TD Economics

State Economic Forecast

March 20, 2025

New England

After a lackluster 2023, the New England economy rebounded in 2024, recording strong growth on pace with the nation's. We expect growth to decelerate to 1.6% in 2025 as slowing economic fundamentals and trade risks weigh on the region. The region's unemployment rate has held steady near a healthy level as employment and labor force growth cooled in concert. We expect continued cooling in job growth to push the unemployment rate higher in 2025. Tighter immigration standards could lead to renewed labor supply challenges, which could keep the unemployment rate lower than expected. Home price growth is expected to decelerate further from 7.1% in 2024 to 5.4% this year, although supply constraints will likely keep a floor under price growth for the foreseeable future.

Middle Atlantic

The Middle Atlantic region experienced a brief rebound to start 2024 that lost stream through the second half of the year. We expect real GDP growth to ease to 1.3% in 2025 as interest rates remain steady, before recovering to 1.7% in 2026. The region's labor market stabilized over the past few months, with the unemployment remaining flat near slightly elevated levels in New York and New Jersey, and a notably low level in Pennsylvania. We expect the region's unemployment rate to trend higher to average 4.6% this year, as the labor market cools. The region's above average house price growth over the past year, particularly in New York and New Jersey, is also expected to decelerate to 4.9% this year as the economy slows.

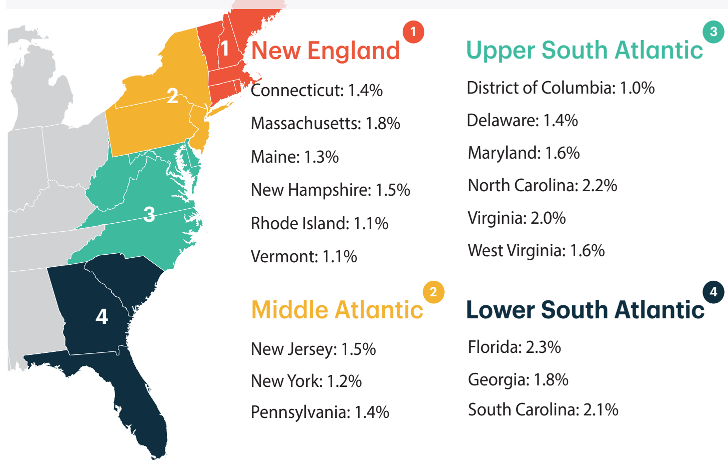
Upper South Atlantic

Economic activity in the Upper South Atlantic is expected to shift into lower gear this year, but the region should manage to keep pace with the nation, with growth projected at 1.9%. The moderation will be accompanied by a cooling in labor markets through early next year. Performances within the region will vary, with North Carolina set to lead the way with a 2.2% pace this year. However, federal government cost cutting efforts are likely to weigh on DC. Maryland and Virginia also have an elevated exposure to the government sector, but considerably less so than DC. We expect growth for these states to clock in at respectively 1.6% and 2.0% this year.

Lower South Atlantic

A maturing economic cycle coupled with headwinds from major federal policy changes, suggest that economic growth for the Lower South Atlantic will moderate to an expected 2.1% this year. Growth in South Carolina, which had the strongest showing on the East Coast in 2024 at roughly 4%, is forecast to ease to 2.1%. This reflects some weakness due to trade conflicts, with the state having the highest exposure to goods trade on the eastern seaboard. Florida's economic growth was downgraded to 2.3%, still keeping an edge over the nation. The downgrade in part reflects ongoing challenges in its condo sector and an expected reduction in the inflow of international migrants.

Real GDP by State Forecast (2025)



Source: TD Economics. Forecast as of March 2025.

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

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

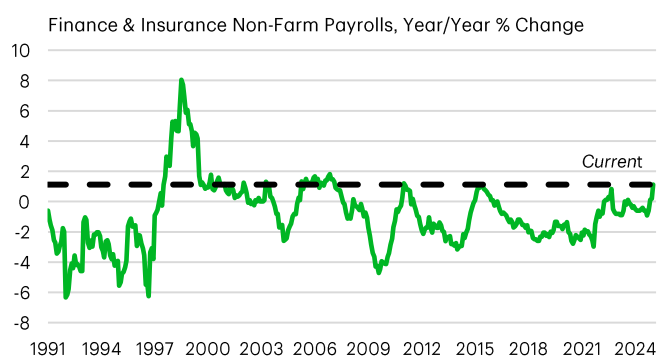
Connecticut: Defense, Finance, and Health Care Stabilizing Economy Amid Headwinds

The Connecticut economy entered 2025 on stable footing with a healthy pipeline of defense contracts stabilizing the manufacturing sector. After another year of outsized financial asset returns, finance sector payrolls hit a nearly three-year high with forward momentum through the end of 2024. However, we expect these trends to moderate gradually in the new year with real GDP growth slowing to 1.4% in 2025 as interest rates remain elevated and supply chain disruptions related to tariffs weigh on activity.

Employment growth picked up over the past few months after job losses were reported earlier in the second half of 2024. Easing labor supply constraints played a role, as labor force growth in 2024 more than doubled the national average. With employment growing once again, the unemployment rate has stabilized at a low level relative to history. Looking ahead, we expect slower growth to push the unemployment rate higher in 2025 to average 3.8%.

