

INDUSTRY DIVERSIFICATION REPORT

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Executive Summary

MSA's

- The Cape Coral-Fort Myers MSA ranked 11th in the state of Florida, out of 22 total Florida MSA's. The average annual Industry Diversification Index (*IDI*) for the area continued to improve in 2021, measuring at 5.088 for the four-quarter period ending in the second quarter of 2021.
- The Naples-Immokalee-Marco Island MSA was the 3rd most diversified MSA in the state. The average annual *IDI* for the Naples-Immokalee-Marco Island MSA increased slightly in 2021, measuring at 5.438 for the four-quarter period ending in the second quarter of 2021.
- The Punta Gorda MSA became the 21st most diverse MSA in the state. The average annual *IDI* for Punta Gorda also increased in 2021, measuring at 4.838 for the four-quarter period ending in the second quarter of 2021.
- The Tallahassee MSA recorded the highest *IDI* in the second quarter of 2021 (5.665), while the lowest *IDI* belonged to the Homosassa Springs MSA (4.641).

Southwest Florida

- Industry diversification in Southwest Florida increased to 5.336 in the second quarter of 2021, ranking 8th out of all 24 workforce regions.
- The average annual *IDI* for the region increased to 5.291 for the four-quarter period ending in the second quarter of 2021.
- The Capital Region workforce region had the highest *IDI* for the second quarter of 2021 (measured at 5.655), while the Pasco Hernando workforce region had the lowest (measured at 4.793).

