

ISSUE BRIEF

RECESSIONS IN SOUTHWEST FLORIDA

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Introduction

A recession is usually identified by a fall in gross domestic product (GDP) in two consecutive quarters. Since 2000, there has been three recessions in the US – the 2001 (dotcom) recession, the 2008 (Great Recession) recession, and 2020 (coronavirus) recession. Each of these recessions had different catalysts and affected Southwest Florida in different ways. Recapping¹ the recessions:

The 2001 recession: the official timeframe for the US is from March to November 2001. This recession is attributed to the burst of the dotcom bubble in the early 2000s and the September 11 attacks in New York. National GDP declined by around 0.5 percent and unemployment peaked around 5.5 percent during this period; this is considered one of the milder recessions in US history.

The 2008 recession: this recession officially lasted from December 2007 to June 2009. The causes of the Great Recession are the collapse of the housing bubble and its spillover in the financial markets – “subprime mortgage crisis”. The crash in record high oil prices also contributed to worsen the recession. The recession caused national GDP to decline by 4.3 percent and a peak unemployment rate of 10 percent.

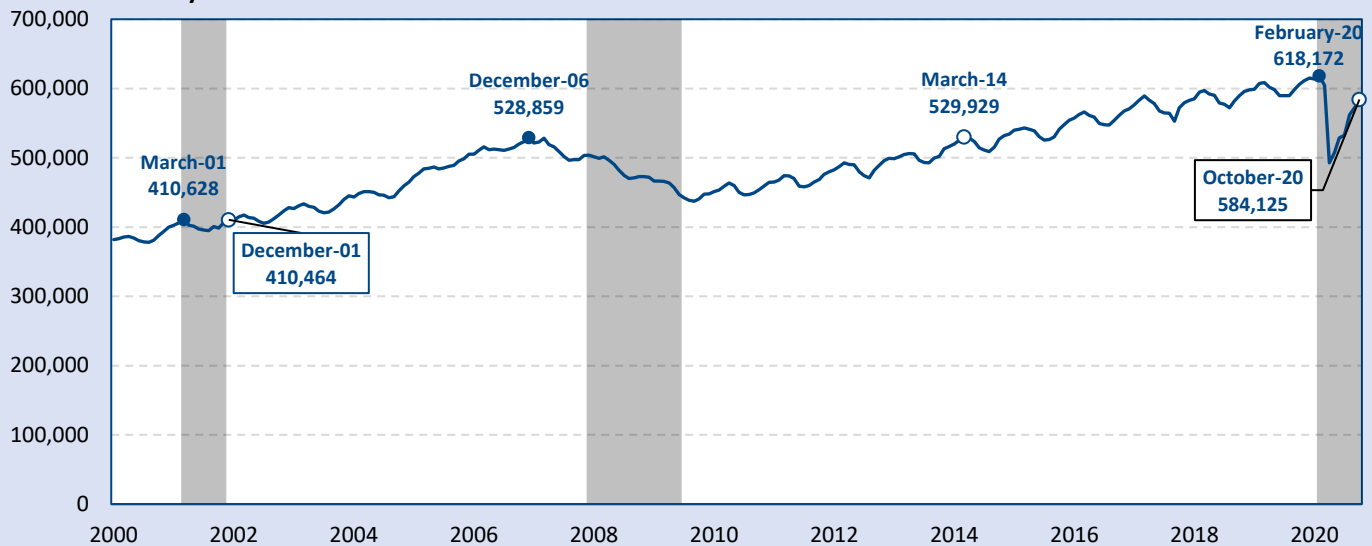
The 2020 recession: as the country’s GDP fell by the first two quarters of 2020, the US entered into a recession that is different from all others. This recession comes after the record expansion for the economy (126 months) and is associated to the health crisis caused by the coronavirus. The length and severity of this recession are still uncertain as cases in the country continue to increase, forcing state and local governments to (re)consider imposing lockdowns and restrictions on businesses.

This issue brief presents the effect of these recessions in the region assessing the employment levels over time and what changes happened in the regional industry composition following these recessions.

