

Florida: An Economic Overview

August 22, 2023

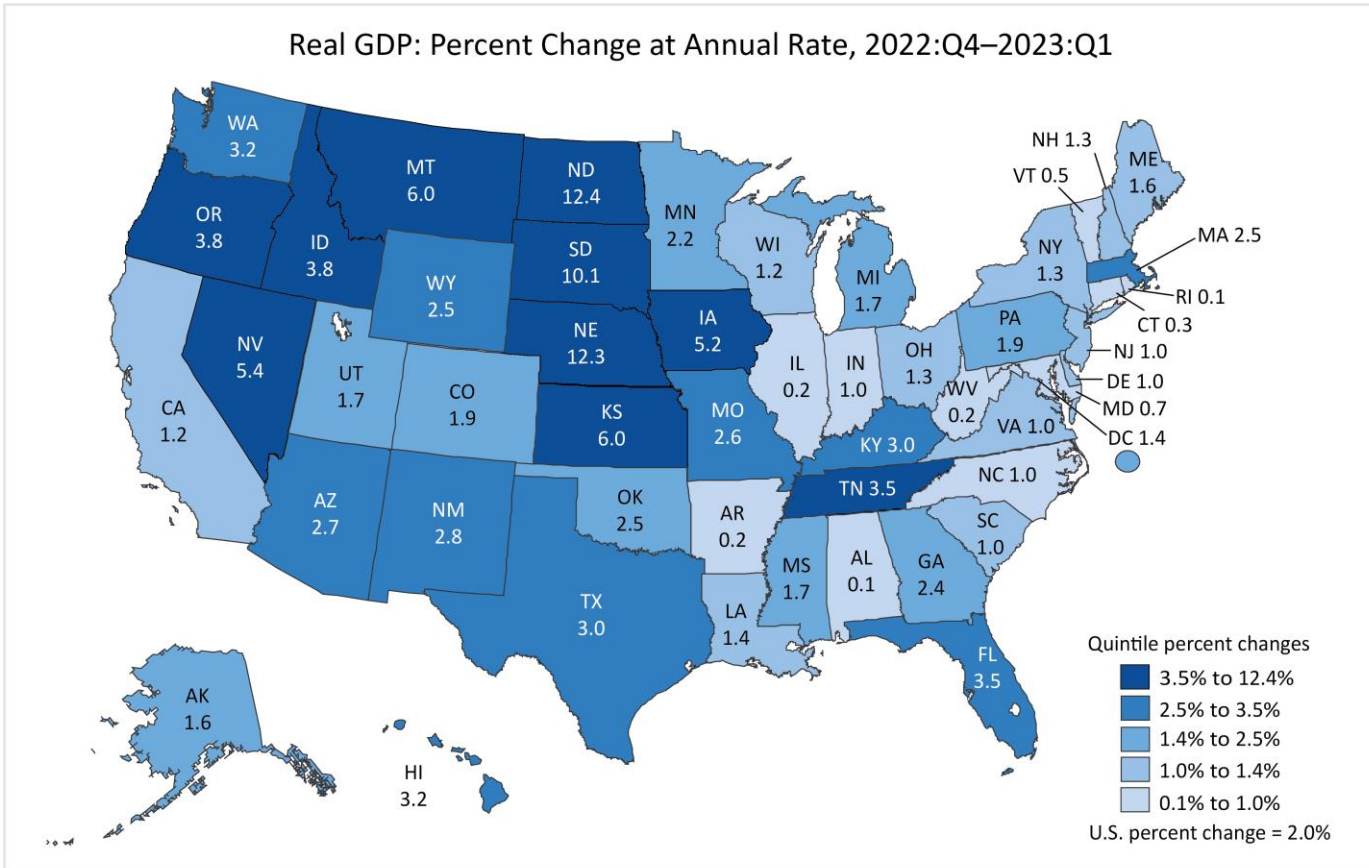
Presented by:



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(Forecasts based on data available or adopted during the Summer 2023 Estimating Conferences)

Florida's GDP Growth...



In the 1st Quarter of 2023, Florida's real economic growth was ranked 11th in the nation with a 3.5 percent change at an annual rate. The United States as a whole had quarterly growth of 2.0 percent.

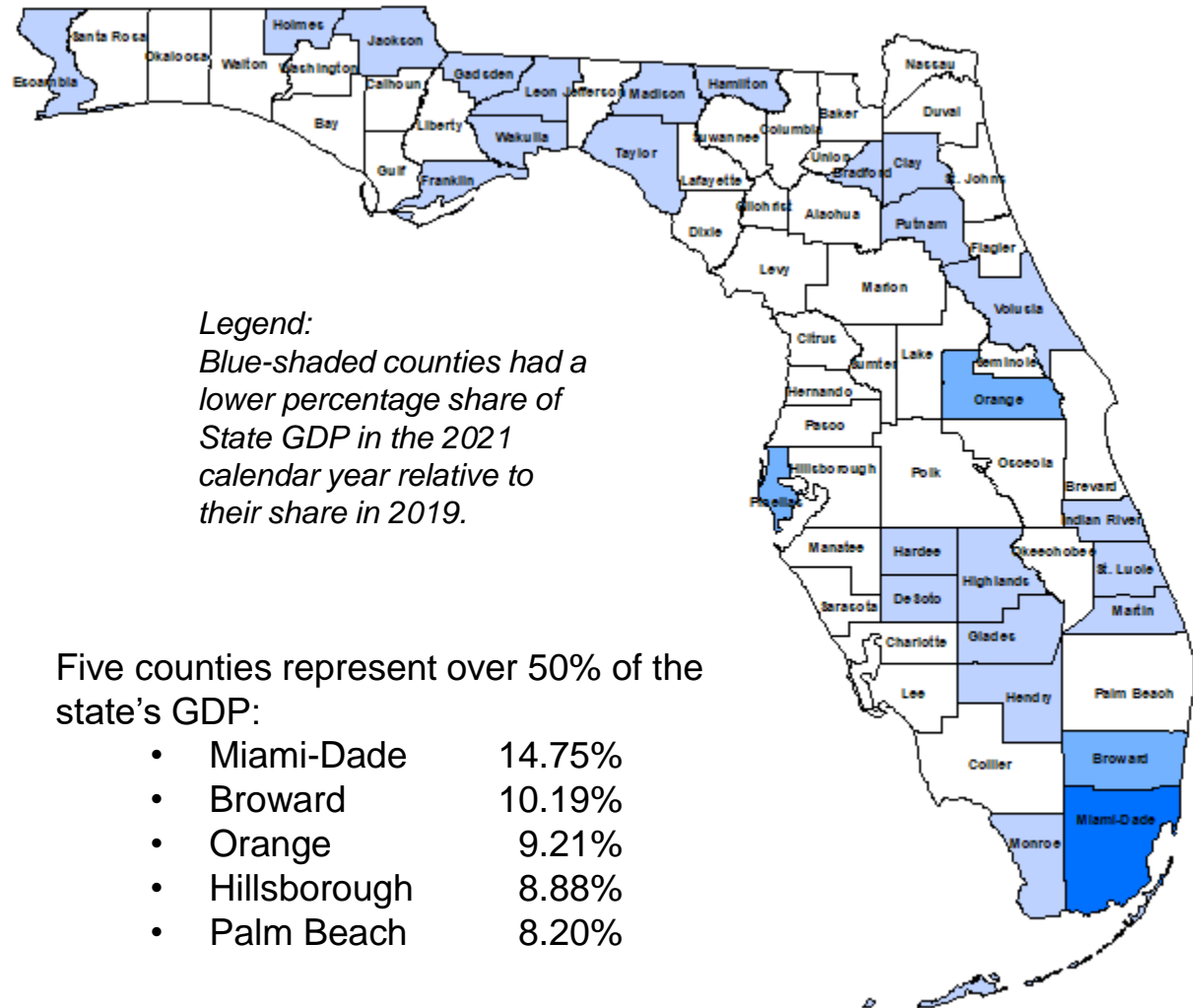
U.S. Bureau of Economic Analysis

According to the latest revised data, Florida's quarterly GDP movements have generally mirrored the nation as a whole since the beginning of the pandemic. Buffeted by a series of economic shocks, the state's GDP slumped -0.2 percent in Fiscal Year 2019-20, grew 4.0 percent in Fiscal Year 2020-21 and grew another 6.9 percent in Fiscal Year 2021-22. The Economic Estimating Conference anticipates that the state's economy expanded at a still healthy 3.0 percent in FY 2022-23, but will drop to a more characteristic 2.5 this year (Fiscal Year 2023-24) as economic imbalances continue to weigh on the economy. Thereafter, it will grow from 1.7 percent in Fiscal Year 2024-25 to 2.4 percent in Fiscal Year 2026-27.

