

Outlook for the U.S. Florida and Implications for Florida Gas Utility October 13, 2022



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Factors Shaping U.S. Outlook

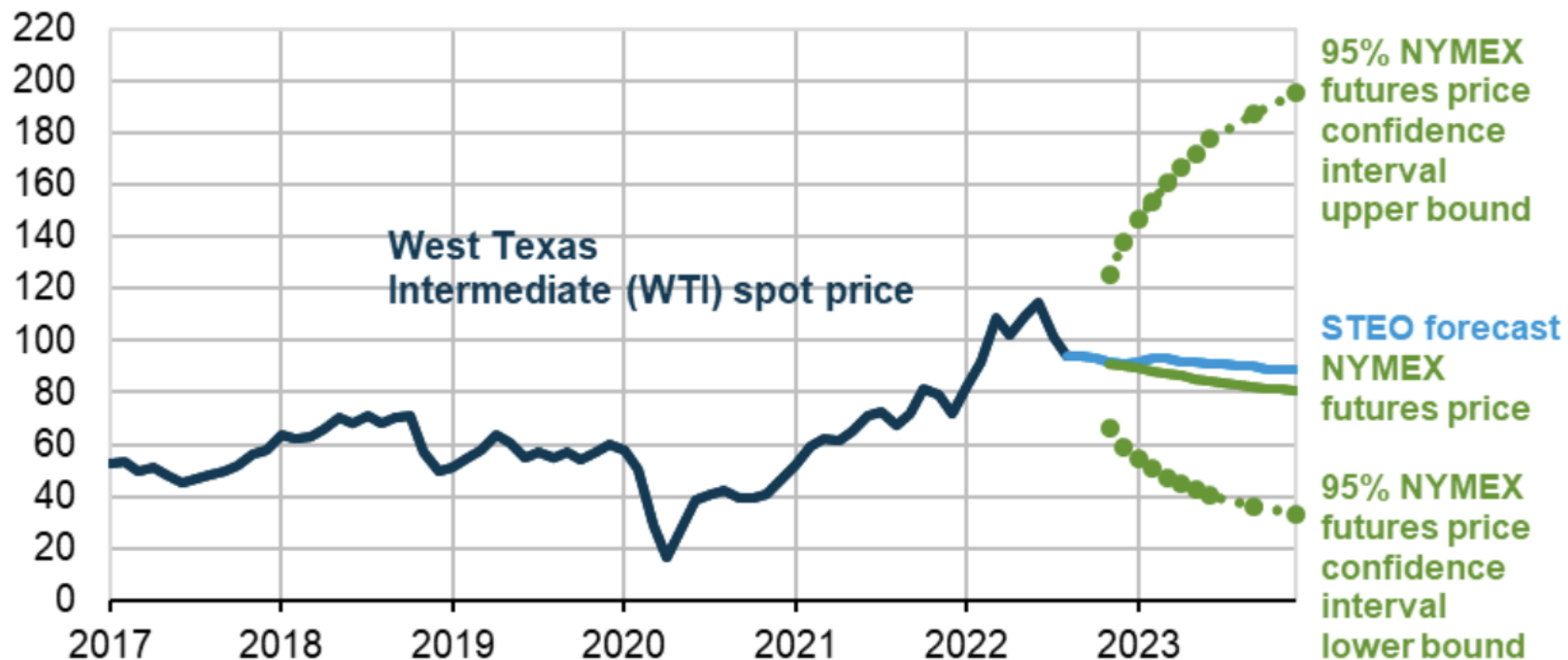
- War in Ukraine
- How much momentum in the U.S.?
- Impact of structural change
- Inflation trajectory
- Monetary and fiscal policies

ECONOMIC IMPACT OF RUSSIA'S WAR ON UKRAINE

Economic Impact of War

- Massive human toll and risk to democracies, but under most scenarios global economic impact will be modest
- Transmission channels - Russia & Ukraine produce:
 - Energy: 12% of oil, 17% of natural gas, 22% fertilizer
 - Commodities: 14% wheat, 30% palladium and helium
- If Russia remains in Ukraine, disruptions to energy markets will be limited and temporary
 - Felt more in Europe than in the U.S.
 - Russia suffer a depression
 - Ukraine suffers an economic catastrophe
- Oil prices at \$125/bbl impacts on U.S.
 - \$5/gallon gasoline = \$200 billion impact
 - \$10 increase in oil prices = \$0.30 increase in gasoline prices
 - Reduces real GDP by 0.25%
- High oil prices are already stimulating higher supply

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals dollars per barrel



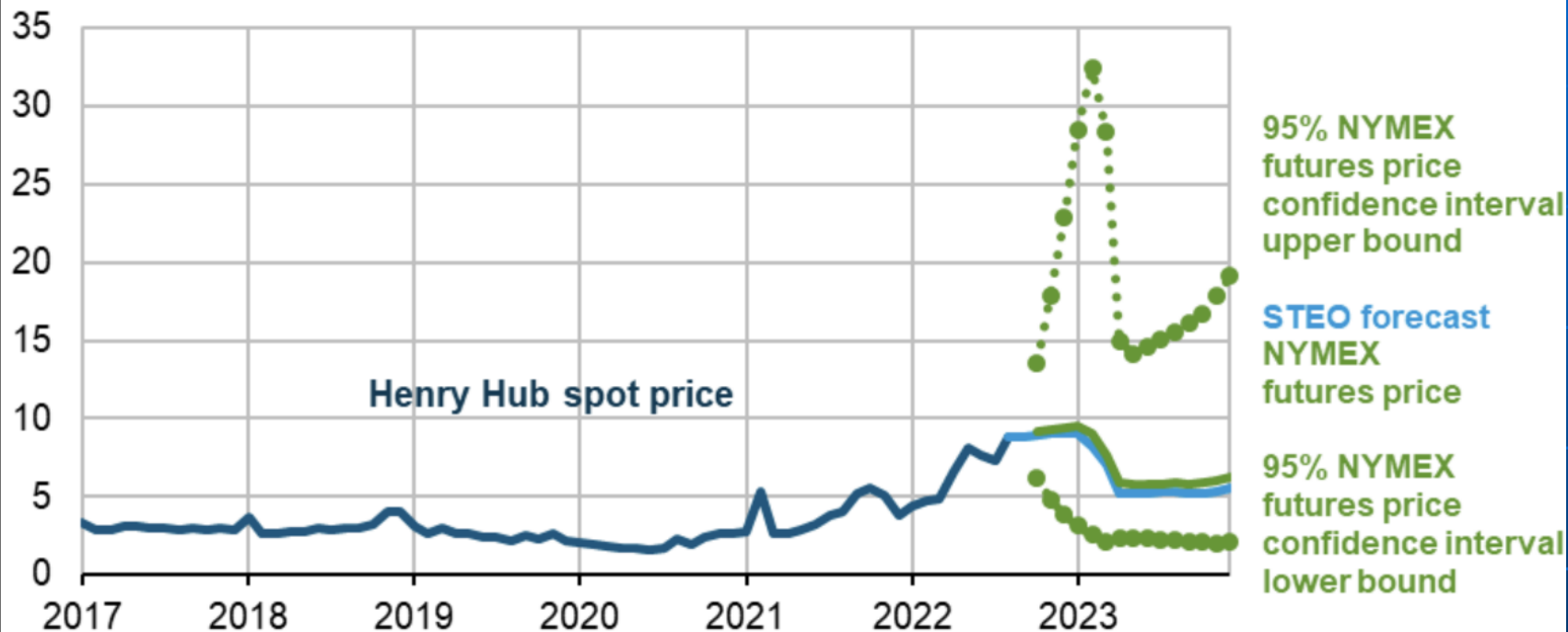
Note: Confidence interval derived from options market information for the five trading days ending Sep 1, 2022. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2022, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business



Henry Hub natural gas price and NYMEX confidence intervals

dollars per million Btu



Note: Confidence interval derived from options market information for the five trading days ending Sep 1, 2022. Intervals not calculated for months with sparse trading in near-the-money options contracts.

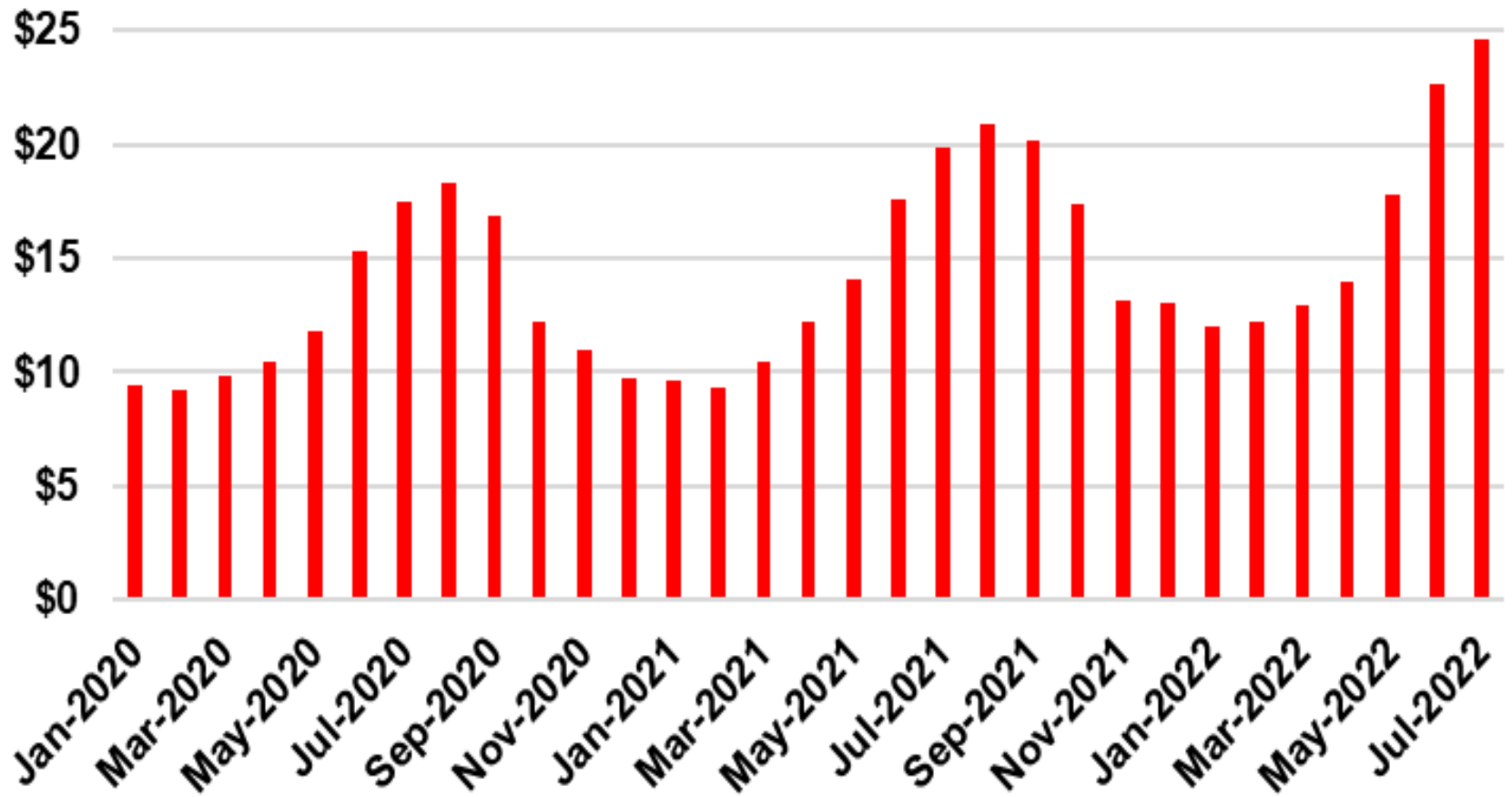
Sources: U.S. Energy Information Administration, Short-Term Energy Outlook, September 2022, CME Group, and Refinitiv an LSEG Business



