State Economic Forecast

Beata Caranci, SVP & Chief Economist | 416-982-8067
Leslie Preston, Managing Director | 416-983-7053
Admir Kolaj, Economist | 416-944-6318
Andrew Foran, Economist

September 21, 2022

New England

- Economic activity in New England is expected to slow in-step with the national economy from 5.8% in 2021 to 2.5% in 2022. High inflation and rising interest rates are expected to continue to weigh on growth into 2023, bringing growth down further to 0.7%. Labor shortages continue to be a pervasive issue in New England, with Rhode Island being the only state in the region to fully recoup pandemic labor force losses. This has led to exceptional labor market tightness, which is expected to moderate moving forward with the unemployment rate for the region expected to reach 3.7% in 2022 before rising to 4.1% in 2023.

Middle Atlantic

- The Mid-Atlantic region continues to progress towards a full recovery with New Jersey leading the charge. New York is improving, but still lagging its peers after being hard-hit early in the pandemic. Economic growth for 2022 in the region is expected to be 2%, slightly above the national growth rate as the region makes up for a below average 2021. 2023 is forecast to see slower growth of 0.8%, as higher interest rates cool demand. Pennsylvania will continue to benefit from elevated energy prices as it leads the region in economic growth this year and next. Domestic migration outflows during the pandemic reduced labor supply in the region, which is expected to weigh on the labor market recovery moving forward, with New York continuing to be the most acutely affected.

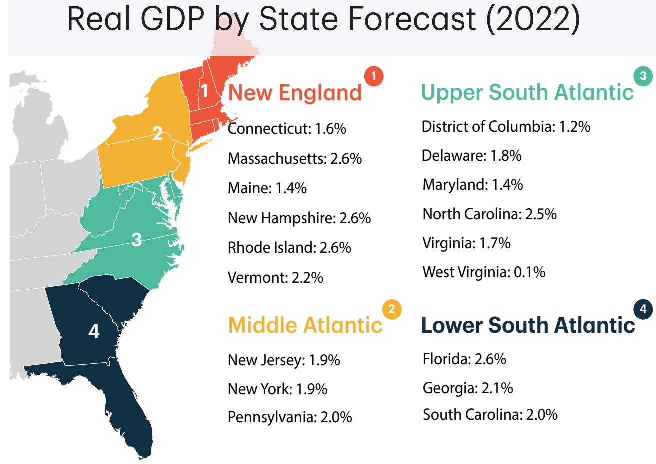
Upper South Atlantic

- The Upper South Atlantic carries decent momentum, with job availability particularly upbeat among states such as Virginia and North Carolina (NC). Large investments continue to flow into NC, building on the strong backdrop that had characterized the first half of 2022. This should help the Tar Heel State keep an edge over its neighbors as growth shifts into lower gear alongside the nation. Signs of a moderation are evident in housing, with prices contracting in four out of six states in early summer. Elevated mortgage rates will keep the pressure on affordability, so we expect home prices to continue paring back part of the strong gains recorded over the pandemic.

Lower South Atlantic

- Economic activity in the Lower South Atlantic remained robust over the summer. While the region has more gas in the tank, momentum is expected to slow ahead as elevated inflation and high interest rates cool demand. Housing markets across the region are already recalibrating to the higher mortgage rate environment, with home price gains decelerating quickly in the last few months. Economic growth, estimated at 2.4% this year, is projected to slow further to just above 1% in 2023. This profile still marks an outperformance vis-à-vis the nation, with the region's stronger demographic profile an important factor behind this outturn.

Real GDP by State Forecast (2022)



Source: TD Economics. Forecast as of September 2022.

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

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

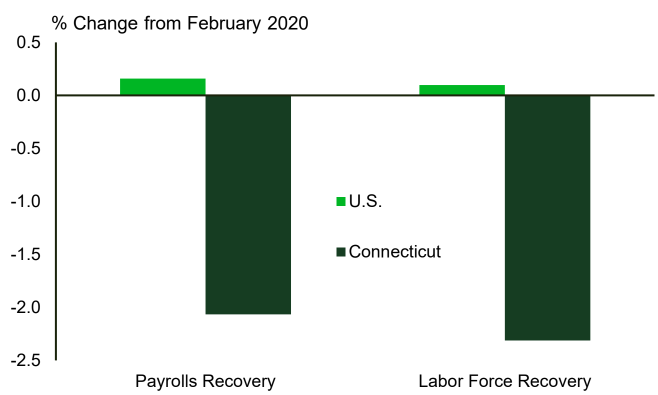
Connecticut: Slowing growth, job recovery elusive

Economic activity has begun to slow in Connecticut and is expected to continue on this path into 2023 as higher interest rates are digested by households and businesses. Interest rate sensitive sectors of the economy, such as housing, are already showing signs of slowing with housing sales declining as the combination of reduced affordability and higher financing costs weigh on demand. We expect house price growth to cool moving forward before following sales and slipping into negative territory by the end of the year.

Connecticut's jobs recovery lags the national average (Chart 1) but has made good strides recently with job growth picking up. However, a slow labor force recovery has partially impeded this progress as labor supply shortages continue to weigh on firms. The unemployment rate rose to 4.1% in August and looking forward, the unemployment rate is expected to continue to rise in 2023 to average 4.8% for the year.

