



Florida's Economic Resilience

The Florida Department of Financial Services



May 24th, 2022

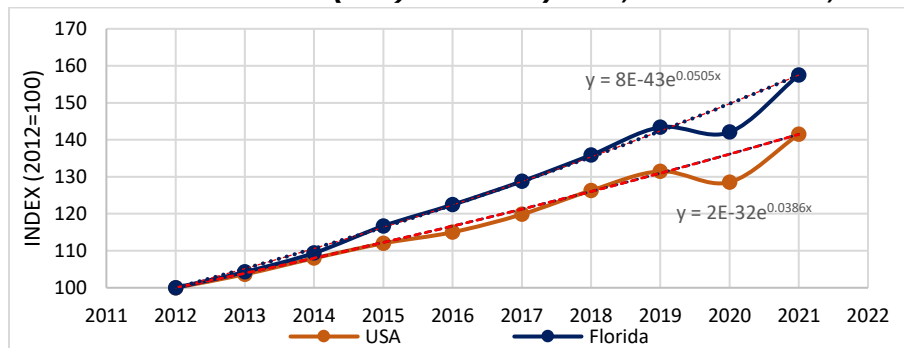
Brief Summary

This memo examines Florida's economic growth from 2012-2021 as compared to the growth of the U.S. economy. Overall, Florida's gross domestic product (GDP) growth outperforms the USA. Florida's *Finance, Insurance and Real Estate* sector outperforms the U.S. economy and it remained unharmed by the negative economic forces present during the pandemic.

All Industries

During the COVID-19 pandemic, Florida fared better economically than other states. Different states implemented varying pandemic response protocols, which yielded diverse economic consequences. Pivotal to Florida's success, was state leadership's refusal to implement statewide lockdowns. State leadership let the market do its own digesting of the pandemic, which yielded successes that can be seen in Figure 1 depicting All Industries Total.

Figure 1. Index Gross Domestic Product (GDP) All Industry Total, USA and Florida, 2012 through 2021.



Source BEA

The overall calculated GDP indices for 2021 (base 2012 =100) is 141.48 and 157.51 for the USA and the State of Florida, respectively. These figures can be used to calculate the annual mean (compounded) growth rate (shown by the dashed lines)¹ The compounded growth rate per annum of 3.9 and 5.2 percent for the USA and Florida, respectively. From these compounded growth rates, a divergence in GDP growth of 1.25 percent per annum may be derived between Florida and the national economy.

The growth divergence started in 2015 and continued in the following years until present. Even the economic setback, due to the Covid-19 pandemic in 2020, was less severe for Florida (at -0.9%) than it was for the USA at large (-2.2%). Subsequently, the pre-pandemic market dynamics in Florida continued to exist into and through the pandemic. Presently, the GDP index gap between Florida and the USA stands at 16.03, with Florida outperforming the USA at large.² Certain industries over others contributed to this rise and sustained economic growth in Florida.

Before turning to industries, it must be noted that the overall methodology used in this report is premised on the idea that sustained GDP growth in Florida has everything to do with a specific industry's growth and the relative size (share or weight) of the industry relevant to all industries as of 2021. Therefore, growth multiplied by the share of the industry provides an overall outlook on that industry's contribution to Florida's GDP growth. Neither a high growth in a small industry nor tempered growth in a major industry is sufficient to realize sustained higher economic growth.

¹ growth rate = $(\text{index}/100)^{1/n-1} - 1$

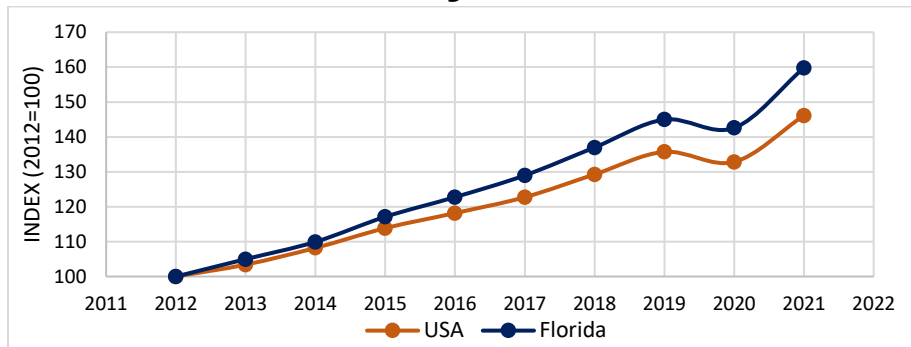
² Note: a rather similar figure may be drawn from the Bureau of Economic Analysis industry category "Private Industries," albeit with slightly different numbers.

