

State Economic Forecast

March 19, 2026

New England

New England enters 2026 on a weak footing, but financial services activity, defense manufacturing, and healthcare have helped limit downside risks from federal research funding cuts and elevated trade uncertainty. We expect economic growth to decelerate modestly to 1.9% in 2026. Aging demographics, limited international migration, and domestic migration outflows from the region continue to restrain labor force growth, and have kept unemployment rates relatively stable despite softer demand. For 2026 we expect these trends to keep the region's unemployment rate near 4.0%. Tight housing inventories have sustained elevated price growth relative to the nation, which we expect to ease modestly in 2026, allowing price growth to decelerate to 2.1%.

Middle Atlantic

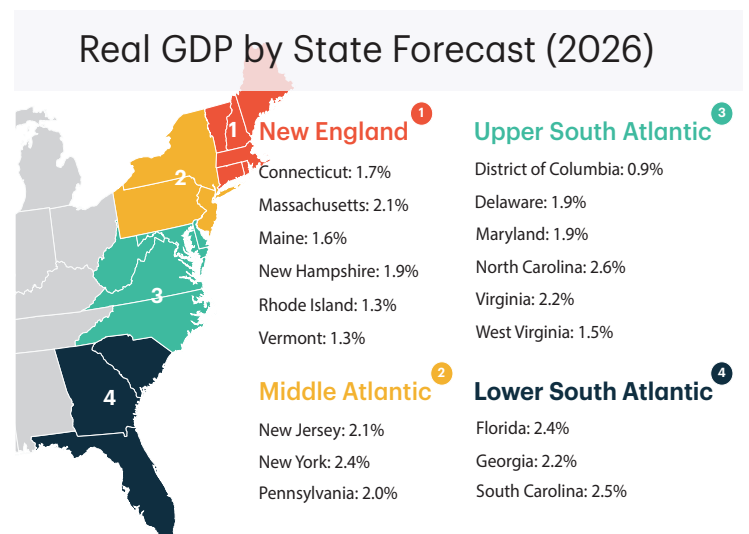
Economic growth has remained robust coming into 2026, as the region's large white-collar industries benefited from lower interest rates and significant investments in artificial intelligence. We expect growth to decelerate slightly to 2.2% but remain healthy overall. The region's unemployment rate is expected to fall gradually through the year, as hiring activity broadens beyond the health care sector and the uptick in labor force growth recorded late last year eases. House price growth is also expected to moderate to 3.3% as supply constraints moderate.

Upper South Atlantic

Economic activity in the Upper South Atlantic slowed to an estimated 1.8% last year. While growth eased across all states in the region, the slowdown was more pronounced in the DMV (D.C., Maryland and Virginia), where federal layoffs have had a deeper impact. Growth should firm as 2026 unfolds, helped along by tailwinds, such as favorable tax changes in the OBBBA, while the Middle East conflict presents a risk to the near-term outlook. A soft handoff will likely keep annual growth in the region somewhat below the U.S. rate at 2.1% this year. North Carolina's vibrant economy should retain the top spot once again, with growth projected at 2.6%.

Lower South Atlantic

Economic growth in the Lower South Atlantic eased in 2025 but held well above the national rate at 2.7%. Its outperformance vis-à-vis the nation will likely dissipate this year, as a soft start to the year in Florida and South Carolina holds back these typically high performers. Elevated trade uncertainty remains a near-term risk for trade-exposed South Carolina. Reduced immigration will take some wind out of consumption growth, particularly in Florida, which has been more reliant on this to grow its population. As some of the headwinds facing the region dissipate, a nation-like pace of growth this year should transition back to moderate performance in 2027.



Source: TD Economics. Forecast as of March 2026.

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

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

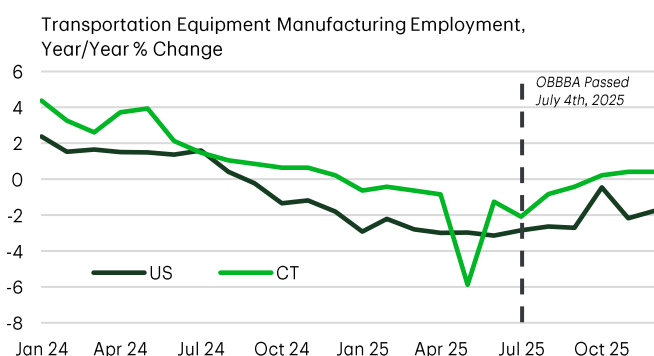
Connecticut: Finance & Defense Partially Offsetting Broader Economic Malaise

Connecticut entered 2026 on a steady footing, as the state's sizeable financial services sector benefited from strong financial asset returns in 2025. While gains slowed in recent months, notable price volatility and higher selectivity in equity markets have likely benefited the state's large hedge funds. For 2026 we expect economic growth to ease modestly to 1.7% as these tailwinds wane.

Connecticut's high concentration of defense manufacturing has helped buffer the sector from broader trade-related headwinds. High tariffs on key industrial inputs have raised production costs, but two features of the defense channel provide partial insulation. First, federal defense contracting structures typically allow directly incurred tariff costs to be passed through to the federal government. Second, the notable increase in defense outlays under the One Big Beautiful Bill Act (OBBBA) provides a structural tailwind, with preliminary signs already showing up in employment data (Chart 1). Importantly for Connecticut, OBBBA's added funding for submarine production and workforce development should help ease existing capacity constraints and gradually reduce accumulated backlogs over time.

