

# Florida: An Economic Overview

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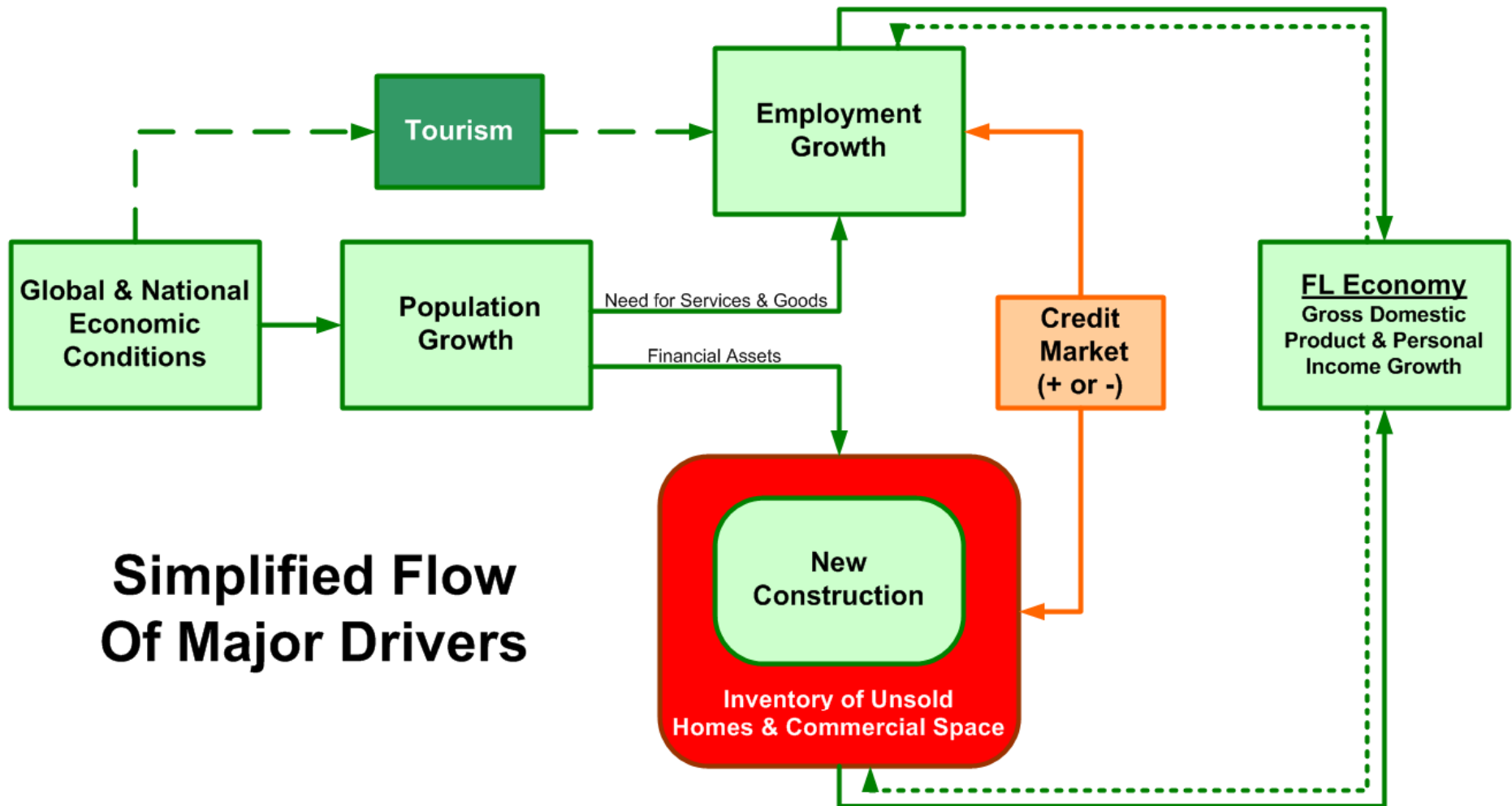
January 13, 2012

Presented by:

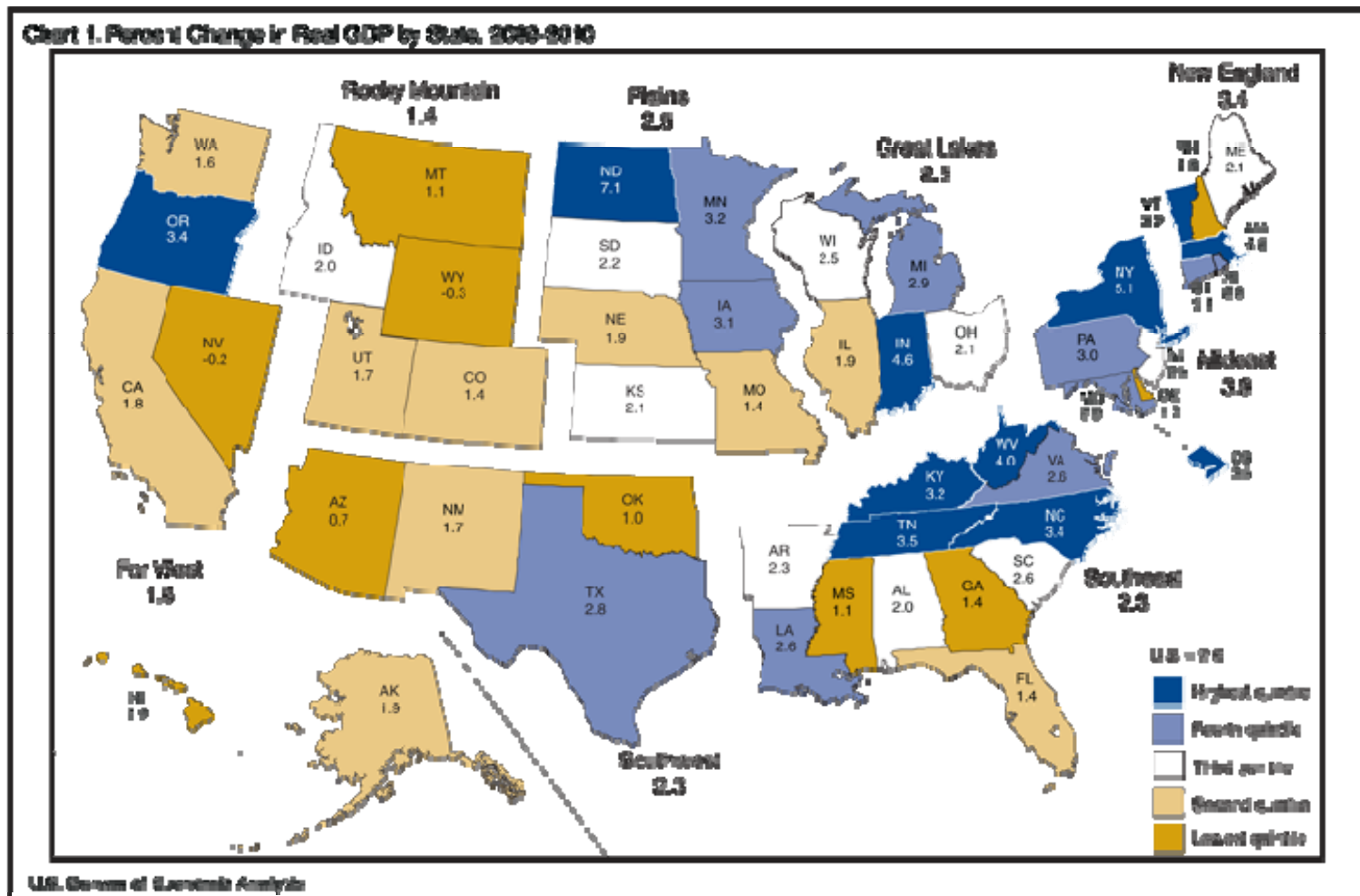


The Florida Legislature  
Office of Economic and  
Demographic Research  
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<http://edr.state.fl.us>

