

FLORIDA MONTHLY ECONOMIC REPORT

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Office of Economic & Demographic Research

GENERAL REVENUE COLLECTIONS FOR MARCH

Preliminary General Revenue (GR) collections for March were \$12.2 M over the new March 1997 Revenue Estimating Conference estimate. Preliminary Sales Tax Collections were \$6.0 M over estimate for the month, and \$0.3 M over estimate for the year to date. (Sales Tax Collections are net of \$1.0 M in transfers to qualified sports facilities.) Preliminary estimates for Sales Tax assume that audit collections, bad checks, and other adjustments made to total collections are on estimate. Other sources over estimate include: the Corporate Income Tax (\$31.5 M over estimate), some of which might be due to early receipt of revenue expected in April; and the Estate Tax (\$8.2 M over estimate), primarily due to several large estates with scheduled payments during the month. Interest Earnings were \$2.1 M over estimate.

Preliminary General Revenue Collections	Lottery Transfers to DOE
Month: \$12.2 M over the March 1997 estimate	Month: \$69.3 M or \$5.5 M over the Feb. 1996 estimate
\$33.0 M over the March 1996 estimate	Year: \$523.5 M or \$5.5 M over the Feb. 1997 estimate
Year: \$13.7 M over the March 1997 estimate	\$14.8 M below the February 1996 estimate
\$289.6 M over the March 1996 estimate	

Two sources fell significantly under estimate, but both were due to timing of their transfers to GR. Although the Documentary Stamp Tax came in \$8.3 M under estimate, total collections in this source were \$6.4 M over estimate for the month and for the year. Intangibles Taxes fell \$29.8 M under estimate, but total collections were \$45.8 M over for the month and \$14.7 M over for the year. In both cases, it is expected that GR will catch up by year-end. In addition, total collections for the Insurance Premium Tax were \$2.4 M (about one percent) over estimate.

Overall, preliminary net GR collections for March are \$12.2 M over estimate for the month and \$13.7 M (or about one-tenth of one percent) over estimate for the fiscal year to date. Estimates in the table below are 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 - MARCH PRELIMINARY GENERAL REVENUE COLLECTIONS
(\$ MILLIONS - BASED ON MARCH 1997 ESTIMATES)**

	<u>MONTH</u>			<u>FISCAL YEAR TO DATE</u>				
	ACTUAL	ESTIMATE	OVER/	CURRENT	CURRENT	OVER/	PRIOR	PERCENT
	CURRENT	CURRENT	UNDER	YEAR	YEAR	UNDER	YEAR	INCREASE
	MONTH	MONTH	ESTIMATE	ACTUAL	ESTIMATE	ESTIMATE	ACTUAL	DECREASE
SALES TAX COLLECTIONS	935.8	929.8	6.0	8,145.3	8,145.0	0.3	7,714.8	5.6%
BEVERAGE TAXES	44.1	45.6	-1.5	398.5	400.1	-1.5	388.9	2.5%
CORPORATE INCOME TAX	146.5	115.0	31.5	743.6	701.9	41.7	633.0	17.5%
DOCUMENTARY STAMP	18.0	26.3	-8.3	214.2	222.5	-8.3	207.3	NA
TOBACCO TAX	10.2	11.6	-1.4	97.8	99.2	-1.4	101.8	-3.9%
INSURANCE PREMIUM TAX	0.1	0.3	-0.2	98.8	99.0	-0.2	79.2	24.8%
PARIMUTUEL TAXES	3.3	1.5	1.8	20.9	19.1	1.8	40.0	-47.7%
INTANGIBLES TAXES	197.7	227.5	-29.8	328.2	358.0	-29.8	300.4	9.2%
ESTATE TAX	72.2	64.0	8.2	441.3	435.9	5.4	316.4	39.5%
INTEREST EARNINGS	13.2	11.1	2.1	116.3	114.1	2.1	115.9	0.3%
DRIVERS LICENSE FEES	7.6	5.1	2.5	41.5	38.9	2.5	36.4	14.0%
MEDICAL HOSPITAL FEES	8.5	11.6	-3.1	90.9	94.0	-3.1	82.2	10.5%
MOTOR VEHICLE CHARGES	4.1	3.5	0.6	28.8	28.3	0.6	26.6	8.2%
AUTOMOBILE TITLE FEES	2.0	2.0	0.0	18.1	18.0	0.0	17.3	4.5%
SEVERANCE TAXES	0.5	1.8	-1.3	20.7	22.0	-1.3	19.4	NA
SERVICE CHARGES	22.3	20.6	1.7	247.7	246.0	1.7	250.3	-1.0%
CORPORATION TRUST	10.3	11.2	-0.9	51.8	52.7	-0.9	47.6	8.9%
OTHER TAXES LICENSES &	9.5	10.6	-1.2	111.0	112.2	-1.2	88.6	25.3%
TOTAL REVENUE	1,505.9	1,499.1	6.8	11,215.4	11,207.1	8.3	10,466.1	7.2%
LESS REFUNDS	14.2	19.6	-5.4	189.7	195.1	-5.4	192.1	-1.26%
NET REVENUE	1,491.7	1,479.5	12.2	11,025.7	11,012.0	13.7	10,274.0	7.3%