But in recent months we have seen labor-market conditions soften. Modest job losses through the end of last year resulted in a decline in employment for the year, with steady gains in the health care sector offset by weakness in others. While this led to an uptick in the unemployment rate, its current position relative to the nation is consistent with its historical average. In 2025, a shrinking labor force forestalled a larger

Chart 1: OBBBA Passage Correlated with Rebound in CT Transportation Equipment Manufacturing Hiring



Last Observation December 2025. Source: U.S. Bureau of Labor Statistics, TD

rise in the unemployment rate, with the participation rate falling to its lowest level since the pandemic. This is likely driven both by aging demographics and the structural domestic migration outflows from the state which tend to skew younger. For 2026, we expect the unemployment rate to average 4.2%, before gradually trending lower through the year.

An exceptionally tight housing market is likely one factor contributing to ongoing domestic migration out of the state. House prices in Connecticut rose 5.3% last year, well above the roughly 1% growth recorded nationally. While homebuilding activity improved in 2025, a sustained effort would be required to lead to improved affordability over time, especially amid a tight resale market. For 2026, we expect house prices to rise 4.1% as imbalances in the market take time to ease.

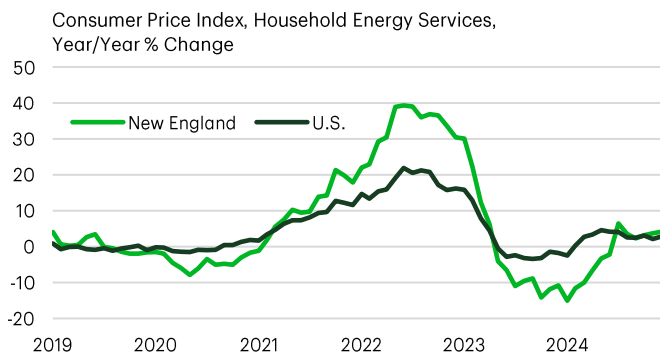
Massachusetts: Tech Sector Outperformance Unable to Prevent Aggregate Weakness

The high share of Massachusetts' output tied to white-collar and knowledge-based services, such as tech and finance, has led to a mixed performance for the Bay State economy. Headwinds related to renewed trade uncertainty and the impact of federal funding cuts to research & development have been partially offset by the impact of significant investments in artificial intelligence. We expect the combination of supportive fiscal and monetary policy in 2026 to allow real GDP growth to decelerate modestly to 2.1%, although the conflict in the Middle East has increased downside risks to the outlook.

More than half of the Bay State's electricity generation comes from natural gas, with much of it imported. Similar to the energy price shock following Russia's invasion of Ukraine, Massachusetts and the broader New England region would be impacted to a greater extent than the nation (Chart 2). While the conflict is not expected to impact energy markets to the extent seen in 2022, it remains a risk for Massachusetts over the near-term. However, the decision by the administration to waive the Jones Act for 60 days – a 100-year old law preventing non-U.S. ships from transporting goods between U.S. ports – could help partially offset the energy price shock for the region.

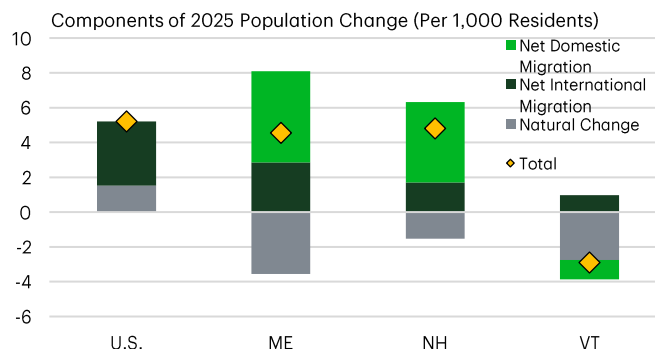
Labor-market conditions in the Bay State were soft coming into 2026, with the unemployment rate sitting slightly below 5%. Preliminary signs of improvement

Chart 2: Energy Price Shocks Impact New England Disproportionately



Note: Regional data ends in 2024.
Source: U.S. Bureau of Labor Statistics, TD Economics.

Chart 3: Natural Population Losses Remain Long-Run Drag on Region



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

in job growth are emerging, including an uptick in professional & business services which began to find its footing late in the year as financial conditions improved. Healthcare also continued to provide a stabilizing anchor to job growth, but other sectors remained materially weaker on aggregate, leaving breadth below what would be consistent with robust hiring. In 2026, employment is expected to grow by 0.4% as hiring breadth begins to gradually improve.

Housing activity remains constrained by low supply levels, which are keeping a floor under prices even as affordability challenges persist. Homebuilding activity did pick up late last year, but has remained well below the pre-pandemic level for several years now. This is part of the reason why the state has the lowest months' supply of inventory in the Northeast. As a result, house price growth in Massachusetts last year doubled the tepid pace seen nationally. In 2026, we expect price growth to rise a more modest 2.2%, as supply conditions improve gradually.

New Hampshire, Maine, Vermont: Aging Demographics Pose Challenges

The northern tristate region enters 2026 on a soft footing, as lower tourism inflows and federal layoffs continue to weigh on the local economy. Maine has been the most affected by these trends, followed closely by Vermont, while New Hampshire has fared better, in part owing to stable growth in its white-collar sectors. For 2026, we expect real GDP growth of 1.9% in New Hampshire, 1.6% in Maine, and 1.3% in Vermont.

In addition to these trends, demographics continue to have a material influence on the local economy. Recent population data updates for 2025 showed stable growth in Maine and New Hampshire, aided by domestic migration inflows, while Vermont's population declined owing to negligible migration inflows (Chart 3). The median age in the northern tri-state region is 5 years older than the national average. Its older population means the region will likely continue to face labor supply challenges as international migration is expected to slow further over the coming years.

