TD Economics

State Economic Forecast

December 17, 2024

New England

The New England economy is expected to decelerate gradually in 2025, from its solid pace of growth this year. The region's unemployment rate has trended higher in recent months, as material increases in Massachusetts and Rhode Island have been partially offset by a sharp decline in Connecticut. We expect gradual reversions of these trends moving into 2025 to moderate upward pressure on the regions unemployment rate as the labor market comes into better balance. Growth in house prices is also expected to moderate into 2025, but persistent supply shortages are expected to keep prices growing at a faster pace than the national average.

Middle Atlantic

The rebound in the Middle Atlantic economy through the first half of 2024 has begun to weaken. However, further interest rate cuts over the coming year are expected to stabilize real GDP growth, allowing for a convergence with the nation in 2025. Unemployment rates in New York and New Jersey are expected to fall gradually next year as growth trends higher into 2026. In contrast, Pennsylvania's labor market is expected to soften in line with slower growth, taking its unemployment rate higher. The region's strong house price growth in 2024 is expected to ease closer to the national average next year, as lower rates help to improve supply levels.

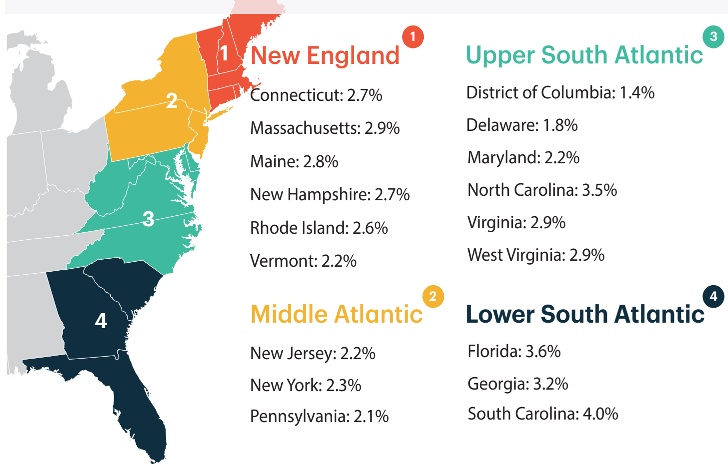
Upper South Atlantic

The Upper South Atlantic region is estimated to have grown roughly in line with the U.S. rate this year. Economic activity is forecast to shift into lower gear in 2025, but the region should keep pace with the nation, growing at 2%. Performances within the region will continue to vary, with North Carolina and Virginia expected to lead the charge, while others lag. Policy changes from the new U.S. administration will present both risks and opportunities. DC's elevated exposure to federal government employment, and Maryland's elevated share of undocumented workers, present some downside risk as related to potential government job cutbacks and more restrictive immigration policy.

Lower South Atlantic

The Lower South Atlantic continues to outperform, with all three states that make up the region outperforming the nation this year. Activity is forecast to ease ahead given a maturing economic cycle and expected disruptions on the trade front. Regional growth is forecast to ease to 2.4% in 2025 and 2.2% in 2026. Strong population growth and plenty of planned investments should keep Florida and South Carolina growing somewhat above the national rate. This assumes a worst outcome on protectionist trade policy and tighter immigration policy from the new U.S. administration can be avoided. Both present some downside risk to the forecast given Florida's elevated exposure to undocumented workers and South Carolina's high exposure to international trade.

Real GDP by State Forecast (2024)



Source: TD Economics. Forecast as of December 2024.

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

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

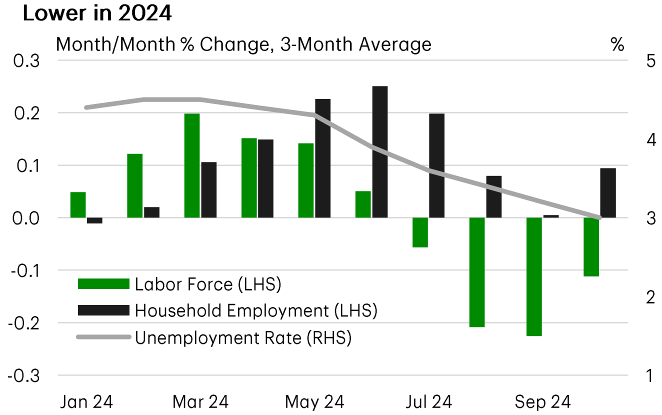
Connecticut: Lower Interest Rates to Lead to More Balanced Economic Growth in 2025

Connecticut's economy has remained stable in 2024, with support continuing to be provided by non-cyclical sectors of the economy, including defense production and health care. The state's tight labor market combined with strong returns in its large financial sector have helped to keep income growth healthy, which has helped to bolster consumption. Looking ahead, we expect economic growth to decelerate from 2.3% this year to 1.4% in 2025.

Even though the state has seen modest job losses in recent months, the unemployment rate has still fallen to 3.0% - its lowest level in over two decades – as labor supply fell faster than labor demand. The sharpness of the descent in Connecticut's unemployment rate over the past six months (Chart 1) suggests that these trends may also be influenced by the inherent volatility of state-level employment data. Moving into next year we expect the unemployment rate to trend higher to average 3.8%, reverting closer to its long-run relationship relative to the nation.

With high interest rates continuing to weigh on Connecticut's cyclical sectors, hiring rates have remained subdued across most industries. Most of 2024's job gains have been in the health care sector, which has accounted for over 75% of the state's year-to-date net jobs gains. Limited support has also been provided by other service sectors, such as leisure & hospitality and financial activities, although most service industries are restraining their hiring rates. The goods sectors have fared worse of late, with both construction and manufacturing shedding jobs over the past three months. Within the manufacturing sector, however, the state's outsized defense industry has remained supportive of the industry overall. Looking to 2025, we expect job growth to find better balance while moderating slightly to 0.5% as lower financing costs help to diversify job growth.

