

Florida: An Economic Overview

August 24, 2022

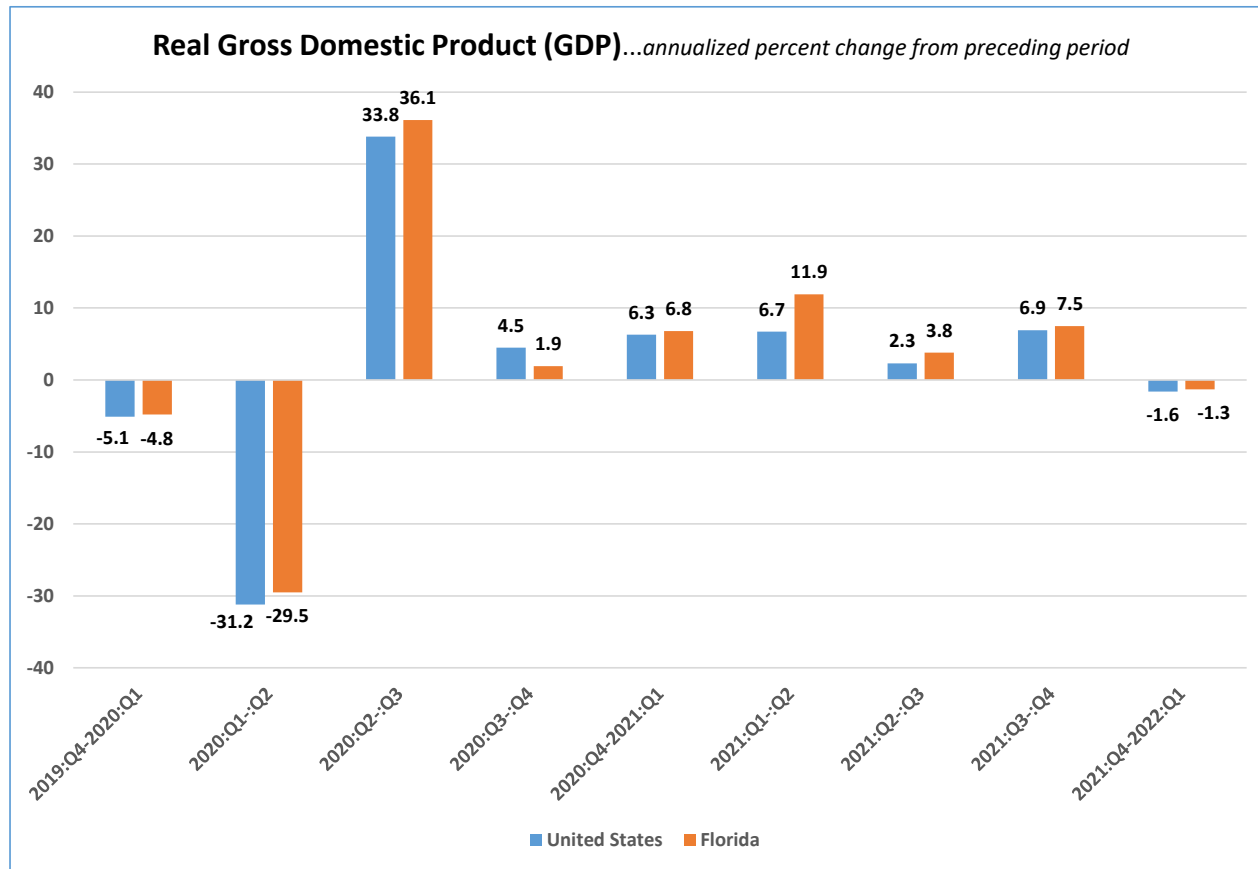
Presented by:



(Based on data available or adopted during the Summer 2022 Estimating Conferences)

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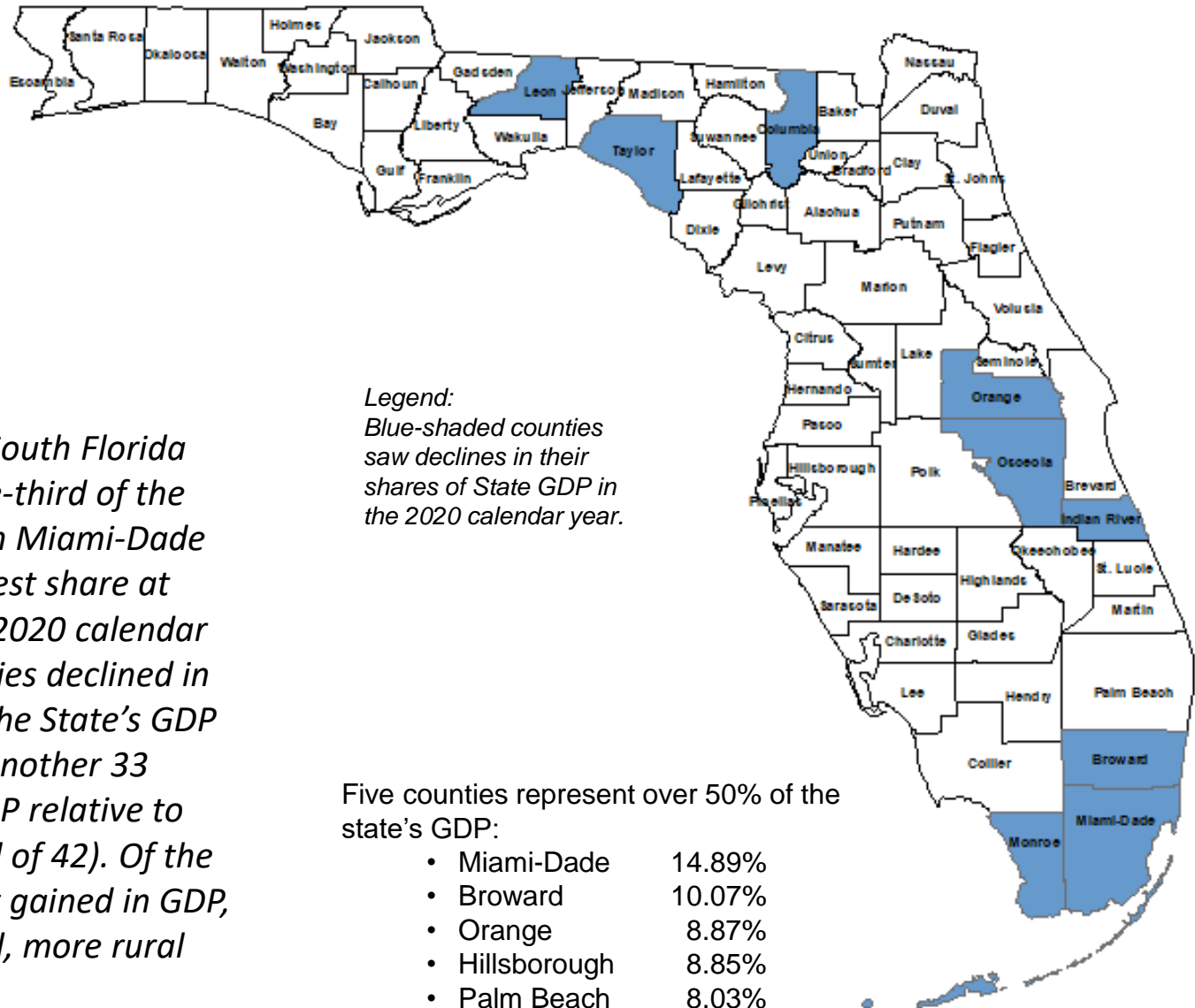
Florida GDP Since Inception of COVID...



In the 1st Quarter of 2022, Florida's growth was ranked 19th in the nation.

