# ECONOMIC OUTLOOK

Huntington PRIVATE BANK

## June 2025 | Downward Revision to Q1 GDP as Economic Outlook Remains Cloudy

Olu Omodunbi, Ph.D.
Chief Economist
Huntington Private Bank®

Nick Blizniak
Senior Research Analyst
Huntington Private Bank®

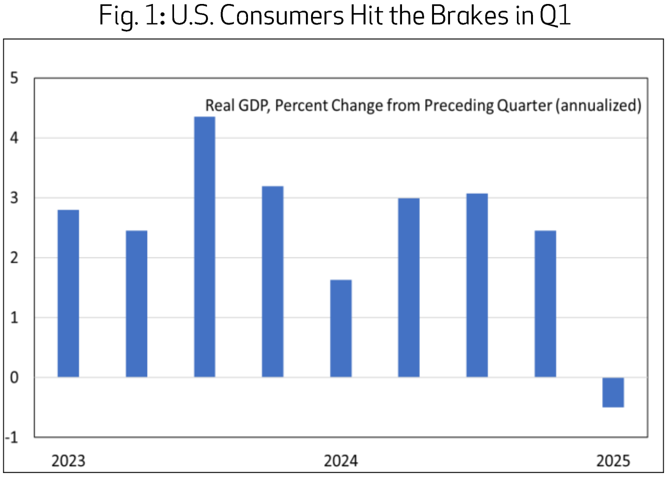
### Highlights

- **Consumer spending grew in Q1 2025 at the slowest pace since Q2 2020.**
- **Cracks are showing in the U.S. labor market.**
- **Real GDP is expected to rebound in Q2 2025 largely due to a decline in imports.**

Real GDP for the first quarter of 2025 was revised lower in the final estimate by the Bureau of Economic Analysis (BEA). Real GDP contracted at an annual rate of 0.5% (0.1% at a quarterly rate) last quarter. The previous estimate showed a 0.2% decline. The negative revision to real GDP reflected downward revisions to consumer spending, particularly spending on services, and exports. These were partly offset by a downward revision to imports. Consumer spending grew 0.5% last quarter, the weakest pace since the second quarter of 2020.

At the end of its two-day policy meeting in June, the Federal Open Market Committee (FOMC) voted unanimously to hold the federal funds rate at a range between 4.25% and 4.5%. The Committee's Summary of Economic Projections (SEP) shows two rate cuts in 2025, one rate cut in 2026, and one rate cut in 2027, or 100 basis points in rate cuts over the next three years.

Fig. 1: U.S. Consumers Hit the Brakes in Q1

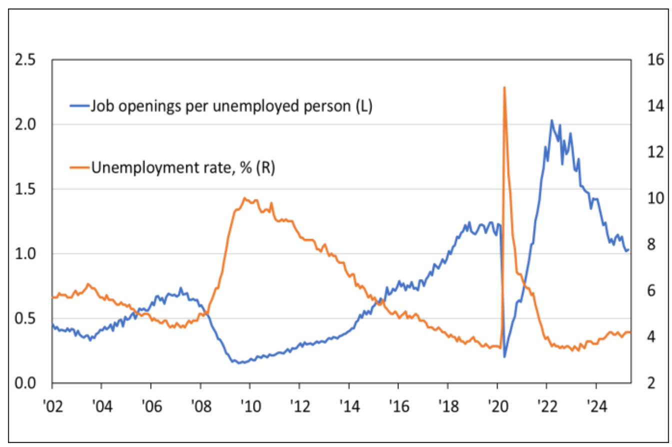



Source: BEA

The March SEP called for 125 basis points in rate cuts over the next three years. The forecast for the neutral federal funds rate was unchanged at 3%. The neutral federal funds rate is the theoretical rate that is neither expansionary nor contractionary.

The Committee's forecasts for real GDP were revised lower in June compared to March. The U.S. economy is now expected to grow 1.4% and 1.6% in 2025 and 2026 respectively, down from 1.7% and 1.8% in the March forecast. The real GDP growth forecast for 2027 was unchanged at 1.8%.

Fig. 2: The U.S. Unemployment Rate Remains Low




Sources: BLS, CPS

The unemployment rate is expected to average 4.5%, 4.5% and 4.4% in the fourth quarters of 2025, 2026 and 2027, respectively, compared to 4.4%, 4.3% and 4.3% in the March forecast.

Recent economic reports point to slower activity in the U.S. economy. The U.S. economy added 139,000 jobs in May, slightly better than the 126,000 jobs expected by economists. Job gains in March and April were revised lower by 95,000. Also, job growth in May was concentrated in health care, social assistance, and leisure and hospitality. The unemployment rate remained steady at 4.2%. The unemployment rate has remained between 4% and 4.2% in the past twelve months.

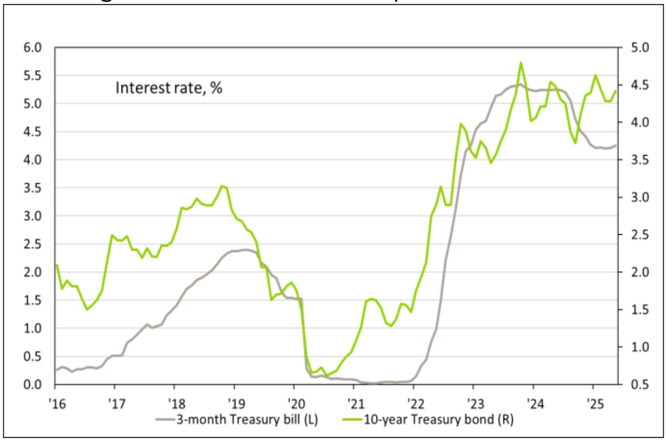
Initial jobless claims fell to 236,000 in the week ending June 21 from 246,000 in the prior week. The Department of Labor defines an initial claim as a "claim filed by an unemployed individual after a separation from an employer." The four-week moving average of initial jobless claims is near the highest level since August 25, 2023.

Housing starts in May plunged to a five-year low, driven by a big decline in the volatile multifamily segment. Single-family starts edged higher 0.4% over the month while multifamily starts fell almost 30%. Housing starts declined in all census regions except the West. The number of building permits, a leading indicator of housing market activity, also declined in May. Single-family permits declined 2.6% while multifamily permits edged lower 0.8%.

After contracting in the first quarter of 2025, the U.S. economy is expected to rebound in the second quarter, largely due to a decline in imports. Backward looking economic indicators would suggest that the FOMC should start cutting the federal funds rate; however, the U.S. economic outlook remains clouded by significant uncertainty, and policymakers are waiting to see the effects of changes to trade, immigration, fiscal and regulatory policies on the U.S. economy.

With inflation decelerating and the labor market in good shape, the FOMC is expected to keep the federal funds rate unchanged in the near term. Huntington Private Bank's forecast calls for two 25 basis point cuts in the second half of 2025.

Fig. 3: Two Fed Rate Cuts Expected in 2025




Source: Federal Reserve

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

**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 | 1.8 |
| 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 | 1.4 | 1.7 |
| 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 | 6.0 | 3.0 |
| Total Real GDP | -2.2 | 6.1 | 2.5 | 2.9 | 2.8 | 1.6 | 1.8 |
| 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 | 7.20 | 6.80 |
| 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 | 130 | 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 | 100.0 | 97.5 |

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