WEALTH MANAGEMENT

Huntington

Economic Outlook

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Consumer Sentiment Softens in October; Shutdown Clouds Outlook

Olu Omodunbi, PhD
Chief Economist for the Private Bank
Huntington Bank

Nick Blizniak
Senior Research Analyst
Huntington Bank

HIGHLIGHTS

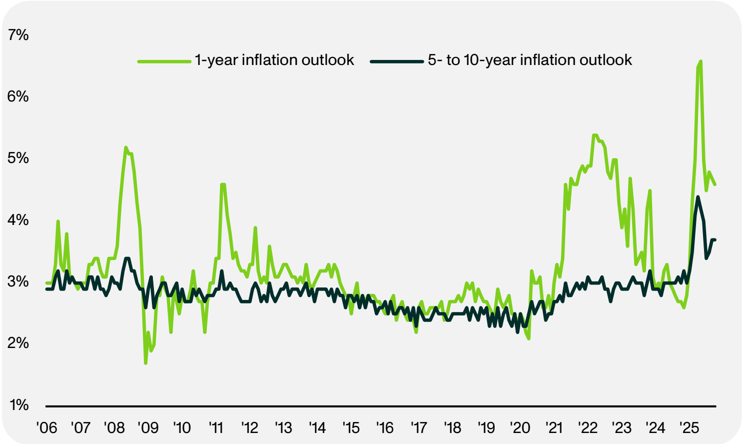
- Consumer sentiment declined in October, reaching a five-month low as high prices and a weakening labor market weighed on confidence.
- September ISM activity reports were mixed.
- The FOMC is expected to lower the fed funds rate by 25 basis points at its next meeting on October 28-29.

Consumer sentiment dipped in October, falling to a five-month low, according to the University of Michigan's preliminary Surveys of Consumers. High prices, weak labor market conditions and tariffs remain top concerns for consumers. The report noted there was little evidence that the ongoing federal government shutdown has "moved consumers' views of the economy thus far."

Median one-year inflation expectations declined to 4.6% in October, from 4.7% in the prior month. Elevated short-term inflation expectations will remain a concern for the Federal Reserve. Over a five-year period, the inflation outlook was better, with inflation expectations holding steady at 3.7%. Higher inflation expectations could lead to faster near-term inflation as consumers demand higher wages and pull-forward purchases.

FIGURE 1. UNIVERSITY OF MICHIGAN INFLATION OUTLOOK

Inflation expectations remain elevated

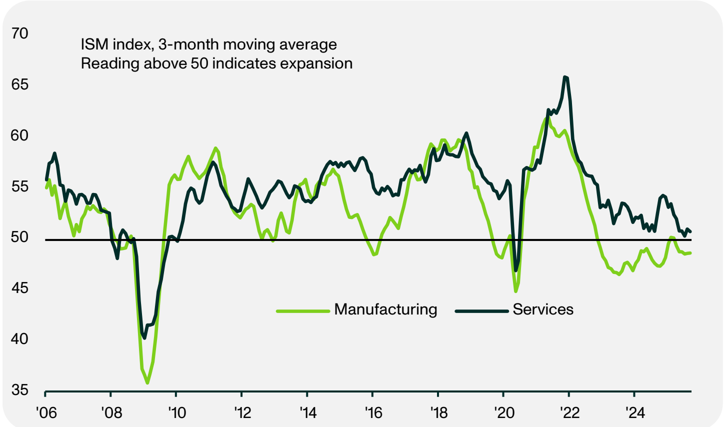


Source: University of Michigan

The Institute for Supply Management (ISM) reported mixed activity in September. The U.S. manufacturing sector contracted for the seventh straight month, following a two-month expansion period. The manufacturing sector has contracted in 31 of the past 33 months. Meanwhile, the services sector showed no growth in September, following expansions in seven of the previous eight months. Despite weakness in manufacturing, the broader U.S. economy – driven by services – has remained resilient in recent years.

