

# Florida: An Economic Overview

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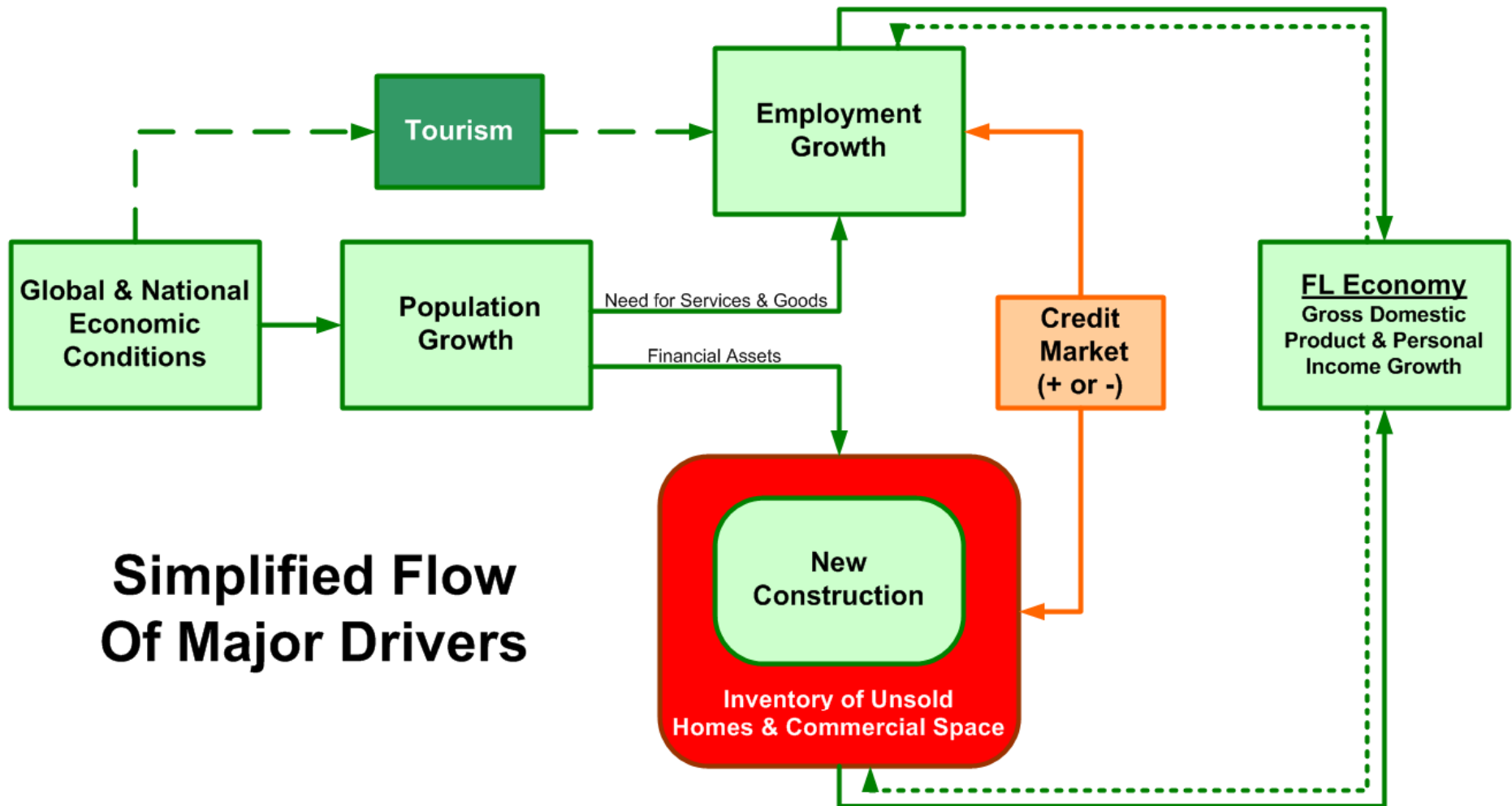
March 28, 2011

Presented by:

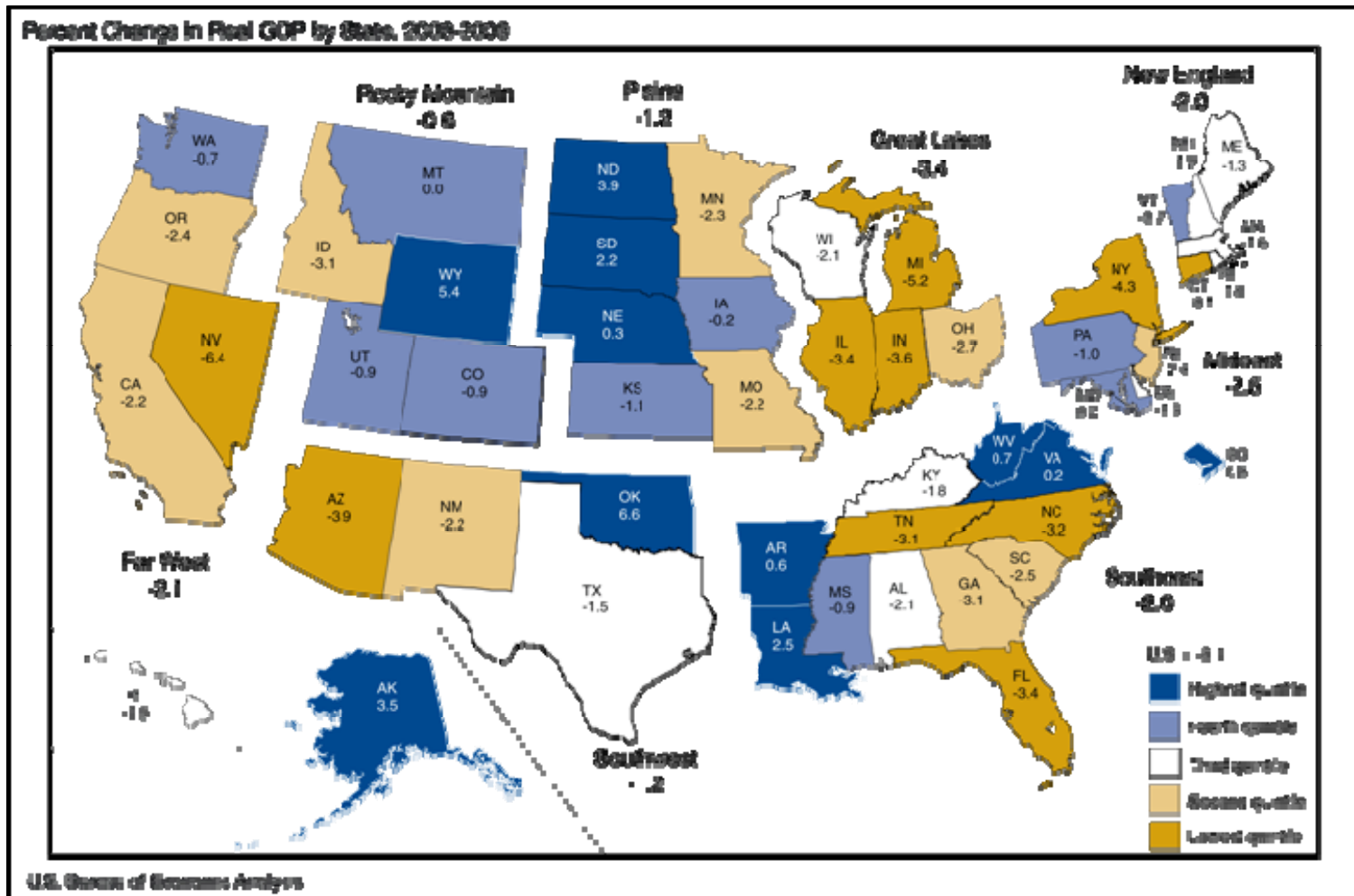


The Florida Legislature  
Office of Economic and  
Demographic Research  
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<http://edr.state.fl.us>

