

A photograph of the Florida State Capitol building in Tallahassee, featuring a large dome and classical columns, surrounded by trees and a paved walkway.

FLORIDA
CHAMBER
of Commerce

FLORIDA BY THE NUMBERS: AN UPDATE ON OUR ECONOMY

FLORIDA CHAMBER INSURANCE SUMMIT

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Presented By:

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National Economy - No Recession

HISTORY OF 13 RECESSIONS SINCE THE GREAT DEPRESSION

	Contraction Peak - Trough	Contraction Rank	Decline GDP	Peek Unemployed	Recovery	Recovery Rank
Aug 1929 - Mar 1933	43m		-26.7%	24.9%	4Yr 2m	
1. May 1937 - Jun 1938	13m	4	-18.2%	19.0%	6Yr 8m	
2. Feb 1945 - Oct 1945	8m		-12.7%	5.2%	3Yr 1m	
3. Nov 1948 - Oct 1949	11m	5	-1.7%	7.9%	3Yr 9m	
4. Jly 1953 - May 1954	10m		-2.6%	6.1%	3Yr 3m	
5. Aug 1957 - Apr 1958	8m		-3.7%	7.5%	2Yr	
6. Apr 1960 - Feb 1961	10m		-1.6%	7.1%	8Yr 10m	3
7. Dec 1969 - Nov 1970	11m	5	-0.6%	6.1%	3Yr	
8. Nov 1973 - Mar 1975	16m	2	-3.2%	9.0%	4Yr 10m	
9. Jan 1980 - Jly 1980	6m		-2.2%	7.8%	1Yr	
10. Jly 1981 - Nov 1982	16m	2	-2.7%	10.8%	7Yr 8m	4
11. Jly 1990 - Mar 1991	8m		-1.4%	7.1%	10Yr	1
12. Mar 2001 - Nov 2001	8m		-0.3%	6.3%	6Yr 1m	
13. Dec 2007 - Jun 2009	18m	1	-5.1%	10.1%	9Yr 4m	2
Forecast - Jun 2021					13Yr	

CONSENSUS ESTIMATING CONFERENCE PROCESS

edr.state.fl.us
IHS Markit

Economic, demographic, resource-demand and revenue forecasts are essential for a variety of governmental planning and budgeting functions. Most importantly, revenue and resource-demand estimates are needed to ensure that Florida meets its constitutional balanced budget requirement. In this regard, the various forecasts are primarily used in the development of the constitutionally required Long-Range Financial Outlook, the Governor's budget recommendations and the General Appropriations Act.

This multi-stage process begins with the adoption of a national economic forecast based in part on information from a private forecasting firm, and the subsequent development of a Florida-specific economic forecast linked to major elements from the national forecast. Key state economic variables are then used to model the likely paths of individual revenue sources and resource-demand forecasts.

Typically Recent estimates have included at least five complete fiscal years in the forecast adopted at the conference. Moreover, the annual Long-Term Revenue Analysis (Book 2) adopted each Fall contains 10-year forecasts for revenues.

Consensus estimating informally began in 1970 and was limited to forecasts of the General Revenue Fund. The law establishing the conference process in statute did not pass until 1985 (Chapter 85-26, Laws of Florida). The use of consensus forecasting to support the planning and budgeting process has expanded in the years since, and there are now ten estimating conferences formally identified in statute:

1. Economic Estimating Conference (National & Florida)
2. Florida Demographic Estimating Conference
3. Revenue Estimating Conference
4. Education Estimating Conference
5. Criminal Justice Estimating Conference
6. Social Services Estimating Conference
7. Workforce Estimating Conference
8. Early Learning Programs Estimating Conference
9. Self-Insurance Estimating Conference
10. Florida Retirement System Actuarial Assumptions Estimating Conference

Consensus forecasting requires the conference principals to agree on the forecasts before they are finalized. The procedure is truly by consensus with each principal having a veto. Section 216.133(3), F.S., defines "consensus" as "the unanimous consent of all of the principals." Each state agency and the judicial branch must use the official results of the conference in carrying out their duties under the state planning and budgeting process; however, the Legislature is not bound to use the official consensus forecasts.

Nevertheless, since 1970, the Florida Legislature has consistently used the results of these conferences in its official duties. To support the Legislative budgeting process Official Forecasts are revised over three "seasons" (Summer, Fall, and Spring).

National Economic Estimating Conference

July 12, 2018

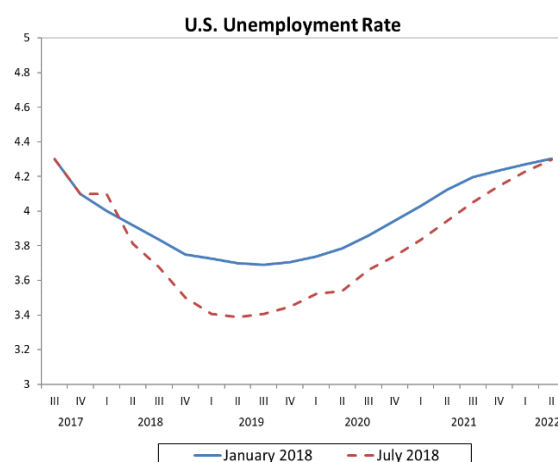
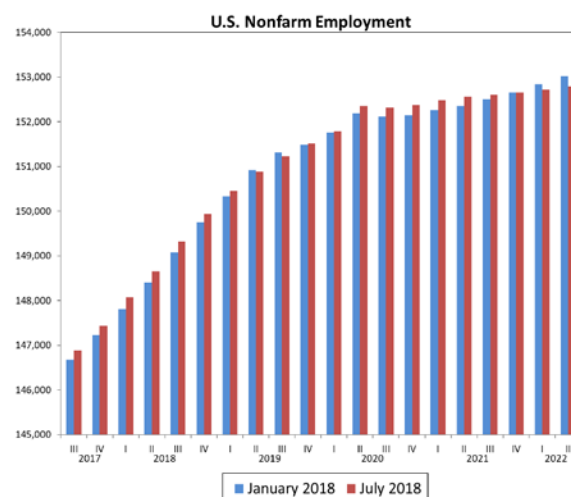
The National Economic Estimating Conference met on July 12, 2018, and adopted the IHS Markit baseline forecast with caution. While the economy remains solid and the near-term outlook is close to the last forecast adopted in January, trade tensions are ratcheting up. Significant new developments occurring immediately after the release of the IHS Markit forecast prevented their inclusion in the IHS models. Because of this, the adopted forecast carries greater than normal risk.

