



The Economic Outlook

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Executive Summary of the Economic Outlook

- ◆ **GDP Growth expected to Moderate to 2.3% in 2019 after strong broad-based growth of 2.9% in 2018.** Consumer and business spending growth slowed in Q1 and is expected to rise gradually as the year progresses, although GDP growth is likely to be low in the near term. The impact of trade policy developments is the largest risk to the forecast.
- ◆ **Consumers expected to Lead Again.** Powered by very strong labor markets, rising incomes, improved balance sheets and generally favorable financial conditions. Median Housing markets expected to improve in 2019 on lower mortgage rates & strong consumer. Lengthy high sales run in vehicles has reduced excess demand for vehicles, slowing expected durable goods demand growth in 2019. Price spikes from tariffs could have significant negative impact on consumer spending if tariffs levied on all imports from China.
- ◆ **Small business investment forecasted to strengthen.** All firms, large and small, benefitting from generally solid domestic economic activity and profits growth. 'The Tax Cuts and Jobs Act of 2017' has increased relative investment returns in the U.S. economy significantly. Somewhat lower overall business confidence and a slowdown in world growth will likely slow overall Business Capital Spending Growth from very strong growth in 2018.
- ◆ **Export growth is expected to be low relative to the last 2 years as the international economy cools overall.** Europe, Japan and China are all experiencing domestic and trade headwinds. The impact of increased tariffs is a near term detriment to U.S. and world growth if full 25% tariffs are placed on all imports from China or other countries. Most central banks will likely ease monetary policy to counter slower economic growth.
- ◆ **Inflation likely to be tempered by the slowdown in the world economy, soft commodity markets and generally plentiful inventories.** However, rising tariffs and periodically tight energy supplies could create price spikes. Labor cost pressures expected to continue as firms will likely be confronted with higher costs depending on industry.

Interest Rates Generally Expected to be Relatively Stable in 2019, but Trade and World Economy Pose Downside Risks

10-Year Treasury Yield, Fed Funds Rate Target and 30-Year Fixed Mortgage



— 10-year Treasury constant maturity yield
— 30-year Fixed Mortgage Rate (Source: Wall Street Journal)
— Fed Funds Rate Target

Most Recent Data: May 27, 2019

The U.S. Economy – Positives, Risks and Uncertainties

Positives:

1. Moderate GDP growth and low Inflation is expected
2. Strong labor market; Rising wages and disposable incomes. High Consumer Confidence
3. Strong consumer finances overall although some weak segments
4. Potential Business investment spending potential, but confidence will be key:
 1. Solid aggregate profits and cash flows.
 2. Increased international competitiveness. High capital repatriation. New incentives created by tax reform.
 3. Accelerating Business Start-ups
 4. Long-term benefits to productivity and real wages likely
5. Recovered housing markets
6. Energy Sector Growth

Risks:

1. Slow growth in international economy
2. Adjustments to normalizing monetary policy and rising interest rates
3. Affordability becoming challenge for some in housing
4. High corporate debt/ Leveraged loans
5. Geo-political risks
6. Brexit, Euro-zone fiscal issues and political unity
7. Gov't Budget and debt ceiling. High long-term government debt/GDP ratio (U.S. and world)

Swing:

1. Final impact on U.S. Terms of Trade of current international trade negotiations and disputes
2. U.S. Labor Competitiveness
3. Capital Spending Strength

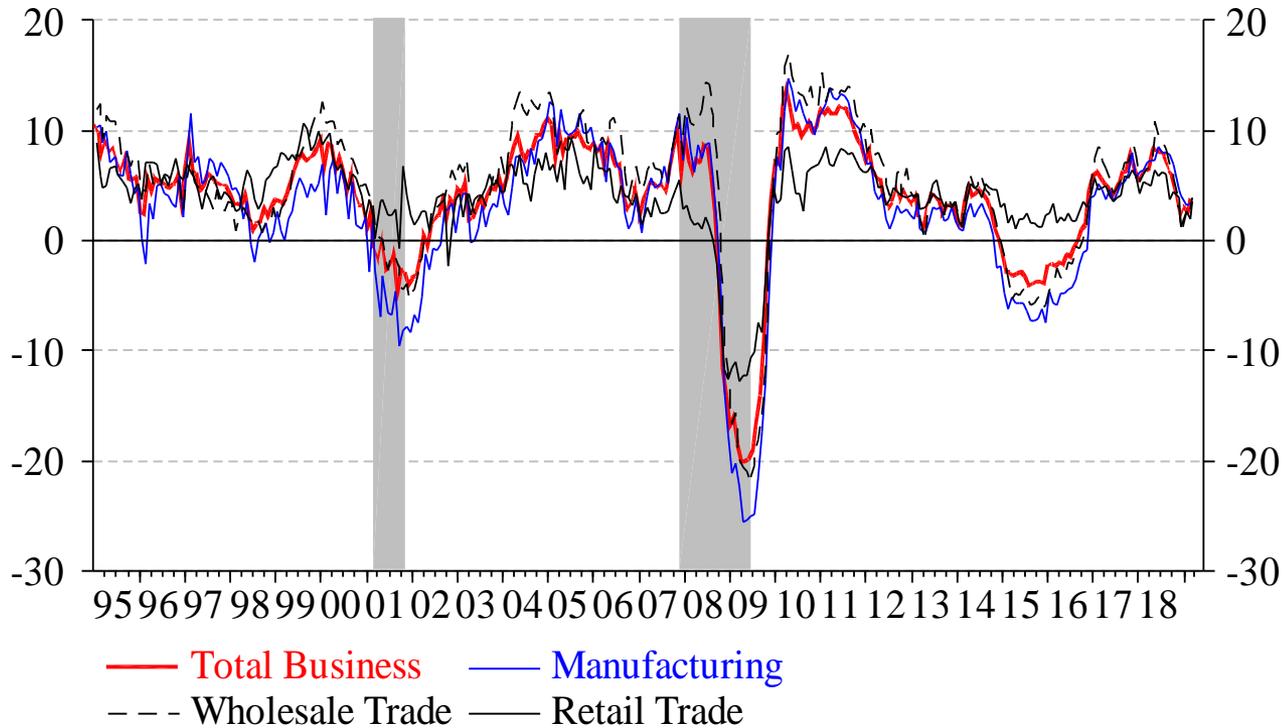
Economic Growth Slower, but generally above average for growth since recession



Historical Data Source: Institute for Supply Management, Haver Analytics, Inc. Recessions shown in Grey

Broad-based Business Sales Slowdown Signals Slower Economic Growth

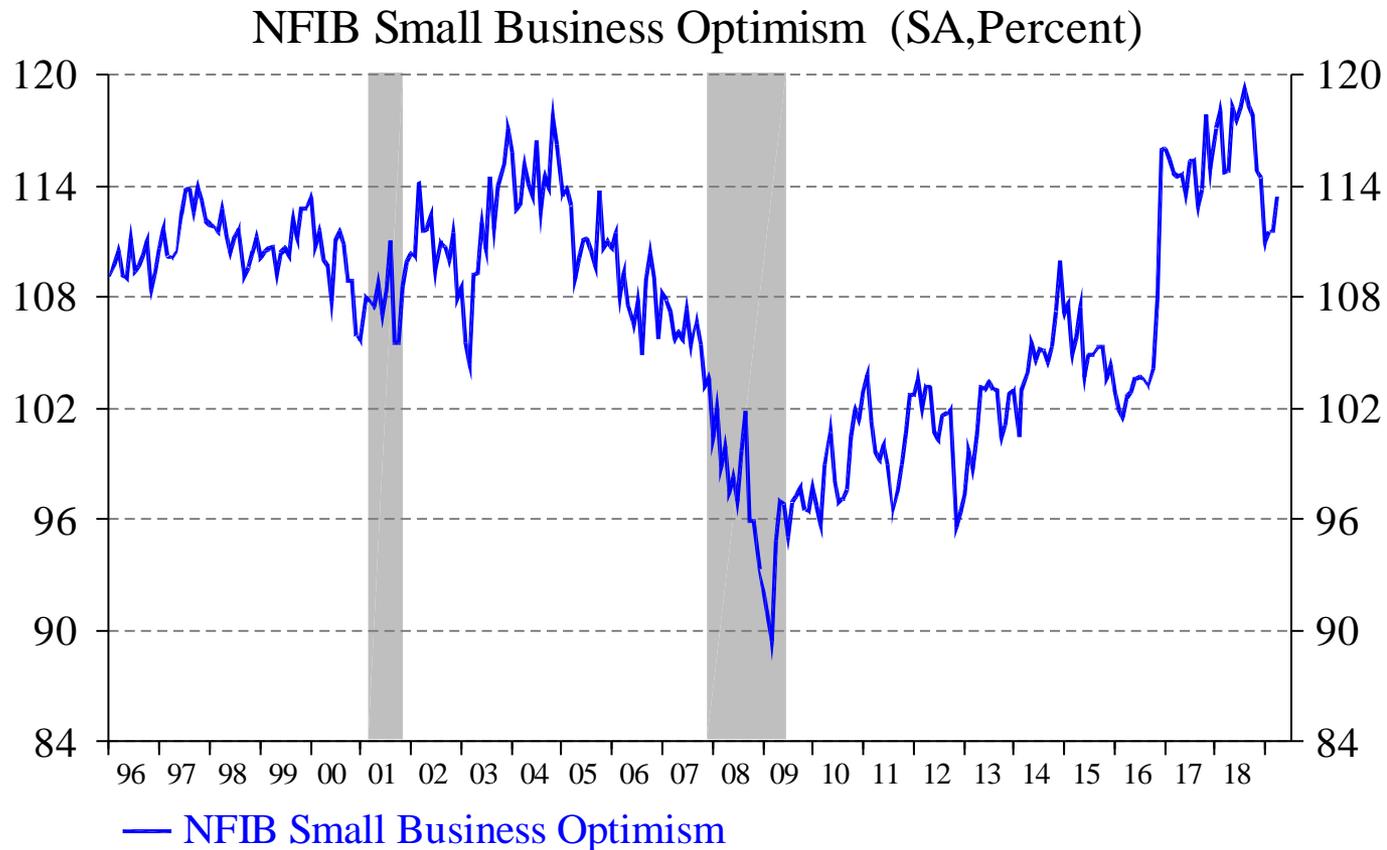
Business Sales -- Seasonally Adjusted
12-Month Percent Change



Most Recent Data: March 2019

Historical Data Source: Institute for Supply Management, Haver Analytics, Inc. Recessions shown in Grey

