

Florida: An Economic Overview

February 15, 2010

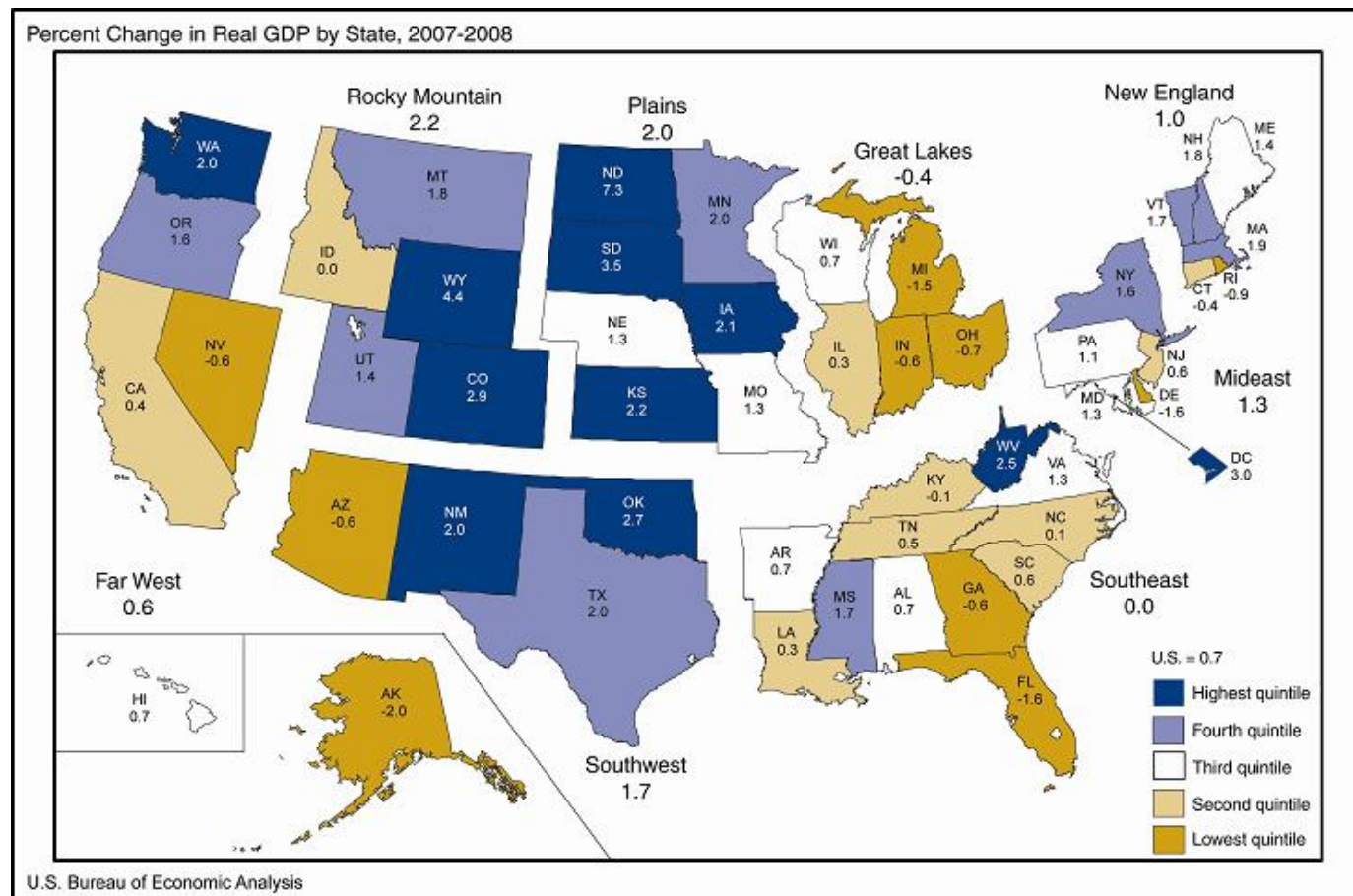
Presented by:



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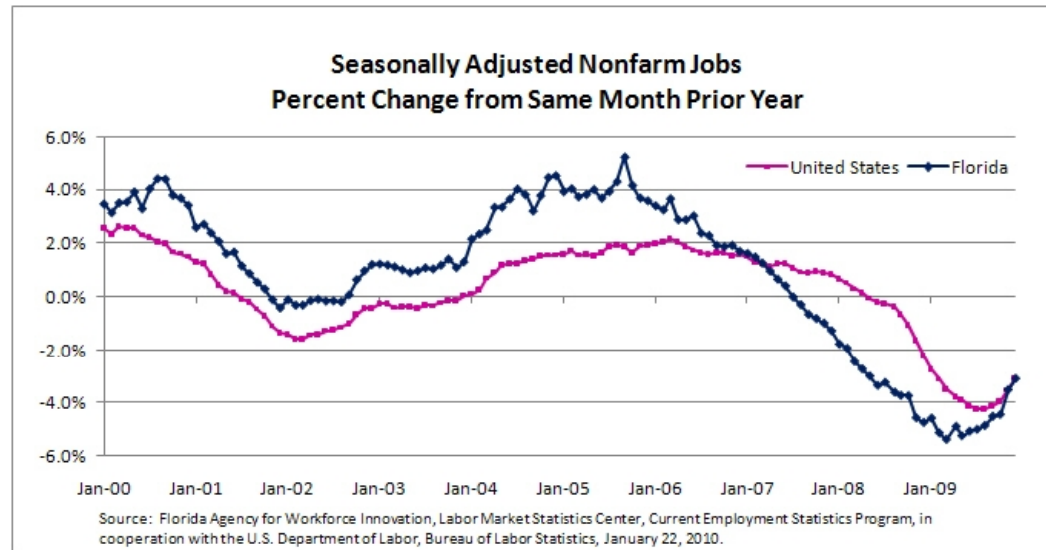
Economy Lost Ground in 2008

- 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.



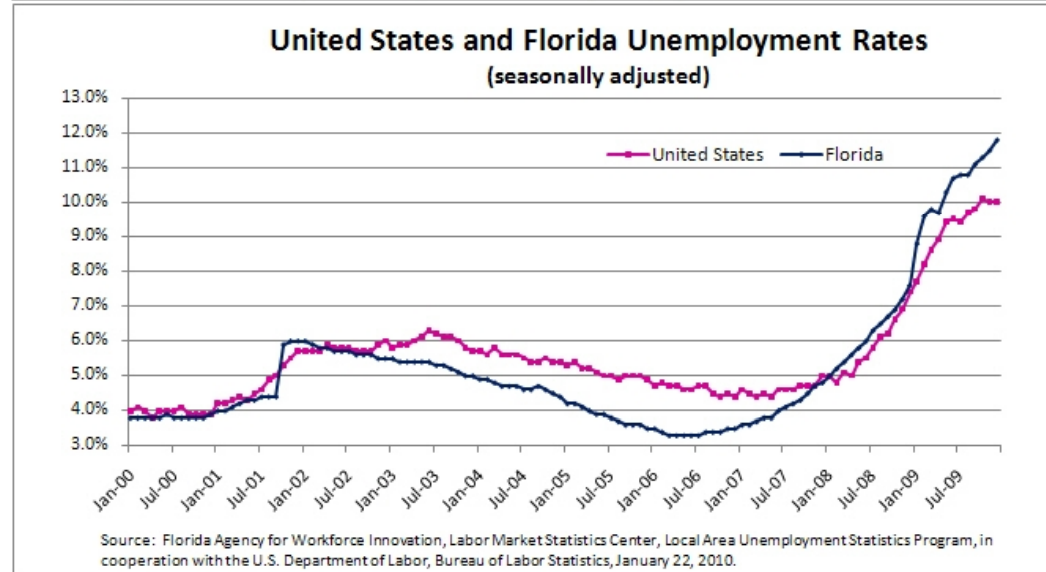
Employment Worsens

Last Comparable
1975



December (YOY)

