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The Washington
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The Florida Economy in 2012: A Steadily Improving Business Environment in the State and in Lakeland

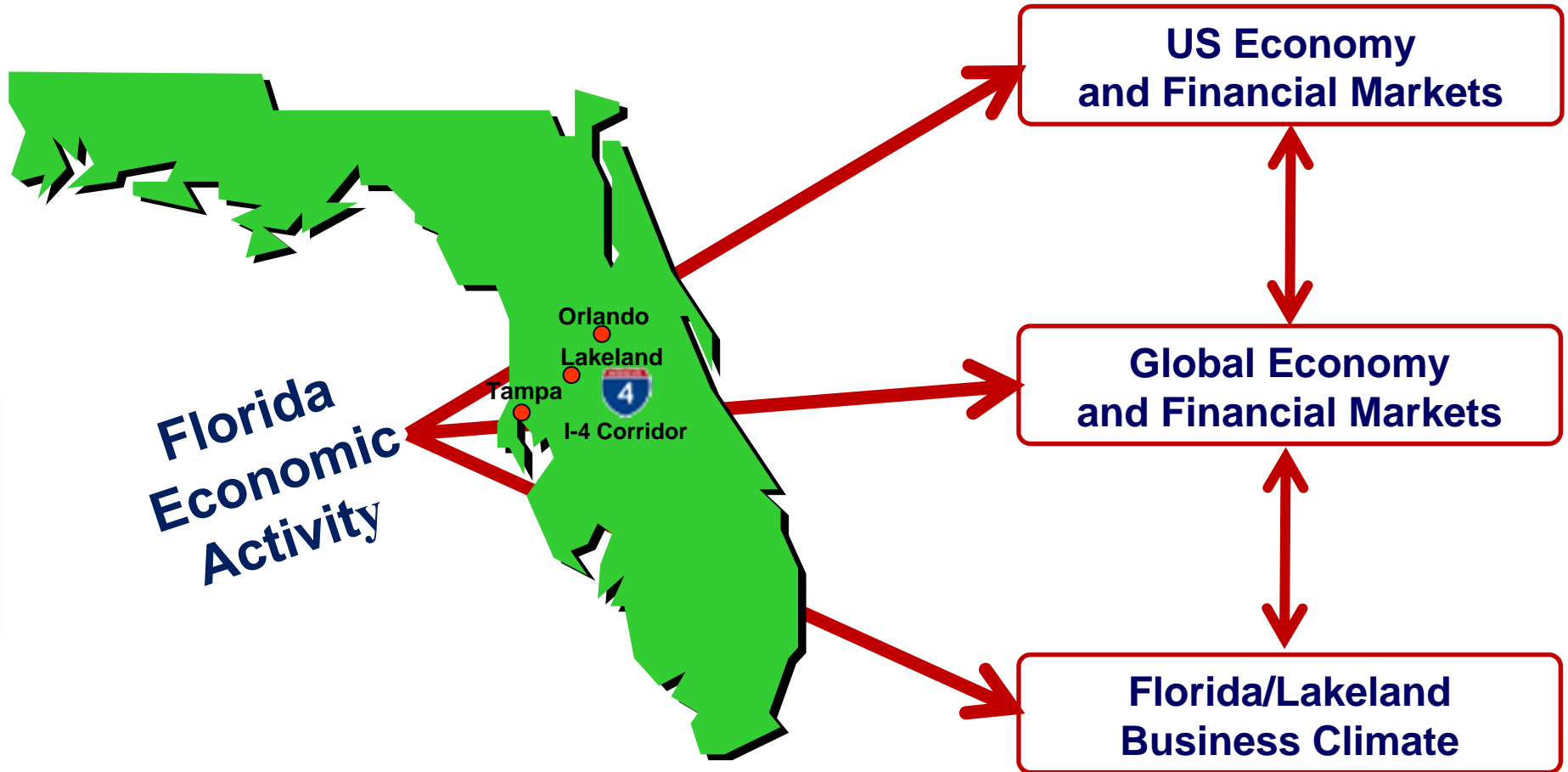
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The Washington Economics Group, Inc.

**25th Annual Economic Forecast Breakfast
Sponsored by Allen & Company
January 12, 2012**



A Framework for Analyzing Performance of Florida and Lakeland





Economic Drivers Becoming More Positive: Florida's Economic Activity Starting to Accelerate in 2012

