

REGIONAL ECONOMIC SNAPSHOT

EMPOWERING AMERICAN CITIES



FIFTH THIRD / UNC KENAN INSTITUTE

In our base-case scenario, we expect solid but slowing growth in 2024 with a mild recession starting late in the year, as Federal Reserve rate hikes continue to ripple through financial conditions and pricing pressures cool the national economy.

Most of the microeconomies in the United States are expected to see somewhat slower rates of growth than in the previous year, which is reflected in our projections for Extended Metropolitan Areas. Despite weaker growth, the data indicate that nearly every one of the 150 largest EMAs in the U.S. will expand in 2024. While we expect recessionary conditions by the end of the year, varied economic fortunes indicate the slowdown will be experienced unevenly. Cities with a large manufacturing base as well as those that have benefited from the recent housing boom are expected to be among the hardest hit as high interest rates take their toll on interest-sensitive spending sectors.

On the supply side of the U.S. economy, job creation is expected to slow. Some sectors, most notably Manufacturing, will experience job loss, while Education and Health will continue their upward trajectory, al-



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.

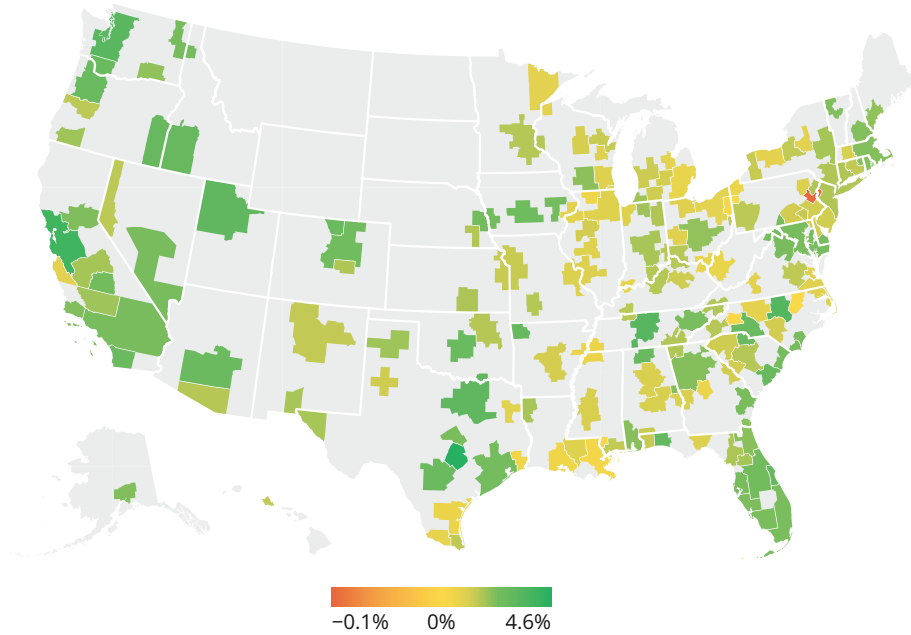
beit at a somewhat slower pace. The employment slowdown will continue to weigh on overall wage growth, ultimately lessening price pressures, although inflation is likely to remain somewhat above target during the next 12 months.

On the demand side, high interest rates, elevated inflation, and slowing job and wage growth will dampen consumer spending. Housing shortages have kept home prices aloft, and the combination of high interest rates and home prices are undercutting home affordability and housing activity. Mitigating factors, however, should limit the damage. Modest overall job gains – with significant variation across sectors and EMAs – imply that most households will re-

tain spending power. While unprecedented levels of savings have been drawn down, household and business balance sheets remain healthy in aggregate, but a significant and growing minority of consumers are exhibiting signs of financial stress.

