TD Economics

State Economic Forecast

June 20, 2025

New England

The New England economy has begun to cool in 2025 as risks build on multiple fronts. Tourist inflows have slowed, federal research funding has seen cuts, and trade uncertainty is elevated. We expect real GDP growth to ease to 1.4% this year amid this backdrop. We have already seen the region's unemployment rate rise to its highest level since late 2021, with further upward pressure from slowing employment growth expected to push it to average 4.0% this year. However, reduced immigration could keep the labor market tighter than expected. As the economy eases this year, we expect home price growth to decelerate to 4.6% but remain above the national average as elevated interest rates keep supply conditions constrained.

Middle Atlantic

The Middle Atlantic region's sizeable trade & transportation sector benefitted from the sharp increase in imports in the first quarter, but with broad-based tariffs now in effect this trend has reversed course. We expect real GDP growth to decelerate to 1.4% in 2025, as elevated interest rates continue to weigh on the regional economy. This is expected to push the unemployment rate higher to average 4.4% this year. The region's housing market has also come under pressure in 2025, with price growth expected to moderate from 6.2% last year to 3.9% this year.

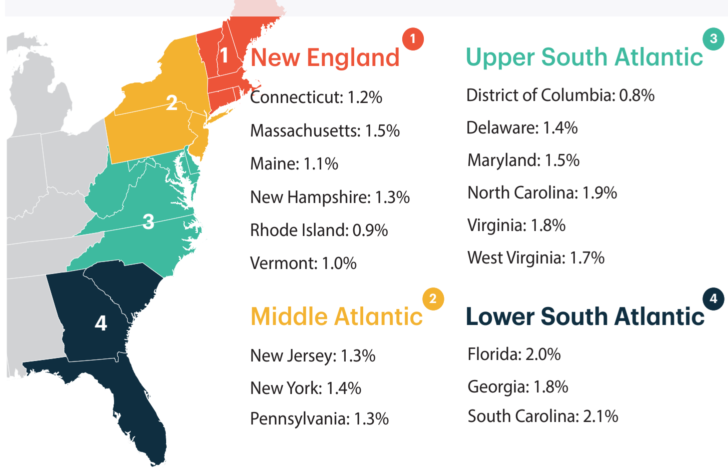
Upper South Atlantic

Economic activity in the Upper South Atlantic is expected to shift into lower gear this year, with growth forecasted at 1.7%. The slowdown will be accompanied by some softening in labor markets and continued weakness in housing markets, although tight inventory levels should keep some upward pressure on home prices across a few states. Growth performances within the region will vary. An elevated exposure to the federal government sector will weigh on DC, which is expected to grow at a tepid pace of 0.8%, and less so on Maryland (1.5%) and Virginia (1.8%). North Carolina should remain at the top of the regional leaderboard, but activity will slow there too (1.9%), as signs of cooling have already emerged.

Lower South Atlantic

The Lower South Atlantic's strong growth of 3.6% last year is unlikely to be repeated this year. A maturing economic cycle, coupled with several one-off factors, are set to slow the region's growth to an anticipated 2.0%. Signs that economic activity in Georgia has started 2025 on a soft note reinforce the notion that the state will continue to trail behind its neighbors this year. Growth is forecast to slow in Florida and South Carolina too, with the former experiencing weakness in its condo sector and expected to receive less support from tourism, while the latter feels the pinch from more protectionist trade policy. However, both should keep a modest edge over the nation, growing at forecasted rates of respectively 2.0% and 2.1%.

Real GDP by State Forecast (2025)



Source: TD Economics. Forecast as of June 2025.

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

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

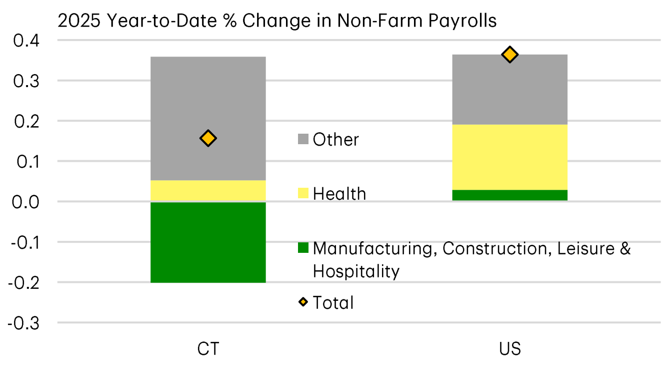
Connecticut: Trade Headwinds, Defense Tailwinds

Connecticut's economy has begun to see some preliminary signs of a cyclical slowing in 2025, with blue-collar sectors weakening under trade uncertainty, and white-collar sectors beginning to see indirect effects as well. The recent slowdown in the large financial activities sector is of particular concern, given the sector accounts for nearly 30% of GDP. On the other hand, federal investments in defense are expected to continue to aid the state, but Connecticut's real GDP growth is still expected to ease to 1.2% this year.

The labor market has cooled recently, with job losses pushing the unemployment rate half a point higher year-to-date. This was primarily driven by the 0.3% decline in employment through the first three months of the year, but a subsequent reversal in April slowed the upward trend in the unemployment rate. Despite the shift higher, the unemployment rate remains relatively low, still half a point below the nation. Looking ahead, we expect the unemployment rate to continue to rise to average 3.9% this year, before declining gradually through 2026.

