

State Economic Forecast

Beata Caranci, SVP & Chief Economist | 416-982-8067

Leslie Preston, Managing Director | 416-983-7053

Admir Kolaj, Economist | 416-944-6318

Andrew Foran, Economist | 416-350-8927

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New England

- Economic activity in New England has begun to decelerate more quickly than the nation as a whole. For 2022, we expect the region's GDP to grow 1.8%, down from 6.3% in 2021. Next year the region is expected to track slightly below the national pace, slowing to 0.5%. House prices are expected to decline into 2023, but short supply in most states will keep price declines below the national average. Job growth is forecast to slow next year, which is expected to cause the unemployment rate to rise to average 4.2% for the year

Middle Atlantic

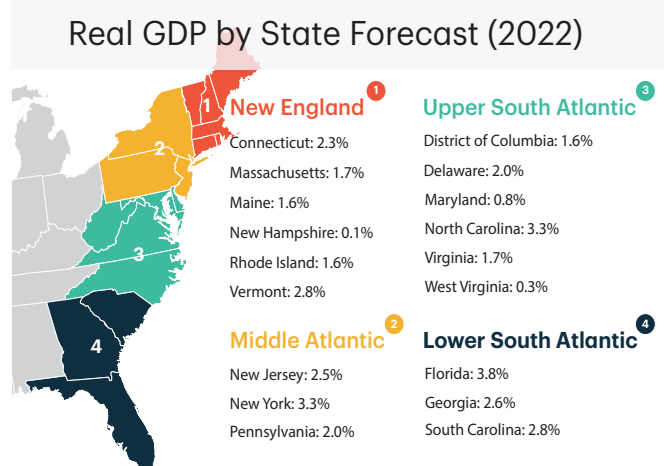
- The Middle Atlantic region has continued to track closely to the national rate of economic growth. New Jersey remains at the front of the pack, as the only state of the three with more jobs now than prior to the pandemic. New York and Pennsylvania continue to reclaim lost jobs, but the robust growth seen at the start of the year has moderated for all three states. Economic growth in the region is expected to slow from 2.8% this year to 0.9% in 2023. Pennsylvania is expected to weather the slowdown better than its peers as elevated energy prices provide some support.

Upper South Atlantic

- The Upper South Atlantic region is capping off a decent year, with economic growth estimated at 2.0% – slightly ahead of the nation. Jobs remained abundant in the region as of autumn, but the pace of hiring has eased. The regional economy is projected to shift into lower gear next year in line with the national outlook, as growth is forecast to be cut roughly in half to 1.0%. North Carolina, which continues to absorb investments in key industries like manufacturing, is expected to remain at the top of the regional leaderboard. D.C. is likely to remain a laggard, weighed down by outmigration and a slow return of workers to offices, while the remaining states are expected to chug along at a pace similar to the nation's.

Lower South Atlantic

- Growth in the Lower South Atlantic region is estimated to have eclipsed the U.S. rate by wide margin once again, advancing 3.3% this year, thanks in part to a strong outturn in Florida. Past experiences suggest that Hurricane Ian's economic setbacks for the Sunshine State should fade quickly. Growth in the region is expected to slow to 1.1% in 2023, still above the national pace, but by a smaller margin. A high interest rate environment weighs on demand and key sectors such as housing, with additional price declines in the cards next year across all three states.



Source: TD Economics. Forecast as of December 2022.

For more on the national outlook please see our [Quarterly Economic Forecast](#).

New England (CT, MA, ME, NH, RI, VT)

Connecticut: Manufacturing Jobs Return to Pre-pandemic Level

Economic growth in Connecticut for 2022 is expected to be 2.3%, slightly above the New England average. Moving forward growth is expected to slow to 0.4% in 2023, before rebounding modestly to 0.8% in 2024. Connecticut’s housing market is slowing as higher borrowing costs weigh on demand, as elsewhere, but supply restrictions are expected to keep price declines relatively modest, at -4% in 2023 and -1.1% in 2024.

The labor market recovery in Connecticut has improved in recent months and converged closer to the regional average, but it has yet to return to pre-pandemic levels and still lags the nation (Chart 1). This is in part due to persistent labor supply issues, with the labor force remaining 2.4% below pre-pandemic levels. Connecticut, like most New England states, is also having difficulty returning to its pre-pandemic labor force participation rate, but there appears to be a bit more labor market slack than elsewhere, with the unemployment rate still almost a full percent above its pre-pandemic level. Job growth has begun to slow, which we expect to continue into next year, raising the unemployment rate to average 5% in 2023.

Service industries such as healthcare, leisure & hospitality, and professional & technical services have seen solid employment growth in recent months thanks to the shift in demand towards services. Hiring in goods-producing sectors on the other hand has slowed, though one notable exception is manufacturing which returned to its pre-pandemic level of jobs in October. The defense industry is expected to continue to support manufacturing employment in Connecticut moving forward, with recent contracts won

by Sikorsky (helicopters), Electric Boat (submarines), and Pratt & Whitney (aircraft engines) collectively totaling over \$2 billion in the past three months alone.

Connecticut’s fiscal position has benefited in recent years from one-time federal support programs in addition to strong income tax receipt growth. Healthy budget surpluses have allowed the state to shore up its finances by contributing billions to its sizeable pension liabilities, with the most recent and largest payment totaling \$2.8 billion. The state has also signaled its intent to use recently passed federal legislation, such as the Inflation Reduction Act, to increase its investments in renewable energy and advance its plans to decarbonize its electricity sector by 2040.

