

Florida: An Economic Overview

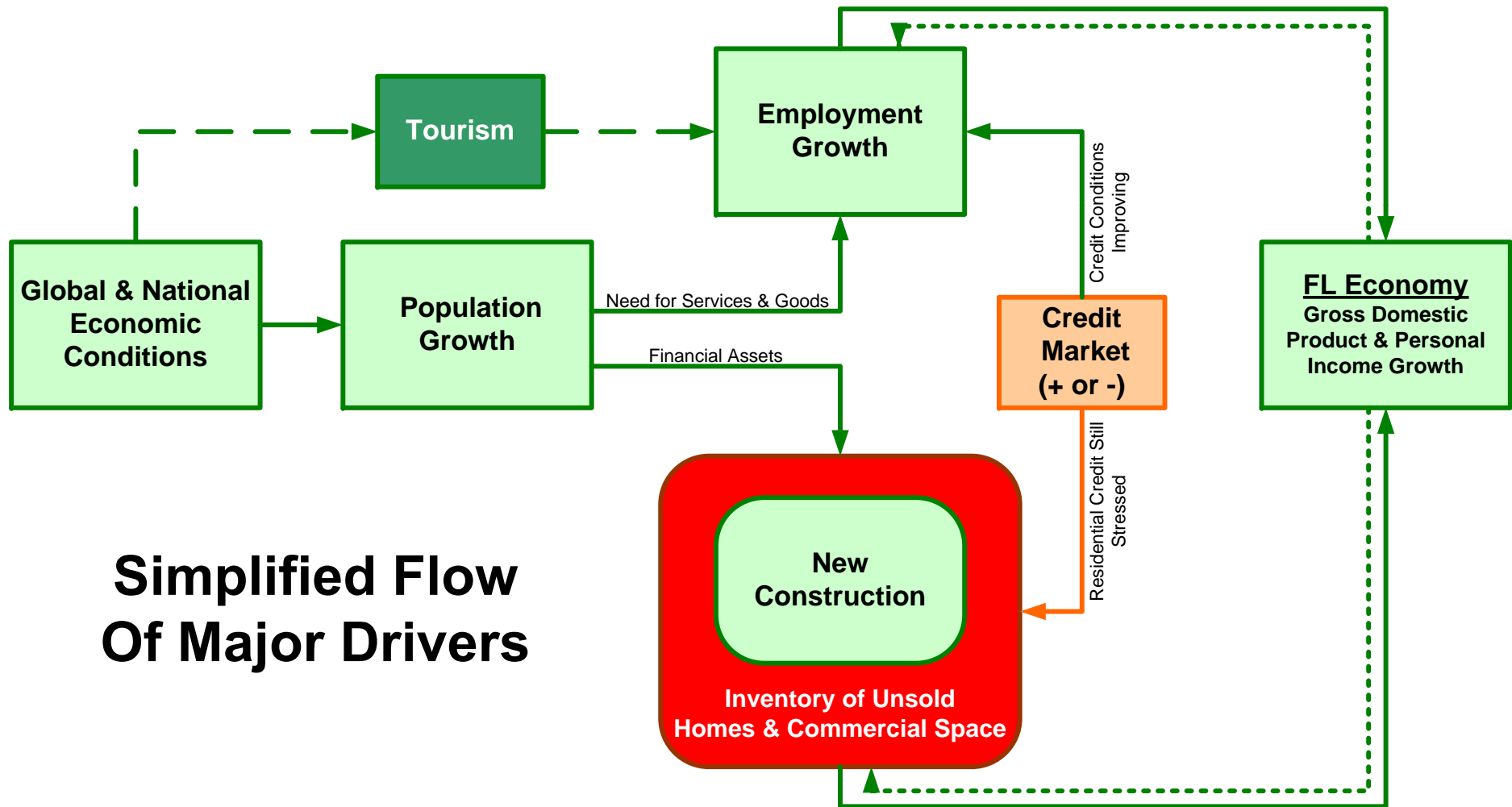
June 21, 2012

Presented by:



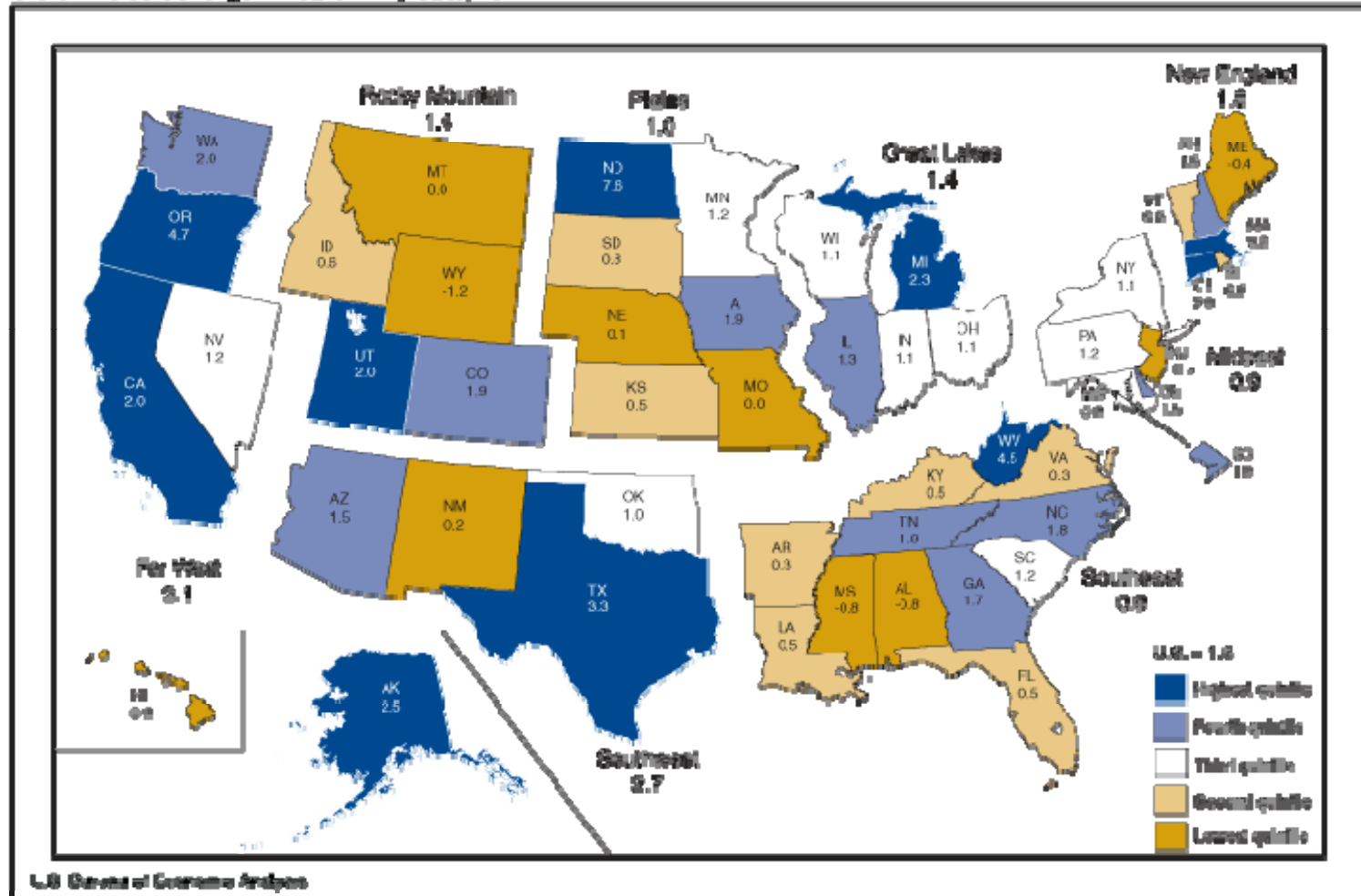
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Key Economic Variables Improving



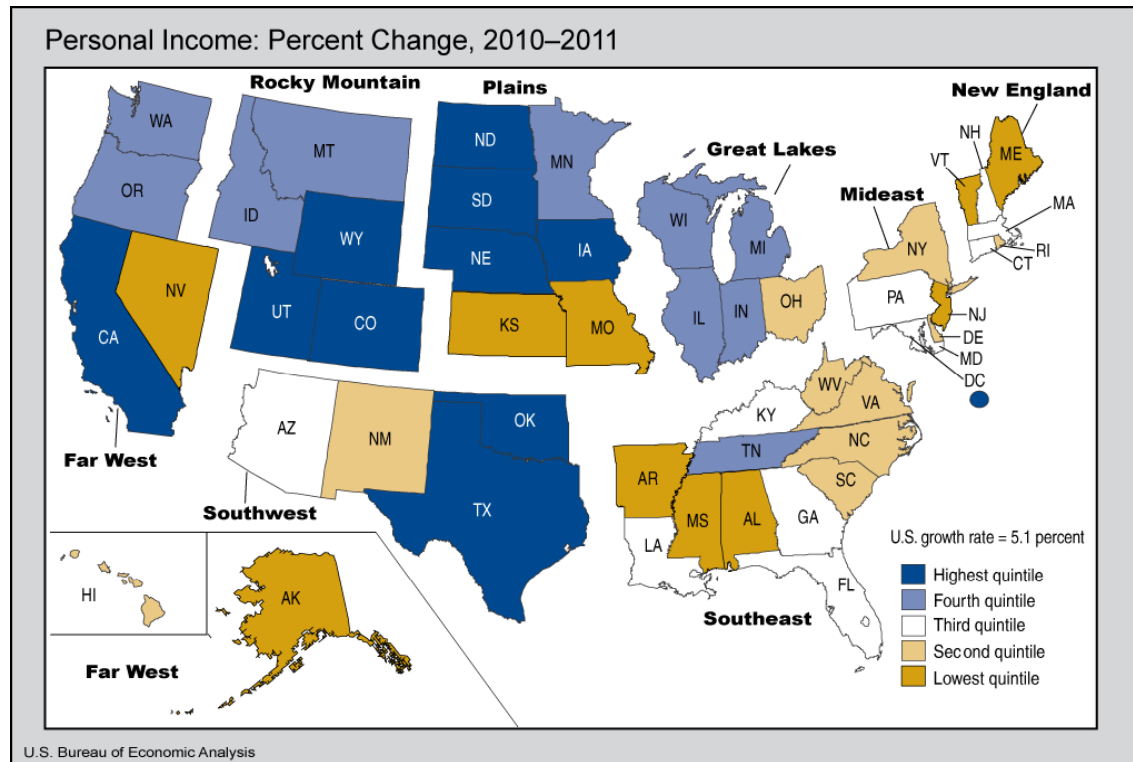
Economy Remained Positive in 2011

Chart 1. Percent Change in Real GDP by State, 2011



In 2011, Florida's economic growth remained in positive territory for the second year after declining two years in a row. State Gross Domestic Product (GDP) ranked us 37th in the nation in real growth with a gain of 0.5%. While the state's ranking improved, the growth slowed from a downwardly revised 0.9% for 2010.

