New England

- New England’s economy is expected to underperform relative to the nation over the forecast horizon. The regional economy will advance by 1.4% this year, and accelerate to a near-2% pace by 2015/16, with strength in Mass. providing some offset to modest growth profiles elsewhere in the region.

Middle Atlantic

- The Middle Atlantic will remain the slowest growing region in the TD Footprint. Weighed by tepid population growth, underperforming housing markets, fiscal challenges and smaller contribution from high-skill industries, regional growth will remain bound to the mid-1% pace over the 2015/16 period. N.Y. will outperform its neighbors, but even there expansion will be modest as support from financial sector stays limited.

Upper South Atlantic

- The Upper South Atlantic economy has underperformed the nation this year and will continue to do so next year. Strength in N.C., Del. and W.Va. will be offset by weakness in D.C., Md. and Va. (DMV) where cuts to state budgets loom. As DMV economies bounce back in 2016, the region as a whole will begin to outperform the nation.

Lower South Atlantic

- The Lower South Atlantic will continue to outpace the nation over the forecast horizon. Growth will reach 2.6% this year and accelerate to the mid-3% pace by 2015/16. Growth will be led by Fla., supported by a housing recovery and tourism. Ga. will also outperform, while S.C. will underperform slightly due to slower growth in high-skill services.

U.S. Macro Themes

- After averaging 2.3% in 2014, the U.S. economy is expected to grow by 3% in 2015 before moderating in 2016 as the economy edges closer to full employment.
- Job growth strengthened recently, setting the stage for wage gains, which should support consumer spending.
- Household spending will be further supported by the decline in energy prices, saving households around $500 a year.
- Strong domestic fundamentals are somewhat offset by a struggling global economy. Coupled with a rising dollar it makes for a tough environment for American exporters.
- Despite falling inflation, continued improvement in the labor market will lead the Federal Reserve to raise interest rates in the second half of next year.

### TD State Forecasts

<table>
<thead>
<tr>
<th>Region</th>
<th>Real GDP (% Chg.)</th>
<th>Employment (% Chg.)</th>
<th>Unemployment Rate (average, %)</th>
<th>Housing Starts (thousands)</th>
<th>Home Prices (% Chg.)</th>
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Sources: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as of December 2014. Note that all are forecast values.

December 18, 2014
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NEW ENGLAND (CT, MA, ME, NH, RI, VT)

Connecticut: Retracting financial sector leaves a void

Following the lackluster performance at the start of the year, Connecticut’s economy has shown a bit more gusto in the second half of 2014. Even so, the overall momentum remains tepid, with state payrolls expected to increase by a modest 0.8% this year and 1% in 2015 – less than half the national pace and too slow for the economy, which has yet to recover all the jobs lost during the recession. GDP growth is also forecast to remain modest, averaging 0.8% this year and 1.3% in 2015.

The underperformance is most apparent in the manufacturing industries and the state’s public sector. State and local government finances continue to feel the weight of a disappointing labor market recovery, falling casino revenues and slow home price appreciation. A revenue squeeze within the gaming industry has also hurt employment in arts and entertainment. In the manufacturing sector, producers of non-durable goods have begun adding jobs again, however, their counterparts in the durables segment – which accounts for the bulk of factory payrolls in the state – have not yet followed suit. Given the appreciation in the U.S. dollar and disappointing global growth, Conn.’s multiple defense manufacturers will continue to face a challenging external environment. Fortunately, the domestic environment will be more conducive to growth, thanks to reduced uncertainty in federal spending and increased funding for certain defense programs. As a result, while the earlier job losses likely will not be reversed, we expect manufacturing employment to stabilize going forward.

The private service sector has fared better than other areas of the economy, with employment surpassing its pre-recession level. Still, not everything is honkey-dory, with the pace of job creation lagging the national. This is partly due to ongoing downsizing in the finance & insurance industry, which we expect will remain a headwind over the forecast horizon. Two of the state’s long-term international residents – UBS and RBS – are scaling back their operations in the U.S. The loss of well-paying jobs in finance, as well as in the durable manufacturing and public sectors will weigh on income growth, which will spill over to other industries, such as retail and residential construction.

Lukewarm activity in the housing market re-affirms that. Home prices remain 22% below their pre-recession level, and are only appreciating by 1.5%-2.5% annually. Single-family construction has hardly seen any acceleration. Fortunately, the pace of multi-family starts has been increasing, providing some offset. This is lifting job demand within that segment along with non-residential projects, such as construction of the new bioscience hub around UConn Health Center. In fact, construction is just about the only category where employment growth has kept up with the nation, with payrolls up 5% y/y.

