TD Economics

State Economic Forecast

March 21, 2024

New England

Despite lagging the exceptionally strong national average, New England's economy expanded at a solid pace in 2023. However, hiring cooled last year and unemployment rates have risen by roughly half a percentage-point in most states over the past six months. We expect this to continue through 2024 as the pace of economic growth lags the national average. Home price growth is also projected to moderate over the coming months, although tight supply conditions are likely to keep price growth above the national average this year.

Middle Atlantic

A rebound in the second half of last year helped the Middle Atlantic region record a respectable expansion in 2023, although weakness in New York and New Jersey weighed on the region. In 2024, real GDP growth is expected to rebound modestly to 2.0%, as monetary easing alleviates pressure on the region's outsized white-collar sector through the second half of the year. This is expected to bring the unemployment rates of New York and New Jersey down from elevated levels, while easing of labor market tightness in Pennsylvania is expected to push its unemployment rate gradually above its current historical low. Housing price growth in the region is expected to moderate through 2024.

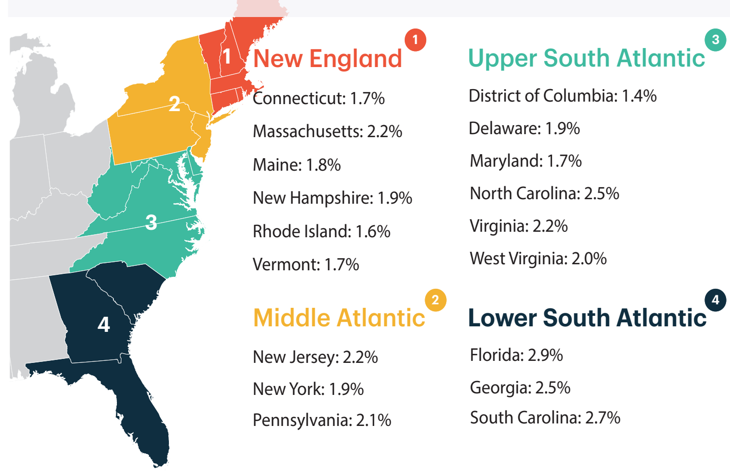
Upper South Atlantic

The Upper South Atlantic region kept pace with the nation last year, growing at an estimated 2.3%, but state performances varied widely, from around -1% in Delaware to an unusually strong showing of 4½ % in West Virginia. A broad-based acceleration in hiring at the turn of the year, combined with still-buoyant labor demand, provide a decent handoff to 2024. So, while the region's growth is forecast to moderate this year, it is likely to remain near 2% – only slightly below the U.S. rate. North Carolina is expected to lead the charge, with the economy forecast to grow by 2.5%, thanks in part to strong population growth and ongoing large investments in manufacturing.

Lower South Atlantic

The Lower South Atlantic region grew at an estimated 3.5% last year – a full percentage point higher than the nation. Florida and South Carolina continued to outperform, and Georgia trailed behind given a soft start to the year. Strong population growth and the fact that the region continues to attract plenty of investments, suggest that it will retain an edge over the nation. But, with the economic cycle maturing and the impact of elevated interest rates becoming more binding, activity is expected to ease to 2.7% this year. Georgia is anticipated to remain in third place, but economic performances in the group should move closer together this year in the 2.5-2.9% range.

Real GDP by State Forecast (2024)



Source: TD Economics. Forecast as of March 2024.

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

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

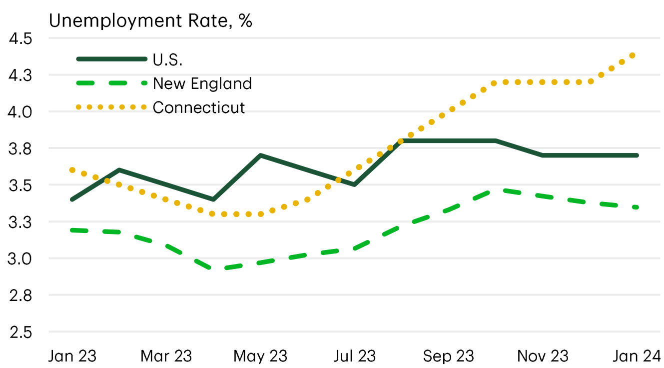
Connecticut: Labor Market Rebalancing as Job Gains Slow

Connecticut's economy is expected to have grown by 2.0% in 2023, with growth picking up in the second half of the year. However, the Constitution State has remained weak relative to the national average as white-collar layoffs rose and the slowdown in nearby New York weighed on growth. In addition, while the defense sector has supported economic growth, production capacity limits are beginning to bind in some industries. We anticipate that real GDP growth will moderate to 1.7% in 2024, but remain stable as lower interest rates boost economic activity through the second half of the year.

Those white-collar layoffs resulted in a decline in employment of 0.3% over the second half of 2023 At the same time, labor force growth was relatively stable, facilitated in part by a modest recovery in the participation rate. As a result, Connecticut's unemployment rate has risen more than a full percentage-point since May 2023, reaching 4.4% in January (Chart 1). Looking ahead, we expect that the unemployment rate will rise modestly this year to average 4.5% as the economy slows.

At the industry level, recent job growth has been concentrated in the non-cyclical health and education sectors, which accounted for over eighty percent of net job gains over the past six months. Meanwhile, other sectors have seen weakness, most notably the important financial activities, retail trade, manufacturing, and construction sectors have all seen job losses. However, weakness spread through the end of the year, with half of all sectors cutting jobs in the final quarter. Moving into 2024, job gains picked up to start the year, but we expect that gains will moderate through the year as economic growth slows.

