TD Economics

State Economic Forecast

Beata Caranci, SVP & Chief Economist | 416-982-8067
James Marple, Managing Director | 416-982-2557
Admir Kolaj, Economist | 416-944-6318
Andrew Hencic, PhD, Economist

June 21, 2021

New England

- The New England economy is finally turning a corner. Thanks to improving public health conditions, states in the region removed most or all business restrictions in the May-June period and are now widely open for business. This is particularly beneficial to the leisure and hospitality industry, an important part of the economy for some of the region's smaller states. With persistent fiscal supports a tailwind and the consumer in the driver's seat, growth is projected to accelerate to an upgraded 6.8% this year, followed by 4.3% next – a hair below the national growth rate. The Massachusetts and New Hampshire economies, which sport high value-added clusters, are poised to top the region's growth chart. High vaccination rates will help guard the region against other potential bouts of pandemic-related volatility.

Middle Atlantic

- A subsiding health crisis has recently allowed states in the Mid-Atlantic region to remove outstanding business restrictions. With this obstacle out of the way and fiscal stimulus still flowing, growth in the region is projected to accelerate to 6.6% this year. The removal of restrictions will help support tourism activities, which will be particularly beneficial to the Big Apple. The New York economy, which was one of the hardest hit from the pandemic (-5.9% last year), will take time to heal as it adjusts to structural changes that occurred during the pandemic (i.e. the continued popularity of remote work). The Empire State is projected to expand at an above-average pace of 5.3% next year as it continues to make up for lost ground. Meanwhile, after reaping most of the low-hanging fruit this year, growth in New Jersey and Pennsylvania is poised to decelerate from 6.5% and 6.7% respectively to a still-healthy 4.5% next year.

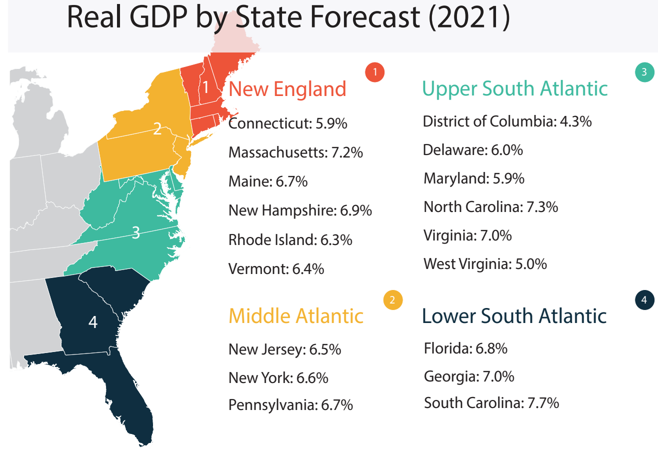
Upper South Atlantic

- A soft patch in employment gains in the D.C.-Maryland-Virginia through the spring masks the decidedly positive developments happening with further rollbacks of limitations on economic activity. Lifted restrictions on dining and recreation venues in Maryland and DC presage a pickup in the economic recovery. Meanwhile, North Carolina's manufacturers have shown some verve as pharmaceutical and medicine manufacturers added to their headcounts. A diversified economic base will help the Tar Heel state lead the region in 2021 with growth of 7.3%, followed closely by Virginia at 7.0%.

Lower South Atlantic

- Labor supply issues have been the story around the nation but South Carolina has bucked the trend with its labor force larger than before the pandemic. The availability of workers will help the Palmetto State outpace the nation with 7.7% growth in 2021. At the same time, growth in Florida's professional and financial services industry in 2020 helped diversify its economy and forms the basis of the expected 6.8% growth rate in 2021 and 5.0% in 2022.

Real GDP by State Forecast (2021)



Source: TD Economics. Forecast as of June 2021.

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

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

Connecticut: Charting a Path to Normalcy

The spread of COVID-19 has slowed to a crawl in the Nutmeg state, marking a massive improvement from the peak recorded at the start of the year (Chart 1). Hospitalizations and deaths have followed the downward trend. This has allowed for most business restrictions to be lifted before the end of May. Connecticut's high rate of vaccinations – it ranks among the top five states in the country – should help limit further bouts of pandemic-related volatility. We expect growth in the state to rebound by 5.9% this year and 4.0% next. The passage of other large spending packages outlined by the Biden administration could offer additional lift in the medium-to-long term.

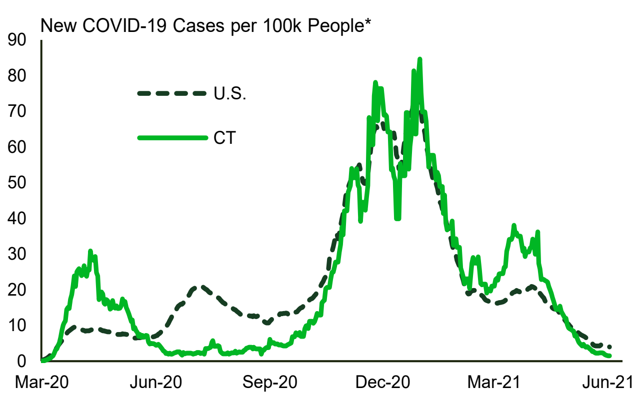
Consumer-related industries, which bore the brunt of the pandemic, stand to benefit from the return to normalcy. Spending at Connecticut restaurants and hotels is already trending higher, helped along by government stimulus. A similar trend is visible for entertainment and recreation spending. The latter should improve further as pandemic-related concerns subside.

