

EMPOWERING AMERICAN CITIES



FIFTH THIRD / UNC KENAN INSTITUTE

2025 Midyear Local Economic Update

Growth Slows but Resilience Holds

August 2025

KEY TAKEAWAYS

- Our initial expectations for the U.S. economy in 2025 remain largely intact after the addition of more recent data. Growth has slowed, but a recession appears avoidable. Projections for key indicators in employment and housing growth have improved in cities across the country.
- Growth projections for those 150 Extended Metropolitan Areas have declined, however, driven by expectations that the effects of tariffs and higher inflation may dampen the U.S. economy. Segments of the West, South and Southeast are expected to outperform, while manufacturing-heavy and housing-boom regions lag.
- Heightened economic uncertainty will likely continue to play an outsized role in 2026's economic outlook.
- The healthcare sector, a major economic driver that's also vital in keeping the U.S. workforce productive, is under pressure from rising costs, workforce shortages and demographic shifts.



At the start of 2025, the U.S. economy faced a complex landscape: persistent inflation, elevated interest rates and policy uncertainty. We anticipated weaker job creation and housing permit growth, but expected both indicators to remain resilient in the face of heightened economic uncertainty – with consumer spending likely to soften but not collapse amid cooling labor momentum.

Under our base-case scenario incorporating policy changes – interest rate adjustments, tariff hikes, immigration actions, regulatory shifts and tax relief measures – all metropolitan areas would continue expanding but more slowly than in 2024. GDP growth would be stronger in the West, South and Southeast and slower in areas reliant on manufacturing or past housing booms.

As of midyear, new data shows many of our expectations remain intact. While growth has slowed, the economy remains on stable footing and a recession appears unlikely through the end of 2025. The labor market has shown resilience across key indicators – job creation, unemployment, average hourly earnings and participation.

The administration's recent tariff reductions on Chinese imports may offer much-needed assurance to businesses and consumers, although tariff uncertainty still poses risks to consumer spending, wage negotiations, hiring, and merger and acquisition activity. Large companies like Walmart and Amazon have cited difficulties absorbing rising costs, leading to price increases. Hospitals and healthcare providers face higher costs because of tariffs on imported medical equipment, pharmaceuticals and essential supplies, many of which are sourced from China.

Midyear in Detail: GDP and Healthcare

We assess GDP growth forecasts, productivity (output per worker), and projections for job creation and housing permit activity across U.S. Extended Metropolitan Areas (EMAs) to offer improved insights into shifting economic conditions.¹ This supplements the 2025 Regional Economic Snapshots of 30 EMAs found on [EmpoweringAmericanCities.com](https://www.empoweringamericancities.com).

We also examine healthcare productivity and GDP share across EMAs, exploring the nuanced relationship between healthcare investments and broader economic

trends. Why healthcare? For starters, healthcare and social assistance ranked third in share of U.S. GDP among industrial supersectors in Bureau of Economic Analysis Q1 2025 statistics. Beyond that, the sector is uniquely positioned at the intersection of influential trends such as tariffs and demographic shifts while also serving as an essential driver of workforce strength and productivity. Also, healthcare is the largest sector Fifth Third serves through its experienced Corporate and Investment Banking, Middle Market and Small Business teams.

Understanding the dynamics around healthcare is essential to evaluate the efficiency improvements that boost healthcare productivity as well as structural challenges within the healthcare industry. To dig deeper, we focus our analysis on the capital of Ohio, Columbus. Notably, this EMA has seen recent investment in the sector, prompted in part by growing acknowledgment of the link between untreated health issues and economic performance.

Three Key Midyear Findings from Empowering American Cities

- **Labor Market and Housing Activity Show Resilience**

Employment forecasts have strengthened across both large and midsize EMAs, with average gains of 0.53 percentage points. Housing permit growth has also rebounded, particularly among the 50 largest EMAs, where average growth rose from -0.20% to 5%.