Chart 1: CT Unemployment Rate Increases Outpace Region & Nation



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

Despite a weaker labor market, Connecticut had the second highest house price growth in New England in 2023 at 10.5% - roughly double the national average. Supply levels remain exceptionally tight and although homebuilding activity picked up to start 2023, it weakened considerably through the year as financing costs remained elevated. We expect that supply constraints will keep a floor under price gains in 2024, with prices expected to end the year 7.2% higher. While this would represent a moderation relative to 2023, it would still more than double the pre-pandemic average annual price gain.

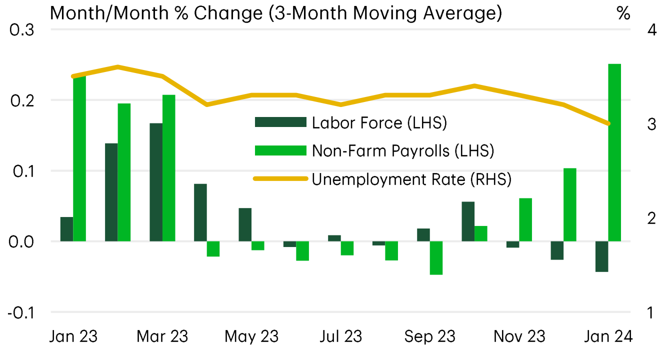
Massachusetts: Key Healthcare Sector Supports Growth

The Bay State economy tracked the national economy closely through the second half of last year, but ultimately lagged the nation on the year due to the influence of high interest rates on the state's outsized finance and technology industries. However, solid growth in the large health care and education sectors continues to provide support. We expect that this in conjunction with a return to positive population growth last year will permit the Bay State to grow by 2.2% this year.

In concert with the state's economic growth, the labor market remained tight through the end of last year, with Massachusetts being the only state in the Northeast to see a decline in its unemployment rate during the second half of 2023. However, employment growth through the second half of last year was marginal, which in addition to weak labor force growth kept the Bay State's unemployment rate steady (Chart 2). Looking ahead, we expect that Massachusetts' unemployment rate will rise to average 3.3% this year as job growth slows further in 2024.

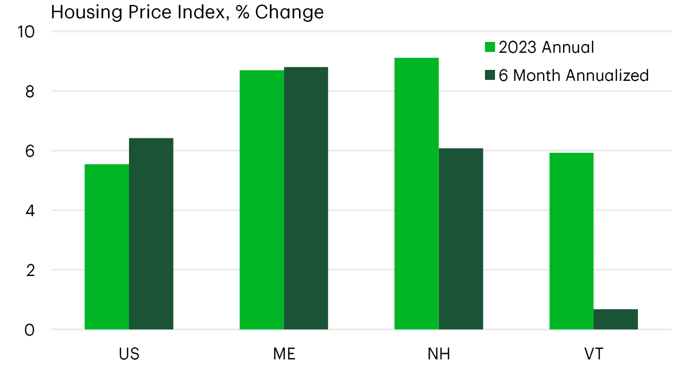
The labor market developments at the industry level have broadly tracked the national average over the past six months, with the domination of the health care sector a common theme. This has been driven in part by weakness in other sectors, including the large professional & business services sector which saw a 0.8% decline in jobs in the second half of 2023. Layoffs have also been recorded among the state's tech companies in 2024, including over 1,650 collectively between Way-

Chart 2: Massachusetts' Labor Market Weakened in 2023, Rebounded Through Year-End



Note: Historical data was revised in March 2024.
Source: U.S. Bureau of Labor Statistics, TD Economics.

Chart 3: Housing Price Growth Slowed in Northern New England Over Past Six Months



Source: CoreLogic, TD Economics.

fair (furniture), Toast (software), and Drizly (Uber subsidiary – food delivery). In the goods sectors, construction continues to grow steadily while manufacturing employment shook off seven consecutive months of job losses to grow by 0.2% over the past three months.

Housing price growth accelerated in 2023 in Massachusetts, with prices growing by 7.1%, ahead of the national average of 5.5%. After seeing comparatively slower price growth in 2022, the return to positive population growth likely helped boost price growth last year. Looking ahead, persistent supply shortages in the Bay State combined with weak homebuilding activity are expected to keep price gains in 2024 above the national average, although persistent affordability challenges will see gains in Massachusetts lag its regional peers.

New Hampshire, Maine, Vermont: Labor Market Tightness Eases Back to Normality

Consistent with the New England regional trend, the northern tri-state region recorded below average real GDP growth in 2023. Strong growth readings in the second half of the year helped to offset earlier weakness, but we expect growth to moderate moving into 2024 with Maine's economy growing at 1.8%, New Hampshire 1.9%, and Vermont 1.7%.

Job growth in 2023 was also below average in all three states, but a rebound in Maine and New Hampshire in the second half of the year brought them closer to the national average, while Vermont decelerated. All three states saw their unemployment rates rise by at least half a percentage-point in the second half of 2023 as labor supply and demand came into better balance. Unemployment rates had fallen to rock bottom levels during the recovery from the pandemic, even more so than at the national level, but the gap relative to the national level has normalized in New Hampshire and Vermont. Maine's unemployment rate, however, rose to a greater degree last year due to strong labor force growth, in part driven by robust domestic migration inflows. Moving into 2024, we expect that unemployment rates will rise moderately in the region, with Maine averaging 3.5%, New Hampshire 2.8%, and Vermont 2.6%.