NFIB Small Business Optimism at High Levels

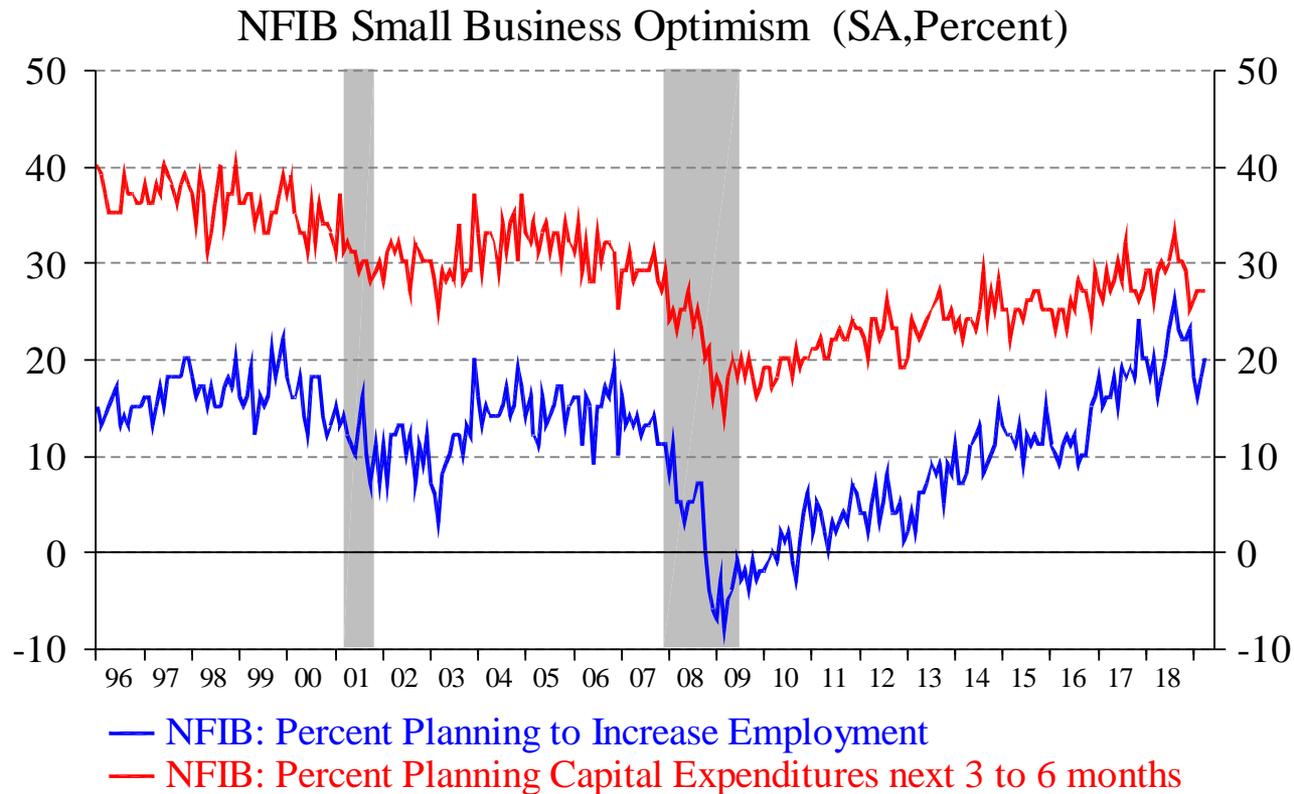


Latest month plotted: April 2019

Recessions Shown in Grey

Historical Data Source: Haver Analytics, Inc.

Small Businesses Raising Capital Expenditures and Especially Employment



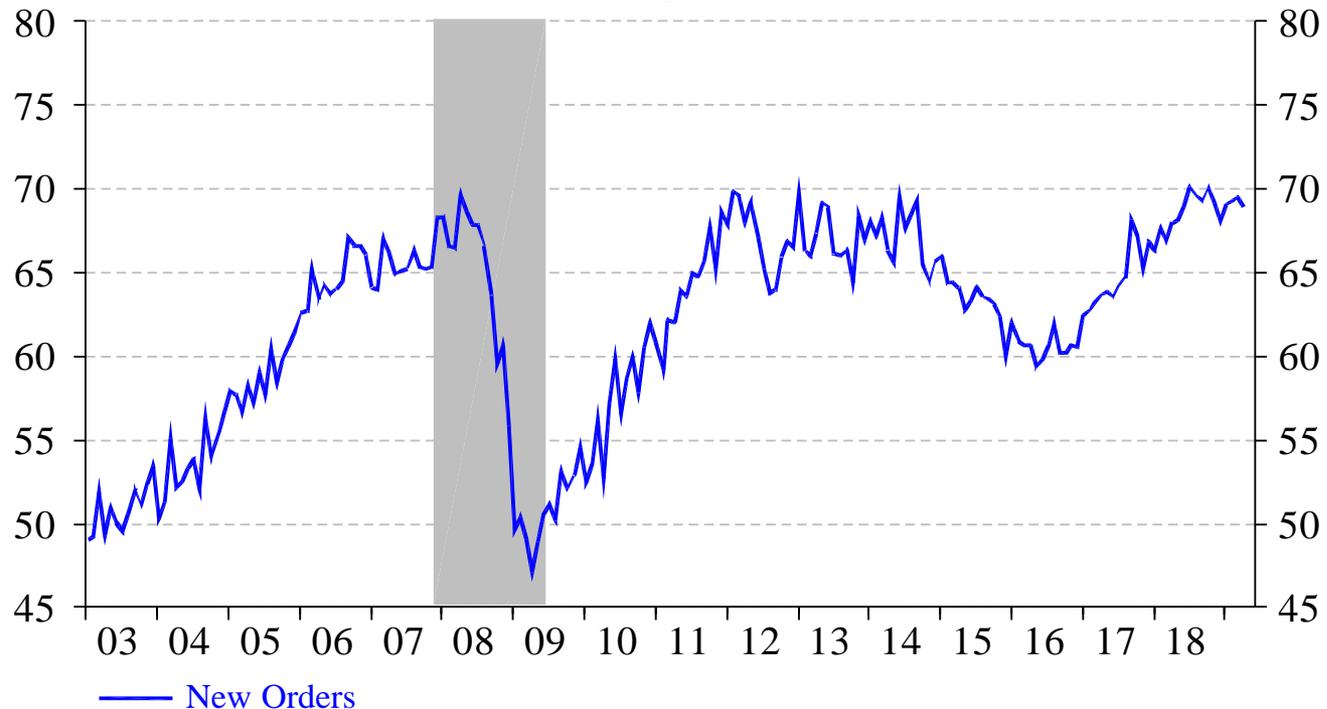
Latest month plotted: April 2019

Recessions Shown in Grey

Historical Data Source: Haver Analytics, Inc.

Total Spending on Capital Goods Rising, but levels still low relative to size of economy

Non-Defense Capital Goods Excluding Aircraft
12-Month Change (SA Billions\$)

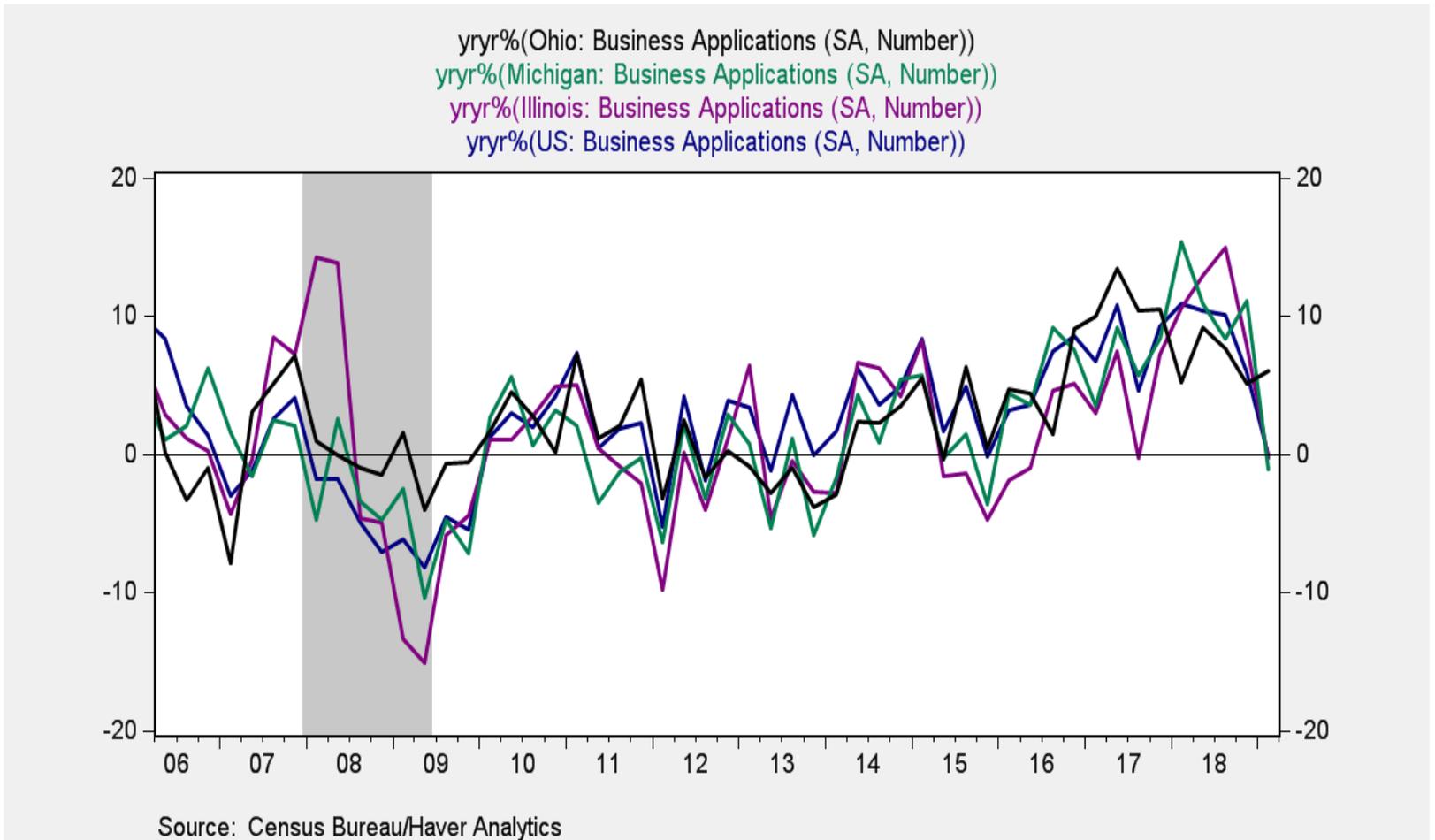


Latest month plotted: April 2019

Recessions Shown in Grey

Historical Data Source: Haver Analytics, Inc.

