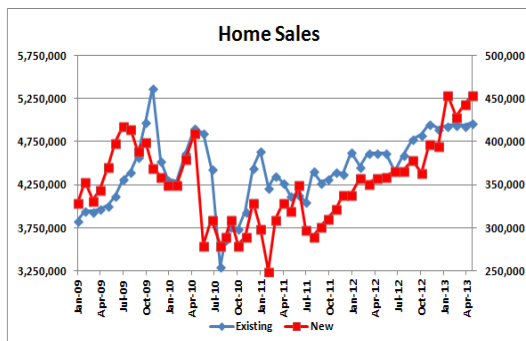


## ECONOCAST™ UPDATE – June 3, 2013

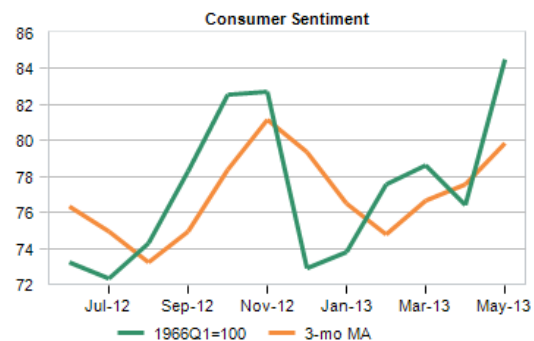
### U.S. Economy – Monetary v. Fiscal Policy

The divergent effects of an expansionary monetary policy and a contractionary and uncertain fiscal policy are becoming increasingly clear for the U.S. economy. Real GDP grew at a revised rate of 2.4% in 2013Q1 as private sector demand rose at a 3.2% pace overwhelming the near 1% contraction in government demand. Private sector demand was strongly stimulated by the Fed's aggressive expansionary policy which has pushed down interest rates. As a direct result, the DOW reached a new all time high, home prices have rebounded, and home sales have soared.

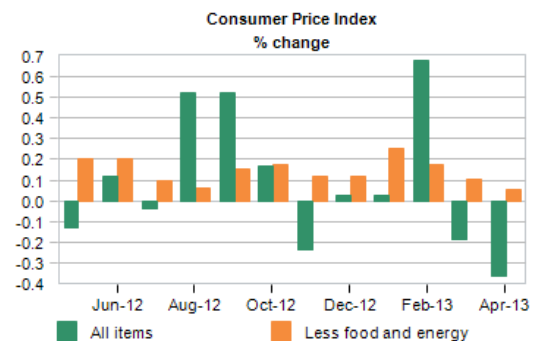


Rising asset prices, pushed up by Fed policy, have also propelled consumer confidence higher. Households are richer and feel more confident. Consumer confidence is

now at its highest level since mid-2007.



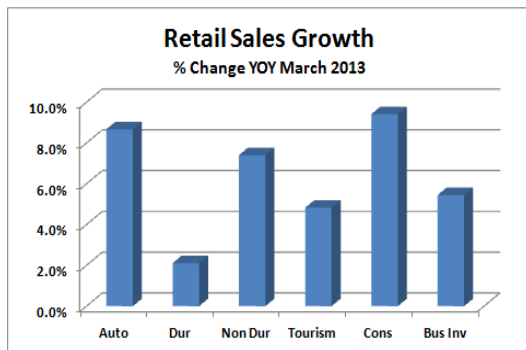
The current balance of expansionary monetary policy and the contractionary and uncertain fiscal policy produces an economy growing at about a 2.5% annual pace. There is good reason to believe that this will continue for the balance of 2013. The Fed has promised to maintain its policies until: (a) inflation rises above 2.5% on an annual basis or (b) the unemployment rate falls below 6.5%. Neither of these is likely to happen anytime soon.



## Florida Economy: Retail Sales Growth

In Florida the current policy mix is on balance very stimulative. Low interest rates are more powerful for Florida than is modestly lower federal spending and the drag from continuing uncertainty on fiscal policy. Low interest rates and higher asset prices stimulate home sales in Florida and importantly in housing markets East of the Mississippi River where Florida draws the majority of its domestic migrants. Furthermore, by pushing rates down the Fed also pushes the dollar lower stimulating foreign investment and migration.

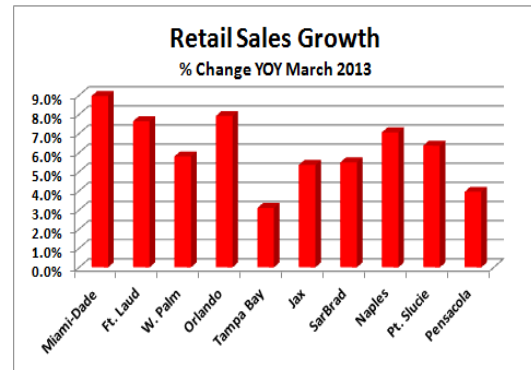
Booming retail sales reflect these forces. For the 12 months ending March 2013, Florida's retail sales increased by 6.2%, which is much faster than inflation plus population growth.



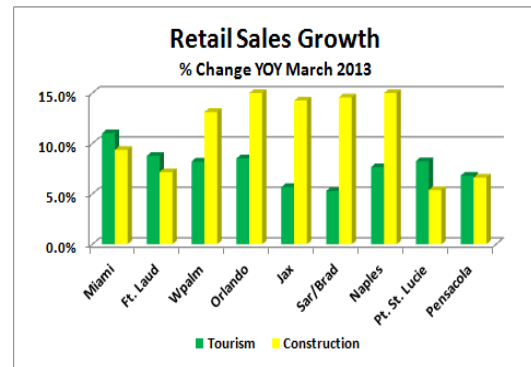
The rebounding housing market pushed construction sales up by almost 10% and rising wealth stimulated auto sales.

Miami-Dade leads all MSAs with sales rising 9% followed by gains of 7.4% in Orlando and Ft. Lauderdale. Among the remaining MSAs Cape Coral/Ft. Myers, Naples, Panama City, and Port St. Lucie all enjoyed above average gains in retail sales. By contrast, Gainesville and

Tallahassee had very weak gains, because their economies are dominated by State government which is not growing.



The sources of retail sales gains for the MSAs are revealing. Among the strongest MSAs, sales were boosted by double digit increases in construction spending or in tourism.



The prospects for continued strong gains in Florida retail sales are bright. The monetary/fiscal policy mix is favorable. The building momentum in population growth should provide continuing support not only this year but next year as well.