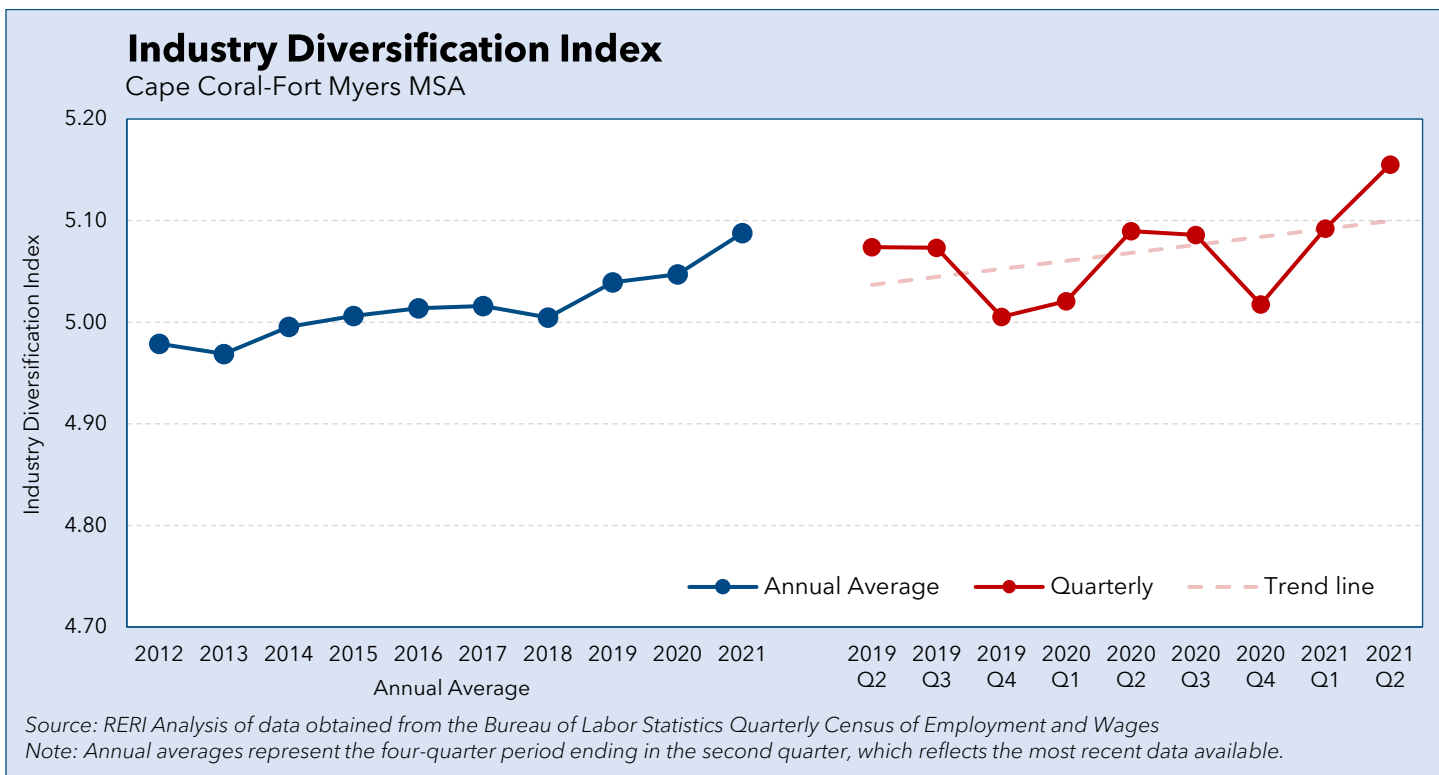
Florida

- Industry diversification for the state of Florida increased to 5.214 for the second quarter of 2021, ranking it 21st out of 50 states.
- The average annual *IDI* for the state declined to 5.203 for the four-quarter period ending in the second quarter of 2021.
- Washington, Colorado, and Oregon had the three highest quarterly *IDI* measures, while Connecticut, Mississippi, and Vermont had the three lowest *IDI* measures.
- The *IDI* for the United States was 5.295 for the second quarter of 2021.

Seasonality

- Southwest Florida ranked as the most seasonal workforce region in the state for the 12-month period between July 2020 and June 2021.

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 the results for the *Market IDI*, which consider only private jobs across industries, and information about the methodology used to construct the *IDI*.



