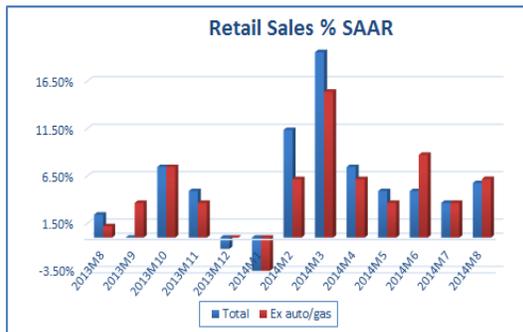


## ECONOCAST™ UPDATE – September 15, 2014

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### U.S. Economy – 3% Confirmed

Rebounding retail sales confirm the forecast of 3% growth, or more, for the 3<sup>rd</sup> quarter. Total sales rose 0.6%, and core sales (less autos and gas) were up 0.5% in August. August Sales were 5% above their year-ago level, the fastest increase in more than a year. Not only were August's sales strong, but the data for prior months were revised upward removing the slowing trend from the data.



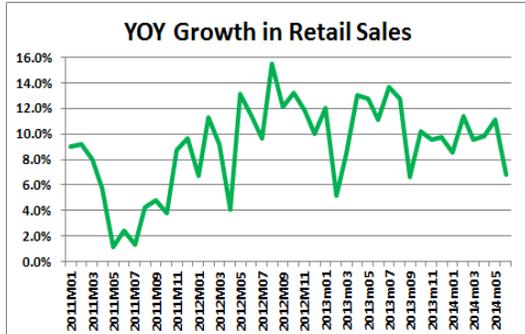
The upward sales momentum is supported by mostly strong fundamentals: (a) employment continues to grow strongly; (b) higher prices for homes and for generates positive wealth effects; (c) pent-up demand remains significant, especially for autos; (d) gasoline prices are down; and (e) confidence is near cyclical highs. The main

restraint remains weak income gains. Despite improvements, the labor market has excess slack keeping wages from rising rapidly. However, prospects are improving with wage gains approaching post-recession highs in recent months. Faster wage growth will spark further release of pent-up demand over the next few months.

Housing remains as the biggest constraining factor for growth. Applications for new mortgages remain relatively low with no pick up in August. There is no reason to expect purchase activity to improve over the next few months, given that most households are only just doing OK, not great. The August edition of Fannie Mae's National Housing Survey, which polls 1,000 respondents via telephone, revealed that the share of consumers who believe now is a good time to buy a home fell to its lowest, 64%, since the survey began four years ago. In their news release, chief economist Doug Duncan states that "this year's labor market strength has not translated into sufficient income gains to inspire confidence among consumers to purchase a home." Even so, the current trajectory of 3% growth and rising remains in place.

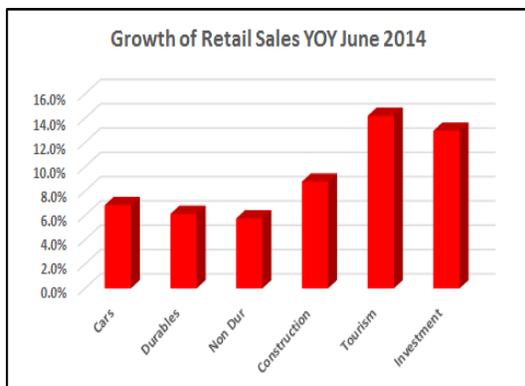
## Florida Economy: Retail Sales Rise

Retail sales gains in Florida decelerated in June, rising by 7% compared to June 2013. While still robust, the YOY gain was down from a YOY gain of 11% last month.

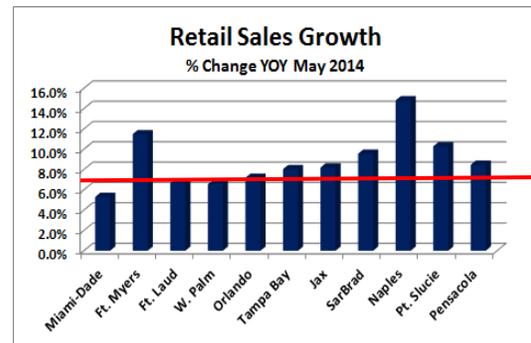


The slowdown in sales growth came as sales of autos and other durable goods slowed compared to last year. But most of this was due not to any real slowing of retail sales in Florida. Instead, the apparent slowing was because the gains in sales of autos and durables was so strong in 2013 that the year-over-year comparisons are more difficult for these categories.

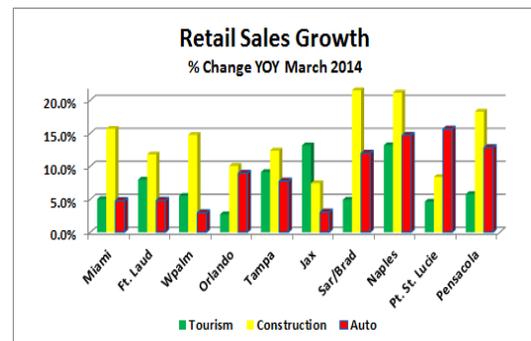
The very strong tourism season is reflected in June's tourism sales. Also encouraging was the large increase in investment spending in June reflecting business confidence in Florida's economy going forward.



Sales gains were particularly strong in Naples, Ft. Myers, and Port St. Lucie which all had gains above 10%. Most other major metro areas had gains similar to the statewide average.



The recovery in Florida's residential construction market fueled outsized gains in construction related sales all across the state, but particularly in Miami, Sarasota-Bradenton, and Naples with gains of 15% to 20%+



Big gains in auto sales drove the sales gains up on Naples, Port St. Lucie and Pensacola. This was in contrast to the weaker report for car sales statewide.

Tourism sales were also up strongly in most areas. The apparent weakness in tourist sales growth in Orlando was again due to year-earlier gains and not to any actual slowing in tourism sales. Again it was only because 2013 gains were so strong that 2014 gains look weak.