

Florida: An Economic Overview

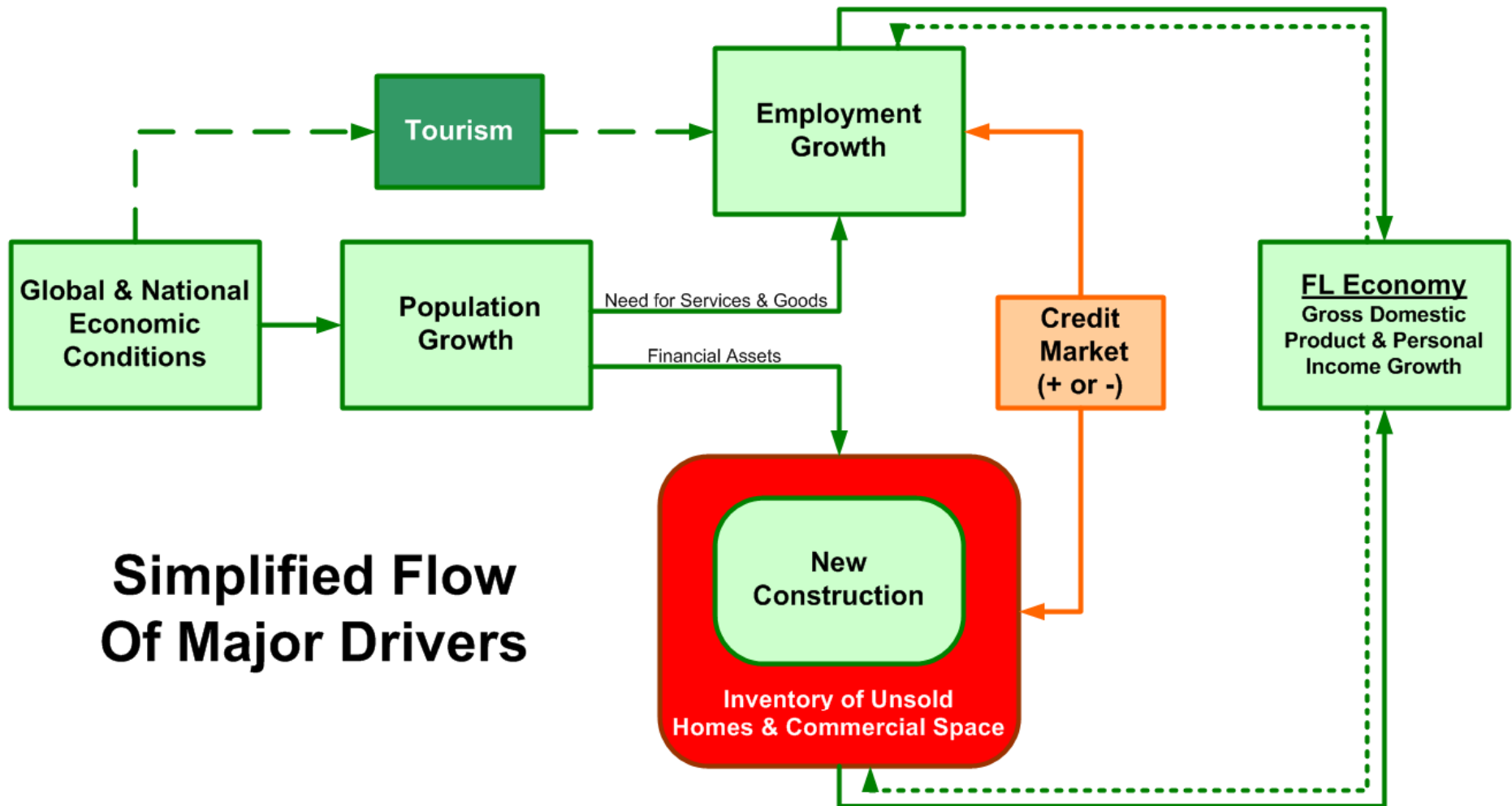
December 6, 2011

Presented by:

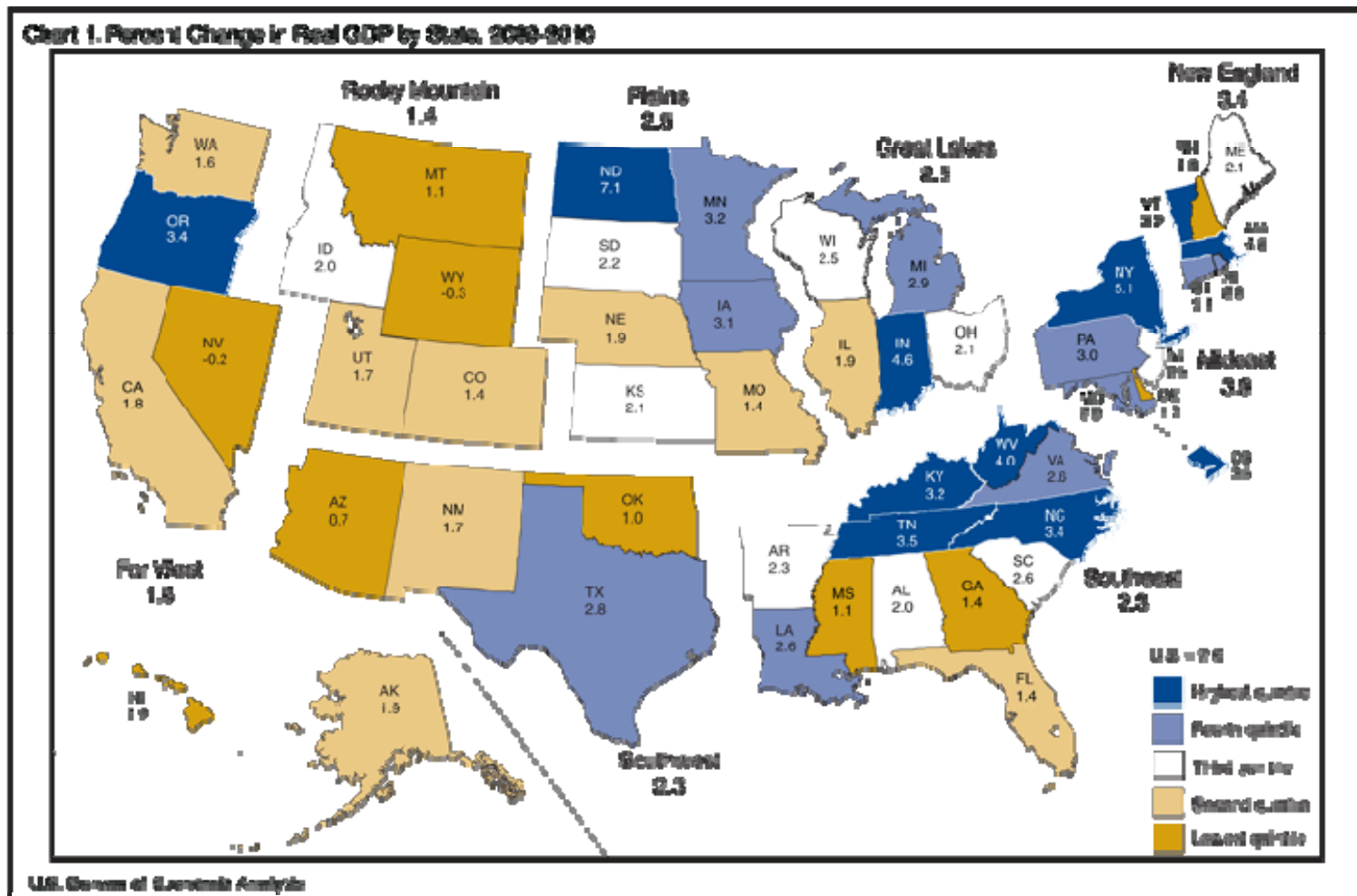


The Florida Legislature
Office of Economic and
Demographic Research
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<http://edr.state.fl.us>

