

# Florida: An Economic Overview

June 17, 2010

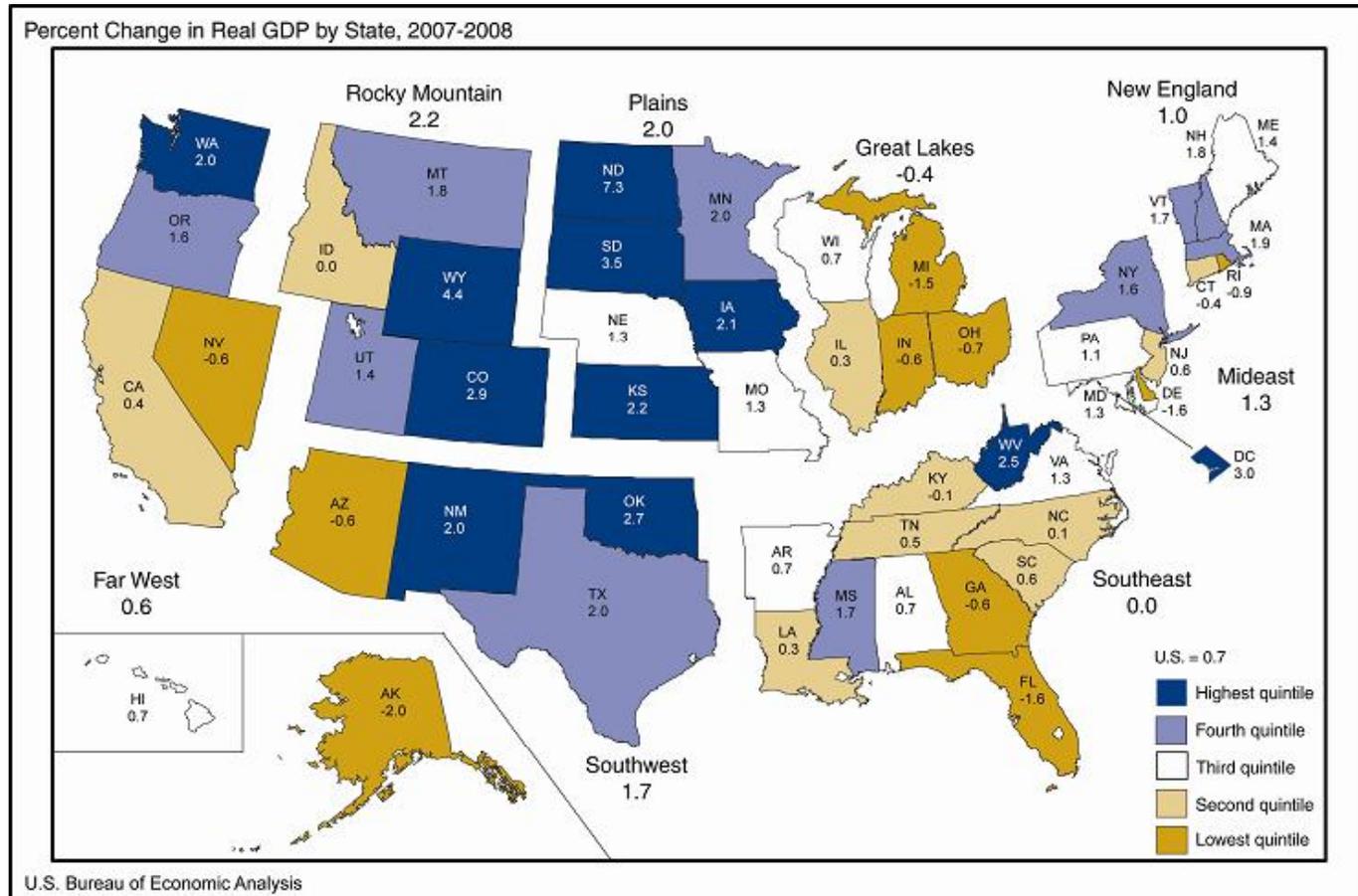
Presented by:



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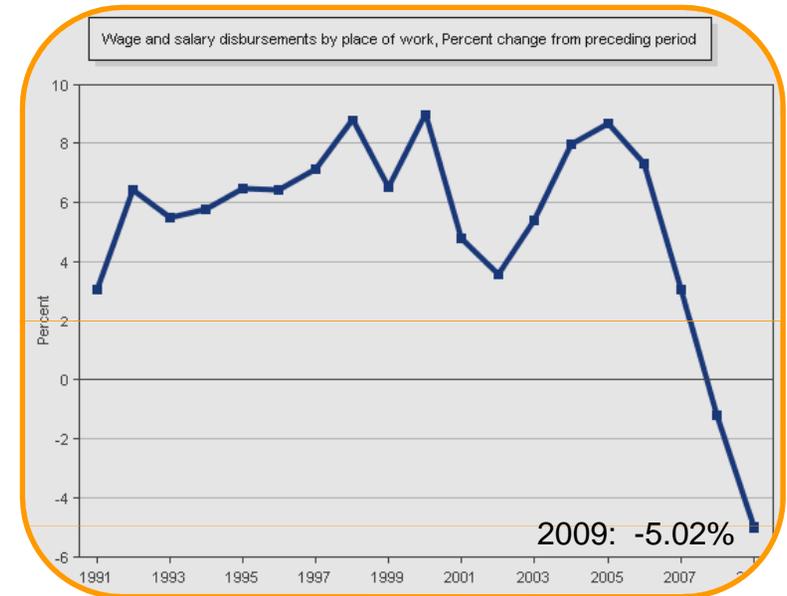
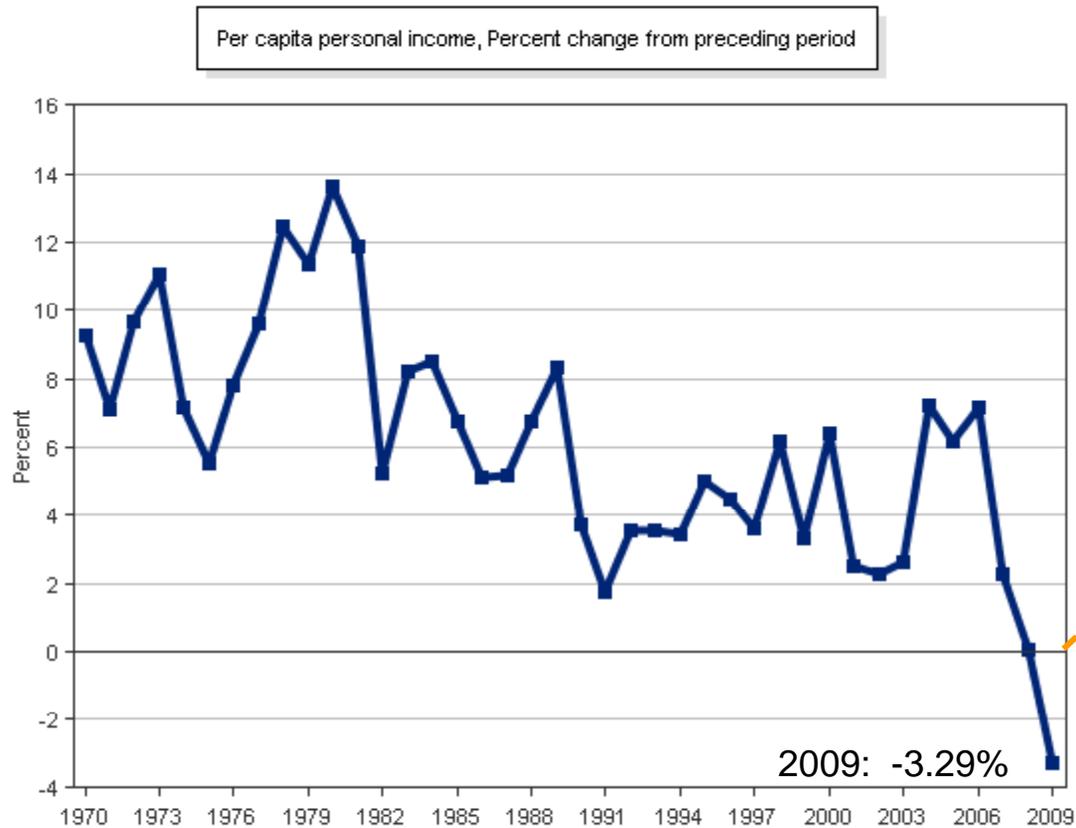
# Economy Lost Ground in 2008

- 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.



