



U.S. Economic Outlook: Who's gaining... and losing ground

***UEDA Winter Forum
U.S. Economy & Competitiveness***

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Economic cycles rarely affect industries uniformly. Winners and losers are always created.

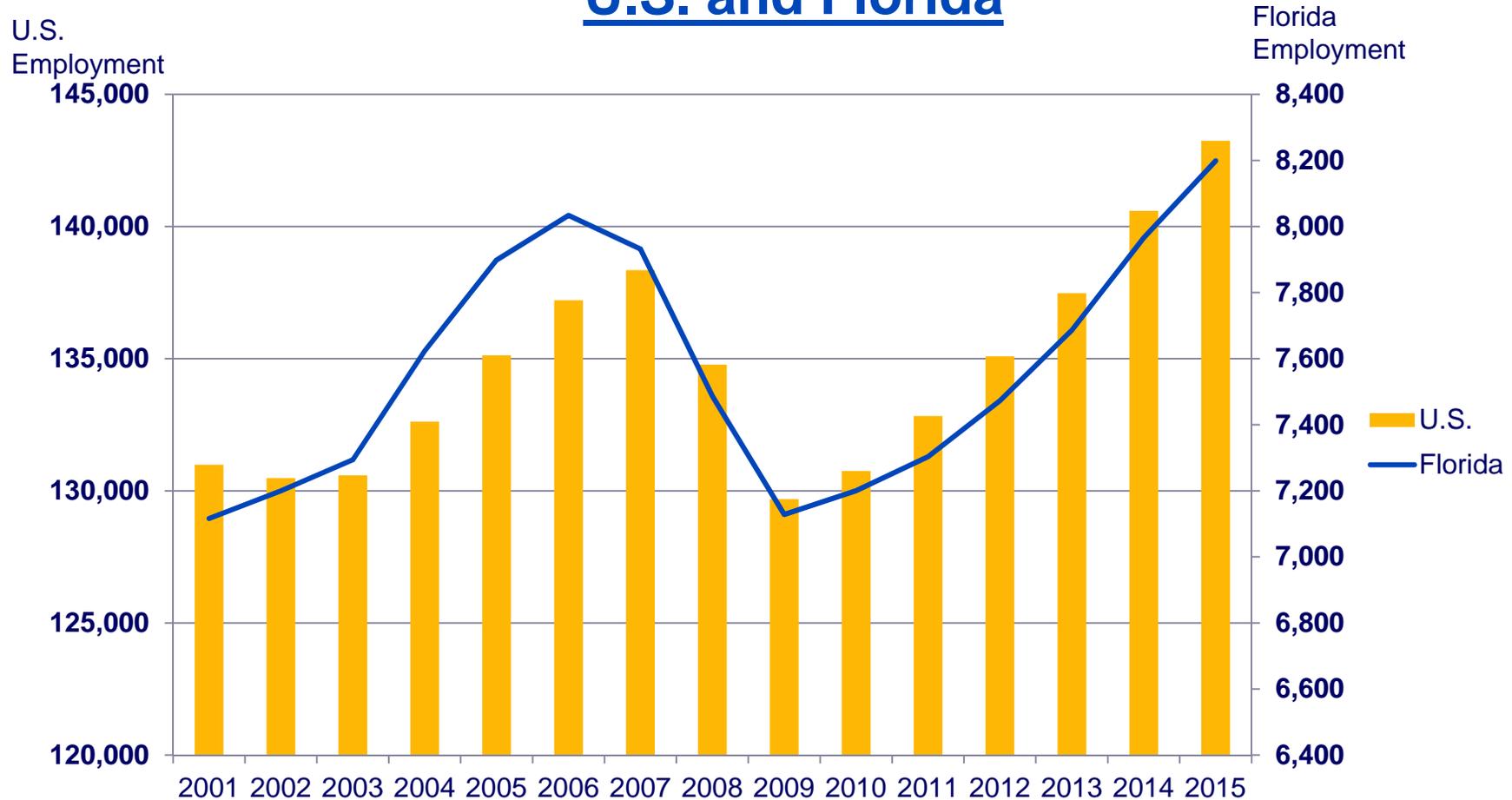
Outline

- **Which sectors are growing the fastest? Or starting to contract?**
- **Close up on the manufacturing sector by industry**
- **Quick review of the education & health care sector**
- **Quick review of the retail sector**
- **What's next? A look at leading indicators**

Both the U.S. and Florida economies will be analyzed. The Florida economy provides both a confirmation and contrast with some national trends.

Both the U.S. and Florida have regained all the jobs lost during the Great Recession

Employment (000) U.S. and Florida



Neither the U.S. nor Florida have regained the “lost growth”



In the U.S. all sectors with the exception of the Government have added jobs in the last six years

U.S. Change in Employment (000) from 2009 to 2015

Dec 2009 to Dec 2015	
Professional & Business Services	3,568
Education & Health Services	2,689
Leisure & Hospitality	2,381
Retail Trade	1,399
Construction	842
Manufacturing	820
Transportation & Utilities	727
Wholesale Trade	452
Financial Activities	440
Other Services	355
Information	65
Government	(532)
Total	13,205

Professional & Business Services and Education & Health Services have added the most jobs

But over the last year there's been some shuffling of the sectors adding the most jobs

Change in Employment (000) U.S.

Dec 2009 to Dec 2015		Dec 2014 to Dec 2015	
Professional & Business Services	3,568	Education & Health Services	655
Education & Health Services	2,689	Professional & Business Services	605
Leisure & Hospitality	2,381	Leisure & Hospitality	419
Retail Trade	1,399	Retail Trade	274
Construction	842	Construction	263
Manufacturing	820	Financial Activities	147
Transportation & Utilities	727	Transportation & Utilities	119
Wholesale Trade	452	Government	99
Financial Activities	440	Other Services	68
Other Services	355	Wholesale Trade	65
Information	65	Information	50
Government	(532)	Manufacturing	30
Total	13,205	Total	2,794

Manufacturing added the least number of jobs over the last year

5 Source: Bureau for Labor and Statistics



Education & Health Services, Government and Construction are gaining ground based on recent employment numbers

Change in U.S. Employment (000)

<u>Dec 2014 to Dec 2015</u>	Dec 2014 - Dec 2015	Annualized 2009 to 2015 Change	Trend
Education & Health Services	655	448	207
Government	99	(89)	188
Construction	263	140	123
Financial Activities	147	73	74
Retail Trade	274	233	41
Information	50	11	39
Leisure & Hospitality	419	397	22
Professional & Business Services	605	595	10
Other Services	68	59	9
Transportation & Utilities	119	121	(2)
Wholesale Trade	65	75	(10)
Manufacturing	30	137	(107)
Total	2,794	2,201	593

Manufacturing, by contrast, is losing ground



FPL

Consistent with the national trend, almost all private sectors added jobs in Florida over the last six years

Florida Change in Employment (000) from 2009 to 2015

Dec 2009 to Dec 2015	
Professional & Business Services	257.1
Leisure & Hospitality	239.3
Retail Trade	162.8
Education & Health Services	161.2
Construction	76.2
Financial Activities	69.8
Other Services	42.9
Transportation & Utilities	41.8
Manufacturing	30.3
Wholesale Trade	26.9
Information	(4.1)
Government	(33.5)
Total	1,070.7

Professional & Business Services include legal services, marketing firms, and many more.

