

Economics Group

Special Commentary

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COVID-19 Looms Large Over the Florida Economy

The reemergence of COVID-19 appears set to weigh on the Sunshine State’s recovery

Hopes that Florida would swiftly regain its place as one of the fastest growing economies in the country have hit a speed bump. New coronavirus cases have soared throughout the state over the past few weeks, and there are fears the rise might accelerate following the Fourth of July weekend. Hospitalizations and deaths do not yet appear to be the rising in lockstep with the surge in new cases. State and local officials have started taking some targeted precautionary measures, however, such as closing down bars and pausing the re-opening process.

Even though businesses are permitted to remain open, fear of the coronavirus itself appears to be weighing on consumer confidence. According to the MorningConsult Index of Consumer Sentiment, consumer confidence had begun to steadily rise alongside the state’s re-opening efforts, but has since started to stall out amid a rising number of new cases. Restaurant bookings show a similar trend. After markedly increasing when the state began to re-open, restaurant activity appears to have pulled back in all of the state’s major metropolitan areas. Similarly, the fledgling recover in hotel occupancy appears to be sputtering, reflecting growing caution by tourists.

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While the pace of improvement will likely take a hit, Florida’s economy remains on the path to recovery. During May, employers recouped almost 183,000 of the nearly 1.2 million jobs lost during the lockdown months of March and April. Following national trends, we expect another big jump in June payrolls, with gains being led by the industries which were most directly impacted by the lockdowns, such as leisure & hospitality, retail and healthcare. Even with another month of robust job gains, however, nonfarm payrolls will remain well off prior peak levels for quite some time. The recent plateauing of some of the high-frequency data is especially alarming as consumer spending and tourism are key drivers of the state economy. While state officials have been adamant about not imposing new stay-at-home orders or closing down businesses, the reemergence of the coronavirus in Florida is clearly beginning to weigh on consumer and business behavior, which is almost certain to slow the pace of recovery this summer.

Figure 1

Florida COVID-19 Cases & Deaths

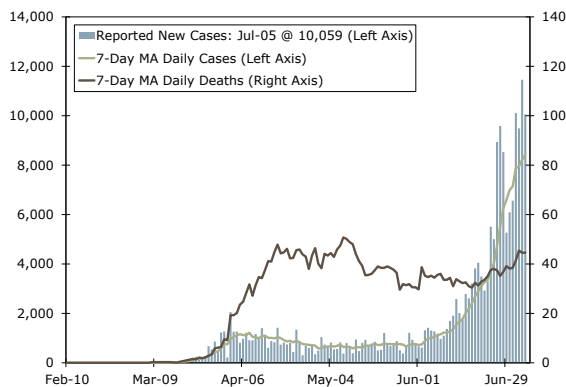
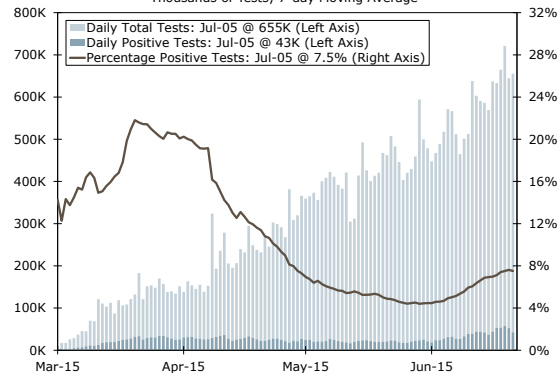


Figure 2

United States Positive COVID-19 Tests
 Thousands of Tests; 7-day Moving Average



Source: Bloomberg LP, COVID-19 Tracking Project and Wells Fargo Securities

Together we’ll go far



Miami-Dade, Broward and Palm Beach counties are home to 29% of Florida’s residents, but 43% of the state’s cumulative COVID-19 cases.

South Florida Facing Substantial Headwinds

South Florida has been especially hard-hit, both from a public health and economic perspective. Miami-Dade, Broward and Palm Beach counties are home to 29% of Florida’s 21.5 million residents, but account for 43% of the state’s cumulative COVID-19 cases. Miami is one of the nation’s key global gateways and, as with other key gateways like New York City, Houston and Los Angeles, those global ties appear to have amplified their outbreaks. International trade and tourism are key economic engines, with close ties with Latin America, especially Brazil and Mexico, both of which are seeing severe coronavirus outbreaks. Miami is the “cruise capital of the world” and cruise lines have canceled voyages through at least September.

