

REGIONAL ECONOMIC SNAPSHOT

UPDATED AS OF JANUARY 2025

**EMPOWERING
AMERICAN CITIES**



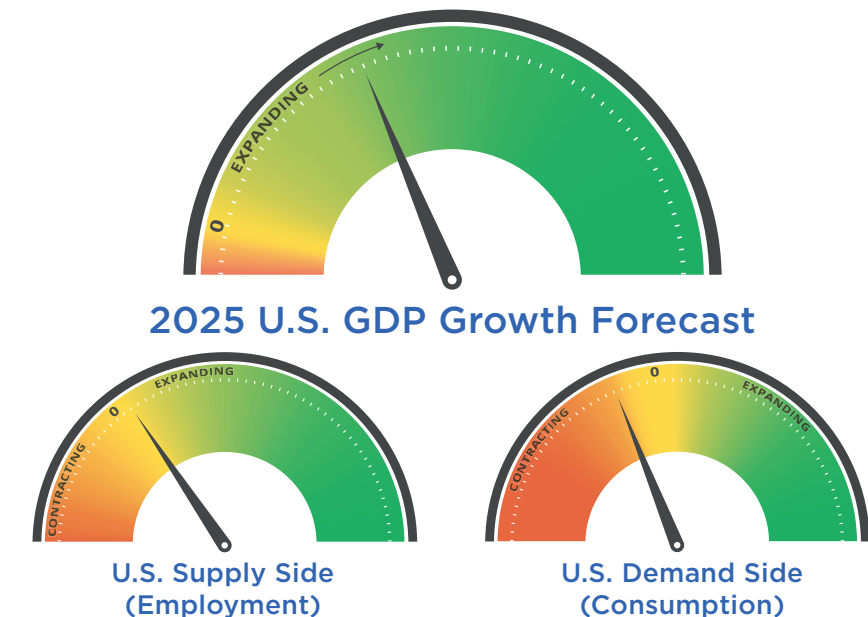
FIFTH THIRD / UNC KENAN INSTITUTE

In our base-case scenario, we expect slowing, middling growth in 2025, as interest rates and inflation remain elevated and federal policies drag on the national economy.

The U.S. economy showed resilience in 2024, growing at essentially the same pace as the previous year, outperforming our expectations. We expect job creation and consumer spending to slow in 2025 yet remain strong enough to power the economy through policy-induced turbulence and other economic headwinds, which could entail inflationary conditions and a persistently tight housing market.

Uncertainty is high regarding policies that could take effect, including on interest rates, tariffs, immigration, regulation and taxation. Our base-case scenario incorporates a moderate version of these policies, finding that these changes would slightly rein in growth compared with a “no new policy” scenario.

All the 150 Extended Metropolitan Areas (EMAs) that we track in the United States are expected to see slower rates of growth than in the previous year. Despite weaker growth, the data indicate that every one of these microeconomies will expand in 2025, yet some will fare better than others. Areas with a large manufacturing base and those that have benefited



The color spectrum indicates a distribution that ranges from negative (red) to positive (green), with zero set to yellow. The barometers reflect each indicator's historical distribution.

from strong housing will be among the hardest hit, as elevated interest rates continue to take a toll on interest-sensitive sectors.

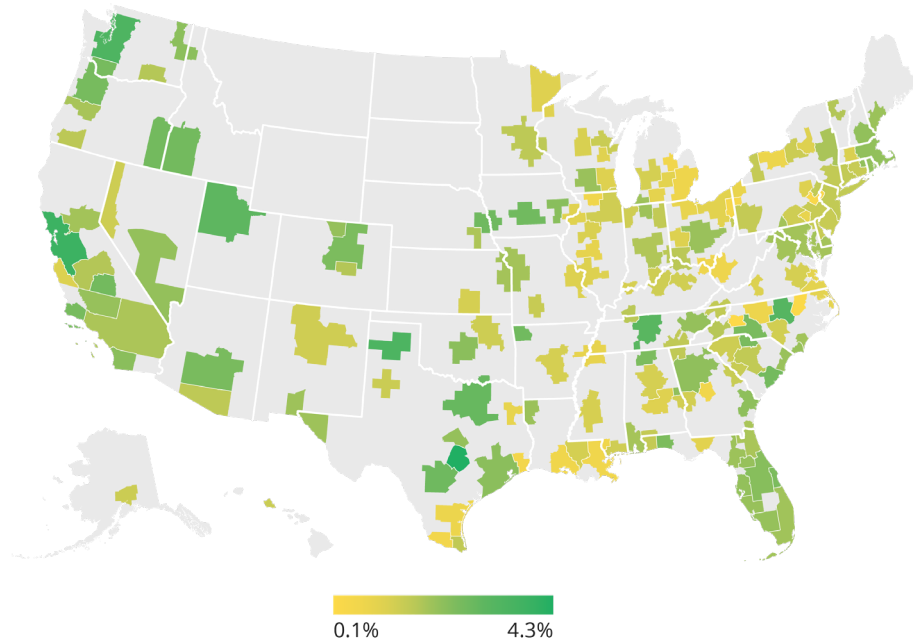
On the supply side, job creation is expected to slow meaningfully. Some sectors, notably Manufacturing, will experience job loss, while Education and Health will continue its expansion, albeit at a somewhat slower pace. The employment slowdown will weigh on wage growth, which should lessen price pressures. Stringent immigration policies, new tariffs and a lack of housing, however, would counter deflationary trends, keeping inflation above target throughout the year.

