

REGIONAL ECONOMIC SNAPSHOT

UPDATED AS OF JANUARY 2025

**EMPOWERING
AMERICAN CITIES**



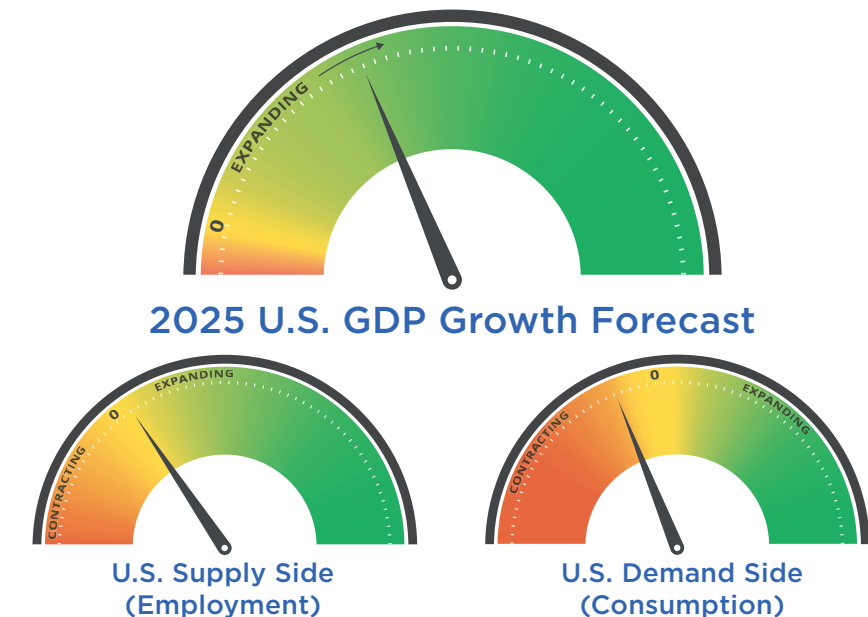
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In our base-case scenario, we expect slowing, middling growth in 2025, as interest rates and inflation remain elevated and federal policies drag on the national economy.

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.

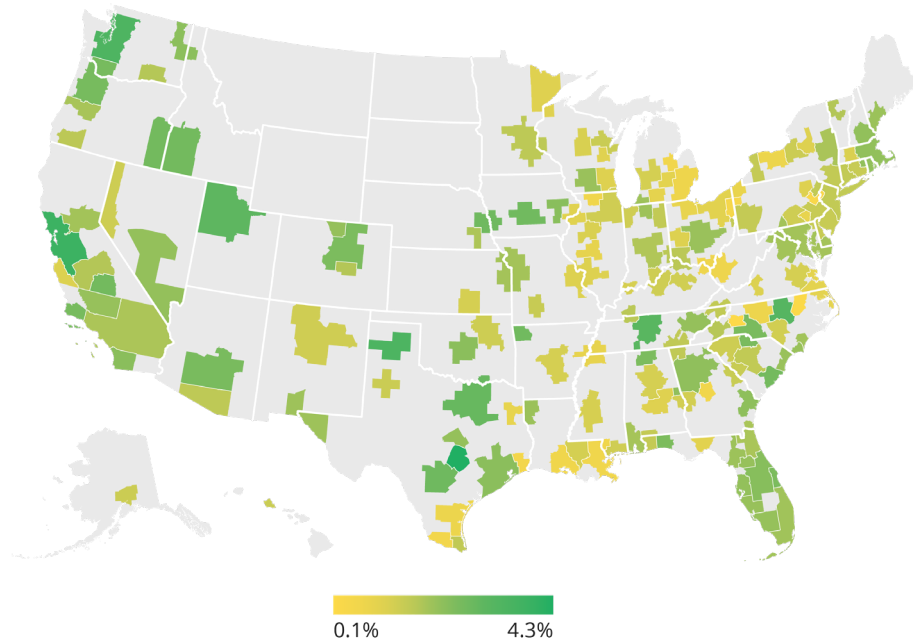
On the demand side, elevated interest rates, above-target inflation and slow-

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.