State's GDP by County Shows Shifting in 2021...

Pre-pandemic, South Florida represented one-third of the State's GDP with Miami-Dade having the highest share at 15.30%. In the 2021 calendar year, 27 counties had a lower share of the State's GDP than pre-pandemic (see map); however, the share was only marginally different for most of these counties.

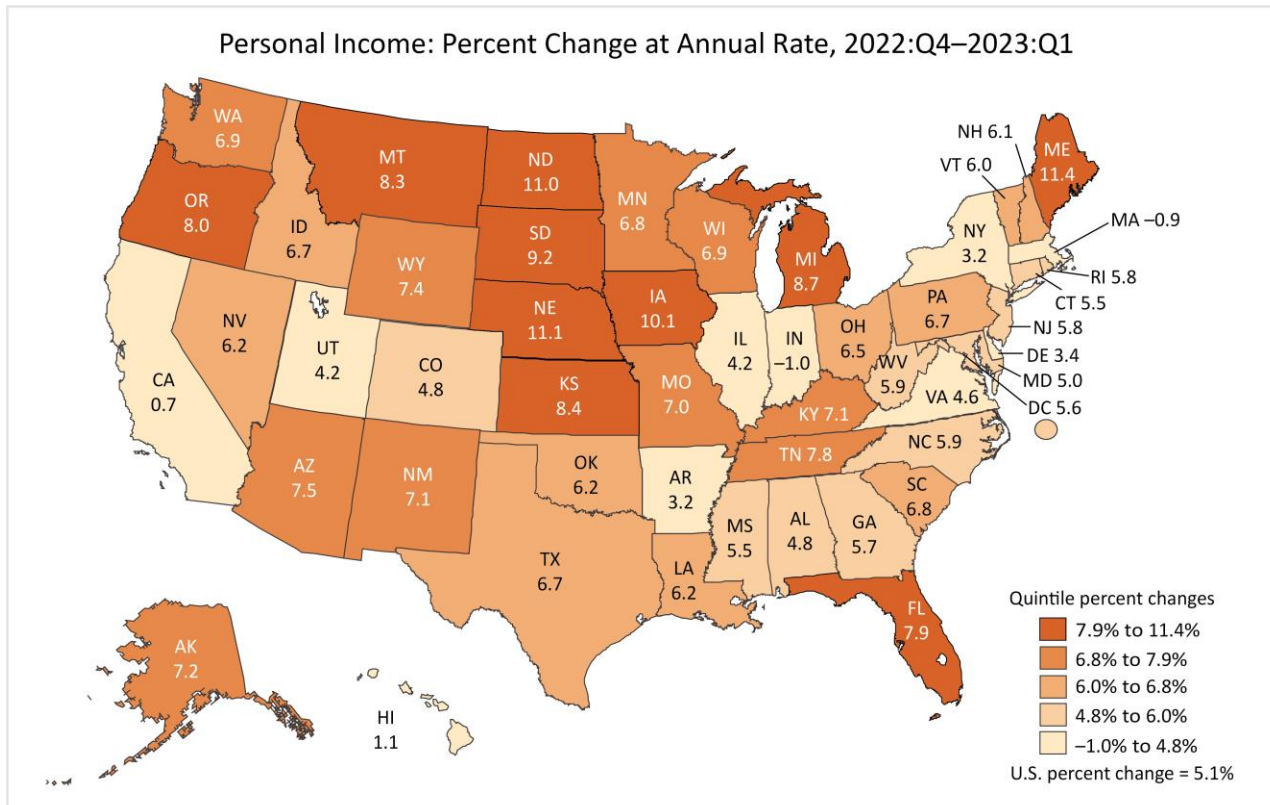
Almost all counties gained in Real GDP (62) between 2019 (the pre-pandemic year) and 2021. The 5 counties that posted actual losses were: DeSoto, Glades, Hamilton, Taylor, and Wakulla.



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

- Miami-Dade 14.75%
- Broward 10.19%
- Orange 9.21%
- Hillsborough 8.88%
- Palm Beach 8.20%

Florida's Personal Income...

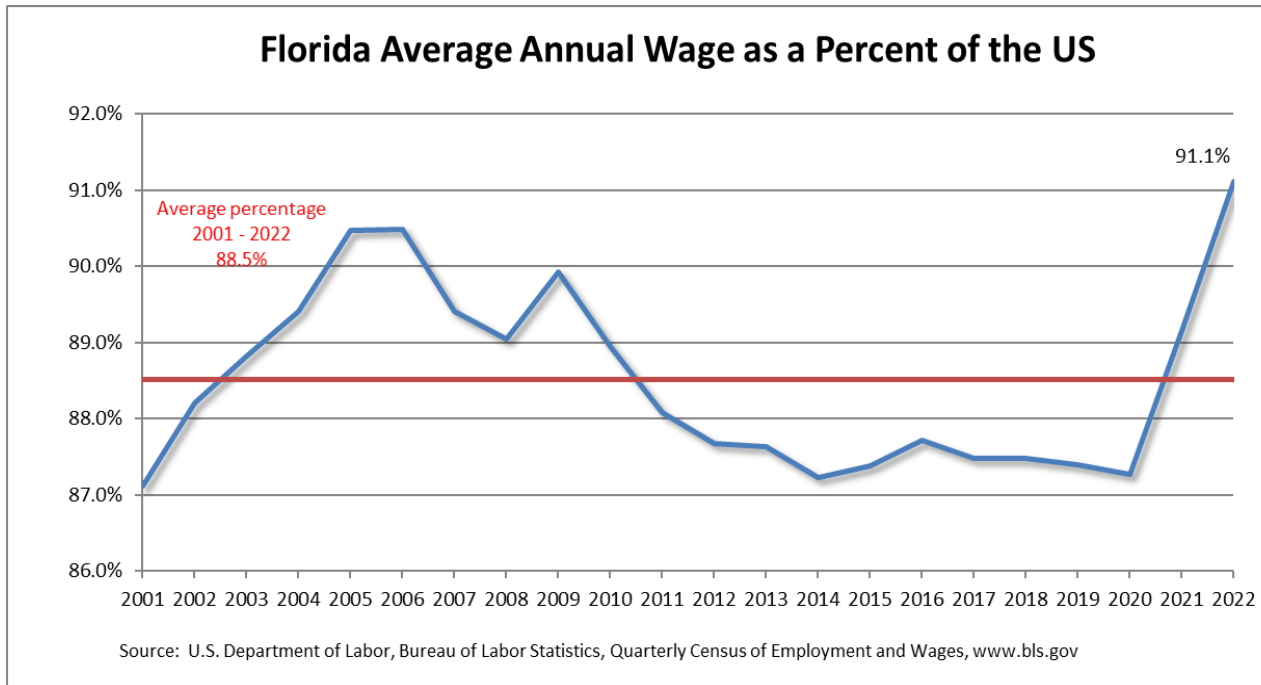


In the 1st Quarter of 2023, Florida's personal income growth was ranked 10th in the nation with a 7.9 percent change at an annual rate. The United States as a whole had quarterly growth of 5.1 percent.

U.S. Bureau of Economic Analysis

Buttressed during the pandemic by an infusion of federal dollars into Florida's households, Florida's Personal Income grew 6.6 percent in Fiscal Year 2019-20 and grew another 8.0 percent in Fiscal Year 2020-21. Fiscal Year 2021-22 saw moderately lower growth of 4.9 percent as the benefit from workers returning to their jobs or leveraging the tight labor market into better paying opportunities competed with the end of federal relief measures. The Economic Estimating Conference anticipates that the state's income expanded at a strong 7.8 percent in Fiscal Year 2022-23, largely on the continuing strength of salary growth. Thereafter, personal income growth will step down to 5.6 percent in Fiscal Year 2023-24 and 5.9 percent in Fiscal Year 2024-25, before gradually declining to a more characteristic 4.2 percent per year.

