

Florida – Drawing In People, Maintaining Economic Outperformance

Shernette McLeod, Economist | 416-415-0413

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Highlights

- Florida is one of the fastest growing states in the U.S., a trend that is set to continue. The state's population grew by 2.5 million people between 2010 and 2018, with a growth rate that has consistently outpaced the national average.
- Approximately 90% of this growth was due to net migration. Both international and domestic migrants have been flocking to the Sunshine State, and Florida is now the leading destination in the U.S. for both types of migrants.
- Migration is also important in shaping population dynamics at the regional level in Florida. Population in major metros such as Miami, would dwindle were it not for the significant number of international migrants that are drawn to the area.
- The outlook calls for continued buoyant population growth. This, however, is not without its challenges, including population aging. Harnessing the power of robust growth while navigating these difficulties will be a key challenge for Florida in the years ahead.

The 2018 population estimates are out and Florida is one of the big winners. Indeed, the Sunshine State has cemented its position as the third most populous state in the union, a position it took from New York in 2014 (Chart 1).

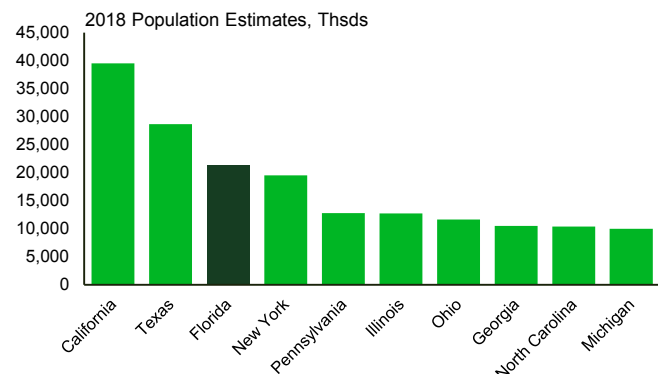
Florida's economic fortunes are closely tied to its ability to attract people to the state – something it has done with increasing success over the past several decades, resulting in population growth that has outpaced the national average (Chart 2). In this note we take a closer look at how Florida has been able to maintain a steady flow of international and domestic migrants and the role its changing population dynamics are likely to play in its future development.

Florida is likely to continue to maintain its economic outperformance over the next decade. But, migration will not fully offset the challenge of population aging – especially as many of the migrants to the state will be retirees. Drawing a greater number of younger people to the state will be key to maintaining its competitive advantage.

Recent Population Trends in Florida

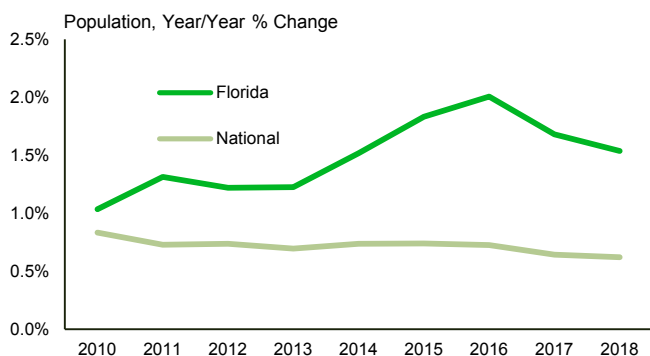
Florida's population has grown by an estimated 2.5 million since the 2010 census.¹ That's an annual average growth rate of 1.5% –

Chart 1: Sunshine State Cements Its Position As the Third Most Populous State in the Union



Source: US Census Bureau, TD Economics

Chart 2: Florida Outperforms the Nation in Population Growth



Source: US Census Bureau, TD Economics

more than double the 0.7% rate nationally. For perspective, this is equivalent to adding a new city the size of Orlando each year.

Florida’s impressive growth is almost entirely due to net migration. Between 2010 and 2018, a net 2.2 million people migrated to the state, constituting 90% of the change in population. Natural increase – the difference between births and deaths – made up the rest at around 250,000 over the same period.

Florida’s success in attracting people is both an international and domestic migrant story. On the international front, Florida has steadily increased its share of net foreign migrants. While representing 6.5% of the total U.S. population, Florida welcomed nearly 18% of the net international migrants to the U.S. in 2018, up from 15% in 2016, the year it surpassed California as the leading destination for international migrants (Chart 3).

