

2024 Economic Forecast

Local to Global Trends

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KENAN-FLAGLER BUSINESS SCHOOL
UNIVERSITY of NORTH CAROLINA at CHAPEL HILL

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The Economists



Jeffrey Korzenik

Chief Economist
Fifth Third Commercial Bank



Gerald Cohen

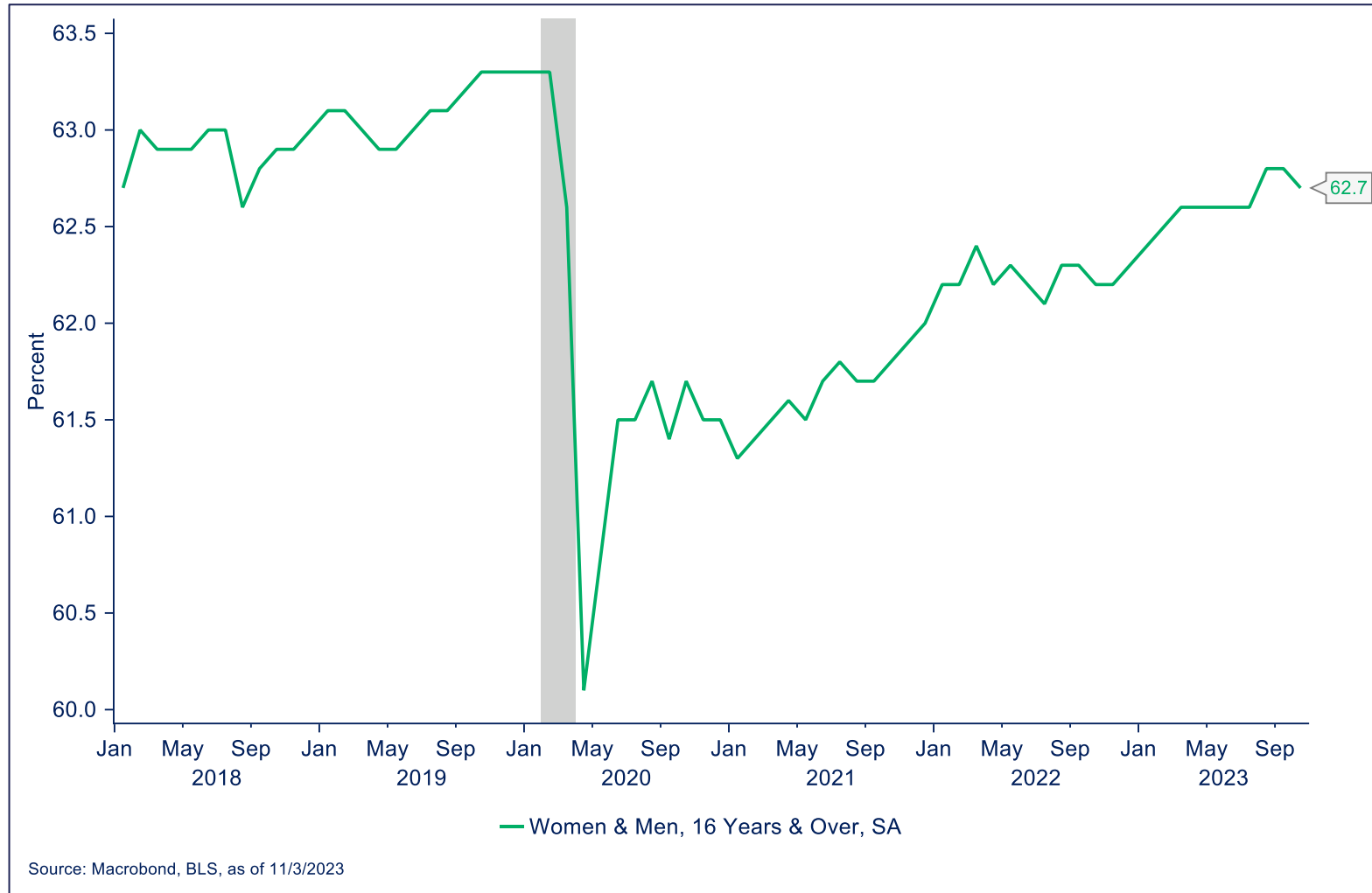
Chief Economist
Kenan Institute of Private Enterprise

A Night at the Opera

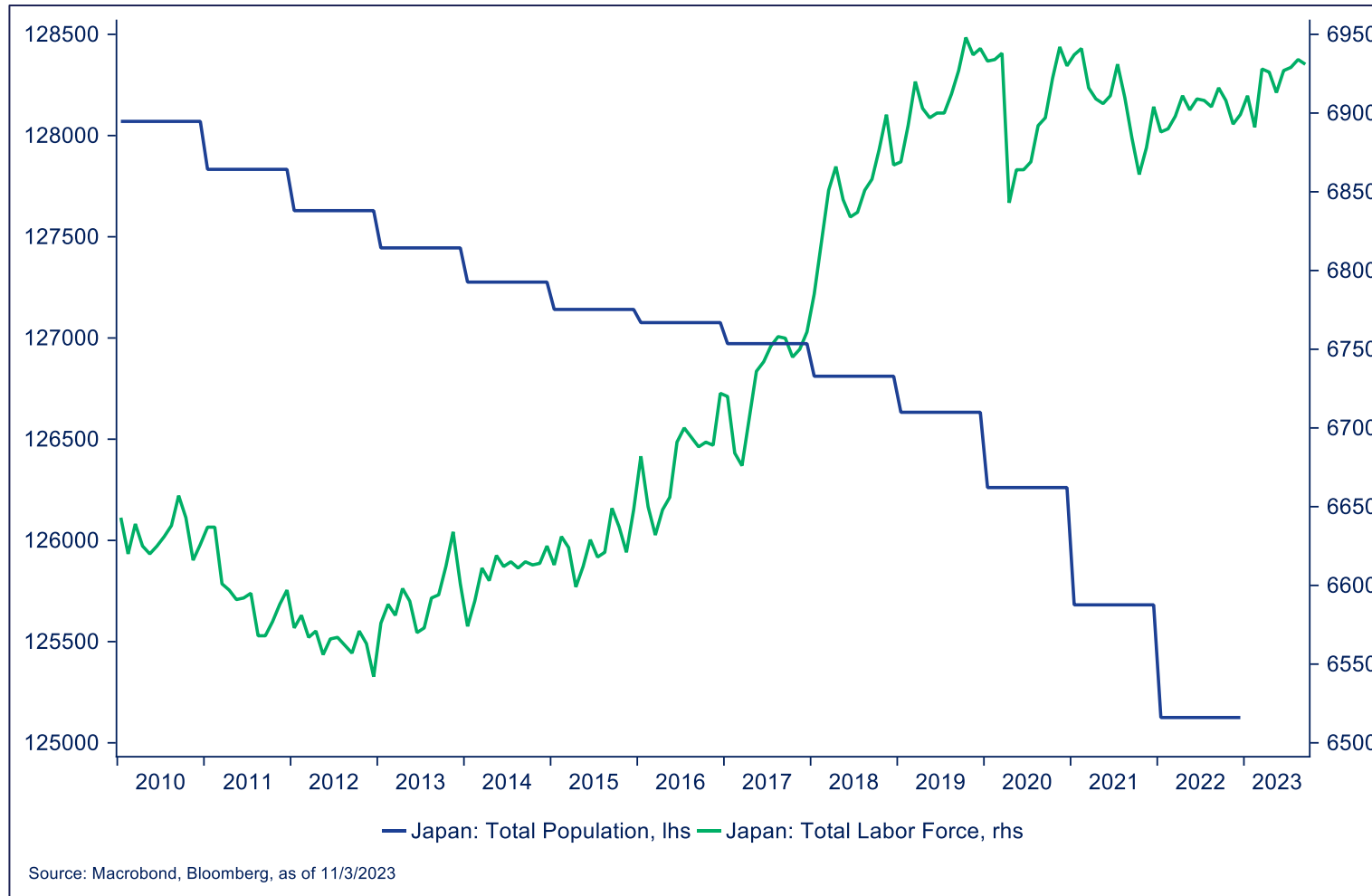
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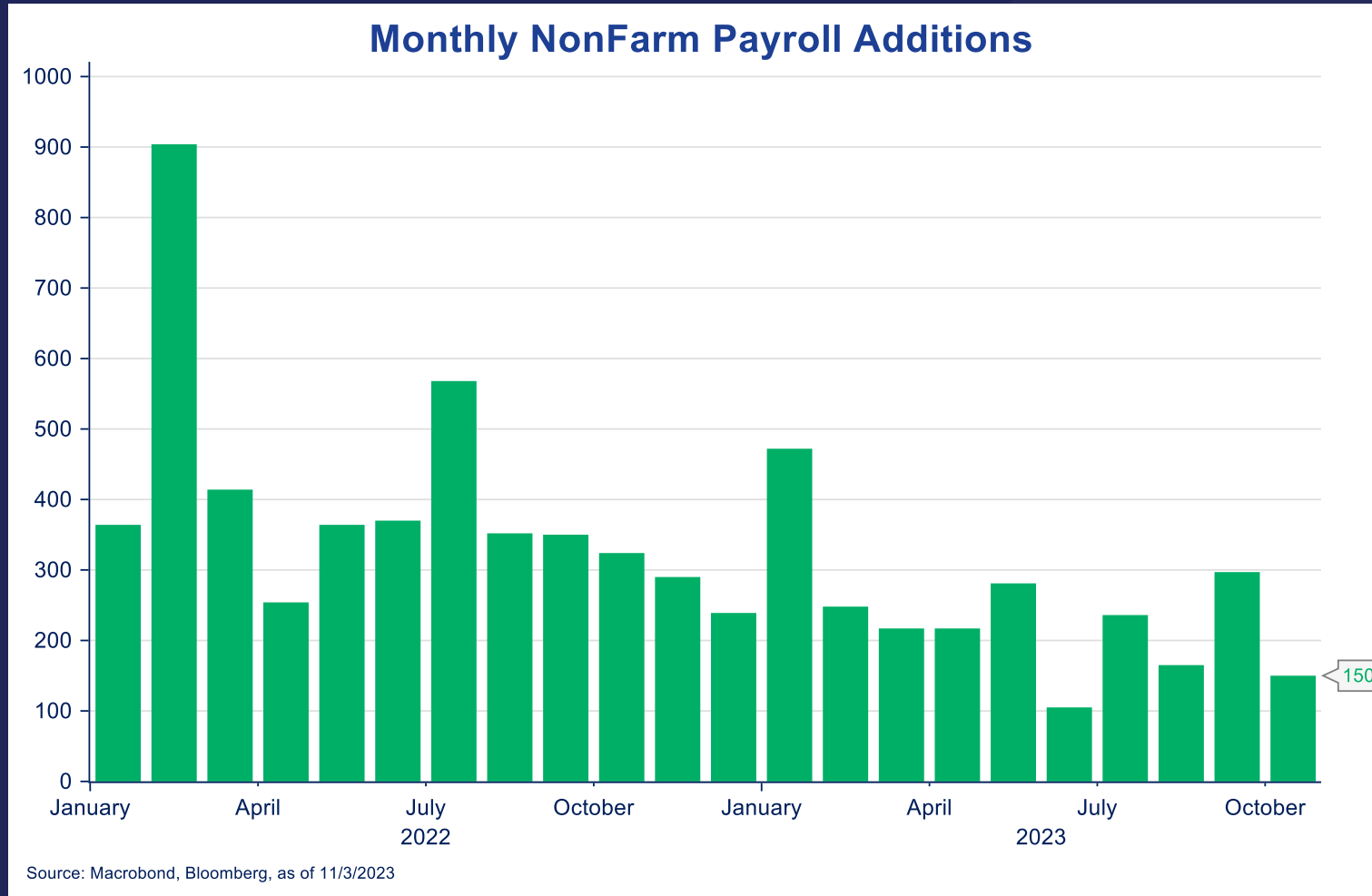
Labor Force Participation Rate



