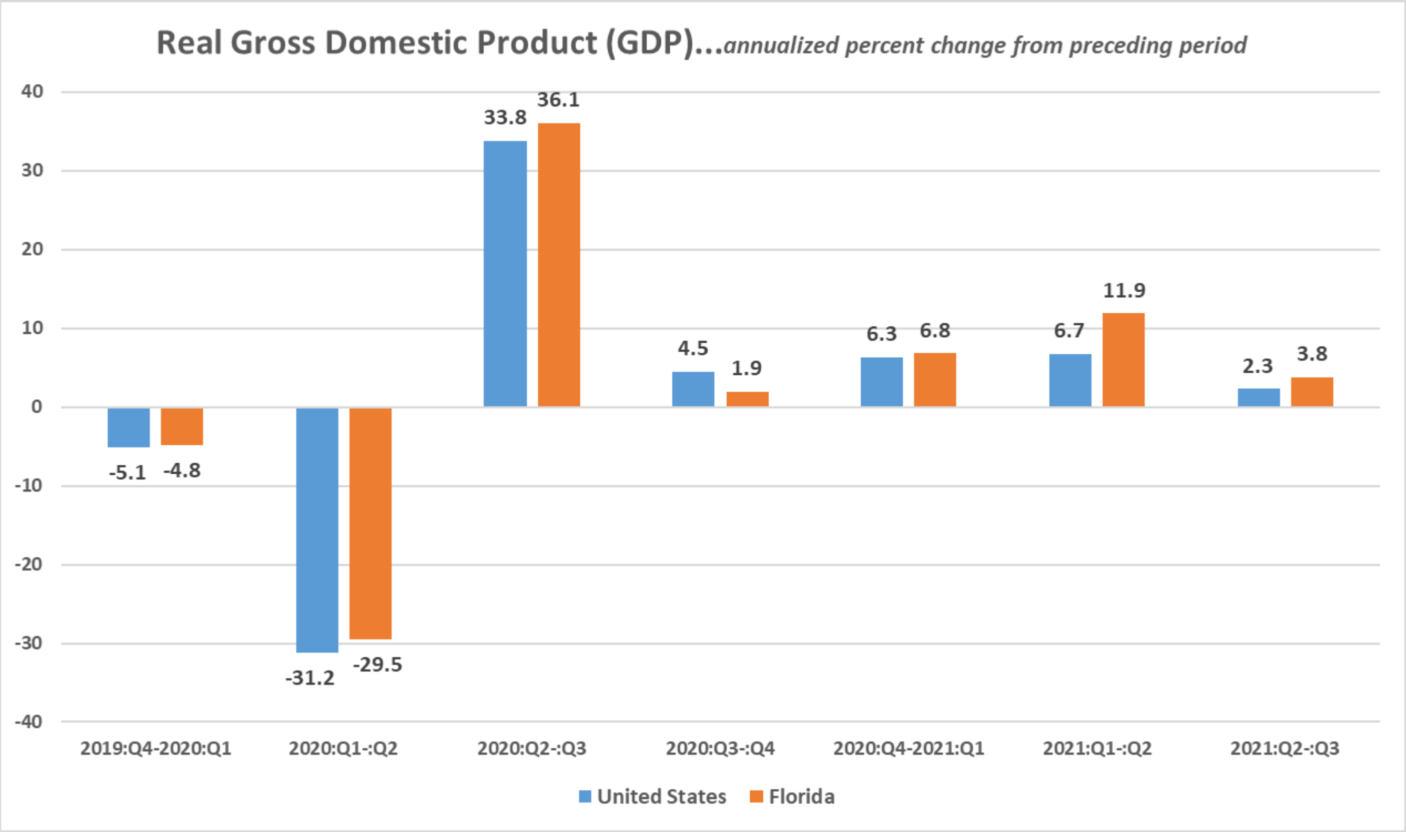
Florida:
An Economic Overview

February 17, 2022

Presented by:

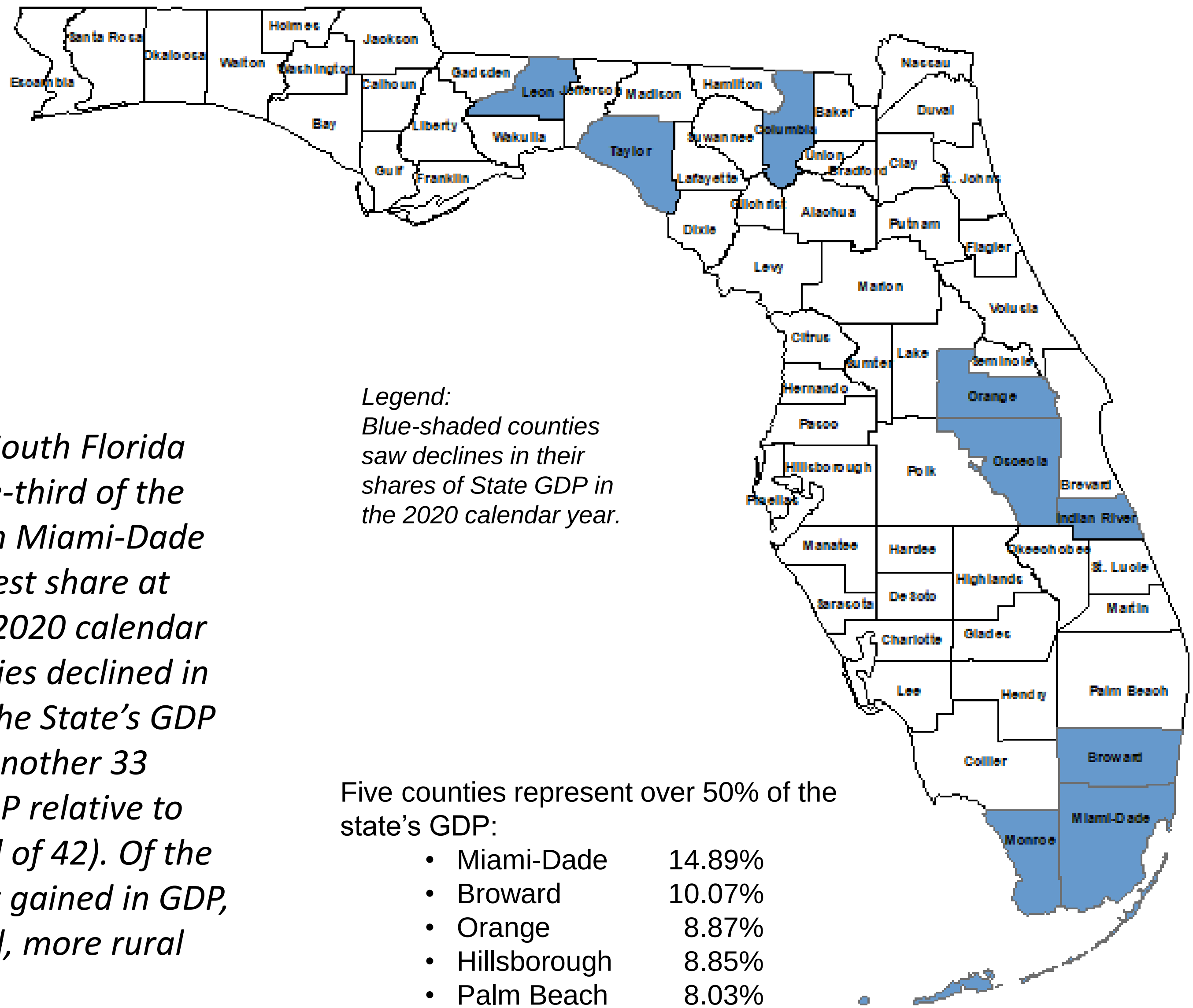
The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
http://edr.state.fl.us

Coronavirus Impact on Florida GDP...



According to the latest revised data, Florida's GDP movements nearly mirrored the nation as a whole during the early period of the pandemic. While the state's GDP slumped -0.3 percent in Fiscal Year 2019-20 and grew only 1.8 percent in Fiscal Year 2020-21, the Economic Estimating Conference anticipates that the state will expand at more than double the pre-pandemic rate for this fiscal year, posting 4.8 percent growth before decelerating to 3.1 percent in Fiscal Year 2022-23. Starting with Fiscal Year 2023-24, annual growth will average a more characteristic 2.0 percent.

