



WELCOME to the Spring 2006 issue of the *Florida Economic Bulletin*, a regular quarterly review of Florida's economy prepared by the staff of Enterprise Florida's Marketing & Information Division. The *Bulletin* is based on statistical data and qualitative analyses compiled from various official U.S. government sources, leading economic and business publications and consulting firms, and other authoritative sources. Enterprise Florida, Inc. does not prepare economic forecasts itself, depending instead on the forecasting expertise of other entities that specialize in this area.

We welcome readers' comments to info@eflorida.com.



The National Economic Context

Following feeble growth of just 1.7% in the final quarter of 2005 (largely due to the dislocations resulting from Hurricane Katrina), the nation's economy came roaring back earlier this year, posting real GDP growth of 5.3% in Q1 2006. In the twelve months through April 2006, nearly two and a half million net new jobs were created in the United States. The nationwide unemployment rate has fallen to just 4.7%, indicating that the economy now essentially stands at full employment.

Output and payroll employment growth have picked up in most U.S. industries, fueling renewed concerns about a build up in inflationary pressures. But repeated interest rate hikes by the Fed are ensuring that the economy does not overheat – particularly the real estate markets, which are at last showing signs of slowing down after several quarters of breakneck growth in terms of occupancy rates, new construction, and increases in property values. A slowing housing market may also finally put the brakes on the consumer spending fueled by the refinancing and home equity cash-out boom.

Economic conditions abroad have improved substantially, with most of America's main trading partners seeing steady expansion. Japan's economy is at last showing signs of sustained strength, while the emerging giants China and India continue their runaway growth. U.S. exporters are benefiting from surging overseas demand for their products and services, as well as a weakening dollar, which should at last help to arrest growth in the U.S. trade deficit. According to both IMF and OECD forecasts, 2006 will see the strongest growth in global economic output in three decades.

For the remainder of this year, U.S. economic growth is expected to decelerate, continuing at a more sustainable 3.5% rate. Job growth for all of 2006 is forecast to slow down to 1.5%, still translating into about two million new U.S. jobs this year.

Florida's Recent Economic Performance and Near-Term Outlook

Florida's economy has been growing at a torrid pace for several years now, consistently outpacing both the United States as a whole, and most individual U.S. states. A combination of favorable circumstances – among them strong population growth, the real estate boom, and expanding global markets – has helped to break most previous records in terms of economic and job growth.

[Global Insight](#) estimates that Florida's real gross state product expanded by close to 6% in the first quarter of this year. The state's broad-based economic growth was led by professional & business services, construction & real estate, trade & transportation, tourism, education & healthcare, government, and financial services.

Florida added more than 261,000 jobs in the twelve months through April 2006, accounting for about one in nine net new jobs created in the United States. Florida's rate of job growth reached 3.4%, almost twice the U.S. rate. Florida's statewide unemployment rate in April 2006 remained at the all-time record low level of just 3.0%.

Favorable economic conditions in Florida's key export markets in the Americas have led to several quarters of record-shattering trade numbers, as well as a record year for all of 2005. Implementation of the United States-Dominican Republic-Central America Free Trade Agreement ([CAFTA](#)) later this year is expected to further cement Florida's leading role as the hub for business with Latin American and Caribbean countries.

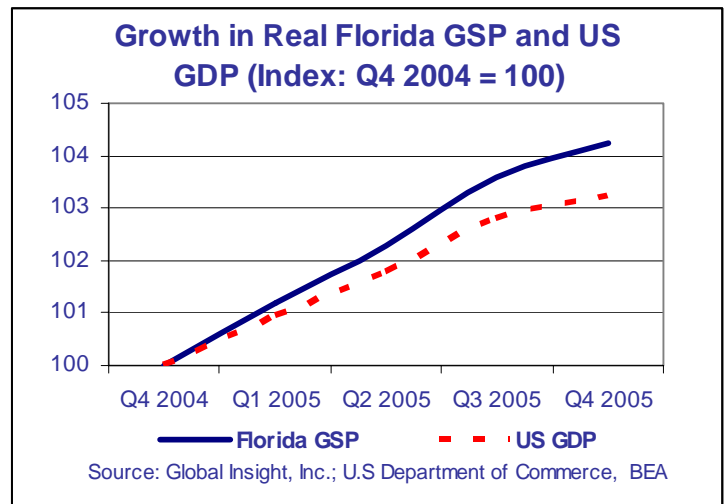
Florida's economic outlook for the remainder of 2006 remains very upbeat. [Global Insight](#) forecasts Florida's real GSP to grow by 4.1% this year, then to moderate to 3.2% in 2007. Job growth in Florida is expected to reach 3.2% in 2006, followed by 2.1% next year.