- **GDP Growth Forecasts Have Weakened**

Despite resilience in employment and housing, GDP forecasts have softened, largely because of a widened trade deficit. The average growth outlook for the top 50 EMAs declined from 1.88% to 1.18%, with the revision primarily attributed to softer-than-expected U.S. performance, where

GDP came in at 1.2%, down from 1.9% in the previous forecast.

- **Productivity Is Under Pressure, Particularly for Healthcare**

The divergence between rising employment and falling GDP forecasts suggests weaker productivity growth ahead. This trend is especially concerning in sectors already facing cost and labor pressures, such as healthcare.

The Data That Drives Empowering American Cities

Empowering American Cities brings together Fifth Third Bank's in-depth local knowledge and data analysis by the Kenan Institute of Private Enterprise at the University of North Carolina at Chapel Hill to deliver valuable perspectives to support business growth and economically healthy communities.

The Kenan Institute analyzes comprehensive economic data for the 150 largest EMAs in the U.S., providing insights into regional growth trends. We develop key indicators, including GDP growth, with forecasts for 2025 alongside historical trends spanning five and 10 years. On the supply side, employment forecasts describe labor market dynamics. For example, among the 50 largest EMAs, we expect the following to experience the strongest employment growth in 2025: New York, NY, followed by Philadelphia, PA, Boston, MA, Fresno, CA, and New Orleans, LA. On the demand side, housing activity forecasts estimate housing permit growth. Among the 50 largest EMAs, the strongest housing growth is expected in Chicago, IL, followed by Kansas City, MO/KS, Milwaukee, WI, Columbus, OH, and Philadelphia, PA. Productivity metrics, such as GDP share relative to employment share, highlight output per worker across major industry sectors.

Additionally, we gauge every EMA's embedded local growth characteristics, which capture the ways in which an EMA's underlying social, cultural and business attributes shape its economic trajectory. Economic indicators for the 50 largest EMAs by population are displayed in Table 1.

The Empowering American Cities GDP growth map (Figure 1) provides an overview of economic performance across all 150 EMAs. The map tracks GDP growth over the past five and 10 years and offers a one-year forecast for the year ahead. For example, it shows that among the 50 largest EMAs, the top performers in 1-year GDP growth are Austin, TX, followed by the San Francisco Bay Area, Seattle, WA, Nashville, TN, and Raleigh-Durham, NC. The bottom five performers are Virginia Beach, VA, Memphis, TN,

Detroit, MI, Greensboro, NC, and New Orleans, LA. The map also shows stronger growth in many of the EMAs in the West, South, and Southeast, and weaker growth in pockets of the Midwest.

By providing side-by-side information for every EMA, the visualization shows how EMAs perform relative to one another. EMAs are separated into two distinct groups according to population size – the 50 largest EMAs and the next 100 midsize EMAs. This allows for more in-depth, meaningful comparisons between peers of comparable size.

The underlying data feeding into Kenan Institute forecasts has changed notably since the first versions were released at the beginning of 2025. The employment forecasts from early in the year

