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# The Economic Outlook

**August 8, 2016**

## Economic Outlook Developments

- **Consumer spending improved in the second quarter, but sluggishness in the rest of the economy kept GDP growth slow. Growth is expected to continue, but at a slower pace than in 2014 and 2015.**
- **After being suppressed by historic declines in energy prices, inflation is expected to return to historical norms, but with significant divergences between services and goods.**
- **Brexit will likely exert a new slowing force on already challenged European and international economies.**
- **Interest rates are expected to remain low, but with a gradual upward trend in the next year.**
- **High debt levels remain a long-term risk globally.**

Consumer spending surged at a 4.2% annualized rate in the second quarter, but GDP was only able to edge upwards at a 1.2% annual rate as virtually all areas of GDP outside of the consumer were weak for the quarter overall. The second quarter report also coincided with the annual U.S. Census revisions to past GDP growth, which brought significant downward revisions to recent quarters. Hence, the 4-quarter percent change in U.S. real GDP was only 1.2% -- the lowest annual change since Q2 2013. On a quarter to quarter basis, fixed investment declined at a 3.2% annualized pace during the second quarter, marking the third consecutive quarter of decline for the key indicator capital spending. Three of four major categories of fixed investment decreased during the quarter. Even more striking, gross private investment plummeted an eye popping 9.6% during the quarter, as a necessary but sharp correction in inventories pared back GDP growth significantly and unexpectedly. Export volumes edged higher during the second quarter, although as discussed in the following report the fundamentals for export growth in the next year remain weak. Government purchases from the private sector declined after a recent slow growth trend. Even resurging residential investment declined as transition from multi-unit to single unit residential investment appears to have begun. [Please see Table 1 for GDP history and projections.]

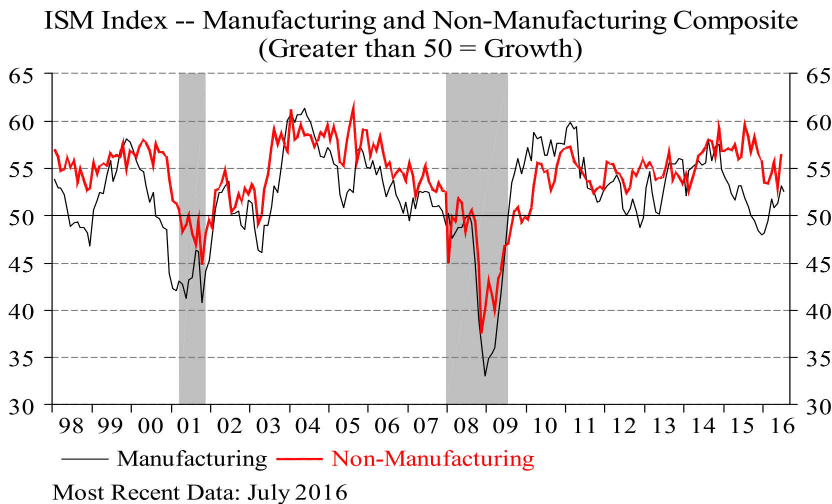
While headwinds to non-consumer sectors will likely remain, consumer spending should continue to lead economic growth, albeit at a more moderate pace than in the early years of recovery. Supported by normalizing housing markets, continually improving labor markets, and years of repair in household balance sheets, consumers were the major drivers of growth in the second quarter, and will likely remain the major drivers of overall economic growth into 2017. Household Financial Obligations have been the lowest relative to disposable personal income since the early 1980s. Strong housing prices and generally rising sales of existing homes will likely provide a further boost to consumer sentiment and consumer spending in the next year. *Continued on page 2.*

Prepared by:
**George Mokrzan, Ph.D.**
Director of Economics, Huntington National Bank

Low energy prices, as long as they remain, increase consumer purchasing power, especially of lower income individuals. After flat labor markets in May, job growth accelerated again in June and is expected to continue at a moderate pace of 156,000 per month this year and 129,000 in 2017. Both labor supply and labor demand will likely slow. While compensation growth was somewhat tepid in the second quarter, it is expected to remain on a gradually rising trend.

