Southwest Florida Regional Economic Indicators

December 2012

Regional Economic Research Institute

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Introduction: Regional and National Background

Is the glass half full or half empty? Another year has passed and we are still in recovery from a recession that ended in 2009. I am happy to report improvements in many of our economic indicators but the national and local recovery is expected to continue for the next two years. The nation faces some difficult challenges in balancing the long-run Federal budget without disrupting the current recovery.

Southwest Florida taxable sales increased by seven percent from September 2011 to September 2012, following gains of six percent and four percent, respectively, in the preceding two months. October 2012 passenger traffic at Southwest Florida International increased by three percent over October 2011. Lee, Collier, and Charlotte Counties issued a total of 200 single-family home permits in November, up from 178 last November. November 2012 sales of Lee, Collier, and Charlotte existing single-family homes increased by three percent over November 2011. There was also continued improvement in median sales prices, reflecting more traditional sales compared to distressed sales. Lee and Collier tourism tax revenues for October 2012 were at record highs for the month.

November 2012 seasonally-adjusted unemployment rates improved in all reporting counties compared to November 2011, as well as to October 2012. The region's seasonally-adjusted employment rate declined to 8.1 percent in November 2012 from 10.1 a year earlier. County details can be found beginning on page 16.

The national unemployment rate declined from 7.9 percent in October 2012 to 7.7 percent in November 2012. The number of long-term unemployed (those jobless for 27 weeks or longer) is 5.0 million or 40.6 percent of all unemployed.

The national economy's growth rate (real GDP) for the third quarter increased at a 3.1 percent annual rate, compared to 1.3 percent for the second quarter. In the first quarter, economic growth was 2.0 percent. Third quarter real personal consumption expenditures increased by 1.6 percent, compared to 1.5 percent in the second quarter. Slow economic growth makes it difficult to bring down the unemployment rate.

The November Bureau of Labor Statistics Establishment Survey showed that national nonfarm payroll employment increased by 146,000, a larger increase than October's 138,000. The November employment increases included 53,000 in retail, 43,000 in professional and business services, 23,000 in leisure and hospitality, and 22,000 in health care and social assistance. In contrast, national employment fell by 20,000 in construction.

The national consumer price index increased by 2.2 percent from October 2011 to October 2012. The change was primarily driven by increases of 4.0 percent for energy and 1.7 percent for food. Medical care services increased by 3.9 percent and medical care commodities increased by 3.0 percent. Core inflation (all items less food and energy) increased by 2.0 percent.

The latest statement of the Federal Reserve Open Market Committee (FOMC) was issued on December 12th, and is summarized below:

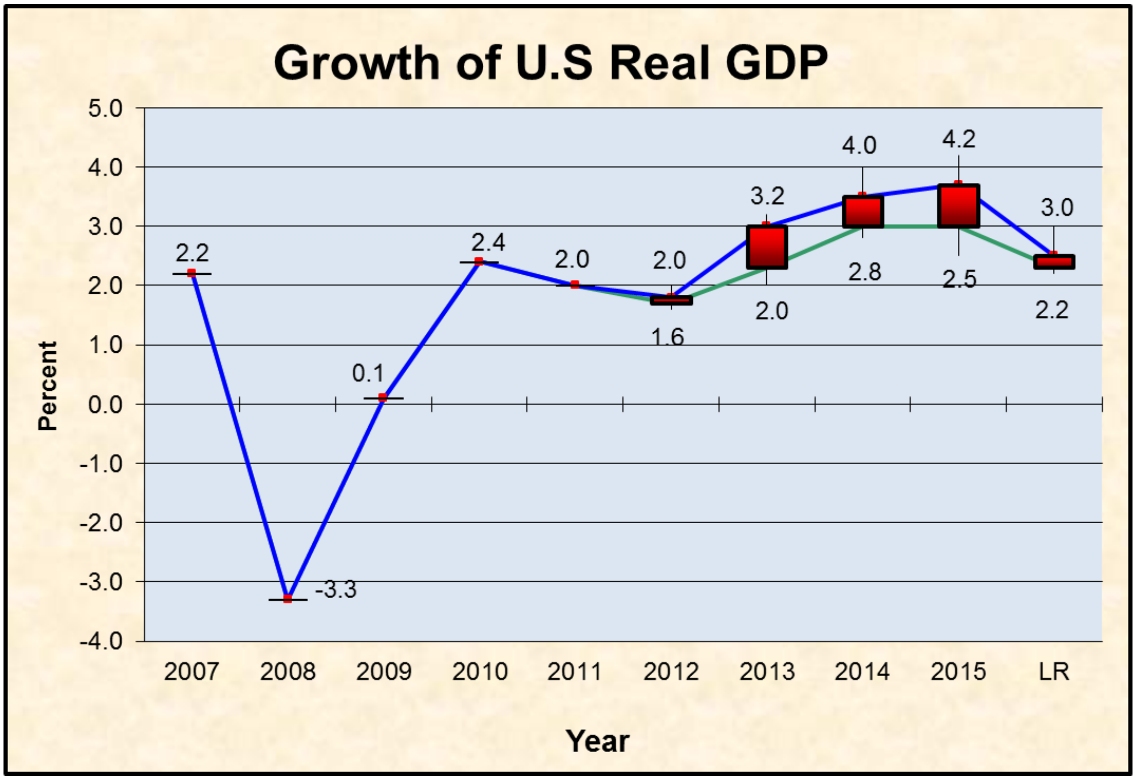
- Economic activity has continued to expand at a moderate pace in recent months, apart from weather-related disruptions;
- Although the unemployment rate has declined somewhat, it remains elevated;
- Household spending has continued to advance, but growth in business fixed investment has slowed;
- The housing sector has shown further signs of improvement;
- Inflation has been running somewhat below the Committee's longer-run objective, and longer-term inflation expectations have remained stable. The Committee anticipates that inflation over the medium term likely will run at or below its 2 percent objective;
- To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee will continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month;
- The Committee also will purchase longer-term Treasury securities after its program to extend the average maturity of its holdings of Treasury securities is completed at the end of the year, initially at a pace of $45 billion per month;
- The Committee is maintaining its existing policy of reinvesting principal payments from agency debt and mortgage-backed securities in agency mortgage-backed securities;
- Along with rolling over maturing Treasury securities at auction, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative;
- If the outlook for the labor market does not improve substantially, the Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate until such improvement is achieved in a context of price stability;
- To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends, and the economic recovery strengthens. The Committee decided to keep the target range of the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than 2-1/2 percent, and longer term inflation expectations continue to be well anchored.

The next meeting of the FOMC is scheduled for January 29th – 30th, 2013.

The FOMC released its latest forecast on December 12, 2012, which is shown on the following "box and whiskers" charts. The red boxes are the central tendency forecast and the full range of uncertainty is reflected in the whiskers, or vertical lines. The December forecast generally has slightly slower GDP growth and lower unemployment levels than the September forecast.

The chart shows that recovery started in 2009, but it is expected to be several years before the economy returns to a more normal long-run trend ("LR"). Real GDP growth projections for 2012, 2013, and 2014 show a recovery but there remains uncertainty as to how strong the recovery will be, as shown by the wide range of forecasts. For 2012, the overall projected range is 1.6 to 2.0 percent with a central tendency (red bar) range of 1.7 to 1.8 percent growth. For 2013, the overall projected range is

2.0 to 3.2 percent with a central tendency range of 2.3 to 3.0 percent growth. For 2014, the overall projected range is 2.8 to 4.0 percent with a central tendency range of 3.0 to 3.5 percent growth. For 2015, the overall projected range is 2.5 to 4.2 percent with a central tendency range of 3.0 to 3.7 percent growth. The long-run trend for Real GDP has a range of 2.2 to 3.0 percent growth with a central tendency of 2.3 to 2.5 percent. Real GDP growth rates are based on the change from the fourth quarter of one year to the fourth quarter of the next year.



Source: Federal Reserve Open Market Committee Meeting Statement, December 12, 2012.

As shown in the chart on the next page, the 2012 national unemployment rate is expected to be lower than in 2011, but remain historically high, in a range of 7.7 to 8.0 percent, with a central tendency of 7.8 to 7.9 percent. For 2013, the projected range for the national unemployment rate is 6.9 to 7.8 percent with a central tendency range of 7.4 to 7.7 percent. For 2014, the projected range for the national unemployment rate is 6.1 to 7.4 percent with a central tendency range of 6.8 to 7.3 percent. For 2015, the projected range for the national unemployment rate is 5.7 to 6.8 percent with a central tendency range of 6.0 to 6.6 percent. Long-run unemployment is expected to be in a range of 5.0 to 6.0 percent with a central tendency of 5.2 to 6.0 percent. The projections for unemployment are for the fourth quarter of each year.

Source: Federal Reserve Open Market Committee Meeting Statement, December 12, 2012.

Issues related to the Federal budget, state budgets, European sovereign debt issues, health care costs, income and estate tax uncertainties, and oil prices continue to create some headwinds but the trend of slow but positive economic growth is expected through 2013.

RERI thanks all of the individuals and organizations that have helped to bring together the regional information for this report. These include the Southwest Florida Regional Planning Council, the Economic Development Organizations of Charlotte, Collier, and Lee Counties, the Convention and Visitors Bureaus of Collier and Lee Counties, the regional airport authorities, the REALTORS® of Lee and Collier County, the University of Florida Survey Research Center, and the county and city permit offices.

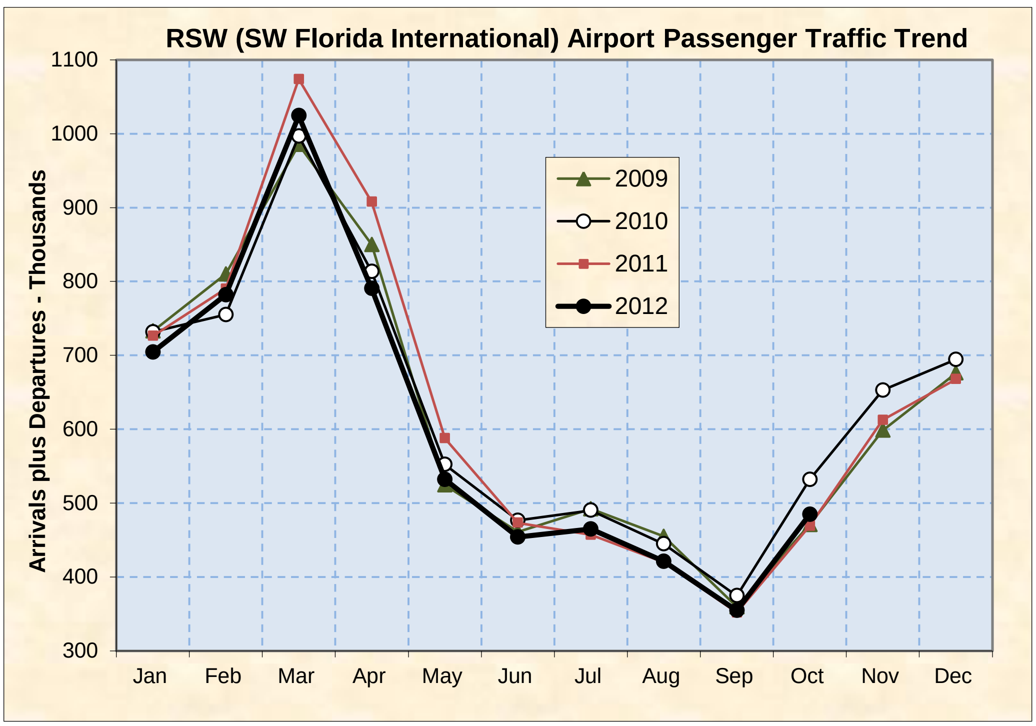
Airport Activity

Airport passenger activity is defined as the sum of arrivals and departures for Southwest Florida International (RSW), Sarasota Bradenton International (SRQ), and Punta Gorda (PGD) airports. Peak seasonal activity occurs in February, March, and April, with significantly lower activity in the summer months. Charts 1, 2, and 3 illustrate the seasonality of airport passenger traffic and the changes from year to year.