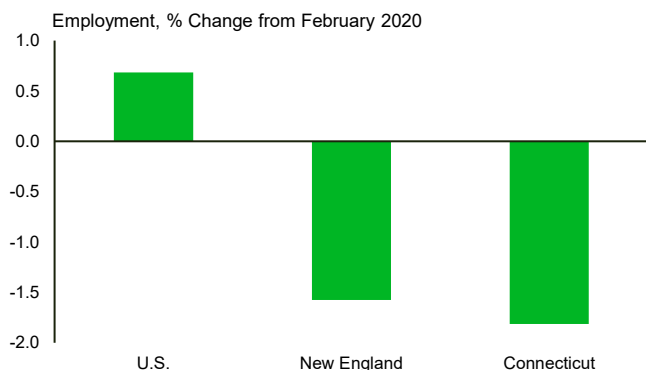
Massachusetts: Labor Force Losses Exacerbate Labor Supply Issues

The Bay State economy has performed well relative to its regional peers, but it is now slowing more quickly than most of the other states in New England. Higher interest rates have weighed heavily on growth industries that Massachusetts has an outsized exposure to, such as Tech and Scientific Research & Development. Looking forward, we expect that GDP is on track to grow by 1.7% in 2022, before slowing to 0.6% in 2023 and rebounding to 1.2% in 2024.

The housing market in Massachusetts has slowed in line with the nation through the second half of this year. Seasonally adjusted home prices have declined by 1.5% since June, shaving off a sliver of their 30% appreciation over the past two years. In 2023 we expect that house prices will decline by 4.7% as an uptick in new supply adds downward pressure.

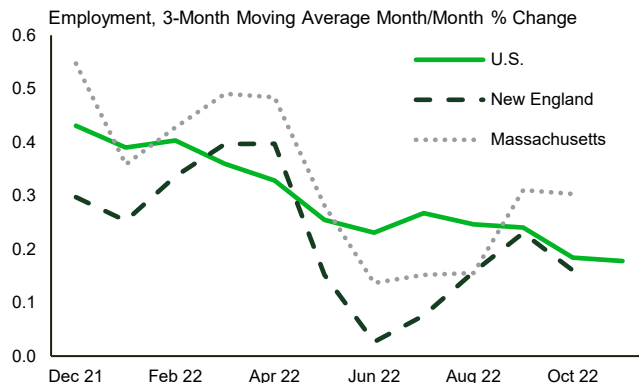
Job growth slipped below the national average over the summer but rebounded in September (Chart 2). However,

Chart 1: Connecticut Lags the Nation and its Peers in Post-Pandemic Job Growth



Source: BLS, TD Economics.
Last observation: U.S. to November 2022, rest to October 2022.

Chart 2: Massachusetts Outpaces Peers, Rises Above National Job Growth in Recent Months



Source: U.S. BLS, TD Economics.

persistent labor supply issues have prevented the job market from returning to its pre-pandemic level, with the labor force declining for five consecutive months. The economic slowdown over the course of the next year is expected to see job losses, with growth remaining elusive until early 2024. We expect that the unemployment rate will rise to average 4.2% in 2023 and 4.8% in 2024.

At the industry level, robust growth in Massachusetts' largest employment sector, professional services, has been the backbone of the job market recovery. Healthcare services and education also saw strong growth in 2022, but have since moderated. The leisure & hospitality sector has seen growth slow and remains well below pre-pandemic job levels. Good-producing sectors have seen slower job growth, with construction slightly outpacing manufacturing in the past few months.

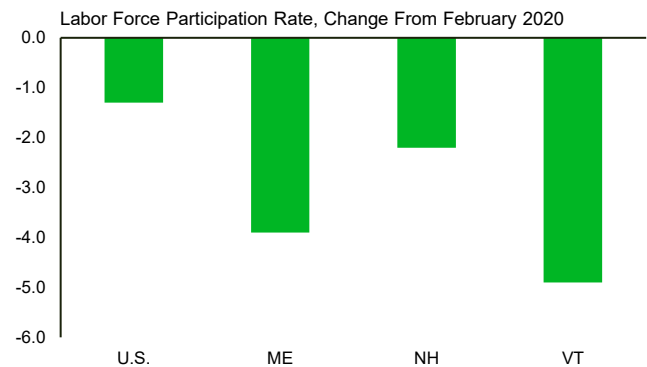
Last year's Bipartisan Infrastructure Investment and Jobs Act will benefit the Bay State, with the Department of Energy awarding \$530 million to 6K Inc. and Ascend Elements for battery manufacturing, recycling, and materials processing. This is part of a larger national initiative to boost the domestic manufacturing of electric vehicle components. Other joint federal-state investments, such as the recently completed \$850 million upgrades to the Port of Boston, will also provide long term benefits to the local economy. The upgrades will increase the number of global shipping routes serviced from two routes to seven and expand global trade connections from seven ports to twenty-five.

New Hampshire, Maine, Vermont: Aging Demographics Weigh on the Labor Force

The three smaller New England states, New Hampshire, Maine, and Vermont have seen GDP growth rates roughly on par with the national average for most of this year. Economic activity should slow into the end of year and average 0.1%, 1.6%, and 2.8% respectively for 2022. Moving into 2023, we expect Maine and New Hampshire to slow marginally more than the national average at 0.5% and 0.7% respectively, while we expect Vermont to slow to 0.6%. All three states are expected to rebound in 2024 but owing to material labor force constraints Vermont and Maine are expected to lag slightly behind New Hampshire.

