

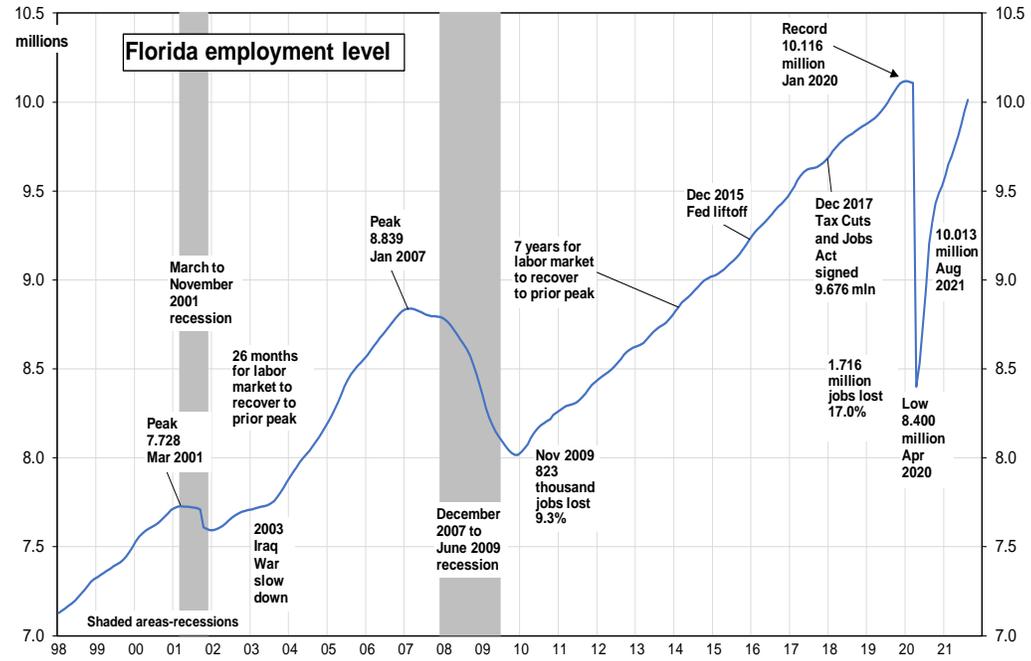
Financial Markets This Week

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IF YOU WERE THINKING OF GOING TO FLORIDA

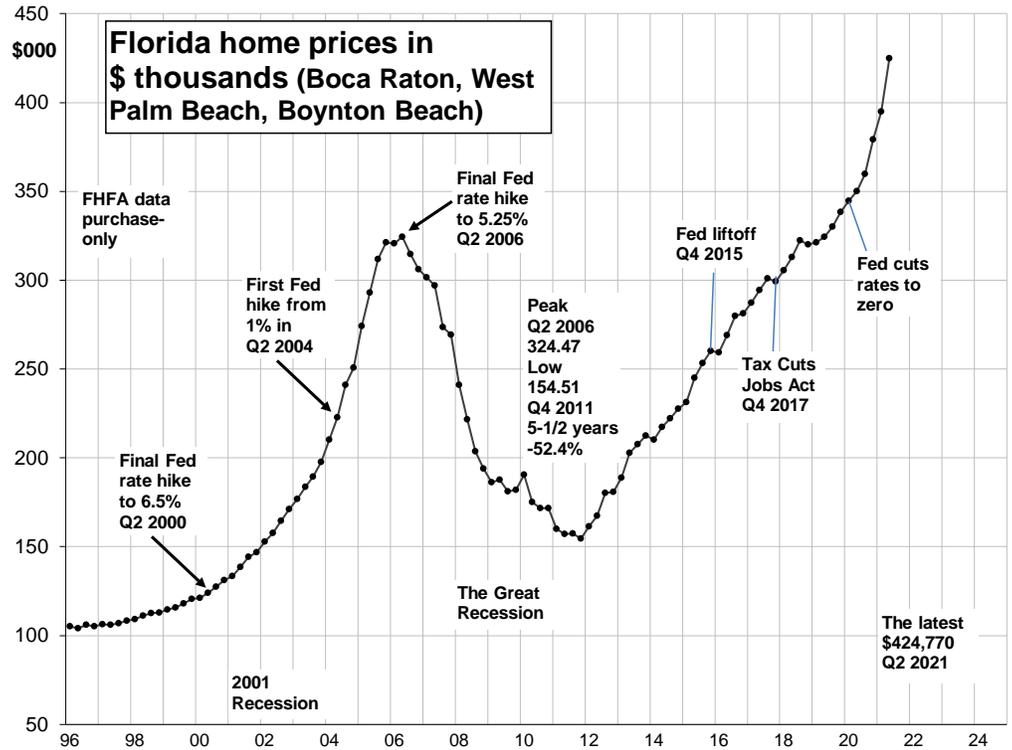
The economy is sunny if you live in Florida. The Federal Reserve might be ready to taper its emergency QE stimulus. Fed officials or at least Fed Chair Powell has a more stringent test for lifting interest rates, but in Florida, the rates test is more or less met. There were 10.013 million employed in August 2021 versus the record 10.116 million employed in January 2020 before the pandemic. Close enough when it comes to returning the labor market to normal or at least where it was before the economic storm.