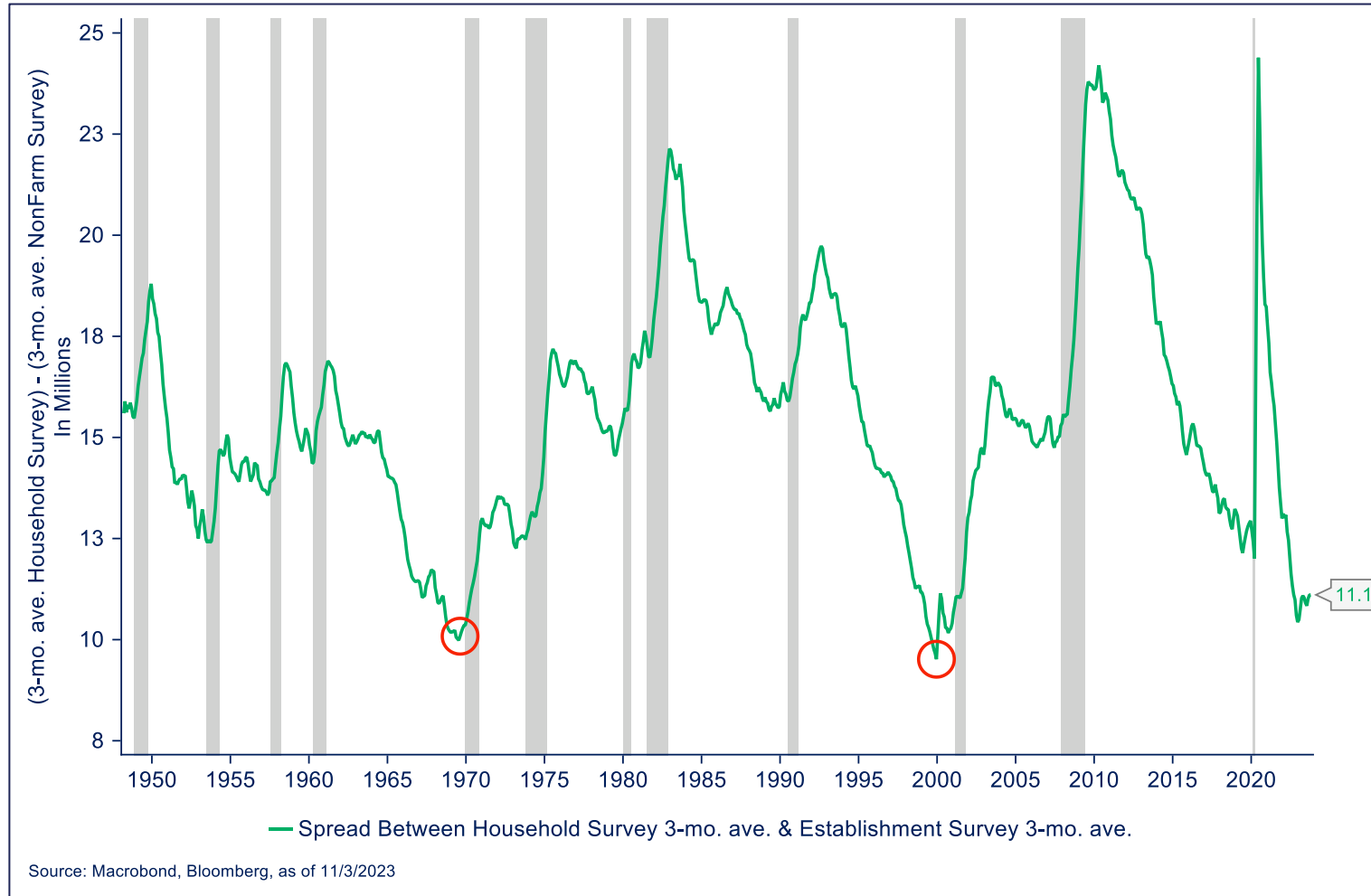
Japan Miracle II & Lessons From Abroad



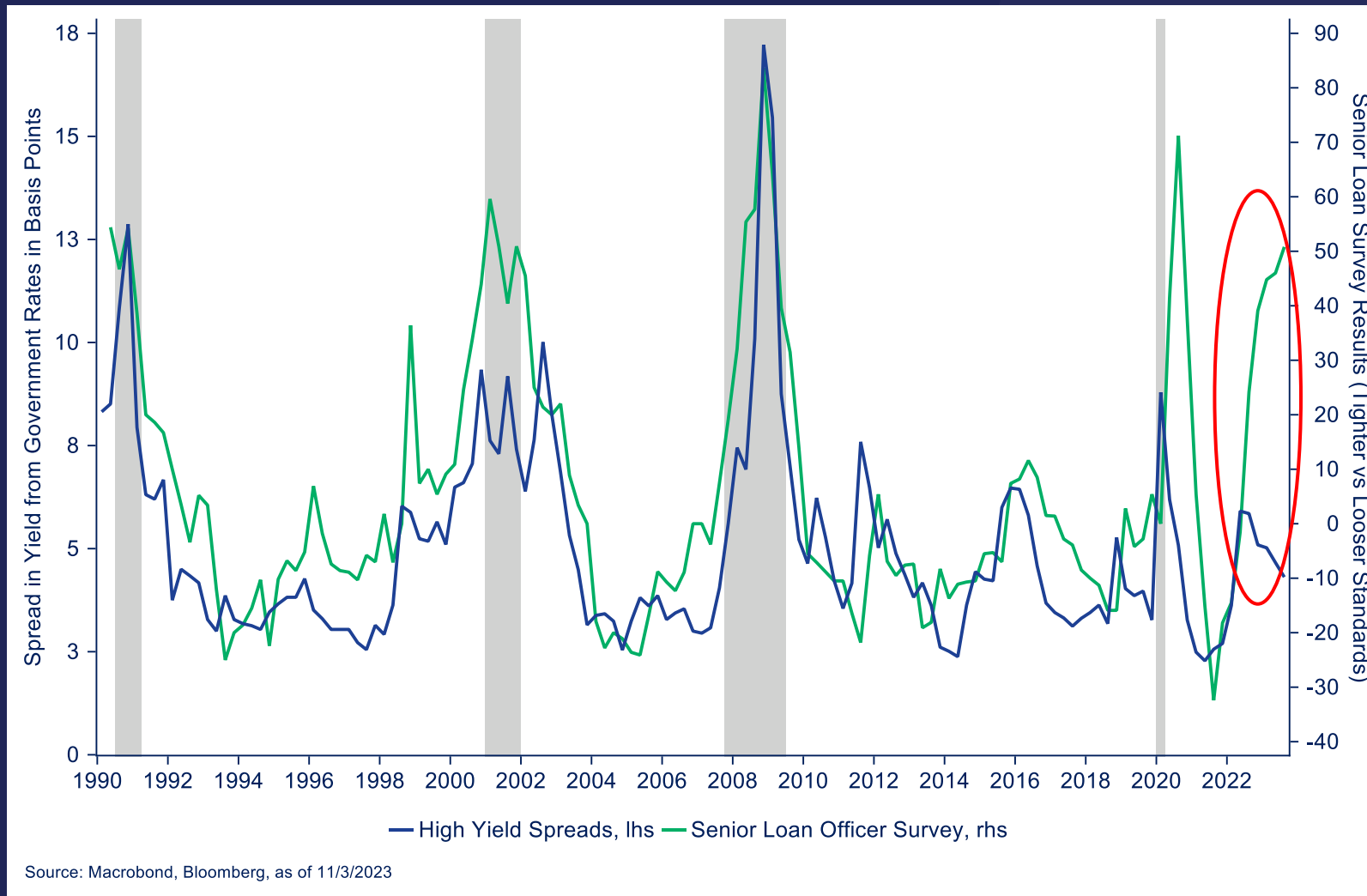
Nonfarm Payroll Changes



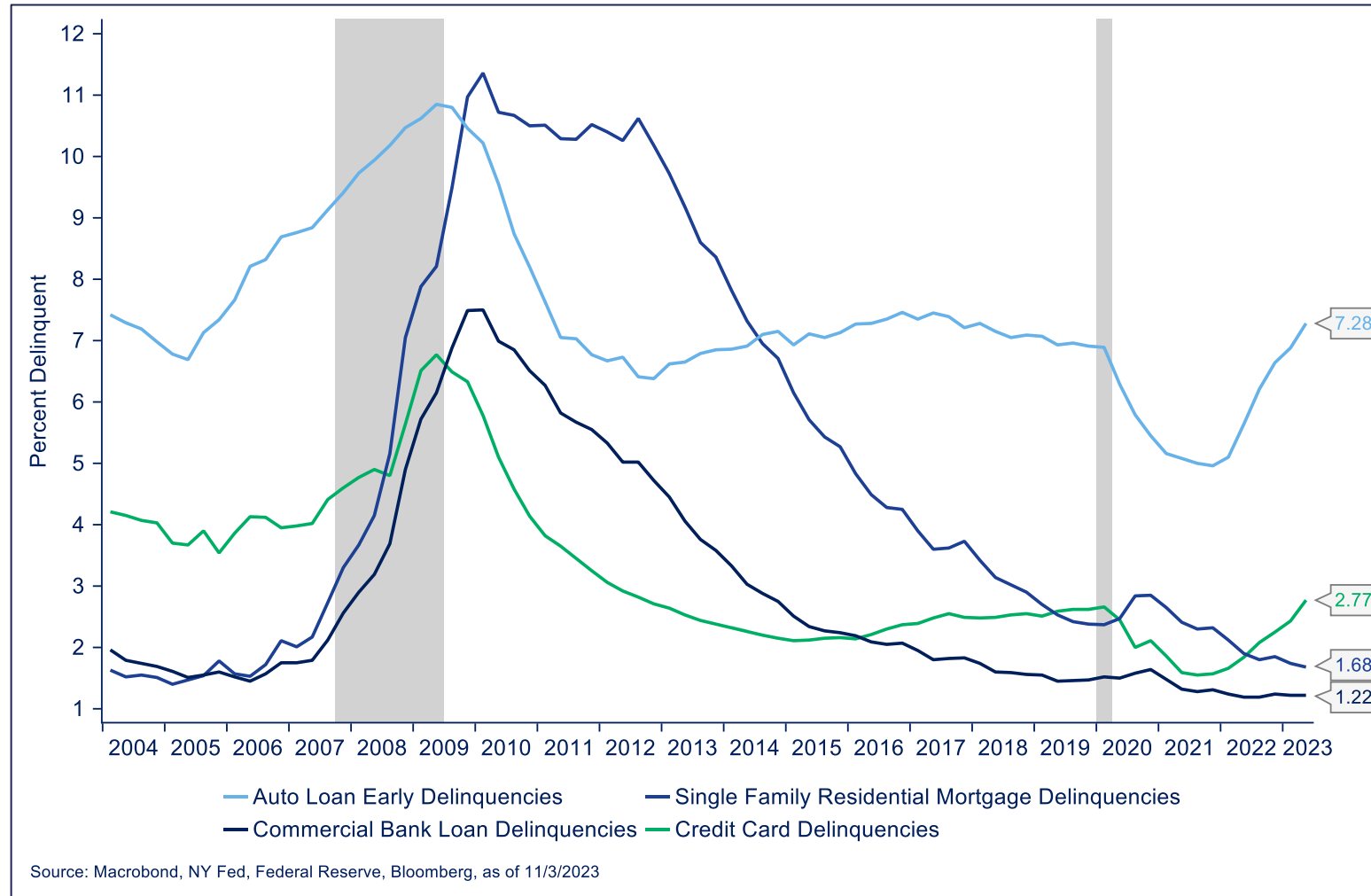
Household vs. Establishment Moving Average Difference