US -3.1%
FL -3.1%
YR: -232,400 jobs
Peak: -723,000 jobs



December

US 10.0%
FL 11.8%
(1.1 million people)
6th State in the Country

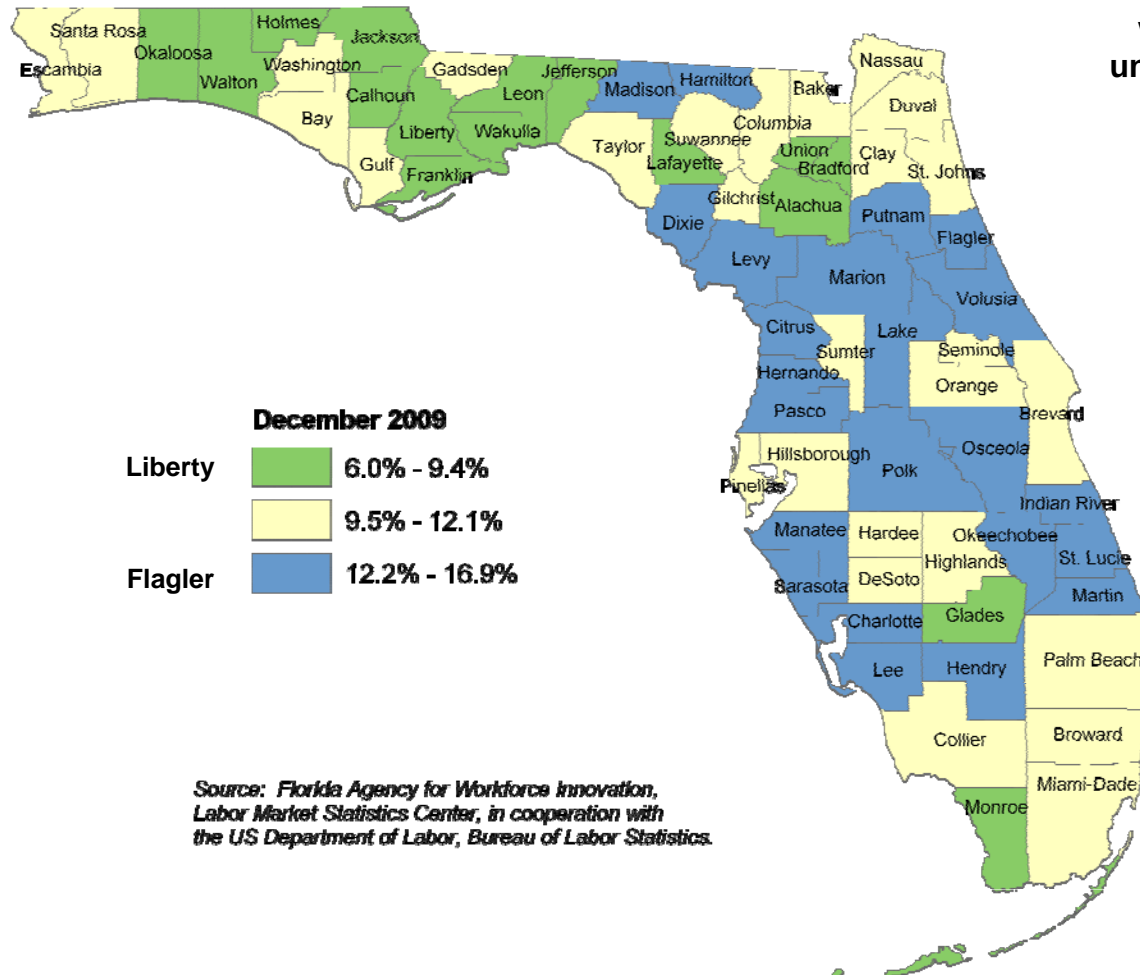
Official Projected

FL 12.3%
Summer, 2010



Unemployment Rates

49 of 67 counties
with double-digit
unemployment rates

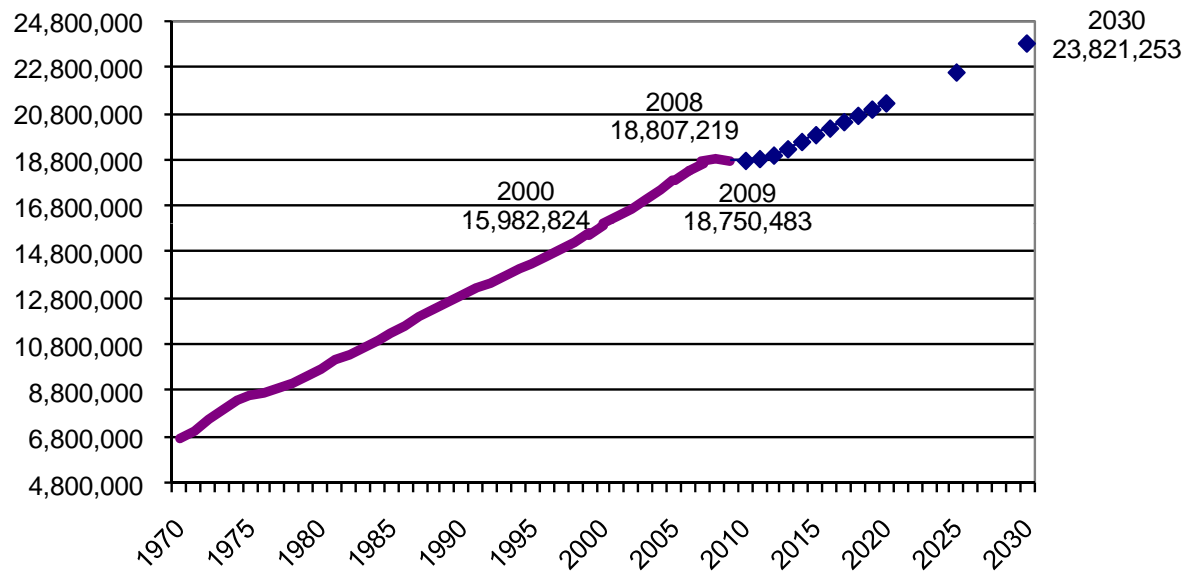


Population Growth Slowing

- 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. In the short term, population growth is forecast to remain relatively flat – averaging 0.4% between 2009 and 2012. Population growth is expected to recover in the future – averaging 1.1% between 2025 and 2030.
- The future will be different from 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

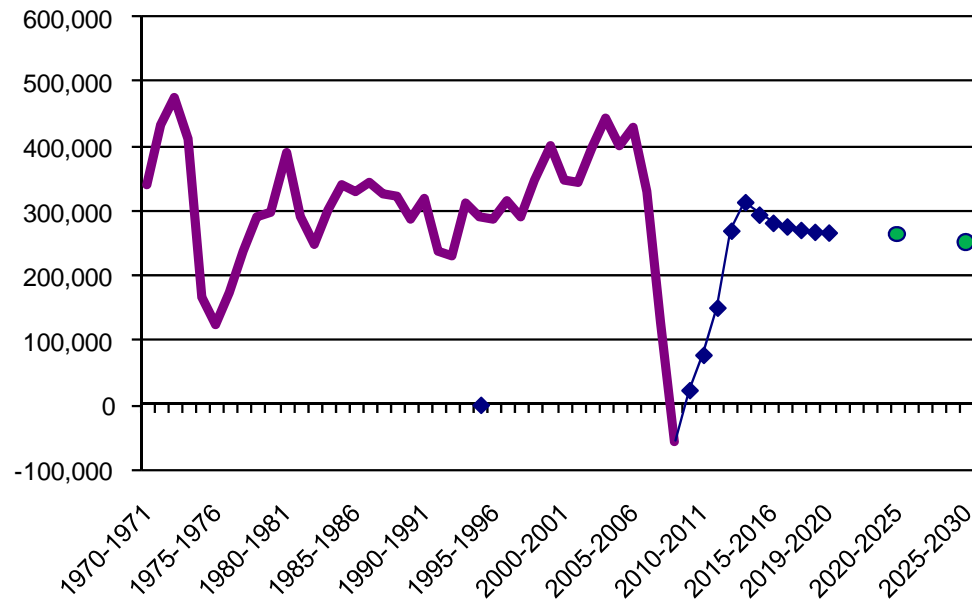


Florida's population:

- was 15,982,824 in 2000
- was 18,750,483 in 2009
- is forecast to grow to 23,821,253 by 2030



Florida's Population Growth



Population:

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

Population is forecast to increase by:

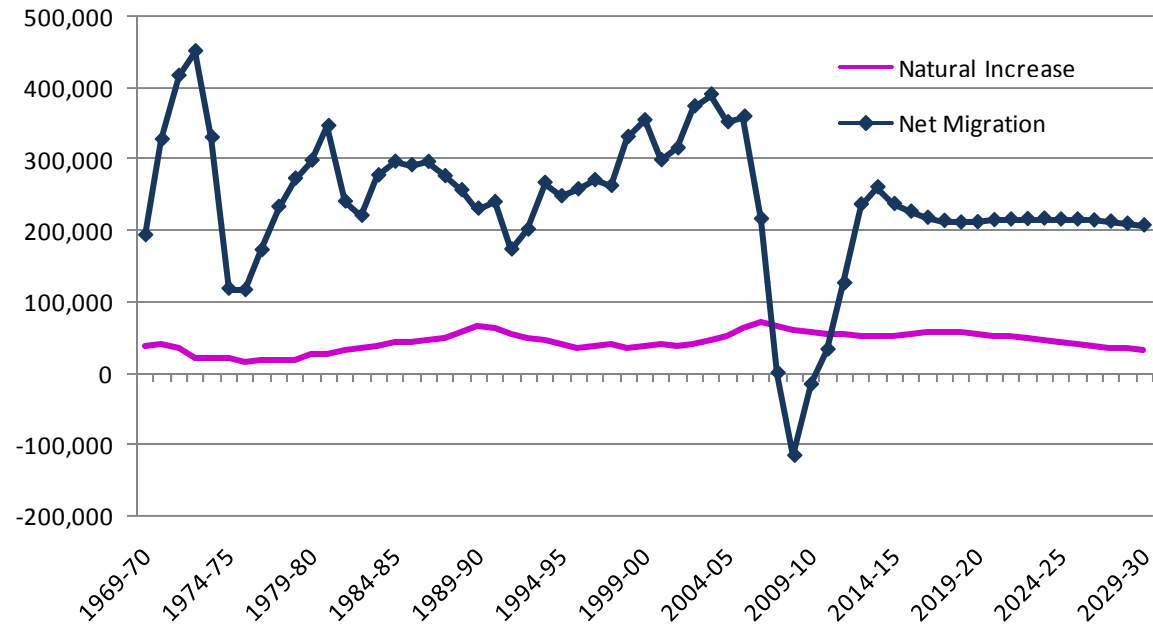
- 22,873 between 2009 and 2010

Population is forecast to increase on average by:

- 221,564 between 2010 and 2015 (similar in size to Hialeah)
- 273,150 between 2015 and 2020
- 265,326 between 2020 and 2025
- 249,539 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 86.4 percent of Florida's population growth.



Recession – Long and Severe

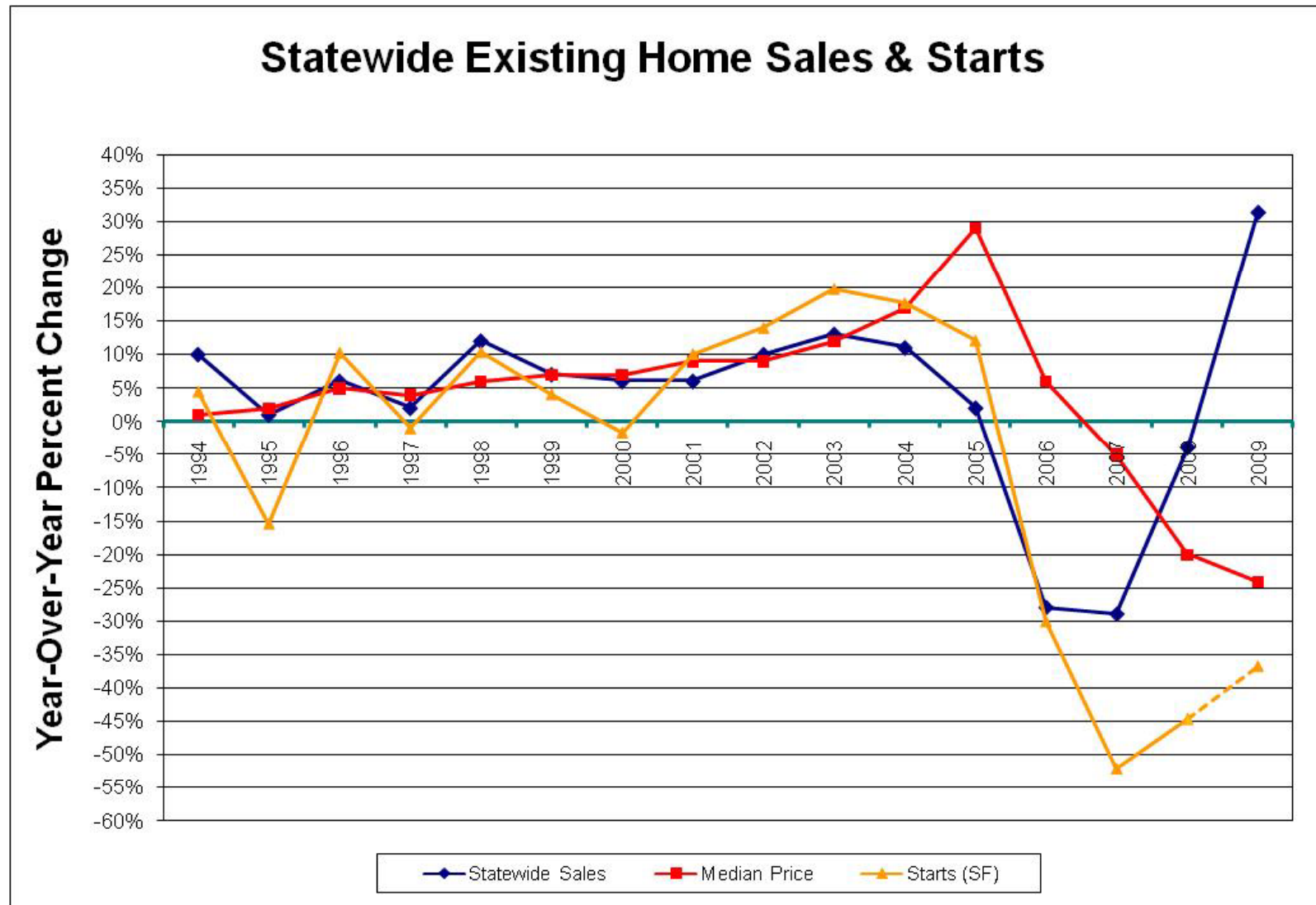
- United States economy officially entered recession in December 2007.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

