Ohio Economic Outlook Report

April 2025

Executive Summary

The Ohio Chamber of Commerce's Economic Advisor Council presents this April 2025 economic outlook amid growing concerns about economic headwinds. The Federal Reserve's decision to maintain rates while slowing balance sheet reduction signals vigilance toward mounting risks. Council members now express heightened uncertainty surrounding the implementation of new federal policies, particularly tariffs, and their potential impacts on both national and Ohio-specific economic conditions.

Key findings include:

- **Federal Funds Rate**: Projected to end 2025 between 3.75% and 4.50%, with most expecting only one or two rate cuts this year
- **Recession Risk**: Probability of a U.S. recession has increased significantly, with estimates ranging from 10% to 75% (median 40%)
- **Ohio Growth**: Real Ohio GDP growth for 2025 is forecast at approximately 1.0%, slower than national projections
- **Inflation**: Core PCE inflation projected to remain above the Fed's 2% target, around 2.75-3.0% by year-end
- **Employment**: Ohio's unemployment rate expected to rise to 4.5-5.0% in 2025

The shift in our outlook reflects a rapidly evolving economic environment where policy uncertainty, inflation concerns, and slowing growth have converged to create more complex conditions for Ohio businesses.

Monetary Policy and Interest Rates

Council members project a federal funds rate between 3.75% and 4.50% by year-end 2025, reflecting fewer rate cuts than anticipated in our previous assessment. "Given economic uncertainties such as trade wars or restructuring of the federal government, the FED will not change the federal funds rate target at the end of 2025," noted one council member.

The Federal Reserve's recent statement noting "uncertainty around the economic outlook has increased" is interpreted by members as reflecting the difficult position the Fed now faces. Most expect rate adjustments to be postponed until Q3 or Q4 of 2025, if they occur at all this year.

Regarding longer-term rates, the 10-year U.S. Treasury yield is projected to end 2025 between 4.0% and 4.75%, with most estimates centering around 4.3-4.4%. Some members noted concerns about yield curve dynamics, with one cautioning, "The short-term yield curve (10-year—30-day) inverted this week. If trade friction does not ease, I expect the longer-term yield curve (10-year—2-year) to invert soon."

Economic Growth Outlook

Recession Risk: A Growing Concern

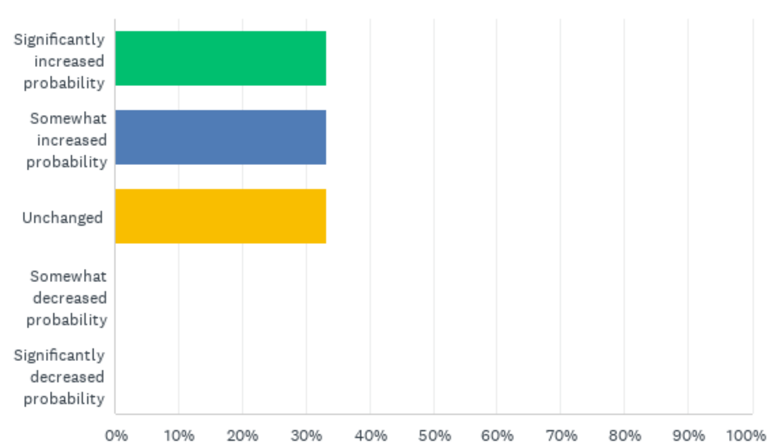
Recession probability estimates have increased significantly, ranging from 10% to 75% with a median of approximately 40%. Six of nine members indicated their outlooks had worsened in recent months.

Factors driving increased recession concerns include:

- Trade tensions and tariff implementation
- Growing economic uncertainty affecting business confidence
- Rising inflation expectations alongside slowing consumer spending
- Potential for stagflationary pressures

"Uncertainty often hampers economic growth, as consumers and businesses postpone spending - and current indicators suggest even greater uncertainty ahead," one member observed. Another noted that "Growth forecasts are rapidly decreasing as inflation expectations are increasing extremely quickly and sentiment for both consumers and businesses are dropping."

Q7 How has your outlook changed over the past 3 months on the probability that the U.S. enters into a recession in the next 12 months?



