

# 2017 ECONOMIC PREVIEW



DECEMBER 2016

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## *SUSTAINABLE GROWTH EXPECTED FOR THE SUNSHINE STATE*

**AS WE CLOSE THE DOOR ON A STRONG 2016** for Florida's economy, it is time to look at what could lie ahead for the state in 2017. While parts of the world face economic uncertainty, and a changing of the guard in the White House is sure to bring changes to our nation's economy, the state of Florida seems well situated for continued economic growth in the new year.

One of the most common factors used to judge the health of a state's economy is the unemployment rate. Estimates show that Florida's unemployment rate will likely hover around its current position, and the overall projection for the unemployment rate in 2017 is between 4.5<sup>1</sup> and 4.7 percent,<sup>2</sup> which is on par with the rest of the nation.<sup>3</sup>

However, as TaxWatch studies have noted in the past,<sup>4</sup> the unemployment rate is hardly the only aspect of the workforce that should be examined when looking at the health of the job market. Other important metrics to consider are the state's growth in payroll and growth in the labor force, both of which are expected to rise in 2017.

The state's payroll is expected to grow by roughly 2.4 percent in 2017.<sup>5</sup> This increase in salaries is a strong showing of economic growth, which will likely drive individuals back into the work force who have not participated recently. This influx of workers is expected to increase the labor force by about 2 percent.<sup>6</sup> While more people will be working, the aggregate increase in the labor pool is the main reason why the unemployment rate is projected to hover around its current rate in 2017.

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1 Florida Economic Outlook: November 2016. Wells Fargo. November 2016

2 Florida & Metro Forecast 2016-2045. Institute for Economic Competitiveness at the University of Central Florida. June 2016.

3 Florida TaxWatch Analysis based on the Bureau of Labor Statistics data.

4 The Unemployment Rate Is Not The Whole Story. Florida TaxWatch. March 2016.

5 Florida & Metro Forecast 2016-2045. Institute for Economic Competitiveness at the University of Central Florida. June 2016.

6 Ibid.

Another important metric to examine to determine the strength of the state’s economy is the Real Gross State Product (RGSP), which measures the value of the economic output for a given state, adjusted for price changes due to inflation or deflation. In 2017, it is projected that Florida’s RGSP will grow by approximately 3.3<sup>7</sup> to 3.4 percent.<sup>8</sup> This forecast outpaces previous long term forecasts, and puts the state of Florida ahead of the nation’s Real Gross Domestic Product growth rate (national version of RGSP).<sup>9</sup>

## STABLE JOB GROWTH EXPECTED FOR 2017

Over the past few years Florida has benefited from strong job growth that has consistently outpaced the rest of the nation.<sup>10</sup> While many sectors in Florida will continue to grow, the state will start to experience job growth figures that are more sustainable in terms of long-term growth.

**PROJECTED JOB GROWTH RATES FOR KEY SECTORS**

SECTOR	GROWTH RATE
Professional and Business Services	8.5%
Construction	4.5%
Transportation, Warehouse, & Utility	2.4%
Education and Health Services	1.8%
Leisure & Hospitality	1.5%
Manufacturing	0.6%
Information	-0.8%

However, one sector that is expected to have great success in 2017 is Professional and Business Services. These jobs, typically considered white collar work, are usually office jobs that work in various fields, including management, scientific research, and legal representation. The growth of this field is due to a variety of factors. For one, Florida boasts a friendly income tax-free environment, which helps recruit talent to the state. The Sunshine State is also home to one of the best university systems in the country. The state has 12 major state universities, and is also home to some of the nation’s most respected private colleges. These institutions help educate a talented workforce, which in turn helps many businesses across the state of Florida.

7 Florida Economic Outlook: November 2016. Wells Fargo. November 2016.  
 8 Florida & Metro Forecast 2016-2045. Institute for Economic Competitiveness at the University of Central Florida. June 2016.  
 9 Calculation projected by Florida TaxWatch based on national GDP growth rates through the first 3 quarters of 2016. Data recovered from Tradingeconomics.com.  
 10 Gov. Scott: Florida’s Job Growth Rate Leads the Entire Nation. Flgov.com. October 2016.

Forecasts also projected that Florida's construction industry will continue to grow at a strong rate in 2017. One reason for the growth of the industry is the fact that there is an increase in demand for homes and, up to this point, supply has not been able to keep up. Forecasts show that Florida should expect approximately 132,400 new housing starts in 2017.<sup>11</sup> An influx of new homes should help slow what has been a rapid rise in the cost of homes over the past year, which should help make homes more affordable for individuals and families across the state.

## HOW WILL INDIVIDUALS BE IMPACTED

The continued growth of the state's economy is likely to have a positive impact on the residents of the Sunshine State. The idea is simple - the stronger the economy and the more attractive the business climate, the more likely businesses are to expand in Florida. This will in turn lead to more available jobs, and more competition to lure potential workers, which will benefit all residents. Estimates show that real income growth is expected to be around 3 percent in 2017.<sup>12</sup>

With the increase in expendable income, parts of the economy are likely to benefit more than others; for example, it is expected that retail sales will increase by roughly 4.6 percent in 2017.<sup>13</sup> As new jobs are created, workers need to outfit themselves for their new environment, which leads to clothing and accessories purchases. As discretionary income increases, new homes are purchased, which then need to be filled with furniture, appliances, other items, and so on, as the impacts of increased jobs and income flow throughout the economy.

## CONCLUSION

Over the past few years, Florida has benefited from strong growth that has consistently outpaced the rest of the nation. As 2017 rolls around, it is likely that Florida will continue to experience economic growth, albeit at a more sustainable pace than the state has experienced in the past few years. Overall, the foundation of Florida's economy has been set for strong and consistent growth for the future. Look for 2017 to be a strong year for Florida, and to set the tone for sustainable growth for years to come.

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11 Florida & Metro Forecast 2016-2045. Institute for Economic Competitiveness at the University of Central Florida. June 2016.

12 Ibid.

13 Ibid.

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