

REGIONAL ECONOMIC SNAPSHOT

UPDATED AS OF JANUARY 2025

**EMPOWERING
AMERICAN CITIES**



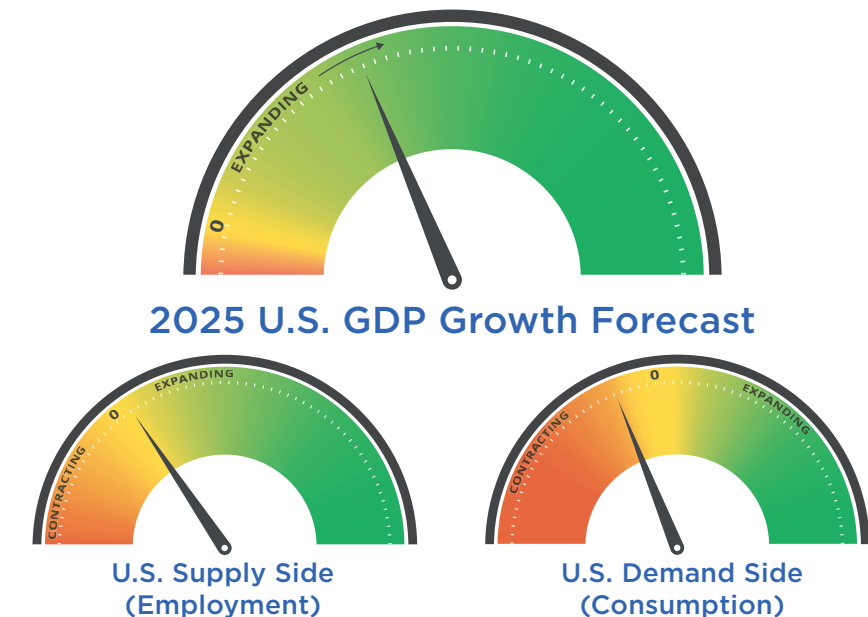
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In our base-case scenario, we expect slowing, middling growth in 2025, as interest rates and inflation remain elevated and federal policies drag on the national economy.

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.

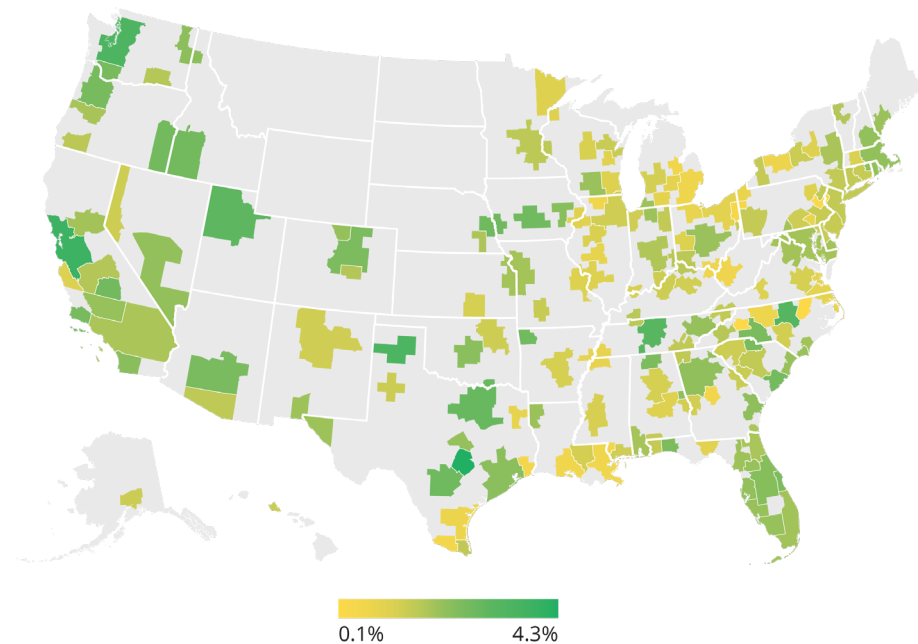
On the demand side, elevated interest rates, above-target inflation and slow-

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.