# Today's Economy

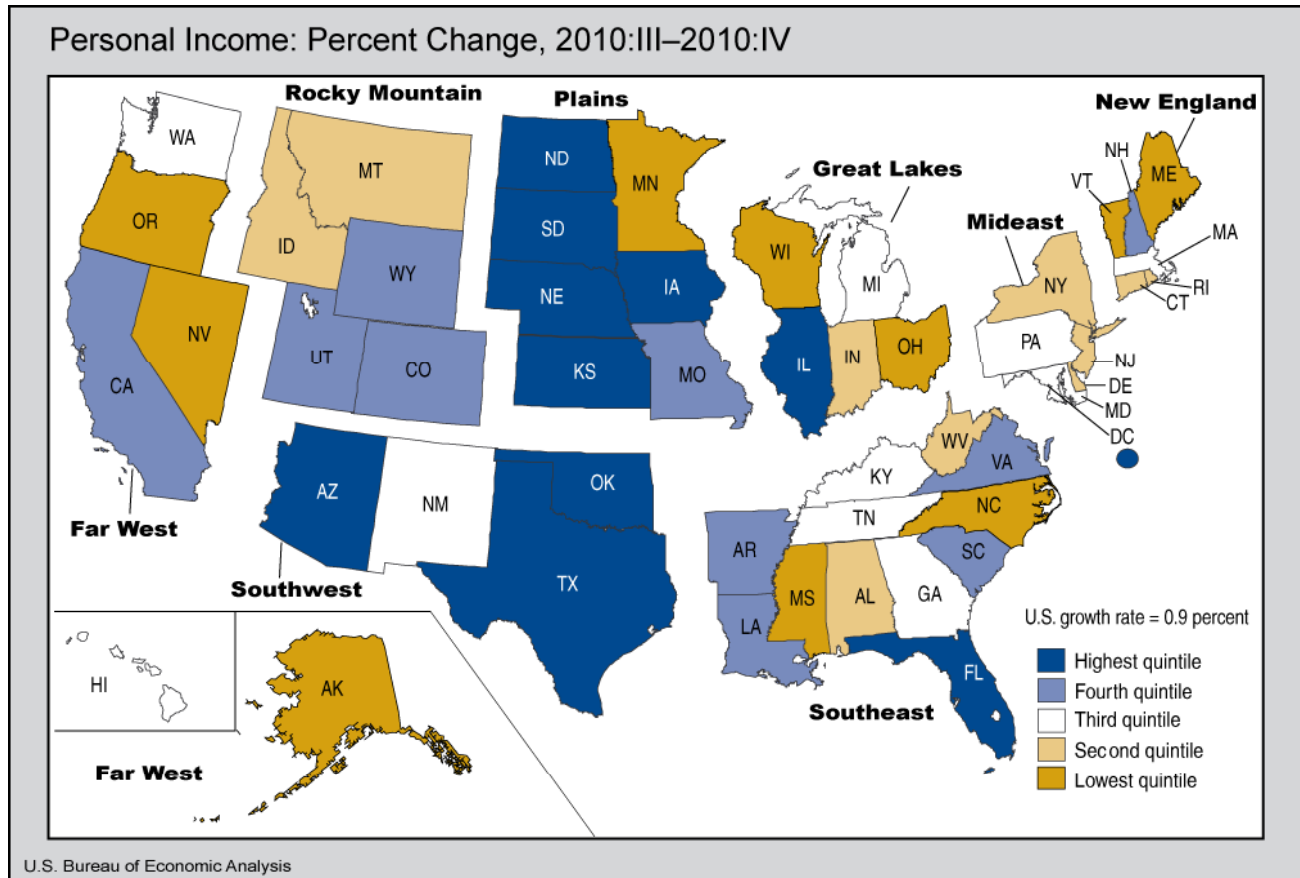


# Economy Lost More Ground in 2009



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

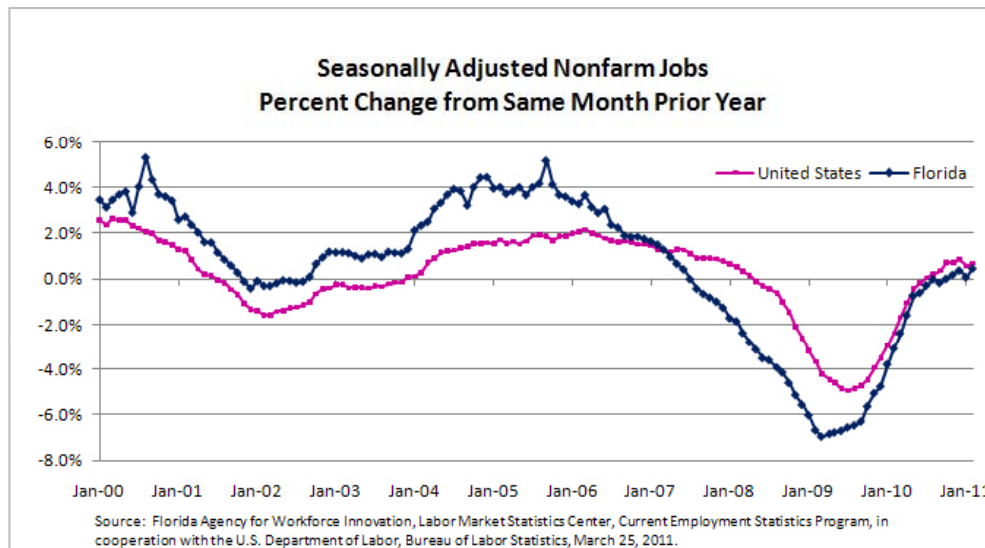
# FL Personal Income Improving



- Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.
- The increase of 1.0% in the most recent quarter (Q4 of the 2010 calendar year) ranked Florida 9<sup>th</sup> in the country. This is noticeably better than last year's ranking at this time – 15<sup>th</sup>.

# Current Employment Conditions

Fifth consecutive month that the state is showing positive over-the-year job growth after losing jobs for three years.



## **February Nonfarm Jobs (YOY)**

US	0.67%
FL	0.46%
YR:	32,700 jobs
Peak:	-887,000 jobs

## **February Unemployment Rate**

US	8.9%
FL	11.5%

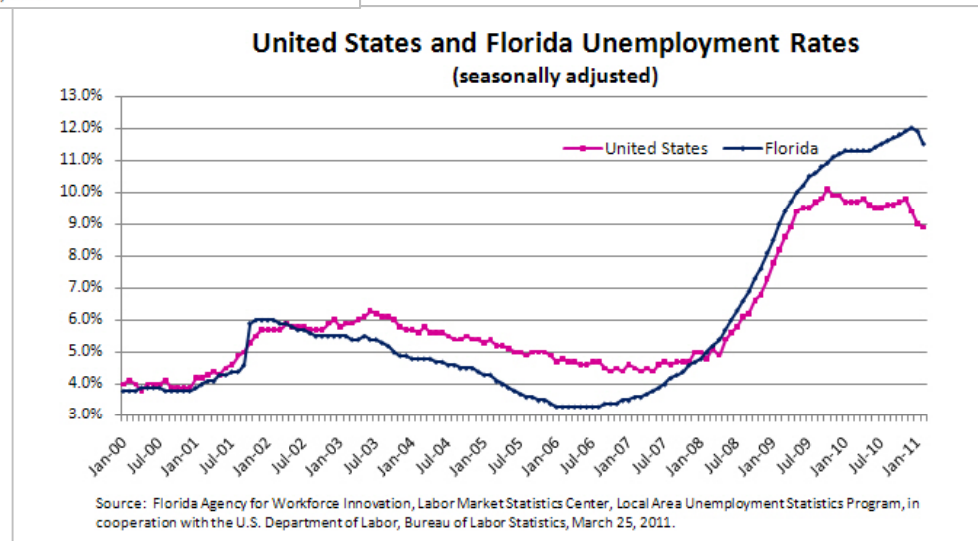
(1.1 million people)  
3rd State in the country