Employment in Maine and New Hampshire has grown steadily since the summer; however, Vermont has seen little change overall. Like its New England peers, labor supply issues have been an issue for the tristate area. Labor force participation rates are significantly lower than prior to the pandemic in all three states, in part due to their aging de-

Chart 3: Participation Rate Recoveries Are Worse in the Tristate Region



Source: U.S. BLS, TD Economics.
Last observation: U.S. to November 2022, rest to October 2022.

mographics (Chart 3). New Hampshire and Vermont each have unemployment rates 0.3 percentage-points (ppts) below pre-pandemic levels, whereas Maine is 0.8 ppts above. Unemployment rates have ticked slightly higher in recent months, with Vermont at 2.3%, New Hampshire at 2.4%, and Maine at 3.4%. Maine remains a full percentage-point above its previous cycle low, while New Hampshire and Vermont have stepped off their historical lows with the recent uptick. We expect unemployment rates to rise in 2023 for all three states and continue to drift higher into 2024.

Some common trends exist among these three states in terms of the industry level employment picture. Manufacturing jobs have declined in New Hampshire and Vermont, while they continue to grow at a relatively slower rate in Maine. The recent defense contract extension at Bath Iron Works (naval ships) amounting to \$182 million should provide some support to manufacturing jobs in Maine next year. Service sectors continue to see job growth in all three states, with professional services being the standout in New Hampshire and Vermont, whereas healthcare services and leisure & hospitality are seeing stronger growth in Maine.

On the fiscal side, Maine has announced a one-time \$23.7 million unemployment tax cut for businesses, made possible by previous federal funding commitments to keep the unemployment trust fund solvent through the pandemic. For similar reasons, New Hampshire is reducing its payroll taxes for businesses by 30%. More recent federal funding will also benefit New Hampshire with the Economic Development Administration awarding \$44 million to develop a hub for regenerative medicine and research & development in Manchester.

Middle Atlantic (NJ, NY, PA)

New Jersey: Job Growth Slows After Full Recovery

The Garden State had a strong start to the year, with GDP and employment growth outpacing the national and regional averages. However, with employment fully recovered we expect that GDP growth will slow into the end of 2022, averaging 2.5% on the year. A broader economic slowdown is expected to follow in 2023, but we expect that New Jersey will weather the storm relatively well and grow at 0.8%.

The housing market in New Jersey was more closely aligned with the strong price growth seen at the national level than its regional peers. However, under the weight of higher mortgage rates, sales activity in the Garden State has dropped sharply, with closed sales down 26.6% year-on-year (y/y) in October. Prices have remained elevated, but growth has slowed significantly. Looking to 2023, we expect prices to decline by 4.1%.

Employment growth in New Jersey has slowed gradually and now is in lockstep with the national average. The post-pandemic labor force recovery has improved slightly but is showing signs of slowing just short of a full recovery. In addition, the labor force participation rate has stagnated in recent months and remains 0.7 percentage points short of its pre-pandemic level. However, this is a slightly better recovery than that seen at the national level. We expect that economic headwinds next year will slow employment growth from 4.8% this year to 1.1% in 2023. The unemployment rate is expected to rise to average 4.1% next year, as job losses related to the economic slowdown begin to be felt.

Declines in manufacturing employment over the past few months has shaved off a quarter of the growth seen in the sector during the first half of the year (Chart 4). Service sectors have fared better, with particularly strong growth seen in the healthcare and leisure & hospitality sectors. Employment in the professional services sector has grown by over 10% relative to its pre-pandemic level, but this growth has slowed considerably in recent months.

Major federal and state level infrastructure investments are expected to provide direct support to the Garden State. New Jersey is set to receive \$1.6 billion from the federal Infrastructure Investment and Jobs Act, which will be allocated to improve roads, bridges, and tunnels. In addition, the state's recently completed \$2.7 billion renovation of Newark Liberty Airport's Terminal A is expected to provide a boost to the regional economy and generate 23,000 new jobs.

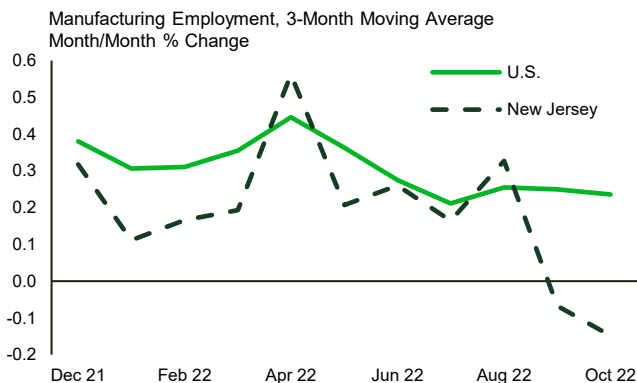
New York: Still Struggling With Labor Market Recovery

After a slow start to its recovery in 2020, economic growth in the Empire State closely tracked the national average for most of 2021. However, the second half of 2022 has seen New York fall slightly behind the national growth rate once again. Looking to next year, we expect that economic growth will slow to 0.8% as New York's outsized financial services industry slows with the broader economy. In 2024 growth is expected to reconverge to the national average and grow 0.9%

New York's labor market still bears a big mark from the pandemic, with the labor force 3.8% below its pre-pandemic level, and the unemployment rate 0.7ppts above its previous cycle low. This is markedly worse than the national average of a full recovery. A relatively older population left the state vulnerable to the excess retirement wave seen in the past few years. In addition, out-of-state migration flows have been particularly high, as an increased preference for less dense living arrangements, higher housing costs and the increased availability of remote work all worked against New York. These trends were more concentrated in New York City, whose labor force is a whopping 7.3% below its level at this time of year in 2019.

