Florida: An Economic Overview

November 2, 2010

Presented by:

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Economy Lost Ground in 2008

- Florida’s growth is now declining. State Gross Domestic Product (GDP) ranked us 48th in the nation in real growth with a decline of (-1.6%) in 2008. In 2005, we were ranked 2nd in the nation.
Since the second quarter of the 2009 calendar year, Florida has exhibited mostly positive growth in personal income.

The increase of 0.9% in the most recent quarter (Q2 of the 2010 calendar year) ranked Florida 37th in the country. This is slightly worse than last year’s ranking at this time – 30th.
Employment Conditions

Third consecutive month that the state is showing positive over-the-year job growth after losing jobs for three years.

**Sept Nonfarm Jobs (Y.O.Y)**
- US: 0.26%
- FL: 0.38%
- YR: 27,200 jobs
- Peak: -862,100 jobs

**Sept Unemployment Rate**
- US: 9.6%
- FL: 11.9%
- (1.1 million people)
- 4th State in the country

**Official Projected**
- FL: 11.8%
  - Summer/Fall, 2010

**Highest Rate**
- FL: 12.3%
  - March 2010
52 of 67 counties with double-digit unemployment rates

Florida’s Job Market

- The job market will take a long time to recover – about 862,100 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.

- Florida’s prime working-age population (aged 25-54) is forecast to add about 1,200 people per month, so the hole is deeper than it looks.

- It would take the creation of almost 909,000 jobs for the same percentage of the total population to be working as was the case at the peak.
Population Growth Recovering

- Population growth is the state’s primary engine of economic growth, fueling both employment and income growth.

- Population growth hovered between 2.0% and 2.6% from the mid 1990’s to 2006, then began to slow – only reaching 0.7% in 2008 and declining by 0.3% in 2009. Between April 1, 2009 and 2010, Florida’s population grew by only 0.1%. Population growth is forecast to remain relatively flat – averaging 0.6% between 2010 and 2012. Population growth is expected to recover in the future – averaging 1.1% between 2025 and 2030.

- The future will be different than the past; the long-term growth rate between 1970 and 1995 was over 3%.

- Florida is still on track to break the 20 million mark by the end of 2015, becoming the third most populous state sometime before then – surpassing New York.
Florida’s April 1 Population

Florida’s population:
- was 15,982,824 in 2000
- was 18,750,483 in 2009
- was 18,772,352 in 2010
- is forecast to grow to 23,811,183 by 2030
Florida’s Population Growth

Population:
- Increased by: 445,224 between 2003 and 2004
- Declined by: -56,736 between 2008 and 2009
- Increased by: 21,869 between 2009 and 2010

Population is forecast to increase on average by:
- 223,727 between 2010 and 2015
- 271,604 between 2015 and 2020
- 264,022 between 2020 and 2025
- 248,414 between 2025 and 2030
Florida’s Population Growth

- Typically, most of Florida’s population growth is from net migration

- In 2030, net migration is forecast to represent 86.9 percent of Florida’s population growth
Population Growth Varies
(April 1, 2000 – April 1, 2010)

Counties Gaining the Most Population:

- Miami-Dade: 226,818
- Orange: 213,811
- Hillsborough: 204,297
- Lee: 172,658
- Palm Beach: 155,270

Population Change:

-2,702 - 13,893
13,894 - 37,737
37,738 - 71,201
71,202 - 128,388
128,389 - 226,818
Florida Housing is Improving

Statewide Existing Home Sales & Starts

- Year-Over-Year Percent Change

- Statewide Sales
- Median Price
- Starts (SF)
But, Existing Homes Sales Slowing Again

Year Over Year Median Sales Price & Volume

Data through September 2010
Existing Home Prices Are Flat

Data through September 2010
Price Holding Below National Level

The chart above is for single-family residences. Data from the American Community Surveys suggests that Florida was above the national median price for owner-occupied housing units from 2005 through most of 2008.
Foreclosure Filings Daunting

2009...
2\textsuperscript{nd} Highest \# of Filings
(516,711 properties)

3\textsuperscript{rd} Highest Foreclosure Rate
(5.93\% of housing units received at least 1 filing during the year)

\textbf{August, 2010 (highest = deepest red)...}
\textbf{AREA:} Cape Coral-Fort Myers
\hspace{2em} (#3 in the country in August)
\hspace{2em} Miami-Ft. Lauderdale-Pompano Beach
\hspace{2em} (#5 in the country in August)
\textbf{FILINGS:} 2\textsuperscript{nd} in US (nearly 17\% of US total)
\textbf{RATE:} 2\textsuperscript{nd} in US
Foreclosures & Shadow Inventory