7 Source: Bureau for Labor and Statistics



The sectors adding the most jobs in Florida over the last year generally mirror the job leaders since Dec 2009

Change in Employment (000) Florida

Dec 2009 to Dec 2015		Dec 2014 to Dec 2015	
Professional & Business Services	257.1	Professional & Business Services	51.1
Leisure & Hospitality	239.3	Education & Health Services	44.7
Retail Trade	162.8	Leisure & Hospitality	43.8
Education & Health Services	161.2	Construction	28.5
Construction	76.2	Retail Trade	21.3
Financial Activities	69.8	Financial Activities	13.3
Other Services	42.9	Other Services	10.9
Transportation & Utilities	41.8	Transportation & Utilities	9.5
Manufacturing	30.3	Manufacturing	9.2
Wholesale Trade	26.9	Wholesale Trade	8.8
Information	(4.1)	Information	(1.9)
Government	(33.5)	Government	(5.8)
Total	1,070.7	Total	233.4

The Government and Information sectors continue to lose jobs in Florida

8 Source: Bureau for Labor and Statistics



Education and health services have the most positive trend in their employment growth

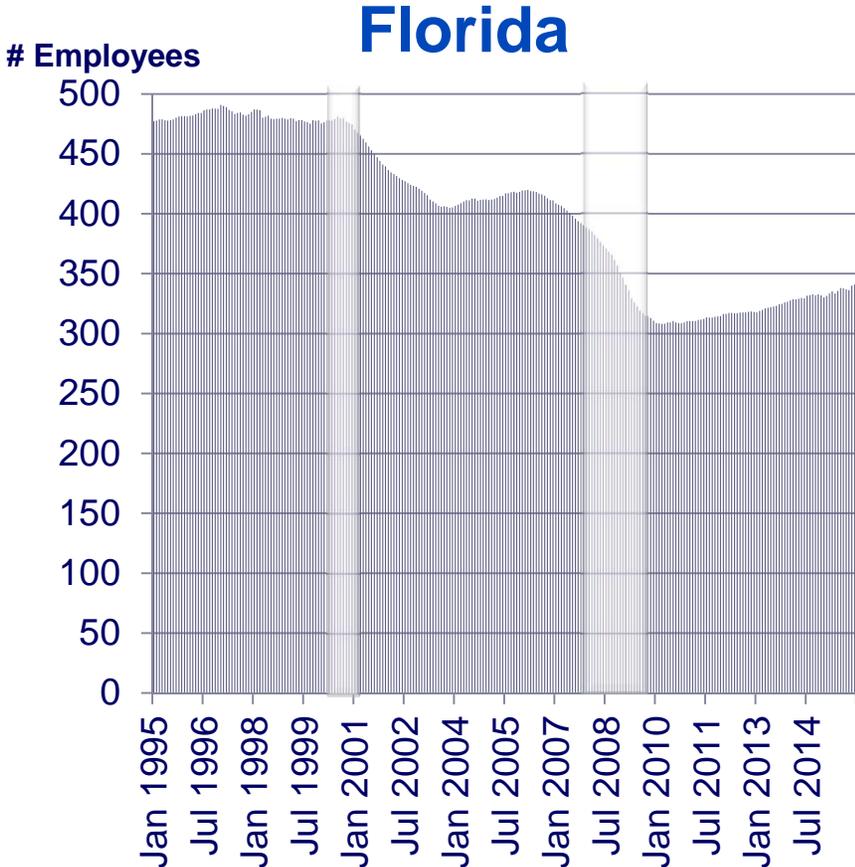
Change in Florida Employment (000)

<u>Dec 14 to Dec 2015</u>	Dec 2014 - Dec 2015	Annualized 2009 to 2015 Change	Trend
Education & Health Services	44.7	26.9	17.8
Construction	28.5	11.6	16.9
Professional & Business Services	51.1	42.9	8.3
Wholesale Trade	8.8	4.5	4.3
Manufacturing	9.2	5.1	4.2
Leisure & Hospitality	43.8	39.9	3.9
Other Services	10.9	7.2	3.8
Transportation & Utilities	9.5	7.0	2.5
Financial Activities	13.3	11.6	1.7
Government	(5.8)	(5.6)	(0.2)
Information	(1.9)	(0.7)	(1.2)
Retail Trade	21.3	27.1	(5.8)
Total	233.4	177.4	56.0

Unlike the U.S. trend, manufacturing employment in Florida is gaining ground

Historically, manufacturing jobs in the U.S. and Florida have been on the decline

Annual Manufacturing Employment



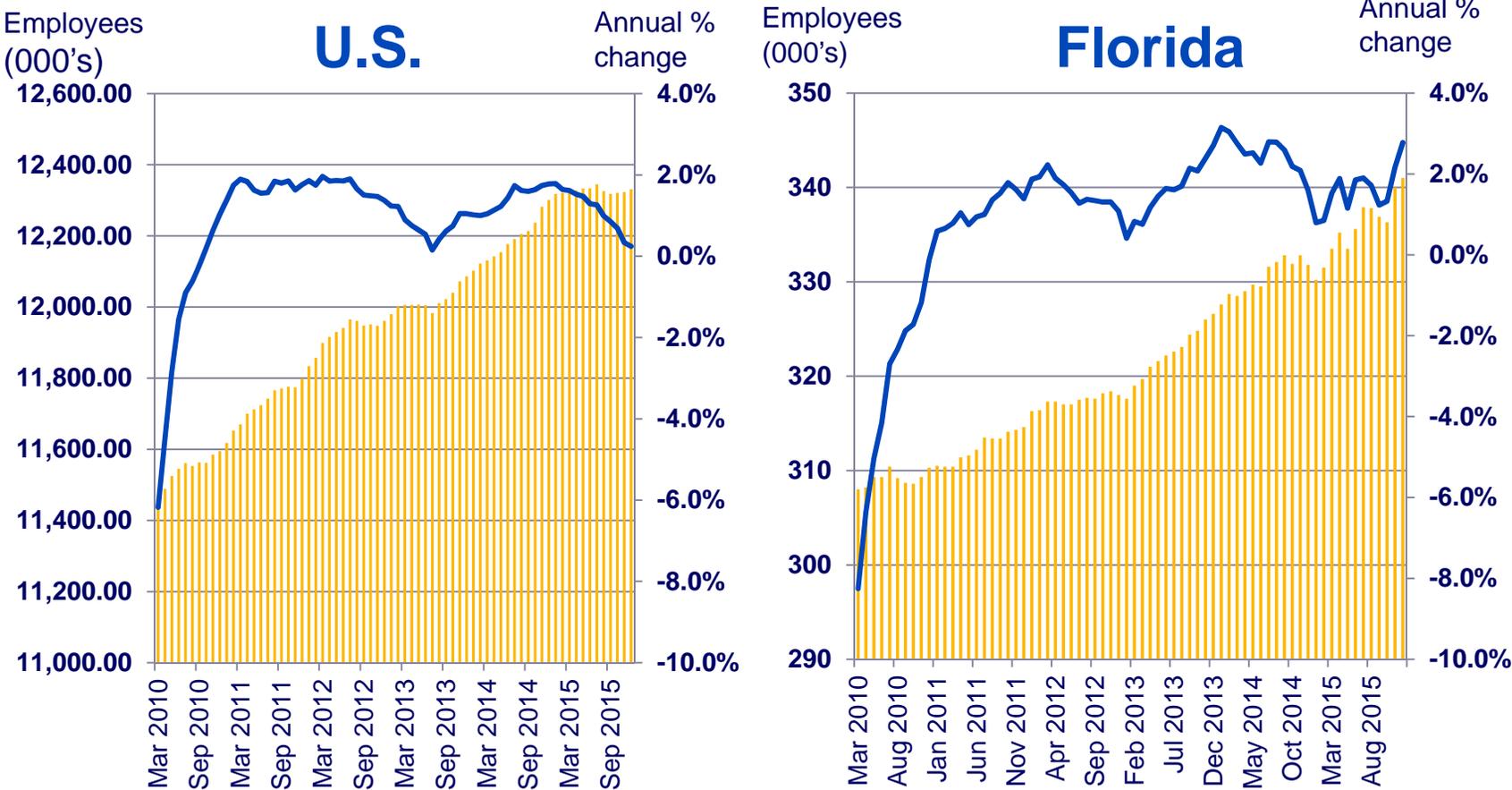
Nevertheless, there have been some gains in manufacturing employment since the end of the Great Recession.