Improved business activity for consumer-based services establishments will facilitate the hiring back of more workers. Job growth in Connecticut's leisure and hospitality has picked up. Meanwhile, an uptick in related job openings, such as at Lake Compounce (amusement park, 1,200 jobs) reaffirms the positive narrative.

Still, like elsewhere in the country, Connecticut employers are reporting difficulties in filling job openings. The state's unemployment rate sits at an above-average 8.1%, but it would be even higher if the labor force had recovered broadly in line with the nation. The size of the labor force is down 9% from the pre-pandemic level (the worse showing in the Northeast). The reintroduction of the requirement to show 'active job search' in order to receive enhanced unemployment benefits, along with an innovative $1,000 signing bonus for the first several thousand workers that find a job, should help boost labor supply.

As Connecticut makes additional strides toward normalcy, an improved economic backdrop will provide opportunities for other industries, including professional and business services and healthcare. The expansion of WellSpark Health (300 jobs) marks a recent positive development in the latter. Lastly, job openings in the important manufacturing space, such as at Bridgeport Boatworks, Electric Boat and Sikorsky, suggest that manufacturing will continue to support the economy over the medium term.

Chart 1: Spread of Covid-19 Has Eased Significantly in Connecticut and Nationally



*7-day moving average.
Source: Johns Hopkins U., TD Economics. Last observation: June 15, 2021.

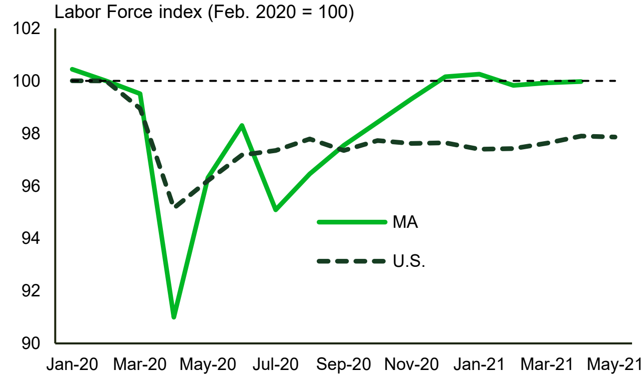
Massachusetts: The Worst is Over

Fortunes for the Bay State are quickly turning thanks to improved public health conditions. Massachusetts is currently the second most vaccinated state when it comes to first doses, which should reduce the risk of further economic setbacks. Economic growth is projected to rebound by just over 7% this year and 4.5% next, putting the state back at the top of the regional leaderboard.

As of now, Massachusetts' labor market still shows a lot of scarring, with payrolls down 8% from the pre-pandemic level. Still, the employment backdrop is better than meets the eye. Job growth has outperformed the U.S. average since the start of the year and the labor force is already back to its pre-pandemic level. Massachusetts is only the second state in the Northeast to have reached this milestone (Chart 2). Like elsewhere in the country, employers are having difficulty filling open positions, but the improved availability of labor in the state should help ease pressures. The recent reinstatement of the work-search requirement for those receiving unemployment benefits, may also help.

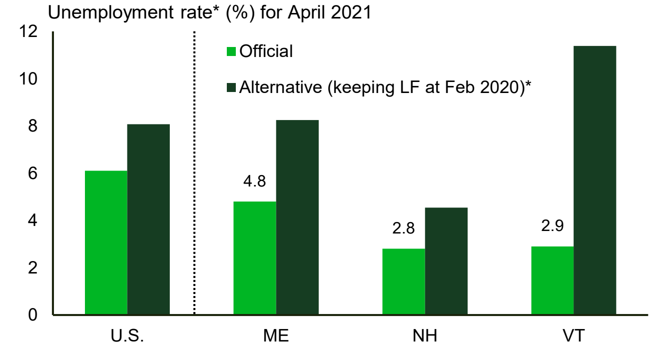
Massachusetts lifted business restrictions just before the end of May, a crucial step that has opened the door to further improvement in business activity and hiring. The badly bruised leisure and hospitality industry is likely to take the lead on this front. At the same time, strength in new-economy industries and the concentration of high value-added clusters such as tech, robotics and biopharma, will lend a hand to growth. The pandemic highlighted strengths in the healthcare space, with Moderna's suc-

Chart 2: Massachusetts Labor Force is Back to Pre-pandemic Level



Source: BLS, TD Economics.

Chart 3: Unemployment Rates Would Be Higher If Labor Force Was Back at Pre-pandemic Level



*The alternative unemployment rate is calculated by keeping the labor force constant at the February 2020 pre-pandemic level. For consistency, all data is for April 2021.
Source: BLS, TD Economics.

cess story a prime example. The company plans to double the footprint of its Norwood manufacturing facility and transform it into an industrial technology center. The recent FDA approval of Biogen's Alzheimer's drug marks another positive development. What's more, tech giants such as Amazon, Google and Apple have ongoing plans to expand their presence in the state. A strong trend in venture capital funding, which was up almost 90% y/y in the first quarter of 2021, is an added tailwind.

An improving labor market backdrop will benefit housing demand, helping counter some of the headwinds of rising interest rates and diminished affordability. Housing has benefited from the pandemic, with strong sales, accelerating home price growth and increased homebuilding of single-family homes. The Boston core, however, has missed out on some of these trends. As the pandemic subsides and the perceived risk of living in the urban core ease, the tide should turn there too.

