

June 12, 2020

Executive Summary

MSA's

- The Cape Coral-Fort Myers MSA ranked sixth in the state of Florida, out of 22 total Florida MSA's. The average annual *IDI* for the area continued to improve in 2019, measuring at 8.602 for the four-quarter period ending in the fourth quarter of 2019.
- The Naples-Immokalee-Marco Island MSA was the third most diversified MSA in the state. The average annual *IDI* for the Naples-Immokalee-Marco Island MSA also increased, measuring at 8.728 for the four-quarter period ending in the fourth quarter of 2019.
- The Punta Gorda MSA remained unchanged in the rankings, measuring as the 19th most diverse MSA in the state. The average annual *IDI* for Punta Gorda also increased in 2019, improving to 7.480 for the four-quarter period ending in the fourth quarter of 2019.
- The Palm Bay-Melbourne-Titusville MSA recorded the highest *IDI* in the fourth quarter of 2019 (8.860), while the lowest *IDI* belonged to the Sebring MSA (6.829).

Southwest Florida

- Industry diversification in Southwest Florida fell in the fourth quarter of 2019, ranking eighth out of all 24 workforce regions.
- The average annual *IDI* for the region continued to improve, increasing to 8.616 for the four-quarter period ending in the fourth quarter of 2019.
- The Tampa Bay workforce region had the highest *IDI* for the fourth quarter of 2019 (measured at 9.249), while the North Central Florida workforce region had the lowest (measured at 7.279).

Florida

- Industry diversification for the state of Florida increased to 8.634 for the fourth quarter of 2019, ranking it 17th out of 50 states.
- The average annual *IDI* for the state increased for the seventh straight year, improving to 8.638 for the four-quarter period ending in the fourth quarter of 2019.
- South Carolina, Georgia, and Tennessee had the three highest *IDI* measures, while Alaska, West Virginia, and Nevada had the three lowest *IDI* measures.
- The *IDI* for the United States was 8.645 for the fourth quarter of 2019.

Seasonality

- Southwest Florida ranked as the third most seasonal workforce region in the state for the 12-month period leading up to the fourth quarter of 2019.

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 (<https://www.fgcu.edu/cob/reri/idp/>), with results dating back to the 1st quarter of 2000. This link also contains information about the methodology used to construct the *IDI*.

