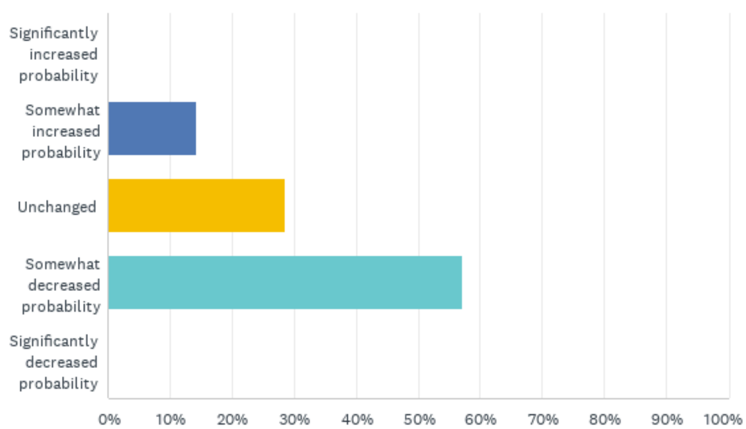
Ohio Economic Outlook Report

August 2025

Executive Summary

The Ohio Chamber of Commerce's Economic Advisor Council presents this August 2025 economic outlook with cautious optimism tempered by persistent uncertainties. While some immediate recession fears have moderated since our April assessment, council members remain concerned about the medium-term economic trajectory amid ongoing trade policy uncertainty and mixed economic signals.

Q8 How has your outlook changed since our April survey on the probability that the U.S. enters into a recession in 2025?



The Federal Reserve's June statement that "uncertainty about the economic outlook has diminished but remains elevated" reflects the current environment where strong market performance contrasts sharply with economic fundamentals. The S&P 500 continues hitting records despite GDP declining in the first quarter, creating a disconnect that concerns several council members.

Key findings include:

- **Federal Funds Rate**: Projected to end 2025 between 3.75% and 4.50%, with most expecting one to two rate cuts

- **Recession Risk**: Probability estimates range from 5% to 60%, with most clustering around 30-40%
- **Ohio Growth**: Real Ohio GDP growth projected at approximately 1.0-1.5%, continuing to lag national averages
- **Inflation**: Core PCE inflation expected to rise to 2.7-3.5% by year-end due to tariff impacts
- **Employment**: Ohio's unemployment rate forecast at 4.5-5.5%, higher than national levels

The passage of the Republican domestic policy bill provides some fiscal stimulus, but council members express concerns about its inflationary implications and long-term fiscal sustainability. Trade policy remains the dominant uncertainty, with the administration's ambitious goal of 90 trade deals in 90 days appearing increasingly unlikely.

Monetary Policy and Interest Rates

Council members project the federal funds rate to end 2025 between 3.75% and 4.50%, reflecting expectations for modest easing despite persistent inflation concerns. This represents a slight increase in optimism for rate cuts compared to our April survey, though members remain divided on the timing and magnitude of potential cuts.

"CPI is still within the range of expectations. Pressure to start easing policy will continue to ramp up, but there appears to be little appetite to cut among Fed policymakers at the end of July," observed one council member. Another noted that "inflation is showing signs of impacts from tariffs, which is the big concern. But inflation as a whole is still largely under control while continuing unemployment claims are ticking up."

The council identified several factors influencing Fed policy:

- Core inflation remaining above the 2% target
- Signs of labor market softening
- Ongoing uncertainty about tariff impacts on prices
- Political pressures on Fed independence

Regarding the timing of rate cuts, expectations center on Q3 and Q4, with most members anticipating one to two 25-basis-point cuts. "If CPI remains manageable and we see more job growth moderation, assume two quarter-point rate cuts this year, the first in September and the other at December's meeting," one member projected.

Fed Independence Concerns

Several council members expressed concern about political pressure on the Federal Reserve, particularly regarding Treasury Secretary Bessent's suggestion of naming a "shadow Fed chair" before Powell's term expires. "It would politicize the Fed to where certain actors may bend monetary policy to the wishes of politicians for political reasons. This would be a terrible development for economic and market stability," warned one member.

However, another member was more sanguine, noting, "Having spent over a decade in Washington, D.C., I believe this is nothing but presidential posturing."