Massachusetts: Let the good times roll

The Bay State economy remains the best performer in the New England region. Even though Mass. employment is already 3% above its pre-recession level, the labor market has not been showing any signs of deceleration. In fact, job gains continue to be robust and broad, with all industries except for durable manufacturing, adding to the headline number. This year, employment is on track to advance by 1.5%, and a similar gain is expected in 2015. Meanwhile, helped by an improved performance in information, professional & technical services, and real estate & leasing, state GDP growth will accelerate to 1.9% this year and 2.3% in 2015.

Nearly half of all new jobs continue to be concentrated in Mass.’s core sectors – “eds & meds” and professional & technical services. Mass. remains a hot spot for high-tech and biomedical startups thanks to its extensive network of research universities and hospitals, and an abundant pool of high-skilled labor and state-funded programs, like the $1-billion Massachusetts Life Sciences investment initiative. As a result, employment in computer system design has been running ahead of the national at twice the pace, expanding by 7%. Big pharma companies are also increasingly growing their footprint in the state, even as they consolidate
their operations elsewhere in the country. For example, GE Healthcare Life Sciences announced plans to move its headquarters to Mass. from N.J., while Pfizer moved more than 1,000 researchers into its new research center in Cambridge. A slew of other companies have also recently relocated to or expanded in the Bay State.

Given Mass.’s robust labor market performance, it is not surprising that the state’s housing market has also been faring well, as indicated by the below-national foreclosure inventory. New residential construction has been rising, particularly in the multi-family segment, but the pace of construction is still lagging demand. The inventory of houses for sale – measured in months of supply – is at 5.3 for single-family homes and 3.1 for multi-family, corresponding to fairly tight conditions, particularly in the multi-family segment. The shortage on the supply side has been boosting home prices, which advanced on average by 7.3% this year. Rising pace of home-building will help to increase inventory and moderate price growth to 6.9% next year and 5.1% in 2016, nonetheless it will still exceed New England’s average.

Maine: Here comes the sun

The recovery has been much weaker in Maine than nationally. While U.S. GDP will likely exceed its pre-recession peak by 8% this year, Maine’s output will finally only revisit that mark, making it the second worse performing economy in New England after Connecticut. Fortunately, there are signs that the clouds are finally clearing.

In the labor market, job creation has quickened this year, accelerating to 1.2% - its fastest growth in more than a decade and double its 2013 pace. Job gains would have been even better if not for losses at state and local governments, which have been hard-hit by a protracted economic recovery and ongoing downsizing.

Within the private sector, improved hiring is most apparent in durable manufacturing, financial, healthcare, and leisure and hospitality industries. Roughly a third of new jobs this year were tied to leisure and hospitality, courtesy of the strengthening national economy and moderating gasoline prices, which helped to boost tourism traffic in the state and bolster hiring in retail trade. Durable manufacturing has also fared better, thanks to an improved outlook for future orders among large defense contractors, such as Bath Iron Works and Pratt & Whitney.

Much like the rest of its economy, Maine’s housing market has also underperformed during the recovery. State foreclosure inventory remains the fifth highest in the nation, while delinquency rates are the highest in the New England region. The excess supply alongside slow population growth continues to weigh on new residential construction, with housing starts unchanged relative to a year ago. Given these soft housing and economic fundamentals, the nearly 8% gain in home prices this year appears surprising. However, it reflects insufficient construction in the sought-after locations as well as an increased demand for second homes and vacation properties in Maine’s southern mid-coast market from buyers in Massachusetts and New York – two states which enjoyed swift economic bounce-back. Going forward, rising prices will encourage additional homebuilding, tempering price appreciation to 5.2% next year and 3.9% in 2016.
MIDDLE ATLANTIC (NJ, NY, PA)

New Jersey: Economic engine stuck in neutral

Even as the national economy strengthens with each passing month, the recovery continues to shun New Jersey. Hard-hit by the Great Recession and later by Hurricane Sandy, the Garden State has been falling behind the national economy. Unfortunately, New Jersey’s underperformance is expected to widen even further over the forecast horizon. Payroll growth, which came to a near standstill in 2014, is expected to advance only by a modest 0.7% in 2015. The GDP forecast is similarly unimpressive, with N.J.’s economy expected to grow by a tepid 0.8% in 2014 and 1.4% in 2015 – less than half the national pace.