State's GDP by County during 1st COVID Year…



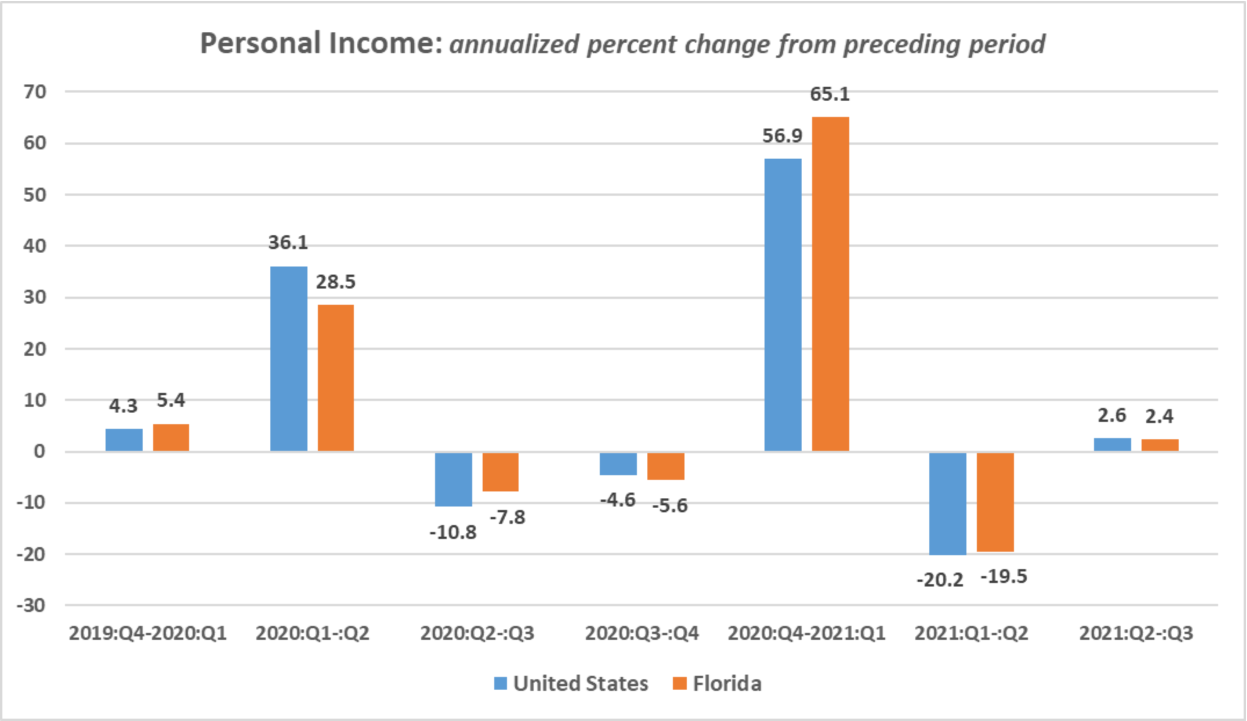
Pre-pandemic, South Florida represented one-third of the State's GDP with Miami-Dade having the highest share at 15.31%. In the 2020 calendar year, nine counties declined in their shares of the State's GDP (see map) and another 33 counties lost GDP relative to 2019 (for a total of 42). Of the 25 counties that gained in GDP, most were small, more rural counties.

Legend:
Blue-shaded counties saw declines in their shares of State GDP in the 2020 calendar year.

Five counties represent over 50% of the state's GDP:

- Miami-Dade 14.89%
- Broward 10.07%
- Orange 8.87%
- Hillsborough 8.85%
- Palm Beach 8.03%

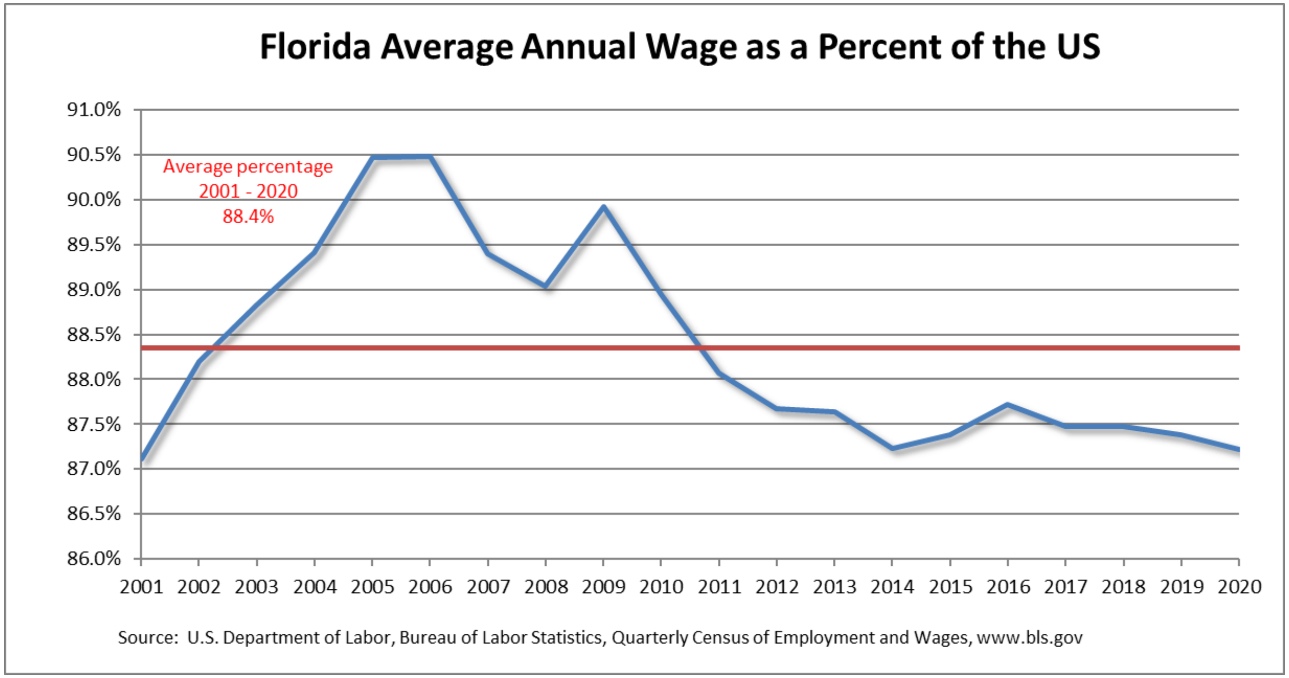
Coronavirus Impact on FL Personal Income...



Normally, personal income growth is another important gauge of the state's economic health; however, its changes have been in stark contrast to GDP, driven largely by the ebb and flow of federal dollars into Florida households and businesses. For example, in the first quarter of the 2021 calendar year, Florida's personal income growth shot up 65.1 percent, largely due to two different federal stimulus and relief programs converging in the quarter.

As the federal support measures began to expire, the state's personal income plummeted to an annualized -19.5 percent in the second quarter of the 2021 calendar year to produce a final growth rate for the 2020-21 fiscal year of 7.5 percent, the highest rate since 2015. The Economic Estimating Conference expects personal income to increase by 4.0 percent in the current fiscal year as furloughed and laid off workers continue to return to their jobs or find new opportunities, with wage growth offsetting much of the loss of the massive government relief measures. Thereafter, annual growth rates are expected to remain solidly at or above 4.0 percent.

Atypical Wage Gap Stubbornly Persisted in 2020…



Florida's average annual wage has typically been below the US average. The most recent data for the 2020 calendar year showed that Florida's average wage, relative to the US average, continued to fall from 2016 when it was 87.7% to 87.2% in 2020. Matching the ratio in 2014, this was Florida's lowest percentage since 2001 when it was 87.1%.

In part, the lower than average wage gains has to do with the mix of jobs that have been growing the fastest in Florida and their average wages. For example, the Accommodation & Food Services employment sector is large, has the lowest average annual wage, and had—until the pandemic—been growing faster than overall employment in the state. This sector is closely related to the health of Florida's tourism industry which has been bearing the brunt of the Covid-related economic impacts. With its massive disruption in the fourth quarter of the state's fiscal year, FY 2019-20 saw a decline of 19.5% over the peak of 129+ million visitors in FY 2018-19. Visitors in FY 2020-21 had a further decline of 6.0% from the already suppressed level for the prior year.

Current Employment Conditions…

December 2021 Nonfarm Jobs (YOY)

US: 4.5%

FL: 5.6%

Employment dropped by over 1.2 million jobs from February 2020 to April 2020, a decline of 14.0 percent. As of December, Florida has regained 1,168,400 jobs out of the 1,269,200 million lost, or about 92%.