Total passenger activity for the three Southwest Florida airports in October 2012 was less than one-percent (0.4%) below the October 2011 figure.

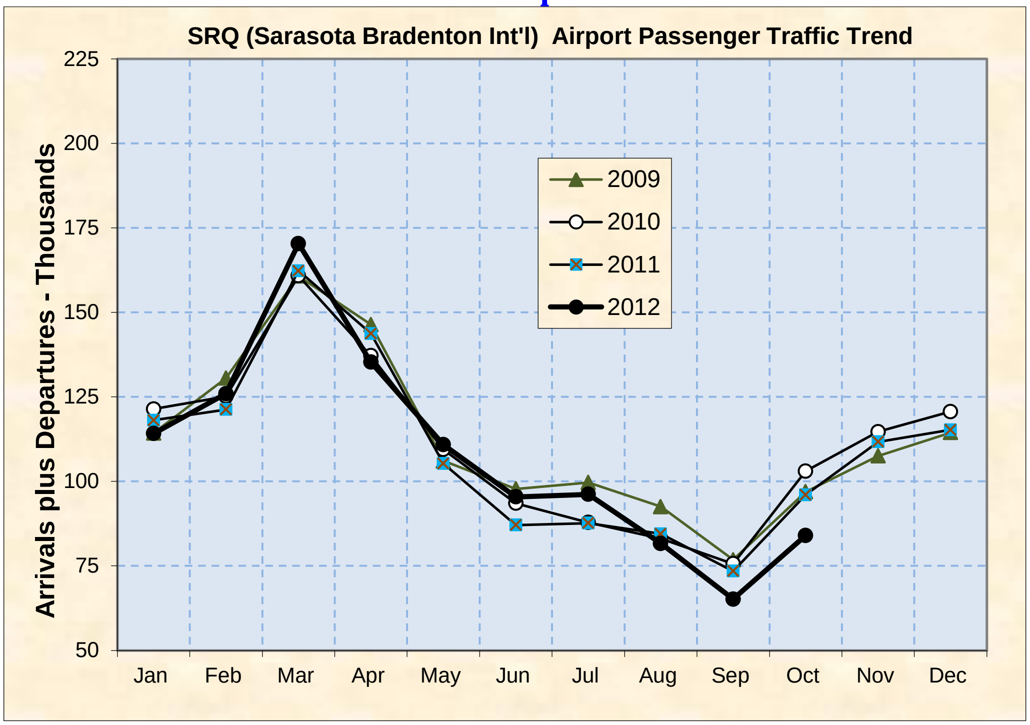
Chart 1 shows SW Florida International passenger activity of 484,768 in October 2012, three-percent above October 2011. Sarasota Bradenton passenger activity amounted to 84,007 passengers in October 2012, the lowest October since 2003 and 13-percent below October 2011, as shown in Chart 2. Punta Gorda passenger activity amounted to 11,690 in October 2012, a decline of 34 percent compared to October 2011.

Chart 1: SW Florida International Traffic Trend



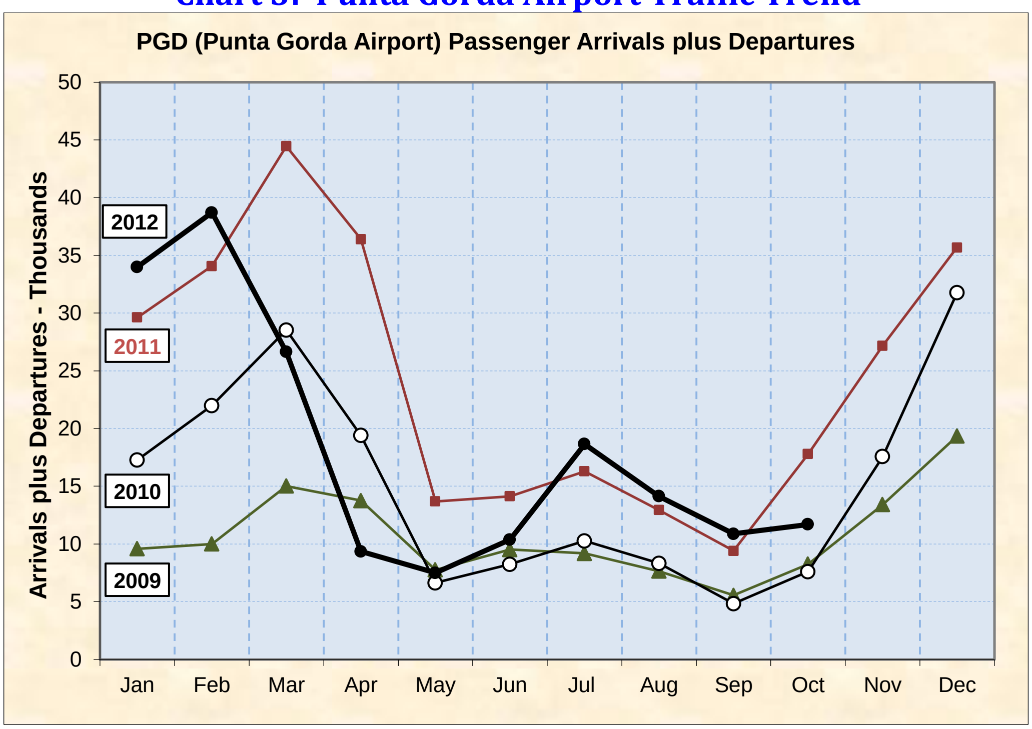
Source: Local Airport Authorities

Chart 2: Sarasota Airport Traffic Trend



Source: Local Airport Authorities

Chart 3: Punta Gorda Airport Traffic Trend

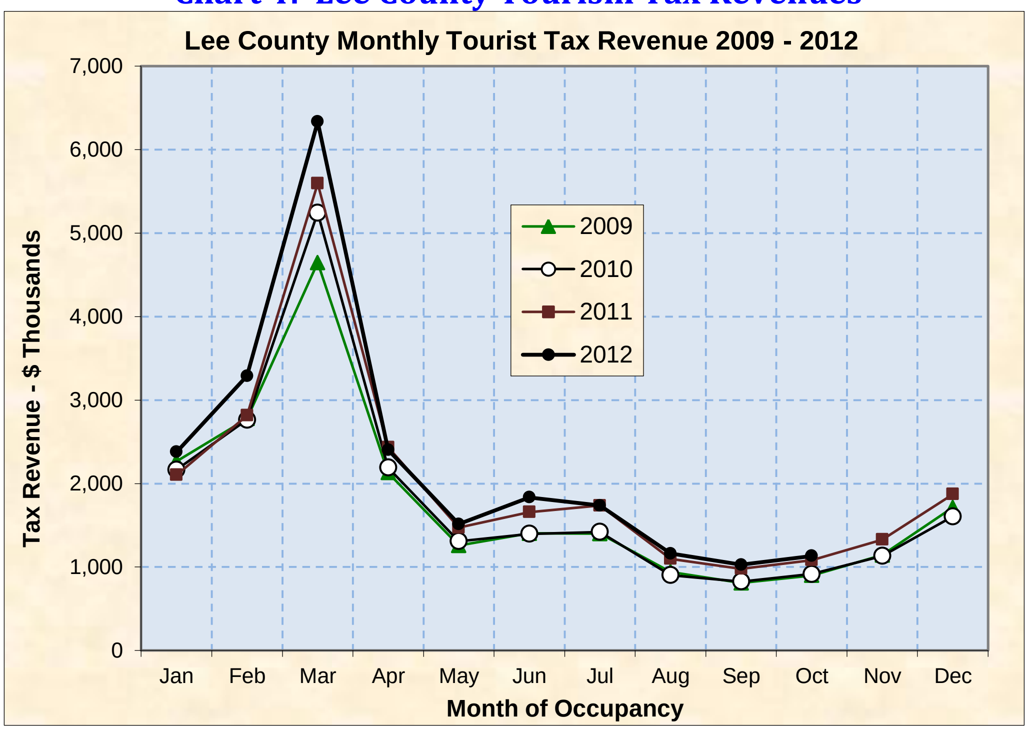


Source: Local Airport Authorities

Tourism Tax Revenues

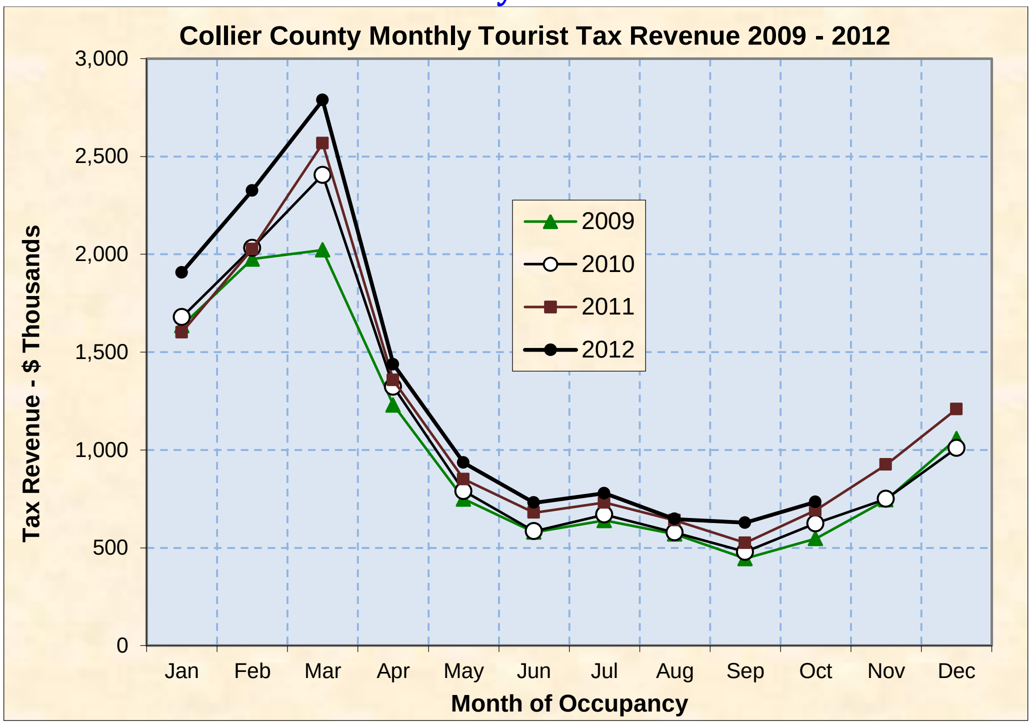
Tourism tax revenues for the three coastal counties are shown in Charts 4, 5, and 6, based on month of occupancy. In October 2012, tourism tax revenues for Lee and Collier Counties were at record highs for the month. Lee County tourism tax revenues for October 2012 amounted to $1,133,119, an increase of five percent from October 2011. Collier County's October 2012 tourism tax revenues rose to $734,419, a 6-percent increase over October 2011. Charlotte County tourism tax revenues for October were not available at the time of this report's publication; Chart 6 shows data through September 2012.

