

WELLS  
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SECURITIES

# Economic Outlook

## Florida Economic Conference Call – Spring 2011

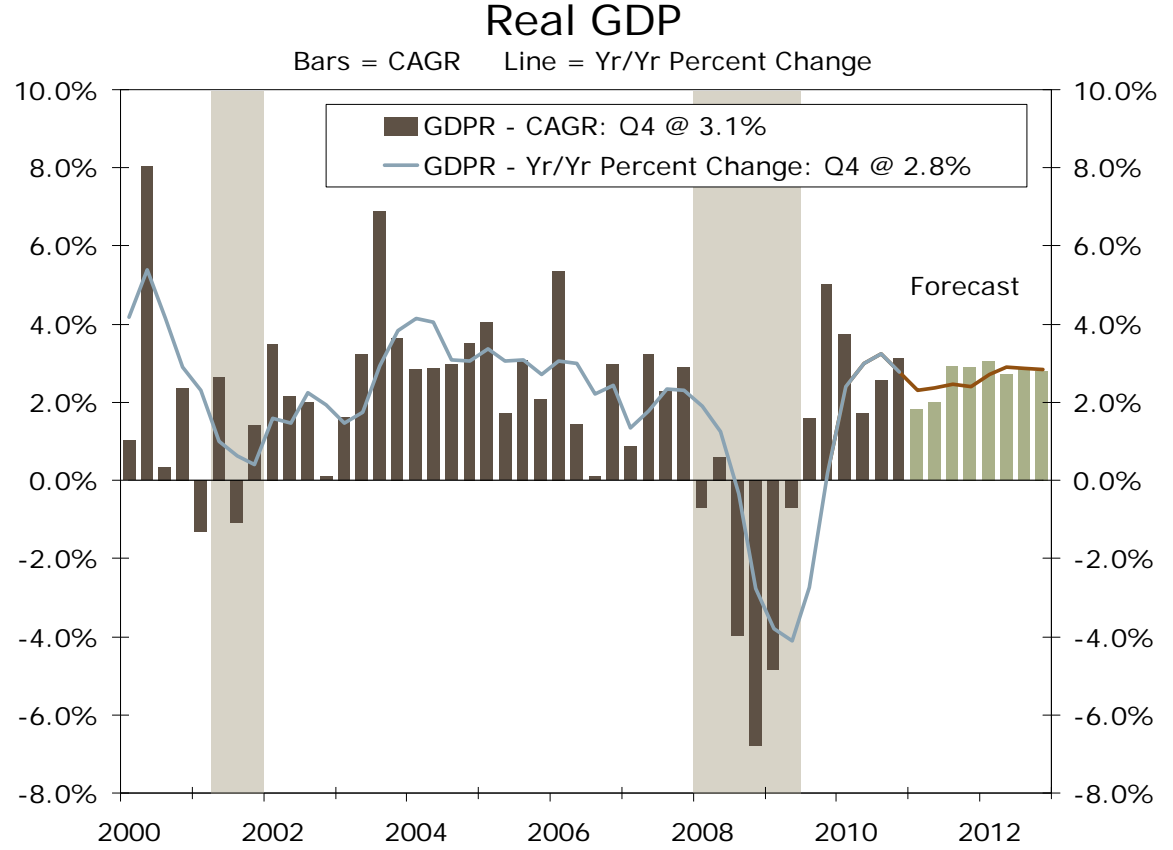
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April 28, 2011

Together we'll go far

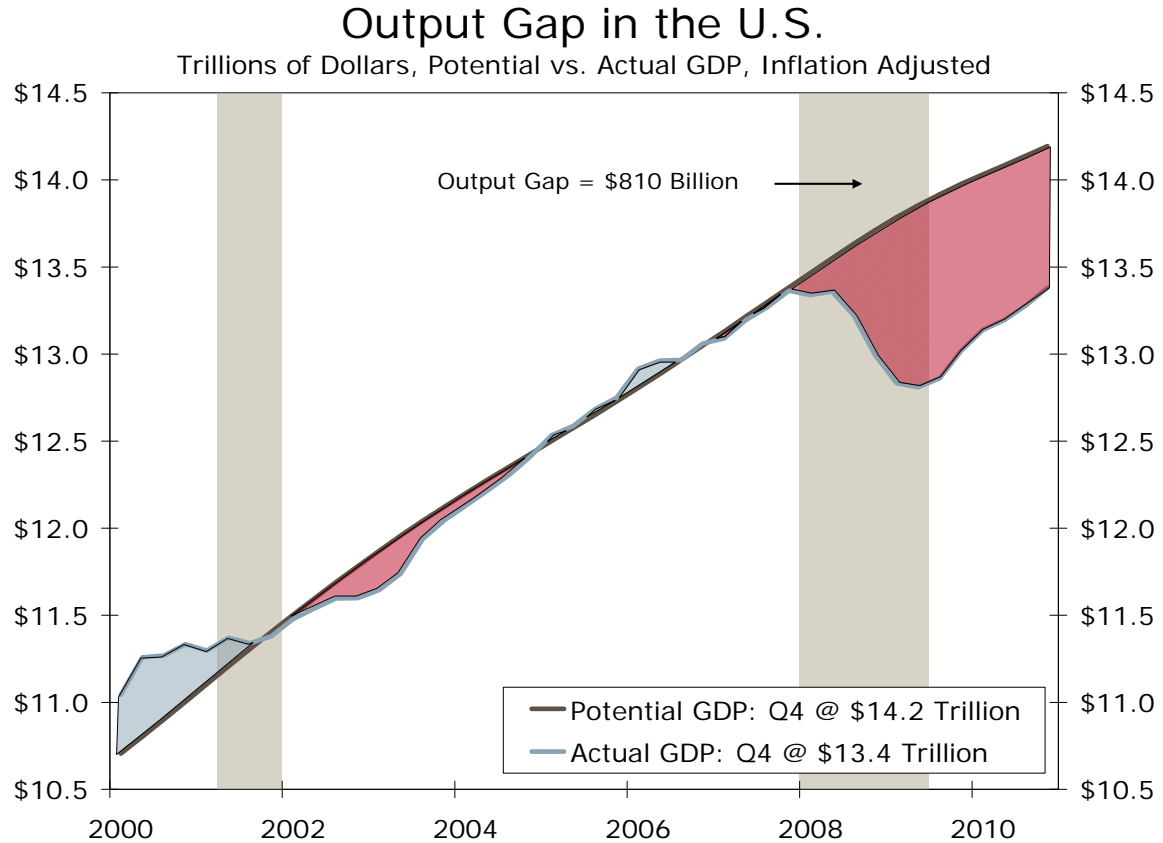


The economy ended 2010 on a strong note, but has run into a wall with higher gasoline prices and further weakness in housing more recently



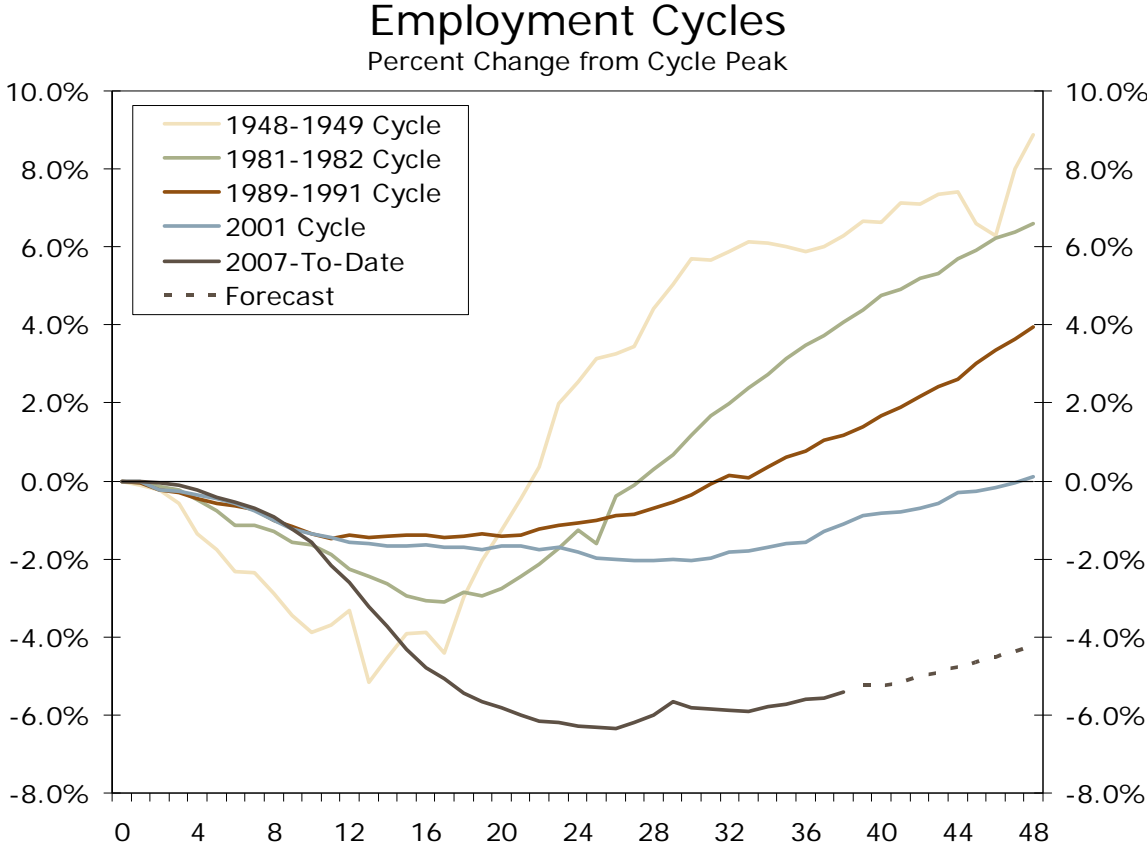
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The Great Recession has produced an enormous output gap that will take years to close



Source: Congressional Budget Office, U.S. Department of Commerce and Wells Fargo Securities, LLC

Job losses exceeded every post-World War II downturn and the modest recovery to date has been extremely disappointing