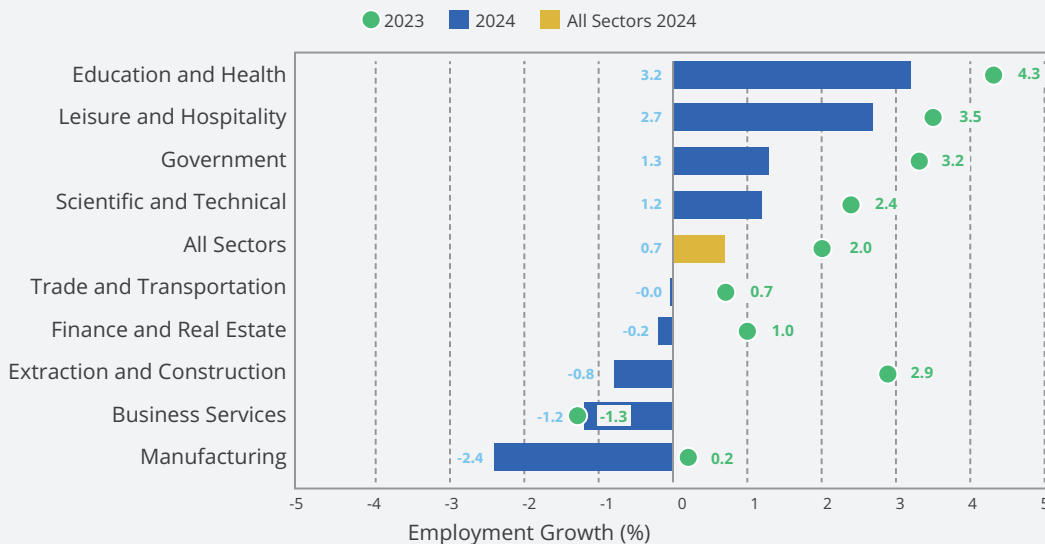
All of these and other factors are expected to yield a mild and short-lived downturn for the U.S. beginning in Q4, which will likely increase disparities in growth dynamics across EMAs. In addition to our base case of a slowdown turning into recessionary conditions, there is a significant, yet less likely, “soft landing” scenario in which the economy continues to power through headwinds with U.S. consumers fueling a solid expansion.

EMA Economic Performance 2024 Growth Forecast



The map illustrates the divergence in economic growth among EMAs. All but one of our EMAs are anticipated to grow in 2024, many will experience solid growth, and the one microeconomy projected to contract will do so by only the slightest margin. The areas experiencing the fastest recent growth – often beneficiaries of innovation and migration – are likely to continue to outpace the rest of the country. 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 and eventual recession, such as Manufacturing, will underperform. Areas where labor constraints and housing trends are centrally important to the economy will likely be hampered by stubbornly elevated home prices and interest rates.

U.S. Employment Growth by Sector 2024 vs. 2023



■ The pace of hiring in 2024 is expected to slow across the U.S. in all major sectors, with employment contracting in several sectors and net job growth of only 0.7% for the year.

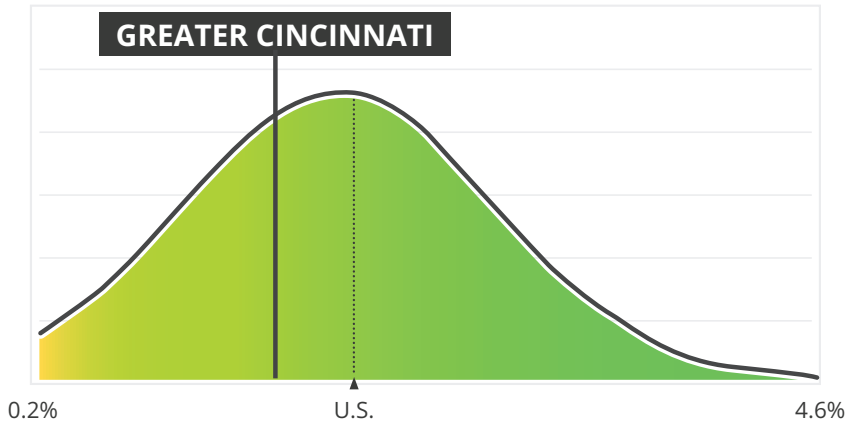
■ The Extraction and Construction sector is expected to experience the biggest slowdown, swinging from healthy growth to contraction as high interest rates create drag on construction in particular.

