

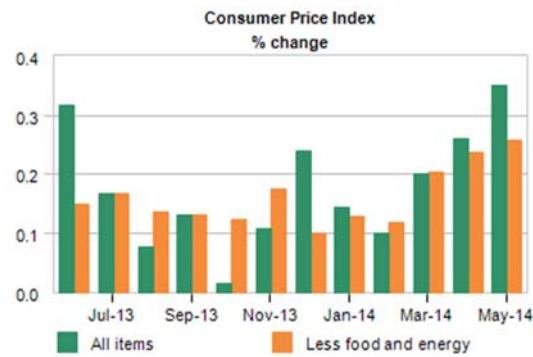
ECONOCAST™ UPDATE – June 23, 2014

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U.S. Economy – Financial Markets Strong While Real Markets Weaker

It was an odd week. U.S. stocks closed at a record high, and the 10 Year bond yield remains low. Yet the real economy weakened a bit and inflation accelerated.

The consumer price index rose 0.4% in May posting its biggest gain in almost a year. Top line prices have accelerated for three straight months pushed up by higher energy and food prices. Core CPI also accelerated, rising 0.3. Consumer prices will strengthen through the year reaching more normal levels soon.



Despite good fundamentals and strong expectations, residential construction has failed to break out into faster growth and has failed to support the faster gains in GDP that

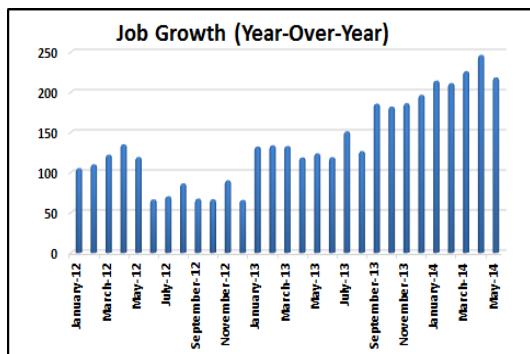
was widely expected. Starts dropped 6.5% in May to a seasonally adjusted annualized rate of 1 million units, a decline of 6.5% below the April. The 5.9% fall in single-family starts was particularly disappointing. There were a few hopeful signs. Single-family permits rose and multifamily metrics moved higher too. So, there is still some hope for later this year.



The Federal Reserve announced another \$10 billion reduction in the monthly pace of asset purchases, bringing it to \$35 billion, and continued to promise that interest rates will remain. The Fed's new economic projections show less GDP growth and lower unemployment this year. The big change to the interest rate projections was the drop in the Fed's long-run estimate of the fed funds rate from around 4% to 3.75%.

Florida Economy: Job Growth Slows in May

The May job report was disappointing. Now that the year-over-year comparisons are no longer influenced by which month Easter fell in, I expected continuing acceleration in job growth. Instead, job gains slowed to 218,000 YOY.



Retail trade led all categories with a gain of 53,000 based on gains in food and beverage stores. Professional and business services gained 40,300 as employment services rose. This is an encouraging sign since many employers use temp services before committing to full time hiring. Jobs in leisure and hospitality rose 38,400 due to food services and drinking places. Construction gained 35,300 jobs over the year. However, construction employment is still down almost 300,000 jobs compared to its prior peak, and this has held back the statewide total gain. In fact total jobs in Florida are still 290,000 below their prior peak as a result of the shrinking of Florida's construction sector.

Compared to other states Florida still retained its 3rd place ranking in terms of total job growth YOY remaining behind Texas and California. Despite the slowdown in May job growth, Florida's rate of job gain ranks high among the ten other states with strong total job growth in May.



Job growth remained strong in south Florida and in Orlando in May. Also, Jacksonville's performance stands out as the only large metro area to post faster job growth in May.



Among Florida's other large metro areas job gains continued to be strong in Southwest Florida. Naples had the fastest growth rate in jobs while Sarasota-Bradenton and Ft. Myers continued to generate good gains, even if they were a bit lower than in April