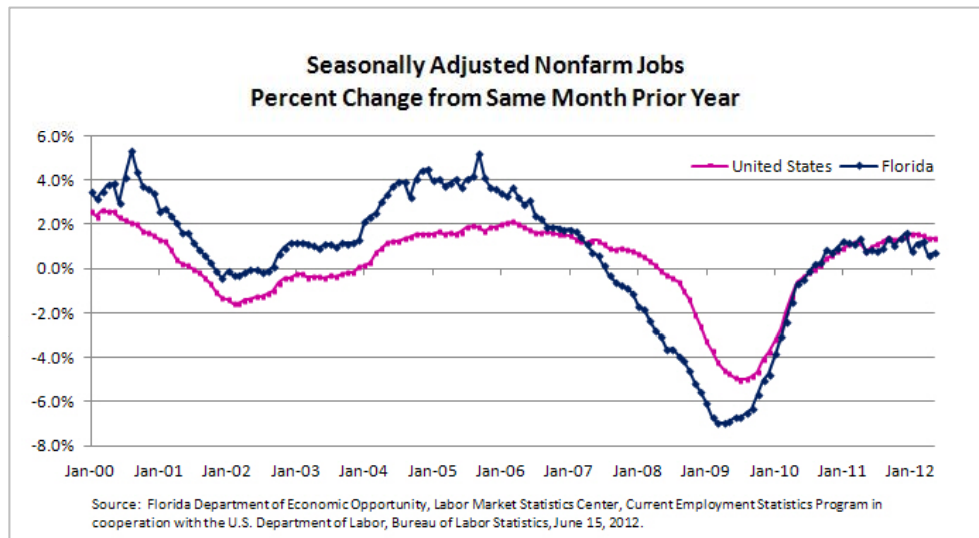
FL Personal Income Grows in 2011



Florida's per capita personal income grew 3.5 percent in 2011 over 2010, ranking the state 45th in the country with respect to state growth. The national average was 4.3 percent. As normal in states with relatively strong population growth, overall income growth was higher (4.7 percent in Florida --- ranked 29th; 5.1 percent in the United States).

Earnings, which grew an average 4.4 percent in 2011, recovered their pre-recession levels and reached new peaks in 45 states. Earnings in Arizona, Florida, Michigan, Nevada, and Oklahoma are still below peaks reached in 2007 or 2008.

Current Employment Conditions



May Nonfarm Jobs (YOY)

US	1.4%
FL	0.7%
YR:	53,800 jobs
Peak:	-751,800 jobs

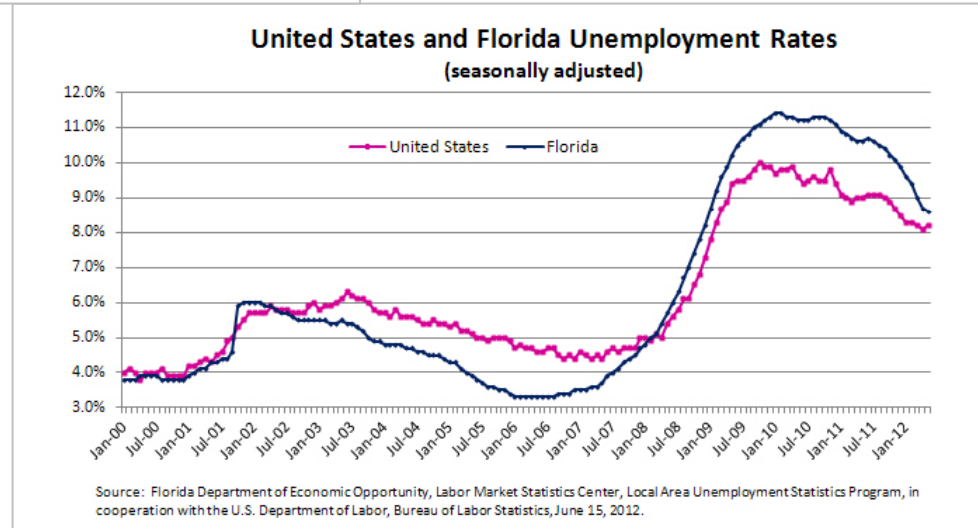
May Unemployment Rate

US	8.2%
FL	8.6%
(794,000 people)	

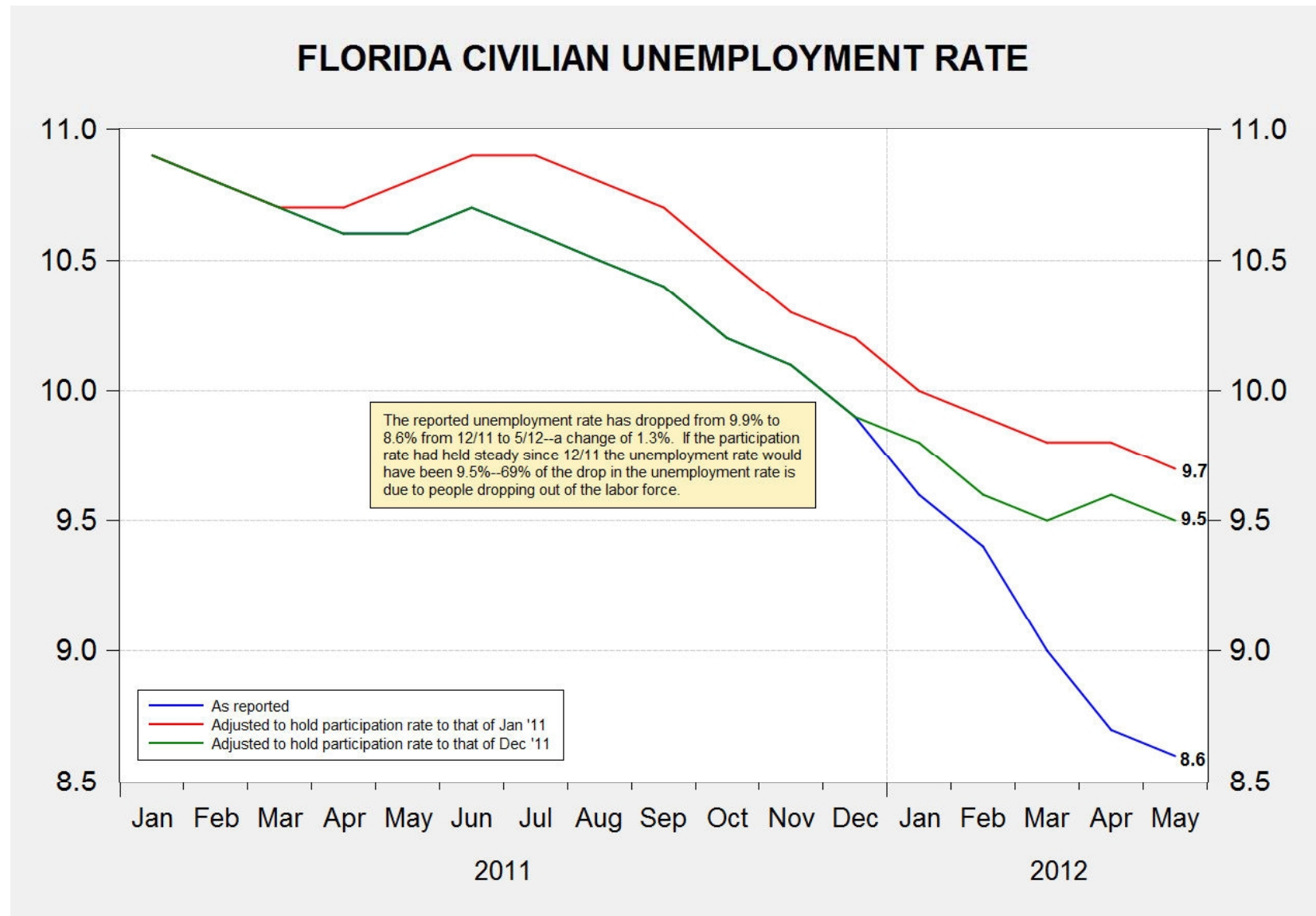
Eight states had a higher unemployment rate than Florida. Florida was tied with two states: Illinois and New York.