Business Starts Up in the U.S. and in the Region (MI,OH,IL)

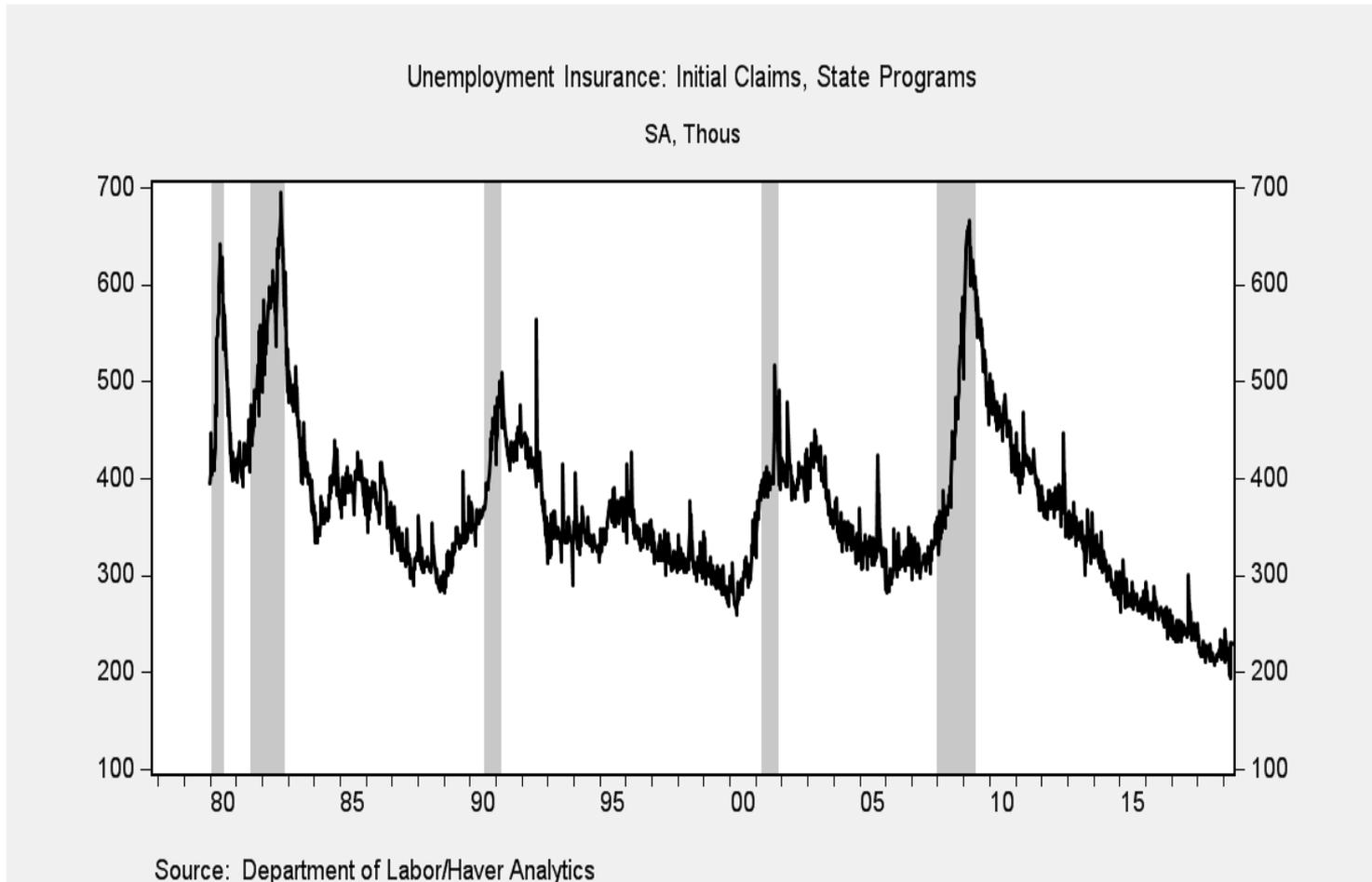


Recessions shown in Grey

Historical Data Source: Haver Analytics, Inc.

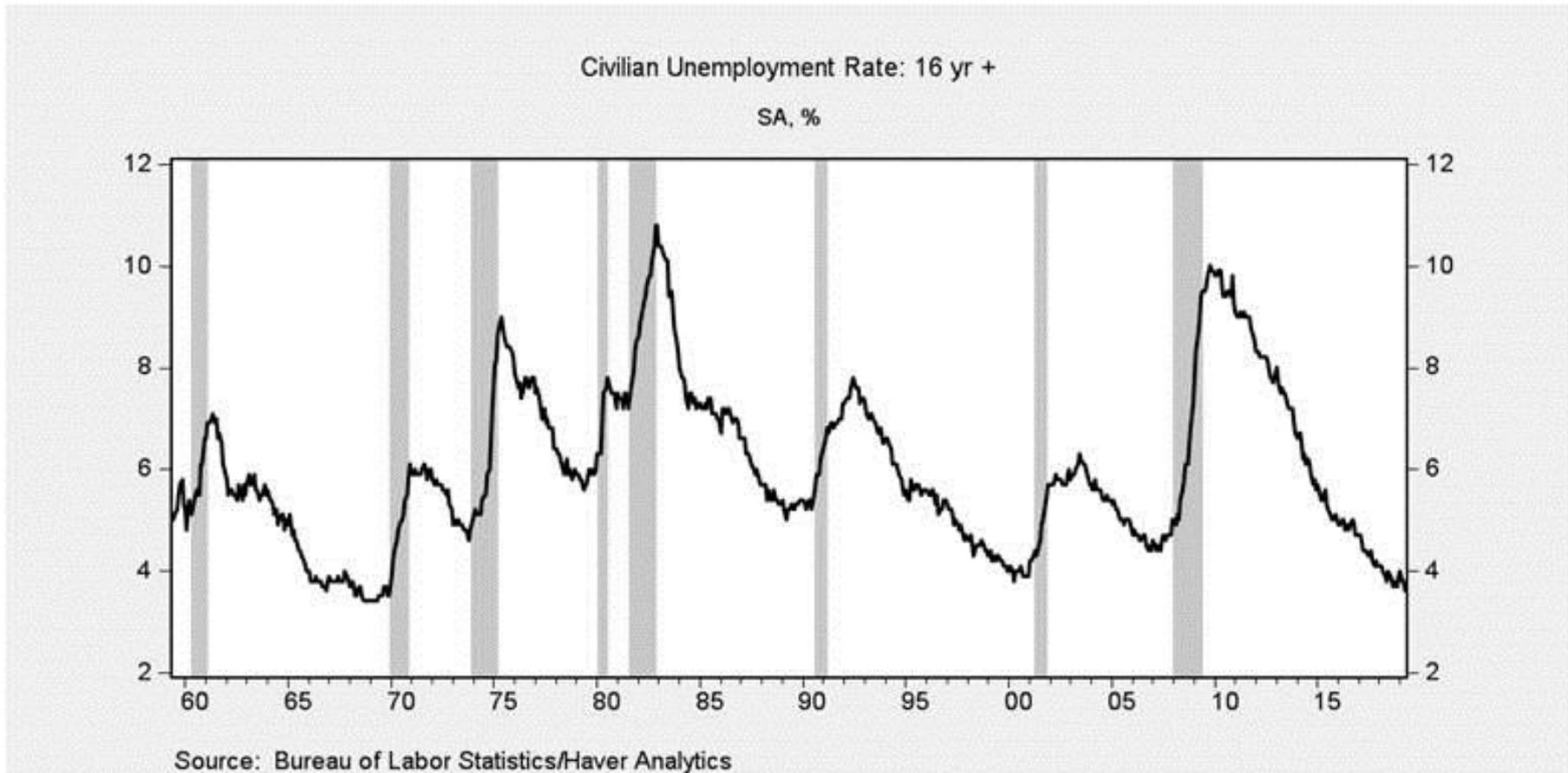
Historically Low Unemployment Claims

Downward Trend Points to Continued Expansion, but Bottom may have been reached



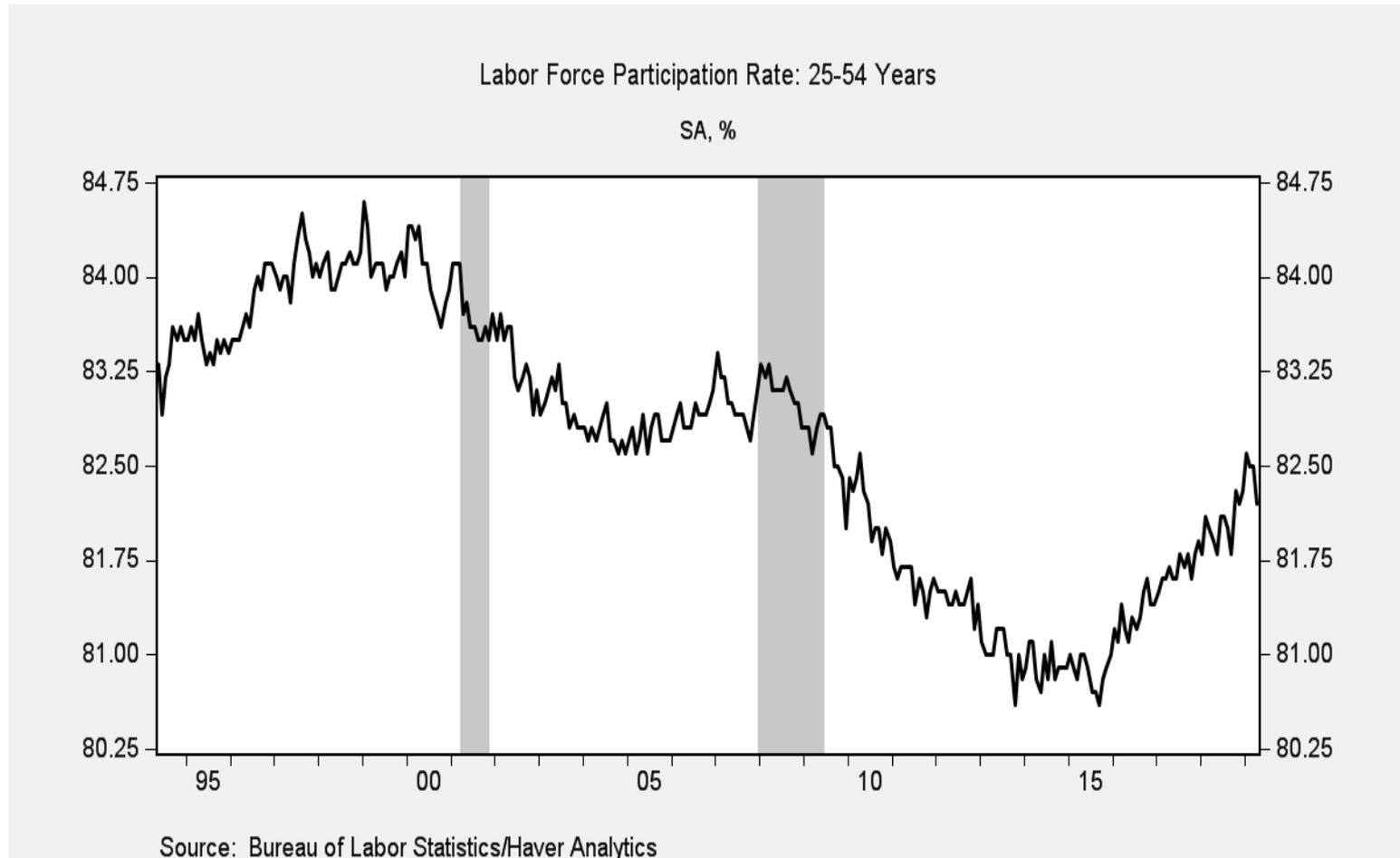
Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey

