

State Economic Forecast

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New England

- New England's economy had a solid start to the year, with the regional unemployment rate falling by half a percentage point over the past three months. However, there has been a noted cooldown in hiring in most states in the region in recent months, and we expect that the unemployment rate will rise gradually this year as the pace of economic growth slows from 1.9% in 2022 to 1.2% in 2023. Home prices are expected to decline in the second half of this year, with tight supply conditions keeping declines below the national average.

Middle Atlantic

- Growth has moderated in the Middle Atlantic economy so far in 2023, as a slowdown in New York weighs on the region. Real GDP growth is expected to decelerate to 1.3% this year, roughly tracking the national average. Slowing aggregate demand is expected to put upward pressure on the unemployment rate as the pace of hiring cools. Despite a resilient start to 2023 for the housing market, prices are expected to decline this year as the labor market slows.

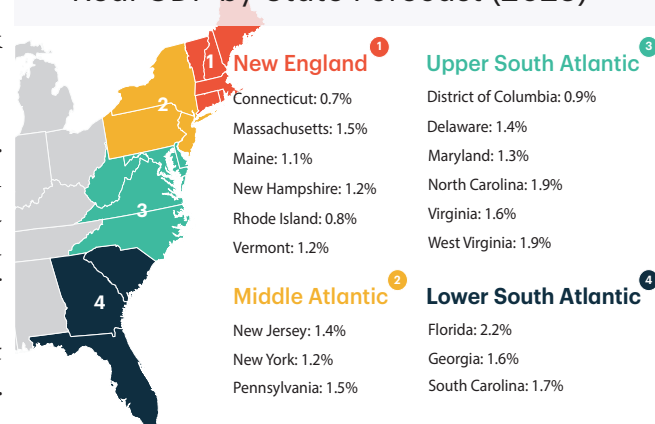
Upper South Atlantic

- Growth in the Upper South Atlantic region is expected to ease to 1.6% this year, as past rate hikes continue to filter through the economy. With the exception of D.C., state labor markets remain relatively tight so far, but are projected to loosen later this year as hiring slows to 1.7% from 3.4% in 2022. Home prices growth has found some footing recently amidst a tight inventory backdrop, but should eventually give back some ground alongside the expected deterioration in the labor market. We expect home prices in the region to decline by 3.3% next year – a slightly more pronounced pullback than nationally.

Lower South Atlantic

- The Lower South Atlantic economy has more gas in the tank – a theme highlighted by stronger hiring demand than nationally. However, signs of slowdown are evident, with employment growth recently falling more in line with the nation. Slower job growth will be accompanied by an upward trek in unemployment rates starting later this year. But a new Florida law that's likely to limit the participation of undocumented workers in the labor market could work against the grain over the near-term. Overall, the region's economic expansion is expected to slow to 2.0% this year as the impact of past interest rate hikes becomes more binding. This is still above the U.S. pace but a clear deceleration from 3.4% in 2022.

Real GDP by State Forecast (2023)



Source: TD Economics. Forecast as of June 2023.

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

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

Connecticut: Labor Force Declines Persist

Connecticut's economy has slowed gradually in recent months as the goods sector continues to bend under the weight of higher interest rates and the service sector begins to follow suit. Real GDP growth is expected to fall from 2.5% last year to 0.7% in 2023, and 0.6% in 2024.

After staging a rebound late last year, house price growth in Connecticut picked up the pace in recent months. Like most states, exceedingly low supply levels are keeping prices elevated and further exacerbating affordability challenges. We expect that the slowing economy will prompt housing prices in Connecticut to fall by 2.2% in 2024, with persistent supply shortages keeping declines below that seen at the national level.

The labor market is also facing acute supply challenges. The labor force participation rate has fallen by nearly 2 percentage points over the past year (Chart 1), with declines accelerating in recent months. It now sits at its lowest level in 46 years (excluding the early pandemic low). This has pushed Connecticut's labor force almost 2% below its pre-pandemic level. The unemployment rate (UR) has ticked down slightly in recent months, aided by a moderate rebound in job growth in May.

At the sector level, job losses have been recorded in the goods sector for three consecutive months, with construction and manufacturing employment down 2.0% and 0.9% respectively so far in 2023. However, manufacturing is expected to get a boost from the defense industry, with Electric Boat (submarines) expected to hire 5,750 new workers this year. The service sector has been more mixed, with financial services seeing the highest job losses of any

subsector (goods or services) over the past year (-3.3%). In contrast, other service subsectors like professional & business services, health care, and leisure & hospitality have underpinned headline job growth. Although hiring in these sectors has begun to cool in recent months. For 2023, we expect that further cooling will push the unemployment rate up to average 4.1% for the year.

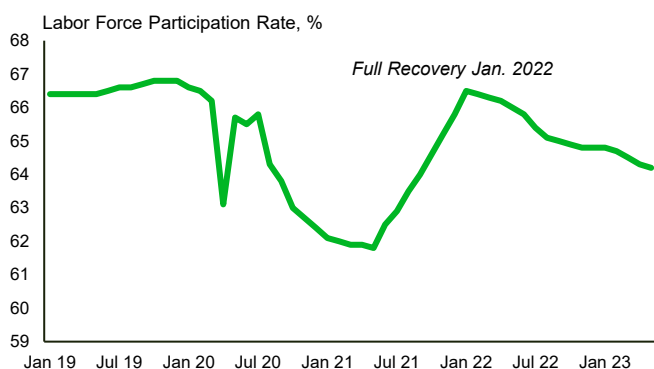
In terms of the longer-term picture, there have been some positive developments over the past few months, including the start of construction on the \$925 million Norwalk River Railroad (Walk) Bridge replacement project, updating the nearly 130-year-old section of the Northeast Corridor. In addition, Yale and UConn have recently announced their intention to jointly compete for a \$160 million award from the federal government to develop a regional research hub for quantum technology.

