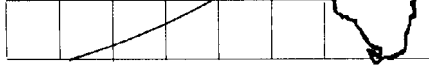


Economic & Demographic
Research Division
(850) 487-1402

Joint Legislative
Management Committee



FLORIDA MONTHLY ECONOMIC REPORT

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GENERAL REVENUE COLLECTIONS FOR DECEMBER

Preliminary General Revenue (GR) collections for December are \$62.7 M over estimate for the month. Based on unaudited data, Sales Tax Collections stand at \$11.4 M under estimate for the month. (Sales Tax Collections are net of \$1.0 M in transfers to qualified sports facilities.) Preliminary Sales Tax Collections now stand \$39.2 M over estimate for the year to date. The only other sources falling below estimate for this month are Beverage Taxes, Tobacco Taxes, Motor Vehicle Charges, Auto Title Fees, Service Charges, and Corporations Trust Fund Fees; all of these sources combined are under estimate by only \$12.2 M (less than 1% of the month's estimate). The largest individual shortfall, \$7.6 M, occurred in Service Charges, due to timing of the end-of-the-month Motor Fuel Service Charge transfer to GR; this source should be back on track next month. Beverage Taxes, under estimate by \$2.6 M, are within the margin of error for this relatively volatile source.

Final Corporate Income Tax revenue is \$17.4 M over estimate for the month, and also over estimate for the year to date.

This source continues to out-perform the October 1997 estimate. Over half of this month's surplus comes from the Estate Tax, which came in \$35.2 M over the monthly estimate, and now stands at \$49.1 M over the October 1997 estimate. Receipt of Estate Tax payments are difficult to predict, since these receipts have no discernible monthly pattern.

Documentary Stamp Tax GR is back on estimate for the year as expected, while total collections in this source are \$26.1 M over estimate. Each month a portion of total collections for Documentary Stamp Tax, Insurance Premium Tax, Intangibles Taxes, and Severance Taxes is transferred to GR. For these sources, total collections are the most reliable indicator of health, since timing of the GR transfer can vary. For all these sources, total collections are on or over estimate for the year to date.

Overall, preliminary net GR collections for December are \$62.7 M over estimate for the month and \$137.2 M over estimate for the year to date. Estimates in the table below are based on the October 24, 1997 General Revenue Estimating Conference.

Lottery Transfers to DOE

Month: \$66.4 M or \$1.5 M above February 1997 estimate
Year: \$309.1 M or \$16.9 M below February 1997 estimate
\$2.9 M below October 1997 estimate

Preliminary General Revenue Collections

Month: \$62.7 M over the October 1997 estimate
\$52.1 M over the March 1997 estimate adj for law chgs
Year: \$137.2 M over the October 1997 estimate
\$239.8 M over the March 1997 estimate adj for law chgs

TABLE 1 - DECEMBER GENERAL REVENUE COLLECTIONS
(\$ MILLIONS - BASED ON OCTOBER 1997 ESTIMATES)

