

FLORIDA MONTHLY ECONOMIC REPORT

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Office of Economic and Demographic Research

GENERAL REVENUE COLLECTIONS FOR FEBRUARY

General Revenue (GR) collections for February were \$1.4 M (or 1/10th of one percent) over the November 1996 Revenue Estimating Conference estimate. Sales Tax Collections were \$33.3 M under estimate for the month, and \$22.0 M under estimate for the year to date. (Sales Tax Collections are net of \$1.0 M in transfers to qualified sports facilities.) The month's shortfall was due in part to lower than expected estimated payments, and in part to shortfall in the audit collections estimates. Severance Taxes were the only other source significantly under estimate; the expected payment to GR was not made this month, but can be expected next month.

Preliminary General Revenue Collections	Lottery Transfers to DOE
Month: \$1.4 m over the Nov. 1996 estimate	Month: \$62.5 m or \$7.8 m below the Oct. 1996 estimate
\$31.6 m over the March 1996 estimate	Year: \$454.3 m or \$1.2 m below the Oct. 1996 estimate
Year: \$24.8 m over the Nov. 1996 estimate	\$18.2 m below the February 1996 estimate
\$256.6 m over the March 1996 estimate	

Most all other sources met or exceeded estimates. Total collections in Documentary Stamp Taxes were over estimate by \$9.6 M for the month, though the GR share fell \$1.5 M short for the month. While total collections for the Intangibles Tax were \$29.4 M over the monthly estimate, Intangibles GR exceeded estimates by \$12.3 M for the month, and are running \$7.5 M over estimate for the year-to-date. The Corporate Income Tax remained on track, coming in at \$1.6 M over estimate for the month and standing at \$9.9 M over estimate for the year to date. Refunds were also under estimate by \$10.3 M, which helped the month's bottom line. Service Charges were down last month; they recovered somewhat this month as expected transfers were made. Corporations Trust Fund Fees also got back on track with the expected transfer from the trust fund to GR credited in February.

Overall, net GR collections for February are \$1.4 M over estimate for the month and \$24.8 M (or less than of one percent) over estimate for the fiscal year to date. Estimates in the table below are based on the November Revenue Estimating Conference. Next month's tables will contain estimates based on the March 14, 1997 General Revenue Estimating Conference. At that conference, fine-tuning resulted in a net \$1.8 M addition to the FY 1996-97 GR estimate, with the Estate Tax, Intangibles Tax, and Insurance Premium Tax sustaining the largest increases (in dollar terms).

TABLE 1 - FEBRUARY PRELIMINARY GENERAL REVENUE COLLECTIONS
(\$ MILLIONS - BASED ON NOVEMBER 1996 ESTIMATES)

	MONTH			FISCAL YEAR TO DATE				
	ACTUAL	ESTIMATE	OVER/ UNDER	CURRENT YEAR	CURRENT YEAR	OVER/ UNDER	PRIOR YEAR	PERCENT INCREASE DECREASE
SALES TAX COLLECTIONS	892.3	925.6	-33.3	7,209.5	7,231.5	-22.0	6,811.7	5.8%
BEVERAGE TAXES	40.5	41.5	-1.0	354.5	352.3	2.1	344.1	3.0%
CORPORATE INCOME TAX	37.1	35.5	1.6	597.0	587.1	9.9	527.6	13.1%
DOCUMENTARY STAMP	25.3	26.8	-1.5	196.2	210.9	-14.7	184.5	NA
TOBACCO TAX	11.3	11.3	0.0	87.6	90.9	-3.3	89.9	-2.5%
INSURANCE PREMIUM TAX	2.5	2.5	-0.0	98.7	97.0	1.7	78.8	25.3%
PARIMUTUEL TAXES	-1.8	-1.8	0.0	17.6	18.8	-1.2	33.3	-47.2%
INTANGIBLES TAXES	43.6	31.3	12.3	130.5	123.0	7.5	84.7	54.0%
ESTATE TAX	34.2	31.4	2.8	369.1	339.6	29.5	271.7	35.8%
INTEREST EARNINGS	11.9	11.4	0.5	103.0	95.7	7.3	105.2	-2.1%
DRIVERS LICENSE FEES	4.3	4.6	-0.3	33.8	34.1	-0.3	32.8	3.0%
MEDICAL HOSPITAL FEES	14.9	14.2	0.6	82.4	84.0	-1.6	73.7	11.9%
MOTOR VEHICLE CHARGES	2.9	3.3	-0.4	24.8	25.3	-0.5	23.5	5.6%
AUTOMOBILE TITLE FEES	1.9	1.7	0.2	16.0	16.4	-0.4	15.3	4.9%
SEVERANCE TAXES	0.0	5.4	-5.4	20.2	16.3	3.9	11.7	NA
SERVICE CHARGES	40.1	31.5	8.6	225.4	234.8	-9.4	230.4	-2.2%
CORPORATION TRUST	19.3	9.3	10.0	41.5	32.5	9.0	38.1	9.0%
OTHER TAXES LICENSES &	7.3	11.0	-3.7	101.6	96.7	4.9	79.0	28.6%