Maine, New Hampshire, Vermont: Better Days Ahead

Prior to the pandemic, the country's northeast corner that encompasses Maine, New Hampshire (N.H.) and Vermont was known for having one of the tightest labor markets in the country. Fast forward to today and that theme is making a comeback. For Maine and N.H. that narrative has been supported by nation-beating job creation. For Vermont, the story is less positive. Despite job growth that has underperformed the rest of the country, the state has the second lowest unemployment rate of the group. This is due to the state's disappointingly weak labor force recovery (Chart 3).

Concerns over working during the pandemic, early retirements and school/daycare closures are some of the reasons cited as keeping workers on the sidelines. Thankfully, the virus' spread has fallen steeply across the tri-state area. The even better news is that all three states are ahead of the curb on vaccinations, with Vermont leading the nation. Easing pandemic-related concerns should bring more workers to the labor market. The end of enhanced unemployment benefits will also lend a hand. All these factors combined should help satiate strong labor demand and facilitate strong economic rebounds of over 6% across the region this year.

Maine and N.H. removed outstanding business restrictions in May, while Vermont did so in mid-June. The biggest beneficiary of this will be the leisure and hospitality industry, an important sector in all three states. All three have removed quarantine restrictions and are open to domestic travelers. On international travel, the reopening of the border with Canada holds significant promise for the busy summer season and beyond. An additional 22k bump in H-2B temporary visas, meanwhile, will help with sourcing seasonal workers.

Other industries, such as healthcare, manufacturing (including high-tech) and professional and business services, are poised to further support the recovery. Hiring in professional and tech is already above its pre-pandemic level in N.H. and Vermont, outperforming the nation. This is likely to continue. A focus on defense-related products and services will contribute to defense and R&D employers in the region, such as Vermont's GlobalFoundries (semiconductors) and N.H.'s BAE Systems (electronic warfare). The expansion of Beta Technologies, which will build a new manufacturing facility for electric aircraft in Vermont, marks another positive development.

Middle Atlantic (NJ, NY, PA)

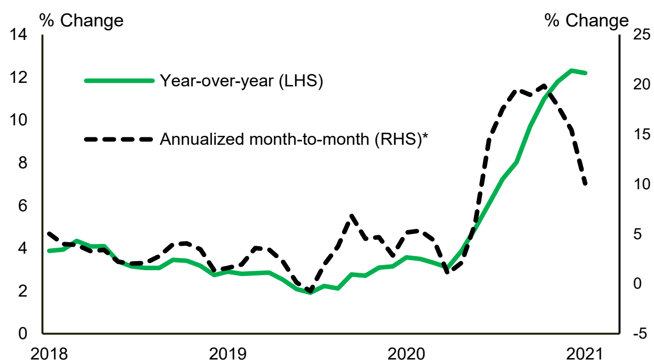
New Jersey: Back in Business

The COVID-19 pandemic took a heavy toll on the Garden State economy. Fortunately, thanks to improving public health conditions, the state has removed outstanding restrictions and ended the public health emergency on June 4. New Jersey is now fully open for business.

The lifting of restrictions is a boon for high-touch consumer-related businesses that bore the brunt of the pandemic. High-frequency data show that consumer spending in the state has been above the pre-pandemic level for several months now and is outperforming the nation. This has been reflected in the labor market. Employment in accommodation and food services has risen 7% since December. The positive spending trend is likely to continue, helped along by fiscal stimulus. This is especially good news for the American Dream megamall, which has seen more stores open recently, and for Atlantic City (AC), which is heavily depended on the leisure and hospitality industry. Gambling profits soared in the first quarter of the year, and with all AC casinos now open (unlike this time last year), the positive trend is poised extend further out.

The improving demand environment bodes well for several other key industries. Besides finance, where the level of employment is already 2% above the pre-pandemic level, professional and tech services is another well-performing sector. Payrolls in the latter are just a hair below the pre-pandemic level (-0.7%). Payrolls in the logistics industry are not that far behind (-2%). The lingering popularity of online shopping and an improving demand outlook will be strong tailwinds for the logistics sector. A new planned Amazon warehouse, which will bring hundreds of jobs to Bergen County, is but one example reinforcing the positive narrative.

Chart 4: N.J. Home Prices up 12% Year-over-year, but Near-term Growth Trend Has Slowed



*Seasonally-adjusted, 3-month moving average.
Source: CoreLogic, TD Economics. Last observation: April 2021.

Housing and related industries are likely to continue to be a source of strength. The residential market has benefitted from an inflow of buyers from NYC during the pandemic. Even as this inflow abates, an improving labor market should take the baton. Meanwhile, a low supply backdrop suggests homebuilding should continue at a high level, with the recent pullback in lumber prices a welcome tailwind. Price growth is likely to slow to a more sustainable level ahead, with the trend already moving in this direction (Chart 4).

All told, we expect the New Jersey economy to expand by an upgraded 6.5% this year and 4.5% next year. Contributing to this healthy growth profile are several elements, including fiscal stimulus and a much-improved budget backdrop, with booming tax collections lifting to state surplus to over $10B.

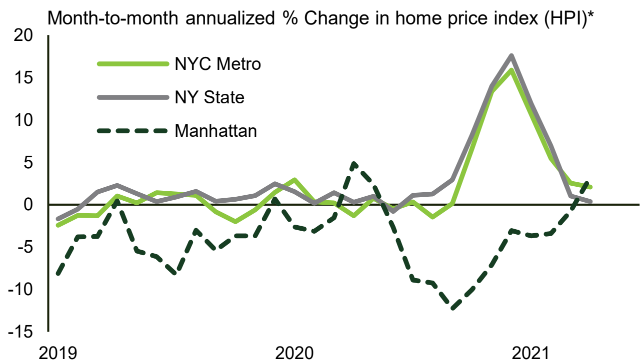
New York: The Best Is Yet to Come

New York's economy still shows a lot of scarring from the pandemic. As of April, payrolls were still down nearly 10% from the pre-pandemic level – the worst showing on the East Coast. That said, growth is poised to kick into higher gear, rebounding by 6.6% this year and 5.3% next.