Key Economic Variables – All Down

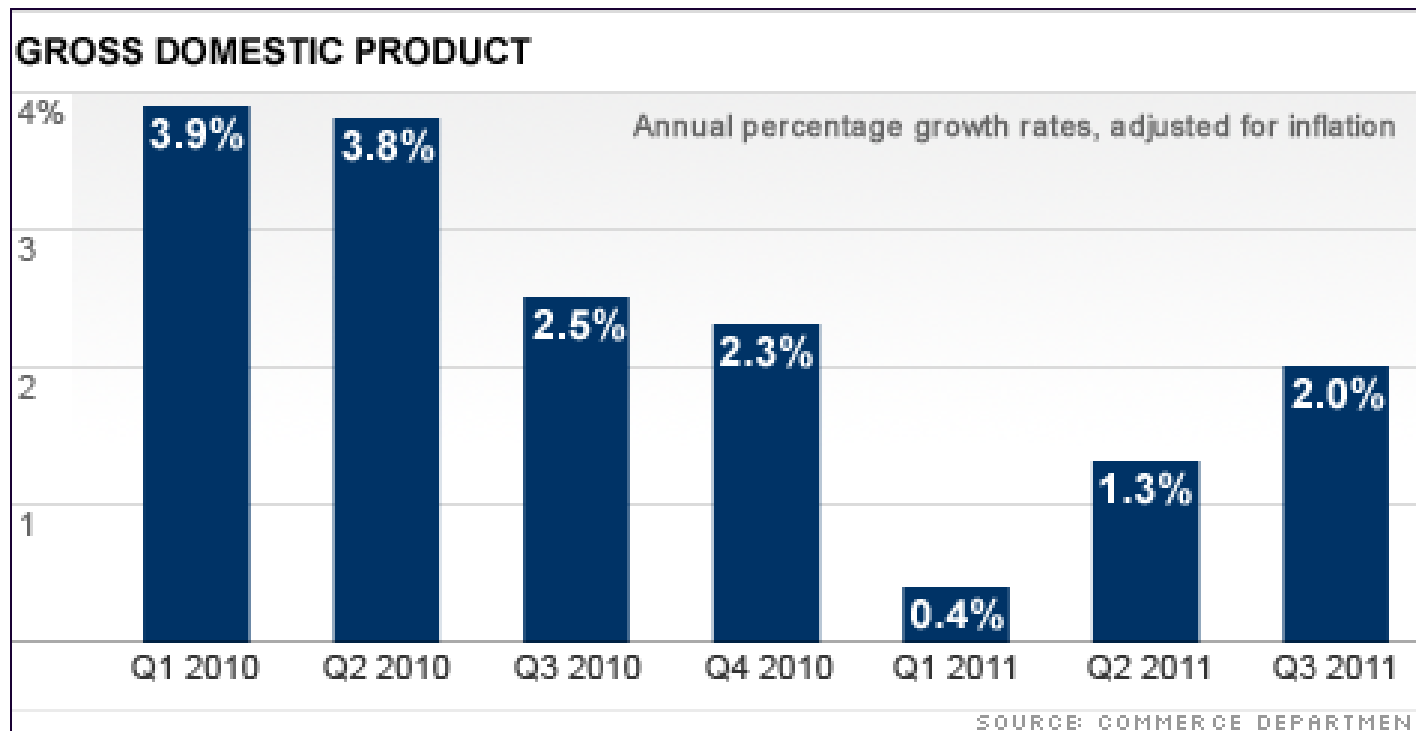


Economy Turned Positive in 2010

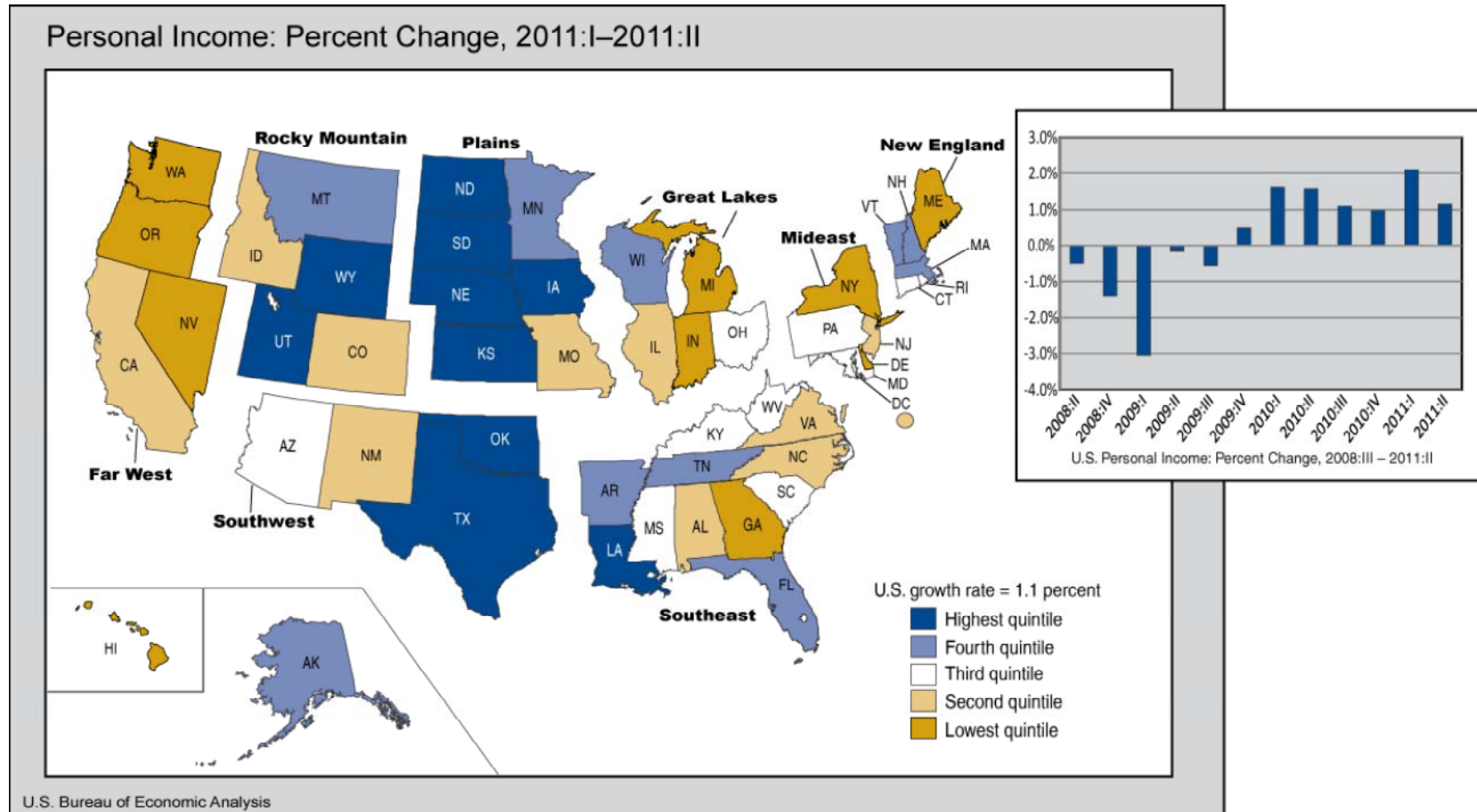


Florida's economic growth has returned to positive territory after declining two years in a row. State Gross Domestic Product (GDP) ranked us 40th in the nation in real growth with a gain of 1.4%.

National GDP



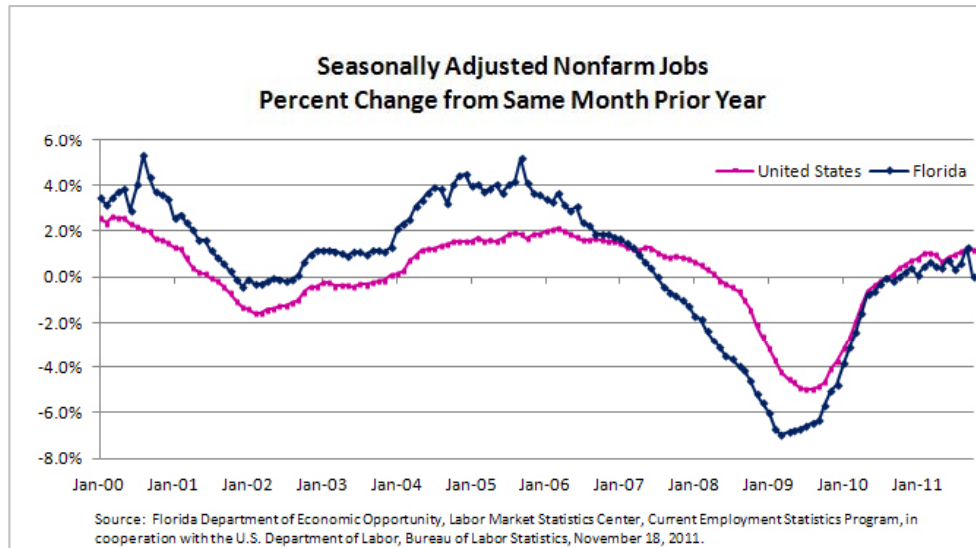
FL Personal Income Beats Nat'l Growth



- Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.
- The increase of 1.3% in the most recent quarter (Q2 of the 2011 calendar year) ranked Florida 19th in the country, moving ahead of the national growth rate of 1.1%.

Current Employment Conditions

Florida's annual job growth rate has been positive for the past thirteen months.



October Nonfarm Jobs (YOY)