Labor supply has been under pressure in the region, particularly in Vermont, which recorded significant losses throughout the second half of last year. This has kept unemployment rates in all three states stable despite broad weakness in hiring activity. Health care hiring has remained an anchor, but losses in the federal workforce and leisure and hospitality sectors have largely offset these gains. For 2026, we expect job growth to improve but remain moderate on aggregate. This is expected to lead to stable unemployment rates of 3.2% in Maine, 3.1% in New Hampshire, and 2.6% in Vermont.

Softer economic conditions led to a material deceleration in house price growth in the region last year, with growth averaging 2% among the three states versus 6.5% in 2024. This deceleration was aided by supply improvements in Maine and Vermont, with sustained support coming from stable homebuilding activity over the past few years. Moving forward, we expect price growth of 2.6% in Maine, 2.2% in New Hampshire, and 1.8% in Vermont for 2026.

Middle Atlantic (NJ, NY, PA)

New Jersey: Growth Set to Improve, But Trade Uncertainty Still a Risk

New Jersey's economy is entering 2026 with two competing forces shaping the outlook. On the one hand, trade headwinds have been a meaningful drag on activity tied to the state's role as a transportation & logistics hub. On the other hand, white-collar activity has held up better than expected, with parts of the state's finance and tech ecosystem providing an offsetting cushion. We expect real GDP growth to rise from 1.8% in 2025 to 2.1% in 2026.

Given the state's elevated trade exposure, with imports equal to 22% of GDP in 2025, trade policy uncertainty is likely to continue to weigh on the Garden State this year. After the Supreme Court ruled against the administration's use of the International Emergency Economic Powers Act to impose broad country-specific tariffs, the administration quickly implemented a temporary 10% tariff under a different trade law and pledged to impose additional tariffs later in the year. Businesses are likely to take advantage of the temporary partial reprieve to replenish inventories, but uncertainty of the ultimate level of tariffs will likely restrain investment and hiring activity over the near-term.

Labor market conditions remained weak through the end of 2025 amid layoffs across several trade-exposed categories. Job gains remained skewed towards health care and select white-collar pockets, which has only been sufficient to keep headline employment flat. The unemployment rate was pushed slightly higher in recent months by an uptick in labor force growth, which

has brought it close to the edge of recessionary levels (Chart 4). The job opening to unemployed ratio also highlights the weakness in hiring, as New Jersey has the lowest ratio in the Northeast with roughly one job available for every two unemployed persons. For 2026, we expect stronger economic growth and easing labor force growth to push the unemployment rate below 5% by the end of the year.

Despite the soft labor market, the Garden State housing market recorded the highest price growth in the region last year at 5.5%. Tight supply levels have also played a role and will likely keep a floor under price growth in 2026 as homebuilding activity fell notably over the past year. Nevertheless, we still expect price growth to decelerate to 4.1% this year as the prior four years of above average price growth has seen affordability deteriorate.

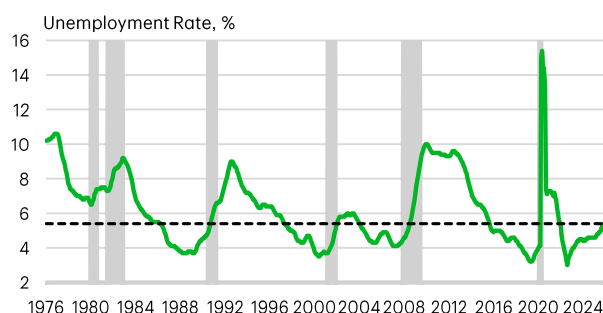
New York: Unemployment Rate Rises as Labor Force Participation Hits 13 Year High

New York's economy entered 2026 with outsized support coming from tech- and finance-linked activity, even as the broader growth backdrop remained uneven. However, in recent months this support has begun to wane as uncertainty grew with respect to the disruptive potential of AI, the energy price shock stemming from the conflict in the Middle East, and the recent Supreme Court ruling against many of the administration's tariffs. Despite the near-term uncertainty, additional support from fiscal and monetary policy in 2026 should allow economic growth to remain healthy in 2026 at 2.4%.

Nearly 80% of New York's economic expansion through the first three quarters of 2025 came from the information and finance & insurance sectors. In contrast, job growth in these sectors was limited, which could reflect a boost to productivity. Given that these trends were closely tied to the boom in AI technology, the question regarding its long-run impact on employment is highly pertinent for New York. Currently, we expect AI to lead to net employment gains over the long run, but near-term fluctuations are likely as firms continue to experiment with the new technology.

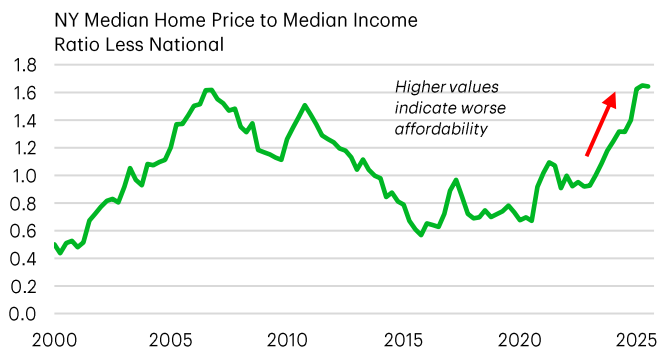
These developments are occurring amid a slowdown in the broader labor market. The unemployment rate reached a new cyclical high of 4.6% in December, driven