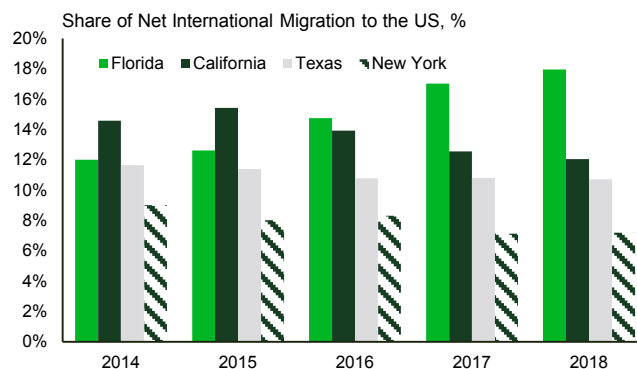
A similar trend is true of domestic migrants. In 2015, Florida overtook Texas as the most favored location for domestic migrants, a position it has maintained since (Chart 4). On net, New York, New Jersey and Illinois were the top contenders for states contributing the most to Florida’s state migration inflows. The three states combined, accounted for 61% of net inflows to Florida (Chart 5). Puerto Rico was also a significant net contributor to these flows. IRS migration data tells a similar story. In fact, the share of net migrants coming from New York has consistently taken the top spot according to their records, while New Jersey and Illinois have been among the top five.

Regional Population Patterns within Florida

Data from the Population Program at the University of Florida’s Bureau of Economic and Business Research (BEBR) allows us to delve even deeper into these population patterns at the municipal and county levels.² According to their estimates, Florida’s population growth varied vastly from county to county. Between 2010 and 2018, growth range from a high of 33.7% in Sumter County to a low of -4.2% in Lafayette County.

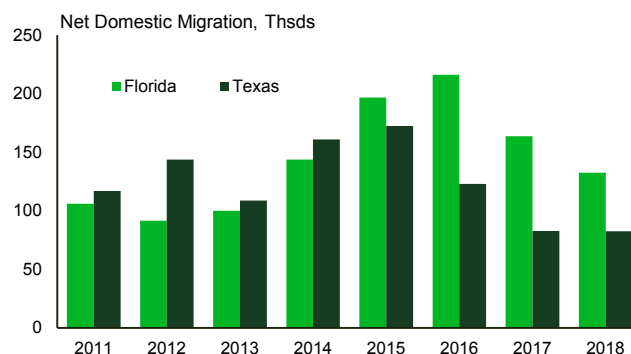
As at the state level, migration played the main role in shaping population dynamics at the county level (Chart 6). Population influx is particularly relevant to maintaining growth of some of the most populous counties in Florida, such as Miami-Dade, Broward, Palm Beach and Hillsborough. Miami-Dade in particular, loses more existing residents to other states and other counties in Florida

Chart 3: Florida Claims Top Spot As the Favourite Destination for International Migrants



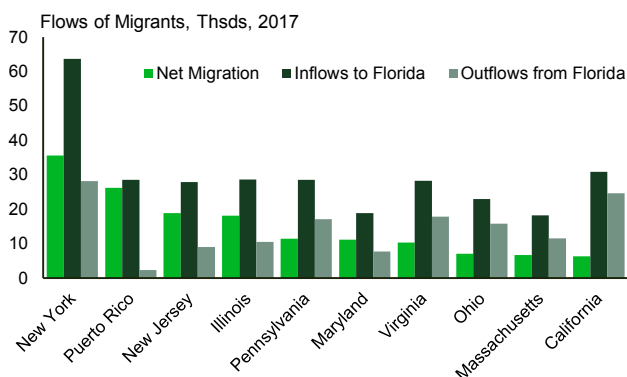
Source: US Census Bureau, TD Economics

Chart 4: Florida Beats Out Texas for the Top Spot Among Domestic Migrants in the U.S.



Source: US Census Bureau, TD Economics

Chart 5: Three States and Puerto Rico Top Net Migration Inflows to Florida



Source: US Census Bureau, TD Economics

than it receives. It is therefore dependent on the arrival of international newcomers to maintain growth. Indeed, were it not for international migrants, Miami, Fort Lauderdale and West Palm Beach would register population declines, as the number of leaving local residents is generally larger than inflows from domestic sources (Chart 7).

A significant portion of Florida’s employment is concentrated in these counties and MSAs, with the need for talent largely met by international migrants. As such, the consequences of slower immigration would be concentrated on these large metros.

Climate and Low Taxes Maintain Florida’s Draw

A warm climate and low taxes are the Sunshine State’s biggest draws. Indeed, the state benefits from lower taxes than most other warm weather options. As a result, states with higher cost of living have consistently been a large contributor to Florida’s population inflows. Relatively high taxes and housing costs in California, for example, make Florida a more appealing option both for Californians and residents of colder states.