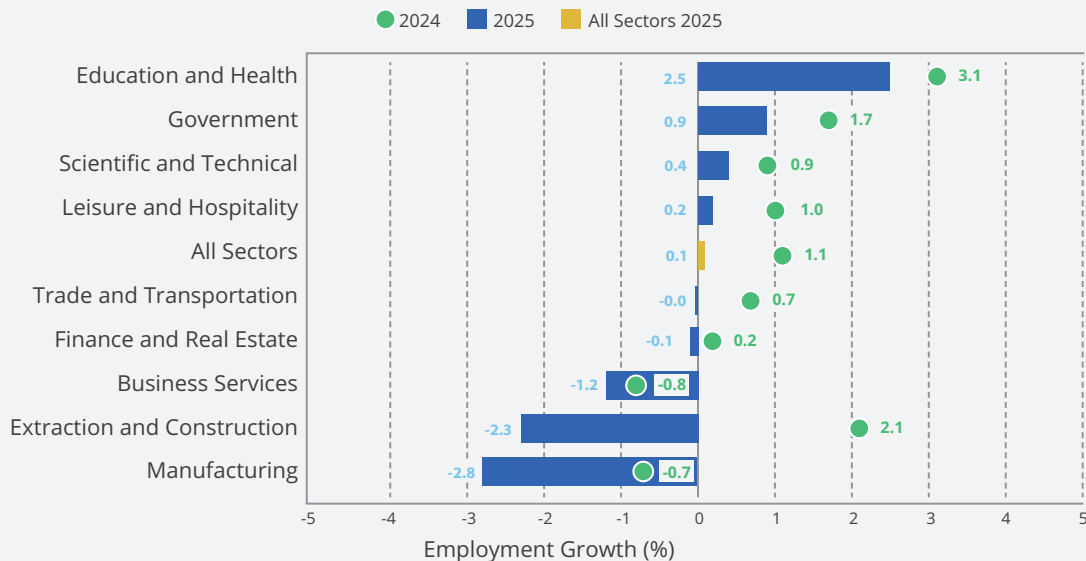
Data sources from the Census, Bureau of Labor Statistics and Bureau of Economic Analysis and estimates from the Kenan Institute and Fifth Third Bank. The range of the national barometers is based on historical performance of U.S. measures since 1990. For more information, visit kenaninstitute.unc.edu/american-growth-project.

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.

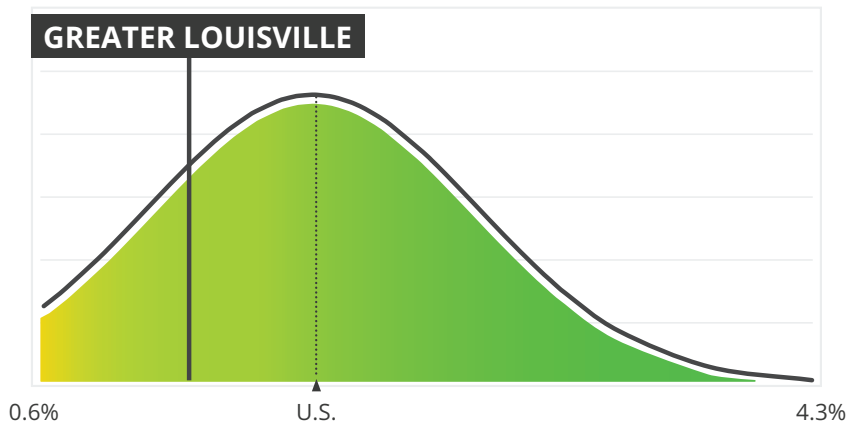
■ We expect continued slowing in Leisure and Hospitality, as pent-up demand from the pandemic years levels off and job growth flattens.