Great Recession from December 2007 to June 2009
 Source: Bureau for Labor Statistics



Over the last 7 months Florida has added manufacturing jobs at a faster rate relative to the U.S.

Net Change in Manufacturing jobs



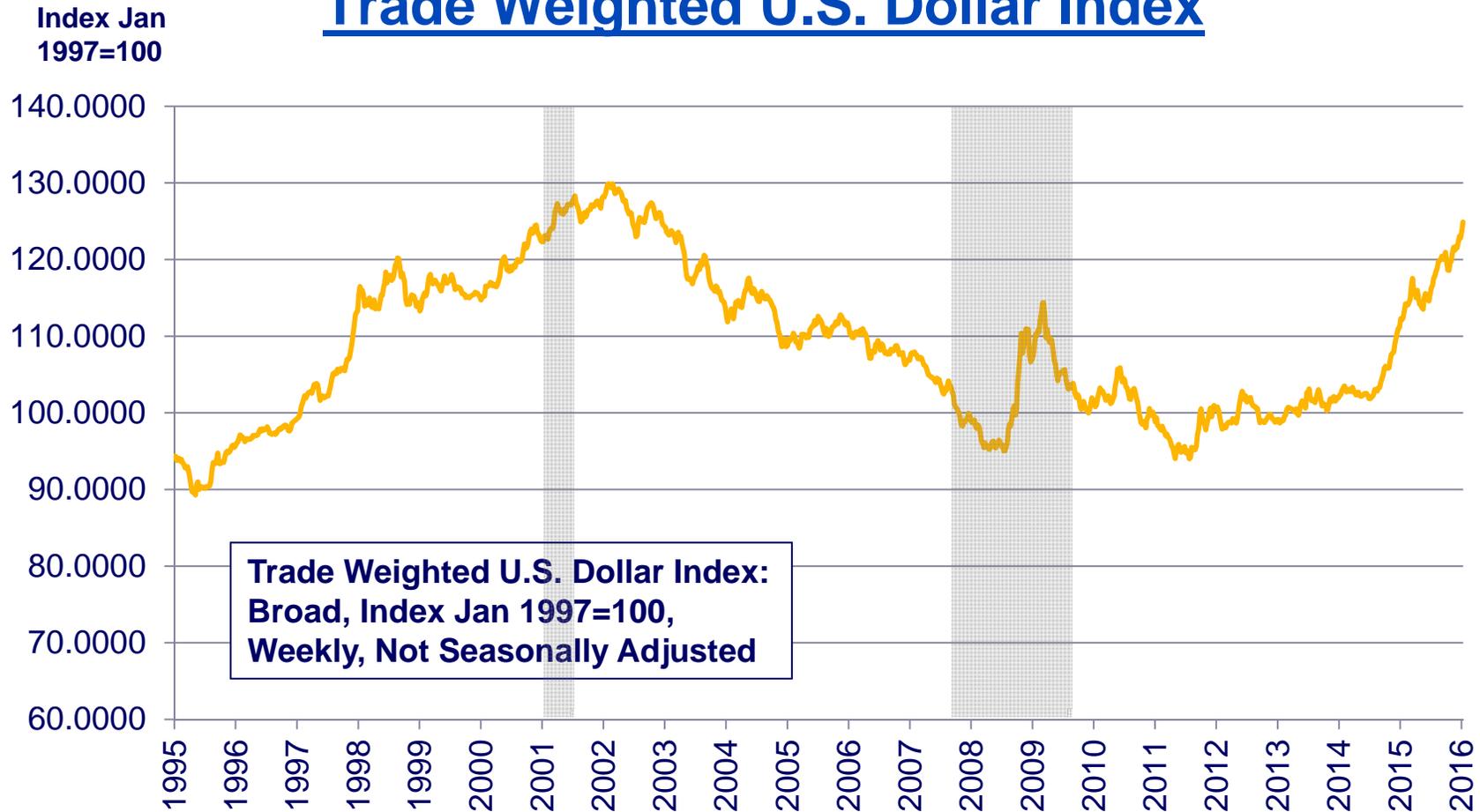
Columns in yellow show growth in manufacturing jobs since March 2010 (the low point for manufacturing in Florida).

11 Source: Bureau for Labor and Statistics



The Trade Weighted US dollar is at its highest level since December 2002

Trade Weighted U.S. Dollar Index



The higher the value of the dollar puts U.S. exports at a disadvantage and makes imports relatively less expensive

Data Source: Federal Reserve Economic Data
Great Recession: December 2007 – June 2009

The U.S. both imports and exports manufactured goods

2015 Top Five U.S. Imports/Exports from the World

Imports

1. Electrical, electronic equipment
2. Machinery, nuclear reactors, boilers
3. Vehicles other than railway, tramway
4. Mineral fuels, oils, distillation products
5. Pharmaceutical products