The employment growth outperformance of Maine and New Hampshire relative to Vermont has been driven by job gains in a broader selection of industries . Almost all the job gains in Vermont during the second half of last year were in the health care sector. In Maine, while the health care sector was the largest contributor to job growth, solid gains were also seen in the large professional & business services. New Hampshire similarly saw solid growth in leisure & hospitality and manufacturing through the second half of last year on top of strong gains in health and education.

Over the past four years, housing prices in all three states have risen by roughly 60% - about 15 percentage-points higher than the national average. More recently, price growth has moderated in all three states over the past six months due to higher rates and growing affordability challenges, with Maine still seeing above average growth on the back of strong population growth, New Hampshire in-line with the national average, and Vermont flatlining (Chart 3). Looking ahead, we expect that price growth in 2024 will equal 6.0% in Maine, 5.6% in New Hampshire, and 5.0% in Vermont.

Middle Atlantic (NJ, NY, PA)

New Jersey: Lower Rates Expected to Facilitate Economic Rebound Into 2025

The Garden State economy moderated in 2023 as weakness in the white-collar sector weighed on the state. Nevertheless, robust growth in the state's health care sector combined with the ongoing post-pandemic recovery in leisure & hospitality helped to support headline economic growth last year. Moving into 2024, we expect that the New Jersey economy will grow by 2.2% as lower interest rates bolster growth through the second half of the year.

The Garden State was the only state in the Northeast to see employment growth exceed the national average last year, with payrolls growing by 2.1%. However, due to a sizeable disparity in the two labor market surveys, the unemployment rate rose a full percentage point over the first eight months of the year before stabilizing at 4.8% through the end of the year. Similar to the nation, the household survey's picture of employment in New Jersey is looking weaker relative to the business-based payrolls survey, with the former measuring the unemployment rate (Chart 4). On aggregate, New Jersey's labor market is likely somewhere in the middle, with job growth moderating and labor supply coming into better balance with demand as evidenced by stability in the unemployment rate over the past few months.

In 2023, over 60% of New Jersey's employment gains were in the health care and leisure & hospitality sectors, with both sectors recording job growth 2-3 times higher than the pre-pandemic pace. This helped to offset weakness in the outsized professional & business services sector and financial activities sectors, although the former has seen a rebound over the past few months. Moving into 2024, we expect that the unemployment rate will fall slightly to average 4.6% as lower interest rates in the second half of the year gradually alleviate pressure on New Jersey's high growth sectors and job growth broadens beyond the current concentration in non-cyclical sectors.

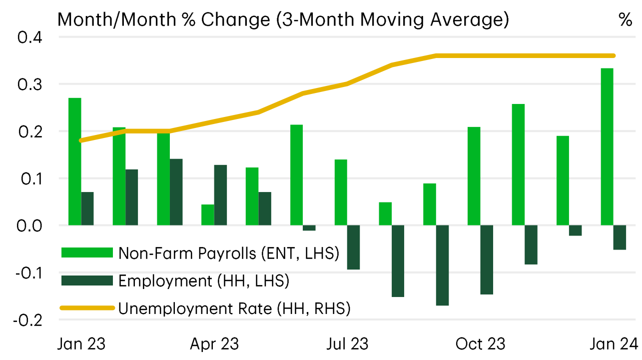
A tight supply of listings continues to bolster house price growth in New Jersey, with the 11.0% increase in prices last year one of the highest in the country. With homebuilding activity weakening through most of last year and interest rates expected to keep the supply of existing homes for sale limited through 2024, price gains next year are expected to remain elevated at 8.2%, with further moderation to 2.7% in 2025.

New York: Short-Term Weakness Expected to Give Way in 2024

The third largest economy in the nation rebounded in the second half of 2023 after a tepid start to the year. However, growth remained weak relative to its regional peers at 0.7% as high interest rates continued to burden the nation's financial capital (Chart 5). Looking to 2024, we expect the Empire State to accelerate to 1.9%, in contrast to the trend at the national level, with lower interest rates in the second half of 2024 providing support through the end of the year, particularly for the third of the state economy accounted for by the financial sector.

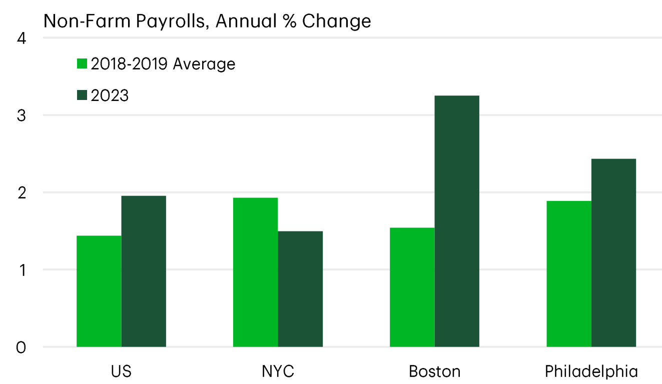
Consistent with the economic rebound in the second half of last year, job growth has picked up and outpaced the national average over the past six months. This, in addition to a slowdown in labor force growth over the past

Chart 4: Weakness in Household Survey Employment Pushing Up NJ UR



Note: *(HH) indicates household survey data, (ENT) indicates enterprise survey data.
Source: U.S. Bureau of Labor Statistics, TD Economics.

