

U.S. Regional Economic Outlook



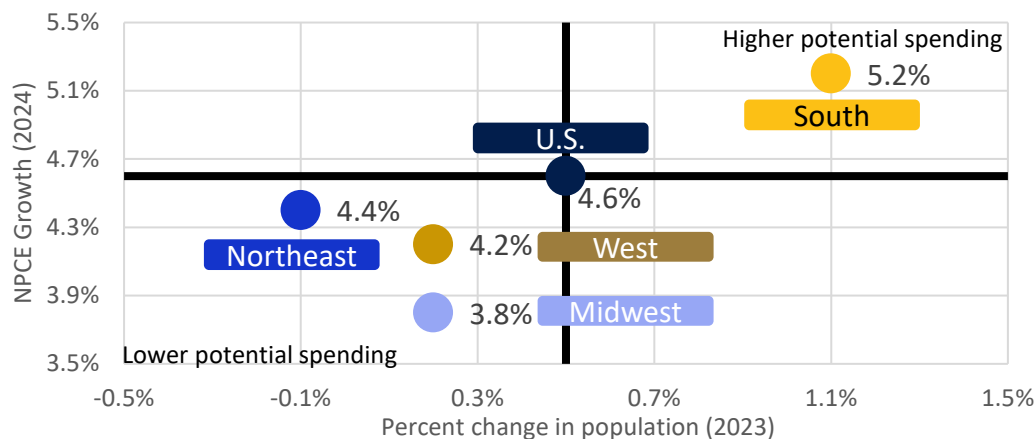
Where people go, so too goes economic growth

With the first half of 2024 in the books, we have updated our regional economic forecasts through 2025, indicating that all U.S. regions likely experienced economic and job growth in Q2-2024. Despite clear softening, the overall labor market is still showing resilience, with more job openings than unemployed persons. These factors are keeping income growth elevated above the inflation rate, which will support solid, albeit decelerating, consumer spending growth. Furthermore, the expected arrival of Federal Reserve rate cuts in September will provide much-needed momentum to rate-sensitive sectors like financial activities as well as professional and business services, which have displayed weakness across most regions.

While consumer spending growth will gradually wind down in most regions through the next year, a clear divergence has emerged based on regional population changes (Fig. 1). For example, the South's population has grown the fastest, fueled by incoming residents from other regions seeking job opportunities and a lower cost of living. Not surprisingly, spending growth in the South is expected to outpace the nation and other regions through 2025. Near the other end of the spectrum, population growth in the Midwest has underperformed the nation, partly due to out-migration in key states like Illinois and Michigan. Consequently, consumer spending is forecast to slow the most in this region. While the Northeast's population declined last year, intraregional tourism has helped anchor the region's consumer spending. Similarly, population growth in the West has trailed the nation, led by steep declines in California. However, Census data show a large share of exiting Californians stay in the West, and intraregional tourism has provided a spending boost to that region as well.

Fig. 1: Regions with faster population growth in 2023 generally have more upside spending potential in 2024

Population growth v. NPCE* growth (YoY percent change)



Sources: Visa Business and Economic Insights, U.S. Census Bureau and U.S. Department of Commerce.
* Nominal personal consumption expenditures (NPCE)

August 2024

Michael Brown
Principal U.S. Economist
michael.brown@visa.com

Sean Windle
U.S. Economist
swindle@visa.com

W. Travis Clark
U.S. Economist
wiclark@visa.com

Key Points:

 Population changes are a key growth determinant

 The South's economy is expected to outperform all other regions in 2024

 Healthcare payroll growth continues to be a top performer





Visa's Regional Economic Forecasts



Northeast

Fig. 2: Real gross domestic product (GDP) by region (SA, YoY* percent change)

