TD Economics

State Economic Forecast

June 20, 2024

New England

The New England region continues to experience stable economic growth, albeit slightly slower than the national average. The uptick in unemployment rates seen last year has leveled off in most states in the region as job growth picked up in the first quarter. However, we expect that job growth in New England will slow through 2024, pushing the unemployment rate gradually higher once again. Growth in housing prices is also expected to moderate this year, although acute supply shortages will keep prices growing at a faster pace than the national average.

Middle Atlantic

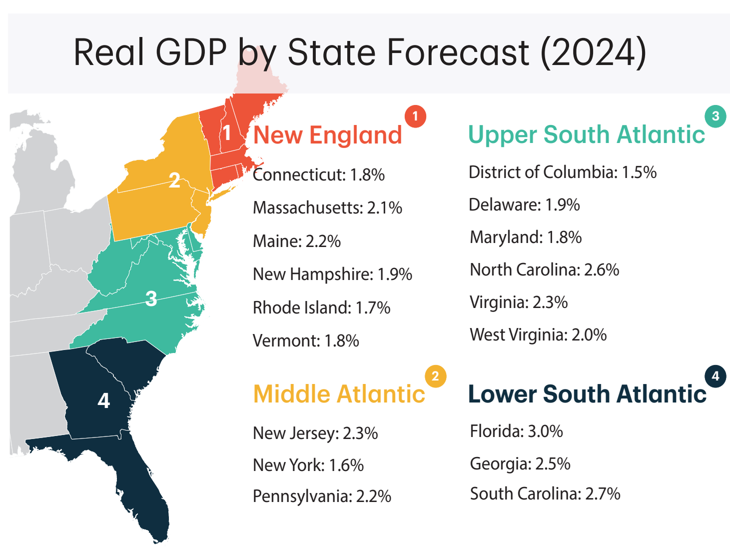
Elevated interest rates continue to constrain economic activity in the Middle Atlantic region, with particular weakness being seen in New York. We expect that real GDP growth in the region will improve to 1.9% in 2024 as the region adapts to higher interest rates, before climbing higher in 2025 as monetary easing begins. Unemployment rates in New York and New Jersey are expected to continue to decline modestly from elevated levels this year, while labor market tightness in Pennsylvania is expected to ease in line with slower growth and gradually raise the state's unemployment rate.

Upper South Atlantic

The Upper South Atlantic regional economy is expected to continue tracking modestly below the national pace. North Carolina is the standout, with nation-beating growth and job markets supported by strong investment activity. D.C. and Maryland are forecast to have more muted showings, with DC, Delaware and West Virginia continuing to struggle with relatively elevated unemployment rates. The housing market remains tight, with low supply in Virginia and North Carolina expected to keep prices elevated. Regional home price growth is forecast to come in almost a full percentage point above the national pace this year.

Lower South Atlantic

The Lower South Atlantic remains the perennial outperformer this year with GDP growth of 2.8% (vs 2.4% nationally). Florida will be ahead of the pack, followed by South Carolina and Georgia. The labor market is in good shape and is expected to outperform with higher employment growth and lower unemployment rates. The labor market will be supported by investment across a range of industries, including high-tech manufacturing in Georgia. The state does face elevated risks however from the ongoing battle between U.S. and China over the production of "green" technologies. Regionally, home prices remain elevated, however, with rising inventories, particularly in Florida, pressures are expected to ease this year.



Source: TD Economics. Forecast as of June 2024.

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

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

Connecticut: Defense Sector to Remain Key Support Despite Fading Tailwinds

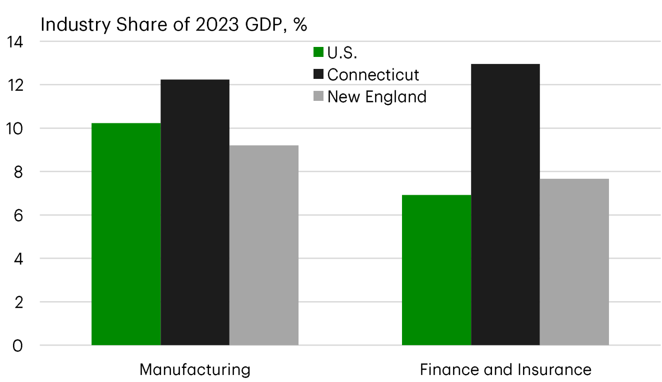
Elevated geopolitical tensions and the upward pressure it has applied to defense budgets, both domestically and internationally, continues to provide a boost to the Connecticut economy and its large defense sector. This combined with modest resilience in the financial services sector, in part owing to the state's outsized insurance industry, has allowed the state to closely track the nation. Looking ahead, we expect economic growth to slow modestly to 1.8% this year as these tailwinds partially recede.

Connecticut's job growth picked up modestly to start 2024 but has remained below the national average. Even so, the unemployment rate reached a new cycle high of 4.5% in the first quarter as labor force growth rebounded. Connecticut continues to have the highest unemployment rate in New England, with the weakness in nearby New York influencing the local labor market. We expect that the unemployment rate will trend near it's current level this year, before heading lower and averaging 4.4% in 2025.

At the industry level, non-cyclical sectors continue to stabilize job growth, with the health care, education, and government sectors accounting for 83% of net job gains over the past three months. A rebound in hiring in leisure & hospitality, financial services, construction, and manufacturing sectors contributed to the uptick in aggregate job growth to start the year, but job losses in the large professional & business services sector partially countered this trend. Looking ahead, high interest rates will remain a headwind for the outsized financial services and manufacturing sectors - cumulatively accounting for just under 40% of the state's GDP (Chart 1). Manufacturing is also likely to be hit by some moderation in defense orders. Examples include the federal government's cancellation of the Future Attack Reconnaissance Aircraft program, which prompted Sikorsky to announce up to 400 layoffs, and a potential cutback in annual submarine orders from Washington laid out in the preliminary 2025 federal budget citing production backlogs.