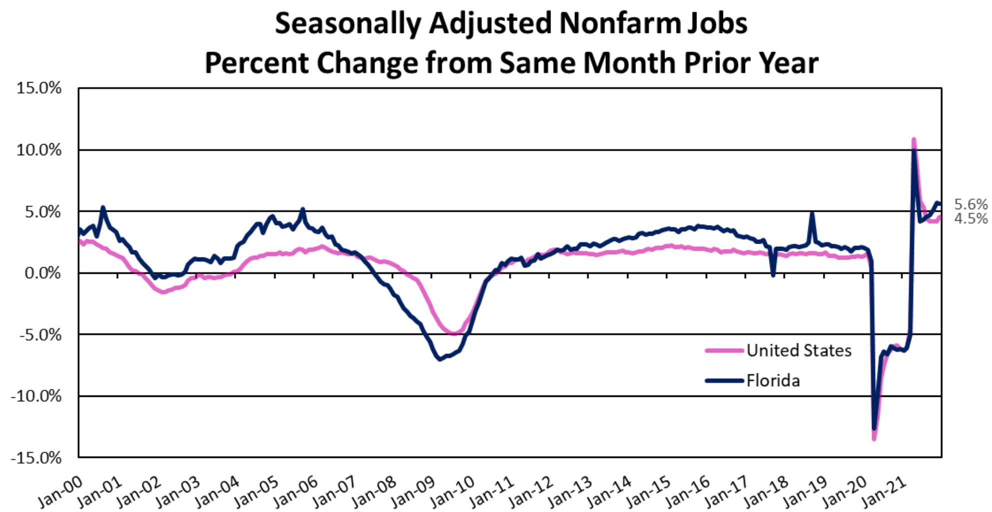
December 2021 Unemployment Rate

US: 3.9%

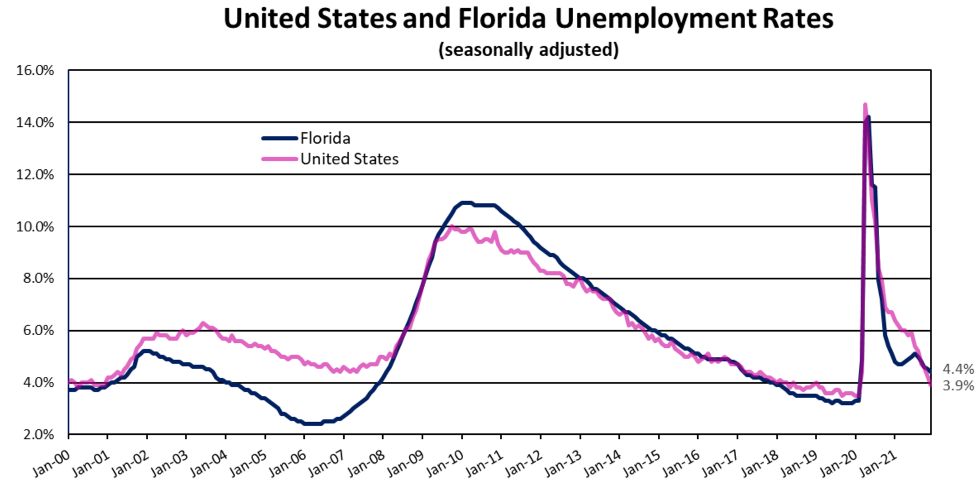
FL: 4.4% (466,200 jobless persons)

The Revenue Estimating Conference assumes the "full employment" unemployment rate is about 4 percent.

Florida's unemployment rate had been hovering around 3.3 percent from April 2019 through February 2020. With the onset of the pandemic, the unemployment rate spiked to 14.2 percent in May 2020, handily surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession. Given the short period over which the change from ultra low to ultra high occurred, it was stunning.

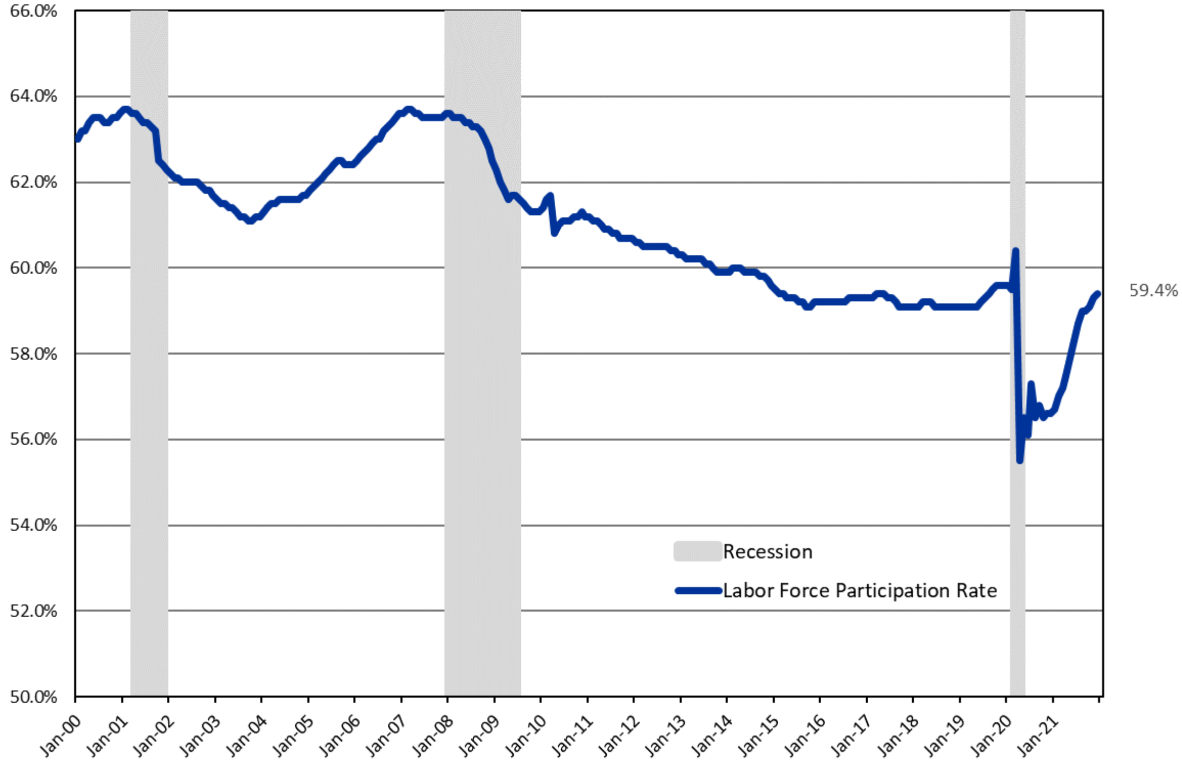


Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, January 21, 2022.



Source: Florida Department of Economic Opportunity, Bureau of Workforce Statistics and Economic Research, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, January 21, 2022.

Florida's Participation Rate Almost Back…



Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas, released January 25, 2022.

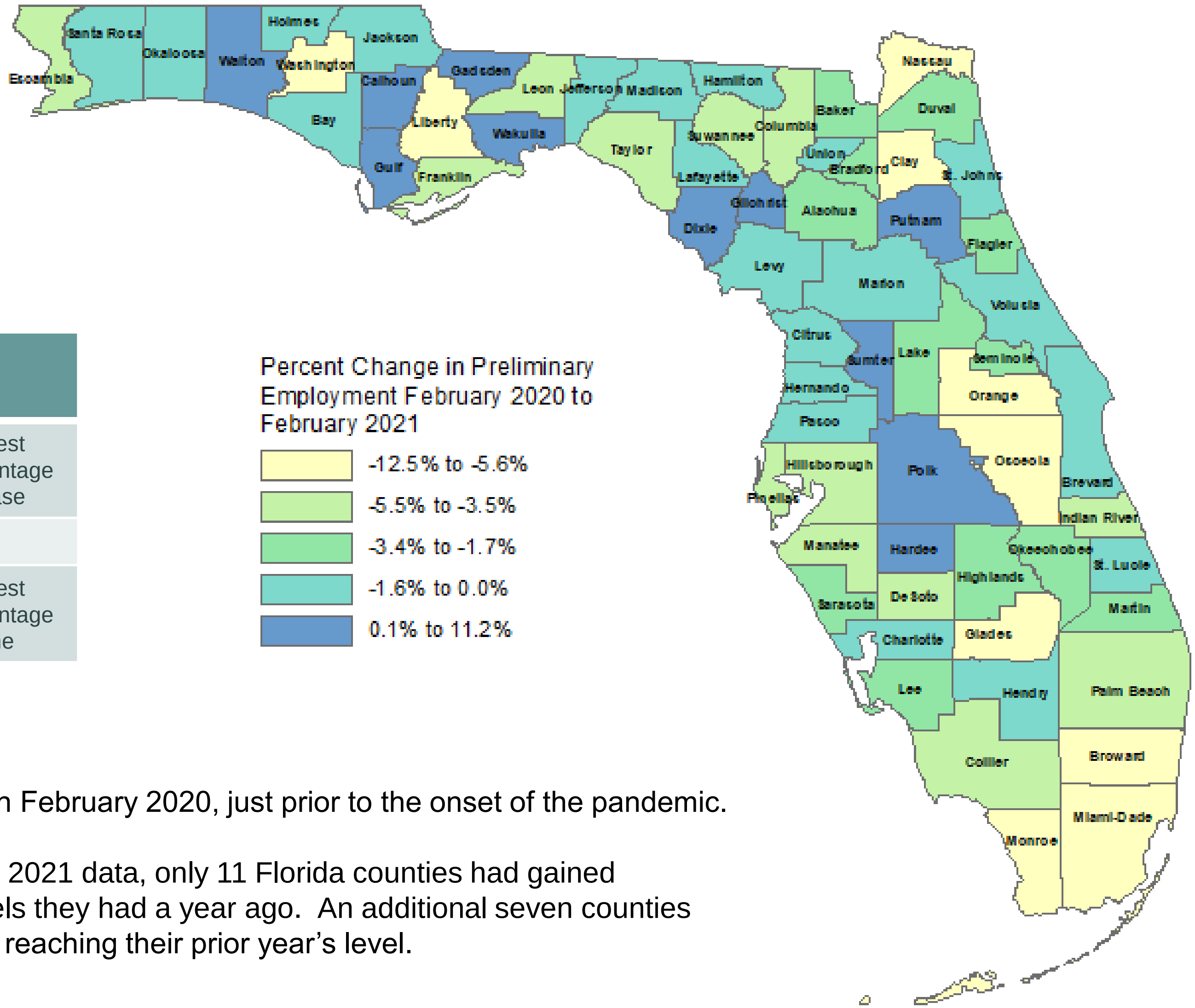
Florida's labor force participation rate most recently peaked during the Housing Boom at 63.7% from February 2007 to March 2007. Pre-pandemic, Florida's participation rate had been fluctuating around 59.5%; however, once the pandemic took hold, Florida's participation rate fell to 55.5% in April 2020. Since then, Florida's participation rate has rebounded, posting 59.4% in December 2021.

