Florida: An Economic Overview

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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

Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year

United States and Florida Unemployment Rates
(seasonally adjusted)

June (YCY)
US     -4.1%
FL     -5.1%
(-392,800 jobs)

Projected
FL     11.0%
Spring, 2010

Unemployment Rates

40 of 67 counties with double-digit unemployment rates

June 2009

Liberty 5.5% - 9.4%
Liberty 8.5% - 10.9%
Flagler 11.0% - 15.5%

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 April 1 Population

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
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 (expected to fall 35% 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 until the Spring of 2010.

<table>
<thead>
<tr>
<th>Recession</th>
<th>Duration</th>
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<th>Duration</th>
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</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>
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</table>
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 May: $172,900 nationally vs. $144,400 in Florida...16.5% 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
Existing Home Prices Flattening

**Median Sales Price of Existing Homes**

- Feb 05: $257,800
- May 05: $245,000
- Aug 05: $235,000
- Nov 05: $225,000
- Feb 06: $235,000
- May 06: $240,000
- Aug 06: $250,000
- Nov 06: $260,000
- Feb 07: $270,000
- May 07: $275,000
- Aug 07: $280,000
- Nov 07: $285,000
- Feb 08: $290,000
- May 08: $295,000
- Aug 08: $300,000
- Nov 08: $305,000
- Feb 09: $310,000
- May 09: $315,000

P-t-T: -44.0%
Foreclosure Filings Bottomed?

2008...
2\textsuperscript{nd} Highest # of Filings
(385,309 properties)

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

\textbf{May Highest (deepest red)}...
Lee, Orange, Miami-Dade, and Broward
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.
Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (70.8 in June versus 51.7 in May 1980).

Florida’s consumer confidence (June: 68 versus record low 59 a year earlier) is following the national trend.
Credit Market Thawing

TED SPREAD (7/21/2009)

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 much improved, remains sluggish and still difficult to access.

- 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
Summer 2009 Projections

Fiscal Years 2008-09 and 2009-10
National Recession – Declining Activity
28 months: Dec 2007 – March 2010

Fiscal Year 2010-11
Florida Recovery Begins
Flat to Low Growth

Fiscal Year 2011-12
Florida Recovery
Normal Growth (on low levels)

12/1/2007

Fiscal Years 2008-09 and 2009-10
Florida registration of new light vehicles declines.
Florida visitors decline.

Fiscal Year 2010-11
Florida unemployment rate peaks at 10.9%.
Florida housing starts decline.
Florida personal income declines.
Florida employment has weak growth.
Florida housing starts enter positive territory.

Fiscal Year 2011-12
Florida unemployment rate is only slightly off the peak.
Florida private housing starts enter positive territory.
Florida housing starts decline.
Florida personal income has weak growth.
Florida employment has weak growth.
Florida registration of new light vehicles declines.
Florida visitors decline.
Florida population growth is still weak.
Florida unemployment rate improves slowly.

6/30/2012
## Lower General Revenue Estimate

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Old Forecast</th>
<th>Original Forecast</th>
<th>Legislative Changes</th>
<th>Revised Total</th>
<th>Incremental Growth</th>
<th>Growth</th>
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</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>27074.8</td>
<td>27074.8</td>
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<td></td>
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<td>8.4%</td>
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<tr>
<td>2006-07</td>
<td>26404.1</td>
<td>26404.1</td>
<td></td>
<td></td>
<td></td>
<td>-2.5%</td>
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<td>2007-08</td>
<td>24112.1</td>
<td>24112.1</td>
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<td></td>
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<td>-8.7%</td>
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<tr>
<td>2008-09</td>
<td>22018.0</td>
<td>20944.6</td>
<td></td>
<td></td>
<td></td>
<td>-13.1%</td>
</tr>
<tr>
<td>2009-10</td>
<td>22365.8</td>
<td>19998.4</td>
<td>841.9</td>
<td>20840.3</td>
<td>-104.3</td>
<td>-0.5%</td>
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<tr>
<td>2010-11</td>
<td>24323.1</td>
<td>21091.2</td>
<td>1050.0</td>
<td>22141.2</td>
<td>1300.9</td>
<td>6.2%</td>
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<tr>
<td>2011-12</td>
<td>26536.0</td>
<td>23007.9</td>
<td>1030.2</td>
<td>24038.1</td>
<td>1896.9</td>
<td>8.6%</td>
</tr>
<tr>
<td>2012-13</td>
<td>28556.3</td>
<td>24950.6</td>
<td>1040.5</td>
<td>25991.1</td>
<td>1953.0</td>
<td>8.1%</td>
</tr>
</tbody>
</table>

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

Reserve for 2009-10...$735.2 million