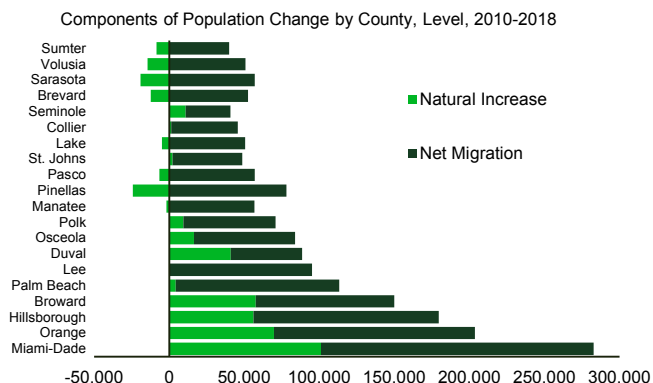
Florida appears to be benefiting from the revival of the Snow-Belt-to-Sun-Belt migration, which lullied in the wake of the 2008 recession. Florida’s economy was hit harder than the rest of the country during the recession and as a result took longer to recover. However, with an unemployment rate that is now below the national average and house prices that now appear more affordable in comparison to high-priced markets in the northeast, relatively strong migration from these states has returned.

Florida is also a popular place for international migrants, who are drawn in part by its well-established communities of past migrants from locations such as Latin America and the Caribbean. These communities create strong economic and cultural ties for new international migrants from the same regions, which makes adjusting to life in Florida less of a shock. Climate is also a factor – as a large percentage of international migrants come from countries with similarly sunny characteristics.

Permanent Migrants vs. Temporary Visitors

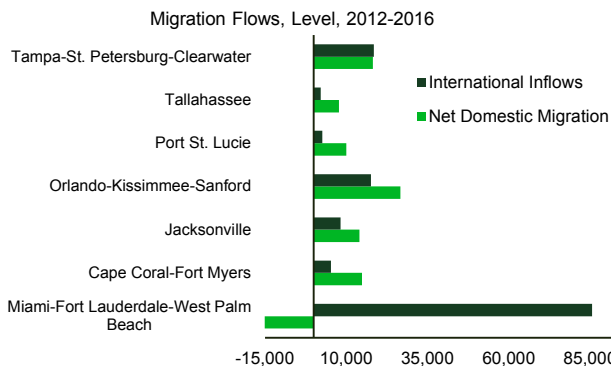
While international migration to Florida is on the rise, Florida’s appeal to international visitors has ebbed somewhat of late. On average, about a quarter of international visitors come from Canada, however a higher U.S. dollar has contributed to a leveling off of foreign arrivals from both Canada and other countries. Fortunately, the state’s

Chart 6: Migration Drives Population Growth in the Fastest Growing Counties



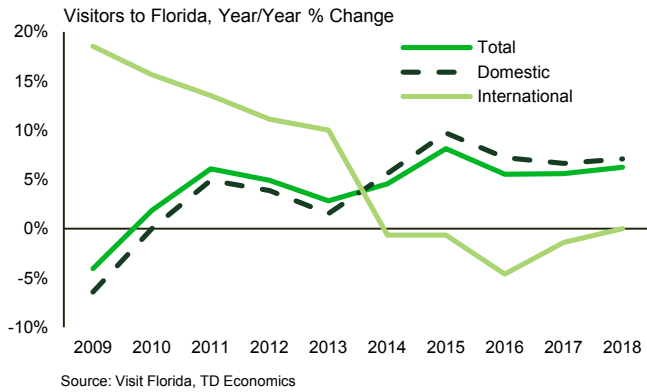
Source: Bureau of Economic and Business Research, TD Economics

Chart 7: Population Growth in Florida’s Largest MSA Supported by International Migration



Source: US Census Bureau, TD Economics

Chat 8: Domestic Visitors Pick up the Slack As International Arrivals Wane



appeal to domestic visitors has remained strong and indeed grown since 2013 (Chart 8). In 2018, robust domestic arrivals catapulted tourist arrivals to the highest they have been in the state’s history.

Indeed, Florida holds an enviable and relatively unique position with respect to tourism. On an annual basis, the state welcomes in excess of 100 million visitors – almost five times the permanent population of 21 million. Given the state’s lack of a personal income tax and a middle-of-the-pack sales tax rate (of 6%), a sizeable chunk of the state’s tax burden is shared by these temporary residents.³

Florida’s Population and Economic Outlook

Estimates suggest that Florida’s population could grow to 24.4 million by 2030, reaching 27.4 million by 2045. The importance of migration to Florida’s population growth will only increase going forward. In fact, by 2030, all of Florida’s population growth is expected to come from net migration.