For various reasons, activity is lagging in many sectors of the economy. With many of the world’s largest pharmaceutical companies located in New Jersey, cost-cutting and consolidation in the industry will continue to pose a major headwind to state’s high-skilled and high value-added industries, such as scientific research & development and pharmaceutical & medical manufacturing. Meanwhile, the hospitality industry is under pressure from the crumbling Atlantic City gaming industry, while the state’s strained finances continue to weigh on public sector payrolls.

Additionally, construction and related industries are hamstrung by a slow housing recovery. The housing market’s soft underbelly is even more apparent now that the Sandy-related rebuilding activity is levelling off, with payrolls in construction and real estate, rental & leasing industries down by 8% y/y and 2.2% y/y, respectively. New Jersey’s foreclosure inventory and mortgage delinquency rates are now the highest in the country, meaning that underlying demand conditions for single-family homes remain soft. The inventory of homes for sale, measured by months of supply, stands at 9.3 months – little changed from 9.5 months posted a year ago and considerably higher than the 5 months’ supply considered to be a balanced market. Given the significant overhang of unsold homes, the pace of new construction in the single-family segment remains muted, particularly as Sandy-related rebuilding abates.

While the state’s challenges remain multifold, not all news is bad. Difficulties in single-family housing construction have not been mirrored within the multi-family segment. In fact, multi-family starts have surpassed their pre-recession level and now account for more than half of all new residential construction in the state. In addition to residential construction, transportation and trade will also support the economy going forward. Located within a day’s drive of 40% of the U.S. population and with access to three major seaports, N.J. remains an import transportation and distribution hub. In the first half of 2014, N.Y.-N.J. port terminals handled a record number of container lifts. Going forward, the state is well-positioned to benefit from the expansion of the Panama Canal and the $500M expansion of the Port Newark Container Terminal.

Pennsylvania: Moving slowly even with plenty of gas in the tank

The Keystone State’s economy continues to expand at a modest pace; however the economic momentum did pick up a notch this year. Relative to 2013, payroll growth accelerated from 0.3% to 0.7%, while GDP growth improved from 0.7% to 1%. Together with the broadening national recovery, this modest upturn should provide a nice handoff for 2015, helping Pa.’s economy to advance by 1.3% - broadly in line with the state average growth seen in the pre-recession period.

Acceleration will in part be led by state’s goods-producing industries. After taking a breather last year, Pa.’s natural gas industry is again adding jobs. Natural gas production in the Marcellus region has been increasing at a break-neck speed, and production and hiring have more room to grow as long as additional pipeline capacity is added. The current capacity in the northeast part of region is insufficient, and is the chief reason why gas at local hubs has been selling at a considerable discount. Fortunately for producers, there are several new pipeline projects underway,
which should help to alleviate supply bottlenecks and guide prices higher.

Restructuring in the pharmaceutical industry continues to weigh on Pa.’s non-durable manufacturing sector; however, its durable counterpart has been slowly adding jobs. Producers serving the automotive and commercial aviation sectors are performing better, with Boeing announcing plans to expand its footprint in Fayette County.

Meanwhile the construction industry is benefitting from considerable demand for new non-residential buildings, multi-family housing and public infrastructure projects, which are helping to mitigate reduced homebuilding in the single-family segment. The media titan Comcast is investing in the new $1.2B skyscraper in downtown Philadelphia, which is going to be the eighth tallest building in the U.S. Meanwhile, the state’s ageing roads and bridges are expected to get a makeover from increased funding as part of the Comprehensive Transportation Funding Plan. Developed transportation infrastructure and proximity to major population centers continues to drive demand for new distribution and warehouse space along the I-81/I-78 corridors and Route 22, with several major companies recently announcing plans to open new distribution centers. Not surprisingly, employment in the transportation and warehousing industry has been rising steadily and is now 5% above its pre-recession level. The benefits are also trickling down to wholesale trade, while the retail industry remains under pressure from tepid job creation and ageing demographics.

New York: Financial industry leaves big shoes to fill

Economic expansion in the Empire State remains steady but modest; with employment growth averaging 1.2% – about the same pace as it did over the past two years. Almost all new jobs continue to originate in N.Y.’s vibrant services industries despite the fact that the outsized financial industry continues to have its wings clipped. Fortunately, expansion of high-tech, biotech and digital-media companies in NYC’s Silicon Alley and beyond is creating high-skilled and high-paid jobs, helping to offset some of the weakness stemming from financial services. Investment in N.Y. startups has more than doubled in the first three quarters of 2014, and employment in computer system design and related services has been rising rapidly. Nonetheless, the quickly-expanding high-tech sector will not be able to fully fill the void left by financial services and manufacturing, keeping state economic growth at 1.1% this year and 1.6% in 2015.

