



Outlook for the State of the Economy in Florida

By:

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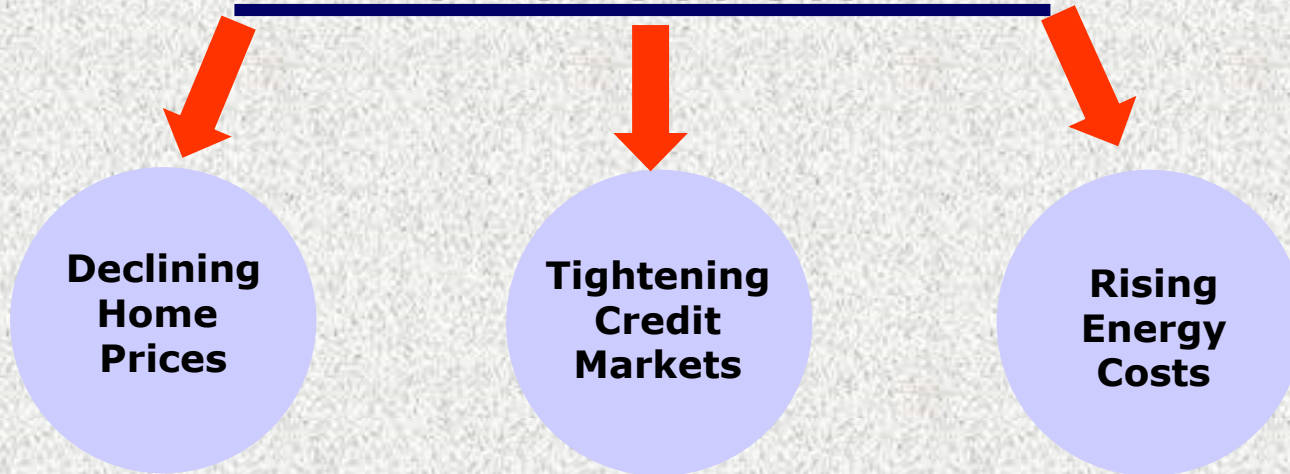


BOG-BOT Workshop: Trusteeship and the SUS
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Jacksonville
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Economic Environment Facing SUS

A Difficult Business Cycle for Florida

"The Perfect Storm"



Results:
Florida's Population, Employment and Per Capita Personal Income growth slows sharply during 2008 and 2009

What the Recent Data is Telling Us:

- Florida GDP growth was second fastest in the nation (2005). In 2007, the State dropped to 12th place, and GDP has contracted in the first six months of 2008
- Per Capita Personal Income growth was a strong 7.5% at the peak of expansion (2005), decelerating sharply to 4.2% growth in 2007, and growing at less than 2% this year
- State led nation for five years in a row (2002-2006) in payroll jobs expansion. This is no longer the case:

Payroll Employment Growth (Jun 07/Jun 08)	
United States	Flat
Florida	Slight Negative

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- Population growth averaged 2.6% during the 2004-2006 “boom” years. Growth slowed to 1.8% in 2007, and is projected to average 1.1% or less in 2008 and in 2009

From a Strategic SUS Perspective:

**Is the current experience a severe cyclical
downturn, or**

**Has Florida reached a turning point where
economic and demographic growth will be
much slower than in previous decade**





A Few Caveats are Required to Attempt to Answer these Strategic Questions

- **First**, Florida's economic and demographic **base**, relative to its resource endowments, is much larger today than a decade ago

Therefore, **volume** change rather than **percent** change should be an important indicator

- **Second**, Florida's population is aging as is the nation, but at a faster rate than the nation

The aging of the population does not imply slower economic growth. This depends on the **quality** of the population (income, educational attainment, skill levels, savings)

- **Third**, Florida's overall tax climate is still **one of the best in the nation**. This is conducive to attract high-wage industries and higher income individuals. We also have fiscal capacity

State Business Tax Climate Index Rankings 2008


State	Overall National Rank	Corporate Tax Index Rank	Individual Income Tax Index Rank	Sales Tax Index Rank	Unemployment Insurance Tax Index Rank	Property Tax Index Rank
<i>Florida</i>	5	14	1	19	2	18
Competitor States						
California	47	40	50	42	15	5
New York	48	23	41	49	46	43
North Carolina	40	25	44	39	6	34
Texas	8	47	1	28	14	27
Virginia	14	4	21	6	29	23

Source: Tax Foundation's State Business Tax Climate Index.