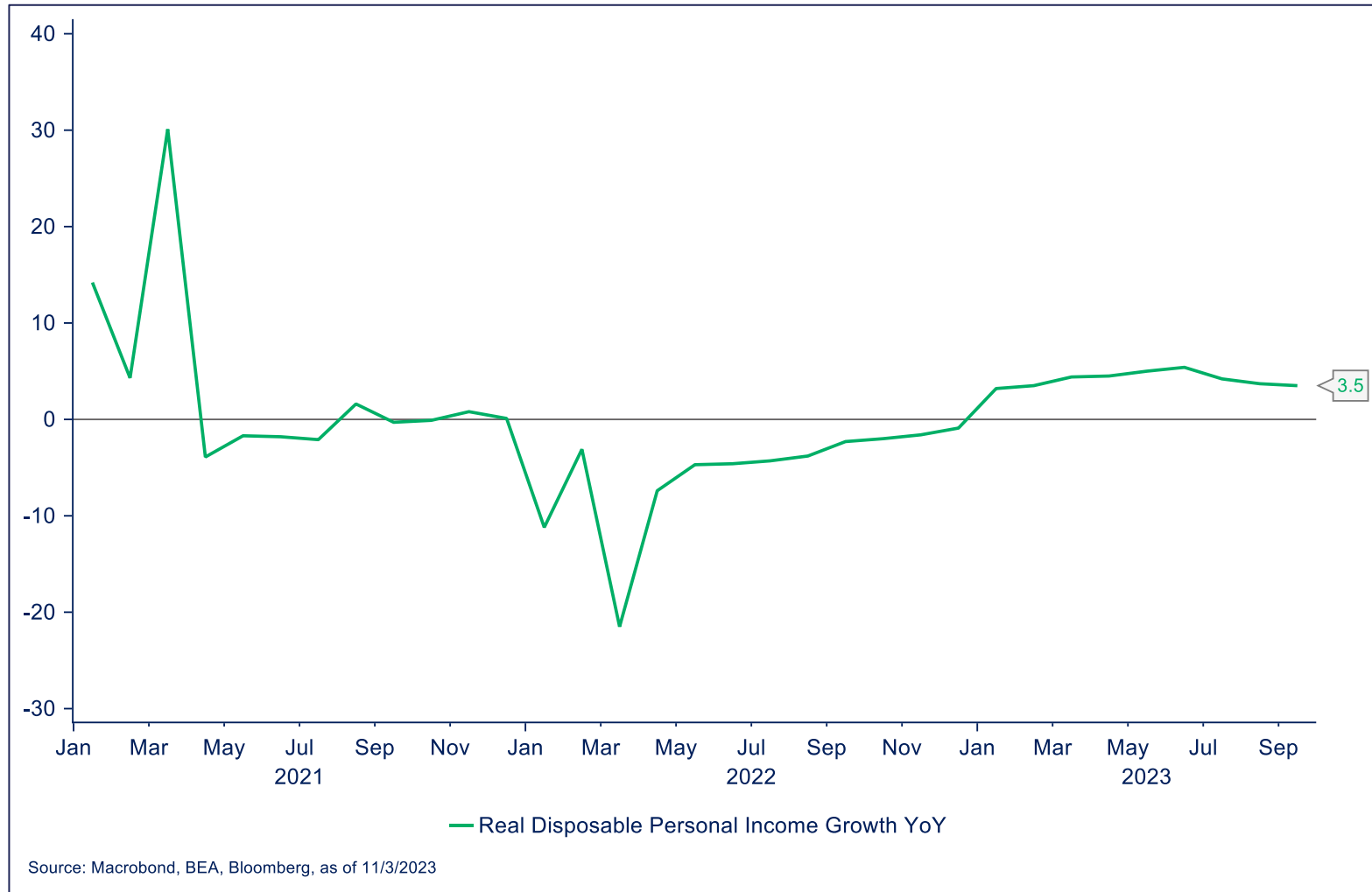
Fixed Income Spreads Dislocated with Underwriters