FIGURE 2. ISM ACTIVITY REPORTS WERE MIXED IN SEPTEMBER

Tariffs continue to weigh on manufacturers



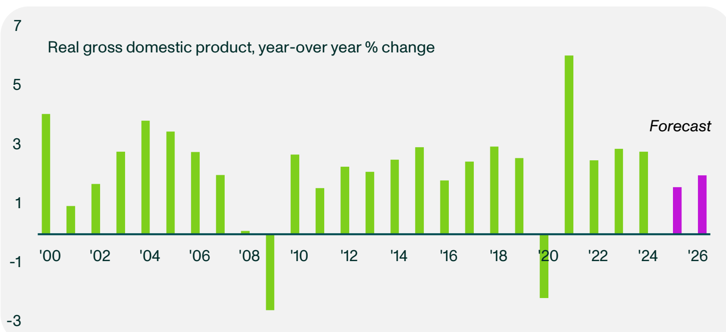
Source: ISM

The ongoing federal government shutdown and new China tariffs present potential near-term headwinds. The shutdown, which began on October 1, is expected to impact the national economy through reduced federal government spending on goods and services, lower aggregate demand and potential layoffs. According to the Congressional Budget Office, the longest shutdown in U.S. history lasted 35 days between December 2018 and January 2019, reducing real GDP by 0.1% and 0.2% in the fourth quarter of 2018 and the first quarter of 2019, respectively. Most of the impact on economic activity was recouped once the federal government reopened.

U.S. – China trade tensions reignited in early October after China unveiled export restrictions on rare earths, potentially disrupting global supply chains. In response, President Trump announced additional 100% tariffs on Chinese goods, effective November 1. Tariffs are expected to boost inflation into 2026, potentially dampening consumer spending and economic growth.

Consumer price inflation slowed in the first quarter of 2025 as businesses stocked inventories and absorbed price increases.

FIGURE 3. THE ECONOMIC EXPANSION SHOULD CONTINUE WELL INTO 2026



Source: BEA, Huntington Chief Investment Office Forecasts

However, inflation accelerated from May to August, driven largely by faster goods inflation. Tariffs will likely continue to be a contributing factor to inflation through 2025 and 2026.

Given the uncertainty around the duration of the federal government shutdown, Huntington's Chief Investment Office is maintaining its baseline forecast. Economic reports released before the shutdown began pointed to upside risks to our 2025 growth expectations but the ongoing shutdown, expiration of EV subsidies, tariffs and weak consumer sentiment could lead to weaker growth than expected in the fourth quarter of 2025.

The Federal Open Market Committee is expected to cut the fed funds rate by 25 basis points at its meeting on October 28-29, in response to labor market weakness and the ongoing federal government shutdown. Despite increased uncertainty, the U.S. economic expansion is projected to continue into 2026, supported by accommodative monetary and fiscal policies, strong consumer balance sheets and continued investment in artificial intelligence.

At Huntington, we remain focused on prudent diversification via cash, stock and bond investments formed around client investment outcome objective(s). Call your Huntington team to see how we can help or visit huntington.com for more from our team.

*Forecast
Historical data sources: Federal Reserve, BLS, BEA and Bloomberg

FIG. 4: BASELINE ECONOMIC OUTLOOK

	2020	2021	2022	2023	2024	2025*	2026*
Real GDP Annual Growth Rates, *2017 Chained Prices*							
Pers. Consumption Expenditures	-2.5	8.8	3.0	2.5	2.8	2.0	1.9
Government Expenditures	3.4	-0.3	-1.1	3.9	3.4	1.6	1.2
Private Investment	-4.5	8.8	6.0	0.1	4.0	2.4	2.0
Exports	-13.1	6.5	7.5	2.8	3.2	1.5	1.0
Imports	-9.0	14.7	8.6	-1.2	5.4	3.5	3.0
Total Real GDP	-2.2	6.1	2.5	2.9	2.8	1.6	2.0
CPI *(1982-1984=100), % Change Annualized*	1.2	4.7	8.0	4.1	3.0	2.8	2.9
Core CPI *(1982-1984 = 100), % Change Annualized*	1.7	3.6	6.2	4.8	3.4	3.2	3.4
PCE Price Index *(2017=100), % Changed Annualized*	1.1	4.2	6.5	3.8	2.5	2.9	3.0
Core PCE Price Index *(2017=100), % Change Annualized*	1.3	3.6	5.2	4.1	2.8	3.0	3.0
Crude Oil *WTI, ($/barrel)*	$39	$68	$95	$78	$76	$65	$62
Effective Federal Funds Rate, *% (Average)*	0.37	0.08	1.68	5.02	5.14	4.17	3.69
10-Yr. Treasury Rate, *% (Average)*	0.92	1.51	3.88	3.88	4.21	4.38	4.20
30-Yr. Fixed Rate Mortgage, %	2.87	3.27	6.66	6.99	6.72	6.20	5.80
Industrial Production *(YoY%)*	-7.0	4.9	3.4	0.2	0.2	1.0	1.6
Payroll Jobs, *Average Monthly Difference, Thousands*	-774	606	399	225	168	80	105
Unemployment Rate, *Annual Average*	8.1	5.4	3.6	3.6	4.0	4.4	4.4
DXY Dollar Index	89.9	95.7	103.5	101.3	104.2	98.0	97.5