- **However, our cost of living now ranks higher than three of our five top state competitors**

Cost of Living State Rankings First Quarter 2008	
<i>State</i>	<i>Overall State Rank</i>
Florida	36
<i>Competitor States</i>	
California	50
New York	47
North Carolina	25
Texas	4
Virginia	29

Source: The Council for Community and Economic Research, Cost of Living Index Data.


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- **Fourth**, the 2004-2006 strong expansion period was **unusual** relative to trend growth over the previous 10 years
 - Per Capita Personal Income grew 3.9% annually between 1993-2003 vs. 6.15% annually in the 2004-2006 period

Therefore, the **first** strategic question **is not** the return to the **unusual** 2004-2006 period, but whether we will continue to expand below potential or return to trend growth starting in 2010



The **second** strategic question, from a higher education perspective is the structural composition of future economic and demographic growth

- Answer to the **first question** – a return to trend growth depends primarily on:
 - 1) US economic and financial performance
 - 2) Global economic activity
 - 3) Florida's factor productivity increases

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- Answer to the **second question** – the structural composition of growth – is more difficult to answer as it **depends significantly on State policies to foster a high-wage, high value-added economy**

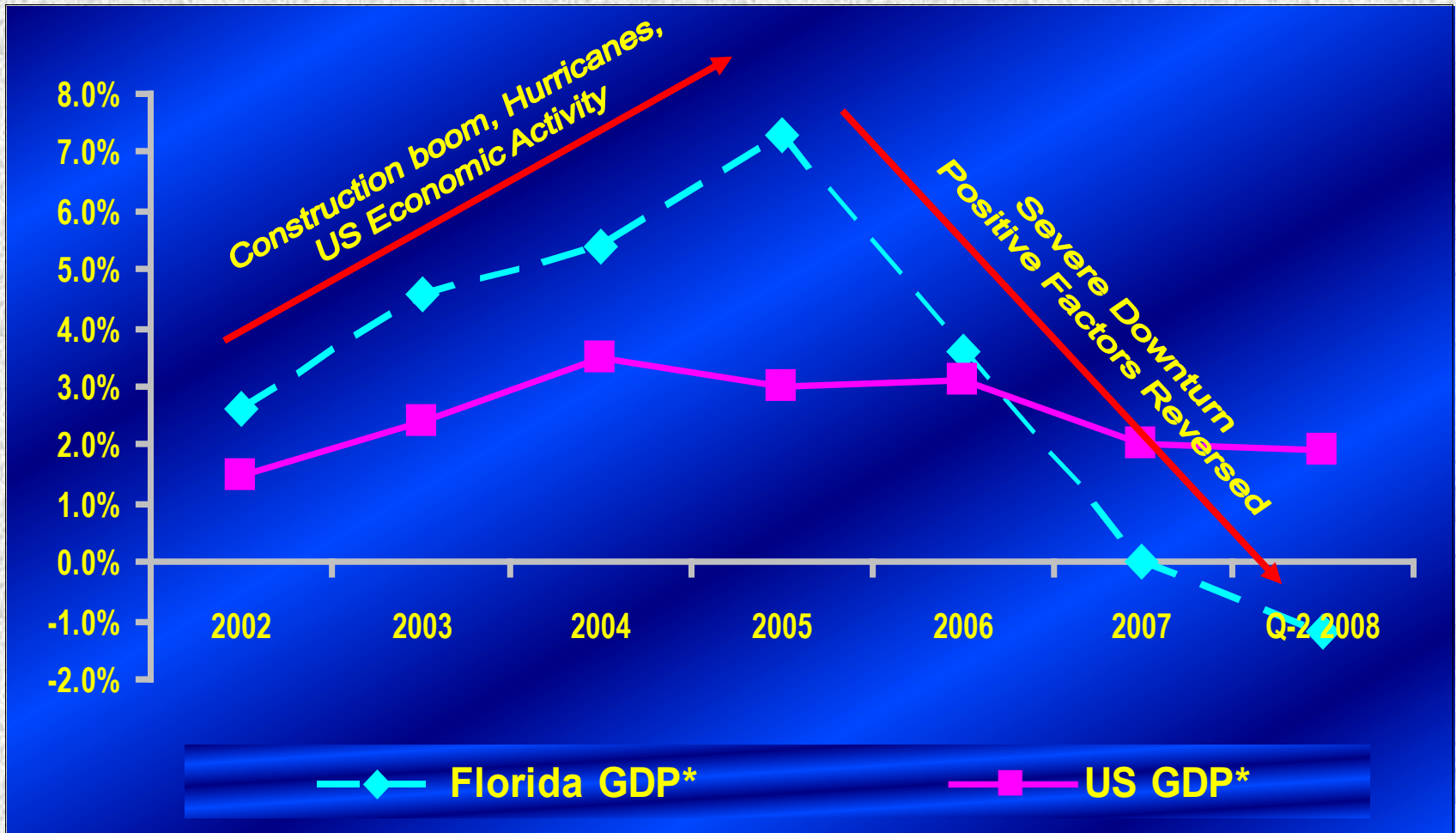
- ❖ Development and expansion of current knowledge-based industry clusters innovation
- ❖ Talent creation (K-20 plus advanced degrees)
- ❖ Policies that foster innovation
- ❖ High quality communities



