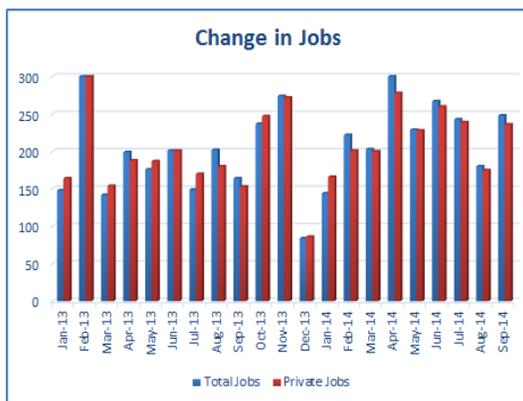


ECONOCAST™ UPDATE – October 6, 2014

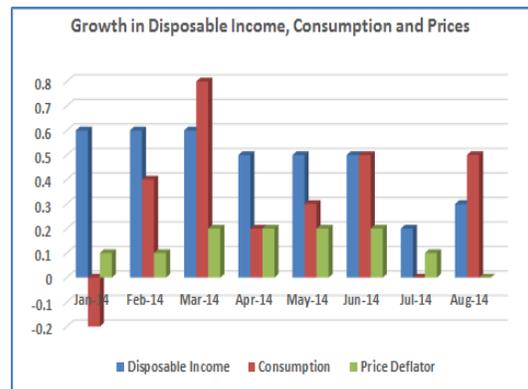
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U.S. Economy – More Jobs Means More Growth

September's strong employment report confirms that the economy is accelerating going into the 4th quarter. Not only did payrolls rise 248,000 in September, but the data for July and August were revised up a collective 69,000 jobs. As a result, job growth averaged 224,000 in the 3rd quarter. These solid job gains pushed the unemployment rate down to a new post-recession low of 5.9%. However, a substantial decline in the labor force also contributed to the decline. Surprisingly, the labor force participation rate continues to decline, and the rate reached a post-recession low in September with the participation rates of older worker (65+) and younger workers (25-44) contracting.



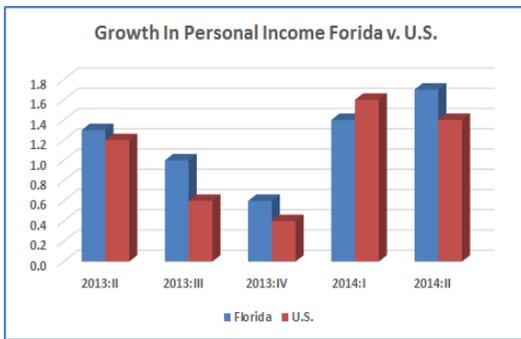
Throughout this recovery wage gains have been meager, and so it was in September. However, personal income and spending accelerated in August (the latest data available). Income rose 0.3% and consumption jumped 0.5%. Fortunately, inflation is very low allowing small gains in wages and incomes to translate into moderate increases in real disposable incomes. This supports consumption spending.



As long as the current pace of job growth continues consumption fundamentals will remain supportive of accelerating spending and faster GDP growth. Wealth effects on spending are smaller than they were before the recession, but they are still important. Debt burdens are at their lowest they have been in at least 35 years as a share of income.

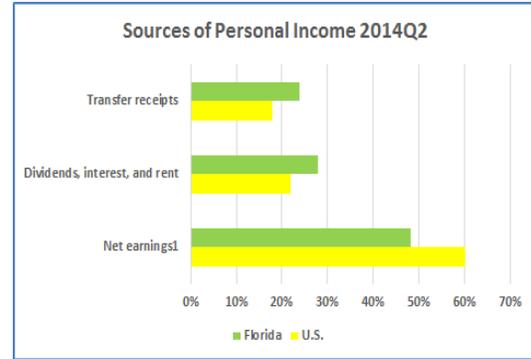
Florida Economy: Personal Income Grows Faster than in U.S.

The latest data on Florida's personal income is very encouraging. Over the last five quarters Florida has outperformed the U.S. average for income growth in four of the last five quarters. In part this reflects the fact that Florida's economy has generated above average gains in jobs, but it also is affected by the relatively higher wage gains in Florida. This comes largely from the rebound in Florida's construction sector which pays above average wages.

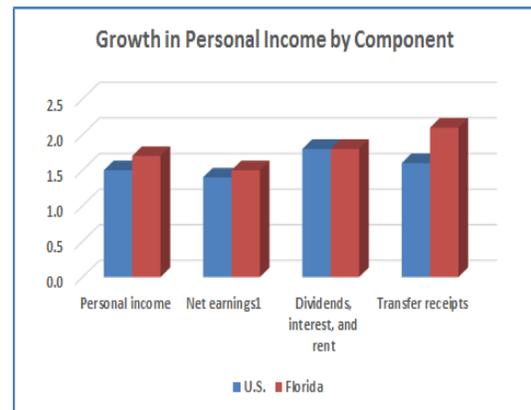


Florida's relative strength in personal income over the last year is particularly noteworthy since Florida derives much more of its personal income from Dividends, interest, rents and transfer payments (largely social security and Medicare) than average with wages providing a much smaller proportion. Over 60% of personal income on average in the U.S. comes from earnings, but in Florida this contribution is less than 50%. Over the last year a rising stock market has increased financial wealth and contributed modestly to rising income from dividends. And, rental incomes have also improved as the recovery in property markets continues. But, it is the gain in earnings compared to the U.S. average which is particularly

significant. This is where Florida has typically lagged the nation.



Florida's relative outperformance compared to the U.S. in personal income, and particularly with respect to earnings (which are wage related), suggests that Florida's income gains will likely continue to outperform the U.S. This in turn supports overall growth in spending and output going forward.



In light of these fundamental strengths, it was not surprising that the latest poll of consumer attitudes in Florida rose to the highest level since the onset of the Great Recession. The take away is that Florida's above average economic growth is poised to continue into 2015.