

# Florida: An Economic Overview

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July 23, 2010

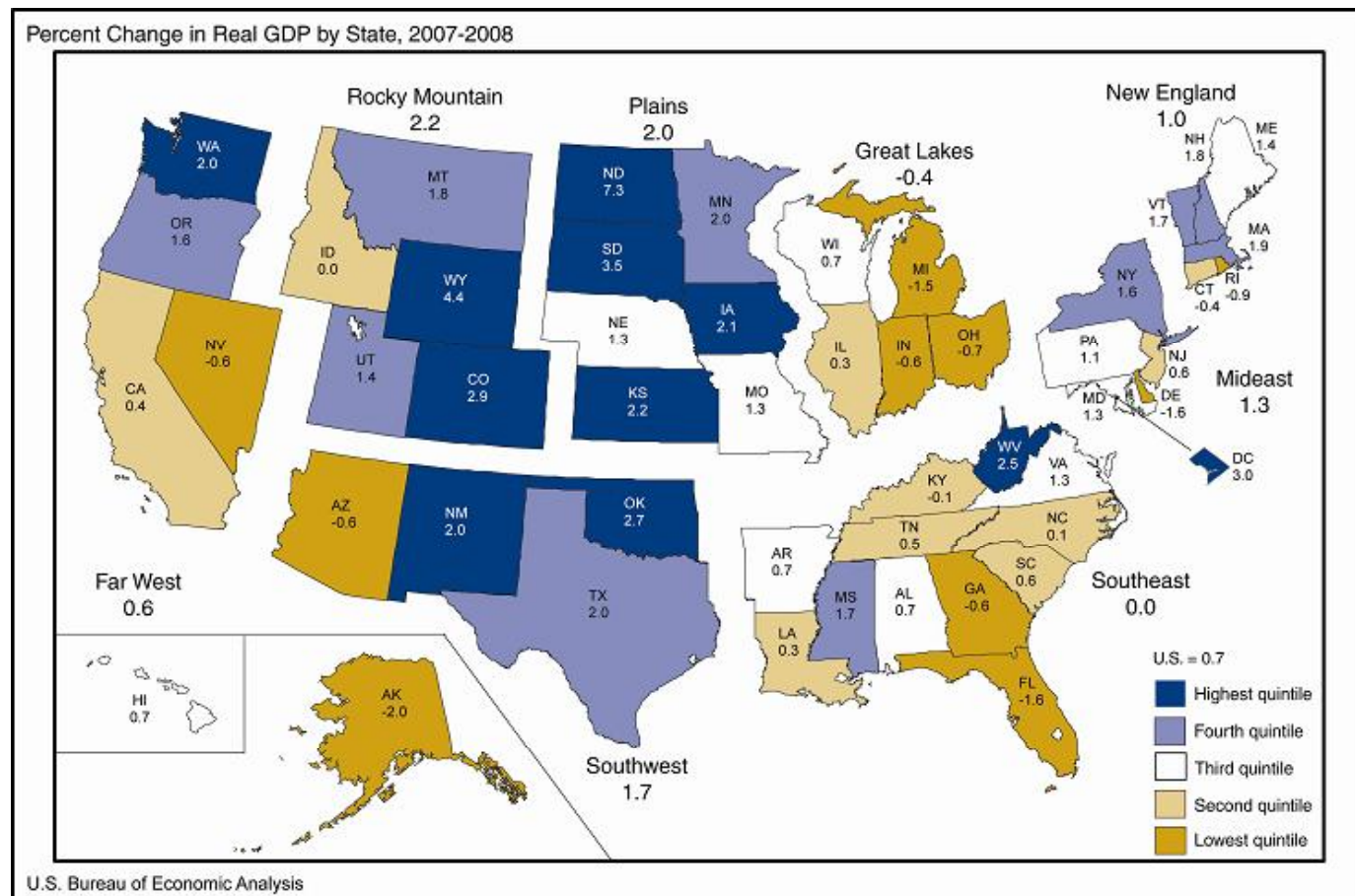
Presented by:



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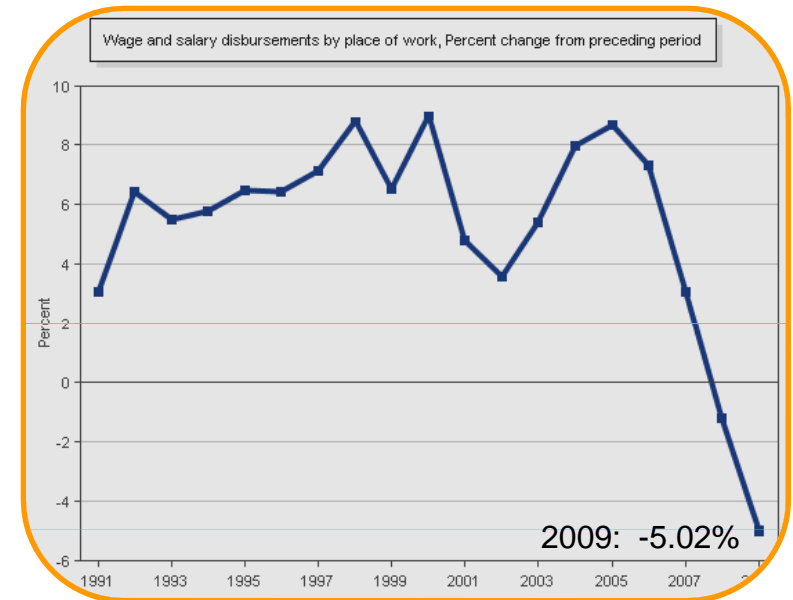
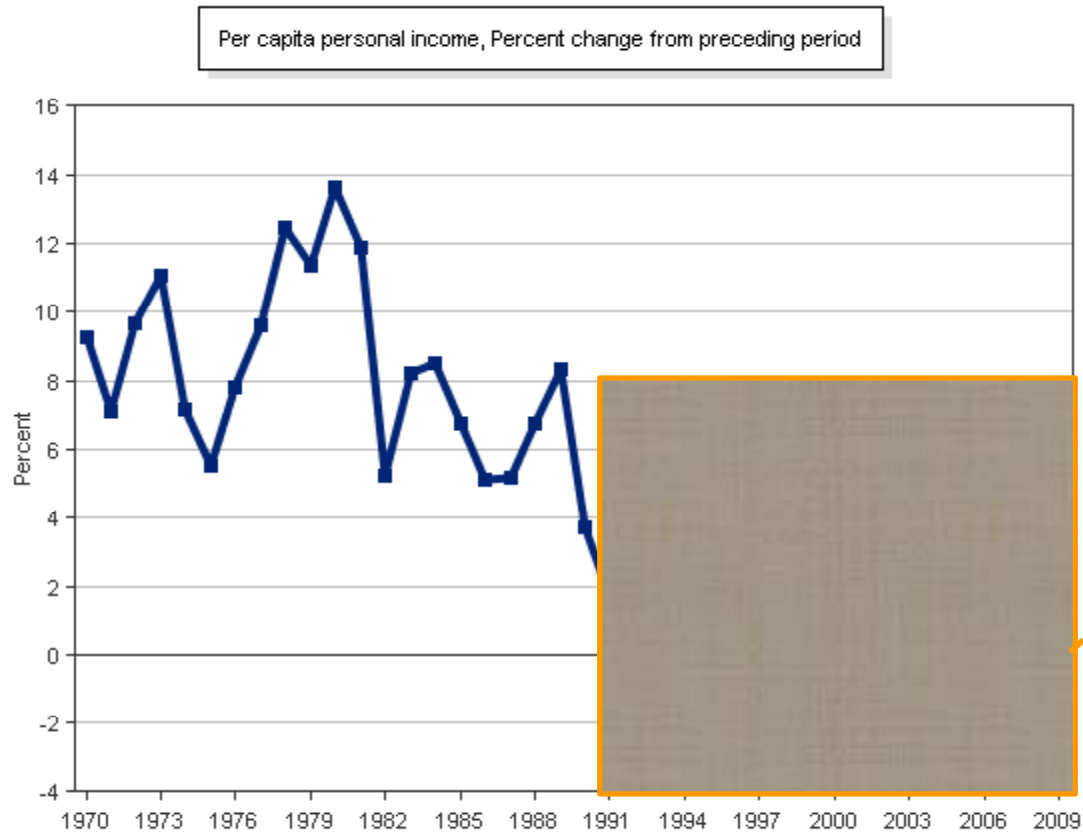
# Economy Lost Ground in 2008