Chart 1: Labor Force Losses Have Driven UR Significantly Lower in 2024



Source: U.S. Bureau of Labor Statistics, TD Economics. Last Observation: Oct. 2024.

The overall state of Connecticut's housing market has remained unfavorable, with limited supply and challenging financial conditions hampering sales activity. While the aggregate supply picture in Connecticut has improved modestly in recent months, with new listings rising and homebuilding activity picking up, both remain a far cry from the levels seen prior to the pandemic. This has in turn kept price growth elevated, with prices up 4.8% year-to-date (nearly double the national average). Moving into 2025, we expect these trends to moderate under lower interest rates, with price growth expected to fall from 8.3% this year to 4.3% next year.

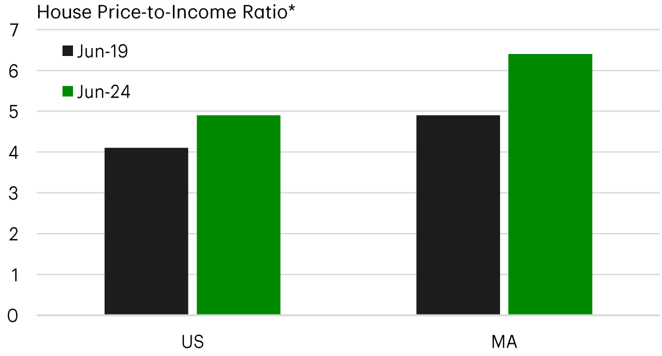
Massachusetts: High Growth Sector Revival to Aid Bay State in 2025

Economic growth has improved in Massachusetts in 2024, but elevated financing costs have remained a constraint on the state's high productivity industries, with layoffs ongoing. Continued monetary policy easing moving into next year should help to alleviate this restraint while also helping to shift the growth burden away from the state's outsized health care sector. In 2025 we expect growth to decelerate but remain above the national average at 2.1% and remain near that position at 2.2% in 2026.

Employment growth in Massachusetts has remained soft, with modest job losses over the past four months keeping year-to-date job growth half that seen at the national level. Job openings in the Bay State have also fallen by roughly 20% since the start of the year – double the national average pace of decline. This has occurred at the same time as the state having the strongest labor force growth in the nation, driving the unemployment rate a full percentage point higher. We expect the unemployment rate to fall from its current level of 3.9% to average 3.7% next year, with a further decline to an average of 3.3% in 2026.

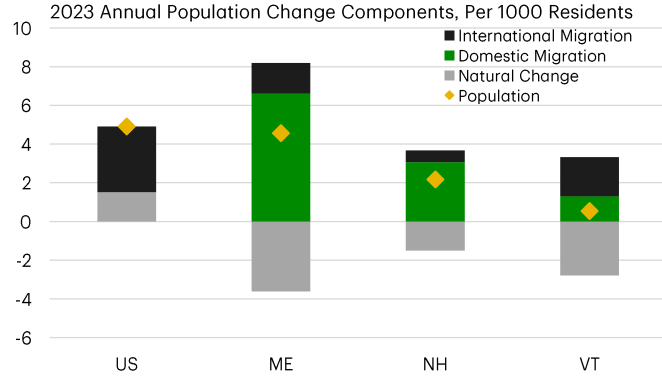
Job growth in Massachusetts' goods sectors has kept pace with the nation, with weakness in the manufacturing sector offset by solid gains in the construction sector. In contrast, the Bay State's services sector has lagged. The main culprit behind the weakness has been job losses in

Chart 2: Massachusetts Housing Affordability Materially Worse Than Nation



*Median existing single-family home price to median household income.
Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau, National Association of Realtors, TD Economics.

Chart 3: Slowing Migration Likely to Weigh on Northern Tri-State Region



Note: Natural change is births minus deaths. Source: U.S. Census Bureau, TD Economics.

the information sector and weaker-than-average growth in the state's non-cyclical sectors. This includes the large health care sector, which although it remains the strongest performer in Massachusetts, is still seeing slower job growth relative to the nation's. Moving forward, we expect employment growth to converge closer to the national average, with growth of 0.6% in 2025.

The Bay State housing market in 2024 has evolved roughly in-line with the nation, with year-to-date price gains of 4.3% moderately above those of the nation. Notable supply constraints continue to weigh on the market, with the months' supply of existing homes equal to half the national average. Homebuilding activity has also remained weak in the elevated rate environment, which has offered little support in the form of new homes. In 2025 we expect price growth to moderate to 3.7% as these constraints gradually ease, although affordability constraints are expected to remain a headwind (Chart 2).

New Hampshire, Maine, Vermont: Aging Population and Immigration Uncertainty Present Challenges Ahead

The northern tri-state region has continued to experience growth roughly in-line with the broader New England region. Solid tourism activity has helped to boost the leisure & hospitality sector, while the region's older population has also supported the health care sector. Moving into 2025 we expect all three states to converge closer to their long-run economic growth rates of 1.7% in New Hampshire, 1.6% in Maine, and 1.5% in Vermont.

The tri-state labor market has remained stable overall, with each state's unemployment rate fluctuating close to where it sat prior to the pandemic. Rising labor force participation rates have helped to keep labor supply growing, although participation rates in Maine and New Hampshire remain notably below their pre-pandemic levels. Outsized migration inflows have benefited the region through the post-pandemic period, but with these domestic inflows receding and immigration growth expected to slow under the incoming administration, longer-term labor supply headwinds appear probable (Chart 3).

