



**LAKE COUNTY**  
**FLORIDA**

**2016 Economic Outlook**  
**Economic Growth Department**

**January 19, 2016**

# 2016 Economic Outlook

## Purpose of Presentation



Provide a historical overview and forecast for national, state and local economic indicators to be considered as part of the FY17 budget process

# 2016 Economic Outlook

## Presentation Outline



- A. National Overview
- B. National Economic Indicator Forecasts
- C. State, Regional, Local Overview
- D. State, Regional, Local Economic Indicator Forecast Comparative Analysis
- E. Summary

# 2016 Economic Outlook

## National Overview



## National Overview

# 2016 Economic Outlook

## National Overview



- 6.5 years into current recovery
- Fundamentals are different from previous recoveries:
  - Pace of growth settled around 2.0-2.5%, reflecting downshift in both labor force and productivity
  - Unemployment has declined quickly, yet labor compensation has remained stagnant
  - Equipment spending has settled into a lower pace of growth despite consistently low interest rates
  - Housing credit has become more restrictive on supply side
  - Millennial generation has raised demand for urban housing
  - Continued low inflation and interest rates

# 2016 Economic Outlook

## National Overview



- Growth in 2015 was relatively consistent with 2014 despite plunge in oil prices
- Consumer spending was largest contributor to economic growth
- Net exports were a drag on economic growth due to the gaining strength of the dollar
- Profits are increasing, but rising labor costs limited those increases
- Sectors of economy tied to global economy have experienced challenges, a trend which should continue

# 2016 Economic Outlook

## National Overview



- U.S. economy entered 2016 with positive momentum, and has once again returned to its role as the main driver of the global economy
- Less job growth in 2016, but higher job quality with greater compensation gains
- Improvement in employment and earnings should support consumer confidence and household formation
- Concerns over Chinese economy and 2016 presidential election will impact 2016 growth



## National Economic Indicator Forecast

*GDP*

*Interest Rates*

*Inflation*

*Business Spending*

*Energy*

*Retail*

# 2016 Economic Outlook

## National Forecast – GDP



## National Forecast *GDP*

# 2016 Economic Outlook

## National Forecast – GDP



- Real GDP growth in 2015 slightly topped the average of the 6.5 year recovery at 2.4%
- Domestic demand is poised to grow solidly in 2016
- Consumer spending which makes up 2/3 of GDP will drive growth
- Strong U.S. dollar will continue to discourage exports while encouraging imports
- Slowdown in China will be a drag
- Overall GDP should increase 2.5% in 2016 and 2.6% in 2017

# 2016 Economic Outlook

## National Forecast – GDP



### Gross Domestic Product



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Interest Rates



## National Forecast *Interest Rates*

# 2016 Economic Outlook

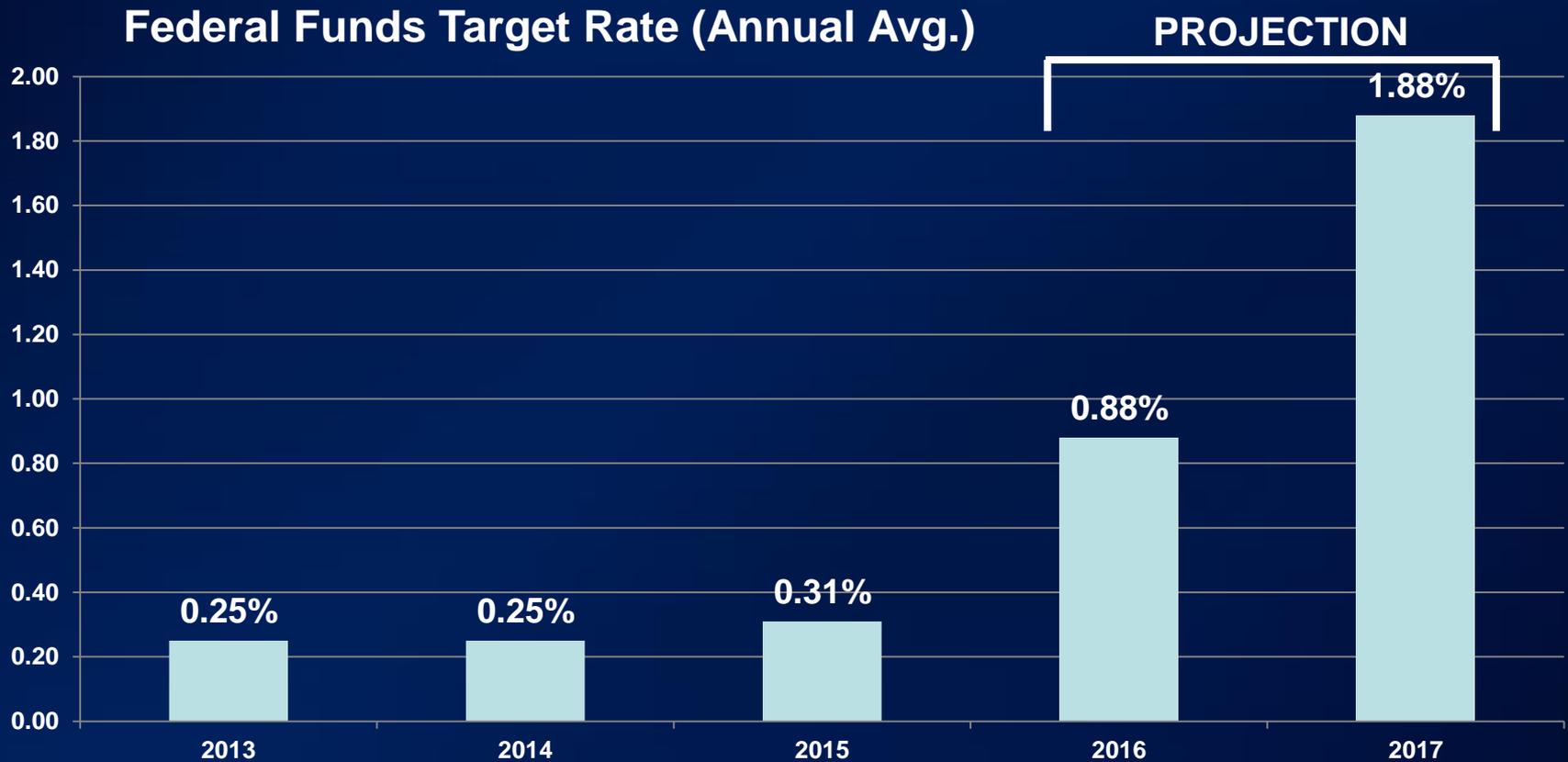
## National Forecast – Interest Rates



- Federal Reserve raised short term interest rates to 0.25%-0.5% in December 2015 (1<sup>st</sup> in 9 years)
- Increase tied to improved labor market conditions and small upward trend in inflation rate
- Economy is finally strong enough to withstand a rate increase
- Long term rates are likely to stay relatively low due to attractiveness of U.S. Treasuries
- Future modest gains in short term rates are expected in 2016

