

REGIONAL ECONOMIC SNAPSHOT

UPDATED AS OF JANUARY 2025

**EMPOWERING
AMERICAN CITIES**



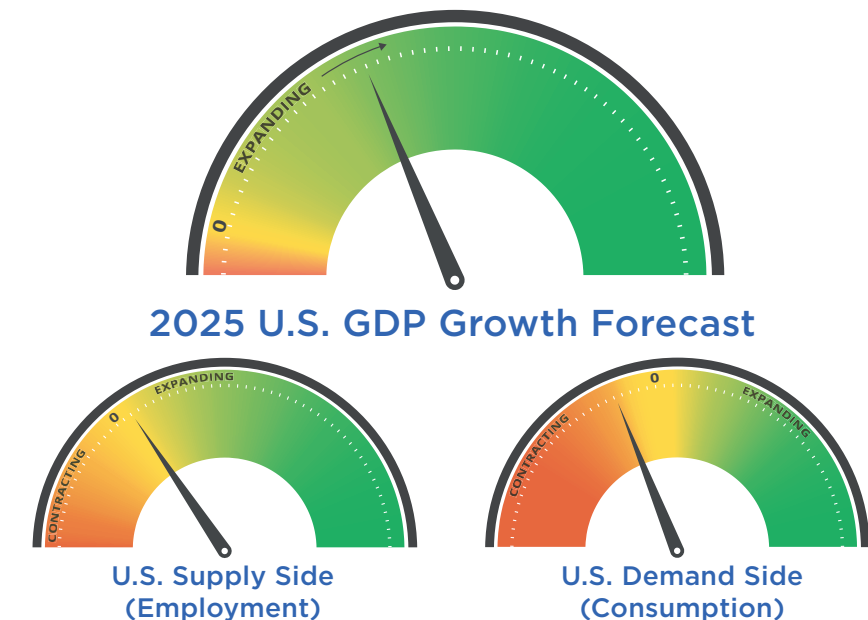
FIFTH THIRD / UNC KENAN INSTITUTE

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-

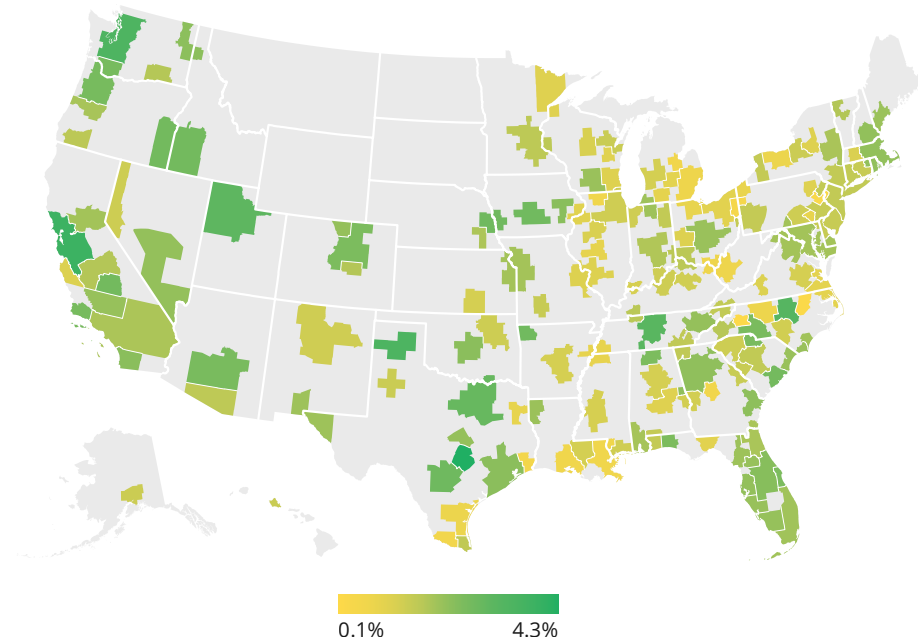
ing job and wage growth will dampen but not swamp consumer spending. Meanwhile, sluggish housing activity will worsen shortages in many areas, keeping home prices aloft. Household and business balance sheets remain healthy in aggregate, yet a growing minority of consumers exhibit signs of financial stress.

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.