# Key Economic Variables – Mixed

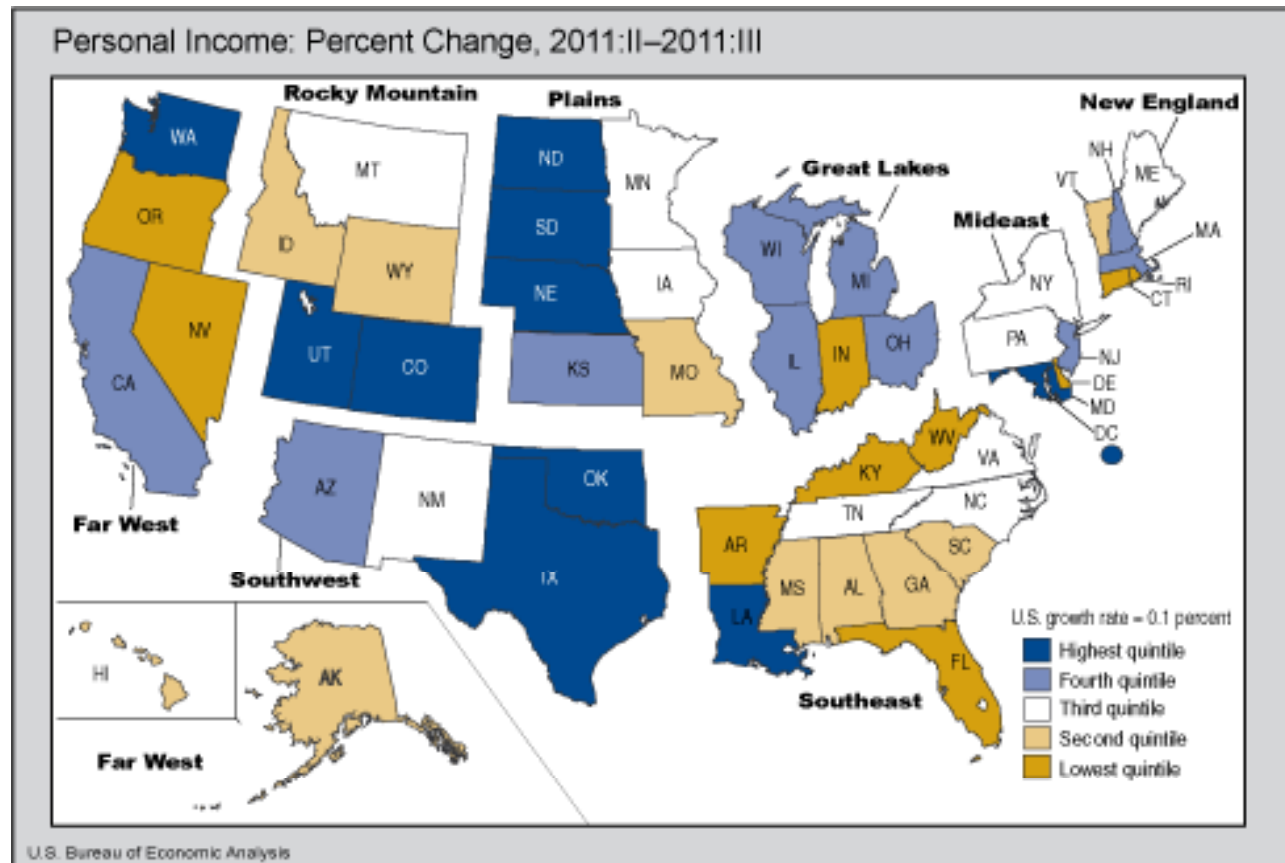


# Economy Turned Positive in 2010



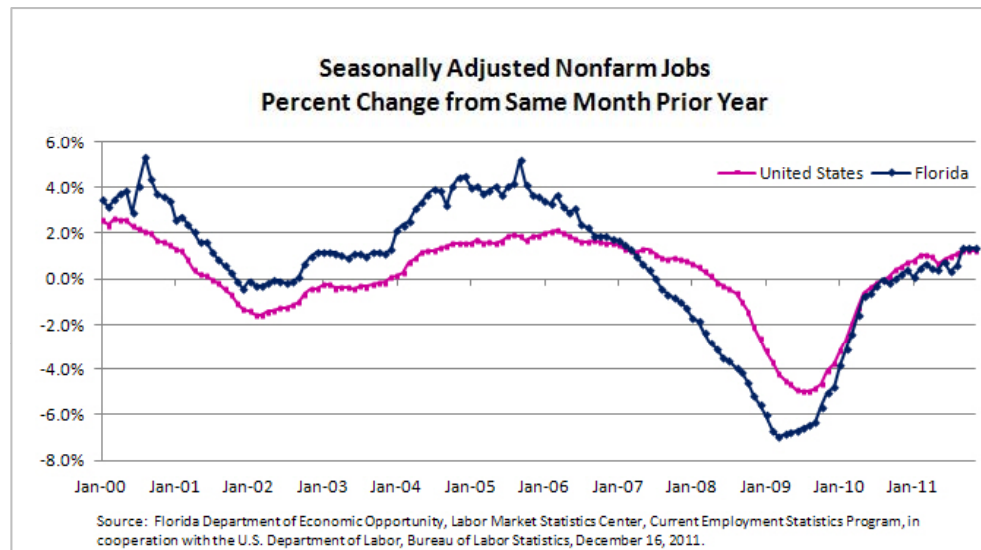
Florida's economic growth has returned to positive territory after declining two years in a row. State Gross Domestic Product (GDP) ranked us 40<sup>th</sup> in the nation in real growth with a gain of 1.4%.

# FL Personal Income Falls in Q3: 2011



Florida's quarterly personal income growth (third quarter of 2011 over the preceding quarter) fell for the first time since the third quarter of 2009. At -0.1 percent growth, we were ranked 46<sup>th</sup> in the country with respect to state growth. The national average was +0.1 percent.

# Current Employment Conditions



## November Nonfarm Jobs (YOY)

US	1.2%
FL	1.4%
YR:	98,100 jobs
Peak:	-789,500 jobs

## November Unemployment Rate

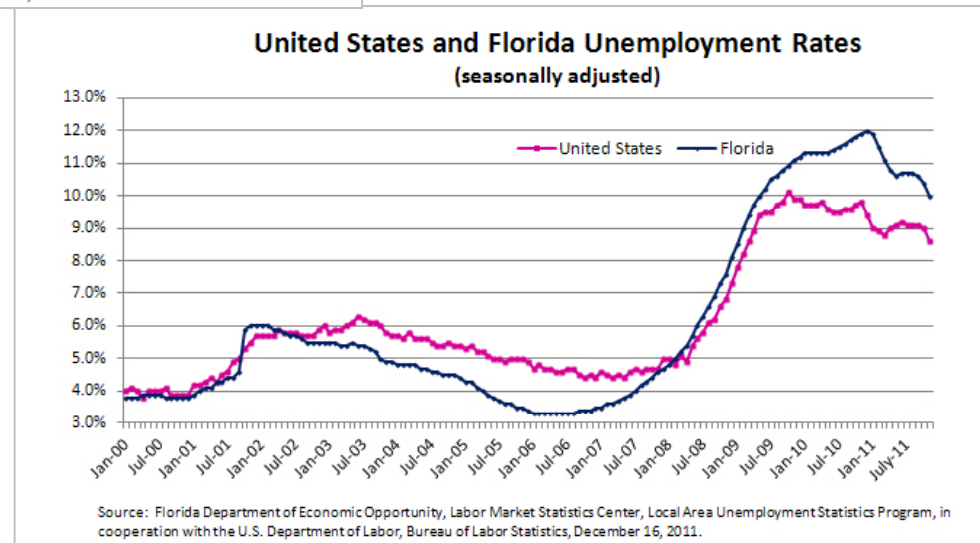
US	8.6%
FL	10.0%

(926,000 people)

Four states had a higher unemployment rate than Florida, while Illinois and North Carolina were tied with Florida.

