

Florida: An Economic Overview

November 15, 2010

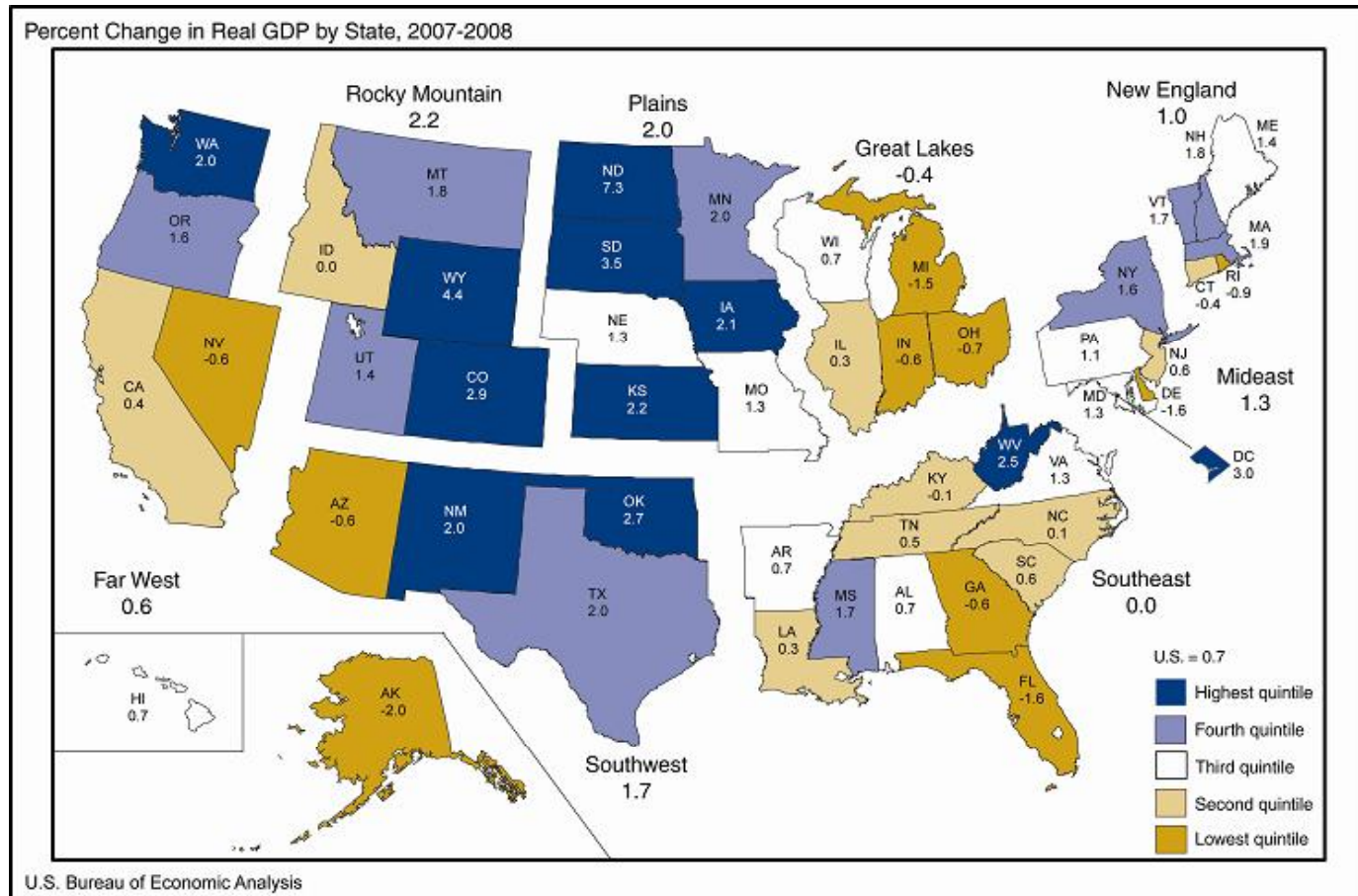
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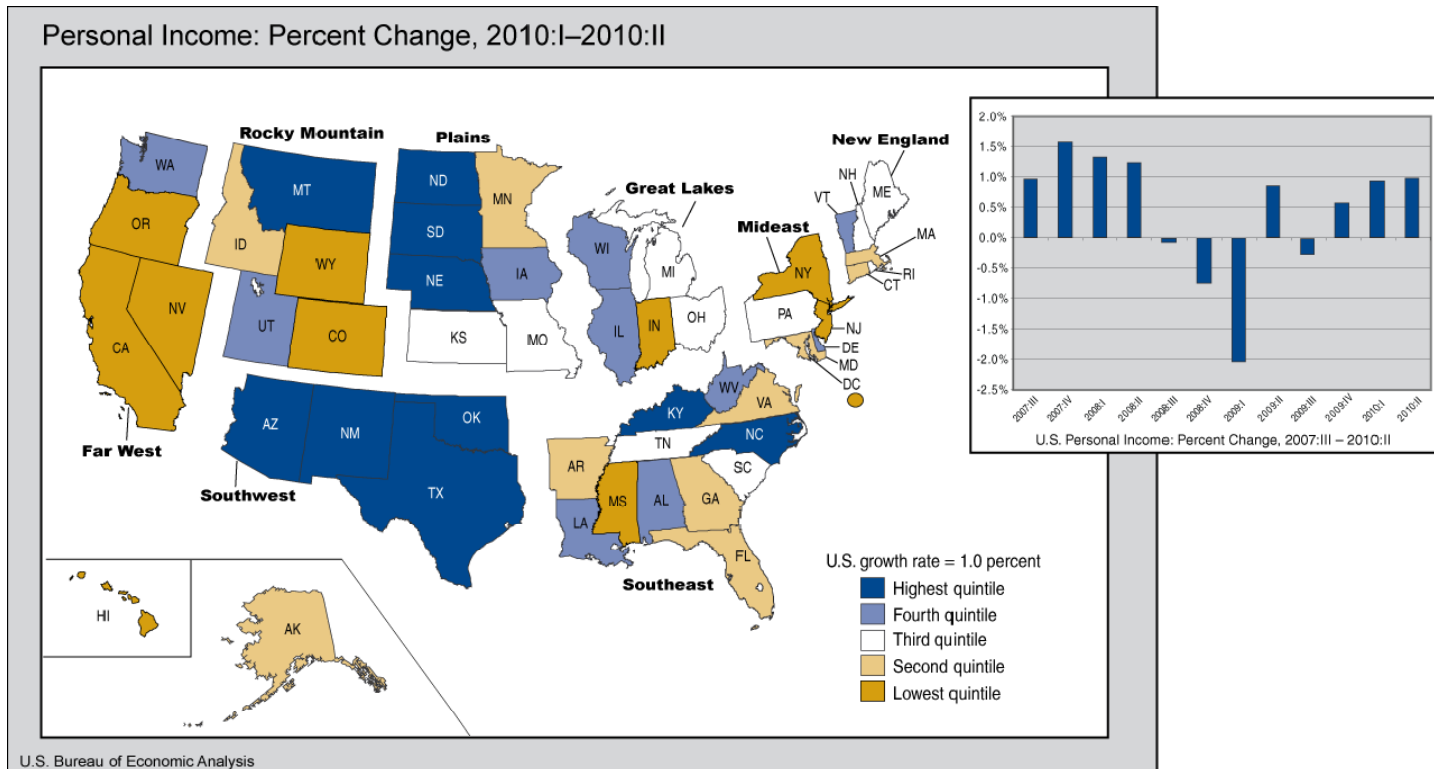
The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

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.



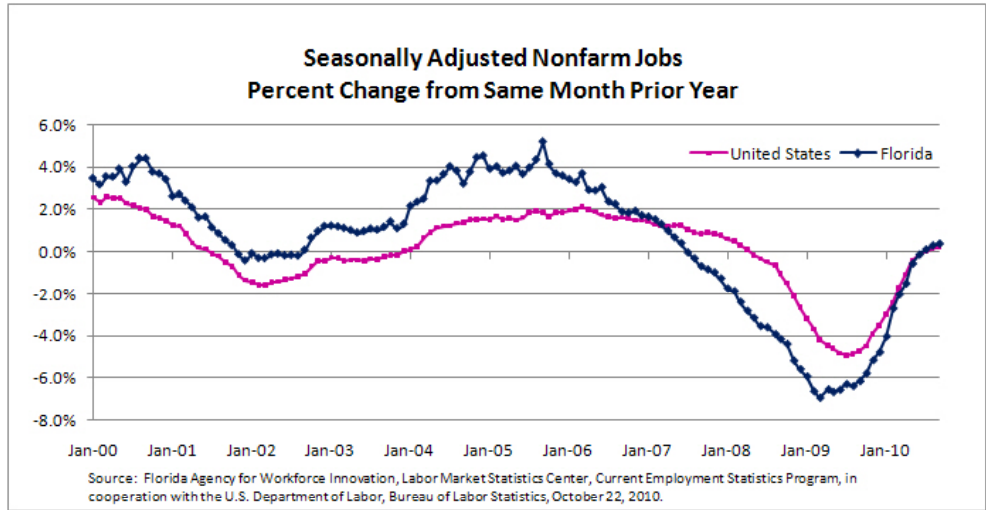
FL Personal Income Steadying



- Since the second quarter of the 2009 calendar year, Florida has exhibited mostly positive growth in personal income.
- The increase of 0.9% in the most recent quarter (Q2 of the 2010 calendar year) ranked Florida 37th in the country. This is slightly worse than last year's ranking at this time – 30th.

