Southwest Florida Regional Economic Indicators

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Regional Economic Research Institute

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Introduction

The Federal Reserve System Open Market Committee decided to keep its federal funds rate target at two percent when they met on June 24-25, 2008. Inflation has become a much greater concern and the Fed Committee must weigh the need to keep long-term inflationary expectations grounded against the desire to boost economic growth. The stimulus packages and the various interest rate cuts that have been taken since September of last year will continue to impact the economy over the next year and are cumulative. The next Fed Committee meeting is planned for August 5, 2008, and I do not expect any change in interest rate target to be announced. It is likely that improvement in the overall economy and inflationary concerns will push the Fed Committee to begin raising interest rates late this year or early next year.

The Federal Reserve revised its economic projections upward in June increasing their (central tendency) projections for real GDP growth in 2008 to a slow growth range of 1.0 and 1.6 percent. This is followed by a more moderate range of growth in real GDP in 2009 and 2010 of 2.0 to 2.8 percent and 2.5 to 3.0 percent respectively. The national (central tendency) unemployment rate is projected to be between 5.5 and 5.7 percent in 2008 but there is still considerable uncertainty and the current national unemployment rate of 5.5 could rise over the summer months. The (central tendency) national unemployment rate projections for 2009 and 2010 remain in the 5.0 to 5.8 range with an expected path of slightly lower levels of unemployment. There will always be some unemployment as employers and employees take time to find each other. In addition, as technology changes and consumer demands for goods and services change, some jobs are lost and others are created which require new skills, so long-term unemployment rates are not expected to fall below 4.5 to 5.0 percent.

The Federal Reserve's Inflation projections for the personal consumption expenditures (PCE) price index have increased for 2008 to 3.8 to 4.2 percent. The forecast for 2009 has overall inflation moderating to a range of 2.0 to 2.3 percent and to 1.8 to 2.0 percent in 2010. Core inflation without energy and food is expected to remain moderately low at 2.2 to 2.4 percent for 2008 and falling to 2.0 to 2.2 in 2009. Core inflation is expected to fall further in 2010 to a range of 1.8 to 2.0 percent. The Federal Reserve System knows that it must keep public confidence in its ability to control the supply of money and ultimately the level of inflation in the long run.

Our regional economic indicator charts are showing the impact of the slowdown in the local economy in the form of lower retail sales, higher unemployment, lower levels of airport passenger traffic, and low permitting levels. Unemployment rose in June during the slower summer season and may rise further. This slowdown in the regional economy reflects lower housing and construction, lower durable goods sales, reduced investment levels, tighter credit requirements, sub-prime loan issues, lower consumer confidence, and higher oil prices.

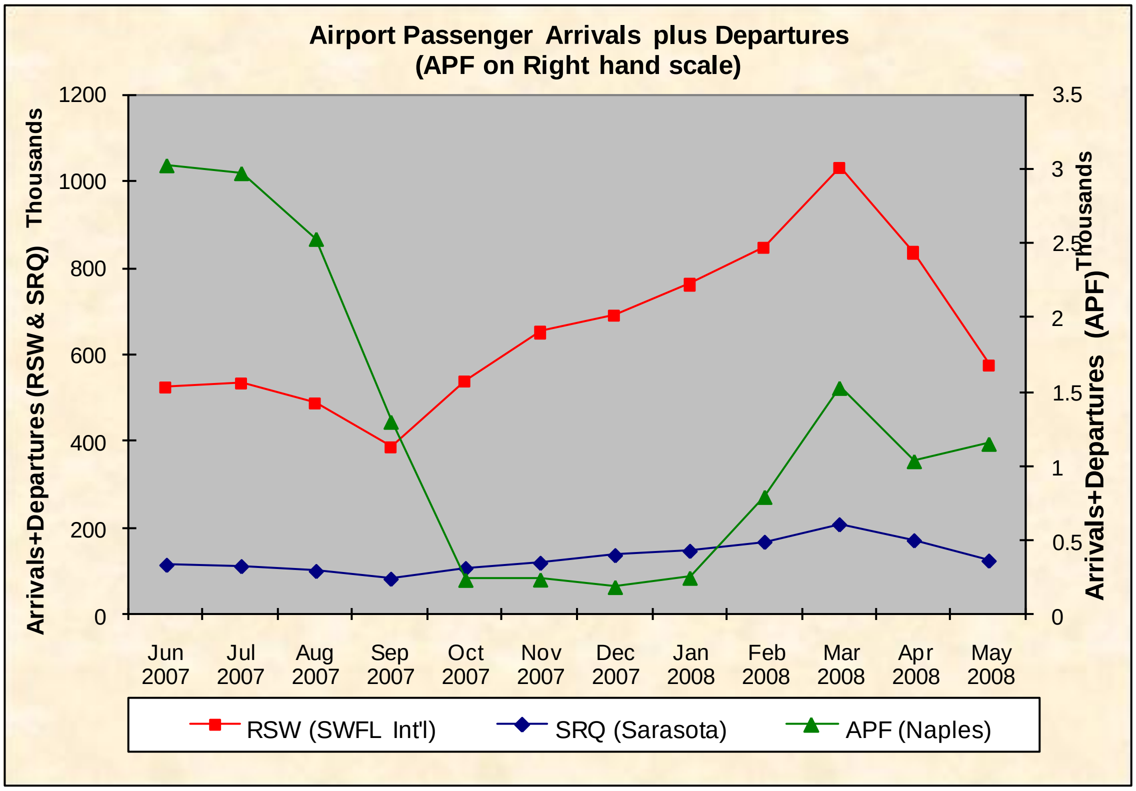
The Regional Economic Research Institute (RERI) is continuing to develop the regional economic database and this report as a way to support its mission and assist the region. I have added a preview of the Miami-Fort Lauderdale CPI measure to the consumer price index section of this month's report, given the importance of inflation and will expand its coverage in future reports. The Institute thanks its many partners for assistance in obtaining the data, including the Southwest Florida Regional Planning Council, the Economic Development Organizations of Charlotte, Collier, and Lee Counties, and the county and city permit offices.

Airport Activity

Airport passenger activity is defined as the sum of arrivals and departures. Chart 1 illustrates the monthly seasonality of airport passenger traffic. Passenger numbers for Regional Southwest Florida (RSW) and Sarasota (SRQ) are shown on the left vertical axis and the numbers for Naples airport (AFP) are shown on the right vertical axis. Peak activity months are February, March and April during the winter season. Significantly lower activity takes place in the summer months, especially the period June to September.

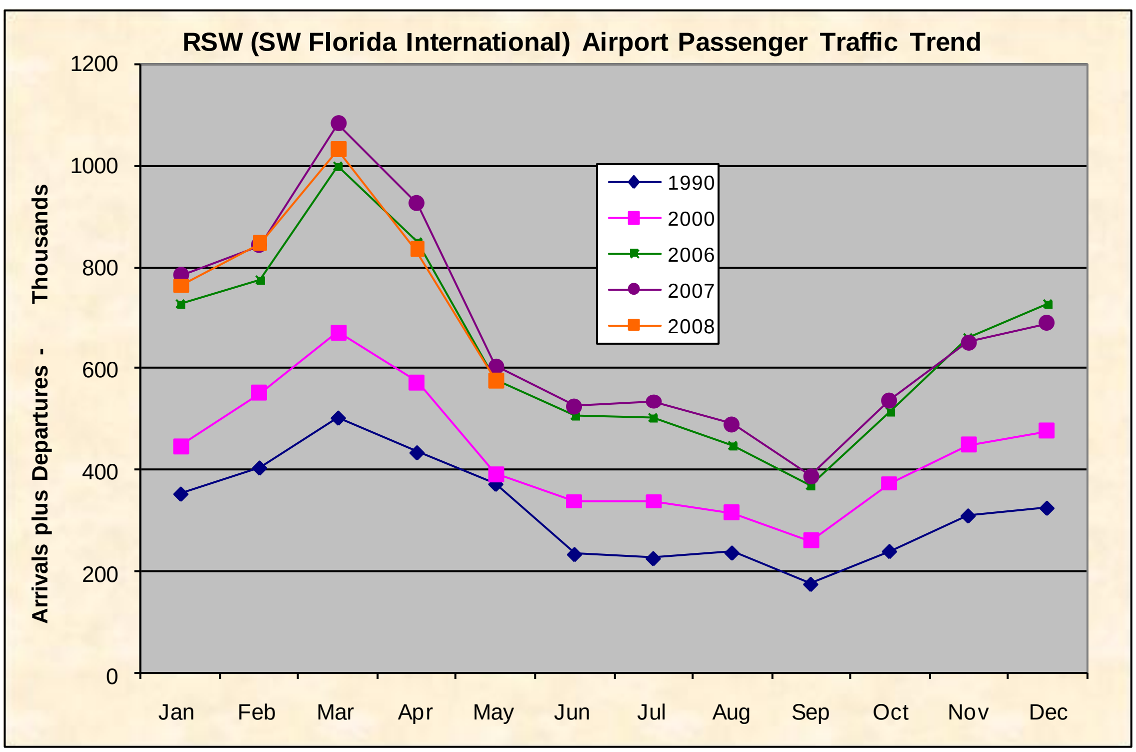
Regional Southwest Florida (RSW) airport located in Lee County is ranked as one of the fifty busiest airports in the nation. The 2008 passenger activity peaked in March at 1,030,151 as expected and the passenger activity levels will fall over the slower summer months. The May 2008 passenger level was 576,143 which is approximately 31 percent below the April 2008 level, as shown in Chart 1. The May 2008 level was approximately five percent below the May 2007 level, reflecting the slowdown in the regional and national economy and the impact of higher fuel and ticket prices. Sarasota (SRQ) passenger activity was 123,530 in May 2008 or approximately four percent lower than May 2007, as shown in Chart 3. Naples activity in May 2008 was 1,149, up from 1,032 in April 2008.