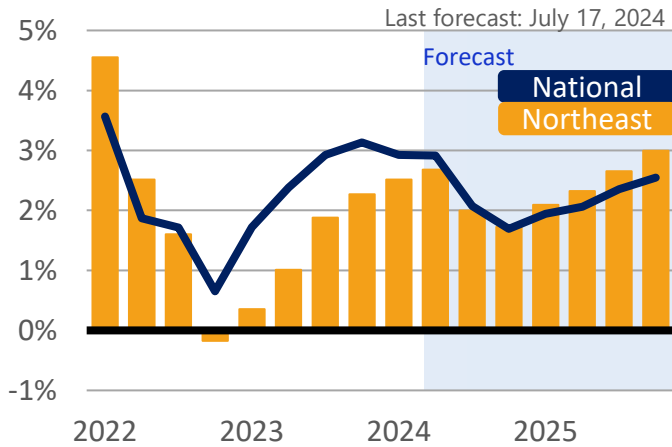
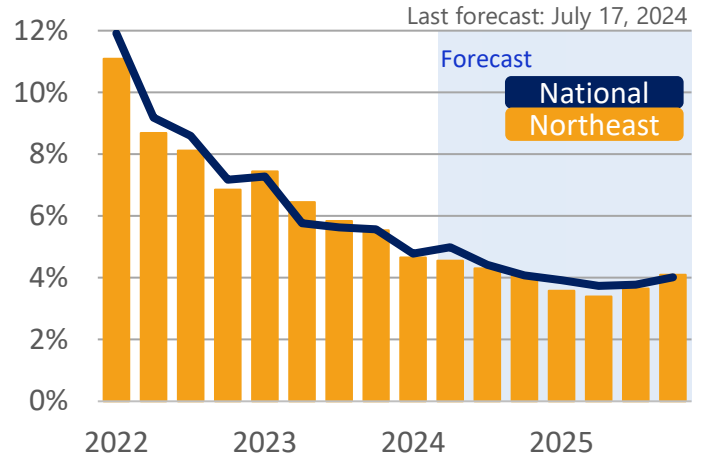


Fig. 3: Nominal personal consumption expenditures by region (SA, YoY* percent change)



* Seasonally adjusted (SA), year-over-year (YoY)

Focusing on the future

Economic growth in the Northeast has been steady, but slower than the U.S. overall. Our forecast suggests real gross domestic product (GDP) growth in Q2-2024 likely slightly underperformed the U.S. overall for the second straight quarter, with high interest rates leading to anemic growth in interest rate-sensitive sectors such as finance, professional and business services, and tech. Additionally, years of significant domestic out-migration in the region continue to dampen economic growth as slow population growth both limits labor supply and disincentivizes business investment. Layoffs at Tesla's Gigafactory 2 in western New York set back manufacturing employment in the region and likely point to weaker manufacturing and overall employment growth in the second half of 2024. The likely declines in job creation and economic growth will also likely weigh on consumer spending growth in the region.

Despite the relatively weak outlook for 2024 in the Northeast, the region is in a strong position to see stronger growth in 2025. Rate cuts that we expect to begin in September will likely alleviate some of the stress that interest rate-sensitive firms are under. Our forecasts indicate that lower rates in 2025 should incentivize stronger investment and hiring in states that rely heavily on the tech, finance and insurance sectors, such as New York, Connecticut and Massachusetts. Additionally, planned semiconductor manufacturing investments in central New York, including the construction of a new major plant in Syracuse and the expansion of existing plants, should boost employment and economic growth next year and help support stronger consumer spending. Even long-term demographic headwinds are already beginning to slow. Slower domestic out-migration, along with the large influx of foreign workers into New York and Massachusetts recently, will likely help expand the labor supply and drive economic growth. While the Northeast's growth prospects in 2024 may be disappointing, the future looks far brighter.