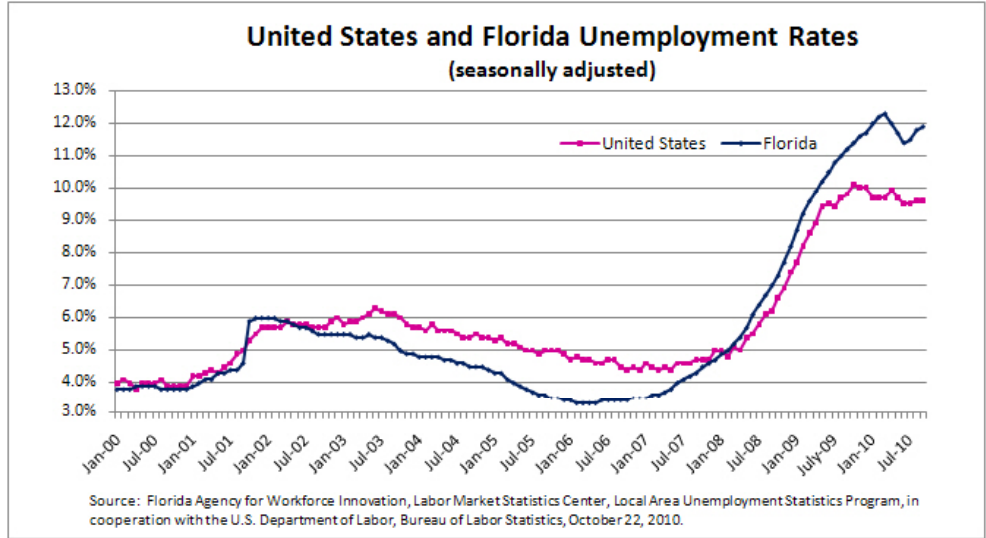
Employment Conditions

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



Sept Nonfarm Jobs (YOY)

US 0.26%
 FL 0.38%
 YR: 27,200 jobs
 Peak: -862,100 jobs



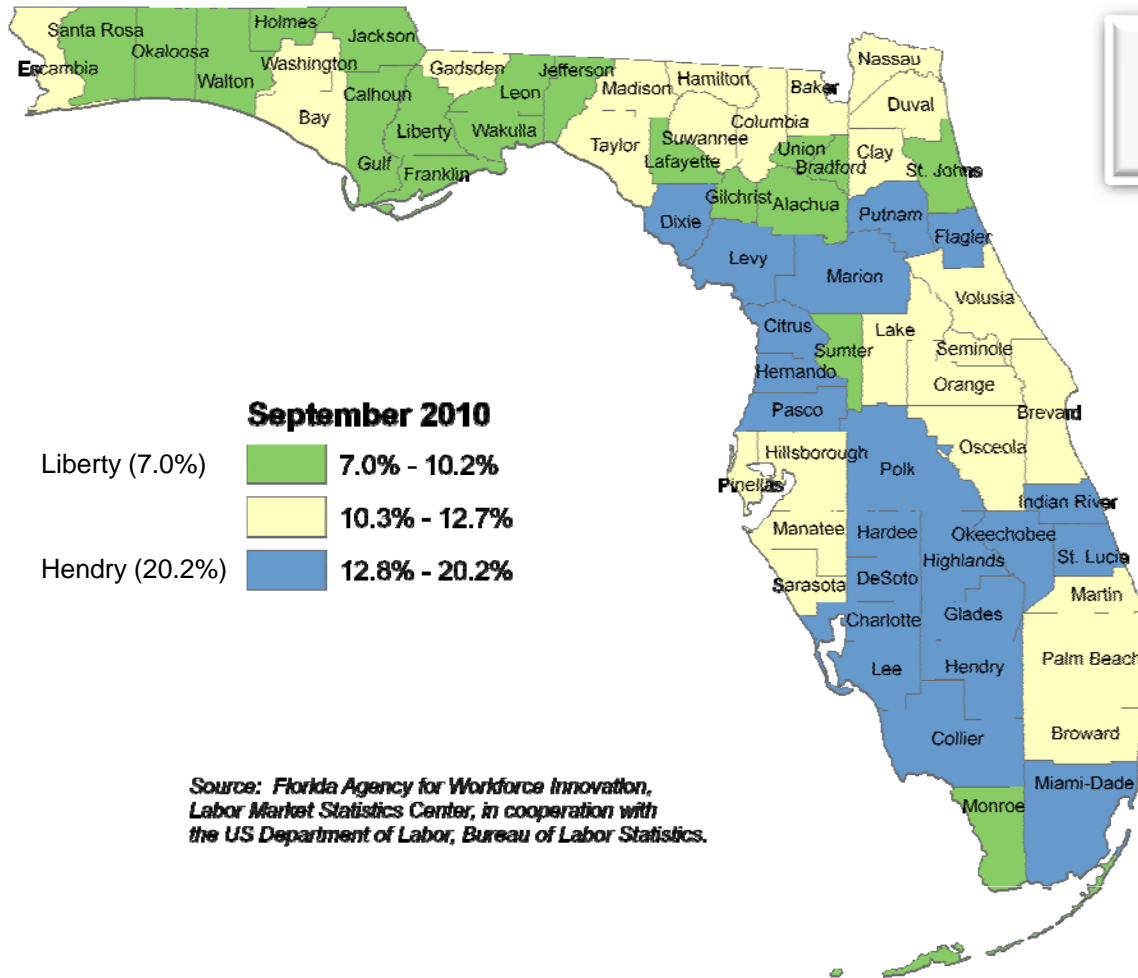
Sept Unemployment Rate

US 9.6%
 FL 11.9%
 (1.1 million people)
 4th State in the country

Official Projected
 FL 11.8%
 Summer/Fall, 2010

Highest Rate
 FL 12.3%
 March 2010

Unemployment Rates



52 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.



Florida's Job Market

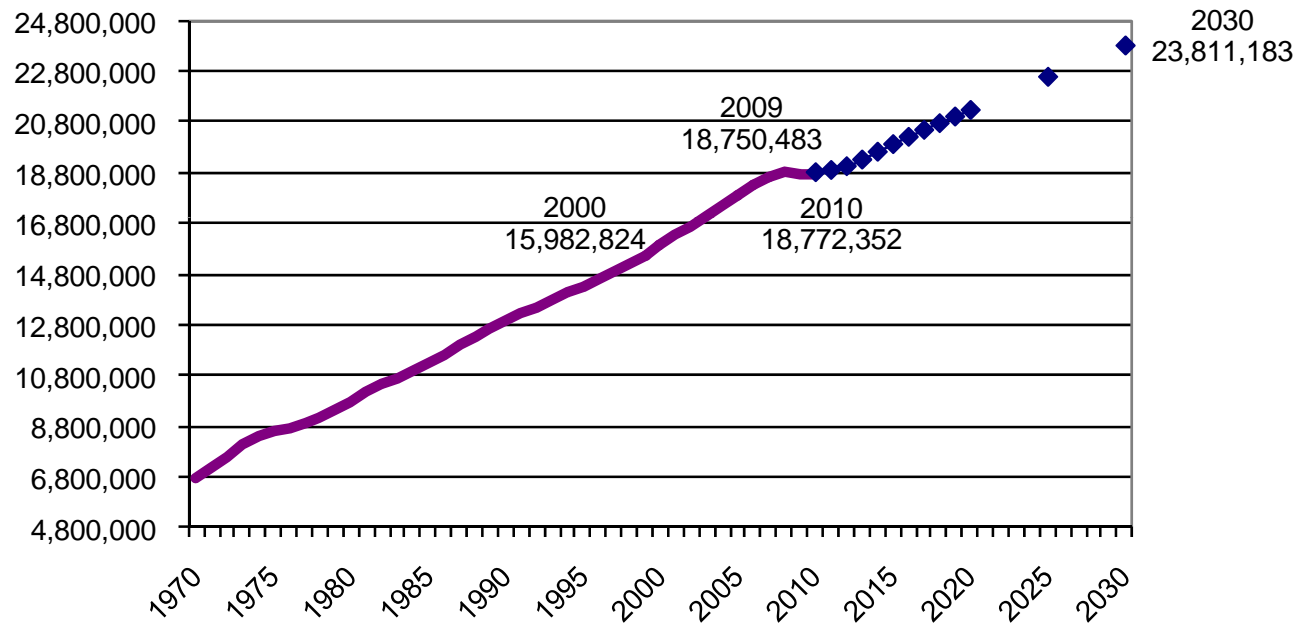
- The job market will take a long time to recover – about 862,100 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add about 1,200 people per month, so the hole is deeper than it looks.
- It would take the creation of almost 909,000 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 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. Between April 1, 2009 and 2010, Florida's population grew by only 0.1%. Population growth is forecast to remain relatively flat – averaging 0.6% between 2010 and 2012. Population growth is expected to recover in the future – averaging 1.1% between 2025 and 2030.
- The future will be different than 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.

