

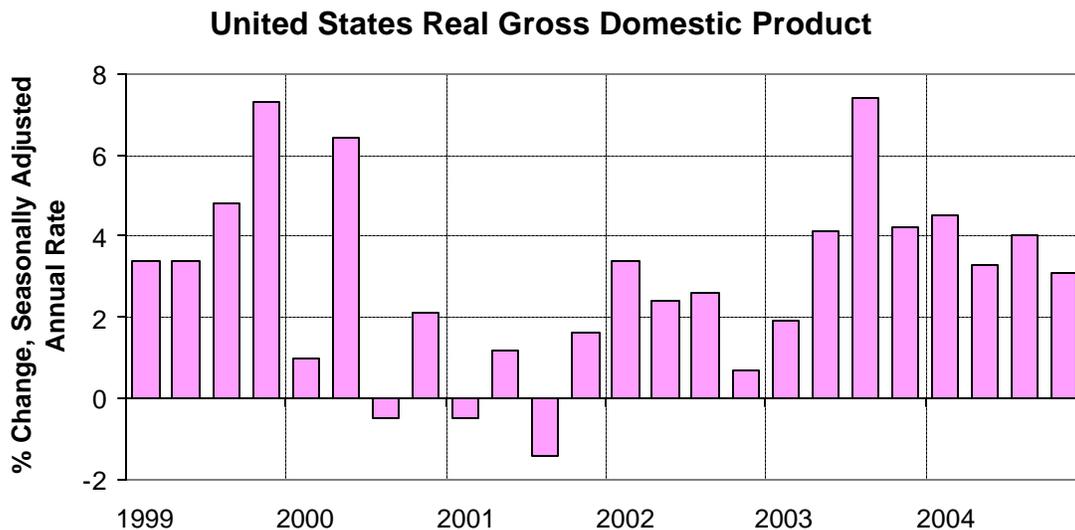
Economic Conditions and Outlook

State of the Economy

The nation's economy has been growing for over three years, following the recession in 2001. Ohio's economy by some measures began to slow earlier, in 2000, and recovery here has been slower and more halting than in other parts of the country.