The growth narrative has taken a firm turn for the better in recent months. The spread of the virus has fallen and is now below the U.S. average. Meanwhile, job growth in the state has been running ahead of the rest of the country since January, making up for lost ground. Improving public health conditions, thanks in part to a faster vaccination rollout than the nation, have helped workers return to the labor market. The labor force participation rate has risen above its pre-pandemic level, with the Empire State well ahead of its East Coast peers and the nation on this front. This will help with the availability of workers during the rebound phase.

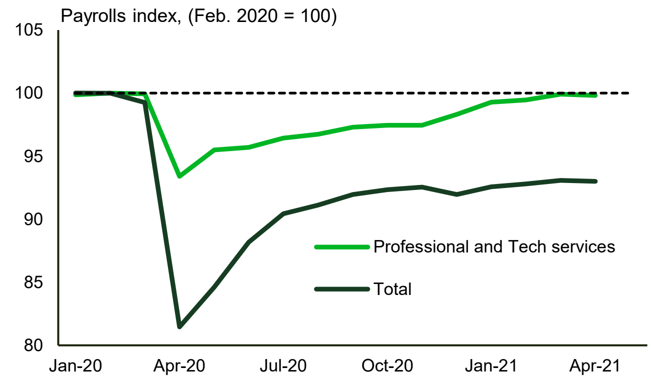
The state eased capacity-based restrictions in late May and lifted most outstanding business restrictions in mid-June. The clear winner from eased restrictions will be the badly bruised leisure and hospitality industry. The reopening of key attractions will pull in visitors from the country and eventually other parts of the world. Domestic tourism is likely to carry the torch in the near-term, with many Americans expected to choose the Big Apple to spend their accumulated savings. Eased restrictions for international visitors, which are not required to quarantine, suggest that international tourism is poised to lend a hand.

Chart 5: Manhattan HPI Growth Turning Around after Diverging with Rest of State During Pandemic



*Seasonally adjusted, 3-month moving average.
Source: CoreLogic, TD Economics. Last observation: April 2021.

Chart 6: Pennsylvania Prof. and Tech Services Jobs, Already Back at Pre-pandemic Level



Source: BLS, TD Economics.

The lingering popularity of remote work will weigh on NYC's office market. That said many workers have already made a comeback. The trend is expected to accelerate in the fall as per announced returns from large companies. The benefits of this will extend to the housing market. The bruised NYC core is already showing early signs of a turnaround (Chart 5). Tech giants such as Amazon, Google, Facebook remain committed to NYC. All three scooped up more NYC office space during the pandemic, and Google plans to open its first-ever retail store in the City this summer.

Plenty of other industries are poised for growth. The recent focus on cyber security will offer support to NYC's growing cybersecurity hub. The City is also doubling its investment in life sciences to $1B as part of LifeSci NYC, with the expanded initiative poised to generate 40k jobs. Meanwhile, the Regeneron's recent COVID-19 drug approval and its $480 million planned expansion in Greenburgh mark other positive development in the healthcare space.

Pennsylvania: Toward Normalcy

Improving public health conditions allowed Pennsylvania to remove remaining business restrictions at the end of May. With this obstacle cleared, the Keystone State is expected to grow by 6.7% this year, followed by 4.4% in 2022.

Pennsylvania is already ahead of its neighbors, New Jersey and New York when it comes to the jobs recovery, thanks in part to a more limited exposure to tourism. The latest easing of restrictions in May, which allowed businesses such as bars and restaurants to operate at 100% capacity, will be a boon for the leisure and hospitality sector. Plentiful jobs openings across related business highlight the positive narrative. McDonald's, for instance, is hiring 9,000 workers this summer.

A sector that has provided an important lifeline to growth in recent quarters and that should offer additional support ahead is professional and tech services. As of April, employment in the sector had already recovered from the pandemic's hit – the best showing across private industries (Chart 6). This trend reflects strengths in life science and tech in Philadelphia and Pittsburgh. Positive developments in these industries are plentiful. They include the continued expansion of operations and relocation of HQs of life science companies into Philly and a $330M redevelopment of a vacant Ford plant in Pittsburgh into a biomedical research hub. A $150M donation to Carnegie Mellon University, which will go toward a new science building and a new robotics innovation center, marks yet another exiting development.

The Keystone state has also been receiving a helping hand from the manufacturing and energy sectors, which boosted growth at the end of last year and the beginning of this one. An improving growth environment, both domestically and globally, will help boost demand for energy and products manufactured in Pennsylvania. This will also lend a hand to the transportation sector. The latter is already on solid footing, with sectoral payrolls just a hair below the pre-pandemic level, thanks in part to the continued rise of e-commerce.

The return to normalcy will also been a boon for the healthcare sector. The region's demographics, which remain an important tailwind for the industry, have justified large-scale modernizations and the building of several new hospitals in recent years. A new facility from OIP, which opened recently, and upcoming fall opening of AHN's Wexford Hospital are prime examples. These capacity-expanding investments will bear fruit as concerns related to the pandemic abate, and patients resume more regular visits to doctors and schedule elective surgeries.

