

THE NATURE OF

FLORIDA'S ECONOMY



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FLORIDA'S ECONOMY RECENTLY HIT AN IMPORTANT MILESTONE WITH ITS GROSS DOMESTIC PRODUCT (GDP) SURPASSING \$1 TRILLION – AND THE STATE'S ECONOMY CONTINUES TO GROW...

According to the latest report from Florida's Legislative Office of Economic and Demographic Research¹, in 2018 the state's economy grew slightly faster than the national average (3.5% v. 2.9%) and its current unemployment level is below the national average. **Two big drivers of Florida's economy are tourism and home construction driven by population growth.** However, the nature of Florida's economy makes continued economic growth and prosperity in the state particularly dependent on protecting and enhancing its environmental assets.

TOURISM

In 2018, a record number of 126.1 million visitors came to the state of Florida, an increase of 6.1% over the previous year. When out-of-state tourists visit, they spend money that permeates through many parts of the state's economy. **A study done by RockPort Analytics² for VisitFlorida estimated that expenditures by visitors to the state generated \$85.9 billion in economic activity and created around 1.5 million jobs.** This economic activity accounted for almost 9% of the overall state's GDP and about 13% of all jobs statewide. It's also important to note that the economic activity driven by tourism creates substantial tax revenue. For instance, in the year that the study was conducted, out-of-state tourism generated \$11.4 billion in tax revenue to state and local governments.

However, tourism is very susceptible to events that impact the environment. According to the Legislative Office of Economic and Demographic Research, **tourism related losses pose the greatest risk to Florida's future economic outlook.** Further, the office points out that studies of disease outbreaks and natural and manmade disasters have shown that tourism demand is very sensitive to such events. This danger to Florida's economy has been demonstrated by recent events. For example, according to a survey conducted by FloridaDisaster.biz, a partnership



between the Florida Department of Economic Opportunity (DEO) and the Florida Division of Emergency Management (DEM), **the 2018 blue-green algae and red tide events cost Florida businesses \$140 million** (\$122 million in southwest Florida)³. These numbers represent the losses only of businesses that completed the survey and therefore are likely a very conservative estimate of the economic impact of recent blue-green algae and red tide events.

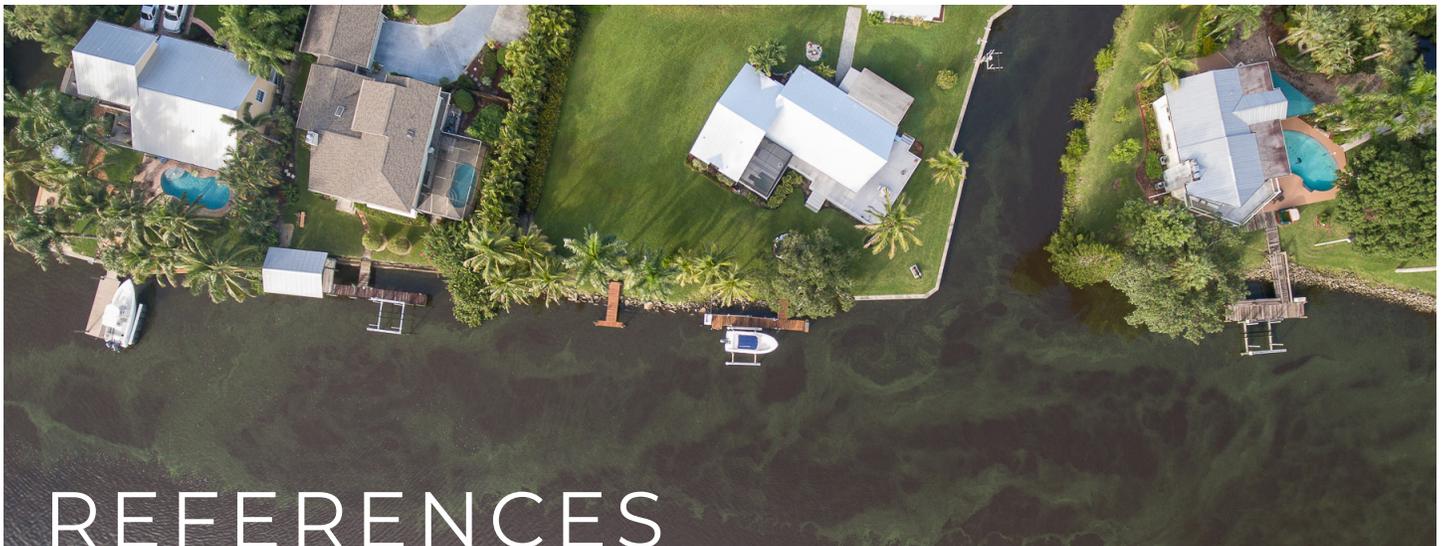
REAL ESTATE AND POPULATION GROWTH

In addition to tourism, according to the Legislative Office of Economic and Demographic Research, **population growth is also a very important driver of economic growth in Florida**. Florida's forecasted population growth rate (1.6%) through 2022 is more than the national average (0.67%). Through 2030, over 99% of Florida's

future population growth will be due to people moving to the state. New residents create economic activity through their spending and investments – such as new home construction. The Florida Realtors did a study in 2015⁴ rigorously documenting that estuarine water quality can have a substantial impact on home values. For instance, the study estimated that changes in water quality in Lee and Martin county impacted residential single-family home values by around \$1 billion.

BOTTOM LINE

It is clear that the future health of Florida's economy and state and local revenue is critically dependent on a robust tourism industry. Florida's economy will also be substantially impacted by future trends in the state housing market and population growth. **Further, it is clear that the nature of Florida's economy makes it particularly sensitive to events such as the recent red tides and algae blooms.** Economic research has shown that such events can put a drag on tourism and residential real estate values - two pillars of Florida's economy. Such events, and the national publicity they create, can also potentially affect net migration to Florida and thus population growth – another important component of Florida's future economic and government revenue growth.



REFERENCES

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² Rockport Analytics. (2019). A Banner Year for Florida Tourism Performance: The 2017 Contribution of Travel & Tourism to the Florida Economy (p. 34). Retrieved from <https://www.visitflorida.org/media/71465/2017-contribution-of-travel-tourism-to-the-florida-economy.pdf>

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⁴ O'Connor, B. J. (2015). The Impact of Ambient Estuarine Water Quality on Florida Property Values, 1-54. https://www.floridarealtors.org/ResearchAndStatistics/Other-Research-Reports/upload/FR_WaterQuality_Final_Mar2015.pdf