

Florida: An Economic Overview

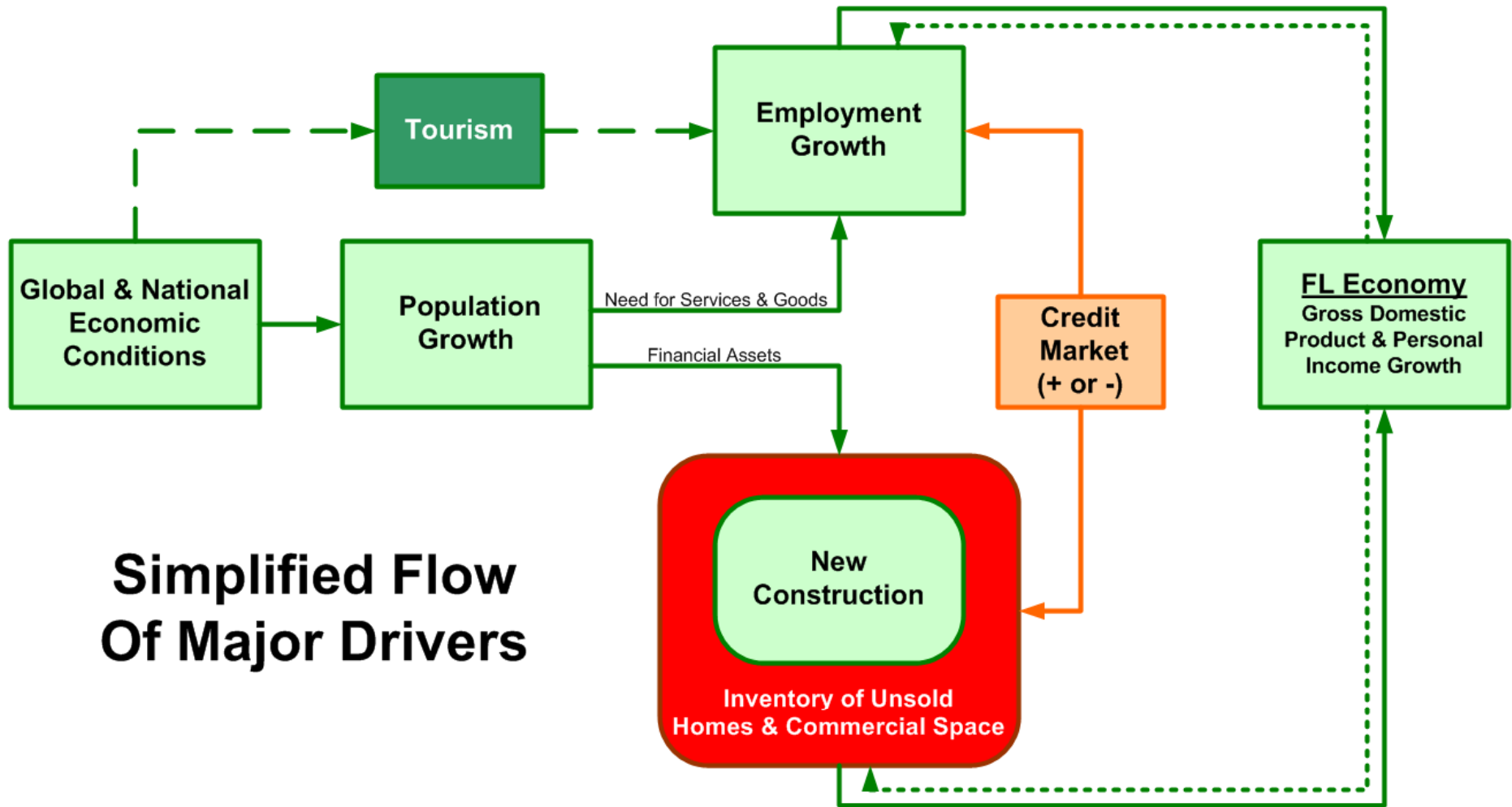
April 30, 2011

Presented by:

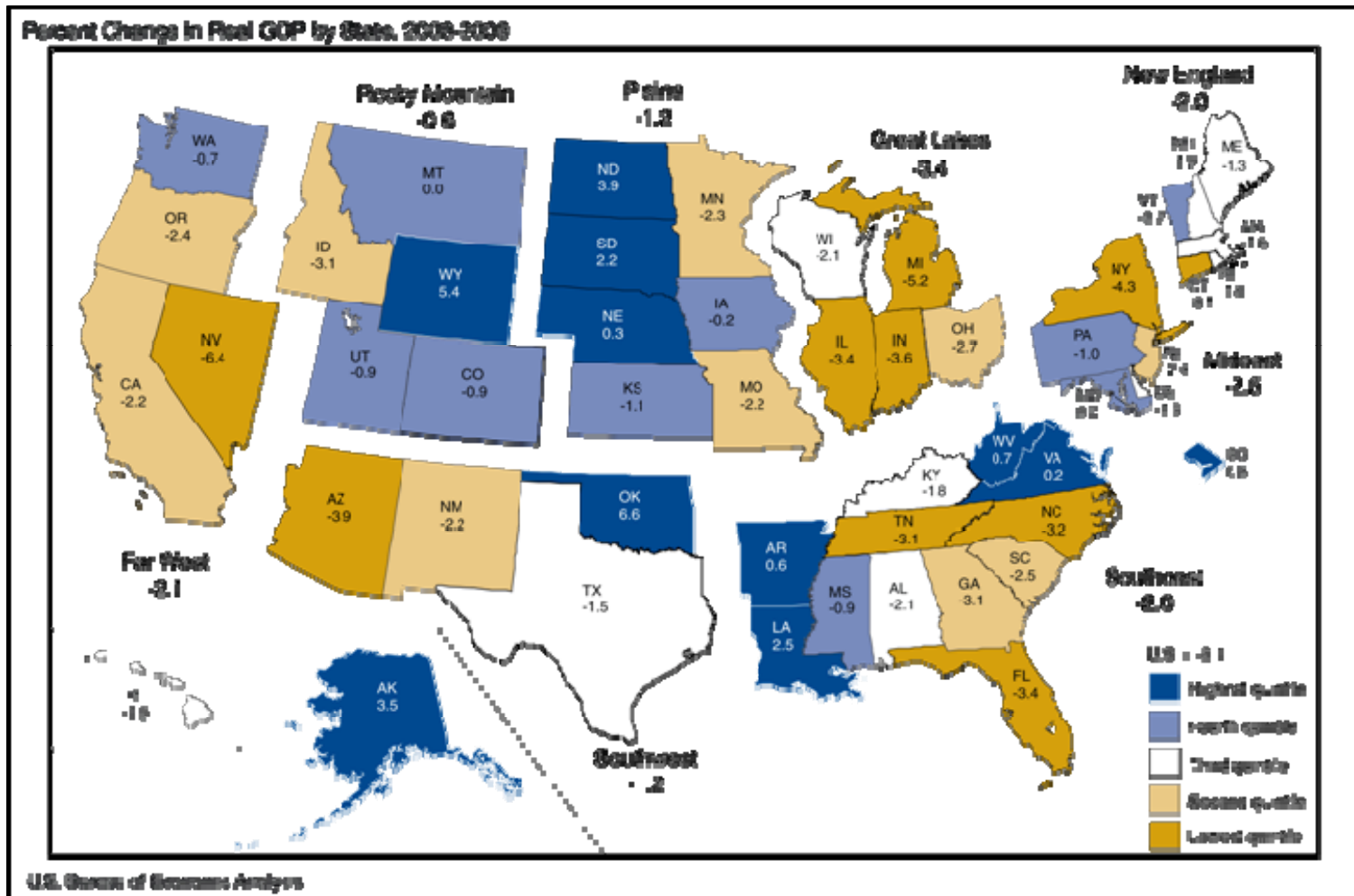


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Today's Economy

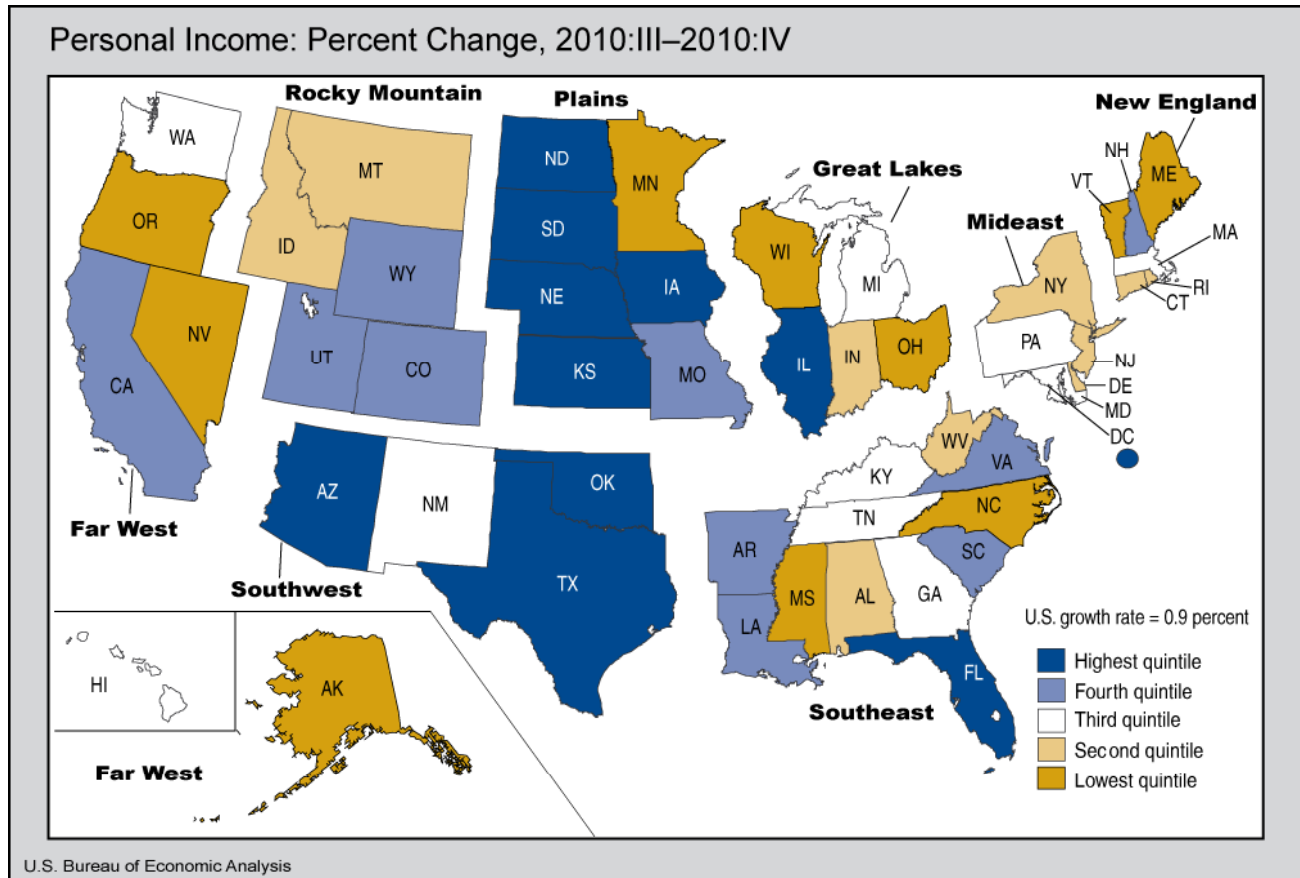


Economy Lost More Ground in 2009



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.

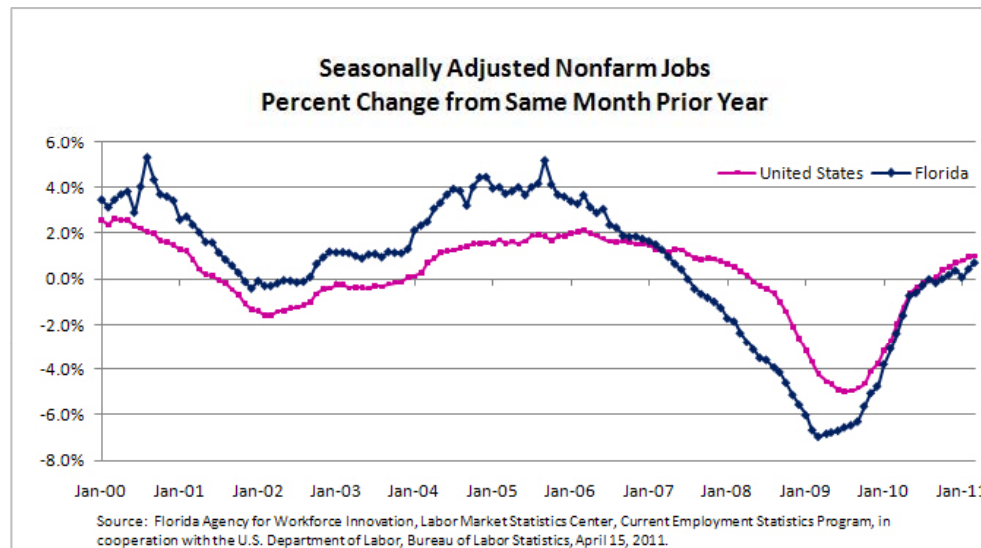
FL Personal Income Improving



- 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 9th in the country. This is noticeably better than last year's ranking at this time – 15th.

Current Employment Conditions

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



March Nonfarm Jobs (YOY)

US	1.0%
FL	0.7%
YR:	51,500 jobs
Peak:	-865,900 jobs

March Unemployment Rate

US	8.8%
FL	11.1%

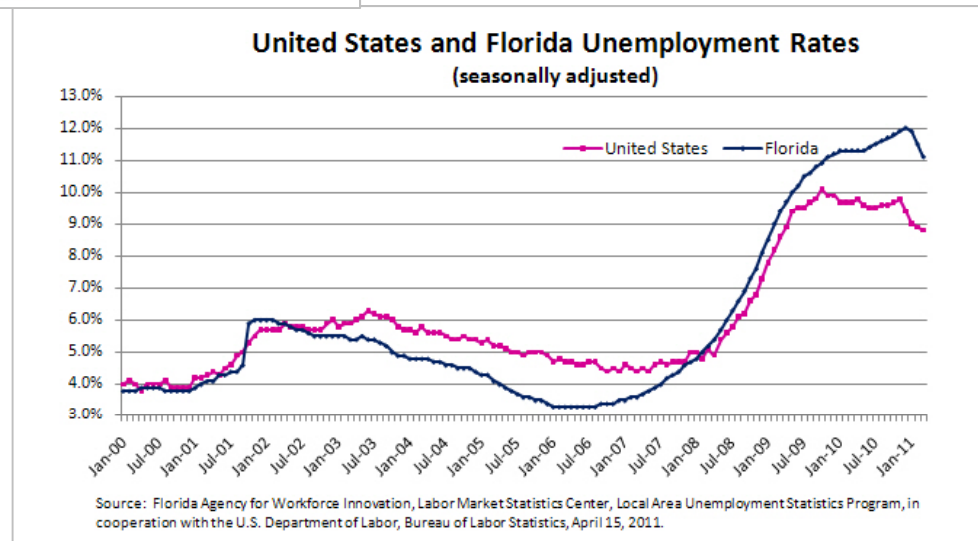
(1 million people)
3rd state in the country