Highest Monthly Rate

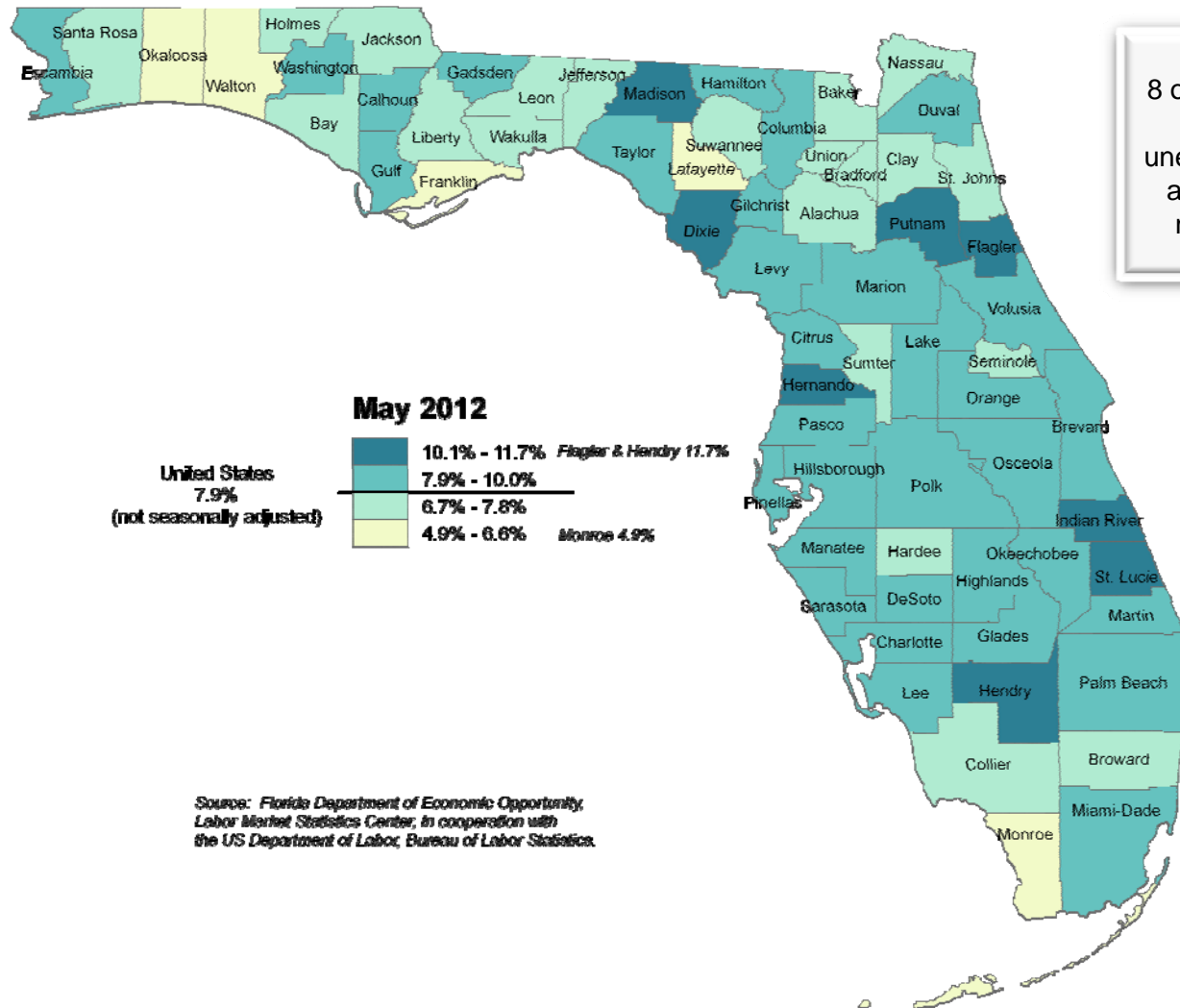
January & February 2010
11.4%



Labor Force Reduction Accounts for Most of Rate Drop



Unemployment Rates



8 of 67 counties with double-digit unemployment rates; at its highest, this number was 52.

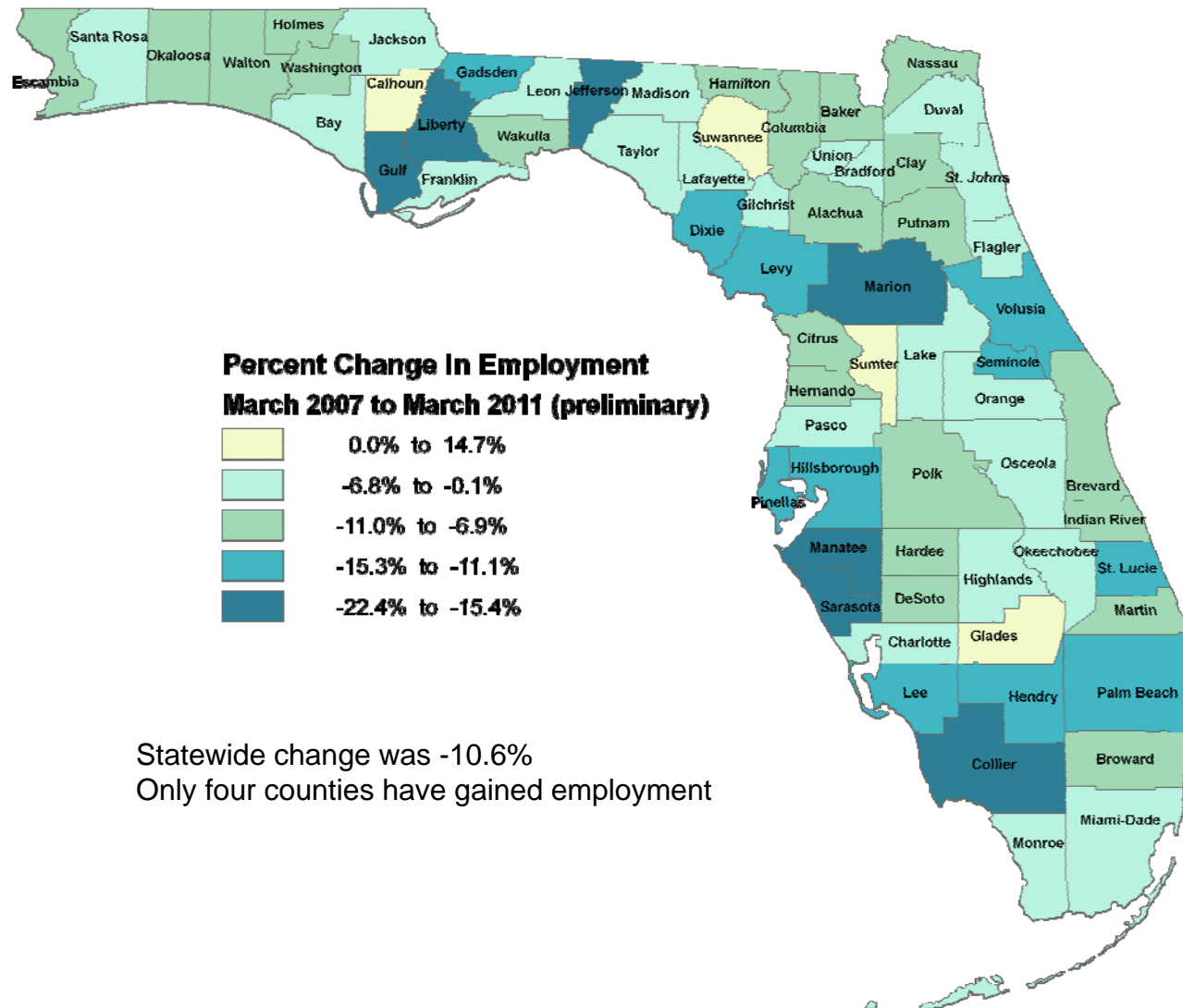


Florida's Job Market

- The job market will take a long time to recover – about 751,800 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 over 2,600 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1 million jobs for the same percentage of the total population to be working as was the case at the peak.



Employment Down from Peak Levels

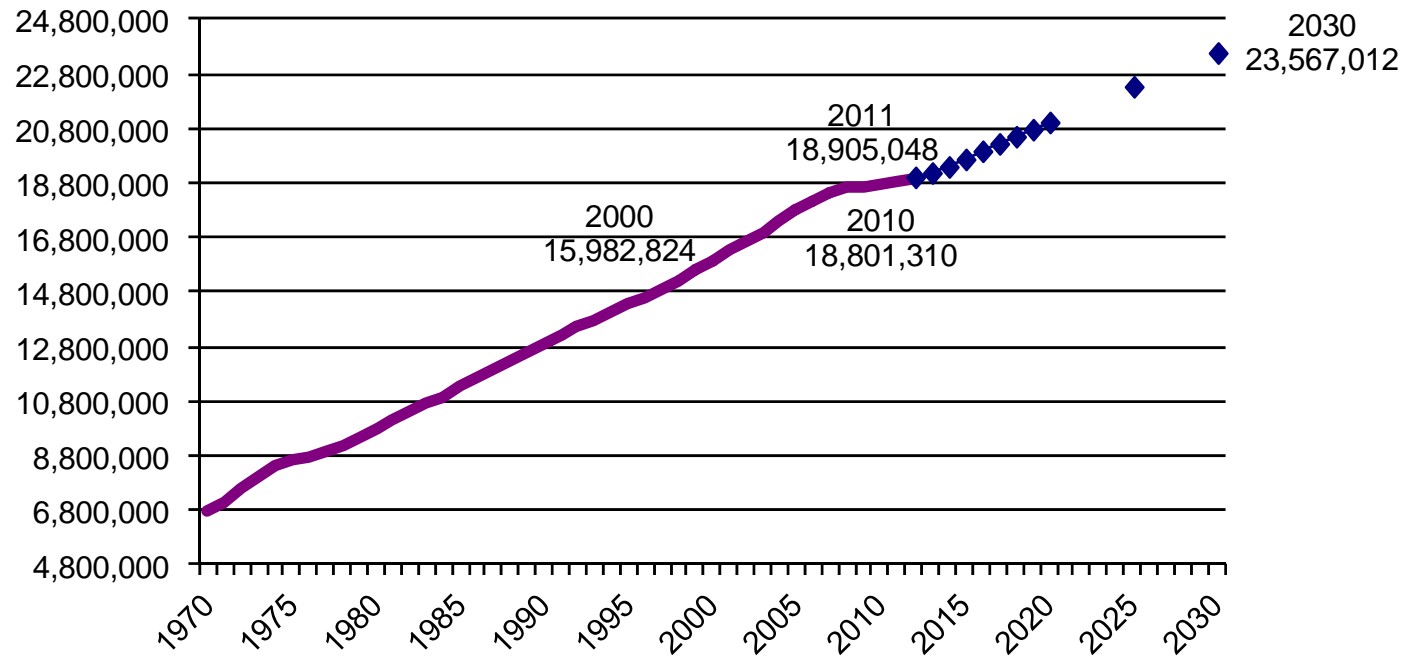


Population Growth Recovering

- 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 0.85% between 2011 and 2014. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86% 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 on track to break the 20 million mark during 2016, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population Snapshot