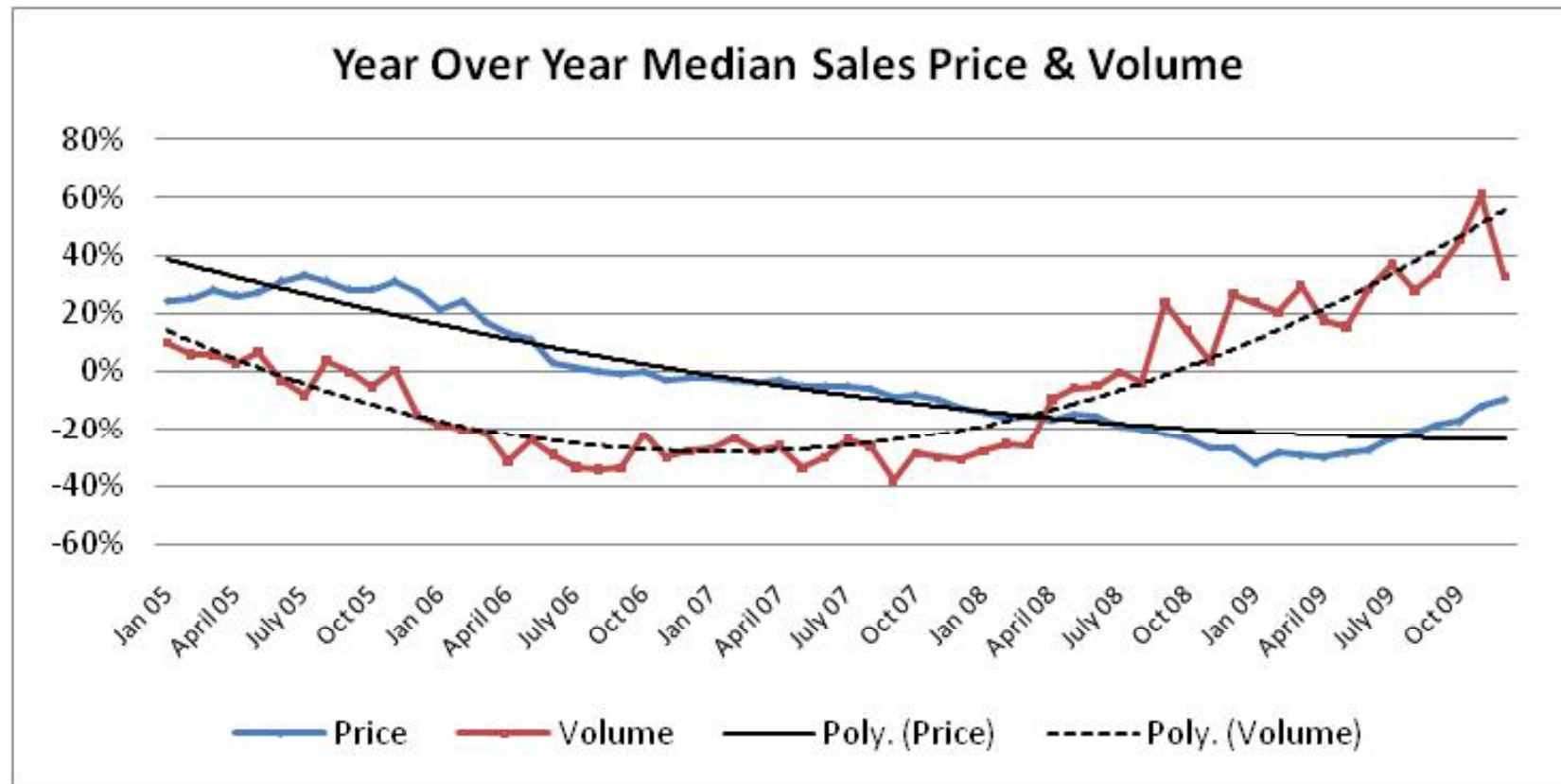
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



Florida Housing is Improving



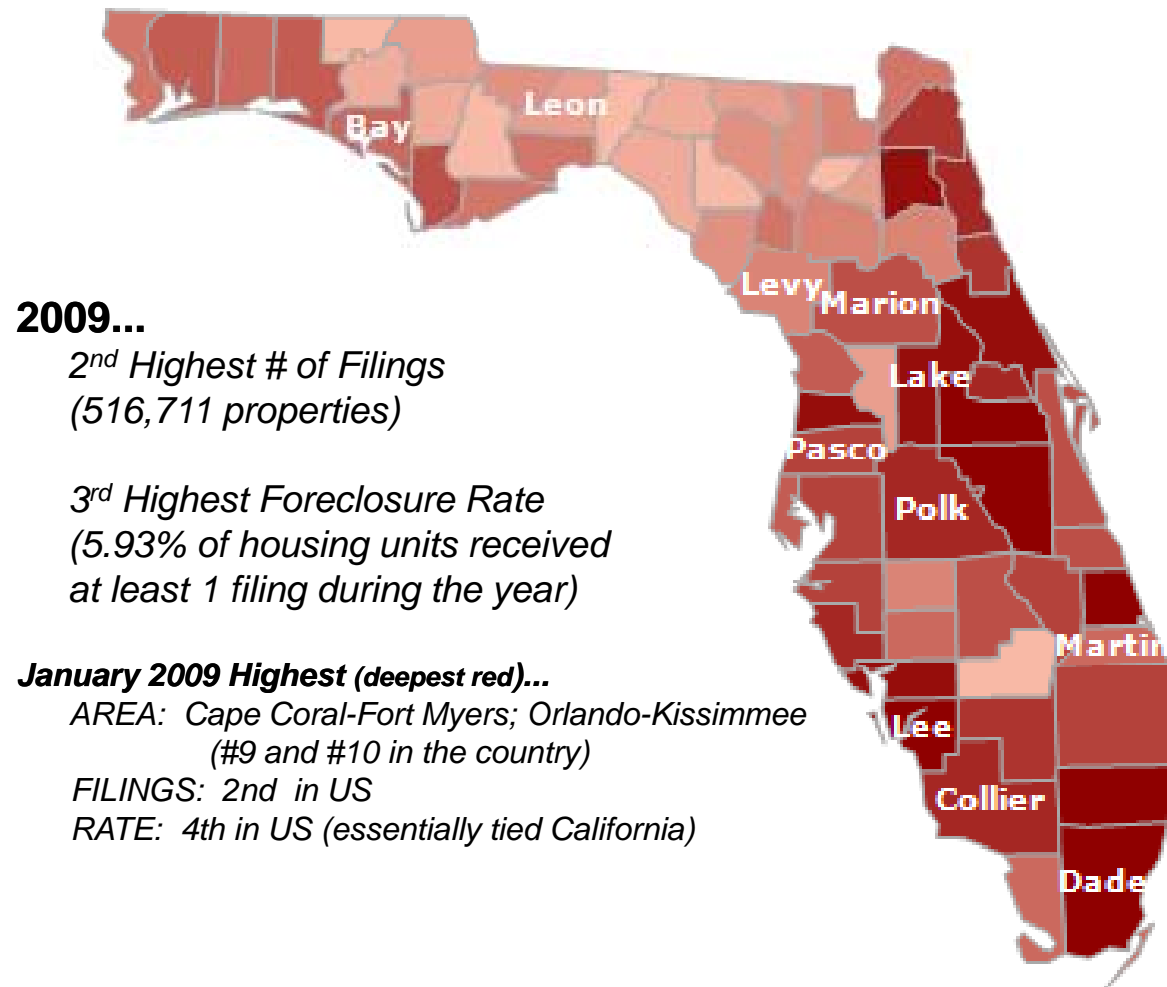
Existing Homes Sales Growing



Existing Home Prices Flattening



Foreclosure Filings Bottoming?



