Regional Economic Research Institute

INDUSTRY DIVERSIFICATION REPORT
FOURTH QUARTER, 2018 • Vol. 3, No. 4

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Executive Summary

MSA's

- The Cape Coral-Fort Myers MSA ranked 6th in the state of Florida, increasing from both the previous quarter and previous year, out of 22 total Florida MSA's. The average annual *IDI* for the area continued to improve in 2018, measuring at 8.539 for the four-quarter period ending in the second quarter of 2018.
- The Naples-Immokalee-Marco Island MSA ranked 2nd in the state in industry diversification, improving three spots from the previous quarter. The average annual *IDI* for the Naples-Immokalee-Marco Island MSA also increased, measuring at 8.667 for the four-quarter period ending in the second quarter of 2018.
- The Punta Gorda MSA remained unchanged in the rankings, measuring as the second-lowest diverse MSA in the state. The average annual *IDI* for the MSA continued to fall in 2018, decreasing to 7.434 for the four-quarter period ending in the second quarter of 2018.
- The Palm Bay-Melbourne-Titusville MSA recorded the highest *IDI* in the second quarter of 2018 (measured at 8.768), while the lowest *IDI* belonged to the Gainesville MSA (measured at 7.341).

Southwest Florida

- Industry diversification in Southwest Florida increased in the 2nd quarter of 2018, ranking 8th out of all 24 workforce regions.
- The average annual IDI for the region continued to improve, increasing to 8.503 for the four-quarter period ending in the second quarter of 2018.
- The Tampa Bay workforce region had the highest *IDI* for the second quarter of 2018 (measured at 9.207), while the North Central Florida workforce region had the lowest (measured at 7.337).

Florida

- Industry diversification for the state of Florida increased to 8.624 for the 2nd quarter of 2018, ranking it 20th out of 50 states.
- The average annual *IDI* for the state increased for the sixth straight year, improving to 8.593 for the four-quarter period ending in the second quarter of 2018.
- South Carolina, Georgia, and North Carolina had the three highest *IDI* measures, while Maine, West Virginia, and Nevada had the three lowest *IDI* measures.
- The *IDI* for the United States was 8.652 for the second quarter of 2018.

Seasonality

- Southwest Florida ranked as the most seasonal workforce region in the state for the 12-month period leading up to the second quarter of 2018.

The complete rankings for the *FGCU Industry Diversification Index* by state, Florida workforce region, and Florida MSA are available on the FGCU Industry Diversification Project website (http://lutgert.fgcu.edu/IDP), with results dating back to the 1st quarter of 2000. This link also contains information about the metholdology used to construct the *IDI*.