In this regard, the July forecast incorporates the effects of the 25 percent tariffs on \$36 billion of imports of industrial goods from China and the 25 percent tariffs on the same amount of US exports (mainly agricultural), as well as the expansion of tariffs on steel and aluminum from Mexico, Canada, and the European Union. However, the latest tally of Chinese imports subject to higher US tariffs is \$250 billion in goods, and the retaliatory measures by China on US exports has climbed to \$50 billion. While the additional US tariff increases on Chinese exports have all been formally announced, they have yet to be fully implemented. Still other tariffs have been threatened against China and other trading partners; cumulatively, these tariffs—if implemented—would mean that close to one-third of all imported goods into the US would be subject to higher tariffs. To the extent that they materialize, tariffs act like a tax increase, weakening the purchasing power of households and creating greater business uncertainty.

Absent additional drags caused by a full-scale global trade war, the economy continues to show gains in employment, real disposable income and home values. In part, this growth is based on the anticipated effects from the enactment of the Bipartisan Budget Act of 2018 that increases the federal spending cap by \$296 billion and authorizes \$84 billion in disaster relief to California, Florida, Texas, Puerto Rico, and the US Virgin Islands. These expectations are consistent with the January adopted forecast, which already incorporated IHS' take on the stimulatory effects from the Tax Cuts and Jobs Act (TCJA).

Relative to January, the forecast has detectably improved in Fiscal Year 2018-19 for real gross domestic product (GDP) and business investment. In addition, the unemployment rate is significantly lower. However, even though the job market is on solid ground, the growth rates for non-farm jobs, wages & salaries, and consumer spending are lower in Fiscal Year 2018-19 when compared to the prior forecast.

Since the last conference, real GDP growth slowed to an annualized rate of 2.0 percent in the first quarter of 2018. Despite that, the GDP growth forecast in the second quarter of 2018 has been raised significantly to 4.8 percent due to a robust report on exports in May. Even though GDP growth is projected to slow down to 2.7 percent in the third quarter of 2018 to reflect the temporary nature associated with some of the export surge, the resulting average growth of 3.7 percent over the current



and next quarter will be the fastest two-quarter increase in nearly four years. GDP is projected to grow 3.0 percent in Fiscal Year 2018-19 and 2.1 percent in Fiscal Year 2019-20.

Driven by robust production, employment continues to make generally solid gains, with the forecast expecting a growth rate of 1.6 percent in Fiscal Year 2018-19 and a slowing to 1.0 percent in Fiscal Year 2019-20. As a result, expectations for the unemployment rate have clearly improved. The unemployment rate is now expected to decline to 3.5 percent during Fiscal Year 2018-19 and then start rising slowly in Fiscal Year 2020-21 as employment growth falls behind labor force growth.

Despite a soft first quarter of 2018, real consumer spending is expected to rebound to 2.4 percent growth in Fiscal Year 2018-19 and 2.5 percent in Fiscal Year 2019-20. Consumer spending growth will continue to contribute to the economic expansion, supported by improving household finances, lower personal tax rates, gains in employment, growth in real disposable incomes, and increasing home values.

Housing starts were strong in both the 4th quarter of 2017 and the 1st quarter of 2018, with 33.5 and 19.6 percent annualized growth rates respectively, mostly due to a temporary boost from post-disaster rebuilding efforts in California, Florida, and Texas. However, starts are expected to perform slightly below the January forecast at growth rates of 7.3 percent during Fiscal Year 2018-19 and 4.4 percent during Fiscal Year 2019-20, before plateauing in Fiscal Year 2021-22. While the trajectory of the Federal Funds Rate reflects stronger increases over the next several years, the conventional mortgage rates are expected to be slightly lower than previously expected.

Lastly, the outlook for corporate profits is somewhat mixed relative to the January forecast. For Fiscal Year 2018-19, the level has significantly dropped due to a disappointing fourth quarter at the end of the 2017 calendar year, but the growth rate over the prior year has increased. By Fiscal Year 2019-20, the outlook is largely back on track. Thereafter, the levels stay higher than the prior forecast, but the growth rates are largely lower.

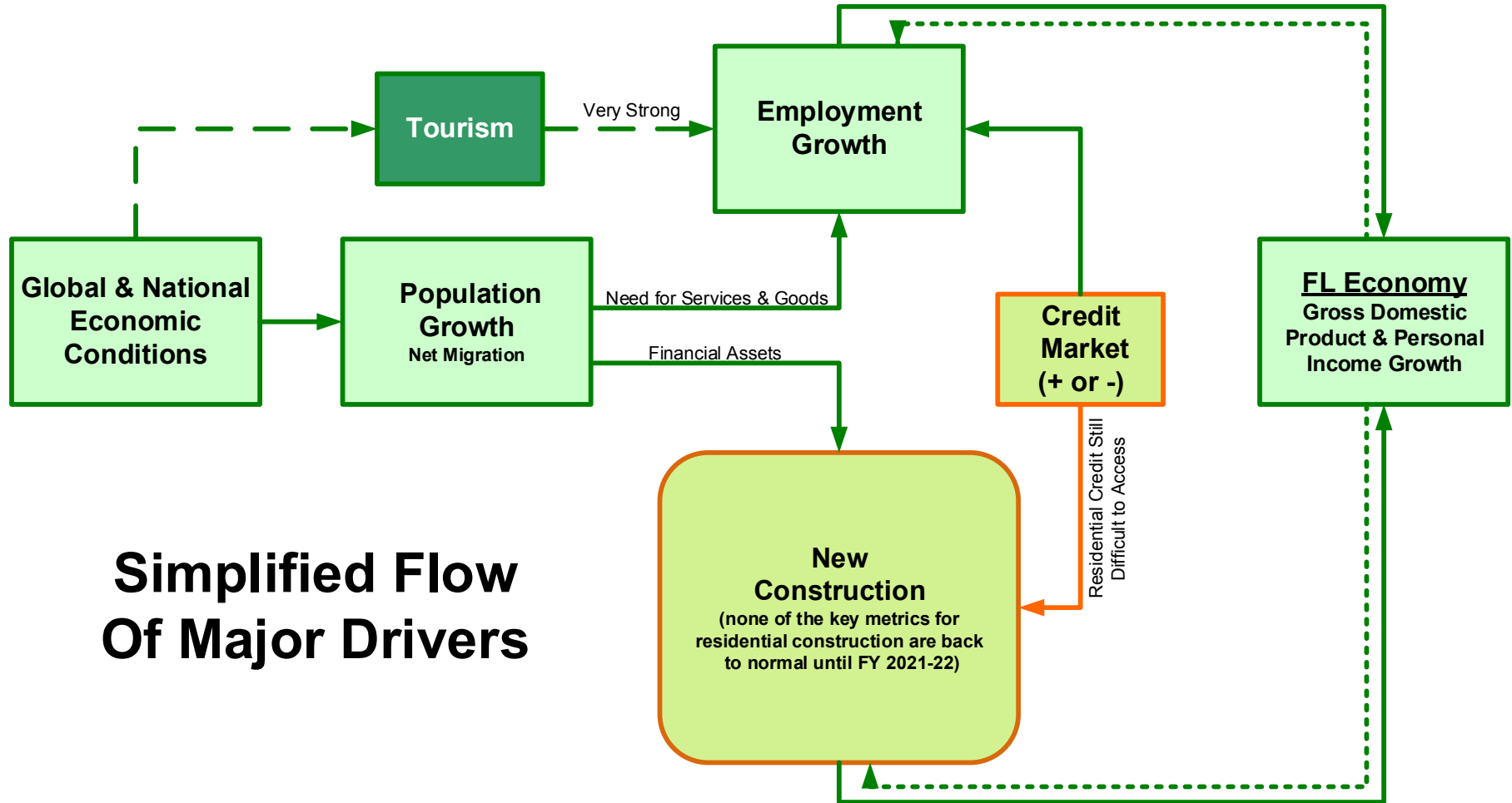
National Economic Estimating Conference
Held July 12, 2018 FINAL
Long-Run Tables

