

# Florida: Expecting a Boom



Once recognized solely for its clean beaches and warm climate, Florida is now a leading center of industry and commerce. The fast-growing high-technology industry is locating in Florida at a rapid rate; high-tech now constitutes more than 27 percent of manufacturing employment compared to 20 percent on average for the nation. The state ranks in the top six nationally in the value of foreign trade moving through its

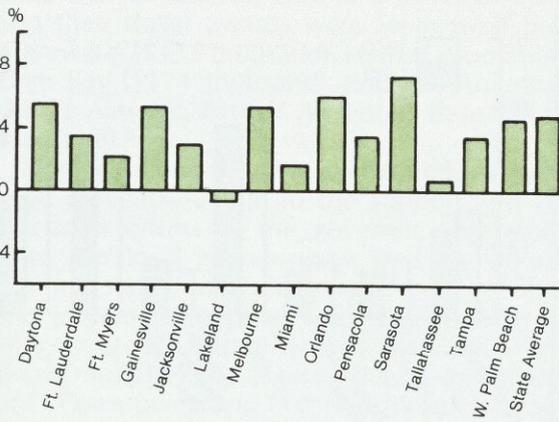
ports. Three Florida bank holding companies rank in the top 35 nationwide, and out-of-state financial organizations are supplying funds aggressively for economic development in the state. Business climate studies consistently rank Florida near the top of the list of desirable locations for new and expanding firms.

With population growth returning to prerecession levels, construction surging and high-tech industry expanding, Florida looks forward to a strong 1984.

Florida's population grows by nearly 1,000 people every day. Recent projections place Florida as the fourth largest state by 1990, behind only California, New York and Texas. The growing population provides an ample labor force for industry to tap. Employment never stopped growing through the 1980-1982 national recession; the number employed grew 3 percent in 1981, 0.8 percent in 1982 and 4.5 percent in 1983.

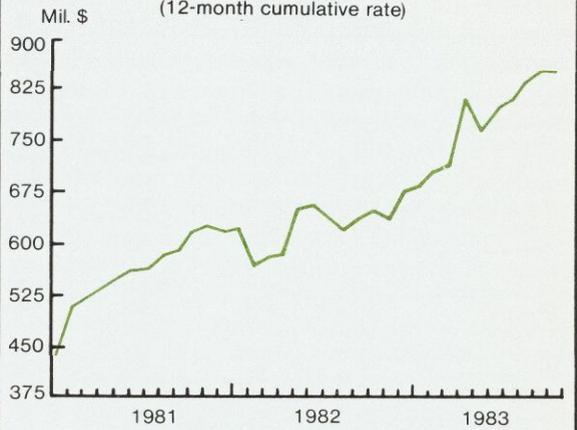
Florida's growth path certainly has not been a smooth one. At times, major setbacks have raised questions about the staying power of the state's growth. But the diversity of the economy today, with reduced dependence on tourism and real estate development, should help propel Florida through even the nation's worst recessions. After a sluggish year in 1982 and the beginnings of recovery in 1983, Florida is poised for rapid expansion in 1984. This year should be one of the "boom times" on the state's economic growth chart. Population growth is returning to prerecession levels, new housing construction has regained its strength, and industry development is moving forward. Personal income rose 7.6 percent in 1983 compared to 5.7 percent growth at its most recent weak point.

**Chart 1. Florida Nonfarm Employment**  
Annual Percent Change November 1983



Source: Florida Department of Labor and Employment Security

**Chart 2. Florida Office Construction**  
Building Permits  
(12-month cumulative rate)



Source: Construction Statistics Division, U.S. Census Bureau, unpublished data.

A few factors should serve to dampen the expected growth, but none should thwart it entirely. A repeat performance of the tourist surge induced by Disney's new EPCOT center last year is unlikely in 1984. And Miami has yet to recover the losses it sustained from ailing Latin American trade and tourism. Prior to the most recent national recession, south Florida was the strongest region of the state. Today, however, a shift in population growth from the southeast coast to the Tampa/Orlando/Melbourne corridor is indicative of the relocation of new economic opportunity. The state's southeast region developed first, primarily based on real estate investment for resort, tourist and retirement properties. The central corridor is developing rapidly today because of high-technology and other industry growth, resulting in expanded job opportunities.

### Diversified Business Development

With a dual goal of economic growth and environmental preservation, much of Florida's development emphasis starting in the late 1970s was on light, clean manufacturing industries. Florida has been particularly successful in capturing high growth, high-technology companies. Rapid growth in Florida's service and trade sectors also has helped round out the state's economy.

Florida's expanding economic base has provided employment for many of the young workers who

relocate to the state each year, and that base contributed to the economy's resilience during the 1981-82 recession. While the U. S. was experiencing year-to-year nonfarm employment declines of almost 2 percent during the early 1980s recessionary period, Florida employment was registering average gains of almost 1 percent. Employment expanded by almost 5 percent in 1983 to total over 3.9 million people. Chart 1 shows the change in nonfarm employment for major Florida cities.

Florida's rapidly expanding business sector and the associated high absorption of existing office space have made Florida a very attractive market for new office development, which has recently experienced an "unprecedented boom." The value of statewide office construction in 1983 was 31 percent higher than in 1982 (Chart 2). With the heavy office construction currently underway, office construction probably will slow down in 1984. Retail and industrial construction should remain strong (Table 1).

Florida hopes to capture a disproportionate share of its target industries, including aviation, communications and electronics, defense, food processing, pharmaceuticals, and surgical and medical instruments. One study of manufacturing business climates ranked Florida first in both 1982 and 1981.<sup>1</sup> A 1983 **Fortune** survey of the

<sup>1</sup>Alexander Grant and Company, **General Manufacturing Business Climates**, 1981-1982.

**Table 1.** Nonresidential Construction by SMSA  
(12 month Cumulative Rate) November 1983

	\$Mil	Annual % Change	Sq. Ft. (000's)	Annual % Change
<b>FLORIDA</b>	4279.3	+15.3	81,439	+15.4
Jacksonville	345.4	+68.2	5,918	+44.1
Tallahassee	55.0	-21.5	1,121	- 4.5
Pensacola	97.7	+69.6	1,598	+52.8
Daytona	71.3	-21.7	1,344	-21.4
Gainesville	34.3	-41.8	466	-48.3
Melbourne	113.6	+28.1	2,032	+19.2
Orlando	489.0	+51.6	9,411	+27.6
Lakeland	75.2	+51.3	1,265	+23.2
Tampa-				
St. Petersburg	744.2	+22.5	14,842	+28.6
Sarasota	115.5	+46.4	2,362	+56.3
Ft. Myers	78.1	-28.8	1,489	-16.7
W. Palm Beach	425.6	+52.6	7,826	+44.0
Ft. Lauderdale	414.9	- 3.6	8,768	-10.7
Miami	696.5	-24.6	13,522	-7.6

Source: Calculated from data published by F. W. Dodge, McGraw-Hill, Inc.

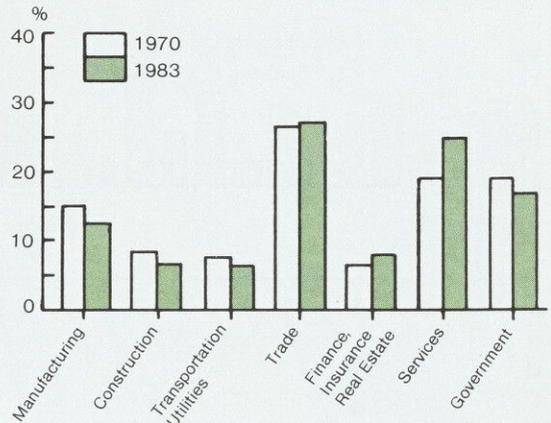
nation's top 1,000 companies ranked Florida second as a choice for corporate headquarters.