Highest Monthly Rate

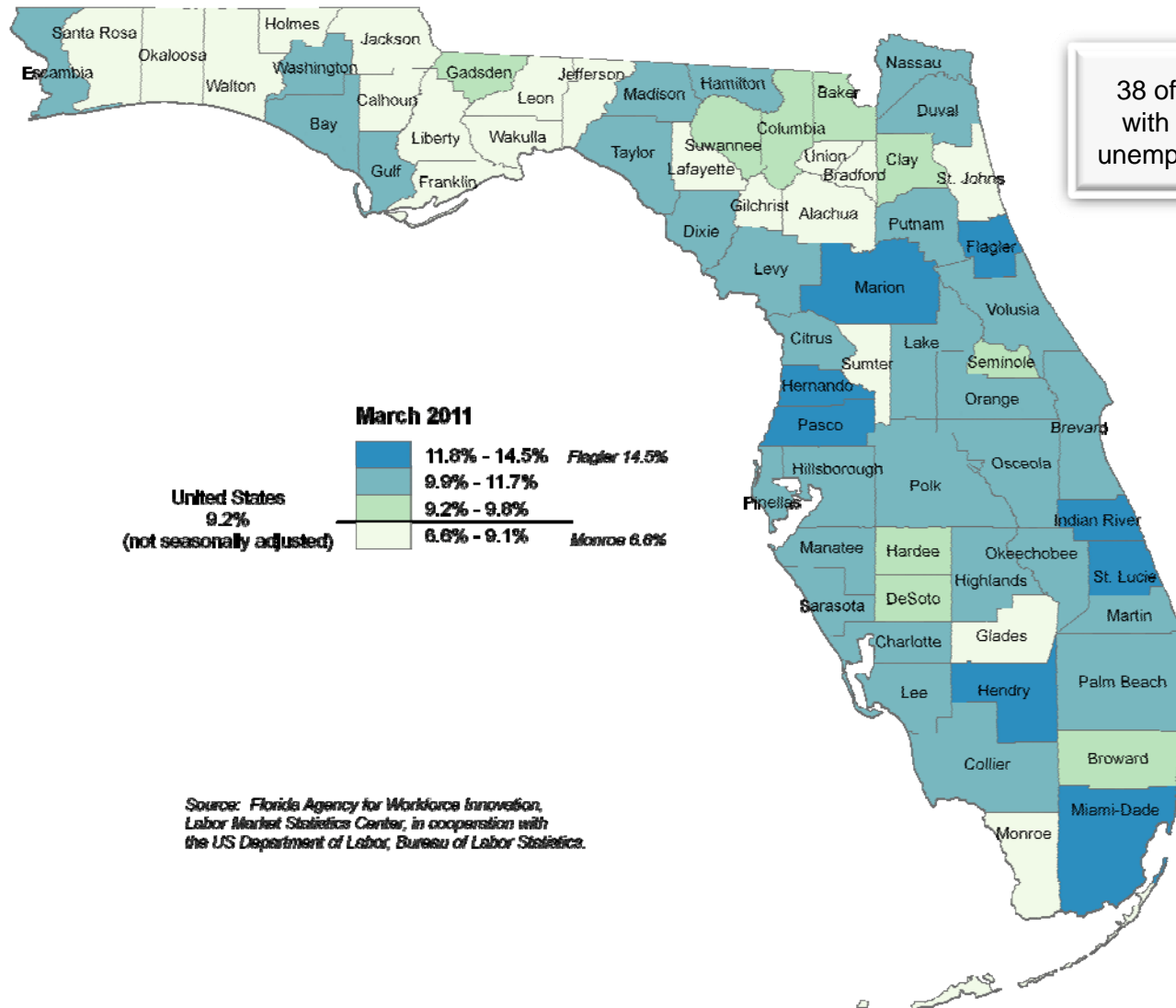
December 2010
12.0%

Forecast Peak

2011Q1
12.2%



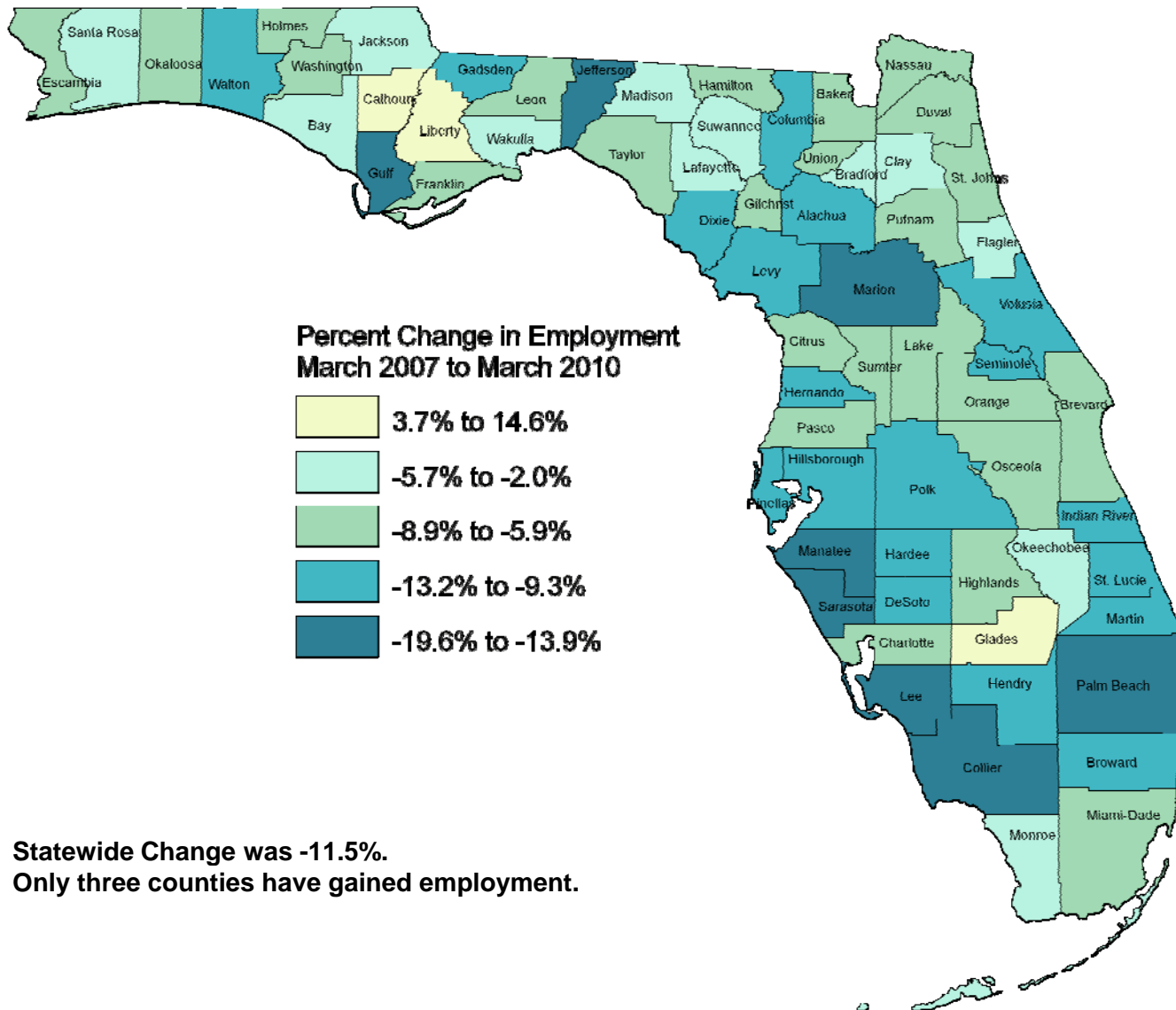
Unemployment Rates



38 of 67 counties
with double-digit
unemployment rates



Employment Down from Peak Levels



Florida's Job Market

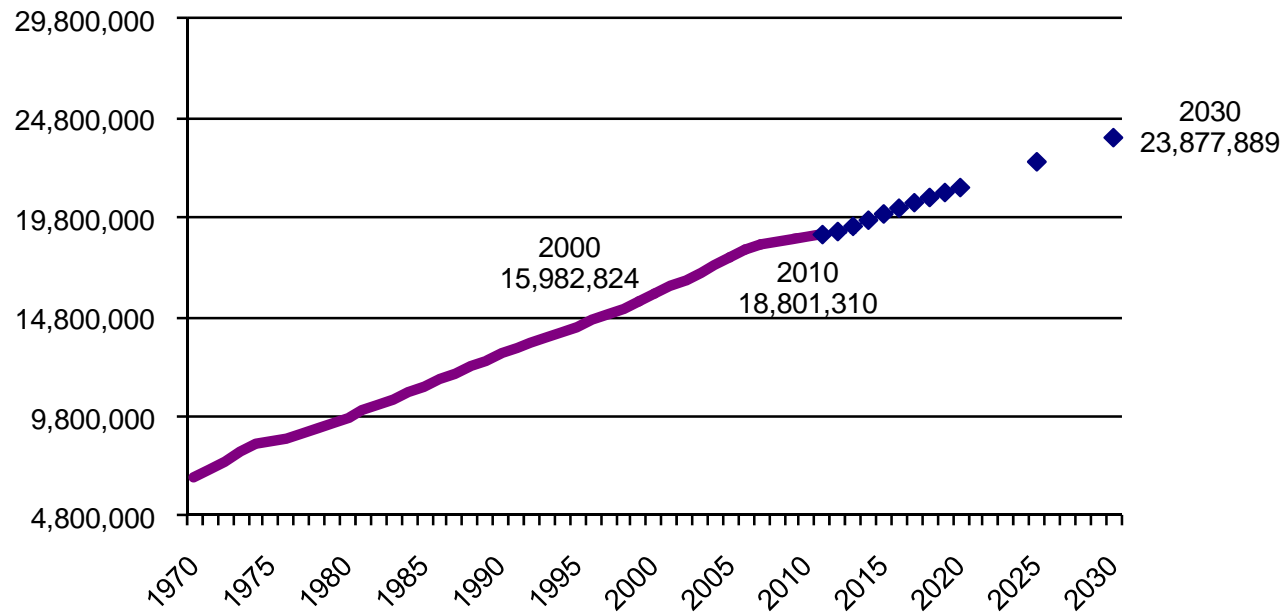
- The job market will take a long time to recover – about 887,000 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add about 1,700 people per month, so the hole is deeper than it looks.
- 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