Recent government measures, such as extending the gas tax suspension and fare-free bus service through to November, should provide some relief in the face of high inflation. In addition, the minimum wage increased to $14 per hour on July 1st, making it one of the highest in the U.S. and second only to Massachusetts in New England. One further increase to $15 per hour is scheduled for next year, after which the minimum wage will be indexed to the employment cost index, which will see it fluctuate with national wage conditions in the U.S.

Chart 1: Connecticut's Labor Market Recovery Lags the Nation



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

At the industry level, manufacturing employment has continued to grow at a modest pace and is approaching a return to pre-pandemic levels. Exposure to the defense sector should continue to be a boon for the manufacturing industry with several new long-term contracts recently signed. Sikorsky (a subsidiary of Lockheed Martin) recently signed a 5-year contract to provide the army with 120 Black Hawk helicopters and Electric Boat has received $1.25B in contracts so far in 2022 for submarine fleet maintenance and continued work on the new Columbia class. On aggregate, the manufacturing industry is expected to cool alongside the economy moving forward, as demand slows, and higher interest rates raise capital financing costs.

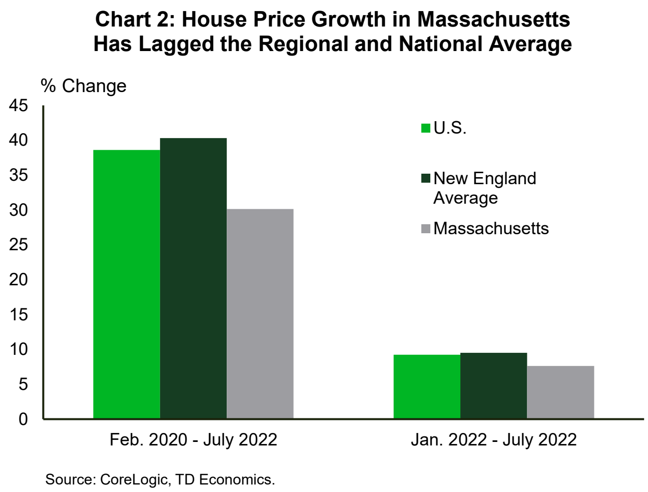
Massachusetts: Labor supply intact, but headwinds are blowing

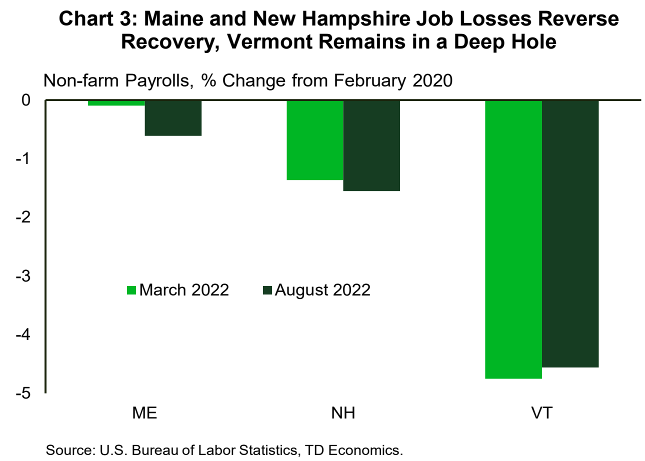
The Bay State economy has ranked close to the regional average for New England in terms of post-pandemic growth. However, the rate of growth has slowed recently as both the current and expected future path of interest rates has risen. Looking forward, we expect that real GDP growth in the state will be 2.7% in 2022 and decelerate to 0.7% in 2023.

Massachusetts is the only state in the Northeast to have returned to its pre-pandemic labor force participation rate. The labor force has also nearly fully recovered. As a result, labor supply issues in the Bay State have been less intense than its regional peers. The jobs recovery, on the other hand, has lagged the national, with payrolls still 1.5% below pre-pandemic levels. The unemployment rate rose to 3.6% in August, and we expect that it will continue to rise gradually in 2023 to average 4.2% for the year.

House prices in the Bay State have risen 30% since February 2020, slightly lagging the national gain (Chart 2). However, house prices in Massachusetts were elevated relative to the national average prior to the pandemic, which was a factor in the large domestic migration outflows that have continued to be seen in the state this year. Like the nation, higher rates have translated into lower sales volume, and we expect prices to begin to respond more sharply later this year. Price declines will continue into 2023 before finding a floor late in the year.

With inflation weighing on consumers, state-level fiscal support is likely to be implemented in the second half of this year. A 1986 ballot measure stipulating that excise





tax revenue must be returned to taxpayers, was triggered by the record-setting tax revenues collected in 2021. As a result, taxpayers will receive an estimated 7% of their 2021 income taxes paid in the coming months. The Federal infrastructure bill is also expected to benefit the Bay State, including $62M directed towards Boston Logan Airport, which will see over 1,000 new jobs created during construction. In addition, the recently passed CHIPS and Science Act has allocated $170 billion for new research and development funding, which will benefit Massachusetts' world-class research institutions.

New Hampshire, Maine, Vermont: Worker shortages hold back growth

The smaller New England states have the lowest unemployment rates in the region, all in the 2-3% range, but their post-pandemic jobs recovery progress varies. Although Maine has seen the best progress overall, job losses in recent months have pushed it back below pre-pandemic levels (Chart 3). New Hampshire tracks close behind Maine, but Vermont has faced more significant challenges stemming from its slow labor force recovery.