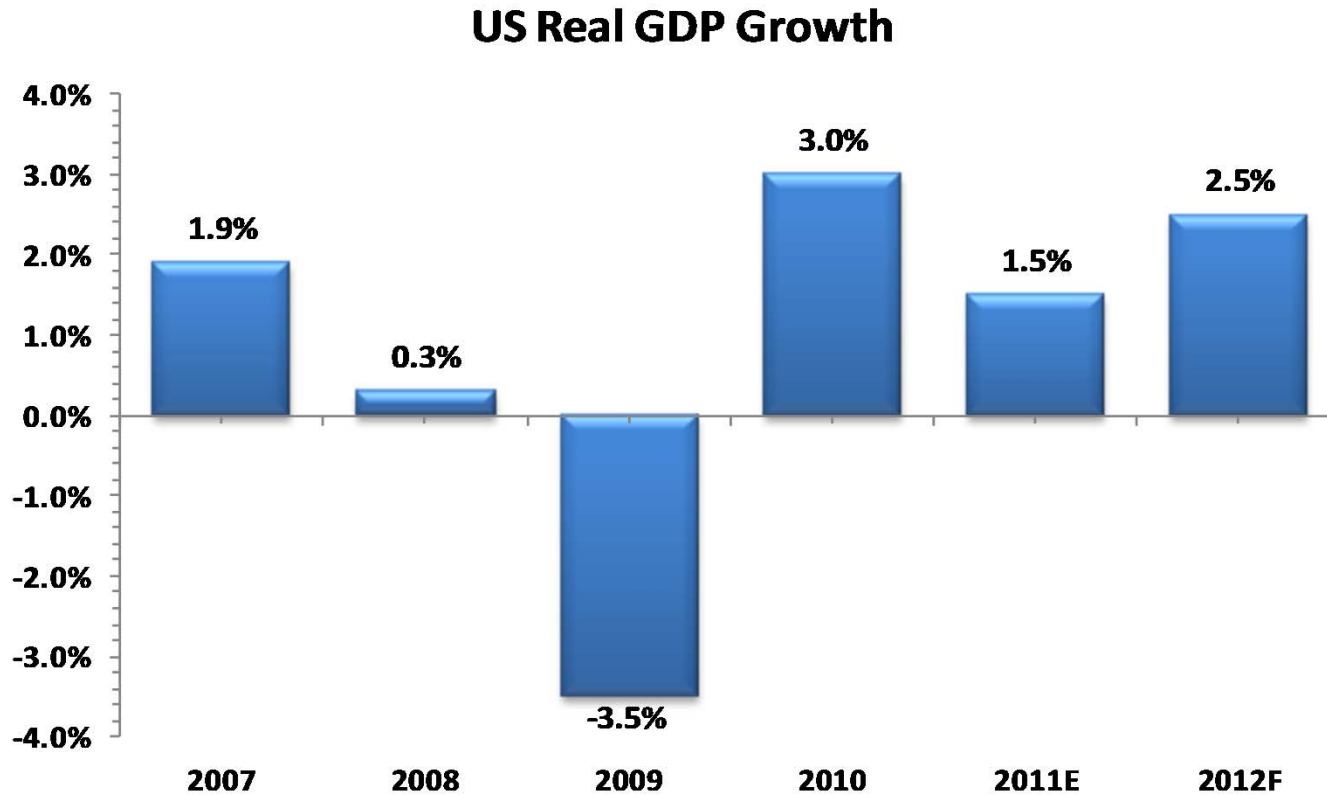
Economic Driver	Outlook 2012-2013
• US Economy	Moderate growth in 2011, with stronger pace likely this year and into 2013
• Global Economy	A mixed performance. Euro Zone in recession, but Canada, Asia, most of Latin America experiencing moderate growth
• Financial Markets	Volatility likely this year due to Euro Zone uncertainties. However, low real interest rates in US should assist recovery in housing and business investment



A Closer Outlook at the Economic Drivers of Florida



US Economic Activity to Accelerate in 2012: Positive for Business Growth in Florida and Lakeland



Sources: BEA and The Washington Economics Group (WEG) for Estimate and 2012 Forecast.

