Economic and Revenue Review for the Vermont State Legislature

December 3, 2025

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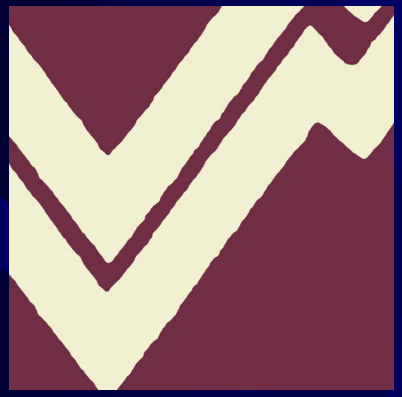

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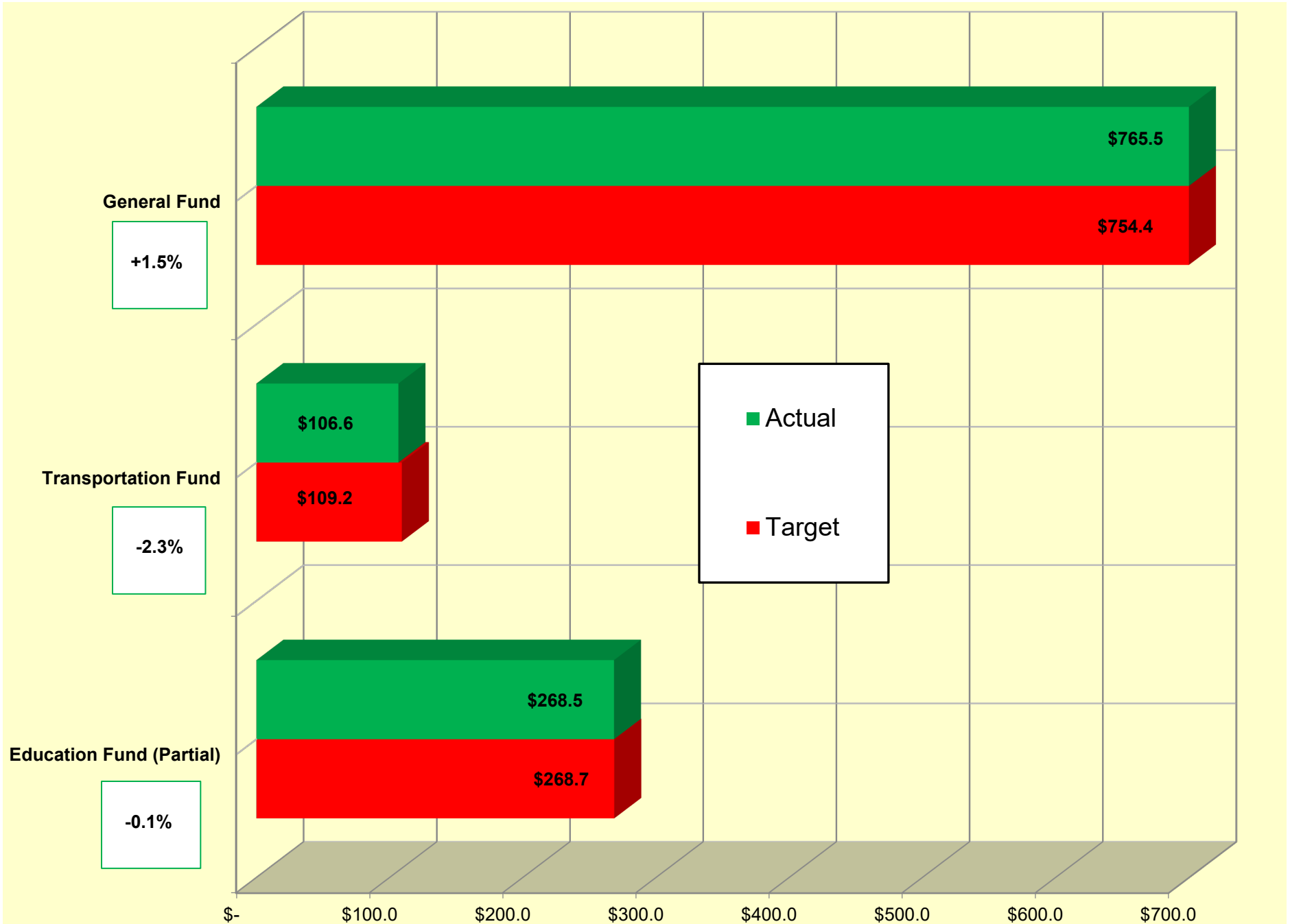
Year-to-Date FY26 Revenues by Fund Through October 2025

Actual Revenues (Green) vs. Targets (Red), Percent Variance by Fund in Box, Source: VT Joint Fiscal Office



Although on Target Through October, State Revenues Have Begun Showing Signs of Vulnerability in the Face of Economic Uncertainty and Policy Chaos

- Total revenues across all three major funds through October were extremely close to target, at 0.7% (about $8M) above projections. The General Fund is responsible for all of this slight positive net variance, up 1.5%, while the Transportation Fund is lagging targets by 2.3%, and the Education Fund is virtually spot-on at 0.1% below its projected level through the first four months of the fiscal year.

- Personal Income collections were the strongest revenue component (+3.0% to date), and accounted for most of the G-Fund overage. Estate tax receipts, which typically exhibit a great deal of volatility due the small number of remittances, were also above expectations over the first four months of the fiscal year. Ever-higher valuations across almost all asset classes continue to buoy these two revenue sources. Most other major categories were at (i.e., Sales & Use at +1.0%) or slightly below target.

- Corporate revenues were 2.8% below target, as “cash out” refunding was slightly above expectations, and are likely to slip further with even more substantial refunding in the pipeline for November and December. Meals & Rooms tax revenue was also below target in both the G-Fund (-2.3%) and E-Fund (-4.5%) as discretionary consumer spending has waned and Canadian visitation has been needlessly deterred. Motor Vehicle Purchase & Use revenues were 4.9% below target as tariffs have begun to affect vehicle prices and receipts experience the boomerang effects of pre-tariff “spent-up-demand.”

- November revenues are not yet final, but will likely close the month below targets, primarily due to an unusual calendar sequence in which the end of the month fell on a Sunday and was preceded by the two-day Thanksgiving holiday. This will make November an exceptionally “short” month, with offsetting revenues posted in December. After adjustment for this, preliminary November data seems to reinforce most of the October YTD narrative. As of late on 12/1, YTD revenues through November across all funds are down 1.1% (about $14M), with the GF down 0.6%, the TF down 4.8% and the EF down 0.8%.

Needless Disparagement of Canada is a Costly Unforced Error that has Impacted Vermont Tourism and Meals & Rooms Revenues

VEMONT VISITOR CENTER TRAFFIC COUNTS

Through the Period Ending November 17, 2025

Site	2025 Year to Date Traffic	2024 Year to Date Traffic	Percent Change 2025 vs. 2024
Alburgh	4,221	6,435	-34.4%
Bennington	123,967	119,733	3.5%
Bradford	88,083	93,101	-5.4%
Derby Line	36,327	56,605	-35.8%
Fair Haven	121,353	125,565	-3.4%
Georgia NB	35,933	45,278	-20.6%
Georgia SB	42,540	51,548	-17.5%
Guilford	438,579	469,699	-6.6%
Hartford SB	226,354	234,289	-3.4%
Lyndonville	38,668	45,652	-15.3%
Montpelier	-	-	N/M
Randolph SB	193,946	211,906	-8.5%
Sharon NB	321,155	363,536	-11.7%
Waterford	96,177	111,929	-14.1%
Williston NB	209,737	234,599	-10.6%
Williston SB	163,300	183,400	-11.0%
Grand Total	**2,140,340**	**2,353,275**	**-9.0%**
Immediately Proximate to Canada	40,548	63,040	-35.7%
Nearby Canada	117,141	142,478	-17.8%
Total Canadian Prevalent	**157,689**	**205,518**	**-23.3%**

Source: Vermont Department of Buildings and General Services

After a Record-Long 43 Day Federal Government Shutdown,

A Brief Prefatory Macroeconomic Note:

We Are Still Flying Blind Right Now…

Selected Major Economic Statistics Affected by the Government Shutdown

Report Name	Reference Period	Original Release Date	Revised Release Date / Status
Gross Domestic Product (GDP) Advance Estimate	Q3 2025	Oct 30, 2025	Canceled
Gross Domestic Product (GDP) Initial Estimate	Q3 2025	Nov 26, 2025 (2nd Est.)	Dec 23, 2025 (Replaces 2nd Estimate)
Personal Income and Outlays	September 2025	Oct 31, 2025	Dec 5, 2025
Personal Income and Outlays	October 2025	Nov 26, 2025	To be Rescheduled
U.S. International Trade in Goods and Services	August 2025	Oct 7, 2025	Nov 19, 2025 (Already Released)
Employment Situation (Jobs Report)	October 2025	Nov 7, 2025	Canceled (Household survey data lost)
Employment Situation (Jobs Report)	November 2025	Dec 5, 2025	Dec 16, 2025
Consumer Price Index (CPI)	October 2025	Nov 13, 2025	Canceled (Limited non-survey data released with Nov report)
Consumer Price Index (CPI)	November 2025	Dec 10, 2025	Dec 18, 2025
Job Openings and Labor Turnover (JOLTS)	September 2025	Nov 4, 2025	Canceled
Job Openings and Labor Turnover (JOLTS)	October 2025	Dec 2, 2025	Dec 9, 2025
Producer Price Index (PPI)	September 2025	Oct 16, 2025	Nov 25, 2025 (Already Released)
U.S. Import and Export Price Indexes	September 2025	Oct 17, 2025	Dec 3, 2025
Employment Cost Index (ECI)	Q3 2025	Oct 31, 2025	Dec 10, 2025
State Employment and Unemployment	October 2025	Nov 21, 2025	Canceled
…and many more!	Sept - Nov 2025	various	Canceled, compromised or delayed

