

REGIONAL ECONOMIC SNAPSHOT

EMPOWERING
AMERICAN CITIES

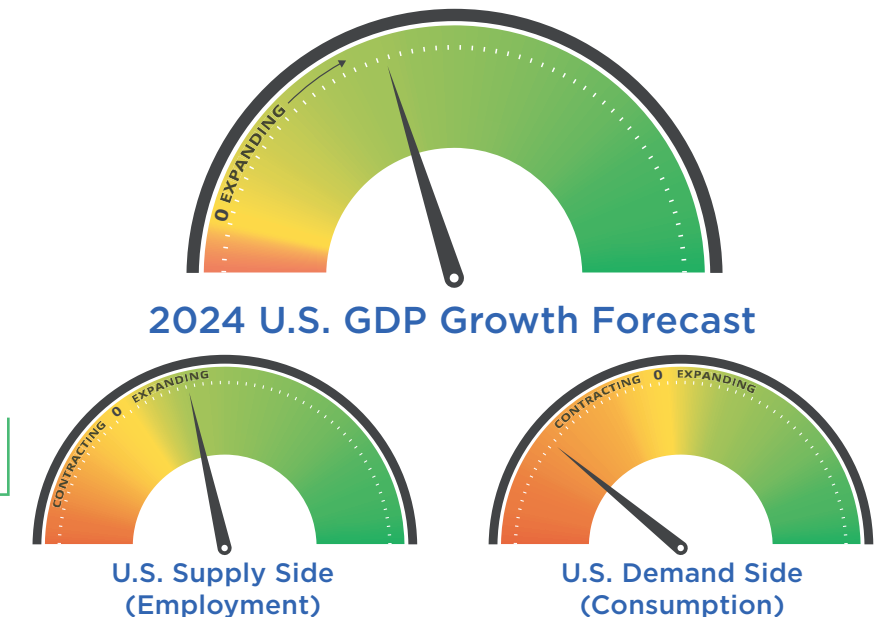


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In our base-case scenario, we expect solid but slowing growth in 2024 with a mild recession starting late in the year, as Federal Reserve rate hikes continue to ripple through financial conditions and pricing pressures cool the national economy.

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.

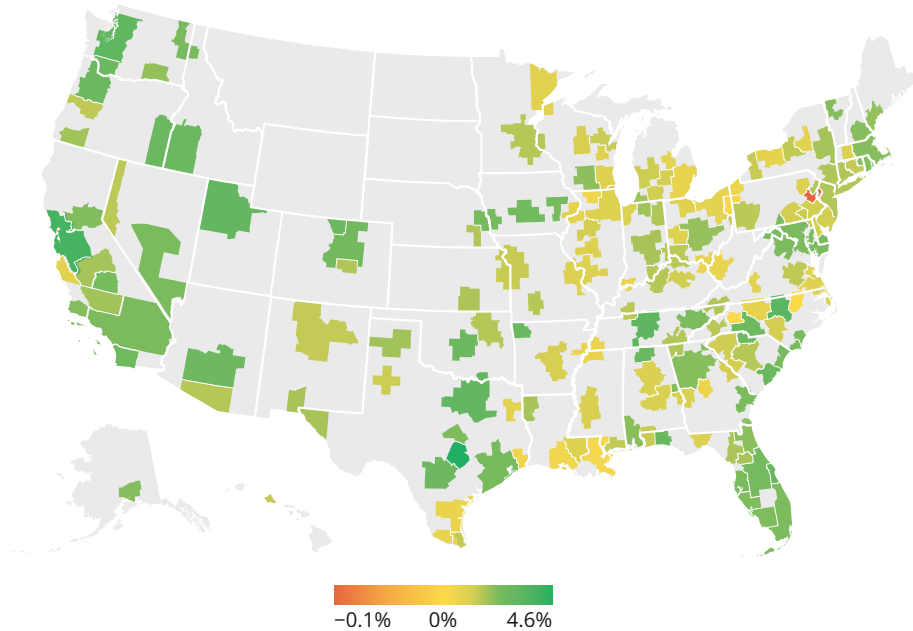
beit at a somewhat slower pace. The employment slowdown will continue to weigh on overall wage growth, ultimately lessening price pressures, although inflation is likely to remain somewhat above target during the next 12 months.

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.

