New England
• The COVID-19 pandemic has upended New England’s economy and labor market. A higher exposure to tourism for the smaller economies of Maine, New Hampshire, Rhode Island and Vermont, has contributed to a surge in unemployment and a deep economic contraction. No state will escape unscathed, but Massachusetts is likely to outperform, thanks in part to its high-tech tilt. Its neighbour, New Hampshire, won’t be far behind, supported by still-healthy population growth. Economic growth in these two states is expected to rebound broadly in line with the U.S. in 2021 (+4%), with the remaining states expected to fall below this threshold. Long-standing challenges are likely to keep Connecticut’s economic recovery moderate, with growth at just under 3% next year likely to be the slowest in the region.

Middle Atlantic
• Hit hard and early by the COVID-19 pandemic, the Mid-Atlantic region is likely experience a deeper economic contraction than the rest of the country this year. This largely reflects the experiences of New York and New Jersey – the two worst-hit states. With a slower reopening and multifaceted pressures faced by New York City – once the epicenter of the global pandemic – New York will trail the region. Pennsylvania, on the other hand, has fared much better when it comes to the spread of the virus, but its exposure to the energy sector means that it too will contract at an above-average rate in 2020. As energy prices rebound, the Keystone State should get a lift, with growth expected to move broadly in line with the nation in 2021.

Upper South Atlantic
• The economic outlook for the Upper South Atlantic is mixed. While the importance of the federal government has limited the hit to labor markets in the national capital region (D.C., Maryland and Virginia), its large travel and tourism sector has been hit particularly hard, with leisure and hospitality workers accounting for 41% of the jobs lost since February. Nearby, Delaware was already experiencing subpar growth prior to the pandemic and its path forward is likely to be arduous. To the south, North Carolina appears in good stead to rebound quickly thanks to its burgeoning healthcare and life sciences sector. Still, a continued rise in coronavirus cases is threatening its recovery. On net, real GDP is forecast to contract by 4.7% in the region in 2020, before expanding by 4.0% in 2021.

Lower South Atlantic
• The economies of the Lower South Atlantic are some of the most vibrant in the country. They have also been particularly impacted by the COVID-19 pandemic. Florida’s prominent travel and tourism sector has been hit hard, and absent a vaccine, its recovery is likely to be slow. South Carolina, meanwhile, was the first state to reopen on the East Coast, but, like Florida, its outlook is clouded by a second rise in coronavirus cases. Depressed demand and slow global growth will also weigh on its large manufacturing sector.

For more on the national outlook please see our Quarterly Economic Forecast.
New England (CT, MA, ME, NH, RI, VT)

Connecticut: Long-standing challenges to slow the rebound

The Connecticut economy came to a standstill in late March due to COVID-19 related shutdowns. The resulting job losses have dwarfed those of the Great Recession. Despite an elevated spread of COVID-19, the state has done quite well in containing new infections more recently – a factor that is helping with the reopening process. The state entered the second stage of reopening in mid-June, which eased restrictions for businesses such as hotels, gyms and indoor dining. This turnaround will help limit the COVID-19 shock. Nevertheless, longer-term challenges will contribute to the economy contracting by an outsized 6% this year, before a moderate rebound of nearly 3% in 2021.

The state’s challenges include a heightened exposure to the insurance business, which will be bruised from the pandemic, a shrinking population and precarious state finances. On the latter, the state does have a replenished rainy-day fund, which will help cover the near-term drop in revenue, but longer-term, the fiscal situation remains bleak. If the shift to remote work is sustained after the pandemic eases and locating in dense cities like NY becomes less attractive, Connecticut could see some upside to population growth. Still, a shrinking population remains a likely scenario this year, given the added pressure of falling international migration. This, along with the loss of jobs and income is likely to weigh on the state’s already-sluggish housing sector (Chart 1).