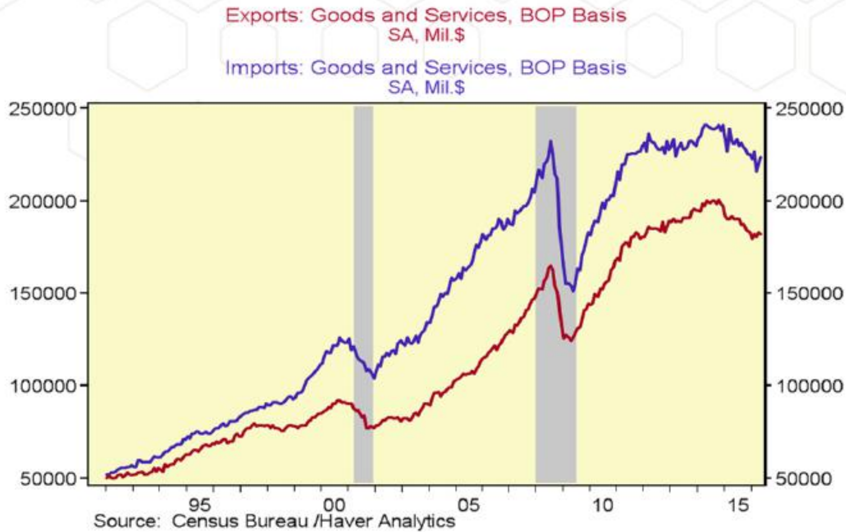
The spring surge in consumer spending had a positive impact on other areas of the economy late in the quarter, at least to some degree. According to the Institute for Supply Management, economic activity picked up in June to a pace in line with much of the economic recovery. (Please see the following chart.) Manufacturing notably rebounded after a sustained slowdown spanning from late 2014. Commodities and especially energy prices began to recover from sharp declines of the last 2 years, stabilizing activity in goods related non-manufacturing areas of the economy, albeit at low levels in the case of energy production. Led by vehicles, consumer related durable goods continued to be an especially strong area of manufacturing that has helped to lift materials manufacturing and other related areas of vehicle manufacturing.

## Economic Growth Picks Up During Summer




The broad-based strength exhibited by domestic consumers is generally not yet the case for some key non-consumer areas of the economy. After years of leading economic growth, exports have been on a declining trend for the last 2 years as seen in the chart below. The slowdown in China and other parts of the world economy, including advanced economies such as Canada, Japan and Australia, were part of a general worldwide slowdown that reduced international trade activity. The world economy appeared to be gaining some footing in the first half of the year, but risks have continued to weigh to the downside. While Brexit will likely have little direct impact on the U.S. economy as exports to the United Kingdom have been relatively small, the uncertainties unleashed by the Brexit referendum introduce a new potential slowing force on the European economy, which in turn will likely reduce demand for goods and services Europeans obtain from abroad. Furthermore, the U.S. dollar will likely be stronger relative to other currencies because of Brexit, as the U.S. economy is expected to outperform foreign economies overall. While the stronger dollar is generally good for U.S. consumers, it is another challenge that U.S. exporters will likely encounter. To reflect the cumulative negative impact of a slower world economy and a stronger dollar in the next 2 years, U.S. export growth was revised downwards to show continued volume declines in the next year versus the previous prediction of a modest stabilization.

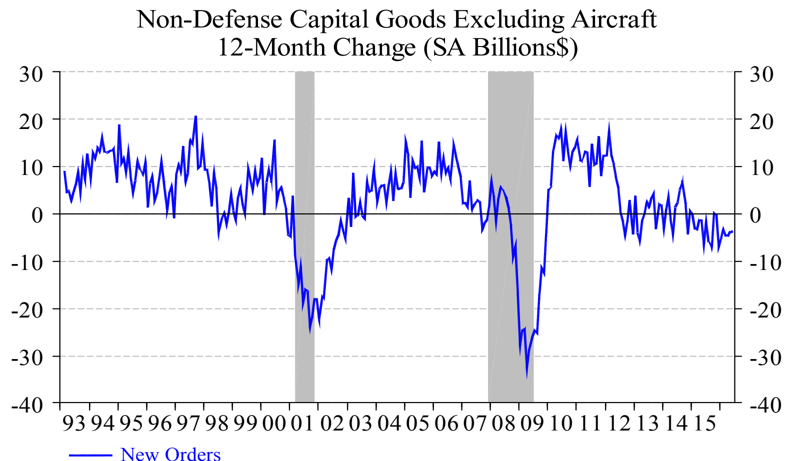
## International Trade has Slowed Significantly




Imports have also been declining in the last 2 years, but for somewhat different reasons. The declining cost of energy imports and the substitution of foreign crude imports with surging domestic energy production have provided a general offset to declining exports in the overall trade balance. While these price declines have been beneficial to energy intensive users in the U.S. economy, it has reduced revenues to many energy producers across the globe, including significant producers in the western hemisphere and many small developing economies with relatively high commodity exports. The sharp drop in worldwide energy and commodity prices was a major factor in the recent economic downturns in Canada, Mexico, Brazil, Australia and elsewhere. The energy price dive also slowed the energy industry in the U.S., which was one of the strongest economic sectors in the early recovery years. Hence, energy prices at basement levels have had mixed effects on the domestic and the world economy, as the net gain to U.S. energy users from low energy prices was offset somewhat by the negative supply side effect on energy producers. This negative supply side effect also hurt many domestic manufacturers of energy producing equipment and infrastructure such as pipelines. Energy producing regions of the country were especially hard hit. Many states in the central part of the country that outperformed during the early years of economic recovery, have been underperforming the nation in the last year, and will likely continue to grow relatively slowly in the near term. However, a recent increase in private investment in electricity generation from natural gas and renewable energy sources may channel the country's new found energy abundance into new and cleaner energy sources for consumers and businesses alike in the future, and bring back some of the recent prosperity to the energy rich regions.