Ohio GDP Growth

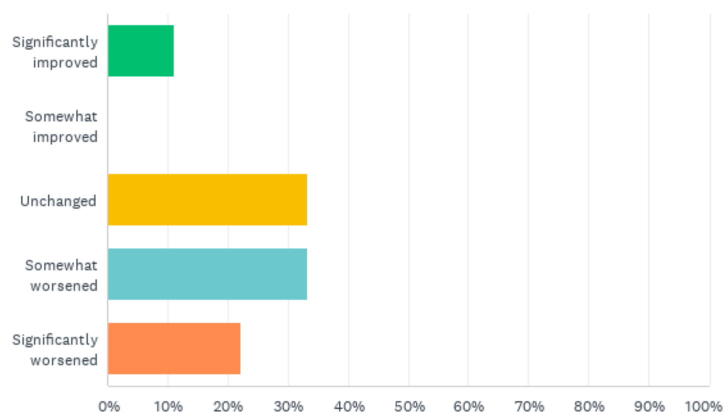
The consensus projection for Real Ohio GDP growth in 2025 is approximately 1.0%, with estimates ranging from -1.5% to 1.6%. This represents a downward revision from previous forecasts, with five members indicating their outlooks had worsened.

Ohio-specific challenges identified by the council include:

- Greater vulnerability to tariffs due to manufacturing concentration
- Supply chain disruptions for key industries
- Higher unemployment than the national average
- Regional variation, with stronger performance in urban centers

"Ohio is more leveraged to areas of the economy that will be hit the hardest in the event of prolonged tariffs, economic stagflation, or a recession," one member explained.

Q12 How has your outlook changed over the past 3 months on the Real Ohio GDP growth in 2025?



Labor Market Conditions

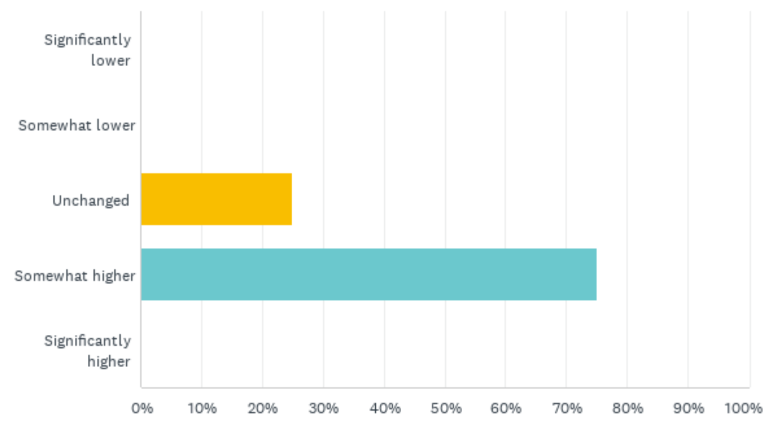
Council members project Ohio's average U-3 unemployment rate for 2025 to be between 4.0% and 5.0%, with most estimates clustering around 4.5-4.9%. Five members indicated they expect higher unemployment than previously forecast.

The council identified both cyclical and structural factors affecting Ohio's labor market:

- Disproportionate impact of tariffs on manufacturing-intensive regions
- Greater vulnerability to trade disruptions compared to service-oriented economies
- Persistent skills mismatches despite rising overall unemployment
- Regional differences, with central Ohio faring better than other regions

"Ohio seems to be diverging somewhat based on higher unemployment rates and lower private sector growth," one member noted, though this varied significantly by region.

Q14 How has your outlook changed over the past 3 months on Ohio's Average U-3 unemployment rate in 2025?



Inflation Outlook

Council members project U.S. core PCE inflation to end 2025 between 2.7% and 3.5%, with a consensus around 2.9-3.0%. This remains significantly above the Federal Reserve's 2% target.

Primary inflation drivers include:

- Trade tariffs increasing import costs
- Supply chain disruptions
- Labor market tightness in specific sectors
- Rising inflation expectations

Ohio-specific inflation factors identified by the council include heightened sensitivity to industrial input costs (particularly steel and aluminum), rising construction costs, and potential increases in food production expenses. As one member observed, "Tariff impacts will be magnified for Ohio industry supply chains and export market exposure to retaliatory tariffs."

Impact of Federal Policies

Trade Policy: The Dominant Concern

Trade policy emerged as the central economic concern across council responses, with all members highlighting tariffs as having potentially significant implications.

Channels through which tariffs are expected to affect economic outcomes include:

- Increased inflationary pressures
- Disrupted supply chains

- Reduced business investment due to uncertainty
- Potential retaliatory measures from trading partners

"Tariffs likely to be the biggest short term impact on all of these - markets and supply chains do not like uncertainty, and continual changes to policy will prevent businesses from making investment plans and hiring for new positions," one member explained.

