

The Current Recession in Florida: Comparative Information and Data on the Worst Economic Downturn since the 1930s

I. Introduction

Florida, the United States, and much of the global economy are experiencing the most severe economic downturns since the Great Depression of the 1930s. Unfortunately, as the information and data presented below demonstrate, the recession in Florida is proving to be significantly more serious than the recessions in the rest of the U.S. and in most of the global economy. Florida entered recession before the rest of the nation; the magnitude of the contraction in Florida is considerably larger than in the rest of the country; and the near-term prospects for an end to the recession and a meaningful rebound are dimmer for Florida than most other states.

Some longer-term perspective may also be helpful. Beginning about 1980 and continuing until about 2007 Florida's economy had consistently (with the possible exception of the 1990 – 1992 period) grown faster than the U.S. economy. Florida's strong economic growth perennially ranked it among the growth leaders in the U.S. This was especially true from about 2001 until 2007, and has made the reversals of the last two and one-half years rather stunning.

Ten (10) variables measuring Florida and U.S. economic activity are presented below in summary/bullet point fashion. The changes in the variables are measured from the peak date of economic activity to the most recent date, except for export data which are measured on a cumulative basis through June.

The first three variables examine the broadest available measures of comparable state and national economic activity. The fourth variable examined is population growth, a historic key driving variable of Florida's economy. Variables five through eight look at state and national labor market conditions. Two variables pertaining to the state and national housing markets are then examined. The final variable looks at the export of goods.

Clearly, other variables in addition to the ten reported here could be examined. However, it is highly unlikely that they would tell a different story.

Finally, a somewhat cautionary note is in order. The economy of any one state will generally exhibit more volatility, on both the upswing and downturn, than the national economy. After all we are comparing one state, albeit a large one, with a \$600 billion economy and 18.3 million people to the world's largest economy with a \$13.3 trillion Gross Domestic Product (GDP) and 305 million people. Nonetheless, we should not seek solace in this caveat.

II. The Recession in Florida versus the U.S. Recession

A. Broad Measures of Economic Activity

1. Florida's Economy Entered Recession Nine Months before the U.S.

An index of coincident/current economic activity developed and published by the Federal Reserve Bank of Philadelphia shows that the Florida economy entered recession in March 2007 while recession in the U.S. economy did not start until December 2007.ⁱ

2. Florida's Contraction Has Been More than Two-and-One-Half Times Steeper than the Contraction in the U.S.

From their respective peaks noted above through July 2009, the Philadelphia Federal Reserve's index of current economic activity has dropped 9.6% in Florida versus 3.4% for the U.S.

3. Florida's Economy Has Not Grown since 2006, while the U.S. Economy Has.

Real/inflation – adjusted GDP, the broadest measure of economic activity, showed 0% growth in Florida for 2007 and a decline of 1.64% (a drop of some \$10 billion) for 2008. In contrast, U.S. real GDP expanded 2.14% in 2007 and 0.04% in 2008.ⁱⁱ

B. Population Growth

1. Florida's Population Growth Rate Is Now Less Than Half the U.S.

From 2006 – 2008 Florida's population growth averaged 0.04% per year. In contrast, U.S. population growth averaged 0.09% per year.

C. Labor Market Conditions

1. Florida's Rate of Job Loss Has Been 75 Percent Greater than the U.S.

From the peak noted above through July 2009 Florida has lost 712,000 non-agricultural jobs – a plunge of 8.8%. Indeed, the number of jobs in Florida today is about the same as in February 2004. For the U.S. economy, from the peak through July 2009 job losses have totaled about 6.7 million – a falloff of 4.8%.

2. The Number of Unemployed in Florida Has Soared and Is Approaching 1 Million Persons.

At the March 2007 peak there were 'only' 335,000 unemployed persons in Florida. As of July 2009 the number of unemployed had skyrocketed to 984,000. This is a staggering 194% increase. In the U.S., the number of unemployed has increased from roughly 7.5 million in December 2007 to about 14.5 million in July 2009 – an increase of 92%.

3. Florida's Unemployment Rate Is Close to Tripling versus a National Doubling.

Florida's unemployment rate has surged from 3.7% in March 2007 to 10.7% in July 2009. The unemployment rate in the U.S. has risen from 4.9% in December 2007 to 9.4% in July 2009.

4. Florida's Labor Force Growth Is Only One-Third of the U.S.

Florida's labor force, its supply of labor, has expanded by 1.43% so far during the recession (generally, labor force growth slows markedly or shrinks in a recession). U.S. labor force growth has recorded a gain of 4.34% during the national recession.

D. Housing Markets

1. Housing Markets in Florida Are Experiencing a Depression versus a Severe U.S. Recession.

At the peak in 2005 the number of building permits issued for new housing units in Florida totaled 287,250 with a value of \$47 billion. If the data through July 2009 are annualized, then 2009 housing starts in Florida will total only 35,611 units with a value of just \$6.7 billion. This is a decline (to use a shopworn phrase) of unbelievable magnitude. U.S. housing starts also peaked in 2005 at 2.16 million units with a value of \$329.3 billion. Again, annualizing the data through July 2009 U.S. housing starts will total a mere 568,712 units with a value of only \$92 billion.

