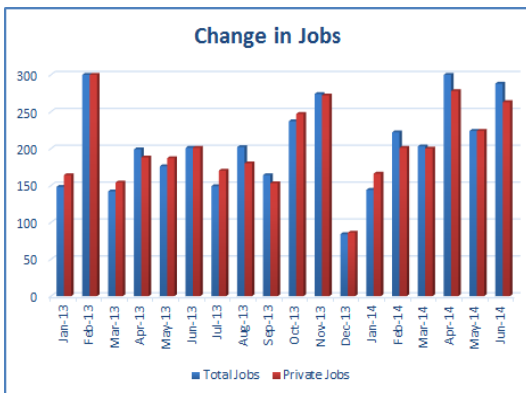


ECONOCAST™ UPDATE – July 7, 2014

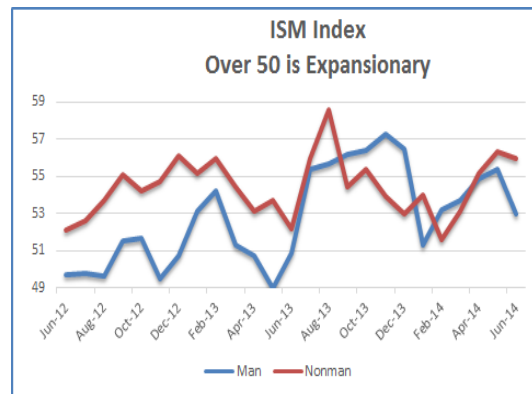
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U.S. Economy – June Job Growth

Despite the reported weakness in consumer spending recently, job growth soared 288,000 jobs in June. And job gains for April and May were revised up by a total of 29,000 confirming the improving labor market. The unemployment rate fell to 6.1% as job growth exceeded gains in the labor force. The June report documents accelerating momentum at the end of second quarter, and it is consistent with a stronger second half of the year. It is becoming clear that with the severe winter weather and an inventory correction behind us, economic growth is accelerating paced by rising residential construction, improving exports, rising business confidence and investment, and accelerating manufacturing.



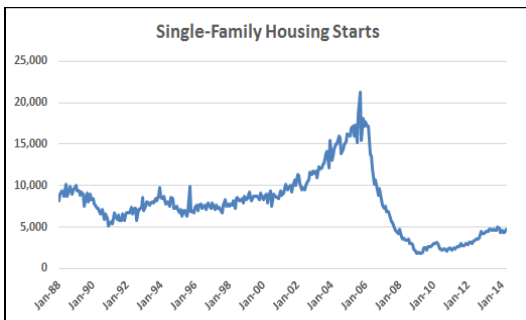
Although the ISM manufacturing index dipped to 55.3 in June, it remains well above 50 which is consistent with an acceleration in factory production and GDP. Most importantly, new orders rose strongly widening the gap between new orders and inventories pointing to acceleration. The nonmanufacturing index also in June but it too is well above 50 pointing to growth. Signs of an improving economy are everywhere but in the GDP data.



Residential investment will be a key source of growth in the second half of the year, and the data on pending home sales are reassuring. Pending sales rose 6.1% in May to its highest level since September. Improving homebuyer confidence along with a bounce-back from weather-related weakness earlier in the year helped sales in May.

Florida Economy: Home Construction High but Not Rising

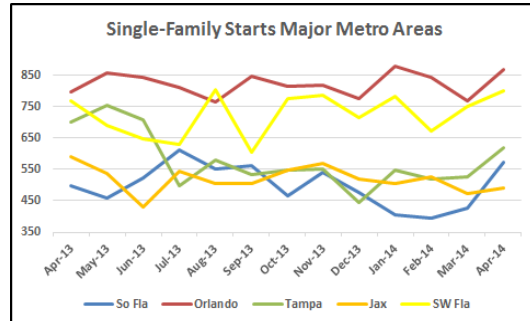
Single-family housing starts rose to over 4,700 in April continuing their slow improvement. Starts are more double their nadir touched in May 2009. However, starts still remain quite compared to their historical average of 8,325 per month between 1988 and 2003. As a result, Florida's construction industry about half of its previous size and the State's economic recovery remains modest.



However, starts are poised to accelerate over the upcoming months. A recent surge in building permits points to higher starts, and population growth and job gains are accelerating which are critical drivers for starts. Nevertheless, as reported last week my forecast for housing starts remains rather weak held down by a combination of factors including: slower than normal population growth over this cycle and the continuing absorption of excess units built during the boom.

The pace of single-family housing starts across Florida's major metro areas is revealing. Over the last year starts have accelerated in Orlando and across Southwest Florida opening up a gap between their performance and the other major metro areas. In fact start volumes are actually lower now in Jacksonville and

Tampa Bay than they were last year. The level of single-family starts in South Florida has held steady. However, South Florida has higher volume of multifamily starts than the rest of the State, so the moderate behavior of single-family starts obscures the relatively strong performance of housing markets in South Florida, especially in Miami-Dade and Broward Counties.



Single-family housing starts in Florida's smaller metro areas fall in line with Jacksonville and Tampa Bay showing basically no change over the last 12 months and not sign of imminent improvement.

The economies of Pensacola and Tallahassee are strongly affected by their large governmental sectors, sectors that have not and are unlikely to experience strong growth this cycle. Melbourne was battered by the end of the shuttle program. While growth prospects are bright for Port St. Lucie, prior overbuilding still weighs on the marketplace.