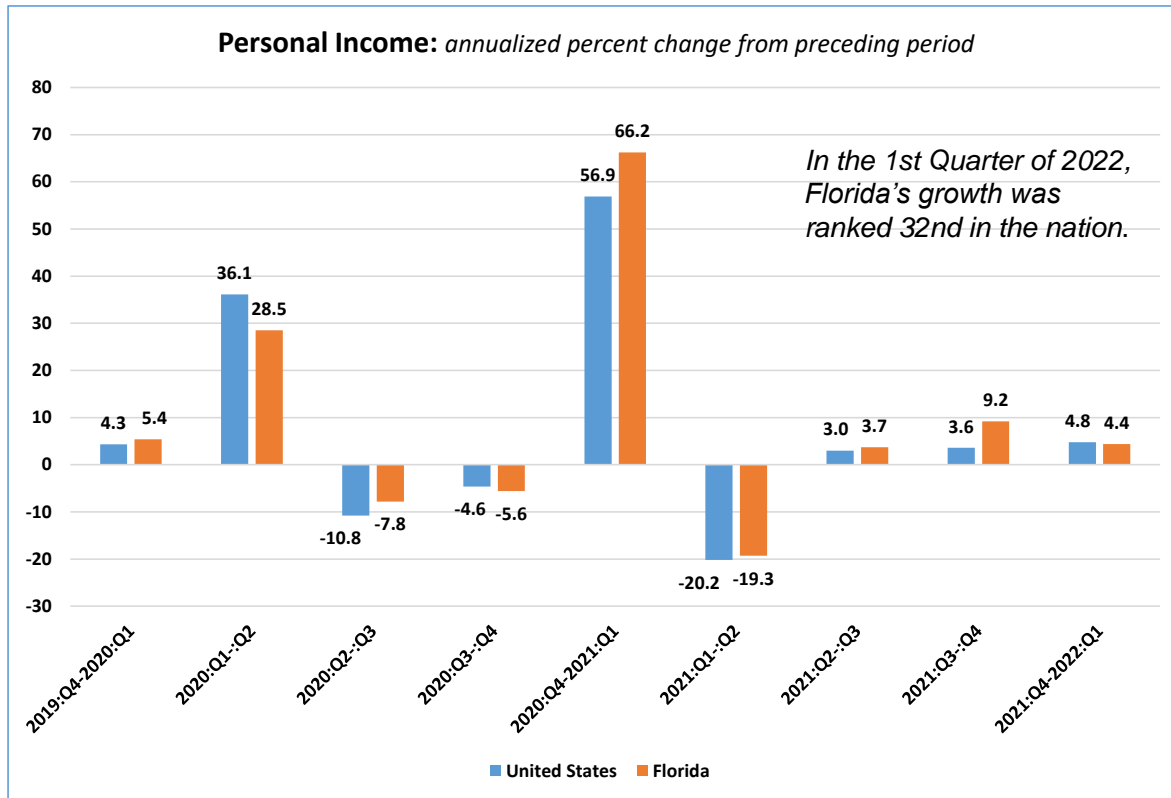
According to the latest revised data, Florida's quarterly GDP movements have generally mirrored the nation as a whole since the beginning of the pandemic. Buffeted by a series of economic shocks, the state's GDP slumped -0.5 percent in Fiscal Year 2019-20, grew 2.5 percent in Fiscal Year 2020-21, and expanded at more than double that rate (5.2 percent) in Fiscal Year 2021-22. The Economic Estimating Conference anticipates that the state's economy will expand only 1.0 percent this fiscal year as economic imbalances weigh down the economy, but beginning next year (Fiscal Year 2023-24), it will grow at a more characteristic 2.0 percent per year.

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.

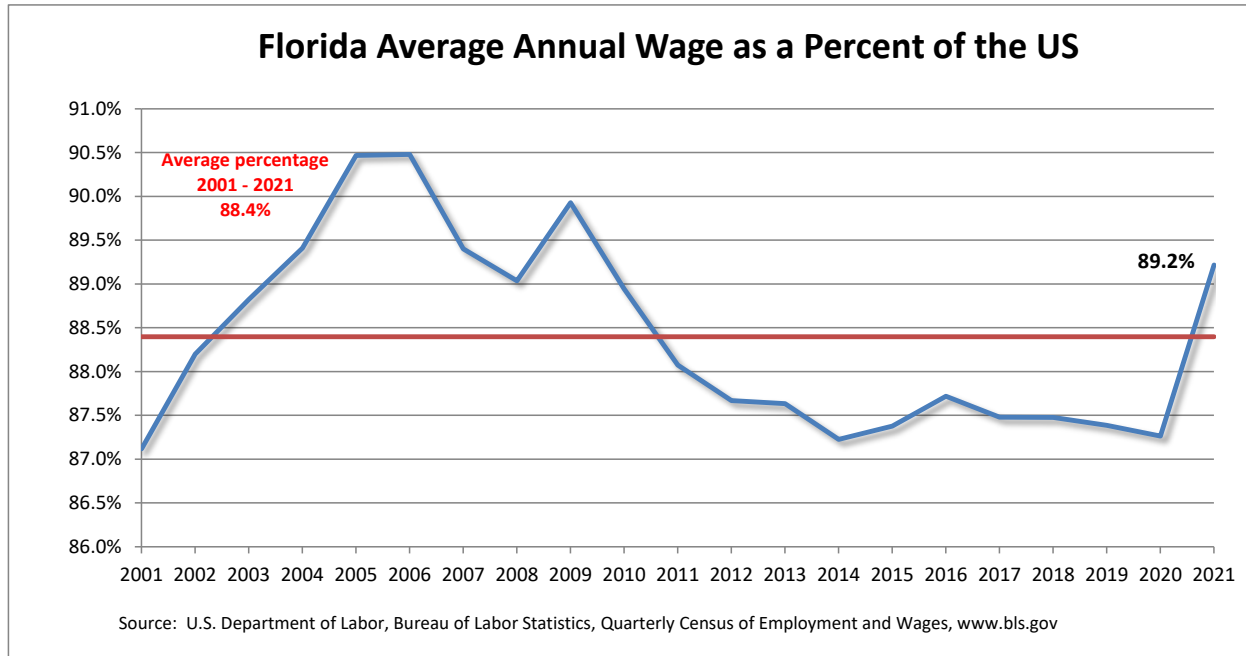
FL Personal Income Since Inception of COVID...



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 66.2 percent, largely due to two different federal stimulus and relief programs converging in the quarter.

As the federal support measures began to fade, the state's personal income plummeted to an annualized loss of -19.3 percent in the second quarter of the 2021 calendar year to produce a final growth rate for the 2020-21 fiscal year of 7.9 percent, the highest rate since 2015. Fiscal Year 2021-22 saw moderately lower growth of 5.5 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 expects growth of 6.4 percent in Fiscal Year 2022-23, largely on the continuing strength of salary growth. Thereafter, annual growth rates are expected to remain solidly at or above 4.0 percent.

Wage Gap Reduced in 2021...



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, 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. Since the beginning of this century, Florida's average annual wage has been below the US average. Data for the 2020 calendar year showed 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 88.4% to 89.2%. In that year, Florida had a 4.9% increase in the number of jobs in covered employment and a 13.2% increase in total wages. The highest annual wage ratio was in the accommodation and food services industry at 108.4% of the US average. The peak for this industry ratio occurred in 2006 at 111.8%. In 2021, the accommodation and food services workforce was 111.6% of the prior year and 90.2% of 2019 (the last year unaffected by COVID).

Current Employment Conditions...

June 2022 Nonfarm Jobs (YOY)

US: 4.3%

FL: 5.1%

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 June 2022, Florida exceeded the pre-pandemic level (February 2020) by 269,000 jobs, a gain of 3.0 percent.