Job losses have so far been concentrated in the manufacturing, construction, and leisure & hospitality sectors (Chart 1). Excluding these sectors, Connecticut's job growth would be on-par with the nation, but with a notably different composition. This is because health care job growth has been slowing in Connecticut, with white collar job growth carrying the torch thus far this year, the opposite of the national trend. Amid elevated trade policy uncertainty, we expect job growth to slow to 0.4% this

Chart 1: Connecticut Job Growth Notably Different Than Nation in 2025



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

year. However, we continue to see long-term investments in the defense sector, which are expected to support the state moving forward. This includes the recent $12.4 billion contract awarded to Electric Boat for two additional Virginia Class submarines and productivity/workforce investments. The latter of which could aid in easing existing production bottlenecks.

The housing market in Connecticut recorded exceptionally strong price growth coming into 2025, with limited supply keeping the market tight. Home prices have risen by 5.2% over the past six months, vastly exceeding the national average of 0.5%. Homebuilding activity picked up during this period, but has since slowed down, which will ultimately limit possible support from the new homes market. Moving forward we expect price growth to cool to 7.6% this year but remain solid as elevated financing costs continue to restrain the supply of existing homes in the market.

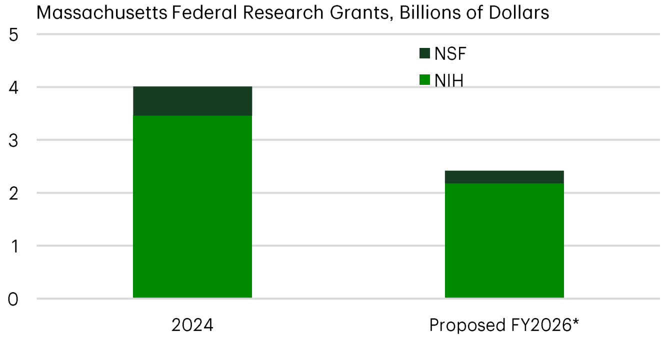
Massachusetts: Federal Funding Cuts Pose Material Risks to Outlook

The Bay State economy entered 2025 sporting formidable productivity-driven economic growth. This was largely thanks to its outsized technology and life science sectors, which benefited from easing financial conditions. Nearly six months later, the economy has shown clear signs of slowing as interest rates remain elevated and the state's key research & development sector contends with government funding cuts. For 2025, we expect the Bay State economy to grow 1.5%, before recovering to 2.2% next year.

Massachusetts' unemployment rate is half a point higher than it was at the end of last year, due to a combination of subdued employment gains and a pickup in labor force growth. With the administration tightening immigration standards, Massachusetts' labor force growth is likely to slow materially over the next year, as international migrants have played a notable role in the state's labor supply growth. However, it will be occurring at the same time as a cooling economy keeps labor demand soft, which is expected to gradually push the unemployment rate higher in 2025 before falling in 2026.

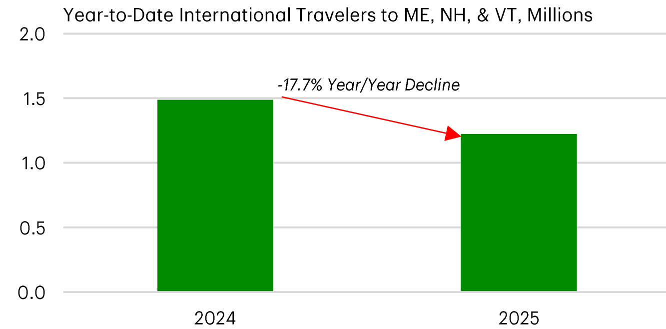
Most industries in Massachusetts have seen job growth stagnate so far this year, but four exceptions stand out. Health care payrolls have continued to grow at a steady pace, while the trade & transportation sector seems to have benefited from the significant increase in imports

Chart 2: MA Set to Lose 40% of Federal Research Grants



*Estimated based on uniform assumptions of proposed federal budget.
Source: White House, National Institute of Health, National Science Foundation, TD Economics.

Chart 3: Drop in International Visitors A Challenge for Region



Note: Data is for January to April 2025. Excludes cross-state international vists (i.e. via MA).
Source: U.S. Customs & Border Protection, TD Economics.

that occurred in the first quarter as consumers attempted to avoid tariffs. Elsewhere, the leisure & hospitality sector has seen layoffs, potentially related to slowing tourist inflows, while the education sector has been shedding jobs as well amid federal funding cuts. Looking ahead, there are additional downside risks in 2026, as proposed federal research funding cuts for fiscal-year 2026 could result in the state losing up to $1.6 billion, or roughly 40% of total National Institute of Health and National Science Foundation grants (Chart 2). This would be on top of the current cuts being implemented by the administration in 2025.

The Bay State housing market has continued to be defined by low supply, which has kept price growth a half step above the national average in recent months. However, affordability challenges have cooled price gains from the red-hot levels recorded by some of its New England peers. Combined with limited homebuilding activity, price growth is likely to remain somewhat elevated this year at 3.5%, although we expect it to continue to moderate moving into 2026.

New Hampshire, Maine, Vermont: Tourism Challenges Expected to Weigh

The northern tri-state region of New England had slowed early in 2025 as disruptions in the key trade and tourism sectors have weighed on the regional economy (Chart 3). For 2025 we expect real GDP to grow 1.3% in New Hampshire, as the state is the least exposed to these trends, but look for slower growth of 1.1% in Maine and 1.0% in Vermont.

Labor markets in all three states weakened through the first few months of the year, with job openings falling by nearly 20% year-to-date. Soft labor demand has led to below average job growth in all three states, which has continued to apply upward pressure to each state's unemployment rate in 2025. This has occurred even though all three states have seen weaker labor force participation in recent months, which has weighed on the supply of labor. For 2025, we expect unemployment rates to trend higher to average 3.6% in Maine, 3.1% in New Hampshire, and 2.7% in Vermont. Downside risks to labor supply from slower international migration could keep the region's labor market tighter than expected, but this would likely only be a partial counterweight to slowing labor demand.