Northeast

	Actual				Forecast				Actual		Forecast	
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2022	2023	2024	2025
Gross Domestic Product (YoY % Chg.)	0.4	1.0	1.9	2.3	2.5	2.7	2.0	1.7	2.1	1.4	2.2	2.5
Nominal Personal Consumption (YoY % Chg.)	7.4	6.5	5.8	5.5	4.7	4.6	4.3	4.1	11.5	6.3	4.4	3.7
Consumer Confidence Index	101.0	104.3	105.2	101.6	105.1	93.2	98.7	104.7	110.5	103.0	100.4	117.7
Employment (YoY % Chg.)	2.5	2.0	1.4	1.4	1.3	1.4	1.5	1.4	3.8	1.8	1.4	1.2

Forecast as of: July 17, 2024

Sources: Visa Business and Economic Insights analysis of data from U.S. Department of Commerce, U.S. Department of Labor and The Conference Board

Visa's Regional Economic Forecasts



South

Fig. 4: Real gross domestic product (GDP) by region (SA, YoY* percent change)

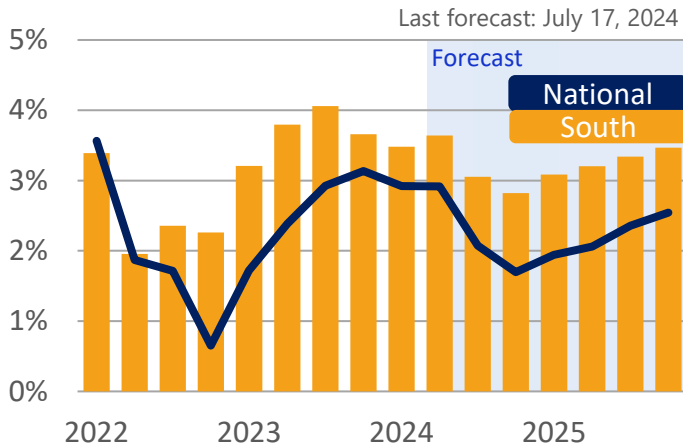
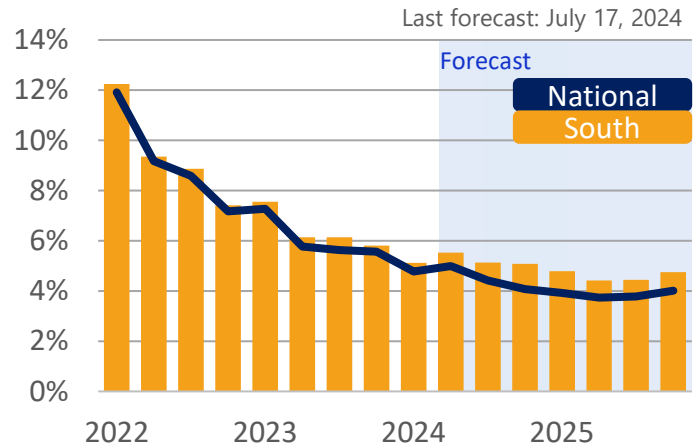


Fig. 5: Nominal personal consumption expenditures by region (SA, YoY* percent change)



* Seasonally adjusted, year-over-year (YoY)

The South's strong growth is set to soldier on through 2024

Our analysis indicates that the South will lead the nation in economic growth, consumer spending and job creation over the next year and a half. Manufacturing, tech and finance have all experienced strong growth in the region as the labor supply and capital investment have continued to expand. While domestic in-migration has slowed recently, the region has increasingly attracted foreign migrants, particularly into Florida and Texas. Strong growth in jobs and investment, along with consumer confidence that led the nation in Q2, signals that the South likely saw strong consumer spending growth in Q2-2024, propelling the region's economic and job growth past all other regions, according to our estimates.

While significant investments in EV production, semiconductor plants and pharmaceuticals have supported the South's manufacturing boom, large government investments in defense manufacturing have also been an important source of strength. Substantial increases in defense spending from the government spending packages passed in March have been an important source of investment and growth in the region, particularly for Virginia, Oklahoma and Texas. Tinker Air Force Base in Oklahoma City, the military's main aircraft maintenance facility, is poised for major growth in the coming years thanks to larger investments in military aircraft. Additionally, military bases have been an important source of consumer spending in states like Georgia, North Carolina, South Carolina and Tennessee. The federal government's more aggressive stance in facing geopolitical threats will thus likely have an outsized impact on the South. Outside of defense and manufacturing, the healthcare and tourism sectors in the South have also had surprisingly strong economic growth. The large movement of retirees to states like Alabama and Florida have driven increased demand to the healthcare sector. Strong travel demand has not only greatly benefitted southern tourist hotspots like Florida and Louisiana but has also resulted in more travel to lesser-known destinations like South Carolina and Alabama. With investment and job growth expected to remain robust in a number of diverse sectors, the South will lead the nation in economic, consumer spending and job growth in the second half of the year.

