

REGIONAL ECONOMIC SNAPSHOT

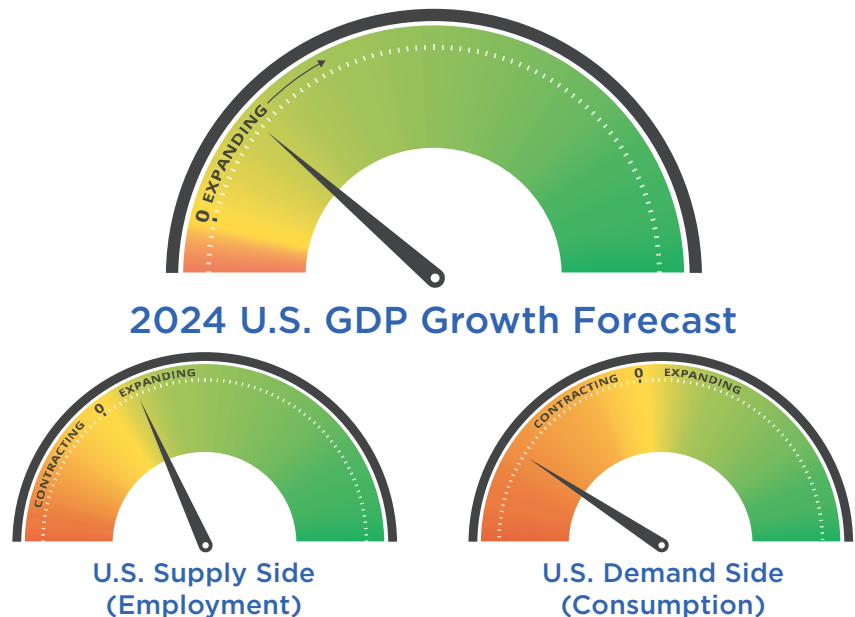
EMPOWERING AMERICAN CITIES

FIFTH THIRD / UNC KENAN INSTITUTE

In our base case scenario, we expect a mild recession in 2024, as Federal Reserve rate hikes ripple through financial conditions and pricing pressures cool the national economy.

Almost all the microeconomies in the United States are expected to see slower rates of growth than in the previous year, which is reflected in our projections for Extended Metropolitan Areas (EMAs). Despite slowing growth rates, the data indicate that more than 80% of the 150 largest EMAs in the U.S. will expand in 2024. While we expect recessionary conditions over the next year, the 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 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 markedly. Yet given recent labor shortages and employer difficulties finding skilled workers, we do not expect net national job loss in 2024.



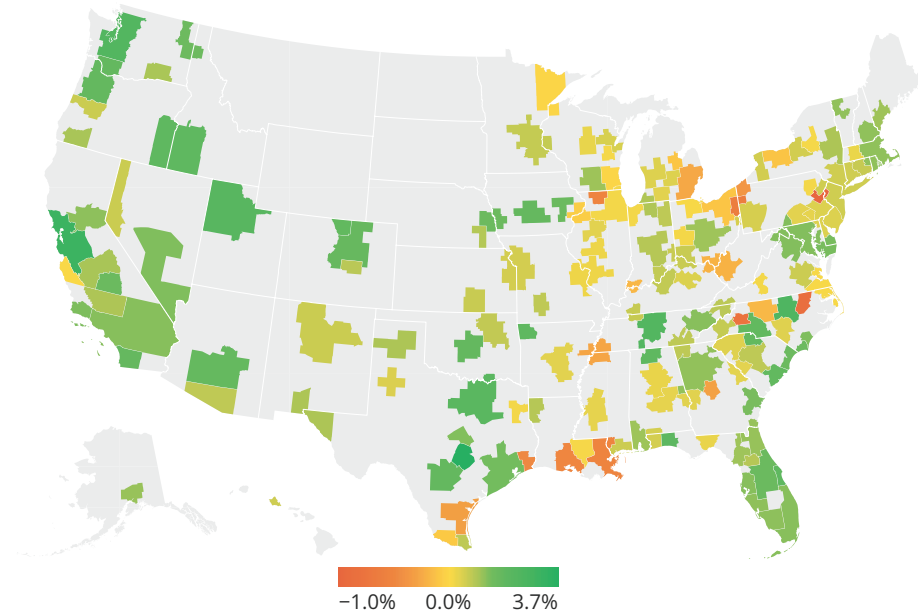
The color spectrum indicates a distribution that ranges from negative (red) to positive (green), with zero set to yellow. The barometers reflect each indicator's historical distribution.