Evidence of weaker labor demand can be seen in job growth being confined to only a few industries. Maine has seen health care job gains offset weakness in most other sectors. New Hampshire has seen solid job growth in health and professional & business services, but job losses in most other sectors. Vermont's above average job growth in 2025 has been largely driven by two sectors that only account for 6% of state payrolls (administrative services and art, entertainment, & recreation). For 2025, we expect employment growth of 0.3% in Maine and Vermont, and 0.5% in New Hampshire.

Housing markets in the tri-state region began the year with above average prices gains, before slowing into the second quarter. Supply levels remain exceptionally tight in New Hampshire, while Maine and Vermont have seen moderate improvement in recent months, thanks in part to solid homebuilding activity in each state. Supply constraints are expected to keep a floor under price growth for this year, but we expect slowing demand to push 2025 gains to 5.0% in New Hampshire, 3.7% in Maine, and 3.6% in Vermont.

Middle Atlantic (NJ, NY, PA)

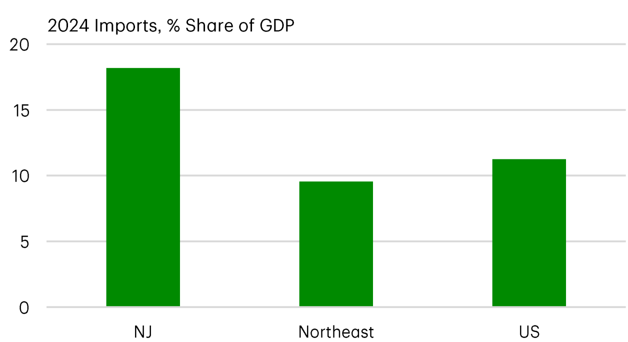
New Jersey: Strong Health & Education Anchors to Be Tested by Trade Headwinds

New Jersey's economy has cooled in 2025, with the state's outsized health and education sectors helping to counter broader weakness in both white- and blue-collar industries. The one exception has been the trade & transportation industry, which likely benefitted from the pre-tariff boost in imports in the first quarter, but will now be facing the reversal of those trends as tariffs begin to weigh on trade. This is an acute risk for New Jersey, as total imports to the state equaled over 18% of GDP last year – by far the highest share in the region (Chart 4). For 2025, we expect these trends to result in a deceleration in real GDP growth to 1.3%.

The Garden State's job market has cooled in line with the economy. The unemployment rate has trended slightly higher recently, bringing it to its highest level since late 2016 excluding the pandemic. This occurred despite a shrinking labor force, which would ordinarily pressure the unemployment rate lower, as employment growth has struggled during this period. We expect the unemployment rate to continue to drift gradually higher this year to average 4.9%, before declining gradually through 2026 as the economy rebounds.

Softer labor market conditions are also seen in job growth being highly skewed towards non-cyclical sectors. Nearly every major sector apart from health care and education has lost jobs so far in 2025, including a sizeable decline in leisure & hospitality jobs, and additional contributions from professional & business services, as well as construction and manufacturing. In addition, while trade & transportation saw notable gains in the first two months of the year, it has seen a partial reversal over the past two months as trade headwinds build. For 2025, we expect job growth to remain moderate at 0.7%, before rising gradually to 0.9% in 2026.

Chart 4: NJ's Import Exposure Carries Risks with Tariffs



Source: U.S. Census Bureau, TD Economics.

Despite a softening economic environment, constrained supply conditions have kept home prices in New Jersey growing at a pace that is well above the national average. With prices up 7.5% over the past year, only Northeast peers Connecticut and Rhode Island have seen higher price growth. While supply has improved modestly over the past year, the months' supply of inventory has remained near three for the past six months – which is a far cry from the six months consistent with a balanced market. Homebuilding activity has picked up recently, but elevated interest rates and potential supply disruptions from tariffs are likely to prevent broader support from the new homes market. For 2025, we expect home price growth to decelerate to 6.4%, before cooling further to 3.9% in 2026.

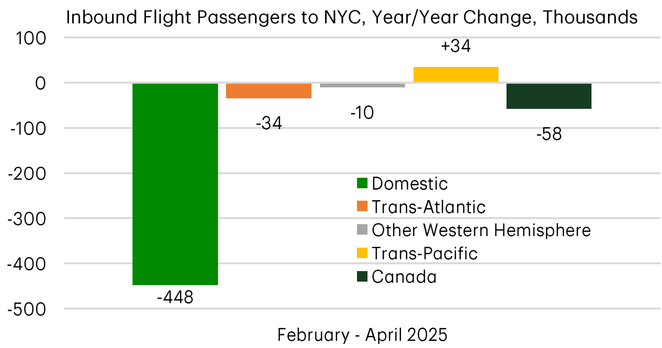
New York: High Interest Rates to Restrain Vital Sectors in 2025 Once Again

The Empire State economy has encountered fresh troubles in 2025 as interest rates have trended higher amid elevated trade policy uncertainty. Now its high growth sectors are once again shedding jobs as the outsized health sector remains an anchor for the economy. We expect real GDP growth to cool to 1.4% this year, before rebounding gradually through 2026 to 1.9%.