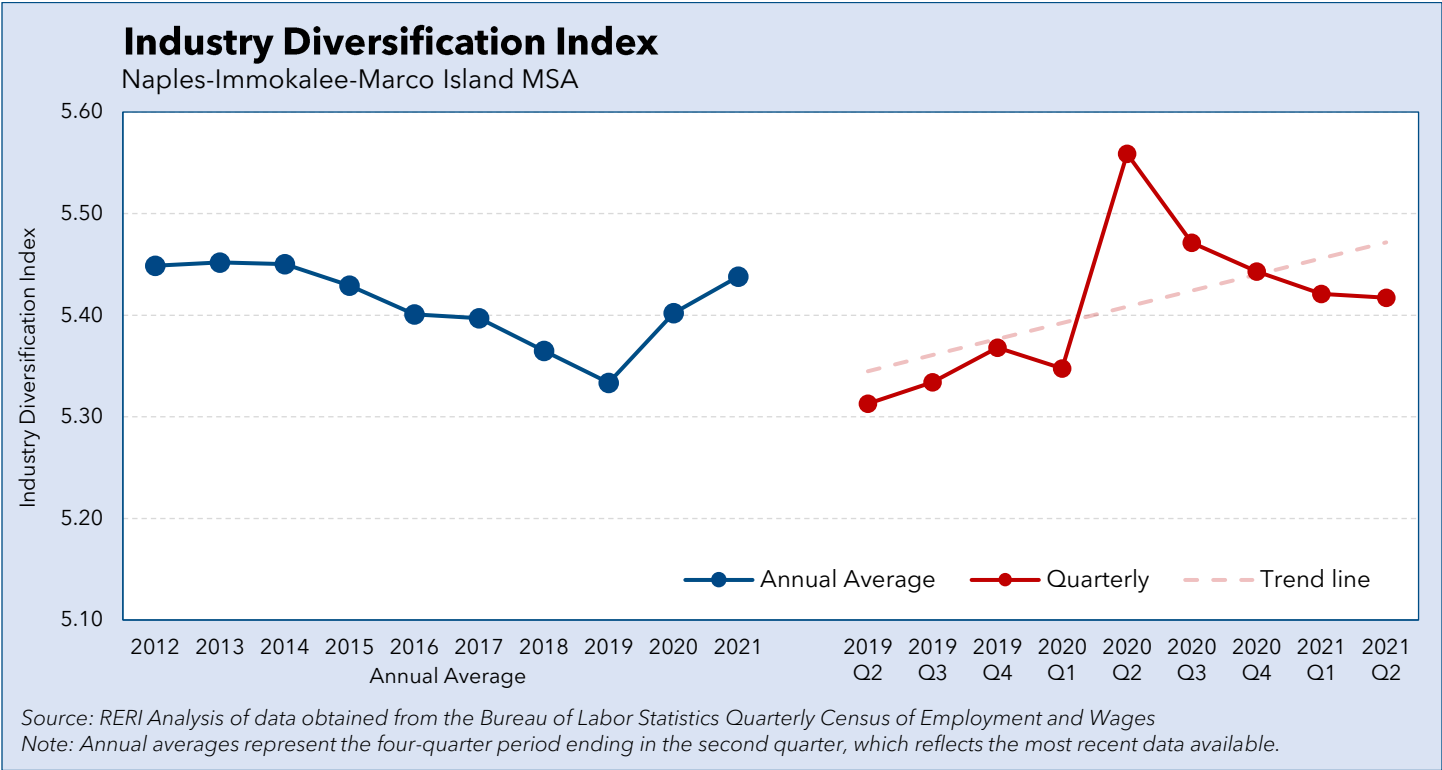
Cape Coral-Fort Myers MSA

The Cape Coral-Fort Myers FGCU Industry Diversification Index (IDI) increased in the second quarter of 2021, registering at 5.155. This was an increase from the first quarter of 2021 (revised at 5.092), and an increase from the the same quarter in the previous year (5.090). In addition to a quarterly increase, the MSA went up four positions in the rankings, registering as the 11th 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
2021 Q2	5.155	11th
2021 Q1	5.092	15th
2020 Q2	5.090	17th

The IDI rising for the Cape Coral-Fort Myers MSA goes with the usual trend we expect during the second quarter of any given year. It is typical for the MSA to experience its lowest IDI measures during the first and fourth quarters of the year, while having its highest measure during the second and third quarters. The increase during the second quarter of 2021 can be attributed to the rise in employment in the leisure and hospitality, professional and business services, and construction industries, coupled with a slight decline in the top two industries (education and health services and trade, transportation and utilities). The nine-quarter trend for the MSA continues to trend upward, suggesting growth in the IDI in the short-run.

The average annual IDI for the MSA continued to improve in 2021, measuring at 5.088 for the four-quarter period ending in the second quarter of 2021. The MSA has seen a steady increase in industrial diversification since 2012, notwithstanding declines observed in both 2013 and 2018. The rise in the average annual IDI captures the fall in employment from the leisure and hospitality industry observed in 2020, due to the decrease in travel during lockdowns and restrictions from Covid-19. However, employment in the construction and natural resources and mining industries have increased during the same time period for the Cape Coral-Fort Myers MSA.