Employment growth has varied between the three states, with Maine underperforming relative to the nation due to a higher incidence of layoffs, particularly in the professional & business services, retail trade, and manufacturing sectors. New Hampshire has trended closer to the national average, primarily supported by solid growth among its non-cyclical health and education sectors, while Vermont has experienced above average growth on the back of strong leisure & hospitality and professional & business service job gains. In 2025 we expect job growth to decelerate modestly to 0.4% in Maine, 0.7% in New Hampshire, and 0.5% in Vermont. This is expected to apply gradual upward pressure to each state's unemployment rate next year, with Maine's expected to average 3.1%, New Hampshire's 2.8%, and Vermont's 2.6%.

Housing sales have trended higher in the tri-state region, but remain subdued on aggregate owing to persistent supply shortages. While homebuilding activity has remained solid, it has been insufficient to counter the lack of existing home listings. Moving into 2025, as rates continue to fall we should see listings rise and with it a further normalization in price growth. Home price growth is expected to be 3.8% in New Hampshire, 3.6% in Maine, 3.5% in Vermont next year.

Middle Atlantic (NJ, NY, PA)

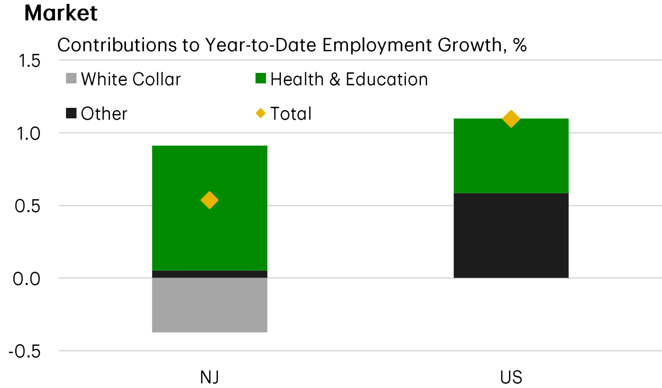
New Jersey: Growth Set to Improve in 2025 As White-Collar Layoffs Recede

The Garden State economy has continued to grow at a stable pace through the first half of 2024 despite notable headwinds. Elevated financing costs have remained a burden to consumers and businesses, with many firms trimming headcounts, particularly in the state's large financial and pharmaceutical sectors. For 2025, we expect these headwinds to gradually recede, allowing economic growth to outpace the national average at 2.1%.

Employment growth in 2024 has been less than half the national average as the state has fluctuated between adding and shedding jobs month-to-month. Labor force growth has been tepid as well, which has kept the labor market balanced in a relatively subdued state. The unemployment rate, which has remained slightly north of 4.5% for over a year now, is likely to remain elevated moving into 2025. As employment growth improves moving into 2026, we expect the unemployment rate to trend back closer to its long run average of 4.3%.

White collar layoffs have been a challenge in New Jersey's job market. Sizeable job losses continue to be seen in the information and professional & business services sectors and the large financial sector has struggled to recover from prior losses in the year. However, a modest pick-up in blue collar sectors over the past few months, and job gains in the outsized health and education sectors have kept payroll gains in positive territory this year (Chart 4). In 2025 we expect job growth to moderate in-line with the nation but remain stable at 0.7%, before rising to 0.8% in 2026.

Chart 4: Health & Education Powering NJ Employment Market



Note: White collar includes information, financial activities, and professional & business services. Source: U.S. Bureau of Labor Statistics, TD Economics.

Despite labor market challenges, New Jersey has recorded the strongest year-to-date house price growth in the nation, more than doubling the national average and placing further strain on housing affordability. The supply of existing homes for sale has trended higher through the year and is on the higher end within the Northeast region, but both the region and the state remain systematically short on housing. Homebuilding activity has also struggled to pick-up, which has resulted in limited support from the new homes market. We expect that price growth will decelerate in 2025 to 4.8%, but remain elevated on aggregate as supply constraints take time to see material improvements.

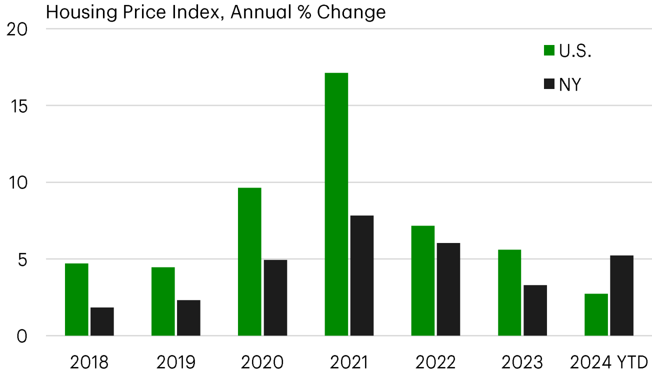
New York: Rebounding Financial Sector to Aid Empire State Economy in 2025/2026

The improvement in the Empire State economy over the first half of the year has moderated through the second half, as the long-awaited onset of rate cuts fell short of expectations amid persistent inflation pressures. This has prevented a broad-based rebound from occurring, particularly in the state's high growth sectors, although outsized gains in equity markets in 2024 have likely offered a partial offset within the large financial services sector. Further rate cuts moving through 2025 should see growth stabilize at 1.9%, with a rise to 2.1% in 2026 expected.

The job market has also stagnated through the second half of the year, with the number of jobs in the economy roughly unchanged over the past four months. Declines in the labor force have also subsided over the past few months, which has helped to keep the unemployment rate steady at 4.4%. We expect a more balanced labor market moving into 2025 to lead the unemployment rate to remain stable at an annual average of 4.5%, before falling to average 4.3% in 2026. However, domestic migration outflows resulting from the state's high cost of living pose longer-term challenges to labor supply.