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

Delaware: Green Shoots Below the Surface

The labor market recovery in the First State has stalled out, recording no net new gains since October while at the same time, the unemployment rate has ticked up 0.7 percentage points. The pause in job creation is dissapointing but the increase in unemployment primarily reflects the return of more Delawareans to the labor force. Since October the national labor force has expanded by 0.1%, while Delaware's is up a robust 1.5%. This should presage a return to economic dynamism as more people are actively searching for work. As the economy continues to reopen, they should find their way back to ranks of the employed.

Looking underneath the hood, there are several bright spots. As has been the case across the country, high paying sectors have continued to grow. Professional, scientific and technical payrolls (+2.5% since October) and Wholesale Trade (+2.7%) are both now above their pre-pandemic levels and boast the highest average annual earnings in the state. But perhaps the most optimistic indicator of the return to normal is the recovery in arts, entertainment and recreation payrolls. Jobs in the sector are up almost 9% since October. While it is a relatively small share of the pie, its recovery is a good signal that the pandemic's impact is finally fading.

Meanwhile, housing prices continued their march higher through April and are now up 13.8% year-over-year. The pace of growth has slowed in recent months, with prices in New Castle County (which comprises more than half of the state's population) effectively flat from March. Housing starts have been surging as well. The single-family segment is up 46% over 2019 and multifamily starts are close behind at +27%. The added supply should help slow the deterioration in affordability.

All told, this soft patch in Delaware's recovery should prove to be temporary. The economic recovery is firmly underway, and the state's increasing labor supply should help prevent the types of labor shortages seen in other parts of the country. As momentum builds through the second and third quarters of the year, the labor market will improve. With economic growth averaging 6.0% in 2021 and 3.0% in 2022, the unemployment rate should pull back to 3.9% in 2022.

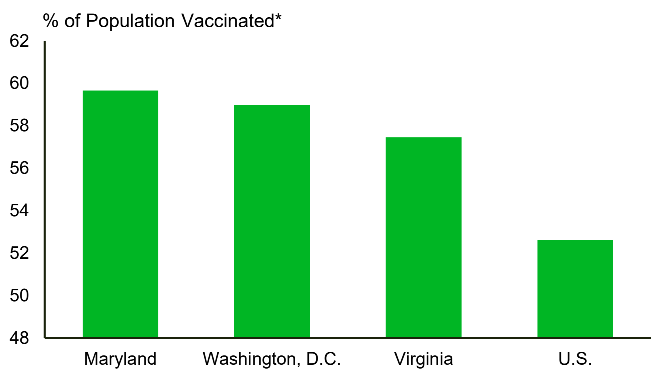
DC-Maryland-Virginia: Reopening Gains Steam

The gradual reopening of the DC-Maryland-Virginia (DMV) region continued through the spring as Maryland lifted its remaining restrictions on indoor and outdoor dining in May, while the District of Columbia removed restrictions on bars and sports venues in June. The labor market recovery in the region has proceeded in fits and starts through the start of the year, with jobs down in two of the five months through April.

The areas of strength are unsurprising. Federal government employment (1.7% above pre-crisis levels) and professional and technical services (+1.4%), are the standard bearers for the region's economy. Unfortunately, the transportation, warehousing and utilities sector that had rapidly expanded payrolls after the initial lockdown shed positions over the last four months.

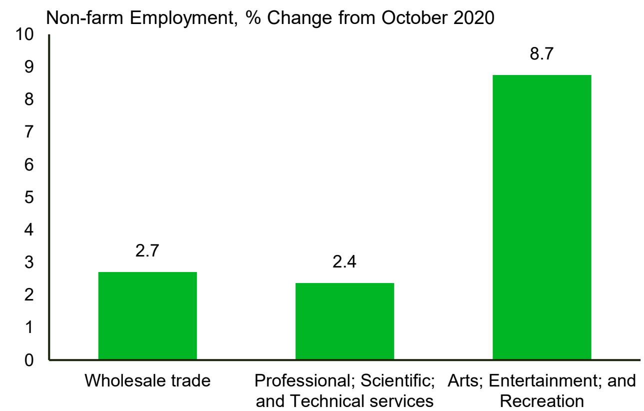
Digging into the details, most of these losses were in Maryland. There is reason to believe that the sector's set-

Chart 7: DMV Area Vaccination Rate Outpaces Most of the Nation



*Data as of June 15, 2021.
Source: Our World in Data, TD Economics.

Chart 8: Leisure Sector Hiring Signals a Return to Normalcy



Source: Moody's, TD Economics.

backs will be temporary. Dredging operations in the Port of Baltimore that will allow for the docking of two ultra-large ships are underway, while simultaneous work to raise the height of a key railway tunnel will help to increase the capacity of the Port, supporting future growth in local logistical and ancillary industries.

In the meantime, the housing market in the region continues to perform well. Regional home prices ticked higher in April, with Virginia leading the way at +10.8% (year-over-year). Maryland is not far behind at +9.5%, while D.C. is up 5%. Housing affordability in D.C. and Maryland may be an issue going forward as supply appears lagged. Maryland single family housing starts are down 4% compared to 2019 (-9% for multifamily starts), while D.C.'s multifamily segment is down 7% relative to 2019 (in terms of new supply, multifamily starts dominate in D.C. at 18 times the number of single family starts). Virginia should fare better as housing starts are up a healthy 14% in the single-family segment and 15% in the multifamily segment.

