State Economic Forecast

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New England

- New England's economy has slowed over the past few months, with the reliance on non-cyclical sectors growing. Hiring has also cooled in most states in the region, and unemployment rates have begun to rise. We expect this to continue through 2024 as the pace of economic growth slows from 1.6% this year to 1.2% next year. 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 next year.

Middle Atlantic

- Economic growth has cooled notably in the Middle Atlantic, as the slowdown in New York and New Jersey weighs on the region. Real GDP growth is expected to decelerate to a below average 1.2% this year, as the region's outsized white-collar sector continues to be weighed down by elevated interest rates. Slowing aggregate demand is expected to put upward pressure on the unemployment rate as the pace of hiring cools. This is likely to weigh on the housing market in turn in 2024, where prices are expected to moderate after a resilient performance this year.

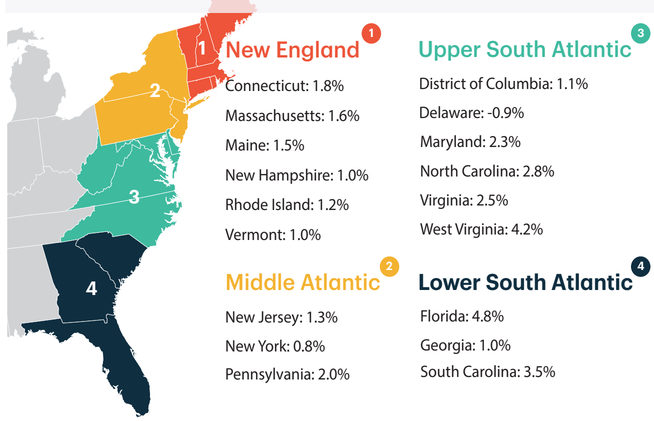
Upper South Atlantic

- Economic growth in the Upper South Atlantic is estimated to have kept pace with the U.S. this year at just a hair under 2 ½%. But, the regional labor market has more gas in the tank, with relatively stronger labor demand pointing to less deceleration in the region next year. A moderate outperformance among states such Virginia (1.8%) and North Carolina (2.0%) should help the region keep a slight edge over the nation with a 1.7% growth showing next year.

Lower South Atlantic

- The Lower South Atlantic region is on track to top the growth leaderboard on the eastern seaboard again this year, with the regional economy estimated to have grown by 3.5%. Perennial outperformers, Florida (4.8%) and South Carolina (3.5%) lead the way. Not surprisingly, labor demand across the region remains relatively strong, and hiring is poised for additional gains in the months ahead. Thanks to relatively higher population growth and strong investment activity, particularly in South Carolina's manufacturing industry, economic growth is forecast to keep an edge over the nation's, easing just a hair under 2% next year.

Real GDP by State Forecast (2023)



Source: TD Economics. Forecast as of December 2023.

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

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

Connecticut: Defense Sector Tailwinds Insufficient Counterweight to High Rates

Connecticut's economy slowed over the first half of the year, growing by only 0.2% through June. We expect that the economy will weaken further into 2024 as the state's large hedge funds and insurance providers adapt to the slowing national economy. Outsized exposure to the defense industry will remain a moderate tailwind amid a host of recent federal investments, but we expect that real GDP growth will further moderate from 1.8% in 2023 to 1.1% in 2024, underperforming the national average.

Despite the state's slowing pace of economic growth, Connecticut has continued to see one of the strongest rates of house price growth in the nation in 2023, with prices up 9.5% through October. Resale supply remains exceptionally low and has kept a floor under prices so far this year. Looking ahead tight inventory levels are expected to remain persistent through 2024, allowing prices to grow by 4.3%.

Employment growth in the Constitution State lagged the national average for most of 2023 but has recently converged, which allowed employment to return to its pre-pandemic level for the first time (Chart 1). The unemployment rate (UR) has remained stable at its previous cycle low of 3.5% since July, although the relative tightness of the labor market is in part due to the sizeable labor force losses seen in 2022 and early 2023. More recently the labor force has been expanding, marking the first time this year the supply of labor has increased, but persistent out-migration is expected to remain a long-term headwind. We expect that as the labor market cools into 2024, the unemployment rate will rise to average 3.9%

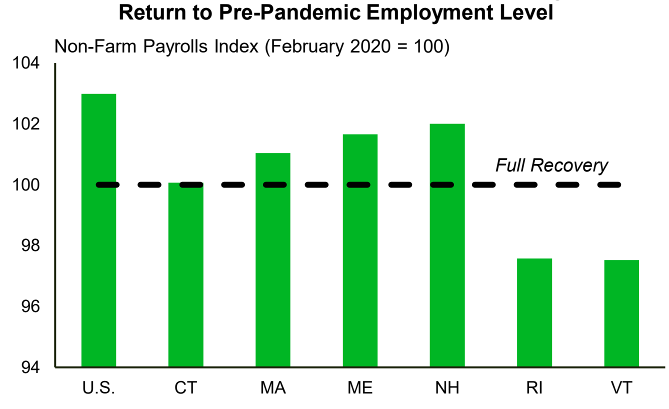
At the industry level, recent job growth has been concentrated in the non-cyclical health and education sectors, which account for a little under half of all jobs created over the past three months. However, other large service sectors are faring slightly worse, with financial activities, professional & business services, and leisure & hospitality all recording job losses over the past few months. The goods sectors have also remained weak overall, but a modest rebound has occurred recently in the construction and manufacturing sectors. The latter of which is expected to continue to be supported over the long run by recent defense contracts, including over $1.6 billion allocated to Electric Boat (submarines) for continued work on the Virginia class and over $3.4 billion allocated to Sikorsky for combat rescue helicopter upgrades and thirty-five new cargo lift helicopters.