Wage Gap Markedly Narrows in 2022...



Wage growth since the onset of the pandemic has been distorted by the extreme ups and downs in employment, especially among lower-wage service workers in the leisure and hospitality industry who were the hardest hit. As they came back to work in large numbers in 2021 and 2022, wages appeared to grow at record levels, but the pure growth rates are somewhat misleading.

Calculating Florida's average annual wage relative to the US average cures some of these issues, providing a cleaner picture of how the state is faring. In the first two decades of this century, Florida's average annual wage was below the US average. The most recent data shows that the state's average percentage had fallen from 2016 when it was 87.7% to 87.3% in 2020.

This picture changed in 2021 when Florida moved above its longer run average of 88.5% to 89.2%. In that year, Florida had a 4.9% increase in the number of jobs in covered employment, but a 13.2% increase in total wages. Preliminary data for 2022 indicates that the relationship to national wages has continued to transform—hitting a ratio of 91.1%, the highest over the past two decades. Moreover, Florida had a 5.6% increase in the number of jobs in covered employment and an 11.7% increase in total wages. The highest annual wage ratio was in the accommodation and food services industry at 110.4% of the US average. The peak for this industry ratio occurred in 2006 at 111.8%. In 2022, the accommodation and food services workforce size was 109.0% of the prior year and 98.3% of 2019 (the last year unaffected by COVID).

Current Employment Conditions...

July 2023 Nonfarm Jobs (YOY)

US: 2.2%

FL: 3.2%

At the onset of the COVID pandemic, employment dropped by almost 1.3 million jobs from February 2020 to April 2020, a decline of 14.1 percent. In July 2023, Florida exceeded the pre-pandemic level (February 2020) by 704,000 jobs, a gain of 7.8%.

July 2023 Unemployment Rate

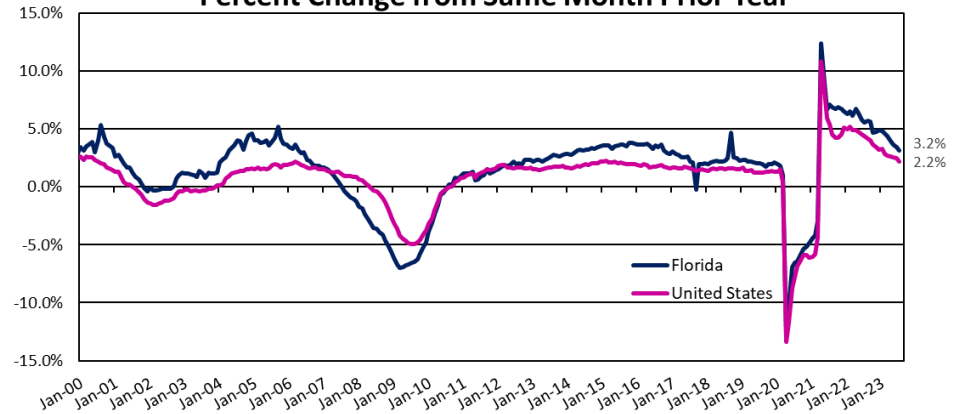
US: 3.5%

FL: 2.7% (295,300 jobless persons)

The Economic Estimating Conference assumes the “full employment” unemployment rate is about 4 percent.

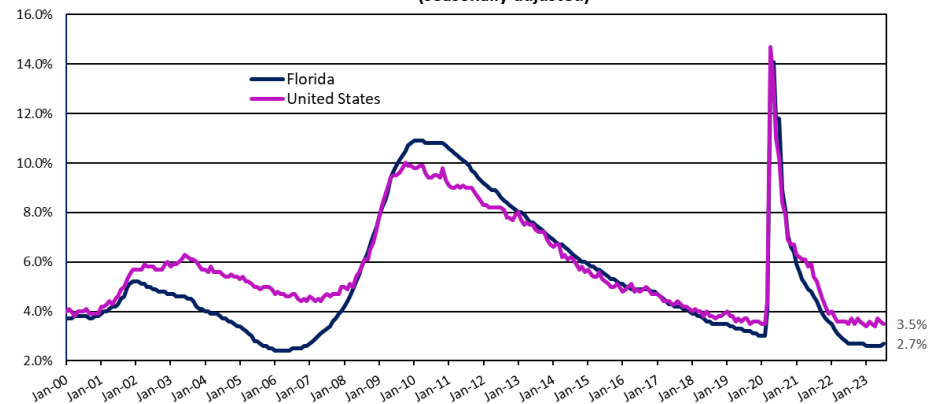
Florida’s unemployment rate had been below 4.0 percent from January 2018 through February 2020. With the onset of the pandemic, the unemployment rate spiked to 14.1 percent in May 2020, handily surpassing the prior peak rate of 10.9 percent experienced in the first four months of 2010 during the Great Recession.

**Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year**



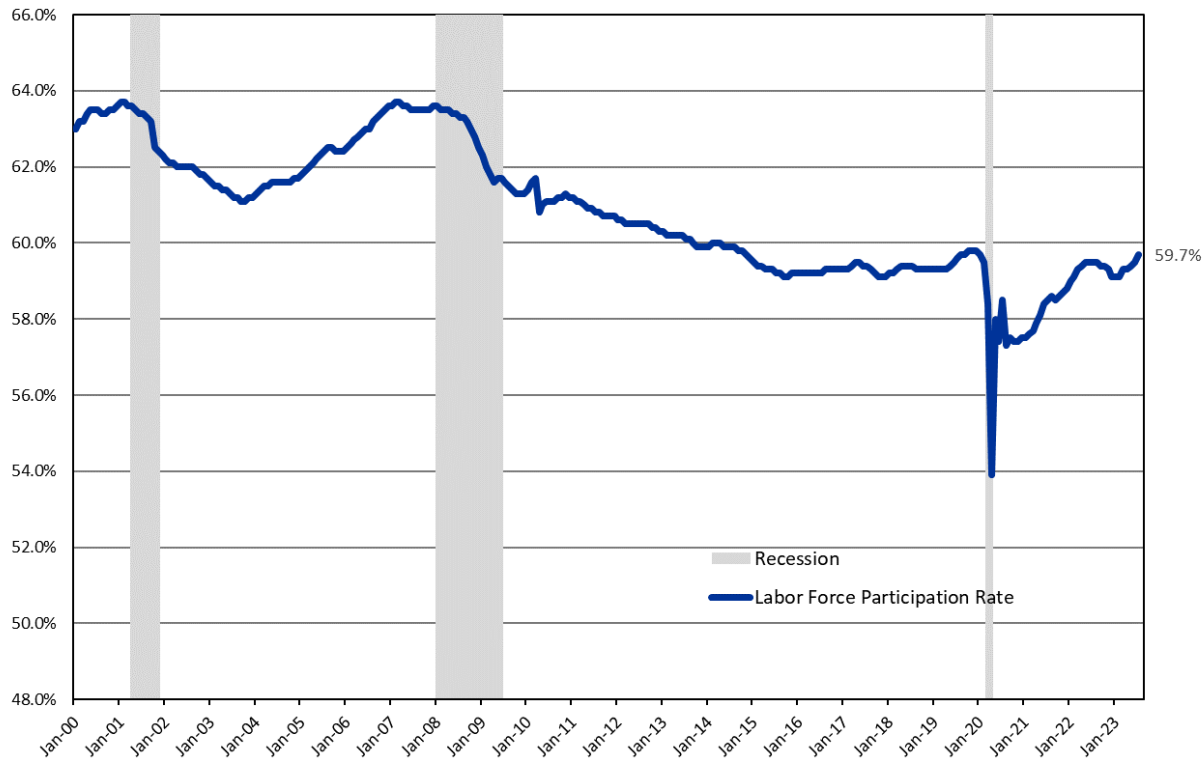
Source: Florida Department of Commerce, Bureau of Workforce Statistics and Economic Research, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, August 18, 2023.

**United States and Florida Unemployment Rates
(seasonally adjusted)**



Source: Florida Department of Commerce, 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, August 18, 2023.

Florida's Participation Rate Back to Expected...