Florida's participation rate is still lower than the US even though the US participation rate also fell substantially in April 2020 to 60.2%. The US participation rate has also risen since that time, posting 61.9% in December 2021.

Prior to the pandemic's impact on the labor force, Florida was still experiencing a significant percentage of long-term unemployed (24.7%). The relative share of this group fell during the early months of the pandemic when the ranks of the newly unemployed swelled, but now is up to 41.2%, as people laid off during the pandemic continue to be unemployed.

Employment Below Pre-Pandemic Peak…

Area	February 2020 to February 2021	
Gadsden County	11.2%	Greatest Percentage Increase
Florida	**-4.1%**	
Orange County	-12.5%	Greatest Percentage Decline



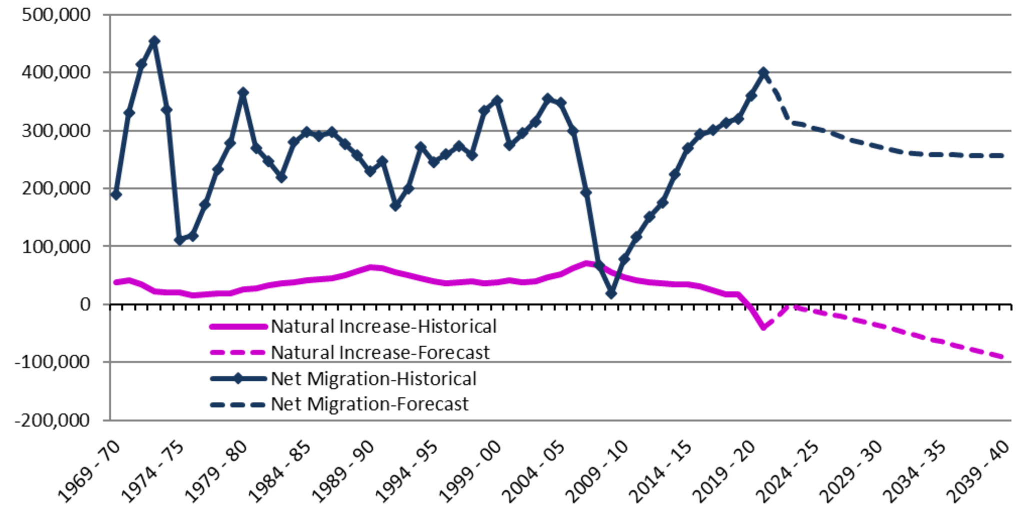
- Florida's employment peaked in February 2020, just prior to the onset of the pandemic.
- Based on preliminary February 2021 data, only 11 Florida counties had gained employment relative to the levels they had a year ago. An additional seven counties were fewer than 50 jobs shy of reaching their prior year's level.

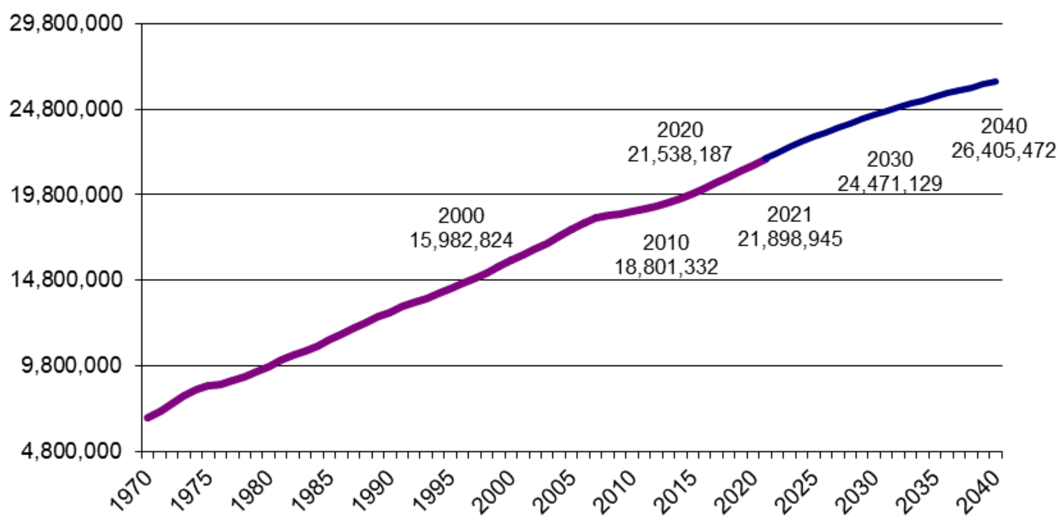
Population Growth to Slow…

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Florida is currently the third most populous state, behind California and Texas.
- The 2020 Census indicated that Florida had 21,538,187 permanent residents, a number slightly lower (-57,881) than originally anticipated. Based on the Census count and other economic and demographic data, the population estimates for the state were revised from 2011 through 2019 to blend into the new 2020 count.
- Even after the adjustments, Florida's population growth was strong over the second half of the decade. Between April 1, 2018 and 2019 population grew by 334,904 residents (1.61%), while between April 1, 2019 and 2020 the state added 348,338 residents (1.64%). In the first full year of the pandemic, Florida's strong migration trends continued, increasing population by 360,758 residents (1.67%) despite the losses from more deaths than births. Between 2021 and 2025, growth is forecast to average 1.41%.
- Nationally, average annual growth is expected to be less than half of that level—about 0.65% between 2021 and 2030.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.

Florida's Population Growth…

Florida's population growth has mostly been from net migration. For the fiscal year forecast, net migration is projected to represent all of Florida's population growth, as natural increase is expected to remain negative.



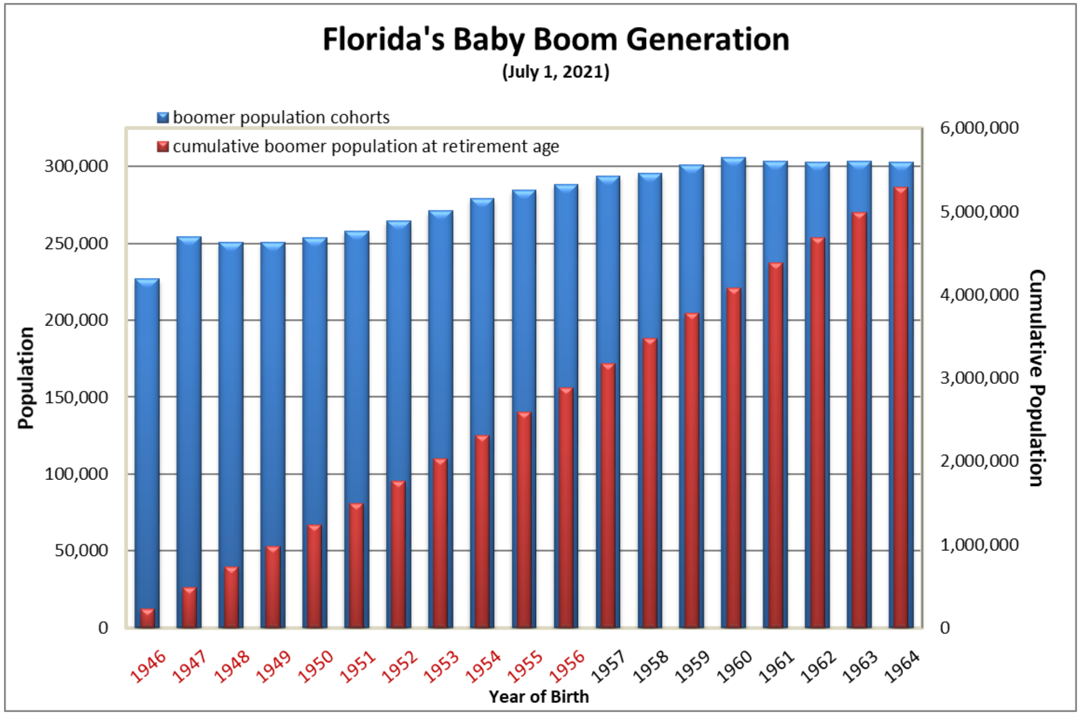


Despite the pandemic, Florida's population growth of 360,758 between April 1, 2020 and April 1, 2021 was the strongest annual increase since 2005-2006, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

Baby Boomers in Context…

The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Eleven of nineteen cohorts have now entered the retirement phase. This represents over half of all Baby Boomers.

