

Florida: An Economic Overview

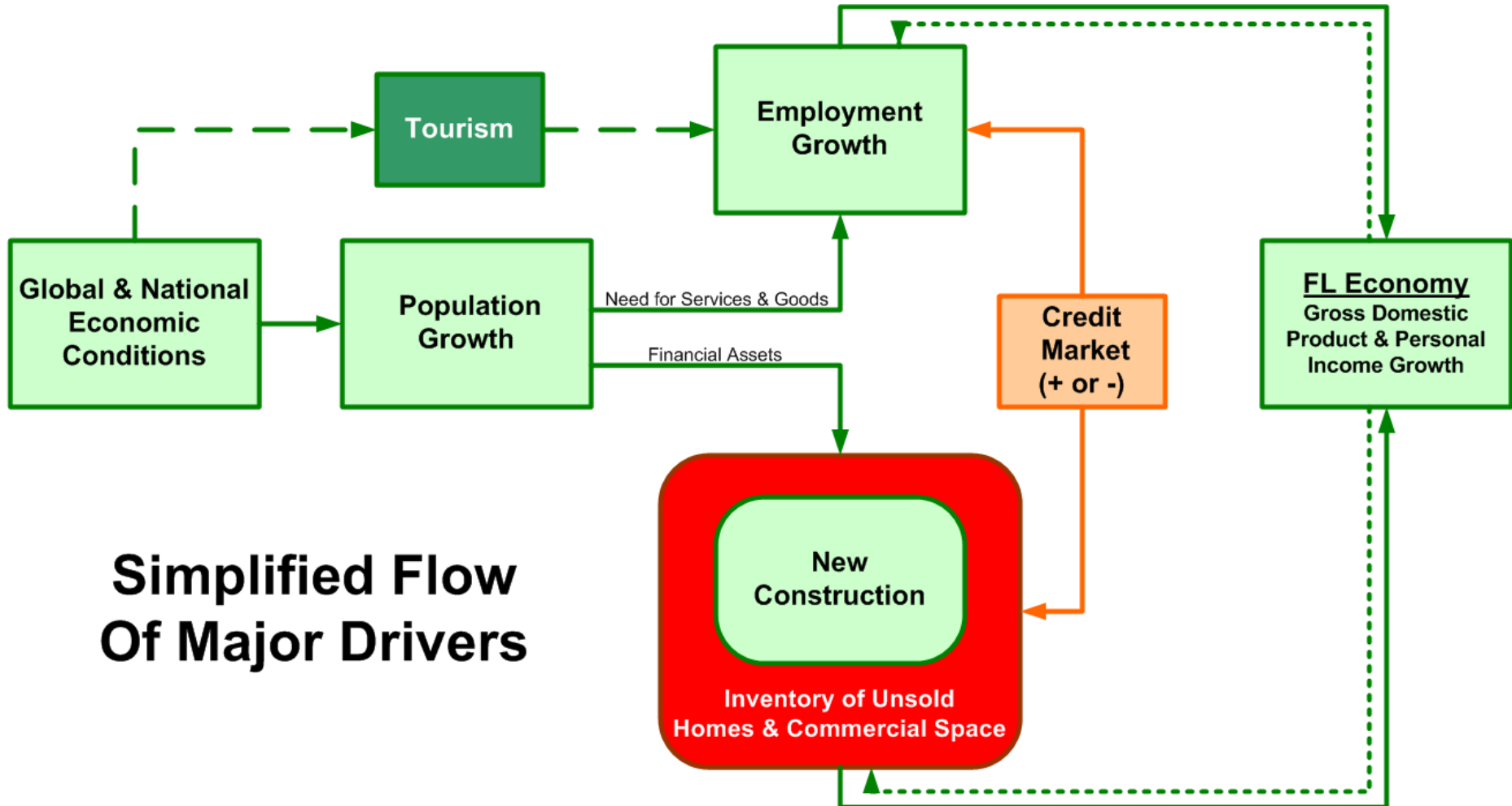
September 14, 2011

Presented by:

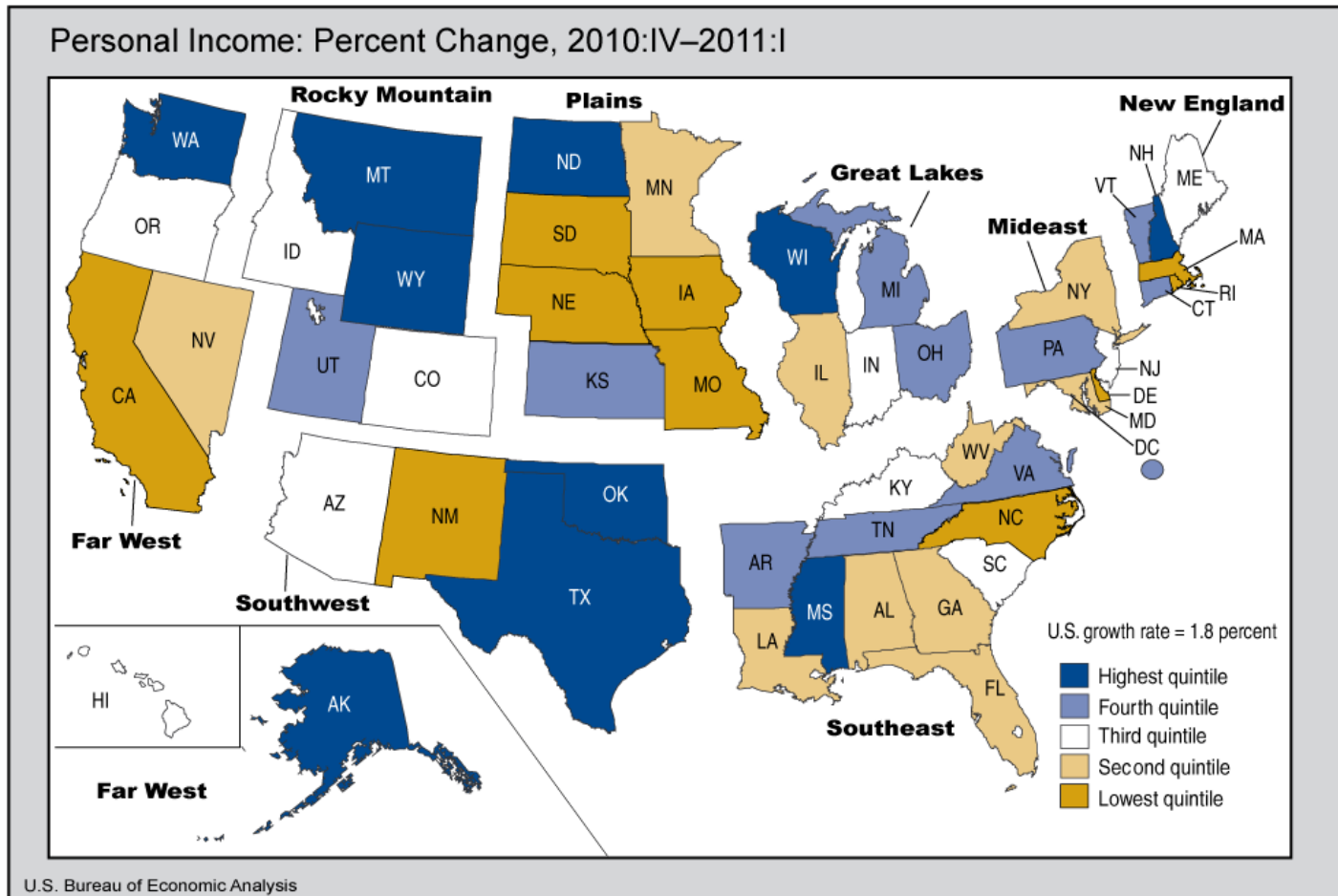


The Florida Legislature
Office of Economic and
Demographic Research
850.487.1402
<http://edr.state.fl.us>

