ECONOCAST WEEKLY

ECONOCAST™ UPDATE – July 15, 2013

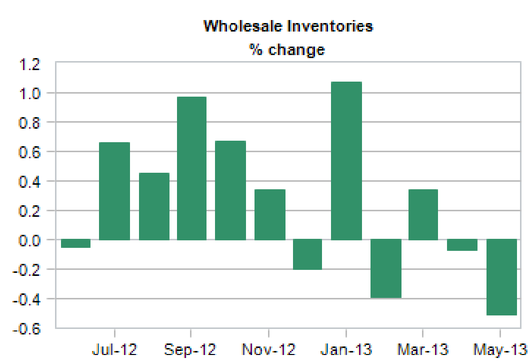
U.S. Economy – GDP Growth Slows, but It is Temporary

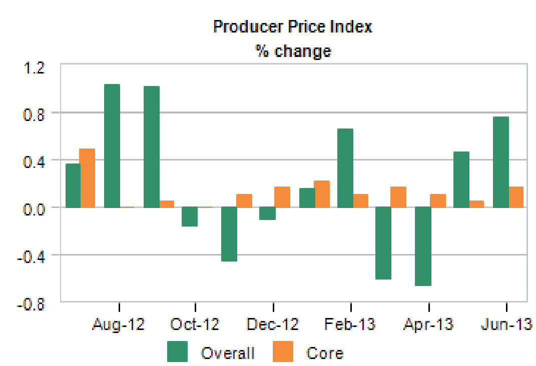
Growth in U.S. real GDP has probably slowed to an annual pace of about 0.5% this quarter largely because of the sequester. Federal defense outlays dropped at an 11.7% annualized rate in the second quarter. Overall federal spending will decline nearly 8% this quarter after dropping 9% in the first quarter. As a result, real GDP may only growth at a 1.5% rate in the first half.

A decline in inventories this quarter also contributes to the weakness. Wholesale inventories fell 0.5% in May for the second drop in a row. This is actually a plus for next quarter since sales rose robustly in May pushing the inventory to sales level well below normal.

While the economy is experiencing some fiscal drag from the unfolding sequestration, this is not holding the private sector back much and growth is actually stronger as it has been since 2010, especially in housing and related sectors. Thus, measured growth in real GDP is likely understating the actual growth rate.

June's increase in producer prices of 0.8% in June came from surging gasoline prices. However, food and core finished goods prices also rose modestly consistent with a strengthening private sector. Early-stage producer prices were more subdued; intermediate goods prices rose 0.5%, while the crude goods index was unchanged. So, outside of energy prices there are no signs of accelerating inflation.

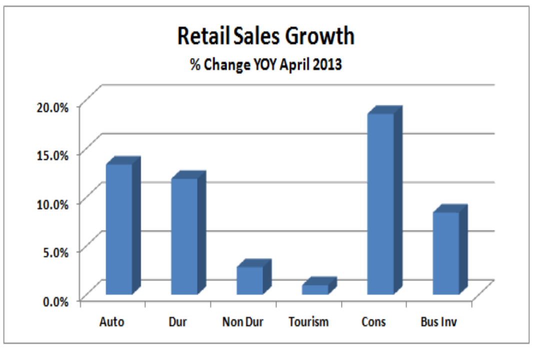




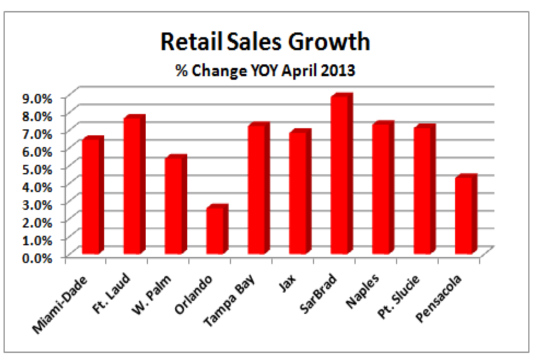
FISHKIND & ASSOCIATES ECONOMIC CONSULTANTS 12051 Corporate Blvd, Orlando, Florida 32817, Office 407-382-3256, Fax 407-382-3254, www.fishkind.com

Florida Economy: Easter Distorts Retail Sales Gains

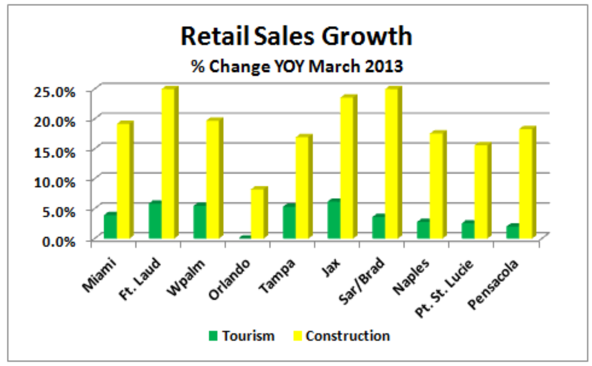
Florida's retail sales grew 6.2% for the 12-months ending April 2013. Top line growth was a bit disappointing. However, the Easter fell in March this year compared to April in 2012. As a result, the year-over-year data for 2013 were a bit weaker, especially for tourism. But, this does not mean tourism was weak, only that Easter was in March. Soaring construction sales reflect the continuing acceleration in this critical sector in April 2013.



Retail sales gains varied widely across Florida's major metro areas. Sales jumped nearly 9% in Sarasota/Bradenton and over 7% in Ft. Lauderdale, Naples, Port St. Lucie, and Tampa-St. Pete.



The relative weakness in Orlando is in part due to the seasonal variation in tourism caused by this year's early Easter. Tourist related sales actually dipped -0.4% in Orlando over the 12-months ending April 2013, because Easter fell in March last year depressing the year-over-year comparisons. More generally, tourism sales were weak in all the metro areas.



Construction related sales were generally very strong in all the major metro areas. Gains were particularly noteworthy in Ft. Lauderdale, Sarasota/Bradenton, Miami, and West Palm Beach. The relative weakness in Orlando was the result of an extraordinary gain in April 2012 making the annual comparison look weak.

Despite the slowdown in U.S. GDP growth, Florida's economy continues to gain momentum. The rebound in construction has powered the State's economy higher so far this year. The rise in interest rates over the last month is worrying, especially in the context of a slower growing national economy. However, the national weakness is likely to be short lived with stronger growth unfolding in the second half of 2013. Furthermore, the Fed made is clearer this week that low interest rates will continue through 2014. If so, then Florida's economy is projected to accelerate strongly in the second half of 2013 too.

FISHKIND & ASSOCIATES ECONOMIC CONSULTANTS 12051 Corporate Blvd, Orlando, Florida 32817, Office 407-382-3256, Fax 407-382-3254, www.fishkind.com