South

	Actual				Forecast				Actual		Forecast	
	2023				2024				2022	2023	2024	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross Domestic Product (YoY % Chg.)	3.2	3.8	4.1	3.7	3.5	3.6	3.1	2.8	2.5	3.7	3.2	3.3
Nominal Personal Consumption (YoY % Chg.)	7.6	6.1	6.1	5.8	5.1	5.5	5.1	5.1	14.0	6.4	5.2	4.6
Consumer Confidence Index	104.8	104.1	108.8	104.1	105.9	102.4	99.4	105.4	111.0	105.4	103.3	118.6
Employment (YoY % Chg.)	3.6	2.9	2.0	1.9	1.5	1.7	1.9	2.0	3.6	2.6	1.8	1.7

Forecast as of: July 17, 2024

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor, and The Conference Board.

Visa's Regional Economic Forecasts



Midwest

Fig. 6: Real gross domestic product (GDP) by region (SA, YoY* percent change)

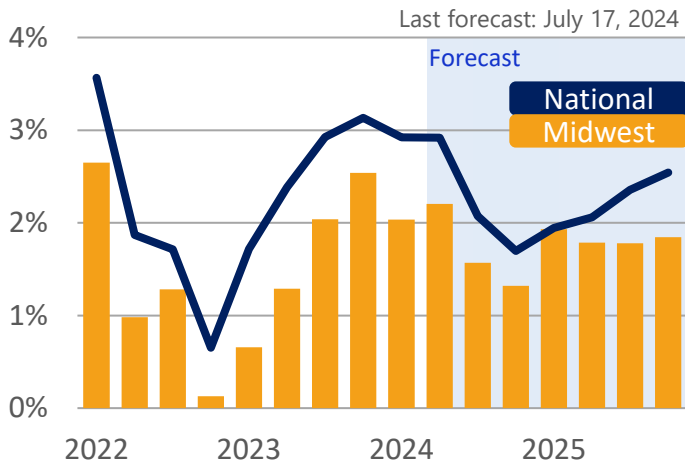
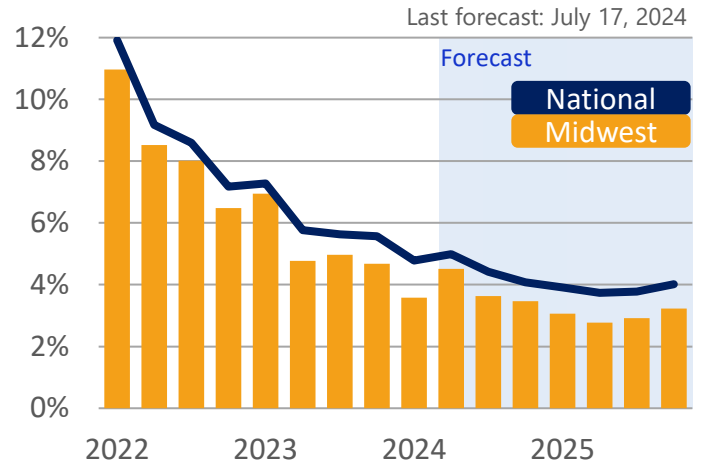


Fig. 7: Nominal personal consumption expenditures by region (SA, YoY* percent change)



* Seasonally adjusted, year-over-year (YoY)

Strong healthcare growth in the Midwest not enough to offset softer demographics

We expect the Midwest to trail all other regions in economic growth, consumer spending and job creation in the second half of 2024 and through next year due to a lack of broad-based employment growth, including in key sectors. In Illinois, employment in the financial activities and professional and business services sectors continues to fall further below pre-pandemic levels. In Ohio, which is heavily dependent on producers, manufacturing payrolls have yet to recover to pre-pandemic numbers. Manufacturing jobs in Michigan, which is highly dependent on the Big Three automakers, are also well below pre-pandemic levels. Even above-average regional players like Minnesota and Indiana have struggled to recover payrolls lost in finance, professional and business services, and manufacturing.

