

INDUSTRY DIVERSIFICATION REPORT

SECOND QUARTER, 2022 • Vol. 7, No. 2

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Executive Summary

MSA's

- The Cape Coral-Fort Myers MSA ranked 16th 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 5.075 for the four-quarter period ending in the fourth 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 decreased in 2021, measuring at 5.418 for the four-quarter period ending in the fourth quarter of 2021.
- The Punta Gorda MSA became the 20th most diverse MSA in the state. The average annual *IDI* for Punta Gorda also increased in 2021, measuring at 4.878 for the four-quarter period ending in the fourth quarter of 2021.
- The Tallahassee MSA recorded the highest *IDI* in the fourth quarter of 2021 (5.786), while the lowest *IDI* belonged to the Homosassa Springs MSA (4.689).

Southwest Florida

- Industry diversification in Southwest Florida decreased to 5.264 in the fourth quarter of 2021, ranking 9th out of all 24 workforce regions.
- The average annual *IDI* for the region slightly decreased to 5.279 for the four-quarter period ending in the fourth quarter of 2021.
- The Capital Region workforce region had the highest *IDI* for the fourth quarter of 2021 (measured at 5.781), while the Pasco Hernando workforce region had the lowest (measured at 4.802).

Florida

- Industry diversification for the state of Florida fell to 5.184 for the fourth quarter of 2021, ranking it 22nd out of 50 states.
- The average annual *IDI* for the state declined slightly to 5.204 for the four-quarter period ending in the fourth quarter of 2021.
- Washington, Colorado, and Oregon had the three highest quarterly *IDI* measures, while Arkansas, Connecticut, and Mississippi had the three lowest *IDI* measures.
- The *IDI* for the United States was 5.276 for the fourth quarter of 2021.

