

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.

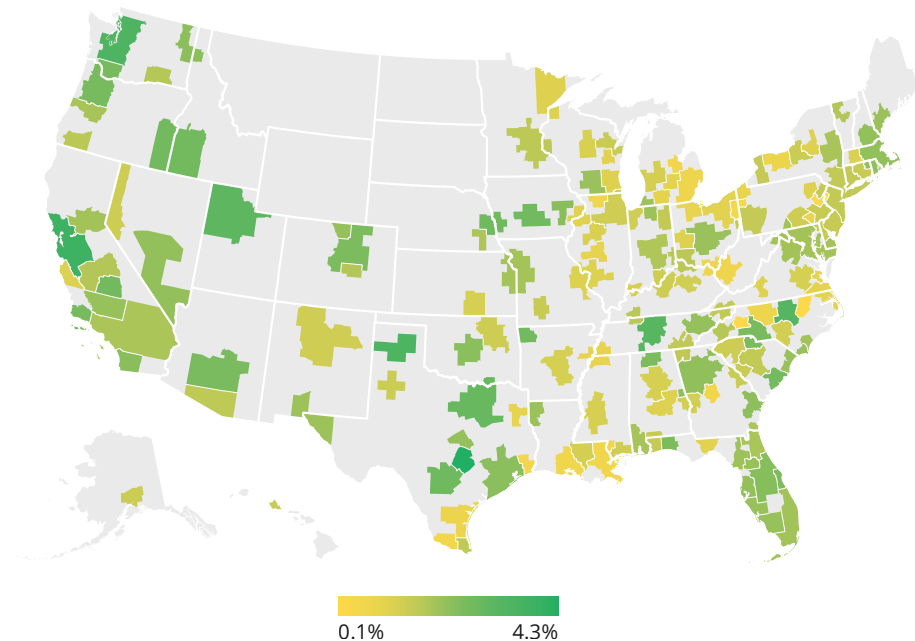
On the demand side, elevated interest rates, above-target inflation and slow-

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.

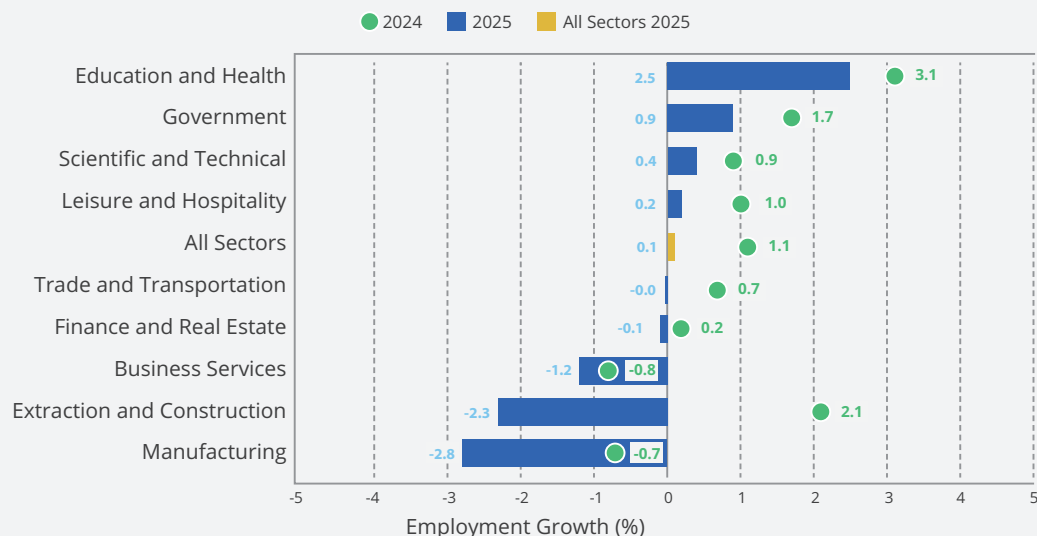
Heightened policy uncertainty means more risk and more potential outcomes; some policies may boost consumer and business sentiment – and thus spending and investment – in the near term. Both our base case (with new policies) and alternative scenarios (without them) project a “soft landing” – the base 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.