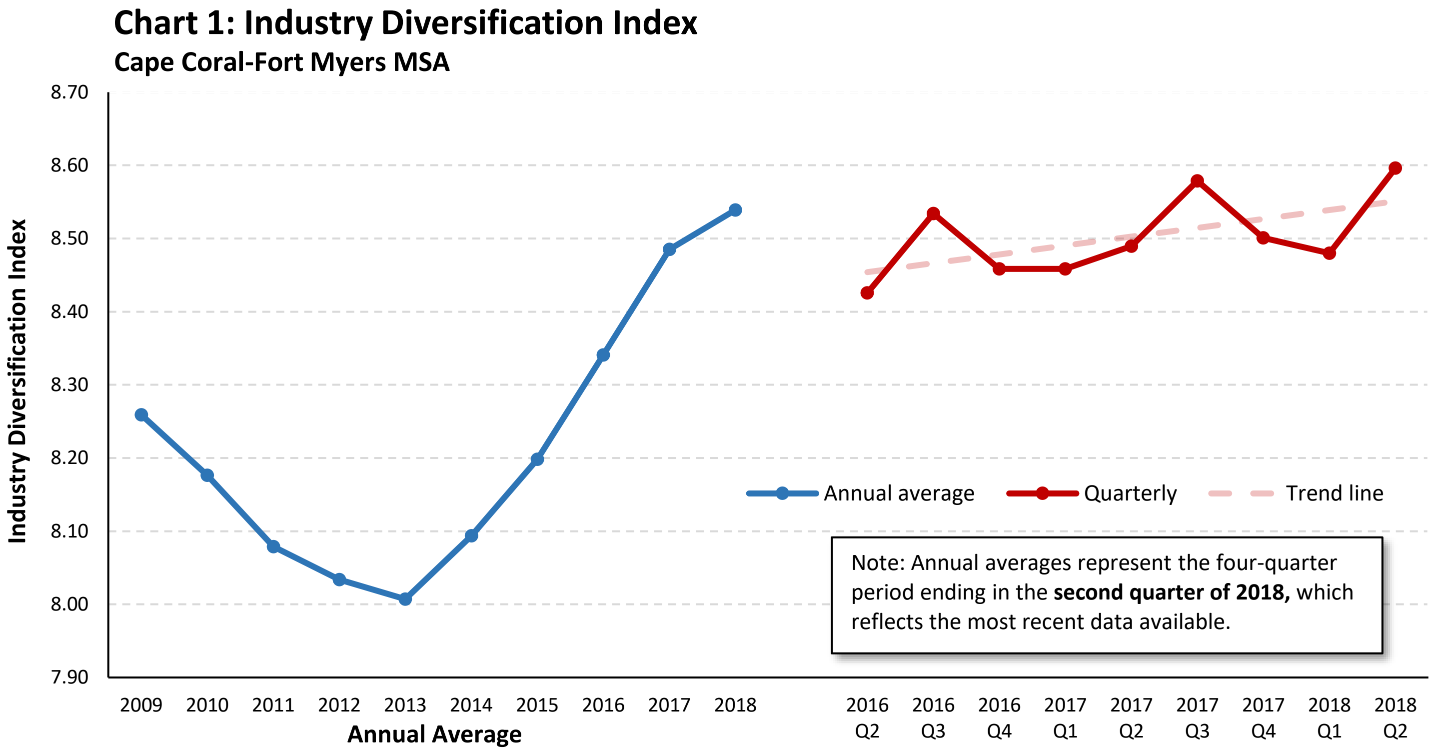
Cape Coral-Fort Myers MSA

FGCU IDI Cape Coral-Fort Myers MSA		
Quarter	**FGCU IDI**	**Ranking**
2018 Q2	8.596	6th
2018 Q1	8.480	7th
2017 Q2	8.490	7th

The Cape Coral-Fort Myers *IDI* rose in the 2nd quarter of 2018, registering at 8.596. This was an increase from the 1st quarter of 2018 (measured at 8.501), as well as an improvement from the 2nd quarter of 2017 (measured at 8.490). The MSA also improved in the rankings, measured as the 6th most diversified MSA in the state, out of 22 total MSAs in the state of Florida. The index registers between 0 and 10, with 0 being the least diversified, and 10 being the most diversified.

The increase in the *IDI* for the Cape Coral-Fort Myers MSA was expected for the second quarter of 2018 and follows the usual seasonal trends exhibited by the region. As can be seen in Chart 1, the MSA normally has its highest *IDI* measure during the third quarter of the year, and then falls the following two quarters. The decline is typically due to the concentration in employment in the hospitality and tourism industries as tourists and seasonal residents from outside our region visit the area for the winter season and increase demand for goods and services in these industries. The most recent nine-quarter trend suggests that the *IDI* for the MSA continues to trend upward.

The average annual IDI for the MSA continued to improve in 2018, measuring at 8.539 for the four-quarter period ending in the second quarter of 2018. The MSA had a declining diversity measure from 2009 to 2013, as employment in the construction industry fell sharply during this period, forcing the region to become more concentrated in the retail trade, accommodation and food services, and health care and social assistance industries. But the construction industry has rebounded since then, resulting in a more industrially diverse economy for the Cape Coral-Fort Myers MSA.