Treasury Yields and Market Conditions

The 10-year Treasury yield is projected to end 2025 between 4.0% and 5.0%, with most estimates clustering around 4.3-4.4%. One member projects a higher end of the range at 5%, expecting "the stagflationary spike from the trade war will drive up the rate from its current value of 4.5%."

Economic Growth and Market Dynamics

GDP Decline vs. Market Strength

The contrast between the first quarter's GDP decline and continued S&P 500 records has created confusion about underlying economic fundamentals. Council members offered various explanations for this disconnect.

"The common assumption is that GDP fell as firms imported more than they exported in order to 'frontload' inventory ahead of tariffs taking effect," one member explained. Another noted, "U.S. companies have handled tariff policy since Liberation Day better than the market had initially anticipated."

Several members characterized current market levels as overvalued, with one noting, "I think the market is underestimating the policy risk we're living under."

Recession Probability

Recession risk assessments have moderated slightly since April, with probabilities ranging from 5% to 60% and most clustering around 30-40%. This represents a modest improvement from our previous survey.

Factors supporting lower recession risk include:

- Consumer confidence showing signs of recovery
- Tariff deadlines being pushed back rather than implemented
- Resilient corporate earnings and market performance
- Passage of fiscal stimulus legislation

However, significant risks remain:

- Persistent trade policy uncertainty
- Potential for tariff-induced stagflation
- Weakening labor market indicators
- Consumer spending pressures on lower-income households

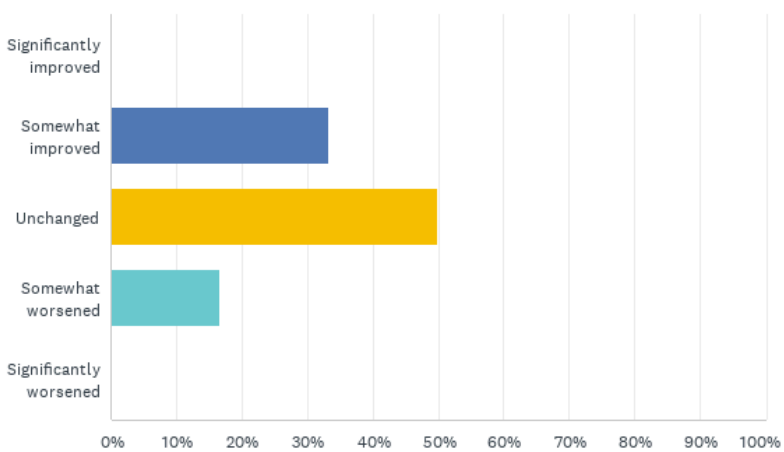
"Consumer confidence is rebounding as tariffs continue to get pushed out/renegotiated," noted one optimistic member. Conversely, another warned, "Policy chaos on tariffs is hurting US investment in plant (especially in manufacturing) and is holding off the pass-through of cost increases to consumers."

Ohio Economic Outlook

GDP Growth Projections

Council members project Real Ohio GDP growth for 2025 between 1.0% and 1.5%, with most estimates clustering around 1.2-1.3%. This continues the pattern of Ohio lagging the national average, though some members have modestly improved their outlooks since April.

Q14 How has your outlook changed since our April survey on Real Ohio GDP growth in 2025?



"Ohio's real GDP growth should be around 1 percent in 2025. This indicates a continuation of the decelerating trend seen in the previous two years thanks to uncertainty, tariffs, deportations, and consumers at the lower end of the income spectrum pulling back," one member observed.

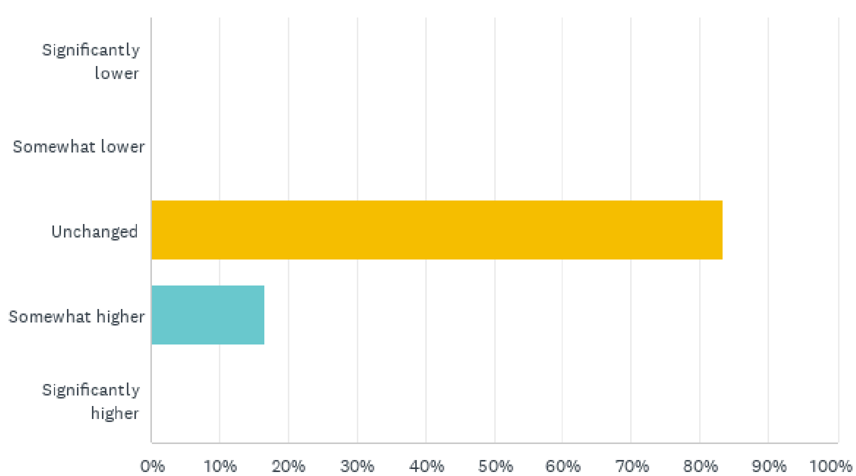
Regional variation within Ohio remains significant, with one member noting, "Real GDP in Ohio has been declining since the fourth quarter of 2023, sliding from 2.99% to 2.06% in 25(1). I expect this slide to continue due to the export exposure of the state's economic base and declines in consumer confidence."