National Economic Conditions. Recent economic data releases continue to highlight the surprising strength in the national economy. The current expansion has just entered its seventh year (the third longest post-WWII expansion on record), yet there are few signs of the long-expected slowdown in economic growth so typical in the latter stages of an expansion. The final fourth quarter 1996 GDP release posted a 3.8% real growth rate, a figure which was understated by a slowdown in inventory accumulation which grew at but half its third quarter pace (final sales were up 4.9% in the quarter). The advanced first quarter GDP (which will be released April 30th) is expected to post a growth rate in the same robust range, driven by a burst in consumer spending and continued strength in business investment. The February consensus national forecast (Table Two) anticipated more of a spike in fourth quarter economic activity, with the economy settling down to a sustainable growth path early in 1997. But, given the hindsight of partial first quarter data releases, it appears that the momentum of the fourth quarter strength will be carried at least through the Spring of 1997.

The strength in economic activity led the Federal Reserve to initiate a preemptive inflationary strike by nudging the fed funds rate upward 25 basis points--a move which is widely perceived to be the first of two or three discretionary monetary tightening interventions. Although real interest rates are historically high and most price indices (including the GDP deflator, the consumer and producer price indices, and the JOC commodity index) continue to be well-behaved, wage and salary gains have begun to slightly outpace the broader increases in the CPI.

There are two measures of the current cycle's performance relative to that of recent expansions. With the unemployment rate hovering at over a two decade low--a rate that many consider below the (non-inflationary) natural rate of unemployment--the financial press is focusing on the substantial gains in non-farm payrolls as a harbinger of price pressures. Although the number of employees on non-farm payrolls is classified by the National

Bureau of Economic Research (NBER) as a coincident indicator at all three of the NBER's measurement points (reference cycle peaks, troughs, and overall), its behavior during the early stages of the present recovery has clearly been untypical. Non-farm employment fell substantially during the early stages of the current cycle, and never recovered its trough level until a year-and-a-half into the recovery. The lackluster payroll growth in the early stages of the current cycle frames the recent payroll gains in a far more sustainable light.

The increase in the consumer price index (CPI) since the trough of the current expansion has also been moderate. The CPI posted four consecutive sub 3% years--a low inflationary backdrop which has not been seen since the early 1960's. Given this favorable price performance, any further Fed tightening is expected to be extremely modest and short-lived.