Energy has had a slowing impact on business equipment and general construction activity, but it is probably not the only factor weighing on new orders for business equipment in recent years, as evident in the following chart:

## Capital Goods Orders Drop as Industrial Capacity Expansion Requirements Decline



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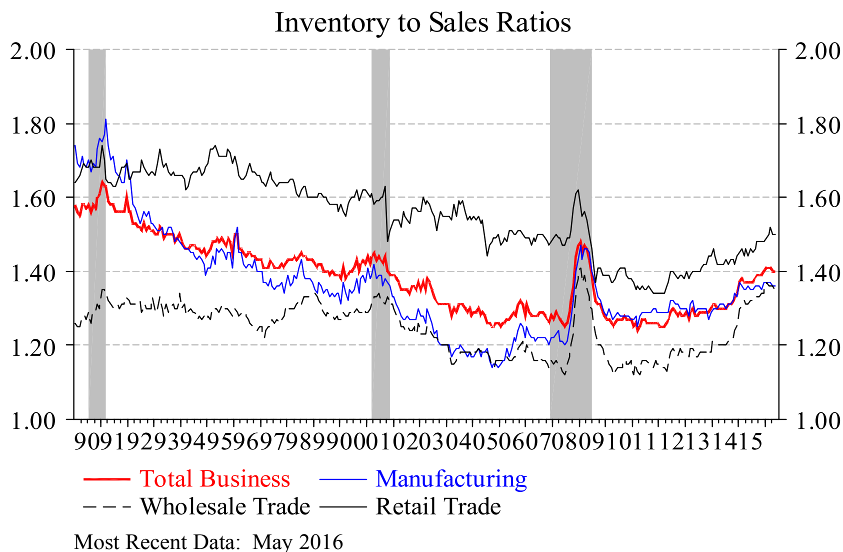
Capital spending has been generally slow in recent years with the slowdown beginning before the energy bust began. The slowing international economy and the strong value of the dollar have probably reduced the expected need to expand capacity. Fortunately, other forms of investment such as private sector investment in intellectual property and residential investment are expected to remain on a solid growth trend in the next year. The services sector will also continue to invest to meet constantly evolving IT needs. Technological advancements such as ever increasing installation of robotics in all areas of the economy should also support overall capital spending, although such spending could also have labor reducing ramifications in the long-term. Tax incentives for capital equipment expensing were made permanent with recent federal budgets. Government policies have also been supportive of specific areas of renewables and other initiatives. These initiatives may provide some upside to an otherwise modest forecast for capital spending growth.

One other area of the "goods side of the economy" that warrants watching is the level of business inventories relative to sales. As evident in the following chart, the business inventory-to-sales ratio and its three major components have been near their highest levels since the recession. There were signs of an inventory correction in the second quarter real GDP report, but improvements will need to be sustained to maintain recovery in the goods area of the economy. High Inventory-to-Sales ratios have been primarily the result of weak sales in manufacturing and wholesale sectors. Hence, demand will need to broaden, or future production and activity will be cut.