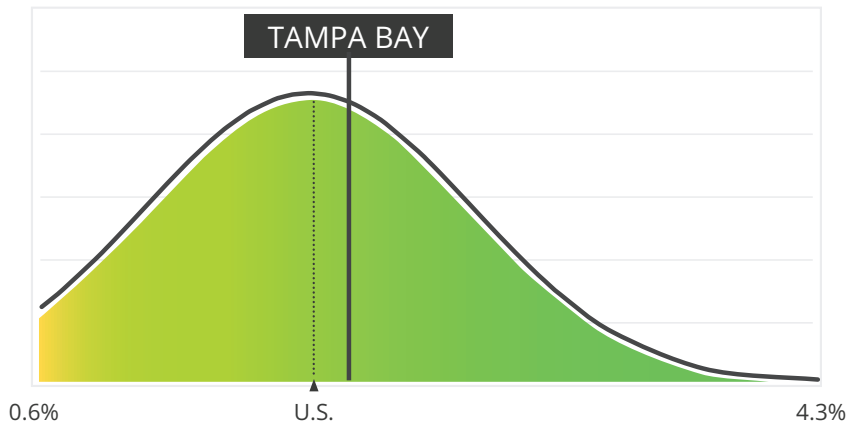
■ We expect continued slowing in Leisure and Hospitality, as pent-up demand from the pandemic years levels off and job growth flattens.

TAMPA BAY

Extended Metropolitan Area*

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2025 GDP Growth Distribution of 50 Largest EMAs



- Tampa Bay is projected to experience a modest increase in overall economic activity in 2025.
- Compared with other large EMAs, Tampa Bay ranks in the top half, with growth slightly above the national average.

Supply Side (Employment)

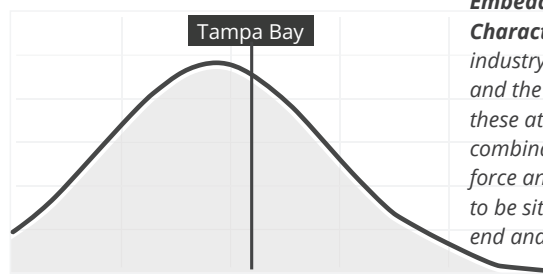


Demand Side (Consumption)



- Tampa Bay has moderate supply-side characteristics, with **modest expected job creation**, and soft overall demand, as reflected in sluggish housing activity.

Embedded Local Growth Characteristics



Embedded Local Growth

Characteristics refers to the 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.

- Tampa Bay's sectoral mix (illustrated on Page 4), demographic balance and migration patterns indicate a moderately large potential growth engine.

Key Takeaways

- The U.S. economy's projected slowdown in 2025 poses challenges for Tampa Bay's Extraction and Construction (predominantly construction in this EMA) and Business Services sectors, yet the area's booming Finance and Real Estate sector is contributing to commercial developments that are foundational for long-term growth.
- Tampa Bay is the beneficiary of substantial in-migration, which helps to enhance its growth potential but also creates challenges, exacerbating the EMA's housing shortage and straining transit infrastructure.
- Tampa Bay's Information sector is less productive than the national average and is primed for a shot in the arm as the EMA vies to attract large, multinational, technology-driven businesses to the area.

Outlook



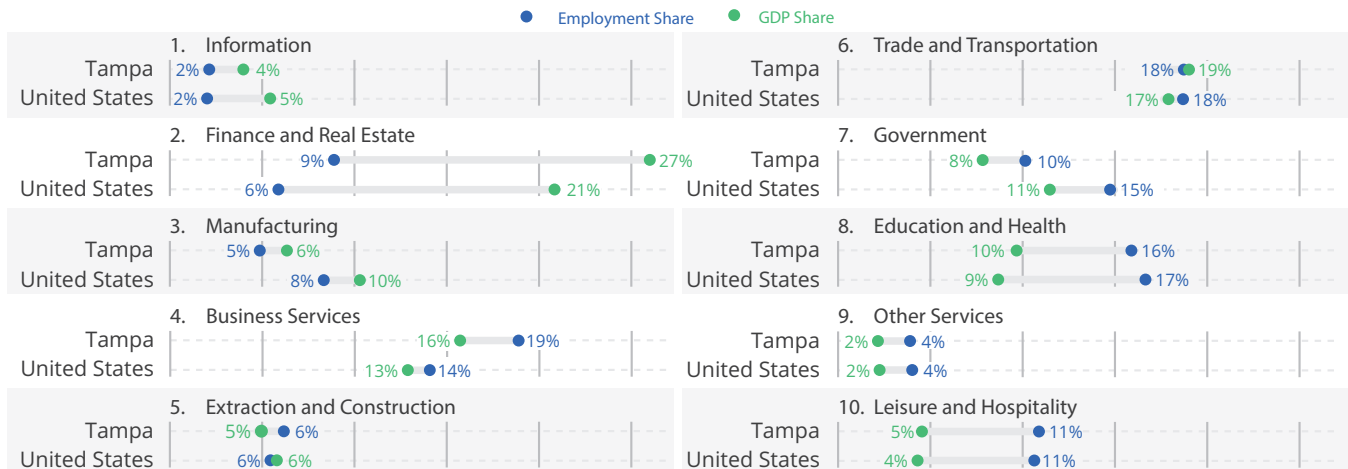
Transportation and housing affordability remain top concerns for the Tampa Bay region as we continue to experience strong in-migration and employment trends. By collaborating with regional business leaders on the issues and investing in new affordable housing developments, we can help navigate these challenges and seize opportunities to build a stronger future for our community.