Chart 5: Lagging Job Growth in NYC Underlies State Weakness



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

few months, has partially reversed the uptick in the unemployment rate that occurred last year. While the first decline in the unemployment rate in nine months is welcome news, New York's unemployment rate remains almost a full percentage point above the national average. We expect the state's unemployment rate to rise slightly next year to average 4.6%, before a second half rebound leading into 2025 pushes it down to 4.3% in the following year.

The industrial composition of New York's job growth in 2023 was broadly comparable to the U.S., with the exception of the construction and manufacturing sectors which both shed jobs in 2023, in contrast to gains at the national level. Still, the long-term outlook for high-tech manufacturing in the state continued to improve in 2024 with the recent announcement of a $12 billion investment by GlobalFoundries, joining the host of recent investments in upstate New York brought on by the incentives in 2022's CHIPS & Science Act.

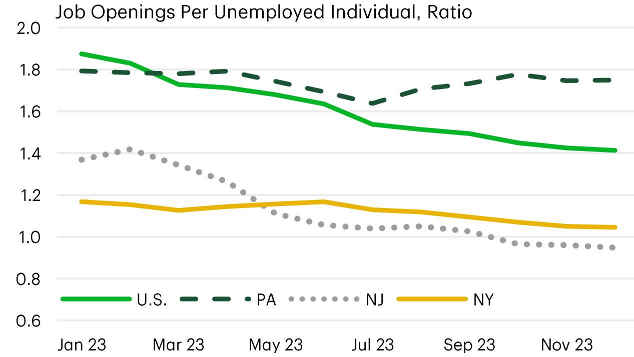
Housing prices in New York have declined sharply over the past three months, falling by 1.3% through January, but this appears to be driven by upstate New York, as prices in New York City rose by 0.8% during the same period. NYC has a higher share of all-cash purchases, which accounted for two-thirds of home purchases in Manhattan in the fourth quarter of 2023, making the housing market less sensitive to financing costs. All told, house price growth in the Empire State was the seventh weakest in the nation in 2023. Looking ahead, we expect that prices will rise by 1.4% in 2024 as weakness from 2023 extends through the start of the year.

Pennsylvania: Labor Supply Issues Keeping Unemployment Rate Near Record Low

The Keystone State economy tracked the national average through the first three quarters of 2023, improving from its underperformance in 2022. However, the state relied heavily on its outsized health and education sectors last year and moving into 2024 we anticipate that continued weakness in the white collar and manufacturing sectors will weigh more heavily on Pennsylvania, resulting in a modest deceleration in economic growth to 2.1%.

Pennsylvania's job growth last year was sub-par, but modest growth in the labor force has kept the labor market tight overall. The unemployment rate is near historic lows, and remains below the national average, which hasn't occurred consistently since 2014. Signs of labor supply shortages are also seen in the job opening to unemployed ratio, which has remained elevated at roughly 1.7 at a time

Chart 6: Below Average Labor Force Growth Keeping PA Labor Market Tight



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

when the equivalent ratios for the nation and region are declining (Chart 6). More recently, employment growth has slowed and converged with labor force growth, which has stabilized the unemployment rate at 3.4%. We expect that further cooling in job growth combined with stable labor force growth will push the unemployment rate up to average 3.7% in 2024.

Job gains by industry were similar to the nation as a whole in 2023, with health care and leisure & hospitality leading, although state government hiring lagged and education outperformed. Job losses were recorded in most other goods and services sectors in 2023, except for financial activities which was supported by strong real estate job growth. Looking ahead, job growth in 2024 is likely to be similar in composition to 2023, with non-cyclical sectors contributing the lion's share, but with most sectors now fully recovered from the pandemic, job growth is expected to moderate to 0.9% in 2024.

Housing prices in the Keystone State grew by 7.1% last year, outpacing the national average, but began to converge through the fourth quarter. Overall, the inventory of existing homes has remained tight. Homebuilding activity was solid through the second half of last year, which should provide some support to supply over the coming months, but generally a lack of inventory is expected to remain supportive of price growth through 2024. We expect that price growth will moderate to 4.7% in 2024 before moderating further to 1.7% in 2025 as lower interest rates alleviate supply pressures in the existing home market.

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

DC-Maryland-Virginia (DMV): Slower but Still Decent Growth Ahead

The DMV region's economies continue walk different paths, with Virginia (Va.) and Maryland (Md.) keeping pace with the nation , and D.C. trailing behind. The labor market has mimicked these patterns, with D.C. also experiencing a slower employment recovery. As such, it is no wonder that D.C. has the highest unemployment rate in the group (at 5%). Md. stands at the other end of the spectrum, with its 2.3% unemployment rate – the third lowest in the nation – reflecting the weakest post-pandemic labor force recovery of any state.

Hiring in the region improved at the turn of the year, with recent gains concentrated in non-cyclical sectors such as healthcare in D.C. and Va., and the public sector for Md. The FBI's new HQ building, which will move from Va. to Md., marks an added positive development for the latter, with the project to bring 7,500 jobs. Job opening rates have also eased across the trio over the past year, but are still elevated compared to historical norms, which suggests that the regional labor market has some more runway ahead. However, securing talent is likely to remain challenging over the near-term for Va. and Md. The ratio of overall job openings to unemployed workers – which is notably higher than the national average across all three, and especially so in Md. – suggests that the labor market pendulum is still in favor of workers (Chart 7). Amidst this backdrop, wage growth in the region has improved moderately over the past year, rising in the 2-3% range recently.