Across the state’s industries, there are positives and negatives. A below-average exposure to the hard-hit leisure and hospitality sector helps the state, while the recent reopening of some casinos and hotels is a positive development. Nonetheless, given physical distancing restrictions, the sector’s recovery will be slow.

Healthcare and manufacturing are expected to provide some support over the medium term. Demographic forces will remain a tailwind to traditional healthcare. In addition, prior to the pandemic, the higher value-added branches of medicine (i.e. biotech) were seeing positive developments, such as new lab openings and plans for expansion. As the health crisis fades, some of that momentum should resume.

The manufacturing sector is poised to remain an important contributor to growth. The aerospace industry, is a potential challenge, but the sector’s tilt towards defense should help keep it on a solid growth trajectory. With defense industries classified as essential, production has seen little impact from the pandemic so far. Meanwhile, production pipelines for helicopters and submarines are expected to remain healthy over the medium term. Sikorsky (helicopters) has continued to win large contracts and Electric Boat (submarines), is expected to continue scaling up its workforce in the years ahead to meet demand.

Massachusetts: Weathering the storm

Massachusetts has been one of the harder-hit states in terms of COVID-19 infections. Fortunately, new cases are trending down, and the state is expected to enter the third reopening phase in early July. As the state reopens, economic activity is improving. This is evident in the recovery of jobs in May, and more recent improvements in job postings and consumer spending.

The COVID-19 shock will result in a contraction in growth this year, but the Bay State is forecast to fare better than most states in the region. A tilt toward knowledge-based industries, such as in professional & tech services and life sciences/healthcare is a key asset. These sectors have fared better on the job front so far (Chart 2). The fact that tech and professional services tend to be more adept at working remotely, is an added boon. Eased restrictions on office work, even if only at 25% capacity presently, are proving particularly helpful to high-tech firms that require a heavier in-person presence, such as robotics firms.

The high concentration of life-science firms should also lend a helping hand. Lab space was allowed to open in phase one. Some companies may also benefit from the

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Chart 1: Connecticut Home Prices Lag Behind, Still below 2007 Peak

Home Price Index, (Jan 2000 = 100)*

Source: CoreLogic, TD Economics. *6-month moving average.
fight against COVID-19. Case in point, Moderna was recently awarded $500M in federal support to bring a vaccine to market. The more traditional branches of medicine will also see growth. The state has a large concentration of top-notch hospitals, particularly in Boston, that serve both local patients and those from around the world. As industry and international travel restrictions continue to ease, a rebound in activity will follow.

On the other hand, the state’s real estate sector will face increased challenges. The commercial sector faces a hit from recent retail failures, subdued hotel occupancy and an increase in remote work. At the same time, the residential sector will see demand reduced through a softer labor market backdrop. A decline in international migration this year, coupled with an increase in online learning at post-secondary institutions will add to the pressure. Meanwhile, Boston’s rich supply pipeline in the office and multifamily sectors increases the downside risk to prices. Given the pressures on the real estate sector, the construction sector will feel the squeeze.

All in all, given its generally more dynamic economy, Massachusetts should keep an edge over its neighbors, with a 4% contraction this year likely to be followed by 4.3% rebound next year.

Maine, New Hampshire, Vermont: Pandemic upends labor market narrative

The spread of COVID-19 in Maine, New Hampshire and Vermont remains well below the national average. This is fortunate, given that these states have an above-average share of seniors – a particularly vulnerable demographic. However, given the region’s reliance on tourism, it has not escaped unscathed from the pandemic. Like much of the country, these states implemented restrictive measures toward the end of March, which resulted in job losses. Despite a rebound in May, payrolls in all three have taken an outsized hit (Chart 3). The pandemic has upended the region’s labor market, going from a shortage of workers to a shortage of jobs. Unemployment rates shot up from very low levels in the 2.5-3% range prior to the pandemic to 14.5% in New Hampshire, 12.7% in Vermont and 9.3% in Maine. These were higher in April, but ticked lower in May as the economies began to reopen.