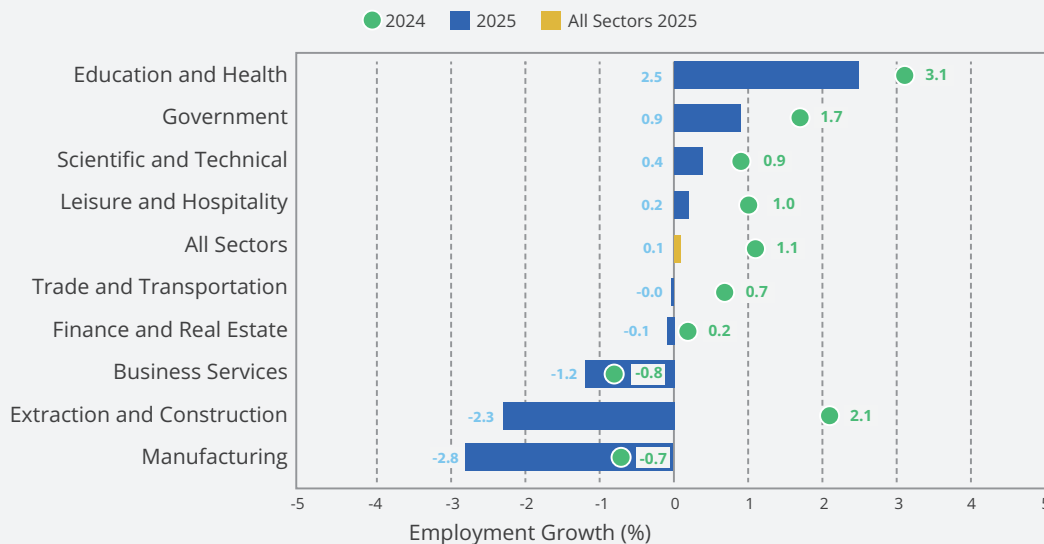
Data sources from the Census, Bureau of Labor Statistics and Bureau of Economic Analysis and estimates from the Kenan Institute and Fifth Third Bank. The range of the national barometers is based on historical performance of U.S. measures since 1990. For more information, visit kenaninstitute.unc.edu/american-growth-project.

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.

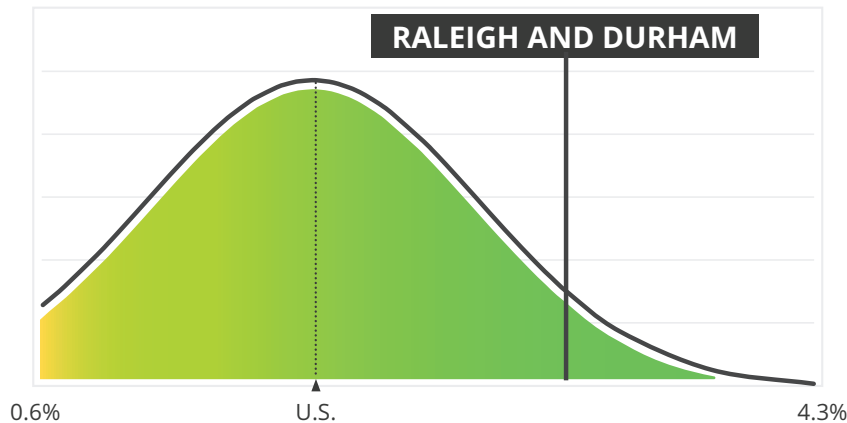
■ We expect continued slowing in Leisure and Hospitality, as pent-up demand from the pandemic years levels off and job growth flattens.

RALEIGH AND DURHAM

Extended Metropolitan Area*

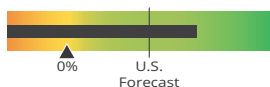
UPDATED AS OF JANUARY 2025

2025 GDP Growth
Distribution of 50 Largest EMAs



- The Raleigh-Durham EMA is projected to experience solid growth in overall economic activity in 2025.
- 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)

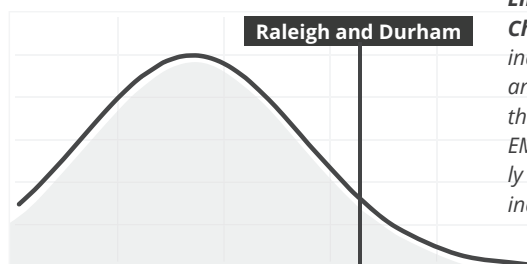


- Raleigh-Durham has healthy supply-side characteristics, with **positive expected job creation**, yet soft overall demand, as reflected in **sluggish housing activity**.

Demand Side (Consumption)



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 2025 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 A year-on-year decline in new housing permits indicates softening consumer demand and elevated housing costs, as Raleigh-Durham's expanding population increases pressure on the area's housing infrastructure.