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Executive Summary												
1. Real Gross Domestic Product , January 2018	16,891.0	17,322.1	17,777.9	18,192.0	18,524.7	18,880.3	19,251.7	19,621.7	19,988.6	20,351.5	20,716.9	NA
Control, July 2018	16,891.0	17,349.5	17,873.6	18,249.3	18,516.5	18,799.1	19,132.9	19,498.9	19,864.5	20,232.2	20,625.8	21,031.5
Percent Change, January 2018	1.9	2.6	2.6	2.3	1.8	1.9	2.0	1.9	1.9	1.8	1.8	NA
Control, July 2018	1.9	2.7	3.0	2.1	1.5	1.5	1.8	1.9	1.9	1.9	1.9	2.0
2. Total Non-Farm Jobs (Millions), January 2018	145.4	147.5	150.0	151.7	152.2	152.8	153.5	154.1	154.7	155.3	155.9	NA
Control, July 2018	145.5	147.8	150.1	151.7	152.4	152.7	153.1	153.7	154.4	155.0	155.7	156.4
Percent Change, January 2018	1.6	1.4	1.7	1.1	0.4	0.4	0.5	0.4	0.4	0.4	0.4	NA
Control, July 2018	1.7	1.5	1.6	1.0	0.5	0.2	0.2	0.4	0.5	0.4	0.4	0.5
3. Unemployment Rate (%), January 2018	4.7	4.1	3.8	3.7	4.0	4.3	4.4	4.5	4.5	4.6	4.7	NA
Control, July 2018	4.7	4.1	3.5	3.5	3.8	4.2	4.4	4.5	4.5	4.6	4.6	4.6
4. Housing Starts (Millions Of Units), January 2018	1.201	1.240	1.347	1.436	1.459	1.489	1.496	1.507	1.507	1.495	1.492	NA
Control, July 2018	1.201	1.267	1.360	1.420	1.453	1.452	1.447	1.433	1.441	1.435	1.401	1.377
Percent Change, January 2018	4.5	3.3	8.6	6.6	1.6	2.1	0.4	0.7	0.0	-0.7	-0.2	NA
Control, July 2018	4.5	5.5	7.3	4.4	2.3	-0.1	-0.3	-1.0	0.6	-0.4	-2.4	-1.7
5. Consumer Price Index, January 2018	242.7	247.3	251.3	257.5	264.8	271.3	277.8	284.7	291.7	298.9	306.4	NA
Control, July 2018	242.7	248.1	254.1	259.7	265.5	271.5	278.0	284.8	291.9	298.9	305.8	312.7
Percent Change, January 2018	1.9	1.9	1.6	2.5	2.8	2.4	2.4	2.5	2.5	2.5	2.5	NA
Control, July 2018	1.9	2.3	2.4	2.2	2.2	2.3	2.4	2.5	2.5	2.4	2.3	2.3
6. Conventional Mortgage Rate (%), January 2018	3.85	4.15	4.82	5.21	5.37	5.39	5.37	5.34	5.33	5.34	5.33	NA
Control, July 2018	3.85	4.15	4.73	5.08	5.23	5.25	5.23	5.19	5.17	5.14	5.09	5.08
7. Federal Funds Rate (%), January 2018	0.62	1.38	2.20	2.83	3.33	3.45	3.44	3.19	2.95	2.94	2.70	NA
Control, July 2018	0.62	1.39	2.32	3.19	3.43	3.44	3.43	3.18	2.94	2.93	2.69	2.69
8. Federal Surplus (Nipa Basis), January 2018	-671.9	-760.6	-967.7	-1,051.1	-1,134.4	-1,236.1	-1,286.9	-1,313.0	-1,369.4	-1,407.9	-1,441.4	NA
Control, July 2018	-671.9	-798.3	-970.1	-1,074.4	-1,159.7	-1,243.2	-1,310.5	-1,376.1	-1,463.5	-1,563.0	-1,648.8	-1,739.6
9. Corp. Profits Before Taxes (\$,Billions), January 2018	2,241.9	2,367.1	2,454.5	2,497.8	2,513.6	2,602.8	2,687.2	2,754.0	2,815.8	2,859.9	2,899.3	NA
Control, July 2018	2,241.9	2,242.5	2,420.4	2,498.5	2,531.6	2,625.3	2,776.2	2,949.6	3,101.7	3,255.0	3,422.9	3,562.2
Percent Change, January 2018	7.1	5.6	3.7	1.8	0.6	3.5	3.2	2.5	2.2	1.6	1.4	NA
Control, July 2018	7.1	0.0	7.9	3.2	1.3	3.7	5.7	6.2	5.2	4.9	5.2	4.1
10. Standard & Poor's Index, January 2018	2,266.6	2,608.3	2,653.4	2,619.9	2,654.1	2,721.8	2,801.2	2,885.7	2,970.5	3,055.5	3,155.1	NA
Control, July 2018	2,266.6	2,627.1	2,752.5	2,781.5	2,780.5	2,789.1	2,858.8	2,945.2	3,023.4	3,087.4	3,159.5	3,249.0
Percent Change, January 2018	11.9	15.1	1.7	-1.3	1.3	2.6	2.9	3.0	2.9	2.9	3.3	NA
Control, July 2018	11.9	15.9	4.8	1.1	0.0	0.3	2.5	3.0	2.7	2.1	2.3	2.8