<table>
<thead>
<tr>
<th>State</th>
<th>Delinquency %</th>
<th>Foreclosure Inventory %</th>
<th>Non-Current %</th>
<th>6 Month Change in Non-Current %</th>
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</thead>
<tbody>
<tr>
<td>National</td>
<td>9.22%</td>
<td>3.80%</td>
<td>13.02%</td>
<td>-11.09%</td>
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<tr>
<td>FL</td>
<td>10.7%</td>
<td>12.8%</td>
<td>23.5%</td>
<td>-8.2%</td>
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<tr>
<td>NV</td>
<td>12.8%</td>
<td>8.6%</td>
<td>21.3%</td>
<td>-10.7%</td>
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<tr>
<td>MS</td>
<td>13.6%</td>
<td>3.0%</td>
<td>18.6%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>GA</td>
<td>12.5%</td>
<td>3.1%</td>
<td>15.6%</td>
<td>-9.6%</td>
</tr>
<tr>
<td>IL</td>
<td>9.2%</td>
<td>5.2%</td>
<td>14.4%</td>
<td>-8.9%</td>
</tr>
<tr>
<td>AZ</td>
<td>10.2%</td>
<td>4.1%</td>
<td>14.3%</td>
<td>-16.4%</td>
</tr>
<tr>
<td>OH</td>
<td>10.2%</td>
<td>4.1%</td>
<td>14.3%</td>
<td>-8.4%</td>
</tr>
<tr>
<td>LA</td>
<td>11.0%</td>
<td>3.3%</td>
<td>14.2%</td>
<td>-9.2%</td>
</tr>
<tr>
<td>IN</td>
<td>10.3%</td>
<td>5.4%</td>
<td>17.5%</td>
<td>-8.2%</td>
</tr>
<tr>
<td>NJ</td>
<td>11.3%</td>
<td>3.2%</td>
<td>16.8%</td>
<td>-14.5%</td>
</tr>
<tr>
<td>MI</td>
<td>9.9%</td>
<td>2.9%</td>
<td>11.9%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>RI</td>
<td>10.5%</td>
<td>5.0%</td>
<td>14.0%</td>
<td>-16.5%</td>
</tr>
<tr>
<td>CA</td>
<td>9.9%</td>
<td>2.9%</td>
<td>11.9%</td>
<td>-6.5%</td>
</tr>
<tr>
<td>TN</td>
<td>13.1%</td>
<td>3.2%</td>
<td>16.8%</td>
<td>-14.5%</td>
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<tr>
<td>MD</td>
<td>10.2%</td>
<td>5.0%</td>
<td>14.0%</td>
<td>-16.5%</td>
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<tr>
<td>WV</td>
<td>10.8%</td>
<td>5.0%</td>
<td>14.0%</td>
<td>-16.5%</td>
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<tr>
<td>AL</td>
<td>11.2%</td>
<td>3.2%</td>
<td>16.8%</td>
<td>-14.5%</td>
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<tr>
<td>SC</td>
<td>9.5%</td>
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<td>11.9%</td>
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<tr>
<td>NY</td>
<td>8.6%</td>
<td>2.9%</td>
<td>11.9%</td>
<td>-6.5%</td>
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<tr>
<td>NC</td>
<td>9.7%</td>
<td>2.9%</td>
<td>11.9%</td>
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<tr>
<td>CT</td>
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<td>11.9%</td>
<td>-6.5%</td>
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<tr>
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<td>11.7%</td>
<td>-10.3%</td>
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<tr>
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<td>7.0%</td>
<td>4.7%</td>
<td>11.7%</td>
<td>-12.5%</td>
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<tr>
<td>ME</td>
<td>7.6%</td>
<td>4.1%</td>
<td>11.7%</td>
<td>-9.3%</td>
</tr>
<tr>
<td>PA</td>
<td>8.7%</td>
<td>2.7%</td>
<td>11.4%</td>
<td>-9.8%</td>
</tr>
</tbody>
</table>

Foreclosures adding more to inventory than Sales are subtracting.  
(LPS Data for August)
REO (Bank) and Short Sales were 50% of all Florida sales in May.
LPS: Lender Processing Services
Vulnerability

If the 2009 rate dropped immediately back to the long-run average, about 343,960 homeowners would be affected and over $56.5 billion of value.
Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (68.2 in September versus 51.7 in May 1980), but still not back to the long-run average of 86.5.

Florida’s consumer confidence (September: 68 versus a record low 59 twenty-seven months ago) is roughly following the national trend.
**Credit Conditions Still Tight**

*Question to Senior Loan Officers:*
Over the past three months, how have your bank’s credit standards for approving applications from individuals for prime residential mortgage loans to purchase homes changed?

