

JEFF ATWATER



FLORIDA'S CHIEF FINANCIAL OFFICER

# FLORIDA'S BOTTOM LINE

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*Inside Track on Florida's Financial Health*

WINTER  
EDITION 2016

## OUTLOOK ON 2016

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*Setting Eyes on the Year Ahead*



# MISSION

To provide a one-stop shop for the latest news and valuable insight on Florida's economy and financial health.

## RESOURCES

Chief Financial Officer Jeff Atwater is committed to making Florida more consumer and business friendly by ensuring consumer rights and protections, reducing regulatory burdens, and fighting fraud.



Chief Financial Officer Jeff Atwater's Your Money Matters website offers a variety of financial tools and resources including credit and debit, saving and spending, life events, small business, games and calculators.



Transparency ensures accountability, and Floridians can see how money they send to their government is spent through state budgets, contracts, and more resources.



The Division of Insurance Fraud is responsible for investigating criminal acts of suspected insurance fraud. You can help by reporting suspected insurance fraud through our online referral application or by calling the DFS Fraud Hotline (1-800-378-0445).



**CONSUMER SERVICES**  
*Florida Department of Financial Services*

**Consumer Helpline: 1-877-693-5236**

The Division of Consumer Services helps consumers make informed insurance and financial decisions. Our dedicated and experienced staff are trained in the 26 different categories of insurance. Consumer assistance and protection is our mission.

## PARTNERS

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[www.MyFloridaCFO.com](http://www.MyFloridaCFO.com)



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## CFO LETTER

Dear Fellow Floridians:

The beginning of a new year is an important time to reflect on what we have accomplished and what we want to achieve in the year ahead. Over the past year, Florida's economy has seen profound growth in many areas and we're entering 2016 well positioned to take advantage of these gains and continue to grow.

Looking back on 2015, we see that Florida's economy is on the right track: private sector job growth increased and outpaced the nation; the housing market reached its post-recession high; our unemployment rate has fallen to its lowest levels in seven years; and more visitors have come to Florida this year than ever before. This economic momentum sets the stage for Florida to continue its hard work throughout 2016.

This edition of *Florida's Bottom Line* is focused on the opportunities that lie ahead in the coming year as well as highlights of the progress that we have made in the past year. Inside, you will find an economic forecast and expert analysis on Florida from a leading economist, insightful outlooks on key emerging trends as well as a look back on Florida's economic achievements in 2015.

As we embark on this New Year, it is important to acknowledge that Florida's economic future will continue to be shaped by the hard work and perseverance of Floridians. It is your dedication that not only allows us to build upon our accomplishments, but reach new heights of economic success and prosperity.

I wish you and your family a Happy New Year.

Sincerely,

Jeff Atwater  
Chief Financial Officer  
State of Florida

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*SEND US YOUR COMMENTS! »*



**JANUARY**

**1/6/2015**

**FLORIDA  
ECONOMY IS  
EXPECTING A  
SUNNY YEAR**

*Florida TaxWatch*

**1/10/2015**

**FLORIDA  
REGAINING  
ECONOMIC STEAM**

*Sarasota Herald Tribune*

**FEBRUARY**

**2/6/2015**

**TRADE AND  
PROSPERITY IN  
THE STATES: CASE  
OF FLORIDA**

*Heritage Foundation*

**2/27/2015**

**FLORIDA'S  
CONSUMER  
CONFIDENCE  
RISES FOR 7TH  
STRAIGHT MONTH**

*Sun Sentinel*

# FLORIDA'S ECONOMIC OUTLOOK

By **Sean Snaith**

*Director of UCF's Institute for Economic Competitiveness*

Florida's economy ended the year with solid momentum, momentum that will carry over into 2016, but factors well beyond the state's borders will play an increasing role in determining how the state's economy will perform in 2016.

Florida's labor market recovery continues to outpace the recovery in the national job market as it has since 2012. Payroll job growth remained robust in 2015 and for the full year job growth should come in at 3.2%. Hiring growth this year will ease somewhat to 2.3%, Florida will outpace national job growth over the course of the year by 0.8 percentage points.

The Construction sector in 2016 should continue to experience the fastest pace of job growth in Florida's economy. The continuing housing market recovery and large public works projects will fuel job growth of 6.6% in this once beleaguered sector. Education & Health Services job growth will come in at 3.3% as will growth in Transportation, Warehousing & Utilities. Professional & Business Services job growth in 2016 will be 2.9% followed closely by job growth in Leisure & Hospitality with growth of 2.8%. Tourism has been on a torrid path with job growth averaging 4.4% over the past four years, in 2016 some of this momentum will fade.