# 2016 Economic Outlook

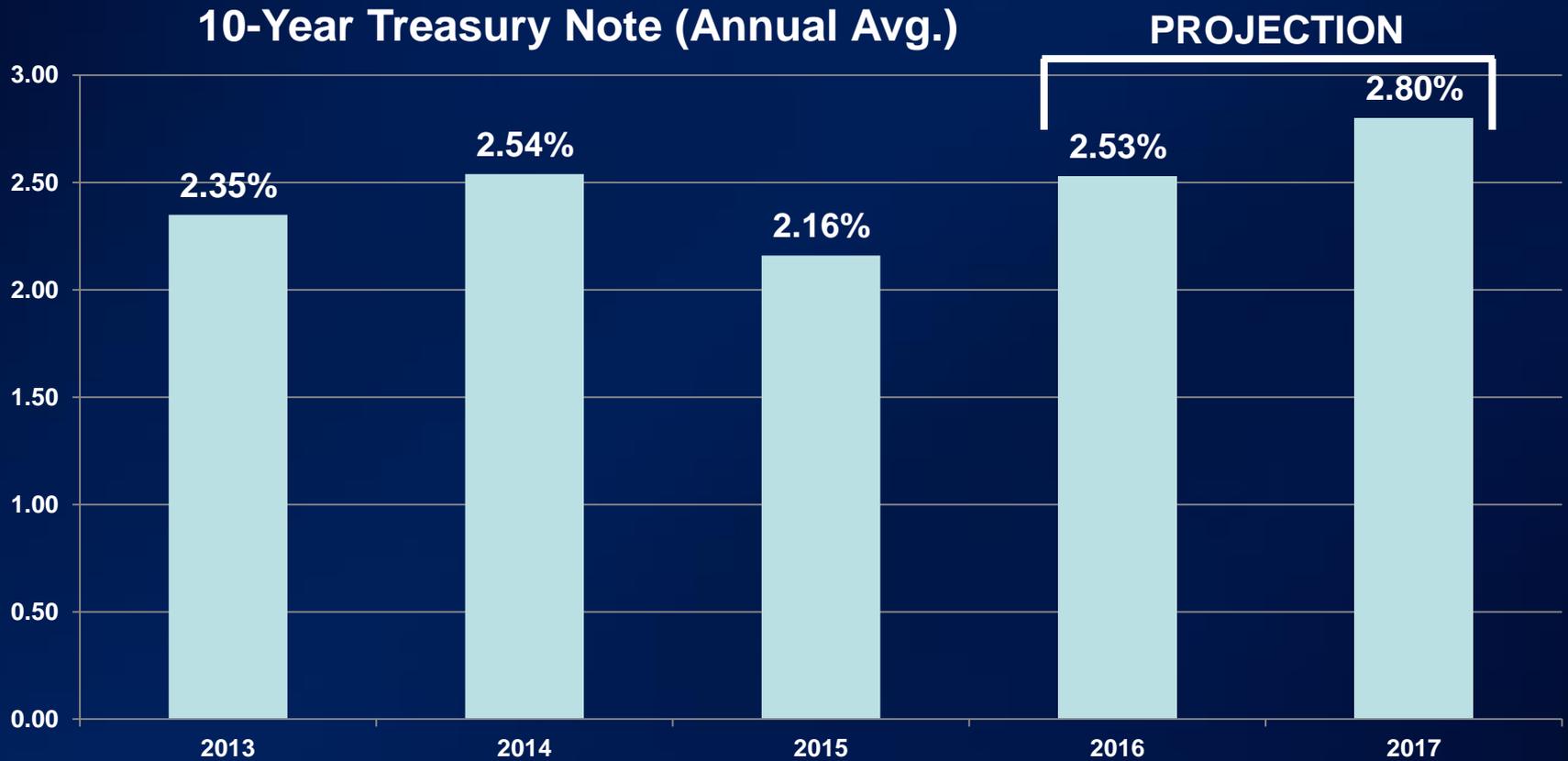
## National Forecast – Interest Rates



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Interest Rates



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Inflation



## National Forecast *Inflation*

# 2016 Economic Outlook

## National Forecast – Inflation



- Inflation in 2015 was relatively flat at 0.7%
- Expectations are for increased inflation in 2016
- Declines in energy prices should end and medical care costs should increase
- In 2015, food prices were impacted by the worldwide decline in commodity prices, these pressures should subside dramatically in 2016
- Prices for services should rise 3% to 4% in 2016
- “Core” rate of inflation should exceed 2% in 2016 and 2017

# 2016 Economic Outlook

## National Forecast – Inflation



### "Core" Consumer Price Index



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Business Spending



### National Forecast *Business Spending*

# 2016 Economic Outlook

## National Forecast – Business Spending



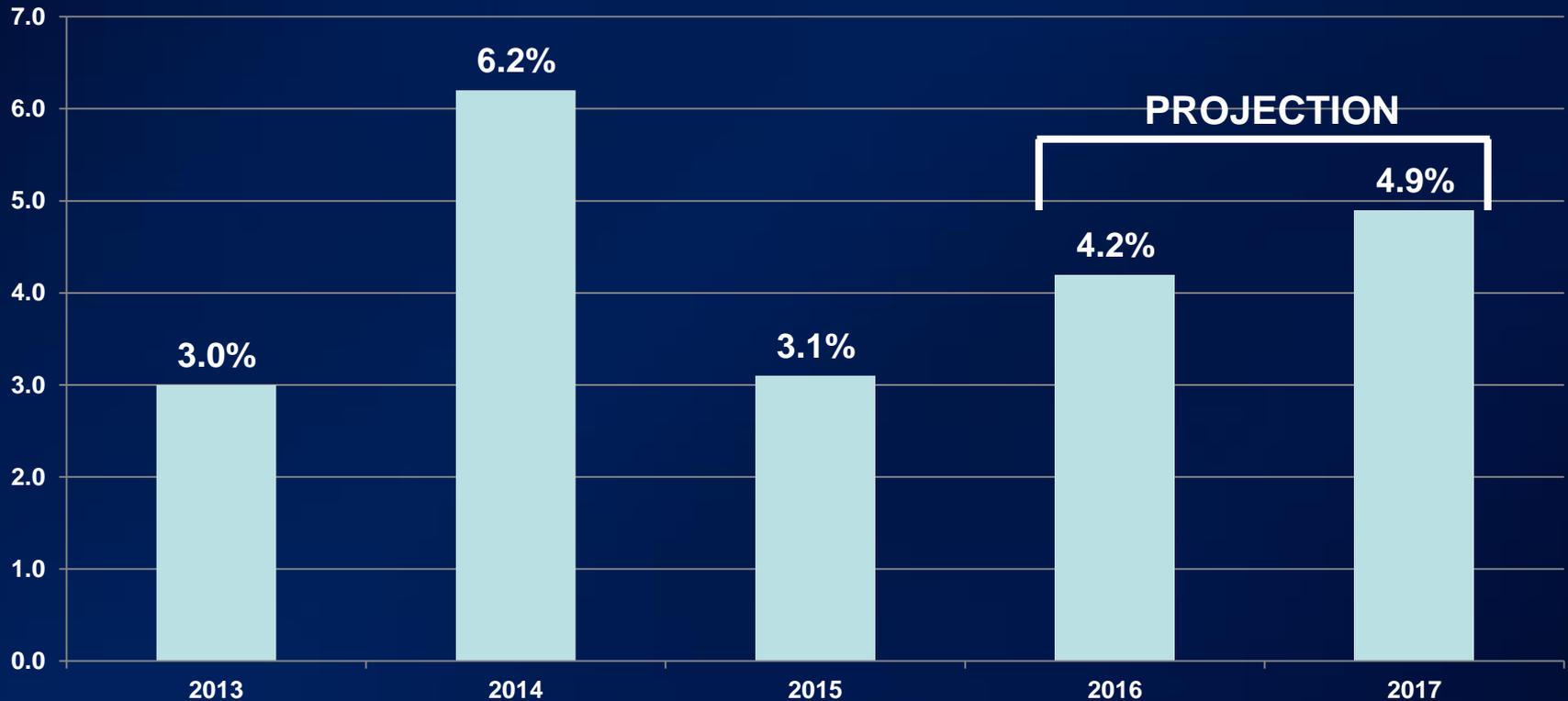
- Modest increase in 2016 is expected after a flat 2015
- Pre-great recession spending gains were in the double digits each year compared to 4% average over last 3
- Spending in 2015 was heavily impacted by a pullback in spending by buyers of manufactured goods, but worst of spending cuts appears to be over
- New orders, excluding aircraft, increased substantially in the 4<sup>th</sup> quarter of 2015
- Domestic demand for goods is increasing
- 4.2% increase expected in 2016