GREATER LOUISVILLE

Extended Metropolitan Area*

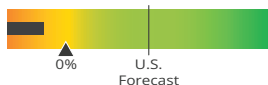
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2025 GDP Growth Distribution of 50 Largest EMAs



- Greater Louisville is projected to experience a modest increase in overall economic activity in 2025.
- Compared with other large EMAs, Louisville ranks in the bottom half, with projected growth below the U.S. average.

Supply Side (Employment)

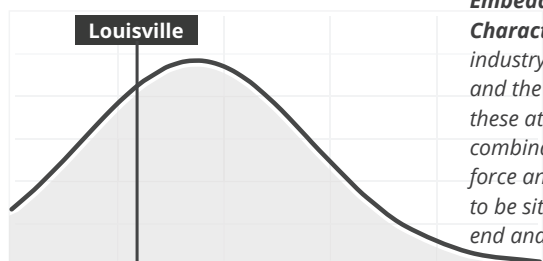


Demand Side (Consumption)



- The Louisville EMA has soft supply-side characteristics, with **limited expected job creation**, as well as very sluggish overall demand, as reflected in **weak 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.

- Louisville's sectoral mix (illustrated on Page 4), demographic balance and migration patterns indicate middling potential growth.

Key Takeaways

- Middling national growth and uncertainty around economic policy will pose challenges for Greater Louisville, but the Live in Lou initiative has been implemented to help attract talent and businesses to the region.
- The Corridor of Commerce represents a diverse range of businesses, from small startups to large corporations, that contributes to the EMA's economic development.
- By leveraging synergies in highly productive Information industries, Louisville could enhance productivity in its sizable Finance and Real Estate and Trade and Transportation sectors.

Outlook



Creating a strong community with economic vitality means we need to attract, develop and retain talent and businesses while ensuring we provide housing for all. We collaborate with community partners across the commonwealth, including Goodwill Industries of Kentucky, REBOUND Inc., Endeavor Midwest and the Kentucky Chamber, to develop strategies and improve outcomes. There is a lot of positive momentum in Kentucky, and I am excited to see what the future holds.

Kimberly Halbauer,
Kentucky Regional President

* Counties included in analysis: Kentucky: Bullitt, Hardin, Henry, Jefferson, LaRue, Meade, Nelson, Oldham, Shelby, Spencer. Indiana: Clark, Floyd, Harrison, Scott, Washington.

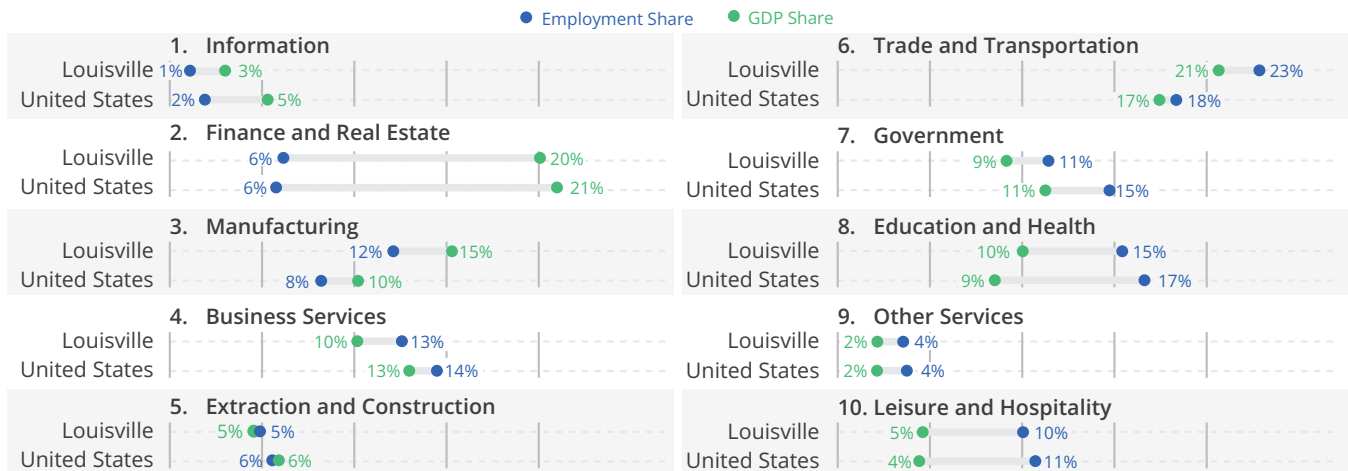
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Challenges and Opportunities