# Personal Income

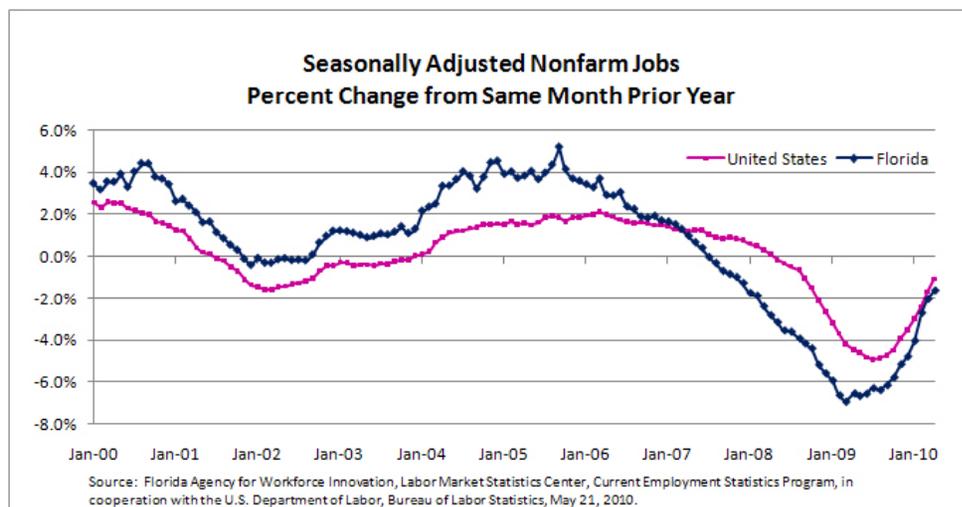
Source: U.S. Bureau of Economic Analysis



Wages rose higher  
and fell farther.

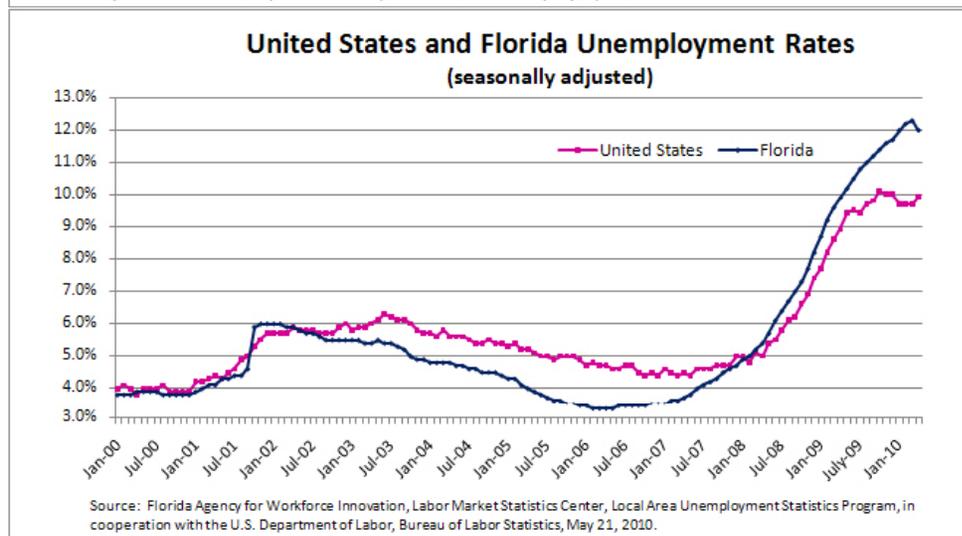
# Employment Worsens

First time Florida's unemployment rate has declined over-the-month since February 2006.



### April (YOY)

US -1.0%  
 FL -1.6%  
 YR: -117,900 jobs  
 Peak: -873,800 jobs



### April

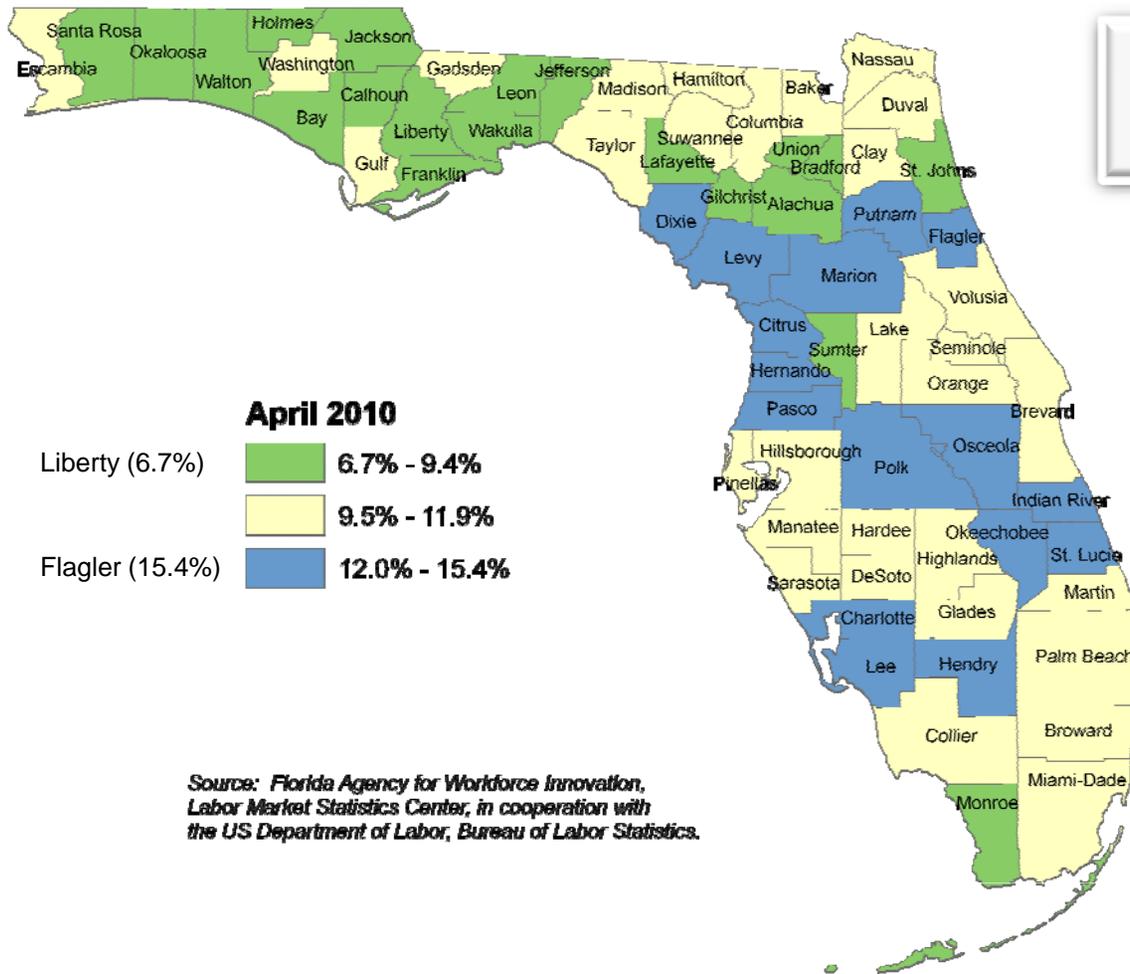
US 9.9%  
 FL 12.0%  
 (1.1 million people)  
 5<sup>th</sup> State in the country

### Official Projected

FL 12.3%  
 Summer, 2010



# Unemployment Rates



45 of 67 counties with double-digit unemployment rates

Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, in cooperation with the US Department of Labor, Bureau of Labor Statistics.