# 2016 Economic Outlook

## National Forecast – Business Spending



### Business Fixed Investment (CAGR)



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Energy



## National Forecast *Energy*

# 2016 Economic Outlook

## National Forecast – Energy



- Crude oil prices have fallen 50% since Spring of 2015
- Lowest prices in nearly a decade, caused by:
  - Oversupply
  - Strong dollar
  - Global slowdown (China especially)
  - Middle East tensions limits collaboration for cutbacks
  - Technology enhancements = more extraction, less expenses
- Output has been trending lower for months which should limit further declines
- Gas prices unlikely to fall much further
- Crude oil expected to be relatively flat in 2016 before a slight improvement in 2017

# 2016 Economic Outlook

## National Forecast – Energy



Crude Oil (\$ per barrel; Annual Avg.)



Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast – Retail



# National Forecast *Retail*

# 2016 Economic Outlook

## National Forecast – Retail



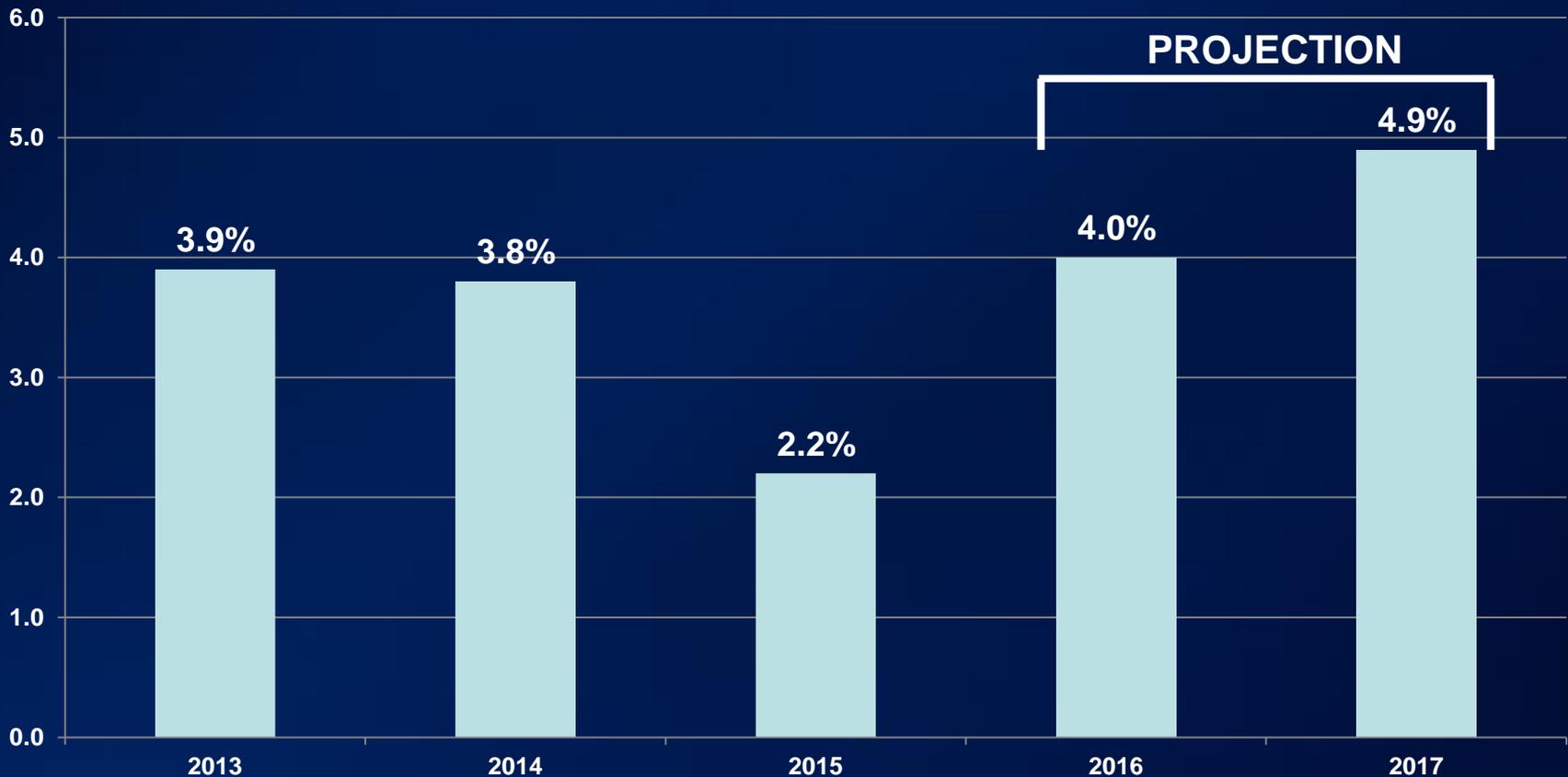
- Buoyed by job growth and cheap gasoline, consumer spending drove the U.S. economy in 2015 and should continue to do so in 2016
- Sales of clothing, electronics and sporting goods, as well as groceries and personal items finished the year very strong
- Holiday spending is expected to have climbed over 3% higher than 2014
- Retail sales should grow by over 4% in 2016 and 2017