On the home front, literally, Connecticut saw house price growth converge with the national average to start the year before reaccelerating over the past few months. Elevated financing costs continue to restrict the supply of both existing and new homes, though homebuilding in Connecticut has been much weaker than average over the past year. To this end, we expect that constrained supply will push home prices to grow by 6.8% this year before moderating to 2.5% in 2025.

Chart 1: Outsized Defense & Insurance Sectors Underlie Regional Outperformance



Source: U.S. Bureau of Economic Analysis, TD Economics.

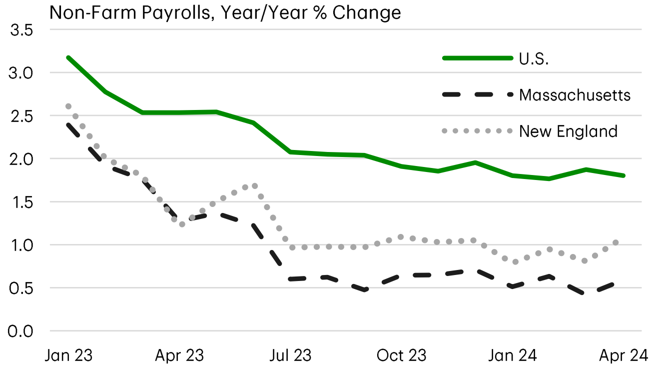
Massachusetts: Rate Sensitivity Constraining Growth, Health and R&D Support Remain Intact

The Bay State economy has continued to struggle under elevated financing costs, which have restrained the state's high growth industries. However, strong growth in research & development, particularly in artificial intelligence, is providing a partial offset. Outsized exposure to the health care sector is also providing a stabilizing anchor, with economic growth expected to rise from 1.8% in 2023 to 2.1% in 2024. As lending conditions begin to improve through 2025, the state's economy should gain a step, and advance at a 2.2% pace.

Sub par economic growth is weighing on the job market, with job growth over the past year only one-third of the national pace (Chart 2). While the unemployment rate has remained low thus far, the pick-up in labor force growth over the past few months, in conjunction with slower job growth, is expected to apply upward pressure to the unemployment rate moving forward. For the year, we expect the unemployment rate to average 3.0% as labor market tightness recedes, comparable to what has already been seen among its New England peers.

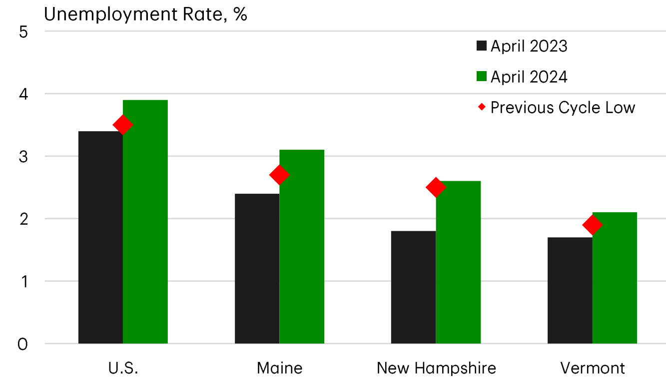
The composition of the Bay State's job growth weakness has been broad-based, with every major industry underperforming the national average over the past year. While solid growth is being seen in health care, govern-

Chart 2: Employment Growth in Massachusetts Continues to Lag



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

Chart 3: Labor Market Tightness Has Eased in Maine, New Hampshire, & Vermont



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

ment, construction, and leisure & hospitality hiring, this is being partially countered by almost 16k job losses in the manufacturing, information, and professional & business services sectors over the past year. Recent layoff announcements by Takeda Pharmaceuticals and Amylyx Pharmaceuticals, totaling over 880 job cuts, also highlight the continued weakness in the important biotechnology sector. Tight credit conditions will likely remain a burden on job growth in Massachusetts in 2024, with employment growth expected to modestly lag the nation at 0.9%.

Despite having a subdued pace of economic growth, house prices in Massachusetts reaccelerated through the first quarter of 2024. Acute supply shortages continue to support price growth, as elevated mortgage rates keep existing inventory levels low. Although homebuilding activity picked up to start 2024, we anticipate that housing price growth will continue to outpace the national average in 2024 at 5.4%, as inventory levels remain low and the return of population growth bolsters demand.

New Hampshire, Maine, Vermont: Labor Shortages Improve

The northern tri-state region continues to see slower economic growth relative to the nation, consistent with the broader New England region. All three states have seen below average growth, in part relating to weakness in the large health care sector stemming from labor force shortages. Within the tri-state region, Maine has outperformed due a boost from agriculture production. Meanwhile, New Hampshire has underperformed due to a material contraction in the state's financial sector. Looking ahead, we expect that growth will pick-up in 2024 to 2.2% in Maine, 1.9% in New Hampshire, and 1.8% in Vermont.

Labor markets have normalized over the past year, with all three states seeing their unemployment rates return to their pre-pandemic ranges after labor supply shortages previously pushed them to historical lows (Chart 3). More recently, employment growth has picked-up in Maine and Vermont, exceeding labor force growth and pushing the unemployment rate lower in each state over the past few months. New Hampshire, in contrast, has seen more modest employment growth, which has kept its unemployment rate stable. For 2024 we expect unemployment rates in all three states to rise, with the average for the year 3.3% in Maine, 2.7% in New Hampshire, and 2.4% in Vermont.