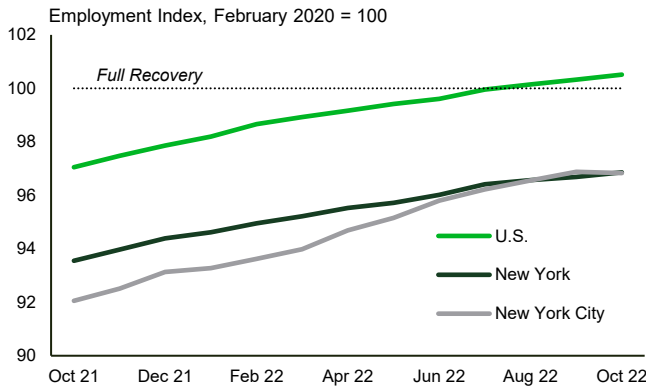
Employment growth in the Empire State has been robust over the course of the past year, slightly outpacing the national average. Recovering from previous weakness, New York City has seen particular strength in the past year,

Chart 4: New Jersey's Manufacturing Job Growth Lags National After Recent Losses



Source: U.S. BLS, TD Economics.

Chart 5: Strong Job Growth in New York Yet to Breach Post-Pandemic Growth



Source: U.S. BLS, TD Economics.

growing by over 5% (Chart 5), as tourism continues to recover and people are more comfortable in crowds. While these gains are a positive development, it is important to note that employment in New York and New York City remains 3.1% and 3.2% below pre-pandemic levels respectively. Looking to next year we expect employment growth to slow alongside the broader economy.

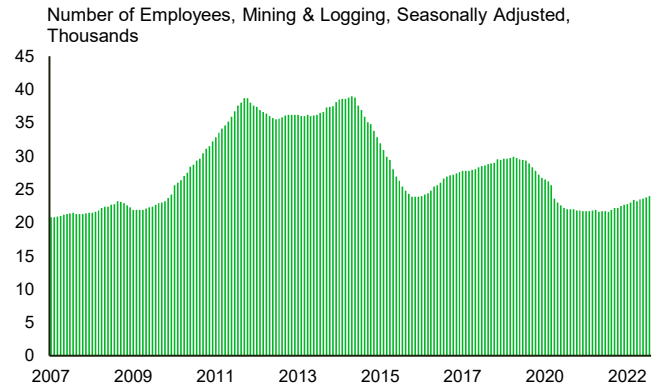
At the industry level, New York has seen strong job growth in its largest sectors so far in 2022; healthcare (+5%), professional services (+3.6%), and leisure & hospitality (+6.4%). However, finance & insurance employment growth has stagnated since August. In addition, tech layoffs have hit the state, with Meta and Twitter cumulatively laying off just under 1300 people. On the goods side, manufacturing employment has slowed in recent months, while construction has posted solid gains after four consecutive months of declines from May-August.

Longer-term prospects for New York’s manufacturing industry were brightened considerably with the recent announcement that Micron (semiconductors) would invest \$100 billion over the next 20 years. The largest manufacturing investment in the state’s history is expected to create roughly 50,000 new jobs.

Pennsylvania: Unemployment Rate Hits a Record Low of 4%

The Keystone State managed to shake off the below average growth it experienced in 2021 to track closely to the nation in 2022 so far. We expect that growth will slow from 2% this year to 1% in 2023, hewing close to the national rate. The slowdown in the housing market is expected to continue into next year, with the collapse in sales activity

Chart 6: Mining Employment Slow to Recover in Pennsylvania Despite Elevated Energy Prices



Source: U.S. BLS, TD Economics. Last observation: October 2022.

weighing down prices into 2023. With new supply expected to come on-line next year, price declines are expected to increase in the coming months.

The job market in Pennsylvania has seen solid growth on par with the national average for most of the past year. This has allowed the unemployment rate to reach a record low of 4% in October. Not surprisingly, labor supply is a challenge, with labor force growth stalled since July, which has partially restrained the recovery. The unemployment rate is expected to step off its historical low next year to rise and average 4.6%.

Employment gains in recent months have been led by the healthcare and leisure & hospitality sectors, which continue to recover their sizeable pandemic losses. Manufacturing has also seen solid job growth in recent months after a tepid summer. Employment growth in the mining sector has been buoyed by elevated energy prices, however the sector remains 8.4% below its pre-pandemic level and a full 38.5% below its peak during the shale boom in December 2014 (Chart 6). Construction jobs have declined in recent months after an uptick during the summer, but employment in the sector is still down 0.8% from last year and 4% from its level at this time of year in 2019.

Recent business investments in the state are expected to provide some support to growth over the longer term. Shell (oil & gas) recently completed construction of a multi-billion-dollar petrochemicals plant that has created over 600 jobs. In addition, despite their disappointing penalty shootout loss in the MLS Cup this year, the Philadelphia Union will be constructing a \$55 million dollar, 32-acre sports and recreation complex along the Delaware River, adjacent to their home stadium.

Upper South Atlantic (DC, DE, MD, NC, VA, WV)

Delaware: Job Growth Eased in Autumn

Delaware was just a hair below its pre-pandemic employment peak at the start of summer, but payrolls have moved sideways between August and October. This as headcount in leisure and hospitality, transportation, and professional & business services all lost steam. Economic growth is projected to slow in the year ahead, while the unemployment rate is forecast to trek higher, rising from a relatively low 4.3% level currently, to a peak of 5.3% in mid-2024. Judging from the recent downshift in job growth, it may appear that this period of slow activity is already here. Despite this, several indicators suggest that there's still some decent momentum for the near-term.