Chart 4: Lee County Tourism Tax Revenues



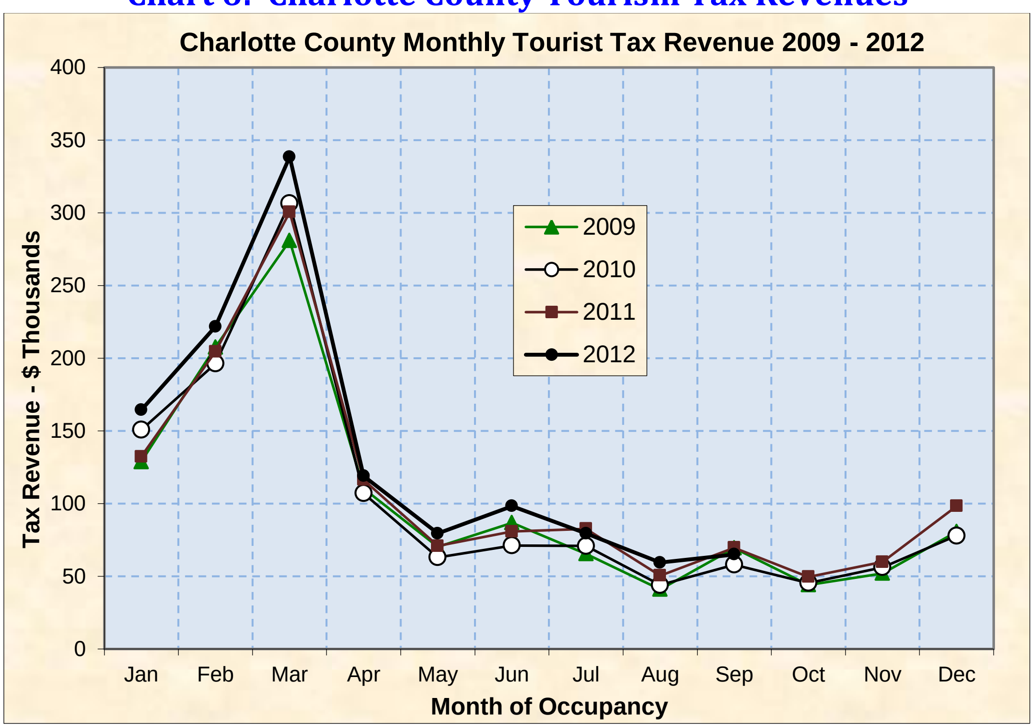
Source: Local County Tourism, Tax, and Economic Development Reports

Chart 5: Collier County Tourism Tax Revenues



Source: Local County Tourism, Tax, and Economic Development Reports

Chart 6: Charlotte County Tourism Tax Revenues



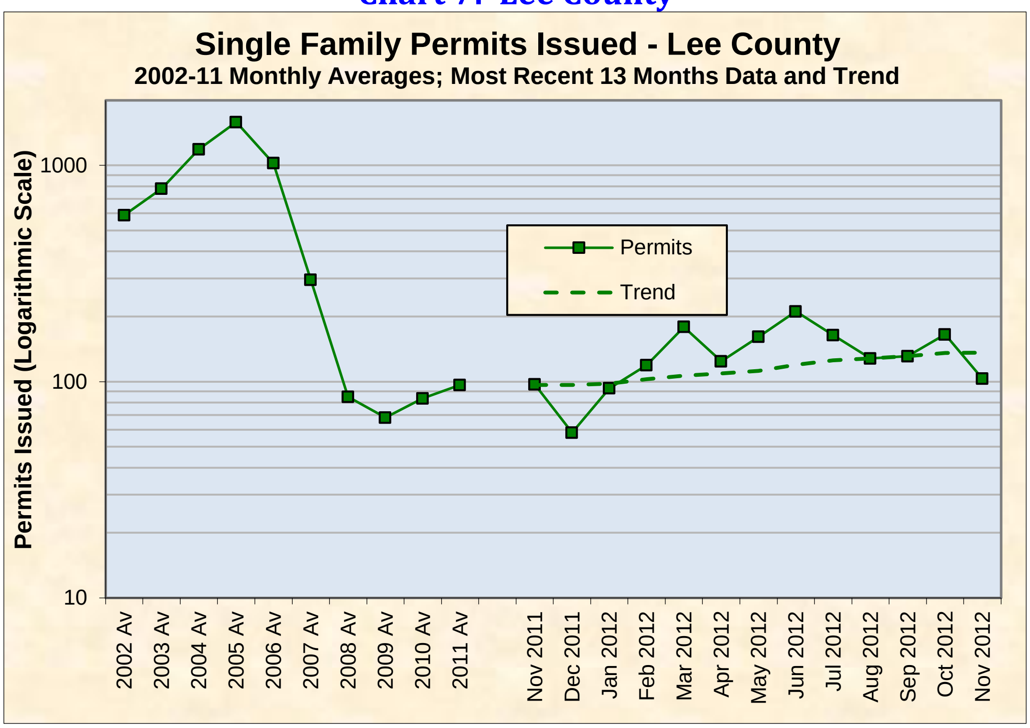
Source: Local County Tourism, Tax, and Economic Development Reports

Single-Family Building Permits

Total single-family building permits for the three coastal counties increased by 12 percent in November 2012 over November 2011, albeit 29-percent lower than the prior month of October 2012. A total of 200 single-family permits were issued in the region in November 2012, compared to 178 permits in November 2011 and 283 permits issued in October 2012.

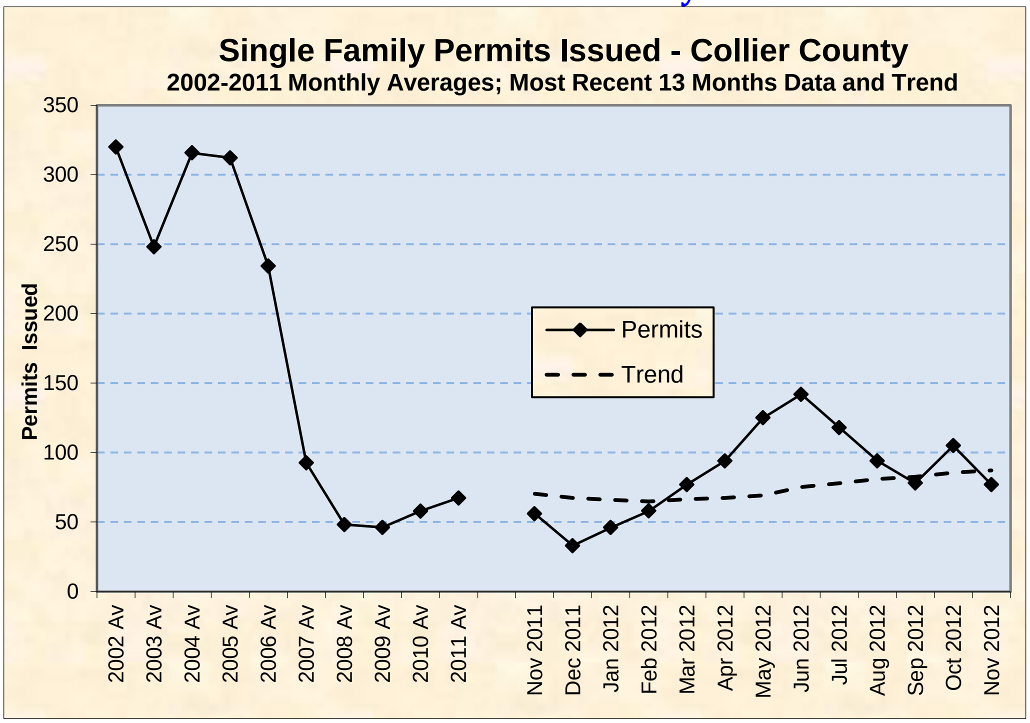
Lee County reported the issuance of 103 single-family building permits in November 2012, an increase of 6 from November 2011, as shown in Chart 7 (which employs a logarithmic scale on its y-axis to more clearly portray long-term trends). Collier County issued 77 permits in November 2012, up from 56 in November 2011, as shown in Chart 8. Lee and Collier Counties 12-month moving averages continue to show some upward movement. Charlotte County recorded 20 permits in November 2012, down from 25 in November 2011, but up from 13 in October, as shown in Chart 9. Hendry County issued 4 single-family building permits in November 2012, bringing the total for the first 11 months of 2012 to 12, compared to 20 issued between January and November 2011.

Chart 7: Lee County



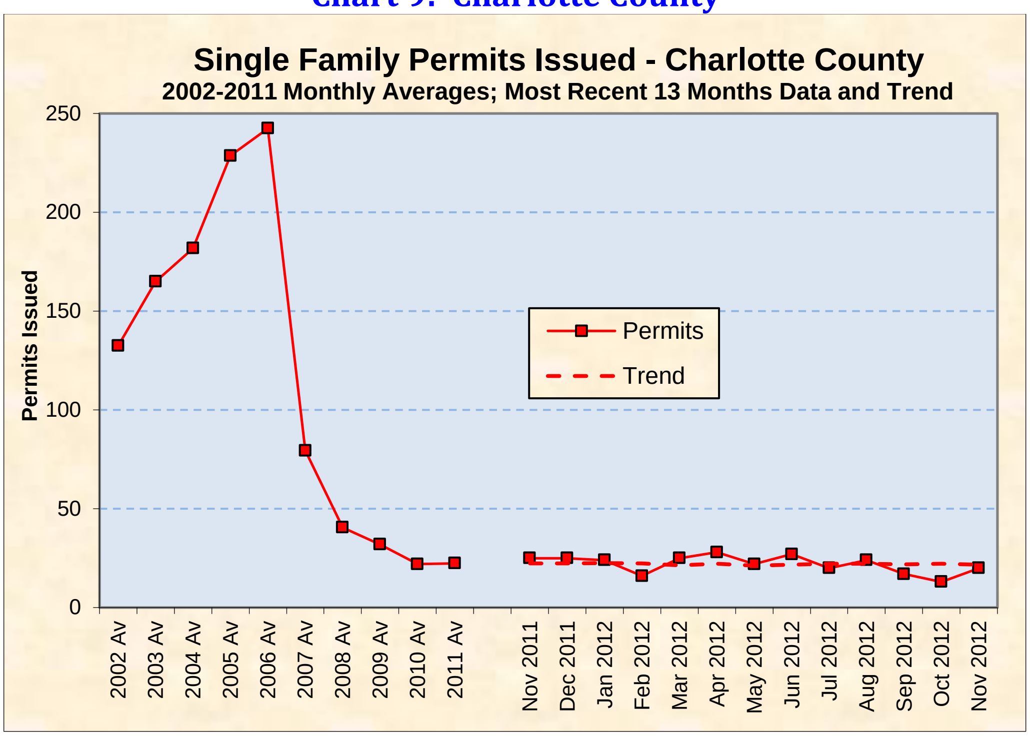
Source: Local Building and Zoning Departments, including Fort Myers, Cape Coral, and Unincorporated Lee County, Bonita Springs and Fort Myers Beach permits.