With high living costs continuing to weigh on households, each of the three states have announced different measures to provide aid to residents, which should help bolster consumer spending. New Hampshire announced a $60 million fund to provide $100 credits on electric bills from August to December. In June, Maine sent out $850 relief checks to individuals, provided they earned less than $100,000 (less than $150,000 for couples). And Vermont announced in May that it would be providing $1,000 child tax credits to households with children under the age of five.

Housing prices in the tristate area have risen markedly since the pandemic began, particularly in Maine and New Hampshire. Percentage gains relative to February 2020 have outpaced the national average in all three states, which has worsened affordability. Combined with higher borrowing costs ahead, house price growth is expected to slow until it turns negative later this year, paring back some of the outsized gains seen during the pandemic.

New Hampshire has seen an astounding increase in professional, scientific, and technical services jobs since the pandemic began, with the state adding almost 7,000 jobs in the sector – an over 17% increase, double the national rate. However, manufacturing payrolls have been slower to recover and remain 1.7% below pre-pandemic levels, but there are still positive developments such as the opening of the new onsemi (semiconductor materials) production facility in Hudson.

The recent federal CHIPS act and Inflation Reduction act will have a direct impact on each of the three states. GlobalFoundries in Vermont and Texas Instruments in Maine are both likely to benefit from the renewed interest in semiconductor manufacturing. The climate pledges laid out in the Inflation Reduction Act are also expected to bring federal funds to the tristate area, with New Hampshire estimating that it could bring up to $490 million dollars over the next decade to invest in clean power.

Middle Atlantic (NJ, NY, PA)

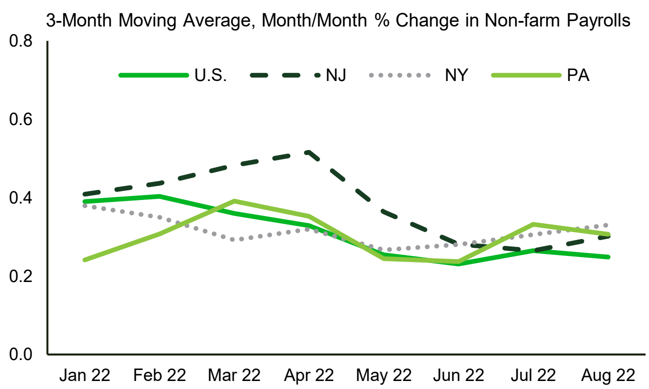
New Jersey: Pandemic job losses reversed

New Jersey has fully recovered its pandemic job losses with payrolls now sitting 0.3% above pre-pandemic levels. With the labor market fully recovered, job growth has decelerated to converge with its neighbors in recent months (Chart 4). New Jersey has fared better than its neighbors on its labor force recovery, with current levels 0.6% below the pre-pandemic level. With the labor market sitting close to its peak, the unemployment rate rose in August to 4% and we expect further increases into 2023 with the unemployment rate averaging 4.9% next year.

Rising interest rates are continuing to dampen housing market activity, with sales volumes down 20% year-over-year in July. Although prices have been slower to respond, we expect the recent slowdown in price growth to turn negative in the coming months and continue to decline into 2023.

The strong rebound in the economy coupled with multiple rounds of pandemic-related federal assistance has allowed New Jersey to improve its fiscal position, earning its first credit rating upgrade since 2005 earlier this year, followed by another upgrade from a different major rating agency. With newfound fiscal stability, New Jersey has been able to provide support to residents through tax relief measures. The budget for the upcoming year outlines new annual tax rebates to be distributed to low- and middle-income property owners ($1000 or $1500 based on income) and renters ($450). The budget also included a new annual child tax rebate (scaled inversely by income) of up to $500 per child under the age of six.

Chart 4: New Jersey's Payroll Growth Came Down from Previous Heights to Converge with Peers



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

In addition to state-level fiscal support, joint federal and inter-state infrastructure investments will help support growth in the coming years. The Northeast Corridor rail line between Newark and New York City (named the Gateway Program) will benefit the Garden State economy over the coming years. In addition, other portions of the massive $12.3 billion Gateway Program are tentatively set to commence next year, which should continue to benefit the New Jersey economy over the coming years. Construction of the new Portal North Bridge is now underway and expected to create up to 15,000 jobs and add billions to the local economy.