Exports

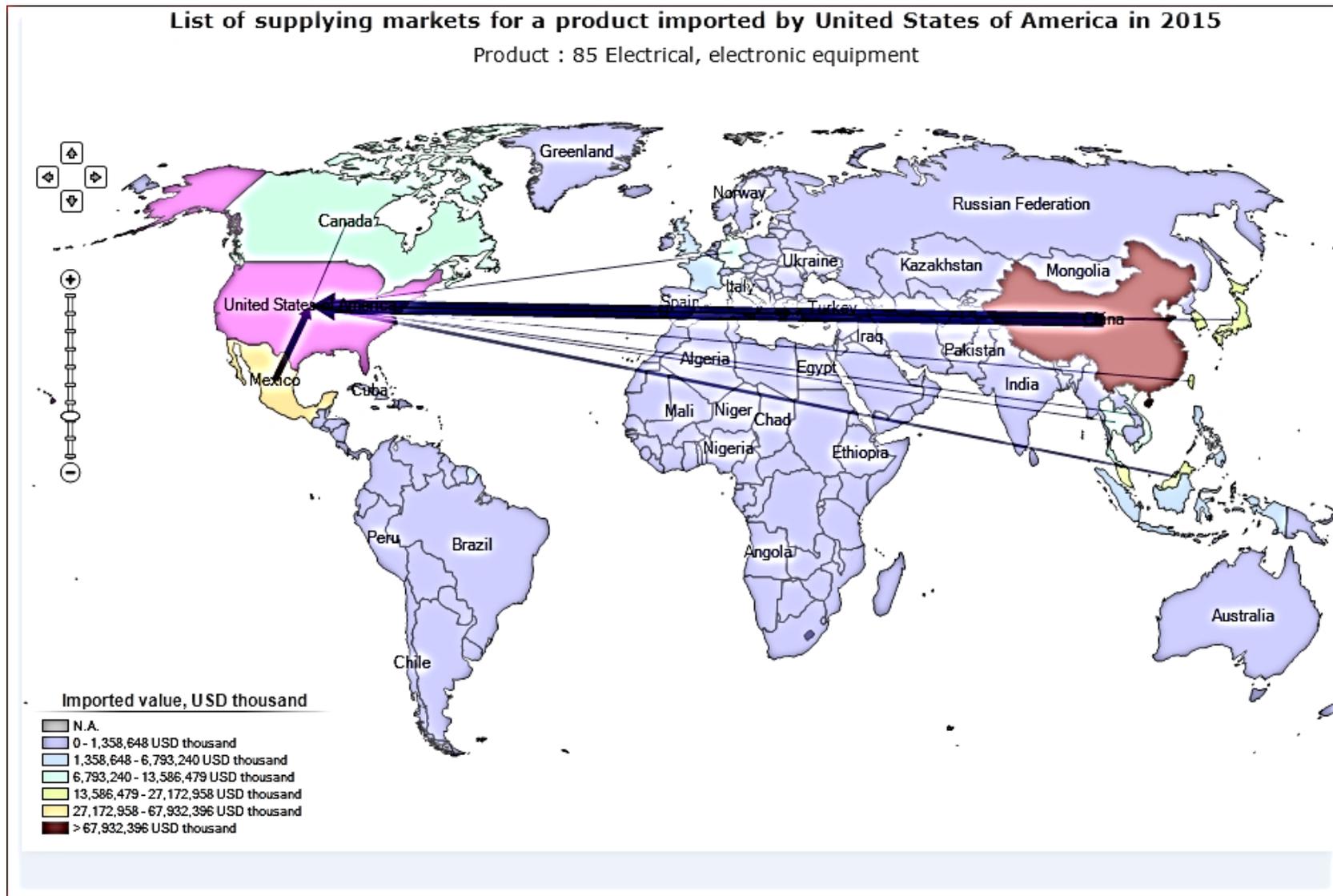
1. Machinery, nuclear reactors, boilers
2. Electrical, electronic equipment
3. Aircraft parts*
4. Vehicles other than railway, tramway
5. Mineral fuels, oils, distillation products

* Value of exports > value of imports

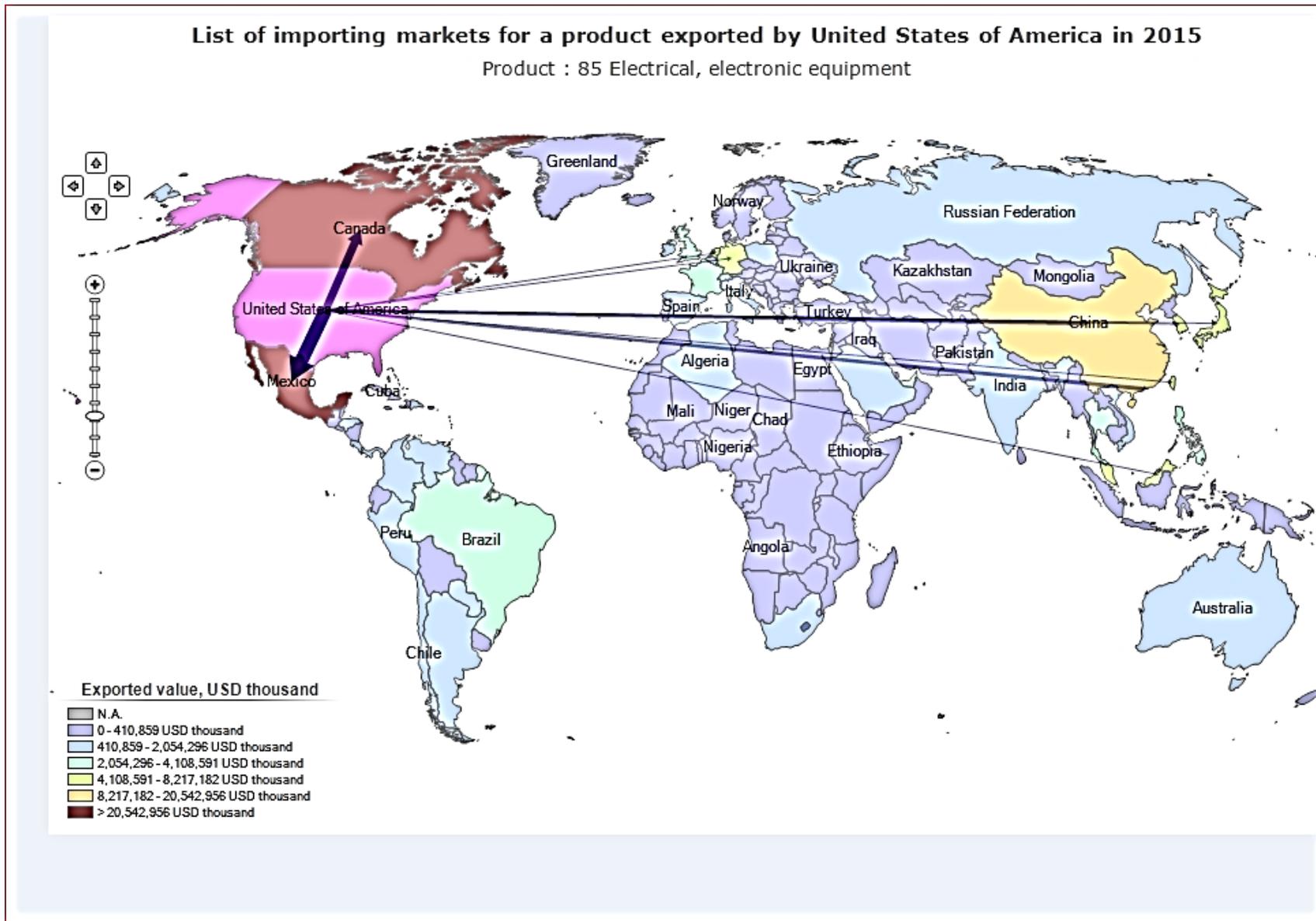
Otherwise value of exports < value of imports

The flow of some goods goes both ways, as the next two slides demonstrate

The U.S. imports electrical, electronic equipment from China, Mexico, Japan, Korea and others