Two Powerful Cross-Currents are Shaping the Economic Environment, as Growth Slows, Inflation Ticks Up, Labor Markets Weaken and Inequality is Exacerbated

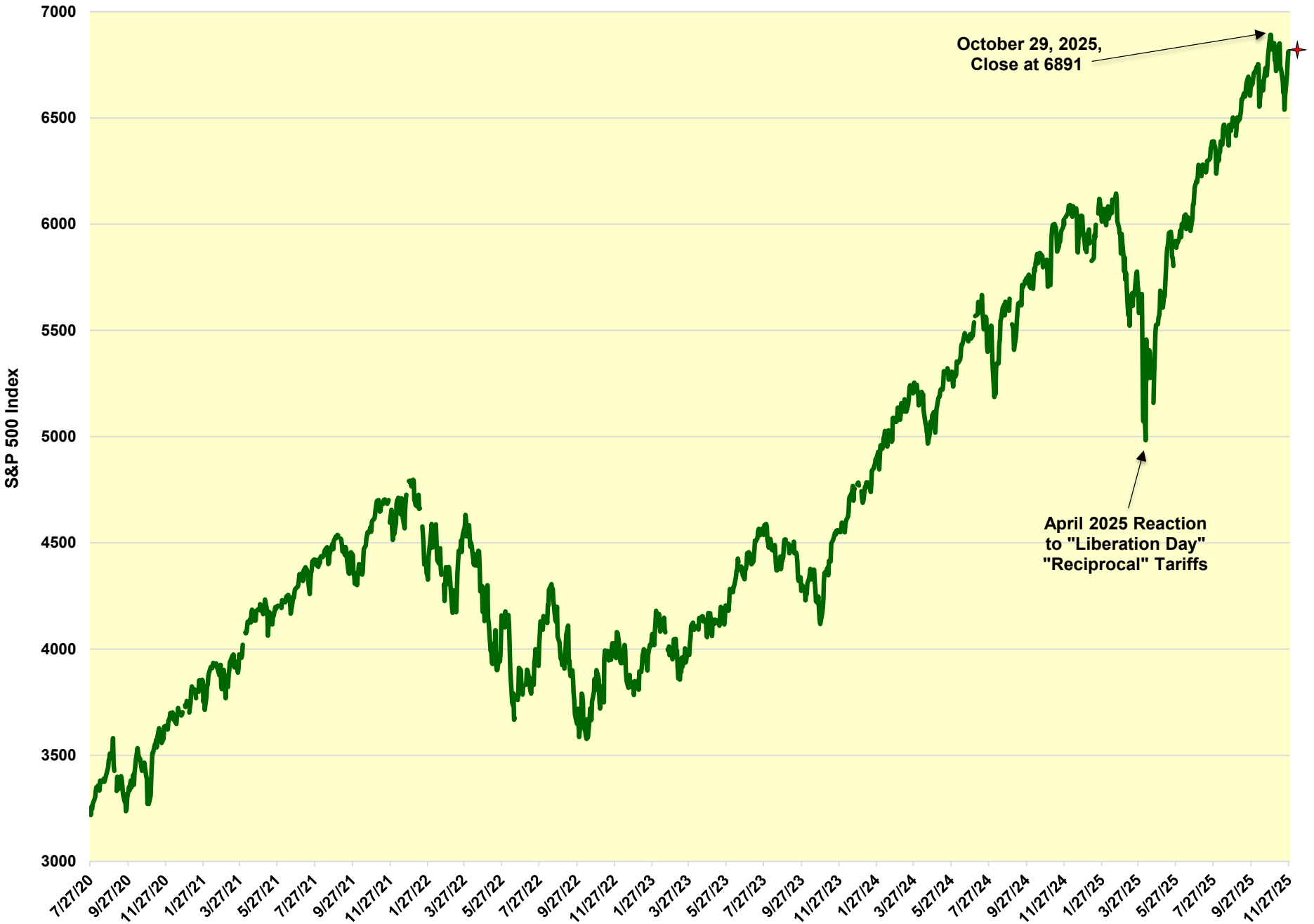
- The two crosscurrents are:
  1) AI, which is generating staggering investment expenditures and powering huge equity valuation gains among firms involved in the AI build-out; and
  2) Deglobalization, which is unwinding the postwar economic order through punitive U.S. tariffs assessed against friends and foes, and a reversal of immigration flows that have defined and shaped the U.S. for most of its history.

- AI is instigating phenomenal investment in data centers, energy infrastructure to power them, and related hardware and software research, in a race to dominate this latest technology creation. In the first half of 2025, an astounding 50%-90% of GDP growth was attributable to AI-related investment. It has also been the centerpiece of a stock market boom that has created nearly $10 trillion in incremental market capitalization and accounted for 75% of all S&P 500 growth since 2022. These gains have exacerbated societal wealth inequality, further enriching the wealthiest 1% of households who own about 50% of all stocks and, together with the next wealthiest 9%, own more than 85%. This, in turn, is supporting prolific consumer spending among these households via wealth effects.

- Meanwhile, the bottom 50% of households, who own a mere 1% of all corporate equities and mutual funds, are experiencing lower real wages, rising prices from tariffs, fewer job openings, more layoffs and the prospect of soaring future healthcare insurance prices - all of which is constricting their discretionary consumer spending.

AI Enthusiasm Lifts Equities After April Tariff Scare, But Fears of a Bubble Grow

(S&P 500 Index, Daily Close, Source: S&P Dow Jones Indices, Last Observation on 11/28/2025 = 6849)



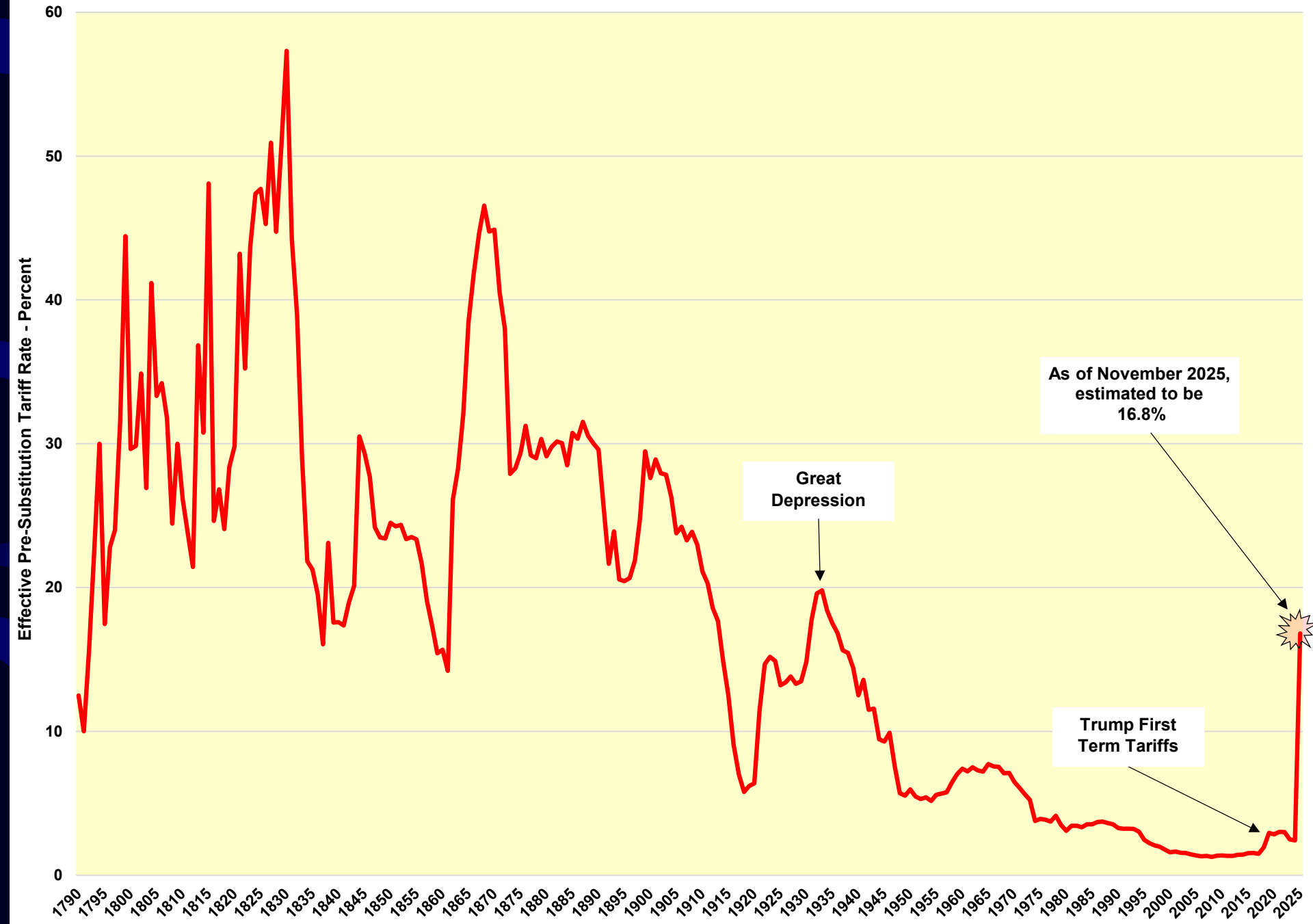
- The narrow reliance on AI-related investment and the bubble-like proportions now evident create significant downside risks to the economy. Like the dot-com bubble at the turn of the century, this new technology is very likely to be significant and even revolutionary. However, the level of investment, the growing circularity of ownership and leverage in financing these expenditures, and the gargantuan returns required to justify such investments could lead to massive losses. The relatively short lifespan of AI data centers and the equipment they house is also a concern – and could strand the electric power infrastructure investment needed to initially power them. If other policy measures were more supportive of economic growth, all of these risks would be less critical. Unfortunately, they are not.