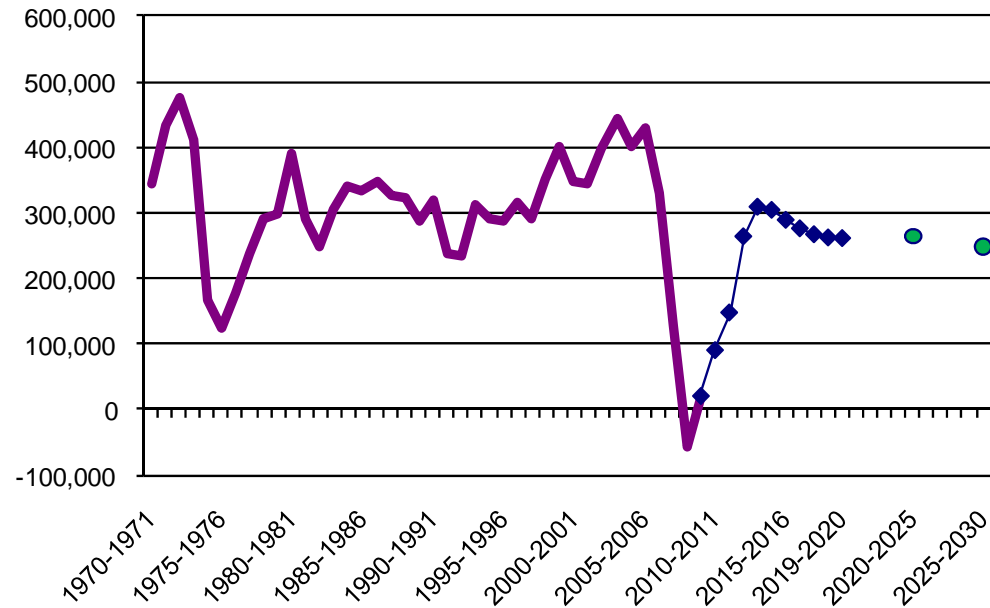
Florida's April 1 Population



Florida's population:

- was 15,982,824 in 2000
- was 18,750,483 in 2009
- was **18,772,352** in 2010
- is forecast to grow to 23,811,183 by 2030

Florida's Population Growth



Population:

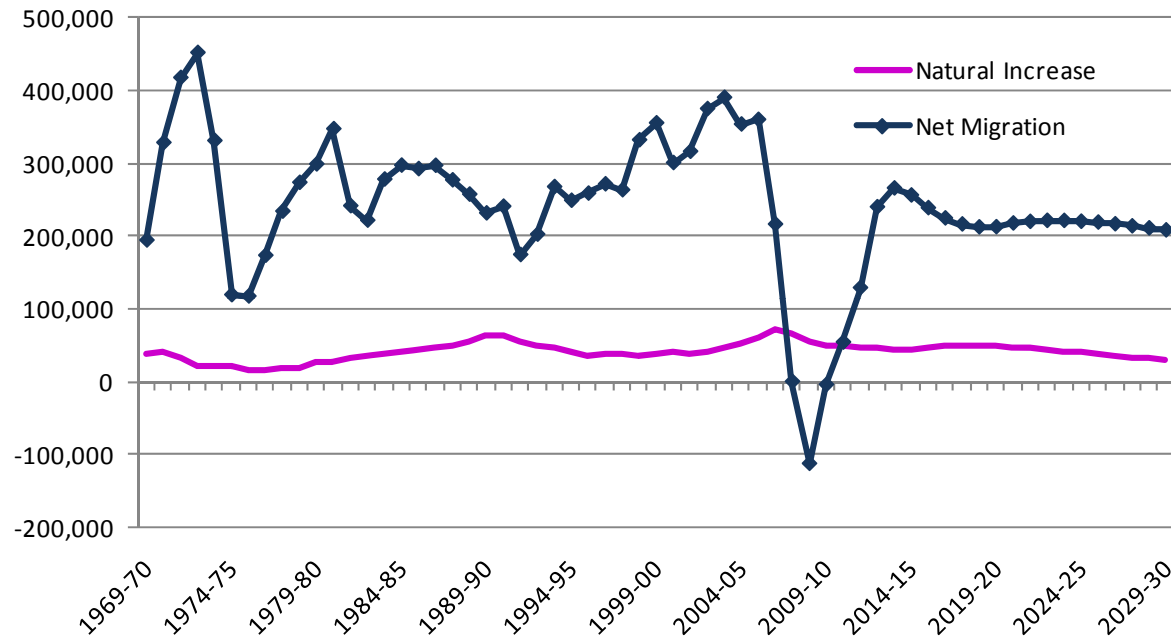
- Increased by: 445,224 between 2003 and 2004
- Declined by: -56,736 between 2008 and 2009
- Increased by: 21,869 between 2009 and 2010

Population is forecast to increase on average by:

- 223,727 between 2010 and 2015
- 271,604 between 2015 and 2020
- 264,022 between 2020 and 2025
- 248,414 between 2025 and 2030



