OHIO CHAMBER OF COMMERCE
RESEARCH FOUNDATION

OHIO CHAMBER ECONOMIC ADVISOR COUNCIL

OHIO ECONOMIC OUTLOOK REPORT

JULY 2026

Ohio Economic Outlook Report

Mid-Year Review — July 2026

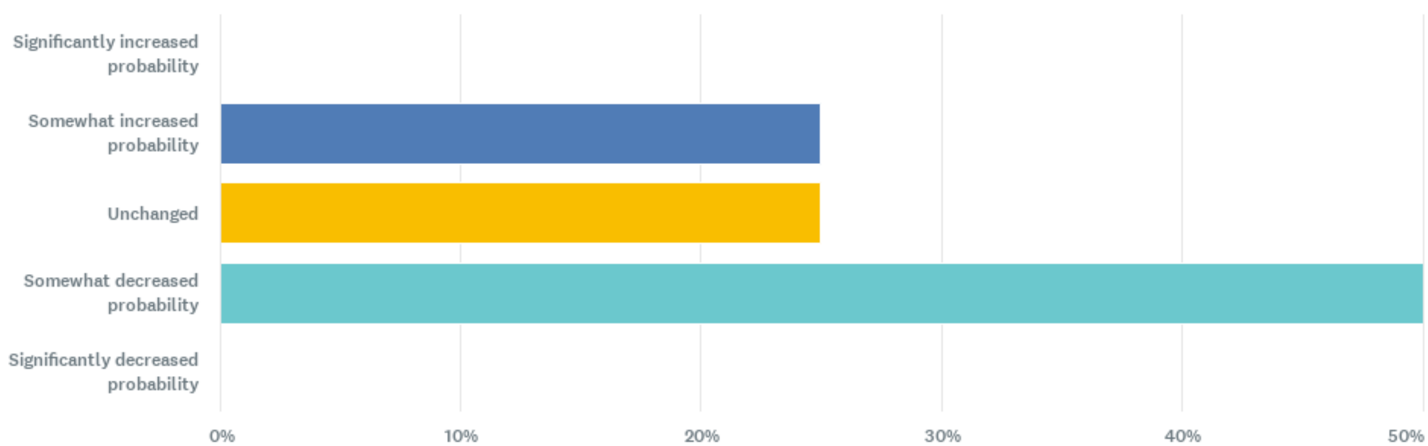
Executive Summary

The Ohio Chamber of Commerce's Economic Advisor Council presents this mid-year 2026 economic update. Moving forward, the intra-year installments are designed as brief recaps to track and monitor the shifting baseline of our more comprehensive report published at the beginning of each year.

Since our January release, the economic landscape has been significantly reshaped by a major geopolitical disruption: the outbreak of the U.S.-Iran conflict in the Middle East. This crisis has triggered an energy shock, driving volatile crude oil pricing and altering baseline cost-of-goods and inflation expectations.

Rather than realizing the multiple Federal Reserve rate cuts anticipated at the start of the year, the re-elevation of inflation concerns has shifted council views toward a prolonged interest rate hold. Despite these headwinds, headline economic activity displays notable resilience. The national labor market has settled into an unusual "low-hire, low-fire" equilibrium. Growth projections for U.S. Real GDP are hovering around 1.8% to 2.5%, while Ohio's GDP growth is projected to track at a slightly lower 1.5% to 1.8% for the full year.

Risk Assessment Change: How has your assessment of recession risk changed since our January report?



Key Findings

Economic Indicator	January 2026 Consensus	July 2026 Mid-Year Outlook
Federal Funds Rate	3.0% – 3.5% (2-3 cuts expected)	3.5 - 3.75% (Unchanged; prolonged hold)
U.S. GDP Growth	~2.0%	1.8% – 2.5%
Ohio GDP Growth	1.2% – 2.0%	1.3% – 1.8%
U.S. Core PCE Inflation	2.1% – 2.5%	2.5% – 3.0%
Ohio Unemployment Rate	4.5% – 5.0%	3.9% – 4.2%
Recession Risk (12 Mo.)	30% – 40% average	10% – 40% (Mixed views)

Monetary Policy and Financial Conditions

Interest Rate Outlook

The expectation for aggressive Federal Reserve accommodation has dissolved. The Council's mid-year consensus points to a year-end federal funds rate sticking at or around the current 3.5 - 3.75% range. This shift is primarily driven by the inflationary impact of the geopolitical crisis.