Employment Outlook

Ohio's unemployment rate is projected to range from 4.5% to 5.5% in 2025, with most estimates around 4.6-4.9%. This represents a continuation of the state's higher unemployment relative to national averages.

"Around 4.6 - 4.8%. I think we'll lag the US due to our higher mix of manufacturing and tariff-sensitive industries but I also don't think tariffs will hit industry too hard until 2026," one member projected. Another was more pessimistic, forecasting that "at year-end 2025, the rate could be 5.5%."

Q16 How has your outlook changed since our April survey on Ohio's Average U-3 unemployment rate in 2025?



The council identified several Ohio-specific employment challenges:

- Higher exposure to tariff-sensitive manufacturing industries
- Regional variation with urban centers outperforming rural areas
- Skills mismatches persisting despite rising unemployment
- Potential labor shortages in agriculture and construction due to immigration policies

Economic Resilience

Council members generally characterized Ohio's economy as following national trends but with some distinct vulnerabilities. "Ohio is about 5 to 10 basis points less resilient than the U.S. national average," one member assessed.

Key resilience factors identified include:

- Economic diversification providing some stability
- Strong performance in urban centers like Columbus
- Continued investment in advanced manufacturing and technology
- Healthcare sector growth driven by demographics

However, vulnerabilities include:

- Higher dependence on manufacturing and trade-sensitive sectors
- Exposure to supply chain disruptions
- Regional disparities between urban and rural areas
- Potential impacts from reduced federal funding for key projects

Trade Policy and Dollar Weakness

Trade Negotiations and Uncertainty

The administration's goal of achieving 90 trade deals in 90 days has proven increasingly unrealistic, with council members expressing frustration about continued uncertainty. "90 deals in 90 days was never going to happen. Trade deals often take many months or years to negotiate. This was simply political posturing," one member observed.

This prolonged uncertainty continues to affect business planning and investment decisions. "Trade policy will not be resolved until late 2025 or possibly even 2026. U.S. and Ohio businesses hoping for trade policy clarity will be disappointed so plan accordingly," another member cautioned.

Dollar Weakness Implications

The dollar's significant weakness this year—its worst start in more than half a century—has created mixed implications for Ohio's economy:

Positive impacts:

- Increased competitiveness for Ohio exporters
- Potential boost to agricultural exports

- Benefits for manufacturing sectors competing with imports

Negative impacts:

- Higher import costs contributing to inflation
- Increased costs for businesses dependent on foreign inputs
- General inflationary pressures throughout the economy

"Higher import prices, costlier international travel, and inflationary pressure on U.S. consumers. For Ohio's exporters, it may make their products more competitive," one member summarized.

Inflation Outlook and Tariff Impacts

Core PCE Projections

Council members project U.S. core PCE inflation to end 2025 between 2.7% and 5.0%, with most estimates clustering around 3.0-3.5%. This represents a significant increase from current levels and reflects growing concern about tariff pass-through effects.

"So far, the pass-through effect from tariffs to consumer prices has been muted. It's early, and businesses prepared for higher costs by preemptively stocking up before tariffs were implemented. Nevertheless, this is not a feasible long-term strategy for firms," one member explained.

Timing of Tariff Impacts

Most council members expect tariff impacts to become more visible in the second half of 2025 as businesses exhaust pre-tariff inventory stockpiles. "The majority of price increases from new and expanded tariffs have not yet worked fully through the supply chain with impacts expected to begin to occur at scale in H2 2025," one member noted.

Several members identified specific Ohio inflation risks:

- Manufacturing input costs, particularly steel and aluminum
- Construction materials affecting infrastructure projects
- Labor costs due to potential deportation impacts
- Energy and utility price volatility

Sector-Specific Outlook

Outperforming Sectors

Council members identified several sectors expected to perform relatively well in the second half of 2025:

Agriculture and Exports: Dollar weakness should benefit Ohio's agricultural exporters, though this is tempered by ongoing trade negotiations. "Any export-heavy industry--agriculture comes to mind first," one member noted as likely to outperform.