South Florida’s difficulty tamping down the first wave of the pandemic meant Miami-Dade, Broward and Palm Beach counties were excluded from the state’s early-May re-opening. Considering the later restart, it is particularly disappointing to see the resurgence in the virus this summer. Miami-Dade Mayor Carlos Gimenez signed an emergency order that will close restaurants, banquet facilities, party venues, fitness centers and short-term renters. The virus has also proved pernicious in Southwest Florida, particularly the stretch from Naples to Fort Myers.

The economic news has been somewhat better. After losing 389,000 jobs in March and April the Miami-Fort Lauderdale-West Palm Beach metro area regained 79,200 jobs during May. Most of the rebound has been in the leisure & hospitality sector and the renewed COVID-19 outbreak will likely limit future gains.

Tampa and Jacksonville have also seen an outbreak of new coronavirus cases, although to a lesser extent than Miami. Both metros saw a large increase in payrolls in May (38,200 and 19,500, respectively), and these totals will likely be even larger in June. Similar to statewide trends, however, the rise in new cases has been accompanied by fewer restaurant bookings, meaning smaller improvements in employment may be forthcoming later on this summer. In an effort to help suppress the spread of the pandemic ahead of the Republican National Convention, scheduled for late August, local officials in Jacksonville have recently implemented an indoor mask-wearing mandate. The convention should give a significant economic boost to the metro, where employment remains about 10% off peak February levels.

The drop-off in tourism has been particularly devastating to the Orlando metro area.

The drop-off in tourism has been particularly devastating to the Orlando metro area, which was the only major metro in Florida to continue to see payrolls decline during May (-56,300). The decline likely reflects furloughs at Walt Disney World Resort. The theme parks and other parts of the resort will begin a phased re-opening in mid-July, and the NBA is planning to finish the remainder of its season at the resort, with all teams staying at the park’s hotels. Considering this, we expect employment growth in Orlando to turn positive this summer, however the close-contact nature of the leisure & hospitality industry means a full recovery will not be in reach until the pandemic is adequately contained or a vaccine is developed.

Figure 3

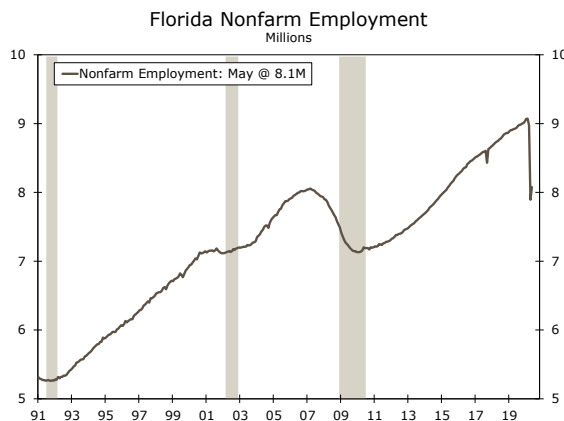
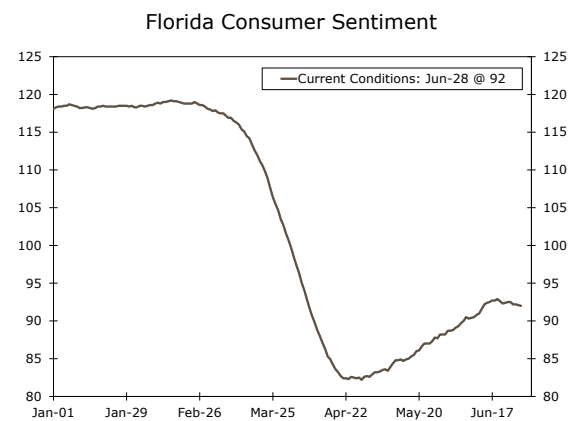