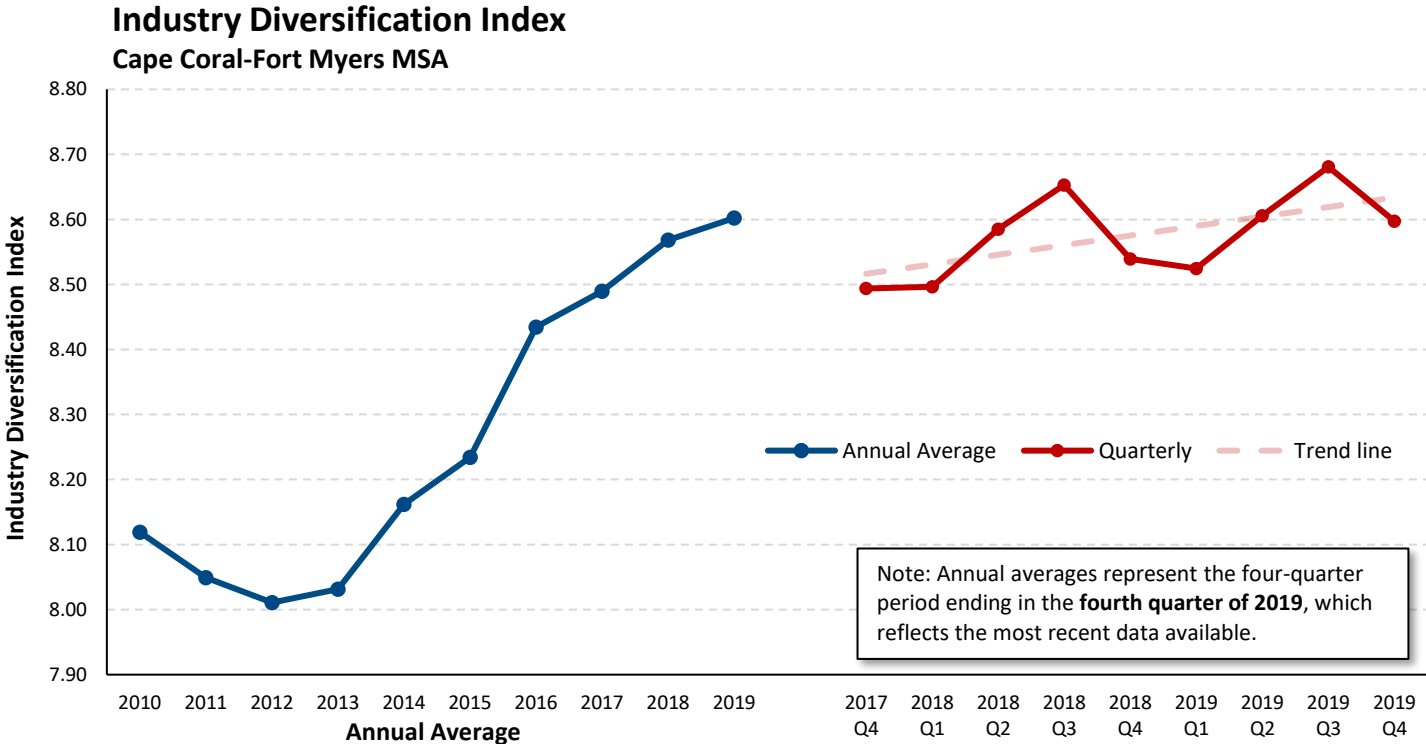
Cape Coral-Fort Myers MSA

The Cape Coral-Fort Myers *FGCU Industry Diversification Index (IDI)* fell in the fourth quarter of 2019, registering at 8.598. While this was a decrease from the third quarter of 2019 (revised at 8.681), diversity for the MSA improved compared to the same quarter last year (8.539). Despite the quarterly decline, the MSA remained unchanged in the rankings, registering as the sixth most diversified MSA in the state, out of 22 total MSAs in Florida. The index registers between 0 and 10, with 0 being the least diversified, and 10 being the most diversified.

FGCU IDI Cape Coral-Fort Myers MSA		
Quarter	FGCU IDI	Ranking
2019 Q4	8.598	6th
2019 Q3	8.681	6th
2018 Q4	8.539	5th

The fall in the *IDI* for the Cape Coral-Fort Myers MSA was expected for the fourth quarter of 2019 and follows the usual seasonal trends exhibited by the region. The MSA normally has its highest *IDI* measure during the third quarter of the year, before falling each of 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 return 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 2019, measuring at 8.602 for the four-quarter period ending in the fourth quarter of 2019. The MSA had a declining diversity measure from 2010 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. However, the construction industry has rebounded since then, resulting in a more diverse economy by industry for the Cape Coral-Fort Myers MSA.