US	1.2%
FL	1.3%
YR:	93,900 jobs
Peak:	-802,800 jobs

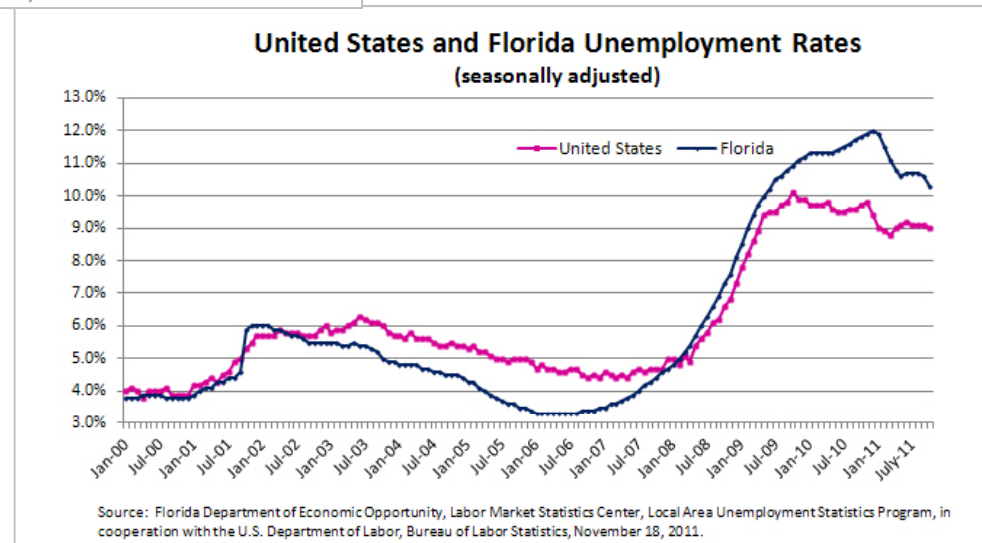
October Unemployment Rate

US	9.0%
FL	10.3%

(955,000 people)
Seven states had a higher unemployment rate than Florida

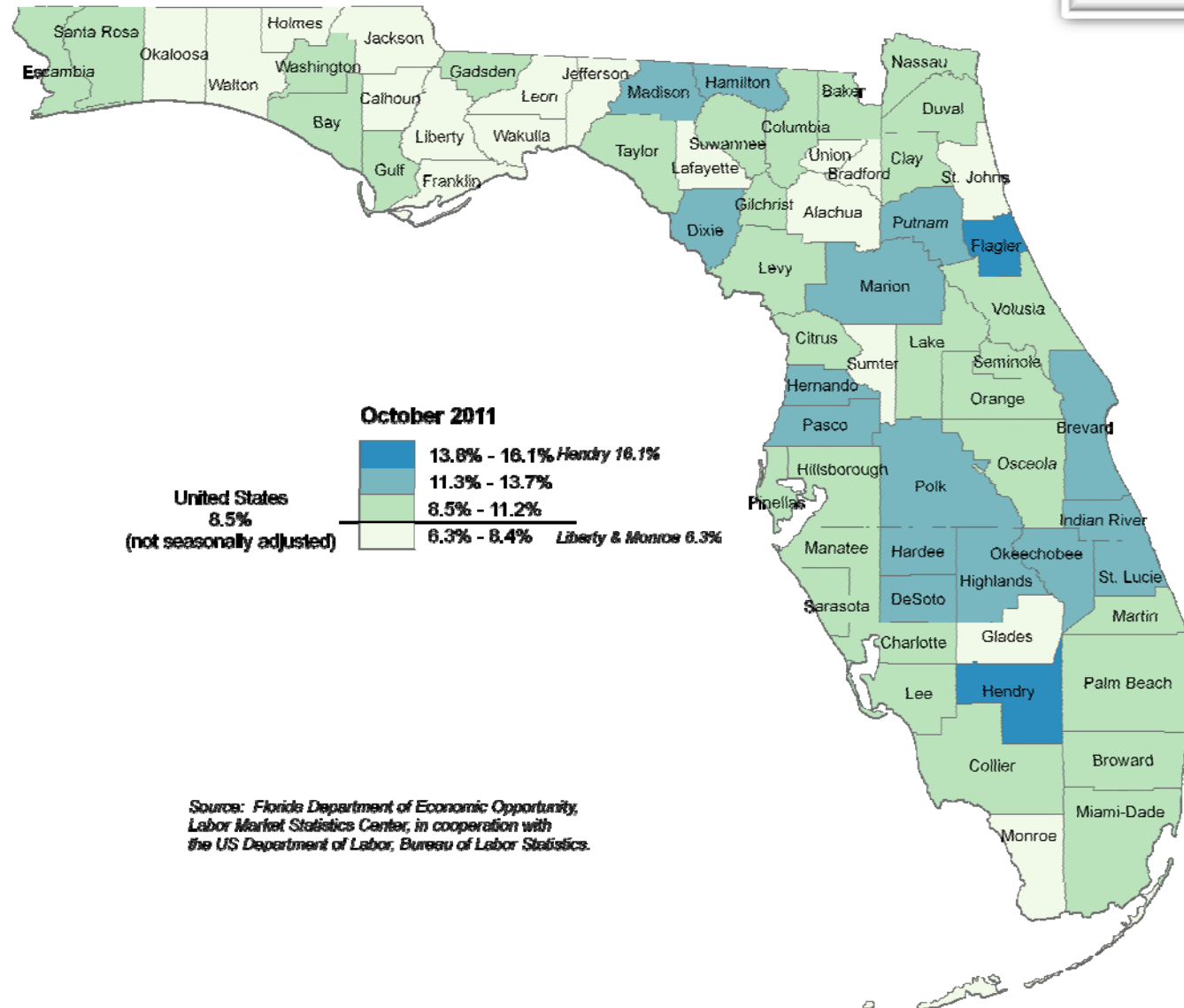
Highest Monthly Rate

December 2010
12.0%



Unemployment Rates

34 of 67 counties
with double-digit
unemployment rates

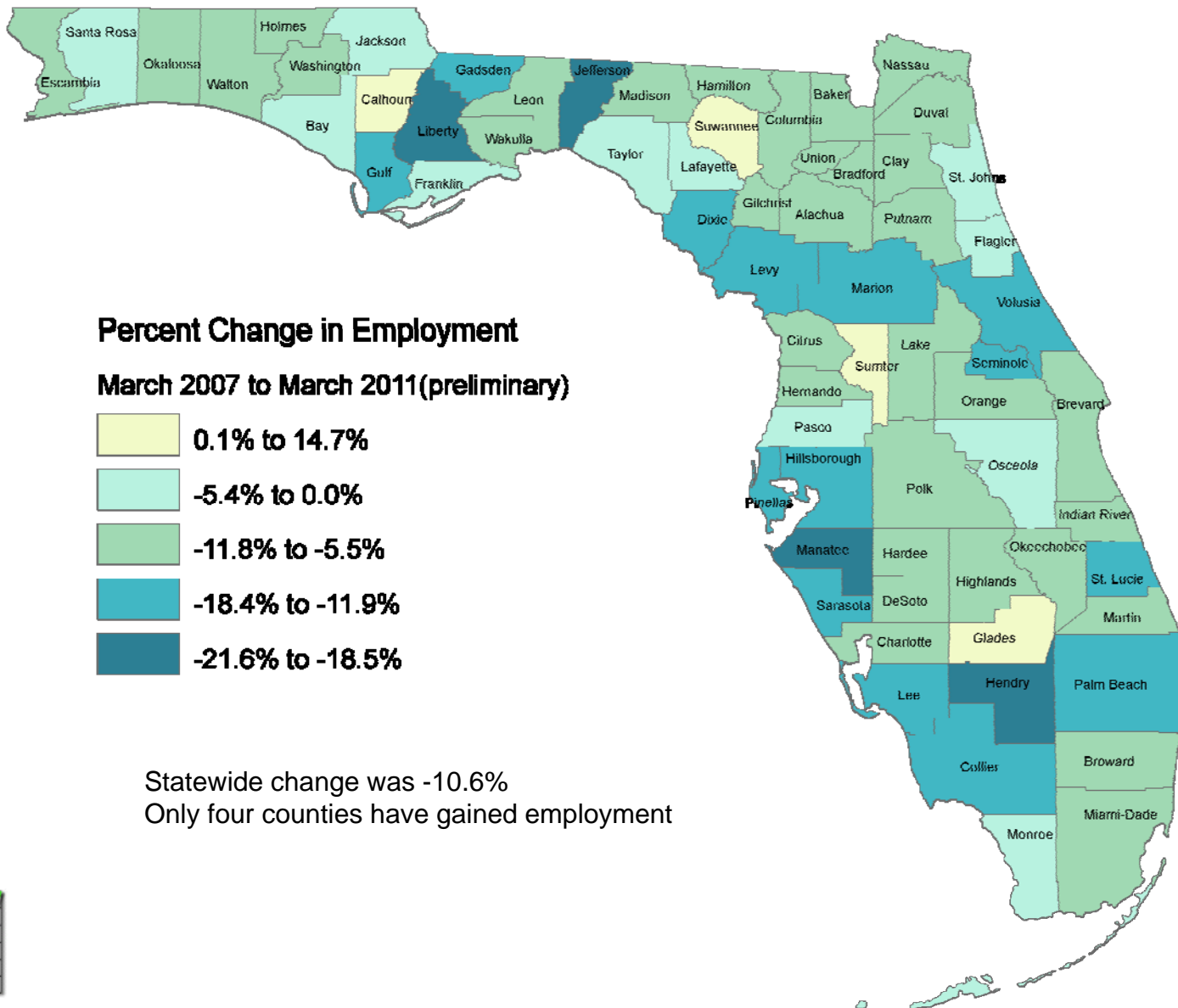


Florida's Job Market

- The job market will take a long time to recover – about 802,800 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 910 people per month, so the hole is deeper than it looks.
- It would take the creation of over 1 million jobs for the same percentage of the total population to be working as was the case at the peak.