Aggregate metrics for New York's labor market paint a relatively healthy picture overall, with steady job growth and modest labor force growth allowing the unemployment rate to fall level with the national average for the first time since the pandemic. However, most of these gains have been concentrated in the health care sector, which accounts for nearly 1-in-5 jobs in the state. Layoffs in the tech and finance sectors have kept white-collar job creation weak, while construction and manufacturing payrolls have continued to shrink as well. Like trends seen in New Jersey, trade & transportation received a boost from the sharp increase in imports early in the year, with momentum slowing more recently. Absent a material shift in trade policy, we expect employment growth to remain soft in 2025 at 0.8%, before rising to 1.0% in 2026.

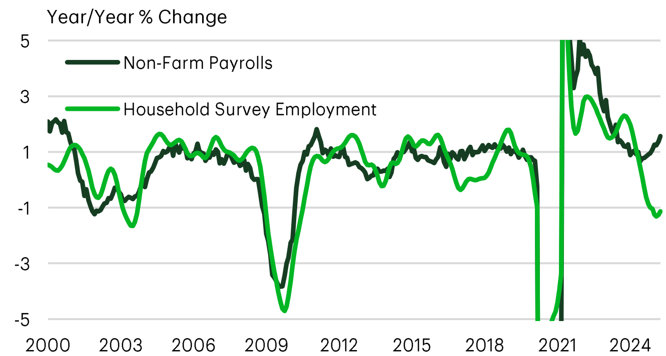
The Empire State also hosts the largest tourist destination in the country, with New York City seeing travel inflows slow so far in 2025. Total flight passenger volumes over

Chart 5: Declines in Visits to NYC Could Presage Issues Ahead



Source: Port Authority of New York & New Jersey, TD Economics..

Chart 6: PA Household Employment Flashing Recession Signals, Businesses Showing Complete Opposite



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

the past three months are down 3.0% year-on-year, with international volumes down 1.1% and domestic volumes down 4.0% (Chart 5). Although weaker tourist flows from abroad, particularly Canada and Europe, are of note, the domestic market makes up over 60% of inbound travel volumes. If this trend continues, it could lead to greater challenges for New York's services sector.

After New York's home price growth last year outpaced the national average for the first time since 2011, we have seen growth cool quite notably, with prices down 1.0% so far this year. This was likely in part driven by a significant increase in homebuilding activity last year, although this trend has since eased. Overall supply conditions remain relatively tight, but the state's affordability challenges combined with high rates is likely to keep demand soft this year. We expect this to drive price growth to 2.4% this year, followed by 2.2% in 2026.

Pennsylvania: First Quarter Strength Expected to Ease Moving Forward

The Keystone State economy has tracked closely to the national average over the past two years, with the state's large health care sector remaining a stabilizing anchor. In 2025, an uptick in natural gas prices to a two-year high has helped to provide additional support to the state through higher production volumes. However, with this trend slowing in recent months and real income growth in the state continuing to moderate, we expect real GDP growth to cool to 1.3% this year.

Pennsylvania's labor market data has sent conflicting signals. Surveys of businesses show very healthy job growth so far in 2025, while household surveys point to modest job losses and a rising unemployment rate (Chart 6). Typically, business surveys are less volatile. The true measure of labor market conditions is likely somewhere in the middle of the two surveys, and we expect employment growth to cool with the broader economy this year. However, this is only expected to result in a gradual rise in the unemployment rate to 4.0% in 2025, as the material decline in the labor force participation rate last year and slowing international immigration work to keep the labor market tight relative to history.

Pennsylvania's job gains have been concentrated in the health care sector much like elsewhere in the country, but additional support from the professional & business services and leisure & hospitality sectors has allowed the state's (business survey) job growth to outperform its regional peers in 2025. The goods producing sectors' rebound last year has since faded as rates have returned close to their current cycle peak. Looking ahead, Pennsylvania's employment growth is likely to remain concentrated in the non-cyclical sectors in the near-term as trade uncertainty weighs on business hiring plans, which is expected to ultimately keep job growth for 2025 relatively modest at 0.7%.

The housing market in the Keystone State has remained in a better position compared to its Northeast peers, both in terms of overall inventory levels and affordability. Nevertheless, home prices have still risen by 4.4% over the past year, outpacing the nation's 2.0% growth. Price growth has eased in recent months and our expectation is that this will continue this year, allowing gains to decelerate to 4.2%.

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

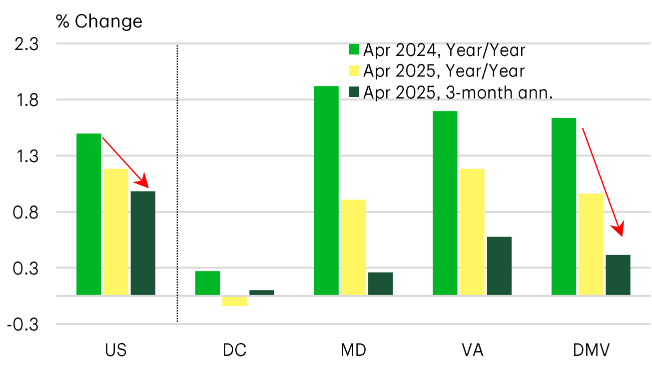
DC-Maryland-Virginia (DMV): Government Belt Tightening to Weigh on the Regional Economy

The regional economy made up by DC, Maryland (Md.) and Virginia (Va.) – the DMV – grew at 2.6% last year, coming in a hair below the national rate (2.8%). Economic activity is forecast to slow to 1.6% this year due to a maturing economic cycle, and an elevated exposure to the challenged federal government sector.

