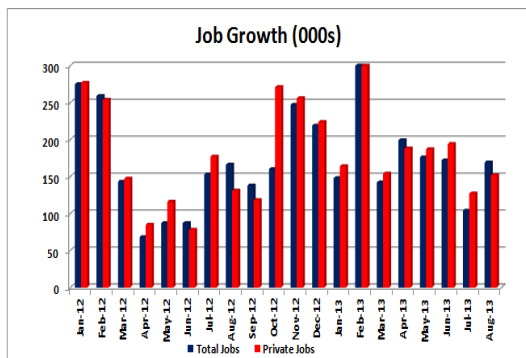


ECONOCAST™ UPDATE – September 9, 2013

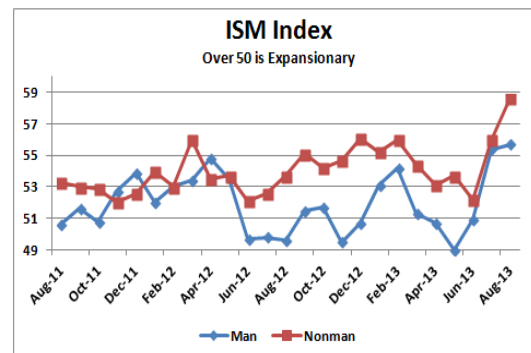
U.S. Economy – Modest Job Gain

The big news this week was the surprisingly weak August employment report. A stronger gain was expected given rising manufacturing activity, a surging nonmanufacturing service report, and lower unemployment insurance claims. Not only did payroll gains disappoint, but the downward revisions to the last two months shifted the recent trend downward, so the weakness was not isolated to only one. In addition, the household report showed both household employment and the labor force contracted. Thus, the lower unemployment rate is no consolation.

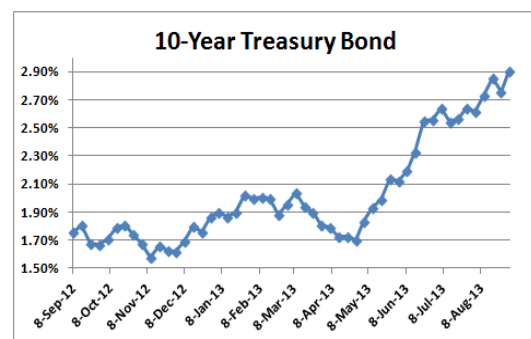


The weak jobs report highlights the fragility of the labor market and suggests that the Fed may be slow to taper off its bond purchasing activity.

The week's news was not all bad. The ISM indices improved significantly, especially the nonmanufacturing index which jumped from 56 to 58.6 for August, its highest since 2005. The manufacturing index ticked higher leaving it well above its second quarter average of 50.2. This points toward an acceleration in GDP this quarter.

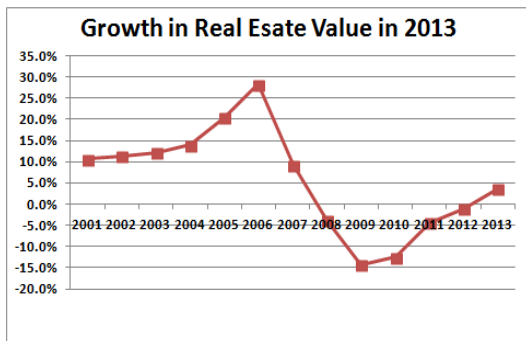


But traders continued to push interest rates up with the 10-Year at almost 3% the highest since 2008.

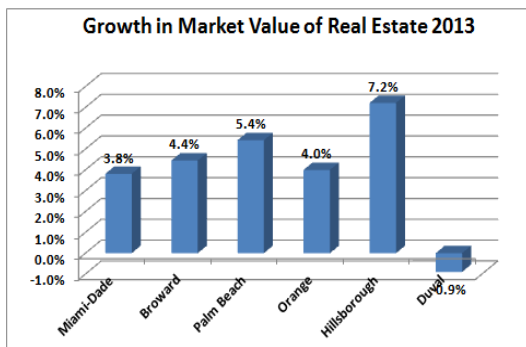


Florida Economy: Real Estate Values Increase Modestly in 2013

The total value of Florida's real estate is finally growing again, paced by the gains in existing home prices. Values increased by 3.6% this year compare to 2012, and this marks the first gain in five years. Even with the gain, real estate values remain 29% below their peak 2007 levels.

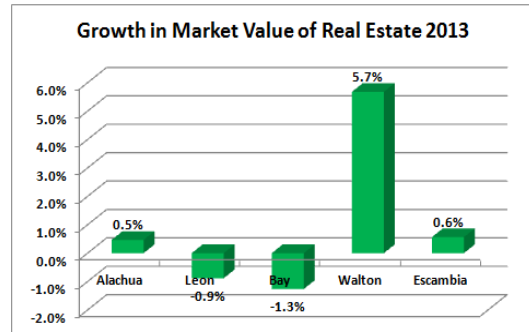


The biggest annual increases were in Florida's major metropolitan counties led by Hillsborough and Palm Beach. Duval (Jacksonville) had a near 1% decline in value.

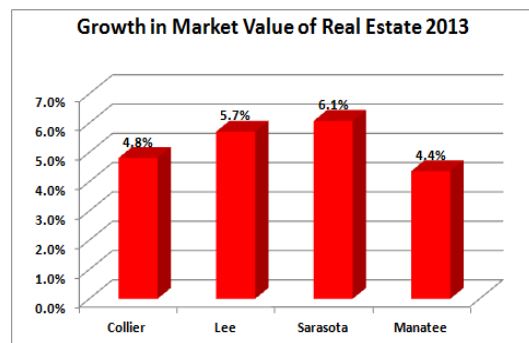


In fact, many in many counties the aggregate value of real estate continues to contract, especially in Florida's panhandle and in markets where the economy is dominated by government activity. The weakness in Leon (Tallahassee), Bay (Panama

City), Escambia (Pensacola) and Alachua (Gainesville) are all due to their large government component which has yet to fully recover. Only Walton County (Destin) bucks this trend, because its economy is driven by tourism, retirement and second home sales.



By contrast, Southwest Florida enjoyed better than average improvements in aggregate real estate values. The gain in existing home sales coupled with rising new construction boosted aggregate values all across Southwest Florida.



These improvements in real estate values not only boost private sector wealth and spending, but also have important impacts on government budgets. It is important to remember that local governments and school boards are typically among the largest employers in most counties. So, improving budgets mean the end of local government layoffs.