	MONTH			FISCAL YEAR TO DATE				
	ACTUAL CURRENT MONTH	ESTIMATE CURRENT MONTH	OVER/ UNDER ESTIM	CURRENT YEAR ACTUAL	CURRENT YEAR ESTIMATE	OVER/ UNDER ESTIMATE	PRIOR YEAR ACTUAL	PERCENT INCREASE/ DECREASE
SALES TAX COLLECTIONS	998.3	1,009.7	(11.4)	5,640.9	5,601.7	39.2	5,318.4	6.06%
BEVERAGE TAXES	46.2	48.8	(2.6)	259.1	259.3	(0.2)	256.4	1.06%
CORPORATE INCOME TAX	151.9	134.4	17.4	507.8	484.4	23.4	439.1	15.65%
DOCUMENTARY STAMP TAX	48.2	35.2	13.0	135.3	134.8	0.6	127.7	5.99%
TOBACCO TAX	11.3	12.1	(0.7)	70.6	70.1	0.5	63.9	10.55%
INSURANCE PREMIUM TAX	0.3	0.1	0.2	91.7	88.7	3.0	94.5	-2.91%
PARIMUTUEL TAXES	0.1	(0.2)	0.3	16.1	16.6	(0.5)	21.7	-25.61%
INTANGIBLES TAXES	12.7	8.0	4.7	110.9	107.0	3.9	75.4	47.06%
ESTATE TAX	73.7	38.6	35.2	312.9	263.8	49.1	278.3	12.43%
INTEREST EARNINGS	16.8	12.0	4.9	108.0	99.2	8.8	76.5	41.12%
DRIVERS LICENSE FEES	5.0	4.3	0.7	29.1	28.4	0.7	24.8	17.15%
MEDICAL HOSPITAL FEES	15.1	11.9	3.2	56.6	58.9	(2.3)	57.9	-2.30%
MOTOR VEHICLE CHARGES	2.8	3.1	(0.3)	18.7	18.2	0.6	18.2	2.80%
AUTOMOBILE TITLE FEES	2.1	2.2	(0.1)	11.1	11.3	(0.2)	12.1	-8.81%
SEVERANCE TAXES	1.7	0.3	1.4	11.9	11.2	0.7	10.2	16.57%
SERVICE CHARGES	17.6	25.2	(7.6)	176.1	181.5	(5.4)	163.6	7.64%
CORPORATION TRUST FUND FEES	0.2	1.1	(0.9)	25.0	17.7	7.3	17.6	42.08%
OTHER TAXES LICENSES & FEES	16.0	10.5	5.5	80.0	72.9	7.1	74.1	7.99%
TOTAL REVENUE	1,419.9	1,357.2	62.8	7,661.8	7,525.8	136.0	7,130.3	7.45%
LESS REFUNDS	29.2	29.1	0.1	92.2	93.4	(1.2)	123.1	-25.11%
NET REVENUE	1,390.7	1,328.1	62.7	7,569.6	7,432.4	137.2	7,007.2	8.03%

**ADOPTED CONSENSUS NATIONAL FORECAST
JANUARY 1998 ESTIMATION CONFERENCE**

(NIPA Series Chained 1992\$)	1997	1998	1999
GDP	3.7	2.3	1.5
-Final Sales	3.2	2.6	1.7
Consumption	3.3	3.3	2.2
-Nondurables	2.0	2.2	1.7
-Durables	5.5	5.7	3.5
-Computers	67.8	47.8	38.6
Furnishings	6.0	5.9	3.1
-Other Durables	7.2	5.2	2.9
-Services	3.5	3.3	2.2
Gross Dom. Private Investment	11.8	4.2	0.7
-Nonresidential Fixed Inv.	3.6	1.6	-1.4
-Residential Fixed Inv.	2.5	2.8	-1.7
-Change in Bus. Invent. (\$B)	62.2	36.4	26.2
Government Spending	1.0	1.4	0.9
-Federal	-1.5	-0.7	-1.5
-State & Local	2.4	2.5	2.1
Net Exports (\$B)	-148.1	-220.8	-247.4
-Imports	12.5	4.7	5.0
-Exports	14.5	10.6	6.2
U.S Trade Weighted Exchange	1.052	1.062	1.017
Consumer Sentiment (Mich.)	1.032	1.003	0.923
Housing Starts (Millions)	1.476	1.439	1.362
-Single Family	1.145	1.121	1.071
-Multi Family	0.331	0.318	0.291
New Car & Light Truck Sales	8.23	7.95	7.77
-Domestic	6.88	6.68	6.56
-Foreign	1.34	1.27	1.22
Industrial Production Index	1.233	1.262	1.277
Frb Capacity Util. Index	0.817	0.813	0.796
Real Personal Income	2.8	3.8	2.2
Real Disposable Income	3.7	3.3	1.8
Unemployment Rate	4.9	4.8	5.3
Corporate Profits Before Taxes	734.8	743.9	738.6
Federal Deficit (NIPA \$B)	-27.9	-41.9	-62.2
MONEY, INTEREST & PRICES			
-Fed Funds	5.47	5.40	4.93
- Prime Rate	8.44	8.40	7.93
-90 day T-bill	5.06	4.82	4.42
6.61-30 year Treasury bond	6.61	5.81	6.00
-Conventional Mortgage	7.60	6.92	7.00
Employment Cost Index	1.331	1.375	1.418
Consumer Price Index	1.6	1.6	1.7
Wholesale Price Index	1.3	1.3	1.3
Acquisition Price Domestic	\$19.65	\$17.13	\$16.13

Economic Conditions. A National Economic Estimating Conference was held January 23rd which is the first in a series of conferences that will supply the March 3rd Legislative session with a consensus state revenue forecast. The newly adopted forecast (the Data Resource/McGraw-Hill January 1997 Control) incorporates the effects of the financial crisis in Asia on the U.S. economy. The Asian situation is projected to have a significant negative effect on U.S. economic growth. The Fed is now assumed to reduce the federal funds rate in 1998 to counteract the slowing of the economy. A recessionary scenario is not anticipated but remains a risk should the Asian situation be mishandled. Key elements of the forecast are tabled for calendar years above, and comparisons to the September 1997 benchmark forecast are graphed on the adjoining page.