Florida's Population Growth

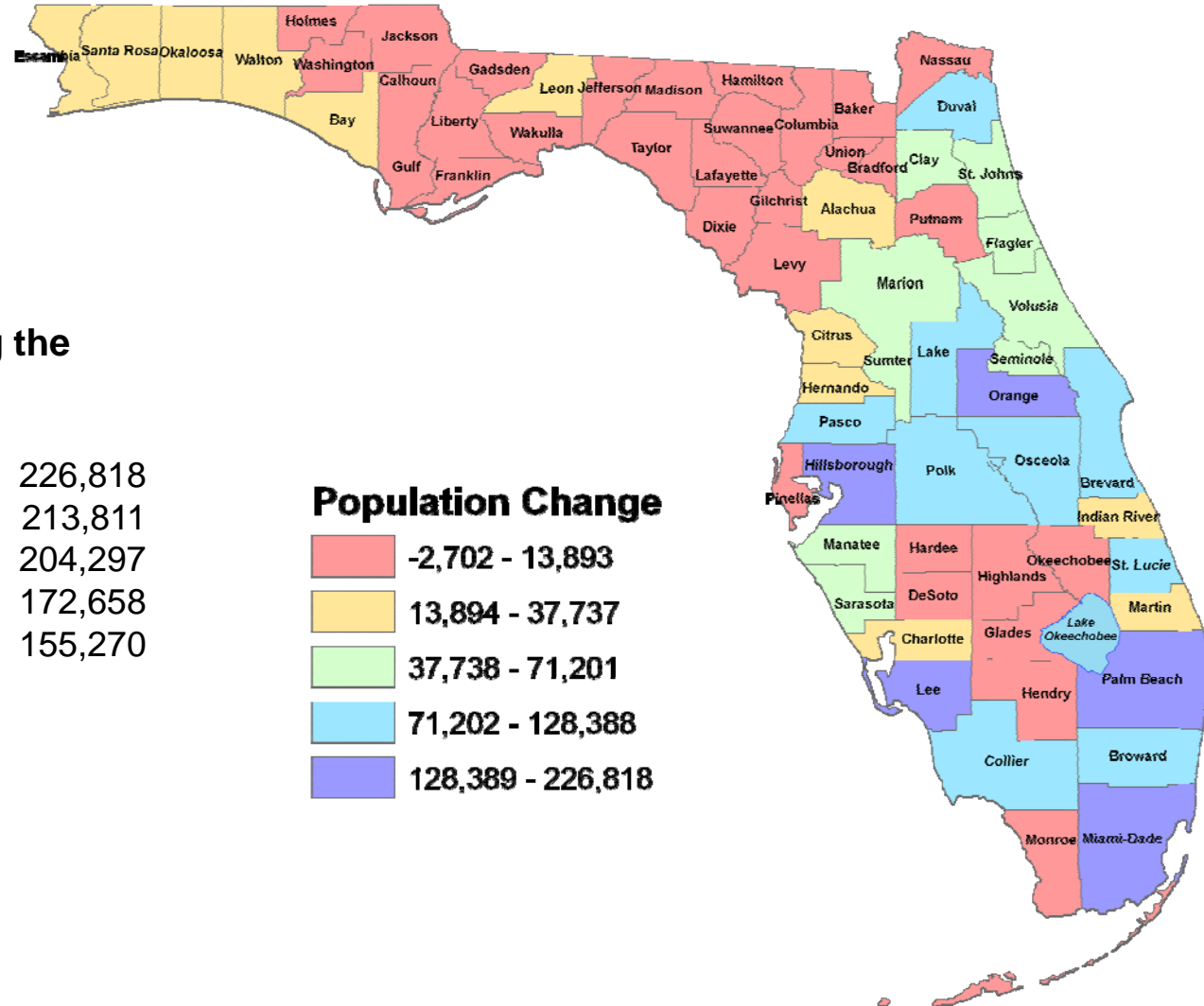


- Typically, most of Florida's population growth is from net migration
- In 2030, net migration is forecast to represent 86.9 percent of Florida's population growth



Population Growth Varies

(April 1, 2000 – April 1, 2010)



Counties Gaining the Most Population:

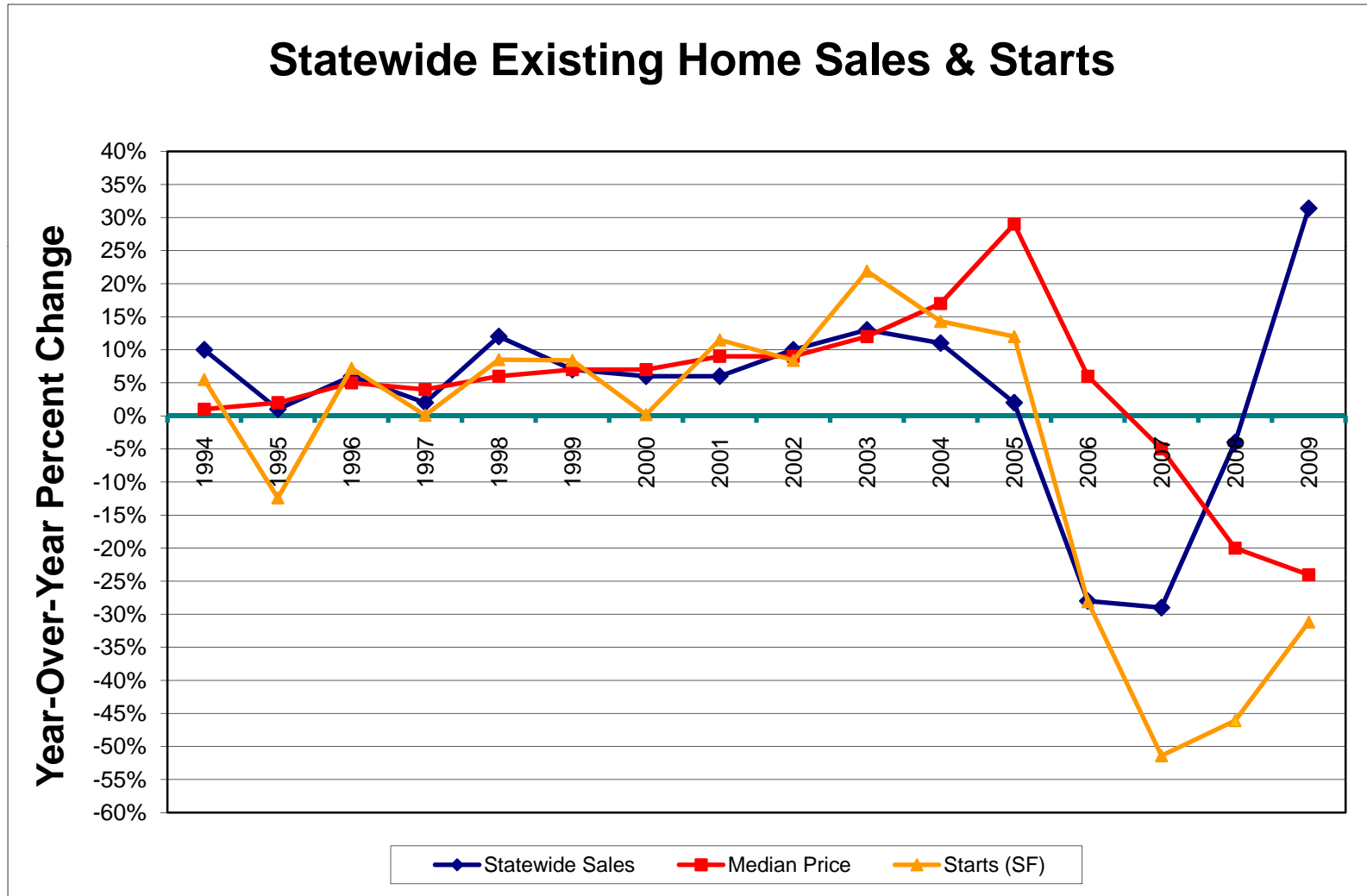
Miami-Dade	226,818
Orange	213,811
Hillsborough	204,297
Lee	172,658
Palm Beach	155,270

Population Change

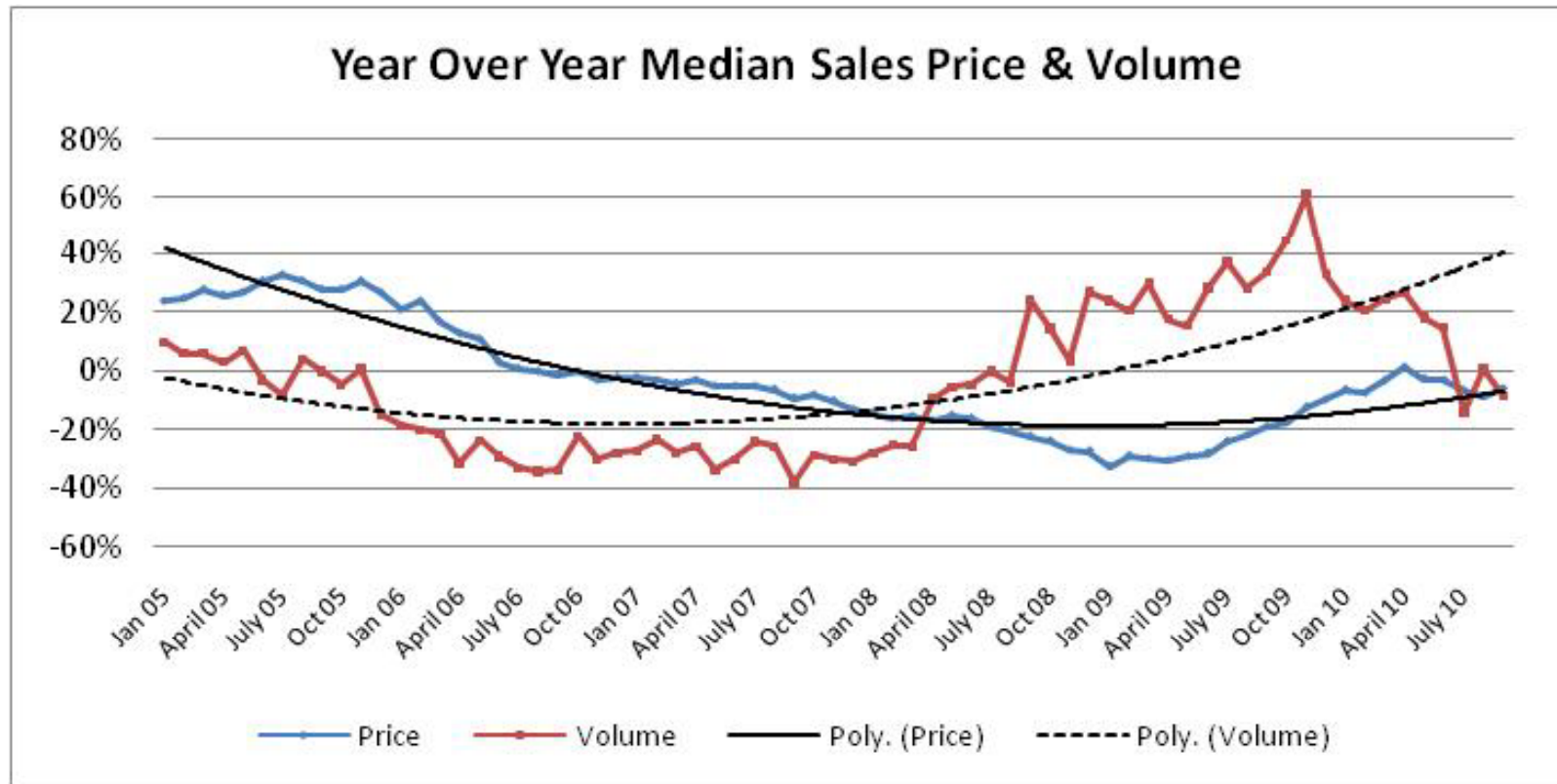
	-2,702 - 13,893
	13,894 - 37,737
	37,738 - 71,201
	71,202 - 128,388
	128,389 - 226,818



