Florida:
An Economic Overview

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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

April (Y.O.Y.)
- U.S.: -3.8%
- Florida: -4.9%
  (-380,300 jobs)

Projected:
- Florida: 10.2%
  January, 2010

United States and Florida Unemployment Rates

Sources:
24 counties with double-digit unemployment rates in March.
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. In the short term, population growth is forecast to remain relatively flat – averaging 0.4% between 2008 and 2012. Population growth is expected to rebound in the future – averaging 1.1% between 2025 and 2030.

- Florida is still on track to break the 20 million mark in 2015, becoming the third most populous state sometime before then – surpassing New York.
Florida’s population:
- was 15,982,824 in 2000
- was 18,807,219 in 2008
- is forecast to grow to 23,979,030 by 2030
Florida’s Population Growth

Population increased by:
- 445,224 between 2003 and 2004
- 126,852 between 2007 and 2008

Population is forecast to increase on average by:
- -0- between 2008 and 2009
- 74,226 between 2009 and 2010
- 71,705 between 2010 and 2011
- 156,825 between 2011 and 2012
- 283,580 between 2012 and 2013
Population Components

- Typically, most of Florida’s population growth is from net migration. However, between 2007 and 2008, net migration represented only 10.5 percent of Florida’s population growth.

- In 2030, net migration is forecast to represent 89.2 percent of Florida’s population growth.
The Reasons?

- US economy was simultaneously buffeted by three major shocks:
  - Home prices fell at the national level for the first time since the Great Depression (down over 20% from the peak),
  - Financial markets experienced their worst credit crunch since the Great Depression, and
  - The U.S. recession spread globally, causing additional feedback loops.

- Florida has been particularly hit hard by the two housing-related shocks: home prices and credit tightening.
Recession – Now A Reality

- United States economy has officially been in a recession since December 2007.
- The longest recession now on record – and projected to last through September 2009 for a total of 22 months.

<table>
<thead>
<tr>
<th>Recession</th>
<th>Duration</th>
<th>Recession</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>8 mos</td>
<td>1960-1961</td>
<td>10 mos</td>
</tr>
<tr>
<td>1990-1991</td>
<td>8 mos</td>
<td>1957-1958</td>
<td>8 mos</td>
</tr>
<tr>
<td>1980</td>
<td>6 mos</td>
<td>1948-1949</td>
<td>11 mos</td>
</tr>
<tr>
<td>1973-1975</td>
<td>16 mos</td>
<td>1945</td>
<td>8 mos</td>
</tr>
</tbody>
</table>

Recessions since the Great Depression
The Economy Will Rebound

By Summer 2010, growth rates will begin a slow return to more typical levels. In the meanwhile...

- 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 March: $174,900 nationally vs. $141,300 in Florida...19.2% 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 Housing is Improving
Existing Homes Sales Growing

![Graph showing Year Over Year Median Sales Price & Volume](image)
Existing Home Prices Flattening

Median Sales Price of Existing Homes

<table>
<thead>
<tr>
<th>Month</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 05</td>
<td>125,000</td>
</tr>
<tr>
<td>May 05</td>
<td>145,000</td>
</tr>
<tr>
<td>Aug 05</td>
<td>165,000</td>
</tr>
<tr>
<td>Nov 05</td>
<td>185,000</td>
</tr>
<tr>
<td>Feb 06</td>
<td>205,000</td>
</tr>
<tr>
<td>May 06</td>
<td>225,000</td>
</tr>
<tr>
<td>Aug 06</td>
<td>245,000</td>
</tr>
<tr>
<td>Nov 06</td>
<td>257,800</td>
</tr>
<tr>
<td>Feb 07</td>
<td>245,000</td>
</tr>
<tr>
<td>May 07</td>
<td>225,000</td>
</tr>
<tr>
<td>Aug 07</td>
<td>205,000</td>
</tr>
<tr>
<td>Nov 07</td>
<td>185,000</td>
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<tr>
<td>Feb 08</td>
<td>165,000</td>
</tr>
<tr>
<td>May 08</td>
<td>145,000</td>
</tr>
<tr>
<td>Aug 08</td>
<td>125,000</td>
</tr>
<tr>
<td>Nov 08</td>
<td>138,500</td>
</tr>
<tr>
<td>Feb 09</td>
<td>125,000</td>
</tr>
</tbody>
</table>

P-t-T -45.2%
Foreclosure Filings Bottomed?

