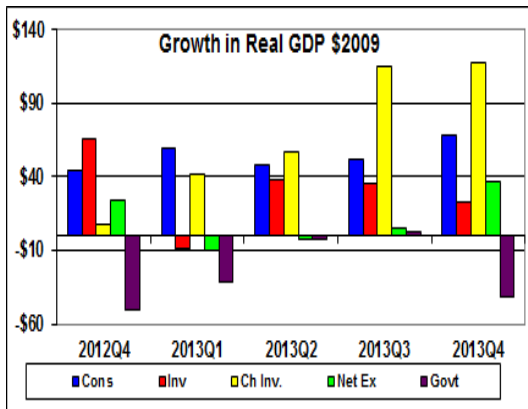


## ECONOCAST™ UPDATE – March 2, 2014

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### U.S. Economy – GDP Confirms the Slower Growth Trajectory

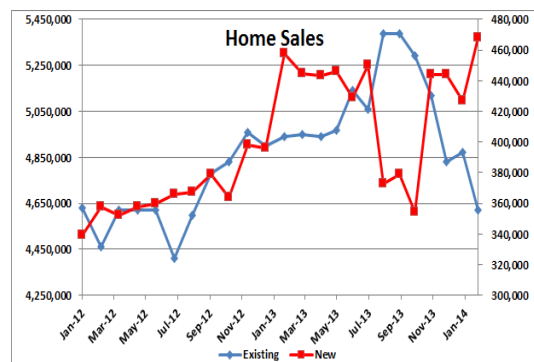
The growth in Real GDP for 2013Q4 was revised down to 2.4% from the initial estimate of 3.2%, and this is down from the 4.1% growth rate in 2013Q3. Downward revisions came across the board except for fixed investment. Nevertheless, consumer and investment spending accelerated in 2013Q4 setting a firm foundation for faster and sustained growth later this year. The biggest drag came from the contraction in government spending at the federal level.



Although the economy appeared to be accelerating at the end of last year, economic reports so far this year were disappointing including weak job growth, flat retail sales, lower industrial production a drop in existing

home sales. This caused concern that maybe economic growth was slipping again. Reviewing these data in her congressional testimony Fed Chairman Yellen concluded that the weather was largely to blame for the weakness, and I agree. Furthermore, despite the slower topline growth, the gain in final sales was stronger in the second half of last year than the first half. And the fundamentals are strong. Firms are profitable and household debt loads are low.

Sales of new single-family homes soared far above my expectations jumping to an annualized pace of 468,000 in January up 9.6% from December and 2.2% from a year earlier. These gains should continue.



Existing-home price appreciation slowed year-over-year. The 10-city composite is up 13.6% from last year, but this is slower than over the last

months. The index was unchanged over the month. Despite the progress, prices remain more than 20% below their peak of June 2006. This pattern is typical for all of the cities in the average except Denver.

Area	% change			% change from peak
	13-Dec	YOY	Peak	
10-City Index	0.0%	13.6%	Jun-06	-20.4
MSAs				
Boston	-0.1%	9.6%	Sep-05	-7.6
Chicago	-0.5%	11.3%	Sep-06	-25.7
Denver	-0.1%	9.0%	Aug-06	4.3
Las Vegas	0.4%	25.5%	Aug-06	-45.3
LA	0.0%	20.3%	Sep-06	-21.6
Miami	0.9%	16.5%	Dec-06	-36.8
New York	-0.3%	6.3%	Jun-06	-20.2
San Diego	-0.1%	18.0%	Nov-05	-22.6
San Francisco	0.2%	22.6%	May-06	-17.3
Washington	0.2%	8.1%	May-06	-18.7

## Florida Economy: The 2014 Legislative Session

The session begins Tuesday, and as always there are a number of important economic issues to be decided. The legislators have a \$1.3 billion budget surplus to work with and face an election in November. This combination has spurred the legislative leadership and the Governor to promote programs designed to win votes. Their top priority is to cut taxes for as many groups as possible. For households there will be a major reduction in auto tag fees by \$240-to-\$400 million depending on whether the legislature or the Governor's proposals are passed. The communications tax on cable, satellite and telcom companies is expected to drop by some \$250 million. And there will be extensions to the back-to-school and hurricane shopping tax breaks amounting to an additional \$400 million.

House Speaker Weatherford is championing a major expansion of Florida's Tax Credit Scholarships which provides vouchers to low-income students for private and

religious schools. The Governor has proposed increasing educational funding \$542 million, but this would still leave spending for K-12 below its prior 2007 peak.

New and expensive regulations to protect Florida's springs and surface waters is likely to pass since it is supported by the Governor and the Legislature. Packaged as a program to protect springs, the legislative package would impose strict limits on pumping from the Floridan aquifer, the main source of drinking water in Florida. The results would be much higher future costs for water and restrictions on agricultural use which will restrict farm output and raise costs.

Gambling will be a major flashpoint. The state's antiquated regulatory structure is likely to be reformed with the institution of a new comprehensive gaming commission. The gambling pact with the Seminole Tribe will expire next year. The Legislature is likely to craft an extension while at the same time granting two-to-four new licenses for Las Vegas style destination resort casinos in Miami-Dade and Broward counties. These changes will cause major shifts in the current gaming landscape in South Florida and impact the hotel and convention business as well.

Finally, the Legislature is likely to grant a number of new \$2 million/year sales tax rebates for various stadium and sports facilities including (a) Daytona International Speedway for its renovations that are already underway, (b) a new soccer stadium in Orlando, and (c) the new soccer stadium proposed for Miami.