The state's job openings rate remained elevated and above the national rate as of early fall, with some 35k open positions (Chart 7). In addition, weekly jobless claims remain subdued and below pre-pandemic levels. These metrics are supported by ongoing expansion plans, with recent examples including expansions at DuPont Semiconductor Technologies (\$50M facility) and Uvax Bio (vaccines, 60 jobs). Education and healthcare (specifically nursing), have pent-up demand for workers as they continue to wrestle with labor shortages.

Housing is slowing, with sales down by approximately 20% y/y this fall. Home price growth has also decelerated sharply, but it remains in positive territory, unlike the national tally. Still, we forecast home prices in the state to fall close to 4% next year – a smaller decline than nationally in part given the state's more muted deterioration in housing affordability over the course of the pandemic. Delaware's

housing market is also quite tight still, with the months' supply of inventory at 1.6 in September.

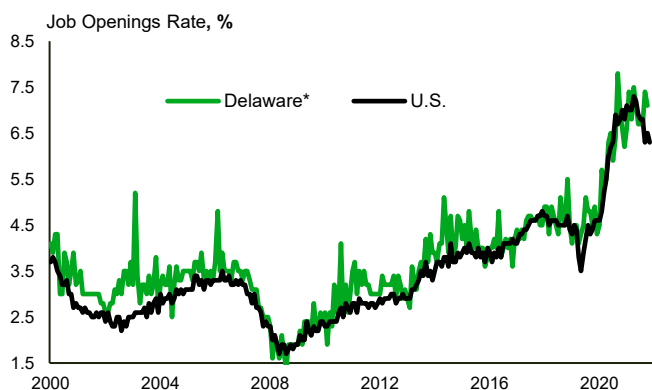
The outlook for two other important state industries is more nuanced. High interest rates are a double-edged sword for the state's outsized financial industry, weighing on credit issuance, for instance, but expanding net interest margins. Similarly, tourism-related activities may benefit from efforts to expand capacity – new hotels are being built while others are being renovated – but inflation and a regional slowdown in economic growth could prove a notable headwind to discretionary spending.

All told, we expect growth in Delaware to slow to 0.9% next year, in line with the national rate, before improving to 1.1% in 2024.

DC-Maryland-Virginia (DMV): A Mixed Picture

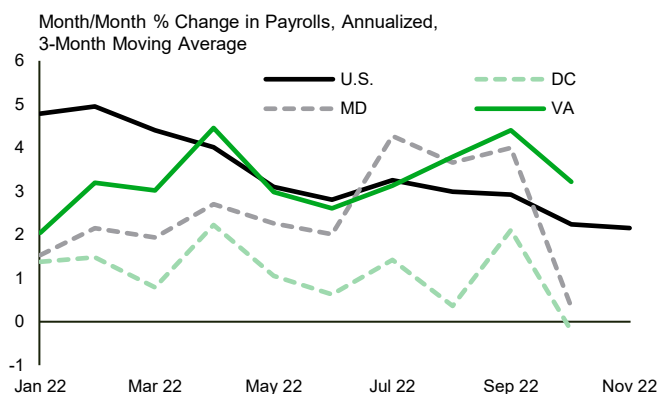
Virginia (Va.) finally crossed its pre-pandemic employment peak in August and has managed to push a bit higher (+0.2%), with recent gains concentrated in healthcare and professional & business services. However, Maryland (Md.) and D.C. lag, with payrolls in these two down respectively 1.7% and 4.6% from pre-pandemic levels. These dynamics are also reflected in recent job trends (Chart 8). D.C.'s labor market weakness is striking. The District had a large population outflow during the pandemic, and as a result, the scarring on its consumer-related industries is still quite evident, with payrolls in retail down 8%, and in leisure & hospitality down 19% – by far the weakest print nationwide.

Chart 7: Delaware's Job Openings Rate Remained Elevated in the Fall



Source: BLS (JOLTS), TD Economics. *State level data lags U.S. by one month.

Chart 8: Virginia Continues to Lead DMV in Job Growth, Md. and D.C. Lag



Source: BLS, TD Economics.

Over the near-term, DMV's growth arrow still points up, with Va. remaining a generally good-news story and D.C. and Md. having more catching up to do. This narrative is further reaffirmed by job opening rates that remain well above pre-pandemic levels across all three. However, as the economy slows, growth in the DMV is also projected to lose steam alongside the nation. This theme is already evident in interest-sensitive areas of the regional economy such as the housing market. Home sales are weak compared to year-ago levels and prices are coming off recent peaks across all three, having already fallen 1.8% in D.C. and 1% in Va..

Va.'s growth narrative remains the most positive of the three, with expansion plans and job openings still plentiful. Expansions at SmartRoof (400 jobs) and Technomics (consulting firm, 150 jobs) are recent examples that build on the positive developments from earlier this year. Md. also looks to have some decent momentum, with positive developments in this state also not hard to come by, such as M&M Cornot's expansion (refrigeration, 100 jobs). The environment is likely to remain more challenging for D.C., with demographic headwinds and the lingering popularity of remote work to continue weighing on its housing market and other consumer-related industries. D.C.'s large exposure to the government sector can be a source of stability, but given the likelihood of more fiscal restraint ahead (see [here](#)), this channel is unlikely to provide much of a boost over the medium term.