> "My range is higher today; today I believe there will be no cuts or increases before year end. Primary and secondary inflationary effects of the Iran War will persist with Fed officials choosing to wait..." — *An Economic Advisor*

Institutional Continuity & Bond Volatility

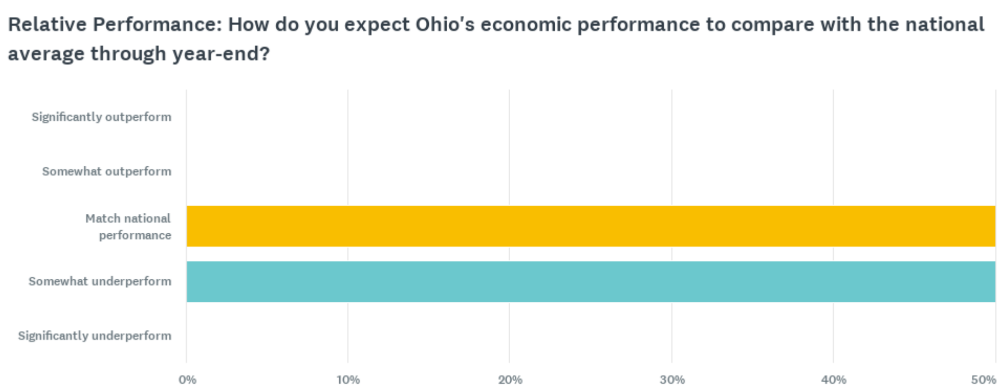
The leadership transition at the Fed, paired with rising internal FOMC dissent and an energy-driven inflation shock, creates a fragile communication environment. Council members anticipate that the 10-year U.S. Treasury yield will experience ongoing volatility, likely landing higher than originally expected at around 4.25% to 4.5% by year-end.

Economic Growth and Recession Risk

U.S. and Ohio GDP Paths

Forecasts for full-year U.S. Real GDP expansion remain positive, clustering between 1.8% and 2.5%. However, the data hides a widening divergence: high-income individuals continue to spend comfortably, fueled by a persistent wealth effect, while affordability constraints intensify for middle- and lower-income families.

Ohio's Real GDP is expected to capture a range between 1.3% and 1.8%. The state continues to face traditional headwinds in highly integrated global manufacturing sectors due to supply shocks, balanced against strong regional tailwinds from data centers and domestic defense investments.



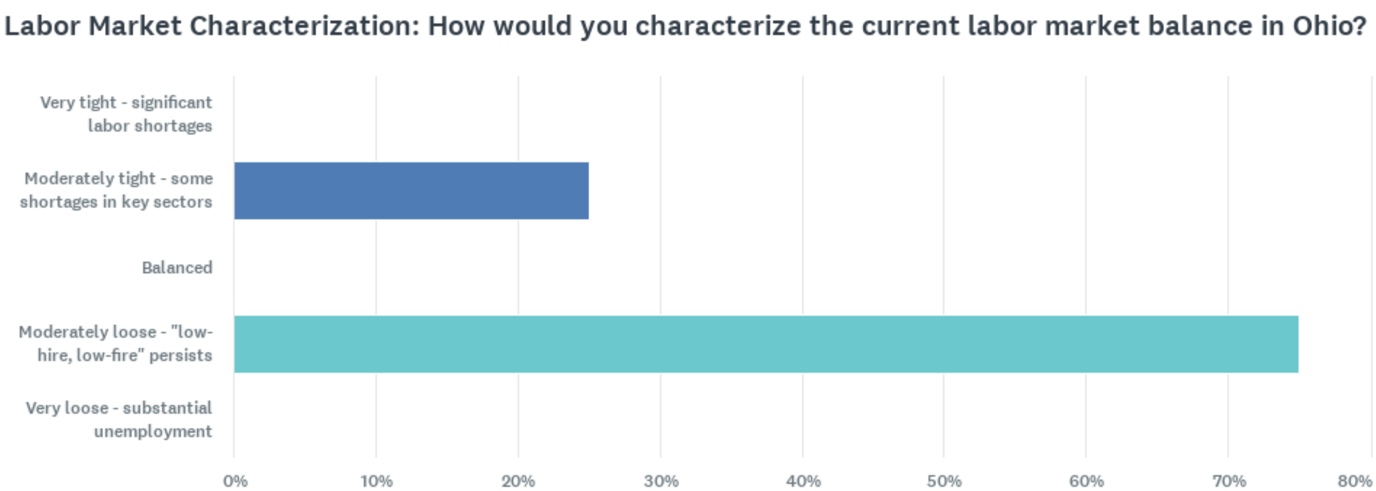
Shifting Geopolitical Risks

Council members overwhelmingly pointed to international flashpoints as the main threat to expansion. While trade policy uncertainty remains exceptionally elevated compared to historical baselines, Strait of Hormuz closure and escalating international trade tensions (such as U.S.-European friction) pose direct operational hazards to Ohio businesses.