The Numbers:

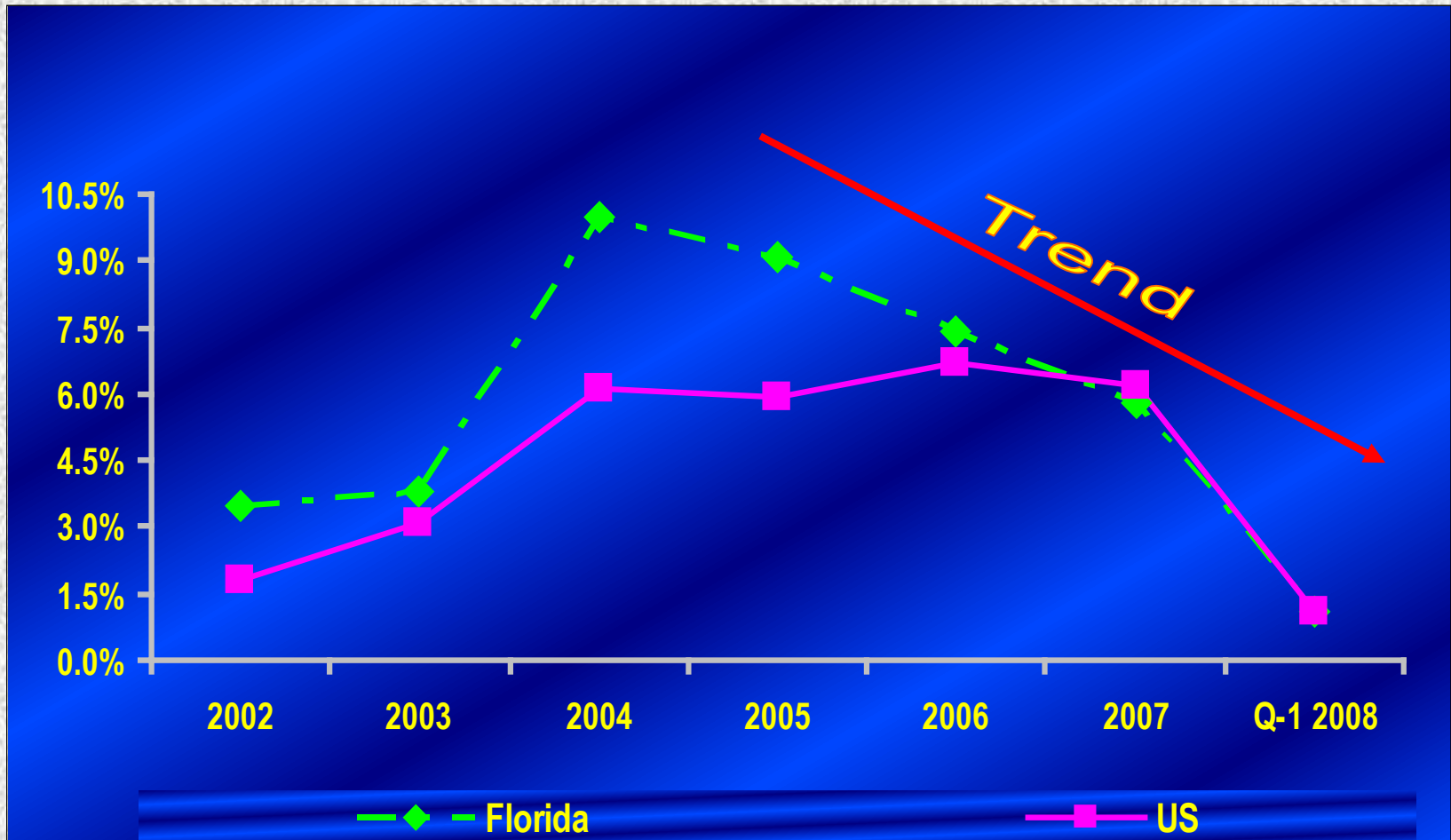
Florida economic downturn is severe:
Recovery will be slow and not likely
until 2010 or longer

