Quarterly State Forecast

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New England

- The New England economy will gain a step this year with growth rising to 1.9%, before limited labor market slack trims back the economy's running pace to 1.7% over 2018-19. High-tech oriented Mass. will lead the way, with N.H. tracking closely behind. The R.I. economy will also expand at a sturdy 1.8% pace over 2017-18 as it emerges from a slower recovery. Meanwhile, demographic headwinds will continue to hold back the pace of growth to around 1% for Me., Vt. and Conn., with fiscal challenges added for the latter.

Middle Atlantic

- The rate of expansion for the Mid-Atlantic economy is expected to improve but remain modest, with growth averaging 1.4% over 2017-19. Soft momentum at the start of the year for N.Y. will restrain the economy's running pace to just 0.7% this year, masking improved prospects for finance and tourism. Pa. will lead the pack, thanks to a rebound in mining investment, while N.J. should reflect improvement in high value-added industries and a steady consumer spending backdrop.

Upper South Atlantic

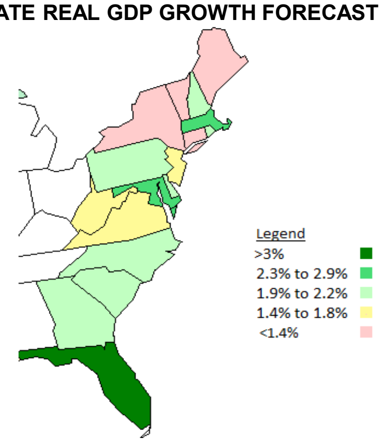
- The Upper South Atlantic will grow by 2.1% in 2018 before matching the national rate of expansion of 2.0% in 2019. Specifically, N.C. will benefit from growth in R&D activity, anchored in the Research Triangle, while an expansion in business services will benefit De. The cybersecurity center of the east coast, D.C., Md., and Va., will offer a counter-position to any scaling back in federal government non-defense expenditures.

Lower South Atlantic

- The Lower South Atlantic will continue to outperform, growing at 2.7% over the next two years. Accounting for this will be a rise in auto manufacturing activity in S.C., with international consumption expected to play a key role in demand for vehicles. Further down the coast in Fl., negative Irma impacts will be eclipsed by strong economic fundamentals to maintain a growth advantage to the nation over the next two years.

For more details on our national forecast see our [Quarterly Economic Forecast]

STATE REAL GDP GROWTH FORECAST (2017)



Source: TD Economics. Forecast as of September 2017.

NEW ENGLAND (CT, MA, ME, NH, RI, VT)

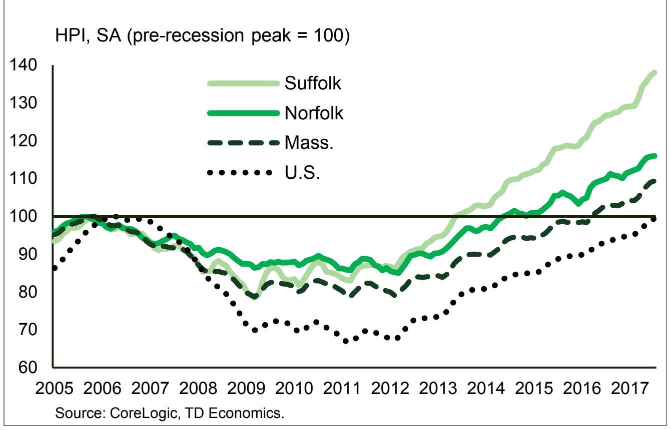
Massachusetts: Bright spot in the Northeast

The Bay State economy remains on a solid course and is poised to outshine its northeastern peers over the medium term. Growth is expected to come in at 2.3% this year, while holding above 2% through 2019, thanks to its well-diversified structure and high-tech tilt.

Employment gains remain broad-based with payrolls rising in nearly all sectors so far this year. Particular strength can be found in professional & technical services, financial activities and healthcare. Within these segments lie high value-added clusters, such as robotics, biotech and pharmaceuticals, with their expansion yielding outsized contributions to GDP. The state's top-ranked universities remain fertile ground for research and innovation, with bounteous venture capital (VC) funding and state incentives supporting the transition of ideas into commercial products. VC financing in Massachusetts totaled $3.2B in the first half of the year, up some 20% from year ago. Meanwhile, the state is setting up a cybersecurity center which will aid with the expansion of this emerging cluster. Prominent companies continue to build their presence in the state, particularly in Beantown. Facebook plans to grow its Boston workforce by 500 next year, while Alexion Pharmaceuticals is also moving its HQ to the city along with 400 jobs, adding to the positive narrative.

The outlook does include some soft spots. The state ranks at the low end when it comes to unfunded pension liabilities and its bond rating was recently downgraded by S&P due to thin reserve balances. What's more, state government payrolls remain in decline, with efforts to rein in spending likely to extend this trend further out. The housing market also bears close watching as strong price gains, particularly in Suffolk County (Chart 1), continue to outstrip income gains, with the trend likely to accentuate affordability pressures when combined with rising interest rates. Robust price growth should nonetheless spur more construction, helping bring some balance to the market.

CHART 1: HOME PRICES CONTINUE TO SET NEW RECORDS



Source: CoreLogic, TD Economics.