While high-technology manufacturing has registered impressive growth rates in the past few years, the largest number of jobs has been created in other areas. Chart 3 shows how the distribution of Florida's nonagricultural employment changed from 1970 to 1983. With the population growing rapidly, the service sector grew from 18.6 percent of nonagricultural employment in 1970 to 24.3 percent in 1983. The finance, insurance and real estate sector grew from a 1970 level of 6.1 percent to 7.5 percent in 1983, a significant gain during a period when technological advances permitted increasing automation in these fields. During the same period, the share of workers employed in construction declined, as did manufacturing employment as a share of total nonfarm employment.

Although Florida manufacturing has not expanded at the rate of the other sectors, its growth has been much greater than in other areas of the country. Between 1970 and 1983, Florida increased its share of national manufacturing jobs from 1.7 percent to 2.5 percent. In addition, important shifts have occurred within Florida manufacturing, most notably the evolution away from construction-related activities toward a greater emphasis on high-technology products and processes.

<sup>2</sup>Donald L. Koch, William N. Cox, Delores W. Steinhauser and Pamela V. Whigham, "High Technology: The Southeast Reaches Out for Growth

**Chart 3.** Florida Nonagricultural Employment Major Sectors as Percentages of Total



Source: Florida Department of Labor and Employment Security

Florida's manufacturing sector, with its high-technology products and young companies employing advanced technology processes, is dynamic and growth-oriented compared to manufacturing in states with a large portion of older smokestack industries. Florida leads the Southeast in high technology, both in terms of absolute employment and as a percentage of total manufacturing employment. By a narrow definition of high technology, the Florida high-tech manufacturing sector represented 27 percent of total manufacturing employment and employed 126,000 people in 1982, up 47 percent from 1977. Nationwide, high technology employment has increased 22 percent over the same period and now makes up 20 percent of total manufacturing employment.<sup>2</sup>

Much of Florida's high-technology manufacturing is defense-related. For the 1982 fiscal year, Florida companies received prime Department of Defense contracts totaling \$4.2 billion, ranking Florida seventh in the value of contract awards. Aircraft engines, electronics equipment and missile systems accounted for well over half of Florida companies' military contracts. Almost half of the statewide contract dollars went to two companies, United Technologies Corporation of West Palm Beach and Martin Marietta Corporation

Industry' **Economic Review**. Federal Reserve Bank of Atlanta, Vol. 68 (September 1983), pp. 4-19.

of Orlando, with total contracts of \$1.2 billion and \$0.9 billion, respectively. Other major Florida recipients of defense contracts in Fiscal 1982 and their dollar awards were Honeywell Inc., Clearwater (\$175 thousand), Harris Corporation, Palm Bay (\$174 thousand), and Pan American World Airways, Patrick Air Force Base (\$118 thousand).<sup>3</sup>

Florida's economic development efforts are in large part attributable to the support and cooperative efforts of the governor, legislature, state and local governments, and the private business sector. Much responsibility for soliciting and assisting new plants and expansions rests with the state's Department of Commerce. The department in 1982 assisted the establishment of 111 new plants and 110 industrial expansions that created over 36,000 new jobs.<sup>4</sup> In 1983, those figures dropped to 93 new plants, 48 expansions and 16,000 new jobs. The weaker industrial expansion in 1983 resulted from the recession-induced decline in capital spending on plant and equipment nationwide.

Florida appears to be building the foundation for leadership in the emerging area of robotics. In November 1982, General Electric announced the establishment of the worldwide headquarters of its new Automation Systems Department near Orlando. Last February, IBM began marketing an expanded line of highly intelligent industrial robots produced at its Boca Raton facility. Dougherty Pressed Metals, a small engineering and manufacturing firm in St. Petersburg, began production of a specialized industrial robot early this year. In addition to manufacturing hydraulic presses, the firm now makes the robots to "feed" and operate them. In September, Automation Intelligence Inc. purchased the Westinghouse industrial automation facility in Orlando that produces integrated circuits for robots; the firm will continue producing for Westinghouse and other robot manufacturers.

High technology companies tend to cluster in areas offering an ample supply of highly trained technical labor. The state's heaviest concentrations are in central Florida from the Tampa Bay area through Orlando to Melbourne, and along the southeast coast. These regions have accumulated the critical mass of technological expertise, processes, and products that encourages new start-

up firms and acts as a magnet in attracting related companies.

Central Florida is experiencing an explosive growth fueled primarily by the rapidly expanding high-technology sector. Nonfarm employment climbed 5.9 percent in Orlando and 5.2 percent in Melbourne during the last year. Orlando and neighboring Melbourne have the state's largest concentration of guided missiles and space vehicles activity, with Melbourne a major producer of aircraft and parts. Other strong elements in the central Florida economic mix include communication and electronic computing equipment and electronic components. Announcements of small to medium sized companies moving to or expanding in the Orlando area are at an all time high. During the 12 months ending in October, the Industrial Development Commission of Mid-Florida provided assistance to 62 new or expanding firms that created 10,000 area jobs.

Martin Marietta, Orlando's largest employer, is responsible for the area's largest expansion project, the Martin Marietta Orlando Aerospace Electronics System Center. Scheduled for completion early this year, the center's first phase will provide 700,000 square feet of space at an estimated cost of \$82.9 million and should accommodate up to 3,000 employees. In addition, Westinghouse chose Orlando as the world headquarters site for its Steam Turbine Generator Division, which will employ over 850.

Business development has been strong in the Tampa Bay area of Florida's west coast, where rapid growth in the number of electronics companies has given the region one of the state's largest concentrations. Most of the electronics firms are in St. Petersburg, where the pool of military retirees in St. Petersburg offers a mature labor force for electronics. The rapid growth in this sector has attracted more young retirees and young families to the area and has changed the economy and demographics of this resort town. Most notable has been the large reduction in average age in St. Petersburg from 55 in 1970 to 44 in 1980.

While the electronics companies of the Tampa Bay area historically have not been as dependent on defense contracts as the high-technology companies in other parts of the state, several have captured major Department of Defense

<sup>3</sup>Department of Defense.

<sup>4</sup>Annual Report to the Governor and the Legislature, January 1983, State of Florida, Division of Economic Development.

contracts in the last year. Some of these include E Systems' \$14 million Air Force contract for development of a new combat identification system, Reflectone's \$17.7 million Navy contract to build eight more electronic training devices and Honeywell's expansion to assemble and test electronic guidance systems. The area also has attracted a number of research and development facilities, and in 1983 a major Japanese cancer research institute selected St. Petersburg Industrial Park as its U.S. site.

While high-technology companies have contributed heavily to Tampa's current prosperity, its economic growth has followed a diverse path. With international connections through its port and airport, commerce is important in Tampa's economy, and the manufacturing companies relocating to Tampa have been a diverse group. Tampa's major business relocations in 1983 included Citicorp Travelers Checks' world headquarters for processing travelers checks and General Dynamics' Electric Boat Division, a research and development arm for designing nuclear submarines.