Gasoline Prices All Grades

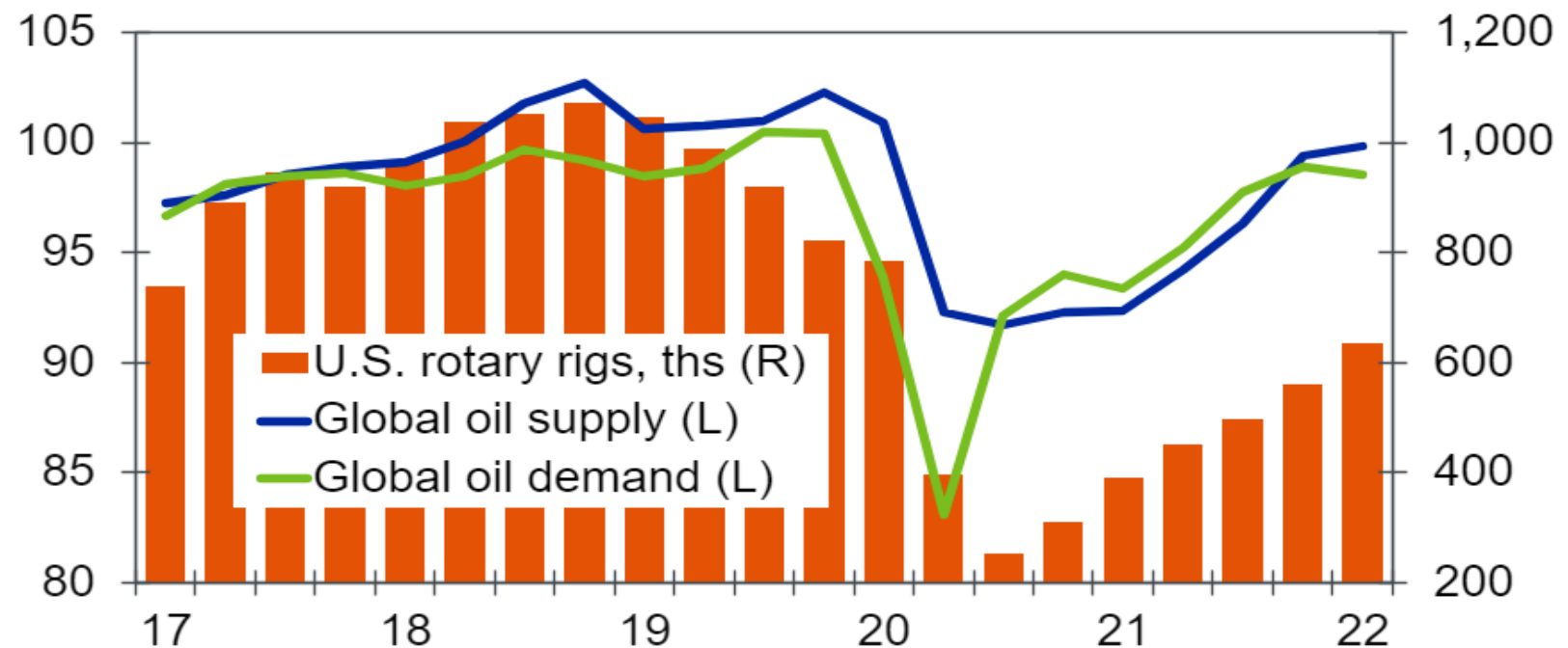


Price of Natural Gas Delivered to Residential Customers \$/CF



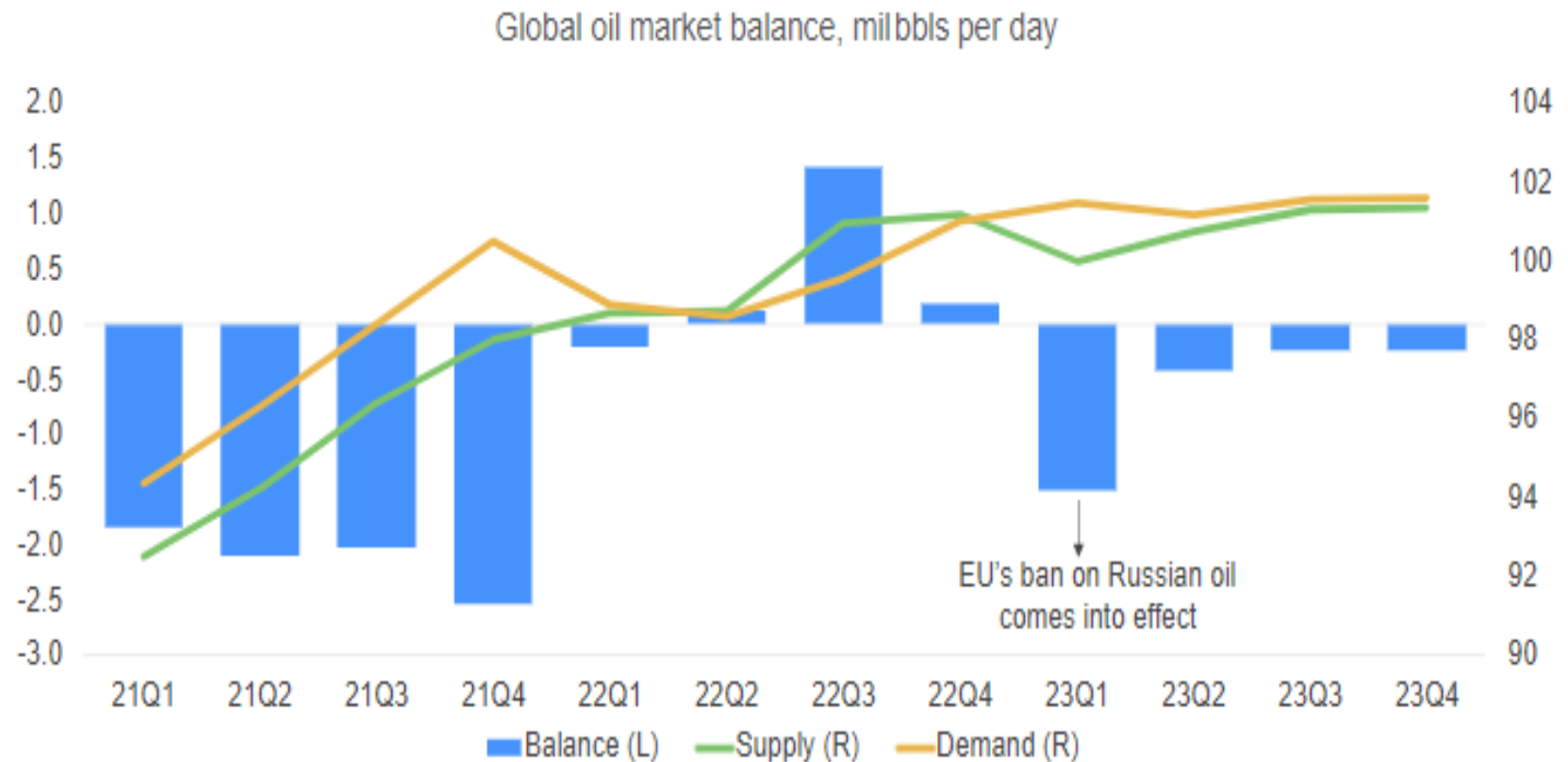
Global Oil Supply Catches Demand

Global oil supply and demand, mil bpd



Sources: IEA, Baker Hughes, Moody's Analytics

Global Oil Market Tightens in Early 2023 as Russian Oil Supply Slumps

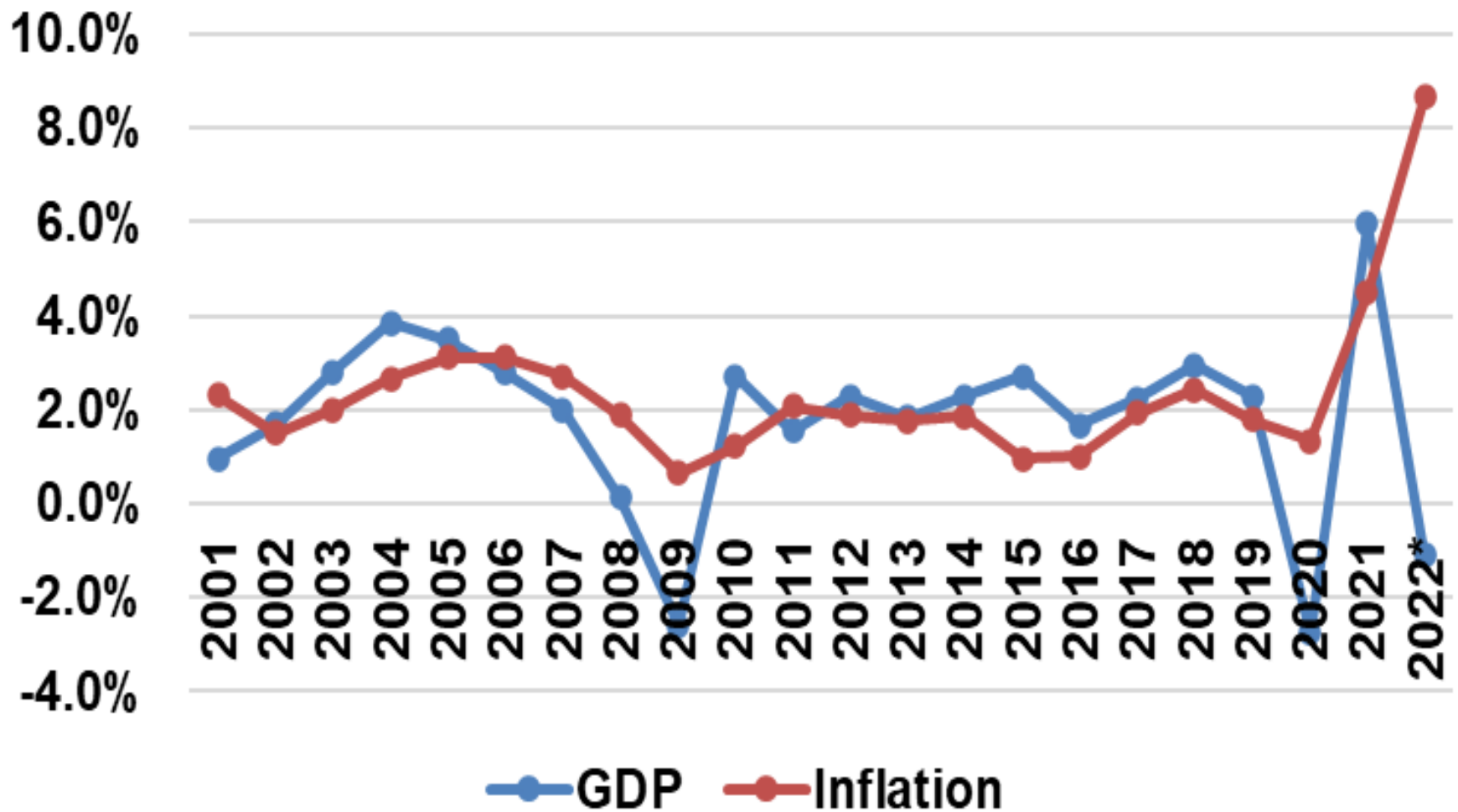


Sources: IEA, EIA, Moody's Analytics

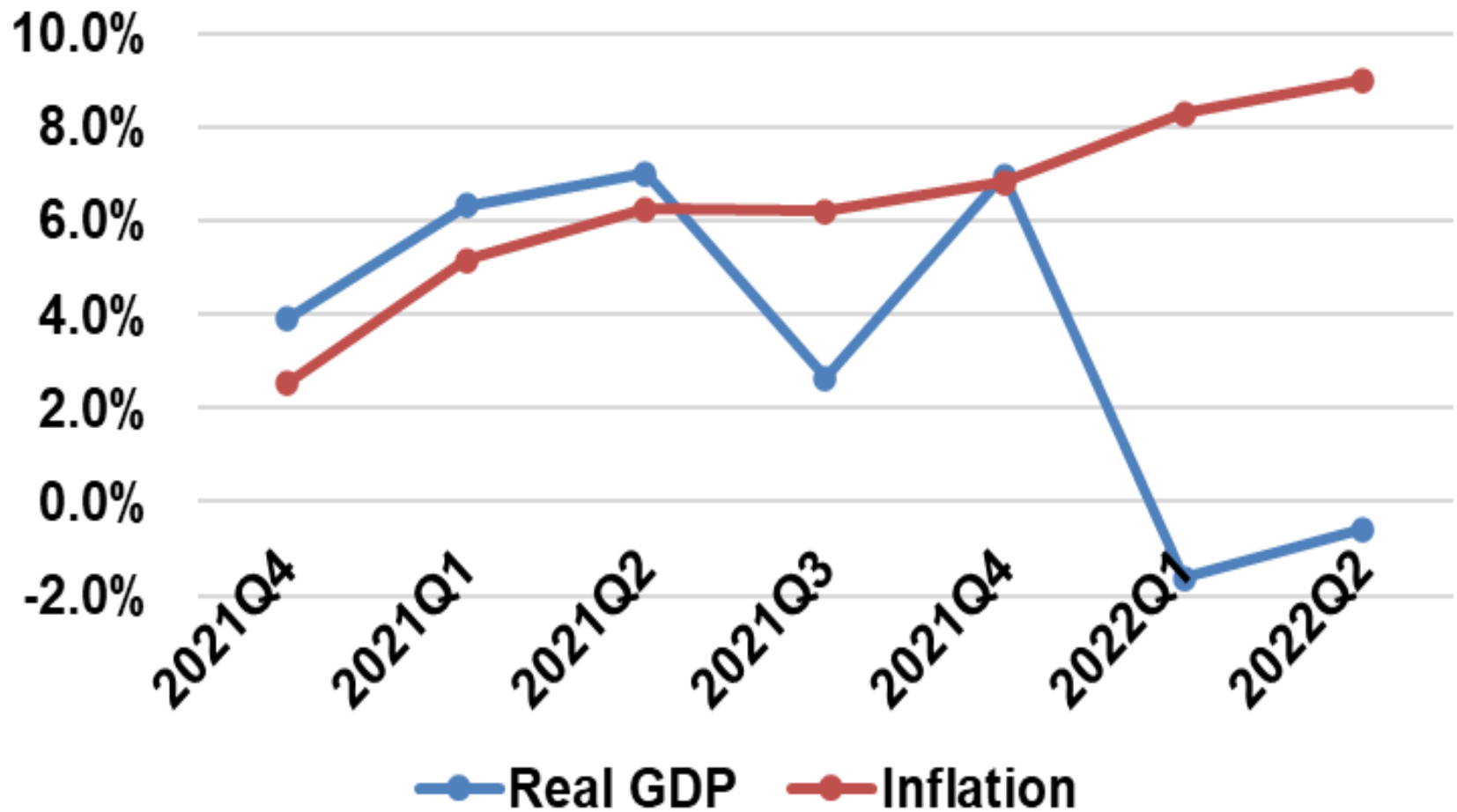
HOW MUCH MOMENTUM?