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



# FL Personal Income

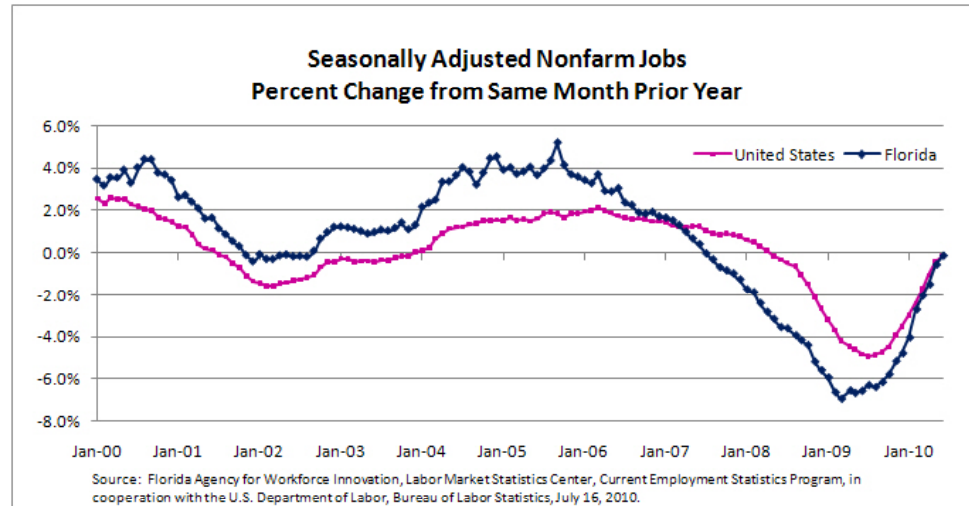
Source: U.S. Bureau of Economic Analysis



Wages rose higher  
and fell farther.

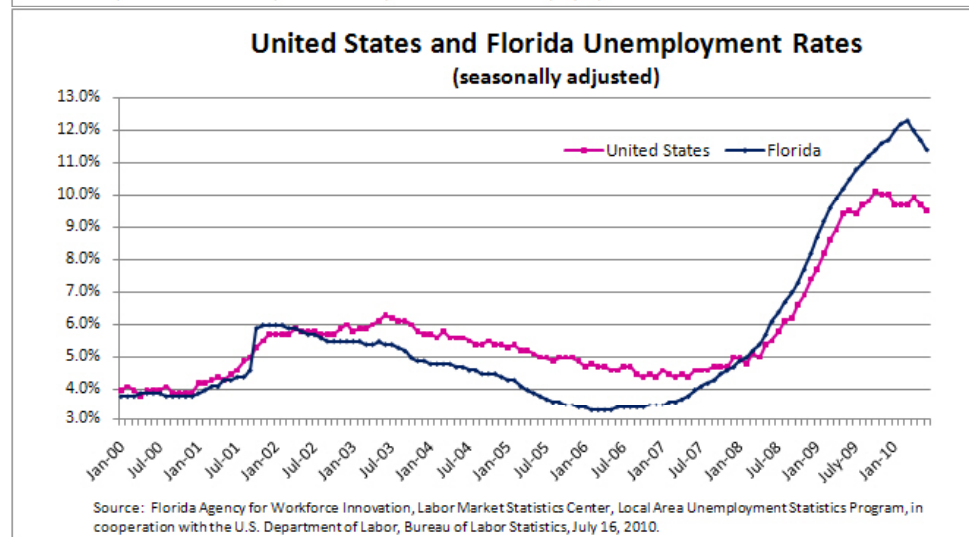
# Employment Situation

Third consecutive monthly decline in the state's unemployment rate and the lowest rate since October 2009; however, Florida had 22,664 temporary census jobs in June.



## June Nonfarm Jobs (YOY)

US -0.1%  
FL -0.1%  
YR: -10,200 jobs  
Peak: -837,900 jobs



## June Unemployment Rate

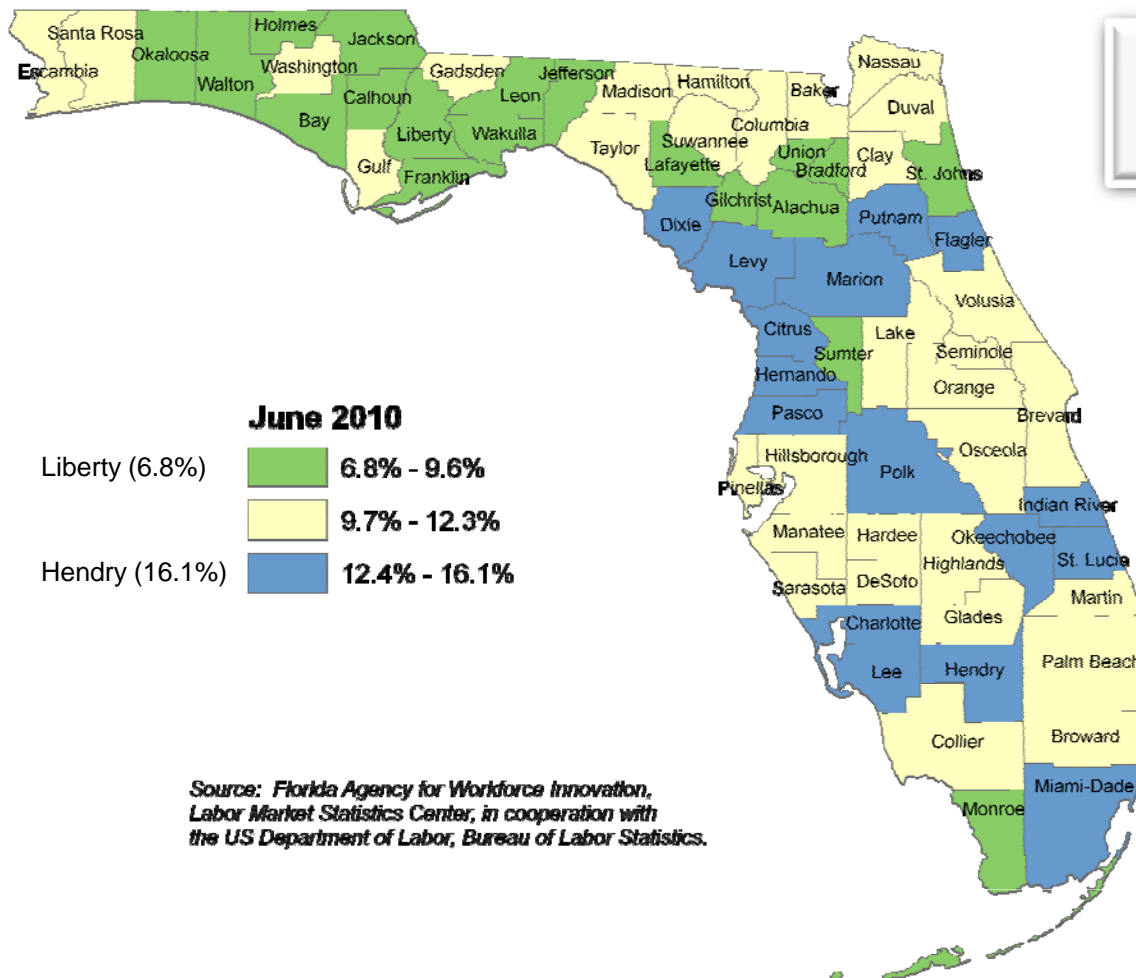
US 9.5%  
FL 11.4%  
(1.1 million people)  
5<sup>th</sup> State in the country

## Official Projected

FL 11.8%  
Summer/Fall, 2010



# Unemployment Rates



47 of 67 counties  
with double-digit  
unemployment rates



# Florida's Job Market

- The job market will take a long time to recover – about 837,900 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough. At the current pace, a full recovery to the previous peak will not occur until 2014.
- Florida's prime working-age population (aged 25-54) is forecast to add about 1,200 people per month, so the hole is deeper than it looks.
- It would take the creation of almost 877,000 jobs for the same percentage of the total population to be working as was the case at the peak.
- If it takes four years to create these jobs, an additional 351,000 jobs would need to be created due to population growth.