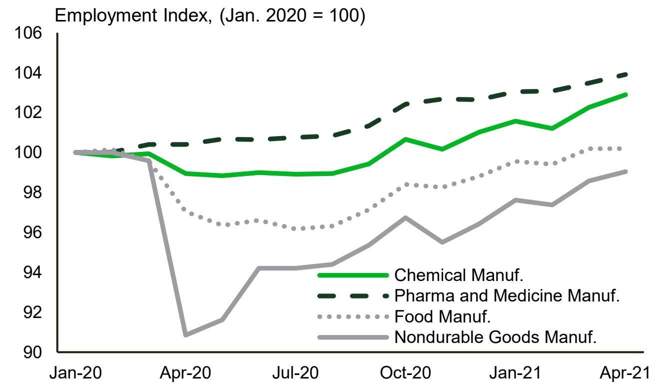
Despite the recent lull, the outlook for the region is decidedly positive. The retail and travel and leisure sectors accounted for nearly one in five jobs before the crisis and, with the reopening phase well underway, they should see an acceleration in employment through the summer months. Much like recent history, the region will likely follow the broader national expansion, with Virginia's economy expanding 7.0% in 2021, Maryland's at 5.9% and D.C. at 4.3%.

North Carolina: Ahead of the Game

North Carolina's labor market took a breather in April, ending a streak of 11 consecutive months of jobs creation. A disappointment to be sure, but the bigger picture is one of a rapidly improving economy led by the state's financial and professional services sectors.

The Tar Heel state's strong professional and technical services sector is now larger than before the pandemic, continuing its robust expansion. The state's tech sector has built a reputation for high quality talent and Apple has committed to establishing a campus in the Raleigh-Durham area. The planned engineering hub is expected to hire 3,000 people for positions in artificial intelligence, software engineering and other high value-add professions. Sustained additions to the state's research triangle bodes well for future productivity growth and underpin our assessment of the state's healthy long-term economic prospects.

Chart 9: Winners Emerge in North Carolina's Nondurables Production Sector



Source: Federal Reserve Economic Data, TD Economics.

It's also worth noting the strength we've observed in the state's manufacturing sector. While payrolls are still slightly below levels at the end of the last expansion, food processors, pharmaceutical and medicine manufacturers and chemicals manufacturers have recouped their prior losses (to the extent there were any) and are on a decidedly positive trajectory. Pharmaceutical manufacturers, in particular, were well insulated from the pandemic and have sustained a healthy pace of hiring coming into the recovery.

The housing market continues to be a driving force in the region. Home values statewide continued to appreciate through the spring, bringing the year-over-year measure to +12.7%. Like other parts of the country, prices in the most populated counties rose slightly slower than the broader state, reflecting the shift in demand out of larger metropolitan areas. The good news for affordability is that supply appears to be responding. Single family housing starts are up 24% compared to their 2019 levels while multifamily starts are up 38%. Sustaining affordability in the housing market will be important in order to maintain the state's role in attracting domestic migrants.

Lastly, the state Senate passed a bill lowering individual income taxes and charting a course for the corporate tax rate to be phased out by 2028. While legislation has not passed in the House, this added fiscal stimulus could begin working its way into the local state economy providing a further aggregate demand lift.

All told, with economic growth surprising to the upside to start the year, the economy should expand 7.3% in 2021, and 5.0% in 2022.

Lower South Atlantic (SC, FL)

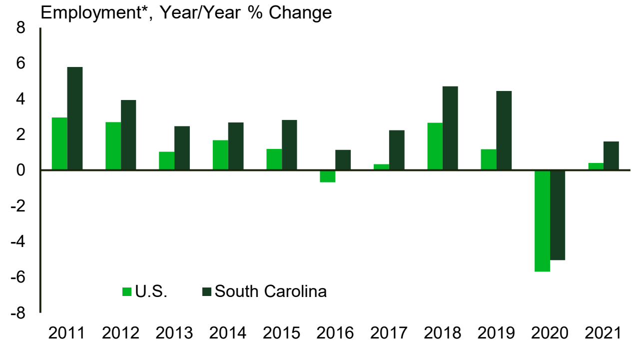
South Carolina: A Foundation for Recovery

Despite a small setback in April, the labor market in the Palmetto state has outperformed the rest of the nation. Payrolls have clawed back 72% of their losses from 2020 and now sit closer to their pre-crisis peak than the United States as a whole. After peaking at 11.5% in the spring of 2020, the unemployment rate has retreated to 5%. This improvement is made all the more impressive by the resilient labor force that is now above pre-crisis levels. Given the strong foundation and the rapidly improving national outlook we anticipate the unemployment rate to further pull back in 2021 to 4.7% and 3.1% in 2022.

The leisure and tourism sector in South Carolina, like those around the world, has been waylaid by the pandemic. Having accounted for more than one in eight jobs in the state before the crisis, payrolls are still down 15% despite staging an impressive comeback recently. While international borders are still closed, domestic travel is ramping up. Hotel occupancy as of April is back to 67.6%, outpacing the national average by over 10 percentage points. While this represents a disappointing figure relative to 2019 (71.9%), taken in the context of closed international borders, it is a solid foundation for future growth.

Hiring in the transportation, warehousing and utilities sector has been robust as demand for goods (imported goods in particular) surged during the lockdown. Through the first five months of the 2021, loaded inbound container volumes at the Port of Charleston were up 22.5% over 2020, 15.9% over 2019 and 25.6% over 2018. With the reopening phase of the economy now in full swing and most states having lifted (or about to lift) limits on social mobility, a rotation of consumer expenditures out of goods markets and into services is on tap. As a result, the run-up in container volumes in the first few months may well taper off. This shouldn't be seen as a net negative for the region, but as part of a return to more comprehensive economic health.