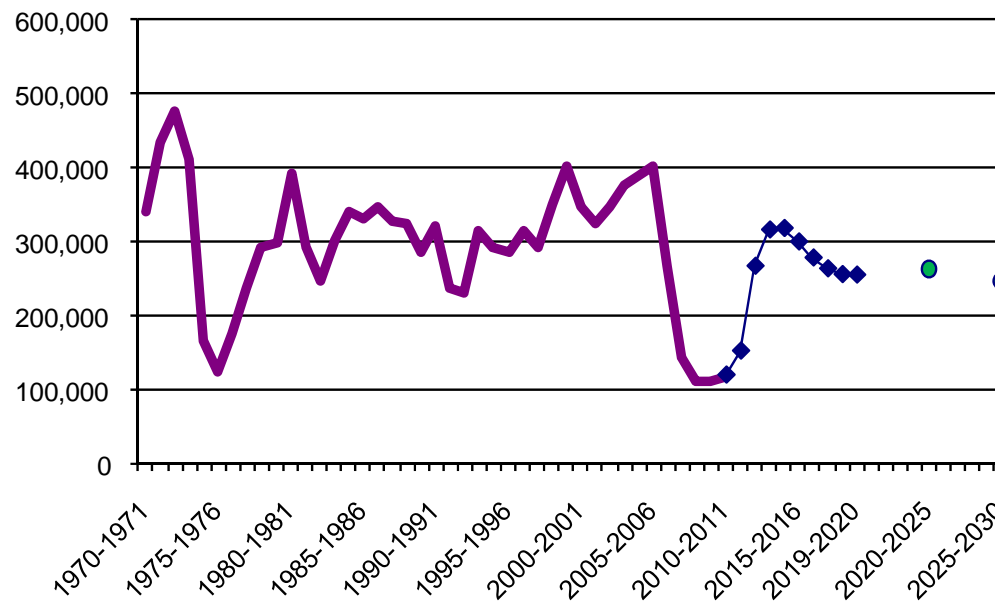


Florida's population:

- 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:

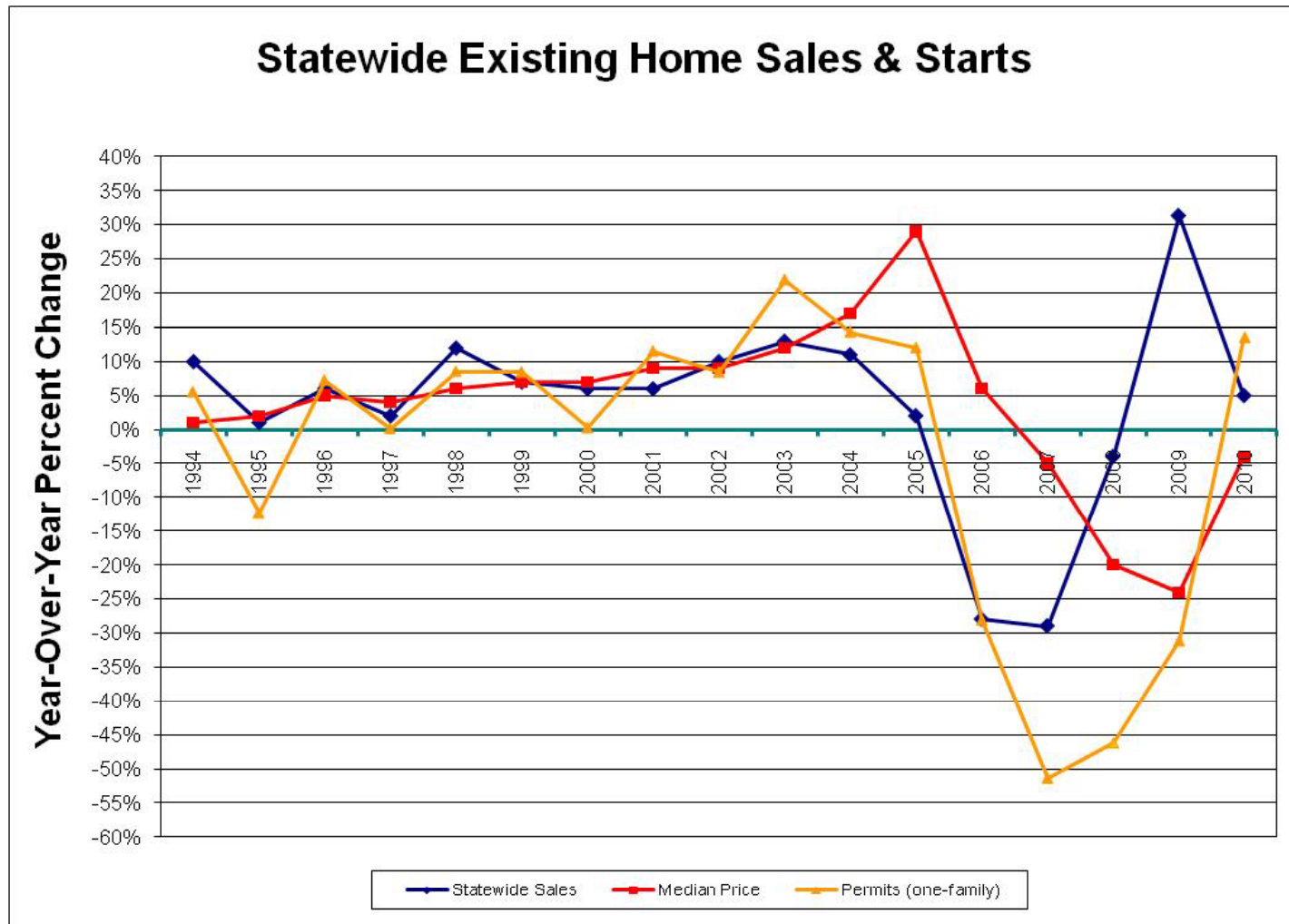
- Average annual increase between 2000 and 2006 was: 364,357
- Average annual increase between 2007 and 2010 was: 121,712