Unemployment Rate at lowest since the late 1960s



Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey

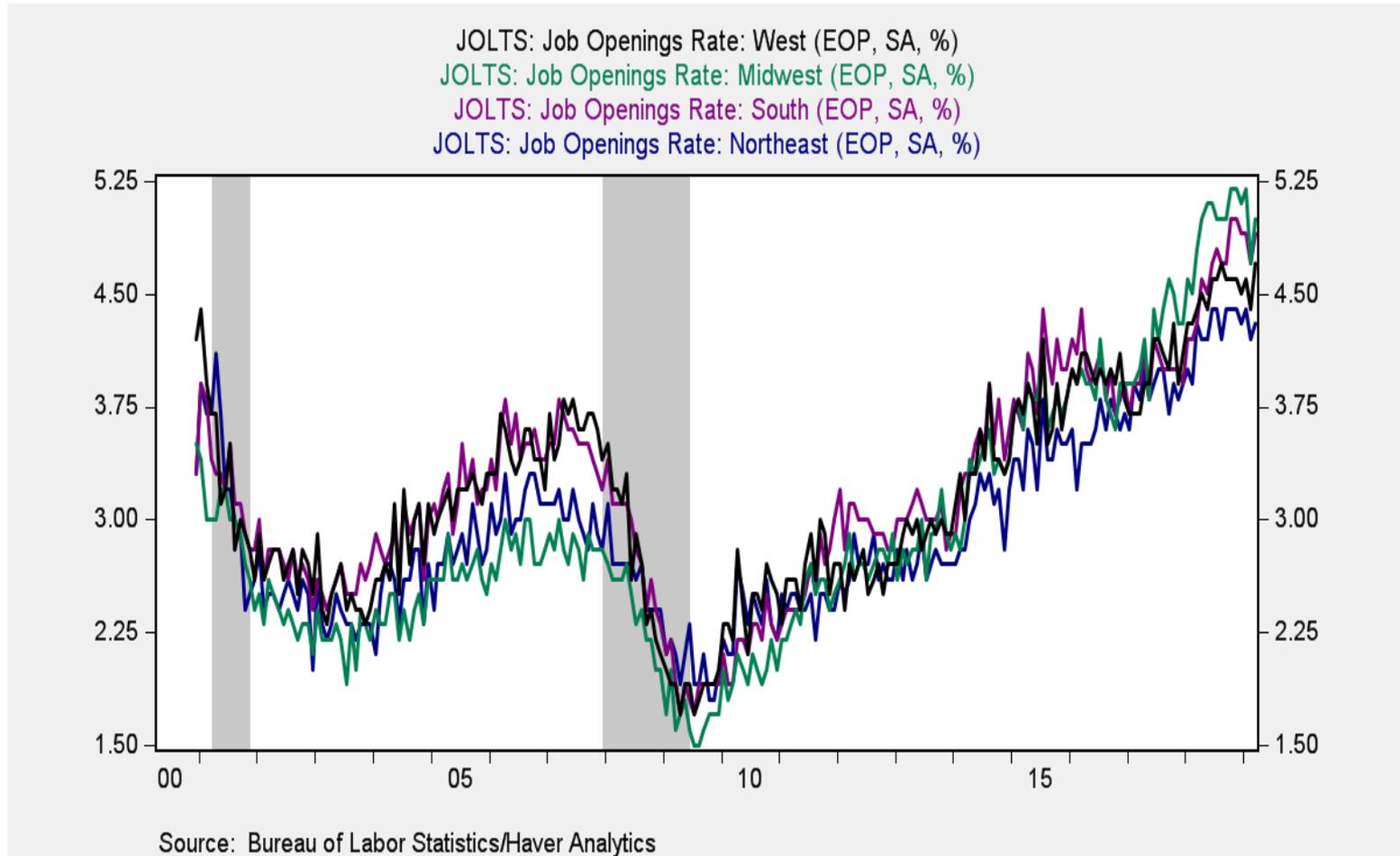
Workforce Participation Trend Upwards in Non-retirement Ages. Potential for New Workers May be Large



Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey

Midwest Leads Nation in Job Openings Rate

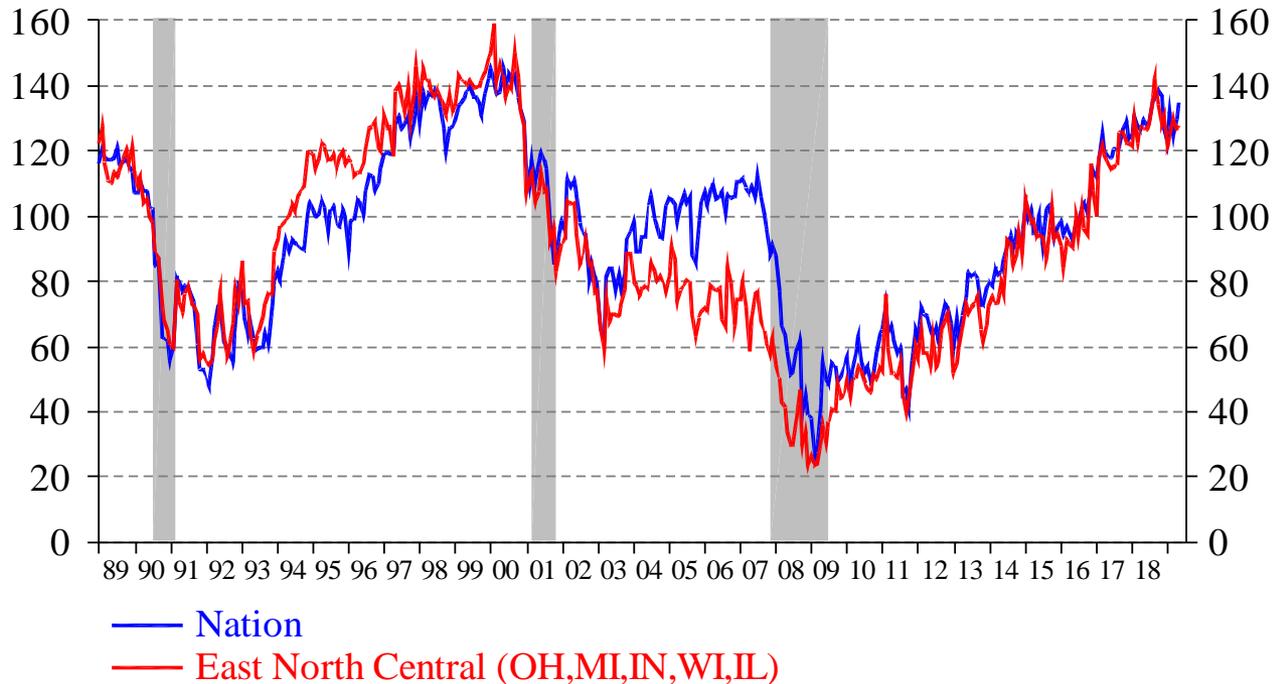
From Worst in the Nation in Last Cycle to First in Nation in Current Cycle



Source: Haver Analytics,
Recessions shown in gray

Consumer Confidence Up to 2000 Levels East North Central no longer consistently lagging

