

# Florida's Economy: The Outlook

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# Florida's Economy: The Outlook

- Florida's overall growth is now declining.
- State Gross Domestic Product (GDP) for 2007 ranks us 47<sup>th</sup> in the nation in real growth (12<sup>th</sup> in 2006 and 2<sup>nd</sup> in 2005) and 35<sup>th</sup> in per capita level.
- Revenue collections remain below budgeted levels.



## Income Growth

The growth in Florida's personal income (statewide and per capita) is also moderating.

	<b>Per Capita Income</b>	
	<b><u>Actual</u></b>	<b><u>Growth</u></b>
2004	\$32,618	7.5%
2005	\$34,798	6.7%
2006	\$36,720	5.5%
2007	\$38,444	4.7%



## Employment Declines

**Florida's employment environment which had outperformed the nation in job creation and low unemployment rates since the summer of 2002 is also under siege.**

- Florida's nonagricultural employment growth rate for May 2008 is -0.9 percent.
- The rate represents a loss of 74,700 jobs over that year.
- Losses are primarily due to declines in construction.
- The unemployment rate is up 1.6 percentage points over the year.
- Florida's May 2008 unemployment rate is the highest since January 2003.
- Florida's rate is now equal to the national unemployment rate of 5.5 percent.



## Population Growth

**Population growth continues to be the state's primary engine of economic growth, fueling both employment and income growth. GROWTH RATE IS SLOWING!**

- Population growth hovered between 2.0% and 2.6% since the mid-1990's, slowing to 1.8% in 2007.
- Florida is still on track to break the 20 million mark during 2013.
- Florida's population on April 1, 2008, was an estimated 18,802,823 – a growth rate of only 0.66%.



# Revenue Estimates

## Revenue Estimates are down.

	<u>General Revenue</u>	<u>Growth</u>
FY 2007-08	(\$1,003.0) to \$24,468.5	
FY 2008-09	(\$1,941.5) to \$24,578.4	0.4%
FY 2009-10	(\$2,171.9) to \$26,339.0	7.2%
FY 2010-11	(\$2,135.2) to \$28,509.5	8.2%

- Revenue collections for FY 2010-11 are \$3.0 billion less than actual collections in FY 2006-07.
- In the last four months (March, April, May and June) collections dropped \$356 million from the already reduced official estimate.



## **The current revenue forecast is precarious! The reason? The U.S./Florida economy is being simultaneously buffeted by four major shocks:**

- The collapse of the housing boom led to a national economic contraction.
  - Financial markets are still experiencing their worst credit crunch since the late 1980s at best – maybe since the Great Depression.
  - International oil prices have reached sustained record levels.
  - Food prices have skyrocketed in recent months.
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- Florida's housing outlook has not improved from the projections made in March.
  - Construction and housing-related statistics may still be on target for a slow recovery by this time next year.
  - Current revenue losses are mostly related to escalating oil and food prices.
  - Monthly revenue collections are consistently below targets.

# What will it take for Florida to rebound?

- The national economic contraction must run its course and, more importantly, the financial markets must recover stability.
- The subsequent turnaround in Florida housing will be led by:
  - Falling home prices that begin to attract buyers and clear the inventory.
  - Long-run sustainable demand caused by continued population growth and household formation.
  - Florida's unique demographics and the aging of the baby-boom generation.