Business Investment and Consumer Spending

Most council members anticipate slowing business investment and consumer spending in Ohio during 2025. "Uncertainty will likely cause business investment and consumer spending to slow as businesses and households wait it out," one member observed. Another noted "high variable depending on national conditions - significant risk of consumer spending dropoffs if local infrastructure and industry site location projects are paused."

Sector-Specific Outlook

The council identified significant variation in economic prospects across Ohio's industrial sectors:

Sectors expected to outperform:

- Healthcare (particularly in urban centers)
- Technology (primarily in metropolitan areas)
- Select manufacturing subsectors, including potentially steel

Sectors facing challenges:

- Automotive and auto supply chain
- Manufacturing dependent on imported inputs
- Agriculture, particularly export-oriented commodities
- Construction (due to material cost increases)

"I don't like the outlook for anything auto related - that includes not only cars, but car parts, etc. The auto tariffs are likely to have very significant negative ripple effects that could hurt Ohio more than expected," one council member cautioned.

Strategic Considerations for Ohio

Council members offered several strategic priorities for Ohio businesses and policymakers:

- **Supply Chain Management**: "To the extent they have not already, I would encourage members to diversify their supply chain, expand their supplier base, consider the effect of price increases on their demand, and explore relocating manufacturing hubs if they are not in the U.S."

- **Workforce Development**: "Ohio has to concentrate on long-term investments in human capital (workforce training and education)."
- **Contingency Planning**: "Ohio businesses should be actively monitoring their access to credit (and at what cost), as well as how their suppliers, trade partners, and customers are adjusting in this more uncertain world."
- **Regional Strengths**: Leveraging growth in healthcare and technology clusters in urban centers, while addressing challenges in manufacturing-intensive regions.

Conclusion

The Economic Advisor Council's April 2025 outlook reflects a significantly more complex and uncertain economic landscape than in previous assessments. While the baseline projection suggests modest growth of approximately 1%, substantial downside risks exist.

The convergence of trade policy implementation, inflation persistence, and signs of slowing growth creates a challenging environment that requires heightened vigilance and adaptability. Despite these challenges, the council identified potential opportunities for Ohio businesses that successfully navigate these conditions.

The council will continue to monitor economic indicators closely, particularly those related to trade policy implementation, inflation trends, and consumer spending patterns, providing updated guidance as conditions evolve.

Summary of Verbatim Responses

These responses have been edited for clarity while preserving the core insights from council members.

On Federal Reserve Policy

Federal Funds Rate Projections:

- "Given economic uncertainties such as trade wars or restructuring of the federal government, the FED will not change the federal funds rate target at the end of 2025: My projection will be in the 4.25-4.50% range."
- "4¼ - 4. Previously I had stated I expected two rate cuts of 25 basis points each in 2025. Given that it is March, policy uncertainty remains stubbornly high (with no end in sight), promised tax cuts are yet to come, and inflationary expectations are significantly elevated, I believe the Fed will be in more of a wait and see mode than I thought just a few months ago."
- "4% recent inflation estimates are higher than expected and still a concern as is rising unemployment with significant uncertainty around trade policies. The Federal Reserve has to balance inflation and unemployment concerns."

Fed Communication Interpretation:

- "More of a wait and see approach than we would have thought in December. Inflation is still stubbornly above 2 percent with inflationary expectations rising, all of which makes the Fed's job harder and requires a greater period of time to assess the economic landscape."
- "Rate adjustments will be harder to predict given the increased uncertainties in trade policies, for example, thus any rate adjustments will be dependent on the changes reflected in the data."
- "The Fed is acknowledging that it will have to hold rates steady if fiscal and tariff policies lead to stagflation, but it might be able to cut rates if these policies create a recession that cuts aggregate demand for goods and services."

Rate Cut Timeline:

- "One cut of 25 basis points. I expect it in the 3rd or 4th quarter of 2025. The Fed can't afford to be out ahead of the Administration's policies on tariffs, taxes, immigration and regulation. So they really have no choice but to wait and see how it all unfolds."
- "Changes are less likely to happen in Q2 and more likely in Q3 or Q4 as the Fed takes a more wait-and-see approach with the more uncertain policy climate."
- "Given the elevated risk of recession, there will probably be a rate cut next quarter."