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	5.3	5.1	5.4	5.2	5.4	5.2
	actual	5.3	5.1	---	---	---	---
Prime Interest	forecast	8.25	8.25	8.25	8.36	8.60	8.75
Rate (%)	actual	8.25	8.25	8.27	---	---	---
Housing Starts	forecast	1.49	1.41	1.41	1.41	1.40	1.37
(mil/yr)	actual	1.49	1.42	---	---	---	---
Unemployment	forecast	5.3	5.3	5.3	5.2	5.2	5.3
Rate (%)	actual	5.3	5.3	---	---	---	---

Florida Economic Conditions. Growth in non-agricultural business payrolls has shown strength over the first two months of this year. While down slightly from January, non-farm payrolls in February expanded by 220,200 jobs, or 3.6%, over the past twelve months. January and February have been the best two consecutive months in terms of either growth rate or added jobs since February/March 1995. The goods-producing industries (mining; construction; manufacturing) all showed modest growth over the year. However, within manufacturing that growth was concentrated primarily within those industries producing durable goods (items which last three or more years). Among durable goods manufacturers only industrial machinery manufacturers showed job losses (-600). Among manufacturers of nondurable goods job losses were concentrated within 'food and kindred products' (-900) and 'apparel and other textile products' (-1,200 jobs). Service-producing industries (transportation/communications/utilities (TCPU); finance/insurance/real estate (FIRE); trade; services; government) all showed job gains. Within TCPU only the utilities sector failed to show job gains over the year. Payrolls fell by 1,300 jobs (-3.7%) over the year. Employment in the industry has been in a general decline since 1991, and it stands 5,900 jobs, or 14.8% below its peak. Trade employment expanded by 59,400 jobs (+3.7%) over the year, with the largest gains coming in food stores and restaurants. FIRE payrolls also expanded 3.7% over the year (+14,200 jobs). The only industry to show job losses in this sector was banking, where payrolls fell a slight 300 jobs (-0.3%). The service sector continues to account for nearly half of all jobs added to non-agricultural payrolls. All industries within this sector showed job gains over the year. Business and health services continue to lead the pack in terms of total jobs added to payrolls as well as the growth rate in jobs. These two industries combined to add 73,200 jobs to their payrolls. All three levels of government added jobs over the year. Federal government employment has remained stable near 120,000 jobs since July 1994, fluctuating within plus or minus 800 jobs of that number (on a seasonally adjusted basis). State government employment increased 2,900 jobs (+1.4%) over the year. On a seasonally adjusted basis state government employment stood just 200 jobs (+0.1%) above its level in September 1995. Meanwhile, local government employment grew by 13,600 jobs (or 2.2%) over the year.

The Florida Bureau of Labor Market Information (in cooperation with the U.S. BLS) reported that Florida's unemployment rate (on a preliminary basis) stood at 4.9% in March, unchanged from a revised February figure. This was 0.3% below a year earlier. Unemployment has averaged just 4.9% of the labor force for the past five months. Florida's unemployment rate has remained at or below the national level since April 1995. This is the longest continuous string dating back to the late 1980s. Meanwhile, Florida's labor force expanded at a seasonally adjusted annual rate of 6.5% in the first quarter. Florida's labor force participation rate stood at its highest level since 1990:IV. Civilian employment expanded at a 6.6% saar allowing the unemployment rate to hold steady during the quarter.

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	1.9	2.0	6.5	---	---	---
Non-farm	forecast	3.6	3.6	3.3	3.5	3.1	2.9
Employment	actual	4.2	3.0	---	---	---	---
Service	forecast	6.4	6.4	6.7	6.5	6.4	5.9
Employment	actual	8.1	5.2	---	---	---	---
Construction	forecast	-0.9	3.0	-1.6	3.3	2.2	0.8
Employment	actual	-0.0	1.5	---	---	---	---
Construction	forecast	8.7	3.1	1.5	3.1	3.4	2.3
Expenditures	actual	7.4	4.6	---	---	---	---
Average Level for Quarter							
Housing Starts	forecast	28.7	29.4	28.9	28.3	28.7	28.6
(thousands)	actual	28.8	30.3	---	---	---	---
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	5.0	4.9	4.9	---	---	---

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