## **Highest Monthly Rate**

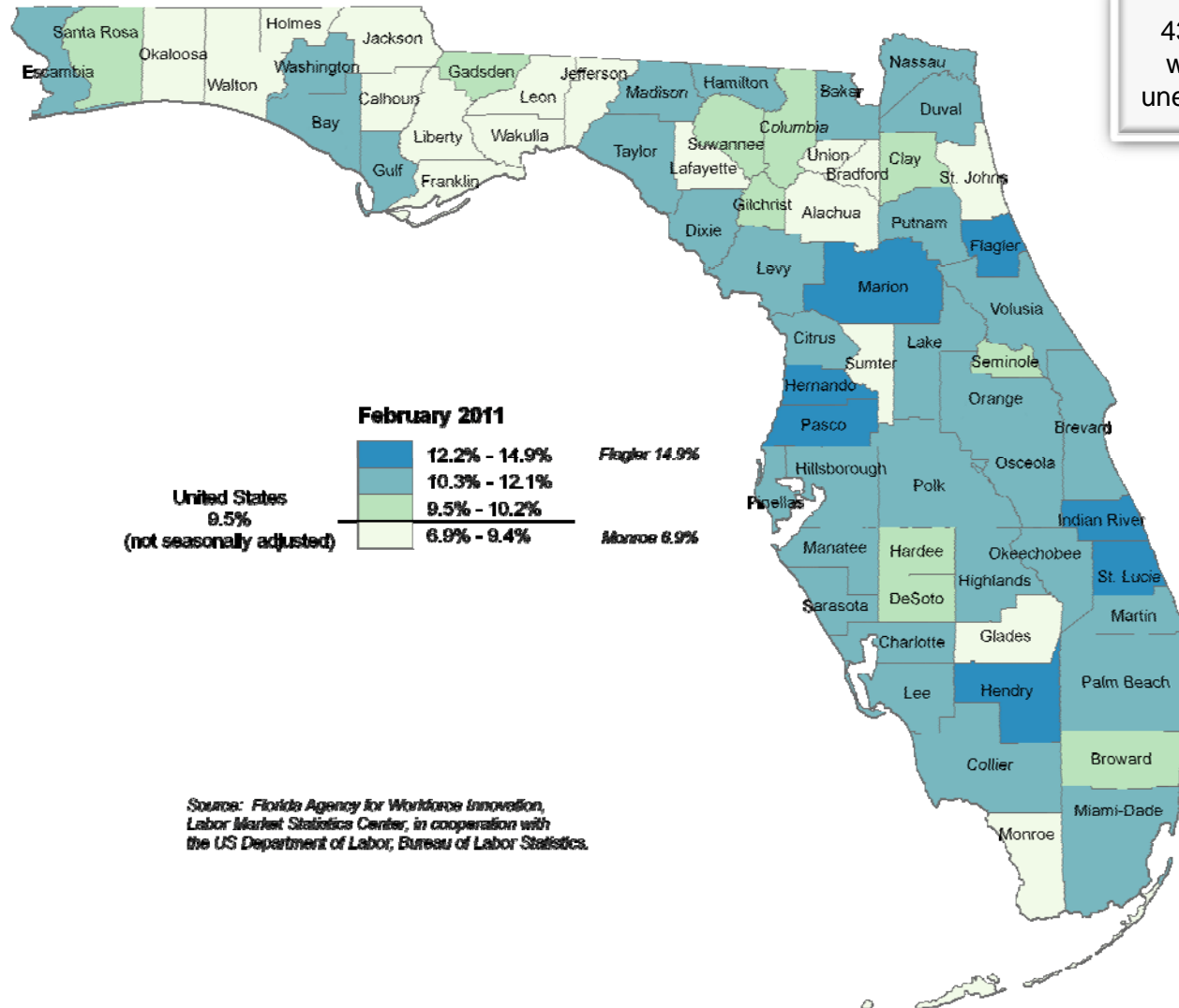
December 2010  
12.0%

## **Forecast Peak**

2011Q1  
12.2%



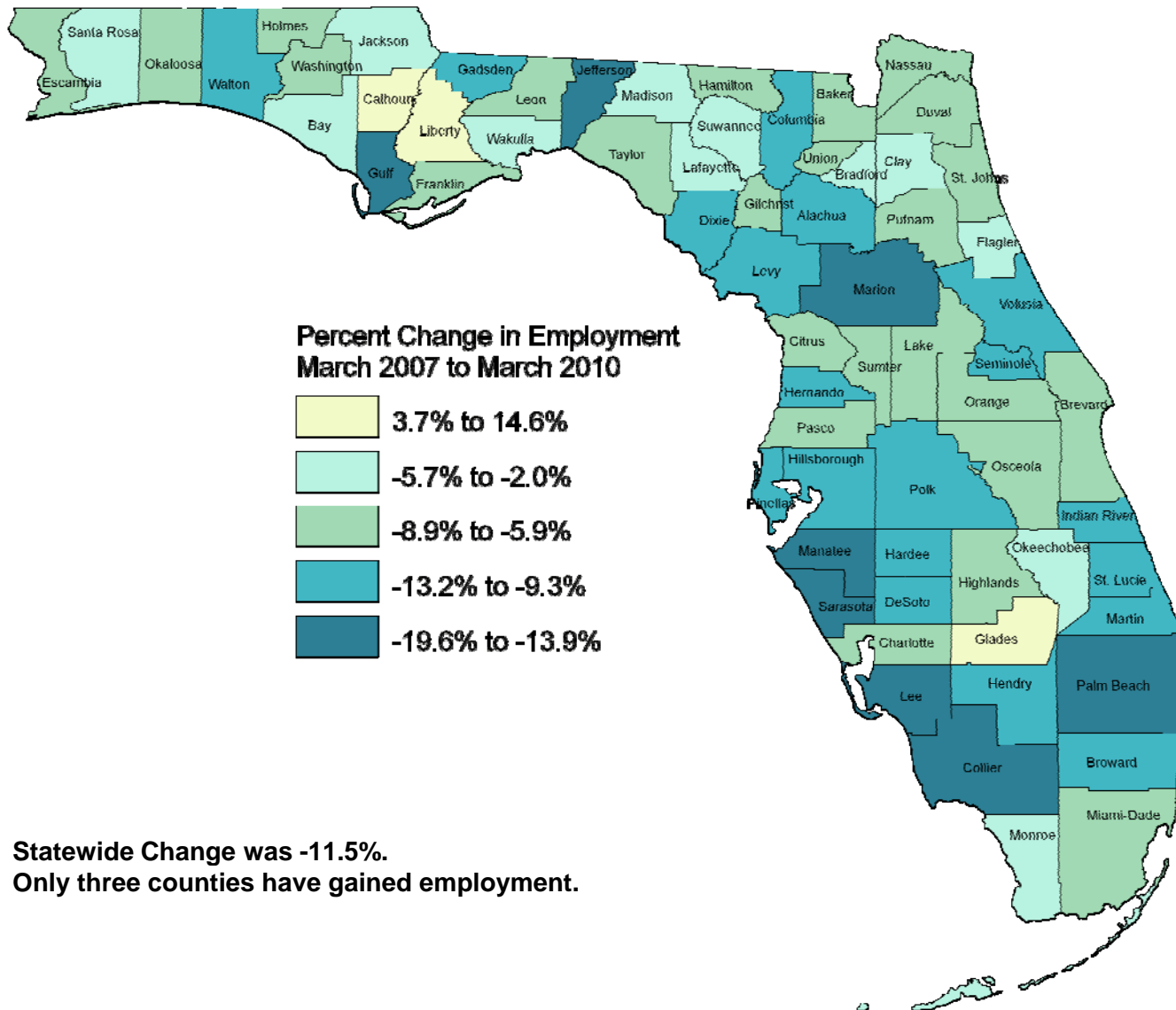
# Unemployment Rates



43 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 887,000 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 about 1,700 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1.1 million jobs for the same percentage of the total population to be working as was the case at the peak.

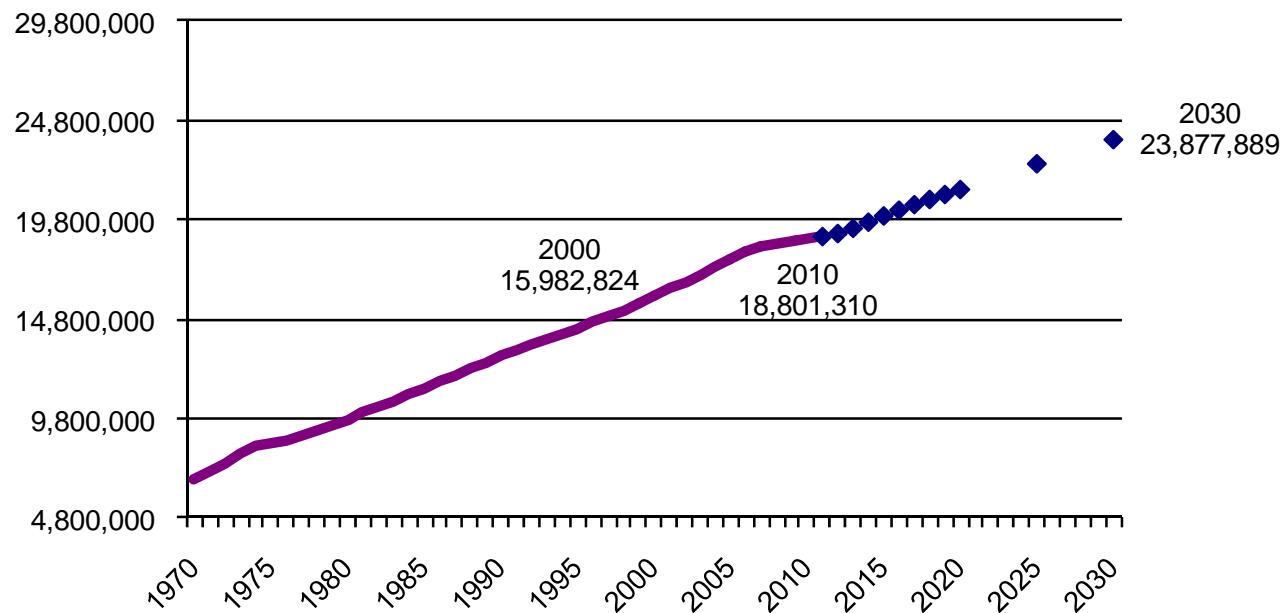




# Population Growth Recovering

- 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 0.7% between 2010 and 2012. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 88% 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