June 2022 Unemployment Rate

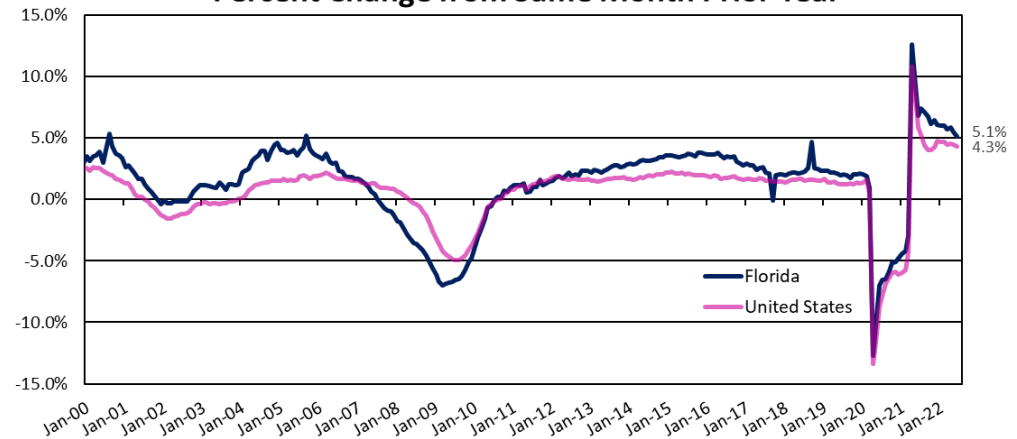
US: 3.6%

FL: 2.8% (302,900 jobless persons)

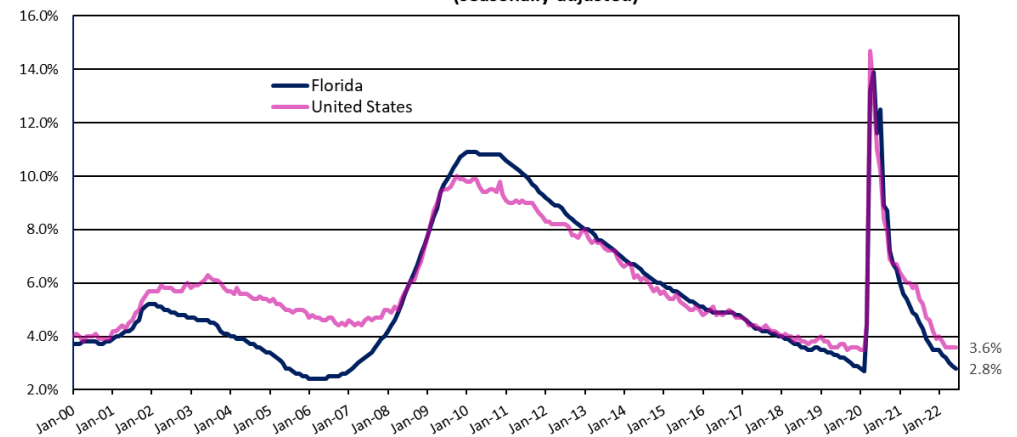
The Revenue Estimating Conference assumes the “full employment” unemployment rate is about 4 percent.

Florida's unemployment rate had been below 4.0 percent from February 2018 through February 2020. With the onset of the pandemic, the unemployment rate spiked to 13.9 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. Florida's unemployment rate is now approaching its lowest recorded rate in modern times: the first half of 2006 when it was 2.4 percent.

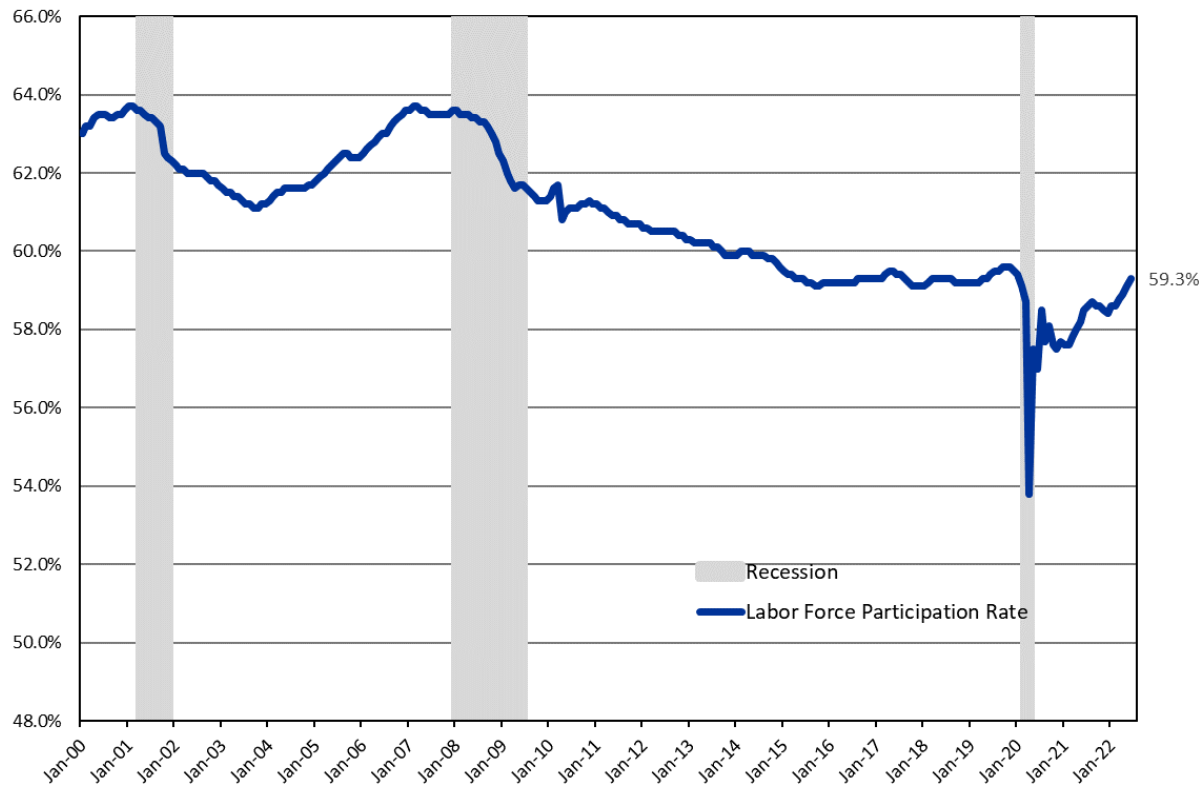
**Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year**



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



Florida's Participation Rate Has Improved...