National Economic Estimating Conference
Held July 12, 2018 FINAL
Long-Run Tables

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
11. Consumer Sentiment Index, January 2018	94.3	98.1	99.8	98.3	97.4	97.3	97.0	96.5	96.2	96.2	95.9	NA
Control, July 2018	94.3	97.7	99.1	98.9	97.4	97.3	96.9	96.4	96.1	96.1	95.9	95.7
Percent Change, January 2018	3.0	4.1	1.8	-1.6	-0.9	0.0	-0.4	-0.5	-0.3	0.0	-0.3	NA
Control, July 2018	3.0	3.6	1.5	-0.2	-1.5	-0.1	-0.4	-0.5	-0.3	0.0	-0.2	-0.2
12. Index,Real Gdp--Major Trade Partners, January 2018	115.5	118.3	120.5	122.7	124.9	127.1	129.3	131.6	133.8	136.1	138.4	NA
Control, July 2018	115.6	118.4	120.6	122.8	125.0	127.2	129.5	131.7	134.0	136.2	138.5	140.7
Percent Change, January 2018	2.1	2.4	1.9	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	NA
Control, July 2018	2.1	2.4	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.7	1.6
13. Trade-Weighted Exchange Rate, January 2018	119.5	114.7	116.2	114.6	112.8	111.0	109.4	108.4	107.7	107.0	106.5	NA
Control, July 2018	119.4	113.1	117.0	117.5	115.2	112.3	109.6	106.8	104.1	102.1	100.8	99.8
Percent Change, January 2018	1.1	-4.0	1.3	-1.3	-1.6	-1.6	-1.4	-0.9	-0.7	-0.6	-0.5	NA
Control, July 2018	1.1	-5.3	3.4	0.5	-2.0	-2.5	-2.4	-2.6	-2.5	-2.0	-1.3	-1.0

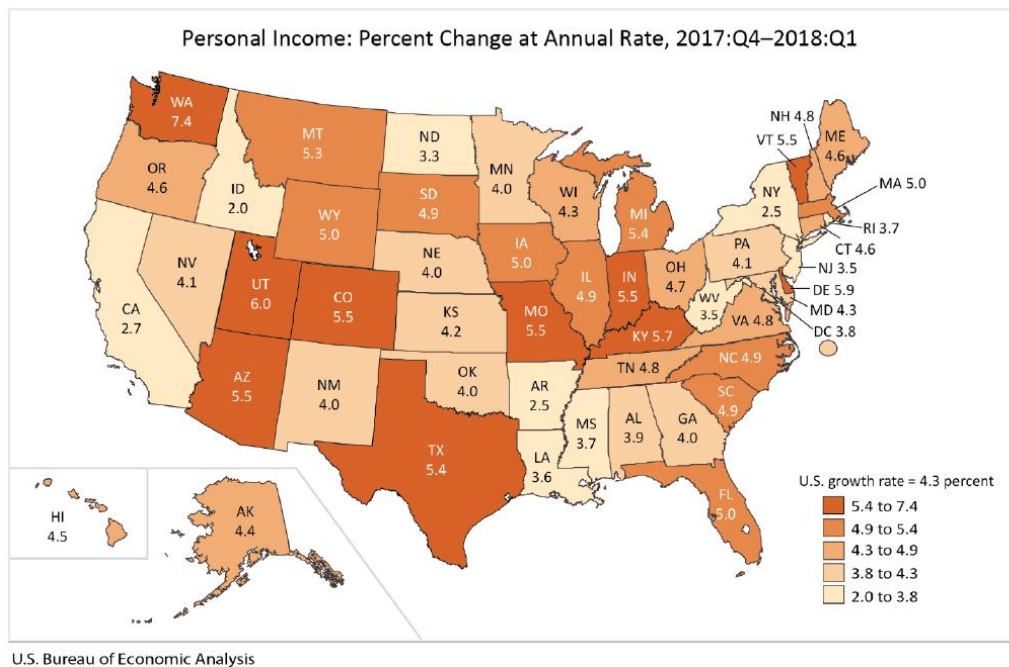
Key Economic Variables Are Strong



Florida Economic Estimating Conference July 20, 2018

The Florida Economic Estimating Conference met on July 20, 2018, to revise the forecast for the state's economy. The latest forecast was slightly weaker in several key respects, but generally shows little change from the assumptions made in January for the short term. Overall, Florida growth rates are at levels that are typical of solid growth and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. In the various forecasts, most measures of the Florida economy surpassed their peaks from the prior year and achieved new highs in Fiscal Year 2017-18.

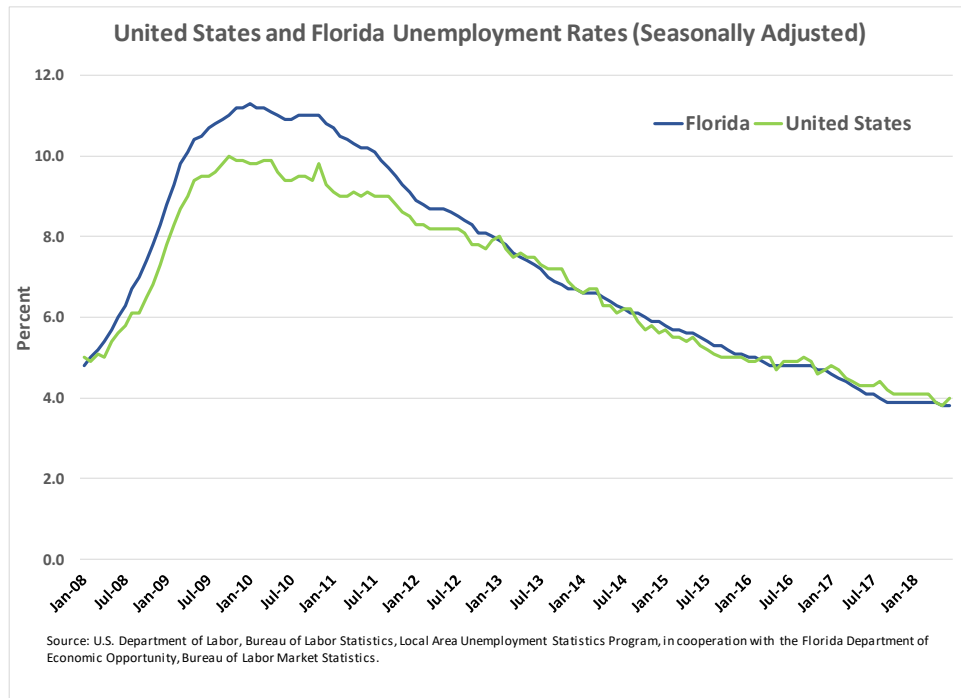
One of the main factors used to measure the economic health of an individual state is personal income growth. Using the latest revised series, Florida's personal income growth in the first quarter of 2018 was 5.0 percent over the fourth quarter of 2017, ranking Florida 13th in the country among all states. The current rank is slightly lower than the previous quarter's results and more than twice as low as the first quarter of 2017 despite a growth rate above the nation for the current quarter. The forecast expects personal income growth to edge up to 5.1 percent in Fiscal Year 2018-19 and stay at 5.0 percent in Fiscal Year 2019-20, and then grow over the long term at annual growth rates ranging between 4.0 percent and 4.4 percent.



Two key measures of employment are job growth and the unemployment rate. The job market in Florida continues to grow at modest rates, with a 1.9 percent growth rate for nonfarm employment for the first quarter of 2018 compared to the same period last year. The forecast expects total non-farm employment to grow 2.5 percent in Fiscal Year 2018-19, with more modest rates of growth throughout the long run.