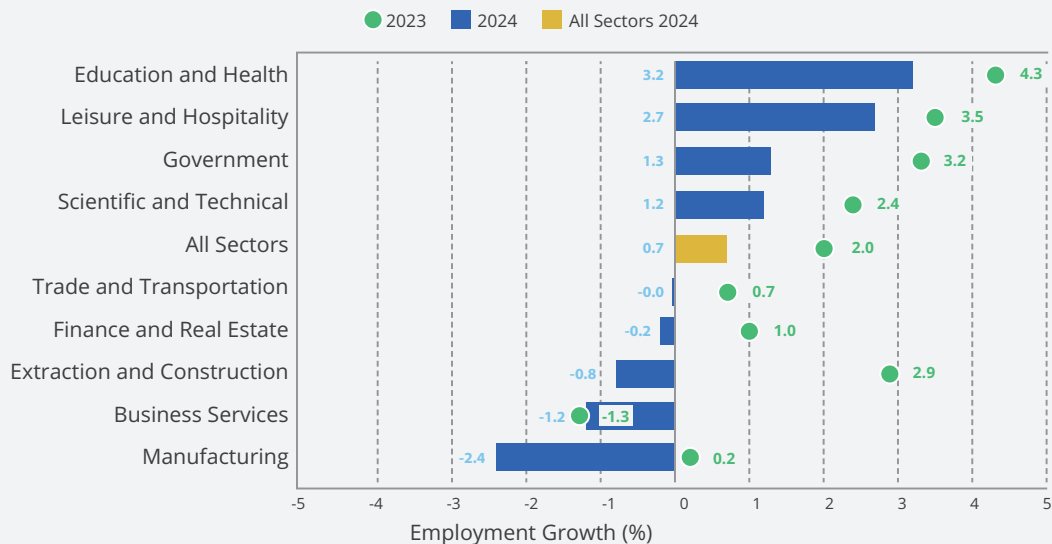
All of these and other factors are expected to yield a mild and short-lived downturn for the U.S. beginning in Q4, which will likely increase disparities in growth dynamics across EMAs. In addition to our base case of a slowdown turning into recessionary conditions, there is a significant, yet less likely, “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.

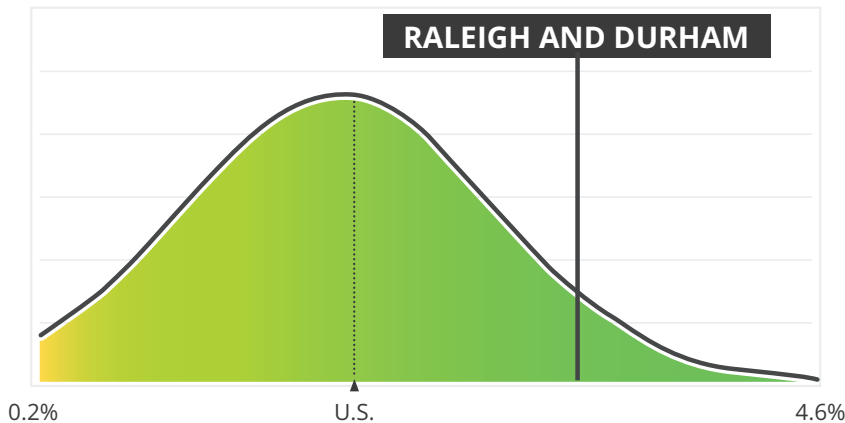
■ The Extraction and Construction sector is expected to experience the biggest slowdown, swinging from healthy growth to contraction as high interest rates create drag on construction in particular.

■ 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.

RALEIGH AND DURHAM

Extended Metropolitan Area*

2024 GDP Growth
Distribution of 50 Largest EMAs



- The Raleigh-Durham EMA is projected to experience solid growth in overall economic activity in 2024.
- Compared with other large EMAs, Raleigh-Durham is among the top five performers, with projected GDP growth above the U.S. average.

Supply Side (Employment)

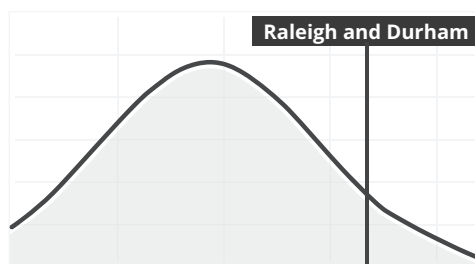


Demand Side (Consumption)



- Raleigh-Durham has healthy supply-side characteristics, with **positive expected job creation**, and moderate overall demand, as reflected in 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.

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

Key Takeaways

- 1 The U.S. economy's projected slowdown in 2024 poses challenges for some Raleigh-Durham industries, particularly in the Manufacturing sector, and yet the area's advanced technology industries form a bedrock of long-term economic health.
- 2 The Raleigh-Durham EMA's Finance and Real Estate sector is undersized relative to the national average, highlighting a need for additional investment in this high-output area.
- 3 With excellent educational institutions and a growing agglomeration of high-tech industries, Raleigh-Durham's expanding population and business base help to drive economic activity while increasing pressure on the area's transportation and housing infrastructure.