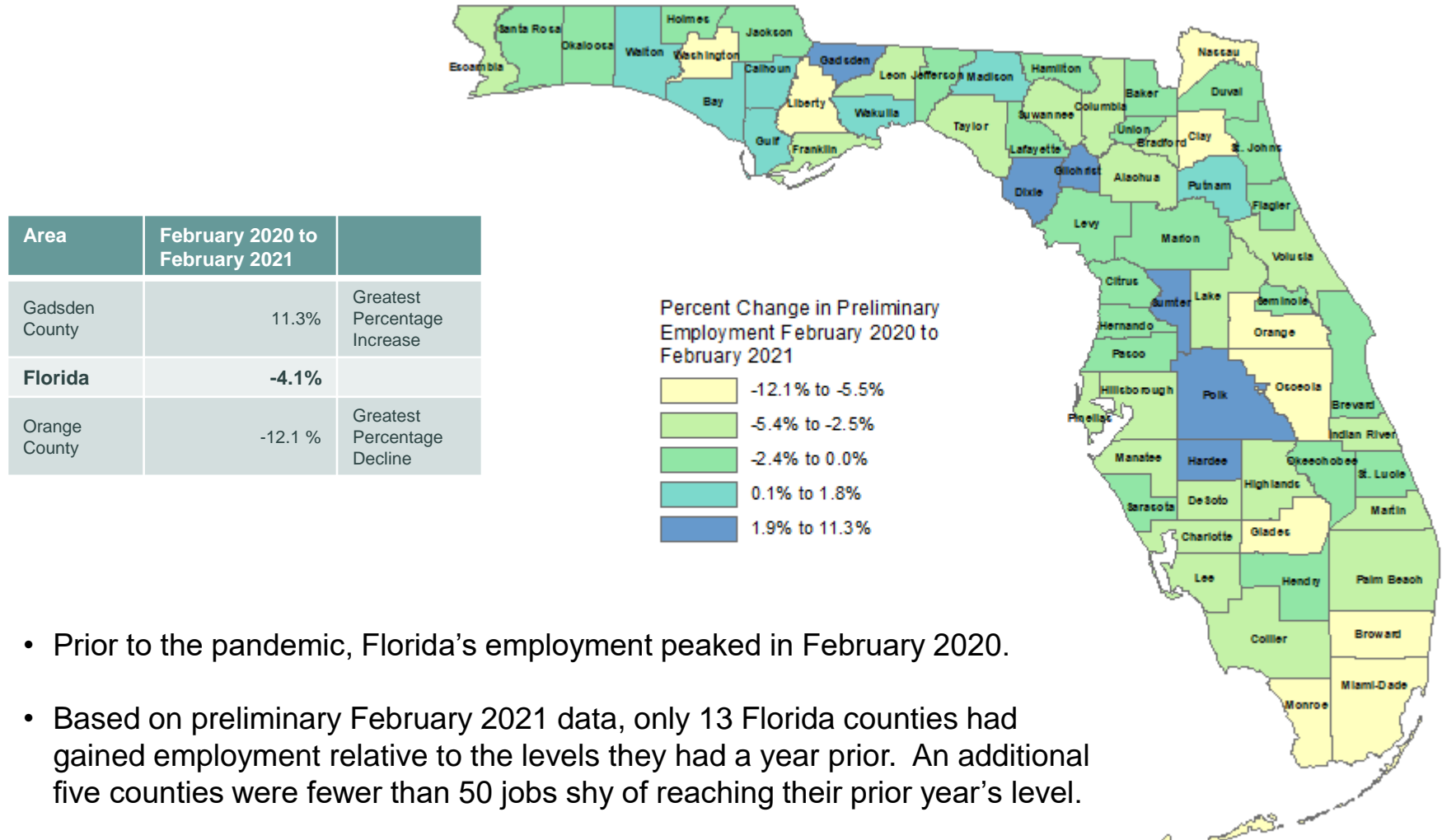
Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas, released July 22, 2022.

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 53.8% in April 2020. Since then, Florida's participation rate has rebounded, posting 59.3% in June 2022.

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 risen since that time, posting 62.2% in June 2022.

Going forward, Florida's annual participation rate is expected to steadily decline from the 58.5% posted for all of FY 2021-22 to 55.5% in FY 2031-32. The last of the Baby Boomers reach age 65 in 2030.

2021 Employment Below Pre-Pandemic Peak...



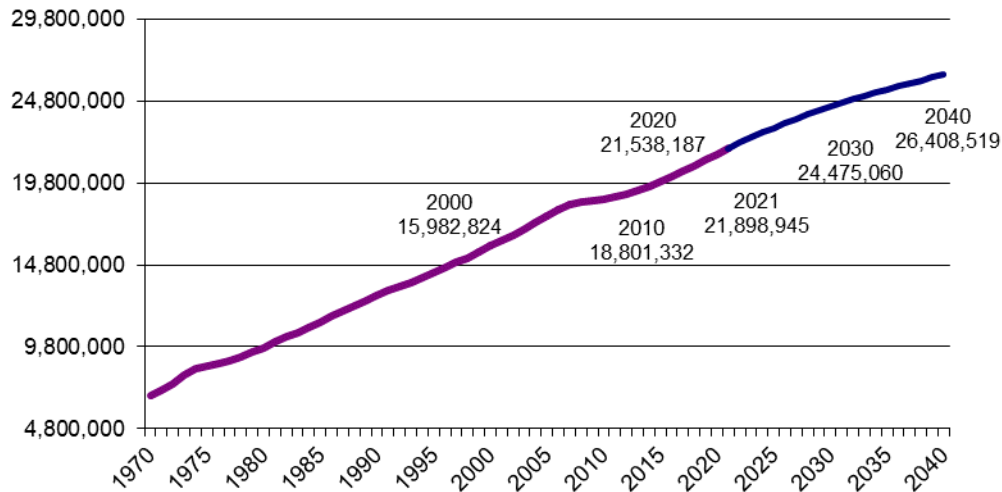
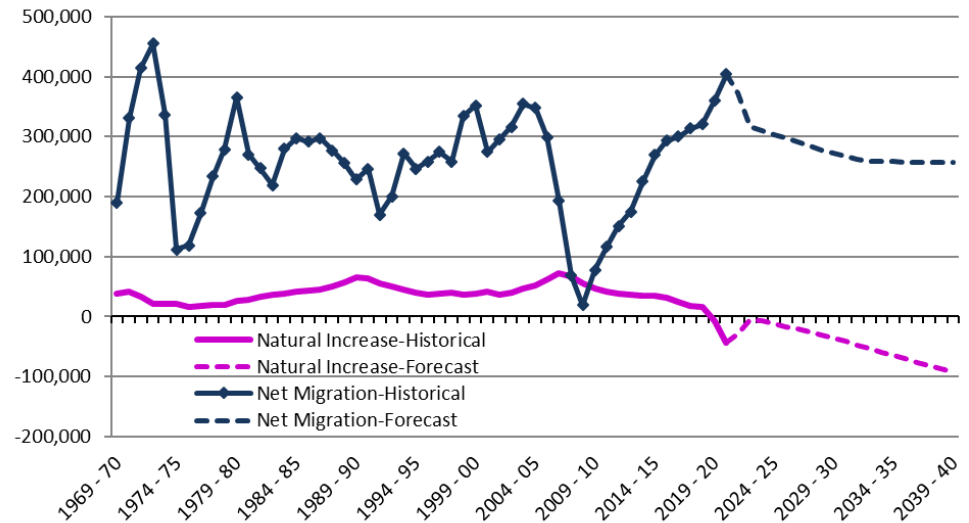
- Prior to the pandemic, Florida's employment peaked in February 2020.
- Based on preliminary February 2021 data, only 13 Florida counties had gained employment relative to the levels they had a year prior. An additional five counties were fewer than 50 jobs shy of reaching their prior year's level.

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 2030, growth is forecast to average 1.24%.
- 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.

