Florida Economic Estimating Conference
Executive Summary
July 19, 2024

The Florida Economic Estimating Conference met on July 19, 2024, to adopt a new forecast for the state's economy. Except for GDP and housing starts, key economic variables showed deceleration in the past year (Fiscal Year 2023-24) relative to the prior year or relative to the December 2023 forecast, an anticipated result finally materializing after several years of persistent inflation and tight financial conditions. In the future, results are somewhat sector dependent, with mostly weaker growth rates across the housing sector and the income categories in Fiscal Year 2024-25 and mostly higher growth rates in the employment sector. The new forecast follows—but generally exceeds—the long-term growth path from the pre-pandemic conference held in December 2019. Notable exceptions occur within the series for existing home sales, light vehicles, and tourism.

While economic disruption is still evident with varied impacts on household savings, the elevated use of credit, and continuing inflationary pressure on households, the forecasting environment has greatly stabilized. That said, considerable uncertainly exists regarding the impact on Florida from current geopolitical events and future Federal Reserve actions. How these economic challenges ultimately unfold will be pivotal to the actual performance of Florida's economy over the next few years. In tandem with the release of the new forecast, the Conference highlighted the risk arising from the continued price pressure caused by inflation—as well as the timing of the Federal Reserve's actions—on its outlook for consumer spending.

One measure for assessing the economic health of states is the year-to-year change in real Gross Domestic Product (that is, all goods and services produced or exchanged within a state). Buffeted by a series of economic shocks, the state's GDP dipped to near zero (0.4 percent) in Fiscal Year 2019-20, bounced back to 4.7 percent in Fiscal Year 2020-21, and surged to 7.0 percent in Fiscal Year 2021-22, more than double the pre-pandemic-year growth rate and exceeding the prior peak growth rate of 6.6 percent in Fiscal Year 2004-05. The state's economy expanded by a strong 4.4 percent in Fiscal Year 2022-23 and 4.5 percent in Fiscal Year 2023-24, but the Conference expects growth to decelerate to 2.1 percent and 1.9 percent over the current and next fiscal years as businesses and consumers transition from a high inflation / high interest rate environment to more normal conditions. Beginning in Fiscal Year 2026-27, economic growth will stabilize at a more characteristic 2.0 to 2.1 percent per year.

Normally, personal income growth is another important gauge of the state's economic health; however, its changes have been in stark contrast to GDP. Buttressed during the pandemic by an infusion of federal dollars into Florida's households, the final growth rate for the state's 2020-21 fiscal year was 10.3 percent and for the 2021-22 fiscal year was 6.6 percent. Personal income growth then accelerated to 7.7 percent in Fiscal Year 2022-23 as workers and employers chased historic levels of inflation and leveraged the tight labor market into better paying opportunities. Largely on the continuing strength of wage growth, Florida had still high growth of 5.3 percent in Fiscal Year 2023-24, with the current year expected to slightly exceed that percentage at 5.6 percent. After five additional years at or above 5 percent growth (Fiscal Year 2025-26 through Fiscal Year 2029-30), annual growth rates begin to stabilize at 4.9 percent.

Typically, Florida wages comprise about 45 percent of personal income. In the first two decades of this century, the state's average annual wage was below the U.S. average. The most recent data shows that the ratio of the state's average wage to the national level fell from 2016 when it was 87.7 percent to 87.3 percent in 2020. This picture began to change in 2021 when Florida moved above its longer run average of 88.7 percent to 89.2 percent. The state's percentage further rose in 2022 to 91.1 percent. Preliminary data for 2023 suggests that the ratio continues to converge with Florida moving to 91.8 percent, the highest ratio over the past two decades. Based on Conference projections of average annual wage growth of 3.8 percent or above each year—following a 3.9 percent increase in the current year and 4.1 percent in Fiscal Year 2025-26—the higher wages are likely here to stay.

The key measures of employment are job growth and the unemployment rate. At the onset of the pandemic, employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a decline of 14.1 percent. In July 2024, Florida exceeded the pre-pandemic level (February 2020) by 902,700 jobs, a gain of 9.9 percent. The Conference expects growth to decelerate from 2.5 percent in Fiscal Year 2023-24 to 1.9 percent in Fiscal Year 2024-25 and 1.2 percent in Fiscal Year 2025-26 as the nation's economy softens due to the Federal Reserve's efforts to contain inflation. Job growth essentially stabilizes at this percentage level through Fiscal Year 2033-34.