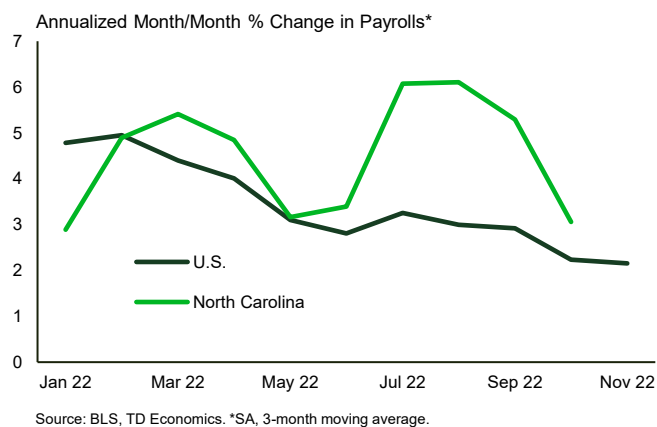
All told, growth in the DMV is expected to shift into lower gear next year in line with the nation, while unemployment rates are poised to rise, peaking in mid-2024 at a projected 4.3% for Va., 5.6% for Md. and 6.7% for D.C..

North Carolina: Still Plowing Ahead

The Tar Heel State economy continues to move along at a good clip. Payroll growth eased during autumn, but remained above the national trend (Chart 9). Alongside this deceleration, the unemployment rate ticked up from 3.4% to 3.8% – roughly the same level as before the start of the pandemic. This increase, however, is in part due to a notable inflow of workers into the labor force, which is up 2.7% year-to-date – well ahead of the nation (1.5%). Several factors suggest that this generally positive employment theme has some more room to run.

Job openings in the state have pulled back from record highs but are still some 40% above pre-COVID levels, pointing to still strong demand for labor. Complementing this view are

Chart 9: North Carolina Job Growth Slowed This Autumn, But Continued to Run Ahead of the U.S.



ongoing business expansions and investments, particularly in manufacturing and related industries. Large investments in the semiconductors space (by Wolfspeed) and EV batteries (by VinFast and Toyota) totaling over \$11B are poised to generate several thousand jobs in the years ahead. More modest examples include expansions by Fujifilm (\$188M facility, cell culture media), Ziehl-Abegg (\$100M, ventilation systems), SO-PAK-CO (\$85M, food processing) are poised to generate some 1000 jobs combined.

Strengths in the labor market continue to paint a mostly good-news story, but the narrative is more nuanced in housing. The state recorded the second largest deterioration in housing affordability on the East Coast as prices surged 50% during the pandemic. Price momentum has reversed course recently, joining the weakness at the national level. Softening housing metrics, such as an increase in active listings – up 46% y/y, albeit from very low levels – suggest that this trend is poised to continue. We expect North Carolina home prices to fall 11% peak-to-trough, giving back only part of the pandemic gains before beginning to stabilize in early 2024.

As the weakness in housing indicates, North Carolina won't escape unscathed from the impending nationwide slowdown in economic growth. Despite this, the Tar Heel State economy should continue to keep a slight edge of the U.S., thanks in part to higher population growth and ongoing investments in industries such as manufacturing. Growth is projected to slow to 1.3% next year vs. 0.9% nationally, while the state's unemployment rate should trek moderately higher, peaking at a little over 5% later in 2024.

Lower South Atlantic (SC, FL)

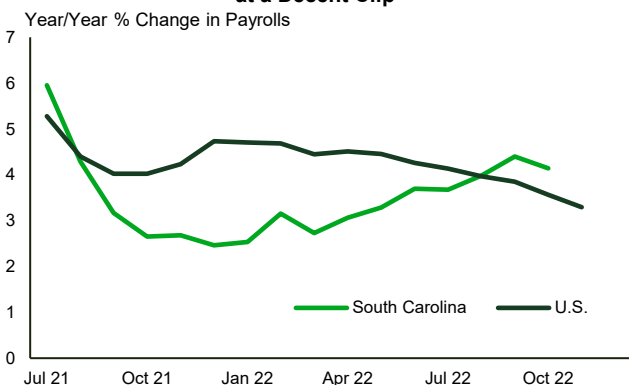
South Carolina: Underlying Resilience

The South Carolina economy is capping off a decent year with growth estimated at 2.8%, much better than 1.9% nationally. State rebate checks of up to \$800 for eligible taxpayers issued in the fourth quarter should provide an added bump for the year-end holiday shopping season. Looking to the new year, the economy’s growth rate is poised to slow alongside the U.S. as a whole. Overall, ongoing large investments in key industries and more favorable population growth should help South Carolina keep an edge over the U.S., with growth forecast at 1.1% for 2023.

South Carolina’s jobless rate has trekked modestly higher since summer, rising from a post-pandemic low of 3.1% in August to 3.3% recently. Non-farm payrolls echo a deceleration in employment growth but show that the state economy has continued to add jobs at a decent clip (Chart 10). While the latest slowdown could be more permanent, in tune with expectations for slower growth ahead, other labor market metrics remain supportive and suggest that the economy has more growth in the pipeline.

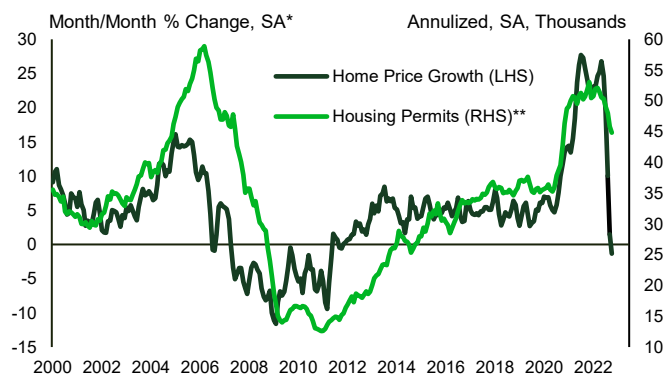
Job openings in the state have eased from recent highs but remain plentiful and are well above pre-pandemic levels (up over 65%). Furthermore, an elevated job ‘quits’ rate indicates that workers have the confidence to seek new opportunities. This lines up with developments on the ground, where firm expansions, particularly in manufacturing, remain plentiful. Familiar names continue to double down on the Palmetto State. Bosch will invest \$260M on developing an electric motor production line at its Dorchester County plant (350 jobs). Meanwhile, in its second recent large expansion announcement, Nucor will build a \$425 million steel galvanizing line at its existing plant.