Labor Market and Inflation Dynamics

The "Low-Hire, Low-Fire" Labor Equilibrium

In a sharp turn from the softening seen late last year, the labor market has moved into an unexpected equilibrium. Layoffs remain historically sparse, but new hiring has cooled significantly. Ohio's average U-3 unemployment rate is projected to hold steady at a tight 3.9% to 4.2% range for the remainder of the year. Labor dynamics are highly sector-specific; while some key sectors face persistent shortages, overall conditions are described as moderately loose to tight depending heavily on industrial demand.



Core PCE Inflation Resurgence

Driven directly by rising producer input prices, petroleum-based products, and global logistics disruptions, core PCE inflation forecasts have been revised upward. The council now estimates inflation will end 2026 between 2.5% and 3.0%.

Strategic Priorities for Ohio Businesses

1. **Supply Chain Management and Cost Mitigation:** Proactively manage highly volatile energy expenses and diversify sourcing networks to safeguard margins against severe supplier shocks.
2. **Foundational Technology and AI Integration:** Focus on training the existing workforce to exploit AI technologies, while ensuring the baseline database architecture, cybersecurity, and IT servers are robust enough to leverage modern digital tools.
3. **Operational Efficiency and Demand Assessment:** Ruthlessly audit production lines for cost efficiencies while monitoring localized consumer demand, keeping in mind the vulnerabilities inherent in a K-shaped consumer environment.

This report represents the collective views of the Ohio Economic Advisor Council based on survey responses collected in May and June 2026, along with analysis of recent economic data. Individual opinions may vary.

As a member of the Ohio Economic Advisor Council, Dr. Lisa Barrow participated in this survey but did not provide answers about monetary policy or the Federal Reserve. The answers she gave do not necessarily represent the views of the Federal Reserve Bank of Cleveland or the Federal Reserve System.

Summary of Verbatim Responses

The following responses have been compiled directly from the May/June 2026 Advisor survey feedback and have been edited for clarity while preserving the core insights from council members.

On Federal Reserve Policy and Leadership Transition

- "The Fed is a well-established institution. Even though the appointment of the new chair brings some volatility in the markets, the Fed will stick to its data-dependent path."
- "3.50%-3.75% (unchanged), with low probability of a single cut perhaps later in the year. Re-elevation of inflation concerns has moved the bar for cuts higher, but also worth noting recent dissent in FOMC... The combination of a leadership transition, heightened internal dissent, an oil/energy-driven inflation shock, and no clear resolution to the Middle East conflict makes the communication environment more fragile than it was at the start of the year."
- "My range is higher today; today I believe there will be no cuts or increases before year end. Primary and secondary inflationary effects of the Iran War will persist with Fed officials choosing to wait until the secondary inflation impacts are better understood before moving on rates. Bond market will continue to be volatile through the remainder of the year. A continued Iran War, and a new, less data dependent Fed Chair will mean markets will have a harder time..."

On Economic Growth, Energy Shocks, and Recession Risk

- "[Energy] is the biggest uncertainty in the economy and I expect the volatility to continue. The inflation is expected to be higher than 2% levels. [Reshoring trends] force the Ohio businesses to be prudent and delay their long term investments."
- "Prices actually back up over $100 currently - this in itself reflects the ongoing volatility and escalation potential from ongoing conflict. Energy shock has materially altered Ohio's baseline cost-of-goods and inflation outlook for 2nd half of the year, but the impact is still asymmetric across sectors with manufacturing, agriculture, and TDL/logistics most exposed. Early signs of follow-on consumer spending pullback are also becoming clear..."
- "1.8% [U.S. GDP]. The Iran war has created more fragility in this economy than I had forecast at the end of last year. High income individuals continue to do well. But for middle and lower income individuals affordability is getting worse... Trade policy uncertainty, caused by the Administration's tariff policy, and exacerbated by the Iran war, remains 8 times higher today than it was at the time of the 2024 election."

- "[Energy shock] increased baseline inflation. This is raising many input costs for businesses in the district--fuel, any petroleum-based product, and spillover to other categories. I think we are starting to see some increase in manufacturing due to increased demand for domestic inputs, despite the headwinds from trade policy uncertainty."

On Strategic Priorities for the Remainder of 2026

- "mitigate the uncertainty, diversify the supply chain, and adapt to AI and new technologies."
- "1. Need for proactive energy cost and supply chain management/risk mitigation strategies to maintain resilience, 2. Dual focused workforce development around reskilling/upskilling existing positions in AI-enabled technologies but at same time expansion of talent pipelines for key occupations in trades/skilled manufacturing, 3. Finding ways to leverage state/federal resources, reshoring opportunities, and other incentives to continue investing in 'core' technology systems despite volatility and cost pressures..."
- "1. Be efficient in your production processes. 2. Assess the strength/flexibility of your supply chain as this economy is vulnerable to supply shocks. 3. Assess the customer demand for your product. The K-shaped economy has become even more vulnerable to shocks which could impact customer demand."
- "investment in training their workforce to take advantage of AI technologies. Adjusting production for cost-saving efficiencies."

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