FLORIDA QUARTERLY ECONOMIC INDICATORS

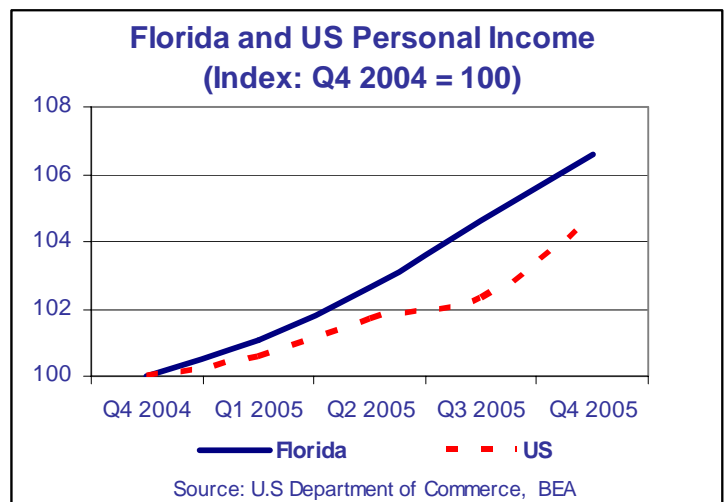
Gross State Product and Personal Income

Gross State Product (GSP) is the broadest measure of economic output at the state level. However, the most recent official GSP data available from the Bureau of Economic Analysis (BEA) of the U.S. Commerce Department are for calendar year 2004. More timely estimates of Florida's Gross State Product are provided to Enterprise Florida by Global Insight, Inc. (www.globalinsight.com), a leading international economic consulting firm.

According to Global Insight's estimates, in Q4 2005 Florida's real GSP grew at an annualized rate of 2.5% from the previous quarter, significantly outpacing the overall U.S. economy. It also stood 4.2% higher than in Q4 2004, reaching \$660.3 billion. Florida's economic growth continued to be broad-based across a wide variety of industry sectors, from construction and real estate to manufacturing to the hospitality industry.



The rapid growth in Florida's economic output also continues to fuel gains in personal income for the state's residents. In Q4 2005, Florida's total personal income reached \$607.1 billion, an increase of 1.9% from the previous quarter, and 6.6% higher than a year earlier. By comparison, over these same time frames, total U.S. personal income grew by 2.3% and 4.7%, respectively.