Chart 8: Collier County



Source: Local Building and Zoning Departments, includes unincorporated Collier County permits only.

Chart 9: Charlotte County



Source: Local Building and Zoning Departments, includes unincorporated Charlotte County permits only.

Taxable Sales

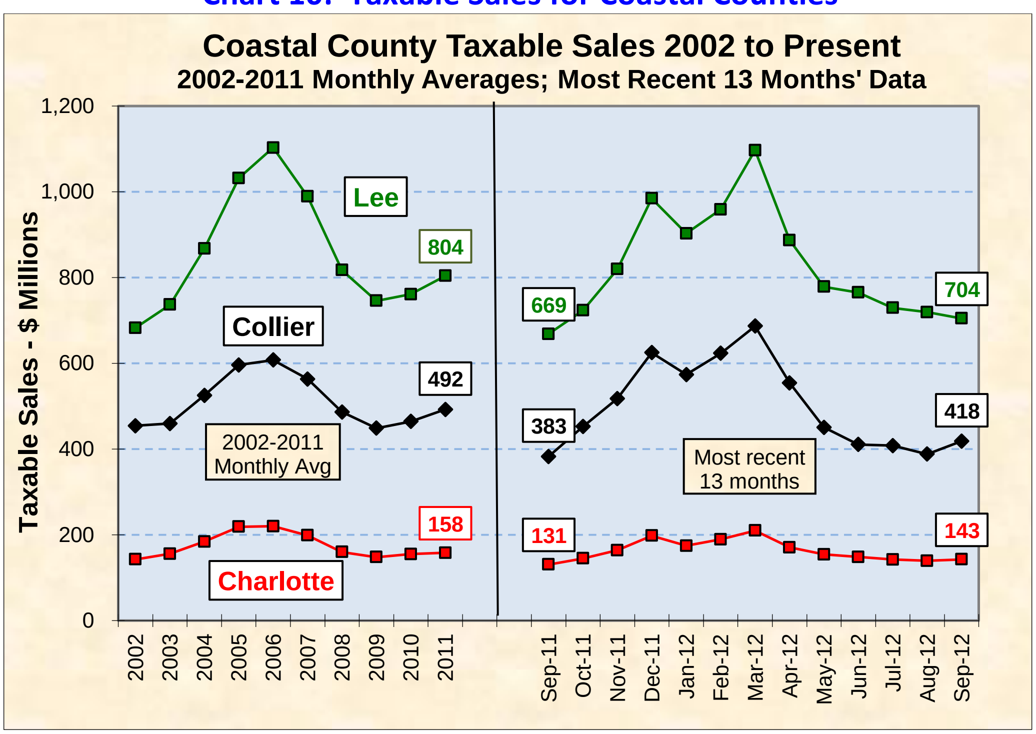
Taxable sales data track consumer spending, an important component of the regional economy. The following charts show the latest month of merchants' collections (September 2012), rather than the reporting month issued by the Florida Department of Revenue.

Once again, all reporting counties, other than Glades, reported increased taxable sales for September 2012 compared to September 2011, for a total regional gain of $87.7 million, or seven percent. Taxable sales data for the coastal counties are shown in Chart 10. Charlotte County's taxable sales of $142.7 million in September 2012 were nine percent higher than September 2011. Lee County taxable sales were $704.5 million in September 2012, a five-percent increase over September 2011, while Collier County's taxable sales of $418.4 million in September 2012 represented a nine-percent increase over September 2011.

Hendry County's taxable sales of $23.8 million in September were 27-perent higher than September 2011. Glades County reported September 2012 taxable sales of $1.9 million, an 30-percent decline from September 2011. Taxable sales for Hendry and Glades Counties are shown in Chart 11.

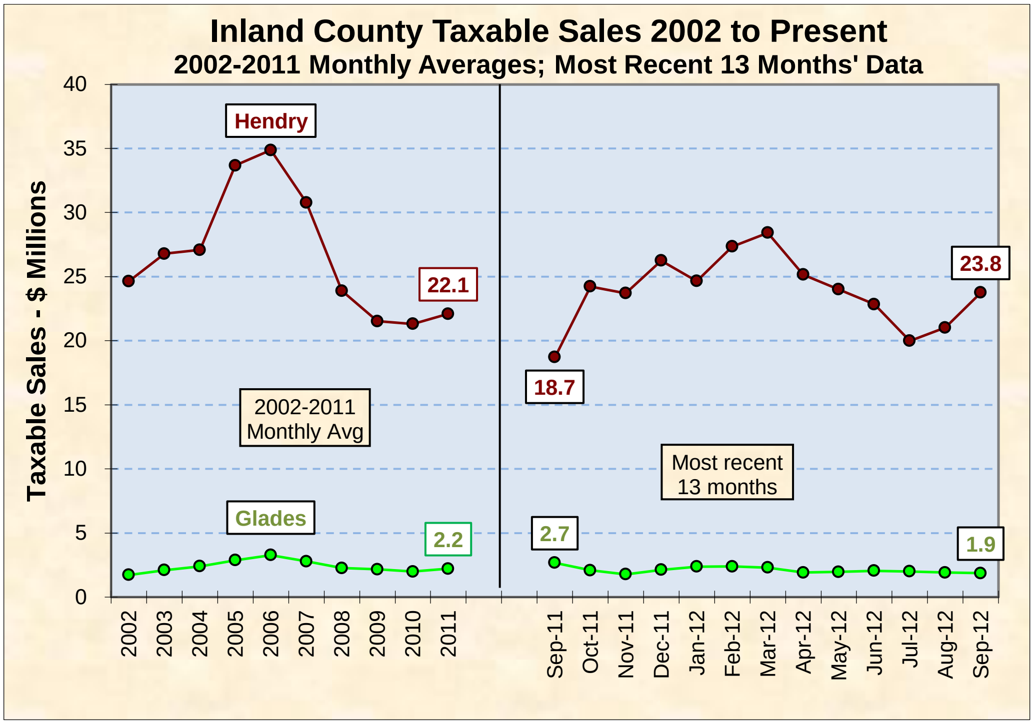
Charts 12, 13, and 14 depict percentage changes in taxable sales from the same month a year earlier. The changes continued to be positive. Lee and Collier Counties have shown positive year-over-year comparisons for every month in the two-year measurement period. Charlotte County has recorded positive changes for the last 12 consecutive months.

Chart 10: Taxable Sales for Coastal Counties



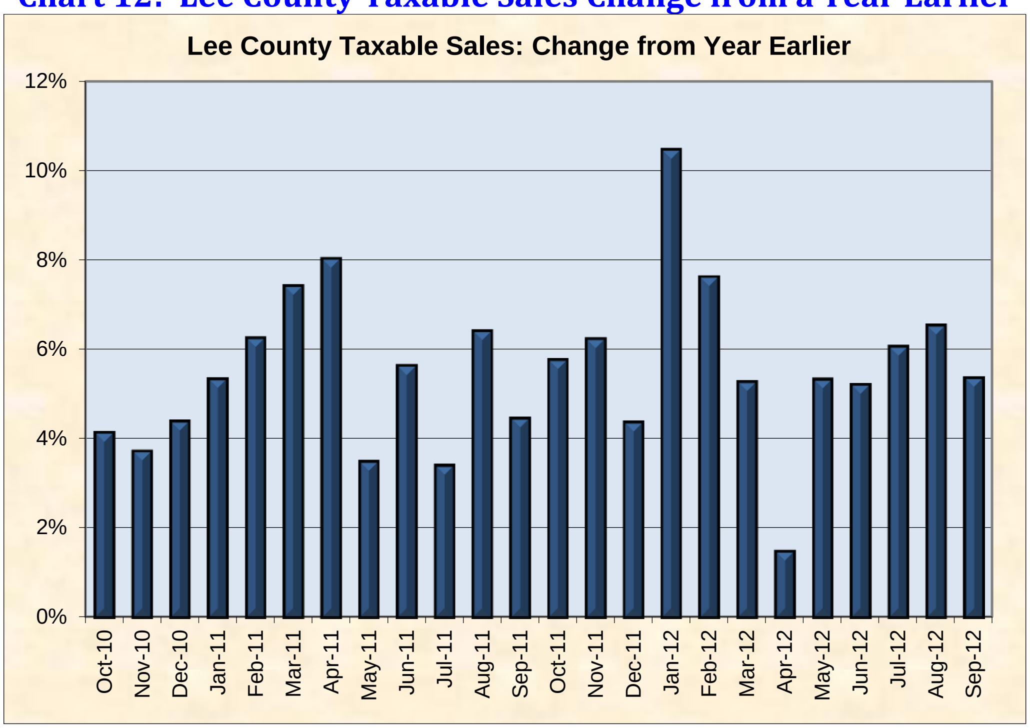
Source: Florida Department of Revenue, Office of Tax Research

Chart 11: Taxable Sales for Inland Counties



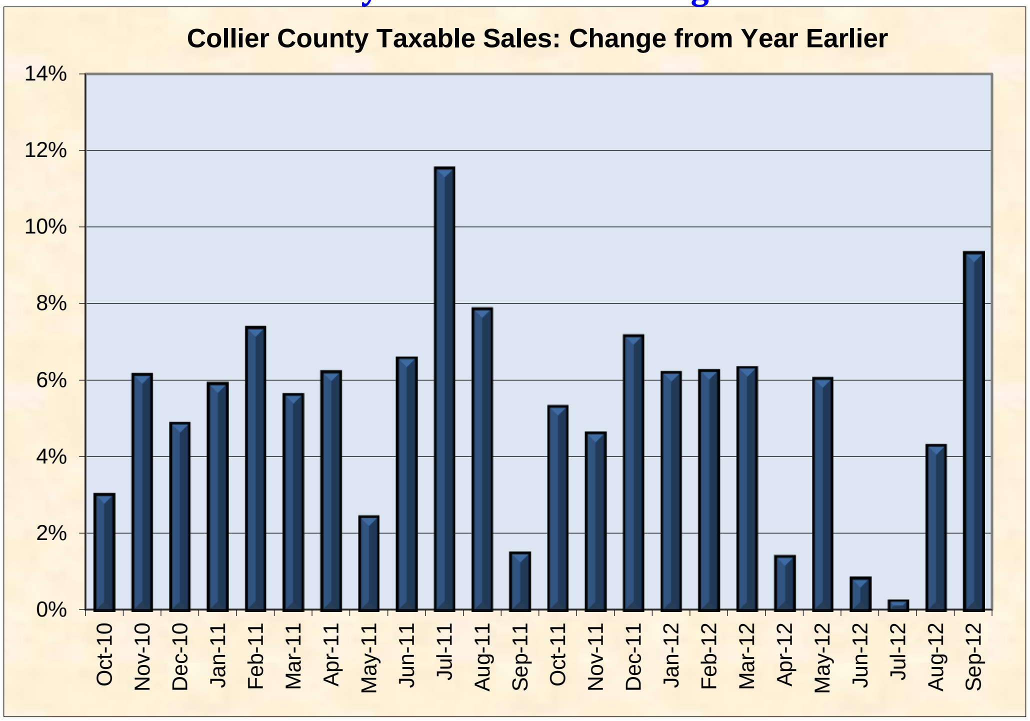
Source: Florida Department of Revenue, Office of Tax Research