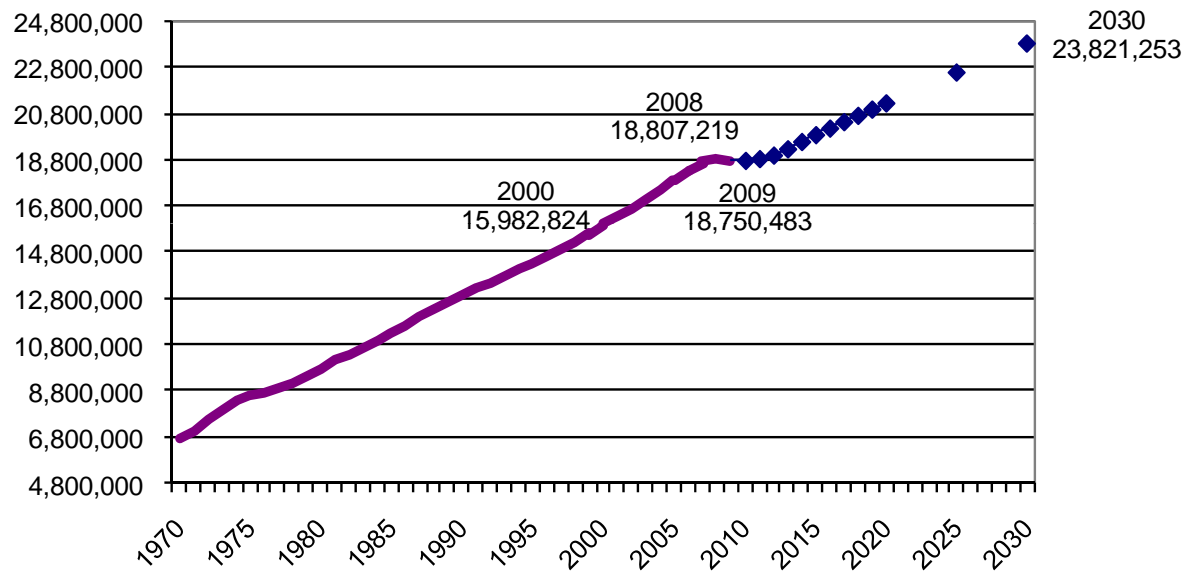


# Population Growth Slowing

- 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



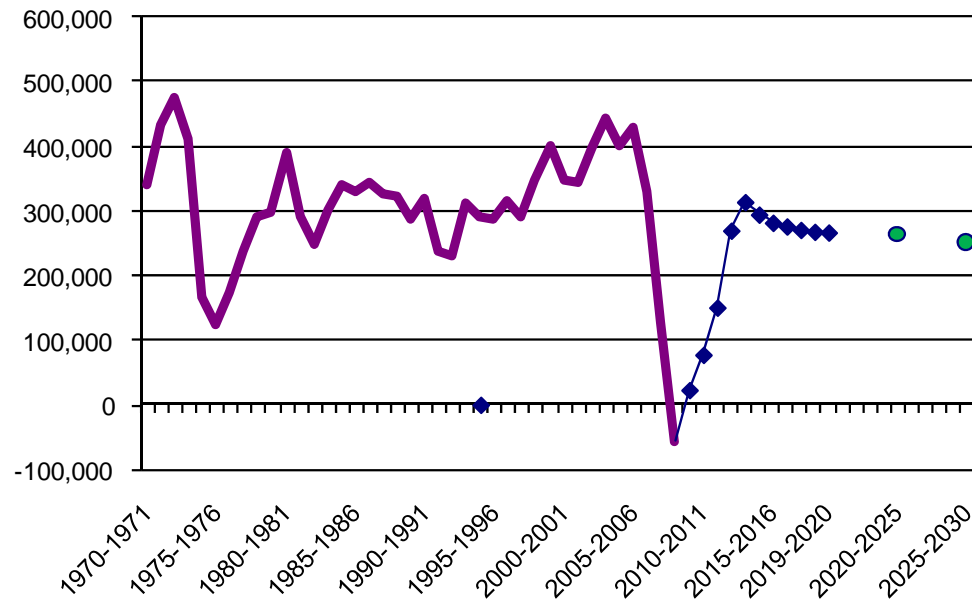
Florida's population:

- 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:

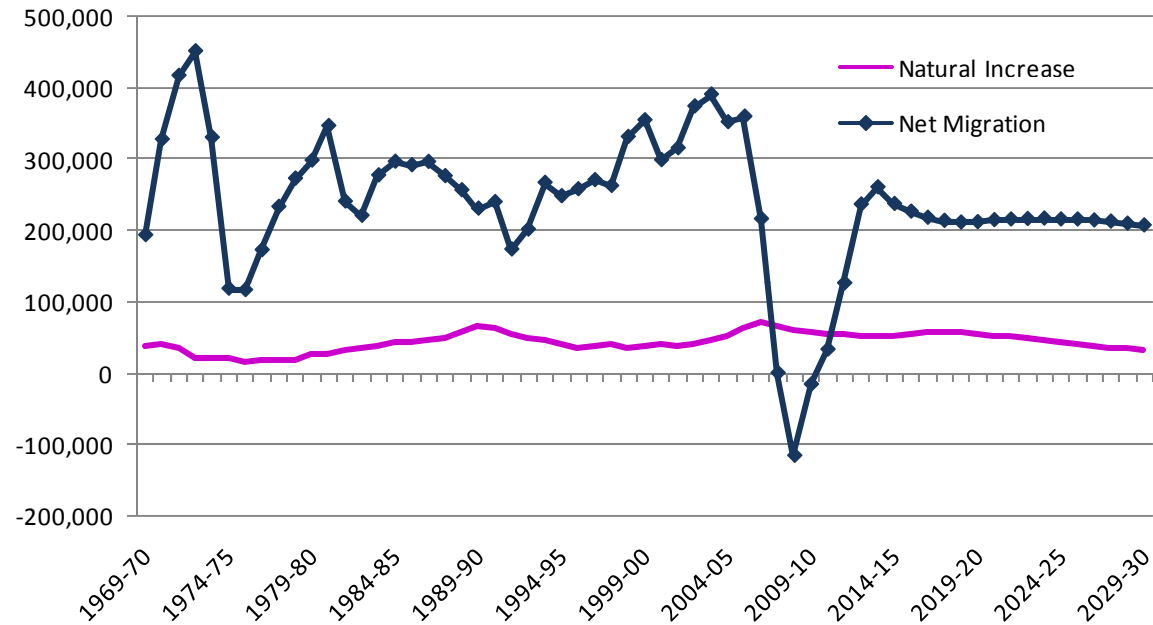
- 22,873 between 2009 and 2010

## 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

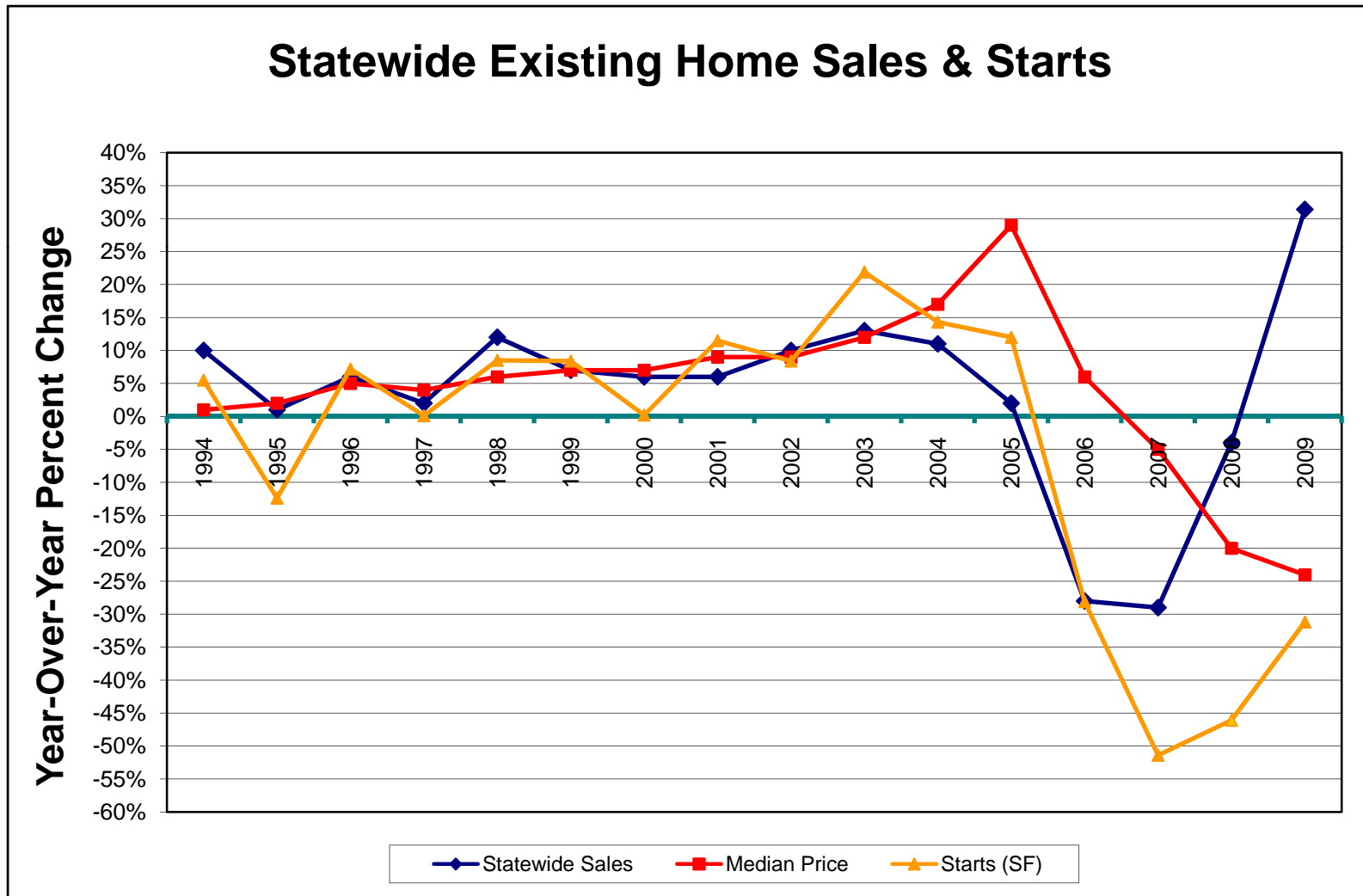
- United States economy officially entered recession in December 2007. The end date has not been established.
- The longest – and most severe – recession now on record.

Recessions since the Great Depression

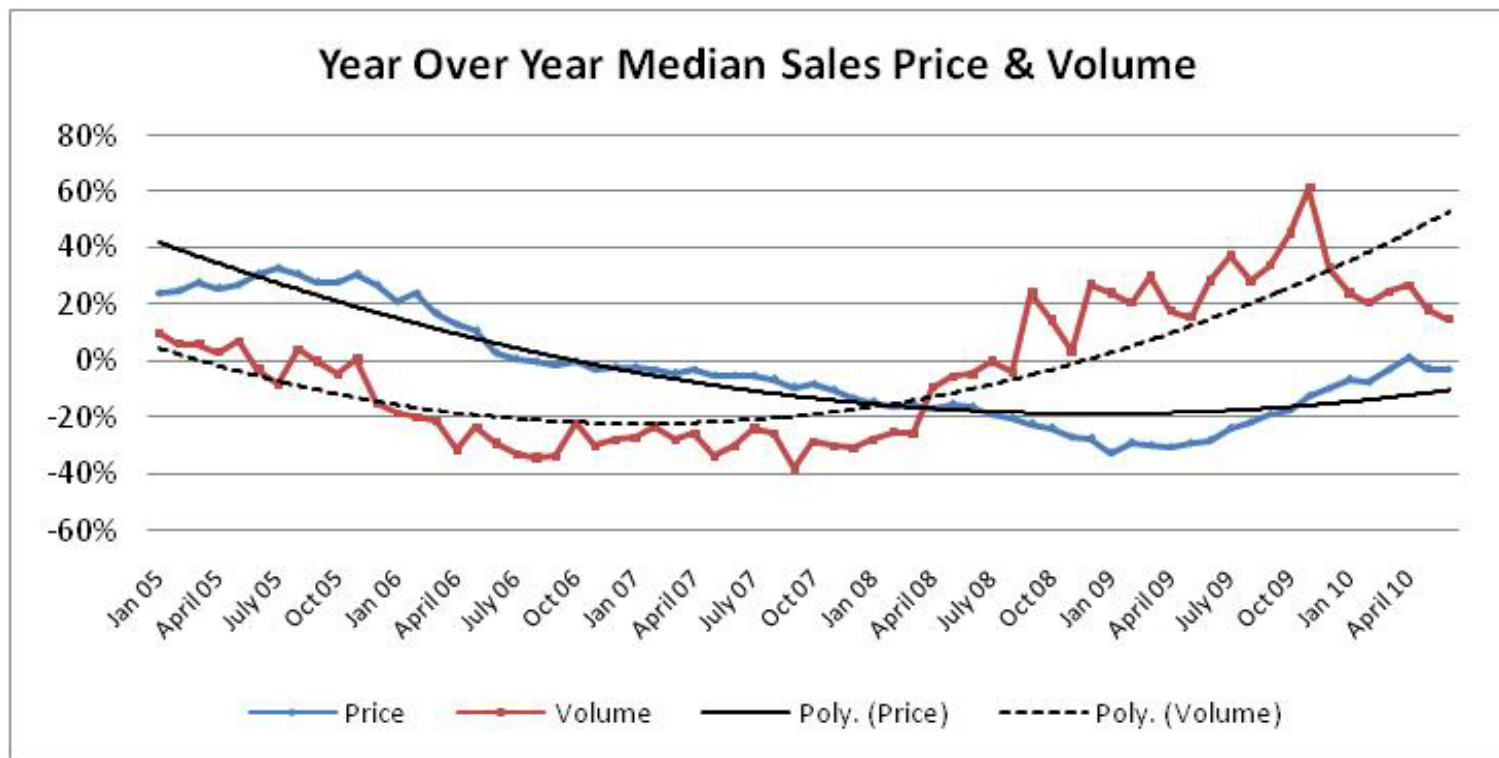
<u>Recession</u>	<u>Duration</u>	<u>Recession</u>	<u>Duration</u>
2001	8 mos	1960-1961	10 mos
1990-1991	8 mos	1957-1958	8 mos
1981-1982	16 mos	1953-1954	10 mos
1980	6 mos	1948-1949	11 mos
1973-1975	16 mos	1945	8 mos
1969-1970	11 mos	1937-1938	13 mos