The recent uptick in job growth was broad-based across the private sector, with the large health care sector remaining the anchor. The finance & insurance industry also ended last year with its highest year-on-year growth in 10 years (Chart 1), breaking from a long-term trend of weakness. The manufacturing sector has also remained stable overall, outperforming the weakness seen nationally. The state's concentration of defense production has played a significant role in this trend, with a strong order book continuing to grow. This includes the recent contract procured by Pratt & Whitney, adding $2.5 billion to a prior contract for the Next Generation Adaptive Propulsion program related to the development of future fighter jets. With Congress eyeing an additional $100 billion in defense spending, and a specific reference to growing the naval industrial production base included in the U.S. Senate budget resolution bill, this may provide additional support to Connecticut's manufacturing sector.

Chart 1: Connecticut Finance Payrolls Growth Fastest in 10 Years



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

The housing market in Connecticut continues to be defined by a tight inventory backdrop and above average price growth. Many existing homeowners remain locked in by elevated mortgage rates, with limited support coming from the new homes market, despite the uptick in homebuilding we saw last year. Home price growth moderated in 2024 but remained roughly four-times the pre-pandemic average. Looking to 2025, we expect price growth to cool further to 5.9% as supply levels improve moderately.

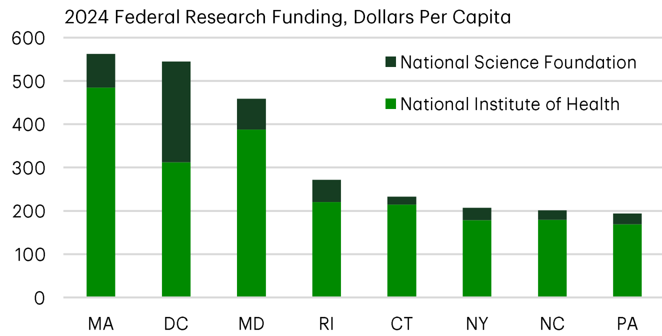
Massachusetts: Federal Research Funding Cuts Could Hamstring Productivity-Led Growth

The Bay State economy improved considerably last year, aided by strong productivity growth in the finance and professional, scientific, & technical service sectors. Additional interest rate cuts in 2025 should provide broader support to Massachusetts consumers and businesses, allowing real GDP growth to cool to 1.8% after a very strong bounce-back reading of 2.9% in 2024. However, tighter federal immigration standards and cuts to federal research funding represent headwinds that could be a drag on growth over the coming years.

The job market in Massachusetts has languished under elevated interest rates, a fact papered over by the state's strong productivity growth. Employment in the state declined by 0.2% last year, making it one of only two states to lose jobs in 2024. This occurred as the labor force expanded by 1.6%, slowing from the year prior but remaining well above the national average. Together these trends worked to push the unemployment rate notably higher to end the year at 4.2%. We expect the unemployment rate to tick higher to average 4.3% this year, with some partial offset provided by a continued cooling in labor force growth.

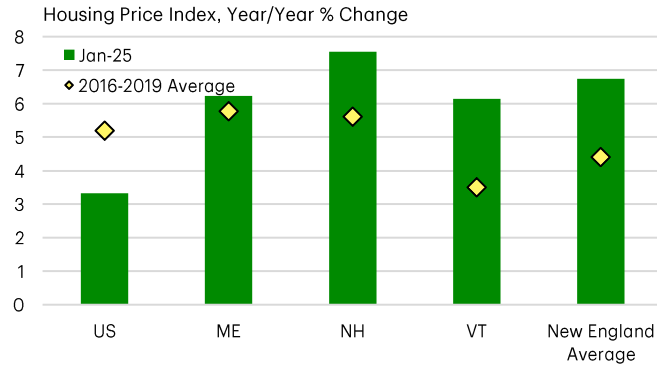
The lackluster performance in the labor market has been broad-based across industries through the second half of last year, but we did see a pick-up shifting into the new year. The recent reversal was led by the leisure & hospitality, white collar, and health care sectors. However, most

Chart 2: Federal Funding for Medical Research Bolsters Massachusetts



Note: Chart shows top 8 states for total federal research funding per capita.
Source: National Institue of Health, National Science Foundation, TD Economics.

Chart 3: House Price Growth Above Average in Northern Tri-State Region



Source: CoreLogic, TD Economics.

other sectors continued to see declines, including manufacturing, construction, and the tech-heavy information sectors – all interest rate sensitive. Additional reductions in borrowing costs this year will help to modestly broaden industry strength, but the magnitude of support is expected to be modest. At the same time, no state receives more federal research funding in per capita terms than Massachusetts (Chart 2). If these funds are targeted by the Department of Government Efficiency or Congress, then the state's strong research sector, particularly in health and biotechnology, will face additional headwinds.

Further rate cuts from the Federal Reserve in 2025 should also aid the state's housing sector, which remains constrained by material affordability challenges. Existing home supply is barely sufficient to meet one month of sales, indicating that demand remains far higher than supply in the state. This has kept home price growth above the national average, at 6.2% last year – nearly 2 percentage-points above the nation. We expect home price growth of 4.9% this year, converging closer to the nation but remaining elevated on the back of continuing supply constraints.

New Hampshire, Maine, Vermont: Aging Demographics Pose Challenge to Outlook

Economic growth in the northern tri-state region broadly improved in 2024. Solid growth in tourism provided support to all three states, but visits continued to trail the pre-pandemic level and only boosted payrolls in New Hampshire. For 2025 we expect real GDP to grow 1.5% in New Hampshire, 1.3% in Maine, and 1.1% in Vermont. However, trade tensions with the region's northern neighbor represent downside risks for Maine and Vermont, as imports from Canada exceed 5% of each state's GDP.