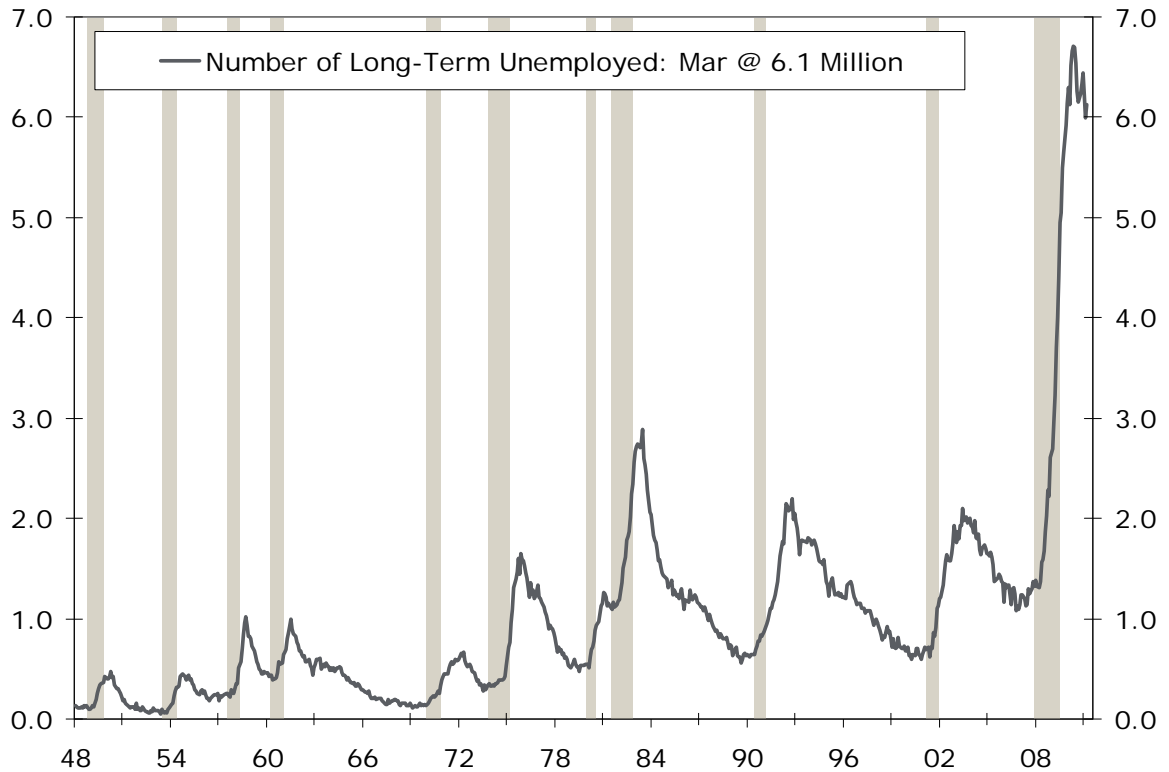


Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Not only is unemployment remaining exceptionally high, but a large number of people have remained unemployed for a long period of time

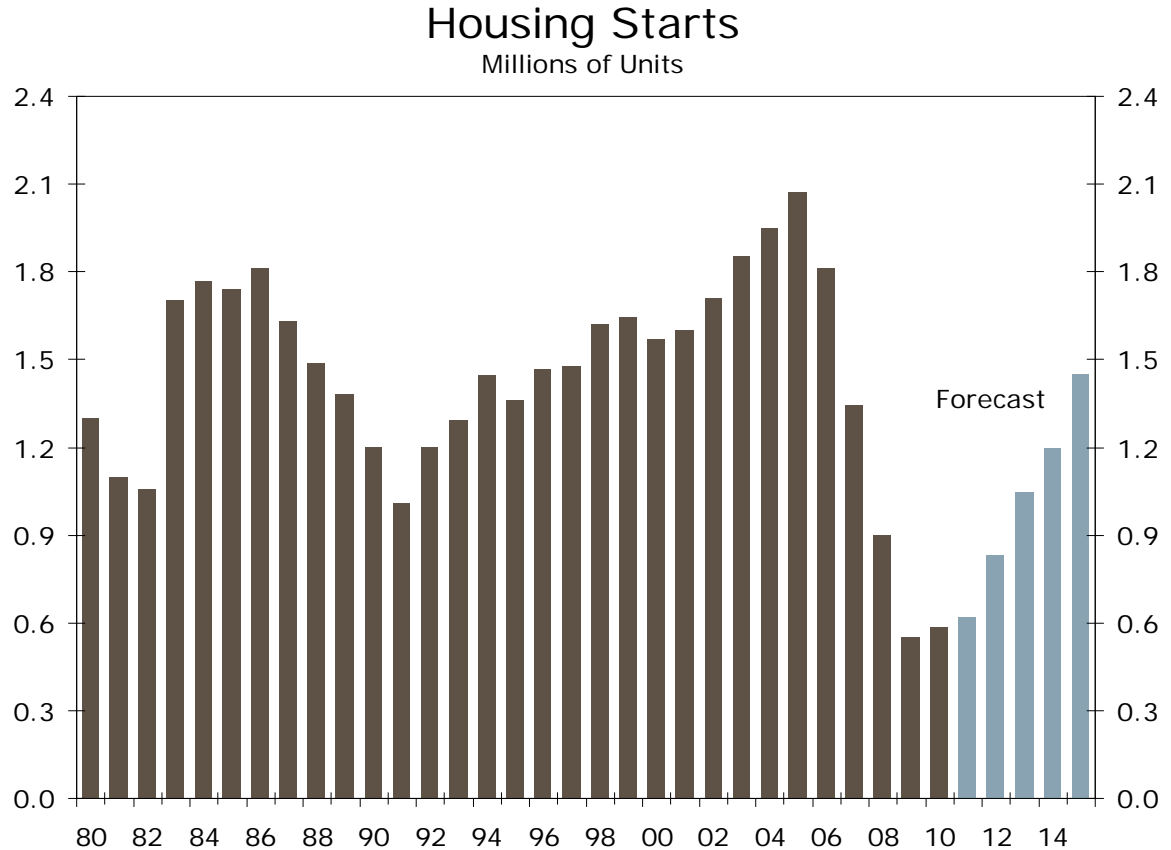
## Civilians Unemployed For 27 Weeks or More

In Millions, Seasonally Adjusted



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

We believe housing starts have bottomed and will increase modestly through 2012 and return to a “normal” level by 2015



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

The future budget picture shows entitlement spending accelerating

<b>Components of the Federal Budget</b>			
Percentage of GDP			
	<u>1970</u>	<u>2010</u>	<u>2021 March Baseline</u>
Revenues	19.0	14.9	20.8
Outlays	19.3	23.8	24.0
Social Security, Medicare, and Medicaid	3.8	10.3	12.1
Defense	8.1	4.7	3.6
Other mandatory spending and nondefense discretionary spending	6.0	7.4	5.0
Net interest	1.4	1.4	3.3
Deficit	0.3	8.9	3.2

Note: Figures are shown net of offsetting receipts where relevant. CBO, January 26, 2011

Source: Congressional Budget Office and Wells Fargo Securities, LLC

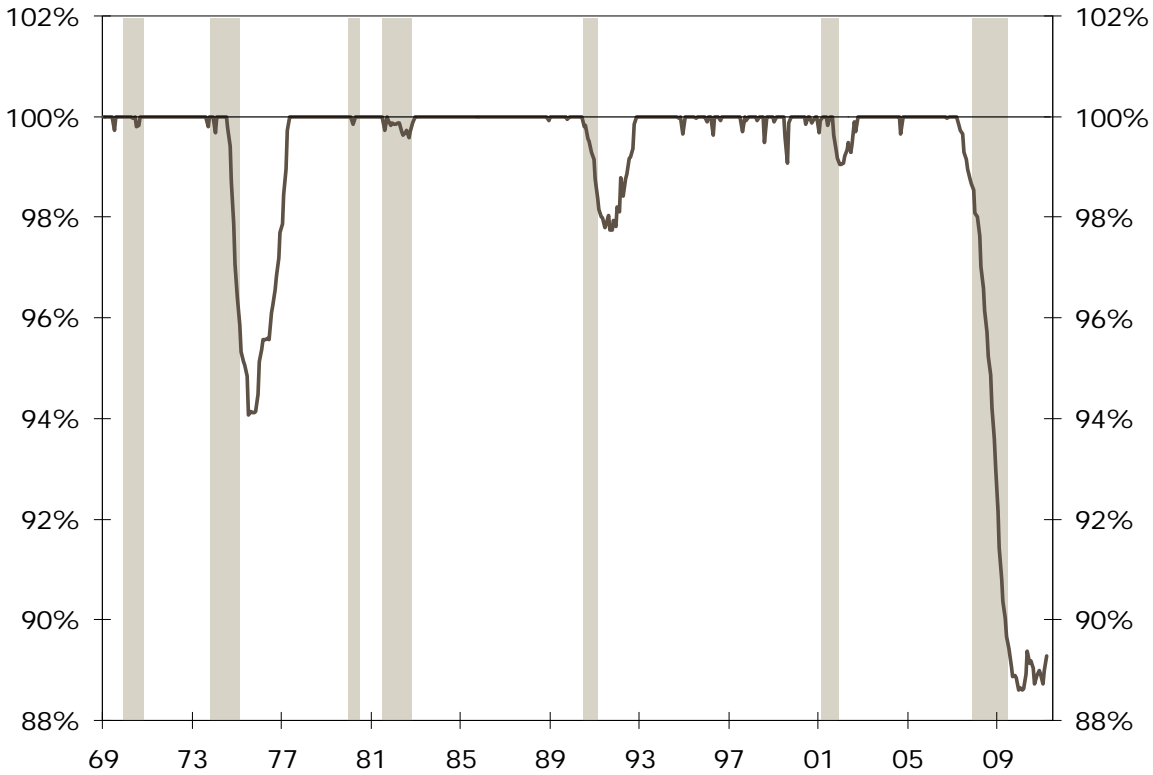
**Florida**

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After suffering its worst recession in decades, Florida has seen a very anemic recovery

### Florida Employment: Percent of Previous Peak

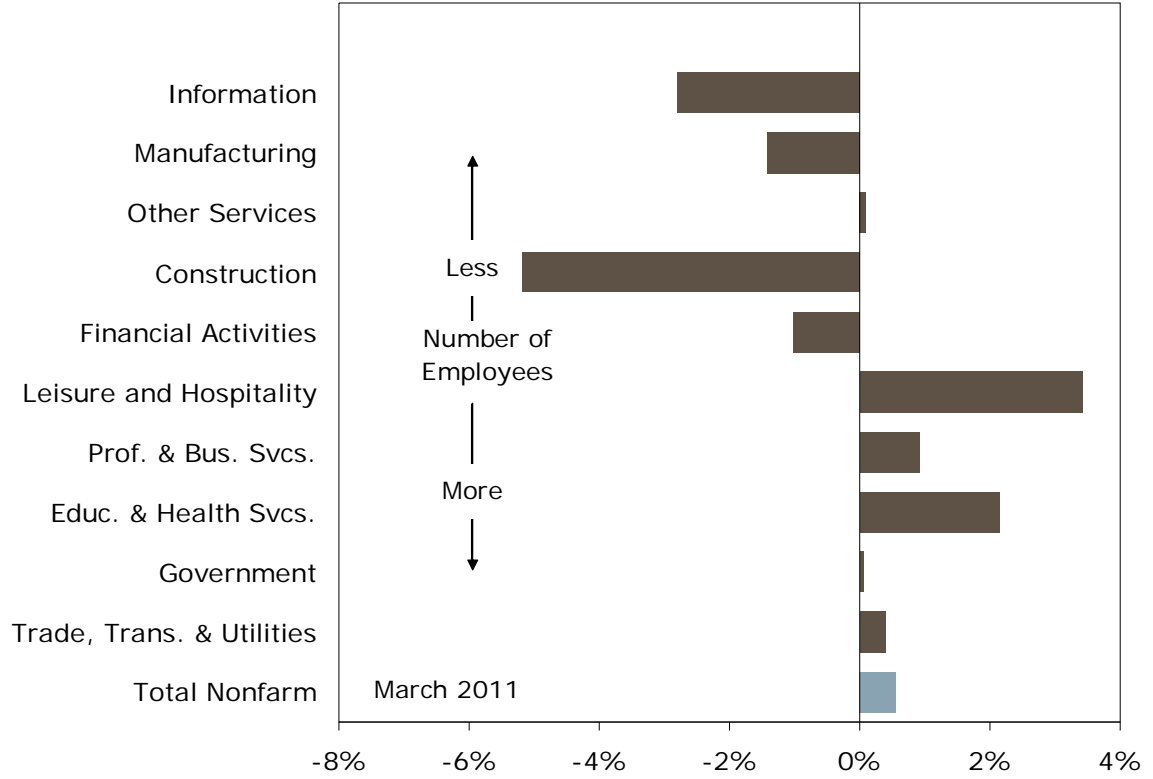
Percent, As of March 2011



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Tourism and healthcare are leading the recovery, but job gains are beginning to broaden