Key Economic Variables – All Down



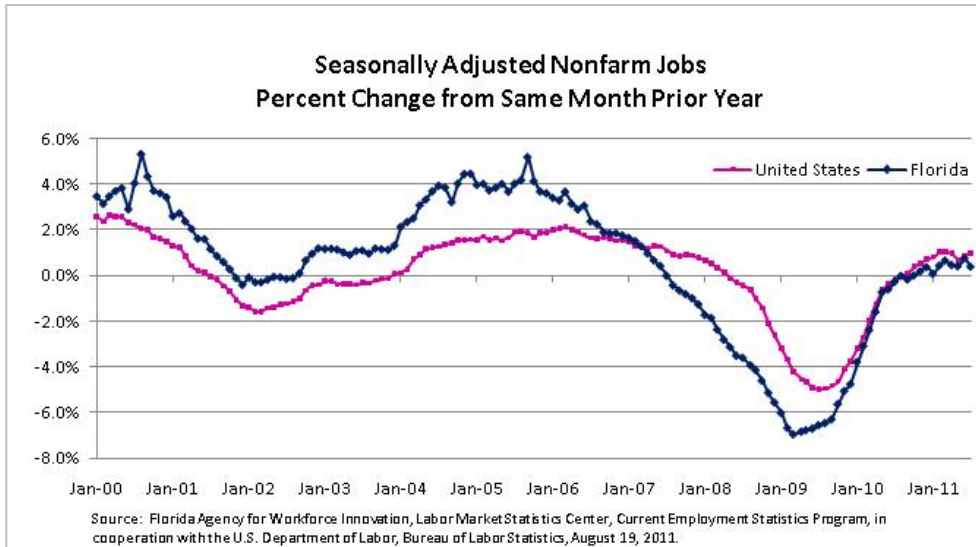
FL Personal Income Lags Nat'l Growth



- Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.
- The increase of 1.6% in the most recent quarter (Q1 of the 2011 calendar year) ranked Florida 38th in the country, lagging behind the nation's growth of 1.8%.

Current Employment Conditions

Tenth consecutive month that the state has shown positive over-the-year job growth after losing jobs for three years.



July Nonfarm Jobs (YOY)

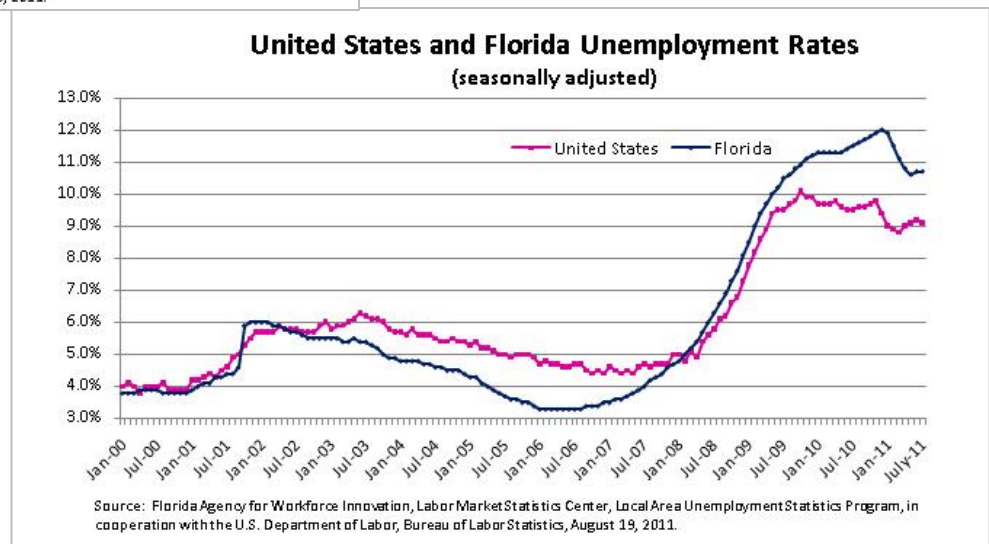
| | |
|-------|---------------|
| US | 1.0% |
| FL | 0.4% |
| YR: | 28,100 jobs |
| Peak: | -845,400 jobs |

July Unemployment Rate

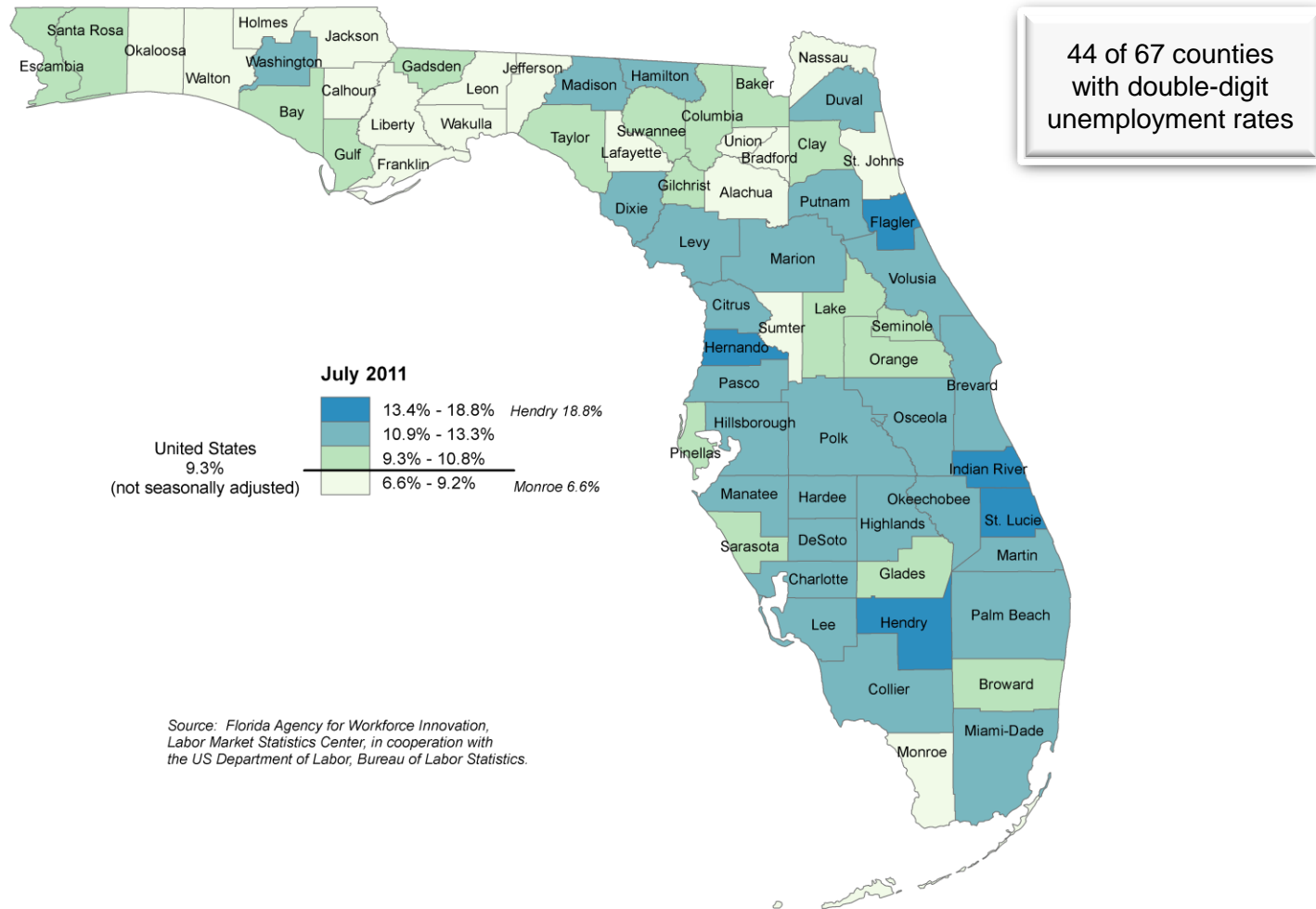
US 9.1%
FL 10.7%
(987,000 people)
6th highest state in the country

Highest Monthly Rate

December 2010
12.0%



Unemployment Rates



Florida's Job Market

- The job market will take a long time to recover – about 845,400 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 over 1 million jobs for the same percentage of the total population to be working as was the case at the peak.