Florida's unemployment rate continues to drift downward and is now below the "full employment" unemployment rate (assumed to be about 4 percent). The state's actual unemployment rate in June was lower than the nation at 3.8 percent, compared to 4.0 percent in the U.S. The rate was as low as 3.1 percent in March 2006 (the lowest unemployment rate in more than thirty years),

and most recently peaked at 11.3 percent in January 2010. The forecast expects the downward trend to continue towards a long-term rate of unemployment of around 4.0 to 4.5 percent.



Overall, the housing market continues to trudge forward, although somewhat slowing from the stronger growth over the past few years. For the first quarter of 2018, single-family building permits were 10.5 percent higher than the same period last year, while multi-family building permits were 15.1 percent higher. Combined, total private housing starts are expected to increase 12.2 percent in Fiscal Year 2018-19 before shifting down to a rate of 2.7 percent in Fiscal Year 2019-20 and to even weaker growth rates in the rest of the forecast. Total private housing starts are still well below the peak Fiscal Year 2004-05 level of 272,250 units; they do not recover to their previous peak level at any time during the ten-year forecast period. Total construction expenditures (including nonresidential and public, as well as residential) continue to grow throughout the entire forecast period, with 7.8 percent growth in Fiscal Year 2018-19 and 7.4 percent in Fiscal Year 2019-20 before gradually settling in the 4.0 percent range in the middle of the forecast and in the 3.0 percent range towards the end of the period. Helped by the nonresidential component, total construction expenditures return to peak levels by Fiscal Year 2019-20, although the private residential component does not return to peak levels until Fiscal Year 2023-24. A couple of years thereafter, in FY 2025-26, construction employment gets back to its peak level from Fiscal Year 2005-06. A related industry, financial activities, just surpassed its prior peak from Fiscal Year 2006-07.

New light vehicle registrations have been a source of strength in the Florida economic forecast over the past few years but grew by only 0.5 percent in Fiscal Year 2017-18. New light truck registrations were the reason for this growth, surpassing for a first time their prior peak from Fiscal Year 2005-06 and entirely compensating for almost equal declines in automobile registrations. New light vehicle sales for the first quarter of 2018 were up 3.4 percent over the same period last year, partially driven by post-hurricane replacements. Relative to the prior forecast, further slowing in this measure is expected through Fiscal Year 2025-26 as many consumers have already replaced their older vehicles and future purchases are affected by rising interest rates. The forecast predicts slight declines in the first half of the forecast period, followed by only modest growth of 1.0 percent or less for the rest of the period.

Florida tourism is a major component of the state's economy and continues to show its strength. Preliminary estimates indicate that 30.4 million visitors came to Florida during the first quarter of 2018 for an increase of 7.3 percent over the same period in 2017. The forecast for Fiscal Year 2018-19 expects this trend to continue with a projected overall growth rate of 5.6 percent, with all visitor categories contributing to the growth. After a slow down to 3.9 percent in Fiscal Year 2019-20, the expected growth in total visitors stabilizes at growth rates ranging between 2.9 percent and 3.4 percent annually over the rest of the long run forecast.

Florida Economic Estimating Conference
Held July 20, 2018
Long-Run Tables

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Executive Summary											
1. Personal Income, January 2018, Millions of Dollars (SAAR)	1,007,026.4	1,062,559.0	1,120,304.0	1,178,195.0	1,233,996.8	1,290,777.5	1,347,205.0	1,403,672.0	1,463,025.3	1,523,930.5	0.0
FEEC July 2018	1,003,563.0	1,054,444.5	1,107,483.3	1,156,605.0	1,206,906.8	1,259,354.3	1,313,799.0	1,367,706.5	1,422,191.0	1,478,813.3	1,537,725.0
OTQ Percent Change, Annualized, January 2018	4.3	5.5	5.4	5.2	4.7	4.6	4.4	4.2	4.2	4.2	0.0
FEEC July 2018	4.0	5.1	5.0	4.4	4.3	4.3	4.3	4.1	4.0	4.0	4.0
2. Real Per Capita Income, January 2018, Dollars	42,741.8	43,705.2	44,508.1	45,119.8	45,620.7	46,086.7	46,470.5	46,814.0	47,207.9	47,609.4	0.0
FEEC July 2018	42,516.9	43,015.8	43,592.8	43,931.6	44,238.9	44,527.6	44,817.8	45,044.3	45,269.1	45,553.6	45,888.5
OTQ Percent Change, Annualized, January 2018	1.0	2.3	1.8	1.4	1.1	1.0	0.8	0.7	0.8	0.9	0.0
FEEC July 2018	0.5	1.2	1.3	0.8	0.7	0.7	0.7	0.5	0.5	0.6	0.7
3. Non-Farm Employment, January 2018, Thousands of Jobs (SA)	8,717.7	8,914.9	9,069.1	9,198.5	9,323.5	9,444.3	9,554.1	9,656.1	9,757.7	9,872.6	0.0
FEEC July 2018	8,654.5	8,873.0	9,027.7	9,151.5	9,247.4	9,334.6	9,424.9	9,517.9	9,613.5	9,717.3	9,832.4
OTQ Percent Change, Annualized, January 2018	2.5	2.3	1.7	1.4	1.4	1.3	1.2	1.1	1.1	1.2	0.0
FEEC July 2018	1.8	2.5	1.7	1.4	1.0	0.9	1.0	1.0	1.0	1.1	1.2
4. Total Private Housing Starts, January 2018, Thousands of Units (SAAR)	135.8	147.5	154.4	161.7	167.9	171.6	174.3	175.9	177.6	180.9	0.0
FEEC July 2018	139.6	156.6	160.9	164.1	165.2	164.9	164.6	165.0	164.1	160.7	156.9
OTQ Percent Change, Annualized, January 2018	10.8	8.6	4.7	4.7	3.9	2.2	1.6	0.9	1.0	1.9	0.0
FEEC July 2018	12.6	12.2	2.7	2.0	0.7	-0.2	-0.2	0.2	-0.5	-2.0	-2.4
5. Total New Light Vehicle Registrations, January 2018, Thousands (SA)	1,297.9	1,313.5	1,317.4	1,304.7	1,287.8	1,291.5	1,311.7	1,328.9	1,343.2	1,354.0	0.0
FEEC July 2018	1,319.8	1,308.3	1,306.6	1,292.9	1,279.3	1,282.4	1,295.5	1,308.9	1,318.7	1,332.8	1,346.1
OTQ Percent Change, Annualized, January 2018	-1.0	1.2	0.3	-1.0	-1.3	0.3	1.6	1.3	1.1	0.8	0.0
FEEC July 2018	0.5	-0.9	-0.1	-1.0	-1.1	0.2	1.0	1.0	0.7	1.1	1.0
6. Total Visitors, January 2018, Thousands of Visitors (SA)	119,592.4	125,702.4	130,218.8	134,833.0	139,528.4	144,197.4	149,046.6	154,077.9	159,371.2	164,672.4	0.0
FEEC July 2018	120,523.7	127,331.1	132,167.3	136,161.3	140,307.8	144,970.3	149,847.5	154,829.6	159,608.9	164,496.8	169,524.2
OTQ Percent Change, Annualized, January 2018	4.7	5.1	3.6	3.5	3.5	3.3	3.4	3.4	3.4	3.3	0.0
FEEC July 2018	5.5	5.6	3.8	3.0	3.0	3.3	3.4	3.3	3.1	3.1	3.1

Economy Recovering

Florida growth rates are generally returning to more typical levels and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. In the various forecasts, normalcy was largely achieved by the end of FY 2016-17. Overall...