## Inventory-to-Sales Ratios Have Been at Their Highest Since the Recession



## Weak Sales Have Helped to Create the Inventory Build-Up

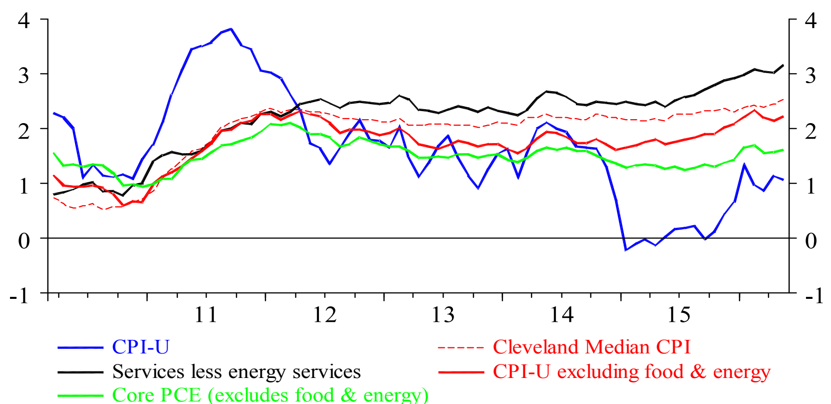
*Most recent data: May 2016*

After slow growth in 2016, overall real GDP growth in 2017 is expected at 1.7% – moderate growth fueled primarily by consumer spending, but with challenges continuing from the international economy, capital spending and relatively high inventory levels. Although this rate is relatively mundane, we are likely to encounter considerable volatility from quarter to quarter regarding the pace of GDP growth. Residential investment should be strong, while government spending is expected to continue at a moderate pace. Productivity growth will likely remain historically low, and the non-working labor supply will likely thin gradually, putting upward pressures on wages. Moderate forecasted net employment growth will probably not absorb all workers entering the workforce in the next year, leading to a modest uptick in the official unemployment rate from 5.0% in 2016 to 5.2% in 2017. Most of the significant declines in the official unemployment rate during this economic cycle have probably occurred, but labor force participation is expected to continue on a rising trend that began late last year.

## Inflation Likely to Continue Gradual Pick Up, but the International Economy is Expected to Contain Goods Inflation

After being suppressed by historic declines in energy prices in the last 2 years, inflation as measured by the CPI for urban consumers is expected to return to recent historical norms of 2.3% in 2017, and higher if energy markets regain some traction. Benefitting from the strength of consumers, services inflation is expected to show the strongest growth. The period of sharp declines in energy and other commodity prices is probably over, but goods price growth will likely be restrained by the likelihood of continued strength in the U.S. dollar coupled with a slow international economy, which will likely be weighed down somewhat further by new uncertainties and trade declines resulting from Brexit.

Consumer Inflation Measures
12 Month Percent Change




Latest data plotted: June 2016

# Interest Rates Likely to Edge Higher, but Remain at Historically Low Levels

Both short and long interest rates are expected to edge higher but remain at historically low levels overall. The Federal Reserve will likely implement only occasional Fed Funds rate target increases during relatively benign periods in the international landscape. The strength of labor market indicators will also be especially important to this timing. Given the new uncertainties created by Brexit, tensions within the EU, weakness in some European banks, challenged developing economies and generally high geopolitical risks, these windows for rate increases are likely to be few and narrow. The forecast is for only 2 additional quarter point increases through the end of 2017, with high forecast risks. Long-term interest rates have dipped to historic lows during the period leading up to and following the Brexit referendum as demand for high quality bonds soared. This “flight to quality” in high quality government bonds will likely continue in 2016, and may extend into 2017 as there are many unknowns in the international economic and political environment at this time. However, as uncertainties gradually abate and new economic rules are forged, the 10-year Treasury yield should rise above 2.0% again.

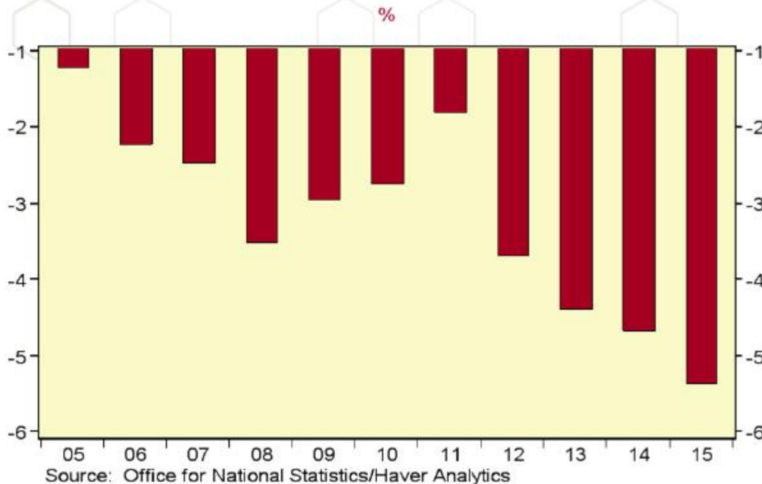
# Brexit Creates New Uncertainties

The United Kingdom’s referendum choice to leave the European Union creates a new period of uncertainty for the United Kingdom and perhaps the European Union. The lengthy process of separation can only begin after the United Kingdom formally requests to exit via imposition of “Article 50” of the agreement with the EU. This will likely occur in the coming months. However, the referendum results have already significantly impacted the value of the pound, and created new uncertainties regarding the future economic and political landscape.

