

Economic Outlook

APRIL 2026

U.S. Economic Resilience Holds Amid Iran Conflict

HIGHLIGHTS

- Consumer spending was robust in the first quarter of 2026.
- The Federal Reserve’s Beige Book suggests that economic conditions remained stable in recent weeks.
- The Federal Reserve is likely to look through a temporary energy shock.
- Huntington Bank’s Chief Investment Office expects solid economic growth through 2026.

The U.S. economy remains on solid footing in spring 2026, even as the U.S.-Iran conflict has triggered the largest energy supply disruption on record¹. While economic expansion is expected to continue through 2026, risks to the outlook are skewed to the downside.

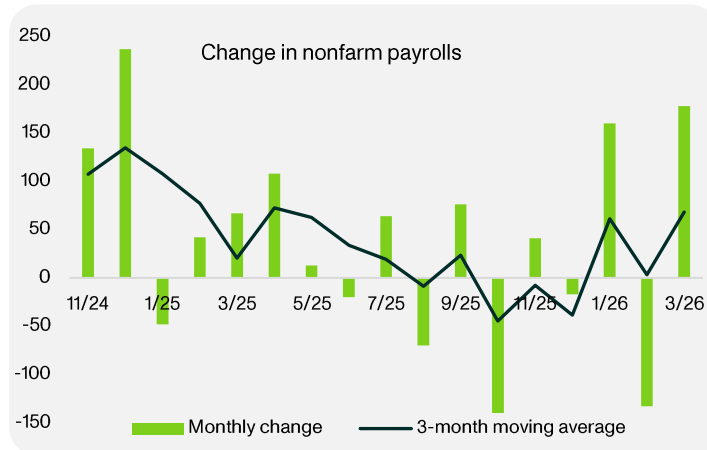
Consumer spending, which accounts for nearly two-thirds of the U.S. economy, proved resilient in Q1 2026, supported in part by larger tax refunds. Retail sales rose 1.7% in March, exceeding market expectations, with gains broadly distributed across categories.

The April Federal Reserve Beige Book, which reflects information collected after the U.S.-Iran conflict started, suggests that U.S. economic conditions remain stable. Economic activity grew at a slight to modest pace across most districts, with only a few reporting flat or modest declines.

Labor market conditions also remain steady. While job growth averaged under 15,000 over the past six months, momentum has picked up more recently, with job gains averaging just over 68,000 so far this year. Payroll growth has become more volatile in recent months, alternating between gains and losses.

Softer payroll growth over the past year largely reflects both demand- and supply-side pressures. On the demand side, restrictive monetary policy, tariffs and elevated uncertainty have weighed on business activity. On the supply side,

FIGURE 1. VOLATILE PAYROLL GROWTH



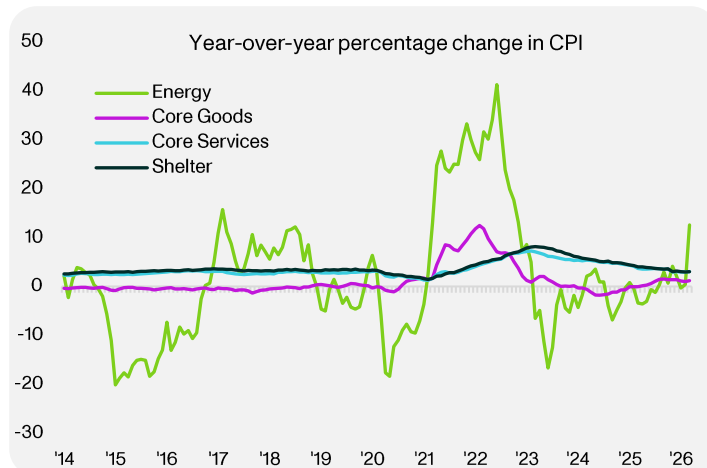
Source: Bureau of Labor Statistics
Note: thousands, seasonally adjusted

Date: 4/21/26

weaker demographic trends and tighter immigration policies have constrained labor force growth, pushing the breakeven pace of job creation lower.

Inflation picked up in March, with the headline Consumer Price Index (CPI) accelerating to 3.3% from 2.4% in February, driven largely by higher oil prices following the U.S.-Iran conflict. The gasoline index jumped 21.2% in March, marking the largest monthly increase on record. Core CPI edged up to 2.6% from 2.5% in February. The stability in core inflation suggests that underlying price pressures remain contained.

FIGURE 2. UNDERLYING INFLATION REMAINS CONTAINED



Source: Bureau of Labor Statistics
Date: 4/21/26

The inflation outlook remains constructive as tariff effects fade and labor market cooling continues. Shelter inflation, roughly one-third of headline CPI and two-fifths of core CPI, should also ease further, supporting broader disinflation. In addition, strong productivity gains would help alleviate inflationary pressures.

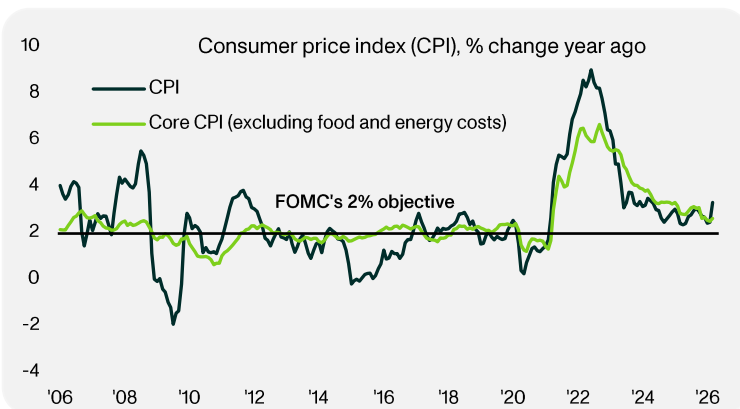
Against this backdrop, the Federal Reserve is expected to remain on hold in the near term as it assesses the economic impact of the conflict. While policymakers tend to look through temporary energy shocks, the recent spike in prices could weigh on near-term consumption. Policymakers would continue to monitor potential second-order effects on supply chains, prices and the broader economy.

Our baseline expectation for 2026 real GDP growth remains in the 2.0%–2.5% range, with tailwinds outweighing headwinds. A prolonged U.S.-Iran conflict could further erode disposable income and dampen discretionary spending, particularly among lower-income households. Upside risks include a more aggressive pace of Fed rate cuts than our baseline expectation. Stronger-than-expected gains in AI-driven investment and

productivity are also upside risks to the outlook.

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FIGURE 3. FIVE YEARS OF INFLATION ABOVE FED'S TARGET



Source: Bureau of Labor Statistics
Date: 4/21/26

FIGURE 4: BASELINE ECONOMIC OUTLOOK

Indicator	2026		2027	
	Consensus View	Huntington View	Consensus View	Huntington View
Real GDP Growth	2.2%	2.0%-2.5%	1.9%	2.0%-2.5%
Unemployment Rate (Average)	4.5%	4.5%	4.3%	4.4%
Nonfarm Payrolls (Average)	46,000	0 to 50,000	82,000	0 to 50,000
PCE Inflation (YoY)	3.0%	2.5% to 3.0%	2.2%	2.5% to 3.0%
Fed Funds Rate	No cuts	0 to 1 cut	2 to 3 cuts	1 to 2 cuts

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

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