CENTER FOR Competitive Florida
A Florida TaxWatch Center of Excellence

ECONOMIC COMMENTARY

A monthly look at Florida's Economy

Florida's Business Cycle Revisited

This Economic Commentary is an extension of the June 2011 Economic Commentary, which discussed how Florida's business cycle is different from other states, and the U.S. business cycle.

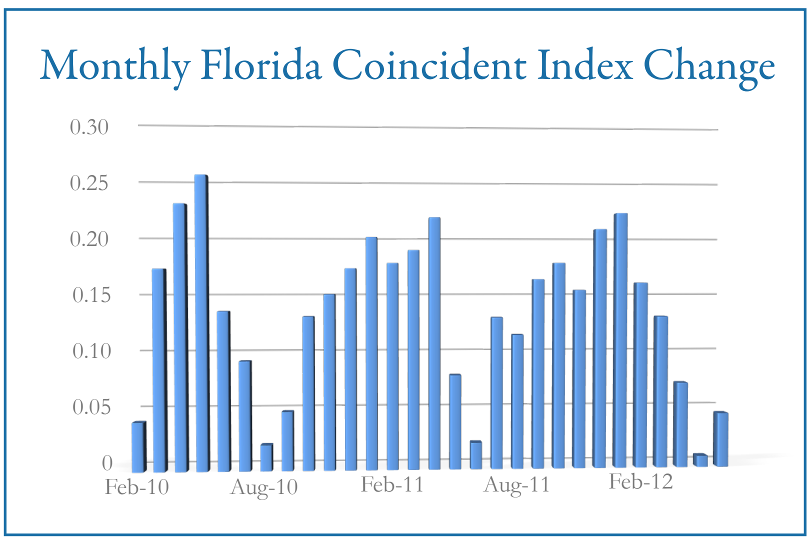
The National Bureau of Economic Research (NBER) Dating Committee determines the dates for U.S. economic recessions and expansion by looking at a number of economic items. There is no fixed definition to indicate the beginning date of a recession or an expansion; instead the Committee examines and compares various measures of broad economic activity including real GDP, economy-wide employment, and real income, as well as other indicators that do not cover the entire economy. The NBER publishes their findings for the U.S. economy in the form of starting and ending dates for recessions and expansions, with the most-recent recession shown as ending in June 2009.

State-level recession and expansion information is not available from the NBER, and therefore must be estimated. State-level GDP measures are only available as yearly data, so in order to estimate the specific month that a recession or expansion began, monthly data of some type must be used. One reliable indicator of monthly economic activity is the Coincident Index developed by the Philadelphia Federal Reserve for each state, and the U.S. as a whole. These indices summarize the economic conditions by taking into account: non-farm payroll employment, average hours worked in manufacturing, the unemployment rate, and real wages. These indices are consistent for each state, so the series can be used to compare states to each other. These series are all indexed to July 1992 (i.e. July 1992 = 100 for each state and the U.S.), allowing comparisons of the state and U.S. economy in terms of their sizes in July 1992.

Using the coincident indices available at that time, the June 2011 *Economic Commentary* developed a definition for a state-level recession and used that definition to show that Florida experienced an additional recessionary period in 2010 (July through November 2010) that did not coincide with an indicated recession for the U.S.

The Good News

The most recent updated index figures indicate that Florida has experienced positive growth in the index for each month since January 2010. This can be seen in the chart to the right. The good news is that revisions by the Philadelphia Federal Reserve to the Florida Coincident Index now show that the time period



from July through November 2010 was one of slow growth with very low positive values, rather than the negative values originally indicated. In fact, three of the monthly increases of the Florida Coincident Index are .02 or less, indicating only slightly positive growth. Another important item to note is that although there are several months of significant growth indicated, those periods of stronger growth have not been sustained.

