

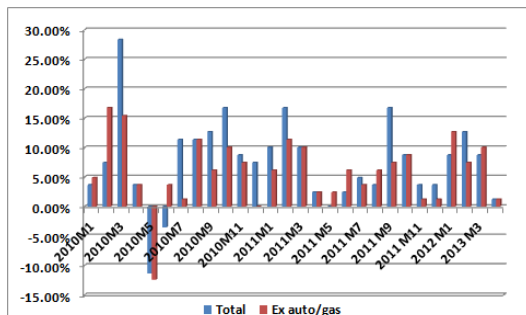


## ECONOCAST UPDATE – May 21, 2012

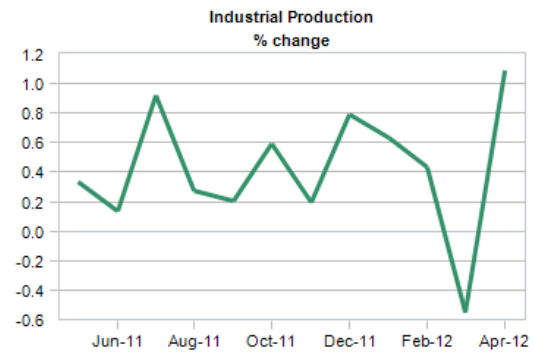
### U.S. Economy – Eurozone Troubles Affect U.S. Markets

The deepening difficulties in the Eurozone threaten their economies and markets and ours. U.S. stocks posted their largest weekly loss in 2012, and investors fled to the safety of treasury bonds pushing the yield to 1.75%.

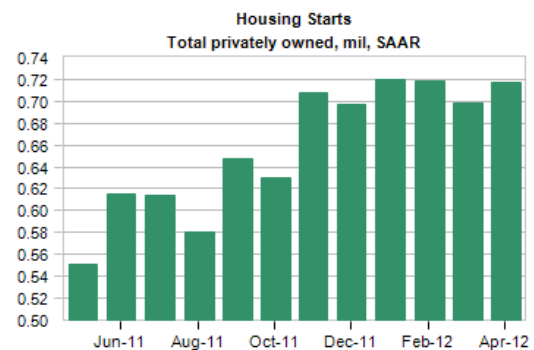
On balance this week's domestic data show consumers and manufacturing holding up well. Although the economy has clearly lost momentum, overall the data suggest that this is soft patch and nothing worse. For example, retail sales were the weakest report showing almost no gain in April. However, this is mostly payback from the unsustainably strong sales earlier in the year when the weather was unseasonably warm. Weakness was concentrated in building supplies



Industrial production rebounded with motor vehicles and parts leading the way, but the gains were widespread.



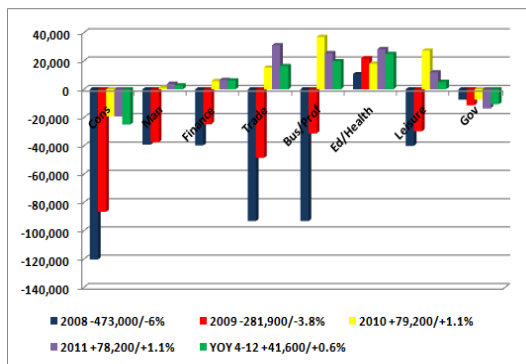
New home construction continues to recover with starts running at their fastest pace since 2008.



Business confidence is stable and initial claims for unemployment insurance were unchanged, both suggesting that Europe's troubles are not significantly damaging the real side of the U.S. economy yet.

## Florida Economy: Weak Employment Report in April

Florida's April employment report was a big disappointment. Payroll employment decelerated for the third month in a row up only 46,100 jobs compared to April 2011. Job loss in construction accelerated to -24,800 compared to the loss of -19,200 for the year ending April 2011. The declines in job growth in leisure and trade are particularly worrisome at this stage in the recovery.



Although Florida's unemployment rate dropped to 8.7% in April from March's 9%, this did not reflect any strengthening. Almost all of the improvement came from a drop of -33,000 in Florida's April labor force with employment rising by only 4,000 based on the household survey data.

The modest recovery in employment remains very concentrated in Florida's major urban areas. Consider the fact that only eight of Florida's twenty-two MSAs had over the year job growth. Miami-Dade County continues to lead the state in job growth gaining 12,700 jobs over the year for a 1.3% gain. Tampa Bay posted a 12,600 gain with Orlando following with 5,300 additional jobs lead by gains in leisure and hospitality.

12 Months Ending April 2012	Unemployment Rate	Jobs Year-over-Year	Jobs Year-over-Year
Bradenton-Sarasota	8.1%	0	0.0%
Cape Coral-Ft. Myers	8.3%	-800	-0.4%
Deltona-Daytona Bch.	8.6%	-2,500	-1.6%
<b>Florida</b>	<b>8.7%</b>	<b>416</b>	<b>0.6%</b>
Ft. Lauderdale-Pompano	7.2%	1,500	0.2%
Ft. Walton Bch	5.7%	600	0.7%
Gainesville	6.3%	-3,000	-2.3%
Jacksonville	7.9%	1,200	0.2%
Lakeland-Winter Haven	9.1%	-1,700	-0.9%
Miami	8.3%	12,700	1.3%
Naples	7.4%	2,300	2.0%
Ocala	9.7%	-300	-0.3%
Orlando-Kissimmee	8.2%	5,300	0.5%
Palm Bay-Melbourne	9.0%	-700	-0.4%
Palm Coast	11.6%	-100	-0.5%
Panama City	7.7%	-900	-1.2%
Pensacola	7.9%	-4,600	-2.8%
Port St. Lucie	9.8%	-2,600	-2.1%
Punta Gorda	8.6%	-800	-1.9%
Tallahassee	6.7%	-2,400	-1.4%
Tampa-St. Petersburg	8.5%	12,600	1.1%
Vero Beach	9.8%	1,100	2.4%
West Palm-Boca Raton	8.5%	-500	-0.1%

Job losses were concentrated in those MSAs with large concentrations of government workers, such as in Gainesville, Tallahassee and Pensacola or in areas which had some of the worst housing market cycles, such as Lakeland, Port St. Lucie or Ft. Myers.

It is particularly disappointing that at this point in the business cycle Florida's labor markets are so weak. Job growth in Florida was just 0.7% over the last 12 months, less than half the national average. This comes despite the surprisingly strong recovery in population growth.

It appears that the damage from the Great Recession continues to linger, as the very poor performance in the construction sector shows. Furthermore, state efforts to promote growth by cutting state government spending and employment have yet to bear fruit, and remain untested. More encouraging are the substantial volumes of investment in Florida's infrastructure, ports, and roadways. Regrettably, these too will take time to generate more jobs.