Naples-Immokalee-Marco Island MSA

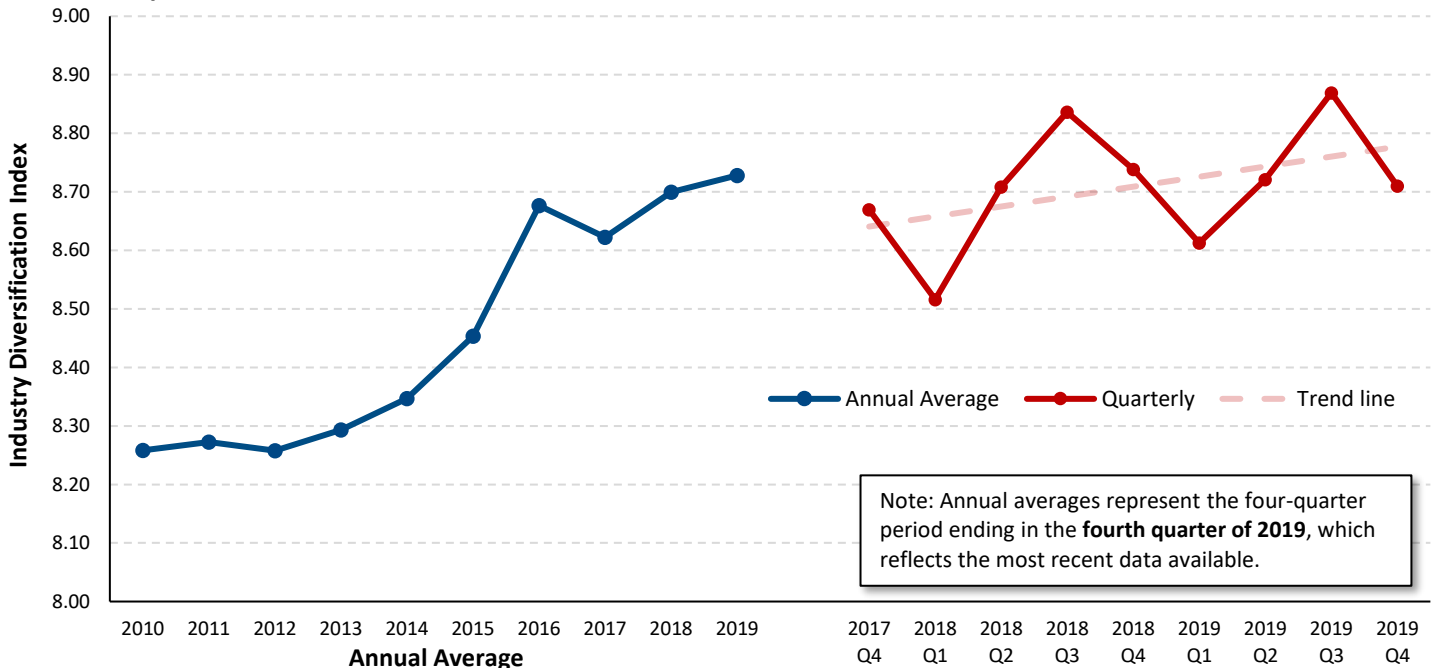
The Naples-Immokalee-Marco Island *IDI* decreased in the fourth quarter of 2019, with an *IDI* of 8.710—a decline from both the third quarter of 2019 revised measure (8.710) and the fourth quarter of 2018 (measured at 8.739). The Naples-Immokalee-Marco Island MSA also slipped in the rankings, down two spots to the third most diversified MSA in the state for the quarter.

FGCU IDI		
Naples-Immokalee-Marco Island MSA		
Quarter	FGCU IDI	Ranking
2019 Q4	8.710	3rd
2019 Q3	8.869	1st
2018 Q4	8.739	1st

Similar to the Cape Coral-Fort Myers MSA, the decrease in the *IDI* for the Naples-Immokalee-Marco Island MSA generally occurs in the third quarter each year, according to the typical seasonal trends shown by the MSA. 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 for this MSA is slightly trending upward.

The average annual *IDI* for the MSA continued to grow in 2019, measuring at 8.728 for the four-quarter period ending in the fourth quarter of 2019. The MSA's *IDI* plateaued from 2010 to 2012, 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* began improving in 2013, and continued to trend upward each of the next six years (with the exception of a slight fall from 2016 to 2017).