Labor market activity in the DMV started the year on a softer note. Job growth has slowed across the region, but remains weakest in DC, where payrolls have flatlined since mid-2023 (Chart 7). DC has the highest exposure to the federal government sector, where payrolls have been falling. This sector accounts a quarter of DC payrolls, which is thirteen times higher than the national average (Md.'s exposure is triple the national average, while Va.'s exposure is more than double). The weakness in DC's government sector has impacted other areas, including consumer-related industries like retail and housing. Home prices are falling and are easing in Md. and Va. too, although ongoing tightness in the latter two means that price growth remains above the national rate at respectively 3.6% and 4.5% y/y. The region's large exposure to government sector will remain a headwind over the near-to-medium term, amidst the administration's efforts to reduce government expenditures.

The region has other growth drivers, with healthcare a case in point. What's more, the region's ratio of job openings to unemployed workers remains above the national average, suggesting the DMV's labor market has more gas in the tank. That said, the ratio has dipped below its pre-pandemic average across the trio, which points to a slower hiring pace ahead.

Chart 7: Employment Growth Has Slowed Noticeably Across the DMV



Source: BLS, TD Economics.

So far, the slower pace of job growth has meant that unemployment rates have trekked higher, especially in DC, whose rate stands at 5.8% – already a few ticks above its pre-pandemic average. Unemployment rates are much lower in Va. and Md., at just above 3%. But, while decent job growth is largely responsible for keeping downward pressure on Va's unemployment rate, Md.'s tight labor market is partly the result of a weak labor force recovery. Md. also has an above-average exposure to undocumented workers, which make up an estimated 6.5% of its labor force. As such, stricter immigration policy could spell additional trouble for the state, as it may restrict the supply of labor for some of its growth-contributing sectors such as leisure & hospitality, and construction. On a more positive note, the region has a below average exposure to goods trade, and should see less of a fallout from disruptions on the trade front.

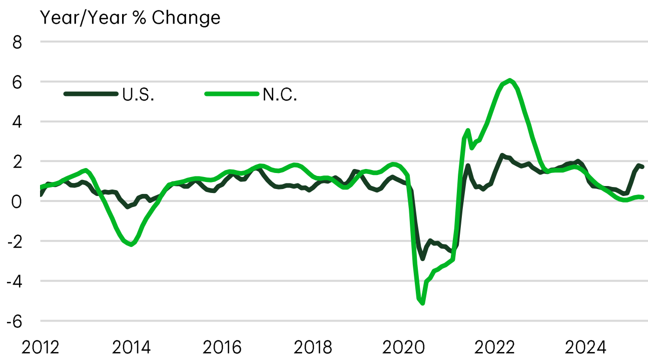
All told, we anticipate Va. will continue to lead the charge at 1.8% this year, as it keeps pace with the nation (1.7%). Md. is expected to remain in second place at 1.5%, while DC is poised to trail far behind, eking out only modest growth of 0.8% in what may feel a bit like a recessionary environment, amidst an already-elevated unemployment rate that pushes a bit higher.

North Carolina: From Great to Good

North Carolina's economy grew at 3.7% last year, well ahead of the national rate (2.8%). The outperformance is poised to continue over the medium term, even as growth is expected to kick down a gear to 1.9% this year and 2.2% in 2026. Signs of an easing in economic activity continue to emerge alongside a maturing economic cycle. For instance, labor force growth has slowed to a crawl recently (Chart 8). Ditto for the housing market, where home price growth has softened noticeably over the last few months. Nonetheless, these don't upend the overarching theme of a still robust economy.

Businesses in the Tar Heel State continue to hire at a healthy clip. In fact, job growth picked up the pace over the first few months of 2025 (to 3.3% annualized), moving back above the national rate (1.2%). Limited labor force growth has meant that, unlike most other states, its unemployment rate has held steady at 3.7%, which is not

Chart 8: North Carolina Labor Force Growth Has Slowed Noticeably



Source: BLS, TD Economics.

much above the cycle low of 3.4%. Wage growth has moved against the grain too, accelerating moderately to 5% y/y. Recent job gains have been concentrated in sectors such as professional & tech services, retail and healthcare. Ongoing expansions in these areas reinforce the notion that the state's labor market has more runway ahead. To this end, building on previously announced expansions in the biotech space (i.e., from firms such as Fujifilm Diosynth, J&J, and Amgen), Genentech will build a new drug manufacturing facility in the state, with its $700 million investment to lead to 400 jobs. Additionally, the fact that Amazon will invest $10 billion in new data centers in the state, leading to 500 new jobs, marks another major positive development.

Green shoots are also visible in finance and related sectors, with several companies continuing to tap into Charlotte's fintech pool. Case in point, Daimler Truck Financial Services has picked Charlotte for its North American HQ, while crypto giant Coinbase will also expand in the metro, with these efforts leading to 400 jobs combined.

Fortunes for the broader manufacturing sector remain harder to read. The sector has shed jobs in recent quarters, and the challenging backdrop may continue. While North Carolina is not overly exposed on the trade front, it won't escape unscathed from the ongoing tariff turmoil. Nonetheless, the fact that firm expansions continue to be heavily concentrated in the manufacturing space, suggests that the sector should manage to hold its own. Recent examples include expansions from AVL (enclosures for power generators), PPG (paints), Pelsan Tekstil (breathable film for medical sector), MetOx (electrical wires), which are poised to generate 1000 jobs combined.

North Carolina's recent housing market cooldown mimics national trends, with elevated interest rates weighing on activity. Home price growth has eased to a modest 0.3% (annualized) and sales are down over 10% y/y. The state recorded an above-average erosion to its housing affordability over the post-pandemic period, so this result is not entirely unexpected amidst elevated interest rates. The good news is that despite the challenging backdrop, single-family builders are keeping the foot on the accelerator, with permits at a still-elevated pace of 70k (annualized). Additionally, lower rates ahead should help breathe more life into the housing market.