Massachusetts: Health & Education to Foster Strongest Growth in New England in 2024

Economic growth in the Bay State has slowed to converge with the national pace as elevated interest rates weigh on the state's high growth sectors. However, partially offsetting tailwinds continue to be provided by outsized exposure to the health care sector. Moving forward, we expect that this will allow Massachusetts to see the highest real GDP growth in New England in 2024 at 1.4%, before rebounding to 1.8% in 2025.

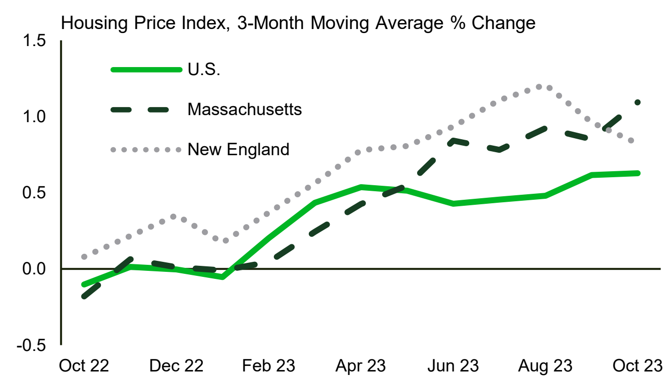
Massachusetts' job gains have outpaced its New England neighbors and the national average so far in 2023, but momentum has started to cool more recently. This has pushed the unemployment rate up by 0.3 percent-

Chart 1: Connecticut Becomes 4th State in New England to Return to Pre-Pandemic Employment Level



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

Chart 2: Housing Price Growth in MA Now Outpaces Regional Peers



Source: CoreLogic, TD Economics.

age points (ppts) since July. However, the labor market remains tight in part due to previous labor force losses and the uptick in the unemployment rate has only put it back at its previous cycle low of 2.8%. Moving forward, we expect the unemployment rate to rise to average 3.1% in 2024 as economic growth slows.

The health care sector's share of total employment gains in the state has increased over the past few months, as this non-cyclical sector continues to expand while others slow. This includes the professional & business services sector, which is comparable in size to the health care sector and has seen modest job losses over the past three months. Further evidence of the slowing job market includes the 1.4% decline in manufacturing employment over the past five months. However, federal and state infrastructure investments have allowed construction employment to grow by 1.8% over the same time period. In addition, federal funding for research and development (R&D) has continued to benefit the large number of research institutions in Massachusetts, including a recent $2.2 billion contract awarded to Draper Laboratories (formerly affiliated with MIT) for next-generation naval missile guidance systems.

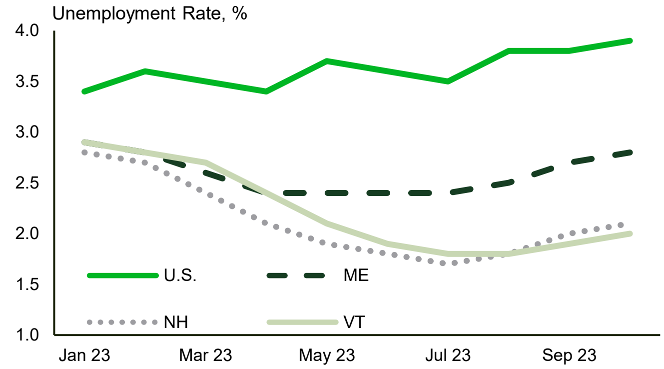
Although the Bay State economy is gradually slowing, house price growth has accelerated in 2023 due to persistent supply challenges, and prices are now outpacing the New England average for the first time since the onset of the pandemic (Chart 2). The months' supply of inventory has risen marginally over the past few months but remains the lowest in the Northeast. Looking forward, we expect that homes prices will finish the year up by 4.1% before moderating to 2.6% in 2024.

New Hampshire, Maine, Vermont: Record Low Unemployment Rates Begin to Concede

Real GDP growth in the northern tri-state region of New England was notably below the national average during the first half of the year, but has likely picked up modestly as employment growth rebounded in the third quarter. We expect that near-term resilience will fade moving into 2024 resulting in real GDP growth of 1.2% in New Hampshire, 1.0% in Maine, and 0.9% in Vermont, before rebounding to 1.6%, 1.4%, and 1.3% respectively in 2025.

Labor markets in the northern tri-state region have cooled since the start of the year, but trends vary between the three states. Year-to-date employment growth has lagged the national average in all three states, but New Hampshire and Vermont have fared slightly better than

Chart 3: Labor Market Tightness Easing Gradually in New England Tri-State Region



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

Maine. This has resulted in the former two having comparatively lower unemployment rates (Chart 3), with New Hampshire's labor market tightened further by the 1.3% decline in its labor force over the past year. However, all three states have seen their unemployment rates trend higher over the past few months and we expect that this will continue moving into 2024.

Looking under the surface, industry employment trends in 2023 have been diverse within the tristate region. New Hampshire and Maine have both seen a rebound in the manufacturing sector over the past few months, with the latter continuing to benefit from recent naval ship contracts awarded to Bath Iron Works. In the service sectors, health care and leisure & hospitality have remained solid in all three states. Maine and New Hampshire have also seen moderate rebounds in the professional & business service sector over the past few months, while Vermont has seen a notable uptick in state and local government. However, the breadth of job growth has been narrowing in the tristate region through most of 2023, and we expect this to continue moving forward as near-term strength fades from cyclical sectors.