But even with the aforementioned in mind, labor market prospects remain fairly bright over the medium term. In fact, we expect the supply of labor, rather than demand, to act a constraint on growth. The surge in the labor force earlier this year is expected to prove temporary as ageing demographics weigh on the participation rate, with the latter appearing to turn a corner, having already pulled back in the last two months. In addition to limited labor supply, rising compensation costs will also restrict businesses' hiring ability, with the rate of job creation slowing gradually to just over 1% in 2019. Given the scarcity of workers, the potential for more restrictive immigration policies pose additional downside risk.

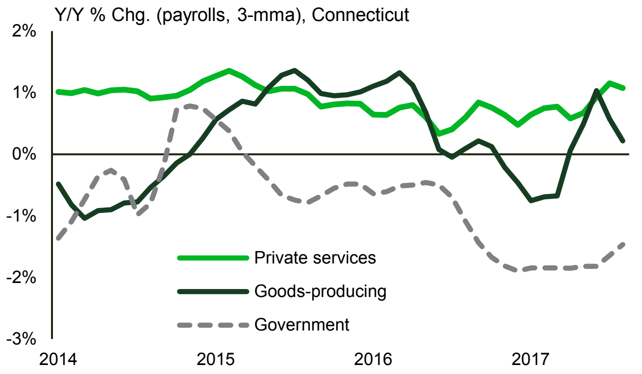
Connecticut: Slowly improving, but risks persist

The Conn. economy continues to advance at a moderate pace. Job growth has seen an uptick this year, driven largely by a pickup in private services hiring (Chart 2). But the pace of gains continues to pale in comparison to the national rate and performances remain uneven across sectors. Weak demographics and the lackluster employment backdrop have weighed on housing market activity. Home prices are growing at a subdued pace of around 1% y/y, while starts continue to slide, providing little support to the construction segment.

The government sector, where payrolls have been declining since 2008, remains a notable weak spot. Years of soft economic growth and underfunded pensions have taken a toll on state finances, with Conn. now facing yet another deficit of $3.5B this biennium and no clear resolution in sight. As calls for an end to the budget impasse grow, an expected compromise is likely to result in the shortfall being addressed through a mix of spending cuts and tax hikes, both of which are likely to weigh on near-term economic growth. A possible federal repeal of state and local tax deductions would further exacerbate already-challenging fiscal pressures.

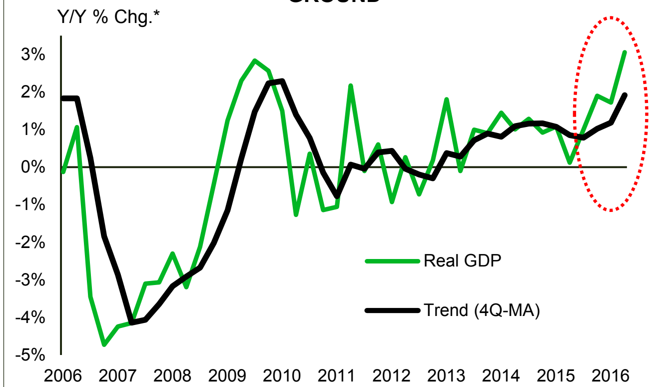
The uncertainty surrounding the budget process has had many businesses feeling uneasy, with 72% of respondents to a recent CIBA survey suggesting that it is one of the main factors hampering business growth. This has prompted some businesses to relocate, including AETNA

CHART 2: PRIVATE SERVICES PAYROLLS DOING THE HEAVY LIFTING



Source: BLS, TD Economics.

CHART 3: RHODE ISLAND ECONOMY ON FIRMER GROUND



Source: BEA, TD Economics. *Data up to Q1, 2017.

(insurance) and Alexion (pharma) this year which moved their HQs to NYC and Boston, respectively. Still, not all is bad news. Henkel (home care products) which recently moved to Conn. will expand its workforce by more than initially expected, while 'Indeed' (job search platform) also plans to grow its workforce by 500.

Other positive developments include an upswing in hiring activity in prof. & tech services, transportation, health, leisure & hospitality, and financial activities. Prospects for the latter sector remain upbeat, thanks in part to a rising interest rate environment. What is more, manufacturing sector payrolls have also improved, rising to their highest level since mid-2015. Medium term prospects for the state's large defense contractors are particularly bright. Adding to a string of existing orders, Sikorsky recently won a \$3.8B contract to supply the U.S. government with Black Hawk helicopters, while Electric Boat won a \$5.1B contract to build the new Columbia-class submarines. Increased activity in the high value-added segment is expected to lead to positive spillovers in other parts of the economy and help shore up growth. Given Connecticut's overall mixed profile, economic expansion in the state is expected to chug along at a moderate 1%-pace through 2019, with state finances remaining the biggest downside risk.

Rhode Island: Sunnier skies for the Ocean State

After years of sluggish economic growth, the R.I. economy is finally reaching firmer ground (Chart 3). Job growth has accelerated to around 1.7% y/y, helping drive the jobless rate below the national level even as a growing number of workers have entered the labor force this year. Employment gains have broadened, with improved hiring activity recorded in leisure and hospitality, wholesale and education. Even the healthcare sector – which has been a major laggard relative to its overall U.S. counterpart since the recession – has seen an uptick in payrolls, and is expected to see some continued modest progress ahead. Case in point, Magellan Health will expand operations in the state, adding some 100 jobs.

Yet the construction sector, where payrolls are up around 15% y/y, is by far the state's best-performing. Construction employment has been buoyed by RhodeWorks, a 10-yr \$4.7B program aimed at repairing the state's infrastructure, while the housing market has also lent a helping hand. Home prices are rising at par with the nation, inventories are declining and permitting activity has shifted to the more labor-intensive single-family market, boding well for building activity. The sector will also benefit from the need for additional commercial space. Wexford recently broke ground on an innovation campus project which is expected to create 800 jobs once completed – many in scientific and technical fields – and has already had some success in securing prospective tenants, such as Johnson & Johnson. Meanwhile, Finlays (beverages) has also broken ground on a multistage \$100M project, which includes an R&D facility and future plans for a manufacturing and distribution plant, with the potential to create 500 jobs.