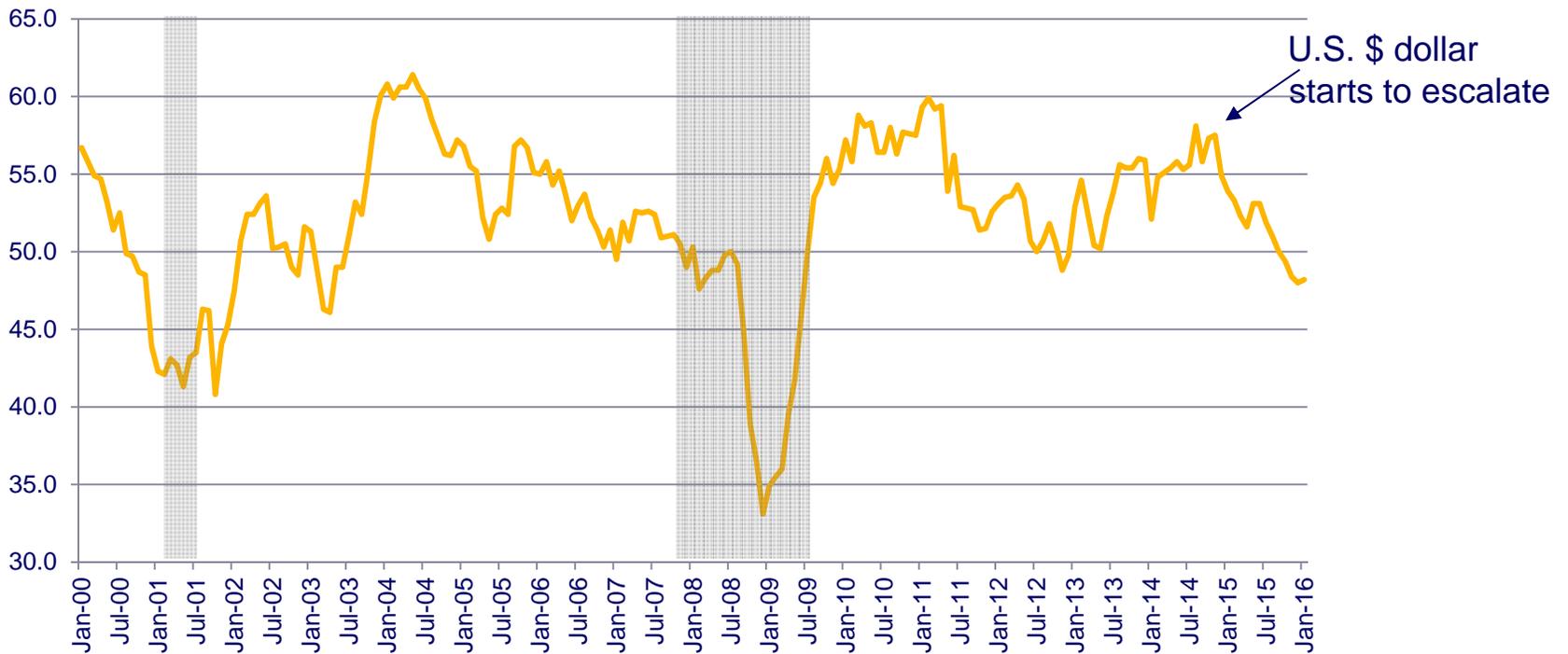
The U.S. exports electrical, electronic equipment to Mexico, Canada, China, Germany and others



The Manufacturing Composite PMI Index has fallen below 50% as of December 2015

U.S. Composite Purchasing Managers Index - Manufacturing

> 50 Expansion
 < 50 Contraction



A PMI Index below 50% indicates the sector is contracting

Great Recession: December 2007 – June 2009

Source: Institute for Supply Management

16 The PMI is a composite index of five "sub-indicators", including productions levels, orders, etc. which are extracted through surveys to more than 400 purchasing managers



The top U.S. manufacturing gainers in terms of job are generally low tech.

Top Manufacturing Gainers 2014-2015

U.S.

U.S.	Chg from Prior Year
Miscellaneous nondurable goods manufacturing*	7.5%
Furniture and related products	3.7%
Petroleum and coal products	3.0%
Miscellaneous durable goods**	2.8%
Wood products	2.3%

Florida

Florida	Chg from Prior Year
Beverage and tobacco product manufacturing	8.3%
Transportation equipment manufacturing	3.2%
Other durable goods	2.9%
Miscellaneous durable goods**	2.3%

* Includes beverage manufacturing

** includes medical equipment

Beverage manufacturing has shown the largest job growth in Florida and the U.S. over the past year.

Primary metals, machinery and fabricated metal products are the big laggards nationally

Manufacturing Laggards 2014-2015

U.S.

U.S.	Chg. from Prior Year
Textile product mills	-1.1%
Textile mills	-1.4%
Fabricated metal products	-1.9%
Machinery	-3.4%
Primary metals	-4.6%

Florida

Florida	Chg. from Prior Year
Computer and electronic products	1.4%
Printing activities	0.6%
Chemical	0.0%
Paper	-1.1%
Fabricated metal products	-2.1%

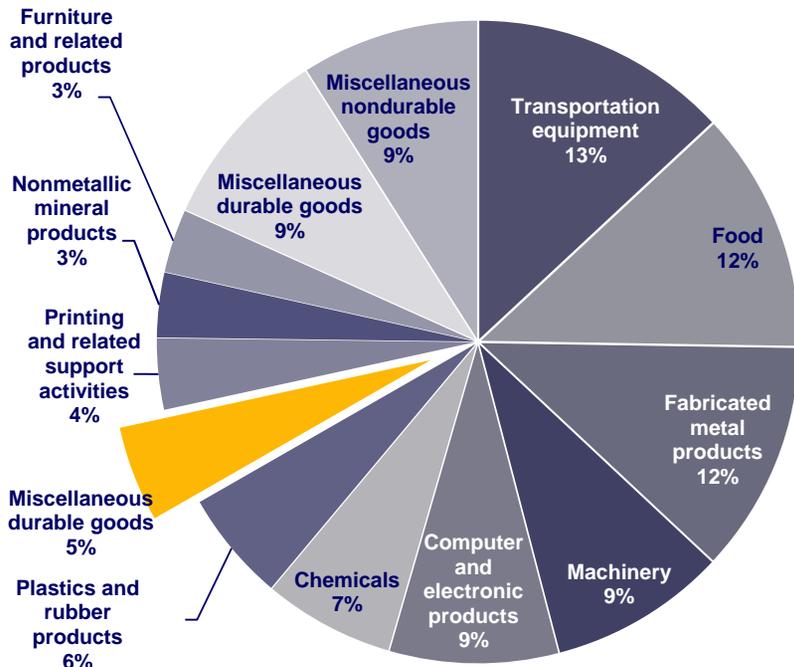
Fabricated metal products and paper manufacturing trail in Florida



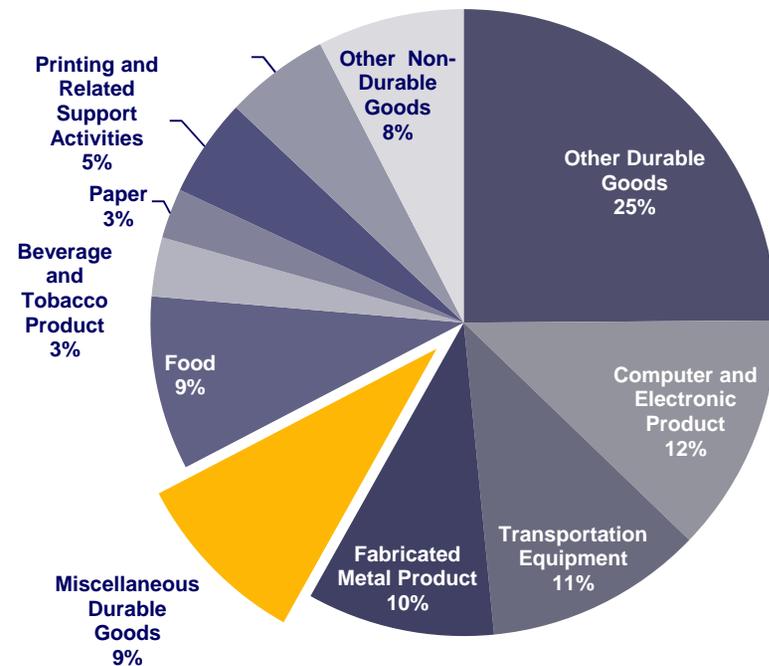
The relatively hot miscellaneous durable goods sector accounts* for a larger share of Florida's manufacturing employment relative to the U.S.

Manufacturing Employment 2015

U.S.



