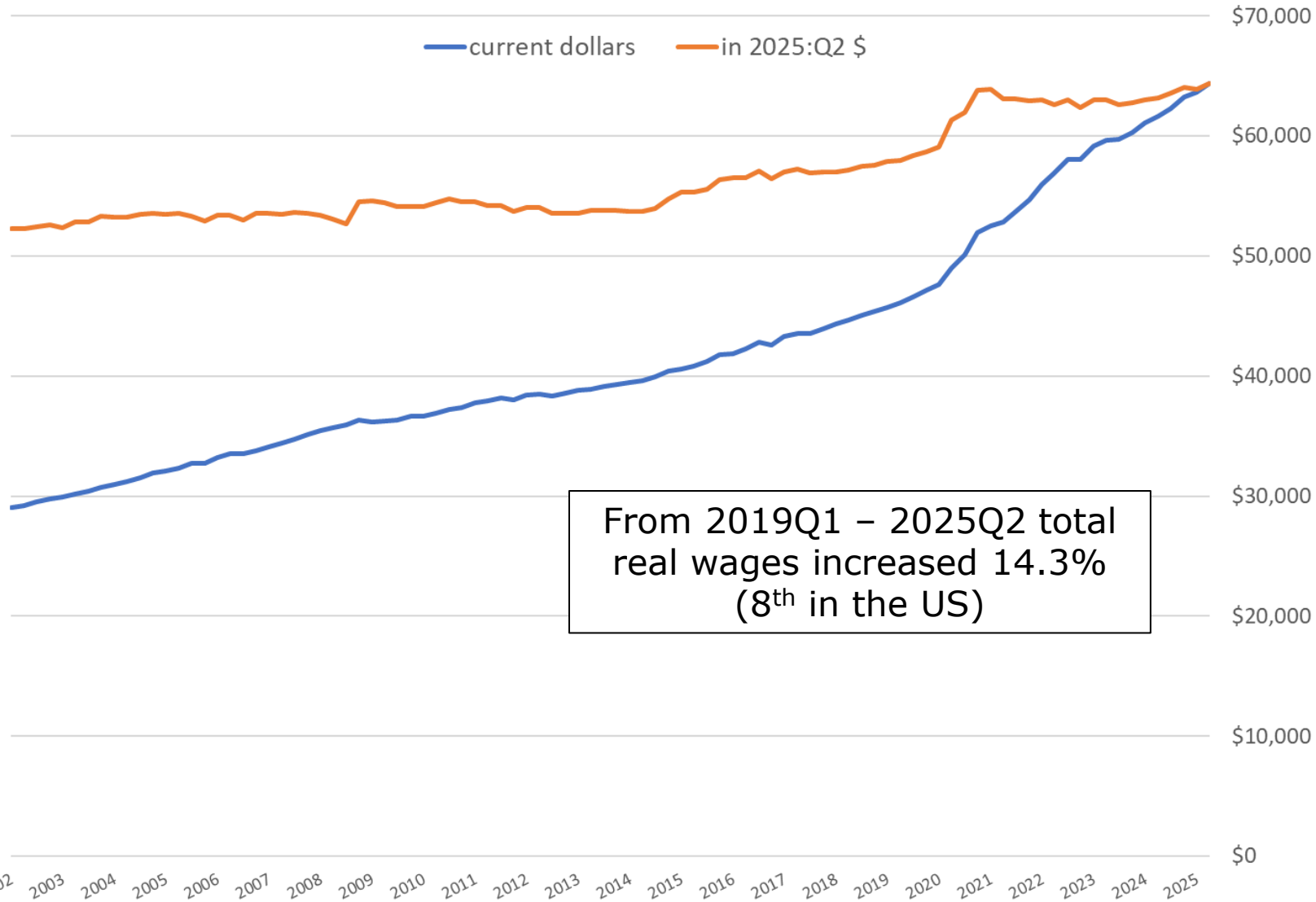
Monthly Change in Jobs (in thousands)

The national labor market is slowing: jobs were lost in June for the first time since 2020