The state's defense industry, which includes Raytheon and Electric Boat, will also provide some lift to the economy and manufacturing payrolls. The latter is already on an upswing this year, with part of the work on EB's recent \$5.1B contract to be done in R.I. to provide additional support. All in all, sunnier skies appear to be settling in over the Ocean State. Economic growth should advance by 2.1% this year, allowing the economy to finally surpass its pre-crisis peak, with the labor market expected to add another 13k jobs in total through 2019.

MIDDLE ATLANTIC (NJ, NY, PA)

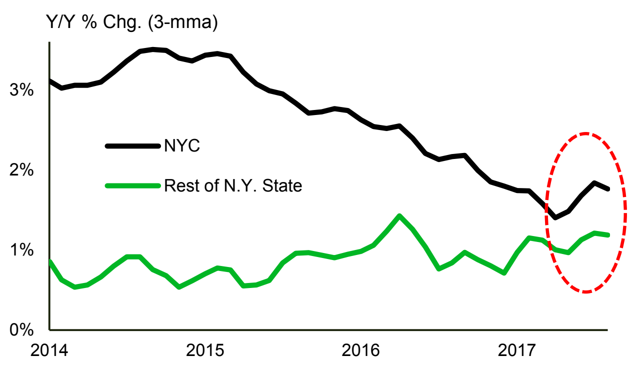
New York: Labor market accelerates

The Empire State's economy slowed noticeably last year, with soft momentum slipping through to the start of this year. But, an upturn in the state's payrolls – particularly in NYC (Chart 4) – bodes well for a near-term pickup in momentum. Growth is expected to average 1.4% over the next two years. Job creation will continue to be spearheaded by NYC, with upstate NY chugging along at a more moderate pace partly due to slower population dynamics. Prospects for the tourism sector are particularly upbeat, thanks to a sharp drop in the value of the U.S. dollar so far in 2017 and increased marketing efforts. Spending by Empire State residents will also lend a helping hand, supported by solid wage growth - currently running at about 3% y/y. However, the impact of these consumption gains on local retail activity is likely to be partly mitigated by a tilt toward online purchases. The latter trend is nonetheless helping to open up opportunities elsewhere, such as in logistics. Amazon is set to create 2,250 jobs in the next few years, as it opens its first fulfillment center in NYC.

A strong equity market run this year and a rising short-term interest rate environment are helping buoy New York's large financial sector. Job losses in finance in the second half of 2016 have now given way to gains. And, the trend is expected to continue. The recent relocation of Aetna's HQ to NYC (250 jobs) and the expansion of Strategic Financial Solutions in Amherst (1500 jobs) provide further support to this narrative.

Strength across other knowledge-based industries, such as media, technology and medicine, will also help propel the economy. While California retains its leader status in venture capital (VC) financing, NY vaulted into second place last quarter with a deal flow of $2.8B. Its status as a technology hub is expected to gain further prominence with Cornell Tech now operational from its new state-of-the-art campus. Business opportunities are being generated by the growing synergies between technology and medicine. Further, *New York Works*, a 10-year program with $1.1B already earmarked for funding, has the potential to create thousands of jobs in areas such as cybersecurity and life sciences.

CHART 4: JOB GROWTH PICKS UP STEAM IN THE BIG APPLE



Source: BLS, TD Economics.

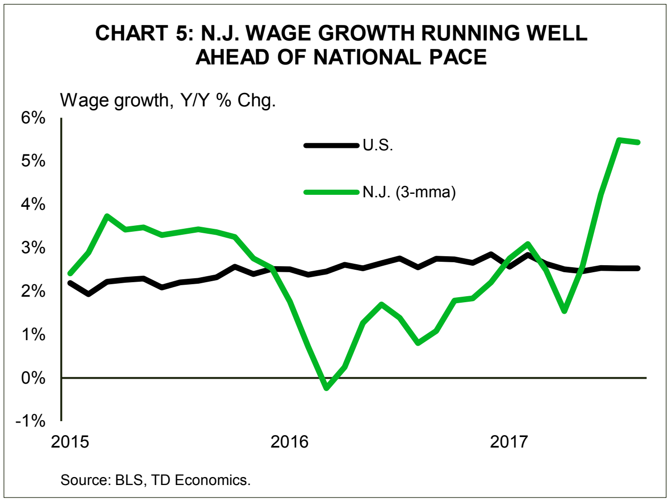
New Jersey: Wage growth strengthens

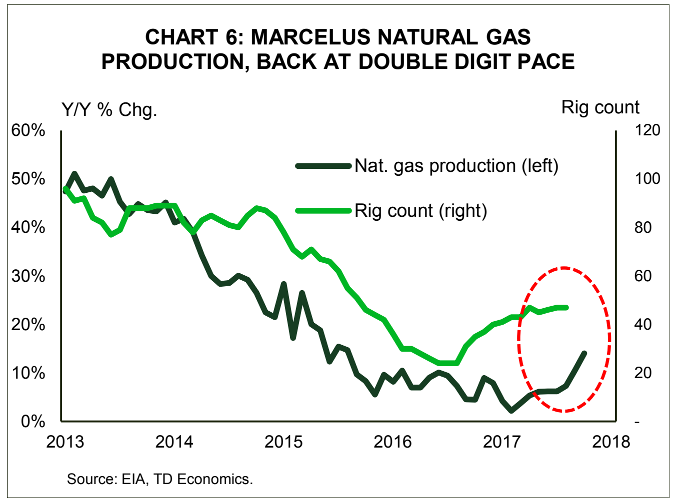
After accelerating to a 16-year high in 2016, job growth in New Jersey has sustained a solid clip of around 1.3% y/y so far this year. Although above-trend hiring demand is expected to extend into 2018, limited slack in the labor market will cause a gradual easing in net job gains beyond that period. Real GDP growth is expected to range between 1.3-1.6% over the forecast horizon, with benefits streaming from higher value-added sectors.