Chart 1: Regional Airport Arrivals and Departures



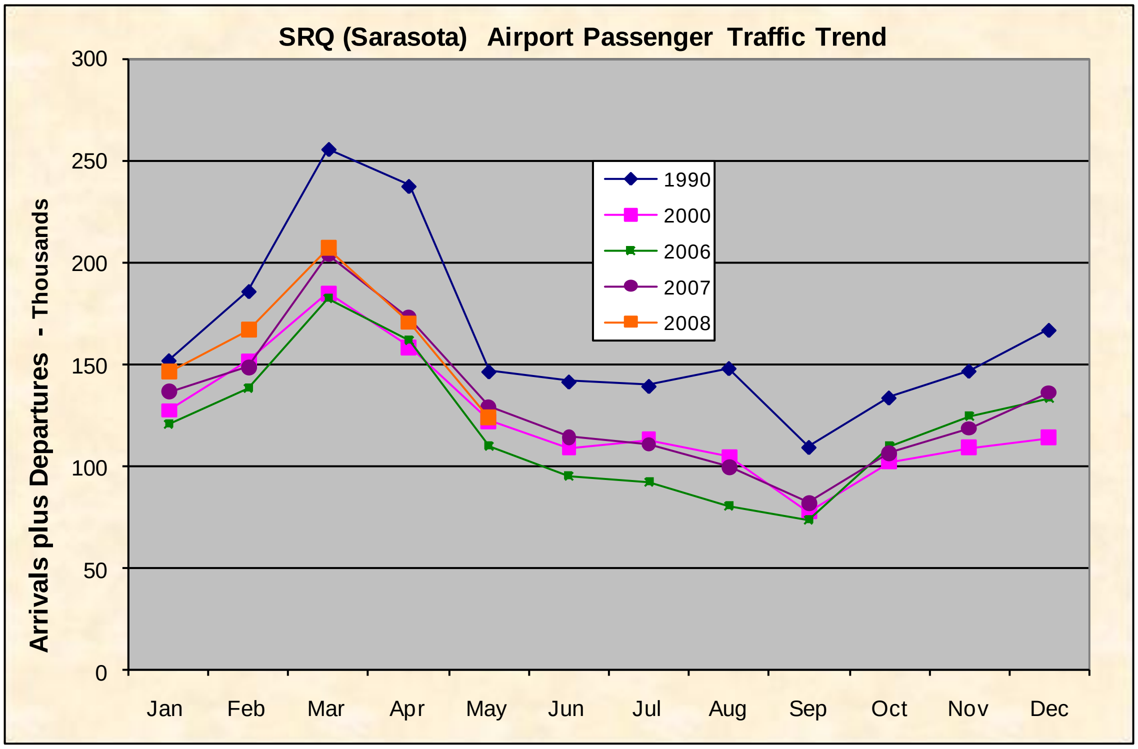
Source: Local Airport Authorities

Chart 2: RSW Traffic Trend



Source: Local Airport Authorities

Chart 3: Sarasota Airport Traffic Trend

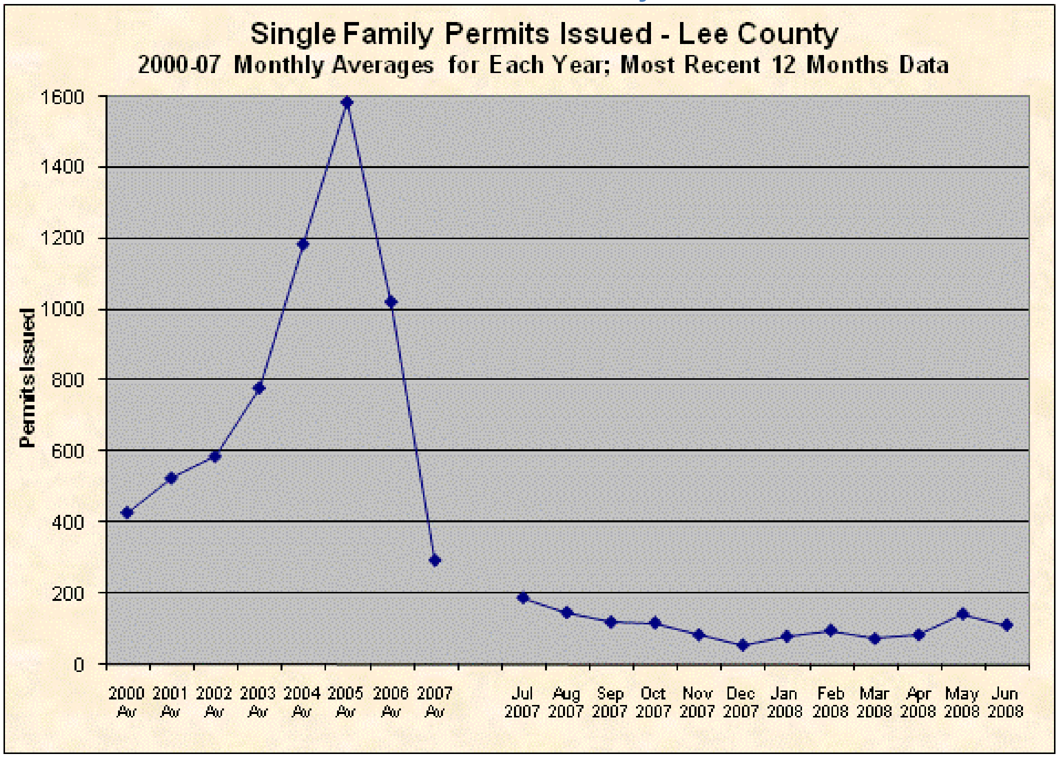


Source: Local Airport Authorities

Single-Family Building Permits

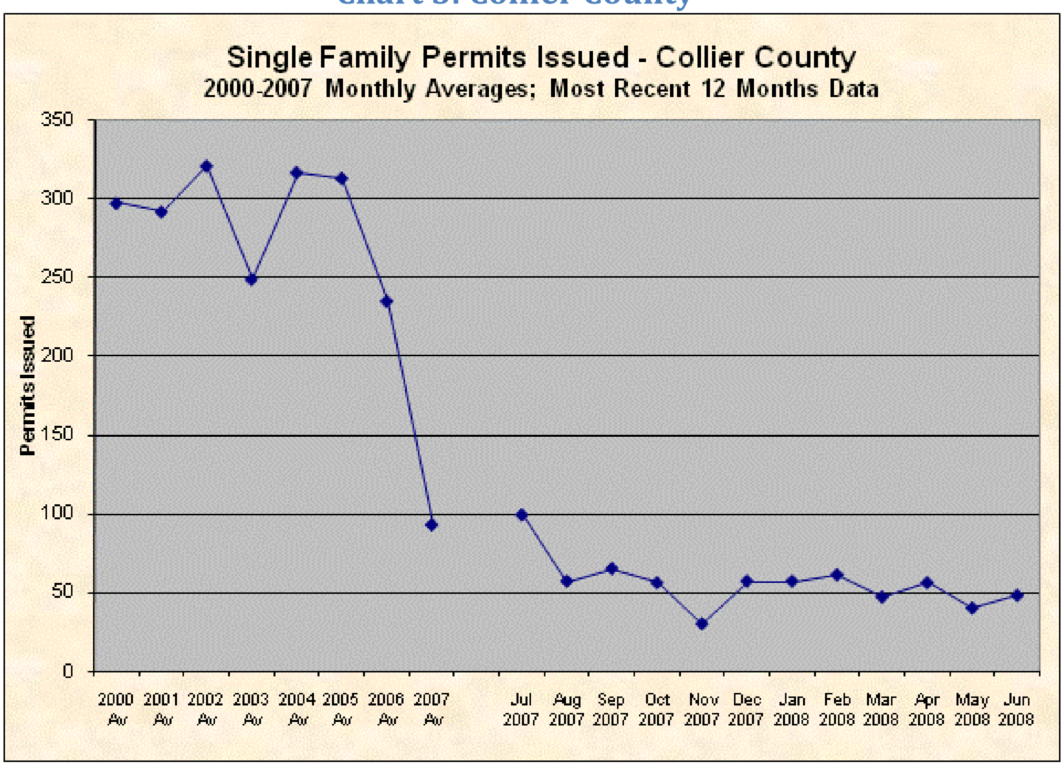
In June of 2008, permitting in Lee County (see Chart 4) remains low, falling to 113 permits from 144 in May. The new June number lies well below the June figure from one year ago of 547. Single-family permits for Collier County increased slightly in June. The increase from 40 to 48 permits (see Chart 5). This increase is well below the figure from one year ago of 128 permits for Collier County. In Charlotte County, permitting fell from 57 in May to 43 for the month of June, as illustrated in Chart 6.