Improving wage growth appears to be lending a hand to the housing market. Home prices in Md. and Va. continue to make headway, growing broadly in line with the nation. Low inventories of homes for sale have also contributed to price gains. Indeed, the shortage theme appears more pronounced in the housing market, with Md. and Va. having only 1.4 and 1.5 months of inventory respectively, at the start of this year. Builders are capitalizing on this trend, with housing permits trending higher in Md. and Va. over the past year. A softening in the labor market will mark a hurdle for housing later this year, but as the Fed begins to cut interest rates, a lower rate environment should help bring renewed vigor as 2025 unfolds.

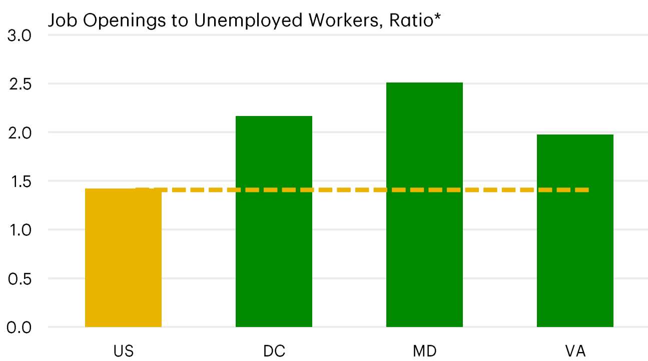
All in all, we anticipate a moderate economic performance for the region this year, but the growth rankings are unlikely to change, with Va. to lead the charge 2.2%, followed by Md. at 1.7% and D.C. at 1.4%.

North Carolina: Keeping an Edge Over the Nation

The North Carolina economy had another successful year, with growth estimated at 2.7% in 2023 – modestly above the national rate. Relatively strong population growth and large investments in manufacturing will help the state economy retain a slight edge over the nation, but we anticipate growth will ease to 2.5% this year and 2.1% next.

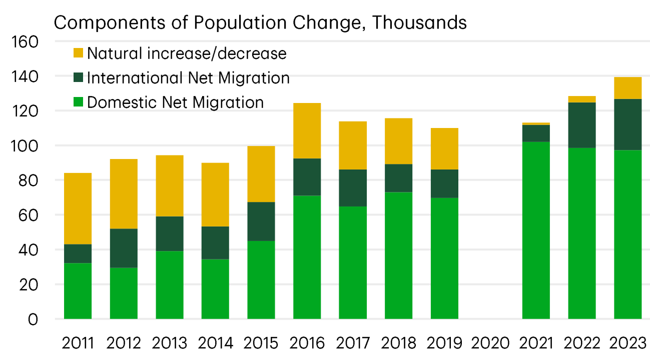
The Tar Heel State continues to attract people from other parts of the country, while an uptick in international migration helped nudge up population growth to 1.3% last year (Chart 8). This inflow is helping boost the size of the workforce, which has been absorbed by healthy hiring,

Chart 7: Ratio of Job Openings to Unemployed Workers Higher Across the DMV



*Ratio is for the month of December, unemployment data is for January.
Source: Bureau of Labor Statistics, TD Economics.

Chart 8: North Carolina Economy a Magnet for Newcomers



Note: Missing 2020 data pertains to Census year.
Source: Census Bureau, TD Economics.

keeping the unemployment rate hovering around 3.5% for some time now. The inflow of people into North Carolina is also helping to prop up housing demand. The state's housing market remains tight, with 3.5 months' supply of inventory, and home prices are growing on par with the nation (around 5% annualized). Builders are doing their part to help alleviate the shortage, with housing starts continuing to trend higher, boosting job gains in construction.

North Carolina's hiring trend has generally oscillated around the national rate for the past couple of years, and we expect hiring to slow this year. The job openings rate has fallen rather sharply since mid-2023, and so has the job 'quits' rate – trends which are in tune with a further easing in employment growth this year.

Gains in high value-added industries will nonetheless help prop up output. As expected, the manufacturing sector is emerging from its latest employment lull, a trend that's poised to continue. Besides the job gains due to large investments from VinFast and Toyota in the EV space, and from Wolfspeed in semiconductors, several smaller expansions dot the state calendar. For instance, investments from FTBC (EV batteries), Dai Nippon (battery pouches), Siemens Energy (power transformers) totaling $440M, will lead to over 1000 new jobs. Economic spinoffs will flow to other industries, including engineering and tech services. Of note, Kyowa Kirin's plan to build a new $200M complex in Sanford (100 jobs), marks an added positive development in pharmaceutical manufacturing.