■ We expect a modest slowdown in Leisure and Hospitality, though there is higher-than-usual uncertainty in this prediction because of pent-up demand from the pandemic years.

GREATER CINCINNATI

Extended Metropolitan Area*

2024 GDP Growth
Distribution of 50 Largest EMAs



- Greater Cincinnati is projected to experience a modest increase in overall economic activity in 2024.
- Compared with other large EMAs, Cincinnati is in the second quartile, with GDP growth below national average.

Key Takeaways

- The U.S. economy's projected slowdown in 2024 poses challenges for Cincinnati, and yet the area's productive Finance and Real Estate and Manufacturing sectors are foundational for long-term economic health.
- Like many EMAs, Cincinnati suffers from a housing shortage, a problem that could worsen this year as the area exhibits sluggish building activity.
- Cincinnati's Information sector is undersized and less productive than the national average, making this dynamic, future-focused sector a target for investment.

Supply Side (Employment)

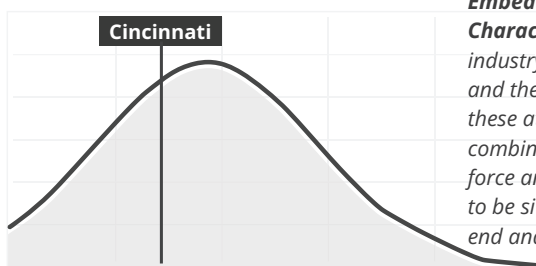


Demand Side (Consumption)



- The Cincinnati EMA has moderately soft supply-side characteristics, with **limited expected job creation**, and modest overall demand, as reflected in **essentially flat 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.

- Greater Cincinnati's sectoral mix (illustrated on Page 4), demographic balance and migration patterns indicate a modest-sized potential growth engine.

Outlook



While the nation is expected to see recessionary conditions, Greater Cincinnati is expected to see a modest increase in economic activity. This region is stabilized by five Fortune 500 companies with recent re-commitments from GE and Worldpay and a strong foundation in manufacturing. Cincinnati is uniquely positioned with I-71/75 and the airport providing a network for industries like logistics to thrive. With pending changes to the Brent Spence Bridge, the region is well positioned for continued growth. We continue to need improvement in our IT sector by continuing to retain the talent educated at the over 12 colleges and universities here.

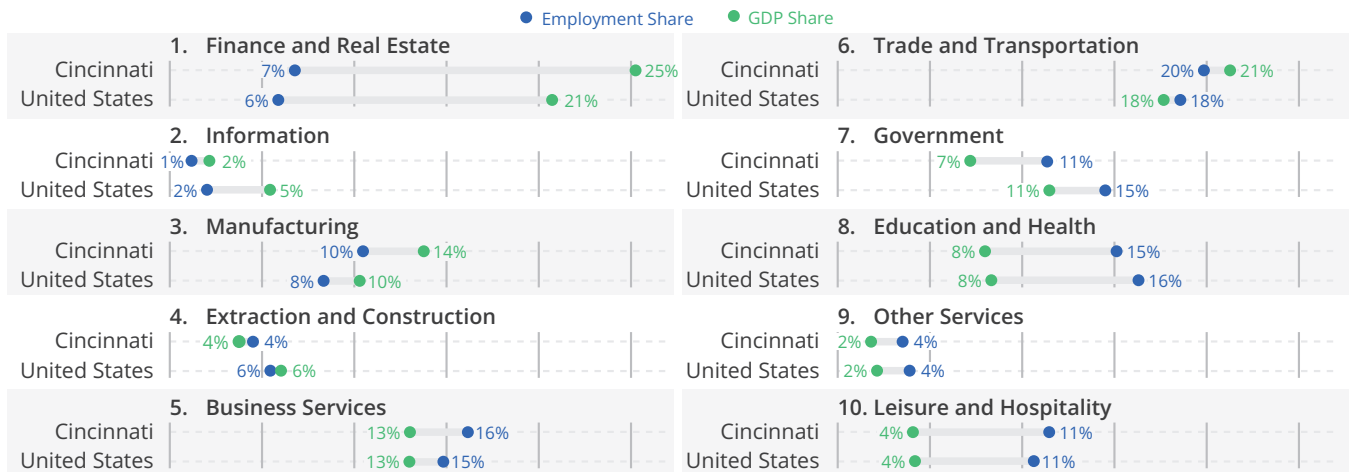
Tim Elsbrock, Regional President, Cincinnati