Chart 4: NJ Unemployment Rate is Flirting with Modern Recessionary Levels



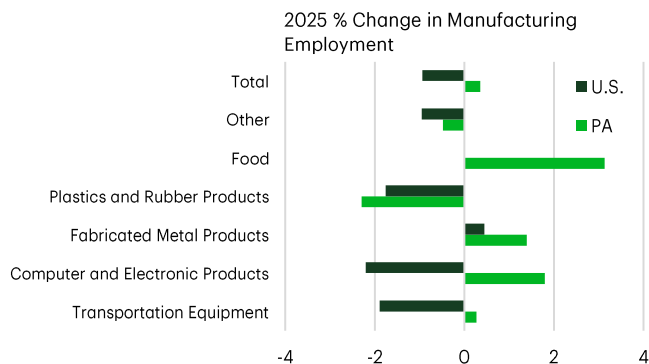
Note: Grey bars indicate recessions. The dashed line is equal to New Jersey's current unemployment rate. Last Observation: December 2025.
Source: U.S. Bureau of Labor Statistics, NBER, TD Economics.

Chart 5: NY Housing Affordability At All Time Low Relative to Nation



Last Observation: 2025Q3. Source: Moody's Analytics, TD Economics.

Chart 6: Manufacturing Employment Holding Up Better in PA Than Nation



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

by strong labor force growth. The labor force participation rate climbed to a 13-year high, which if sustained would be a welcome development. Employment also picked up modestly through the end of last year, but the composition remains narrow, with hiring highly concentrated in health care. In 2026, employment is expected to grow by 0.5%, which should allow the unemployment rate to fall modestly through the year.

Housing market momentum cooled materially in recent months, with price growth in January decelerating to 1.8% year-on-year, down from 5.6% one year ago. Persistent affordability challenges remain a constraint on prices and turnover, with affordability relative to the nation at an all-time low (Chart 5). Slowing demand has alleviated some pressure on home price growth, but supply levels are still tight on aggregate. For 2026, we expect price growth to remain modest at 2.8% as affordability challenges persist.

Pennsylvania: Stable Services and Capital Inflows Cushion Cyclical Headwinds

The Keystone State's economy has remained on a stable footing coming into 2026, supported by its large health and education base and modest growth in its white-collar sector. Against this steadier services backdrop, manufacturing has faced more meaningful headwinds, in part owing to the direct impact of imposed tariffs and the uncertainty regarding their long-run magnitude/duration. Manufacturing sectors that compete directly with importers have seen some job gains, particularly in the fabricated metals subsector, but this has been more than offset by losses in other

subsectors contending with the higher input costs associated with tariffs. However, the saving grace for Pennsylvanian manufacturing has been the decade-plus expansion in food manufacturing, which continued undeterred by tariffs in 2025. For 2026 we expect real GDP growth to pick-up modestly to 2.0%.

Pennsylvania has also seen notable investment announcements lately that should provide a partial offset to softer cyclical fundamentals. This includes a \$3.5 billion life-sciences investment by Eli Lilly in Pennsylvania which should help reinforce the state's healthcare ecosystem. The new injectable medicine and device manufacturing facility will begin construction this year, with operations expected to start in 2031.

On the labor market front, Pennsylvania's job growth was consistently above average through 2025, with gains heavily concentrated in healthcare. However, employment growth has cooled more recently. Combined with the recent uptick in labor force growth, this has led to upward pressure on the unemployment rate. For 2026, we expect the unemployment rate to trend near its current level as slower labor force growth keeps pace with gradually improving employment growth.

Housing market conditions in the Keystone State have likewise remained relatively stable. Pennsylvania's supply backdrop is less constrained than elsewhere in the region (around 4 months' supply versus a 2.6-month Northeast average), which has helped keep price dynamics comparatively grounded. Looking ahead, we expect house price growth to ease to 3.5% but remain stable on aggregate.

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

DC-Maryland-Virginia (DMV): Headwinds Persist, Recovery Gradual

Federal government cutbacks have continued to weigh on economic activity across the DC–Maryland–Virginia (DMV) region, with the impact most acute in the District. Job growth softened at the end of 2025, driven largely by federal government job losses (Chart 7). A softer tourism backdrop also weighed on D.C.'s leisure & hospitality sector, erasing payroll gains made earlier last year. As a result, the unemployment rate in D.C. climbed to 6.7% in December, up sharply from 5.3% a year ago. Maryland's rate has risen to 4.2% from 3.0% a year ago, while Virginia's rate has held just above 3.5% – little changed since mid 2025. Weaker labor markets have provided little support to housing markets. Yet, negative pressures have been primarily concentrated in the District. With housing still exceptionally tight in Maryland and Virginia, home price growth in both remains on comparatively better footing, having also strengthened a touch recently.

Despite ongoing challenges in the region, and recession-like conditions in D.C., the region's labor market backdrop is not uniformly weak. The job openings rate in Maryland and Virginia remains slightly above the national average, pointing to underlying labor demand that is stronger than headline payroll figures alone would suggest. Looking ahead, economic momentum across the DMV is expected to improve gradually through 2026 as the drag from federal job losses begins to ease and financial conditions become more supportive. While federal employment is unlikely to rebound meaningfully, private-sector growth is expected

to pick up later this year. This will help drive unemployment rates lower to 6% in D.C., 3.7% in Maryland and 3.4% in Virginia by the year's end.