- Tariffs and immigration policies are counter-currents that will more than offset the near-term economic benefits from AI investment. The erratic nature of the various tariff rates imposed and their bizarre justifications have created significant uncertainty affecting a wide range of business hiring and investment decisions. They have reversed the decline in the rate of inflation, causing the Fed to delay interest rate cuts, slowed job growth and caused prices for food and other essential items to rise. This has caused consumer sentiment to plunge to levels normally experienced in recessionary periods and begun to affect discretionary consumer spending – especially among lower income households.

- The impact of tariffs have yet to be fully felt by the consuming public, but they ultimately will be. To date, sellers, wholesalers and retailers have eaten large portions of the tariff costs added to goods, hoping the rates may be lowered or invalidated by the courts. Over time, those businesses with any semblance of market power will shift these costs to consumers so as to maintain margins.

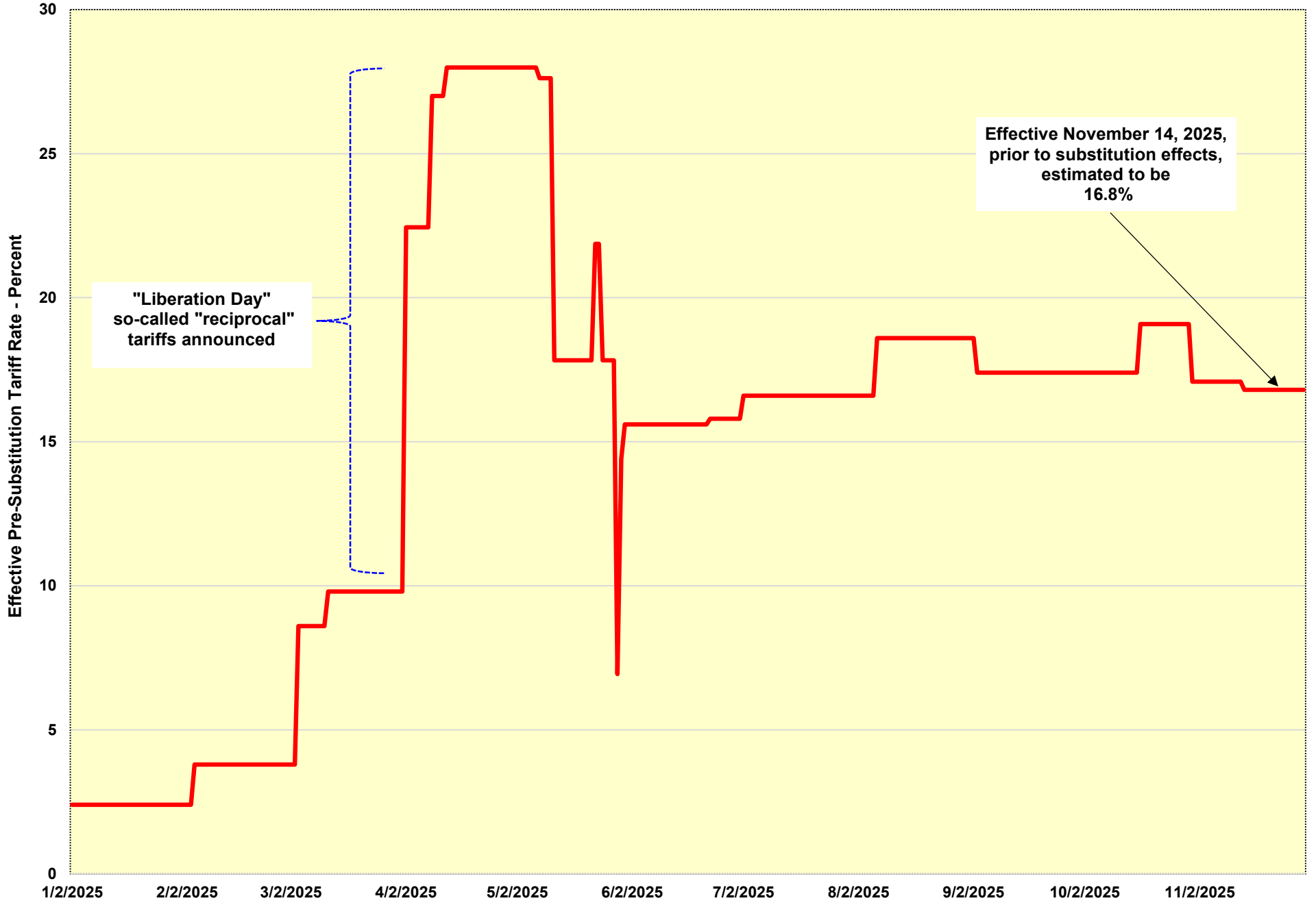
U.S. Average Effective Tariff Rate Since 1790

Customs Duty Revenue as a Percentage of Goods Imports, Source: U.S. Bureau of Economic Analysis, Yale Budget Lab



U.S. Average Effective Tariff Rate Since January 2025

Customs Duty Revenue as a Percentage of Goods Imports, Source: U.S. Bureau of Economic Analysis, Yale Budget Lab



- Advance inventory build-up has also cushioned the price effects of the tariffs to consumers, but this benefit is rapidly dissipating.

- Overall price level and distributional effects of the tariffs at their currents rates include a 1.2% increase in overall price levels, resulting in a loss of about $1700 per average household and $900 for households at the bottom of the income distribution. Real GDP will be about 0.5 percentage point lower in 2025 and persistently smaller by about 0.3 pp, the equivalent of about $90 billion/year in 2024 dollars. Payroll employment will be about 460,000 lower at the end of 2025. Tariff revenues will total about $270B per year over the next 10 years.

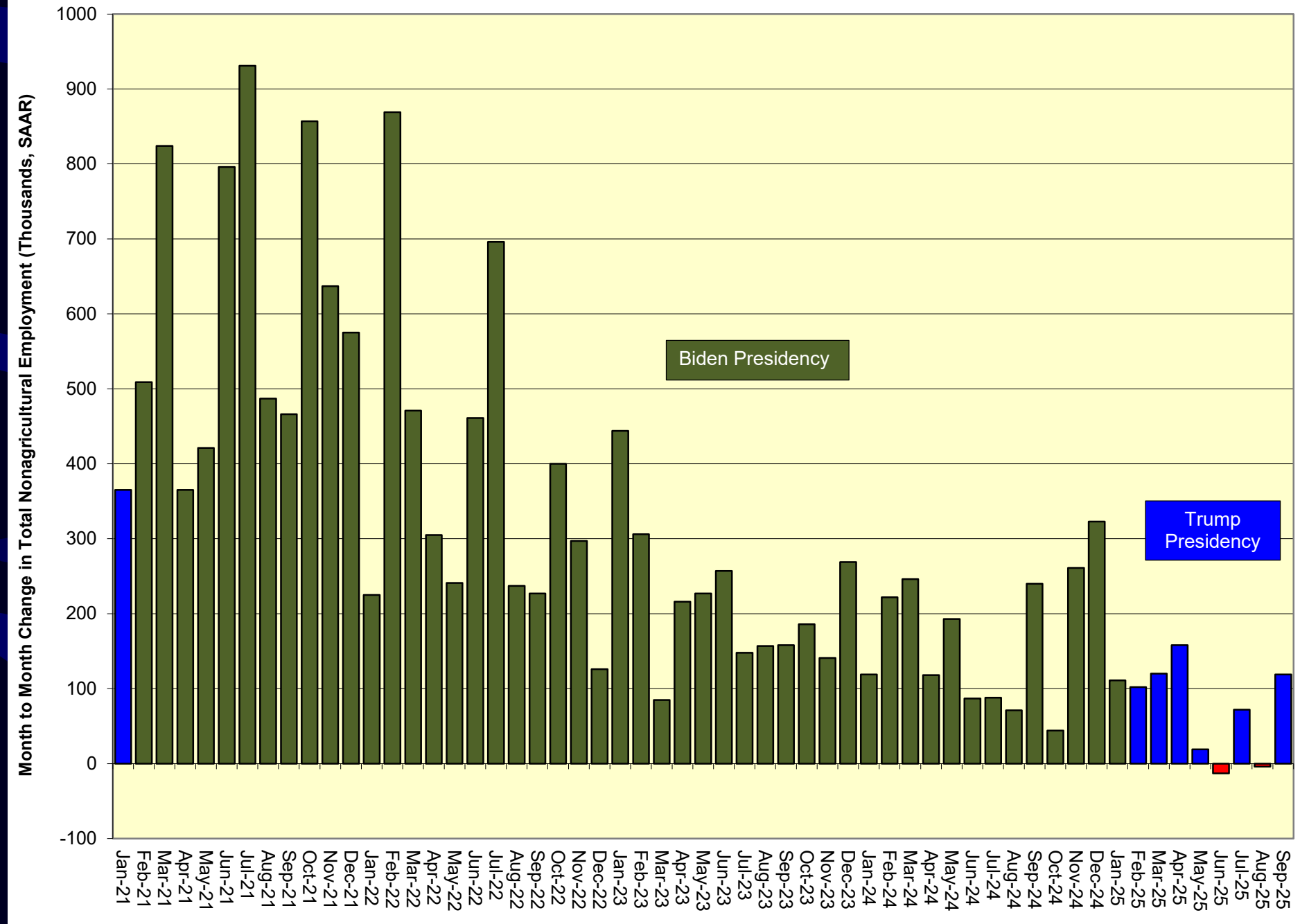
- Restrictive immigration policies have also negatively affected the economy, with net foreign immigration dropping from 2 million in 2024 to 1 million in 2025 - and will likely shrink to less than 500,000 in 2026. This will reduce real GDP by about 0.5 pp, as it reduces the labor supply, job growth and consumer demand.