Florida Housing is Improving



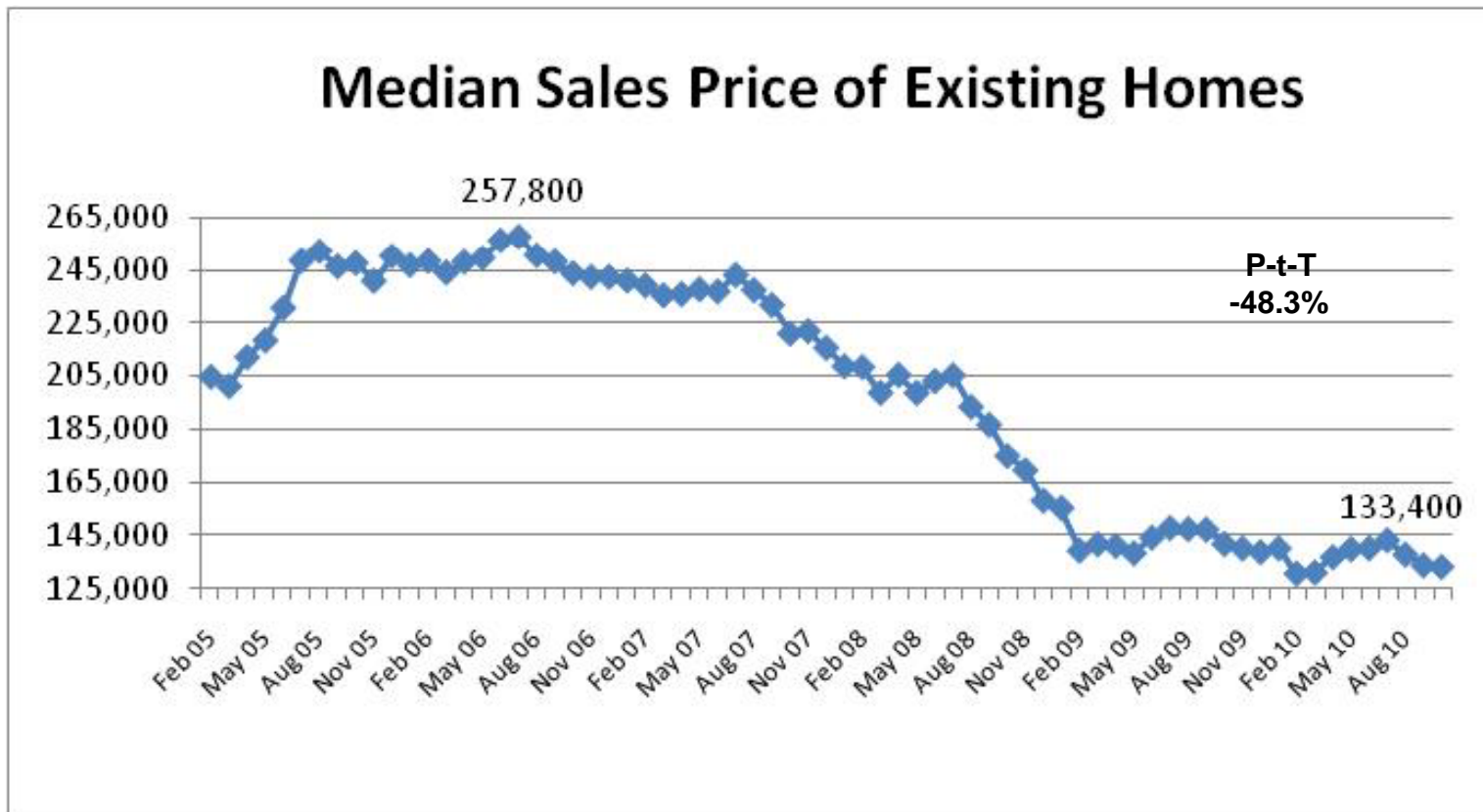
But, Existing Homes Sales Slowing Again



Data through September 2010



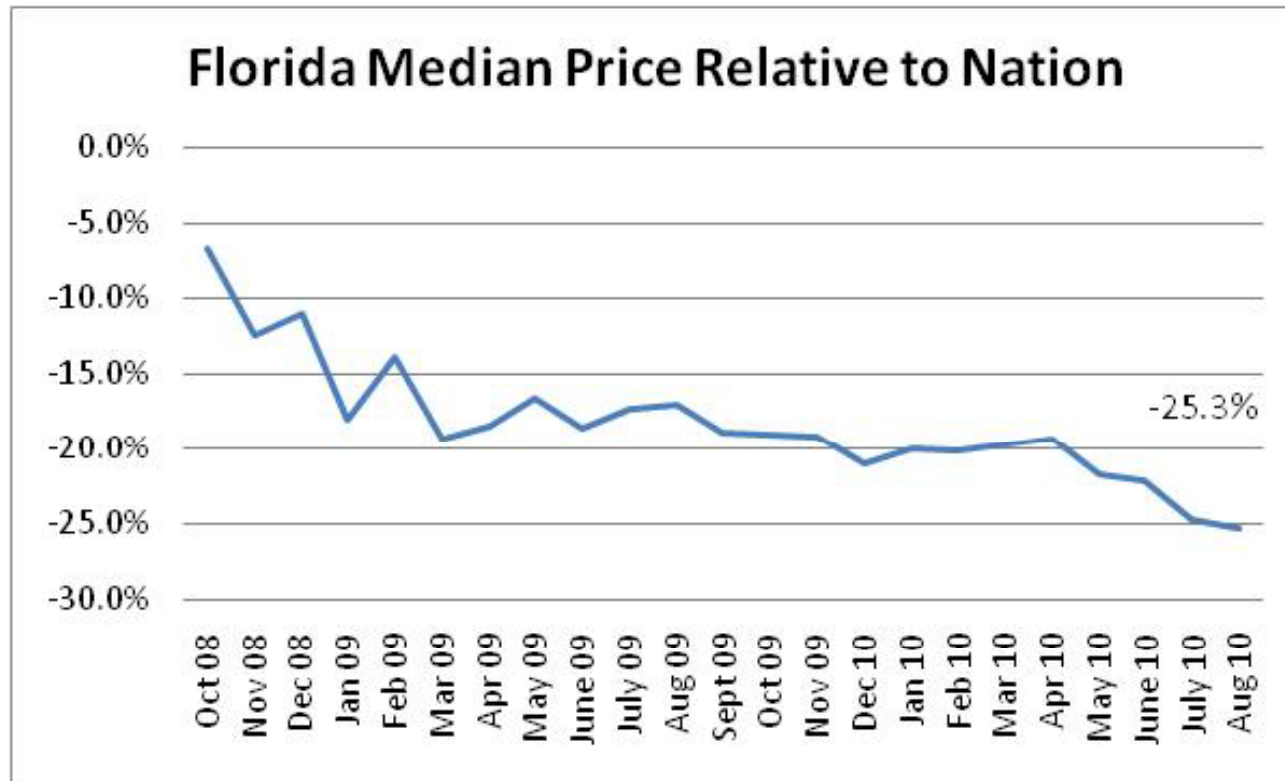
Existing Home Prices Are Flat



Data through September 2010

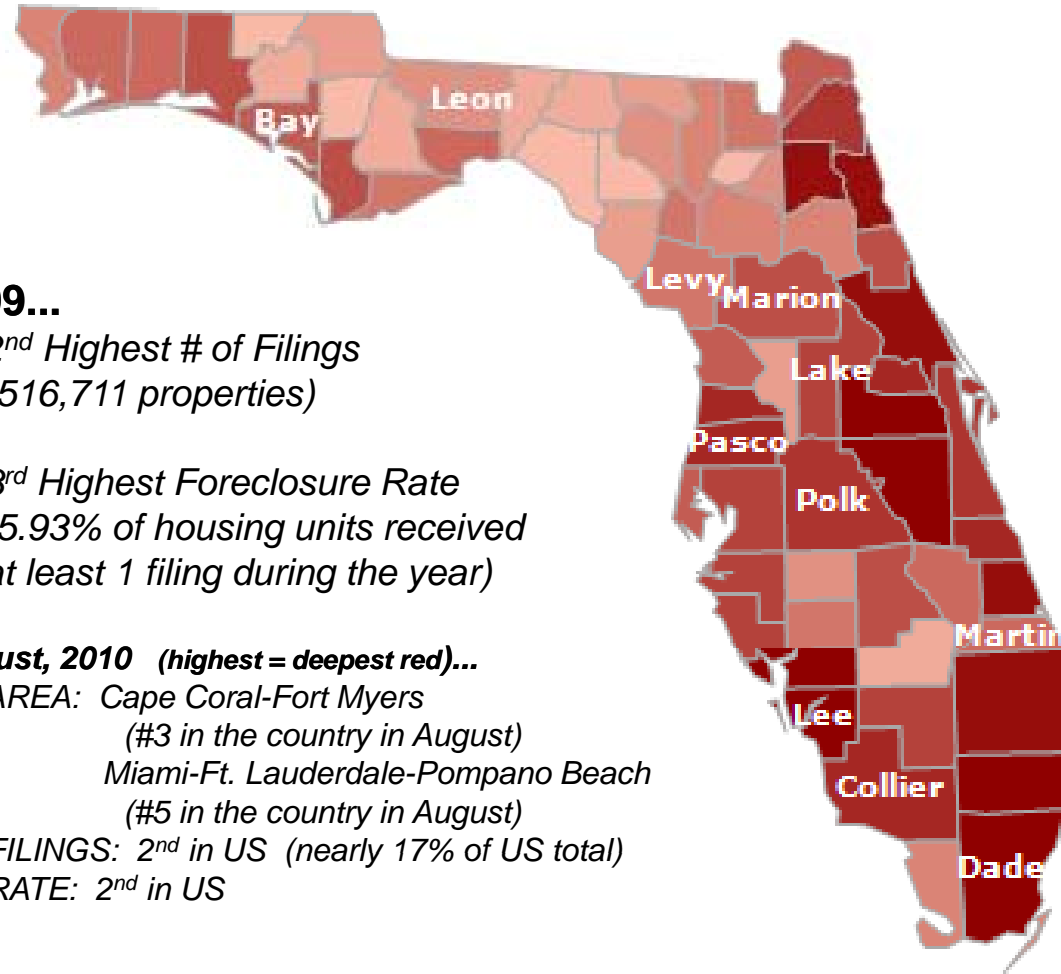


Price Holding Below National Level



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 Daunting



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)

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

AREA: Cape Coral-Fort Myers
(#3 in the country in August)
Miami-Ft. Lauderdale-Pompano Beach
(#5 in the country in August)
FILINGS: 2nd in US (nearly 17% of US total)
RATE: 2nd in US



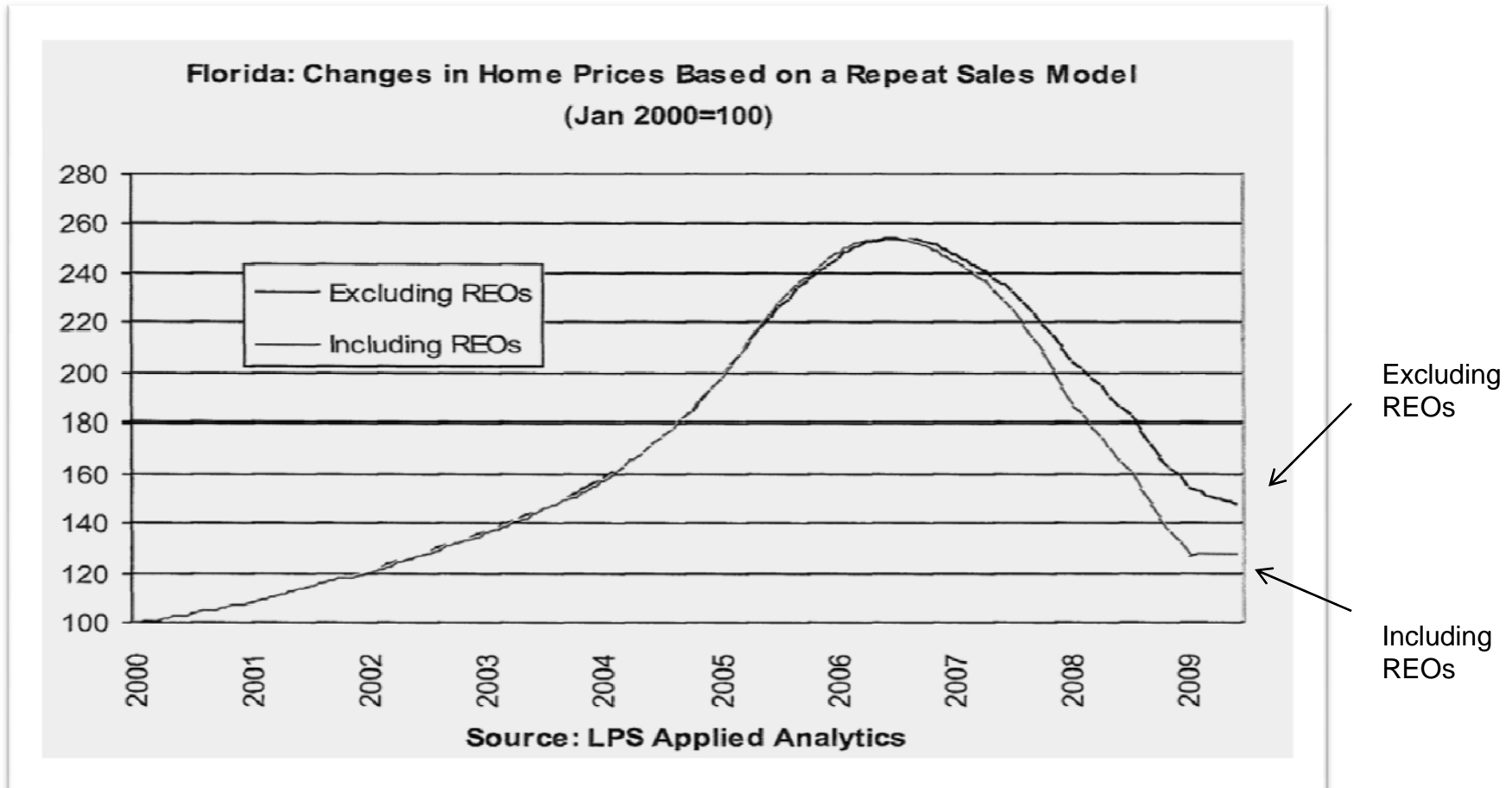
Foreclosures & Shadow Inventory

State	Delinquency %	Foreclosure Inventory %	Non-Current %	6 Month Change in Non-Current %
National	9.22%	3.80%	13.02%	-11.09%
FL	10.7%	12.8%	23.5%	-8.2%
NV	12.8%	8.6%	21.3%	-10.7%