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

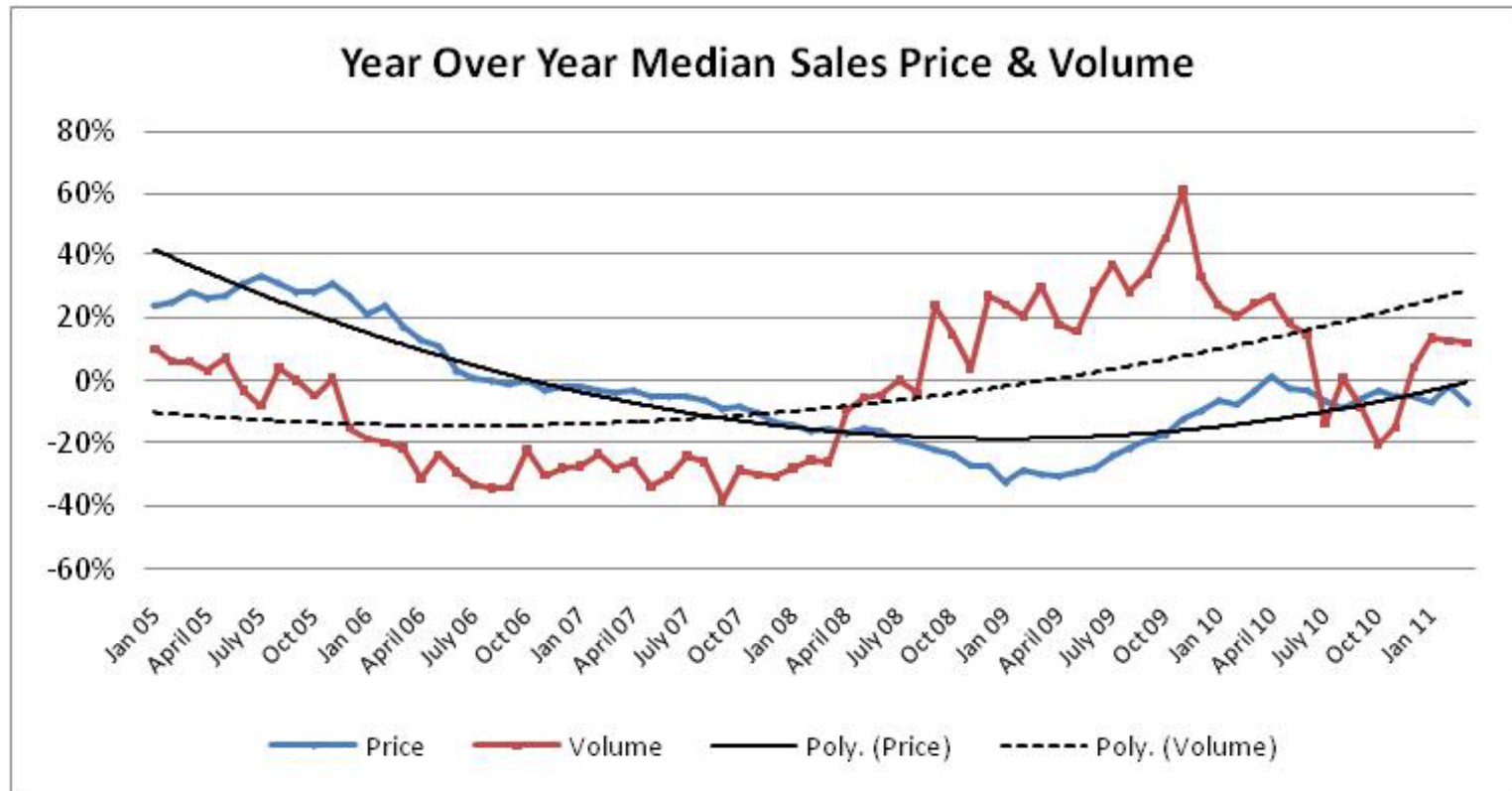


Florida Housing is Generally Improving



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

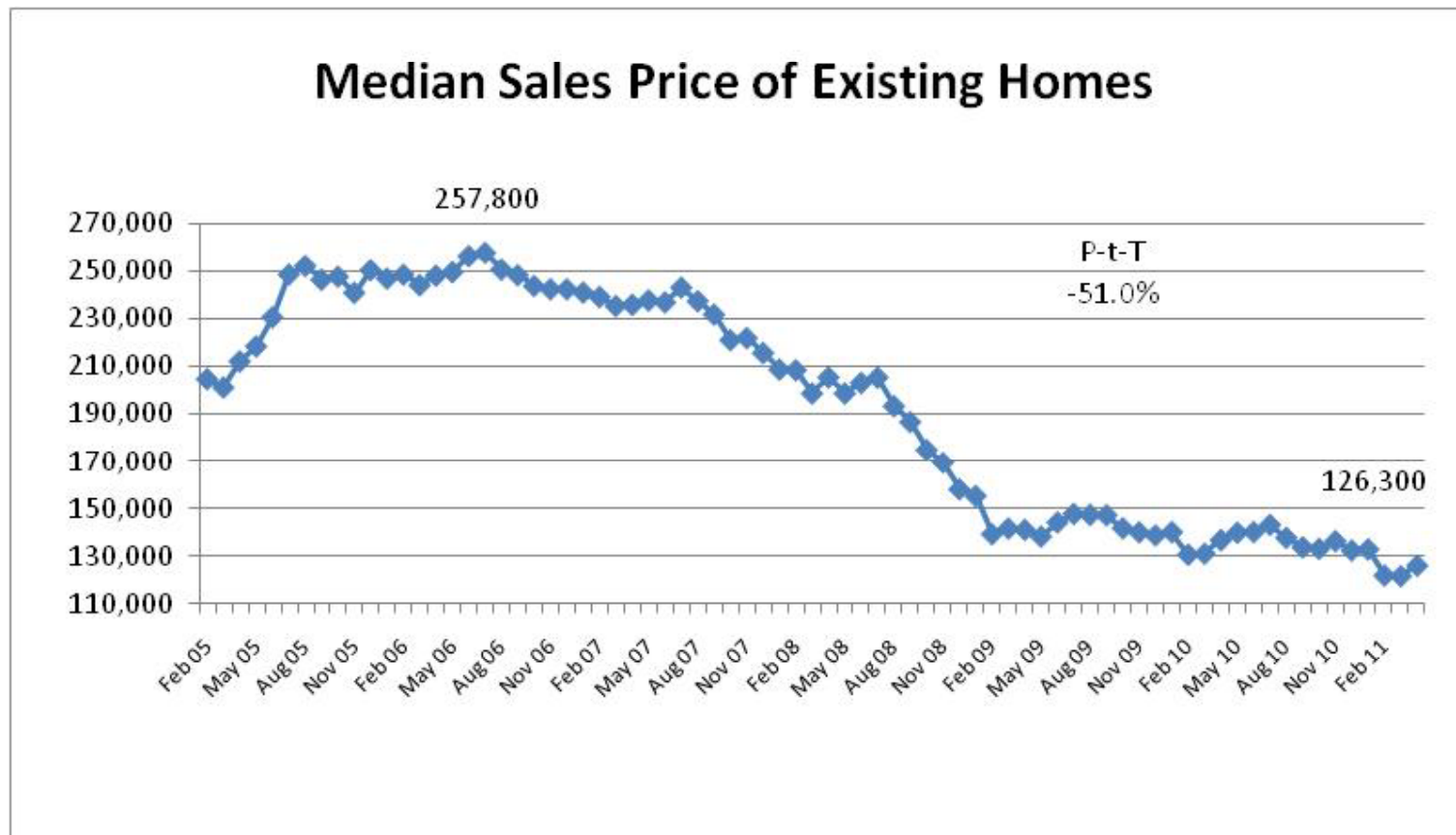
But, Existing Homes Sales Are Sputtering