# Florida Housing is Improving



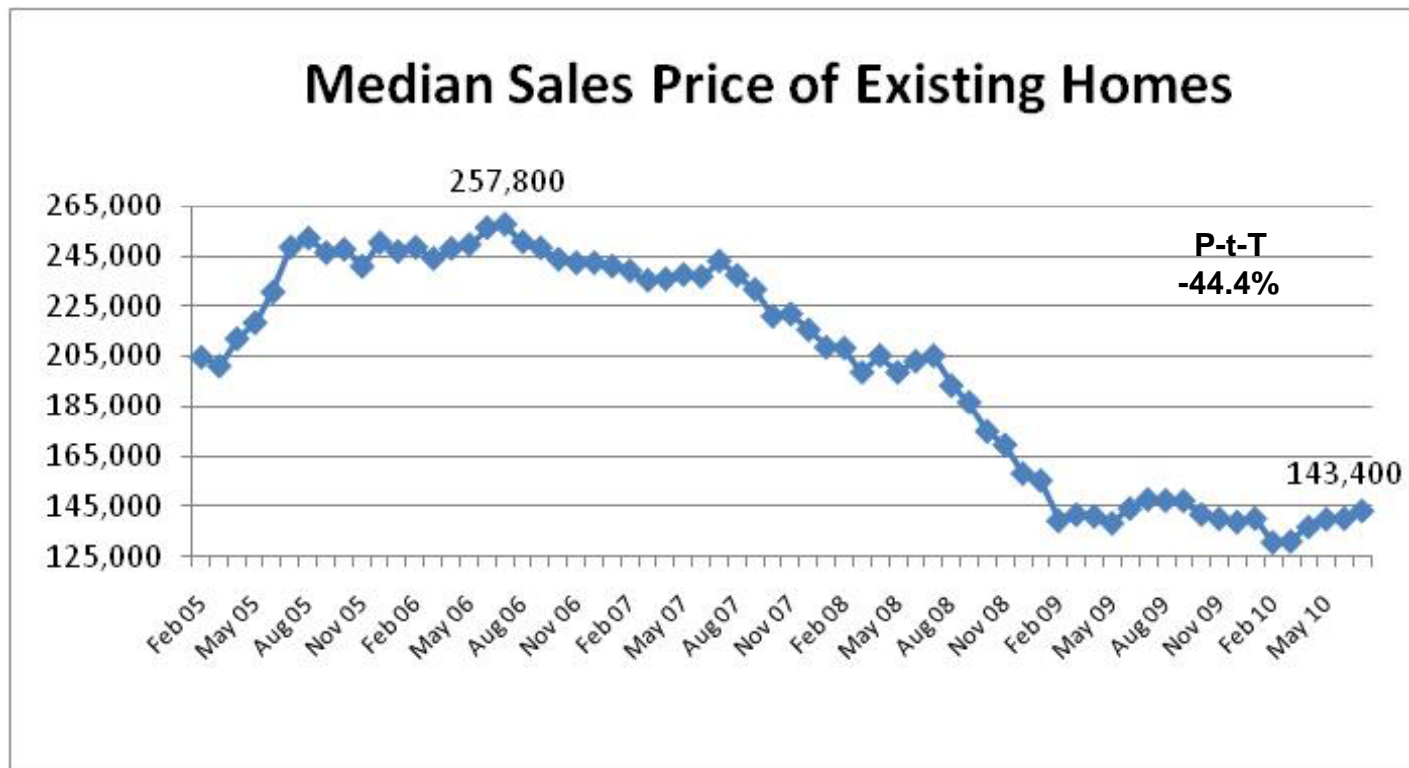
# But, Existing Homes Sales Slowing Again