# Brexit Drove the Value of the Pound to its Lowest Since 1985

The initial market reaction was a drop in the pound to its lowest value since 1985. The United Kingdom and hence the pound have done well overall in the relationship with the EU, as London has been the EU’s financial center, and much of the United Kingdom’s goods exports have also gone to the continent. Free labor movement from other countries in the EU further enhanced the U.K. economy’s underlying strength. As a result of this strong economic growth in the United Kingdom, financial capital flowed into the country, supporting the pound. This was despite the United Kingdom’s large current account deficit that breached 5% of GDP in 2015. (Please see the chart below.) The uncertainties created by Brexit will likely slow capital flows into the United Kingdom, depressing the value of its currency.

## U.K's Large Current Account Deficit Will Likely Maintain Sustained Downward Pressure on the Pound Absent Offsetting Capital Inflows

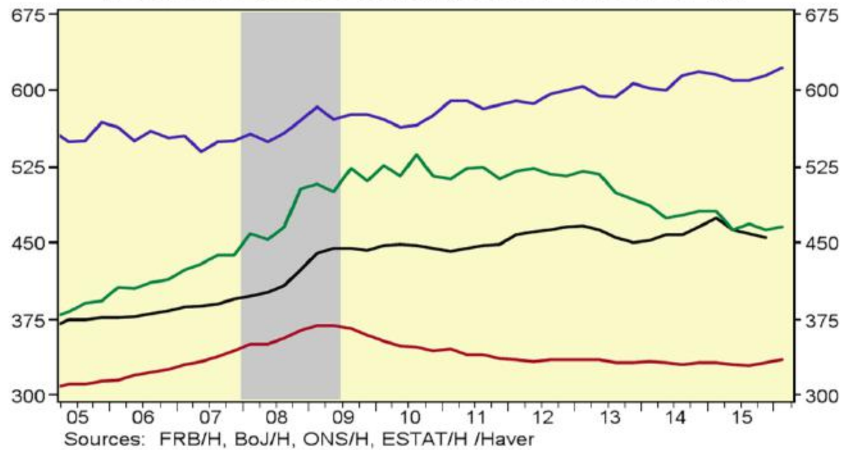



Negotiations between the United Kingdom and the European Union will likely occur for a period of around 2 years as the precise nature of trade and other economic, regulatory and political relationships are defined. As one of the major factors creating political support for Brexit, immigration rules will likely be part of these negotiations. At the end of this dogged process, the U.K. may be able to establish relatively favorable trade arrangements with the EU again. However, London's financial center will probably no longer be as strong since some or perhaps many of the financial services that it provides the continent will probably migrate across the English Channel. The political composition of the United Kingdom itself may undergo changes if countries within the U.K. like Scotland have their own referendums. (Support for staying in the EU has been stronger in Scotland than in England.) The Bank of England held its policy rate constant during its first rate decision after Brexit, but it predicts a recession will occur in the United Kingdom, and signaled that its upcoming decisions will probably be to cut interest rates. The danger in the U.K. is stagflation, as its terms of trade have declined literally overnight, raising costs to consumers and businesses substantially. The value of assets denominated in pounds was sliced with the currency, creating wealth reductions and uncertainties that could have further negative repercussions on economic activity. Additionally, the United Kingdom's challenges will likely be transmitted to its largest trading partners such as the Netherlands, Belgium and Ireland, where recessions are also expected to occur.

Brexit will likely have significant effects on the U.K economy, but uncertainties have also been magnified regarding Europe at large concerning its post-WWII European Union experiment designed to bring diverse countries together into a single working economic, currency and political union. Although dissolution of the European Union is unlikely, Brexit will likely make the European Union's management of high long-term debt, budget uncertainties, weak areas in the European bank industry and the formulation of appropriate monetary and fiscal policies even more difficult in an already challenging environment. In addition to a probable recession in the United Kingdom and some of its closest trading partners, Brexit will likely slow capital investment spending in Europe at a time when the EU was gaining growth momentum. This recent strength was especially beneficial to the world economy since it was beginning to offset weakness emanating from China, Japan and many of the energy rich countries still recovering from the energy price collapse. Hence, worldwide growth will likely remain at the subdued rate of growth during the last year. The uncertainties unleashed by Brexit have already created a worldwide flight to high quality government bonds, suppressing world interest rates and even creating negative rates for relatively strong economies such as Germany. This low interest rate environment should ultimately end, but it will likely span a period of months as the complete ramifications of Brexit on Europe and the world economy become clearer.

One area of weakness that will likely worsen for the United Kingdom is its already high level of debt relative to GDP. As the following chart indicates, its debt relative to GDP has been at extremely high levels, but the strength of the United Kingdom's economy in recent years has put its total domestic debt to GDP ratio on a downward path. The path will likely turn upwards again. GDP growth will likely be suppressed once the probable recession occurs. Furthermore, government accounts also tend to weaken during recessions. Hence, even though the United Kingdom was one of the few large advanced economies to improve its overall debt levels in recent years, those gains are no longer assured.