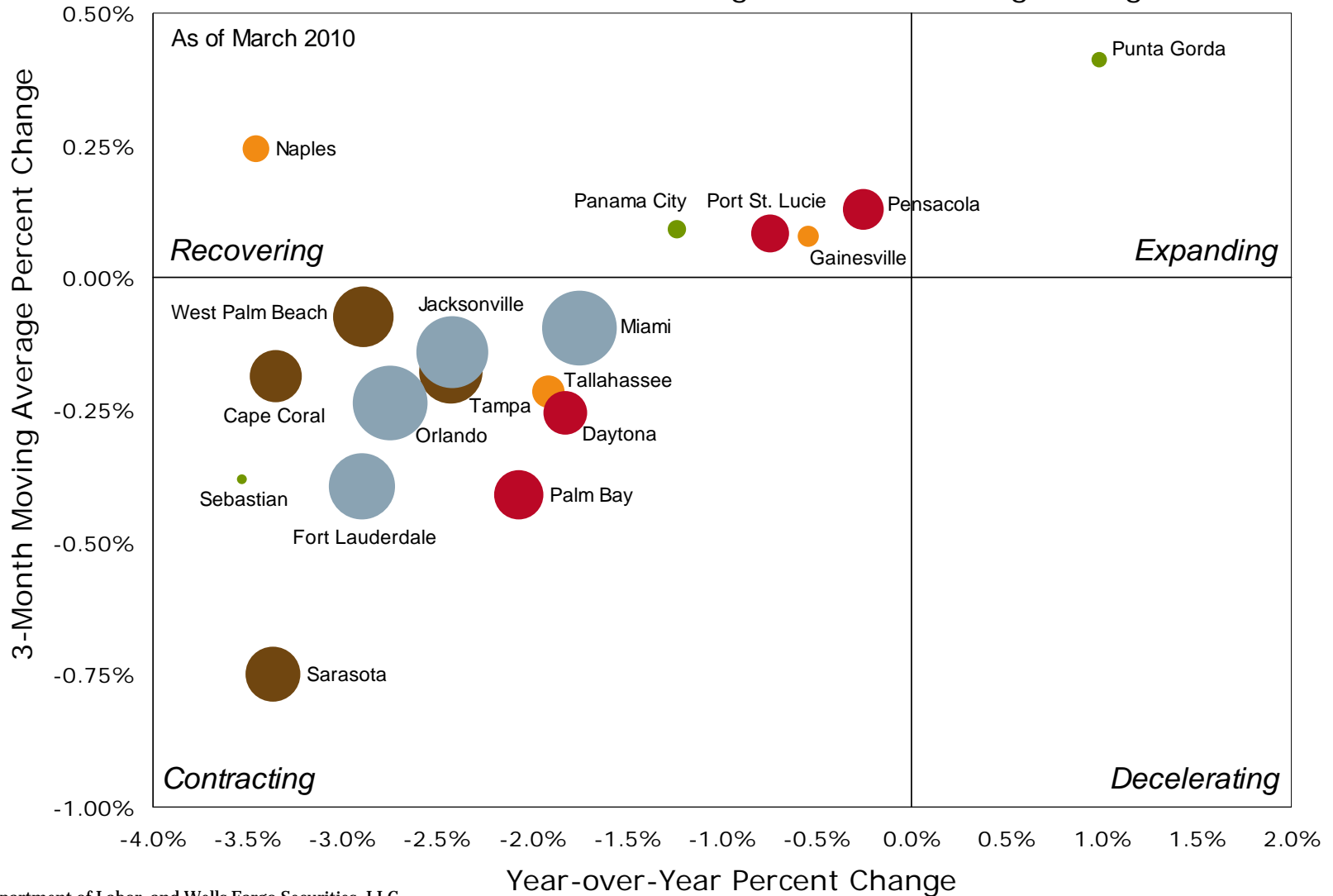
Florida Employment Growth by Industry  
Year-over-Year Percent Change of 3-M Moving Average



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

# Florida Regional Employment Growth

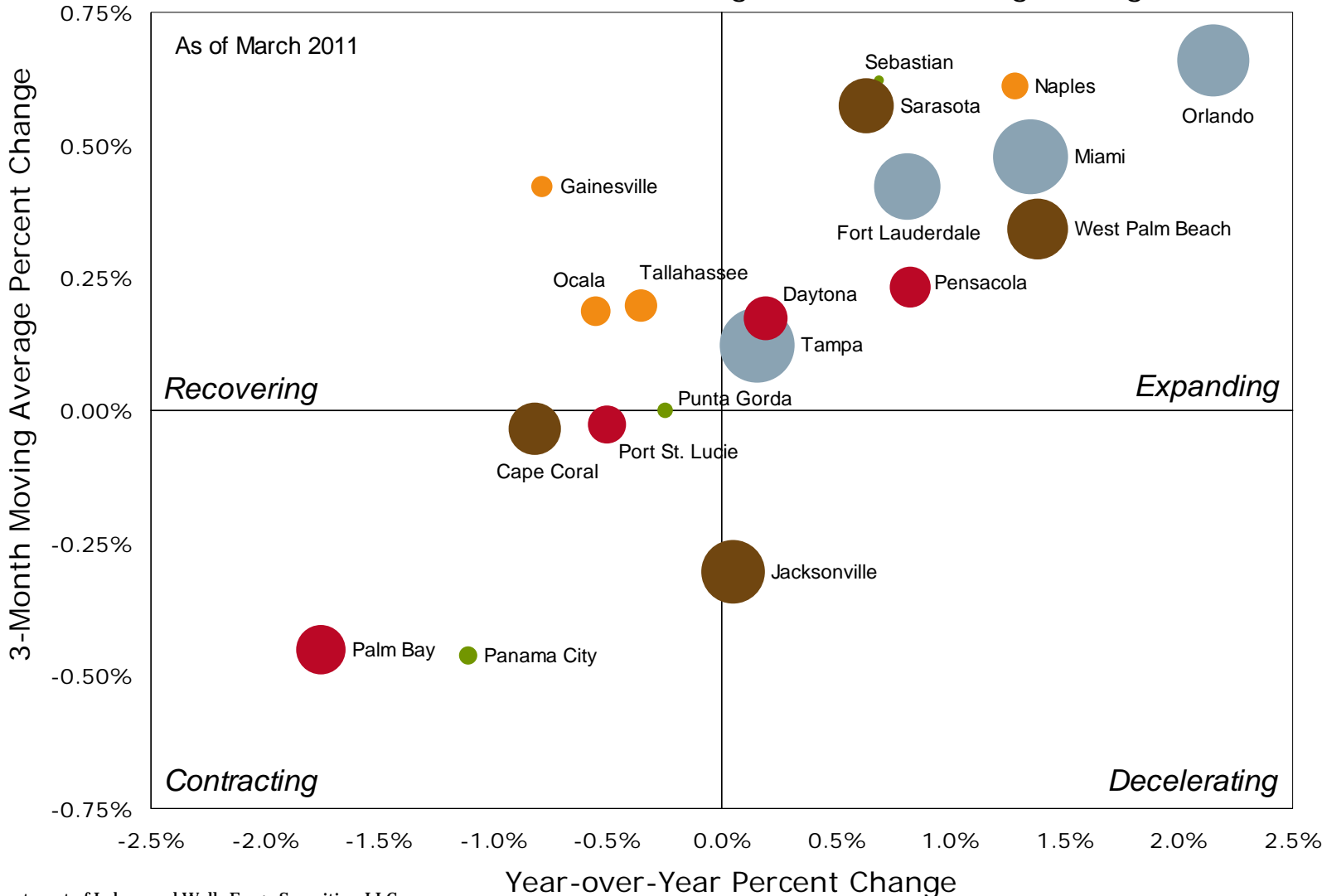
Year-over-Year Percent Change, 3-Month Moving Average