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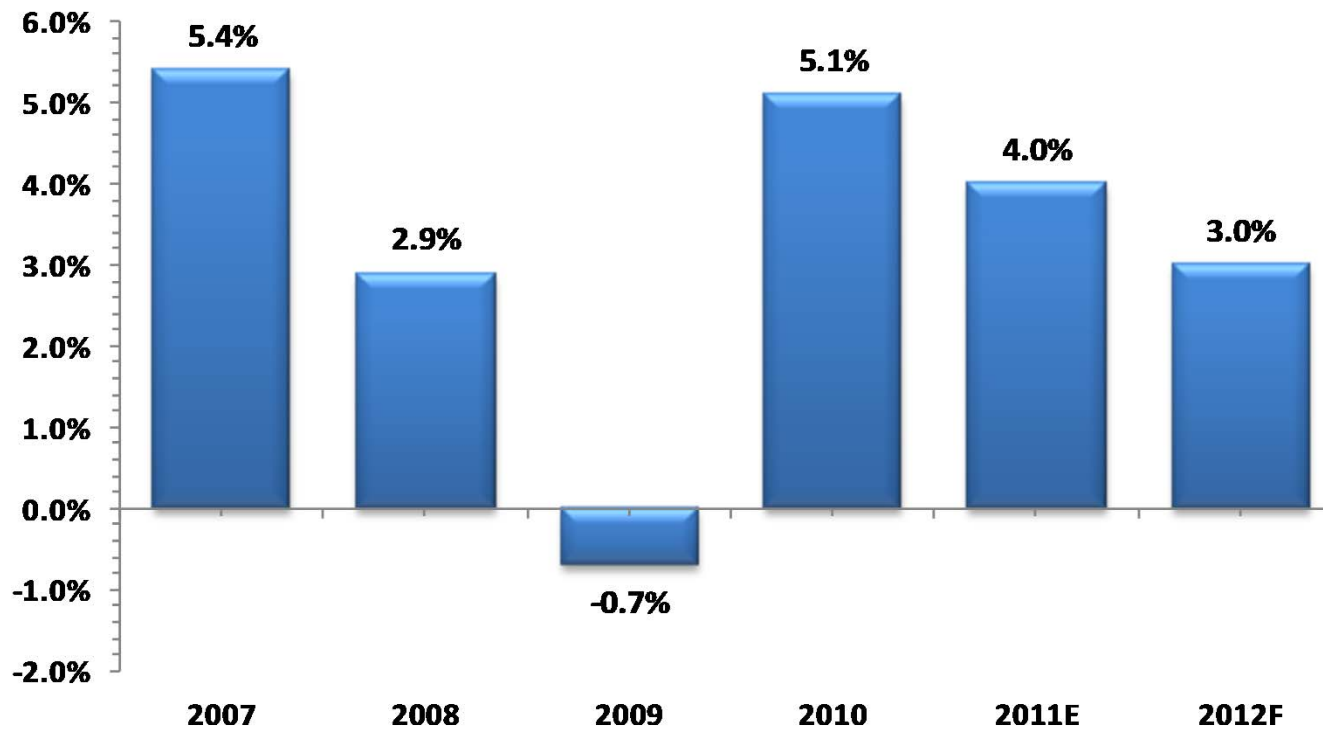


US Economic Activity to Accelerate in 2012: Positive for Business Growth in Florida and Lakeland

- ❖ US economic activity picking up “steam” after the sharp 2009 recession and the sluggish 2010-2011 recovery
- ❖ An improving US economy with low-real interest rates is positive for Florida’s interest-sensitive industries such as housing and consumer durables bought on credit

Global Economic Expansion Mixed in 2012

World Output Growth



Sources: International Monetary Fund, World Economic Outlook, September 2011 and The Washington Economics Group (WEG) for Estimate (E) and Forecast (F).

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Global Economic Expansion Mixed in 2012

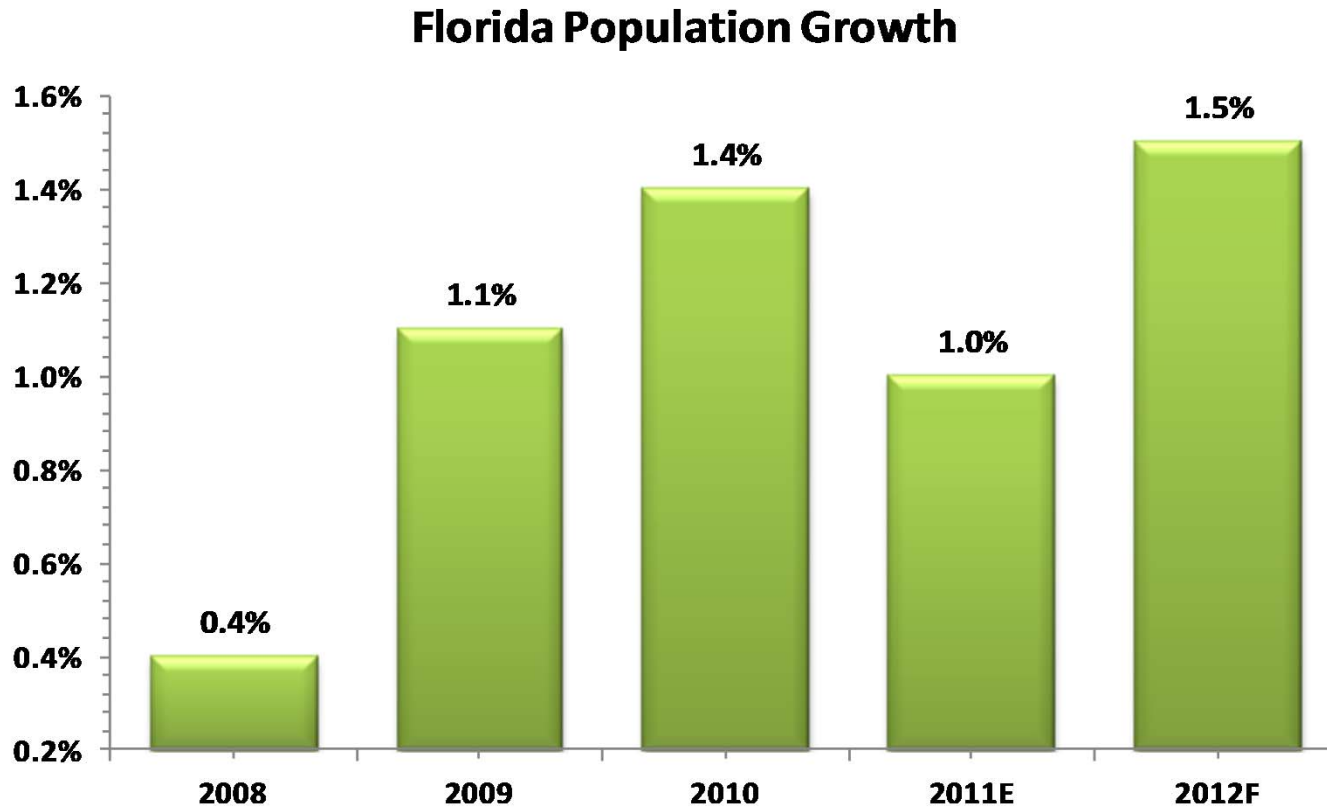
- ❖ Florida saw a sharp drop in exports and international visitors in 2009, compounding the downturn caused by housing depression and financial difficulties
- ❖ The emerging markets have sharply recovered since 2009, with global economic activity positively impacting the international sector of the State
- ❖ The outlook for 2012 is mixed, with near recession in Euro Zone, but moderate growth in Canada, Asia and Latin America