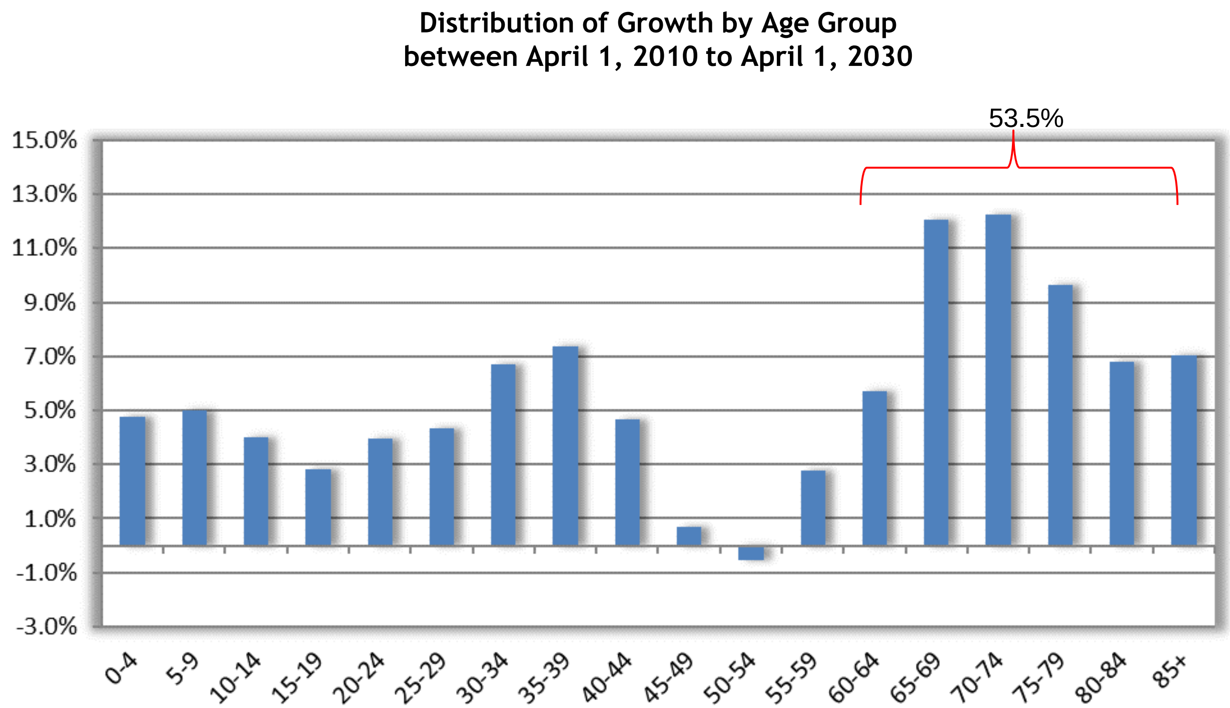
Population aged 65 and over is forecast to represent 24.3% of the total population in 2030, compared with 20.5% in 2020 and 17.3% in 2010.



- In 2000, Florida’s prime working age population (ages 25-54) represented 41.5% of the total population. With the aging Baby Boom generation, this population now represents 37.0% of Florida’s total population and is expected to represent only 35.8% by 2030.

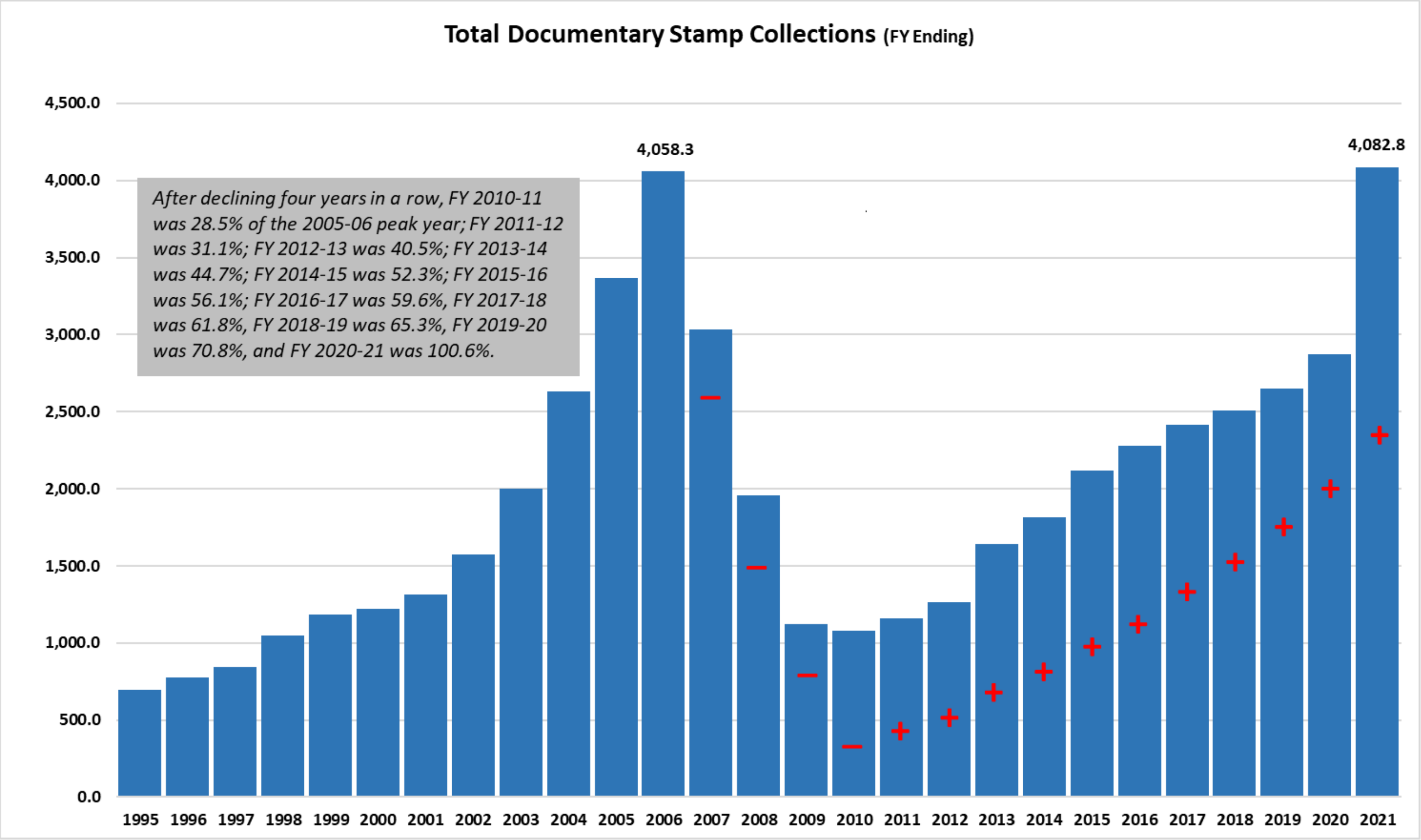
- The youngest population, 0-17, represented 22.8% of the total population in 2000. In 2020, only 20.3% of the total population was in this age group, and this share is projected to continue declining to 19.9% by 2030.