Employment in the goods-producing sector has remained flat in 2014, with gains in construction offset by losses in factory payrolls, as producers of computer and electronic components and transportation equipment continue to downsize. Construction payrolls are faring better, with employment up 2% relative to a year ago, however growth remains choppy, reflecting the fact that over half of all new construction is concentrated in the volatile multi-family segment. Progress remains slow in the single-family sector, as a still-significant foreclosure inventory weighs on activity. For the state as a whole, home prices have caught up to their pre-recession peak, however gains are uneven. This is true even in NYC. While home prices have long surpassed their pre-recession peak in Brooklyn and Manhattan and are nearing full recovery in Queens, they are still 11% below their-recession level in Staten Island.
North Carolina: High hopes for high-skill services

North Carolina’s outperformance over the nation continued this year, with the state economy expanding by about 2.6% in 2014. Despite a weather-induced slump early in the year, job growth accelerated to its best pace of the recovery. Payrolls surged past their pre-recession peak in October and the jobless rate is continuing to fall, with the Tar Heel economic recovery broadening and becoming more robust. The accelerating trend should be self-sustaining and the state should outperform the nation handily. Growth should accelerate to a very strong 3.7% to 4% range over the 2015/16 period – the highest within the TD footprint.

The state economy is effectively firing on all cylinders. Private services industries are growing and, most importantly, highly-skilled services are leading the gains. Professional, scientific, and technical services jobs are up 7% from the previous year – more than double the national pace for the sector. Raleigh, in particular, has become a magnet for these highly-skilled jobs with industry payrolls up by 10%. The trend will likely persist as the clustering trend in the Research Triangle Park, low business costs, and the availability of highly-skilled labor entice more firms to choose The Triangle. At 41%, Raleigh ranks 7th in the U.S. in terms of the share of college-educated adults (in 1970, the share was just 13.4%). The city’s progress on this front is second only to Boston. North Carolina’s information services payrolls have also been growing at a rapid rate, expanding 6% recently, despite the sector remaining flat at a national level. Much of this could be related to the state’s booming datacenter business. North Carolina ranks second nationally in the number of data centers with the likes of Google in Lenoir, Facebook in Forest City, and Apple in Maiden. Datacenters are not highly labor intensive, but their existence could be attracting other technology businesses and professionals to the area.

In addition to the superb gains in high-skilled services, the goods side is also holding its own. The manufacturing sector continues to rotate towards higher value-added production of transportation equipment, chemicals, and fabricated metals. In contrast, lower value-added industries, such as textiles, apparel, and tobacco continue to shed jobs. At the same time, the wood and furniture industries are growing like gangbusters, with payrolls up 6-7% from last year, on the back of a slow but steady national housing recovery. The Tar Heel homebuilding industry is also on the mend. Both single-family and multifamily permits have risen to their highest levels of the recovery and have finally manifested in some hiring after years of a relatively unchanged headcount. The existing market too has continued to improve. Home prices in the state are just 3.5% below their pre-recession peak and the foreclosed inventory is among the lowest in the nation.

Risks to the state’s outlook stemming from slowing global growth are of concern. The state exports chemicals and machinery and has a sizeable exposure to the European and Chinese economies. However, its merchandise export share is a paltry 6% of the economy. Domestic risks are likely more impactful. A stalling of the national housing recovery would be detrimental to the state’s manufacturers and financial firms alike. But, such a scenario is unlikely and North Carolina’s future is looking increasingly bright.

Virginia, Maryland, and D.C.: State budgets get the axe

The economies of the national capital region remain fragile. Payroll growth has effectively stalled in Virginia, and remains a mere fraction of the national pace in Maryland and D.C. Professional & business services and federal government sectors are the main culprits – both hard hit by cuts related to sequestration. Slow job growth across these generally well-paid industries has left income gains at less than half the national average – barely keeping up with inflation. The lack of real income gains is putting pressure on the local service economy. Retailers have cut jobs outright – except for the more tourist and diplomat exposed areas. Beyond this, the leisure & hospitality industry has slowed to its weakest pace since the recession.
The stall-speed of these economies is also wreaking havoc on state budgets. Actual revenues are coming in lower than expected and forecasts for future receipts have been severely downgraded. Virginia’s Gov. McAuliffe recently slashed the FY15 and FY16 revenue outlook by $2 billion leading to spending cuts across most programs except for education. Maryland’s budget doesn’t look much better. Revenues are likely to miss currently planned expenditures by $1.2 billion through FY16, and the incoming Gov. Hogan – whose term begins in January – indicated that budget cuts will be even harsher than previously expected.