At the industry level, job growth has remained concentrated in the health care sector as each state continues to compensate for workforce shortages over previous years. Maine's manufacturing sector has also seen steady hiring recently, aided by its defense sector exposure, while New Hampshire has seen particularly strong growth in construction payrolls. Vermont in turn has had strong job growth in its large leisure & hospitality sector, with tourism boosted by the recent solar eclipse. Ultimately, we expect employment growth to slow in all three states this year, with growth of 1.3% in Maine, 1.1% in New Hampshire, and 1.2% in Vermont.

House price trends in the northern tri-state region have diverged significantly so far in 2024, with prices up 5.0% in New Hampshire year-to-date, while slightly outpacing the nation at 1.5% in Maine and Vermont. Supply levels help to explain some of the deviation among the three states, with elevated homebuilding trends in Maine and Vermont last year helping inventory levels. However, all three states still have lower than average supply levels, which we expect will lead to above average price gains in 2024.

Middle Atlantic (NJ, NY, PA)

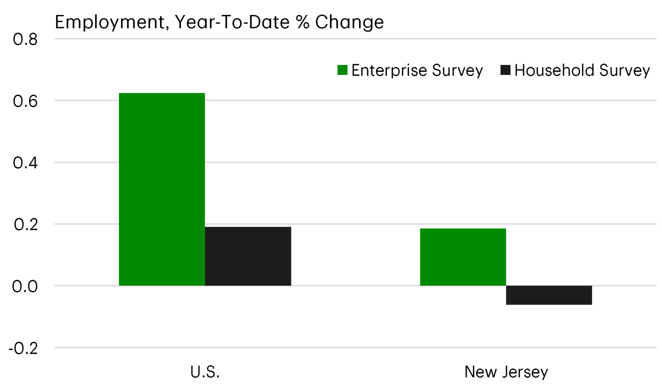
New Jersey: Mixed Signals from the Job Market Clouds Outlook

Considerable weakness in New Jersey's white-collar sectors continues to weigh on growth in the state, but this has been partially offset by the large health care sector. Below average growth is expected to continue to define the Garden State economy in 2024 as elevated financing costs remain a constraint on the state's main industries.

The state of New Jersey's labor market continues to depend on whether you ask businesses or households. The payrolls data, which is a survey from businesses, continued to report modest, positive job growth, while the household survey that measures the unemployment rate is reporting modest job losses (Chart 4). As a result, the unemployment rate remains elevated, although it did tick down for the first time in nearly two years in April. This was mainly driven by a decline in the state's labor force, and helped by households reporting job growth for the first time in a year. Looking ahead, we expect the unemployment rate to decline through the year as past weakness fades, averaging 4.7% in 2024, and continuing to fall in 2025.

At the industry level, goods sectors have continued to see diverging trends, with construction job growth up 1.4% year-to-date and manufacturing down 0.6%. The large multinational pharmaceutical firms located in the state have announced further layoffs, which are still weighing on manufacturing payrolls. Among the service sectors, health care remains the primary source of job growth, with almost half of net job gains over the last year coming from the sector - versus the national average of a little over a third. In contrast the white-collar sector remains weak under elevated interest rates, with financial firms announcing more layoffs over the past few months. Overall, we expect New Jersey's employment growth to moderate from 2.1% last year to 1.6% in 2024.

Chart 4: Labor Market Assessments Continue to Diverge Between Households & Businesses



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

House price growth in the Garden State continues to top the nation, with prices up 3.5% since the start of the year – almost three times the national pace. Limited supply levels have kept the housing market tight, with buyers continuing to pay above asking prices despite elevated financing costs and a 12.2% increase in prices over the past year. Homebuilding activity picked up to start the year, but it will take time for this to feed into the market. With the return of population growth last year, we expect price growth to remain elevated at 8.2% in 2024, before decelerating to 3.0% in 2025.

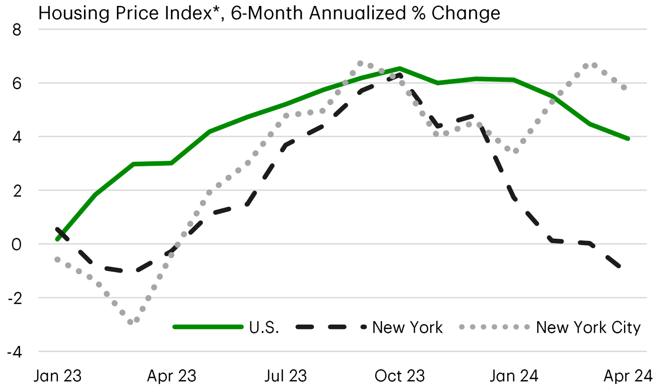
New York: Interest-Rate Sensitivity Weighs on Economic Outlook

The Empire State's economy continues to struggle under high interest rates, as declines in the state's outsized financial sector drive a below-average pace of economic growth. Health care and tourism remain solid outperformers relative to the nation, but are insufficient to counter the headwinds in New York's rate-sensitive economy. For 2024 we expect real GDP to grow 1.6%, before rising to 2.3% in 2025 with more accommodative interest rates providing a boost.