CONSUMER SPENDING & JOBS ARE KEY

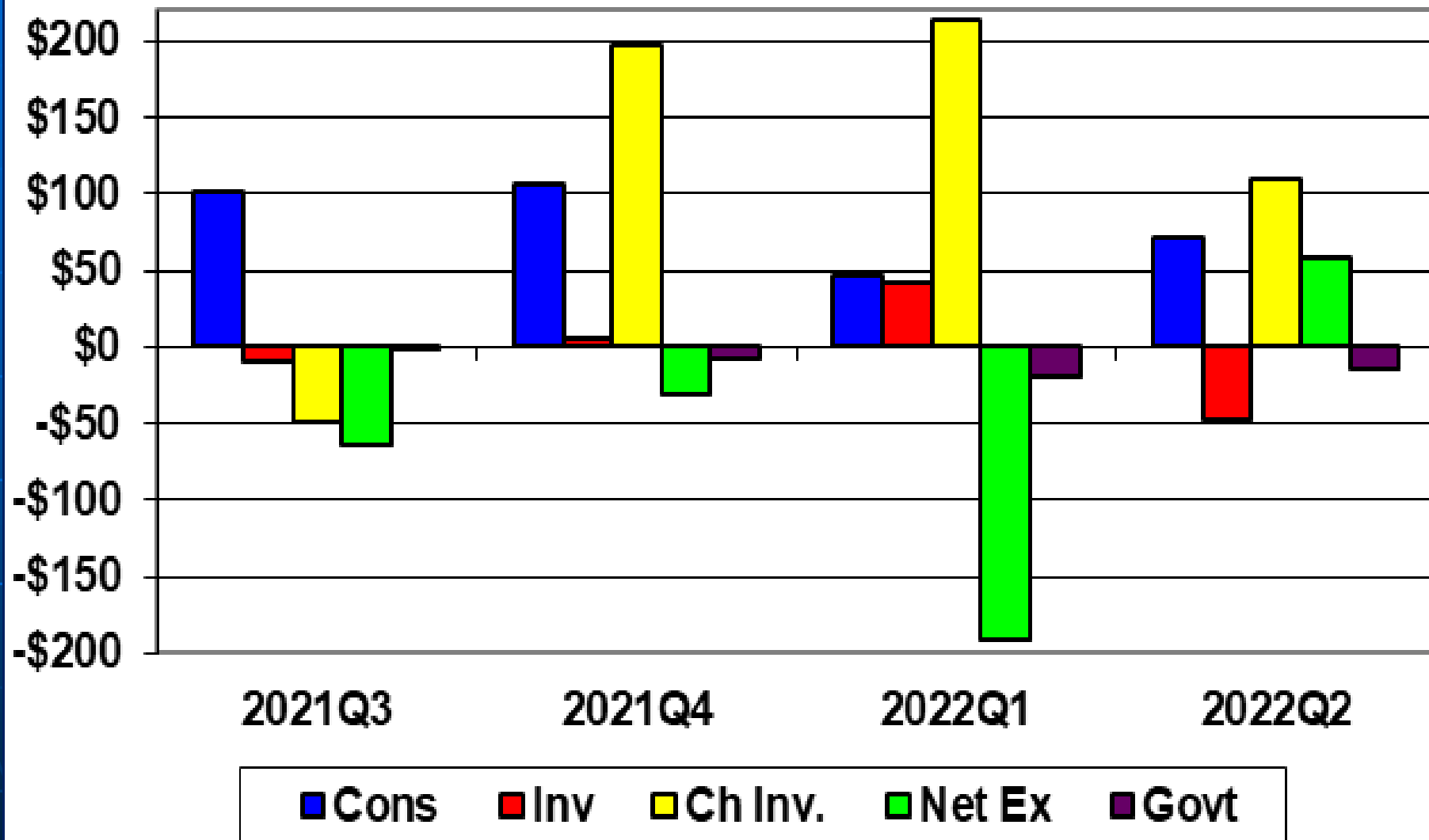
Growth in Real GDP & Inflation



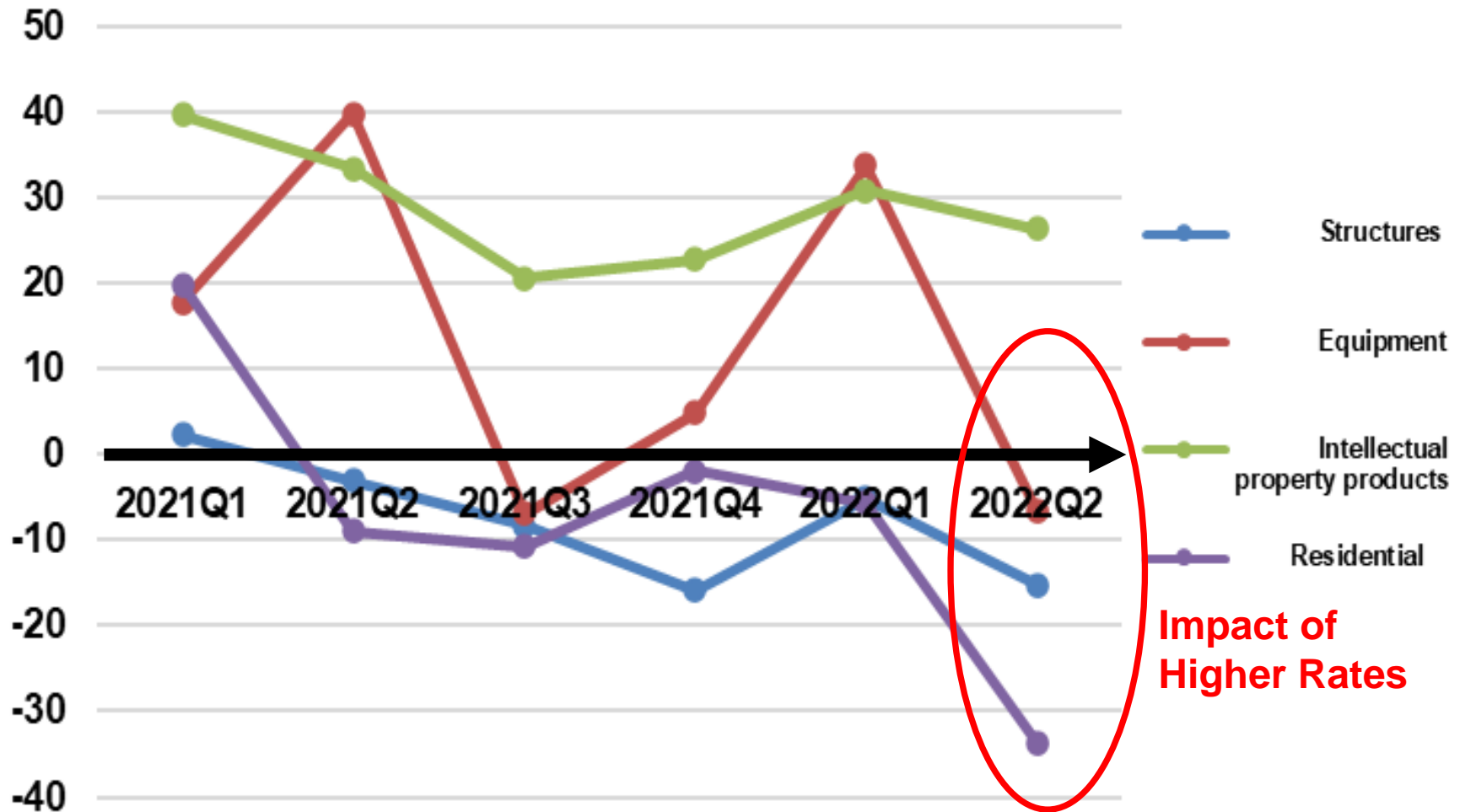
Growth Real GDP & Inflation



Growth in Real GDP \$2012

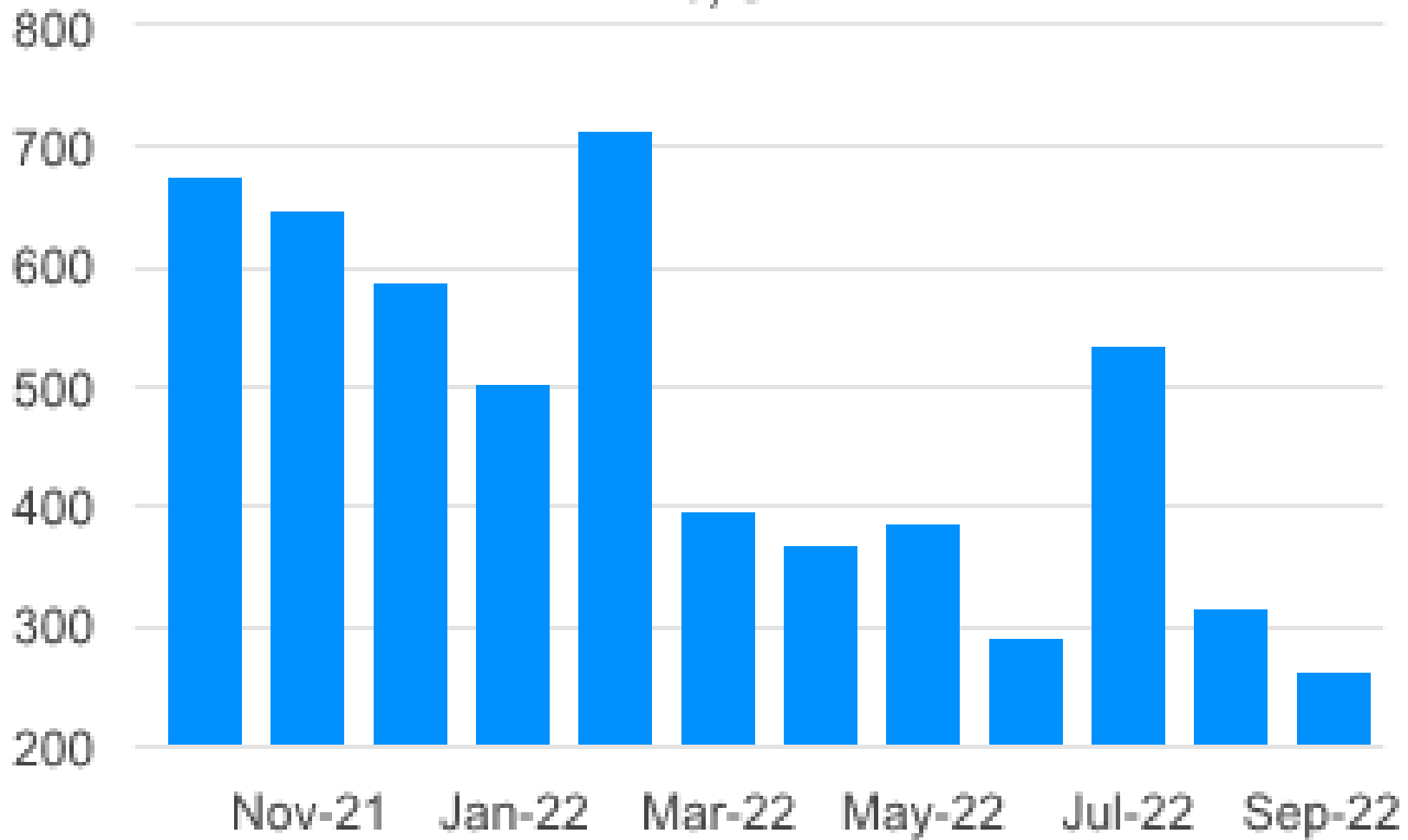


Change in Fixed Investment

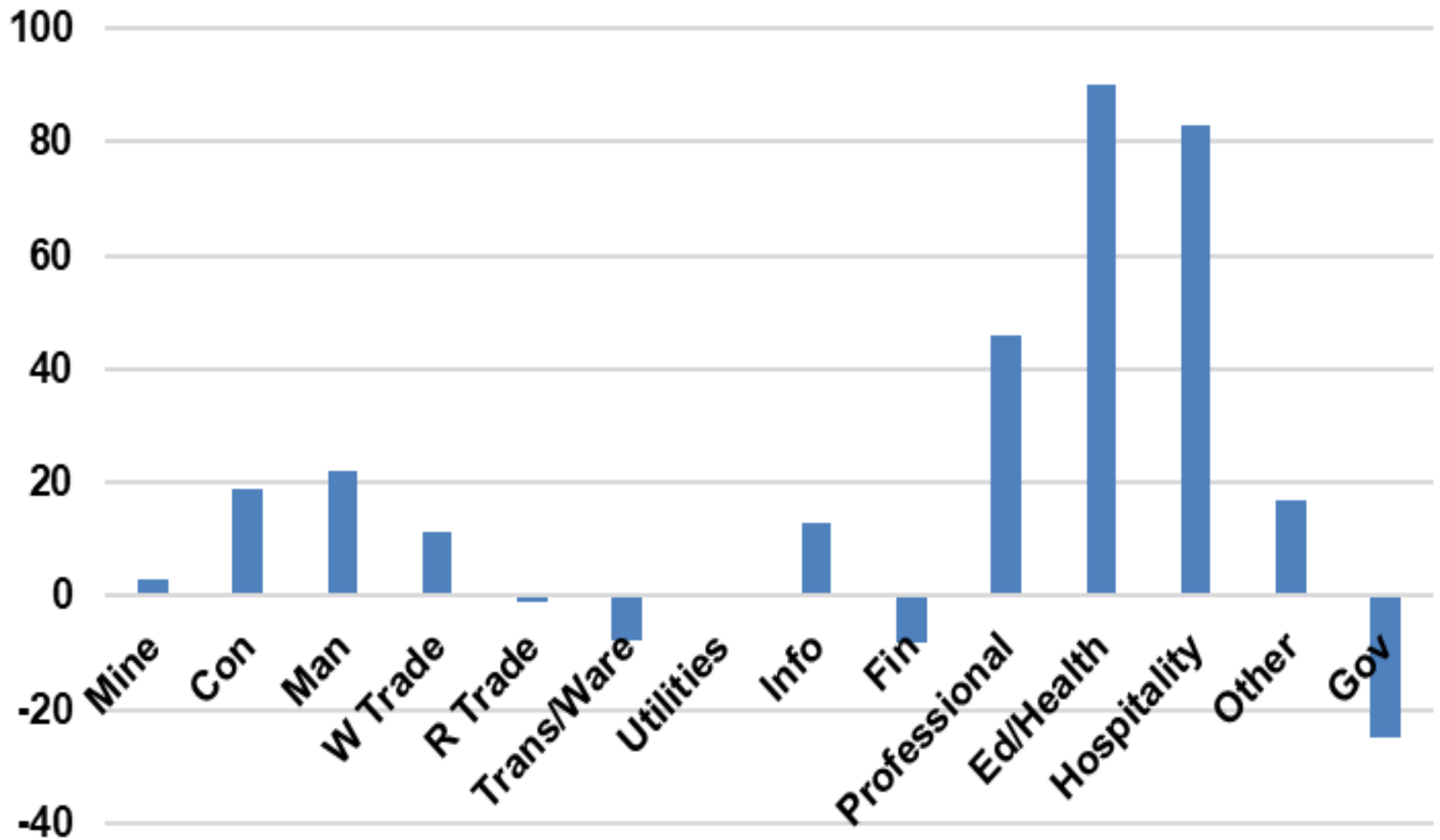


Net Change in U.S. Nonfarm Payrolls

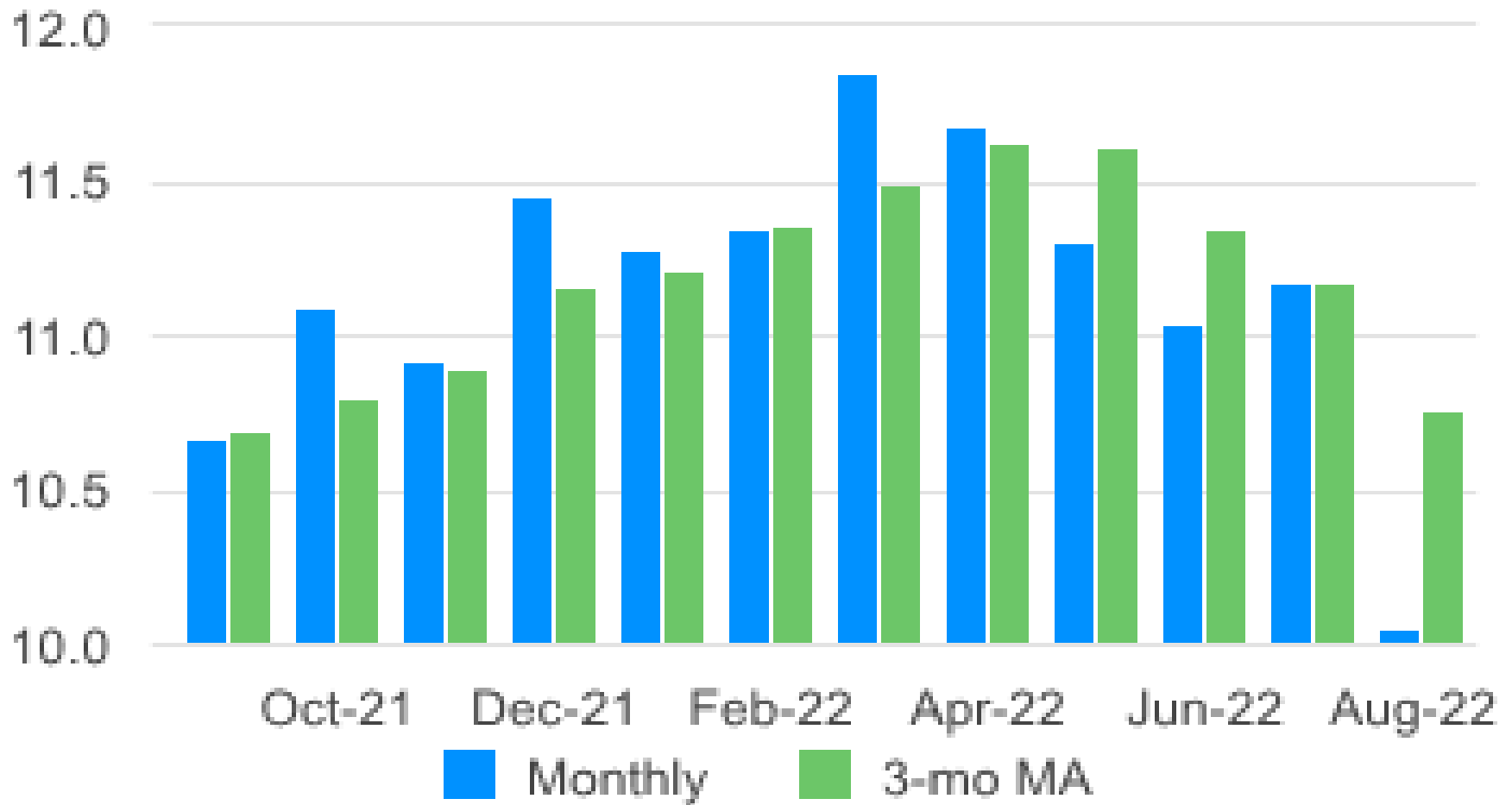
Ths, SA



Job Growth



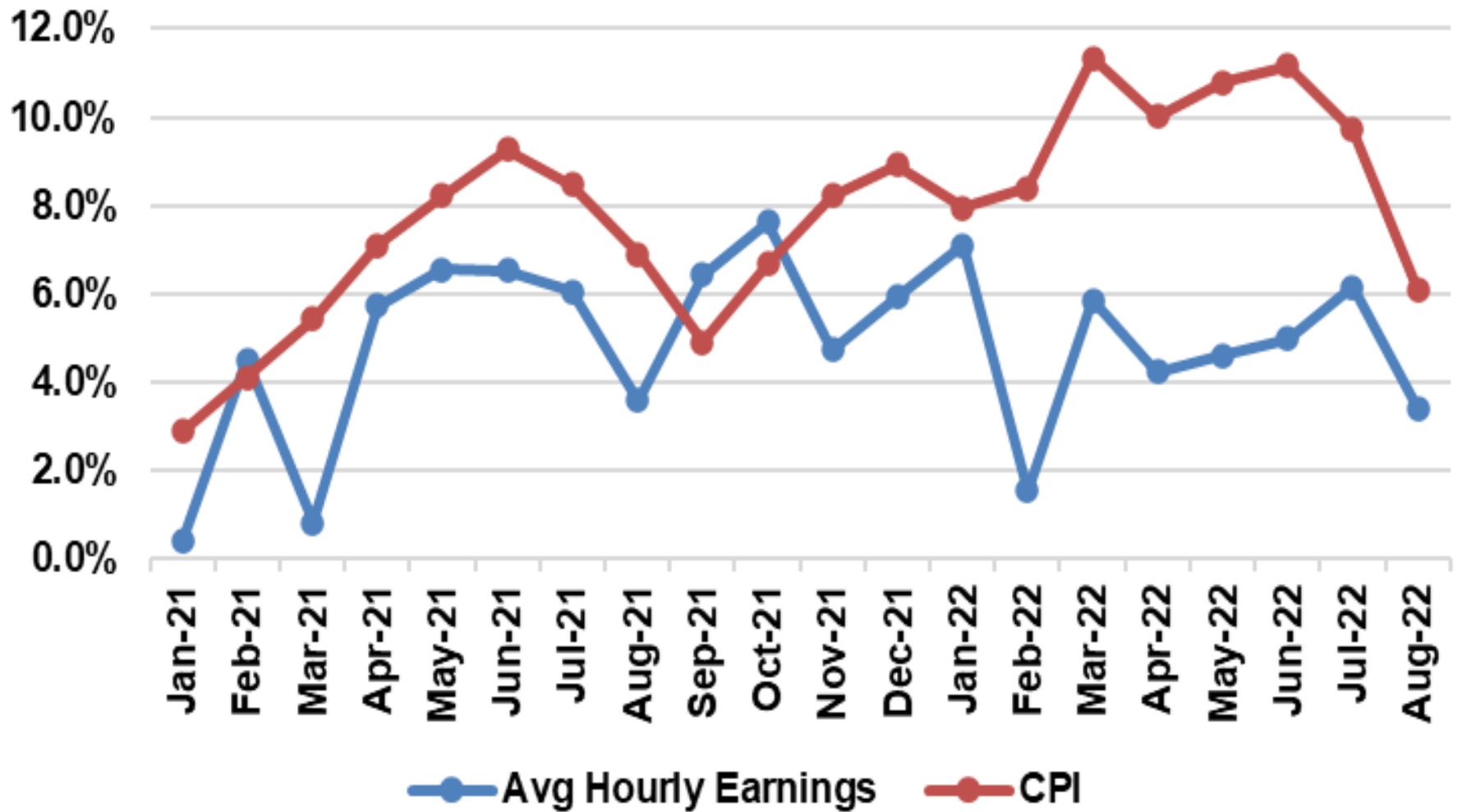
Job Openings, mil



Jobless Claims

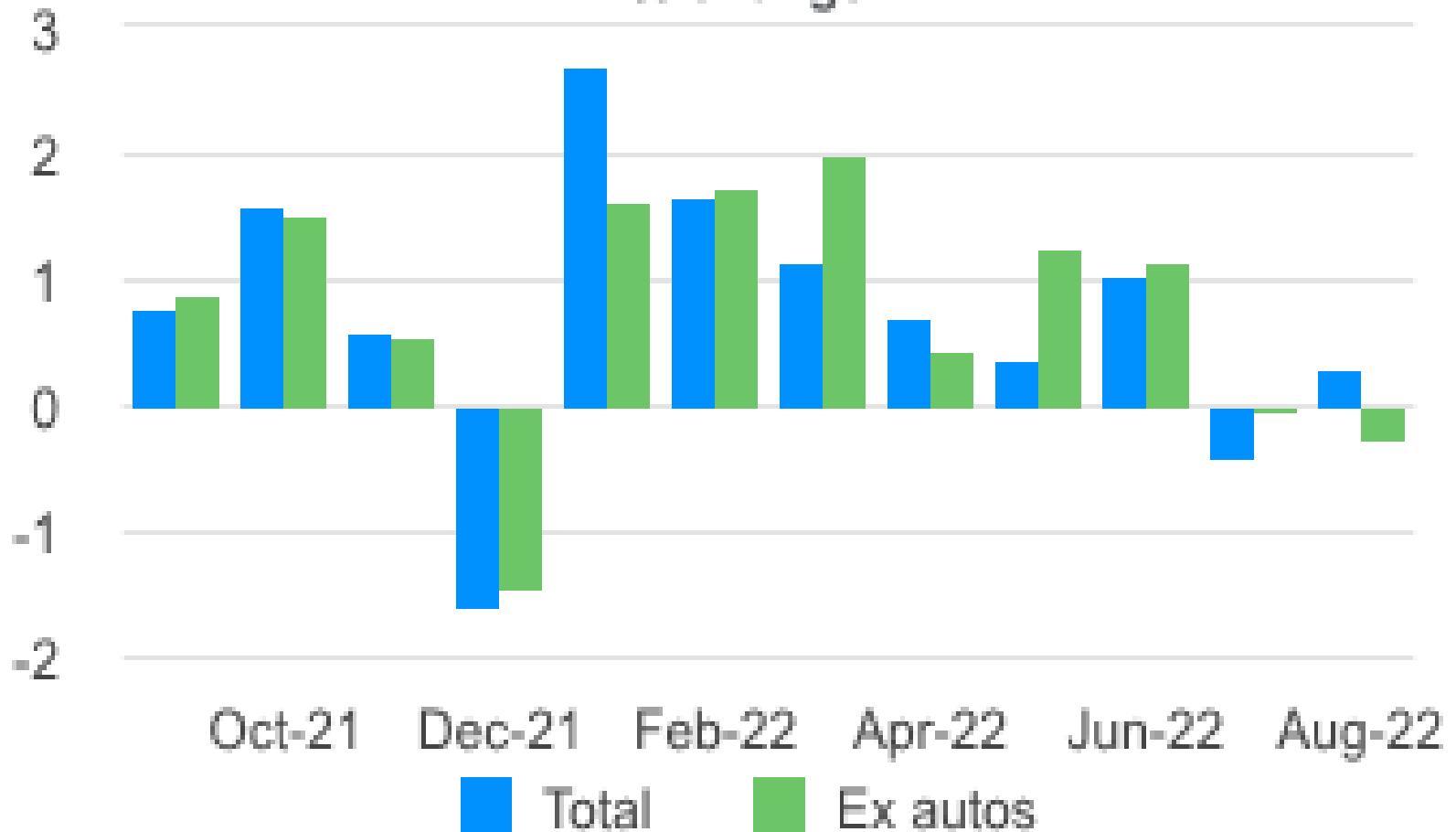


Growth in Earnings v. Inflation



Retail Sales

% change

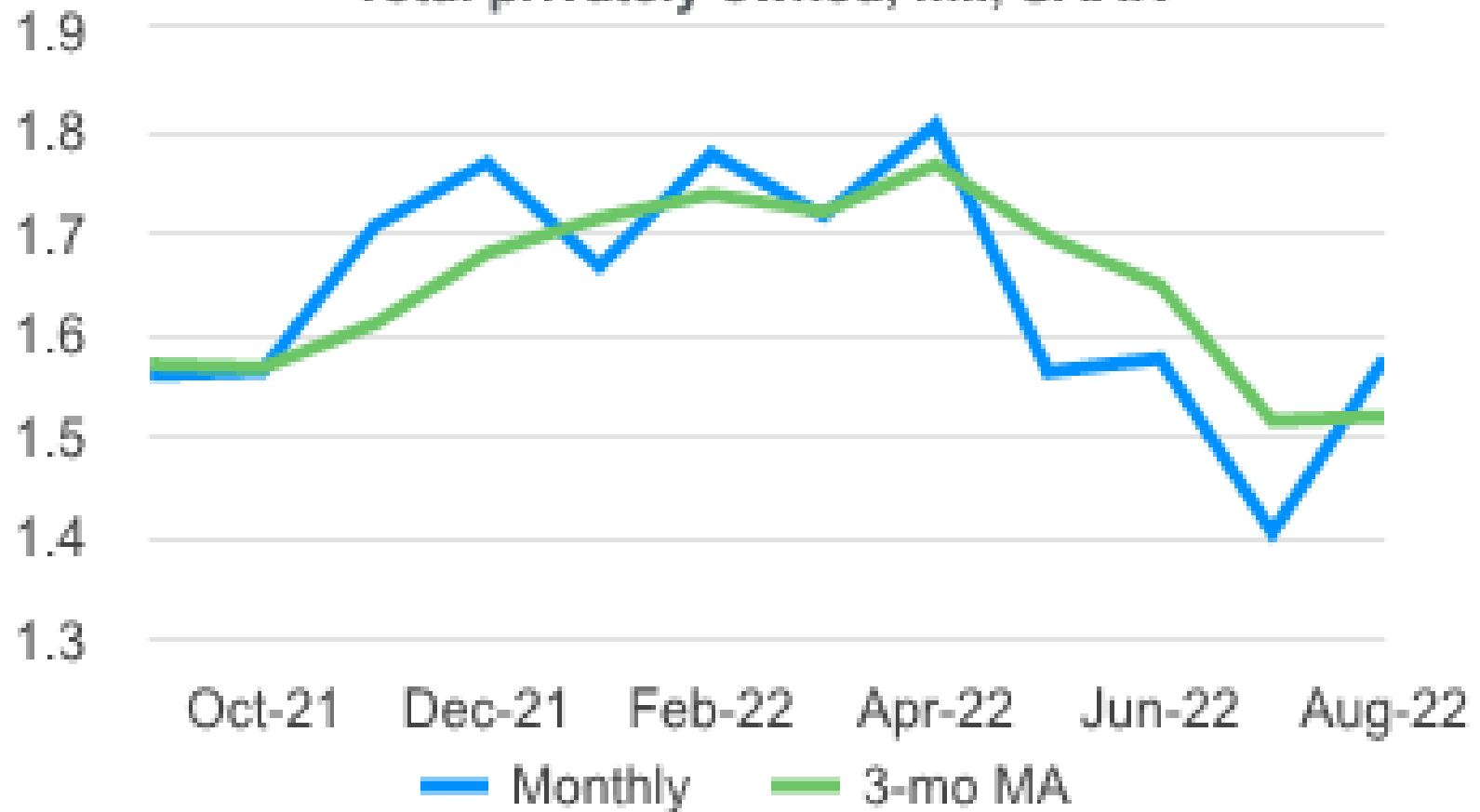


New Single-Family Home Sales 000s



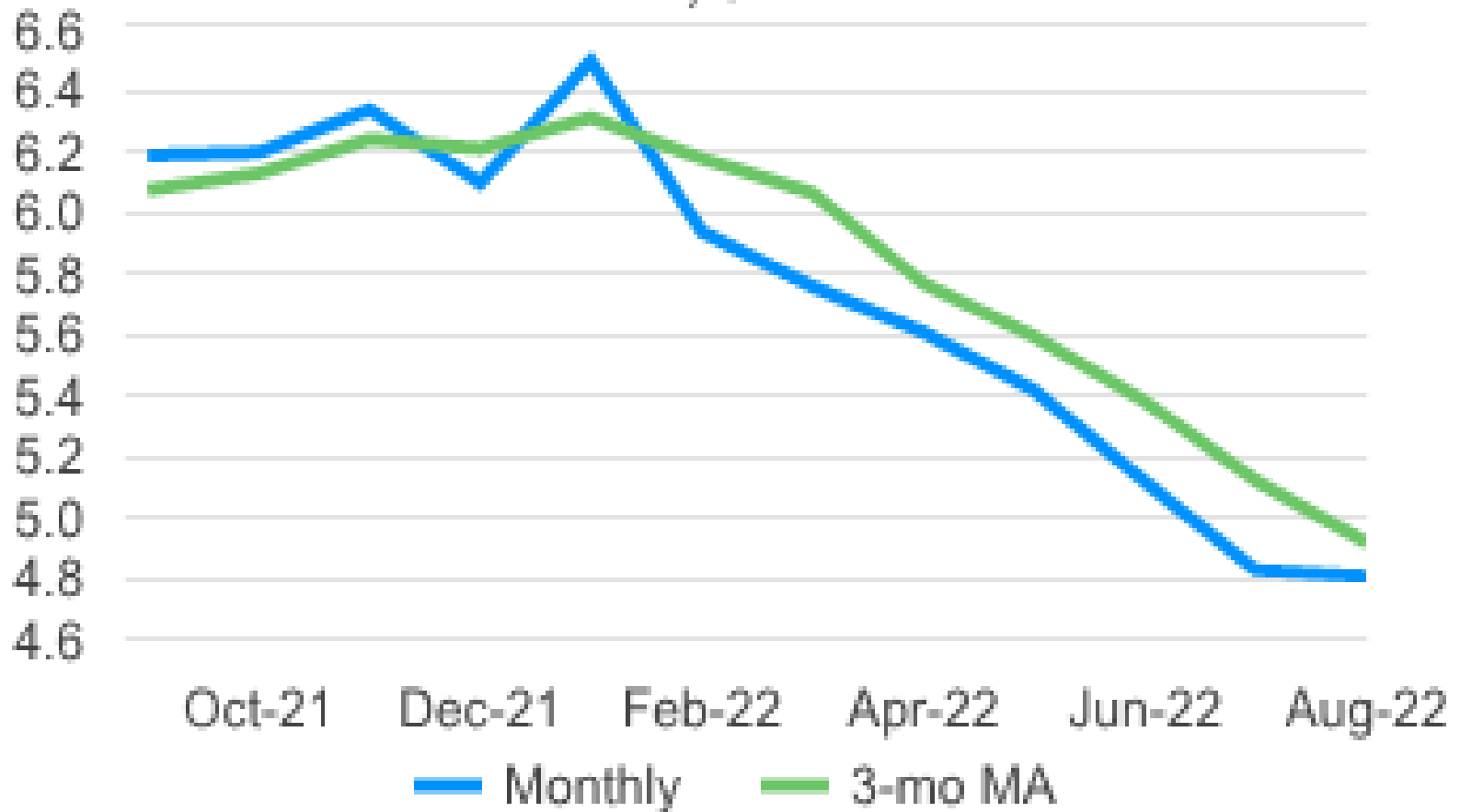
Housing Starts

Total privately owned, mil, SAAR



Existing Home Sales

Mil, SAAR



THE NEW POST PANDEMIC ECONOMY

Pre-Pandemic Structural Changes Underway

- **AI and Automation**
- **Globalization**
- **Immigration and Demographic changes in U.S.**
- **Income inequality**
- **Impacts on U.S. Economy**
 - **Slower GDP growth**
 - **Lower inflation**
 - **Lower wage growth**

Pandemic has Changed the Structure of the U.S. Economy

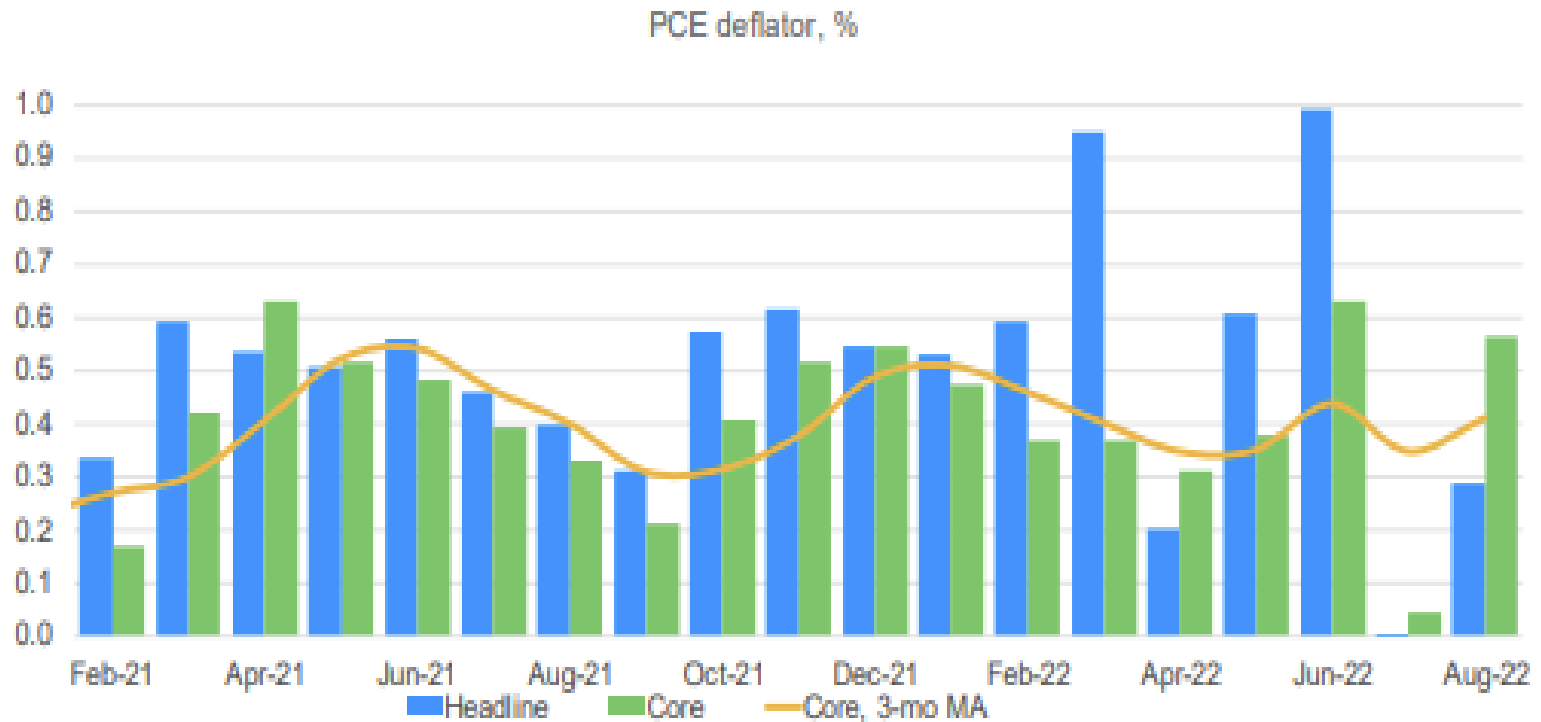
- **Work from Home Works – most office occupations shift to hybrid staffing models of 2/3 and 3/2**
- **Accelerated automation – customer relations, cashiering, retailing**
- **Revealed weaknesses in supply chains – onshoring and diversification**