# 2016 Economic Outlook

## National Forecast – Retail



### Retail Sales (Yr/Yr % Growth)



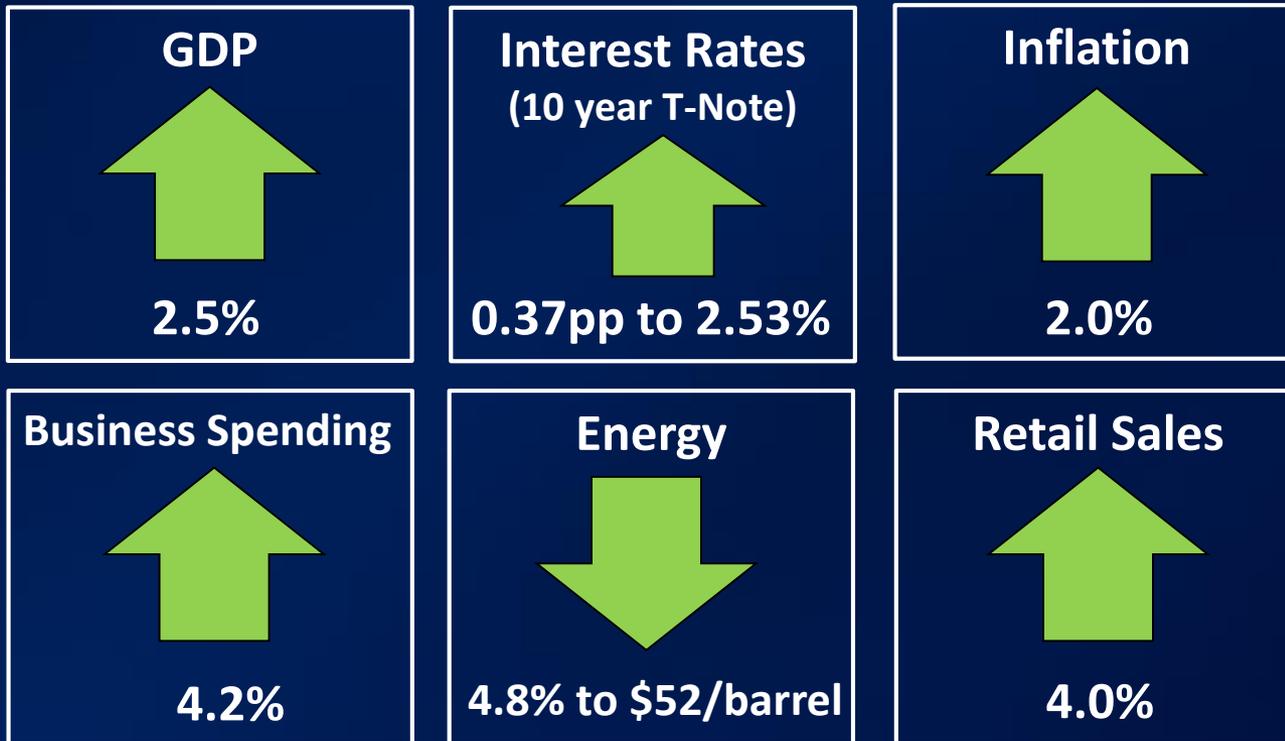
Source: Wells Fargo, 2016 Economic Outlook. Kiplinger, 2016 Economic Outlook.

# 2016 Economic Outlook

## National Forecast



### 2016 National Forecast Summary



# 2016 Economic Outlook

## State, Regional & Local Overview



## State, Regional & Local Overview

# 2016 Economic Outlook

## State, Regional & Local Overview



### FLORIDA

- Florida's recession ended in 2012
- Real Gross State Product (GSP) improved only 1.7% during the first year of the recovery
- In 2013, the economy accelerated at a rate of 2.5% due to rising consumer confidence, an improving housing market, population growth and labor market repair
- Continued improvement with these factors led to the 3.3% growth experienced in 2015

# 2016 Economic Outlook

## State, Regional & Local Overview



### FLORIDA

- Growth in Florida is expected to be solid, but not spectacular over the next few years.
- GSP should outpace the national average
- Positive factors include:
  - Continued diversification of economy with substantial growth in the professional and business services, health care, manufacturing and technology sectors
  - Housing market improvement
  - Job growth gains
  - Labor force improvement

# 2016 Economic Outlook

## State, Regional & Local Overview



### Orlando MSA

- Lake, Orange, Osceola and Seminole Counties
- Will show varying strengths and weaknesses in 2016
- Job growth, population growth and Gross Metro Product will all be top 3 for metro areas in the state and will outpace national averages
- Wages continue to lag behind national averages
- Technology and business services sectors are experiencing significant growth, as well as health care

# 2016 Economic Outlook

## State, Regional & Local Overview



### Lake County

- Lake County is poised for significant gains in 2016
- 2015 saw job growth and labor force growth return to pre-recession norms
- Lake County's unemployment rate dropped below the state average despite a substantial increase in labor force participation
- Residential permit activity continues to rebound and is quickly approaching pre-recession norms
- Wages continue to lag, but growth has been in line with regional and statewide averages

# 2016 Economic Outlook

## State, Regional & Local Overview



### Lake County

- MSA population growth continues to shift development pressures towards Lake County
- Ample supply, low costs and increased transportation connectivity have increased Lake County's attractiveness as both a residential and commercial destination
- Current planning efforts will have a marked effect on quality and volume of future growth
- New business formations are increasing and regional rebranding efforts are beginning to have an impact
- Job growth and wage improvement are expected to improve relative to the region



## Comparative Forecast

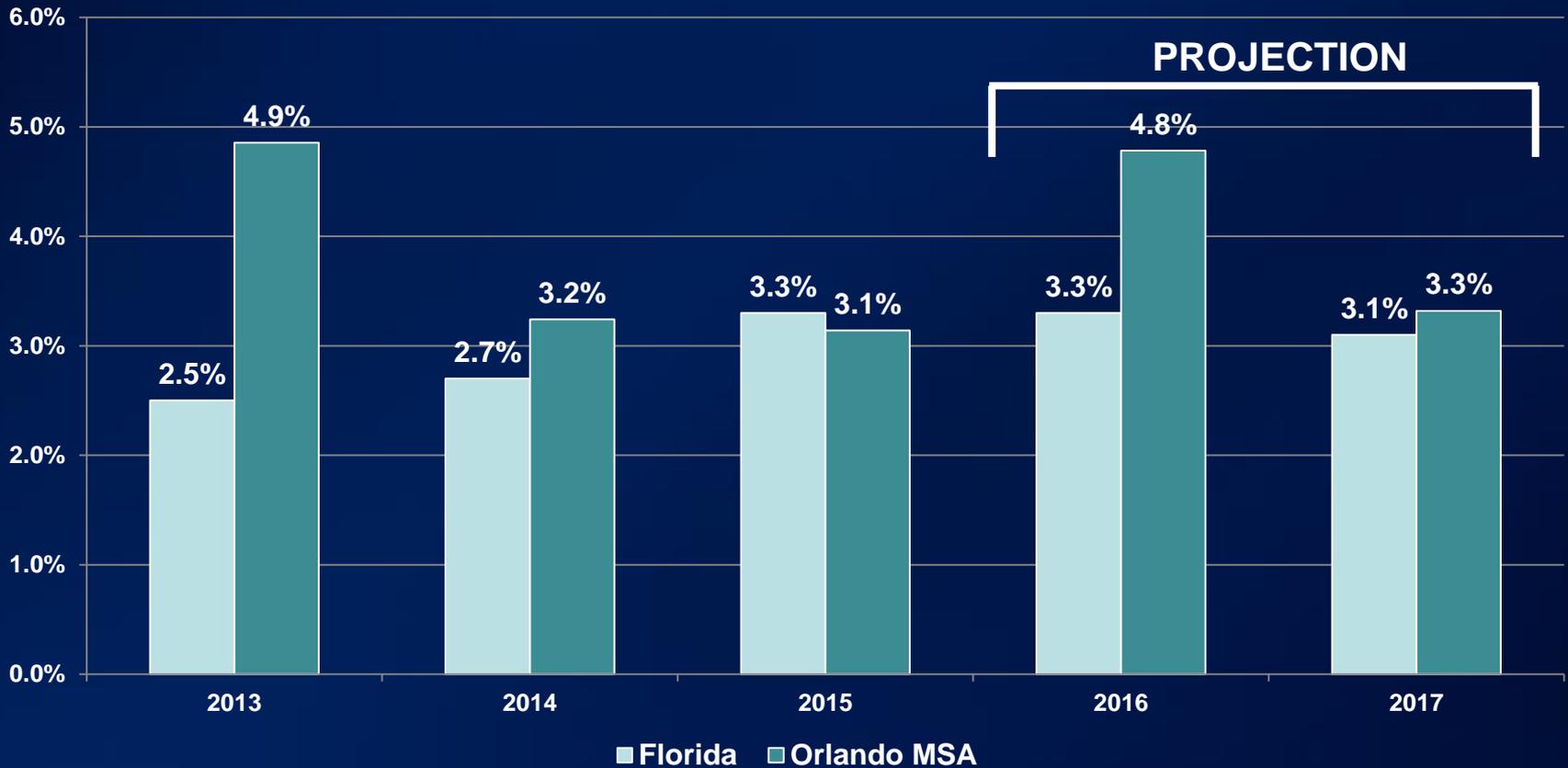
*Gross Product*  
*Employment*  
*Unemployment*  
*Housing*  
*Wages*  
*Taxable Value*