## Debt Levels at Extremely High Levels in Advanced Economies Overall; U.K Debt Ratio Likely to Rise Significantly After Brexit



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# Table 1
## Real GDP
## Forecast as of August 1, 2016

| Annualized Real Growth Rates (bln Chained 2009 Dollars) | 15-III | 15-IV | 16-I | 16-II | 16-III | 16-IV | 17-I | 17-II | 17-III | 17-IV | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| REAL GROSS DOMESTIC PRODUCT | 16454.9 | 16490.7 | 16525.0 | 16575.1 | 16678.9 | 16747.0 | 16812.6 | 16882.8 | 16953.0 | 17023.0 | 16397.2 | 16631.5 | 16917.9 |
| Real GDP Annualized Growth Rate | 2.0 | 0.9 | 0.8 | 1.2 | 2.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 2.6 | 1.4 | 1.7 |
| 4-quarter % change | 2.2 | 1.9 | 1.6 | 1.2 | 1.4 | 1.6 | 1.7 | 1.9 | 1.6 | 1.6 | | | |
| CONSUMPTION | 11255.9 | 11319.3 | 11365.2 | 11482.8 | 11546.8 | 11611.7 | 11675.4 | 11726.7 | 11771.6 | 11815.9 | 11214.7 | 11501.6 | 11747.4 |
| % change | 2.7 | 2.3 | 1.6 | 4.2 | 2.2 | 2.3 | 2.2 | 1.8 | 1.5 | 1.5 | 3.2 | 2.6 | 2.1 |
| DURABLE GOODS | 1512.4 | 1527.3 | 1524.9 | 1555.8 | 1565.9 | 1582.9 | 1599.3 | 1604.9 | 1610.8 | 1616.3 | 1498.1 | 1557.4 | 1607.8 |
| % change | 6.2 | 4.0 | -0.6 | 8.4 | 2.6 | 4.4 | 4.2 | 1.4 | 1.5 | 1.4 | 6.9 | 4.0 | 3.2 |
| NON-DURABLE GOODS | 2451.3 | 2458.4 | 2471.1 | 2507.3 | 2520.2 | 2534.7 | 2548.4 | 2559.8 | 2568.5 | 2577.1 | 2439.3 | 2508.3 | 2563.4 |
| % change | 3.2 | 1.2 | 2.1 | 6.0 | 2.1 | 2.3 | 2.2 | 1.8 | 1.4 | 1.3 | 2.6 | 2.8 | 2.2 |
| SERVICES | 7327.2 | 7369.8 | 7403.9 | 7458.8 | 7499.2 | 7533.9 | 7567.7 | 7602.0 | 7632.5 | 7662.8 | 7310.3 | 7473.9 | 7616.3 |
| % change | 2.0 | 2.3 | 1.9 | 3.0 | 2.2 | 1.9 | 1.8 | 1.8 | 1.6 | 1.6 | 2.8 | 2.2 | 1.9 |
| GROSS PRIV. DOM. INVESTMENT | 2882.2 | 2865.4 | 2841.5 | 2769.6 | 2814.5 | 2833.0 | 2861.1 | 2885.6 | 2911.3 | 2936.7 | 2869.0 | 2814.7 | 2898.7 |
| % change | 2.0 | -2.3 | -3.3 | -9.7 | 6.6 | 2.7 | 4.0 | 3.5 | 3.6 | 3.5 | 5.0 | -1.9 | 3.0 |
| FIXED INVESTMENT | 2794.5 | 2793.3 | 2786.7 | 2764.4 | 2780.6 | 2794.6 | 2815.4 | 2838.4 | 2861.5 | 2886.3 | 2767.8 | 2781.6 | 2850.4 |
| % change | 5.7 | -0.2 | -0.9 | -3.2 | 2.4 | 2.0 | 3.0 | 3.3 | 3.3 | 3.5 | 4.0 | 0.5 | 2.5 |
| NON-RESIDENTIAL | 2217.5 | 2198.8 | 2179.7 | 2167.3 | 2163.7 | 2163.6 | 2169.8 | 2177.9 | 2187.6 | 2200.4 | 2200.2 | 2168.6 | 2183.9 |
