

# Florida: An Economic Overview

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February 3, 2010

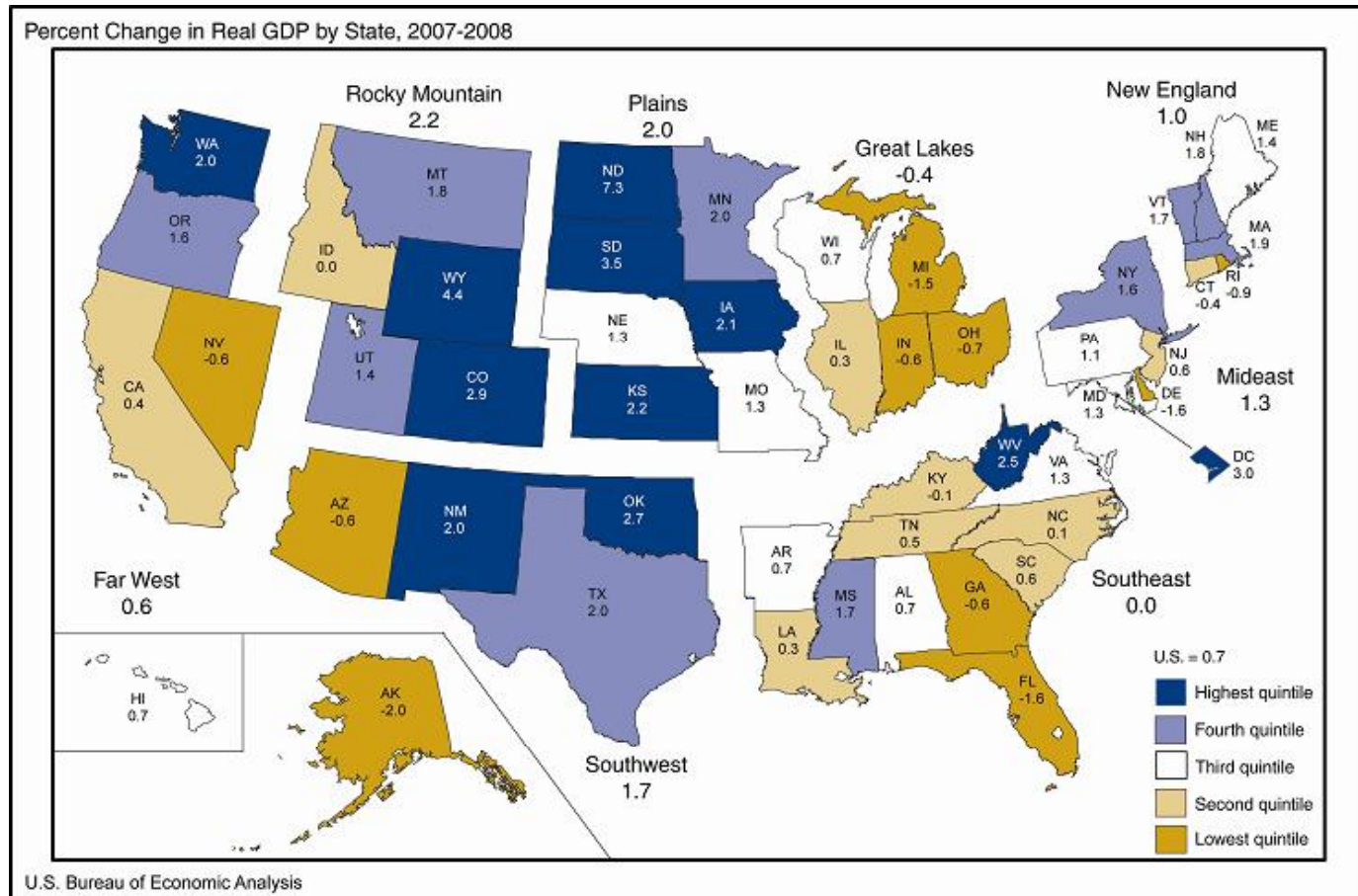
Presented by:



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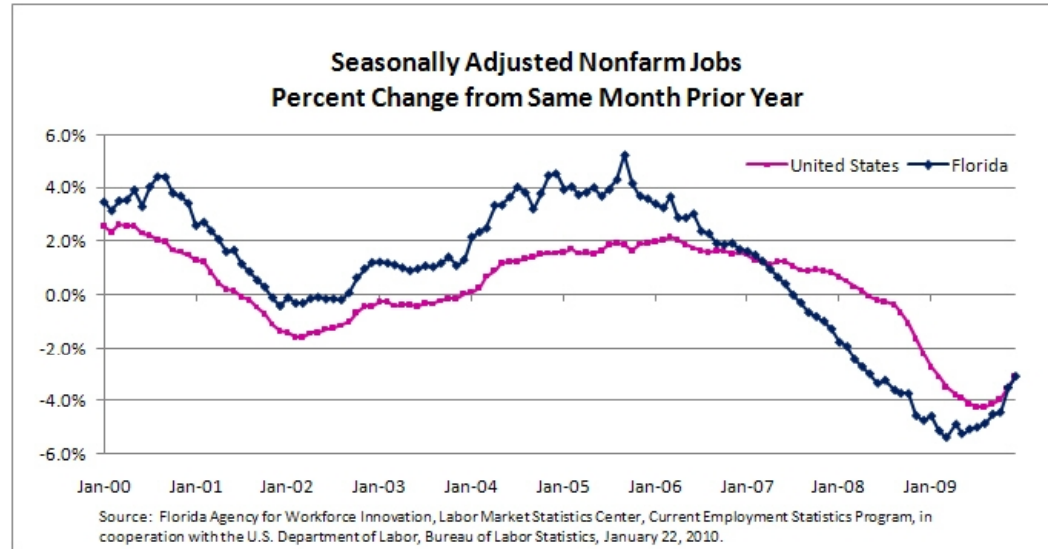
# Economy Lost Ground in 2008

- Florida's growth is now declining. State Gross Domestic Product (GDP) ranked us 48<sup>th</sup> in the nation in real growth with a decline of (-1.6%) in 2008. In 2005, we were ranked 2<sup>nd</sup> in the nation.

