

Florida: An Economic Overview

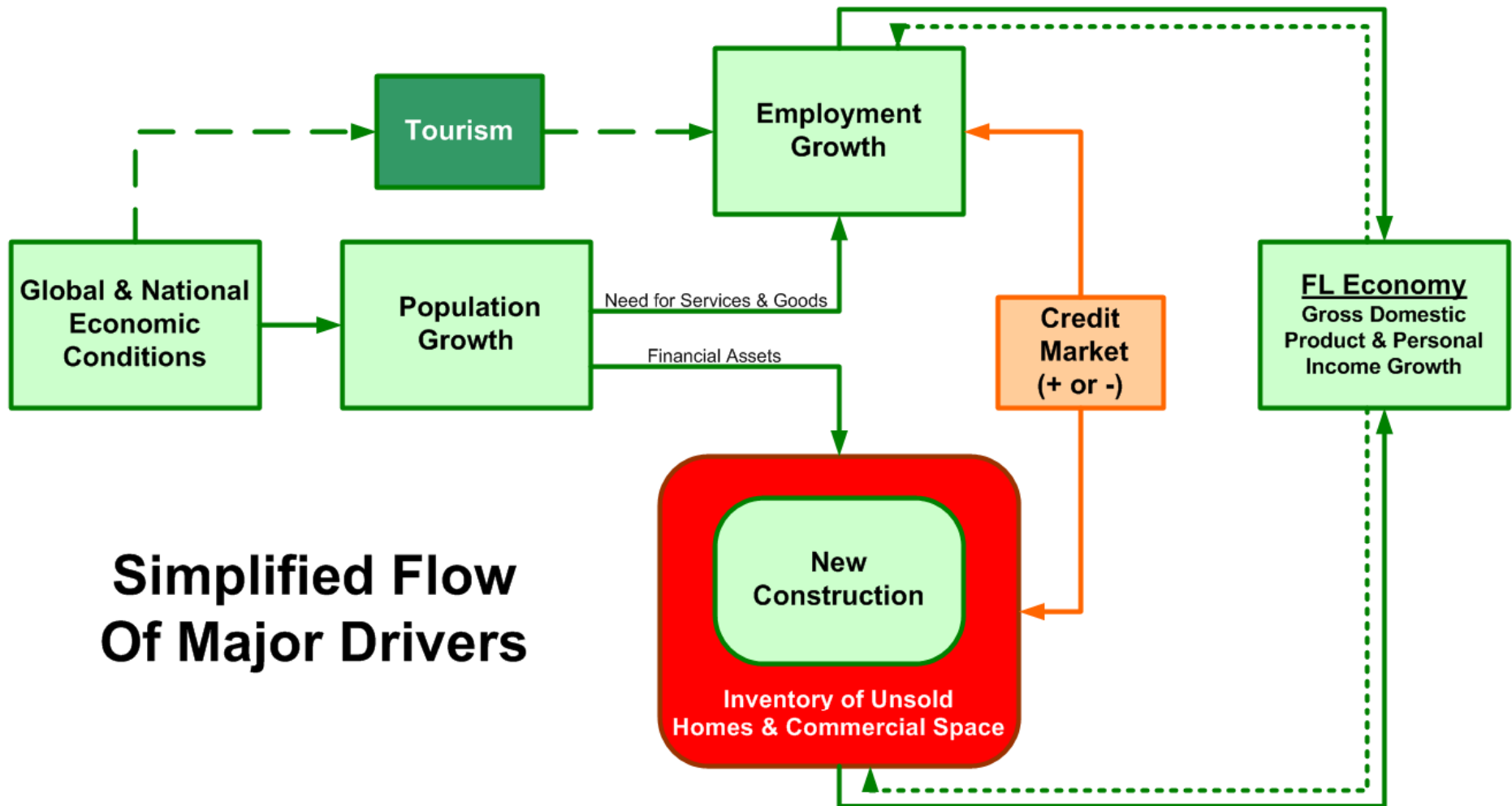
December 7, 2010

Presented by:

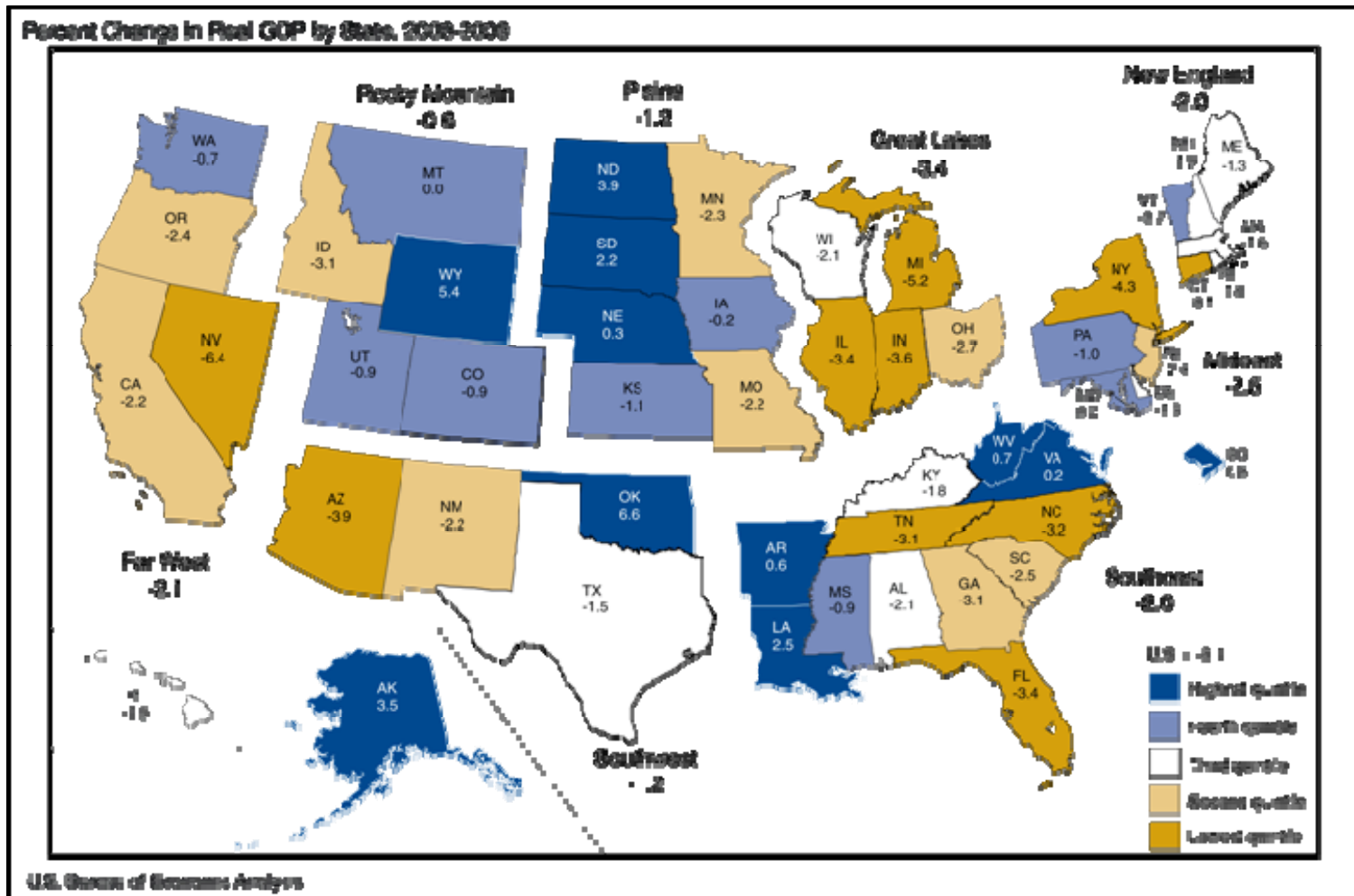


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Today's Economy

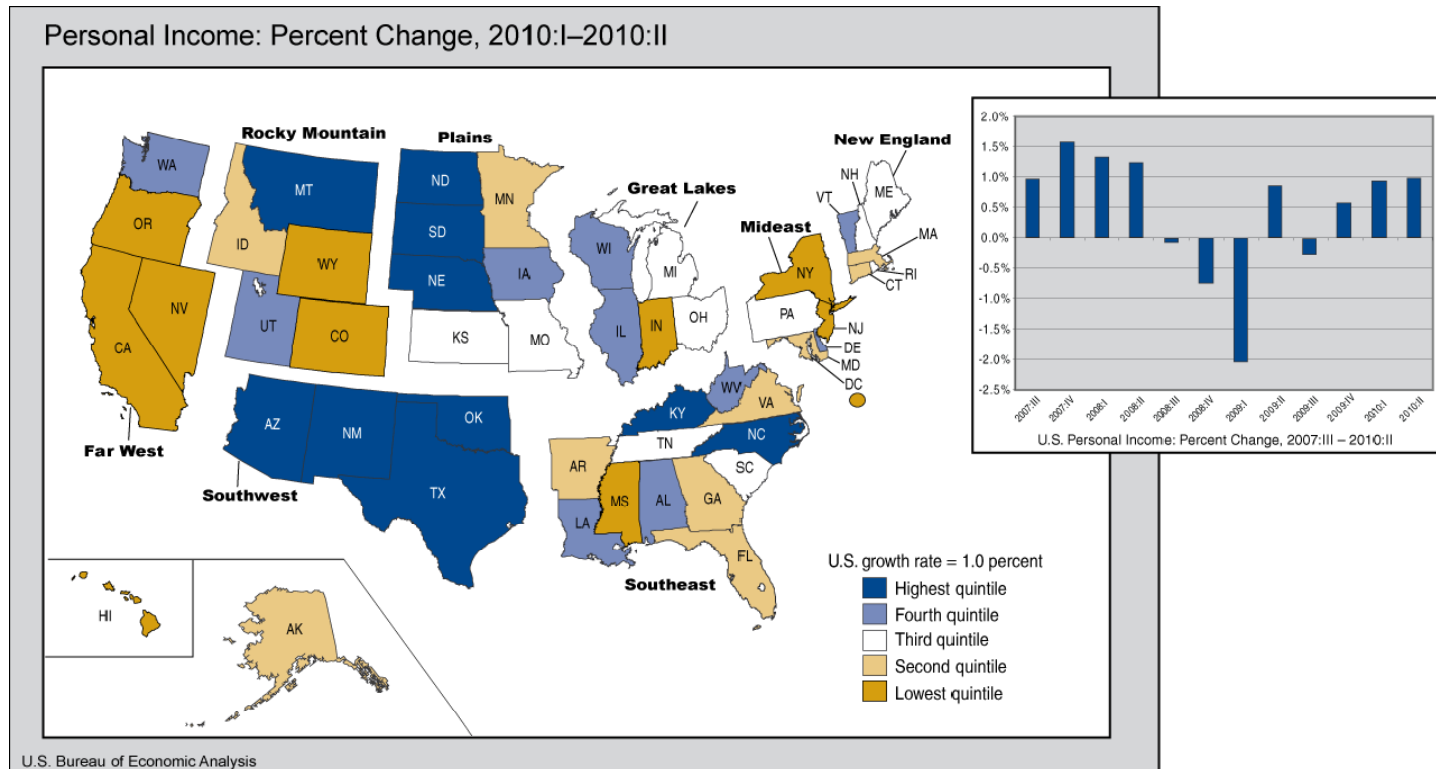


Economy Lost More Ground in 2009



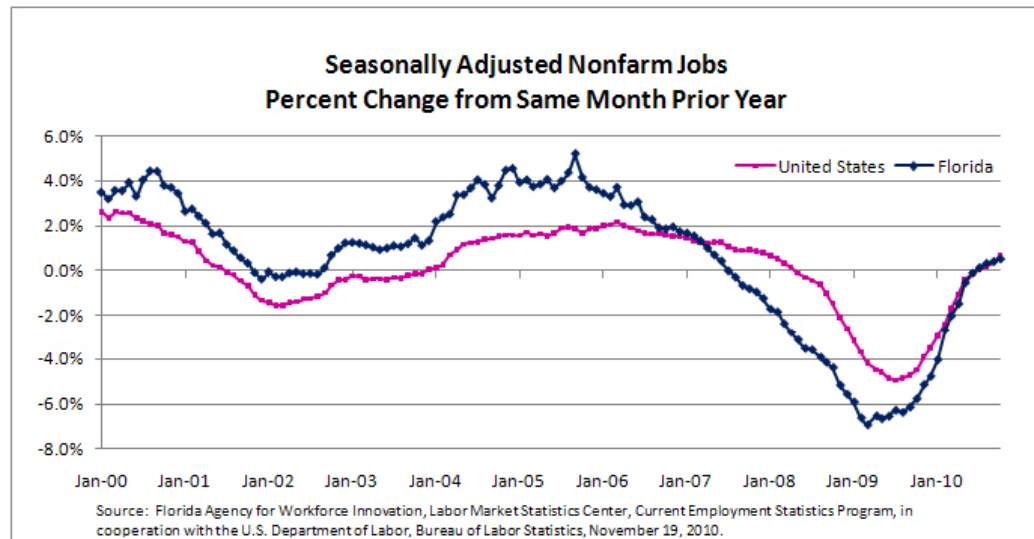
Florida's growth has declined two years in a row. State Gross Domestic Product (GDP) ranked us 45th in the nation in real growth with a decline (-3.4%) in 2009 after being 50th in 2008. In 2005, we were ranked 4th in the nation.

FL Personal Income Steadying



- Since the second quarter of the 2009 calendar year, Florida has exhibited mostly positive growth in personal income.
- The increase of 0.9% in the most recent quarter (Q2 of the 2010 calendar year) ranked Florida 37th in the country. This is slightly worse than last year's ranking at this time – 30th.

Current Employment Conditions



October Nonfarm Jobs (YOY)

US 0.64%
FL 0.50%
YR: 35,700 jobs
Peak: -854,900 jobs

October Unemployment Rate

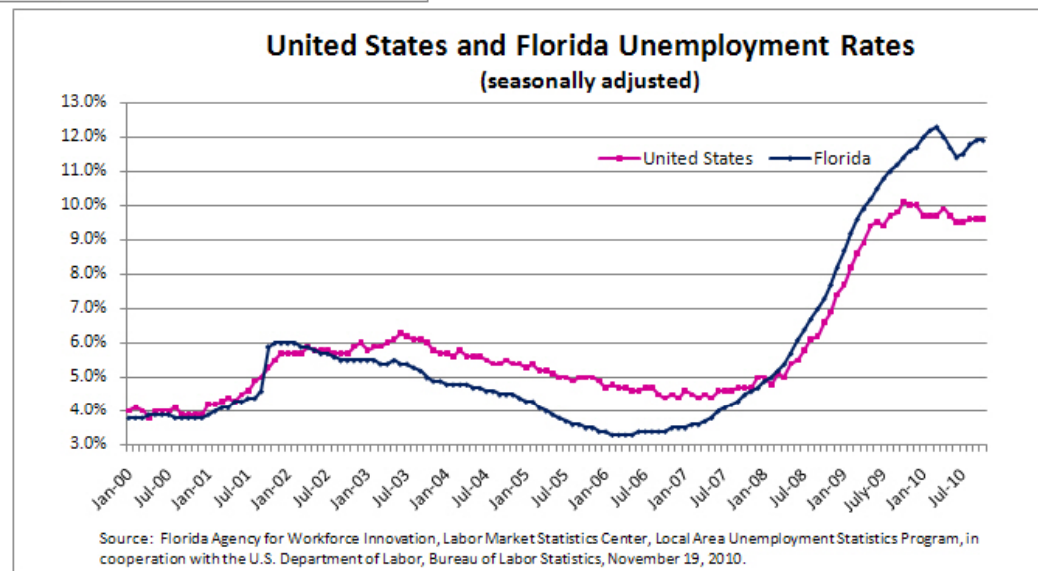
US 9.6%
FL 11.9%
(1.1 million people)
Ranked 4th in the country