Massachusetts: Health Care Anchoring Resilience

Economic growth in the Bay State accelerated at the end of 2022, handing off a solid start to 2023. Although this near-term strength is expected to ease over the second half of this year, the prevalence of the health sector will provide some insulation from the broader decline in economic activity. We expect that real GDP will slow to 1.5% in 2023 and 1.0% in 2024.

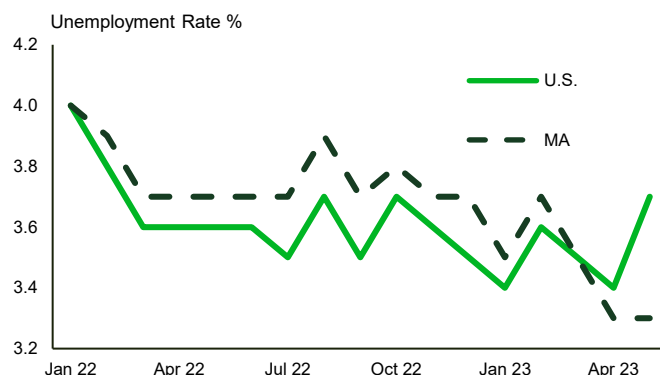
House prices in Massachusetts saw the largest declines in the Northeast during the second half of last year. Moving into 2023, prices have seen a moderate rebound through April, although it has lagged most of its regional peers. We expect that prices will fall by 0.2% this year and 2.9% in 2024.

Chart 1: Connecticut's Participation Rate Reversing Post-Pandemic Recovery



Note: Last observation is May 2023. Source: U.S. Bureau of Labor Statistics, TD Economics.

Chart 2: Massachusetts' UR Has Dropped Sharply in 2023, Lowest Since Onset of Pandemic



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

The unemployment rate (UR) in Massachusetts declined sharply to its lowest level of the post-pandemic period in May, hitting 2.8% and returning to its pre-pandemic level (Chart 2). This was made possible by employment growing slightly faster than the national average over the first five months of 2023. A modest uptick in the labor force at the start of the year likely aided job growth, although it was ultimately short-lived, and the labor force remains 0.8% lower relative to the year-ago level. Looking ahead, we expect that the Bay State's UR will rise to average 3.2% this year and 3.9% in 2024.

Employment growth in the goods sector over the past year has varied by subsector, with construction job growth well above the national average (4.1% vs. 2.5%), but manufacturing jobs only rising by 0.3%, well below the national gain of 1.5%. In recent months, construction job growth has remained solid, while manufacturing has begun to slow again after a brief rebound at the start of the year. The service sector has been supported by robust job growth in the health sector, with 30% of all jobs added this year coming from the sector. Most other important service sectors have seen job growth slow in recent months, including professional & business services, leisure & hospitality, and retail trade.

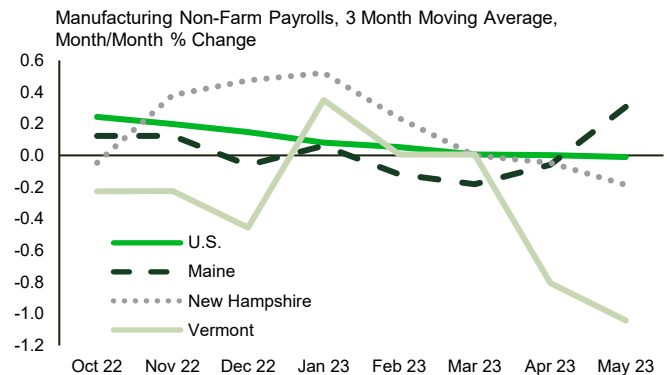
Despite the overall strength in Massachusetts' health sector, layoffs in the state's biotech industry have continued, with over 700 new layoffs announced in the past three months. In the interest of stemming these losses, Governor Healey announced at the end of May an allocation of \$24.4 million in tax incentives for 43 life sciences companies to create 1,584 new jobs.

New Hampshire, Maine, Vermont: Unemployment Rates Continue to Tick Lower

The northern tri-state region of New England saw below average real GDP growth in the first half of last year but has more recently grown at or slightly above the national rate of growth. In 2023, we expect New Hampshire to grow by 1.2%, Maine by 1.1%, and Vermont by 1.2%.

Since the start of the year, seasonally adjusted house prices in Maine and New Hampshire have risen faster than the national average, while Vermont has seen slower growth. Low supply is a major factor in continued price growth in all three states, particularly in New Hampshire. In addition, it seems probable that domestic migration is continuing to influence price growth, as relative affordability differences between states remain. Looking ahead, we expect house prices in all three states to fall in the second half of

Chart 3: Manufacturing Job Growth Has Deviated in the Tri-State Area in Recent Months



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

2023, with Maine and Vermont seeing slightly larger declines on supply improvements.