Employment growth has slowed from the uptick seen at the start of the year, but it has been sufficient to finally push New York's employment back to its pre-pandemic level. The recent slowdown in job growth is likely in part related to labor shortages, with the labor force declining by 0.3% year-to-date. This has pushed the unemployment rate down by 0.4 percentage-points to 4.2%, bringing it more in-line with the national average. For the year, we expect that New York's unemployment rate will average 4.3%.

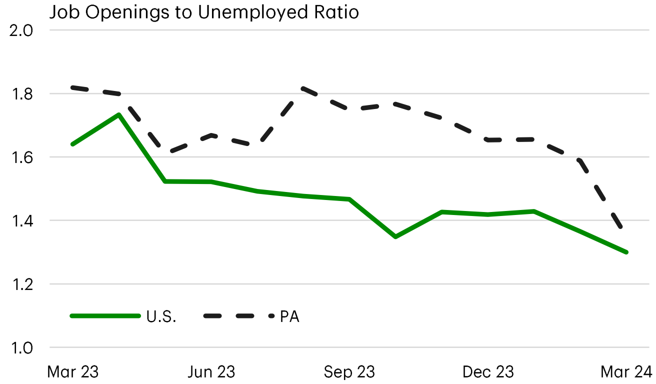
Employment trends have varied by industry in recent months. The manufacturing and construction sectors have continued to see job losses as the state's economic weakness persists. Renewed job cuts in the white-collar sectors in 2024, particularly in New York City, have also weighed on aggregate job growth. The uptick in hiring seen at the start the year was tied to a rebound in hiring for the trade, transportation, and information sectors, but

Chart 5: NYC House Prices Leading the State in 2024



*Seasonally Adjusted. Source: CoreLogic, TD Economics.

Chart 6: Labor Shortages Easing in Pennsylvania



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

more recently these sectors have weakened. The health care, leisure & hospitality, and government sectors remain the bedrock to New York's job growth as the rate sensitive economy struggles under the higher interest rate environment. For this year, we expect employment growth of 1.5%, before moderating slightly to 1.1% in 2025.

House prices in New York fell 1.1% over the first four months of the year, with upstate weakness offsetting a 2.0% gain in New York City year-to-date. The Big Apple has a higher exposure to multi-family homes, which have seen higher price growth relative to single-family homes over the past year. While NYC price growth has eased moderately lately, it remains far above the state (Chart 5). Looking ahead, we expect that weakness in the state economy will lead to below average price growth of 1.5% in 2024, before picking up to 2.1% in 2025.

Pennsylvania: Easing Labor Demand Alleviating Supply Shortages

Pennsylvania's economy tracked closely to the national average last year, but has begun to decelerate moving into 2024. Strong consumption growth combined with a solid year for the state's outsized health care sectors powered the Keystone State to the strongest performance in the Northeast last year. We expect that Pennsylvania will experience economic growth of 2.2% in 2024, before converging closer to the Northeast average as these tailwinds recede.

Job growth in Pennsylvania has remained stable albeit below the national average. A brief pickup over the past few months has waned, but solid labor force growth has helped to partially alleviate the state's labor shortages. The recent boost to the labor supply was driven by a notable rise in the participation rate, which has returned to its pre-pandemic level. Collectively this should help to reduce labor market tightness alongside easing labor demand (Chart 6), which we expect will lead to a gradual increase in the unemployment rate this year to average 3.5%. However, structural demographic challenges are expected to continue to weigh on the unemployment rate for the foreseeable future.

Job growth continues to be concentrated in the health care and leisure & hospitality sectors, with the two sectors accounting for 80% of net new jobs year-to-date. Among the goods sectors, employment growth in the mining & logging sector, which includes oil & gas extraction, spiked over the past few months and is up 2.6% year-to-date. The apparent bottoming in natural gas prices of late should continue to provide support to the sector moving forward. The white-collar sectors have fared slightly worse, with finance employment up only 0.1% (primarily stemming from strength in the real estate sector) while professional & business services employment is down 0.3% year-to-date. For 2024 we expect that the narrowing of job gains will lead to slower employment growth of 1.1%.

The strength in the real estate sector has been driven in part by an uptick in sales to start 2024, which also contributed to the state's above average housing price growth over the past few months. The supply issues seen in other Northeast states are also present in Pennsylvania, although to a lesser extent as homebuilding activity has roughly tracked the national average over the past few years. For 2024, we expect housing prices to rise by 5.3% before decelerating to 2.1% in 2025.

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

DC-Maryland-Virginia (DMV): Not Quite Water Under the Bridge

One of the key economic issues unfolding in the capital region this quarter is the ongoing efforts to restore full operational capacity at the Port of Baltimore following the collapse of the Francis Scott Key Bridge on March 26th. At present, with the reopening of the Fort McHenry Federal Channel, the commercial maritime transit through the Port of Baltimore, that objective has been achieved. Focus now shifts to restoration of the collapsed bridge.

The Port of Baltimore is important to Maryland's economic landscape, supporting more than 20,000 direct jobs. It also ranks first in the nation for moving roll-on/roll-off cargo, second for exporting coal and sixth for importing coffee.

The labor market in the capital region is doing OK, but not great. A downside to D.C. having the nation's highest labor force participation rate (72.8%) has been a relatively elevated unemployment rate that tracks above national (5.2% vs 3.9% in April). Virginia's and Maryland's are lower however, at 2.8% and 2.6%, respectively. Payroll growth has also been fairly uneven with Maryland's payroll employment increasing in only 6 of the past 12 months (up 0.2% y/y in April) and D.C.'s increasing in 8 of the past 12 months (up 0.2% y/y). Virginia has fared better, adding jobs in 10 of the past 12 months and in line with national in terms of y/y growth (1.8% in April).