Advanced Manufacturing and Technology: Continued investment in high-tech manufacturing, particularly in urban centers, should support growth. "Expect emerging advanced manufacturing/tech sectors to outperform due to new projects and state incentives," one member projected.

Healthcare: Demographics and ongoing consolidation trends support continued growth in healthcare sectors.

Construction and Financial Services: Some members expect these sectors to benefit from fiscal stimulus and potential infrastructure investment.

Underperforming Sectors

Several sectors face significant headwinds:

Traditional Manufacturing: Particularly vulnerable to tariff impacts and supply chain disruptions. "Legacy manufacturing perhaps to under perform due to international trade impacts," one member cautioned.

Import-Dependent Industries: Sectors relying heavily on foreign inputs face rising costs. "Immigrant-dependent industries (agriculture, construction, certain areas of leisure and hospitality) and those reliant on foreign inputs (assemblers, toys, etc.) will likely suffer," one member warned.

Retail and Consumer Services: Pressures on lower-income consumer spending may affect these sectors. "Consumer/retail industries likely to under perform due to weak consumer confidence/spending," another member noted.

Automotive: Continued challenges from tariffs and supply chain disruptions. "A significant portion of Ohio's imports are intermediate goods. With tariff impact being felt more and continued tariff uncertainty through the end of the year, industries like manufacturing, machinery, autos and construction are likely to be particularly vulnerable."

Legislative and Policy Impacts

Republican Domestic Policy Bill

The passage and signing of the Republican domestic policy bill with line-item vetoes has created mixed expectations for economic impact. Council members generally view the legislation as providing short-term stimulus while raising long-term concerns about fiscal sustainability.

Positive impacts identified:

- Tax cuts providing some consumer spending boost
- Business tax breaks potentially supporting investment
- Infrastructure and defense spending supporting specific sectors

Concerns raised:

- Increased deficit spending contributing to inflation
- Disproportionate benefits to higher-income households
- Long-term fiscal sustainability questions
- Potential impacts on rural hospitals and social services

"Tax cuts were always going to happen. Combined with increases in government spending, we will see some positive impact on the economy. But the structure of the tax cuts, as well as reductions in social program spending is going to have a disproportionately negative impact on lower-income and poor individuals," one member observed.

Business Planning Implications

The continued policy uncertainty significantly affects business planning and investment decisions. "Very significant, business planning challenges range from difficulty in projecting after-tax cash flows, uncertainty around longevity of federal and state incentives, general sense of caution in terms of awaiting fallout that reduces commitments to large scale investments or hiring," one member noted.

Regional Considerations and Strategic Responses

Ohio's Competitive Position

Council members identified both challenges and opportunities for Ohio's economic development:

Ohio's Advantages:

- Economic diversification reducing dependence on any single sector
- Strong urban centers with growing technology and healthcare clusters
- Competitive cost structure relative to other states

- Continued investment in advanced manufacturing capabilities

Challenges:

- Higher exposure to trade-sensitive industries than national average
- Regional disparities between urban and rural areas
- Skills gaps in key sectors despite rising unemployment
- Dependence on federal funding for major development projects

Strategic Recommendations

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

Supply Chain Management: "Manufacturers that have exposure to foreign supply chains and are reliant on foreign parts or inputs will have an extremely hard time budgeting and planning," one member warned, emphasizing the need for supply chain diversification.

Workforce Development: Continued investment in skills training remains critical. "Must continue to invest in skills-based workforce development and training programs across industries," another member noted.

Technology Adoption: "Those that best adopt AI will have an advantage," one member observed, highlighting the importance of technological adaptation.

Contingency Planning: Given ongoing uncertainties, businesses need robust contingency plans for various economic scenarios.

Conclusion

The Economic Advisor Council's August 2025 outlook reflects a complex economic environment where short-term risks have moderated but medium-term uncertainties persist. While immediate recession fears have diminished somewhat, the fundamental challenges of trade policy uncertainty, inflation pressures, and fiscal sustainability remain unresolved.

Ohio's economic outlook continues to face headwinds from its manufacturing base and trade exposure, though urban centers and diversified sectors provide some resilience. The state's performance will likely continue to track slightly below national averages, with significant regional variation between metropolitan and rural areas.