Chart 12: Lee County Taxable Sales Change from a Year Earlier



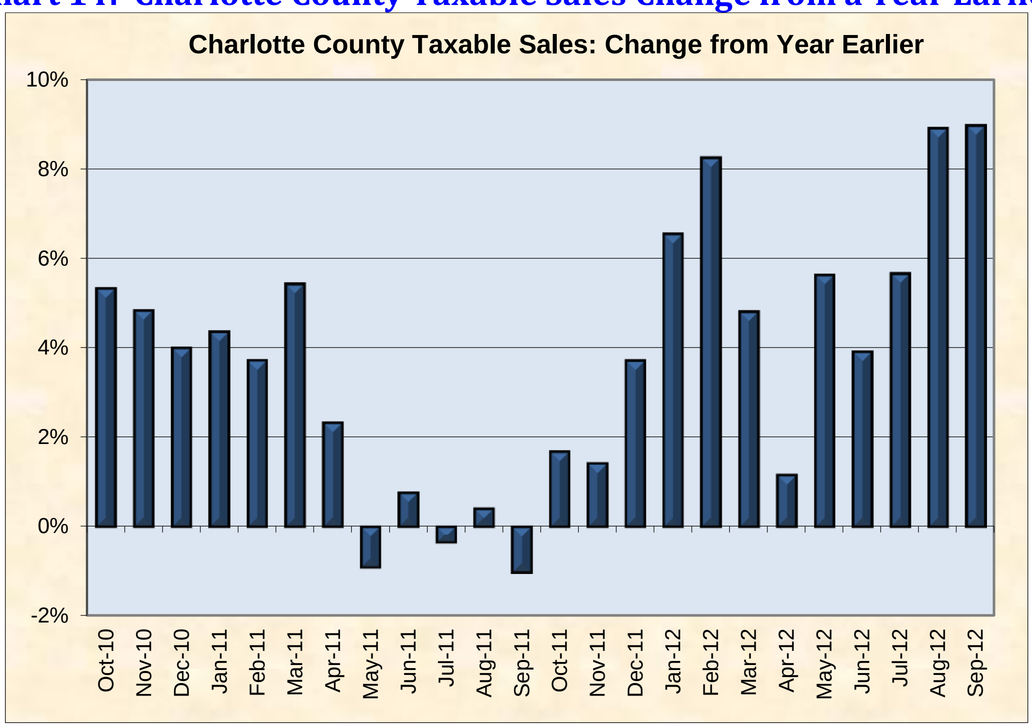
Source: Florida Department of Revenue, Office of Tax Research

Chart 13: Collier County Taxable Sales Change from a Year Earlier



Source: Florida Department of Revenue, Office of Tax Research

Chart 14: Charlotte County Taxable Sales Change from a Year Earlier



Source: Florida Department of Revenue, Office of Tax Research

Workforce – Labor Force, Employment and Unemployment

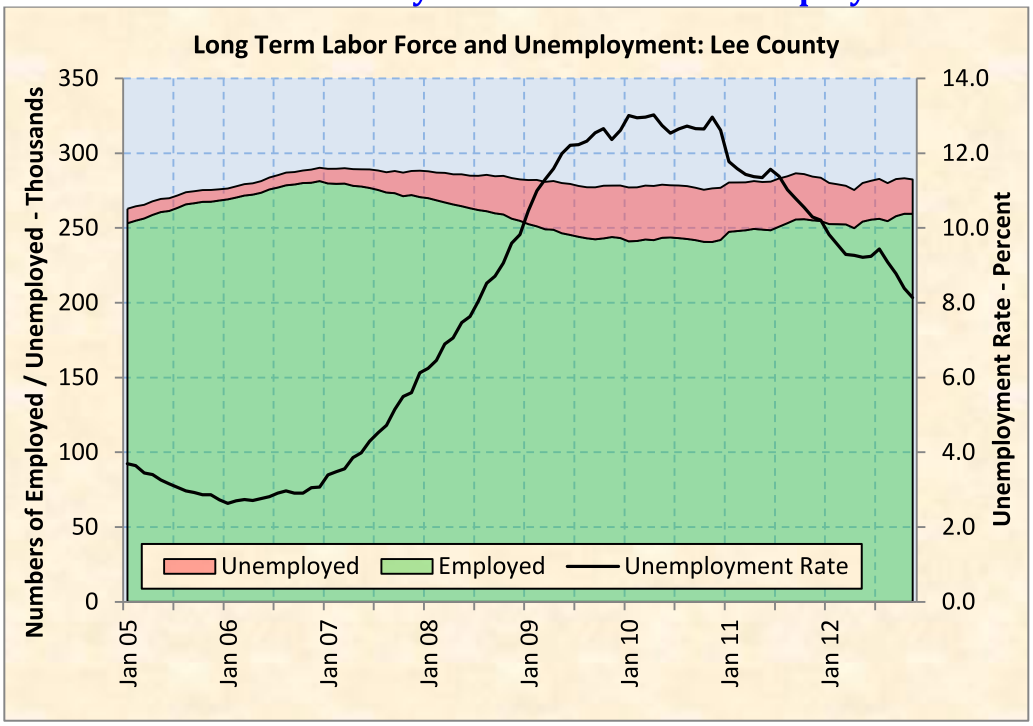
Charts 15, 16, 17, 18, and 19 show total persons employed unemployed, and the unemployment rate for each county in the region from January 2005 to November 2012, on a seasonally-adjusted basis. Unemployment rates above five or six percent generally reflect cyclical unemployment and a slowdown of the economy from long-run trends.

Seasonally-adjusted unemployment rates in November 2012 continued the pattern of improvement over the corresponding month of the prior year in all five reporting counties. Lee County's seasonally-adjusted unemployment rate declined to 8.1 percent in November 2012, down from 8.4 percent in October 2012, and well below the 10.3 percent figure of November 2011. This was the lowest unemployment rate in Lee County since July 2008. Lee's employment grew by 4,365 persons from November 2011 to November 2012. Collier County's unemployment rate dropped to 7.7 percent in November 2012 compared to 8.0 percent in October 2012 and 9.4 percent in November 2011, with an increase of 3,836 persons employed. This represented the lowest unemployment rate since October 2008. Charlotte County had an unemployment rate of 8.2 percent in November 2012, its lowest rate since July 2008, representing a drop from 8.4 percent in October 2012 and from 10.0 percent in November 2011.

Hendry's unemployment rate decreased to 11.1 percent in November, its lowest rate since July 2008. This was 0.1 percent below the October 2012 figure, and 2.4 percent lower than November 2011. The unemployment rate in Glades County declined to 9.1 percent in November 2012 from 9.3 percent in October 2012 and from 10.3 percent in November 2011. Total employment in the five reporting counties increased by 8,536 persons over November 2011; the number of unemployed dropped by 10,680 and the region's total unemployment rate fell from 10.1 percent to 8.1 percent.

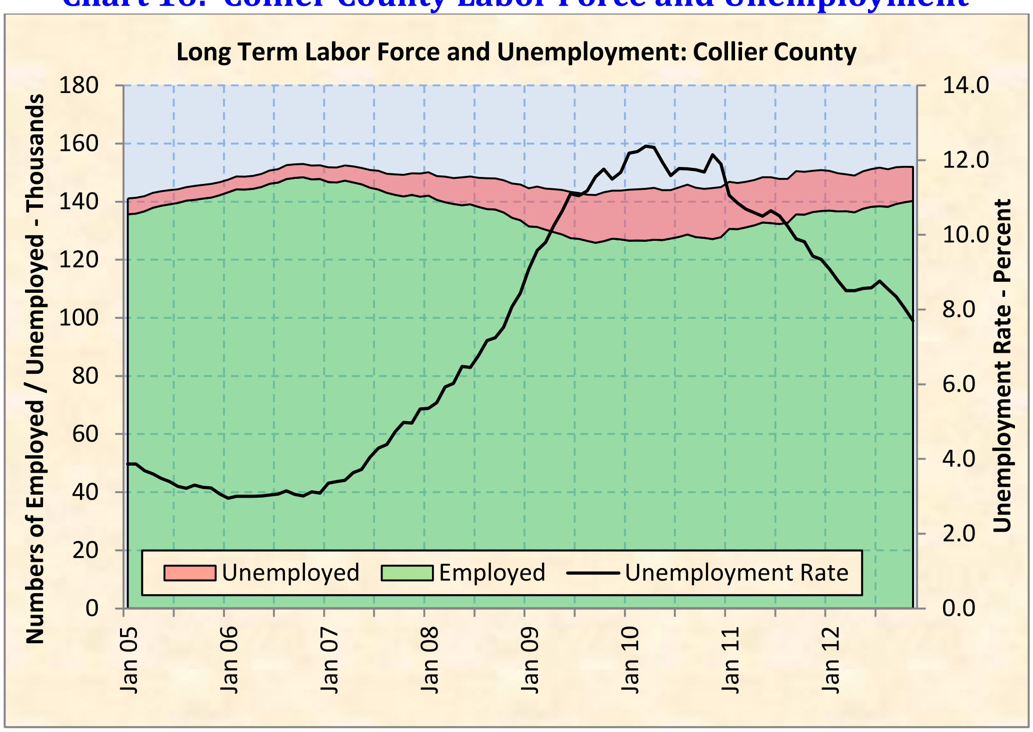
In November 2012, the seasonally-adjusted unemployment rate for the State of Florida dropped to 8.1 percent from the October 2012 figure of 8.5 percent; this amounted to a 2.0 percentage point decrease from the 10.1 percent of November 2011. The seasonally-adjusted national unemployment rate was 7.7 percent in November 2012, down 0.2 percentage points from October 2012, and 1.0 percentage point below the 8.7 percent reported for November 2011.