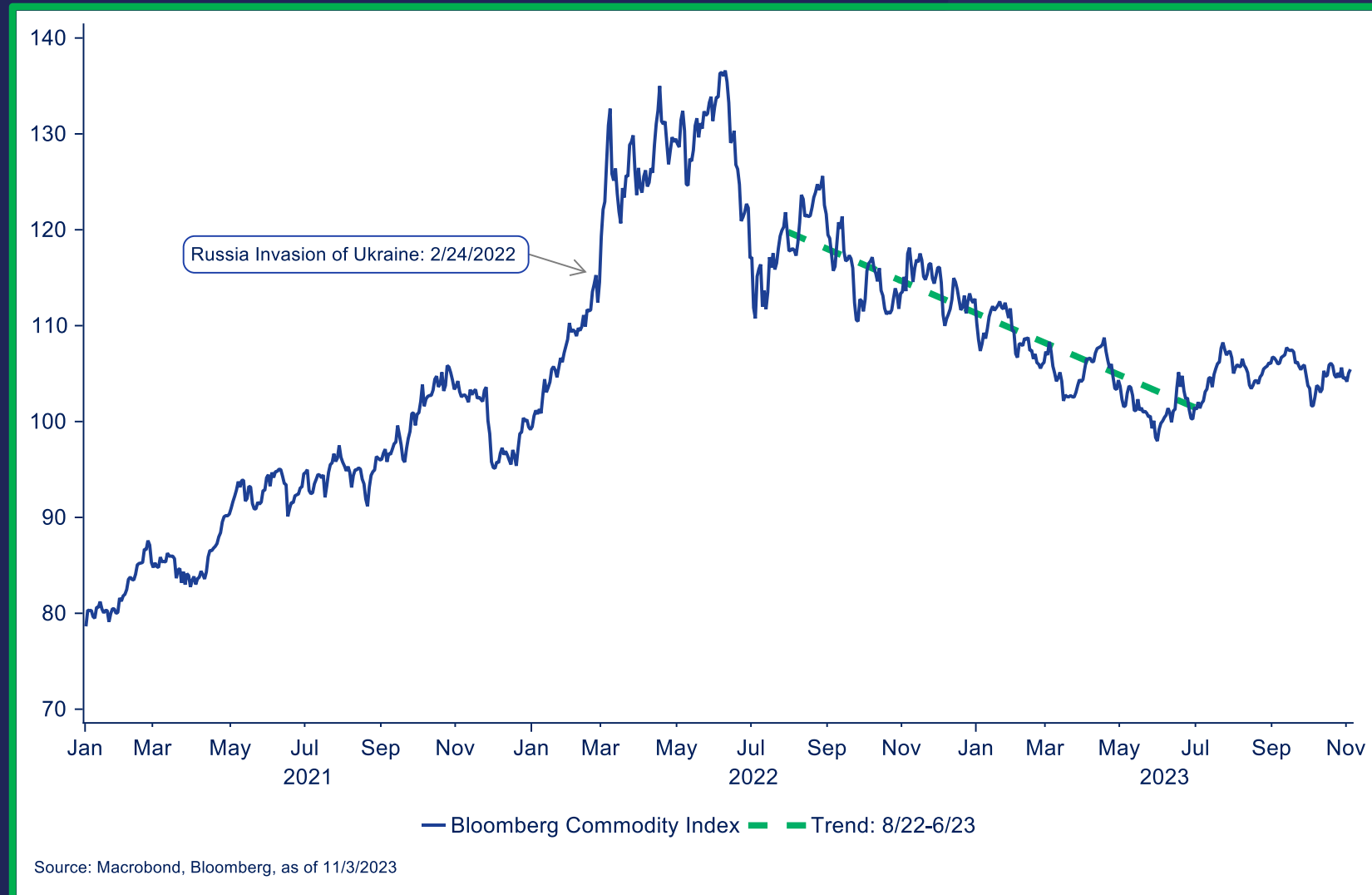
Delinquency Rates



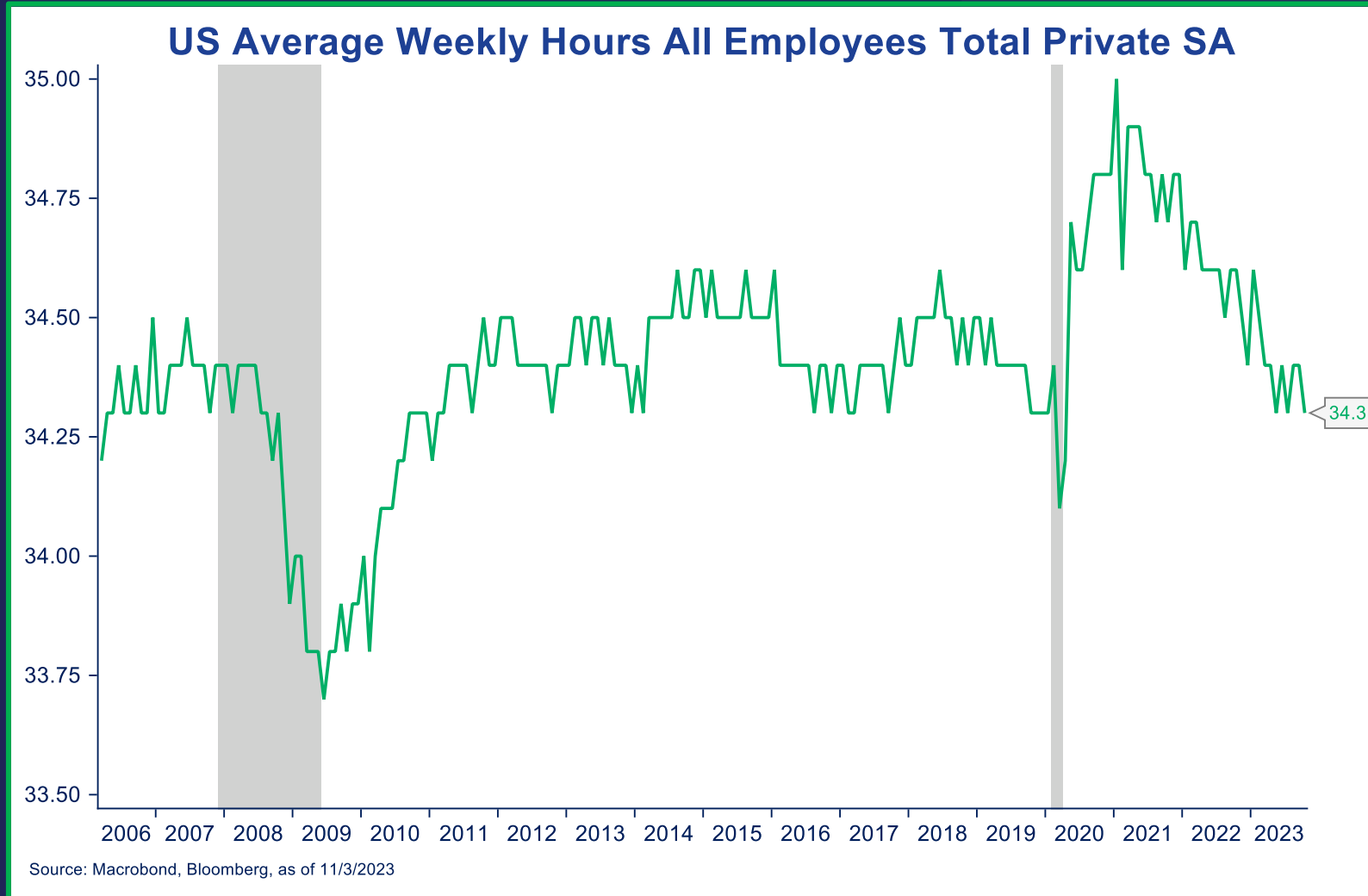
Real Income Growth



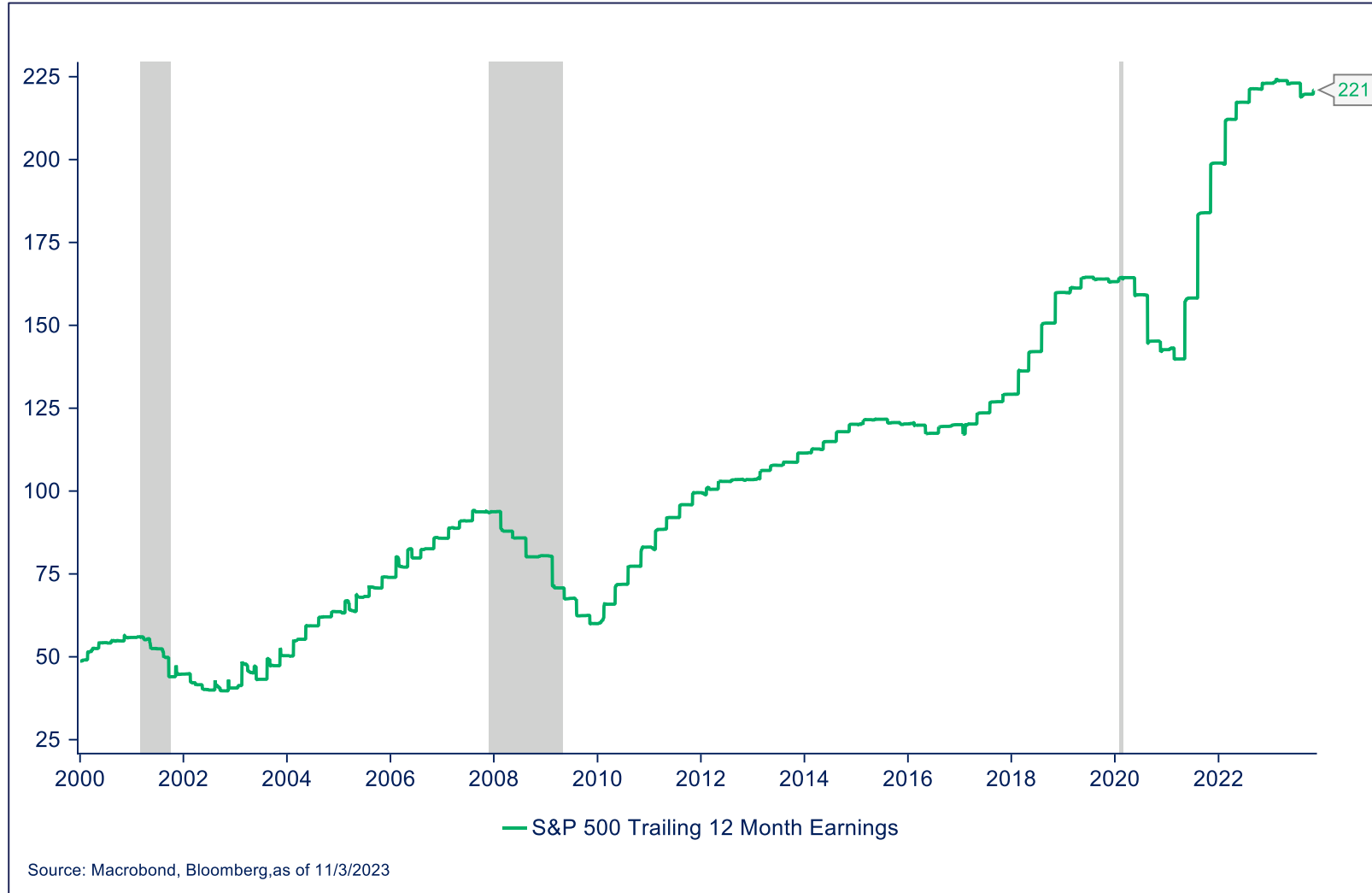
Is Commodity Price Decline Over?



Average Hours Worked Moving Down



S&P 500 Earnings Have Stalled



Student Debt Repayment: Consumer Headwind

Piper Sandler Survey conclusion on impact from restarting student debt payments:

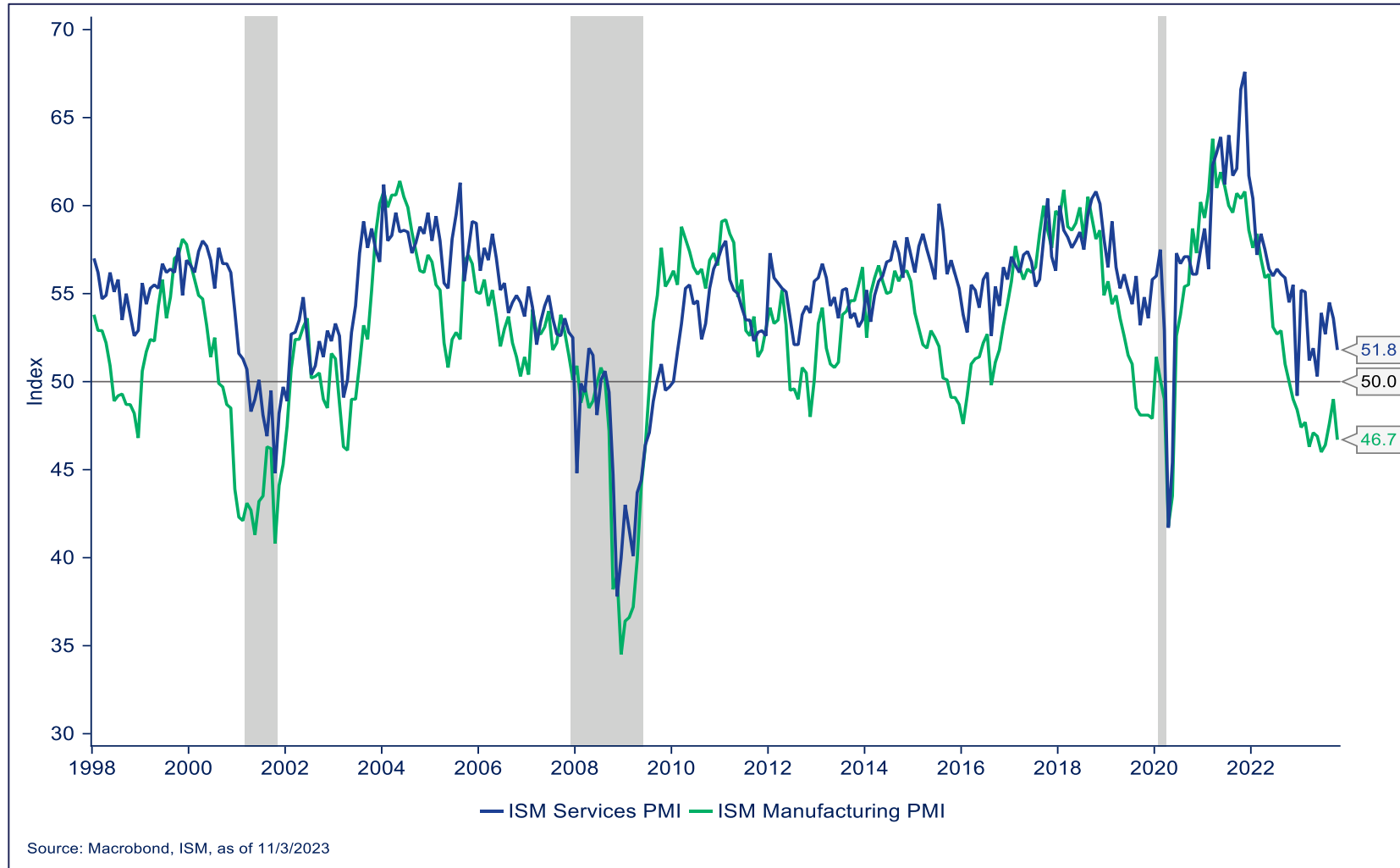
“Borrowers will be significantly impacted by the restart of payments with 88% stating payments will cause financial distress.”

“When payments resume, would you look to cut spending in any of the listed categories? (select all that apply)”

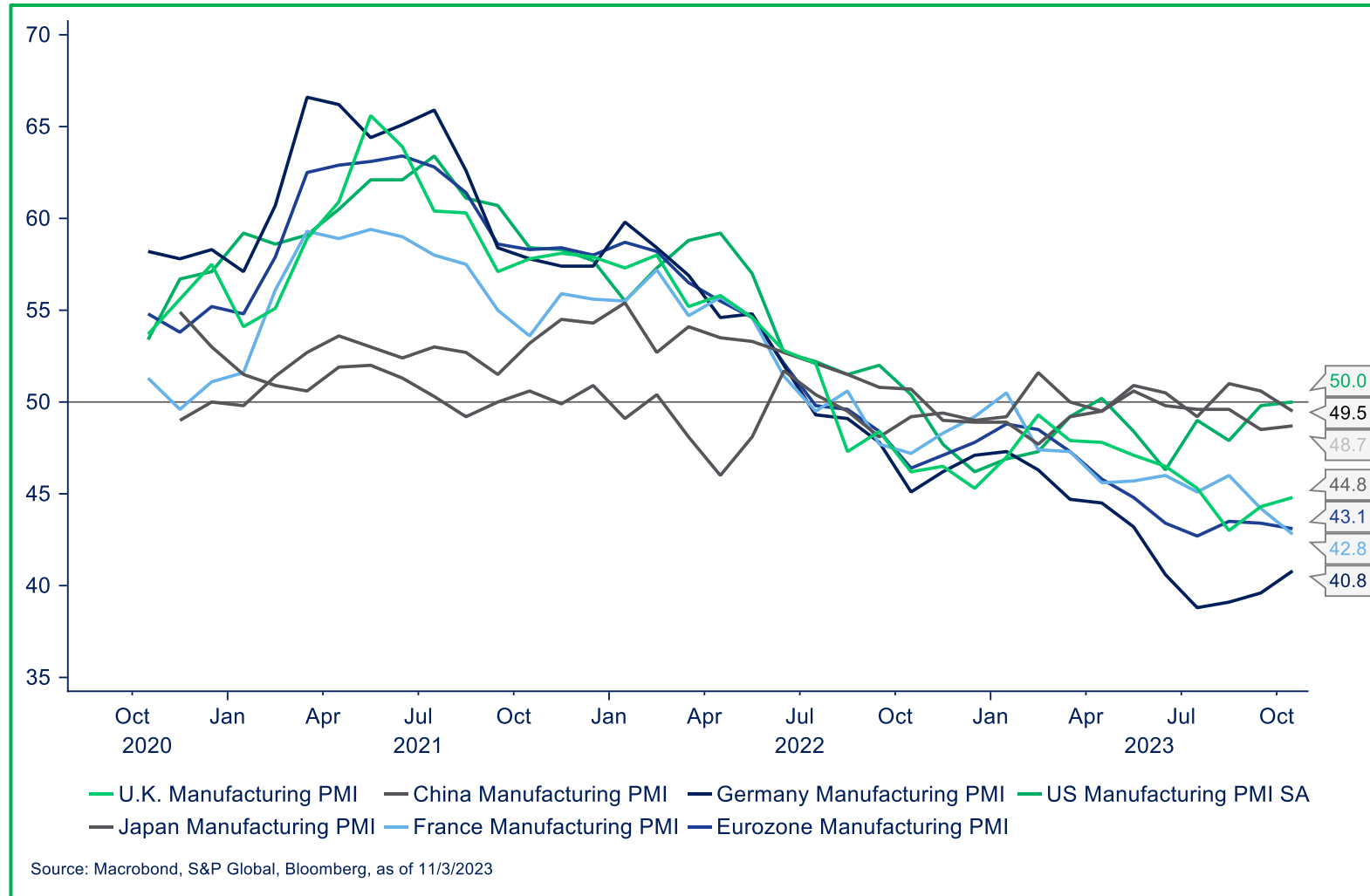
Age	Restaurants	Entertainment	Travel	Groceries	Home Spending	Personal Spending	Memberships	Other Debt Payments	Medical/Dental Services
20-25	41%	40%	41%	26%	30%	21%	34%	19%	9%
26-35	45%	52%	36%	36%	47%	40%	40%	21%	9%
36-45	40%	48%	28%	32%	39%	36%	40%	20%	14%
46-55	46%	53%	46%	36%	47%	44%	29%	24%	17%
>55	40%	23%	28%	42%	37%	40%	16%	33%	28%