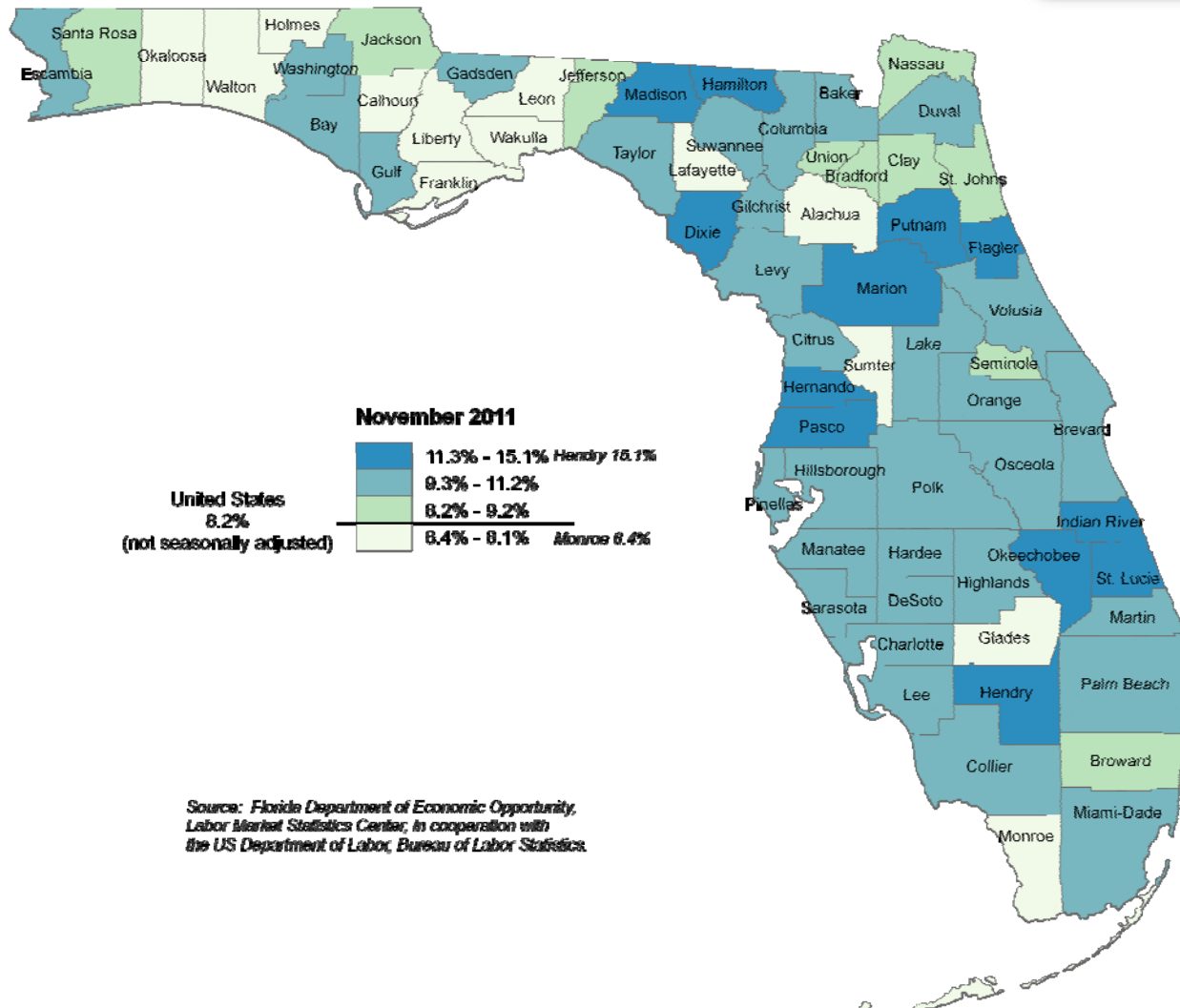
## Highest Monthly Rate

December 2010  
12.0%



# Unemployment Rates

32 of 67 counties  
with double-digit  
unemployment rates

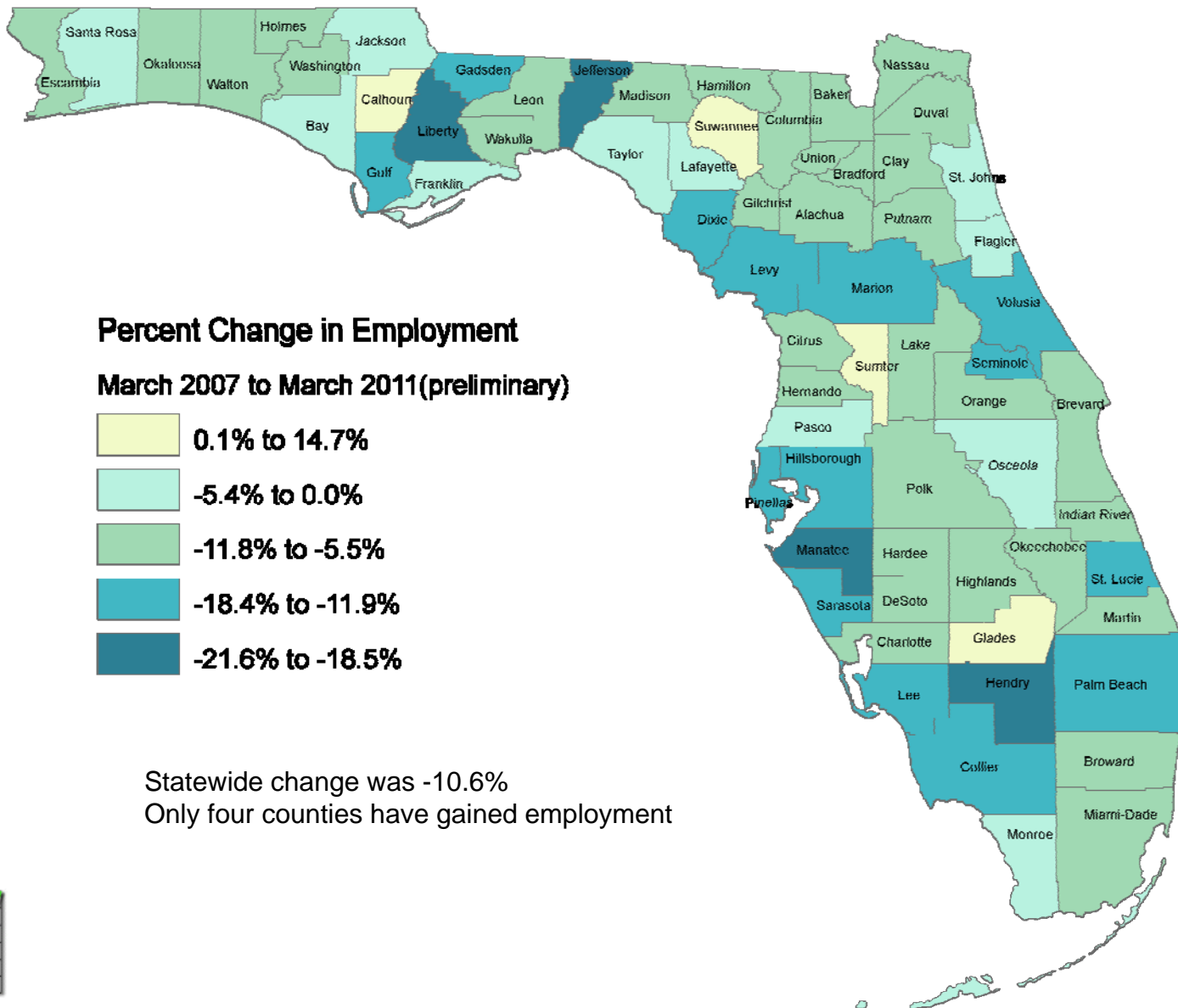


# Florida's Job Market

- The job market will take a long time to recover – about 789,500 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add over 2,600 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1 million jobs for the same percentage of the total population to be working as was the case at the peak.



# Employment Down from Peak Levels



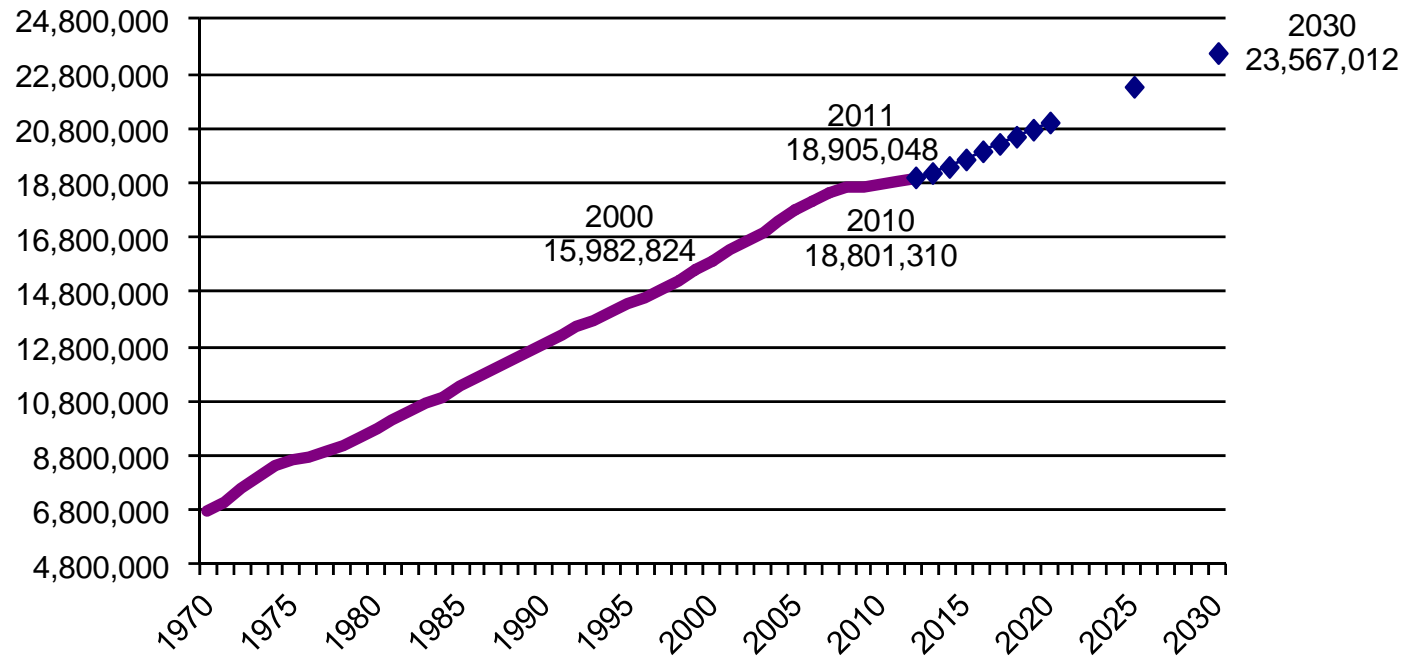


# Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to remain relatively flat – averaging 0.85% between 2011 and 2014. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86% of the growth coming from net migration. Nationally, average annual growth will be about 0.9%.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is on track to break the 20 million mark during 2016, becoming the third most populous state sometime before then – surpassing New York.