Lower South Atlantic (SC, GA, FL)

South Carolina: A Bright Beacon on the East Coast

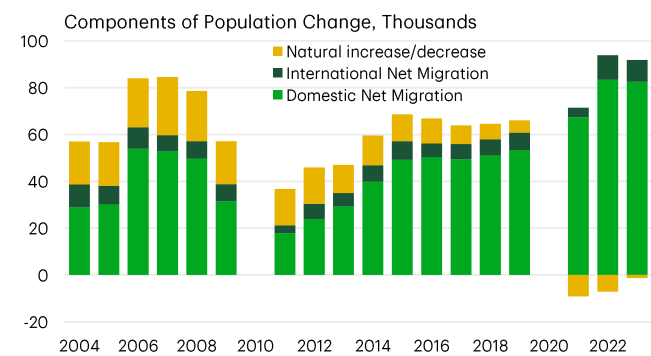
South Carolina continued to be a bright light on the East Coast, as its economy looks to have advanced by an estimated 3.5% last year – a full percentage point higher than the national average. An elevated interest rate environment and a maturing economic cycle are expected to take a toll on growth this year. But, the Palmetto State is still expected to keep an edge over the nation, buttressed by relatively strong population growth and plenty of investments to help keep the economy running at 2.7% this year.

The state continues to be a magnet for investment, which puts it in a better position to weather the impact of higher rates. Last year, capital investment announcements totaled just over $9 billion and an estimated 14 thousand new jobs. Investments in the EV and battery space continued to lead the charge. Several green shoots stand out on this front. For instance, Redwood Materials recently broke ground on the first phase of its $3.5 billion EV battery plant in Berkeley County, while Enersys (batteries) is planning a $500 million/500 job expansion. Several smaller-scale expansions in the auto and manufacturing space, such as those from e-VAC Magnetics, JTEKT, Alupress, Omron Automation (600 jobs combined) add to the positive theme.

Not surprisingly, total job openings in the state are holding up much better than elsewhere on the East Coast. There are still 2.3 jobs available for every unemployed worker in the state versus 1.5 nationally. This suggests that South Carolina's positive hiring trend has more runway ahead. Still, a declining job "quits" rate, which has fallen back near its pre-pandemic level, suggests that worker confidence is subsiding. This latter trend is consistent with an expected easing in employment growth ahead.

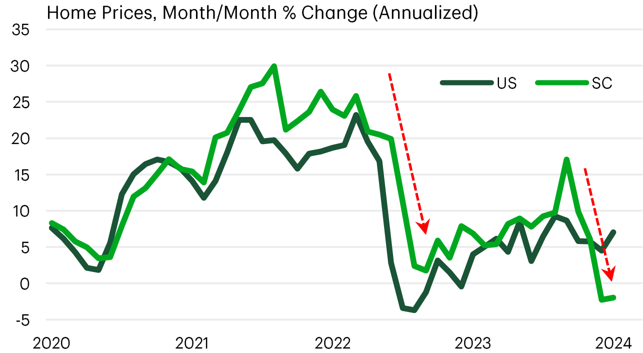
Word clearly got out about all the jobs in South Carolina, with domestic migration inflows holding at a high level through 2023, in contrast with a bit of a slowing in nearby Georgia and Florida. This drove nation-leading population growth of 1.7% (Chart 9), which helped the state's labor force grow by a healthy 2.1% over the past 12 months (vs. 0.8% nationwide). Testament to the state's strong economy, the labor market absorbed the newcomers with relative ease, as the jobless rate rose only slightly from 2.8% in mid-2023 to 3% over the last few

Chart 9: Domestic Migration Into South Carolina Remained Elevated Last Year



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

Chart 10: South Carolina Home Price Growth Slows Again, Falls in Shallow Negative Territory



Source: CoreLogic, TD Economics.

months. Recent job gains have been concentrated in accommodation, healthcare, and a resurgent manufacturing sector.

Looking ahead, given stretched housing affordability and slower growth ahead, the inflow of people into South Carolina could lose some steam. But still-decent population growth should continue to provide support to consumer-related industries, including housing. Contrary to the national trend, home price growth in the state has weakened recently, dipping into shallow negative territory (Chart 10). The above-average decline in housing affordability that occurred during the pandemic will serve to limit future price gains. But, the fact that housing inventory is still quite tight, standing at 2.9 months versus 2.1 a year ago, suggests this latest pullback in prices could be short-lived , particularly as mortgage rates are projected to ease. Homebuilding has a key role to play to help alleviate affordability issues, and builders are doing their part by stepping on the accelerator, with single-family permits up roughly 26% y/y.

Georgia: Growth Hills and Valleys

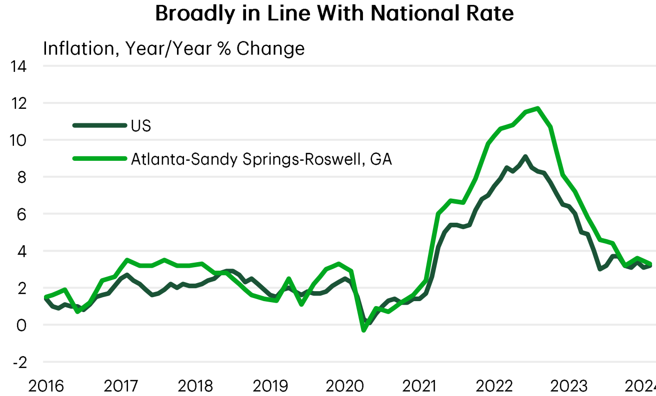
Following an above-average rebound in the post-pandemic period, economic growth in Georgia slowed to just under 1% last year. However, that result was weighed down by a weak start to 2023, with economic activity picking up the pace through the remainder of the year . Demographic tailwinds and a positive investment backdrop suggest that Georgia has more gas in the tank, with the state economy forecast to grow by a little over 2% on average over the next two years.