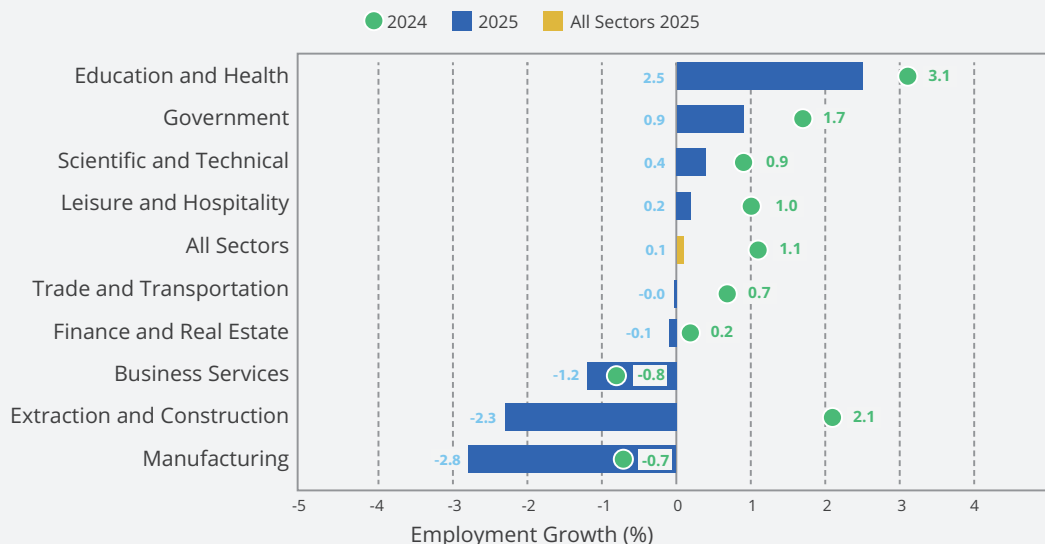
Data sources from the Census, Bureau of Labor Statistics and Bureau of Economic Analysis and estimates from the Kenan Institute and Fifth Third Bank. The range of the national barometers is based on historical performance of U.S. measures since 1990. For more information, visit kenaninstitute.unc.edu/american-growth-project.

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.

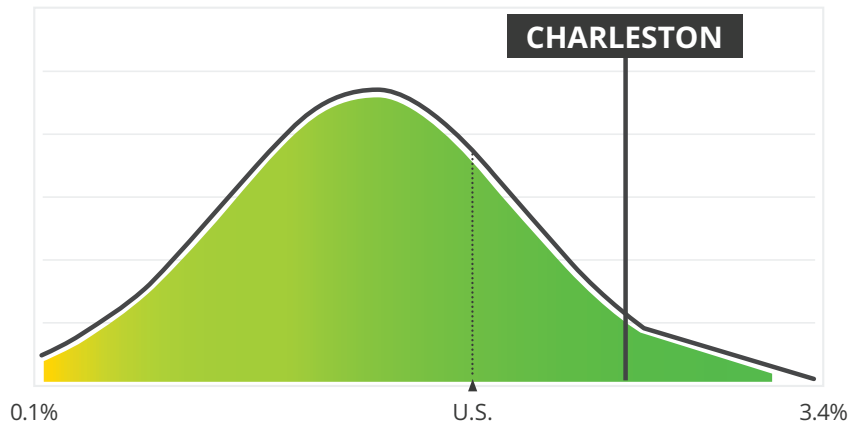
■ We expect continued slowing in Leisure and Hospitality, as pent-up demand from the pandemic years levels off and job growth flattens.

GREATER CHARLESTON

Extended Metropolitan Area*

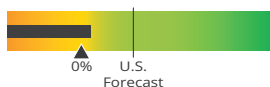
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2025 GDP Growth
Distribution of 100 Midsize EMAs

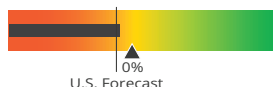


- Greater Charleston is projected to experience healthy growth in overall economic activity in 2025.
- Compared with other midsize EMAs, Charleston is among the top 10 performers, with projected GDP growth above the U.S. average, owing to its strong structural growth characteristics.

Supply Side (Employment)

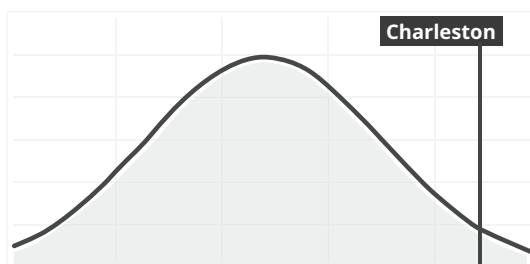


Demand Side (Consumption)



- The Charleston EMA has modest supply-side characteristics, with nearly flat 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.

- Charleston's sectoral mix (illustrated on Page 4), demographic balance and migration patterns indicate a strong potential growth engine.

Key Takeaways

- Middling national growth and uncertainty around economic policy will pose challenges for Greater Charleston, particularly in the Manufacturing and Business Services sectors, yet the EMA's diversifying business base provides a bedrock for long-term economic health.
- The EMA's expanding population and natural land constraints impose an imperative that Charleston invest in its transportation and housing infrastructure, as sluggish housing activity indicates tightening in the housing market.
- Charleston's Information and Finance and Real Estate sectors are undersized relative to the national average, highlighting an opportunity for additional investment in these high-output industries.