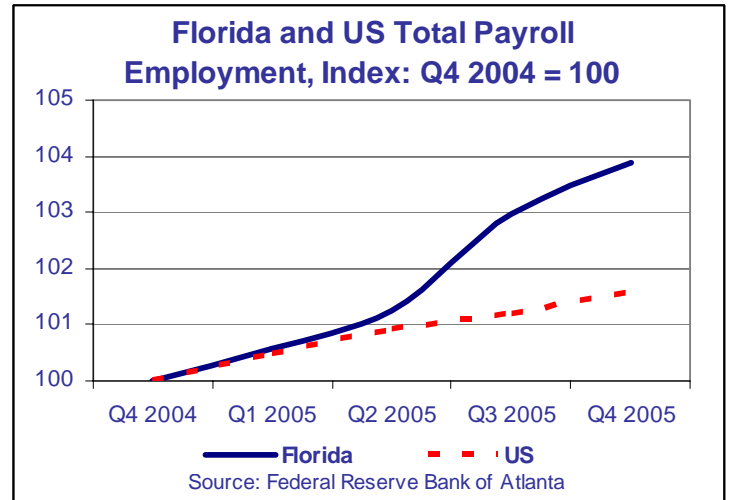


Employment

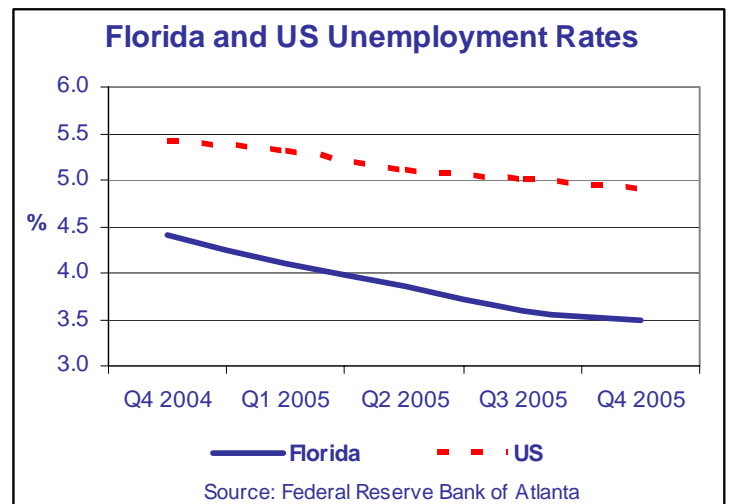
Florida's dizzying pace of job creation continued throughout 2005. Fueled by record in-migration and a booming economy practically across the board, Florida companies added about 300,000 workers to their payrolls in 2005. Unemployment rates in Florida as well as nationally continued to decline, though Florida's rate throughout the year continued to be more than a full percentage below the unemployment rate for the nation as a whole.

In the fourth quarter of 2005, the rate of job growth in Florida was more than double the national rate, 0.9% versus 0.4%. Compared to Q3 2005, Florida added 70,600 jobs, accounting for about 13% (or one in seven) of the 535,200 jobs gained in the entire United States in the last quarter of 2005.

Compared to the same period a year earlier, Florida's total payroll employment in Q4 2005 was more than 297,000 jobs higher (an increase of 3.9%), while the entire U.S. economy had 2,115,408 more jobs than in Q4 2004 (for a year-on-year increase of 1.6%).



In 2005, Florida remained far and away the leader among all U.S. states in population growth, and had one of its all-time record years in terms of the number of new residents added – about 400,000 in all. Yet the seemingly endless ability of Florida's economy to create jobs for so many newcomers has meant that Florida's unemployment rate fell further even as the labor force continued its rapid expansion. In Q4 2005, Florida's statewide unemployment rate fell to just 3.5%, a full 1.4 percentage points below the 4.9% unemployment rate for the U.S. as a whole. Since early 2002, Florida's jobless rate has consistently remained far below the nationwide unemployment rate.



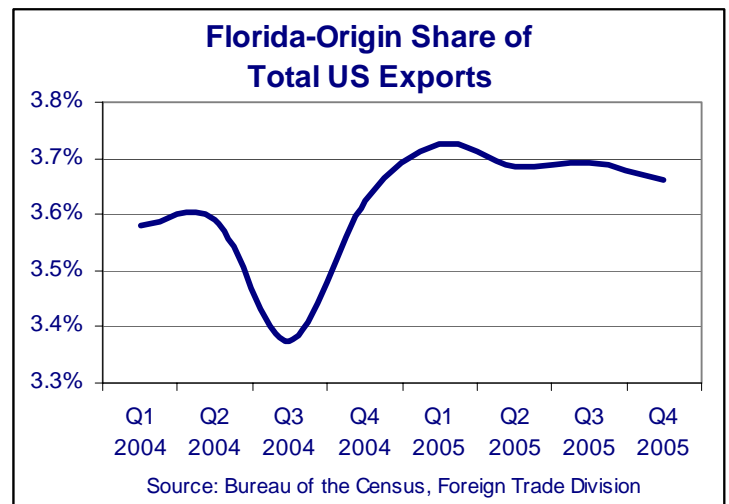
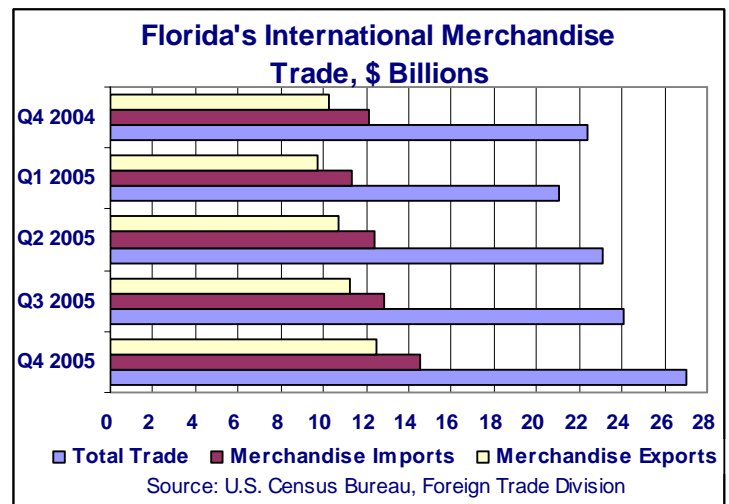
International Trade – Goods