The forecast incorporates the BEA's final third quarter GDP estimate which showed a reduction of real GDP growth from 3.3% to 3.1%. A 5.7% increase in consumption accounted for the majority of the growth in the third quarter. Durable goods, led by auto sales, grew at a 18.4%

annualized rate. Nonresidential fixed investment posted a strong increase of 19.2% on the basis of computer sales and telecommunications investment. This increase was partially offset by a slowdown in inventories. The rate of growth of imports far outpaced the growth in exports due to the strength of the dollar against foreign currencies. Consumer spending is expected to continue to drive the economy since consumer sentiment is currently at its highest level. The debt to disposable income ratio has stabilized while the saving rate remains low. Consumers have the capability of increasing their spending in line with income growth without increasing the debt burden.

The average monthly increase in jobs was 267,000, compared to 212,000 in 1996. The increase in employment is fairly broad with reductions only in the transportation and the government sectors. Average hourly earnings have risen very slowly, which implies absence of any wage inflation. Unemployment rates have been hovering around the extremely low level of 4.8%. The employment outlook is clouded by the weakening in the Asian markets and its negative effect on industrial production on account of lower exports. Manufacturing jobs are expected decline in 1998 as a result of productivity gains. Growth in service sector jobs will slow in 1998 and 1999. Slower economic growth will also force the trade and transportation sectors to reduce new hires. The reduction in the total number of jobs will produce an increase in the unemployment rate, which will reach 5.5% by the end of 1999.

Housing markets have displayed significant strength throughout 1997 on the basis of strong consumer confidence. The combination of low inflation, unemployment, and mortgage rates have produced such favorable consumer attitudes. The builders have continued to build at a robust pace in response to such attitudes. However, the strength in the housing market will lessen starting in 1998 and continue on that path through 1999 as economic factors become less favorable. DRI expects the weaker consumer confidence to offset the impact of lower mortgage rates on home-buying decisions. Home buyers will feel less secure about their jobs and hence postpone large expenditures such as purchase of a new home. Total starts will drop to 1.44 million in 1998 and 1.36 million in 1999. Existing home sales will also decline in a similar manner and drop from 4.23 million in 1997 to 4.07 in 1999.

**TABLE 2: KEY ELEMENTS OF THE NATIONAL ECONOMIC
FROM THE JANUARY 23, 1998 CONFERENCE
(SEASONALLY ADJUSTED)**

		--1998--					
		Annual Percentage Rate of Change					
		Q1	Q2	Q3	Q4	Q1	Q2
Real Gross Domestic Product	forecast	4.9	3.3	3.1	3.5	2.1	1.5
	actual	4.9	3.3	3.1	---	---	---
Real Personal Consumption	forecast	5.3	0.9	5.6	2.9	3.3	3.3
	actual	5.3	0.9	5.6	---	---	---
Real Fixed Non-resid. Invest	forecast	2.0	12.9	18.2	2.0	8.3	6.2
	actual	2.0	12.9	18.2	---	---	---
Real Personal Income	forecast	5.7	4.0	3.1	4.5	4.1	2.7
	actual	5.7	4.0	3.1	---	---	---
Total Employment	forecast	3.2	2.3	0.9	1.9	1.7	1.4
	actual	3.2	2.3	0.9	---	---	---
Consumer Price Index	forecast	2.4	1.1	2.0	2.3	1.7	1.7
	actual	2.4	1.1	2.0	---	---	---
		Average Level for Quarter					
Savings Rate	forecast	3.7	4.2	3.5	3.8	4.3	4.3
	actual	3.7	4.2	3.5	---	---	---
Prime Interest Rate (%)	forecast	8.27	8.50	8.50	8.50	8.50	8.50
	actual	8.27	8.50	8.50	---	---	---
Housing Starts (mil/yr)	forecast	1.47	1.46	1.46	1.52	1.47	1.44
	actual	1.47	1.46	1.46	---	---	---
Unemployment Rate (%)	forecast	5.3	4.9	4.9	4.6	4.6	4.7
	actual	5.3	4.9	4.9	---	---	---

Business fixed investment is expected to edge up to 10.8% of GDP in 1998 and then gradually slip over the next two years. Nonresidential construction will remain high in the near term. The pace of growth of equipment outlays will wane in 1998 while computer spending should remain strong. Inventory accumulation should increase as output gains exceed spending.