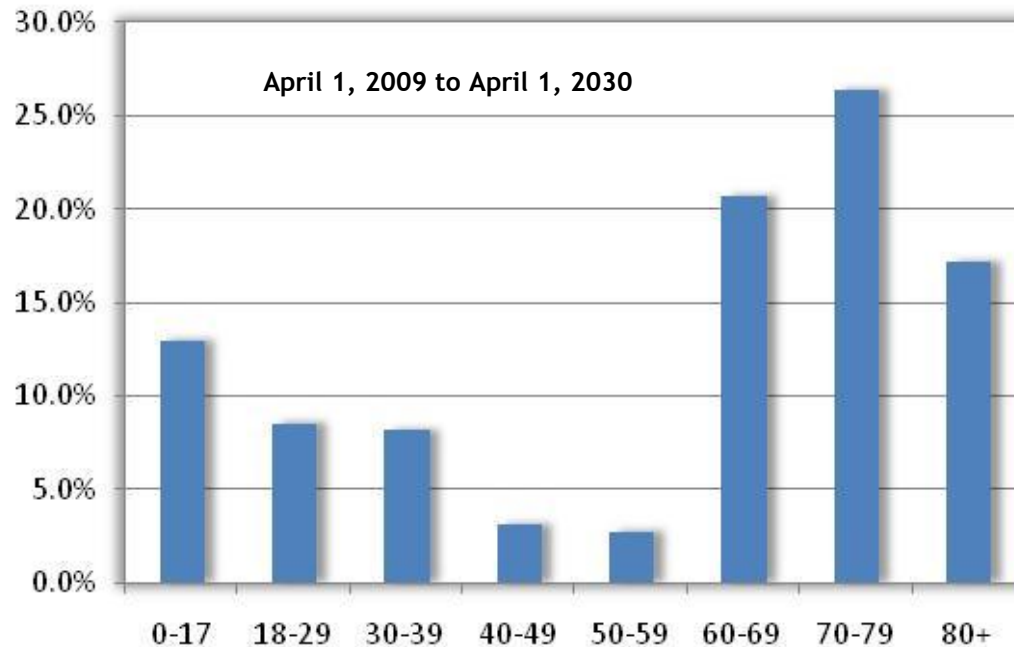


Population Growth Recovering

- 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 0.85% 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.