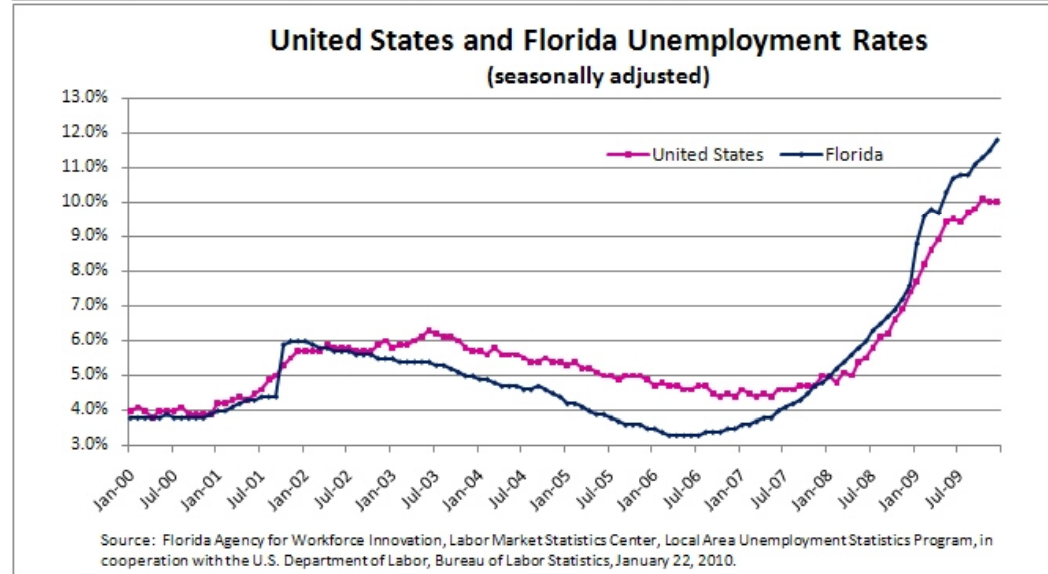


# Employment Worsens

**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)  
6<sup>th</sup> State in the Country

**Official Projected**  
FL 11.4%  
Spring, 2010



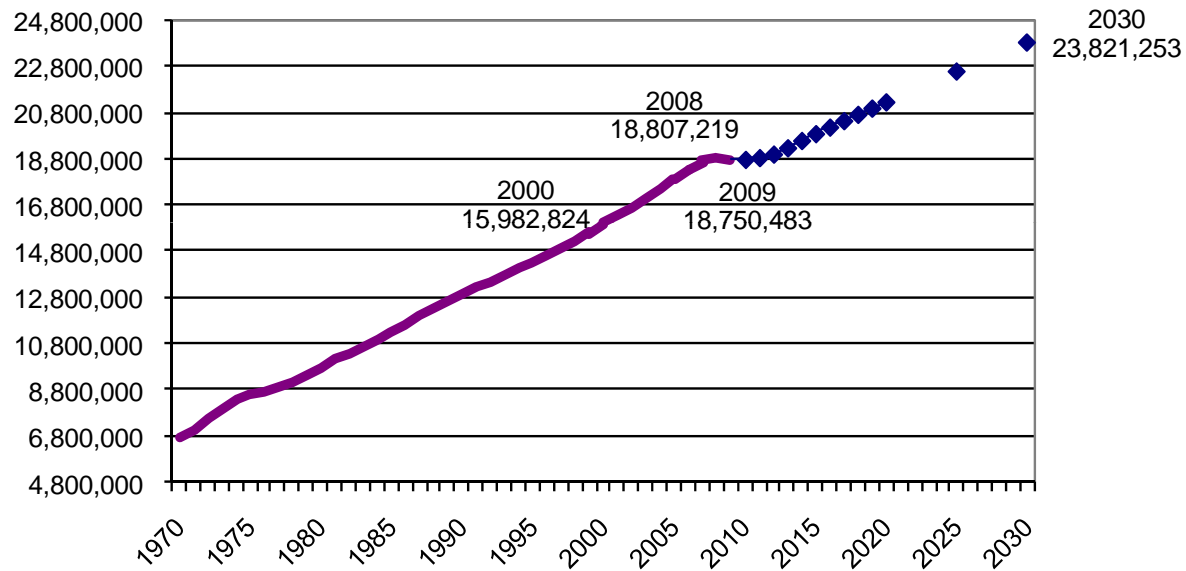


# Population Growth Slowing

- 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

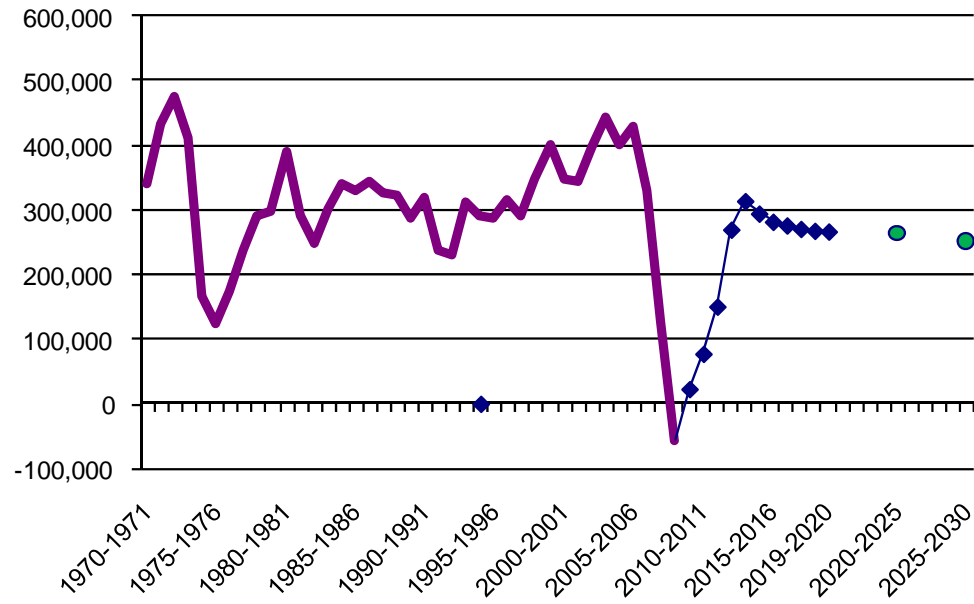


Florida's population:

- 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:

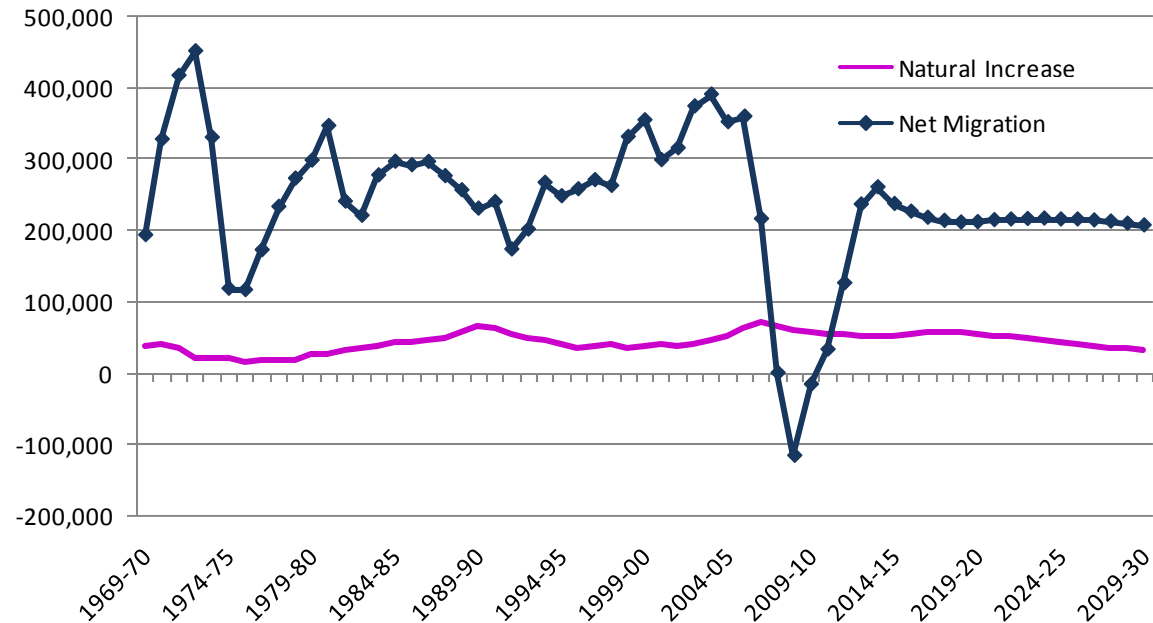
- 22,873 between 2009 and 2010

## 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

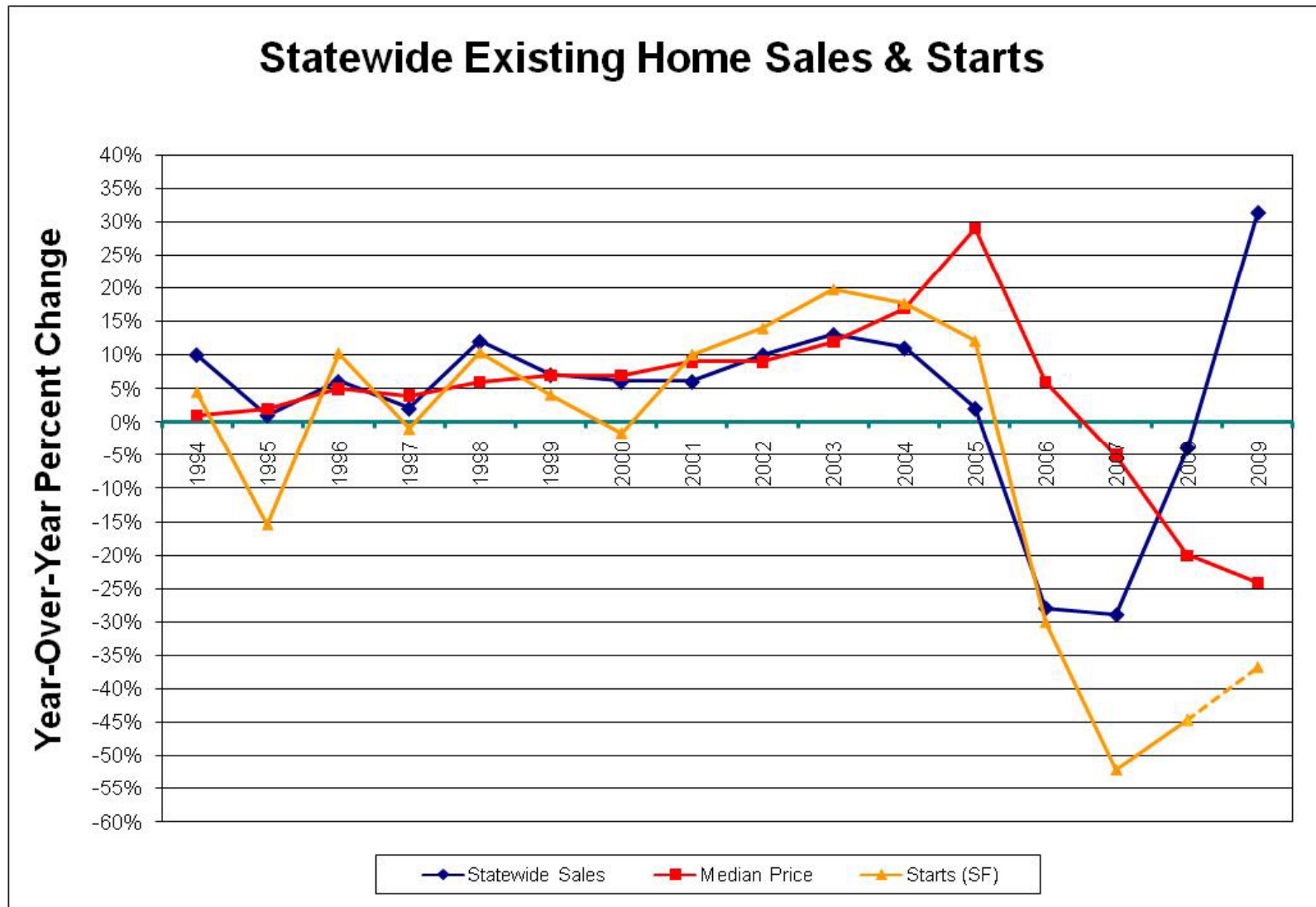
- United States economy officially entered recession in December 2007.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

