



# An Economic Outlook



Tampa Bay, FL

May 11<sup>th</sup>, 2012

Institute for Economic Competitiveness



# U.S. Forecast Gone Wilde



Oscar Wilde  
1854-1900



# U.S. Forecast



- Are We Experiencing a Dorian Gray Recovery?



- Are the Sins, Transgressions and Policy Missteps Before, During, and in the Wake of the Great Recession Appearing on the Visage of the U.S. Economy?





# U.S. Forecast



*"Sooner or later we have all to pay for what we do."*



Oscar Wilde  
*An Ideal Husband*





# U.S. Forecast



- Lost Wealth



- Languishing Labor Market



- A downward force on consumer spending







# U.S. Household Wealth

(Trillions of \$)



|                         | 2005 | 2006 | 2007 | 2008 | 2009 Q1* | 2011 Q4 |
|-------------------------|------|------|------|------|----------|---------|
| <b>Total Assets</b>     | 71.3 | 78.6 | 79.5 | 66.6 | 62.8     | 72.2    |
| <b>Financial Assets</b> | 42.9 | 49.0 | 51.4 | 42.2 | 39.6     | 49.1    |
| <b>Home Equity</b>      | 13.2 | 12.8 | 10.3 | 7.0  | 6.1      | 6.1     |
| <b>Net Worth</b>        | 59.1 | 65.1 | 65.1 | 52.4 | 48.7     | 58.4    |



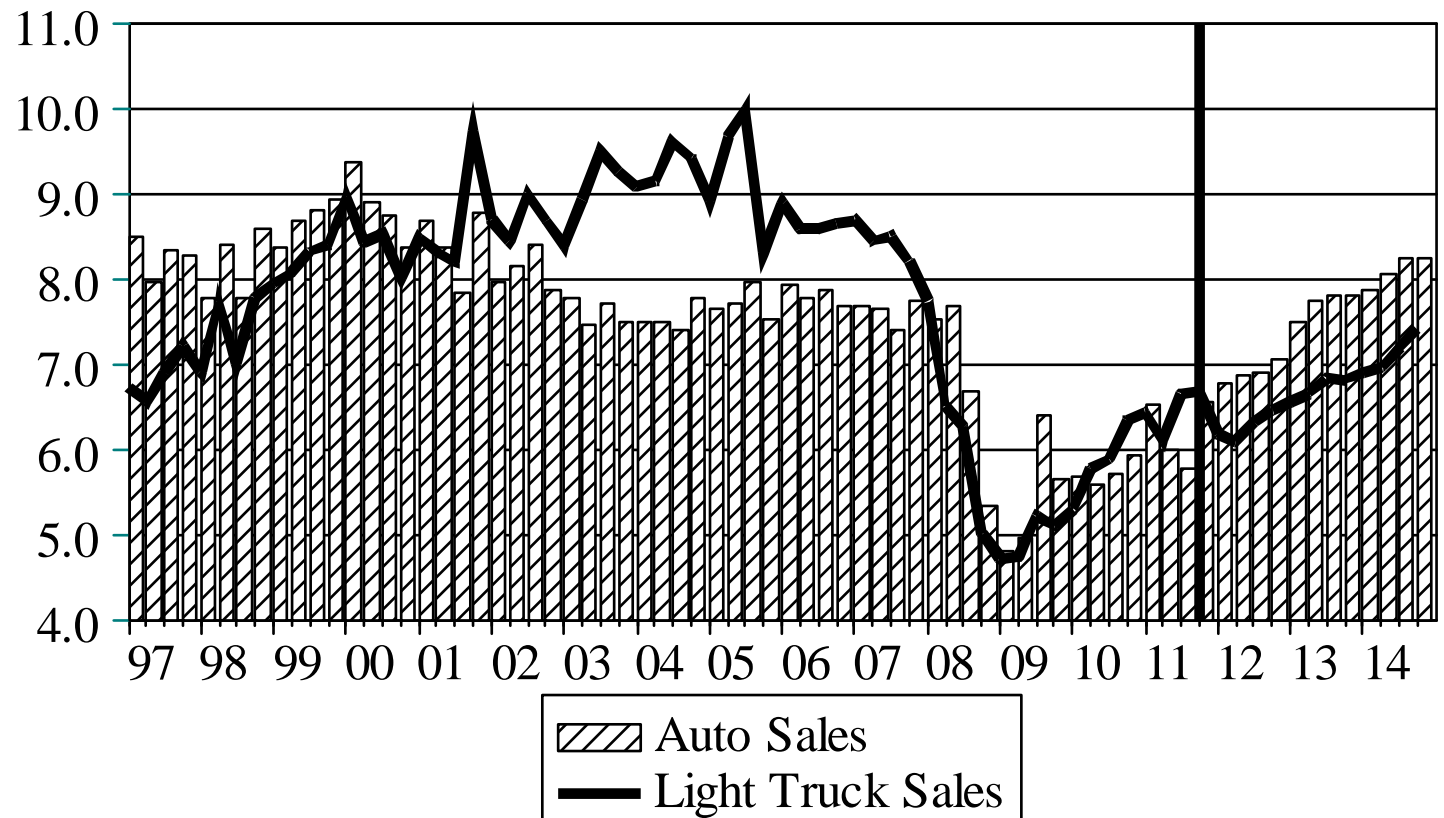
# U.S. Economic Outlook



|  | 2011<br>Q1 | 2011<br>Q2 | 2011<br>Q3 | 2011<br>Q4 | 2012<br>Q1 | 2012<br>Q2 |
|--|------------|------------|------------|------------|------------|------------|
| <b>GDP</b><br>% Change, Annual Rate                  | 0.4        | 1.3        | 1.8        | 3.0        | 2.0        | 1.9        |
| <b>Consumer Price Index</b><br>% Change, Annual Rate | 5.2        | 4.1        | 3.1        | 1.1        | 2.6        | 1.8        |
| <b>Consumer Sentiment</b>                            | 73.1       | 71.9       | 59.6       | 65.3       | 71.6       | 72.2       |
| <b>Consumption</b><br>% Change, Annual Rate          | 2.1        | 0.7        | 1.7        | 2.1        | 2.0        | 1.9        |