Population Growth by Age Group…



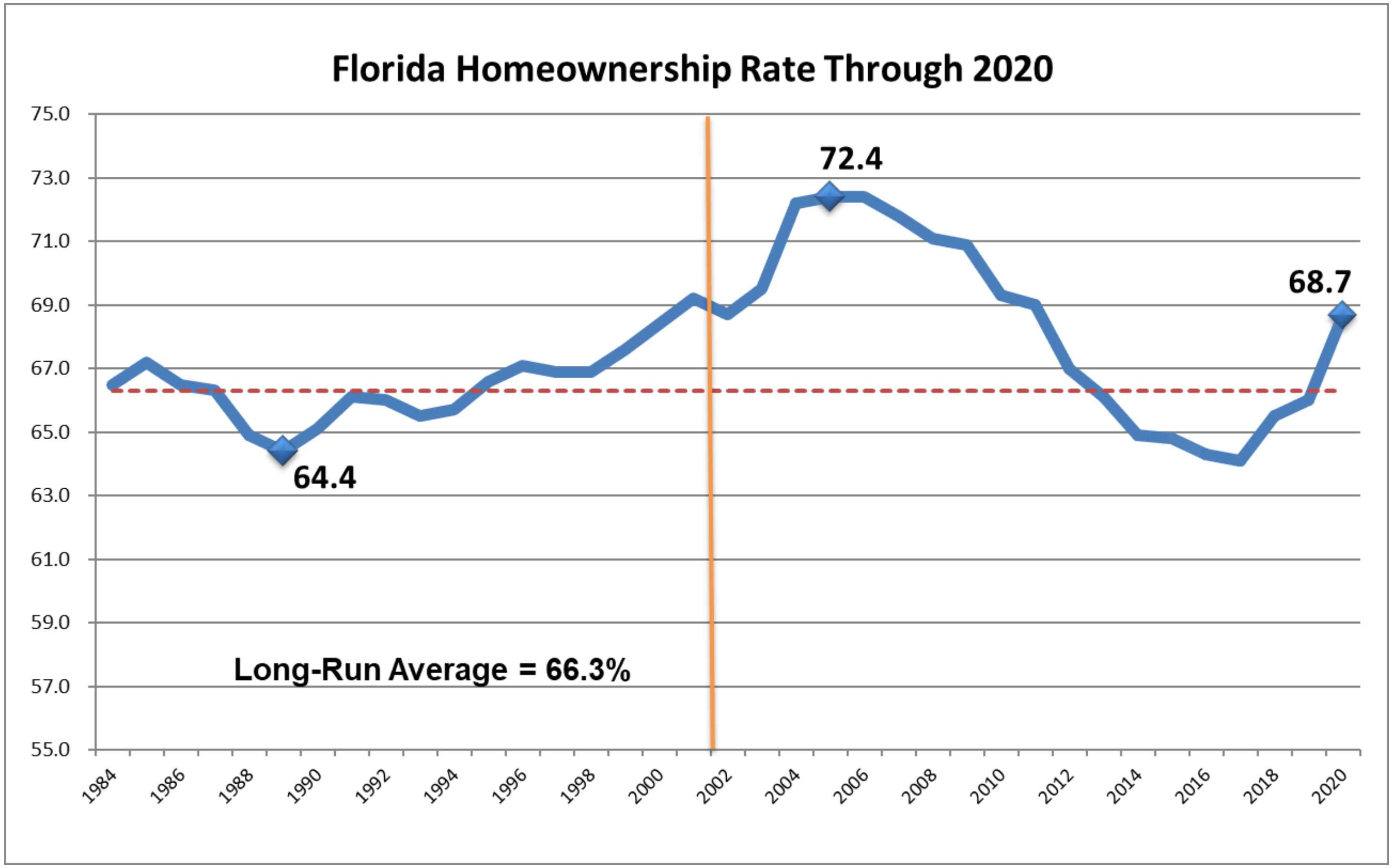
- As a result of both net migration and natural increase, Florida is forecast to grow by over 5.6 million persons between 2010 and 2030.
- Growth by age group depends upon this overall growth and the aging of resident population, resulting in 53.5% of those gains occurring in the older population (age 60 and older).
- Florida's younger population (age 0-17) will account for 15.4% of the gains, while the younger working age group (25-39) will account for 18.4% of the growth.

Florida Housing Market Soared During Pandemic...



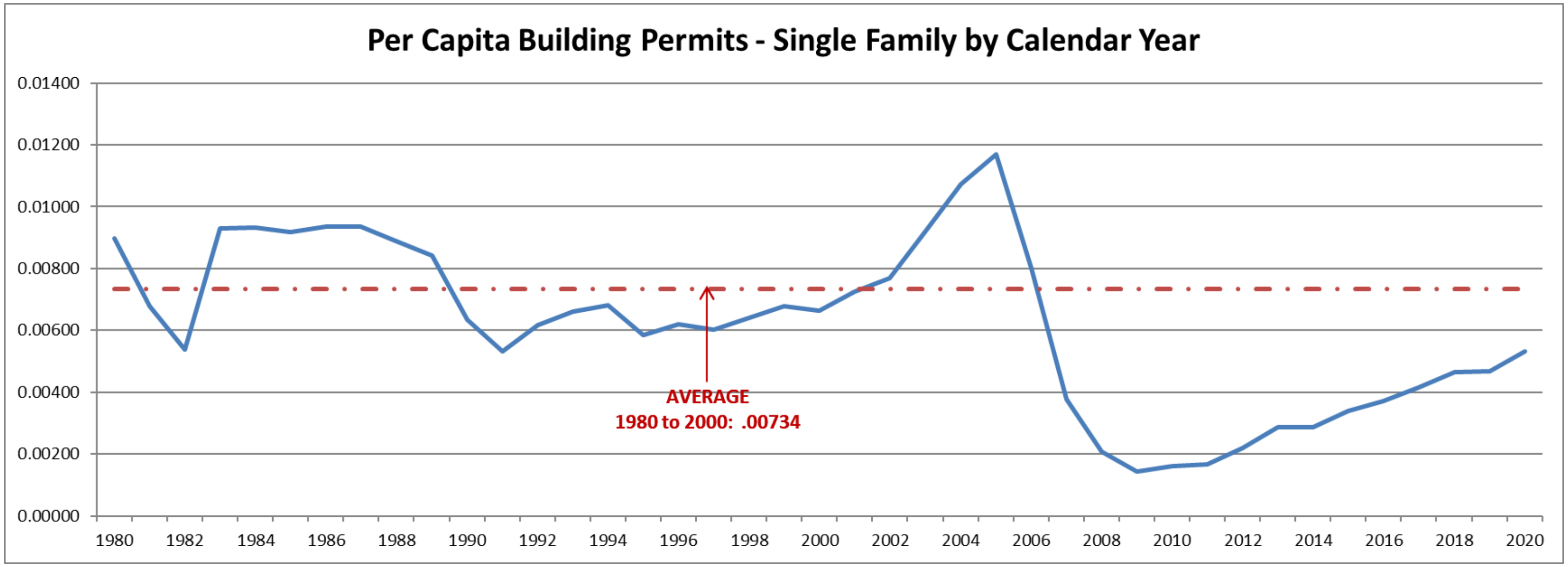
Documentary Stamp Tax collections in FY 2020-21 topped the FY 2005-06 peak reached at the height of Florida's housing boom. This milestone was particularly remarkable considering the prior year (FY 2019-20) registered only 70.8 percent of that level after steadily increasing for ten years from a low of 26.6 percent. The market environment leading to this result was caused by the record low interest rates tied to the Federal Reserve's actions to stem the severity of the pandemic's economic disruption.

Homeownership Rate Is High...



From 2013 to 2019, Florida was below its long-run average homeownership rate, although the 2019 calendar year very nearly matched it at 66.0 percent. During the 2020 calendar year, the state finally moved above the long-run average, posting 68.7 percent for the year. The preliminary calculation for 2021 indicates that the state has notably fallen below last year's level to 67.2 percent; however this percentage is still above Florida's long-run average.