MS	15.6%	3.0%	18.6%	-6.5%
GA	12.5%	3.1%	15.6%	-9.6%
IL	9.2%	5.2%	14.4%	-8.9%
AZ	10.2%	4.1%	14.3%	-16.4%
OH	10.2%	4.1%	14.3%	-8.4%
LA	11.0%	3.3%	14.2%	-9.2%
IN	10.3%	3.3%	14.2%	-9.2%
NJ	8.3%	3.3%	14.2%	-9.2%
MI	10.9%	3.3%	14.2%	-9.2%
RI	10.3%	3.3%	14.2%	-9.2%
CA	9.9%	3.3%	14.2%	-9.2%
TN	11.4%	3.3%	14.2%	-9.2%
MD	10.2%	3.3%	14.2%	-9.2%
WV	10.8%	3.3%	14.2%	-9.2%
AL	11.2%	3.3%	14.2%	-9.2%
SC	9.5%	3.3%	14.2%	-9.2%
NY	8.6%	3.3%	14.2%	-9.2%
NC	9.7%	3.3%	14.2%	-9.2%
CT	8.0%	3.3%	14.2%	-9.2%
DE	8.0%	3.7%	11.7%	-10.3%
HI	7.0%	4.7%	11.7%	-12.5%
ME	7.6%	4.1%	11.7%	-9.3%
PA	8.7%	2.7%	11.4%	-9.8%
KY	8.5%	2.8%	11.3%	-7.3%
WI	7.6%	3.5%	11.1%	-7.2%
AR	9.1%	1.7%	10.8%	-6.9%
TX	9.2%	1.6%	10.8%	-10.0%
MA	8.1%	2.5%	10.6%	-14.6%
MO	8.9%	1.6%	10.5%	-10.7%
OK	7.9%	2.6%	10.4%	-7.3%
UT	7.5%	2.6%	10.1%	-10.0%
DC	7.5%	2.4%	10.0%	-12.1%
VT	7.8%	2.8%	9.8%	-10.8%
MT	7.8%	2.8%	9.8%	-10.8%
WY	5.2%	1.3%	6.5%	-10.9%
AK	5.1%	1.2%	6.3%	-11.2%
SD	4.1%	1.2%	5.3%	-10.0%
ND	3.7%	0.9%	4.6%	-12.4%

