

Florida: An Economic Overview

March 16, 2009

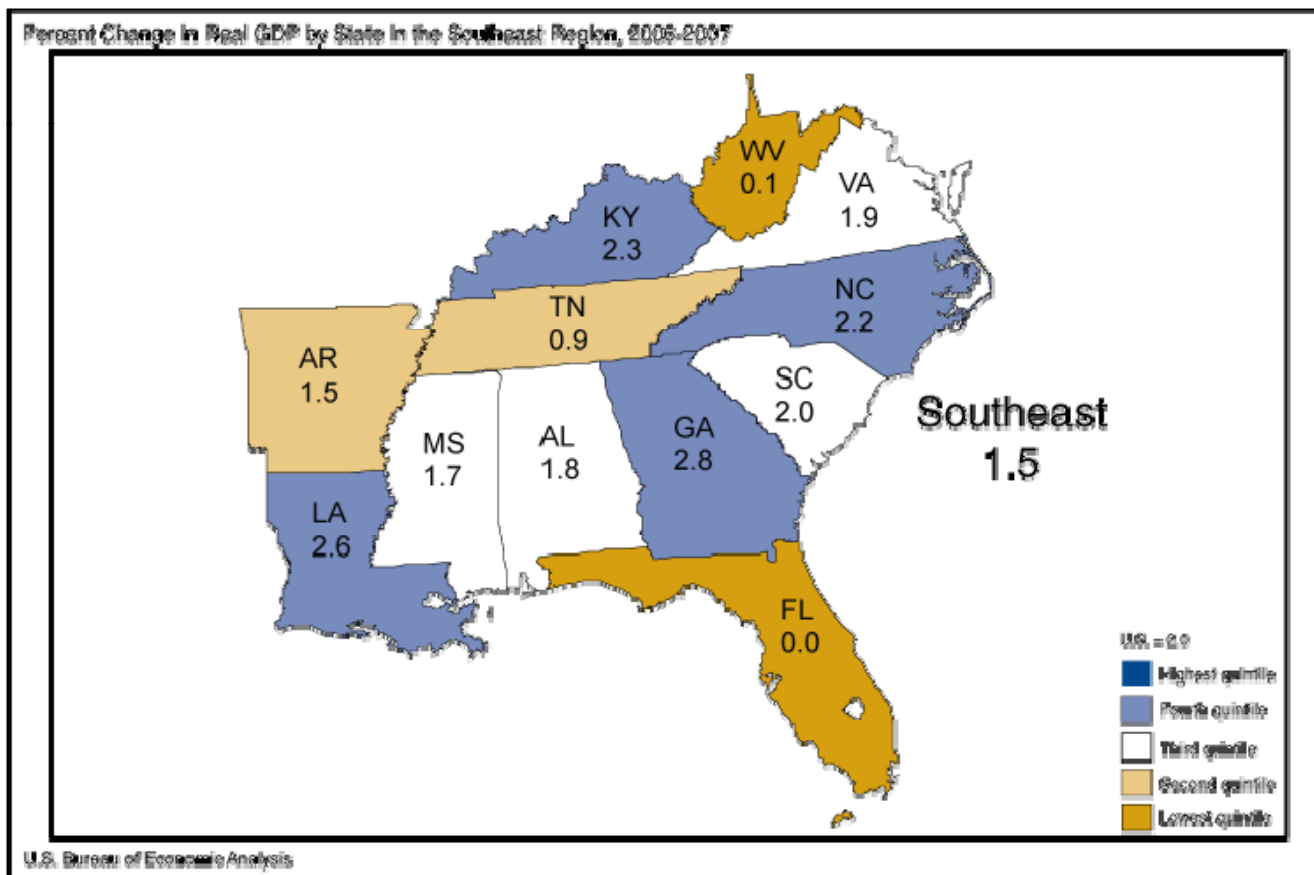
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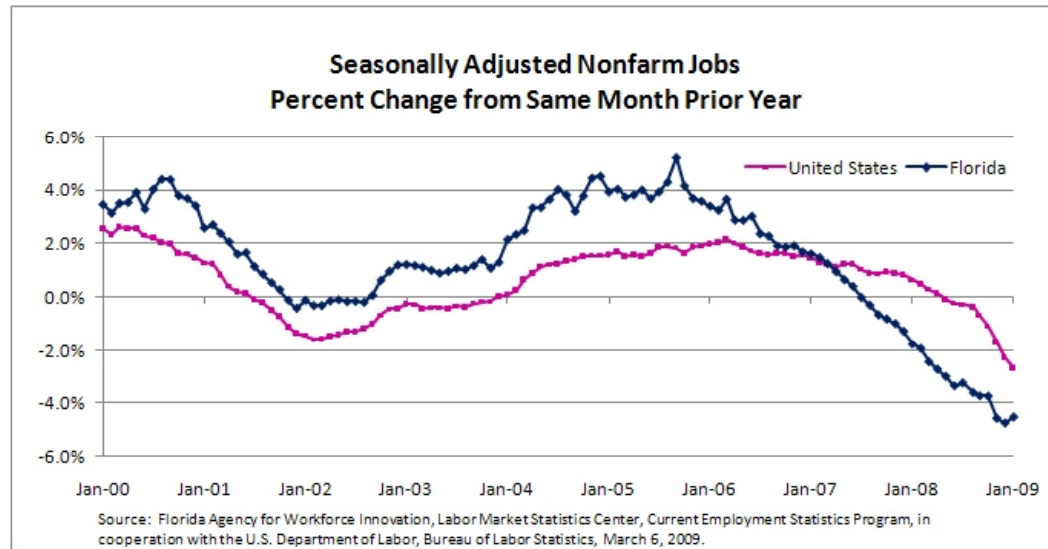
The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

More Measured Economy

- Florida's growth is now decelerating. State Gross Domestic Product (GDP) ranks us 47th in the nation in real growth (12th in 2006 and 2nd in 2005). Quarterly personal income growth now negative (-0.3%, Q3).