| % change | 3.9 | -3.3 | -3.4 | -2.3 | -0.7 | 0.0 | 1.1 | 1.5 | 1.8 | 2.3 | 2.1 | -1.4 | 0.7 |
| NON-RESIDENTIAL STRUCTURE | 453.4 | 435.1 | 435.2 | 426.3 | 423.7 | 420.9 | 421.2 | 421.9 | 423.1 | 425.5 | 452.1 | 426.5 | 422.9 |
| % change | -4.3 | -15.2 | 0.1 | -7.9 | -2.5 | -2.6 | 0.3 | 0.7 | 1.1 | 2.3 | -4.4 | -5.7 | -0.8 |
| EQUIPMENT | 1085.7 | 1078.6 | 1052.0 | 1042.6 | 1032.5 | 1030.8 | 1032.2 | 1035.2 | 1040.2 | 1046.9 | 1072.5 | 1039.5 | 1038.6 |
| % change | 9.1 | -2.6 | -9.5 | -3.5 | -3.8 | -0.7 | 0.6 | 1.2 | 2.0 | 2.6 | 3.5 | -3.1 | -0.1 |
| INTELLECTUAL PROPERTY | 683.1 | 690.7 | 697.1 | 703.2 | 707.6 | 711.9 | 716.3 | 720.8 | 724.4 | 728.0 | 680.0 | 704.9 | 722.4 |
| % change | 2.1 | 4.5 | 3.8 | 3.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.0 | 2.0 | 4.8 | 3.7 | 2.5 |
| RESIDENTIAL | 573.7 | 589.5 | 600.7 | 591.3 | 599.3 | 613.4 | 628.1 | 642.9 | 656.2 | 668.4 | 564.5 | 601.2 | 648.9 |
| % change | 12.6 | 11.5 | 7.8 | -6.1 | 5.5 | 9.8 | 9.9 | 9.8 | 8.6 | 7.6 | 11.7 | 6.5 | 7.9 |
| CHANGE IN INVENTORIES | 70.9 | 56.9 | 40.7 | -8.1 | 19.4 | 23.6 | 30.9 | 32.7 | 35.1 | 35.5 | 84.0 | 18.9 | 33.6 |
| NET EXPORTS | -547.1 | -566.6 | -566.3 | -556.3 | -571.9 | -599.4 | -637.8 | -655.7 | -668.2 | -678.0 | -540.0 | -573.5 | -659.9 |
| EXPORTS | 2120.4 | 2105.8 | 2102.0 | 2109.2 | 2106.5 | 2099.4 | 2087.0 | 2085.7 | 2090.3 | 2100.1 | 2120.6 | 2104.3 | 2090.8 |
| % change | -2.8 | -2.7 | -0.7 | 1.4 | -0.5 | -1.3 | -2.3 | -0.3 | 0.9 | 1.9 | 0.1 | -0.8 | -0.6 |
| IMPORTS | 2667.6 | 2672.4 | 2668.2 | 2665.5 | 2678.4 | 2698.8 | 2724.8 | 2741.3 | 2758.5 | 2778.2 | 2660.6 | 2677.7 | 2750.7 |
| % change | 1.1 | 0.7 | -0.6 | -0.4 | 1.9 | 3.1 | 3.9 | 2.5 | 2.5 | 2.9 | 4.6 | 0.6 | 2.7 |
| GOVERNMENT PURCHASES | 2894.4 | 2901.7 | 2913.2 | 2906.6 | 2916.6 | 2928.3 | 2940.0 | 2951.8 | 2963.7 | 2973.3 | 2883.7 | 2916.2 | 2957.2 |
| % change | 1.9 | 1.0 | 1.6 | -0.9 | 1.4 | 1.6 | 1.6 | 1.6 | 1.6 | 1.3 | 1.8 | 1.1 | 1.4 |
| FEDERAL | 1112.7 | 1123.0 | 1118.7 | 1118.1 | 1120.9 | 1123.7 | 1126.5 | 1129.3 | 1132.1 | 1134.9 | 1113.9 | 1120.3 | 1130.7 |
| % change | 0.9 | 3.8 | -1.5 | -0.2 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 | 0.6 | 0.9 |
| STATE & LOCAL | 1779.9 | 1777.1 | 1792.6 | 1786.8 | 1795.7 | 1804.6 | 1813.5 | 1822.5 | 1831.6 | 1838.4 | 1768.2 | 1794.9 | 1826.5 |
| % change | 2.5 | -0.6 | 3.5 | -1.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.5 | 2.9 | 1.5 | 1.8 |