In terms of employment, all three states have seen positive, albeit below-average, growth over the past three months, with New Hampshire up 0.3%, Vermont up 0.2%, and Maine up 0.1%. However, Maine has also seen the strongest labor force growth of the three so far in 2023, up 0.9%, closely followed by Vermont (+0.6%). In contrast, New Hampshire has seen notable declines in its labor force (-0.7%) owing to a drop in its labor force participation rate. Unemployment rates have declined materially since the start of the year, with New Hampshire down a full percentage point (ppts) to 1.9%, Vermont down 0.9 percentage points to 2.1% and Maine down 0.7 ppts to 2.4%. For 2023, we expect all three states to see upticks in their unemployment rates as economic growth slows, with New Hampshire rising to average 2.3%, Vermont 2.5%, and Maine 2.8%.

At the industry level, manufacturing job growth was slowing in the tri-state area to start the year, but more recently trends have diverged with Maine rebounding and New Hampshire and Vermont declining (Chart 3). On the service-side, Maine has done worse, with most service sectors seeing job losses since the start of the year. New Hampshire has fared slightly better, with professional & business services leading, but health care and leisure & hospitality have seen job losses over the past three months. In Vermont leisure & hospitality job growth has increased sharply as the summer travel season kicks off, which in addition to strong job gains from the government has underpinned the state's job growth this year.

Middle Atlantic (NJ, NY, PA)

New Jersey: Accommodations & Food Service Jobs Return to Pre-Pandemic Level

The Garden State economy has tracked the national closely over the past year, supported by notable strength in its service sectors. We expect New Jersey to continue to grow in-step with the national rate, with real GDP expected to grow by 1.4% in 2023 before slowing to 0.8% in 2024.

Employment gains have been solid over the first five months of the year, growing in-step with the national average at 0.9%. A 0.2 percentage points (ppts) rise in the unemployment rate to 3.6% has been driven by impressive labor force growth. This is the result of both a strong uptick in labor force participation and a rebound in immigration last year. We expect that the unemployment rate will rise gradually to average 3.7% in 2023, and 4.4% in 2024.

Jobs gains over the past year have been dominated by the health care, education, and leisure & hospitality sectors, which collectively have accounted for over 75% of all net jobs added - notably higher than the national average of roughly 50%. In 2023, leisure & hospitality increased its individual share to 31% of all net jobs added as employment in accommodations & food services returned to its pre-pandemic level. In contrast, the goods sectors have performed worse than the national average, with construction and manufacturing both down 0.5% over the past three months. This is likely partially driven by the slowdown in nearby New York, although the cooling in global goods demand is expected to weigh on both states.

White-collar layoffs have continued in the Garden State in recent months, with Meta and Amazon laying off over 200 employees in recent months. In addition, after filing for

bankruptcy in April, Bed, Bath, & Beyond closed its corporate headquarters in Union, resulting in just under 1,300 layoffs. Elevated interest rates are expected to continue to weigh on New Jersey businesses over the coming months, leading to slower employment growth and more job losses.

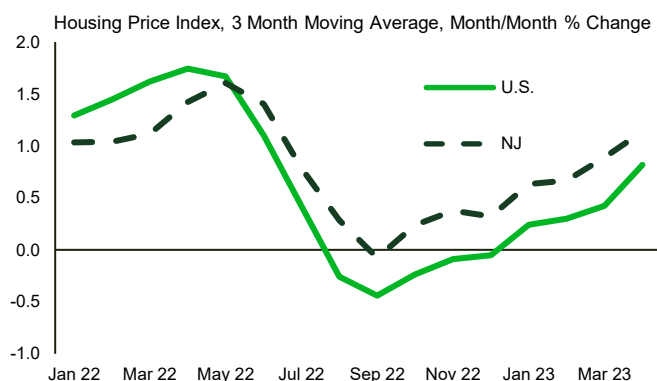
With a backdrop of solid employment and income growth so far this year, house price gains in New Jersey have outpaced the region in the first four months of 2023 – up 3.6% (Chart 4) and ranking third in the nation. However, as the job market weakens, we expect that prices will begin to fall in the second half of this year and into next year, resulting in a 2.7% decline in 2024.

New York: Economic Slowdown Taking Hold

Economic activity in New York State has begun to slow as interest rates weigh on the high growth industries of New York City (finance, technology, etc.) and slowing global goods demand weighs on the manufacturing and trade & logistics sectors. We expect that real GDP growth will trail the national average in 2023, rising by 1.2%, before roughly converging in 2024 at 0.7%.

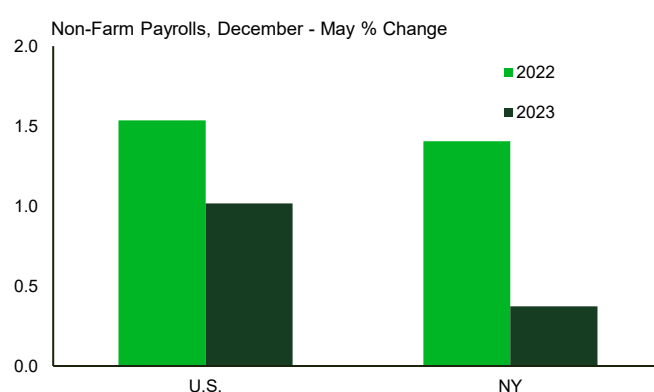
Job growth in the Empire State has had a poor start to the year, rising by a tepid 0.4% while the nation has seen payrolls grow by 1.0% (Chart 5). The state continues to struggle with domestic migration outflows, which have slowed relative to the 2021 but remain elevated, which is expected to weigh on longer-term growth prospects. On a more positive note, the labor force participation rate has risen steadily since the start of the year, with notable strength seen in New York City, and has pushed the labor force up 0.8% so far in 2023, although that remains slightly below the national average. The unemployment rate has declined

Chart 4: Housing Price Growth in NJ Accelerated Into 2023



Source: S&P CoreLogic, TD Economics.