Florida



Some lagging sectors, e.g. machinery, textile, have almost no presence in Florida

Source: Bureau for Labor and Statistics

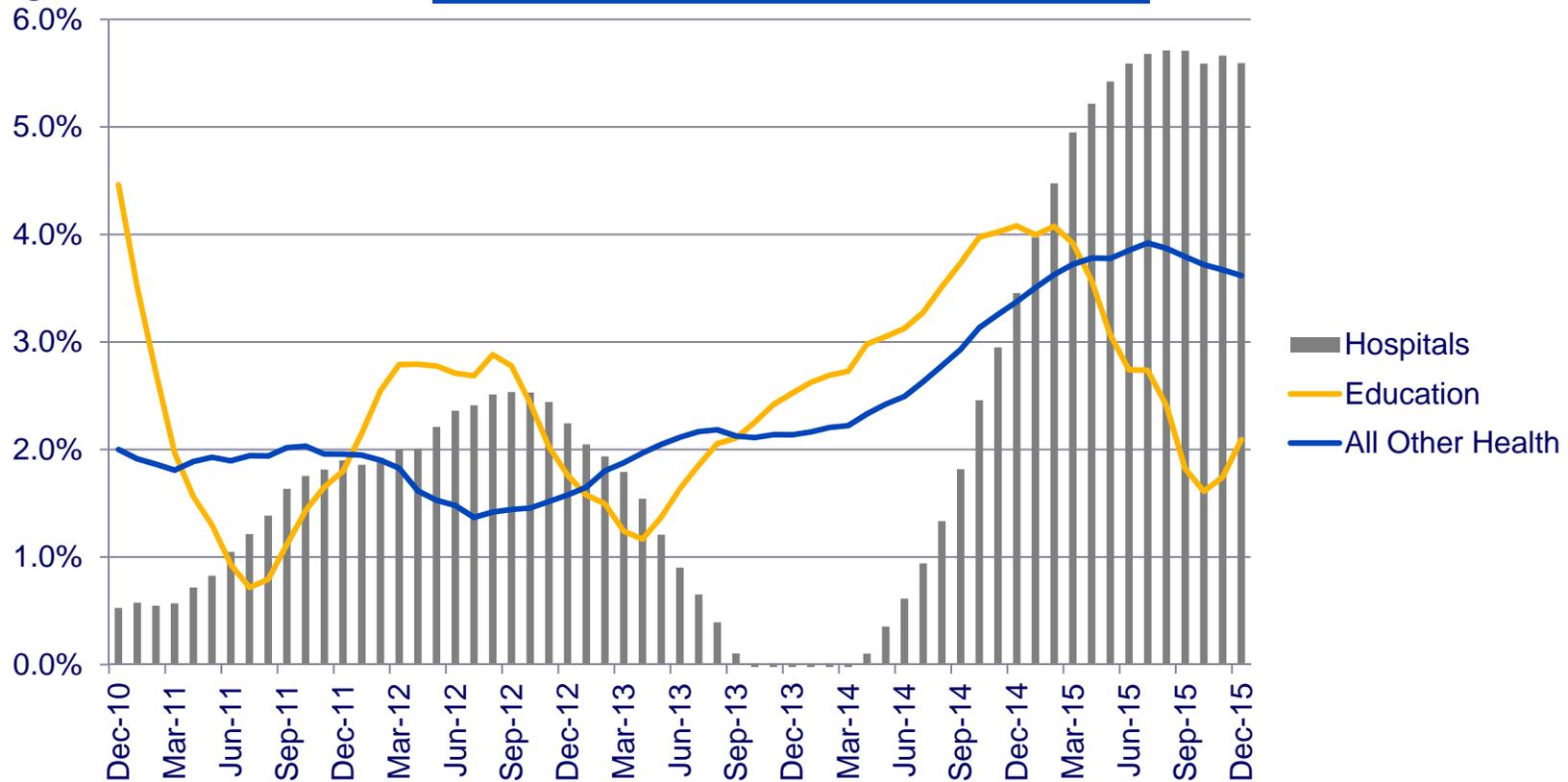
19 * Includes medical equipment



Within the Educational and Health Services sector hospitals have the fastest employment growth.

Employment Growth in the Education and Health Services Sector - Florida

Year over year growth



Florida hospitals in 2015 experienced their fastest employment growth in at least 25 years

U.S hospitals had their fastest growth in 13 years

20 Source: Bureau for Labor and Statistics



Non-store retailers (e.g. Amazon) account for the fastest job growth in the retail sector

Retail Sector Leaders 2014-2015

U.S.

United States	Chg from Prior Year
Non-store retailers	5.0%
Motor vehicle and parts dealers	4.2%
Electronics and appliance stores	3.6%
Gasoline stations	2.7%
Miscellaneous store retailers	2.7%

Florida

Florida	Chg from Prior Year
Furniture and home furnishings stores	7.4%
Non-store retailers	6.6%
Motor vehicle and parts dealers	4.7%
Electronics and appliance stores	2.8%
Food and beverage stores	2.6%

Motor vehicle parts and dealers have also experienced rapid growth over the past year.

Specialty and big name hobby stores are shedding jobs the fastest

Retail Laggards 2014-2015

U.S.

United States	Chg from Prior Year
Sporting goods, hobby, book, and music stores	-1.2%
Clothing and clothing accessories stores	0.4%
Food and beverage stores	0.5%
Health and personal care stores	0.7%

