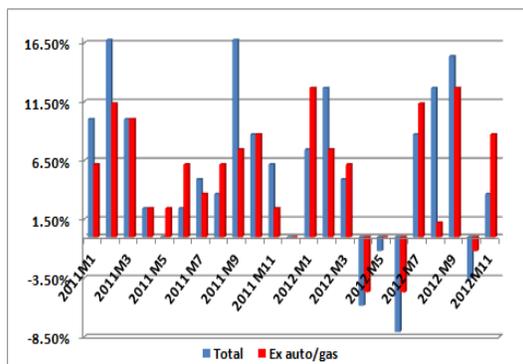


ECONOCAST™ UPDATE – December 17, 2012

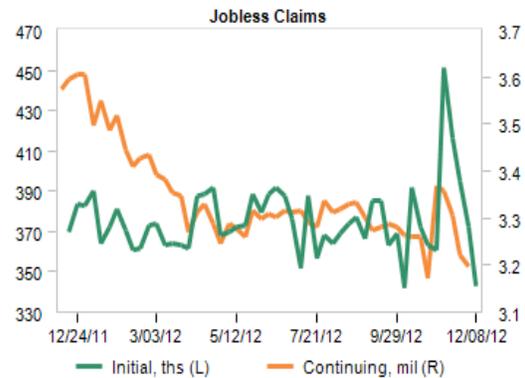
U.S. Economy – Holiday Cheer?

Retail sales rebounded in November, reversing October's decline. Core sales were particularly strong with large sales gains in e-commerce, electronics and appliance stores, building supply stores, and furniture stores offset by declines at gasoline stations (which were caused by falling gas prices), department stores and grocery stores (again lower prices). This indicates that despite consumer's concerns over the fiscal impasse, they are still willing to spend.



Sandy's effects on industrial production were also short lived. Production jumped 1.1% in November. Similarly, new claims for unemployment dropped dramatically to their lowest level since February 2008. With the vagaries of the hurricane and other seasonal issues

diminishing, the underlying claims data point to an improving job market.



The Fed took some dramatic action to support economic growth. The announced an extension of Operation Twist and the Fed will purchase \$45 billion per month in long term treasuries along with the previously announced \$40 billion per month in MBS. The Fed also shifted its guidance to numerical targets instead of yearly targets. The Fed committed to continue to keep rates "exceptionally low" until the unemployment rate drops below 6.5% as long as inflation remains below 2.5%.

Finally, there was progress on the fiscal talks. Republicans offered to increase tax rates on those earning over \$1 million in exchange for more aggressive cuts in entitlements.

Florida Economy:

The latest census data show that domestic net migration to Florida bumped up in 2010-11 over 61,000. This was a very modest increase compared to 55,000 net migrants in 2009-10. Domestic net migration to Florida slowed drastically during the Great Recession and has only slowly recovered. The collapse of housing markets prevented many people from selling their homes and moving to Florida. Florida's loss of over 750,000 jobs during the recession also contributed to the collapse of net migration. As a result, Florida's population growth was dominated by a surge of international migration.

	Total Growth	Natural Increase	Domestic Migration	International Migration
2010-11	218,929	45,000	61,395	112,534
2009-10	190,682	42,000	55,036	93,646

The latest net migration data for 2010-11 by state is displayed below. The most striking feature is how much total movement occurs from year to year. For Florida there were almost a million people moving in and out in 2011. Yet, net migration was just above 61,000. Florida ranked second in the nation for net domestic migration behind Texas.

State	In	Out	Net
Texas	514,726	404,839	109,887
Florida	498,597	437,202	61,395
North Carolina	265,291	225,147	40,144
Virginia	257,130	229,227	27,903
Georgia	271,077	248,892	22,185
Pennsylvania	234,291	215,127	19,164
Arizona	222,877	211,816	11,061
Illinois	216,204	269,008	-52,804
California	468,428	562,343	-93,915
New York	282,209	377,800	-95,591

Florida's traditional state sources for net migration have not changed for decades, and the 2011 data

provided confirmation of no dramatic structural changes. New York and New Jersey continued to provide the largest numbers of net migrants to Florida. Hurricane Sandy's impacts are likely to cause some acceleration in 2012. Much like the impact that Hurricane Katrina had on movement from New Orleans to Houston, there will be a significant number of people and a substantial number of businesses that will not rebuild in the New York/New Jersey metro area. Instead, they will take their insurance proceeds, sell their property, and move to Florida.

State	In	Out	Net
New York	59,288	29,344	29,944
New Jersey	25,206	12,907	12,299
Massachusetts	13,701	11,396	2,305
Michigan	19,640	17,712	1,928
Ohio	18,191	16,492	1,699
Illinois	19,152	17,548	1,604
Pennsylvania	20,821	19,299	1,522
California	22,420	22,094	326
Georgia	38,658	42,666	-4,008
North Carolina	23,983	28,044	-4,061

Other states in the Northeast and Midwest continue to send significant population on net to Florida. Many of these movers are retirees. As economic conditions improve in the Midwest and Northeast, and as housing markets in particular recover, these numbers will rise.

Finally, Florida continues losing population on net to Georgia and to North Carolina. These net effects reflect relatively better job growth in Georgia and North Carolina thereby attracting labor force aged families from Florida. There is little evidence supporting the belief that Florida is losing retirees to these areas.

Looking forward population growth will accelerate in 2013 in Florida with all components improving.