

# FLORIDA TAXWATCH

# Economic Commentary

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## 2016 Economic Preview

As we kick off 2016, Floridians can look forward to consistent growth in the Florida economy. As shown in the December 2015 *Economic Commentary*, Florida experienced strong job growth in 2015, adding nearly a quarter of a million jobs. Heading into 2016, Florida's job market is widely expected to maintain its course as the Florida economy as a whole continues to strengthen.

One of the most commonly used metrics to measure a state's economy is the Real Gross State Product (RGSP), which measures the value of economic output for a given state, adjusted for price changes stemming from inflation or deflation. Florida's RGSP is expected to grow 3.1 percent in 2016, which is roughly a half a percentage point higher than the United States.<sup>1</sup>

While the expected growth of Florida's economy in 2016 is great news, there are also positive signs for economies at the local level. Bloomberg Business compiled a list of the top 18 cities it predicts will have the most economic growth in 2016. Of the 18 cities on the list, nine were in Florida, including the top four, and six of the top ten, as shown in the table below.<sup>2</sup> The concentration of growth seems to be regional, as nearly all of the Florida cities on the list are located in Southwest or Central Florida. Small and moderate sized metropolitan areas in Florida have moved to the top of the list largely due to the fall of oil and gas hubs from the ranks, according to Bloomberg.

Florida Cities Leading the Nation in Economic Growth<sup>2</sup>

	PREDICTED ECONOMIC GROWTH
1. Naples-Immokalee-Marco Island	4.9%
2. Sebring	4.8%
3. The Villages	4.7%
4. Cape Coral-Fort Myers	4.5%
7. Ocala	4.2%
9. Orlando-Kissimmee-Sanford	4.1%
14. Homosassa Springs	4.0%
14. Port St. Lucie	4.0%
14. Punta Gorda	4.0%

<sup>1</sup> Snaith, Sean. *Florida & Metro Forecast*. September 2015. U of Central Florida.

<sup>2</sup> Roman, Erin. "These 18 Cities Will See the Most Economic Growth Next Year." <http://www.bloomberg.com/>. Accessed 6 Jan. 2016.

## Consistent and Stable Job Growth on the Horizon

Since the economic recession and recovery process that has occurred over the past decade, Florida has seen strong but somewhat volatile job growth. While the gains in the job market have been mainly positive, some growth in the job market can be attributed to a return to pre-recession standards. Going into 2016, forecasts project that while job growth will mostly stay positive, the economy will become more consistent and stable.

A leading metric for overall job growth, total non-farm employment is expected to grow 2.2 percent in 2016, according to the University of Central Florida's *Florida & Metro Forecast*.<sup>3</sup> An alternative forecast published by Kiplinger has a slightly more optimistic view, predicting that Florida will be ranked 3<sup>rd</sup> in the nation in terms of states with the fastest job growth, forecasting the state's job growth to be 2.9 percent in 2016 and unemployment to dip to 4.7 percent.<sup>4</sup>

As the table below shows, Florida's job growth is led by a resurgence in construction, which took a major hit during the economic recession, but has gradually turned around as consumer confidence has increased, leading to more business expansion and population growth. With increased construction comes new businesses and homes, which allow for growth in many other sectors of the job market.

Predicted Employment Growth by Sector<sup>3</sup>

JOB SECTOR	GROWTH RATE
Construction	7.2%
Transportation, Warehousing & Utility	3.8%
Prof. and Business Services	3.6%
Edu & Health Services	3.1%
Leisure & Hospitality	2.2%
Wholesale Trade	1.9%
Durable Goods	1.5%
Manufacturing	1.4%
Nondurable Goods	1.1%
Financial Activates	1.1%
Retail Trade	0.5%
Information	-0.7%
Mining	-3.6%

## Florida's Housing Market Continues Its Rise

Since the end of the recession, Florida's housing market, one of the most widely affected sectors of the economy, has been in a recovery state. A report released by the Florida Realtors in July 2015 found that the housing market was growing at a faster pace in 2015 than expected, and should continue on this path in 2016.<sup>5</sup> Aiding the growth of the housing market is a shrinking pool of foreclosures,<sup>6</sup> which is good news for homeowners in Florida for a couple of reasons. First, fewer foreclosures is a sign of positive economic health for the state; and second, with fewer foreclosures, property values increase due to the fact that there are fewer homes available for purchase.

3 Snaith, Sean. *Florida & Metro Forecast*. September 2015. U of Central Florida.

4 Payne, David. "15 Best States to Find a Job in 2016." <http://www.kiplinger.com/>. Accessed. 6 Jan. 2016.

5 Snaith, Sean. *Florida & Metro Forecast*. September 2015. U of Central Florida.

6 Ibid.

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Additionally, the number of housing starts (construction of new homes) is expected increase in 2016 to meet the growing demand for homes.<sup>7</sup> According to the *Florida & Metro Forecast*, Florida can expect to see more than 125,000 new homes start construction this year, a more than 25 percent increase over last year's figure.<sup>8</sup>

## Indications of a Strong 2016

With a growing job and housing market in Florida, other areas of the state's economy will see a boost. Florida's personal income growth saw great advancements in 2015; in fact, Florida had the largest gain in personal income growth from the fourth quarter of 2014 to the first quarter of 2015 of any state in the nation.<sup>9</sup>

Going forward, forecasts for 2016 in terms of personal income growth are optimistic. In July 2015, the Florida Office of Economic & Demographic Research (EDR) hosted the Florida Economic Estimating Conference. During the conference, EDR put out its predictions on personal income growth for the future, stating that long term personal income growth rates are expected to grow between 4.4 and 5.5 percent.<sup>10</sup> This sentiment was echoed by the *Florida & Metro Forecast*, which predicted that personal income would grow 4.9 percent in 2016.<sup>11</sup> Both of these predictions have Florida outpacing the nation, a positive sign for the state's economy and the residents of Florida.

With the increase in personal income, growth in the job market, and an overall increase in consumer confidence, Florida is expected to see a boost in retail spending. In fact, forecasts show that retail spending will accelerate in 2016, with retail spending growth estimated to be 5.3 percent, more than a percentage point higher than 2015.<sup>12</sup> This comes from the fact that more Floridians are starting to build up disposable income, increasing discretionary spending, and allowing more money to flow through the economy. The effects of this increase will create more jobs, and help boost the overall health of the state's economy.

## Conclusion

Heading into 2016, Floridians have reason to be positive. The state's economy has recovered nicely since the recession and Florida is finally starting to level out. Through 2016, expect stable and consistent growth in the job market, housing market, and other facets of the Florida economy. With these increases, consumer confidence will likely rise, creating an environment where hard-working Floridians feel comfortable spending their money. This influx will help carry the Florida economy through 2016, generating stable and positive gains this year.

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7 Snaithe, Sean. *Florida & Metro Forecast*. September 2015. U of Central Florida.

8 Ibid.

9 *Florida Economic Estimating Conference*. Florida Office of Economic & Demographic Research, 2015.

10 Ibid.

11 Snaithe, Sean. *Florida & Metro Forecast*. September 2015. U of Central Florida.

12 Ibid.

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