Below, all industries (*All Industry Total*) are broken-out into two industry categories: *Private Service-producing* industries and *Private Goods-producing* industries.

Private Service-producing Industries³

In Florida, *Private Service-producing* industries, such as retail trade and transportation, make-up a 78.7% of all industries. In Figure 2., *Private Service-producing* industries yielded significant GDP growth, 5.3% per annum, since 2012.

Figure 2. Index Gross Domestic Product (GDP) "Private Service-Producing Industries," USA and Florida, 2012 through 2021.



For *Private Service-producing* industries, indices in 2021 are 146.14 and 159.80 for the USA and the State of Florida, respectively. These figures translate to compound growth rates of 4.3 and 5.3 percent per annum for the USA and the State of Florida, respectively, resulting in a 1 percentage point difference between the two. Given that *Private Service-producing* industries account for 78.7% of all industries, these industries are a major factor in the overall GDP growth divergence between Florida and the national economy.

Private Goods-producing Industries⁴

The other category is *Private Goods-producing* industries, such as agriculture and mining. These industries make-up 21.3% of all industries. While a graph has not been included for these industries, *Private Goods-producing* industries have an index of 188.54 for Florida and thus a compound growth rate per annum of 7.3%. This growth rate is higher than the *Private Service-producing* industries, albeit at a lower share (even if compared to the share in the USA at large). Overall, while making-up a smaller share, *Private Goods-producing* industries make significant contributions to Florida’s GDP growth. Further, high repetitive growth of an industry leads to increases in the industry’s shares, which means that the industry can continue to contribute to GDP growth.

Specific Industries: Understanding Table 1 & Industry Impacts on Florida’s GDP

With specific industries, Table 1 shows the compound growth rates per annum for each industry (taken from the indices as used above). For Florida and the USA, Table 1 shows each industry’s share across all industries as of 2021 (*All Industries Total*) and the industry’s growth. When those columns are multiplied, the GDP growth contribution appears in the G*S column. The two top rows show the overall GDP for *All Industries Total* and *Private Industries*. Table 1’s middle block shows the specific industries as used by the Bureau of Economic Analysis. On the bottom of Table 1, there is a divide between Private Service-producing and Private Goods-producing industries, as well as the category “Trade.” Shading is provided to locate high rates, shares, and products more easily, with darker shades showing higher growths, shares, and contributions. The sum of the bold font values in Florida’s S*G column add up to the aggregate growth of *All Industries Total*, at 5.2 percent (at the top of Table 1). In addition, the “Rank” column ranks each industry in terms of contribution to Florida’s GDP. The highest contributing industry is ranked as 1. The table lacks mentioning of the indices used, but shows the derived compound growth rates per annum, nor was there room for a difference column between Florida and the USA (all for the timeframe taken for the analyses).

³ The private services-producing industries consist of utilities; wholesale trade; retail trade; transportation and warehousing, excluding Postal Service; information; finance and insurance; real estate, rental, and leasing; professional, scientific, and technical services; management of companies; administrative and support and waste management and remediation services; educational services; health care and social assistance; arts, entertainment, and recreation; accommodation and food services; and other services (except government and government enterprises).

⁴ The private goods-producing industries consist of agriculture, forestry, fishing, and hunting; mining, quarrying, and oil and gas extraction; construction; and manufacturing.

Florida's *Finance, Insurance and Real Estate* sector remained stable and did not suffer economically during the Covid-19 pandemic. Florida's *Finance, Insurance and Real Estate* sector outperformed that of the USA as a whole in both growth and share. Using the same growth multiplied share indices, Florida's sector is approximately 1¾ times more productive (= 0.254*6.6% / 0.212*4.5%) than that of the USA at large, and even more so for the sub-industry of *Real Estate and Rental and Leasing* (ibid. by a factor 2.37). The *Finance and Insurance* sub-industry is higher in growth but makes up a smaller share overall in the *Finance, Insurance and Real Estate* sector than *Real Estate* sector.

