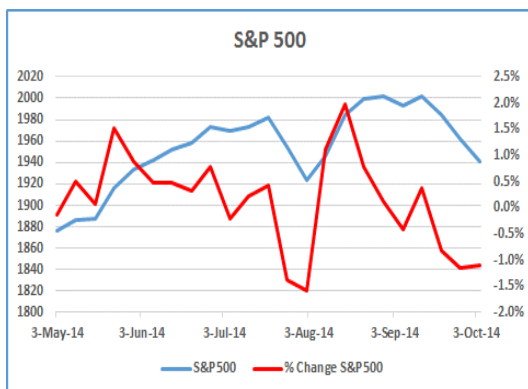


## ECONOCAST™ UPDATE – October 13, 2014

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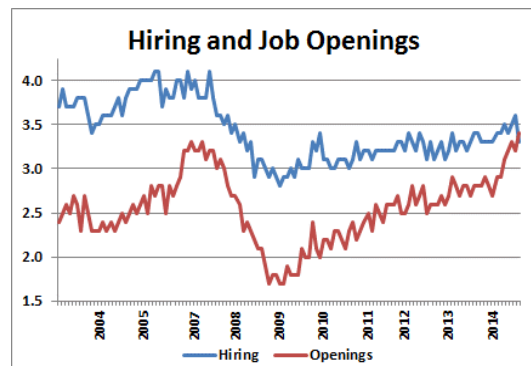
### U.S. Economy – Volatility and the Outlook Going Forward

Although there was little economic news, financial markets had a turbulent week. The S&P 500 dropped 1.1% for the second week in a row as investors shifted to the safe haven of U.S. treasury bonds. As a result, the yield on the 10-Year Bond dropped to 2.28% on Friday down 33 bps for the week. The upshot is that financial market conditions are not as supportive of growth as they were a few months ago.



Clearly, global economic and political concerns weighed on financial markets. The spread of Ebola, return of recession in the Eurozone, ISIS and disruptions across the Middle East, and a more general slowing in global growth all disquieted markets. Yet, the few economic reports last

week were generally encouraging for the U.S. economy. Job openings have accelerated strongly over the last few months promising improved job growth. However, firms are being picky in filling available openings, so hiring has lagged. Surprisingly, the number of job openings has increased by 23% during the 12 months ended in August, but hiring has increased by only 1%. This cannot continue much longer and will trigger more hiring and more job growth going forward.

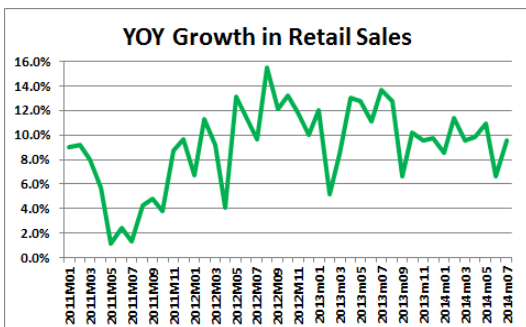


The FOMC meeting minutes were released documenting concern over the risks to U.S. growth from weak overseas demand and a strong dollar. This suggests that moves to actually increase U.S. interest rates will be pushed back again this time to the 2<sup>nd</sup> half of 2015 at the earliest.

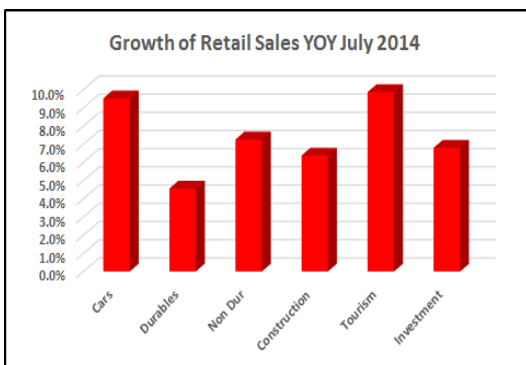
## Florida Economy: Retail Sales Accelerate

Florida's retail sales have outperformed the national averages over the last few years for a number of reasons. Job growth has been faster in Florida, and wage gains have at least matched the meager gains across the U.S. Additional factors that drive Florida's retail sales include: (1) tourism, (2) retirees, and (3) part time residents from South America.

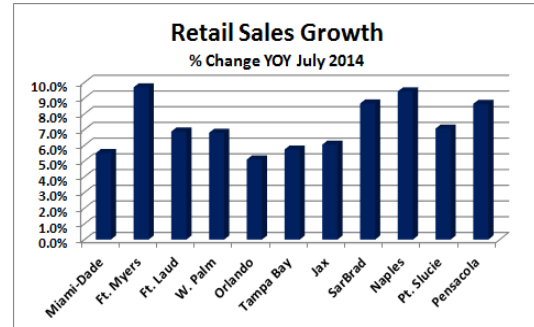
Retail sales grew 9.5% in July compared to July 2013. Sales have resumed growing at a nearly double-digit pace consistent with gains over the last 18-months.



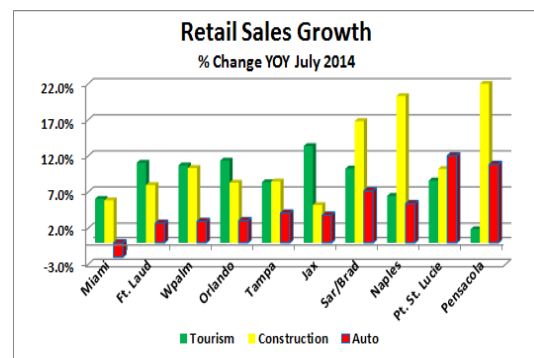
This robust growth in retail sales was driven by the gains in tourism and automobiles. Tourism sales have grown at a compound rate of nearly 10% per year for the last four years which is remarkable.



Gains in retail sales are particularly strong across Southwest Florida from Naples to Bradenton. This area was badly battered by the Great Recession, but the recent strength in retail sales indicates that recovery has finally come. Also, after months of slow growth the panhandle appears to be recovering. Pensacola recorded sales gains of almost 9% in July compared to last year.



Much of Southwest Florida's strengthening sales came from the recovery in its construction sector. Construction related sales were up more than 15% over the year. Pensacola also benefited from rebounding construction. It was tourism that powered up sales in Orlando, West Palm, and Ft. Lauderdale in July.



The outlook for Florida retail sales is very bright. Job growth is strong and the pace of construction spending is sustainable. The outlook for tourism is very favorable and South American visitation continues to grow.