Employment trends in 2024 among the three states diverged, with New Hampshire exceeding the national average while Maine and Vermont lagged. More recently, New Hampshire continued to see strong job growth, with Vermont and Maine both experiencing job losses. This has resulted in upward pressure on the unemployment rates of the latter two. Looking to 2025, we expect the unemployment rates of all three states to trend higher to average 3.6% in Maine, 3.0% in New Hampshire, and 2.8% in Vermont. However, given aging demographics in all three states, if we see a notable decline in immigration this year then labor supply issues could keep unemployment rates lower than otherwise expected.

The decline in employment over the past few months in Maine and Vermont has been broad-based, with nearly all sectors outside of leisure & hospitality recording modest job losses. New Hampshire's slightly better employment trends of late have been concentrated in the health care, professional & business services, and leisure & hospitality sectors. Shifting into 2025, we expect employment growth to moderate to 0.6% in New Hampshire, and 0.3% in Maine and Vermont.

House price growth has remained relatively elevated in the northern tri-state region, similar to the trend seen throughout New England (Chart 3). Year-on-year price growth has remained in the 6-7% range, well above the national average of 3-4%. While supply has improved in Maine and Vermont, in part owing to a pickup in home-building, New Hampshire's supply remains notably low. We expect housing price growth in 2025 to slow to 5.7% in New Hampshire, 6.2% in Maine, and 4.5% in Vermont.

Middle Atlantic (NJ, NY, PA)

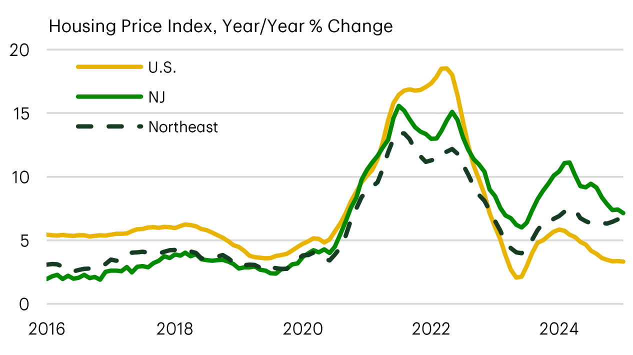
New Jersey: Health & Education Expected to Stabilize Economy in 2025 Amid Fresh Headwinds

New Jersey's economy has continued to expand at a stable pace, although the underlying composition of economic growth remains skewed towards the state's large health care and education sectors. Lower borrowing costs through the second half of 2024 did offer a modest boost to the financial services sector but did little to aid the much larger professional & business services sectors. We expect growth to moderate gradually in 2025 to 1.5%, slightly below its pace seen in recent years.

Employment trends in the Garden State were subdued throughout most of 2024. Combined with limited labor force growth, the unemployment rate remained steady at a slightly elevated level, ending the year at 4.6%. Looking to 2025, we expect the unemployment rate to gradually trend higher to average 4.9% for the year, as employment growth faces fresh headwinds in the form of new trade policies.

Health care, education, and the public sector created over 43k new jobs in New Jersey last year, as all other sectors collectively shed 4k jobs. While the trend of dominance by the health care and education sectors has continued in recent months, the construction and manufacturing sectors, which jointly account for 10% of the employment market, did see a modest reprieve in the second half of last year that moderated through year-end. A sustained rebound also occurred in the finance & insurance sector, which has grown by 1.5% in the past six months. However, elevated uncertainty is likely to weigh on job growth over the coming months amid significant trade policy developments, with job growth for the year expected to decelerate to 0.6% in 2025.

Chart 4: Elevated NJ House Price Growth Has Returned to Regional Average



Last Observation: January 2025. Source: CoreLogic, TD Economics.

The second post-pandemic wave of sky-high house price growth in New Jersey, which began in the second half of 2023, moderated in 2024 (Chart 4). However, the year-on-year change in home prices has remained roughly 4 percentage-points above the national average over the past 18 months. These developments have eliminated the state's housing affordability advantage it maintained relative to the nation in the pre-pandemic period. Limited housing supply and weak homebuilding activity have failed to keep up with demand, resulting in persistent upward pressure on prices. For 2025, we expect slowing economic growth and a gradual improvement in supply under lower rates to allow price growth to fall to 5.3%.

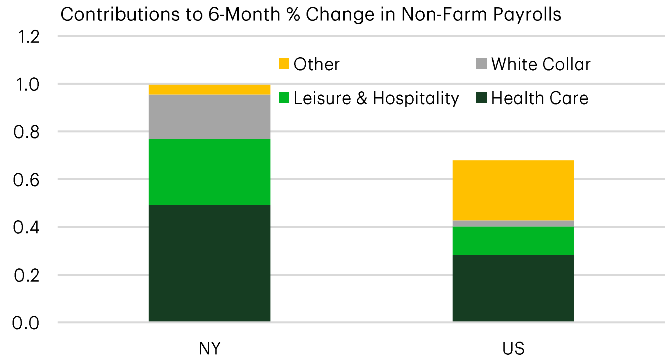
New York: Policy Uncertainty to Keep Growth Subdued in 2025

The Empire State economy shifted into neutral through the second half of 2024, as elevated interest rates constrained the modest recovery of the state's high growth sectors, including the large financial services sector. After treading water for much of the previous year, some stability was provided to the finance sector by the 1 percentage-point reduction in borrowing costs and strong growth in asset prices. However, an uptick in uncertainty in 2025 has halted rate cuts and weighed on asset prices, which will take some of the wind out of the sails of the New York economy. For 2025 we expect real GDP growth to moderate to 1.2% before recovering to 1.8% in 2026.