Chart 4: Lee County



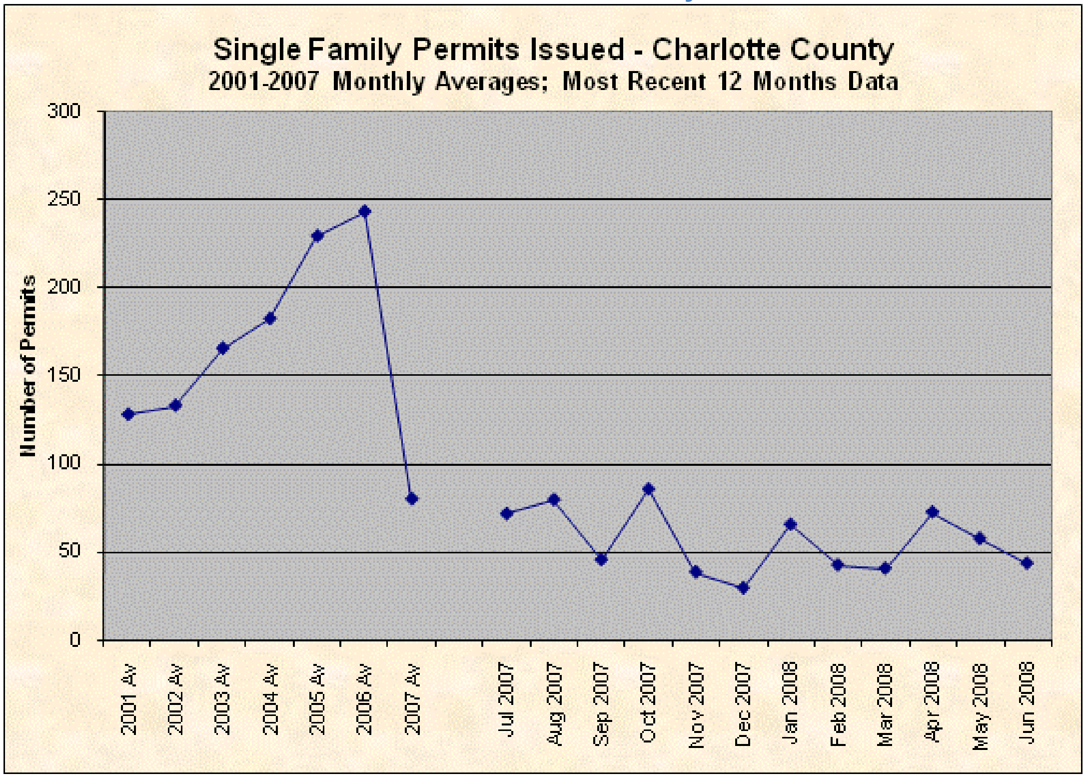
Source: Local Building and Zoning Departments, including Fort Myers, Cape Coral, and Unincorporated Lee County, Bonita Springs and Fort Myers Beach permits.

Chart 5: Collier County



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

Chart 6: Charlotte County

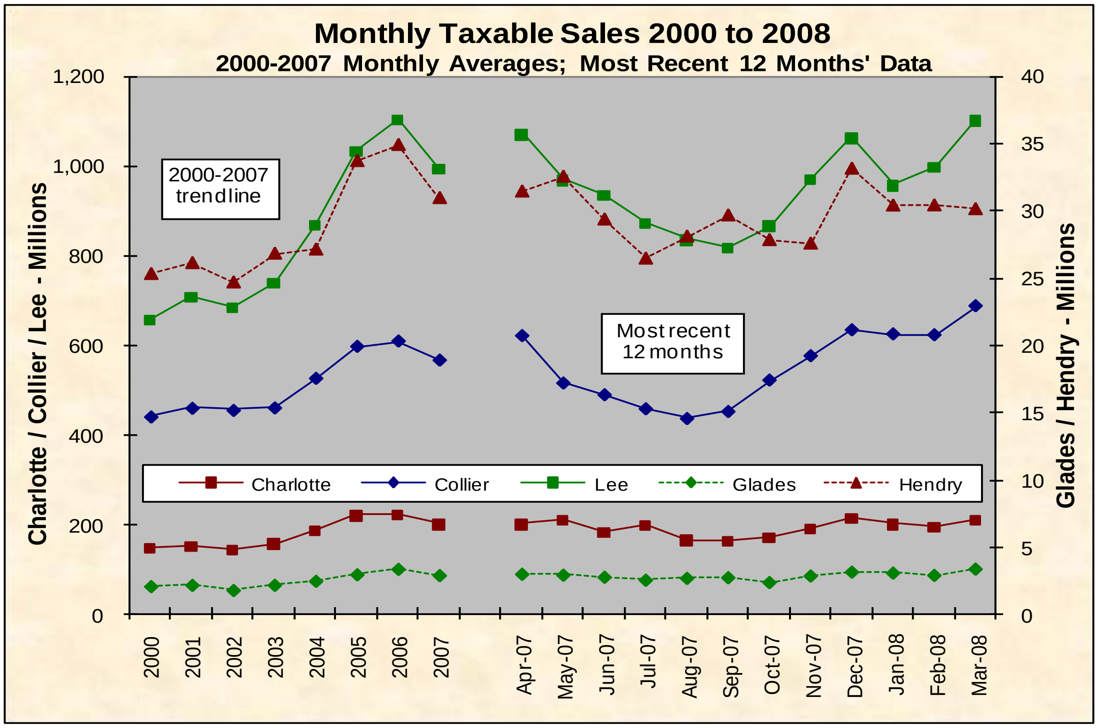


Source: Local Building and Zoning Departments, includes unincorporated Charlotte County permits only.

Taxable Sales:

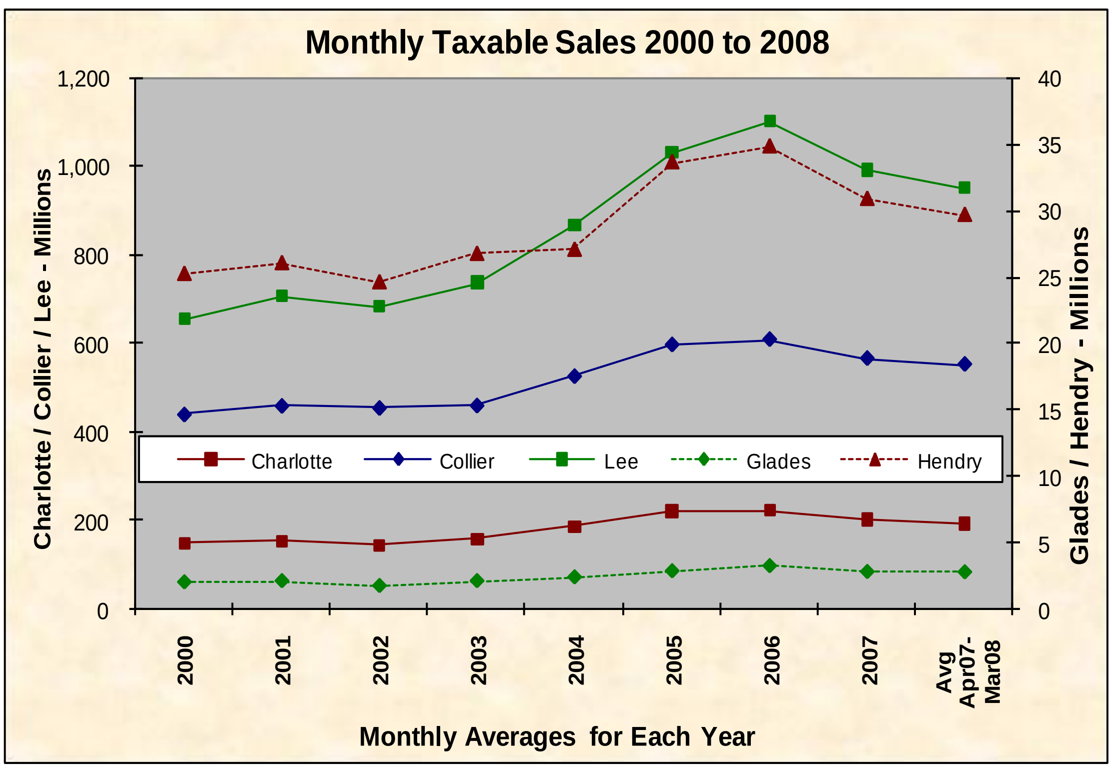
Taxable sales are reported by the Florida Department of Revenue. We have adjusted the taxable sales charts to show month of collection rather than the reporting month that is issued by the Florida Department of Revenue. This makes March the latest collection month plotted on the following charts. The taxable sales figures are used to track consumer spending, an important component of the regional economy. Chart 7 provides a historical range of average monthly taxable sales for 2000 to 2007 plus the latest 12 months of taxable sales by county. Each county saw taxable sales rise from February to March 2008 as expected, except Hendry County, which saw a small decline. The average monthly taxable sales for 2000 to 2007 are compared to the average monthly taxable sales for the latest 12 months in Chart 8. This chart shows average monthly taxable sales peaking in 2006 and declining in 2007 as well as for the latest 12 reporting months. Chart 9 shows the decline in taxable sales by month from the same month a year earlier for Lee County. Note that the reductions began in December 2006 and grew more negative beginning in April 2007. Lee County taxable sales declined 14.5 percent from March 2007 to March 2008. Taxable sales from March 2007 to March 2008 have declined 11.8 percent in Charlotte County, 9.0 percent in Collier, 19.4 percent in Hendry, and 0.5 percent in Glades County.