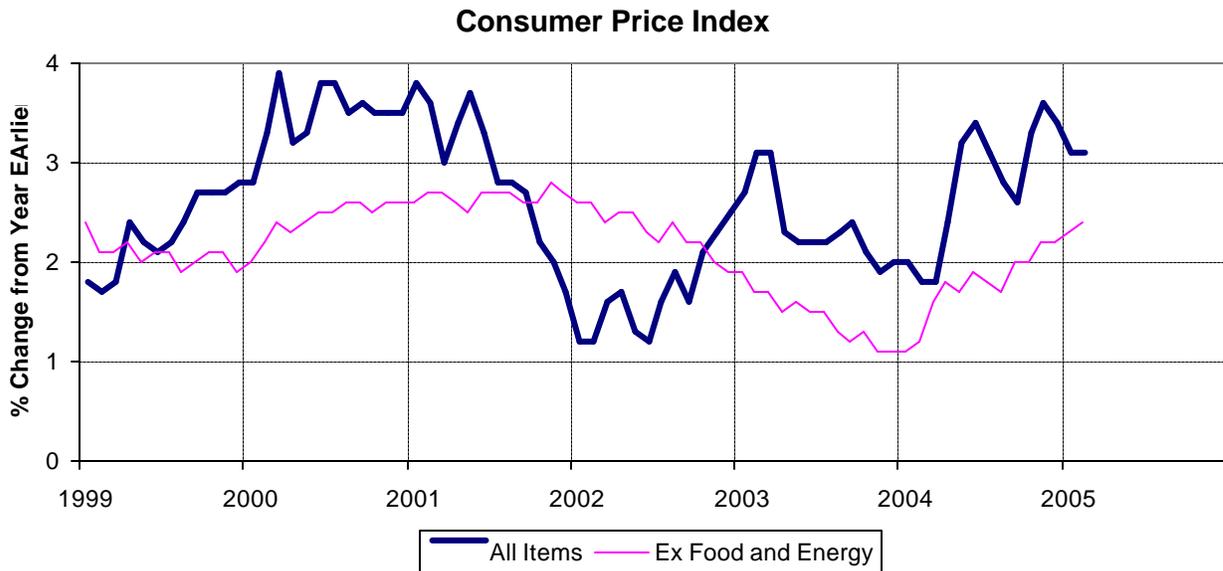
National

The pace of United States economic growth picked up in mid-2003, as growing consumer spending and a robust housing market were increasingly augmented by a vigorous upturn in business capital spending. Tax cuts, accelerated depreciation, and historically low interest rates supported the expansion. Rising business sales and growing confidence contributed to a resumption of inventory building; but inventories in much of the economy remain lean relative to sales. Federal military outlays expanded to pay for the war on terrorism. Tight budgets generally constrained state and local spending, though improving economies particularly in the South and West are easing these constraints for some states. Growing foreign economies boosted American exports, but rising demand in this country for products made abroad pushed up imports. Sharply higher energy prices contributed to a record trade deficit.



With economies around the globe expanding, notably the Chinese and American economies, commodity prices were pushed upward in the three years following the 2001 recession. These price pressures affected not only energy but also metals and a variety of

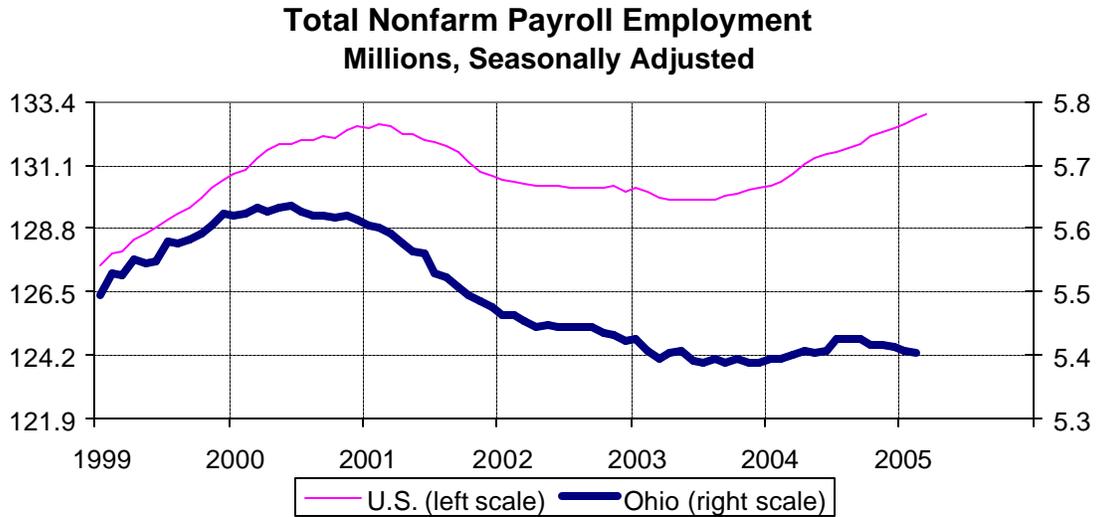
crude materials. At the finished goods and services level, inflation in the United States has picked up but remains subdued, held down in part by exceptional gains in productivity in recent years. Excess capacity in product and labor markets also restrained increases in finished product prices. Rapid productivity gains are now slowing. Over the past few years, reports from businesspeople have indicated a shift from being constrained in many cases by competitive conditions from passing along cost increases to increasingly being able to raise prices. In 2003, America's central bank, concerned about the risk of deflation, lowered its short-term policy interest rate, the federal funds rate, to a 40-year low of 1%. Beginning in mid-2004, the Federal Reserve began raising this interest rate, to its current target of 2.5%. Longer-term interest rates, though up from cyclical lows for higher-quality credits, remain conducive to business and household borrowing and spending.



Ohio

This state's economy, by some measures, slowed earlier than the country as a whole. Total nonfarm payroll employment in Ohio peaked and began declining in 2000, ahead of the nation. Payroll employment nationwide peaked in 2001. In both the state and the nation, employment has been held down by the strong productivity gains of recent years, as companies increasingly have been able to produce more output with less labor input per unit of output. Also, payroll employment does not include self-employed persons, a group that has at times grown rapidly during the recovery. Payroll employment nationwide began to recover in the second half of 2003, rose more strongly in 2004, and reached a new all-time high in January 2005. In Ohio, payroll employment

continued to decline to a low at the end of 2003, recovered in the first five months of 2004, then turned back down to a new cyclical low in recent months.