Some sectors, such as Manufacturing and Construction, will experience meaningful job loss, while Education and Health will continue their upward trajectory, albeit at a slower pace. The employment slowdown will weigh on overall wage growth, ultimately lessening price pressures, although inflation is likely to remain somewhat above target during the next year.

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,

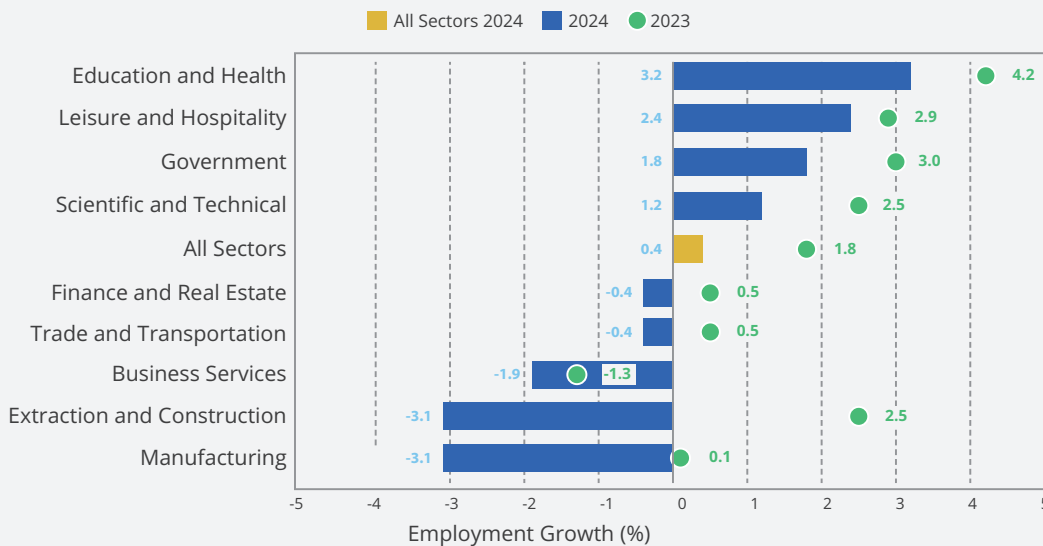
should limit the damage. Limited job losses imply that most households will retain spending power, and while unprecedented levels of savings have been drawn down, household and business balance sheets remain healthy in aggregate, but a significant and growing minority of consumers are exhibiting signs of financial stress. All of these and other factors likely yield a mild and short-lived downturn for the U.S. as a whole, with significant disparities in growth dynamics across EMAs. This downturn may look and feel like the proverbial "soft landing" to many, and there is a significant, yet less likely, scenario in which the economy continues to power through headwinds with U.S. consumers at the helm of a healthy expansion.

EMA Economic Performance 2024 Growth Forecast



The map illustrates a significant divergence in economic growth among EMAs. 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 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 0.4% for the year.

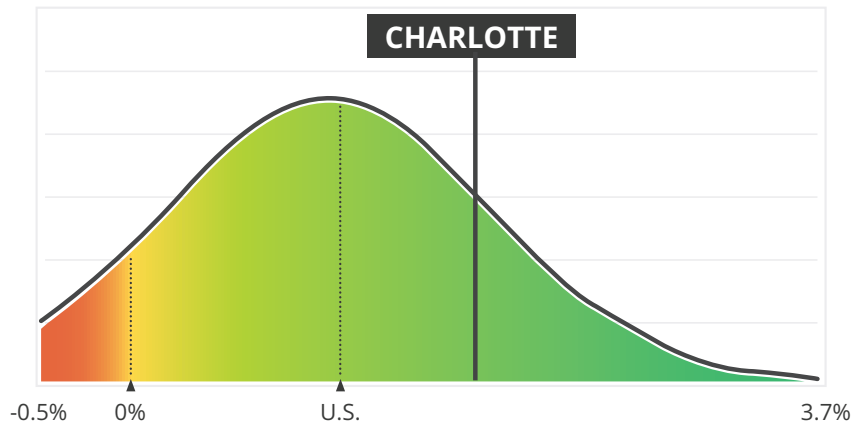
▀ The Extraction and Construction sector is expected to experience the biggest slowdown, swinging from growth to contraction as high interest rates create drag on construction in particular.