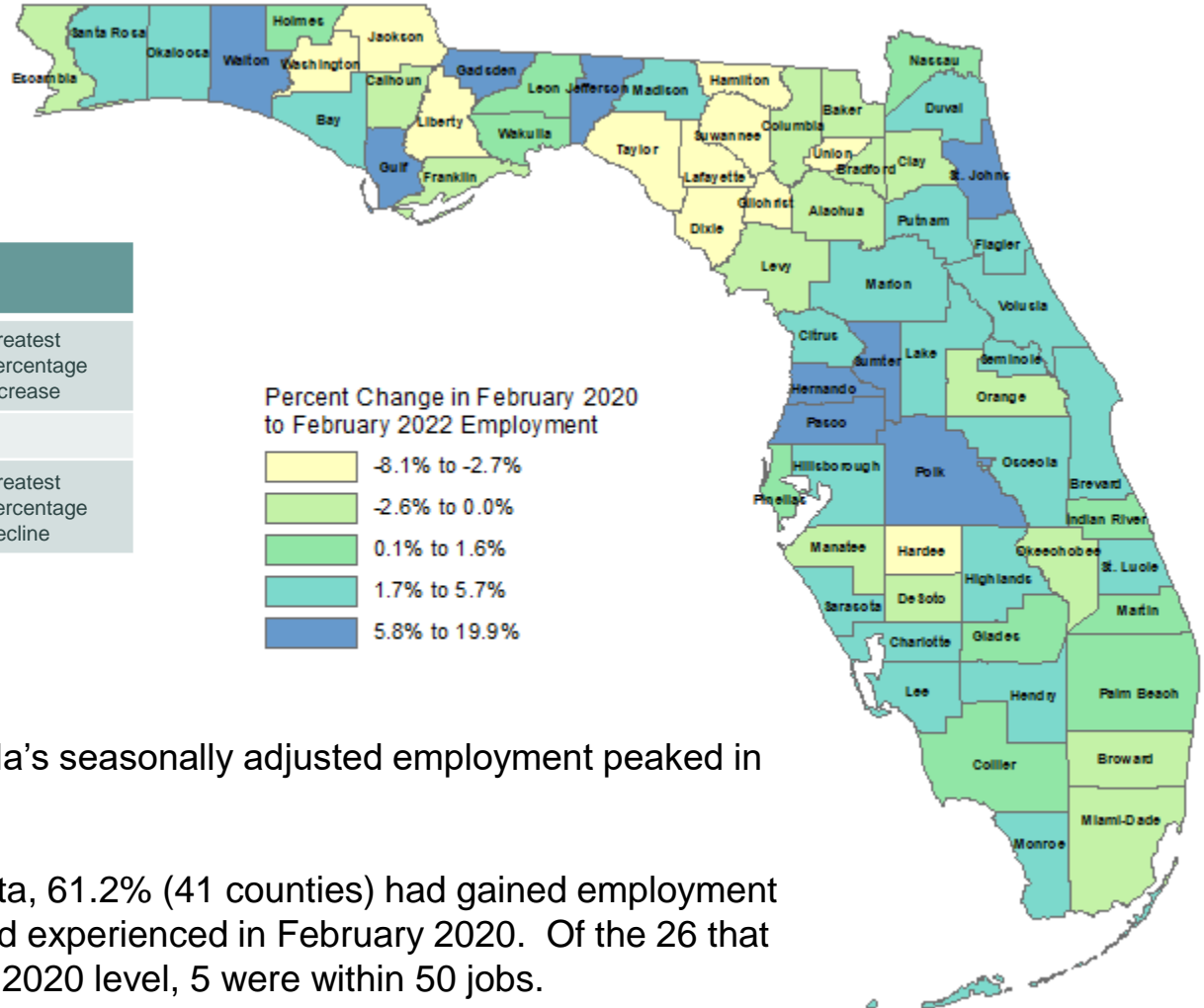


Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas, released August 18, 2023.

Florida's labor force participation rate last peaked during the Housing Boom at 63.7% (February and March 2007). During the twelve months prior to the pandemic, Florida's participation rate averaged 59.6%; however, once the pandemic took hold in April 2020, the state's participation rate plummeted to 53.9%. Since then, Florida's participation rate has recovered, reaching 59.7% in July 2023.

Going forward, Florida's annual participation rate is expected to decline steadily from the 59.3% posted for all of FY 2022-23 to 56.3% in FY 2032-33, as the last of the Baby Boomers reach retirement age (age 65) in FY 2030-31.

County Employment Experience is Uneven...



Area	February 2020 to February 2022	
Gadsden County	19.9%	Greatest Percentage Increase
Florida	2.2%	
Liberty County	-8.1%	Greatest Percentage Decline

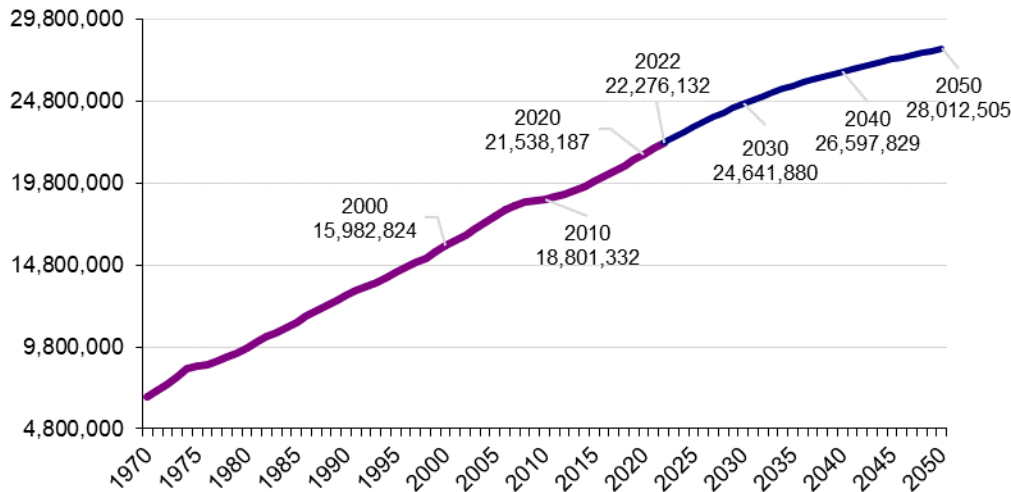
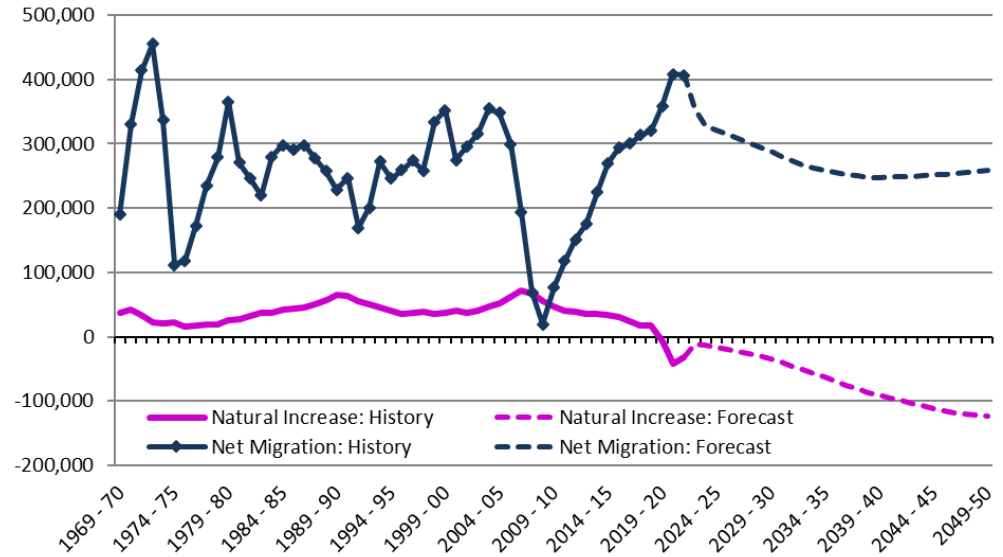
- Prior to the pandemic, Florida’s seasonally adjusted employment peaked in February 2020.
- Based on February 2022 data, 61.2% (41 counties) had gained employment relative to the levels they had experienced in February 2020. Of the 26 that did not reach their February 2020 level, 5 were within 50 jobs.