Chart 5: Job Growth Slowing More In NY Than At the National Level



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

slightly to 3.9%, bringing it back within 0.2 ppts of its previous cycle low. Moving forward, we expect slowing economic growth to push the unemployment rate up to average 4.3% this year.

At the industry level, New York saw a notable outperformance in its service sectors over the past year as it catches up from a delayed pandemic recovery. However, recent developments have been decidedly negative. Since the start of the year, 11 out of 16 employment sectors have lost jobs compared to 1 out of 16 at the national level. Declines in employment have been concentrated in manufacturing, construction, trade & logistics, and financial services. Despite the aggregate slowdown, construction is expected to get some partial support from previously announced federal and state infrastructure investments, and construction of the new Buffalo Bills stadium. On the services side, the picture has been slightly better for health care and leisure & hospitality which have both seen above average growth this year, with the latter getting support from the rebound in international tourism.

Given challenges in the job market, it is not surprising that house prices declined for seven consecutive months, until a 0.3% month-on-month increase in April. Prices are down 1.1% year-on-year, aided in part by a gradual recovery in supply. This has made New York an outlier among its regional peers, as it is the only state east of Colorado to see housing prices below their year-ago level. Looking ahead, we expect prices to continue to trend downward by 2.8% in 2023 and 2.5% in 2024.

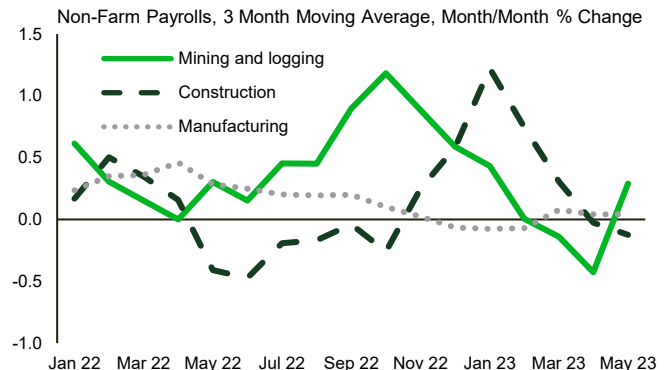
Pennsylvania: Unemployment Rate Falls to a Record Low

Pennsylvania's economy has kept pace with the national in recent months as the effects of falling natural gas prices on the state's economy has been offset by robust service sector strength. In 2023, we expect that Pennsylvania's real GDP will grow by 1.5%, before slowing further to 0.7% in 2024.

Housing price growth in the Keystone State stalled at the end of last year, before accelerating into 2023 and following the national trend closely. Supply levels remain very tight and residential construction slowed in 2022, which is expected to keep a floor under price declines. However, we still expect housing prices to fall in the second half of this year before sliding by 3.1% in 2024.

Employment growth in Pennsylvania has been steady in recent months, rising by 0.8% in the first five months of the year. Job gains in Philadelphia have been particularly

Chart 6: PA's Goods Sectors Slowing Into 2023, Mining & Logging Rebounded in April



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

strong, rising by 1.6% over the same period and putting its post-pandemic employment recovery nearly a full percentage point higher than the state as a whole. The unemployment rate fell to 4.0% in May, its lowest level on record going back almost fifty years. Moving forward, we expect the unemployment rate to rise gradually over the second half of this year, averaging 4.3% in 2023.

Pennsylvania's goods sectors have seen interesting developments over the past year, with employment in mining & logging and construction both seeing outsized spikes during the second half of 2022 (Chart 6). More recently both sectors have seen notable cooldowns from these spikes, but mining & logging began to pick up again in April. The relatively larger manufacturing sector cooled more gradually throughout last year and has seen modest job losses in 7 of the past 8 months. On the services side of the economy, Pennsylvania's largest employment sectors, health care and professional & business services, have both seen job growth roughly on par with the nation in recent months. The leisure & hospitality sector has seen considerable job growth in recent months, outpacing the national average in 2023 by a roughly a full percentage point.

The Keystone State has also seen a handful of recent investment announcements from companies like EMD Electronics (semiconductor specialty gasses), Re:Build Manufacturing (industrial equipment), and Purolite (pharmaceutical materials), which collectively plan to invest \$571 million and create up to 675 new jobs in the coming years.

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

Delaware: A Slower Period Ahead

The First State economy continues to chug along at a decent clip. Employment growth picked up steam in the first half of this year, outperforming the U.S. average. This allowed the unemployment rate, which fell to 4.2% recently, to resume its downward trend. A confluence of factors – among these a job openings rate that remains above the national rate – suggest that the state economy has more gas in the tank. That said, as the impact of past interest rate hikes becomes more binding, we anticipate some deterioration in the labor market starting later this year. Alongside a slower employment backdrop, economic growth will slow too, with state growth projected at 1.4% this year from 2.1% in 2022.