New York job growth picked up in the final quarter of 2024, but the unemployment rate has remained steady around 4.5% as labor force growth also trended higher. New York's large health care sector has continued to stabilize the employment market, with the sector adding roughly 100k jobs last year and maintaining a steady pace over the past few months. The second half of last year also saw several other sectors rebound, with leisure & hospitality and most white-collar sectors boosting payrolls (Chart 5). However, with the post-election euphoria in consumer and business sentiment now receding amid elevated policy uncertainty, it seems likely job growth will shift back towards its prior health care centric composition in 2025. We expect a cooling in job growth to 0.6% next year will push the unemployment higher to average 4.7%.

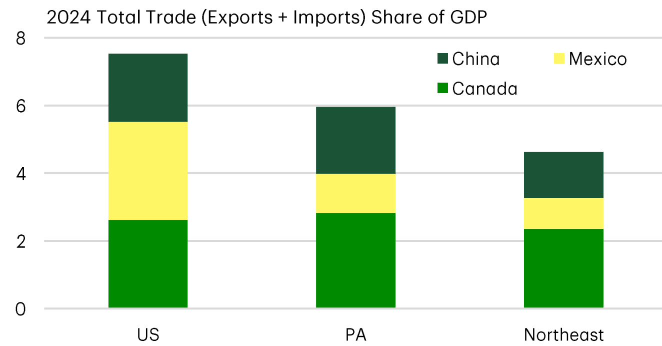
Despite a mixed year for the economy, New York's housing market had a banner year in 2024, with price growth exceeding the national average for the first time since 2007.

Chart 5: New York's Job Growth Expanded Beyond Health Care in 2024H2



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

Chart 6: Pennsylvania's Trade Exposure Above Regional Average



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

Demand has been supported by solid income growth, with tight supply conditions also contributing to price growth. Strong homebuilding activity in the state is likely to contribute some support to supply levels over the coming months, but on aggregate price growth is still expected to remain elevated at 5.1% in 2025, before falling to a more normal pace of 2.3% in 2026.

Pennsylvania: Slowing Economic Growth to Ease Labor Market Tightness in 2025

The Keystone State economy was stable coming into 2025, in-line with the Northeast average. Despite relatively weak real income growth, consumers have continued to spend, which has helped to maintain the economy's expansion. Combined with steady, albeit subdued, growth in white- and blue-collar sectors, Pennsylvania has managed to weather the storm of elevated interest rates in fair condition. However, signs of cooling were beginning to show prior to the current uptick in policy uncertainty, and we expect growth will decelerate from 2.4% in 2024 to 1.4% in 2025.

The state's job market has remained tight coming into 2025, with moderate employment growth combining with labor force declines to keep the unemployment rate low at 3.8%. Contractions in the labor force have been driven by a 1.1 percentage point drop in the participation rate over the past twelve months, putting the metric at its lowest level in nearly 3 years and well below the pre-pandemic average. Combined with expectations for slower international immigration - the only source of population growth in Pennsylvania for the past five years - labor supply challenges are expected to increase moving forward.

However, as the economy cools this year, we expect a slowdown in labor demand to push the unemployment rate higher to average 4.1% - a higher, but more balanced level relative to history for the state.

The composition of employment growth in Pennsylvania has been broader than its regional peers, with above average job growth in health care, government, and leisure & hospitality contributing the lion's share of gains through the second half of 2024. White collar payrolls have been largely stagnant over the past few months, matching the national trend, while construction job growth rebounded gradually. In contrast, the sizeable manufacturing sector lost 5k jobs in the second half of last year, pushing payrolls in the sector to the lowest level since March 2022. Trade policy uncertainty is unlikely to allow for a reversal of these trends shifting into 2025, with total trade with Canada, Mexico, and China accounting for 6% of the state's GDP in 2024 (Chart 6). Hiring activity is likely to remain constrained in 2025, as uncertainty related to fiscal policy, and by extension monetary policy, keep firms cautious. We expect this to contribute to a declaration in broader job growth to 0.5% in 2025.

Housing price growth in Pennsylvania has tracked the national average closely, which has placed it at the back of pack in the Northeast. Supply shortages are less of an issue than elsewhere in the region, with Pennsylvania having 3.3 months' supply versus the Northeast average of 2.4 months'. Price gains are poised to return to a pre-pandemic pace in 2025, with our expectations for 4.3% gains this year.

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

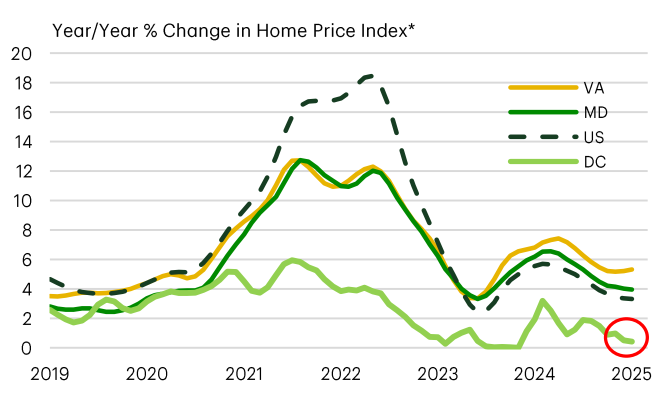
DC-Maryland-Virginia (DMV): DOGE-ing the Hurdles