- **Disrupted labor markets boosting costs**
- **Unleashed a spike of inflation**
- **“K” shaped recovery magnified income inequality and sectoral differences**
- **Implications**
 - **Productivity growth will remain high and well above pre-pandemic levels**
 - **Relocations of workers and businesses will accelerate**

INFLATION TRAJECTORY

Inflation - Keystones

- **Inflation is the rate of aggregate price increases**
 - Not the level of prices
 - Not an increase in some prices
- **Typically caused by macroeconomic forces**
 - Excess demand v supply
 - Excess growth money supply
- **Pandemic disrupted many industries and triggered structural economic changes**
 - Supply chain disruptions are unwinding now
 - Labor markets are moving back towards equilibrium
- **Pandemic and Russian War = End of Globalization**
 - Balkanized trading blocks
 - Higher price structure
- **Inflation expected to cool in 2nd half of 2022 to about 5% pace**

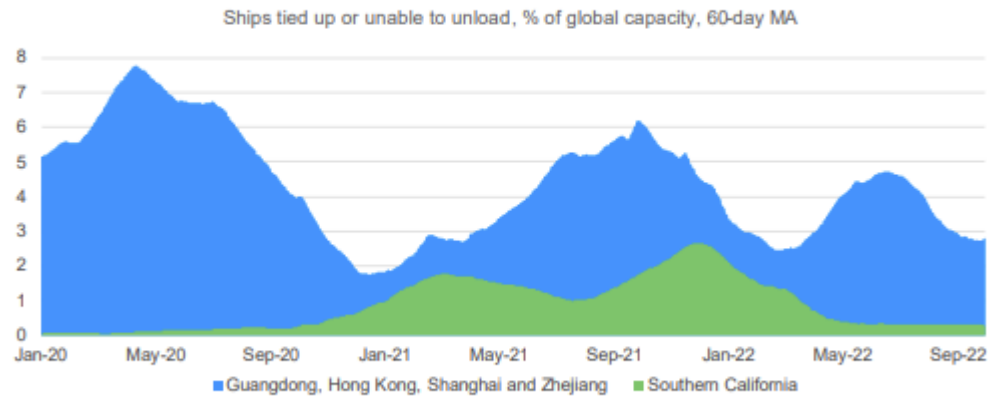
August's Unwanted Acceleration



Sources: BEA, Moody's Analytics

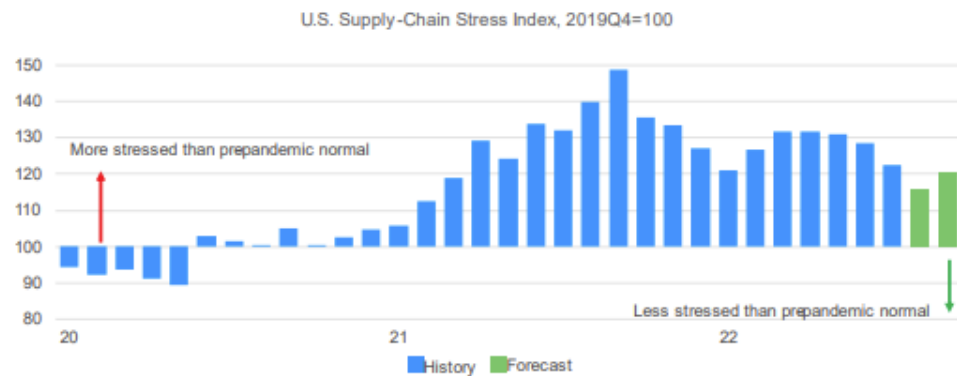
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Ports Operating More Efficiently



Sources: Kiel Institute for the World Economy, Moody's Analytics

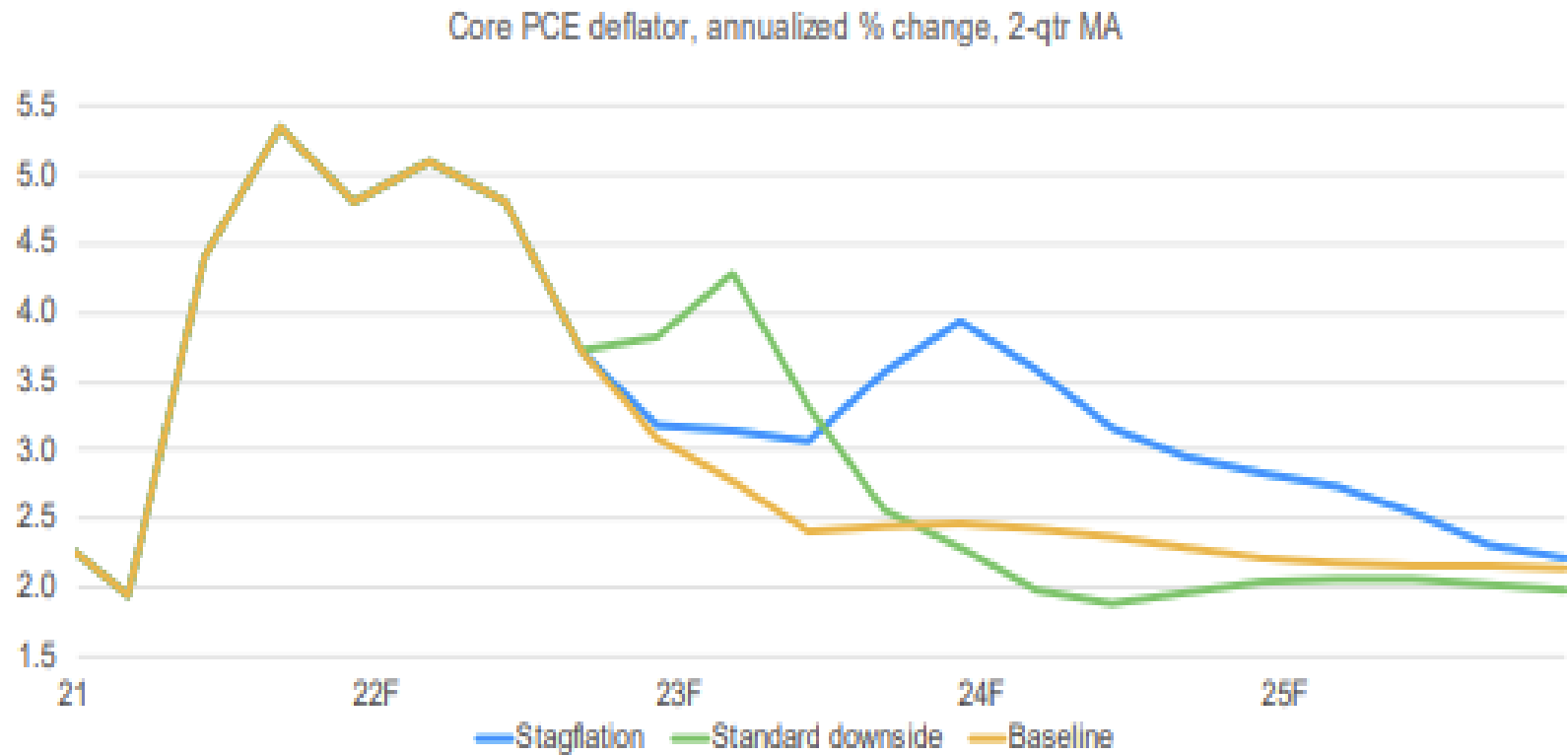
Supply Chains Untangling



Sources: Multiple sources, Moody's Analytics

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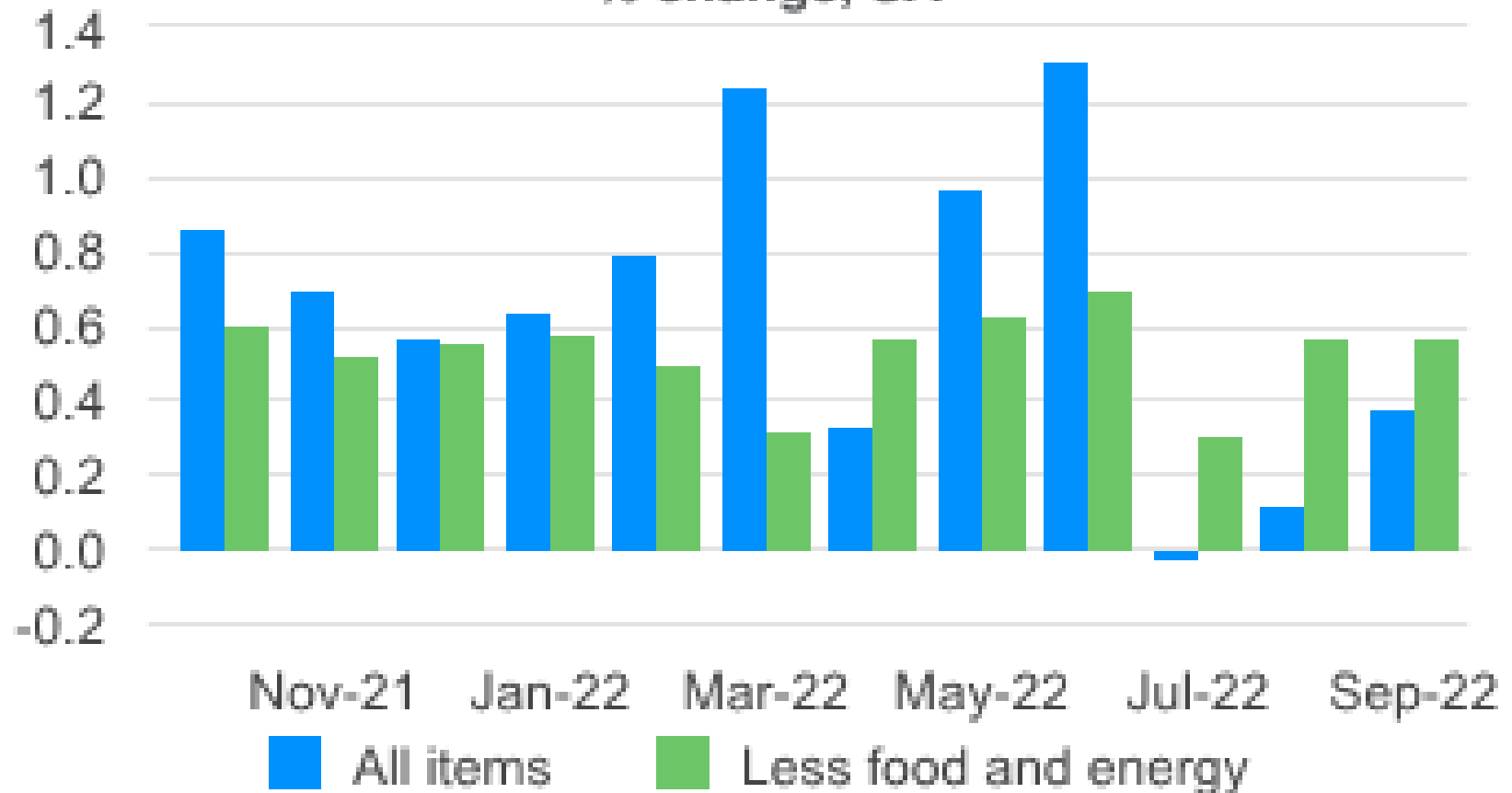
Fed's Got a Ways to Go