Florida and US GDP Growth from Previous Years (2002-2008)



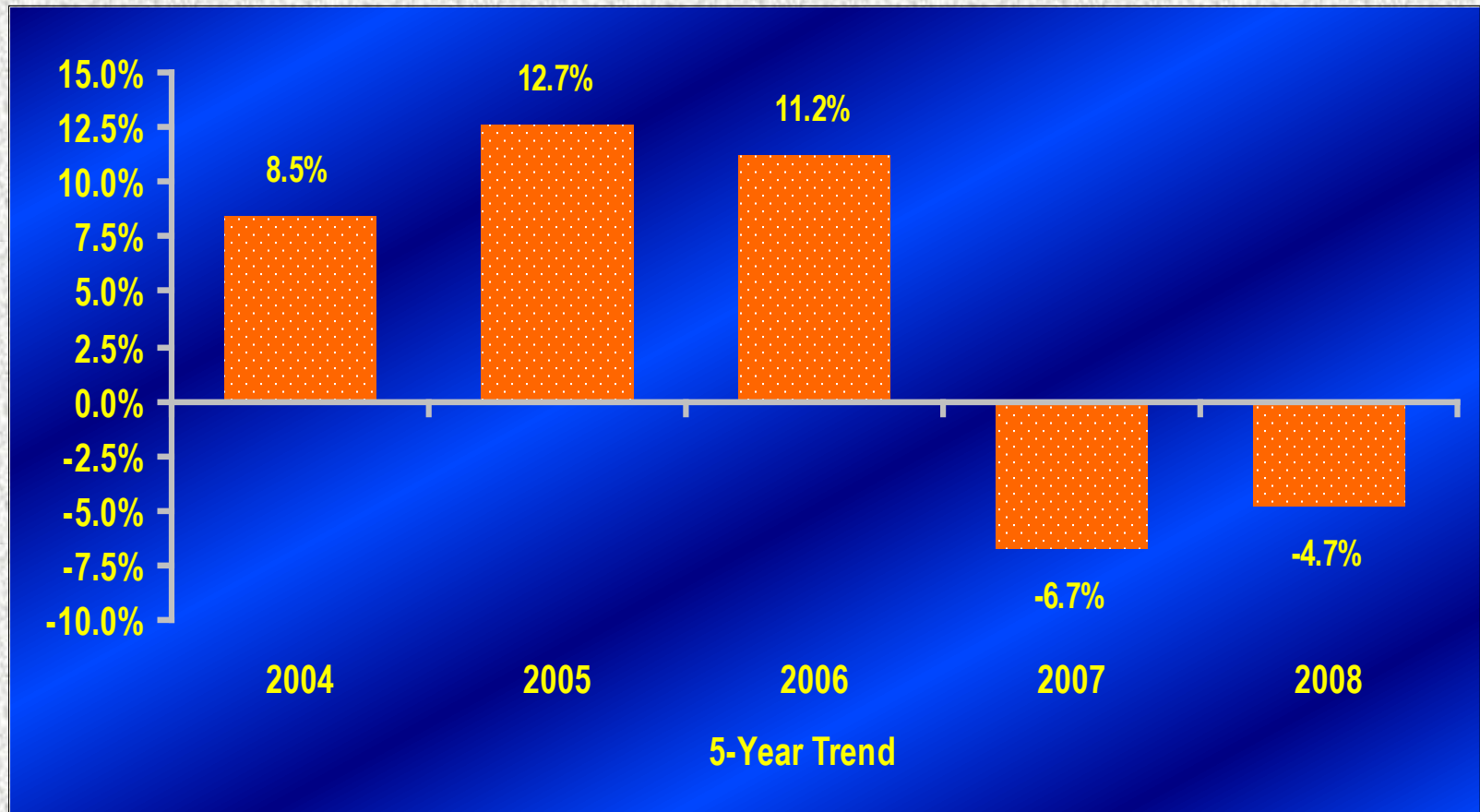
Sources: Enterprise Florida Inc. and Bureau of Economic Analysis. *Inflation Adjusted.