- The recovery in the national economy is near completion on all fronts. While most areas of commercial and consumer credit have significantly strengthened – residential credit for home purchases still remains somewhat difficult for consumers to access with a weighted average credit score of 726 and a LTV of 80 percent on all closed loans in June. Seventy percent of all home purchase lending in June had credit scores that were 700 or above. Student loans and auto debts appear to be affecting the ability to qualify for residential credit.
- By the close of the 2017-18 fiscal year, most measures of the Florida economy had returned to or surpassed their prior peaks.
 - All personal income metrics, over one-half of the employment measures, and the total tourism and domestic visitor counts had exceeded their prior peaks.
 - Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels.
 - Private nonresidential construction expenditures first passed their prior peak in FY 2016-17, but none of the key residential construction measures pass their prior peaks until FY 2023-24.

Recently Asked Questions

Impact of Hurricane Michael

17 October 2018

What is your estimate of the impact of Hurricane Michael on fourth-quarter GDP growth?

We estimate that Hurricane Michael will subtract 0.1 percentage point from fourth-quarter GDP growth.

Hurricane Michael made landfall on 10 October near Mexico Beach in the Florida Panhandle as a category 4 hurricane. By various metrics, Michael was one of the strongest Atlantic hurricanes on record.¹ Employing the same methodology we've used to estimate the effect of past hurricanes, we estimate that Hurricane Michael will subtract one-tenth from fourth-quarter GDP growth and boost first-quarter GDP growth by the same amount.²

The nearby table illustrates how we arrived at our estimate. As of this morning, FEMA had declared disasters in 160 counties across Florida, Alabama, and Georgia. Production in these counties normally accounts for about 2.3% of US nominal GDP. FEMA assigns two levels of severity to disasters: "emergency" (lower severity) and "major disaster" (higher severity). Of the production that normally takes place in the affected areas, about 14% of it (or 0.3% of GDP) normally takes place in counties that received the major-disaster declaration, with the remaining 86% (2.0% of GDP) normally taking place in counties declared emergencies.

It's worth pointing out here some differences between Hurricanes Florence and Michael. First, Michael was a much stronger storm than Florence. While devastating in its own right, Florence was a category 1 hurricane when it made landfall, versus category 4 for Michael.

¹ See https://en.wikipedia.org/wiki/Hurricane_Michael.

² We've written extensively on the economic effects of hurricanes. Our methodology is detailed in our 13 October 2016 RAQ titled "Gauging the GDP Effect of Hurricane Matthew" and applied later in RAQ's on Harvey, Irma, and Florence. We do not cover our methodology here. Rather, we encourage our readers to review the referenced materials for discussion.

The relative strength of Michael makes it potentially more disruptive. Second, the "GDP footprint" of Michael is much smaller than that of Florence. The counties that received disaster declarations from Florence accounted for about 6.6% of nominal GDP (versus 2.3% for Michael), giving Michael roughly one-third the GDP footprint of Florence. Third, Michael occurred much earlier in the affected quarter than Florence, making it much more likely that lost production can be made up within the quarter. Finally, Michael made landfall by way of the Gulf of Mexico, where off-shore oil and gas production normally occurs; not so for Florence.

These differences roughly net out, leaving our estimate of the impact of Michael roughly equal to the impact of Florence. Our latest forecast was for real GDP to register \$18.8 trillion in the fourth quarter of this year. Of this, about \$58 billion was forecast to originate in counties FEMA has declared a major disaster in response to Michael, while \$370 billion was forecast to originate in counties deemed an emergency. These are well below the analogous figures for Florence (\$127 billion and \$1.1 trillion, respectively). Because of Michael's relative strength, we assume activity runs at 70% of normal for 10 days in counties declared a major disaster, versus 85% for Florence. We also assume that activity runs at 90% of normal for 10 days in counties declared emergencies (versus 95% for Florence). This translates to \$6 billion of total GDP lost to the direct impact of Michael (versus \$8 billion for Florence). Assuming that 60% of this output is made up within the quarter (versus 40% for Florence), fourth-quarter GDP that will be lost due to Michael is estimated at about \$2 billion. With rounding, this is enough to subtract 0.1 percentage point from fourth-quarter GDP growth. To this we add an estimated hit to off-shore oil and gas production of about \$1 billion (based on figures on shut-in production from the Bureau of Safety and Environmental Enforcement) to get, after rounding, a reduction in fourth-quarter GDP of about \$4 billion, which still translates to a subtraction of

Please see the important disclaimer on the last page of this report.

**Florida Population Growth -
New City of 1 Million every Three Years**

Population Growth Strengthening...

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Florida's population growth will remain above 1.5 percent between now and the end of the decade. In the near-term, Florida is expected to grow by 1.88% between 2017 and 2018 – and average 1.7% annually between 2017 and 2021. Most of Florida's population growth through 2030 will be from net migration (95.5%). Nationally, average annual growth will be about 0.76% between 2017 and 2030.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is currently the third most populous state, behind California and Texas.

Compoents of Florida's Population Growth

	FY 17-18	FY 18-19	FY 19-20	FY 20-21
1. Population	20,923,925	21,233,481	21,544,882	21,851,696
2. Pop Change	357,371	309,556	311,401	306,814

3. Births	224,441	228,108	232,999	237,227
4. Deaths	(206,458)	(212,199)	(217,397)	(222,300)
5. Net Natural	17,983	15,909	15,602	14,927

6. Net Migration	339,388	293,647	295,799	291,887
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Florida's Net Migration History 1950-2021

1	2
Decades	Average Net Migration
1950	163,438
1960	136,933
1970	274,305
1980	273,829
1990	261,253
2000	223,648
2010	242,967
Average	225,196

3	4	5	6
Fiscal Year	Net Migration	Average Net Migration	Births
2000-01	274,847		205,798
2001-02	295,109		208,403
2002-03	315,858		215,298
2003-04	354,690		221,533
2004-05	348,040		232,019
2005-06	298,954	7 Yr Ave	239,635
2006-07	192,828	297,189	236,065
2007-08*	68,507	* Recession	226,337
2008-09*	19,285	12/07-6/09	217,408
2009-10	68,362		213,468
2010-11	74,441		212,876
2011-12	138,456	6 Yr Ave	213,762
2012-13	159,447	88,083	217,422
2013-14	230,643		222,338
2014-15	282,998		225,014
2015-16	305,726		224,193
2016-17	309,126	5 Yr Ave	224,441
2017-18	339,388	293,576	228,108
2018-19	293,647		232,999
2019-20	295,799	3 Yr Ave	237,227
2020-21	291,887	293,778	240,283