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 the level anticipated.
- In the three years since the 2020 Census, Florida's strong migration trends have continued. In the first two years alone, these gains increased population by over 700,000 net new residents—despite the losses in natural increase (more deaths than births). Between 2022 and 2030, growth is forecast to average 1.27% per year.
- Nationally, average annual growth is expected to be less than half of that level— about 0.64% between 2022 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...

In the past, Florida's population growth has largely been from net migration. Going forward, it will produce all of Florida's population growth, as natural increase is anticipated to remain negative with deaths outnumbering births.

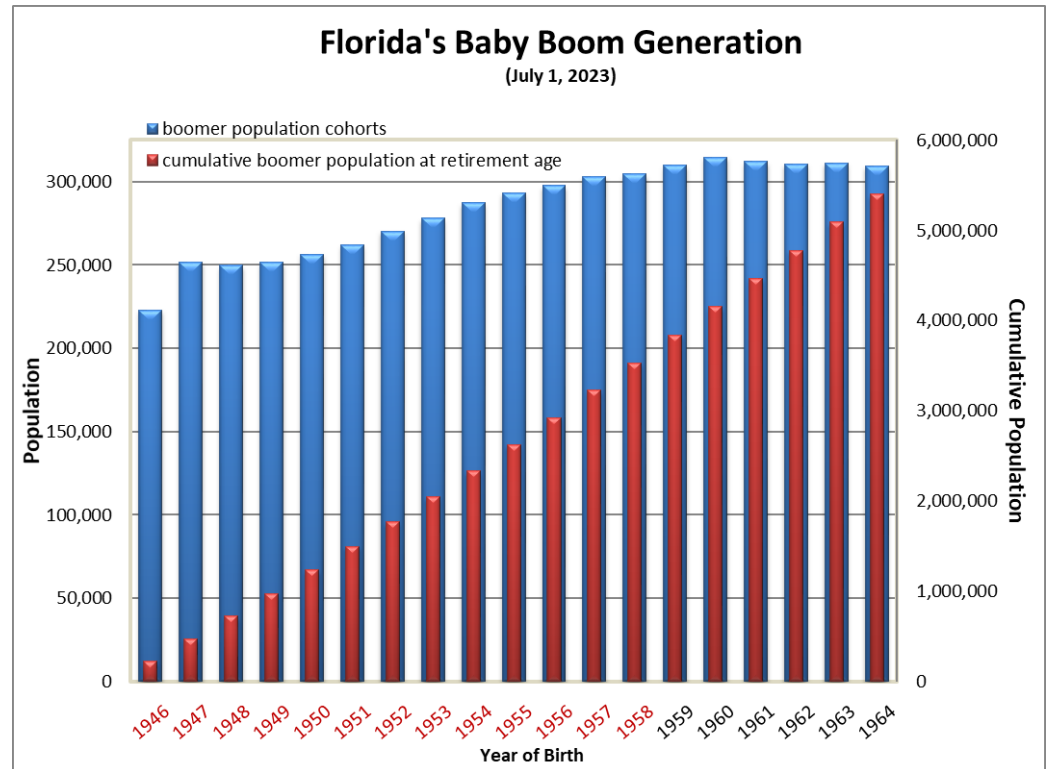


Florida's strongest April-over-April growth rate in this century was the year 2000 at 2.58%, but the largest numeric change occurred in 2005 (+403,332), immediately prior to the collapse of the housing boom and the beginning of the Great Recession. Just before and during the pandemic era, the April 1 growth rates were 1.64% (+348,338) for 2020, 1.67% for 2021 (+360,758) and 1.72% for 2022 (+377,187). Growth is expected to be 1.58% (+352,017) on April 1, 2023.

Baby Boomers in Context...

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

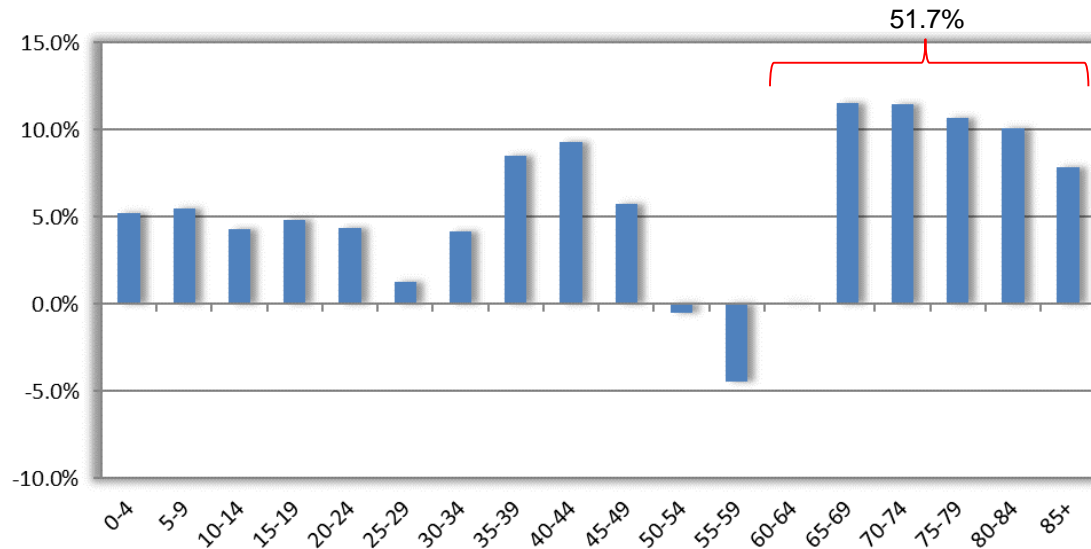
Population aged 65 and over is forecast to represent at least 24.4% of the total population in 2030, compared with 21.2% in 2020 and 17.3% in 2010.



- 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 dropped to 36.8% of Florida's total population in 2020 and is expected to represent only 35.8% by 2030.
- The youngest population group, 0-17, represented 22.8% of the total population in 2000. In 2020, only 19.5% of the total population was in this age group, and its share is projected to be about the same in 2030.

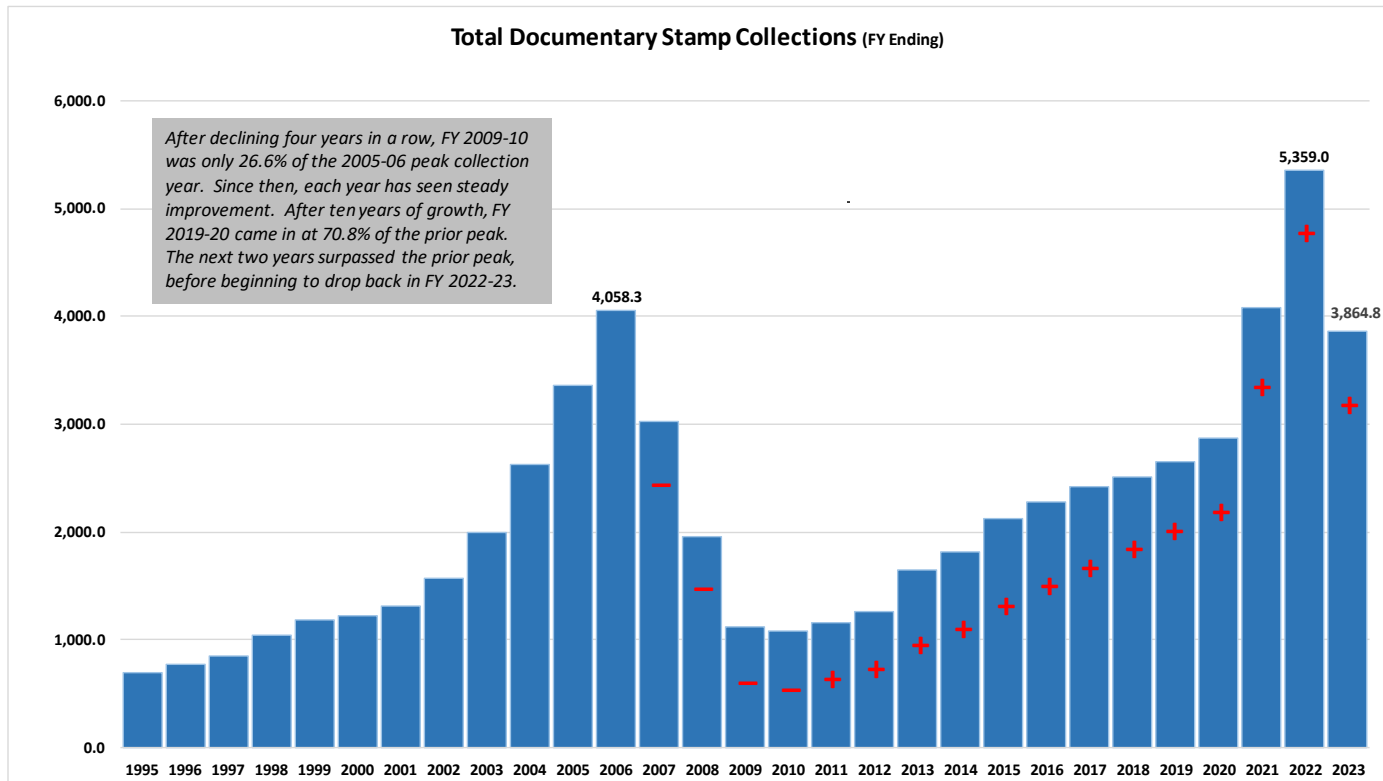
Population Growth by Age Group...