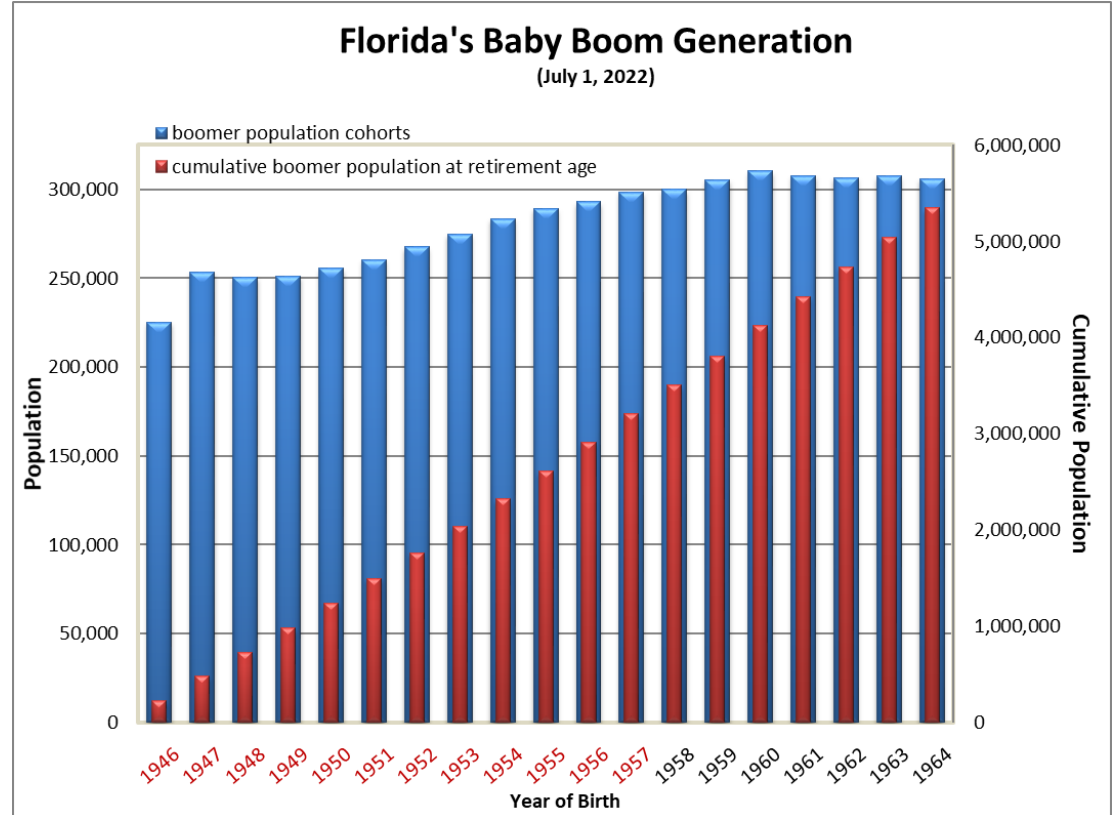


Despite the pandemic, Florida's population growth of 360,758 between April 1, 2020 and April 1, 2021 was the strongest annual increase since 2005-2006, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

Baby Boomers in Context...

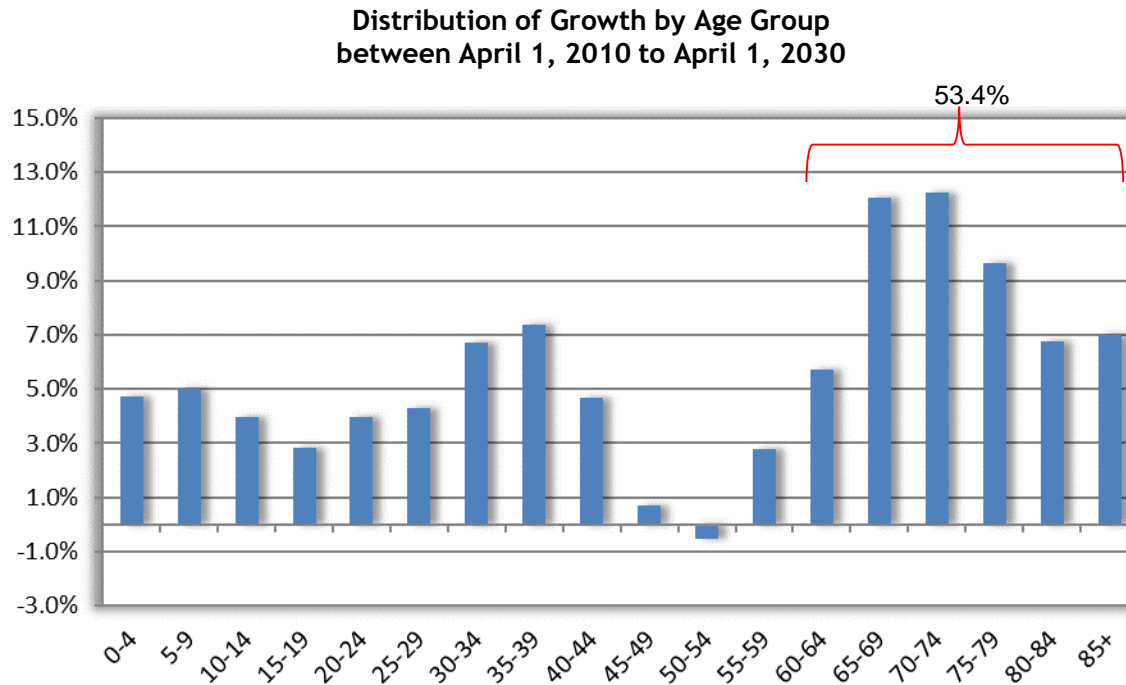
The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Twelve of nineteen cohorts have now entered the retirement phase. This represents almost 60% of all Baby Boomers.

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.



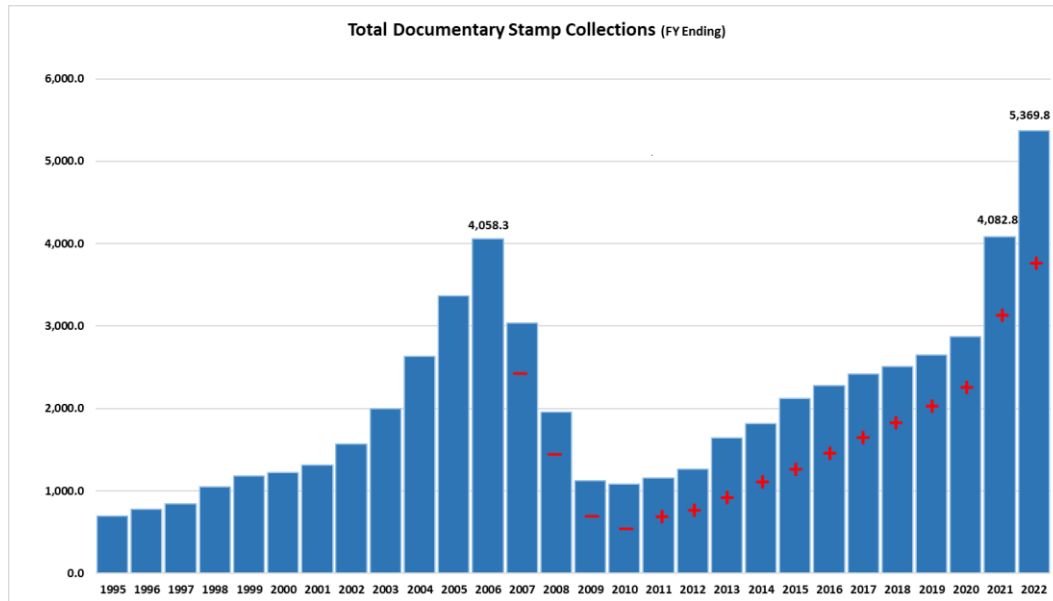
- In 2000, Florida's prime working age population (ages 25-54) represented 41.5% of the total population. With the aging Baby Boom generation, this population now represents 36.6% of Florida's total population and is expected to represent only 35.8% by 2030.
- The youngest population group, 0-17, represented 22.8% of the total population in 2000. In 2020, only 21.3% of the total population was in this age group, and its share is projected to continue declining to 19.9% by 2030.

Population Growth by Age Group...