Continued improvement in the labor market and a relatively low unemployment rate has driven up wage growth, which is now more than double the national pace (Chart 5). The stronger labor market has helped shore up demand for housing. A 10% rise in home sales from year ago levels has reduced inventories and supported growth in the real estate and leasing industry. The share of delinquent mortgages has also been shrinking rapidly, but at 4.35% remains the highest in the country. Given the ongoing delinquency challenges and the state's lengthy foreclosure process, price growth and new construction are likely to remain restrained.

Amid a relatively solid consumer spending backdrop, New Jersey's leisure & hospitality industry continues to expand at a steady rate. Retail hiring, while moderate, has exceeded the national pace, with the gentle outperformance likely to persist given continued expansions of several big-name retailers. Rising employment and wages have also contributed to some recent stability in the state's beleaguered gambling business.

After downsizing in recent years, the pharmaceutical industry has generated some positive headlines surrounding notable expansions and relocations. Pharma giant Allergan is slated to expand over the next few years. Relocations are also proving popular with startups, such





as Modern Meadow (biotech), motivated by the region's rich talent pool and relatively cheap office space.

Notwithstanding the generally positive story, the Garden State remains vulnerable to a number of risks. Similar to New York, risks center on federal policies related to immigration and state tax deductibility, but are accentuated by strained public finances and significantly underfunded public pensions. A recently-approved measure to shift proceeds from the state's lottery into the pension fund over the next three decades will provide some support for the latter, but is no panacea.

Pennsylvania: Public finances back in the limelight

Rebounding mining activity is expected to underpin a respectable 2.2% expansion in Pa. this year, before growth likely settles close to its trend rate of around 1.5% in 2018-19. Private-service industries remain the backbone to growth, with hiring gains in professional & business services and healthcare accounting for over three quarters of the job gains this year. The hospitality segment has also been performing well. Pa.'s tourism is domestically-oriented and has benefited from rising wages in nearby states. But, international tourism also appears to be gaining a step. American Airlines recently announced three new non-stop flights between Philadelphia and Zurich, Budapest, and Prague.

Conditions continue to firm in the state's housing market. Real estate boards are reporting tighter conditions, while price growth has accelerated recently to about 3% y/y, with the average price level finally surpassing its pre-crisis peak earlier this year. Building permits have also picked up, which suggests that the recent lull in construction payrolls is likely to be temporary. The construction segment will receive additional support from large ongoing projects, with more likely on the way. Newly-minted UPMC Pinnacle (healthcare) intends to spend $1.5B on improvements, part of which will go toward new facilities and upgrades. Further out, the Pittsburgh airport is also expected to go ahead with a $1.1B expansion.

The state's important mining sector should also lend a helping hand. Rig counts continue to rise, reflective of increasing investment in the segment. Likewise, natural gas production growth is back in double digit territory (Chart 6). Still, limited upside to energy prices will restrain the sector's contributions. Lastly, the transportation segment is also poised for growth based on a combination of factors, such as access to large population centers and expanding e-commerce activity. There is already some evidence that the sector is capitalizing on changes in trade flows due to the completed Panama Canal expansion.

That said, public finances remain a significant concern in the Keystone State. To date, the budget remains in a shortfall and coffers are running low on cash, resulting in unprecedented delays in bill payments. If the process is prolonged, the absence of short-term financing measures may lead to the furloughing of some state employees. A lengthy stalemate would also increase uncertainty for businesses and individuals, while likely exacerbating fiscal vulnerabilities through increased borrowing costs. Among options to address the $2.2B gap include raising taxes on energy production, withdrawing funds from other state programs and borrowing against the state Tobacco Settlement Fund.

UPPER SOUTH ATLANTIC (DC, DE, MD, NC, VA, WV)

North Carolina: Research Triangle continues to shine

Indicators in North Carolina continue to point to progress within the economy. After some weakness earlier this year, payroll growth accelerated recently, leading the unemployment rate to its current cyclical low (Chart 7). Setbacks from manufacturing layoffs and the now defunct HB2 legislation in the first half of the year have started to partially fade, boding well for the outlook. GDP growth in the state is set to expand by 2.1% over the next two years, with much of this strength owing to the innovation hub that anchors several technology firms.

The Research Triangle has catapulted growth in the professional business services sector, which has outperformed consistently over the last two decades. This sector has accounted for over half of the employment gains year-to-date and is poised to expand further. Infosys, a global tech consulting hegemon, plans to establish operations in Wake County and will add 2,000 jobs through 2022. The expansion of this high value-added service sector has translated into generous wage growth of above 3% y/y in both Raleigh and Charlotte. These areas will also see financial services expand further, with Credit Suisse and AXA growing their IT-related operations there. Moreover, Charlotte will also benefit from JP Morgan Chase's planned expansion that will require the addition of local bankers and investment advisors. This strength in services is juxtaposed with the uncertainty that has characterized the manufacturing sector.