¹ <https://www.investopedia.com/articles/economics/08/past-recessions.asp>; <https://files.stlouisfed.org/files/htdocs/publications/review/03/09/Kliesen.pdf>; <https://www.cnbc.com/2020/04/09/what-happened-in-every-us-recession-since-the-great-depression.html>; <https://www.cnbc.com/2020/04/09/what-happened-in-every-us-recession-since-the-great-depression.html>

Total Employment in Southwest Florida

January 2000 to October 2020



Source: Florida Department of Economic Opportunity, Local Area Unemployment Statistics

Note: Recession dates gathered from the National Bureau of Economic Research Cycle Dating Committee. Employment data seasonally adjusted by the Regional Economic Research Institute.

Recent Recessions in Southwest Florida

In the figure above, we report the evolution of total employment in Southwest Florida from January 2000 to October 2020, using data from the Local Area Unemployment Statistics (LAUS) program. The gray areas represent each of the three recessions in the century. Here we briefly analyze employment trends in Southwest Florida and how the regional economy evolved after each recession.

Dotcom Recession

Prior to the dotcom recession, employment peaked in Southwest Florida in March 2001, the official beginning of the recession, with full recovery of employment returning by December 2001. Employment in the region continued to grow during the following five years, exhibiting some small seasonal fluctuations in employment over the period.

The Great Recession

While the official beginning of the Great Recession is December 2007, Southwest Florida began to feel the effects well before then. Employment in the region peaked in December 2006, a full year prior to the official start date of the recession, and continued to decline until reaching its bottom in September 2009. The number of home permits had been decreasing in the region since April 2006, which later on was recognized as one indicator of the possible crisis. The region only fully recovered the level of employment pre-recession in March 2014. The economy began to exhibit more seasonality in employment post-Great Recession, as total employment in the region became more volatile compared to the trend prior to the recession.

Coronavirus Recession

Total employment in Southwest Florida continued to increase until February 2020, when it reached 618,172 jobs in the region. This coincides with the beginning of the coronavirus recession. After dropping to the close to 493,000 jobs in April 2020, the region has been improving reaching slightly under 584,125 jobs, representing 95 percent of the peak number of jobs in February.

Employment Recovery in Southwest Florida

Number of months to return to pre-recession peak employment levels



Source: Florida Department of Economic Opportunity, Local Area Unemployment Statistics

Note: Employment data seasonally adjusted by the Regional Economic Research Institute.

Employment Recovery by Recession

The chart above helps illustrate the impact of the last three recessions in Southwest Florida. While it took only nine months for a full recovery, in terms of employment, in the dotcom recession, it took Southwest Florida over seven years to return to the pre-employment levels in the Great Recession. It was a slow decline in employment for the first 33 months until the numbers started to improve. By comparison, in the coronavirus recession, the lowest point, so far, occurred at month 2.

Compared to the United States the recovery time in Southwest Florida has been faster than the country's recovery time. In the dotcom recession (Early 2000's) the recovery time to employment levels pre-recession was nine months in the region versus 48 months for the US. As for the Great Recession while Southwest Florida recovered in 87 months, it took the country 90 months for a full recovery in employment levels. This trend seems to be repeating itself with the coronavirus recession, but it is still too soon to tell.