# 2016 Economic Outlook

## Comparative Forecast – Gross Product



### Gross Product (Yr/Yr % Change)

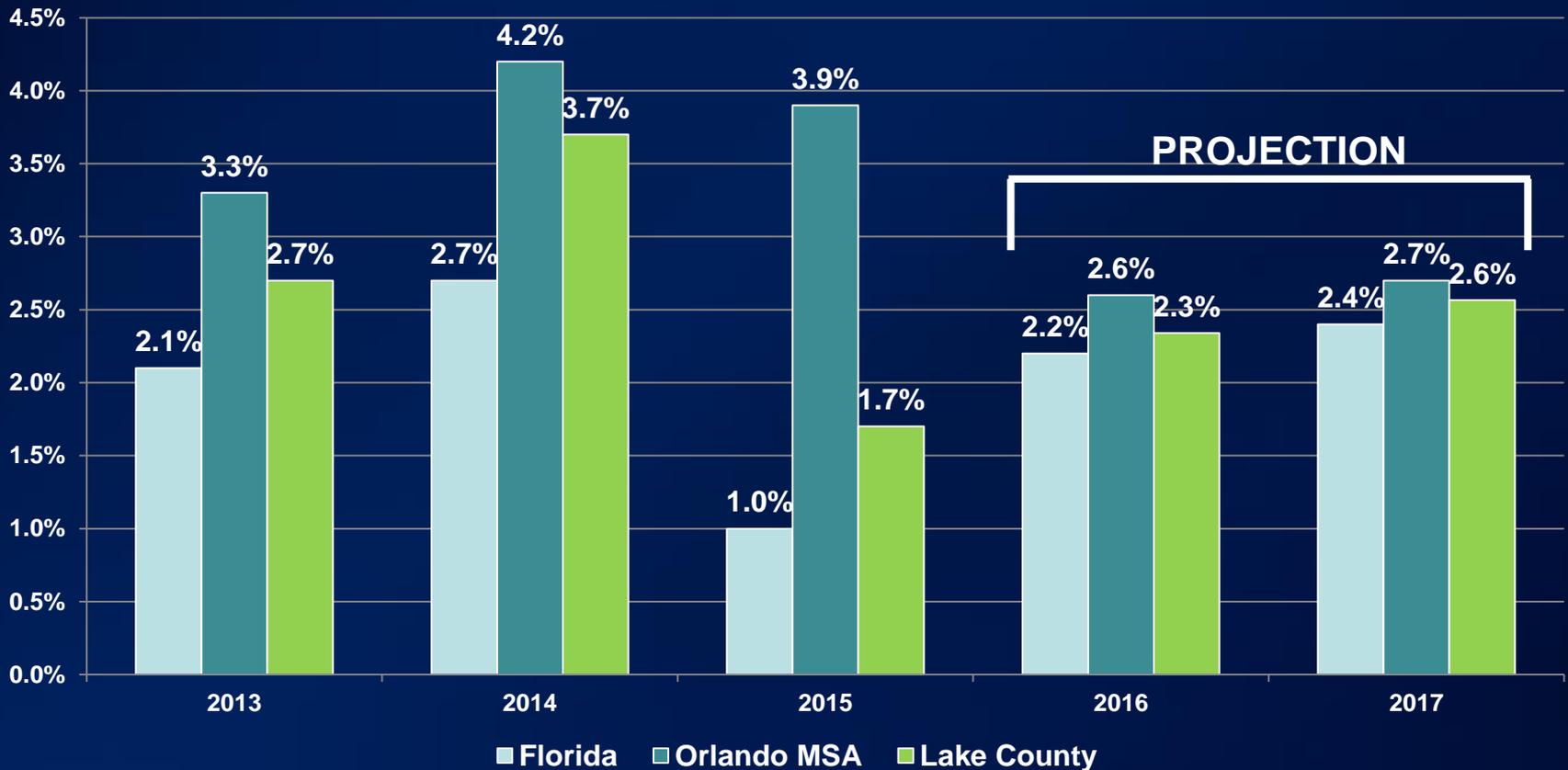


# 2016 Economic Outlook

## Comparative Forecast – Employment



### Employment (Yr/Yr % Change)

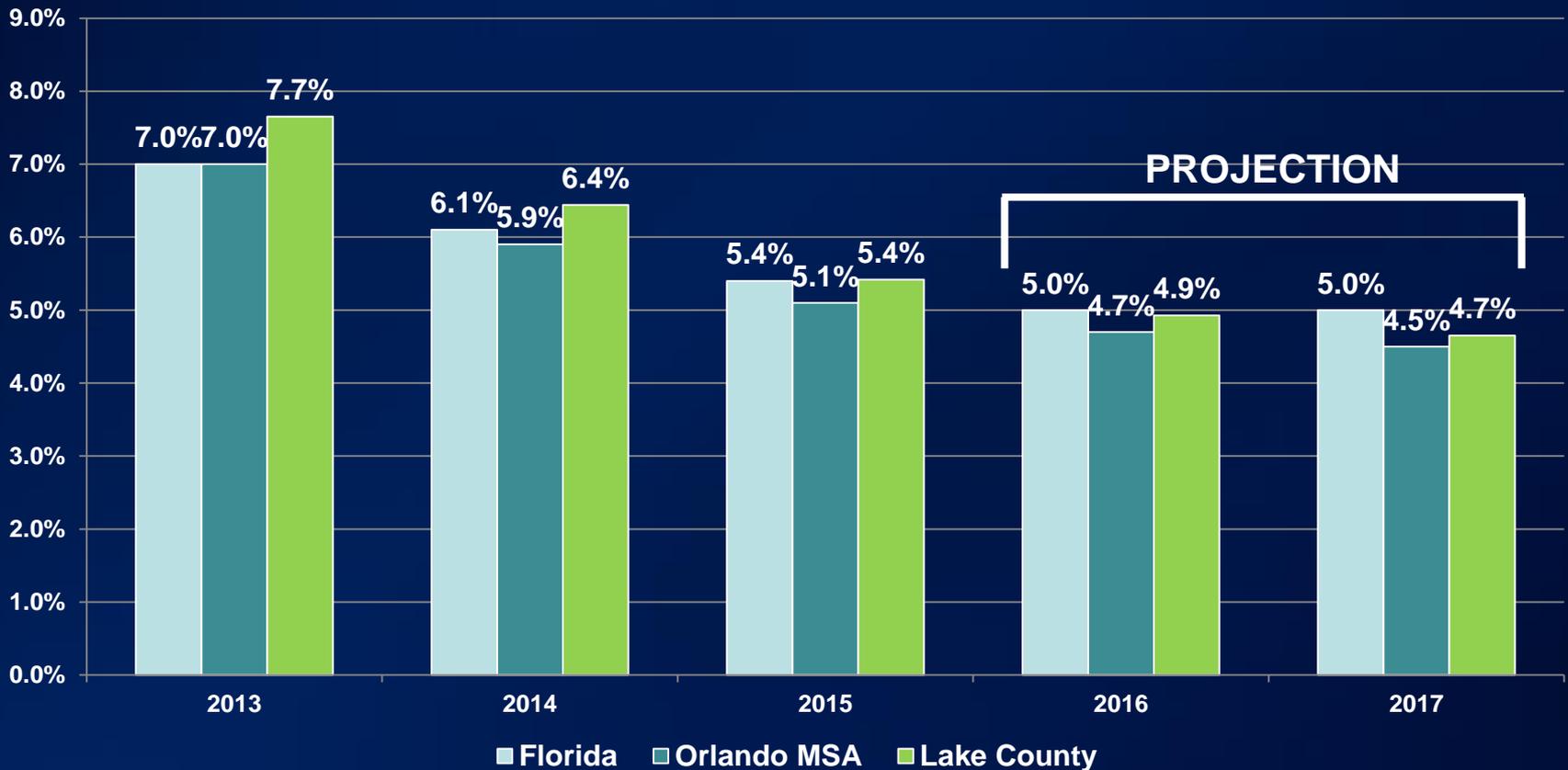


# 2016 Economic Outlook

## Comparative Forecast – Unemployment



Unemployment Rate (Annual Avg.)