Sources: BEA, Moody's Analytics

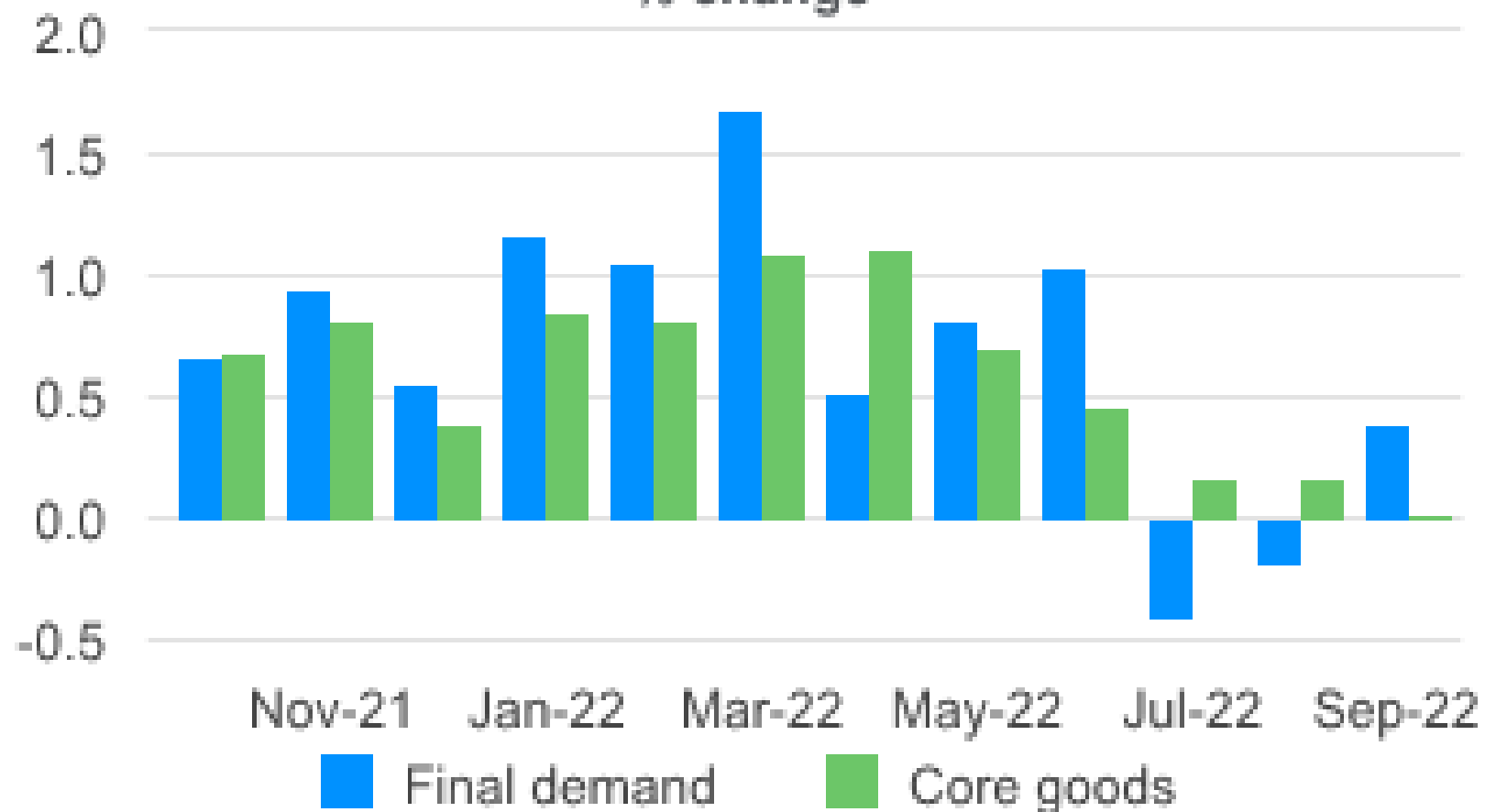
Consumer Price Index

% change, SA



Producer Prices

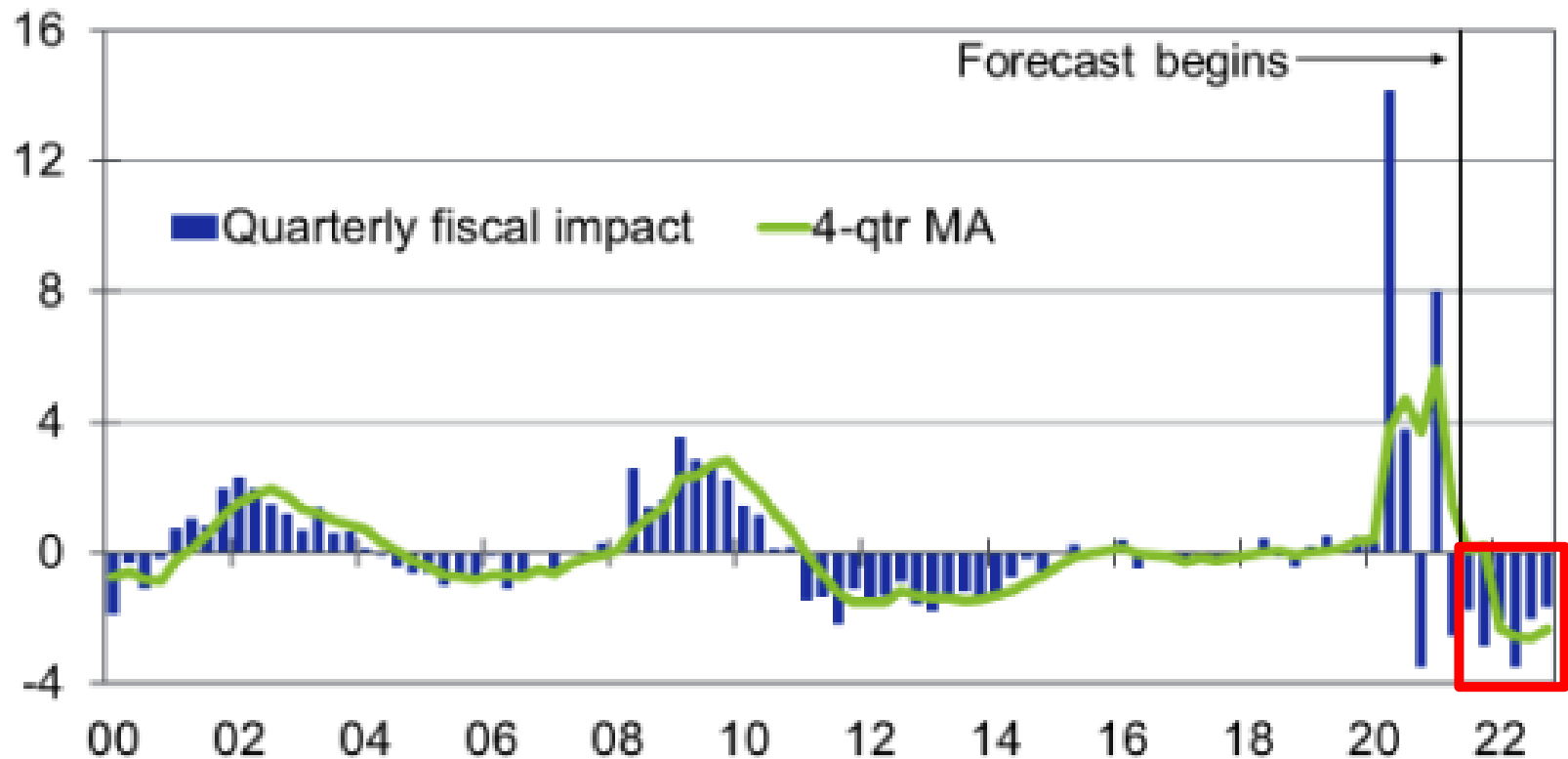
% change



MONETARY AND FISCAL POLICIES

Economy Is Coming Off Fiscal Sugar High

Contribution of fiscal policy to annualized real GDP growth, ppts



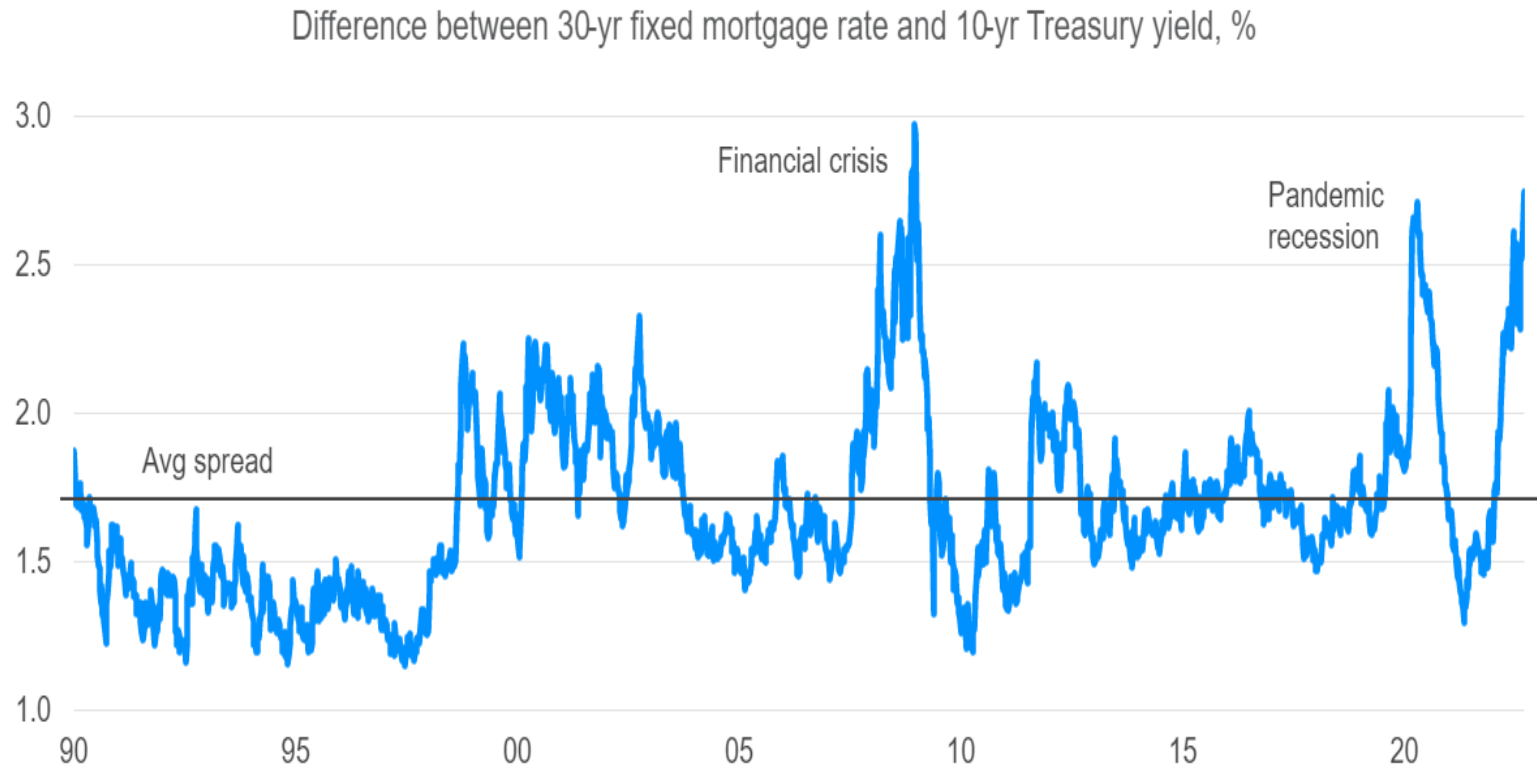
Sources: Brookings Institution, Moody's Analytics

Federal Reserve Forecast

- No recession
- 24-months of stagflation
- Interest rates remain elevated through 2024
- Change since June forecast
 - Weaker growth
 - Higher inflation
 - Higher rates

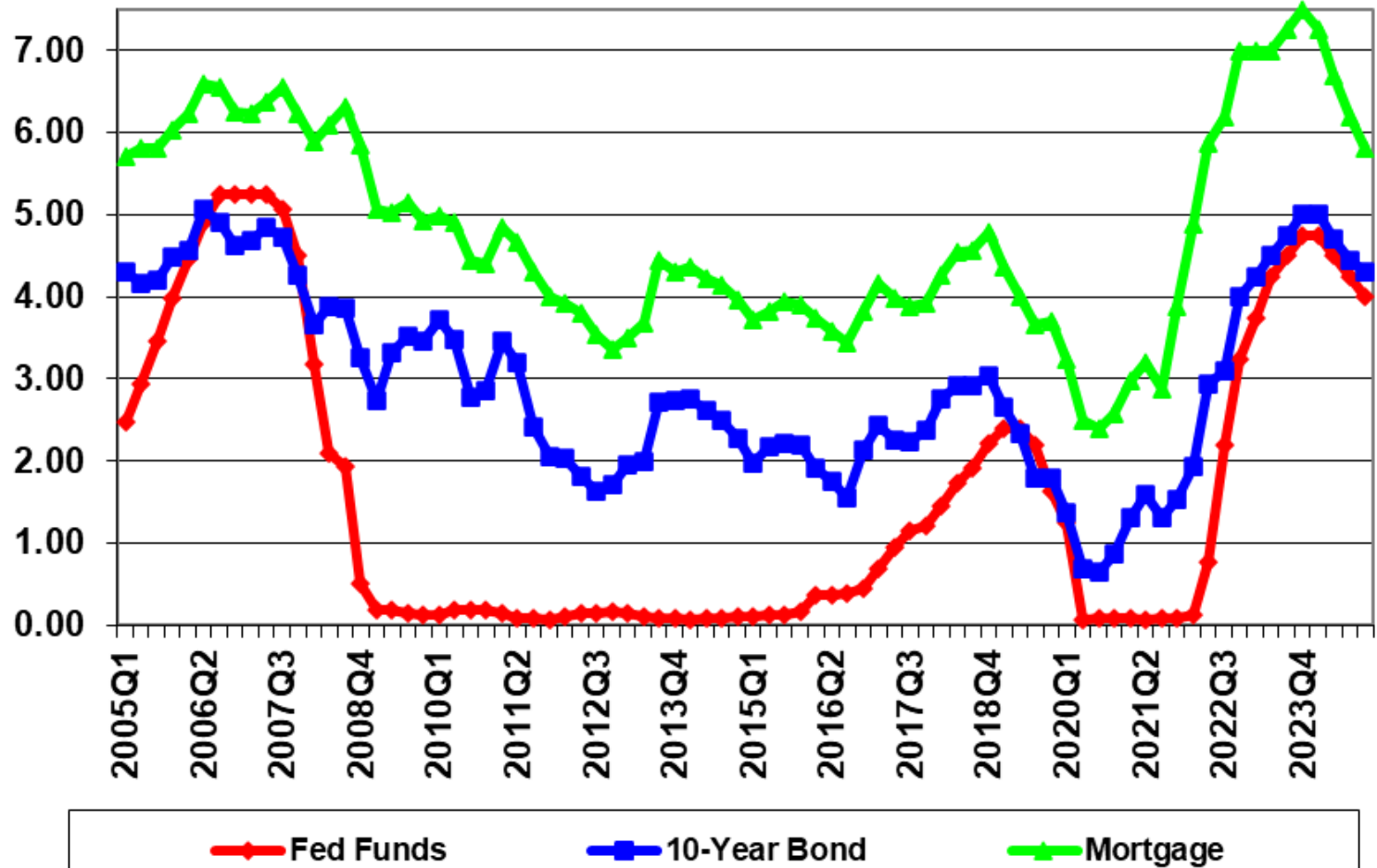
Variable	Median ¹				
	2022	2023	2024	2025	Longer run
Change in real GDP	0.2	1.2	1.7	1.8	1.8
June projection	1.7	1.7	1.9		1.8
Unemployment rate	3.8	4.4	4.4	4.3	4.0
June projection	3.7	3.9	4.1		4.0
PCE inflation	5.4	2.8	2.3	2.0	2.0
June projection	5.2	2.6	2.2		2.0
Core PCE inflation ⁴	4.5	3.1	2.3	2.1	
June projection	4.3	2.7	2.3		
Memo: Projected appropriate policy path					
Federal funds rate	4.4	4.6	3.9	2.9	2.5
June projection	3.4	3.8	3.4		2.5