Conference Board Consumer Confidence
Index 1985=100

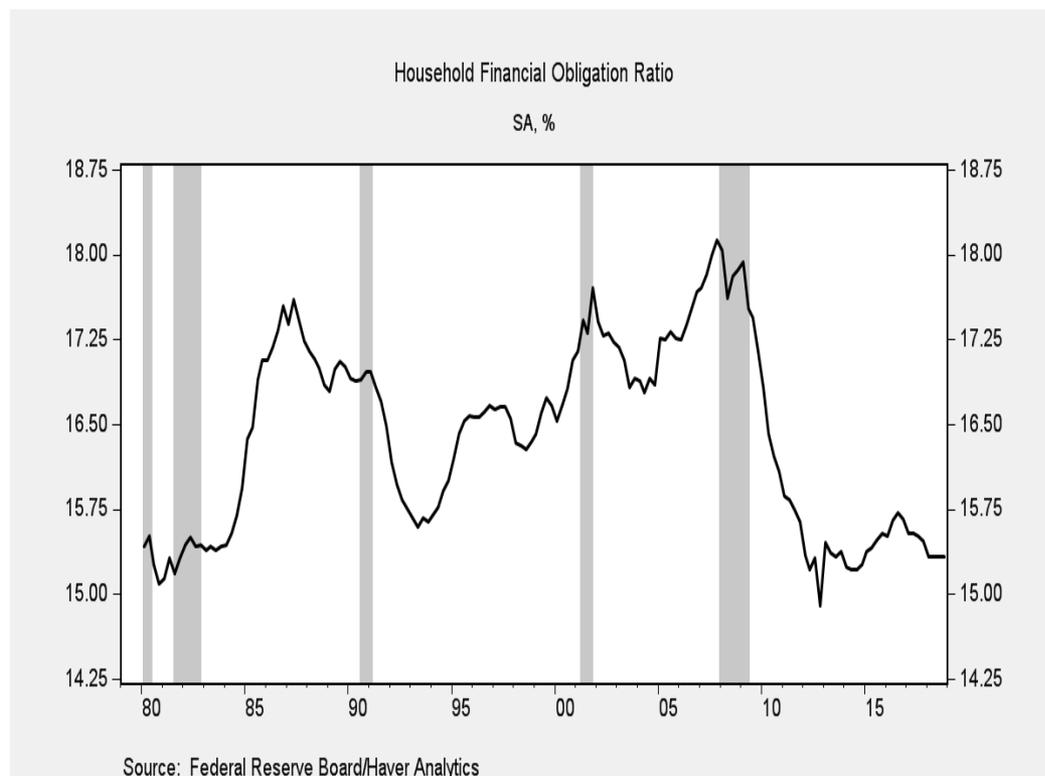


Latest month plotted: May 2019

Source: Haver Analytics, Conference Board
Recessions shown in grey

Household Financial Obligations Ratio has stayed at historically low levels

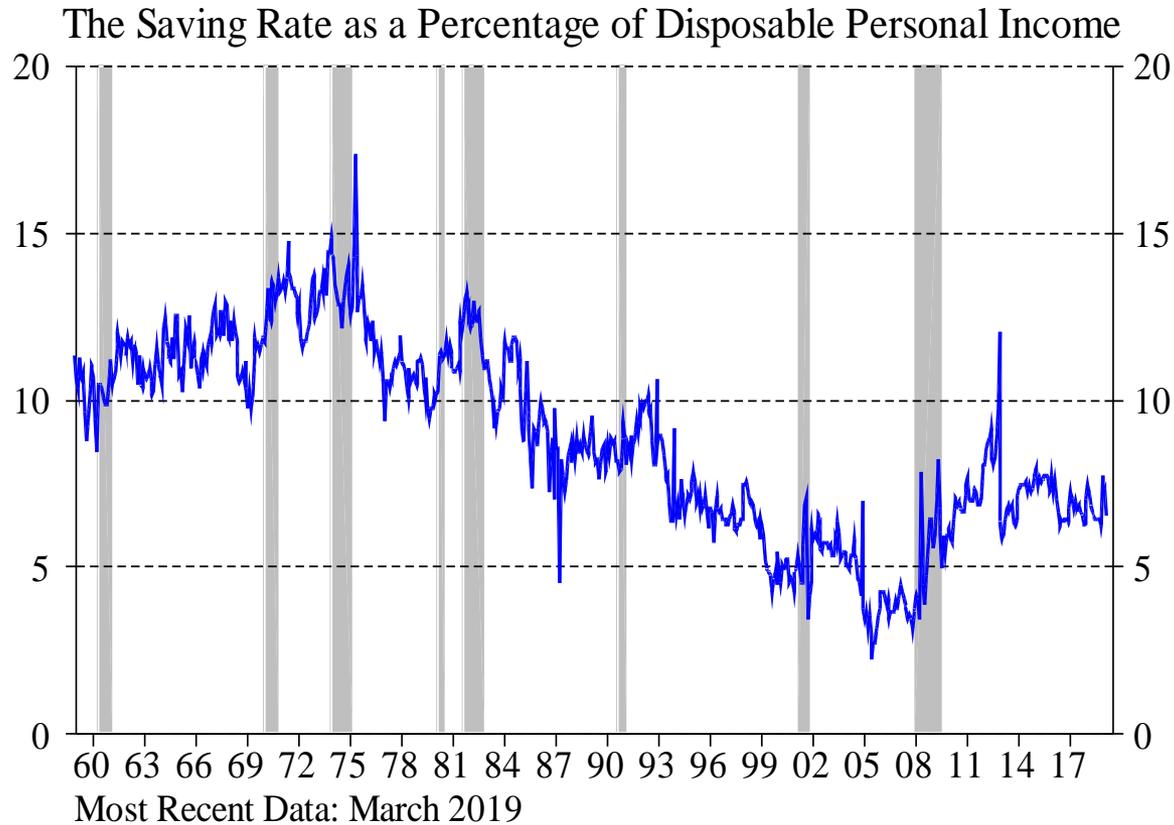
Financial obligations have fallen on historically low interest rates and debt reductions from historically high levels.



**Financial Obligations Ratio (FOR) is an estimate of the ratio of financial obligations payments to disposable personal income. It's a broader measure than the debt service ratio and includes automobile lease payments, rental payments on tenant-occupied property, homeowners' insurance and property tax payments.*

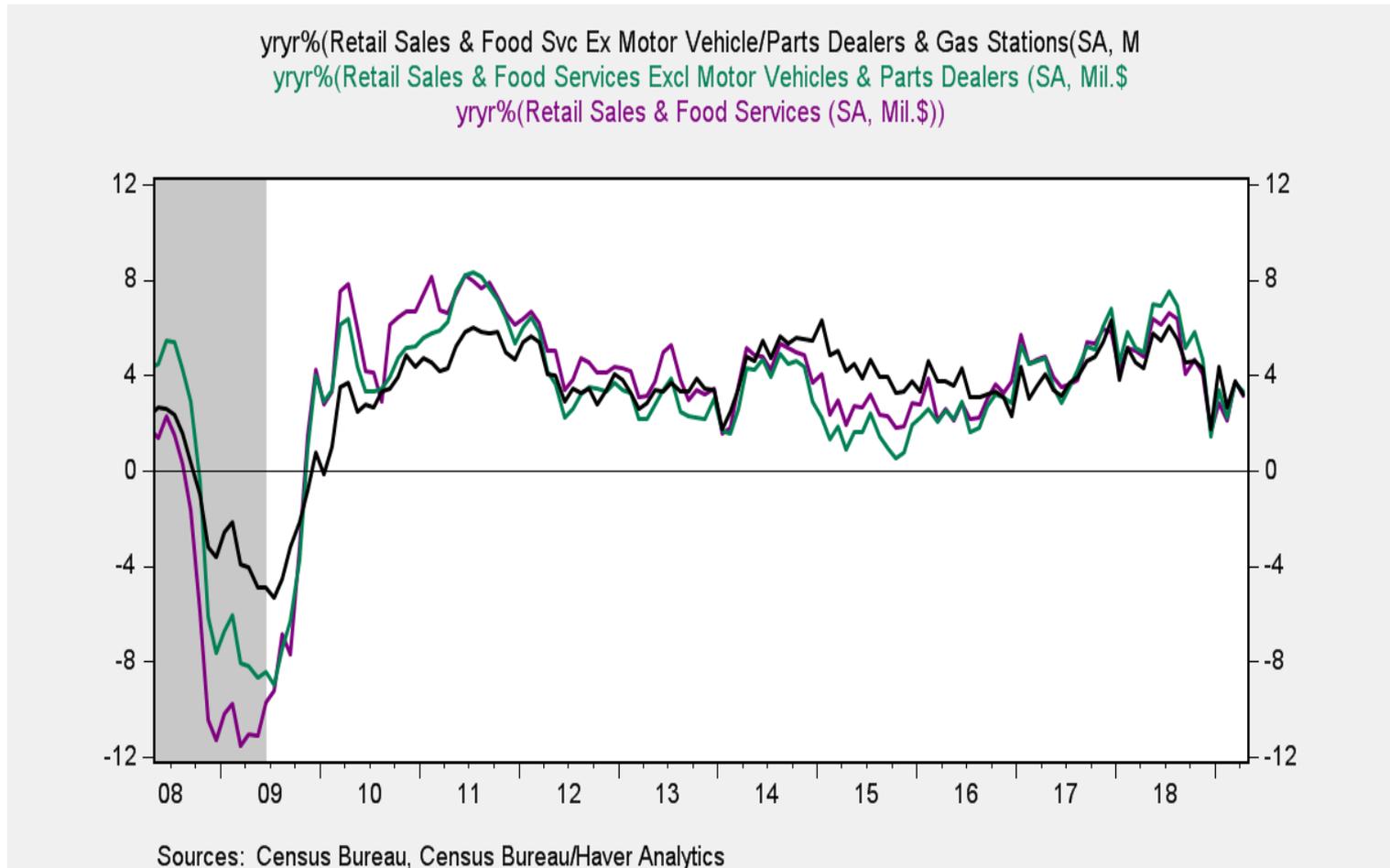
Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey.

Consumers Saving Somewhat More Out of Incomes



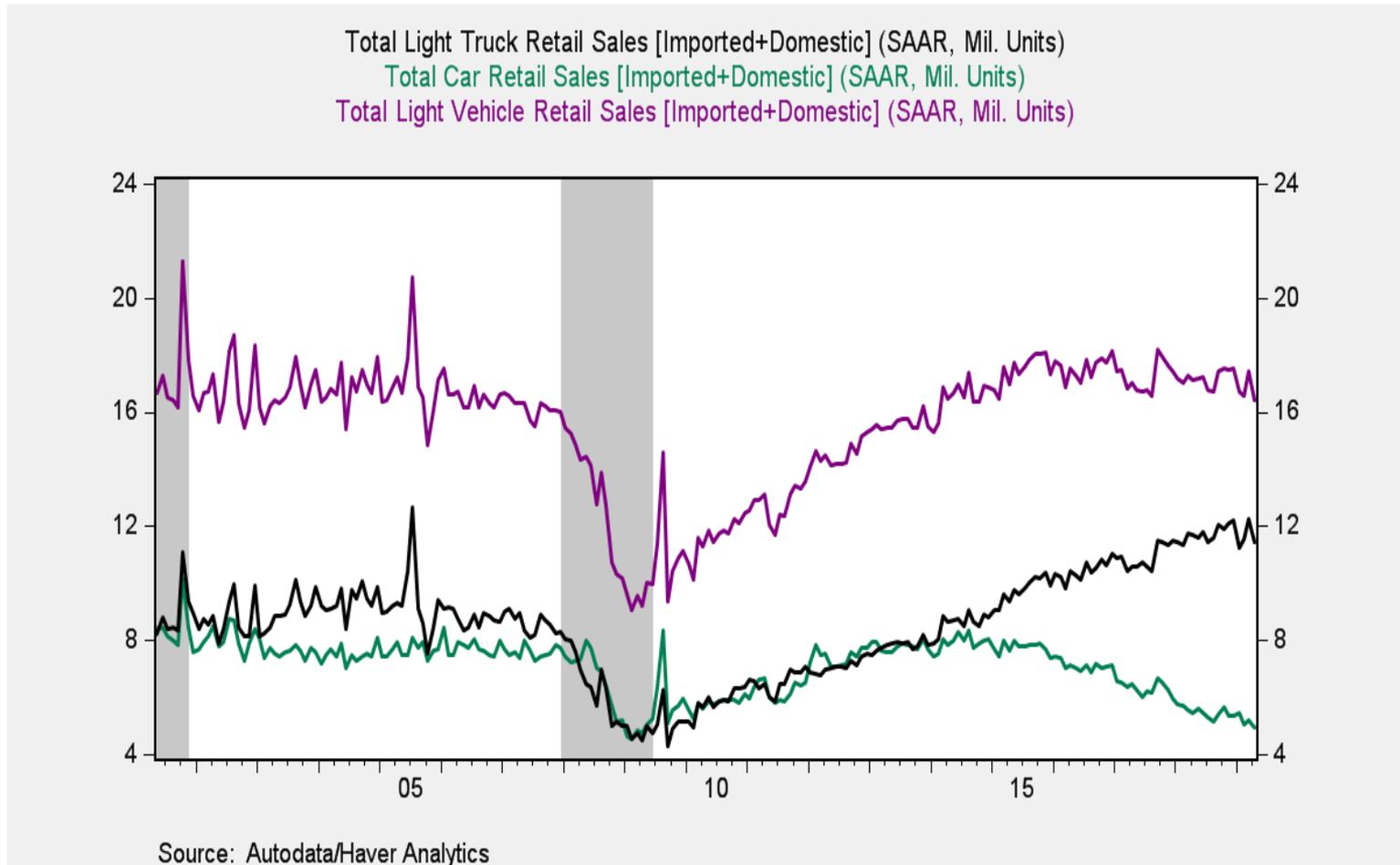
Historical Data Source: Federal Reserve, Haver Analytics, Inc., Recessions shown in gray

Annual Retail Sales Growth Slows



Historical Data Source: Federal Reserve, Haver Analytics, Inc., Recessions shown in gray