Chart 7: Regional Taxable Sales



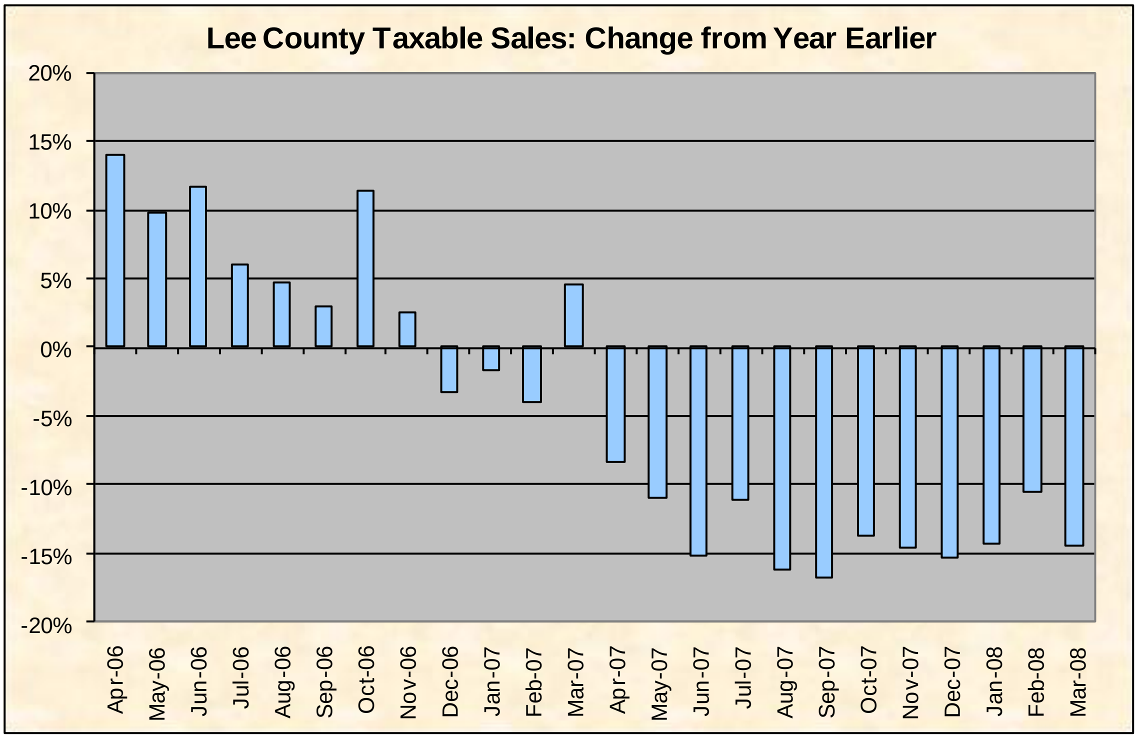
Source: Florida Department of Tax Research

Chart 8: Regional Average Monthly Taxable Sales



Source: Florida Department of Tax Research

Chart 9: Lee County Taxable Sales

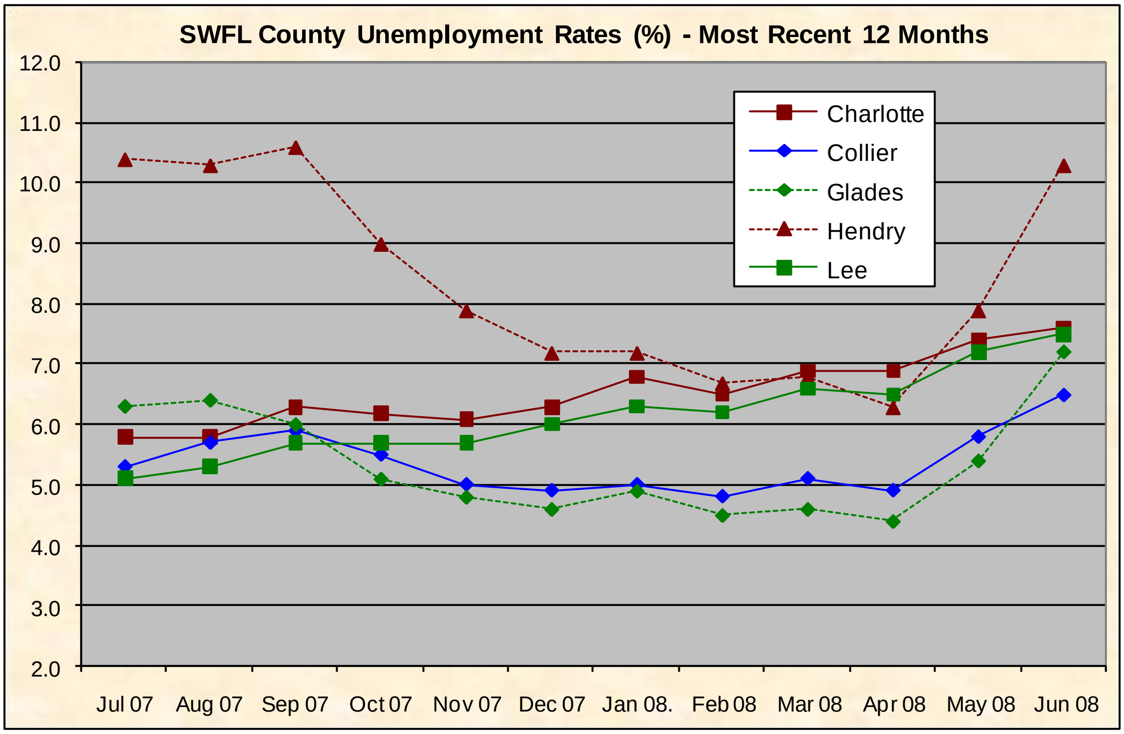


Source: Florida Department of Tax Research

Workforce – Unemployment

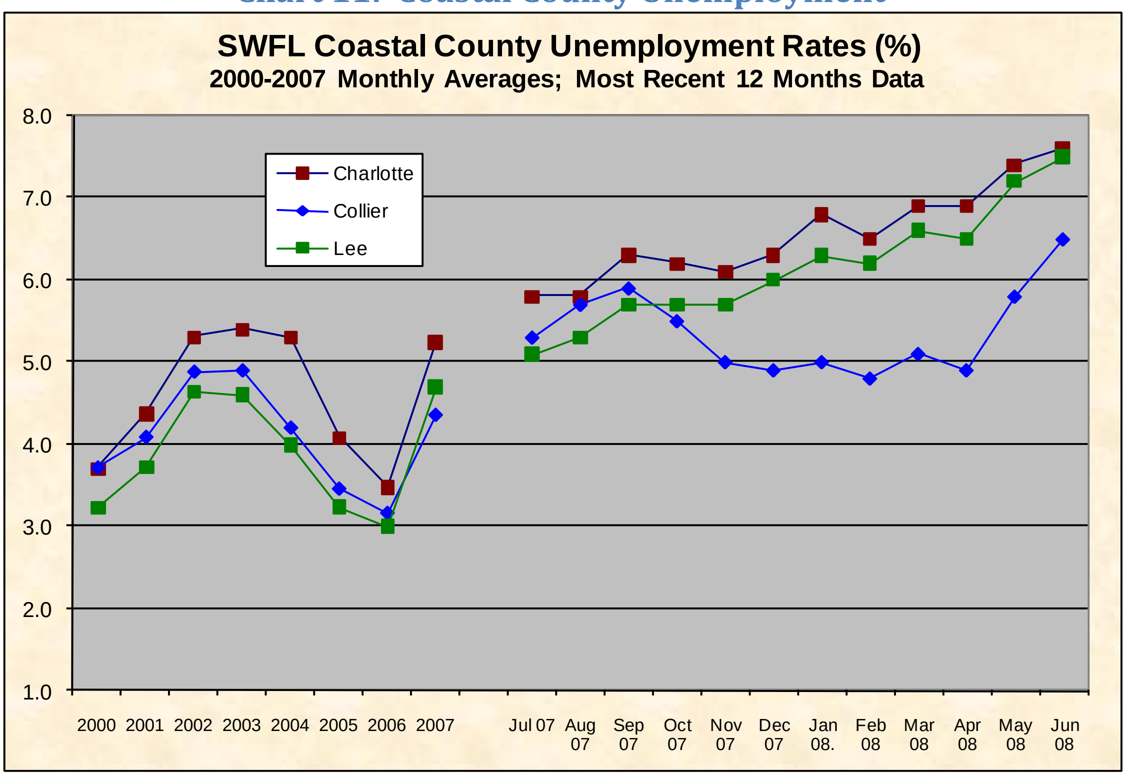
Unemployment rose significantly across the region in June of 2008, as shown in Chart 10. The increases are due to the slower summer season at a time of slow national and regional economic growth. The national unemployment rate remained unchanged in June at 5.5 percent. Charlotte County unemployment rose to 7.6 percent in June from 7.4 percent in May. Collier County unemployment rose to 6.5 percent from 5.8 percent in May. Lee County saw the unemployment rate increase from 7.2 percent in May to 7.5 percent in June. Hendry County unemployment rose to 10.3 percent in June compared to 7.9 percent in May. Glades County unemployment rose to 7.2 percent in June up from 5.4 percent in May. Charts 11 and 12 show the unemployment rates for the coastal and inland counties for our region and provide a longer term historical perspective of unemployment rates from 2000 to 2007. Unemployment rates above 5.0 percent reflect cyclical unemployment and a slowdown of the economy from long-run trends. Our region has been hit particularly hard due to the dependence on housing and construction in general.