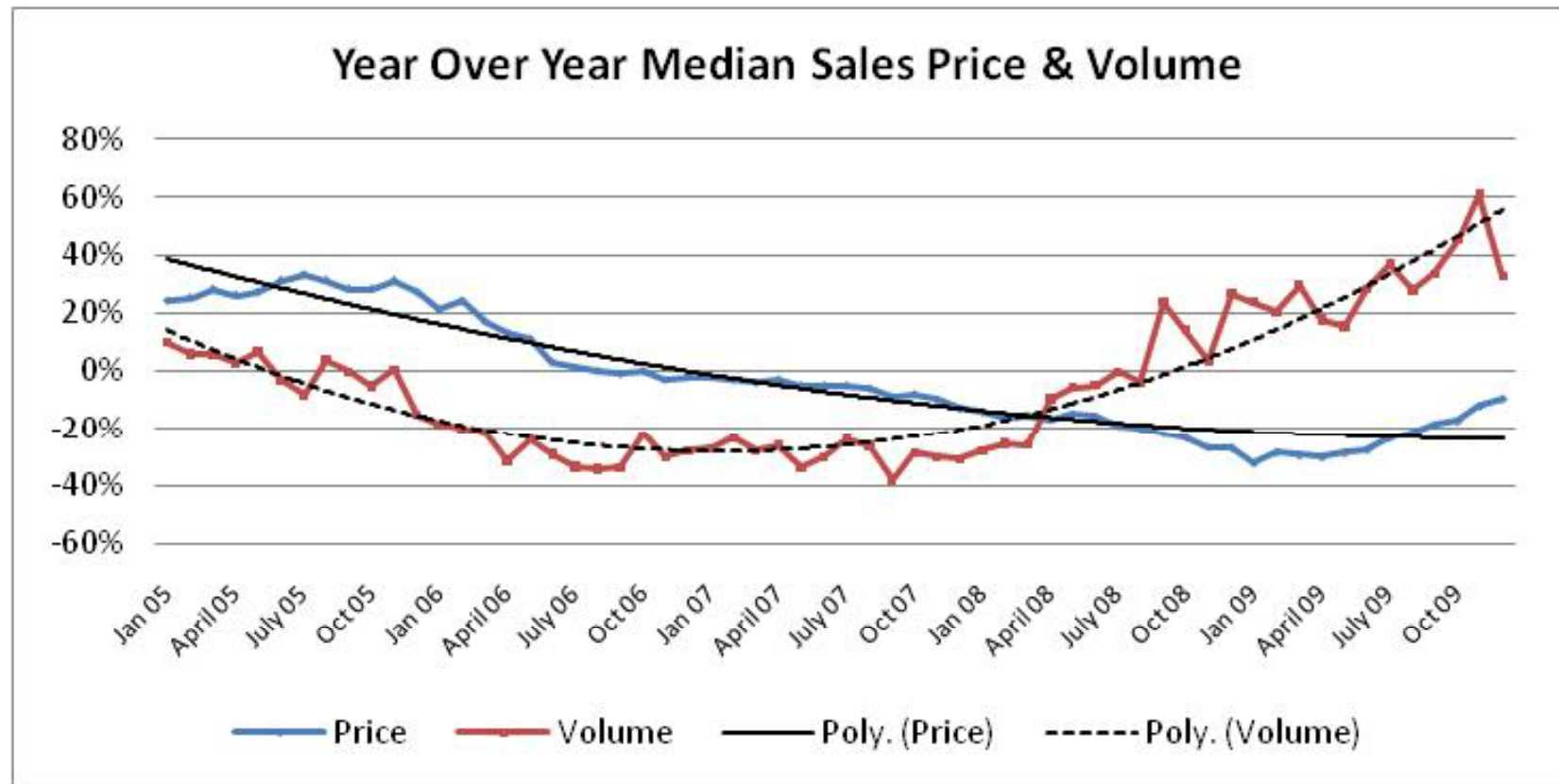
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