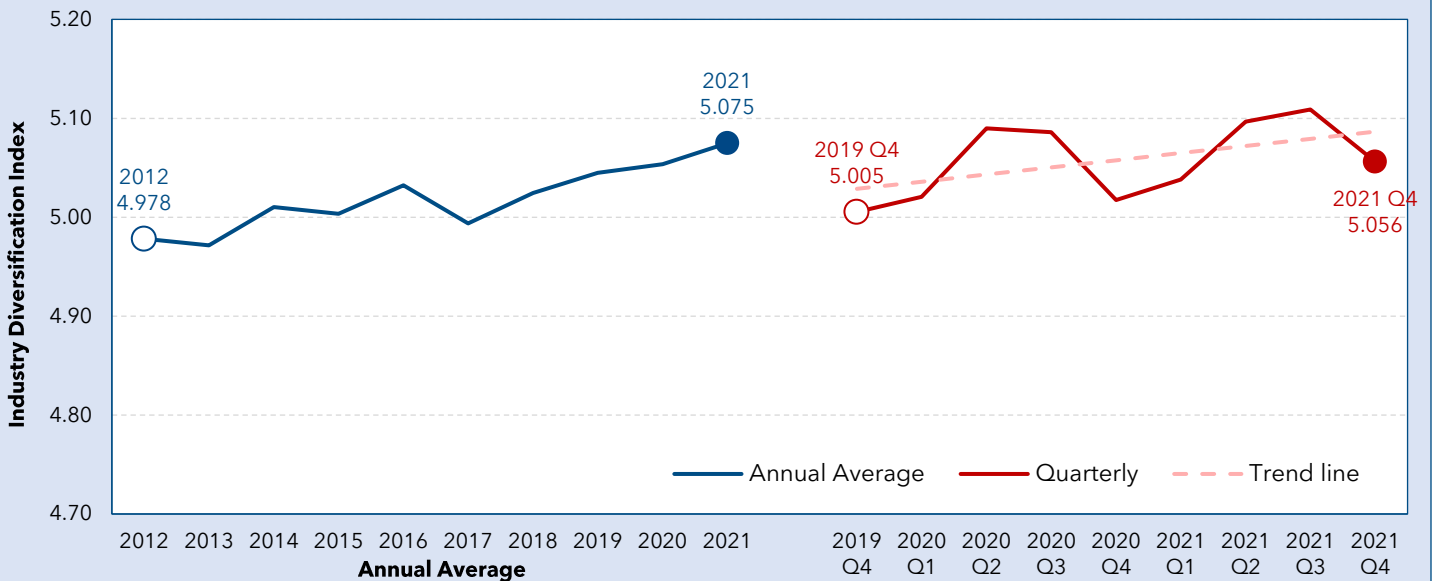
Seasonality

- Southwest Florida ranked as the 5th most seasonal workforce region in the state for the 12-month period between January 2021 and December 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/eri/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*.

Industry Diversification Index

Cape Coral-Fort Myers MSA



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

Cape Coral-Fort Myers MSA

The Cape Coral-Fort Myers FGCU Industry Diversification Index (IDI) decreased in the fourth quarter of 2021, registering at 5.056. This was a decrease from the third quarter of 2021 (revised at 5.109), and an increase from the same quarter in the previous year (5.017). In addition to a quarterly decrease, the MSA went down two positions in the rankings, registering as the 16th 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.

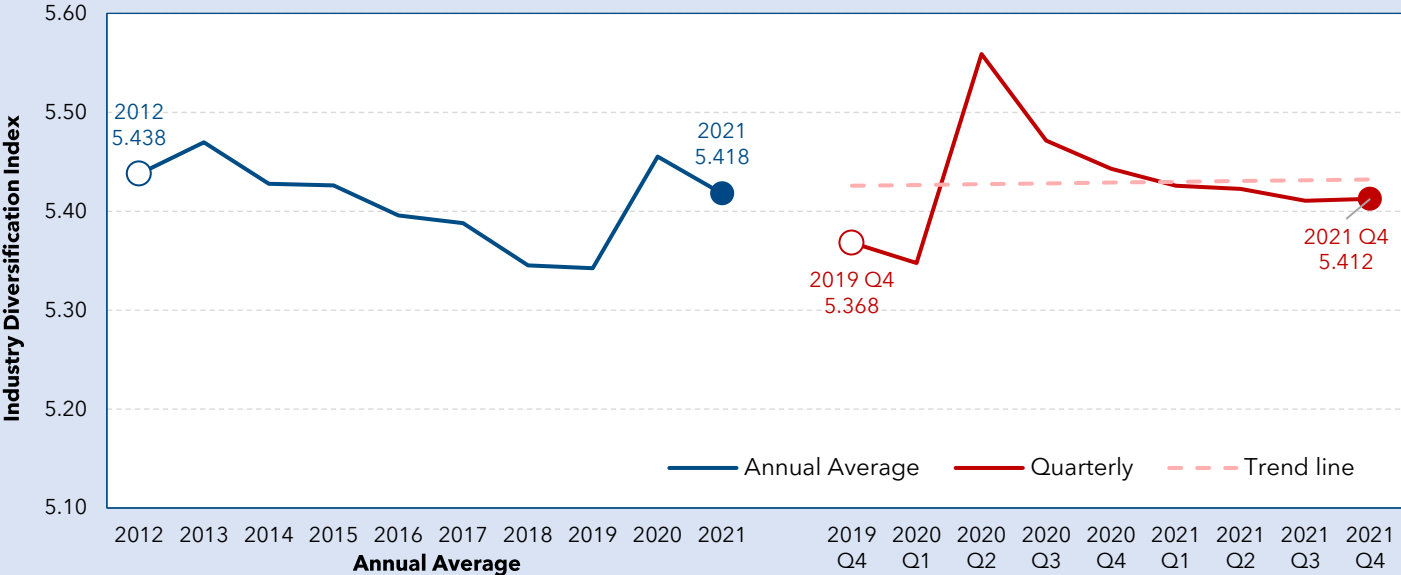
FGCU IDI		
Cape Coral-Fort Myers MSA		
Quarter	FGCU IDI	Ranking
2021 Q4	5.056	16th
2021 Q3	5.109	14th
2020 Q4	5.017	18th