Mortgage Spread Gaps Out

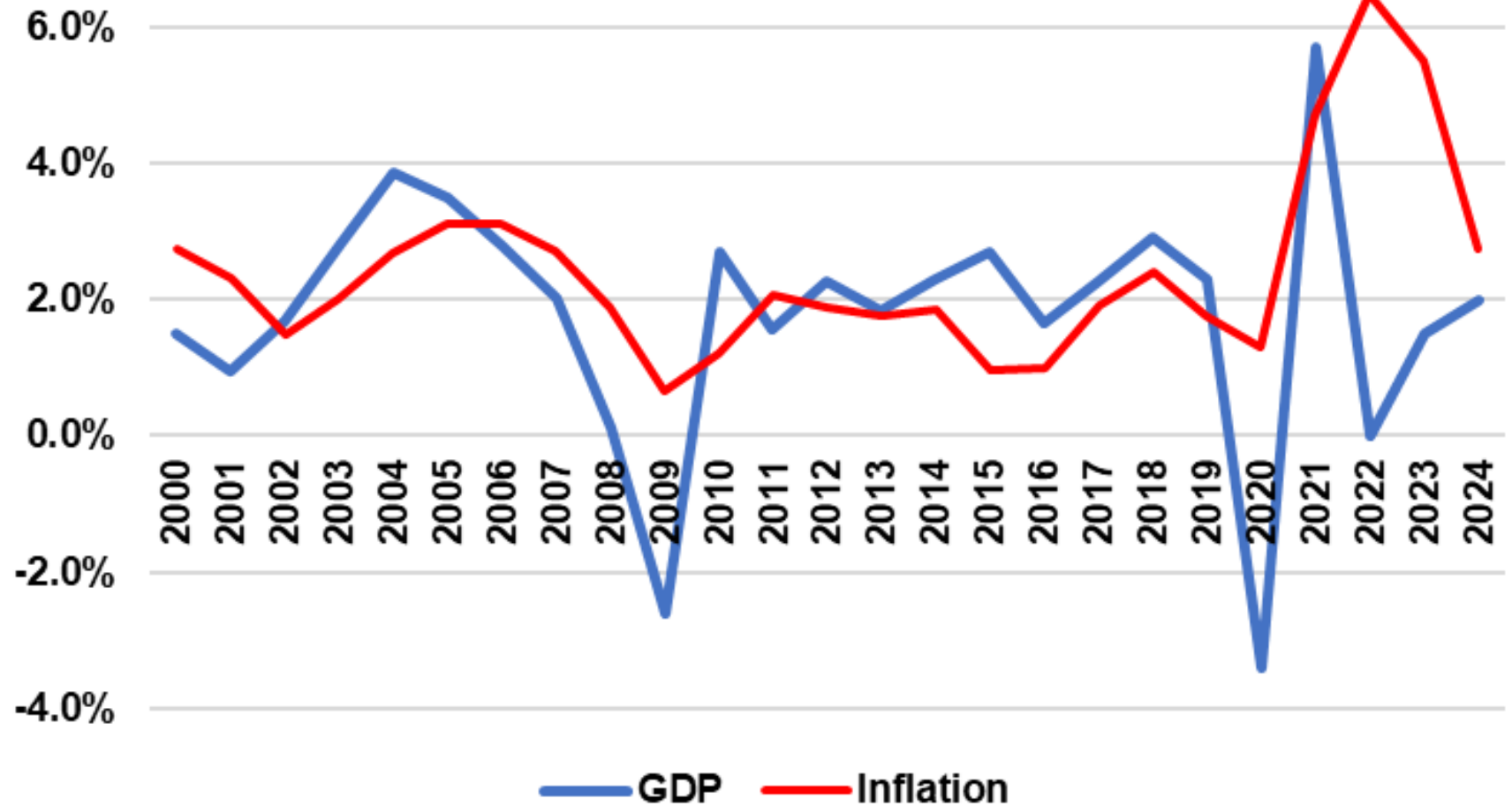


Sources: Freddie Mac, Federal Reserve, Moody's Analytics

U.S. Interest Rates



U.S. GDP and Inflation



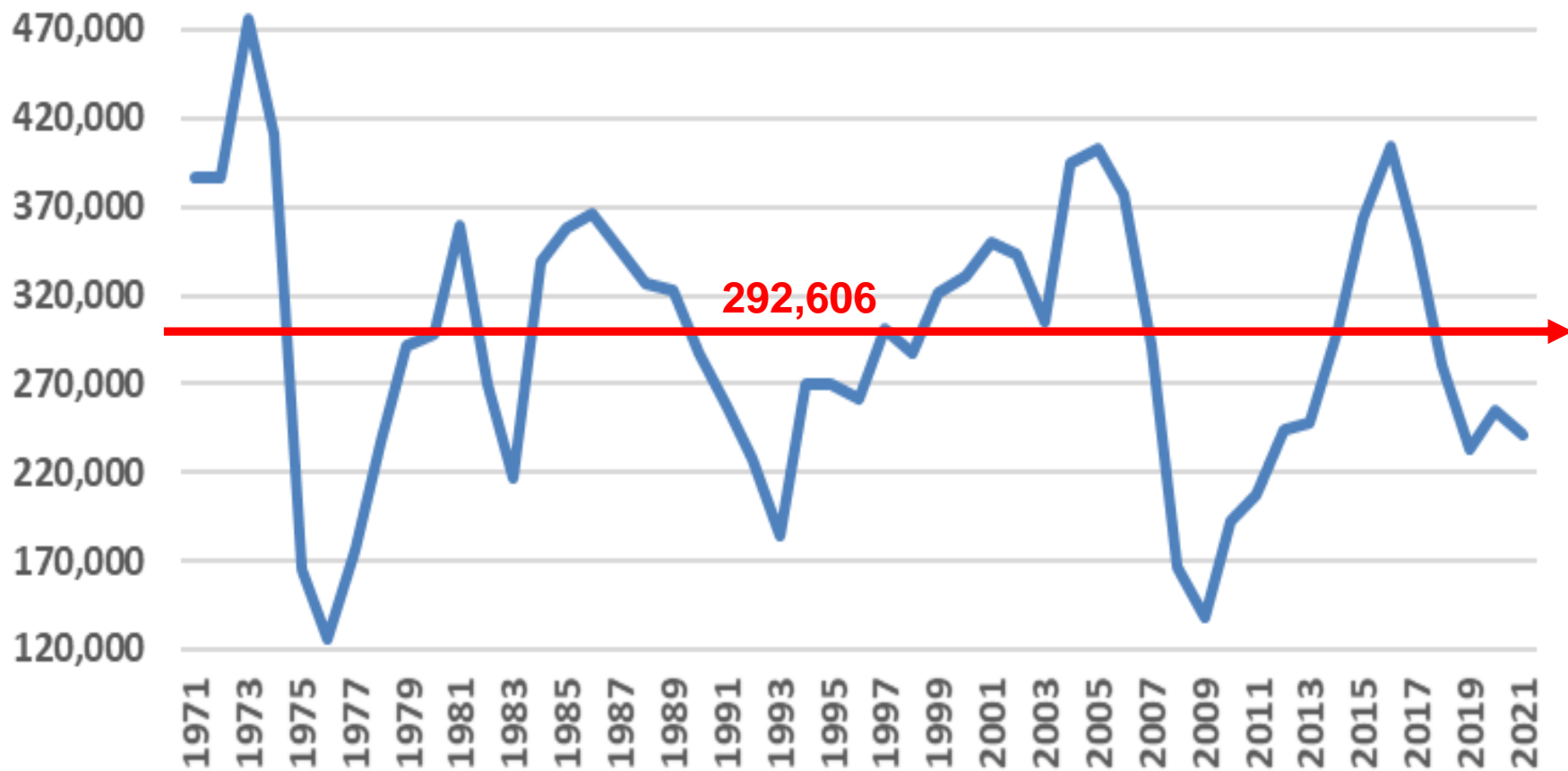
FLORIDA ECONOMIC OUTLOOK

Impact of Ian

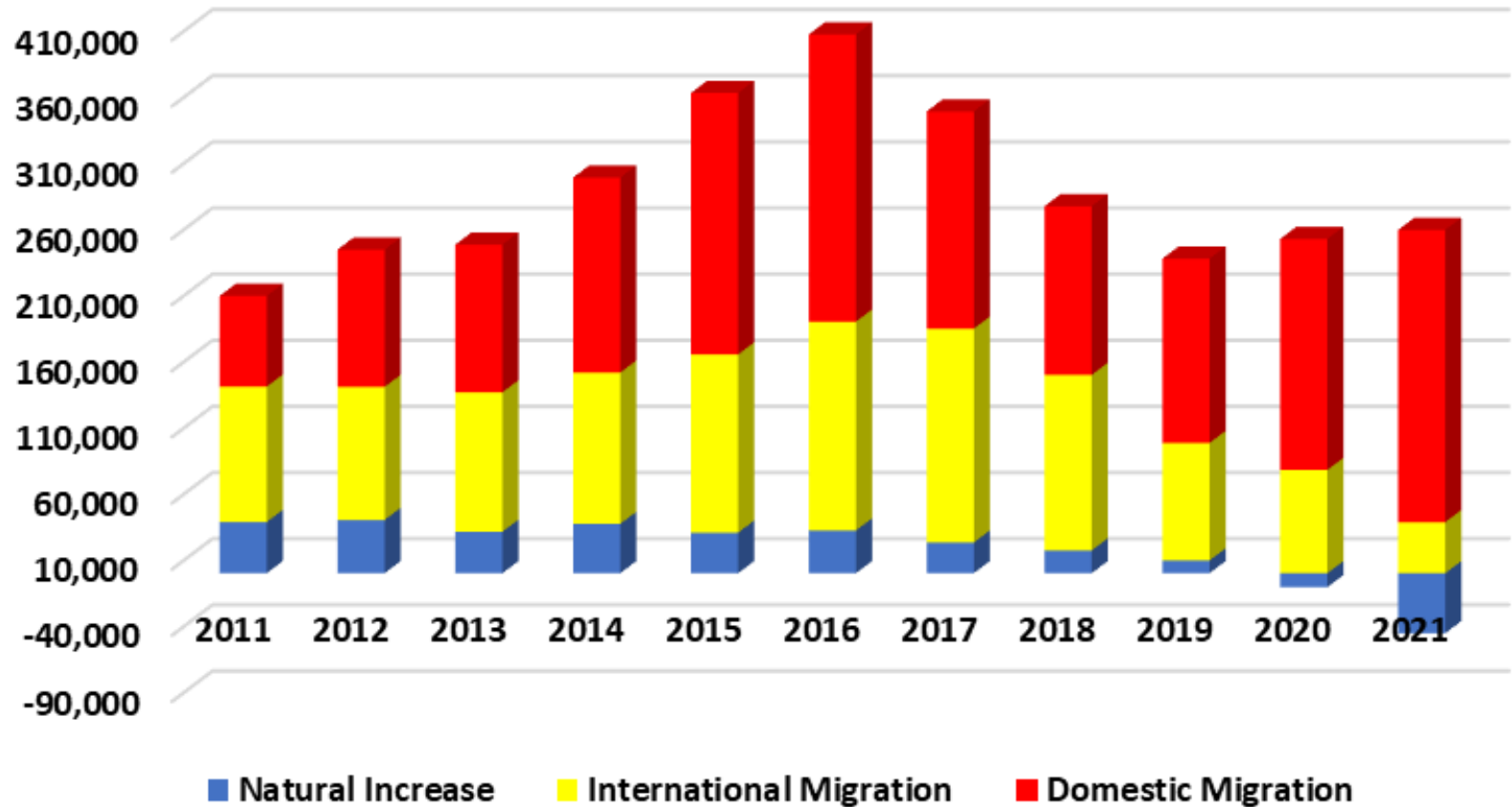
- **Recovery of directly impacted areas**
 - Takes 10+years
 - Outflow of businesses and households
 - Mostly to nearby areas in Florida
 - Alters economic structure
 - Rapid restoration of electricity buffers impacts
- **Direct economic damage > \$70 B**
- **Collapse of property insurance market**
 - Major restructure and expansion of Citizens
 - Much higher rates in coastal and flood prone areas
- **Modest slowing of retiree immigration and some redirection away from SW Florida**