- In 2024, the foreign-born population's share of the U.S. labor force reached a record 19.2%. For the period between 2019 and 2024, immigrants accounted for more than 88% of the labor force growth. These workers perform vital jobs in healthcare, construction, education, technology, transportation and other sectors beset by labor shortages. Reversing these flows will reverse these benefits.

- Though an overwhelming majority of voters believe U.S. borders should be secure and immigration controlled, most favor reasonable immigration flows and recognize the critical contributions immigrants have made to the economic vibrancy, innovation and strength of the U.S. economy.

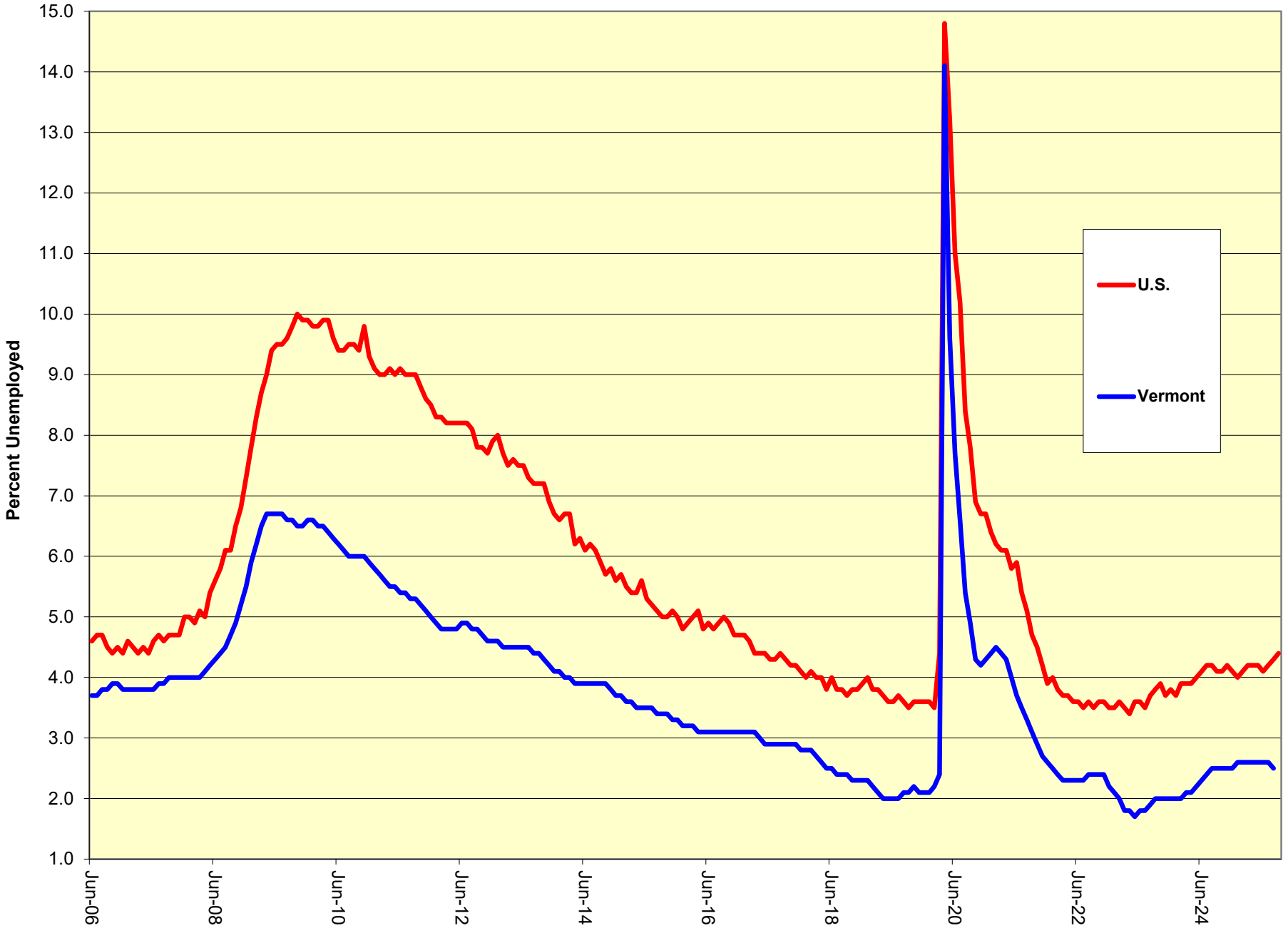
Employment Growth Since the April Tariff Shock Has Faltered, Pressuring the Fed

(Monthly Change in Total U.S. Payroll Employment, Seasonally-Adjusted
Source: U.S. Bureau of Labor Statistics)



Unemployment Rates Inch Up Through August, But Are Headed Higher

(Seasonally adjusted data, Source: Bureau of Labor Statistics, U.S. Department of Labor)



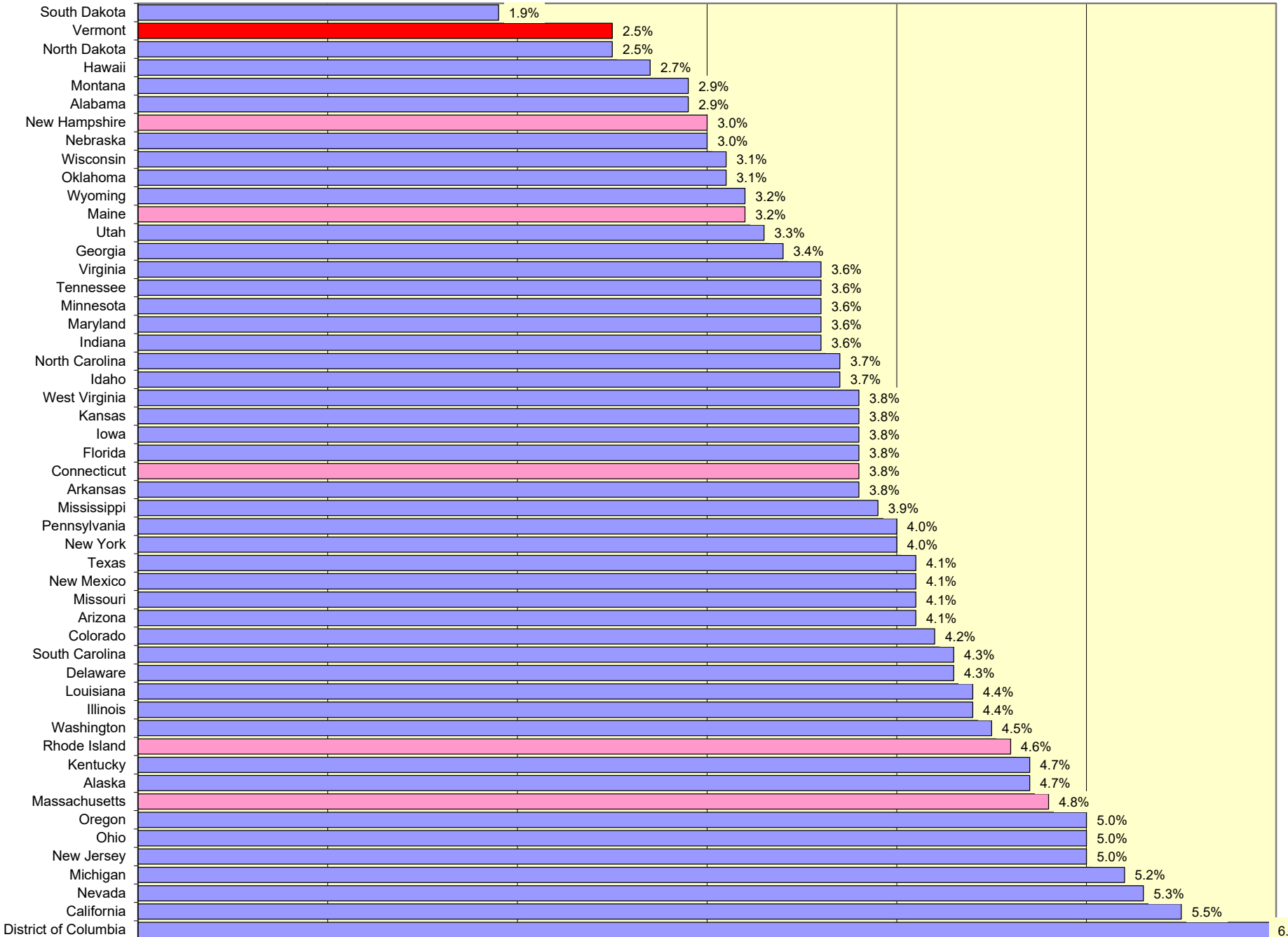
Counterproductive Policies Limit Near-Term Potential Economic Output and AI Benefits

