

Florida: An Economic Overview

June 17, 2010

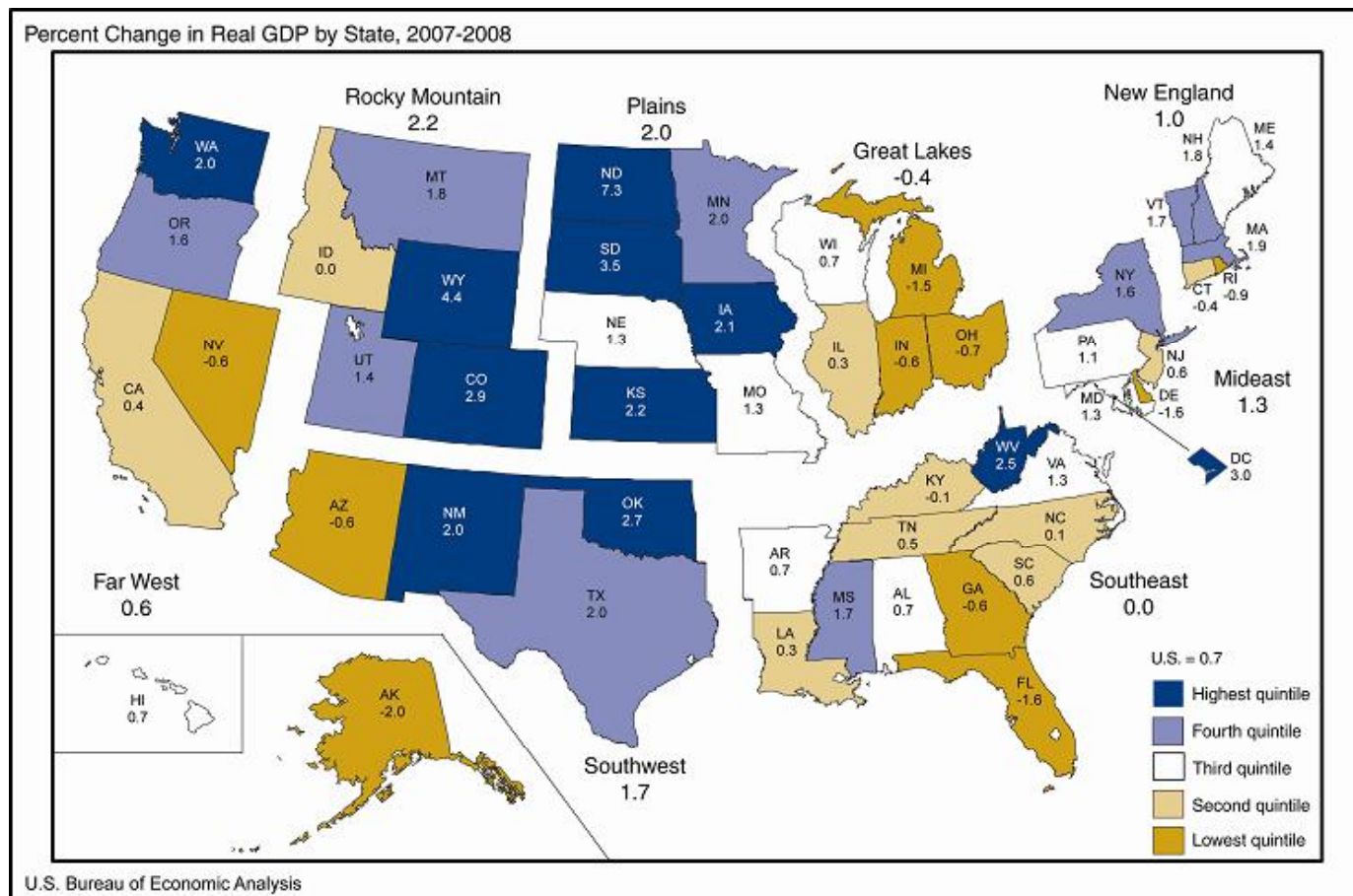
Presented by:



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

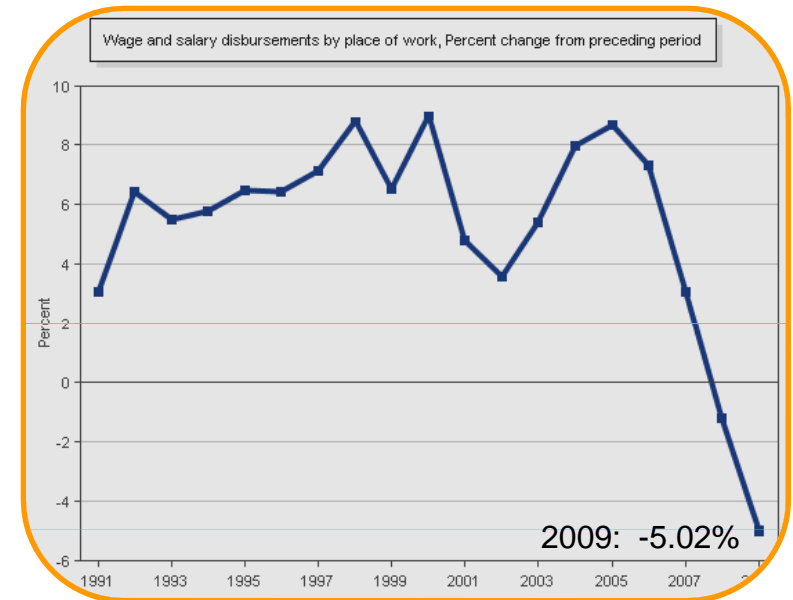
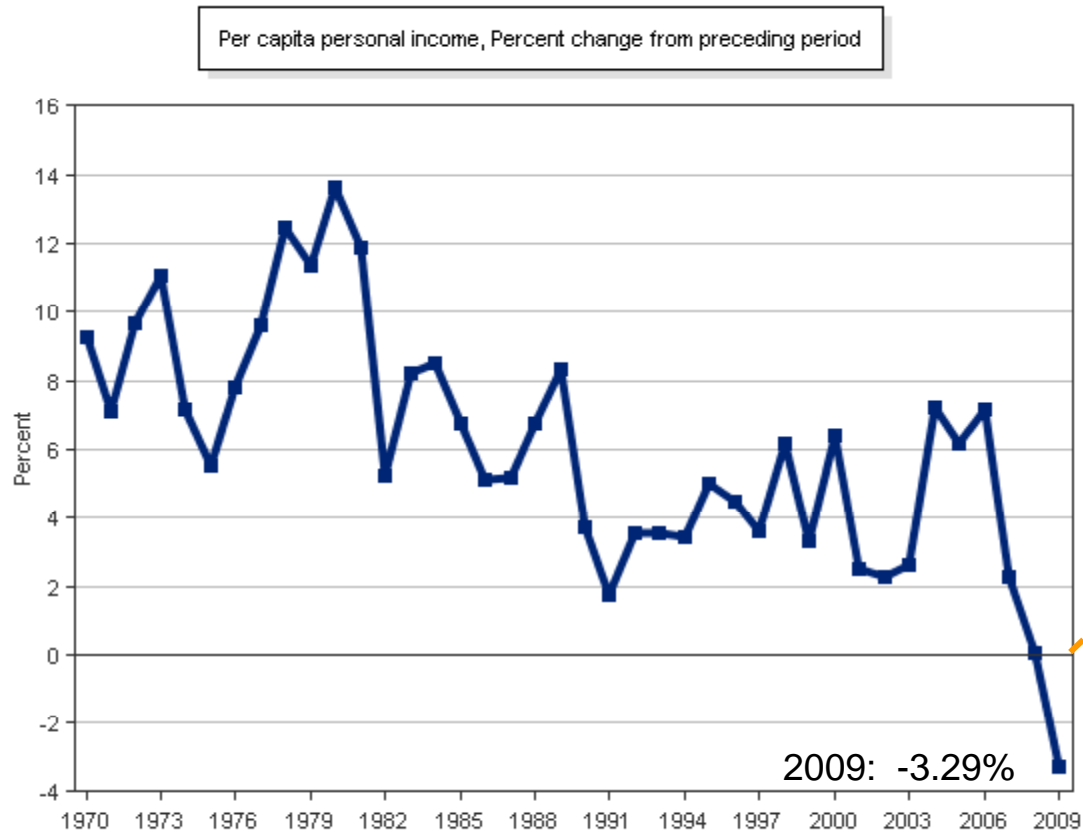
Economy Lost Ground in 2008

- Florida's growth is now declining. State Gross Domestic Product (GDP) ranked us 48th in the nation in real growth with a decline of (-1.6%) in 2008. In 2005, we were ranked 2nd in the nation.