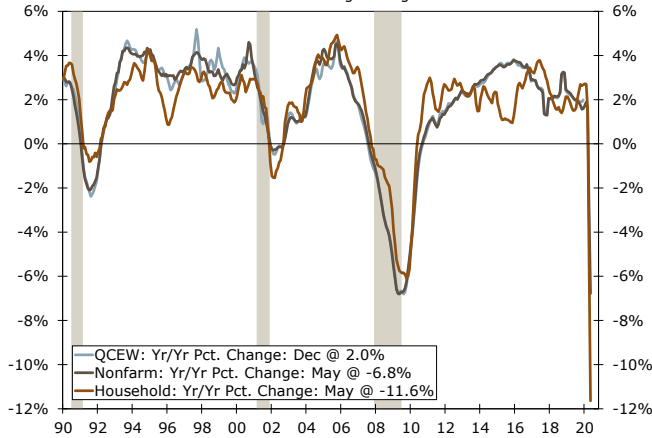
Figure 4



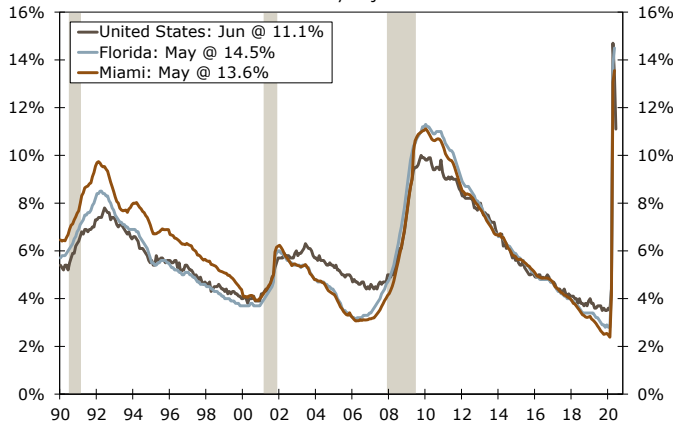
Source: U.S. Department of Labor, MorningConsult and Wells Fargo Securities

Florida Labor Market Conditions

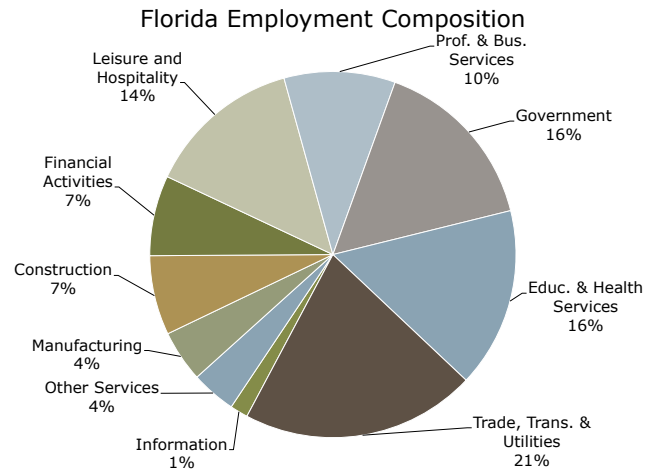
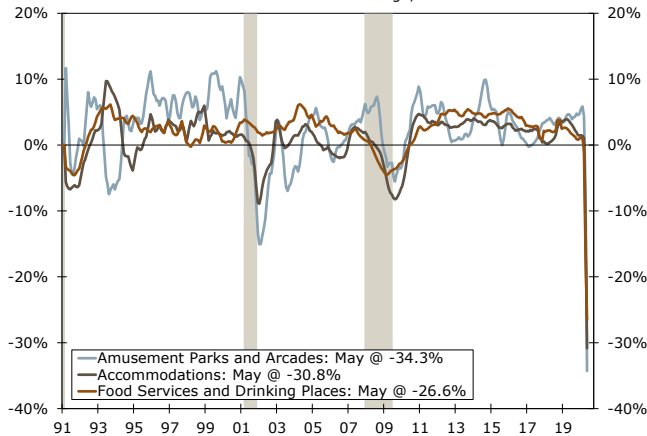
Florida Nonfarm Employment
 3-Month Moving Averages