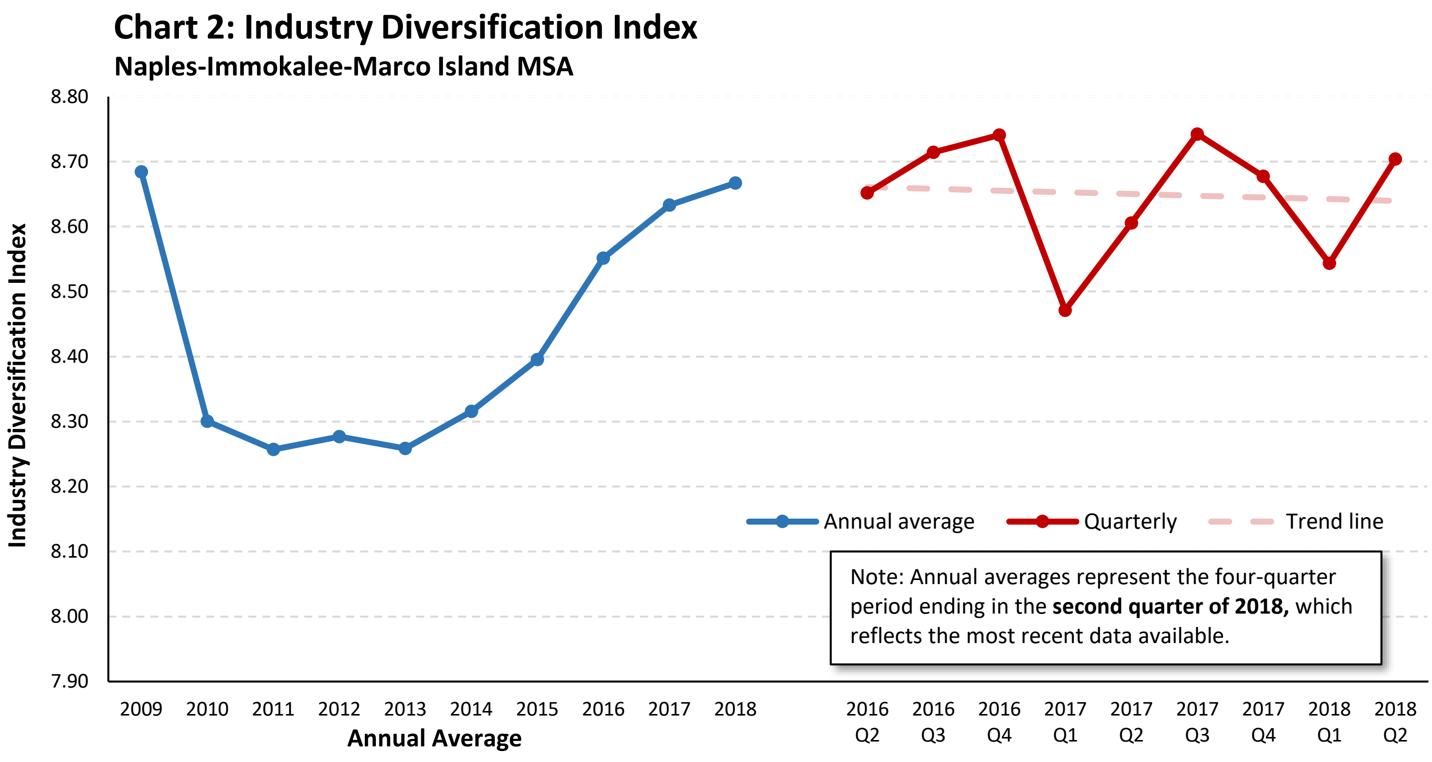
Naples-Immokalee-Marco Island MSA

FGCU IDI		
Naples-Immokalee-Marco Island MSA		
Quarter	**FGCU IDI**	**Ranking**
2018 Q2	8.704	2nd
2018 Q1	8.543	5th
2017 Q2	8.606	4th

The Naples-Immokalee-Marco Island *IDI* increased in the 2nd quarter of 2018, with an *IDI* of 8.704—higher than both the 1st quarter of 2018 (measured at 8.543) and the 2nd quarter of 2017 (measured at 8.606). The Naples-Immokalee-Marco Island MSA also gained three spots in the rankings, becoming the 2nd most diversified MSA in the state.

Similar to the Cape Coral-Fort Myers MSA, the increase in the *IDI* for the Naples-Immokalee-Marco Island MSA is expected for the second quarter each year, according to the typical seasonal trends shown by the MSA. As can be seen in Chart 2, the MSA normally has its highest *IDI* measure during the third quarter of the year, and then falls the following two quarters. As is the case with the Cape Coral-Fort Myers MSA, the decline is typically due to the increased demand for industries tied to the influx of tourists and seasonal residents around that time each year. The most recent nine-quarter trend suggests that the *IDI* for the MSA is slightly trending downward.

The average annual *IDI* for the MSA remained continued to grow in 2018, measuring at 8.667 for the four-quarter period ending in the second quarter of 2018. The MSA's *IDI* had sharp decline in industry diversity from 2009 to 2011, as employment in the construction industry fell sharply during this period, forcing the region to become more concentrated in other industries such as retail trade, accommodation and food services, and health care and social assistance. The MSA's *IDI* remained near the same level from 2011 to 2014 but improved each of the following four years. However, the *IDI* has not yet returned to its 2009 level.