Outlook



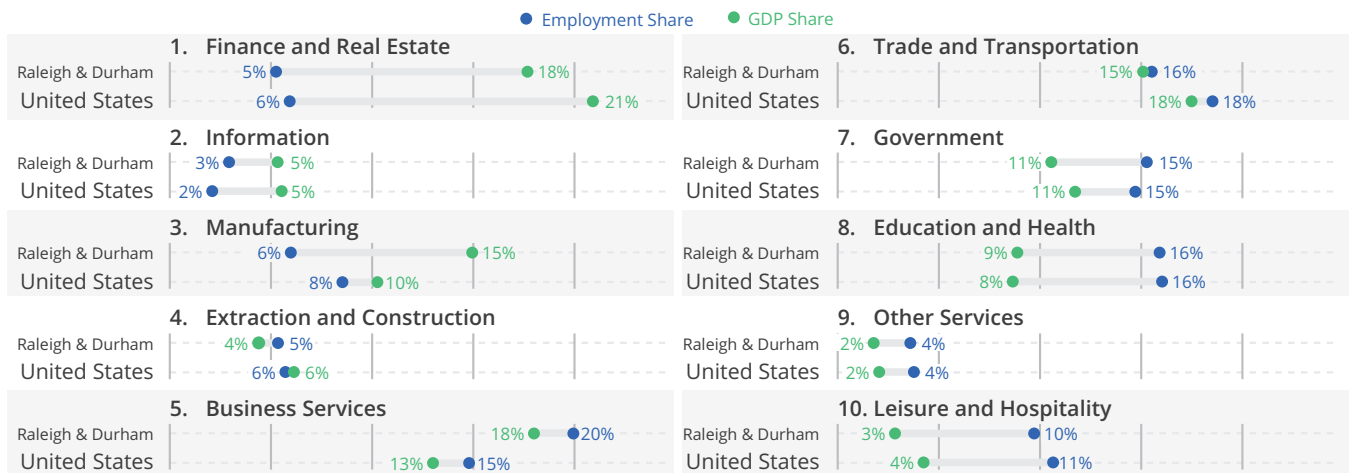
With the Carolinas consistently ranking among the top U.S. states for business, access to exceptional institutions of higher education, robust natural resources and significant investment in both infrastructure and industry, it is no surprise that we continue to see a thriving future for the region. As a leader in advanced manufacturing, logistics and distribution, and world-class financial services expertise, Fifth Third is committed to partnering with business and community leaders to meet the needs of our clients and communities throughout the Carolinas.

Lee Fite, Regional President, Carolinas

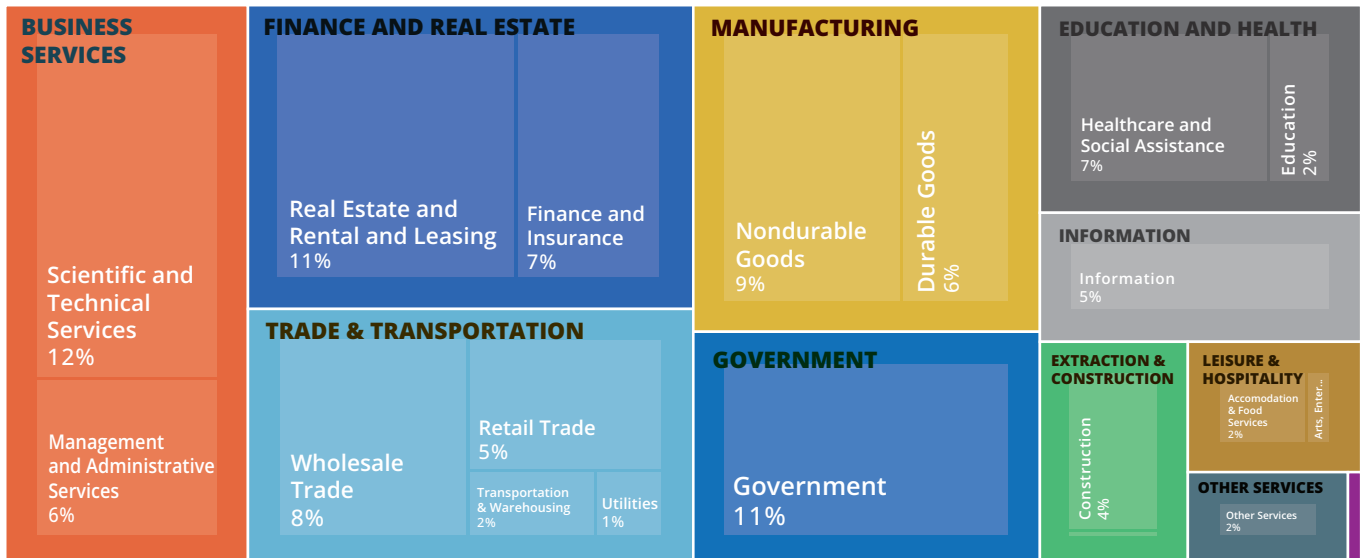
Challenges and Opportunities

- Challenge:** Accounting for one out of every five of the EMA's workers and 18% of its GDP, the Business Services sector occupies a disproportionately large slice of Raleigh-Durham's economy, exposing the area to the sector's cyclical downturns.
- Opportunity:** The Research Triangle is home to a diverse and growing base of companies offering scientific and technical services, which promotes economic resiliency, creates industrial synergies and invites additional investment to the area.
- Challenge:** Among the nation's top destinations for people and businesses, Raleigh-Durham's lack of public transportation options forces many area residents to drive great distances, reducing overall productivity and absorbing consumer spending from other goods and services.
- Opportunity:** Growing political will and funding promises transportation improvements that could improve the Research Triangle's connectivity, allowing for the area's growing population to get around more efficiently and live more productively than before.

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



Raleigh and Durham Sector GDP Share



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