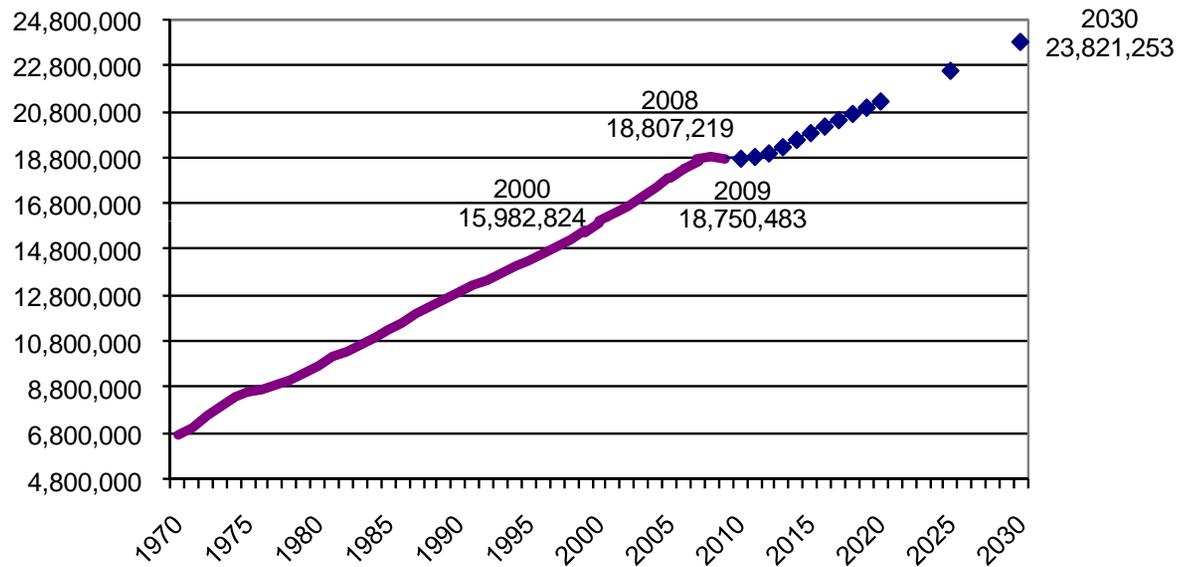


# Population Growth Slowing

- 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

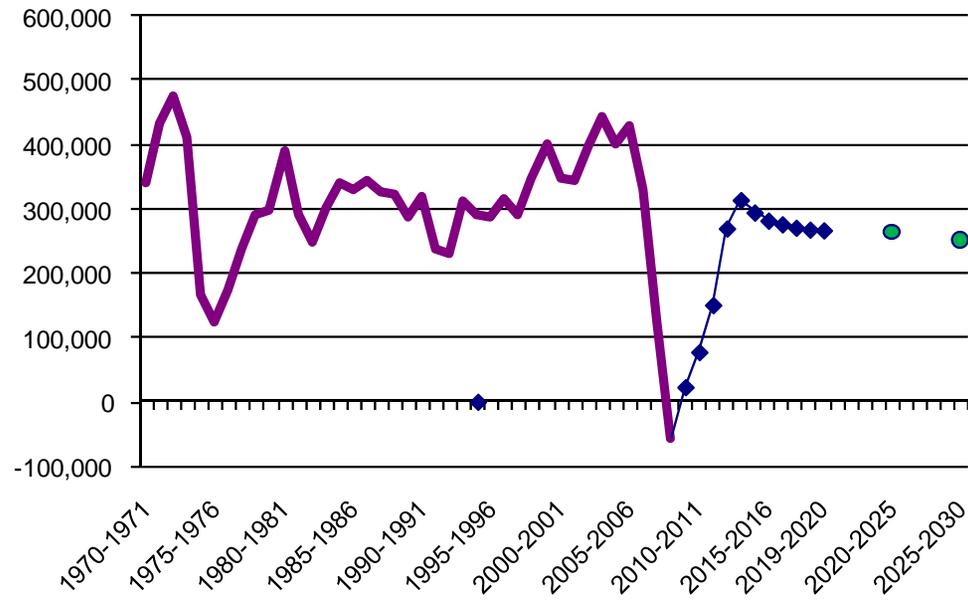


Florida's population:

- 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:

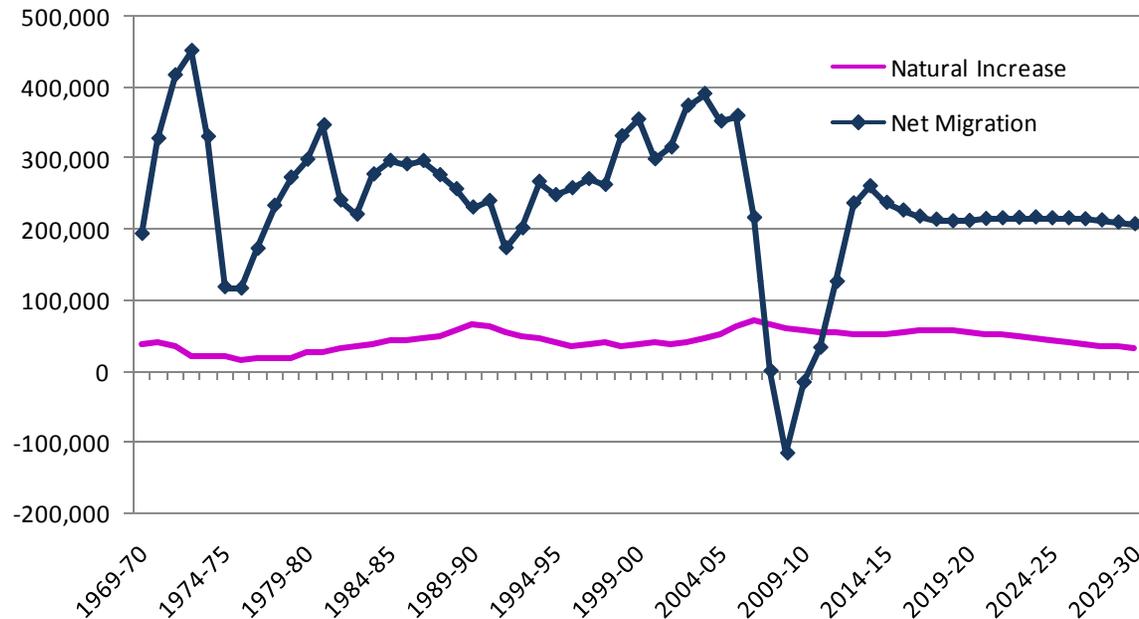
- 22,873 between 2009 and 2010

## 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

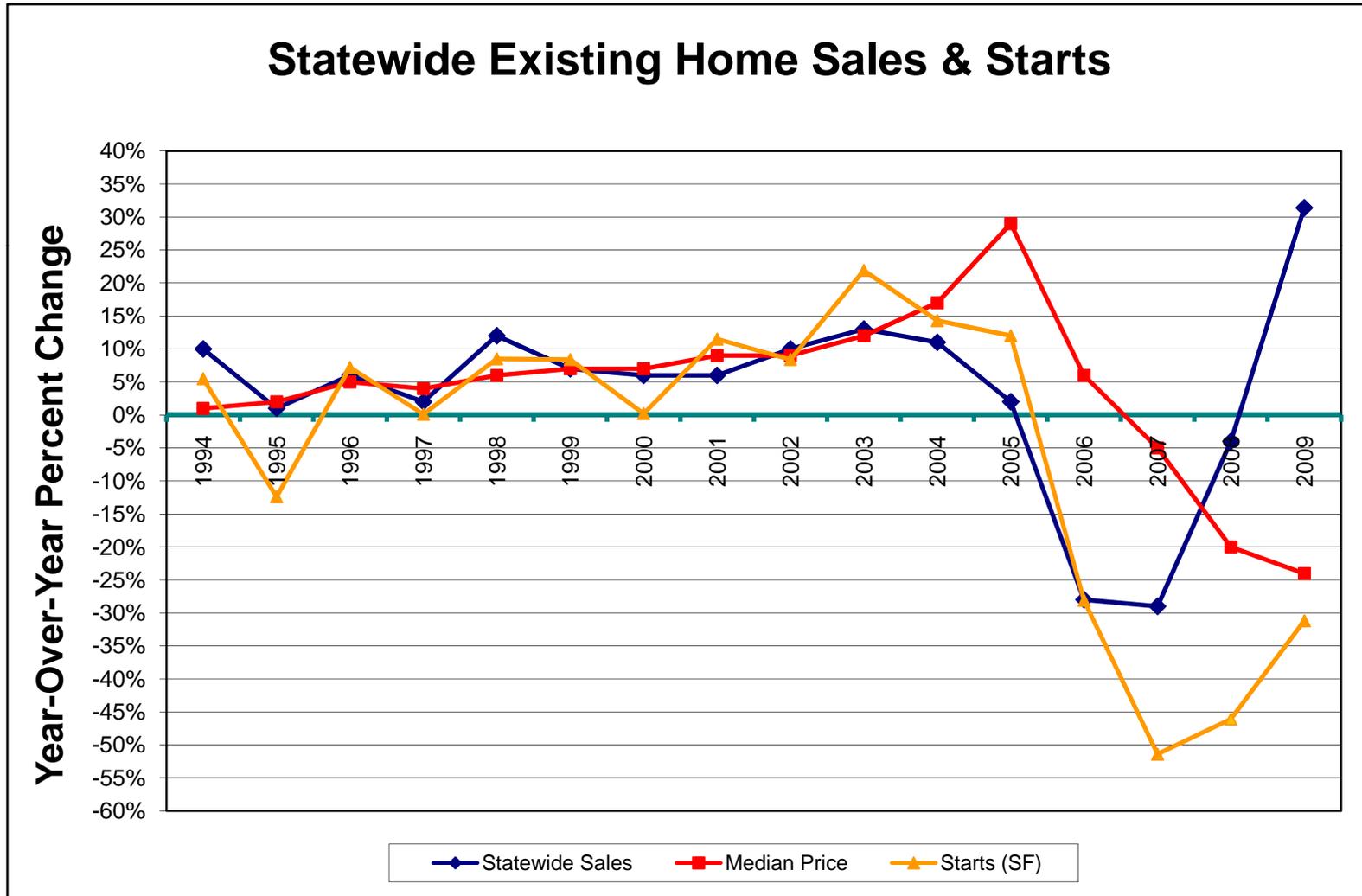
- United States economy officially entered recession in December 2007. The end date has not been established.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

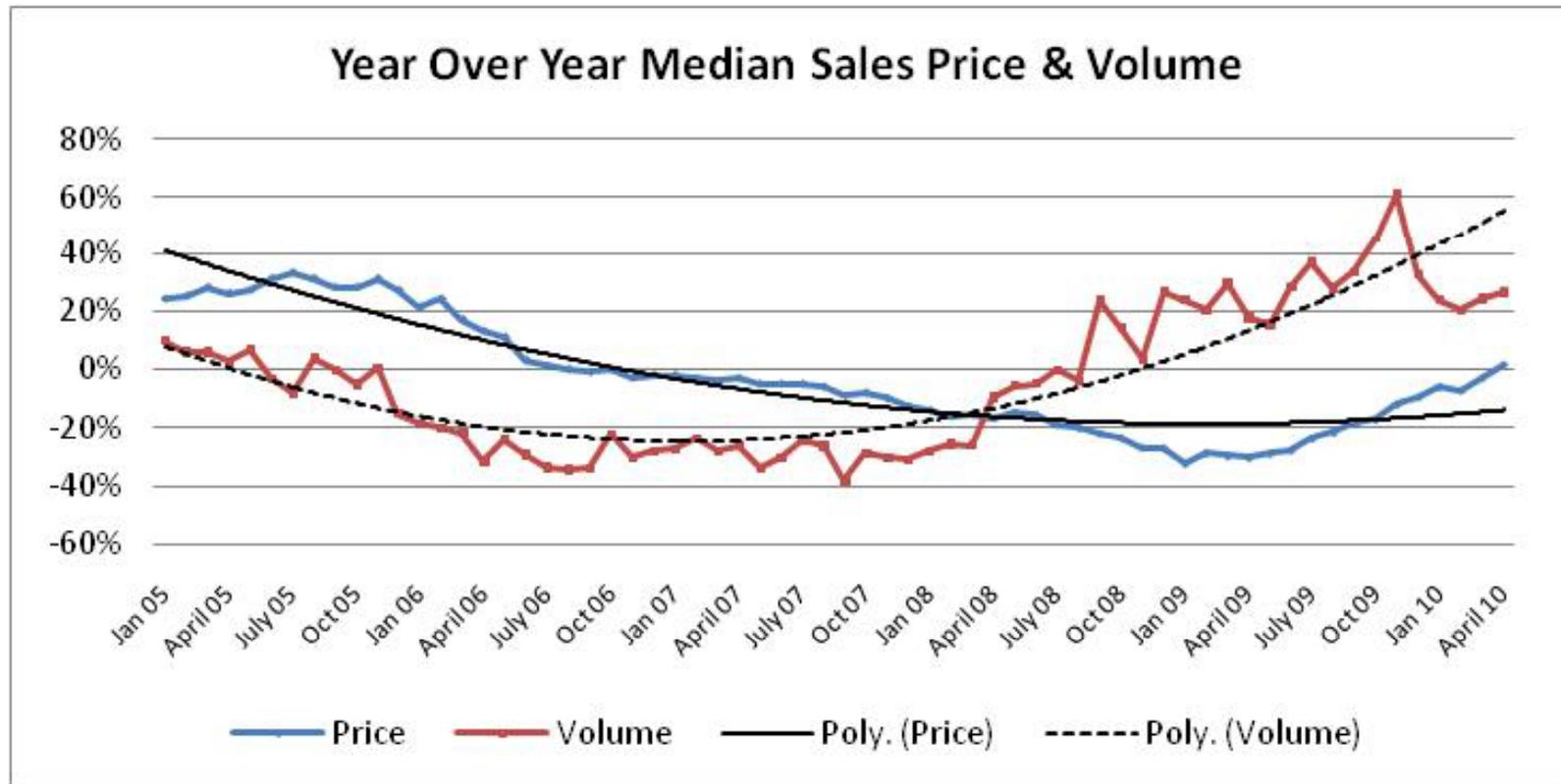
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