Data through March 2011

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

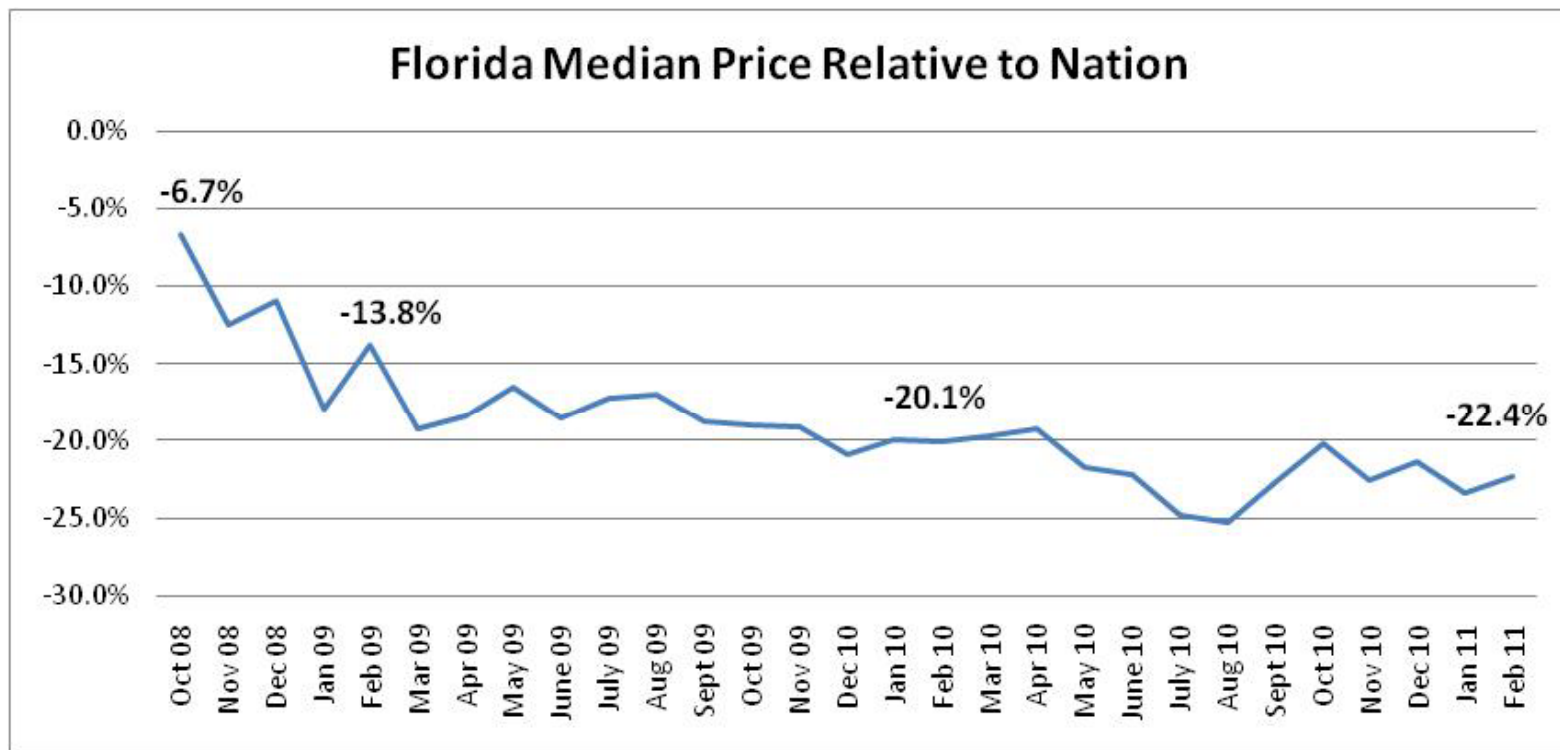
And, Existing Home Prices Are Flat



Data through March 2011

Median Sales Prices for Existing Homes have been essentially flat since February 2009 --- 25 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...2nd Year in a Row

2nd Highest # of Filings
(485,286 properties)

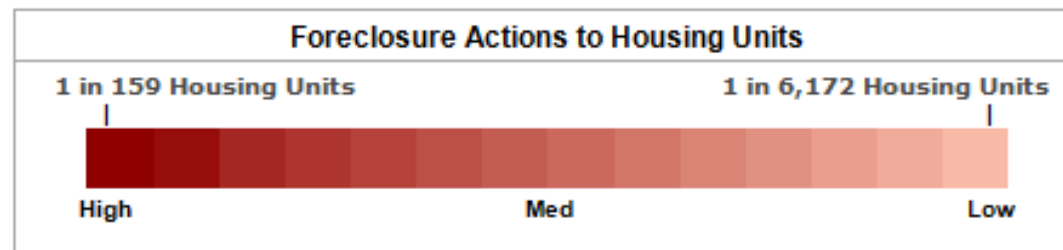
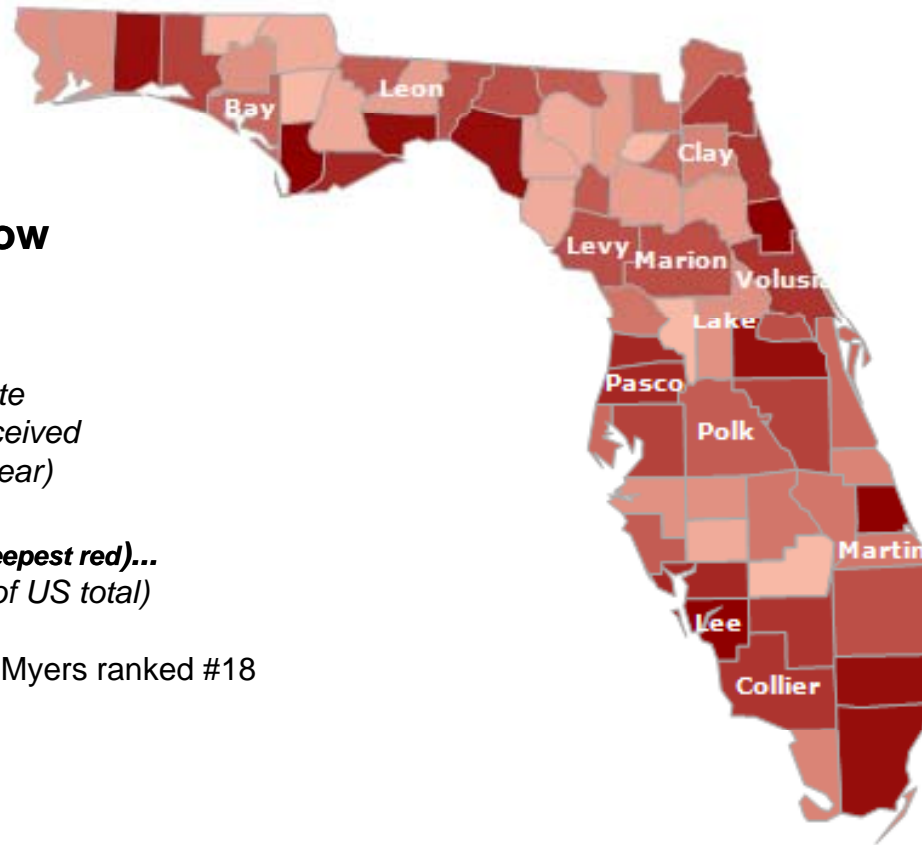
3rd Highest Foreclosure Rate
(5.51% of housing units received
at least 1 filing during the year)

1st Quarter 2011 (highest = deepest red)...

FILINGS: 2nd in US (9% of US total)

RATE: 8th in US

AREA: Cape Coral-Fort Myers ranked #18



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%
MT	5.3%	1.5%	7.3%	392%
NE	5.2%	2.1%	7.1%	235%
SD	5.1%	1.5%	6.4%	335%
OK	4.9%	1.1%	6.0%	424%
WY	4.8%	1.6%	5.4%	249%
UT	4.7%	1.2%	4.3%	261%

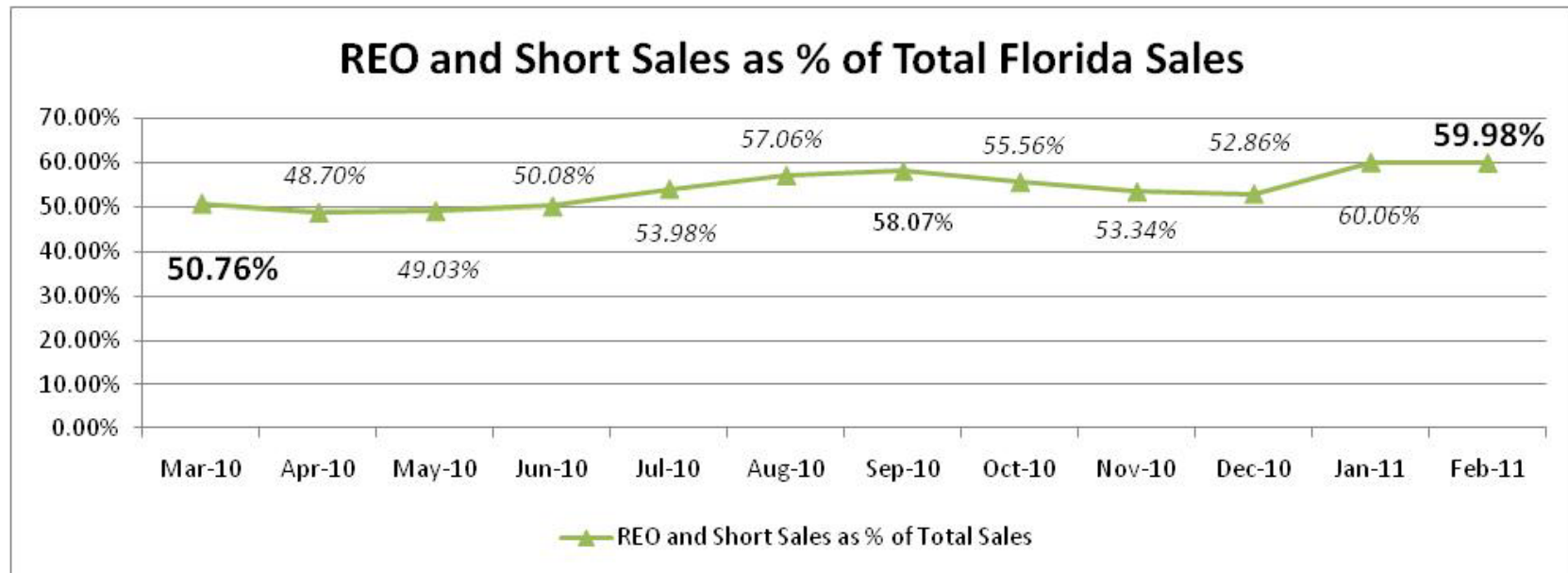
State	Del %	FC %	Non-Curr %
National	8.80%	4.15%	12.95%
FL	9.8%	13.7%	23.5%

Foreclosures adding more to inventory than Sales are subtracting.