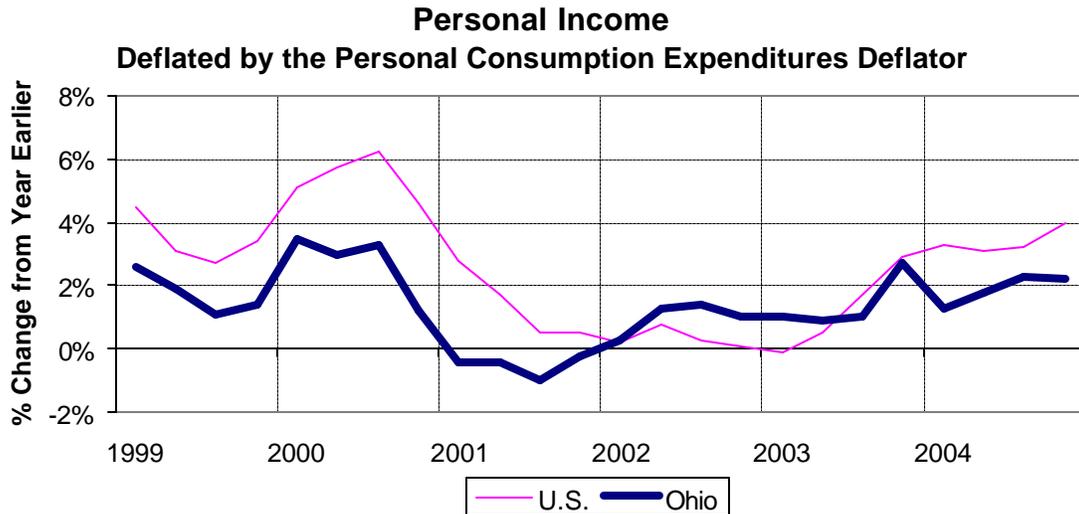


Unemployment as a percent of the labor force, in the nation and in Ohio, continued to rise following the end of the 2001 recession. The unemployment rate peaked in 2003 then began to decline. For the nation, the unemployment rate in January fell to its lowest level since 2001. But in Ohio, unemployment climbed in the second half of last year to more than 380,000 in November, highest in more than a decade, and the unemployment rate here reached a new cyclical peak before falling back at year-end.

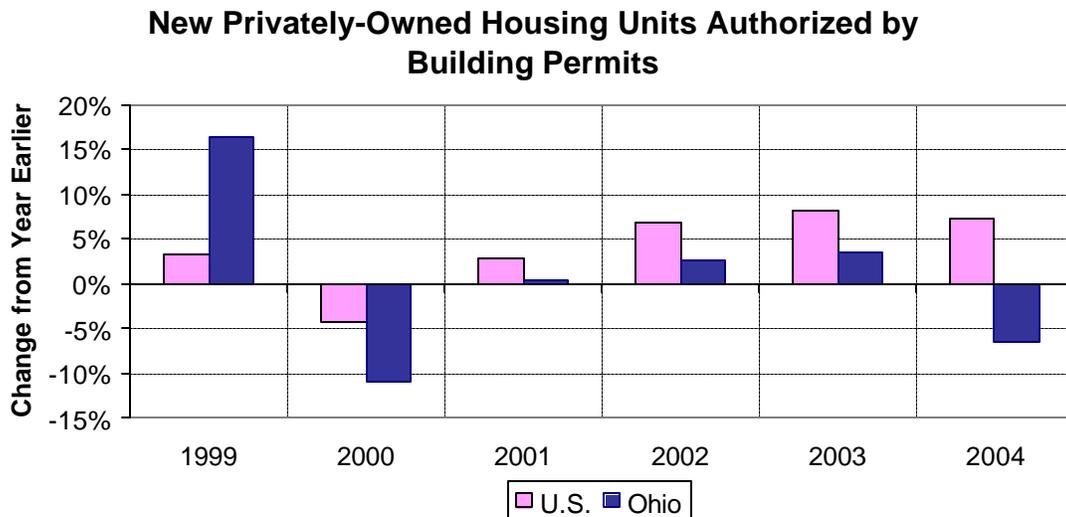


*U.S. Bureau of Labor Statistics revised its methodology for unemployment estimates in March 2005. To maintain continuity, historical data was also adjusted.

Growth of personal income in Ohio slowed in 2000 and 2001 ahead of the nation. The rise in personal income barely kept ahead of inflation in 2002 and early 2003. In the second half of 2003, growth of personal income strengthened, nationwide and in Ohio, with the rise in income in this state somewhat slower than that nationwide.