Employment Down from Peak Levels

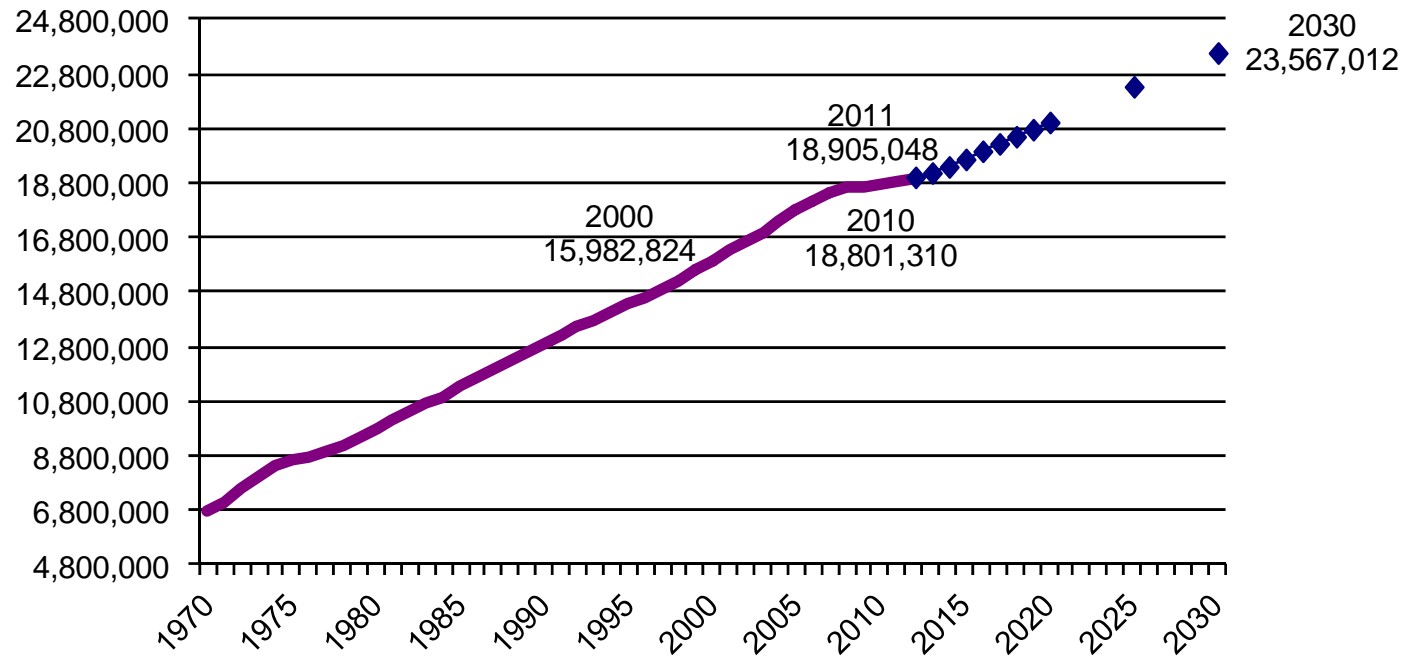


Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to remain relatively flat – averaging 0.85% between 2011 and 2014. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86% of the growth coming from net migration. Nationally, average annual growth will be about 0.9%.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is on track to break the 20 million mark during 2016, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population