Employment Impact by Industry

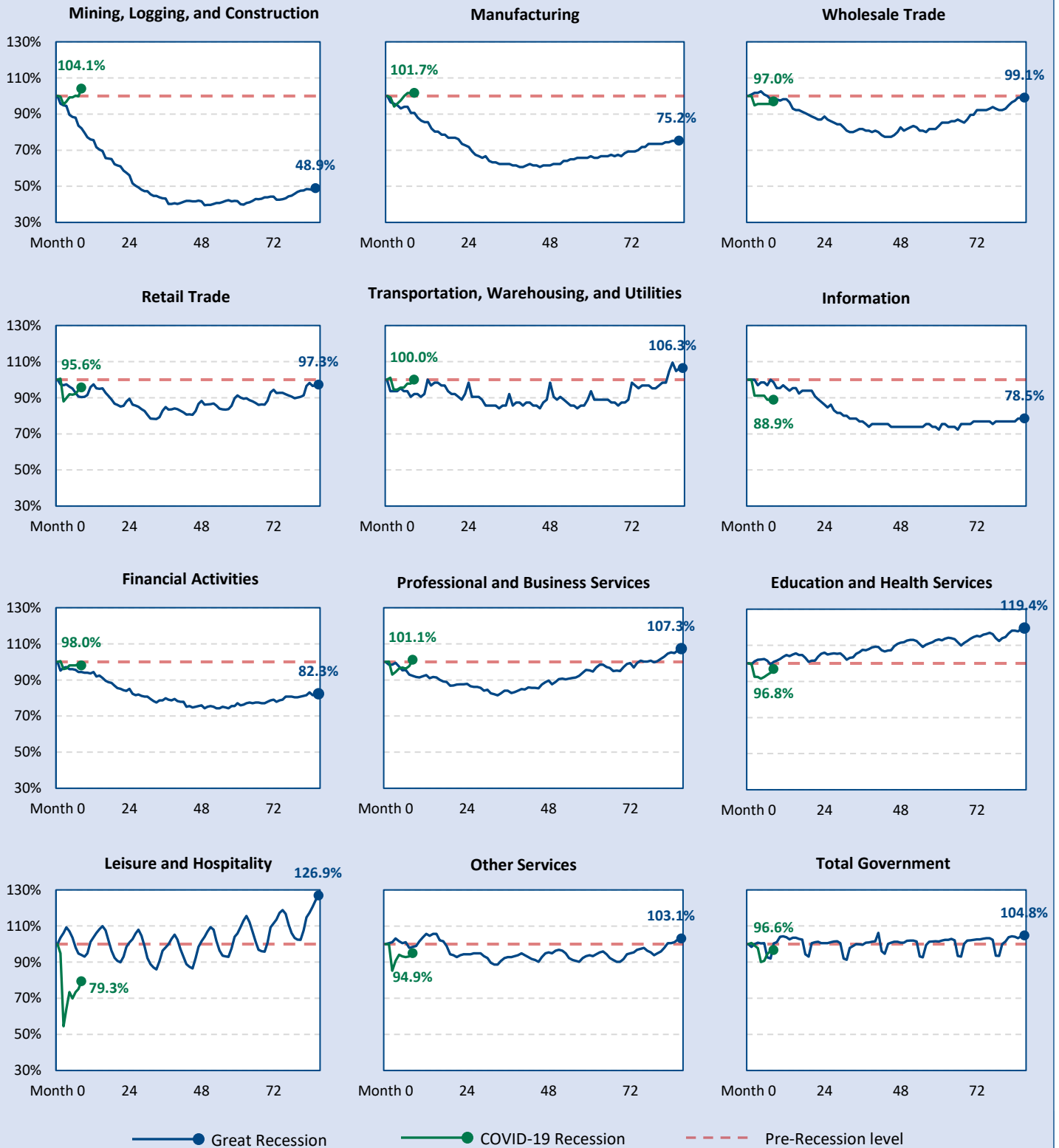
To look at how the Southwest Florida economy changed over the past 20 years, we use data from the Current Employment Statistics (CES) program. Note that CES data is only available for Southwest Florida coastal counties, comprising only Charlotte, Collier, and Lee County. The main difference from LAUS and CES lies in that LAUS data is published by county, represents a count of people, based on a household survey, and place of residence. On the other hand, CES is published by industry, represents a count of jobs, based on an establishment survey and place of work.

The chart below shows the change in total employment compared to the start of each recession for both the Great Recession and the coronavirus recession. The dotcom recession was not included since there were no large impacts on any industry in Southwest Florida. The collapse of the housing bubble resulted in a large decline in the construction industry and financial activities (which includes the real estate industry) employment. There was also decline in employment in manufacturing and information. This shift led to changes in the regional industry composition.