FLORIDA POPULATION

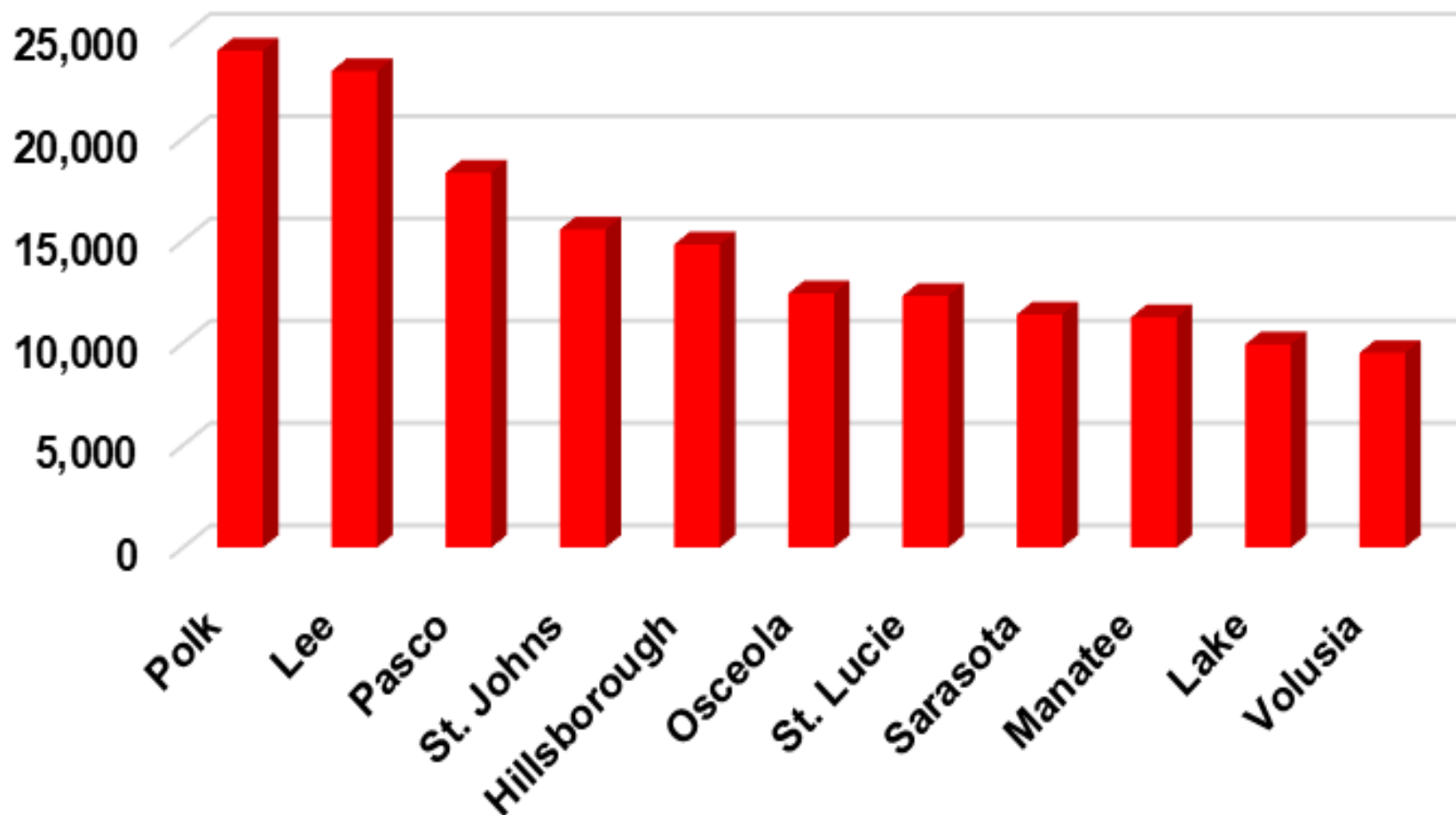
Florida Population Growth



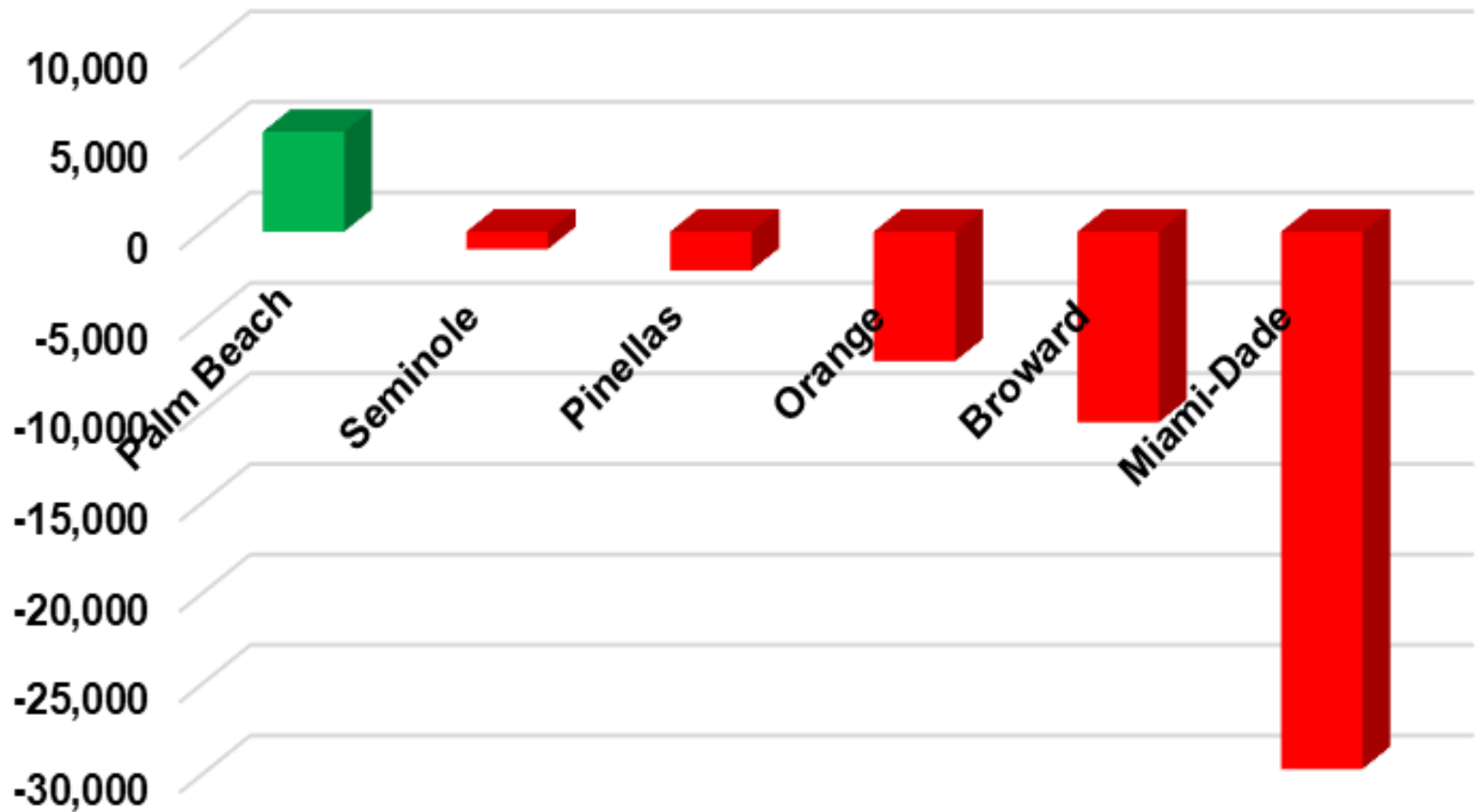
Florida Population Growth by Component



Population Growth 2020-21

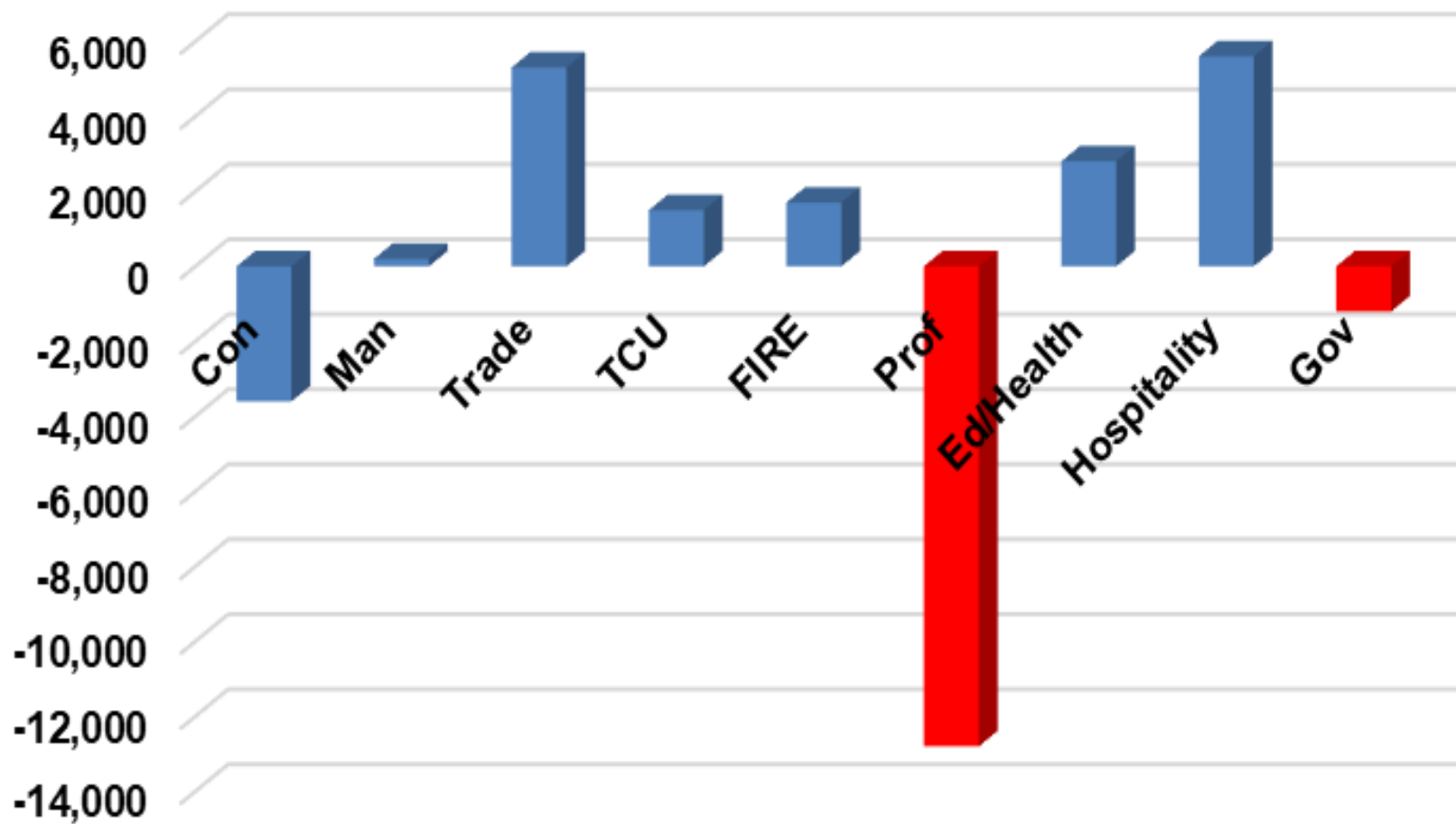


Population Growth 2020-21

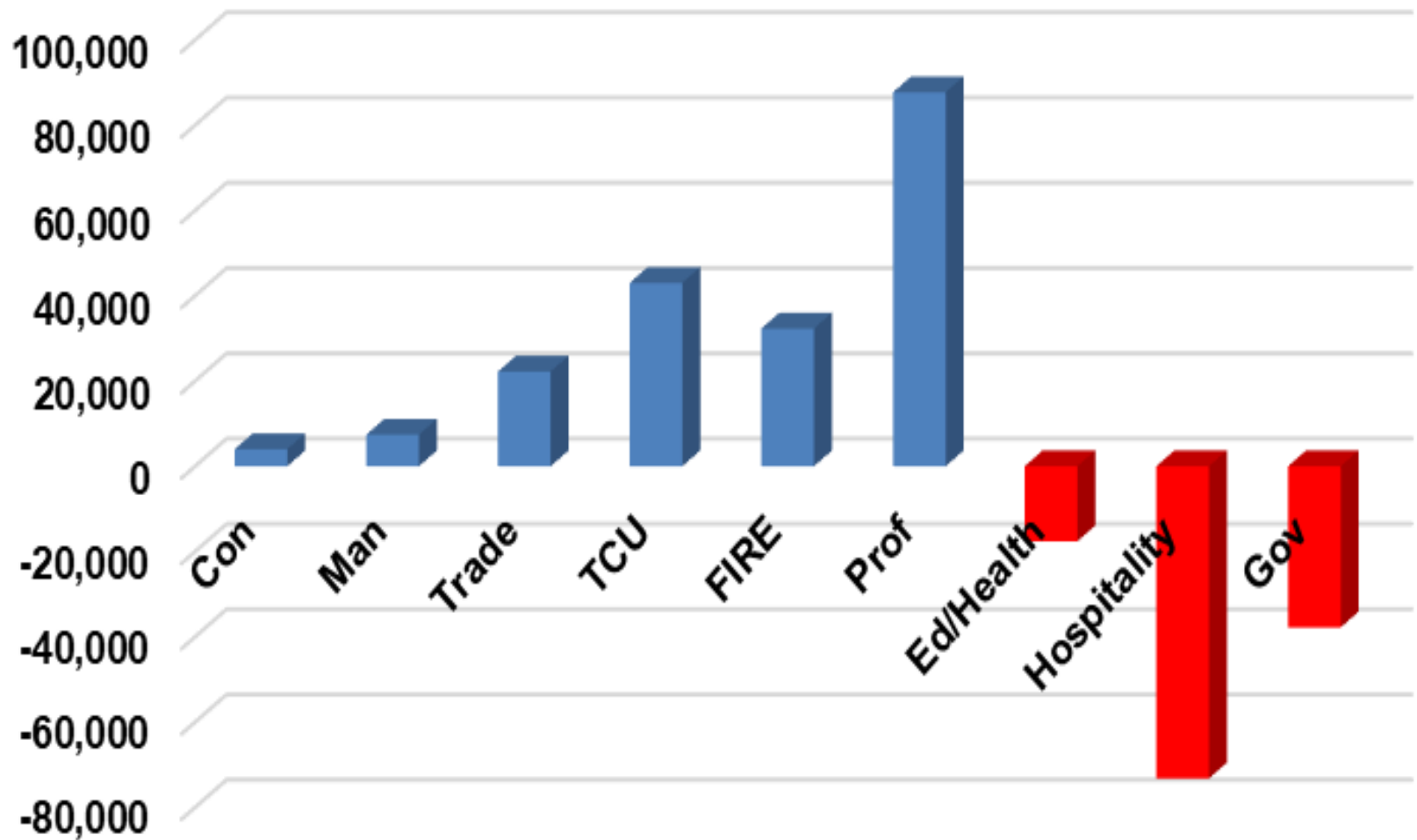


CURRENT FLORIDA DATA

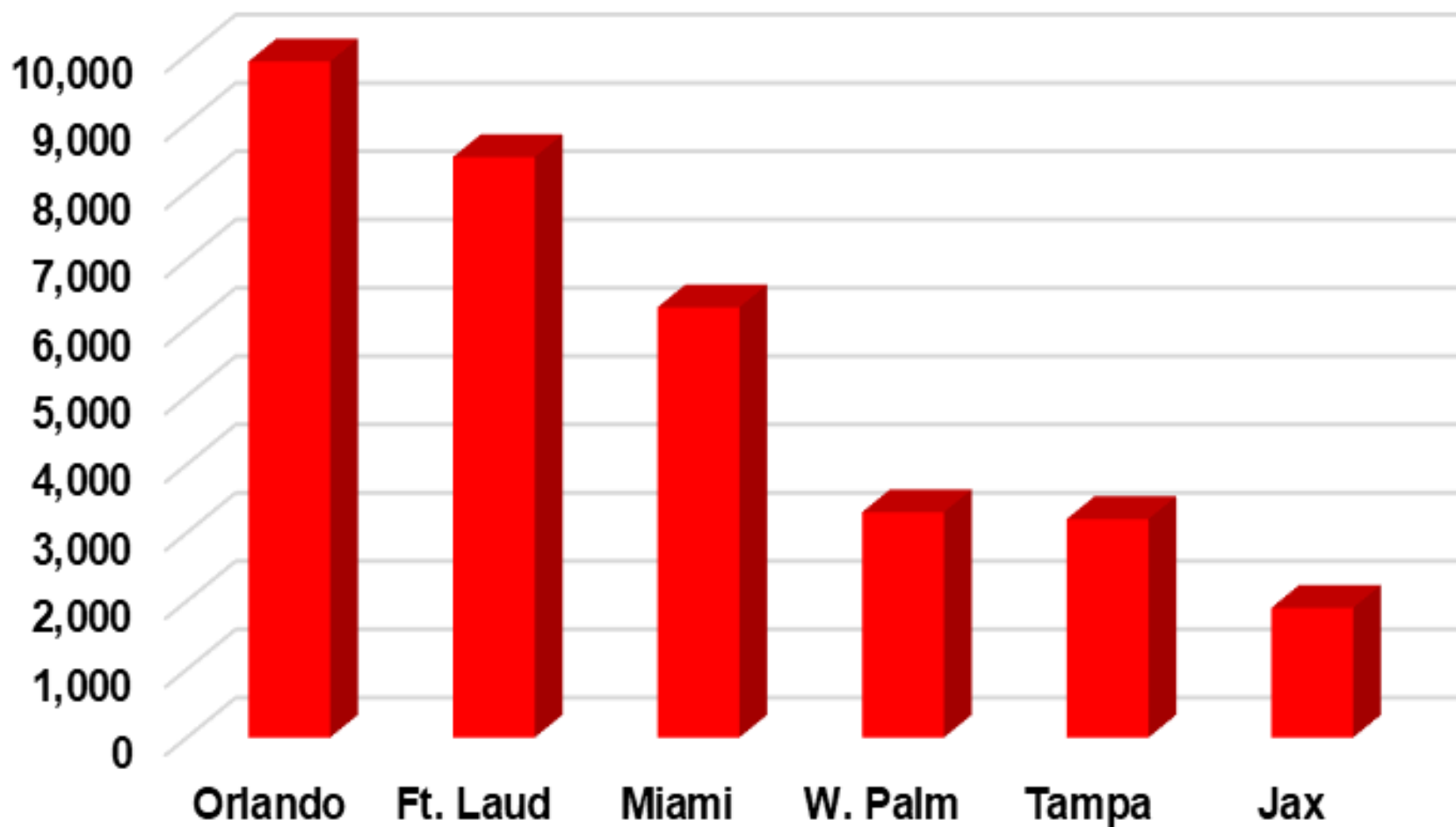
August Job Growth



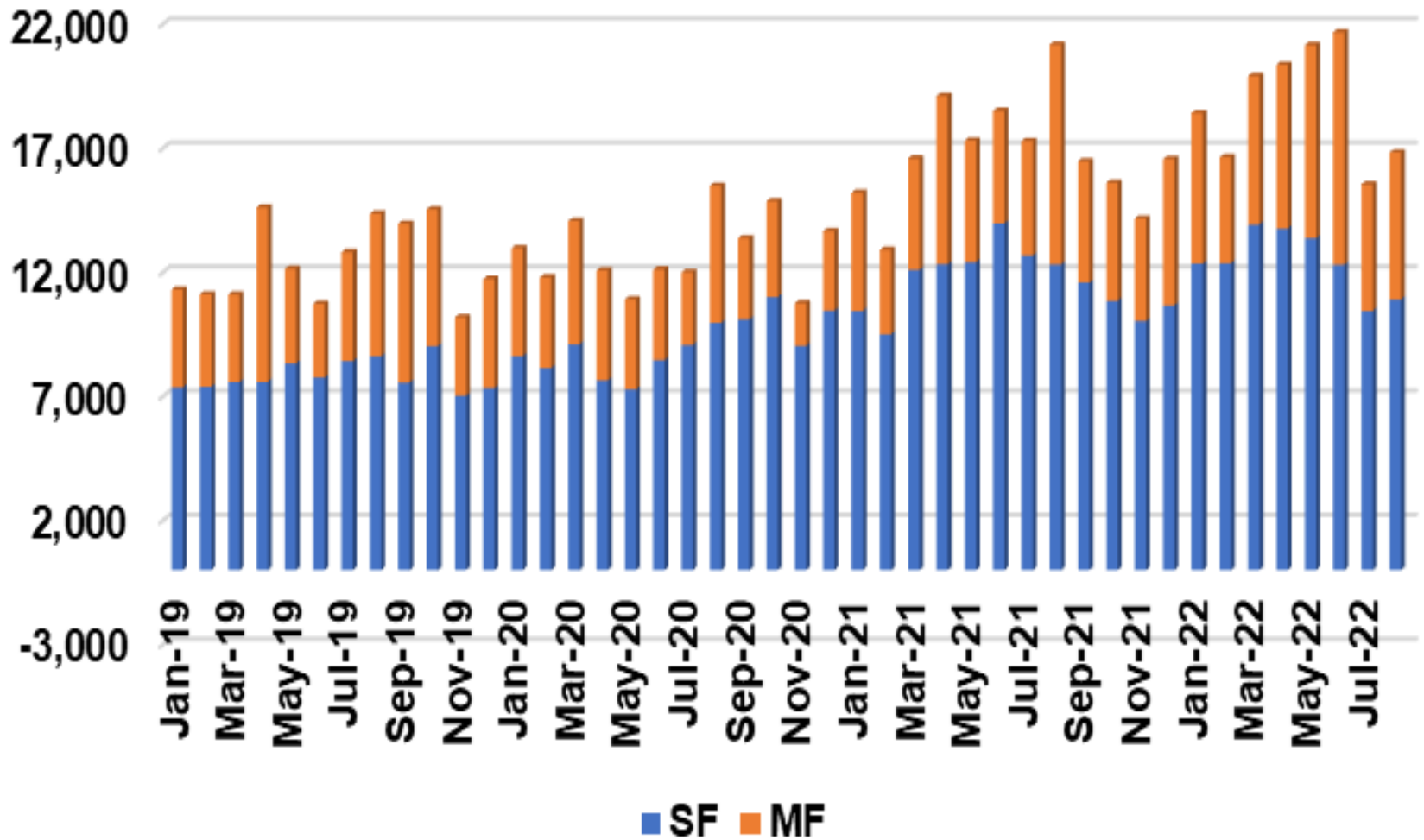
Job Growth Since 2-2020



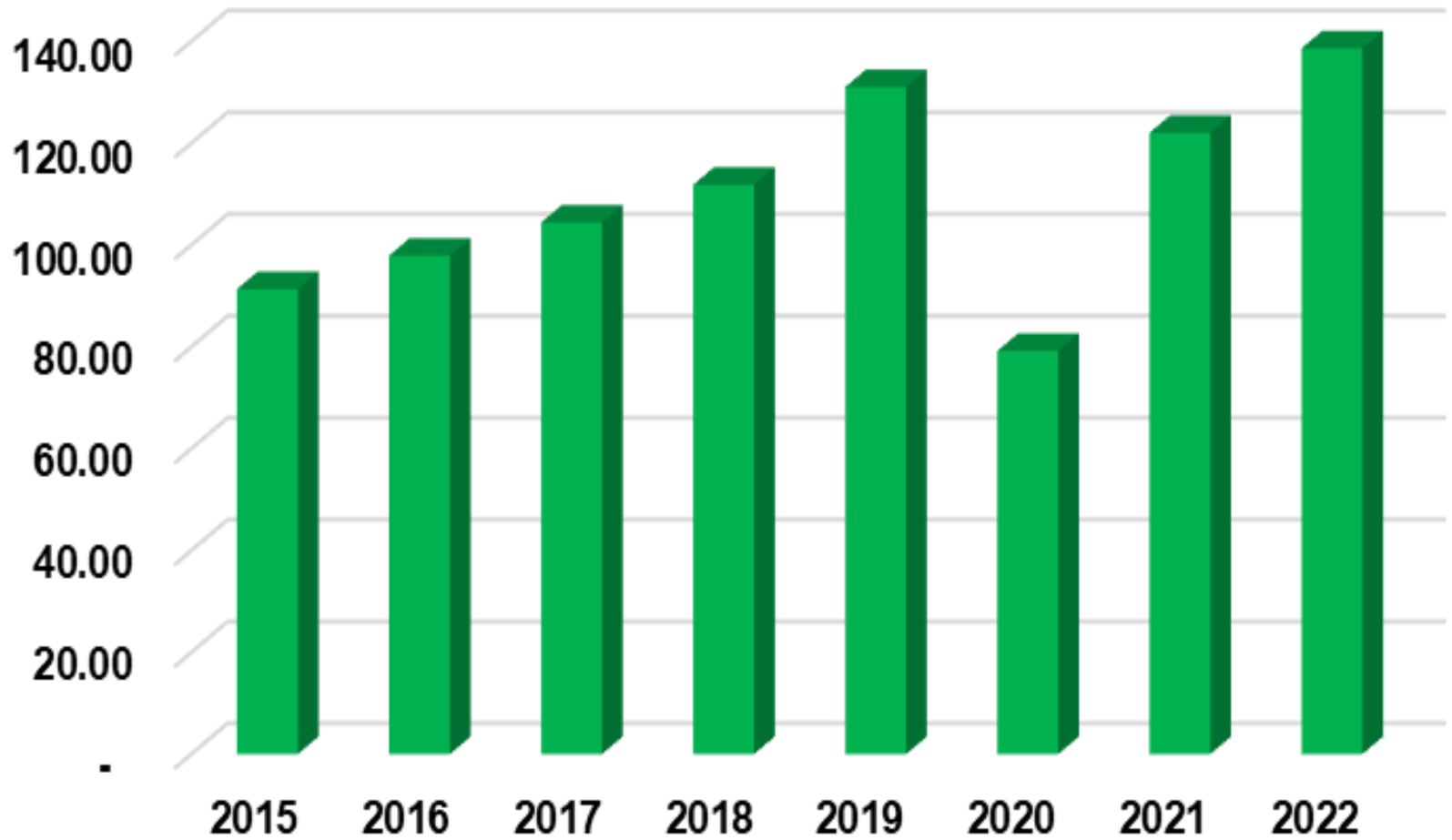
Job Growth August



Building Permits



Tourists (Millions)