Personal Income

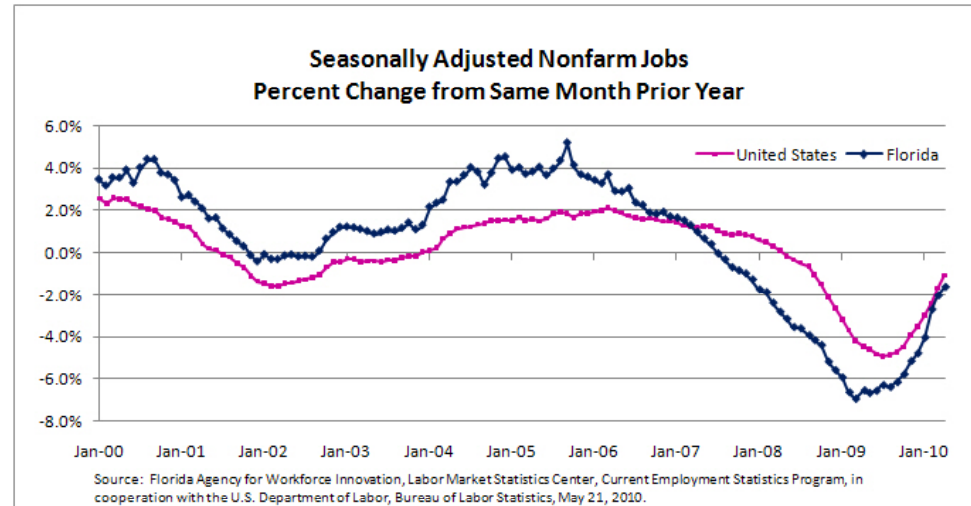
Source: U.S. Bureau of Economic Analysis



Wages rose higher
and fell farther.

Employment Worsens

First time Florida's
unemployment rate
has declined
over-the-month
since February 2006.



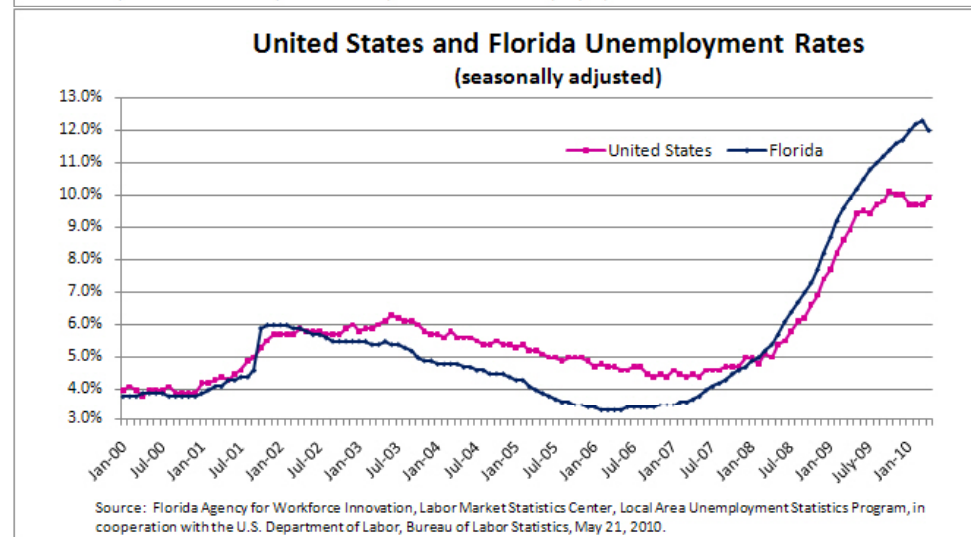
April (YOY)

US -1.0%

FL -1.6%

YR: -117,900 jobs

Peak: -873,800 jobs



April

US 9.9%

FL 12.0%

(1.1 million people)