Given Florida's location at the commercial crossroads of the Western Hemisphere, international trade represents a key pillar of economic activity in Florida, helping to sustain more than 650,000 jobs all over the state. Benefiting from favorable economic conditions in the Americas and beyond, Florida's international trade had another excellent year in 2005, posting an all-time record volume of US\$95.3 billion. Florida's already large international trade sector is expected to get a further boost from the implementation of the United States-Dominican Republic-Central America Free Trade Agreement (known as DR-CAFTA, or CAFTA for short), scheduled to begin during 2006. More information on this free trade agreement can be found on the dedicated website: www.CAFTAIntelligenceCenter.com.

In Q4 2005, Florida's total international merchandise trade (i.e. the total value of goods entering or exiting the United States through Florida's airports and seaports) reached a new all-time record level of US\$27.0 billion – a 12.0% increase from the previous quarter, and 20.9% higher than in Q4 2004. Florida's merchandise exports in Q4 2005 grew by 10.9% from the previous quarter, reaching nearly US\$12.5 billion, while imports increased by 13.0%, to nearly US\$14.6 billion. Both Florida's merchandise exports and merchandise imports in Q4 2005 were substantially higher than a year earlier, posting year-on-year growth rates of 21.9% and 20.1%, respectively.

A separate data series measures the value of Florida-origin exports – export goods grown, mined, manufactured, assembled, or that otherwise had value added in Florida, regardless of where they exit the United States. While these state-origin export figures should not strictly be equated with production for export, they are the best available indicator of the exporting done by Florida's companies (as opposed to just goods made elsewhere that transit through Florida on their way to overseas markets).

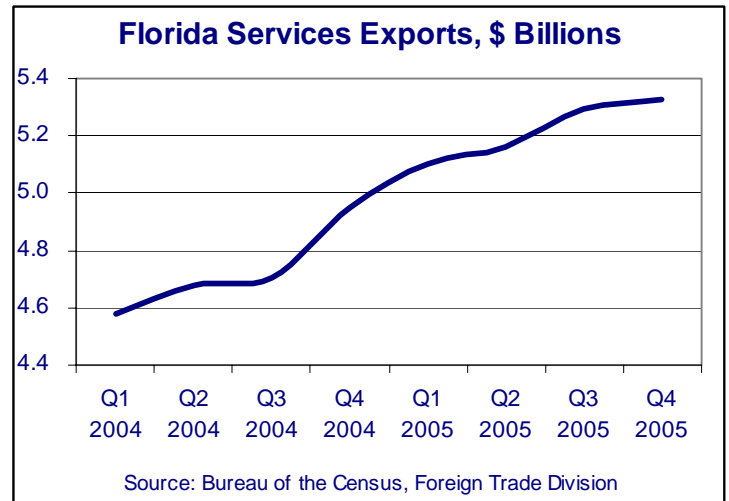
In Q4 2005, Florida-origin exports reached US\$8.7 billion. This is 6.3% higher than in the previous quarter, and 11.7% more than a year earlier. Meanwhile, total U.S. exports posted a 7.3% increase from the previous quarter, and a 10.5% increase compared to Q4 2004. Florida's share of total U.S. exports remained essentially unchanged in Q4 2005, marginally falling from 3.69% to 3.66%.