A reliance on tourism is behind a deeper economic contraction than the U.S. as a whole this year. Limited air travel and an extended border closure with Canada will hold back the flow of international visitors, particularly for Maine and Vermont. Current restrictions on out-of-state travelers will limit the potential offset from domestic tourism, particularly given continued physical distancing requirements. The rules may change as the summer goes on, which would provide some upside risk for the sector.

At the other end of the spectrum, healthcare and manufacturing should provide support over the medium term. Prior to the pandemic, the region faced a shortage of healthcare workers. As inflections slow and the sector returns to normalcy, this area is likely to remain an important jobs contributor. The health crisis may present some opportunities for the region’s manufacturers (i.e. New Hampshire ventilator maker, 350 jobs), but these are likely to be few and far between. More importantly, given that all three states sport important defense manufacturing capacity, this will be instrumental in providing support in the near-to-medium term.

All in all, looking through this year’s recession and next year’s recovery, New Hampshire is likely to retain an edge over its neighbors, thanks in part to its economy’s high-tech tilt and faster population growth.
Middle Atlantic (NJ, NY, PA)

New Jersey: Health crisis to leave new scars

New Jersey is second only to New York in total per capita COVID-19 infections, and so measures to contain the virus have been relatively restrictive. The pandemic’s disruption has been reflected in above-average job losses, with payrolls down 18% for the three months ending in May, and a double-digit unemployment rate (Chart 4).

With new infections slowing on a trend basis, the Garden State is slowly reopening and economic activity has started to pick up. That said, the recovery will not be a speedy process. Economic growth is forecast to contract 5.3% this year, which will worsen the state’s already weak fiscal position, before rebounding at a below-average rate of near 3% in 2021. The state is projecting a $10B budget hole through fiscal 2021. Steep spending cuts are poised to be implemented, and the furloughing tens of thousands of public workers is also being considered unless more assistance comes from Washington.

While job losses have been broad-based so far, the leisure and hospitality sector has borne the brunt of the impact. With all nine of Atlantic City’s casinos shut down, gambling revenue has taken a massive hit. Casinos are poised to reopen in early July, but since tourism-related activities was one of the first areas to close and likely last to fully reopen, the road to recovery will be long.

The hit to jobs and income will weigh on the housing sector. Sales have dropped sharply, down 21% year-on-year in April. New Jersey also has one of the highest shares of undocumented immigrants in the country. This segment of the population will receive little to no financial assistance during the crisis, so consumer spending weakness will be more pronounced, adding to near-term woes.

Still, some sectors of the Garden State economy are expected to remain on firmer footing. This includes healthcare and logistics. The healthcare sector, while faring relatively better, has not been spared from job losses. But, the sector is one where a quicker recovery is more certain. As COVID-19 concerns ease, the industry will begin to operate at fuller capacity. The state’s large concentration of pharmaceutical companies may also lend a hand, with many firms poised to benefit from work directly related to the fight against COVID-19. As for logistics, falling global trade will certainly weigh on near-term activity, but the industry stands to benefit from the expansion in online shopping during the pandemic.

New York: Dark clouds are here

New York will suffer a severe economic hit from the COVID-19 pandemic. The state had the highest number of infections relative to its population, with densely-populated New York City (NYC) at the epicenter. The state implemented strict and protracted containment measures. As a result, payrolls fell 19% for the three months ending in May, much worse than the nation as a whole (-13%). Meanwhile, its jobless rate hit an all-time high of 15.3% in April before easing slightly to 14.5% in May.

Fortunately, strict measures have led to a sustained decline in new infections, and the state has begun to slowly reopen. New York is taking a regional approach to reopening. Hard-hit NYC only entered Phase 1, which allowed the restart of non-essential construction, manufacturing, and curbside retail, when other regions were in Phase 2. The latter encompasses a much wider range of businesses, including outdoor dining and offices.