Income	Restaurants	Entertainment	Travel	Groceries	Home Spending	Personal Spending	Memberships	Other Debt Payments	Medical/Dental Services
<\$50k	51%	51%	42%	39%	36%	39%	32%	24%	20%
\$50-100k	43%	44%	27%	33%	41%	28%	28%	23%	11%
\$100-150k	42%	38%	34%	33%	45%	39%	41%	24%	13%
\$150-200k	35%	55%	48%	30%	42%	38%	41%	21%	13%
>\$200k	37%	34%	29%	34%	34%	40%	17%	17%	14%

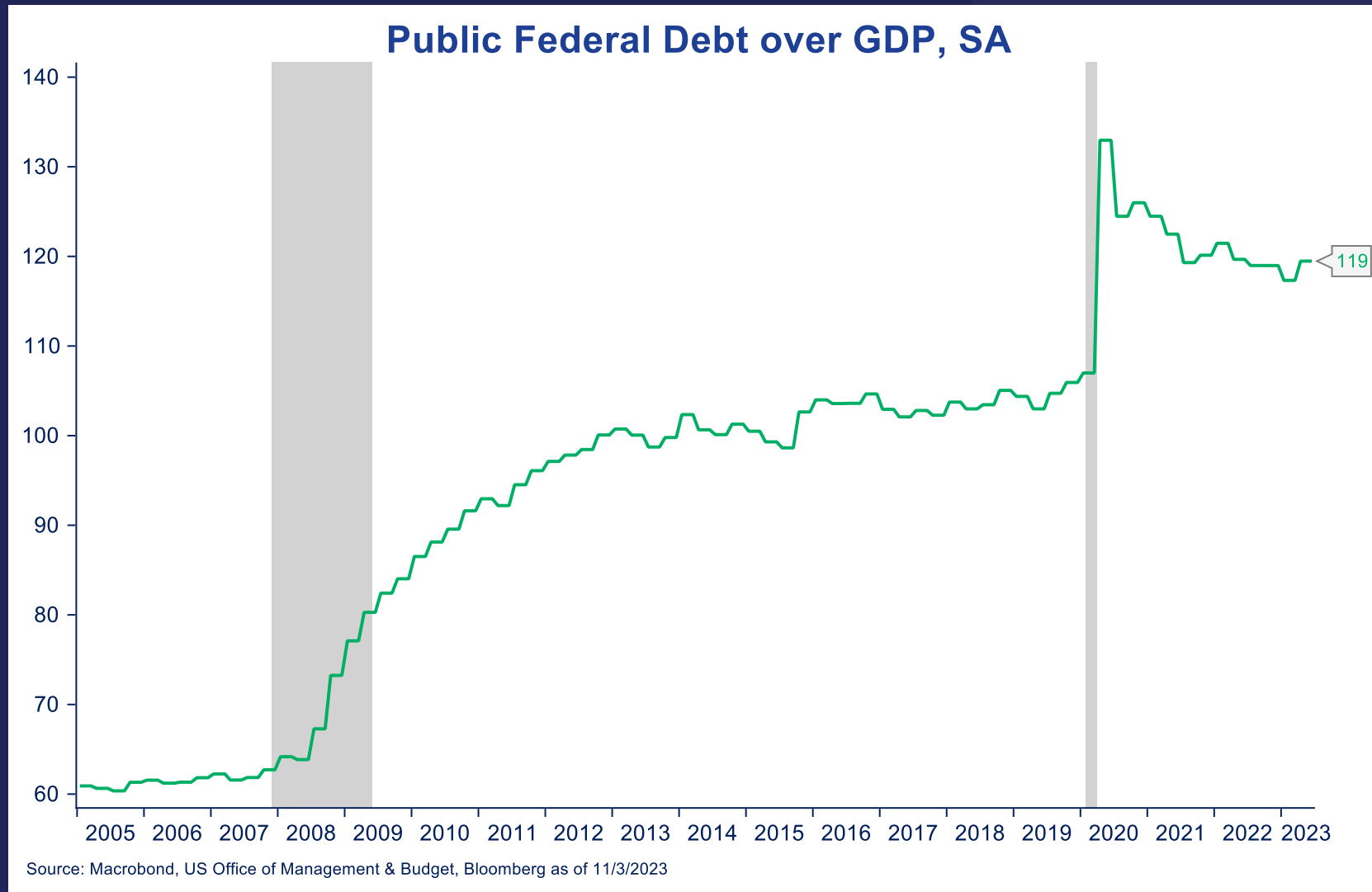
PMI Data Has Rolled Over



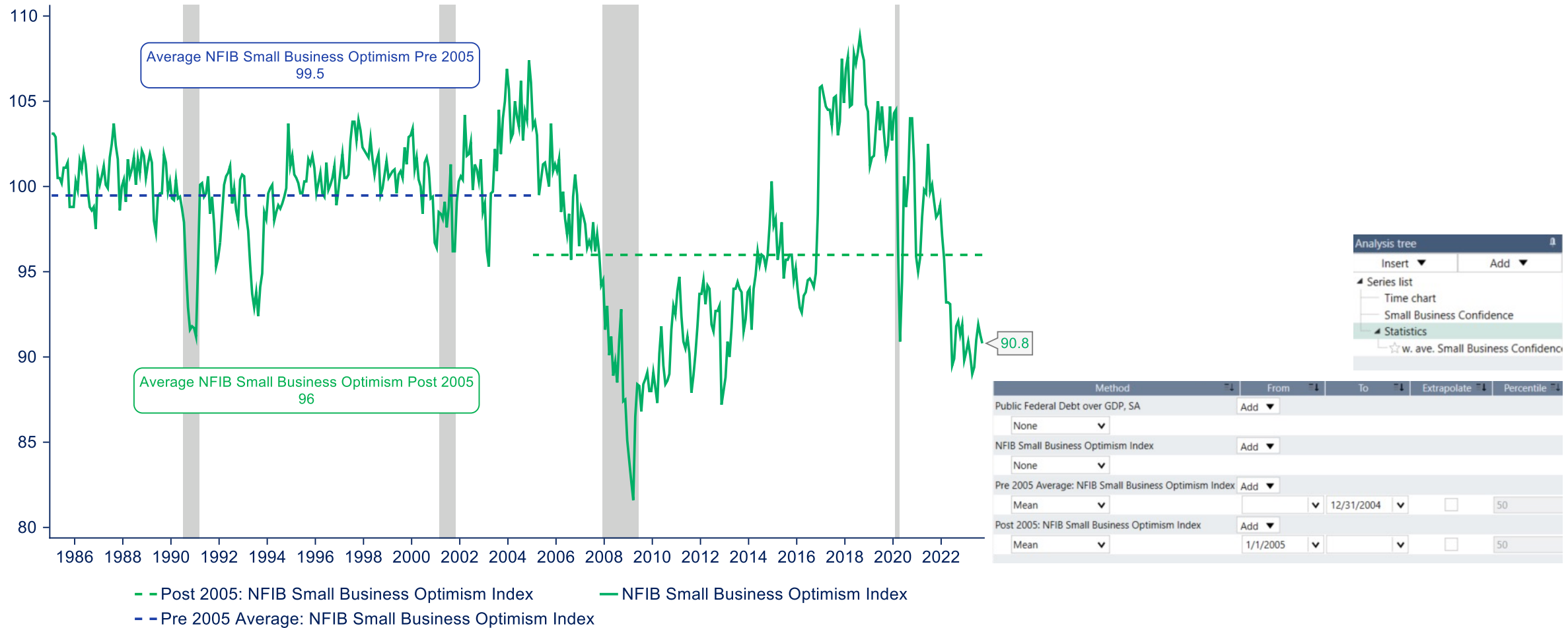
Manufacturing PMI Data Has Globally Rolled Over