Figure 1: GDP Growth Map for 150 Largest EMAs

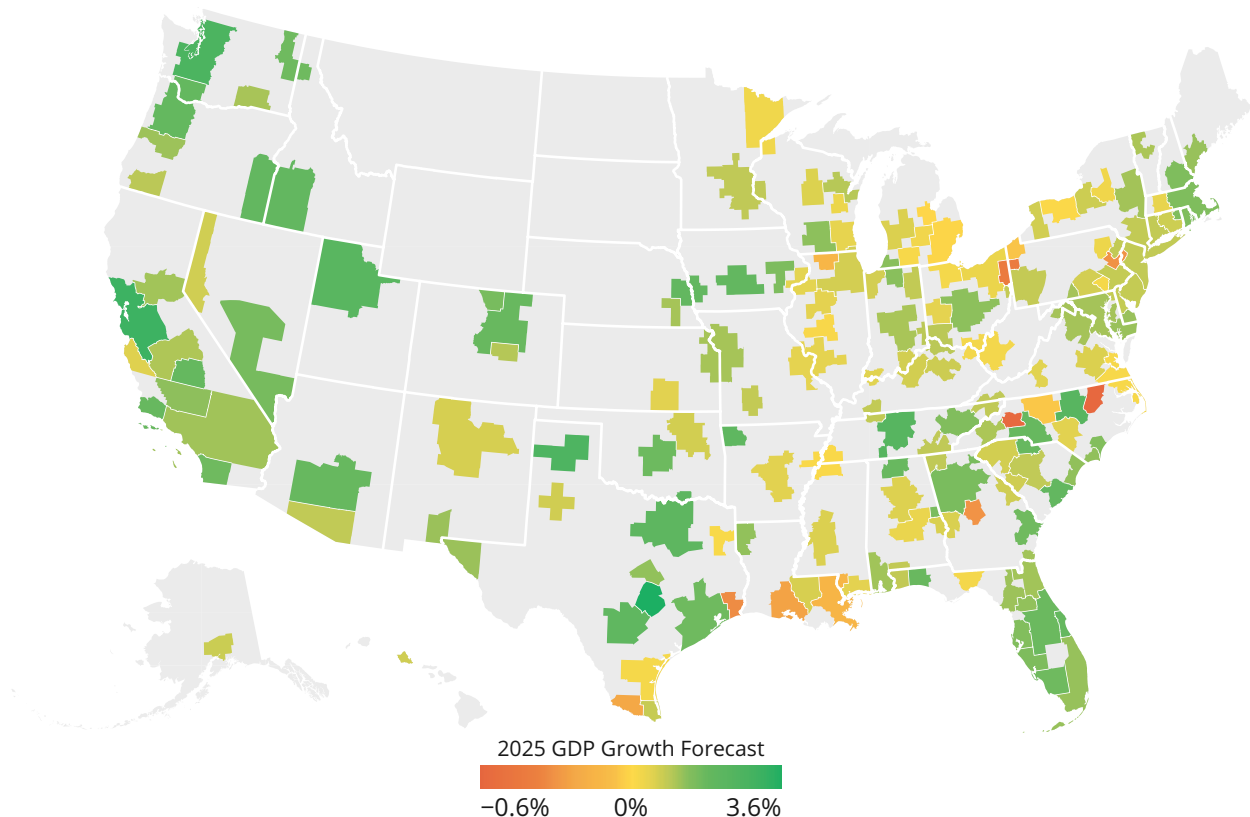


Table 1: Key Economic Indicators for the 50 Largest EMAs

EMA Name	GDP Growth 2019-2025	2025 GDP Growth Ranking	GDP Change in Rank	Employment Growth 2019-2025	2025 Employment Growth Ranking	Employment Change in Rank	Housing Growth 2019-2024	2024 Housing Growth Ranking	Housing Change in Rank	Embedded Local Growth Characteristics
Atlanta, Georgia	3.8% 	18	-6	1.2% 	37	-6	-13.9% 	14	+31	Moderate
Austin, Texas	6.5% 	1	0	3.5% 	41	-38	6.7% 	43	-24	Strong
Birmingham, Alabama	1.3% 	42	-3	1.9% 	38	-19	13.1% 	13	+1	Weak
Boston, Massachusetts	3.2% 	19	+1	1.1% 	3	+31	2.8% 	12	+13	Moderate
Charlotte, North Carolina	3.4% 	10	+9	2.7% 	47	-41	-5.7% 	34	+6	Strong
Chicago, Illinois	0.9% 	39	+6	0.4% 	30	+18	1.6% 	1	+27	Weak
Cincinnati, Ohio	4.7% 	30	-24	1.6% 	34	-12	-2.0% 	9	+24	Moderate
Cleveland, Ohio	2.0% 	45	-13	1.4% 	26	0	-2.6% 	10	+25	Weak
Columbus, Ohio	2.6% 	21	+4	1.8% 	25	-5	-13.5% 	4	+40	Moderate
Dallas and Fort Worth, Texas	3.8% 	7	+4	2.4% 	46	-36	-1.0% 	17	+15	Strong
Denver, Colorado	5.7% 	12	-9	2.2% 	39	-28	-6.8% 	45	-4	Strong
Detroit, Michigan	0.8% 	48	-1	1.1% 	42	-7	4.7% 	15	+8	Weak
Fresno, California	2.8% 	29	-7	1.2% 	4	+29	17.5% 	32	-23	Moderate
Grand Rapids, Michigan	0.6% 	40	+8	0.5% 	49	-2	5.9% 	16	+6	Weak
Greensboro, North Carolina	0.2% 	49	0	1.3% 	35	-6	-0.5% 	8	+23	Weak
Greenville, South Carolina	2.7% 	36	-13	2.5% 	50	-42	0.8% 	7	+22	Weak
Harrisburg, Pennsylvania	1.9% 	38	-3	1.3% 	31	-3	12.2% 	19	-4	Weak
Hartford, Connecticut	1.0% 	35	+9	0.9% 	12	+29	-20.1% 	24	+25	Weak
Houston, Texas	-0.7% 	15	+35	1.9% 	44	-28	10.9% 	27	-10	Strong
Indianapolis, Indiana	2.0% 	28	+3	1.3% 	36	-6	9.5% 	25	-7	Moderate
Jacksonville, Florida	4.0% 	25	-15	1.9% 	16	+2	-5.1% 	50	-13	Moderate
Kansas City, Missouri, and Kansas City, Kansas	2.1% 	27	+3	1.0% 	28	+9	-9.9% 	2	+40	Moderate
Las Vegas, Nevada	4.4% 	17	-9	4.0% 	9	-8	15.4% 	11	0	Moderate
Los Angeles, California	3.6% 	23	-9	0.9% 	8	+32	1.7% 	39	-12	Moderate