Lower South Atlantic (SC, GA, FL)

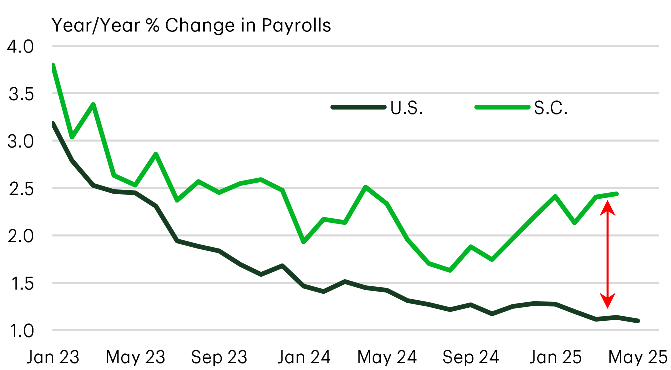
South Carolina: Well-rounded Economy, but Risks on Trade Front Linger

After recording the best outturn on the eastern seaboard last year, the strong momentum for the Palmetto State economy appears to have carried over into early 2025. However, the state is now facing hurdles on the trade front and a maturing economic cycle, which will take some wind out of economic activity this year, with the state economy forecast to expand at a slower 2.1% pace.

South Carolina's job market has moved against the grain so far in 2025 with the unemployment rate easing from 4.6% last summer to 4.2% recently. Employment growth in the state accelerated to 2.4% y/y in recent months – more than double the national rate (Chart 9). Job gains have been diversified across several sectors such as accommodation, professional & business services, healthcare, construction, and logistics. Looking forward, we anticipate the state's unemployment rate to trek moderately higher once again, in tune with slower growth in the economy. In a sign that labor demand has already slowed, the ratio of job openings to job seekers has fallen from 1.9 at the start of last year to 1.1, not far off the national level.

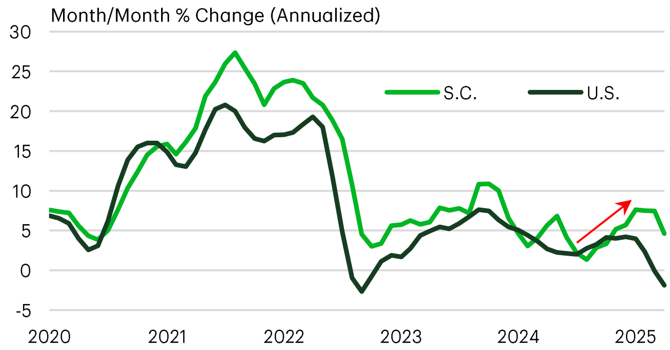
A solid economic backdrop so far, accompanied by above-average wage growth (6.2% y/y vs. 3.9% nationally), has led to above-average home price growth in the state, even as the trend has softened a bit recently (Chart 10). The stronger showing is also partly related to a low inventory backdrop, with supply at the current sales rate still only at 4.1 months in May. Amidst this backdrop, builders are keeping their foot on the gas pedal,

Chart 9: Job Growth in South Carolina Running at More Than Double the National Pace



Source: BLS, TD Economics.

Chart 10: South Carolina Home Price Growth Still Well Above National Rate



Source: CoreLogic, TD Economics.

with single-family permits elevated at around 40,000 (annualized). An expected loosening in the labor market ahead will take some wind out of housing activity, but should not be too disruptive, especially with interest rates slated to head lower ahead. What's more, unlike neighboring Georgia and Florida, population growth in the Palmetto State is more reliant on domestic, rather than international migration, so population growth in the state should see less of an impact from stricter immigration policy.

Trade policy, however, could prove more disruptive. The state has the most elevated trade exposure on the East Coast, with goods trade accounting for over a quarter of nominal GDP (see here). Port activity picked up in the first few months of 2025, in tune with efforts to front-run tariff changes. But, as tariffs kick in, activity is posed to see a sharp drop. Related industries, such as logistics and manufacturing will feel the pinch, with potential impacts from counter-tariffs on high value-added items such as autos and airplanes particularly concerning. For the time being though, negative impacts remain elusive. What's more, ongoing expansions in pockets of manufacturing still paint a relatively bright picture for the sector. Recent examples include expansions from firms such as Homanit (wood materials), Mega Metal (copper wires), AIRSYS (cooling solutions), and ALLTAPE (adhesives), with total investments of $400M to lead to 800 jobs combined.

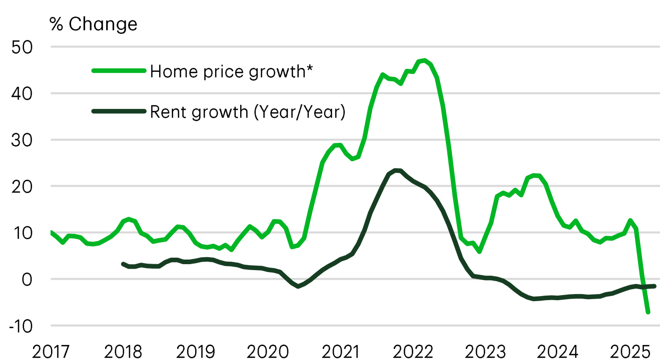
The state is seeing green shoots in plenty of other areas too, including professional & technical services, and healthcare. For instance, building on ongoing expansions from Google and Meta, NorthMark Strategies will invest $2.8 billion to convert a manufacturing facility into a computing hub. Meanwhile, several hospitals are being built throughout the Palmetto State, which will support the construction sector, and expand future capacity in the healthcare space.