Various factors that made the Big Apple more exposed to the pandemic, will also weigh on its recovery. The key tourism sector was the first to feel the pandemic’s impact and will likely be the last to recover. Leisure and hospitality payrolls fell by 67% between February and May. Given high population density, NYC is also susceptible to rapid infection rates, and many residents have opted to move out to less dense areas, including to Connecticut. While initially temporary, the longer the health crisis drags on, the higher the likelihood that these moves could become permanent. Coupled with a decline in international migration, this is likely to see New York’s population decline worsen.
The population backdrop will add to the state’s fiscal challenges and weigh on the housing market. Home price growth in NYC, which was already struggling prior to the pandemic, is expected to weaken further (Chart 5). The city’s commercial real estate market will also face challenges given recent retail failures, reduced hotel occupancy and an increase in remote work (see here). The construction sector will feel the squeeze too. As a result, large-scale projects, such as major redevelopments at JFK and LaGuardia, will be even more important in the current environment.

New York has a long road ahead, but signs of improvement have begun to emerge. The Empire State Manufacturing index rebounded strongly in June, and the economy will gather strength as the health crisis dissipates. Sectors such as healthcare – an important driver for upstate New York – and professional & tech services, where payrolls are faring relatively better, will help. When all is said and done, the state economy will likely have contracted at an above-average rate of around 5.8% this year, before rebounding by 3.4% in 2021.

Pennsylvania: Light at the end of the tunnel

Pennsylvania has fared much better than neighboring New York and New Jersey when it comes to the spread of the novel coronavirus. Given this progress, its phased reopening process is moving along well. By mid-June, all counties had at progressed at least to the second (yellow) stage, and two-thirds were already in the third (green) phase, which lifts most restrictions on most businesses. Among other things, this latter phase also allows restaurants and bars to reopen at half capacity. Progress on reopening is mirrored in labor market data. A 15% decline in jobs between February and May, and an unemployment rate of 13.1% con-

![Chart 5: NYC Home Prices Likely to Weaken Further](image1)

![Chart 6: Pennsylvania's Rig Count Has Continued to Trend Lower](image2)

firm that the state is faring better than its neighbors.

Still, the state’s heavy energy tilt is likely to be a major drag this year and is a key reason for the state’s outsized 5.5% contraction in real GDP. Given low natural gas prices, rig counts have trended down to near the lowest levels in a decade (Chart 6). Weakness in natural gas production likely weighed on related manufacturing activity in the first half of 2020. Fortunately, positive signals have started to emerge from the factory sector, as the Philly Fed Manufacturing Index rebounded strongly in June. As the U.S. and global economies recover, the energy sector should follow. This should help facilitate the state’s recovery, with economic growth expected to rebound broadly in line with the country in 2021.

On the services side, the state’s below-average exposure to tourism helps to mitigate the economic shock. Conversely, an overexposure to healthcare is likely to yield benefits. A return to normalcy in the sector should be accompanied by a rebound in activity (i.e. elective surgeries) and the gradual rehiring of furloughed workers. In addition, major investments in recent years have expanded capacity. Given demographic tailwinds, more is to come on this front, including a $327M upgrade of Riddle Hospital. Knowledge-based industries, such as the higher branches of medicine, should also offer some support. Philadelphia’s positive momentum on tech and biotech should resume once the metro fully reopens. Recent positive signs include the expansion of firms like Envative (software), and the fact that the metro’s life science companies have continued to attract major investments. Pittsburgh’s growing tech cluster, which sports tech giants like Facebook and Google, is also well-positioned to weather the storm given the cluster’s heightened ability for remote work.