Louisville, Kentucky	3.5% 	37	-20	0.8% 	43	0	6.6% 	46	-26	Moderate
Memphis, Tennessee	0.9% 	47	-1	1.5% 	29	-6	-18.2% 	18	+30	Weak

Table 1: Key Economic Indicators for the 50 Largest EMAs (cont.)

EMA Name	GDP Growth 2019-2025	2025 GDP Growth Ranking	GDP Change in Rank	Employment Growth 2019-2025	2025 Employment Growth Ranking	Employment Change in Rank	Housing Growth 2019-2024	2024 Housing Growth Ranking	Housing Change in Rank	Embedded Local Growth Characteristics
Miami and Fort Lauderdale, Florida	2.2%	22	+7	2.0%	19	-4	6.5%	47	-26	Moderate
Milwaukee, Wisconsin	1.3%	44	-3	-0.6%	33	+17	-28.8%	3	+47	Weak
Minneapolis and St. Paul, Minnesota	1.4%	31	+6	1.0%	21	+18	21.2%	48	-43	Moderate
Nashville, Tennessee	3.5%	4	+12	3.8%	32	-30	18.8%	37	-30	Strong
New Orleans, Louisiana	2.3%	50	-22	0.7%	5	+40	-2.5%	33	+1	Weak
New York, New York	2.0%	32	+1	1.2%	1	+31	28.4%	26	-22	Weak
Oklahoma City, Oklahoma	1.9%	14	+20	1.4%	10	+15	14.4%	6	+6	Moderate
Orlando, Florida	4.0%	13	-4	2.4%	17	-8	1.8%	29	-3	Strong
Philadelphia, Pennsylvania	1.1%	34	+9	1.7%	2	+19	16.5%	5	+5	Weak
Phoenix, Arizona	4.6%	11	-4	3.5%	24	-20	14.3%	21	-8	Strong
Pittsburgh, Pennsylvania	1.3%	33	+7	0.8%	7	+37	-0.5%	38	-8	Moderate
Portland, Oregon	2.6%	9	+17	1.9%	40	-23	18.0%	41	-33	Strong
Raleigh and Durham, North Carolina	3.0%	5	+16	2.1%	20	-6	-11.6%	42	+1	Strong
Richmond, Virginia	2.4%	41	-14	1.3%	22	+5	39.7%	36	-35	Weak
Sacramento, California	3.5%	24	-6	1.0%	6	+32	19.4%	22	-16	Moderate
Salt Lake City, Utah	6.1%	6	-4	2.7%	48	-41	11.2%	35	-19	Strong
San Antonio, Texas	3.6%	8	+7	1.4%	14	+10	38.2%	31	-29	Strong
San Diego, California	2.7%	16	+8	0.3%	15	+34	-16.5%	20	+27	Strong
San Francisco Bay Area, California	5.6%	2	+2	0.6%	27	+19	-16.3%	40	+6	Strong
Seattle, Washington	5.2%	3	+2	2.9%	45	-40	-5.2%	23	+16	Strong
St. Louis, Missouri	1.7%	43	-7	1.1%	13	+23	-5.2%	28	+10	Weak
Tampa, Florida	3.7%	20	-7	2.2%	18	-6	34.9%	44	-41	Strong
Virginia Beach, Virginia	1.2%	46	-4	0.9%	23	+19	3.3%	49	-25	Weak
Washington, D.C., and Baltimore, Maryland	1.4%	26	+12	2.1%	11	+2	-4.2%	30	+6	Moderate