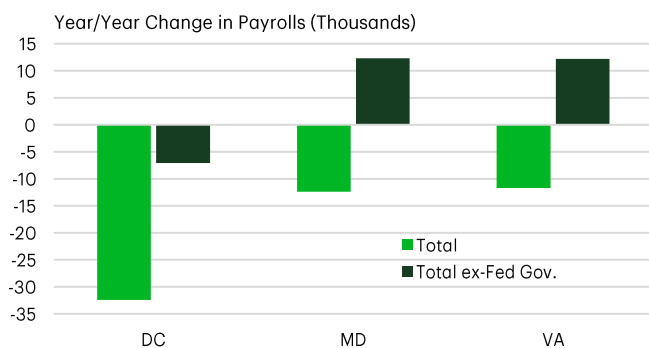
Recent investment announcements reinforce the notion of an uneven but improving picture. In Maryland, large scale life sciences projects mark important green shoots, led by AstraZeneca's \$2 billion biopharma expansion, alongside new manufacturing investments from Nature Cell (500 jobs). Expansions in food production, manufacturing and logistics – from firms such as Feast & Fettle, Bakery de France, and WebstaurantStore (800 jobs combined) – underscore a diversified investment pipeline beyond the federal ecosystem. Tax changes under the OBBBA are expected to lend further support, particularly to manufacturing activity.

A similar theme is visible in Virginia, with positive developments taking place in areas such as defense, aerospace, and advanced manufacturing. Major commitments from Avio USA, Solstice Advanced Materials, and Eaton (1300 jobs combined), point to renewed strength in capital intensive industries. Meanwhile, expansions from GRVTY, Umbra, and Radian Forge (350 jobs combined) reinforce Virginia's role in defense, space, and maritime supply chains. Investment in digital infrastructure, including new data center capacity, provides an additional tailwind.

By contrast, private sector expansions in D.C. remain hard to find. But targeted initiatives such as the Vitality Fund, a performance-based grant program, have offered some modest offset by supporting companies that expand in the District.

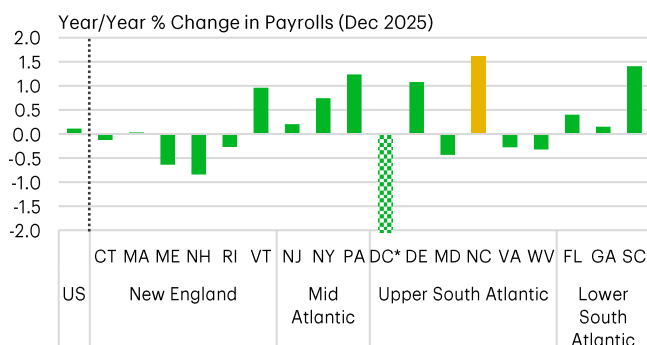
Overall, the DMV region continues to face meaningful headwinds tied to federal government retrenchment. However, the groundwork for recovery is being laid, particularly in Maryland and Virginia, where private-sector investment is holding up better. Growth will remain uneven, with D.C. likely to lag its neighbors, but easing financial conditions, targeted fiscal support, and a solid pipeline of capital investment should support a gradual improvement in regional economic performance through 2026. Against this backdrop, we expect economic activity to improve at a pace of 2.2% in Virginia and 1.9% in Maryland, with D.C. lagging at 0.9%.

Chart 7: Federal Government Job Losses Weigh on DMV Payrolls



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

Chart 8: North Carolina Led on Job Growth at Turn of the Year



Source: U.S. Bureau of Labor Statistics, TD Economics.
*Scale has been adjusted for illustrative purposes; DC is weaker than shown at -4.2%.

North Carolina: Growth to Reaccelerate

North Carolina's economy continues to outperform most regional peers, with recent data pointing to renewed momentum following a softer patch through mid 2025. While labor market conditions have softened slightly, the state's fundamentals remain solid, supported by a diversified industry base and a healthy pipeline of private investment. Reflecting this backdrop, economic growth in the state is now expected to rise to 2.6% in 2026, keeping North Carolina above national and regional averages.

Labor market conditions are showing signs of normalization. The unemployment rate edged up to 3.9% at the end of last year, after holding at 3.7% for much of 2025, reflecting in part renewed labor force expansion. Even so, it remains below the national rate (4.4%). Employment growth has held up reasonably well, with nonfarm payrolls expanding at 1.3% (three-month annualized) pace at the turn of the year, and 1.6% in year-over-year terms – the latter marking the strongest showing on the East Coast (Chart 8). What's more, strength in North Carolina is relatively broad-based, with several sectors (e.g., professional & tech, healthcare, construction, and accommodation) providing support.

Hiring momentum has further runway ahead. As such, we don't anticipate the unemployment rate will rise much further from here, likely topping out at a little over 4% over the near-term before beginning to trend lower later this year. Service-sector growth is expect-

ed to provide a solid foundation. Within services, ongoing expansions in the life sciences sector indicate it remains a bright spot. Large investments from Novartis, Johnson & Johnson, and Genentech – leading to 1300 jobs combined – will further strengthen the state's position in the pharmaceutical space. Expansions from companies such as Aspida (financial services) and Complete Well-Care Source (healthcare) – 1500 jobs combined – underscore the state's ability to grow high-value services sectors. Meanwhile, Maersk (logistics) is still expected to relocate its headquarters to Charlotte (+500 jobs), though the timeline has been pushed back by a year.

Manufacturing remains a mixed picture. Employment in the sector continues to trend modestly lower. But, capital-intensive investments tied to advanced manufacturing have offered some support. The investment wave continues. Scout Motors' decision to establish a corporate headquarters in the state, marks a recent positive development for the auto space, with the initiative to create 1200 jobs. Additionally, Vulcan Elements' \$920M rare-earth magnet facility is expected to generate 1000 jobs. Meanwhile, several smaller-scale expansions, such as from Hoffman & Hoffman and Environmental Air System (HVAC), Fit Precast (concrete), and LS Cable & System (cables), reinforce the notion that plenty of companies see long-term industrial appeal in North Carolina. Incentives in the OBBBA that make investments in both manufacturing facilities and equipment more appealing will lend additional support to the sector over the medium term.