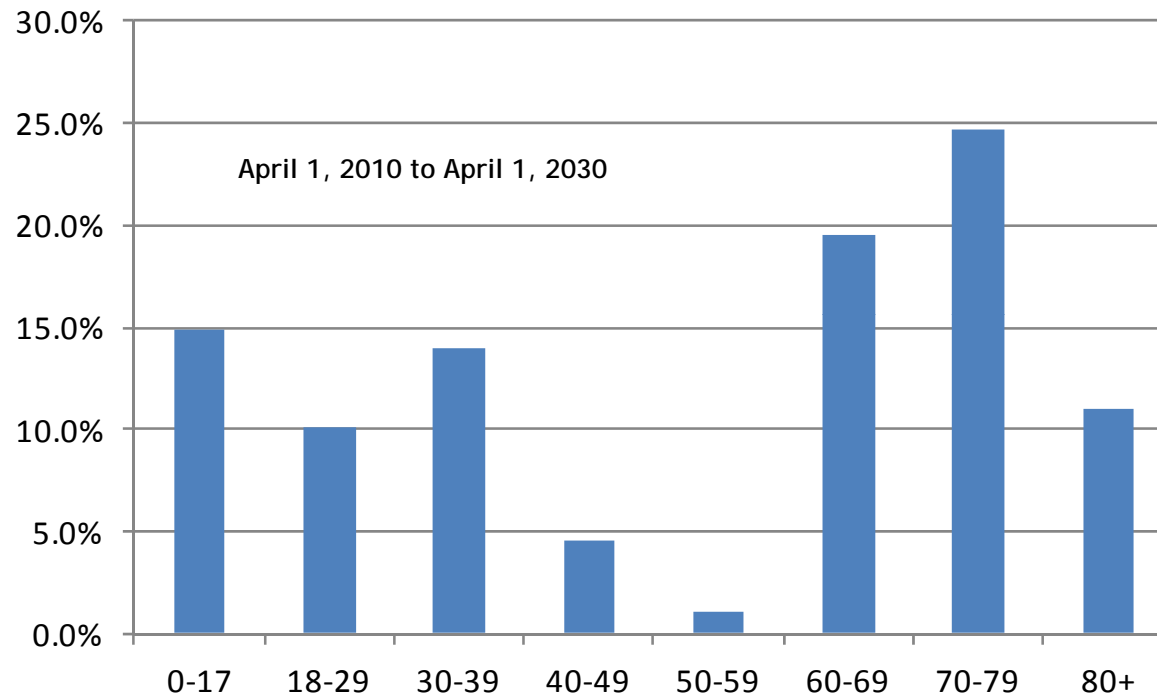


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,567,012 by 2030

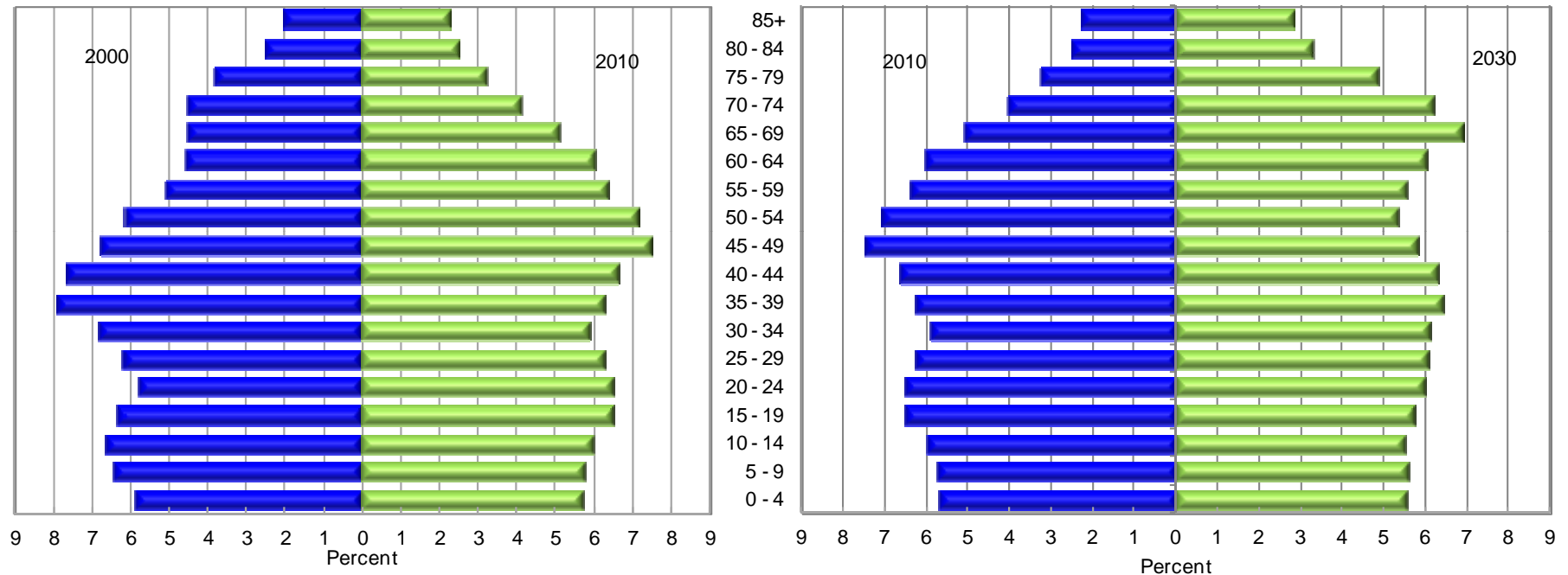


Population Growth by Age Group



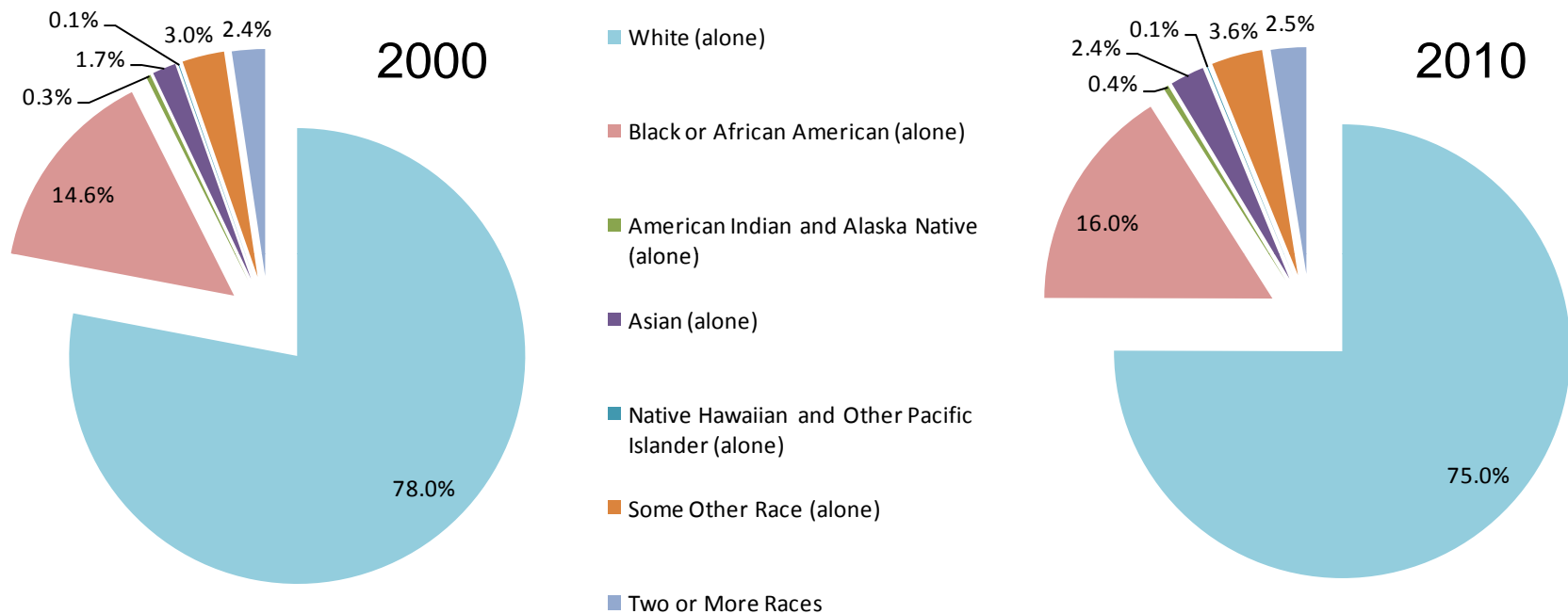
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.2 percent of the gains.
- Florida's younger population (age 0-17) will account for 15.0 percent of the gains.