Key factors to monitor in the coming months include:

- Implementation and impacts of remaining tariff policies
- Federal Reserve policy decisions amid competing inflation and growth pressures

- Consumer spending patterns as fiscal stimulus effects emerge
- Business investment decisions under continued policy uncertainty

The council emphasizes the importance of maintaining flexibility and preparing for multiple scenarios as economic conditions continue to evolve rapidly.

Summary of Verbatim Responses

On Federal Reserve Policy

Federal Funds Rate Expectations:

- "Still 4.25-4.5 since the inflation is above the fed's target level."
- "4.0 -4.25 with one rate cut of 25 basis points at most. Despite signs of weakness in the economy, this Federal Reserve is committed to not losing control of the inflation rate."
- "2 25 bp cuts--so 3.75-4. Inflation is showing signs of impacts from tariffs, which is the big concern. But inflation as a whole is still largely under control while continuing unemployment claims are ticking up."

Fed Independence Concerns:

- "It would politicize the Fed to where certain actors may bend monetary policy to the wishes of politicians for political reasons. This would be a terrible development for economic and market stability."
- "Having spent over a decade in Washington, D.C., I believe this is nothing but presidential posturing."
- "Principle of central bank independence is a key anchor of market confidence/stability - anything that undermines this is likely to increase volatility and reduce effectiveness of policy signals."

On Economic Growth and Market Conditions

GDP vs. Market Performance:

- "I do not think the U.S. economy is weak. This happened because there was a surge in imports ahead of a tariff increase. The domestic activity still remains strong."
- "GDP fell as a result of a bunch of imports as companies tried to get ahead of tariffs. I don't expect GDP to turn negative again for any quarters this year."
- "I think the market is underestimating the policy risk we're living under."

Recession Probability:

- "5% because the U.S. economy is on the right track."
- "I continue to put a 60 percent probability on a recession. The economy is slowing, but we have yet to see the full impact of the 4 pillars of the President's policy."
- "40%. Consumer confidence is rebounding as tariffs continue to get pushed out/renegotiated."

On Trade Policy and Dollar Impacts

Trade Deal Expectations:

- "90 deals in 90 days was never going to happen. Trade deals often take many months or years to negotiate. This was simply political posturing."
- "90 days was neither serious nor credible. Historical data shows that on average, for all US trade deals across all trading partners, it takes 46 months from the commencement of trade talks to implement a trade deal."

Dollar Weakness:

- "Higher import prices, costlier international travel, and inflationary pressure on U.S. consumers. For Ohio's exporters, it may make their products more competitive."
- "It will push inflation higher for imported goods and boost exports. It increases our economic competitiveness for products but makes consumers poorer."

On Ohio-Specific Factors

GDP Growth:

- "About 1.5%. The challenges are trade wars and high interest rates."
- "Ohio's real GDP growth should be around 1 percent in 2025. This indicates a continuation of the decelerating trend seen in the previous two years thanks to uncertainty, tariffs, deportations, and consumers at the lower end of the income spectrum pulling back."
- "Likely around 1.2-1.5%, but could range up to 2% or closer to 1% depending on labor market and business investment trends."

Sector Outlook:

- "Outperform: construction, financial services, health, high tech manufacturing; underperform: manufacturing (traditional), agriculture (lower prices), retail"
- "Immigrant-dependent industries (agriculture, construction, certain areas of leisure and hospitality) and those reliant on foreign inputs (assemblers, toys, etc.) will likely suffer."
- "Any export-heavy industry--agriculture comes to mind first"

On Inflation and Policy Impacts

Inflation Projections:

- "A slight increase: about 3.25% due to tariffs and uncertainties."
- "So far, the pass-through effect from tariffs to consumer prices has been muted... We assume inflation accelerates in the second half of 2025 and into 2026, with core PCE peaking close to 3% - 3.5%."
- "The majority of price increases from new and expanded tariffs have not yet worked fully through the supply chain with impacts expected to begin to occur at scale in H2 2025."

Legislative Impact:

- "Tax cuts were always going to happen. Combined with increases in government spending, we will see some positive impact on the economy. But the structure of the tax cuts... is going to have a disproportionately negative impact on lower-income and poor individuals."
- "Very worried about rural hospitals, industries reliant on immigrant labor, and lower-income households reliant on Medicaid and public assistance."

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