Georgia: From Outperforming to Moving Broadly in Line with The Nation

Following a strong performance in 2024, the Georgia economy appears to have started 2025 on a soft note, with the state's labor market shedding jobs early in the year. While green shoots are still visible in many areas of its economy, we believe the Peach State will move broadly in line with the nation this year, as it grows at an expected rate of 1.8%.

The state's labor market is still relatively tight, with the unemployment rate holding flat at 3.6% for almost a year. Amidst this backdrop, wage growth has surged to 10% y/y – well above the rate of inflation. This will provide some support to consumption over the near-term. That said, domestic migration to the state is dwindling. In fact, the Atlanta metro recorded domestic outflows in 2024 – the first such occurrence with data stretching back to 1991. An increase in international migration helped fill some of the void, but support from the immigration channel is poised to wane considerably over the medium term, in tune with tighter immigration policy. This mix will lead to slower population growth, and ultimately yield less support for consumer-related industries, including housing.

Chart 11: Georgia Apartment Rents Continue to Fall, Home Price Growth in Negative Territory



Source: CoreLogic, Apartment List, Moody's, TD Economics. *SA, 3-month annualized.

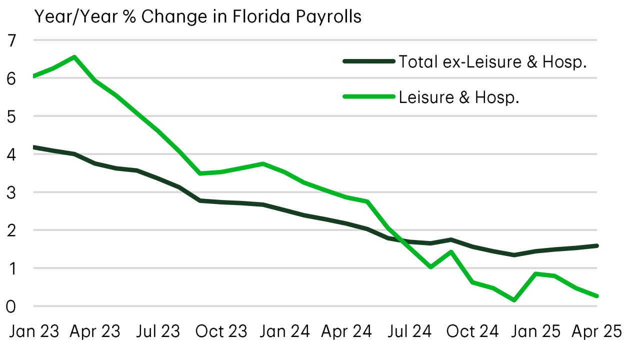
Georgia's once high-flying housing market has cooled. Apartment rents have been falling for some time, having dropped 9% from their peak – the worst showing on the East Coast – while home price growth recently dipped into negative territory (Chart 11). The prospect of lower interest rates starting later this year, combined with still decent employment growth, will help prop up housing activity over the medium term. But for the time being, the pressures are titled to the downside. With mortgage rates still elevated near 7% and trade uncertainty contributing to homebuyer hesitancy, we anticipate price growth will remain in shallow negative territory over the near-term.

While Georgia is not overly exposed to trade, it won't escape unscathed from the fallout of tariffs due to the presence of large seaports. While activity at the ports has remained elevated over the first few months of the year, buoyed in part by the front-running of tariffs, it's still expected to pull back in short order as tariffs begin to bite. This will take a toll on related industries, including transportation and warehousing, where payrolls are already down 4% from their 2024 peak. Manufacturing activity may also feel the pinch, but ongoing expansions in the space continue to paint a positive picture for the time being. Recent examples include expansions at CHR (building materials solutions) and Flock Safety (security hardware and software), expected to generate 500 jobs combined. There are positive developments taking place in other sectors too, with Mercedes Benz establishing a new R&D hub in Atlanta and TriNet's (HR solutions) expansion poised to lead to 750 new jobs.

Florida: No Longer Exceptional, but Still a Cut Above

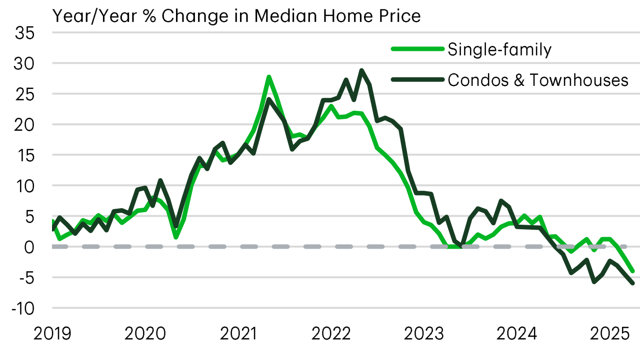
The Sunshine State economy has had a strong run in recent years, but the gravitational pull of a maturing economic cycle is chipping away at its exceptionalism. Economic growth has moved broadly in line with the softer national profile over the last few quarters. Though we anticipate the Sunshine State will retain a moderate edge over the nation, several factors point to slower growth this year. These include a prolonged weakness in the condo sector and less support from tourism.

Chart 12: Job Growth in Florida's Leisure & Hospitality Sector Slows to a Crawl



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

Chart 13: Florida Condo Prices Remain in Negative Territory, Single-family Has Softened Too



Source: Florida Association of Realtors, Moody's, TD Economics.

Payroll gains in the state have remained decent so far, expanding by 0.7% over the first four months of the year – a better outturn than 0.4% nationally. Florida's unemployment rate has trekked moderately higher nonetheless, reflecting an improvement in labor force growth. The uptrend in unemployment is expected to continue but several factors will help limit its rise. For one, while hiring is expected to slow, it should remain decent. As of April, there were 1.1 jobs available per unemployed worker in the state – a modestly better ratio than nationally. Moreover, recent job gains have been concentrated in sectors such as healthcare and professional & tech services, and ongoing green shoots in these areas corroborate a still-positive narrative. Several hospital networks are growing their presence across Florida, with investments at eight hospitals totaling close to $2 billion. Meanwhile, in the tech space, Infinite Reality's plan to develop a tech and entertainment campus in Ft. Lauderdale, leading to 1000 jobs, marks a recent positive development. This theme extends to other sectors, with expansions from Lockheed Martin (defense), SpaceX (aerospace, $1.8 billion), and Geico (insurance), poised to lead to 2000 new jobs combined.