TOTAL REVENUE	1,187.5	1,196.4	-8.9	9,709.5	9,686.9	22.6	9,036.2	7.5%
LESS REFUNDS	16.1	26.4	-10.3	175.5	177.7	-2.2	173.7	1.03%
NET REVENUE	1,171.4	1,170.0	1.4	9,534.0	9,509.2	24.8	8,862.5	7.6%

Florida Economic Forecast. The Florida Economic Estimating Conference convened on February 28th to revise the forecast for the state's economy. The new forecast incorporates historical data for income through the third quarter--the data have been revised back to 1990. The household, tourism, new car and light truck registrations data existed through the end of 1997. Employment and construction data also extend through the end of the year. The current short-run forecast covers the period from 1997:I through 1999:IV (with the exception of income where the forecast begins in 1996:III). The current expansion is five years old, making it the fourth longest expansion on record. While there is no expectation of a recession within the next two years, there is the expectation of marginally slower growth, however one chooses to measure it. Preliminary estimates place real personal income growth at 4.3% for last year, after it grew 4.9% in 1995 and 2.4% in 1994. Income growth is projected to average a more modest 3.8% per year through 1999. Nonagricultural payrolls grew by 4.1% (or 232,400 jobs) in 1994, 3.2% (or 186,800 jobs) in 1995, and 3.0% (or 182,900 jobs) last year (4th quarter-over-4th quarter). They are expected to average just 2.8% growth over this year and the next two, adding an average of 180,600 jobs per year over that period.

Population growth has averaged 1.9% per year the last three years. The forecast calls for 1.8% growth this year, 1.7% next, and 1.6% in 1999. And real construction spending, which grew 6.7% last year after contracting 0.5% in 1995, is expected to grow just 1.3% this year and 1.7% next year. Spending then exhibits a mild rebound in 1999, growing 3.9% to a level of \$21.4 billion (in 1992 dollars) on the strength of a mild rebound in residential construction. This is its highest level ever in constant dollar terms. After growing 2.5% in 1995, the number of out-of-state visitors grew 5.2% last year, surpassing the 43 million visitor count for the first time. Last year was the best year for Florida (out-of-state) tourism since 1990. The growth in the number of visitors is expected to slow to 1.7% this year. However, this still represents an increase of 720,000 visitors over 1996's record level. There is an upside to this, though. Tourists traveling by air (many of whom are either business travelers or international tourists) grew by 11.5% last year--an increase of 2.4 million air visitors. And this component of arrivals is expected to account for over three-fourths of the increase in visitors this year. While these visitors do not on average visit for as many nights as those traveling by car, they do tend to spend more per person per trip than auto travelers.

INCOME. The current forecast predicts that income growth slowed to 6.5% last year from a revised 7.4% in 1995. This year income is expected to grow at a slightly faster 6.7% pace, then slows to 6.4% growth in 1998 and 6.1% in 1999. When looked at on an inflation-adjusted per capita basis, income growth averages about 2.0% growth over this year and the next two years--much better than the 1.2% average growth rate over the last

ten years. After growing 3.0% in 1995, real per capita income growth slowed to 2.4% last year. This year is expected to be a similar 2.5% rate of growth. Growth then slows over the next two year--to 2.0% in 1998 and 1.6% in 1999. Wage growth has been slower than overall income growth in all but two years in the period 1988 through 1995. However, last year wages growth was at its fastest pace since 1988, and it is projected to exceed personal income growth by 0.6%. Over the next three years growth in wages is projected to slow to rates similar to that of overall income growth; but it still exceeds income growth this year and next--6.8% (1997); 6.5% (1998); 6.0% (1999). After slowing to projected growth of just 4.5% last year from over 5.7% in 1995, 'other labor income' (which consists primarily of employer contributions to private pension and welfare funds) is projected to grow faster than overall income growth this year and in each of the next two year--6.8% this year, 7.6% in 1998, and 7.3% in 1999. Hampering overall income growth over the next three years is weaker growth in proprietors' income. After growing 9.8% in 1995 and an estimated 10.1% last year, growth in proprietors' income is projected to slow to just 4.0% this year and 3.9% in 1998. It then recovers slightly in 1999 to 5.2%.