2. Housing Prices in Florida Have Fallen By 50 Percent More than in the U.S.

The Case-Shiller housing price index for Miami (Miami-Dade, Broward and Palm Beach counties) peaked in December 2006. Since then and through June 2009 it has plummeted 48%. The housing price index for Tampa (Hillsborough, Pinellas, Pasco and Hernando counties) peaked in May, 2006 and through June 2009 has plunged 41%. In contrast, the '20 City' U.S. housing price index, which also peaked in May 2006, has dropped 31% through June 2009.

E. Manufactured Exports, Agriculture, Forest Products & Related Goods.

1. Florida Export Growth Outpacing U.S.

This might be the one bright spot for Florida. For the first six months of 2009 the dollar volume of Florida's exports slipped 10.4% compared to the first six months of 2008. During the same time period U.S. exports dropped 24.6%.

In 2007 and 2008, Florida's exports of goods advanced 15.2% and 24.3%, respectively, versus U.S. increases of 16% and 12%. For full year 2009, Florida's exports are on track to decline by roughly 13% versus a 23% decline for the U.S.

III. Signs of a Bottom

Recent economic data indicate the worst of the recessions in the U.S., and to a lesser degree Florida, are ending. For example, in the U.S., Real GDP contracted at a 1.00% annual rate in the second quarter, 2009 after plummeting at 6.00% annual rates in the previous two quarters. Indeed, the consensus forecast for the U.S. economy calls for a resumption of growth, albeit at a paltry pace, by year-end 2009 to early 2010.

The signs of a bottom in Florida are more tenuous, though nonetheless encouraging. They include:

- Ongoing, necessary adjustments in the beleaguered housing markets. Existing home and condominium sales, as reported by the Florida

Association of Realtors, have increased hefty 25 and 27 percents, respectively, for the first seven months of 2009 compared to the same period in 2008. Existing home and condominium sales are on pace to register their first annual gains since 2005.

- The Case-Shiller Housing Price Indexes for the Miami and Tampa regions inched-up in June 2009. These were the first respective monthly price hikes since December and May 2006.
- Employment in education and health care has risen by roughly 32,300 jobs since the recession started. Health care employment has expanded by about 9,400 positions in the twelve months ended July 2009.
- Although more than 250,000 construction jobs have been lost since the start of the recession, employment in this sector appears to be stabilizing. Employment in the construction sector has held steady at approximately 434,000 jobs since March of this year. Employment has also been steady since about March of this year in the mining and natural resources industries as well as the 'other' services category.

The U.S. economy is likely to show signs of expansion before Florida, owing primarily to the severity of the housing market slump in the state and a delayed resumption of population growth. It remains a time to focus on economic growth fundamentals, including investments in human and physical capital, which make us all more productive; on state and local policies that encourage such investments; on encouraging spillover and agglomeration effects of businesses located in close proximity to one another; and on the amenities that attract knowledge workers and others. Such a focus will help Florida regain its growth leadership.

[†]The National Bureau of Economic Research, the official arbiter of U.S. business cycles, also dates the start of the current U.S. recession as December, 2007.

[#]2009 quarterly state-level real GDP data are not available.

By Stephen O. Morrell, Ph.D., Florida TaxWatch Senior Research Fellow and Professor of Economics and Finance, Andreas School of Business, Barry University, Miami Shores.

Florida TaxWatch Center for Competitive Florida Advisory Board

John Zumwalt, III Chairman President & CEO Post Buckley Schuh & Jernigan, Inc.	John A. Adams, Jr., PhD. President & CEO Enterprise Florida	Mr. Hoyt "Barney" Barnett Vice Chairman Publix Super Markets, Inc.	Stuart L. Blumberg President & CEO Greater Miami & The Beaches Hotel Association	John Byers President & CEO, FPIC
Mr. Marshall Criser III President-Florida AT&T	Douglas C. Davidson North Florida Market Executive Bank of America Merrill Lynch	Stephen J. deMontmollin Sr. Vice President and General Counsel AvMed	Mr. Ray Gilley President & CEO Metro Orlando EDC	Ms. Nicki Grossman Executive Director Greater Ft. Lauderdale CVB
Jack Healan President Amelia Island Plantation	Mr. Arthur Hertz Chairman and CEO Wometco Enterprises Inc	Ms. Glenda Hood Former Secretary of State	Mr. Robert Hudson President & CEO Retired. AvMed Health Plan	Mr. Richard Maladecki President Central FL Hotel & Motel Association
Governor Bob Martinez Senior Policy Advisor Holland and Knight	Shannon McAleavy Vice President of Public Affairs Walt Disney World	Mr. David McIntosh Trustee Bluefield Ranch Mitigation Bank Trust	Ms. Jane McNabb Executive director St. Joe Community Foundation	John McReynolds VP Government Affairs Universal Studios

Mr. Cliff Nilson
General Counsel & VP
Governmental Relations
Visit Florida

Mr. Robert Skrob
FL Association of CVBs

Mr. David Smith
President & CEO
PSS World Medical

Mr. Bill Talbert
President & CEO
Greater Miami CVB

Mr. Edward F. Tancer
Vice Chairman & Senior VP
Florida Power & Light Company



Florida TaxWatch acknowledges the expanded partnership and support of Florida Power & Light Company through named sponsorship of ECONOMIC COMMENTARY

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

Stephen O. Morrell, Ph.D., Executive Director, Center for Competitive Florida, Florida TaxWatch
Contact Robert Weissert, 850.222.5052, robert@FloridaTaxWatch.org