The DMV economy grew at a decent pace last year, estimated at 2.5% – somewhat below the national rate. That profile, however, hides a deep variation within the region, with D.C. lagging well behind, Maryland (Md.). doing somewhat better, and only Virginia (Va.) keeping pace with the nation. These growth rankings are echoed in measures of labor market tightness. So far, payroll growth in the region is keeping pace with the nation, and job openings data point to additional gains ahead. Recently announced expansions in the manufacturing sector, such as those from PwrQ in Md. (160 jobs), along with Clasen Quality Chocolate and ViDARR in Va. (300 jobs combined), reinforce this theme. That said, major policy changes – such as on immigration and trade, along with efforts to find efficiencies in the government sector (DOGE) – present some hurdles.

The region has an elevated exposure to the government sector and will be impacted disproportionately by cost-cutting efforts. This is especially the case for DC, where federal payrolls account for a quarter of the total, compared to 6% in Md., 4.5% in Va., and only 2% nationwide. The impact of recent government job cuts and voluntary buyouts, which is already being featured in weekly jobless claims in DC, has the potential to weigh on consumer-related industries, including housing. More restrictive immigration policy may add to the challenges. International migration inflows have been an important source of population growth for the region in the post-pandemic period, while Md. also has an elevated exposure to undocumented immigrants. Still, the housing markets of Md. and Va. remain quite tight, with the months' supply of inventory at 1.7 and 2.0 respectively, something that is keeping upward pressure on home prices. DC's market is much looser and is the only one showing continued softness (Chart 7). The region is less exposed to international trade and the impact of tariffs. While it will not escape unscathed from some common effects of trade skirmishes, such as the potential for higher prices from tariffs, it should see less of an impact from reduced access for locally made goods to some global markets. The military tilt of manufacturing in Va. and Md. should also help limit the fallout.

All told, with some of the above risks materializing, we have shaved down growth for the region compared to our prior forecast round. We now anticipate Va. will lead the charge at 2.0% this year, followed by 1.6% in Md. and 1.0% in DC, with all three marking a deceleration from the 2024 pace.

Chart 7: Home Price Growth Remains Soft in DC



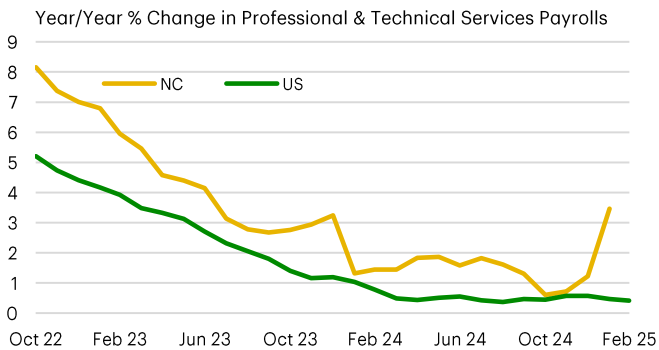
Source: CoreLogic, TD Economics. *3-month moving average.

North Carolina: Strong but Easing

North Carolina outperformed again last year, with economic growth estimated at close to one percentage point above the national rate. This even as Hurricane Helene caused significant damage to the western part of the state and disrupted economic activity at the end of the year. The mark of Hurricane Helene is dissipating, with weekly jobless claims back near the pre-storm level for some time now and the unemployment rate in hard-hit Asheville trekking lower. Reconstruction activity is expected to lend a moderate hand to growth over the next several quarters.

The Tar Heel State remains a good place to do business, thanks in part to a low corporate tax burden and demographic tailwinds – factors that continue to help it to attract investments. The state economy should maintain a healthy momentum over the medium term, but growth is expected to ease this year on the back of a maturing economic cycle. Major policy changes, such as on immigration and on trade, may also take some wind of out the economy's sails. That said, the state is not overly exposed on either of these areas, which should help it weather potential headwinds better than most. For example, the state is more reliant on domestic rather than international migrants to grow its population, so a steep reduction in the latter from more restrictive policy will only have a limited impact.

Chart 8: North Carolina Prof. & Tech Employment Has Picked Up Pace Recently



Source: BLS, TD Economics.

Overall hiring in the state continues at a healthy clip, but over the past year areas of softness include manufacturing, information, and accommodation. Thankfully, there's been plenty of strength in other sectors such as prof. & business services, education & healthcare, and construction. At the turn of the year, there were roughly 1.5 jobs available for every unemployed worker – a ratio that has come down over the past year but is still well above the national average (almost 1-to-1). This reaffirms the notion that the labor market has more runway ahead.

Ongoing investments and planned expansions support the positive theme. In healthcare and related sectors, multibillion dollar investments from Amgen (biotech), Novo Nordisk (pharma), Fujifilm Diosynth (biotech), and Johnson & Johnson (pharma), are expected to lead to thousands of jobs combined. Hiring in the prof. & tech sector has picked up pace once again (Chart 8). Signals on the tech front have been somewhat mixed, but the sector should have more gas in the tank. Apple's $1 billion campus in the Research Triangle remains on pause, but the company announced that a data center in the Charlotte area is part of its $500 billion nationwide investment plan. Meanwhile, Google is also exploring the expansion of its data center footprint near Charlotte.

All in all, we expect economic activity in the Tar Heel State to ease to 2.2% this year, which should keep it at the top of the leaderboard in the Upper South Atlantic region.