<table>
<thead>
<tr>
<th></th>
<th>All Respondents</th>
<th></th>
<th>Large Banks</th>
<th></th>
<th>Other Banks</th>
<th></th>
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<tbody>
<tr>
<td></td>
<td>Banks</td>
<td>Percent</td>
<td>Banks</td>
<td>Percent</td>
<td>Banks</td>
<td>Percent</td>
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<tr>
<td>Tightened considerably</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td>Tightened somewhat</td>
<td>2</td>
<td>3.6</td>
<td>0</td>
<td>0.0</td>
<td>2</td>
<td>7.7</td>
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<tr>
<td>Remained basically unchanged</td>
<td>48</td>
<td>87.3</td>
<td>24</td>
<td>82.8</td>
<td>24</td>
<td>92.3</td>
</tr>
<tr>
<td>Eased somewhat</td>
<td>5</td>
<td>9.1</td>
<td>5</td>
<td>17.2</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Eased considerably</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
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<tr>
<td><strong>Total</strong></td>
<td>55</td>
<td>100.0</td>
<td>29</td>
<td>100.0</td>
<td>26</td>
<td>100.0</td>
</tr>
</tbody>
</table>

July 2010 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)
Economy Was Set To Rebound

Florida growth rates are beginning an expected slow return to more typical levels. But, drags are more persistent than past events, and it will take years to climb out of the hole left by the recession. Overall...

- The national economic recovery is running its course and, more importantly, the financial markets are recovering stability – although they are still sluggish and difficult to access.

- The subsequent turnaround in Florida housing will be led by:
  - Low home prices that begin to attract buyers and clear the inventory.
  - Long-run sustainable demand caused by continued population growth and household formation.
  - Florida’s unique demographics and the aging of the baby-boom generation.
Florida Recovery Timeline
Summer 2010 Projections

Fiscal Years 2008-09 and 2009-10

Florida Experiences Recessionary-Like Conditions
Declining Growth

7/1/2008 - 6/30/2012

Fiscal Year 2011-12

Florida's Sustainable Recovery
Normal Growth (on low levels)

Fiscal Year 2009-10

National GDP has negative growth in 2008-09 and less than 1% growth in 2009-10.

Fiscal Year 2010-11

Most Florida measures return to normal or accelerated growth rates.

Fiscal Year 2010-11

National GDP has 3% growth.

Florida population has very low growth.

Florida personal income has weak growth.

Florida employment has weak growth.

Florida's Sustainable Recovery
Normal Growth (on low levels)

Florida Visitors decline in 2008-09 and turns weakly positive in 2009-10.

Florida housing starts decline in both years.

Florida Visitors decline in 2008-09 and turns weakly positive in 2009-10.

Florida personal income declines in both years.

Florida employment declines in both years.

Florida unemployment rate moves into double-digits.

Florida unemployment rate is only slightly off the peak.

Florida private housing starts enter positive territory.
Florida Risks to the Forecast

- Florida is on a different recovery path than the nation as a whole --- Deepwater Horizon Oil Spill exacerbates the differences.

- Recovery will be uneven, and there will be many ups and downs over the next twelve months.

- Most of these events have already been built into the prior forecasts --- but not the Oil Spill.

- Some of the improvement we’re talking about is actually a lessening of the decline. The economy will be better, but still fragile in the short-term.

- Florida is a diverse state, and areas will differ in their recovery timelines. Oil spill-impacted areas will have new challenges.
Known Threat & Black Swans

Known Threat: Deepwater Horizon Oil Spill impacts

“Black Swans” are low probability, high impact events:

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures.
  - Forty-six Florida banks have failed since January 2002 – fourteen of which occurred in the 2009 calendar year, and another twenty-seven so far this year.

- Severe Natural Disasters
  - 2004 and 2005 Hurricane Seasons
  - Budget Stabilization Fund balance is $274 million.

- Double-Dip Recession (Moody’s Analytics at 33%; Nouriel Roubini at 40%)
Strong Growth Expected for GR

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>March Forecast</th>
<th>Post-Session Forecast</th>
<th>DIFF</th>
<th>New Forecast</th>
<th>Difference (New - Rev)</th>
<th>Incremental Growth</th>
<th>Growth</th>
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</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>27074.8</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2006-07</td>
<td>26404.1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2007-08</td>
<td>24112.1</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2008-09</td>
<td>21025.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2009-10</td>
<td>21056.9</td>
<td>21294.3</td>
<td>237.4</td>
<td>21523.1</td>
<td>228.8</td>
<td>497.5</td>
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<td>2010-11</td>
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<td>22706.1</td>
<td>240.4</td>
<td>22967.0</td>
<td>260.9</td>
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<td>2011-12</td>
<td>24275.4</td>
<td>24338.3</td>
<td>62.9</td>
<td>24672.7</td>
<td>334.4</td>
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<td>2012-13</td>
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<td>26121.7</td>
<td>132.9</td>
<td>26341.6</td>
<td>219.9</td>
<td>1668.9</td>
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<tr>
<td>2013-14</td>
<td>27739.6</td>
<td>27877.7</td>
<td>138.1</td>
<td>27955.7</td>
<td>78.0</td>
<td>1614.1</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

LR: $617.2 M; positive growth at $946.4 M

LR: 6.2%; positive growth at 8.0%