expected employment growth of near zero from the 150 EMAs, on average. The midyear updated employment forecasts have improved across the 50 largest EMAs and the 100 midsize EMAs by 0.53 percentage points on average. Housing permit growth has improved for both groups as well. The top 50 saw their average permit growth increase from -0.20% at the beginning of 2025 to 5% for the midyear update, a change of +5.2 percentage points. The midsize 100 average housing permit growth climbed on average by about 3 percentage points, although their average and median rates remain in the negative.

Yet despite the positive movement in employment and housing permit data, our GDP growth projections for the 150 EMAs have declined since the beginning of the year. The top 50's average GDP forecast dropped from 1.88% to 1.18%, while the midsize 100's forecasts dropped from an average of 1.47% to 0.77%. The main factor driving this decline is softer-than-expected U.S. performance, where GDP came in at 1.2%, down from 1.9% in the previous forecast. Annualized U.S. GDP growth was revised downward because of the potential for tariffs and higher-than-expected inflation to dampen economic activity over the remainder of the year.

Projected U.S. GDP growth was revised downward because of the potential for tariffs and higher-than-expected inflation to dampen economic activity over the remainder of the year. One likely effect of tariffs, especially in advanced economies, is to hamper output and productivity. The decline in GDP forecasts combined with the increase in employment forecasts indicates that we should expect productivity growth to be weaker in the coming quarters than we expected at the beginning of the year.

Diagnosing Healthcare Productivity: Output vs. Strain

Productivity metrics offer crucial insight into output per worker for each industry, including healthcare. As a major employer in hospitals, research institutions and pharmaceutical labs, the healthcare sector encompasses millions of American jobs. The sector also works to maintain the well-being and productivity of the broader workforce, acting as a foundation for overall economic performance. In today's environment of rising costs, widespread workforce shortages and growing systemic strain, the need to assess healthcare productivity is greater than ever.

Understanding where and how the sector produces value (e.g., through innovation and labor efficiency) can shed light on the balance between output and strain and help identify opportunities for improvement. An EMA with high output per worker, for example, might appear to be outperforming its peers, but a closer look may reveal staffing shortages and an aging patient population. Where the healthcare workforce is overextended, employees may accomplish more with less but experience higher rates of burnout, making it nearly impossible to maintain the level of productivity. Exacerbating



this challenge, an aging patient population would likely boost healthcare demand and spending without contributing to any actual efficiency gains.

Are Healthcare Productivity and GDP Growth Connected?