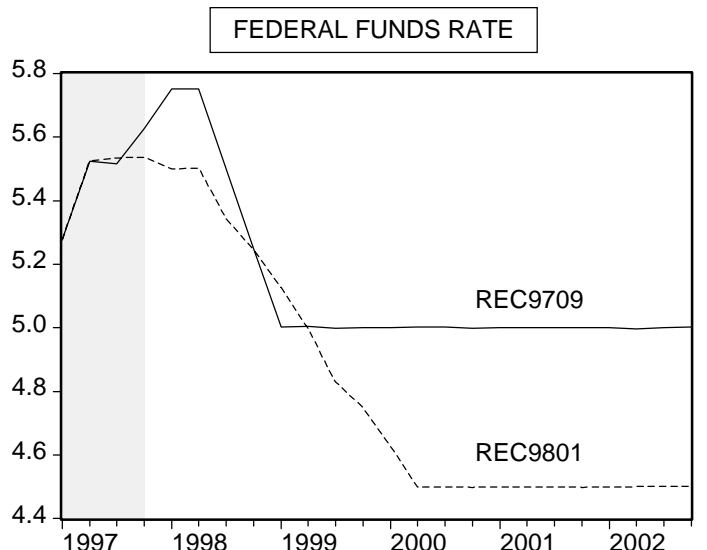
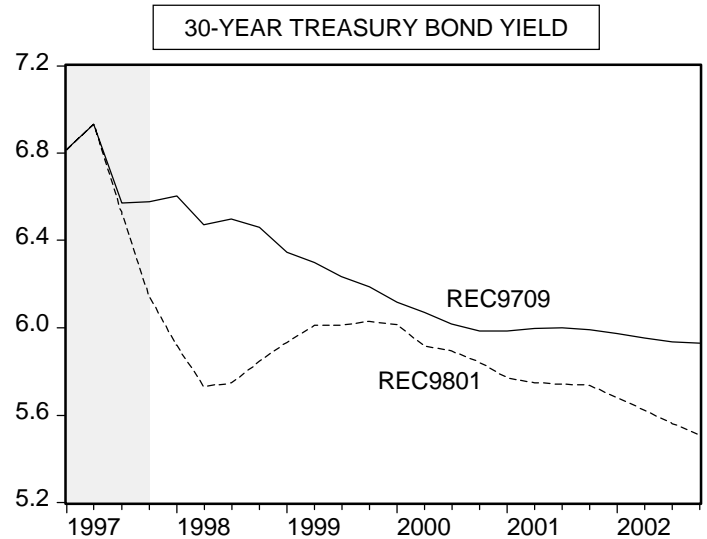
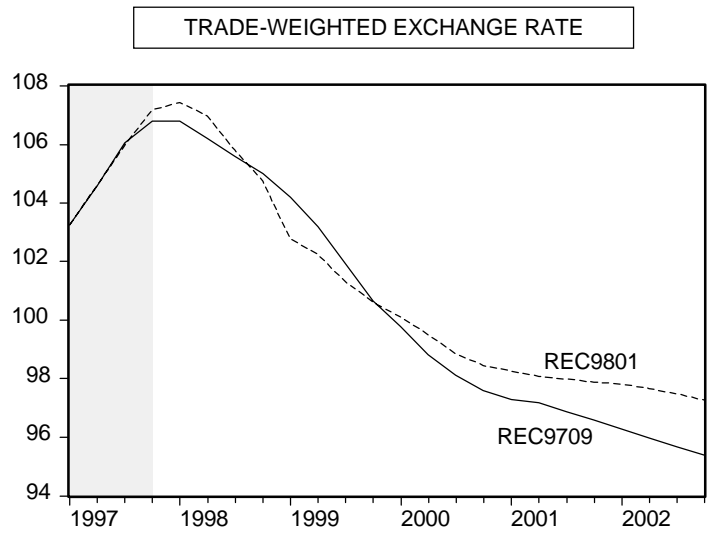
The Federal Reserve is expected to keep monetary policy on hold until it can fully assess the impact of the crisis in the Asian markets. The uncertainty created by the crisis is expected to slow the economy sufficiently such that the Fed does not have to tighten interest rates in the short run. By mid-1998 the slowing economy is expected to prompt the Fed to gradually reduce the Fed funds rate. The exact timing of the rate reductions will depend on the reaction of the U.S. financial markets to the Asian crisis and changing interest rates. Other short-term rates will follow the Fed funds rate and the prime rate is expected to shadow it with a 300 basis point gap. Long-term rates will continue to fall in response to low inflation and reduced budget deficits. The yield on the 30-year treasury bond will fall to 5.5% by 2002.