Lower South Atlantic (SC, GA, FL)

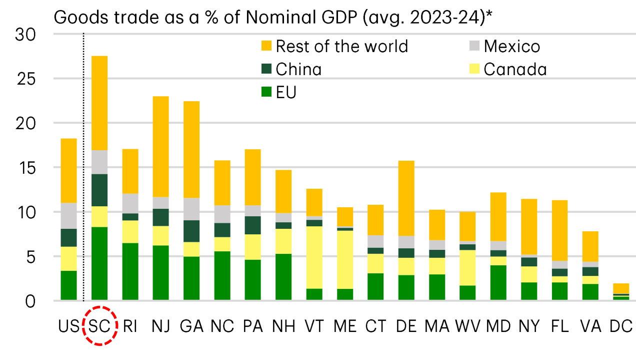
South Carolina: Trade Conflicts Pose Hurdles for Palmetto State Economy

The Palmetto State economy took the East Coast cake last year, growing at roughly 4% - the best showing in the entire region. That strong performance is unlikely to be repeated this year given a maturing economic cycle and the challenges from trade conflicts. The latter marks a wildcard, but assuming the conflicts can be somewhat contained, the state economy should still retain a slight edge over the nation this year.

South Carolina's labor market had been sending mixed signals for some time, with the unemployment rate surging through last summer, albeit from low levels. More recent data confirms that the employment backdrop remained on solid footing as of early 2025. The pace of job growth (2.4% y/y) remains above the U.S. rate (1.2%). Meanwhile, the unemployment rate has moderated recently for a change, even as this was partly due to slowing labor force growth (Chart 9). As the labor market has seen some moderate retightening, wage growth has improved, rising above the national rate once again.

The state continues to be a magnet for investments, especially in manufacturing space. Recent examples include investments totaling $850 million from companies such as Isuzu (commercial vehicles), TS Conductor (conductors), Eaton (transformers), HII (naval defense), Cardiff (beverages), that will generate 2,200 jobs combined. That said, South Carolina has relied heavily on trade to builds its success and is likely to feel the pinch from tariffs. The state exported $38 billion worth of goods last year – much of it transportation equipment, including autos and parts, and aerospace products. Meanwhile, weighing exports by GDP, South Carolina is the most exposed state to goods trade on the East Coast (Chart 10, see our report here). As a result, potential supply chain disruptions and the impact of retaliatory tariffs are likely to weigh disproportionately on the state economy.

Chart 10: Trade Exposure to Key Trading Partners, S.C. is Most Exposed State on East Coast

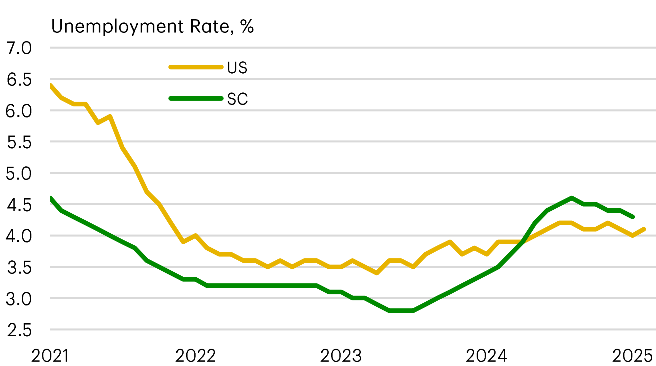


Source: Census Bureau, TD Economics. *Ordered by exposure to highlighted partners.

Thankfully, the state has a diverse economy, with plenty of other growth sectors to provide a lift. Areas of strength over the past year on the employment front have included education & healthcare, arts & entertainment, and processional & tech services. While payroll growth in the latter has eased a little recently, it still tracks a healthy 3% y/y. The deepening of the talent pool through domestic inmigration, coupled with investments from firms such as Google and Meta (respectively $3.3 billion and $800M in data centers) help highlight the growth prospects for tech.

A healthy labor market backdrop also continues to support housing and, by extension, the construction sector where payrolls are up 7% y/y. The fact that the state relies more heavily on domestic rather than international migrants to grow its population, indicates that it should be less impacted from restrictive immigration policy. While population growth is forecast to moderate, it should remain well above the national rate over the medium term. This should continue to lend support to consumer-related industries, including housing. A still-tight market – with a 3.4 months' supply of inventory in February – bodes well for residential construction ahead. Meanwhile, a more favorable interest rate backdrop beginning later this year should also lend a hand.

Chart 9: South Carolina's Unemployment Rate Cools After Strong Increase In First Three Quarters of 2024



Source: BLS, TD Economics.

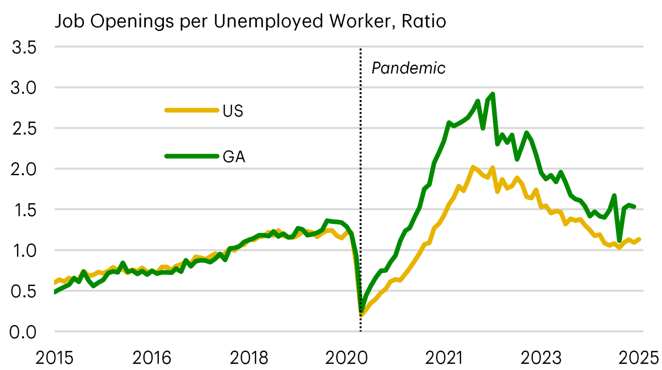
All told, the trade conflicts certainly pose a hurdle, but the Palmetto State should hold its own with economic activity projected to expand at 2.1% this year.