While home price growth has moderated in D.C. and Maryland, they are rising quickly in Virginia (Chart 7). Even though Virginia's inventory and sales improved in April, with only 1.8 months of inventory (among the lowest in the nation) overall supply remains low and pent-up demand is strong. The combination continues to drive up prices in most local markets. As such, affordability remains a key concern throughout the commonwealth.

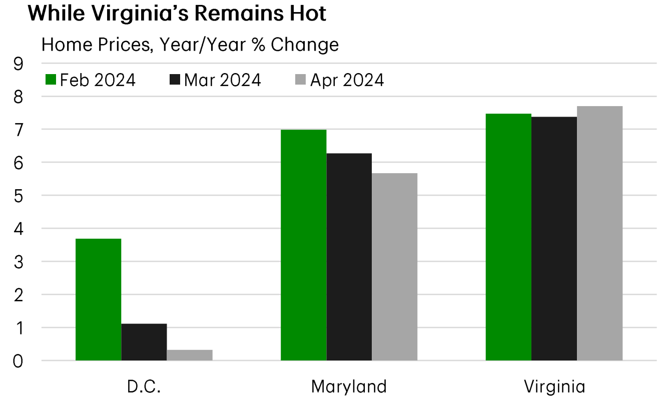
Overall, economic activity in the DMV region is expected to remain relatively muted this year, with Virginia leading the trio at 2.3%, followed by Maryland and D.C. at 1.8% and 1.5% respectively.

North Carolina: The Job Engine Continues to Rev Up

North Carolina has a diverse economy that has been ranked as a top state to do business in CNBC's annual competitiveness study for two years in a row. Its favorable growth conditions for both businesses and individuals are supported by its prominent research hubs, universities, and extensive infrastructure. As a result, last year's leading economic growth performance is expected to continue this year and next with GDP growth of 2.6% and 2.4% respectively.

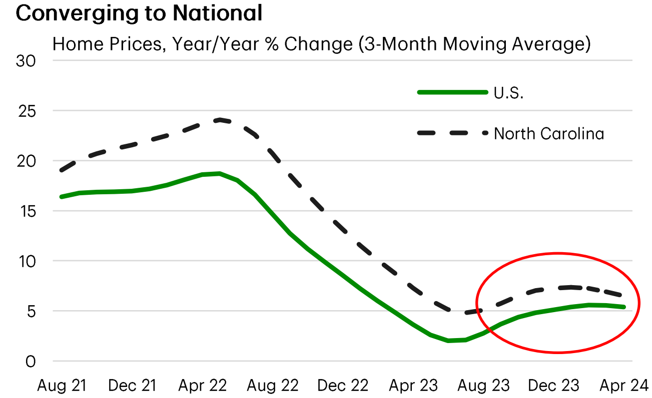
Given its business-friendly environment, it is no surprise that North Carolina's unemployment rate remains low (3.3% in April vs 3.9% nationally) and the labor market is cranking out new jobs – posting a sixth consecutive month of net payroll job gains. Notably, there have been several high impact announcements in the renewable energy industry. Green New Energy Materials, for example, a global battery component manufacturer, selected North Carolina

Chart 7: Home Price Growth in Maryland and D.C. Cools, While Virginia's Remains Hot



Source: CoreLogic, TD Economics.

Chart 8: Home Price Growth in North Carolina Slowly Converging to National



Source: CoreLogic, TD Economics.

as the location for its new lithium-ion battery separator manufacturing facility ($140 million investment, 545 new jobs). Similarly, Boviet Solar, a Vietnamese company that specializes in producing photovoltaic solar modules and solar project developments, will be establishing its first U.S.-based solar panel manufacturing facility in North Carolina ($294 million investment, 908 new jobs). Significant job creation in the retail and manufacturing space are also in the pipeline, with Ross Stores investing $450 million to build a Southeastern regional distribution center in Randolph County (852 jobs) and several manufacturing companies (Amrep Manufacturing Company, Crystal Window & Door Systems, FUJIFILM Diosynth Biotechnologies to name a few) planning investments which will result in thousands of jobs.

The state's tourism industry is also in good shape, ranking 5th in the nation for visitor spending. This has been helped along by the return of the NASCAR all-star race to the Tar Heel state last year. It brought in almost $29 million in visitor spending, increased the value of the statewide economy by $42.4 million and created over 600 jobs. This year's event, held in May, likely exceeded last year's in economic impact. Tourism remains a significant economic driver for North Carolina, supporting 227,200 in direct employment, $4.5 billion in tax receipts and nearly $9.3 billion in direct tourism payroll. Diverse growth across many industries is expected to keep employment growing. Given the landscape, we expect to see job growth come in at or above national for this year and next, at 1.7% and 1.4% respectively.

News on the housing front is a bit more nuanced. The good news is that the gap between annual home price growth nationally and that in North Carolina has been steadily narrowing (Chart 8). However, the not so good news is that prices are still rising at a healthy clip (6.1% y/y), and the market remains in sellers' territory with only just over 4 months' worth of inventory. The market should see some relief with both permits and starts up y/y for the in-demand single-family segment. As such, home price growth is expected to take a step down this year to around 4%, before decelerating even further in 2025 to 2%.