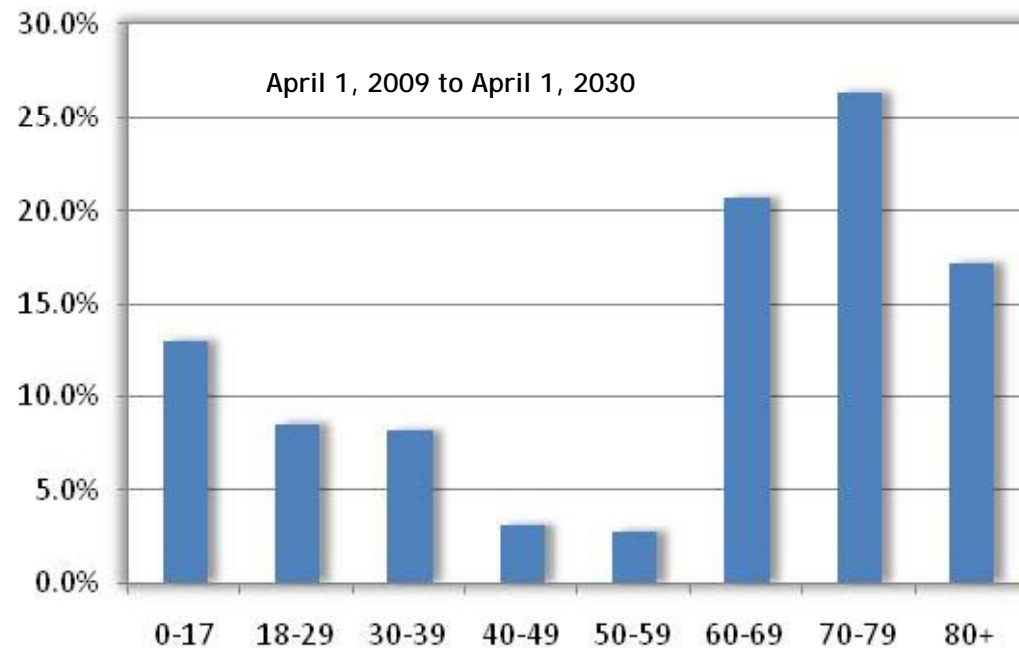


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,567,012 by 2030

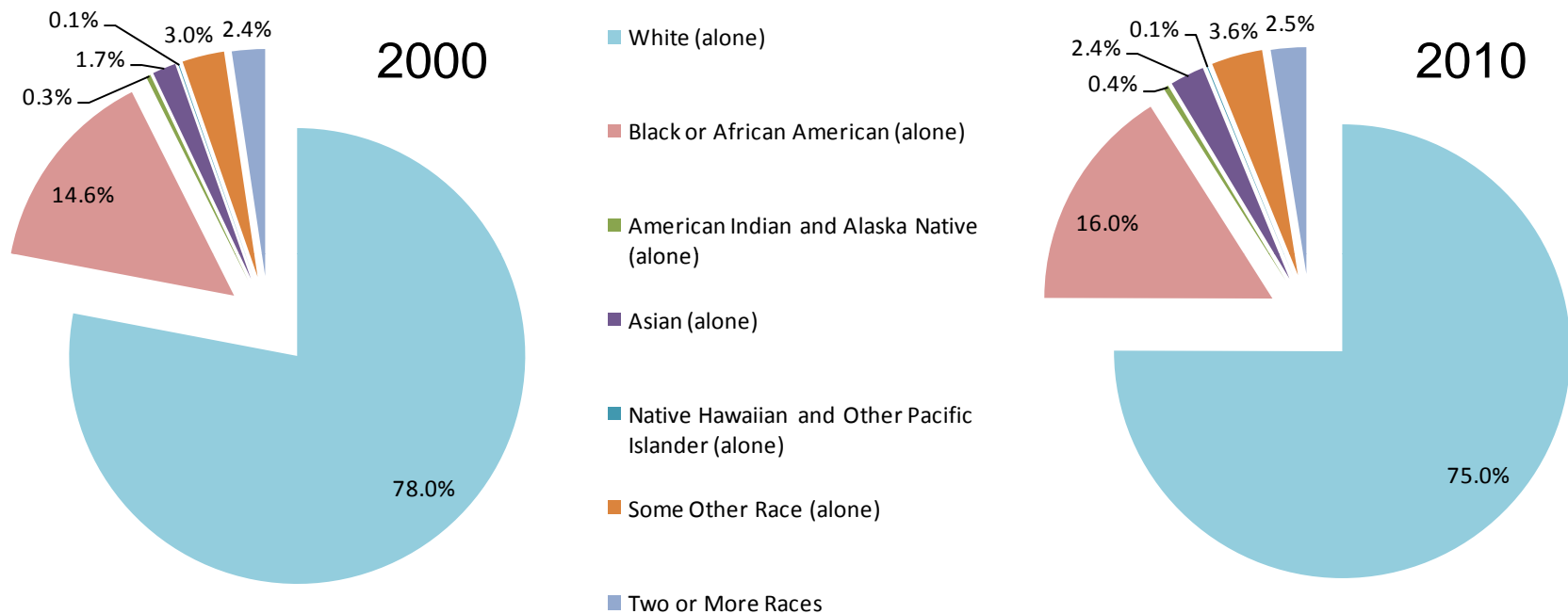


Population Growth by Age Group



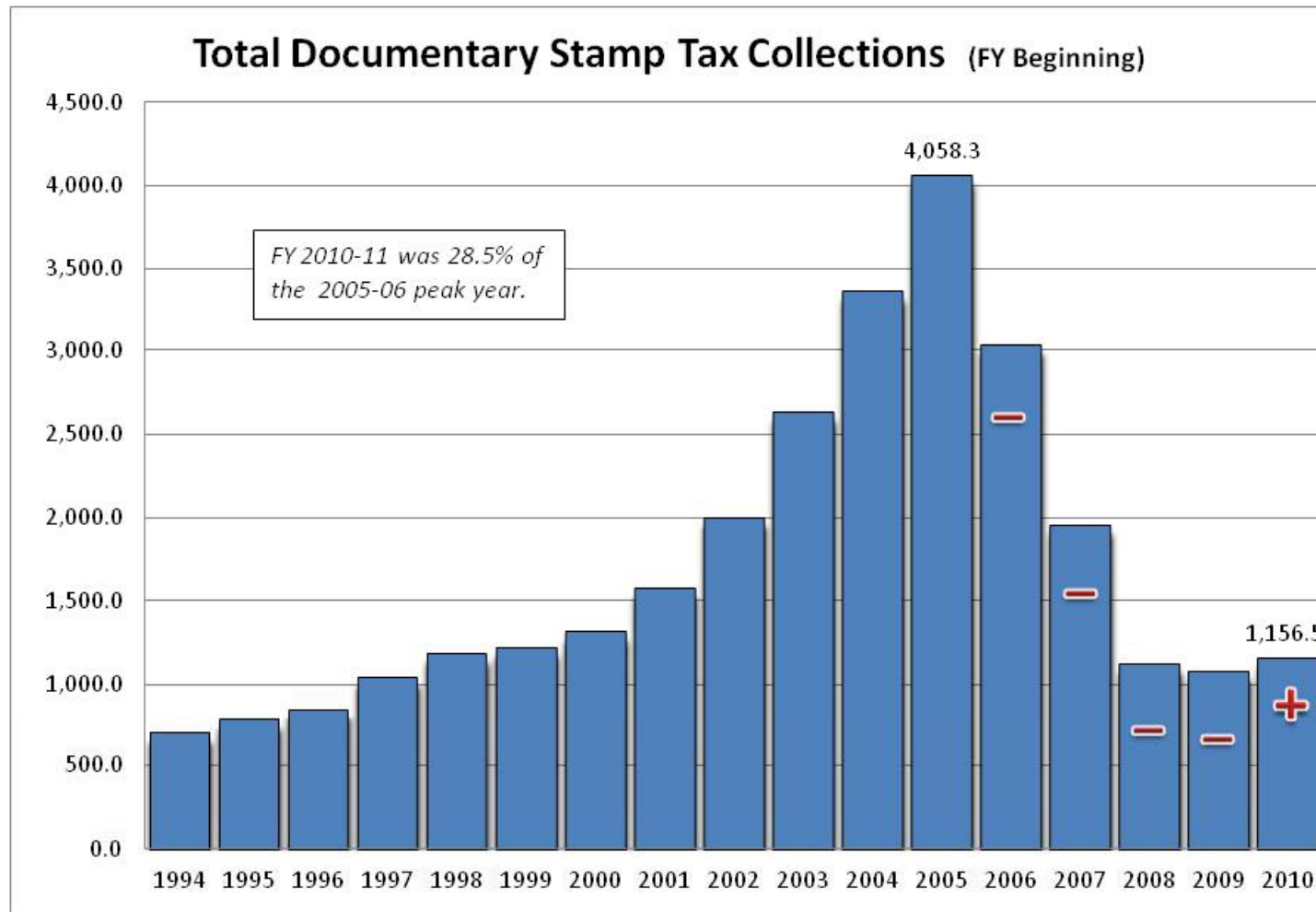
- Between 2009 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 64.4 percent of the gains.
- Population share of those aged 65 and over will be 26.0 percent in 2030, compared to 17.6 percent in 2000 and 17.3 percent in 2010.
- In 2000, Florida's prime working age population (ages 25-54) accounted for 41.5 percent of the total population. With the aging baby boom generation, this percentage fell to 39.7 percent in 2010 and by 2030 is projected to be only 34.1 percent.

Diversity is Increasing



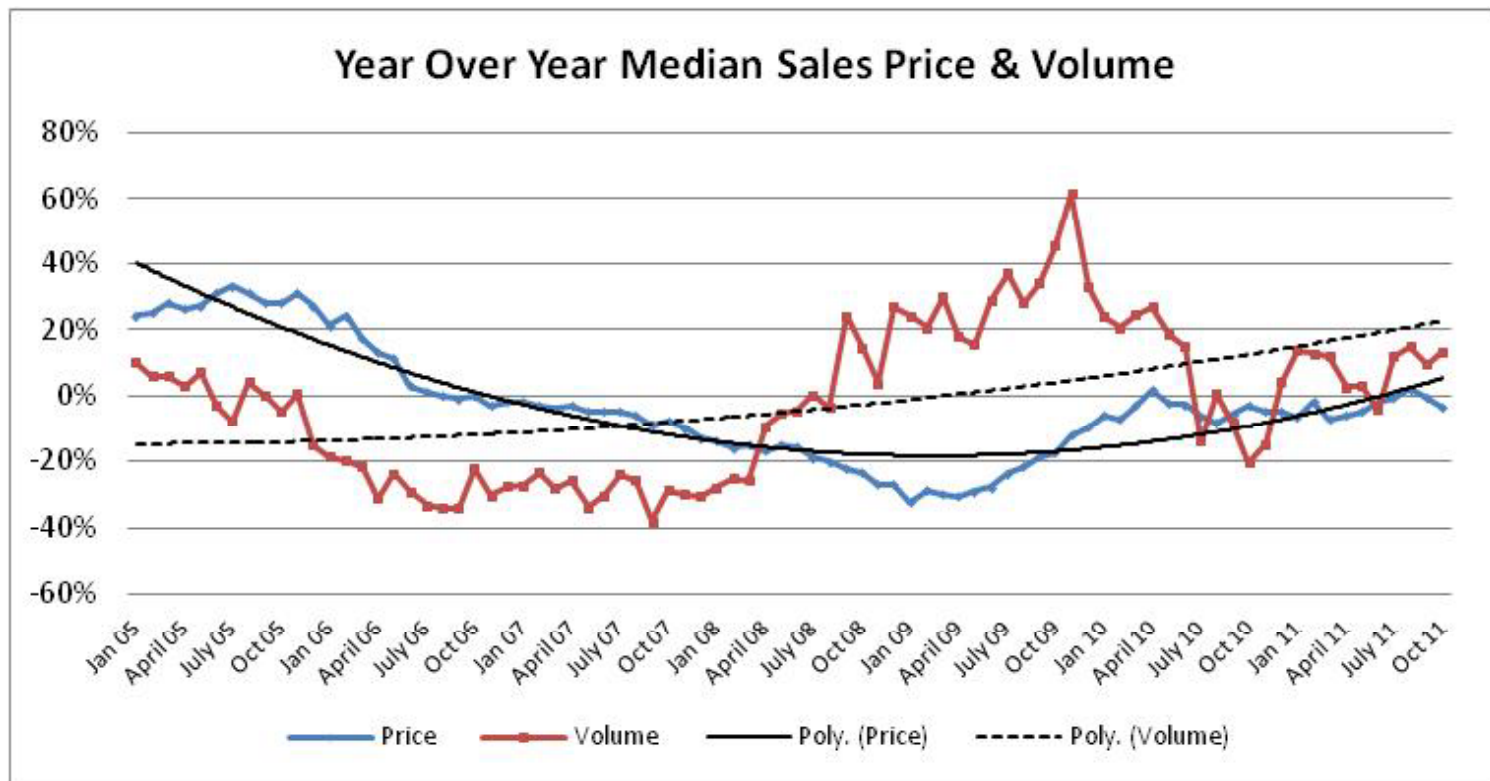
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 26 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

Florida Housing is Generally Improving



Sales volume of existing homes and building permits are both back in positive territory, showing year-over-year growth (CY 2010 over 2009).

But, Existing Homes Sales Are Sputtering



Data through October 2011

Sales Level in CY 2010 was 70.1% of 2005 boom level; for this year, 75.4%.

And, Existing Home Prices Are Flat



Data through October 2011

Median Sales Prices for Existing Homes have been essentially flat since January 2009 --- 33 months --- with a slight downward drift.

Foreclosure Filings Remain Daunting

2010...2nd Year in a Row

2nd Highest # of Filings
(485,286 properties)

3rd Highest Foreclosure Rate
(5.51% of housing units received
at least 1 filing during the year)

October 2011 (highest rate = deepest red)

FILINGS: 2nd in US

RATE: 4th in US

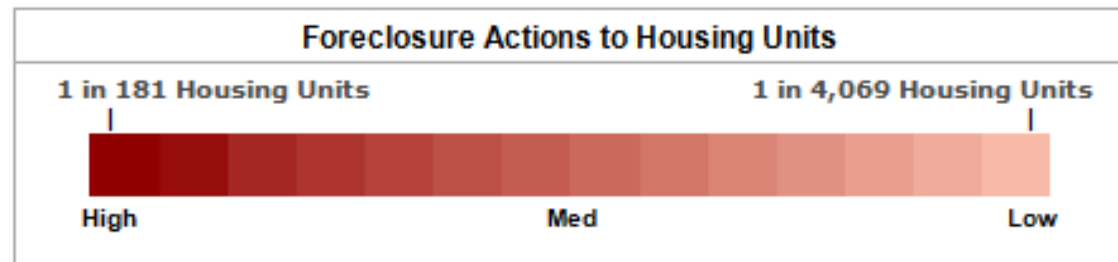
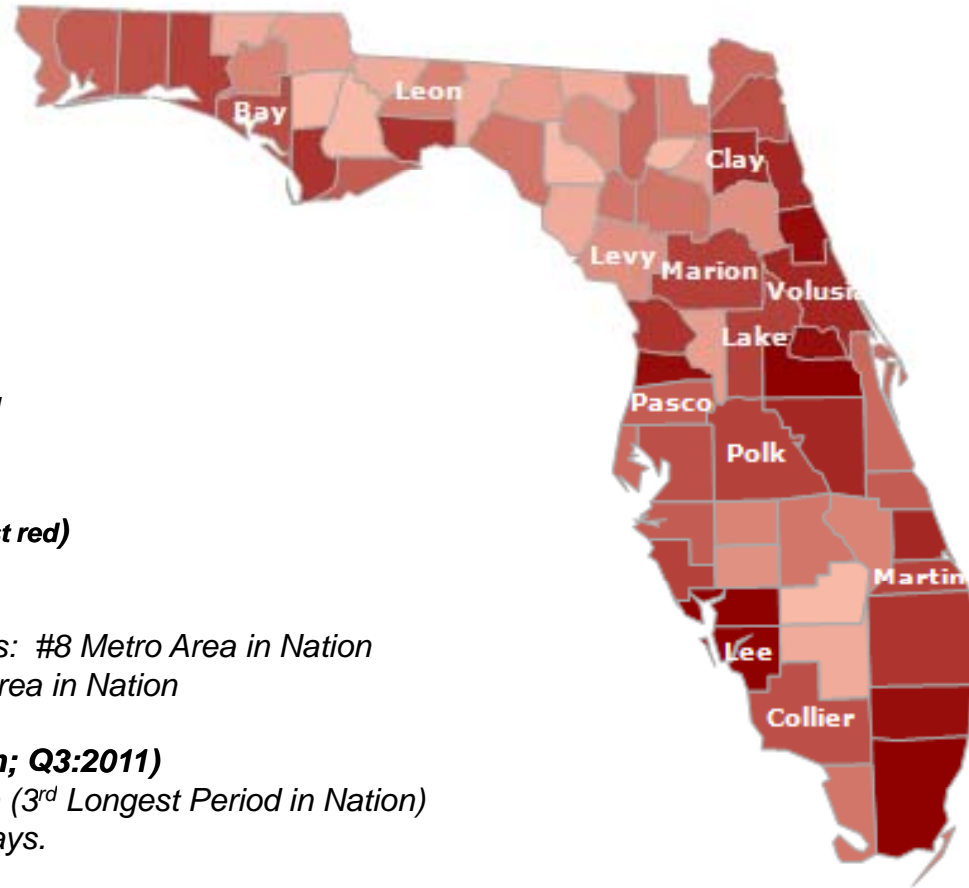
Cape Coral-Fort Myers: #8 Metro Area in Nation