# Florida Housing is Improving



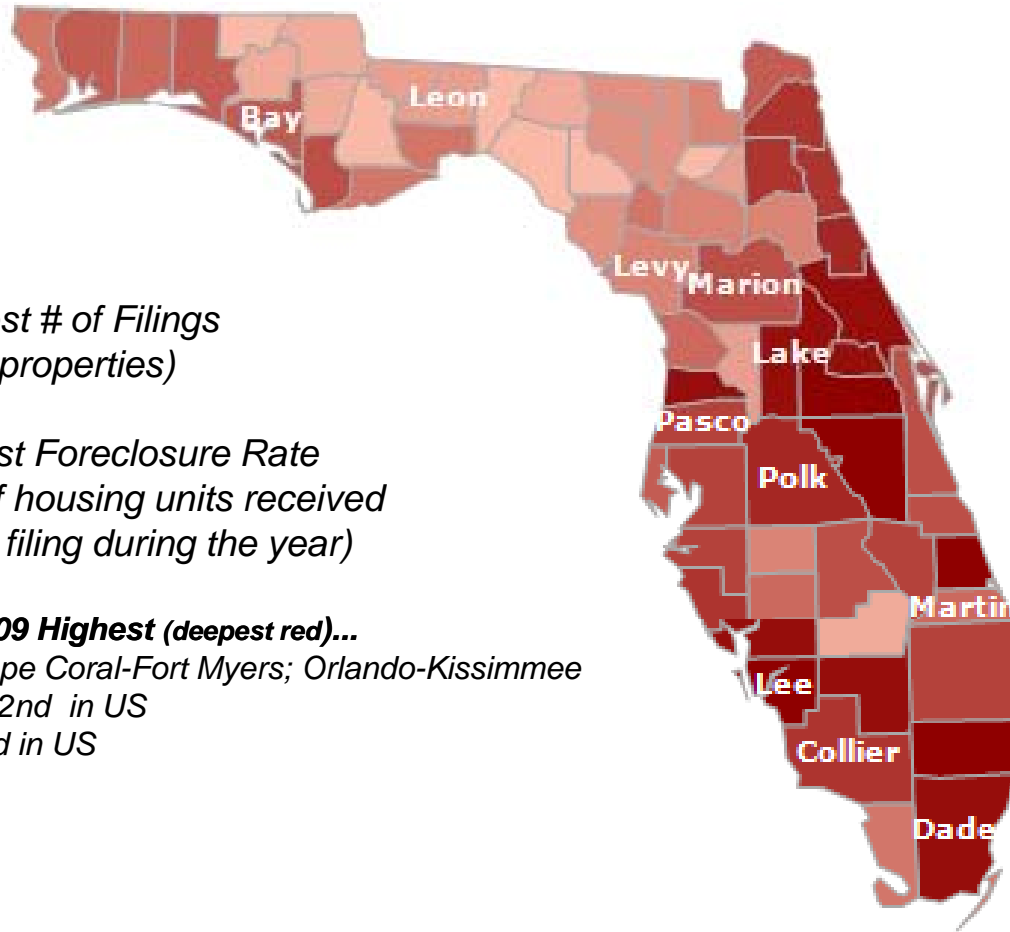
# Existing Homes Sales Growing



# Existing Home Prices Flattening



# Foreclosure Filings Bottoming?



## 2009...

*2<sup>nd</sup> Highest # of Filings  
(516,711 properties)*

*3<sup>rd</sup> Highest Foreclosure Rate  
(5.93% of housing units received  
at least 1 filing during the year)*

## November 2009 Highest (deepest red)...

*AREA: Cape Coral-Fort Myers; Orlando-Kissimmee  
FILINGS: 2<sup>nd</sup> in US  
RATE: 2<sup>nd</sup> in US*



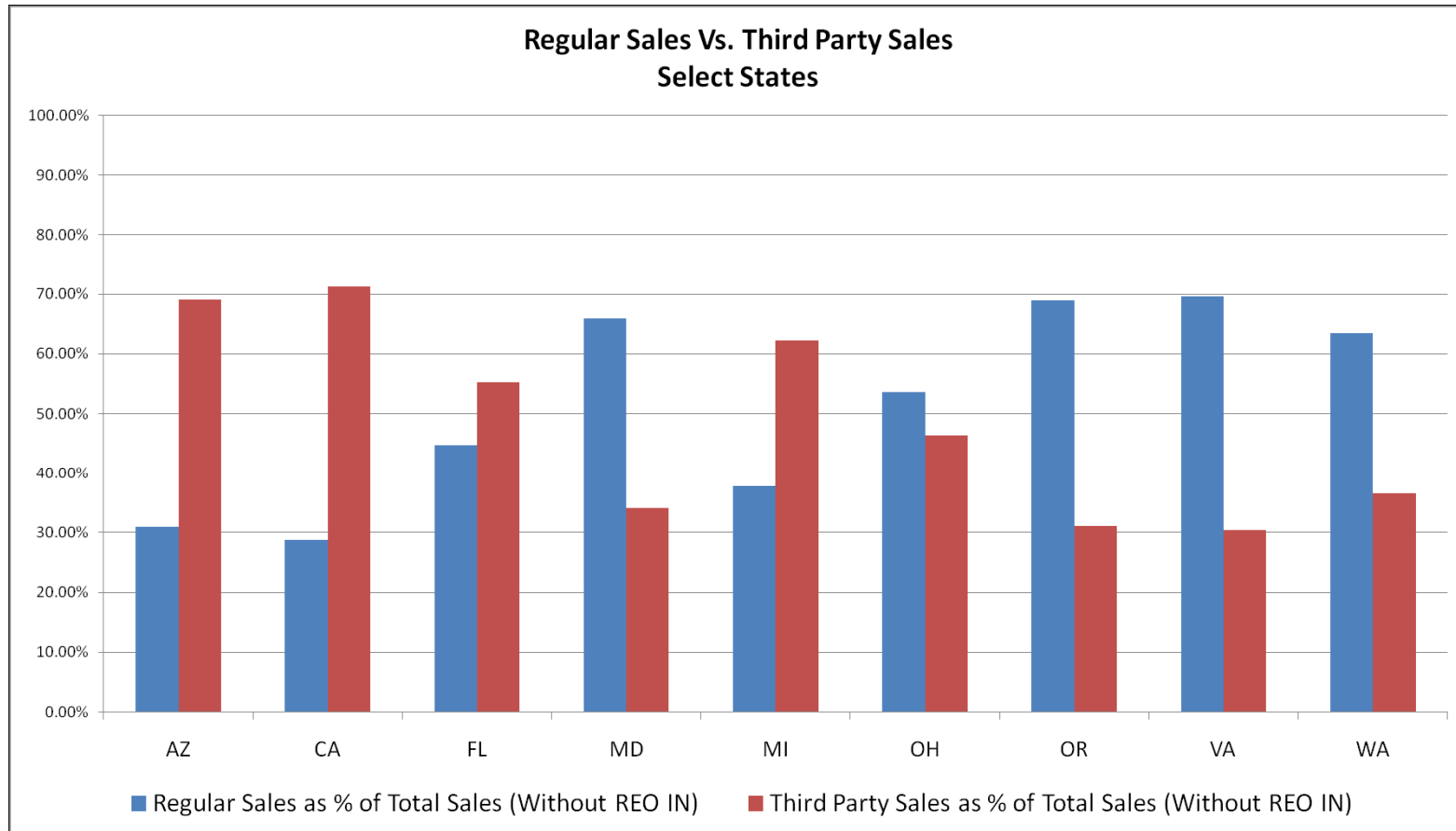
# Foreclosures & Shadow Inventory

State	Delinquency %	Foreclosure Inventory %	Non-Current %
<b>National</b>	<b>10.0%</b>	<b>3.2%</b>	<b>13.2%</b>
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