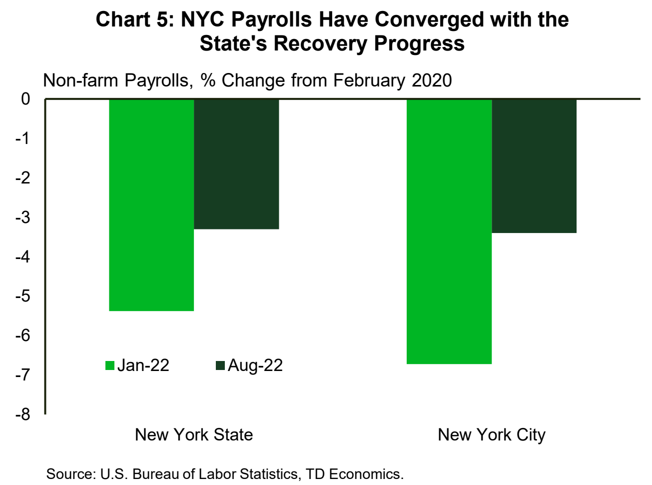
New York: Jobs recovery continues

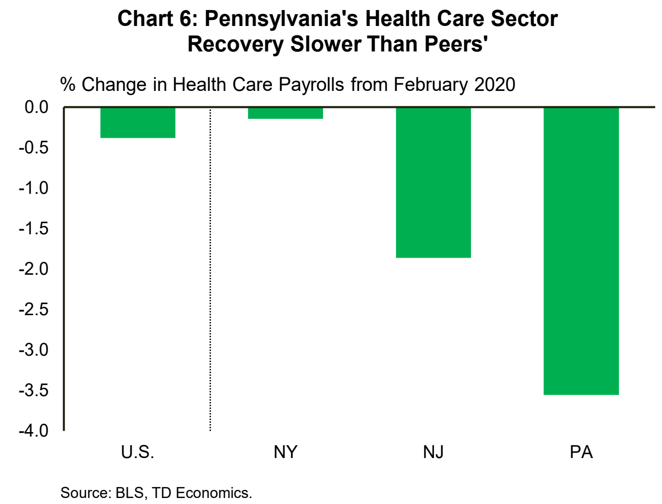
New York has seen steady job growth recently, but a full recovery is proving elusive, with payrolls still 3.3% below pre-pandemic levels. A decline in the labor force remains a headwind to a full recovery. Looking forward, we expect New York's unemployment rate to rise from 4.7% in August, to average 5.4% in 2023.

Housing prices in the Empire State were historically elevated relative to the national average prior to the pandemic, but the large outmigration of people seen during the pandemic restricted the pace of house price appreciation to be less than half the national rate over the past two years. More recently, house price growth has remained steady, but lower than the national growth rate for most of 2022. As higher borrowing costs continue to weigh on demand, prices should begin to pullback later this year and into 2023.

Job growth in New York has been broad-based in the services sector over the first half of 2022, with solid gains seen in major sectors such as Health Care, Professional & Business Services, Information, and Leisure & Hospitality. The shift in spending from goods to services and the return of travel have been a boon for the service sector and sizeable gains have been seen in hard-hit sectors such as Food & Accommodations in recent months. This has also been a factor in the improved jobs performance of New York City, allowing it to converge with the state's payroll recovery in recent months (Chart 5).

Businesses have continued to expand in New York. Upstate New York has seen several technology companies increase their footprint in the area, such as JMA Wireless (5G hardware), OWL AI (AI sensors), and Corning Incorporated (advanced materials) which will collectively





add almost 600 jobs over the next few years. Further south, Regeneron (biotech) recently broke ground on its $1.8B expansion which is expected to create at least 1,000 jobs over the next five years. We expect real GDP growth to slow from 1.9% this year to 0.6% in 2023 along with the broader economy.

Pennsylvania: Financial strength supports corporate tax cuts

Pennsylvania's unemployment rate returned to its pre-pandemic low in July, in part due to the uptick in job growth seen during the summer. However, that is not as strong as it appears on the surface given a weaker labor force recovery. The economy has yet to fully recover the jobs it lost during the pandemic (-1.8%). With labor force growth stalling in recent months, labor supply difficulties will likely continue to weigh on the recovery.

State fiscal revenues benefitted from federal support during the pandemic, with the state's Rainy-Day Fund now sitting at $5 billion, $4.7 billion of which was added in the past two years. Strong revenue growth has allowed Pennsylvania to introduce new measures to mitigate the elevated cost-of-living, such as a recently issued one-time bonus rebate on property taxes or rent paid of up to 70% of the original rebate received in 2021. The Keystone State also plans to use its improved fiscal conditions to gradually reduce its corporate net income tax rate from 9.99% to 8.99% in 2023, and then dropping it by half a percentage-point per year until it reaches 4.99% in the year 2031.

The industry level employment picture in Pennsylvania is mixed, with most sectors seeing job growth moderate in recent months. Payroll growth in the manufacturing sector has stalled, and the sector remains 1.8% below its pre-pandemic level. The healthcare sector continues to grow, but the employment level is still 3.6% below its pre-pandemic level, which is markedly worse than its Mid-Atlantic neighbors and the national average (Chart 6).

Pennsylvania continues to see companies expand operations in the state with several recent announcements set to create hundreds of jobs. The Almac Group (Pharmaceuticals), Elevate Bio (Biotech), iDEAL (Semiconductors), and GLG (Consulting) are all set to expand their presence in the state, collectively adding 840 jobs over the next few years. Walmart also opened a new 400,000 square-foot high-tech consolidation center last month, which will bring approximately 1,000 jobs to the state. Although these represent positive developments for the region, Pennsylvania's economy is still set to slow from 4.4% in 2021 to 2.2% in 2022 and 0.9% in 2023 as the recovery matures and higher borrowing costs slow growth.

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

Delaware: Chugging Along

Delaware has a bit more catching up to do to get back to its pre-pandemic level of employment, with payrolls 1% below February 2020. Job growth accelerated past the national clip over the summer, a welcome development, with gains largely driven by leisure & hospitality (Chart 7).

The tourism sector is an important part of the state economy and appears to have benefitted from Americans taking long-awaited tips. However, the outlook for the industry is mixed given that consumers are set to tighten their belts. To help ease the burden of inflation, the state government issued $300 checks to over 600,000 Delawareans in May, with additional payments made to qualifying residents throughout the summer.

Home price growth eased over the summer in response to higher mortgage rates, although only modestly compared to the nation. Other market indicators, including a notable decline in housing affordability and falling home sales (down 17% y/y in July), suggest that home prices in the First State will give back some of their pandemic gains in the quarters ahead.