The Concerns of Slow Growth in Florida

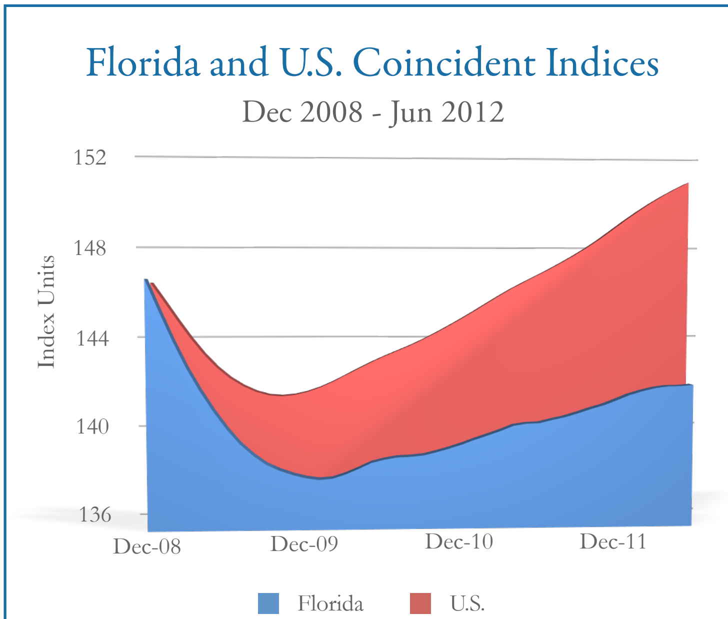
One major concern for Florida is that, although there have been no months of negative growth, the reports for May and June 2012 have been only slightly above zero, indicating another slowdown of growth in the Florida economy. This differs from reports from July 2011 through March 2012 that all had increases of at least 0.1, and two months with increases of more than 0.2.

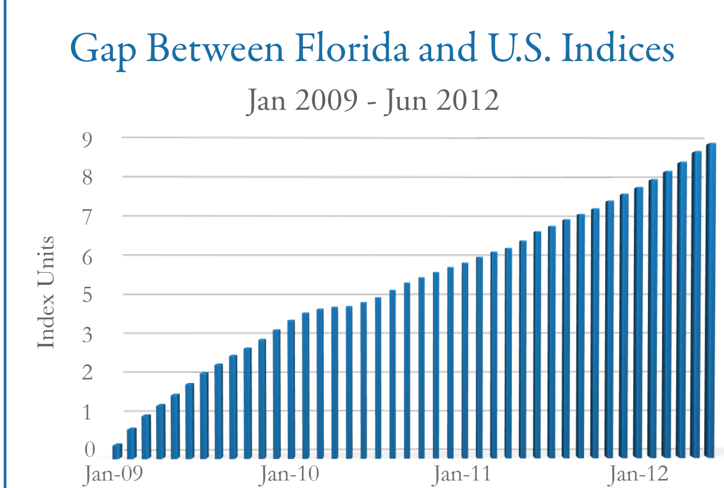
A further concern is that the U.S. economy, although not growing strongly, is still growing at a significantly higher pace than Florida's economy. The chart on the right (top) shows the coincident indices for Florida and the U.S. from December 2008, when the indices were almost equal.

The chart on the right (top) shows that although both the U.S. and Florida's economies experienced declines in much of 2009, the U.S. economy took a positive turn in November 2009, and Florida's economy followed suit in February 2010.

A major concern is that the growth gap between Florida and the U.S. continues to expand, even though the growth in the U.S. economy is weak by historical standards of a typical recovery from a recession. The chart on the right (bottom) shows the differences between the U.S. and Florida coincident indices.

