

Economic Outlook

MAY 2026

U.S. Economy Remains Resilient As Manufacturing Strengthens

HIGHLIGHTS

- U.S. manufacturing activity expanded in May at the fastest pace in over four years.
- Consumer spending growth was broad-based in April.
- Productivity has been a key driver of the economy’s resilience in recent years.
- Huntington Bank’s Chief Investment Office expects the Federal Reserve to keep the federal funds rate unchanged in the near term.

U.S. economic growth remained stable in May, according to flash PMI data from S&P Global. While the economy continued to expand, the three-month moving average of the composite PMI fell to its lowest level since January 2024. Manufacturing activity, however, strengthened at the fastest pace in over four years, extending the improvement in global manufacturing conditions seen thus far in 2026.

Growth in U.S. factory activity was supported by solid domestic demand, with new orders rising at the second-fastest pace in four years. The strength in new orders suggests consumer demand remains firm despite higher energy prices. Meanwhile, the inventories component rose at the fastest pace in nearly a year, likely reflecting precautionary stock building amid the U.S.-Iran conflict.

Although manufacturing activity has improved in 2026, housing market conditions remain subdued. Homebuilder confidence, as measured by the National Association of Home Builders, edged up to 37 in May from 34 in April. A reading above 50 indicates that homebuilders feel confident about the current and near-term outlook for housing. Elevated mortgage rates and high home prices continue to weigh on prospective buyers, while rising construction costs, tariffs and heightened economic uncertainty remain challenges for builders.

Consumer spending, which accounts for roughly two-thirds of the U.S. economy, has remained notably strong despite

FIGURE 1. MANUFACTURING IS OUTPERFORMING SERVICES

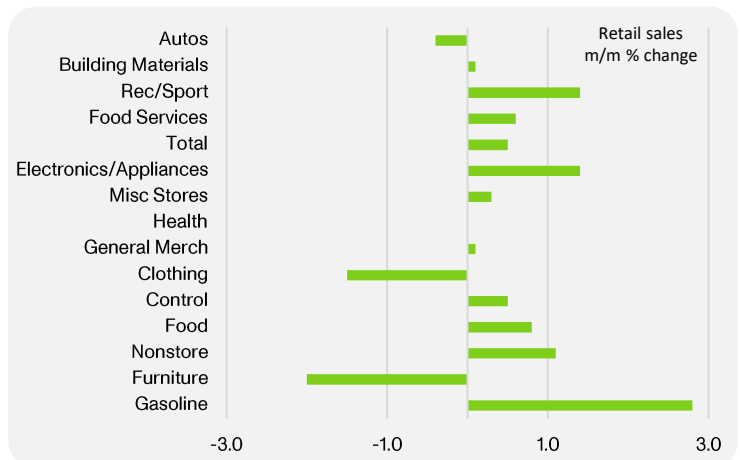


Source: S&P Global
Date: 5/27/26

elevated gas prices. Retail sales increased for a third consecutive month in April, supported in part by larger tax refunds. While some of the nominal sales growth reflected higher prices, gains were broad-based, with strength in nonstore retailers, restaurants and sporting goods stores.

Consumer spending has also been supported by declining savings. Since July 2024, spending growth has outpaced disposable income growth, pushing the personal saving rate to 3.6% in March, its lowest level since late 2022. Households have increasingly relied on credit in recent years, although debt-service burdens remain low by historical standards.

FIGURE 2. BROAD-BASED CONSUMER SPENDING IN APRIL



Source: Census Bureau
Date: 5/27/26

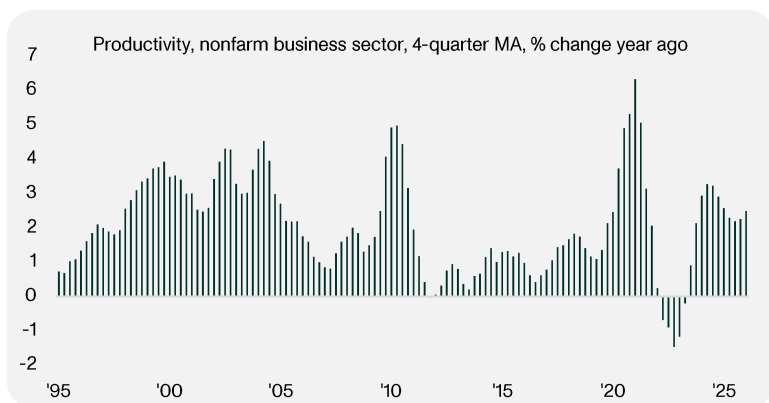
Strong productivity growth should help contain unit labor costs and ease pressure on services inflation. Productivity has remained a key driver of the economy’s resilience in recent years, helping offset supply-side shocks such as the Ukraine conflict and tariffs. Robust productivity gains may also explain why the broader U.S. economy has remained resilient despite a cooling labor market.

Huntington’s Chief Investment Office continues to forecast U.S. GDP growth in the range of 2.0% to 2.5% in 2026. The labor market is expected to remain stable and supportive of economic activity, while consumer spending should continue to benefit from healthy household balance sheets. In addition, AI-related investment, productivity gains and fiscal stimulus are expected to support growth this year. Risks to the economic outlook remain tilted to the downside.

The Federal Reserve is expected to remain on hold in the near term as policymakers assess the economic effects of the U.S.-Iran conflict. Huntington’s Chief Investment Office’s baseline expectation is for the Fed to keep the fed funds rate unchanged in the near term, with the potential for a rate cut later this year as the effects of tariffs and higher energy prices begin to fade.

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FIGURE 3. PRODUCTIVITY IS ON A SOLID TRAJECTORY



Source: Bureau of Labor Statistics
Date: 5/27/26

FIGURE 4. BASELINE ECONOMIC OUTLOOK

Indicator	2026		2027	
	Consensus View	Huntington View	Consensus View	Huntington View
Real GDP Growth	2.1%	2.0%-2.5%	2.0%	2.0%-2.5%
Unemployment Rate (Average)	4.4%	4.5%	4.3%	4.4%
Nonfarm Payrolls (Average)	61,000	0 to 50,000	71,000	0 to 50,000
PCE Inflation (YoY)	3.6%	3.0% to 3.5%	2.4%	2.5% to 3.0%
Fed Funds Rate	0 to 1 hike	0 to 1 cut	0 to 1 hike	1 to 2 cuts

¹International Energy Agency (IEA). April 2026. “Oil Market Report – April 2026.” Accessed April 22, 2026.

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