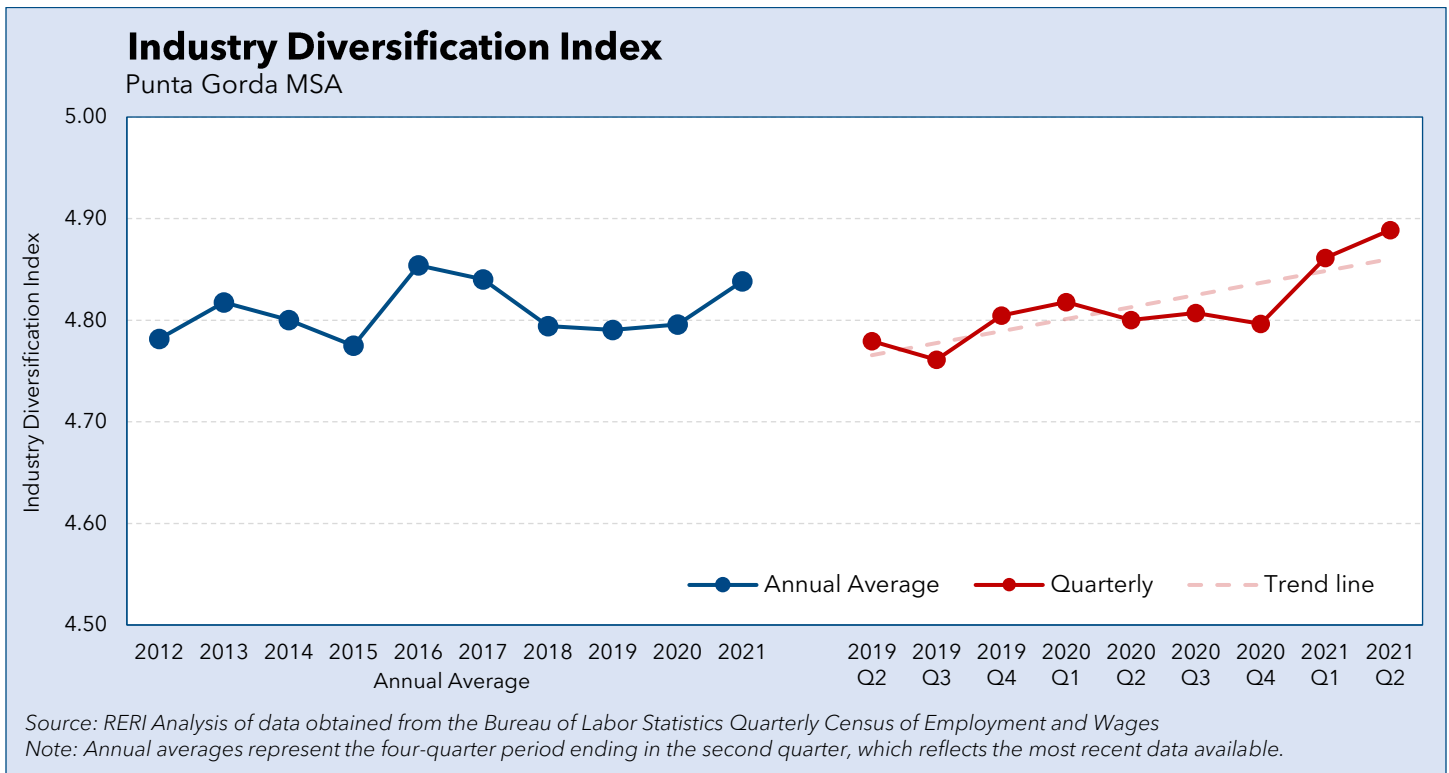
Naples-Immokalee-Marco Island MSA

The Naples-Immokalee-Marco Island *IDI* continued to slip in the second quarter of 2021, with an *IDI* of 5.417 – a decrease from both the first quarter of 2021 revised measure (5.421), and second quarter of 2020 (5.559). Despite the decline, the Naples-Immokalee-Marco Island MSA maintained its ranking as the 3rd most diversified MSA in the state for the quarter.

The *IDI* for the MSA has dipped four consecutive quarters, after observing a record jump in the second quarter of 2020. This pattern can largely be attributed to the drop and subsequent growth in employment for both the leisure and hospitality industry and the trade, transportation and utilities industry, which were the two largest industries in the Naples-Immokalee-Marco Island MSA prior to the onset of the Covid-19 pandemic. Both industries saw sizable drops in employment in the second quarter of 2020, resulting in a local economy that was less concentrated in two industries. These two industries have slowly recovered over the past four quarters, resulting in the *IDI* trending back to its pre-pandemic figures.

The average annual *IDI* for the MSA improved in 2021, measuring at 5.438 for the four-quarter period ending in the second quarter of 2021. The MSA also had an average annual *IDI* higher than both the Cape Coral-Fort Myers and Punta Gorda MSAs. The MSA's *IDI* was steadily decreasing between 2012 and 2019, before jumping in 2020. The MSA became more industrially concentrated prior to 2020, as growth in employment forced the MSA to become more concentrated in fewer industries. However, the sudden drop in demand for both the leisure and hospitality and trade, transportation and utilities industries resulted in decreased employment, leading to an economy much less concentrated in both 2020 and 2021.

FGCU IDI		
Naples-Immokalee-Marco Island MSA		
Quarter	FGCU IDI	Ranking
2021 Q2	5.417	3rd
2021 Q1	5.421	3rd
2020 Q2	5.559	1st