Highest Monthly Rate

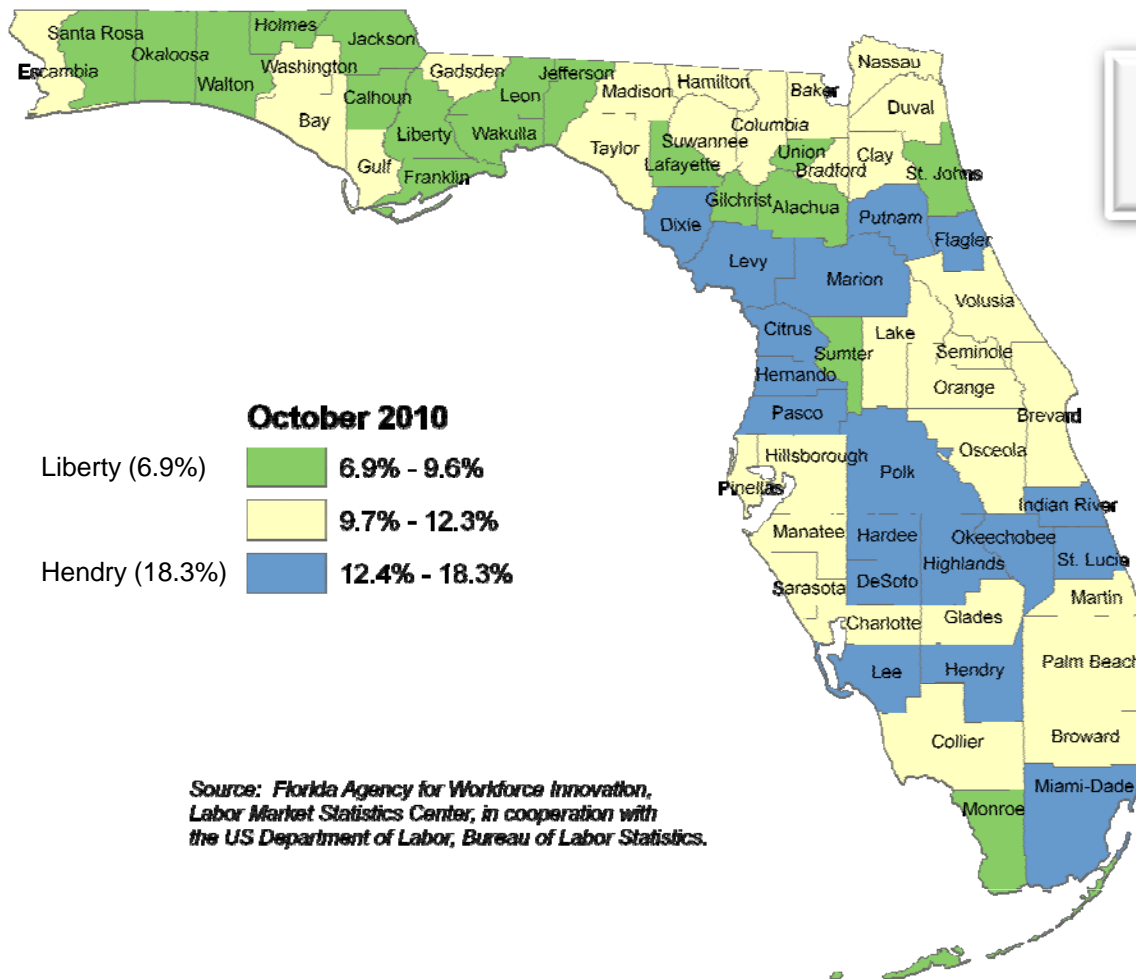
March 2010
12.3%

Secondary Peak

Fall / Winter, FY 2010-11
11.8%



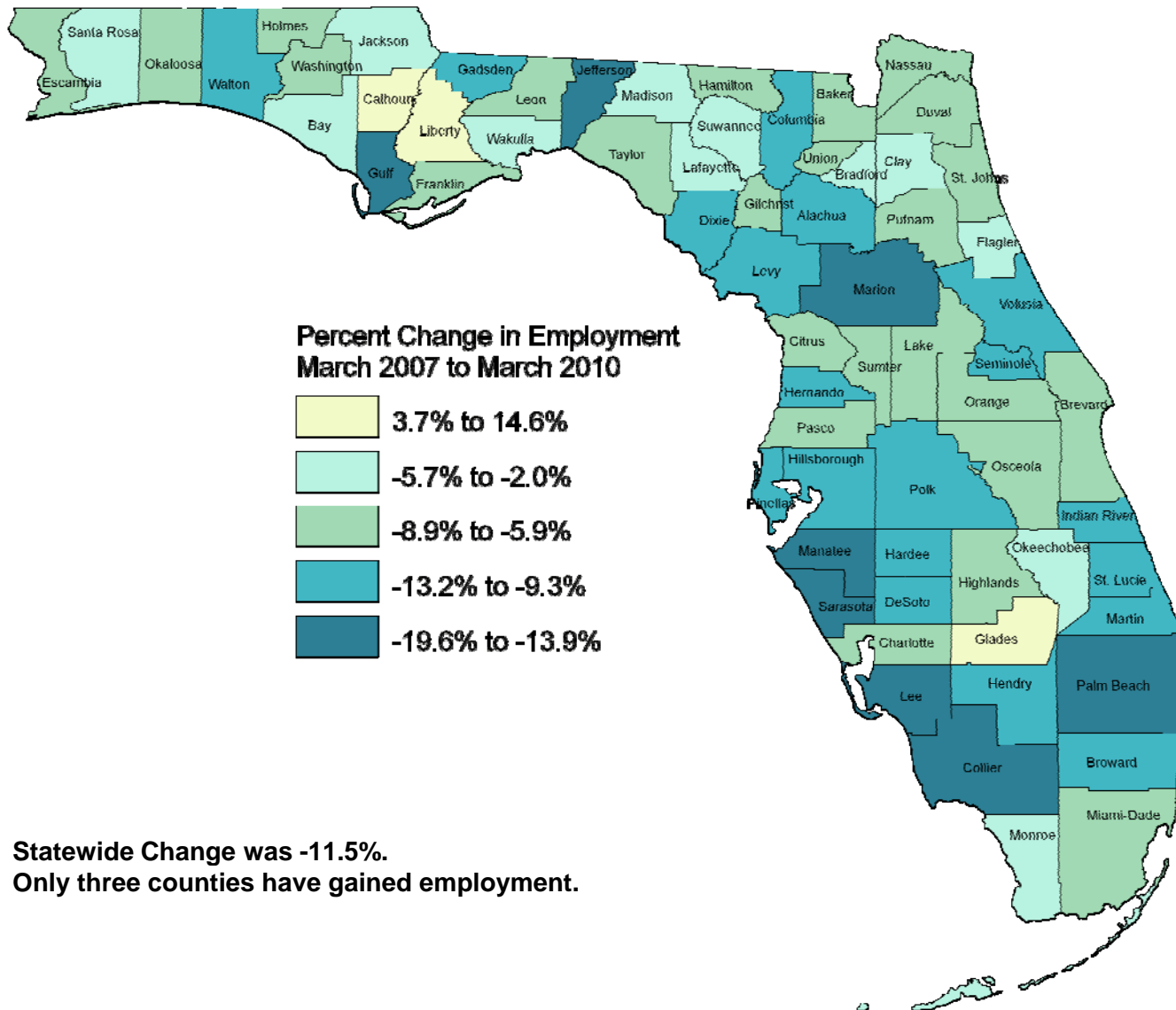
Current Unemployment Rates



48 of 67 counties
with double-digit
unemployment rates



Employment Down from Peak Levels



Florida's Job Market

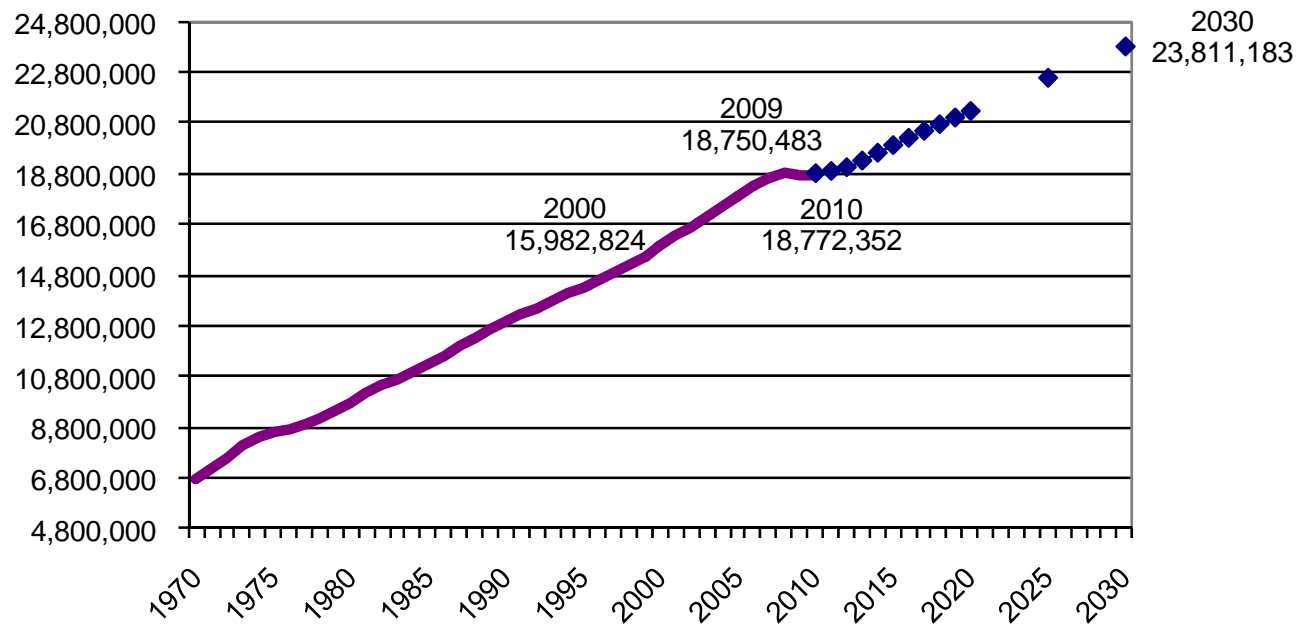
- The job market will take a long time to recover – about 854,900 jobs have been lost since the most recent peak in March 2007. Florida will not get back to this level of jobs until the Spring 2016.
- However, Florida's prime working-age population (aged 25-54) is forecast to add about 1,200 people per month, so the hole is deeper than it looks.
- Today, it would take the creation of about 912,000 jobs for the same percentage of the total population to be working as was the case at the peak.