Total Population by Age Group



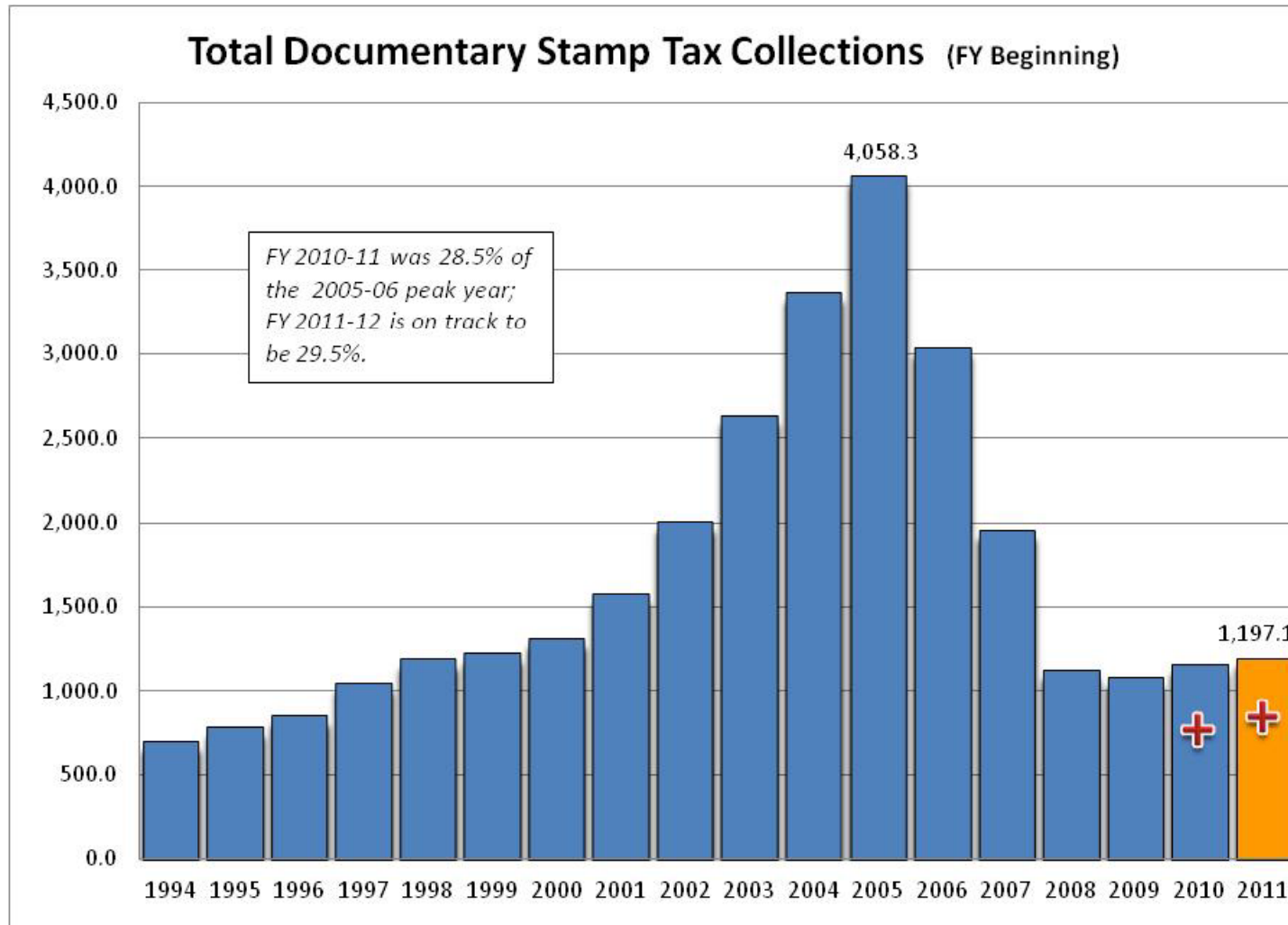
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 39.7 percent of Florida's total population and is expected to represent 36.0 percent by 2030.
- Population aged 65 and over is forecast to represent 24.1 percent in 2030.

Diversity is Increasing



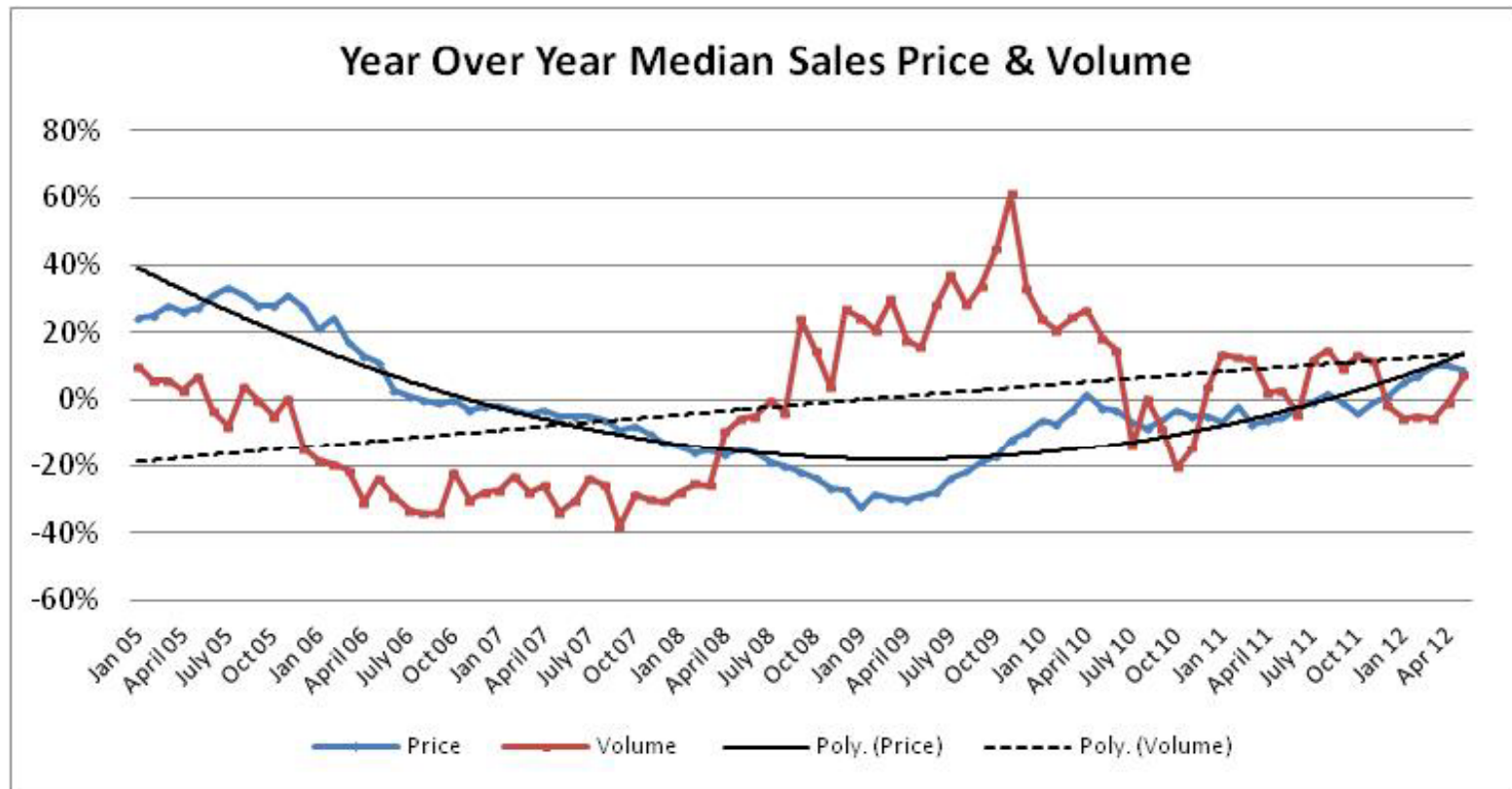
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 27 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

Florida Housing is Generally Improving



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

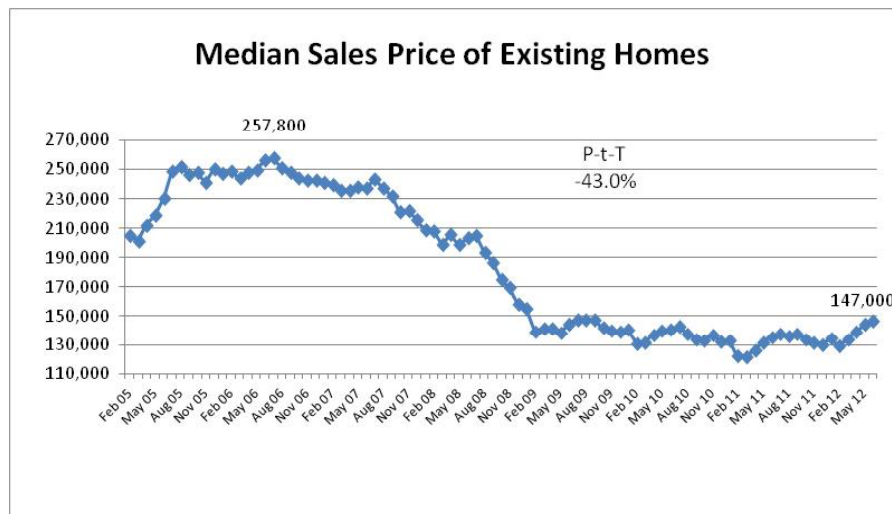
But, Existing Homes Sales Are Sputtering