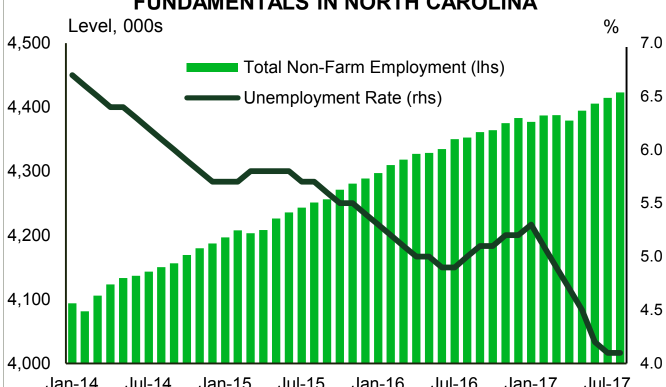
Manufacturers have shed jobs on balance this year due to past weakness in global mining and state chemical production. However, recently announced expansions will help partially recoup some losses. Albemarle Corp., a specialty chemical maker, will add 200 jobs through 2022, with access to the state's skilled work force being a key factor in the investment decision. This, combined with attractive state subsidies and low labor costs, in addition to access to overseas markets, has also caught the attention of transportation equipment manufacturer New York Air Brake. The firm will begin relocating a plant from New York to North Carolina at the end of this year, which will focus on the development and production of freight car brakes. Going forward, manufacturers will continue to be enticed to N.C. as a result of its strong business fundamentals, solidified by access to the state's R&D hub in the Research Triangle.

This labor market progress has started to translate into consumer-driven activity. Home price appreciation has been guided by income gains and strong population growth relative to the national aggregate. Further wage gains should catalyze stronger housing demand going forward, supporting both construction and real estate hiring. Further supporting construction activity will be a number of planned hospital expansions to service the quickly growing older segments of the population. All things considered, N.C. is set to see strong growth of 2.2% in 2018 while mirroring national growth of 2.0% in 2019.

Delaware: Professional services thriving again

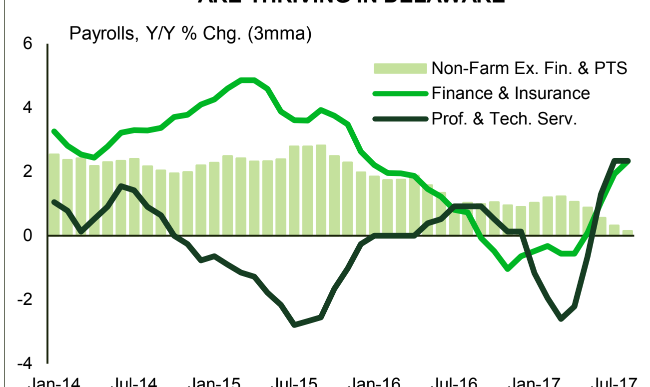
Delaware continues to improve alongside a rebound in professional, technical and financial services (Chart 8). The unemployment rate has ticked up steadily this year to 4.9% due to the rapid advancement in the labor force, but this influence should wane going forward. The prospects

CHART 7: STRENGTHENING LABOR MARKET FUNDAMENTALS IN NORTH CAROLINA



Source: BLS, TD Economics.

CHART 8: FINANCIAL & TECHNICAL INDUSTRIES ARE THRIVING IN DELAWARE



Source: BLS, TD Economics.

for both the services and goods producing sides of the economy remain positive, with government policy being a key ingredient promoting expansion.

Governor Carney continues to prioritize small business startups, notably in technology and innovation. This has been exemplified by an increase in grant activity since he took office in January. Additionally, the Governor recently replaced the state's Economic Development Office with a public-private partnership that will aim to improve the entrepreneurial climate, while offering initiatives to develop the workforce. These measures reinforce the aim of the tax credits introduced to tech startups under the Angel Investor Job Creation and Innovation Act, announced in May. This has helped solidify a rebound in professional and technical services jobs recently, and rapid wage growth in the sector.

Still, the the largest economic sector, financial services, will remain a cornerstone of expansion. Following announcements by HSBC and Barclays of employee layoffs into the end of 2020, Sallie Mae announced an expansion in the state to hire half of the 600 employees expected to be laid off. As the domestic economy continues to recover, demand for financial services is set to grow.

The newly formed DowDuPont Inc. announced that it will split into three independent business entities in the next two years, with two of them headquartered in Delaware. This is a welcome development given the lackluster performance of manufacturing payrolls this year. Expansion in this and other high value-added industries should underpin strong wage gains, with overall wage growth already running at an impressive 8% y/y in 2017. These positive developments will drive expansion at a robust 2.1% pace into 2019, in line with national growth trends.