Debt as a % of GDP

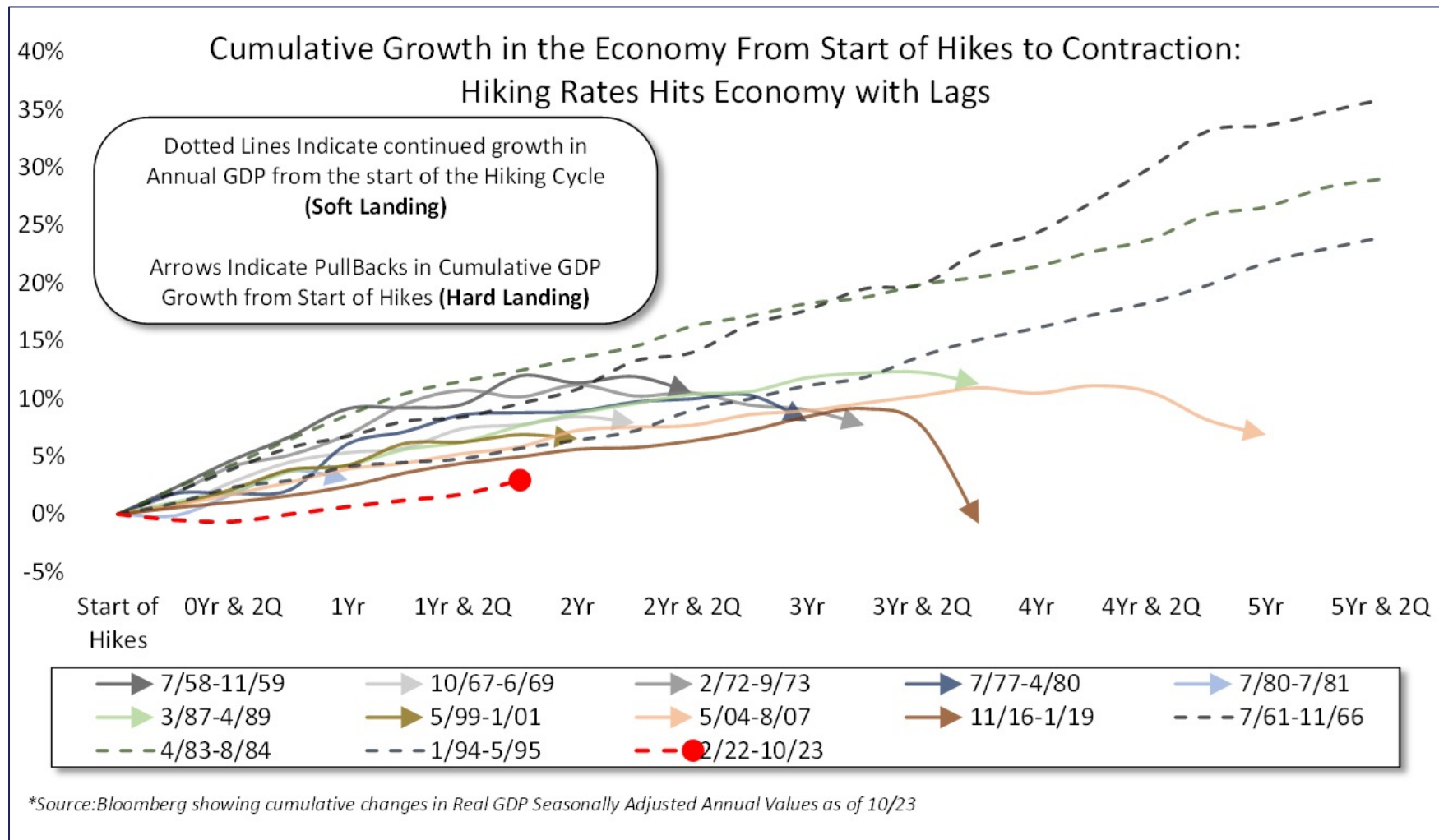


Small Business Optimism is Lower as Debt Moves Higher

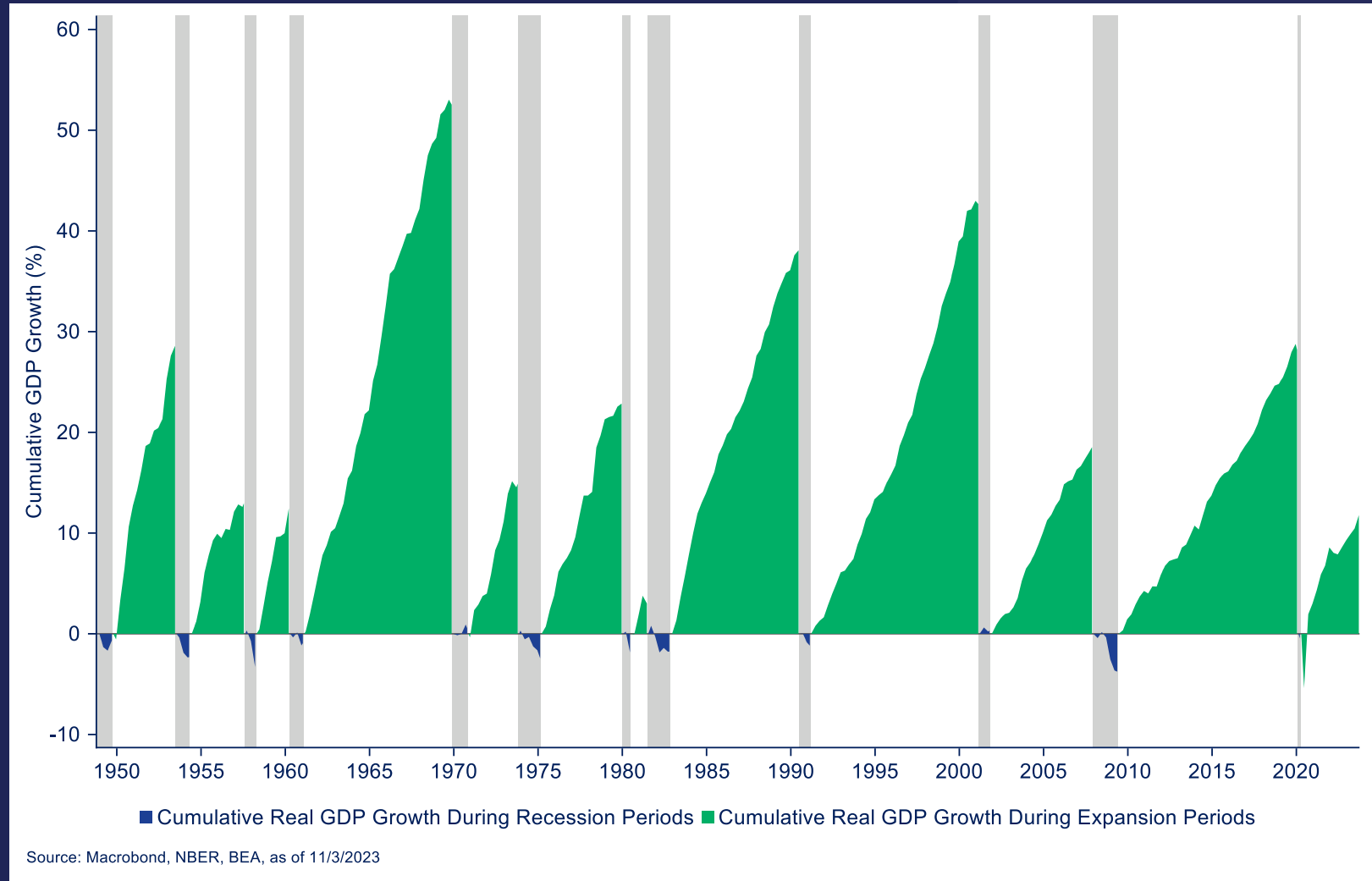


Source: Macrobond, Bloomberg as of 11/3/2023

Long and Variable Lags



Perspective



Greater Indianapolis Economic Snapshot

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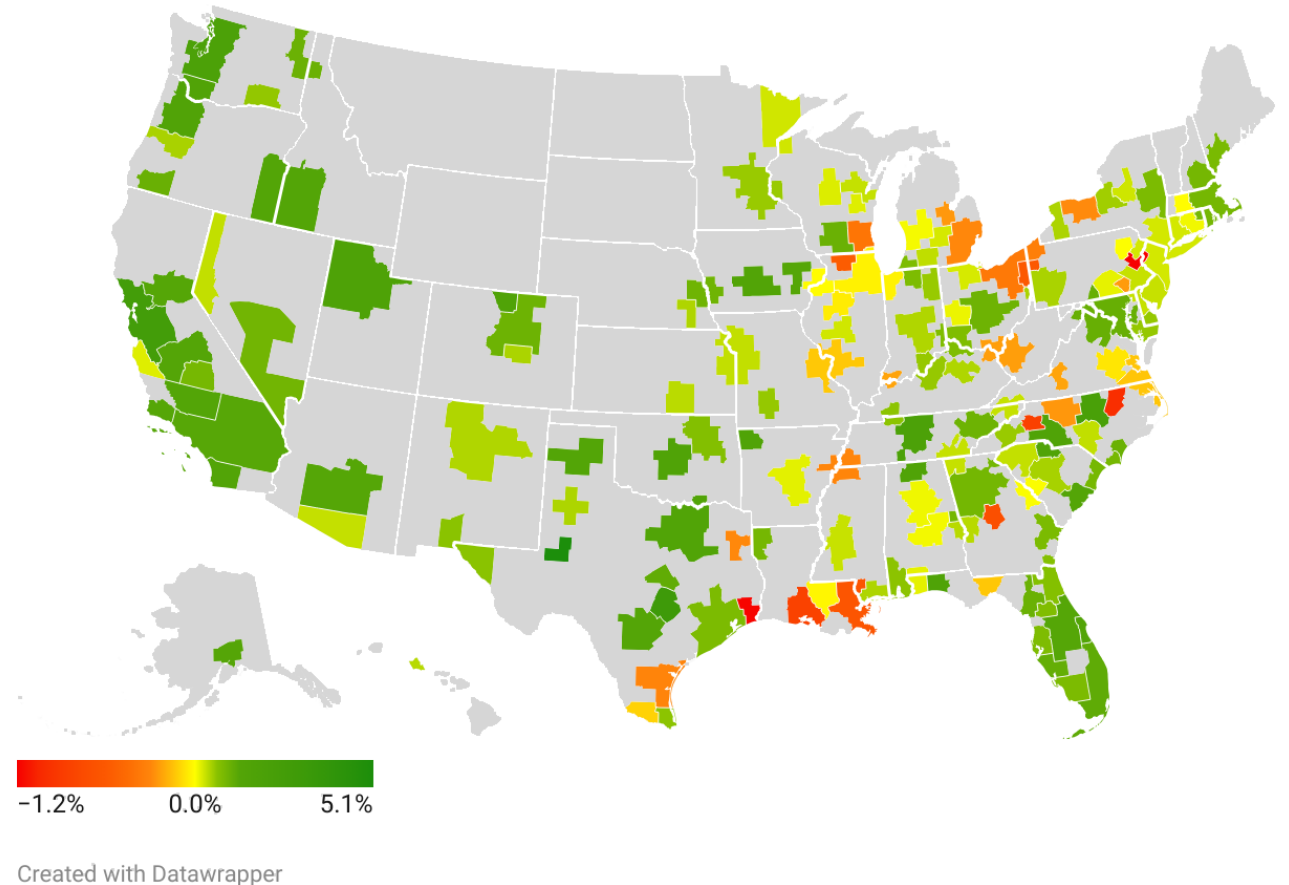
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Key Takeaways

- Our view is the U.S. economy will continue to slow with a likelihood of a mild and short-lived recession.
- Indianapolis' economy is expected to be a midtercile performer among the largest 50 microeconomies.
- Weak demand- and supply-side factors as well as a less favorable industry and demographic mix are weighing on Indianapolis' growth.

Slower Growth for Almost All Microeconomies

Despite recessionary conditions, more than three-quarters of our 150 largest Extended Metropolitan Areas are still expected to grow.