On Economic Growth and Recession Risk

Recession Probability:

- "10%. The U.S. is moving toward a new era. I do not think the economy will gloom in the near future. But, I do not expect anything bad either. It will take some time to see the benefits of current actions."
- "I remain unchanged from my 4Q forecast that there is a 60% chance of a recession. DOGE cuts and tariff policy are pushing the likelihood of a recession significantly higher. But I now expect a more significant tax cut than I had imagined in 4Q 2024."
- "40% Uncertainty often hampers economic growth, as consumers and businesses postpone spending - and current indicators suggest even greater uncertainty ahead. With recent smaller than projected consumer spending, which accounts for the majority of GDP, economic momentum may weaken further."
- "Greater than 50%, as there is at least a 50% chance that the Trump administration does not believe a "soft landing" is feasible. Policy makers may deliberately attempt to engineer their own version of a "Volcker Shock" to quickly bring down inflation and interest rates."

Ohio GDP Growth:

- "About 1%. The Ohio economy is attached to the rest of the world. It is affected by trade wars."

- "NA. Slower than the U.S. as a whole. Administration's tariff policy, and retaliatory tariffs, will hurt Ohio more than most states."
- "About 1%, likely lagging behind the national average, reflecting a tight labor market and sector-specific challenges."
- "-1.5% Due to lay-offs in auto supply and consumer durable supply chains, increased costs of construction due to jumps in the price of construction materials (steel, aluminum and wood), and increases in the cost of Canadian-supplied gasoline."

On Inflation and Trade Impacts

Core PCE Projections:

- "About 2.7%. I do not expect things to change much."
- "I look for core PCE to come in similar to what it has recently at about 2.8%. Tariffs and tax cuts keep it elevated; DOGE cuts and regulatory policy will push it down."
- "2.75% persistent inflationary pressures from trade tensions, tariffs, and supply chain disruptions."
- "3.25-3.50% This assumes one or more policy missteps by the Trump administration that force the economy into stagflation."

Trade Policy Impacts:

- "The trade wars will definitely affect the industries in Ohio and seem to last for a while."
- "Tariffs will have the most impact on all 3. But I expect an aggressive tax cut policy later this year which may offset tariffs as the fundamental driver going forward."
- "Tariffs have a role when strategically placed, but it seems that tariffs are being placed too quickly without thoughtful strategy."
- "In the short run, we might suffer from a lower economic growth and higher inflation. In the long run, we can see the benefit of those policies. The U.S. is in transition. The state of Ohio needs to deal with supply chain issues due to trade wars."

On Ohio-Specific Factors

Sector Outlook:

- "The technology, healthcare, and manufacturing sectors will outperform in 2025 due to aging population, technological advancements, and recovery of the manufacturing sector."
- "I don't like the outlook for anything auto related - that includes not only cars, but car parts, etc. The auto tariffs are likely to have very significant negative ripple effects that could hurt Ohio more than expected. I also don't like the outlook for aluminum, steel, as well as for some agricultural products (soybeans in particular)."
- "I'd expect leisure and hospitality to underperform as less investment goes to natural amenities and public goods such as parks, K-12 etc."
- "Autos, construction, agriculture, aircraft supply chain, health care, restaurant and hospitality, travel & tourism. Anything that uses steel and aluminum."

Regional Considerations:

- "Manufacturing is an important industry in Ohio, which was hit worst. The sector has been recovering. Having a diverse industry helps Ohio to have stable economic growth."
- "Ohio's economic outlook is shaped by its continued reliance on manufacturing - an industry where automation has significantly reduced the number of jobs - and economic development policies that try to lure new plants here with fiscal incentives rather than invest in productive amenities and consumption amenities to keep and attract people and businesses."
- "While Ohio's labor market shares some similarities with national conditions, it also faces unique challenges, including a higher unemployment rate and sector-specific fluctuations (e.g. reliance on manufacturing)."
- "Strong economic performance in a few urban markets within Ohio (i.e. Columbus) have been masking the state's broader vulnerability to an inflation-led cyclical downturn that leads to a recession."

On Strategic Recommendations

- "To the extent they have not already, I would encourage members to diversify their supply chain, expand their supplier base, consider the effect of price increases on their demand, and explore relocating manufacturing hubs if they are not in the U.S. Also plan to cut costs to pay for tariff mitigation measures."
- "If I were an Ohio business I would be extremely mindful and try to plan ahead should the Administration's tariff policy hit my suppliers."
- "Economic uncertainty is currently 2-3 times higher than when the Administration took office in January. This makes the economy, and financial markets, more vulnerable to shocks. Ohio businesses should be actively monitoring their access to credit (and at what cost), as well as how their suppliers, trade partners, and customers are adjusting in this more uncertain world."
- "The U.S. seems to be on the right track. It might take a while to see the benefits of the current economic policies. They might be painful in the short run."

This report represents the collective views of the Ohio Economic Advisor Council based on survey responses collected in April 2025. Individual opinions may vary.