Housing price growth in the tri-state region has decelerated over the past few months, and while year-to-date gains still outpace the national average, they have converged with their peers in New England. Supply challenges remain, but homebuilding activity has been notably strong this year in Maine and Vermont, with New Hampshire tracking closer to the national average. For 2023, we expect that house prices will finish the year up 8.9% in Maine, 8.5% in Vermont, and 7.8% in New Hampshire.

Middle Atlantic (NJ, NY, PA)

New Jersey: Unemployment Rate Expected to Return to Earth, But Remain Elevated

The Garden State economy saw slower growth over the first half of 2023 as the slowdown in international trade weighed on the logistics sector, and cost-cutting measures drove up white collar layoffs. However, the state's outsized health and education sectors have provided a stabilizing anchor. We expect that New Jersey's real GDP growth will remain moderate in 2024, matching this year's 1.3% pace of growth, before rising to 1.7% in 2025.

New Jersey has seen the largest unemployment rate increase of any state this year. The 1.3 percentage point increase has been primarily driven by a large increase in the labor force, at the same time that employment growth has moderated (Chart 4). More recently this trend has reversed, with job growth rebounding modestly and the participation rate beginning to see declines. Looking ahead, we expect that the unemployment rate will fall in the near-term before rising in 2024 to average 4.5%.

The state's job gains are increasingly concentrated in a few industries, with roughly three-quarters of net new jobs this year in the health and education sectors, both of which have grown faster than the national average for the sector. In terms of other service sectors, leisure & hospitality and local government have also contributed to job gains, whereas New Jersey's largest employment sector, professional & business services, has seen a 1.2% decline year-to-date. Interestingly, manufacturing job gains have outperformed the national average this year, while construction jobs have underperformed due to recent weakness, but the start of construction on the Hudson Tunnel project is expected to support the sector over the coming years. On aggregate, the job market is expected to see further weakness moving into 2024, with over 2,800 recently announced layoffs becoming effective over the coming months.

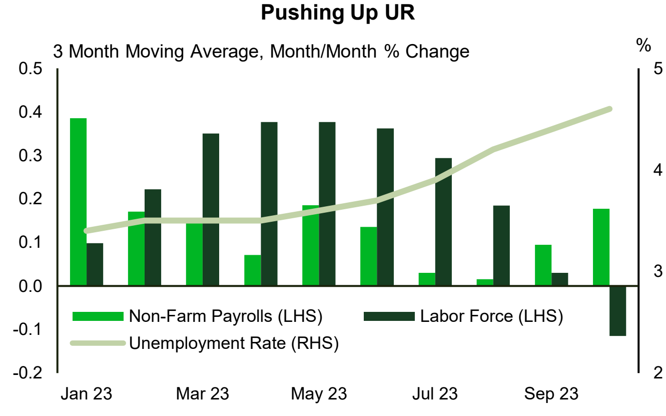
Only three states have seen higher house price growth than New Jersey in 2023, with prices up 9.5% through October versus the national uptick of 5.0%. With the number of homes for sale down 24.9% year-on-year, buyers have been willing to pay above asking prices. While the state's high median income has been bolstered by recent gains, housing affordability has continued to deteriorate. We expect price growth to moderate to 2.7% in 2024 with supply constraints expected to keep a floor under price growth.

New York: State Economy Struggles Under Higher Interest Rates

New York has seen the slowest pace of growth over the past year of the top five largest state economies in the U.S. (+0.5% year-on-year in 2023Q2). Near-term weakness in the state's large financial services sector has been a key part of that underperformance. As the Federal Reserve begins to gradually cut rates next year, we expect a moderate rebound in economic growth from 0.8% this year to 1.2% in 2024, but a return to trend growth is expected to remain elusive until 2025.

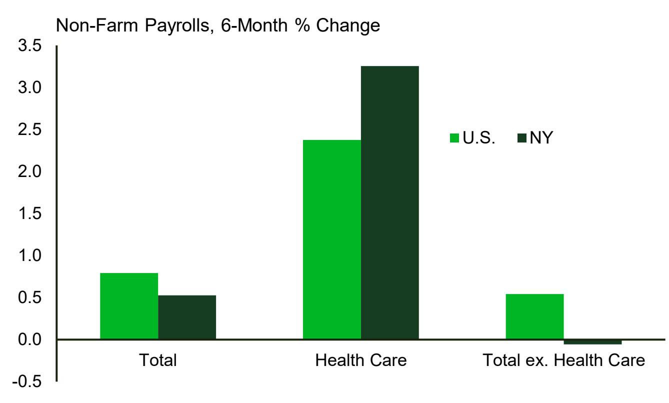
In line with slower economic growth, job gains in the Empire State have lagged national and regional averages in 2023. The most recent weakness in momentum has also contributed to a 0.3ppt uptick in the unemployment rate over the past two months. New York's labor force growth this year has almost tripled the pace of job creation, which has kept the unemployment rate from reaching the historic

Chart 4: Accelerated Rise in NJ Labor Force Pushing Up UR



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

Chart 5: Health Care Anchoring NY Job Growth



Note: Six month change is April - October 2023.
Source: U.S. Bureau of Labor Statistics, TD Economics.

lows seen in most of the other Northeastern states. Looking ahead, we expect that the unemployment rate will trend higher in 2024 to average 4.6% before falling through 2025 as growth improves.

