



## **Florida Flourishes, But U.S. Employment Disappoints**

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Florida's economy is booming again. Driven by the robust rebound in tourism and conventions, Florida has generated over 120,000 jobs during the last twelve months and the pace is picking up. Tourist destinations across the state are leading the way, and Orlando leads the pack with 23,000 new jobs created in the latest twelve-month period. The pattern is interesting – most of the new jobs are in tourist related areas, along with good gains in construction. But like most of the nation, Orlando's manufacturing base is shrinking, down over 2,200 jobs since last year.

At the national level the recovery in employment is not nearly as good as it is in Florida. In fact, the January employment report released last Friday was downright disappointing. While it is true that payroll employment increased by 11,200 in January and by a revised 16,000 in December, this was well below what other analysts and I expected. Furthermore, much of the gain came in retailing, up 76,000. This seasonally adjusted boost is more artifice than reality, since retail hiring was weaker than normal in December, fewer workers were laid off in January than is typical, and this created a large seasonally adjusted gain.

Job growth in services – which I expected to drive employment gains – was weak. Professional services declined by 22,000, while health and education increased by a like amount. Leisure and hospitality increased by 22,000, reflecting the rebound in tourism. Government employment fell because of the budget problems in many states, and manufacturing payrolls dropped for the forty-second consecutive month.

All of this is disappointing since most macroeconomic indicators are pointing towards accelerating economic growth. These data suggest that employers remain cautious about hiring or have not yet had to because productivity is increasing faster than aggregate demand.

I continue to believe that labor markets are a bit stronger than this report suggests. First, it is clear that layoffs are abating, even if job growth is meager. Second, the payroll-based employment data and household survey continue to diverge. Since November 2001, the payroll data have decreased by 715,000 while the household measure of employment has increased by 2.2 million. Somewhere some 1.7 million more people are working. So with continuing tax cuts, low interest rates, the sharp drop in the value of the dollar, and the rebound in tourism, the U.S. economy will continue growing, and we will see strong gains in employment this spring.

This is Hank Fishkind for 90.7 FM, WMFE News.

Fishkind and Associates, Inc.