Data through May 2012

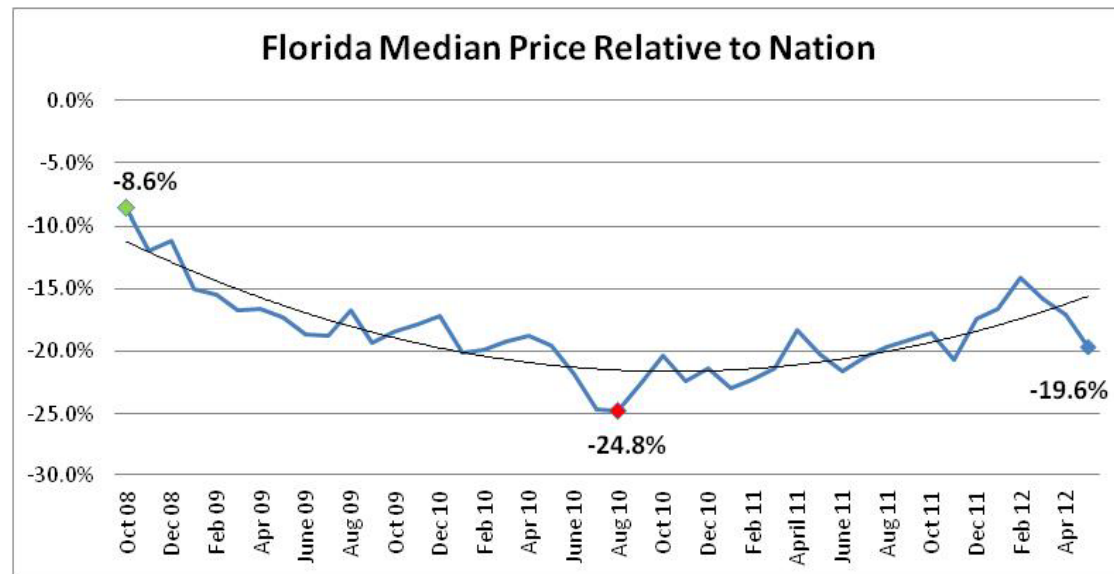
Sales Level in CY 2011 was 70.1% of 2005 boom level; for this year, 77.5%.

While Existing Home Prices Are Rising



Data through May 2012

Median Sales Prices for Existing Homes have shown recent improvement, posting the highest number in May in 34 months (Summer 2009), but median sales prices are still substantially below the nation as a whole.



Foreclosure Filings Remain Daunting

“Optimists point to declining home inventories in relation to sales, but they are looking at an illusion. Those supposed inventories do not include about 5m housing units with delinquent mortgages or those in foreclosure, which will soon be added to the pile. Nor do they include approximately 3m housing units that stand vacant – foreclosed upon but not yet listed for sale, or vacant homes that owners have pulled off the market because they can’t get a decent price for them.” *Financial Times*

Foreclosure Process (once begun; Q4: 2011)

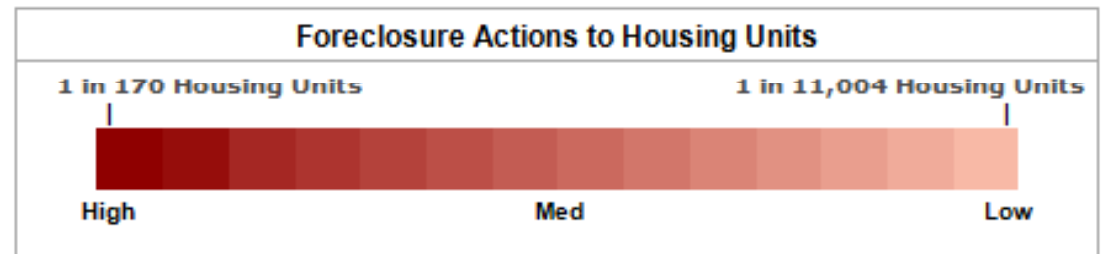
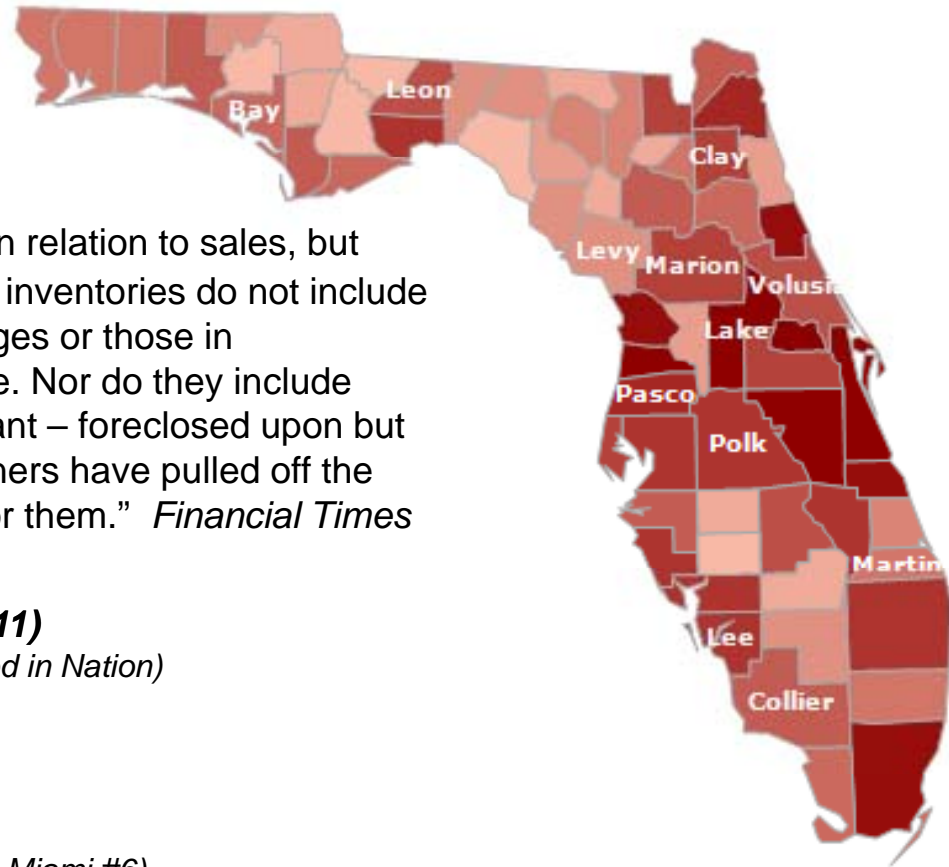
806 Days - 2.2 yrs - in Florida (3rd Longest Period in Nation)
At the beginning of 2007, 169 days.

May 2012

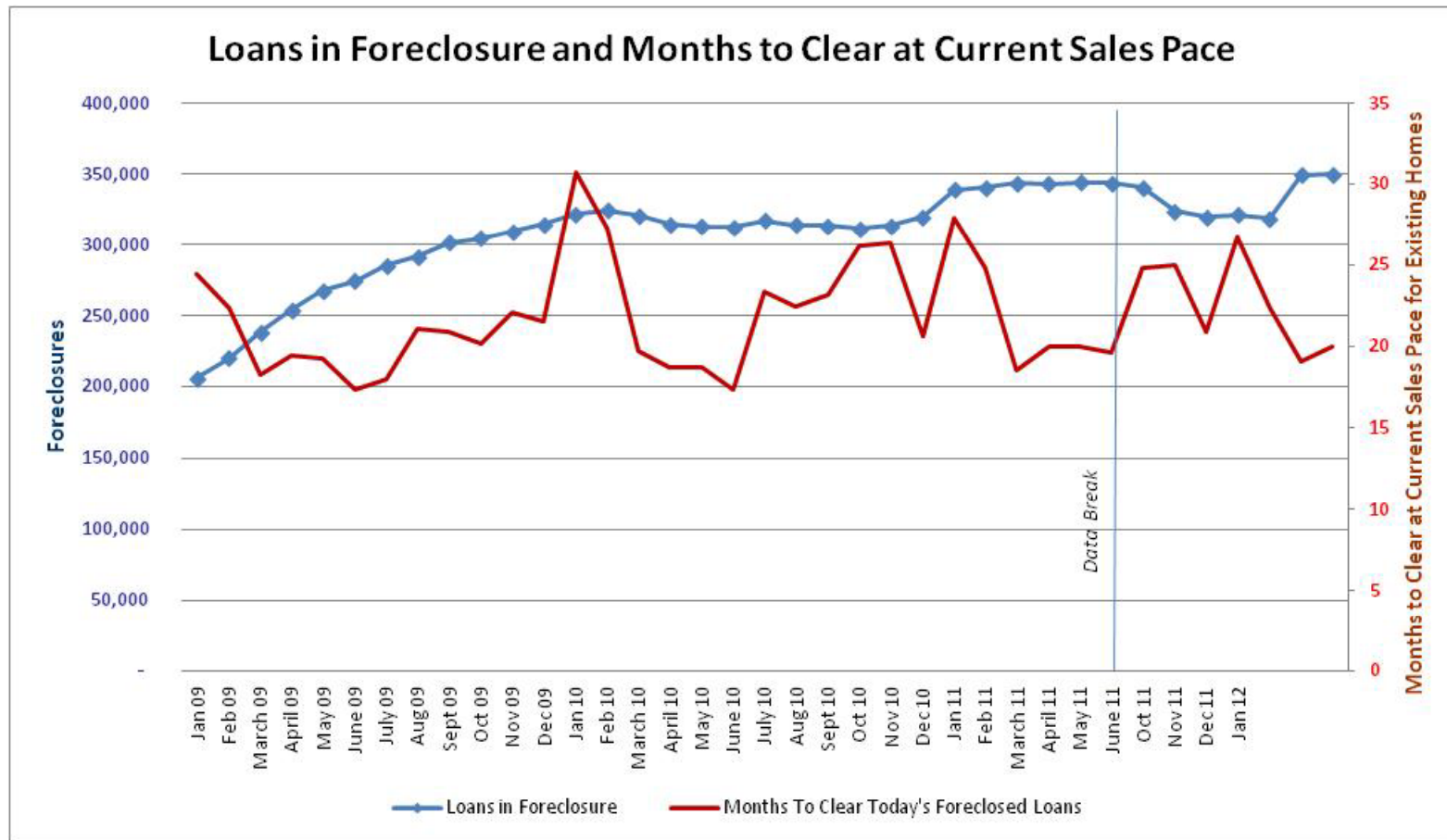
2nd Highest # of Filings
6th Highest Foreclosure Rate (MSAs -- Tampa #5; Miami #6)