Punta Gorda MSA

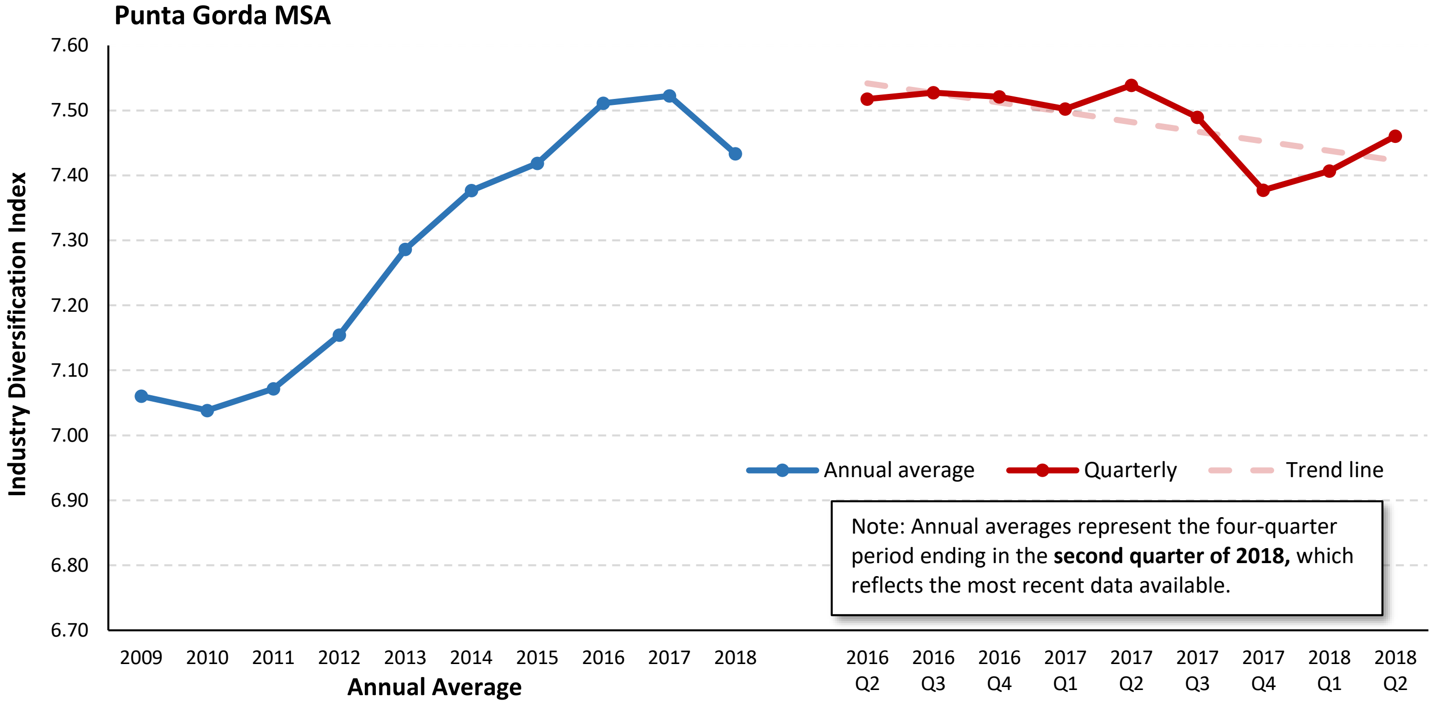
The Punta Gorda *IDI* increased in the 2nd quarter of 2018, measured at 7.460, an improvement over the 1st quarter 2018 measure (7.407), but below the 2nd quarter 2017 measure (7.539). Despite the increase, the Punta Gorda MSA remained unchanged in the rankings, registering 21st in the state of Florida (out of 22 MSAs in total).

FGCU IDI Punta Gorda MSA		
Quarter	**FGCU IDI**	**Ranking**
2018 Q2	7.460	21st
2018 Q1	7.407	21st
2017 Q2	7.539	20th

Historically, the Punta Gorda MSA's *IDI* has not experienced as much seasonality as the other two coastal Southwest Florida MSA's. As can be seen in Chart 3, the Punta Gorda *IDI* measure has remained between 7.35 and 7.55 for the past nine quarters, with little fluctuation in between. Because the population in Punta Gorda has one of the highest median ages in the country (second highest median age out of 389 MSAs in the United States[1]), the region is highly concentrated in industries catered towards the elderly, with the retail trade, health care and social assistance, and accommodation and food service industries accounting for 60 percent of total employment in the second quarter of 2018. This has resulted in one of the lowest *IDI*'s in the state of Florida. Furthermore, most recent nine-quarter trend suggests that the *IDI* for the MSA is trending downward.