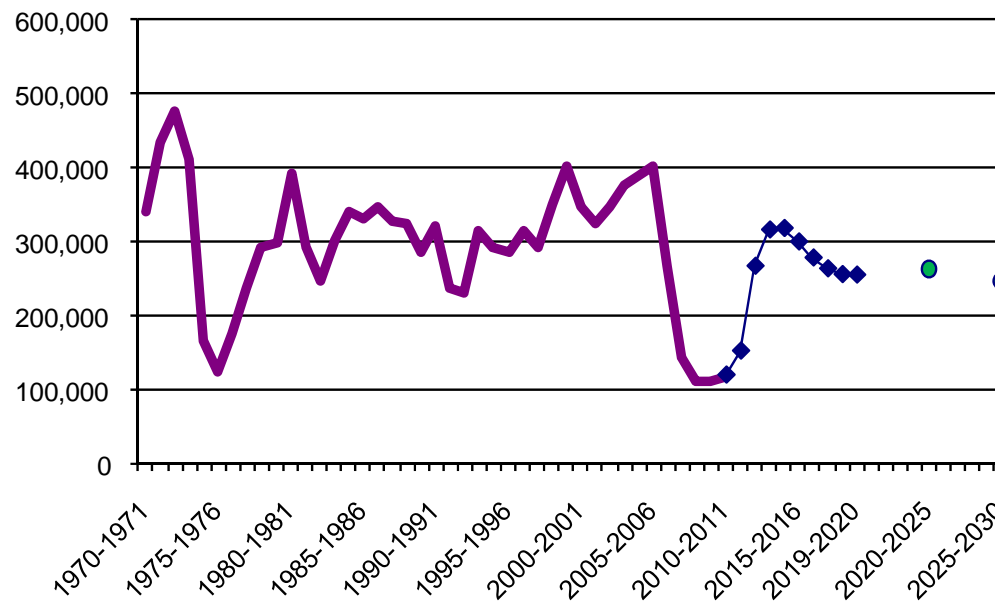


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,877,889 by 2030



# Florida's Population Growth



## Population:

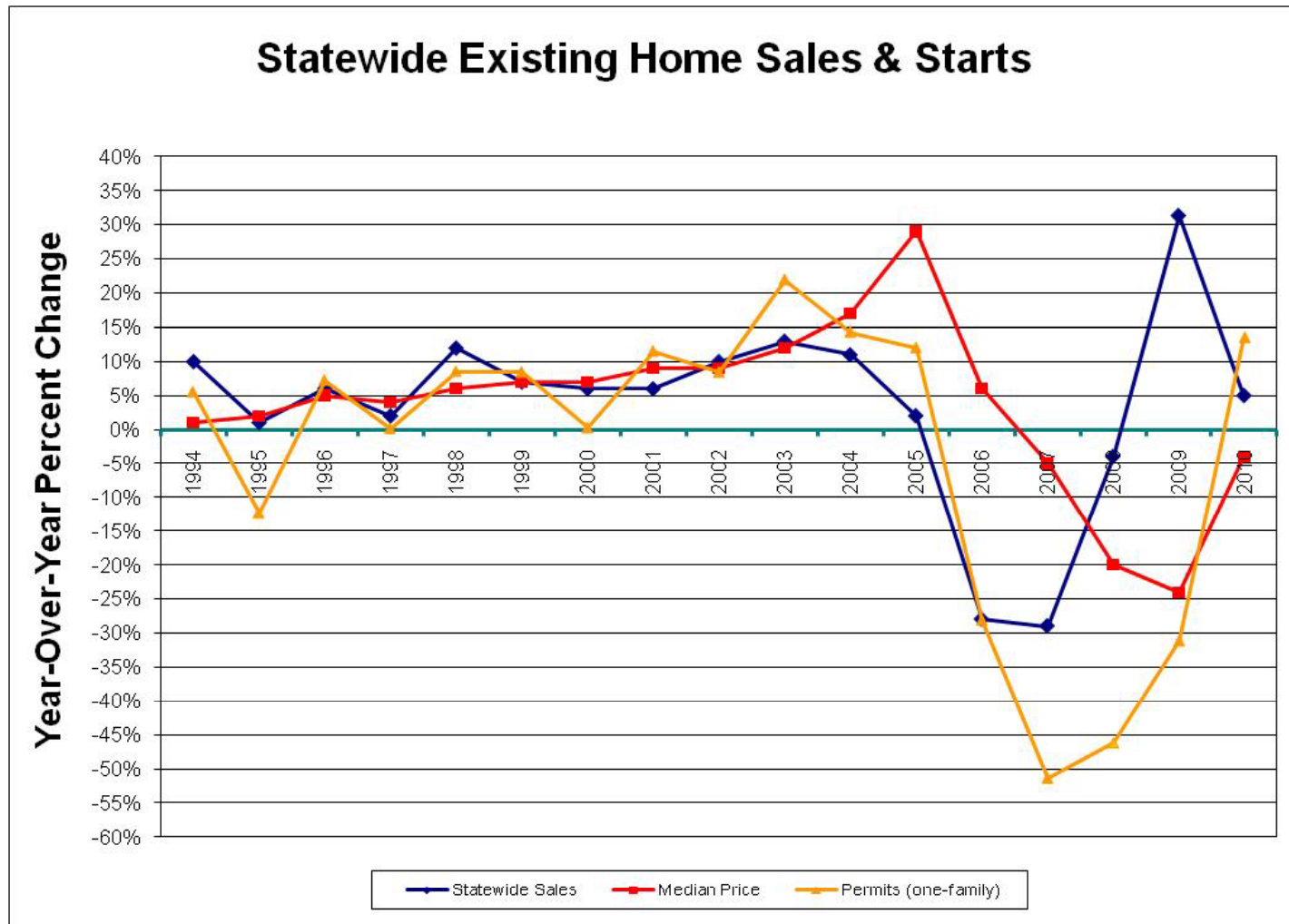
- Average annual increase between 2000 and 2006 was: 364,357
- Average annual increase between 2007 and 2010 was: 121,712

## Population is forecast to increase on average by:

- 234,621 between 2010 and 2015
- 270,447 between 2015 and 2020
- 262,908 between 2020 and 2025
- 247,310 between 2025 and 2030