# Florida's April 1 Population

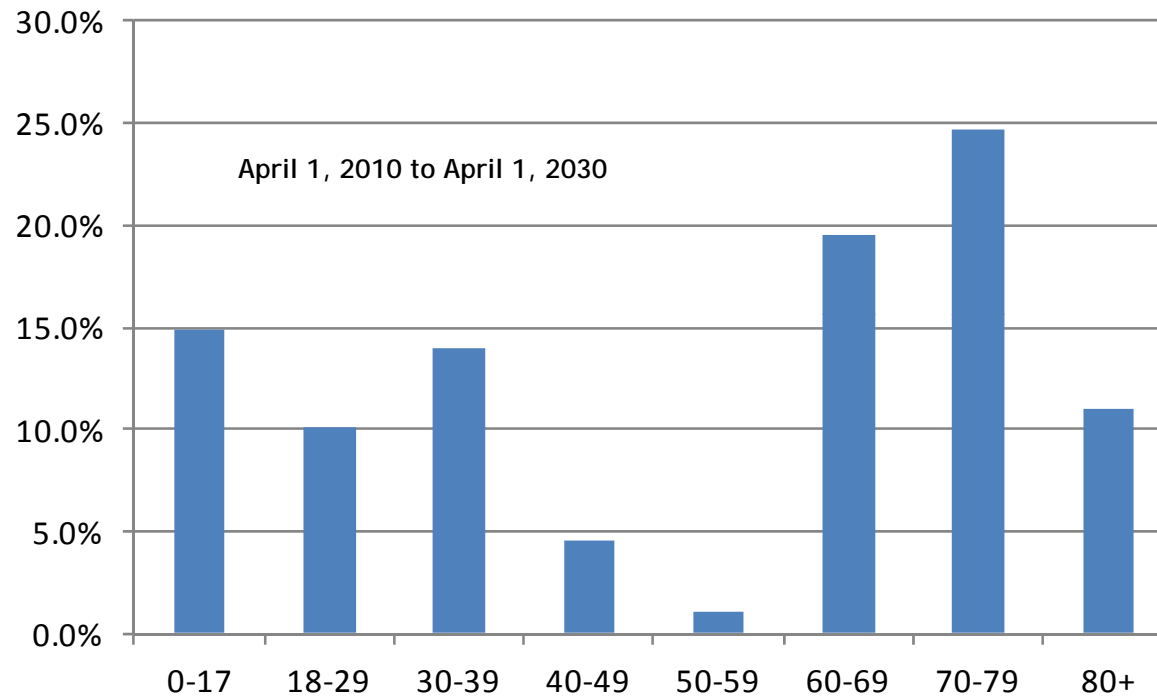


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,567,012 by 2030

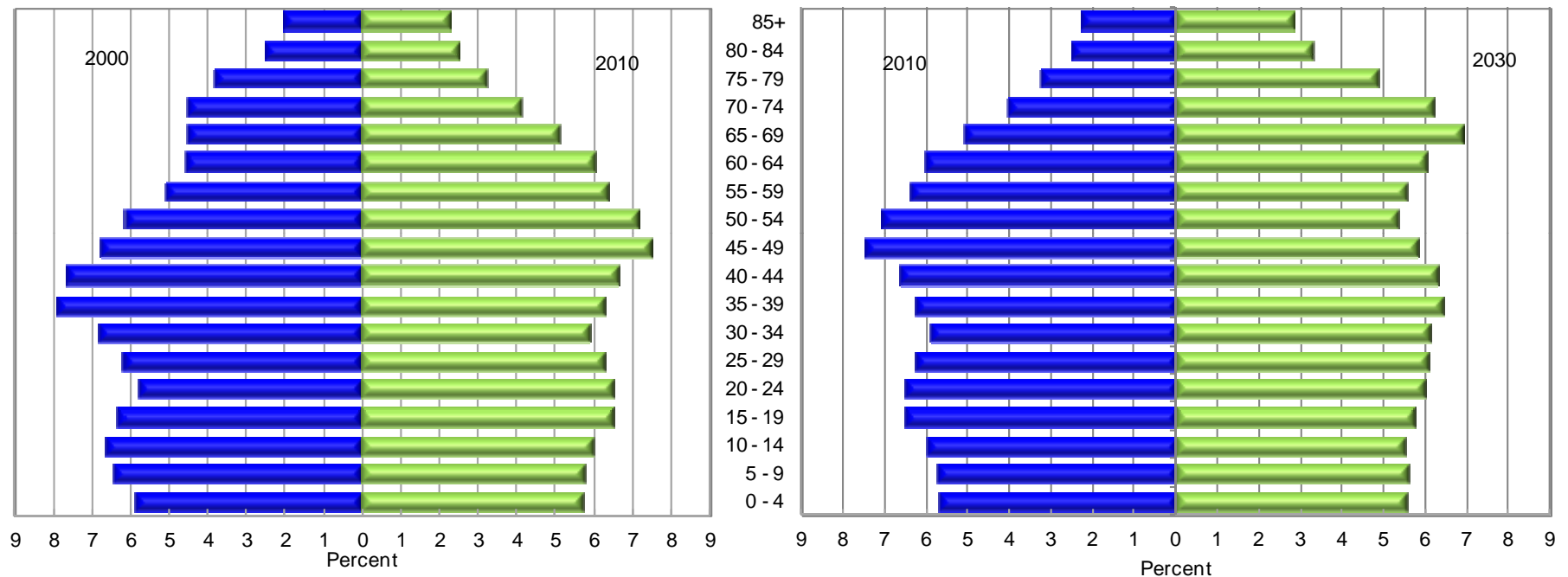


# Population Growth by Age Group



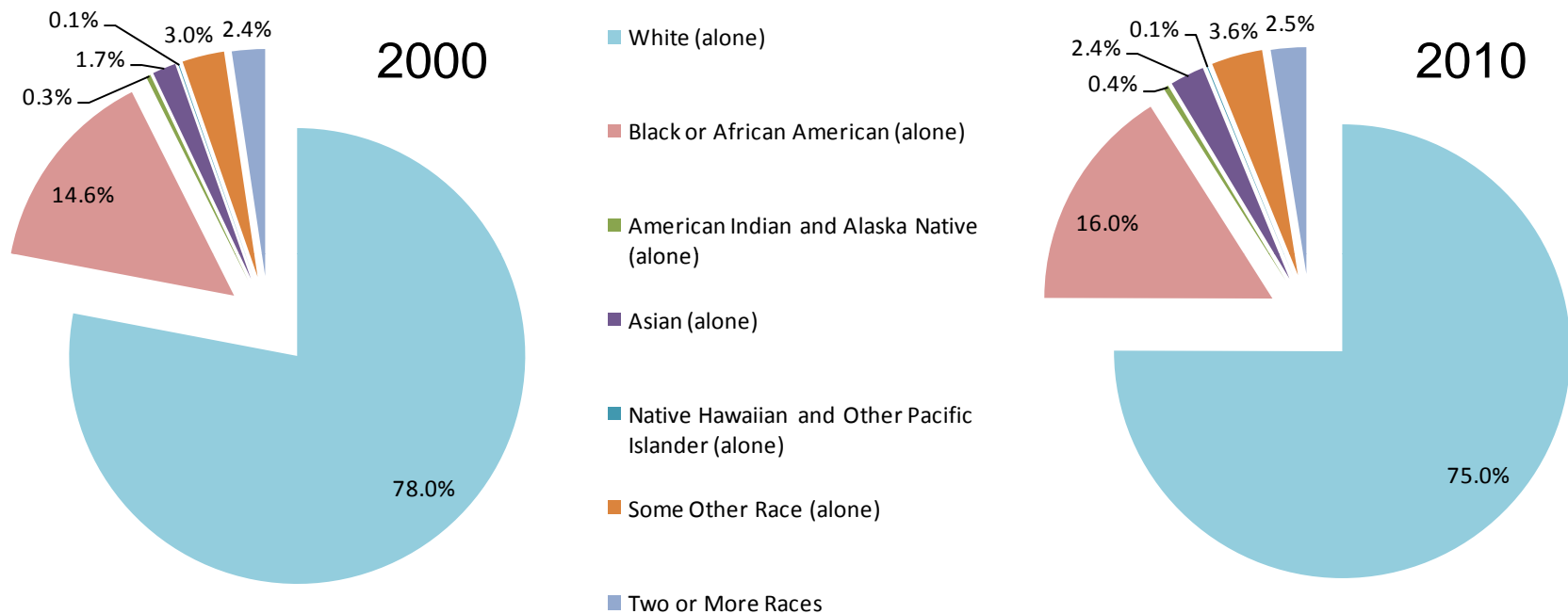
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.2 percent of the gains.
- Florida's younger population (age 0-17) will account for 15.0 percent of the gains.