The headline unemployment rate in Florida has fallen significantly from its highs and now stands on par with the national unemployment rate. Bringing down the unemployment rate from its current 5.0% level will be a difficult task in 2016. Strong payroll job growth in Florida will trigger reentry to the labor market boosting the size of the labor force making the prospect of lowering the unemployment rate a challenge. As a result unemployment should hover around this 5.0% level for most of 2016.

Real State Gross Domestic Product (GDP) will continue to expand at a faster rate than the U.S. economy has experienced at any point during the six and a half year old economic recovery. In both 2015 and in 2016 we anticipate that Florida's real GDP growth will be 3.3%.

The global economy rang in the New Year with an outsized portion of volatility and uncertainty in financial markets as well as persistent concerns about global economic growth. China, the world's second largest economy, continues to be plagued by slowing economic growth and a stock market plunge that, despite desperate measures taken by the government to arrest the decline, continues to defy attempts to prop it up.

This uncertainty in China has spilled into U.S. financial markets sending retirement funds and portfolios off to a historically weak start to 2016.



Sean Snaith, Ph.D., is the director of the University of Central Florida's Institute for Economic Competitiveness and a nationally recognized economist in the field of business and economic forecasting.



In our hemisphere economic developments that have and will continue to impact Florida's economy in 2016 are taking place in both Canada and Brazil. Canada's economy was in recession during the first half of 2015 and the recovery in the second half of the year was anemic. Low commodity and raw material prices weigh on the Canadian economy and have helped drive the value of the Canadian Dollar down by nearly 20% against the U.S. Dollar over the course of the past year. As a result of this depreciation, Canadian snowbirds and tourists are facing a 20% increase in prices they pay for goods and services when visiting our state this year as compared to last.

Brazil would trade economic situations with Canada in a heartbeat as the situation and outlook there are much direr. If Brazilian economists are correct in their projections for 2016, Brazil's recession will become the worst in over a century. The Brazilian Real has lost nearly 53% of its value against the U.S. Dollar over the course of the past year. Brazilian visitation and spending in Florida has and will reflect the economic and currency situation back home.

Regions of Florida that historically have economic ties to either of these two countries are likely feeling the effects of these weakened currencies and economic struggles. Canadian and Brazilian visitation and spending patterns will continue to be impacted in 2016.

Florida is a geographically large and economically diverse economy. The metropolitan statistical areas across the state have had different experiences through the recession and during the recovery. The outlook for 2016 reflects this diversity as we look at the outlook for the largest metro areas in the state.

The three county Miami- Fort Lauderdale metro area, the largest in the state, should see payroll job growth of 2.0% for 2016. Construction will have the fastest job growth at 6.4% for the year, followed by 4.1% growth in Professional & Business Services and Leisure & Hospitality with job growth of 2.5%. Average annual wages in Miami should grow 3.0% to reach \$55,200 next year and Real Gross Metro Product will top \$290.8 billion in 2016.

The four county Tampa-St. Petersburg metro area, the second largest in Florida, will have job growth of 2.7% in 2016. Construction will have the fastest job growth at 8.6% for the year, followed by 5.0% growth in Professional & Business Services and Leisure & Hospitality with job growth of 4.2%. Average annual wages in Tampa should grow 3.1% to reach \$51,800 next year and Real Gross Metro Product will top \$123.2 billion in 2016.

The four county Orlando-Kissimmee metro area, the third largest in Florida, will have job growth of 2.6% in 2016. Construction will have the fastest job growth at 5.7% for the year, followed by Leisure & Hospitality with job growth of 3.7% and 3.0% growth in Professional & Business Services. Average annual wages in Orlando should grow 2.9% to reach \$48,500 next year and Real Gross Metro Product will top \$118.8 billion in 2016.

The five county Jacksonville metro area, the fourth largest in Florida, will have job growth of 2.1% in 2016. Education & Health Services will have the fastest job growth at 3.6% for the year, followed by 3.3% growth in Professional & Business Services and Leisure & Hospitality with job growth of 2.4%. Average annual wages in Jacksonville should grow 3.2% to reach \$52,800 next year and Real Gross Metro Product will top \$64.1 billion in 2016.

For a more detailed look into the economic outlook for Florida and these four largest metro areas as well as other metro areas in the state for 2016 and beyond, please read our full forecast publications. These are free to read and download from the University of Central Florida College of Business Administration's Institute for Economic Competitiveness website which may be found here: <http://www.iec.ucf.edu>.