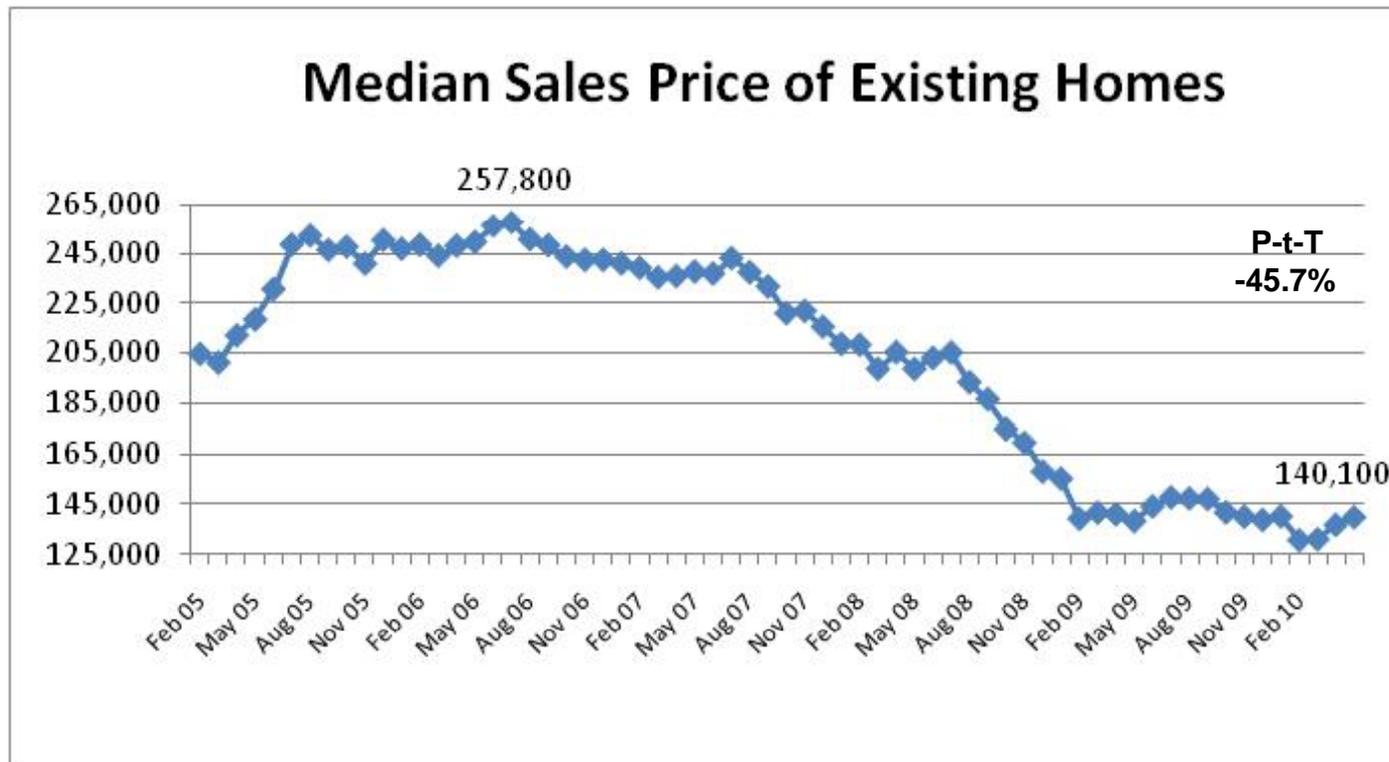
# Florida Housing is Improving



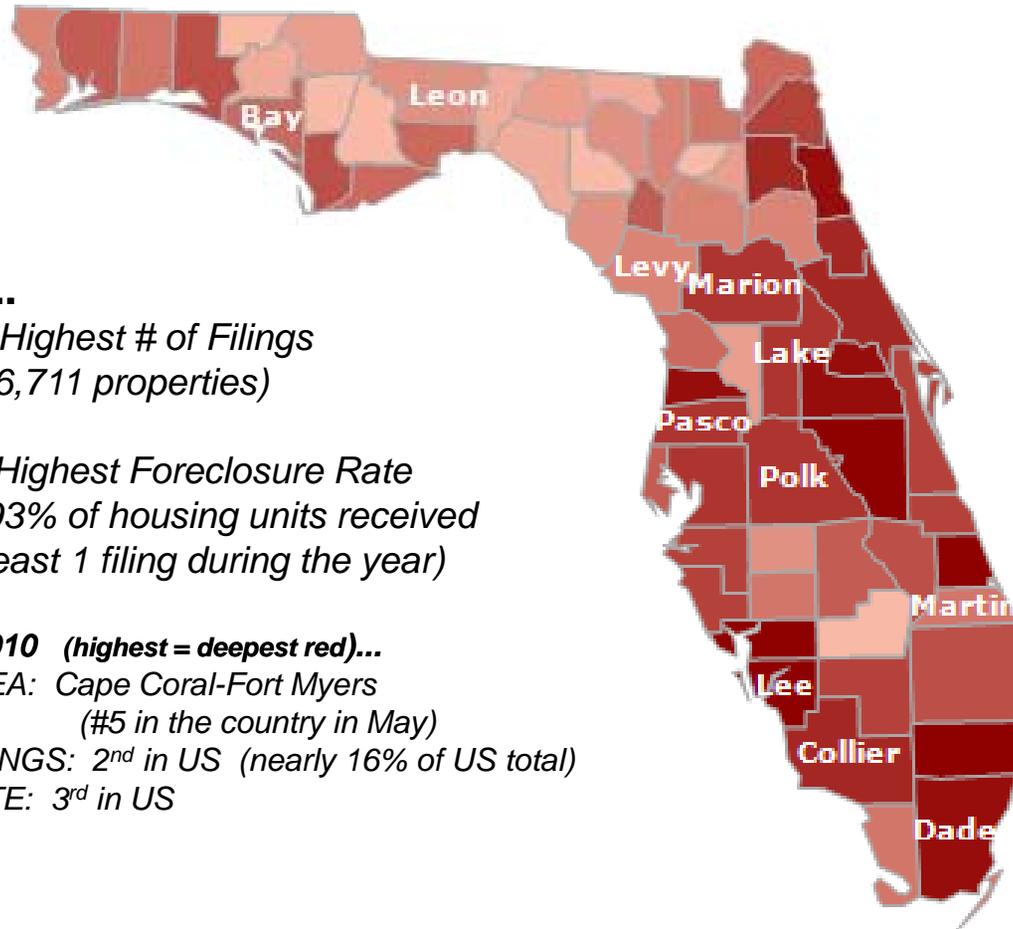
# Existing Homes Sales Growing



# 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)

## May, 2010 (highest = deepest red)...

AREA: Cape Coral-Fort Myers  
(#5 in the country in May)

FILINGS: 2<sup>nd</sup> in US (nearly 16% of US total)