State	Delinquency %	Foreclosure Inventory %	Non-Current %
National	9.22%	3.80%	13.02%
FL	10.7%	12.8%	23.5%

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

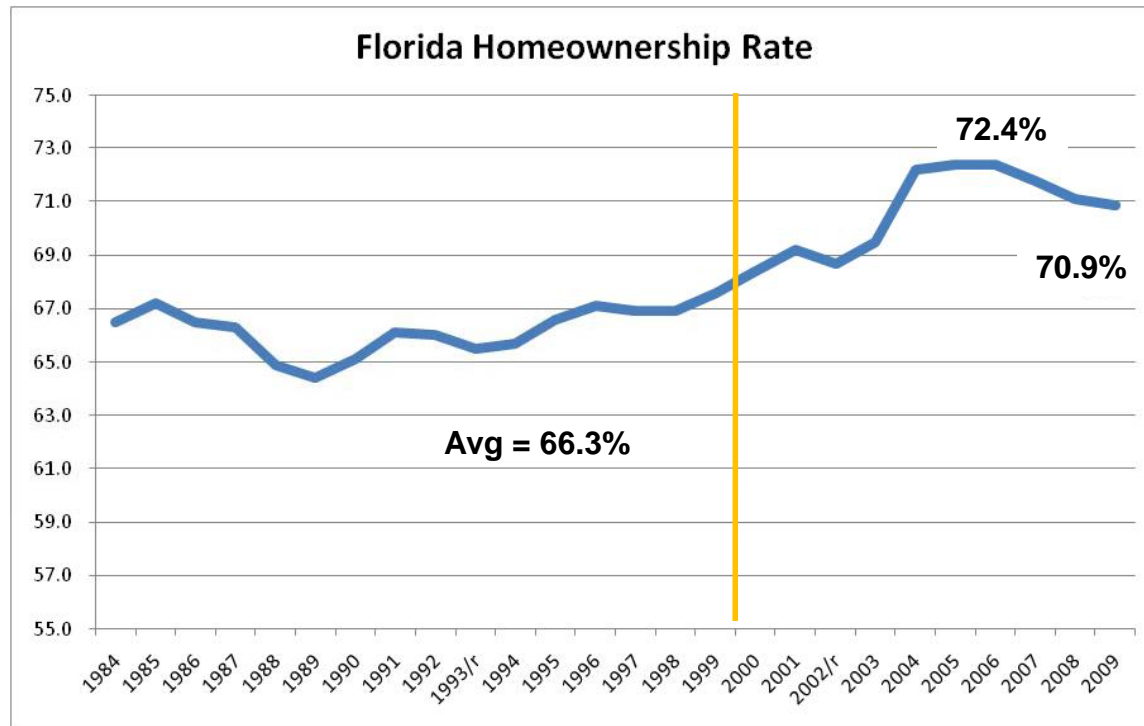
Sales Mix Points to Lower Prices



REO (Bank) and Short Sales were 50% of all Florida sales in May.

LPS: Lender Processing Services

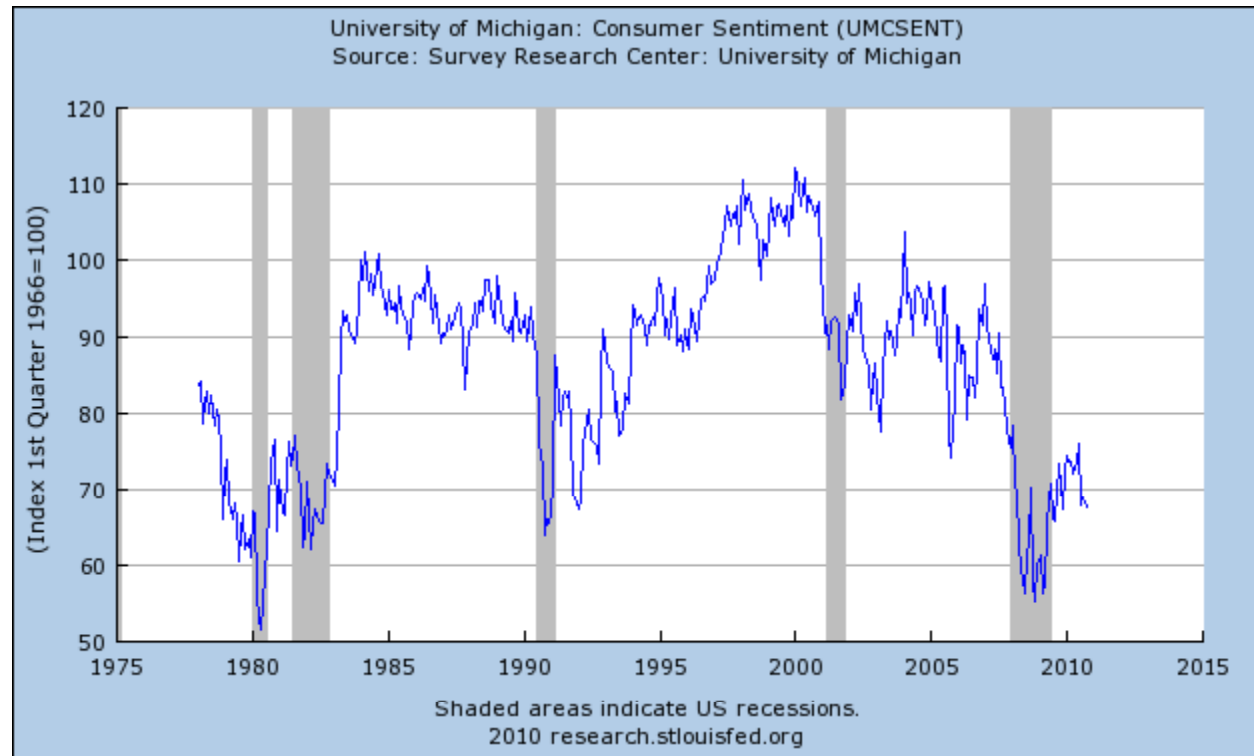
Vulnerability



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

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		Large Banks		Other Banks	
	Oct %	July %	Oct %	July %	Oct %	July %
Tightened considerably	0.0	0.0	0	0.0	0.0	0.0
Tightened somewhat	13.0	3.6	3.3	0.0	25.0	7.7
Remained basically unchanged	83.3	87.3	90.0	82.8	75.0	92.3
Eased somewhat	3.7	9.1	6.7	17.2	0.0	0.0
Eased considerably	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