Florida and U.S. Personal Income Growth from Previous Year (2002-2008)



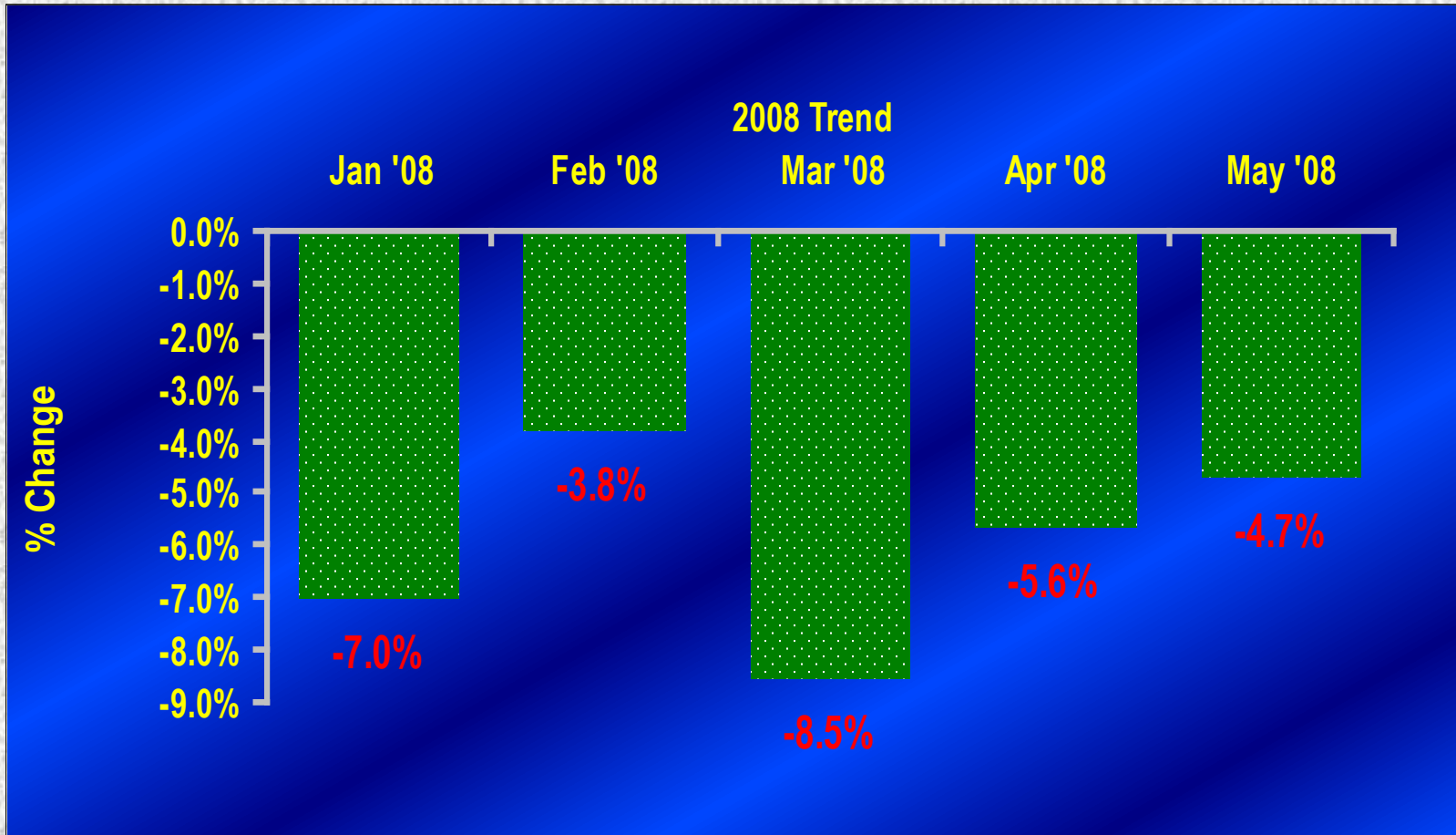
Sources: Enterprise Florida Inc. and Bureau of Economic Analysis.