Healthcare and leisure & hospitality have accounted for roughly half of job gains so far this year. These sectors are poised for additional gains. Healthcare is supported by a strong demographic profile. A fifth of the state's population is above the age of 65 – a higher share than neighboring states and the nation. Moreover, part of the strong domestic migration inflows are retirees, enticed by the state's coastal location and other factor, such as no state sales tax, etc. Tourism, meanwhile, looks set to have another solid summer, with the state tourism office corroborating a solid outlook for hotel and rental bookings. In this vein, employment in leisure & hospitality, which only recently surpassed its pre-pandemic peak, should rise a bit further in the months ahead. Later this year, however, gains will be harder to come by, with a slowing regional and national economy to take some of the wind out of the sales of discretionary spending. Further gains will also be harder to come by in transportation & warehousing. Payrolls in the latter are up 54% from the pre-pandemic period, the stron-

gest showing across states, but reflect a more moderate hiring pace recently.

The housing market outlook is mixed. The month's supply of inventory sat at 2.1 in April, showing that the market is still drum tight. As such, after a brief decline at the turn of the year, home prices were back on the rise in the March-April period. With interest rates back to much higher levels recently and an expected slowdown in employment growth, we believe home price growth will soon resume a more sluggish pace. Strong population growth and the fact that homebuilders in the state are remaining cautious will nonetheless help limit the downside (Chart 7). All in all, we anticipate home prices to fall at a below-average clip of 2.3 on an annual basis next year.

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

The DMV region exhibits a mixed economic profile. It still lags the nation on the employment recovery, weighed down by an underperformance in D.C. and Maryland (Md.), with payrolls in the latter down 3.5% and 1.3% respectively from pre-pandemic level. Virginia (Va.) is further along (+1.4%), but still behind the nation (+2.5%). Recent gains have been sufficient to drive the unemployment rate lower in Md. and Va., but the D.C.'s rate has been on the rise, coming in at 5.1% in May. This is partly due to a divergence between payrolls and household employment. The former is up a decent 0.8% since December, but the latter (which is used in calculating the jobless rate) is up only 0.1%. On a more positive note, the ratio of job openings to unemployed workers remains above the national rate across all three, reinforcing the view for additional job gains in the months ahead.

With time, however, past interest rate increases will become more binding and are expected to weigh on the regional economy through a variety of channels. Consumer-related industries, including housing, are likely to remain in the crosshairs. Student loan forbearance ends soon, with the restart of payments in October likely to weigh particularly in this region. Its population, and especially D.C.'s, is generally more exposed on this front, both in the prevalence of student loans and loan sizes (Chart 8). However, a heavy presence of the government sector should lend some stability. Numerous federal agencies, many offering above-average salaries, operate in the region and are a boon to the local economy. The remote working trend continues to weigh heavily on D.C.'s economy. But the White House

Chart 7: Delaware Homebuilders Ease on the Accelerator, Despite Persistent Market Tightness

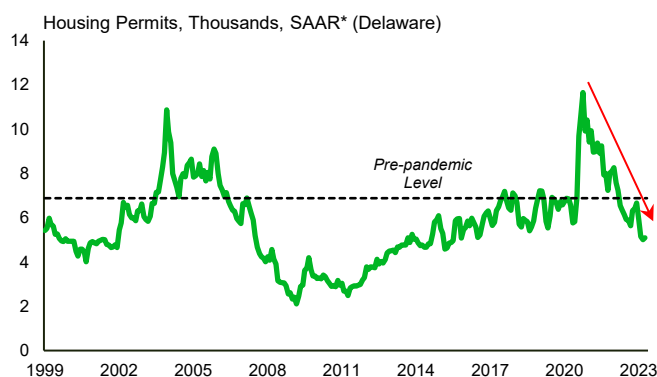
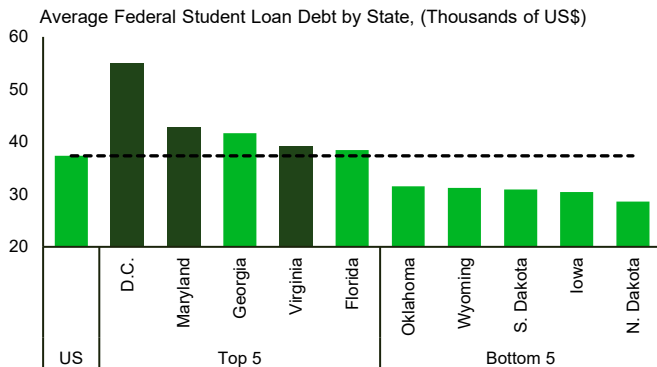


Chart 8: DMV Residents Carry Above-average Student Loan Debt



Source: Educationdata.org, TD Economics.

recently asked agencies to step up workers' return to offices, which should help boost sectors such as retail and leisure & hospitality.

Turning to housing, home sales are down 30-35% from year-ago levels. But because markets are still tight – the months' supply of inventory stood at 1.2 in Md. and 1.6 in Va. in April – home price growth has shifted back into shallow positive territory. An expected deterioration in the labor market into next year, with unemployment rates to peak at a little over 6% in D.C. and just above 4% in Md. and Va., is a major headwind, and sluggish home price growth is likely to make a comeback.

All told, we expect a moderate economic performance for the region this year, with Va. and Md. projected to grow at 1.6% and 1.3% respectively – not far off the 1.5% U.S. rate. The District is likely to trail behind, with growth at just shy of 1% this year.

North Carolina: Some More Gas in the Tank

The Tar Heel state economy is expected to outpace the nation despite a slowing backdrop, as healthy investments in manufacturing and ongoing migration to the state drive GDP growth of 1.9% this year and 1.4% next.