**Florida's Economic Recovery
Accelerated in 2011
and Stronger Growth Expected
this Year and in 2013**



Florida Population Growth Starting to Return to Trend



Sources: US Census Bureau and The Washington Economics Group (WEG) for Estimate (E) and Forecast (F).

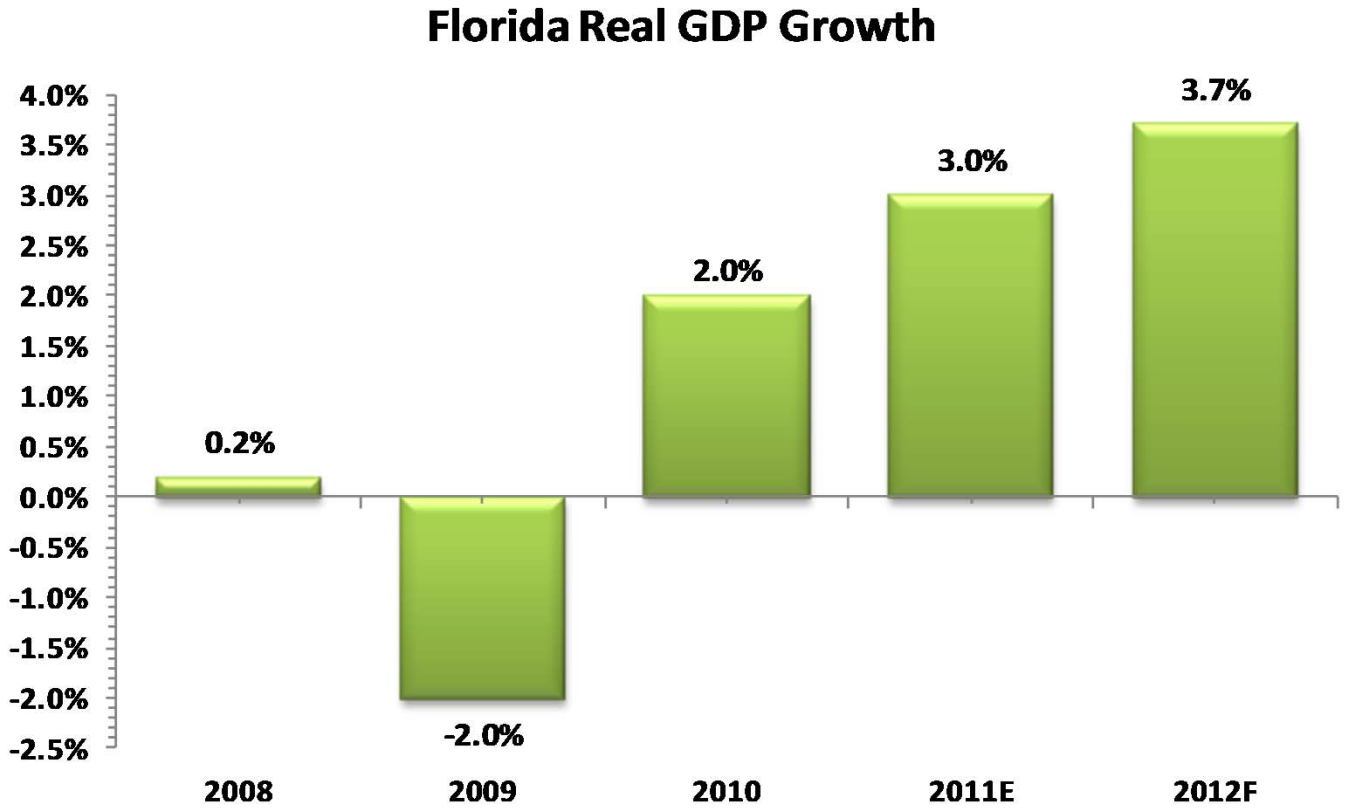
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Florida Population Growth Starting to Return to Trend