5th State in the country

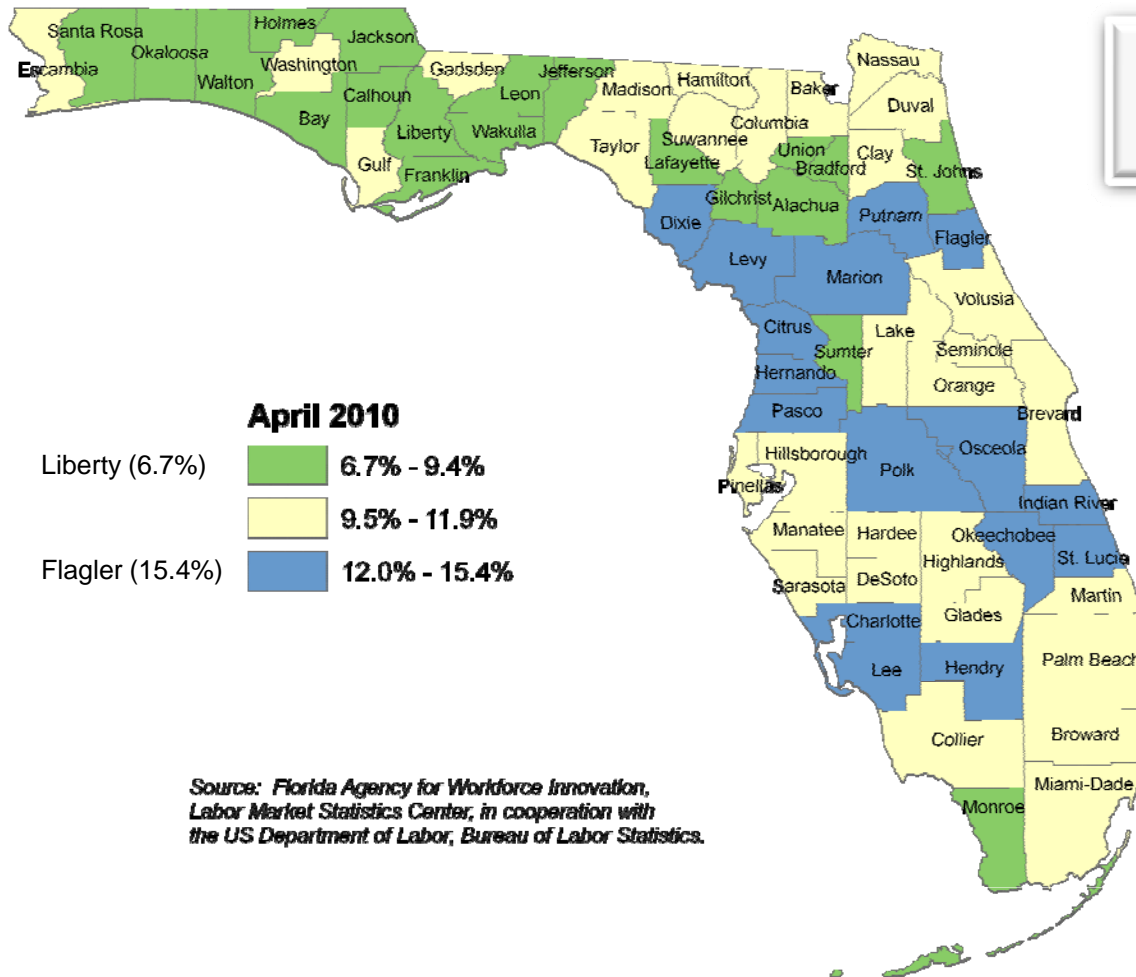
Official Projected

FL 12.3%

Summer, 2010



Unemployment Rates



45 of 67 counties
with double-digit
unemployment rates

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

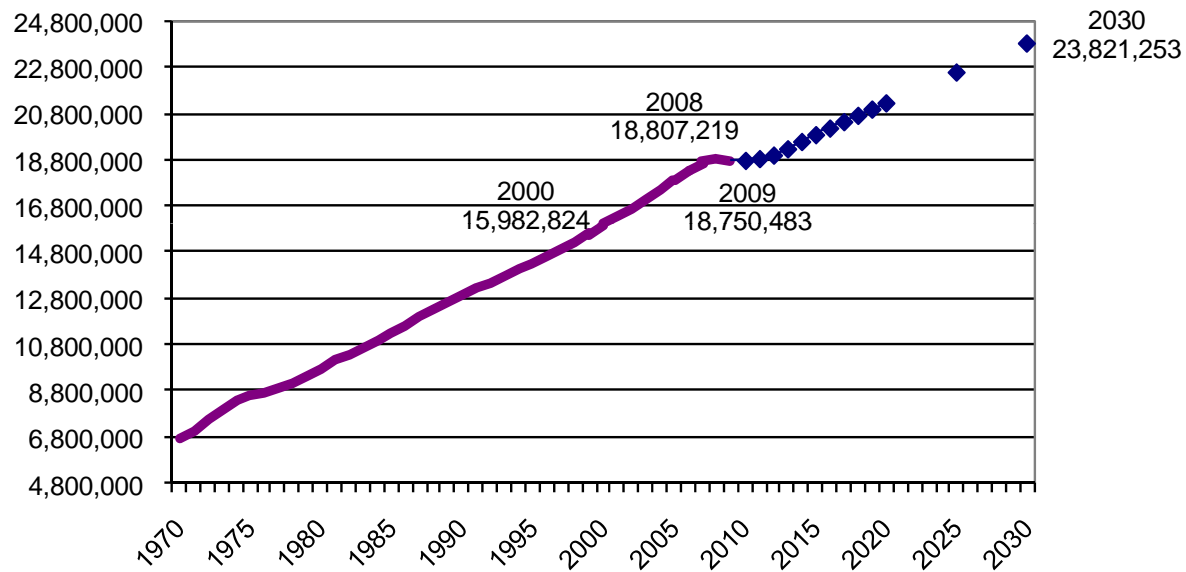


Population Growth Slowing

- 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 and declining by 0.3% in 2009. In the short term, population growth is forecast to remain relatively flat – averaging 0.4% between 2009 and 2012. Population growth is expected to recover in the future – averaging 1.1% between 2025 and 2030.
- The future will be different from the past; the 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

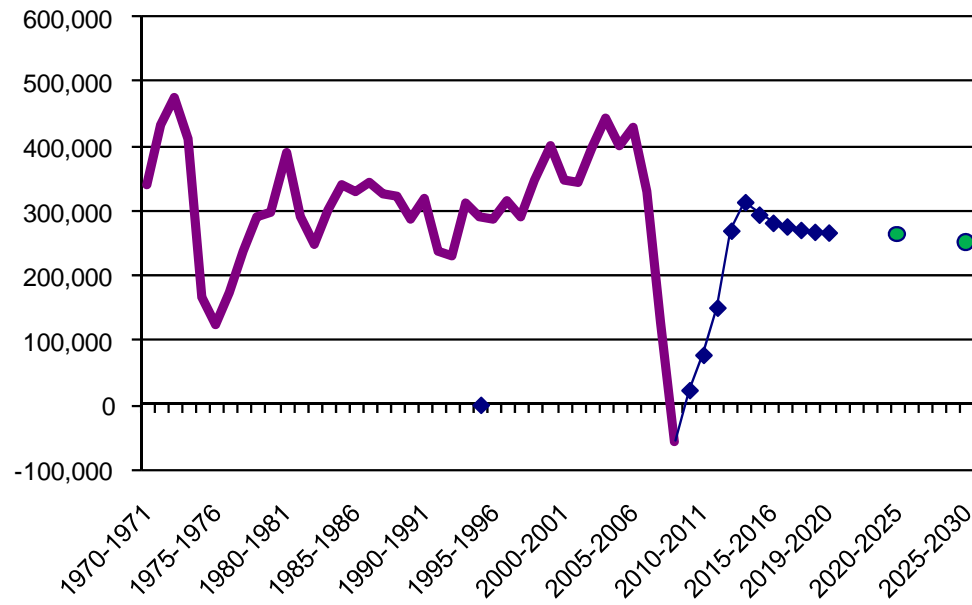


Florida's population:

- was 15,982,824 in 2000
- was 18,750,483 in 2009
- is forecast to grow to 23,821,253 by 2030



Florida's Population Growth



Population:

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

Population is forecast to increase by:

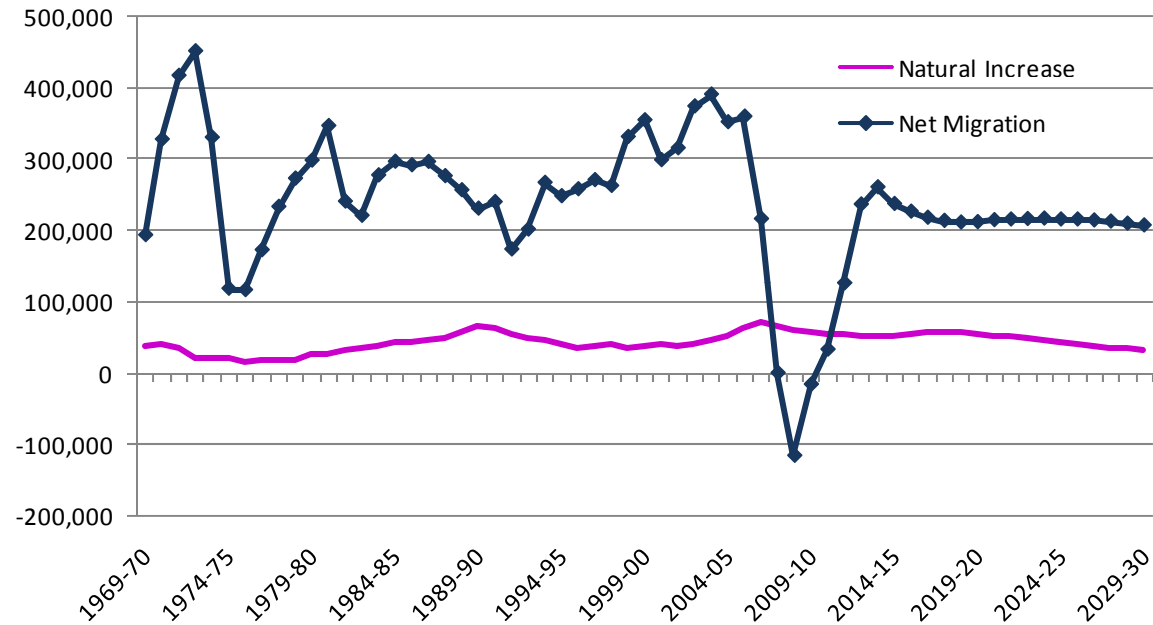
- 22,873 between 2009 and 2010

Population is forecast to increase on average by:

- 221,564 between 2010 and 2015 (similar in size to Hialeah)
- 273,150 between 2015 and 2020
- 265,326 between 2020 and 2025
- 249,539 between 2025 and 2030



Florida's Population Growth



- Typically, most of Florida's population growth is from net migration.
- In 2030, net migration is forecast to represent 86.4 percent of Florida's population growth.