Industry Diversification Index
Naples-Immokalee-Marco Island MSA



Punta Gorda MSA

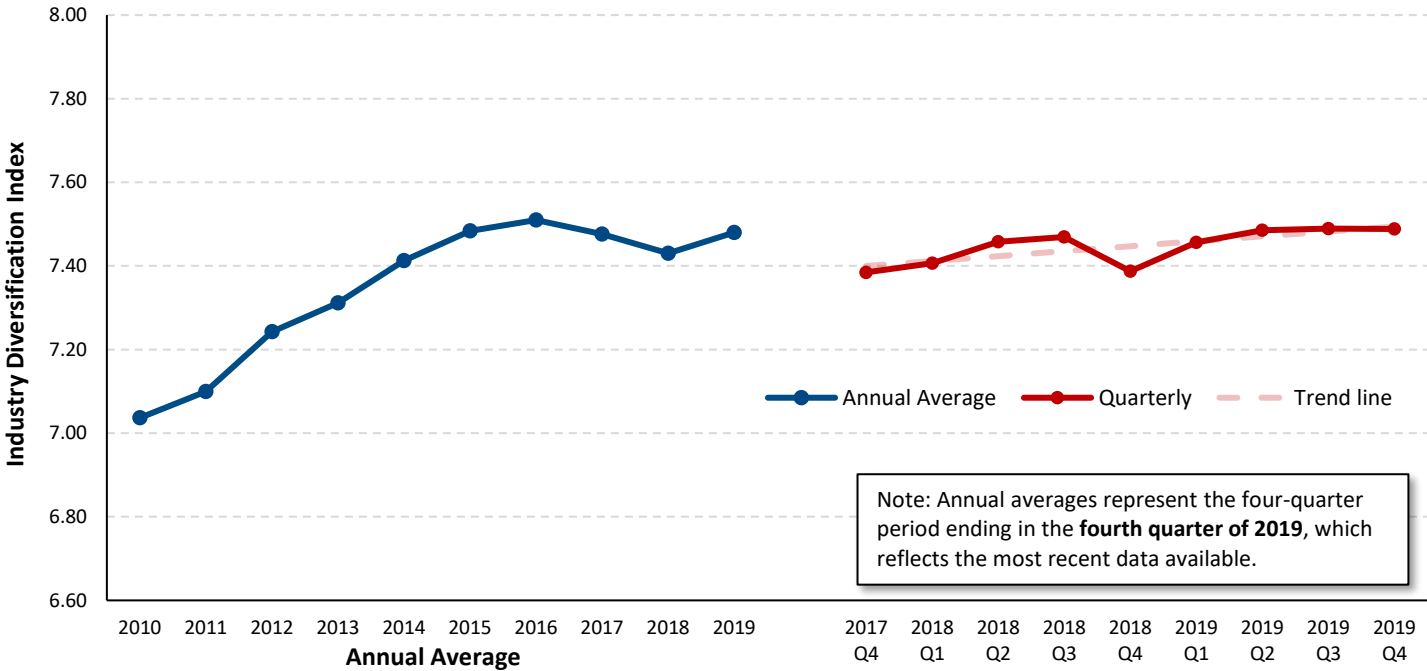
The Punta Gorda *IDI* in the fourth quarter of 2019 was 7.489, unchanged from the previous quarter, but an improvement from the same quarter last year (7.387). The Punta Gorda MSA had the 19th highest *IDI* in the state of Florida (out of 22 MSAs in total).

FGCU IDI Punta Gorda MSA		
Quarter	FGCU IDI	Ranking
2019 Q4	7.489	19th
2019 Q3	7.489	19th
2018 Q4	7.387	21st

Historically, the Punta Gorda MSA's *IDI* is less seasonal than the other two coastal Southwest Florida MSA's. The Punta Gorda *IDI* measure has remained between 7.35 and 7.55 for nine consecutive 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 390 MSAs in the United States¹), the region remains 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 nearly 60 percent of total employment in the fourth quarter of 2019. This results in Punta Gorda having one of the lowest *IDI*'s in the state of Florida. The most recent nine-quarter trend suggests that the *IDI* for the MSA is trending upward.

The average annual *IDI* for the MSA increased to 7.480 for the four-quarter period ending in the fourth quarter of 2019. The MSA's *IDI* was just above the 7.00 mark in 2010, 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. The region's *IDI* slowly improved each of the following eight years, as construction has rebounded since the recession.

Industry Diversification Index Punta Gorda MSA



¹ Source: American Community Survey, 2018 one-year estimates.