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

Delaware: A tough hill to climb

Going into the current crisis, economic growth in the First State was already subpar. Real GDP growth clocked in at 0.8% in 2019 which, as underwhelming as it seems, was Delaware’s fastest pace of growth since 2015. This was, of course, before the coronavirus crisis brought much of its economy to a halt. Delaware’s economy shed over 72,000 jobs (-15.4%) since February, and the unemployment rate jumped to an all-time high of 15.8% in May.

While job losses have spanned all industries, leisure and hospitality has been hit disproportionately hard, accounting for about one in three jobs lost since February. Fortunately, Delaware’s economy appears to have reached a turning point as initial jobless claims have steadily declined since their late-March peak. Additionally, the shift in business and consumer behavior caused by the pandemic has led to a hiring surge in some industries. Amazon, for instance, added 1,300 jobs to help support its fulfillment centers across the state since the onset of the crisis.

As Delaware continues to gradually reopen its economy, the labor market should improve further. The state entered the first phase of its reopening plan on June 1st, allowing restaurants, retail stores and other businesses to reopen at 30% capacity. On June 15th, capacity limits were increased to 60% as the state stepped into the second phase of its plan, which also included reopening childcare facilities.

Still, after several years of disappointing economic growth, the path ahead will be difficult for Delaware. In the tourism sector, the recovery will likely be arduous and slow, with furloughs and reduced hours now extended into the back half of the year at some hotels, including Marriott and Hilton. The region’s largest hotel, the Gaylord National Resort and Convention Center in National Harbor, also announced it will remain closed through July, at least.

D.C.-Maryland-Virginia: COVID-19 upends healthy job markets

Labor markets in the national capital region were in an enviable position prior to the pandemic. The importance of the federal government in the region’s economy has helped cushion the hit from COVID-19 to its labor market. Unemployment rates jumped to all-time highs in April but remained considerably lower than the national rate. In May, they improved slightly to 17.8% in D.C., 11.8% in Maryland and 9.3% in Virginia. Meanwhile, the decline in the labor force participation rate from February to May was also milder in Virginia (-2.2 ppts) compared to the U.S. (-2.6 ppts). In D.C. and Maryland, the drop was more severe at 4.7 ppts and 3.5 ppts, respectively, which contributed to lower reported unemployment rates.

Unsurprisingly, the leisure and hospitality industry bore the brunt of the shock to employment in the region, accounting for nearly 41% of the jobs lost since February (Chart 7). As demand for travel and tourism plummeted, thousands of workers were furloughed in the region’s sizeable accommodation sector. The recovery will likely be arduous and slow, with furloughs and reduced hours now extended into the back half of the year at some hotels, including Marriott and Hilton. The region’s largest hotel, the Gaylord National Resort and Convention Center in National Harbor, also announced it will remain closed through July, at least.

It has not been all bad news, however, as some industries have experienced a spurt of business investment during the pandemic. In the tech sector, Microsoft announced the expansion of a technology hub in Reston, Virginia with plans to add 1,500 jobs over the next year. Construction at Amazon HQ2 also moved forward and is on track to be completed by 2023. Earlier in the year, the company laid out a plan to recruit 1,600 employees by the end of 2020 to staff its second headquarters.

With tech giants such as Microsoft and Amazon affirming their presence in the region, housing demand has held up relatively well. Indeed, while existing home sales fell by 17.8% at the national level in April, they were down a more modest 6.9% in Virginia. By contrast, as the number of homes available for sale plummeted, home prices...
continued to increase in the region. D.C., Maryland and Virginia saw home price growth of 4.7%, 3.1% and 3.9% year-over-year in April, respectively, compared to 5.4% nationally. Home price growth, particularly in D.C., has been dampened by affordability issues over the last few years. As we’ve noted in a previous report, the pandemic will likely worsen these issues as authorities are forced to pare back future spending, including in areas such as affordable housing initiatives.

All things considered, we anticipate real GDP growth to contract by 5.0%, 4.7% and 4.4% this year in D.C., Maryland and Virginia, respectively, before expanding by 3.9%, 4.1% and 4.5% in 2021.