Recession – Long and Severe

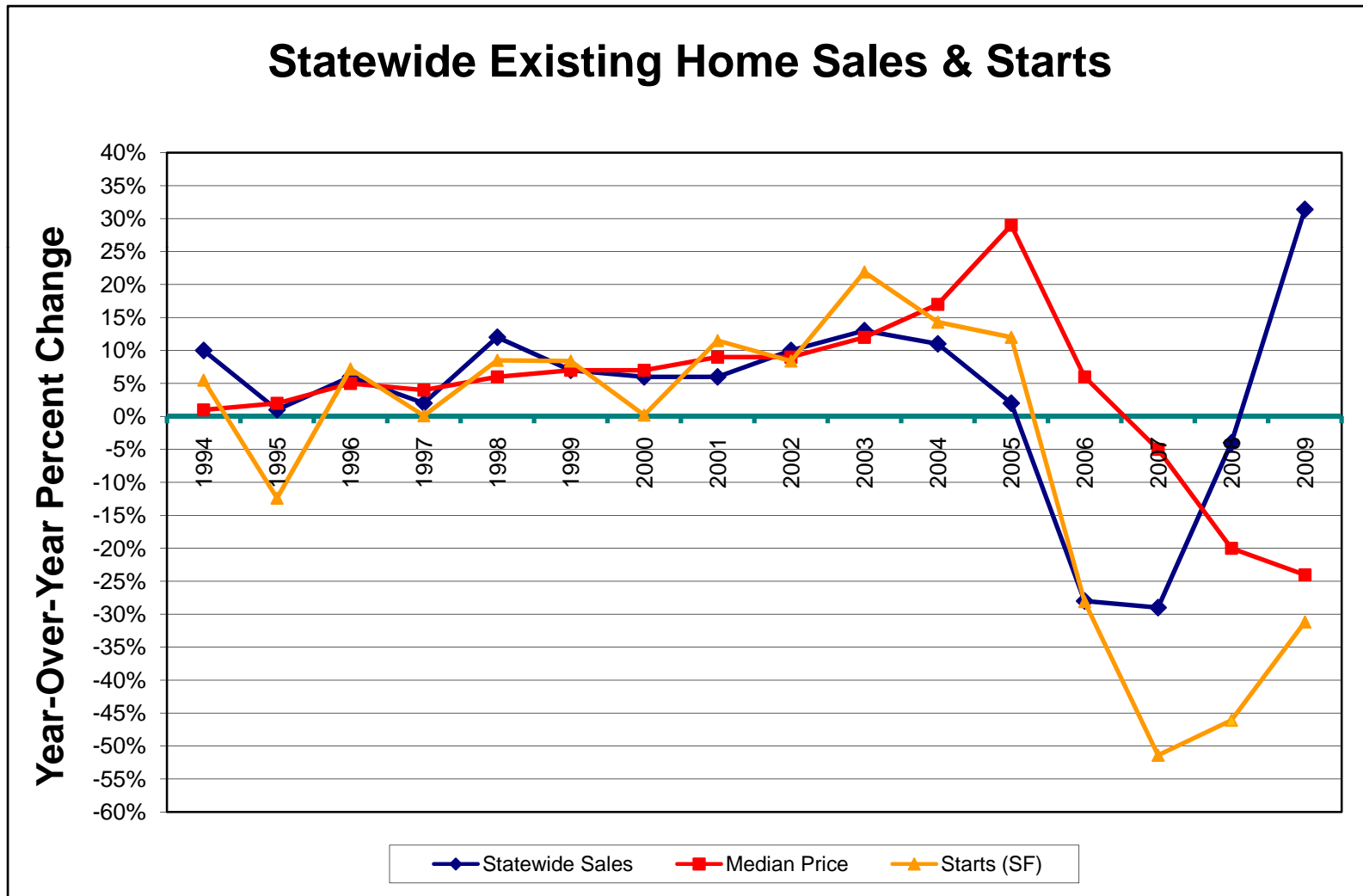
- United States economy officially entered recession in December 2007. The end date has not been established.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

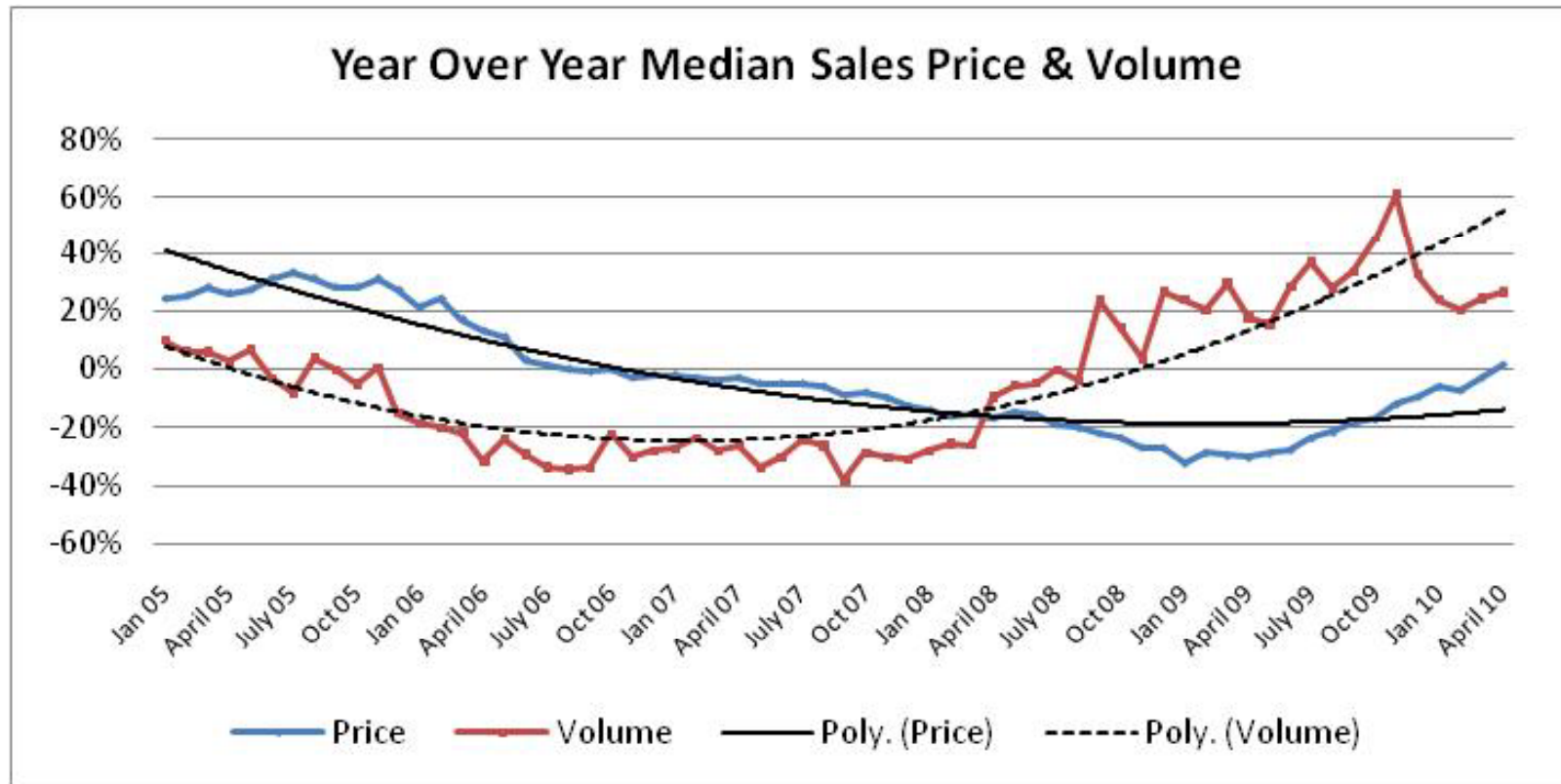
| <u>Recession</u> | <u>Duration</u> | <u>Recession</u> | <u>Duration</u> |
|------------------|-----------------|------------------|-----------------|
| 2001 | 8 mos | 1960-1961 | 10 mos |
| 1990-1991 | 8 mos | 1957-1958 | 8 mos |
| 1981-1982 | 16 mos | 1953-1954 | 10 mos |
| 1980 | 6 mos | 1948-1949 | 11 mos |
| 1973-1975 | 16 mos | 1945 | 8 mos |
| 1969-1970 | 11 mos | 1937-1938 | 13 mos |