Punta Gorda MSA

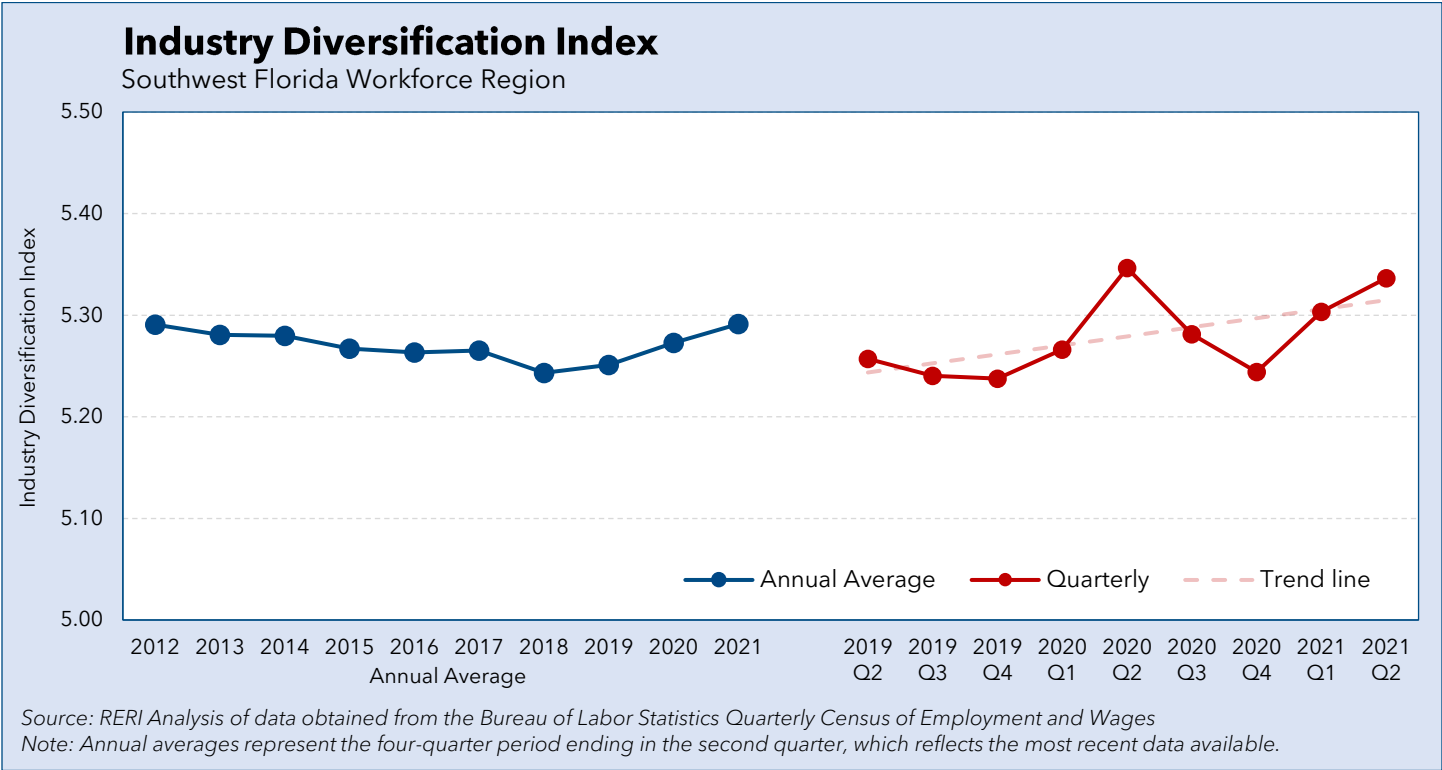
The Punta Gorda *IDI* in the second quarter of 2021 was 4.889, an increase from both the last quarter (revised at 4.861) and the same quarter last year (4.800). The Punta Gorda MSA had the 21st lowest *IDI* in the state of Florida, the same ranking as the previous quarter, but one spot below the second quarter of 2020.

Historically, the Punta Gorda MSA's *IDI* is less seasonal than the other two coastal Southwest Florida MSA's. Because the population in Punta Gorda has one of the highest median ages in the country (second highest median age out of 392 MSAs in the United States¹), the region remains highly concentrated in industries catered towards the elderly, with the trade, transportation, and utilities, education and health services, and leisure and hospitality industries accounting for 59.3 percent of total employment in the second quarter of 2021. The professional and business services industry continued to display notable increases in employment during the second quarter, rising 15.1 percent from the prior quarter and 49.3 percent compared to the second quarter of 2020. The most recent nine-quarter trend suggests that the *IDI* for the MSA is trending upward.

On an annual basis, the average annual *IDI* for the MSA increased to 4.838 for the four-quarter period ending in the second quarter of 2021. The MSA's *IDI* is improving as some sectors continue to grow at a faster pace, such as professional and business services and construction. Some of this growth has been disrupted by the impacts of the Covid-19 pandemic. However, the MSA continues to be the least diverse in Southwest Florida with the top five sectors accounting for 81.3 percent of the employment in the region and the top three accounting for 59.3 percent this quarter. For comparison, the top three industries in Cape Coral-Fort Myers MSA and Naples-Immokalee-Marco Island MSA account for 56.3 and 54.9 percent of total employment, respectively.