On the demand side, elevated interest rates, above-target inflation and slow-

ing job and wage growth will dampen but not swamp consumer spending. Meanwhile, sluggish housing activity will worsen shortages in many areas, keeping home prices aloft. Household and business balance sheets remain healthy in aggregate, yet a growing minority of consumers exhibit signs of financial stress.

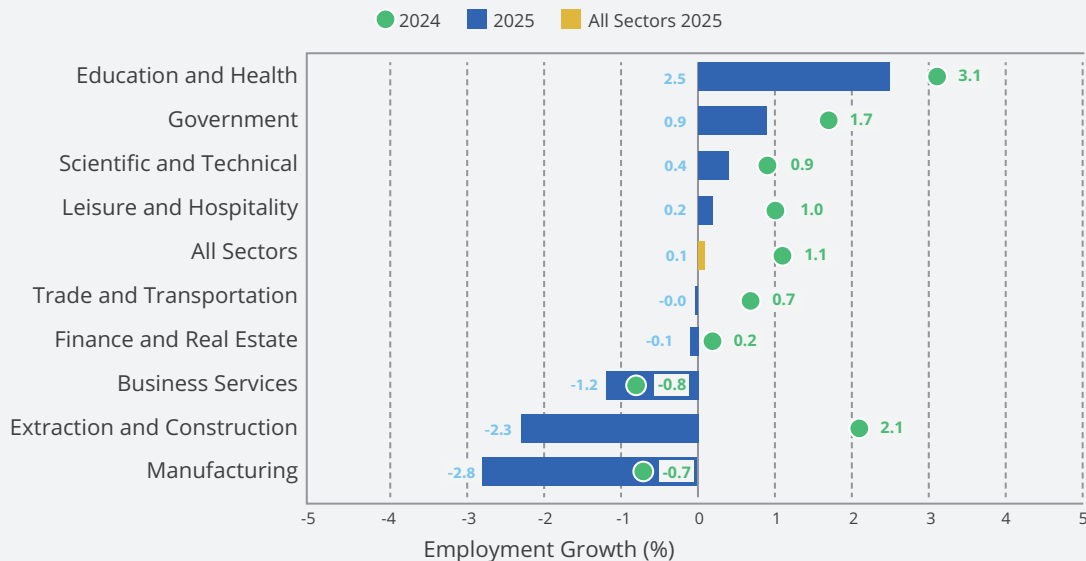
Heightened policy uncertainty means more risk and more potential outcomes; some policies may boost consumer and business sentiment – and thus spending and investment – in the near term. Both our base case (with new policies) and alternative scenarios (without them) project a “soft landing” – the base case reflects a less desirable path, yet it is still a largely benign outlook for 2025.

EMA Economic Performance 2025 Growth Forecast



The map illustrates the divergence in economic growth among EMAs. All our EMAs are expected to grow in 2025 but at a slower pace; many will experience solid growth while some will barely grow. The areas experiencing the fastest recent growth – often beneficiaries of innovation and migration – are likely to continue to outpace the rest of the country. Many of these EMAs have built up reserves of capital in the form of skilled labor, technological infrastructure and other investments, which will limit the downturn in demand. Meanwhile, cities that rely on sectors expected to be most affected by the slowdown, such as Manufacturing, will underperform. Areas where labor constraints and housing trends are centrally important to the economy will be hampered by stubbornly elevated home prices and interest rates.

U.S. Employment Growth by Sector 2025 vs. 2024



■ The pace of hiring in 2025 is expected to slow meaningfully across the U.S. in all major sectors, with employment contracting in several sectors and net job growth of only 0.1% for the year.

■ The Extraction and Construction sector is expected to experience the biggest slowdown, swinging from healthy growth to contraction as high interest rates and potential labor shortages drag on construction.