Outlook



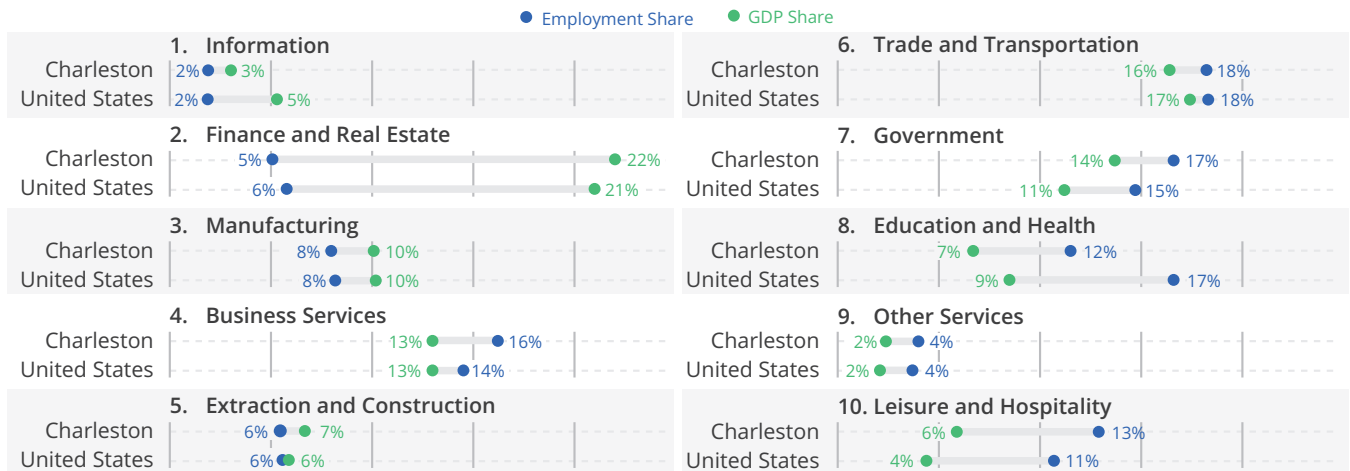
The Charleston region shows the benefits of a well-diversified economy. Fifth Third's commitment to innovation and our ability to offer specialized financial solutions to support technological advancements will help drive the future of industries such as advanced manufacturing, logistics and healthcare and fuel the growth of the region.

Lee Fite,
Regional President,
Carolinas

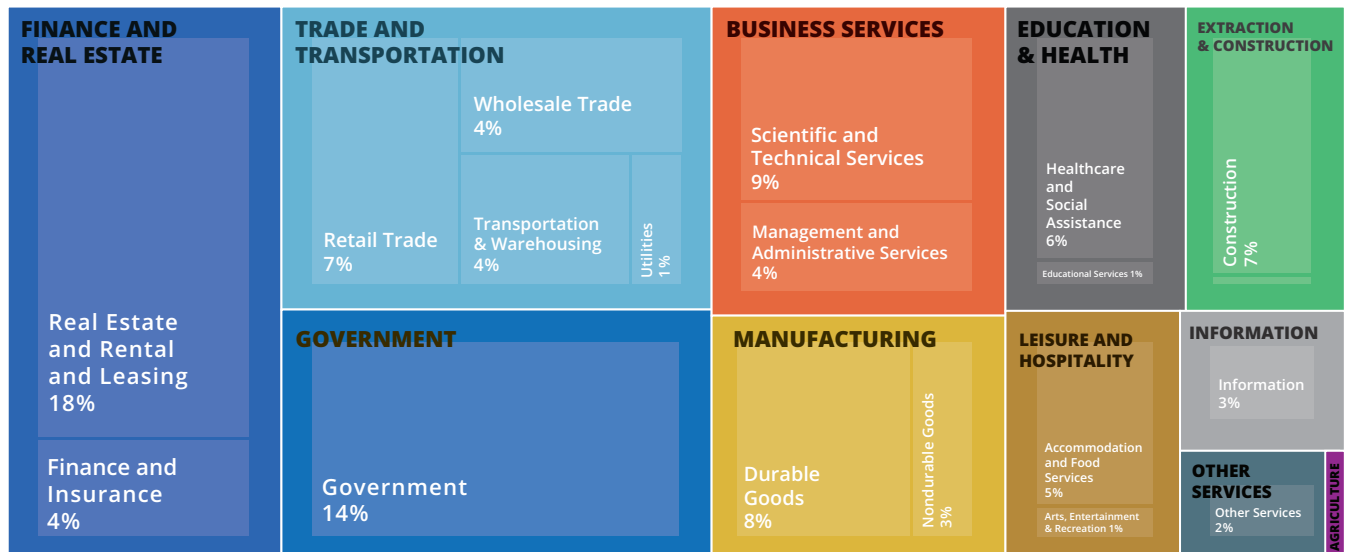
Challenges and Opportunities

- **Challenge:** The Business Services sector occupies a disproportionately large share of Greater Charleston's workforce and yet accounts for less output per worker than the sector's national average.
- **Opportunity:** Home to a major port connecting the region's industries with global partners, Charleston is well situated to grow its logistics, scientific and technical services industries, promoting economic resilience and sustained growth.
- **Challenge:** Changes in federal policies may contribute to a large contraction in construction employment throughout the country, hindering residential and commercial development in the Charleston area and beyond.
- **Opportunity:** A year-round destination for people and capital, Charleston has perennial consumer demand that the EMA can nurture with proper investment in its construction-related industries.

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



Charleston Sector GDP Share



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