The state's labor market has lost some steam recently. Hiring has decelerated below the national pace, and job openings have pulled back. Looking across industries, job losses in the transportation sector, where large-scale operators are focusing on cutting costs, are partly responsible for the slowdown. At the same time, hiring has flatlined in a few other sectors such as manufacturing and retail. That said, we see scope for an improvement for some sectors, particularly in manufacturing. Rivian's decision to put its Georgia EV expansion plans on hold marks a clear setback, but other large investments in the EV and battery space from firms such as Hyundai and Kia are poised to lend a hand. Meanwhile, recently announced investments from Doowon and DAS (500 jobs combined in the auto space) and Solarcycle (600 jobs, solar panel recycling) add to the positive narrative.

The services side of the economy has been a source of strength, with recent job gains concentrated in professional & tech services, government, finance, and leisure & hospitality, with the latter providing the biggest thrust. Capacity-improving investments point to more gains in leisure & hospitality. Several new hotels opened at the start of this year, with the 1000-room Signia Hotel by Hilton Atlanta a notable mention. Meanwhile, the fact that the U.S. soccer Federation will move its headquarters and construct a national training center in Fayette County (440 new jobs, $228 million investment) marks and added positive development. The healthcare sector is also seeing investments, with the ongoing hospital expansion at Children's Healthcare of Atlanta (1000 jobs) and Northside Hospital Gwinnett marking two noteworthy examples. A new state bill that aims to loosen restrictions related to the construction of new health care facilities carries additional upside.

Georgia's labor market has remained tight, with its unemployment rate holding at just above 3% over the past year. But, some loosening is anticipated ahead as economic

Chart 11: Inflation in Atlanta, GA Has Cooled, Running Broadly in Line With National Rate



Source: Bureau of Labor Statistics, TD Economics.

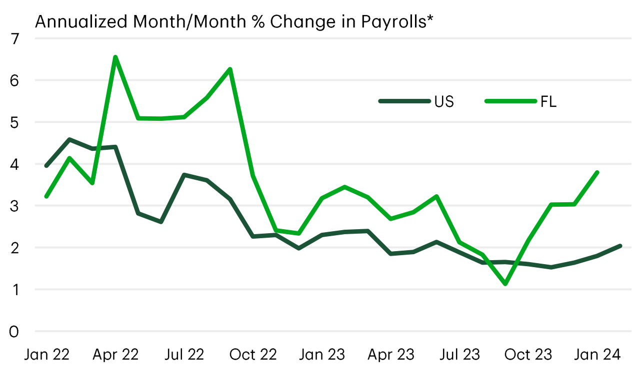
growth slows. Thankfully, there are signs that inflation in the state is cooling too, something that should help ease the pressures on consumer wallets (Chart 11). The sharp drop in housing affordability that occurred in the pandemic's aftermath has been an added burden for state residents. Apartment rents have been trending down recently (-4% y/y), weighing on investment in the multifamily sector. But, a tight for-sale inventory backdrop is keeping upward pressure on home prices, which continue to grow in line with the nation. Single-family starts are trending in the right direction (up 30% y/y), with the new supply expected to help provide some relief.

Florida: Still Shining Bright, but Growth to Ease This Year

Florida's economy continued to outperform last year, growing at a nearly 5% – double the national rate. A healthy employment backdrop to kick off 2024 is encouraging. But, the Sunshine State won't escape the broader U.S. slowdown expected this year, with economic growth forecast to ease to 2.9% this year and 2.2% next. That profile still keeps Florida at the top of the regional leaderboard.

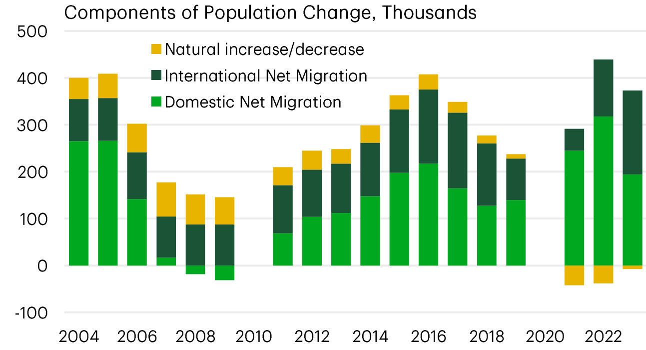
While it looked like employment growth was set to cool starting in the summer of 2023, the sun kept on shining, with the hiring pace picking up speed through the tail-end of last year and into 2024 (Chart 12). We expect the positive hiring momentum to continue, with prospects particularly bright for healthcare. Florida's older population, and the fact that a portion of those moving to the state are retirees bode well for healthcare services. At the same time, several new hospitals are set to open across the state, with ongoing investments to prop up supply and create more healthcare jobs. Case in point, Advent Health ($275M, 500 jobs), UF Health (2000 jobs), and Orlando Health ($110M) all recently broke ground on new hospital projects in the state, while TGH plans to add a $500M pavilion in Tampa.

Chart 12: Florida Hiring Pace Picked Up Steam Recently



*Seasonally adjusted, 3-month moving average.
Source: Bureau of Labor Statistics, TD Economics.

Chart 13: Domestic Migration Slowed, but International Migration to Florida Picked Up



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

Still, there are clear signs that Florida's employment engine is poised to shift into lower gear. Job openings have pulled back over the last several months and are down 20% y/y. There are now 1.6 openings per unemployed worker in the state – only a touch higher than 1.5 nationally. The decline in this ratio is also the result of a moderate increase in the number of unemployed workers, driven by a rapid expansion in the labor force. The latter grew by 2.2% over the past 12 months – more than double the U.S. rate – driven by a strong inflow of migrants to the state. While domestic migration cooled noticeably last year, Florida had the highest intake of international migrants of any state, which helped provide some counterbalance (Chart 13).

