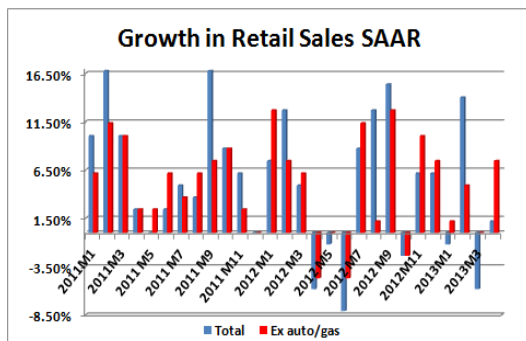


## ECONOCAST™ UPDATE – May 20, 2013

### U.S. Economy – Stronger Housing and Stalling Employment Gains

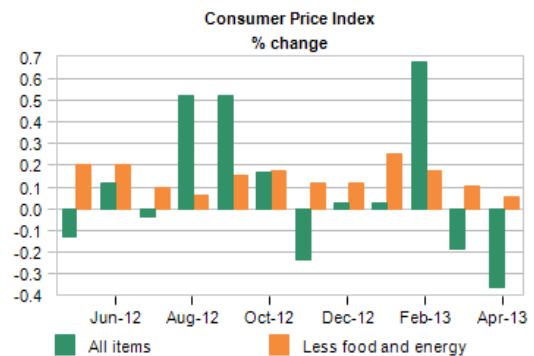
Retail sales grew just slightly in April, but this understates their actual strength. Sales were depressed by falling gasoline prices. Core sales, abstracting from weak gasoline and strong auto sales, actually rose at the strongest pace so far this year rising at a 7.4% annual pace.



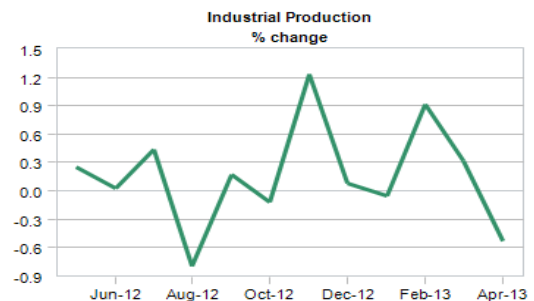
Retail sales gains have been volatile so far this year with the payroll tax increase depressing sales and lower prices of late boosting sales. The near term prospects are mixed. The sequester will damp government sales and lower their worker's salaries. So, job growth will be the main driver of retail sales and for the economy more generally.

Consumer prices fell for the second month in a row driven down by falling energy prices. The core rate also

slowed with prices up just 1.1% over the year. Producer prices show the same trends. With recession deepening in Europe and slower growth in China inflation is likely to remain very low. This gives the Fed the opportunity to maintain low rates and its expansive policies.

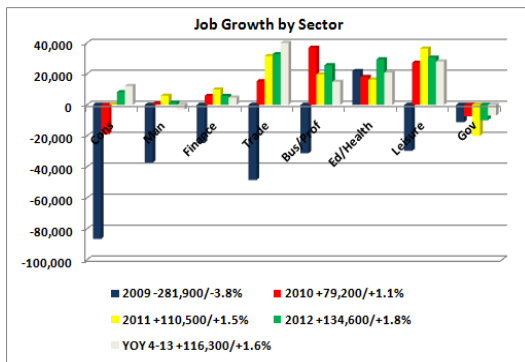


More worrying though is the trend in production which was down again. Some of the weakness was lower energy demand in the warmer spring. However, manufacturing was also down again due in part to weaker export demand.

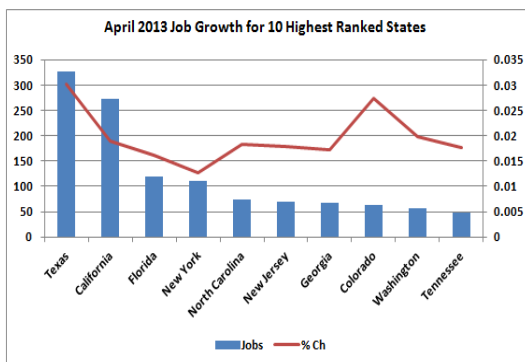


## Florida Economy: Mediocre Job Report for April

Job growth in April was 119,000 which was mediocre and at 1.6% growth over the year only equal to the national average. Year-over-monthly gains have slowed over the last three reports. Gains in retail trade, leisure and hospitality, real estate and construction were noteworthy. Only government remains a drag shedding jobs.



Florida continues to rank 3<sup>rd</sup> among the states in terms of total job gains, but the 1.6% rate of growth is unimpressive. Over the last 90-days the gap between Florida and leaders Texas and California has widened.



Job gains were widespread in April with 18-of-22 metro areas experiencing job growth. Tampa Bay lead with more than 35,000 new jobs over the year, more than double its closest rival. Jacksonville, Ft.

Lauderdale, and Orlando posted strong gains in April as well. The weak job growth in Miami-Dade County is puzzling given its strong rebound in construction coupled with strength in tourism and trade. It is likely that the data understate the area's true strength. Continuing population growth and the housing market recovery has triggered a rebound in job growth in Port St. Lucie, Palm Coast, and Ocala all areas severely impacted by the Great Recession and the housing bust.

Data as of April 2013	Unemployment Rate	Jobs Year-over-Year	Jobs Year-over-Year
Bradenton-Sarasota	6.5%	1,800	0.7%
Cape Coral-Ft. Myers	6.7%	1,800	0.9%
Deltona-Daytona Bch.	6.8%	1,200	0.8%
<b>Florida</b>	<b>7.2%</b>	<b>116,300</b>	<b>1.6%</b>
Ft. Lauderdale-Pompano	5.6%	15,100	2.1%
Ft. Walton Bch	4.5%	2,000	2.5%
Gainesville	4.9%	2,800	2.2%
Jacksonville	6.3%	16,500	2.8%
Lakeland-Winter Haven	7.4%	-400	-0.2%
Miami	8.8%	2,500	0.2%
Naples	6.0%	2,400	0.2%
Ocala	7.5%	2,900	3.2%
Orlando-Kissimmee	6.4%	15,500	1.5%
Palm Bay-Melbourne	7.3%	2,000	2.0%
Palm Coast	9.3%	100	0.5%
Panama City	6.2%	-800	-1.1%
Pensacola	6.2%	3,300	2.0%
Port St. Lucie	8.2%	2,200	1.8%
Punta Gorda	6.7%	-100	-0.2%
Tallahassee	5.6%	1,600	1.0%
Tampa-St. Petersburg	6.7%	35,400	3.1%
Vero Beach	8.1%	-300	-0.6%
West Palm-Boca Raton	6.8%	6,600	1.3%

Job gains in Southwest Florida have slowed as its housing markets have slowed of late. However, this slowing is likely to be temporary given the gains in permits and activity by major builders. Panama City lost jobs because of a sharp decline in local government sector jobs over the year. Lakeland was weak in many core sectors including trade, education, healthcare and leisure. The pervasive weakness in the face of a general statewide recovery indicates a loss of competitive advantage and the impact from the stronger economies in Orlando and Tampa.