Florida Total Taxable Sales Growth May-to-May Previous Year (2004-2008)



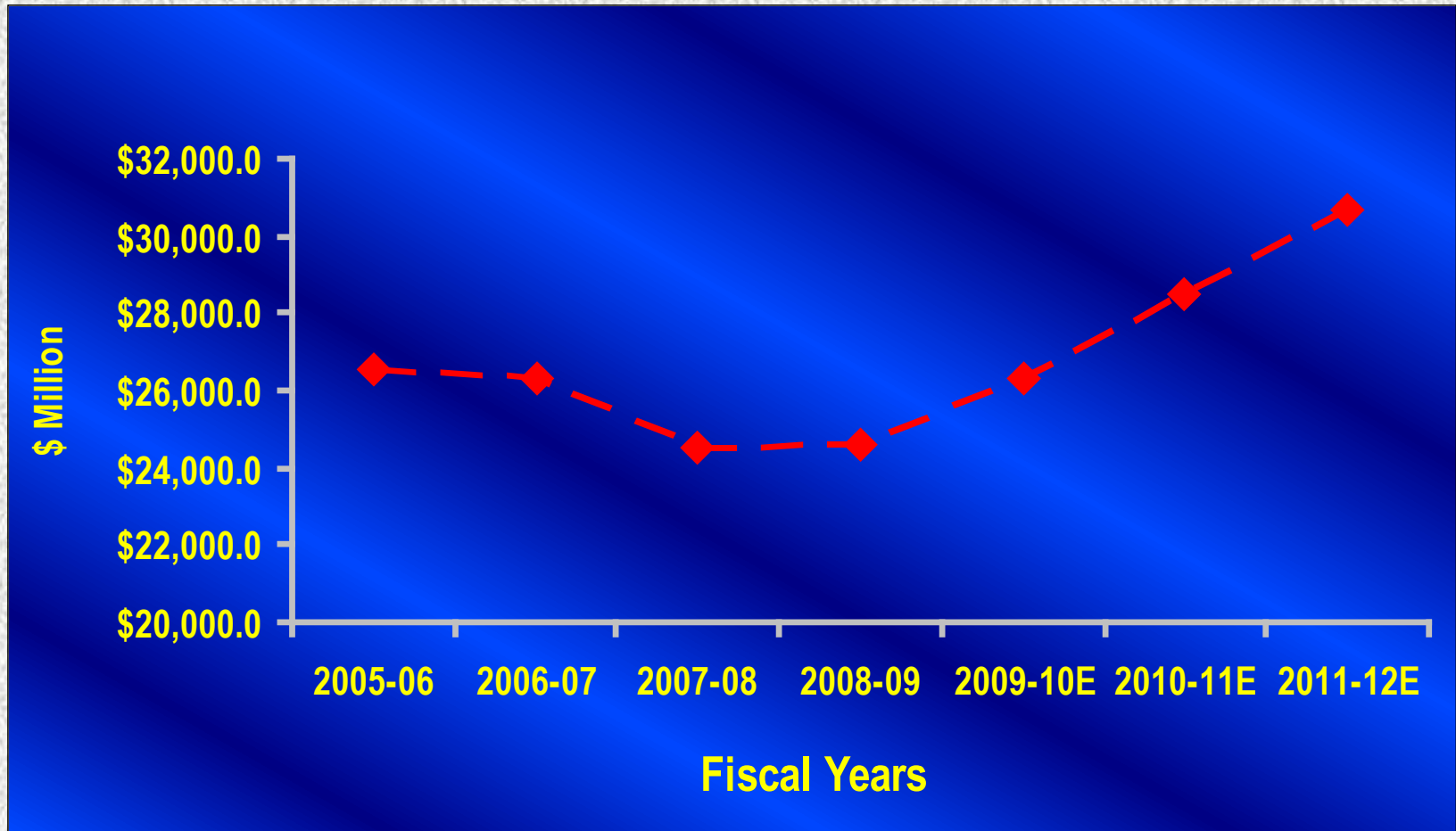
Source: Office of Economic and Demographic Research (EDR).