# Total Population by Age Group



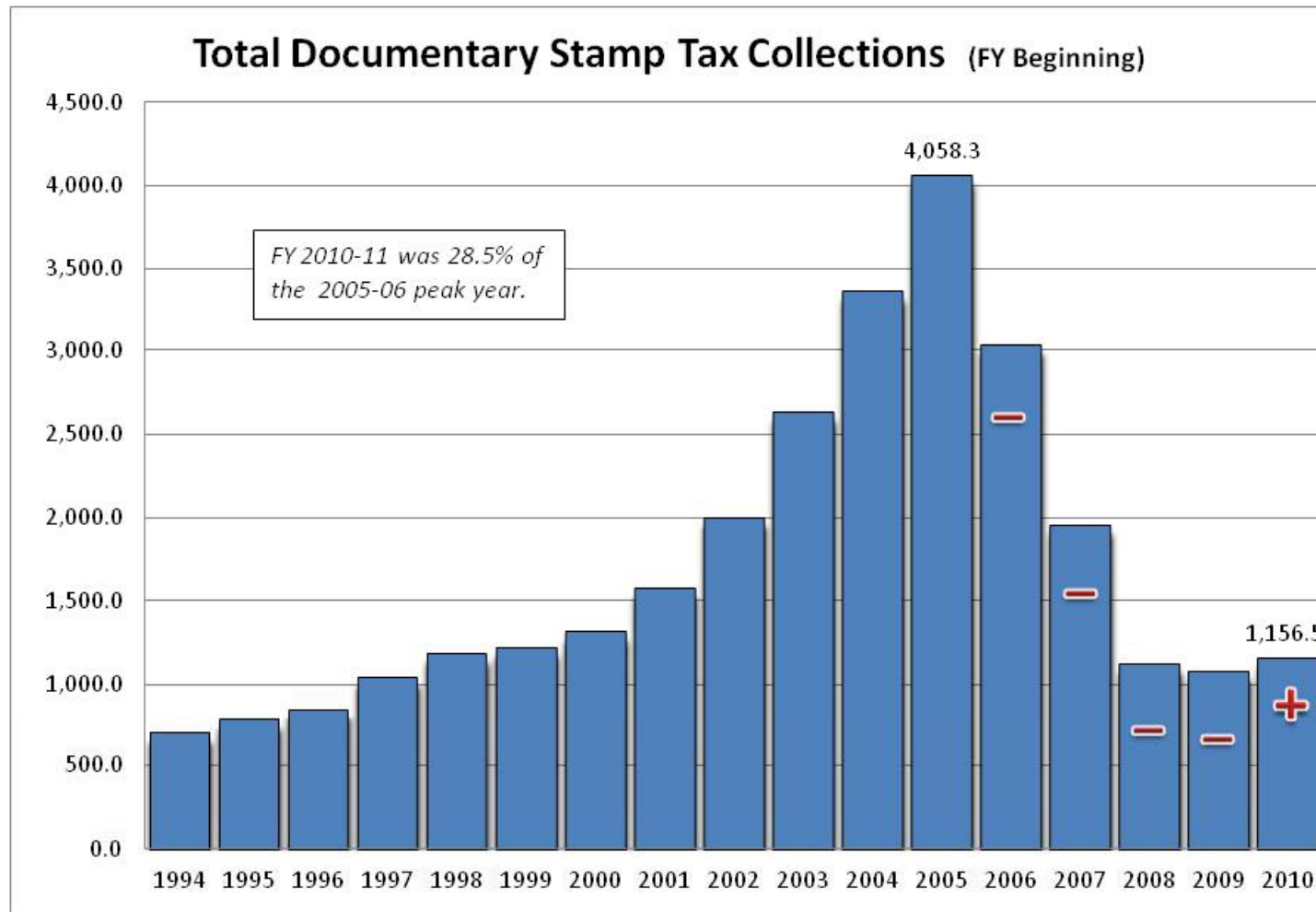
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 39.7 percent of Florida's total population and is expected to represent 36.0 percent by 2030.
- Population aged 65 and over is forecast to represent 24.1 percent in 2030.

# Diversity is Increasing



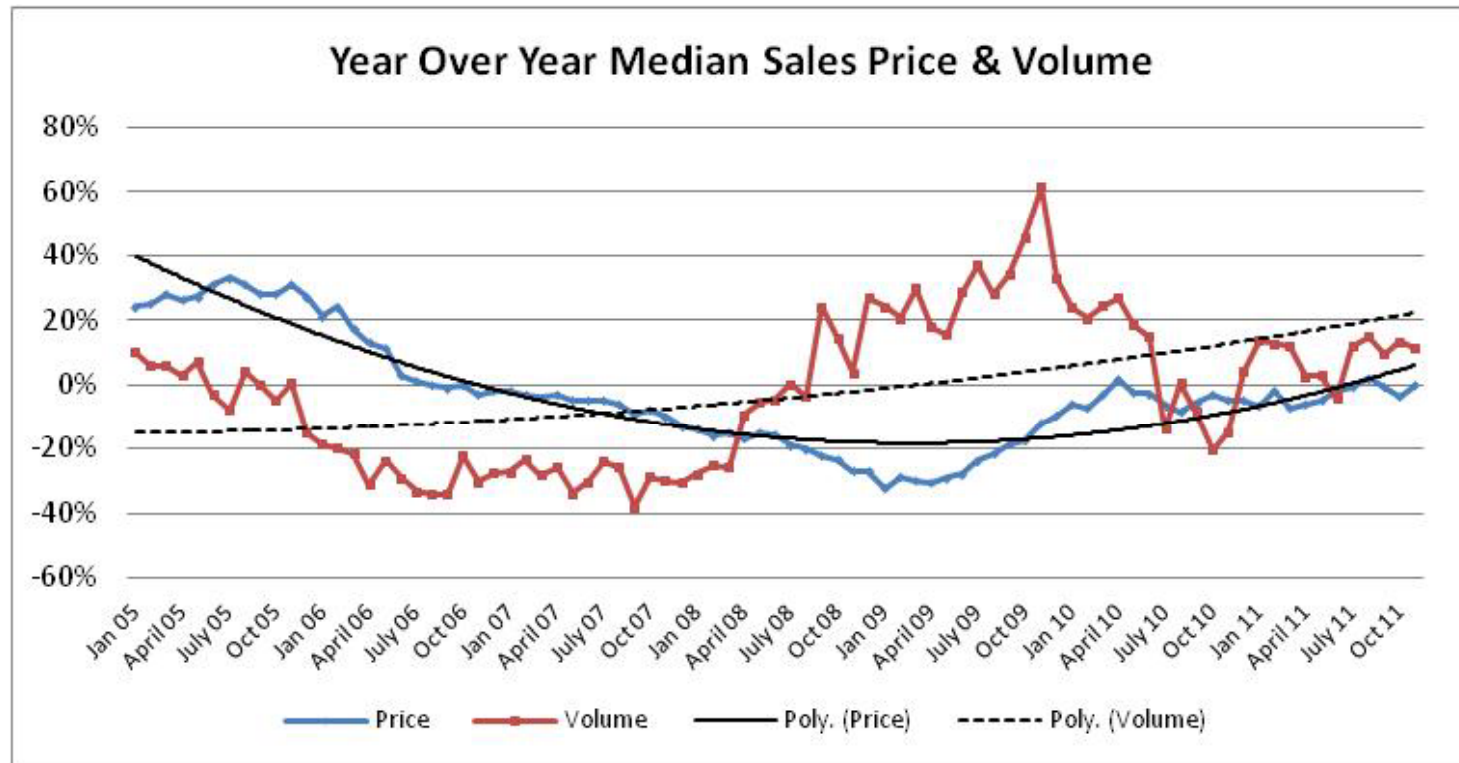
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 27 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

# Florida Housing is Generally Improving



Sales volume of existing homes and building permits are both back in positive territory, both showing year-over-year growth.

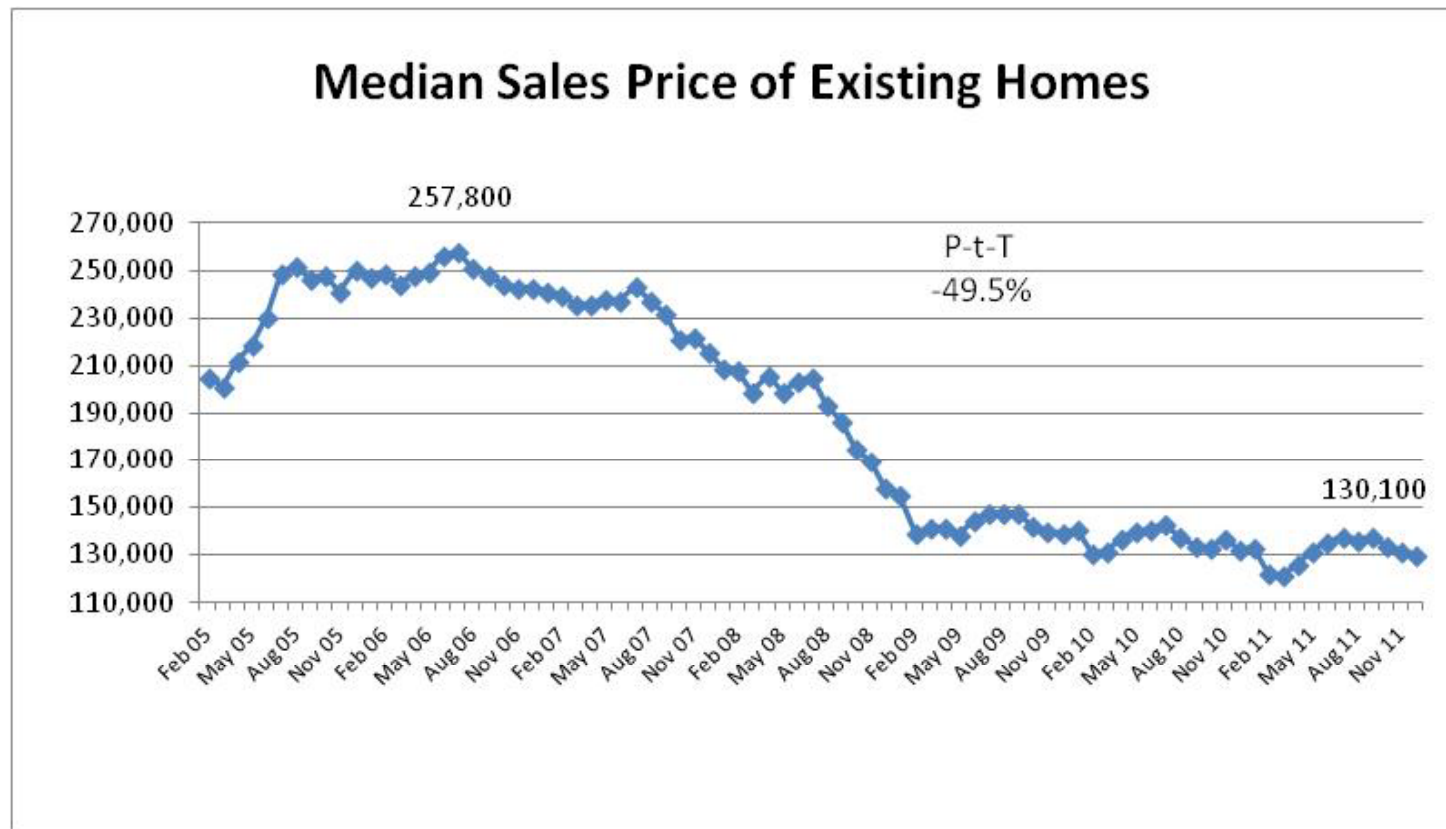
# But, Existing Homes Sales Are Sputtering



Data through November 2011

Sales Level in CY 2010 was 70.1% of 2005 boom level; for this year, 75.4%.