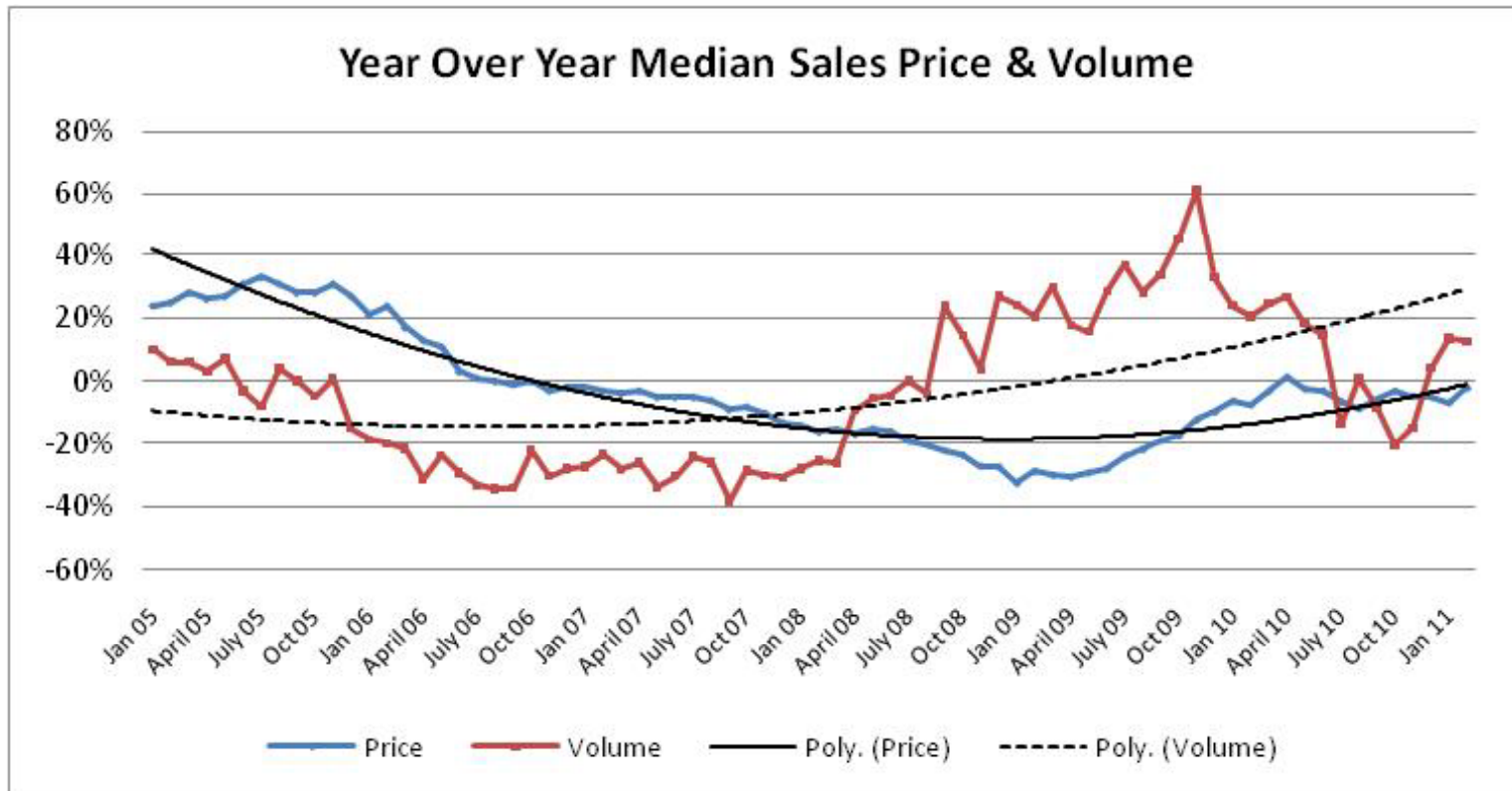


# Florida Housing is Generally Improving



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

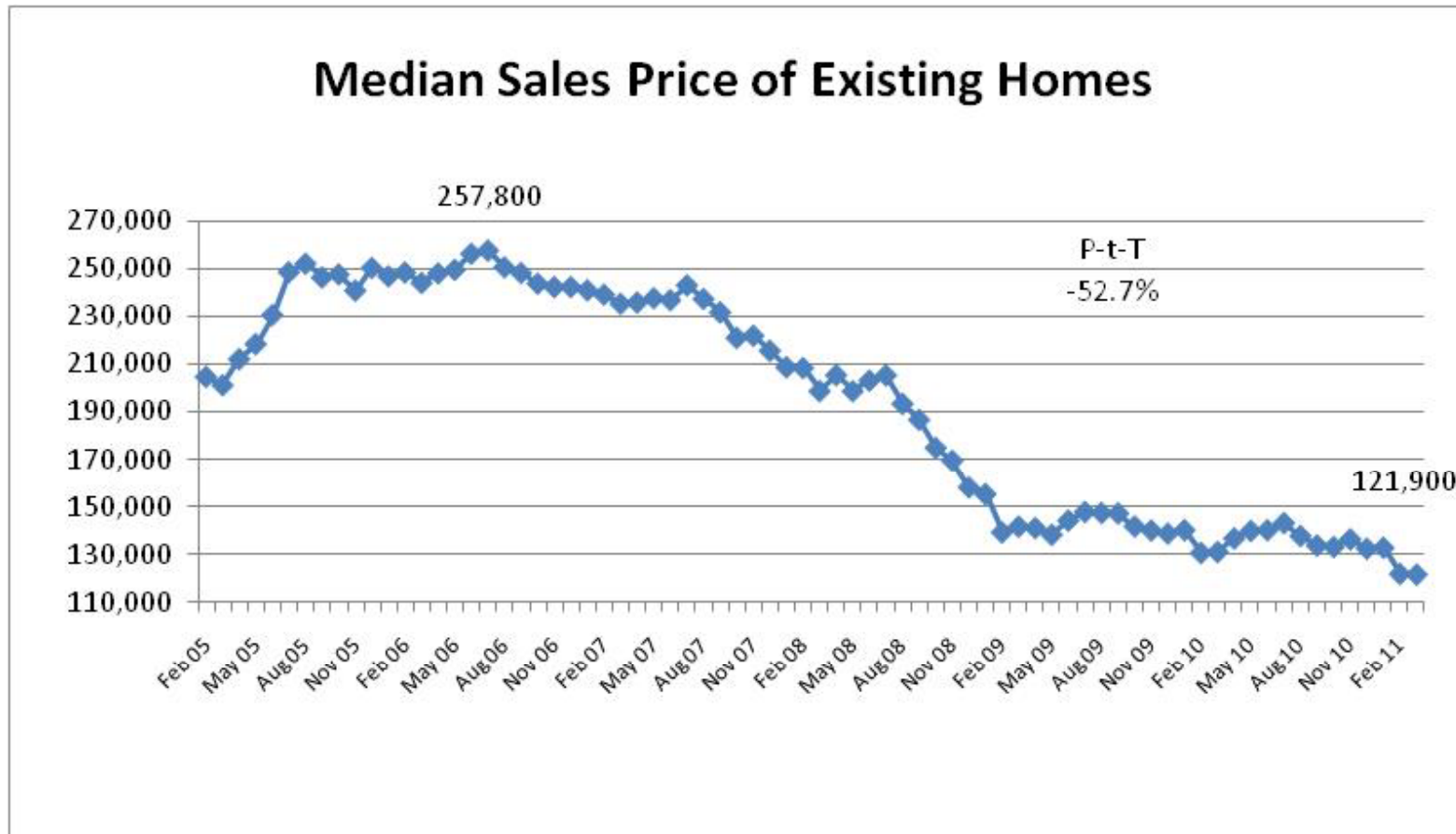
# But, Existing Homes Sales Are Sputtering



Data through February 2011

Sales Level in CY 2010 was 70.1% of 2005 level.