Permits Are Still Well Below Historic Norms…



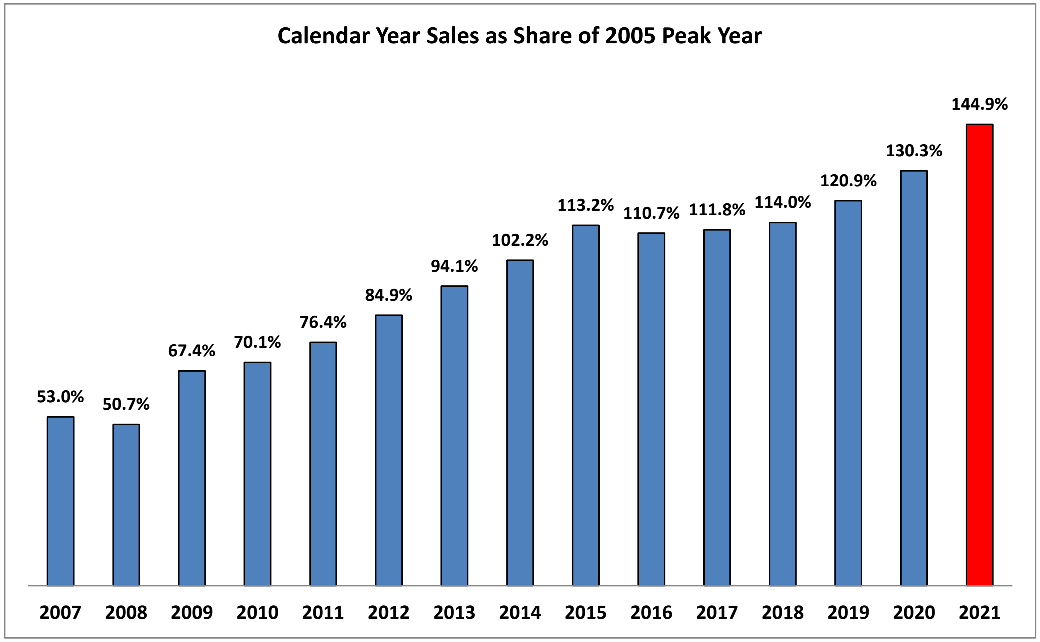
Single-Family building permit activity, an indicator of new construction, remains in positive territory, beginning with strong back-to-back growth in both the 2012 and 2013 calendar years (over 30% in each year). The final data for the 2014 calendar year revealed significant slowing—posting only 1.6% growth over the prior year. Nevertheless, annual activity for the four subsequent calendar years again ran well above their individual periods a year prior, posting double-digit growth in each year: 20.3% in 2015, 11.1% in 2016, 13.5% in 2017, and 13.8% in 2018. In 2019, activity temporarily slowed again; this time to 2.9%—but spurred in part by record low interest rates, single-family building permit activity in 2020 was 15.4% higher than the 2019 level.

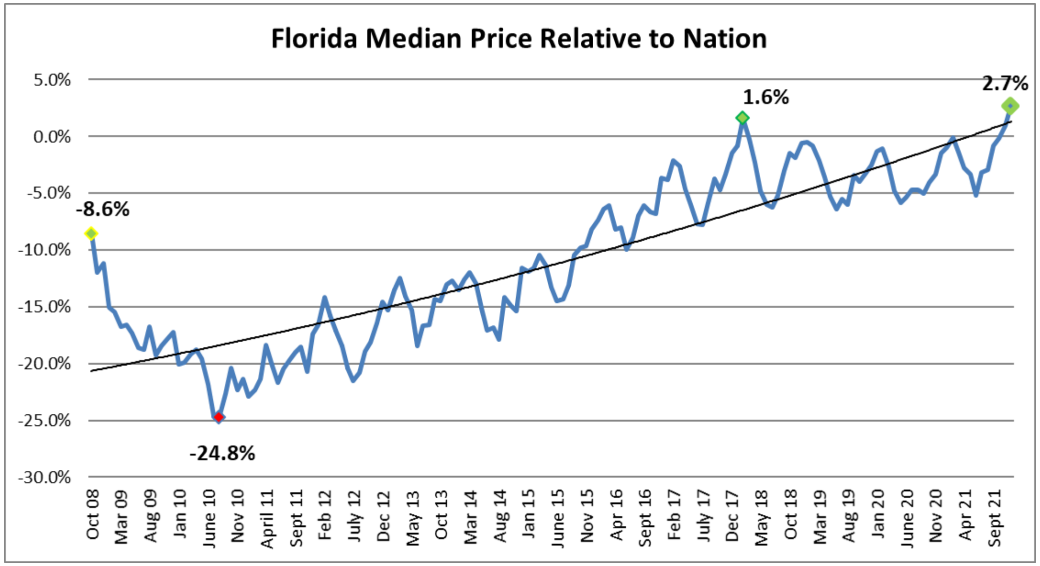
Even with the strong percentage growth rates seen in seven of the last nine calendar years, the level is still lower than historic standards would suggest. However, with the robust growth seen in 2020, the state has moved to 72.4% of that level.

Existing Home Market

All metrics point to an existing home market that has moved beyond fully recovered to overheated. Existing home sales volume in each of the calendar years from 2014 to 2021 exceeded the 2005 peak year. The story is similar for sales price. Florida's existing home price gains roughly tracked national gains over the past six years, including the mid-year acceleration in single family home prices that began during calendar year 2020.

With only three exceptions in recent history, national median price increases have outpaced Florida. The first exception occurred in February 2018. The second and third occurred back-to-back in November and December 2021. Florida's median price first surpassed its own prior peak ($256,200 from June 2006) in June 2018—and at $373,990 in December 2021, set a new record high.



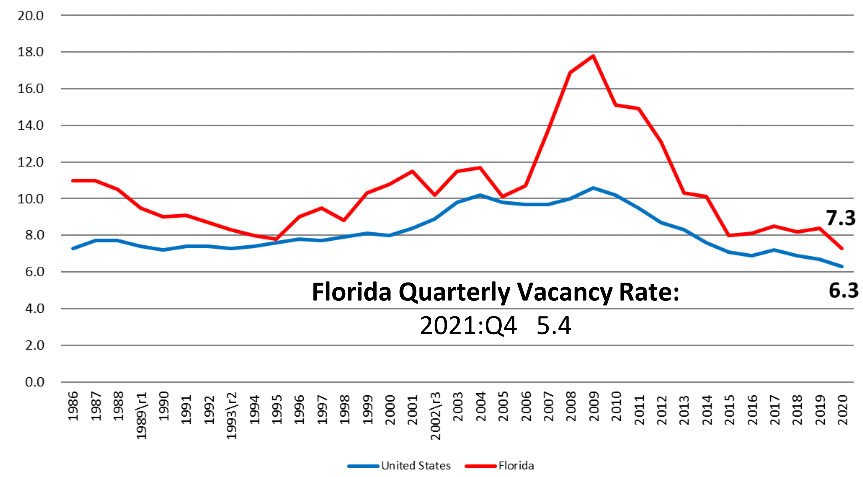


Data through December 2021

Florida and U.S. Median Gross Rent (in Current Dollars)						
Year	Median Gross Rent			Average Gross Rent		
	United States	Florida	Florida relative to United States	United States	Florida	Florida relative to United States
2005	728	809	111%	803	863	107%
2006	763	872	114%	844	932	110%
2007	789	925	117%	878	991	113%
2008	824	947	115%	919	1,015	110%
2009	842	952	113%	938	1,024	109%
2010	855	947	111%	954	1,017	107%
2011	871	949	109%	973	1,027	106%
2012	884	954	108%	990	1,037	105%
2013	905	972	107%	1,016	1,050	103%
2014	934	1,003	107%	1,047	1,087	104%
2015	959	1,046	109%	1,077	1,129	105%
2016	981	1,086	111%	1,105	1,161	105%
2017	1,012	1,128	111%	1,138	1,203	106%
2018	1,058	1,182	112%	1,182	1,251	106%
2019	1,097	1,238	113%	1,223	1,301	106%

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2005-2019.