Lower South Atlantic (SC, GA, FL)

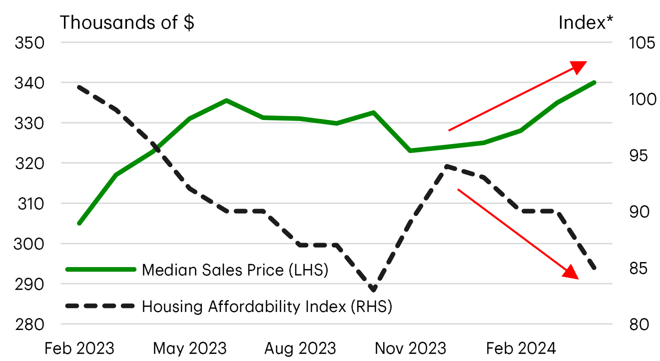
South Carolina : Ups and Downs, But Still Not Out

Economic activity in the Palmetto State continues to chug along at a brisk pace, despite some areas of concern. Business investment in particular faced some ups and downs in recent months as one of the state's largest employer, Boeing, encountered a series of setbacks that have disrupted operations and curtailed production at the South Carolina plant. On the other hand, another car manufacturer domicile in the state, Volvo, kicked-off production of its first electric sport-utility vehicle at its Ridgeville plant, with deliveries scheduled to begin later this year. This new facility should result in a boost to the economic bottom line as production ramps up.

Tourism is another shining star. The Charleston area continues to benefit from the post-pandemic surge in tourism. The industry accounted for nearly a quarter of the Charleston area regional economy last year. The sector was responsible for 24.7% of all sales in the region and supported over 53,000 jobs. Indicators at the start of 2024 suggest that it is on track to post another strong showing this year, with continued significant economic impact, not only for the Charleston area, but the wider state.

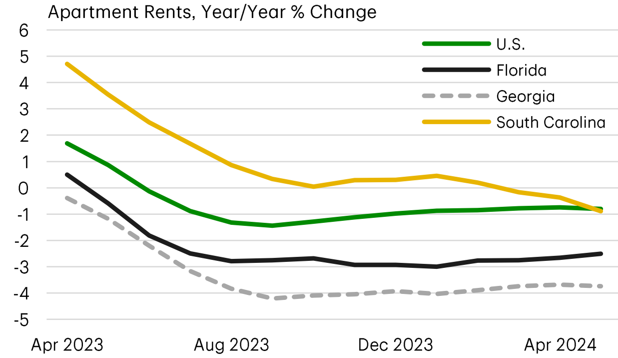
The Palmetto State is also a magnet for people to live in, and home prices continued to climb, with the capital area posting particularly steep increases. The brief period of decelerating price growth in Q1 has abated, with price movements once again showing upward momentum. Statewide, prices rose 6.2% relative to year ago levels (vs. 5.2% nationally) and an even higher 11.5% in Charleston County. The cumulative impact of several

Chart 9: As Sale Prices Rise, Affordability Declines in South Carolina



*A higher (lower) number means greater (lesser) affordability.
Source: South Carolina Realtors, TD Economics.

Chart 10: Rent Decline More Muted in South Carolina Due to High Demand

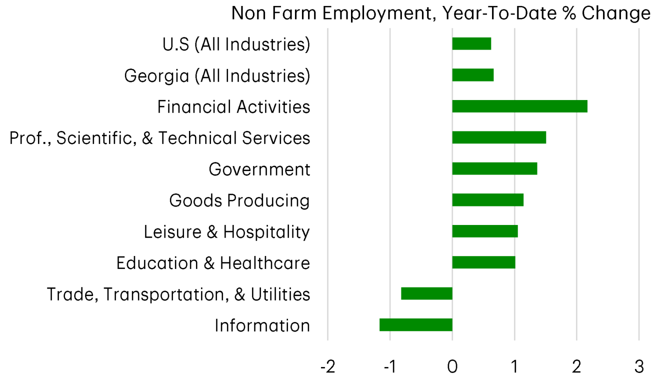


Source: Apartment List, TD Economics.

months of rising prices has been a sustained decline in housing affordability. Notably, affordability has declined to the lowest point since October 2023 (Chart 9). Despite a sizeable increase in the inventory of homes available for sale (up 40.7% y/y), the months' supply of inventory is still relatively low at 3.1 months. This leaves the market in sellers' territory and the tight market conditions will likely keep upward pressure on prices. Steep prices have also pushed more would-be buyers into the rental market. As such, rental prices have held up more in South Carolina relative to its other southern neighbors (Chart 10).

It's not too surprising that people want to live in South Carolina as demand for workers is strong. The labor market remains one of the tightest in the nation. The number of job openings per unemployed persons was 2.0 in April, almost a full percentage point above national (1.2). Over the past 12 months, the state added a net 77,300 payroll jobs (up 3.4% vs 1.8% nationally) – among the highest in the nation for annual payroll employment gain. While there is much to celebrate, there is scope for improvement as, at 57.2%, the state's labor force participation rate is among the lowest nationally (62.7%). A key component of maintaining economic momentum in the state relies on drawing more of South Carolina's growing population into the labor force. All said, economic growth is expected to ring in at a decent clip this year (2.7%), with a slight deceleration in 2025 (2.3%).

Chart 11: Clean Tech Employment Helps To Fuel the Georgia Job Market



Source: Bureau of Labor Statistics, TD Economics.

Georgia : Caught in the Clean-Tech, High-Tech Crossfire

The labor market in the Peach State continues to post a strong showing. Both the labor force and number of employed persons rose in April to record highs, while the unemployment rate remained unchanged at a low 3.1% (relative to 3.9% nationally) for the fourth consecutive month. There were sizeable employment gains in the financial and professional, scientific & technical services industries which respectively grew 2.2% and 1.5% year-to-date. This compares to a more muted 0.7% gain for all industries (Chart 11). A swath of new business investments totaling over $600 million have been announced recently in the high-tech manufacturing space, including companies in clean tech, EVs, and pharmaceuticals. These should contribute to reasonable payrolls growth in Georgia over the year of about 1.3%, just slightly below national (1.7%).