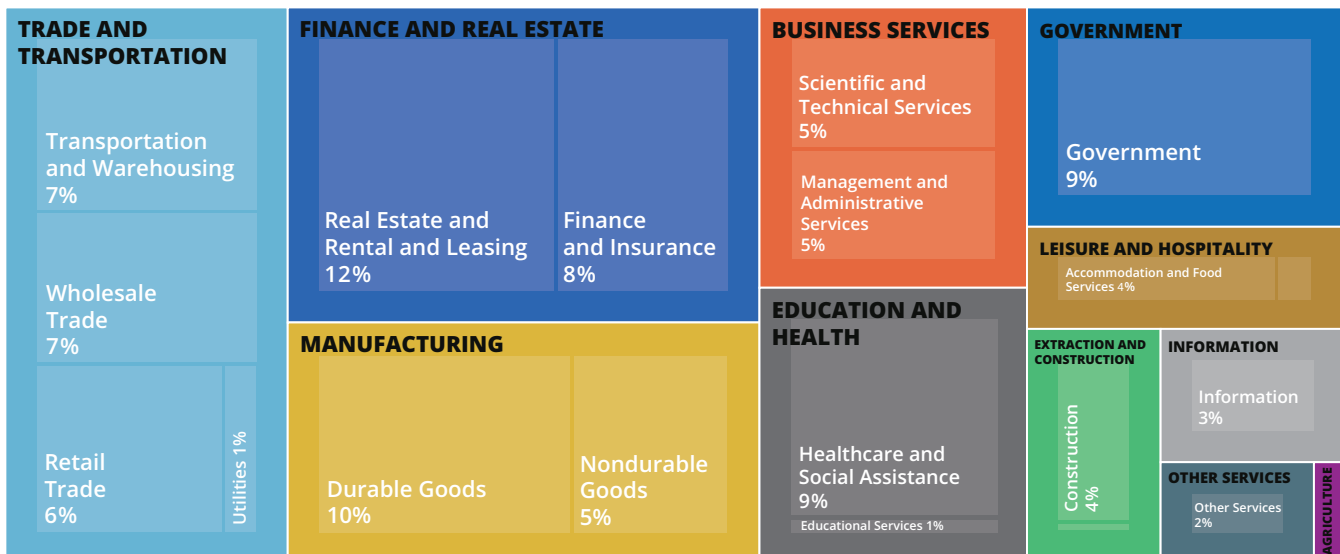
- **Challenge:** With a growing talent pool and an ambition to broaden its workforce expertise, it is more important than ever for Greater Louisville to retain and attract top talent.
- **Opportunity:** This highly-affordable EMA is partnering with local industry leaders and educational institutions to invest in the Workforce Ecosystem Hub, providing workforce development resources to help workers upskill and reskill.
- **Challenge:** Greater Louisville is experiencing significant growth in tourism and must ensure that its Leisure and Hospitality industry can keep up with demand.
- **Opportunity:** The EMA's Leisure and Hospitality industry outpaces the national average, driven by infrastructure investments and events like the PGA and Derby 150. With attractions like Derby City Gaming and new hotels, Greater Louisville is well-prepared to accommodate more visitors.

How Productive Are Louisville's Industries?

Sector Employment and GDP Shares Ranked by U.S. Labor Productivity



Louisville Sector GDP Share



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