- ❖ Florida's population growth is rebounding after a sharp deceleration in 2008
- ❖ Population expansion likely to remain at a moderate pace through 2012
- ❖ This is positive for population-driven business activities such as retail sales, banking and housing

**Florida Real GDP Growth Showing Acceleration:
Expected to Grow Faster than National Average in 2012**



Sources: Enterprise Florida, Inc. and The Washington Economics Group (WEG) for Estimate (E) and Forecast (F).

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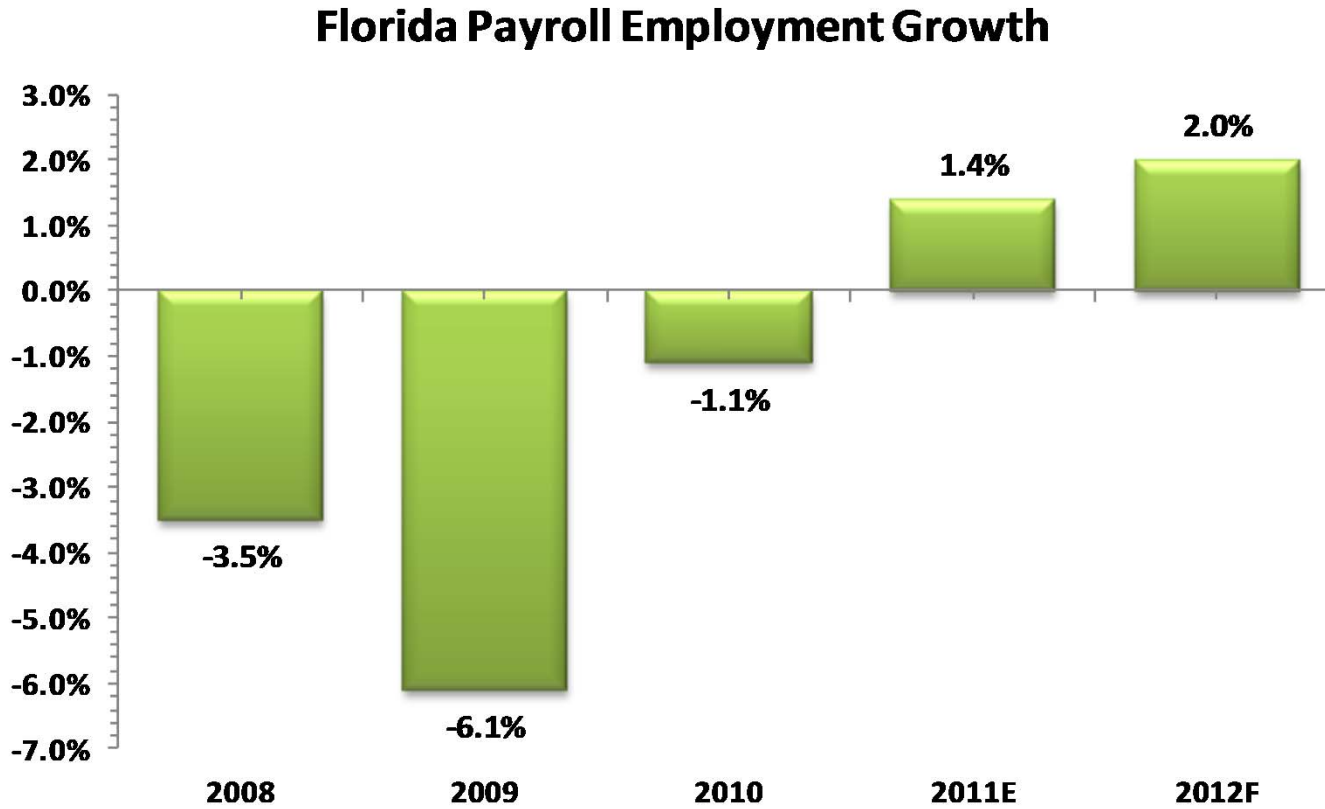


Florida Real GDP Growth Showing Acceleration: Expected to Grow Faster than National Average in 2012

- ❖ Florida's economic activity started to accelerate in 2011, led by visitor-related industries, health care services and global commerce
- ❖ The pace of recovery is expected to strengthen in 2012-2013 period, with the I-4 Corridor and South Florida leading the expansion



Florida Payroll Employment Growth is Steadily Improving



Sources: Florida Labor Market Statistics Program and The Washington Economics Group (WEG) for Estimate (E) and Forecast (F).