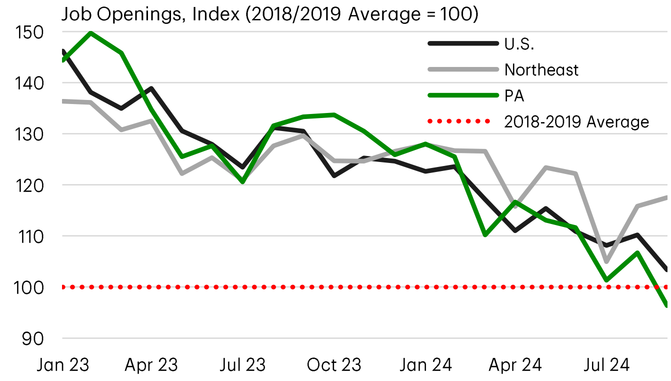
The lack of job growth recently has been driven by a narrowing of job gains by industry, with non-cyclical industries preventing outright contractions. Without the health care sector, employment in New York would have declined by 0.5% since June, but the state's largest employment sector has offered nearly a full offset to the losses recorded in other industries. State government is the only other sector to see sustained job gains lately, with broad-based white- and blue-collar job losses recorded in the private

Chart 5: New York Housing Price Growth Atypically Above Average in 2024



Source: CoreLogic, TD Economics.

Chart 6: Labor Demand is Cooling More Quickly in Pennsylvania



Source: U.S. Bureau of Labor Statistics, TD Economics.

sector. New York's job market is expected to balance out moving into 2025, with job growth of 0.8% expected.

New York's housing market has bucked the broader decelerating trend in the economy, with home price growth accelerating over the past six months. Home price gains in the Empire State have lagged the national average over the past few years as pre-existing affordability challenges and outsized domestic migration outflows limited price gains. However, year-to-date gains have roughly doubled the national average (Chart 5), with limited supply boosting prices. In response, homebuilding activity has accelerated in concert, which should help to lessen supply constraints in the coming years. In 2025, we expect price growth to decelerate from 5.2% this year to 3.7%.

Pennsylvania: Keystone Economy to Return to Better Balance in 2025

Economic growth in the Keystone State has begun to moderate in 2024 as slowing income growth has begun to take the wind out of the sails of consumption growth in the state. The stabilizing support offered by the state's large health care sector has become of increasing importance in the second half of the year, as Pennsylvania adopts the slower growth trends of its Northeast peers. We expect real GDP growth to decelerate to 1.6% in 2025 and remain near that level into 2026.

The employment market in Pennsylvania remains stable on aggregate, however inconsistencies have begun to emerge between surveys of businesses and households. Businesses have reported employment gains on par with the national average over the past few months, while households have reported notable job losses. The latter is typically more volatile, but there are additional signs that labor demand is cooling though, with Pennsylvania seeing the largest year-to-date decline in job openings in the Northeast (Chart 6). We expect Pennsylvania's unemployment to rise from its current low level of 3.4% in 2024, to an average of 3.8% in 2025 as the labor market comes into better balance.

The slowdown in employment growth in non-cyclical sectors seen at the national level has been mirrored in Pennsylvania moving through 2024. Over half of net job gains in 2024 have been in health care, with leisure & hospitality being the only other source of material support to aggregate job growth. White collar hiring has also remained tepid in 2024, with Philadelphia's large finance & insurance sector recording persistent layoffs over the past six months. Blue collar sectors have not fared much better, with mining payrolls stagnant and manufacturing and construction engaging in layoffs. Longer-term support is likely to be provided to the construction sector by Constellation Energy's plans to invest $1.6 billion in the Three Mile Island nuclear power plant to power Microsoft's data centers.

Housing price growth in Pennsylvania has remained a half-step above the national average in 2024, boosted by tight supply conditions and the state's relative affordability advantage in the region. Homebuilding activity has been on par with the national average, but low existing inventories continue to weigh on homebuying activity. Moving into 2025 we expect price gains to decelerate to 3.5% as lower rates lessen this weight.

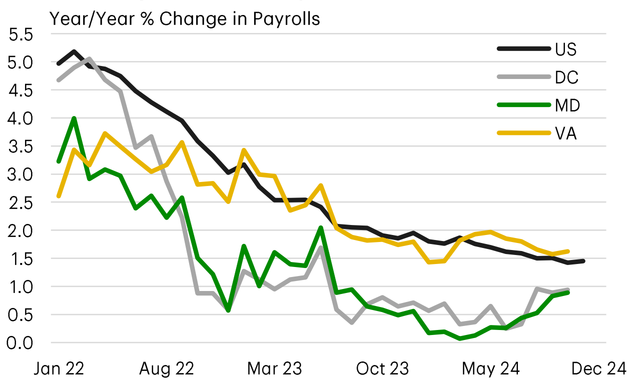
Upper South Atlantic (DC, DE, MD, NC, VA, WV)

DC-Maryland-Virginia (DMV): More Growth Ahead, But Potential Potholes Too

The DMV region has continued to grow at a decent clip just below the U.S. rate this year. But, within the region performances vary widely. Virginia continues to slightly outpace the nation, Maryland is growing somewhat below the U.S. rate, while DC lags further behind. Labor market trends echo this narrative, although the latest data also show an improvement in year-on-year job growth for both DC and Maryland (Chart 7). Among the sectors driving regional job gains this year are professional & business services, healthcare, and government, with the construction sector an added helping hand for Virginia.

