Widespread Closures Bring End to Florida’s Economic Boom

Florida’s latest employment report sheds little light on how much havoc COVID-19 is wreaking on Florida’s formerly booming economy. First-time jobless claims surged 11-fold this past week and are still climbing.

The Employment Data Are Still Living in the Past

Florida’s economy has gone from full throttle to a sudden stop in less than a month, something that is truly without modern era precedent. Layoffs have skyrocketed, as restaurants, hotels and amusement attractions have shut down and spring break tourists have either stayed put in their home states or returned home. A total of 74,021 Floridians filed for unemployment during the week ended March 21, a more than 11-fold increase from the prior week. The spike in layoffs comes one week after the March ‘survey week,’ which means the effects of COVID-19 shutdowns may not become apparent for two more months, when the April data are reported.

Florida’s February jobs data are of only limited use. Employers added 7,100 jobs, which is a fairly modest gain. By comparison, employers added 165,400 jobs over the past year, an average of 13,800 new jobs per month. Some of the shortfall might be due to the timing of Easter. With Easter coming in mid-April, there was less hiring than usual in Florida’s tourism-related businesses. The leisure & hospitality sector added just 2,100 jobs during the month, with hiring rising in arts, entertainment & recreation but falling slightly at hotels & restaurants. Hiring continues to rise solidly in education & health services, which added 4,400 jobs during the month. Construction employment also continued to increase, with 2,200 jobs added in February and 25,000 jobs added over the past year.

Hiring in two industries that have been notable standouts during Florida’s recovery were also notably absent in February—professional & business services and manufacturing. Professional & business services firms cut 1,500 jobs in February. The sector added an average of 2,200 jobs a month over the past year. Some of the strongest growth has come from professional & technical services, which is where much of Florida’s burgeoning high tech jobs are found. Similarly, Florida’s manufacturing sector lost 800 jobs in February, which left the year-to-year gain at a still solid 5,100 jobs. All of the job losses in manufacturing were in nondurable goods, possibly reflecting some weakness in food processing. Durable goods producers added 400 jobs in the month. Aerospace has been a real standout in Florida the past few years, with military, space and commercial projects driving employment up 11.5% over the past year.

With shutdowns and stay-at-home orders commonplace throughout the country and Florida, job growth is certain to fall hard over the next few months. Florida’s economy tends to bounce back from recessions fairly quickly as long as real estate has not gotten grossly overbuilt in the state—which it has not. Banks generally have healthy balance sheets and the Fed and Congress have implemented well-targeted monetary and fiscal stimulus incredibly rapidly, which should help insulate households and businesses from what the slide in economic output would have been otherwise. We are looking for this recession to be incredibly sharp but fairly short, with a recovery taking hold by the end of the year.

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