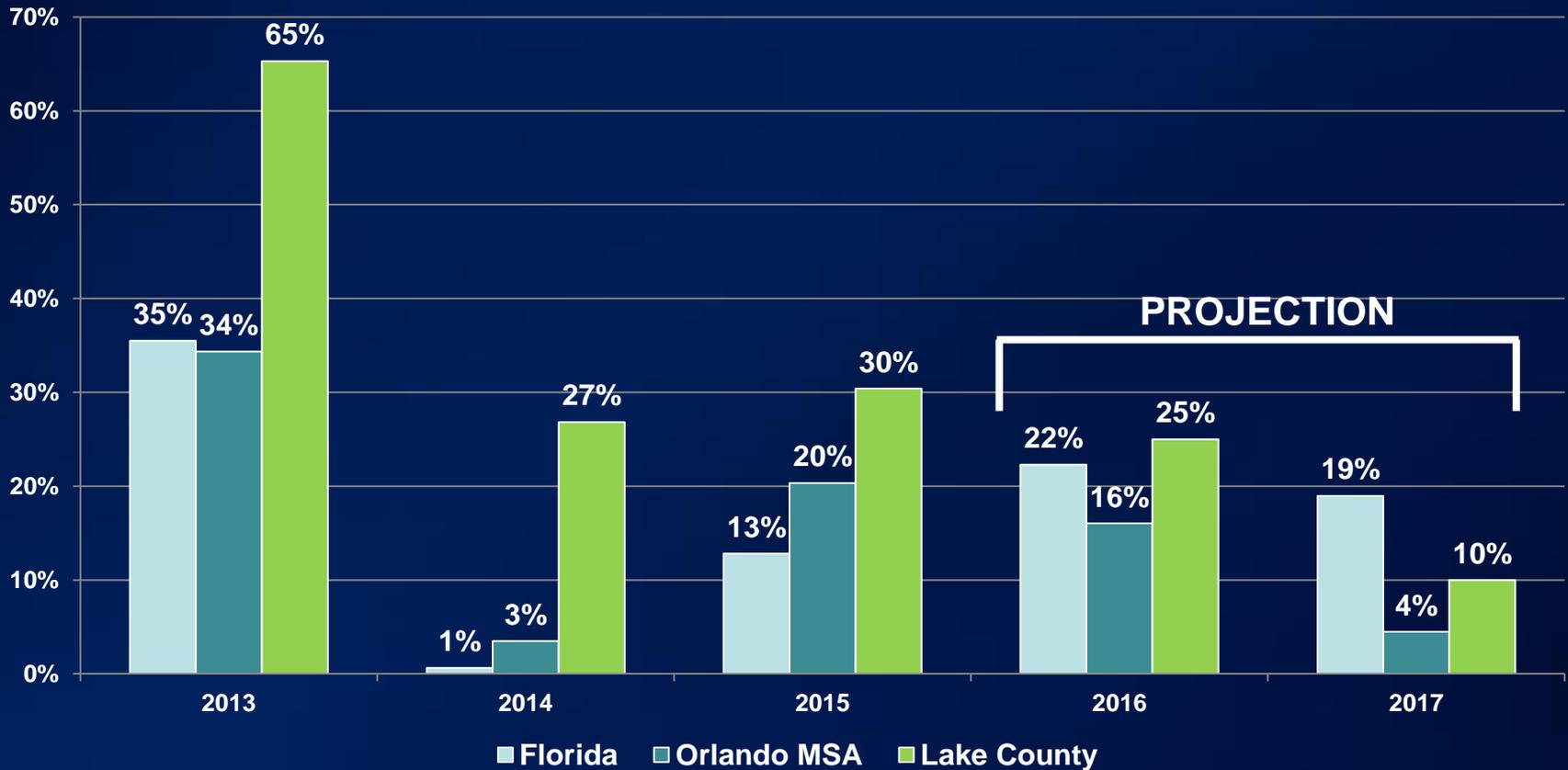


# 2016 Economic Outlook

## Comparative Forecast – Housing Starts



### Single Family Housing Starts (Yr/Yr % Change)

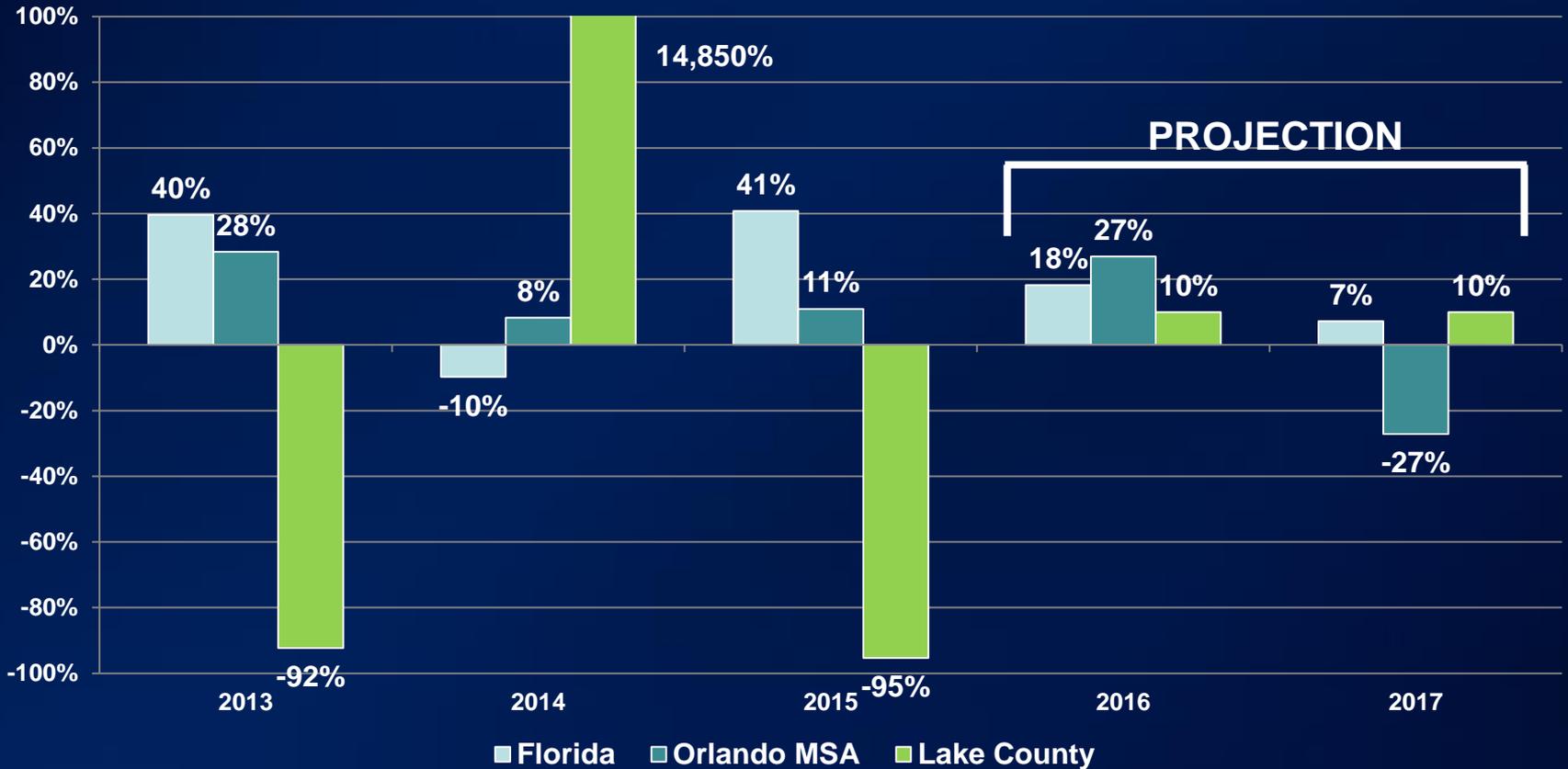


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## Comparative