

2015 ECONOMIC PREVIEW



JANUARY 2015

THE FLORIDA ECONOMY IS EXPECTING A SUNNY YEAR

As we begin 2015, Floridians have plenty of reasons to be optimistic about the economy. After a year of solid job growth, declining unemployment, and high consumer confidence, the Florida economy is expected to continue to strengthen in 2015.

Florida's real gross state product is projected by the University of Central Florida (UCF) to grow 2.7 percent,¹ with IHS Global Insight estimating 3.7 percent growth,² and J.P. Morgan Chase projecting an even higher 4.2 percent.³ All three reports expect Florida to grow faster than the nation.

UCF has also projected real personal income to grow by 3.4 percent in 2015,⁴ and the latest available *Florida Leading Index*, produced by the Federal Reserve Bank of Philadelphia, proposes an expansion of the state's economy through April 2015.⁵ The latest Revenue Estimating Conference revisions and record-low gas prices also suggest that Floridians will begin 2015 with more disposable income, likely resulting in an increase in consumer spending, which in turn increases tax revenues.⁶

CONTINUED JOB GROWTH ON THE HORIZON

According to UCF, the unemployment rate will continue to drop with the addition of thousands of jobs, especially in the *Construction* and *Professional & Business Services* industries. Nonfarm employment is projected to grow 2.3 percent in 2015, faster than the U.S. nonfarm employment, which is projected to grow at 1.7 percent. The sectors with the highest growth in 2015 are projected to be: *Construction* (8.7 percent); *Professional and Business Services* (3.7 percent); and *Transportation, Warehousing and Utilities* (2.6 percent).

¹ University of Central Florida's Institute for Economic Competitiveness. December 2014. <http://iec.ucf.edu/file.axd?file=2014%2f12%2ffl-forecast-december-2014-s.pdf>

² The U.S. Conference of Mayors and the Council on Metro Economies and the New American City. U.S. Metro Economies. GMP and Employment 2013-2015. June 2014. <http://usmayors.org/metroeconomies/2014/06/report.pdf>

³ J.P. Morgan Chase. Florida Economic Outlook. June 2014. <https://www.chase.com/content/dam/chasecom/en/commercial-bank/documents/florida-economy.pdf>

⁴ See footnote 1.

⁵ A state's leading economic index predicts the six-month growth of the state's coincident index, an index that summarizes current economic conditions in a single statistic using several variables that lead the economy. <http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/leading/2014/LeadingIndexes1114.pdf>

⁶ The Miami Herald. "Economists project nearly \$1 Billion Surplus for Florida Budget." December 15, 2014. <http://www.miamiherald.com/news/politics-government/state-politics/article4501695.html>

As for regional employment markets, the Cape Coral Metropolitan Statistical Area (MSA) is expected to have the most vibrant employment market in the first quarter of 2015 (Florida's Deltona MSA ranked third), in comparison to 99 other MSAs across the nation.⁷ Growth in these Florida MSAs is attributed to construction projects and real estate.⁸

FLORIDA'S HOUSING MARKET SLOWLY MAKING A COMEBACK

As Florida's housing market continues its resurgence, the state's construction industry is expected to create more jobs than any other industry. While foreclosure activity in Florida is still the highest in the nation, the state is gradually seeing fewer foreclosures. In fact, the Sunshine State experienced a 15 percent decrease in foreclosures from November 2013 to November 2014.⁹

In terms of new homes, UCF has forecast more than 111,500 total housing starts in 2015, up from 83,400 in 2014. The single-family home median price is predicted to be \$181,057.80 at the end of the 2015 Florida fiscal year (June 30), up 4.6 percent from the previous year, according to the Florida Economic Estimating Conference November 2014 estimates.¹⁰

IMPACT OF A STRONG U.S. DOLLAR

Economists agree that the U.S. dollar will continue to strengthen, especially given a slowing global economy and the expectations of the Federal Reserve raising interest rates in mid-2015. While a stronger dollar increases Floridians' purchasing power abroad, it also translates into more expensive Florida exports. Given that Florida is a net exporter, it is possible that export demand will not be as strong as a result of the increase in cost, and any negative impact may spill over into the *Manufacturing* sector, which has strong ties to the state's exports.