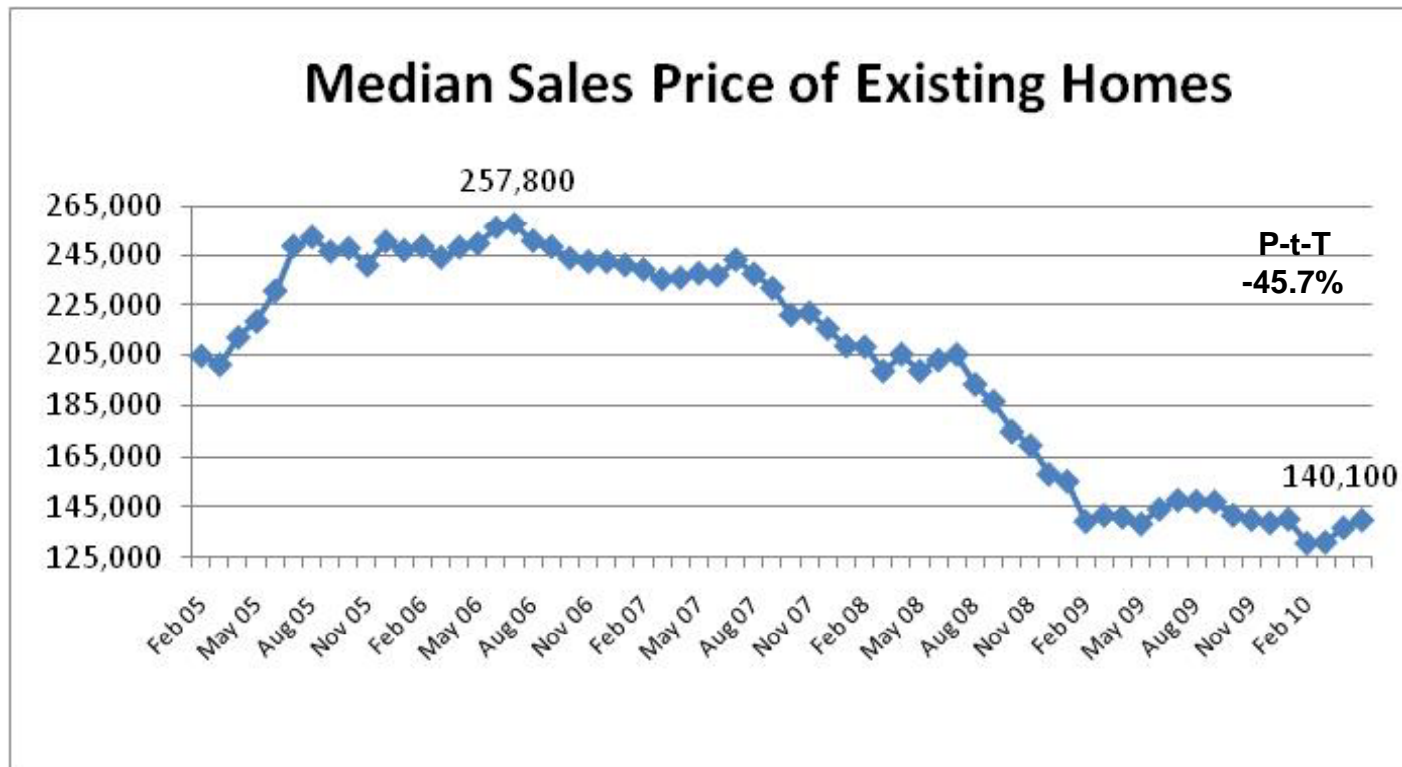
Florida Housing is Improving



Existing Homes Sales Growing



Existing Home Prices Flattening



Foreclosure Filings Bottoming?

2009...

*2nd Highest # of Filings
(516,711 properties)*

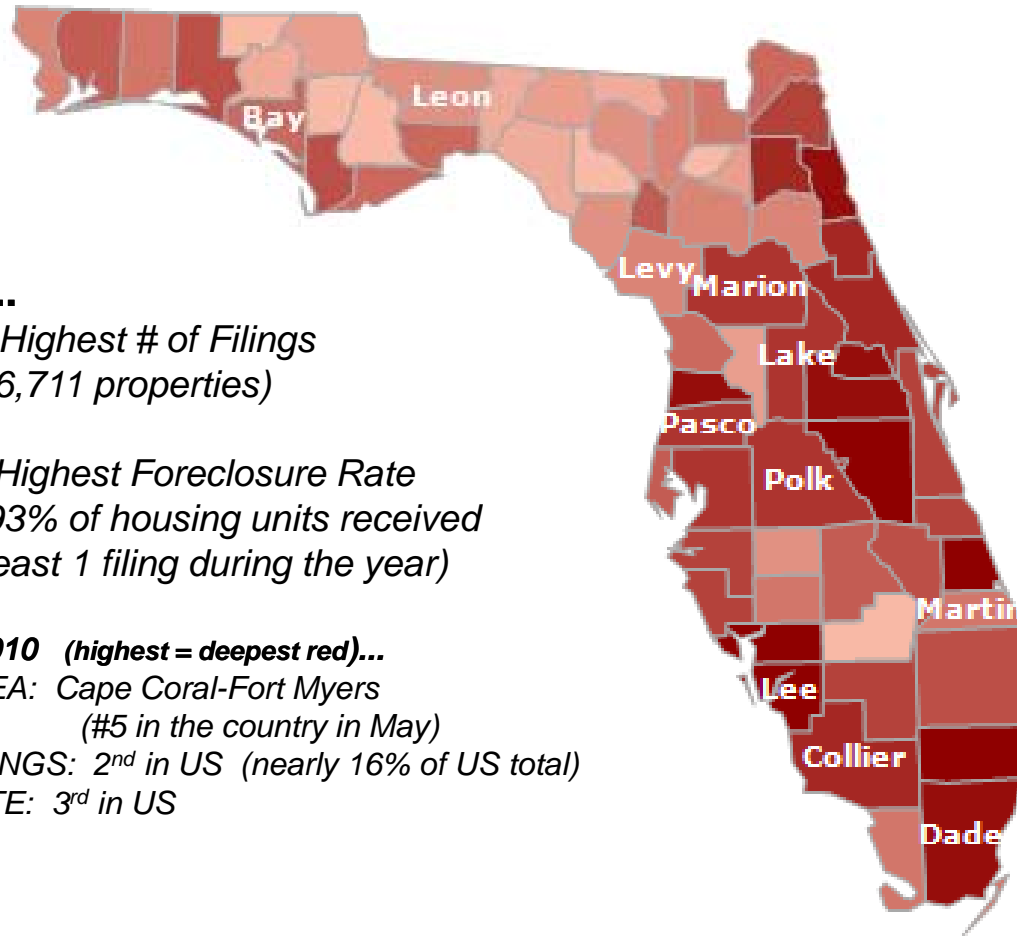
*3rd Highest Foreclosure Rate
(5.93% of housing units received
at least 1 filing during the year)*

May, 2010 (highest = deepest red)...

*AREA: Cape Coral-Fort Myers
(#5 in the country in May)*

FILINGS: 2nd in US (nearly 16% of US total)