The average annual *IDI* for the MSA declined to begin 2018, measuring at 7.434 for the four-quarter period ending in the second quarter of 2018. However, despite the recent downward trend over the last nine quarters, the MSA's Diversification Index has improved over the past decade. The MSA's *IDI* floated just above the 7.00 mark from 2009 to 2011, as the decline in the construction industry turned the Punta Gorda MSA into a region even more focused on retail trade, health care and social assistance, and accommodation and food services. However, the region's *IDI* improved each of the following six years, as construction has rebounded since the recession.

Chart 3: Industry Diversification Index
Punta Gorda MSA



[1] Source: American Community Survey, 2017 five-year estimates.

Southwest Florida

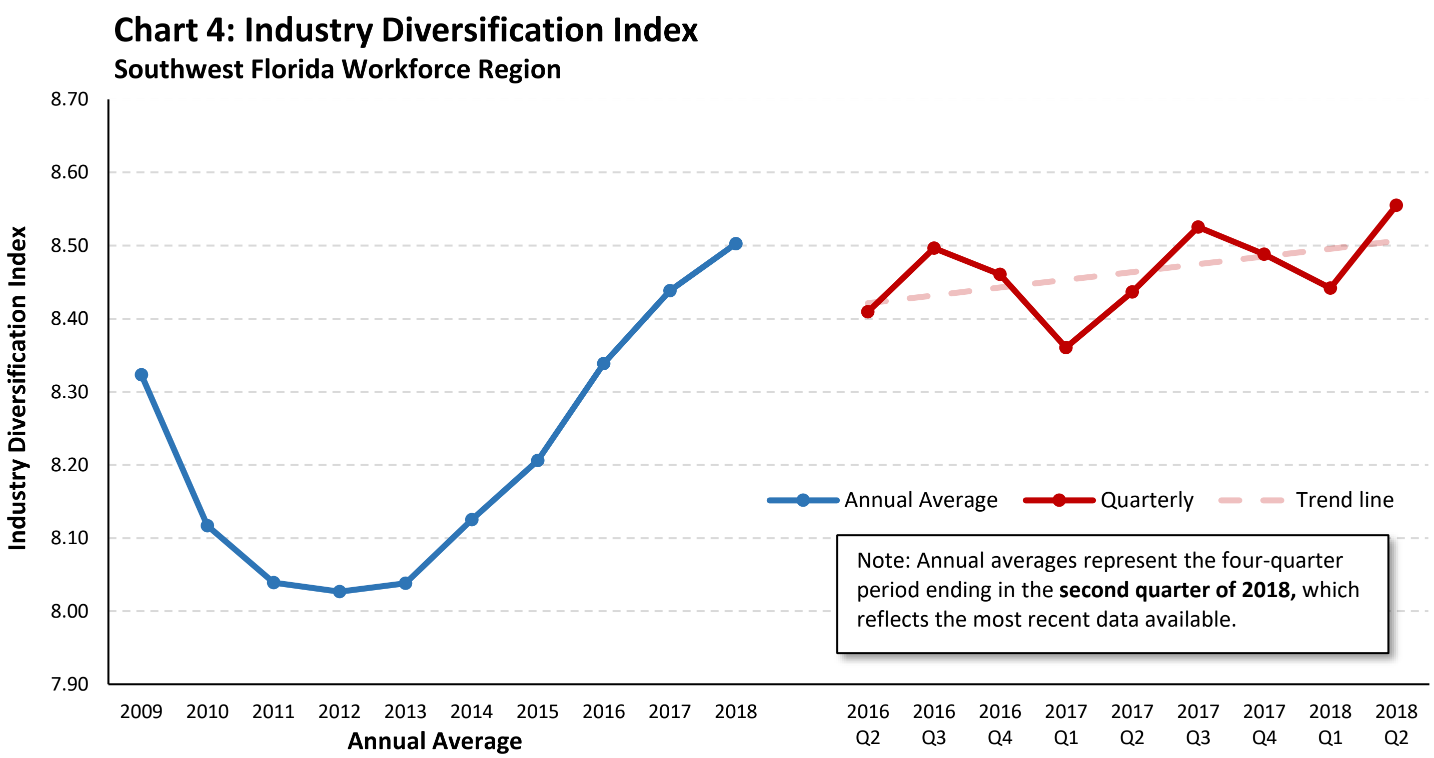
The *FGCU Industry Diversification Index* for the Southwest Florida workforce region—comprising Charlotte, Collier, Glades, Hendry, and Lee counties—improved in the second quarter of 2018, indicating an increase in workforce diversification for that time period. The workforce region's *IDI* measured 8.555, an increase from both the 1st quarter of 2018 (measured at 8.442), and the 2nd quarter of 2017 (measured at 8.436). The *IDI*'s rise resulted in an improvement in the rankings, registering as the 8th most diversified workforce region in the state (out of 24 total regions).