Tax changes in the OBBBA will also lend a hand to consumer-related industries, housing included. Conditions in housing are cooler than in prior years, reflecting affordability constraints. But with borrowing costs expected to trend modestly lower through 2026, and the job market to remain on solid footing, residential activity should gradually firm.

Overall, North Carolina enters 2026 with a stronger growth profile than previously anticipated. Supported by a deep investment pipeline and a broad industry mix, the state is well positioned to lead the Upper South Atlantic region this year.

Lower South Atlantic (SC, GA, FL)

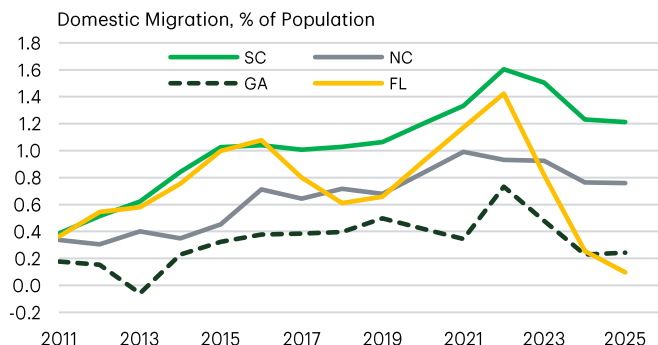
South Carolina: Investment Pipeline Points to Renewed Momentum

South Carolina’s economy entered a softer patch in late 2025 as the state shed jobs across several sectors. The impact appeared more pronounced in trade-exposed segments, such as logistics and manufacturing. Tariff uncertainty and now an oil shock are both downside risks. But we expect this latest slowdown to prove more of a pause instead of a turning point. With a large investment pipeline and supportive policy tailwinds, we anticipate growth in 2026 will advance at a pace of 2.5% – one of the better showings in the region.

What keeps the outlook constructive is the scale of the investment pipeline, particularly in manufacturing and energy. South Carolina remains a magnet for investment, which will be further supported by measures in the OBBBA. Boeing recently broke ground on its \$1B expansion project that will help expand 787 Dreamliner production and generate 1000 jobs. In solar manufacturing, First Solar is investing roughly \$330M to establish a new facility in Cherokee County, creating 600 jobs, with operations expected to begin in the second half of 2026. In autos, the SODECIA AAPICO JV is investing \$120M to open its first South Carolina facility in Orangeburg County (390 jobs). Given South Carolina’s status as the most trade exposed state on the East Coast, tariff uncertainty remains a meaningful swing factor, though the investment pipeline suggests firms are looking through the near term challenges.

High tech investment is also gaining traction, with large data center projects providing support. TigerDC’s can-

Chart 10: Net Domestic Migration Held Up in the Carolinas Last Year, Slowed in Georgia and Florida



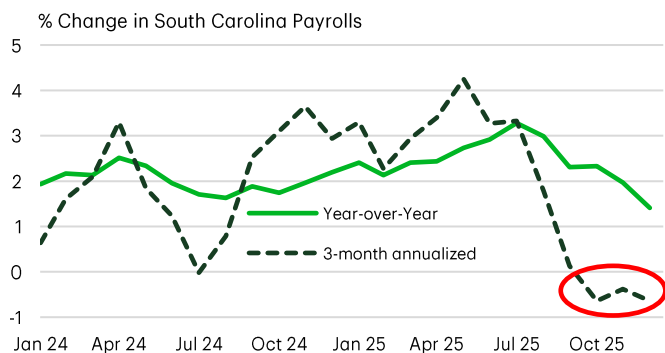
Source: U.S. Census Bureau, TD Economics.

celled \$3B data center does mark a setback, but several other initiatives are being followed through. For instance, in Marion County, “Project Liberty” involves a \$2.4B data center campus. Meanwhile, in Greenville County, DartPoints is investing \$125M to expand its data center facility.

Even with a late year wobble, employment was up 1.4% year-on-year in December – the second best showing on the East Coast behind North Carolina (Chart 9). At the same time, the unemployment rate rose to 4.8% (from an earlier low of 4.1% in mid-2025), in part reflecting unusually strong labor force growth. South Carolina’s labor force is up 2.5% year-on-year, the largest increase on the East Coast. This reflects solid population growth, with the state less reliant on international migration, and domestic inflows holding up better than in many peers last year (Chart 10). Population growth is still expected to lead the region this year, despite cooling from 1.5% in 2025 to about 1.2% in 2026. We expect investments, such as those mentioned above, to help boost hiring ahead, which combined with a moderate cooling in population growth should help nudge the unemployment rate lower later this year.

Housing is beginning to stabilize, following a weak showing last summer. Sales activity is still muted (down 3% y/y in January), in line with the national experience. But with inventory remaining relatively tight (at 3.7 months’ supply), home price growth has managed to turn positive recently. Housing conditions should continue to improve as borrowing costs ease a

Chart 9: Hiring in the Palmetto State Hit a Soft Patch in Late 2025



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

bit further and hiring picks up pace. Prices are forecast to advance 2.3% in 2026, with this profile reflecting an improving pace as 2026 unfolds to above 3.5% (annualized) by the year's end.