D.C.-Md.-Va.: Cybersecurity continues to lead growth

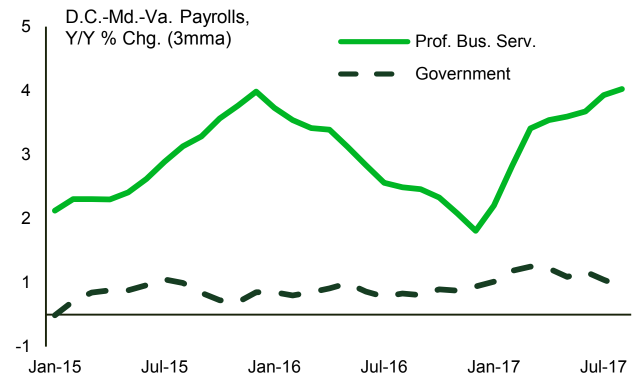
Growth has accelerated in D.C., Md., and Va. recently, with strength in professional business services offsetting weakness in government payrolls (Chart 9). While the unemployment rate in both states sits at cyclical lows, the District's has ticked up steadily, owing to weakness in federal government activity alongside anemic financial and real estate hiring. All three regions have seen pronounced strength in educational services hiring, with this trend being linked to the expansion of the cybersecurity market, as local academic research facilitates the development of these technologies, in conjunction with industry and government expertise. As cybersecurity becomes a growing priority of government agencies, these themes will remain intact in the coming years.

The high value-added nature of tech jobs in this region has underpinned strong wage levels and will continue to be a crucial driving force. Government-funded venture capital firms have been scouting IT talent in full force. MACH37, partially funded by the Va. government, has selected eight cybersecurity startups to mentor and bring to Va., and this is in addition to six that were funded in the first half of the year. This, alongside the CIA's venture capital firm, In-Q-Tel, will attract even more cybersecurity investment in the coming years.

Consumers remain cautious, as evidenced by the drag on growth from retail trade and underperformance of retail payrolls in Va. and D.C. this year. Although e-commerce likely accounts for a share of this weakness, consumer fundamentals remain soft in the Va. and Md. housing markets, in part due to past out-migration. However, labor force growth this year expanded at the fastest rate since the recession, and should help boost housing demand as income gains are accrued.

Still, downside risks loom large. A federal budget that limits non-defense spending would be detrimental to D.C. and would compound the effects of long-term staff reductions that are slated to begin in October 2018. However, there is ample opportunity for these shortcomings to be absorbed elsewhere in the labor market. For instance, expansion in educational services in D.C. has more than offset government layoffs this year. This, combined with sustained momentum in professional businesses services, will underpin robust growth of 2.3% and 2.1% in Md. and Va., respectively, over the next two years, with D.C. not far behind at 1.6%.

CHART 9: PROFESSIONAL BUSINESS SERVICES HIRING OUTPACES GOVERNMENT



Source: BLS, TD Economics.

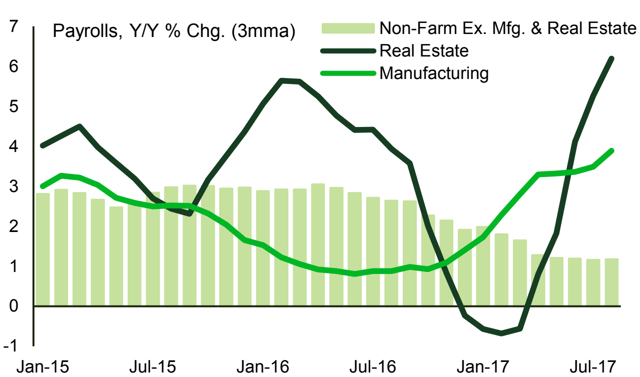
LOWER SOUTH ATLANTIC (SC, GA, FL)

South Carolina: Auto manufacturing activity revving up

South Carolina's economy continues to advance, with sustained momentum in manufacturing activity expected to underpin solid annual growth of 2.2% on average over the forecast horizon. The labor market remains tight, with the unemployment rate sitting just one tick above its cyclical low at 4.0%, and a dwindling pool of qualified workers is leading to robust wage growth. As the labor market tightens further next year, the financial and retail trade industries should reap the benefits of stronger disposable incomes.

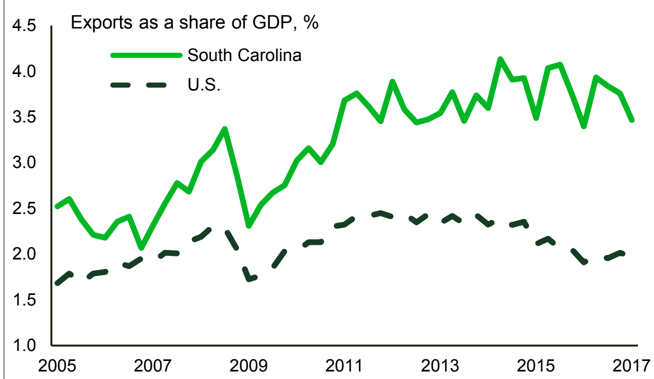
South Carolina's manufacturing sector has been revving up, with nearly one-third of total state hiring this year being due to increased factory payrolls (Chart 10). Several vehicle producers and auto suppliers have opened operations recently, enticed to the state by its existing network of auto suppliers and distribution frameworks that support production. A prime example of this is BMW, which has plans to expand its Spartanburg plant for future X model production, requiring 1,000 jobs through 2021. German auto supplier Bo Parts GmbH is poised to establish operations in the area, creating another 100 jobs by 2022. Additionally, Volvo's first US production facility, situated in Ridgeville, will begin operation at the end of 2018, requiring the addition of 2,000 workers by then, with this number expected to double by 2021. Daimler will also open its plant in North Charleston in 2018, and is set to hire 1,300 workers starting early next year. The company brings with it German parts supplier Isringhausen, which will add another 130 jobs in the state. Looking ahead, investment in next generation autonomous and battery-powered driving technologies will ensure a steady stream of business for automakers, with the Palmetto State being a key destination to accrue gains.

CHART 10: MANUFACTURING AND REAL ESTATE HIRING LEAD PAYROLLS GROWTH



Source: BLS, TD Economics.