▀ 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.

CHARLOTTE REGION

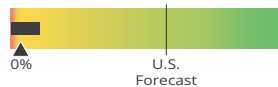
Extended Metropolitan Area*

2024 GDP Growth
Distribution of 50 Largest EMAs



- The Charlotte Region's economy is projected to experience solid growth in overall economic activity in 2024.
- Compared with the 50 largest EMAs by population – six of which are contracting – Charlotte ranks ninth, with projected growth above the national average.

Supply Side (Employment)

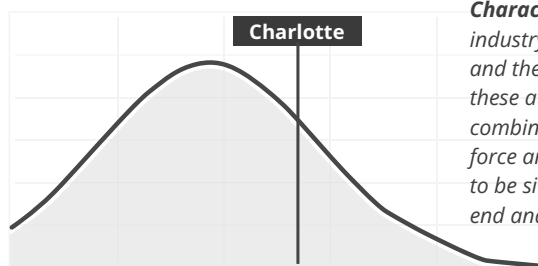


Demand Side (Consumption)



- The Charlotte EMA has weak supply-side characteristics, with **near-zero expected job creation**, tempered by relatively strong overall demand, as reflected in **increasing housing activity**.

Embedded Local Growth Characteristics



Embedded Local Growth Characteristics refers to an 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.

- Relative to other EMAs, Charlotte's sectoral mix (illustrated on Page 4) is weighted toward industries that create high output per worker and its demographic composition is favorable for future growth.

Key Takeaways

- 1 The U.S. economy's projected slowdown in 2024 poses challenges for the Charlotte Region, and yet the area's especially strong housing sector and advanced industry mix make it a regional beacon of sustained growth.
- 2 Elevated interest rates will continue to slow growth, particularly in the Finance and Real Estate sector, which is Charlotte's largest and most productive sector measured by output.
- 3 Labor is a key challenge in the region, as matching worker abilities with dynamic industry demands is a constant need, and developing a skilled young workforce is a perennial issue.

Outlook



The Carolinas are consistently recognized as a top place to live and work. Ranking in the Top 10 US 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. The region's economy also continues to build on and benefit from being 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.