After growing slower than personal income in each of the past two years, transfer payments are expected to grow slightly faster than overall income growth through the forecast period. After growing 7.3% in 1995, transfer payments grew 5.9% last year. This year growth is projected to increase to 6.8%. Growth slows to 6.4% in 1998, then increases to 6.9% in 1999. Meanwhile, property income (dividends; interest; and rents) after growing 9.2% in 1995, is projected to have grown just 5.2% last year. This year growth picks up to 6.9% as interest rates rise, then slows to 6.5% in 1998 and 5.8% in 1999.

EMPLOYMENT. The prospects for Florida's labor market remain bright. The labor force participation rate (the fraction of the working-age population that is either employed or seeking employment) averaged 62.8% last year--its highest level since 1990. The labor force is grew 2.7% last year (4th quarter-over-4th quarter), up from just 0.7% in 1995. As the labor market continues to tighten over this year and the next two years (as evidenced by the low unemployment rate), growth in the labor force slows, averaging 2.1% growth over the period. After reaching a low of 5.0% in the final quarter of last year--its lowest level since 1988:III--the unemployment rate is projected to gradually increase over the forecast horizon, reaching 5.3% by the end of 1999. This year the unemployment rate is expected to average just 5.1%; it then rises to 5.2% in 1998 and 5.3% in 1999. Nonagricultural payrolls grew 3.0% to a level of 6.25 million jobs last year, with the number of jobs increasing by 182,900 (4th quarter-over-4th quarter). The current forecast projects a slowing of job growth over the forecast period from the 3.6% average annual growth over the last half of 1996. However, over the four quarters ending in 1997:IV payrolls are expected to expand by 200,200 jobs, or 3.2%. Then the next two years growth decreases slightly. Payrolls are projected to grow 2.7% in 1998 and 2.5% in 1999, adding 175,200 jobs in 1998 and 166,300 jobs in 1999.

TABLE 2: KEY ELEMENTS OF THE NATIONAL ECONOMIC FORECAST							
FROM THE FEBRUARY 1997 ESTIMATING CONFERENCE							
(SEASONALLY ADJUSTED)							
		----1996----		--1997--			
		Q3	Q4	Q1	Q2	Q3	Q4
		Annual Percentage Rate of Change					
Real Gross	forecast	2.1	4.7	2.5	2.3	1.8	2.3
Domestic Product	actual	2.1	3.8	---	---	---	---
Real Personal	forecast	0.5	3.4	4.0	3.2	2.9	2.8
Consumption	actual	0.5	3.4	---	---	---	---
Real Fixed Non-	forecast	18.3	2.4	5.9	4.7	6.3	4.9
resid. Invest	actual	17.5	5.5	---	---	---	---
Real Personal	forecast	3.8	2.8	4.1	2.5	2.4	2.2
Income	actual	3.8	3.1	---	---	---	---
Total	forecast	2.1	2.1	2.8	1.4	0.8	1.1
Employment	actual	2.1	2.1	---	---	---	---
Consumer Price	forecast	2.3	3.2	2.0	2.8	2.5	2.8
Index	actual	2.7	3.3	---	---	---	---
		Average Level for Quarter					
Savings Rate	forecast	2.1	4.7	2.5	2.3	1.8	2.3
	actual	2.1	3.8	---	---	---	---
Prime Interest	forecast	0.5	3.4	4.0	3.2	2.9	2.8
Rate (%)	actual	0.5	3.4	---	---	---	---
Housing Starts	forecast	18.3	2.4	5.9	4.7	6.3	4.9
(mil/yr)	actual	17.5	5.5	---	---	---	---
Unemployment	forecast	3.8	2.8	4.1	2.5	2.4	2.2
Rate (%)	actual	3.8	3.1	---	---	---	---

Contributing to the strength this year is a rebound in services--particularly business-related services. However, weakness in the goods-producing sectors (mining; construction; manufacturing) hamper overall job growth, not only this year, but throughout the forecast. While these sectors account for slightly more than 12% of all nonagricultural jobs, they only account for only 2% of the jobs added over the three-year forecast horizon. The manufacturing sector is particularly anemic over the forecast. Manufacturing payrolls contracted in 1996 for the third year in a row, falling by 0.3%, or 1,700 jobs. This year payrolls are expected to show further losses. Jobs are expected to fall by 400 positions, down 0.1%. Next year jobs fall just 100 positions, then grow by a slim 0.3%, or 1,300 jobs, in 1999. This still leaves manufacturing payrolls 1,000 jobs (or 0.2%) below their 1996:I level and 60,300 jobs (or 11.1%) below their peak in 1989:I. The service industry continues its robust growth throughout the forecast, although there is some slowing as business services job growth (from about 15% per year for 1992-1995 to 8.5% last year, and closer to 6.5% growth over the forecast period). In 1996 this sector accounted for almost 55% of all additional service industry jobs and about a fourth of all additional nonagricultural jobs. Service industry payrolls are projected to grow by 110,500 jobs, or 5.1% this year (4th quarter-over-4th quarter). This is up from 82,300, or 3.9%, in 1996. Next year growth projected to slow to 4.1%, with payrolls expanding by 94,500 jobs. This still represents about 54% of all nonagricultural jobs created during 1998. In 1999 growth slows further to 3.6%, with service sector businesses adding another 85,200 jobs to their payrolls.