Office construction has been heavy in Tampa. Projects currently underway or planned will supplement the existing 10 million square feet of office space by 1.1 million square feet in 1984, 1.4 million square feet in 1985, and 1.2 million in 1986. Local analysts expect that absorption could lag the completion of projects underway, which in turn could force the occupancy rate to drop from 86 percent to around 80 percent by as early as mid-1984.

In southeast Florida, the West Palm Beach-Boca Raton-Delray Beach area has been the economic leader throughout the recession and recovery. Office construction is strong in south Florida, where absorption in Broward and Palm Beach counties was high during the past year. New firm locations and expansions have given manufacturing the highest rate of job growth among Palm Beach County employers over the past year. This growth has been particularly strong in high-technology manufacturing, with most of that growth coming from expansions.

IBM's Entry Systems Division in Boca Raton has undergone a large expansion, adding 1,200 jobs in 1983 and expected to add another 2,300 jobs during the next two years. Also in 1983, Motorola's expansion of its Pager Assembly plant from Broward County will add 1,500 jobs by mid-1984. Palm Beach County continues to

be popular with wealthy retirees, and population increases have fueled rapid growth of retail firms and health care services.

Most of Broward County's recent growth has been in its manufacturing sector. Business development in Broward during 1983 reflects the northern migration of population and businesses from Dade County. Of the 24 firms that relocated to Broward County in 1983 with the assistance of the local economic development agency, seven were from Dade County.

Jacksonville has entered an expansion, led by growth in retail trade, services and government. Following a sluggish performance in the 1970s, Jacksonville's economy has enjoyed diversified growth during the early 1980s. A major boost came with Bendix's announcement in 1981 that it would build a \$40 million plant there. Bendix was followed by several manufacturing companies and by AT&T's decision to build its new computerized American Transtech operation, which ultimately will employ 1500. In addition to AT&T's move into its new buildings, Prudential announced during 1983 that Jacksonville will become one of only four regional centers in Prudential's future operations, and Ryder/P.I.E. Nationwide and Clow Corp both selected Jacksonville for their corporate headquarters.

The military, which has always been a stabilizing factor in Jacksonville's economy, has contributed to the growth momentum. The Navy is currently in a long-term expansion of three facilities that will continue through the year 2005. In addition to its direct impact on the local economy, military expansion has attracted sub-contractors to the area, such as the Ingersoll-Rand Corporation, which plans to build a pump repair facility.

Commercial construction was strong in Jacksonville during the past year. Almost half of this new building has been new office space, a large portion of which is contained in the city's two newest skyscrapers, the Southern Bell Tower and the Flagship Bank Building. While development has brought an increase in unoccupied office space downtown, local officials are optimistic about filling it. While they are counting on relocating out-of-town companies to absorb most of the space, anticipated spin-offs from Bendix and AT&T also should be important. Other major nonresidential projects underway include Prudential's \$90 million office complex, the \$27 million downtown convention center, and a multi-million dollar Federal Reserve Bank facility.

In addition, Faison and Associates will break ground in 1984 on a \$40 million office building to house the new corporate headquarters for Florida National Bank, the first in an eight-building complex to be developed over the next fifteen years.

## Financing for Growth

Economic growth in Florida should be facilitated by a broader, more powerful financial infrastructure. Three shifts are taking place within Florida's financial structure to broaden the range of available financial services and to ensure competition among financial institutions in the state. (1) Out-of-state financial organizations and "near-banks" are moving into the state with as wide an array of financial services as they can legally offer. (2) Florida's commercial banking industry is consolidating through acquisitions and mergers, giving the top holding companies enough size to service the growing economy and to compete with the out-of-state organizations. (3) Savings and loan associations, which hold over 50 percent of the total bank and thrift deposits, are recovering from severe losses in the last few years and are beginning to use their powers to offer new consumer and commercial services.

**Interstate Banking** - Business development in Florida is often dependent on out-of-state funding by financial organizations large enough to support a given project independently. At times, funds are pooled from local and out-of-state banks to provide capital for new ventures. Local banks maintain an extensive network of correspondent banking relationships both nationwide and worldwide. Out-of-state banks have loan production and Edge Act offices in the state. Larger Florida firms deal with out-of-state commercial and investment banks. Suppliers of venture capital headquartered elsewhere serve Florida firms. Funding for business development has managed to find its way into the state through various quasi-bank institutions, despite interstate banking restrictions.

While geographic restrictions are greatest for commercial banks, the out-of-state incursions are formidable. According to a recent study,

Florida is home to at least 621 offices of out-of-state banking organizations. The penetration is second only to California, which has 787 offices. Other states are home to fewer than 400 interstate banking offices.<sup>5</sup> Citicorp of New York alone has 29 offices in the state, including corporate banking, consumer finance, investment banking, mortgages, credit card and data processing, and Edge Act headquarters.<sup>6</sup> NCNB Corp., the largest bank holding company in North Carolina, has taken advantage of a grandfather clause in Florida's banking legislation that allows it to acquire Florida's banks. Upon approval of its acquisition of Florida's Ellis Banking Corp., NCNB of Florida, with deposits of \$3.5 billion, would be the fifth largest bank holding company in the state.

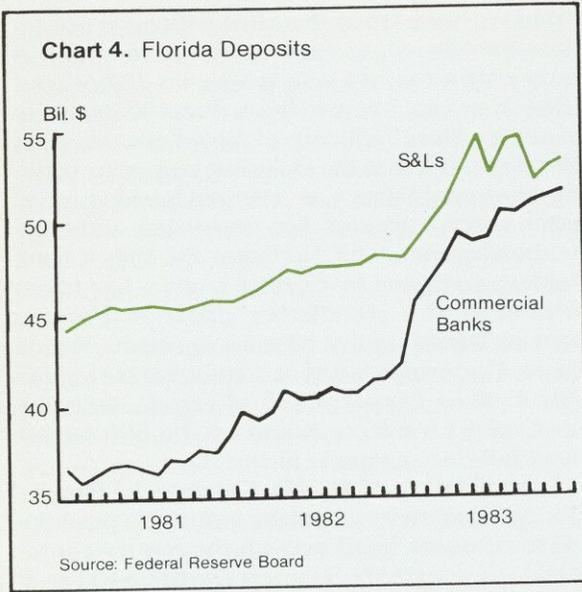
**Consolidation of Florida Commercial Banks** - Florida's commercial banking industry is positioning to compete head-on with the money center banks as geographic barriers continue to break down. Major banks have acquired smaller institutions aggressively in the past few years to build organizations with financial staying power. In 1983, commercial banks filed 29 applications for acquisition with the Federal Reserve Board for approval. Barnett Banks of Florida, Sun Banks of Florida and Southeast Banking Corporation all have assets over \$8 billion. These three institutions, with statewide banking networks in place are the largest commercial banking organizations in the Sixth Federal Reserve District and are among the top 35 bank holding companies in the nation.

Florida banks can continue to grow and develop financial strength by expanding into neighboring states. A state legislative proposal that could be voted on early this year advocates limited reciprocal banking. In brief, the bill would allow Florida banks to acquire banks in eight southeastern states, if those states have similar legislation allowing their own banks to move into Florida through acquisition. After three years, the reciprocity would apply to any state in the nation, including New York. Then the regional banks presumably would be large enough to provide the services necessary to compete with money center institutions and to avoid massive acquisitions of local institutions.