Orlando: #10 Metro Area in Nation

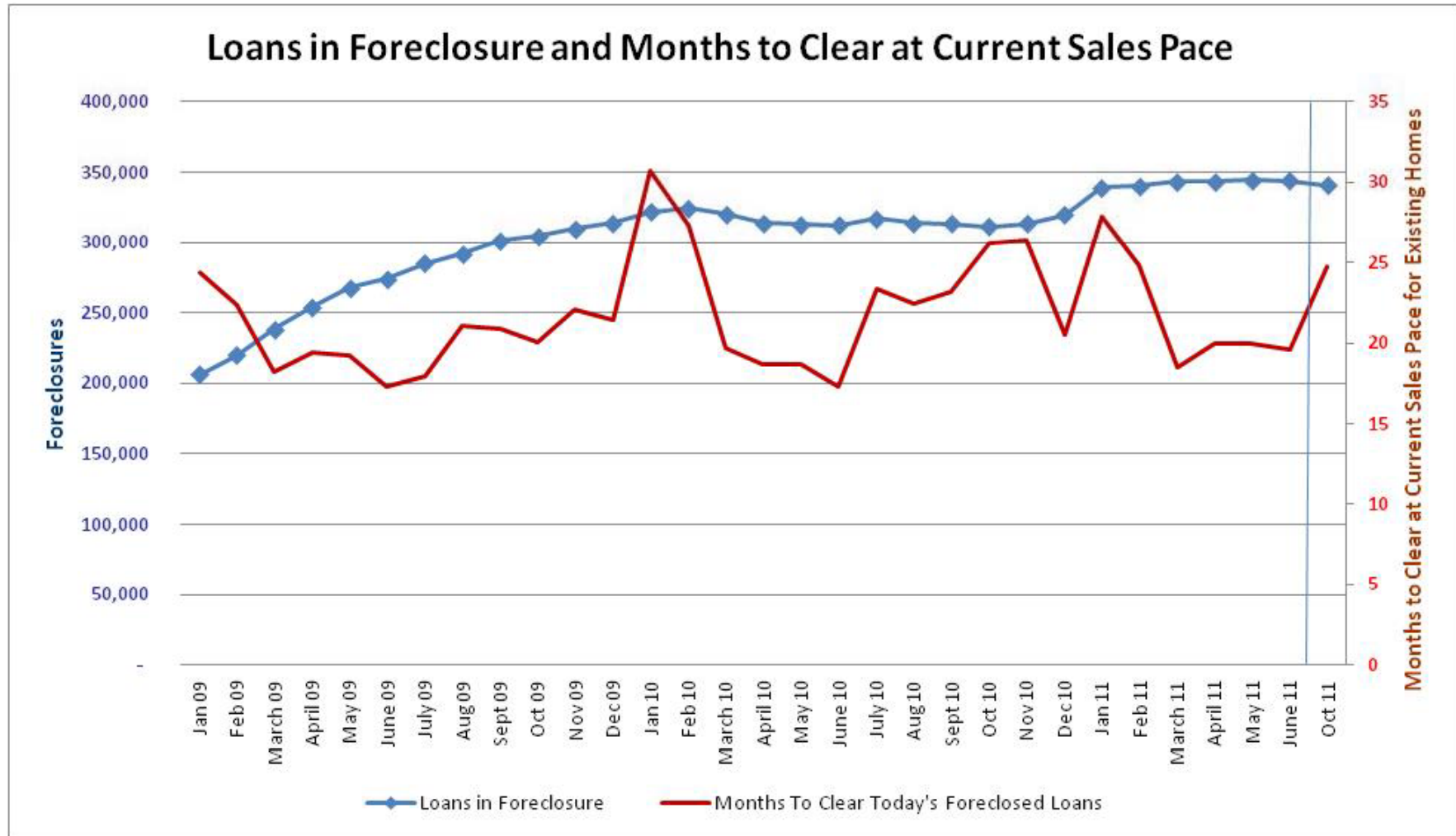
Foreclosure Process (once begun; Q3:2011)

748.6 Days - 2.1 yrs - in Florida (3rd Longest Period in Nation)

At the beginning of 2007, 169 days.



Residential Loans in Foreclosure



Loan Data from LPS

Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.9%	4.3%	12.2%	-7.5%
FL *	8.4%	14.4%	22.8%	-2.8%
MS	14.4%	3.8%	18.2%	-4.8%
NV	10.2%	6.8%	17.0%	-19.1%
NJ *	7.7%	7.7%	15.4%	5.2%
IL *	7.7%	7.2%	14.9%	2.0%
OH *	9.2%	5.0%	14.3%	-2.1%
GA	11.2%	3.0%	14.2%	-9.6%
IN *	9.3%	4.9%	14.2%	2.5%
LA *	10.3%	3.3%	13.6%	-7.8%
MD *	9.8%	3.4%	13.2%	-2.2%
NY *	7.6%	5.6%	13.1%	0.1%
SC *	8.4%	4.7%	13.1%	-2.0%
TN	10.3%	2.7%	13.0%	-4.9%
RI	8.2%	4.6%	12.8%	-9.1%
CT *	7.3%	5.2%	12.6%	3.6%
ME *	7.0%	5.3%	12.3%	2.5%
WV	9.6%	2.7%	12.3%	-8.0%

* - Indicates Judicial State

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.9%	4.3%	12.2%	-7.5%
AL	10.5%	1.8%	12.2%	-8.2%
NC	8.5%	3.3%	11.9%	-2.9%
DE *	7.8%	4.1%	11.8%	-3.9%
KY *	8.0%	3.9%	11.8%	0.9%
MI	8.9%	2.8%	11.8%	-15.2%
PA *	8.4%	3.3%	11.7%	-0.3%
AR	9.9%	2.8%	11.7%	-1.1%
HI *	5.5%	2.8%	11.7%	-1.1%
AZ	7.7%	2.8%	11.7%	-1.1%
OK *	7.7%	2.8%	11.7%	-1.1%
WI *	6.6%	2.8%	11.7%	-1.1%
CA	7.7%	2.8%	11.7%	-1.1%
TX	8.8%	2.8%	11.7%	-1.1%
MO	8.8%	2.8%	11.7%	-1.1%
MA	7.7%	2.8%	11.7%	-1.1%
NM *	6.6%	2.8%	11.7%	-1.1%
DC	6.5%	3.4%	9.9%	-2.4%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.9%	4.3%	12.2%	-7.5%
WA	7.8%	1.6%	9.4%	0.1%
KS *	6.9%	2.2%	9.1%	-5.2%
NH	6.8%	2.2%	9.1%	-6.9%
UT	6.7%	2.0%	8.8%	-13.9%
IA *	5.5%	3.0%	8.6%	-5.0%
VT *	5.1%	3.5%	8.6%	5.7%
MT	8.4%	1.6%	8.4%	-13.8%
NE	8.3%	1.6%	8.3%	-2.5%
SD	8.3%	1.6%	8.3%	-10.3%
WY	7.1%	1.6%	7.1%	-12.9%
CO	7.0%	1.6%	7.0%	-8.7%
MT	6.7%	1.6%	6.7%	-13.3%
NE	6.1%	1.6%	6.1%	-11.9%
SD	5.4%	1.6%	5.4%	-17.9%
WY	5.2%	1.6%	5.2%	-3.8%
CO	5.0%	1.6%	5.0%	-12.1%
ND *	3.0%	1.3%	4.3%	-7.9%