*Cary Putrino, Regional President,
North Florida*

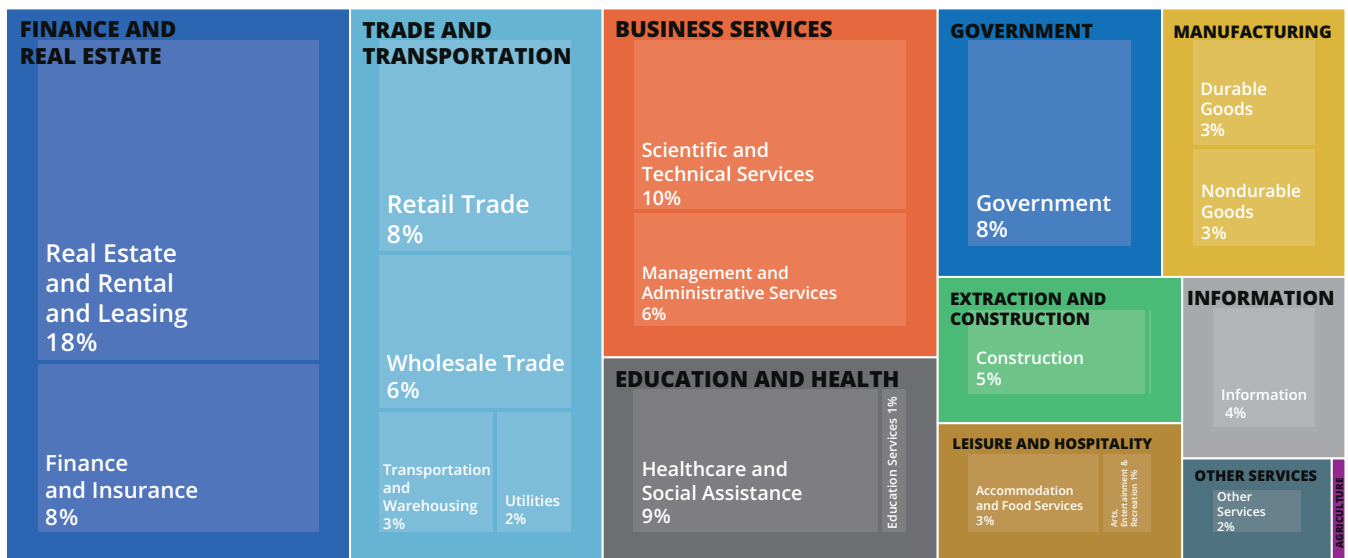
Challenges and Opportunities

- **Challenge:** Matching skilled workers with industry demands is a challenge that will not be solved by in-migration alone, as many of the newcomers to Tampa Bay in recent years are remote workers for companies based elsewhere.
- **Opportunity:** There are partnership opportunities for Tampa Bay's local governments, companies and civic groups with the region's universities and community colleges to develop worker pipelines that can meet the EMA's distinct needs.
- **Challenge:** Tampa Bay has significant housing challenges, as the EMA is not building enough housing to meet its population growth and the increased prevalence of destructive hurricanes strains an already troubled home insurance system.
- **Opportunity:** As interest rates gradually come down, there is increasing opportunity to invest in multifamily housing that is suitable for the area's influx of skilled workers and that can withstand the Florida coast's worst storms.

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



Tampa Bay Sector GDP Share



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