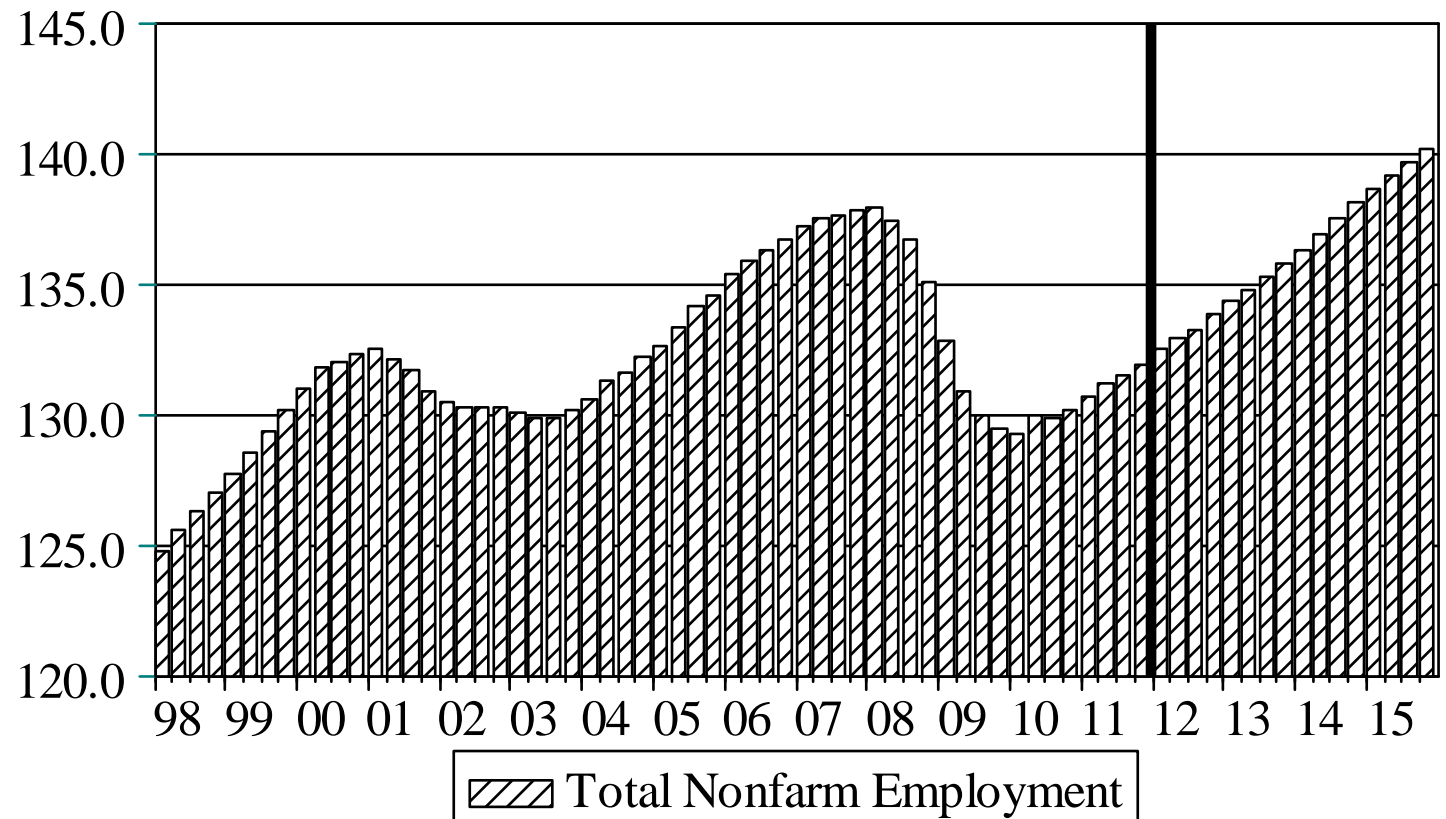
## Automobile and Light Truck Sales (Millions Vehicles)





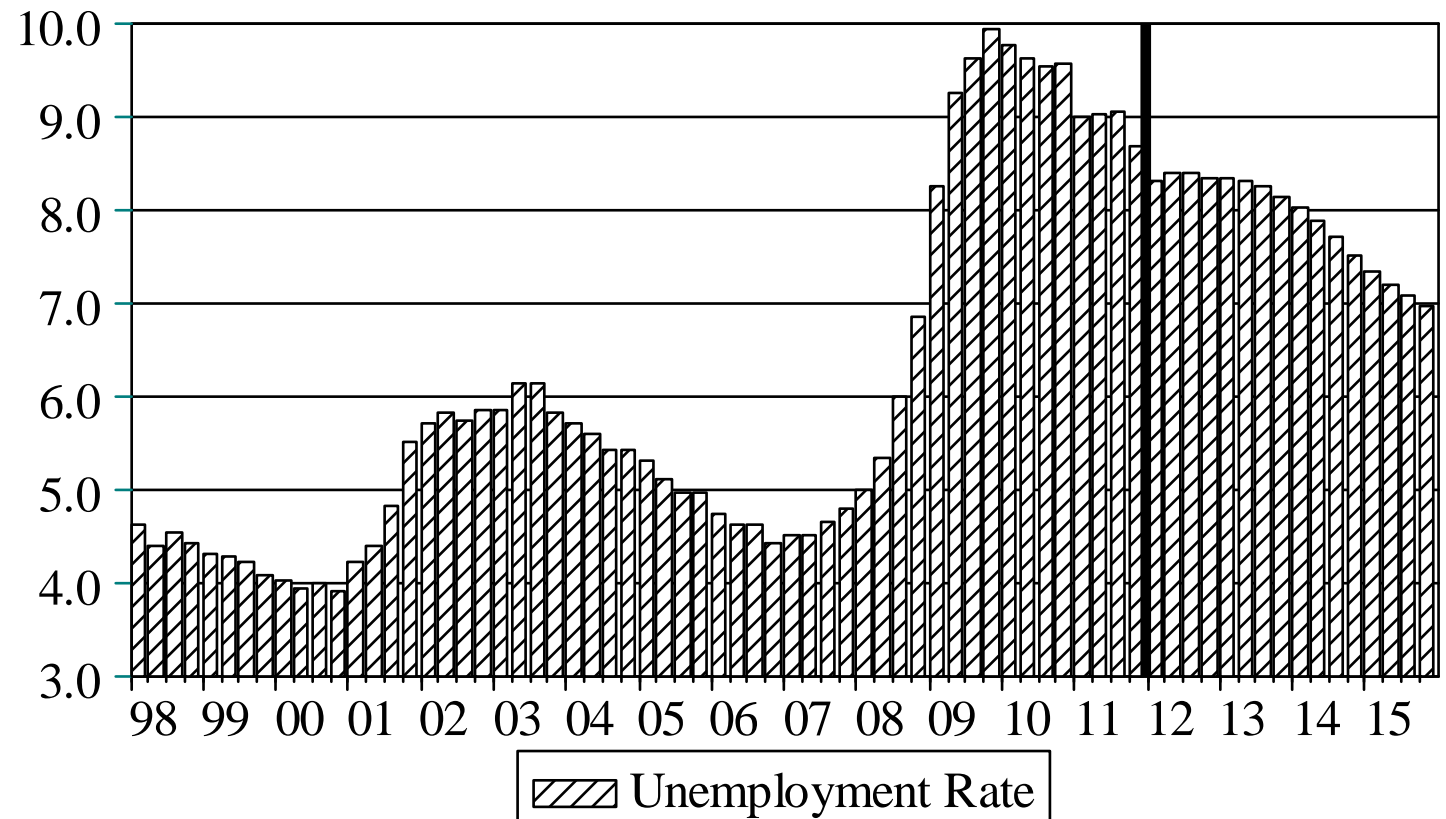


## Total Nonfarm Payroll Employment (Millions)





## Civilian Unemployment Rate (%)





# Two Slippery Subjects (Again)



- Greece and Oil



- Greek Haircut

- Contagion concerns (PIIGS) remain – Spain and Italy



- Euro *still* facing greatest threat since inception





# U.S. Forecast



## The Euro and the Tacoma Narrows Bridge







# U.S. Forecast



- The Arithmetic of Higher Oil Prices:
- Each \$1 increase in the price of a barrel of oil will:
  - Increase price of gallon of gas 2.5 cents
  - Push consumer gasoline bills up \$3 billion
  - Raise the CPI 0.03%
  - Lower real disposable income 0.25%