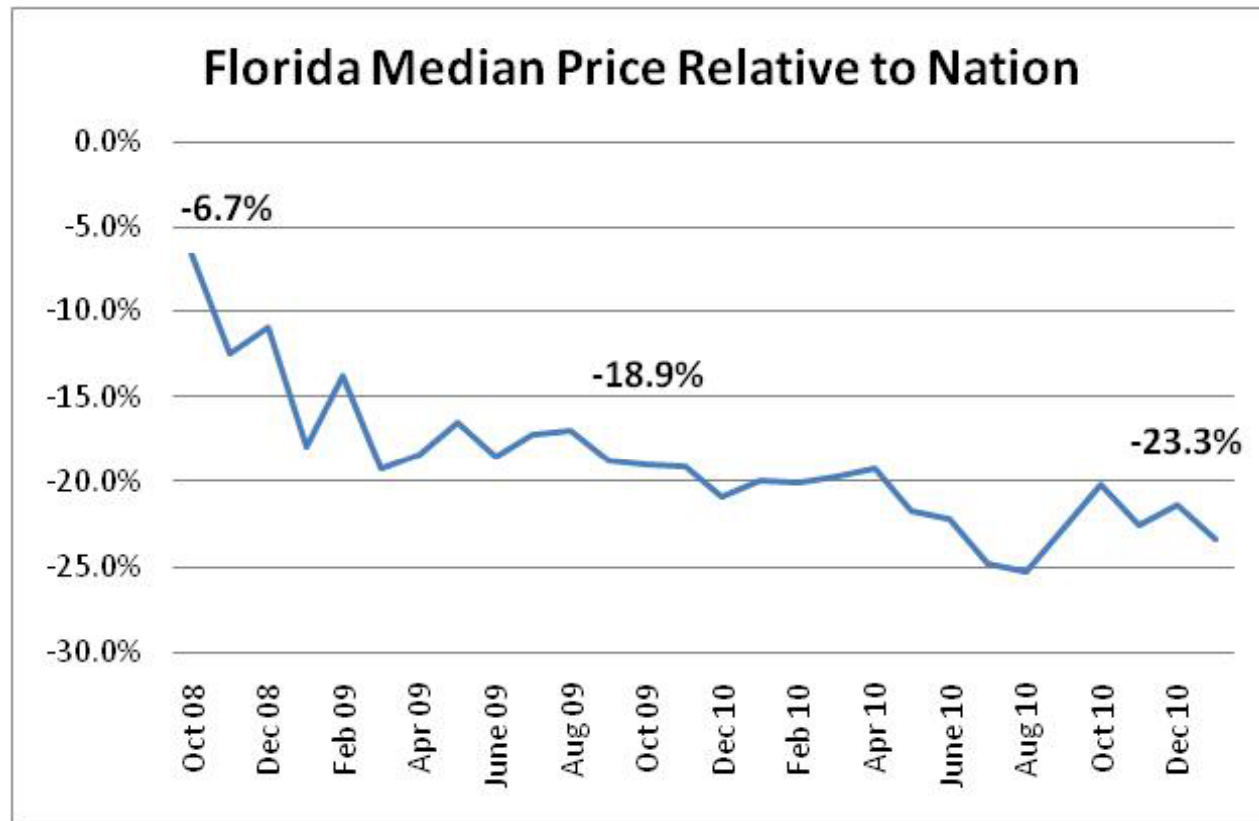
# And, Existing Home Prices Are Flat



Data through February 2011

Median Sales Prices for Existing Homes have been essentially flat since February 2009 --- 24 months --- with a slight downward drift.

# 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

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

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

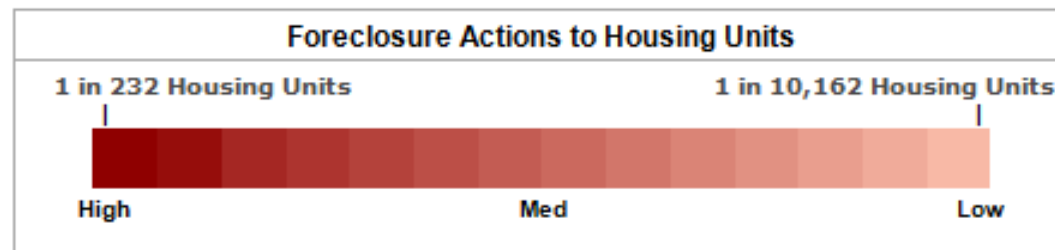
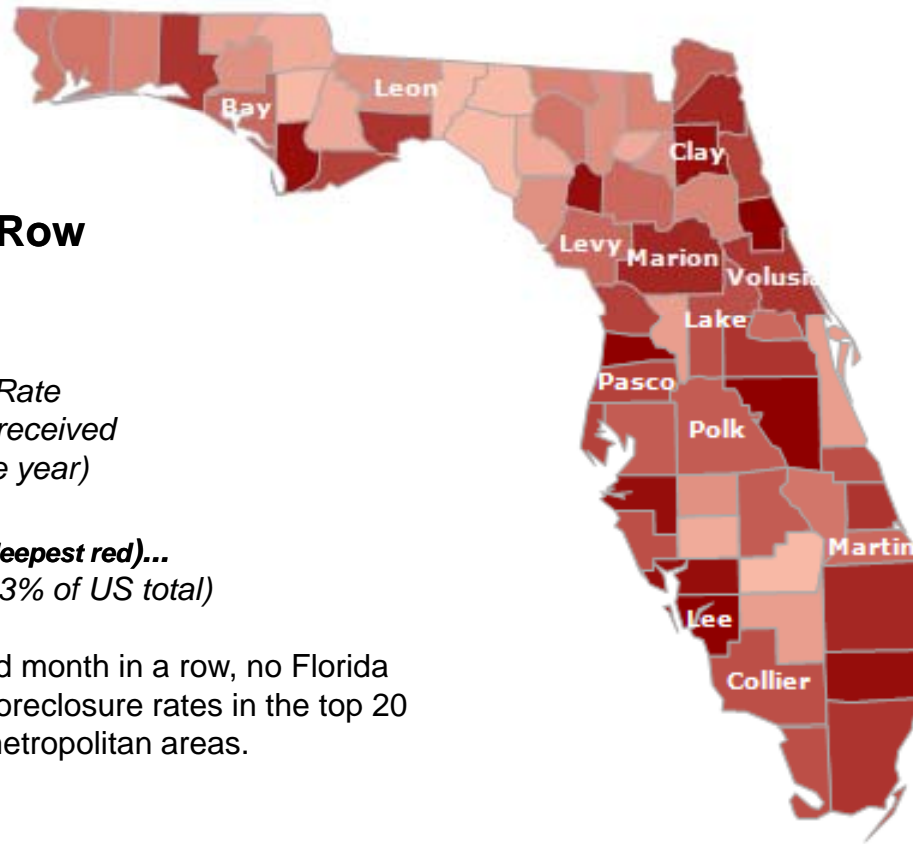
3<sup>rd</sup> Highest Foreclosure Rate  
(5.51% of housing units received  
at least 1 filing during the year)

## February 2011 (highest = deepest red)...

FILINGS: 2<sup>nd</sup> in US (8.3% of US total)

RATE: 8<sup>th</sup> in US

AREA: For the second month in a row, no Florida cities posted foreclosure rates in the top 20 among U.S. metropolitan areas.





# Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Del/FC
National	8.80%	4.15%	12.95%	212%
FL	9.8%	13.7%	23.5%	72%
NV	11.8%	8.7%	20.4%	135%
MS	14.6%	3.5%	18.1%	422%
NJ	8.3%	6.9%	15.2%	122%
GA	12.1%	3.0%	15.2%	402%
IL	8.5%	6.1%	14.6%	141%
OH	9.6%	4.8%	14.4%	198%
RI	9.9%	4.4%	14.3%	223%
IN	9.7%	4.6%	14.3%	212%
LA	10.5%	3.7%	14.2%	285%
MD	10.2%	3.2%	13.4%	317%
AZ	9.1%	4.2%	13.4%	215%
MI	10.2%	3.1%	13.4%	328%
NY	8.5%	4.8%	13.3%	176%
SC	9.6%	3.6%	13.2%	263%
TN	10.7%	2.5%	13.2%	436%
AL	10.9%	2.0%	12.9%	555%

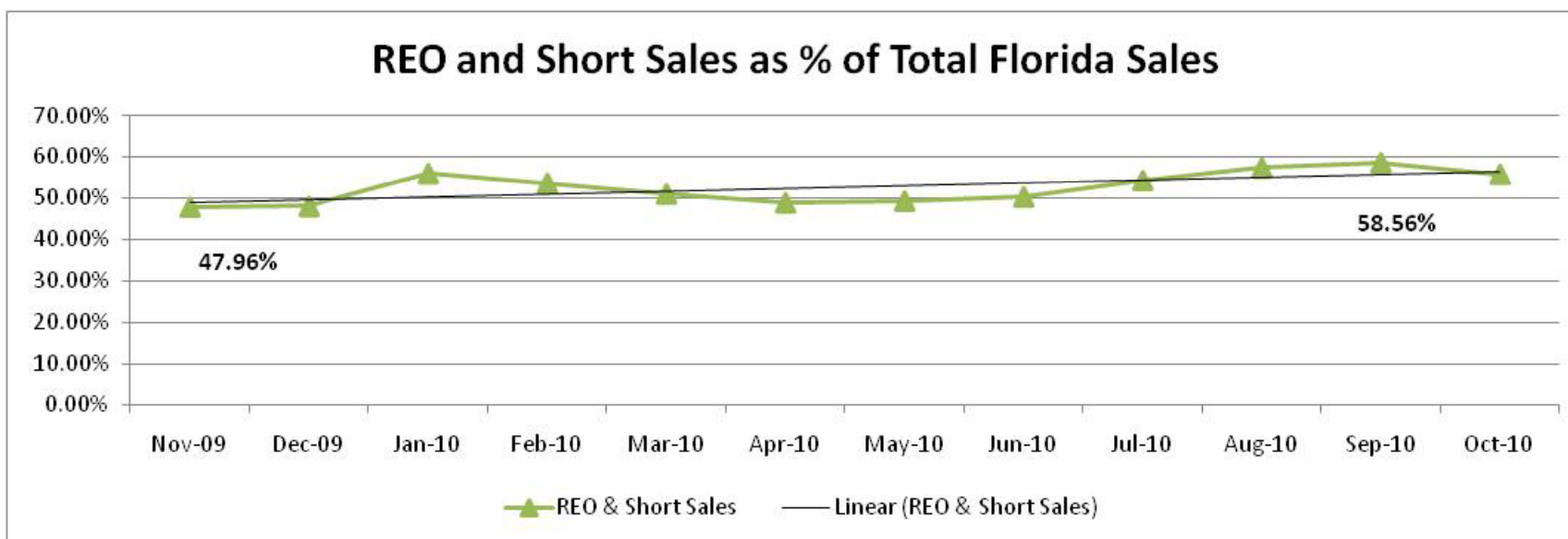
State	Del %	FC %	Non-Curr %	Del/FC
National	8.80%	4.15%	12.95%	212%
WV	10.0%	2.8%	12.8%	361%
CA	9.3%	3.4%	12.6%	274%
ME	7.7%	4.8%	12.5%	161%
CT	8.4%	4.0%	12.4%	208%
DE	8.2%	4.1%	12.3%	203%
NC	9.3%	2.8%	12.0%	335%
PA	8.6%	3.2%	11.8%	272%
HI	6.9%	4.8%	11.7%	143%
KY	8.0%	3.4%	11.5%	234%
WI	7.1%	4.0%	11.1%	177%
AR	8.9%	2.1%	11.0%	432%