As the U.S. and China continue to duke it out to gain control of critical high tech and clean tech production fundamental to the current green revolution, Georgia is caught in the crosshairs. The recent tariffs imposed by the U.S. on goods, such as semiconductors, EVs and solar panels made in China is the latest volley. Georgia, with its growing investment in these spheres, is one of the states where the stakes are highest. In the past few years, the Peach State has wooed numerous EV, solar, battery and chip manufacturing plants to establish production in the state. Absolics, for example, recently completed a factory in Covington where it will manufacture glass substrates used to produce semiconductors. Sunmax Tech Inc., an energy component manufacturer that supplies clean technology companies such as Tesla, plans to invest $193 million to establish a large production hub in metro Atlanta, adding over 300 jobs. Additionally, after investing over $200 million in its West Point plant and expanding employment by another 200 workers, car maker KIA began production of its first U.S. made electric vehicle in May. With numerous other investments in these sectors throughout the state, Georgia's economic fortunes may be closely tied to the outcome of the ongoing scuffle.

On the housing front, things have moderated from the torrid pace experienced during the pandemic. Home price growth abated to 6.5% y/y in April from 6.7% in March. While still above national (5.2% y/y), it is much lower than the 22.7% peak reached in early 2022. Rents have also downshifted, declining 3.7% on an annual basis.

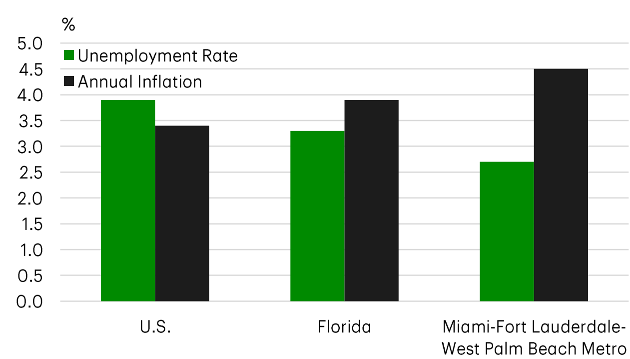
Economic activity at the state's ports also saw record volumes recently, partly benefiting from diversions from the incapacitated Port of Baltimore. The impact of diverted cargo should taper off, as the Port of Baltimore normalizes, but improvement in port infrastructure at the Port of Brunswick due to the near completion of a $262 million port infrastructure project should result in continued increased volume from new businesses.

Even while some of the excitement surrounding the push into EVs has abated, the increased shift into AI and the required semiconductors is set to keep Georgia's burgeoning high-tech and clean-tech economy in top-notch shape. As such GDP growth is expected to come it at an above national 2.5% this year, decelerating slightly to 2.2% in 2025.

Florida : Florida's Scorching Housing Market Loses Some Heat in Q2

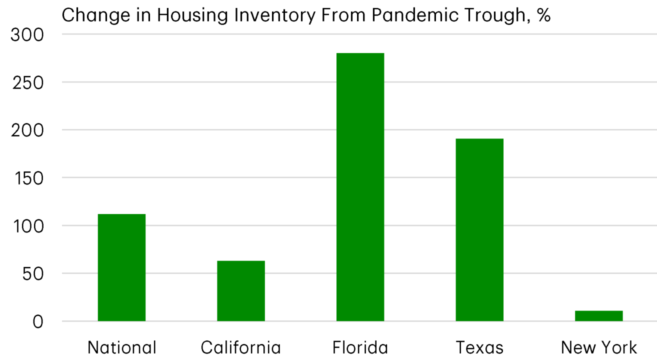
The Sunshine State saw some of the glow dim from its economic shine in Q2. Florida’s unemployment rate edged higher in April to 3.3% – the highest in over two years. This was largely due to an uptick in the number of unemployed

Chart 12: Florida and Its Largest Metro Have Lower Unemployment Than National but Higher Inflation



Note: Florida inflation estimated by Moody's.
Source: Bureau of Labor Statistics, Moody's, TD Economics.

Chart 13: Florida's Housing Inventory Among the Highest in the Nation



Note: Data for April 2024. Source: National Association of Realtors, TD Economics.

(up 2.2% m/m) as the labor force slid only marginally (-0.02% m/m). On the upside, the unemployment rate is still low by historical standards and remains below national (3.9% in April). Additionally, the state added a net 42,600 private sector jobs over the month - a notable increase from the 16,600 added in March. A sizeable portion of these were in the professional & business services (11.8k) and leisure & hospitality (10.4k) sectors.

High prices, however, are dampening economic momentum in the state. According to an analysis of BLS data, Moody's reported that inflation is hot in the sunshine state. Their estimate of 3.9% annual inflation, sets Florida as the highest in the nation and above the national rate of 3.4%. Additionally, official data shows that South Florida has the highest inflation rate when compared to 13 of the largest U.S. metro areas. In April, annual inflation in the Miami-Fort Lauderdale-West Palm Beach metro was 4.5%, exceeding both national and major metros in other states (Chart 12). While lower than it has been in recent history, prices in Florida have remained elevated due to rapid increases in the cost of housing. Given a notable rise in inventory however, pressures are expected to ease on the housing front and inflation along with it.