Florida Resident Population

April 1

Year	Population	Change	% Change	Households	Change	% Change
2000	15,982,824	402,580	2.58%	6,338,075	163,703	2.65%
2001	16,305,100	322,276	2.02%	6,460,934	122,859	1.94%
2002	16,634,256	329,156	2.02%	6,586,806	125,872	1.95%
2003	16,979,706	345,450	2.08%	6,719,399	132,593	2.01%
2004	17,374,824	395,118	2.33%	6,872,318	152,919	2.28%
2005	17,778,156	403,332	2.32%	7,029,787	157,469	2.29%
2006	18,154,475	376,319	2.12%	7,178,486	148,699	2.12%
2007	18,446,768	292,293	1.61%	7,292,550	114,064	1.59%
2008	18,613,905	167,137	0.91%	7,354,880	62,330	0.85%
2009	18,687,425	73,520	0.39%	7,379,964	25,084	0.34%
2010	18,801,332	113,907	0.61%	7,420,802	40,838	0.55%
2011	18,905,070	103,738	0.55%	7,456,791	35,989	0.48%
2012	19,074,434	169,364	0.90%	7,525,335	68,544	0.92%
2013	19,259,543	185,109	0.97%	7,602,417	77,082	1.02%
2014	19,507,369	247,826	1.29%	7,708,538	106,121	1.40%
2015	19,815,183	307,814	1.58%	7,840,780	132,242	1.72%
2016	20,148,654	333,471	1.68%	7,982,938	142,158	1.81%
2017	20,484,142	335,488	1.67%	8,125,176	142,238	1.78%
	Forecast Begins			Forecast Begins		
2018	20,841,358	357,216	1.74%	8,266,408	141,232	1.74%
2019	21,156,305	314,947	1.51%	8,412,978	146,570	1.77%
2020	21,467,364	311,059	1.47%	8,549,162	136,184	1.62%
2021	21,775,296	307,932	1.43%	8,684,874	135,712	1.59%
2022	22,079,403	304,107	1.40%	8,819,118	134,244	1.55%
2023	22,377,549	298,146	1.35%	8,949,695	130,577	1.48%
2024	22,668,160	290,611	1.30%	9,080,127	130,432	1.46%

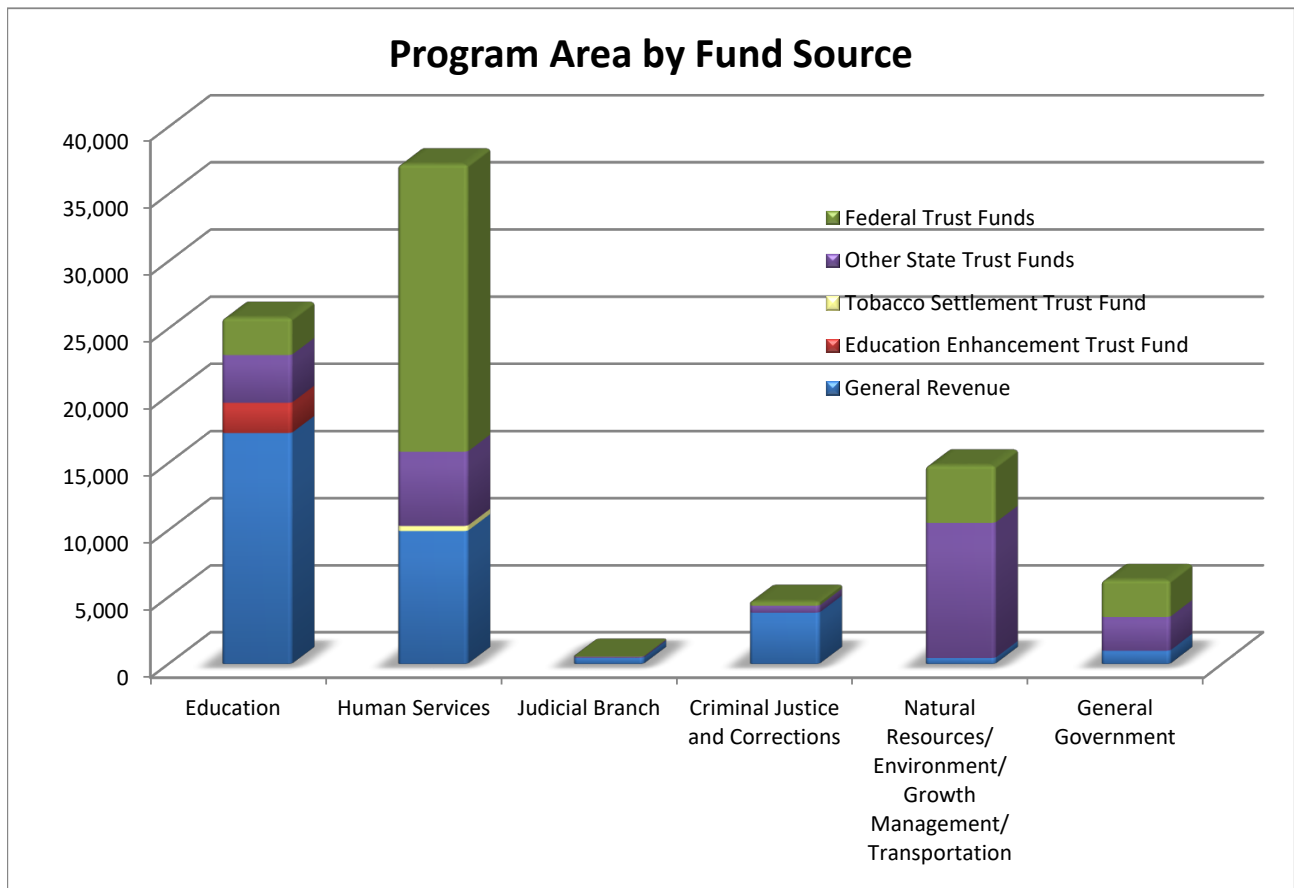
	Five Year Average			Five Year Average		
2025	22,951,176	296,762	1.35%	22,951,176	132,076	1.50%
2030	24,234,352	256,635	1.09%	24,234,352	121,537	1.29%
2035	25,341,383	221,406	0.90%	25,341,383	110,022	1.10%
2040	26,302,793	192,282	0.75%	26,302,793	89,011	0.84%
2045	27,164,973	172,436	0.65%	27,164,973	72,805	0.66%

Florida's Budget Overview

Chart 6
House Bill 5001, Chapter 2018-9, Laws of Florida
Appropriations by Program Area by Fund Source for Fiscal Year 2018-19
Adjusted for Vetoes and Supplementals
(Dollars in Millions)

Program Area (Section of General Appropriations Act)	General Revenue	Education Enhancement Trust Fund	Tobacco Settlement Trust Fund	Other State Trust Funds	Federal Trust Funds	All Funds
Education	17,218.4	2,250.6	-	3,555.4	2,771.6	25,796.1
Human Services	9,927.2	-	377.6	5,525.1	21,384.8	37,214.7
Judicial Branch	451.6	-	-	82.9	10.4	544.9
Criminal Justice and Corrections	3,826.1	-	-	522.4	327.0	4,675.5
Natural Resources/ Environment/ Growth Management/ Transportation	439.3	-	-	10,095.0	4,273.7	14,808.0
General Government	985.9	-	-	2,521.2	2,766.3	6,273.5
Total	32,848.6	2,250.6	377.6	22,302.0	31,533.9	89,312.7

Note: Subtotals and totals may not add due to rounding.