FOR MORE INFORMATION, PLEASE VISIT [WWW.IEC.UCF.EDU](http://WWW.IEC.UCF.EDU)

## MARCH

**3/6/2015**

**FLORIDA HAS  
6 OF THE  
NATION'S  
FASTEST-  
GROWING  
METRO AREAS**

*PBS*

**3/23/2015**

**FLORIDA GAINS  
MOMENTUM**

*Florida Trend*

## APRIL

**4/20/2015**

**FLORIDA HAS  
BEEN NAMED  
A LEADER IN  
INNOVATION**

*Consumer Technology  
Association*

## MAY

**5/18/2015**  
**FLORIDA REPEATS  
AS 2ND BEST  
STATE FOR  
BUSINESS**

*Space Coast Daily*



**JUNE**

**6/14/2015**

**FLORIDA THE  
NEW HIGH-TECH  
FRONTIER**

*Florida Today*

**JULY**

**7/30/2015**

**FLORIDA  
CONTINUES TO BE  
A TOP NATIONAL  
JOB CREATOR**

*Florida Trend*

**AUGUST**

**8/28/2015**

**FLORIDA'S  
FINANCIAL  
OUTLOOK IS  
STRONG**

*Herald Tribune*

**SEPTEMBER**

**9/30/2015**

**FLORIDA HAS THE  
RIGHT BALANCE  
FOR A BRIGHT,  
PROSPEROUS  
FUTURE**

*Orlando Sentinel*

# THE COMPLETION OF THE PANAMA CANAL AND FLORIDA

**By Julio Fuentes**

*President & CEO of the Florida State*

*Hispanic Chamber of Commerce (FSHCC)*

When the Panama Canal expansion project began in 2007, it had a major ripple effect on global trade around the world, especially in Florida. The Panama Canal links the Pacific and Atlantic oceans and with the expansion, set to be completed in 2016, its capacity will be doubled. The Panama Canal will now be able to accommodate the New Panamax, which is one of the largest container ships moving cargo today. This is big news for Florida as our seaports are the closest to the Panama Canal, putting us in prime position to reap the benefits of increased cargo.

Since the announcement of the expansion, Florida has doubled down on efforts to strengthen our 15 seaports and prepare them for vast new business opportunities. During the past four years, the State of Florida, in combination with local port entities, has invested more than \$1 billion to improve Florida's seaports. In addition to the state's \$850 million investment, a multi-billion dollar capital campaign has addressed critical port infrastructure needs and now our ports are more competitive than ever in today's global marketplace.

PortMiami, the first U.S. port of call from Panama, is a prime example of this. PortMiami recently completed a major harbor deepening project and it is now the only port south of Virginia at the required 50 feet depth to accommodate the larger cargo ships coming from the Panama Canal.

Bigger ships coming through our ports mean more cargo, which will lead to new jobs to help manage the additional workload. Florida ports currently support more than 680,000 jobs and generate \$96 billion in economic activity. By capitalizing on new opportunities and building relationships with nations like Panama, we can employ more hard-working Floridians and grow our economy.

International business and foreign investment accounts for about 17 percent of Florida's economy and supports 2.4 million jobs, making it one of Florida's strongest sectors, but our state is on a mission to keep growing, adding new jobs, attracting new business and increasing Florida's international trade. We are a major gateway for trade between the United States and Latin America, which is one of the fastest growing economies, and our improved seaports will help us better connect with the rest of the world.

Florida has taken the right steps to capitalize on the Panama Canal expansion and we are poised to further solidify our role as a major hub for international trade.



Julio Fuentes is the President & CEO of the Florida State Hispanic Chamber of Commerce (FSHCC) whose mission is to promote the economic advancement of Florida's Hispanic business community.



**FOR MORE INFORMATION, PLEASE VISIT [WWW.FSHCC.COM](http://WWW.FSHCC.COM)**



# CHANGES ON THE HORIZON, STATE OUTLOOK FOR 2016

By Ben Watkins

*Director of the Division of Bond Finance, State of Florida*

There has been an unprecedented interest rate environment in the U.S. credit markets since 2008, in part because of the Federal Reserve's extraordinary actions and accommodative monetary policy taken in response to the financial crisis and Great Recession. The State of Florida has taken advantage of low interest rates by refinancing its debt to lower the interest cost. The State has executed 70 refinancing transactions over the last five and half years totaling \$10.6 billion (over one-third of the debt portfolio) saving nearly \$2.0 billion in future interest payments.