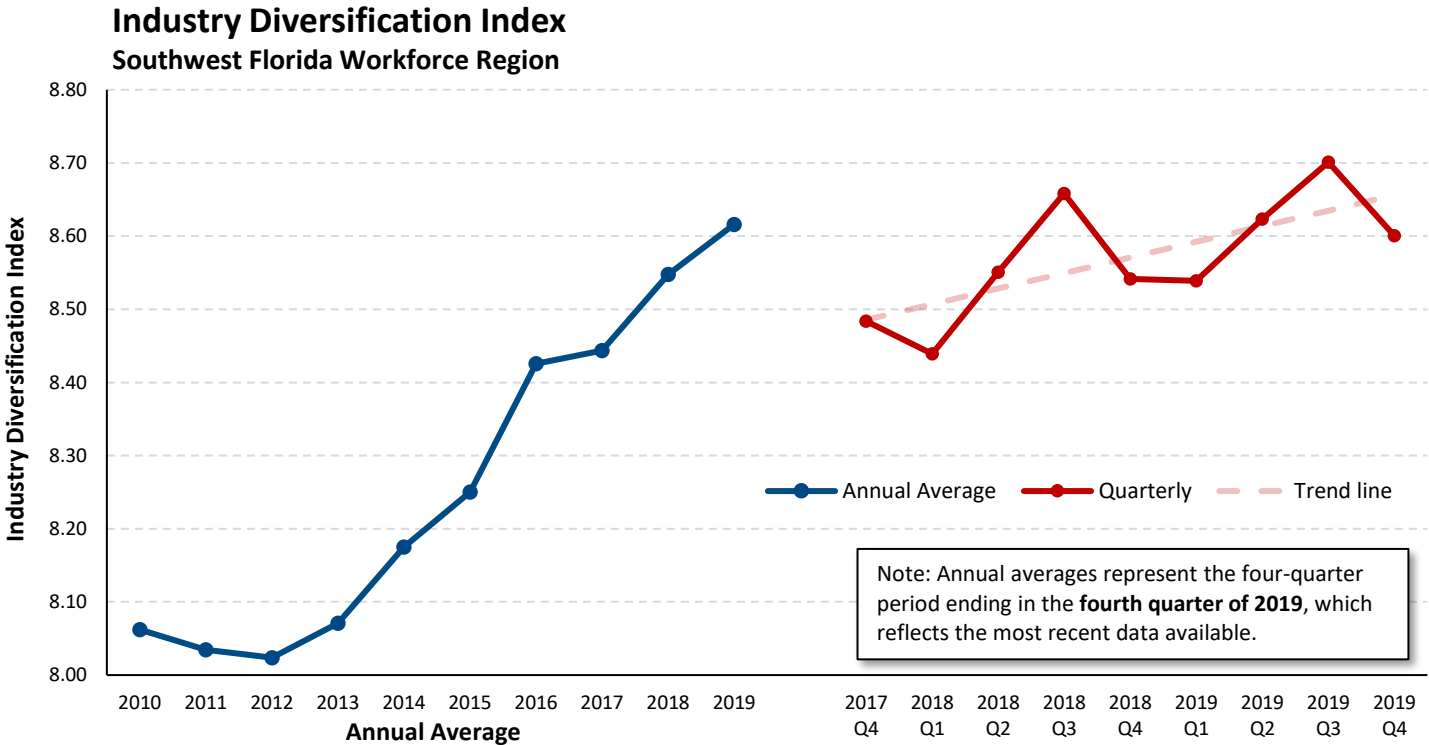
Southwest Florida

The *IDI* for the Southwest Florida workforce region—comprising Charlotte, Collier, Glades, Hendry, and Lee counties—fell in the fourth quarter of 2019, indicating a decrease in workforce diversification for that time period. The workforce region’s *IDI* measured 8.601, a decline from the third quarter of 2019 revised measure (8.701), but still above the fourth quarter of 2018 (measured at 8.542). The *IDI* also fell in the rankings, registering as the eighth most diversified workforce region in the state (out of 24 total regions).

FGCU IDI Southwest Florida WFR		
Quarter	FGCU IDI	Ranking
2019 Q4	8.601	8th
2019 Q3	8.701	6th
2018 Q4	8.542	7th

The increase in industry diversification for Southwest Florida is typical for the fourth quarter. Southwest Florida typically experiences 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 2019, measuring at 8.616 for the four-quarter period ending in the fourth quarter of 2019. Similar to the Cape Coral-Fort Myers MSA, the region had a declining diversity measure from 2010 to 2012, as employment in the construction industry contracted 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. However, the construction industry has rebounded since then, resulting in a more industrially diverse economy for the Southwest Florida workforce region.