CHART 11: EXPORT-EXPOSED INDUSTRIES ARE CRUCIALTO GROWTH



Source: BEA, TD Economics.

As U.S. auto sales level off from peak activity recorded in 2016, access to international markets will become increasingly important for vehicle makers and growth in the state (Chart 11). In response to this, the South Carolina Ports Authority has begun construction on what will become the state's second inland port, located in Dillon County. This will expand the already extensive transportation network that supports access to overseas markets and will provide further incentive for manufacturers to call South Carolina home. A weaker USD relative to last year, in addition to an attractive state corporate tax rate and incentives, have also played roles in enticing manufacturers to the area.

Rising household incomes in South Carolina have continued to support housing markets. One knock on effect has been rising real estate employment, where payroll gains have been running at more than 6% y/y in recent months. Population growth has also been solid, surpassing the national rate since 2015. This strength, which has partly reflected the ongoing attractiveness of the region to retirees, has added further fuel to the region's housing market. Going forward, this should help support financial and insurance activity, an area that has subtracted jobs this year on balance. Overall, these strong manufacturing and demographic trends put South Carolina's economy on track to outperform most other regions on the eastern seaboard over the medium term.

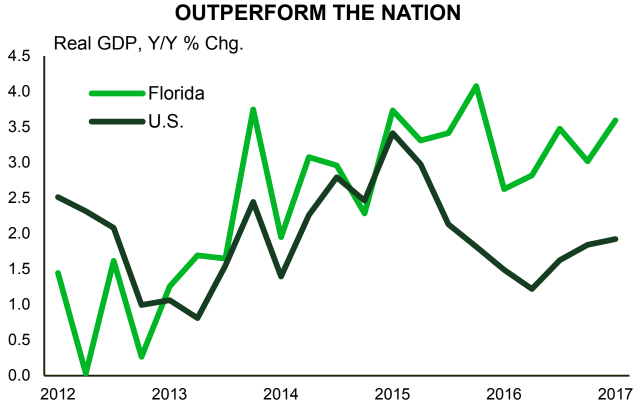
Florida: Strong fundamentals eclipse Irma effects

The Sunshine state is poised to continue its outperformance of the nation over the next two years, despite the effects of Hurricane Irma, which made landfall in Florida on September 10th (Chart 12). In addition to the human suffering and property damage, Irma is likely to shave $5-10 billion from third quarter GDP. Still, this hit is likely to be transitory, with the rebuilding activity helping boost growth to 3.2% over the next two years. Abstracting from the shorter-term economic impacts of the tragic storm, the underlying picture remains one of strong longer-term growth fundamentals across a diverse range of industries, ranging from housing and tourism, to manufacturing.

Florida's housing market is a cornerstone of growth. Home price growth this year has already outstripped the national pace and the effects of Irma are expected to accentuate this outperformance as a tight supply becomes even tighter. Indeed, damage from Irma is anticipated to require an additional 10,000 housing starts over the next two years and is likely to spur renovation activity. Housing demand in Miami will receive an even larger boost, owing to foreign interest in luxury property, which has received an added fillip from a weaker USD this year. Real estate payrolls are expanding at a healthy pace, providing further evidence that activity in the market remains firm.

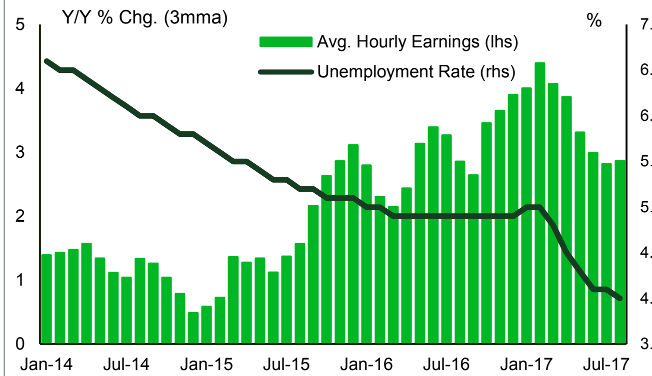
Overseas visitors travelled to Florida in increasing numbers in Q2 after traffic flow dwindled in 2016 and early 2017. This benefit to the Florida economy is being compounded by sustained strength in domestic tourism activity. Although damaged infrastructure as a result of Irma is expected to weigh on tourism in the near term, the state's

CHART 12: FLORIDA CONTINUES TO OUTPERFORM THE NATION



Source: BLS, TD Economics.

CHART 13: FLORIDA'S LABOR MARKET DISPLAYS PERSISTENT STRENGTH



Source: BLS, TD Economics.

marketing campaign, VisitFlorida, is set to ramp up advertising to continue to entice tourists to the region. Anticipated federal assistance will provide a means for the rebuilding of eroded beaches and damaged tourism infrastructure. This work will support construction payrolls in addition to leisure & hospitality employment growth, with the latter having taken a breather from its rapid growth recorded in the first half of the year. Healthy labor market activity has pulled down the unemployment rate to its current cyclical low of 4.0%, while supporting robust wage growth (Chart 13). This should help support consumption in the coming years.