Growth in Delaware is forecast to shift into lower gear, slowing to 0.6% next year from a much healthier 1.8% clip this year. There's still quite a bit of momentum supporting activity over the near-term. Company expansions are not hard to come by, with recent examples including ICM (fintech, 400 jobs), Versogen (green hydrogen), Royale Group (chemicals) and Wuxi STA ($510M pharmaceutical manufacturing campus, 500 jobs) to name a few.

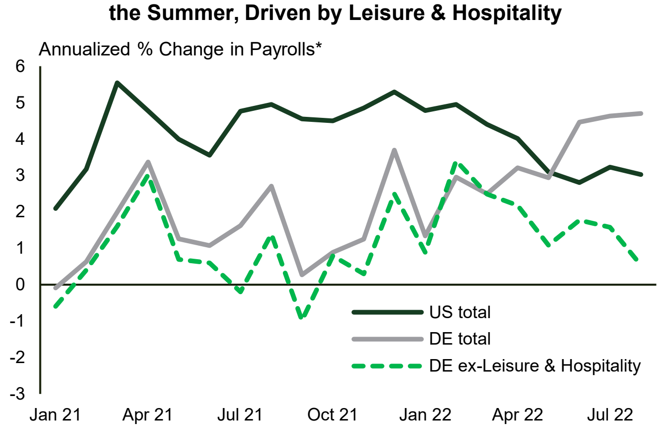
As growth slows, sectors such as professional and business services, logistics, and healthcare are poised to provide some support. Employment in transportation and warehousing is up 14% from the start of the pandemic. Capacity-improving investments at the Port of Wilmington are bearing fruit, with the port recording an increase in agricultural imports. Also, healthcare has quite a bit of catching up to do, with payrolls in the sector still down 6% from the start of the pandemic. This is not necessarily for lack of demand, with hiring challenged by labor shortages. Delaware's above-average population growth is fueled by seniors, so demographics are poised to remain a tailwind for the industry.

DC-Maryland-Virginia: Housing Markets Cool as Rates Rise

The D.C., Maryland (Md.) and Virginia (Va.) regional housing markets had a solid ride over the last two years, with prices up 10%, 27% and 28% respectively. These were strong outturns, although not as dramatic as the nation's (+40%). However, momentum has started to turn in response to higher mortgage rates. Price momentum eased rapidly across the group into shallow negative territory by mid-summer.

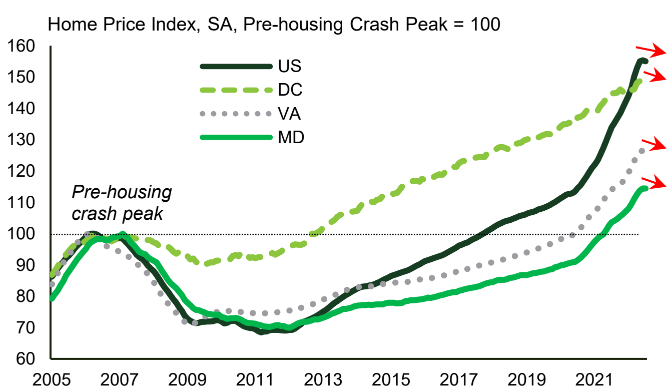
Mortgage rates are poised to remain elevated for some time, keeping the pressure on affordability, so we expect home values across the trio to pare back some of their pandemic gains. While all three recorded notable erosions in affordability over the pandemic period, D.C. fares worse overall. The latter is partly because prices in D.C. have grown for

Chart 7: Delaware Job Growth Accelerated Over the Summer, Driven by Leisure & Hospitality



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

Chart 8: Home Prices Surged Higher During the Pandemic, but Momentum Has Turned Recently



Source: CoreLogic, TD Economics.

the better part of the last two decades, with little pullback recorded during the last housing crash (Chart 8). This has made it harder for household incomes to catch up. An outsized exposure to the government sector has been an important source of support over the years, and should help limit some of the downside this time around too amidst a slowing employment backdrop.

D.C.'s labor market recovery has been sluggish despite a less severe initial hit from the pandemic. This is due in part to a slow recovery in office using employment and leisure & hospitality, with total payrolls still down 5% from the pre-pandemic period. Meanwhile, Va. (-0.2%) and Md. (-1.6%) are further ahead in the recovery process. Job momentum in Va. and Md. remained upbeat through the tail-end of summer, a theme echoed in elevated job openings data and continuing business expansions, especially among defense-related companies. Positive examples include Boeing and Raytheon's HQ relocations to Arlington, Va., followed more recently by Lutron Electronics' planned expansion in the state ($28M manufacturing facility). Maryland's tech sector, which leans toward the more stable areas of national security or public health, should continue to offer additional support for the Old Line State ahead.

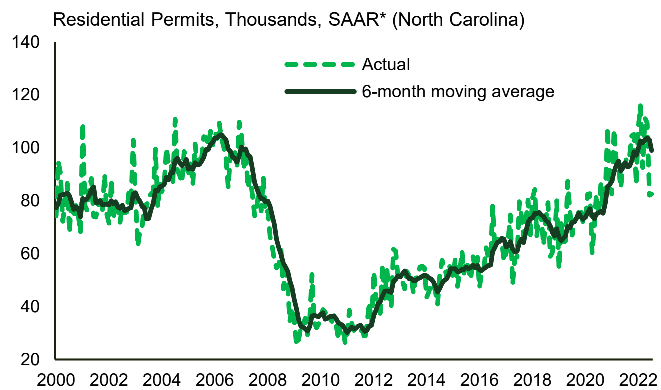
Despite the decent near-term narrative, momentum is expected to slow as we head into the new year, as higher rates weigh on the consumer and global growth slows, among other things. All in all, growth in the range of 1.2-1.7% across the group this year, is projected to ease to 0.5-1.0% next year, with Va. likely to continue leading the pack.