Labor market weakness has been broad-based over the past six months, but notable job losses have occurred in the goods sectors. Manufacturing employment has declined by 0.5% since April, while construction employment has fallen by 0.7%. Cyclical headwinds will remain a challenge over the near-term, but each of these sectors should benefit over the long run from recent federal investments in public infrastructure and private investments in semiconductor manufacturing upstate. The recent performance of the service sectors has been slightly better, although this has almost exclusively been driven by the health care sector (Chart 5). Both the financial activities and professional & business services sectors, which account for almost a quarter of all jobs and half of the state's GDP, have continued to shed jobs over the past few months. In addition, headline-grabbing layoffs at large firms have continued, with Spotify and Credit Suisse recently cutting over 1,000 jobs in New York City.

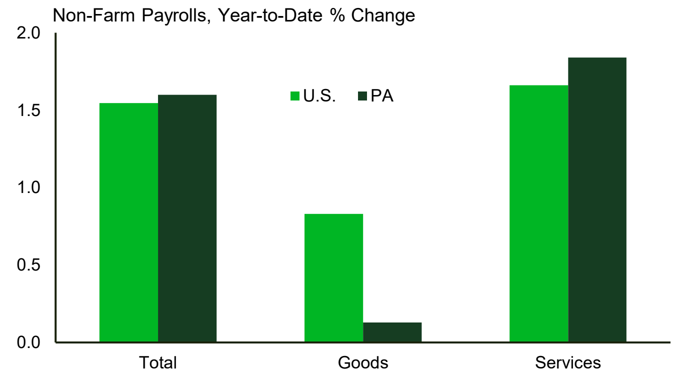
Housing prices have followed the trend in the broader economy, rising only marginally versus a year ago (+0.7%), which is substantially below the 10% price growth seen in New Jersey and Connecticut. Affordability challenges are more severe in the Empire State, and after a brief uptick during the summer, prices started to decline again in September. We expect that prices will continue to decline into 2024, falling by 0.6% next year.

Pennsylvania: Labor Market Tightness Expected to Ease into 2024

Pennsylvania's economy has tracked closely to the national average in 2023, with an exceptionally tight labor market supporting income growth and consumption. This has allowed the services sector to outperform the national average and offset the underperformance in the goods sector (Chart 6) tied to the state's large petrochemical and machinery manufacturing subsectors. Moving into 2024, we expect real GDP growth in the Keystone State to slow from 2.0% this year to 1.4% as service sector resilience fades into the new year.

Over the past few months, employment growth in Pennsylvania has fallen slightly below the national average after experiencing above average gains through most of the past year. In particular, the past six months have seen the unemployment rate hit a new historical low almost every month

Chart 6: Service Sector Underpinning Job Market Resilience



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

as the demand for labor remained considerably stronger than supply, with the latter declining modestly during that time. This pushed the job opening to unemployed ratio to a new high for the year of 1.7 in September. However, the labor market has already begun to slow since then with employment declining for the first time in three years in October. We expect that the tightness in the labor market will recede into 2024, pushing the unemployment rate up to average 4.0% for the year.

At the industry level, the construction sector has continued to add jobs over the past three months while the manufacturing sector has seen persistent job losses for the past year. Among the service sectors, most are now seeing decelerating rates of job growth. This includes the professional & business services and leisure & hospitality sectors, which account for almost a quarter of all jobs in the state and have recorded modest job losses over the past few months. The remaining stalwarts that continue to add jobs at a healthy clip are the non-cyclical sectors, including the health care, education, and government sectors, although the education sector is rebounding from substantial job losses earlier in the year. This narrowing of job creation is indicative of the slowing labor market.

Housing price growth in the Keystone State has moderated in 2023, but it continues to appreciate faster than the national average. Housing in the state remains relatively affordable within the Northeast region, which combined with a strong job market has supported the housing market to date. Moving forward we expect price gains to moderate further into 2024 as supply improves and the labor market softens, resulting in a more modest price gain of 1.9% on the year.

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

Delaware: Hiring Trend Steps Out of Summer Lull

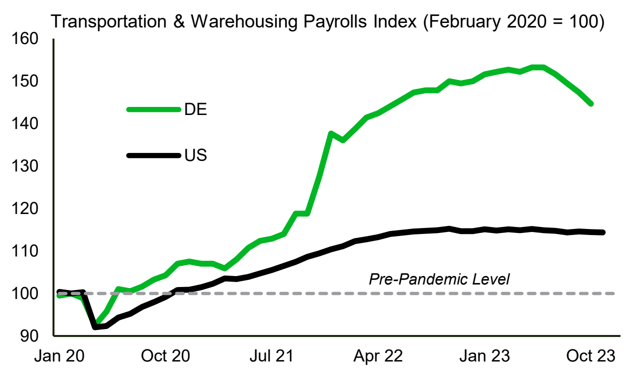
Delaware's labor market hit a speedbump over the summer, but a more typical job growth trend resumed in autumn, suggesting that the setback was temporary. The state economy has more gas in the tank, a theme corroborated by still healthy labor demand. But as the economic cycle matures, several headwinds, including those on the consumption front, are poised to weigh on growth. Healthy hiring gains of 2.6% this year are expected to ease to 0.7% in 2024.