# And, Existing Home Prices Are Flat



Data through November 2011

Median Sales Prices for Existing Homes have been essentially flat since January 2009 --- 34 months --- with a slight downward drift.



# Foreclosure Filings Remain Daunting

## 2010...2<sup>nd</sup> Year in a Row

2<sup>nd</sup> Highest # of Filings  
(485,286 properties)

3<sup>rd</sup> Highest Foreclosure Rate  
(5.51% of housing units received  
at least 1 filing during the year)

## November 2011 (highest rate = deepest red)

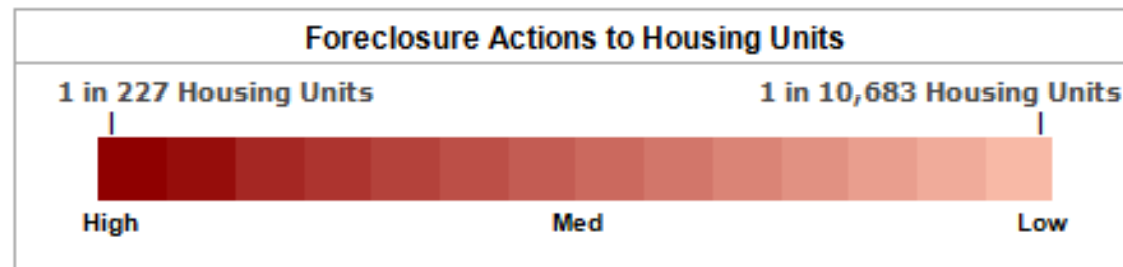
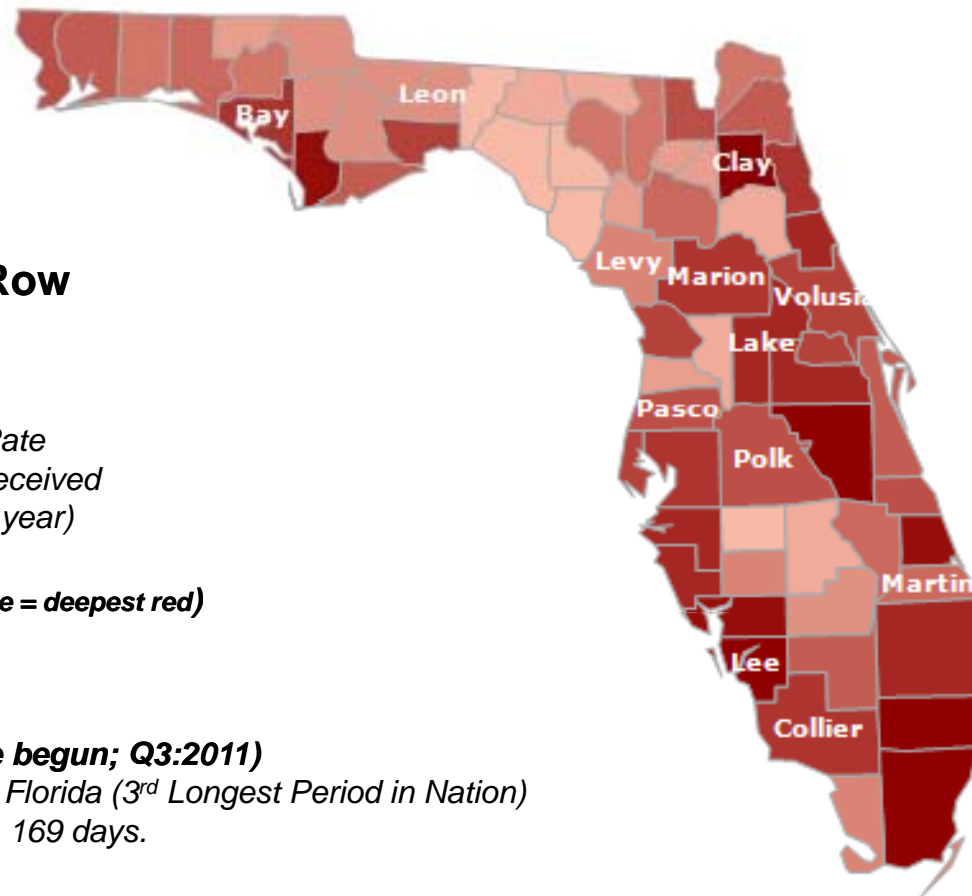
FILINGS: 2<sup>nd</sup> in US

RATE: 7<sup>th</sup> in US

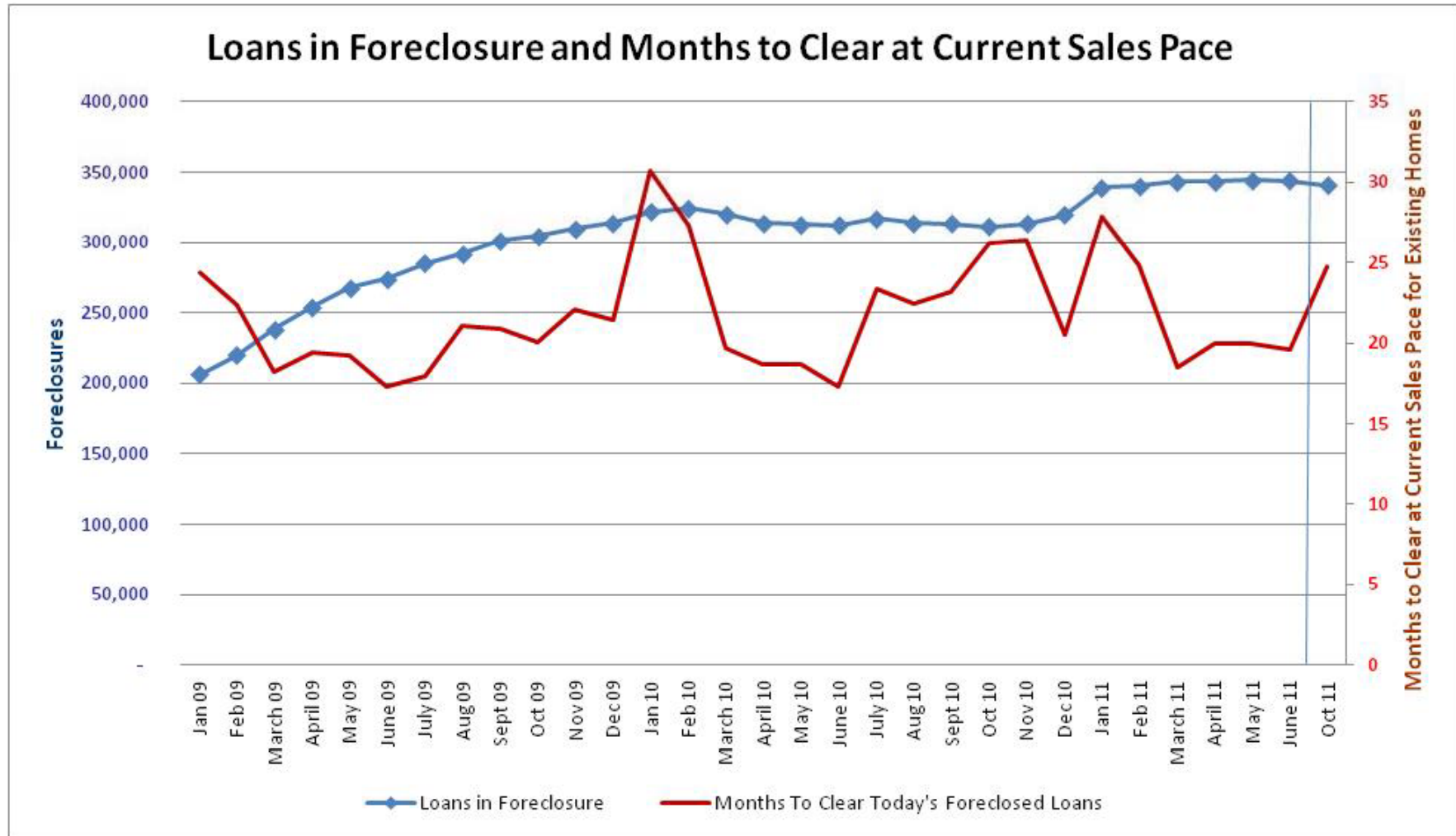
## Foreclosure Process (once begun; Q3:2011)

748.6 Days - 2.1 yrs - in Florida (3<sup>rd</sup> Longest Period in Nation)

At the beginning of 2007, 169 days.