FGCU IDI
Southwest Florida WFR

Quarter	FGCU IDI	Ranking
2018 Q2	8.555	8th
2018 Q1	8.442	9th
2017 Q2	8.436	10th

The increase in industry diversification for Southwest Florida follows the usual trend for this quarter. Southwest Florida typically measures higher index measures during the quarters spanning April through September, and lower index measures during the quarters spanning October through March. The lower index measures, expected during the winter period, can be attributed to an influx of tourism and seasonal residents, which leads to an increase in demand for both the retail trade and accommodation and food service industries to meet the seasonal demand. When the winter period ends and seasonal residents leave the region, the demand for both of these industries contracts, leading to a more diverse economy during the spring and summer period.

The average annual IDI for the workforce region continued to improve in 2018, measuring at 8.503 for the four-quarter period ending in the second quarter of 2018. Similar to the Cape Coral-Fort Myers MSA, the region had a declining diversity measure from 2009 to 2012, as employment in the construction industry fell sharply during this period, forcing the region to become more concentrated in the retail trade, accommodation and food services, and health care and social assistance industries. But the construction industry has rebounded since then, resulting in a more industrially diverse economy for the Southwest Florida workforce region.



Florida

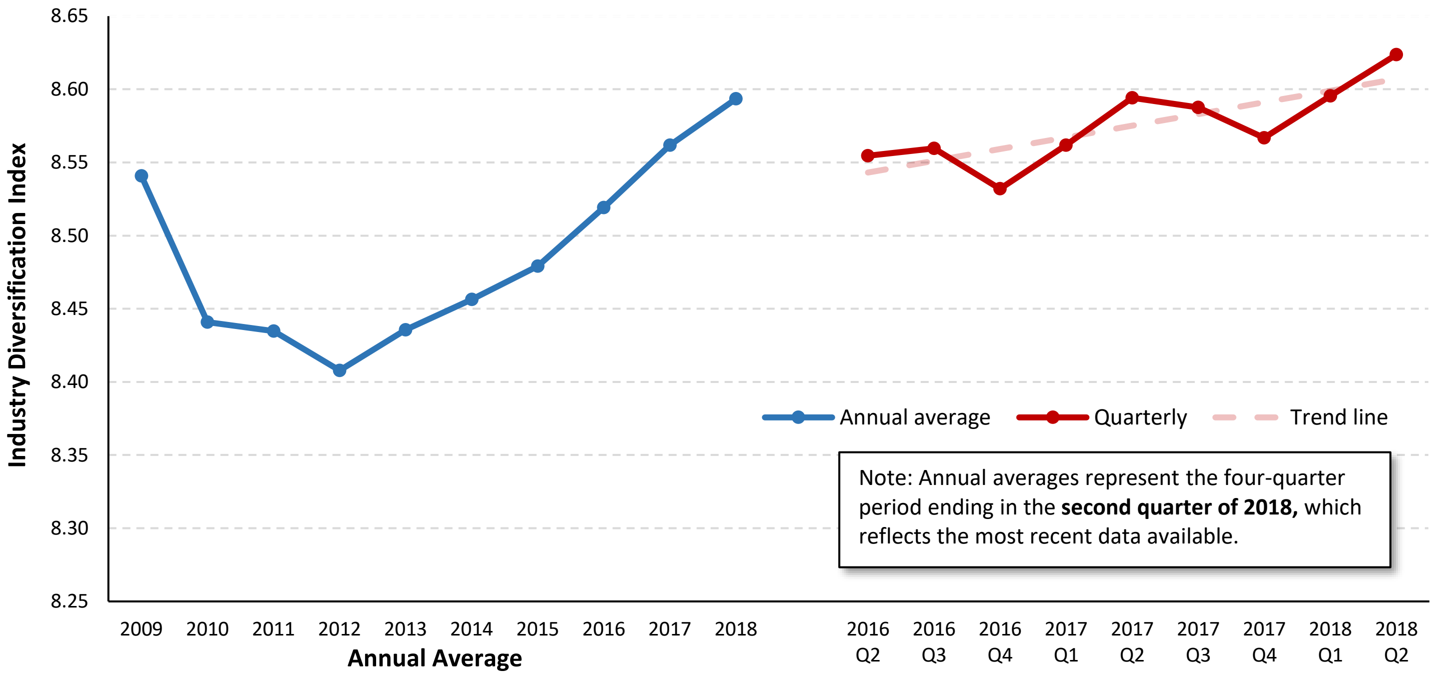
Florida's workforce experienced an increase in industry diversification in the 2nd quarter of 2018, while remaining the same in the rankings nationally. Florida's *IDI* measured at 8.624, an increase from both the 1st quarter of 2018 (measured at 8.596) and the 2nd quarter of 2017 (measured at 8.594). Despite the increase, Florida's ranking among the states (20th) remained unchanged, behind Washington (8.638) and ahead of Oregon (8.600). The state continues to rank in the bottom of the Southeast Region, which contains five of the top 10 states with the highest *IDI* in the United States.