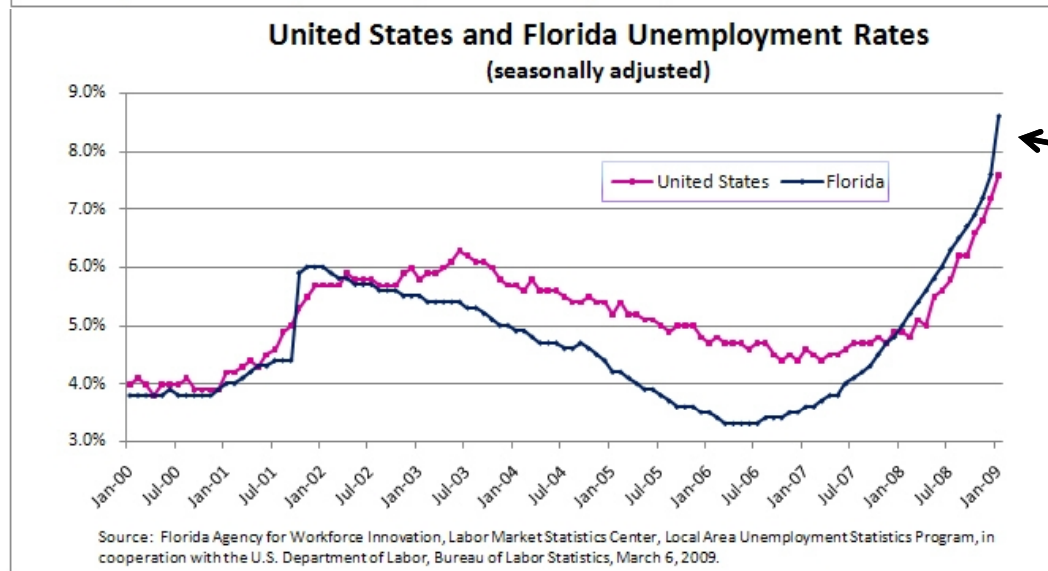


Employment Softens



Jan (YOY)

US -2.7%
FL -4.5%
(-355,700 jobs)



January

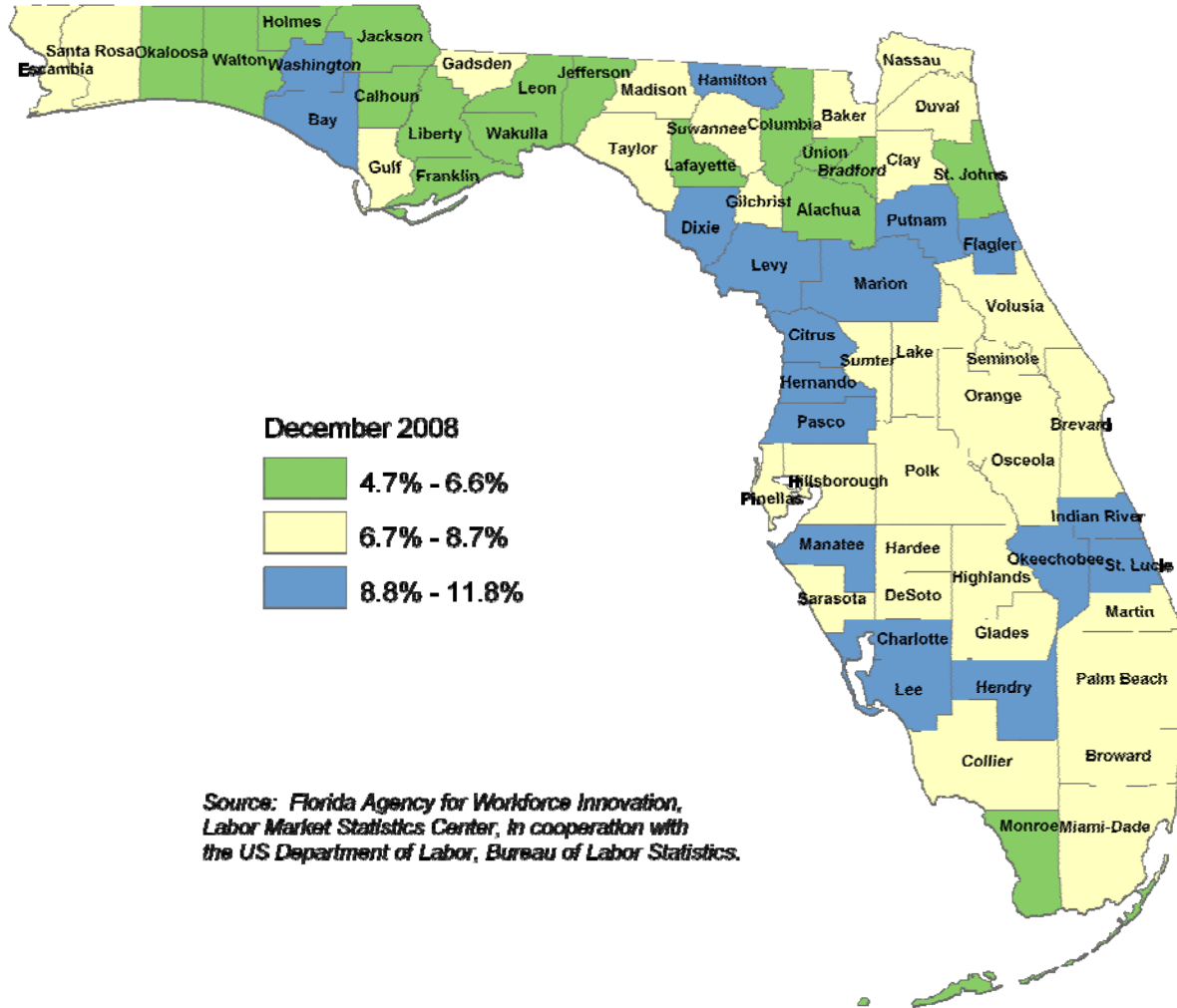
US 7.6
FL 8.6
(800,000 people)