Chart 10: South Carolina Adding Jobs at a Decent Clip



Source: BLS, TD Economics.

Chart 11: South Carolina's Housing Market is Slowing Down Quickly



*Annualized, 3-month moving average. ** 6-month moving average. Source: CoreLogic, BEA, TD Economics.

South Carolina’s auto industry is likely to continue faring well over the next several quarters, despite a slowing growth backdrop. Auto production nationwide still needs to catch up with pent-up demand. Investments in EV production should provide additional support. BMW will invest \$1B to boost electric vehicle production at its Spartanburg facility, and \$700M for a new high-voltage battery assembly facility in Woodruff (300 jobs). Moreover, Boeing’s 787 Dreamliner jet production is set to ramp up ahead, marking an added positive development for the state. South Carolina’s high value-added manufacturing industry carries benefits for other segments, including professional & business services and transportation & warehousing. Dredging at the Port of Charleston is finally complete, and the port now has the deepest waterway on the East Coast! The ability to accommodate the largest ships in the world should spur more trade activity, an added benefit for the state economy.

The one sector that’s in for continued softness is the housing market. A hot pandemic run in prices (up 48%) coupled with this year’s sharp increase in mortgage rates, took a heavy toll on housing affordability. Sales have tumbled as a result, while prices have effectively flatlined since early summer (-0.3% from peak). Amidst this backdrop, homebuilders have also eased up on the accelerator, with permits down about 20% y/y (Chart 11). Ongoing challenges on the housing front, amidst a high interest rate environment and a moderate uptick in unemployment, are likely to weigh on the construction sector.

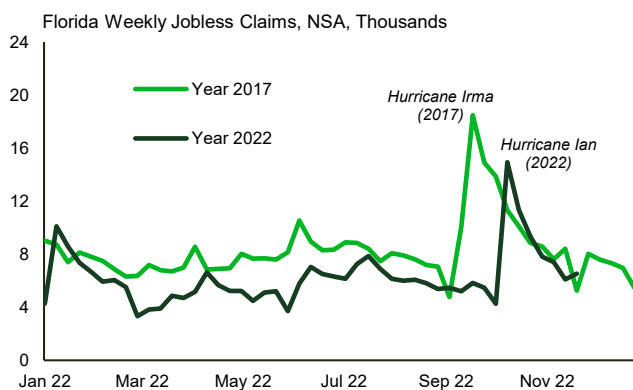
Florida: Hurricane Ian's Setbacks to Fade Quickly

The Florida economy was cruising along at a very good clip before Hurricane Ian hit the state in late September. In addition to the tragic loss of life, the category 4 storm left behind significant property destruction. GDP is ultimately a measure of “activity”, so the destruction of property will not feature directly as a hit to GDP. The hit to the economy comes via reduced spending at service establishments (i.e., bars & restaurants, professional business services etc.) and a drop in tourism visits. Surging unemployment from businesses that shut their doors due to the storm will also weigh on consumption, although supports like DUA (Disaster Unemployment Assistance, of up to 27 weeks) will help limit the downside. Rebuilding efforts will boost GDP, as will the replacement of damaged vehicles (estimated at 350,000 – the vast majority being in Florida). These, together with the fact that more service-based businesses will eventually spring back into operation, will help support the rebound already underway.

Overall, using past adverse weather effects as a guide, we anticipate the storm's impact on near-term economic growth to be modest, with a relatively more pronounced rebound to follow. The impact on the labor market may be more striking, but the setbacks from the hurricane should fade quickly here too. Weekly unemployment claims have already subsided to more typical pre-storm levels – an experience that's in tune with that of Hurricane Irma in 2017 (Chart 12).

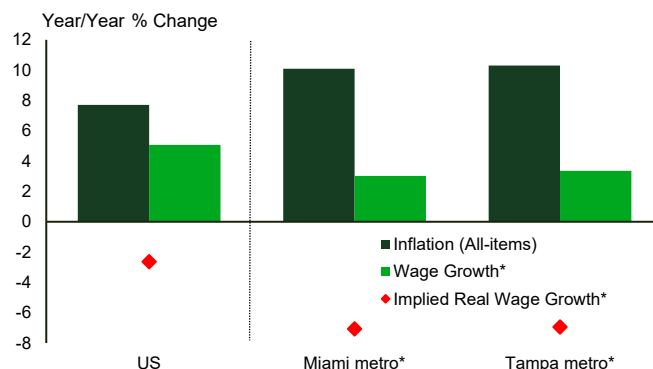
The impact on the housing market is more nuanced. Mortgage delinquencies will rise in the near-term, as is typical following weather catastrophes, while home price growth in affected areas will take a hit as buyers steer clear of areas

Chart 12: Weekly Jobless Claims Surged in Aftermath of Hurricane Ian, but Are Subsiding



Source: BLS, TD Economics.