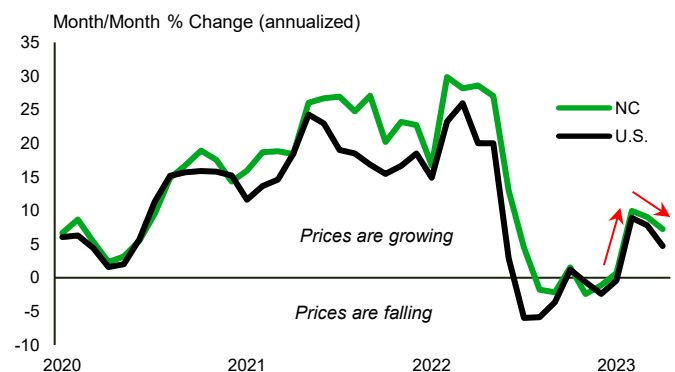
North Carolina is benefiting from an upturn in manufacturing investments in semiconductors and electric vehicles. Recent examples include expansions at Bosch, Energizer, 'alpitronic Americas' (EV), Atom Power (EV), Siemens Mobility, totaling some 1500 jobs combined. Moreover, several billions of dollars in investments in the semiconductor and auto/EV space from VinFast, Toyota and Wolfspeed, are poised to generate thousands of jobs in the years ahead. The state's pharmaceutical industry also has several green shoots.

Following in the footsteps of notable expansions from Thermo Fisher and Amgen last year, Eli Lilly recently announced that it will invest an additional \$450M to expand its manufacturing capacity in the Research Triangle Park. Meanwhile, Abzena is building a new \$213M manufacturing facility in Lee County, which is expected to create over 300 jobs.

The state's labor market remains relatively tight as the unemployment rate has headed lower once again, falling from 3.9% in November to 3.4% in May. The number of job openings per unemployed workers is also 2.0, versus 1.8 nationally. The decline in the unemployment rate is impressive given decent labor force growth over the last few months. However, job growth has eased recently as support from previously strong sectors, like finance & insurance and logistics, has waned. Nonetheless, sectors such as healthcare, accommodation, and professional & tech services are providing decent support.

Against this solid backdrop, North Carolina's housing market remains tight, with the months' supply of inventory sitting at 3.2 in April. Sales activity is still down in the double digits from last year's level. That said, the tight environment led to a reacceleration in home price growth (Chart 9). With more domestic migrants continuing to move to North Carolina, the state needs more homes. Builders have responded by filing more permits in recent months. New supply will be welcome given stretched affordability, and should work in favor of easing price pressures. Combined with a moderation in the labor market staring later this year, we expect home prices in the state to fall 3.7% in 2024 on an annual average basis – a slightly more pronounced decline than nationally.

Chart 9: North Carolina Home Price Growth Recorded an Improvement Earlier in the Year



Source: CoreLogic, TD Economics.

Lower South Atlantic (SC, FL)

South Carolina: Slower but Steady

South Carolina's economy is forecast to slow in 2023, but thanks to above-average population growth and a healthy slate of long-term investments in the manufacturing sector, it should continue to outpace the nation, with real GDP set to advance at 1.7% this year and 1.1% next.

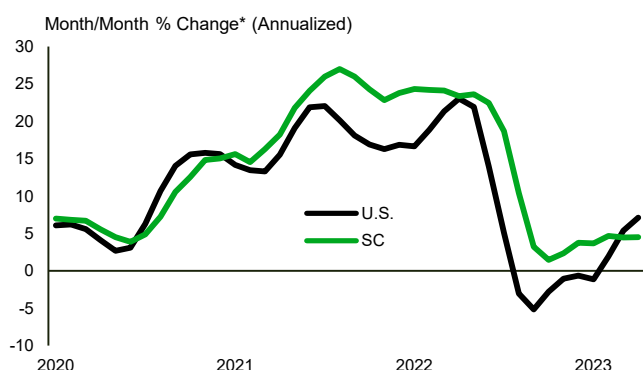
Given a stronger growth backdrop so far, South Carolina's housing market has cooled less than the country as a whole in the face of the higher rate environment (Chart 10). That said, signs of softness are still evident. Sales activity is still down at a double digit pace from last year's level (-12.5% in May), and homes are spending more time on the market (64 days, up 20 from a year ago). Homebuilders, meanwhile, have eased off the accelerator, with residential permits falling by a quarter from their pandemic peak. South Carolina recorded an above-average decline in affordability during the pandemic. We believe that part of some expect-

ed improvement and return of affordability closer to its long-term average will have to come from an underperformance in price growth. We expect home prices in the state to give back some moderate ground over the next few quarters, falling by close to 4% next year, alongside a cooling in the labor market. Student loan repayments start up again in October, which is likely to further crimp demand from first-time homebuyers, although the biggest impact will be on consumption.

So far demand for workers in the Palmetto state has remained strong. Job openings are up 60% compared to the pre-pandemic period, relative to +40% nationally. The unemployment rate has headed lower, a trend made more impressive by strong labor force growth recently (Chart 11). However, the latest job gains have been uneven across industries. Payrolls in wholesale trade, retail, and manufacturing have moved mostly sideways over the last several months. While transportation (the state's best employment sector since the start of the pandemic) and healthcare have added workers, close to a third of job gains this year have been in leisure & hospitality. South Carolina's tourism industry is tilted towards domestic travelers, which combined with a more resilient southeast economy, has been a boon. The sector has more room for improvement in the months ahead, but eventually a slowing regional and state economy are expected to take a toll. The state's unemployment rate is expected to trek higher starting late this year, peaking at around 4.4% in late 2024.