FGCU IDI		
Punta Gorda MSA		
Quarter	FGCU IDI	Ranking
2021 Q2	4.889	21st
2021 Q1	4.861	21st
2020 Q2	4.800	20th

¹ Source: U.S. Census Bureau, 2019 American Community Survey 1-year estimates, Table B01002: Median Age by Sex



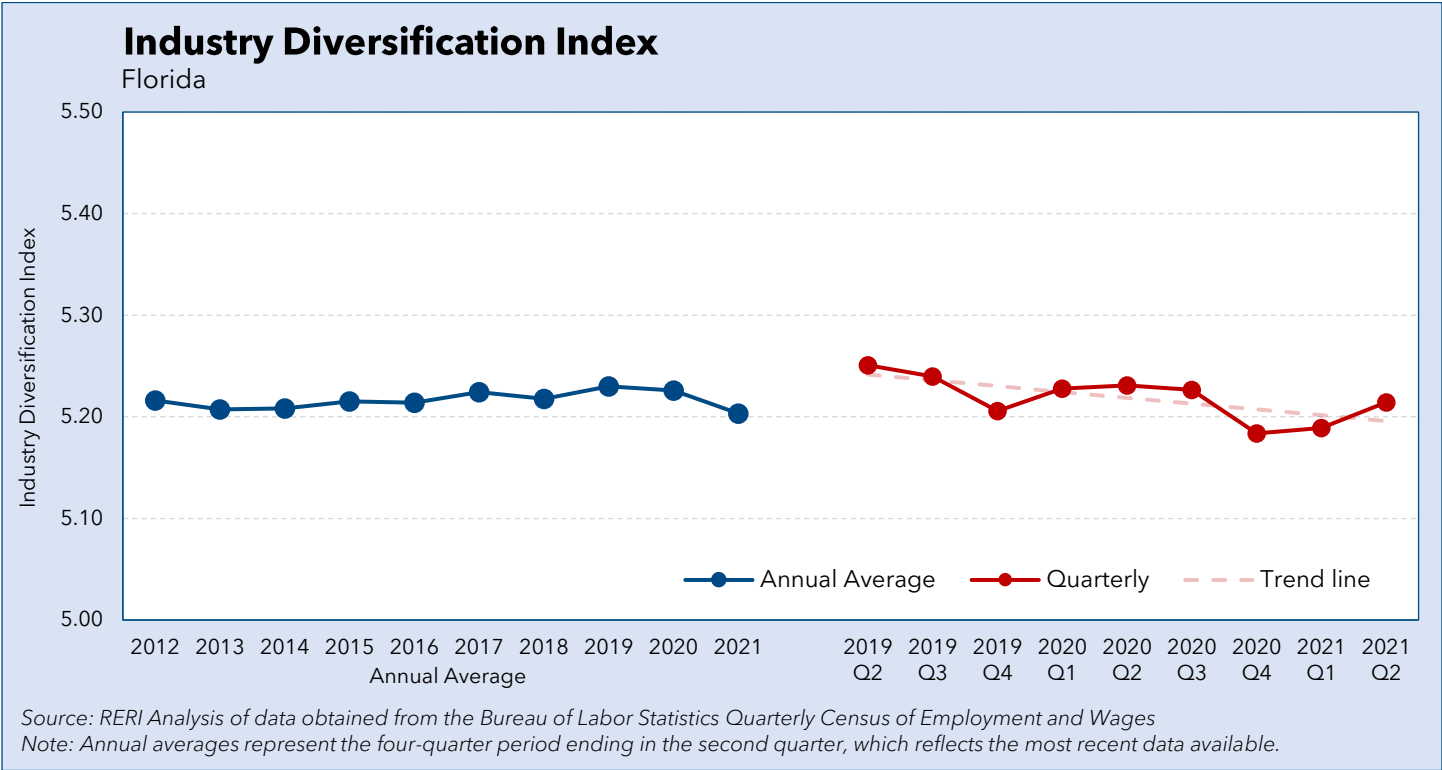
Southwest Florida

The *IDI* for the Southwest Florida workforce region—comprising Charlotte, Collier, Glades, Hendry, and Lee counties—increased in the second quarter of 2021, indicating an increase in workforce diversification for that time period. The workforce region’s *IDI* measured 5.336, an increase from the first quarter of 2021 (revised at 5.303), but a slight decrease from the second quarter of 2020 (5.347). The region ranked as the eighth most diversified workforce region in the state (out of 24 total regions).