# Residential Loans in Foreclosure



Loan Data from LPS

# Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	8.1%	4.2%	12.3%	-6.4%
FL *	8.8%	14.0%	22.9%	-2.3%
MS	14.8%	3.9%	18.7%	-2.0%
NV	10.7%	6.3%	16.9%	-19.1%
NJ *	8.3%	7.3%	15.8%	7.4%
IL *	8.0%	7.0%	15.0%	3.7%
GA	11.5%	3.0%	14.5%	-7.3%
OH *	9.4%	5.0%	14.4%	0.6%
IN *	9.6%	4.8%	14.4%	-0.6%
LA *	10.5%	3.3%	13.8%	-5.6%
MD *	9.8%	3.5%	13.3%	0.0%
NY *	7.7%	5.5%	13.3%	2.0%
SC *	8.6%	4.6%	13.2%	-0.1%
RI	9.8%	3.4%	13.2%	-6.7%
TN	10.6%	2.6%	13.1%	-3.5%
CT *	7.6%	5.2%	12.8%	5.2%
AL	10.9%	1.7%	12.5%	-5.5%
ME *	7.2%	5.3%	12.5%	4.1%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	8.1%	4.2%	12.3%	-6.4%
WV	9.9%	2.5%	12.5%	-6.2%
KY *	8.3%	3.8%	12.1%	3.9%
NC	8.8%	3.2%	12.0%	-0.4%
DE *	8.0%	2.8%	12.0%	1.7%
PA *	8.6%	2.8%	12.0%	1.7%
MI	9.1%	2.8%	12.0%	1.7%
AR	9.9%	2.8%	12.0%	1.7%
HI *	5.9%	2.8%	12.0%	1.7%
OK *	7.8%	2.8%	12.0%	1.7%
AZ	7.5%	2.8%	12.0%	1.7%
WI *	6.9%	2.8%	12.0%	1.7%
TX	8.7%	2.8%	12.0%	1.7%
CA	7.2%	2.8%	12.0%	1.7%
MA	8.1%	2.8%	12.0%	1.7%
NM *	6.3%	3.9%	10.3%	0.5%
MO	8.4%	1.9%	10.2%	-3.8%
DC	6.7%	3.2%	10.0%	-0.7%

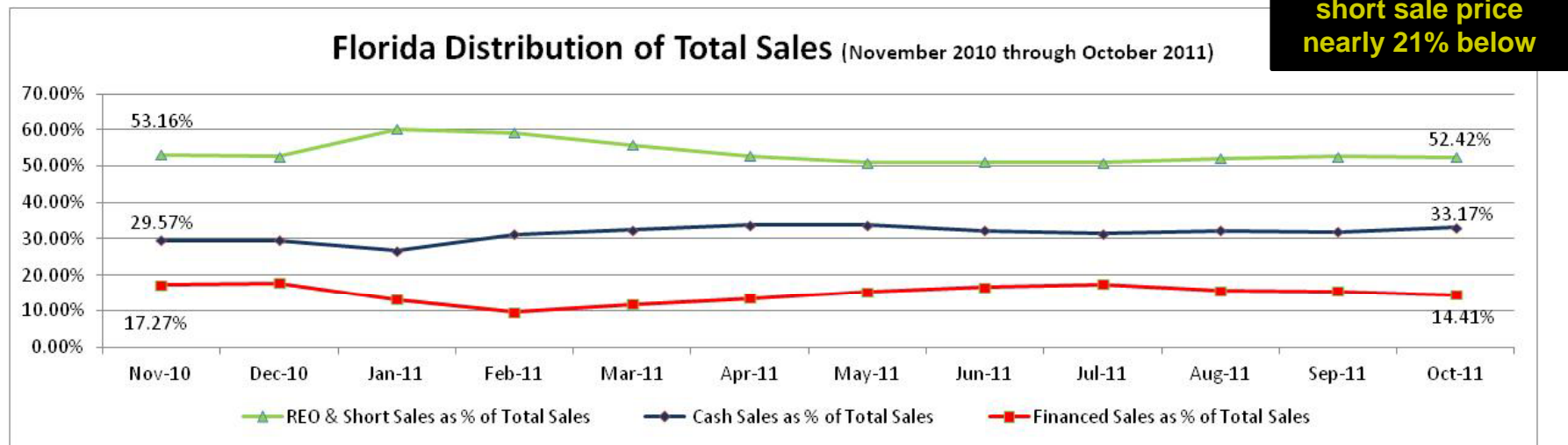
  

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	8.1%	4.2%	12.3%	-6.4%
WA	8.1%	1.6%	9.6%	0.8%
KS *	7.2%	2.2%	9.4%	-1.5%
NH	7.0%	2.1%	9.1%	-6.1%
VT *	5.2%	2.5%	8.8%	7.9%
MT *	5.2%	2.5%	8.8%	7.9%
NE *	5.2%	2.5%	8.8%	7.9%
SD *	5.2%	2.5%	8.8%	7.9%
IA *	5.2%	2.5%	8.8%	7.9%
IL *	8.0%	7.0%	15.0%	3.7%
IN *	9.6%	4.8%	14.4%	-0.6%
OH *	9.4%	5.0%	14.4%	0.6%
PA *	8.6%	2.8%	12.0%	1.7%
MI	9.1%	2.8%	12.0%	1.7%
AR	9.9%	2.8%	12.0%	1.7%
HI *	5.9%	2.8%	12.0%	1.7%
OK *	7.8%	2.8%	12.0%	1.7%
AZ	7.5%	2.8%	12.0%	1.7%
WI *	6.9%	2.8%	12.0%	1.7%
TX	8.7%	2.8%	12.0%	1.7%
CA	7.2%	2.8%	12.0%	1.7%
MA	8.1%	2.8%	12.0%	1.7%
NM *	6.3%	3.9%	10.3%	0.5%
MO	8.4%	1.9%	10.2%	-3.8%
DC	6.7%	3.2%	10.0%	-0.7%
WY	4.4%	1.0%	5.4%	-17.1%
AK	4.2%	1.0%	5.2%	-8.9%
ND *	3.2%	1.2%	4.4%	-5.5%

\* - Indicates Judicial State

About half of all residential loans in Florida are for homes that are underwater.  
(LPS Data for August and November)

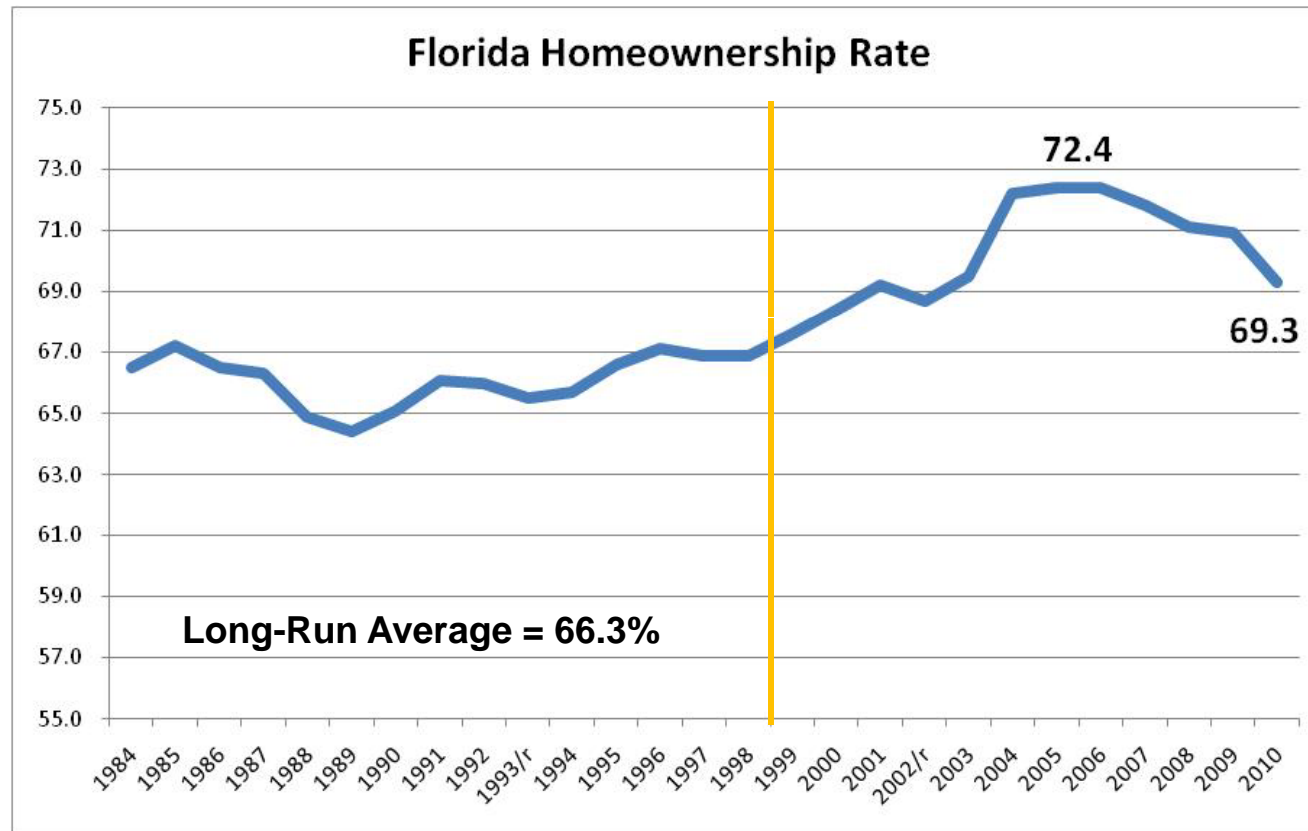
# Sales Mix Points to Lower Prices



LPS: Lender Processing Services

Cash Sales have been growing as a percentage of all sales and financed sales have been declining. While short sales have been increasing in some states, that is not yet the case in Florida, where they have essentially been flat.