Source: U.S. Bureau of Labor Statistics

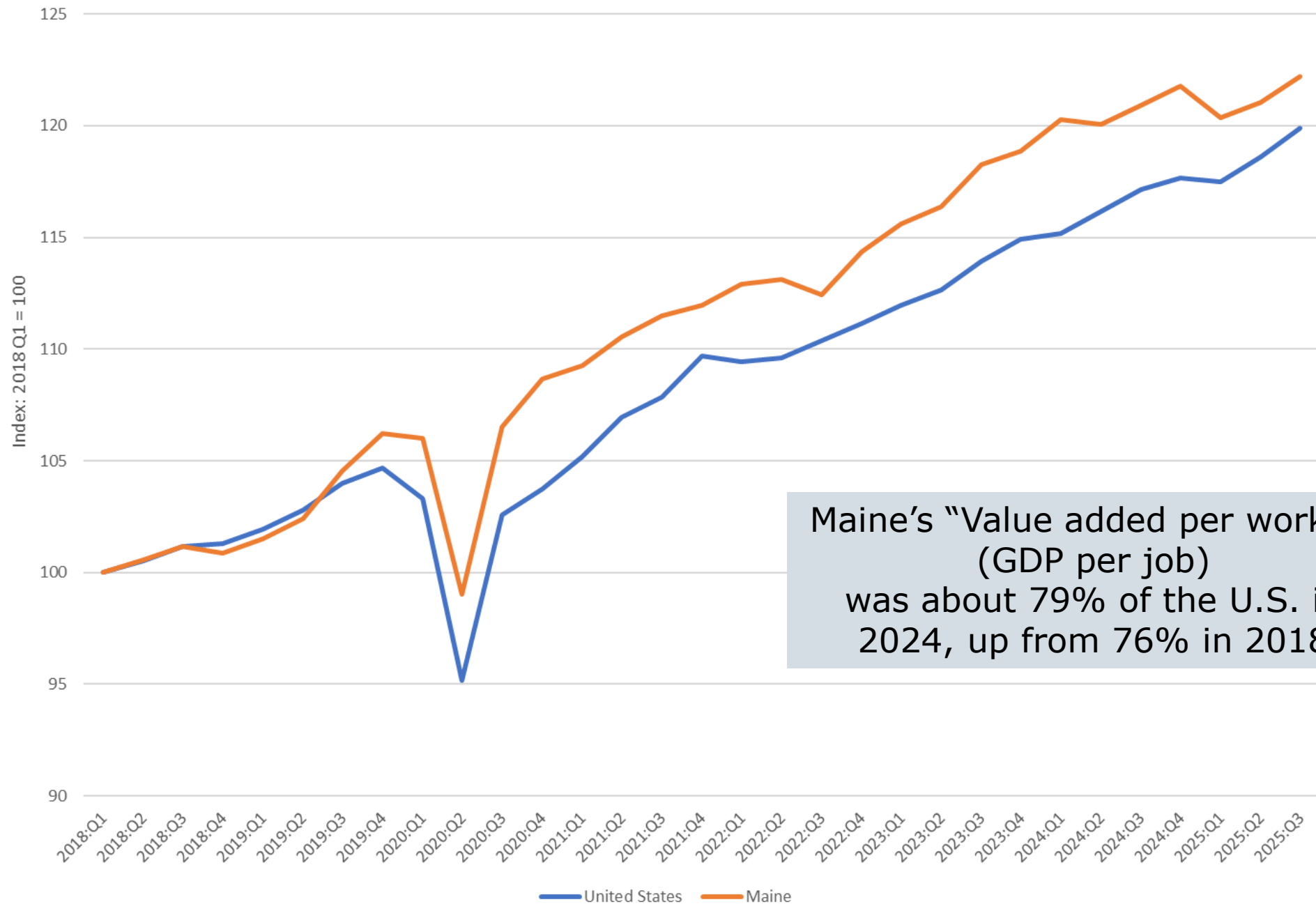
Moving Four Quarter Average Wage Per Job



From 2019Q1 – 2025Q2 total real wages increased 14.3% (8th in the US)

Wages increased sharply during the first part of the pandemic; since then, increases have kept pace with inflation

Quarterly Real GDP (in millions of chained 2017 dollars)



Maine's "Value added per worker" (GDP per job) was about 79% of the U.S. in 2024, up from 76% in 2018

Things to keep in mind:

- Economic uncertainty is extremely high, particularly related to federal policies on tariffs, immigration, and spending
- Maine's economy will be impacted by federal policies, federal spending, and national economic trends
- Consumer sentiment and business optimism have been highly responsive to expectations of future inflation and general economic uncertainty

Contact Information

Amanda Rector

Maine State Economist

Department of Administrative and Financial Services

www.maine.gov/dafs/economist

amanda.rector@maine.gov