The Florida Economic Estimating Conference met on November 16, 2018, to revise the forecast for the state’s economy. The latest forecast was slightly weaker in several key respects, but generally shows little change from the assumptions made in July for the short term. Overall, Florida growth rates are at levels that are typical of solid growth and continue to show progress. The drags—particularly construction—are more persistent than past economic downturns, but the strength in tourism is largely compensating for this. In the various forecasts, most measures of the Florida economy surpassed their peaks from the prior year and achieved new highs in Fiscal Year 2017-18.

One of the main factors used to measure the economic health of an individual state is personal income growth. Using the latest revised series, Florida’s personal income growth in the second quarter of 2018 was 4.3 percent over the first quarter of 2018, ranking Florida 21st in the country among all states. The current rank is twice as low as the previous two quarters’ results despite a growth rate just above the nation for the current quarter. The Conference expects personal income growth to match Fiscal Year 2017-18 at 5.2 percent in Fiscal Year 2018-19, and then increase to 5.5 percent in Fiscal Year 2019-20. Over the long term, the annual growth rates are expected to straddle 4.0 percent.

Two key measures of employment are job growth and the unemployment rate. The job market in Florida continues to grow at steady rates, with a 3.4 percent growth rate for nonfarm employment for the third quarter of 2018 compared to the same period last year. The Conference expects total nonfarm employment to grow 3.0 percent in Fiscal Year 2018-19, with more modest rates of growth throughout the long run.

Florida’s unemployment rate continues to drift downward and is now below the “full employment” unemployment rate (assumed to be about 4 percent). The state’s actual unemployment rate in October was lower than the nation at 3.4 percent, compared to 3.7 percent in the U.S. The rate was as low as 3.1 percent in March 2006 (the lowest unemployment rate in more than thirty years),
and most recently peaked at 11.3 percent in January 2010. The forecast expects the downward trend to continue through mid-2020 and then slowly move upwards to 4.7 percent in Fiscal Year 2027-28.

[Graph of United States and Florida Unemployment Rates]

Overall, the housing market continues to trudge forward, although somewhat slowing from the stronger growth over the past few years. For the third quarter of 2018, single-family building permits were 13.3 percent higher than the same period last year, while multi-family building permits were 1.8 percent higher. Combined, total private housing starts are expected to increase 2.7 percent in Fiscal Year 2018-19 before shifting up to a rate of 4.8 percent in Fiscal Year 2019-20 and then shifting back down to weaker growth rates in the rest of the forecast. Total private housing starts are still well below the peak Fiscal Year 2004-05 level of 272,250 units; they do not recover to their previous peak level at any time during the ten-year forecast period. Total construction expenditures (including nonresidential and public, as well as residential) continue to grow throughout the entire forecast period, with 2.7 percent growth in Fiscal Year 2018-19 and 5.6 percent in Fiscal Year 2019-20 before gradually settling in the 4.0 percent range in the middle of the forecast and in the 3.5 percent range towards the end of the period. Helped by the public and private nonresidential expenditure components, total construction expenditures return to peak levels by Fiscal Year 2020-21, although the private residential component does not return to peak levels until Fiscal Year 2026-27. Building up to that, in Fiscal Year 2023-24, construction employment gets back to its peak level from Fiscal Year 2005-06. A related industry, financial activities, surpassed its prior peak from Fiscal Year 2006-07 in Fiscal Year 2017-18.

New light vehicle registrations were a source of strength in the Florida economic forecast as the state recovered from the Great Recession, but grew by only 0.4 percent in Fiscal Year 2017-18. New light truck registrations were the reason for this growth, surpassing for the first time their prior peak from Fiscal Year 2005-06 and entirely compensating for almost equal declines in automobile registrations. New light vehicle sales for the second quarter of 2018 were up 1.0 percent over the same period last year, as the bump from post-hurricane replacements wore out. Further slowing in this measure is expected through Fiscal Year 2021-22 as many consumers have already replaced their older vehicles and future purchases will be affected by the rapidly rising interest rates in the short run. The forecast predicts slight declines in the first half of the forecast period, followed by only modest growth of 1.2 percent or less for the rest of the period.
Florida tourism is a major component of the state’s economy and continues to show its strength. Preliminary estimates indicate that 31.4 million visitors came to Florida during the second quarter of 2018 for an increase of 6.1 percent over the same period in 2017. The forecast for Fiscal Year 2018-19 expects this trend to continue with a projected overall growth rate of 5.4 percent, with domestic and international visitors contributing to the growth and compensating for the slight decline expected in Canadian visitors. After a slow down to 4.2 percent in Fiscal Year 2019-20, the expected growth in total visitors stabilizes at growth rates ranging between 2.9 percent and 3.7 percent annually over the rest of the long run forecast.

Finally, the Conference expects that Florida’s Real Gross Domestic Product (GDP) will show growth of 3.5 percent in Fiscal Year 2018-19 and then begin a slow decline to the 2.0 percent range in the mid- and long-term portions of the forecast.