**Savings and Loan Associations** - With over 50 percent of all bank and thrift deposits, savings and loan associations are serious contenders to

<sup>5</sup>David D. Whitehead, "Interstate Banking: Taking Inventory" **Economic Review**, Federal Reserve Bank of Atlanta, Vol. 68 (May 1983), p. 19.

<sup>6</sup>Daniel Hertzberg, "Interstate Banking Spreads Rapidly Despite Laws Restricting Practice" **Wall Street Journal**, December 19, 1983.



service business and consumer financial needs. The Monetary Control Act of 1980 and the Garn-St Germain Act of 1982 both gave S&Ls increased powers to offer services traditionally limited to commercial banks, but they also gradually eliminated the interest rate differential S&Ls once enjoyed. As a result, commercial banks are gaining on the S&Ls for a greater share of the total deposit market (Chart 4).

S&Ls have been battered in the past several years because their cost of funds rose more sharply than the yields on their mortgage portfolios. The poor health of the industry made its members likely candidates for takeover. In Palm Beach County, for example, five of the nation's eleven largest S&Ls operate offices that were acquired when they merged with ailing institutions. Even out-of-state commercial banks are taking over failing thrifts. Citicorp recently submitted the winning bid for New Biscayne Federal Savings & Loan Association in Miami, and the Federal Reserve Board has approved the acquisition. But the industry is beginning to recover. The total net worth of S&Ls in the state increased 43 percent from October 1982 to October 1983 after declining 23 percent during the prior 12 months.<sup>7</sup>

Because of the difficult times in the past several years, S&Ls have been slow to take

advantage of their new commercial banking powers. One exception is Freedom Federal in Tampa, which acquired Combanks, Inc., a group of commercial banks in the central Florida market. It has actively solicited commercial as well as consumer lending and deposit business. Other larger S&Ls are following this lead.

### Population Growth and Shifts

Florida's business development has been encouraged by robust population growth, with migration accounting for over 90 percent of the total increase. With a current population of 10.8 million, Florida is the seventh largest state.<sup>8</sup> The high interest rates and soft national housing market restrained population growth in 1983 to 215,000, a level low by historical standards and much lower than forecasters predicted a year ago. The expected continuation of national economic recovery and an acceleration of migration in late 1983 make this look like a strong year for population growth in Florida.

The flow of new inhabitants is cyclical and is sensitive to interest rates and the national housing market. But even with the slower growth of the last two years, population increases were relatively strong and continued to propel the economy through the national recession (Chart 5).

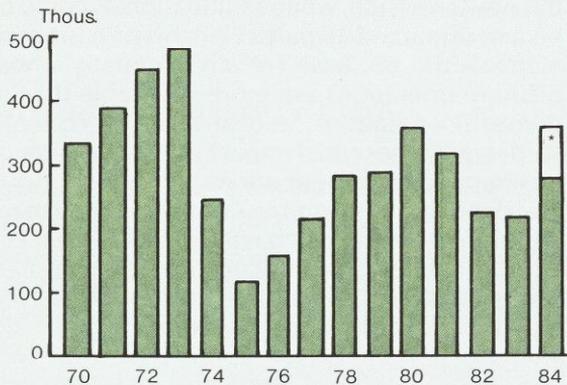
While it is true that Florida attracts more retirees than any other state, it has always attracted a large share of prime working age people in search of employment and opportunity. In recent years the average age of migrants has been trending downward. According to Census data, the share of persons migrating into Florida during the 1960s who were 65 or older at the end of the decade declined from 28 percent to 22 percent in the 1970s. While nationwide demographic changes associated with the aging of the baby boomers account for some of the shift, employment opportunities created by Florida's successful expansion and diversification of its economic base have also contributed to changing patterns.

The University of Florida's Population Project estimates that Florida's population of around 10.8 million should increase to 12.5 million by 1990 and 14.8 million by 2000. In annual terms, their projections imply increases of 273,000 a year between 1980 and 1990 and 234,000 per

<sup>7</sup>Selected Balance Sheet Data—Liabilities, **Fourth Federal Home Loan Bank District**, October 31, 1983.

<sup>8</sup>All population data from the Bureau of Economic and Business Research Population Division, University of Florida.

**Chart 5. Florida Population Annual Increases**



\*Projections

Source: Historical population data from the Bureau of Economic and Business Research, University of Florida.

year between 1990 and 2000. Increasing at these rates, Florida should rise from the seventh to the fourth largest state in the nation by 1990.

The rebounding national economy and the migration upturn during the last two quarters of 1983 suggest that population will accelerate even faster this year than the long-run trend, with state forecasters' projections ranging from a low of 274,000 to a high of 354,000.<sup>9</sup> Since Florida's population growth is closely tied to interest rates, any change in the level of mortgage rates this year would affect population growth.

### Infrastructure Challenges

One of the greatest challenges in accommodating rapid population and industrial growth in Florida has been maintaining and expanding the supporting infrastructure that has been strained under pressures of growth in the last decade. The challenges of providing adequate roads, water, water treatment and educational facilities were heightened by the New Federalism, which shifted more of the burden from the federal government to the states, cities and counties. The cutbacks fell hardest on rapidly growing states like Florida.

<sup>9</sup>Henry Fishkind of the Bureau of Economic and Business Research forecasts a population increase of 274,000. Gary Cooper, Florida State Economist, forecasts population increasing by 354,000 between the fourth quarter of 1983 and the fourth quarter of 1984.

A recent study concluded that Florida's total capital needs for transportation, water and wastewater over the 1982-2000 period total \$30.8 billion. Including the identified backlog requirements, the total is \$41.0 billion. Projected revenue sources will cover only 59 to 66 percent of the capital needs, leaving a \$600 million to \$700 million shortfall annually.<sup>10</sup>

The study determined that approximately 90 percent of the state's future capital needs are for transportation, primarily roads. While the combination of tourist and local traffic on the north/south routes has become very heavy in recent years, the greatest needs will be for expanding the east/west highway network. Traffic along I-75 in western Florida has increased as the interstate nears completion, creating traffic and increased congestion on the connecting east/west routes. The largest concentration of overcrowded roads and bridges in need of maintenance are in the state's rapidly-growing urban counties such as Broward, Hillsborough, Palm Beach, Pinellas, and Sarasota. A large portion of the funding for upgrading and expanding roads in these areas will go for re-routing existing traffic during construction.

The state and counties share responsibility for the state's highway network. Bringing roads up to standard and accommodating future growth will require cooperative effort. Despite the rapid growth in the late 1970s and early 1980s, real combined state and local spending on roads and highways failed to rise. Recent tax increases and enabling legislation will help underwrite large capital outlays. Most of the revenues from the 1983 increase of five cents a gallon in the gasoline tax is earmarked for state road improvements. In addition, in 1982 the legislature permitted local governments to raise the gasoline tax as much as four cents per gallon. At the end of 1983, almost half the counties had exercised the option with an average tax of three cents.

The most urgent need created by rapid population growth is for new water and sewage treatment facilities. State resource experts say that the state does not lack underground supplies of fresh water, though the cost of getting the water to the user is likely to increase as readily available supplies are reduced. Underground

<sup>10</sup>Neil G. Sipe and Earl M. Starnes, "Florida's Infrastructure: A Preliminary Report," Bureau of Economic and Business Research, University of Florida.

water is abundant in Florida's inland aquifers. Coastal communities face the threat of salt water intrusion when the level in the aquifer falls extremely low. In periods of drought and heavy usage, conservation measures are often required.