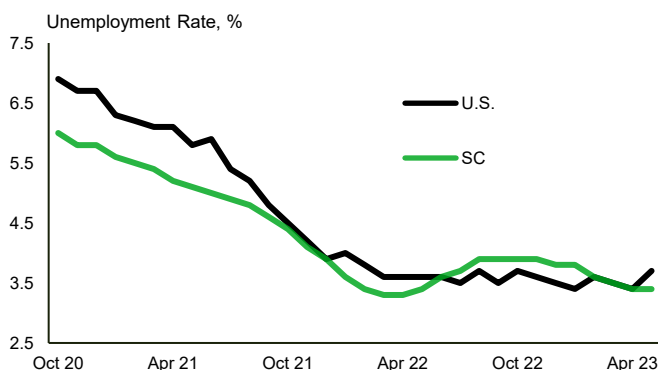
The manufacturing sector faces some headwinds broadly speaking, but South Carolina has scope for some outperformance in the quarters ahead. Part of this has to do with the massive investments coming to the state, especially in the electric vehicle (EV) space. Long-term commitments from firms such as BMW, Envision AESC, Redwood Materials and Scout Motors, total over \$8 billion. Smaller-scale expansions in the manufacturing space remain plentiful too, with those at BorgWarner, Cirba Solutions, Xerxes that total 500 jobs, marking a few recent examples. Meanwhile, Boeing has a rich backlog of aircraft orders and has increased its production – going from three Dreamliner jets a month to four recently, and aiming for five a month by the end of the year – an added positive development for the sector.

Chart 10: Home Price Growth in South Carolina Continues at a More Measured Pace



Source: CoreLogic, TD Economics. *3-month annualized.

Chart 11: South Carolina's Unemployment Rate Continues to Trend Lower



Source: BLS, TD Economics.

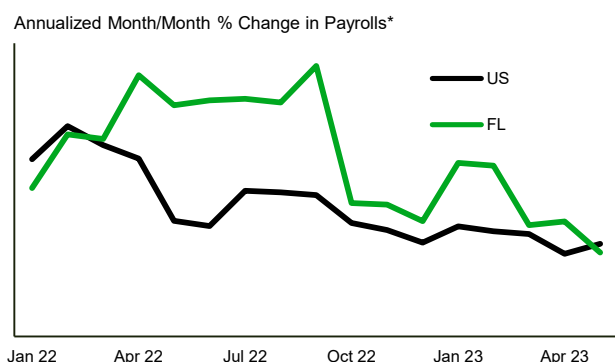
Florida: Potential Potholes as Growth Slows

Florida's economy outperformed the nation during the pandemic, with activity up 11% from the end of 2019 to 2022 – more than double the 5% increase recorded nationally. A much stronger demographic profile will help the state keep an edge over the nation over the next two years, but the outperformance gap is expected to shrink as growth in the Sunshine state shifts into lower gear.

Signs of a slowdown are evident, with employment growth shifting more in line with the national pace recently (Chart 12). Roughly 60% of job gains so far this year have been concentrated in healthcare and accommodation. Meanwhile, payrolls have trended lower in sectors such as construction and information. Despite the recent slowdown, businesses in the state remain very much in hiring mode, with about 2.4 job openings for every unemployed worker in March – higher than 1.7-1.8 nationally. Ongoing expansion plans, especially in the health care space, corroborate the positive narrative. As an example, Enhance Health, Versea Health, UHealth, look to add 1,300 new jobs combined.

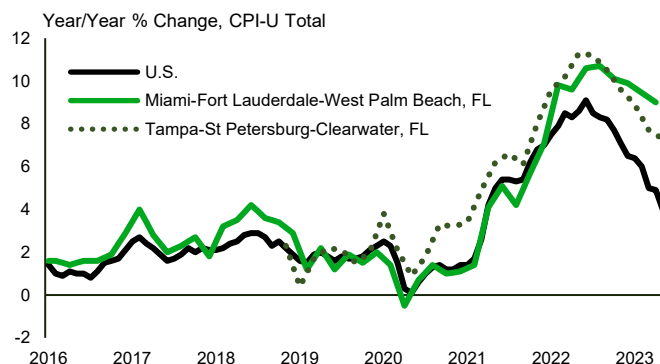
Similar to the national profile, we anticipate some deterioration in the labor market ahead, with a slower economic backdrop to put some upward pressure on the unemployment rate. However, over the near-term, the challenges for Florida will continue to center on labor supply. The unemployment rate stands at 2.6% – only a hair above 2.4% all-time low at the start of 2006. Strong population growth will continue to lend a hand by adding more workers to the market. However, a new state law coming into effect next month, which will make it more difficult for undocumented immigrants to work in the state – i.e., businesses with at least 25 workers must use E-verify to check employment eligibility for new hires or face steep penalties – could compound labor supply challenges.

Chart 12: Hiring Pace Cooling in Florida, but Sunshine State Keeps Slight Edge Over the Nation



Source: BLS, TD Economics. *Seasonally adjusted, 3-month moving average.

Chart 13: Inflation in Large Florida Metros is Running Ahead of the U.S.



Source: BLS, TD Economics.