⁷ Including other Florida MSAs, according to ManpowerGroup's Employment Outlook Survey. Every quarter, Manpower asks employers in the top 100 U.S. MSAs whether they plan to add, cut, or keep job the same. http://manpowergroup.us/meos/2015/Q1-docs/MEOS_Report_Q1_2015.pdf

⁸ Forbes. "Where the Jobs Will (and Won't) Be in 2015." December 9, 2014. <http://www.forbes.com/sites/susanadams/2014/12/09/where-the-jobs-will-and-wont-be-in-2015/>

⁹ According to November 2014 data. Yahoo! Finance. "U.S. Foreclosure Activity Decreases 9 percent in November despite First Annual Increase in Starts Since July 2012." December 11, 2014. <http://finance.yahoo.com/news/u-foreclosure-activity-decreases-9-050100263.html>

¹⁰ Florida Economic Estimating Conference. Short-Run Tables. <http://edr.state.fl.us/Content/conferences/fleconomic/floridaeconomicresultsshortrun.pdf>

PREDICTED 2015 GROSS METROPOLITAN PRODUCT (GMP) GROWTH (IN PERCENT)

FLORIDA MSA	2015 GROWTH
Naples-Marco Island	4.7
Palm Coast	4.6
Orlando-Kissimmee-Sanford	4.4
Cape Coral-Fort Myers	4.3
Ocala	4.0
Port St. Lucie	4.0
Miami-Fort Lauderdale-Pompano Beach	3.6
Palm Bay-Melbourne-Titusville	3.6
Punta Gorda	3.6
Tampa-St. Petersburg-Clearwater	3.6
Jacksonville	3.5
Lakeland-Winter Haven	3.5
North Port-Bradenton-Sarasota	3.5
Sebastian-Vero Beach	3.4
Deltona-Daytona Beach-Ormond Beach	3.3
Panama City-Lynn Haven-Panama City Beach	3.1
Crestview-Fort Walton Beach-Destin	3.0
Pensacola-Ferry Pass-Brent	2.8
Tallahassee	2.8
Gainesville	2.3

Source: Prepared for the U.S. Conference of Mayors and the Council on Metro Economies and the New American City by IHS Global Insight

International tourism is still expected to grow in 2015, with a 2.5 percent expected increase in Canadian visitors at the closing of the 2015 fiscal year, and 3.6 percent growth in overseas visitors over the same period.¹¹ Despite these positive projections, a stronger U.S. dollar could cause some international visitors to go elsewhere on vacation, and could drive some international homebuyers to reconsider a purchase in Florida.

FLORIDA'S TOP TRADING PARTNERS HAVE SEEN BETTER DAYS

The global economy is currently experiencing a slowdown, and former shining stars such as China and Brazil, both of which are among Florida's top trading partners, are expected to grow at a slower pace. The Latin American region, Florida's largest market, had a 2014 growth rate below 1.5 percent, below the *Organisation for Economic Co-operation & Development* (OECD) countries' average, an occurrence not seen in the past 10 years.¹² Declining commodities including oil, iron ore, copper, and grains have brought growth challenges to commodity-dependent Latin America.¹³

Latin America's largest economy, Brazil, is currently going through a recession, and is only expected to grow between 0.55 percent¹⁴ and 0.7 percent¹⁵ in 2015. Some of Florida's other top trading partners, including Chile, Colombia, and Peru, had a better 2014 and are expected to continue to do well in 2015, growing at approximately 2.5 to 3.5 percent.¹⁶

CONCLUSION

Florida is expected to perform better than the U.S. and world economies in 2015. Growth in employment is mainly going to be driven by the *Construction, Professional and Business Services*, and the *Transportation, Warehousing and Utility* sectors. Florida's housing market, although still facing high foreclosure activity, is expected to continue on its path of recovery through 2015.

It is worth noting that the strengthening of the U.S. dollar and a slowing global economy may affect exports and the manufacturing industry, and these factors may influence the decisions of international visitors and homebuyers, but overall, 2015 is shaping up as a sunny year for Florida's economy.

11 *Ibid.*

12 OECD Development Centre, ECLAC, and CAF. Latin American Outlook 2015. <http://www.latameconomy.org/en/news/article/better-education-and-skills-are-key-to-shift-the-economy-up-a-gear-says-latest-latin-american-economic-outlook-117/>

13 Itaú BBA. "Lower commodity prices, weaker growth in Latin America." <https://www.itau.com.br/itaubba-en/economic-analysis/publications/latam-macro-monthly/lower-commodities-prices-weaker-growth-in-latin-america>

14 Reuters. "Brazil Inflation seen Above Target in 2015: Poll." December 22, 2014. <http://www.reuters.com/article/2014/12/22/us-brazil-economy-survey-idUSKBNOKOOQZ20141222>

15 Wells Fargo. "2015 Economic Outlook." https://www08.wellsfargomedia.com/downloads/pdf/com/insights/economics/presentations/2015_Economic_Outlook_Report.pdf

16 Goldman Sachs. "2015 Outlook: Latin America." <http://www.goldmansachs.com/our-thinking/outlook/2015/index.html?videoid=99437>

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