Distribution of Growth by Age Group
between April 1, 2020 to April 1, 2030



- As a result of both net migration and natural increase, Florida is forecast to grow by over 3.1 million persons between 2020 and 2030.
- Growth by age group depends upon this overall growth and the aging of resident population, resulting in 51.7% of those gains occurring in the older population (age 60 and older).
- Florida's younger population (age 0-17) will account for 17.8% of the gains, while the younger working age group (25-39) will account for 14.0% of the growth.

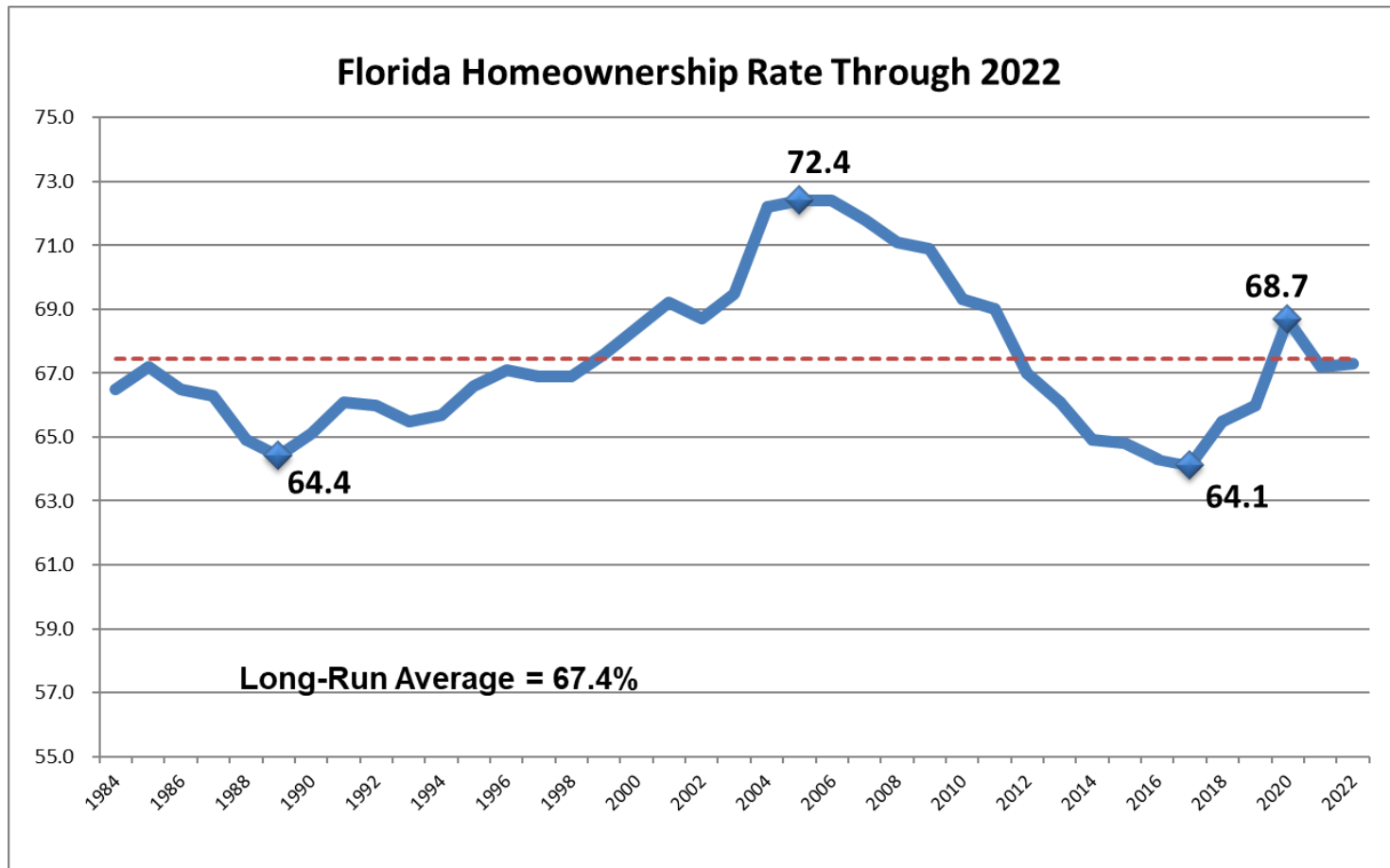
Florida Housing Market Soared during Low Interest Rate Period...



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 results for FY 2021-22 were even more eye-popping with collections soaring to nearly \$5.4 billion.

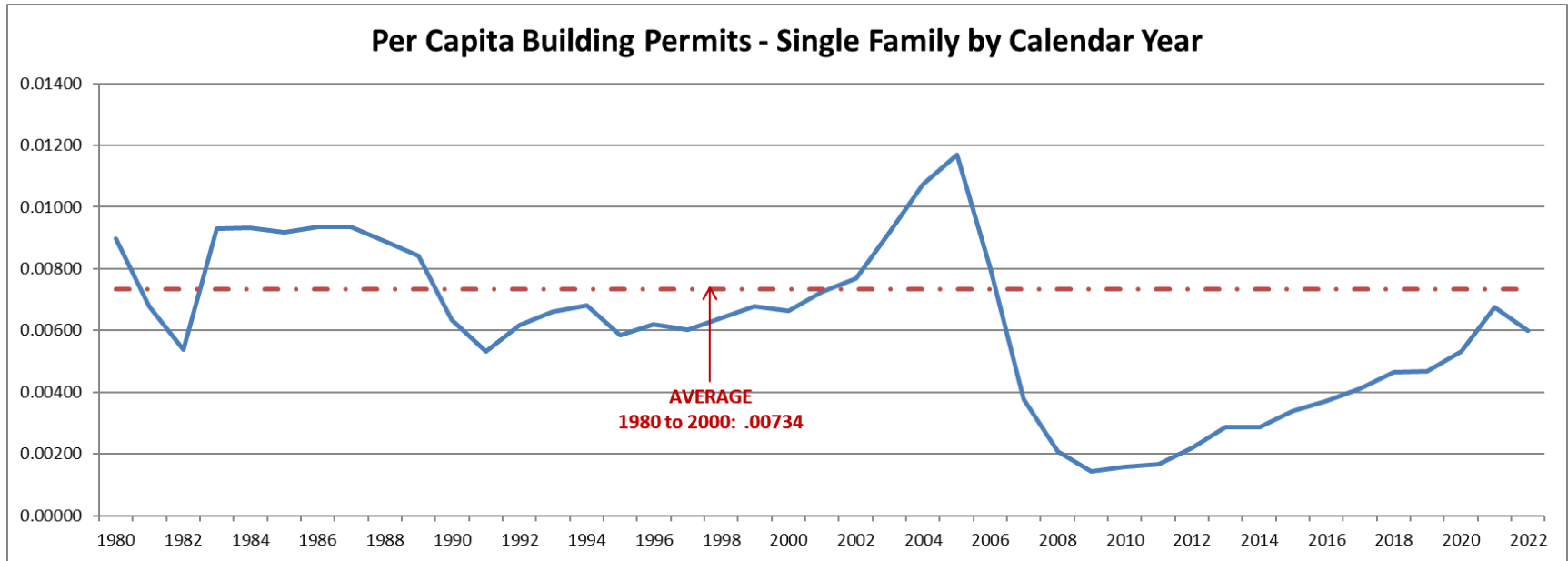
The market environment leading to this result was caused by the record low interest rates arising from the Federal Reserve's actions to stem the severity of the pandemic's economic disruption. As rates rise and affordability was increasingly an issue, Documentary Stamp Tax collections began to decline in FY 2022-23 (-27.9%). The Revenue Estimating Conference expects another decline of -10.0% in FY 2023-24, before more typical growth resumes throughout the remainder of the forecast.