Chart 10: Regional Unemployment



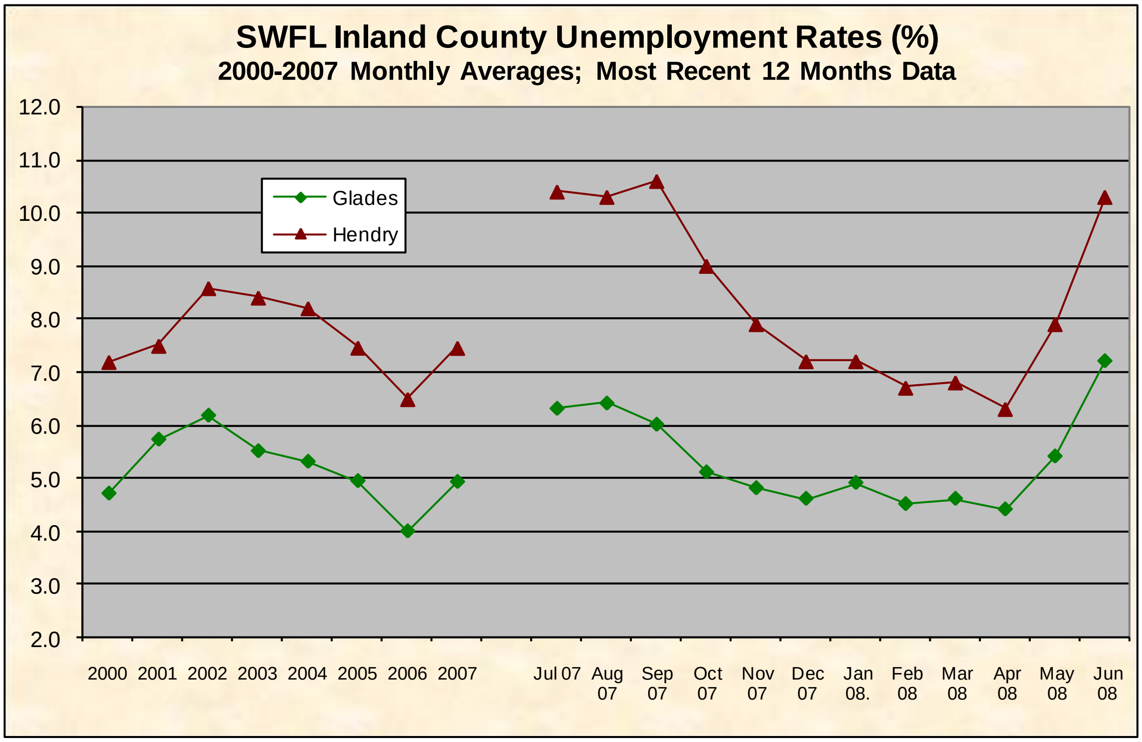
Source; AWI

Chart 11: Coastal County Unemployment



Source AWI

Chart 12: Inland County Unemployment

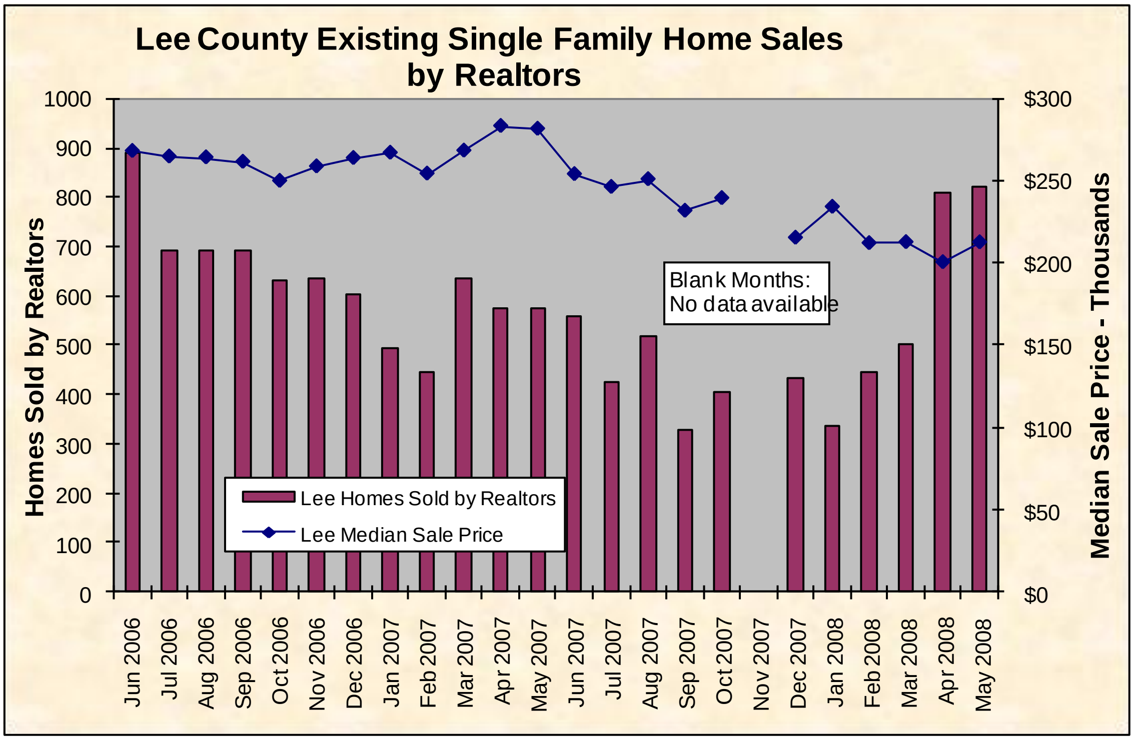


Source AWI

Sales of Single – Family Existing Homes and Median Sales Price

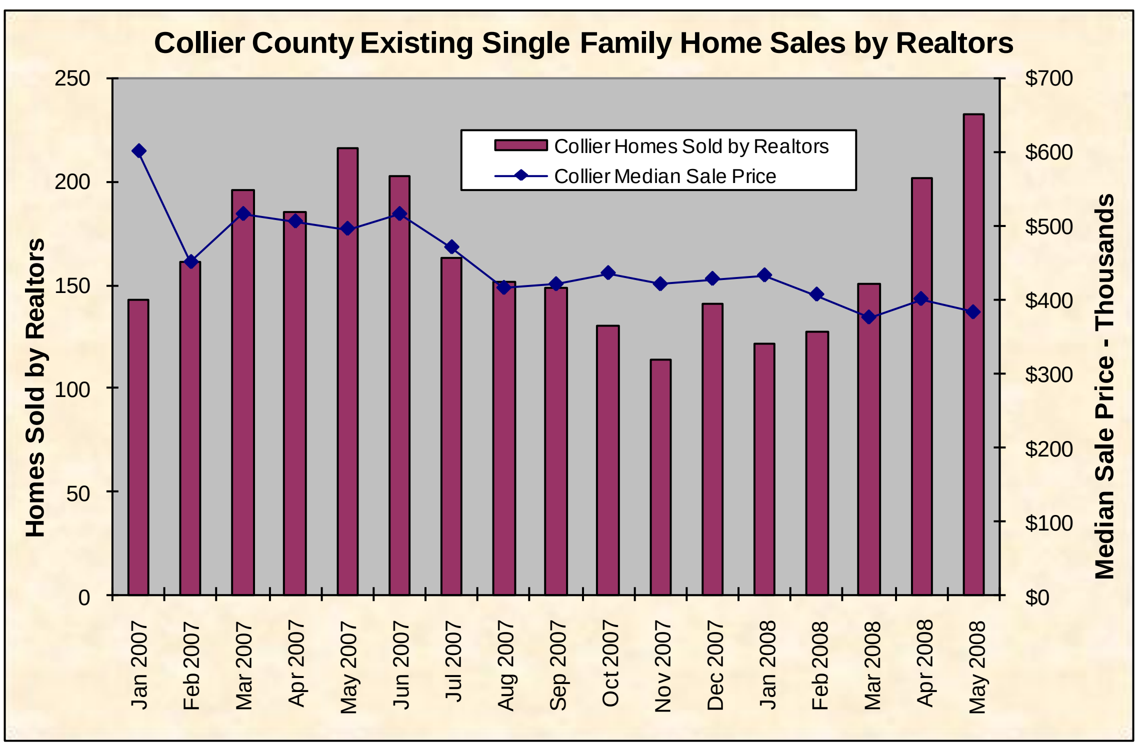
The number of existing single-family homes sold by Realtors increased slightly in May 2008 when compared to April 2008. Lee County sales increased from 809 in April to 823 in May, as shown in Chart 13. The median sales price for Lee County increased from $200,300 to $212,400. Collier County sales increased from 202 in April to 233 in May with the median price falling from $400,000 to $382,000. Charlotte County sales increased from 268 in April to 292 in May with the median sales price rising from $143,400 to $154,600.