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

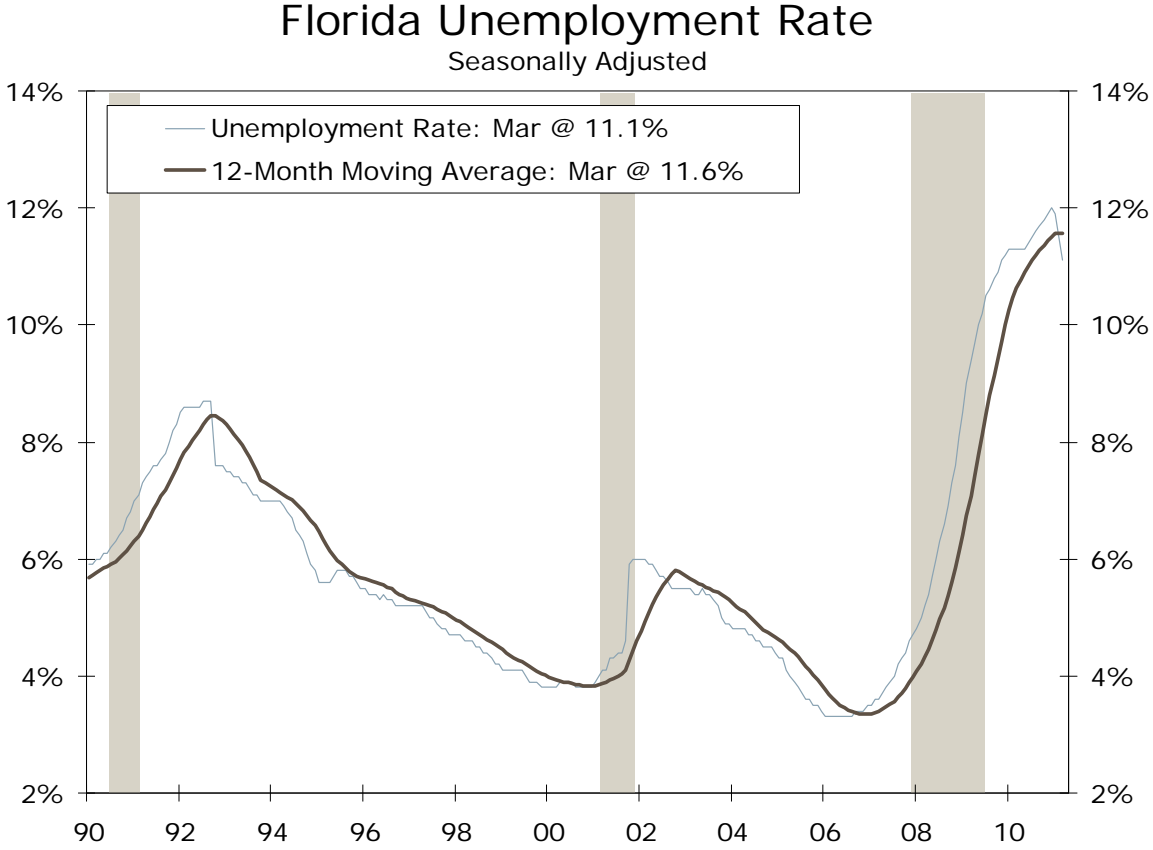
# Florida Regional Employment Growth

Year-over-Year Percent Change, 3-Month Moving Average



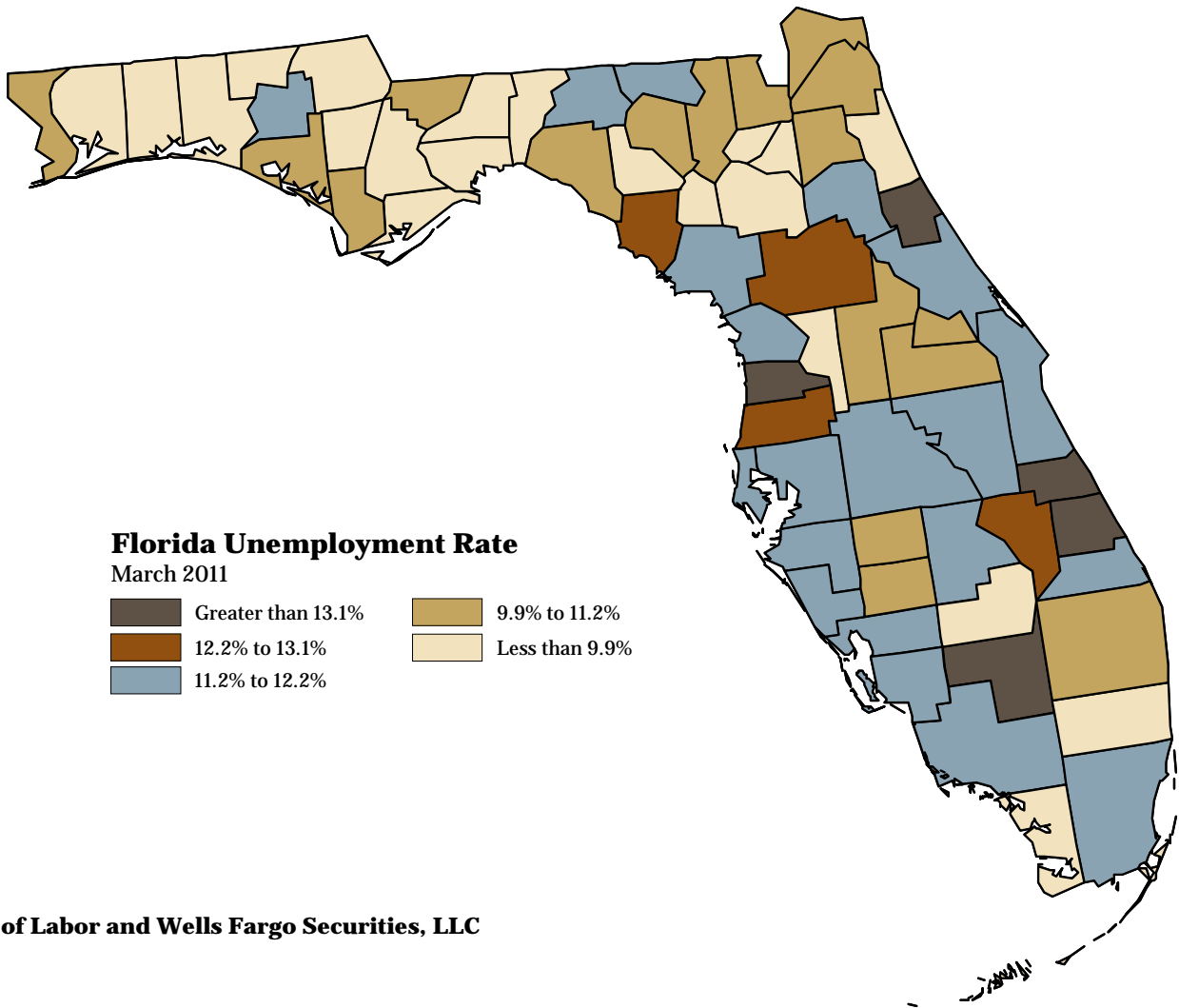
Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Florida's unemployment rate has finally peaked, but remains stubbornly high



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

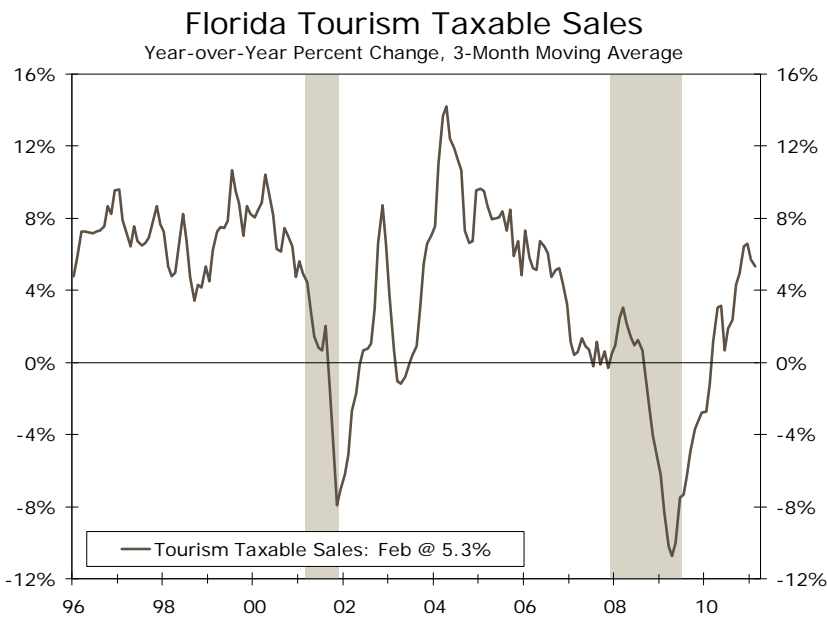
## Unemployment Rate by County



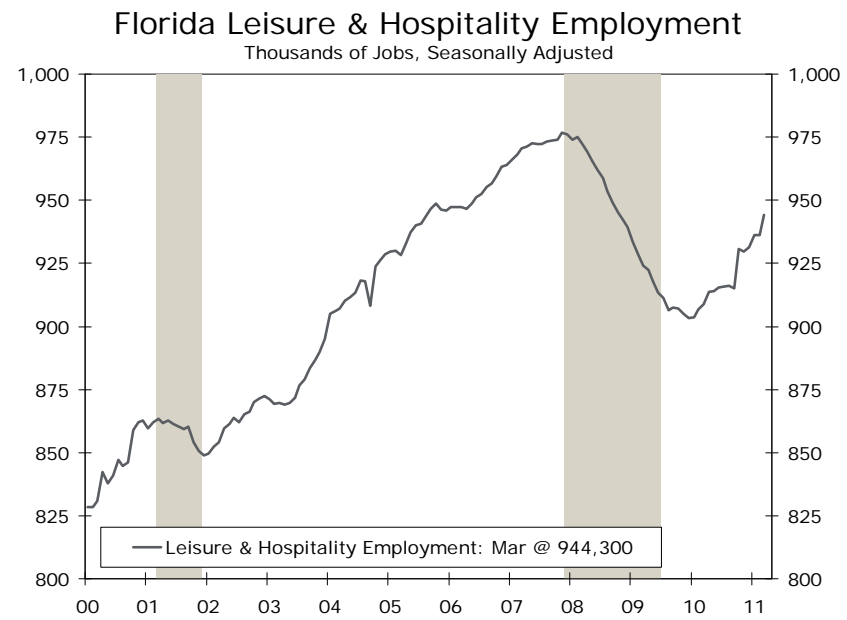
Source: US Department of Labor and Wells Fargo Securities, LLC

## Tourism has rebounded, led by international visitors

### Tourism Sales



### Leisure & Hospitality Employment

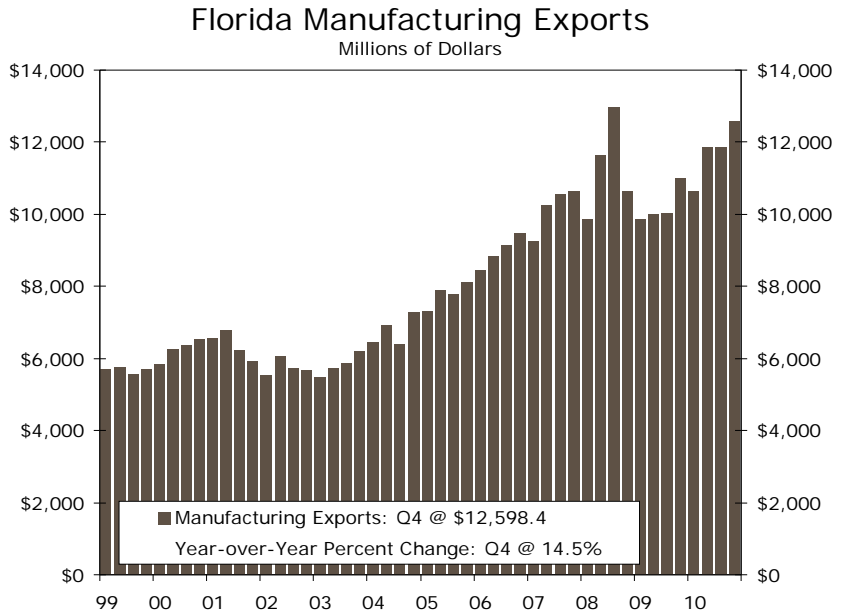
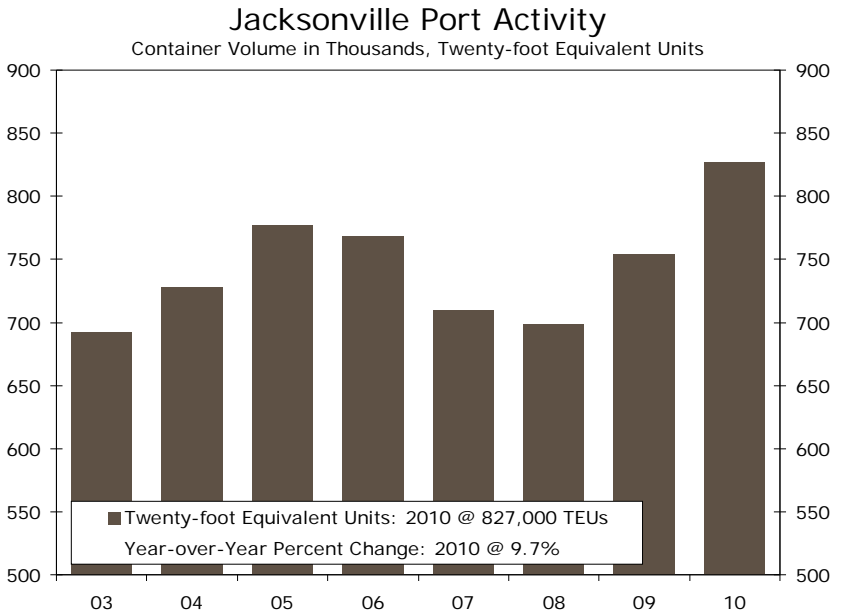


Source: U.S. Department of Labor, VisitFlorida.org and Wells Fargo Securities, LLC

International trade is another bright spot. Florida manufacturers are benefitting from stronger growth in Asia and Latin America