RATE: 3<sup>rd</sup> in US



# Foreclosures & Shadow Inventory

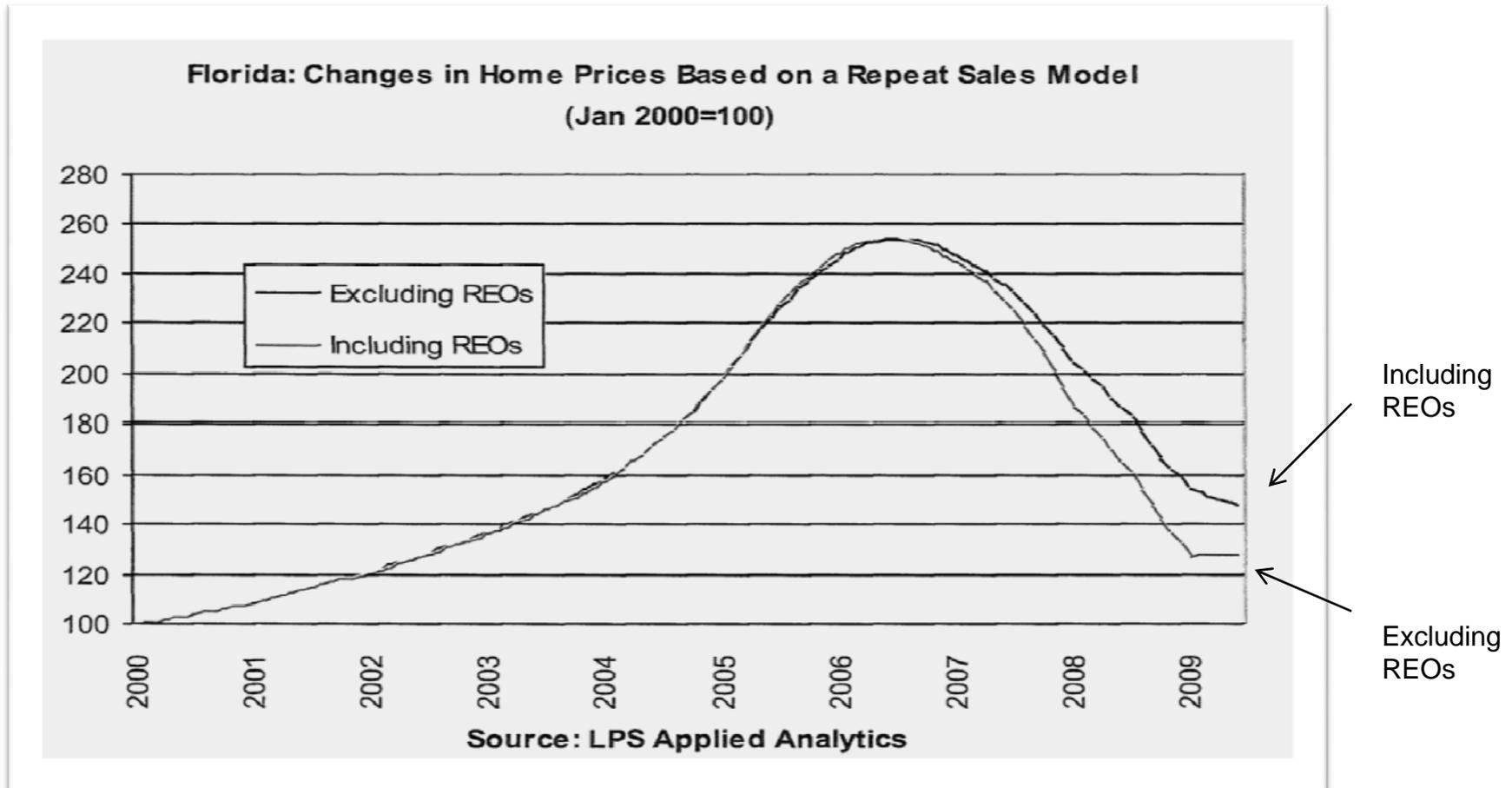
State	Delinquency %	Foreclosure Inventory %	Non-Current %
<b>National</b>	<b>8.99%</b>	<b>3.18%</b>	<b>12.17%</b>
FL	11.2%	11.1%	22.3%
NV	14.6%	7.3%	21.9%
MS	13.5%	2.3%	15.8%
AZ	11.0%	3.6%	14.6%
GA	11.9%	2.5%	14.4%
CA	10.8%	3.2%	14.0%
IL	9.1%	4.1%	13.2%
NJ	8.2%	4.6%	12.8%
MI	10.3%	2.4%	12.7%
RI	10.2%	2.4%	12.6%
OH	8.8%	3.5%	12.6%
IN	9.3%		8.6%
LA	9.9%		8.5%
MD	9.5%		8.2%
HI	7.7%		8.1%
TN	10.1%		7.9%
WV	9.9%		7.6%
NY	8.3%		7.5%
SC	9.1%	2.4%	11.4%
AL	10.1%	1.2%	11.3%
DE	7.9%	2.8%	10.7%
CT	7.8%	2.8%	10.6%
NC	9.0%	1.5%	10.6%
ME	7.4%	3.1%	10.4%
MA	7.9%	2.0%	9.9%
KY	7.7%	2.3%	9.9%
PA	7.6%	2.1%	9.7%
WI	6.9%	2.8%	9.7%
UT	7.4%	2.1%	9.5%
ID	6.9%	2.5%	9.5%
AR	7.9%	1.5%	9.4%
TX	8.1%	1.2%	9.3%
MO	7.9%	1.3%	9.2%
OK	6.9%	2.2%	9.1%
NM	6.8%	2.2%	8.9%
DC	7.1%	1.9%	8.9%
NH	7.5%	1.5%	8.9%
VT	5.0%	2.0%	7.1%
NE	5.3%	1.2%	6.5%
MT	4.9%	1.5%	6.4%
AK	4.9%	0.9%	5.8%
WY	4.8%	1.0%	5.8%
SD	3.6%	1.1%	4.7%
ND	3.2%	0.7%	3.9%

State	Delinquency %	Foreclosure Inventory %	Non-Current %
<b>National</b>	<b>8.99%</b>	<b>3.18%</b>	<b>12.17%</b>
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Foreclosures adding more to inventory than Sales are subtracting.  
 (LPS Data for April)