Chart 13: Inflation in Miami and Tampa Metro Areas Running Well-Above U.S. Rate



*Metro wage growth expressed as year-over-year percent change of 3-month moving average of latest available data (October 2022). Source: BLS, TD Economics.

prone to natural disasters. The state's home insurance industry was already struggling, and the large payouts insurance companies will incur are likely to lead to even higher premiums. On other hand, the destruction of homes will tighten the housing market, boosting rents and home prices in unaffected areas. The rebuilding efforts will provide an important sustenance to the construction sector at a time when the housing market is slated to continue decelerating on the back of elevated borrowing costs. Our forecast expects prices to decline over the next several quarters, falling by close to 7% (y/y) next year, with some additional weakness to follow through the first half of 2024.

Looking past the near-term economic volatility generated by the hurricane, the fundamentals for the Florida economy look solid. Business expansion remain abundant, especially in the Miami area, with recent examples including expansions at American Airlines (700 jobs next year), a new Bombardier jet maintenance facility (300 jobs), and a new \$100M health care center (360 jobs). However, these won't be enough to prevent the shift in economic growth to a lower gear alongside the country as a whole. Inflation in some large state metros for which data is available (i.e., Miami and Tampa) continues to run well above the national rate, while wage growth in these metros is running below the U.S. rate despite them having tighter labor markets (Chart 13). This combination, which results in deeply negative real wage growth, will ultimately weigh on consumption. The slower growth profile next year (1.3%), entails, among other things, a moderate increase in the unemployment rate from 2.7% currently to 3.9% by the end of 2023, before peaking to 4.5% by mid-2024.

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F	2022F	2023F	2024F
National	1.9	0.9	0.9	4.1	1.1	-0.6	3.7	4.3	5.0	14.1	-5.7	-2.0	0.3	0.4	0.5
New England	1.8	0.5	1.0	3.5	0.7	-0.5	3.7	4.2	4.7	11.7	-4.6	-1.7	0.2	0.2	0.2
Connecticut	2.3	0.4	0.8	2.6	0.7	-0.5	4.3	5.0	5.4	11.7	-4.0	-1.1	0.1	0.1	0.1
Massachusetts	1.7	0.6	1.2	4.3	0.9	-0.6	3.9	4.2	4.8	9.9	-4.7	-1.6	0.1	0.2	0.2
Maine	1.6	0.5	0.6	2.6	0.4	-0.3	3.4	4.2	4.5	14.8	-6.3	-3.0	0.5	0.3	0.2
New Hampshire	0.1	0.7	0.8	2.8	0.7	-0.4	2.3	3.1	3.5	14.1	-4.2	-1.7	0.6	0.5	0.5
Rhode Island	1.6	0.8	1.0	3.3	0.2	-0.3	3.3	4.2	4.8	12.8	-4.4	-1.9	0.0	0.0	-0.1
Vermont	2.8	0.6	0.7	2.5	0.4	-0.3	2.4	2.9	3.6	16.5	-4.5	-2.5	0.2	0.1	0.1
Middle Atlantic	2.8	0.9	0.9	4.3	1.0	-0.5	4.4	4.7	5.5	9.7	-4.3	-1.8	-0.2	0.0	0.0
New Jersey	2.5	0.8	1.1	4.8	1.1	-0.6	3.9	4.1	4.9	12.3	-4.1	-2.0	0.0	0.1	0.1
New York	3.3	0.8	0.9	4.5	1.0	-0.6	4.5	5.0	5.8	8.1	-4.5	-1.8	-0.4	-0.1	0.0
Pennsylvania	2.0	1.0	0.9	3.6	1.0	-0.4	4.5	4.6	5.4	10.7	-4.0	-1.8	-0.1	0.0	0.0
Upper South Atlantic	2.0	1.0	1.2	3.3	1.2	-0.4	3.6	4.2	5.0	13.1	-5.1	-2.2	0.4	0.6	0.7
District of Columbia	1.6	0.5	0.8	3.2	0.7	-0.3	5.4	5.7	6.6	2.6	-5.8	-3.4	-1.1	-0.1	0.0
Delaware	2.0	0.9	1.1	2.5	1.5	-0.5	4.5	4.8	5.2	13.5	-3.9	-1.9	1.1	1.0	0.9
Maryland	0.8	1.0	1.1	2.9	0.8	-0.6	4.4	4.8	5.5	9.9	-4.6	-0.8	0.1	0.2	0.4
North Carolina	3.3	1.3	1.4	4.0	1.7	-0.2	3.6	4.3	5.2	20.0	-5.8	-3.3	1.0	1.0	1.1
Virginia	1.7	0.9	1.2	3.1	1.2	-0.5	2.9	3.3	4.2	10.0	-4.7	-1.9	0.3	0.5	0.6
West Virginia	0.3	1.0	1.0	2.8	0.4	-0.4	3.8	4.5	5.3	11.1	-4.8	-1.3	-0.3	-0.4	-0.4
Lower South Atlantic	3.3	1.1	1.2	4.9	1.7	0.0	3.0	3.5	4.5	23.5	-6.7	-4.3	1.1	1.1	1.3
Florida	3.8	1.3	1.4	5.3	2.1	0.2	2.9	3.4	4.4	25.6	-6.9	-4.7	1.2	1.3	1.4
Georgia	2.6	0.9	1.0	4.9	1.1	-0.3	3.0	3.7	4.7	19.1	-6.9	-3.6	0.8	0.9	1.1
South Carolina	2.8	1.1	1.2	3.5	1.3	-0.1	3.3	3.7	4.6	20.5	-5.6	-3.8	1.1	1.1	1.1

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at December 2022.

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