FGCU IDI		
Southwest Florida WFR		
Quarter	FGCU IDI	Ranking
2021 Q2	5.336	8th
2021 Q1	5.303	9th
2020 Q2	5.347	10th

The region’s *IDI* has fluctuated since the beginning of the Covid-19 pandemic, when the decline in hospitality and leisure employment forced the measure to spike in the second quarter of 2020. Historically, the region typically experiences higher index measures during the quarters spanning January through June, and lower index measures during the quarters spanning July through December. The higher index measures 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. In return, the increased seasonal demand in these industries create spillover effects for all of the other super sector industries in the region. In addition, the first two quarters of the year are associated with crop harvesting in the region, creating demand in all other sectors of the economy as well. During the second half of the year, there is a higher concentration in fewer industries driven by construction, professional and business services, trade, transportation and utilities, and education and health services.

The average annual *IDI* for the workforce region increased slightly in 2021, measuring at 5.291 for the four-quarter period ending in the second quarter of 2021. The region’s *IDI* steadily declined from 2012 to 2018, before increasing the following three years. This rise in *IDI* was driven by the decline in leisure and hospitality employment, coupled with increases in other industries such as construction and manufacturing.

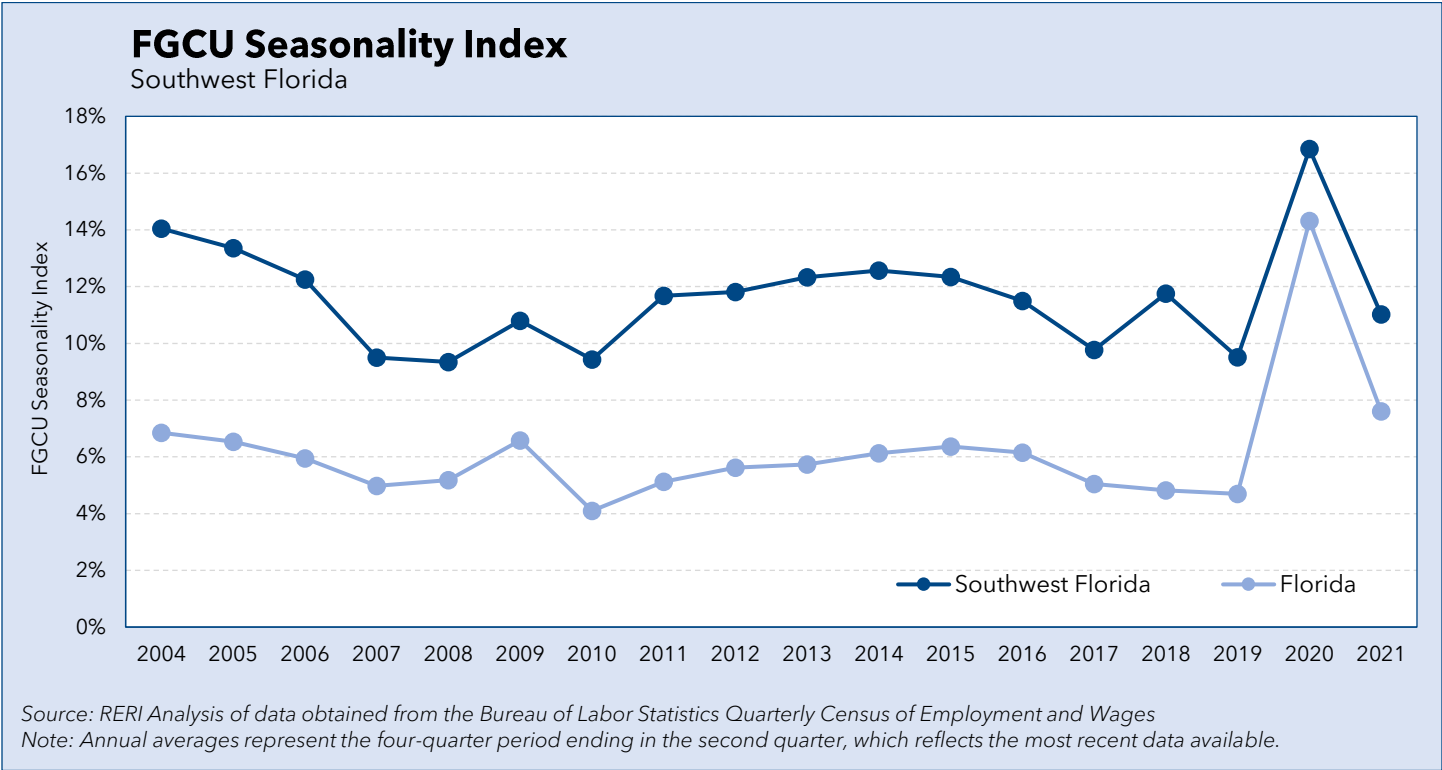


Florida

Florida’s workforce experienced an increase in industry diversification during the second quarter of 2021, while falling in the rankings nationally. Florida’s *IDI* measured at 5.214, up from the first quarter of 2021 (revised at 5.189), but down from the second quarter of 2020 (measured at 5.231). Despite the improvement, Florida’s ranking amongst the states slipped, falling one spot to 21st, behind Texas (5.230) and ahead of Wisconsin (5.198). The state ranks in the fourth position of the Southeast Region, which contains five states in the top 25. The highest *IDI* for the second quarter of 2021 was Washington (5.725), while the worst *IDI* in the nation belonged to Vermont (4.811).

FGCU IDI		
Florida		
Quarter	FGCU IDI	Ranking
2021 Q2	5.214	21st
2021 Q1	5.189	20th
2020 Q2	5.231	20th

Florida has experienced a downward trend in *IDI* since the second quarter of 2019. Over this period, the state had a large decrease in employment from the leisure and hospitality industry due to the ongoing Covid-19 pandemic (down 12.9 percent), while also observing small increases in other industries such as professional and business services and financial activities (up 3.1 and 3.7 percent, respectively). The average annual *IDI* for the state fell slightly in 2021, measuring at 5.203 for the four-quarter period ending in the second quarter of 2021.