Florida's unemployment rate dropped to 2.8 percent for the entire 2022-23 fiscal year, not far from the lowest recorded rate in modern times (the first half of 2006 when it was 2.4 percent). Given the Federal Reserve's actions to cool off the economy through higher interest rates, the annual unemployment rate drifted up to 3.1 percent in Fiscal Year 2023-24. The Conference expects the rate to peak at 4.6 percent in Fiscal Year 2026-27 and Fiscal Year 2027-28, after which it slightly retreats and then plateaus at 4.0 percent.

Two areas of the state's economy indirectly benefited from the Federal Reserve's early actions to protect the wider economy from the worst of the pandemic effects, but that benefit came with a future payback. Throughout the worst of the crisis, the real estate and construction sectors thrived as the federal funds rate neared zero and pushed interest rates to historic lows. By the second quarter of the 2021 calendar year, single-family starts were 63.3 percent higher than the same period in the prior year, while multi-family starts were 85.8 percent higher. Growing by almost 24.0 percent, total private housing starts reached a 16-year high of 251,000 units in Fiscal Year 2021-22, yet they were still far from the housing boom peak of over 272,000 units in Fiscal Year 2004-05. The timing is important to the 2021-22 result—over the course of that year, the conventional mortgage rate had risen slightly from the prior year to 3.88 percent. The Federal Reserve's series of interest rate hikes to tame inflation had just begun (March 2022) but continued steadily through July 2023. As reported by the Mortgage Bankers Association, the 30-Year fixed rate mortgage reached 7.3 percent in the fourth quarter of the 2023 calendar year and was 6.8 percent in the first quarter of the 2024 calendar year. Moving in step, starts contracted by 22.5 percent in Fiscal Year 2022-23, but bounced back 13.5 percent in Fiscal Year 2023-24. The Conference expects growth rates will slide into negative territory again with a decline of 8.6 percent in Fiscal Year 2024-25 and another of 0.7 percent in Fiscal Year 2025-26. After leveling off in Fiscal Year 2026-27, starts show anemic growth for several more years before they start losing ground again. At the end of the ten-year forecast period, total private housing starts achieve only 75.8 percent of the peak in Fiscal Year 2004-05, but still surpass the projections in the last pre-pandemic forecast. Reflecting the overall constraints in the construction industry, construction employment finally exceeds its Fiscal Year 2005-06 peak level in Fiscal Year 2025-26, 20 years later. Affected by many of the same factors, the existing home market completed its third year of contraction in Fiscal Year 2023-24. Among other issues, homeowners found it increasingly difficult to give up lower-interest mortgages on their current homes with the purpose of purchasing new homes in the high-interest environment.

New light vehicle registrations were a source of strength as the state recovered from the Great Recession but were expected to begin a period of contraction prior to the pandemic's onset.

After posting a slight decline in Fiscal Year 2018-19, the pandemic drove the expected second year of essentially flat registrations in Fiscal Year 2019-20 to an eventual decline of -6.1 percent. New light truck registrations and, even more so, new automobile registrations faltered in the second part of the 2019-20 fiscal year as the pandemic took hold. With an unprecedented amount of stimulus payments to individuals from the government, record low interest rates, and inflated savings providing significant incentives, total sales for the second quarter of 2021 almost reached the series high of 384,000 light vehicles from the third quarter of the 2005 calendar year. The overall increase in Fiscal Year 2020-21 was 10.3 percent. Impacted by climbing prices and low inventory due to supply shortages, new light vehicle sales declined by 16.5 percent in Fiscal Year 2021-22 and recovered by 7.0 percent in Fiscal Year 2022-23 as supply shortages started to resolve. The Conference saw growth (8.6 percent) in Fiscal Year 2023-24 that topped Fiscal Year 2022-23. After two more years of recovery, registrations level off and then post back-to-back annual declines that begin in Fiscal Year 2027-28.

Finally, Florida's tourism-sensitive economy is particularly vulnerable to the longer-term effects of a pandemic. The total number of tourists declined nearly -70.0 percent from the prior year in the second quarter of 2020. After that dramatic drop, tourism recovered gradually, buttressed by the increased number of domestic visitors travelling to Florida by air or car. It took two years to reach recovery from this pandemic in domestic visitors and longer for Canadian visitors, with international visitors still at sub-peak levels. Total visitors, growing by 38.3 percent, surpassed the pre-pandemic peak by the end of Fiscal Year 2021-22, albeit with a different composition. After posting 3.6 percent growth in Fiscal Year 2023-24, the Conference expects another strong period of growth (4.6 percent) during Fiscal Year 2024-25, after which the annual growth rate moderates from 3.3 percent in Fiscal Year 2025-26 to 2.7 percent at the end of the forecast period. The expected 152.8 million visitors in Fiscal Year 2024-25 will have a collective effect on Florida's infrastructure of an additional 2.38 million residents. While the new forecast levels never exceed the pre-pandemic forecast levels for the overlapping years, they come close.