Chart 13: Lee County



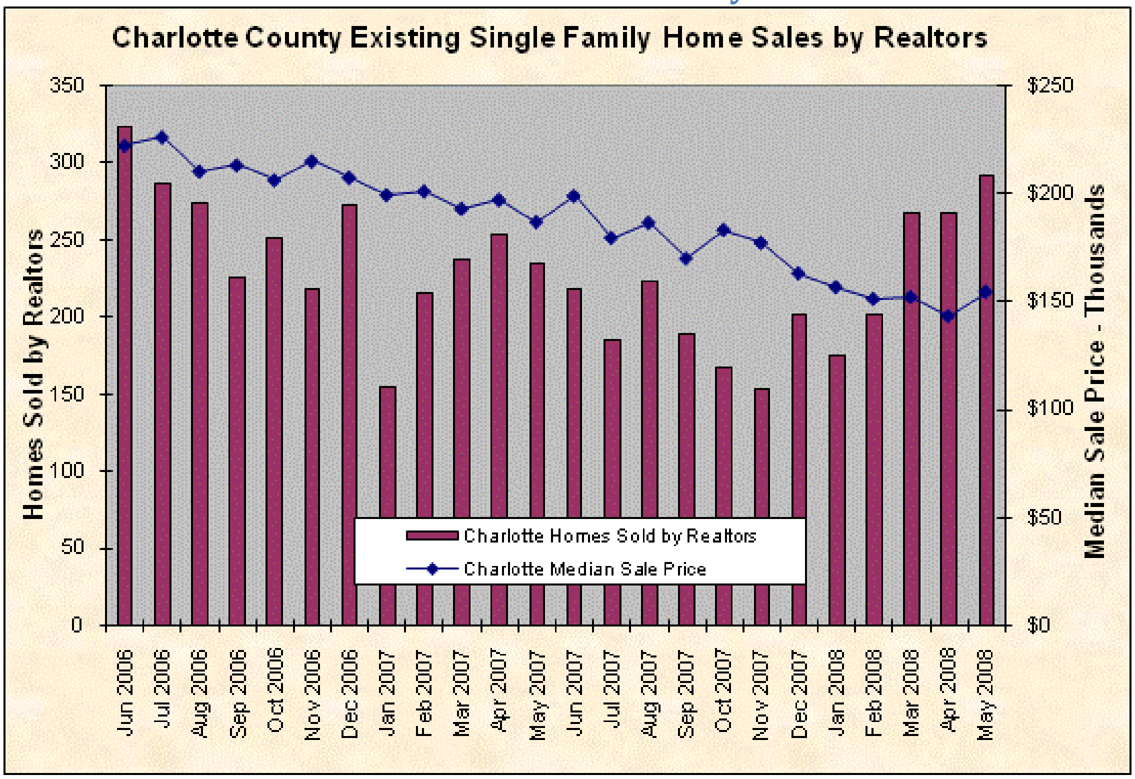
Source: Florida Association of Realtors ® Fort Myers – Cape Coral MSA http://media.living.net/statistics/statisticsfull.html

Chart 14: Collier County



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

Chart 15: Charlotte County



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

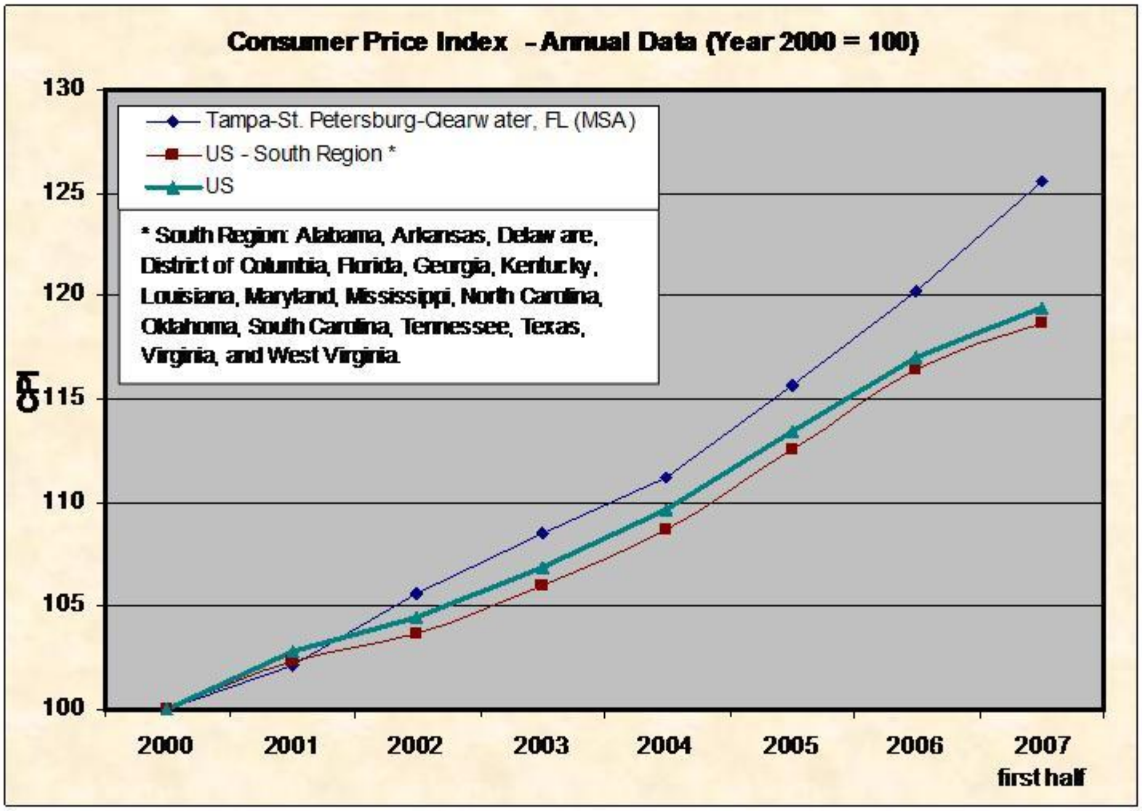
Consumer Price Index

The Bureau of Labor Statistics (BLS) collects data monthly on the cost of a fixed basket of consumer goods at the national and regional levels, but only every six months at certain locations such as the greater Tampa area. Chart 16 provides a summary of the changes observed since 2000. Several trends are of interest. First, consumer prices in the Southern region of the United States are less than the national price level for the period from 2000 to the first half of 2007. Secondly, the Tampa/St. Petersburg consumer prices have increased at a faster rate than the nation. There is also CPI data for the Miami-Fort Lauderdale area that is collected every two months. For the last 12 months ending in June 2008, the CPI for Miami-Fort Lauderdale has increased by 5.8 percent. There is concern that higher inflationary expectations may drive up future prices, costs, and wages. The overall Miami-Fort Lauderdale CPI index for the last 12 months ending June 2008 can be broken down into the following component parts:

- Food and beverages rose 5.7 percent;
- Housing rose 4.2 percent;
- Apparel fell 1.2 percent;
- Transportation rose 12.7 percent with motor fuel costs rising 34.3 percent;
- Medical care rose 4.8 percent;
- Recreation rose 4.7 percent;
- Education and communication rose 0.9 percent; and
- Other goods and services rose 7.0 percent.

Food and energy costs have risen very quickly creating a supply shock to the economy. The hope is that the core inflation (without food and energy) will remain low and that food and energy prices will moderate. The slowdown in the economy is expected to help moderate overall wage and price increases.