FGCU IDI Florida		
Quarter	**FGCU IDI**	**Ranking**
2018 Q2	8.624	20
2018 Q1	8.596	20
2017 Q2	8.594	20

While the Florida *IDI* does exhibit seasonality throughout the year, the seasonality is very mild compared to the seasonality experienced in the Southwest Florida region. This is partly because two of the largest seasonal industries in the state of Florida (retail trade and accommodation and food services) do not represent as large of a share of total employment when compared to MSAs such as the Cape Coral-Fort Myers MSA and the Naples-Immokalee-Marco Island MSA. However, the state also has a large health care and social assistance industry, administrative and waste service industry, and professional and technical service industry, each typically characterized as sectors that experience little to no seasonality throughout a given year. Over the past nine quarters, the state had an upward trend in its *IDI*.

The average annual *IDI* for the state continued to improve in 2018, measuring at 8.593 for the four-quarter period ending in the second quarter of 2018. The states average annual *IDI* had a steep decline from 2009 to 2010, as employment in both the construction industry and the administrative and waste service industry declined rapidly. The *IDI* continued to decline from 2010 to 2012, before improving each of the following six years.

Chart 5: Industry Diversification Index
Florida



Southwest Florida Seasonality

Southwest Florida is often characterized as experiencing seasonal fluctuations in employment levels throughout the year. Employment for the workforce region typically peaks between November and April, before declining for the rest of the year. In this section, we identify the month with the largest employment and smallest employment over a four-quarter period. The smallest employment number is then divided by the largest employment number to create the FGCU Seasonality Index. The index is a number between 0 and 1, with numbers closer to 0 representing workforce regions with larger seasonal fluctuations throughout the year. Note that all indices calculated in this section are calculated for a four-quarter period ending with the second quarter of the reported year.

Southwest Florida had a seasonality index of 0.867 during the second quarter of 2018. This index represented the lowest index for all 24 workforce regions in the state, making it the most seasonal region in the state for the 12-month period leading up to 2Q2018. The drop in the index is largely due to Hurricane Irma, when the storm impacted the Southwest Florida economy in September 2017. However, the Southwest Florida workforce region continues trend well below the state in terms of its seasonality measures.