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 0.6% between 2010 and 2012. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86.9 percent 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 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.

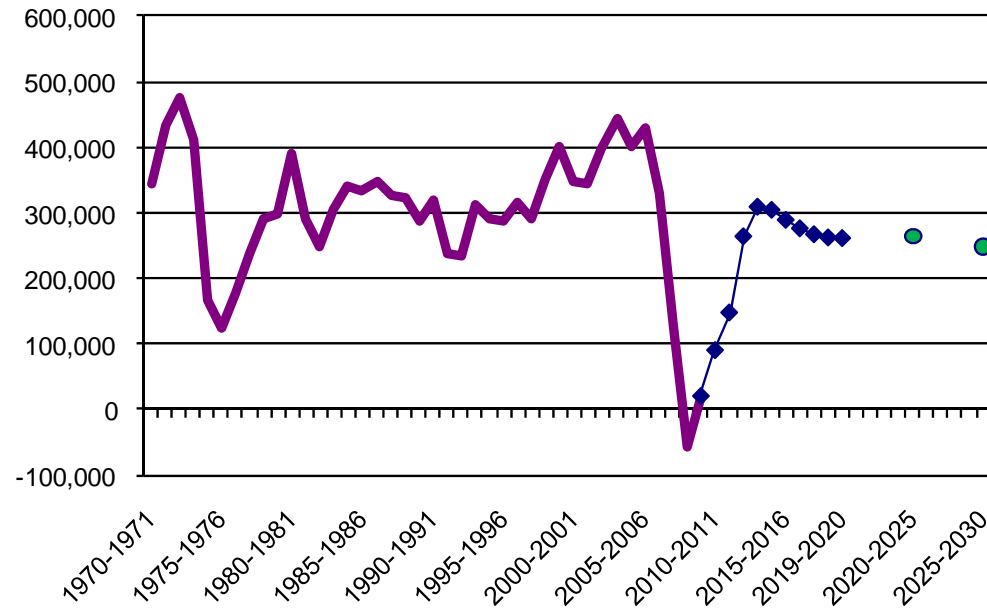
Florida's April 1 Population



Florida's population:

- was 15,982,824 in 2000
- was 18,750,483 in 2009
- was 18,772,352 in 2010
- is forecast to grow to 23,811,183 by 2030

Florida's Population Growth



Population:

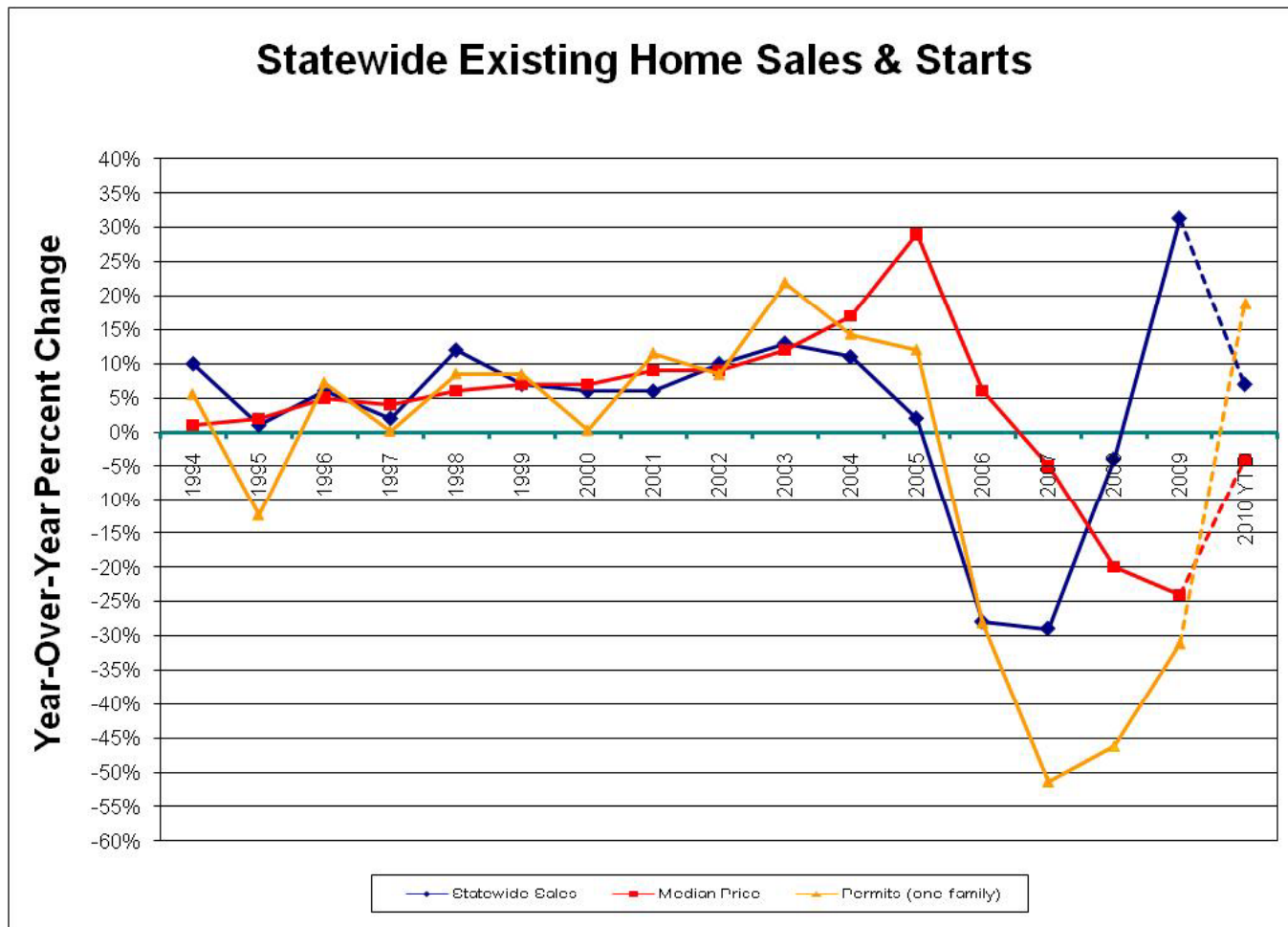
- Increased by: 445,224 between 2003 and 2004
- Declined by: -56,736 between 2008 and 2009
- Increased by: 21,869 between 2009 and 2010

Population is forecast to increase on average by:

- 223,727 between 2010 and 2015
- 271,604 between 2015 and 2020
- 264,022 between 2020 and 2025
- 248,414 between 2025 and 2030