Table 2 shows overall GDP growth (2019–2025), healthcare productivity and healthcare GDP shares across the 50 largest EMAs. We can discern several notable patterns from these rankings. The top 10 EMAs with the highest healthcare productivity factors are mostly in the South or the Sun Belt, with the exceptions of Richmond, VA, and Harrisburg, PA. Nashville, TN, ranks first in healthcare productivity, and none of the highest-performing EMAs are among the 10 most populous metro areas. These patterns may be attributed to regional economic and demographic dynamics, with Sun Belt cities experiencing rapid population growth, boasting business friendly environments, and advancements in technological infrastructure, including AI and automation.

The bottom 10 EMAs for healthcare productivity are spread across regions of the U.S. Several, including Los Angeles and New York City, rank among the most populous – and expensive – metro areas in the U.S. High patient volumes in these EMAs may place additional strain on the healthcare systems while high operating costs exacerbate resource constraints.

An assessment of healthcare GDP shares (i.e., the share of an area’s GDP that can be attributed to healthcare) reveals that three Pennsylvania EMAs – Pittsburgh, Philadelphia and Harrisburg – rank among the highest healthcare GDP shares; three Texas EMAs – Dallas–Fort Worth, Houston and Austin – rank among the lowest healthcare GDP

shares. Pennsylvania is known for its major hospital and research networks (in addition to an aging population, which boosts spending on healthcare), while Texas has more diversified microeconomies with a heavier emphasis on energy production.

Healthcare productivity can correlate with GDP growth, yet the relationship varies across America’s microeconomies. In 2025, healthcare productivity factors range from 0.36 to 0.85, while projected GDP growth among the top 50 EMAs spans -0.1% to 3.6%. Austin leads in GDP growth (3.6%) while maintaining a moderate healthcare productivity factor (0.5). In contrast, the San Francisco Bay Area ranks second in GDP growth (3.1%) yet holds the lowest healthcare productivity factor (0.36). These disparities suggest that some EMAs – like Austin – experience balanced development across healthcare, manufacturing, and technology industries, facilitating the integration of AI into its medical systems. Meanwhile, the San Francisco Bay Area may not yet have fully leveraged its tech-driven growth to strengthen its healthcare sector.



Table 2: GDP Growth, Healthcare Productivity and Healthcare GDP Share for 50 Largest EMAs

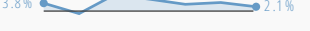
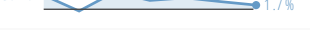
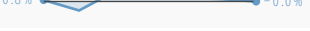
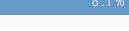
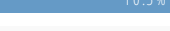
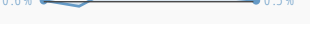
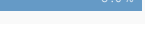
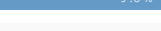
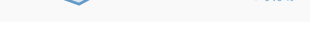
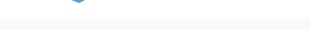
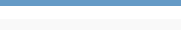
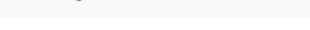
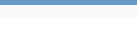
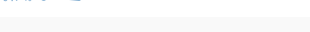
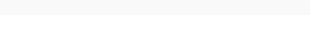
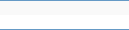
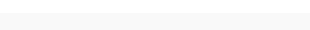
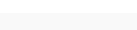
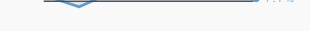
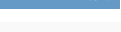
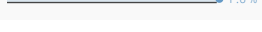
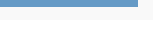
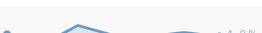
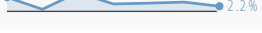
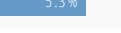
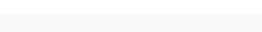
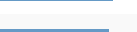
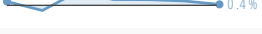
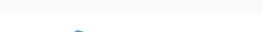
EMA Name	GDP Growth 2019-2025	Healthcare Productivity Factor	Healthcare GDP Share 2023
Atlanta, Georgia	3.8% 	0.55	6.4% 
Austin, Texas	6.5% 	0.50	4.9% 
Birmingham, Alabama	1.3% 	0.78	9.6% 
Boston, Massachusetts	3.2% 	0.50	8.9% 
Charlotte, North Carolina	3.4% 	0.50	4.5% 
Chicago, Illinois	0.9% 	0.50	6.9% 
Cincinnati, Ohio	4.7% 	0.53	7.4% 
Cleveland, Ohio	2.0% 	0.53	9.1% 
Columbus, Ohio	2.6% 	0.57	7.8% 
Dallas and Fort Worth, Texas	3.8% 	0.60	6.3% 
Denver, Colorado	5.7% 	0.51	5.6% 
Detroit, Michigan	0.8% 	0.56	8.1% 
Fresno, California	2.8% 	0.51	10.5% 
Grand Rapids, Michigan	0.6% 	0.59	8.6% 
Greensboro, North Carolina	0.2% 	0.63	9.8% 
Greenville, South Carolina	2.7% 	0.57	6.0% 
Harrisburg, Pennsylvania	1.9% 	0.66	11.0% 
Hartford, Connecticut	1.0% 	0.49	8.3% 
Houston, Texas	-0.7% 	0.44	5.0% 
Indianapolis, Indiana	2.0% 	0.55	8.0% 
Jacksonville, Florida	4.0% 	0.59	8.5% 
Kansas City, Missouri, and Kansas City, Kansas	2.1% 	0.58	7.8% 
Las Vegas, Nevada	4.4% 	0.60	6.1% 
Los Angeles, California	3.6% 	0.42	7.1% 
Louisville, Kentucky	3.5% 	0.66	9.5% 
Memphis, Tennessee	0.9% 	0.64	8.9% 