Florida Monthly Percent Changes in Total Taxable Sales in 2008 (From Same Month, Year Ago)



Source: Office of Economic and Demographic Research (EDR).

General Revenues (GR): Severe Impact When Adjusted for Inflation



Source: Office of Economic and Demographic Research (EDR).

Florida Ranks in Bottom of Change (%) in Employment Among Largest States: From “Star” to “Cellar”

Non Agricultural Employment by Large Population States					
Rank	State	June 2007	June 2008	Over-the-Year Change	
				Level	Rate (%)
1	Texas	10,369.6	10,614.6	245.0	2.4%
2	New York	8,747.8	8,777.0	29.2	0.3%
3	Illinois	5,985.9	5,993.9	8.0	0.1%
4	Georgia	4,147.6	4,150.5	2.9	0.1%
5	Pennsylvania	5,806.5	5,806.5	0.0	0.0
6	Ohio	5,434.6	5,424.7	-9.9	-0.2
7	California	15,172.2	15,132.3	-39.9	-0.3
8	New Jersey	4,083.2	4,068.5	-14.7	-0.4
9	Florida	8,030.2	7,952.1	-78.1	-1.0
10	Michigan	4,270.1	4,221.5	-48.6	-1.1

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Florida Ranks Lowest Among 50 States in Total Employment Change: Even Below Michigan

Ranked by Over-the-Year Change in Level, Seasonal Adjusted, June 2008					
Rank	State	Total Jobs		Job Growth	
		June 2008 (P)	June 2007	Over-the-Year Change	
				Level	Rate (%)
1	Texas	10,614,600	10,369,600	245,000	2.4%
6	New York	8,777,000	8,747,800	29,200	0.3%
16	Illinois	5,993,900	5,985,900	8,000	0.1%
30	Georgia	4,150,500	4,147,600	2,900	0.1%
35	Pennsylvania	5,806,500	5,806,500	0	0.0
43	Ohio	5,424,700	5,434,600	-9,900	-0.2%
47	New Jersey	4,068,500	4,083,200	-14,700	-0.4%
49	California	15,132,300	15,172,200	-39,900	-0.3%
50	Michigan	4,221,500	4,270,100	-48,600	-1.1%
51	Florida	7,952,100	8,030,200	-78,100	-1.0%

Sources: US Department of Labor, Bureau of Labor Statistics and the Florida Agency for Workers Innovation, Labor Market Statistics Center, Current Employment Statistics Program, July 18, 2008. Includes D.C.



Concluding Observations

- Florida is currently experiencing a **severe** economic downturn, although its severity depends on specific regions of the State
- Economic recovery **could** start in late 2009, but growth unlikely to return to the unusually strong expansion experienced in the 2004-2006 period
- Longer term, our State faces significant challenges to create what Enterprise Florida calls “*a knowledge-based*” economy
- A knowledge-based economy requires a strong commitment to improve our educational system, increasing the efficiency of the system and providing the necessary funding mechanisms to improve educational outcomes – year after year not just during cyclical expansions



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