Chart 15: Lee County Labor Force and Unemployment



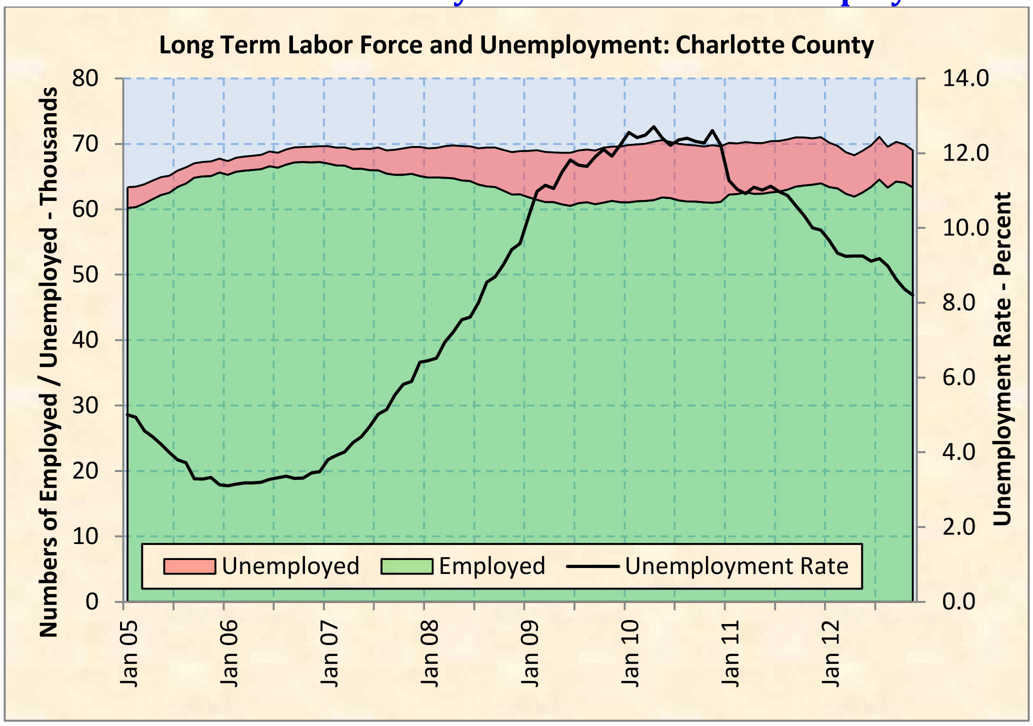
Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Chart 16: Collier County Labor Force and Unemployment



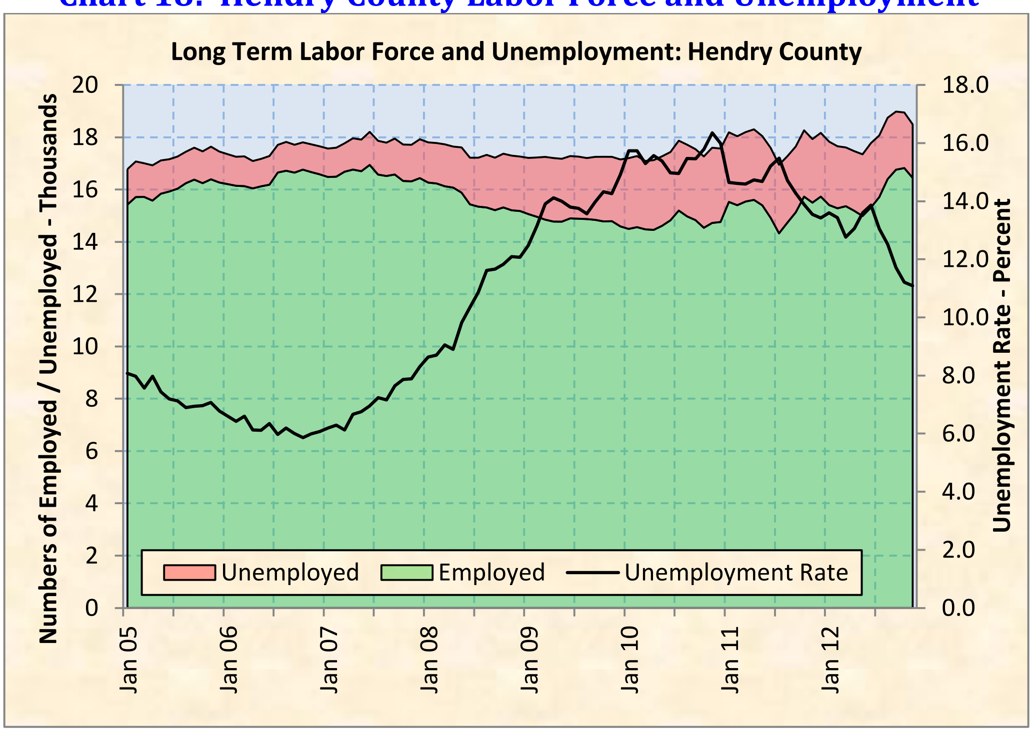
Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Chart 17: Charlotte County Labor Force and Unemployment



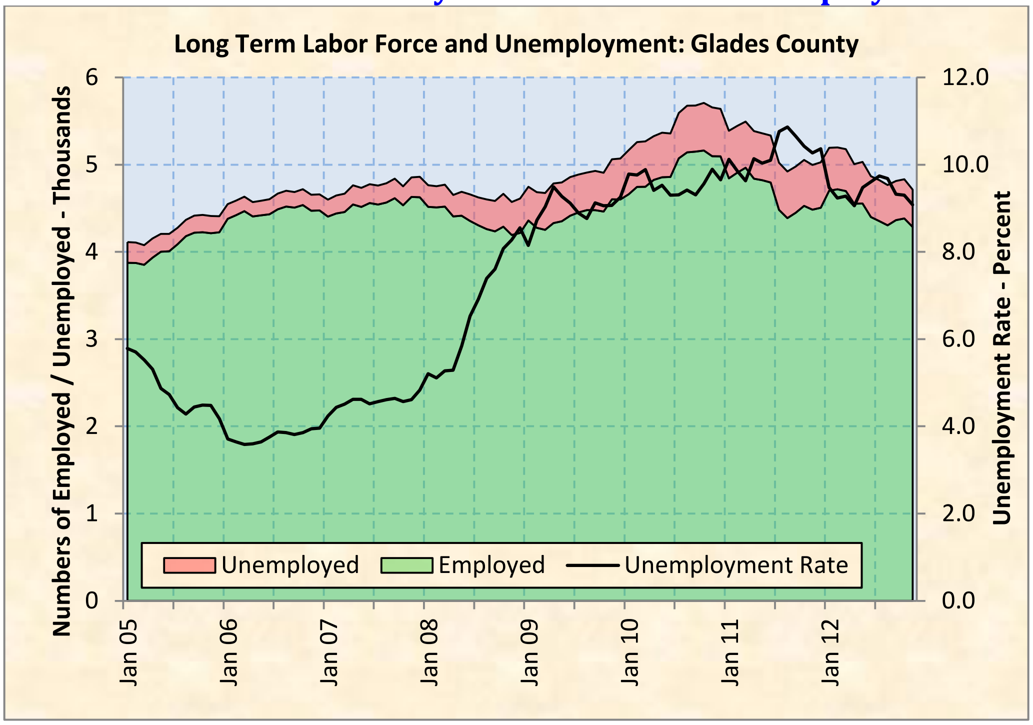
Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Chart 18: Hendry County Labor Force and Unemployment



Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Chart 19: Glades County Labor Force and Unemployment



Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Sales of Single–family Homes and Median Sales Prices

Charts 20 through 22 show the existing single-family home sales by a Realtor® for Lee, Collier, and Charlotte Counties. The line represents median price with the scale on the right side and the bars represent the number of homes sold with the scale on the left side.

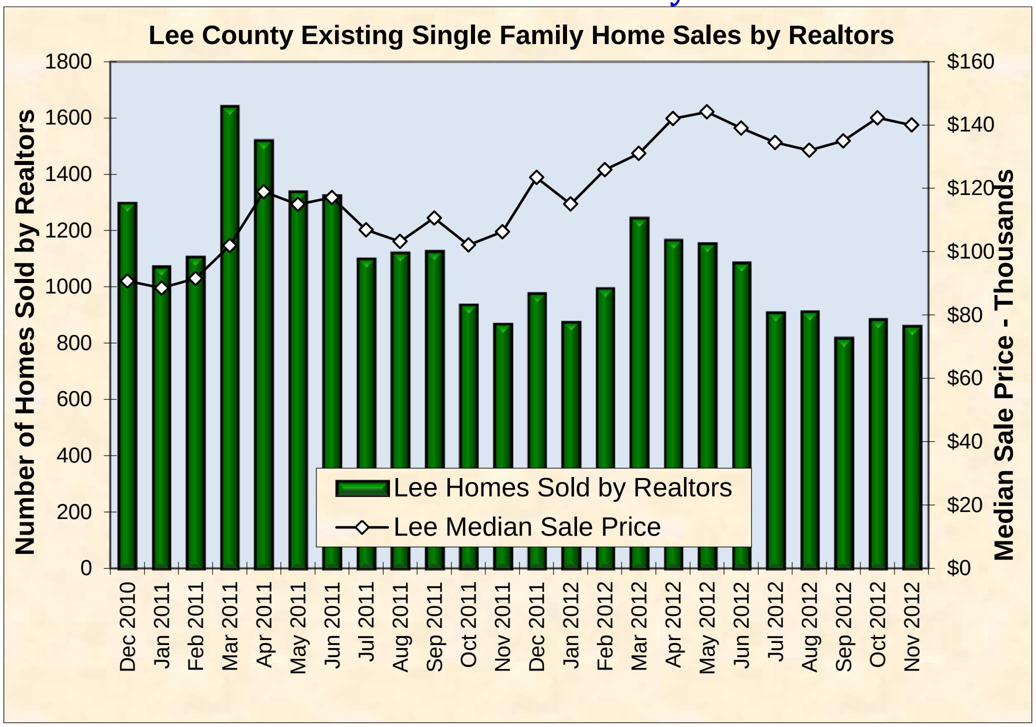
Combined sales of single-family homes in the coastal counties amounted to 1,427 units in November 2012, up three percent from November 2011, but down three percent from the October 2012 figure of 1,471. Median prices continued to show significant increases from November 2011.

Sales of 861 units were reported in Lee County in November 2012 at a median price of $140,000. Sales were down one percent from November 2011, but the median price rose from $106,300 over the same time period. In October 2012, 886 homes were sold with a median price of $142,250.

Collier County had 322 single-family home sales in November 2012, a 17-percent increase from November 2011 and six-percent above the October 2012 figure of 305. The median price rose to $261,000 in October 2012, compared to $179,000 in November 2011 and $235,000 in October 2012.

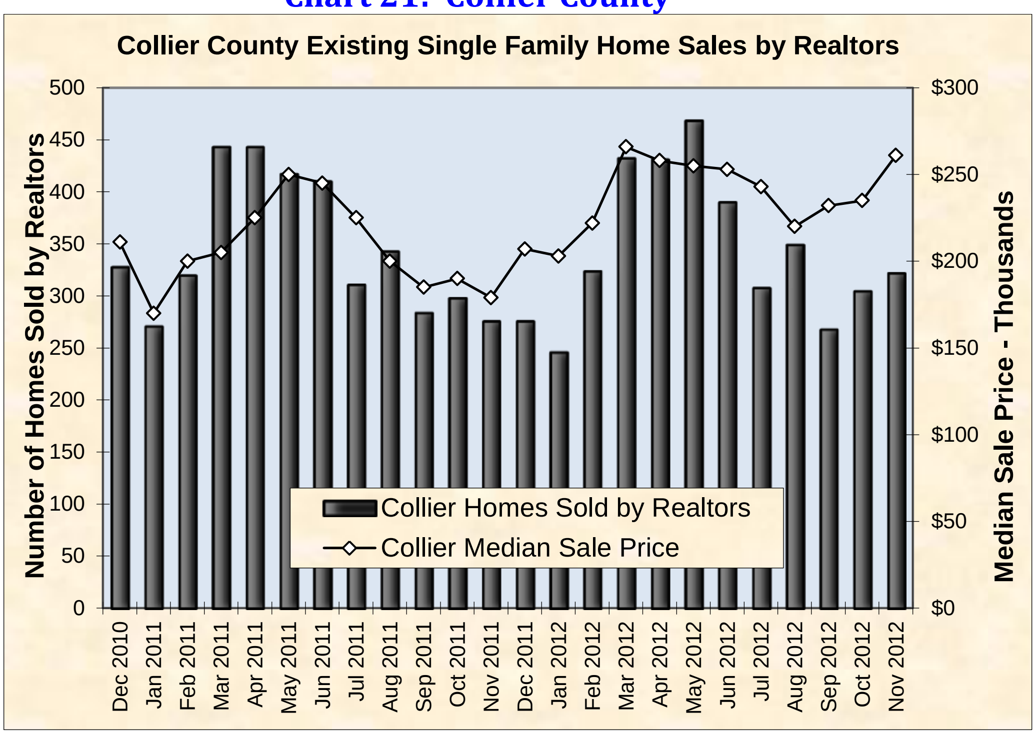
Charlotte County reported 244 single-family home sales in November 2012 at a median price of $125,750. Property sales for November 2012 were up two percent from 239 home sales in November 2011 at a median price of $102,600. November 2012 sales were 13-percent lower than October 2012, but increased from the October 2012 median price of $120,000.