Causal Factors Affecting Real U.S. GDP Growth
(percentage points of change, Q4 to Q4 in 2025 and 2026)
(Source: Moody's Analytics)

	2025	2026
Real GDP Growth %CHYA	**1.75**	**1.66**
Real GDP Growth CHYA in Percentage Points	**-0.65**	**-0.09**
Deglobalization	**-1.20**	**-1.19**
Tariffs and Trade Restrictions	-0.51	-0.67
Restrictive Immigration Policies	-0.69	-0.52
Artificial Intelligence	**0.63**	**0.62**
Capital Investment	0.21	0.32
Stock Wealth Effects	0.42	0.30
Economic Policy	**-0.02**	**0.52**
Monetary Policy	0.18	0.22
Fiscal Policy	-0.20	0.30
Other Factors	**-0.06**	**-0.04**

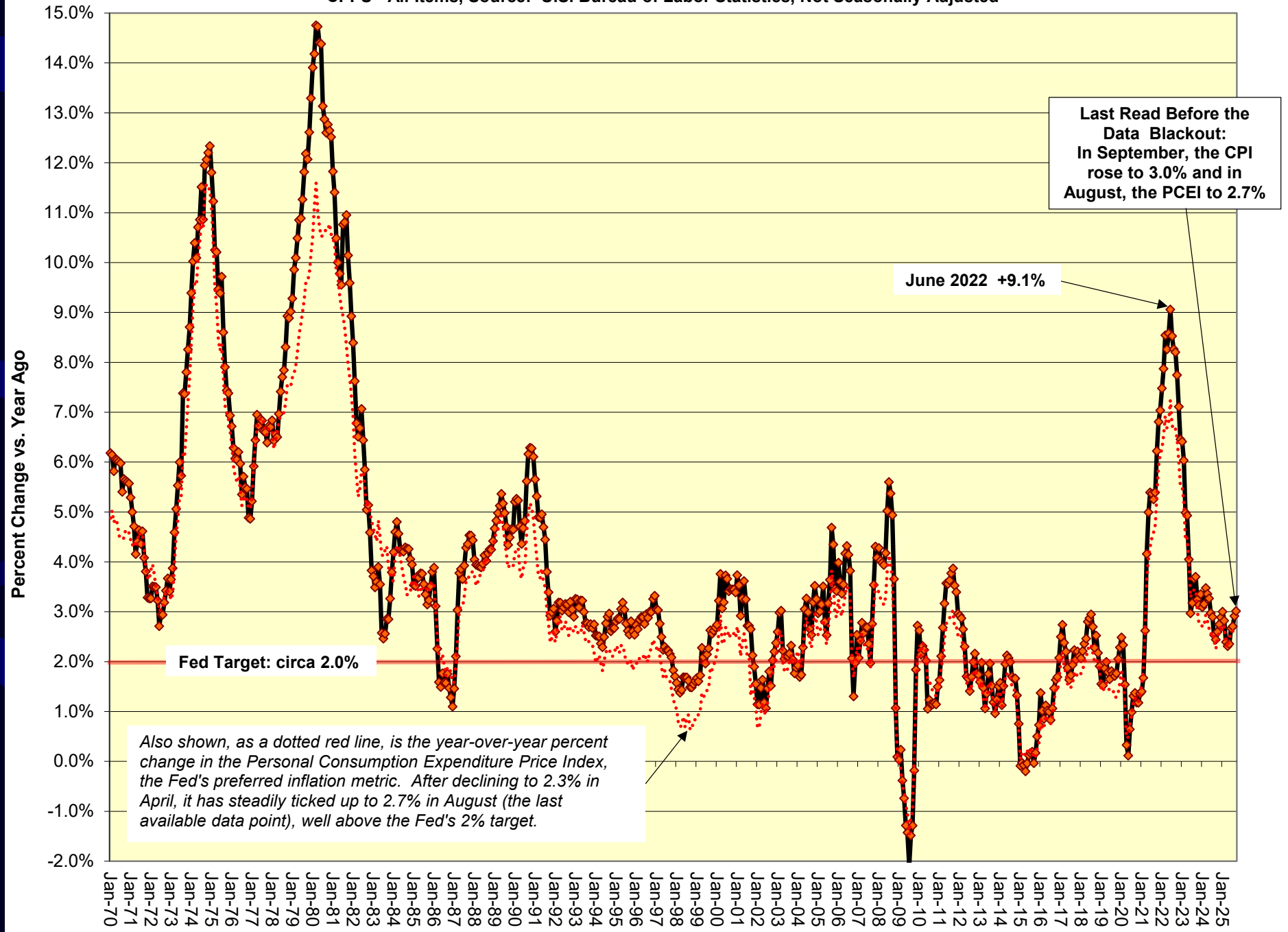
Unemployment Rate by State - August 2025

Seasonally Adjusted Data, Source: U.S. Bureau of Labor Statistics



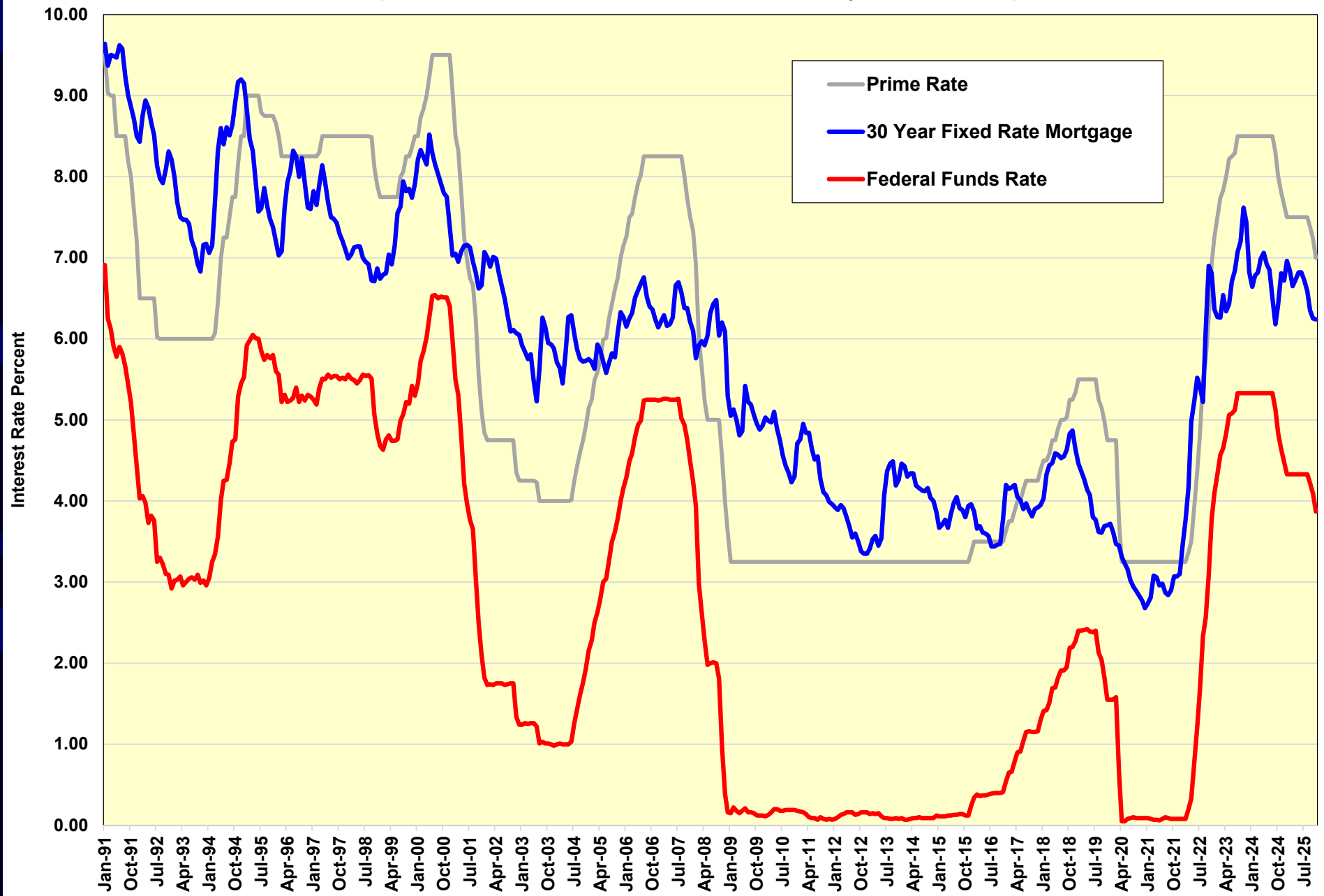
Tariffs Push Inflation Steadily Upward Since April, Complicating Fed Policy

CPI-U - All Items, Source: U.S. Bureau of Labor Statistics, Not Seasonally Adjusted