As Florida's population continues to grow well above the U.S. pace, more homes will be needed to help improve badly strained housing affordability. Rapidly rising insurance and homeowners association (HOA) costs are an added challenge for Floridians. For their part, builders are keeping their foot on the accelerator when it comes to single-family homes – something that is helping prop up employment in the construction sector. The single-family market is still quite tight, with 3.8 months' supply of inventory. That said, home price growth is decelerating once again, with the condo segment bearing the brunt of the slowdown. The inventory for townhomes and condos is up 63% y/y, while the months' supply of inventory has almost doubled from 3.1 to 5.8 – nearing a buyers' market. Florida's rental apartment market is also showing signs of weakness, with rents down 3% y/y. Rising inventory levels, and the fact that there's quite a bit more supply in the apartment construction pipeline, suggest that these soft trends will have some staying power, likely until after mortgage rates are able to push much lower.

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**	**2.3**	**1.8**	**2.3**	**1.4**	**0.4**	**3.6**	**4.0**	**4.1**	**3.9**	**4.1**	**1.5**	**0.5**	**0.5**	**0.5**
New England	**1.8**	**2.0**	**1.7**	**1.4**	**0.9**	**0.6**	**3.2**	**3.6**	**3.7**	**6.2**	**6.3**	**2.1**	**0.3**	**0.3**	**0.4**
Connecticut	2.0	1.7	1.2	1.6	0.7	0.4	3.7	4.5	4.4	7.8	7.2	2.3	0.3	0.2	0.2
Massachusetts	1.8	2.2	2.0	1.1	1.0	0.7	3.3	3.3	3.5	4.2	5.7	1.9	0.3	0.4	0.5
Maine	1.8	1.8	1.4	1.8	1.2	0.6	2.8	3.5	3.4	8.7	6.0	2.1	0.5	0.4	0.4
New Hampshire	1.2	1.9	1.7	1.9	1.1	0.5	2.2	2.8	2.9	7.7	5.6	2.0	0.2	0.4	0.5
Rhode Island	1.5	1.6	1.3	1.4	0.9	0.3	2.9	3.8	4.0	8.1	8.7	2.5	0.2	0.2	0.2
Vermont	1.2	1.7	1.4	1.7	0.6	0.3	2.0	2.6	2.8	8.6	5.0	1.6	0.1	0.1	0.1
Middle Atlantic	**1.3**	**2.0**	**1.9**	**2.0**	**1.3**	**0.7**	**4.0**	**4.3**	**4.3**	**4.5**	**3.9**	**2.0**	**-0.2**	**0.0**	**0.1**
New Jersey	1.5	2.2	1.9	2.1	1.9	0.8	4.4	4.6	4.3	7.8	8.2	2.7	0.3	0.4	0.5
New York	0.7	1.9	2.1	2.1	1.4	0.9	4.2	4.6	4.3	2.3	1.4	1.9	-0.5	-0.2	-0.1
Pennsylvania	2.2	2.1	1.6	1.7	0.9	0.4	3.4	3.7	4.3	5.9	4.7	1.7	-0.1	0.0	0.1
Upper South Atlantic	**2.3**	**2.1**	**1.9**	**2.1**	**1.1**	**0.5**	**3.1**	**3.6**	**3.8**	**5.2**	**3.6**	**1.4**	**0.7**	**0.7**	**0.8**
District of Columbia	1.1	1.4	1.5	0.9	0.4	0.3	4.9	5.3	5.7	0.4	1.5	1.0	1.2	0.5	0.3
Delaware	-1.2	1.9	1.6	2.6	1.1	0.4	4.0	4.4	4.4	5.8	3.2	1.2	1.2	1.0	0.9
Maryland	2.2	1.7	1.8	1.1	0.5	0.4	2.1	2.7	3.2	4.4	3.3	1.3	0.3	0.4	0.5
North Carolina	2.7	2.5	2.1	2.6	1.4	0.8	3.5	4.0	4.1	6.6	3.8	1.5	1.3	1.2	1.2
Virginia	2.4	2.2	2.0	2.3	1.2	0.5	2.8	3.4	3.5	4.9	4.1	1.7	0.4	0.6	0.7
West Virginia	4.6	2.0	1.1	1.8	1.7	0.1	3.9	4.5	4.6	4.6	2.0	0.2	-0.2	-0.3	-0.3
Lower South Atlantic	**3.5**	**2.7**	**2.1**	**2.9**	**1.7**	**0.8**	**3.0**	**3.5**	**3.9**	**6.8**	**2.7**	**1.1**	**1.5**	**1.3**	**1.3**
Florida	4.9	2.9	2.2	3.3	2.1	0.9	2.9	3.5	3.8	6.5	2.1	0.8	1.7	1.4	1.4
Georgia	0.8	2.5	2.0	2.0	0.8	0.5	3.2	3.6	4.0	6.8	3.8	1.8	1.1	1.0	1.1
South Carolina	3.5	2.7	2.1	2.8	2.0	0.8	3.0	3.4	3.9	7.8	3.7	1.5	1.7	1.4	1.2

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

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