The IDI rising for the Cape Coral-Fort Myers MSA goes with the usual trend we expect during the fourth 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. While the distribution of employment amongst all the industries remained relatively consistent from the third to the fourth quarter of 2021, the three industries with the largest share of employment (trade, transportation and utilities, leisure and hospitality, and education and health services) all saw increases of concentration over the period. As a result, the share of total employment in all other industries either remained the same or decreased. The nine-quarter trend for the MSA continues to increase, suggesting an improvement in the IDI in the short-run.

The average annual IDI for the MSA continued to improve in 2021, measuring 5.075 for the four-quarter period ending in the fourth quarter of 2021. The MSA has seen a steady increase in industrial diversification since 2012, notwithstanding declines observed in both 2013 and 2017. The rise in the IDI coincides with substantive gains in employment in the leisure and hospitality industry (up 10.7 percent compared to 2020), professional and business services industry (up 9.8 percent) and construction industry (up 7.8 percent).

Industry Diversification Index

Naples-Immokalee-Marco Island MSA



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

Naples-Immokalee-Marco Island MSA

The Naples-Immokalee-Marco Island *IDI* slightly increased in the fourth quarter of 2021, with an *IDI* of 5.412 – a very small increase from the third quarter of 2021 revised measure (5.411), but a decrease from the fourth quarter of 2020 (5.443). The Naples-Immokalee-Marco Island MSA managed to maintain its ranking as the 3rd most diversified MSA in the state for the quarter.

The fourth quarter of 2021 marked the first increase in the *IDI* for the MSA,

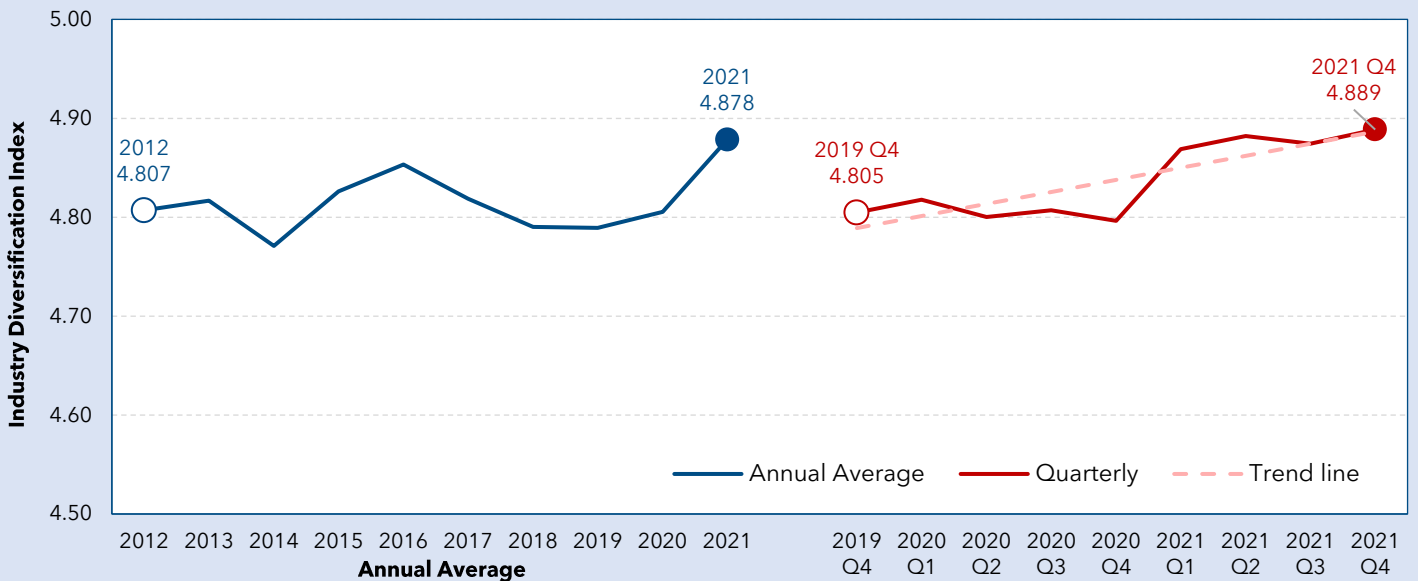
following five consecutive declines. The two largest industries in the area (leisure and hospitality and trade, transportation and utilities) both saw increases in employment, rising 5.8 and 11.5 percent from the previous quarter, respectively. The only two industries with a higher growth rate from quarter to quarter were natural resources and mining industry (ranked 10th overall) and the unclassified industries (ranked 12th), rising 48.6 and 358.0 percent. The only industry to see a decline in employment was public administration (ranked 8th), declining 1.1 percent.