Average delinquency at Florida foreclosure start --- 385 days.

(LPS Data for February and March)

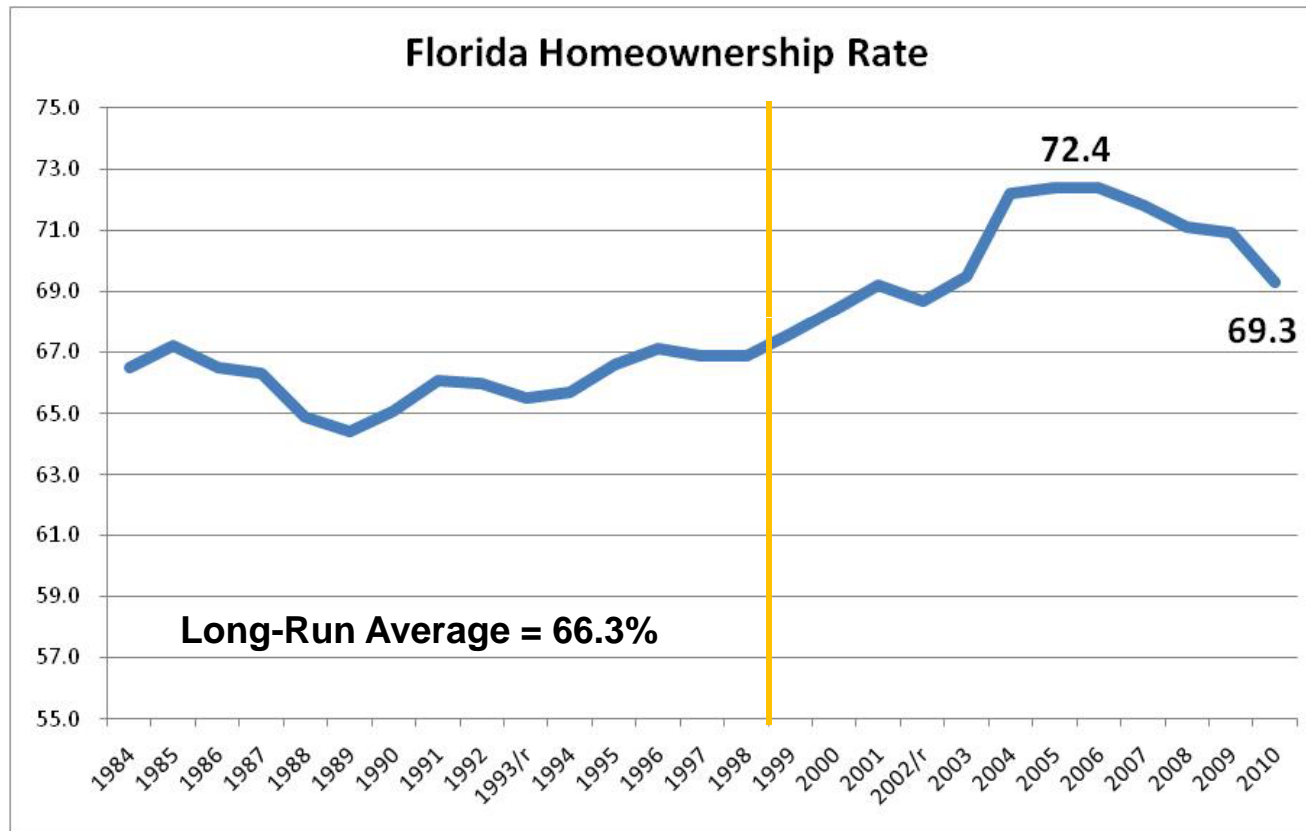
Sales Mix Points to Lower Prices



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
Mar-10	25,805	13,098	50.76%	7,806	30.25%	4,901	18.99%
Feb-11	12,599	7,557	59.98%	4,249	33.72%	793	6.29%

LPS: Lender Processing Services

Vulnerability

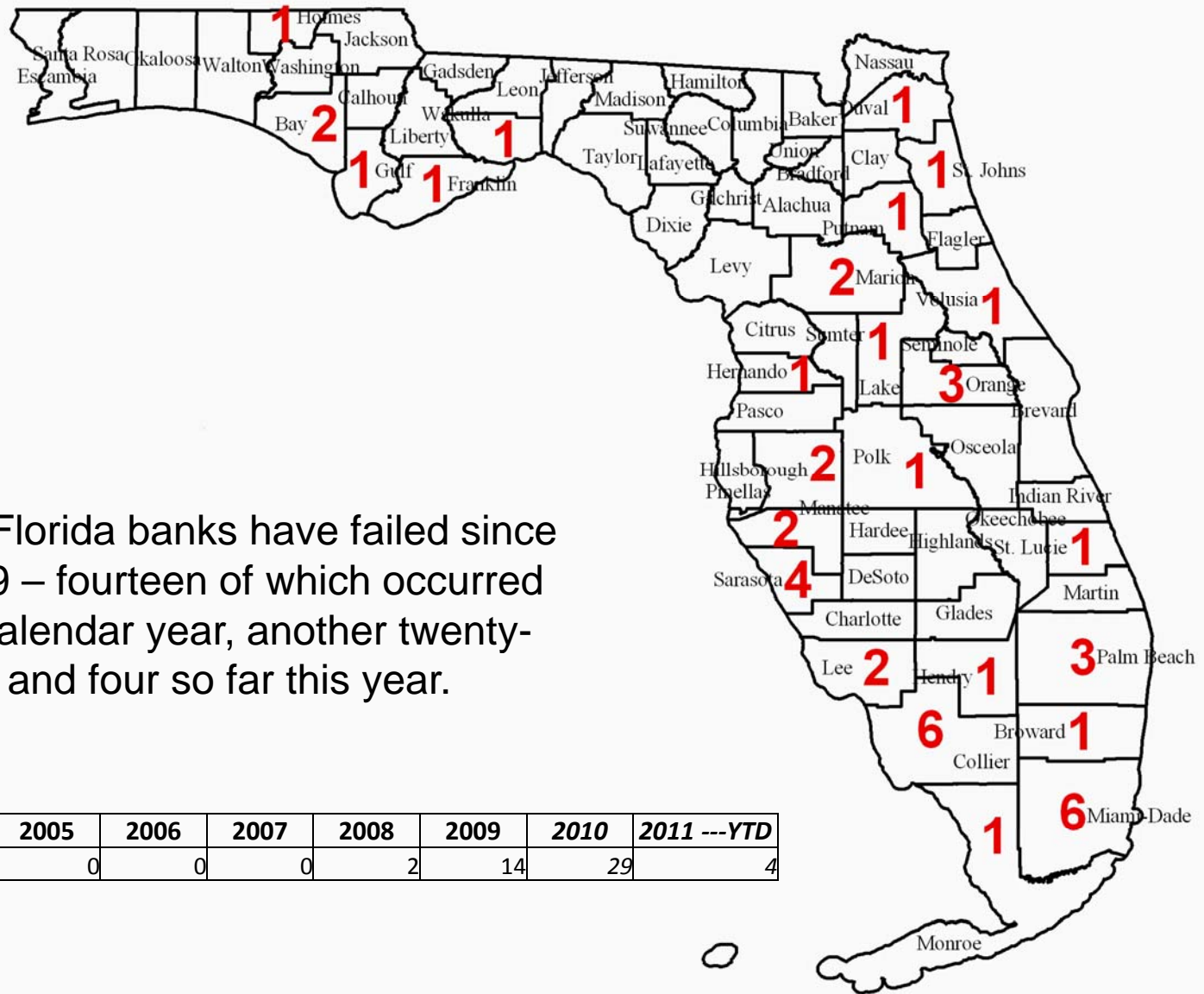


The 2010 percentage is the lowest since 2002. If the 2010 rate dropped immediately back to the long-run average, about 222,600 homeowners would be affected and \$30.8 billion of value.