North Carolina: Continued rise in coronavirus cases threatens the recovery

The Tar Heel state entered the current crisis with a healthy labor market and strong business investment. Its vibrant healthcare and life science sector puts it on a good footing to weather the coronavirus hit, but a continued increase in cases is putting the economic recovery in jeopardy. Indeed, despite a relatively limited spread in previous months, June saw North Carolina join the unenviable list of states with a steep surge in COVID-19 cases (Chart 8). Overall, its economy is expected to contract by 4.6% this year, before springing back up to 4.7% in 2021.

The pandemic has resulted in the loss of over 730,000 jobs (-14.8%) from February to May in North Carolina. Meanwhile, the labor force participation rate plunged by a staggering 5.3 percentage points in April to an all-time low of 56.3%, before recovering to 57.9% in May (Chart 9). The sharp decline kept a lid on the state’s unemployment rate, which still jumped to a record high of 12.9%.

North Carolina lifted its stay-at-home order on May 22nd as it entered the second phase of its reopening plan. Most businesses have been allowed to reopen at 50% of their normal capacity which, in the data, has translated in a consistent decrease in jobless claims. Sadly, the downturn is disproportionately affecting women in the state. Indeed, while they make up 48% of North Carolina’s labor force, women represented 58% of all unemployment claims filed in March and April.

Similarly, millennials, aged 25 to 34, have been hit harder and have accounted for more than one in four applications. The pandemic’s impact on this age group, which represents the largest cohort of homebuyers, will likely lead to a moderation in housing demand over the near-term. This has already come through in higher-frequency data at the county level, with home sales in the Triangle region declining 20.6% from year-ago levels in May.

As economic activity slowly normalizes over the coming months, the state’s healthcare and life sciences sector stands North Carolina in good stead to see a gradual resurgence in business investment. Already, several projects were announced over the last few weeks including investments by healthcare companies Grail Inc. and Grifols Therapeutic, which are expected to bring $100 million and $352 million, respectively, into the state. Drug company Eli Lilly, which earlier in the year had announced a near-$500 million investment in the state’s Research Triangle Park, is also at the cutting edge of coronavirus research, and recently reported the start of clinical trials for antibody treatments.
Lower South Atlantic (SC, FL)

South Carolina: Aggressively reopening as infections surge

With economic growth of 3.0% in 2019 and the unemployment rate at an historical low, momentum was headed in the right direction in the Palmetto State before the pandemic hit. Nonetheless, job losses have tallied nearly 215,000 (-9.2%) since February, while the unemployment rate soared to a record high of 12.8% in April (from 2.5% in February), before edging slightly lower to 12.5% in May. Despite this large increase, South Carolina’s unemployment rate was not held down by people dropping out of the workforce as has been the case in other southern states. In fact, the state’s labor force participation rate has increased by 0.5 percentage points since February.

More than 615,000 people applied for unemployment benefits in South Carolina since mid-March, representing about 26% of the labor force. While South Carolina’s experience has generally been on par with the nation’s, it has fared better than its regional peers. In this regard, the state’s aggressive reopening timeline likely contributed to soften the pandemic’s impact on its economy. Indeed, South Carolina implemented one of the shortest stay-at-home orders across the country at 20 days and was the first state on the East Coast to reopen its economy. Notably, it allowed retail stores to reopen under limited capacity as early as April 20th.

High-frequency indicators on mobility trends have already recovered to their pre-pandemic levels, reflecting these early openings (Chart 10). Meanwhile, the number of confirmed coronavirus cases across the state, which had previously remained manageable, has risen sharply in recent weeks (Chart 11). While these developments constitute a downside risk, it remains to be seen whether officials are willing to mandate a renewed lockdown.