October 2010 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

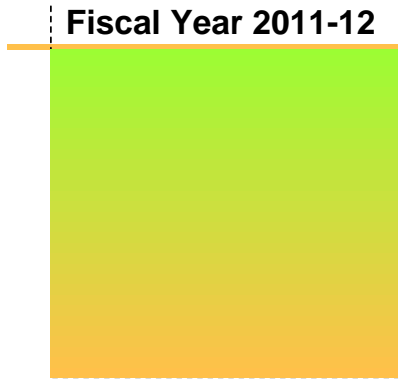
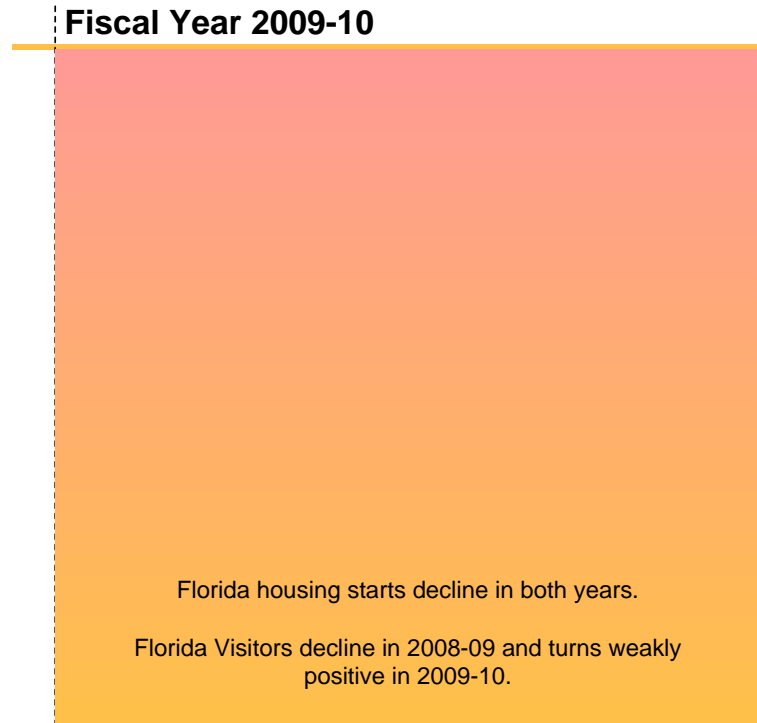
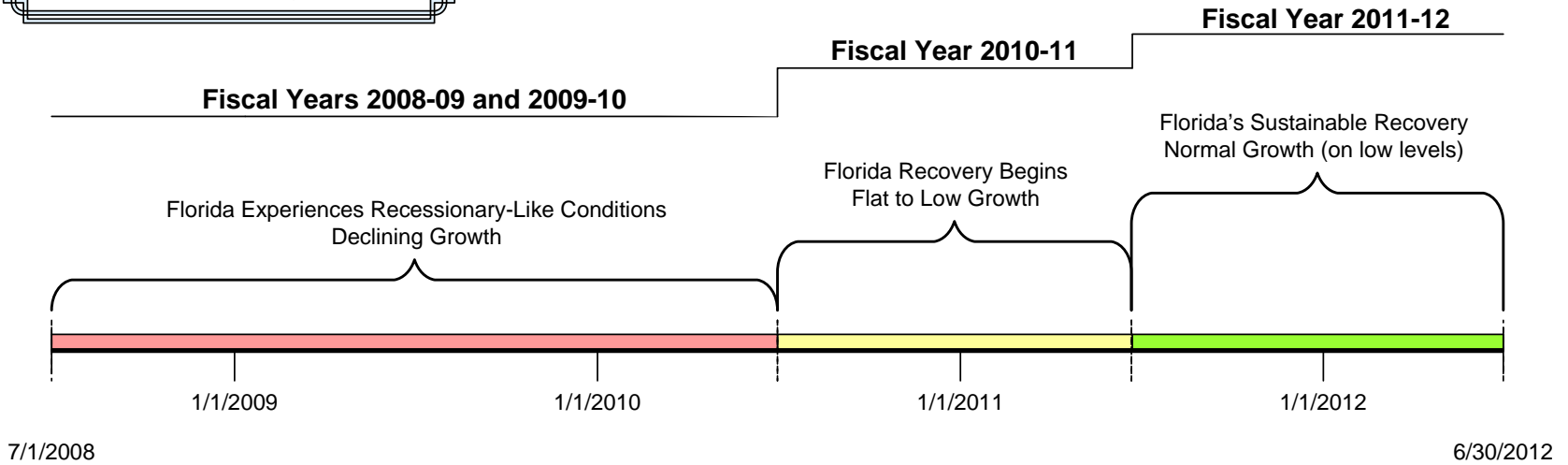
Economy Was Set To Rebound

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 out of the hole left by the recession.

Overall...

- The national economic recovery is running its course 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 Recovery Timeline
 Summer 2010 Projections



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.

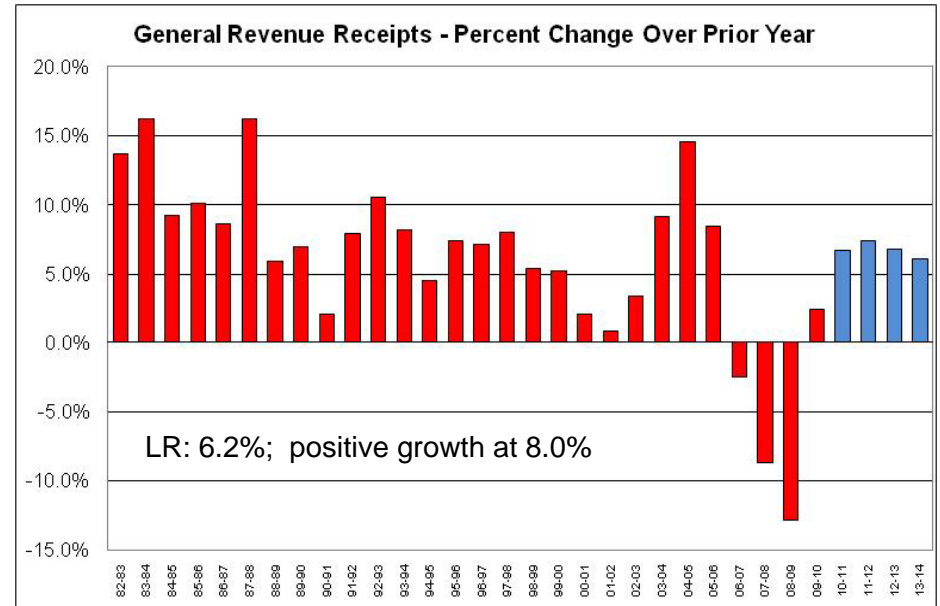
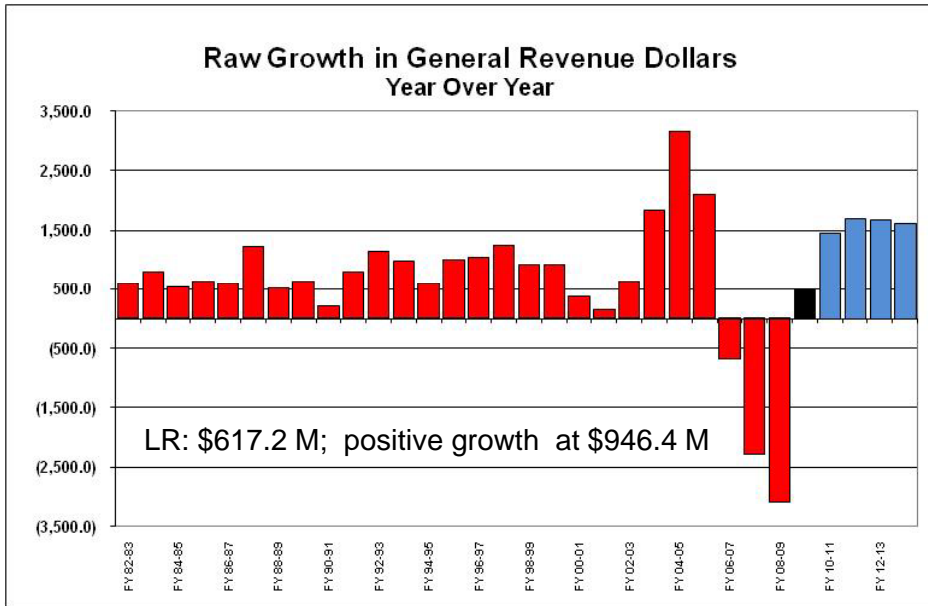
Known Threat & Black Swans

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.
 - Forty-six Florida banks have failed since January 2002 – fourteen of which occurred in the 2009 calendar year, and another twenty-seven so far this year.
- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$274 million.
- Double-Dip Recession (Moody’s Analytics at 33%; Nouriel Roubini at 40%)

Strong Growth Expected for GR



Fiscal Year	March Forecast	Post-Session Forecast	DIFF	New Forecast	Difference (New - Rev)	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	21056.9	21294.3	237.4	21523.1	228.8	497.5	2.4%
2010-11	22465.7	22706.1	240.4	22967.0	260.9	1443.9	6.7%
2011-12	24275.4	24338.3	62.9	24672.7	334.4	1705.7	7.4%
2012-13	25988.8	26121.7	132.9	26341.6	219.9	1668.9	6.8%
2013-14	27739.6	27877.7	138.1	27955.7	78.0	1614.1	6.1%