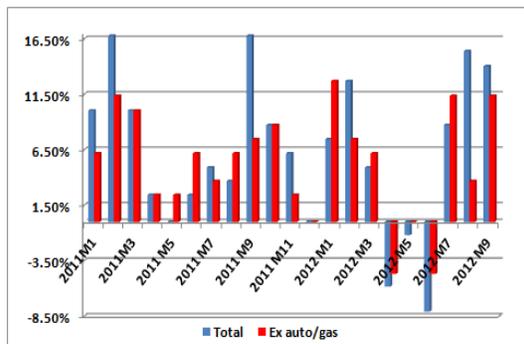


ECONOCAST™ UPDATE – October 22, 2012

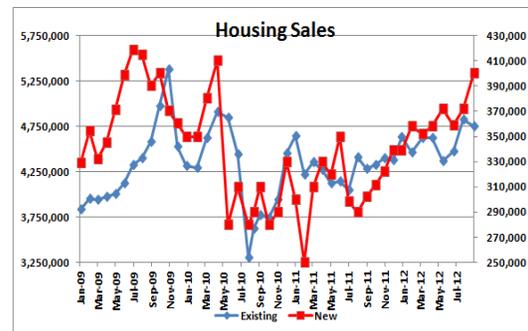
U.S. Economy – Maybe Stronger?

Last week got off to a strong start with retail sales jumping at a 14% annual rate. Excluding sales of autos and gasoline sales still soared at an 11% pace in September. This marks the third month in a row with strongly growing sales, and upward revisions to July and August suggest an even stronger trend. The only concern for the outlook is that much of this spending appears to have come out of saving, as income growth remains modest. So, it is questionable whether this rate of growth is sustainable without stronger gains in jobs and incomes.

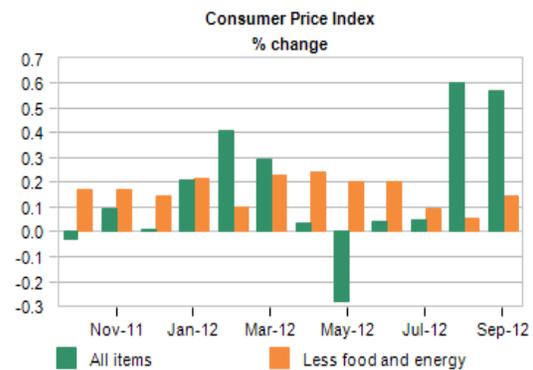


Although sales of existing homes slowed in September, they remain at their second fastest pace in almost two years. The pullback is mostly due to
The monthly reversal is likely due to a lack of sufficient inventory.

Listings declined below six months for the first time since 2006. House price appreciation is strong at 11.3% y/y, in part because of the declining share of distress sales. Sales of new homes are expected to continue rising strongly.

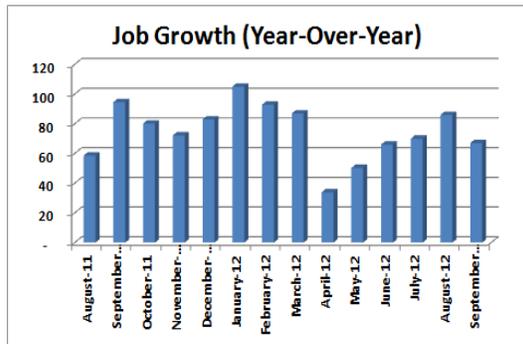
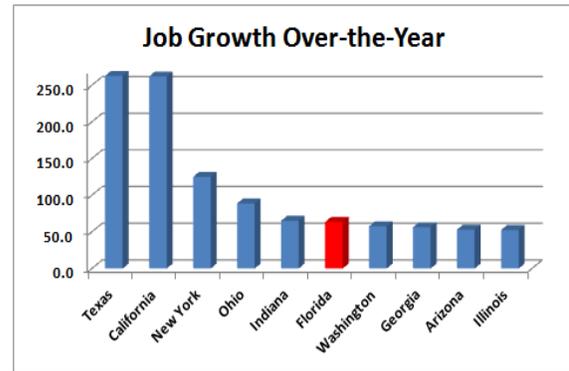


The final news this week was that consumer and producer prices rose strongly again in September. These gains were almost entirely due to rising energy and food prices. The core inflation rate remains low.



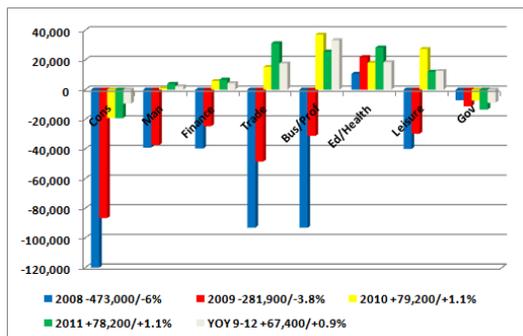
Florida Economy: Modest Job Growth in September

The September jobs report disappointed with a gain of just 67,400 over the year or 0.9%. Again this is well below the U.S. average, but it continues the pattern of up/down underperformance typical of Florida's recovery.



There were job losses again this month in construction and in government. The losses are ebbing, but still these two sectors remain stubborn drags on overall growth. Strong gains in temporary labor services (part of business and professional services) continue to point to stronger growth in the future.

The regional composition of job growth and unemployment remains much like it was last month. Orlando and Tampa-St. Petersburg continued to lead the state in job growth at the MSA level propelled by their strong tourism sectors and rebounding housing markets. These same factors are at work in Lakeland, Naples and Bradenton-Sarasota as well. Strong gains in business and professional services, trade and healthcare explain the employment growth in Jacksonville, Miami, and Ft. Lauderdale. By contrast, ongoing losses in government employment have hurt Gainesville, Tallahassee and Pensacola in particular. In West Palm Beach shrinkage in the leisure and hospitality sector produces the losses.



Florida's total job growth ranked 6th among the states. However, as noted above the rate of growth is subpar.

Data as of September 2012	Unemployment Rate	Change in Jobs last 12 Months	% Change Jobs
Bradenton-Sarasota	8.9%	2,700	1.1%
Cape Coral-Ft. Myers	9.1%	-3,000	-1.5%
Deltona-Daytona Bch.	8.8%	-1,400	-0.9%
Florida	8.6%	67,400	0.9%
Ft. Lauderdale-Pompano	7.5%	2,000	0.3%
Ft. Walton Bch	5.9%	-1,200	-1.5%
Gainesville	6.9%	-2,800	-2.2%
Jacksonville	8.2%	6,300	1.1%
Lakeland-Winter Haven	9.9%	2,200	1.1%
Miami	8.4%	6,400	0.8%
Naples	9.3%	600	0.5%
Ocala	9.8%	1,200	1.3%
Orlando-Kissimmee	8.4%	18,800	1.9%
Palm Bay-Melbourne	9.1%	1,300	0.7%
Palm Coast	11.9%	200	1.1%
Panama City	8.0%	-300	-0.4%
Pensacola	8.2%	-2,700	-1.7%
Port St. Lucie	10.9%	-2,800	-2.3%
Punta Gorda	9.0%	-400	-1.0%
Tallahassee	7.3%	-200	-0.1%
Tampa-St. Petersburg	8.7%	11,900	1.0%
Vero Beach	11.3%	1,200	2.8%
West Palm-Boca Raton	9.2%	-800	-0.2%