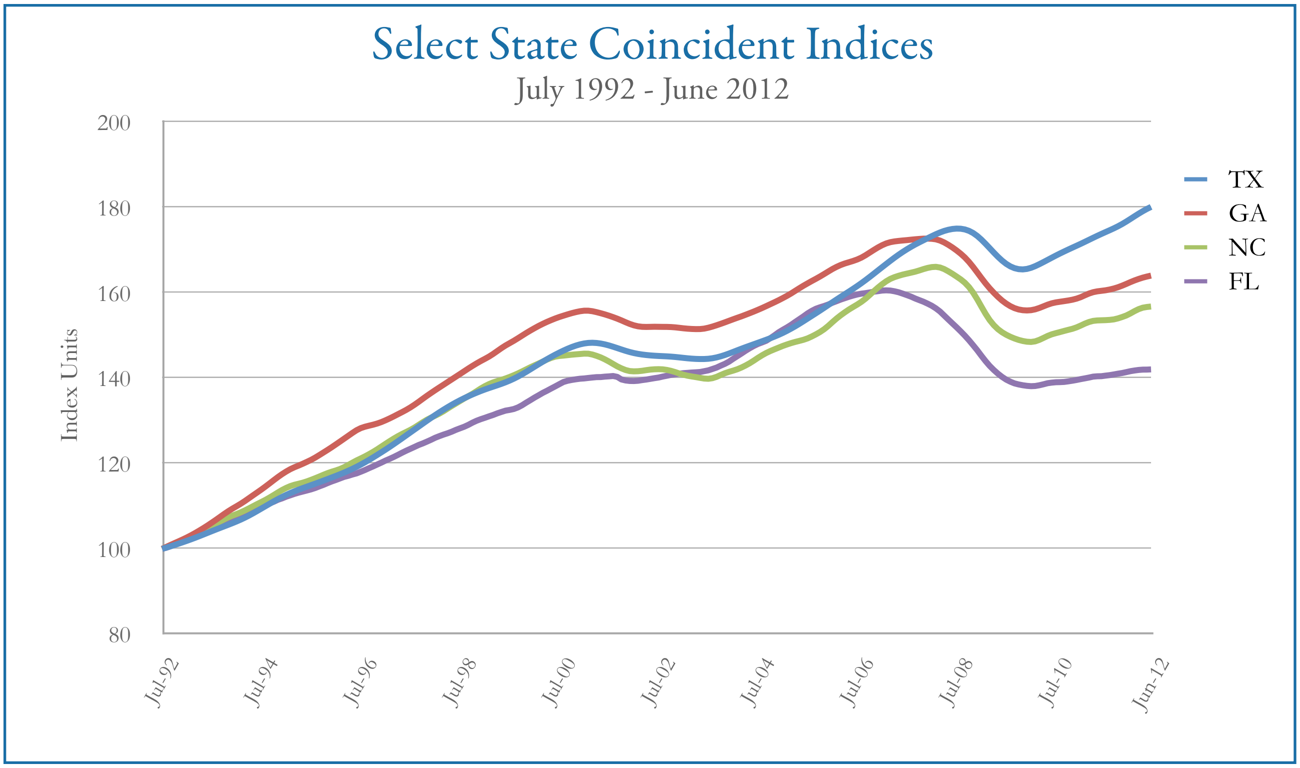
These charts indicate that the U.S. economy continues to grow faster than Florida's, with the gap growing wider.





How Does Florida's Growth Compare to Other States?

The chart below shows Florida's coincident index values compared to other states. It is clear from the chart that although Georgia enjoyed the most growth for most of this period, during 2007 Texas took the lead and has shown a significant amount of growth compared to the other states shown. Texas has significantly outgrown the U.S. as a whole, with a current value of 180.14 versus the U.S. current value of 150.72 and a Florida value of 142.06. It is interesting that Florida is the only one of the states shown that has a current index value lower than the U.S., with North Carolina at 156.79 and Georgia at 164.04. This means that Florida, since July 1992, has grown significantly more slowly than Georgia and North Carolina, and the U.S. as a whole. Among Southeastern states not included below, Florida has shown more growth than three states: Alabama, Arkansas and Mississippi; and less than two states: South Carolina and Tennessee.



Conclusion

The U.S. coincident index, developed by the Philadelphia Federal Reserve, has indicated growth in the U.S. economy each month since November 2009, but shows that the national economy has failed to grow at a rapid pace. The Florida economy, using a directly comparable index, has been growing each month since February 2010, but at a much slower pace than the U.S. economy. This has led to an increase in the gap between the growth rates of Florida and the U.S.

Source for all data: Philadelphia Federal Reserve, http://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/

Florida TaxWatch acknowledges the expanded partnership and support of
Florida Power and Light Company through primary sponsorship of *Economic Commentary*.

Florida TaxWatch Center for Competitive Florida Advisory Board

Economic Commentary written by **Jerry D. Parrish, Ph.D.,**
Chief Economist, and Director of the Center for Competitive Florida
Robert Weissert, VP for Research. **Chris Barry**, Communications Coordinator

Marshall Criser, III, Chair, Florida TaxWatch; **John Zumwalt, III**, Chair, Center for Competitive Florida;
Dominic M. Calabro, President, Publisher, and Editor.

Florida TaxWatch Research Institute, Inc. www.floridataxwatch.org