Three Year Financial Plan

STATE OF FLORIDA
Long-Term Financial Outlook Presented to LBC
FY 19-20 Analysis
Millions

Legislative Base Line for FY 18-19	Recurring	Non-Recurring	Total
1. Balance Forward	\$ -	\$ 1,054.30	\$ 1,054.3
2. Medicaid Surplus	\$ -	\$ 170.00	\$ 170.0
3. Revenue estimates	\$ 33,031.1	\$ 429.60	\$ 33,460.7
4. Appropriation Base Budget	\$(31,809.4)	\$ -	\$(31,809.4)
5. Reserves	\$ -	\$ (1,000.00)	\$ (1,000.0)
Available Revenue	\$ 1,221.7	\$ 653.90	\$ 1,875.6
	3.8%		

Critical Needs over Appropriation Base Budget	Recurring	Non-recurring	Total
6. Pre K-12 - Mandatory enrollment growth - Includes \$480.0m in RLE growth	\$ (374.7)	\$ (103.9)	\$ (478.6)
7. Higher Education - Enrollment Growth Bright Futurs	\$ 1.4	\$ -	\$ 1.4
8. Human Services - Mandatory Medicaid, KidCare, and TANIF	\$ 141.4	\$ 41.5	\$ 182.9
9. Criminal Justice - Fewer Prisoners	\$ (13.4)	\$ -	\$ (13.4)
10. DOT & Economic Development - State Disaster GR federal match	\$ -	\$ 152.2	\$ 152.2
11. Natural Resources	\$ -	\$ -	\$ -
12. General Government - Fiscally Constrained Counties	\$ 0.3	\$ 23.6	\$ 23.9
13. Adm. Funds -Risk Management, Employer Paid Benefits, & FRS	\$ 157.7	\$ 9.4	\$ 167.1
14. Transfer Budget Stabilization	\$ -	\$ 89.3	\$ 89.3
Critical Needs	\$ (87.3)	\$ 212.1	\$ 124.8
Available Revenue	\$ 1,309.0	\$ 441.8	\$ 1,750.8

Programs Funded at a Historic 3 year average	Recurring	Non-recurring	Total
15. Pre K-12 - BSA increase 1.17%, RLE freeze,* \$289.2m GR	\$ 555.5	\$ -	\$ 555.5
16. Higher Education - Replace GR NR, 3-year average universities & Colleges	\$ 288.0	\$ -	\$ 288.0
17. Education FCO	\$ -	\$ 118.0	\$ 118.0
18. Human Services - 3-year average ACHA, C&F, Vet Affairs, and PWD	\$ 58.3	\$ 67.9	\$ 126.2
19. Criminal Justice - Conflict Cases, Prisoner Health, DDJ Beds	\$ 113.7	\$ 10.0	\$ 123.7
20. DOT & Econ. Development	\$ -	\$ 168.5	\$ 168.5
21. Natural Resources - Everglades Bonds, 3-year average funding	\$ 4.1	\$ 305.0	\$ 309.1
22. General Government	\$ -	\$ 66.7	\$ 66.7
23. Administered Funds - 3 year average employee pay	\$ 44.6	\$ 29.4	\$ 74.0
Historic Funded	\$ 1,064.2	\$ 765.5	\$ 1,829.7
Available Revenue	\$ 244.8	\$ (323.7)	\$ (78.9)

* RLE Freeze does not apply to new construction - \$190.8

Historic Revenue Adjustments	Recurring	Non-recurring	Total
24. Historic Tax Cuts	\$ (104.8)	\$ 58.5	\$ (46.3)
25. Historic time limited tax cuts (Tax free Holidays)	\$ -	\$ (43.9)	\$ (43.9)
26. Trust fund sweeps	\$ -	\$ 392.5	\$ 392.5
Revenue Adjustments	\$ (104.8)	\$ 407.1	\$ 302.3
Available Revenue	\$ 140.0	\$ 83.4	\$ 223.4

Note- FEFP Millage Rollback

Critical Needs - Freeze RLE - \$289.2m from reappraisal & \$190.8m from new construction

Other High Priority - Freeze RLE for new construction, Rollback RLE for Reappraisal and replace with \$289.2m Recurring General Revenue

Analysis of Florida Reserves

Baseline Fiscal Year	Unallocated GR	Budget Stabilization	Lawton Chiles Endowment	Total Reserves	General Revenue Est.	% of GR Est.
2011-12	\$ 1,357.5	\$ 493.6	\$ 696.2	\$ 2,547.3	\$ 23,795.1	10.70%
2012-13	\$ 1,577.7	\$ 708.1	\$ 426.1	\$ 2,711.9	\$ 24,631.6	11.00%
2013-14	\$ 1,893.5	\$ 924.8	\$ 536.3	\$ 3,354.6	\$ 26,184.2	12.80%
2014-15	\$ 1,589.0	\$ 1,139.2	\$ 629.3	\$ 3,357.5	\$ 27,189.4	12.30%
2015-16	\$ 1,709.1	\$ 1,353.7	\$ 590.2	\$ 3,653.0	\$ 28,414.1	12.90%
2016-17	\$ 1,414.2	\$ 1,384.4	\$ 637.5	\$ 3,436.1	\$ 29,732.8	11.60%
2017-18	\$ 1,114.4	\$ 1,416.5	\$ 637.5	\$ 3,168.4	\$ 30,632.9	10.34%
2018-19	\$ 1,025.8	\$ 1,483.0	\$ 637.5	\$ 3,146.3	\$ 31,796.4	9.90%

Risks to the National and Florida Forecasts

Forecast Risks

1. National Economic Risks

- * Recession**
- * Federal Deficit**
- * Inflation**
- * Rising interest rates**
- * Stock Market Crash**
- * Trade War**
- * Oil Prices**

2. Florida Economic Risks

- * Driver - Population**
- * Driver - Tourism**
- * Driver - Housing**
- * National Recession**
- * Hurricanes**
- * Red Tide**
- * Blue Green Algae**
- * Fresh water shortage**
- * Oil Spills**