Even while migration to the state will maintain strong population growth, it will not solve all of the challenges of an aging population. Indeed, the distribution of Florida’s population growth is likely to be skewed towards older segments (65 and above) of the population. This segment is anticipated to see population growth in excess of 81% between 2010 and 2030, while younger cohorts (0-14) are expected to grow by approximately 23%. Growth of the working-age population (15-64) is expected to be the weakest, averaging around 18% during those two decades

(Chart 9). On an annual basis this translates to about 3.0%, 1.1% and 0.8% respectively.

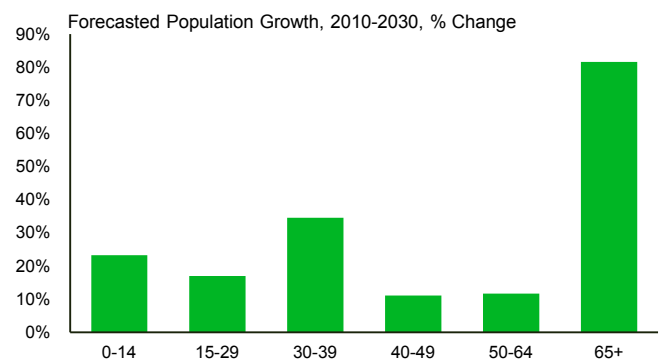
As the share of Florida’s working age population relative to retirees decline in the medium to longer term, this will put a damper on economic growth. Additionally, Florida’s own retiring Baby Boomers are likely to result in more vacant jobs than there are people to fill them and a lack of qualified workers may constrain job creation.

The good news is that in the short term Florida will receive a fillip from the rise in Baby Boomers moving there for retirement. These retirees tend to be financially better off, relative to their peers aging in place and often relocate with significant assets, such as those derived from the sale of a home. Their spending to get settled in Florida, for example on new living accommodations, will boost domestic consumer spending and generate additional tax revenue. These retirees also tend to be more active and healthier. They will therefore have greater demand for consumer services (a boon for the local economy), while lower demand for government services.

Moreover, Florida is teeming with new employment opportunities at the moment that are drawing more-and-more young professionals and families than in previous years. If this trend picks up above expectations, then the influx of new talent could help drive and sustain growth in nascent industries such as clean-tech, information technology and life sciences.

Greater opportunities in more established fields such as healthcare are also expected to accelerate, encouraging

Chart 9: Modest Growth Projected for Younger Cohorts, While Older Cohorts Surge Ahead



Source: Census Bureau, Florida’s Bureau of Economic and Business Research, TD Economics

such workers to relocate to the Sunshine State. This could be a countervailing force to the aging population. Active strategic planning by state government and recruitment efforts by local businesses could do much to coax this alternative outcome.

Closing Thoughts on Keeping Up with a Growing Population

As Florida grows and becomes more cosmopolitan, it faces all the challenges that robust population growth naturally brings. These include greater need for social services and maintenance of public infrastructure. While traditionally it has been the coastal towns that have benefitted tremendously from growth. This is no longer the case, with growth fanning out across the state. Given this, there is need to expand and improve infrastructure such as roads and highways to less urban communities. Added to this, is the aging nature of Florida's population structure, which will require greater investment in health services.

A related challenge which a burgeoning population poses is the availability of affordable housing. A significant swath of Florida's population is employed in low-wage sectors, such as the hospitality and leisure industry. It is estimated that 36% of Floridian households spend more than 30% of

their income on housing, and so this is an area which needs to be addressed.⁴ Provision of adequate educational services is also a concern. Schools therefore need to be equipped with the necessary funding and facilities to cater to the increasing demand for their services.

Additionally, Florida faces the challenge of vulnerability to climatic changes, with several major Florida cities topping various lists of susceptibility to sea level changes. Rising populations can push developments into more environmentally vulnerable locations which increases the probability of damage during natural phenomena. These environmental challenges become even more pronounced as increasing urban sprawl encroaches on the natural environment that has made the state an iconic tourist destination.

In summary, the key issue facing Florida in the long term will be finding innovative ways to deal with the challenges created by rapid population growth and demographic change. Examining the impact of immigration in particular will be fundamental to not only understanding but also benefitting from the economic opportunities that this phenomenon can produce.

Endnotes

1. The Census gives an actual count of the population every ten years, in contrast to the annual population numbers which are estimates produced yearly by the Census Bureau. ([back to text](#))
2. 2018 population data at the county level is not yet available from the U.S. Census Bureau. The BEBR is responsible for producing Florida's official city, county and state population estimates each year. ([back to text](#))
3. <https://taxfoundation.org/state-and-local-sales-tax-rates-2018/>. ([back to text](#))
4. Florida Policy Institute - https://www.fpi.institute/insufficient-affordable-housing-limits-floridas-economic-potential/#_edn3. ([back to text](#))

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