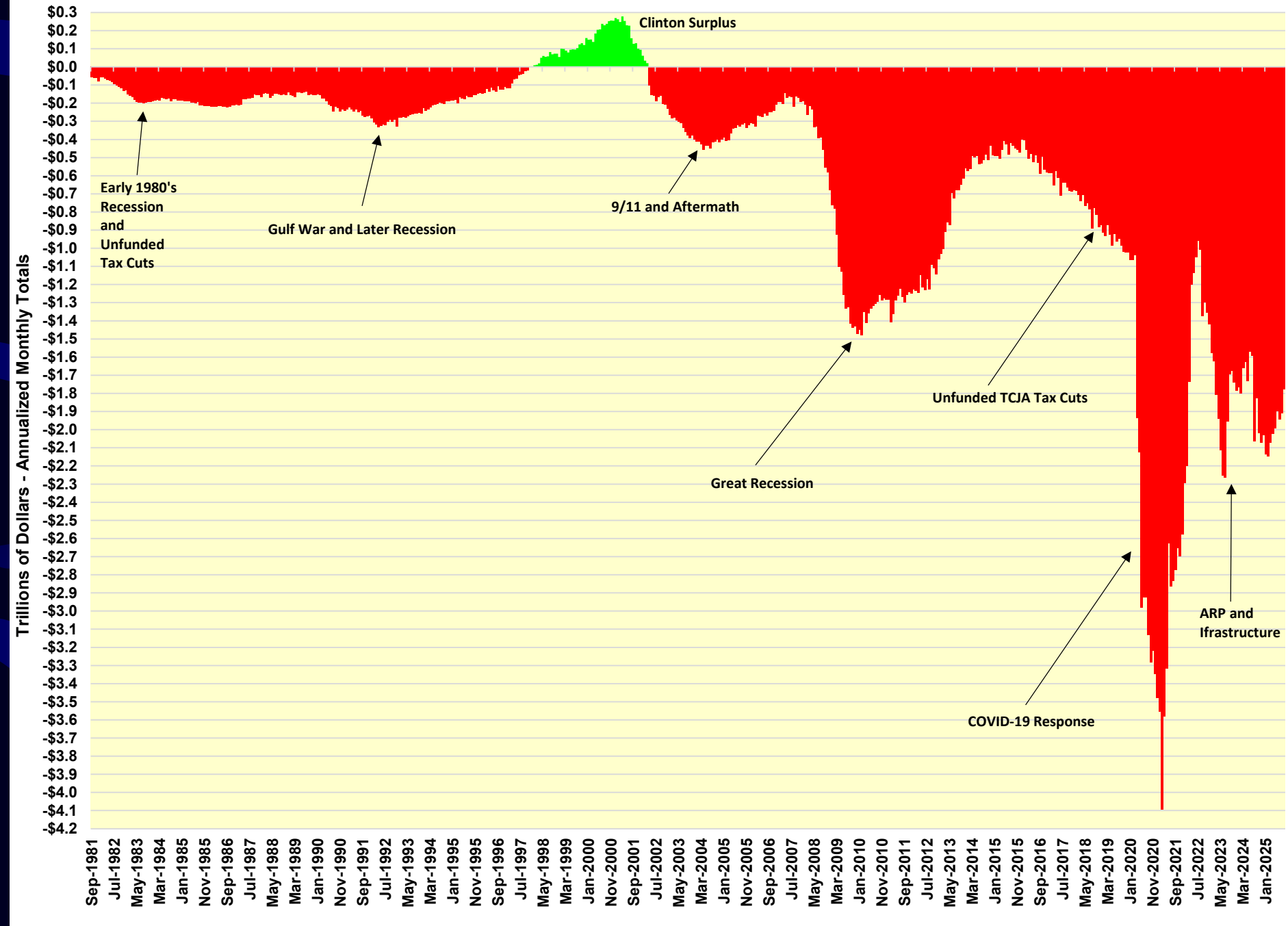
Balancing Inflation and Labor Market Concerns Complicates Fed Action - Especially With No Data

(Sources: Board of Governors of the Federal Reserve System, Freddie Mac)



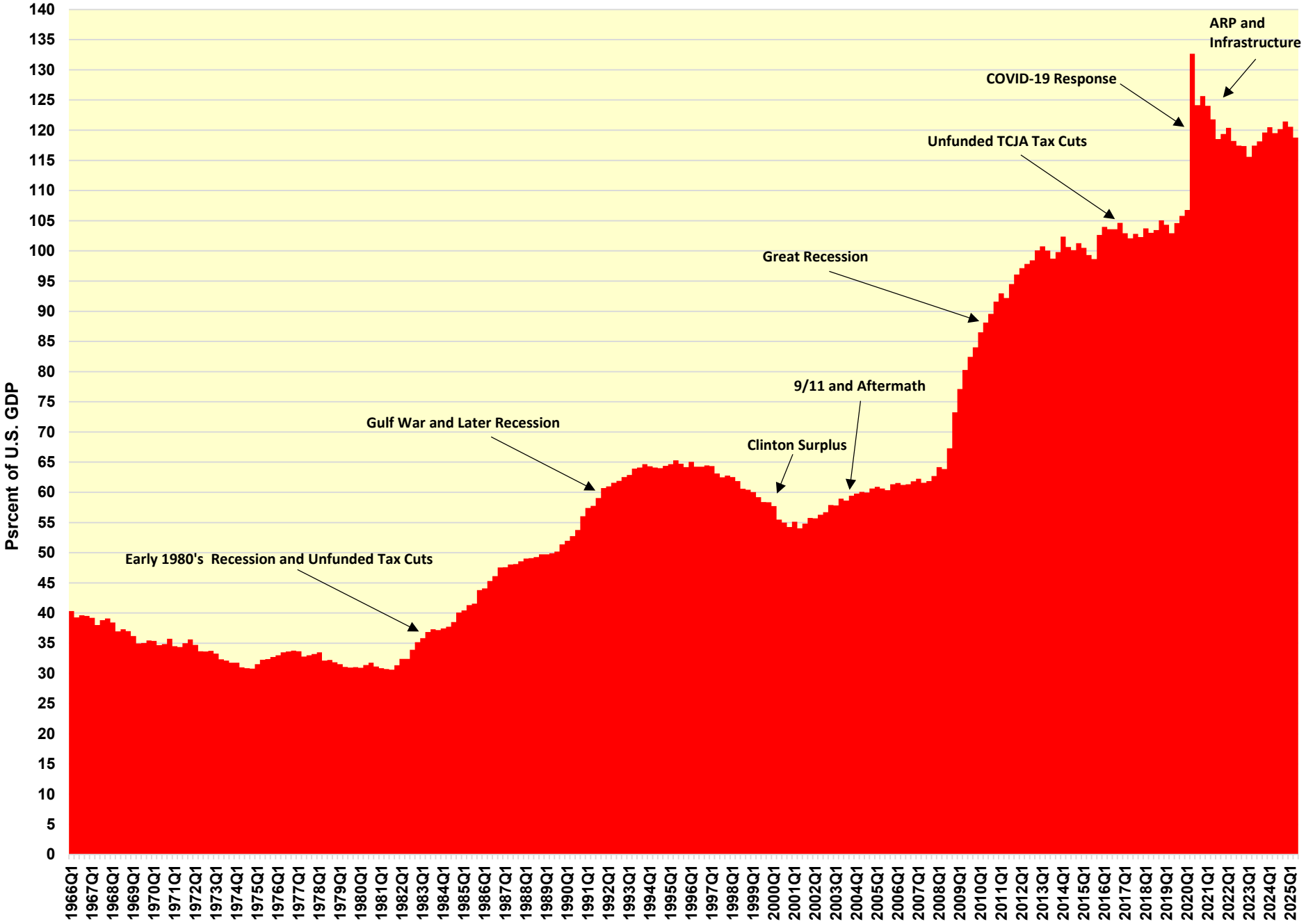
Persistent Deficit Spending Pushes Up Longer-Term Interest Rates and Borrowing Costs

(Federal Budget Deficits and Surpluses, 12 Month Moving Totals, Source: U.S. Treasury)



