

 The Florida TaxWatch Center for Competitive Florida ... Resolving issues vital to Florida's global economic competitiveness.

Florida's Economic Year in Review

Although the year has not fully ended, we can take a look ahead to how 2011 will end, in economic terms, for Florida. Even though much of the final data will not be available until late January or February, some of the data is available through the end of November. This *Economic Commentary* will compare 2011 to 2010 using some of the data that drives the Florida economy, starting with employment and unemployment.

Employment (Seasonally Adjusted)		November 2010	November 2011
	Florida Non-Farm Employment	7,183,600	7,281,700
	Florida Unemployment Rate	11.9 %	10.0 %

According to the most recent numbers from the Bureau of Labor Statistics, Florida's unemployment rate is currently higher than the national unemployment rate (8.6 percent), but it is heading in the right direction. Over the last 12 months, the seasonally adjusted unemployment rate has dropped from 11.9 percent to 10.0 percent. Also, Florida's total non-farm payroll employment has increased by nearly 100,000 people from November 2010 to November 2011, another good sign for the economy.

Population Growth		April 2010	July 2011
	Florida's Population	18.8 Million	19.1 Million

The U.S. Census Bureau reported that Florida has the nation's 3rd largest population growth during the past year, only behind Texas and California. From April 1, 2010 to July 1, 2011 Florida gained approximately 256,000 residents. According to the University of Florida's Bureau of Economic and Business Research, the most recent population estimate is 19.1 million residents, making Florida the 4th most populous state. Population growth helps the state because it induces increased economic activity and growth. Increased population growth will also aid in clearing the current excess housing stock in Florida's housing market, something that is critical to the economic recovery of the state.

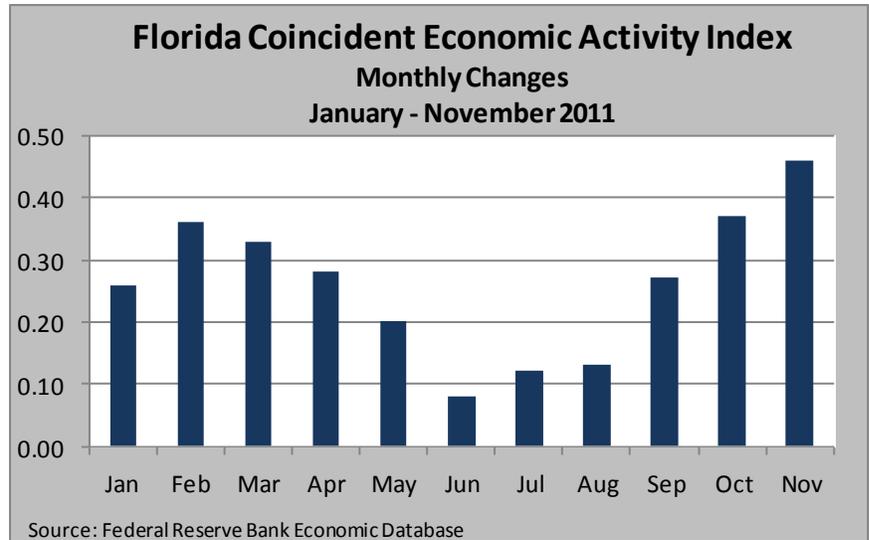
Mortgage Rates		November 2010	November 2011
	30-Year Conventional Mortgage Rate	4.30%	3.99%

According to the Federal Reserve Bank, 30-year conventional interest mortgage rates have fallen to an all-time low from the already low interest rates at the end of 2010 and the beginning of 2011. Although low interest rates alone will not solve the housing market's problems, low interest rates combined with falling home prices have contributed to housing being more affordable.

Florida's Coincident Index (1992 = 100)	November 2010		November 2011	
	Coincident Economic Activity		141.49	144.42

The Coincident Economic Activity Index is a series published by the Federal Reserve for all 50 states that can be used to show movement in the levels of economic activity from one month to the next. The Federal Reserve uses data on Florida's non-farm payroll employment, the unemployment rate, average hours worked in manufacturing, and wage and salary data to build the index. A higher index value indicates more economic activity, thus a stronger economy. The increase in the Index from 141.49 to 144.42 shows that Florida's economic activity has increased over the previous 12 months. What it doesn't show is what happened over each of the months in 2011.