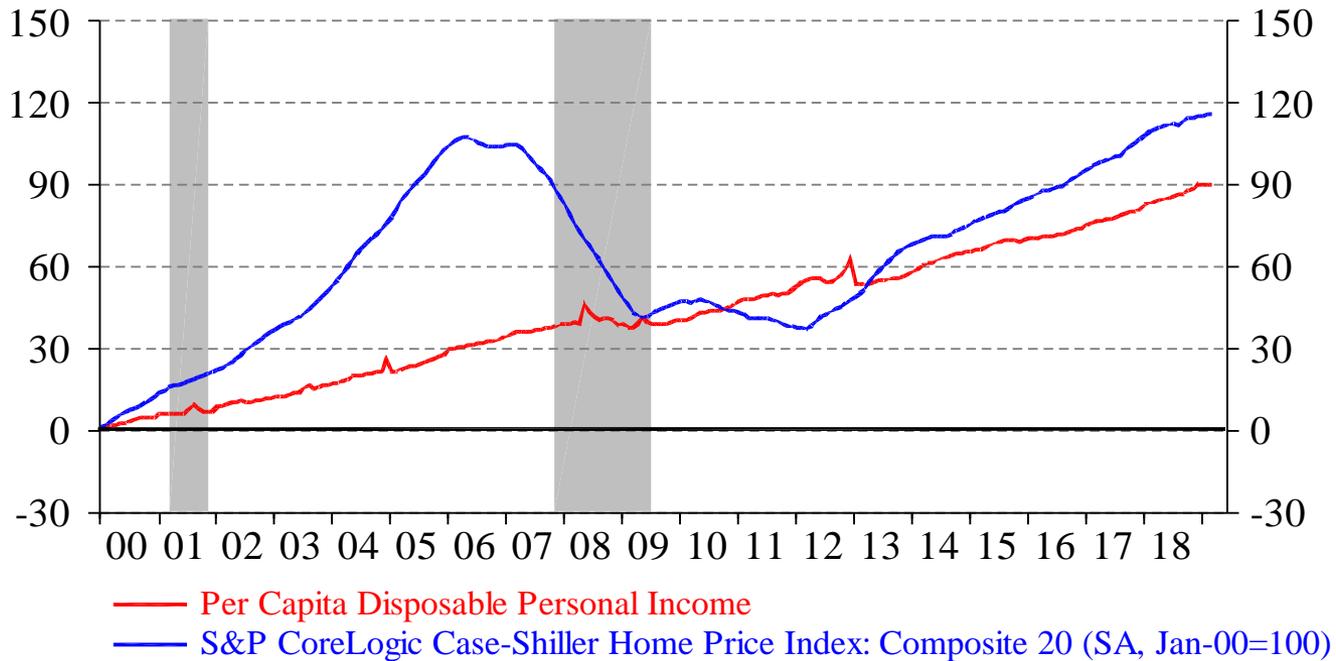
Total Vehicles gradually slowing; Shift from cars to large vehicles has created challenges for automakers



Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey

Housing Slowing as Affordability becomes a challenge for some again, but hurdle smaller this time

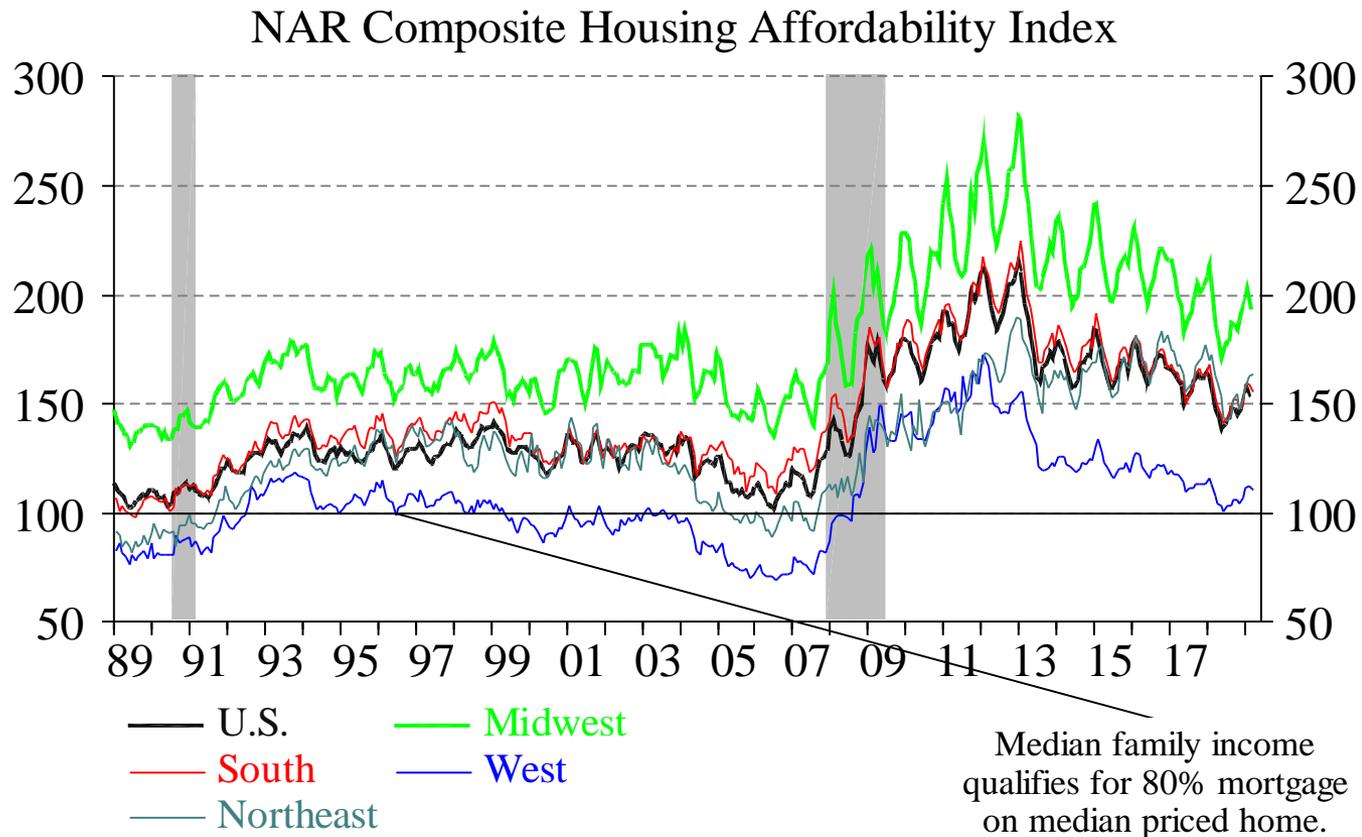
Housing Prices Compared with Per Capita Disposable Personal Income
Percent Change Since January 2000



Latest month plotted: March 2019

Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey

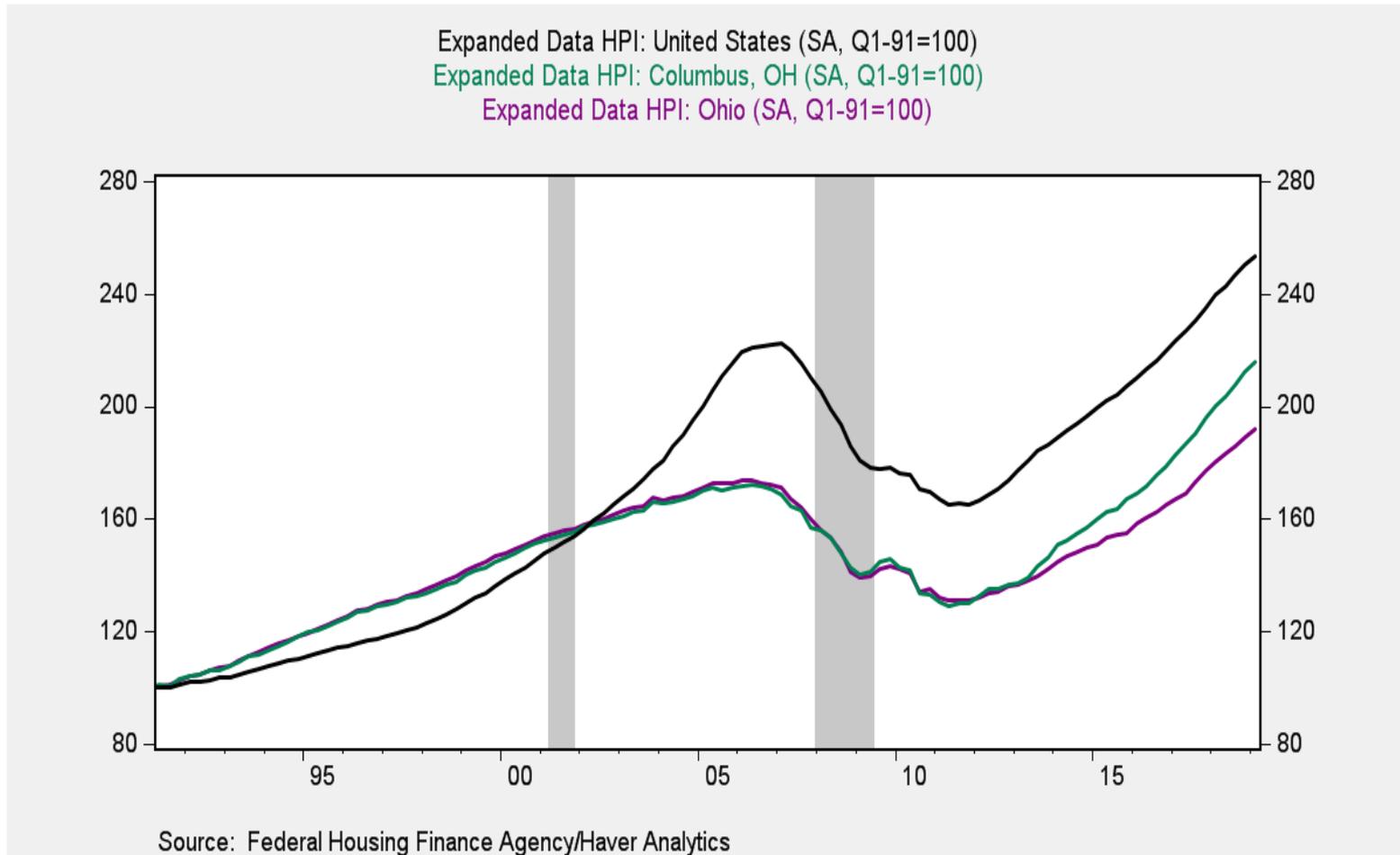
Affordability Highest in the Midwest; Still Above Average in Much of U.S.