Healthcare remains a consistent bright spot for the region, with strong gains in the sector reflecting a bounce back from jobs lost during the pandemic as well as an increasing demand for healthcare due to the region's aging population. Most states in the region have exhibited strong healthcare payrolls, particularly Ohio and Minnesota, which are home to renowned medical institutions like Cleveland Clinic and Mayo Clinic, respectively. Unfortunately, the demographic trends fueling the region's healthcare sector growth point to an insidious problem: population declines fueled not only by lower birth rates, but also out-migration, particularly from prime-age workers. Illinois has borne the brunt of this trend due to higher taxes and fiscal uncertainty, but it is not alone. Minnesota and Michigan have also struggled recently with out-migration due in part to harsher weather and colder climates.

In the long run, healthcare will be the backbone of the region's job creation, but as those job gains moderate, growth and investment in other sectors will be necessary to propel the region forward. One example is a \$25 billion project to build two semiconductor plants in Ohio, which is set to be completed by 2027. Nonetheless, in the absence of strong growth in other areas of the economy, soft demographics will keep the Midwest a step behind the nation.

Midwest

	Actual				Forecast				Actual		Forecast	
	2023				2024				2022	2023	2024	2025
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
Gross Domestic Product (YoY % Chg.)	0.7	1.3	2.0	2.5	2.0	2.2	1.6	1.3	1.3	1.6	1.8	1.8
Nominal Personal Consumption (YoY % Chg.)	6.9	4.8	5.0	4.7	3.6	4.5	3.6	3.5	11.7	5.3	3.8	3.0
Consumer Confidence Index	103.0	105.4	107.1	102.1	106.7	100.1	99.3	105.3	111.5	104.4	102.8	118.4
Employment (YoY % Chg.)	2.2	1.8	1.2	1.2	0.9	1.2	1.3	1.3	2.8	1.6	1.2	0.8

Forecast as of: July 17, 2024

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor, and The Conference Board.

Visa's Regional Economic Forecasts



West

Fig. 8: Real gross domestic product (GDP) by region (SA, YoY* percent change)

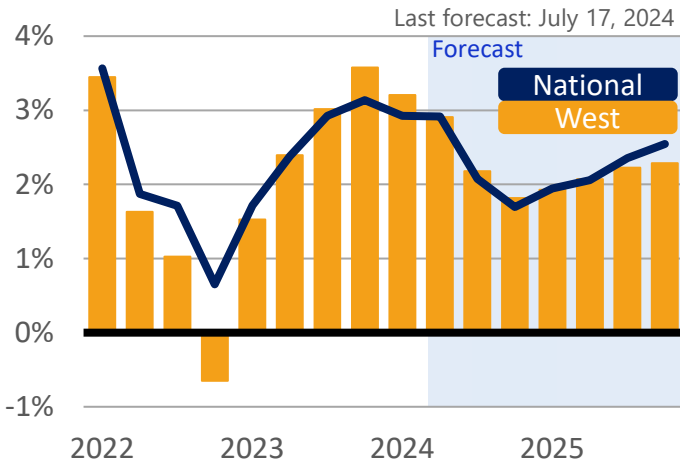
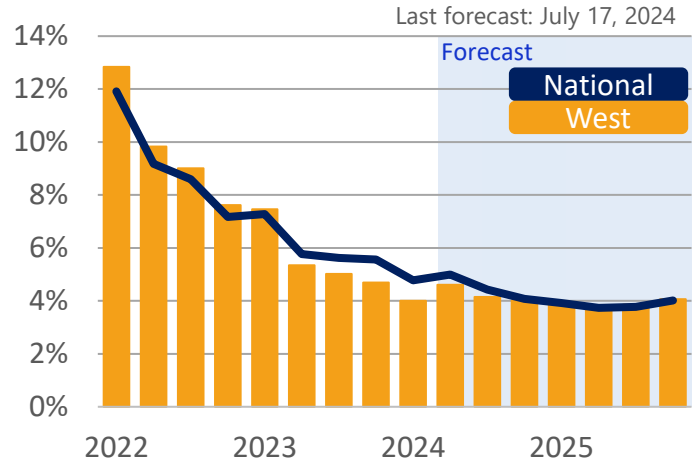