Data through June 2010



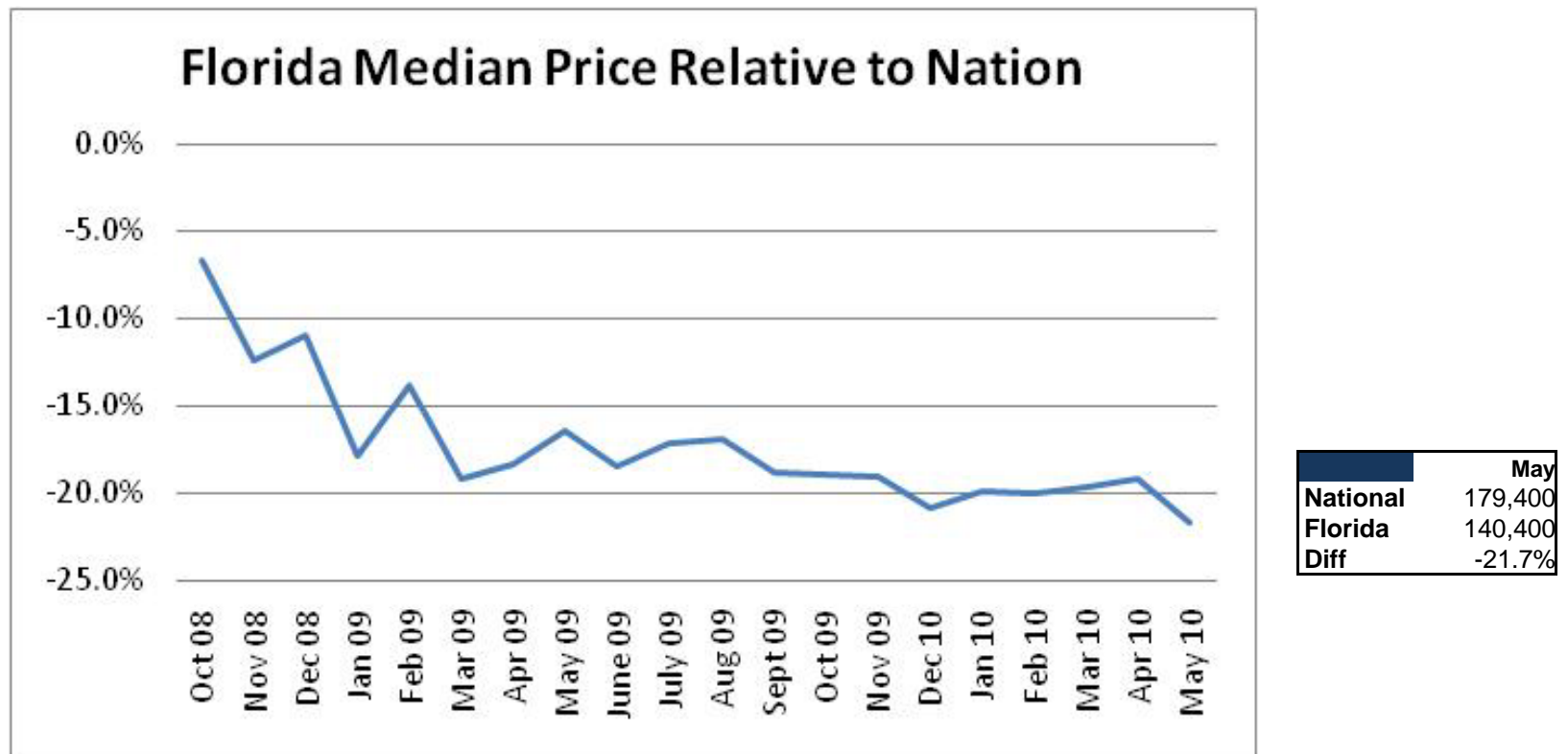
# Existing Home Prices Are Flat



Data through June 2010



# 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 Bottoming?

## 2009...

*2<sup>nd</sup> Highest # of Filings  
(516,711 properties)*

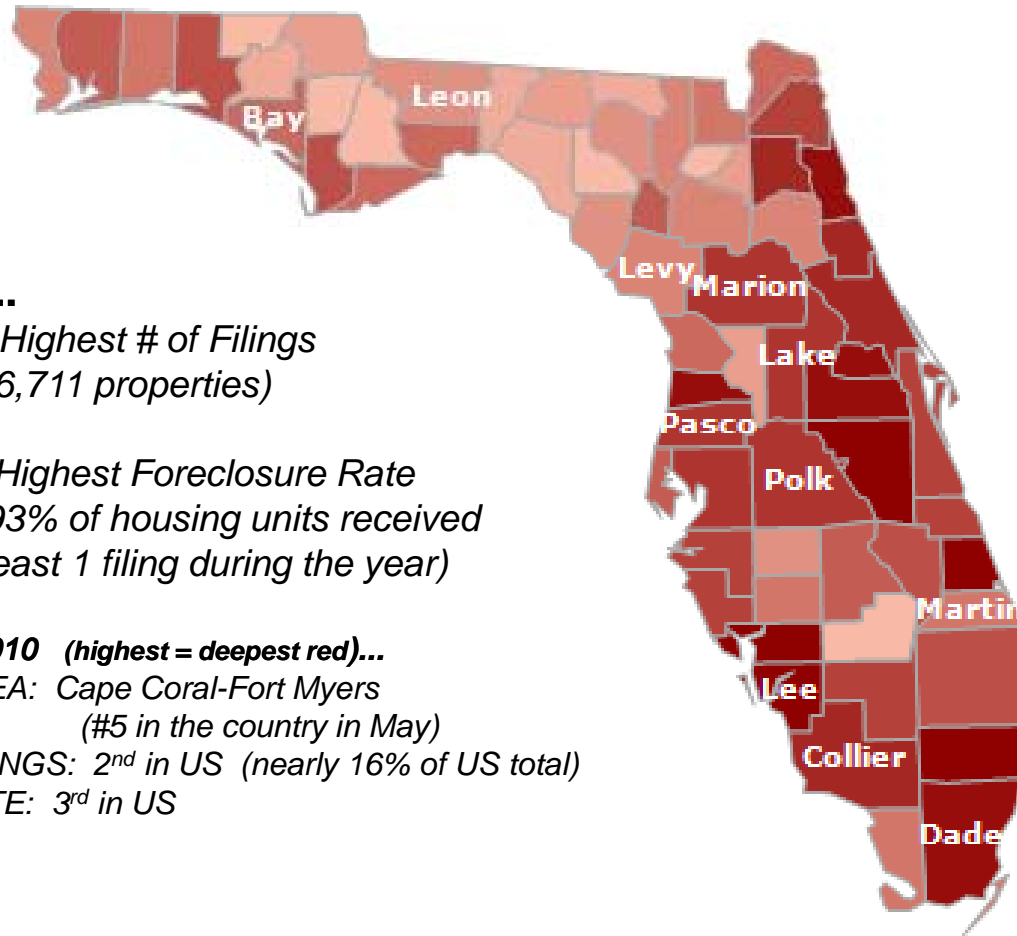
*3<sup>d</sup> Highest Foreclosure Rate  
(5.93% of housing units received  
at least 1 filing during the year)*

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

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

*FILINGS: 2<sup>nd</sup> in US (nearly 16% of US total)*

*RATE: 3<sup>d</sup> 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%

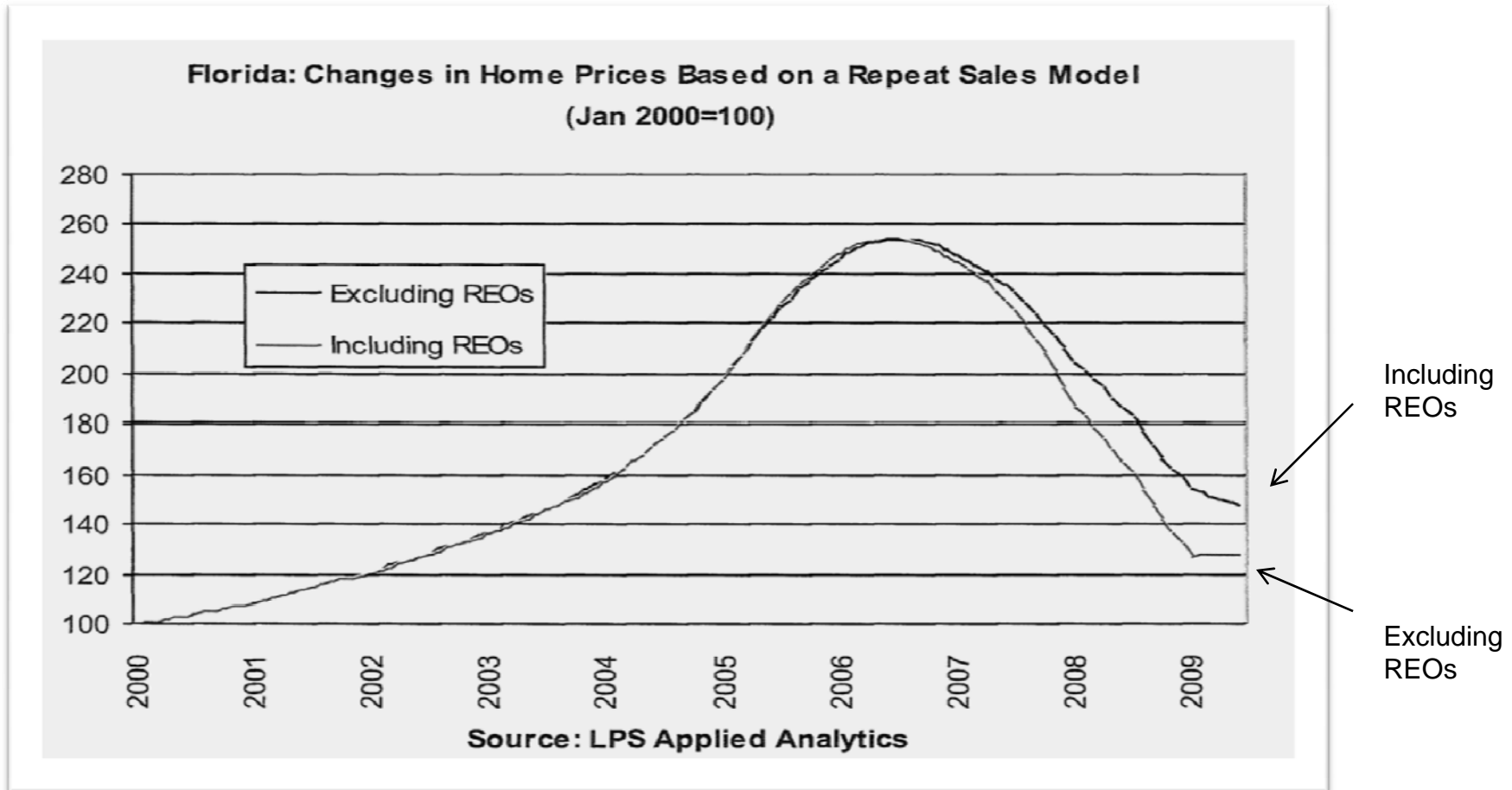
State	Delinquency %	Foreclosure Inventory %	Non-Current %
KY	7.7%	2.3%	9.9%
PA	7.6%	2.1%	9.7%
WI	6.9%	2.8%	9.7%
UT	7.4%	2.1%	9.5%
ID	6.9%	2.5%	9.5%
AR	7.9%	1.5%	9.4%
TX	8.1%	1.2%	9.3%
MO	7.9%	1.3%	9.2%
OK	6.9%	2.2%	9.1%
NM	6.8%	2.2%	8.9%
DC	7.1%	1.9%	8.9%
NH	7.5%	1.5%	8.9%
VT	5.0%	2.0%	7.1%
NE	5.3%	1.2%	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)