Georgia: Some Easing in the Cards

The Peach State economy accelerated and grew at a healthy clip of over 3% last year – slightly above the U.S. rate. More recently though, the state economy is showing signs of moderation. Job growth has eased, with 2025 starting off on a soft note. A look at the details reveals that growth drivers have narrowed, with healthcare and government the only two main contributors to job growth over the past year. While the state economy has more gas in the tank, we project economic activity will ease to 1.8% this year, in line with the moderation at the national level.

Looking past some volatility in the autumn, the ratio of job openings to unemployed workers remains above the national level (Chart 11). Ongoing expansions in a variety of sectors support the theme that the state economy and its labor market have more runway ahead. Recent expansions have been announced in financial activities, logistics, tech, and manufacturing, particularly in the EV space. New announcements have come from firms such as Duracell (new R&D hub), AIG (insurance), GreenBox Systems (warehousing), Irving Tissue, and PBS Aerospace which will lead to 1200 jobs combined. On an added positive note regarding the auto sector, Rivian now anticipates it will begin the construction of its paused multibillion EV plant next year. These investments should help lift manufacturing employment from its recent lull. But trade conflicts will pose a headwind. Georgia's trade exposure to key partners is similar to the nation's (see our report here), but the state still does a substantial amount of trade with the world. State exports grew to a record $53 billion last year. Of note, Georgia does have a heightened exposure to imports from the EU, and an intensification in the trade conflict with this specific partner could have knock-on effects for the related sectors such as logistics.

Chart 11: GA's Ratio of Job Openings to Unemployed Workers Remains Above the National Level



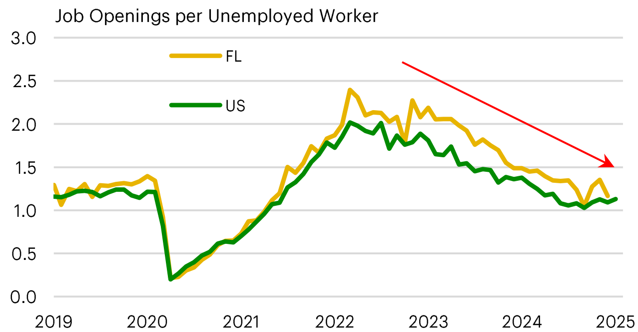
Source: BLS, JOLTS, TD Economics.

Consumers in the state continue to receive a helping hand from a combination of improved wage growth (up a strong 7.5% y/y vs. 4% nationally) and cooler inflation, with the latter continuing to run below the national rate for the Atlanta region. The state's unemployment rate is forecast to trek higher as growth slows, likely peaking at 4.1% in a year from now. This level of unemployment is still in the lower range of historical norms, and shouldn't be too disruptive for the housing sector, especially given that interest rates are expected to head lower. Looking past the softness in the multifamily sector, Georgia's housing market remains relatively tight, with months of inventory still only at 3.8 in February. This points to additional support for single-family construction in the quarters ahead.

Florida: Growth Premium Vis-à-vis Nation to Shrink

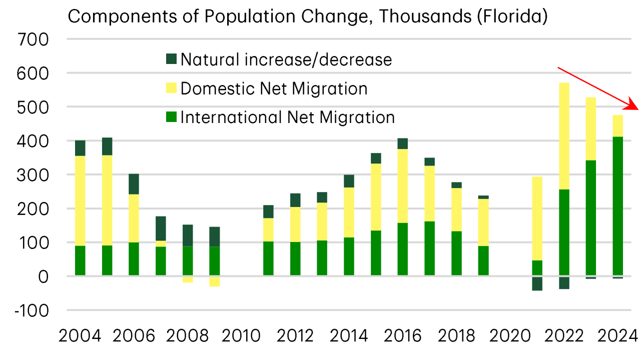
The Sunshine State had a successful 2024 with its economy growing by an estimated 3.6%, well ahead of the U.S. rate (2.8%). While we expect Florida to retain an edge over the nation this year, the state's growth premium vis-à-vis the U.S. is likely to be curtailed. This theme is already visible on the employment front, with job growth in Florida, once well above the U.S. rate, now moving more in line with the nation. While there are still plenty of jobs in the state, the ratio of open positions to unemployed workers has fallen to be broadly in line with the nation (Chart 12). Florida's unemployment rate (3.5%) remains below the U.S. level (4.1%), despite trending moderately higher over time. However, this healthy showing is partly due to some recent softness in the labor force, which has recorded little to no growth since last summer. Slowing migration inflows appear to be partly behind this trend.

Chart 12: Florida's Job Openings to Unemployed Worker Ratio Now in Line With National Level



Source: BLS, TD Economics.

Chart 13: Domestic Migration to FL Has Slowed, Int'l Migration Has Helped But Will Slow Too



Source: Census Bureau, TD Economics. *Missing 2010 and 2020 data are Census years.

Florida's housing market remains bifurcated. The condo sector remains on weak footing, with prices continuing to fall. Rising condo fees or special assessments, coupled with already high-and-rising home insurance fees are causing many owners to sell. The sector's softness has further to go as indicated by a sharp increase in inventories, with the months' supply of inventory rising to 9.1 (and condos now taking more than 100 days to sell). Though the single-family market remains on firmer footing, some of the softness may rub off on this segment too. Price growth in the sector has slowed to a crawl and inventories are rising, with month's supply showing a shift from seller's into balanced territory recently. Slowing population growth may contribute to the softness.