2008...
2nd Highest # of Filings
(385,309 properties)

2nd Highest Foreclosure Rate
(4.52% of housing units received at least 1 filing during the year)

February Highest...
Lee, Osceola and Orange
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 Stabilizing

- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (65.1 in April versus 51.7 in May 1980).
- Florida’s consumer confidence (April: 71 versus record low 59 in June) is following the national trend.
Credit Market Thawing

August 2007
Revenue: Bringing It Together

- Drags are more persistent relative to some past events, and strength will be slow to return.

- Credit Market, while improving, remains sluggish and still above historic norms.

- Global recessionary conditions affect international migration, tourism and spending decisions, as well as exports.

- U.S. Consumers are responding to massive wealth destruction and tighter credit conditions.

- Recovery in the Florida housing market is not anticipated to begin until the latter half of Fiscal Year 2010-11.
**Florida Recovery Timeline**

**Spring 2009 Projections**

**Fiscal Years 2008-09 and 2009-10**

- National GDP has negative growth of -1.8%.
- National consumer price index is negative.
- Standard & Poor’s Index is negative.
- Consumer Sentiment Index hits low point.
- Florida has virtually zero population growth.
- Florida personal income declines.
- Florida employment declines.
- Florida unemployment rate peaks at 10.2.
- Florida housing starts decline.
- Florida registration of new light vehicles declines.
- Florida visitors decline.

**Fiscal Year 2010-11**

- National GDP has normal growth.
- Florida population still has virtually no growth.
- Florida personal income has weak growth.
- Florida employment has weak growth.
- Florida unemployment rate is still high.
- 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.
## Lower General Revenue Estimate

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Old Forecast</th>
<th>March 2009 Forecast</th>
<th>Forecast Difference</th>
<th>Percentage Reduction</th>
<th>Incremental Growth</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>27074.8</td>
<td>27074.8</td>
<td></td>
<td></td>
<td></td>
<td>8.4%</td>
</tr>
<tr>
<td>2006-07</td>
<td>26404.1</td>
<td>26404.1</td>
<td></td>
<td></td>
<td></td>
<td>-2.5%</td>
</tr>
<tr>
<td>2007-08</td>
<td>24112.1</td>
<td>24112.1</td>
<td></td>
<td></td>
<td></td>
<td>-8.7%</td>
</tr>
<tr>
<td>2008-09</td>
<td>22018.0</td>
<td>20944.6</td>
<td>-1073.4</td>
<td>-4.9%</td>
<td>-3167.5</td>
<td>-13.1%</td>
</tr>
<tr>
<td>2009-10</td>
<td>22364.1</td>
<td>19998.4</td>
<td>-2367.4</td>
<td>-10.6%</td>
<td>-946.2</td>
<td>-4.5%</td>
</tr>
<tr>
<td>2010-11</td>
<td>24323.1</td>
<td>21091.2</td>
<td>-3231.9</td>
<td>-13.3%</td>
<td>1092.8</td>
<td>5.5%</td>
</tr>
<tr>
<td>2011-12</td>
<td>26536.0</td>
<td>23007.9</td>
<td>-3528.1</td>
<td>-13.3%</td>
<td>1916.7</td>
<td>9.1%</td>
</tr>
<tr>
<td>2012-13</td>
<td>28556.3</td>
<td>24950.6</td>
<td>-3605.7</td>
<td>-12.6%</td>
<td>1942.7</td>
<td>8.4%</td>
</tr>
</tbody>
</table>

Level does not return to 2005-06 banner year during the forecast horizon.