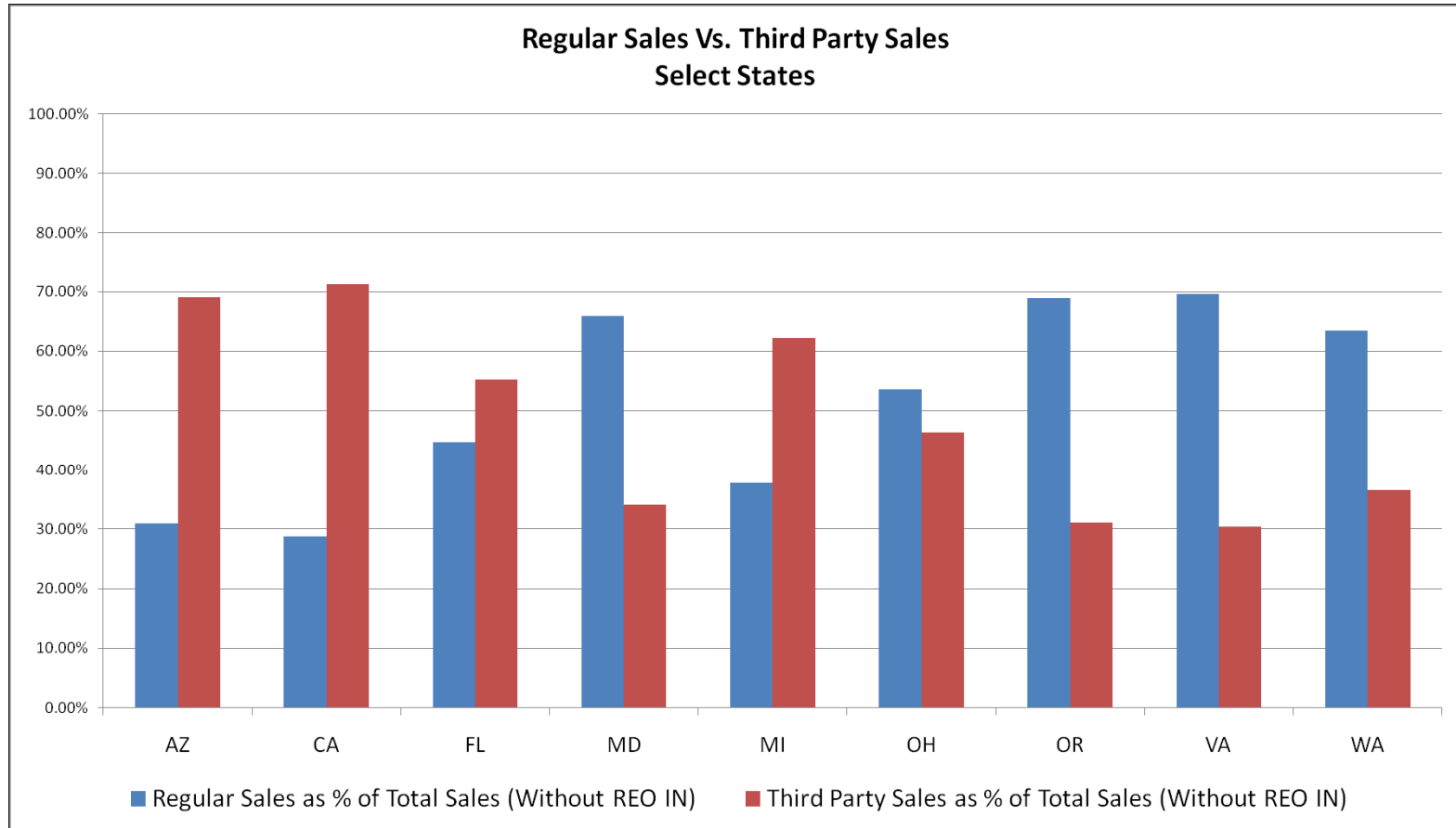
Foreclosures & Shadow Inventory

State	Delinquency %	Foreclosure Inventory %	Non-Current %
National	10.0%	3.2%	13.2%
FL	12.8%	10.7%	23.5%
NV	15.7%	6.7%	22.4%
MS	15.4%	2.3%	17.7%
AZ	12.3%	4.0%	16.3%
GA	13.4%	2.3%	15.7%
CA	11.2%	3.9%	15.0%
MI	11.8%	2.6%	14.4%
IN	11.2%	3.0%	14.2%
OH	10.6%	3.4%	14.1%
IL	10.1%	3.9%	14.0%
LA	11.4%	2.4%	13.9%
RI	10.9%	2.8%	13.7%
NJ	9.1%	4.3%	13.3%
MD	10.6%	2.5%	13.2%
WV	11.2%	1.8%	12.9%
TN	11.5%	1.5%	12.9%
AL	11.4%	1.4%	12.8%
SC	10.0%	2.5%	12.5%
NY	8.9%	3.0%	12.0%
HI	8.0%	3.8%	11.8%
CT	8.9%	2.7%	11.6%
NC	10.0%	1.5%	11.4%
DE	8.7%	2.5%	11.3%
ME	8.1%	2.9%	11.0%
KY	8.7%	2.2%	10.9%

State	Delinquency %	Foreclosure Inventory %	Non-Current %
MA	8.7%	2.3%	10.9%
TX	9.6%	1.2%	10.9%
AR	9.3%	1.4%	10.8%
PA	8.7%	2.0%	10.7%
WI	7.9%	2.7%	10.6%
MO	9.2%	1.3%	10.5%
ID	7.8%	2.6%	10.4%
UT	8.0%	2.0%	10.0%
OK	8.0%	2.0%	10.0%
NM	7.6%	2.2%	9.8%
NH	8.3%	1.4%	9.7%
VA	8.1%	1.5%	9.6%
DC	7.7%	1.8%	9.6%
KS	7.6%	1.5%	9.1%
MN	7.1%	1.8%	8.8%
WA	7.4%	1.3%	8.7%
IA	6.5%	2.0%	8.6%
OR	6.7%	1.8%	8.4%
CO	6.4%	1.8%	8.2%
VT	5.8%	1.8%	7.6%
NE	6.2%	1.2%	7.5%
MT	5.5%	1.3%	6.8%
WY	5.6%	0.9%	6.5%
AK	5.0%	1.1%	6.0%
SD	4.3%	1.1%	5.3%
ND	3.7%	0.8%	4.5%

Foreclosures adding more to inventory than Sales are subtracting.