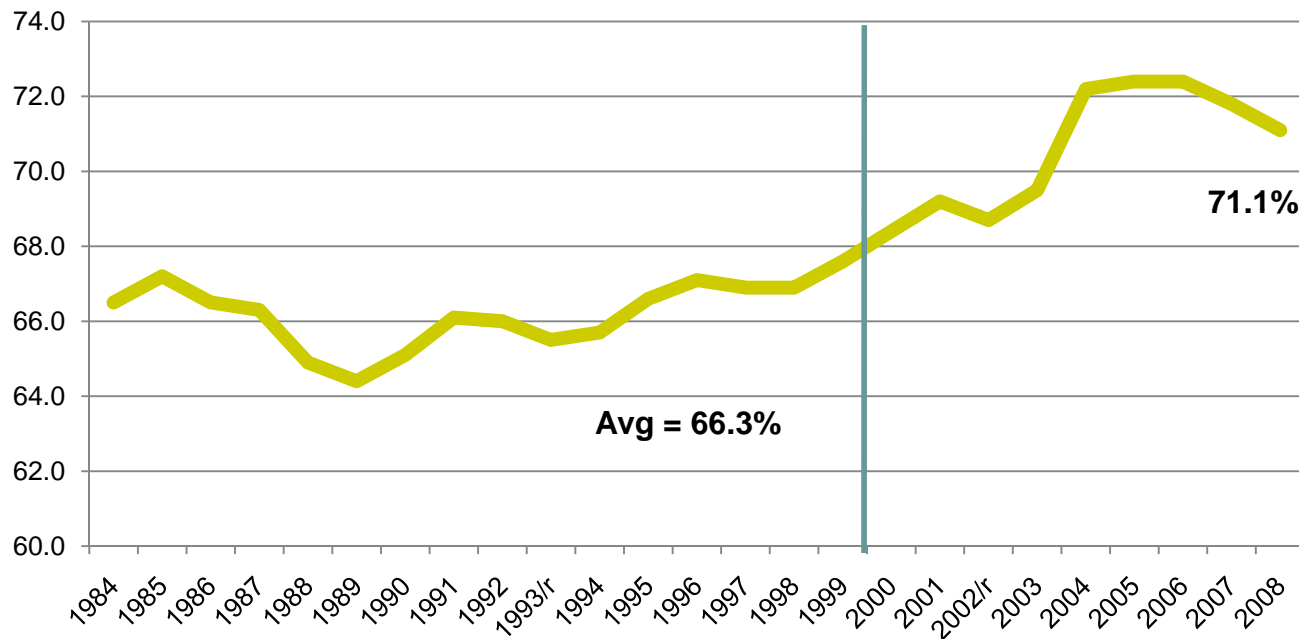


REO (Bank) and Short Sales are more than regular sales in Florida.  
LPS: Lender Processing Services



# Vulnerability

## Florida Homeownership Rate

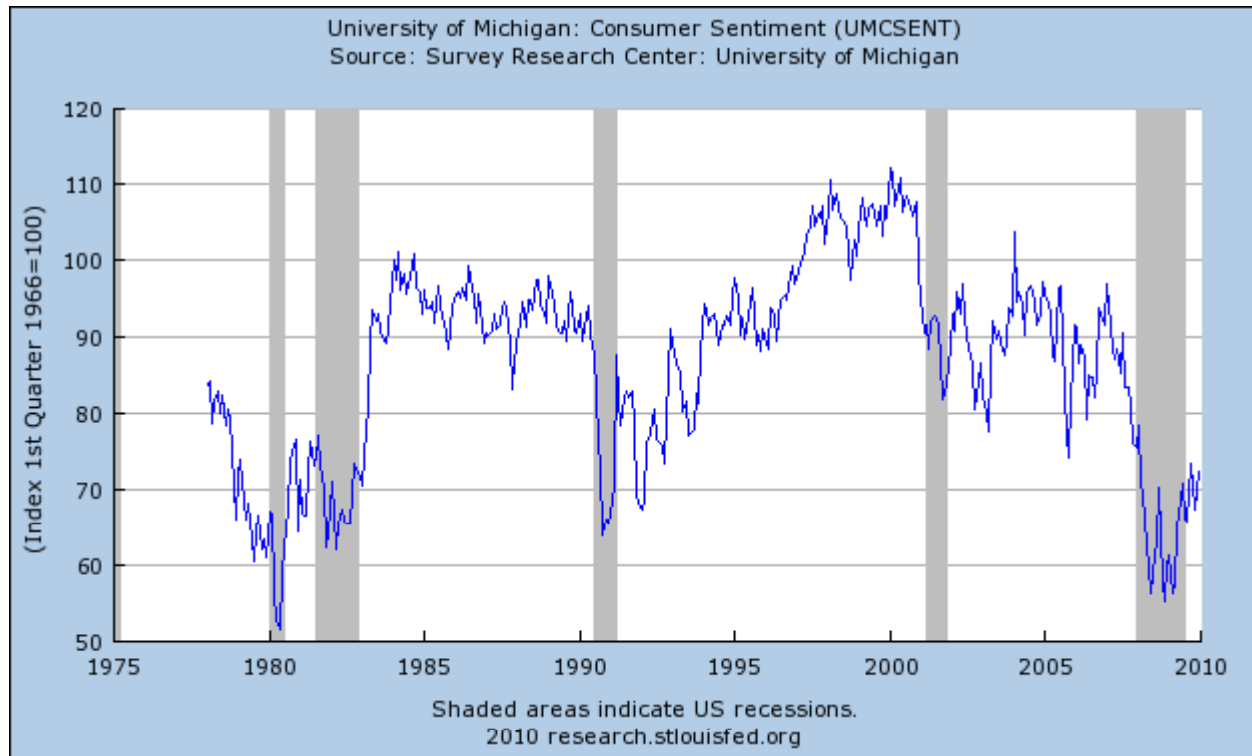


If the 2008 rate dropped immediately back to the long-run average, 359,990 homeowners would be affected and over \$74 billion of value.





