Florida Had Strong Momentum Prior to COVID-19 Outbreak

Florida’s economy had strong momentum prior to the COVID-19 outbreak. Employers added 34,700 new jobs in January. Hiring rose across most major industries, with some of the strongest gains in the tech sector.

Florida’s Strong Growth Will Take a Hit From COVID-19

Florida’s economy had strong momentum at the start of the year. Employers added 34,700 jobs in January and added 181,700 jobs over the past year. As has consistently been the case, job gains are exceptionally broad-based across nearly every industry and geography. The jobs data lag considerably this time of year because of the annual revision process. The new data show Florida’s job growth was not quite as strong as reported previously, but the past year’s 2.1% gain still outpaces the nation.

Downward revisions to Florida’s job growth were fairly modest. The prior month’s data had shown 2.4% year-over-year growth, which equates to 31,000 more jobs added over the year than currently reported. Much of that downward revision occurred in Florida’s large leisure & hospitality sector, which now shows employment rising 2.1% year-over-year, as opposed to close to 4% previously. The earlier figures had shown the sector, which includes hotels, restaurants, amusement attractions and many other forms of entertainment, accounted for nearly one-quarter of the state’s job growth over the prior year. The new data show the leisure & hospitality sector accounted for just around 14% of the new jobs created over the past year, despite record numbers of tourists visiting the state.

The more modest gains in leisure & hospitality employment mirrors trends seen nationwide. With labor markets persistently tight, many businesses have been shifting to operating models that require fewer workers, such as fast-casual restaurants and limited-service hotels. Restaurants, hotels and entertainment venues have been adding new labor-saving technologies too, which provide the customer more choices and flexibility in ordering food, checking into hotels and buying tickets for events and attractions. The adjustment in retail trade has been even more dramatic, as online shopping now captures more than half the growth in associated retail sales.

Florida’s lessening dependence on leisure & hospitality jobs has freed up more resources for other industries. Employment in professional & technical services, which includes much of Florida’s rapidly growing tech sector, rose about a half percentage fastest than the previously published data showed. Professional & technical services firms added 27,900 jobs over the past year, a 4.8% increase. Hiring also rose faster than initially reported in Florida’s manufacturing sector, which added 7,800 new jobs. Construction firms saw hiring rise slightly less than previously reported, however, although they still added 20,800 net new jobs, marking a 3.8% gain.

Efforts to contain the COVID-19 outbreak are almost certain to abruptly end Florida’s strong run of employment gains. Job losses are likely to be heaviest among hourly workers, many of whom are in retailing and the leisure & hospitality sector. Manufacturing, construction, healthcare & professional and technical services should be less impacted. While a recession seems certain, Florida has typically weathered recessions reasonably well, as long as real estate was not been grossly overbuilt.

Source: U.S. Department of Labor and Wells Fargo Securities