The chart to the right shows the monthly changes in the Index from January through November. Each month's index value was higher than the previous month's level, showing positive changes in Florida's economy in every month of 2011. This is a significant change from 2010, where six of the twelve months showed negative changes in the Index. Even better news from this Index is shown in the size of the positive changes in the months of September through November. That three month period had strong growth—with November's 0.46 increase being the strongest positive growth in the Florida Coincident Index since January 2006. If the momentum continues, Florida should end the year showing stronger-than-expected growth.



Consumer Confidence, CPI, and PPI	November 2010		November 2011	
	Florida Consumer Confidence Index	71	65	
	Consumer Price Index—All Urban Consumers	218.8	226.2	
Producer Price Index—Commodities	186.6	202.0		

One of the ways we can look to future economic activity is to check the consumer's confidence level, as well as the level of prices. According to the University of Florida's Bureau of Economic and Business Research (BEBR) Florida Consumer Confidence Index, consumer confidence fell for most of 2011 and it was lower in November 2011 than it was in November 2010. However the Index has shown improvement since September and will likely stay steady through the end of the year. Consumer confidence is an important economic indicator because it gives an indication of whether or not Floridians are more likely to spend and invest their money.

The consumer price index (CPI) and producer price index (PPI) are indicators of whether or not inflation is occurring in the market by measuring the price of goods. Higher values in both indices means that prices are rising. The PPI is generally a better measure of true market prices because it measures the price of inputs to final goods. If prices of

those inputs increase, then they are typically passed on to the consumer. Both the CPI and PPI have been on the rise since the beginning of 2009 but have flattened out for most of 2011. The rise in PPI and CPI over the last 12 months generally indicates an increase in inflation; however, inflation rates were at an all-time low during the liquidity crisis in 2009 and are just now returning to “normal” levels since then so it is not yet a serious situation. Sales taxes make up more than 70 percent of Florida’s general revenue. One can see from the chart above, that

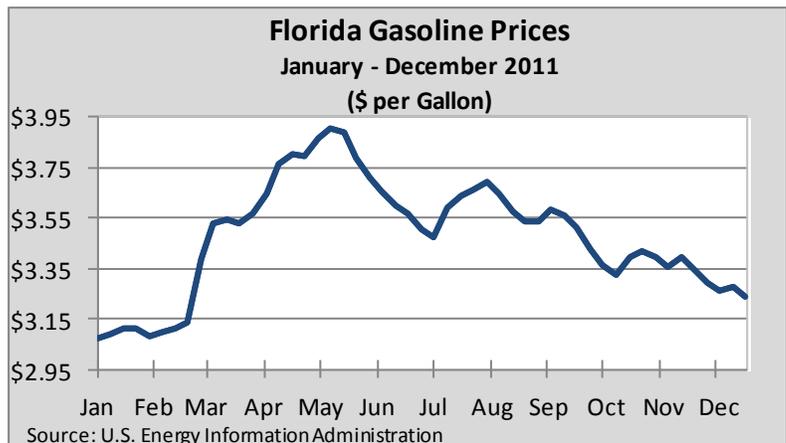
Taxable Sales		YTD 2010	YTD 2011
	Taxable Sales Year-to-Date (Jan-Oct)		\$235.9 Billion

2011 Taxable Sales have increased by \$11.5 Billion, a nearly 5 percent increase in 2011 year-to-date versus 2010. Sales tax revenues were kept constant by increased spending in the hospitality sector due primarily to international tourism.

Prices of certain goods affect the economy more than others. Fuel prices can greatly impact spending patterns,

Gasoline Prices		December 2010	December 2011
	Gas Prices (\$ per Gallon)		\$2.96

especially when fuel spending is a significant part of a family’s disposable income. According to the US Energy Information Administration, on December 19, 2011, the average unleaded regular gas price was \$3.24 per gallon. This compares to \$2.96 per gallon last year at the same time. That is an 11 percent increase over the past year. The chart on the right shows that the peak for Florida was on May 9 at the average price of \$3.905 per gallon. Gas prices, although significantly lower than they were during most of the last nine months, continue to weigh down the recovery due to the large amount of dollars taken out of disposable income that could be spent on other items.



Conclusion

Given the volatility in the financial markets over the last year, much of which was caused by financial unrest in Europe, what will 2012 bring for Florida? Certainly, job creation seems to be gaining momentum in Florida with nearly a two percent drop in the unemployment rate since the first of the year. Gas prices have fallen significantly since May highs, interest rates are falling, and inflation is moderate. Multiple signs are pointing to a strong recovery in Florida’s economy.



Source: 813Area (2011) <http://www.813area.com/newyearseve/>

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