# Sentiment is Improving

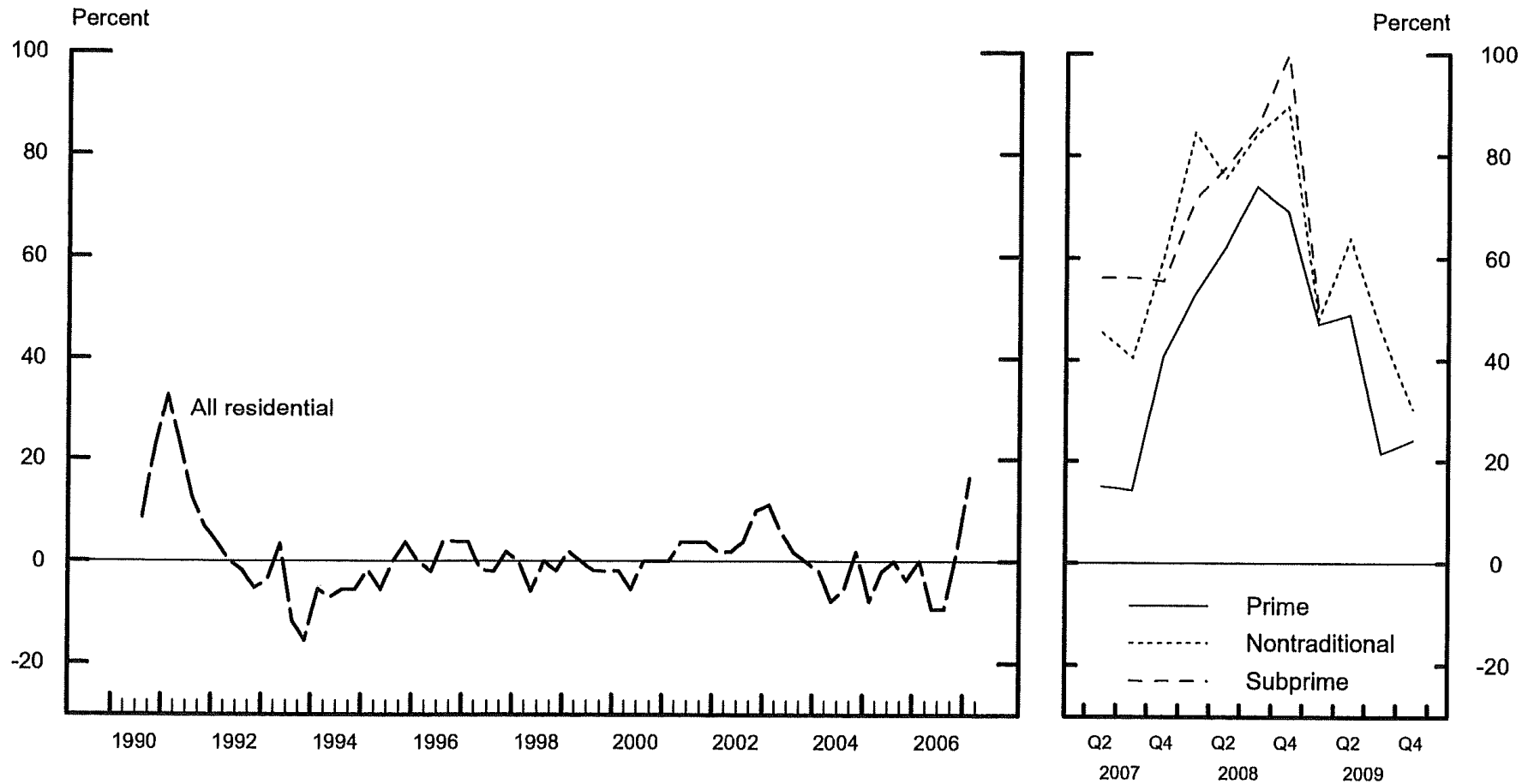


- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (72.5 in December versus 51.7 in May 1980), but still at the low edge of the range.
- Florida's consumer confidence (December: 69 versus a record low 59 eighteen months 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

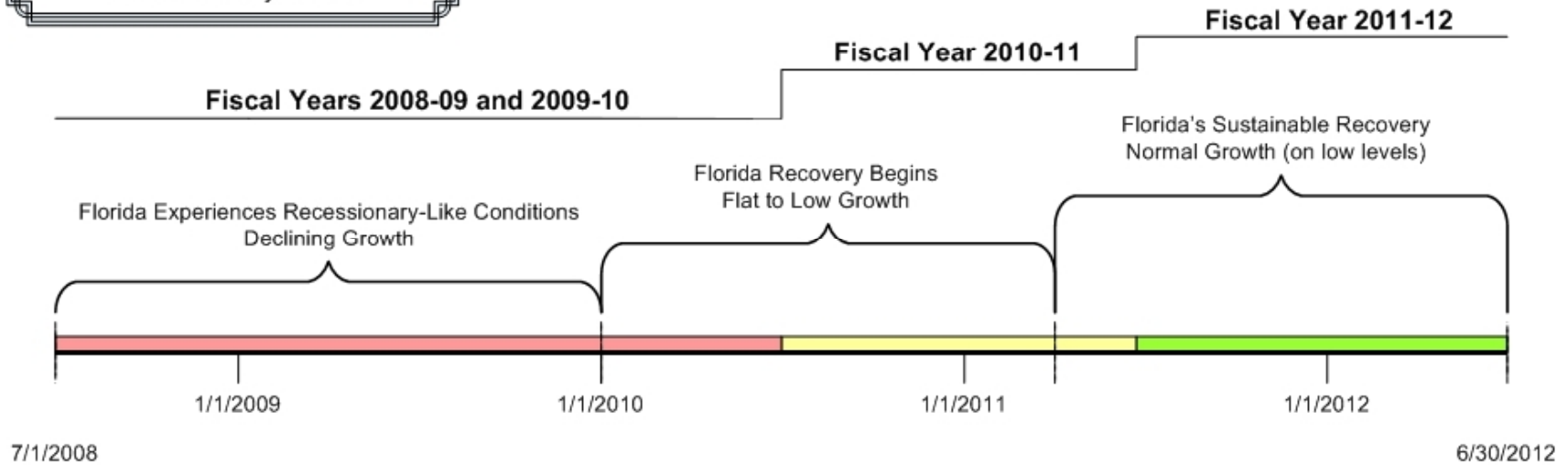
Growth rates will begin a slow return to more typical levels. In the meantime...