Most Recent Data: March 2019

Columbus MSA Home Prices have Risen Strongly

Retained Cost Advantage over Nation



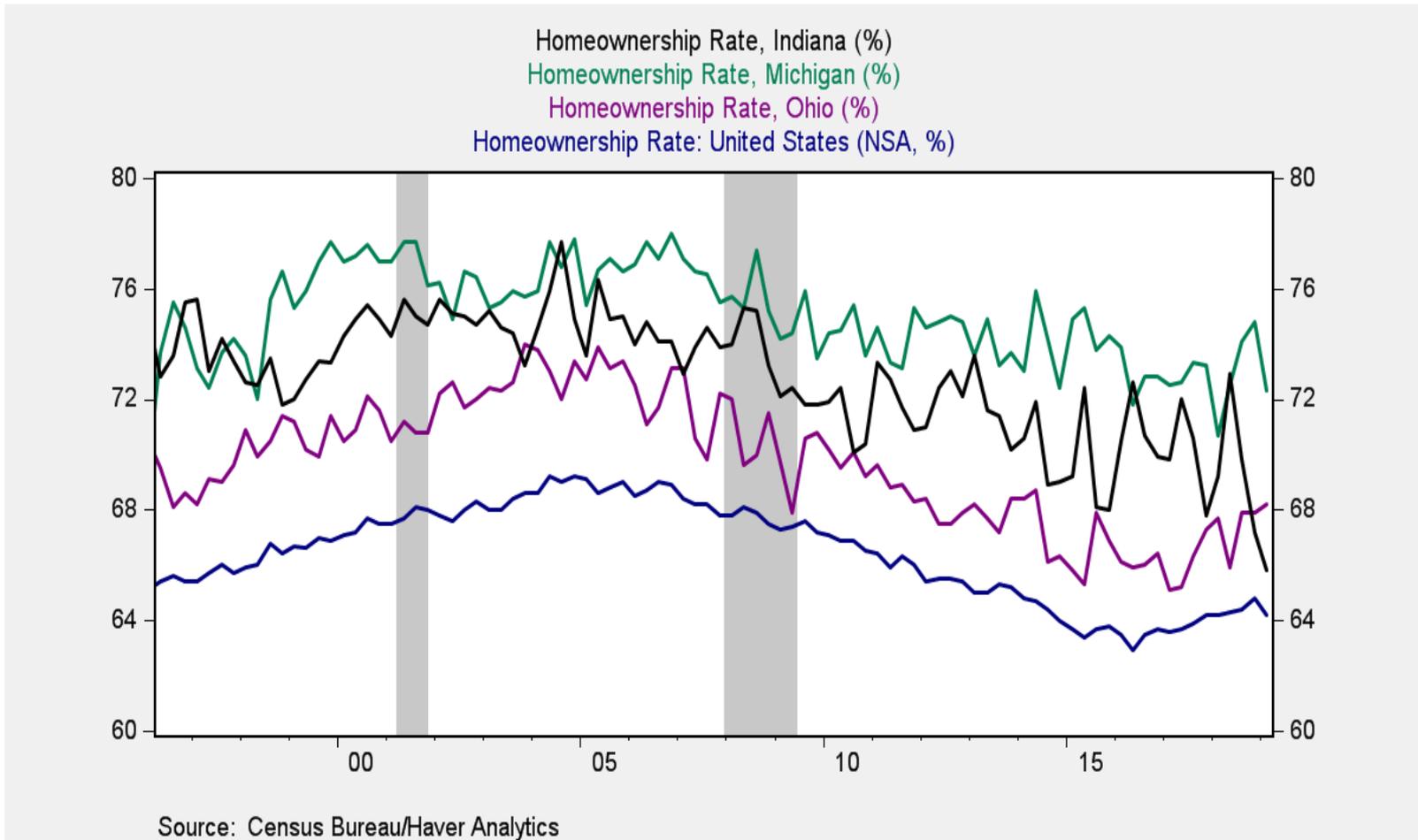
Historical Data Source: Haver, Inc., National Association of Realtors

Recessions shown in Grey



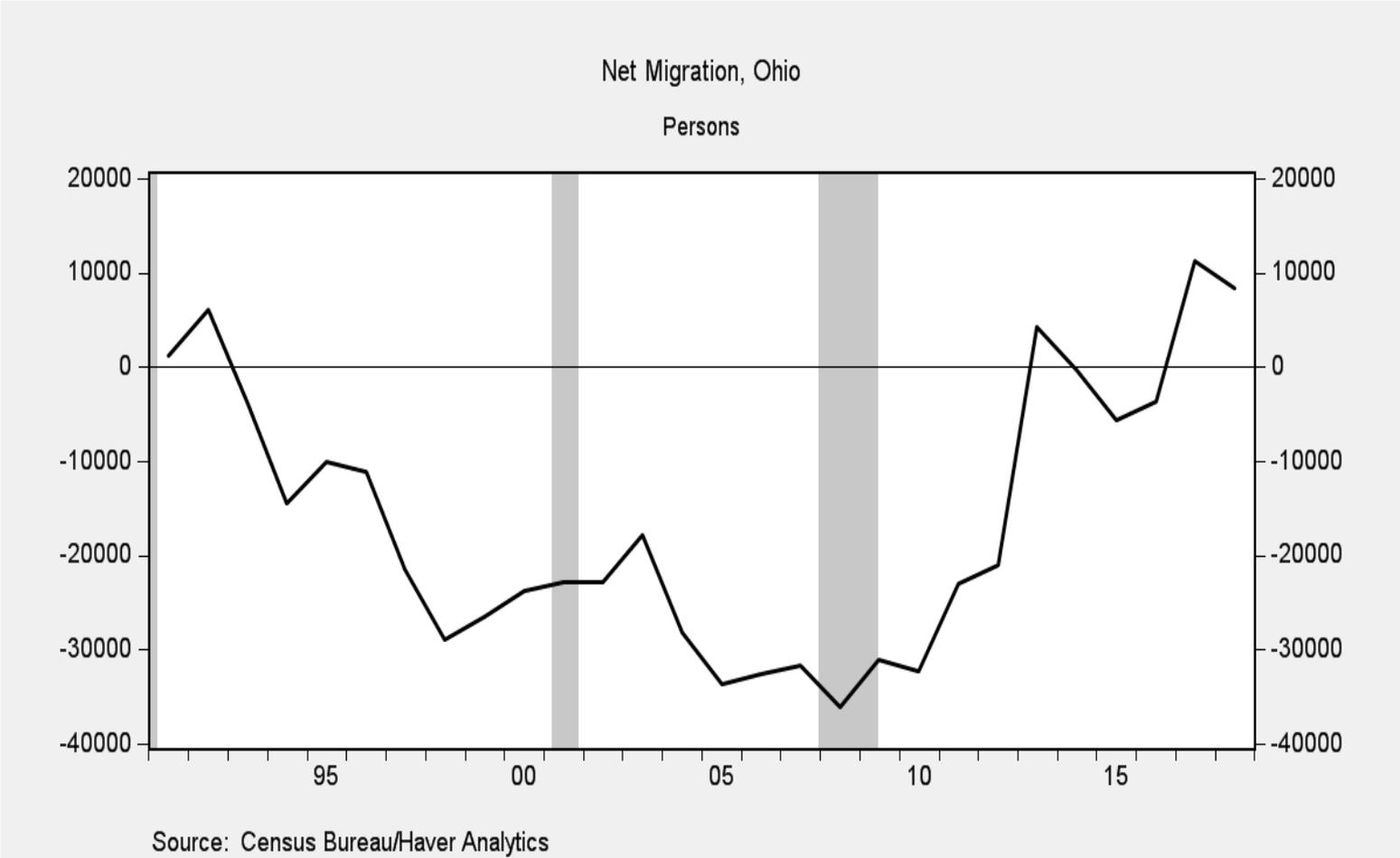
Home Ownership High in the Region

Affordability Becoming an Asset in the Midwest



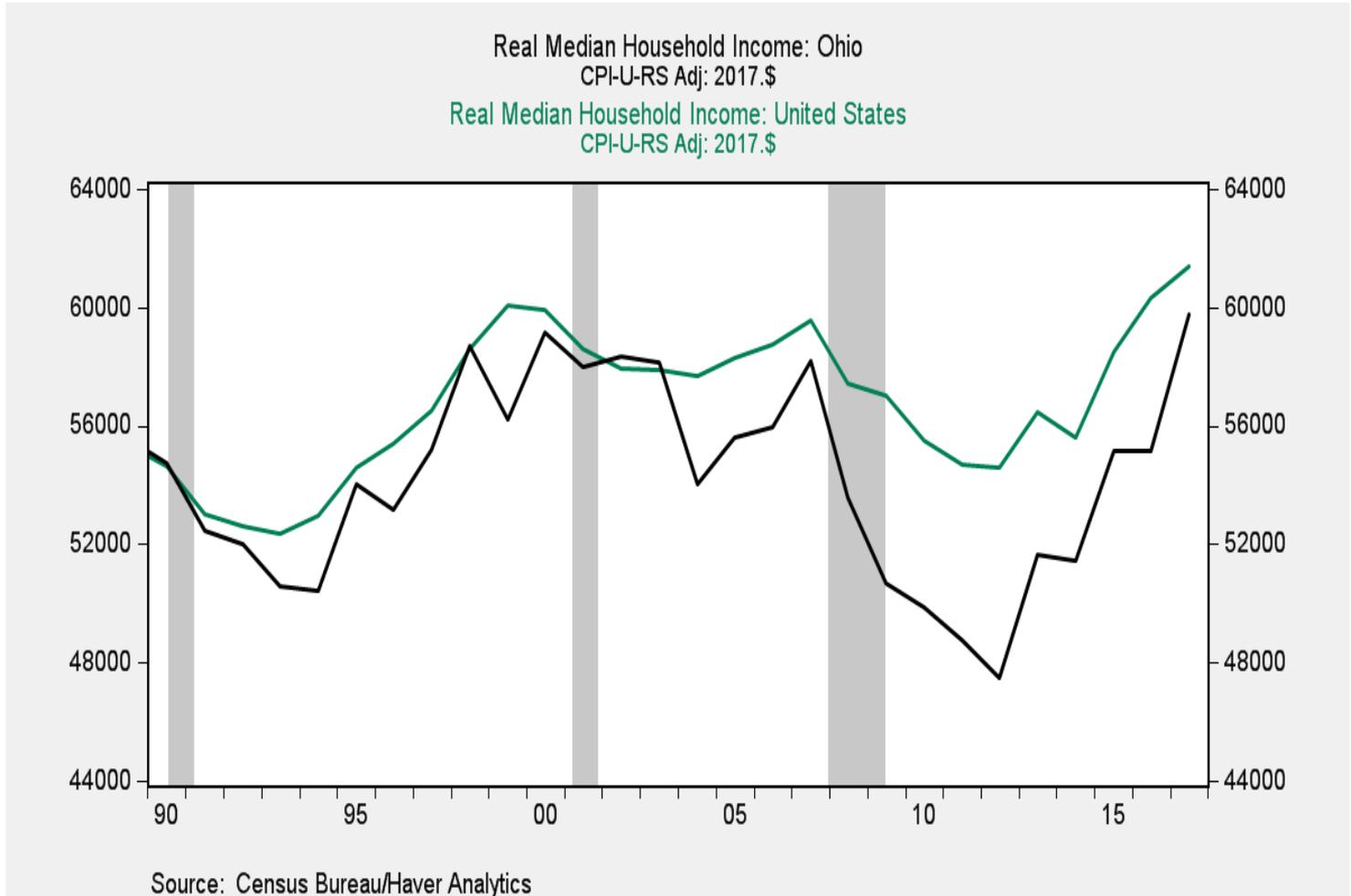
Historical Data Source: Haver, Inc., Recessions shown in Grey