Expanding wastewater treatment fast enough is difficult in Florida's rapidly growing areas and at times has delayed construction. Orlando had a moratorium on permits in 1980 because the city could not dispose safely of all the wastewater generated by the growing population. The fast-growing city adopted the "growth ought to pay its own way" philosophy for economic development and turned from bond issues to impact fees to pay for new wastewater treatment plants. Rather than tax all citizens to provide the capital needed for new infrastructure, the new users bear all the costs. Reflecting the impact fees, new water connections in Orlando jumped from \$400 in 1980 to \$1600 in 1983.

While state and local officials marshal resources to improve Florida's infrastructure, a potential tax revolt is brewing among the state's voters. Led by a small band of conservative activists, the group has placed a tax-limiting amendment on the November 4 ballot. Proposition 1, as the amendment is called, would impose strict limits on nearly all funds collected by state, county and local governments in Florida. The movement has received most of its financial backing from corporate real estate developers reacting to their increasing share of Florida's property taxes in recent years. The increased share resulted from higher homestead exemptions for elderly residential property owners.

To generate revenue for improving education, Florida's corporate income tax was increased in 1983 through changes which increase the tax base for some companies. The changes include a repeal of Florida's existing exemption of foreign source income as taxable corporate profits, a change in the definition of Florida sales, and a provision for worldwide unitary apportionment for determining the corporate income tax base. Though it represents only a small portion of the estimated \$95 million in revenue from the tax package, the worldwide unitary apportionment provision has evoked the strongest reaction from the corporate community.

Under worldwide unitary apportionment, a company's worldwide operating income is included in taxable corporate profits which are then apportioned to Florida by the amount of sales, payroll, and property in the state compared

to everywhere else in the world. Companies operating primarily in Florida or the United States will experience little change in taxes from the new provision, while multinationals could be heavily impacted. In particular, this provision will increase the tax base for any company whose offshore operations are more profitable than its domestic operations. State analysts are currently studying the potential impact of the measure on business development efforts, since local industrial development commissions report that many recruitment prospects have expressed concern. In addition, expansion plans of some corporate giants already active in the state, such as IBM, may be affected by the measure.

## Established Industries Accelerate

Florida's established industries are more susceptible to cyclical fluctuations than the new growth sectors. Construction, tourism, agriculture and international trade slowed down or declined during the latest recession. But in 1983, construction and tourism rebounded substantially, providing a strong boost to the overall economy. Activity in these sectors returned to or surpassed prerecession peaks. Agricultural production, particularly citrus, was below normal last year because of damaging freezes in earlier years. And the severe freeze in late 1983 has dimmed the outlook for this year. International trade suffered for the past two years from weak Latin markets, but initial recovery is expected by late 1984.

## Residential Construction

As population growth picked up in 1983, Florida's residential construction continued the rebound begun in late 1982. With the anticipated stronger population influx this year, the outlook for residential construction is bright.

New residential housing starts are estimated at just over 180,000 in 1983, falling short of the 1979 peak of 192,000 units. Housing starts in 1984 are predicted to be around 220,000 units (Table 2).<sup>11</sup>

Monthly housing starts on a 12-month cumulative basis in November, 1983 were 78 percent above the trough reached in August, 1982, while the value of new units was up a lower 71

<sup>11</sup>All residential construction data are from **Dodge Construction Potentials**, F. W. Dodge, McGraw-Hill Informational Systems Company, McGraw-Hill, Inc.

**Table 2.** Residential Construction by City  
Number of Units (12 month Cumulative Rate)

	1979-80 Peak	1982 Trough	Percent Decline From Peak	November 1983	Percent Increase from Trough	Percent Single-Family	Percent Multi-Family
<b>FLORIDA</b>	195,993	99,555	-49	177,067	+ 78	52.9	47.1
Jacksonville	6,608	4,765	-28	10,756	+126	51.4	48.6
Tallahassee	2,808	1,443	-49	3,638	+152	66.3	33.7
Pensacola	3,469	2,311	-33	5,499	+138	45.1	54.9
Daytona	6,123	3,585	-41	4,707	+ 31	79.3	20.7
Gainesville	3,433	1,087	-68	2,008	+ 85	48.0	52.0
Melbourne	7,159	3,071	-57	5,834	+ 90	61.0	39.0
Orlando	12,504	7,966	-36	19,165	+141	58.0	42.0
Lakeland	3,904	1,963	-50	4,078	+108	—	—
Tampa-							
St. Petersburg	30,212	16,030	-47	30,070	+ 88	55.7	44.3
Sarasota	6,899	3,135	-55	5,040	+ 61	57.5	42.5
Ft. Myers	9,652	4,235	-56	5,668	+ 34	45.8	54.2
W. Palm Beach	29,844	9,263	-69	18,300	+ 98	49.0	51.0
Ft. Lauderdale	24,355	6,591	-73	13,126	+ 99	29.8	70.2
Miami	22,475	7,145	-68	15,023	+110	38.9	61.1

Source: Calculated from data published by F. W. Dodge, McGraw-Hill, Inc.

percent. The smaller value increase reflects a shift by builders to meet the demand for moderately priced homes. Throughout the state, inventories of moderately priced single- and multi-family homes are "low to normal."

The market for luxury waterfront condominiums remains weak in many of Florida's coastal areas. A reduction in foreign buyers brought about by the strong dollar and international economic recession has curtailed the demand. Speculators are no longer active in the market as they were in the late 1970s when prices were rising rapidly.

While pockets of unsold luxury condominiums can be found throughout the state, the largest inventories are in Dade County, which has been hard-hit by the loss of a substantial portion of the Latin American market. Much of the Latin speculation and overbuilding in the luxury market was stimulated by a quirk in U. S. tax law that exempted foreigners from capital gains taxes on real estate investment. The repeal of this law also has contributed to the slowdown in Dade County's luxury market. The luxury units that do sell often command substantial discounts. Since

lenders are just starting to unload their condominium repossessions, a trend that may not peak until 1985, there is no immediate improvement in sight.

In the northwest Florida coastal cities of Pensacola, Fort Walton Beach and Panama City, construction of less-luxurious waterfront condominiums has been strong. These units are in the more affordable \$70,000 to \$150,000 range and are in demand by seasonal tourists.

The most active residential construction is in local areas with rapidly expanding business and industrial sectors, such as central Florida. Housing starts in Orlando during the 12 months ending November 1983 totaled 19,165, placing Orlando second only to Tampa/St. Petersburg. Local observers say the boom in construction has resulted in occasional shortages of such essential building materials as dry wall.

The Tampa/St. Petersburg metropolitan area has emerged as Florida's largest housing market. New residential construction units in 1983 were approximately equal to those during the last peak 12-month period, but Tampa/St. Petersburg

has increased its lead over the large metropolitan areas in southeast Florida. The Tampa Bay area should be Florida's top housing market in 1984 and the eighth largest nationally.

Construction in northeast Florida has been fueled by business expansion and increasing retiree migration into that part of the state. Residential construction is strong in Jacksonville, with the multi-family sector showing especially strong advances. Resort areas in northeast Florida, most of which are golf-oriented, report an increasing number of year-round residents. Several experienced shortages of homes in 1983 and are expected to have another outstanding year in 1984.