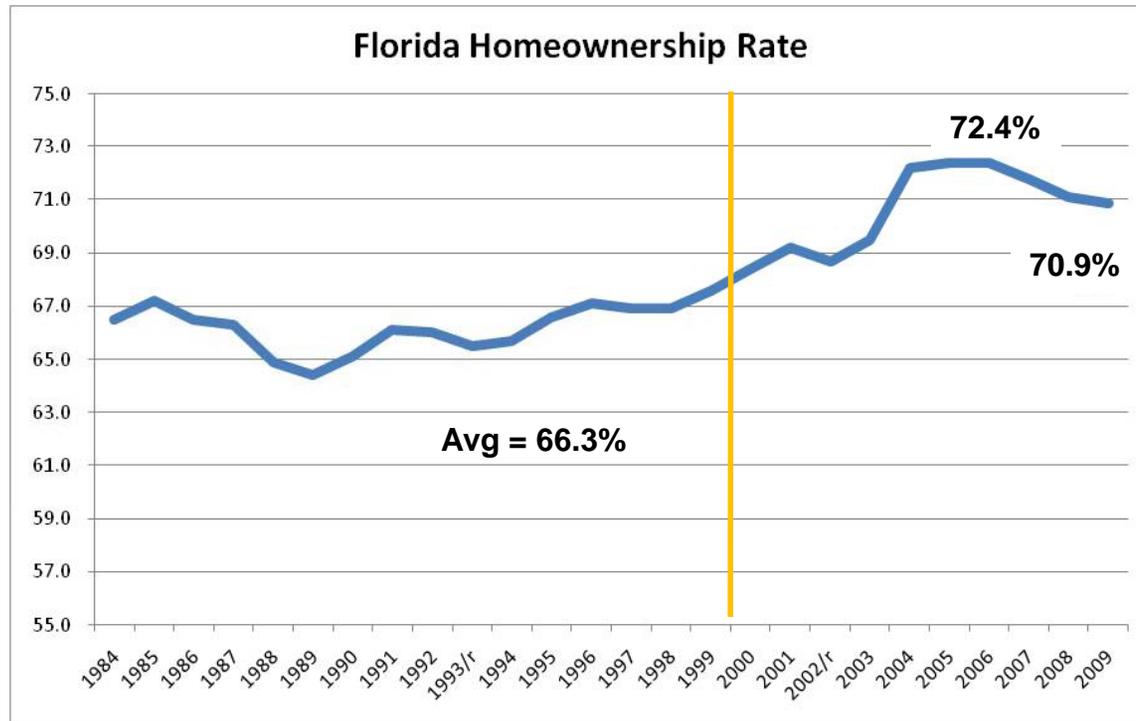
# Sales Mix Points to Lower Prices



**REO (Bank) and Short Sales were 45% of all Florida sales in March.**

LPS: Lender Processing Services

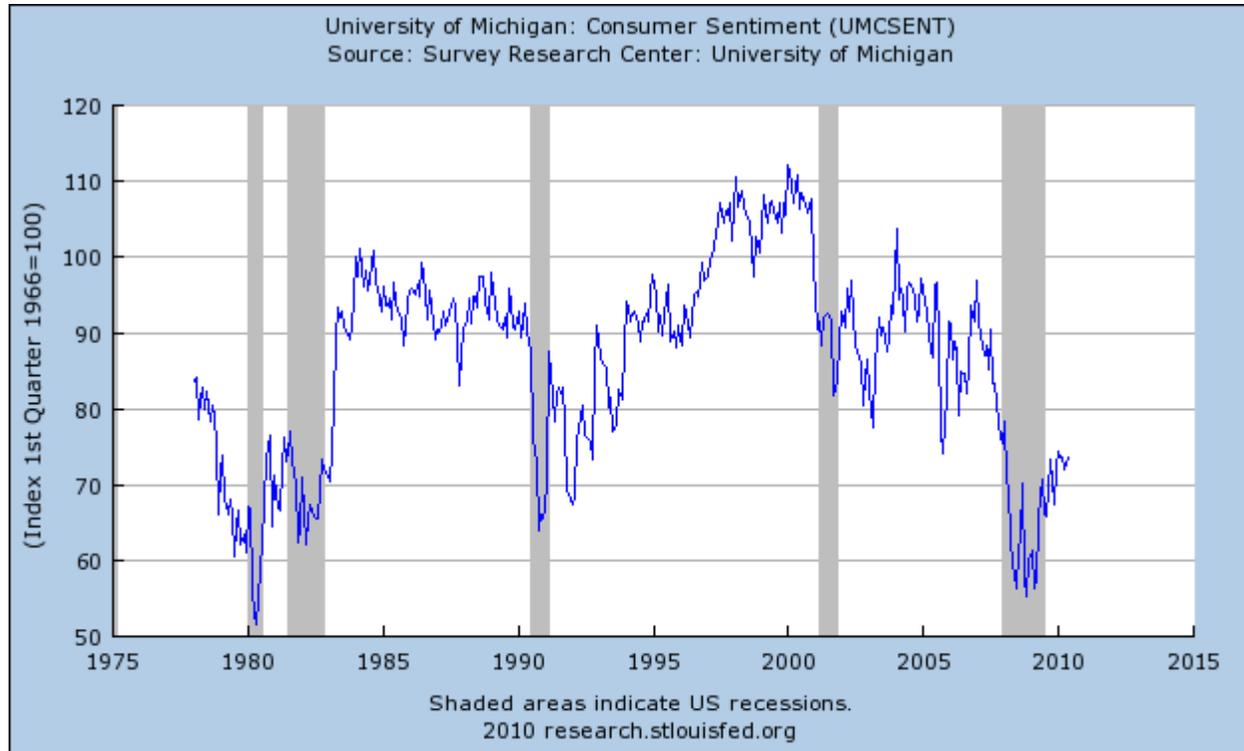
# Vulnerability



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.



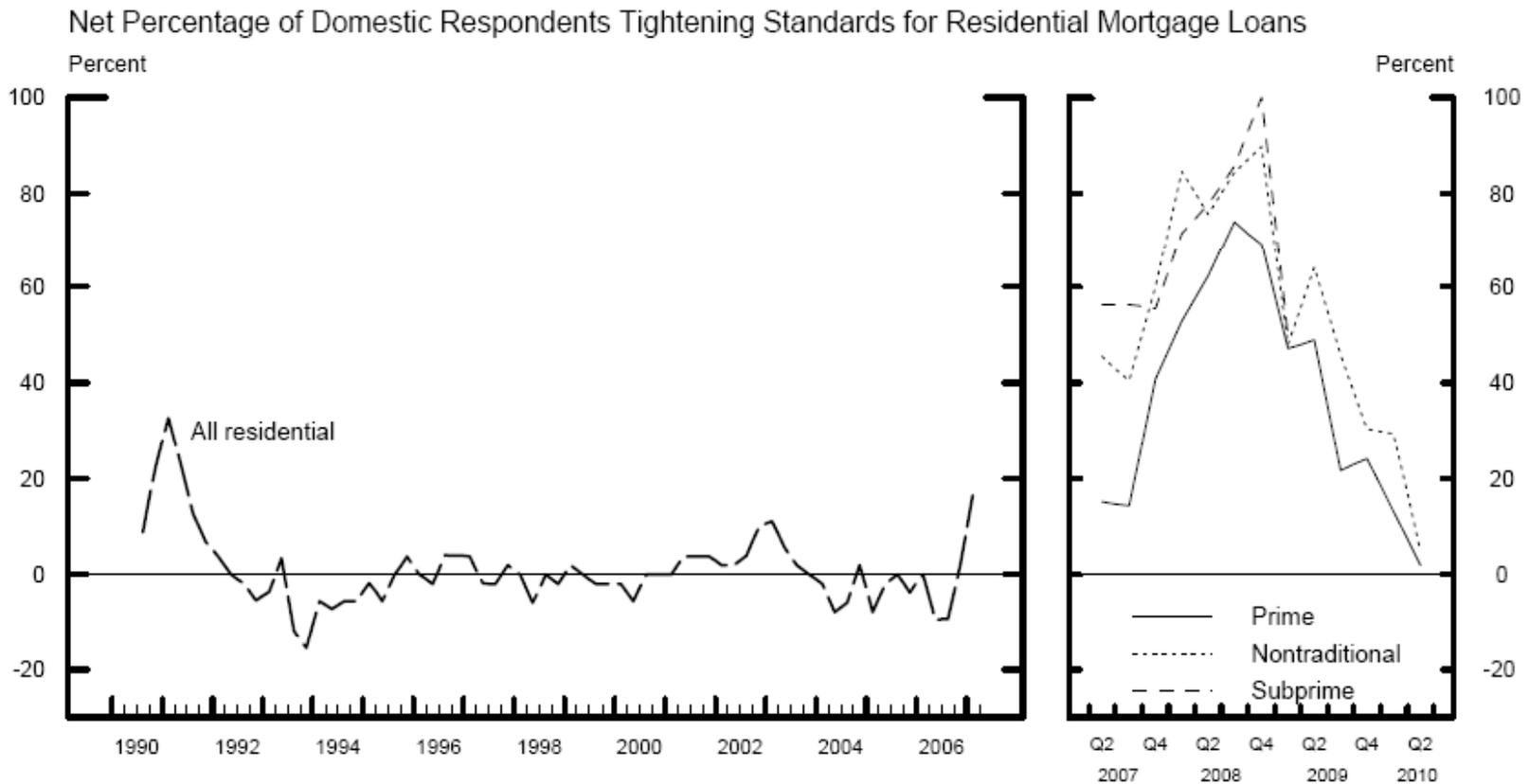
# Sentiment is Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (73.6 in May versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (May: 71 versus a record low 59 twenty-three months ago) is roughly following the national trend.