There are still plenty of jobs available in the region, with the job openings rate holding above its pre-pandemic level and above the national rate. This suggests that the labor market has more runway ahead. Still, as the economic cycle matures, the pace of job creation should shift into lower gear. There is evidence demand for workers is cooling, with the job openings rate and the ratio of openings to unemployed workers both trending lower. The cooldown in Maryland – going from about 3 jobs at the start of the year to 1.6 jobs per unemployed worker recently – has been quite rapid. However, even here, the details reveal a less concerning picture. While household employment has been on the rise in Maryland, its labor force has grown by a larger degree – something that has pushed up the unemployment rate. This latest rebound in Maryland's labor force is a welcome development, given its severely lagged post-pandemic recovery – the slowest nationwide.

Chart 7: VA Continues To Lead On Job Growth, D.C. and MD Have Improved Recently



Source: Bureau of Labor Statistics, TD Economics.

However, unlike its neighbors, Maryland has an elevated share of undocumented workers in its labor force (6.5% vs. 4.8% nationwide). Given the priorities of the incoming U.S. administration, deportations or other policies that limit the participation of undocumented workers in the labor market could stymie some of the progress on labor force growth.

Looking at other potential policy changes, the region has below-average exposure on goods trade, but does have a significant reliance on federal government jobs. The government sector typically serves as a source of stability, but with the new administration likely to focus on efficiencies and cost cutting measures, potential layoffs present a downside risk, especially for the most exposed member of the group – DC. Federal payrolls in DC account for a quarter of the total, compared to 6% in Md., 4.5% in Va. and only 2% nationwide. Furthermore, this could exacerbate existing pressures, such as weighing on DC's still-weak office market, and it may take a toll on consumer-related industries such as housing. The housing markets of Md. and Va. remain quite tight, with the months' supply of inventory at 2.1 and 2.4 respectively – something that is keeping upward pressure on prices – where's DC's market is much looser and prices there are only moving sideways.

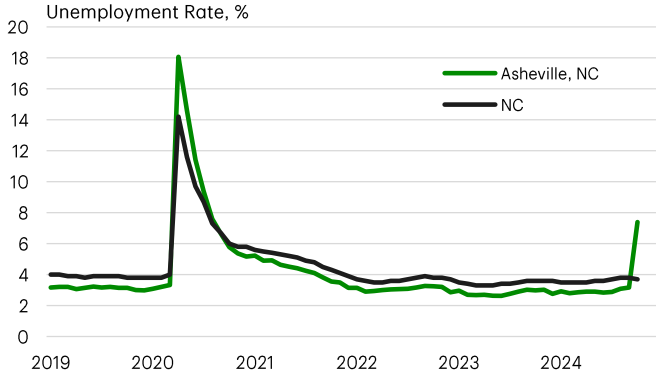
Assuming that these risks don't materialize, the region should still enjoy decent growth in the year ahead, with Va. to lead the charge at 2.2%, followed by Md. at 1.9% and DC at 1.3%.

North Carolina: Hurricane Helene Leaves a Mark

The Tar Heel State Economy was chugging along at a healthy clip of over 3% this year, but the devastation caused by Hurricane Helene has left a negative mark in the fourth quarter of this year. Typically, storms of this nature result in a swift interruption of economic activity, followed by a rapid rebound phase, including cleanup and reopening, along with a moderate boost to long-term growth from reconstruction. While this broadly holds true for North Carolina, there is reason to believe that the near-term rebound may be not as swift. Overall, the state should maintain relatively healthy momentum over the next two years. We estimate growth of 3.5% this year to ease to 2.3% in 2025 and 1.9% in 2026.

The western part of the state, which bore the brunt of the storm, is less accustomed to dealing with such hurricanes. The damage around areas like Asheville has been

Chart 8: Unemployment Rate Surges Higher in Areas Most Affected By Hurricane Helene



Source: Bureau of Labor Statistics, TD Economics.

catastrophic. It took about two months to restore drinking water in Asheville. Such conditions made it very difficult for businesses to operate and may have increased the incidence of permanent closures. In some areas, landslides have made it too dangerous for homeowners to rebuild. Despite this, the recovery is progressing, with a swift pullback in weekly jobless claims reaffirming this notion. At the same time, large metro areas in the eastern half escaped relatively unscathed, limiting the overall state impact.

On the labor market front, while Asheville's unemployment rate surged higher in October, the state's overall rate edged modestly lower (Chart 8). Relief funds will help with reconstruction. FEMA has allocated $415 million in assistance for households and for things like debris removal. Billion-dollar aid packages have been requested from the federal government, so more support could be on the way.

Pulling back the lens from the developments surrounding the storm, the medium and long-term outlook for the Tar Heel State remains positive. The state has several advantages, including relatively healthy population growth and a concentration of high value-added industries. Job growth in the state's professional & tech industry (4% y/y) continues to rapidly outpace the nation's (1.5%), and ongoing investments in the space suggest the trend should continue. Positive developments continue to take shape in other sectors too, including healthcare, while manufacturing has also seen some green shoots of late. Concerning these two sectors, expansions from Weatherby (medical staffing) and Rekitt (health and nutrition) will lead to 450 jobs combined, while large investments from Natron Energy ($1.4 billion, battery factory) and Johnson & Johnson ($2 billion, new manufacturing campus) will lead to over 1400 jobs combined.

North Carolina is not overly exposed to potential changes from Washington on tighter immigration and tariffs. This suggests that it should weather any potential fallout better than most. At the same time, the push to have more production take place in the U.S. could carry some benefit for the state's industrial base.