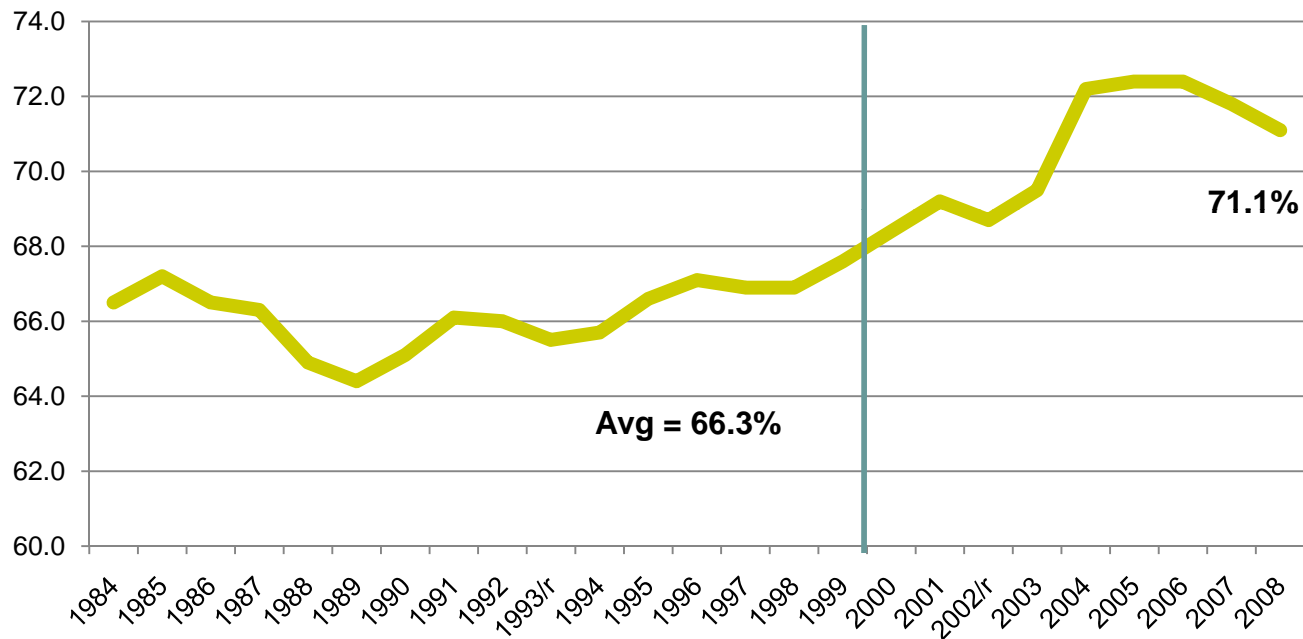
Sales Mix Points to Lower Prices



REO (Bank) and Short Sales are more than regular sales in Florida.
LPS: Lender Processing Services

Vulnerability

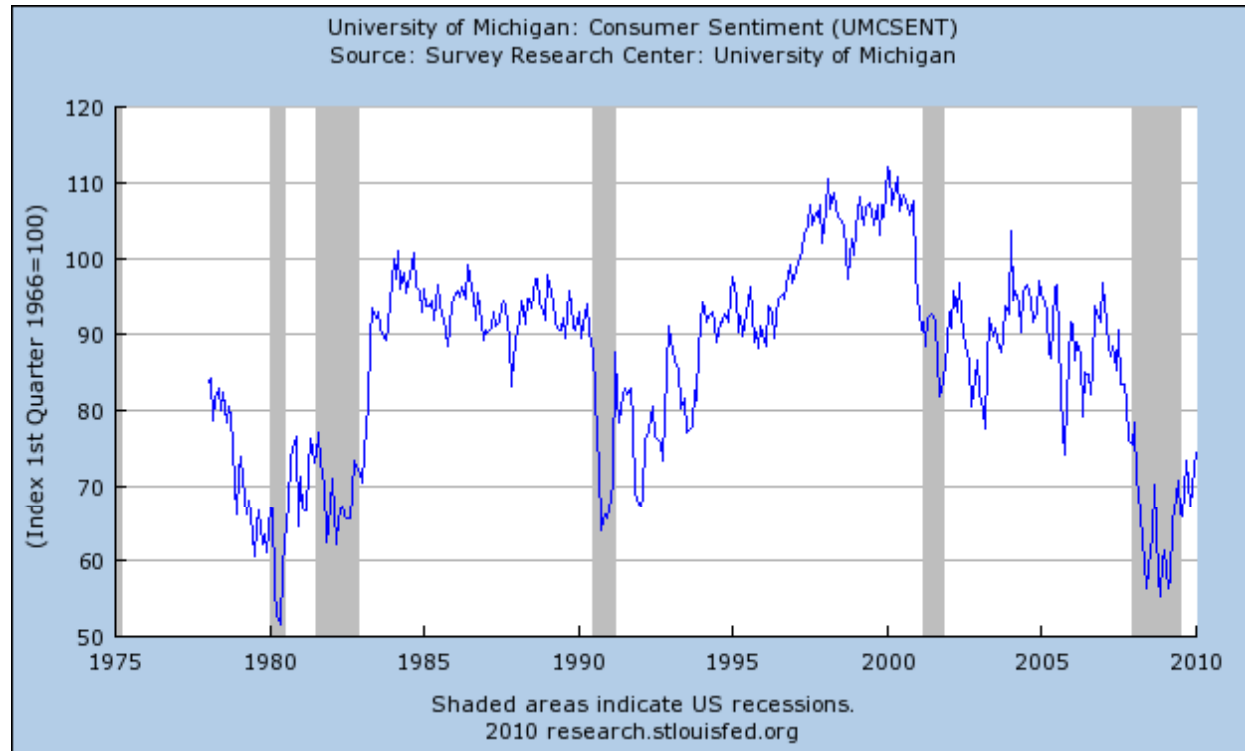
Florida Homeownership Rate



If the 2008 rate dropped immediately back to the long-run average, 359,990 homeowners would be affected and over \$74 billion of value.