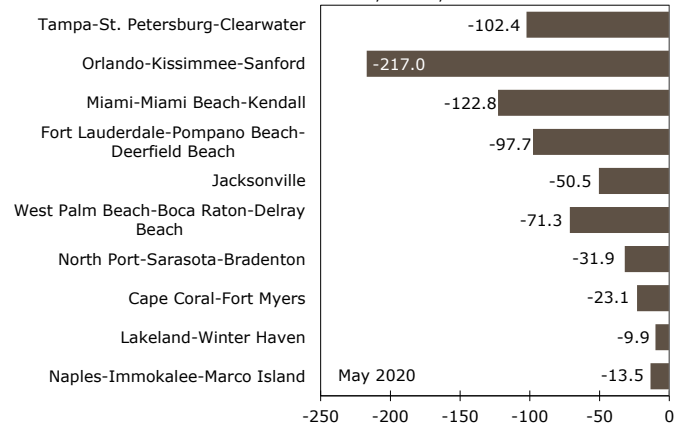
Unemployment Rates
 Seasonally Adjusted



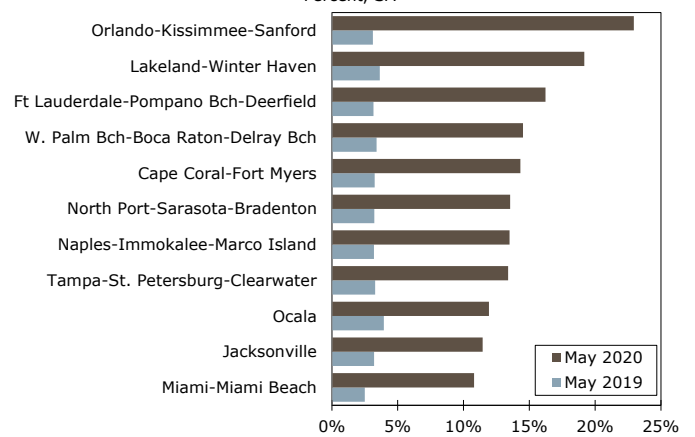
Florida Tourism-Related Employment
 Year-over-Year Percent Change, 3-MMA