RATE: 3rd in US



Foreclosures & Shadow Inventory

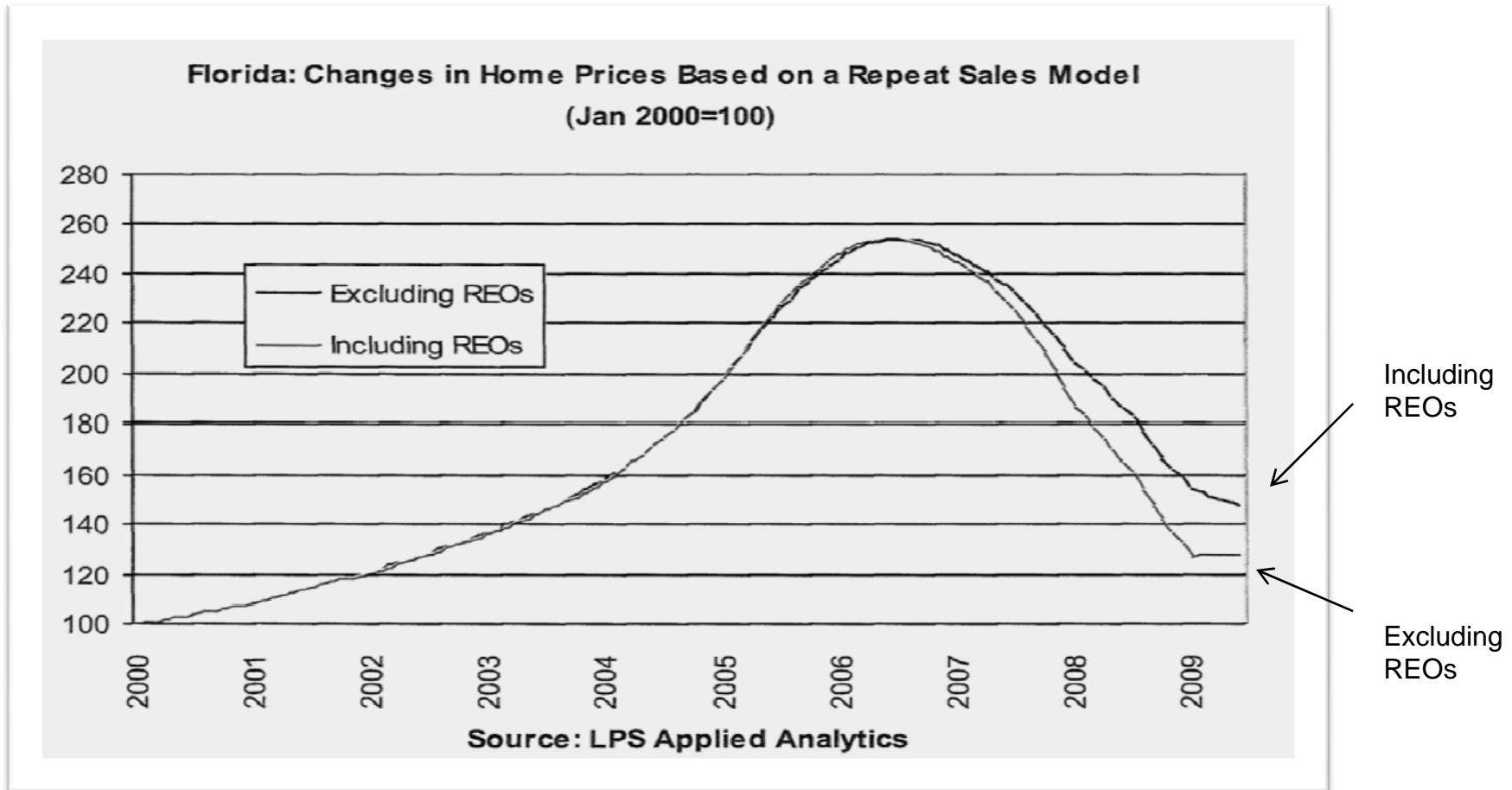
| State | Delinquency % | Foreclosure Inventory % | Non-Current % |
|----------|---------------|-------------------------|---------------|
| National | 8.99% | 3.18% | 12.17% |
| FL | 11.2% | 11.1% | 22.3% |
| NV | 14.6% | 7.3% | 21.9% |
| MS | 13.5% | 2.3% | 15.8% |
| AZ | 11.0% | 3.6% | 14.6% |
| GA | 11.9% | 2.5% | 14.4% |
| CA | 10.8% | 3.2% | 14.0% |
| IL | 9.1% | 4.1% | 13.2% |
| NJ | 8.2% | 4.6% | 12.8% |
| MI | 10.3% | 2.4% | 12.7% |
| RI | 10.2% | 2.4% | 12.6% |
| OH | 9.8% | 3.5% | 12.6% |
| IN | 9.3% | | |
| LA | 9.9% | | |
| MD | 9.5% | | |
| HI | 7.7% | | |
| TN | 10.1% | | |
| WV | 9.9% | | |
| NY | 8.3% | | |
| SC | 9.1% | 2.4% | 11.4% |
| AL | 10.1% | 1.2% | 11.3% |
| DE | 7.9% | 2.8% | 10.7% |
| CT | 7.8% | 2.8% | 10.6% |
| NC | 9.0% | 1.5% | 10.6% |
| ME | 7.4% | 3.1% | 10.4% |
| MA | 7.9% | 2.0% | 9.9% |

| State | Delinquency % | Foreclosure Inventory % | Non-Current % |
|-------|---------------|-------------------------|---------------|
| KY | 7.7% | 2.3% | 9.9% |
| PA | 7.6% | 2.1% | 9.7% |
| WI | 6.9% | 2.8% | 9.7% |
| UT | 7.4% | 2.1% | 9.5% |
| ID | 6.9% | 2.5% | 9.5% |
| AR | 7.9% | 1.5% | 9.4% |
| TX | 8.1% | 1.2% | 9.3% |
| MO | 7.9% | 1.3% | 9.2% |
| OK | 6.9% | 2.2% | 9.1% |
| NM | 6.8% | 2.2% | 8.9% |
| DC | 7.1% | 1.9% | 8.9% |
| NH | 7.5% | 1.5% | 8.9% |
| VT | 5.0% | 2.0% | 7.1% |
| NE | 5.3% | 1.2% | 6.5% |
| MT | 4.9% | 1.5% | 6.4% |
| AK | 4.9% | 0.9% | 5.8% |
| WY | 4.8% | 1.0% | 5.8% |
| SD | 3.6% | 1.1% | 4.7% |
| ND | 3.2% | 0.7% | 3.9% |

| State | Delinquency % | Foreclosure Inventory % | Non-Current % |
|----------|---------------|-------------------------|---------------|
| National | 8.99% | 3.18% | 12.17% |
| FL | 11.2% | 11.1% | 22.3% |

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

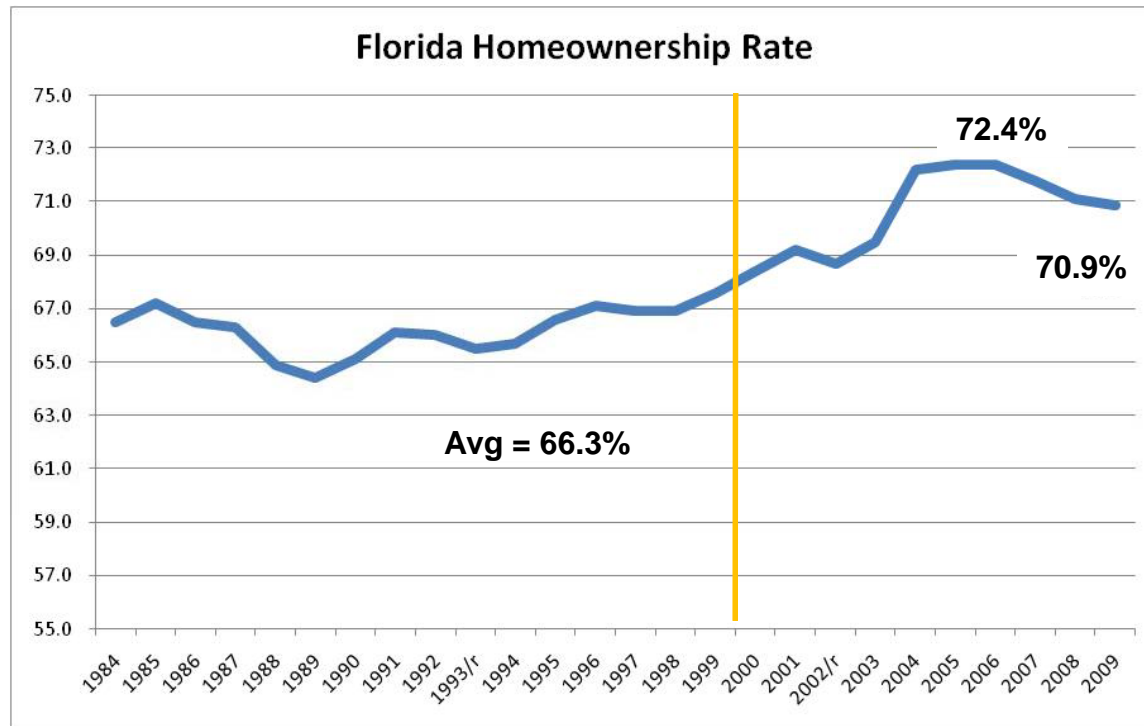
Sales Mix Points to Lower Prices



REO (Bank) and Short Sales were 45% of all Florida sales in March.