Sales of Existing SF Homes

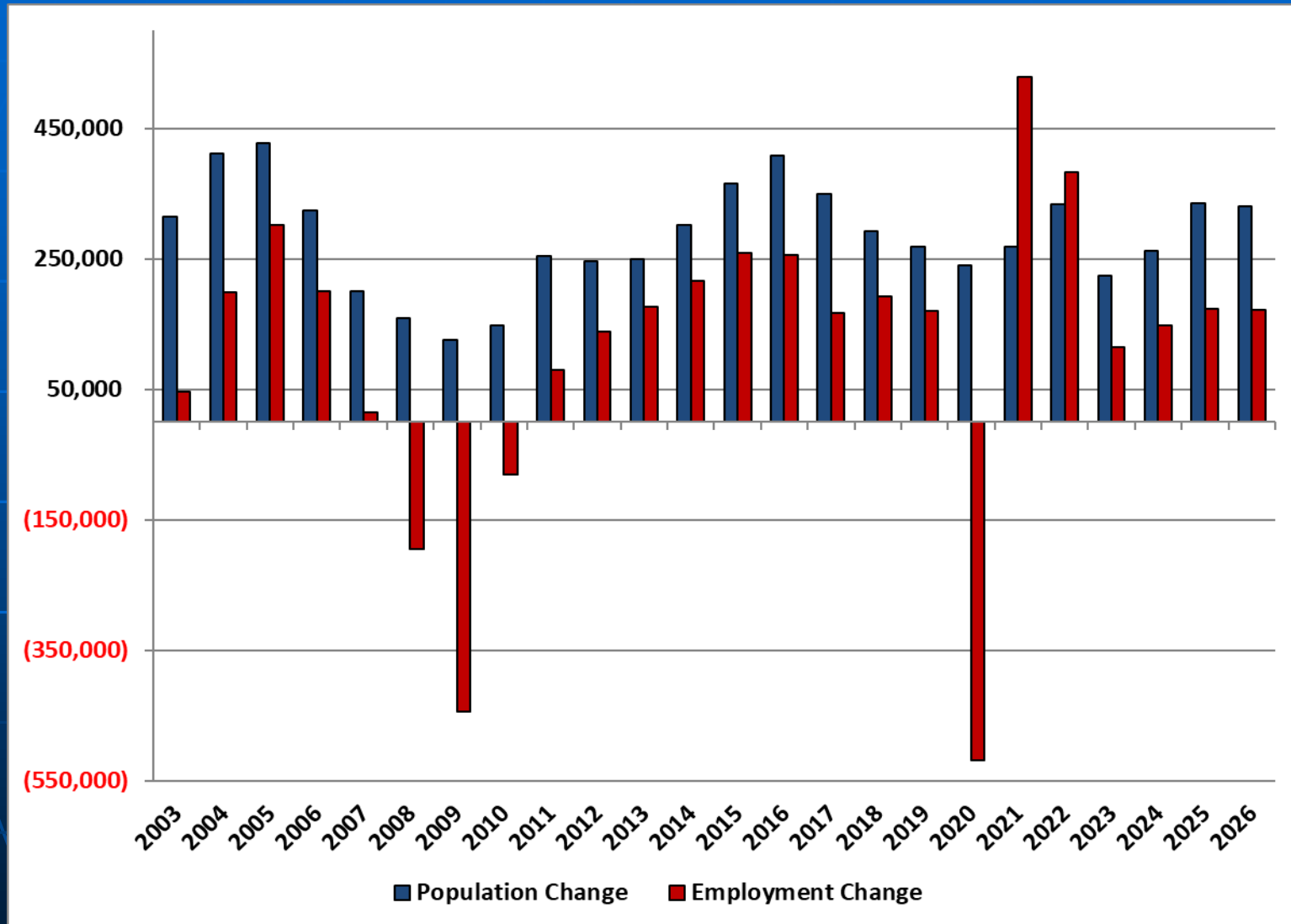
	July 2022	July 2021	Percent Change Year-over-Year
Closed Sales	23,705	30,740	-22.9%
Paid in Cash	7,431	9,233	-19.5%
Median Sale Price	\$412,303	\$355,000	16.1%
Average Sale Price	\$562,611	\$502,541	12.0%
Dollar Volume	\$13.3 Billion	\$15.4 Billion	-13.7%
Med. Pct. of Orig. List Price Received	100.0%	100.0%	0.0%
Median Time to Contract	12 Days	9 Days	33.3%
Median Time to Sale	52 Days	51 Days	2.0%
New Pending Sales	23,585	29,191	-19.2%
New Listings	35,989	34,835	3.3%
Pending Inventory	37,958	46,511	-18.4%
Inventory (Active Listings)	61,453	36,687	67.5%
Months Supply of Inventory	2.2	1.2	83.3%

Sales of Existing Condo/TH

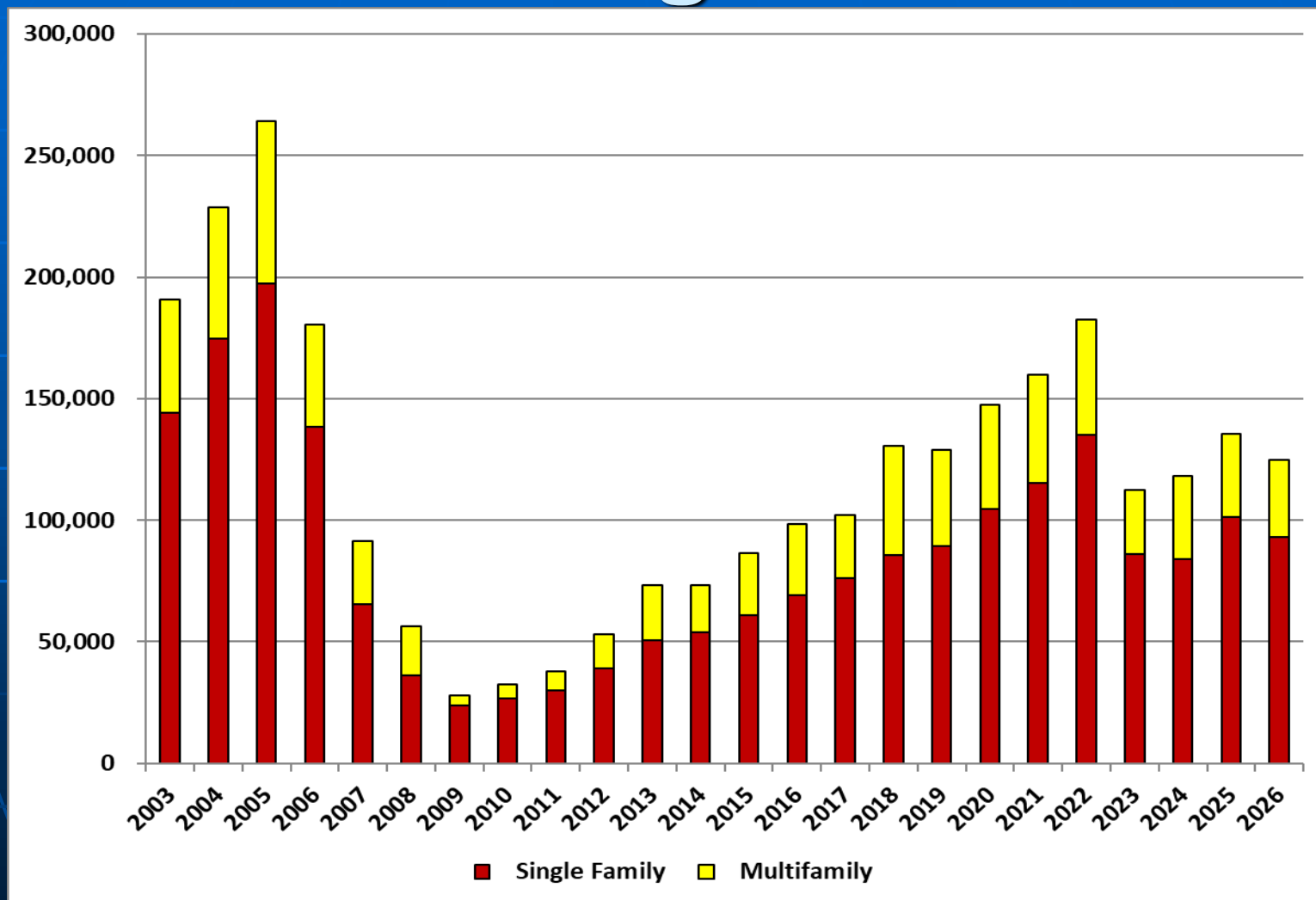
	July 2022	July 2021	Percent Change Year-over-Year
Closed Sales	9,341	13,481	-30.7%
Paid in Cash	4,773	6,794	-29.7%
Median Sale Price	\$305,000	\$253,000	20.6%
Average Sale Price	\$414,445	\$371,530	11.6%
Dollar Volume	\$3.9 Billion	\$5.0 Billion	-22.7%
Med. Pct. of Orig. List Price Received	100.0%	99.5%	0.5%
Median Time to Contract	13 Days	15 Days	-13.3%
Median Time to Sale	52 Days	57 Days	-8.8%
New Pending Sales	9,765	12,857	-24.0%
New Listings	13,442	14,507	-7.3%
Pending Inventory	15,965	20,993	-24.0%
Inventory (Active Listings)	25,372	23,180	9.5%
Months Supply of Inventory	2.1	1.8	16.7%

FLORIDA FORECAST

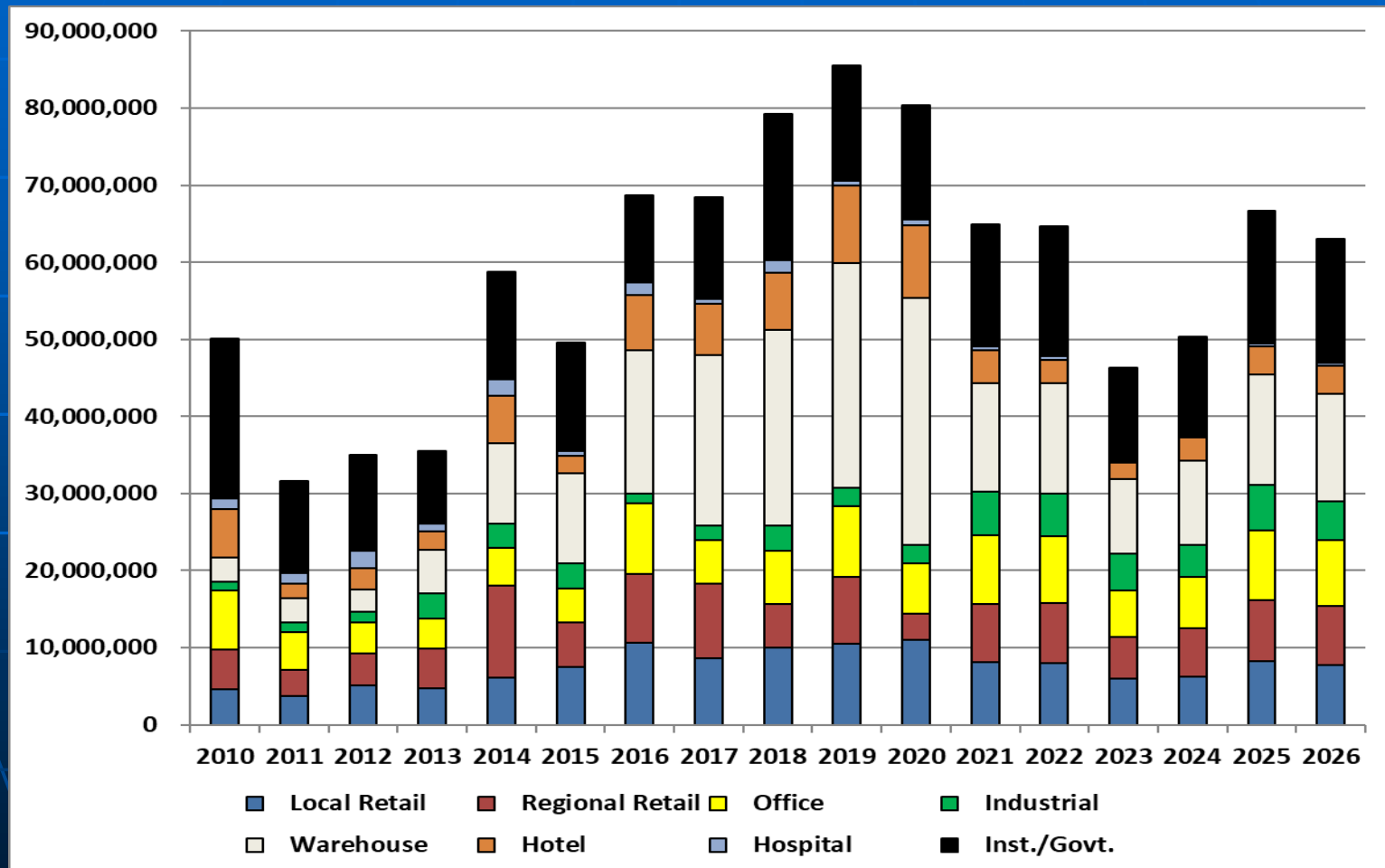
Population & Job Growth



Housing Starts

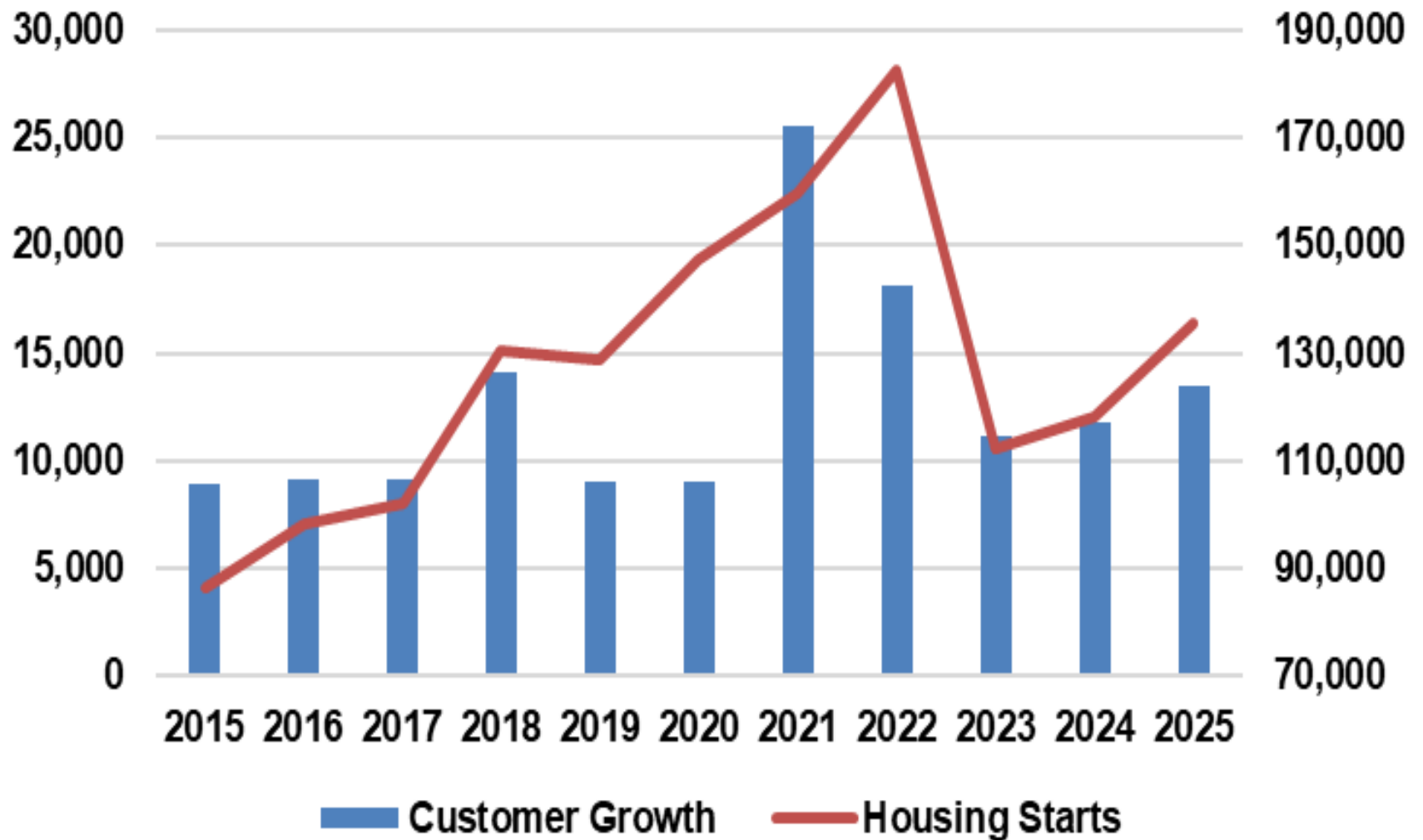


Nonresidential Construction (sqft)



IMPLICATIONS FOR FLORIDA GAS UTILITY

Customer Growth and Housing Starts





The End