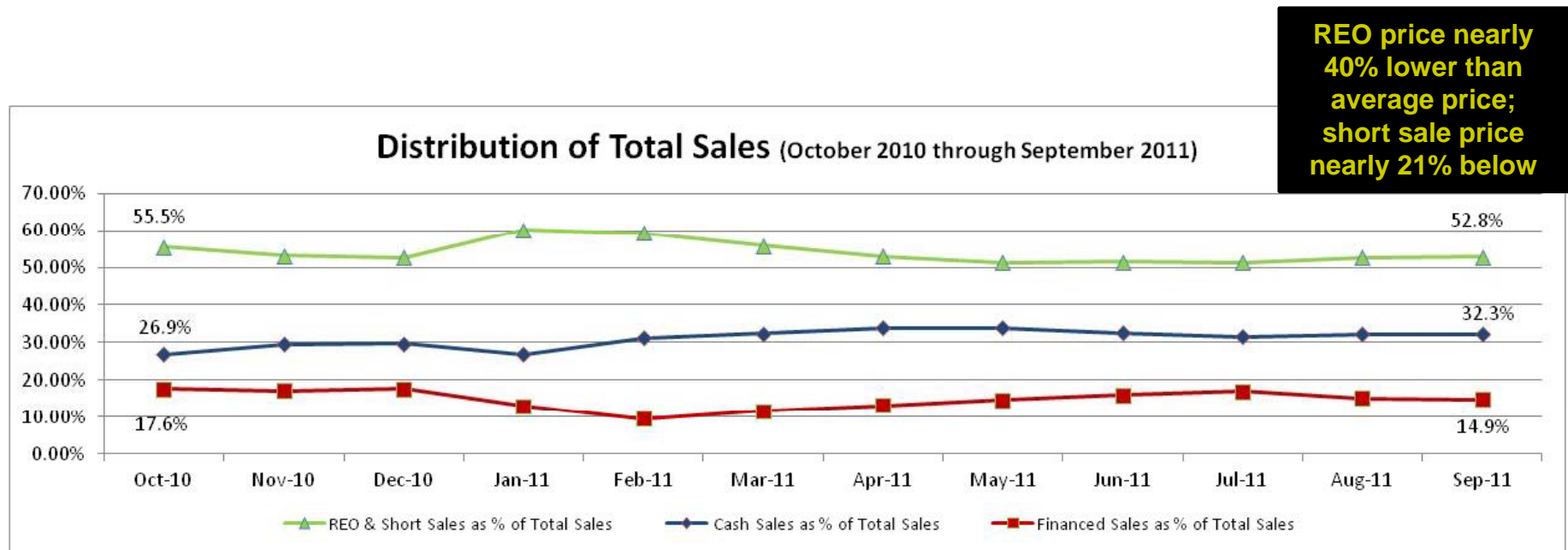
State	Del %	FC %	Non-Curr %
National	7.9%	4.3%	12.2%
FL *	8.4%	14.4%	22.8%

Foreclosures adding more to inventory than Sales are subtracting – nationally 3:1.

Average delinquency at Florida foreclosure start --- 385 days.

(LPS Data for October)

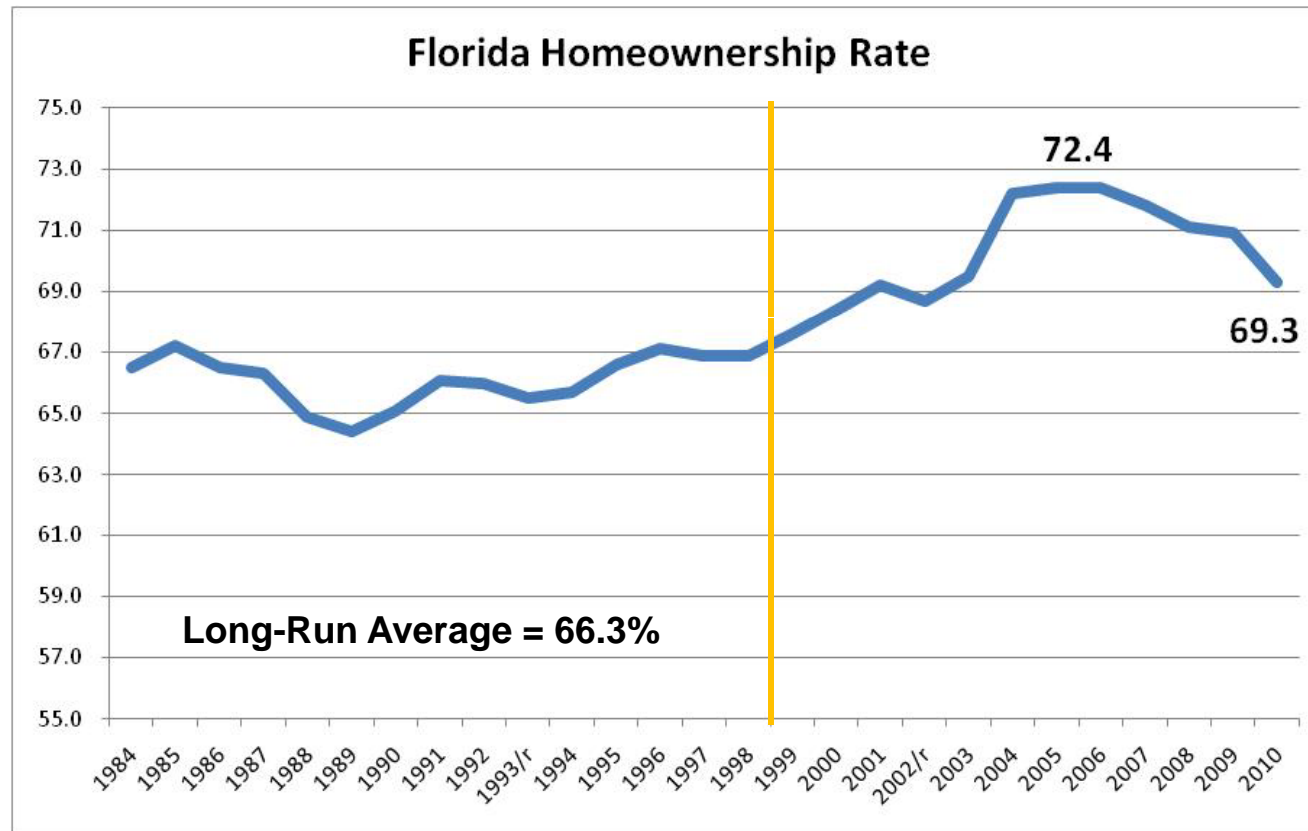
Sales Mix Points to Lower Prices



LPS: Lender Processing Services

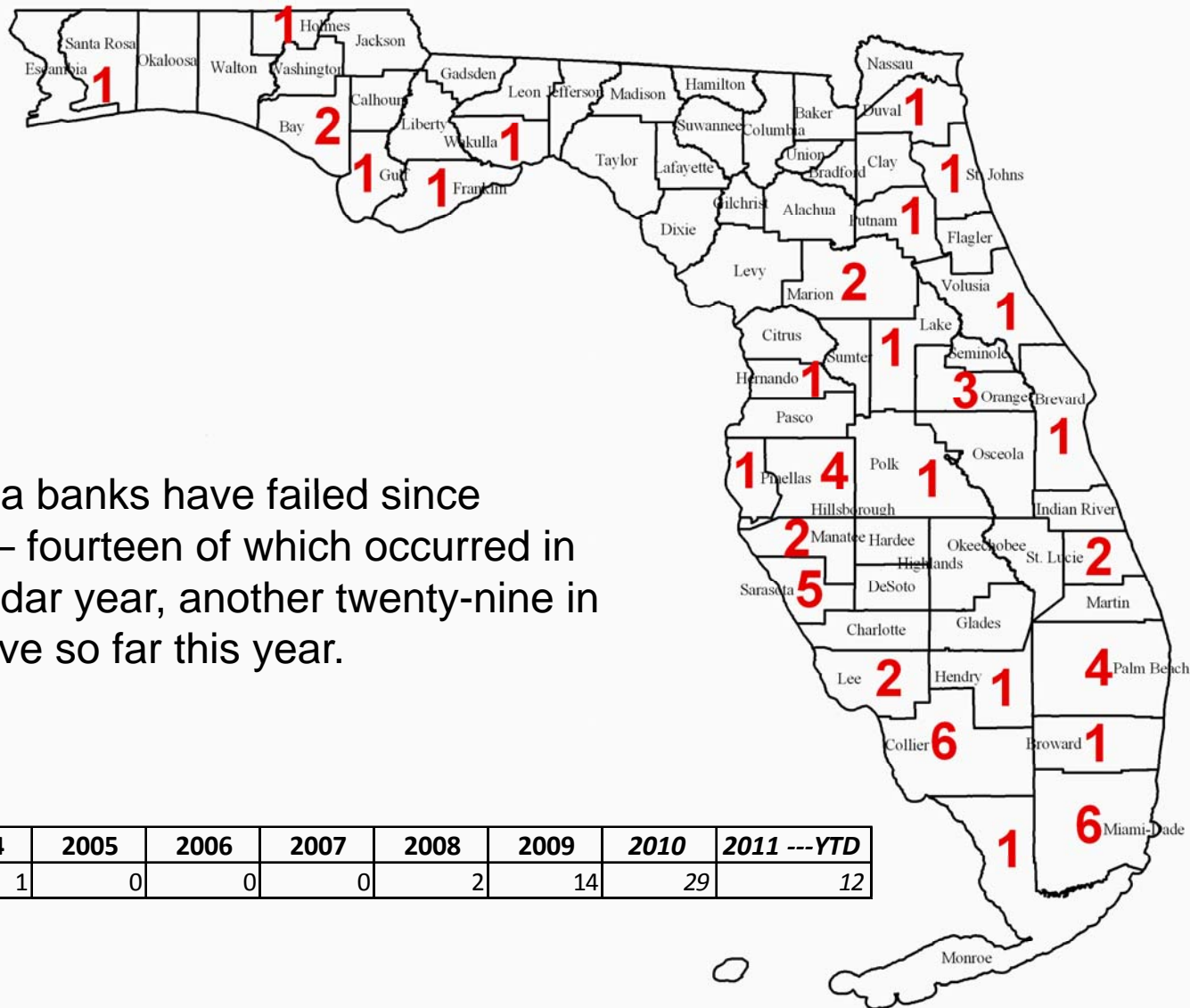
Cash Sales have been growing as a percentage of all sales and financed sales have been declining. While short sales have been increasing in some states, that is not yet the case in Florida, where they have essentially been flat.