Ongoing improvements in U.S. job growth, manufacturing activity, and the housing market have provided the necessary data points to precipitate the Federal Reserve's "liftoff." Economists and market strategists are convinced and the Fed Governors have signaled that they are ready to begin implementing less accommodative monetary policies by raising interest rates by 25 basis points or 1/4 of 1%. However, the experts have repeatedly made this prediction previously and for various reasons have not taken action. For example, despite sustained recovery in the U.S. economy, emerging markets suffered a setback in mid-2015 with China's substantial economic slowdown and weakness in Europe as well, spooking the Federal Reserve and its plan to tighten monetary policy in September 2015. The impact of these global events on domestic monetary policy illustrates how the Federal Reserve's decisions on monetary policy are intertwined with external events and global markets. Since September 2015, emerging markets have settled and sustained strength in the U.S. economy has supported economists' consensus of the Federal Reserve's 25 basis points interest rate increase at the December Federal Open Markets Committee meeting. Now that the Fed Funds rate has increased, the discussion will turn to the pace of additional increases and how this may impact long term interest rates and what impact this may have on the economy.

The State of Florida's outlook has improved since 2010 with broad economic recovery and job growth currently outpacing the U.S. according to the three major credit rating agencies (Fitch Ratings, Moody's Investors Service and Standard & Poor's). Job growth and economic recovery is facilitated, in part, by policies supporting economic growth like relatively low tax rates and streamlined business regulations. The State has benefitted from a stronger economy with robust revenue growth (\$1.7 billion for 2015 or 5%) with strength across all sectors.

Prudent fiscal and debt management policies coupled with the improved economic outlook have driven positive changes in the State's financial position. Over the past five years, the State's direct debt outstanding has declined \$2.5 billion; General Fund Reserves (comprised of Unspent General Revenue and the Budget Stabilization Fund) have increased from \$1.0 billion at June 30, 2011 to \$3.7 billion or 13.3% of General Revenue at June 30, 2015. The State has also returned to fully funding its required pension contribution in fiscal years 2014, 2015 and 2016 following years when underfunding was required for budget relief. Strong legislative and executive leadership is needed to pass a structurally balanced budget while maintaining a healthy financial cushion which will ensure a positive outlook for the State in 2016.



Ben Watkins is the Director of the State of Florida's Division of Bond Finance which is responsible for issuing bonds and advising on debt management policies for the State.

OCTOBER

**10/13/2015**  
**FLORIDA NAMED**  
**ONE OF THE MOST**  
**ENTREPRENEURIAL**  
**STATES**

*Orlando Business Journal*

NOVEMBER

**11/30/2015**  
**FLORIDA'S**  
**STEADY AND**  
**UPRISING**  
**SUNSHINE**

*Forbes*

DECEMBER

**12/16/2015**  
**FLORIDA RATED**  
**BEST PLACE**  
**TO LIVE**

*Sun Sentinel*

**12/23/2015**  
**FLORIDA**  
**REMAINS THE**  
**LAND OF HOPE**  
**AND DREAMS**

*Tampa Bay Times*

FOR MORE INFORMATION, PLEASE VISIT [WWW.SBAFLA.COM/BONDFINANCE](http://WWW.SBAFLA.COM/BONDFINANCE)



# FLORIDA'S LOOK BACK ON 2015



LOWEST STATE  
TAXES PER CAPITA



BEST STATE  
FOR BUSINESS

4<sup>TH</sup>  
BEST  
BUSINESS  
TAX CLIMATE

5<sup>TH</sup>  
BEST FISCAL  
CONDITION



UNEMPLOYMENT RATE AT  
7 YEAR LOW

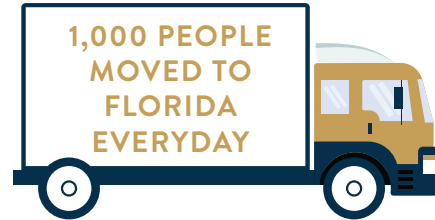


PRIVATE  
SECTOR  
REAL GDP  
GROWTH

5.8%

POPULATION TOPPED  
20 MILLION  
FOR THE FIRST TIME EVER

1,000 PEOPLE  
MOVED TO  
FLORIDA  
EVERYDAY



COMPLETED:  
PORT MIAMI DREDGING

NOW ONLY SEAPORT WITH  
50FT. OF DEPTH SOUTH OF VIRGINIA



2<sup>ND</sup> HIGHEST NUMBER OF PRIVATE  
SECTOR JOBS CREATED IN U.S.



Sources: Bureau of Economic Analysis | Mercatus Center | U.S. Census | Bureau of Labor Statistics  
John Locke Foundation | Chief Executive Magazine | PortMiami | Tax Foundation