Net Migration into Ohio Strongest in Decades



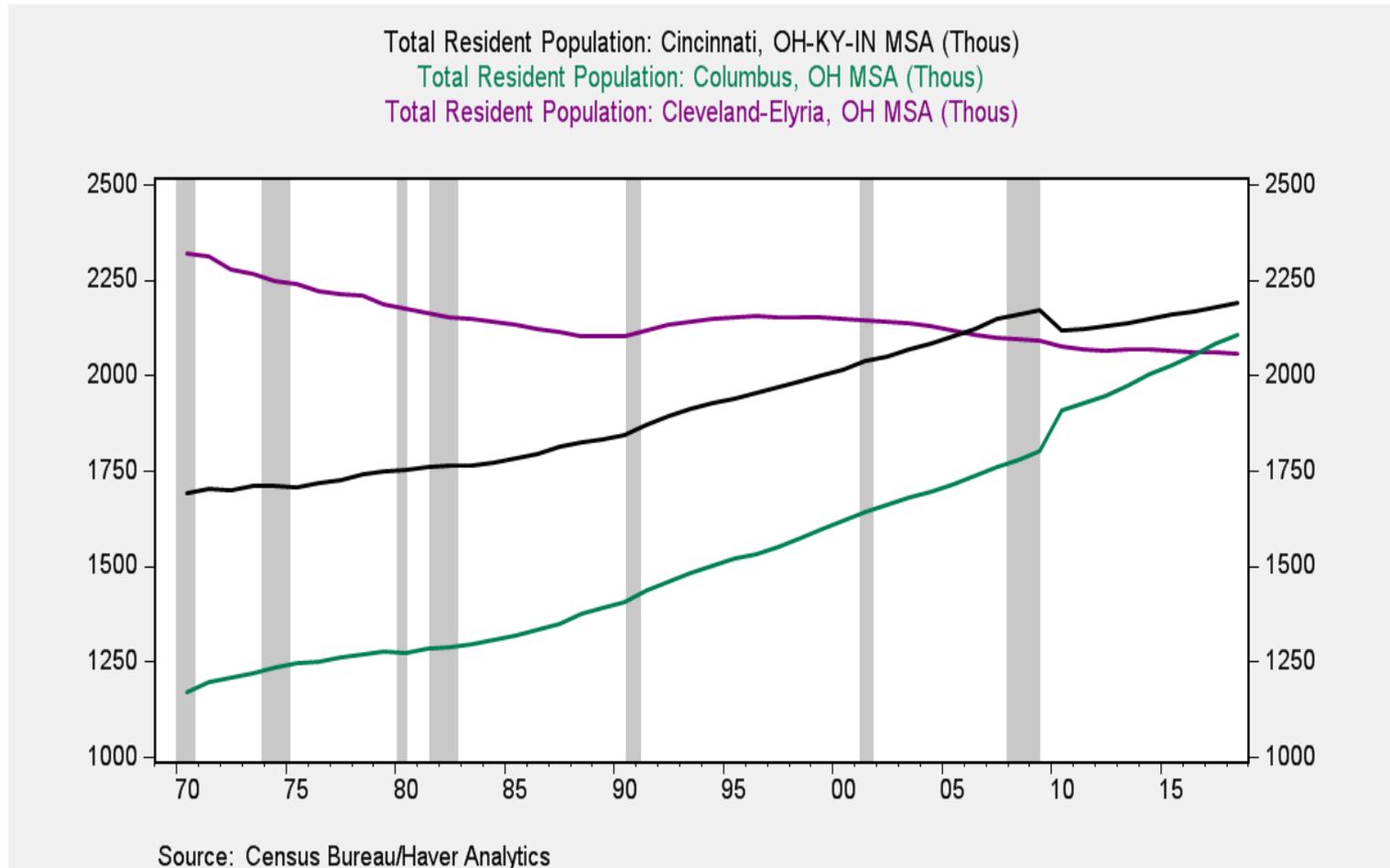
Historical Data Source: Haver, Inc., Recessions shown in Grey

Ohio Catching up to US in Median Household Income



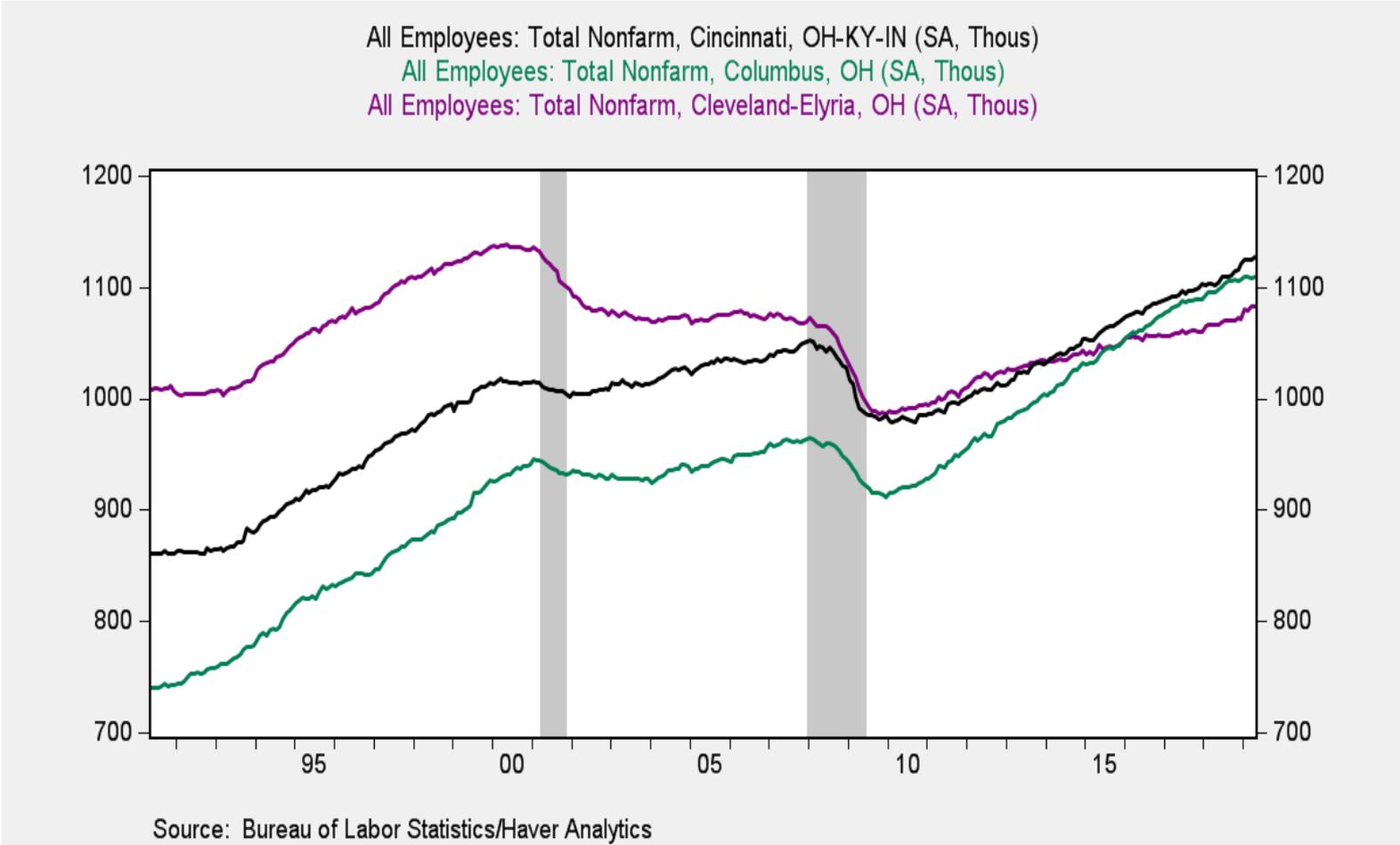
Historical Data Source: Haver, Inc., Recessions shown in Grey

Columbus Overtakes Cleveland as Second Most Populous MSA in Ohio



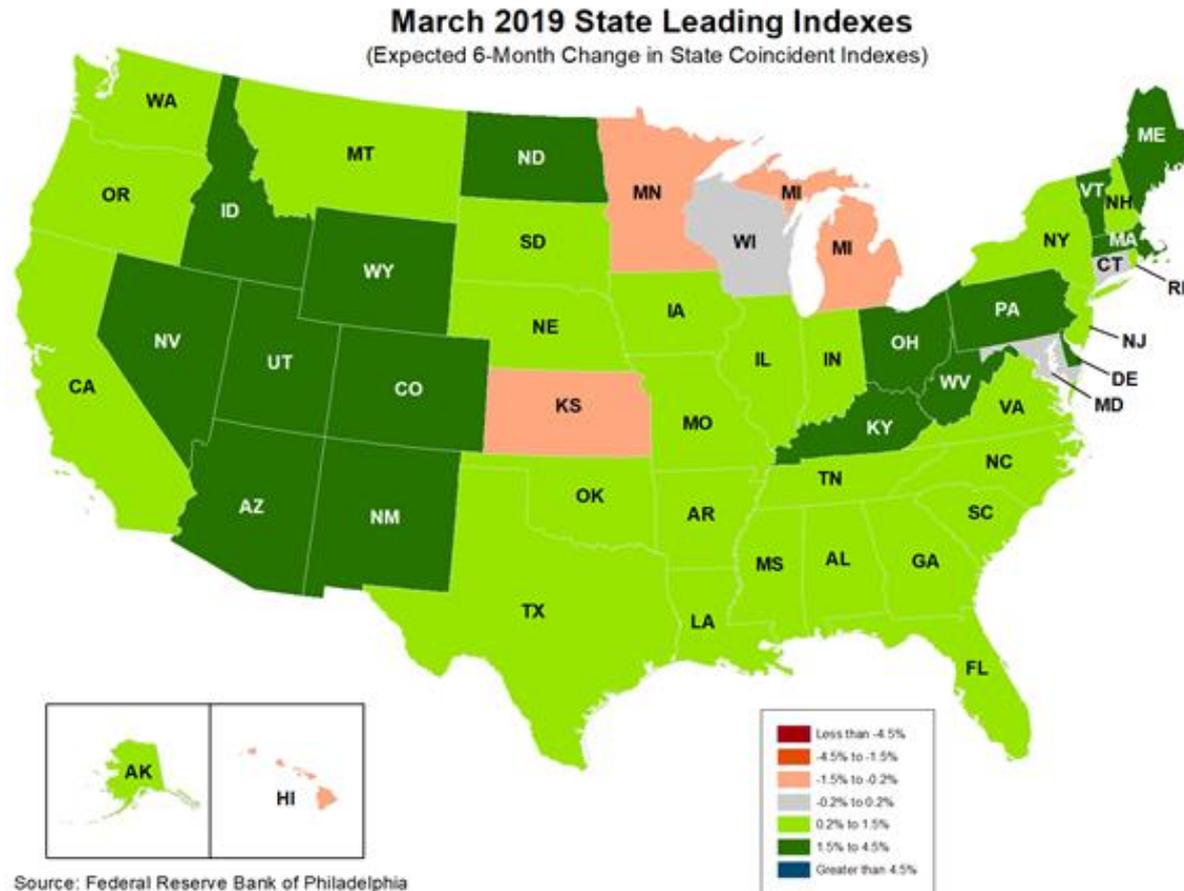
Historical Data Source: Haver, Inc., Recessions shown in Grey

Columbus also has Second Place in total Employment in Ohio



Historical Data Source: Haver, Inc., Recessions shown in Grey

Strong Growth expected in next half year in Ohio



Source: Federal Reserve Bank of Philadelphia

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