Note: Data and percent changes are expressed at seasonally adjusted annual rates.
*Non-Residential Fixed Investment includes Intellectural Property Investment not shown separately.

Note: Data and percent changes are expressed at seasonally adjusted annual rates.

# Table 2
## Economic Indicators
## Forecast as of August 1, 2016

| KEY ECONOMIC INDICATORS | 15-III | 15-IV | 16-I | 16-II | 16-III | 16-IV | 17-I | 17-II | 17-III | 17-IV | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Gross Domestic Product (bln $) * | 3.2 | 1.8 | 1.3 | 3.5 | 4.0 | 3.3 | 3.5 | 3.6 | 3.7 | 3.8 | 3.7 | 2.7 | 3.6 |
| Real GDP (2009 chained $) | 2.0 | 0.9 | 0.8 | 1.2 | 2.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 2.6 | 1.4 | 1.7 |
| Implicit GDP Price Deflator * | 1.2 | 0.9 | 0.5 | 2.2 | 1.4 | 1.7 | 1.9 | 1.9 | 2.0 | 2.1 | 1.1 | 1.3 | 1.8 |
| Consumer Price Index -- CPI-U * | 1.4 | 0.8 | -0.3 | 2.5 | 1.6 | 2.4 | 2.5 | 2.3 | 2.3 | 2.3 | 0.1 | 1.2 | 2.3 |
| Producer Price Index * | -0.3 | -5.0 | -4.8 | 3.1 | 0.2 | 1.0 | 3.6 | 1.7 | 1.8 | 2.5 | -3.3 | -1.3 | 2.0 |
| FEDERAL FUNDS RATE -- average | 0.14 | 0.16 | 0.36 | 0.37 | 0.38 | 0.42 | 0.63 | 0.88 | 0.88 | 0.88 | 0.13 | 0.38 | 0.82 |
| -- end of quarter | 0.07 | 0.20 | 0.38 | 0.38 | 0.38 | 0.63 | 0.63 | 0.88 | 0.88 | 0.88 | | | |
| 10-YEAR T-NOTE -- average | 2.22 | 2.19 | 1.92 | 1.75 | 1.49 | 1.66 | 1.71 | 1.86 | 2.00 | 2.08 | 2.14 | 1.71 | 1.91 |
| U.S. DOLLAR (FRB Index) | 91.9 | 92.0 | 91.8 | 89.6 | 90.3 | 91.4 | 91.2 | 90.7 | 90.2 | 89.8 | 90.8 | 90.8 | 90.5 |
| AVERAGE MONTHLY CHANGE (Th | 192 | 282 | 196 | 147 | 136 | 144 | 137 | 128 | 125 | 126 | 229 | 156 | 129 |
| UNEMPLOYMENT RATE (%) | 5.2 | 5.0 | 4.9 | 4.9 | 5.0 | 5.1 | 5.2 | 5.3 | 5.2 | 5.2 | 5.3 | 5.0 | 5.2 |
| Existing Home Sales (Thous SAAR) | 5403.3 | 5200.0 | 5300.0 | 5482.1 | 5625.2 | 5807.8 | 5896.2 | 5895.7 | 5850.5 | 5779.2 | 5233.3 | 5553.8 | 5855.4 |
| Housing Starts (Millions) | 1.15 | 1.14 | 1.15 | 1.16 | 1.17 | 1.29 | 1.27 | 1.27 | 1.24 | 1.23 | 1.11 | 1.19 | 1.25 |
| Motor Vehicle Sales (Millions SAAR) | 17.8 | 17.8 | 17.1 | 17.1 | 17.0 | 17.0 | 16.9 | 16.7 | 16.5 | 16.4 | 17.3 | 17.1 | 16.6 |
| Industrial Production Growth (SA) * | 1.5 | -3.4 | -1.8 | -1.1 | 0.3 | 1.0 | 1.1 | 0.8 | 0.8 | 1.0 | 0.3 | -1.2 | 0.8 |
| Consumer Credit * | 7.3 | 6.3 | 4.8 | 6.7 | 5.2 | 4.8 | 4.4 | 4.3 | 4.2 | 4.2 | 6.9 | 6.0 | 4.7 |
| C & I * | 8.4 | 9.4 | 10.6 | 12.5 | 9.3 | 7.1 | 5.8 | 5.5 | 5.6 | 4.7 | 11.3 | 10.2 | 6.7 |
| CORPORATE PROFITS (Bil. of $) | 2095.4 | 1967.5 | 2033.5 | 2064.3 | 2104.3 | 2138.2 | 2166.7 | 2195.8 | 2225.0 | 2245.1 | 2088.1 | 2085.1 | 2208.1 |
| % change * | -3.2 | -22.3 | 14.1 | 6.2 | 8.0 | 6.6 | 5.5 | 5.5 | 5.4 | 3.7 | -3.0 | -0.1 | 5.9 |
| (Profits generated through U.S. GDP) | | | | | | | | | | | | | |

* Annualized Growth Rates
Red -- First Period Forecasted
Brown -- Annual Averages

Historical Data Source: Haver Analytics, the Financial Times, other sources in text, FACTSET
Recessions shown in grey in charts
Forecasts: Huntington Wealth and Investment Management, a division of The Huntington National Bank.

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