Projected

FL 10.2
January, 2010



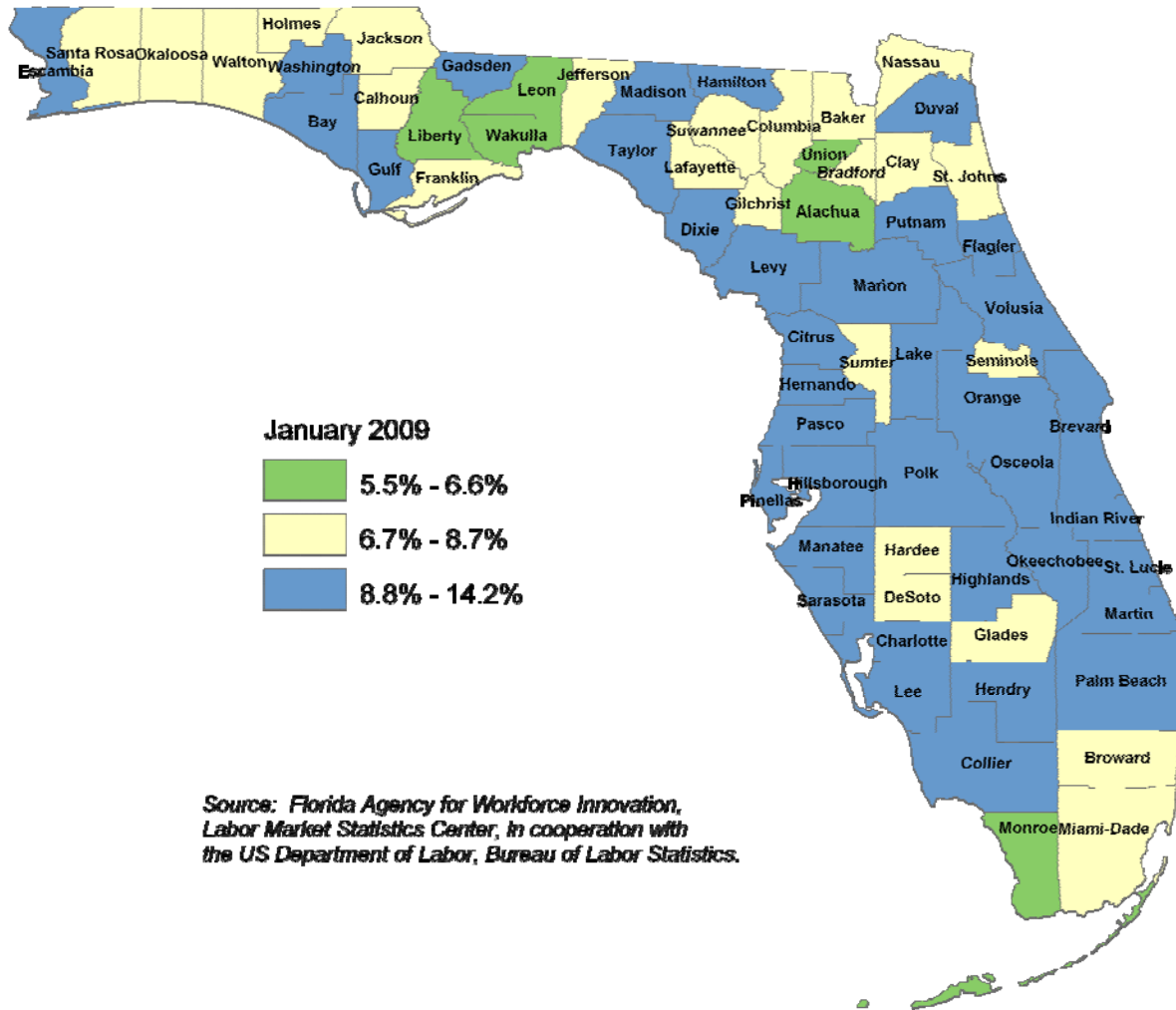
Unemployment Rates



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



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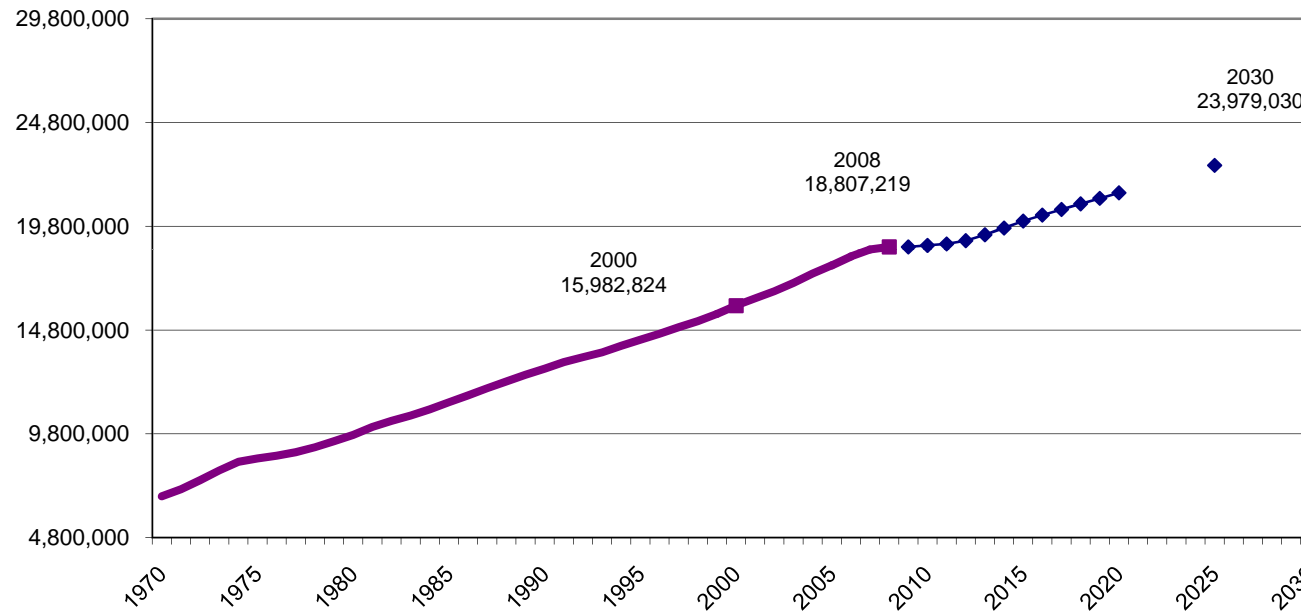


Population Growth Slowing

- 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 – 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