Sentiment is Improving

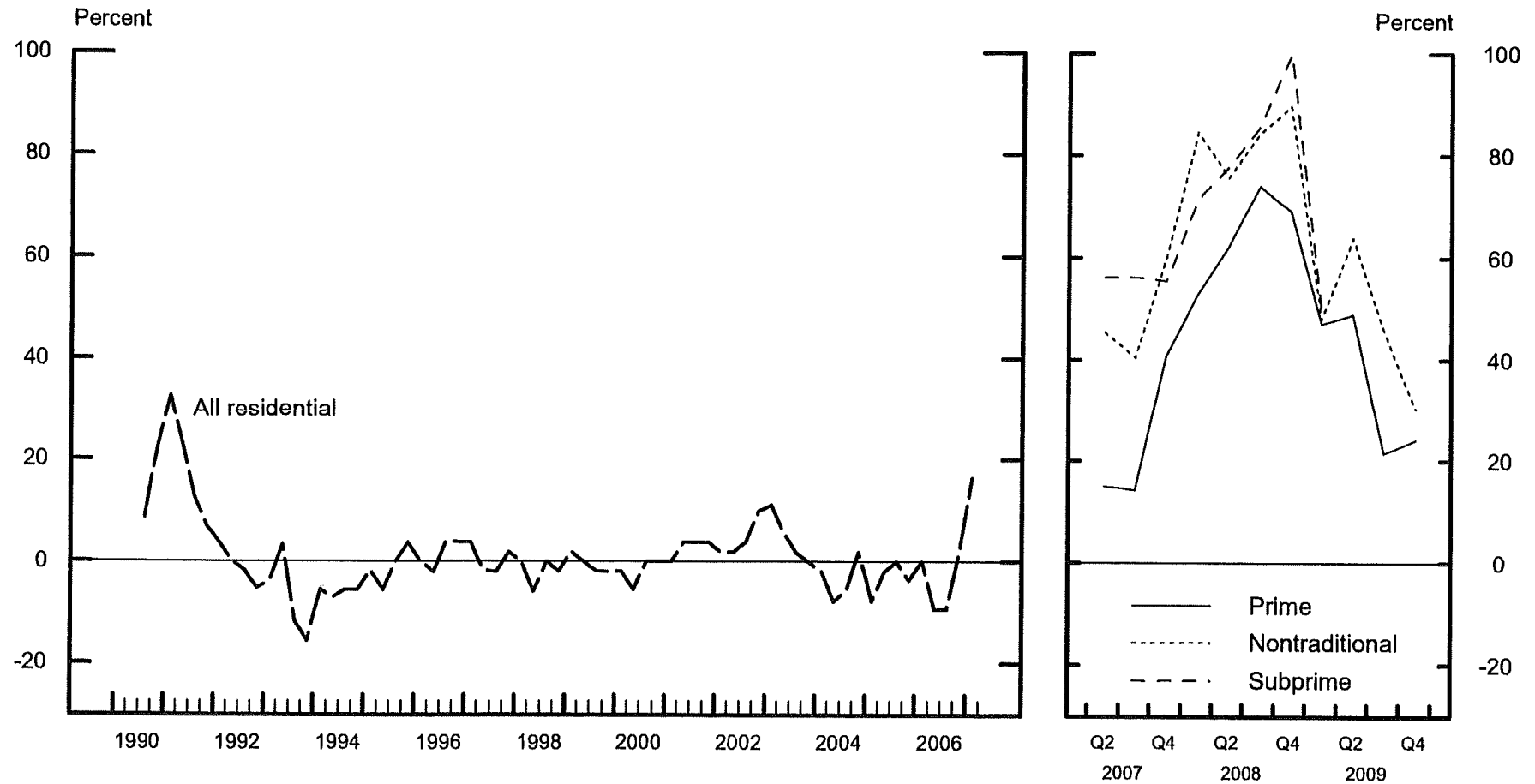


- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (74.4 in January versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (January: 74 versus a record low 59 nineteen months ago) is roughly following the national trend.



Credit Conditions Still Tight

Net Percentage of Domestic Respondents Tightening Standards for Residential Mortgage Loans



Note: For data starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately.

October 2009 Senior Loan Officer Opinion Survey on Bank Lending Practices

Revenue: Bringing It Together

- Drags are more persistent relative to past events, and it will take years to climb out of the hole left by the Great Recession.
 - Credit Market, while much improved, remains sluggish and still difficult to access.
 - U.S. Consumers are responding to massive wealth destruction and tighter credit conditions.
 - The job market will take a long time to recover --- nearly 750,000 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
 - Multiple Challenges --- the lingering effects from the Great Recession will merge into the beginning of the economic shifts caused by the retirement of the Baby Boom Generation.



The Economy Will Rebound

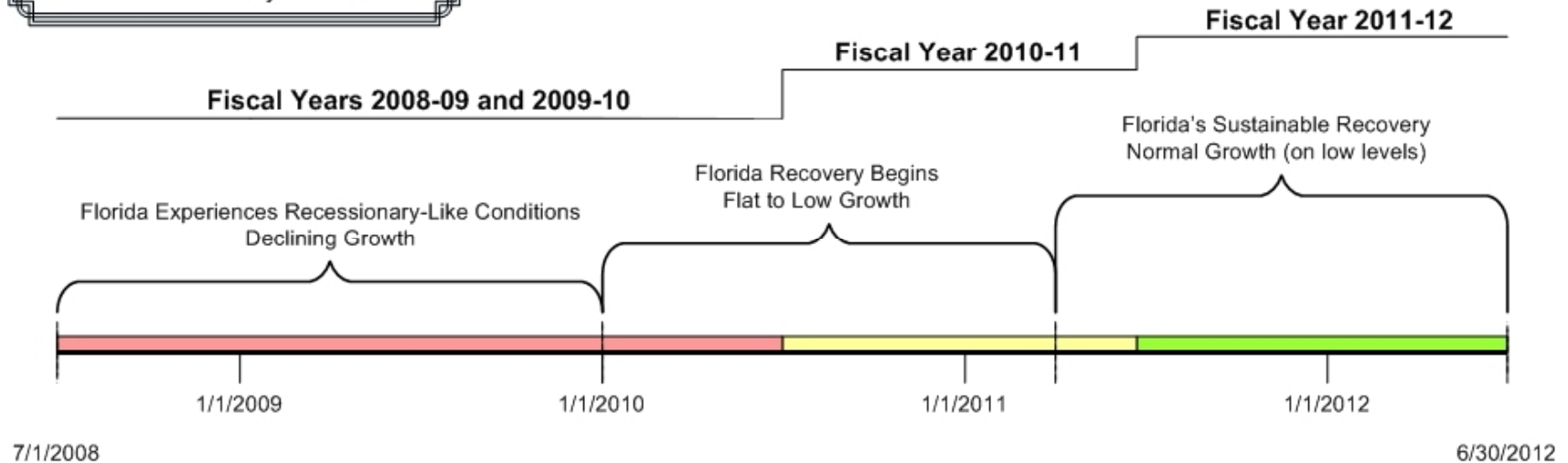
Growth rates will begin a slow return to more typical levels. In the meantime...

- The national economic contraction will run its course and, more importantly, the financial markets will recover stability.
- The subsequent turnaround in Florida housing will be led by:
 - Falling home prices that begin to attract buyers and clear the inventory (FL below the national average in November: \$171,900 nationally vs. \$139,000 in Florida...19.1% below)
 - 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

Fall 2009 Projections



Fiscal Year 2009-10

- National GDP has growth of 0.4%.
- National consumer price index is weakly positive.
- National consumer spending is weakly positive.
- Standard & Poor's Index is positive.
- Florida has negative population growth.
- Florida personal income declines.
- Florida employment declines.
- Florida unemployment rate peaks at 11.4%.
- Florida housing starts decline.
- Florida registration of new light vehicles declines.
- Florida visitors decline.

Fiscal Year 2010-11

- National GDP has weak growth.
- Florida population has virtually no growth.
- Florida personal income has weak growth.
- Florida employment has weak growth.
- Florida unemployment rate is only slightly off the peak.
- Florida private housing starts enter positive territory.

Fiscal Year 2011-12

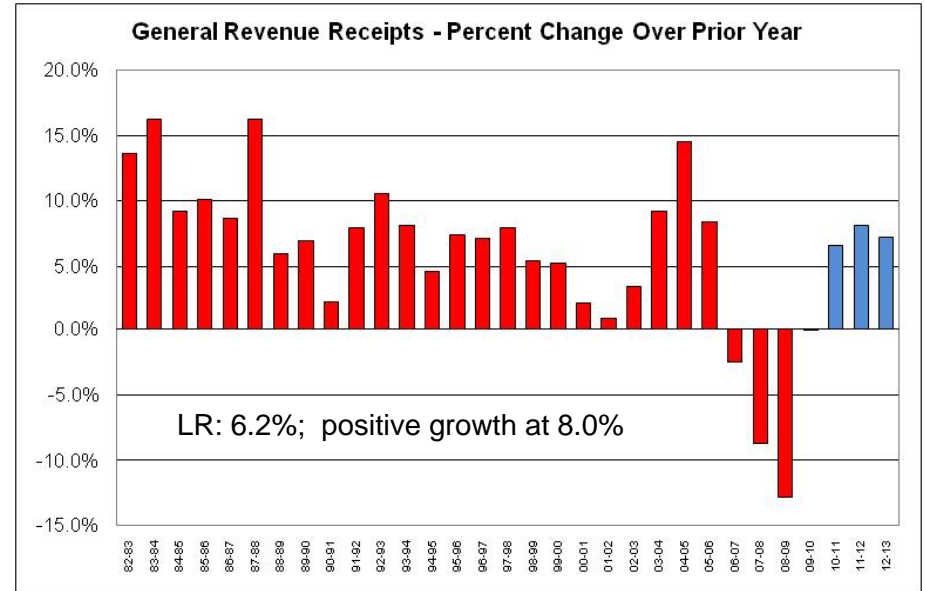
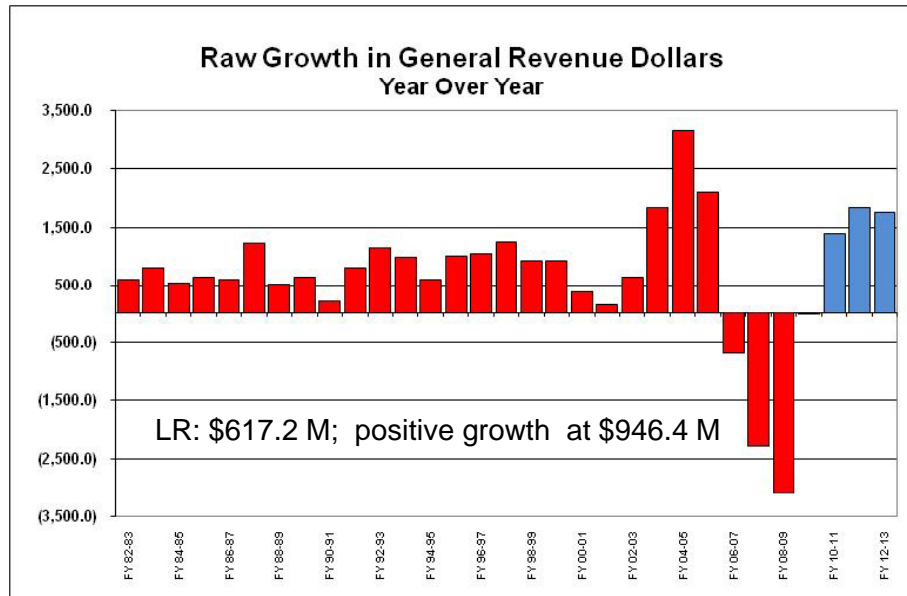
- Most Florida measures return to normal or accelerated growth rates.
- Florida population growth is still weak.
- Florida unemployment rate improves slowly.