The average annual *IDI* for the MSA declined in 2021, measuring at 5.418 for the four-quarter period ending in the fourth quarter of 2021. Despite the decline, the average annual *IDI* for the MSA remained higher than both the Cape Coral-Fort Myers and Punta Gorda MSAs. The decline in 2021 was largely fueled by increases in employment in the largest industries (including trade, transportation and utilities, leisure and hospitality, and education and health services), coinciding with declines for the smaller industries (including public administration, natural resources and mining, and information).

FGCU IDI		
Naples-Immokalee-Marco Island MSA		
Quarter	FGCU IDI	Ranking
2021 Q4	5.412	3rd
2021 Q3	5.411	3rd
2020 Q4	5.443	3rd

Industry Diversification Index

Punta Gorda MSA



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

Punta Gorda MSA

The Punta Gorda *IDI* in the fourth quarter of 2021 was 4.889, an increase from both the last quarter (revised at 4.874) and the same quarter last year (4.796). The Punta Gorda MSA had the 20th highest *IDI* in the state of Florida, a singular ranking increase from both the previous quarter and the same quarter the previous year.

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 60.8 percent of total employment in the fourth quarter of 2021. Most industries in Punta Gorda saw an increase in employment levels from the third to fourth quarter of 2021, with the exception of education and health services, public administration, and information. The most recent nine-quarter trend suggests that the *IDI* for the MSA is trending upward.

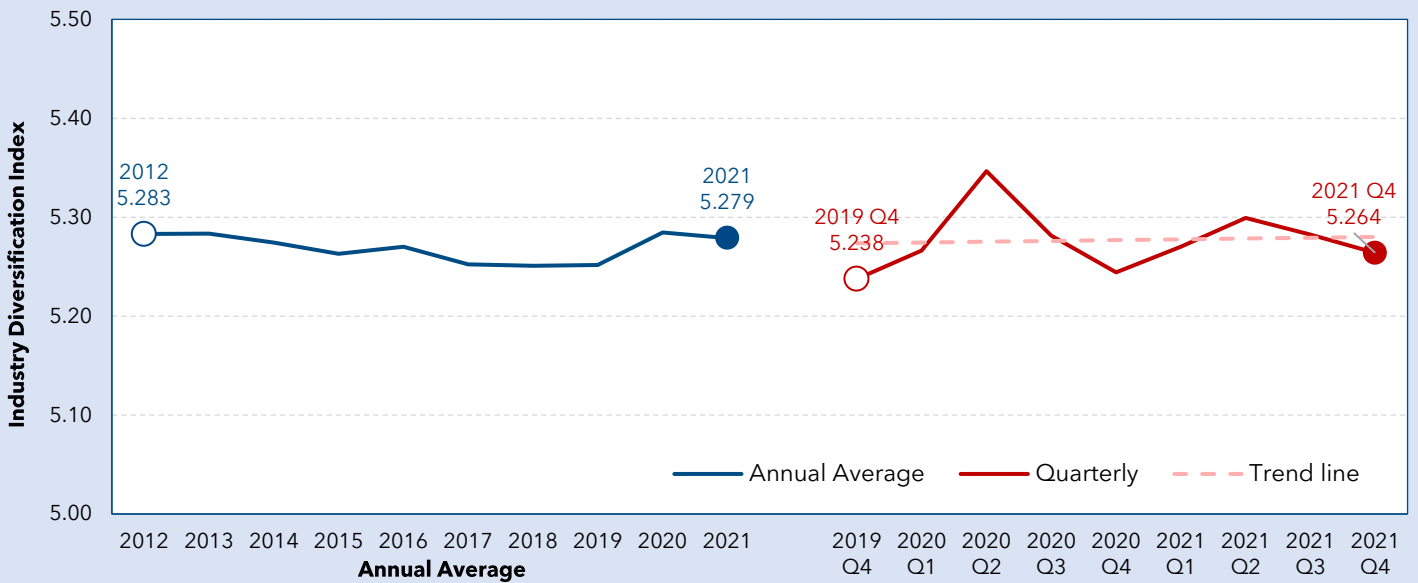
On an annual basis, the average annual *IDI* for the MSA increased to 4.878 for the four-quarter period ending in the fourth quarter of 2021. The MSA's *IDI* is improving as some sectors continue to grow at a faster pace, such as professional and business services, construction and leisure and hospitality. However, the MSA continues to be the least diverse in Southwest Florida with the top five sectors accounting for 80.7 percent of the employment in the MSA and the top three accounting for 60.9 percent. For comparison, the top three industries in Cape Coral-Fort Myers MSA and Naples-Immokalee-Marco Island MSA account for 56.6 and 54.8 percent of total employment, respectively.