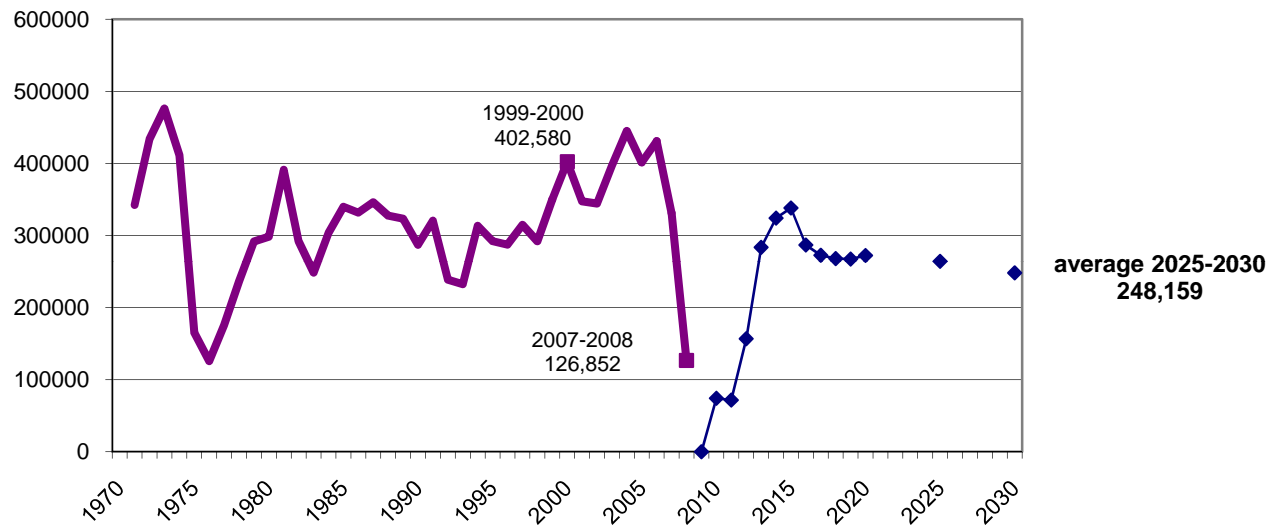


Florida's population:

- 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:

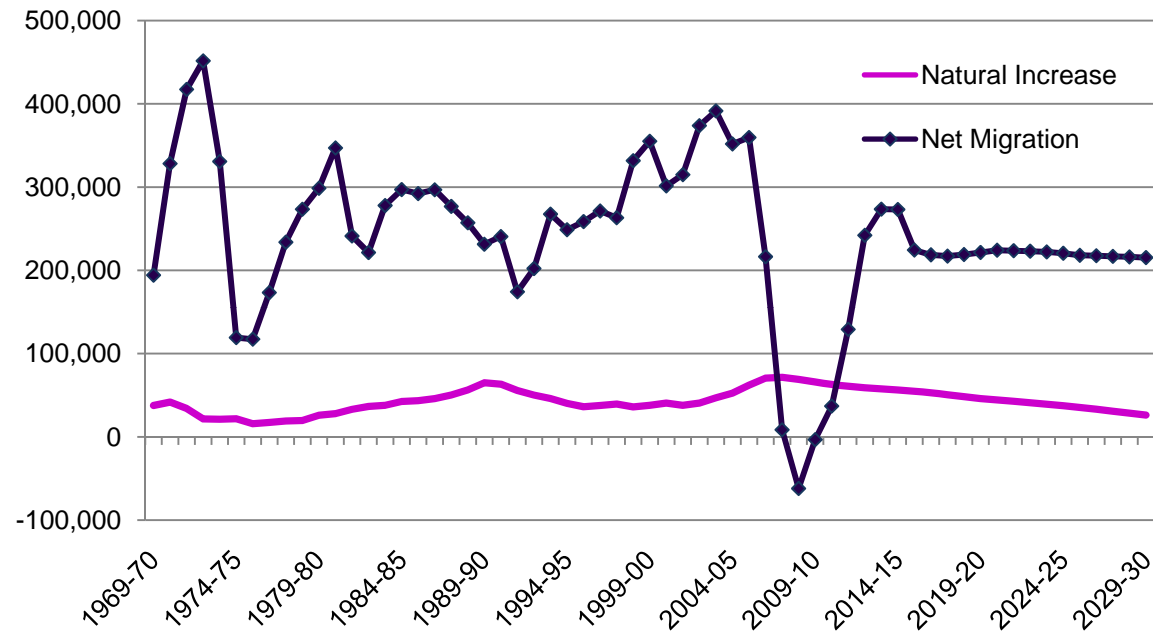
- 445,224 between 2003 and 2004
- 126,852 between 2007 and 2008

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



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.