Florida Employment Growth By MSA
 Jobs Added Over Year, Thous., NSA

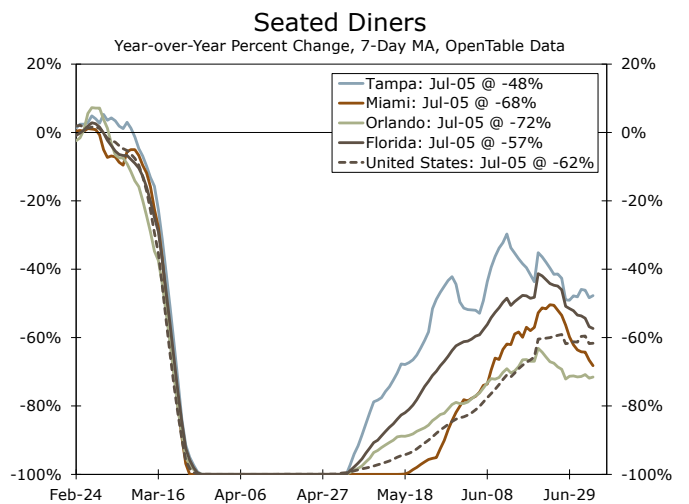
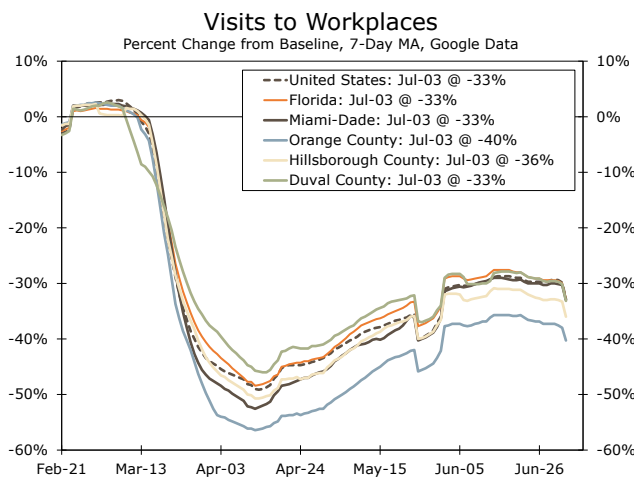
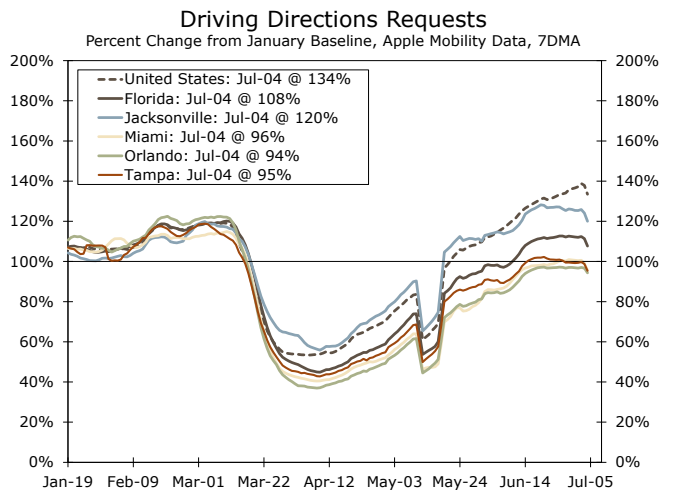
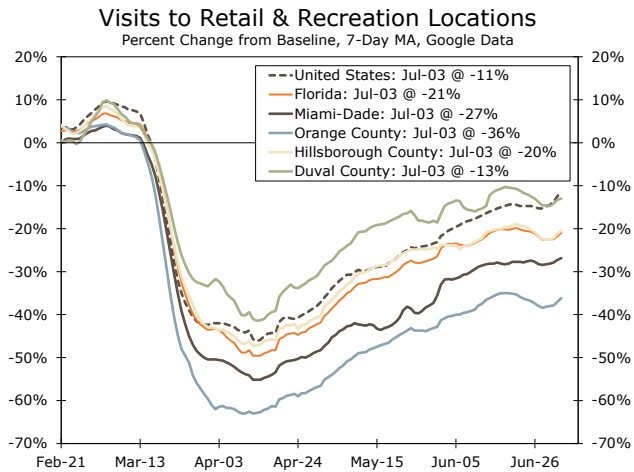
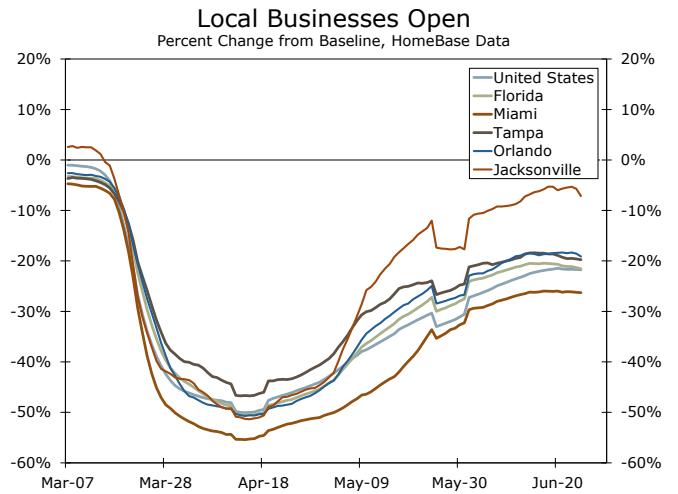
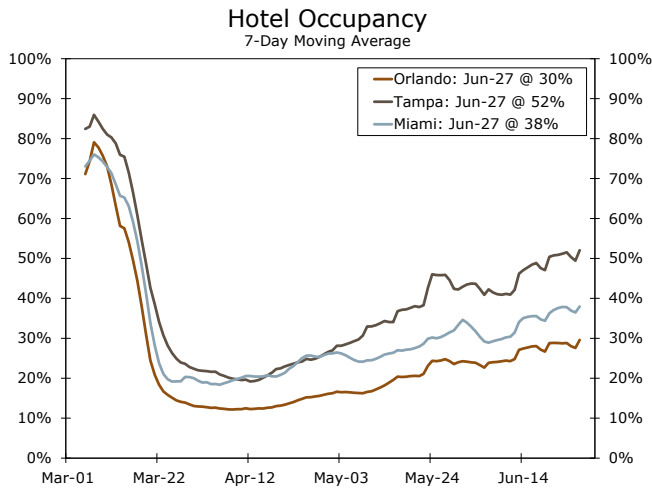


Florida Unemployment Rate By MSA
 Percent, SA



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

Florida High-Frequency Data



Source: OpenTable, Apple, Google, HomeBase, STR and Wells Fargo Securities

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