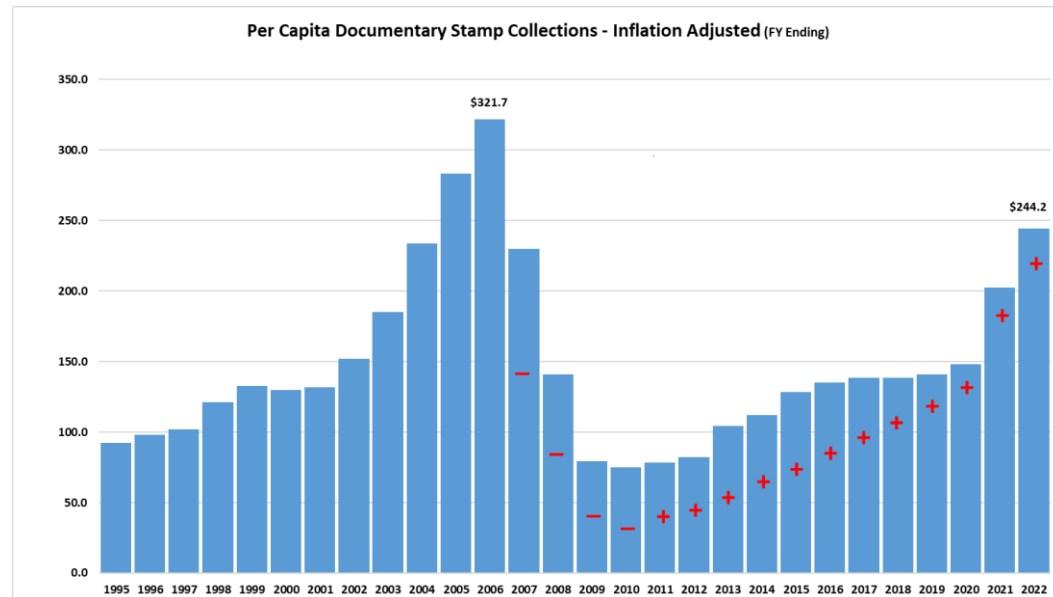


- As a result of both net migration and natural increase, Florida is forecast to grow by over 5.6 million persons between 2010 and 2030.
- Growth by age group depends upon this overall growth and the aging of resident population, resulting in 53.4% of those gains occurring in the older population (age 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 Low Interest Rate Period...



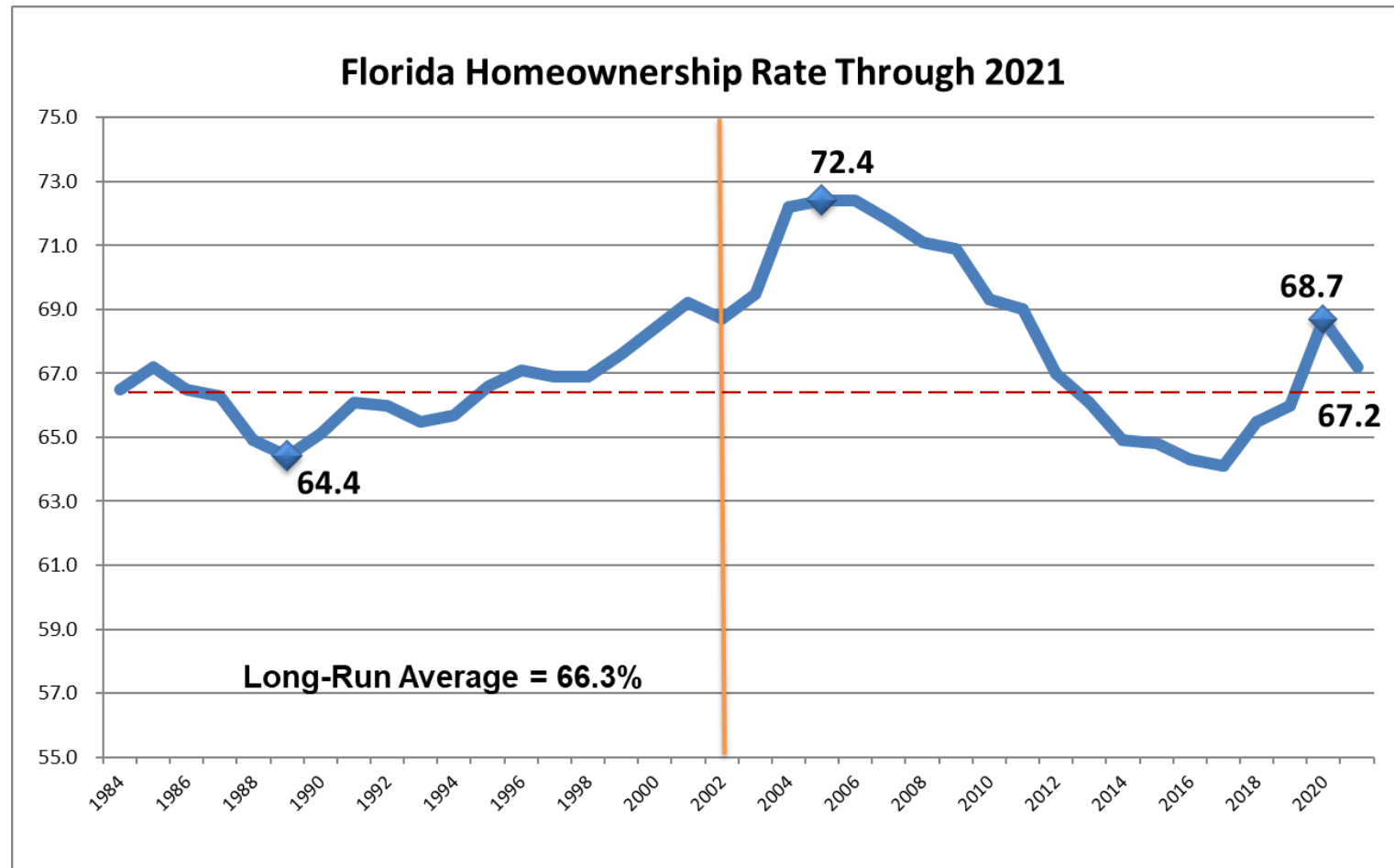
Documentary Stamp Tax collections in FY 2020-21 topped the FY 2005-06 peak reached at the height of Florida's housing boom. This milestone was particularly remarkable considering the prior year (FY 2019-20) registered only 70.8 percent of that level after steadily increasing for ten years from a low 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.

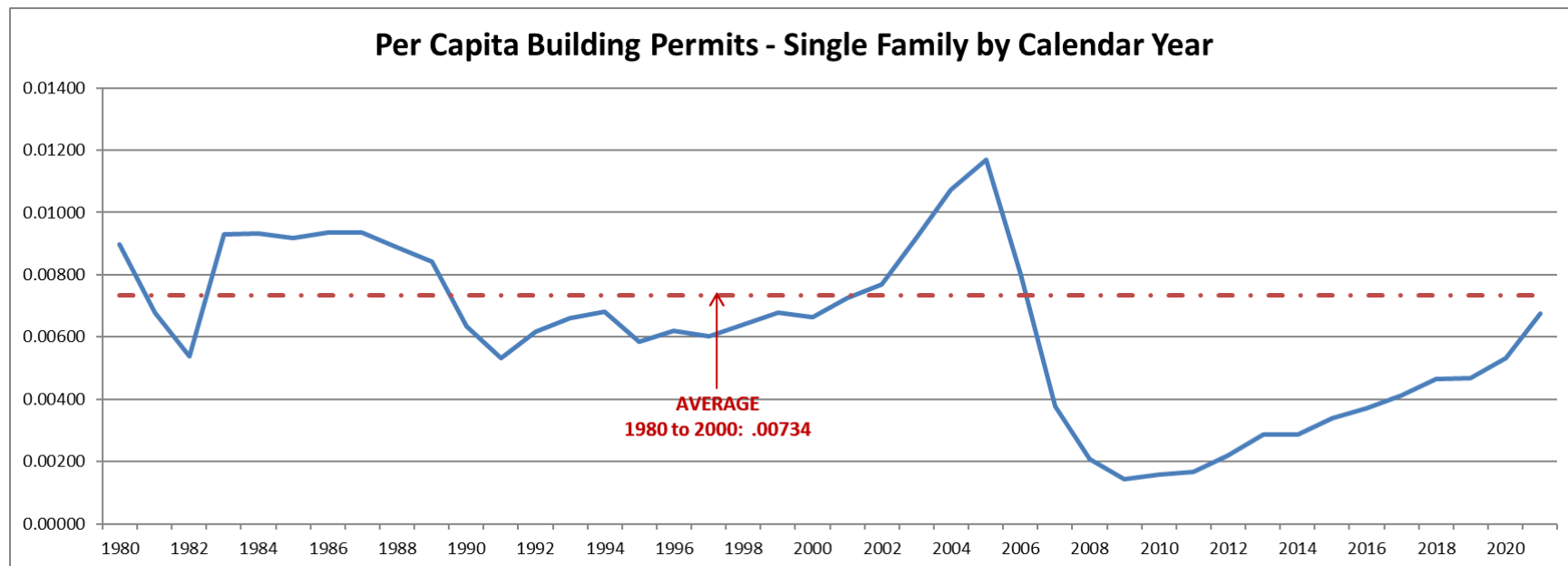
While FY 2021-22 set a record-breaking nominal level for collections, after adjusting for inflation and population growth, the shape of collections since FY 1994-95 tells a somewhat different story of the relative magnitude of the collections, with FY 2005-06 still standing out.