Chart 20: Lee County



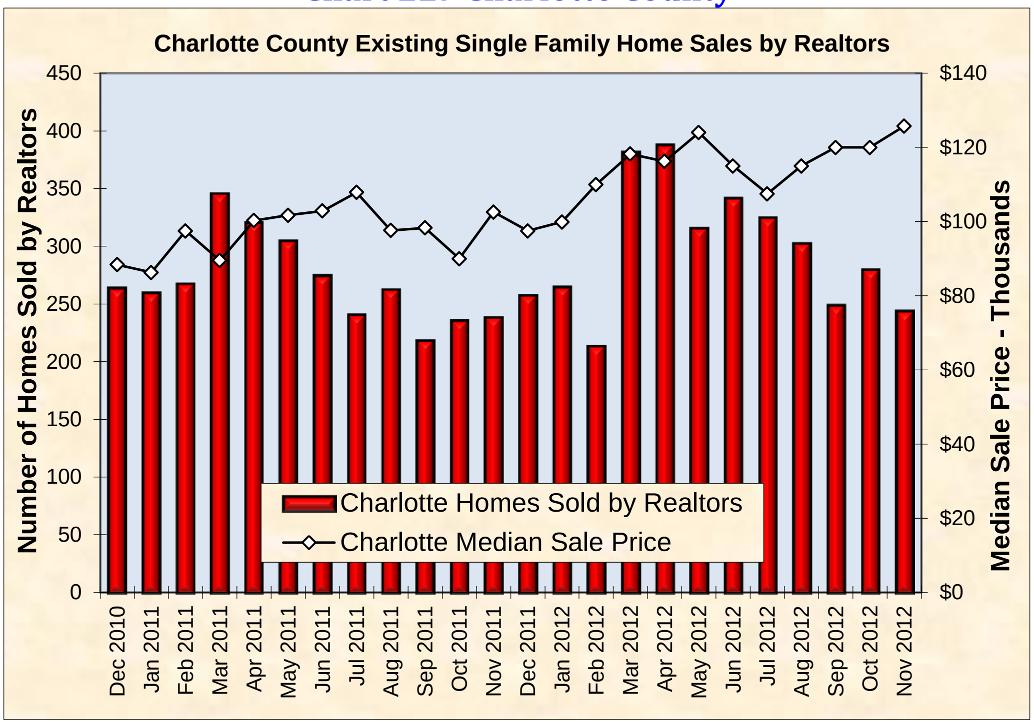
Source: Realtor Association of Greater Fort Myers and the Beach, Inc.

Chart 21: Collier County



Source: Naples Area Board of Realtors ® (NABOR) www.naplesarea.com

Chart 22: Charlotte County



Source: Florida Realtors ® Punta Gorda, Florida MSA ; http://media.living.net/statistics/statisticsfull.html

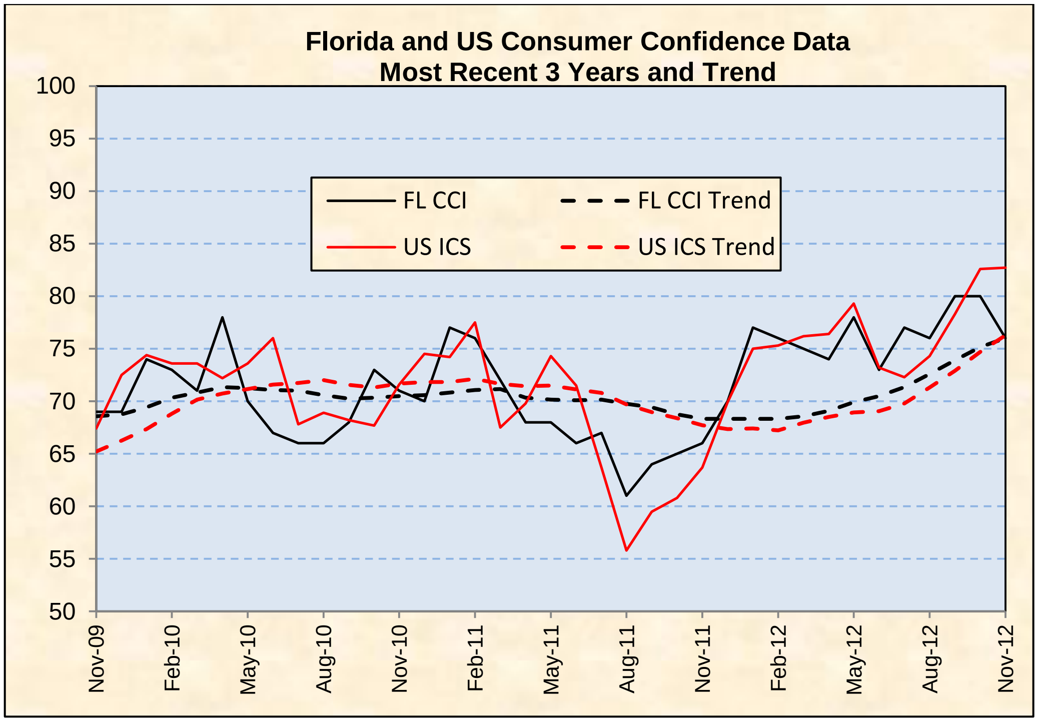
Consumer Confidence Index

Chart 23 shows monthly data for the last three years and 12-month moving average trend lines for both the Florida Consumer Confidence Index (“CCI”) reported by the University of Florida Bureau of Economic and Business Research (BEBR) and for the United States Index of Consumer Sentiment (“ICS”) reported by Thomson Reuters/University of Michigan.

The national ICS edged up to 82.7 in November 2012, representing a 0.1-point increase from October 2012, and 19 points higher than the November 2011 figure of 63.7. Survey Director Richard Curtin noted, “The gains in confidence ended in late November as consumers became more uncertain about when and how the fiscal cliff with be bridged. While they had anticipated a last-minute settlement, some consumers are beginning to doubt whether that will happen before higher tax rates take effect in January. While a resolution just before year-end could reverse any future spending declines, it would nonetheless diminish holiday spending. Moreover, consumers do not make a distinction between federal income and payroll taxes, so any settlement that excludes an extension of the payroll tax cut could reduce optimism starting in early January.”

The Florida Consumer Confidence Index for November was 76 compared to 80 in October 2012, up 10 points from 66 in November 2011. “We expected a decline in consumer confidence for two reasons,” said Chris McCarty, the Survey Director. “The main reason for the decline was the outcome of the elections. Florida was the most divided state in the country. No matter who won, half of the state was not going to be happy with the outcome. Given that most of the election revolved around economic issues, many [of] which will have immediate effects on Floridians, it was almost certain that confidence would decline. The other reason for the decline is the sudden burst of media coverage regarding the fiscal cliff. While some media outlets have been covering this since the beginning of the year, the set of tax increases and spending cuts due in January were not mentioned much by either party during the campaign. Now with the election over Floridians are hearing daily about the potential consequences."

Chart 23: Consumer Confidence Index

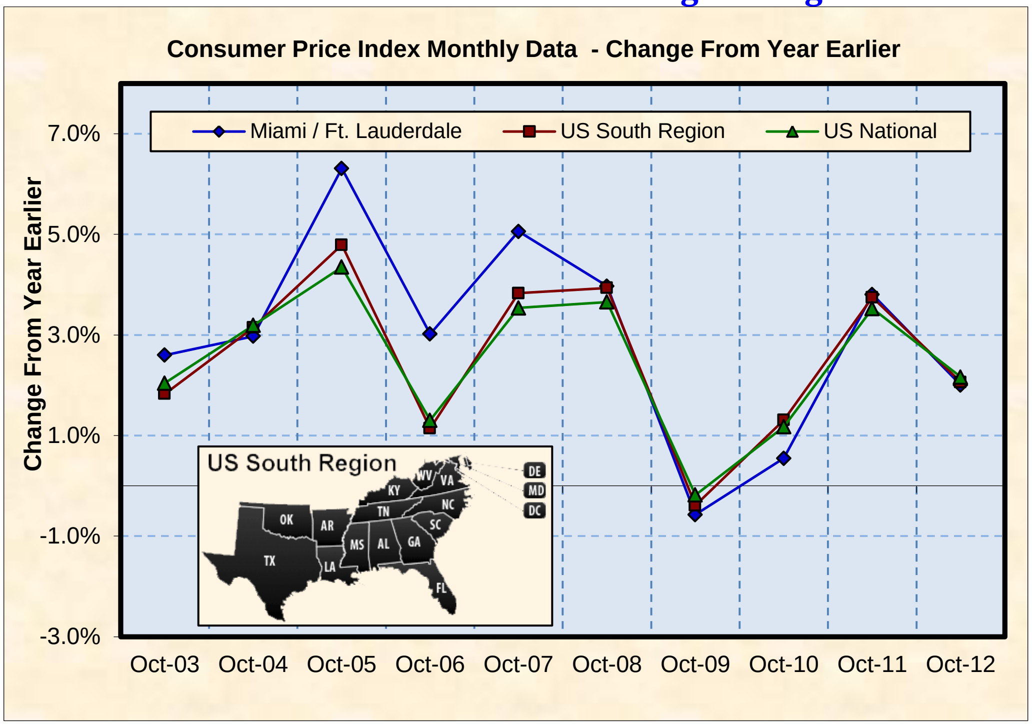


Source: Bureau of Economic and Business Research, University of Florida and Thompson Reuters/University of Michigan

Consumer Price Index

Year-to-year changes in the consumer price indices (CPI) for the Nation, the U.S. Southern Region, and the Miami-Ft. Lauderdale area are shown in Chart 24 through October 2012. The data shows continued moderate consumer price growth, with year to year increases of 2.2 percent for National CPI, 2.1 percent for the Southern Region CPI, and 2.0 percent for the Miami-Fort Lauderdale area CPI. The October to October growth rates are slightly above those of the August to August figures.