Employment in Florida is just 1.0% below the peak in January 2020 where nationwide, employment is 153.154 million in August 2021 which is 3.5% below its pre-pandemic record of 158.735 million in December 2019. Florida is the nation's third largest state when it comes to employment opportunities behind California and Texas. Looking back historically, Florida did well for most of the 2001 recession where most of the biggest job losses were just in that one month of October after 9/11. Florida was not as lucky in the Great Recession where the decline in payroll employment was 9.3% and employment did not return to the peak in January 2007 for seven years. That peak in Florida jobs was a year before the first month of the downturn of the Great Recession

Florida Labor Market Trends				
Thousands	Jan 2020	Aug 2021	Change	% Chg
Employment	10,116	10,013	-103	-1.0
Unemployed	342	529	187	--
Rate	3.3	5.0	1.7	
<u>Payroll employment</u>	9,063	8,777	-286	-3.2
Mining/Logging	5.5	5.6	--	--
Construction	575.3	570.4	-4.9	-0.9
Manufacturing	389.0	382.3	-6.7	-1.7
Trade/Trans/Utilities	1,821.2	1,785.9	-35.3	-1.9
Information	138.7	136.6	-2.1	-1.5
Financial activities	603.0	621.8	18.8	3.1
Professional/Business	1,403.4	1,412.4	9.0	0.6
Education/Health	1,364.8	1,342.6	-22.2	-1.6
Leisure/Hospitality	1,274.9	1,082.0	-192.9	-15.1
Other services	355.3	346.4	-8.9	-2.5

probably because the housing bust took place well before the recession started. Florida was a key subprime lending state along with California and Nevada. In terms of what industries are up and down, leisure and hospitality jobs are still down 15.1% in August from January 2020 levels which is understandable for a state where Disney and Universal theme parks are some of the biggest employers so it is not just



restaurants and bars. Payroll employment jobs lost during the pandemic are 286 thousand so the 192 thousand lost leisure and hospitality jobs are two-thirds of the total jobs lost. Two categories are actually better now than before the pandemic: Financial activities up 3.1% and Profession/Business payroll employment up 0.6%.

Construction jobs are 5.6% of total payroll employment and are still down 0.9% from the peak before the pandemic. The question is why however with single-family housing permits jumping 15.4% in 2020 to 115,250 which is a level of building activity not seen since the final year of the housing bubble in 2006. Florida is the second biggest state for residential housing construction after Texas.

	Total	One Unit	5 or more Units	Number of Structures with 5 or more Units
2020	164,074	115,250	45,417	1,354
2019	154,302	99,831	51,339	1,407
2018	144,427	97,055	44,308	1,354
2017	122,719	85,267	35,254	992
2016	116,240	75,148	38,777	1,236
2015	109,924	67,670	40,455	1,347
2014	84,084	56,259	26,077	968
2013	86,752	55,385	29,478	930
2012	64,810	42,178	21,752	887
2011	42,360	31,874	9,680	485
2010	38,679	30,040	7,725	526
2009	35,329	26,636	7,984	401
2008	61,042	38,709	20,783	878
2007	102,551	70,030	29,871	1,456
2006	203,238	146,236	51,860	2,603
2005	287,250	209,162	71,512	3,661
2004	255,893	187,463	61,077	3,157

Speaking of housing bubbles, home builders are not adding enough to the supply to bring down home prices. Just like in the 2001 recession, home prices did not have a correction in the 2020 pandemic recession. It certainly looks like a new housing bubble. There is certainly a housing affordability crisis. Homes in the Boca Raton, West Palm Beach, Boynton Beach area of Florida are 23.2% higher than in Q1 2020 when the pandemic started. Using the home price index like the price of a home, in Q2 2021 homes in the area were \$424,770 where a year earlier it was \$350,090. Prices jumped over \$27,000 higher just in the second quarter this year. This isn't a bad guide for the Federal Reserve to use in its policy deliberations. When home prices are steadily rising, stop printing money.

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