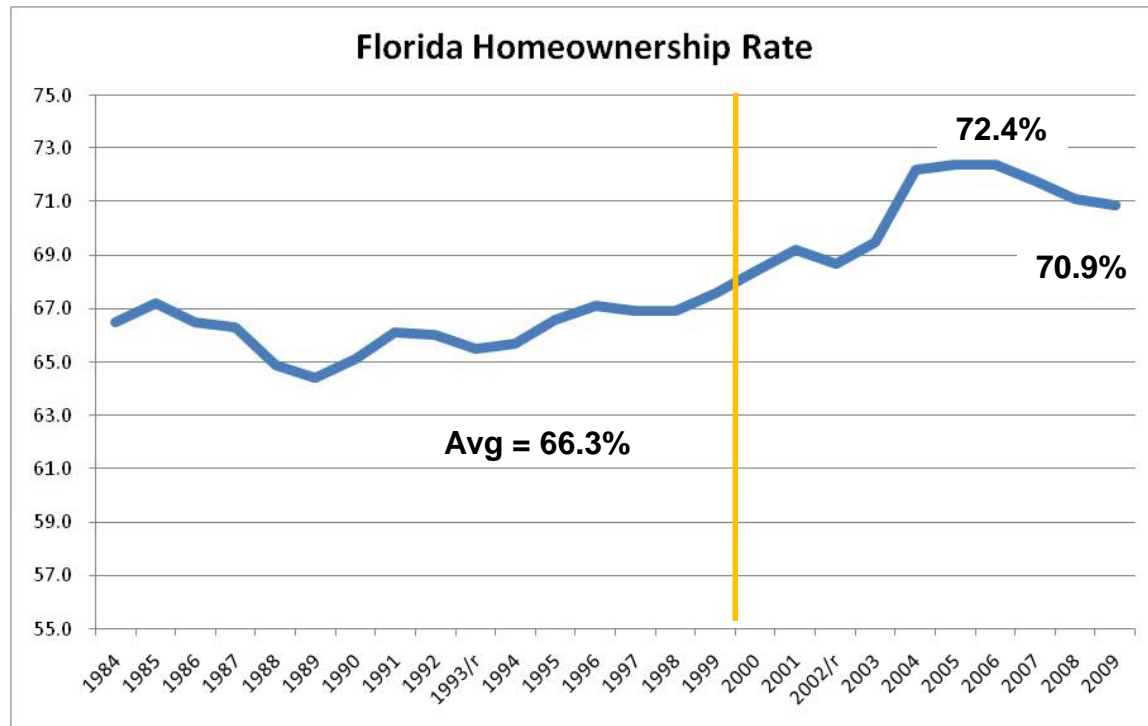
# Sales Mix Points to Lower Prices



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

LPS: Lender Processing Services

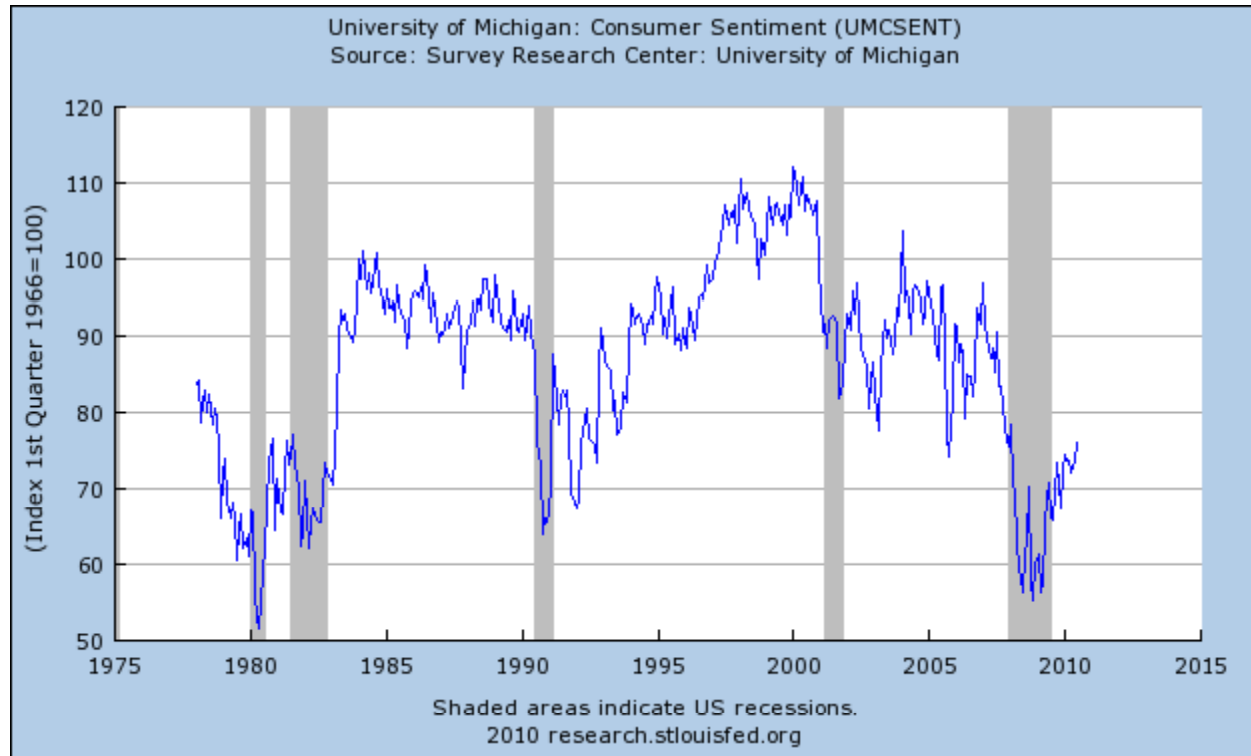
# Vulnerability



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.



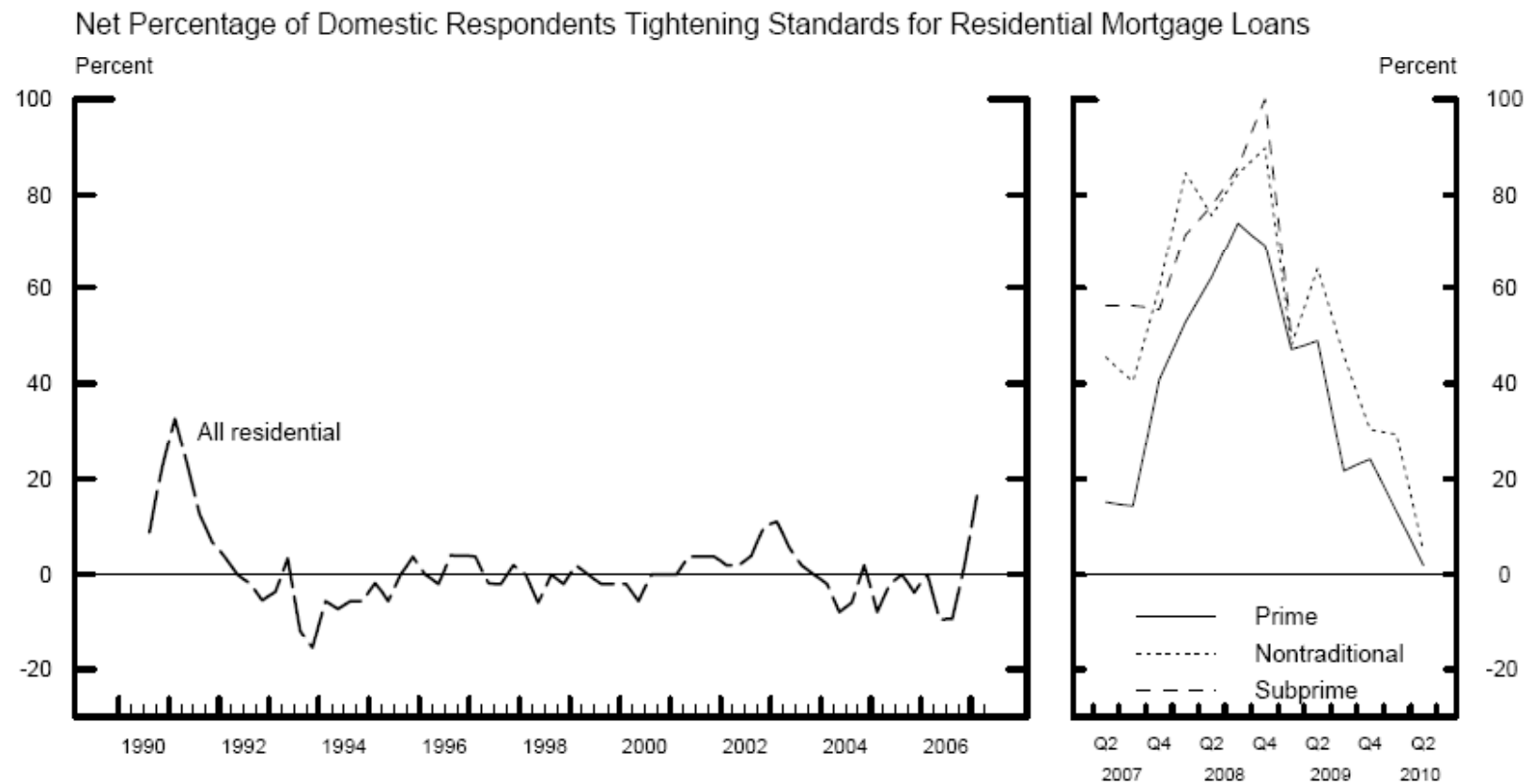
# Sentiment is Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (76.0 in June versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (June: 67 versus a record low 59 twenty-four months ago) is roughly following the national trend --- although the two surveys pulled apart in June.