Fastest- and Slowest-Growing Large EMAs

5
fastest
growing



Austin
Texas



San Francisco Bay Area
California



Raleigh & Durham
North Carolina



Seattle
Washington



Nashville
Tennessee

5
slowest
growing



Detroit
Michigan



Memphis
Tennessee



Cleveland
Ohio

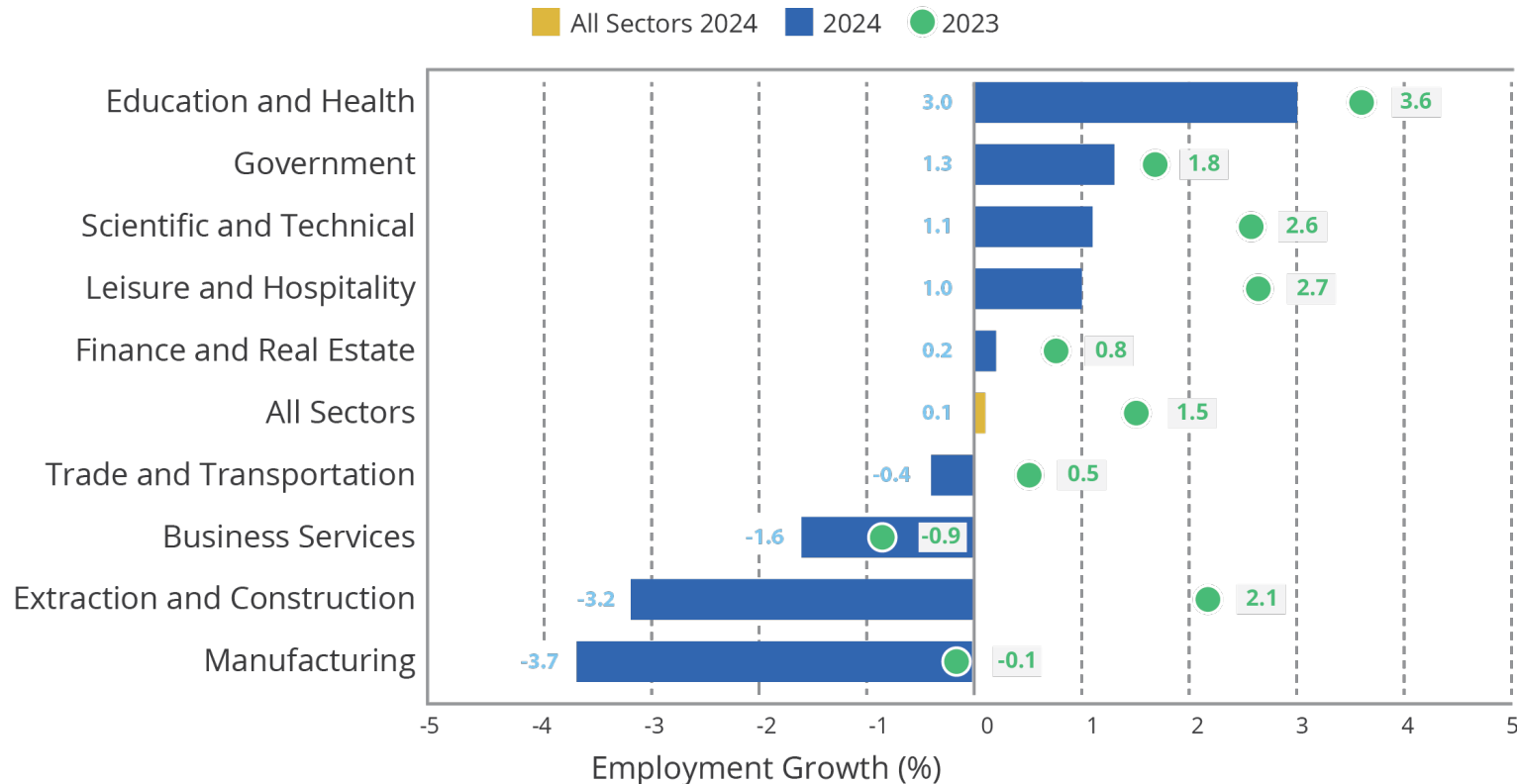


Milwaukee
Wisconsin



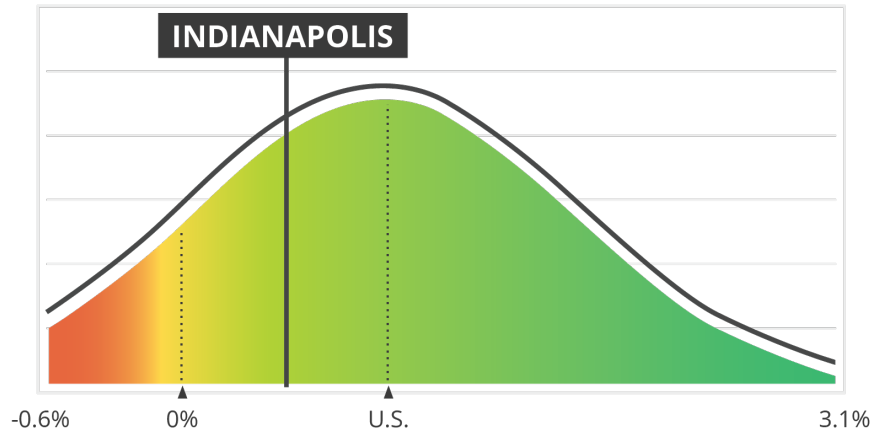
New Orleans
Louisiana

National Employment Forecast

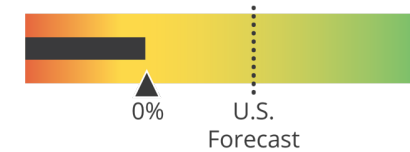


The pace of hiring is expected to slow in all major sectors, with some contracting, and net job growth of only 0.1% for the year.

Greater Indianapolis Midtercile Growth



2024 Indianapolis GDP Growth



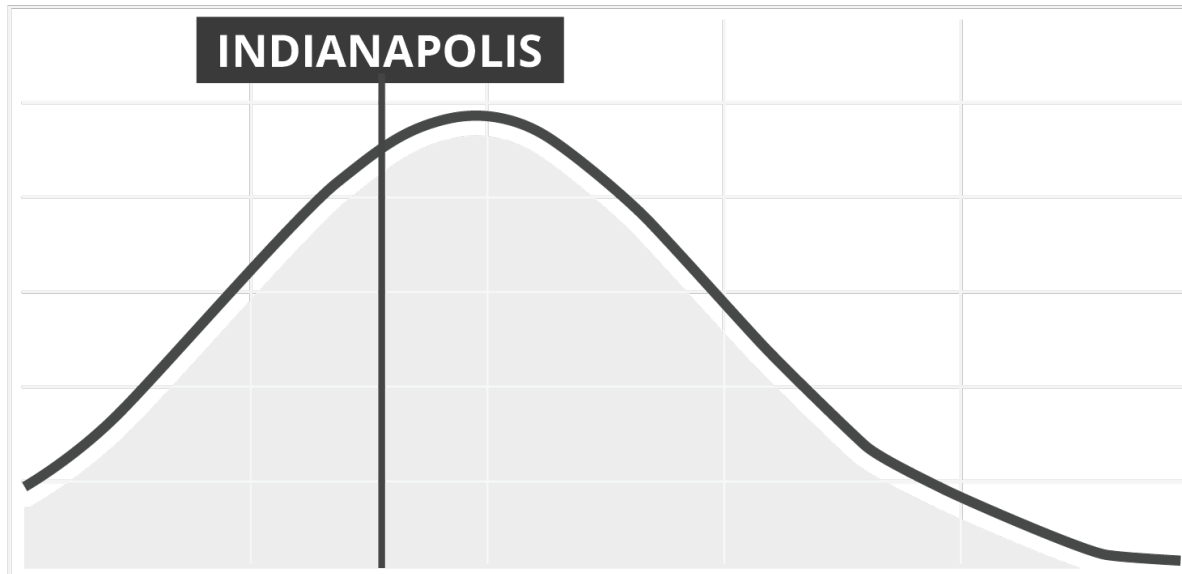
Indianapolis Supply Side
(Employment)



Indianapolis Demand Side
(Consumption)

- Indianapolis' economy is projected to experience a very modest increase in overall economic activity in 2024.
- We anticipate limited job creation and declining overall demand, as reflected in contracting housing activity.