Chart 16: CPI



Source: BLS

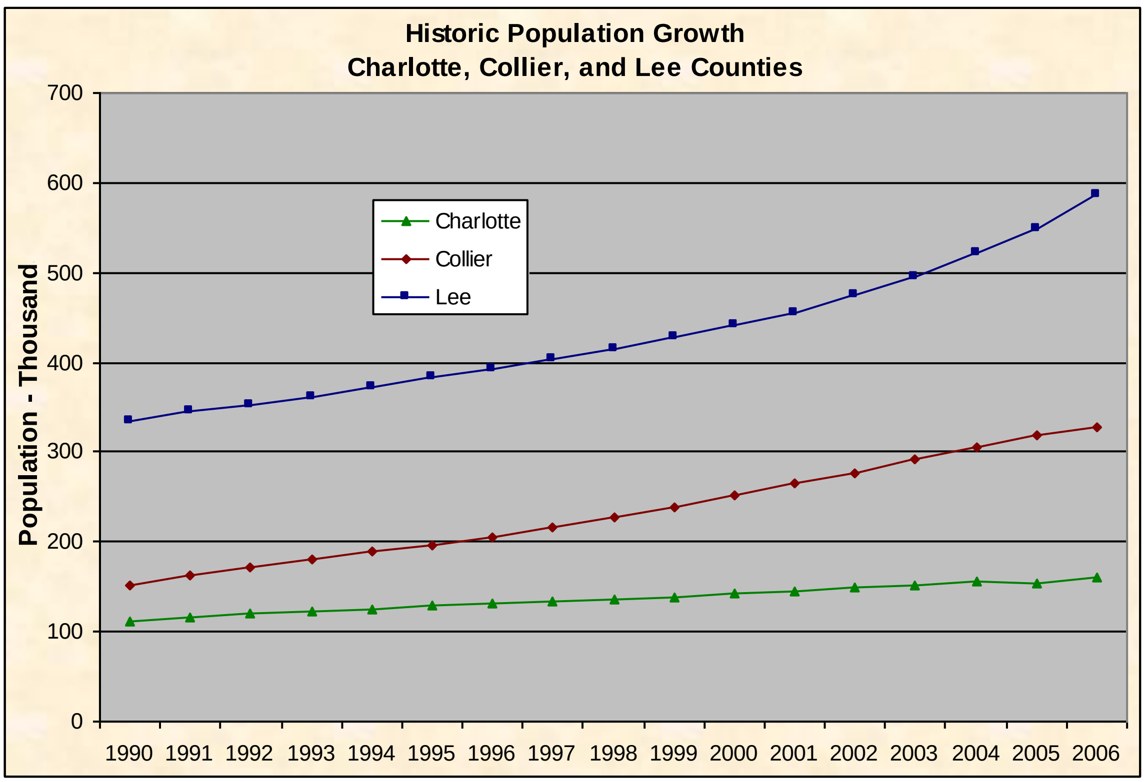
Population

A Florida Demographic Estimating Conference was held and the new official population forecasts were released in late August 2007 and are expected to be updated this summer. Charts 17 and 18 show the historic population growth from 1990 to 2006. Charlotte County saw significant population growth between 1990 and 2006. Collier County grew at an even faster rate from 1990 to 2006 and Lee County doubled its population from 1990 to 2006. As indicated in Chart 17, Glades and Hendry Counties have had lower rates of population growth. Table 1 and Chart 19 show the projected population increases for 2007 to 2030. Charts 20 through 22 provide the regional percentages of population by County for the years 1990, 2006, and 2030.

After evaluating the demographic data above, it is clear that we have experienced tremendous growth over the past 30 years and all signs point to the continued long-term growth of the area. Having said that, the growth will not be as large due to a number of factors such as:

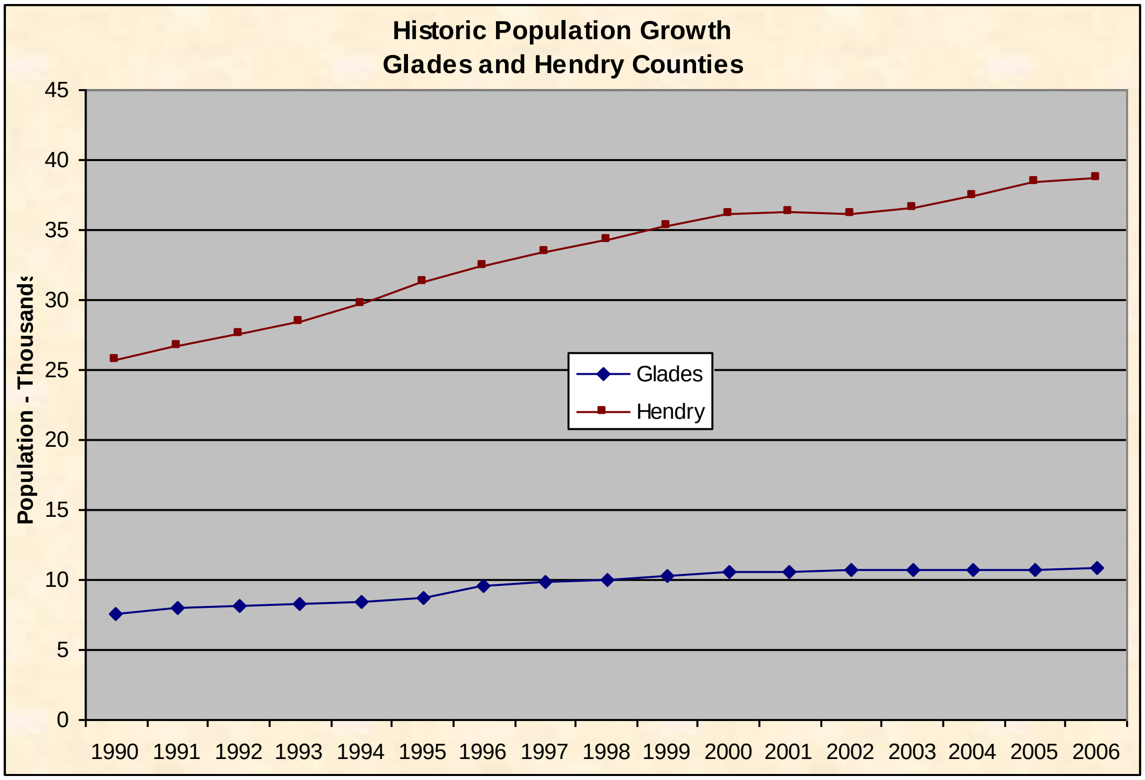
- **Build-out** – suitable land for construction has become scarce
- **Restrictions** – building codes and hurricane restrictions may limit the expansion of some areas
- **Costs** – both the conversion of land and construction costs continue to escalate as well as insurance costs upon completion
- **Climate** – hurricane fears may limit demand to the area particularly in the period of increased activity we appear to be in.
- **Population Tree** – as the population ages and the baby boomer population passes through the age of retirement there is a smaller cohort to follow.

Chart 17: Coastal Counties



Source: Florida EDR: Demographic Estimating Conference Database, Updated August 2007.

Chart 18: Inland Counties



Source: Florida EDR: Demographic Estimating Conference Database, Updated August 2007.

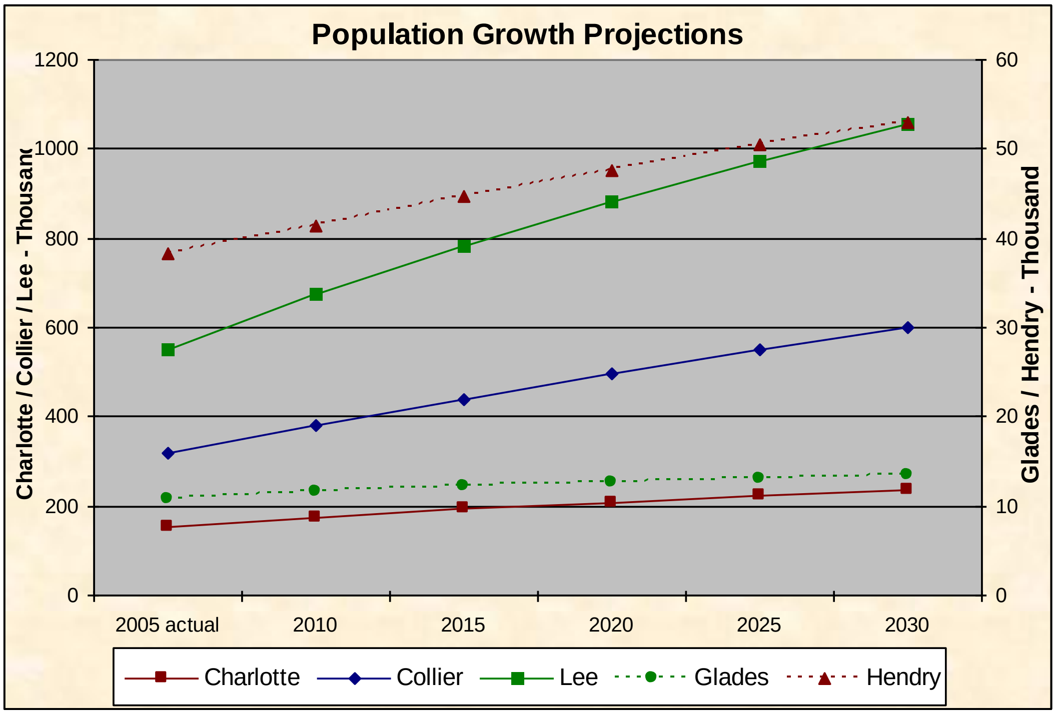
Table 1

New EDR Demographic Estimating Conference Population Estimates and Projections by County