Homeownership Rate at LR Average...



From 2012 to 2019, Florida was below its long-run average homeownership rate. As interest rates plummeted in 2020, the state moved quickly above the average, posting 68.7 percent for the year. A small correction began in 2021 (67.2) that continued into 2022 (67.3); however, the rates for both of those years are roughly equivalent to Florida's average since the inception of the series. Early 2023 data (through Q2) signals that this year will match 2022.

Permits Drift Slightly in 2022...



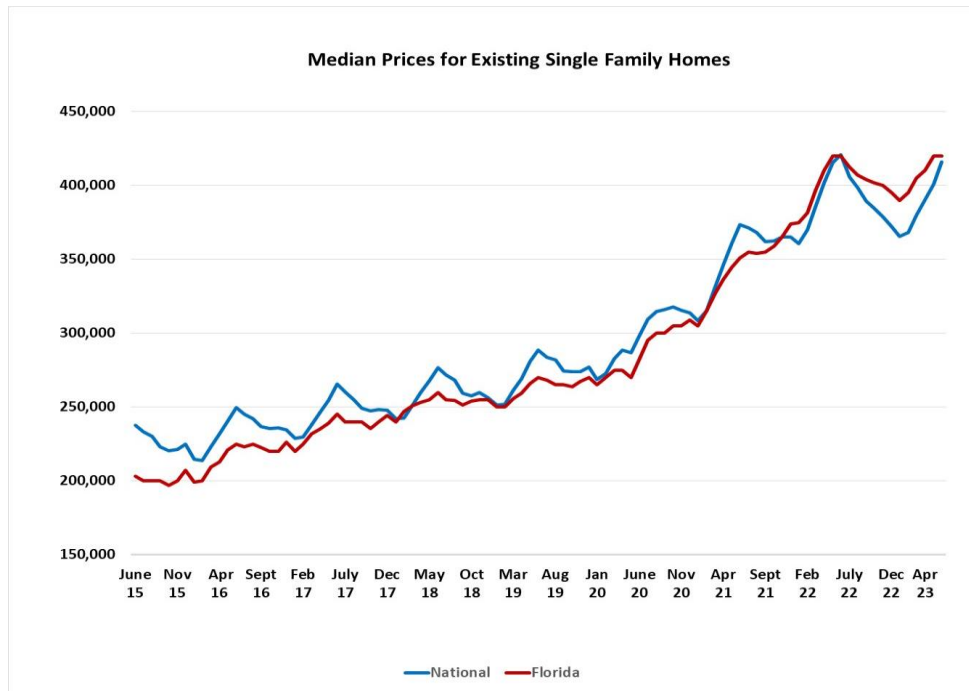
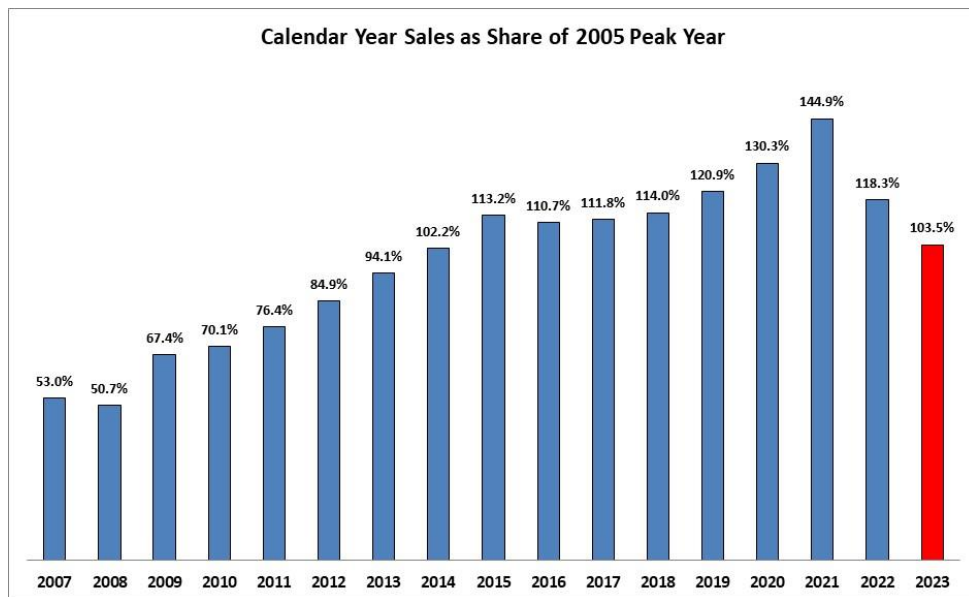
After the collapse of the housing market, single-family building permit activity, an indicator of new construction, first saw strong back-to-back growth in both the 2012 and 2013 calendar years (over 30% in each year). The final data for the 2014 calendar year revealed significant slowing—posting only 1.6% growth over the prior year. Nonetheless, 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 was 15.4% higher in 2020 and 29.1% higher in 2021, relative to the prior year. A decline in single-family permitting activity occurred in 2022 (-9.7%), the first time the series had turned negative since 2009.

The Economic Estimating Conference expects single-family starts (a closely aligned metric) to see significant declines in both the 2022-23 (-24.3%) and 2023-24 (-3.2%) fiscal years before resuming growth in FY 2024-25.

Existing Single Home Market

All metrics point to an existing home market that was overheated and is now in correction territory. Existing home sales volume in each of the calendar years from 2014 to 2022 exceeded the 2005 peak year, but the first six months of 2023 are markedly slowing, with several months posting lower sales than the already subdued prior year.

The story is different for sales price. Through November 2021, Florida's existing home price gains roughly tracked national gains, but generally stayed below the national median price. With the exception of only one month, Florida's median price moved above the national median from December 2021 through June 2023, reaching a peak of 107.31% in February 2023. At roughly \$420,000 in May and June 2022 and May and June 2023, Florida has set and met a new record high, but prices are expected to decline -2.1% in FY 2023-24.



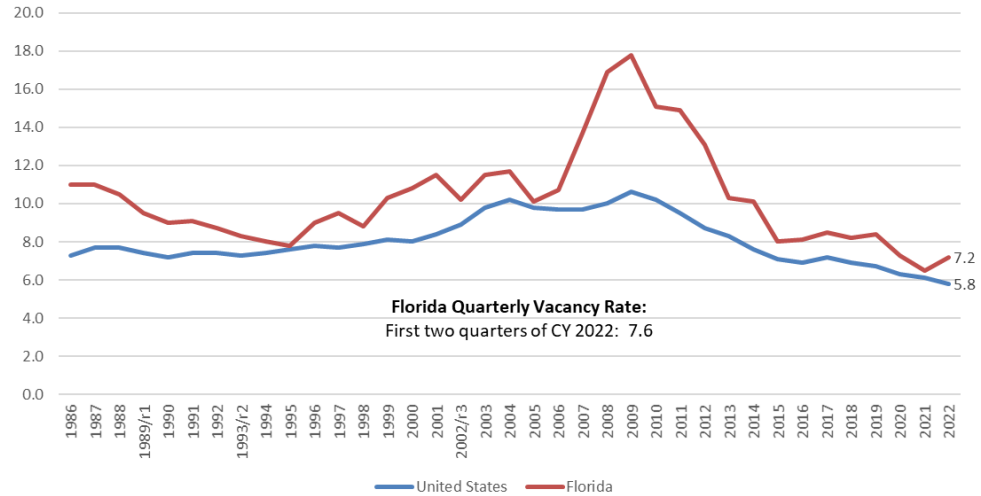
Data through June 2023

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%
2021	1,191	1,348	113%	1,341	1,429	107%

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2006-2021

Challenging housing costs and shifting preferences among Millennials caused residential rental vacancies to tighten strongly over the seven-year period running from 2015 through 2021, with price pressure building over the same period. However, the overall share of Florida’s population living in rentals began to drop as homeownership rose, a situation that now appears to be reversing.