Homeownership Rate Is Still 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 most recent data for 2021 indicates that the state had notably fallen below the prior year's level to 67.2 percent; however this percentage is still above Florida's long-run average. The first two quarters of 2022 are showing a similar level of 67.3 percent.

Permits Are Approaching Long-Run Average...



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. 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.

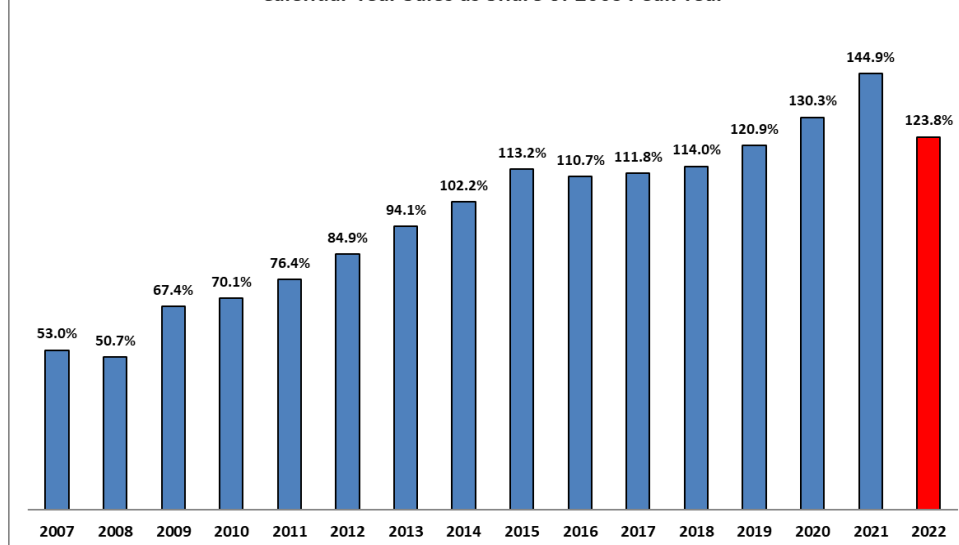
With the strong percentage growth rates in eight of the last ten calendar years, the level is approaching the long-run average; the state moved to 92.2% of that level in 2021.

Existing Home Market

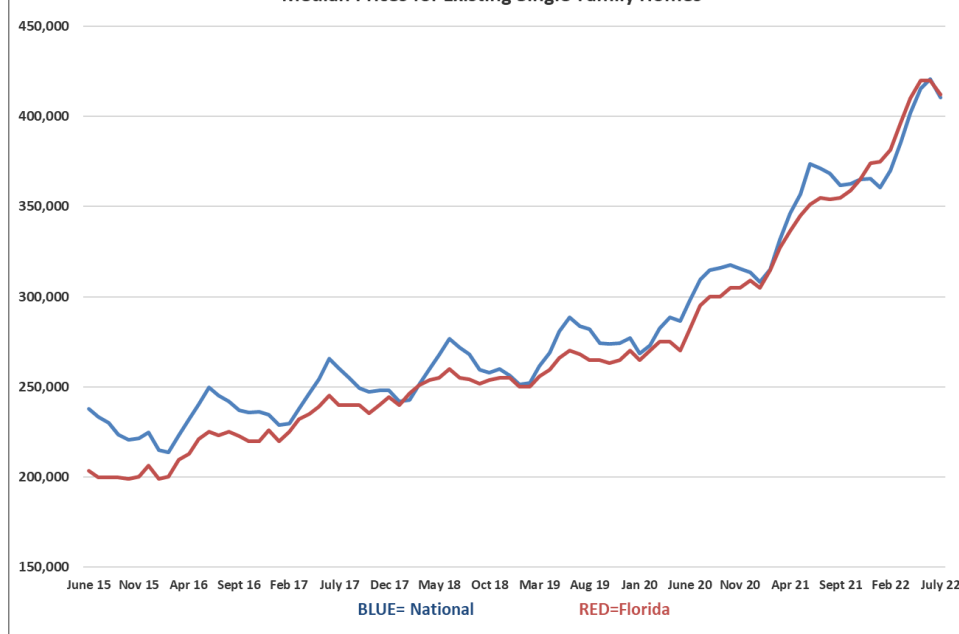
All metrics point to an existing home market that was overheated and is now cooling off. Existing home sales volume in each of the calendar years from 2014 to 2021 exceeded the 2005 peak year, but the first seven months of 2022 are slowing, with six of the seven months posting lower sales than the prior year. The story is different for sales price. Through October 2021, Florida's existing home price gains roughly tracked national gains, but generally stayed below the national median price. From November 2021 through July 2022, Florida's median price was at or above the national median, peaking in January at 104.0%.

Florida's median price first surpassed its own prior peak (\$256,200 from June 2006) in June 2018—and at \$420,000 in May and June 2022, set a new record high. Notably, Florida's price dropped to \$412,303 in July, but was still above the national median.

Calendar Year Sales as Share of 2005 Peak Year



Median Prices for Existing Single-Family Homes



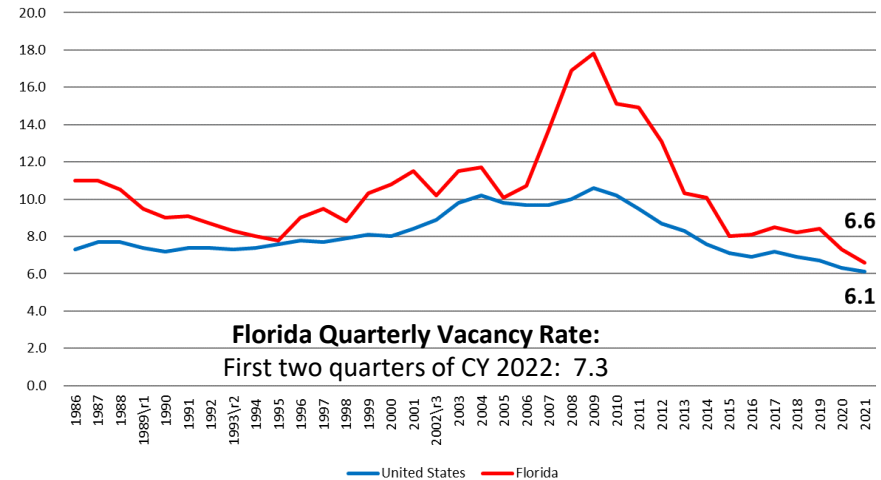
Data through July 2022

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.

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.