Fig. 9: Nominal personal consumption expenditures by region (SA, YoY* percent change)



* Seasonally adjusted, year-over-year (YoY)

The West goes from California dreamin' to California leavin'

After three consecutive quarters of outperforming the nation, economic growth in the West likely slowed and tracked with the national GDP in Q2-2024. We expect the region's economy to continue decelerating through the second half of the year, only slightly edging out national growth.

California will be a drag on growth, underperforming many of its neighboring Western states. The Golden State's population has declined for three consecutive years going back to 2021, and while COVID-related deaths and lower fertility rates have played a role, California has hemorrhaged residents to Texas, Arizona, Florida and other states with a lower cost of living. Soaring housing costs are driving the exodus, particularly among less affluent residents. But the proliferation of remote work, combined with high housing costs, has also encouraged more affluent residents to leave the state. While the outflow has abated, the cumulative loss of consumers up and down the income spectrum is a headwind for growth in the region. What is more, strong public sector jobs growth in California is masking large and mounting job losses in the private sector. The state's Legislative Analyst's Office estimates that California has lost more than 150,000 private sector jobs since employment peaked two years ago.

Because of its sheer size, even minor percentage drops in California's population equate to large numbers of residents leaving, and this can have an outsized impact on the region. Fortunately, among the top 10 destinations for former Californians, six (Arizona, Washington, Nevada, Oregon, Colorado and Idaho) are in the West. As such, California's population decline is not entirely a loss for the region, but rather a partial disbursement of economic activity to the region's growth states. As such, even as tech companies invest outside of California and workers head to lower-cost states, the West will retain some of those investments and labor, giving the region a slight edge over the nation.

West

	Actual				Forecast				Actual		Forecast	
	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2022	2023	2024	2025
Gross Domestic Product (YoY % Chg.)	1.5	2.4	3.0	3.6	3.2	2.9	2.2	1.8	1.3	2.6	2.5	2.1
Nominal Personal Consumption (YoY % Chg.)	7.5	5.3	5.0	4.7	4.0	4.6	4.2	4.0	14.3	5.6	4.2	3.9
Consumer Confidence Index	107.3	106.3	108.5	101.5	108.3	94.4	96.6	102.4	113.6	105.9	100.4	115.2
Employment (YoY % Chg.)	2.4	1.8	1.1	1.4	1.5	1.5	1.8	1.5	4.0	1.7	1.6	1.2

Forecast as of: July 17, 2024

Sources: Visa Business and Economic Insights analysis of data from the U.S. Department of Commerce, U.S. Department of Labor, and The Conference Board.



Forward Looking Statements

This report may contain forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These statements are generally identified by words such as “outlook”, “forecast”, “projected”, “could”, “expects”, “will” and other similar expressions. Examples of such forward-looking statements include, but are not limited to, statement we make about Visa’s business, economic outlooks, population expansion and analyses. All statements other than statements of historical fact could be forward-looking statements, which speak only as of the date they are made, are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, many of which are beyond our control and are difficult to predict. We describe risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, any of these forward-looking statements in our filings with the SEC. Except as required by law, we do not intend to update or revise any forward-looking statements as a result of new information, future events or otherwise.