A wave of immigration coming out of the pandemic resulted in the frothy housing market, but current signs indicate that pressures are starting to abate, at least within some areas of the state. As of April, median single family home prices have risen 4.9% year-over-year, with condo prices up 3.1%. These figures are down from much higher double-digit figures posted in 2021 and 2022. Rapidly rising rents during that time period also contributed to surging housing costs but rent inflation has since abated as well.

A notable increase in the number of homes available for sale exemplifies the softening of the housing market occurring in pockets of Florida. In fact, for the state as a whole, housing inventory is up the most in the nation, and has exceeded its pre-pandemic level (Chart 13). Active listings in the single-family market are up almost 53% from a year ago, while the condo market is up a notable 84.5%. Partly contributing to the surge in condo listings is a new law which requires reserve funds for condominiums to be fully funded by January 2025. Under the new law, buildings must also pass milestone structural inspections no later than 30 years after they are built. This has resulted in six-figure special assessment fees for some condo owners. Some owners find the fees unaffordable and are attempting to sell prior to the deadline, resulting in a surge in condo listings.

Despite the pockets of downbeat news, the Sunshine State is still doing well. Florida is expected to continue outperforming its southern neighbors and the nation as a whole. Nonetheless, economic growth is forecasted to take a step down from the robust pace recorded last year (5.0%), to come in closer to a still healthy 3.0% this year, with continued deceleration expected next year (2.4%).

State Economic Forecasts

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F	2023	2024F	2025F
National	**2.5**	**2.4**	**2.0**	**2.3**	**1.7**	**1.0**	**3.6**	**3.9**	**4.0**	**3.9**	**3.4**	**1.5**	**1.0**	**1.0**	**0.9**
New England	**1.8**	**2.0**	**1.8**	**1.4**	**1.0**	**0.7**	**3.2**	**3.4**	**3.5**	**6.2**	**6.0**	**2.5**	**0.6**	**0.7**	**0.6**
Connecticut	2.1	1.8	1.4	1.6	0.8	0.6	3.7	4.5	4.4	7.8	6.8	2.5	0.3	0.3	0.3
Massachusetts	1.8	2.1	2.2	1.1	0.9	0.8	3.3	3.0	3.4	4.2	5.4	2.4	0.8	1.0	0.9
Maine	1.9	2.2	1.5	1.8	1.3	0.7	2.8	3.3	3.1	8.5	6.9	2.3	0.7	0.6	0.5
New Hampshire	1.2	1.9	1.8	1.9	1.1	0.6	2.2	2.7	2.7	7.8	7.2	2.6	0.6	0.7	0.6
Rhode Island	1.6	1.7	1.4	1.4	1.7	0.3	2.9	4.0	4.0	8.2	7.0	2.7	0.5	0.6	0.4
Vermont	1.3	1.8	1.4	1.7	1.2	0.4	2.0	2.4	2.8	8.7	2.8	2.4	0.2	0.3	0.2
Middle Atlantic	**1.2**	**1.9**	**2.1**	**2.0**	**1.4**	**0.8**	**4.0**	**4.2**	**4.2**	**4.8**	**4.1**	**2.3**	**0.4**	**0.5**	**0.4**
New Jersey	1.5	2.3	2.1	2.1	1.6	0.9	4.4	4.7	4.3	7.9	8.2	3.0	0.7	1.1	1.0
New York	0.7	1.6	2.3	2.1	1.5	1.1	4.2	4.3	4.3	2.7	1.5	2.1	0.3	0.4	0.3
Pennsylvania	2.2	2.2	1.6	1.7	1.1	0.4	3.4	3.5	4.1	5.9	5.3	2.1	0.3	0.3	0.2
Upper South Atlantic	**2.3**	**2.2**	**2.1**	**2.1**	**1.4**	**1.0**	**3.1**	**3.4**	**3.8**	**5.3**	**4.1**	**1.8**	**1.0**	**1.1**	**1.0**
District of Columbia	1.0	1.5	1.6	0.9	0.6	0.4	4.9	5.3	5.7	0.5	3.0	1.4	1.4	1.0	0.6
Delaware	-1.2	1.9	1.9	2.6	1.4	0.9	4.0	4.2	4.4	5.8	3.5	1.4	1.3	1.3	1.1
Maryland	2.1	1.8	2.1	1.1	0.3	0.7	2.1	2.7	3.2	4.5	4.1	1.4	0.4	0.7	0.8
North Carolina	2.7	2.6	2.4	2.6	1.7	1.4	3.5	3.7	4.1	6.7	4.0	2.0	1.6	1.5	1.4
Virginia	2.4	2.3	2.2	2.3	1.7	1.1	2.8	3.2	3.5	4.9	4.6	2.0	0.8	1.0	0.9
West Virginia	4.7	2.0	1.3	1.8	1.7	0.2	3.9	4.5	4.6	4.8	1.8	0.2	-0.2	-0.3	-0.3
Lower South Atlantic	**3.5**	**2.8**	**2.3**	**2.9**	**2.1**	**1.4**	**3.0**	**3.5**	**3.8**	**6.8**	**3.5**	**1.8**	**1.9**	**1.8**	**1.6**
Florida	5.0	3.0	2.4	3.3	2.4	1.6	2.9	3.5	3.8	6.5	3.0	1.6	2.2	2.0	1.8
Georgia	0.8	2.5	2.2	2.0	1.3	1.1	3.2	3.4	3.9	6.8	4.3	1.9	1.3	1.3	1.3
South Carolina	3.6	2.7	2.3	2.8	2.3	1.4	3.0	3.4	3.9	7.8	4.4	1.9	1.7	1.5	1.4

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

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