Georgia: Manufacturing Offers a Buffer

Georgia's economy cooled in 2025, but recent data point to firmer footing heading into 2026. Hiring momentum improved toward the end of last year, with job growth returning after a weak autumn. A robust pipeline of manufacturing and industrial investment is poised to provide meaningful support, with tax provisions in the OBBBA offering an added tailwind. As a result, we expect Georgia's economy to grow by about 2.2% in 2026, a moderate improvement from under 2% in the prior year.

Labor market conditions remain tight by historical standards. The unemployment rate has held just above 3.5% for nearly two years, ending 2025 at 3.6%. The job openings rate has cooled from earlier highs but remains well above the national average, at 5.2% in Georgia versus 3.9% nationally. This equates to roughly 1.4 jobs available per unemployed worker, compared with 0.9 nationwide – a balance that bodes well for additional hiring gains.

Tariff-related headwinds have weighed on the logistics sector and remain a risk. Even so, manufacturing continues to outperform. Factory payrolls are up 1.7% y/y, the strongest performance on the East Coast, even as manufacturing employment continues to decline nationally. Recent investment announcements reinforce

the positive narrative. These include expansions from Virginia Transformer Corp. and Socomec (+700 jobs combined). Automotive and aerospace investments add to the growth narrative, with Dongwon Autopart building a new automotive facility in Emanuel County (200 jobs, \$30M) and Pratt & Whitney embarking on a \$200M expansion in Muscogee County to boost engine parts production.

Green shoots are visible in several other sectors beyond manufacturing. Salesforce's expansion in Fulton County (250 jobs) bolsters white collar employment, while BioTouch's expansion supports healthcare logistics. Healthcare payrolls are up roughly 3% y/y, with the sector remaining an important stabilizer. A number of new hospitals have been built recently, expanding the sector's capacity, and more are in the pipeline. The approval of a \$1B Wellstar hospital that will create 1500 healthcare jobs, is a recent case in point.

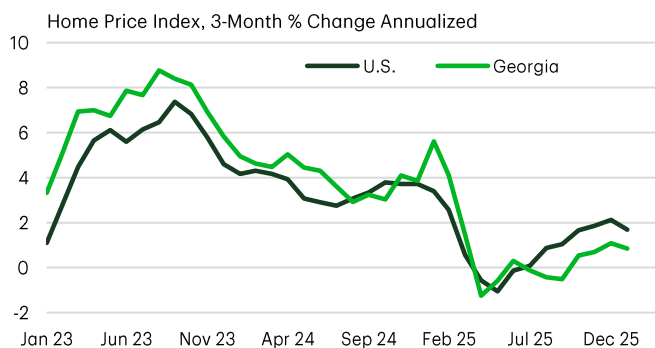
Lower borrowing rates are set to benefit housing. Home sales activity remains subdued and rents continue to trend modestly lower, but with for-sale supply still relatively tight at just over four months of inventory, home prices have risen recently for a change (Chart 11). This trend has further runway ahead, with home price growth expected to remain positive – though still in the slow lane – advancing at a pace of +2% year-on-year by the end of 2026.

Florida: Soft Handoff, Still Decent Growth Ahead

Economic activity in the Sunshine State has moderated, with the economy entering 2026 with less momentum than in recent years. Activity eased through the second half of 2025 as the state confronted several headwinds – job losses, housing market challenges, and a cooling migration backdrop that has constrained population growth. Most sectors have shed workers over the last few months, and Florida's unemployment rate has drifted higher to 4.3% – roughly in line with the U.S. average (Chart 12).

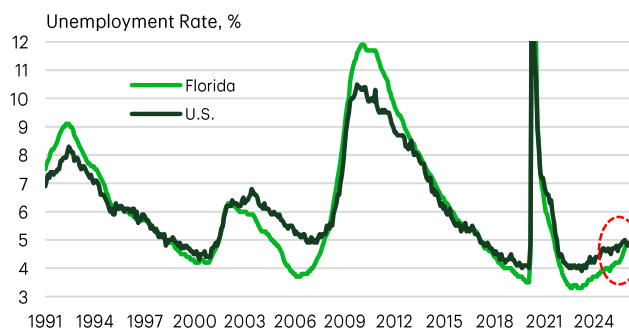
A key shift in the outlook is unfolding through the population channel. Florida's pandemic era growth surge was fueled by exceptionally strong domestic in migration, but that flow has slowed sharply. While net international migration held up decently last year, this support is also expected to cool amid tighter immigra-

Chart 11: Georgia Home Price Growth Recently Turned Positive



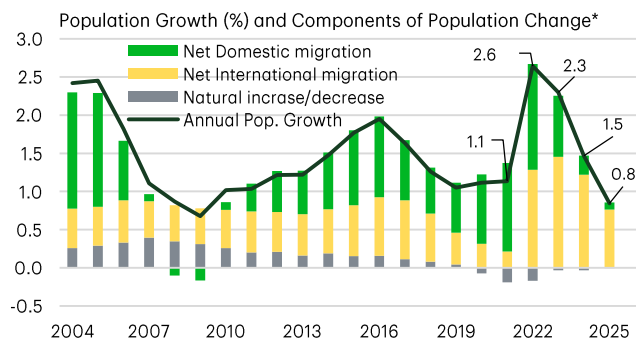
Source: CoreLogic, TD Economics.

Chart 12: Outperformance Dissipates, Florida Unemployment Rate Now in Line With the Nation



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

Chart 13: Florida Domestic Migration Inflows Slow to a Crawl, Immigration Support to Wane Further



Source: U.S. Census Bureau, TD Economics. *Component as a % of population.

tion policy (Chart 13). As a result, population growth in 2026 is likely to slow closer to the national rate for a change, tempering growth in consumption.