The state's employment engine is no longer firing on all cylinders, with payrolls in financial activities and "trade, transportation & utilities" down from early-spring levels. Of note, employment in the transportation & warehousing subsector has fallen 5.6% since May. However, this reflects some giveback after a very hot pandemic run, with sectoral payrolls still up 45% from the start of the pandemic, the best showing nationwide (Chart 7). Moreover, recent green shoots in the space, including new warehouses from GOLO and Agile Cold Storage, suggest that the downside may be limited. With respect to financial activities, payrolls in the sector have retreated to the level recorded at the start of the year, reflecting in part pressures from a rising interest environment. The latter is a double-edge sword for the state's outsized financial sector and a clear headwind for real estate.

Most other sectors, however, are still trying to hire. Total job openings are still up 40% from their pre-pandemic level – a stronger showing than nationally (+25%) – suggesting the positive employment trend has additional runway. More workers have entered the labor force recently (up 2.7% year-to-date vs. 1.1% nationally), something that should help fuel hiring over the near-term amidst what is still a tight labor market. However, healthy labor force growth, helped along by domestic migration inflows, should lead to some loosening in the labor market further out as labor demand cools.

Several recent positive developments bode well for the state economy's longer-term prospects. Delaware, along with southeastern Pennsylvania and southern New Jersey, will benefit from a $750 million grant awarded to the Mid-Atlantic Clean Hydrogen Hub. The state's biotech industry also stands to benefit from Delaware's inclusion in the Greater Philadelphia region's Precision Medicine Tech Hub. The planned $16 billion rejuvenation of Amtrak's Northeast Corridor carries additional upside with some of the work to be done in Delaware.

Chart 7: Delaware Payrolls in Transportation & Warehousing Pulling Back After Hot Pandemic Run



Source: BLS, TD Economics.

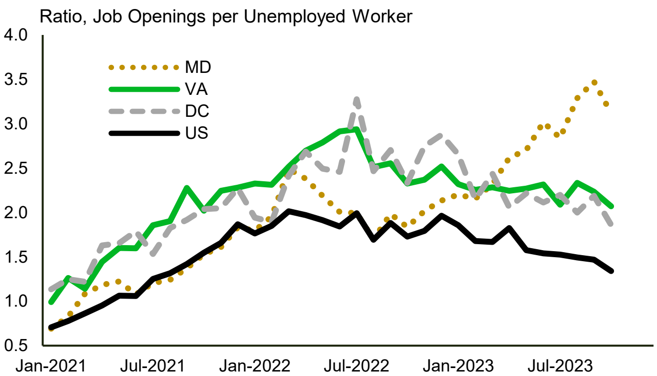
DC-Maryland-Virginia (DMV): Mixed Picture Persists, Growth to Slow Ahead

Growth in the DMV is on track for a 2% pace for the second year in a row in 2023, but the three economies that make up the region continue to move at different speeds. Virginia (Va.) remained in the driver's seat with growth estimated at 2.5%, followed closely by Maryland (Md., 2.3%). Meanwhile, the D.C. economy, burdened by the slow return of workers to the office, among other things, continues to chug along at a much slower pace of around 1%.

D.C.'s labor market is also exhibiting signs of softness, with the highest jobless rate in the region at 5% (up from 4.2% a year ago). The labor markets of Va. (2.7%) and Md. (1.7%) are much tighter. In fact, Md. had the lowest unemployment rate of any state in the country as of October. However, this is not a good news story, as it is in large part driven by outmigration from the state, which more than doubled in 2022 from the year prior. With the size of its labor pool having flatlined recently, outmigration appears to have remained a problem.

Low unemployment levels combined with still healthy job openings mean that those seeking employment in the region have better choices compared to the national average (Chart 8). However, this is a challenge for businesses, who are struggling to find workers. Healthcare, for instance, has been an important source of job growth for both Md. and Va. this year. With investments slated to boost capacity (i.e., UM Capital is expanding in Prince George's County, while VHC Health is building a new healthcare facility in Arlington), more healthcare staff will be needed. But, Maryland's

Chart 8: Balance of Job Openings to Unemployed Workers Higher in the DMV vs. National Average



Source: BLS, TD Economics

healthcare sector is already pointing to significant shortages.

With time, labor demand is expected to cool like elsewhere, and labor markets will loosen. But while tight conditions persist, businesses will need to increase compensation to attract workers. Wage growth has been improving across the group over the last few months. This should lend a hand to consumption, which we expect will be weighed down by an elevated interest rate environment and the drawdown of pandemic era "excess savings". The restarting of student loan payments recently is an added near-term headwind, with the region overexposed due to both a high prevalence of student loans and above average loan sizes.

All told, we expect economic growth in the DMV to moderate next year, but Va. and Md. should keep a slight edge over the nation. D.C., meanwhile, is expected to trail behind, with growth just shy of 1% next year.