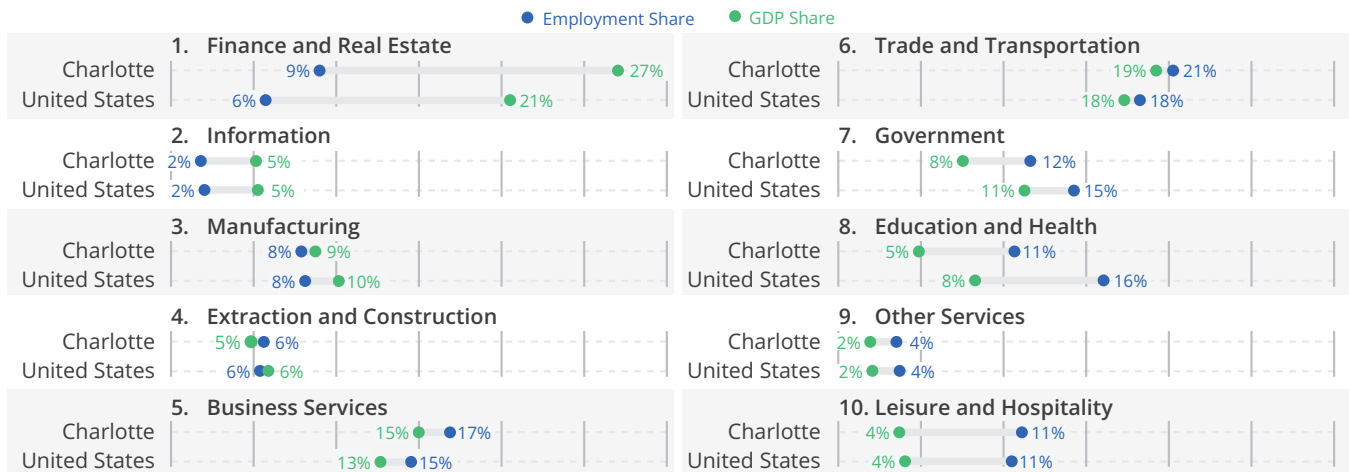
Lee Fite, Regional President,
Carolinas

* Counties included in analysis: North Carolina: Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly and Union; South Carolina: Chester, Lancaster and York
For more information, visit kenaninstitute.unc.edu/american-growth-project

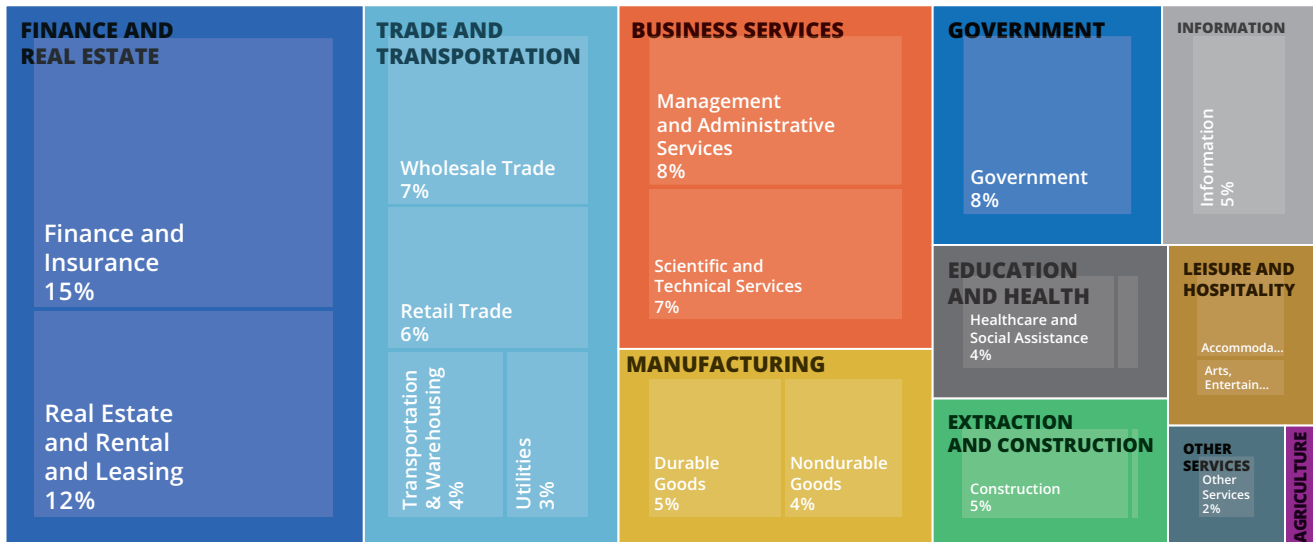
Challenges and Opportunities

- Challenge:** Charlotte faces labor constraints, with demand for young skilled workers outstripping supply.
- Opportunity:** There is great potential for partnerships with the Charlotte Region's universities, community colleges and civic organizations to enact worker training programs that would develop a homegrown workforce to match the area's mature mix of industries.
- Challenge:** Charlotte's Information sector accounts for only 2% of its workforce and should be targeted for expansion, as it is an especially productive industry and a sector primed for growth this century.
- Opportunity:** With its established industries – particularly in the Finance and Real Estate and Manufacturing sectors – and excellent transit infrastructure to leverage, Charlotte is well-prepared to grow its Information industry.

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



Charlotte Sector GDP Share



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