

SouthPoint - Federal Reserve Bank of Atlanta

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Heading into Fall, Florida's Recovery Continues

In an August *SouthPoint* [post](#) about economic conditions in north and central Florida, we stated that the sentiment of our contacts during the summer had been the most upbeat since before the recession. Since then, the [Jacksonville REIN team](#) has met with more than 50 business contacts, and it was very clear that the optimism was ongoing.

Contacts were upbeat as revenues and volumes increased. Demand for residential purchase mortgages met expectations, and residential lot development had made a comeback since the recession. Activity in multifamily real estate was robust, commercial loan activity improved, and office space absorption increased.

Employment and labor markets

Employment levels remained relatively flat for most, but some larger firms added to headcount. Complaints about difficult-to-fill positions persisted, though there was little evidence of contacts aggressively raising pay to attract talent. For some financial institutions, the increased availability of full-time positions in the marketplace has created turnover of part-time staff such as tellers. In addition to the usual difficult-to-fill positions (information technology, accounting, and compliance and risk), we heard stories of challenges filling lower level, low-skill positions in industries such as hospitality. In the Space Coast region, there were reports of overall shortages of workers.

Costs, wages, and prices

Most contacts indicated that nonlabor inputs have increased at about the rate of inflation. However, commodities like resins, plastics, and aluminum are expected to remain fairly flat for the foreseeable future. Construction costs in our area have reportedly stabilized, and fuel prices have lowered considerably. Food costs, particularly proteins, are up compared with last year.

Anecdotes about 2015 health care premiums were mixed, as increases ranged from less than 1 percent to as high as 20 percent. Many companies indicated that they plan to change benefit structures, raise deductibles, alter prescription plans, and eliminate dependent coverage (and so on) in an effort to avoid significantly increasing the proportion that employees pay as a result of worries about talent acquisition and retention. Others are moving ahead with shifting some measure of any increases to

employees.

Most contacts reported moderate wage pressures for technically skilled positions. Some reported increased starting salaries for some lower-level jobs such as call center positions, and some are forced to offer more to attract those with internet or digital media skills. Most contacts continued to budget merit increases in the range of 2.5 to 3 percent.

Availability of credit and investment

Access to capital and availability of credit continued to be a nonissue for the majority of our contacts, but some small organizations continued to struggle for funds. Banking contacts reported strong loan demand for purchase mortgages in addition to new construction loans, refinances, home improvement loans, consumer loans, and increases in commercial loans. Reports of capital expenditures including major port expansions, health care facility construction projects, and merger and acquisition activity were widespread across the region.

Business outlook

Some contacts mentioned downside risks to the outlook, including the outcome of today's election, increased government regulations, and—most recently—worries about weakness internationally and the resulting market volatility that crept up in mid-October. Generally, however, contacts reported an expectation for higher growth in the short and medium term.

Tell us: What's *your* outlook for growth for the rest of 2014 and into the next year?

By Chris Oakley, regional executive, and Sarah Arteaga, REIN director, both at the Atlanta Fed's Jacksonville Branch

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