U.S. and Florida Economic Outlook 2013
Slowly Improving And Lumbering Forward

Food and Resource Economics Webinar

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Economic Outlook Predictions

“It’s Tough To Make Predictions... Especially About The Future”

... Yogi Berra
A Quick Overview of a Few Important Factors... That’s All That Time Will Allow!
Historical Growth Measured By Real Gross Domestic Product...
U.S. Growth Measured By Percentage Change In Real GDP

Real Gross Domestic Product, 1 Decimal (GDPC1)
Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2012 research.stlouisfed.org

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Unemployment...
- Improving
- Still “Historically High
- Florida Continues To Lag U.S.
Unemployment Rates Differ By Gender
Male = Blue;    Red = Female

Unemployment Rate - Men (LNS140000001)
Unemployment Rate - Women (LNS140000002)

Shaded areas indicate US recessions.
2012 research.stlouisfed.org

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Discouraged Workers

**Male = Blue; Red = Female**

Not in Labor Force - Searched For Work and Available, Discouraged Reasons For Not Currently Looking, Men (LNU05026646)

Not in Labor Force - Searched For Work and Available, Discouraged Reasons For Not Currently Looking, Women (LNU05026647)

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Florida Unemployment Situation

U.S. Rate:

- 9.6% (Aug. 2010), 9.2% (June 2011), 9.1% (July-September, 2011), 8.1% (August 2012) (September Report 7.8 Percent; Oct. 7.9%)

Florida Rate:

- 11.7% (Aug 2010), 10.7% (June-August 2011), 8.8% (August 2012) Note: Up .2% since June 2012 (September Report 8.7 Percent)

Economic and Demographic Research, "the state's top economists note that "75 percent of the drop in the unemployment rate is due to people dropping out of the labor force...If the participation rate had held steady since 12/11, the unemployment rate would have been 9.6 percent.”
Labor Force Reduction Accounts for Most of Rate Drop

The reported unemployment rate has dropped from 8.9% to 8.4% from June 2011 to June 2012—a change of 1.5%. If the participation rate had held steady since June 2011, the unemployment rate would have been 9.4%—60% of the drop in the unemployment rate is due to people dropping out of the labor force.
Florida’s Job Market

- The job market will take a long time to recover – about 743,500 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 2,500 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.
Consumer Information...
Consumer Confidence (Sentiment) Still Problematic

University of Michigan: Consumer Sentiment (UMCSENT)
Source: Thomson Reuters/University of Michigan

Shaded areas indicate US recessions. 2012 research.stlouisfed.org

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Florida Consumer Confidence Index
UF-BEBR

CCI

Sept '04
Sept '06
Sept '08
Sept '12

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Consumer Debt Is Significant
Some Improvement And Spending

Consumer Spending Is Major Driver of U.S. Economy

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Disposable Personal Income
Blue = Total; Red = Per Capita

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The “Viscous” Cycle

- People Unemployed Can’t/Don’t Spend And Unemployment Is Still High

- People Not Unemployed Are Still Concerned With The High Unemployment Levels And Won’t/Don’t Spend

- Net Worth Of Consumers Still Down Because Of Housing Prices
The “Fiscal Cliff”...

Election Implications?
What Is The Fiscal Cliff?

Combination Of Tax Increases and Spending Cuts Planned By Design At The Start Of 2013 (Payroll Taxes, Bush Income Tax Cuts, Extended Unemployment Benefits, Automatic Across The Board Cuts To Reduce Deficit)

Impact On The Economy?
Feroli of JP Morgan: About $550 Billion (3.5% of GDP)
Congressional Budget Office: About $600 Billion (4% of GDP)
Deficit Would Drop By $560 Billion
Economy Would Decline By 1.3% First Half Of 2013 And Increase Only .5% For The Full Year
Federal Deficit

Federal Surplus or Deficit [-] (FYFSD)
Source: The White House: Office of Management and Budget

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2012 research.stlouisfed.org
Federal Govt Debt
Debt = Blue; Red = % Annual Change

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Other Things to Consider...

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Loan Rates Are Low Historically

the interest rate charged by banks to their best/top borrowers

the interest rate charged by banks to each other for unsecured loans "overnight"
“The International Monetary Fund (IMF) Presented A Gloomier Picture Of The Global Economy... Saying Prospects Have Deteriorated Further And Risks Increased. Overall, The IMF’s Forecast For Global Growth Was Marked Down To 3.3 Percent This Year And A Still Sluggish 3.6 Percent In 2013.”

...Based On “Two Crucial Policy Assumptions—that European Policymakers Get The Euro Area Crisis Under Control And That Policymakers In The United States Take Action To Tackle The “Fiscal Cliff” And Do Not Allow Automatic Tax Increases And Spending Cuts To Take Effect. Failure To Act On Either Issue Would Make Growth Prospects Far Worse.”
Florida Personal Income Growth Last Quarter ...Encouraging

U.S. Bureau of Economic Analysis

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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 continue strengthening, showing increasing rates of growth over the next few years. In the near-term, growth is expected to average 1.2% between 2012 and 2015 – and then continue its recovery in the future, averaging 1.4% between 2020 and 2025. Most of Florida’s population growth through 2030 will be from net migration (85%). Nationally, average annual growth will be about 0.9% between 2012 and 2030.

- 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.
Housing Starts Nationally: Single-family housing starts in September were at a rate of 603,000; this is 11.0 percent (±11.1%)* above the revised August figure of 543,000.

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<th>State</th>
<th>Del%</th>
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LPS Mortgage Monitor
September 2012 Mortgage Performance Observations
Data as of August, 2012 Month-end

September 2012 Foreclosure Rate Heat Map
Source: RealtyTrac
2013 Outlook...

☑ Back To Where We Began: The Economy Slowly Improving And Lumbering Forward

☑ 2013 Gross Domestic Product: Increasing 1.9-2.2%

☑ 2013 Unemployment Levels: Not Much Improvement 7.4-7.9%. Florida Will Narrow The Gap Compared To National Numbers.

☑ Housing Situation Both Nationally And In Florida Will Slowly Improve.

☑ The U.S. Won’t Fall Off The “Fiscal Cliff” But We May Slide Down It!

☑ Interest Rates Are “Locked In” And Will Remain Low.