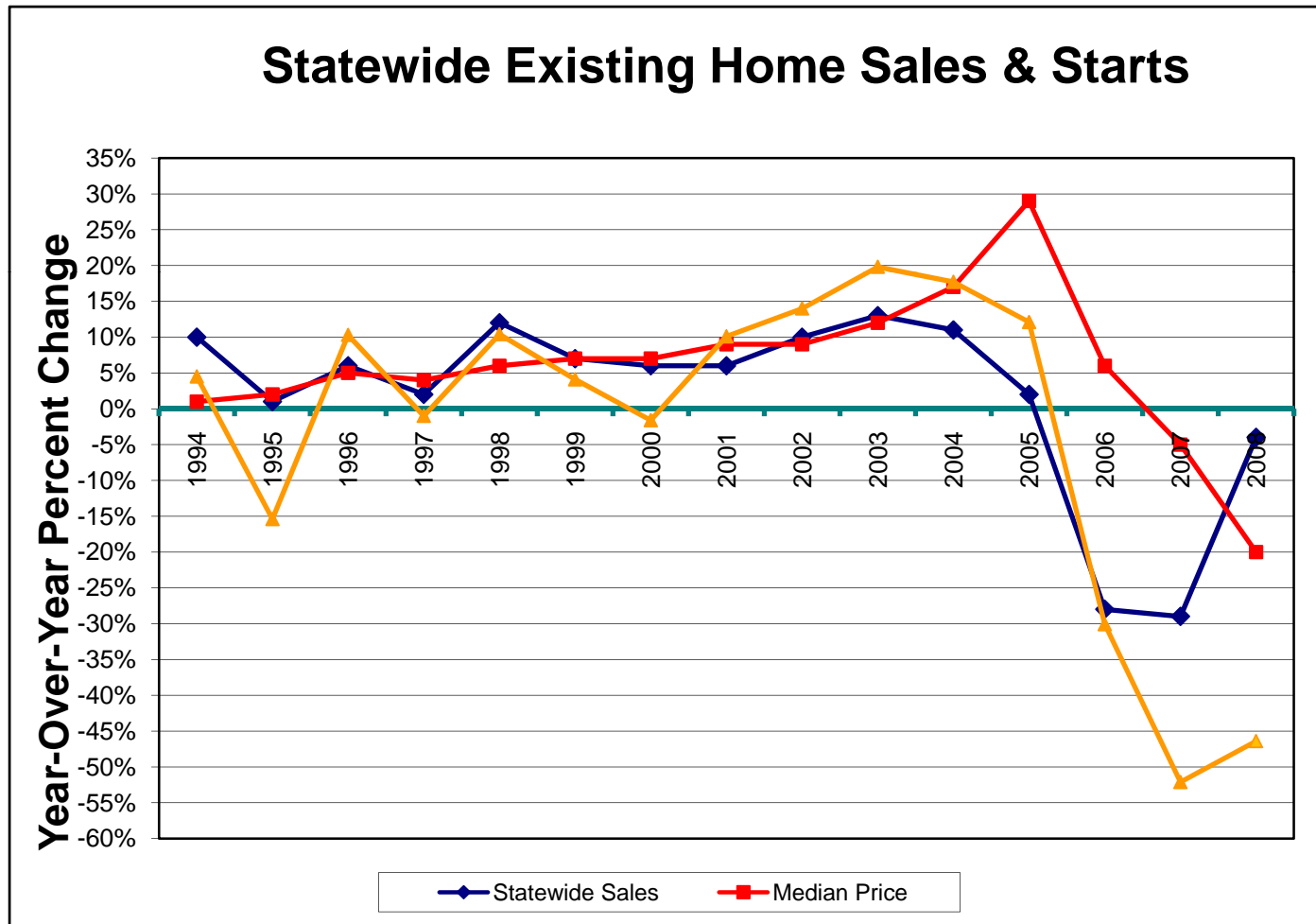


The Reasons?

- US economy is being simultaneously buffeted by three major shocks:
 - Home prices have fallen at the national level for the first time since the Great Depression (down over 20% from the peak),
 - Financial markets are experiencing their worst credit crunch since the late 1980s at best – maybe since the Great Depression, and
 - The U.S. recession has spread globally, causing additional feedback loops.
- Florida has been particularly hit hard by the two housing-related shocks: home prices and credit tightening.