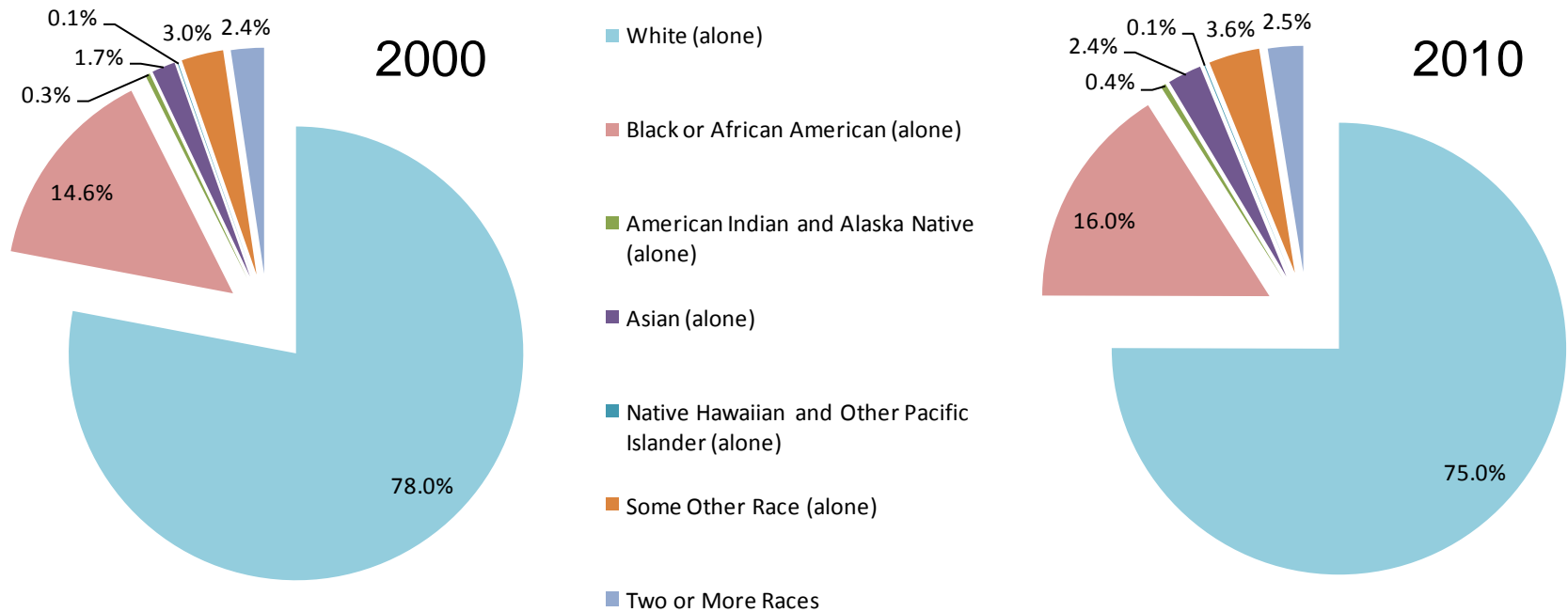


Population Growth by Age Group



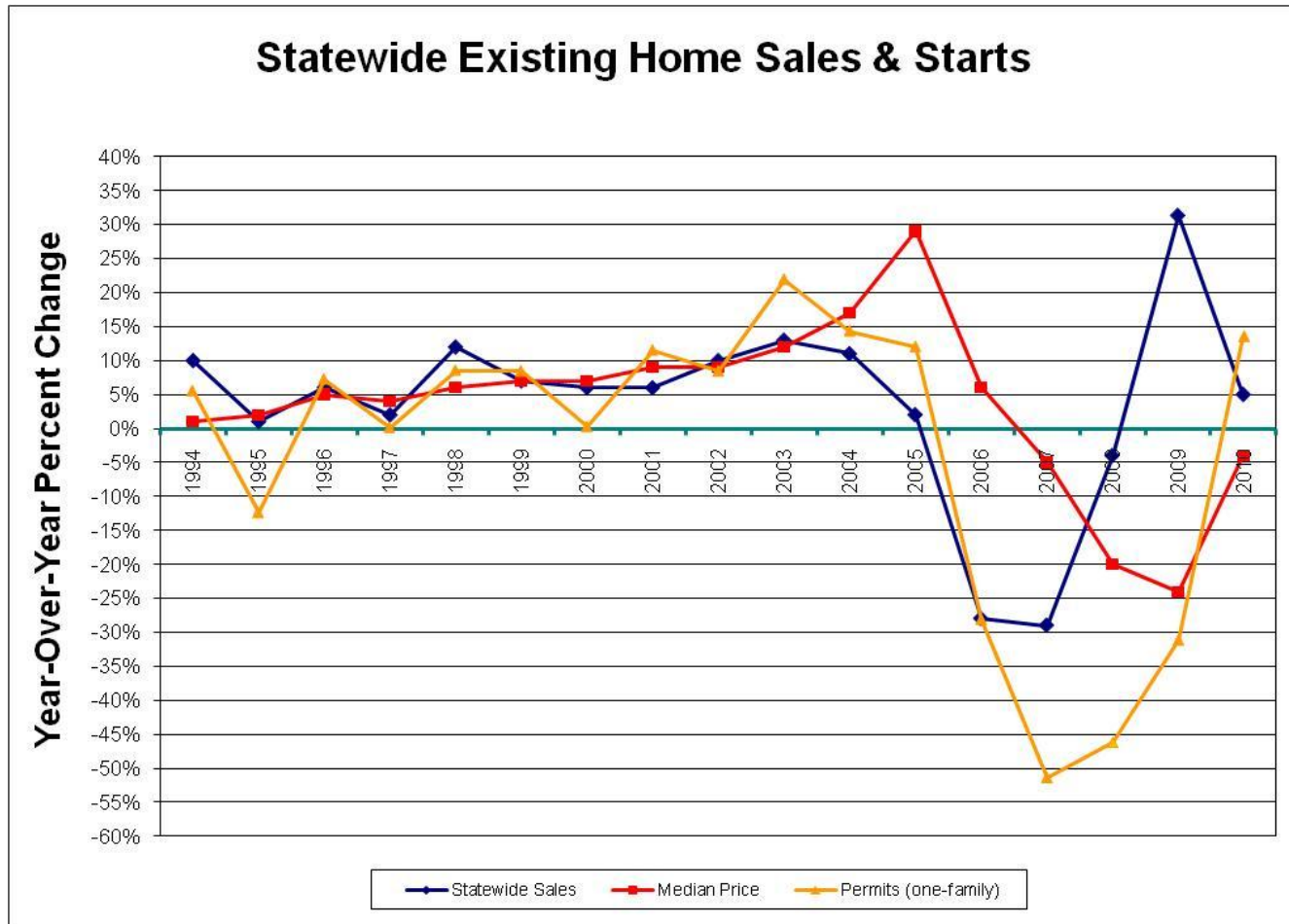
- Between 2009 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 64.4 percent of the gains.
- Population share of those aged 65 and over will be 26.0 percent in 2030, compared to 17.6 percent in 2000 and 17.3 percent in 2010.
- In 2000, Florida's prime working age population (ages 25-54) accounted for 41.5 percent of the total population. With the aging baby boom generation, this percentage fell to 39.7 percent in 2010 and by 2030 is projected to be only 34.1 percent.

Diversity is Increasing



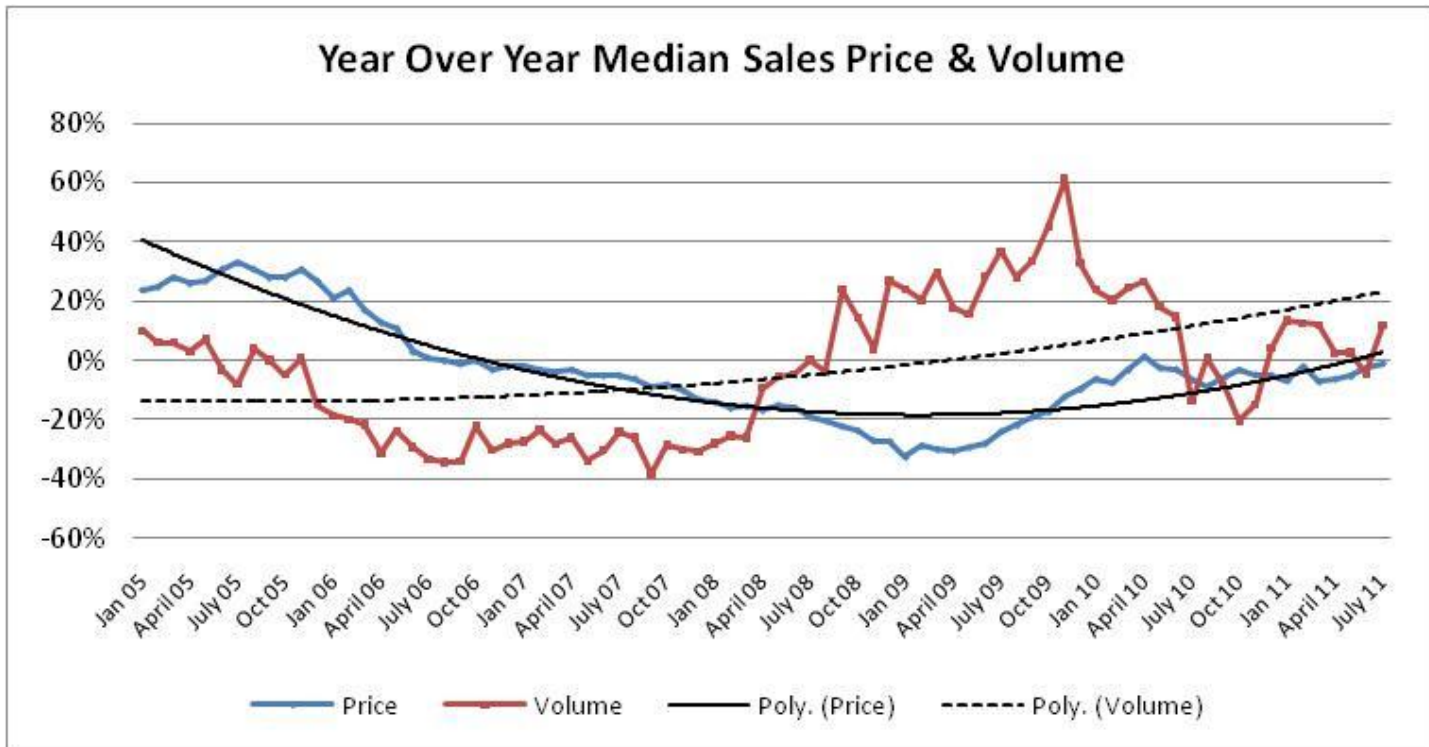
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 26 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

Florida Housing is Generally Improving



Sales volume and building permits are both back in positive territory, showing year-over-year growth (CY 2010 over 2009); however, building permits are now running 5.5% below last year at the same time (January – July 2011 compared to January – July 2010, Houses).