# 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.
  - Job and Housing Markets will take a long time to recover.
  - 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 and the persistent effects of the Oil Spill.



# Economy Was Set To Rebound

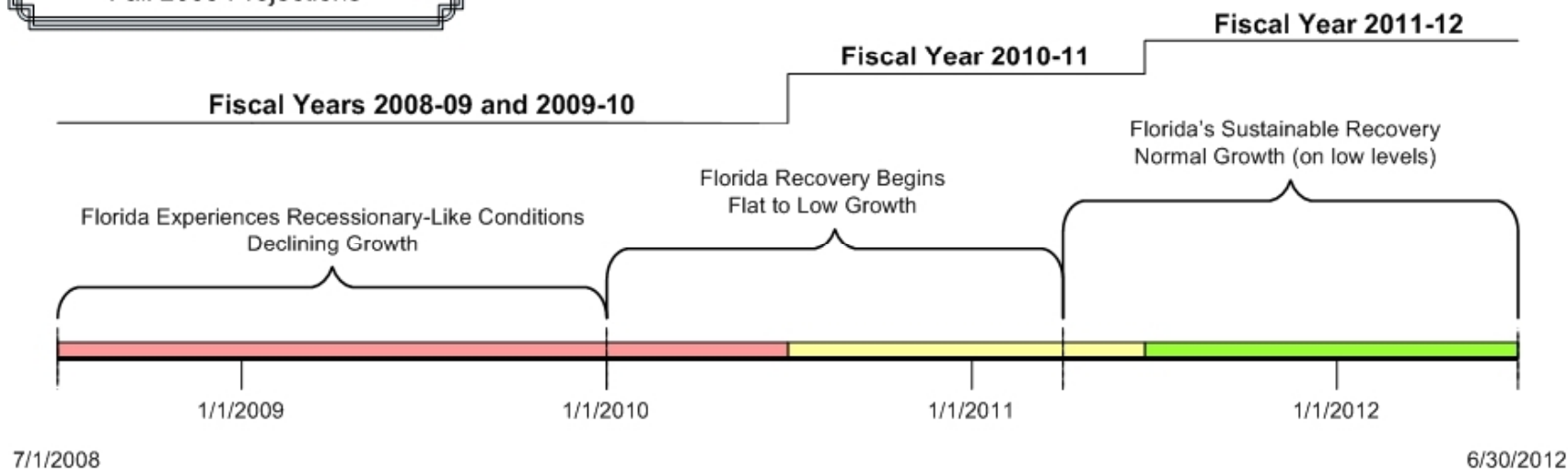
In the absence of the Deepwater Horizon Oil Spill, Florida growth rates were beginning a slow return to more typical levels. Overall...

- 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:
  - 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 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.



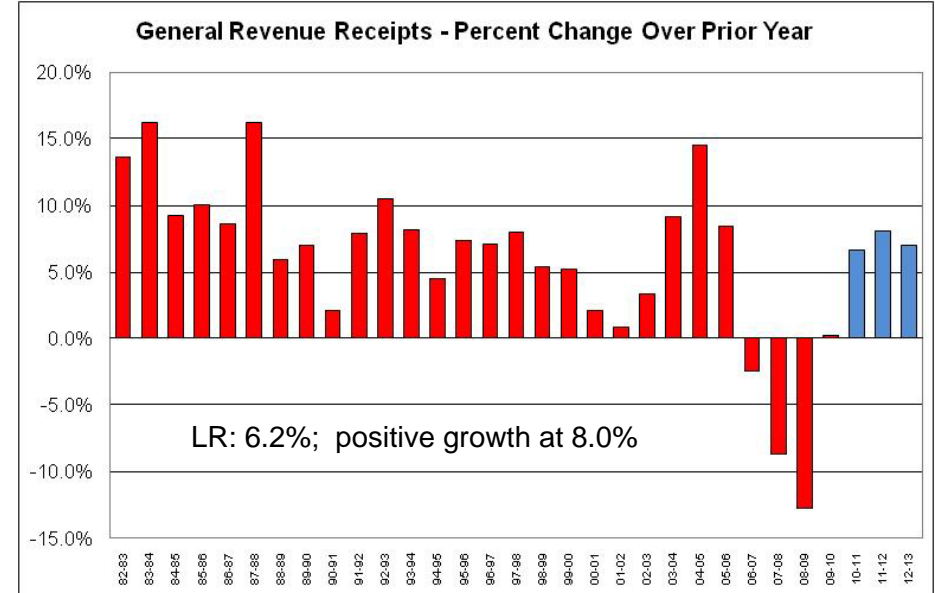
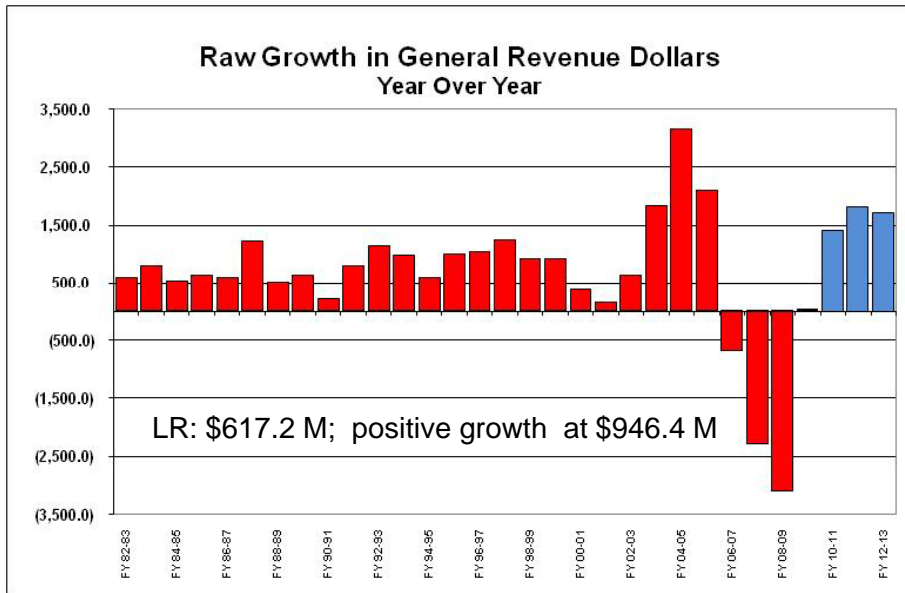
# Black Swans

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%