After contracting slightly last year, the regional economy is unlikely to have advanced by more than 1% during 2014. But, while the outlook is far from rosy, forcasts and forcasts for future receipts have been severely downgraded. While losses among federal contractors will continue to hurt, the region is home to the country’s best educated workforce. As this human capital is redeployed, growth should accelerate. This will take time, with growth next year likely near half the national pace, with a more robust acceleration unlikely until at least 2016.

**Delaware: Riding the revolving credit wave**

The Delaware economy continues to ride high. Payrolls are growing at the highest rate since the turn of the century and have rebounded above their pre-recession peak in October. The credit intermediation industry alone accounts of one-sixth of the economy and has been a key driver of growth this year – which should come in around 2.5%. Growth in the industry is buoyed by the upturn in the national consumer leveraging cycle – particularly the revolving credit segment. This trend should continue as low delinquency rates and improving labor markets across the country enable credit to flow. Securities activity is also expanding rapidly with the sector adding payrolls at a double-digit pace for the second year in a row, as some middle-tier positions move out of New York into lower-cost jurisdictions. Activity is also healthy across the professional & business services sectors.

The brisk labor market progress has helped the housing market find its footing. New construction is up sharply in recent months and the additional activity has shown up in construction payrolls. But, the existing home market remains under pressure. Many mortgages associated with properties purchased near peak remain in negative equity position, with the seriously delinquent share elevated at 5.9%. As a result, price gains have been muted. Prices in Sussex County – the epicenter of the state’s housing boom – have begun to decline once again recently after gains earlier in the year.

Key risks to the state’s economic outlook revolve around the impact of ongoing financial regulation at the national level, as well as more local risks stemming from the state’s fragile housing market and underperforming casinos – the latter recently getting state support. Still, the baseline scenario of strong national economic growth should lead to robust credit increases, and underpin overall growth in the state economy going forward. Delaware’s economy will outperform its neighbors, but unless the strength broadens to other sectors, it will fall shy of the national pace over the 2015/16 period.
LOWER SOUTH ATLANTIC (FL, GA, SC)

Florida: Ready for lift-off

Last year, the Florida economy outgrew the national one for the first time in eight years and the trend is for more of the same. Economic growth this year should come in at a healthy 2.8% with the state on pace to add more jobs than any year since 2005. Growth should notch up an even more robust 3.5% to 4% over 2015/16, buoyed by a housing recovery, improving incomes, and an influx of tourists.

Florida’s economy added 207,000 nonfarm jobs in the past year – or about 2.7% y/y – with the unemployment rate falling to 6%. Although one-third of these were in lower-paying retail and tourism, wage and salary growth picked up to a healthy 6% y/y. The additional income alongside falling gasoline prices is leaving more money in consumers’ pockets and boosting consumer confidence. Florida’s consumer sentiment index has risen to its highest level since March 2007. The share of respondents indicating that it is a good time to buy household items moved above its historical average for the first time since the downturn, boosting sales.

Income gains and lower gas prices will also help the state’s tourism industry. Whether by plane, train, or automobile, costs of getting to Florida should decline, leaving vacationers with more money to spend. Tourism spending looks to rise to $81.6 billion this year. This is up 7.3% from 2013, averaging $845 for each of the 96.6 million visitors. Tourism activity in Florida remains domestically oriented, but international arrivals continue to grow rapidly, with the international share doubling to 16% since the mid-2000s.

In addition to hotels, restaurants, and amusement parks, foreign money is also helping the housing market. Sales to foreign non-residents rose by 24% and accounted for one-tenth of the $80 billion existing home market in Florida – double if you include resident foreigners. Regions that particularly benefited were South Florida and Orlando. Home price gains have slowed to 6.5% y/y recently, or half their pace at the same time last year, but much of the deceleration is related to healing. The share of distressed sales – a segment where price gains were most pronounced – now make up just one-quarter of all transactions, or about half their share in 2012. A large distressed inventory still overhangs the market and new construction activity is rebounding only slowly. But, even the tepid rise in homebuilding is boosting construction payrolls, which accounted for one-fifth of all new jobs recently. These jobs have also been supported by non-residential and infrastructure building.