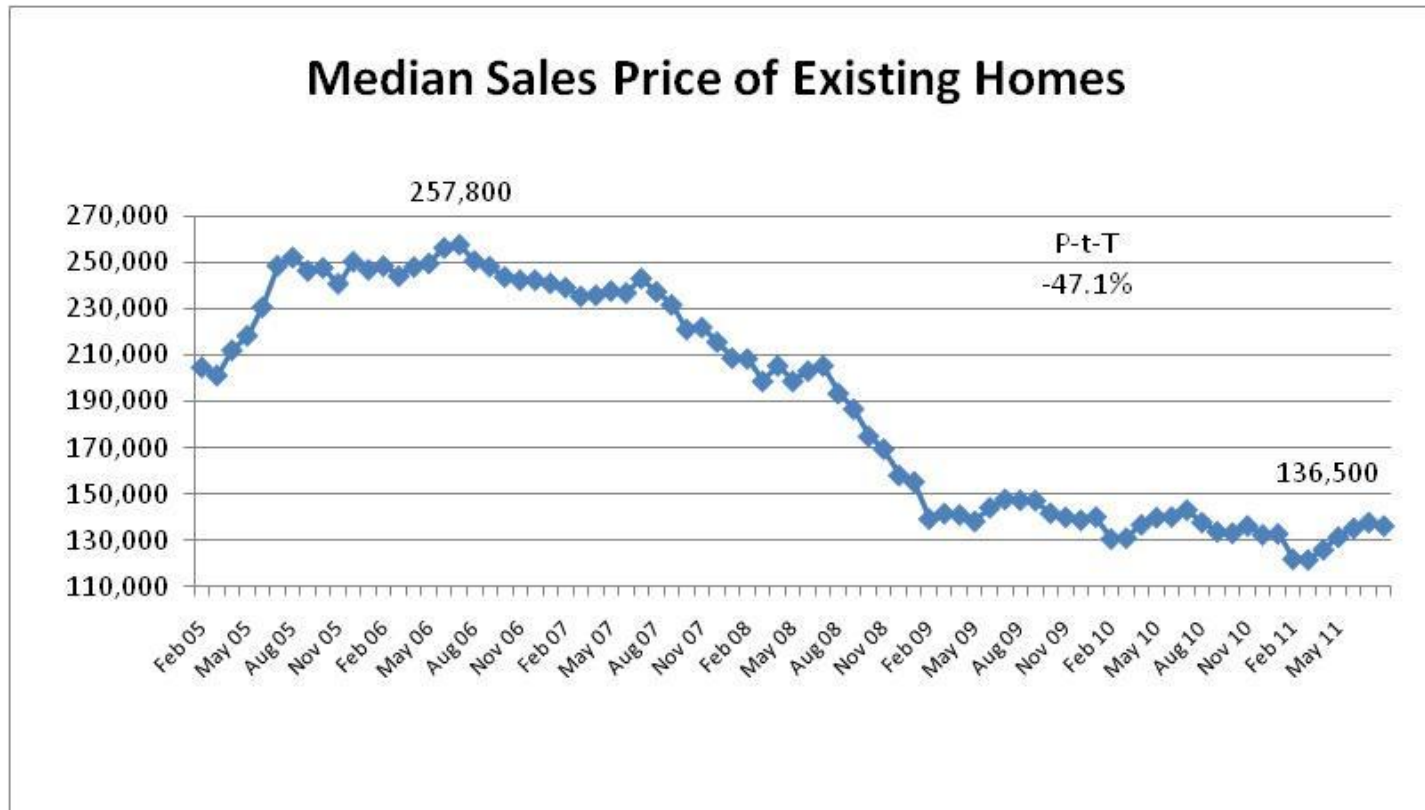
But, Existing Homes Sales Are Sputtering