Forecast – Housing Starts



### Multi-Family Housing Starts (Yr/Yr % Change)

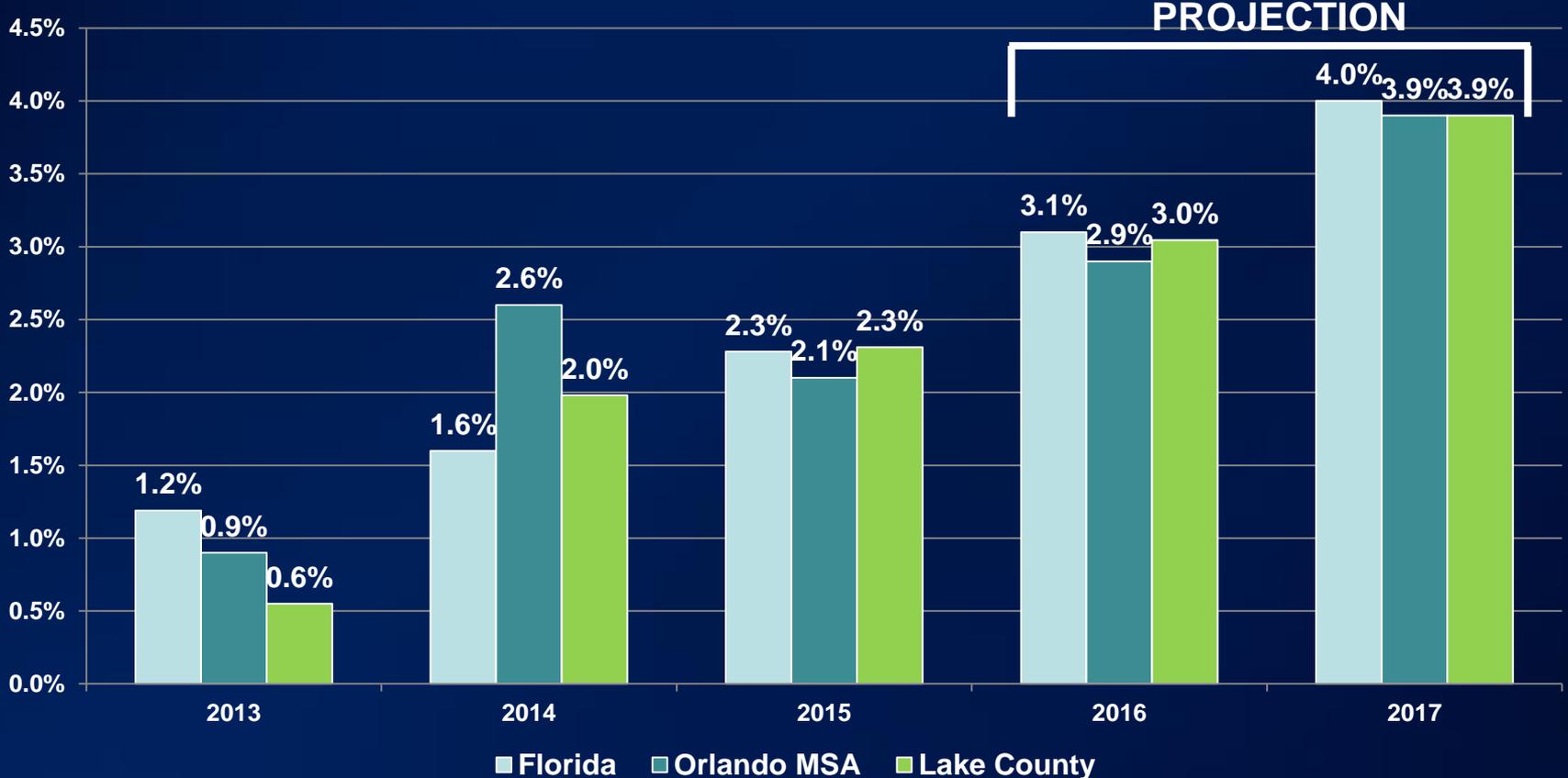


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## Comparative Forecast – Annual Wage