LPS: Lender Processing Services

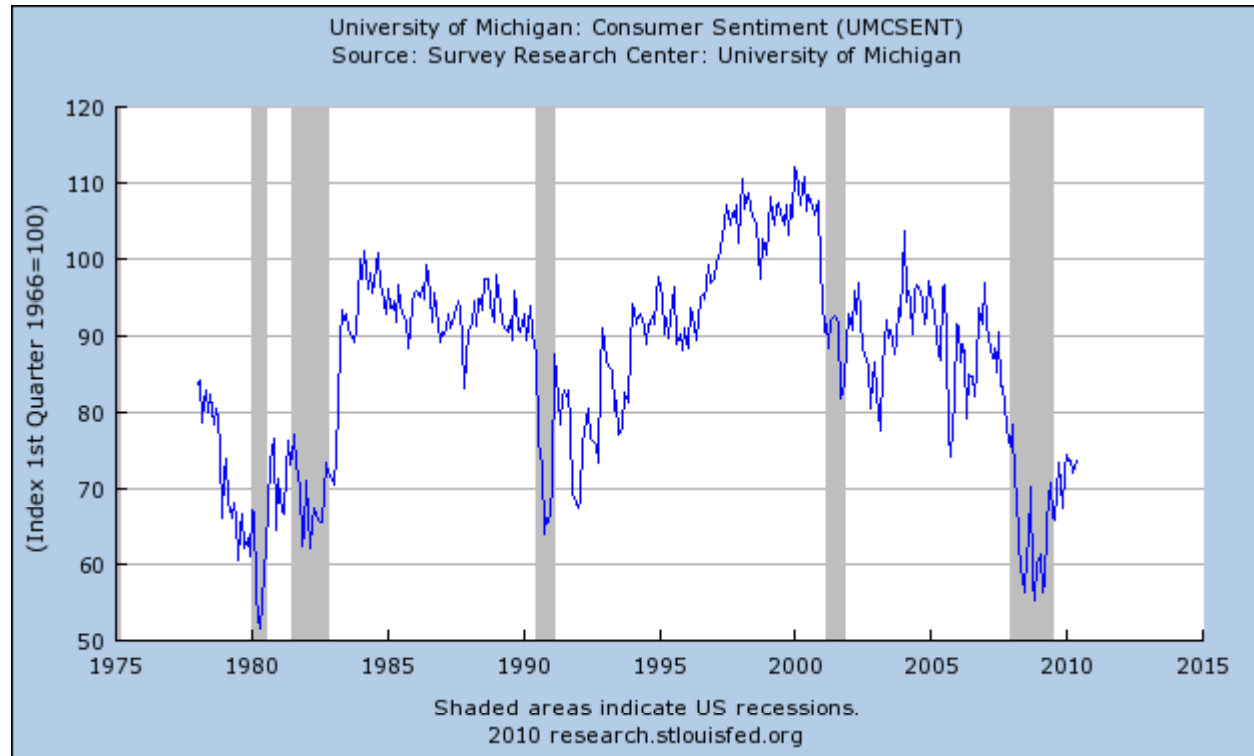
Vulnerability



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.



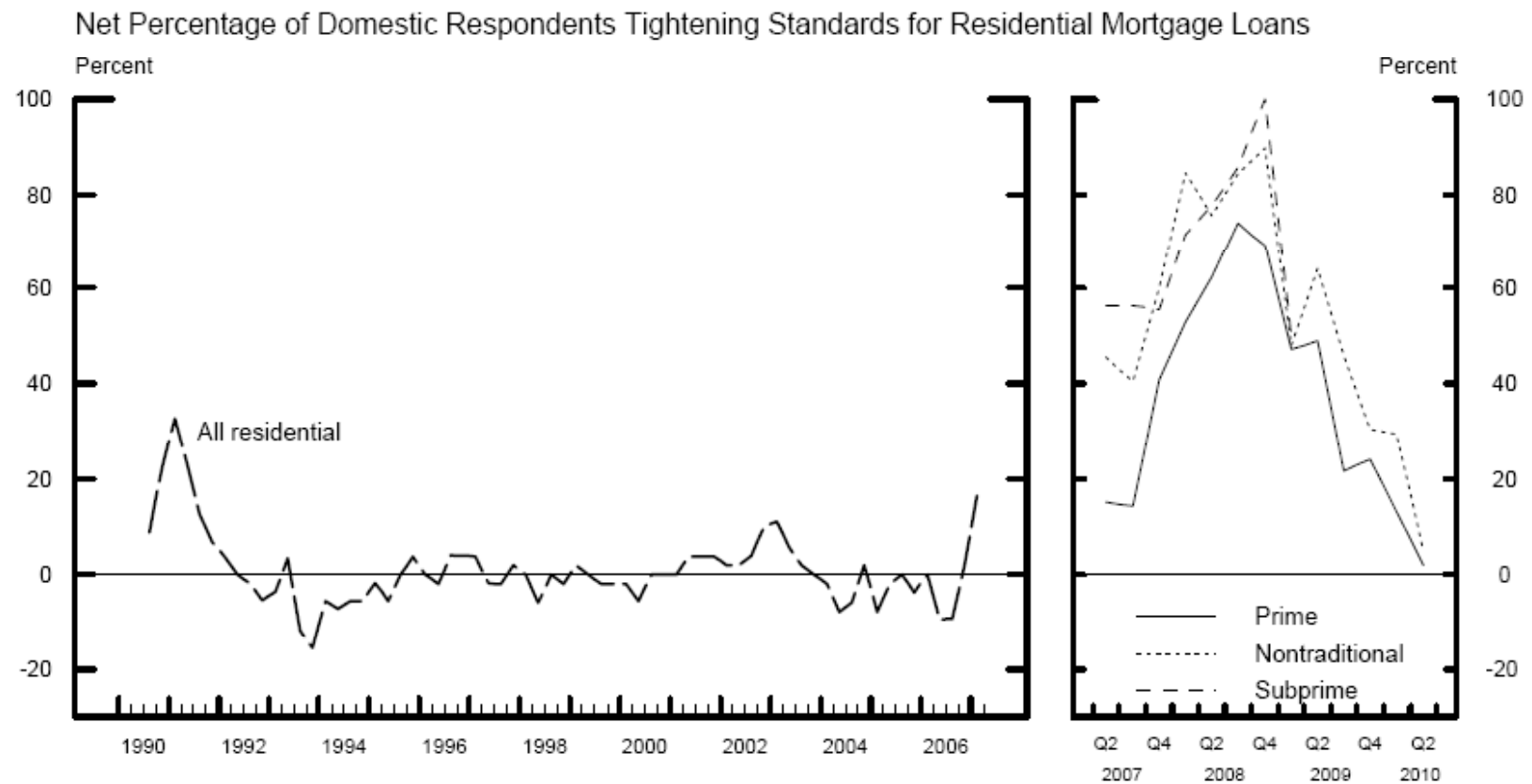
Sentiment is Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (73.6 in May versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (May: 71 versus a record low 59 twenty-three months ago) is roughly following the national trend.



Credit Conditions Still Tight



Note: For data starting in 2007:Q2, changes in standards for prime, nontraditional, and subprime mortgage loans are reported separately. Series are not reported when the number of respondents is 3 or fewer.

April 2010 Senior Loan Officer Opinion Survey on Bank Lending Practices

Revenue: Bringing It Together

- Drags are more persistent relative to past events, and it will take years to climb out of the hole left by the Great Recession.
 - Credit Market, while much improved, remains sluggish and still difficult to access.
 - U.S. Consumers are responding to massive wealth destruction and tighter credit conditions.
 - The job market will take a long time to recover --- nearly 875,000 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
 - Multiple Challenges --- the lingering effects from the Great Recession will merge into the beginning of the economic shifts caused by the retirement of the Baby Boom Generation.