International Trade – Services

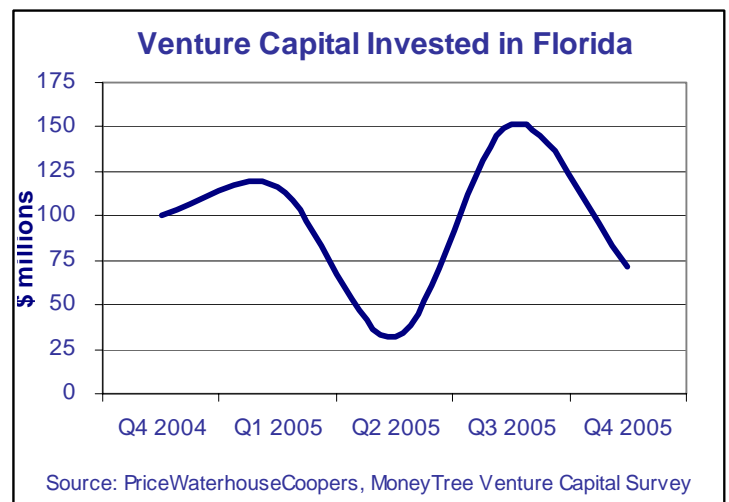
Florida is a diversified global exporter of professional, high value-added services – including accounting, communications, consulting, education, engineering, financial, legal, medical, transportation, and many others. Florida’s economy is more service-intensive than that of the United States as a whole, making the exporting of services an area where the state has a natural advantage. With the implementation of the United States-Dominican Republic-Central America Free Trade Agreement ([CAFTA](#)), this high-skill, high-wage segment of Florida’s economy is expected to further gain in importance.

According to a methodology developed by Florida International University’s Institute of International Professional Services (IIPS), whereby Florida accounts for 5.5% of total U.S. services exports, Enterprise Florida estimates that Florida’s exports of services reached an all-time record level of US\$5.32 billion in Q4 2005. This figure is 0.6% higher than in the previous quarter, and 7.6% more than in Q4 2004.



Venture Capital

After an unusually large spike in VC funding in Q3 2005, Florida’s venture capital investment fell by some 53% to a more typical level of \$72 million in Q4 2005. Over the same period, total VC funding in the United States increased by 3%. Compared to the final quarter of 2004, VC investment in Florida companies was 29% lower, and was 1% lower nationally. From Q3 2005 to Q4 2005, Florida’s share of the nation’s total VC pie fell from 2.8% to 1.3%.



Key Annual Indicators

Indicator	2003	2004	2005	% Change 2003-2004	% Change 2004-2005
Gross State Product, current \$ bil.	\$553.7	\$599.1	\$643.9	5.9%	4.7%
Personal Income, \$ bil.	\$512.0	\$547.1	\$591.0	6.9%	8.0%
Payroll Employment, '000s	7,350.4	7,440.5	7,784.6	1.2%	4.6%
Average Unemployment Rate	5.3%	4.7%	3.8%	-0.6%	-0.9%
Venture Capital Invested, \$ mil.	\$308	\$315	\$372	2.4%	17.9%
Total International Merchandise Trade, \$ bil.	\$72.9	\$81.4	\$95.3	11.7%	17.1%
Of which:					
Exports, \$ bil.	\$32.4	\$37.5	\$44.1	15.7%	17.6%
Imports, \$ bil.	\$40.5	\$43.9	\$51.2	8.5%	16.6%
Florida-Origin Exports, \$ bil.	\$25.0	\$29.0	\$33.4	16.1%	15.2%
Florida Services Exports, \$ bil.	\$17.0	\$18.9	\$20.9	11.2%	10.4%