## Port Activity

## Exports

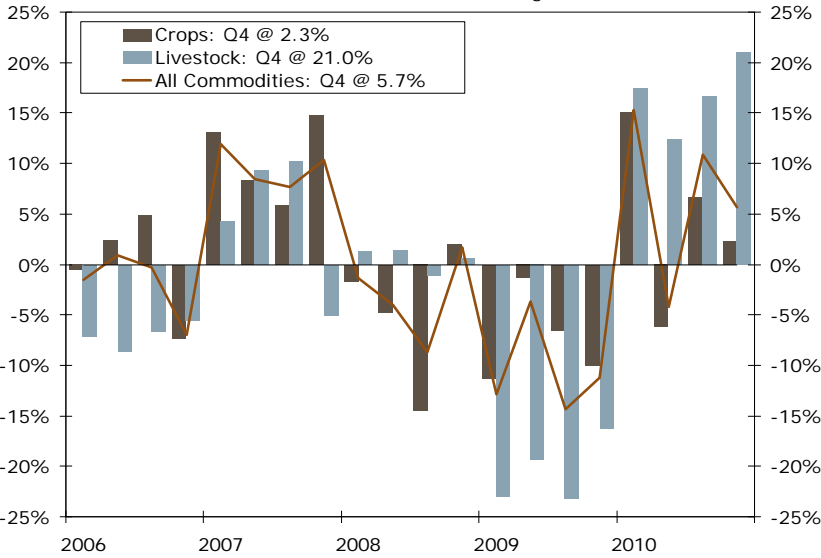


Source: U.S. Department of Commerce, Jacksonville Port Authority and Wells Fargo Securities, LLC

Farm income has picked up, even though citrus production is dealing with numerous challenges

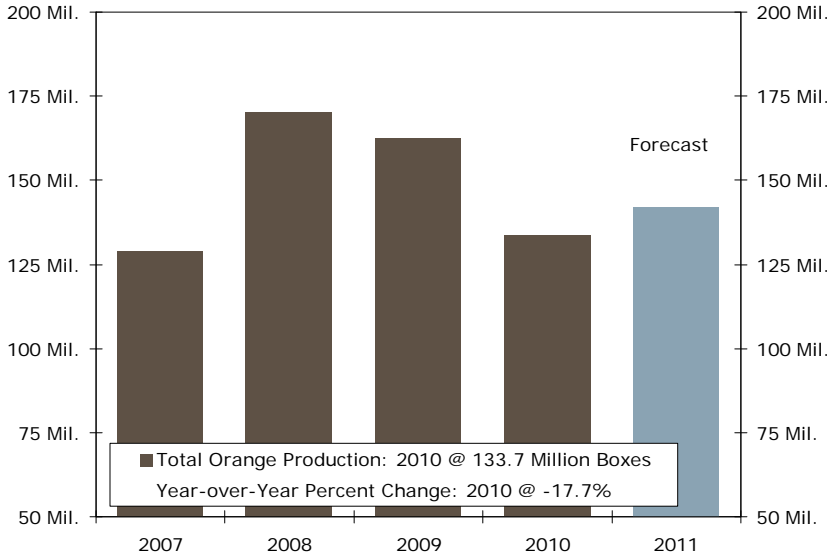
## Agriculture Receipts

Cash Receipts for Agriculture - Florida  
Year-over-Year Percent Change



## Citrus Harvest

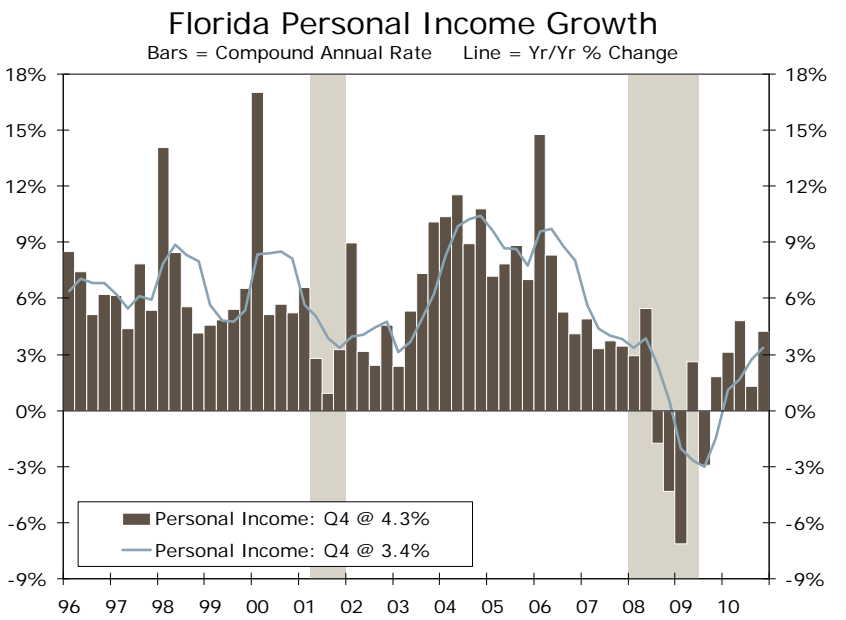
Florida Orange Production  
Millions of Boxes



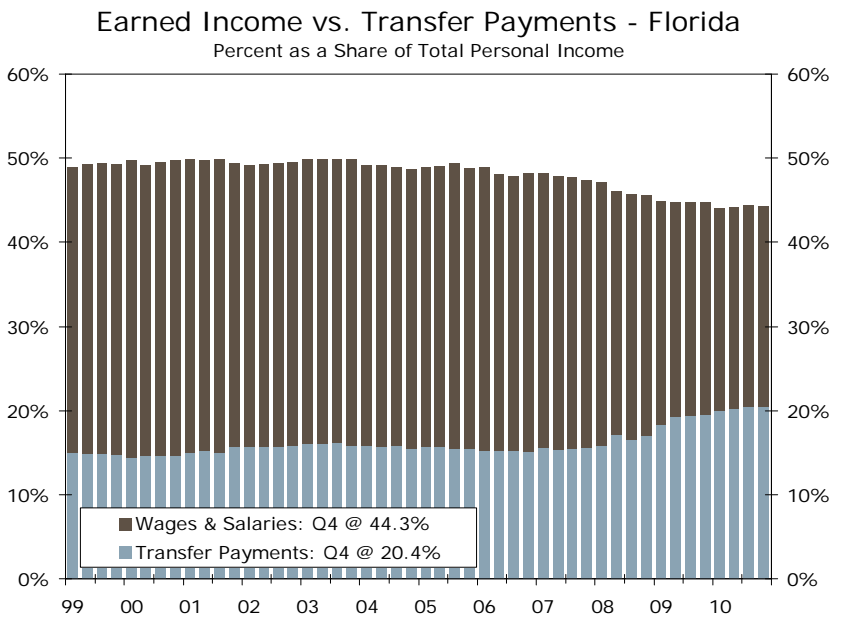
Source: U.S. Department of Agriculture and Wells Fargo Securities, LLC

Income growth has increased, but remains relatively sluggish and has become more dependent on transfer payments

## Personal Income Growth



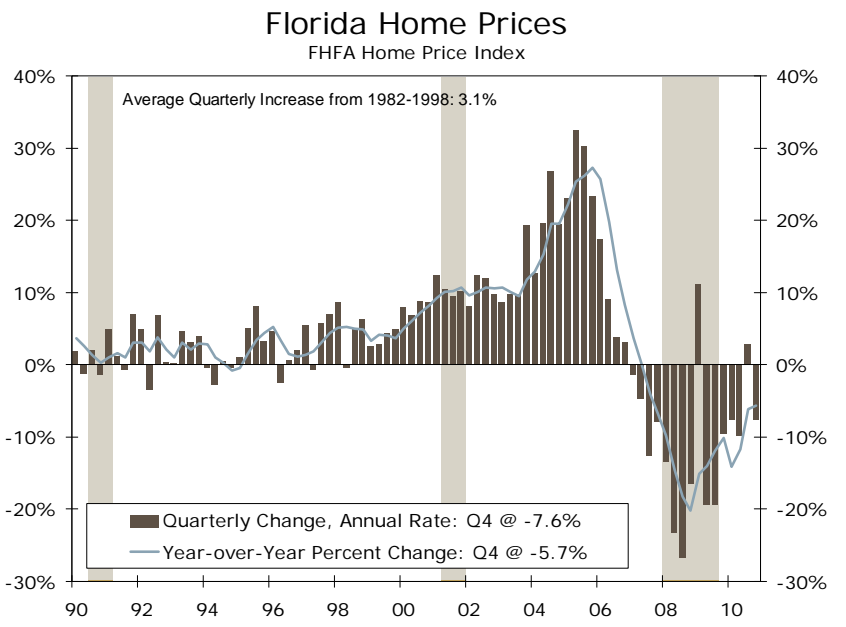
## Earned Income vs. Transfer Payments



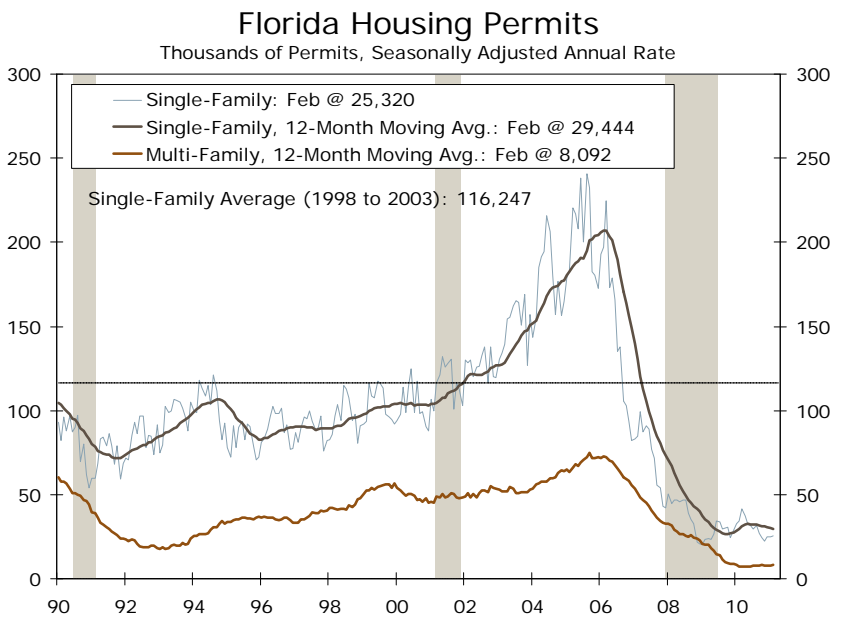
Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Home prices are still falling throughout much of the state as foreclosures continue to work their way through the pipeline. New home construction has bottomed