State	Del %	FC %	Non-Curr %	Del/FC
National	8.80%	4.15%	12.95%	212%
NH	7.7%	2.1%	9.8%	369%
UT	7.4%	2.4%	9.8%	306%
WA	7.2%	2.5%	9.7%	293%
ID	6.6%	2.9%	9.5%	226%
KS	7.1%	2.3%	9.4%	314%
VA	7.1%	2.0%	9.1%	358%
OR	6.2%	2.7%	8.9%	225%
IA	5.8%	3.0%	8.8%	190%
VT	5.4%	3.1%	8.5%	176%
MN	5.6%	2.2%	7.8%	255%
CO	5.5%	2.0%	7.5%	281%
NE	5.1%	1.5%	7.3%	392%
OK	4.8%	2.1%	7.1%	235%
MT	4.5%	1.5%	6.4%	335%
ND	4.1%	1.1%	6.0%	424%
SD	3.8%	1.6%	5.4%	249%
WY	3.5%	1.2%	4.3%	261%

State	Del %	FC %	Non-Curr %
National	8.80%	4.15%	12.95%
FL	9.8%	13.7%	23.5%

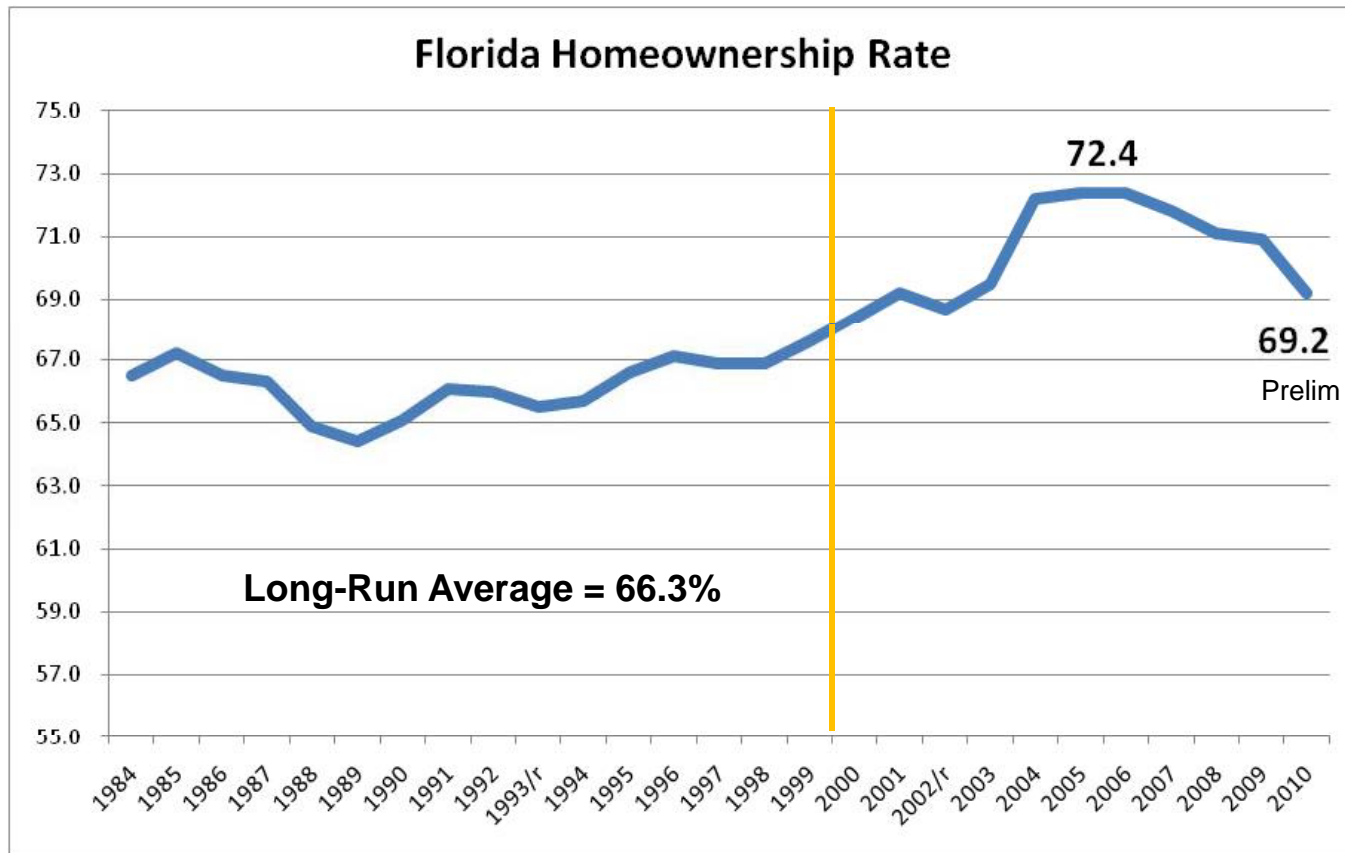
Foreclosures adding more to inventory than Sales are subtracting.  
(LPS Data for February)

# Sales Mix Points to Lower Prices



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
Nov-09	20,867	10,008	48.0%	4,764	22.8%	6,095	29.2%
Oct-10	18,809	10,496	55.8%	5,138	27.3%	3,175	16.9%

# Vulnerability



If the preliminary 2010 rate dropped immediately back to the long-run average, about 207,900 homeowners would be affected and over \$28.7 billion of value.

# 2009 and 2010 Bank Failures



Forty-five Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, another twenty-nine in 2010, and two so far this year.