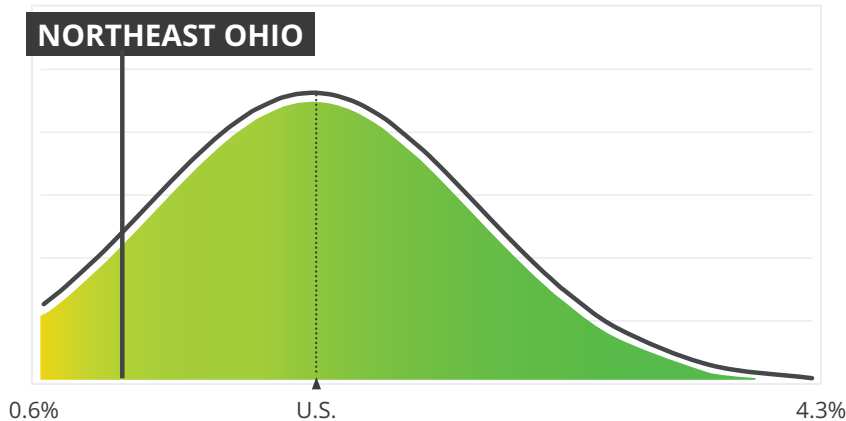
■ We expect continued slowing in Leisure and Hospitality, as pent-up demand from the pandemic years levels off and job growth flattens.

NORTHEAST OHIO

Extended Metropolitan Area*

UPDATED AS OF FEBRUARY 2025

2025 GDP Growth
Distribution of 50 Largest EMAs



- Northeast Ohio's economy is projected to experience a very modest increase in overall economic activity in 2025.
- Compared with other large EMAs, Cleveland ranks in the bottom quintile, with output below the national average of 1.9% growth.

Supply Side (Employment)

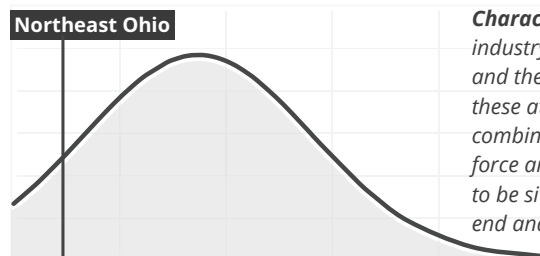


Demand Side (Consumption)



- The Cleveland EMA has moderately weak supply-side characteristics, with **limited expected job creation**, tempered by moderate overall demand, as reflected in **positive housing activity**.

Embedded Local Growth Characteristics



Embedded Local Growth

Characteristics refers to an EMA's industry and demographic makeup and the potential economic growth that these attributes generate. EMAs with a combination of a highly skilled workforce and productive industry mix tend to be situated at the distribution's high end and generate faster growth.

- Northeast Ohio's sectoral mix (illustrated on Page 4) and demographic makeup limit the area's growth potential, relative to many of the 50 largest EMAs.

Key Takeaways

- 1 Middling national growth and uncertainty around economic policy will pose challenges for Northeast Ohio, yet the EMA's especially productive Finance and Real Estate sector is indicative of its long-term development potential.
- 2 Northeast Ohio's strong Manufacturing sector is in most years beneficial for the area's productivity yet in 2025 exposes the EMA to multiyear contraction in the sector's employment, a downturn exacerbated by uncertainty around new trade and fiscal policies.
- 3 A year after exhibiting woefully sluggish housing starts, Northeast Ohio shows positive housing activity, above the national average, a promising indicator of consumer-driven growth.

Outlook



Due to our skilled workforce, Northeast Ohio is well positioned to grow our technical manufacturing base. However, it will be critical to align partnerships among government, the private sector, trade schools and community colleges to train and backfill the next generation of skilled workers. Due to Fifth Third's ability to offer specialized financial solutions supportive of advancements in manufacturing, we will help drive the future of this sector and the growth of our region.

Matt Nipper,
Regional President,
Northern Ohio

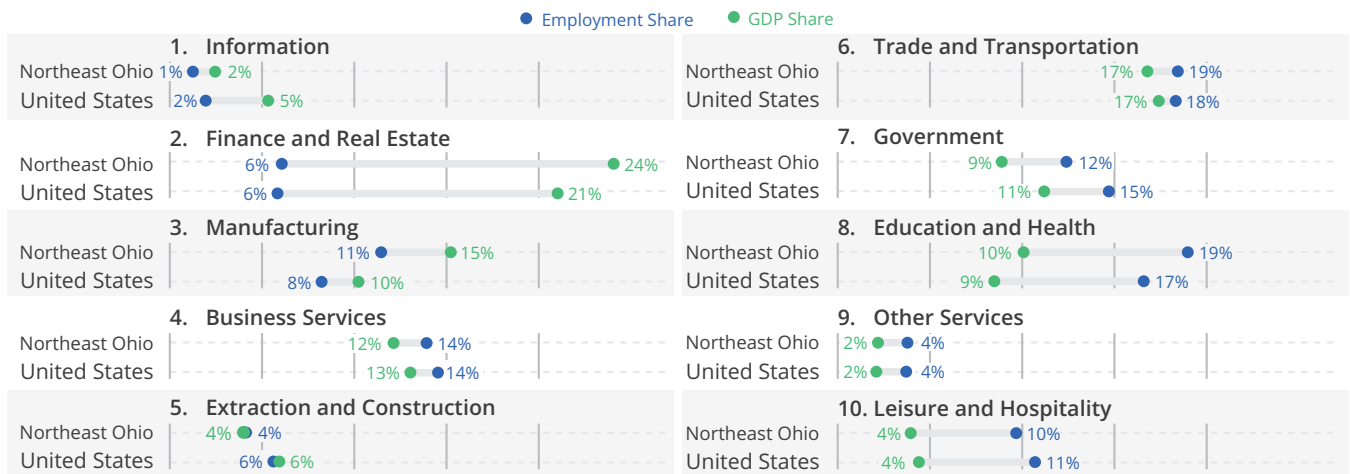
* Counties included in analysis: Ashtabula, Carroll, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Medina, Portage, Stark, Summit, Tuscarawas and Wayne