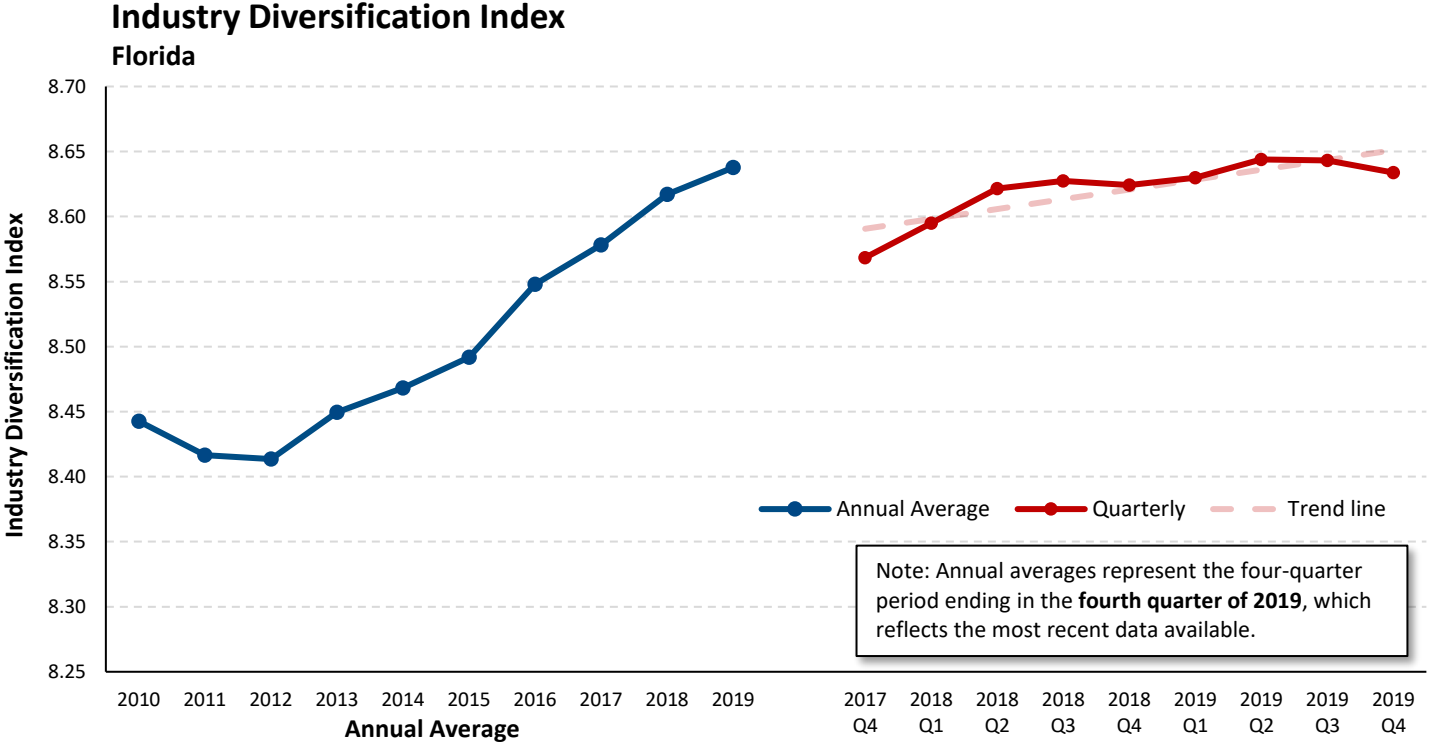
Florida

Florida’s workforce experienced a decline in industry diversification during the fourth quarter of 2019, but improved in the rankings nationally. Florida’s *IDI* measured at 8.634, down from the third quarter of 2019 (revised at 8.643), but up from the fourth quarter of 2018 (measured at 8.624). Florida’s ranking amongst the states increased three spots to 17th, behind Kentucky (8.681) and ahead of Washington (8.618). The state continues to rank in the bottom of the Southeast Region, which contains five of the top 10 states with the highest *IDIs* in the United States.

FGCU IDI		
Florida		
Quarter	FGCU IDI	Ranking
2019 Q4	8.634	17th
2019 Q3	8.643	20th
2018 Q4	8.624	17th

While the Florida *IDI* does exhibit seasonality throughout the year, the seasonality is very mild compared to the seasonality experienced in Southwest Florida. 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*.