Data through July 2011

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

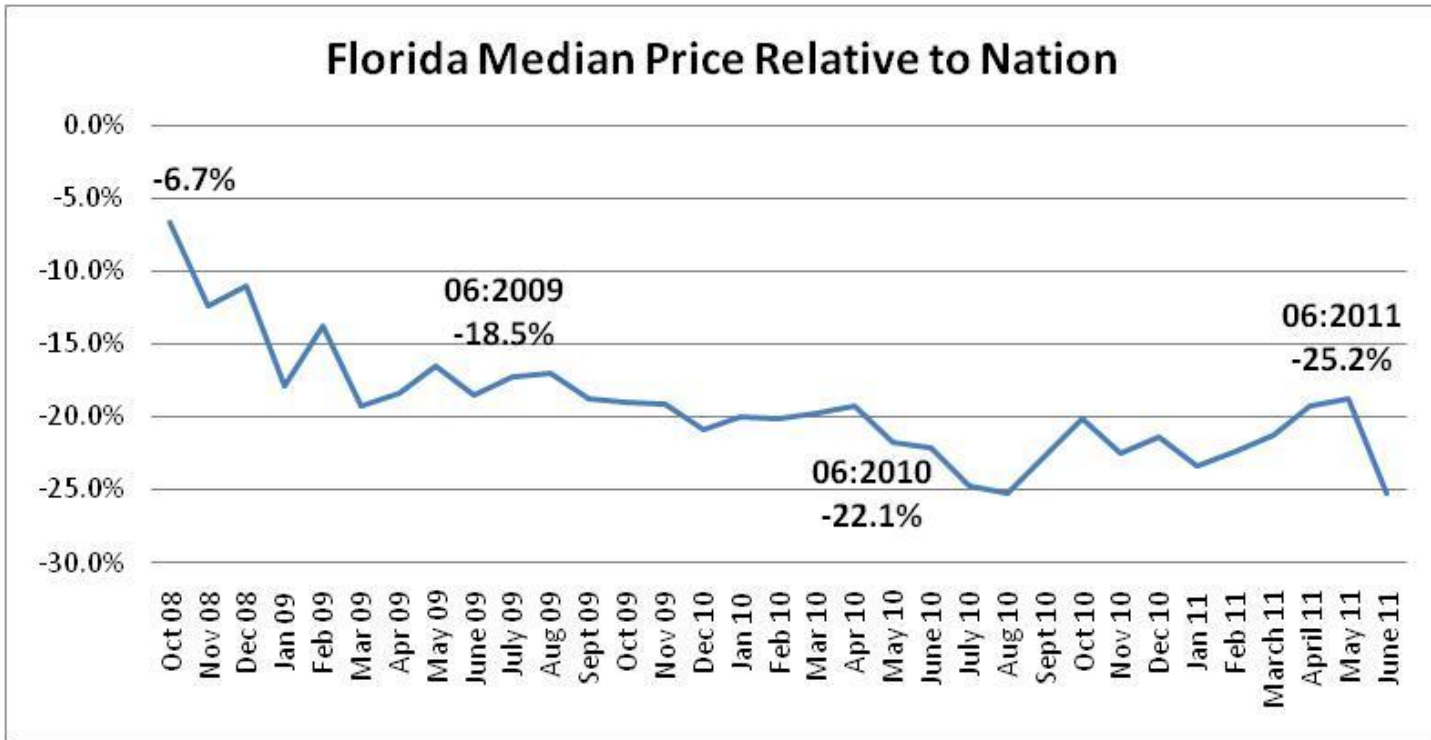
And, Existing Home Prices Are Flat



Data through July 2011

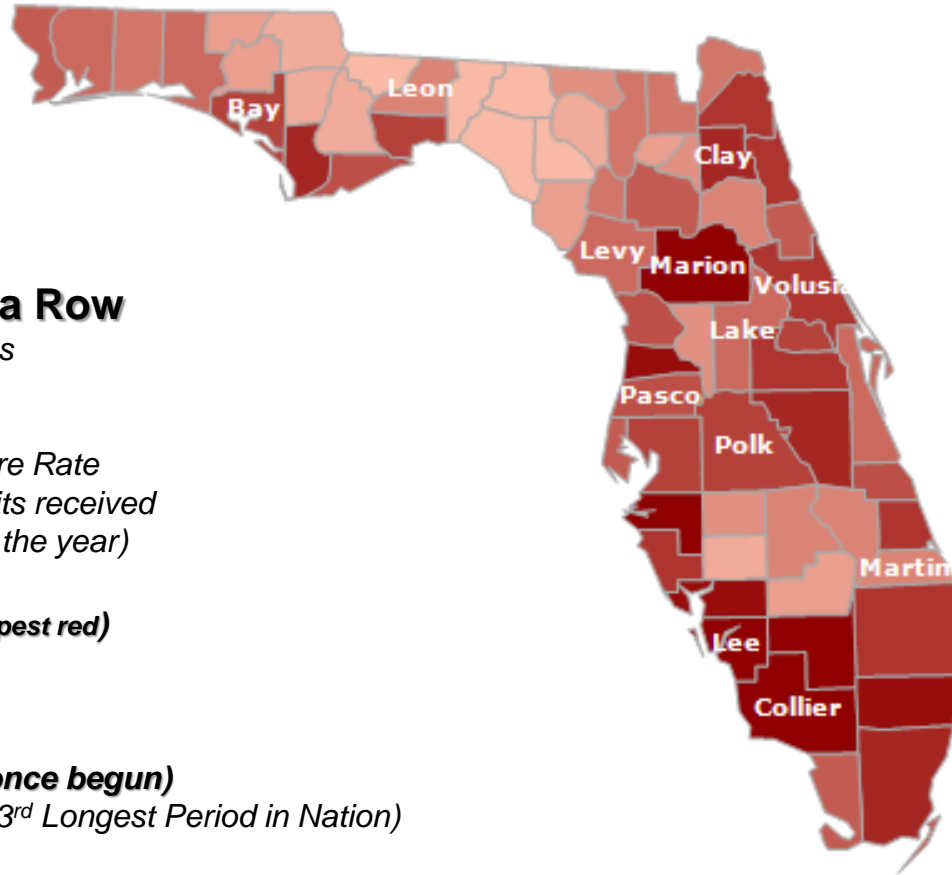
Median Sales Prices for Existing Homes have been essentially flat since February 2009 --- 28 months --- with a slight downward drift.

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 Remain Daunting



2010...2nd Year in a Row

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

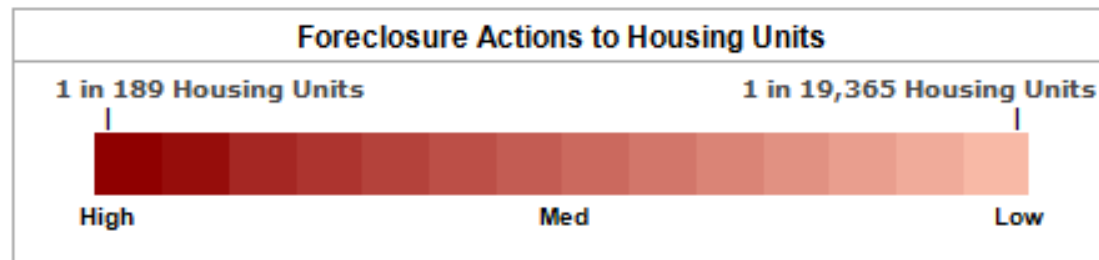
3rd Highest Foreclosure Rate
(5.51% of housing units received
at least 1 filing during the year)

July 2011 (highest = deepest red)

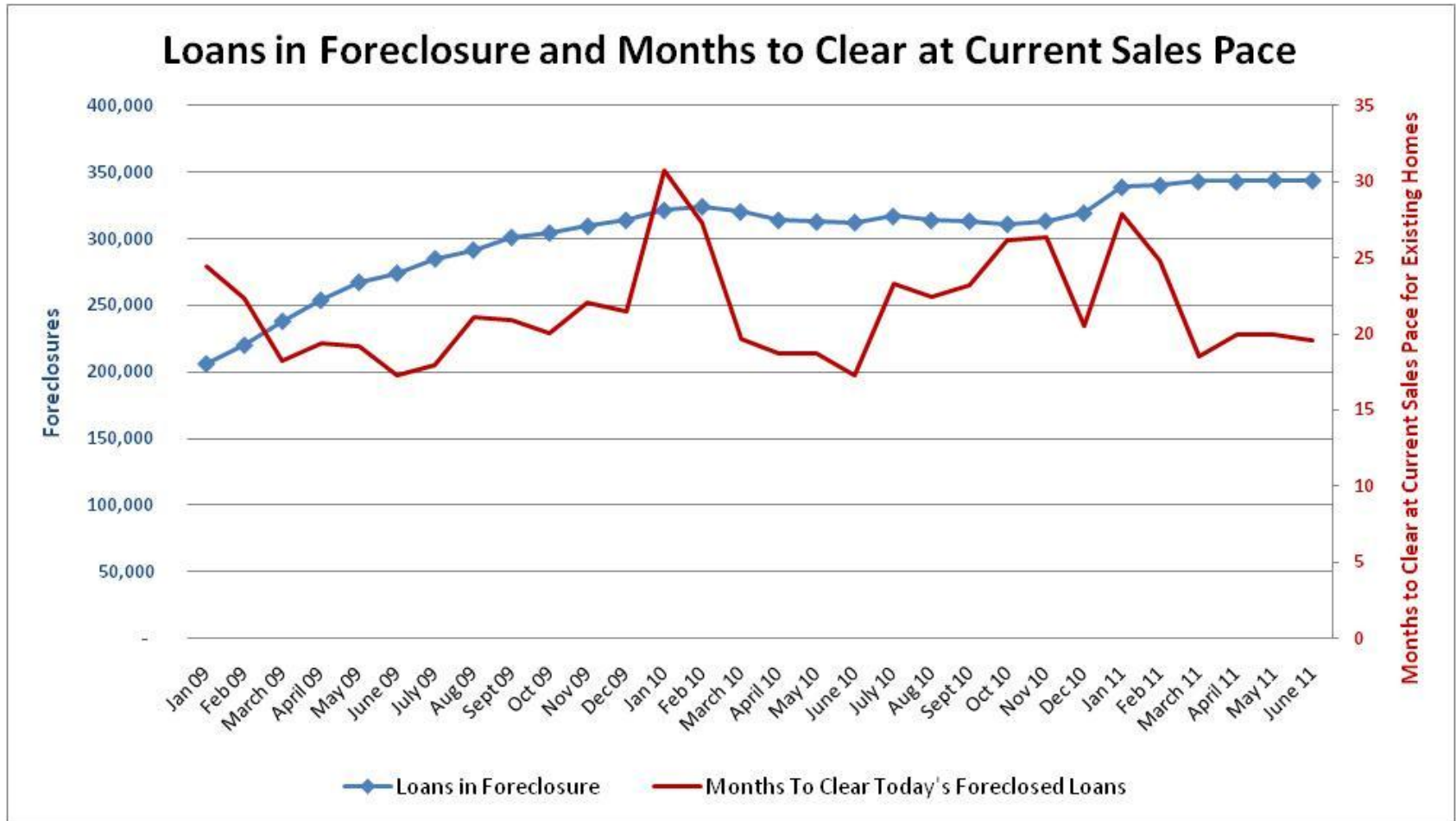
FILINGS: 2nd in US
RATE: 6th in US

Foreclosure Process (once begun)

676 Days in Florida (3rd Longest Period in Nation)



Residential Loans in Foreclosure



Foreclosures & Shadow Inventory

| State | Del % | FC % | Non-Curr % | Del/FC |
|----------|-------|-------|------------|--------|
| National | 8.34% | 4.11% | 12.45% | 203% |
| FL | 9.1% | 13.8% | 22.9% | 66% |
| MS | 14.6% | 3.5% | 18.1% | 422% |
| NV | 10.6% | 7.1% | 17.7% | 150% |
| NJ | 7.8% | 7.3% | 15.2% | 107% |
| IL | 8.2% | 6.6% | 14.8% | 124% |
| GA | 11.5% | 3.1% | 14.6% | 373% |
| OH | 9.7% | 4.8% | 14.4% | 203% |
| IN | 9.8% | 4.7% | 14.4% | 209% |
| LA | 10.4% | 3.3% | 13.6% | 315% |
| MD | 10.0% | 3.2% | 13.2% | 313% |
| SC | 9.4% | 3.8% | 13.2% | 250% |
| RI | 8.8% | 4.3% | 13.1% | 205% |
| TN | 10.6% | 2.5% | 13.1% | 429% |
| NY | 7.9% | 5.2% | 13.1% | 152% |
| WV | 10.3% | 2.5% | 12.9% | 409% |
| AL | 10.8% | 1.8% | 12.5% | 615% |
| MI | 9.8% | 2.7% | 12.5% | 364% |