# U.S. Forecast

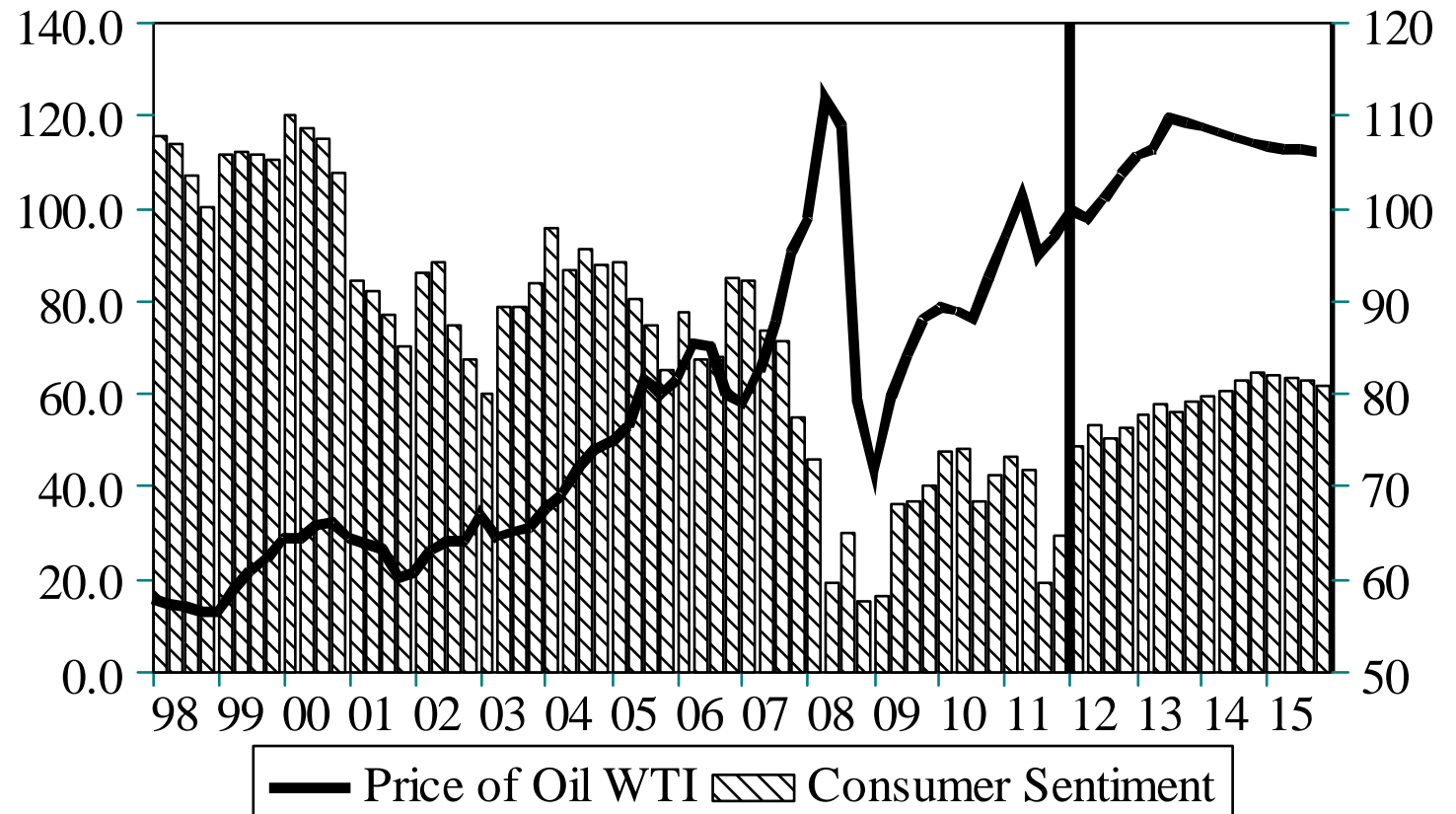


- The Economics of Higher Oil Prices:
  - Each permanent \$10 increase in the price of a barrel of oil will:
    - Lower forecast real GDP growth 0.2% in 1<sup>st</sup> year, 0.5% in the 2<sup>nd</sup>
    - Lower forecast of payroll employment 110,000 in 1<sup>st</sup> year and 390,000 in 2<sup>nd</sup>
- Psychic Impact of \$3 or \$4 or \$5 per gallon gasoline



## Oil and Consumer Confidence

Oil (\$ Per Barrel) - Left Axis





# U.S. Forecast



- Did the debt downgrade put an end to Sky Mall™ Policies?
- Sky Mall™ Policy:
  - An Expensive Policy that Fails to Achieve its Desired Outcome