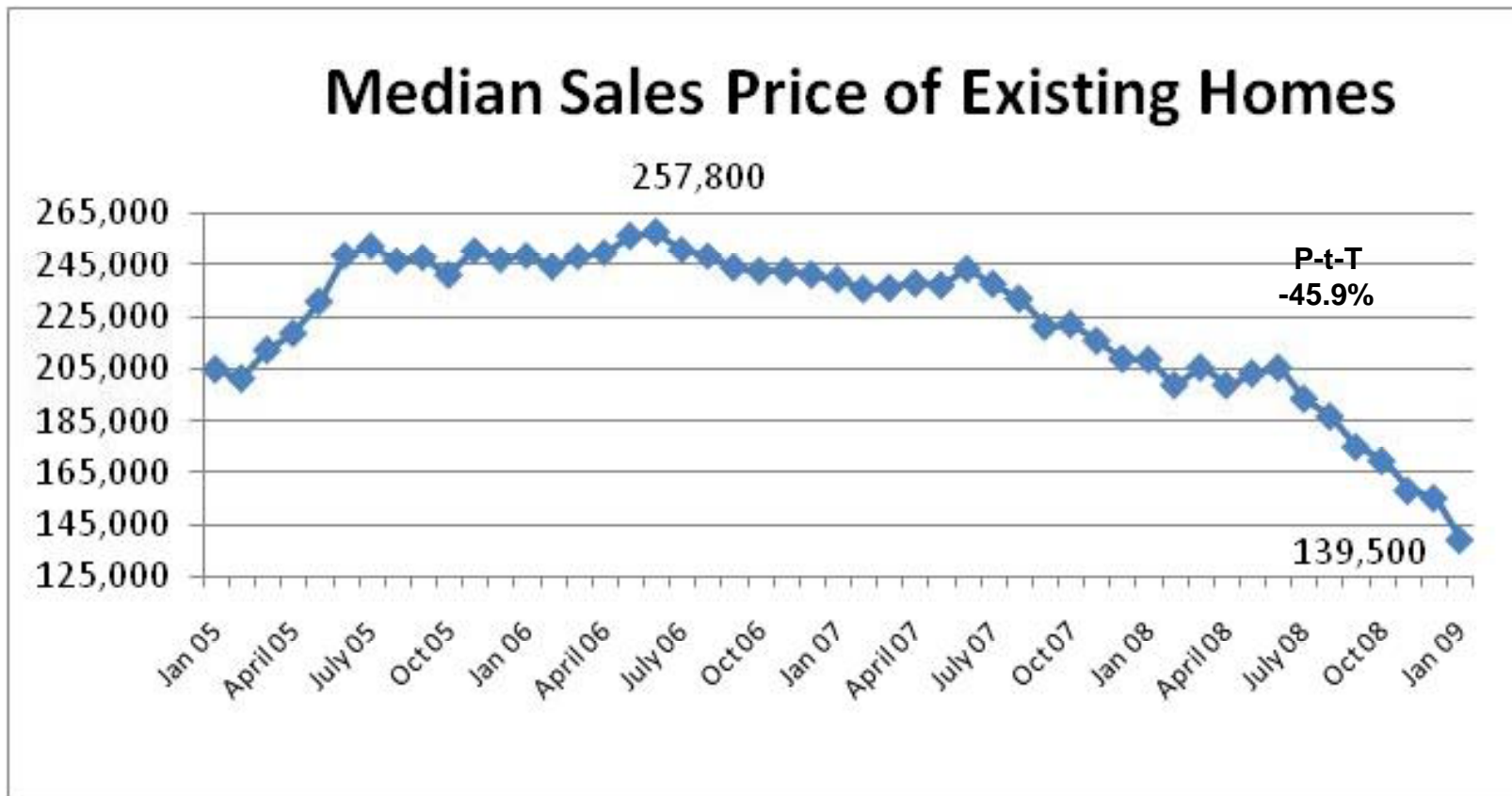
Florida Housing



Existing Homes Sales



Existing Home Prices



Foreclosure Filings

Properties with Foreclosure Filings in February, 2009

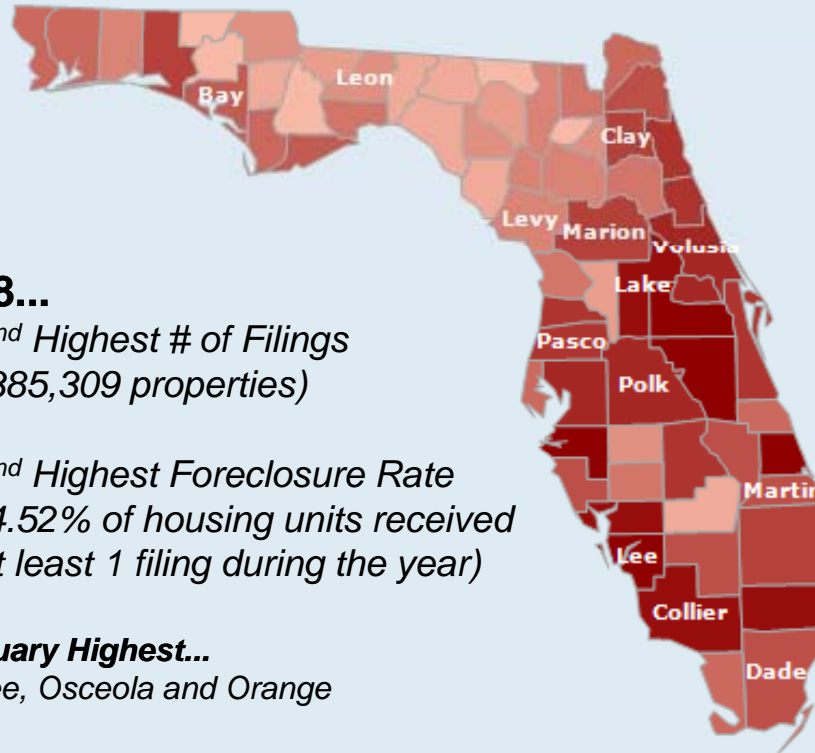
2008...

*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



Foreclosure Actions to Housing Units

1 in 64 Housing Units

1 in 5,187 Housing Units

High

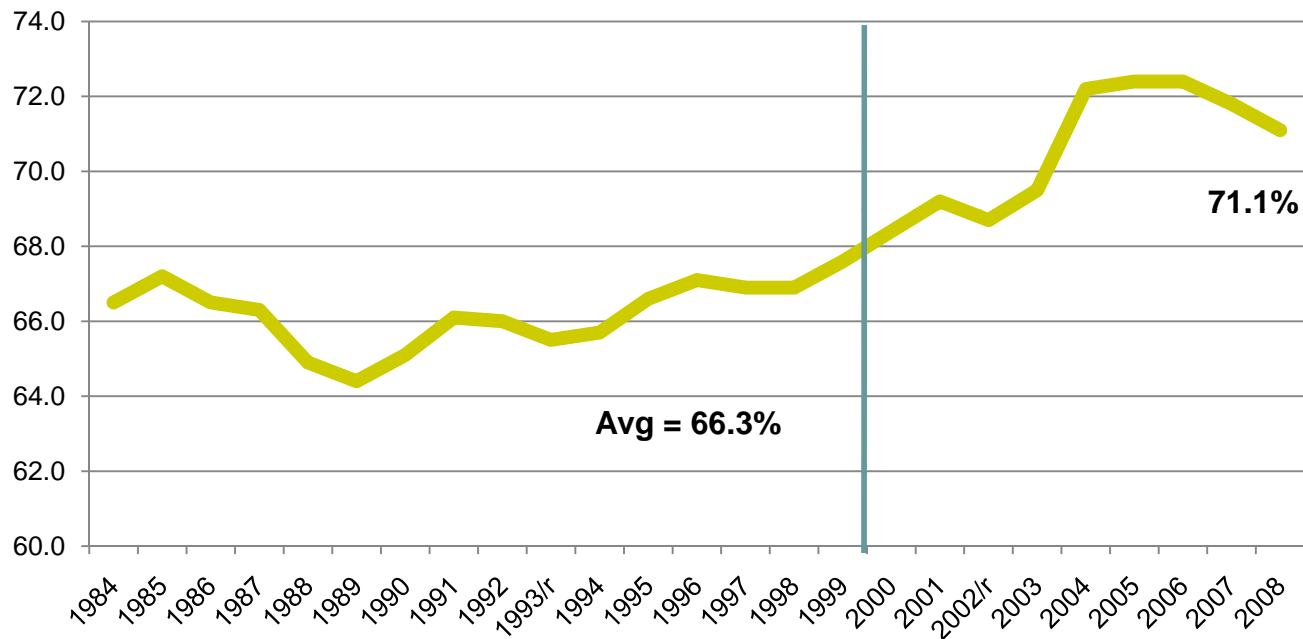
Med

Low



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.



Recession – Now A Reality

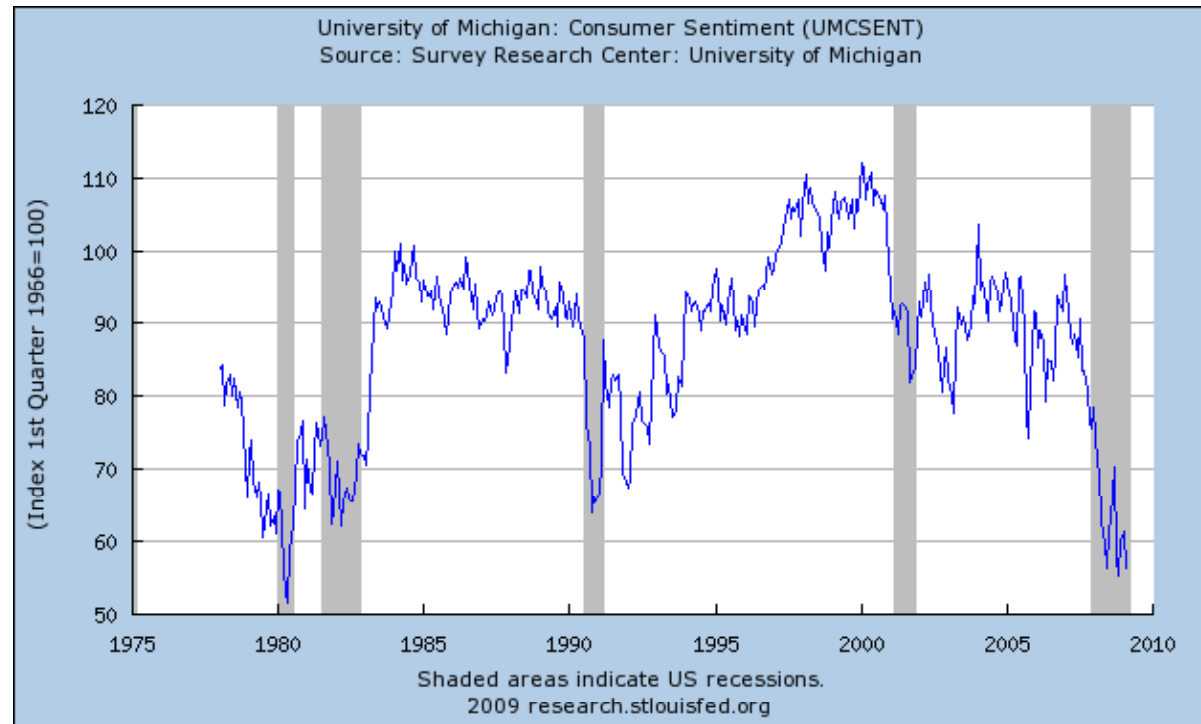
- United States economy has officially been in a recession since December 2007.
- Already longer than the last two recessions – and projected to last through September 2009 for a total of 22 months.