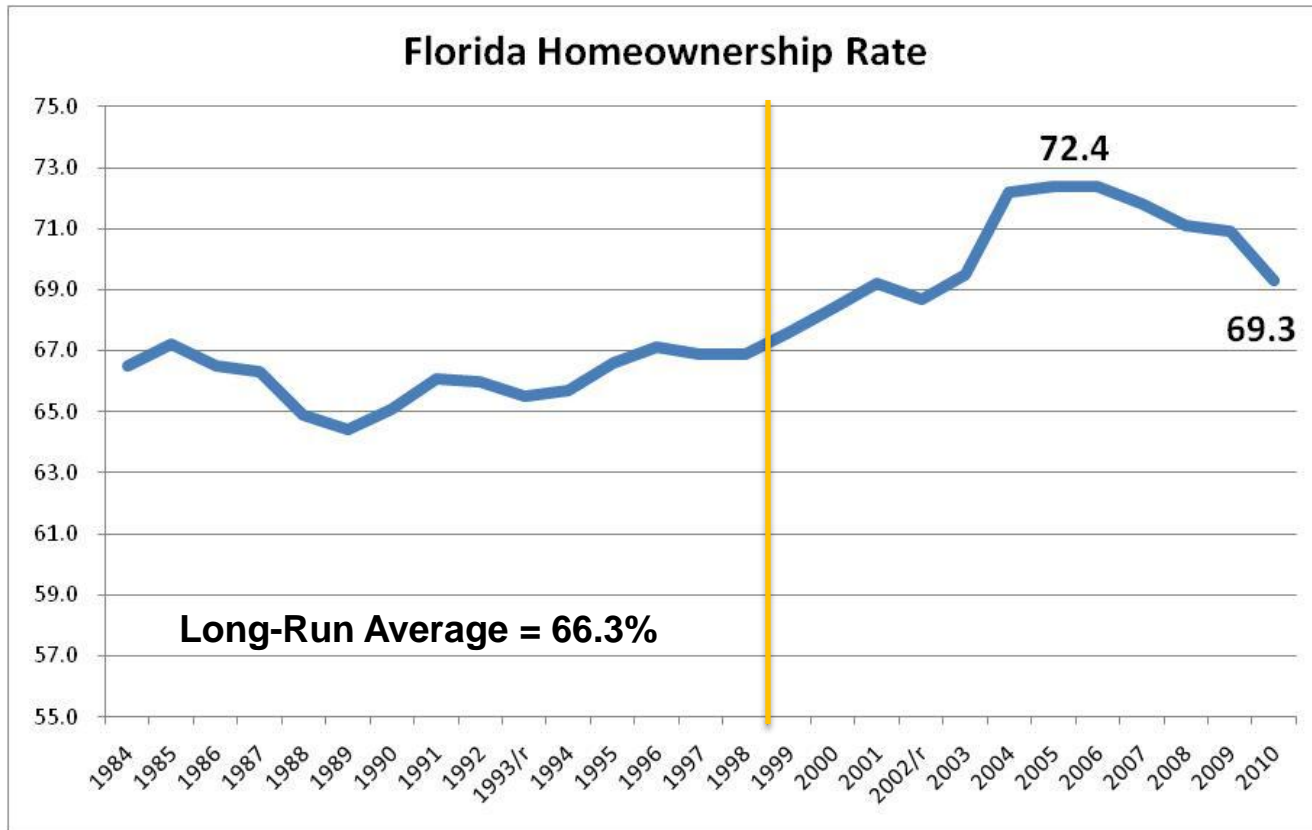
| State | Del % | FC % | Non-Curr % | Del/FC |
|----------|-------|-------|------------|--------|
| National | 8.34% | 4.11% | 12.45% | 203% |
| ME | 7.5% | 5.0% | 12.4% | 149% |
| CT | 7.4% | 4.9% | 12.3% | 150% |
| NC | 9.1% | 2.9% | 12.0% | 309% |
| DE | 8.0% | 4.0% | 12.0% | 202% |
| KY | 8.4% | 3.5% | 11.9% | 237% |
| PA | 8.4% | 3.3% | 11.6% | 257% |
| AZ | 7.9% | 3.4% | 11.4% | 231% |
| CA | 8.2% | 3.0% | 11.2% | 273% |
| HI | 6.5% | 4.6% | 11.1% | 142% |
| WI | 7.1% | 3.9% | 11.0% | 182% |
| AR | | | | |
| OK | | | | |
| MO | | | | |
| MA | | | | |
| TX | | | | |
| DC | | | | |
| NM | | | | |

| State | Del % | FC % | Non-Curr % | Del/FC |
|----------|-------|-------|------------|--------|
| National | 8.34% | 4.11% | 12.45% | 203% |
| WA | 6.8% | 2.6% | 9.5% | 259% |
| KS | 7.1% | 2.1% | 9.2% | 341% |
| NH | 7.0% | 2.2% | 9.2% | 323% |
| UT | 7.1% | 2.0% | 9.1% | 354% |
| OR | 5.5% | 3.4% | 8.9% | 161% |
| ID | 6.2% | 2.6% | 8.8% | 241% |
| IA | 5.9% | 2.9% | 8.8% | 203% |
| VA | 6.7% | 1.8% | 8.6% | 366% |
| VT | 5.3% | 3.2% | 8.5% | 165% |
| MN | 5.4% | 2.0% | 7.4% | 271% |
| ND | | | | |
| WY | | | | |
| MT | | | | |
| NE | | | | |
| SD | | | | |
| AK | | | | |
| VT | | | | |
| RI | | | | |
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| ND | | | | |
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| WY | | | | |
| MT | | | | |
| AK | | | | |
| HI | | | | |
| DC | | | | |
| NM | | | | |

| State | Del % | FC % | Non-Curr % |
|----------|-------|-------|------------|
| National | 8.34% | 4.11% | 12.45% |
| FL | 9.1% | 13.8% | 22.9% |

Foreclosures adding more to inventory than Sales are subtracting – nationally 3:1.
 Average delinquency at Florida foreclosure start --- 385 days.
 (LPS Data for July)

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.

