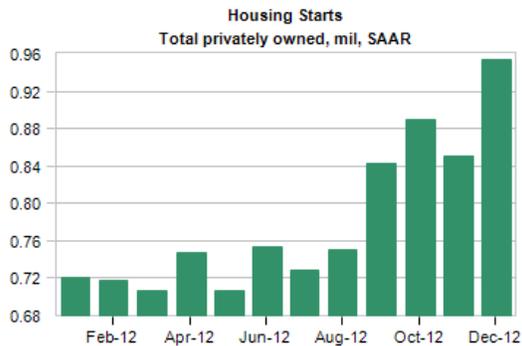


ECONOCAST™ UPDATE – January 21, 2013

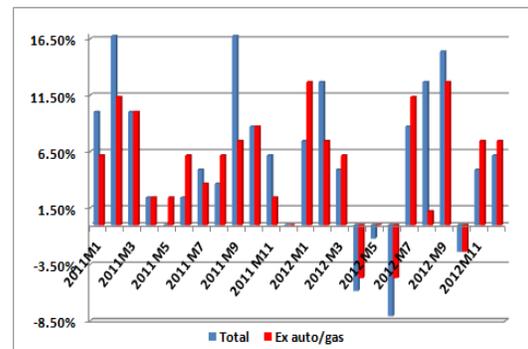
U.S. Economy – 2012 Ends on a High Note

The 4th Quarter ended on a stronger note. Housing starts soared to an annual rate of 954,000 units in December 12.1% over November and the fastest pace since the 1st half of 2008. Last year starts were at their fastest pace in four years. Housing markets will continue improving once the nation resolves the debt ceiling and fiscal sustainability issues. Housing will be a major growth driver in 2013.



Retail sales ended the year on a stronger note rising at an annual rate of 6.2%. Core sales were even stronger rising at 7.4% pace. November sales were revised higher producing a modest rise in holiday sales of 3.2% compared to 5.7% in 2011. Near-term prospects are muted because of the fiscal restraint

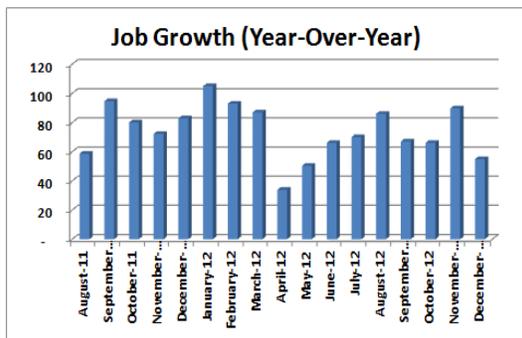
in place in the form of increased Social Security taxes for all workers and income taxes for high-income taxpayers. The uncertainty surrounding government spending cuts and the debt ceiling will also weigh on business confidence and hiring.



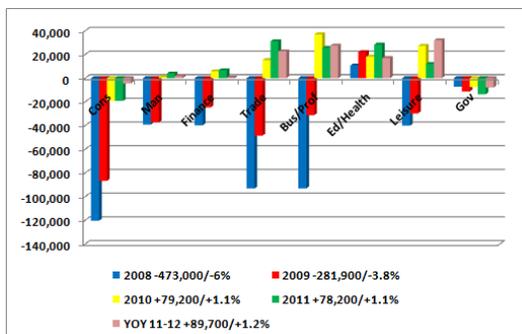
Last week the Republican Caucus agreed to extend the debt ceiling through April 15, 2013 providing breathing room to craft an encompassing agreement on the debt ceiling, sequestration, and the budget for FY 2012-13. Assuming a reasonable deal on fiscal spending and the debt ceiling is achieved in time to avoid a crisis, prospects for the 2nd half are brighter. A deal will lift consumer and business confidence and pent-up demand will be unleashed. Job, income and spending growth will accelerate markedly.

Florida Economy: Disappointing December Job Report

Job growth slowed in December posting a gain of just 54,900 compared to the year-over-year gain of almost 90,000 posted in November. After posting sustained increases since May 2012 job growth has stalled, running at an average annual pace of just 72,200 since July. This is surprising in light of the continuing declines in new claims for unemployment compensation.



December's gains were lead by the leisure and hospitality sector paced by gains in eating and drinking establishments reflecting the strong rebound in tourism and seasonal residents. Retail trade employment jumped as accelerating population growth boosted jobs in food and beverage stores. There were also strong gains in private education and in healthcare services. Government and construction jobs continued contracting.



Tampa Bay and Orlando had the strongest job gains over the last 12 months continuing their dominance. Only 12 of Florida's 22 metro areas had job growth over the last year. The largest job losses came in Miami, Ft. Walton Beach and Daytona Beach.

Data as of December 2012	Unemployment Rate	Jobs Year-over-Year	Jobs Year-over-Year
Bradenton-Sarasota	7.8%	3,900	1.6%
Cape Coral-Ft. Myers	8.0%	700	3.0%
Daytona-Daytona Bch.	8.1%	-200	-0.8%
Florida	8.0%	54,900	0.7%
Ft. Lauderdale-Pompano	6.7%	5,100	0.7%
Ft. Walton Bch	5.8%	-1,700	-2.1%
Gainesville	6.2%	-200	-0.2%
Jacksonville	7.4%	6,300	0.9%
Lakeland-Winter Haven	8.6%	1,700	0.9%
Miami	9.1%	-3,700	-0.4%
Naples	7.3%	2,800	2.4%
Ocala	8.9%	2,600	2.8%
Orlando-Kissimmee	7.6%	18,900	1.8%
Palm Bay-Melbourne	8.3%	3,600	1.9%
Palm Coast	11.2%	-300	-1.6%
Panama City	8.5%	-1,000	-1.4%
Pensacola	7.8%	200	0.1%
Port St. Lucie	9.5%	-600	-0.5%
Punta Gorda	8.0%	-500	-1.2%
Tallahassee	6.6%	-800	-0.5%
Tampa-St. Petersburg	7.9%	2,100	1.8%
Vero Beach	9.1%	1,100	2.4%
West Palm-Boca Raton	8.0%	-200	0.0%

The job loss in Miami is puzzling given the strong recovery in housing markets and tourism. The loss in Ft. Walton is temporary and related to quirks in military staffing. The continuing declines in jobs in Tallahassee and in Gainesville come from falling state government employment. Palm Coast, Punta Gorda and Port St. Lucie continue suffering from the fallout in housing markets and their incomplete recovery. By contrast, the more rapid rebound of housing markets in Southwest Florida has fueled job gains in Bradenton-Sarasota, Cape Coral-Ft. Myers and Naples.

Assuming a reasonable resolution to the nation's fiscal challenge, Florida is very well positioned to experience accelerating growth in the 2nd half of 2013 with much stronger housing markets and accelerating tourism and population growth.