The Economic Outlook for the Nation

- The U.S. economy (real GDP) is forecasted to grow at a moderate pace of 2.3% in 2018, close to projected 2.2% growth in 2017, and up from 1.6% in 2016.

- Consumer spending is expected to continue a gradual moderating trend. Consumers are benefitting from strengthened labor markets, solid overall finances and relatively strong consumer confidence. However, consumer pent-up demand has been easing, and personal income growth has been slowing.

- Business Equipment and Exports are expected to continue to recover from weakness in 2015 and 2016. A strong international economy is supporting commodity prices as well as export growth. Manufacturing is the strongest overall sector in 2017. Agricultural prices should benefit from rising world economic growth.

- After 2 slow years, inflation is expected to return to 2.0% in 2017, and 2.2% next year. Both short-term and long-term interest rates are probably headed upwards, but the magnitude has a high degree of uncertainty. With respect to the Fed and interest rates, our view is that the risks for the Fed Funds rate target and overall market interest rates are to the upside, which will largely depend on the net stimulatory impact of potential fiscal policy change by the new administration and Congress.
Economic Activity Volatile, but Strongest Overall since August 2005

ISM Index -- Manufacturing and Non-Manufacturing Composite
(Greater than 50 = Growth)

Most Recent Data: October 2017

Historical Data Source: Institute for Supply Management, Haver Analytics, Inc. Recessions shown in Grey
New Orders for Manufacturing and Non-Manufacturing Rising

ISM New Orders Index
(Growth Greater Than 50)

Most Recent Data: October 2017

Historical Data Source: Institute for Supply Management Haver Analytics, Inc.  Recessions shown in Grey
Unemployment Claims Trend Indicating Continued Economic Expansion

Historical Data Source: Haver Analytics, Inc.  Recessions shown in Grey
Official Unemployment Rate at 4.1% and Falling

Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey
Underemployment at 7.9% -- Lowest Since December 2006

Historical Data Source: Haver Analytics, Inc.  Recessions shown in Grey.
Workforce Participation Has Begun to Rise in Non-retirement Ages. Potential for New Workers May be Large

Historical Data Source: Haver, Inc., BLS, Recessions shown in Grey
Household Financial Obligations Ratio has Risen Somewhat, but Level Still Comparable to Early 1980s

Financial obligations have fallen on historically low interest rates and debt reductions from historically high levels.

*Financial Obligations Ratio (FOR) is an estimate of the ratio of financial obligations payments to disposable personal income. It’s a broader measure than the debt service ratio and includes automobile lease payments, rental payments on tenant-occupied property, homeowners’ insurance and property tax payments.

Historical Data Source: Haver Analytics, Inc. Recessions shown in Grey.
Debt High in All Sectors, but Households have brought down Mortgage Debt

Source: Federal Reserve Board/Haver Analytics, Inc., recessions shown in gray
Consumer inflation components have become increasingly disperse between goods, energy, food and services.

**Consumer Price Inflation**
**12 Month Percent Change**

![Graph showing consumer price inflation components from 2000 to 2017](image)

Latest data plotted: September 2017

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
Producer Prices Rising Broadly Again

Producer Prices
12 Month Percent Change

Latest data plotted: September 2017

Final Demand Excluding Food, Energy and Services
Final Demand Producer Prices

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
FIBER pointing to gradually rising inflation from lowest levels since the Great Recession

FIBER Industrial Materials Price Index Log Scale

Most Recent Data: October 2017

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
World Commodity Prices Challenged by Slow Demand Growth and Strong Supply in recent years

KR-CRB Spot Commodity Price Index: All Commodities
% Change - Year to Year  1967=100

KR-CRB Spot Commodity Price Index: Foodstuffs
% Change - Year to Year  1967=100,EOP

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey; Most Recent Data: Oct. 31, 2017
Headline Inflation has Led Long-term Interest Rates

Inflation Leads Long-term Interest Rates

Most Recent Data: September 2017

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey;
Real GDP Growth has been modest during the current Economic Recovery

Historical Data Source: Haver Analytics, Inc.  Recessions shown in Grey
Real Personal Income before taxes and transfer receipts has been volatile

Real Personal Income excluding Current Transfer Receipts

% Change - Year to Year  SAAR, Bil.Chn.2009$

Source: Bureau of Economic Analysis / Haver Analytics

Historical Data Source: Haver Analytics, Inc.  Recessions shown in Grey
Personal Income Trends Generally Upward, but real per capita disposable income growth has slowed

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
Net Farm Income ($Billions) has struggled in Current Expansion

Historical Data Source: FACTSET, Inc.  Recessions shown in Grey; Most Recent Data: 2015
Prices Received by Farmers rising in 2017; Highly sensitive to the business cycle and world economic conditions

Historical Data Source: Haver Analytics, Inc. 
Recessions in Grey

Prices Received by Farmers: All Farm Products
% Change - Year to Year  2011=100

Source: United States Department of Agriculture / Haver Analytics
Business Sales Recovering After 2-Year Slump