Outlook



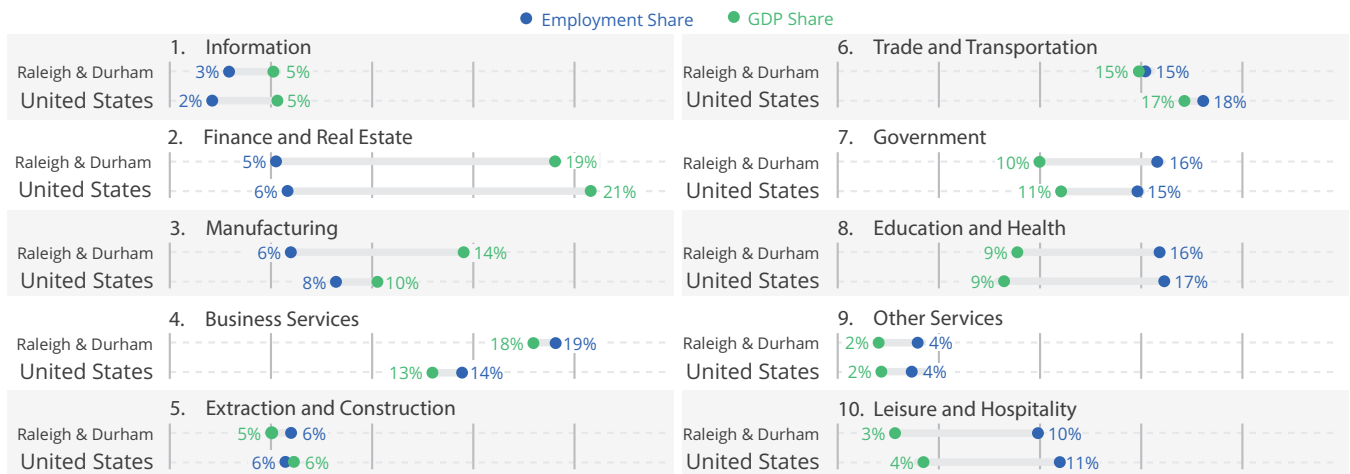
The Triangle region is one of the fastest growing extended metropolitan areas in the entire US. With more than 2 million people calling the Triangle home, low cost of business, a highly educated and skilled workforce as well as excellent road, rail, and air infrastructure and national recognition as top place to start a business, the region is well positioned to be an economic powerhouse for decades to come. Fifth Third is proud to partner with all who call the Triangle home and remain committed to partnering with business leaders to support the investment and growth in the greater Raleigh-Durham EMA.

Lee Fite,
Regional President, Carolinas

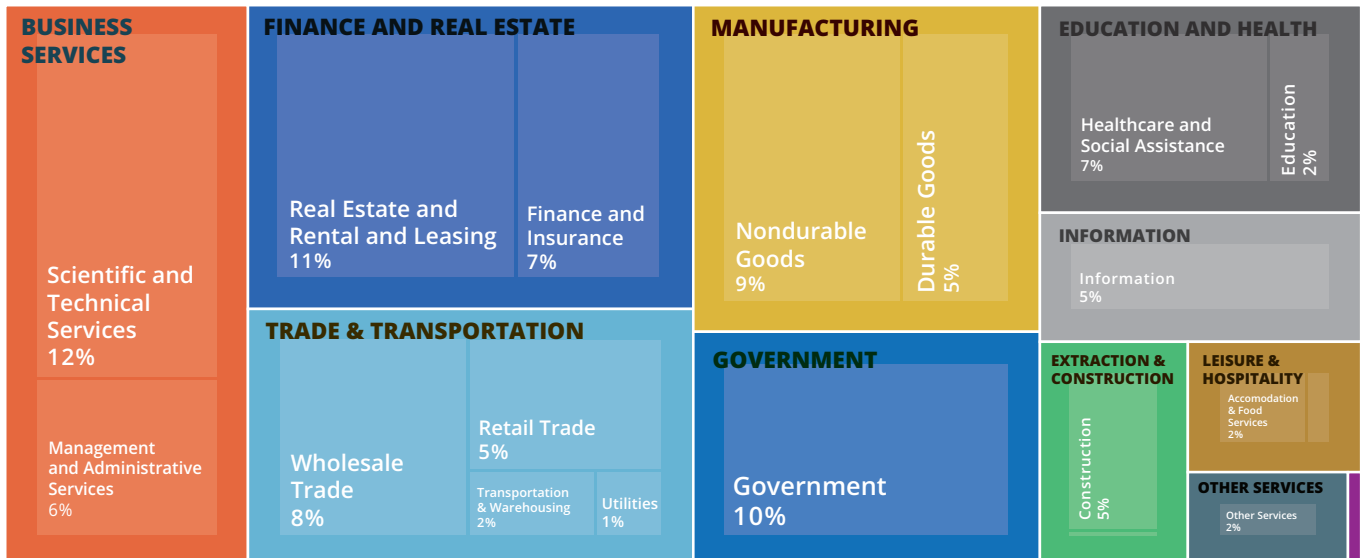
Challenges and Opportunities

- Challenge:** Accounting for nearly 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 upgrades 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



The opinions expressed herein are those of Fifth Third and the Kenan Institute collaboratively and may not actually come to pass. This information is current as of the date of first publication and is subject to change at any time based on market and other conditions. This information is intended for educational purposes only and does not constitute the rendering of investment advice or research, or specific recommendations on investment activities and trading.

© 2024 Fifth Third Bank, National Association. Member FDIC

For more information, visit kenaninstitute.unc.edu/american-growth-project