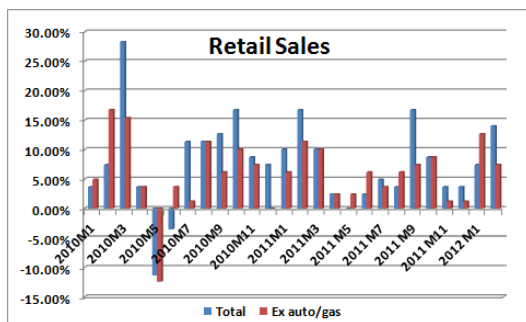




ECONOCAST UPDATE – March 19, 2012

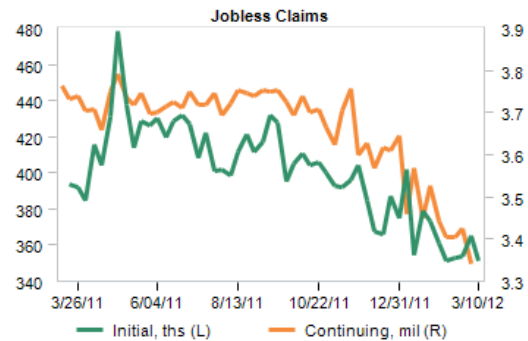
U.S. Economy – March in Like a Lion

Retail sales rebounded this year rising at an annual rate of over 10% in January and February. Even stripping out gasoline and auto sales, core retail sales soared by more than 9% at annual rates so far this year. This confirms that the economy continues growing at a 3%+ rate in 2012 and is consistent with the stronger tone in job gains.

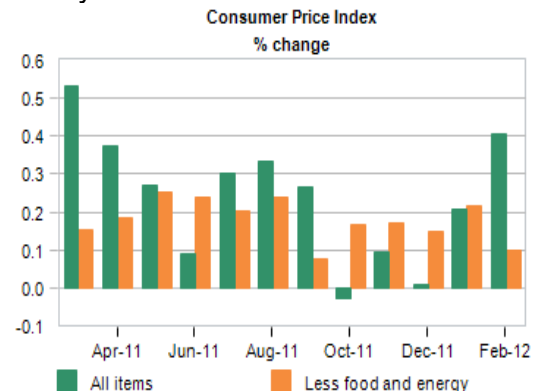


No doubt that warmer than usual weather contributed to the gain, but fundamentals have as well. Job growth has accelerated and confidence up even if high gasoline prices have limited gains of late.

The latest data on new jobless claims was encouraging last week after several weeks of modest increases. This reinforces the belief that the labor market is firming.



The consumer price index rose 0.4% in February, the biggest gain since April. But almost all the increase was due to surging gasoline. The core CPI rose only 0.1% pointing to lack of sustained pricing power in the economy. The forward price indicators are reassuring with modest gains in producer prices, and oil prices are rising more slowly suggesting a topping out of oil prices. All of this suggests that the surge in gasoline prices will top shortly as well.



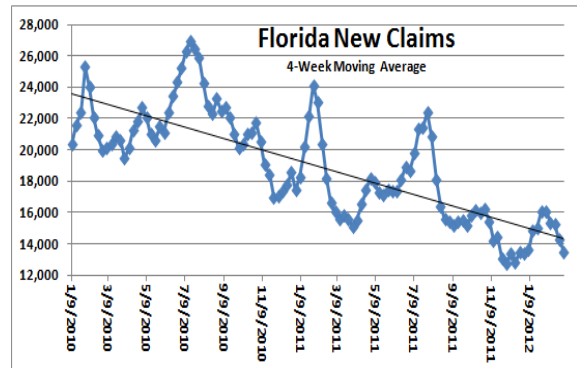
Florida Economy: Puzzling Employment Report

The highly anticipated March employment report proved puzzling. According to the official data employment collapsed with a loss of 38,600 jobs in January based on the seasonally adjusted data for the month. This is just not credible, and it is likely a statistical anomaly that is, regrettably all too common each March when the data are re-benchmarked. Furthermore, the seasonal adjustment process is distorted by the re-benchmarking which compounds the problem at this time of year. More reliable are the year-over-year comparisons which show that jobs increased by an average of 77,000 over the last 12 months.



These data for nonagricultural employment are consistent with the household survey data as well. For the 12-months ending in January 2012 the household survey data report a gain of 216,000 in Florida's population aged 16+, and an increase of 69,000 in Florida's labor force. Total employment jumped 205,000 which caused Florida's unemployment rate to drop from 10.9% in January 2011 to 9.6% in January 2012.

Furthermore, new claims for unemployment compensation in Florida continue dropping as well. For the week ending March 3, 2012 the four-week moving average of new claims declined to 13,305 marking its second lowest reading in 24 months. There is simply no way that new claims could decline at this rate unless Florida's economy was generating a substantial number of new jobs at a sustained rate.



For the 12-months ending January 2012 trade and education/healthcare contributed most to job growth. Furthermore, job gains in these sectors have accelerated. Leisure and hospitality jobs increased by 11,800 over the year, but this was down from 22,500 the year before. Construction jobs are still contracting at a substantial rate, however, the cycle should come to an end this year. Government jobs declined as local governments shed labor because of continuing revenue constraints.