- 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

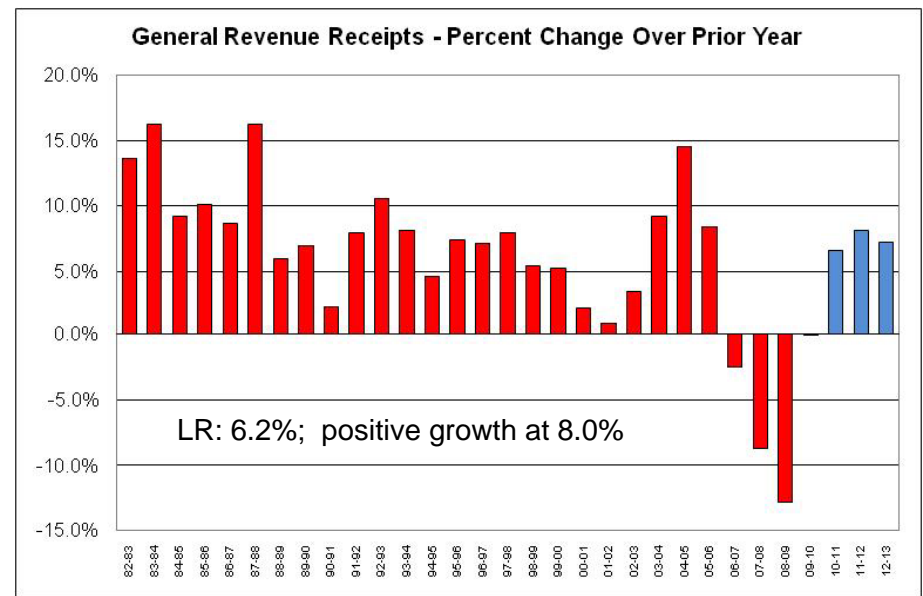
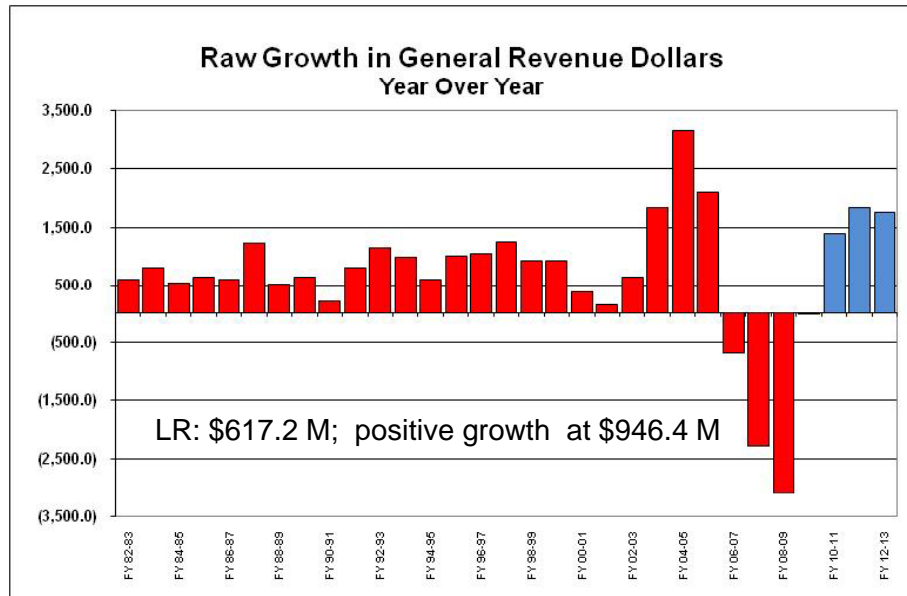
- Most Florida measures return to normal or accelerated growth rates.
- Florida population growth is still weak.
- Florida unemployment rate improves slowly.

# 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.



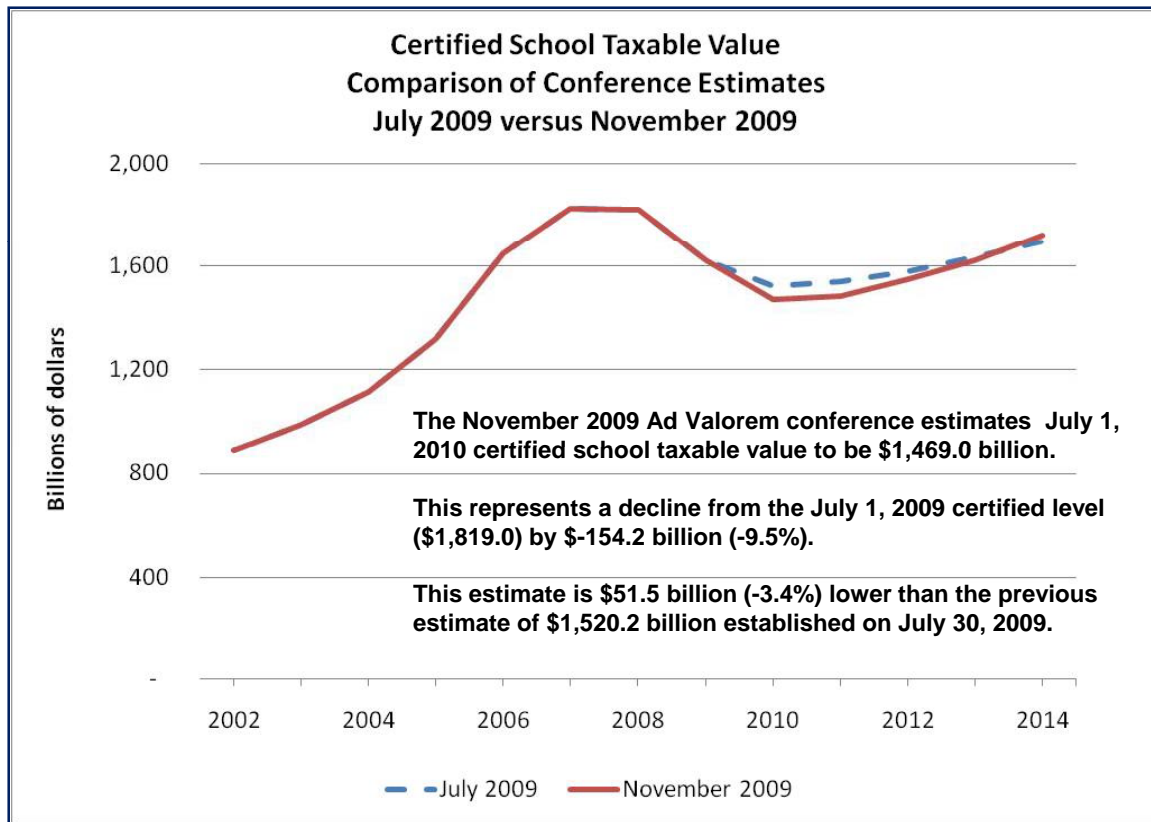
# Strong Growth Expected for GR



<u>Fiscal Year</u>	<u>Fall Forecast</u>	<u>Incremental Growth</u>	<u>Growth Rate</u>
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