The coronavirus recession affected mostly the leisure and hospitality industry. State lockdowns and the push for self-isolation and avoidance of agglomeration impacted tourism in the region, as well as restaurant and retail businesses. Even though some industries seem to be recovering in a shorter timeframe than the Great Recession, there is still much uncertainty in how each of these industries will respond moving forward.

Recession Impact on Employment by Industry

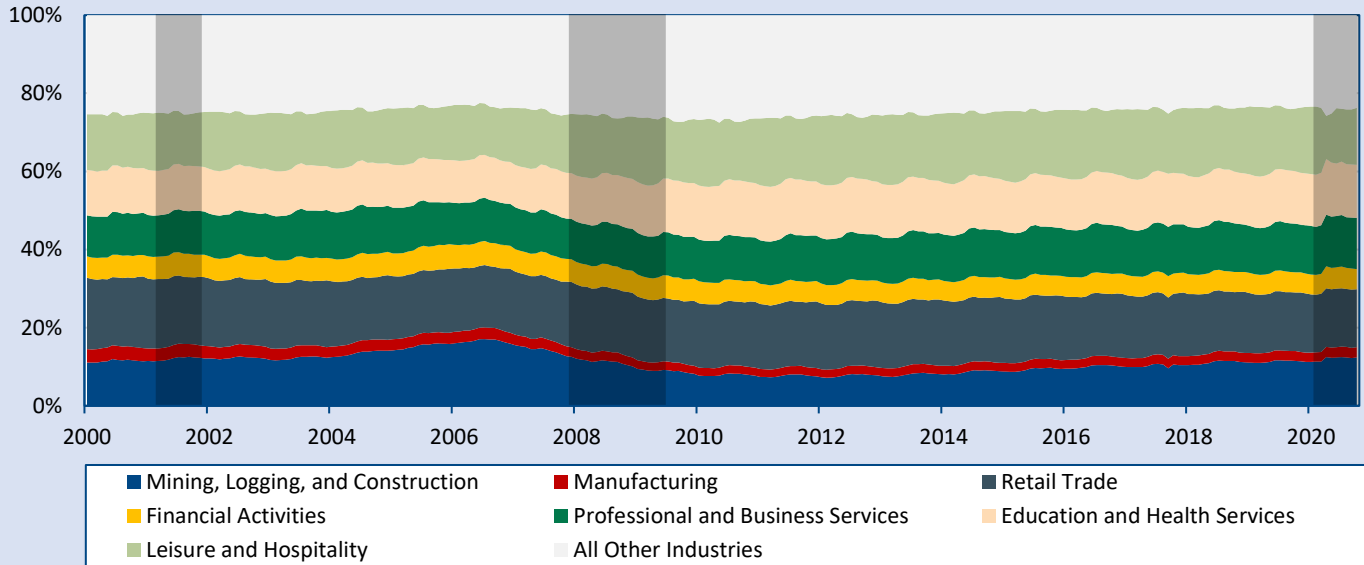
Change in total employment during Great Recession and COVID-19 Recession
Southwest Florida Coastal Counties



Source: Florida Department of Economic Opportunity, Current Employment Statistics
 Note: Data not seasonally adjusted.

Employment by Industry

Share of Total Employment



Source: Florida Department of Economic Opportunity, Current Employment Statistics

Note: Recession dates gathered from the National Bureau of Economic Research Cycle Dating Committee. Data not seasonally adjusted.

Southwest Florida Industry Composition

The chart above presents the share of total employment by industry. Southwest Florida has had a large concentration of its employment in five main industries: Construction, Retail Trade, Education and Health Services, Professional and Business Services and Leisure and Hospitality. This nature of the regional economy had not changed over the years. However, after the Great Recession, it is possible to visualize a change in the regional industrial composition. For one, the region became more concentrated in fewer sectors, especially those in the service industries, including professional and business services, education and health services, and leisure and hospitality. These services are mostly driven by local demand which varies across the year as the region receives visitors from the country and abroad, mostly after Thanksgiving until Tax Day. This helps explain why Southwest Florida exhibited higher seasonality in total employment post-Great Recession.