North Carolina: At the Top of the Regional Leaderboard

The North Carolina economy continues to be a bright light on the East Coast. Job growth picked up speed over the summer, increasing its edge over the national pace, with gains widespread across sectors. This latest acceleration nudged up the payroll tally to 4% above the pre-pandemic level, placing North Carolina in the top five states for job market recoveries. Strength is echoed among other labor market indicators. The state's unemployment rate has pushed below its pre-pandemic level, while wage growth continues to outpace the nation.

Economic momentum is expected to remain decent thanks to numerous investments, especially in the manufacturing and high-tech space. Wolfspeed recently announced that it will build a new semiconductor plant in Chatham County, leading to 1,800 jobs. This $5 billion investment will be the largest in the state's history. The previous headliner, a $4 billion automotive and electric battery manufacturing plant from VinFast (7,500 jobs), was announced only months ago. Other positive developments include Toyota's $2.5 billion expansion in support of electric battery production, along with numerous smaller investments from Sunlight Batteries, Forza X1 (electric boats) and ABEC Inc. (biotech manufacturing).

Chart 9: Rich Construction Pipeline Will Help Gradually Bring More Housing Units to Market



Source: BEA, TD Economics.

The positive narrative extends beyond goods-related industries, with expansions in the finance space (TD Bank, Bank of London and Live Oak, 650 jobs combined) and tech (MetLife is hiring 400 workers for its global tech hub). Amid this mostly upbeat environment, however, there are also signs of an upcoming moderation. For one, while job openings remain elevated, they have eased a bit from record highs earlier this year. This trend is more pronounced in some sectors such as IT. Recent data also indicate that the inflow of people to Raleigh and Charlotte, which had attracted a lot of workers during the pandemic, is easing (see here). This will provide less support to housing than it did last year. Home price growth averaged +30% (annualized) in the February-to-April period but decelerated swiftly to just 4% in July, as higher mortgage rates also hit affordability. The market should continue to enter more balanced territory ahead, helped along by a rich construction pipeline (Chart 9).

All told, North Carolina's outlook remains encouraging, but with last year's easy gains behind us, and inflation and tighter monetary policy as headwinds, growth is projected to ease to a respectable 2.5% this year and 1.2% next.

Lower South Atlantic (SC, FL)

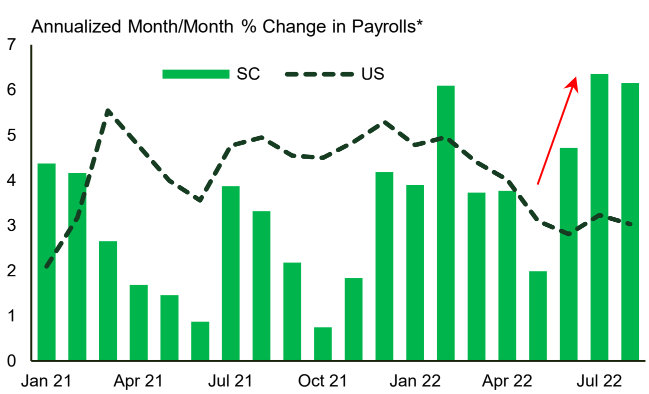
South Carolina: Manufacturing's Helping Hand

Payrolls in the Palmetto State surpassed their pre-pandemic peak at the start of this year and have continued to push higher (up 2%). Job growth accelerated over the summer, moving past the national pace for a change (Chart 10). Recent gains have been widespread, with leisure and hospitality, professional and business services, education & healthcare all adding to the tally. The government sector has also provided an added boost recently, after a weak start to the year.

South Carolina's growth fundamentals are positive, but the state will still face the same headwinds as the nation, pushing economic activity into lower gear. These include weakening external demand, along with elevated inflation and higher interest rates. However, the state's tight labor market, which continues to support decent nominal wage growth, together with one-time income tax refunds of up to $800 for eligible taxpayers should help provide meaningful support to consumption over the near-term.

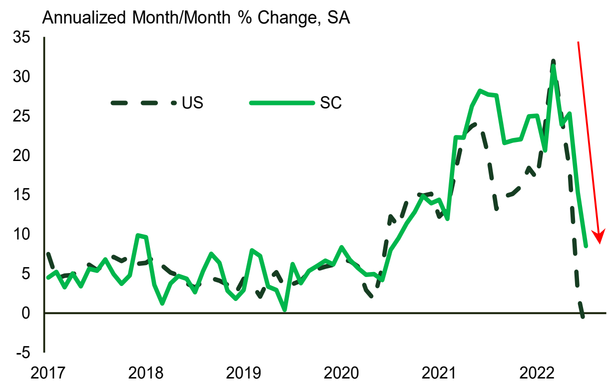
Home prices in South Carolina rose a sharp 47% over the pandemic, supported in part by an influx of residents. However, this took a heavy toll on housing affordability, which has been further pressured by this year's rapid rise in mortgage rates. The steep erosion in affordability together with a relatively rich construction pipeline that will bring new inventory to market, should continue to guide the state's housing market toward more balanced territory. Price growth has decelerated sharply in recent months (Chart 11). We expect home prices to give back part of their pandemic gains in the quarters ahead, but the anticipated pullback is on the milder side given a decent economic outlook.