While Florida's service and construction industries tend to take much of the spotlight, growth is becoming increasingly diversified, supported by a number of manufacturing expansions that will come to fruition in the following years. While still a small share of GDP, growth in manufacturing has outpaced the rest of the state economy in recent quarters. Specifically, Central Florida anchors several defense contractors that are poised for further expansion going forward. Lockheed Martin and Raytheon each landed a US Air Force contract in August to develop plans for the production of a missile that is capable of carrying a nuclear warhead. The subsequent production of the weapon will be awarded to one of the two companies, with both companies having production facilities in Florida. Additionally, Lockheed Martin won another $500 million in missile contracts in August which will add to a running tally of the 2,100 jobs in the pipeline from aerospace and defense manufacturers over the next two years. All told, this strength will amplify the solid growth prospects in Florida's traditional growth industries, and help to keep the state in the fast lane economically through 2019.

TD State Forecasts

	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Housing Starts (thousands)			Home Prices (% Chg.)			Population (% Chg.)		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
National	**2.1**	**2.3**	**2.0**	**1.5**	**1.4**	**1.0**	**4.4**	**4.1**	**4.2**	**1,216**	**1,329**	**1,420**	**6.1**	**5.3**	**3.7**	**0.8**	**0.8**	**0.8**
New England	**1.9**	**1.7**	**1.6**	**1.3**	**1.1**	**1.0**	**4.1**	**3.9**	**3.6**	**36**	**42**	**43**	**4.6**	**3.2**	**3.0**	**0.2**	**0.2**	**0.2**
Connecticut	1.2	1.1	1.0	0.5	0.7	0.6	5.0	4.8	4.6	4.7	5.5	7.1	1.1	1.5	1.8	-0.2	-0.1	0.0
Massachusetts	2.3	2.2	2.1	1.6	1.3	1.2	4.2	4.0	3.5	19.3	24.3	24.7	6.1	3.6	3.2	0.3	0.3	0.2
Maine	0.9	0.8	0.8	1.0	0.8	0.7	3.3	3.0	2.7	4.9	5.0	4.6	4.5	3.4	2.6	0.3	0.4	0.4
New Hampshire	2.2	2.1	2.0	1.8	1.5	1.3	2.8	2.6	2.4	3.8	3.8	4.0	5.8	4.3	3.6	0.3	0.3	0.4
Rhode Island	2.1	1.5	1.2	1.5	1.3	1.0	4.2	3.9	3.7	1.6	1.6	1.1	5.9	5.1	4.6	0.1	0.2	0.2
Vermont	1.2	1.1	0.9	0.9	0.6	0.6	3.1	3.0	2.8	1.8	1.7	1.5	3.6	3.6	3.6	0.0	0.1	0.2
Middle Atlantic	**1.3**	**1.4**	**1.5**	**1.3**	**1.1**	**0.9**	**4.6**	**4.4**	**4.4**	**88**	**92**	**95**	**4.0**	**4.4**	**3.1**	**0.0**	**0.0**	**0.0**
New Jersey	1.6	1.4	1.3	1.3	1.0	0.9	4.1	4.2	4.1	24.4	27.0	28.5	2.6	3.2	2.9	0.1	0.1	0.1
New York	0.7	1.3	1.5	1.4	1.3	1.0	4.5	4.3	4.2	37.8	38.2	38.9	5.1	6.0	3.6	0.0	0.0	0.0
Pennsylvania	2.2	1.7	1.6	1.1	0.9	0.8	5.0	4.8	4.8	26.1	26.9	28.0	3.3	2.9	2.4	0.0	0.0	0.0
Upper South Atlantic	**2.0**	**2.1**	**2.0**	**1.5**	**1.7**	**1.5**	**4.3**	**4.2**	**4.2**	**119**	**125**	**133**	**3.8**	**3.5**	**3.1**	**0.8**	**0.9**	**0.9**
District of Columbia	1.8	1.7	1.4	1.4	1.4	0.6	6.2	5.8	5.4	3.6	3.7	3.7	4.9	4.2	4.0	1.3	1.0	0.8
Delaware	1.9	2.2	2.0	0.7	1.1	1.2	4.6	4.2	4.0	6.4	7.3	7.9	1.4	2.0	3.0	0.8	0.8	0.7
Maryland	2.5	2.3	2.2	2.0	1.7	1.0	4.2	4.0	4.0	15.4	15.6	16.4	3.4	3.3	3.0	0.4	0.4	0.5
North Carolina	2.1	2.2	2.0	1.5	2.0	1.8	4.5	4.3	4.4	60.4	63.9	69.0	5.4	4.5	3.6	1.1	1.1	1.1
Virginia	1.7	2.1	2.0	1.4	1.7	1.7	3.8	3.7	3.8	30.1	31.4	33.3	3.2	3.0	2.8	0.8	0.9	1.0
West Virginia	1.7	1.6	1.4	-0.2	0.6	0.4	4.9	5.5	5.4	2.6	2.6	2.6	-0.1	1.2	1.0	-0.6	-0.6	-0.6
Lower South Atlantic	**2.7**	**2.8**	**2.6**	**2.5**	**2.4**	**2.3**	**4.4**	**4.1**	**4.1**	**199**	**218**	**237**	**6.1**	**5.1**	**4.3**	**1.6**	**1.6**	**1.6**
Florida	3.1	3.3	3.0	2.7	2.7	2.8	4.3	3.8	3.8	116.0	130.8	142.6	6.2	5.6	4.8	1.9	1.9	2.0
Georgia	2.2	2.0	2.0	2.5	2.1	1.8	4.9	4.7	4.8	49.2	50.4	54.7	6.2	4.2	3.5	1.2	1.2	1.2
South Carolina	2.1	2.3	2.0	1.6	1.6	1.0	4.1	4.0	4.0	33.8	36.3	39.5	5.2	4.8	3.8	1.2	1.2	1.1

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at September 2017.