Lower South Atlantic (SC, GA, FL)

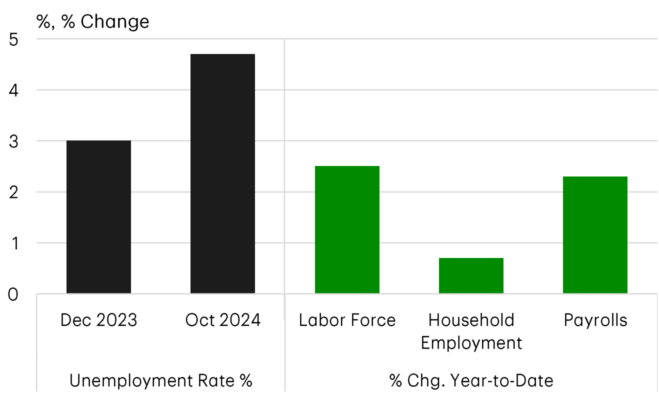
South Carolina: Elevated Trade Exposure to Come into Focus as Tariffs Make a Comeback

The Palmetto State economy has continued to advance at a healthy clip this year, but its labor market is sending mixed signals, with some cooling take place. However, under the surface, the labor market picture is less concerning, and ongoing firm expansions suggest that job growth has plenty of runway ahead. Trade disputes look likely in the year ahead, which present risks for South Carolina given that the state has the greatest exposure to international trade on the eastern seaboard.

South Carolina's unemployment rate has recorded a notable increase this year (albeit from low levels), rising above the U.S. rate for the first time in eight years. This as gains in household employment have lagged new additions to the labor force. A decline in the job quits rate (a measure of how confident employees are to switch jobs) to below pre-pandemic levels, reaffirms that some cooling is indeed taking shape. That said, other labor market details reveal a more positive picture. For instance, gains in payrolls have been much stronger in comparison to household employment (Chart 9). In fact, even with a small setback in October, payrolls growth is still running at double the national rate in year-on-year terms. Meanwhile, wage growth has improved noticeably recently and is moving in lockstep with the nation (Chart 10).

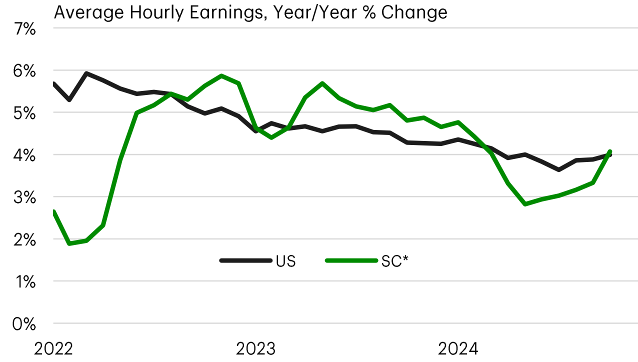
Companies continue to announce growth plans for South Carolina, bolstering the case for a decent labor market. Expansions in the manufacturing sector remain quite popular. Of note, Boeing recently announced it will invest $1 billion to help increase the production of its 787 jets, leading to 500 new jobs. The return of tariffs is likely to

Chart 9: Household Employment Growth Lagging Payrolls Growth in South Carolina



Source: National Statistical Agencies, TD Economics.

Chart 10: Wage Growth in South Carolina Has Improved, Moving in Lockstep with the Nation



*3-Month Moving Average. Source: Bureau of Labor Statistics, TD Economics.

cause turbulence for the strong manufacturing narrative in the new year. South Carolina's elevated trade exposure has served the state economy well over time, but local goods producers and the related transportation sector will feel the pinch from any retaliatory tariffs.

Firm expansions span a variety of sectors, including tech and healthcare, suggesting that broad-based payrolls gains are poised to continue. A case in point, Google is boosting its data center investment in the state to $3.3 billion, creating 200 new jobs. Overall, we anticipate job growth will ease ahead but remain comfortably above the national rate, averaging 1.6% over the next two years. This should help limit the recent upward path for the jobless rate (with some easing in population growth also to play a role), and lend a hand to consumer-related industries such as housing.

Home price growth has slowed to a crawl as the state's housing market has come into slightly better balance recently. Homebuilding has eased too, but it has remained elevated, lending a hand to the construction sector. Mortgage rates are expected to decline in the second half of 2025 (see here), which should help re-energize the market by lending a hand to both housing demand and homebuilding.

All told, assuming that a worst-case scenario can be avoided on the tariff front, the Palmetto State economy should remain a bright beacon in the Southeast, growing at a projected rate of 2.4% next year and 2.2% in 2026.

Georgia: A gentler growth path ahead

Georgia has continued to growth at a healthy clip above the national rate over the past year and is on track to grow by 3.2% in 2024. While the Peach State economy is forecast to remain humming, normal cyclical forces are expected to drive a milder growth profile of 2% and 1.8% respectively over the next two years.

The state's labor market has come into better balance recently, with the unemployment rate holding at 3.6% since late summer – right in line with its pre-pandemic level. Job growth is moving in lockstep with the nation, showing a moderate easing in year–on–year terms. Meanwhile, the breadth of gains has narrowed, with only three key industries – healthcare, accommodation & food services, and local government – accounting for nearly all job gains so far this year. Despite this, a healthy level of job openings suggests there's more gains to be had in the year ahead. Georgia's job openings rate has cooled over the past year but remains above the national average. Meanwhile, plenty of firms continue to grow their presence in the state.

The manufacturing sector looks set to shift onto better footing given a healthy pipeline of expansion announcements. Case in point, investments from Solarcycle (solar panel recycling), TMC (transformers manufacturer) and Irving Tissue (paper products) totaling $680 million are poised to generate 850 jobs combined. Georgia's EV (electric vehicle) industry is also growing, with ongoing billion-dollar investments from Hyundai (poised to generate 8500 jobs) spurring additional investment from related suppliers. Rivian's paused plans to build an EV factory in the state were also thrown a lifeline recently, with the company securing a preliminary approval for a $6.6 billion federal loan. To the extent protectionist trade policies induce more investment in the U.S., Georgia's manufacturing sector could see a benefit, but there are risks too. Georgia is not heavily reliant on goods exports, but goods imports are quite large relative to the size of its economy. Should trade skirmishes result in retaliation from trade partners, supply chain disruptions would reverberate across the state.