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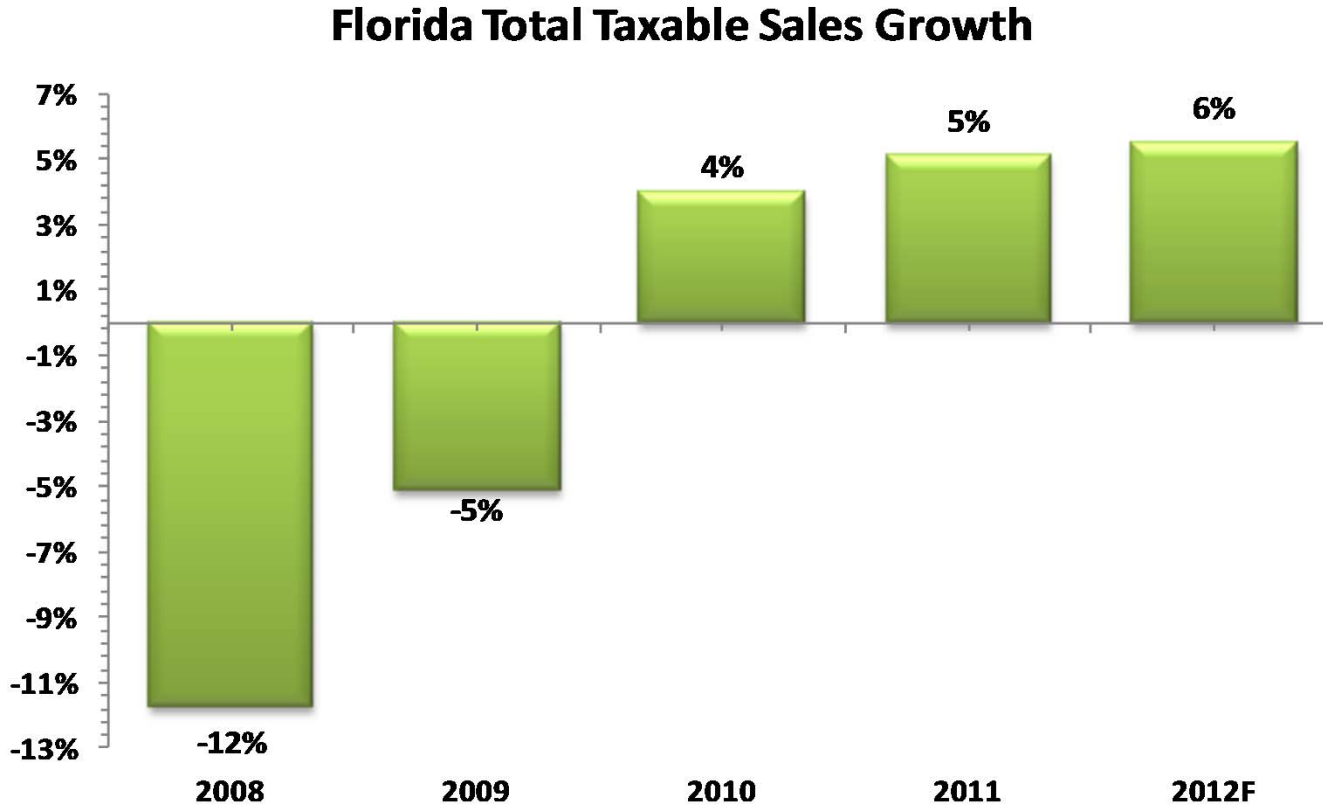


Florida Payroll Employment Growth is Steadily Improving

- ❖ As economic activity picks up, employment opportunities are growing again in important industries of Florida
- ❖ International trade, visitor and hospitality, wholesale trade, private education and health care are enjoying moderately expanding payrolls



Growth in Florida Total Taxable Sales: A Steady Improvement since the Sharp Declines of 2008-2009



Sources: Florida EDR and The Washington Economics Group (WEG) for Forecast (F).
% Change is based on October vs. October of each year.

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Growth in Florida Total Taxable Sales: A Steady Improvement since the Sharp Declines of 2008-2009

- ❖ A recovery in taxable sales started in 2010 and is likely to accelerate in 2012
- ❖ An important component of the recovery is sales activity related to the growing hospitality and visitor industry, durable goods and business investment