North Carolina: Manufacturing Investments Electrify Growth

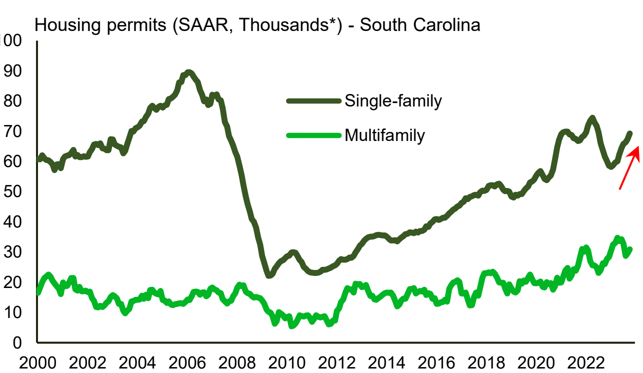
The Tar Heel State economy continues to be a magnet for investment, especially in the manufacturing space, helping to drive growth of 2.8% this year. Even so, the expansion cycle is beginning to show its age, with employment gains losing some steam recently. Like elsewhere, the braking force of higher interest rates will continue to take a toll on growth. Despite this, we anticipate North Carolina will keep an edge over the nation, with growth estimated to moderate to a still-decent 2% next year.

Hiring is still pacing well on a trend basis, but employment did record a mild pullback in October. Beneath the surface, some industries are exhibiting signs of softness. After a hot pandemic run, payrolls in finance & insurance have flatlined over the last few months, while payrolls in manufacturing and construction have been trending down. The decline in construction jobs is in part related to the higher interest rate environment and its pressures on real estate. Still, the sector seems overdue for some improvement, with single-family homebuilding back on the rise for some time now (Chart 9). Housing affordability recorded a relatively sharper deterioration during the pandemic, an element that we anticipate will work to temper future price gains. Part of the expected return to better affordability will have to come from new housing supply, even as the uncertainty around interest rates suggests this may not necessarily happen in a straight line.

Ongoing investments in manufacturing suggest that this sector too should be able to leap out of the latest lull. Recently announced expansions in the battery space from DNP Group, Forge Nano, Epsilon Advanced Materials, are poised to generate several hundred jobs combined. The state has also attracted massive investments from firms such as VinFast (EV), Wolfspeed (semiconductors), and Toyota (batteries), which are poised to generate thousands of jobs in the years ahead. Of note, Toyota recently announced that it will boost its investment by $8 billion and add another 3,000 jobs at its battery manufacturing plant near Greensboro.

These manufacturing investments will carry positive spillovers in the tech space. Startup job postings in the Research Triangle continue to moderate, but some firms are still growing their presence in the state. Provalus' (IT services) push to bring close to 100 jobs in Columbus County is a case in point. The industry also stands to benefit from Apple's massive new campus, which is expected to employ up to 3,000 workers once fully operational.

Chart 9: North Carolina Single-Family Homebuilding is Rebounding



Source: BEA, TD Economics. *6-month moving average.

Lower South Atlantic (SC, FL)

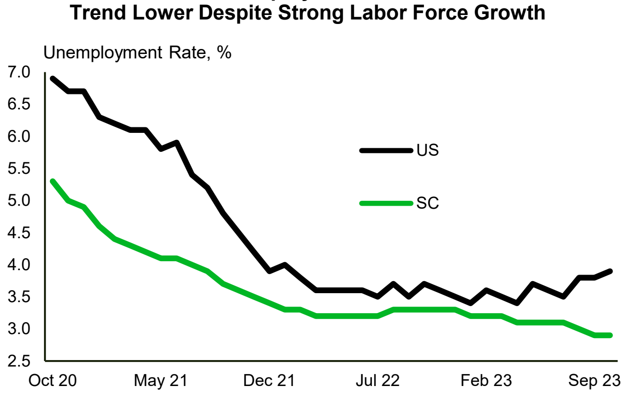
South Carolina: More Gas in the Tank

South Carolina's economy is on track to record one of the strongest growth tallies on the eastern seaboard this year, accelerating to an estimated 3.5%. The Palmetto State remains a magnet for investment and people which should help it keep positive momentum heading into 2024, even as it loses some steam next year, as the expansion cycle matures and the braking force of interest rates becomes more binding.

Job growth decelerated over the summer, but as of October the state was still broadly keeping pace with the nation. Beneath the surface, mild payroll cuts in manufacturing, finance, and arts & entertainment over the last few months have been more than offset by gains in trade & transportation, professional & tech services, and healthcare. Measures of labor market tightness paint an even brighter picture regarding the state's labor market. Its labor force has recorded the fastest expansion on the East Coast so far this year (up almost 4% year-to-date), thanks in part to a continued inflow of domestic migrants. Testament to strong demand for workers, the labor market absorbed this increased supply quickly, pushing the unemployment rate even lower to 2.9% (Chart 10).

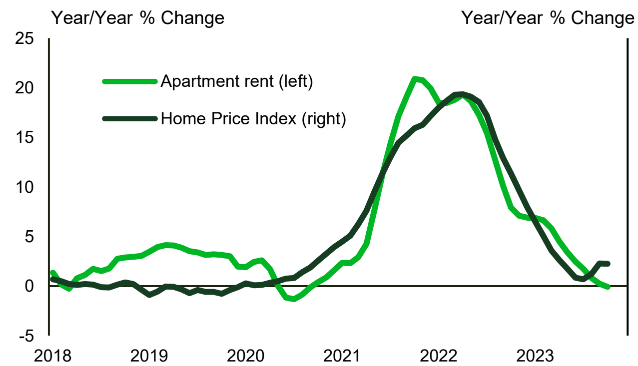
A resilient labor market is helping dampen the negative pressures on housing. Higher interest rates continue to weight on sales, but these are down slightly less than nationally (-6% y/y vs. -10%). While the housing market has loosened slightly over the past year, it remains exceptionally tight and there's been little improvement in affordability. With people continuing to move to the state, there's a need for more supply and builders have ramped up single-family homebuilding over the last several months. We think this trend has more room to run, but we anticipate more hurdles will come up in the path ahead as the labor market cools. The multifamily sector has already cooled as a rise in the vacancy rate back up to its pre-pandemic level recently has led rent growth to slow to a crawl (Chart 11).