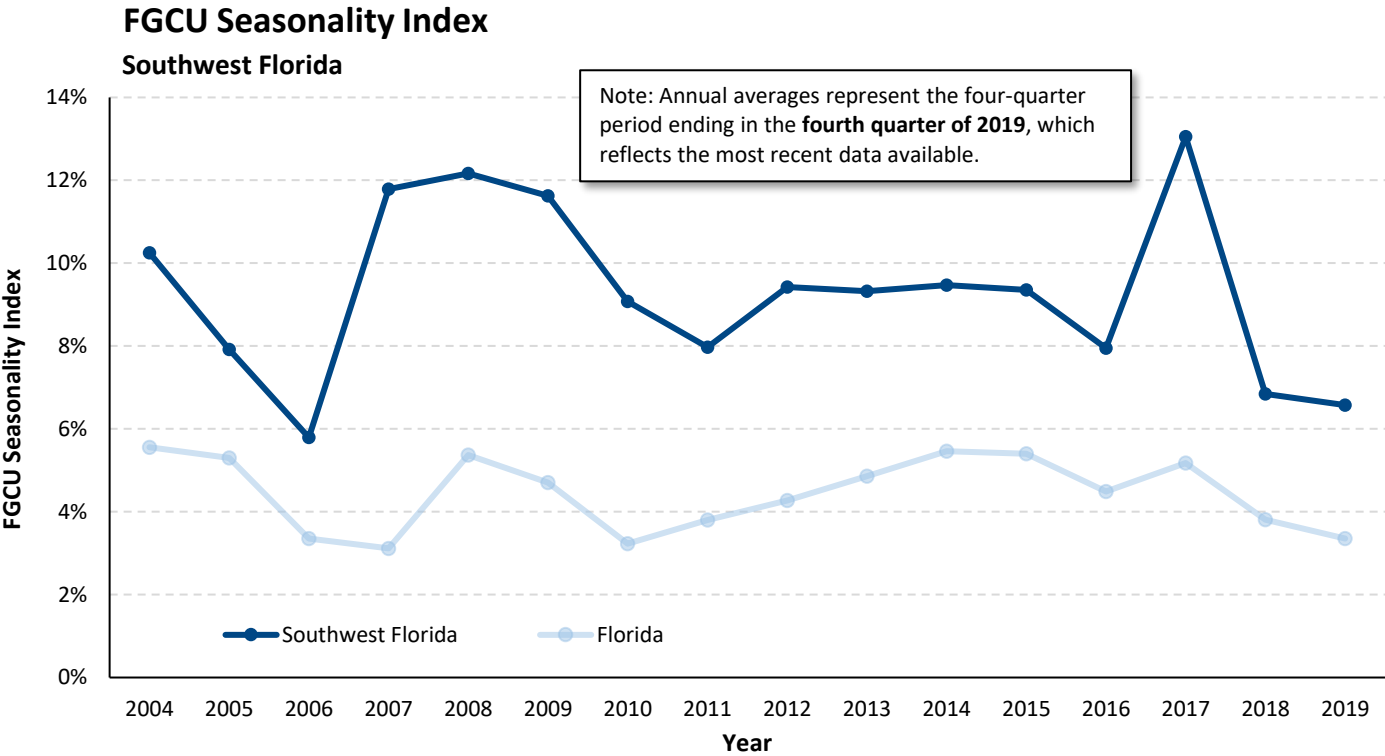
The average annual *IDI* for the state continued to improve in 2019, measuring at 8.638 for the four-quarter period ending in the fourth quarter of 2019. The state’s average annual *IDI* had a steep decline from 2010 to 2012, as employment in both the construction industry and the administrative and waste service industry declined rapidly. Florida’s *IDI* improved each of the following seven years following the decline.



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 represents a value between 0 and 100 percent, with higher percentages representing regions with a larger fluctuation in seasonality. Note that all indices calculated in this section are calculated for a four-quarter period ending with the fourth quarter of the reported year.

Southwest Florida had a seasonality index of 6.6 percent during the fourth quarter of 2019. This index represented the third highest index for all 24 workforce regions in the state, making it the third most seasonal region in the state for the 12-month period leading up to the fourth quarter of 2019. The Southwest Florida workforce region continues trend well above the state in terms of its seasonality measures.