Vulnerability



The 2010 percentage is the lowest since 2002. If the 2010 rate dropped immediately back to the long-run average, about 222,600 homeowners would be affected and \$30.8 billion of value.

Bank Failures Since January 2009



Fifty-five Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, another twenty-nine in 2010, and twelve so far this year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ---YTD
2	0	1	0	0	0	2	14	29	12

Credit Conditions Remain Tight

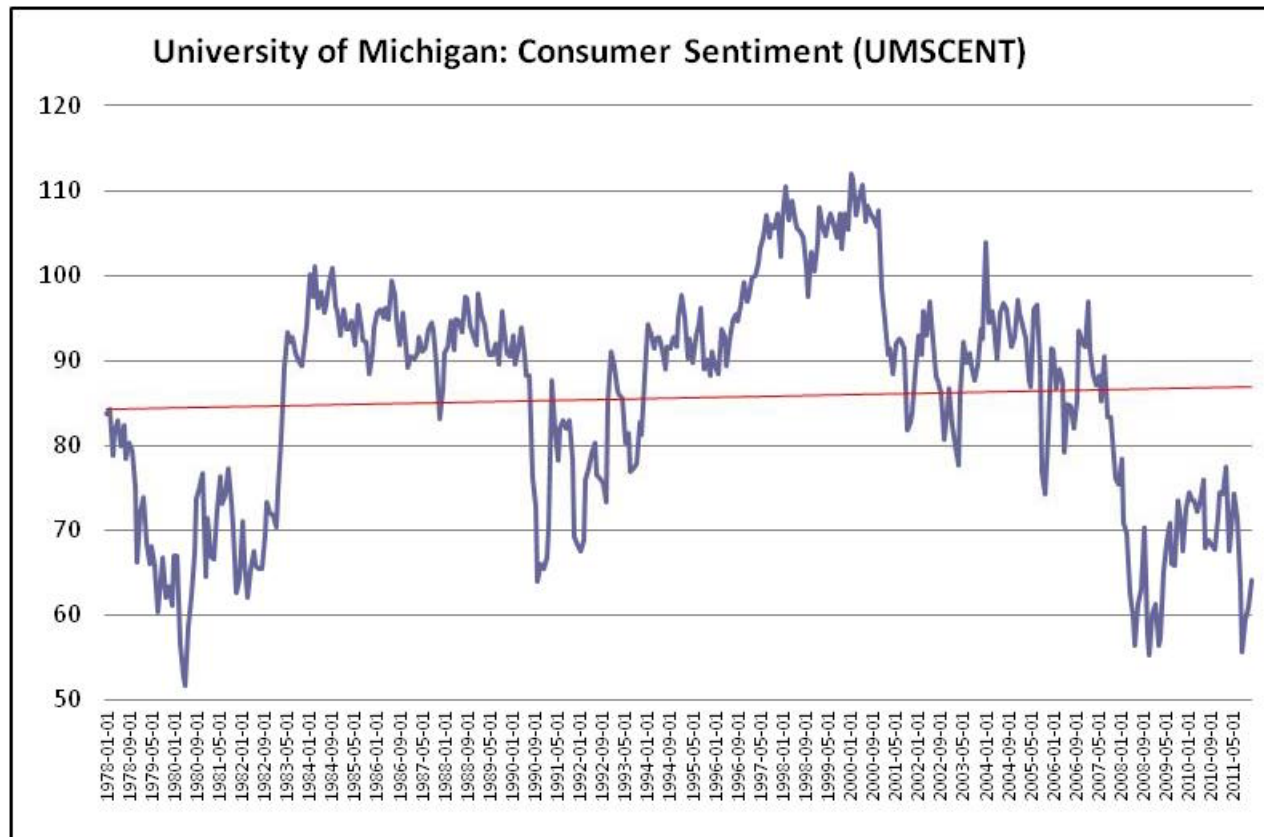
Question to Senior Loan Officers:

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?

	All Respondents					
	Oct '11 %	July '11%	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	91.7	86.8	92.5	94.4	83.3	87.3
Eased somewhat	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

October 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Perceptions Recovering After August



- Consumer sentiment can be a leading indicator of recession, but not always: nationally, it had been improving, but fell in August to near the lowest level of the Great Recession and not far from the lowest level ever posted. The subsequent months have all shown improvement. (64.1 in November versus 51.7 in May 1980)
- Florida's consumer confidence (November: 65) is roughly following the national trend.

Time to Recovery...

Lengths of Recessions and Recoveries

Cycle Begin	Cycle End	Length of Recession Using NBER (quarters)	Length of Recovery to GDP Trend (quarters)	Time to Close "Most" of Gap During Recovery (quarters)	Length of Recession Using NBER (months)	Length of Recovery to GDP Trend (months)	Time to Close "Most" of Gap During Recovery (months)
1948:Q4	1949:Q4	4	3	1.8834	11	9	5.6502
1953:Q2	1954:Q2	4	4	2.4459	10	12	7.3377
1957:Q3	1958:Q2	3	4	2.2864	8	12	6.8592
1960:Q2	1961:Q1	3	3	2.0014	10	9	6.0042
1969:Q4	1970:Q4	4	9	4.9845	11	27	14.9535
1973:Q4	1975:Q1	5	13	7.3573	16	39	22.0719
1980:Q1	1980:Q3	2	2	1.4951	6	6	4.4853
1981:Q3	1982:Q4	5	11	4.0108	16	33	12.0324
1990:Q3	1991:Q1	2	32	30.7787	8	96	92.3361
2001:Q1	2001:Q4	3	12	10.1975	8	36	30.5925
2007:Q4	2009:Q2	6	?	?	18	?	?

Source: Federal Reserve Bank of Cleveland

June 2009

+96 months =

Summer 2017

+36 months =

Summer 2012

Economy Very Slowly Recovering

Florida growth rates are slowly returning to more typical levels. But, drags are more persistent than past events, and it will take years to climb completely out of the hole left by the recession. Overall...

- The national economy is still in recovery (albeit very weak) and, more importantly, the credit markets are still recovering stability – although they are remain 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 (2011 marks the first wave of boomers hitting retirement).

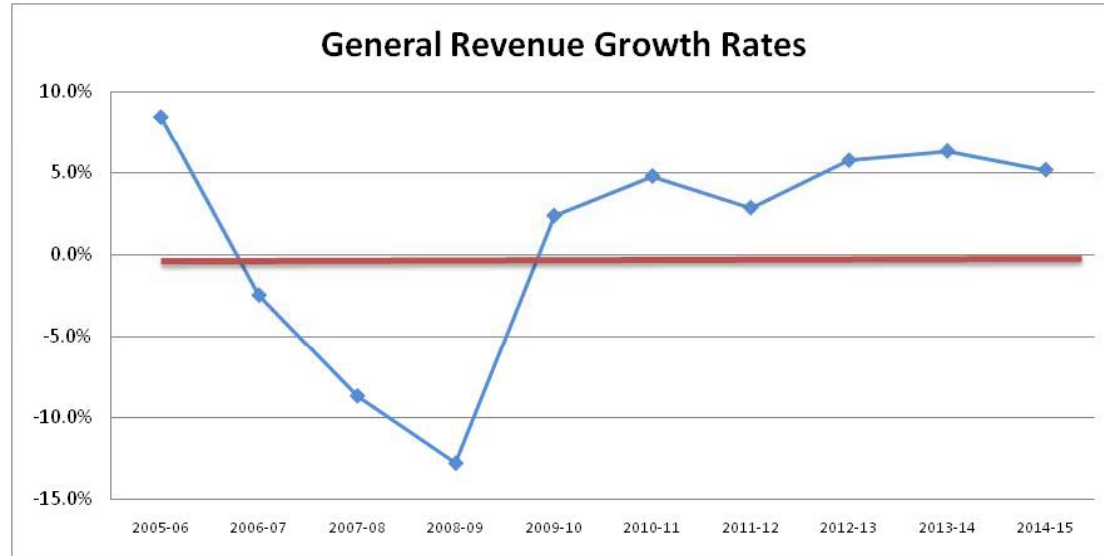
Known Threat & Black Swans

Known Threat: Continuing Deepwater Horizon Oil Spill impacts

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

- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$493.6 million.
- Deep second recession caused by a credit market meltdown kicked off by the Eurozone sovereign debt crisis.

General Revenue Forecast



Fiscal Year	July* Forecast	October Forecast	Difference (Oct - July)	Incremental Growth	Growth
2005-06	27074.8				8.4%
2006-07	26404.1				-2.5%
2007-08	24112.1				-8.7%
2008-09	21025.6				-12.8%
2009-10	21523.1				2.4%
2010-11	22551.6	22551.6	0.0	1028.5	4.8%
2011-12	23795.1	23195.5	(599.6)	643.9	2.9%
2012-13	25495.1	24526.8	(968.3)	1331.3	5.7%
2013-14	27063.6	26071.8	(991.8)	1545.0	6.3%
2014-15	28340.9	27417.9	(923.0)	1346.1	5.2%