Economy Was Set To Rebound

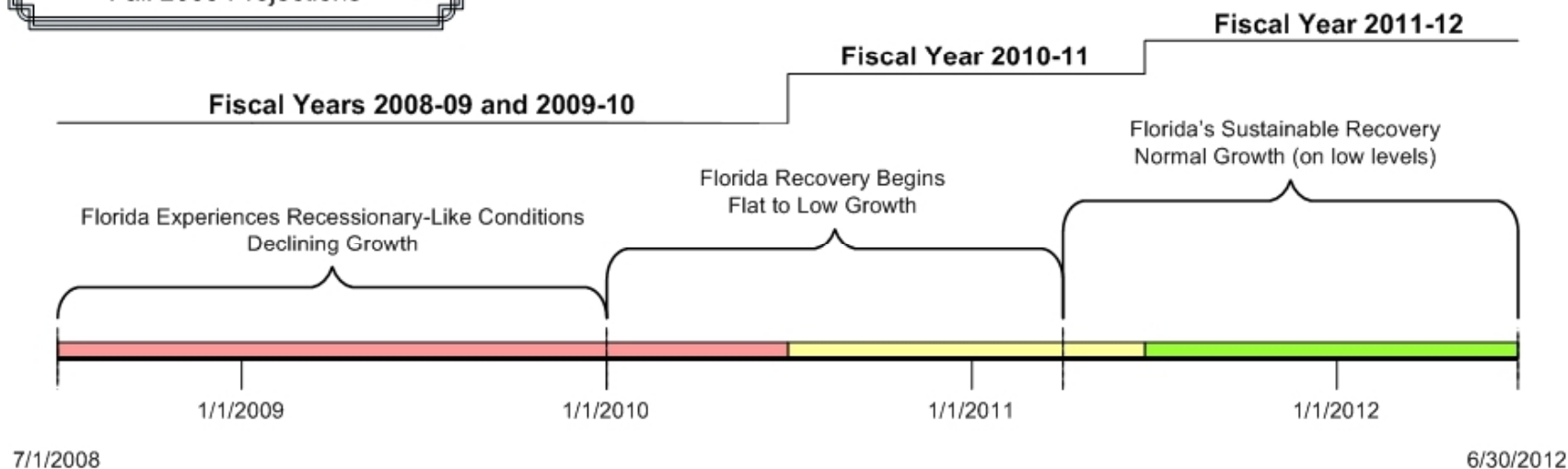
In the absence of the Deepwater Horizon Oil Spill, Florida growth rates were beginning a slow return to more typical levels. Overall...

- The national economic contraction is running its course and, more importantly, the financial markets were recovering 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 March: \$170,700 nationally vs. \$137,000 in Florida...19.7% 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.



Florida Recovery Timeline

Fall 2009 Projections



Fiscal Year 2009-10

National GDP has growth of 0.4%.

National consumer price index is weakly positive.

National consumer spending is weakly positive.

Standard & Poor's Index is positive.

Florida has negative population growth.

Florida personal income declines.

Florida employment declines.

Florida unemployment rate peaks at 11.4%.

Florida housing starts decline.

Florida registration of new light vehicles declines.

Florida visitors decline.

Fiscal Year 2010-11

National GDP has weak growth.

Florida population has virtually no growth.

Florida personal income has weak growth.

Florida employment has weak growth.

Florida unemployment rate is only slightly off the peak.

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.

Florida Risks to the Forecast

- Florida is on a different recovery path than the nation as a whole --- Deepwater Horizon Oil Spill exacerbates the differences.
- 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 Oil Spill.
- 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.



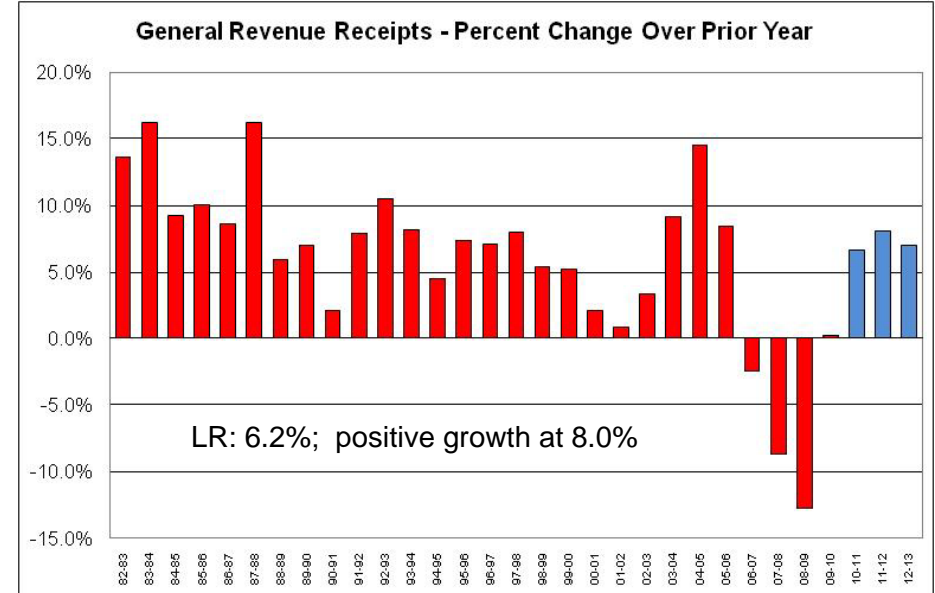
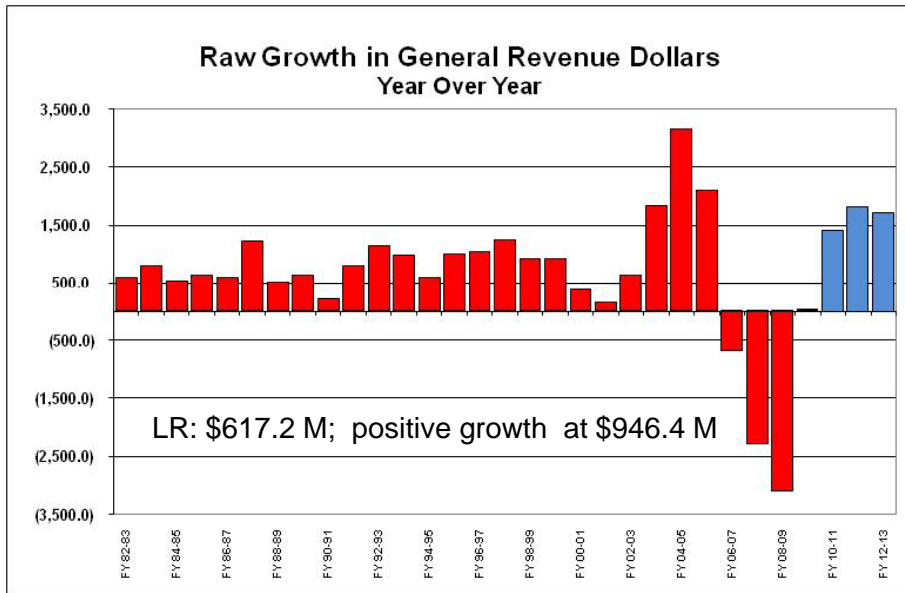
Black Swans

Low probability, high impact events:

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures.
 - Nineteen Florida banks have failed since January 2002 – fourteen of which occurred in the 2009 calendar year.
- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$274 million.
- Over-valuation in the stock market corrects itself abruptly. (Nouriel Roubini)



Strong Growth Expected for GR



| Fiscal Year | March Forecast | Incremental Growth | Growth Rate |
|-------------|----------------|--------------------|-------------|
| 2009-10 | 21056.9 | 31.3 | 0.1% |
| 2010-11 | 22465.7 | 1408.8 | 6.7% |
| 2011-12 | 24275.4 | 1809.7 | 8.1% |
| 2012-13 | 25988.8 | 1713.4 | 7.1% |
| 2013-14 | 27739.6 | 1750.8 | 6.7% |