In southeast Florida, residential construction continued rebounding in 1983 following a four-year contraction. The number of residential housing units for the three county area was up 105 percent in 1983 over 1982, with an 80 percent increase in the value of new homes. Both West Palm Beach and Miami show a stronger rebound among single-family homes, while in Fort Lauderdale multi-family activity is stronger. The percentage of new homes composed of multi-family units is 70 percent in Fort Lauderdale, the highest in the state.

### Tourism

While tourism is service-oriented, it is a major export industry for Florida since most tourist-related business comes from people outside the state. Only Hawaii, Maine, Nevada, and Vermont have a greater share of tourist-related jobs than Florida's conservatively estimated 8.9 percent, about double the U.S. norm.<sup>12</sup>

Last year was an extremely good one for Florida tourism. It was the first full year of operation for Walt Disney World's new attraction, EPCOT (Environmental Prototype Community of Tomorrow). The lure of EPCOT, along with the recovery and lower gasoline prices, brought a 10 percent increase in visitors last year to 40 million. This surge came despite a decline in visitation by foreigners. Tourism should continue to grow in 1984, but at a slower pace. The factors influencing visitation should reverse. Strengthening world economies and a weaker U.S. dollar may bring more foreign visitors, but EPCOT's novelty may have diminished somewhat for American travelers.

Competition from the New Orleans World's Fair and, to a lesser extent, the Los Angeles Olympics, may dampen growth in Florida's tourist sector. A 7-8 percent increase in visitors is likely this year.

The healthy increase in tourist arrivals in 1983 was reflected in increased airport activity. Plane passenger arrivals were up 15 percent in Orlando and 20 percent in West Palm Beach for the first three quarters of the year. Jacksonville and Tampa also recorded hefty increases of 9 and 11 percent. Miami's lackluster performance is reflected in the 3 percent decline in plane passenger arrivals and in the heavy losses recorded by Eastern Airlines.

Air travel should continue to grow in 1984, and the outlook for air carriers appears bright. Miami-based Air Florida shows a 40 percent increase in advance bookings for the winter tourist season. Orlando airport officials are seeking to arrange scheduled international service to that city, a project that could take over a year. But officials expect to finish construction of a new \$6 million customs center in 1984 to increase the airport's capacity for processing international visitors.

Orlando's new international capacity could further complicate Miami's and Eastern Airlines' problems. Eastern provides a major international hub for foreign travelers, but through the third quarter, 1983, Eastern lost \$128.9 million on top of a similar loss in 1982. Eastern's heavy debt burden from its capital expansion exacerbated the cost pressures of deregulation. As Eastern attempted to reduce costs, labor-management tensions heightened. Eastern officials threatened bankruptcy if its workers refused to grant wage and benefit concessions. By year end, however, Eastern seemed to have reached a resolution with its unions and creditors, and corporate officials were formulating strategies, such as expanding service to Latin America and through the Midwest, to increase the carrier's revenues. Eastern Airlines is Miami's largest private sector employer with one-third of its 39,500 employees based there and a payroll of \$350 million per year. Eastern pays about \$10 million annually to the Dade County Aviation Department for rent and landing fees and buys \$200 million in goods and services from local firms. Total compensation per employee averages almost \$47,000.

<sup>12</sup> **Impact of Travel on State Economies** (Washington, D. C.: U. S. Travel Data Center, July 1983). Subsequent tourism data from: Dick Pope Institute, University of Florida Bureau of Business and Economic Research, State Economist's Office, local airport administrative offices, Eastern

Airlines, U. S. Travel and Tourism Administration, Florida Division of Tourism, Walt Disney World, Pannell, Kerr and Forster, **Tampa Tribune-Times**, **Orlando Sentinel**, and **Miami Herald**.

Foreign visitors come to the United States primarily by air, and many enter through Miami. Florida was the primary destination of 36 percent of overseas visitors to the United States in the first quarter of 1983. No other state commands such a high proportion of foreign air travelers. As the recovery exerts a greater impact abroad, more foreigners should visit Florida.

Most of Florida's 40 million visitors enter the state by automobile. They visit Walt Disney World, other major theme parks, and the beaches; they stay in campgrounds or at one of the many Florida hotels. Auto travel, spurred by a 2.2 percent decline in gasoline prices from August, 1982 to August, 1983, was up significantly last year. The number of visitors registering at Florida welcome centers grew 6.7 percent in the first three quarters. Occupancy at Florida's private campgrounds rose throughout the year and by August was 10 percent ahead of the first eight months in 1982.

Tourism in central Florida is most highly influenced by Walt Disney World. The influx of visitors to the newly opened EPCOT heightened activity around Orlando in 1983. Total visitors to Disney World through the third quarter were 77 percent higher than the same period in 1982. Over 20 million people visited the park last year. Just sustaining that level of attendance will be admirable for 1984. The opening of a new General Electric Corporation pavillion in late 1983 and the planned opening of a Moroccan exhibit in late 1984 should encourage some return visits, especially by Florida residents. Other attractions suffered in 1983 from EPCOT's competition, but their attendance is likely to increase in 1984.

The EPCOT boom renewed the lodging industry in central Florida as occupancy rates rose an average 21 percent through the year. About 11,500 to 13,500 rooms have been or will be added to 1983's level of 34,000 rooms in the three-county Orlando area. There is some concern about an oversupply of rooms as the one-time surge of EPCOT visitors levels off. Occupancy rates already are beginning to dip. In the immediate Disney World vicinity, hotel occupancy dropped to 80 percent in October from 84 percent the previous year.

Visitation to Miami has been affected adversely by the decline in foreign tourism in general and the competition from EPCOT, sometimes disparagingly referred to as the "EPCOT Wall."

Attendance at Miami's Seaquarium has been down 11 to 12 percent. The convention market is also soft. The number of conventions in Miami Beach dropped from 300 in 1982 to 250 last year, and preliminary estimates indicate a decrease from 400,000 delegates in 1982 to 275,000 in 1983. In addition to the recession, which reduced convention traffic nationwide, Miami Beach's convention business has deteriorated because other cities have added or expanded facilities, lowering its rank in exhibition space from seventh in 1976 to 32nd in 1983. New hotel construction and expansion of the city's convention center should help improve the Miami tourist market over the long-term. For 1984, however, the industry is likely to show little improvement.

While the tourism outlook for 1984 generally is bright, near-term developments portend difficulties for Florida's tourism industry. The most important of these will probably be the World's Fair in New Orleans, which extends from May 12 through November 11. Many of the 11 million visitors expected at the fair are the same upscale travelers who would be attracted to EPCOT. However, continuation of economic expansion should increase disposable income not only in the United States, but also abroad, generating further increases in travel to Florida.

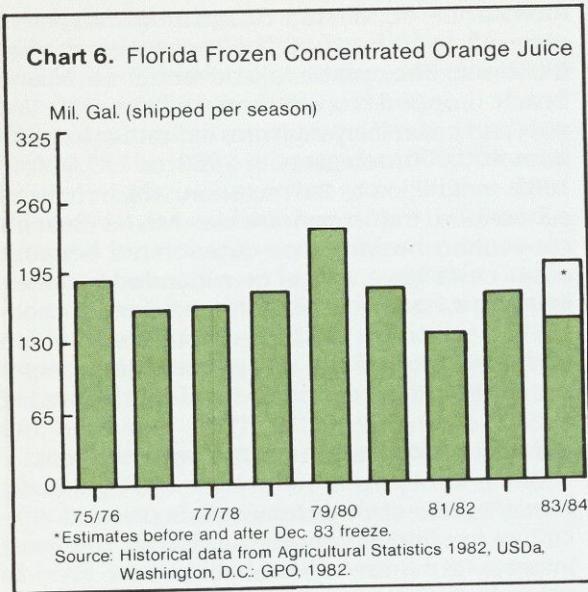
### Agriculture

Florida's agriculture sector, though overshadowed by tourism, construction, and business development, is important in the state's economy. Florida ranks eleventh among the states in value of agricultural products, and agribusiness accounts for \$12 billion or 11 percent of statewide income. Over half of Florida's farm revenue is generated by fruits and vegetables. Cattle and sugarcane are also important.