Chart 11: South Carolina's Durable Goods Manufacturers Continue to Outperform the Nation



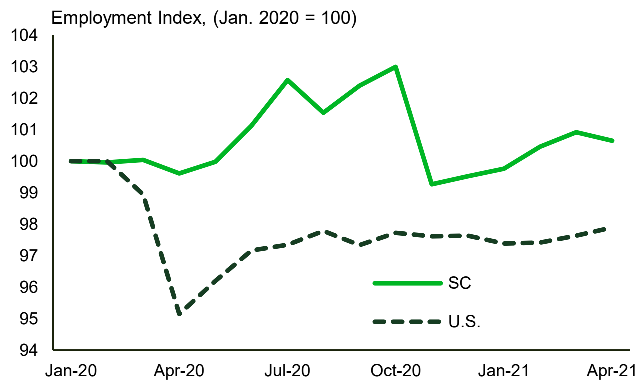
*2021 values are through April 2021
thSource: Moody's, TD Economics.

On that front, the manufacturing sector is still hurting, though durable goods employment is only slightly behind the rest of the state. Manufacturing in the state has been steadily expanding share at a time that national manufacturing payrolls have experienced substantial losses. On this point, the major automotive manufacturer in the region (BMW) has, thus far, managed to avoid the worst of the semiconductor shortages roiling the industry.

Elsewhere, housing prices gains have accelerated into the spring with March's +1.5% monthly gain (at a seasonally adjusted rate) the largest jump in over 30 years. The trend didn't stop there as all counties reported price gains in April, taking state-wide prices up 10.7% compared to April 2020. In the three largest counties – Charleston, Greenville, and Richland – prices are up 13.9%, 9.7%, and +11.3% respectively.

With the recovery gaining steam, and an engaged labor force, we have a decidedly positive outlook for the state and anticipate real GDP growth of 7.7% for 2021, and 4.3% in 2022.

Chart 10: South Carolina's Labor Supply Has Proven Resilient Through the Crisis



Source: Moody's, TD Economics.

Florida: Professional Services Hold The Fort

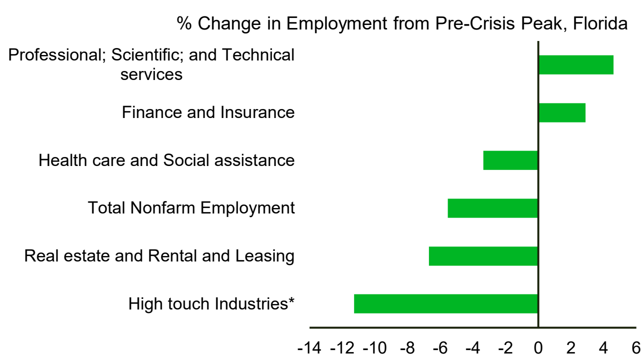
The Sunshine state has continued its gradual recovery from the pandemic. Payroll employment now stands 5.5% below pre-pandemic levels, slightly behind the national average (-5.0%). Still, for a state that relies so heavily on the devastated leisure and hospitality sector (14.0% of jobs statewide were in the sector before it was effectively shut down), the rebound has been notable.

We anticipate the second half of 2021 and early 2022 to make up even more ground as international travel restrictions begin to loosen, and vaccine uptake boosts the outlook for battered service sectors.

For the broader economy, pockets of strength in other industries have provided a bulwark for the state's economy. Employment in the financial sector and professional and technical services have surpassed prior highs, totaling over one million positions. This figure is still shy of the 1.3 million jobs the leisure and hospitality segment employed at its peak, but this growth adds a layer of diversification to the economy that will help it withstand future shocks.

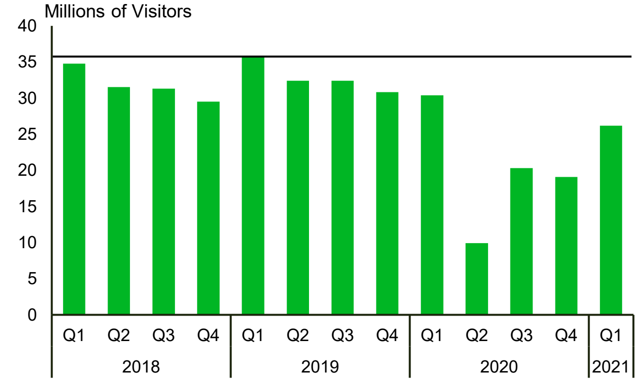
Across the state, the lack of tourism has been most acutely felt in Metro Orlando. The city's travel and leisure sector employed more than one in five workers pre-crisis, leaving payrolls in the city still over 11.7% short of their peak. The resumption of domestic and international travel in the third quarter will go a long way to bringing these jobs back. Expectations of the easing of border restrictions with Canada (the source of 24.9% of international tourist arrivals in 2019) in late Q2 or early Q3 will provide a much-needed source of demand for the severely lagging industry. Another key component to the tourism revival is the resumption of operations of the cruise industry. Despite conflicting state and CDC regulations on COVID protocols guidelines (as of writing the matter is still before the courts), several test voyages in line with CDC guidance have been schedule as of June, while a few have received approval to proceed with full servicing of Florida ports.

Chart 12: Professional Services and Finance Sector Employment Lead the Way in the Sunshine State



*High-Touch Industries are: (1) Transportation, Warehousing and Utilities; (2) Food & Accommodation; (3) Arts, Entertainment & Recreation; (4) Retail; and (5) Other Services Excluding Government.
Source: Source: Census Bureau, Moody's, TD Economics.