Ohio has not fully shared in the housing construction boom of the past few years. Spurred by low mortgage interest rates, housing construction strengthened in the state and elsewhere in the country in 2002 and 2003. But in 2004, residential building continued to expand in other parts of the country, while in Ohio permits for new residential building fell.



Economic Forecasts

Predictions for the economic outlook from forecasting firm Global Insight and from the Governor's Council of Economic Advisors are shown in the following tables. The Global Insight forecasts for the nation are from the company's February 2005 release. That firm's forecasts for Ohio were released in January. The Governor's Council of Economic Advisors' forecast is the consensus outlook from a November 2004 meeting of that group. Quarterly changes shown below are from the preceding quarter; annual changes are from the preceding calendar year's annual average to the annual average for the calendar year indicated.

U.S. Gross Domestic Product

Continued growth of the U.S. economy in 2005 through 2007 is projected by Global Insight and the Governor's Council of Economic Advisors. The pace of expansion is expected to slow from 4.4% in 2004, the strongest rise since 1999.

Table 1	Real GDP Growth											
	2005				2006				2007			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent change at annual rate-----											
Global Insight	3.6	3.7	3.3	2.5	2.9	3.6	3.3	3.1	3.0	3.5	3.1	3.3
Global Insight		3.5				3.1				3.2		
Economic Advisors	3.2	3.4	3.4	3.4	3.4	3.2	3.3	3.4	3.4	3.2		
Economic Advisors		3.4				3.4						

U.S. Inflation

The rise in the general price level, as measured by the consumer price index, is likely to be less rapid than in 2004, when it rose 2.7%, unless oil prices again surge upward.

Table 2	U.S. Consumer Price Index Inflation											
	2005				2006				2007			
Forecast	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent change at annual rate-----											
Global Insight	1.6	0.7	1.0	2.1	1.4	1.6	1.8	2.1	2.0	2.0	2.0	2.2
Global Insight		2.0				1.6				2.0		
Economic Advisors	2.2	2.3	1.8	2.0	2.2	2.4	2.1	2.1	2.4	2.5		
Economic Advisors		2.3				2.1						

U.S. Personal Income

Nationwide personal income is forecast to continue to grow during 2005 through 2007. In the table below, income growth in the current quarter is slow because of a large one-time payment in December 2004. U.S. personal income rose 5.4% in 2004.

Table 3 U.S. Personal Income Growth

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent change at annual rate-----											
Global Insight	1.3	5.1	5.3	4.8	5.6	5.4	5.5	5.0	5.5	5.7	5.6	5.6
Global Insight		5.0				5.3				5.5		
Economic Advisors	4.8	5.2	4.9	5.2	5.4	5.2	4.8	5.5	4.6	5.2		
Economic Advisors		5.1				5.2						

Ohio Personal Income

Income to persons who reside in Ohio is also projected to continue to grow during the next three years, at a rate somewhat slower than the national average. Ohio personal income increased an estimated 4.5% last year.

Table 4 Ohio Personal Income Growth

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent change at annual rate-----											
Global Insight	2.0	4.9	5.0	4.7	4.8	4.9	4.7	4.8	4.9	5.1	5.1	5.1
Global Insight		4.4				4.8				4.9		
Economic Advisors	3.8	5.2	4.0	5.0	4.7	4.9	4.0	5.0	5.4	5.0		
Economic Advisors		4.7				4.7						

U.S. Unemployment Rate

Unemployment nationwide as a share of the labor force remains at or near the January level of 5.2% throughout the three-year forecast horizon.

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent of the labor force-----											
Global Insight	5.3	5.2	5.1	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2	5.2
Global Insight	5.2				5.2				5.2			
Economic Advisors	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.2	5.2	5.2	5.2	5.2
Economic Advisors	5.3				5.3							

Ohio Unemployment Rate

The unemployment rate in Ohio declines during the forecast period in both the Global Insight and Governor's Council of Economic Advisors forecasts. Unemployment in the state averaged 6.3% of the labor force in the fourth quarter of last year.

Forecast	2005				2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	-----percent of the labor force-----											
Global Insight	6.4	6.3	6.2	6.2	6.1	6.0	6.0	6.0	6.0	6.0	6.1	6.1
Global Insight	6.3				6.0				6.0			
Economic Advisors	6.0	5.9	5.8	5.7	5.7	5.7	5.6	5.6	5.6	5.6	5.6	5.6
Economic Advisors	5.8				5.6							