# U.S. Forecast







# U.S. Forecast





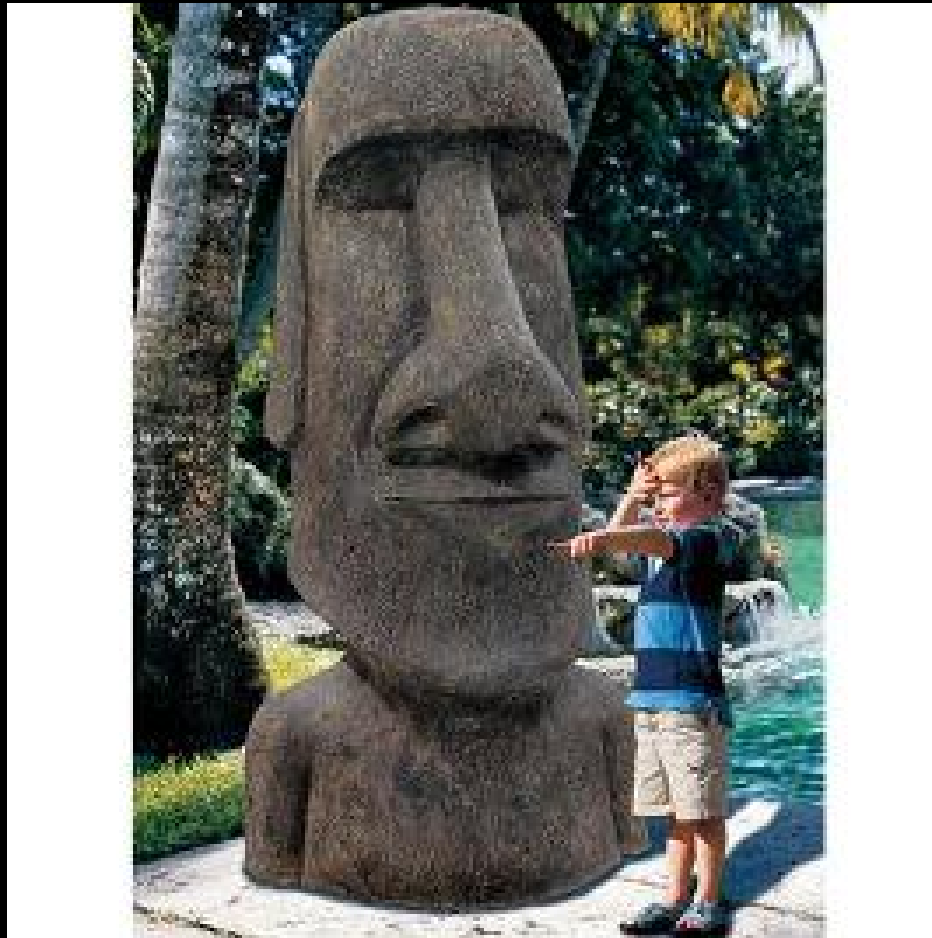


# U.S. Forecast





# U.S. Forecast





# U.S. Forecast





# U.S. Forecast



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# U.S. Forecast







# U.S. Forecast





# U.S. Forecast





# U.S. Forecast

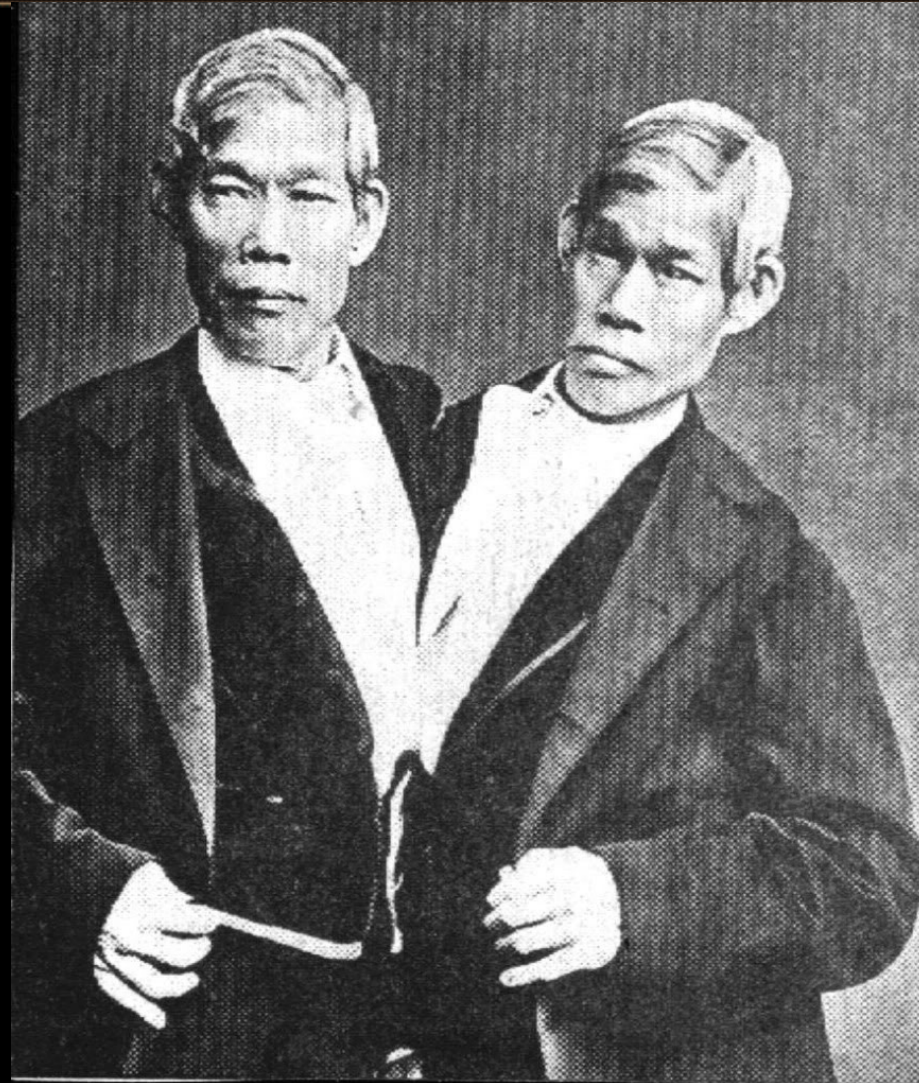
- Sky Mall™ Policies:
  - ARRA of 2009
    - Shovel ready projects?
  - Health Care Reform
    - Community Living Assistance Services and Supports ended.
    - Constitutionality of mandate
  - HIRE Act 2010
  - American Jobs Act?







# Chang and Eng Bunker



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# U.S. Forecast



- Economic Siamese Twins:



- The Labor Market



- The Housing Market







# Florida's Housing Market



- Foreclosure Moratorium Delayed Recovery



- Housing market *still* struggling to find the bottom

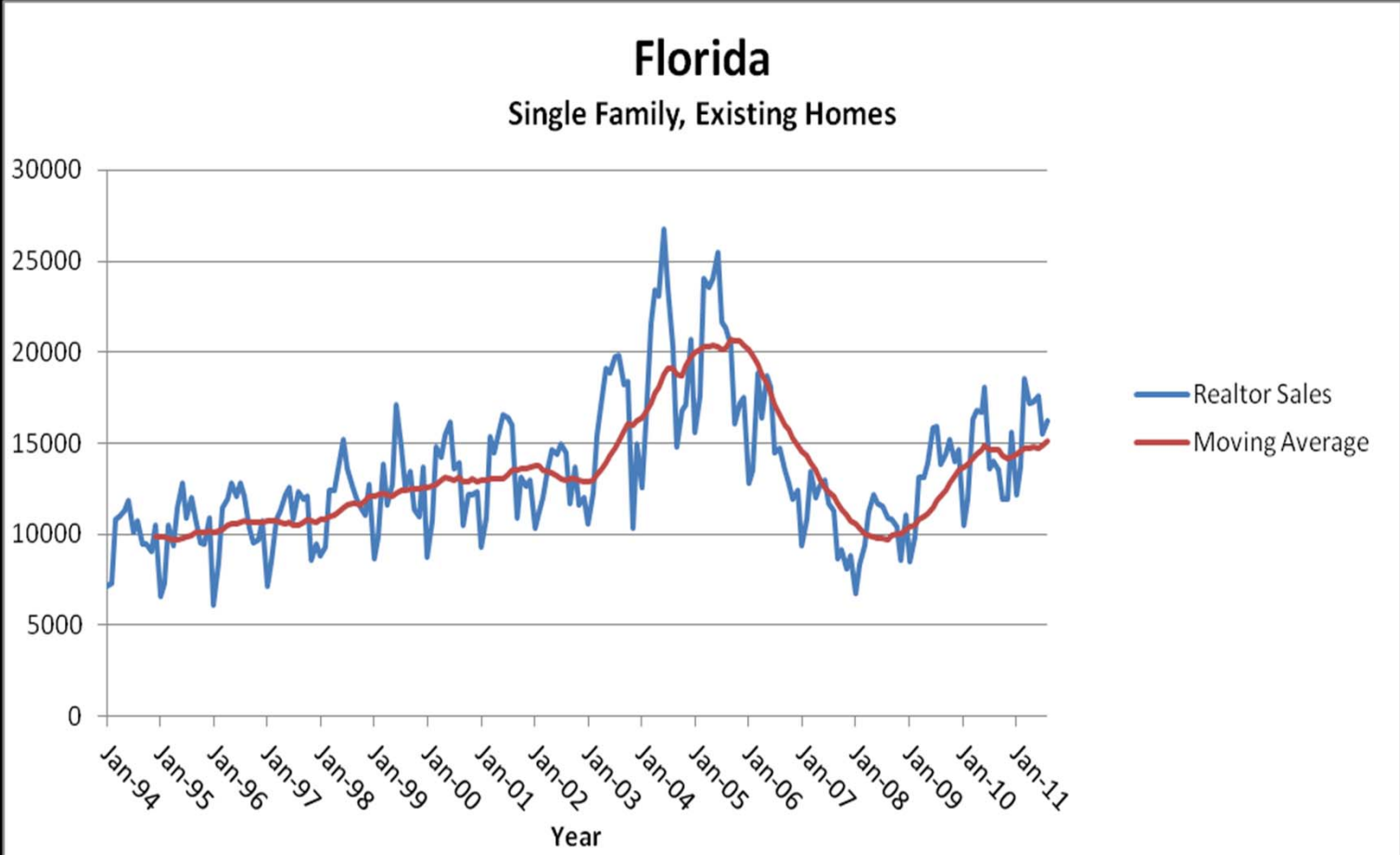


- Tale of Two Markets



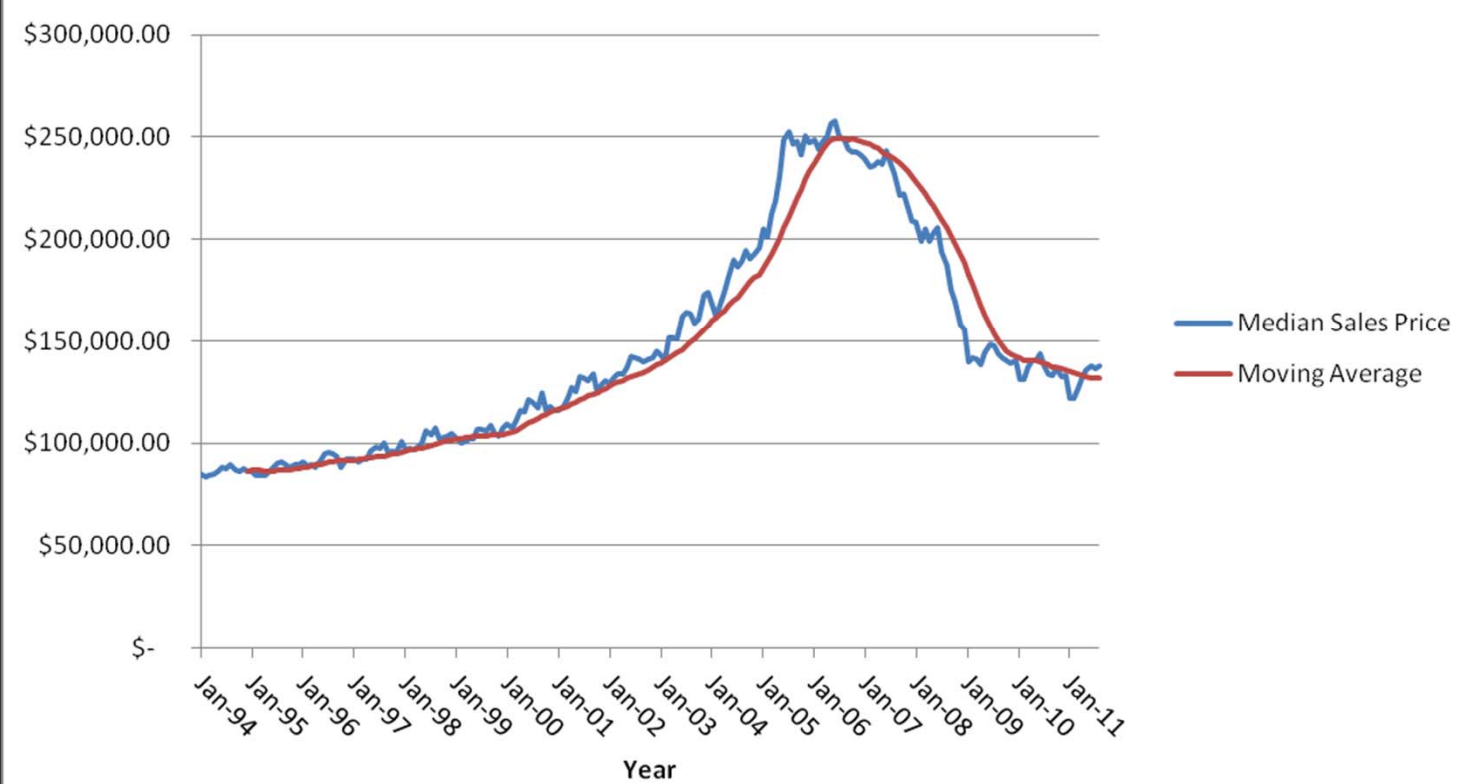
- Distressed vs. Traditional







## Florida Single Family, Existing Homes





# Florida Forecast



- In 2010 the recovery began
- 2012 is our new runway
  - Heavy crosswinds in 2011 necessitated the runway change
    - Europe
    - Debt Ceiling/ Debt Downgrade
- Job growth doesn't takeoff until 2013 and 2014
- Turbulence
  - Demographics hinder recovery
  - Housing market
  - Budget challenges: State & local government





# Florida Forecast



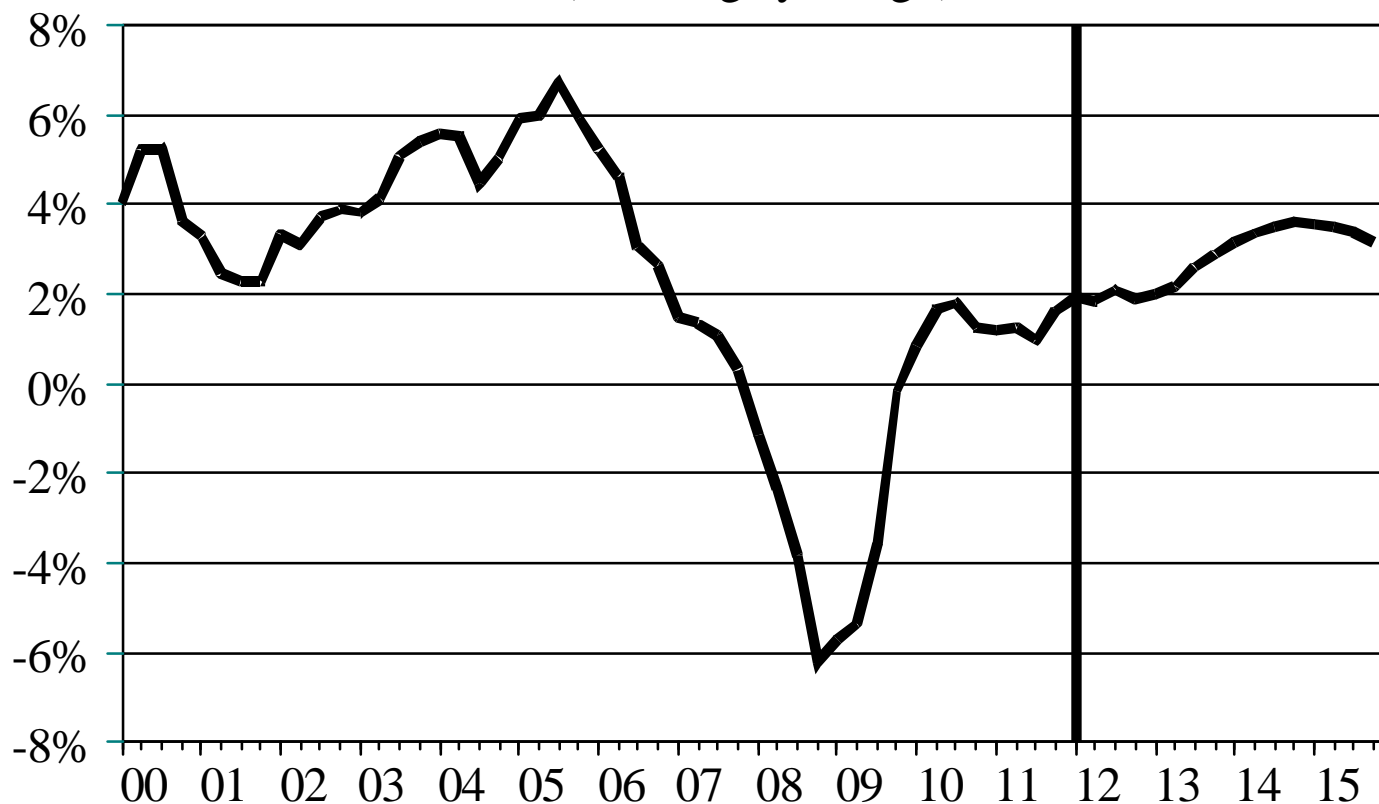
- Economic and job growth doesn't gain significant altitude until 2013 and 2014



# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Real Gross State Product (% change year ago)

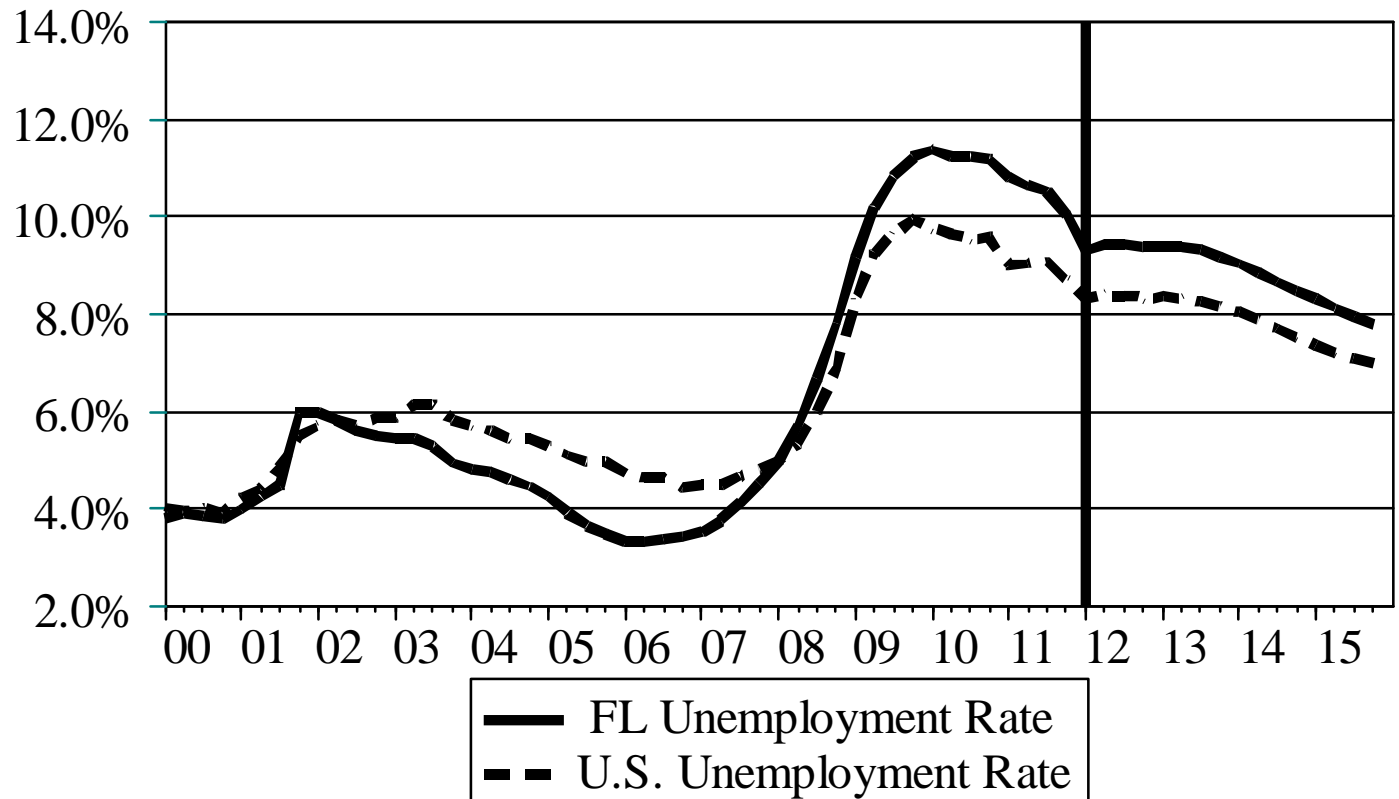




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida & U.S. Unemployment Rate (%)





# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Employment (Thousands)



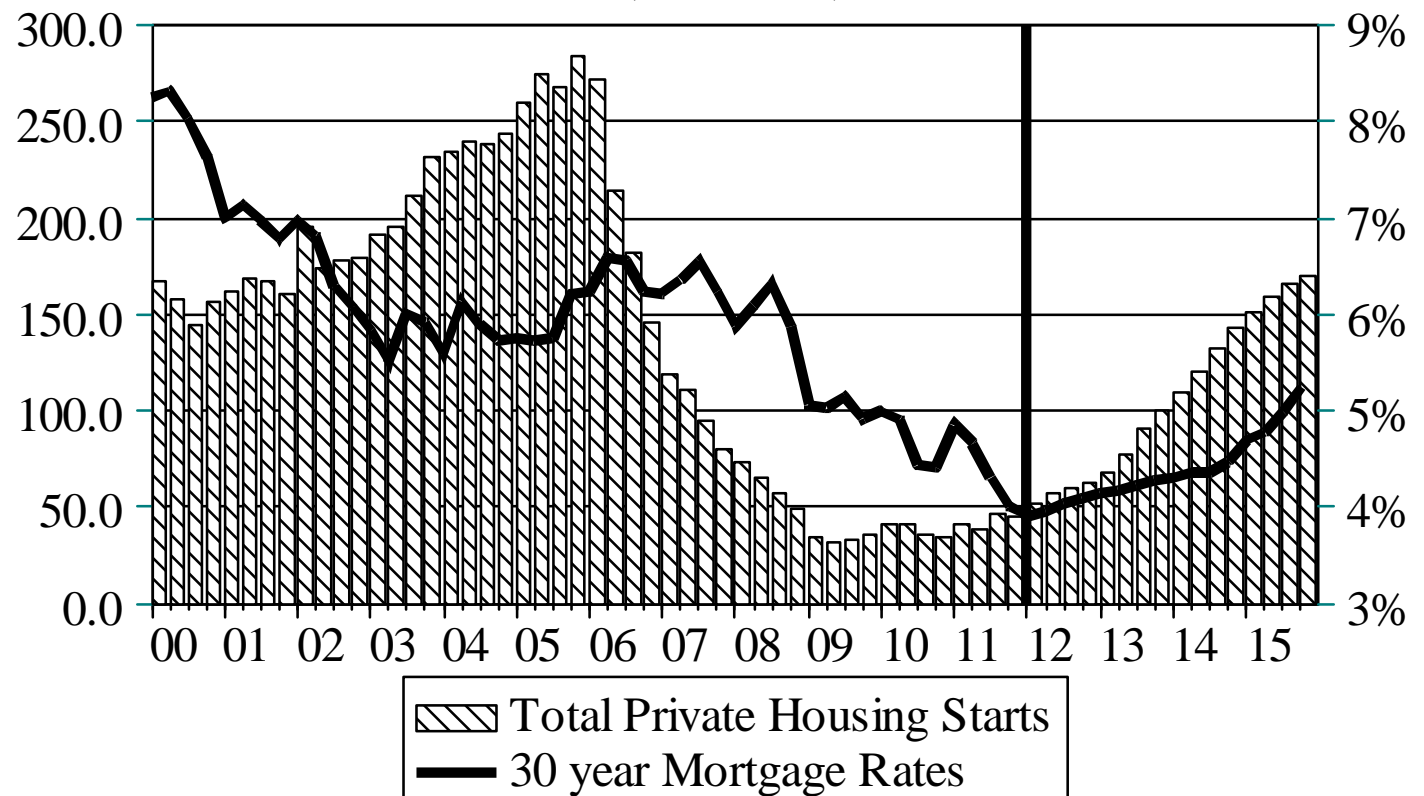




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Housing Starts (thousands)