Another factor that will help keep a lid on the unemployment rate is slower population growth. Domestic migration inflows have slowed to a crawl and international migration is slated to slow significantly due to more restrictive immigration policy. Slower population growth will be a challenge for sectors that rely heavily on immigrant labor (i.e., agriculture, construction), and weigh on demand in consumer-related industries. Consumer confidence in the state has generally trended down this year – reflecting some loosening in the labor market and ongoing uncertainty on the trade front. This trend does not bode well for the leisure and hospitality industry, where job growth has slowed to a crawl (Chart 12). Additionally, a steep drop in international visits suggests that the outsized tourism sector will provide less support for the Sunshine State over the near-term.

Florida's housing market has also entered a soft patch. Pressures are still heavily concentrated in the condo segment, but the single-family market has softened too, with prices down 4% from peak (Chart 13). An expected cooldown in mortgage rates will provide some support ahead, as will a solid state economy. The single-family segment will fare better overall, whereas the weak condo sector is unlikely to experience a turnaround anytime soon, with our expectation for the sector to find firmer footing only toward the end of 2026 (for more detail see our report).

All in all, we see slower growth ahead for the Sunshine State, with economic activity easing from 3.6% last year to 2.0% this year vs. 1.7% nationwide.

State Economic Forecasts

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F	2024	2025F	2026F
National	**2.8**	**1.7**	**2.1**	**1.3**	**1.0**	**0.6**	**4.0**	**4.3**	**4.3**	**4.7**	**2.0**	**2.0**	**0.9**	**0.5**	**0.3**
New England	**2.9**	**1.4**	**1.9**	**0.5**	**0.3**	**0.6**	**3.6**	**4.1**	**4.0**	**7.1**	**4.6**	**2.6**	**0.8**	**0.3**	**0.2**
Connecticut	2.6	1.2	1.5	0.8	0.4	0.3	3.2	3.9	4.3	8.5	7.6	3.5	0.9	0.2	0.1
Massachusetts	2.9	1.5	2.2	0.1	0.2	0.8	4.0	4.6	4.2	6.3	3.5	2.1	1.0	0.4	0.3
Maine	3.0	1.1	1.4	1.0	0.3	0.5	3.1	3.6	3.5	6.4	3.7	2.4	0.4	0.3	0.2
New Hampshire	3.2	1.3	1.7	0.9	0.5	0.6	2.6	3.1	3.2	8.0	5.0	3.0	0.5	0.3	0.2
Rhode Island	3.2	0.9	1.2	1.2	0.2	0.4	4.3	4.9	4.6	9.2	5.3	3.1	0.8	0.2	0.1
Vermont	2.3	1.0	1.3	0.5	0.3	0.4	2.3	2.7	2.9	6.6	3.6	2.5	0.0	0.0	0.1
Middle Atlantic	**2.4**	**1.4**	**1.8**	**1.3**	**0.8**	**0.9**	**4.2**	**4.4**	**4.6**	**6.2**	**3.9**	**2.8**	**0.7**	**0.1**	**0.1**
New Jersey	2.3	1.3	1.8	1.0	0.7	0.9	4.5	4.9	4.8	9.2	6.4	3.9	1.3	0.3	0.3
New York	2.4	1.4	1.9	1.7	0.8	1.0	4.3	4.4	4.6	5.0	2.4	2.2	0.7	0.0	0.0
Pennsylvania	2.4	1.3	1.5	0.9	0.7	0.6	3.6	4.0	4.3	6.1	4.2	2.6	0.5	0.2	0.1
Upper South Atlantic	**3.0**	**1.7**	**1.8**	**1.5**	**1.0**	**0.8**	**3.3**	**3.6**	**3.8**	**5.6**	**2.8**	**2.2**	**1.1**	**0.6**	**0.5**
District of Columbia	1.4	0.8	1.0	0.4	0.1	0.5	5.2	5.8	5.9	1.4	-1.2	0.9	2.2	0.3	0.2
Delaware	2.1	1.4	1.1	1.1	1.0	0.6	3.7	3.9	4.4	5.5	2.9	2.3	1.5	0.7	0.6
Maryland	2.2	1.5	1.6	1.9	0.6	0.5	3.0	3.2	3.2	5.3	2.9	2.4	0.7	0.4	0.3
North Carolina	3.7	1.9	2.2	1.4	1.4	1.1	3.6	3.9	4.1	5.7	2.4	2.4	1.5	1.0	0.9
Virginia	3.1	1.8	2.0	1.5	0.9	0.8	2.8	3.3	3.4	6.2	3.3	2.1	0.9	0.5	0.4
West Virginia	3.5	1.7	1.1	1.1	-0.1	0.3	4.1	4.1	4.5	5.5	4.1	1.5	0.0	-0.2	-0.2
Lower South Atlantic	**3.6**	**2.0**	**2.2**	**1.6**	**1.3**	**1.0**	**3.5**	**3.8**	**4.1**	**4.0**	**0.8**	**1.6**	**1.7**	**1.1**	**1.0**
Florida	3.6	2.0	2.3	1.8	1.5	1.1	3.4	3.8	4.1	3.1	-0.2	1.3	2.0	1.2	1.1
Georgia	3.4	1.8	1.9	1.1	0.6	0.9	3.5	3.7	4.0	5.4	1.6	1.6	1.1	0.8	0.8
South Carolina	4.2	2.1	2.3	2.0	1.8	1.1	4.2	4.3	4.2	5.8	4.1	2.7	1.7	1.1	1.0

F: Forecast by TD Economics, June 2025. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, CoreLogic, TD Economics.

For any media enquiries please contact Oriana Kobelak at 416-982-8061

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