Credit Conditions Remain Tight

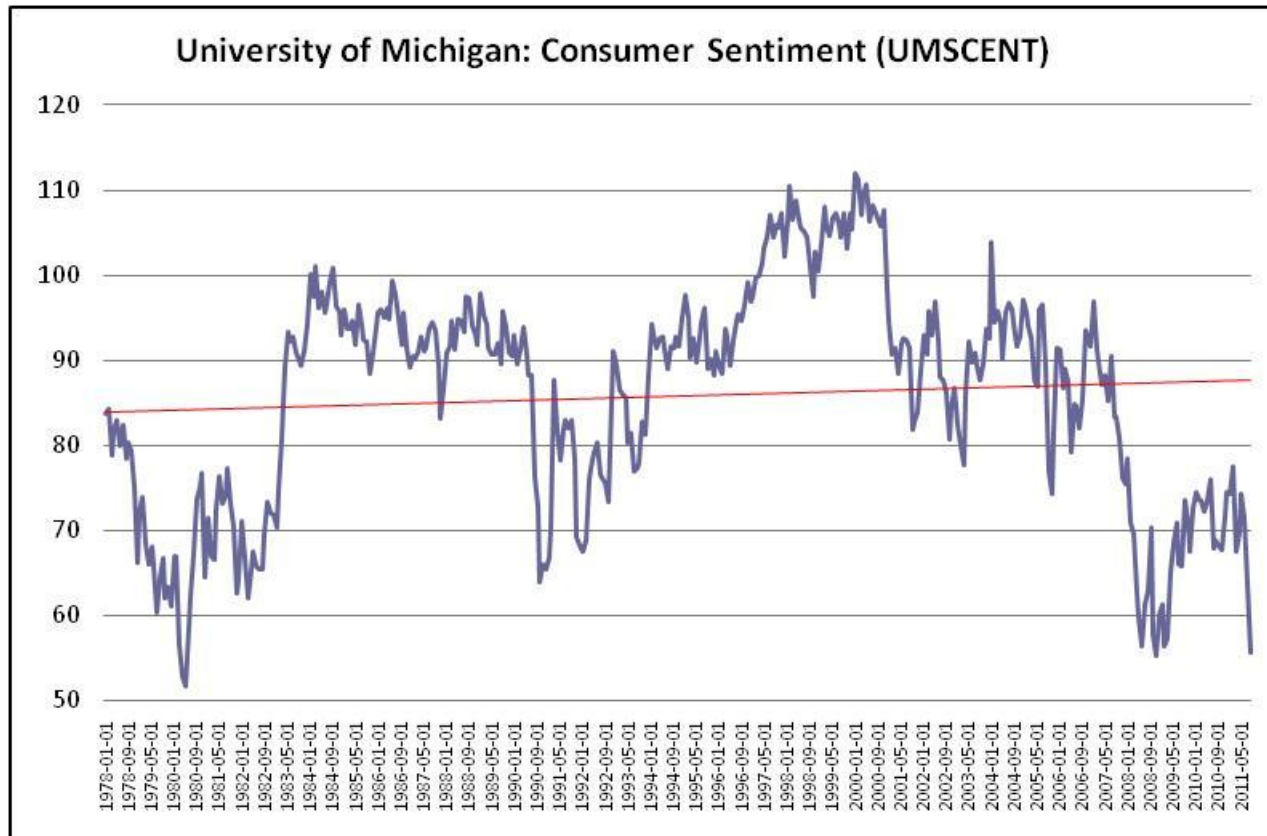
Question to Senior Loan Officers:

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 | | | | |
|-------------------------------------|-----------------|-------------|-------------|-------------|-------------|
| | July '11% | April '11 % | Jan '11 % | Oct '10 % | July '10 % |
| Tightened considerably | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Tightened somewhat | 5.7 | 3.8 | 3.7 | 13.0 | 3.6 |
| Remained basically unchanged | 86.8 | 92.5 | 94.4 | 83.3 | 87.3 |
| Eased somewhat | 7.5 | 2.0 | 1.9 | 3.7 | 9.1 |
| Eased considerably | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

July 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Perceptions Plummeted in August



- Consumer sentiment can be a leading indicator of recession: 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 (55.7 in August versus 51.7 in May 1980)
- Florida's consumer confidence (August: 62) is roughly following the national trend but seems to have greater 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 Very 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 economy is still in recovery (albeit very weak) and, more importantly, the credit markets are still recovering stability – although they are remain 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 (2011 marks the first wave of boomers hitting retirement).

Known Threat & Black Swans

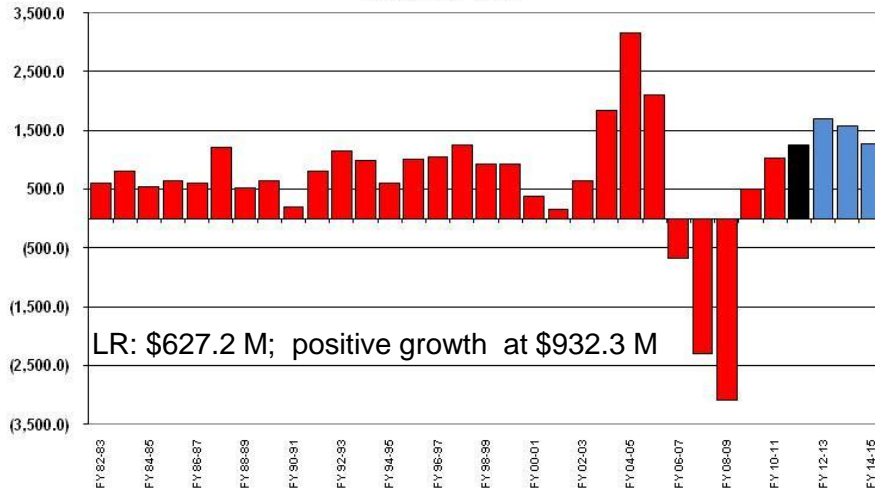
Known Threat: Continuing Deepwater Horizon Oil Spill impacts

“Black Swans” are low probability, high impact events:

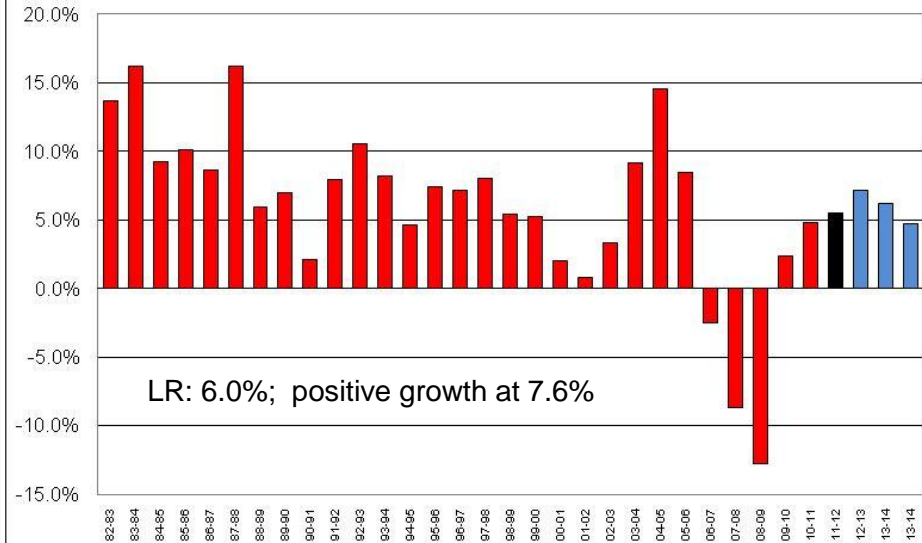
- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$493.6 million.
- Deep second recession caused by a credit market meltdown kicked off by the Eurozone sovereign debt crisis.

General Revenue Outlook

**Raw Growth in General Revenue Dollars
Year Over Year**



General Revenue Receipts - Percent Change Over Prior Year



| Fiscal Year | March Forecast | July* Forecast | Difference (July - March) | 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 | 22412.5 | 22551.6 | 139.1 | 1028.5 | 4.8% |
| 2011-12 | 23844.7 | 23795.1 | (49.6) | 1243.5 | 5.5% |
| 2012-13 | 25554.3 | 25495.1 | (59.2) | 1700.0 | 7.1% |
| 2013-14 | 27140.2 | 27063.6 | (76.6) | 1568.5 | 6.2% |
| 2014-15 | 28442.8 | 28340.9 | (101.9) | 1277.3 | 4.7% |

*Post-Session and Summer A adjustments for End-of-Year & Forecast Changes