FGCU IDI Punta Gorda MSA		
Quarter	FGCU IDI	Ranking
2021 Q4	4.889	20th
2021 Q3	4.874	21st
2020 Q4	4.796	21st

¹ Source: U.S. Census Bureau, 2020 American Community Survey 5-year estimates, Table B01002: Median Age by Sex

Industry Diversification Index

Southwest Florida Workforce Region



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

Southwest Florida

The *IDI* for the Southwest Florida workforce region—comprising Charlotte, Collier, Glades, Hendry, and Lee counties—decreased in the fourth quarter of 2021, indicating a decrease in workforce diversification for that time period. The workforce region’s *IDI* measured 5.264, a decline from the third quarter of 2021 (revised at 5.282), but a slight increase from the fourth quarter of 2020 (5.244). Despite the decline, the region remained the ninth most diversified workforce region in the state (out of 24 total regions).

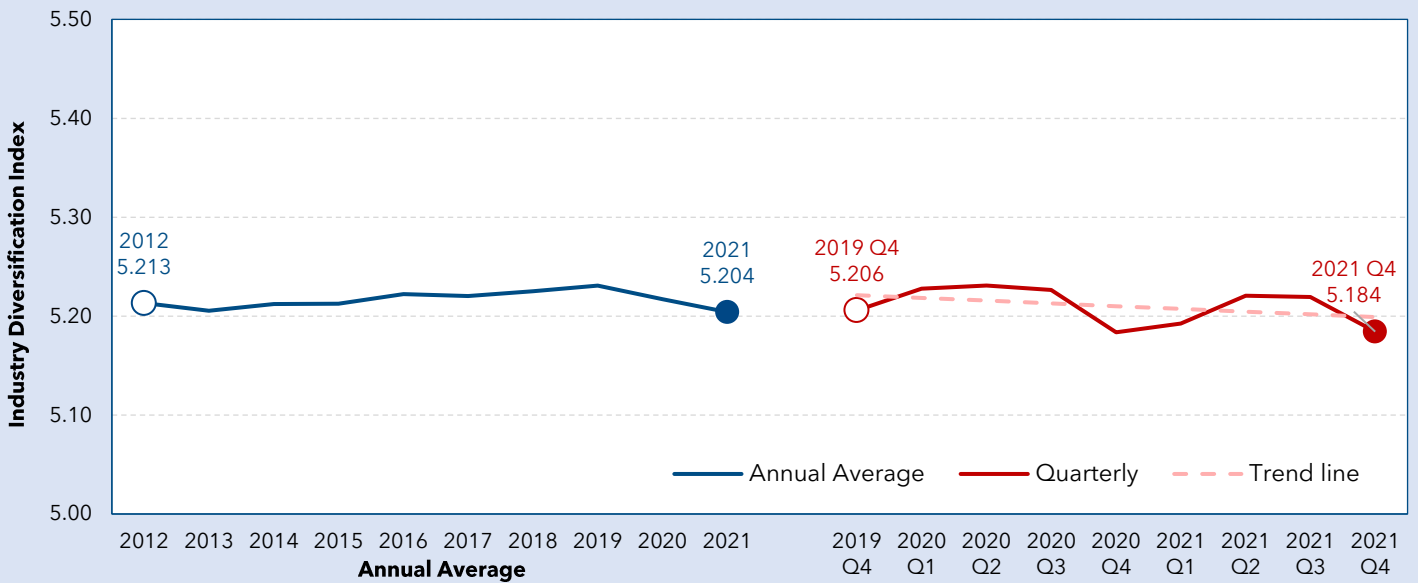
FGCU IDI Southwest Florida WFR		
Quarter	FGCU IDI	Ranking
2021 Q4	5.264	9th
2021 Q3	5.282	9th
2020 Q4	5.244	12th