Estimates from before the pandemic suggest that unauthorized immigrants made up around 5% of the state labor force (see [here](#)). Industries such as agriculture, construction, and accommodation, tend to be more exposed on this front. Losing access to part of this labor force will force businesses to boost compensation to attract other workers to help fill in the void. Such changes, however, take time, having the potential for significant disruptions over the near-term. Moreover, while higher wages will be a boon for those able to secure a job, businesses are likely to offload at least part of the added labor costs through higher prices. This would come at a time when inflation in key parts of the state continues to run well ahead of the national average, likely taking a toll on consumer spending (Chart 13). If this new law encourages undocumented workers and their families to move out of state, it could further crimp labor supply and hit consumption and housing demand.

Speaking of housing and real estate, reconstruction efforts continue in the Ft. Myers and other areas affected by the Hurricane Ian. Home sales in the state remain at low levels (-20% y/y in April), but prices appear to be turning around amidst a tight inventory backdrop. That said, housing affordability remains near multidecade lows, discounting the potential for a quick turnaround in housing, with more sluggishness likely in the cards once the labor market cools further ahead. A recent \$700M state initiative should help boost the supply of affordable housing in the years ahead.

Overall, we anticipate growth in the Sunshine state will slow from 4.4% last year to 2.2% this year. The state's recent budget is about \$7B larger than the year prior, which should provide some support. Recent legal changes regarding unauthorized immigrants generate some uncertainty with respect to the outlook, and are one area that we'll need to keep a close eye on.

TD State Forecasts															
States	Real GDP			Employment			Unemployment Rate			Home Prices			Population		
	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
National	2.1	1.5	0.8	4.3	2.2	0.0	3.6	3.6	4.3	14.8	0.7	-3.1	0.4	0.5	0.5
New England	1.9	1.2	0.8	3.6	1.8	-0.2	3.6	3.3	4.0	11.7	1.4	-2.8	0.1	0.1	0.2
Connecticut	2.4	0.7	0.6	3.1	1.2	-0.5	4.2	4.1	4.9	11.5	2.4	-2.2	0.1	0.2	0.2
Massachusetts	2.0	1.5	1.0	4.1	2.3	0.1	3.8	3.2	3.9	9.9	-0.2	-2.9	-0.1	-0.1	0.1
Maine	1.8	1.1	0.6	2.5	1.3	-0.2	2.9	2.8	3.6	15.3	3.9	-2.9	0.6	0.8	0.4
New Hampshire	0.0	1.2	0.7	3.6	2.1	-0.3	2.5	2.3	3.0	14.3	2.6	-3.0	0.6	0.6	0.5
Rhode Island	1.5	0.8	0.5	3.4	1.0	-0.4	3.2	3.3	4.2	12.6	2.1	-3.2	-0.3	-0.1	0.0
Vermont	2.8	1.2	0.5	3.0	1.7	-0.3	2.6	2.5	3.2	17.3	3.4	-3.0	0.0	0.1	0.0
Middle Atlantic	2.8	1.3	0.7	4.8	2.0	-0.1	4.1	4.2	5.0	9.8	-0.1	-2.7	-0.5	-0.2	0.0
New Jersey	2.6	1.4	0.8	5.2	2.2	0.1	3.7	3.7	4.4	12.5	3.5	-2.7	-0.1	0.2	0.3
New York	3.2	1.2	0.7	5.1	1.9	-0.3	4.3	4.3	5.3	8.1	-2.8	-2.5	-0.9	-0.5	-0.2
Pennsylvania	2.1	1.5	0.7	4.0	2.2	-0.1	4.4	4.3	5.1	10.9	1.6	-3.1	-0.3	-0.1	0.0
Upper South Atlantic	1.7	1.6	1.2	3.4	1.7	0.1	3.4	3.4	4.2	13.2	1.3	-3.3	0.5	0.7	0.7
District of Columbia	1.8	0.9	0.7	3.8	1.2	0.0	4.6	5.0	5.8	2.8	-0.7	-3.3	0.5	0.3	0.1
Delaware	2.1	1.4	1.3	4.1	2.4	0.2	4.5	4.5	5.1	13.4	1.8	-2.3	1.4	1.1	1.0
Maryland	0.0	1.3	1.0	2.3	1.3	-0.1	3.2	2.7	3.7	10.0	0.9	-2.8	-0.2	0.2	0.4
North Carolina	3.2	1.9	1.4	4.3	2.1	0.3	3.6	3.6	4.5	19.9	2.5	-3.7	1.3	1.2	1.2
Virginia	1.5	1.6	1.3	3.1	1.7	0.1	2.8	3.2	3.8	10.3	0.6	-3.2	0.3	0.5	0.6
West Virginia	0.4	1.9	0.5	2.2	0.4	-0.3	3.9	3.6	4.4	11.3	1.6	-3.0	-0.6	-0.4	-0.4
Lower South Atlantic	3.4	2.0	1.2	5.2	2.6	0.2	3.0	3.0	4.0	23.6	3.3	-3.8	1.7	1.4	1.4
Florida	4.0	2.2	1.3	5.7	2.9	0.2	2.9	2.8	3.8	25.6	3.3	-3.9	1.9	1.6	1.5
Georgia	2.8	1.6	1.0	4.5	1.9	0.0	3.0	3.3	4.3	19.2	2.9	-3.6	1.2	1.1	1.1
South Carolina	2.4	1.7	1.1	4.1	2.3	0.3	3.3	3.2	4.0	20.6	3.1	-3.7	1.7	1.3	1.2

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at June 2023.

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