Calendar Year 2011

2nd Highest # of Filings
6th Highest Foreclosure Rate



Residential Loans in Foreclosure



Loan Data from LPS: April

Foreclosures & Shadow Inventory

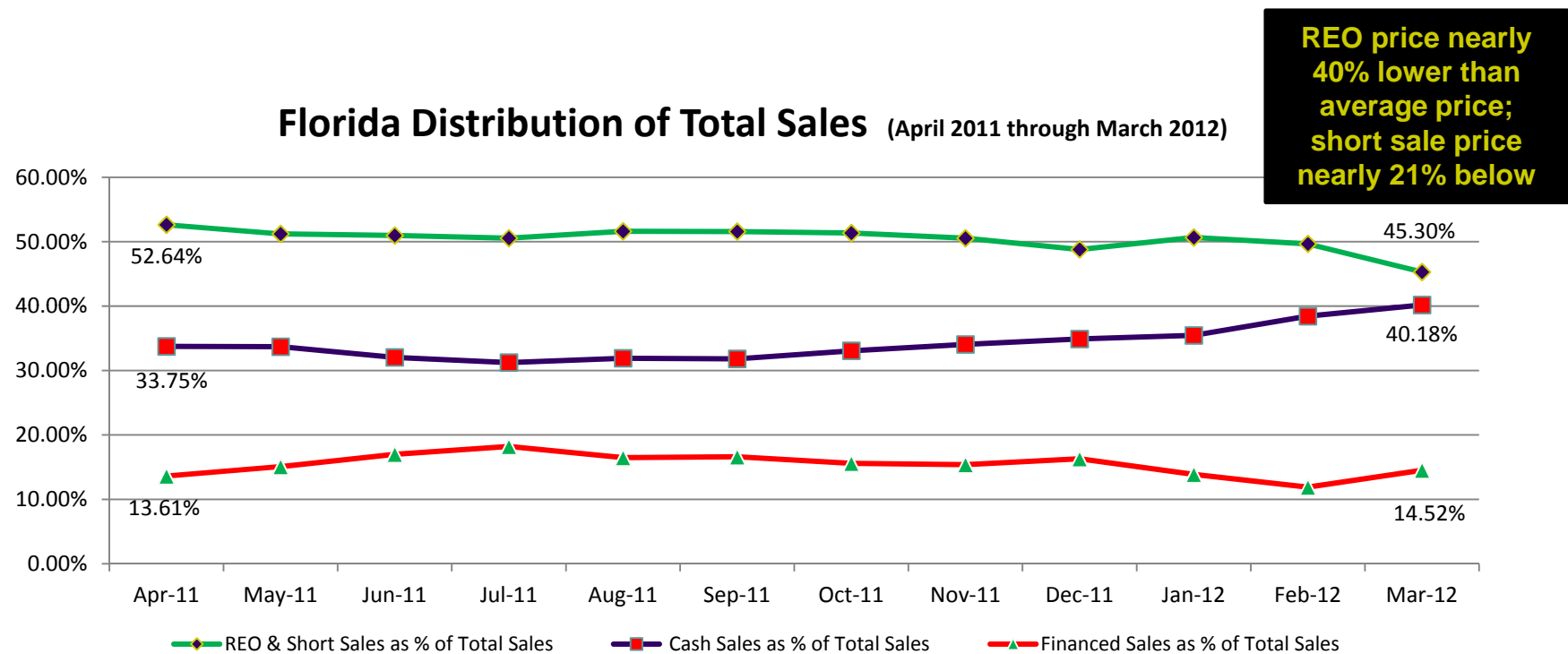
State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.1%	4.1%	11.3%	-7.0%
FL *	7.4%	13.9%	21.3%	-6.3%
MS	12.8%	4.1%	16.8%	-1.2%
NJ *	7.9%	7.6%	15.6%	7.3%
NV	10.2%	5.2%	15.4%	-17.1%
IL *	6.9%	7.0%	13.9%	-0.2%
OH *	8.2%	5.1%	13.3%	-1.8%
IN *	8.3%	4.7%	12.0%	-3.7%
GA	10.1%	2.8%	13.0%	-7.7%
NY *	6.8%	6.0%	12.8%	2.2%
MD *	9.4%	3.3%	12.7%	1.0%
LA *	9.3%	3.3%	12.6%	-5.1%
RI	8.1%	4.1%	12.3%	-7.0%
ME *	6.7%	5.4%	12.1%	1.2%
CT *	6.4%	5.7%	12.1%	2.9%
SC *	7.4%	4.6%	12.0%	-3.7%
TN	9.3%	2.3%	11.6%	-7.1%
DE *	8.1%	3.4%	11.5%	-0.7%

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.1%	4.1%	11.3%	-7.0%
AL	9.6%	1.9%	11.5%	-5.6%
WV	8.6%	2.5%	11.1%	-8.2%
PA *	7.2%	3.9%	11.1%	0.7%
AR	9.1%	1.9%	11.0%	8.1%
NC	7.8%	3.3%	11.0%	-3.2%
KY *	7.1%	3.9%	11.0%	0.7%
HI *	4.8%	6.1%	10.9%	0.8%
MI	7.8%	2.5%	10.4%	-13.8%
OK *	6.6%			
NM *	5.5%			
WI *	6.0%			
MA	7.1%			
DC	6.3%			
WA	7.6%			
CA	6.4%			
MO	7.2%			
TX	7.2%			

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.1%	4.1%	11.3%	-7.0%
AZ	6.0%	3.0%	9.0%	-24.6%
KS *	6.3%	2.2%	8.5%	-3.3%
VT *	4.6%	3.8%	8.4%	6.6%
NH	6.2%	2.0%	8.2%	-7.3%
UT	5.8%	2.1%	8.0%	-10.1%
OR	4.5%	3.4%	7.9%	-6.8%
IA *	4.9%	3.0%	7.9%	-3.1%
ID	4.9%	2.9%	7.8%	-10.1%
			7.6%	-8.0%
			6.4%	-3.9%
			6.2%	-12.7%
			6.2%	-9.9%
			5.7%	-12.3%
			5.2%	-7.5%
			4.8%	-3.8%
			4.8%	-17.4%
			3.8%	-7.3%

About half of all residential loans in Florida are for homes that are underwater.
(LPS Data for February and April)