### Average Annual Wage (Yr/Yr % Change)

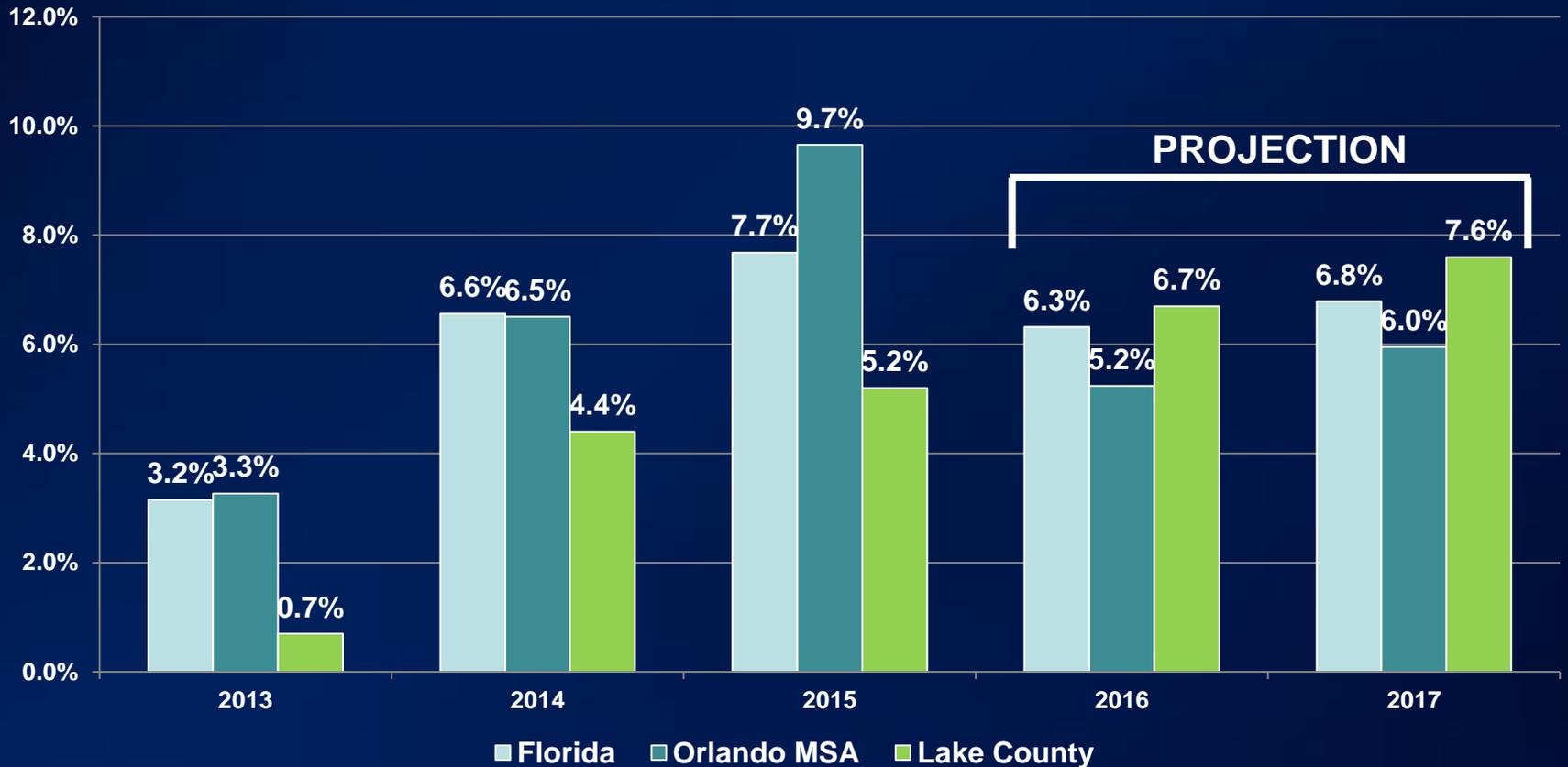


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## Comparative Forecast – Annual Wage



### Taxable Property Values (Yr/Yr % Change)

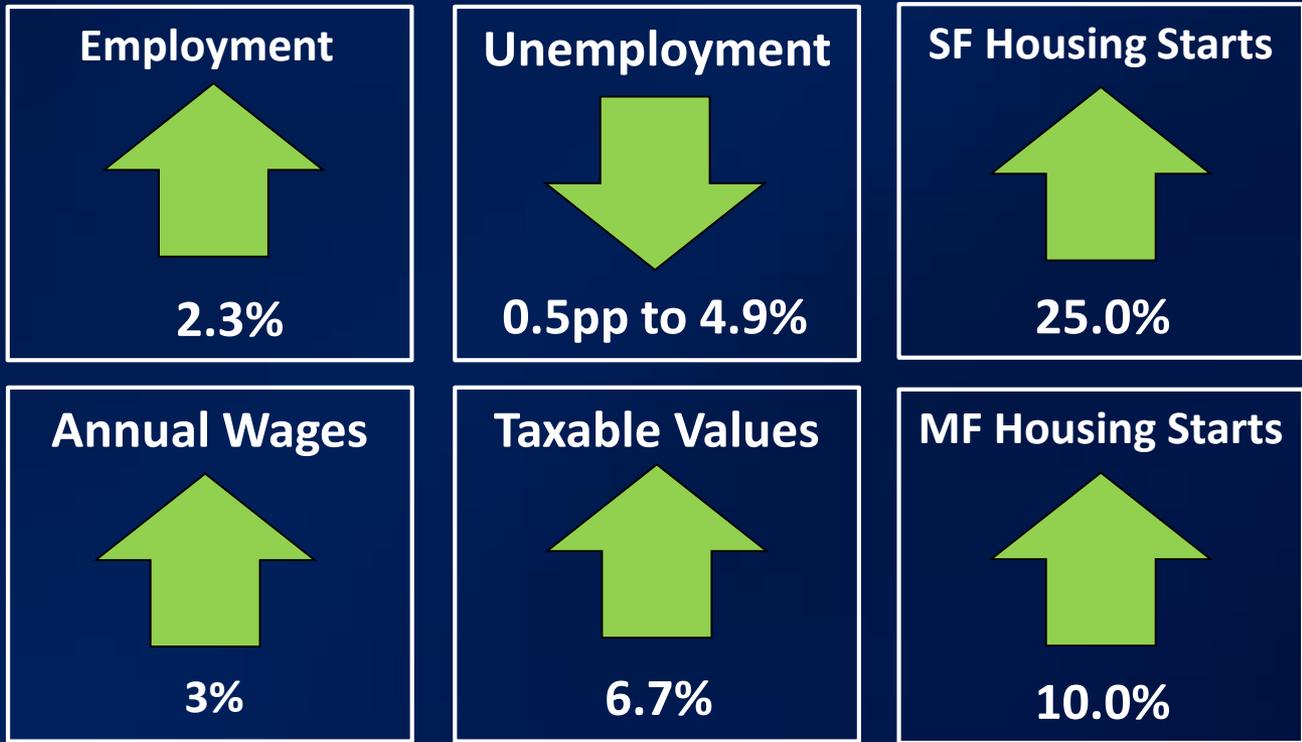


# 2016 Economic Outlook

## Lake County Forecast Summary



### 2016 Lake County Forecast Summary





# LAKE COUNTY

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## FLORIDA

Thank you.