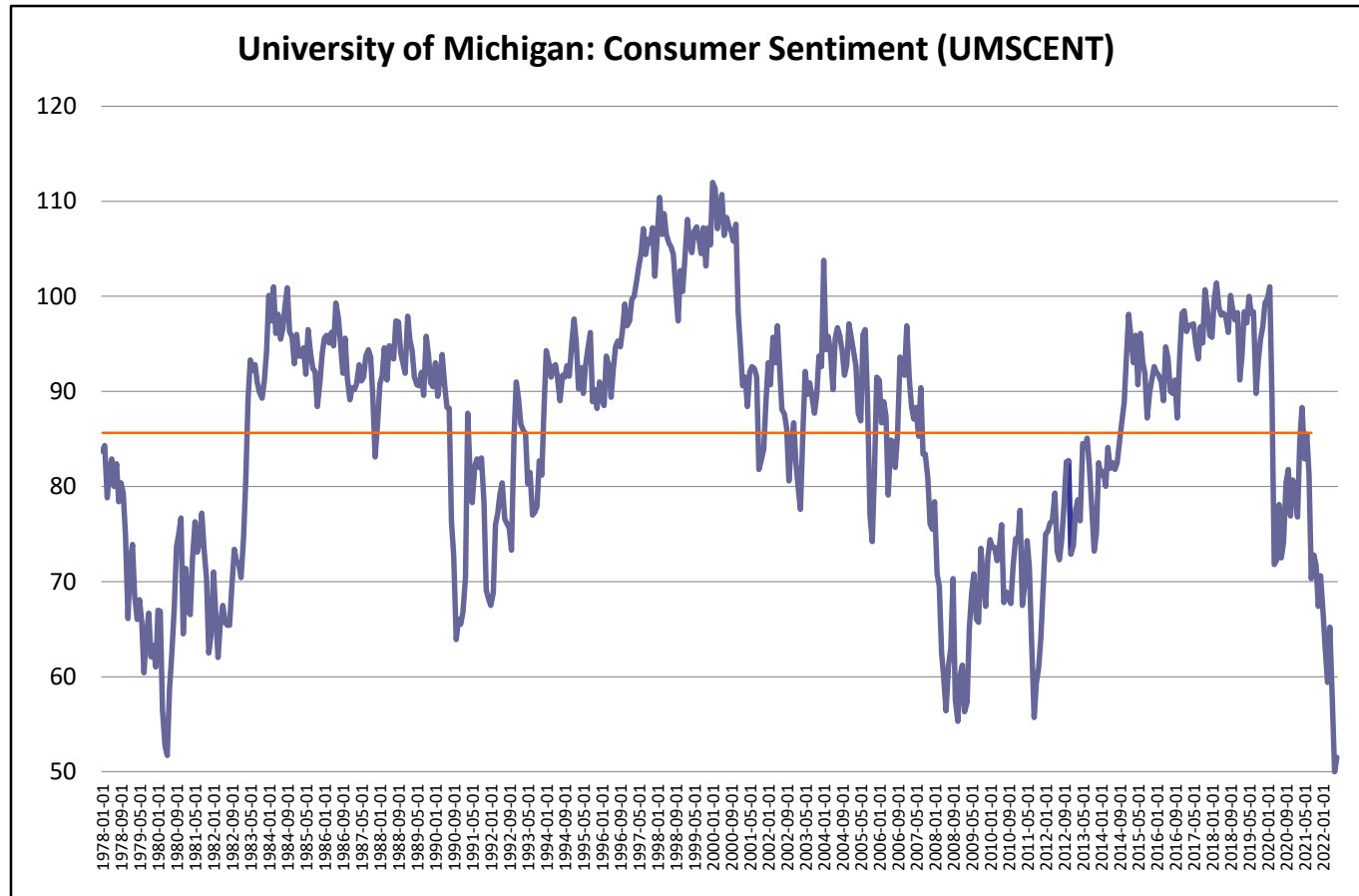
Rental Vacancy Rates
Long-run Average Percent: US---8.1; FL---10.3



Florida Renter Fraction

Date	US	Florida
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 Record Low



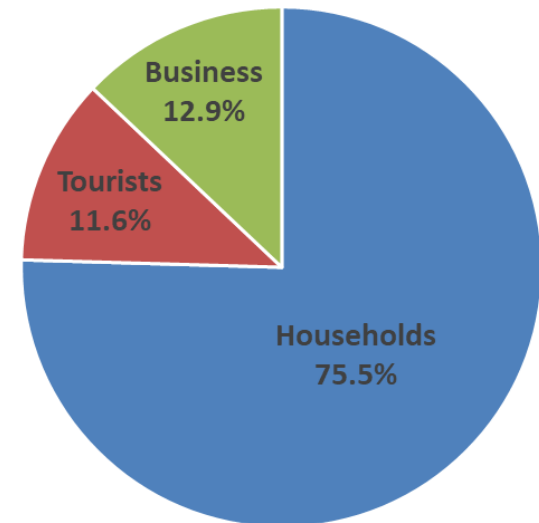
Nationally, the sentiment reading for June 2022 (50.0) dropped to its lowest point since the current series began and well below the Great Recession depths. The lowest point prior to June 2022 was May 1980 at 51.7 during a period with high inflation, rising interest rates, high unemployment and a recession induced in part by the 1979 energy crisis. While slightly better than June, July 2022's reading of 51.5 is also below the May 1980 level.

Tourism Recovery

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 -19.1 percent decline in tourists from the prior year. The damage continued in FY 2020-21, leading to an additional -7.2 percent loss from the prior year's already suppressed level—a combined -25.0 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 39.4 percent over 2020-21 and growth of 4.6 percent over the prior peak. Slowly returning to a more normal mix of visitors in the midst of strong economic headwinds, the 2022-23 fiscal year will see growth of just 2.4 percent, with some strength returning in 2023-24 (4.4 percent growth). The annual growth rates moderate thereafter, gradually declining from 3.9 percent in 2024-25 to 3.1 percent in 2031-32; however, the new forecast levels never exceed the pre-pandemic forecast levels.

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 2019-20, sales tax collections provided nearly \$24.6 billion or 76.2% of Florida's total pandemic-reduced General Revenue collections for the year. Of this amount, an estimated 11.6% (\$2.86 billion) was directly attributable to purchases made by tourists, primarily in the first two quarters of the year. By the last quarter of the year, much of the spending activity had shifted to households.

Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2019-20, By Source



Economic Impact on General Revenue...

Fiscal Year	Jan 2022 Adj Forecast	August 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	40,189.8	44,035.7	3,845.9	7,754.8	21.4%
2022-23	38,549.4	41,998.2	3,448.8	(2,037.5)	-4.6%
2023-24	40,683.9	42,508.4	1,824.5	510.2	1.2%
2024-25	42,141.8	43,838.3	1,696.5	1,329.9	3.1%
2025-26	43,318.4	44,682.8	1,364.4	844.5	1.9%
2026-27	44,766.8	45,880.7	1,113.9	1,197.9	2.7%
2027-28	n/a	47,170.3	n/a	1,289.6	2.8%

The new forecasts for the national and state economies adopted in July 2022 notably lowered many of the economic metrics relative to those adopted in December 2021, largely as a result of the war in Ukraine's effects on the global economy and a significant upward shift in the level of inflation. Of note, the risk associated with the national economic forecast is skewed to the downside, with almost equal probabilities that the new forecast will unfold as predicted or fall short of expectations. Economic disruption is still evident, with challenges including the end of significant federal monetary and fiscal stimulus provided during the early years of the pandemic, the rapid drawdown of savings over the past year, the elevated use of credit over the past few months, the continued normalization of spending on services and away from taxable goods, and strong inflationary pressures on households. Nonetheless, revenue collections since January 2022 have far exceeded expectations and the economic fundamentals, confounding the ability to predict the impact and timing of key turning points.