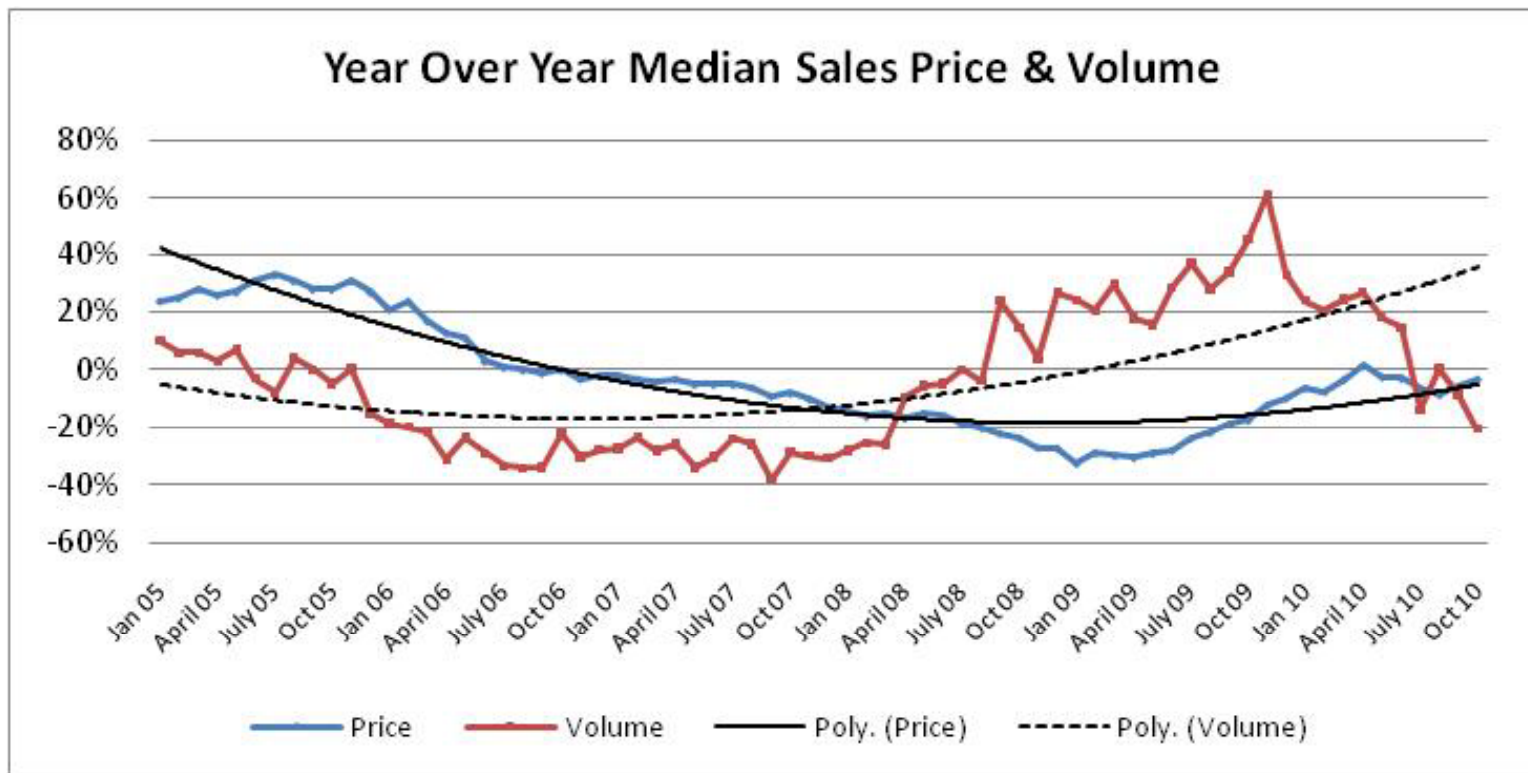


Florida Housing is Generally Improving



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

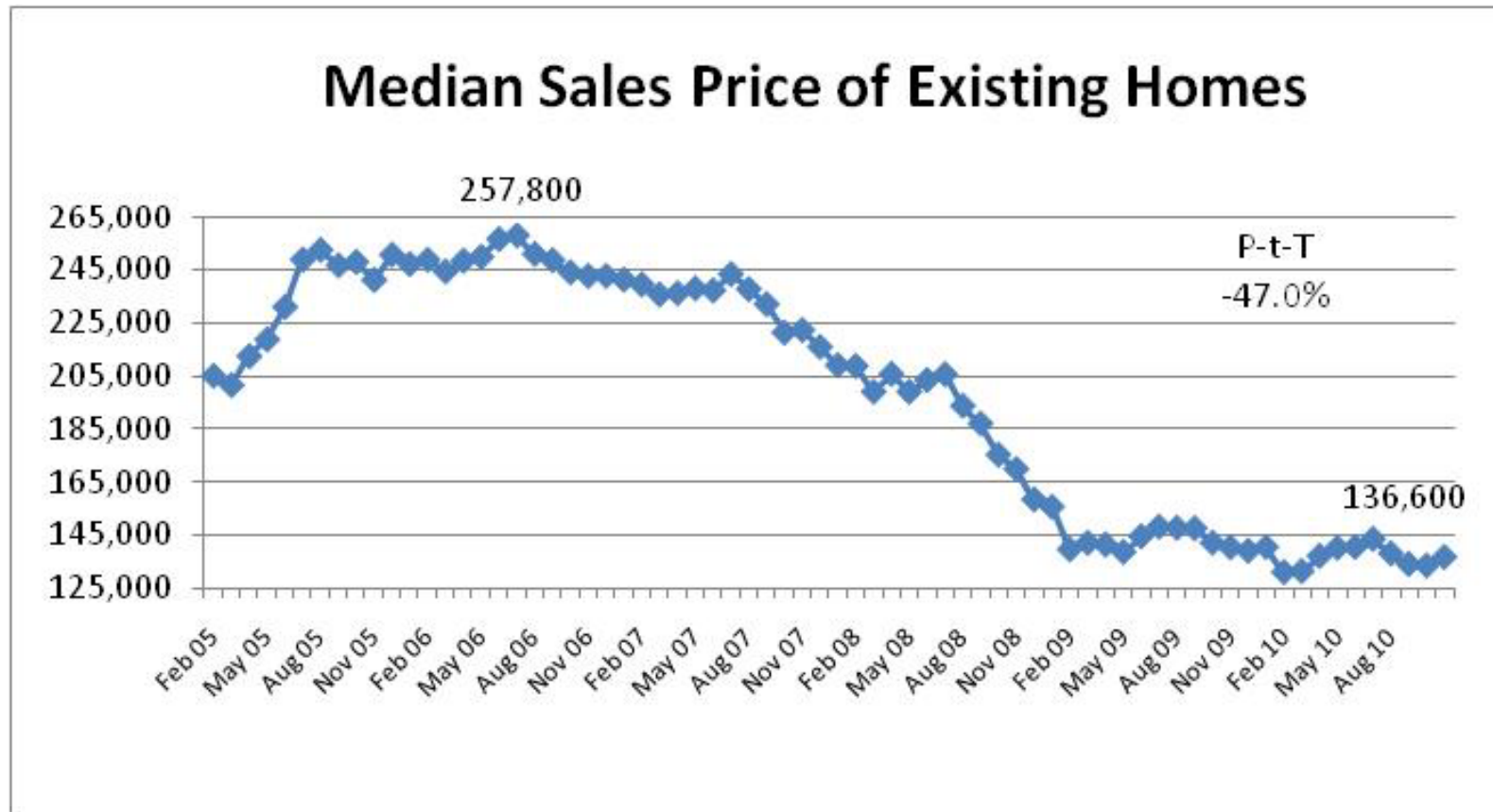
But, Existing Homes Sales Slowing Again



Data through October 2010

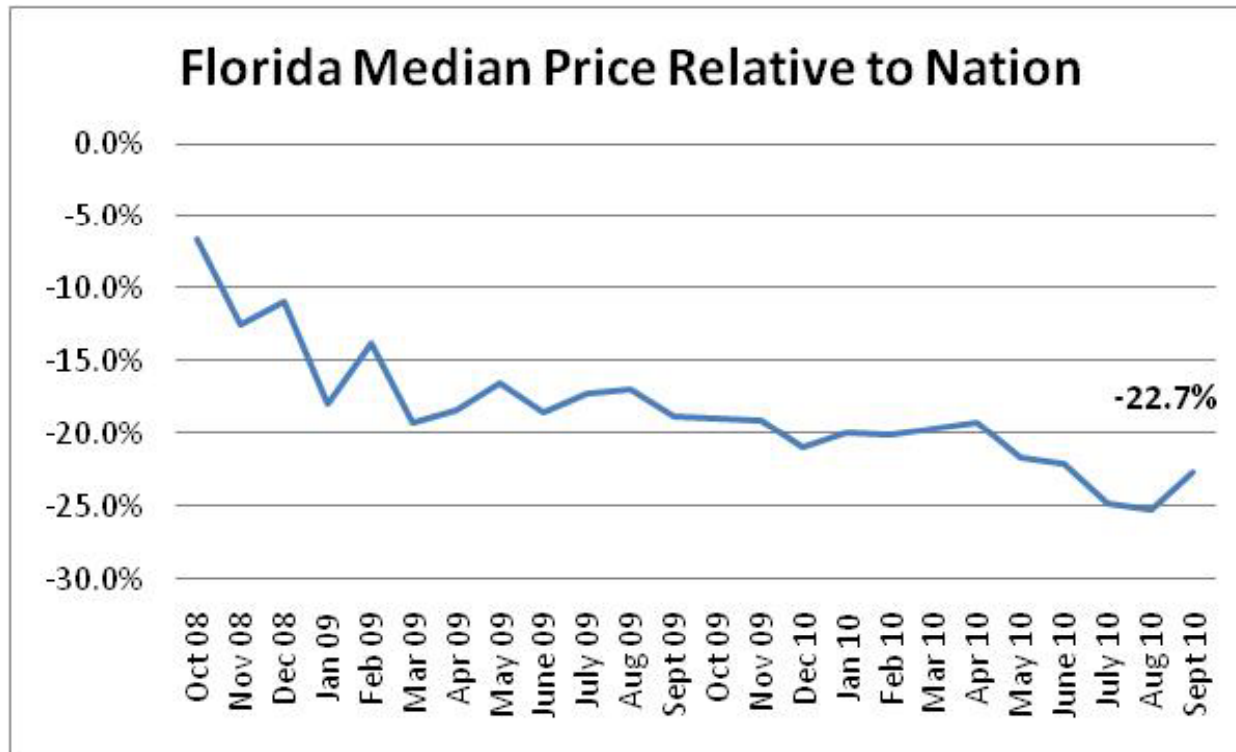
Sales Level in CY 2010 running about 68% of 2005 level.