CONSTRUCTION. The construction sector is projected to remain relatively weak through 1998, then exhibit a very modest rebound in 1999. After growing at double-digit rates in both 1993 and 1994, construction expenditures grew just 2.8% 1995, which corresponds to a 0.4% decline after adjustment for inflation. Last year showed a marked improvement, with total spending growing 8.8% (6.5% after adjustment for inflation). Spending growth is projected to slow to 3.7% this year--an increase of 1.3% on an inflation-adjusted basis--and 4.0% in 1998, before picking up to a 6.1% rate of growth in 1999. The strong showing last year was primarily in residential construction, where total nominal spending grew by 15.3% for the year. Commercial construction also exhibited some strength as spending by businesses in the trade and F.I.R.E. industries exceeded 9.0% growth for the third consecutive year. This strong growth in residential and commercial has made up for weakness in both public construction and private construction in service industries, regulated industries, and manufacturing. The principal culprit in the weak construction scenario this year is the residential sector (particularly, single family starts), which accounts for about fifty percent of all construction spending. After falling by 8.3% to a level of 115,400 units in 1995, private housing starts rose 2.8% last year to a level of 118,600 units. The current forecast projects starts to decline this year, falling 2.2% to 115,200 units, as higher mortgage rates take their toll on single family starts, which fall 2.3% to a pace of 84,800 units. Then total starts show gains in the last two years of the forecast, primarily on the strength of multi-family units; however, single starts grow as well. Multi-family starts average growth of 5.9% per year in 1998 and 1999, while single-family starts average growth of 1.8% over the two year period. Construction spending, other than residential, has fared well over the period

1993-1995, averaging 11.0% growth. However, in 1996 weakness in public construction and service industry and regulated industry construction slowed nonresidential construction growth to just 2.1% (or -0.5% on an inflation-adjusted basis). Growth in spending is projected to remain fairly weak through 1999, increasing from a projected 2.3% pace this year to 3.4% in 1999. Growth in public spending is projected to be just 0.6% this year, then average about 4.4% growth over the next two years. Private nonresidential spending is projected grow 4.1% this year, down slightly from growth of 4.7% last year. Private nonresidential spending growth weakens further in the last two years, averaging just 1.8% per year. However, public spending growth offsets some of this weakness by averaging growth of 4.4% over 1998 and 1999.

TABLE 3: KEY ELEMENTS OF THE FLORIDA ECONOMIC FORECAST							
FROM THE FEBRUARY 1997 ESTIMATING CONFERENCE							
(SEASONALLY ADJUSTED)							
		----1996----		--1997--			
		Q3	Q4	Q1	Q2	Q3	Q4
		Annual Percentage Rate of Change					
Real Personal	forecast	4.6	3.4	5.9	4.4	4.0	3.9
Income	actual	4.6	---	---	---	---	---
Civilian Labor	forecast	1.4	2.8	2.0	2.0	2.2	2.2
Force	actual	1.4	2.8	---	---	---	---
Non-farm	forecast	3.6	3.6	3.3	3.5	3.1	2.9
Employment	actual	3.6	3.6	---	---	---	---
Service	forecast	6.4	6.4	6.7	6.5	6.4	5.9
Employment	actual	6.4	6.4	---	---	---	---
Construction	forecast	-0.9	3.0	-1.6	3.3	2.2	0.8
Employment	actual	-0.9	3.0	---	---	---	---
Construction	forecast	8.7	3.1	1.5	3.1	3.4	2.3
Expenditures	actual	8.7	3.1	---	---	---	---
		Average Level for Quarter					
Housing Starts	forecast	28.7	29.4	28.9	28.3	28.7	28.6
(thousands)	actual	28.7	29.4	---	---	---	---

Household Formation	forecast	30.0	39.3	28.6	29.1	28.6	28.6
(thousands)	actual	30.0	39.3	---	---	---	---
Tourist Arrivals	forecast	10.4	10.7	10.8	10.9	11.0	11.1
(millions)	actual	10.4	10.7	---	---	---	---
Unemployment	forecast	5.3	5.0	5.2	5.1	5.1	5.1
Rate (%)	actual	5.3	5.0	---	---	---	---

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