# Credit Conditions Still Tight



Note: For data starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately. Series are not reported when the number of respondents is 3 or fewer.

# 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 875,000 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.



# Economy Was Set To Rebound

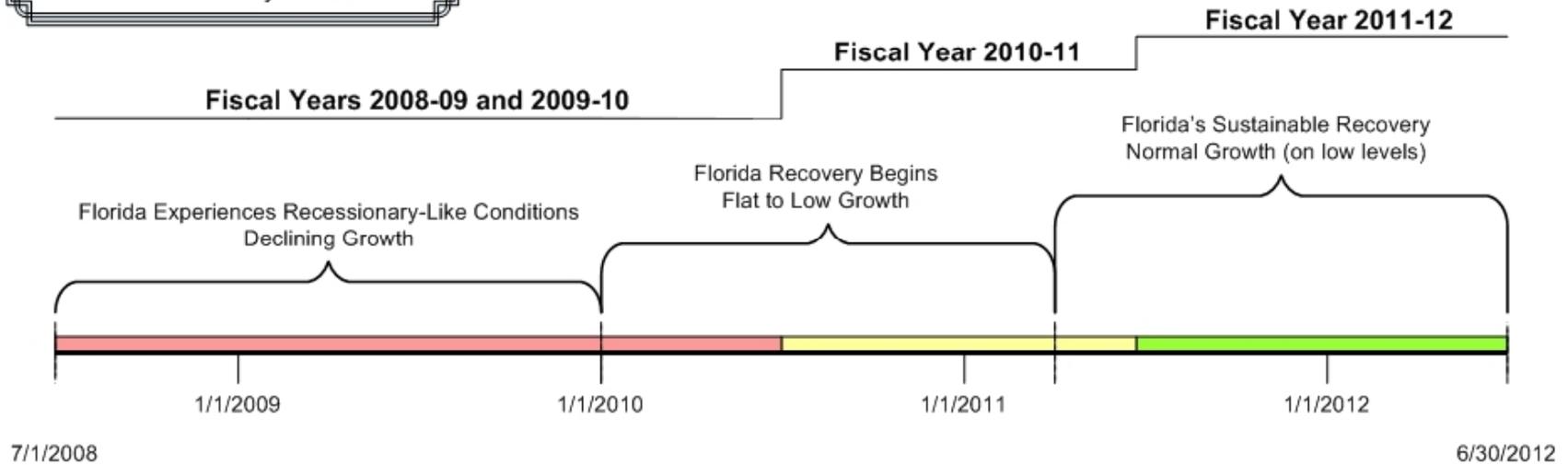
In the absence of the Deepwater Horizon Oil Spill, Florida growth rates were beginning a slow return to more typical levels. Overall...

- The national economic contraction is running its course and, more importantly, the financial markets were recovering 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: \$170,700 nationally vs. \$137,000 in Florida...19.7% 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 --- 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.



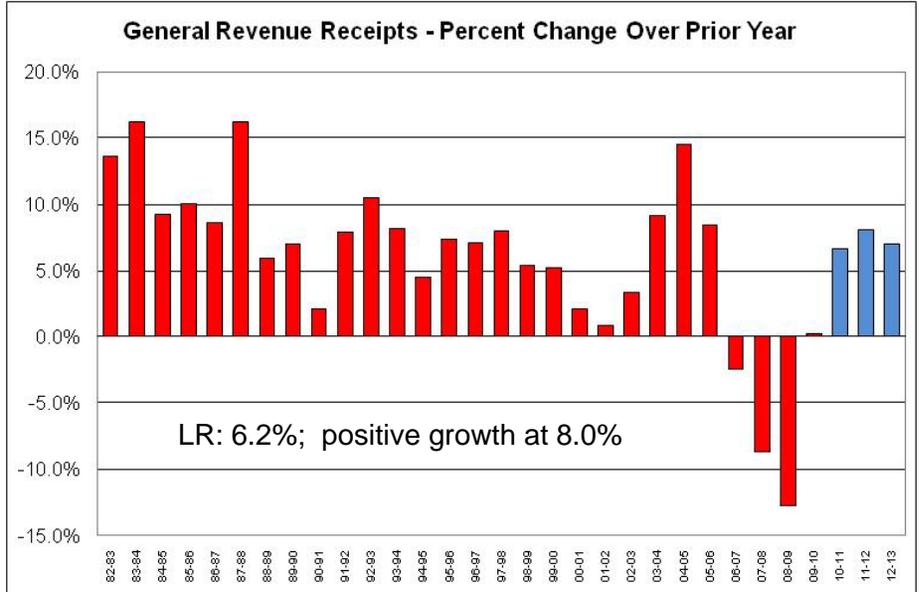
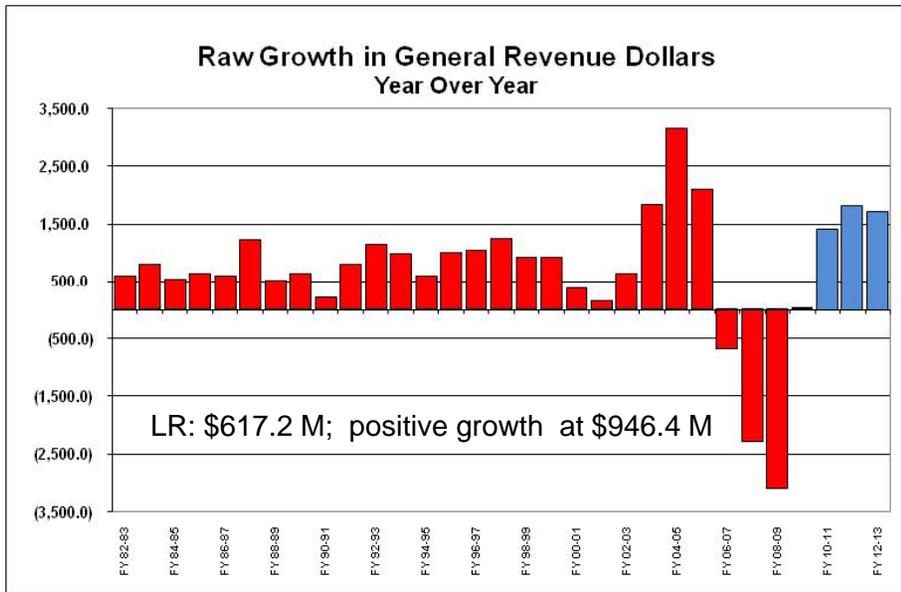
# Black Swans

Low probability, high impact events:

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures.
  - Nineteen Florida banks have failed since January 2002 – fourteen of which occurred in the 2009 calendar year.
- Severe Natural Disasters
  - 2004 and 2005 Hurricane Seasons
  - Budget Stabilization Fund balance is \$274 million.
- Over-valuation in the stock market corrects itself abruptly.  
(Nouriel Roubini)



# Strong Growth Expected for GR



<u>Fiscal Year</u>	<u>March Forecast</u>	<u>Incremental Growth</u>	<u>Growth Rate</u>
2009-10	21056.9	31.3	0.1%
2010-11	22465.7	1408.8	6.7%
2011-12	24275.4	1809.7	8.1%
2012-13	25988.8	1713.4	7.1%
2013-14	27739.6	1750.8	6.7%