And, Existing Home Prices Are Flat



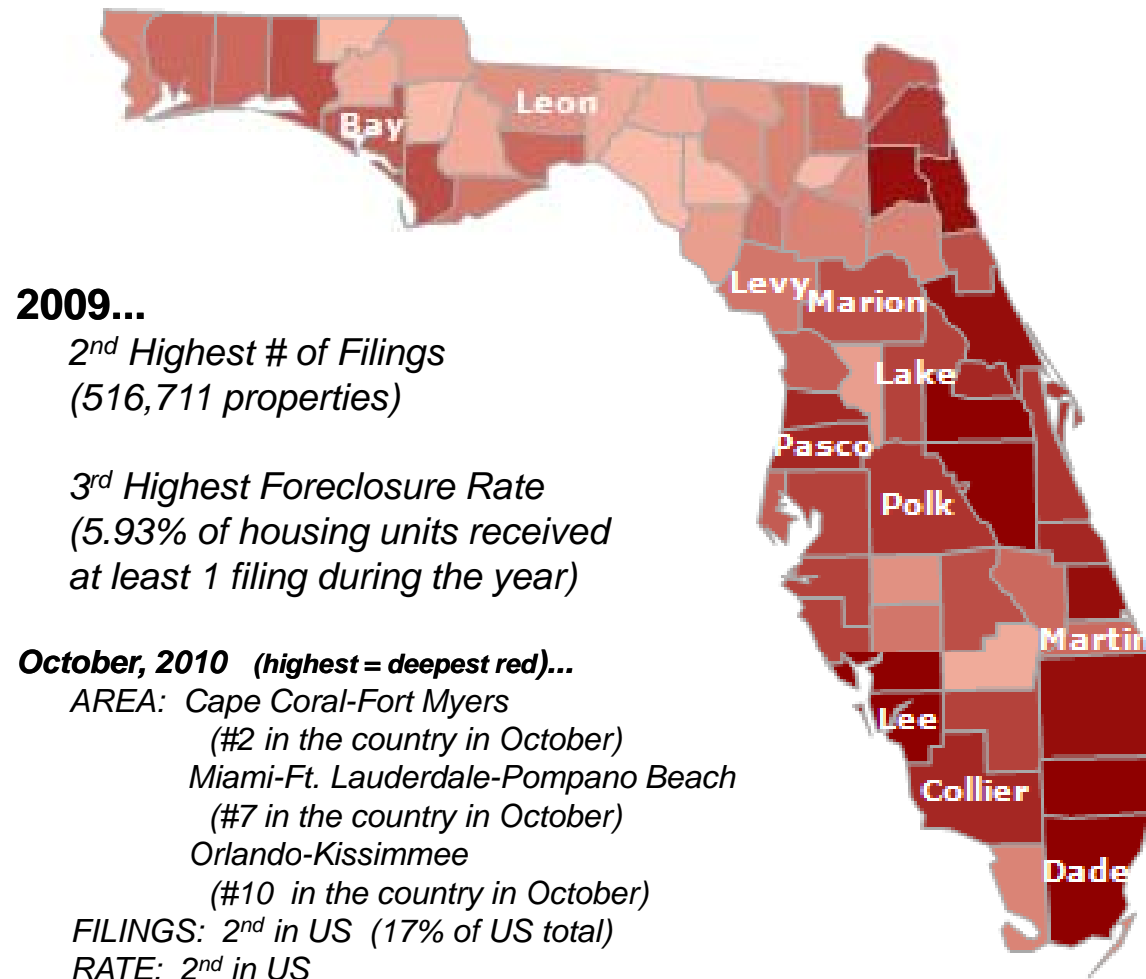
Data through October 2010

Price Holding Below National Level



The chart above is for single-family residences. Data from the American Community Surveys suggests that Florida was above the national median price for owner-occupied housing units from 2005 through most of 2008.