Disclaimer

The views, opinions, and/or estimates, as the case may be (“views”), expressed herein are those of the Visa Business and Economic Insights team and do not necessarily reflect those of Visa executive management or other Visa employees and affiliates. This presentation and content, including estimated economic forecasts, statistics, and indexes are intended for informational purposes only and should not be relied upon for operational, marketing, legal, technical, tax, financial or other advice and do not in any way reflect actual or forecasted Visa operational or financial performance. Visa neither makes any warranty or representation as to the completeness or accuracy of the views contained herein, nor assumes any liability or responsibility that may result from reliance on such views. These views are often based on current market conditions and are subject to change without notice.

Visa Business and Economic Insights Staff

Wayne Best, Chief Economist	wbest@visa.com
Bruce Cundiff, Vice President, Consumer Insights	bcundiff@visa.com
Simon Baptist, Principal Asia Pacific Economist	sbaptist@visa.com
Mohamed Bardastani, Principal CEMEA Economist	mbardast@visa.com
Michael Brown, Principal U.S. Economist	michael.brown@visa.com
Adolfo Laurenti, Principal European Economist	laurenta@visa.com
Richard Lung, Principal Global Economist	rlung@visa.com
Dulguun Batbold, Senior Global Economist	dbatbold@visa.com
Weiwen Ng, Senior Innovation Economist	weiweng@visa.com
Joel Virgen Rojano, Senior LAC Economist	jvirgenr@visa.com
Jennifer Doettling, Director, Content and Editorial	jdoettli@visa.com
Michael Nevski, Director, Consumer Insights	mnevski@visa.com
Travis Clark, U.S. Economist	wiclark@visa.com
Hannah Heeran, European Economist	heeranh@visa.com
Woon Chian Ng, Asia Pacific Economist	woonng@visa.com
Sean Windle, U.S. Economist	swindle@visa.com
Jen Petosky, Analyst, Content and Editorial	jepetosk@visa.com
Michelle Yi, U.S. Economic Analyst	michyi@visa.com
Juliana Tang, Project Coordinator	jultang@visa.com

For more information, please visit us at [Visa.com/EconomicInsights](https://www.visa.com/EconomicInsights) or VisaEconomicInsights@visa.com.





Accessibility notes

Fig. 1: Dot plot showing the year-over-year (YoY) percent change in population growth in 2023 for the U.S. and its regions compared to the YoY change in nominal personal consumption expenditures (NPCE) growth in 2024. The nation's population increased by 0.5 percent and its NPCE grew by 4.6 percent; in the South, the population increased by 1.1 percent and NPCE grew 5.2 percent; the West's population grew by 0.2 percent and its NPCE by 4.2 percent; in the Midwest, the population grew by 0.2 percent and NPCE by 3.8 percent; and in the Northeast, the population decreased by 0.1 percent while NPCE grew by 4.4 percent.

Fig. 2: Bar chart showing the Northeast's year-over-year (YoY) gross domestic product (GDP) growth ranging from a high of 4.6 percent in Q1-2022 to a low of -0.2 percent in Q4-2022 before rebounding to 3.0 percent (forecast) by the end of 2025. The bar chart is combined with a line chart showing national YoY GDP growth ranging from a high of 3.6 percent in Q1-2022 to a low of 0.7 percent in Q4-2022 before increasing to 3.1 percent in Q4-2023. The line then declines to 1.7 percent (forecast) in Q4-2024 and rises to 2.5 percent in the forecast for Q4-2025.

Fig. 3: Bar chart showing the Northeast's year-over-year (YoY) Nominal Personal Consumption Expenditure (NPCE) growth ranging from a high of 11.1 percent in Q1-2022 to a low of 3.4 percent (forecast) in Q2-2025 before increasing slightly to 4.1 percent in the forecast for year-end 2025. The bar chart is combined with a line chart showing national YoY NPCE growth ranging from a high of 11.9 percent in Q1-2022 before falling to a low of 3.7 percent (forecast) in Q2-2025 before increasing again to 4.0 percent in the forecast for year-end 2025.