Table 2: GDP Growth, Healthcare Productivity and Healthcare GDP Share for 50 Largest EMAs (cont.)

EMA Name	GDP Growth 2019-2025	Healthcare Productivity Factor	Healthcare GDP Share 2023
Miami and Fort Lauderdale, Florida	2.2% 	0.54	 7.2%
Milwaukee, Wisconsin	1.3% 	0.56	 9.2%
Minneapolis and St. Paul, Minnesota	1.4% 	0.47	 7.9%
Nashville, Tennessee	3.5% 	0.85	 10.4%
New Orleans, Louisiana	2.3% 	0.48	 7.3%
New York, New York	2.0% 	0.40	 7.5%
Oklahoma City, Oklahoma	1.9% 	0.60	 8.8%
Orlando, Florida	4.0% 	0.64	 7.6%
Philadelphia, Pennsylvania	1.1% 	0.49	 9.5%
Phoenix, Arizona	4.6% 	0.59	 8.4%
Pittsburgh, Pennsylvania	1.3% 	0.51	 9.3%
Portland, Oregon	2.6% 	0.55	 8.1%
Raleigh and Durham, North Carolina	3.0% 	0.55	 6.8%
Richmond, Virginia	2.4% 	0.60	 7.8%
Sacramento, California	3.5% 	0.55	 9.5%
Salt Lake City, Utah	6.1% 	0.46	 5.3%
San Antonio, Texas	3.6% 	0.53	 6.9%
San Diego, California	2.7% 	0.46	 6.6%
San Francisco Bay Area, California	5.6% 	0.36	 5.4%
Seattle, Washington	5.2% 	0.42	 5.1%
St. Louis, Missouri	1.7% 	0.58	 9.3%
Tampa, Florida	3.7% 	0.61	 8.6%
Virginia Beach, Virginia	1.2% 	0.58	 7.5%
Washington, D.C., and Baltimore, Maryland	1.4% 	0.49	 6.1%

Case Study

Columbus Healthcare

Columbus ranks near the midpoint for the share of its GDP attributed to healthcare (26th out of 50), while its healthcare productivity factor is slightly higher than the median (20th out of 50). A closer look at Columbus' healthcare system reveals recent investments that promise to promote economic growth and worker productivity throughout the area.

OhioHealth, the city's largest health system, has invested \$1.5 billion in facility expansions, including the Grant Medical Center, a women's health center expected to open in 2027, and a planned comprehensive cancer center. Meanwhile, The Ohio State University Wexner Medical Center's new \$1.9 billion inpatient tower and educational space is set to open in 2026, Nationwide Children's Hospital's \$1.27 billion expansion is expected to open in 2028, and Mount Carmel Health System opened a \$273 million facility in Dublin in April 2025.