Foreclosure Filings Daunting



Foreclosures & Shadow Inventory

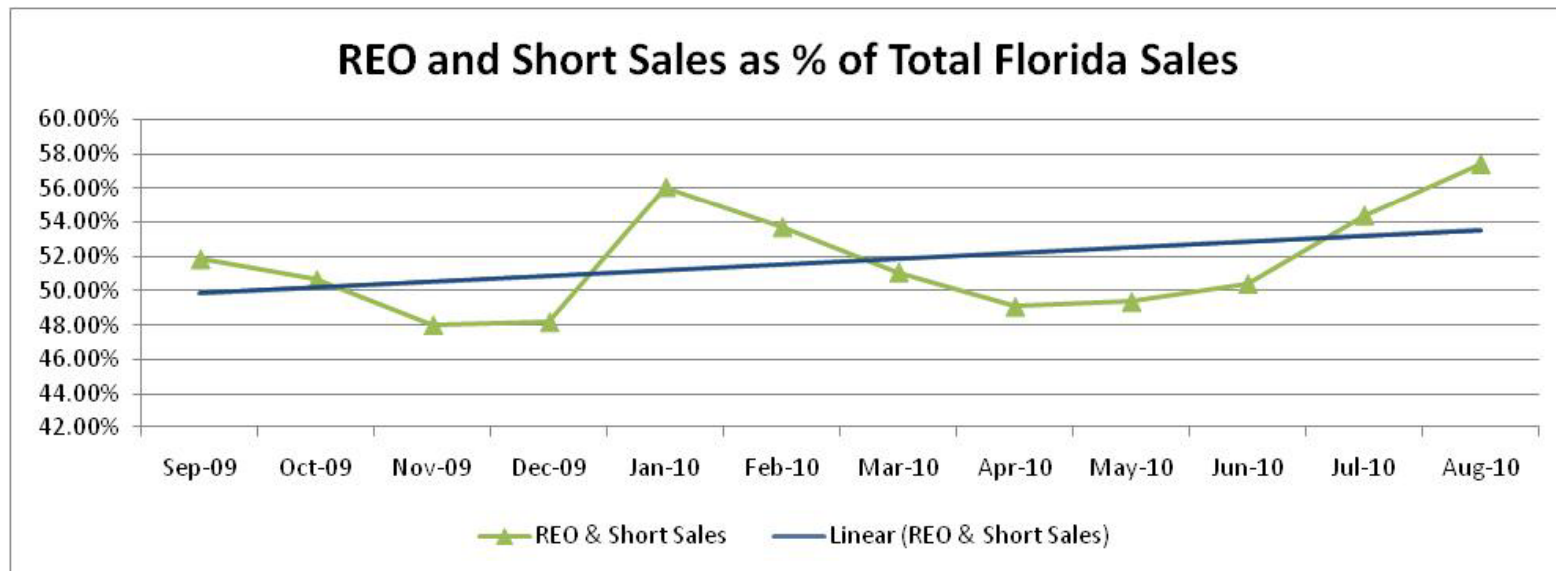
State	Delinquency %	Foreclosure Inventory %	Non-Current %	6 Month Change in Non-Current %
National	9.29%	3.92%	13.20%	0.08%
FL	10.6%	12.9%	23.4%	-2.1%
NV	12.5%	8.5%	21.0%	-6.1%
MS	15.9%	3.3%	19.1%	6.2%
GA	12.7%	3.0%	15.8%	1.5%
LA	11.3%	3.4%	14.7%	4.6%
NJ	8.4%	6.2%	14.7%	5.3%
IL	9.2%	5.4%	14.6%	1.3%
OH	10.3%	4.3%	14.6%	3.9%
IN	10.4%			
AZ	10.0%			
RI	10.3%			
MI	10.7%			
TN	11.6%			
MD	10.8%			
SC	9.9%			
AL	11.6%			
WV	10.9%			
CA	9.7%			
NY	8.6%			
DE	8.5%			
NC	9.9%	2.3%	12.2%	4.4%
CT	8.4%	3.7%	12.1%	2.7%
ME	7.7%	4.3%	12.0%	3.9%
HI	7.1%	4.8%	11.9%	-4.7%
PA	8.9%	2.9%	11.7%	5.7%

State	Delinquency %	Foreclosure Inventory %	Non-Current %	6 Month Change in Non-Current %
KY	8.7%	3.0%	11.7%	6.3%
AR	9.6%	1.8%	11.4%	9.7%
WI	7.6%	3.7%	11.3%	4.3%
TX	9.5%	1.6%	11.1%	7.0%
OK	8.3%	2.7%	11.0%	9.4%
MO	9.1%	1.7%	10.9%	5.3%
MA	8.1%	2.7%	10.7%	-1.1%
NM	7.2%	3.0%	10.2%	4.8%
DC	7.7%	2.5%	10.2%	1.9%
MT	4.9%	2.0%	7.0%	1.0%
WY	5.2%	1.3%	6.5%	1.4%
AK	4.5%	1.2%	5.6%	-9.8%
SD	4.1%	1.3%	5.4%	6.3%
ND	3.6%	1.0%	4.6%	5.5%

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National	9.29%	3.92%	13.20%
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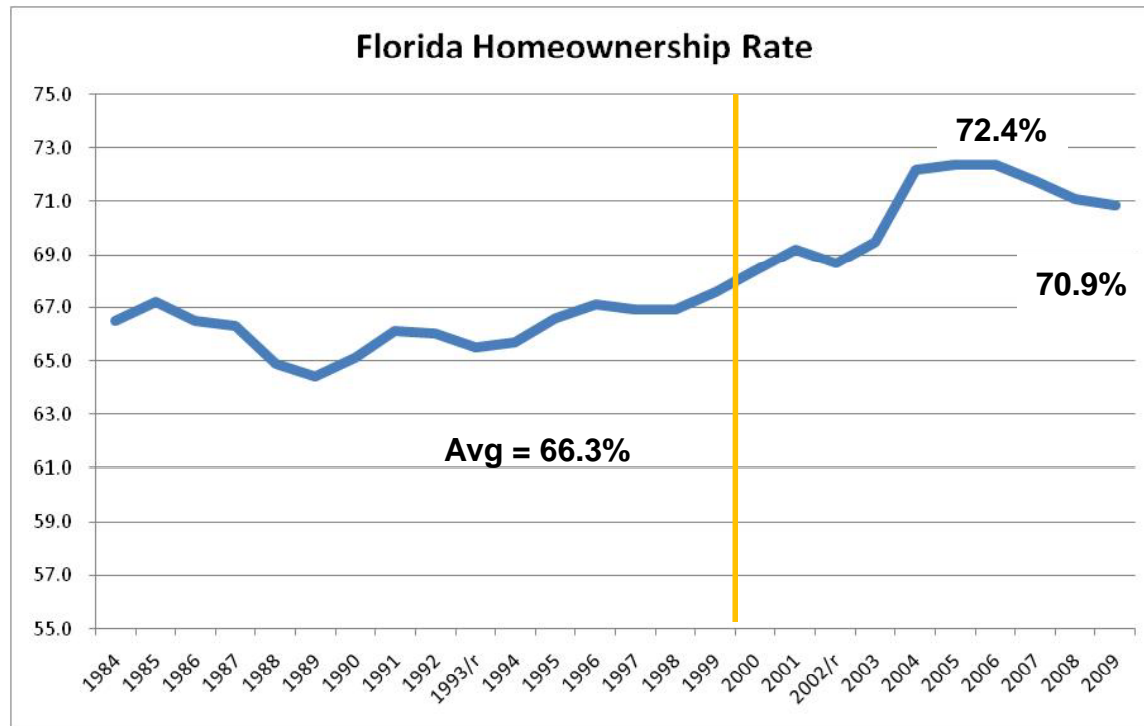
Foreclosures adding more to inventory than Sales are subtracting.
(LPS Data for October)

Sales Mix Points to Lower Prices



Twelve Month	Total Sales	REO & Short Sales	REO & Short Sales as % of Total Sales	Cash Sales	Cash Sales as % of Total Sales	Financed Sales	Financed Sales as % of Total Sales
Sep-09	21,449	11,123	51.9%	4,693	21.9%	5,633	26.3%
Aug-10	21,280	12,212	57.4%	5,477	25.7%	3,591	16.9%

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.

2009 and 2010 Bank Failures



Forty-two Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, and another twenty-eight so far this year.

Credit Conditions Have Tightened

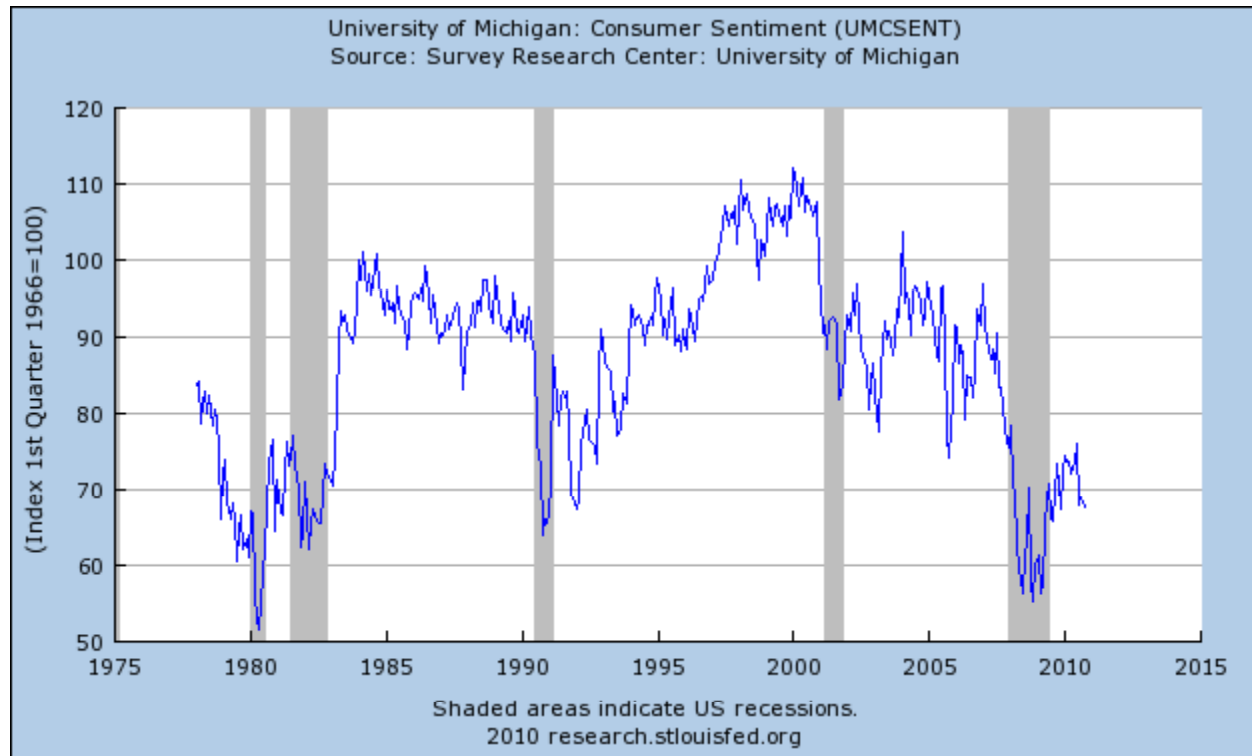
Question to Senior Loan Officers:

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		Large Banks		Other Banks	
	Oct %	July %	Oct %	July %	Oct %	July %
Tightened considerably	0.0	0.0	0	0.0	0.0	0.0
Tightened somewhat	13.0	3.6	3.3	0.0	25.0	7.7
Remained basically unchanged	83.3	87.3	90.0	82.8	75.0	92.3
Eased somewhat	3.7	9.1	6.7	17.2	0.0	0.0
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

October 2010 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Perceptions Are Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (67.7 in October versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (September: 74 versus a record low 59 twenty-eight months ago) is roughly following the national trend but seems to have more volatility.

Economy Slowly Recovering

Florida growth rates are beginning an expected slow return to more typical levels. But, drags are more persistent than past events, and it will take years to climb out of the hole left by the recession. Overall...

- The national economic recovery is running its course and, more importantly, the financial markets are recovering stability – although they are still 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.

Florida Risks to the Forecast

- Florida is on a different recovery path than the nation as a whole --- Deepwater Horizon Oil Spill exacerbated the differences.
- Recovery will be uneven, and there will be many ups and downs over the next eighteen months.
- Most of these events have already been built into the prior forecasts --- but not the Oil Spill effects.
- 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.

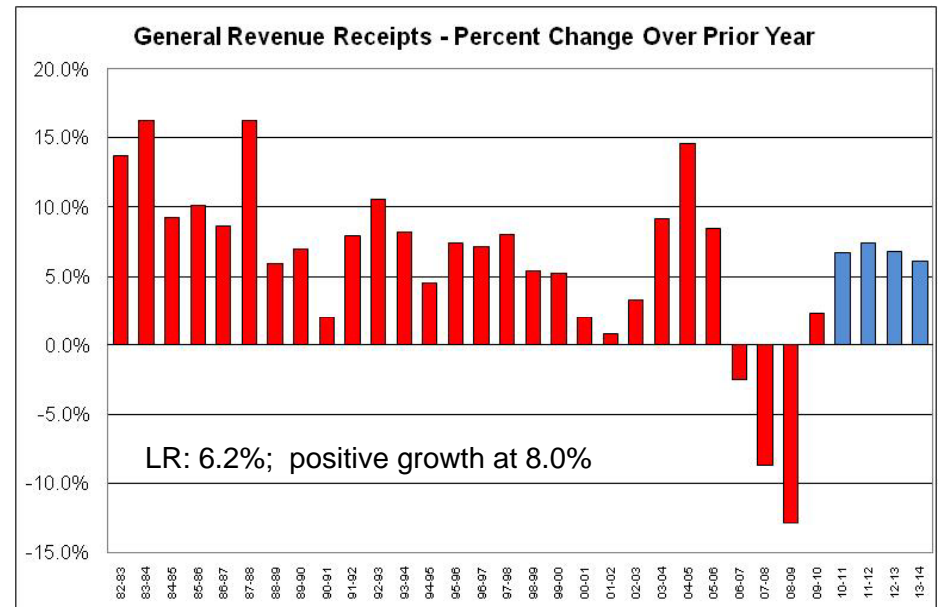
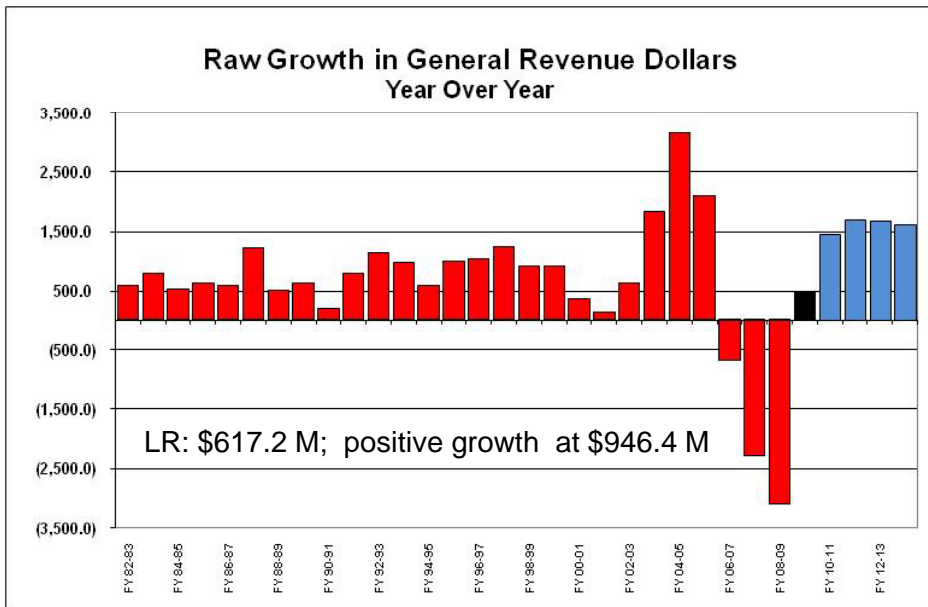
Known Threat & Black Swans

Known Threat: Deepwater Horizon Oil Spill impacts

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

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures (solvency issues).
- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$274 million.
- Double-Dip or, more accurately, Back-to-Back Recessions (Moody's Analytics at 30%; Global Insight at 20%)

General Revenue Outlook



Fiscal Year	March Forecast	Post-Session Forecast	DIFF	New Forecast	Difference (New - Rev)	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	21056.9	21294.3	237.4	21523.1	228.8	497.5	2.4%
2010-11	22465.7	22706.1	240.4	22967.0	260.9	1443.9	6.7%
2011-12	24275.4	24338.3	62.9	24672.7	334.4	1705.7	7.4%
2012-13	25988.8	26121.7	132.9	26341.6	219.9	1668.9	6.8%
2013-14	27739.6	27877.7	138.1	27955.7	78.0	1614.1	6.1%

Since the Last Forecast:

August \$ -63.0 million
 September \$ -152.7 million
 October \$ +87.3 million

YTD \$ -136.1 million
 (another sizable loss expected in Nov)

Budget Outlook...

- In the Long-Range Financial Outlook released in September, the projected gap between available revenues and the cost of critical and other high priority needs was \$2.5 billion for next year's budget.
- Based on the Fall Estimating Conferences, this gap is likely to grow:
 - Another significant increase in Medicaid – on top of the one previously identified in the Long-Range Financial Outlook – is likely. Medicaid is already the single largest driver in next year's budget projections.
 - Reductions in key revenue forecasts , including those yet to be adopted.



Key Revenue Streams for Next Year

FY 2011-12 Compared to Estimates for Long-Range Financial Outlook		
<i>Final</i>	Education Enhancement Trust Fund Lottery Slot Macines	Essentially Flat Down 23.6% (Miami Jai-Alai & Sales)
<i>Final</i>	Article V Fees & Transfers	Essentially Flat
<i>Final</i>	Tobacco Tax and Surcharge General Revenue Trust Funds	No Change No Change
<i>Final</i>	Highway Safety Fees General Revenue Trust Funds	Down 3.6% (Init Reg, Titles & MVL) Mixed
<i>Final</i>	Ad Valorem	Down (was up + 0.73%; now down -1.21%)
<i>TBD</i>	Gross Receipts Tax / CST / PECO	Likely Down
<i>TBD</i>	Transportation Revenues / STTF	Likely Down
<i>TBD</i>	General Revenue	Likely Down