For more information, visit kenaninstitute.unc.edu/american-growth-project

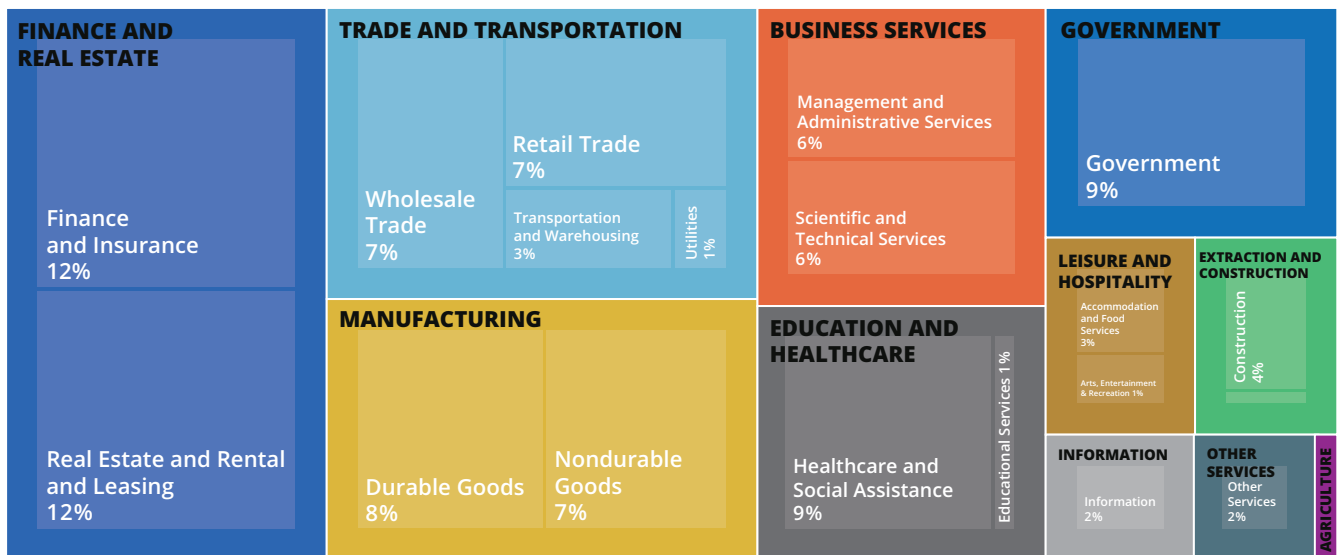
Challenges and Opportunities

- **Challenge:** Business Services, Extraction and Construction, and Manufacturing combined account for more than a quarter of Northeast Ohio's workforce, and employment in all these sectors is expected to contract in 2025.
- **Opportunity:** The EMA has a prime opportunity to grow its Information sector – an especially productive, resilient and future-facing industry – to support its advanced and technical manufacturing base.
- **Challenge:** Attracting and retaining a skilled labor force that meets the demands of advanced manufacturing in Northeast Ohio is a perennial challenge.
- **Opportunity:** There are opportunities for multiparty partnerships among government, private firms, and regional trade schools, universities and community colleges to support and maintain a robust worker pipeline that can renew and revitalize an aging labor pool.

How Productive Are Northeast Ohio's Industries? Sector Employment and GDP Shares Ranked by U.S. Labor Productivity



Northeast Ohio Sector GDP Share



The opinions expressed herein are those of Fifth Third and the Kenan Institute collaboratively and may not actually come to pass. This information is current as of the date of first publication and is subject to change at any time based on market and other conditions. This information is intended for educational purposes only and does not constitute the rendering of investment advice or research, or specific recommendations on investment activities and trading.