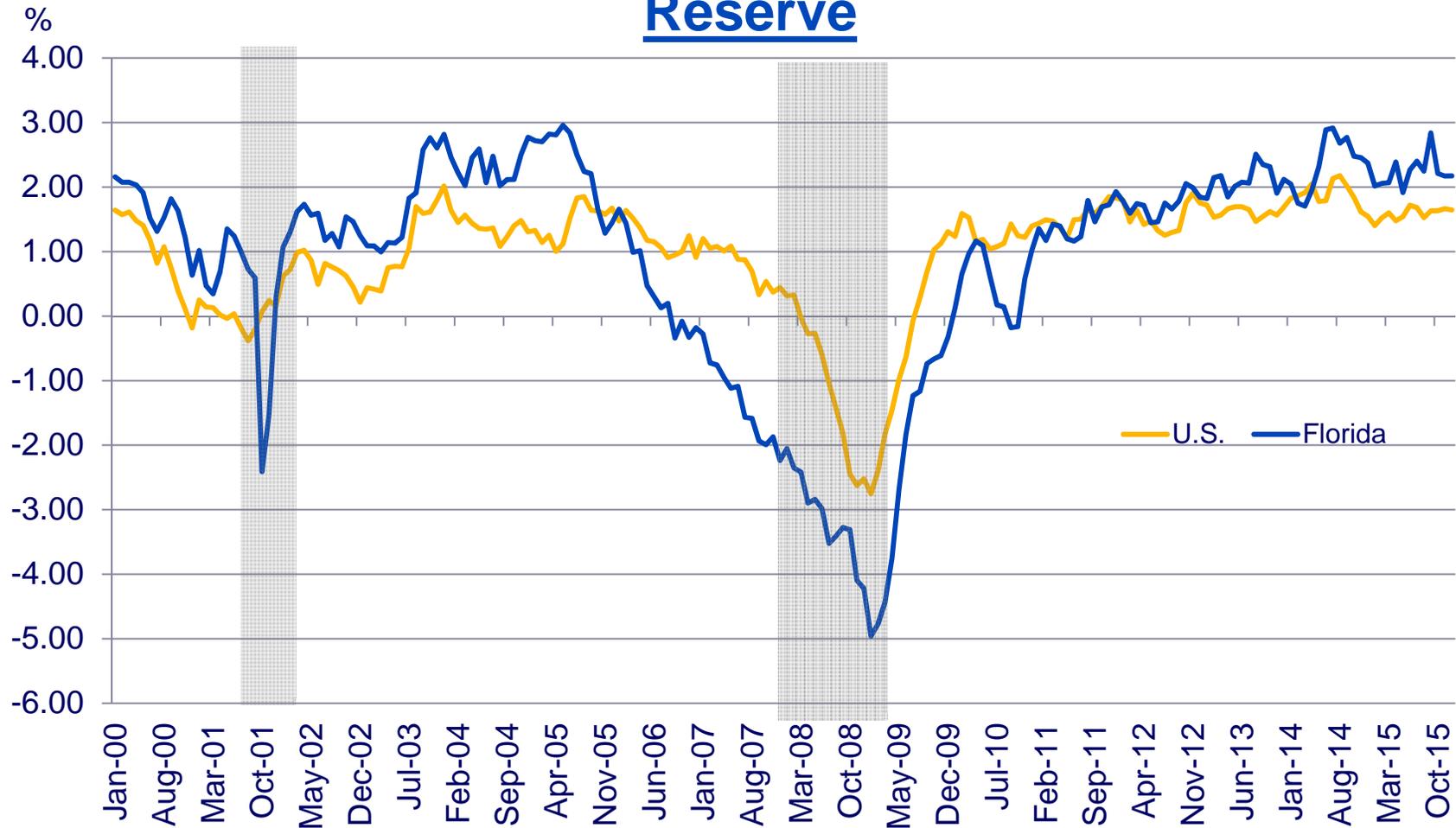
Florida

Florida	Chg from Prior Year
Sporting goods, hobby, book, and music stores	-1.2%
Clothing and clothing accessories stores	-1.0%
Health and personal care stores	0.3%
Miscellaneous store retailers	0.9%

Changing consumer habits are shaping the gains/losses in the retail sector.

The U.S. Leading Indicators Index remains positive

Leading Indicators Indices – Philadelphia Federal Reserve



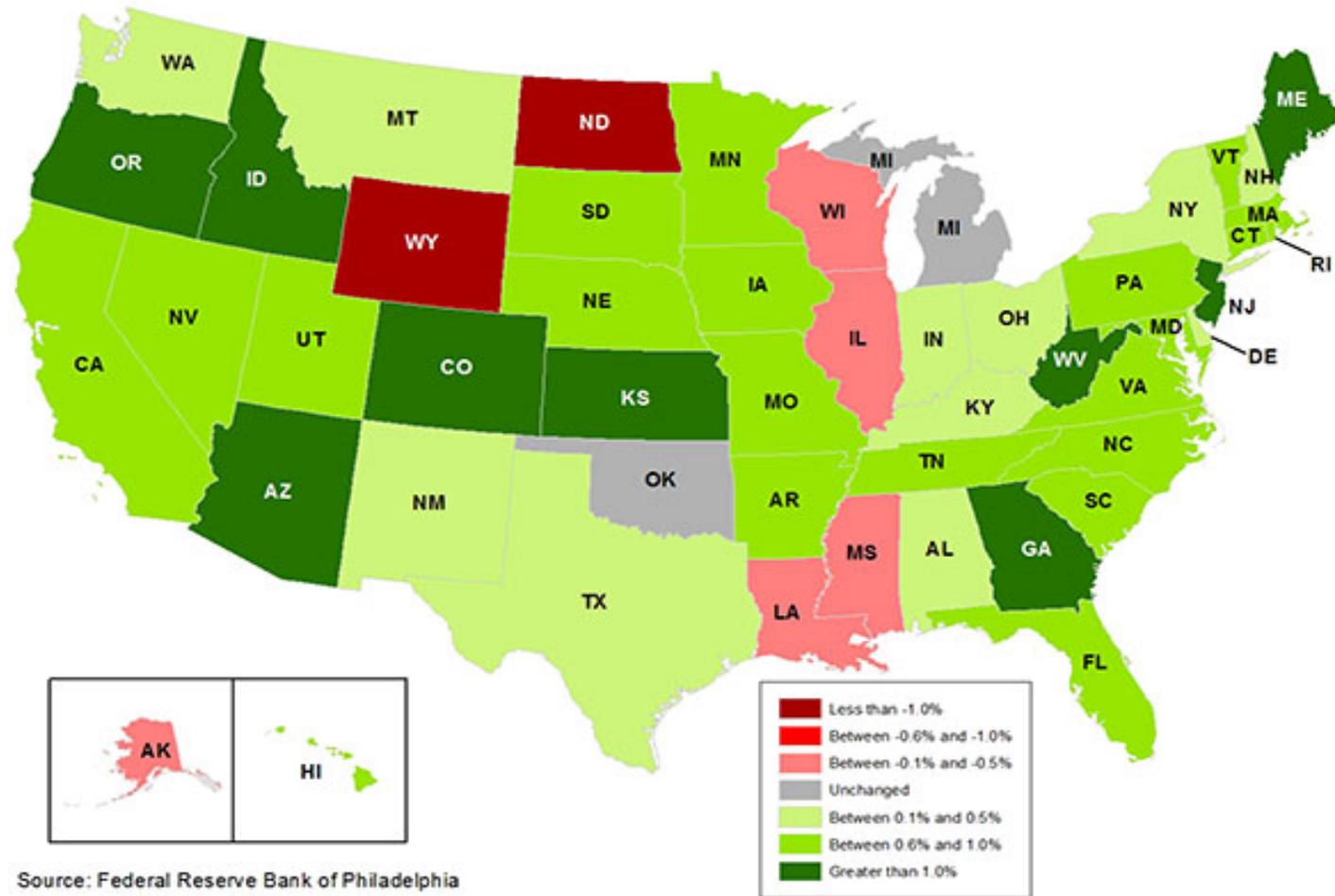
Florida has been higher than the national average since April 2014.

Data source: Philadelphia Federal Reserve
Great Recession: December 2007 – June 2009



Most states, including Florida, are currently experiencing growth in the 0.6% to 1% range (see light green)