Chart 10: Job Growth Picked Up Steam in South Carolina Over the Summer



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

Chart 11: Home Price Growth is Decelerating Sharply



Source: CoreLogic, TD Economics.

South Carolina is set to get support from its manufacturing sector over the next year. Several recent developments paint a positive picture for manufacturing, including the high-tech kind. These include investments of $200 million apiece from Bosch (hydrogen fuel cell factory) and Nucor (steel products). The fact that Boeing was recently allowed to resume deliveries of its 787 Dreamliner jets marks an added positive development for the industry and related occupations (i.e., engineering). Moreover, automakers such as BMW, Volvo and MB, have also continued to make large investments to expand capacity in the state.

Auto production should kick into higher gear as supply bottle necks ease. Meanwhile, as these products head for international markets, the related transportation and warehousing sector – the state's best performing employment sector, where payrolls are up 16% from the start of the pandemic – should get a lift. The state's logistics industry, and the Port of Charleston in particular, has also benefitted from a re-orientation of trade inflows away from clogged West Coast ports. While much of these gains are temporary, some will stick longer term, helping South Carolina retain a notable gain in market share. Expansions in the space, such as a refrigerated facility from a Maersk subsidiary in Ridgeville, add to the positive narrative.

All in all, the Palmetto State economy should continue to keep an edge over the nation, even as growth slows from an estimated 2% this year to 1.2% in 2023.

Florida: Coming off the Boil

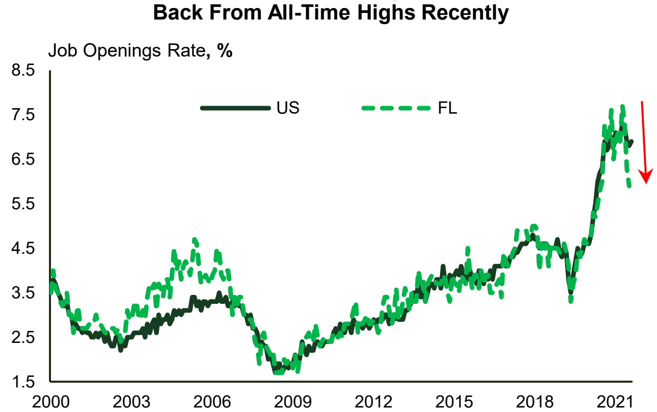
Florida has come out of the pandemic well ahead of many of its peers. While many states are still struggling to get back to their pre-pandemic employment level, the Sunshine State breached this threshold almost a year ago and has continued to make additional headway. As of August, payrolls stood 4.1% above pre-COVID levels – the fourth best showing in the country. This outturn is partly the result of an acceleration in job growth over the summer months.

Recent job gains have been concentrated in industries such as healthcare, professional and tech services, and leisure & hospitality. The state's key tourism sector has benefitted handsomely from American's pent-up desire to travel, even in the face of high gasoline prices and airfares. Estimates show Florida welcomed more than 69 million visitors in the first half of this year – up 20% from last year and slightly higher than 2019 levels. This helped bump up revenue at major attractions such as Disney World, where third quarter receipts were up 70% from year-ago levels, and at restaurants, where visits reached a new post-pandemic high at the tail end of summer.

The success in the professional and tech space has also been remarkable, with sectoral payrolls up over 16% from the start of the pandemic – the third best showing in the nation. The trend has been supported from an inflow of businesses (and people) from out-of-state. These relocations boosted other sectors too, including residential and commercial real estate.

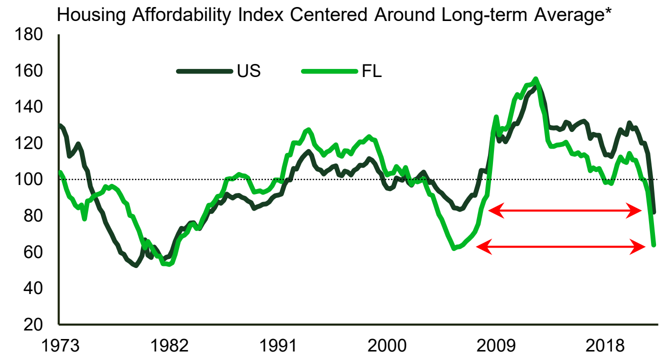
While there's certainly healthy momentum for the Florida economy, job growth and economic activity are expected to come off the boil. A shortage of labor remains a key constraining factor over the near-term. The unemployment rate has fallen to its pre-pandemic low of 2.7% – among the lowest in the country. Meanwhile, the labor force participation rate is already above its pre-pandemic rate (up 0.4 percentage points). This means that future gains in labor supply will be harder to come by, even as decent population growth helps provide some offset.

Chart 12: Florida's Job Openings Rate Has Pulled Back From All-Time Highs Recently



*State level data lags U.S. by one month. Source: BLS (JOLTS), TD Economics.

Chart 13: Sharp Deterioration in Affordability Points to Further Softness in Housing



*Index divided by pre-pandemic long-term average (1973-2019) for comparability and illustrative purposes.
Source: NAR, BEA, Moody's Analytics, TD Economics.