Table 1: Gross Domestic Product (GDP) Top 10 Industries USA – Florida, Indexed (2012=100)

Description	FLORIDA			RANK	USA		
	Growth Rate	Size (or share)	G*S		Growth Rate	Size (or share)	G*S
All industry total	5.2%	1.000	5.2%		3.9%	1.000	3.9%
Private industries	5.6%	0.902	5.0%		4.1%	0.879	3.6%
Agriculture, forestry, fishing and hunting	0.7%	0.006	0.0%	18	3.6%	0.011	0.0%
Mining, quarrying, and oil and gas extraction	3.3%	0.002	0.0%	17	-2.6%	0.012	0.0%
Utilities	2.8%	0.017	0.0%	16	3.4%	0.017	0.1%
Construction	9.6%	0.054	0.5%	5	6.3%	0.042	0.3%
Manufacturing	6.4%	0.052	0.3%	9	3.2%	0.111	0.4%
Durable goods manufacturing	6.5%	0.032	0.2%	11	3.0%	0.060	0.2%
Nondurable goods manufacturing	6.2%	0.020	0.1%	13	3.4%	0.051	0.2%
Wholesale trade	5.2%	0.071	0.4%	7	3.7%	0.060	0.2%
Retail trade	5.7%	0.077	0.4%	6	4.8%	0.060	0.3%
Transportation and warehousing	3.4%	0.026	0.1%	14	3.5%	0.028	0.1%
Information	4.3%	0.039	0.2%	12	6.1%	0.057	0.3%
Finance, insurance, real estate, rental, and leasing	6.6%	0.254	1.7%	1	4.5%	0.212	1.0%
Finance and insurance	8.1%	0.069	0.6%	4	5.8%	0.085	0.5%
Real estate and rental and leasing	6.1%	0.185	1.1%	2	3.7%	0.128	0.5%
Professional and business services	6.1%	0.134	0.8%	3	4.7%	0.129	0.6%
Educational services, health care, and social assistance	4.1%	0.090	0.4%	8	3.6%	0.084	0.3%
Arts, entertainment, recreation, accommodation, and food services	4.0%	0.057	0.2%	10	3.4%	0.037	0.1%
Other services (except government and government enterprises)	3.5%	0.023	0.1%	15	2.8%	0.019	0.1%
Private goods-producing industries ²	7.3%	0.115	0.8%		3.3%	0.176	0.6%
Private services-providing industries ¹	5.3%	0.787	4.2%		4.3%	0.703	3.0%
Trade	5.5%	0.147	0.8%		4.2%	0.120	0.5%

Source: Bureau of Economic Analysis

The *Professional and Business Services* industry in Florida also exceeds the USA both in growth and share, thus contributing to the divergence between Florida's and the USA's GDP growth. Further, in growth and share, Florida's *Professional, Scientific, and Technical Services* sub-category (not depicted in Table 1) exceeded the national numbers. This sub-category, its 5.8% per annum multiplied by its share of 0.074, adds 0.43 percentage points to Florida's GDP growth, whereas the same calculation with the national numbers adds 0.37 percentage points.

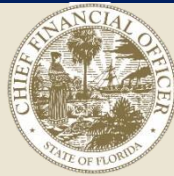
Next, the comparative diverging *Construction* sector has a compound growth rate of 9.6 percent per annum. Combined with its share, the *Construction* sector adds ½ a percentage point to Florida’s overall GDP growth, while the same sector nationally adds only 0.2 percent to the USA’s GDP growth. It is noted that Florida’s in-migration is likely a contributing factor to this fact.⁵

Finally, Florida’s *Trade* sector shows a higher-than-average growth rate and increase in share (weights are at 0.147 and 0.120 respectively, for the purpose here expressed in *All Industries Total*, and growth rates stand at 5.5 and 4.2 percent per annum). Therefore, *Trade* is more important for Florida than *Trade* is for the US economy at large; adding 0.81 percentage points to Florida’s GDP versus 0.51 percentage points nationally.

The remainder of industry categories in Florida score mostly marginally higher in contributions to Florida’s economic growth than their national counterparts do for the USA’s economic growth.

Key Takeaways

- Florida’s economic growth outperforms that of the U.S. as a whole.
- Florida’s pandemic response allowed the state’s GDP to continue to grow during the pandemic.
- Florida’s *Finance, Insurance and Real Estate* sector outperforms the U.S. economy and it remained unharmed by the negative economic forces present during the pandemic.



⁵ In-migration into Florida tops an estimated 1,000 people on average per day, this even without the specific migration impact of the Covid-19 pandemic.