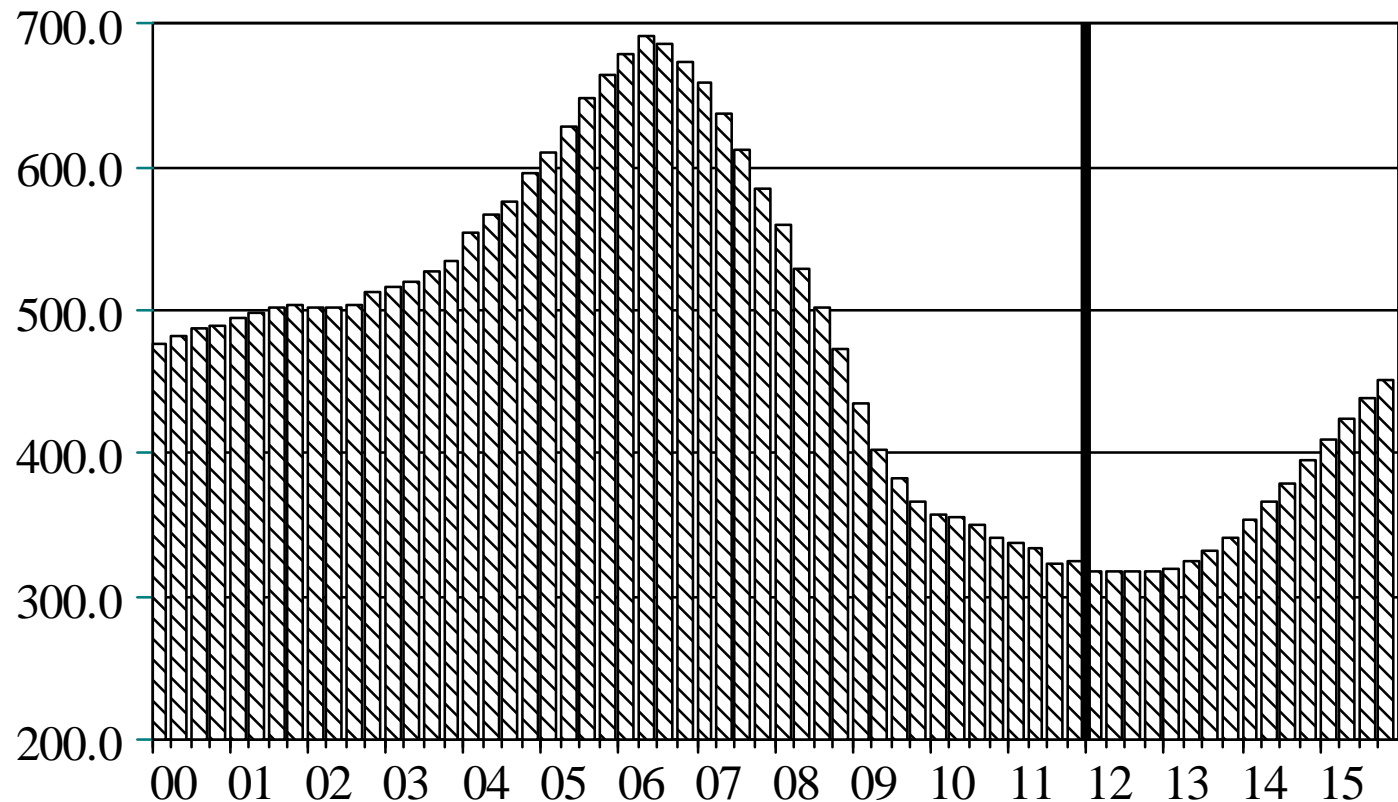




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Construction Employment (Thousands)

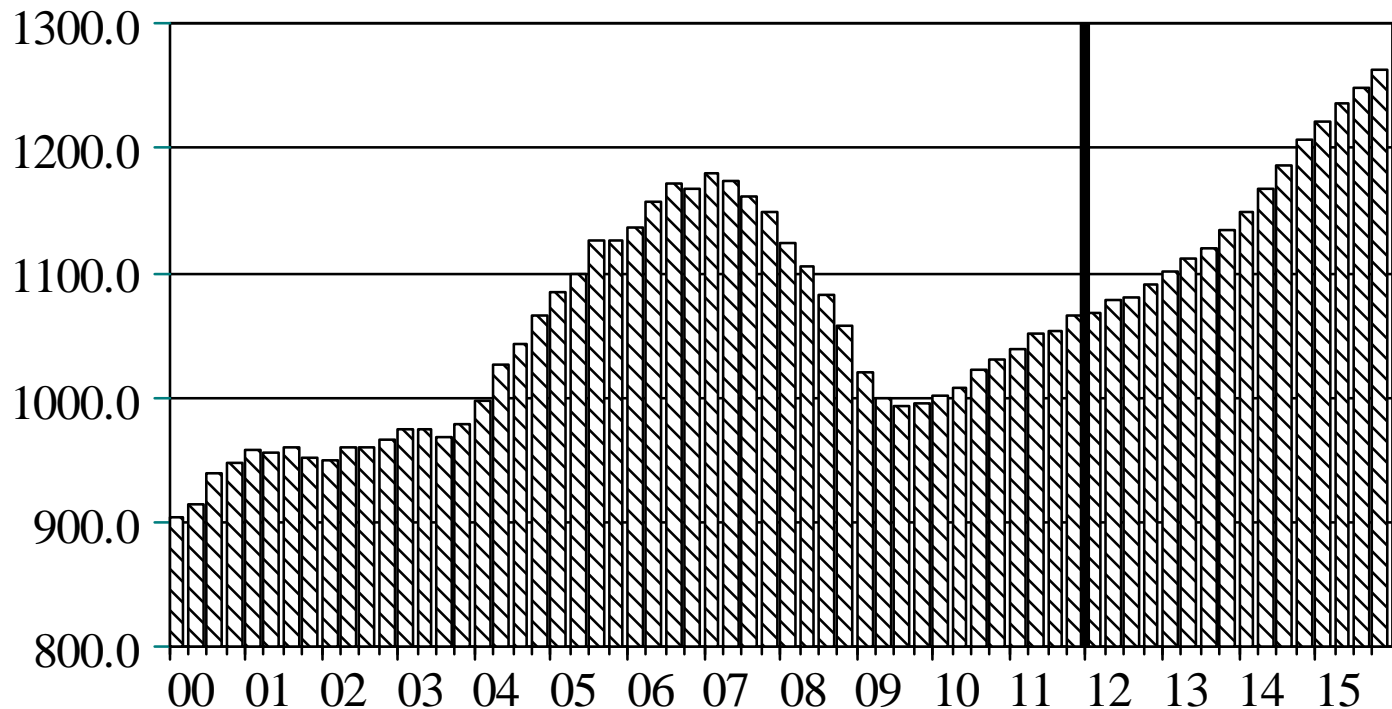




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Professional & Business Services Employment (Thousands)