Rental Vacancy Rates
Long-run Average Percent: US---8.1; FL---10.3

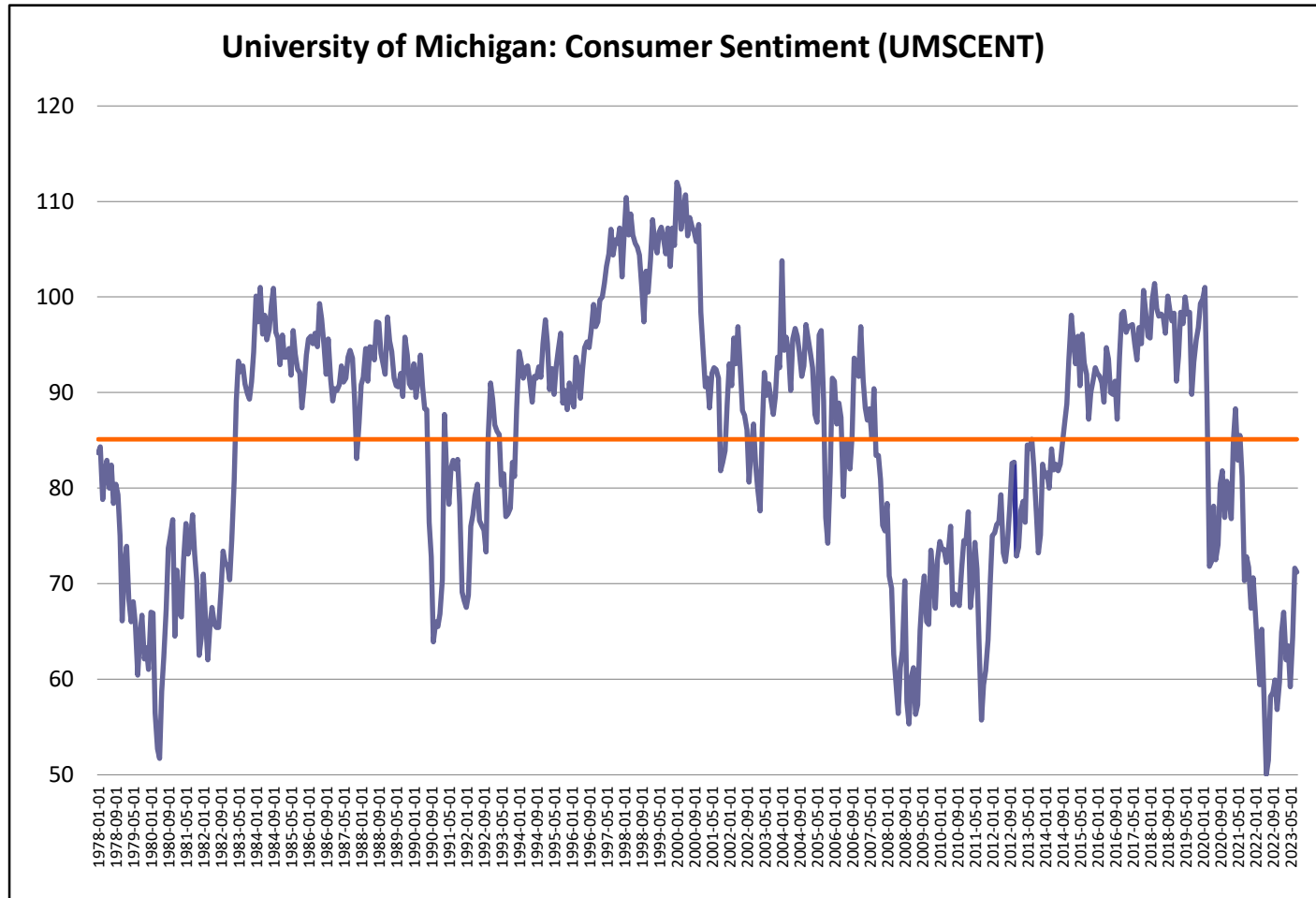


Florida Renter Fraction

Date	US	Florida
2021	34.61%	32.61%
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%

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2009-2021

Consumer Perceptions Still Subdued



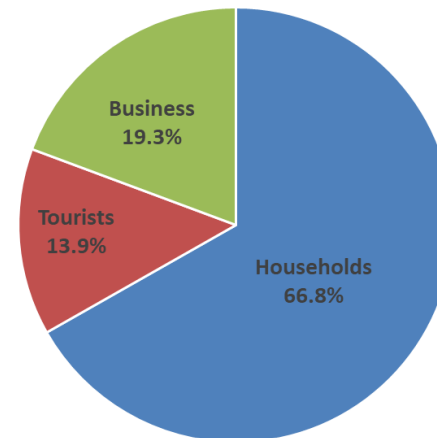
Nationally, the sentiment reading for June 2022 (50.0) dropped to its lowest point since the current series began and well below the Great Recession depths. The lowest point prior to June 2022 was May 1980 at 51.7 during a period with high inflation, rising interest rates, high unemployment and a recession induced in part by the 1979 energy crisis. Over the past fourteen months, consumer sentiment has improved to 71.6 in July 2023 and 71.2 in August 2023, but still remains below its long-run average (85.1).

Tourism Recovery Continues

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. The total number of tourists plunged nearly -70.0 percent from the prior year in the second quarter of 2020. The magnitude of this loss caused the entire 2019-20 fiscal year to record a -18.3 percent decline in tourists from the prior year. The damage continued in FY 2020-21, leading to an additional -8.0 percent loss from the prior year's already suppressed level—a combined -26.3 percent decline from the 2018-19 record-breaking year. By FY 2021-22, the outsized increase in domestic visitors offset some of the international losses, leading to growth of 39.0 percent over 2020-21 and growth of 4.0 percent over the prior peak. Slowly returning to a more normal mix of visitors, the 2022-23 fiscal year saw growth of 4.5 percent, with additional strength expected in 2023-24 (5.5 percent growth). The annual growth rates moderate thereafter, gradually declining from 4.4 percent in 2024-25 to 3.0 percent in 2032-33; however, the new forecast levels never exceed the pre-pandemic forecast levels for those years.

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 2020-21, sales tax collections provided nearly \$27.2 billion or 74.9% of Florida's total pandemic-impacted General Revenue collections for the year. Of this amount, an estimated 13.9% (\$3.8 billion) was directly attributable to purchases made by tourists or temporary residents.

Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2020-21, By Source



General Revenue...

Fiscal Year	Post Session Forecast	August 2023 Forecast	Difference	Percentage Change	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	44035.7					21.4%
2022-23	46,243.8	47,327.8	1,083.9		3,292.1	7.5%
2023-24	44,097.3	45,664.4	1,567.1		(1,663.4)	-3.5%
2024-25	46,221.6	47,424.2	1,202.6		1,759.8	3.9%
2025-26	47,632.9	48,586.8	953.9		1,162.6	2.5%
2026-27	49,015.2	49,934.8	919.6		1,348.0	2.8%
2027-28	50,532.8	51,451.3	918.5		1,516.5	3.0%
2028-29	-	52,924.5	-		1,473.2	2.9%

The new state and national economic forecasts adopted in July 2023 were little changed from those adopted in February 2023, although that forecast had assumed a mild recession in the first and second quarters of 2023 that failed to materialize. Economic disruption is still evident, with varied impacts on household savings, the elevated use of credit, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Explained in part by the recession's failure to materialize, revenue collections have exceeded expectations since the last conference. General Revenue collections across all sources were \$1,083.9 million or 2.3 percent over the estimate for the year.