In 1983, the citrus industry, Florida's largest agricultural revenue producer with annual earnings over \$1 billion,<sup>13</sup> was recovering from the damaging back-to-back freezes of 1981 and 1982 when extremely severe weather struck once again. In late December of 1983, temperatures plunged, breaking records throughout the state.

Damage was most extensive in central and north Florida where temperatures fell below freezing for two consecutive nights. Oranges, as a

<sup>13</sup>Economic Research Service, USDA. Economic Indicators of the Farm Sector, State Income and Balance Sheet Statistics 1981. Washington: GPO, 1982.



result of a thinner skin, suffered more damage than the less valuable grapefruit crop.

Freeze-damaged fruit can be utilized for juice although the juice yield is much lower. Fortunately, temperatures remained below normal following the freeze, thus retarding deterioration. Much of the crop apparently can be salvaged, but juice production will be reduced significantly.<sup>14</sup>

The freeze was especially crushing because the 1983-1984 orange crop had been expected to be the first normal one in three years. While the previous season's crop had been an improvement over 1981-82's output, it remained below normal. With favorable prices and larger crops, Florida orange growers fared better last year. The prospects for 1984 abruptly changed with the early winter freeze (Chart 6).

The short-term impact of the freeze will be a shortage of fresh citrus, especially oranges. Growers in counties near Orlando and northward are expected to supply little fresh fruit to the retail market until next season. Prices of frozen concentrated orange juice (FCOJ) will rise significantly in the short run. The late January wholesale price was 22 percent above the pre-Christmas price.

In the long run, the impact will depend largely on the degree of tree damage incurred by the

citrus industry. If trees experienced limb and twig damage, it could mean a reduced crop in the 1984-1985 growing season.

Consumers will continue to feel the effects of the December weather throughout 1984 and possibly longer. After the 1980-1981 freeze, wholesale frozen concentrate prices climbed 48 percent and remained above the pre-freeze price. Even with an almost certain increase in Brazilian imports, concentrate prices are likely to remain higher than last year until at least next season.

Vegetables generate almost \$800 million, or 20 percent of Florida's farm revenue, and are especially important in south Florida where farmers have the advantage of being off-season producers. Weather is always a concern of vegetable growers and in recent years rising Mexican imports have also proved worrisome. The December freeze devastated Florida's vegetable industry with temperature-sensitive crops such as tomatoes, squash, and pepper virtually wiped out. No area of the state was left free of damage although tougher crops such as celery experienced only minor damage.

Perhaps the most significant impact has been the rising cost of fresh vegetables to consumers. Vegetable prices will remain high until new crops are harvested in late winter. By early January, wholesale prices of crops such as lettuce and corn had more than doubled while no market price was established for some commodities, because of their absence from the market. Farm workers who normally harvest the vegetable crops in Florida found little demand for their service.

Sugarcane, which accounts for approximately 6 percent of the state's cash farm receipts, also suffered from cold damage. One source estimates an approximate 10 percent reduction in sugar, processed from cane. Despite the smaller supply of Florida sugar, little price movement is expected. As a result, the net revenue of Florida sugarcane growers may decline.

The cattle industry, which accounts for approximately 11 percent of Florida's farm cash receipts, has been taking substantial losses as cattle prices fell 31 percent from their peak of over \$70 per hundredweight in early 1979. However, cattlemen should see a turnaround in profit margins as beef supplies grow tight by midyear.

Given the diversity in Florida agriculture, it normally is difficult to characterize its health. It appears, however, that a number of factors are

<sup>14</sup>An early January estimate of the Florida Citrus Mutual, a grower organization.

impacting several major farm industries negatively. Cattlemen are not likely to see a significant turnaround in profit margins until at least midyear.

What had been shaping up as a favorable year for the citrus industry was abruptly changed by the late 1983 freeze. Many growers are experiencing below-normal production this growing season and may face a small crop in the 1984-1985 season. The vegetable industry suffered serious short-term losses in the early months of 1984 but can quickly rebound barring further severe weather. In general, 1984 may be a very trying year for the farm sector and this will undoubtedly have an impact on the state's economic health.

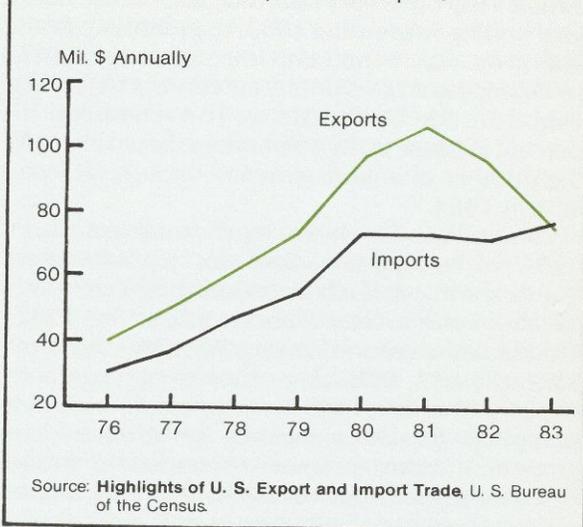
### International Trade

Following a poor performance in 1982, international trade in Florida weakened further in 1983. With the strong U.S. dollar and economic problems in key Latin American countries, exports from Florida fell sharply. For the first nine months of 1983, the value of airborne and waterborne foreign exports in the southern half of Florida declined 28 percent, while exports from northern Florida were down only 4.8 percent. Southern Florida's poorer performance resulted from its heavier dependence on trade with the troubled Latin American countries. While exports will likely be higher in 1984, they will continue to be constrained by sluggish growth and debt-related pressures in Latin America (Chart 7).

The continued strength of the U.S. dollar and the beginning of an international economic recovery boosted state import values in 1983 following a decline in 1982. During the first nine months of 1983, the value of foreign imports was up 3.2 percent over the same period in 1982. Imports into south Florida were up only 0.2 percent, while imports into north Florida ports were up 5.4 percent.<sup>15</sup>

During the last decade, international trade became an increasingly important sector of Florida's economy as the state's 16 seaports and major international airports captured a growing share of burgeoning U.S. foreign trade. With the value of merchandise exports through Florida ports growing at a compound annual rate of nearly 26 percent during the 1970s, international trade activity helped fuel the state's economic growth.

**Chart 7. Florida Exports and Imports**



Increased foreign commerce has benefited not only those directly involved but other major sectors of the economy, such as tourism, banking, real estate and retailing. Those who become familiar with Florida through trade-related business often find the state a nice place to vacation and a safe place to invest capital. So expansions and contractions in international activity increasingly impact many sectors of the Florida economy.