Chart 10: S.C. Unemployment Rate Continues to Trend Lower Despite Strong Labor Force Growth



Source: BLS, TD Economics.

Chart 11: S.C. Apartment Rent Growth Dips into Negative Territory, Home Prices Show Resilience



Source: Apartment List, CoreLogic, TD Economics.

Jobs in the state remain plentiful, with 2.3 open positions for every unemployed worker – one of the best showings in the region – as plenty of companies are still expanding their presence in the state. These span a variety of sectors, including logistics (expansions from IronLink and TMC will lead to over 400 jobs combined) and cleantech (Mojave Energy Systems, 200 jobs). But, manufacturing expansions continue to dominate the limelight, with those from Keurig Dr Pepper, Nissin Foods, and Smurfit Kappa ($400 million, 750 jobs combined), marking a few recent examples. Investments of over $550 million combined from ZF Group, JTEKT and Sage Auto, mark an added positive development for the state's automotive industry as they are poised to generate close to 600 jobs combined. So far this year, South Carolina goods exports are holding up much better than nationally (up 18% year-to-date vs. a 2% decline nationally). A slowing national and global economy may take some of the wind out of manufacturing sails, but some products will fare better than others. As far as auto production goes, there's still some pent-up demand over the near-term. Meanwhile, airplanes build in the Palmetto State remain sought after, with Boeing looking to increase production at its North Charleston facility.

With plenty of investments on the horizon and above average population growth, we expect the South Carolina economy will keep an edge over the nation, moderating to a 1.8% pace next year.

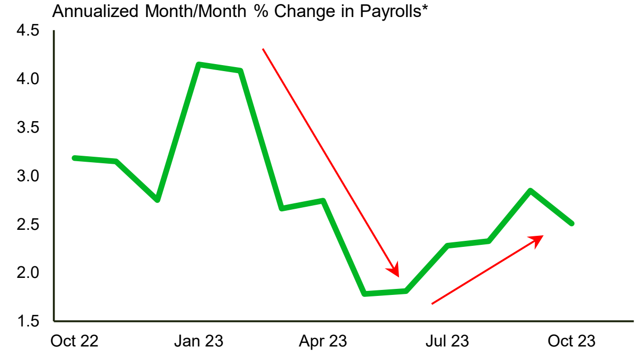
Florida: Strong Growth Expected to Moderate

The Sunshine State is living up to its name, with economic growth estimated to have topped 4.5% (in real terms!) for the second year in a row. Job growth did lose steam through the first half of 2023, but it recouped some of the lost ground in the second half (Chart 12). Job openings have trended down recently, but there are still 1.8 openings available for every unemployed worker vs. 1.3 nationwide – an element that points to hiring gains ahead. Florida won't escape the braking force of higher interest rates, but it should continue to keep an edge over the nation, with growth expected to ease to 2.1% next year.

The sectors contributing to the recent improvement in hiring include transportation & warehousing, professional & tech services, and healthcare, with the latter accounting for a third of all payrolls added between June and October. Employment in the healthcare sector is up 10% since the start of the pandemic – double the 5% gain nationally. While an aging population remains a tailwind, capacity-improving investment have also played a role in this expansion. Several new hospitals have opened over the last two years, and several more are on the way.

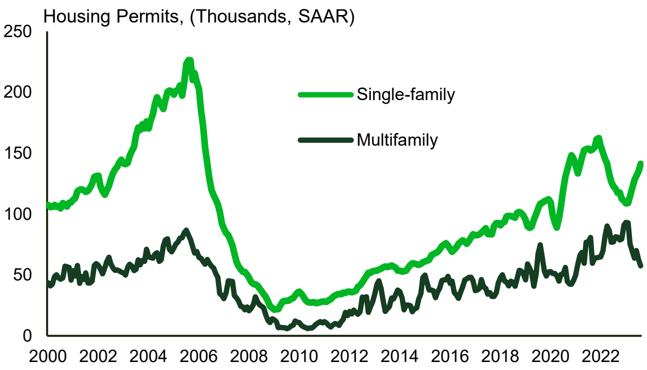
One key sector appearing to deflect from the growth narrative is accommodation & food services, which shed close to 10k jobs over the last few months, erasing all the gains made in the first half of 2023. Inclement weather has likely contributed to this weak showing, with Hurricane Idalia leading to the cancellation or postponement of many vacation plans as of late August. With the hurricane season now over, the state's tourism industry should get a chance to catch its breath. Our long-term outlook remains positive for Florida's tourism industry. Among other things, Florida is capitalizing on the growing popularity of soccer. Construction on a modern $350 million soccer stadium, part of a $1 billion Miami Freedom Park complex, began recently and is slated to finish by 2025. A new high-speed train line linking two major tourist hubs, Miami and Orlando, marks another exciting development. Over the medium term, however, a tougher consumer backdrop and a slowing national economy are still expected to curtail the sector's growth.