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



Sentiment is Eroding

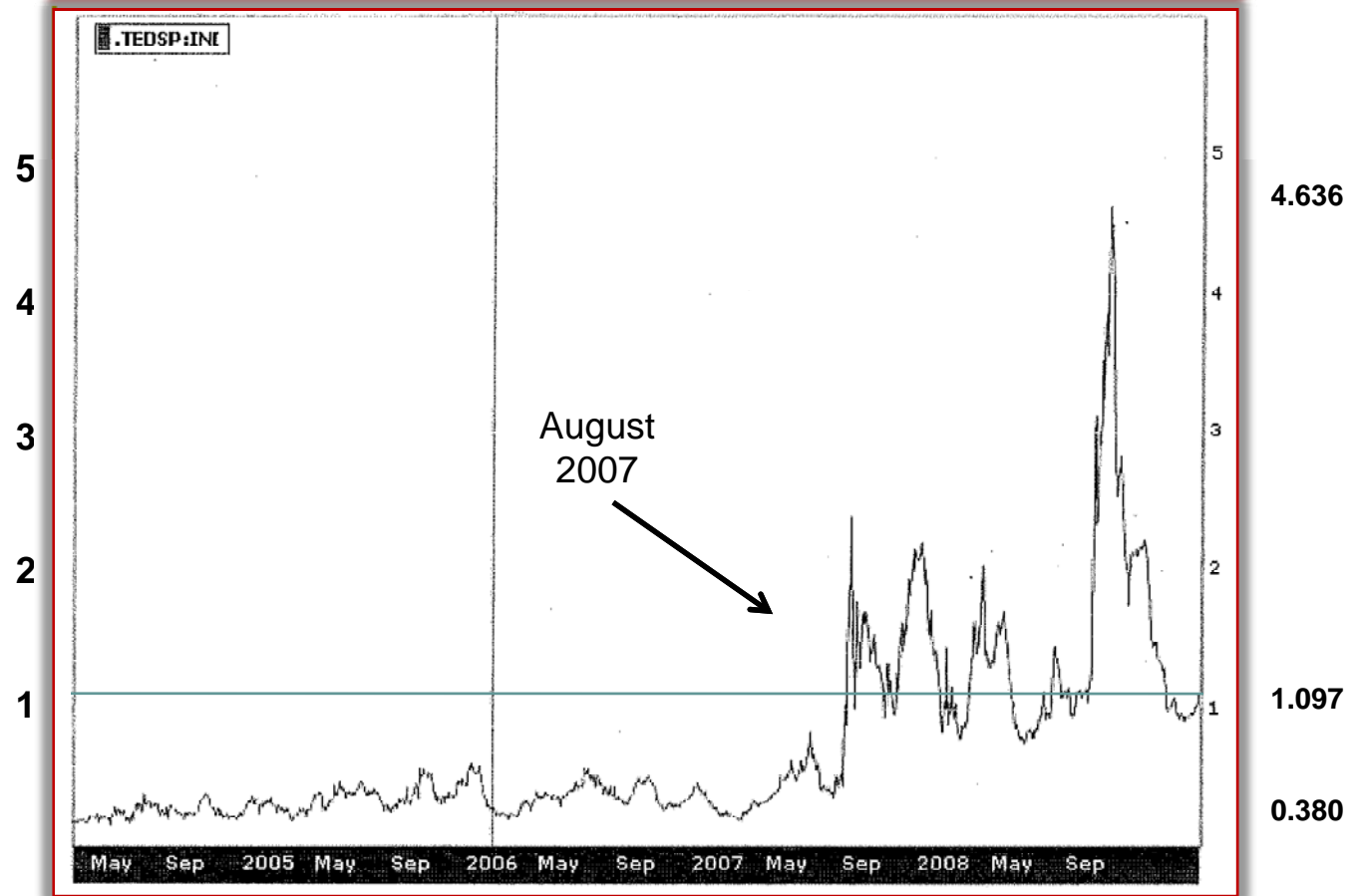


- Consumer sentiment can be a leading indicator of recession: nationally, it is near the lowest levels ever obtained (56.3 in February versus 51.7 in May 1980). Only three months have been lower in the history of the index.
- Florida's consumer confidence (February: 63) remains not too far from its record low (59) set in June.



Credit Market

TED Spread
Difference between 3 mo. Libor and T-bill



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 December: \$174,700 nationally vs. \$155,500 in Florida...11.0% 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.