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 decreased slightly in 2021, measuring at 5.279 for the four-quarter period ending in the fourth 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, professional and business services and manufacturing.

Industry Diversification Index

Florida



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
 Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

Florida

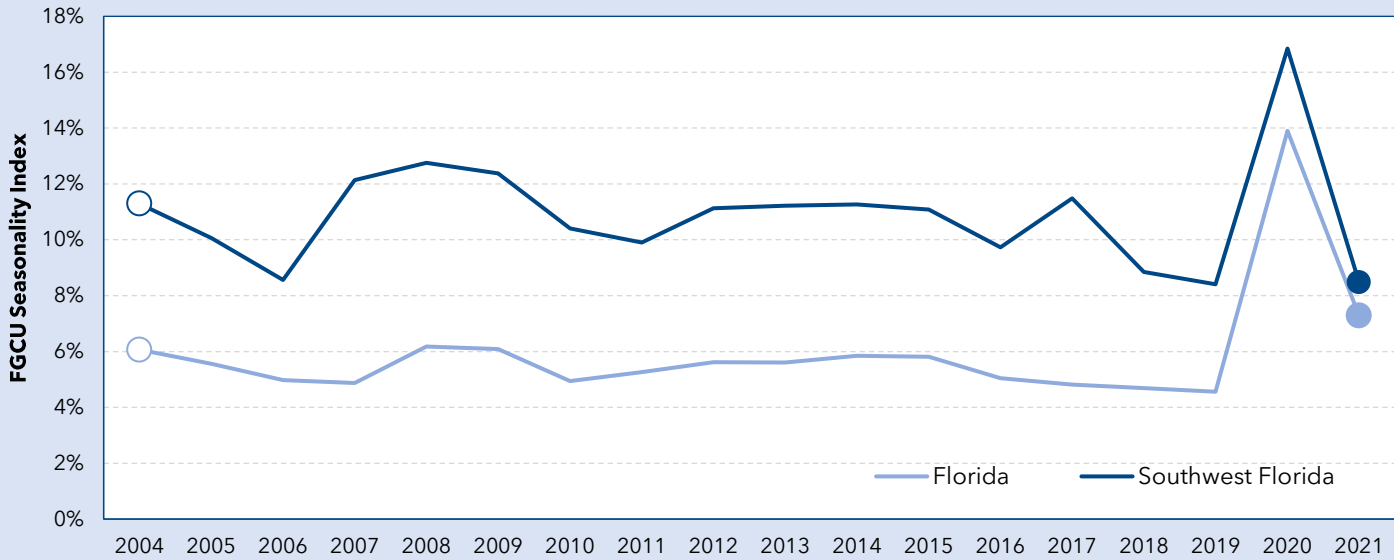
Florida’s workforce experienced a decrease in industry diversification during the fourth quarter of 2021, while also rising in the rankings nationally. Florida’s *IDI* measured at 5.184, down from the third quarter of 2021 (revised at 5.219), but the same as the fourth quarter of 2020 (measured at 5.184). Despite the decline, Florida’s ranking amongst the states increased significantly, rising five spots to 22nd, behind Hawaii (5.192) and ahead of New Mexico (5.139). The state rank remains in the fourth position of the Southeast Region, which contains five states in the top 25. The highest *IDI* for the fourth quarter of 2021 was Washington (5.683), while the worst *IDI* in the nation belonged to Mississippi (4.874).