A disproportionate share of Florida's foreign trade expansion has been with Latin America and the Caribbean. In the early 1980s, trade with these countries made up more than two-thirds of the state's total foreign commerce, with most of the trade conducted through Miami. While the strong dollar suppressed U.S. exports in all regions, the political, social, and economic problems plaguing many Latin American countries dealt a particularly harsh blow to Florida's export-oriented international commerce.

The Port of Tampa services such key state commodities as phosphate rock and by-products. During the port's 1983 fiscal year, total cargo tonnage was up 11 percent from the prior year. The increased tonnage resulted primarily from a 24 percent increase in phosphate shipments to industrialized countries. Total earnings of phosphate exporters, however, were 7 percent lower than in 1982 because of lower world prices.<sup>16</sup>

<sup>15</sup>Highlights of U. S. Export and Import Trade, U. S. Bureau of the Census, FT990/September 1983.

<sup>16</sup>Phosphate Rock Export Association, Tampa, Florida.

The Port of Jacksonville remains one of the nation's top ports for imported cars. For the fiscal year ending September 1983, the number of cars imported was 4 percent lower than in 1982, reflecting Japan's voluntary agreement to limit its exports to the United States. The scheduled 10 percent increase in the 1984 quota should increase the number of imports entering through Jacksonville in 1984.<sup>17</sup>

The outlook for Florida agricultural exports in 1984 is less certain than for manufactured goods. Farm products accounted for one-tenth of the state's total export values in 1982. Florida ranks second among the states as a fruit exporter and fifth as a source of vegetable exports. The late 1983 freeze has dimmed the prospects for citrus exports. In addition, the grapefruit industry faces an uncertain future because Japan, buyer of half of Florida's grapefruit exports, may limit imports as the result of a pesticide controversy. The potential loss of this market could sharply reduce grapefruit exports.

The overall prospect for international trade in the state in 1984 is clouded by continued debt problems in Latin American countries. Some improvement should result from the full implementation of the Caribbean Basin Initiative (CBI). The CBI provides many Central

American and Caribbean products with 12-year duty-free access to the U.S. market. In addition, the CBI makes available to Basin countries a trade-financing program that provides for the purchase of U.S. raw materials and intermediate goods needed to fuel these countries' economies. The state's 1984 trade outlook is also enhanced by the economic recoveries underway in Canada, Japan, and Western Europe.

## Conclusion

Paced by booming growth in its "central corridor," Florida appears ready to erase most doubts about the staying power of its economic growth. High growth, high-technology companies are flocking to the state, along with enough new residents to bring population growth back to prerecession levels. Such rapid growth will challenge the state's water, road and education systems, but the state's new economic diversity promises to help Florida continue its remarkable growth.

—Donald L. Koch,  
Pamela V. Whigham,  
and Delores W. Steinhauer

<sup>17</sup>Jacksonville Port Authority.

## Miami: Foreign Influence Affects Economy

Miami's economy has begun a steady rebound from the recession, though at a slower pace than the rest of the state. As Florida's dominant international city and the United States' gateway to the Caribbean and Latin America, economic recovery in Miami has been suppressed by the social, political, and economic problems in Latin American countries. While the loss of a large portion of the Latin American market has hit tourism and small exporters most severely, other sectors of Miami's economy have suffered also. Though Miami's long-term prosperity lies in its increasing role in world commerce, its high degree of internationalization promises to dampen its economic performance until the Latin American economies strengthen.

During the past two decades Miami has changed from a quiet resort community catering to tourists and retirees to a thriving international metropolitan area. Miami's population currently is almost 40 percent Hispanic, the base of which came primarily from Cuba in the early 1960s. The influx of this highly entrepreneurial group stimulated foreign trade activity principally with transplanted Cubans in Latin American and Caribbean countries. The strong cultural ties facilitated trade, which evolved into a reciprocal network impacting more than those directly active in foreign trade. Miami's tourist industry has become increasingly dependent on the Latin tourists and businessmen whose numbers have risen during the last two decades to offset the declining number of domestic visitors. Many Latin businesses have established offshore offices in Miami, whose transportation

and communications networks often make it an easier base from which to conduct business than most Latin countries.

The increasing international activity has affected all sectors of Miami's economy and shaped the pattern of business development. A recent study found that those involved in international transactions in 1981, including those directly and indirectly involved in foreign trade or who cater to international tourists, businessmen, and investors, made up 22 percent of Dade County workers, up from 17 percent in 1975.

While tourism in north and central Florida rebounded in 1983, Dade County tourist expenditures in 1983 are estimated to have fallen over 10 percent short of the 1982 level and 33 percent below 1980 tourist expenditures.<sup>18</sup> The decline in tourism has hurt business for Miami's retailers. While retail sales statewide were up 12.5 percent during the first ten months of 1983, in Miami they were up only 4.7 percent. Local real estate agents estimate that almost half of the hotels in several of Dade's once thriving beachfront tourist districts are for sale, though hotel construction has been strong in Miami's business district, downtown and near the airport.

Latin Americans have invested heavily in south Florida real estate, finding the region a safe harbor for dollars drawn out of their own financially troubled economies. Wealthy Latins helped fuel rampant inflation and speculation in Miami's luxury condominium market in the late 1970s. With increasing restrictions on withdrawing capital from many of the countries, the flow of Latin American investment money has slowed and has been directed toward less conspicuous investments, thereby drying up the luxury condominium market.

There are an estimated 3,000-3,500 exporters in South Florida, most of which are small operations employing five or fewer people specializing in exports to Latin American countries. With a 28 percent decline in exports during the last year, the area's small exporters have shown enormous resilience. Lower earnings have forced many to turn temporarily to other types of work to keep their operations going.

The prolonged decline of Miami's foreign trade has underscored the need to diversify from a heavy dependency on exports to Latin

American countries. Many officials and businessmen are trying to diversify by seeking new export markets in Europe, Asia, and Africa. However, with their Latin backgrounds and fluency in Spanish, most Florida exporters have a comparative advantage in trading with Latin America and the Caribbean, so trade is likely to continue to be heavily weighted toward those areas.

By operating large vessels to Latin America, Miami freight forwarders can consolidate shipments and transport goods at a lower per unit charge. Many see an expanding role for Miami as a transshipment point for cargo coming from foreign countries. In addition, Miami's small exporters can position themselves to receive and market the increasing imports from Latin American countries. Increased imports are inevitable if these countries are to rebuild their economies and service their large foreign debts.

Many pin high hopes on developing Miami's potential as an international medical center, serving primarily Latin American countries. Miami has extensive hospital and medical facilities constructed to serve its large elderly population. By offering a comprehensive health service package to prospective foreign patients, Miami could fill the currently empty beds and lay the foundation for expansion of its medical network. In addition to direct patient care, services offered to the Latin market could include specialized medical education for physician support technicians, information services, and stimulation of local manufacture and distribution of medical equipment and supplies.

Despite the international difficulties, Miami's economy is recovering. New housing starts in the Dade County metropolitan area are up 100 percent over 1982 levels, and 11,700 nonagricultural jobs have been added over the past year. Even though Miami is heavily dependent on international trade, the current recovery demonstrates that the city has a diversified economic base, some of which is bouncing back with the domestic economy. For example, active in Miami's recovery are a large number of small manufacturers and warehousemen that serve the local south Florida market. With recovery in the U.S. increasing activity in the broader south Florida region, these companies are coming back to life. But a robust expansion must wait for the revival of major Latin American economies.

<sup>18</sup>Metro Dade Department of Tourism, Research Division.