Other factors affecting the broader national economy, such as elevated inflation and tighter monetary policy, will take some steam out of economic activity and weigh on demand ahead. Job openings, while still very abundant – a theme supported by plentiful expansion plans among firms such as BeniComp (health tech), Assure Infusions (pharma) and Allegis Group (staffing) – have eased in recent months (Chart 12). Meanwhile, a higher interest rate environment is already taking a bite out of interest-rate sensitive sectors, not the least housing.

Mimicking the national trend, home sales in the state are down 25% from the start of the year, while price growth has slowed quickly. The outsized hit to housing affordability from a combination of higher prices (up 58% from the pandemic) and this year's increase in interest rates foretells a further weakening in the housing market (Chart 13). We expect sales to trend moderately lower over the next few quarters and prices to pare back part of the pandemic gains (see here).

All told, Florida's economy has had a solid post-pandemic ride, but economic activity and job growth are expected to come off the boil and slow in the quarters ahead, alongside tighter monetary policy. We anticipate growth to slow to 1.3% next year from an estimated 2.6% this year, and the unemployment rate to trend moderately higher toward 3.8% by the end of 2023.

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2022F	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**	**2022F**	**2023F**	**2024F**
National	**1.6**	**0.7**	**1.2**	**4.0**	**0.9**	**-0.4**	**3.7**	**4.2**	**4.9**	**16.1**	**-5.6**	**0.3**	**0.3**	**0.4**	**0.5**
New England	**2.3**	**0.6**	**1.2**	**3.6**	**0.8**	**-0.2**	**3.7**	**4.1**	**4.7**	**11.7**	**-3.1**	**0.0**	**0.2**	**0.2**	**0.2**
Connecticut	1.6	0.2	0.9	2.4	0.4	-0.2	4.4	4.8	5.4	11.6	-2.2	-0.6	0.1	0.1	0.1
Massachusetts	2.6	0.8	1.4	4.5	1.1	-0.3	3.9	4.2	4.8	10.1	-3.7	0.2	0.1	0.2	0.2
Maine	1.4	0.4	0.8	2.5	0.2	-0.1	3.4	3.8	4.5	14.0	-4.8	-1.0	0.5	0.3	0.2
New Hampshire	2.6	0.6	1.0	2.9	0.6	-0.2	2.3	2.8	3.5	14.3	-1.7	0.7	0.6	0.5	0.5
Rhode Island	2.6	1.0	0.9	3.7	0.9	-0.3	3.2	4.0	4.8	13.3	-1.8	0.4	0.0	0.0	-0.1
Vermont	2.2	0.3	0.9	2.5	-0.1	0.0	2.4	2.9	3.6	15.5	-3.2	-0.3	0.2	0.1	0.1
Middle Atlantic	**1.9**	**0.6**	**0.8**	**4.1**	**0.4**	**-0.3**	**4.6**	**5.2**	**5.7**	**9.2**	**-2.9**	**-0.4**	**-0.2**	**0.0**	**0.0**
New Jersey	1.9	0.9	0.9	4.5	0.6	-0.4	4.2	4.9	5.4	12.1	-2.4	0.1	0.0	0.1	0.1
New York	1.9	0.5	0.6	4.4	0.4	-0.5	4.7	5.4	6.0	7.3	-3.8	-0.7	-0.4	-0.1	0.0
Pennsylvania	2.0	0.7	0.9	3.3	0.3	0.0	4.6	5.0	5.6	10.5	-1.9	-0.2	-0.1	0.0	0.0
Upper South Atlantic	**1.8**	**1.0**	**1.3**	**3.2**	**1.1**	**-0.2**	**3.6**	**4.1**	**4.9**	**12.4**	**-5.1**	**-0.1**	**0.4**	**0.6**	**0.7**
District of Columbia	1.2	0.5	1.1	3.2	0.7	-0.1	5.6	5.9	6.7	2.4	-6.4	-0.5	-1.1	-0.1	0.0
Delaware	1.8	0.6	1.5	2.5	1.2	-0.2	4.5	4.8	5.2	12.4	-4.0	0.0	1.1	1.0	0.9
Maryland	1.4	0.8	1.3	2.8	0.8	-0.4	4.3	4.5	5.3	9.2	-4.1	1.0	0.1	0.2	0.4
North Carolina	2.5	1.2	1.4	3.8	1.3	0.1	3.5	4.1	5.0	18.9	-6.4	-1.3	1.0	1.0	1.1
Virginia	1.7	1.0	1.4	3.0	1.2	-0.3	3.0	3.4	4.1	9.8	-4.6	0.8	0.3	0.5	0.6
West Virginia	0.1	0.8	0.5	2.9	0.6	-0.6	3.8	4.3	5.1	11.1	-3.6	-0.3	-0.3	-0.4	-0.4
Lower South Atlantic	**2.4**	**1.1**	**1.4**	**4.8**	**1.4**	**0.2**	**3.0**	**3.5**	**4.4**	**21.7**	**-7.7**	**-1.3**	**1.1**	**1.1**	**1.3**
Florida	2.6	1.3	1.4	5.0	1.6	0.5	3.0	3.4	4.2	23.3	-8.2	-1.4	1.2	1.3	1.4
Georgia	2.1	0.9	1.3	4.8	1.1	-0.1	3.0	3.6	4.6	18.5	-7.1	-1.4	0.8	0.9	1.1
South Carolina	2.0	1.2	1.4	3.5	1.4	-0.2	3.3	3.6	4.5	19.0	-5.7	-0.8	1.1	1.1	1.1

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at September 2022.

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.