FGCU IDI		
Florida		
Quarter	FGCU IDI	Ranking
2021 Q4	5.184	22nd
2021 Q3	5.219	27th
2020 Q4	5.184	21st

Florida has experienced a fluctuating trend in *IDI* since the fourth quarter of 2019. Over the past nine quarters, the state had a decrease in employment from the leisure and hospitality industry due to the ongoing Covid-19 pandemic (down 5.9 percent), while also observing smaller decreases in other industries such as education and health services and public administration. Over the same period, the region has seen improvements in employment for the trade, transportation and utilities industry, professional and business services industry, and financial activities industry. The average annual *IDI* for the state fell slightly in 2021, measuring at 5.204 for the four-quarter period ending in the fourth quarter of 2021.

FGCU Seasonality Index

Southwest Florida



Source: RERI Analysis of data obtained from the Bureau of Labor Statistics Quarterly Census of Employment and Wages
Note: Annual averages represent the four-quarter period ending in the fourth quarter, which reflects the most recent data available.

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 8.5 percent during the fourth quarter of 2021, representing the fifth highest index for all 24 workforce regions in the state. Over the 12-month period, half of the workforce regions experienced the lowest level of employment in January 2021. The Southwest Florida workforce region continues a trend above the state in terms of its seasonality measures.

FGCU Seasonality Index

Four-quarter period ending in the fourth quarter of 2021

Rank	Workforce Region	Lowest		Highest		FGCU Seasonality Index
		Employment	Month	Employment	Month	
1	Chipola	22,916	October	28,848	April	20.6%
2	Heartland	44,008	October	55,335	April	20.5%
3	Central Florida	1,181,153	January	1,328,863	December	11.1%
4	Pasco Hernando	163,156	June	179,364	December	9.0%
5	Southwest Florida	470,181	June	513,695	December	8.5%
6	South Florida	1,121,843	January	1,218,190	December	7.9%
7	Suncoast	293,376	June	317,431	December	7.6%
8	Research Coast	197,319	June	213,272	December	7.5%
--	Florida	8,576,487	January	9,249,873	December	7.3%
9	Palm Beach County	587,355	January	633,074	December	7.2%
10	Tampa Bay	692,580	January	744,633	December	7.0%
11	Capital Region	169,224	January	181,369	November	6.7%
12	Flagler Volusia	193,413	July	207,068	November	6.6%
13	Polk	235,591	June	251,710	November	6.4%
14	Florida Crown	31,993	July	34,152	May	6.3%
15	Broward	774,400	January	826,508	December	6.3%
16	Northeast Florida	693,742	January	739,175	December	6.1%
17	Pinellas	423,515	January	447,754	December	5.4%
18	Citrus Levy Marion	147,150	January	155,507	December	5.4%
19	Okaloosa Walton	112,059	January	118,393	August	5.3%
20	Gulf Coast	80,072	January	84,337	November	5.1%
21	North Florida	27,738	July	29,163	November	4.9%
22	North Central Florida	135,295	June	142,124	November	4.8%
23	Escarosa	173,669	January	182,309	December	4.7%
24	Brevard	220,135	January	229,868	December	4.2%

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 first quarter of 2020 and ending in the fourth 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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