Domestic migration into Florida has fallen sharply to the lowest level in 15 years. International migration has helped fill in some of the void, but with more restrictive immigration policy now a reality, this support channel is expected to wane quickly too, leading to slower population growth (Chart 13). On the one hand, this will help keep some downward pressure on the unemployment rate. On the other, it will take some wind out of the sails driving consumption growth. What's more, Florida has an above average exposure to undocumented immigrant workers. Measures that restrict their participation in the labor market or lead to removals may create operational difficulties for businesses (the agricultural industry is especially exposed), and will likely further weigh on consumption.

Trade skirmishes pose an additional downside risk. Florida has a below-average exposure to goods trade relative to the size of its economy. This will help limit the fallout from tariffs and counter-tariffs. That said, the state still does plenty of trade with key partners such as Canada, Mexico, China and the EU. The agricultural sector – whose products are first on the list of retaliatory tariffs – is more than likely to feel the sting. Trade irritants may also weigh on the important tourism industry. Visits from Canada – an important source of tourism dollars for the state – are already falling, with car trips to the U.S. down 23% in February.

Overall, we anticipate growth in the Sunshine State will slow to 2.3%. This will keep Florida ahead of the U.S. rate but by a smaller degree than in the recent past.

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**	**1.9**	**2.0**	**1.3**	**0.9**	**0.8**	**4.0**	**4.3**	**4.3**	**4.5**	**3.8**	**3.4**	**0.9**	**0.4**	**0.3**
New England	**2.9**	**1.6**	**1.9**	**0.5**	**0.4**	**0.7**	**3.6**	**4.0**	**3.8**	**7.1**	**5.4**	**3.2**	**0.8**	**0.3**	**0.2**
Connecticut	2.6	1.4	1.5	0.8	0.3	0.4	3.2	3.8	4.3	8.6	5.9	3.4	0.9	0.2	0.1
Massachusetts	2.9	1.8	2.3	0.1	0.5	0.9	4.0	4.3	3.8	6.2	4.9	3.1	1.0	0.4	0.3
Maine	3.0	1.3	1.4	1.0	0.3	0.5	3.1	3.6	3.5	6.3	6.2	3.5	0.4	0.3	0.2
New Hampshire	3.1	1.5	1.7	0.9	0.6	0.7	2.6	3.0	3.1	7.9	5.7	3.1	0.5	0.3	0.2
Rhode Island	3.0	1.1	1.2	1.2	0.2	0.4	4.3	4.7	4.4	9.3	6.1	3.5	0.8	0.2	0.1
Vermont	2.3	1.1	1.3	0.5	0.3	0.5	2.3	2.8	2.8	6.4	4.5	2.7	0.0	0.0	0.1
Middle Atlantic	**2.3**	**1.3**	**1.7**	**1.3**	**0.6**	**0.8**	**4.2**	**4.6**	**4.6**	**6.5**	**4.9**	**2.6**	**0.7**	**0.1**	**0.1**
New Jersey	2.2	1.5	1.7	1.0	0.6	1.0	4.5	4.9	4.7	9.2	5.3	2.9	1.3	0.3	0.3
New York	2.3	1.2	1.8	1.7	0.6	0.9	4.3	4.7	4.7	5.6	5.1	2.3	0.7	0.0	0.0
Pennsylvania	2.4	1.4	1.5	0.9	0.5	0.6	3.6	4.1	4.3	6.1	4.3	2.9	0.5	0.2	0.1
Upper South Atlantic	**2.9**	**1.9**	**2.0**	**1.5**	**1.0**	**1.0**	**3.3**	**3.6**	**3.8**	**5.6**	**3.9**	**3.3**	**1.1**	**0.6**	**0.5**
District of Columbia	1.3	1.0	1.3	0.4	0.4	0.7	5.2	5.8	6.0	1.4	0.2	2.1	2.2	0.3	0.2
Delaware	2.0	1.4	1.3	1.1	0.6	0.7	3.7	4.0	4.4	5.5	3.8	3.0	1.5	0.7	0.6
Maryland	2.2	1.6	1.7	1.9	0.7	0.8	3.0	3.2	3.2	5.2	4.0	3.3	0.7	0.4	0.3
North Carolina	3.7	2.2	2.3	1.4	1.3	1.2	3.6	4.0	4.1	5.6	3.6	3.4	1.5	1.0	0.9
Virginia	3.0	2.0	2.1	1.5	1.2	1.0	2.8	3.2	3.4	6.2	4.5	3.5	0.9	0.5	0.4
West Virginia	3.4	1.6	1.4	1.1	0.1	0.2	4.1	4.4	4.9	5.4	4.7	2.6	0.0	-0.2	-0.2
Lower South Atlantic	**3.6**	**2.1**	**2.3**	**1.6**	**1.1**	**1.5**	**3.5**	**3.9**	**4.1**	**3.9**	**1.9**	**3.1**	**1.7**	**1.1**	**1.0**
Florida	3.6	2.3	2.4	1.8	1.2	1.6	3.4	3.8	4.1	3.0	1.2	2.9	2.0	1.2	1.1
Georgia	3.3	1.8	2.1	1.1	0.7	1.2	3.5	3.9	4.0	5.3	3.3	3.2	1.1	0.8	0.8
South Carolina	4.1	2.1	2.4	2.0	1.4	1.4	4.2	4.5	4.2	5.7	3.8	3.6	1.7	1.1	1.0

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

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