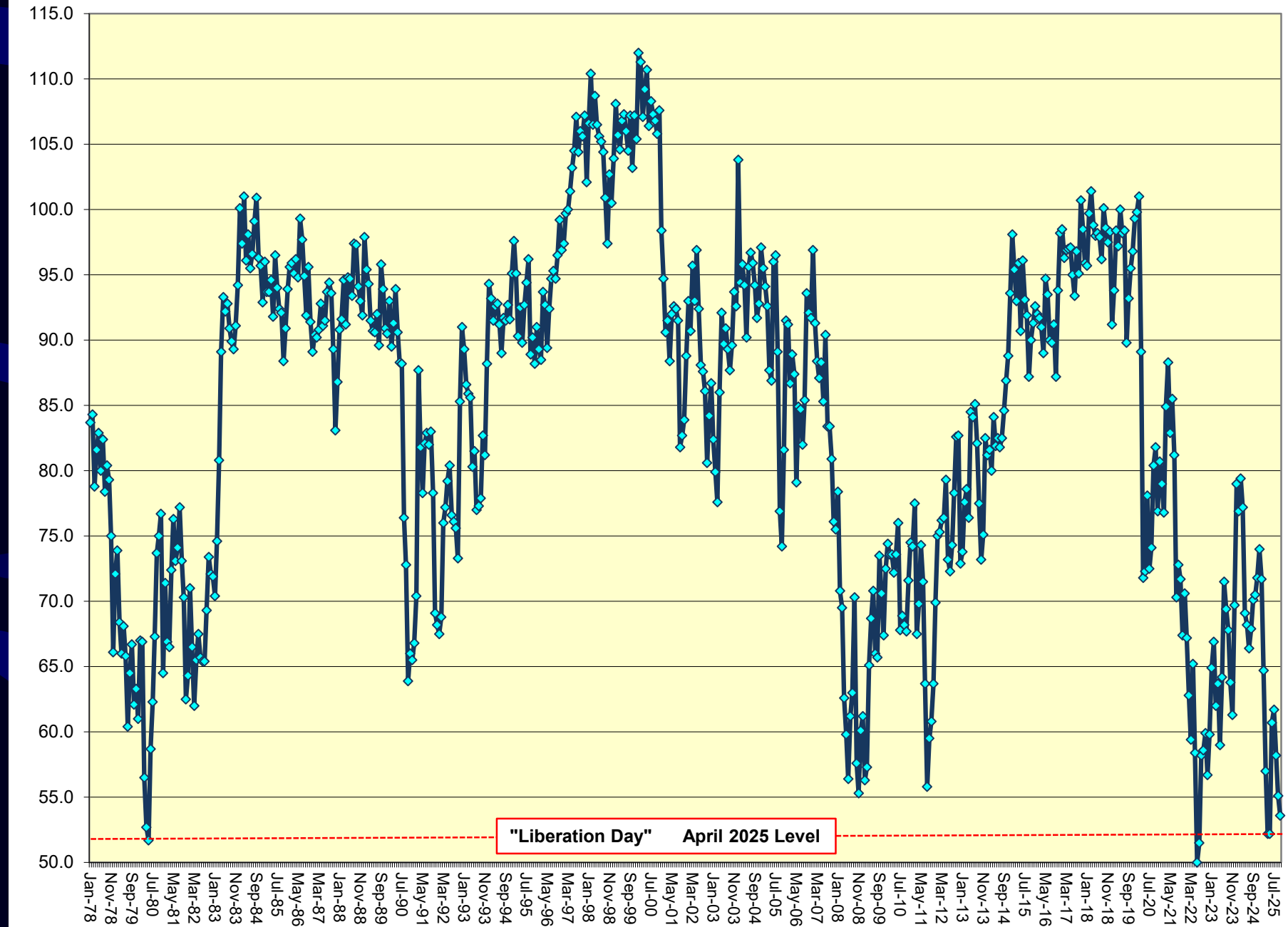
Awash in Red Ink - Deficit Spending Drives Debt as a Percent of GDP Ever Higher

(Total Public Debt as a Percent of GDP, Seasonally Adjusted Quarterly Data, Source: U.S. Treasury)



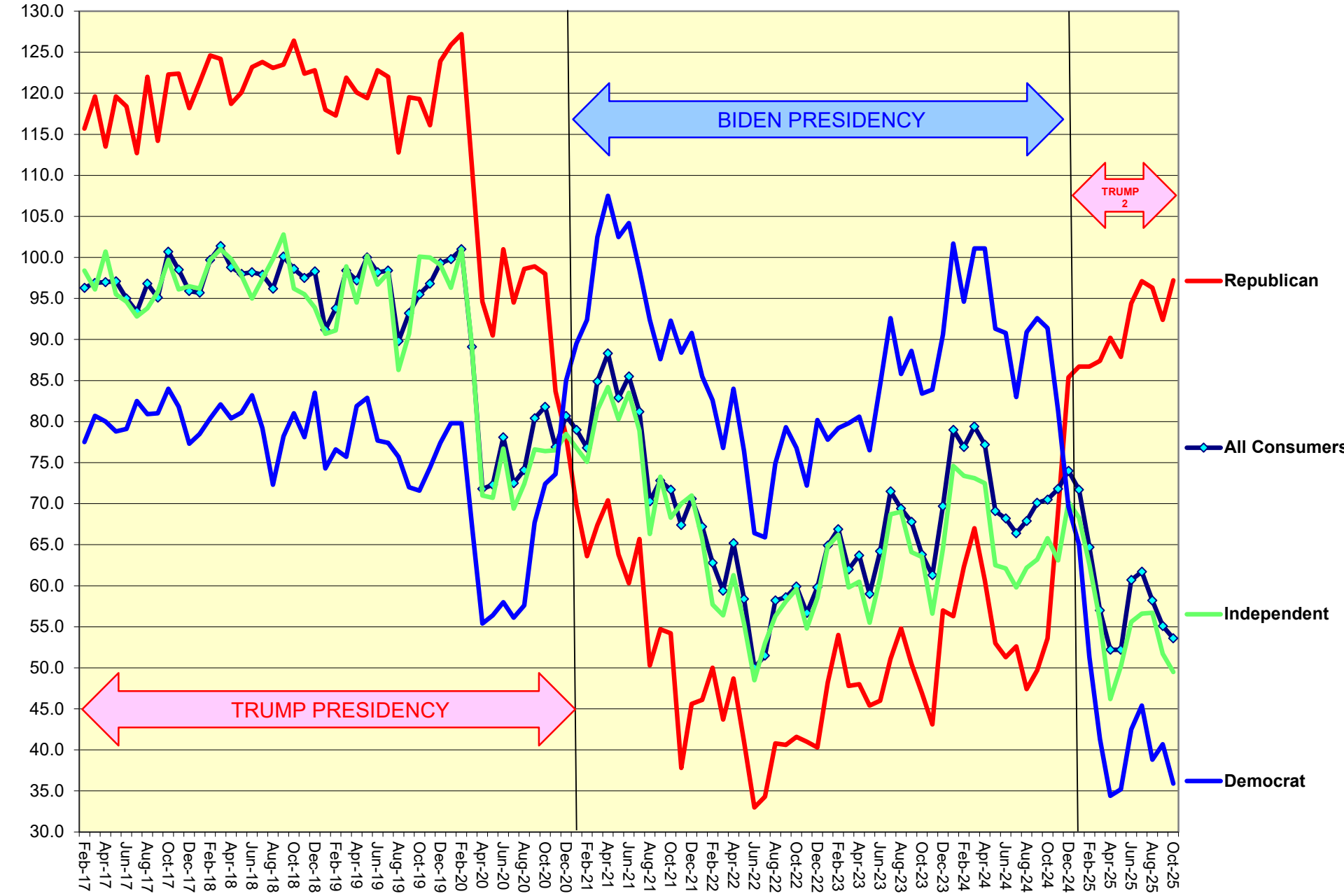
Higher Prices Spawn Extreme Consumer Pessimism, But Spending Hasn't Cratered Yet...

(University of Michigan Survey, Index of Consumer Sentiment)



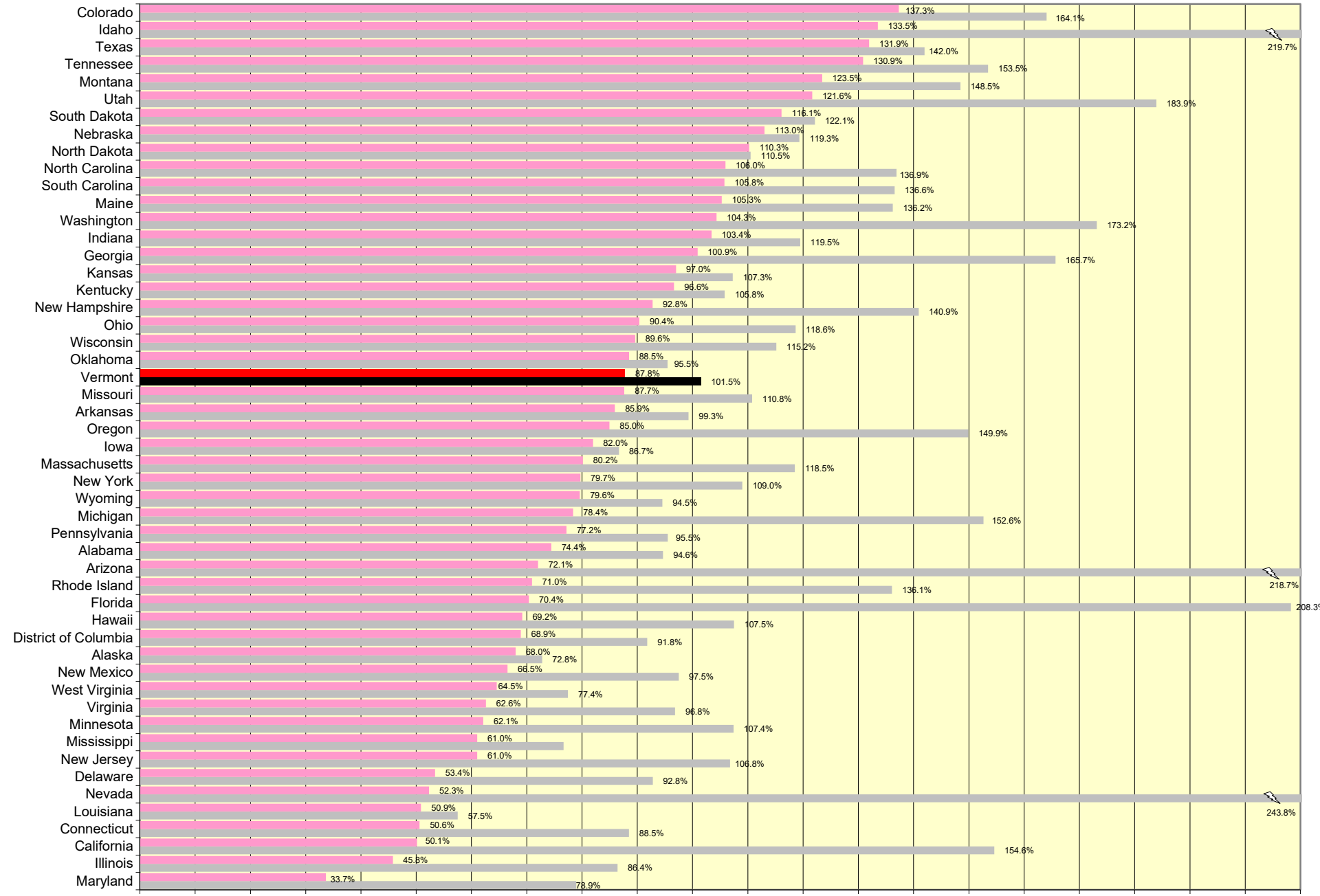
Party Affiliation Drives Consumer Sentiment More Than Economic Fact, But Trump's Second Term is Off to a Rough Start