Fig. 4: Bar chart showing the South's year-over-year (YoY) gross domestic product (GDP) growth starting at 3.4 percent in Q1-2022, dropping to a low of 2.0 percent in Q2-2022, then increasing to a high of 4.1 percent in Q3-2023. GDP then decreases to 2.8 percent (forecast) in Q4-2024 before rebounding to 3.5 percent (forecast) by the end of 2025. The bar chart is combined with a line chart showing national YoY GDP growth ranging from a high of 3.6 percent in Q1-2022 to a low of 0.7 percent in Q4-2022 before increasing to 3.1 percent in Q4-2023. The line then declines to 1.7 percent (forecast) in Q4-2024 and rises to 2.5 percent in the forecast for Q4-2025.

Fig. 5: Bar chart showing the South's year-over-year (YoY) Nominal Personal Consumption Expenditure (NPCE) growth ranging from a high of 12.2 percent in Q1-2022 to a low of 4.4 percent (forecast) in Q2-2025 before increasing to 4.7 percent (forecast) at year-end 2025. The bar chart is combined with a line chart showing national YoY NPCE growth ranging from a high of 11.9 percent in Q1-2022 before falling to a low of 3.7 percent (forecast) in Q2-2025 before increasing again to 4.0 percent in the forecast for year-end 2025.

Fig. 6: Bar chart showing the Midwest's year-over-year (YoY) gross domestic product (GDP) growth at a high of 2.6 percent in Q1-2022 before falling to a low of 0.1 percent in Q2-2022. GDP then rebounds to 2.5 percent in Q4-2023 before declining again to 1.3 percent (forecast) in Q4-2024 and increasing to 1.8 percent (forecast) by the end of 2025. The bar chart is combined with a line chart showing national YoY GDP growth ranging from a high of 3.6 percent in Q1-2022 to a low of 0.7 percent in Q4-2022 before increasing to 3.1 percent in Q4-2023. The line then declines to 1.7 percent (forecast) in Q4-2024 and rises to 2.5 percent in the forecast for Q4-2025.

Fig. 7: Bar chart showing the Midwest's year-over-year (YoY) Nominal Personal Consumption Expenditure (NPCE) growth falling from a high of 11.0 percent in Q1-2022 to a low of 3.0 percent (forecast) in Q1-2025 before staying fairly flat to end 2025 at 3.2 percent (forecast). The bar chart is combined with a line chart showing national YoY NPCE growth ranging from a high of 11.9 percent in Q1-2022 before falling to a low of 3.7 percent (forecast) in Q2-2025 before increasing again to 4.0 percent in the forecast for year-end 2025.

Fig. 8: Bar chart showing the West's year-over-year (YoY) gross domestic product (GDP) growth starting at 3.4 percent in Q1-2022 and declining to a low of -0.7 percent in Q4-2022. GDP then increases to a high of 3.6 percent in Q4-2023 before falling to 1.8 percent by Q4-2024 (forecast) and then rising to 2.3 percent in the forecast for Q4-2025. The bar chart is combined with a line chart showing national YoY GDP growth ranging from a high of 3.6 percent in Q1-2022 to a low of 0.7 percent in Q4-2022 before increasing to 3.1 percent in Q4-2023. The line then declines to 1.7 percent (forecast) in Q4-2024 and rises to 2.5 percent in the forecast for Q4-2025.

Fig. 9: Bar chart showing the West's year-over-year (YoY) Nominal Personal Consumption Expenditure (NPCE) growth ranging from a high of 12.8 percent in Q1-2022 before dropping to a low of 3.7 percent (forecast) by Q2-2025 and staying fairly flat before ending 2025 at 4.1 percent (forecast). The bar chart is combined with a line chart showing national YoY NPCE growth ranging from a high of 11.9 percent in Q1-2022 before falling to a low of 3.7 percent (forecast) in Q2-2025 before increasing again to 4.0 percent in the forecast for year-end 2025.