Foreign demand for consumption and investment goods is expected to slow in 1998. The dollar's trade weighted exchange rate index for 17 industrialized countries rose sharply in the fourth quarter of 1997 and will hold at close to that level through mid-1999. The strong dollar, in concert with the turmoil in Asia, will reduce rest-of-world demand over the next few months, limiting the U.S. export growth in 1998. The strong dollar will boost imports, which will run ahead of exports, thus widening the real trade deficit in the short run. The trade deficit is expected to be a drag on the real GDP growth in 1998 even though it will be reduced in the latter part of the year.

The weak exports to Asia along with increased import competition will have a direct negative impact on the corporate profits outlook. The strength of the dollar will indirectly hurt profits because foreign earnings will be lower after being converted at a higher exchange rate. Firms with higher exposure to Asia are expected to be hit the hardest. Natural resource companies earnings will be negatively impacted by the erosion in commodity prices. The stock market is thought to be overvalued at this time given interest rates and the outlook for earnings. A market correction is anticipated towards the end of the 1998. Profits will rebound as the Asian crisis subsides.

TABLE 3: KEY ELEMENTS OF THE FLORIDA ECONOMIC FORECAST FROM THE OCTOBER 1997 ESTIMATING CONFERENCE (SEASONALLY ADJUSTED)

		1997		1998			
		Q1	Q2	Q3	Q4	Q1	Q2
		Annual Percentage Rate of Change					
Real	forecast	5.5	6.0	6.1	5.0	5.4	3.6
Income	actual	6.3	3.8	3.7	---	---	---
Civilian	forecast	6.6	1.8	3.1	1.6	2.9	2.8
Force	actual	6.6	1.8	2.2	2.1	---	---
Non-farm	forecast	4.4	3.5	5.8	2.8	3.0	2.8
Employment	actual	4.9	3.3	4.5	3.4	---	---
Service	forecast	7.4	6.0	6.4	5.9	5.6	5.1
Employment	actual	8.0	6.0	6.6	6.1	---	---
Constr.	forecast	7.5	14.5	31.1	6.6	2.2	3.0
Employment	actual	9.0	12.8	28.4	5.3	---	---
Constr.	forecast	3.7	14.4	10.0	27.5	10.3	7.2
Expenditure	actual	6.4	21.1	17.7	-1.0	---	---
		Average Level for Quarter					
Housing	forecast	32.7	31.3	32.1	32.5	32.5	32.4
(thousands)	actual	33.1	31.9	32.0	33.5	---	---
Hhold	forecast	32.5	31.1	30.8	30.3	29.5	29.2
(thousands)	actual	27.2	27.4	---	---	---	---
Tourist	forecast	10.9	10.7	10.8	10.9	11.0	11.1
(millions)	actual	11.4	11.5	11.8	---	---	---
Unemplmnt	forecast	4.9	5.0	4.7	4.6	4.6	4.6
Rate (%)	actual	4.9	5.0	4.7	4.6	---	---



**REGIONAL ECONOMIC ACTIVITY, OCTOBER 1997 OVER OCTOBER 1996
TAXABLE SALES BY MAJOR CATEGORY (\$ Million) AND PERCENTAGE CHANGE**