These investments build and enhance infrastructure while facilitating essential upgrades for medical record systems and cardiology ultrasound technology. The healthcare sector developments also help Columbus nurture a healthier workforce. Franklin County, home to Columbus, has

allocated \$60 million for a Mental Health and Addiction Crisis Center, reinforcing the area's commitment to building a healthy community and its regional importance as a medical hub. Investing in mental health initiatives like the Mental Health and Addiction Crisis Center yields a \$4 return for every \$1 spent, primarily through improvements in workforce efficiency and greater participation at work. One study found that untreated mental health issues cost Ohio about \$300 billion in lost productivity and increased expenditures in the sector.

Strength in productivity, however, sometimes conceals challenges in healthcare, namely staffing shortages and an aging patient population. In Columbus, Wexner Medical Center faces understaffing, which affects patient care and employee well-being; turnover rates are especially high among patient care associates and psychiatric care technicians. Yet Columbus is well-situated to attract the healthcare and biotech talent to fill these roles. As the central hub of the Ohio Discovery Corridor – a network of life sciences research and technology companies and institutions – Columbus and the growing Central Ohio healthcare sector will be integral to creating jobs and training workers in the health and life sciences roles of the future.

Why the Rankings Shift

Economic forecasts shift year to year in response to changing economic drivers, including both short-term and long-term influences. In the short term, uncertainty stemming from policy changes, such as tariffs and trade agreements, can disrupt supply chains and lead to higher costs, directly affecting industries like transportation, healthcare and manufacturing.

Over the long term, migration and population trends shape labor force composition, which in turn affects regional economic growth. For instance, an influx of highly educated prime-age workers (those ages 25-54 with bachelor's degrees) may spur expansion in sectors that demand this type of talent (e.g., Information).

Technological advancements and unexpected disruptions are also key drivers of economic forecast adjustments. Innovations in AI, for example, are transforming industries and reshaping workforce structures. Meanwhile, unforeseen events ranging from the COVID-19 pandemic to natural disasters like the Southern California wildfires and East Coast hurricanes create economic volatility by interfering with business strategies, hiring practices and consumer confidence. As these variables change over time, forecasting models must adapt to capture their shifting impacts on the economy.

For healthcare leaders, there's a clear takeaway: expect shifts in economic policy, demographics, AI, as well as unforeseen disruptions (e.g., pandemics or climate events). Being prepared for these changes can help leaders navigate fluctuations in labor supply, day-to-day expenses, and demand for goods and services; adaptive planning – such as upskilling

and reskilling employees and keeping abreast of macroeconomic policy shifts – is critical in an uncertain economic climate.

Conclusion: Uncertainty for Sure, Recession Less Likely

As 2026 approaches, shifting trade policy and persistent economic uncertainty continue to influence the U.S. economic outlook.

While a full-blown recession appears unlikely in 2025, data points to a gradual slowdown in the months ahead. As of July 2025, the Federal Reserve remains cautious about tariffs and geopolitical volatility, holding off on rate cuts until they have improved clarity. Chairman Jerome Powell reaffirmed expectations for two cuts before the year's end, but uncertainty continues to weigh on consumer and business confidence.

Healthcare faces particularly intense headwinds amid stubborn inflation and persistent uncertainty in trade. Tariffs on medical equipment, supplies, and protective gear elevate operational costs for hospitals already burdened by workforce shortages. These rising expenses threaten to impact patient access and delay progress in innovative treatment plans – ultimately affecting U.S. economic growth through decreased workforce productivity. Regional resilience and sector-specific strategies will be key to navigating the uncertain road ahead, providing leaders an opportunity to innovate, invest in workforce development and explore AI and automation to improve efficiency.

¹ Note: All data estimates are provided by the Kenan Institute of Private Enterprise at the University of North Carolina at Chapel Hill and may differ from the official projections issued by Fifth Third Bank.



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