December 2015 State Coincident Indexes: Three-Month Change

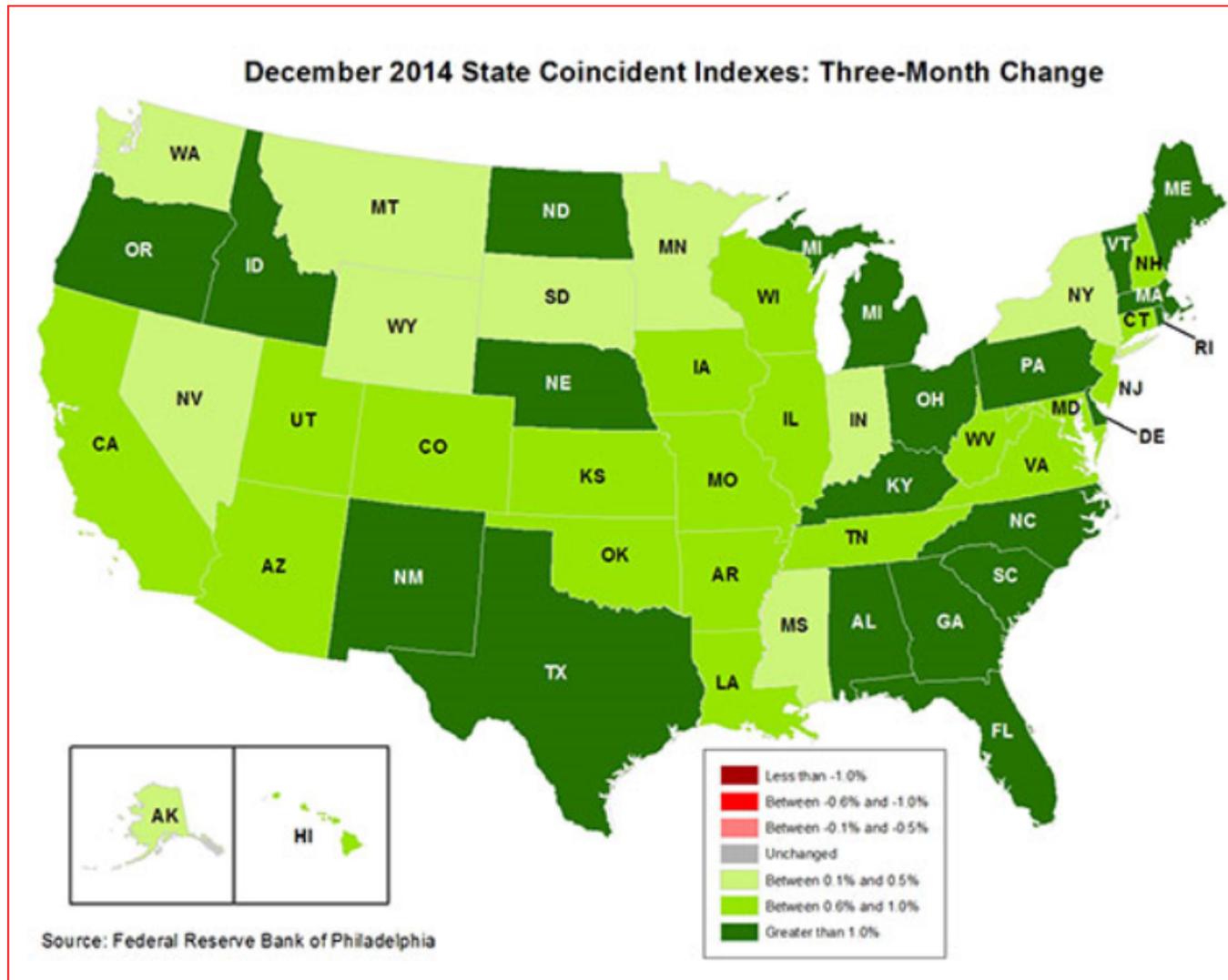


Dark green represents the fastest growth

24 Source: <https://philadelphiafed.org/>



More states were growing by +1% a year back in December 2014



Dark green represents the fastest growth

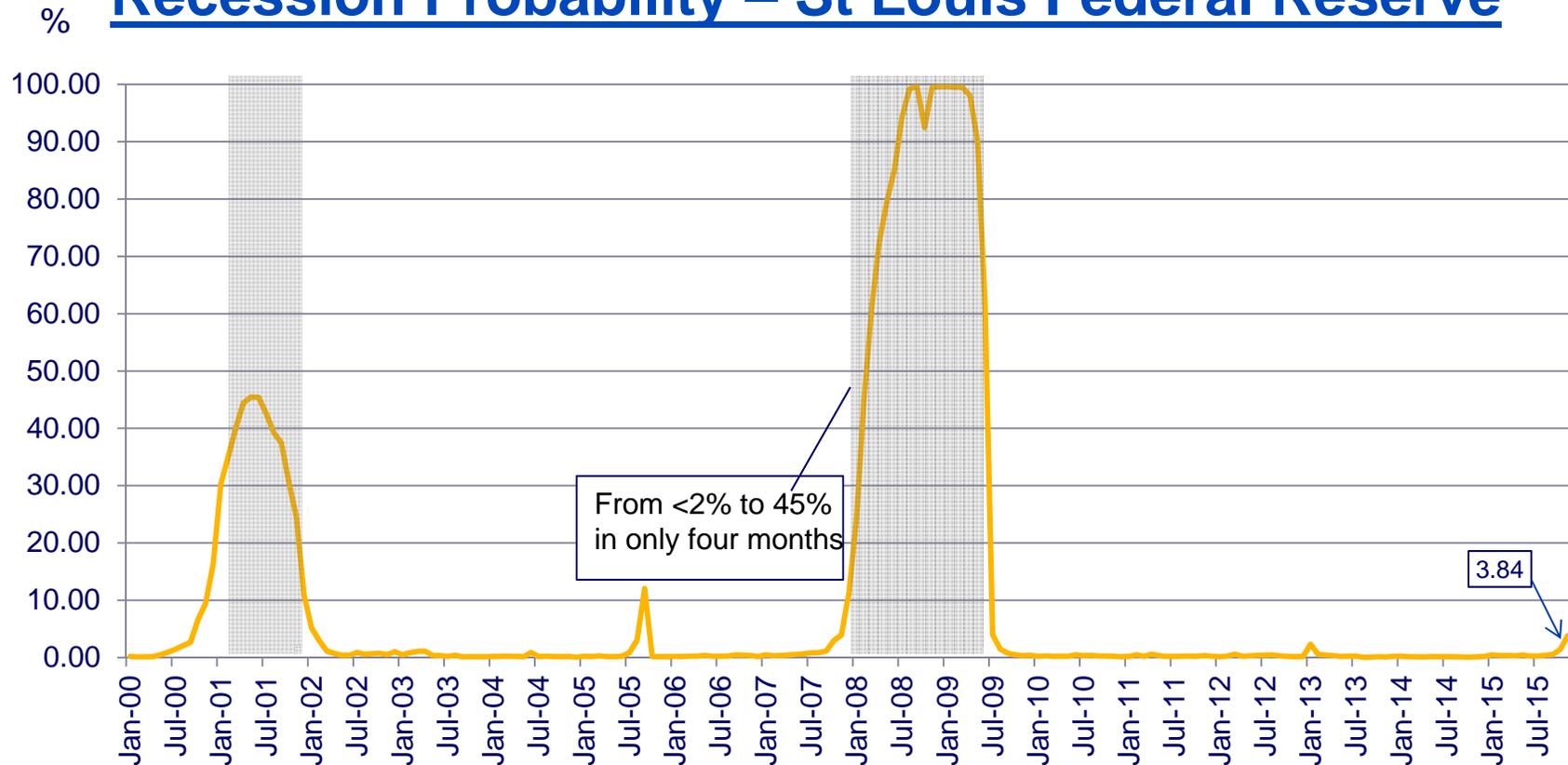
25 Source: <https://philadelphiafed.org/>



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The probability of a recession is only 3.8% according to a series published by the St Louis Federal Reserve -- a post recession high

Recession Probability – St Louis Federal Reserve



The probability of a recession can rise very quickly in just a few months

Smoothed recession probabilities for the United States are obtained to four monthly coincident variables: non-farm payroll employment, the index of industrial production, real personal income excluding transfer payments, and real manufacturing and trade sales

Great Recession: December 2007 – June 2009



Winners and losers are evident in the latest economic data

Conclusions

- **Manufacturing is facing still headwinds**
 - Within the manufacturing sector some industries, specifically beverages, have shown growth.
 - Manufacturing less dependent on foreign exports tend to be more successful.
- **Education & Health Services is a big winner**
- **Hospitals have accounted for a disproportionate increase in job growth**
- **Changing consumer habits is shaping gains/losses in employment in the retail sector**
- **Leading indicators are inconclusive on the odds of entering a recession in the near future**