## Home Prices



## Permit Issuance

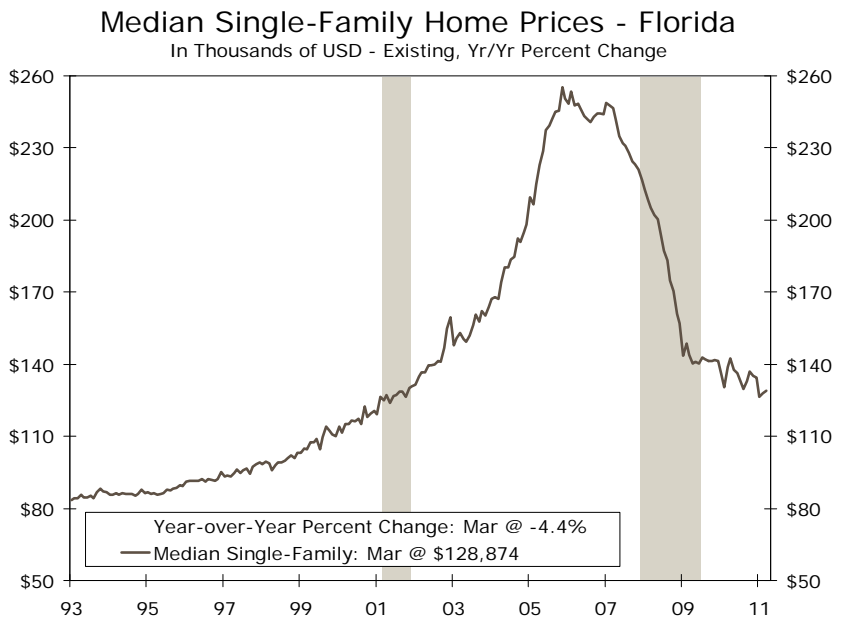
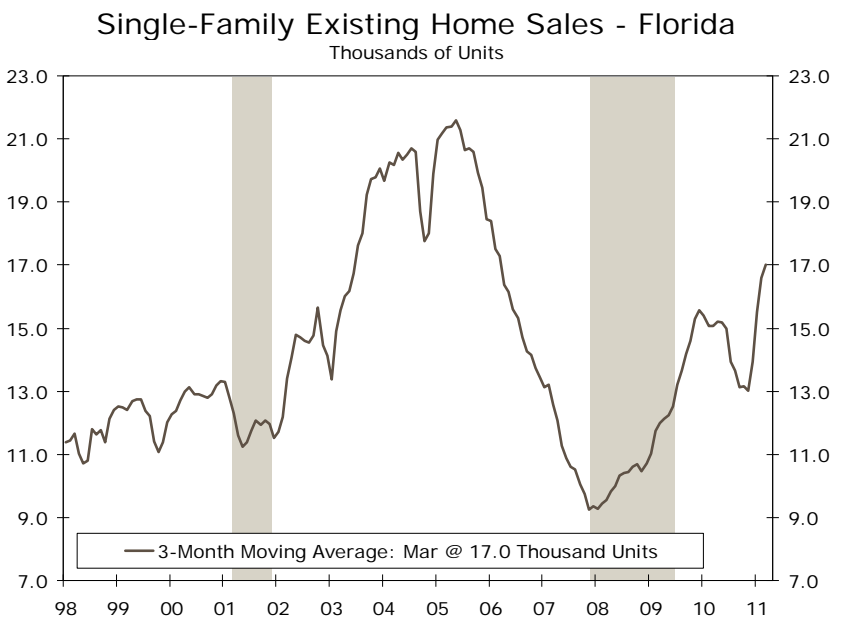


Source: U.S. Department of Commerce, FHFA and Wells Fargo Securities, LLC

Investors are scooping up bargain-priced houses, which is sending home prices lower once again

Existing Home Sales

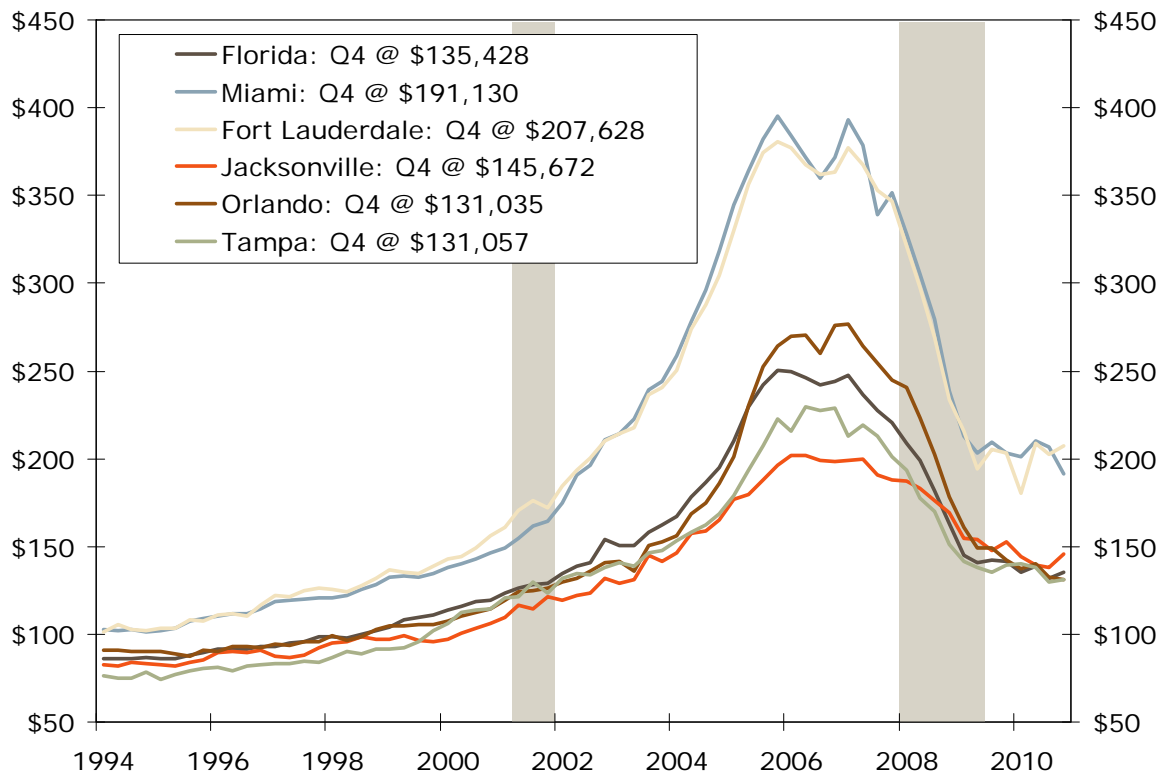
Median Single-Family Home Prices



Source: Florida Association of Realtors and Wells Fargo Securities, LLC

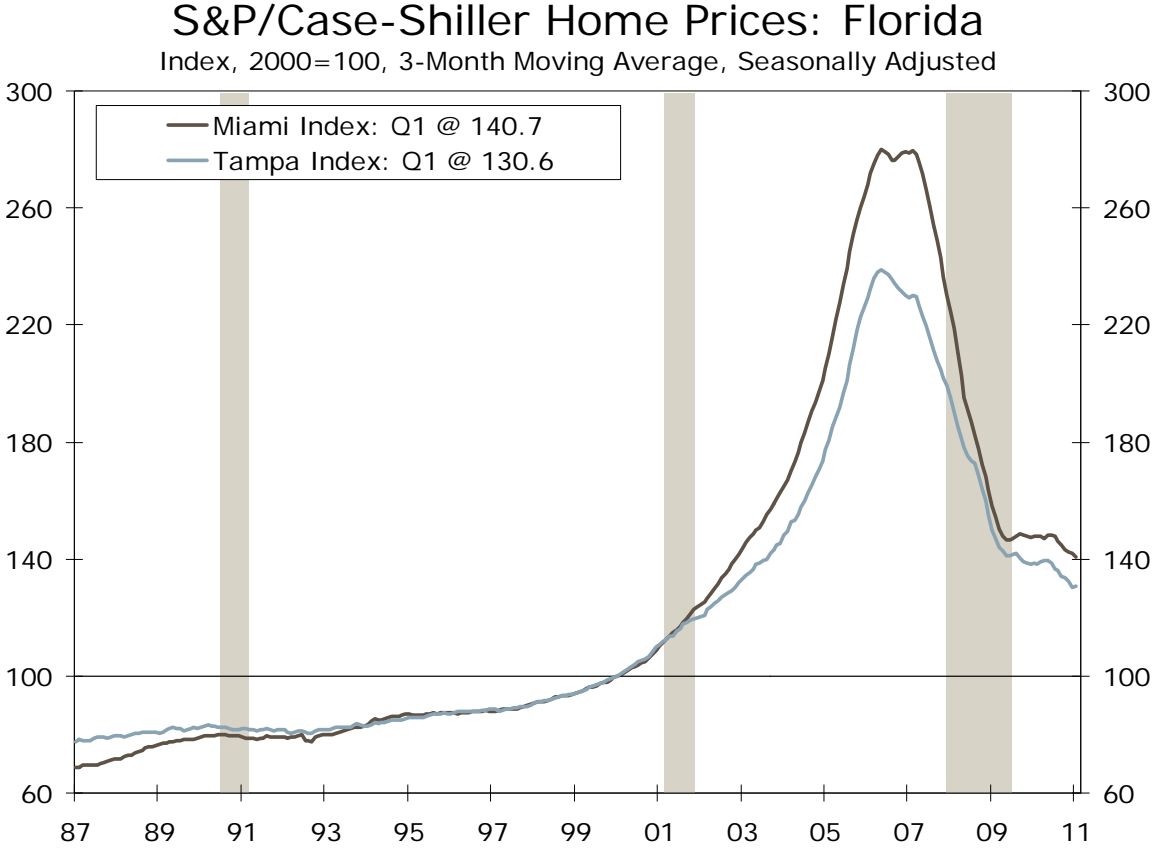
Home prices have probably overshot in many markets and are now much lower relative to metro areas outside the state

### Florida Median Existing Single-Family Home Price In Thousands of Dollars



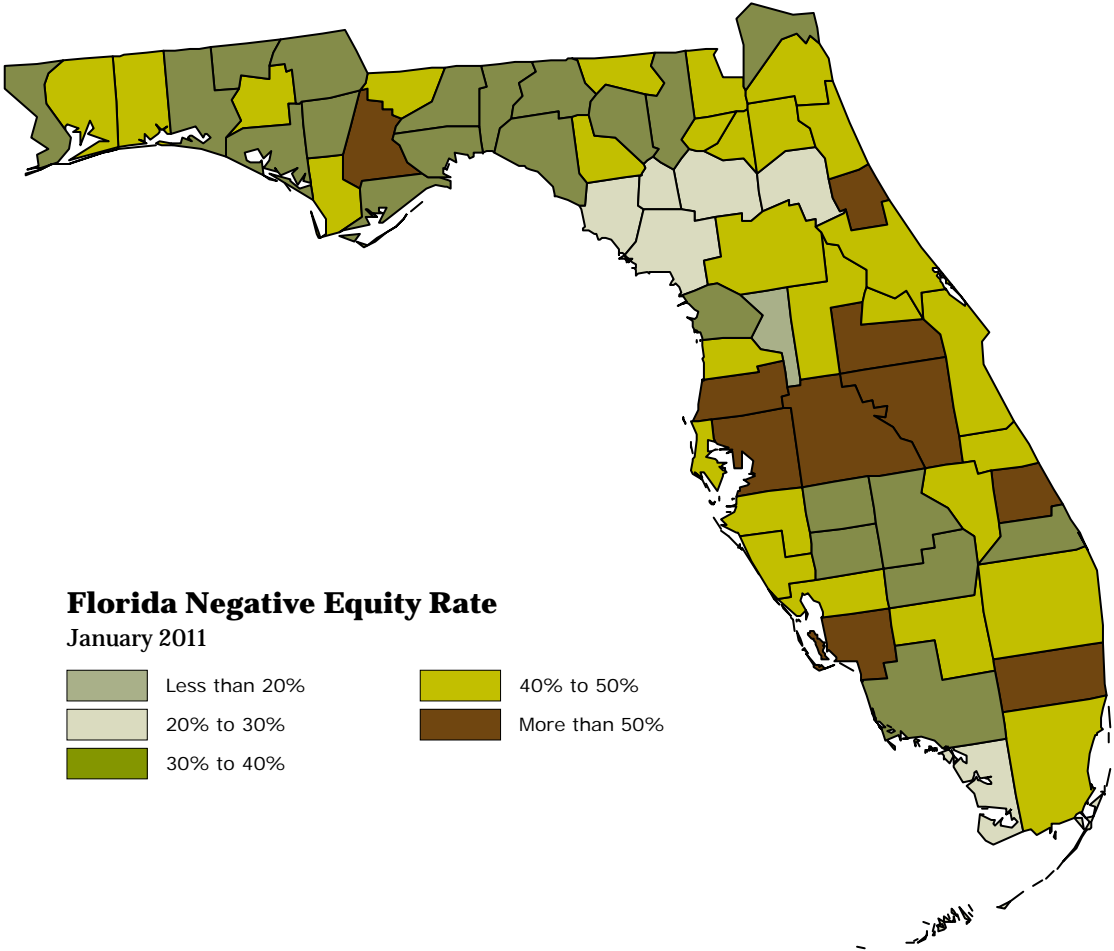
Source: Florida Association of Realtors and Wells Fargo Securities, LLC