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 second quarter of the reported year.

Southwest Florida had a seasonality index of 11.0 percent during the second quarter of 2021, representing the highest index for all 24 workforce regions in the state. Many workforce regions, including Southwest Florida, saw a large spike in seasonality index due to the Covid-19 pandemic and the Florida stay-at-home orders put in place in April 2020. July 2020 represented the lowest employment level for all 24 workforce regions as the state workforce began to slowly recover from the initial impact. The Southwest Florida workforce region continues trend above the state in terms of its seasonality measures.

FGCU Seasonality Index

Four-quarter period ending in the second quarter of 2021

Rank	Workforce Region	Lowest		Highest		FGCU Seasonality Index
		Employment	Month	Employment	Month	
1	Southwest Florida	435,860	July	489,856	April	11.0%
2	Pasco Hernando	153,124	July	170,815	May	10.4%
3	Heartland	49,891	July	55,335	April	9.8%
4	Central Florida	1,107,965	July	1,227,115	May	9.7%
5	Flagler Volusia	181,984	July	201,188	March	9.5%
6	Polk	222,916	July	244,829	March	9.0%
7	Suncoast	274,838	July	301,703	May	8.9%
8	Research Coast	186,963	July	203,560	March	8.2%
--	Florida	8,099,077	July	8,765,856	May	7.6%
9	South Florida	1,064,107	July	1,148,837	May	7.4%
10	Tampa Bay	655,097	July	704,049	May	7.0%
11	Chipola	27,330	July	29,350	December	6.9%
12	Palm Beach County	560,464	July	601,175	May	6.8%
13	Florida Crown	32,387	July	34,689	November	6.6%
14	Northeast Florida	660,572	July	707,222	December	6.6%
15	Okaloosa Walton	110,381	July	118,131	May	6.6%
16	Broward	737,947	July	788,786	May	6.4%
17	Capital Region	161,759	July	172,849	April	6.4%
18	North Central Florida	130,844	July	139,793	December	6.4%
19	Gulf Coast	79,216	July	84,045	June	5.7%
20	Citrus Levy Marion	140,603	July	149,124	December	5.7%
21	Pinellas	408,602	July	432,196	May	5.5%
22	Brevard	212,366	July	223,485	June	5.0%
23	Escarosa	169,911	July	178,497	May	4.8%
24	North Florida	27,715	July	28,951	May	4.3%

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 2020 and ending in the second quarter of 2021.

Methodology

The *IDI* is calculated using the following formula, which can be interpreted as a Gini Index, i.e., a measurement of how equal the distribution of employment is among the different sectors in a region. The index spans from 0 to 10 and encompass the 12 NAICS super-sectors. A measure of 0 indicates a completely specialized economy, while 10 indicates an economy that is not concentrated in a particular industry.

$$IDI = 10 * \left[1 - \frac{\sum_{i=1}^{12} (2i - n - 1)x_i}{n \sum_{i=1}^{12} x_i} \right]$$

Where n is the number of industries, x_i is the share of employment in industry i , and i is the rank of industries by employment share in ascending order.

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