Rental Vacancy Rates
Long-run Average Percent: US---8.2; FL---10.4

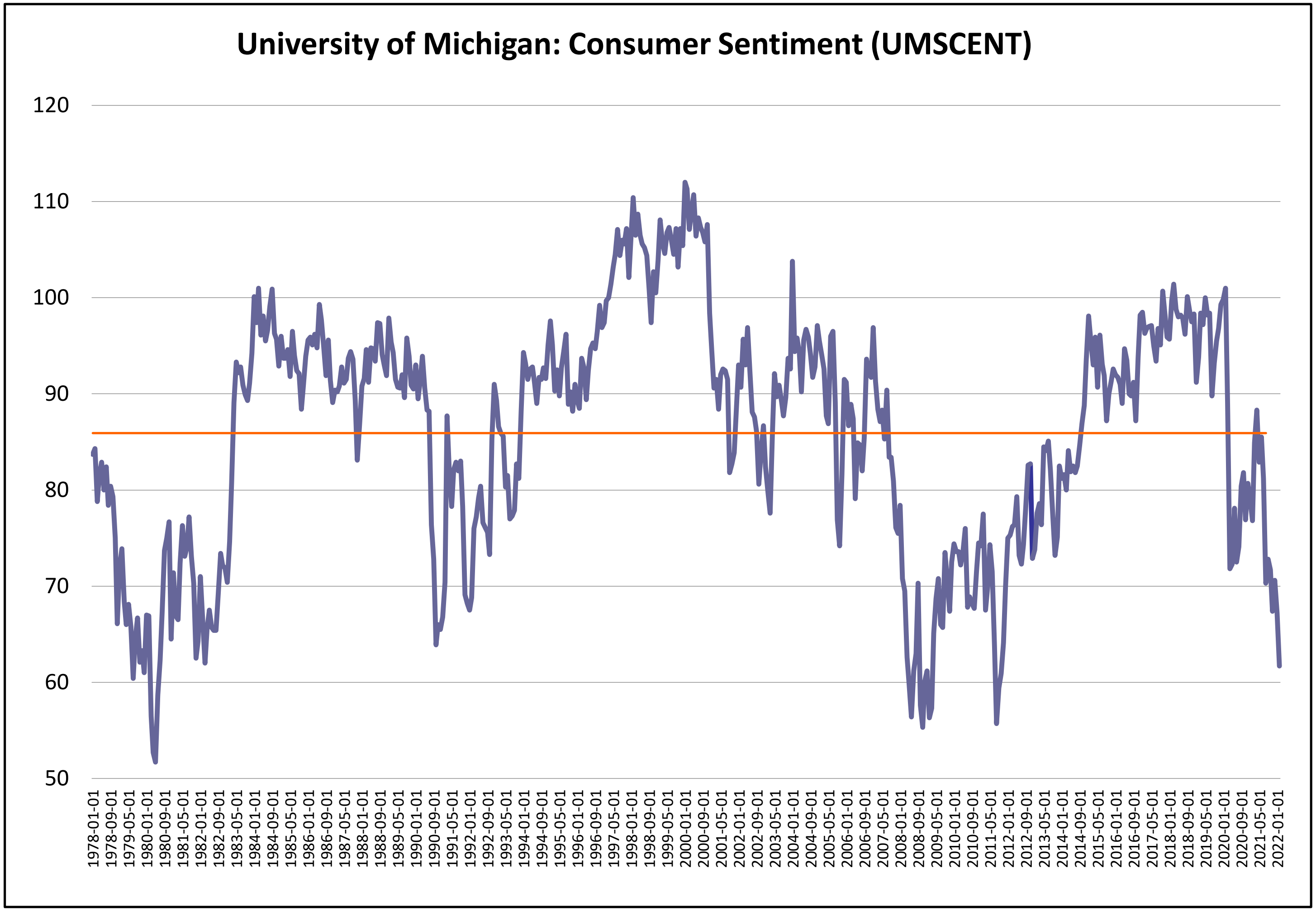


Challenging housing costs and shifting preferences among Millennials caused residential rental vacancies to tighten strongly over the six-year period running from 2015 through 2020, with price pressure building over the same period. However, the overall share of Florida's population living in rentals is beginning to drop as homeownership rose.

Florida Renter Fraction

Date	US	Florida
2019	35.89%	33.75%
2018	36.05%	34.08%
2017	36.13%	34.85%
2016	36.88%	35.87%
2015	36.97%	36.22%
2014	36.90%	35.95%
2013	36.50%	35.21%
2012	36.09%	34.36%
2011	35.42%	33.28%
2010	34.65%	31.85%
2009	34.13%	31.52%

Consumer Perceptions Reach a Low



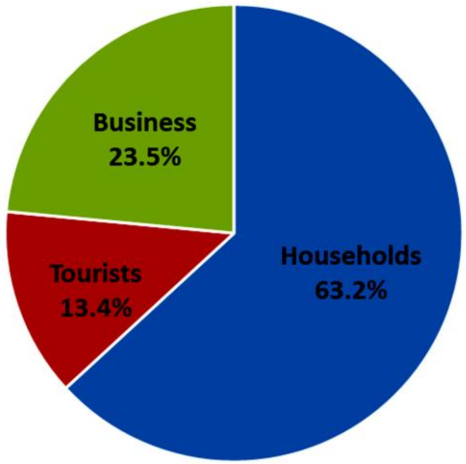
Nationally, the sentiment reading for February 2022 (61.7) dropped to its lowest point since the pandemic began, but is still above the Great Recession depths. The range from low to high across all of the pandemic-affected months is 61.7 (February 2022) to 88.3 (April 2021). April 2021 was also the only month to move above the index average (85.9) during the pandemic.

Florida-Based Downside Risk

While all Florida industries were impacted by the pandemic-induced economic contraction, Florida's leisure and hospitality industry bore the brunt of the longer-term consequences. Previous economic studies of disease outbreaks have shown that it can take as long as 12 to 15 months after the outbreak ends for tourism to return to pre-disease levels. 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 managed to recover to 96.0 percent of the last full pre-COVID quarter by the third quarter of 2021 calendar year, buttressed by the increased number of domestic visitors travelling to Florida by air or car. The ultimate timing will be influenced by the actual course of the disease over the next few months, as well as the widespread distribution of vaccines globally. Even so, the Conference expects robust growth during Fiscal Year 2021-22, with a projected overall increase of 36.3 percent from the extremely suppressed level in Fiscal Year 2020-21. As the final pieces of the recovery fall into place, Fiscal Years 2022-23 and 2023-24 will also exhibit above average growth of 7.6 and 5.7 percent, respectively. The annual growth rate moderates thereafter to an average of 4.1 percent per year. While the new forecast levels never exceed the pre-pandemic forecast levels for those years, they come close in the latter part of the 10-year forecast horizon.

The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2017-18, sales tax collections provided over $24.1 billion dollars or 76.4% of Florida's total General Revenue collections. Of this amount, an estimated 13.4% (over $3.2 billion) was directly attributable to purchases made by tourists. Preliminary data for FY 2018-19 indicates that the visitor share rose to 14.5% for nearly $3.7 billion dollars.

Contributions to General Revenue from Sales Tax (with CST) Collections in FY 2017-18, By Source



General Revenue Forecast Comparison…

Fiscal Year	August 2021 Forecast	January 2022 Forecast	Difference	Incremental Growth	Growth
2005-06	*27074.8*				*8.4%*
2006-07	*26404.1*				*-2.5%*
2007-08	*24112.1*				*-8.7%*
2008-09	*21025.6*				*-12.8%*
2009-10	*21523.1*				*2.4%*
2010-11	*22551.6*				*4.8%*
2011-12	*23618.8*				*4.7%*
2012-13	*25314.6*				*7.2%*
2013-14	*26198.0*				*3.5%*
2014-15	*27681.1*				*5.7%*
2015-16	*28325.4*				2.3%
2016-17	*29594.5*				4.5%
2017-18	*31218.2*				5.5%
2018-19	*33413.8*				7.0%
2019-20	*31366.2*				-6.1%
2020-21	*36280.9*				15.7%
2021-22	36,901.0	**40,189.8**	3,288.8	3,908.9	10.8%
2022-23	38,336.8	**39,041.1**	704.3	(1,148.7)	-2.9%
2023-24	39,889.5	**40,694.3**	804.8	1,653.2	4.2%
2024-25	41,471.8	**42,033.3**	561.5	1,339.0	3.3%
2025-26	42,504.2	**43,258.7**	754.5	1,225.4	2.9%
2026-27	44,091.2	**44,771.0**	679.8	1,512.3	3.5%

Fueled by the continuing influx of federal dollars, elevated savings and a still atypically high percentage of income spent on goods, revenue collections had gained $2.2 billion to the Conference's expectations in August, with the next few months anticipated to add to the overage. Because the stimulus effects and outsized savings are now unwinding, the Revenue Estimating Conference crafted a glide path that largely removes those effects. As a result, nearly $3.3 billion (inclusive of the year-to-date overage) was added to the forecast for the current year, but only $704 million of that increase was retained for FY 2022-23. The two-year combined increase for FY 2021-22 and FY 2022-23 adds nearly $4.0 billion to the prior forecast. These changes reflect increases over the previous estimates of 8.9 percent in FY 2021-22 and 1.8 percent in FY 2022-23.

Update on Revenue Collections…

- While the collection impact from the Wayfair-related changes in CS/CS/SB 50 is slightly stronger than expected, the recent strength is more related to the time-limited benefits from:

    1. The most recent round of stimulus checks to households. All else being equal, this boost has likely begun to wane. However, some of this negative impact will be ameliorated by the Advance Child Tax Credit payments which began monthly installments in July 2021, but continue through December 2021.

    2. Redirected spending from the hard-hit service sector. Relative to “normal” times, the mix is still heavily tilted toward goods and away from services.

    3. Some consumers’ ability to draw down atypically large savings that built up during the pandemic. After increasing to a historic peak rate of 33.7 percent in April 2020 from the 7.9 percent for the entire 2018-19 fiscal year, just released personal income data indicated that the personal savings rate was up from a revised 7.2 percent in November 2021 to 7.9 percent for December 2021—a return to a more typical personal savings rate.

- Inflation is an oddity. The Consumer Price Index increased for January, with the all items index for the last 12 months increasing to 7.5 percent before seasonal adjustment. This was the third month with the largest 12-month increase since June 1982. The immediate response to inflation is an increase in sales tax collections that reflects the higher prices, but—to the extent that consumers expect the higher prices to persist—they will adjust their purchasing patterns to incorporate cheaper products and/or reductions in purchases. Over several months, collections would end up back at the level they started from, but with a slightly different mix. If inflation noticeably worsens (relative to what it is now), it would become a drag on sales tax collections as people have to spend more money on non-taxable necessities like food and healthcare.