Lakeland: 2012-2013

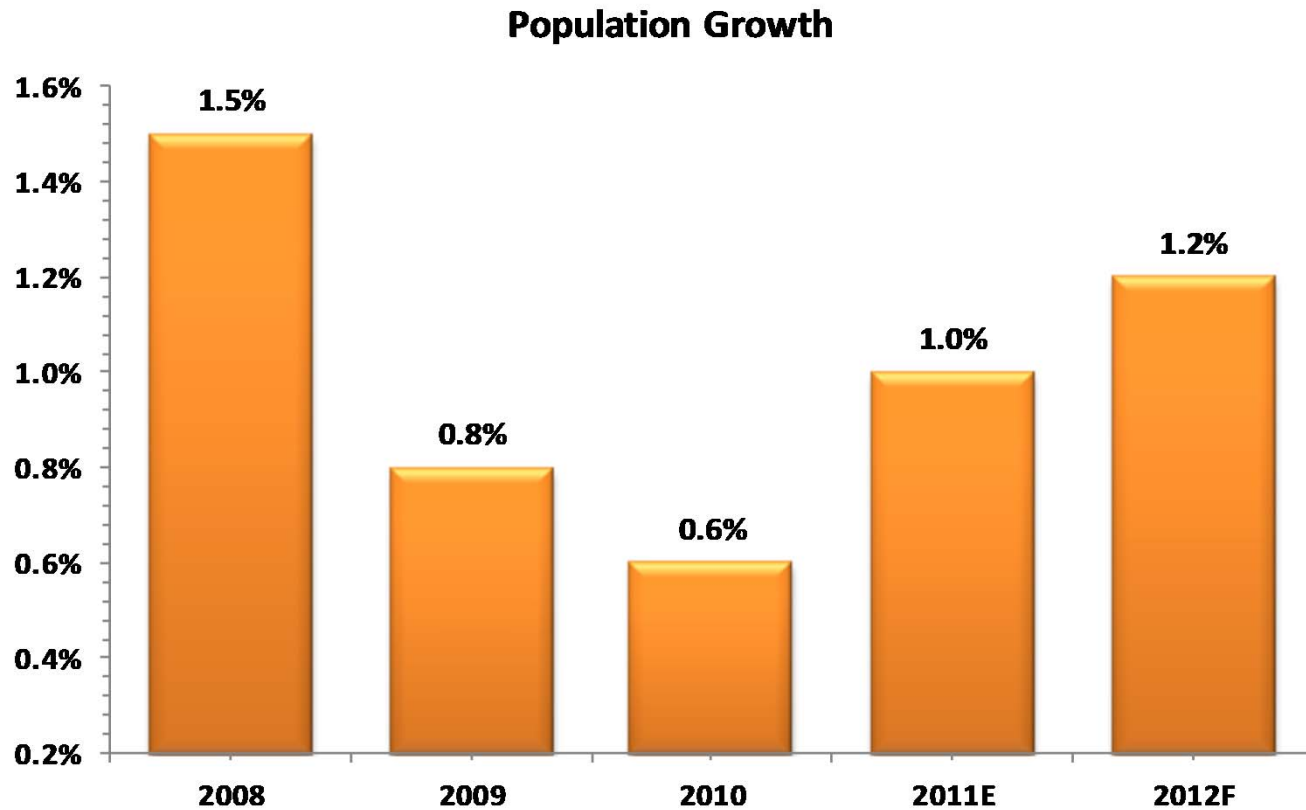
Fundamentals:

- ❖ I-4 Corridor leading growth in Florida, providing economic boost to Lakeland in a variety of industries
- ❖ Business and logistics hub of Florida, with a growing surface and cyber connectivity
- ❖ Emerging higher education and technology hub

**A STEADILY IMPROVING
BUSINESS ENVIRONMENT
IN 2012-2013**



Lakeland Population Growth is Steadily Improving



Sources: UCF Institute for Economic Competitiveness, Annual Outlook for Lakeland, FL, Oct 2011 and The Washington Economics Group (WEG) Estimate (E) and Forecast (F).