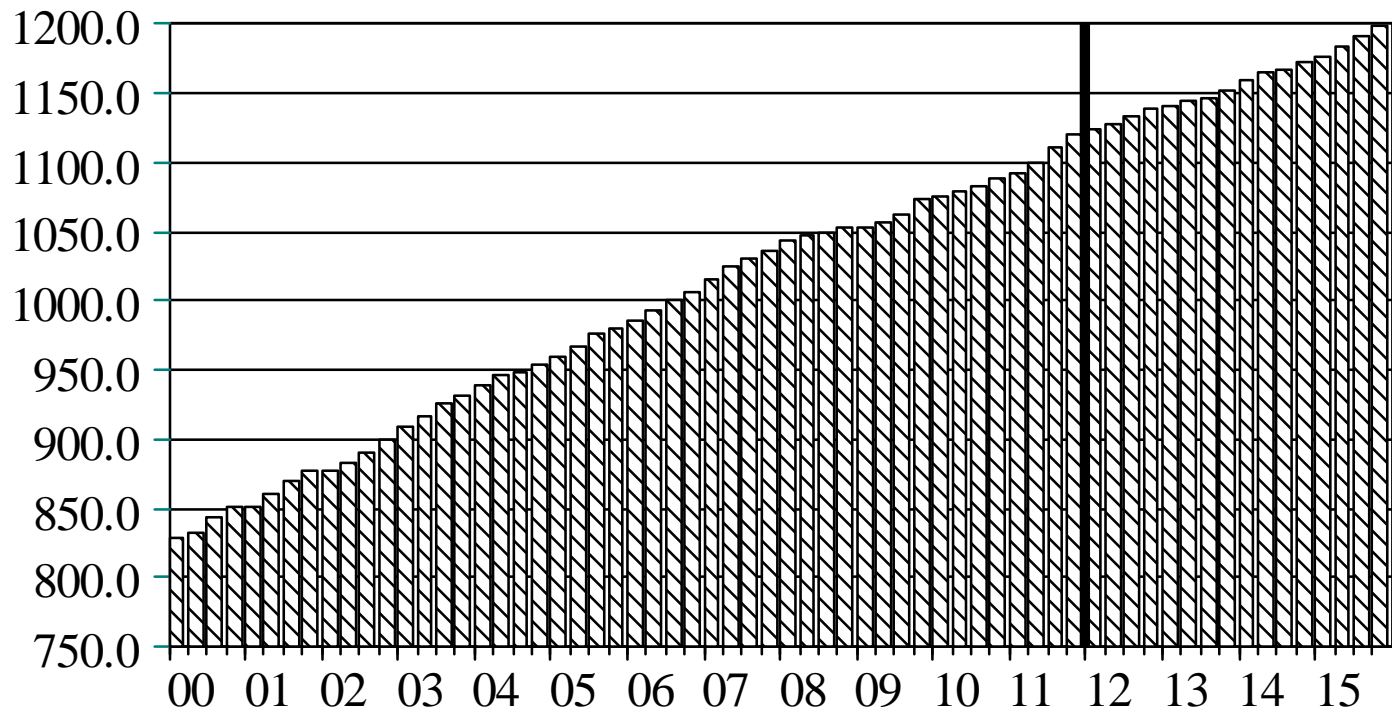




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida Education & Health Services Employment (Thousands)



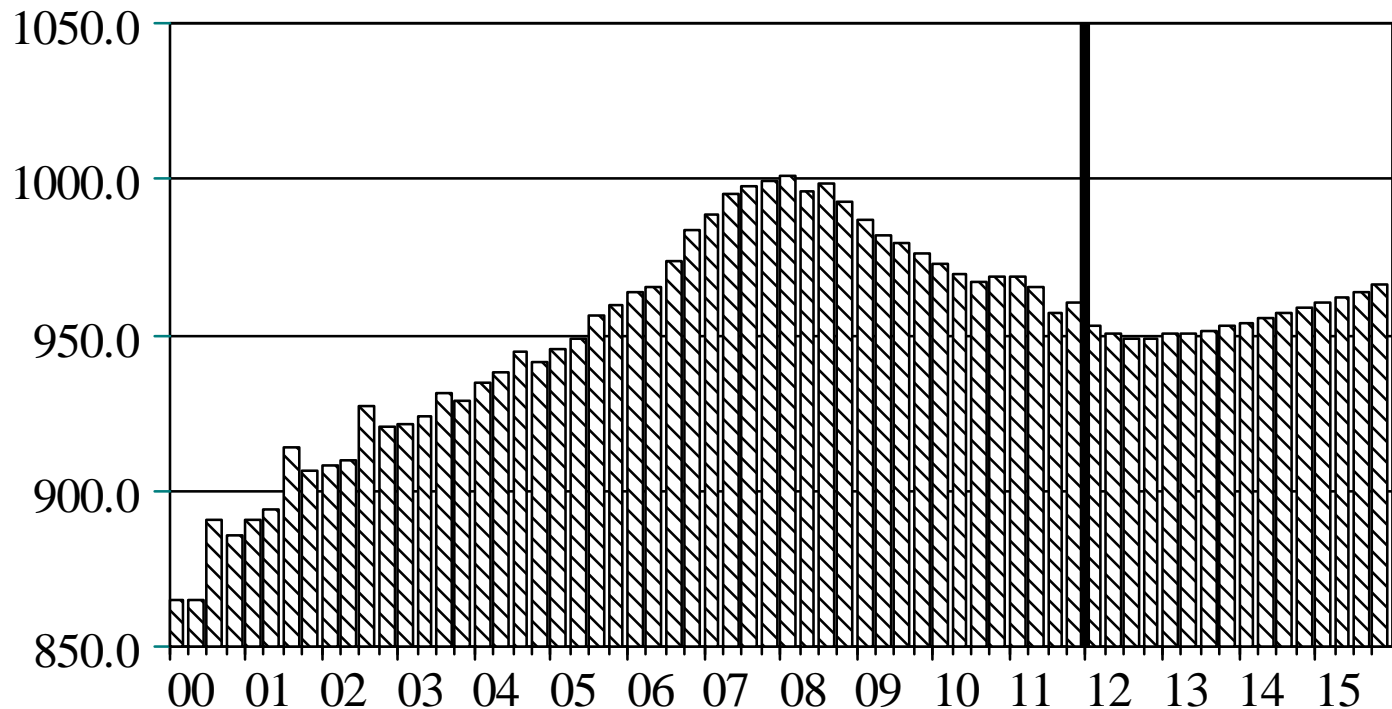




# Florida Economic Outlook IEC 1<sup>st</sup> Quarter 2012 Forecast



## Florida State & Local Government Employment (Thousands)





# 2012-2015 Averages; Q1 2012 Forecast



| Region       | Population Growth |      |
|--------------|-------------------|------|
|              | Average % Chg     | Rank |
| Florida      | 1.4               | ---  |
| Deltona      | 0.9               | 8    |
| Gainesville  | 0.8               | 9    |
| Jacksonville | 1.5               | 3    |
| Lakeland     | 1.4               | 4    |
| Miami        | 1.3               | 5    |
| Naples       | 2.0               | 1    |
| Ocala        | 1.9               | 2    |
| Orlando      | 2.0               | 1    |
| Palm Bay     | 1.3               | 5    |
| Pensacola    | 1.1               | 7    |
| Tallahassee  | 1.3               | 5    |
| Tampa        | 1.2               | 6    |



# 2012-2015 Averages; Q1 2012 Forecast



| Region       | Employment Growth |      |
|--------------|-------------------|------|
|              | Average % Chg     | Rank |
| Florida      | 2.0               | ---  |
| Deltona      | 2.0               | 4    |
| Gainesville  | 0.8               | 10   |
| Jacksonville | 2.2               | 3    |
| Lakeland     | 1.7               | 6    |
| Miami        | 1.8               | 5    |
| Naples       | 2.5               | 1    |
| Ocala        | 2.4               | 2    |
| Orlando      | 2.2               | 3    |
| Palm Bay     | 1.6               | 7    |
| Pensacola    | 1.1               | 8    |
| Tallahassee  | 1.0               | 9    |
| Tampa        | 2.0               | 4    |



# Thank you

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