Despite the moderation, the economy has more runway ahead. The availability of jobs has shifted lower in line with the nation, but the state continues to attract private sector capital. Investments in manufacturing, logistics, and technology should provide some support ahead. Positive developments include Otto Aerospace’s ongoing expansion, with the firm planning a \$430 million aircraft production investment in Jacksonville. Additionally, an aircraft repair facility in Bay County is poised to create 400 new technician jobs. Ongoing firm expansions in logistics and food manufacturing – such as Bauducco Foods’ \$200 million expansion in the Tampa Bay area, poised to generate 600 jobs with a phased opening to begin in mid-2026 – add to the positive narrative. Finally, expansions in high-skilled services are also poised to offer some support, with Palantir’s HQ relocation to Miami (200 jobs) marking an important green shoot in the tech space.

Housing remains a soft spot but has shown nascent signs of stabilisation. The sales pace has improved

moderately, while single-family home prices have trekked higher recently for a change. That said, inventory levels remain elevated, particularly in condos. Months’ supply stands at 5.2 in the single-family market and 9.7 in condos. The overhang of condo supply and ongoing affordability constraints cloud the durability of the emerging rebound, but a further decline in mortgage rates will lend a hand. An eventual improvement in housing conditions will in turn provide much-needed support for construction, with this sector recording payroll declines recently.

All told, Florida’s growth profile in 2026 is set to look more “normal” than in the immediate post pandemic period. Slower population growth and a challenged housing market will restrain the topline, but easing financial conditions, OBBBA related support to investment and consumption, and a steady cadence of large corporate expansions should keep the state on relatively stable footing. We forecast economic growth in Florida to ease to a nation-like pace of 2.4% this year, before the state transitions back to moderate outperformance in 2027 as some of the previously mentioned headwinds dissipate.

State Economic Forecasts

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
National	2.1	2.4	2.2	0.5	0.2	0.5	4.3	4.3	4.0	1.7	2.4	3.5	0.6	0.3	0.4
New England	2.1	1.9	1.9	0.2	0.2	0.5	4.1	4.0	3.6	4.5	2.7	3.1	0.3	0.2	0.2
Connecticut	2.2	1.7	1.5	0.4	0.1	0.3	3.8	4.2	4.1	7.0	4.1	3.4	0.4	0.2	0.2
Massachusetts	2.4	2.1	2.3	0.0	0.4	0.7	4.6	4.4	3.6	3.7	2.2	3.0	0.2	0.1	0.1
Maine	0.6	1.6	1.4	-0.2	0.0	0.2	3.3	3.2	3.1	3.5	2.6	3.3	0.5	0.3	0.3
New Hampshire	1.8	1.9	1.8	0.6	0.2	0.3	3.0	3.1	2.8	4.8	2.2	3.1	0.5	0.4	0.3
Rhode Island	1.1	1.3	1.2	0.5	0.1	0.2	4.6	4.1	4.1	5.9	3.0	2.9	0.4	0.2	0.2
Vermont	1.2	1.3	1.1	0.7	0.2	0.2	2.6	2.6	2.6	2.8	1.8	2.8	-0.3	-0.1	0.0
Middle Atlantic	2.4	2.2	1.8	1.1	0.5	0.3	4.3	4.5	4.3	4.7	3.3	3.1	0.1	0.0	0.0
New Jersey	1.8	2.1	1.9	0.6	0.4	0.5	5.0	5.0	4.5	6.1	4.1	3.5	0.4	0.2	0.2
New York	2.9	2.4	1.8	1.1	0.5	0.3	4.2	4.5	4.3	4.3	2.8	2.9	0.0	-0.1	-0.1
Pennsylvania	1.9	2.0	1.5	1.5	0.4	0.2	4.0	4.3	4.2	4.4	3.5	2.9	0.1	0.0	0.1
Upper South Atlantic	1.8	2.1	2.0	0.8	0.5	1.0	3.7	4.0	3.6	2.8	2.3	3.3	0.8	0.6	0.7
District of Columbia	0.9	0.9	1.2	-1.4	-1.5	0.7	6.0	6.4	5.5	-1.3	0.4	2.1	0.3	0.2	0.2
Delaware	2.3	1.9	1.6	0.9	0.5	0.7	4.2	5.0	4.4	2.7	2.2	3.0	0.9	0.7	0.8
Maryland	1.0	1.9	1.8	0.3	0.1	0.7	3.5	4.0	3.3	2.4	1.7	3.2	0.3	0.2	0.3
North Carolina	2.7	2.6	2.3	1.5	1.1	1.2	3.8	4.0	3.8	2.5	2.6	3.5	1.3	1.0	1.1
Virginia	1.8	2.2	2.1	0.8	0.5	1.0	3.4	3.5	3.2	3.4	2.5	3.5	0.7	0.4	0.6
West Virginia	0.5	1.5	1.3	0.0	0.0	0.2	4.0	4.6	4.4	5.2	2.7	2.6	-0.1	-0.2	-0.2
Lower South Atlantic	2.7	2.3	2.4	1.1	0.7	1.3	3.8	4.2	3.8	0.1	0.5	3.1	0.9	0.6	0.9
Florida	3.0	2.4	2.6	1.1	0.7	1.4	3.8	4.3	3.8	-1.1	0.0	3.0	0.8	0.5	0.9
Georgia	1.9	2.2	2.1	0.4	0.5	1.0	3.5	3.8	3.7	2.2	1.2	3.1	0.9	0.6	0.8
South Carolina	3.2	2.5	2.6	2.4	1.1	1.3	4.3	4.6	3.9	3.1	2.3	3.7	1.5	1.2	1.3

F: Forecast by TD Economics, March 2026. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, CoreLogic, TD Economics.

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