FGCU Seasonality Index

Four-quarter period ending in the fourth quarter of 2019

Rank	Workforce Region	Lowest		Highest		FGCU Seasonality Index
		Employment	Month	Employment	Month	
1	Gulf Coast	63,532	January	69,773	June	8.9%
2	Okaloosa Walton	88,523	January	96,232	June	8.0%
3	Southwest Florida	404,658	September	433,151	December	6.6%
4	Heartland	43,539	July	46,204	April	5.8%
5	Suncoast	269,039	September	282,004	December	4.6%
6	Research Coast	175,371	September	183,587	December	4.5%
7	Palm Beach County	543,023	September	568,415	December	4.5%
8	Polk	197,317	January	206,260	December	4.3%
9	Tampa Bay	623,812	July	651,251	December	4.2%
10	Chipola	18,841	July	19,629	March	4.0%
11	Capital Region	117,258	August	122,127	November	4.0%
12	Broward	708,497	January	736,928	December	3.9%
13	North Florida	21,424	January	22,276	October	3.8%
14	Escarosa	147,533	January	153,279	August	3.7%
15	Central Florida	1,154,298	January	1,199,038	December	3.7%
16	Northeast Florida	616,046	January	639,541	December	3.7%
17	Florida Crown	24,645	January	25,581	November	3.7%
18	Pasco Hernando	141,782	January	146,929	December	3.5%
--	Florida	7,707,545	January	7,975,092	December	3.4%
19	North Central Florida	100,980	June	104,211	November	3.1%
20	Brevard	191,343	January	197,460	December	3.1%
21	South Florida	1,050,369	January	1,082,853	December	3.0%
22	Pinellas	391,262	January	401,423	December	2.5%
23	Citrus Levy Marion	124,447	September	127,596	December	2.5%
24	Flagler Volusia	173,027	January	176,615	March	2.0%

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

Note: FGCU Seasonality Index is calculated based on employment data from the four-quarter period beginning in the first quarter of 2019 and ending in the fourth quarter of 2019.

Commentary from the Research Team

When reading this report, it is important to keep in mind that the primary source of data in this report (Quarterly Census of Employment and Wages) has a six-month lag from real time. Therefore, all figures found in this report predate any of the economic shocks resulting from the current COVID-19 pandemic.

Current economic conditions because of the pandemic and stay-at-home orders will likely heavily influence the *IDI* for Southwest Florida and each of the three MSA's. The two industries with the largest employment share for the region (retail trade and accommodation and food services) each realized a considerable decline in employment from March to April 2020, according to the latest Current Employment Statistics data. With so many moving parts in all the industries during these times, it is difficult to tell at this time whether the *IDI* for each MSA and the region will go down or up because of the pandemic.

The careful reader might wonder how the *IDI* could go up due to an economic shock. It all depends on what the distribution of employment between industries was prior to the pandemic. If the employment shock creates a more even distribution of workers among the different industries in the region, the *IDI* would increase. However, if the employment shock further skews the distribution of workers this would decrease the *IDI*. For example, for a region like the Naples-Immokalee-Marco Island MSA, it is possible that a substantial employment shock to two of its five largest industries will result in an increase in the index if these jobs are not created elsewhere or were spread across other industries. On the other hand, it would result in a decrease in the index if one of the other five largest industries hired these laid off workers.

Of course, whether the *IDI* rises or falls does not tell the complete story of economic conditions in Southwest Florida, and should only be viewed as a piece of the larger picture. The unemployment rate for the region jumped double-digits from March to April 2020, according to the latest Local Area Unemployment Statistics. The *IDI* was not designed to illustrate the entire health of the local economy, but rather illustrate its resilience. The goal of the *IDI* is to give the reader an idea of how prone a region is to an economic shock such as the one we are currently witnessing. A region concentrated in a couple industries is more susceptible to a larger spike in the unemployment rate if an economic shock affects one of those industries, compared to a region with a more diverse spread of employment in industries. This helps explain why the Punta Gorda MSA unemployment rate grew by 10.7 percent from March to April 2020, while the Naples-Immokalee-March Island MSA unemployment rate increased by 9.4 percent over the same period.

We encourage our readers to visit Industry Diversification Project on the RERI website for more information on the *FGCU IDI* and for updates on the index as new information comes in. The Industry Diversification Project website can be found using the link below:

<https://www.fgcu.edu/cob/reri/idp/>

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