	<u>TOTAL</u>	<u>AUTOS & ACCESS.</u>	<u>CONSUMER DURABLES</u>	<u>TOURISM & REC</u>	<u>CONSUMER NONDUR.</u>	<u>BUILDING INVEST.</u>	<u>BUSINESS INVEST.</u>	<u>INDEX OF RETAIL ACTIVITY</u>
DAYTONA BEACH	345.4	70.6	23.3	70.6	114.9	25.8	40.1	153.9
% CHANGE	18.6%	37.0%	10.7%	2.8%	27.3%	20.9%	4.5%	10.7%
FT. LAUDERDALE	1658.1	294.6	179.3	269.7	483.5	125.2	305.8	162.9
% CHANGE	11.3%	3.5%	25.9%	10.6%	7.9%	27.8%	12.4%	5.4%
FT. MYERS	444.7	96.4	40.2	82.0	115.0	47.6	63.5	168.7
% CHANGE	15.6%	29.8%	19.0%	6.1%	14.7%	24.1%	4.4%	13.5%
FT. PIERCE	251.7	50.4	23.8	42.4	72.7	27.2	35.3	151.0
% CHANGE	18.7%	23.3%	5.2%	9.6%	20.9%	31.3%	21.1%	7.0%
FT. WALTON	150.0	31.6	11.5	29.7	52.8	11.8	12.5	196.6
% CHANGE	8.0%	8.4%	7.6%	-6.6%	33.9%	-12.5%	-12.5%	7.8%
GAINESVILLE	189.8	37.8	13.0	34.8	64.9	16.1	23.2	174.6
% CHANGE	13.2%	20.2%	20.6%	3.6%	14.3%	15.6%	9.5%	11.1%
JACKSONVILLE	1112.6	225.6	82.5	181.8	326.4	95.8	200.4	167.7
% CHANGE	15.5%	11.2%	19.1%	10.0%	22.6%	38.3%	5.5%	8.9%
LAKELAND	405.2	92.6	20.1	55.2	116.4	32.1	88.8	141.4
% CHANGE	16.2%	22.3%	4.9%	5.9%	33.6%	21.7%	0.6%	9.8%
MELBOURNE	367.3	69.3	27.1	63.7	112.4	34.8	60.0	153.5
% CHANGE	15.5%	10.4%	23.6%	8.2%	25.6%	44.5%	-1.2%	10.0%
MIAMI	2034.9	327.3	165.2	385.6	672.7	129.5	354.5	146.7
% CHANGE	10.3%	9.1%	21.0%	13.6%	6.5%	28.0%	5.6%	6.4%
NAPLES	312.6	47.7	31.3	82.2	84.1	34.4	32.9	217.6
% CHANGE	24.0%	14.7%	25.1%	25.9%	25.0%	41.0%	15.3%	16.6%
OCALA	201.6	51.8	10.8	27.7	59.4	21.0	30.8	182.2
% CHANGE	18.0%	19.9%	19.2%	5.0%	26.3%	29.2%	6.9%	13.3%
ORLANDO	2330.0	339.0	125.0	693.5	684.5	148.1	339.9	204.9
% CHANGE	8.2%	9.6%	16.0%	6.1%	3.5%	36.8%	8.5%	10.3%
PALM BEACH	1230.9	191.2	96.8	243.0	394.9	115.4	189.6	167.5
% CHANGE	14.4%	13.2%	26.0%	9.3%	13.6%	35.5%	8.4%	10.8%
PANAMA CITY	143.6	28.1	6.9	31.9	46.8	9.7	20.3	158.5
% CHANGE	18.8%	14.4%	0.3%	2.1%	50.8%	-2.8%	17.6%	7.5%
PENSACOLA	315.0	70.7	15.9	53.1	102.1	32.8	40.3	162.0
% CHANGE	12.9%	9.0%	5.9%	6.5%	29.5%	31.5%	-11.0%	8.2%
PUNTA GORDA	106.8	21.0	9.2	16.1	36.6	13.9	10.0	190.5
% CHANGE	28.0%	27.6%	12.9%	7.7%	42.8%	38.7%	21.5%	12.3%
SARASOTA	556.5	112.6	48.3	97.7	164.0	53.1	80.8	160.2
% CHANGE	19.0%	17.0%	7.9%	8.4%	29.4%	46.1%	10.3%	13.0%
TALLAHASSEE	243.7	44.7	12.7	44.6	90.6	18.1	32.9	161.3
% CHANGE	15.3%	-0.6%	9.4%	8.0%	32.3%	18.8%	11.1%	6.8%
TAMPA	2339.0	438.6	180.0	396.8	719.9	189.1	414.6	159.6
% CHANGE	15.6%	1.7%	19.2%	7.6%	27.9%	43.5%	10.0%	10.2%
STATEWIDE	16943.9	3022.8	1294.1	3221.1	5195.5	1284.2	2926.3	173.0
% CHANGE	14.1%	10.4%	20.8%	8.7%	18.7%	30.4%	7.7%	9.9%

Joint Legislative Management Committee
Division of Economic & Demographic Research
111 W. Madison Street, Suite 576
Tallahassee, FL 32399-1400