Plenty of firms continue to expand in other areas of the state economy too, with two recent examples including a new innovation hub from AIG (insurance) to lead to 600 jobs, and a $300 million dollar investment from GreenBox Systems (warehousing) to create 300 jobs. These sorts of expansions are part of why we believe that while job growth will ease, payrolls in the state should still manage to grow at a decent clip of 1.3% next year and 1.2% in 2026.

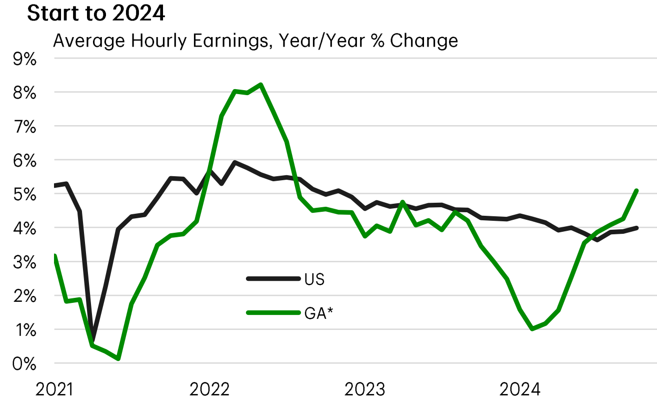
A decent employment backdrop will be crucial in supporting the consumer channel. Consumers in the state have recently received a helping hand from a combination of improved wage growth and cooler inflation (Chart 11). The headline CPI measure in Atlanta has grown below the national rate for several months now. This is partly related to an easing in shelter costs. Home price growth in the state is cooling, while rents continue to trend down. The latter has taken a heavy toll on multifamily construction, but single-family homebuilding remains on better footing.

Florida: Sun's Still Shinning

The Florida economy has continued to outperform the nation. We expect that theme to remain intact in the year ahead, but the Sunshine State's lead over the nation should narrow. Rebuilding from recent storms will provide a moderate boost to growth that is likely to be spread out over several quarters, but a maturing economic cycle, coupled with ongoing softness in the condo sector will weigh a bit on momentum. Overall, we anticipate economic growth of 3.6% for the state this year, will ease to still-healthy 2.6% in 2025 and 2.4% in 2026.

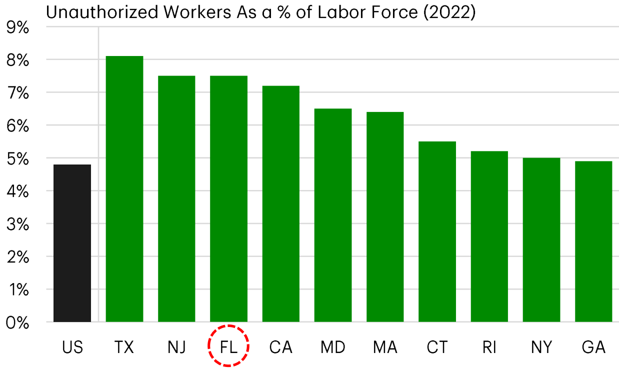
Job growth in Florida was chugging along at a decent clip heading into autumn, but as expected Hurricanes Helene and Milton have resulted in some volatility. Jobless claims spiked in their aftermath, and monthly job growth turned negative in October. Intuitively, affected areas and industries (i.e., leisure & hospitality) took the biggest hit. The initial economic impulse from the storms is clearly negative, as they led firms to close their doors and weighed on all sorts of business activity. That said, the rebound phase, which encompasses cleanup and reopening in the near-

Chart 11: Wage Growth in Georgia on the Rise After Soft Start to 2024



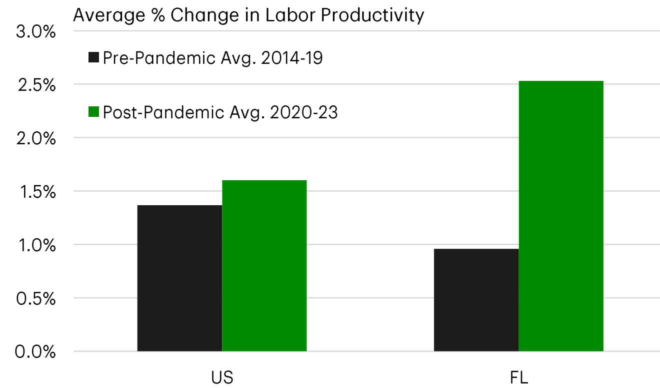
*3-Month Moving Average. Source: Bureau of Labor Statistics, TD Economics.

Chart 12: Florida Has the Third Highest Exposure to Undocumented Immigrant Workers Nationwide



Source: Pew Research, Bureau of Economic Analysis, TD Economics.

Chart 13: Florida Labor Productivity Growth Has Outpaced National Trend in Recent Years



Source: Bureau of Labor Statistics, TD Economics.

term, along with rebuilding spread out over time, tends to more than make-up for the initial hit to growth. Federal disaster assistance, earmarked at around $1 billion, will play an important role in ensuring a solid rebound.