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

# Credit Conditions Have Tightened

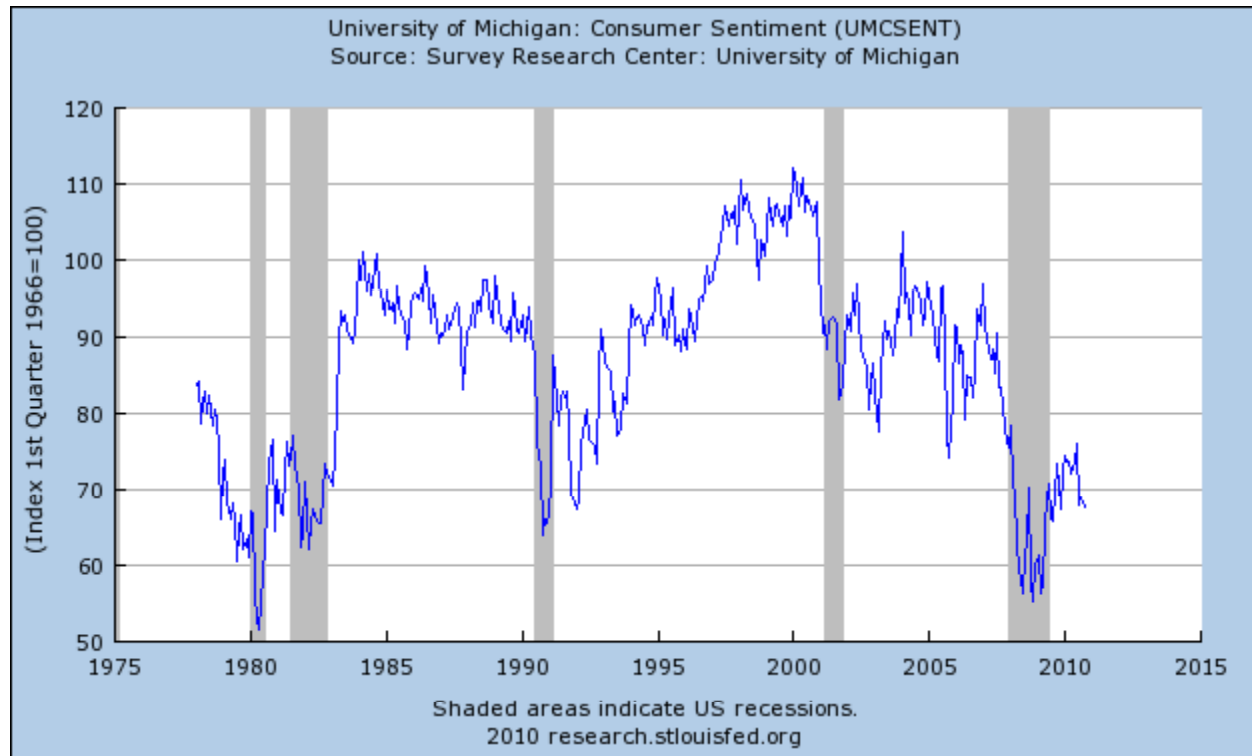
Question to Senior Loan Officers:

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			
	Jan '11 %	Oct '10 %	July '10 %	April '10 %
Tightened considerably	0.0	0.0	0.0	1.9
Tightened somewhat	<b>3.7</b>	<b>13.0</b>	<b>3.6</b>	<b>9.4</b>
<b>Remained basically unchanged</b>	<b>94.4</b>	<b>83.3</b>	<b>87.3</b>	<b>79.2</b>
Eased somewhat	1.9	3.7	9.1	9.4
Eased considerably	0.0	0.0	0.0	0.0
<b>Total</b>	100.0	100.0	100.0	100.0

January 2011 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 (October: 74 versus a record low 59 twenty-eight months ago) is roughly following the national trend but seems to have more volatility.

# Postwar Business Cycles...

## Lengths of Recessions and Recoveries

Cycle Begin	Cycle End	Length of Recession Using NBER (quarters)	Length of Recovery to GDP Trend (quarters)	Time to Close "Most" of Gap During Recovery (quarters)	Length of Recession Using NBER (months)	Length of Recovery to GDP Trend (months)	Time to Close "Most" of Gap During Recovery (months)
1948:Q4	1949:Q4	4	3	1.8834	11	9	5.6502
1953:Q2	1954:Q2	4	4	2.4459	10	12	7.3377
1957:Q3	1958:Q2	3	4	2.2864	8	12	6.8592
1960:Q2	1961:Q1	3	3	2.0014	10	9	6.0042
1969:Q4	1970:Q4	4	9	4.9845	11	27	14.9535
1973:Q4	1975:Q1	5	13	7.3573	16	39	22.0719
1980:Q1	1980:Q3	2	2	1.4951	6	6	4.4853
1981:Q3	1982:Q4	5	11	4.0108	16	33	12.0324
1990:Q3	1991:Q1	2	32	30.7787	8	96	92.3361
2001:Q1	2001:Q4	3	12	10.1975	8	36	30.5925
2007:Q4	2009:Q2	6	?	?	18	?	?

Source: Federal Reserve Bank of Cleveland

June 2009

+96 months =

Summer 2017

+36 months =

Summer 2012

# 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 completely out of the hole left by the recession. Overall...

- The national economic recovery is starting to recover 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.
- 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 current surge in gas and oil prices.
- 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.

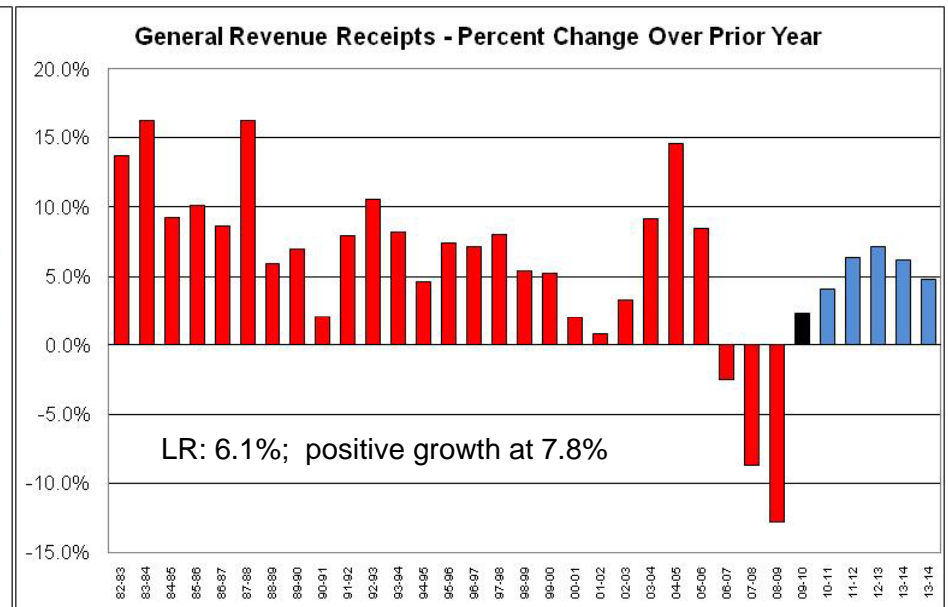
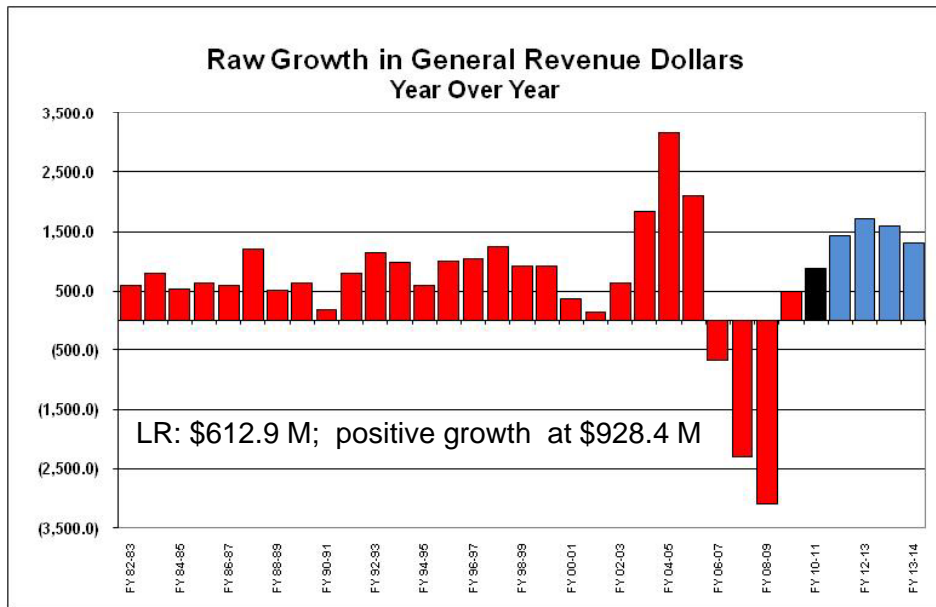
# Known Threat & Black Swans

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.
- Gas Prices that continue to surge and stay elevated for an extended period. Current gas prices average \$3.573 --- at the peak in July 2008, the average price was \$4.079.

# General Revenue Outlook



Fiscal Year	December Forecast	New Forecast	Difference (New - Aug)	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	22381.3	22412.5	31.2	889.4	4.1%
2011-12	24060.5	23844.7	(215.8)	1432.2	6.4%
2012-13	25808.1	25554.3	(253.8)	1709.6	7.2%
2013-14	27503.1	27140.2	(362.9)	1585.9	6.2%
2014-15		28442.8		1302.6	4.8%

# 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 grew to \$3.6 billion. The increase was caused by mounting pressure on both the expenditure and revenue sides.
  - Another significant increase in Medicaid – on top of the one previously identified in the Long-Range Financial Outlook. Medicaid was already the single largest driver in next year's budget projections.
  - Reductions in key revenue forecasts.