Business Sales -- Seasonally Adjusted
12-Month Percent Change

Most Recent Data: August 2017

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
Capital Goods Orders showing nascent signs of Business Equipment Recovery in 2017

Non-Defense Capital Goods Excluding Aircraft
12-Month Change (SA Billions$)

New Orders

Latest month plotted: September 2017

Historical Data Source: Haver Analytics, Inc.
Recessions Shown in Grey
Exports Growing Again as International Economy Improves

U.S. Exports
12 Month Percent Change

Latest data plotted: September 2017

Historical Data Source: Haver Analytics, Inc.
Recessions in Grey
The U.S. – Advanced Economy Export Growth Leader

Export Trade Volume
Monthly (January 2003 = 100)

Latest month plotted: August 2017

Historical Data Source: Haver Analytics, Inc.
Recessions in Grey
Global Growth Strongest since May 2006

Global: sentix Overall Economic Index

Source: SENTIX GmbH / Haver Analytics

Historical Data Source: Haver Analytics, Inc.
Recessions in Grey
Agricultural export prices show greater sensitivity to world economic conditions than non-agricultural export prices.
Dollar has risen strongly and held much of its gains despite drop in 2017

On Positive Side: Strong dollar could help some emerging economies to recover, although it creates debt risks for others

Most Recent Data: November 2, 2017

Foreign Exchange Value of U.S. Dollar
Nominal Trade-Weighted Indexes (3/73=100)

--- vs. Major Currencies --- vs. All Currencies

Historical Data Source: Federal Reserve, Haver Analytics, Inc., recessions shown in gray
Most Regional States Have Grown Faster than the National Average During the Economic Recovery

Philadelphia FRB Coincident Economic Activity Index Since End of Recession (June 2009)

Most Recent Data: September 2017 -- Seasonally Adjusted Data

Source: Philadelphia FRB State Coincident Indexes
Midwest Consumer Confidence in September at Highest Since 2000

Conference Board Consumer Confidence Index 1985=100

Latest month plotted: October 2017

Source: Haver Analytics, Conference Board
Recessions shown in grey
Unemployment rates drop sharply; near their lowest points since the early 2000s in most states

### September 2017 Unemployment Rates and Decline

<table>
<thead>
<tr>
<th>State</th>
<th>Unemployment</th>
<th>Decline*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin</td>
<td>3.5%</td>
<td>-5.4%</td>
</tr>
<tr>
<td>Indiana</td>
<td>3.8%</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Michigan</td>
<td>4.3%</td>
<td>-10.6%</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>4.8%</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Illinois</td>
<td>5.0%</td>
<td>-5.5%</td>
</tr>
<tr>
<td>West Virginia</td>
<td>5.1%</td>
<td>-3.1%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>5.2%</td>
<td>-5.7%</td>
</tr>
<tr>
<td>Ohio</td>
<td>5.3%</td>
<td>-5.4%</td>
</tr>
<tr>
<td><strong>U.S.</strong></td>
<td><strong>4.2%</strong></td>
<td><strong>-5.3%</strong></td>
</tr>
</tbody>
</table>

*From end of recession June 2009

**Most Recent Data: September 2017 for States**

* Historical Data Source: Haver Analytics, Inc., BLS, Recessions in Grey
State Employment Has Been Growing, But at Varying Speeds

Percent Growth in Non-farm Payrolls since End of Recession (June 2009)

Most Recent Data: August 2017 -- States Seasonally Adjusted Data

Region: Ohio, Michigan, Indiana, Pennsylvania, West Virginia, Kentucky, Illinois, Wisconsin

Historical Data Source: Haver Analytics, Inc.
Columbus MSA Surpasses Ohio, Other Large Ohio MSAs and Nation in creating jobs in New Millennium

Percent Growth in Non-farm Payrolls since January 2000

- Ohio
- Columbus MSA
- Cincinnati MSA
- Cleveland MSA
- U.S.

Most Recent Data: August 2017 -- Seasonally Adjusted Data

Historical Data Source: Haver Analytics, Inc.
Private Sector Goods – the Strongest Growth Area of the Ohio Economy in the Recovery

Ohio Real GSP (Chained 2009 $)
Annual Rate of Change

Most Recent Data: 2016

Historical Data Source: Haver Analytics, Inc.
Ohio not yet experiencing the lift in exports of other states in 2017

Total Monthly Exports (Mil. $)
3-Month Moving Average / Non-Seasonally Adjusted

Most Recent Data: August 2017; Non-Seasonally Adjusted

Historical Data Source: Haver Analytics, Inc.
The Philadelphia FRB Leading Indicator predicts strong regional growth in next 6 months except for Michigan and Indiana.
Housing Markets have been generally more stable in the region than in the country

Source: Haver Analytics, Inc.
Housing affordability highest in the Midwest

Most Recent Data: August 2017

Median family income qualifies for 80% mortgage on median priced home.

Source: Haver Analytics, Inc.
National Association of Realtors (NAR)
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Data Sources: Haver Analytics, FACTSET and and other sources shown for applicable slides

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