Less Favorable Local Growth Characteristics

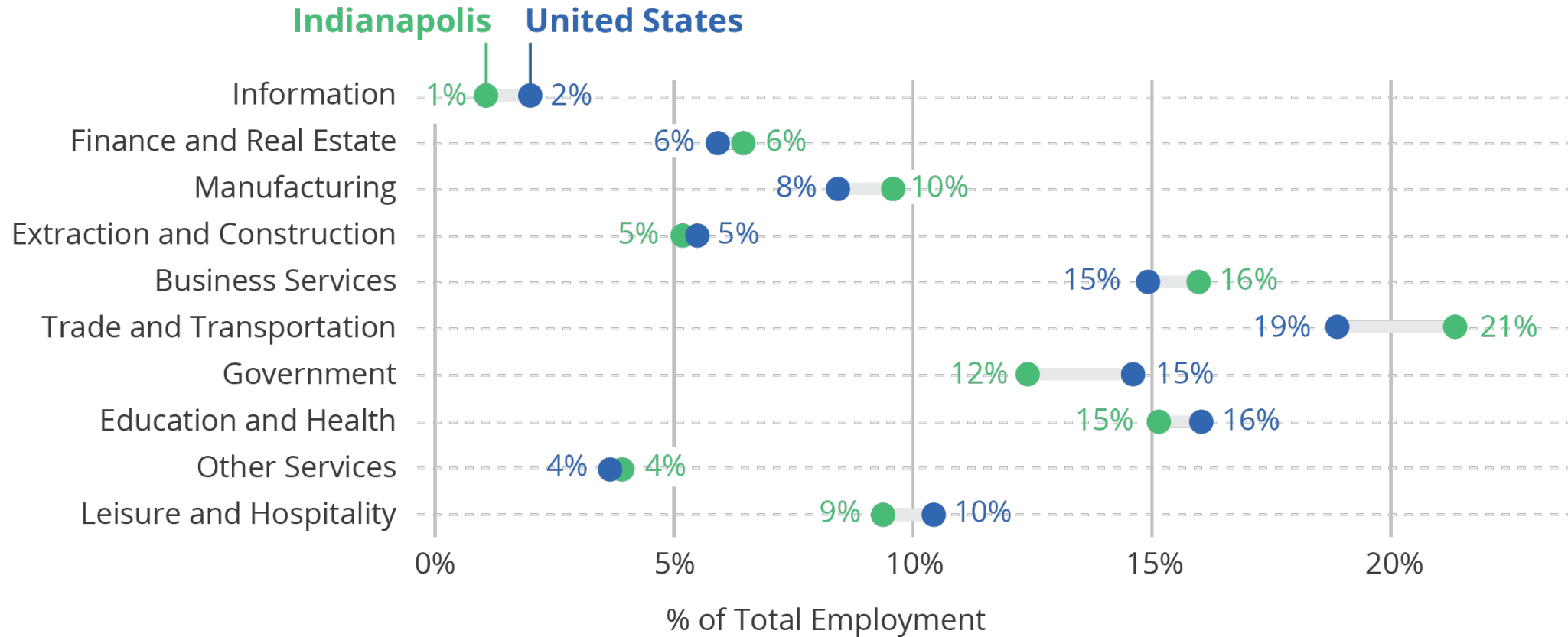


Embedded Local Growth Characteristics

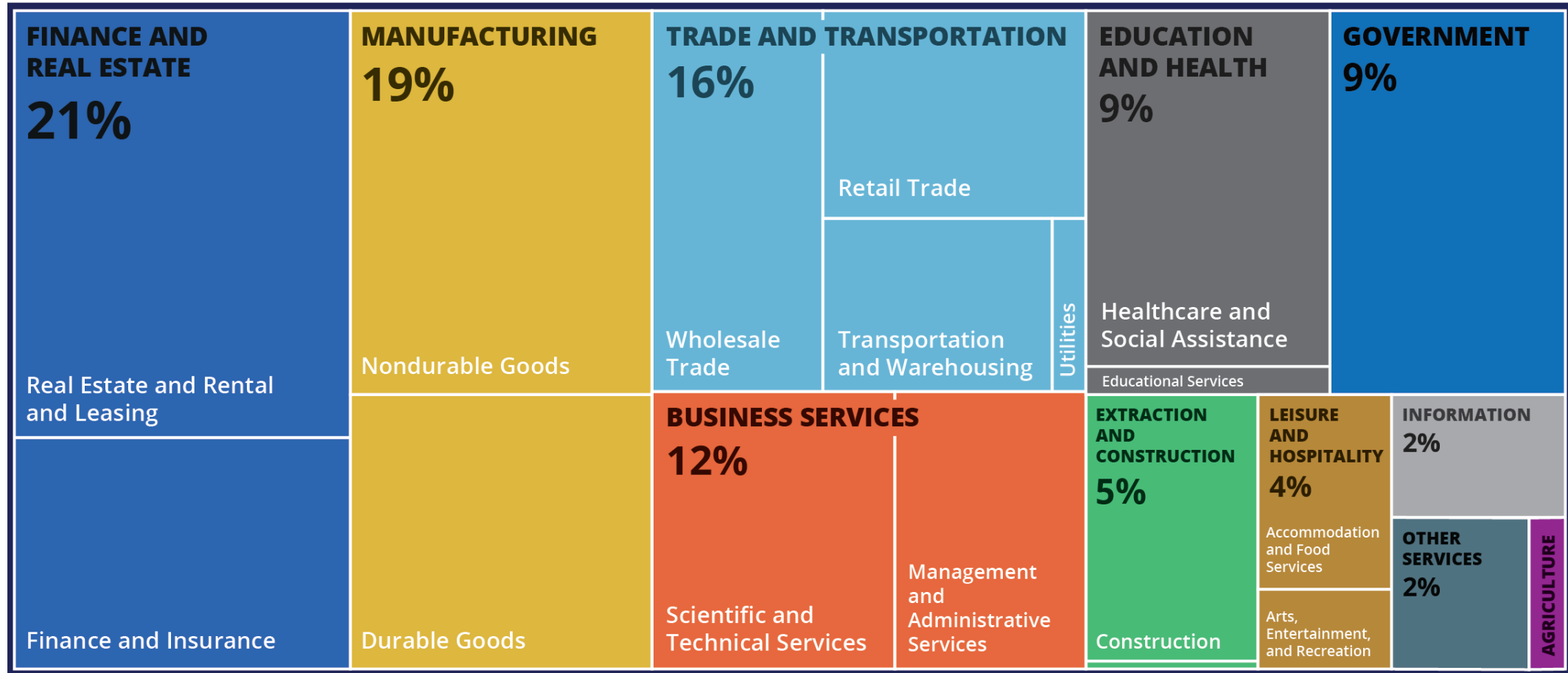
Indianapolis' sectoral mix is weighted toward industries that create lower output per worker relative to the most productive sectors.

Greater Indianapolis Employment Mix

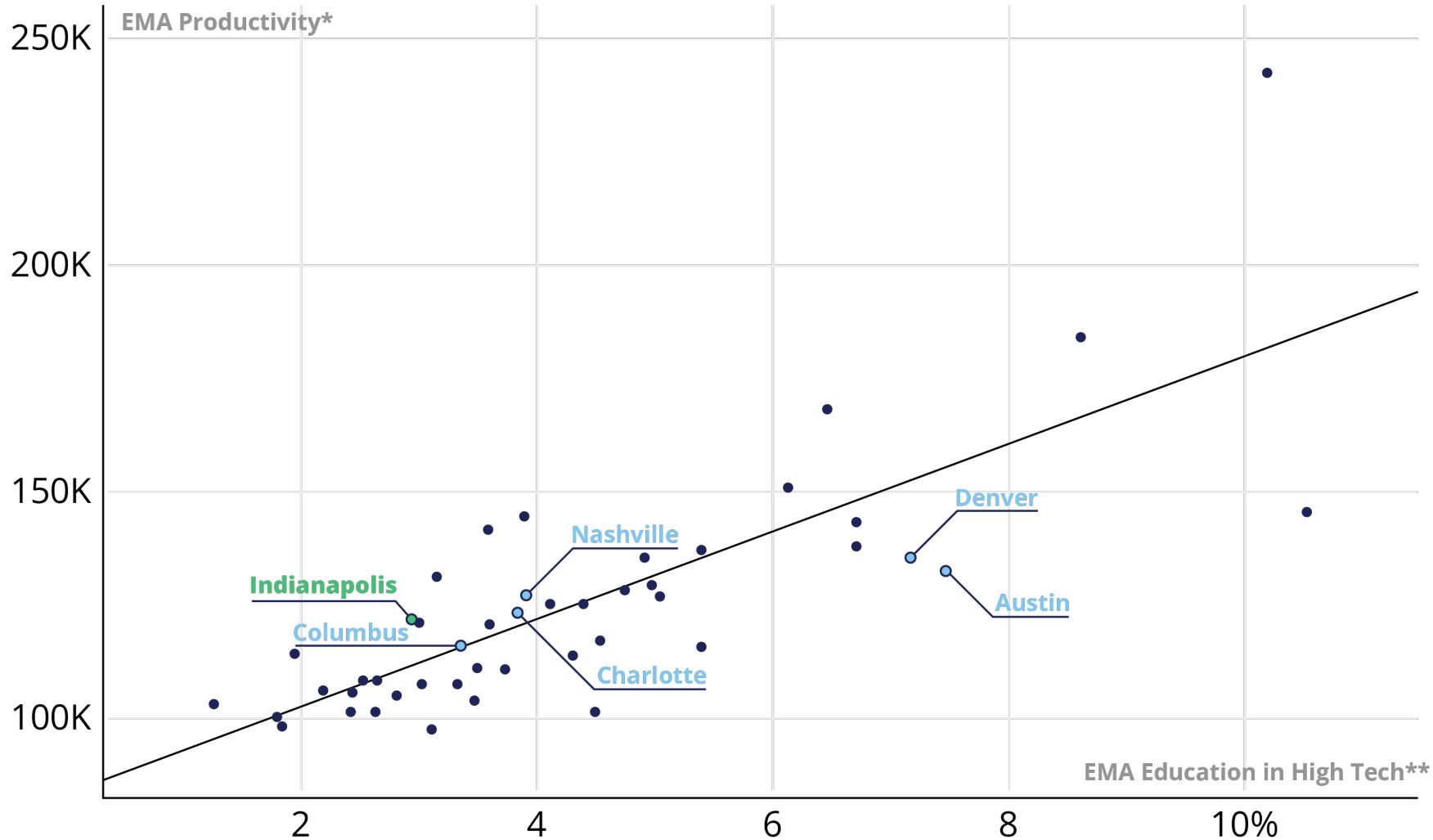
Ranked by Labor Productivity



Greater Indianapolis GDP Mix



Productivity Powered by Educated Tech Workers



* Real GDP per employee
 ** EMA employment share of bachelor's degree or higher in high-tech industries
 Source: Bureau of Labor Statistics, Bureau of Economic Analysis

National Backdrop

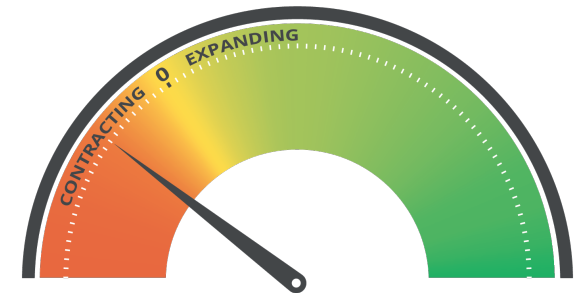
- We anticipate a mild and short-lived recession in 2024.
- Job creation is expected to slow markedly.
- Spending is hampered by interest rates, inflation and slowing job growth.



2024 U.S. GDP Growth Forecast



U.S. Supply Side



U.S. Demand Side

Fireside Chat with the Economists

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Definitions and Disclosures

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Definitions

U-3 Unemployment Rate is the total unemployed as a percentage of the civilian labor force. **U-6 Unemployment Rate** is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

The U.S. Treasury Federal Budget Deficit or Surplus is reported in the monthly Treasury statement of Receipts and Outlays of the U.S. Government. This statement summarizes the financial activities of the Federal Government and off-budget federal entities conducted in accordance with the budget of the U.S. Government.

GDP (Gross Domestic Product) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

The Federal Funds Rate (Fed funds) is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy. **The Federal Reserve balance sheet** tracks the aggregate assets and liabilities of the Federal Reserve.

Money market funds are mutual funds that invest in highly liquid, near-term instruments including cash and cash equivalents.

Capacity utilization tracks the extent to which the installed productive capacity of a country is being used in the production of goods and services.

The labor force participation rate is a measure of the economy's active workforce. It is the sum of all workers who are employed or actively seeking employment divided by the total noninstitutionalized, civilian working-age population.

Personal consumption, or consumer spending, tracks goods and services purchased by consumers. Core personal consumption expenditures measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The Consumer Price Index is a measure of prices paid by consumers for a basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

The U.S. Existing Home Sales Median Price Index tracks the median price in all existing home sales. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales based on closings from Multiple Listing Services.

5-Year, 5-Year Forward Inflation Expectation Rate measures expected inflation (on average) over the five-year period that begins five years from today.

The fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.

The Employment Cost Index (ECI) measures changes in employee compensation costs (or labor costs). These include both direct costs, such as wages, bonuses or in-kind benefits, as well as indirect costs, such as social security contributions, training costs, medical benefits, taxes, etc.

Total Public Debt as a Percent of Gross Domestic Product (GDP) is calculated using Federal Government Debt: Total Public Debt and Gross Domestic Product.

CEO Confidence Index measures CEO confidence in the economy, one year from now. This concept tracks the general state of the economy as it relates to businesses.

Capital Goods New Orders Nondefense Ex Aircraft & Parts tracks the value of new orders received during the reference period. It is often used as a proxy for capital expenditures, or CapEx. Capital expenditure are funds used by a company to acquire, upgrade, and maintain physical assets.

The Personal Saving Rate is household disposable income less household consumption as a percent of household disposable income.

Definitions

The BarCap U.S. Corporate HY YTW – 10-yr Treasury Spread is calculated by taking the Barclays Capital U.S. Corporate High Yield Yield-to-Worst minus the U.S. Generic Government 10-year Yield.

The Bloomberg Commodity Index is calculated on an excess return basis and reflects commodity futures price movements.

Nonfarm Payrolls measures the number of employees on business payrolls.

Retail sales, also referred to as retail trade, tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

The Job Openings and Labor Turnover Survey (JOLTS) job openings tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

The Boston Consulting Group (BCG) Global Manufacturing Cost-Competitiveness Index estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimension: manufacturing wages, productivity, energy costs and currency exchange rates.

Purchasing Managers' Indexes (PMIs) are indicators of the economic health of the manufacturing and services sectors. PMIs are based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Disclosures

About Fifth Third

Fifth Third Bancorp is a diversified financial services company headquartered in Cincinnati, Ohio, and the indirect parent company of Fifth Third Bank, National Association, a federally chartered institution. Fifth Third offers financial products and solutions in Commercial Banking, Consumer and Small Business Banking, and Wealth & Asset Management. Wealth & Asset Management is comprised of Fifth Third Private Bank and Fifth Third Institutional Services. Fifth Third is among the largest money managers in the Midwest and, as of December 31, 2022, had \$510 billion in assets under care, of which it managed \$55 billion for individuals, corporations and not-for-profit organizations through its Trust and Registered Investment Advisory businesses. Investor information and press releases can be viewed at [53.com](https://www.fifth.com). Fifth Third's common stock is traded on the NASDAQ® Global Select Market under the symbol "FITB." Fifth Third Bank was established in 1858.

Investments and investment services are offered through or are made available by one or more of Fifth Third Bancorp's indirect subsidiaries.

Investments and Investment Services: **Are Not FDIC Insured, Offer No Bank Guarantee, May Lose Value, Are Not Insured By Any Federal Government Agency, Are Not A Deposit.**

Insurance products made available through Fifth Third Insurance Agency, Inc.

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