* Counties included in analysis: Ohio: Brown, Butler, Clermont, Clinton, Hamilton, Warren. Kentucky: Boone, Bracken, Campbell, Gallatin, Grant, Kenton, Mason, Pendleton. Indiana: Dearborn, Franklin, Ohio, Union.
For more information, visit kenaninstitute.unc.edu/american-growth-project

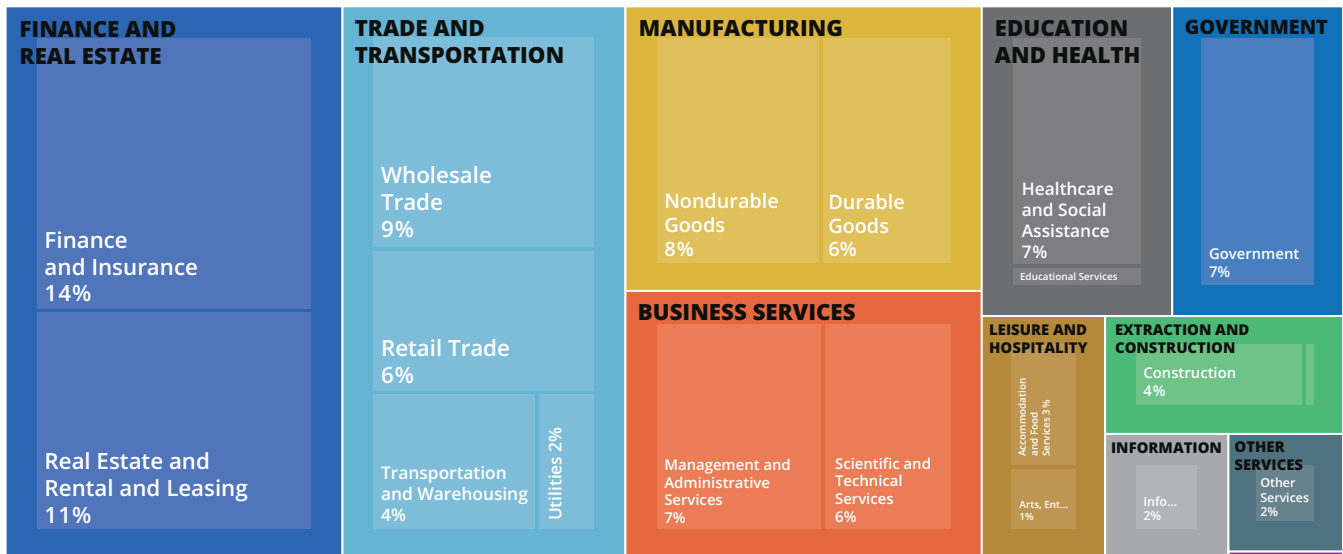
Challenges and Opportunities

- Challenge:** The Cincinnati EMA is overweighted toward Manufacturing, which accounts for 10% of its workforce – a structural strength, given the sector’s high productivity, but a cyclical weakness, as the sector’s employment is expected to contract this year.
- Opportunity:** Investments in advanced manufacturing plants along with the industry and infrastructure environment supporting this growth highlight opportunities for building resilience in the region’s Manufacturing core.
- Challenge:** Cincinnati’s transportation and warehousing infrastructure require expansions and upgrades to meet the demands of new industry and resident transplants.
- Opportunity:** Situated at an interstate crossroads, Cincinnati boasts geographic advantages, offering a high quality of life, natural beauty and favorable development prospects, all features of a compelling narrative for attracting companies and capital to the EMA and for retaining talent.

How Productive Are Cincinnati’s Industries? Sector Employment and GDP Shares Ranked by U.S. Labor Productivity



Cincinnati Sector GDP Share



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