Rising infection rates are not the only challenge the Palmetto State will have to face as it reboots its economy. Its large manufacturing sector, which accounts for about 17% of the state’s annual economic output, is contending with decreased efficiency and higher operating costs resulting from new safety protocols. Disruptions across integrated supply-chains have also continued to persist, as some factories are slow to reopen, while others are swamped with a surge in orders for high-demand items. An additional risk, tensions between the U.S. and China, South Carolina’s leading export destination, have come back to the forefront after a period of easing that culminated in the signing of the now threatened trade deal.

Depressed demand for air travel and a slower pace of recovery at the global level will also weigh on South Carolina’s export-driven economy. Aircraft, engines and related parts dominate South Carolina’s exports, and Boeing is one of the state’s largest employers. Airlines have already cancelled orders for new aircrafts, and Boeing has announced thousands of layoffs. This will weigh on the state’s manufacturing sector in the coming quarters.

All in all, real GDP growth is expected to contract by 4.0% in South Carolina in 2020, before rebounding by 4.4% in 2021.
Florida: Soaring infections cloud the outlook

Only a few months ago, Florida’s economy was expected to lead the East Coast over the next two years. The pandemic has dashed those hopes, as the state’s dependence on tourism is expected to drive a 4.7% contraction in 2020 and restrain the recovery to 4.0% in 2021. The Sunshine State has lost 1.9 million jobs through May, and its unemployment rate has skyrocketed to an all-time high of 14.5%. Meanwhile, 2.8 million people have applied for unemployment benefits in the state since March 15th, representing 29% of its labor base.

The stage was set for the leisure and hospitality industry to take a big hit as countries closed their borders and shelter-in-place orders were mandated in most states by late March. Sales of hotel rooms in Florida were about 60% lower than a year ago on average from March to May, prompting a giant wave of layoffs in the industry. 37.5% of the jobs lost since the onset of the crisis have been in the accommodation and food services industry. As the state reopens, hotel occupancy rates have improved from the mid-teens in April to the mid-forties by the end of May.

However, an acceleration in the number of new coronavirus cases over the last few weeks puts these gains at risk. While Florida had initially managed to limit the spread of the virus, thanks to its low density and early adoption of physical distancing by its population, infections started to accelerate in early June (Chart 12). Despite this, state authorities have indicated no intention of reintroducing restrictions on activity thus far, but will not oppose decisions by local governments to enforce mandatory mask rules.

Even without shutdowns, high infection rates could weigh on consumer spending and business investment due to uncertainty. As illustrated by Apple’s recent decision to close retail locations throughout several southern states, private businesses might also opt to shut down, which would weigh on activity. It could also lead travelers to remain cautious of visiting Florida. International travel to Florida was already declining prior to the pandemic, and while domestic tourism continued to make headway in recent years, we estimate that it would need to grow by 10% to 15% to compensate for the fall in international tourism and spending (Chart 13).

Theme parks, which are starting to reopen, are also at risk of seeing a slower-than-anticipated pick-up in activity due to rising coronavirus cases. Traffic at Universal Studio, which reopened in early June, has so far been slow. Meanwhile, the focus will turn to Walt Disney World which is set to reopen in mid-July.

As travel and tourism tries to find a footing over the next few years, Florida can count on a few bright spots that could help support economic growth. As we noted in a recent report, the pandemic could accelerate interstate migration trends in favor of less densely populated and more tax-friendly states. With its pleasant climate and no personal income taxes, Florida could stand to benefit from such an acceleration. The state will also be able to rely on a few industries that have continued to show signs of growth in the face of the crisis. These include Florida’s booming aerospace industry and pharmaceutical, medicine and medical devices manufacturing.
TD State Forecasts

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<tr>
<th>Region</th>
<th>Real GDP (% Chg.)</th>
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<th>Unemployment Rate (average, %)</th>
<th>Home Prices (% Chg.)</th>
<th>Population (% Chg.)</th>
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<td>1.9</td>
<td>-5.2</td>
</tr>
<tr>
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Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at June 2020.

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