Forecasting Amidst Expansion, Trade Wars, and a Looming Downturn

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The decline in the number of florists is slowing.

Determinants of demand

- Size of market (population)
- Propensity to spend (income effects)
- Tastes and preferences
- Own- and cross-price elasticity
- Consumer expectations
Generational Gap
Values that are considered ‘very important’ by generation.

Here are where younger generations differ from older ones...

Patriotism
Religion, belief in God
Having children

...and where they are similar
Hard work
Community involvement
Tolerance for others

Source: WJS/NBC News telephone poll conducted of 834 registered voters from Aug. 10-14, margin of error +/- 3.39 percentage points
Personal consumption expenditure data for flowers, seeds, & potted plants vs. PCE for pet supplies
How do we interpret this?

People, regardless of age or any other demographic characteristic, want things that enhance the quality of their lives!

What defines Quality of Life?

Value
Relevancy
Authenticity

QOL = Social Well-Being
      Physical Well-Being
      Psychological Well-Being
      Cognitive Well-Being
      Environmental Well-Being
      Spiritual Well-Being
We are more than pretty!

**Economic Benefits**
- Beautification draws customers & reduces shopping stress
- Boosts occupancy rates
- Generates tourism revenue
- Job creation from increased services demanded
- Reduced healthcare costs
- Increased property values
- Tax revenue generation
- Reduced street repairs and maintenance costs
- Upgrade effects of surrounding areas
- Revenue from educational programs & special events

**Environmental Benefits**
- Carbon sequestration
- Improved air quality
- Attracts wildlife & promotes biodiversity
- Energy cost savings associated with heating / cooling
- Reduced heat and cold damage
- Offsets heat islands
- Reduced noise pollution
- Reduced soil erosion
- Reduced storm water runoff
- Improved water quality
- Reduced urban glare
- Effective windbreaks
- Increased biodiversity

**Health/Well-being Benefits**
- Improved concentration and memory retention
- Enhanced learning capacity
- Plants generate happiness
- Reduced stress and depression
- Health and recreation benefits
- Accelerates healing process
- Therapeutic effects of gardening
- Improves relationships / compassion
- Improved human performance / energy
- Medicinal properties
- Improved mental health
- Reduced community crime
- Traffic safety / driver satisfaction
Bottom line…

1. Demographics are working in our favor.
2. We have what people need to enhance their QOL.
3. We have an opportunity to help solve societal issues.

BUT… Will the economy mess it up?
First, let’s clear up errant assumptions.

Stock market performance **does not equal** economic performance.

Consumer confidence **does not equal** economic performance.
Better than expected, but not as good as it looks.
About as confident as we were this time last year.

Still spending, but growth is slowing.
Little impact from TC&JA
Unemployment rate 3.7%; U6 rate 7.2%

Labor force participation rate at 62.9% - same YOY

Avg hourly earnings up 1.3% YOY

CPI up 1.8% YOY

Last 29 mos. 221,000; First 29 mos. 194,000

7.3M vacancies vs. 6.4M workers

The quits rate was unchanged at 2.3 percent, and the layoffs and discharges rate was little changed at 1.1 percent.
Please participate!

2019 SURVEY STUDY
ESTABLISHING EDUCATIONAL AND CAREER PATHWAY FRAMEWORK, AND OCCUPATIONAL SKILL QUALIFICATIONS IN THE FLORAL INDUSTRY

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Margin compression

2018 Index of prices paid by growers = 126.8
+3.51% YOY
Interest rates

Housing market index (HMI) 
Recessions highlighted in gray

Source: Fannie Mae, August 2013
YOY gains are slowing and are variable between cities.
Current level is 11.3% below March 2006 peak and 36.9% above the Feb 2012 trough.

Home prices have appreciated for 9 straight years.
Freight/Trucking Costs declining, industry hiring.
When will the next recession start?

Flower sales in the midst of recessions
Financial sector risk is negligible.

Growing slower than historic average.
The unemployment rate is still in the safe zone.
Leading economic index is flattening.

33% chance of recession in 2019
50% chance of recession in 2020
80% chance of recession in 2021
What could derail this outlook?

- Monetary policy gone awry.
- Trade war effects.
- OPEC reneging on output deal.
- Bubble bursting.
- Recession in China/Europe.

Uncertainty
Do you have a contingency plan in place?

1. How prepared am I for the next downturn?

2. What predetermined strategies should I have in place?

Questions?