The larger home price measurement, the Case-Shiller Home Price Index, captures the impact of nontraditional mortgage products on Florida's housing market



Source: Standard and Poor's and Wells Fargo Securities, LLC

The most stressed markets in the state continue to have large proportions of homes in negative equity positions

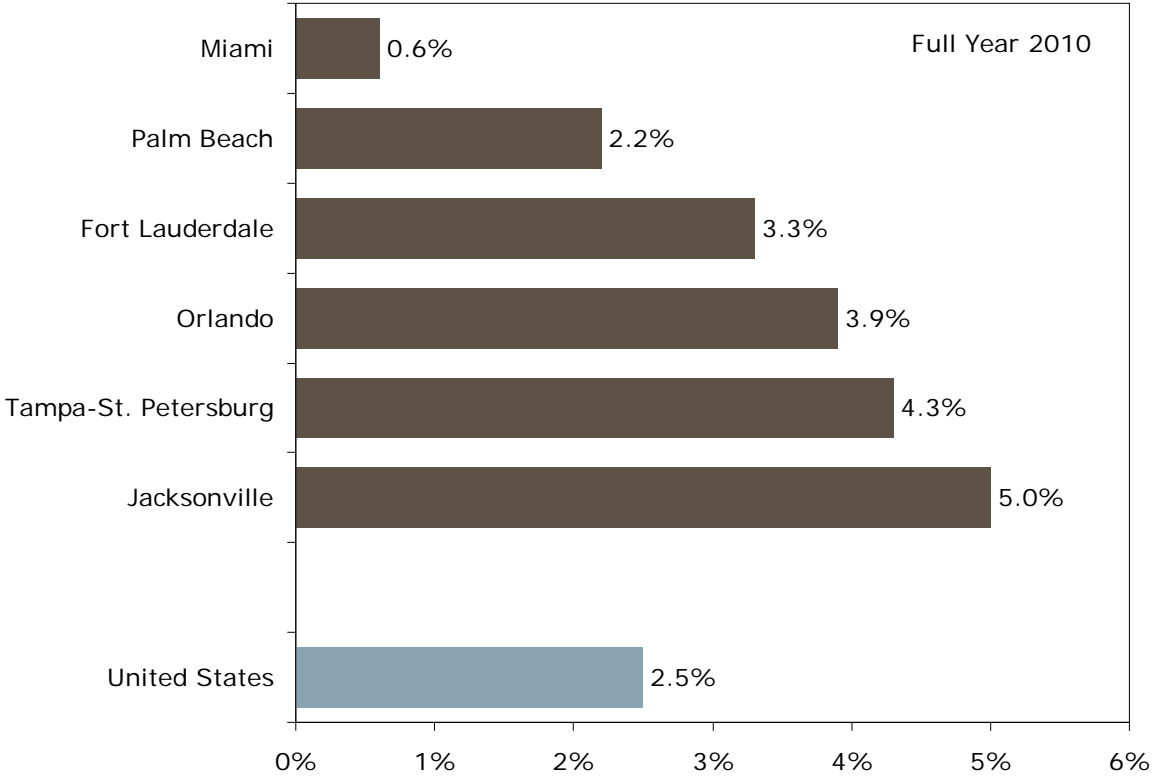


Source: CoreLogic and Wells Fargo Securities, LLC

Demand for apartments has picked up sharply, particularly in Jacksonville and Tampa, where a large multi-tenant supply exists

### Apartment Absorption Rates - By Metro

Percent, Net Absorption Divided by Occupied Stock

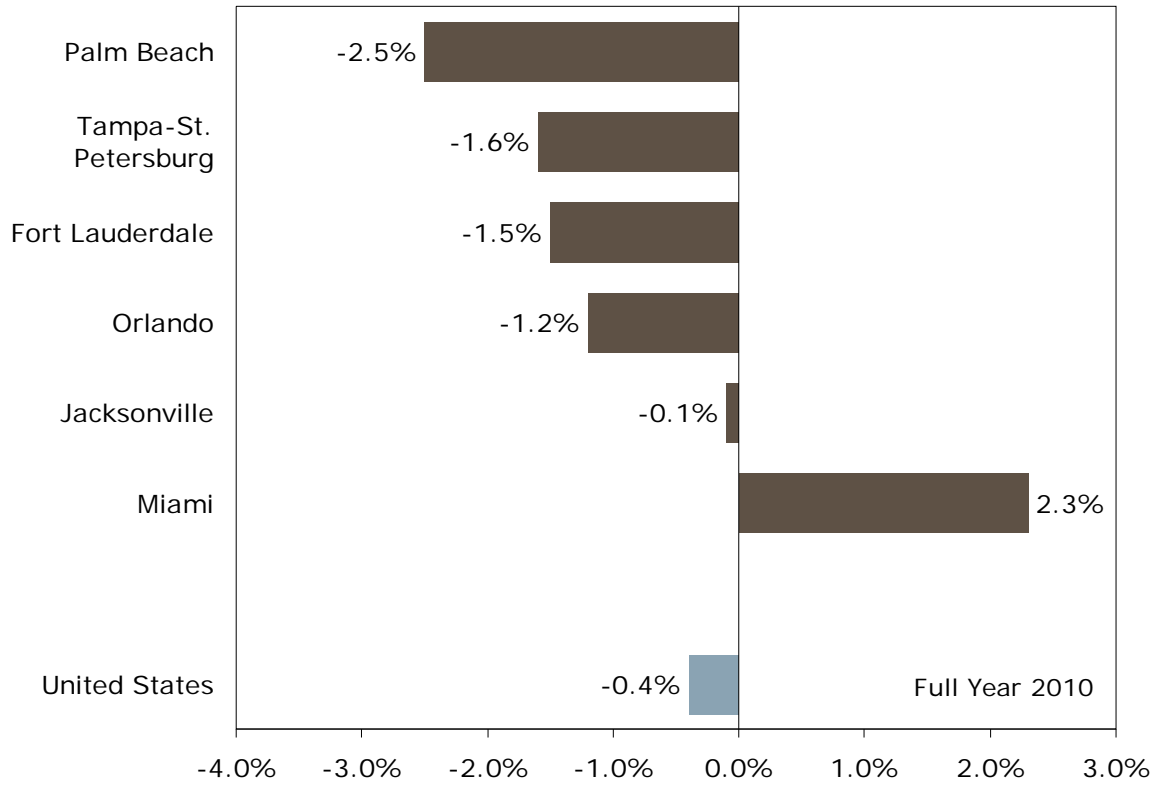


Source: Reis, Inc. and Wells Fargo Securities, LLC

Demand for office space is slowly recovering

### Office Absorption Rates - By Metro

Percent, Net Absorption Divided by Occupied Stock

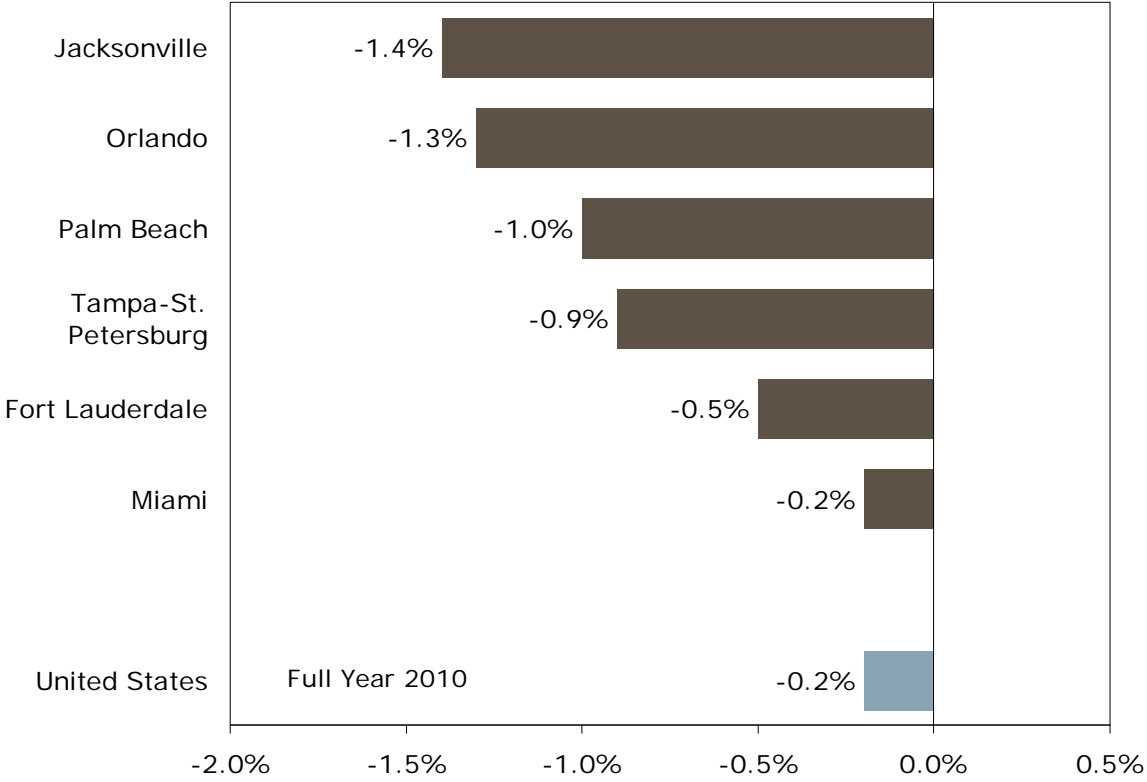


Source: Reis, Inc. and Wells Fargo Securities, LLC

Florida’s retail market remains exceptionally overbuilt, but stronger sales data should soon arrest the slide in demand