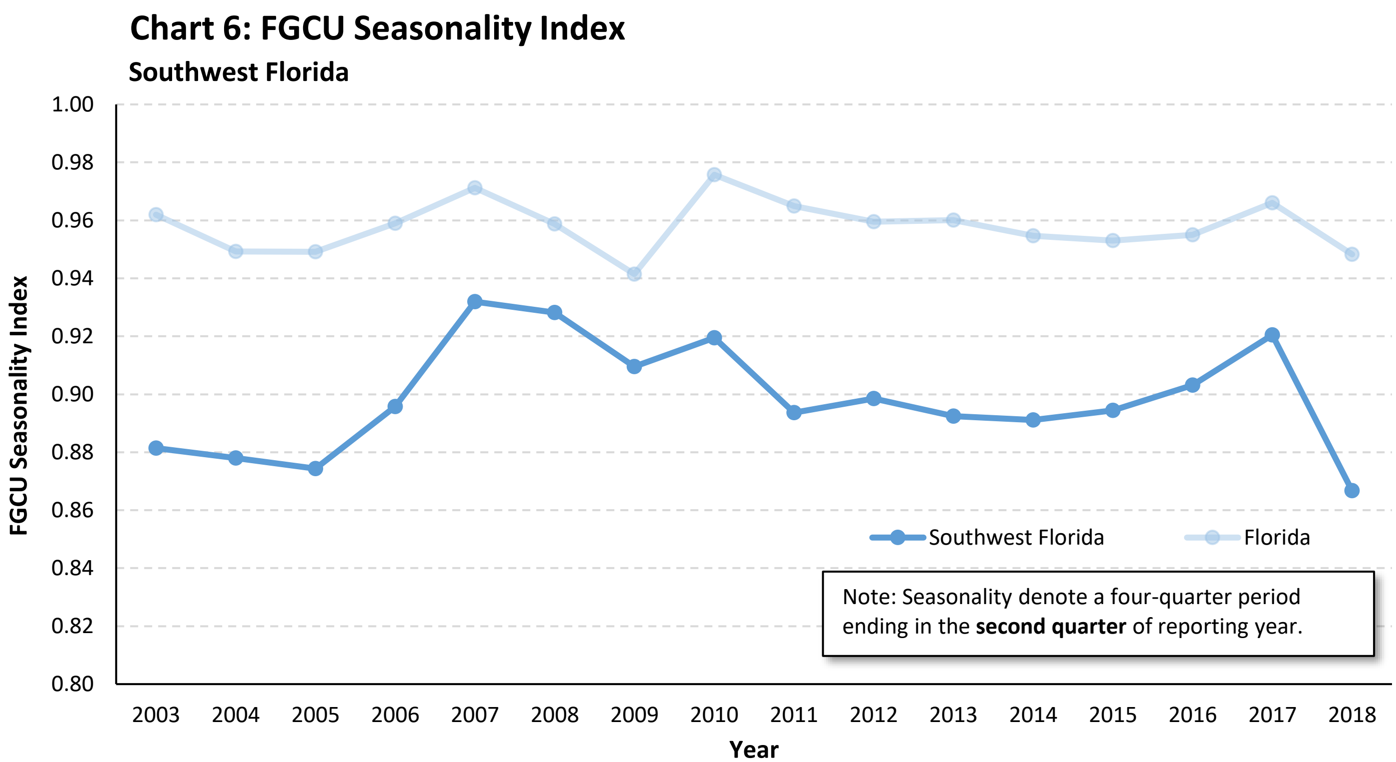


Table 1: FGCU Seasonality Index

Four-quarter period ending in the second quarter of 2018

Rank	Workforce Region	Lowest		Highest		FGCU Seasonality Index
		Employment	Month	Employment	Month	
1	Southwest Florida	360,170	September	415,564	March	0.867
2	Heartland	42,025	September	47,761	December	0.880
3	Okaloosa Walton	86,076	January	94,463	June	0.911
4	Gulf Coast	67,900	January	74,407	June	0.913
5	Research Coast	161,017	September	174,386	March	0.923
6	Suncoast	250,440	September	271,024	March	0.924
7	Brevard	173,721	September	186,634	June	0.931
8	Palm Beach County	514,461	September	549,702	December	0.936
9	South Florida	983,998	September	1,042,991	December	0.943
10	Pasco Hernando	132,328	September	140,215	May	0.944
11	Capital Region	109,866	August	116,378	April	0.944
--	**Florida**	**7,232,553**	**September**	**7,627,078**	**December**	**0.948**
12	Central Florida	1,084,312	September	1,142,243	June	0.949
13	Broward	674,305	September	709,863	December	0.950
14	Polk	183,125	September	192,673	December	0.950
15	Flagler Volusia	166,218	September	174,698	April	0.951
16	Chipola	17,797	September	18,685	June	0.952
17	Pinellas	374,239	September	392,721	May	0.953
18	Citrus Levy Marion	118,440	September	124,203	April	0.954
19	Tampa Bay	585,016	September	613,207	December	0.954
20	North Central Florida	97,068	July	101,471	April	0.957
21	Escarosa	142,200	January	148,493	June	0.958
22	North Florida	21,440	September	22,377	June	0.958
23	Florida Crown	23,924	September	24,951	December	0.959
24	Northeast Florida	587,239	September	611,779	May	0.960

Source: Calculated by the RERI, using data from the Quarterly Census of Employment and Wages

Note: Seasonality index is calculated based on employment data from the four-quarter period beginning in the third quarter of 2017 and ending in the second quarter of 2018.

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