The main risks to the outlook revolve around the sharp appreciation in the greenback, a sudden rise in interest rates, or slower growth in Latin America. These could all serve to dampen progress in the housing and tourism sectors. But, much of the dollar appreciation appears to be behind us, while the Fed looks to remain patient on rates. Moreover, a strong domestic recovery should more than offset the potential global slowdown. The Florida economy, just like the Orion, is poised for a strong lift-off.

South Carolina: Humming along

After averaging a disappointing 1.3% over the past two years, economic growth in South Carolina should advance by about 2% this year, as manufacturing activity ramps up and education & health sectors rebound from previous contractions. A red-hot manufacturing sector will continue to underpin growth in the Palmetto State, with falling oil prices providing potential for further gains in the energy intensive sector. Additional support will come from rapidly expanding tourism and transportation industries. Cheaper gasoline will provide an outsized benefit to the economy in light of the lower median income in the state. But, weakness in higher-skilled services will weigh, with growth unlikely to reach much beyond the mid-2% range over the 2015/16 period – just shy of the national pace.

Palmetto manufacturing is having another phenomenal year. Payrolls in the sector – already up 15% from their recessionary trough – are growing by some 3.3% y/y. Automotive and aerospace industries are adding jobs at double that pace, with Boeing recently beginning to assemble more
plane variants in the state. The Charleston facility is slated to continue to ramp-up production with the assembly operation also motivating key suppliers to locate nearby. Toray – a Japanese carbon composites manufacturer – is planning to build a plant in Spartanburg. Surging manufacturing production has boosted exports by 30% in the past year. It is also benefiting the transport industry, with Port of Charleston cargo volumes up 17% in the past year.

In addition to more cargo, the transportation industry is benefitting from increased tourism, with passenger arrivals at the Charleston International airport up by 7% y/y. Accommodation revenues have grown by the same amount, leading to more hiring in leisure & hospitality. This trend should continue, with the state actively competing with its neighbors for tourist dollars. The industry will also benefit more broadly from higher discretionary spending resulting from lower gasoline prices and improving labor markets.

The outlook remains bright for South Carolina. The jobless rate has risen recently, but much of it is related to workers re-entering the labor force on increased expectations of finding a job. The unemployment rate should begin to drop once again as more jobs are created. A key risk resides in the state’s increasingly export oriented economy. This leaves it exposed to a slump in global demand and a loss in competitiveness from the higher greenback. However, given pent-up demand for transport equipment and a long order book for aircraft, manufacturing (and the rest of the economy) should keep humming along nicely.

**Georgia: Finding its rhythm**

The economic recovery in Georgia has been muted so far, but the Peach State is beginning to find its rhythm. Economic growth should average about 2.6% this year and accelerate above 3% in 2015/16. It will be supported by gains in manufacturing, rapid growth in transportation, and a resilient high-skilled service sector. Manufacturing payrolls are currently growing at their fastest pace since the mid-90s. The positive trend should continue. Many manufacturers are in the business of producing furniture, wood products, and floor coverings, and will benefit from a national housing recovery. The state’s auto manufacturers should also continue to experience robust demand, with national auto sales setting post-recession records recently. Higher manufacturing production will support transport activity with increasing investment in roads and ports already evidenced by a 10% gain in engineering construction payrolls.

Growth in select high-skilled services slowed recently with the upcoming layoffs at Turner’s Atlanta office set to hit the state’s broadcasting industry. But, most other services sectors remain resilient, with Mercedes expected to relocate its U.S. headquarters to Atlanta. Employment in the highly-skilled professional, scientific, and technical services is increasing at its fastest pace of the recovery, while both leisure & hospitality and retail trade industries are supported by rising consumer discretionary spending. These sectors will continue to benefit from the improving labor market and low gasoline prices, with the latter also helping the state’s outsized logistics industry.

The recent spike in the jobless rate – inconsistent with other labor statistics – has already begun to reverse. Given its exposure to housing, autos and logistics, Georgia will see outsized gains from the acceleration in the national recovery. Key risks are a slowdown in the U.S. housing recovery or a hard landing in China – the destination for much of Georgia’s exports. But, barring those unlikely scenarios, the Peach State economy is on track for its best year since 2005.
## TD State Forecasts

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<th>Region</th>
<th>Population (% Chg.)</th>
<th>Housing Starts (thousands)</th>
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Source: BEA, BLS, Census Bureau, CoreLogic, TD Economics. Forecasts by TD Economics as of December 2014. Note that all are forecast values.
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