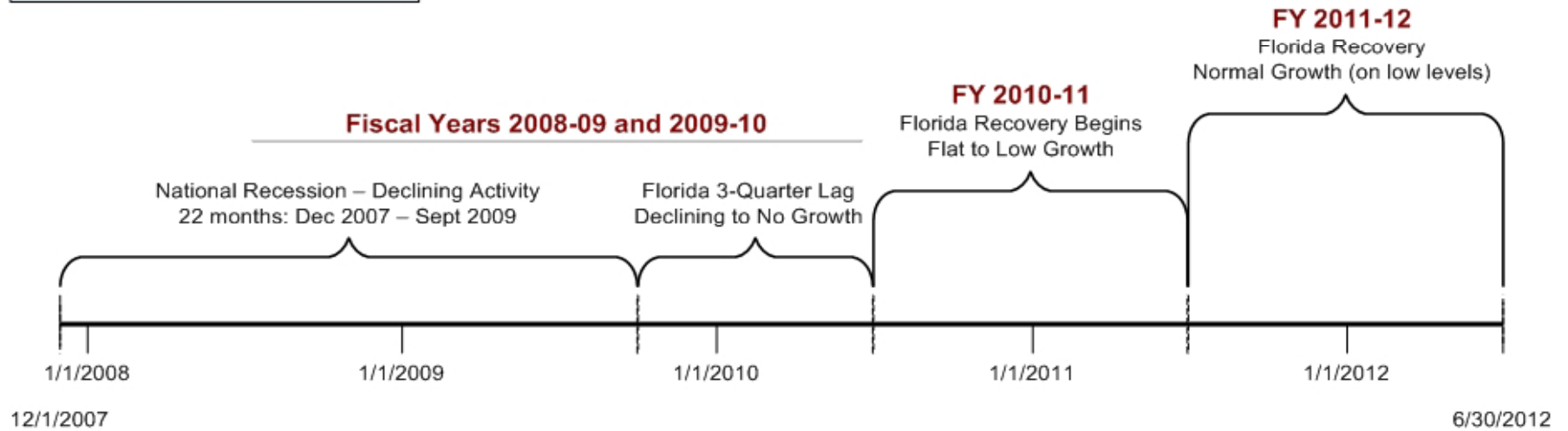
Revenue: Bringing It Together

- Drags are more persistent relative to some past events, and strength will be slow to return.
- Credit Market remains extremely sluggish.
- Global recessionary conditions affect international migration, tourism and spending decisions, as well as exports.
- U.S. Consumers will be 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.

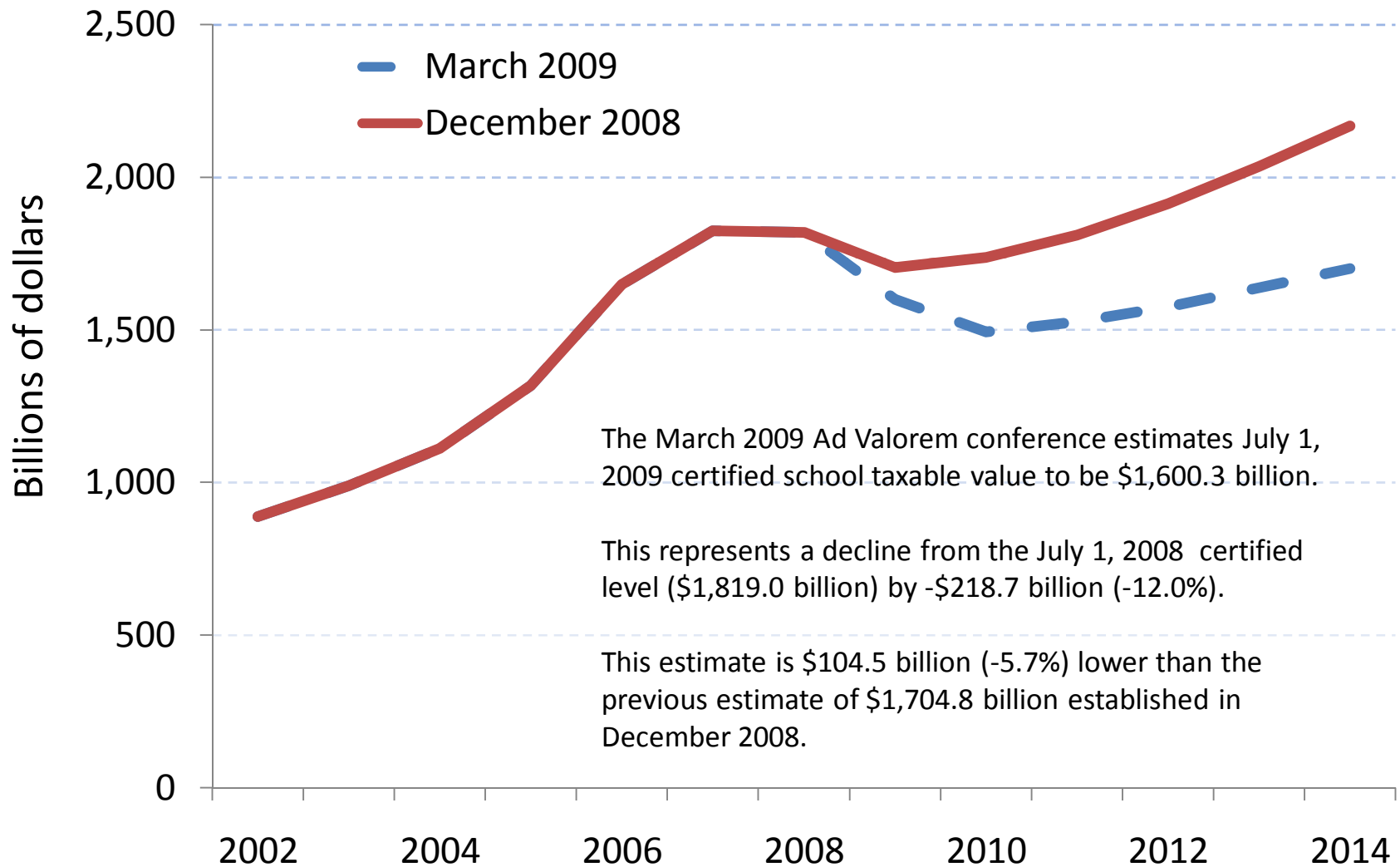
Fiscal Year 2010-11

- 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.

Certified School Taxable Value Comparison of Conference Estimates March 2009 versus December 2008



Lower General Revenue Estimate

Fiscal Year	Old Forecast	March 2009 Forecast	Forecast Difference	Percentage Reduction	Incremental Growth	Growth
2005-06	27074.8	27074.8				8.4%
2006-07	26404.1	26404.1				-2.5%
2007-08	24112.1	24112.1				-8.7%
2008-09	22018.0	20944.6	-1073.4	-4.9%	-3167.5	-13.1%
2009-10	22365.8	19998.4	-2367.4	-10.6%	-946.2	-4.5%
2010-11	24323.1	21091.2	-3231.9	-13.3%	1092.8	5.5%
2011-12	26536.0	23007.9	-3528.1	-13.3%	1916.7	9.1%
2012-13	28556.3	24950.6	-3605.7	-12.6%	1942.7	8.4%

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