Florida Risks to the Forecast

- Florida is on a different recovery path than the nation as a whole.
- Recovery will be uneven, and there will be many ups and downs over the next six months.
- Most of these events have already been built into the prior forecasts.
- 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.



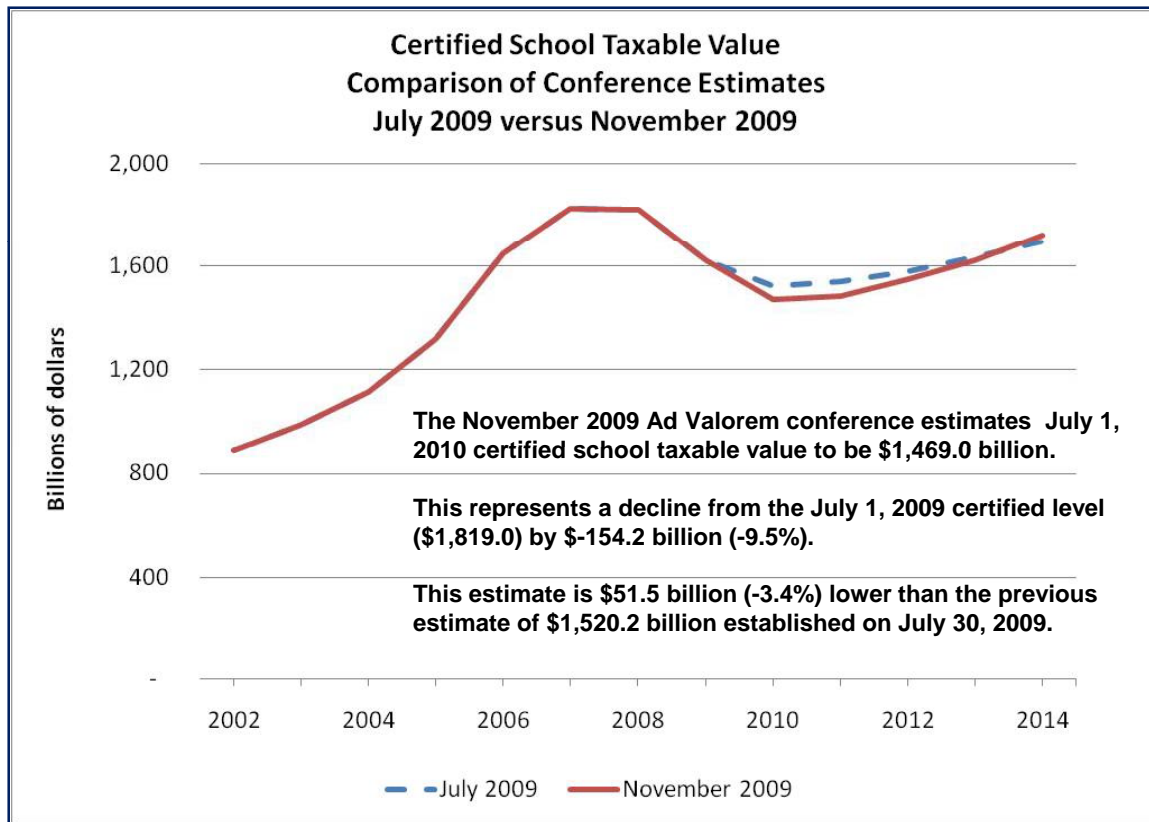
Strong Growth Expected for GR



Fiscal Year	Fall Forecast	Incremental Growth	Growth Rate
2009-10	21031.6	6.0	0.0%
2010-11	22409.6	1378.0	6.6%
2011-12	24234.2	1824.6	8.1%
2012-13	25978.6	1744.4	7.2%



Lower Ad Valorem Forecast



FEFP Impact

Relative to the Long-Range Financial Outlook, the new forecast results in additional need to get back to the numbers used in that analysis:

- **\$814.4 million** in 2010-11 instead of \$515.8 million (+\$298.6 million).
- **\$19.9 million** in 2011-12 instead of \$7.9 million (+\$12 million).



Fall Bottom Line...

- Revenues were moderately increased.
- Anticipated expenditures were increased – significantly in some areas.
- Anticipated expenditure increases are at least as great as the revenue gains.
- The Long-Range Financial Outlook has worsened since the Fall.
 - The persistent budget gap must be addressed, if not fully this year, then next year. [Sept: \$923 M to \$2.6 B; Dec: over \$1.1 B to \$3.2 B].



Factors Shaping 2010 Conferences

In terms of the potential budget gap, a change in **revenues** or a change in **resource demand** (caseloads and their associated costs) will re-shape the picture.

- Revised or Updated Information that change key assumptions used in the Fall.
 - National Outlook is weaker in several key respects.
 - Florida employment picture has worsened.
- Intervening events, like the agricultural freeze, the Earthquake in Haiti, and any federal law changes.
- Different weighting of risks.
- Short timeframe between Fall and Spring conferences.



Intervening Events

- Agricultural Freeze
 - Downward Pressure on the State's GDP
 - Downward Pressure on Personal Income
 - Downward Pressure on Employment
 - Downward Pressure on Students
- Earthquake in Haiti
 - Upward Pressure on Students
 - Positive and Negative Changes in Spending
- Federal Law Changes
 - Likely FMAP Extension (more federal dollars; extension of Medically Needy & MEDS/AD)
 - Extended and Expanded Homebuyer Tax Credit (pending payback)
- Judicial Rulings
 - Mandatory Mediation - Foreclosures



Session Issues

Cautions...

- Persistent Budget Gap (begin to address)
- Growing Housing Inventory (do no harm)
- Panaceas and Quick Fixes (do not exist)

Considerations...

- Preserve Jobs (e.g., Space Center...14,600 jobs)
- Support Small Businesses (74% \leq 4 employees)
- Focus on Existing Businesses
- Unemployment Compensation Dialogue
- Educate Congressional Delegation on Key Issues