# Vulnerability



The 2010 percentage is the lowest since 2002. If the 2010 rate dropped immediately back to the long-run average, about 222,600 homeowners would be affected and \$30.8 billion of value.

banks have failed since  
fourteen of which occurred in  
dar year, another twenty-nine in  
een in 2011.

2004	2005	2006	2007	2008	2009	2010	2011
1	0	0	0	2	14	29	13

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2	0	1	0	0	0	2	14	29	13

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
2	0	1	0	0	0	2	14	29	13

# Credit Conditions Remain Tight

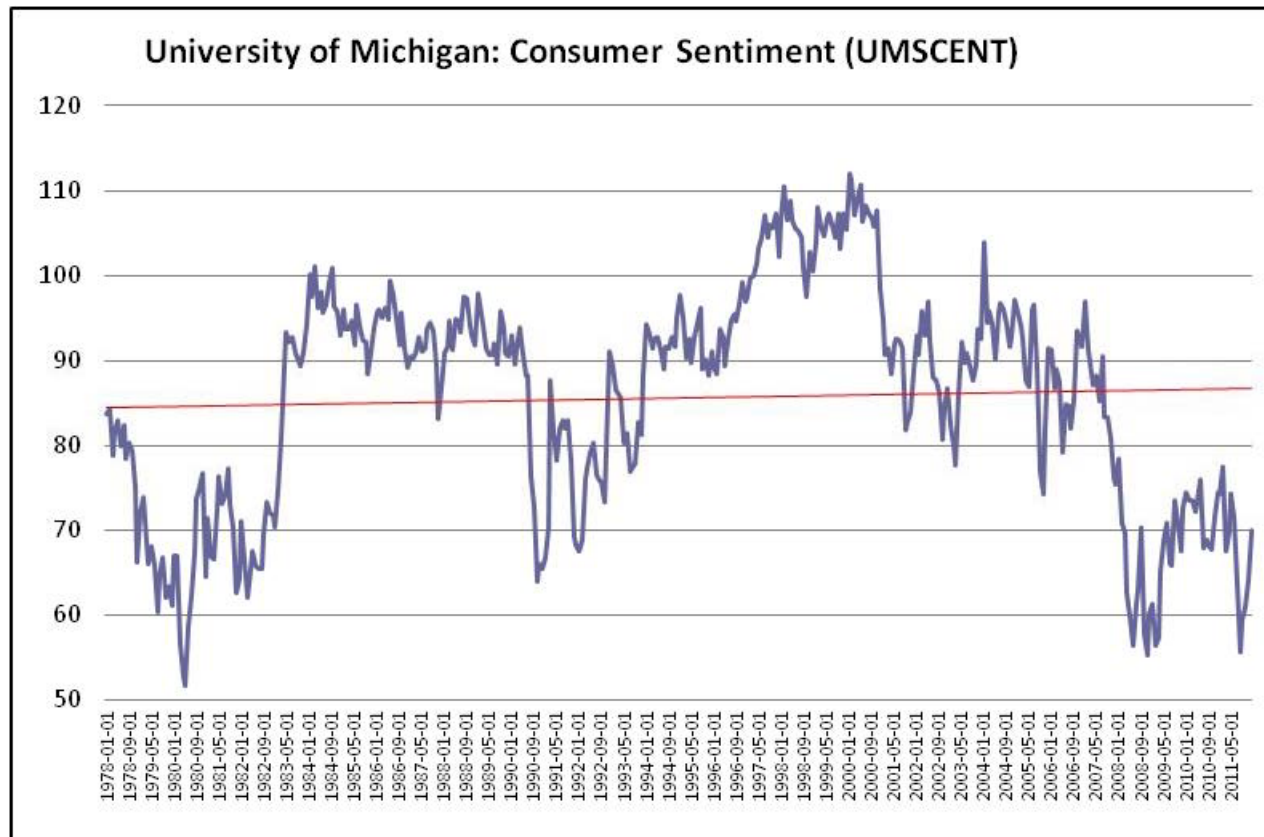
## Question to Senior Loan Officers:

Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

	All Respondents					
	Oct '11 %	July '11%	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	<b>4.2</b>	<b>5.7</b>	<b>3.8</b>	<b>3.7</b>	<b>13.0</b>	<b>3.6</b>
<b>Remained basically unchanged</b>	<b>91.7</b>	<b>86.8</b>	<b>92.5</b>	<b>94.4</b>	<b>83.3</b>	<b>87.3</b>
Eased somewhat	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0

October 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

# Perceptions Recovering After August



- Consumer sentiment can be a leading indicator of recession, but not always: nationally, it had been improving, but fell in August to near the lowest level of the Great Recession and not far from the lowest level ever posted. The subsequent months have all shown improvement. (69.9 in December versus 51.7 in May 1980)
- Florida's consumer confidence (December: 69) is roughly mirroring the national trend.



# Economy Very Slowly Recovering

Florida growth rates are slowly returning to more typical levels. But, drags are more persistent than past events, and it will take several years to climb completely out of the hole left by the recession. Overall...

- The national economy is still in recovery (albeit weak) and, more importantly, the credit markets are still recovering stability – although they remain sluggish and difficult to access.
- The subsequent turnaround in Florida housing will be led by:
  - Low home prices that begin to attract buyers and clear the inventory.
  - Long-run sustainable demand caused by continued population growth and household formation.
  - Florida's unique demographics and the aging of the baby-boom generation (2011 marks the first wave of boomers hitting retirement).

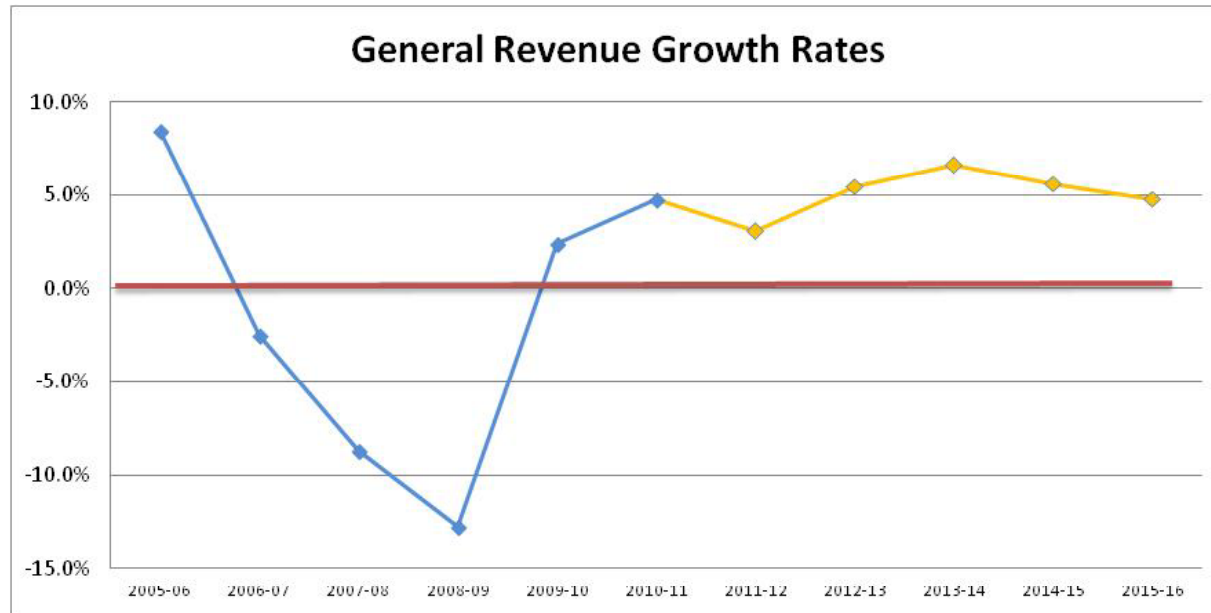
# Known Threat & Black Swans

Known Threat: Continuing Deepwater Horizon Oil Spill impacts

“Black Swans” are low probability, high impact events:

- Severe Natural Disasters
  - 2004 and 2005 Hurricane Seasons
  - Budget Stabilization Fund balance is \$493.6 million.
- Deep second recession caused by a credit market meltdown kicked off by the Eurozone sovereign debt crisis.

# General Revenue Forecast



Fiscal Year	Oct Forecast	January Forecast	Difference (Jan - Oct)	Incremental Growth	Growth
2005-06	27074.8				8.4%
2006-07	26404.1				-2.5%
2007-08	24112.1				-8.7%
2008-09	21025.6				-12.8%
2009-10	21523.1				2.4%
2010-11	22551.6				4.8%
2011-12	23195.5	23241.5	46.0	689.9	3.1%
2012-13	24526.8	24506.9	(19.9)	1265.4	5.4%
2013-14	26071.8	26117.6	45.8	1610.7	6.6%
2014-15	27417.9	27580.8	162.9	1463.2	5.6%
2015-16	28838.6	28901.3	62.7	1320.5	4.8%