Chart 12: Florida Payroll Growth Found Some Footing in the Second Half of the Year



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

Chart 13: Florida Single-family Homebuilding is Rebounding, Multifamily Permits Head Lower



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

Florida's labor market remains tight, with the unemployment rate (2.8%) still near post-pandemic lows keeping wage growth high (+6.6% y/y). However, the largest metros don't appear to have joined in on this trend. Average hourly earnings are down modestly from a year-ago in Jacksonville and Orlando, and are growing well below the rate of inflation in Miami and Tampa. This is a recipe that does not bode well for consumer spending in these areas, with the resumption of student loan payments recently another headwind.

Home prices in the state have proven resilient so far, contributing to a wider gap between Florida and U.S. home prices. Before the pandemic, the median home price in Florida was only 6% above the national level, but that difference has effectively tripled, standing at 19% recently. These comparisons don't factor in home insurance premiums, which have also risen more sharply in the State – a trend that's likely to continue given the ongoing insurance crisis. The sharp deterioration in Florida's housing affordability may temper the flow of domestic migrants into the state. Preliminary population data indicate that inflows into Florida's largest metro areas have eased this year. Nonetheless, falling apartment rents (down 2.6% y/y statewide) and a rebound in single-family homebuilding should work to temper home price growth ahead and potentially offer some relief on affordability (Chart 13).

TD State Forecasts															
States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F	2023F	2024F	2025F
National	**2.4**	**1.5**	**1.7**	**2.3**	**0.7**	**0.4**	**3.6**	**4.2**	**4.1**	**3.8**	**0.6**	**-1.0**	**0.5**	**0.5**	**0.5**
New England	**1.6**	**1.2**	**1.6**	**1.9**	**0.4**	**0.4**	**3.0**	**3.3**	**3.5**	**6.2**	**3.1**	**0.0**	**0.1**	**0.2**	**0.2**
Connecticut	1.8	1.1	1.2	1.4	0.4	0.2	3.7	3.9	4.2	7.8	4.3	-0.2	0.2	0.2	0.1
Massachusetts	1.6	1.4	1.8	2.5	0.7	0.5	2.9	3.1	3.3	4.1	2.6	0.4	-0.1	0.1	0.2
Maine	1.5	1.0	1.4	1.2	0.2	0.3	2.6	3.2	3.2	8.9	1.9	-0.6	0.8	0.4	0.2
New Hampshire	1.0	1.2	1.6	2.0	0.3	0.4	2.1	2.6	2.9	7.8	3.8	-0.2	0.6	0.5	0.4
Rhode Island	1.2	0.8	1.5	0.0	-0.5	0.3	2.9	3.3	3.8	7.4	4.0	-0.7	-0.1	0.0	0.1
Vermont	1.0	0.9	1.3	1.2	0.0	0.2	2.2	2.7	3.0	8.5	3.0	-1.0	0.1	0.0	0.0
Middle Atlantic	**1.2**	**1.3**	**1.8**	**2.1**	**0.5**	**0.6**	**4.0**	**4.4**	**4.5**	**4.3**	**0.9**	**0.3**	**-0.2**	**0.0**	**0.2**
New Jersey	1.3	1.3	1.7	2.0	0.5	0.6	4.0	4.5	4.5	7.3	2.7	0.0	0.2	0.3	0.3
New York	0.8	1.2	1.9	1.9	0.3	0.7	4.1	4.6	4.5	2.2	-0.6	0.7	-0.5	-0.2	0.2
Pennsylvania	2.0	1.4	1.6	2.5	0.6	0.4	3.8	4.0	4.5	5.7	1.9	-0.1	-0.1	0.0	0.1
Upper South Atlantic	**2.4**	**1.7**	**1.9**	**2.0**	**0.6**	**0.4**	**3.1**	**3.5**	**3.9**	**4.9**	**-0.5**	**-1.5**	**0.7**	**0.7**	**0.8**
District of Columbia	1.1	0.9	1.2	1.5	0.3	0.3	4.9	5.6	5.8	0.3	-1.7	-0.7	0.3	0.1	0.1
Delaware	-0.9	1.9	1.6	2.6	0.7	0.4	4.3	4.7	4.6	5.4	-0.5	-1.4	1.1	1.0	0.8
Maryland	2.3	1.7	1.8	1.3	0.5	0.3	2.2	2.5	3.4	4.2	-0.6	-1.4	0.2	0.4	0.5
North Carolina	2.8	2.0	2.1	2.5	0.8	0.6	3.5	4.0	4.2	6.2	-0.6	-1.8	1.2	1.2	1.2
Virginia	2.5	1.8	2.0	1.9	0.6	0.5	2.8	3.3	3.6	4.6	-0.3	-1.5	0.5	0.6	0.7
West Virginia	4.2	0.8	1.1	0.9	0.4	0.1	3.6	4.5	4.6	4.3	-0.1	-0.8	-0.4	-0.4	-0.4
Lower South Atlantic	**3.5**	**1.9**	**2.1**	**2.9**	**0.9**	**0.7**	**2.9**	**3.6**	**4.0**	**6.4**	**-0.7**	**-1.8**	**1.4**	**1.4**	**1.3**
Florida	4.8	2.1	2.3	3.4	1.0	0.8	2.7	3.4	3.9	6.1	-0.8	-1.9	1.6	1.5	1.5
Georgia	1.0	1.6	1.8	2.3	0.6	0.5	3.2	4.1	4.4	6.6	-0.6	-1.6	1.1	1.1	1.1
South Carolina	3.5	1.8	2.0	2.5	0.8	0.7	3.1	3.5	4.0	7.4	-0.6	-1.4	1.3	1.2	1.2

F: Forecast by TD Economics, December 2023. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, CoreLogic, TD Economics.