Florida is used to dealing with storms and is generally better prepared to handle them, so it should weather the negative impacts better than most. That said, the storms are likely to accentuate some existing paint points, such as on the real estate front, where the condo sector continues to weaken. Frequent storms are also part of the reason why home insurance in the state has already become so costly (over three times the national average). The state's insurance industry was already in disarray before the storms, and the latest damage certainly won't help. The hurricanes may also slow the inflow of domestic migrants to the state. But, a more pressing issue on the population front may be the presence of a large undocumented immigrant population, and the fact that new leadership at the White House is planning for more restrictive policies, including deportations. Florida's exposure on this front is the third highest nationally (Chart 12).

The strong population growth of the last few years, fueled by in-migration, has been an important source of growth. But, the good news is that this has not been Florida's only support channel. Unlike many other states, Florida has recorded a notable improvement in labor productivity, outpacing the nation in the post-pandemic period. This trend has been accompanied by the expansion of high value-added industries such as prof. & business services (Chart 13). A continuation of this trend should help mitigate the negative consequences of slower population growth.

With respect to other policy changes from the outcome of the election, potential disruptions from more restrictive trade policy are less concerning for Florida, given that the Sunshine State is not overly exposed on the goods trade front. Moreover, the goal to increase domestic production could carry some upside for the state's manufacturing industry. Note that Florida is one of only a handful of states that has made a full recovery in manufacturing employment back to 2005 levels. While headcount in the industry has backpaddled recently, announced expansions such as those at Aura Aero (aircraft) and C&C (cosmetics) leading to 1100 jobs combined, suggest there's likely more gas in the tank.

State Economic Forecasts

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F	2024F	2025F	2026F
National	**2.7**	**2.0**	**1.9**	**1.6**	**1.0**	**0.8**	**4.0**	**4.3**	**4.1**	**4.5**	**3.3**	**3.0**	**1.0**	**0.5**	**0.4**
New England	**2.7**	**1.8**	**1.9**	**1.0**	**0.5**	**0.6**	**3.4**	**3.6**	**3.5**	**7.1**	**3.9**	**3.0**	**0.9**	**0.4**	**0.3**
Connecticut	2.3	1.4	1.5	0.9	0.5	0.3	3.9	3.8	4.1	8.3	4.3	3.2	0.2	0.2	0.2
Massachusetts	2.9	2.1	2.2	0.8	0.6	0.7	3.4	3.7	3.3	6.1	3.7	3.0	0.7	0.6	0.4
Maine	2.8	1.6	1.5	1.1	0.4	0.4	3.0	3.1	3.1	7.3	3.6	3.1	0.5	0.3	0.2
New Hampshire	2.7	1.7	2.1	1.4	0.7	0.5	2.6	2.8	2.7	7.6	3.8	2.8	0.5	0.4	0.3
Rhode Island	2.6	1.2	1.4	1.4	0.3	0.4	4.3	4.4	4.1	9.2	5.4	3.2	0.4	0.2	0.1
Vermont	2.2	1.5	1.3	1.7	0.5	0.3	2.2	2.6	2.6	6.1	3.5	2.5	0.2	0.1	0.0
Middle Atlantic	**2.2**	**1.8**	**2.0**	**1.5**	**0.7**	**0.6**	**4.2**	**4.3**	**4.3**	**6.3**	**3.9**	**2.6**	**0.9**	**0.1**	**0.1**
New Jersey	2.2	2.1	2.0	1.4	0.7	0.8	4.7	4.6	4.3	9.2	4.8	2.8	0.6	0.4	0.3
New York	2.3	1.9	2.1	1.5	0.8	0.7	4.4	4.5	4.3	5.2	3.7	2.4	0.2	0.0	-0.1
Pennsylvania	2.1	1.6	1.7	1.5	0.6	0.4	3.4	3.8	4.1	6.0	3.5	2.7	0.2	0.1	0.1
Upper South Atlantic	**2.8**	**2.0**	**1.8**	**1.3**	**1.1**	**0.9**	**3.3**	**3.7**	**3.6**	**5.4**	**3.2**	**3.0**	**1.1**	**0.7**	**0.6**
District of Columbia	1.4	1.3	1.2	0.7	0.7	0.5	5.4	5.8	5.5	1.4	0.7	2.2	0.7	0.4	0.2
Delaware	1.8	1.4	1.2	1.2	0.8	0.8	4.1	4.5	4.3	5.2	3.0	2.7	1.1	0.8	0.7
Maryland	2.2	1.9	1.6	0.6	1.0	0.7	2.8	3.2	3.0	5.0	3.0	2.8	0.4	0.4	0.3
North Carolina	3.5	2.3	1.9	1.6	1.4	1.2	3.7	4.1	3.9	5.4	3.2	3.1	1.3	1.1	1.0
Virginia	2.9	2.2	1.9	1.7	1.1	1.1	2.9	3.2	3.1	6.0	3.7	3.1	0.6	0.6	0.5
West Virginia	2.9	1.4	1.1	1.1	0.3	0.4	4.2	4.7	4.7	5.0	3.2	2.3	-0.3	-0.3	-0.3
Lower South Atlantic	**3.5**	**2.4**	**2.2**	**2.0**	**1.7**	**1.5**	**3.4**	**3.9**	**3.8**	**3.7**	**1.6**	**2.9**	**1.9**	**1.2**	**1.0**
Florida	3.6	2.6	2.4	2.2	1.8	1.7	3.3	3.8	3.8	2.9	0.9	2.8	1.6	1.3	1.1
Georgia	3.2	2.0	1.8	1.3	1.3	1.2	3.4	3.9	3.8	5.2	3.0	2.9	1.0	0.9	0.8
South Carolina	4.0	2.4	2.2	3.1	1.7	1.5	3.9	4.7	4.0	5.3	2.3	3.2	1.4	1.3	1.1

F: Forecast by TD Economics, December 2024. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, CoreLogic, TD Economics.

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