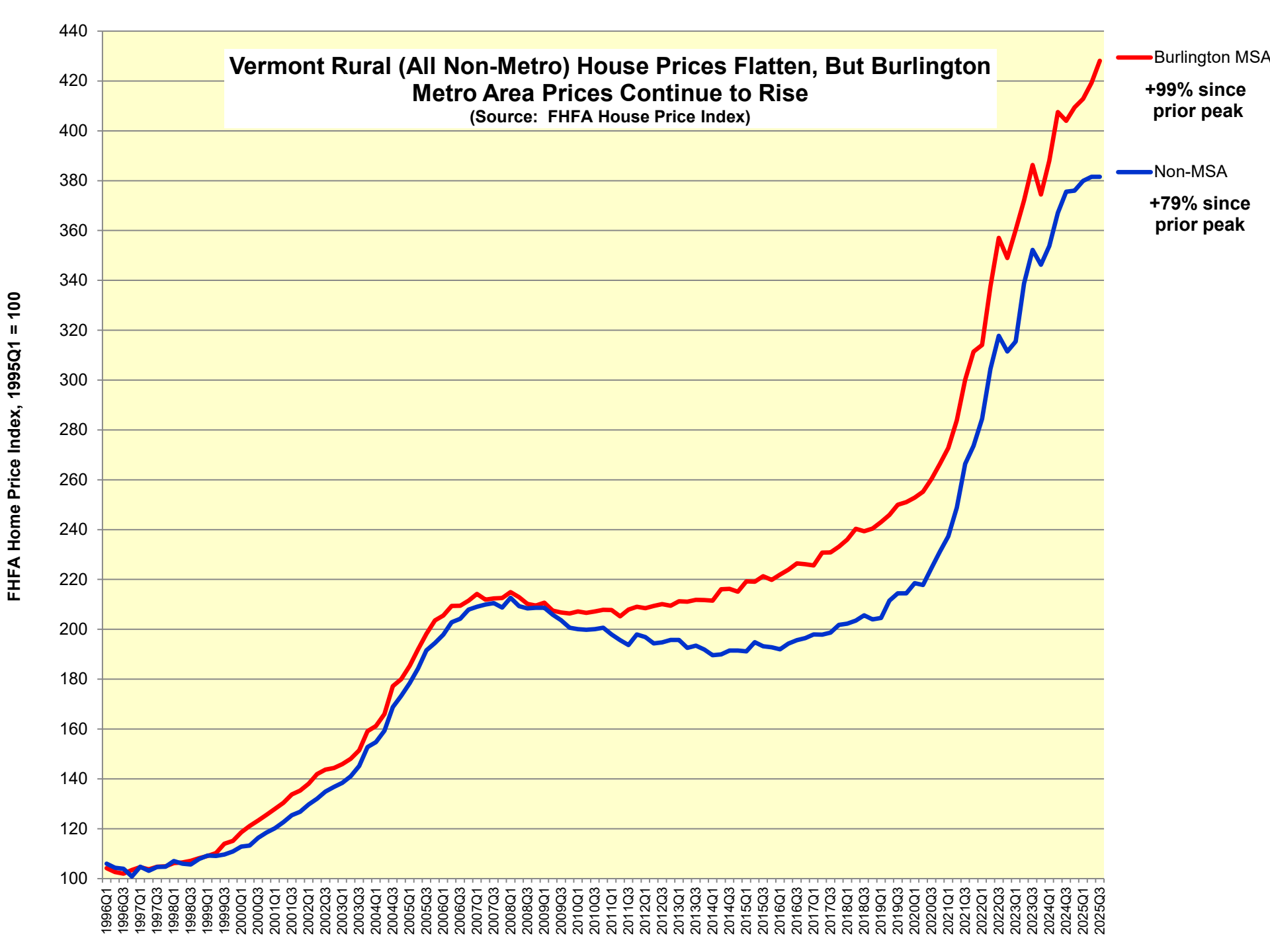
(University of Michigan Consumer Sentiment Survey)



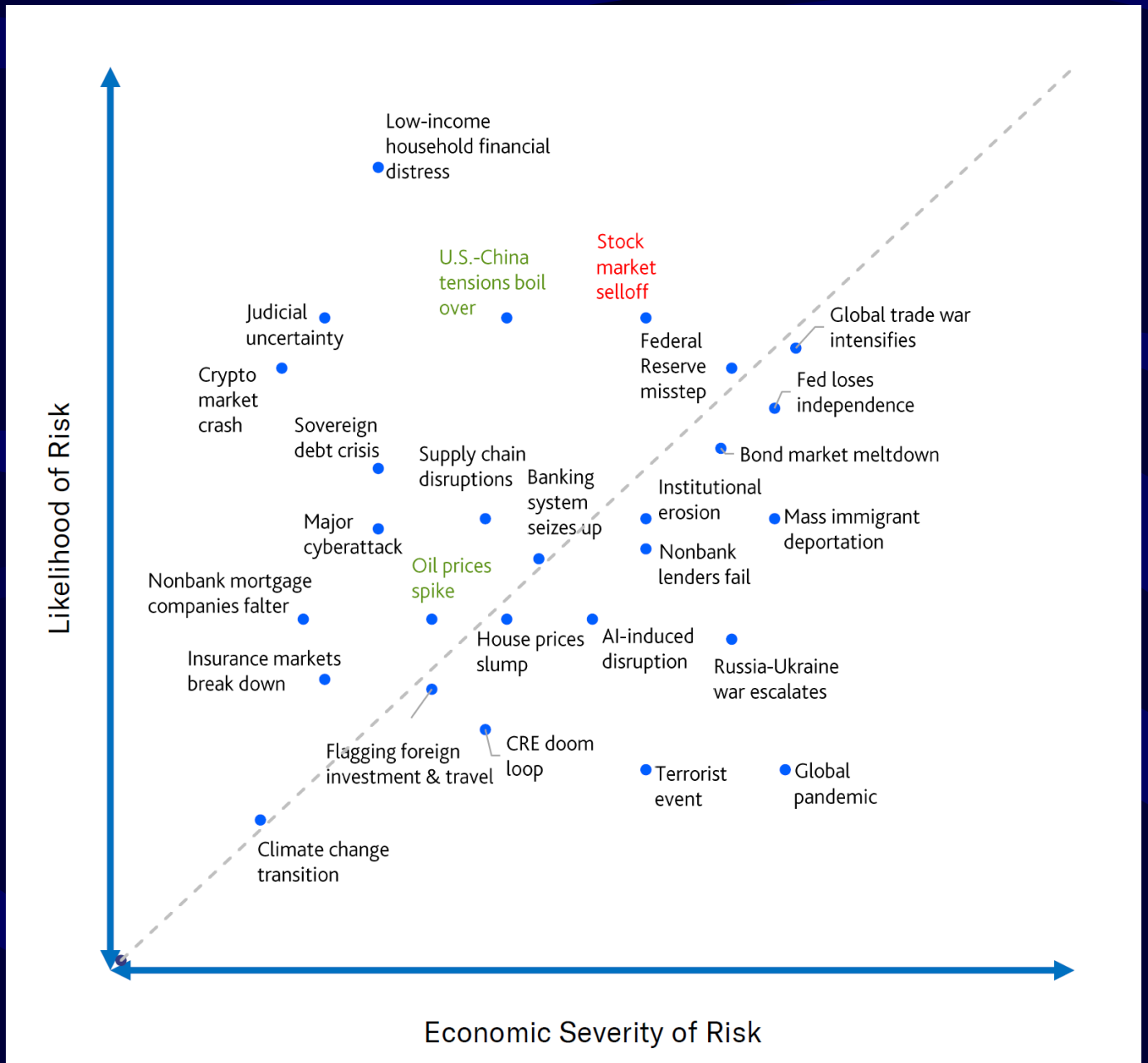
Real Estate Update: Housing Values Relative to Last Peak (pink) and Trough (grey)

Percent Change, 2025Q3 vs. Peak Price by State Between 2005Q3 and 2009Q3 (Pink) and 2025Q3 vs. Trough Price Between 2009Q3 and 2014Q1 (Grey)
Source: FHFA House Price Index




Vermont Rural (All Non-Metro) House Prices Flatten, But Burlington Metro Area Prices Continue to Rise
(Source: FHFA House Price Index)
FHFA Home Price Index, 1995Q1 = 100
Burlington MSA
+99% since prior peak
Non-MSA
+79% since prior peak

Moody's Analytics Risk Matrix – November 2025



For Further Information, Contact The Vermont Joint Fiscal Office or:

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