Year	Charlotte	Collier	Lee	Hendry	Glades
2007	164,653	331,948	615,999	39,668	11,060
2010	175,389	379,226	676,531	41,410	11,613
2020	208,615	497,512	881,734	47,635	12,598
2030	235,855	598,519	1,053,932	52,885	13,368

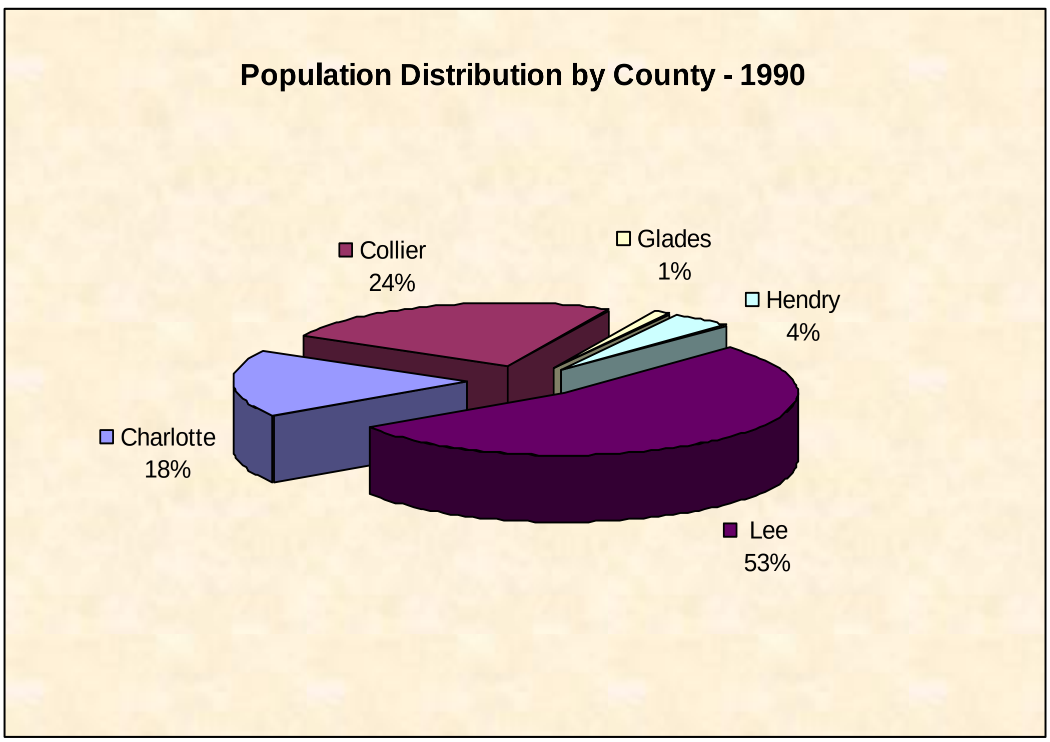
Source: Florida EDR: Demographic Estimating conference Database, Updated August 2007.

Chart 19: Population Projections



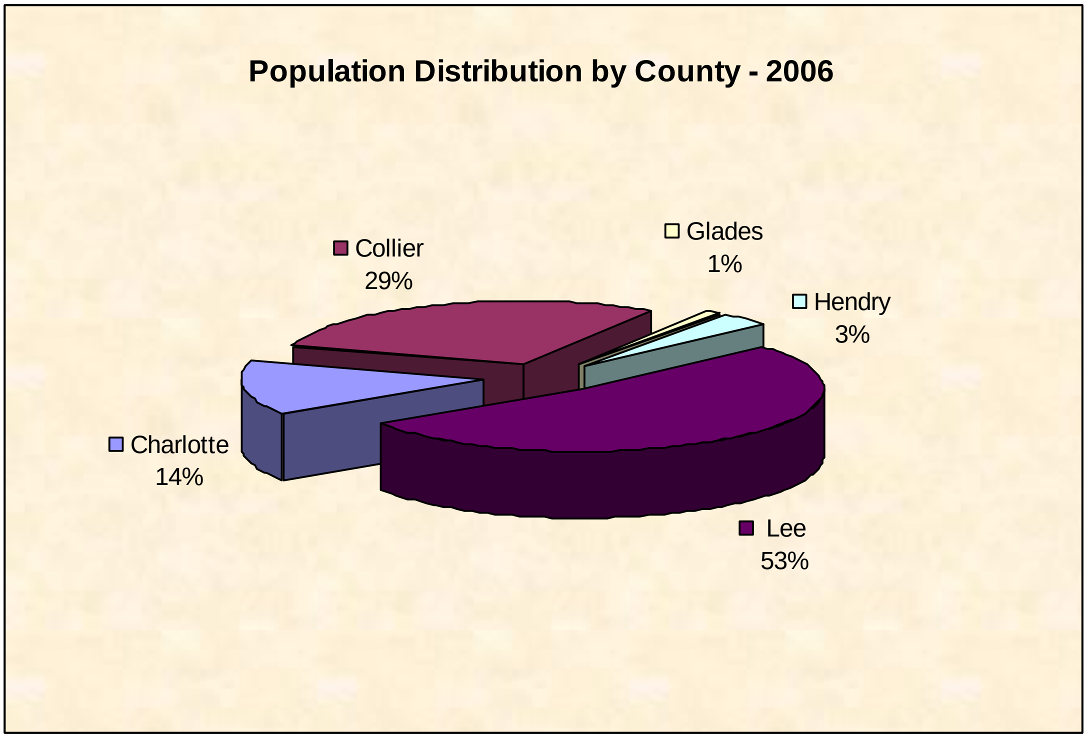
Source: Florida EDR: Demographic Estimating conference Database, Updated August 2007.

Chart 20: Population Distribution 1990



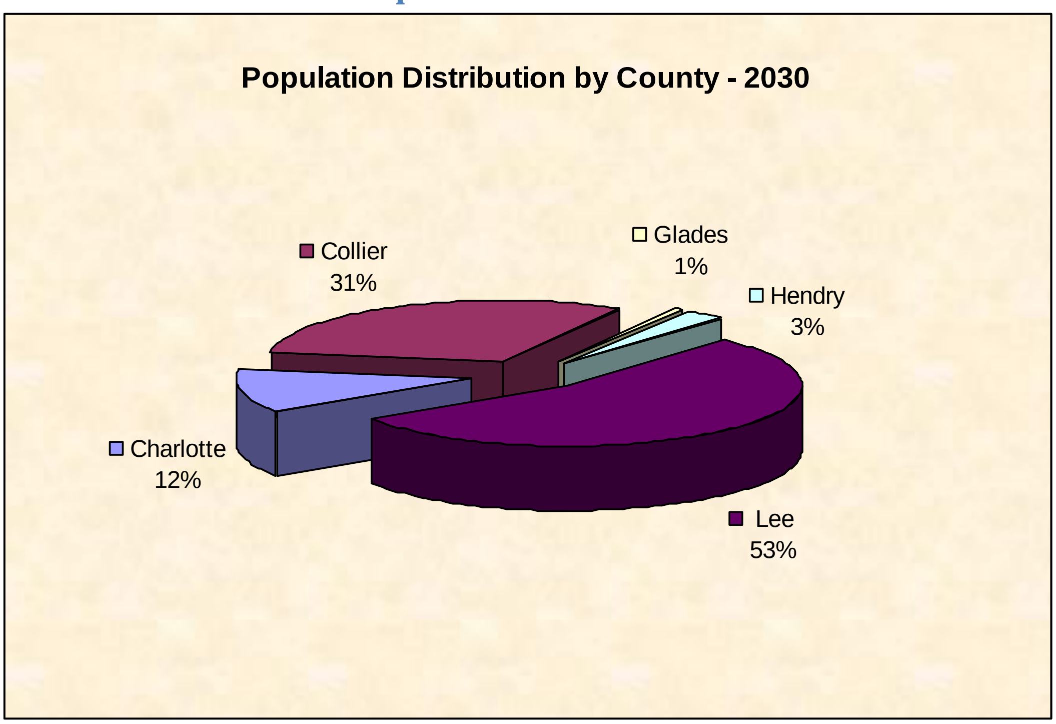
Source: Florida EDR: Demographic Estimating Conference Database, Updated August 2007.

Chart 21: Population Distribution 2006



Source: Florida EDR: Demographic Estimating conference Database, Updated August 2007.

Chart 22: Population Distribution 2030



Source: Florida EDR: Demographic Estimating conference Database, Updated August 2007.