2009 and 2010 Bank Failures

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

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ---YTD
2	0	1	0	0	0	2	14	29	4



Credit Conditions Have Tightened

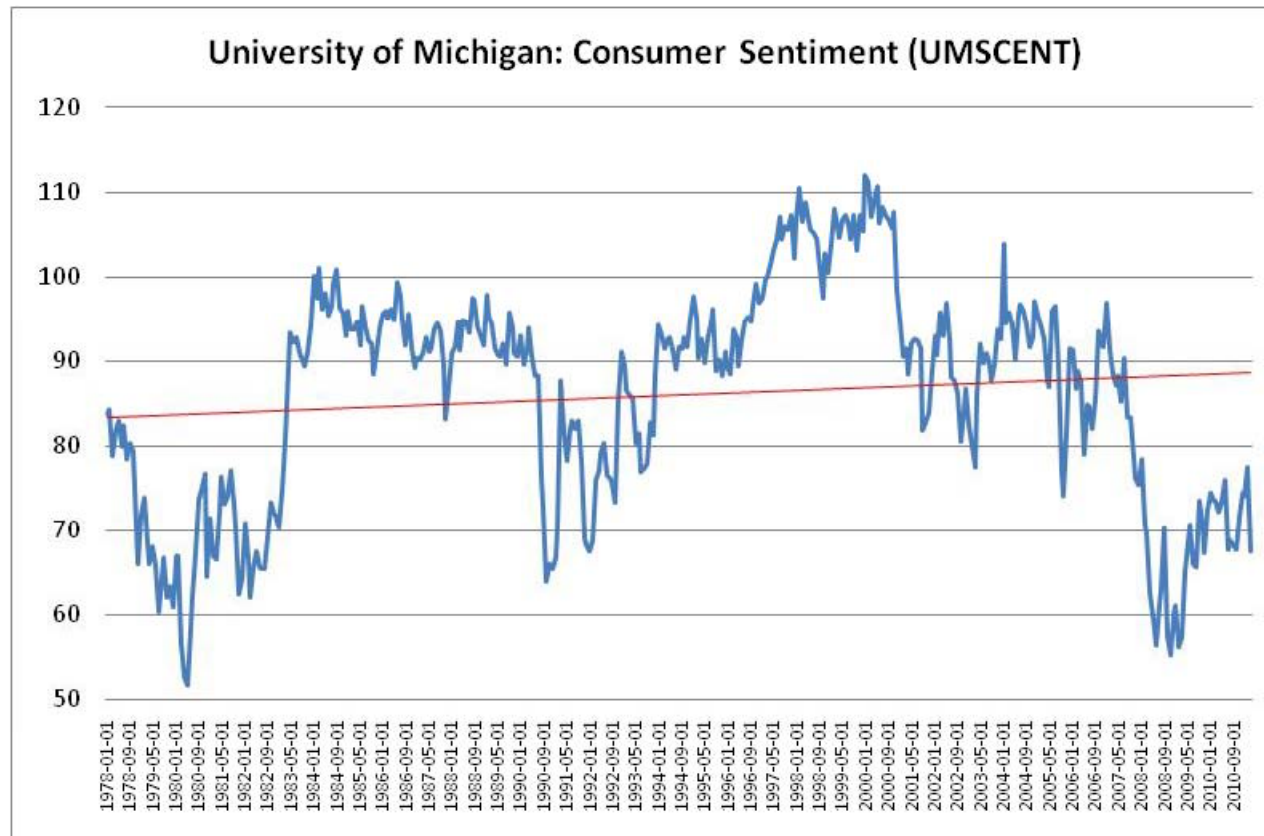
Question to Senior Loan Officers:

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	3.7	13.0	3.6	9.4
Remained basically unchanged	94.4	83.3	87.3	79.2
Eased somewhat	1.9	3.7	9.1	9.4
Eased considerably	0.0	0.0	0.0	0.0
Total	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 (67.5 in March versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (April: 68) 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 slowly returning 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 in recovery 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.

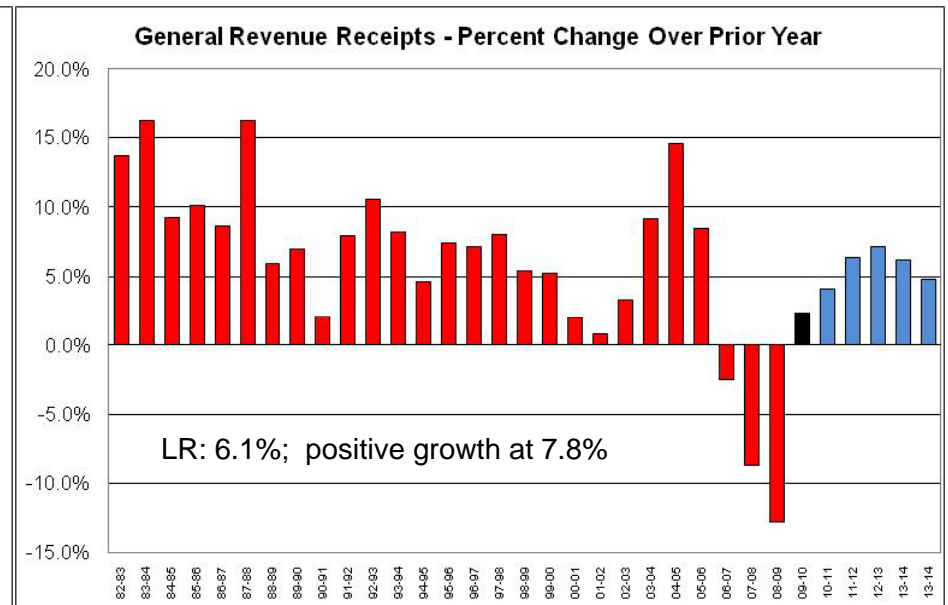
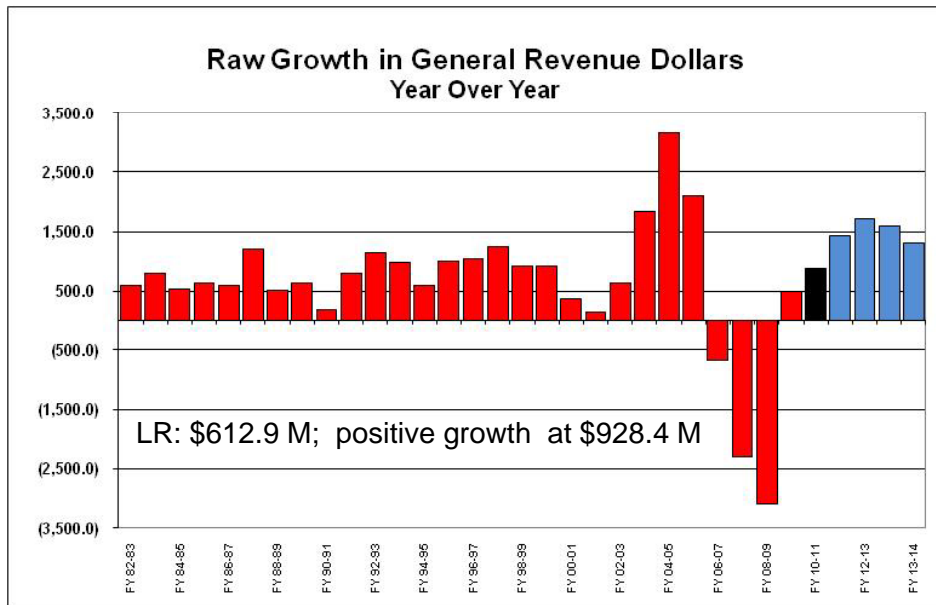
Known Threat & Black Swans

Known Threat: Continuing 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 \$3.875 --- at the peak in July 2008, the average price was \$4.079.

General Revenue Outlook



Fiscal Year	December Forecast	New Forecast	Difference (New - Dec)	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%