### Retail Absorption Rates - By Metro

Percent, Net Absorption Divided by Occupied Stock

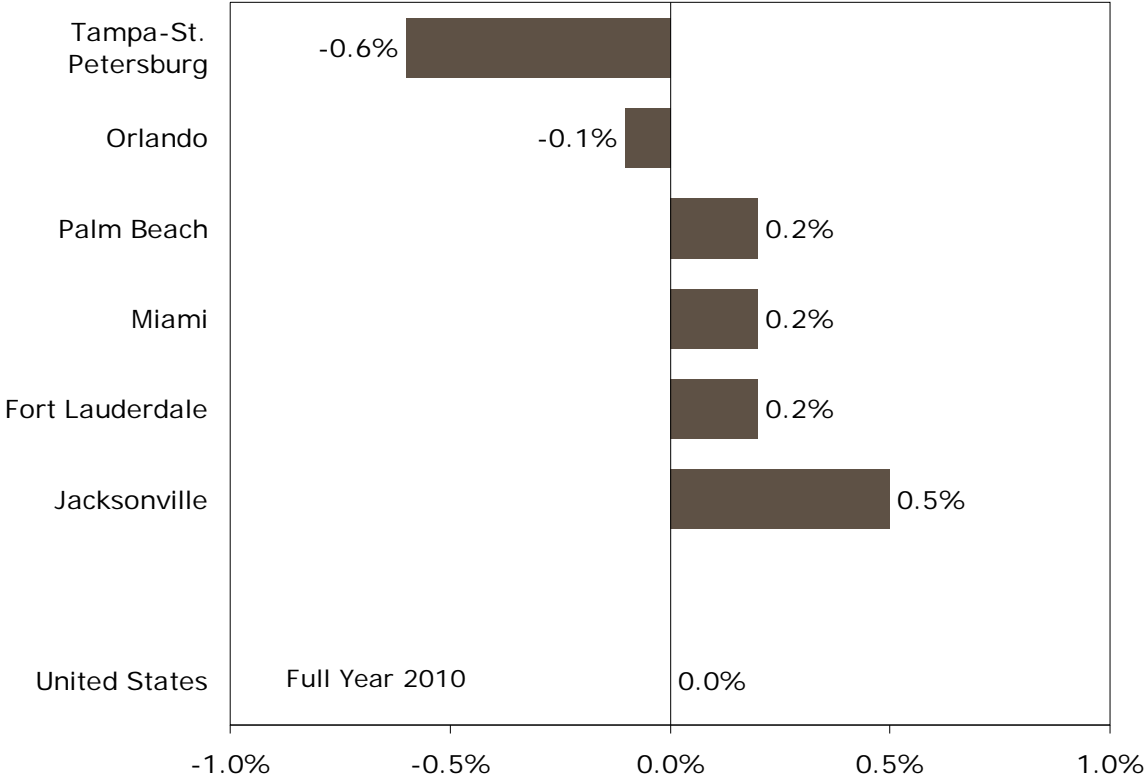


Source: Reis, Inc. and Wells Fargo Securities, LLC

Industrial markets are improving gradually, with the exception of Tampa

### Industrial Absorption Rates - By Metro

Percent, Net Absorption Divided by Occupied Stock



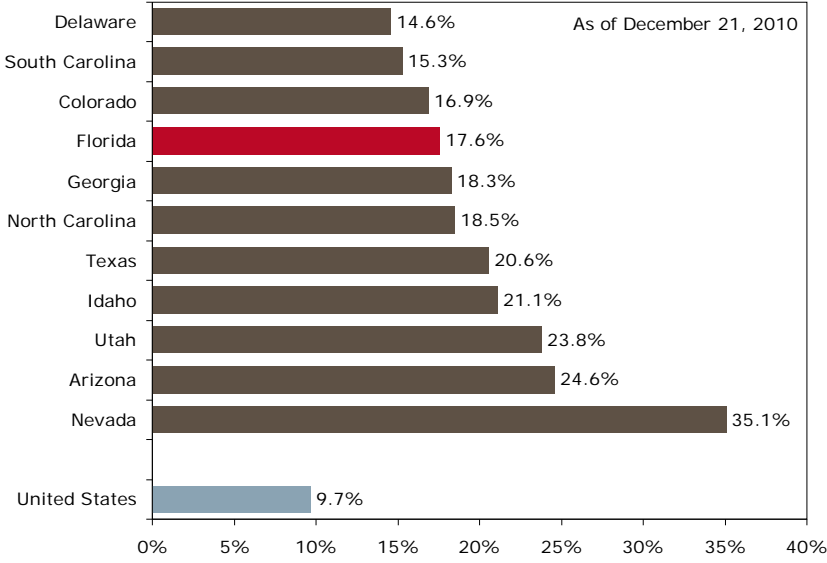
Source: Reis, Inc. and Wells Fargo Securities, LLC

Florida will grow again. The state is now a compelling bargain and population growth will pick back up once housing markets improve outside the state

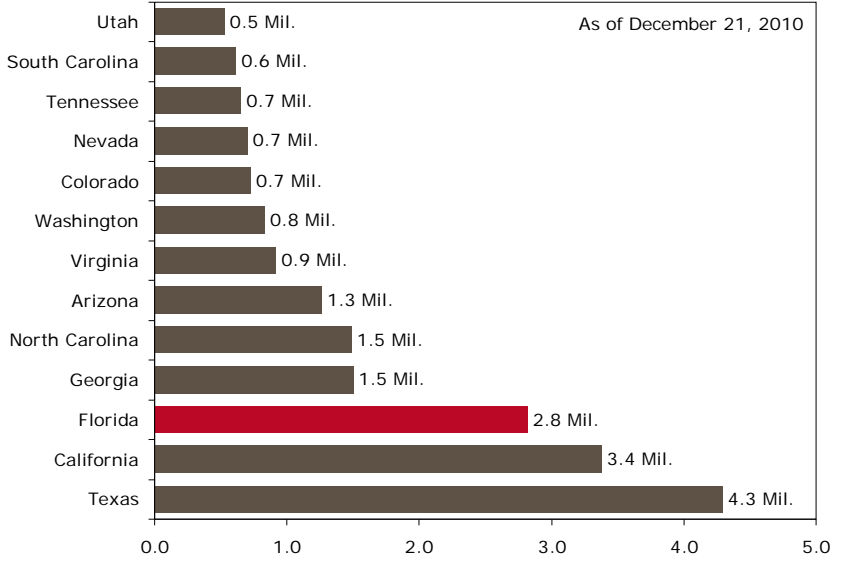
## Fastest Growing

## Total Residents Added

Population Growth By State: 2000 - 2010  
Percent Change



Population Growth By State: 2000 - 2010  
Total Added Population, In Millions



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

## Wells Fargo U.S. Economic Forecast

	Actual				Forecast				Actual			Forecast	
	2010				2011				2008	2009	2010	2011	2012
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q					
Real Gross Domestic Product <sup>1</sup>	3.7	1.7	2.6	3.1	1.8	2.0	2.9	2.9	0.0	-2.6	2.9	2.4	2.8
Personal Consumption	1.9	2.2	2.4	4.0	2.2	1.9	2.1	2.9	-0.3	-1.2	1.7	2.5	2.3
Inflation Indicators <sup>2</sup>													
"Core" PCE Deflator	1.8	1.5	1.2	0.8	0.9	1.0	1.3	1.7	2.3	1.5	1.3	1.2	1.8
Consumer Price Index	2.4	1.8	1.2	1.2	2.2	3.4	3.7	3.9	3.8	-0.3	1.6	3.3	3.3
Industrial Production <sup>1</sup>	8.1	7.1	6.7	3.2	6.0	4.4	4.1	3.9	-3.3	-11.1	5.3	5.0	4.0
Corporate Profits Before Taxes <sup>2</sup>	37.6	37.0	26.4	18.3	8.2	6.2	6.2	6.7	-16.4	-0.4	29.2	6.8	7.0
Trade Weighted Dollar Index <sup>3</sup>	76.1	78.8	73.6	73.2	70.6	71.0	72.0	73.0	74.3	77.7	75.6	71.6	75.5
Unemployment Rate	9.7	9.6	9.6	9.6	8.9	8.7	8.5	8.4	5.8	9.3	9.6	8.6	8.2
Housing Starts <sup>4</sup>	0.62	0.60	0.59	0.53	0.55	0.58	0.64	0.70	0.90	0.55	0.59	0.62	0.83
Quarter-End Interest Rates <sup>5</sup>													
Federal Funds Target Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.88	0.25	0.25	0.25	1.19
Conventional Mortgage Rate	4.97	4.74	4.35	4.71	4.84	5.20	5.25	5.30	6.04	5.04	4.69	5.15	5.70
10 Year Note	3.84	2.97	2.53	3.30	3.47	3.70	3.75	3.80	3.66	3.26	3.22	3.68	4.23

Forecast as of: April 15, 2011

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter

<sup>2</sup> Year-over-Year Percentage Change

<sup>3</sup> Federal Reserve Major Currency Index, 1973=100 - Quarter End

<sup>4</sup> Millions of Units

<sup>5</sup> Annual Numbers Represent Averages

# Appendix

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## A Sampling of Our Recent Special, Regional & Industry Commentary

### Recent Special Commentary

Date	Title	Authors
April-13	Employment Dynamics and State Competitiveness	Vitner, Brown & Watt
April-06	Is What's Good for McDonald's Good for America?	Vitner
April-05	A Primer on Consumer Confidence	Vitner & Quinlan
March-28	Housing Chartbook: March 2011	Vitner, Khan & Seydl
March-22	The State of States: A Quantitative Approach	Vitner, Khan, Iqbal & Watt
March-22	The Outlook for Central Bank Policy Rates	Bryson & Quinlan
March-21	Of Oil, Nuclear Energy and the MENA	Aleman
March-11	Credit Quality Monitor: March 2011	Anderson & Kashmarek
March-09	Small Business Indicators Turn Positive	Silvia & Brown
March-01	Texas Continues to Lead the Recovery	Vitner, Aleman & Kruse
March-01	Recovery Gives Way to Expansion, or Does It?	Vitner & Seydl
March-01	California Economic Outlook: March 2011	Anderson
February-25	Housing Data Wrap Up: February 2011	Vitner & Khan
February-24	Higher Oil Prices, if Sustained, Would Undermine Growth	Vitner & Seydl
February-14	Florida After the Great Reset	Vitner & Seydl
February-14	Can America Double Its Exports in Five Years?	Bryson & Kruse
February-04	Commercial Real Estate Chartbook: Quarter 4	Vitner, Khan & Seydl
January-27	Housing Chartbook: January 2011	Vitner, Khan & Seydl
January-24	The State of Economic Development Incentives	Silvia, Brown & Seydl
January-20	States Face Numerous Challenges	Vitner, Brown & Watt
January-18	European Sovereign Debt: Where is the Exposure?	Bryson
January-07	The Labor Market Is Far From Out of the Woods	Vitner & Seydl
January-04	European Debt Crisis: What's Next?	Bryson
January-03	North Carolina Is Still Well Off Its Glory Days	Vitner
January-03	Early Challenges Await Dilma, Brazil	Aleman
December-23	New Jersey Economic Outlook: December 2010	Vitner, Khan & Watt
December-22	2010 Census: Slowest Population Growth Since the 1930s	Vitner & Seydl
December-22	Georgia Economic Outlook: December 2010	Vitner & Seydl
December-22	Shifting Drivers of Canadian Economic Growth	Bryson & Quinlan
December-20	Housing Data Wrap Up: December 2010	Vitner & Khan
December-17	Arizona's Economy Still Struggling	Aleman & Kruse
December-17	Arkansas Economic Outlook	Silvia & Brown
December-13	Resilient Pennsylvania Faces Next Challenge	Bryson, Quinlan & Seydl
December-10	Credit Quality Monitor: December 2010	Anderson & Kashmarek
December-08	Annual Economic Outlook 2011: Turning The Corner	Entire Group
December-07	Tax Cut Deal Reduces Uncertainty	Silvia & Brown
December-02	North Carolina Economic Outlook: Growth	Silvia & Brown

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