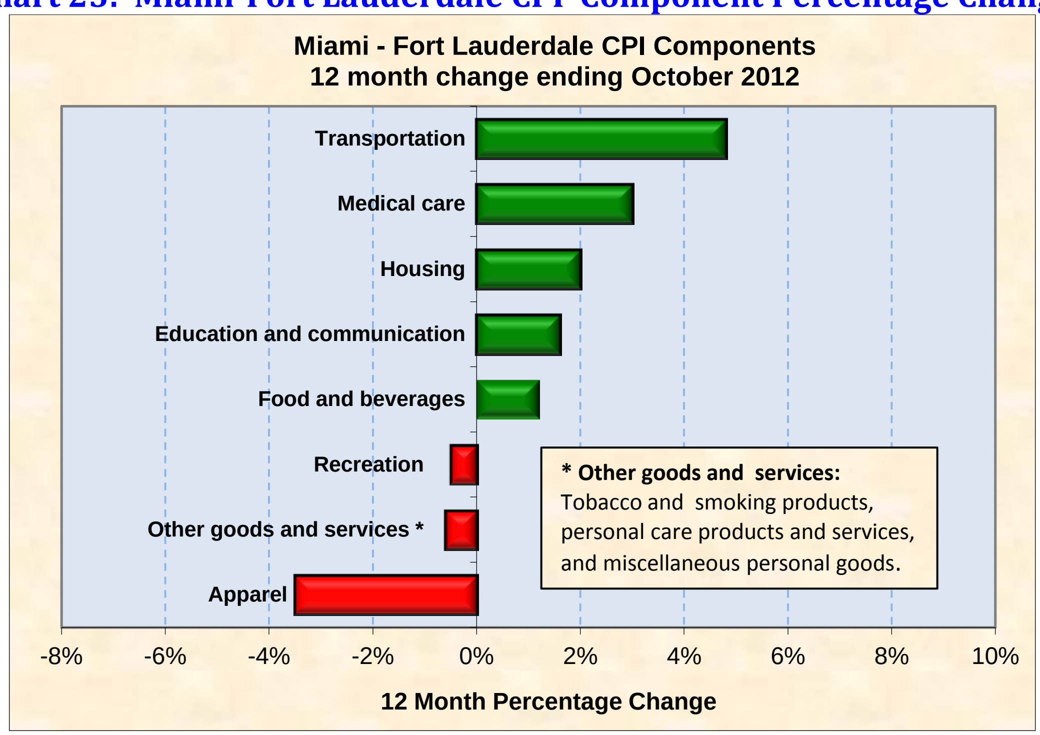
Chart 24: CPI Annual Percentage Change



Source: BLS

The components of the Miami-Fort Lauderdale Consumer Price Index for the 12 months ending October 2012 are shown in Chart 25. The largest increases were seen in transportation costs (up 4.8 percent), medical care (3.0 percent), and housing (2.0 percent). A notable decrease of 3.5 percent was seen in apparel costs.

Chart 25: Miami-Fort Lauderdale CPI Component Percentage Change



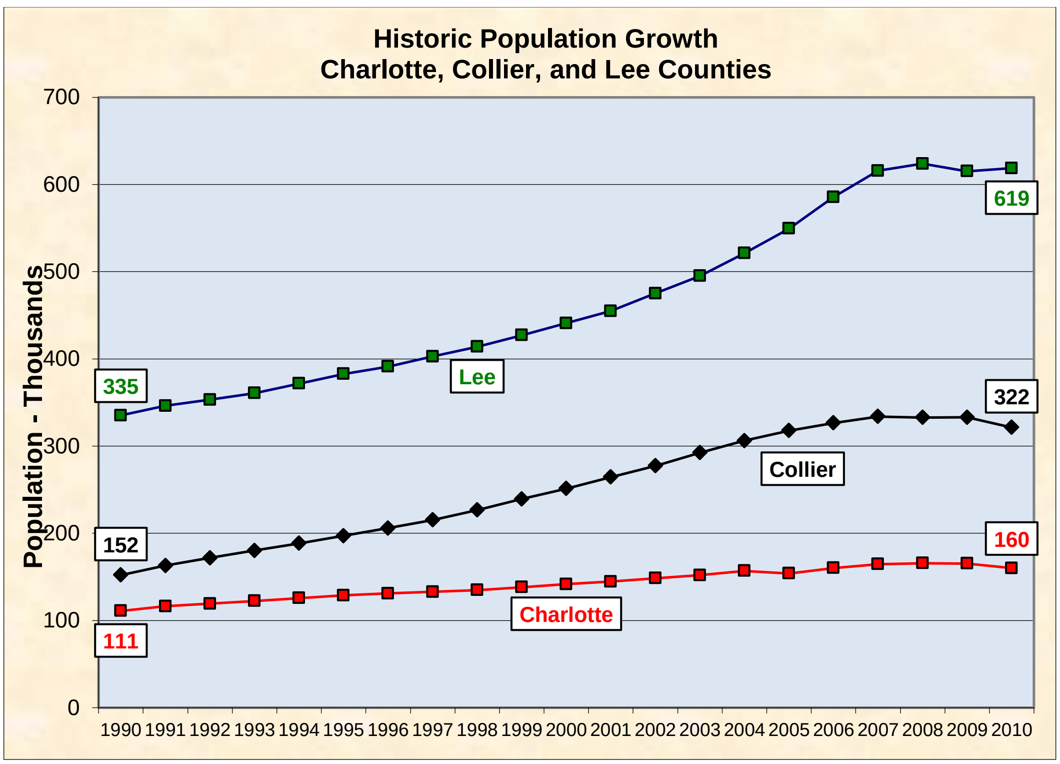
Source: BLS

Population

The following charts reflect the most recent county population forecasts released by the University of Florida's Bureau of Economic and Business Research (BEBR). Population growth from 1990 to 2010 is shown in Charts 26 and 27. Collier County grew at an average annual compound growth rate of 3.8 percent from 1990 to 2010. Lee County's population grew at an annual rate of 3.1 percent. Charlotte, Glades, and Hendry Counties had average annual rates of population growth between 1.8 and 2.7 percent per year.

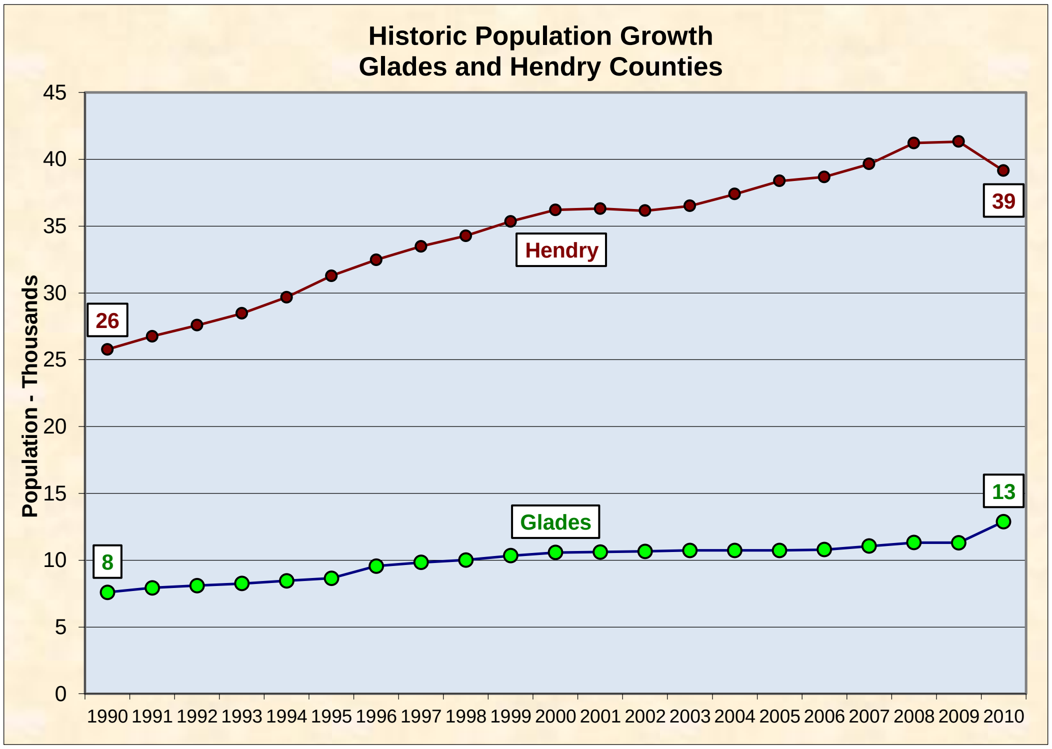
Chart 28 and its accompanying table show projected population increases from 2015 to 2040. These projections have been lowered slightly from those previously reported. However, the overall rate of regional growth still averages 1.6 percent per year for this period, resulting in a 30-year increase of 59 percent for the five-county region from 2010 to 2040.

Chart 26: Coastal Counties Growth 1990 to 2010



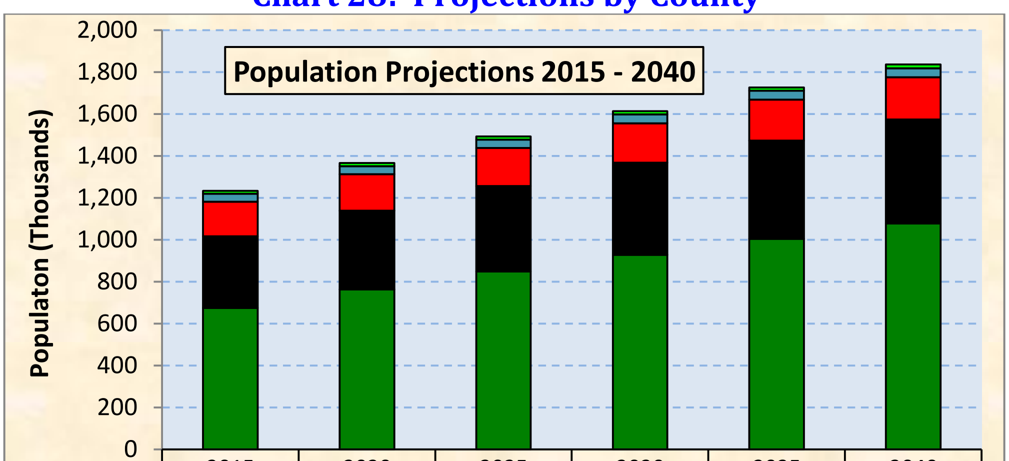
Source: Florida EDR: Florida Demographic Estimating Conference, January 2010 and the Florida Demographic Database, August 2010

Chart 27: Inland Counties Growth 1990 to 2010



Source: Florida EDR: Florida Demographic Estimating Conference, January 2010 and the Florida Demographic Database, August 2010

Chart 28: Projections by County



	2015	2020	2025	2030	2035	2040
Glades	13,286	14,135	14,953	15,723	16,442	17,127
Hendry	38,488	39,615	40,665	41,620	42,484	43,279
Charlotte	164,784	173,129	181,028	188,302	194,940	201,123
Collier	341,959	375,585	408,254	439,367	468,770	497,011
Lee	674,992	763,232	847,963	928,484	1,004,503	1,077,279

Source: Florida EDR: Florida Demographic Estimating Conference, January 2010 and the Florida Demographic Database, updated March 2012.