Chart 13: Visitors Are Gradually Returning... But Still Below Pre-pandemic Levels



Source: VisitFlorida.org, TD Economics.

As elsewhere in the country, home prices continue to surge across the state. Through the first four months of the year, single detached home prices are already up 4.2% statewide (11.6% year-over-year). However, there is quite a bit of variation to these gains across the state. In Tampa Bay and Jacksonville (cities where the labor market has proven to be relatively resilient), prices are up over 13% and 14% year-over-year, respectively. Conversely, in tourism-dependent metros where employment has lagged the rest of the state (Miami-Dade, Fort Lauderdale and Orange Country (Orlando)), price gains have been a more muted, though still significant at 8-9%. The housing market should cool off into the second half of the year with rising interest rates crimping affordability and a runup in single family housing starts helping add supply to the market.

While 2020 and early 2021 have been a difficult time for the state, we have a decidedly positive outlook for the remainder of 2021 and into 2022. The labor market should continue its recovery with the unemployment reaching 3.2% in 2022, while economic growth reaches 6.8% in 2021 and 5.0% in 2022.

States	Real GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (average, %)			Home Prices (% Chg.)			Population (% Chg.)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
National	**-3.5**	**7.1**	**4.4**	**-5.7**	**2.7**	**3.8**	**8.1**	**5.6**	**3.9**	**5.8**	**11.0**	**4.8**	**0.3**	**0.2**	**0.4**
New England	**-4.0**	**6.8**	**4.3**	**-8.3**	**3.3**	**4.5**	**8.1**	**5.6**	**3.5**	**6.2**	**11.8**	**4.1**	**0.0**	**0.0**	**0.1**
Connecticut	-4.1	5.9	4.0	-7.7	2.0	3.7	7.9	7.4	5.5	4.3	14.0	4.6	-0.3	-0.2	0.0
Massachusetts	-3.8	7.2	4.5	-9.0	3.8	5.1	9.0	5.8	3.1	5.6	10.1	3.8	0.0	0.0	0.2
Maine	-4.1	6.7	3.8	-6.4	3.5	3.8	5.5	4.5	3.1	9.3	10.3	3.7	0.3	0.2	0.2
New Hampshire	-4.7	6.9	4.2	-6.6	4.5	4.3	6.7	2.8	2.3	8.0	14.6	4.6	0.4	0.4	0.4
Rhode Island	-4.5	6.3	4.3	-8.8	2.8	3.8	9.5	6.1	4.1	7.5	14.6	4.8	-0.1	-0.1	-0.1
Vermont	-5.4	6.4	4.0	-9.4	2.2	3.6	5.6	2.9	2.5	6.5	14.1	3.8	-0.1	-0.1	0.0
Middle Atlantic	**-5.1**	**6.6**	**4.9**	**-9.1**	**2.8**	**5.0**	**9.7**	**7.0**	**4.5**	**3.5**	**8.0**	**3.8**	**-0.4**	**-0.4**	**-0.1**
New Jersey	-4.1	6.5	4.5	-8.3	2.6	4.5	9.8	6.9	4.7	5.0	10.9	3.7	-0.1	-0.1	0.0
New York	-5.9	6.6	5.3	-10.3	3.0	5.3	10.1	7.4	4.6	1.8	5.9	3.5	-0.6	-0.7	-0.2
Pennsylvania	-4.4	6.7	4.4	-7.6	2.8	4.7	9.1	6.5	4.2	5.6	9.7	4.3	-0.1	-0.1	0.0
Upper South Atlantic	**-2.6**	**6.5**	**4.5**	**-5.3**	**2.9**	**4.9**	**7.0**	**5.0**	**3.7**	**5.4**	**9.8**	**4.6**	**0.5**	**0.2**	**0.5**
District of Columbia	-1.5	4.3	3.3	-6.3	0.4	4.9	8.1	7.1	5.5	4.0	4.9	4.5	0.6	0.3	0.5
Delaware	-3.9	6.0	3.0	-5.9	2.8	4.5	7.9	5.7	3.9	5.1	11.4	4.4	1.0	0.7	0.7
Maryland	-2.6	5.9	3.6	-6.8	3.0	3.3	6.8	5.5	3.9	4.4	9.7	4.5	0.0	-0.1	0.1
North Carolina	-2.5	7.3	5.0	-4.3	3.4	5.2	7.4	4.9	3.8	6.4	10.7	4.8	0.9	0.7	0.9
Virginia	-2.5	7.0	5.2	-5.0	2.9	6.2	6.3	4.4	2.9	5.6	9.5	4.7	0.4	0.1	0.4
West Virginia	-5.5	5.0	3.3	-6.6	2.5	3.0	8.4	5.7	4.8	4.9	9.1	3.3	-0.6	-0.7	-0.7
Lower South Atlantic	**-2.9**	**7.0**	**4.8**	**-5.0**	**2.9**	**6.5**	**7.2**	**4.5**	**3.3**	**6.0**	**10.2**	**5.8**	**1.0**	**0.8**	**1.0**
Florida	-2.9	6.8	5.0	-5.2	2.4	7.2	7.9	4.4	3.2	5.9	9.9	5.5	1.1	0.8	1.1
Georgia	-2.5	7.0	4.4	-4.7	3.3	5.6	6.6	4.4	3.4	6.1	11.2	6.7	0.8	0.6	0.8
South Carolina	-4.1	7.7	4.3	-5.0	3.5	5.9	6.2	4.7	3.1	5.7	9.6	5.1	1.2	1.0	1.1

Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as at June 2021.

Disclaimer