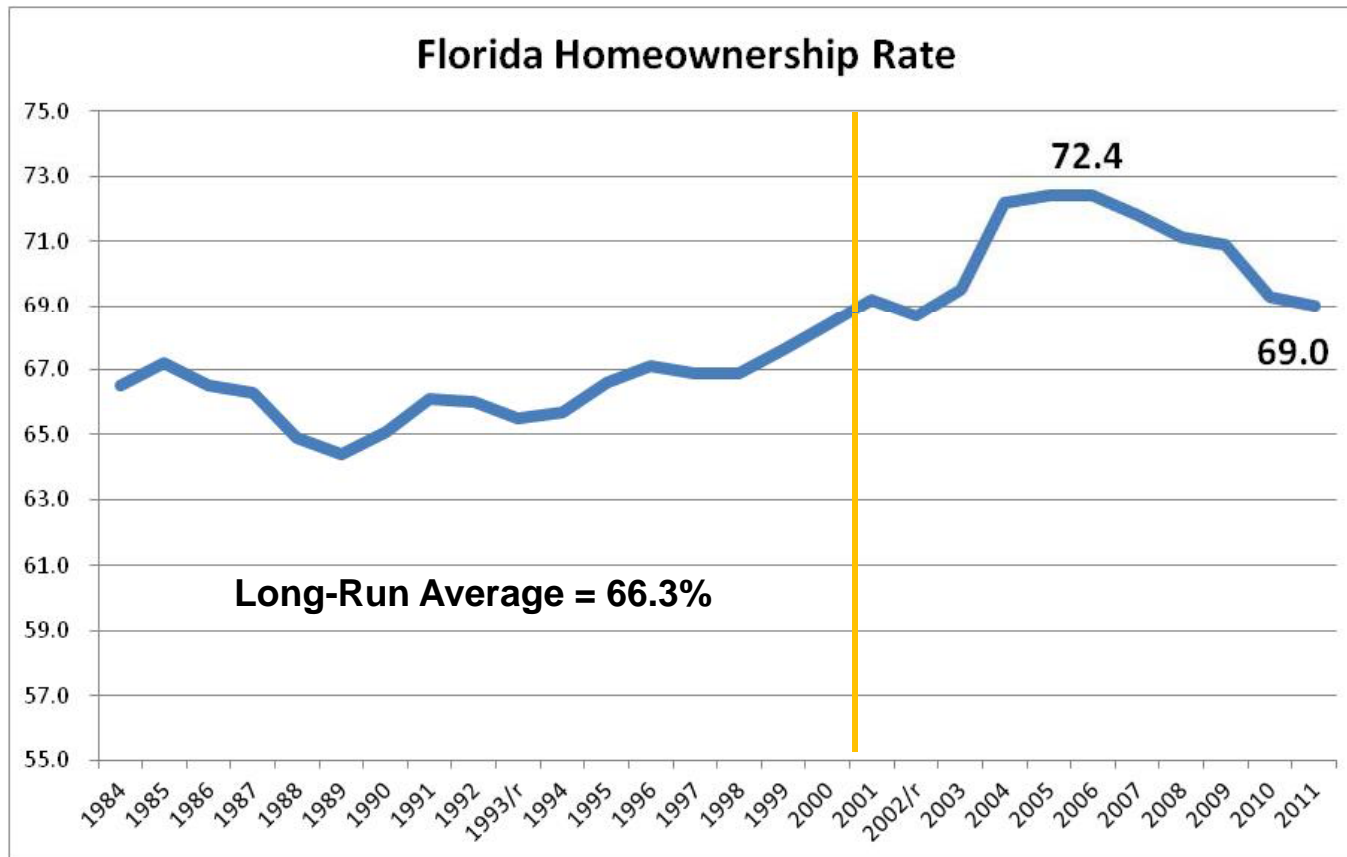
Sales Mix Points to Lower Prices



LPS: Lender Processing Services

Cash Sales have been growing as a percentage of all sales, and financed sales have shown a modest upward tick. While short sales have been increasing in some states, that is not yet the case in Florida, where they have essentially been flat with a slight downward drift.

Vulnerability



The 2011 percentage is the lowest since 2002. If the 2011 rate dropped immediately back to the long-run average, about 201,500 homeowners would be affected and \$26.1 billion of value.

Credit Conditions Remain Tight

Question to Senior Loan Officers:

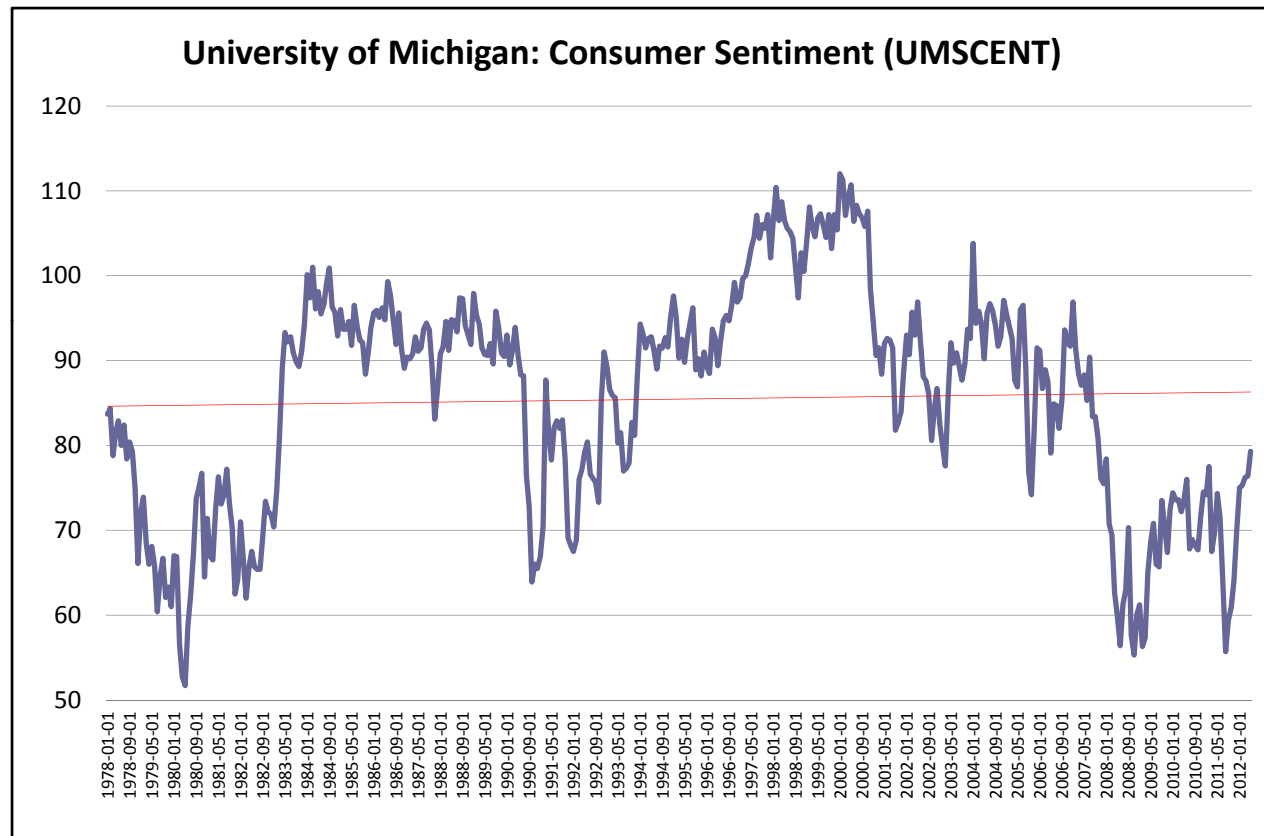
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

All Respondents								
	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	5.6	0.0	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	90.7	94.3	91.7	86.8	92.5	94.4	83.3	87.3
Eased somewhat	3.7	5.7	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	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	100.0	100.0

April 2012 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Banks reported that they were less likely than in 2006, to varying degrees, to originate mortgages to any borrowers apart from those with the strongest credit profiles. Downpayments of 20% also a strong requirement.

Perceptions Recover After August Dive



- Consumer sentiment can be a leading indicator of recession, but not always: nationally, it had been improving, but fell in August to near the lowest level of the Great Recession and not far from the lowest level ever posted. The index reading is now back to its highest level since October 2007 (79.3 in May).
- Florida's consumer confidence (April: 73) is roughly mirroring the national trend.

Economy Slowly Recovering

Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take several years to climb completely out of the hole left by the recession. Overall...

- The national economy is still in recovery. While most areas of commercial and consumer credit are strengthening – residential credit still remains sluggish and difficult for consumers to access. So far, the recovery has been roughly half as strong as the average gain of 9.8% over the same period during the past seven recoveries.
- 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 (2011 marks the first wave of boomers hitting retirement).

Eurozone Problems Still Persist

- The sovereign debt crisis in the Eurozone has led to banking instability with spillover effects on the global credit market: threats of even greater problems have reignited.
 - Spain, Portugal and Italy all still face major challenges and contracting economies.
 - Greece's repeat national election has led to the formation of a new coalition government, but HIS Global Insight is still predicting a Greece exit from the Eurozone (65% probability) by the middle of next year.
 - Moody's compares economic conditions in Greece to the Great Depression in the US during the 1930s.
 - International Monetary Fund (IMF) and the United States have warned that the Eurozone needs a larger bail-out fund (a "larger firewall") to prevent the crisis from spreading. Germany has resisted this move.
 - Efforts to begin recapitalizing Spain's banks are underway, with both other Eurozone leaders and the European Central Bank. These steps are being taken to head off a potential liquidity squeeze arising from recent credit downgrades.
- The latest data shows that while the Eurozone as a whole contracted during the fourth quarter of the last calendar year, growth remained flat in the first quarter of this calendar year after an unexpectedly strong German showing. The latest data indicate that the Eurozone is at strong risk for another deep recession.
- These conditions are negatively affecting the United States:
 - Tighter credit conditions already exist, especially for businesses with foreign interests.
 - Reduced exports and corporate earnings already exist. The Greater Miami area is experiencing a significant reduction in exports to Spain (Florida exports to Spain fell nearly 30% last year).

Other Risks to the Forecast

- As a result of the Supercommittee's failure, automatic spending cuts are scheduled to kick in at the beginning of 2013. Referred to as the Automatic Sequester, this is the enforcement mechanism used to ensure an additional \$1.2 trillion in spending reductions —falling equally on defense and non-defense spending. Further details likely unknown until after the 2012 Election.
- In Federal Fiscal Year 2010, 8,101 Florida businesses received nearly \$18.5 billion in federal contracts. The vast majority of this money was defense-related. In this regard, defense agencies accounted for 71.3 percent of the total procurement contracts awarded to Florida in that year.
- The House Budget Resolution for 2013 proposes to eliminate sequester through the reconciliation process. They did this by replacing the automatic sequestration and protecting the defense budget with cuts of about \$300 billion from mandatory spending programs (including food stamps and health insurance subsidies). Unlikely to agree to this plan, the President's budget proposed to reverse the sequester through other deficit reduction proposals. The Senate has been silent.



General Revenue Forecast

Monthly Results	January	February	March	April	May
Monthly Overage (Millions)	19.2	56.4	76.5	51.4	53.1
Year to Date Overage (Millions–Cumulative)	18.2	74.6	151.1	202.4	255.6
Percent of Monthly Estimate Collected	100.9%	103.3%	103.8%	102.1%	102.6%
Percent of Year to Date Estimate Collected	100.1%	100.5%	100.9%	101.1%	101.2%

Fiscal Year	Oct Forecast	January Forecast	Difference (Jan - Oct)	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	22551.6				4.8%
2011-12	23195.5	23241.5	46.0	689.9	3.1%
2012-13	24526.8	24506.9	(19.9)	1265.4	5.4%
2013-14	26071.8	26117.6	45.8	1610.7	6.6%
2014-15	27417.9	27580.8	162.9	1463.2	5.6%
2015-16	28838.6	28901.3	62.7	1320.5	4.8%