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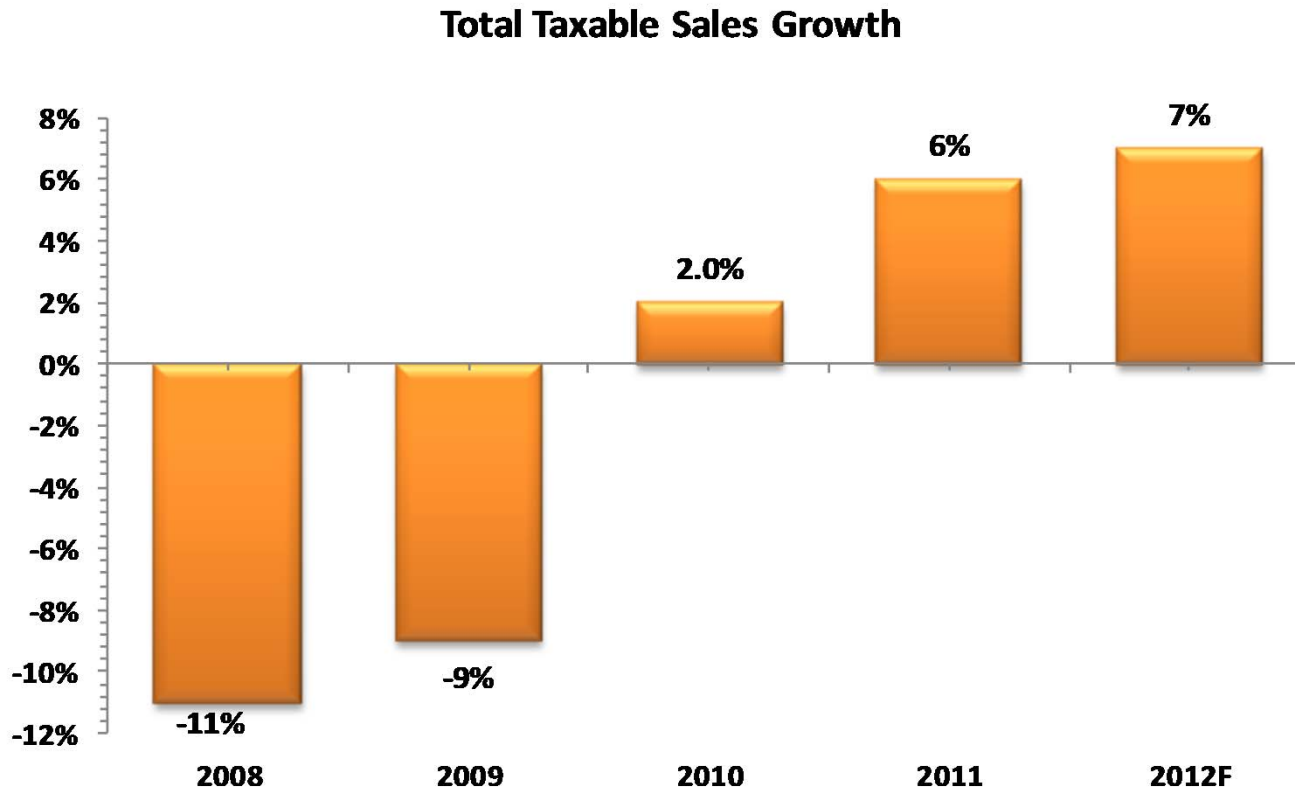


Lakeland Population Growth is Steadily Improving

- ❖ Population growth is a key economic driver of the region
- ❖ After a sharp decline in growth from the 2008 performance, the rate of population growth is steadily improving – a positive development for 2012-2013



Lakeland Total Taxable Sales



Sources: Florida EDR and The Washington Economics Group (WEG) for Forecast (F).
% Change is based on October vs. October of each year.

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Lakeland Total Taxable Sales

- ❖ As overall activity in I-4 Corridor picked up in 2011, taxable sales improved, but still not at total levels from 2006 peak
- ❖ The pick up in 2012 will be more noticeable, led by wholesale trade, population-related sales, travel and hospitality



Lakeland Payroll Employment Trends

Improving Employment				Declining Employment			
Category	Nov 2010	Nov 2011	Level	Category	Nov 2010	Nov 2011	Level
Retail Trade	24,000	25,600	1,600	Information Technology	2,000	1,700	-300
Leisure & Hospitality	16,000	16,700	700	Construction & Mining	10,600	10,200	-400
Trade, Transportation & Utilities	44,000	45,600	1,600	Professional & Business Services	29,000	28,100	-900
Financial Activities	11,000	11,300	300	Manufacturing	14,000	13,900	-100

Source: Florida Research and Economic Database, Current Employment Statistics.

- Employment growth showed modest improvement in 2011, although results differ by industry
- Retail Trade, Leisure & Hospitality, Trade, Transportation & Utilities and Financial Activities show positive momentum for 2012
- Information Technology, Construction & Mining, Professional & Business Services and Manufacturing will moderately expand in 2012



Bottom Line

- ❖ Economic activity improved moderately in Florida and specifically in Lakeland during 2011
- ❖ Expect modest acceleration of economic growth this year, with a stronger performance in 2013
- ❖ The US economy is likely to grow 2%-3% in 2012, a positive development for Florida and Lakeland
- ❖ However, the outlook for the global economy is mixed
 - ✓ The Euro Zone will exhibit flat-to-slightly negative growth
 - ✓ Canada, Asia and Latin America are forecast to expand at a moderate pace

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Bottom Line

- ❖ Differences in Florida regional performance will continue to be pronounced in 2012, given a slowly improving economic environment
 - ✓ I-4 Corridor and South Florida likely to lead economic recovery in 2012
- ❖ Managing your Lakeland business under the 2012 Economic Environment
 - ✓ Global-oriented marketing mix
 - ✓ Cash flow is King
 - ✓ Grow and retain talent: lease the rest
 - ✓ “Lock in” borrowing costs
 - ✓ Take your banker to lunch!: Long-term banking relationships essential for business growth!



**Therefore:
Enjoy an Improving Business Environment
with Moderation!**

