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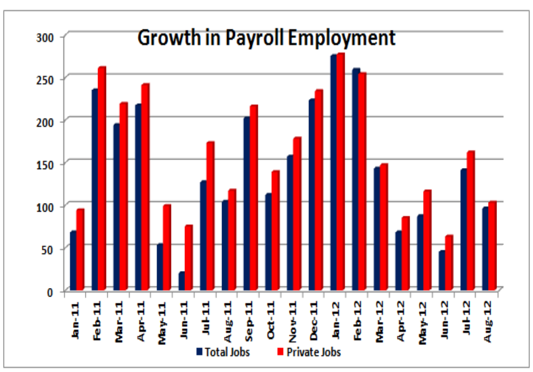
WEEKLY

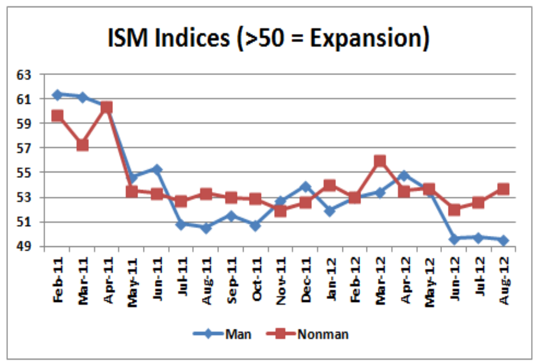
ECONOCAST™ UPDATE – September 10, 2012

U.S. Economy – Meager Growth

Nonfarm payroll growth was a disappointingly low 96,000 in August and there were downward revisions of 41,000 for the previous two months. Manufacturing lost jobs reflecting weakness throughout the goods-producing sector. Earnings and the workweek were unchanged from July. The unemployment rate dropped from 8.3% to 8.1%, but this was due to a drop in the labor force. The only good news in this is that it increases the odds of monetary easing at the upcoming Federal Open Market Committee meeting.



The gloomy outlook was reinforced by another decline in the ISM purchasing managers manufacturing index. The index has been below its neutral threshold of 50 for three consecutive months. The weakness in new orders points to additional slowing in factory output. However, there was some good news from the ISM non manufacturing index which rose for the third month in a row. While new orders were a bit slower, the employment index jumped suggesting hiring in the future.

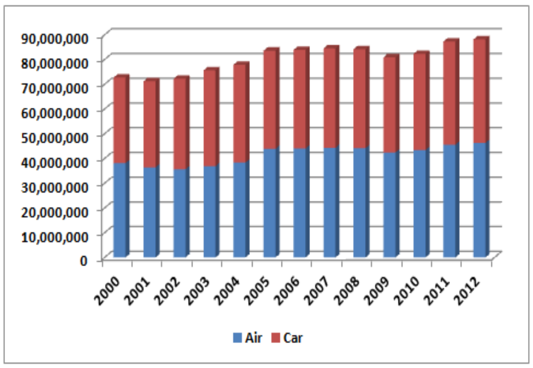


All of this puts additional pressure of the Fed to stimulate the economy. At its Labor Day retreat Chairman Bernanke promised to take such action if the economy weakened, and now it has.

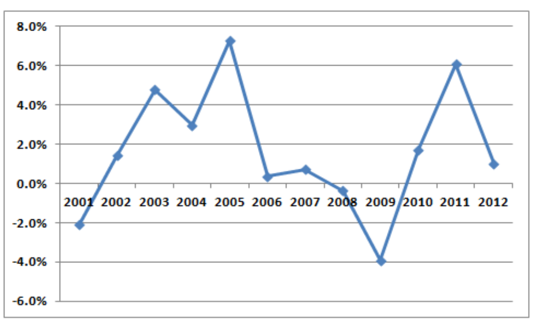
There was some good news from Europe, finally. ECB Chairman Draghi announced strong new plans for the bank to purchase government bonds in whatever volumes were needed to stabilize markets. This triggered a big bounce in global financial markets. This is likely to set the stage for a sustained, but very slow recovery in the Eurozone.

Florida Economy: Growth in Tourism Slows

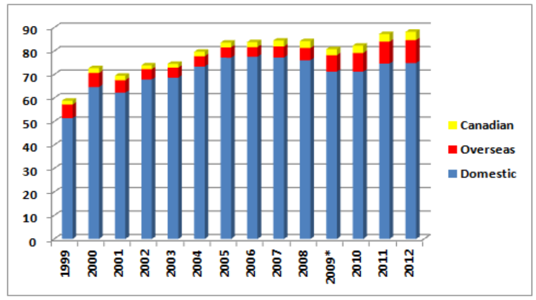
After a strong rebound in 2011 growth in tourism has slowed. The slowdown reflects the weak recovery of the U.S. economy. Arrival volume dropped sharply in 2008 and particularly in 2009 as the Great Recession unfolded. While air arriving tourist volume flattened, arrivals by car fell pushing down the total (see chart below).



The percentage change from year-to-year is quite dramatic. After surging by nearly 8% in 2005 tourist volumes barely increased over the next two years and then dropped during the recession. Thereafter, a strong recovery unfolded, but the growth rate was not sustainable.



The slowdown in 2012 is precipitous and worrisome. As the graph below shows, the recovery in 2011 was driven by gains in international arrivals. Domestic arrivals have yet to regain their prior peak achieved in 2005. The tepid pace of the U.S. recovery is clearly being felt in Florida's tourism sector.



Over the last two quarters tourist arrivals have slowed to a 1.7% and then just a 1% growth rate measured on a year over year basis. In other words tourism growth has nearly ground to a halt. The latest hotel data reflect this slowing. Occupancy gains over the last 12 months are mixed. South Florida and Southwest Florida are showing strength, as evidenced by the gains in Broward, Palm Beach, Collier, and Hillsborough. By contrast, central Florida is weaker with occupancy losses in Orange (Orlando) and Volusia (Daytona). Average daily rates are up in almost every market in Florida over the last year. As a result, revenue per available room, RevPar which is the industry's most important metric is up in these markets and in most Florida markets.

County	*Occ %chg*	*ADR %chg*	*RevPAR %chg*
Broward County, FL	3.8	1.8	5.6
Collier County, FL	4.1	1.4	5.4
Hillsborough County, FL	1.8	2.1	4.0
Miami-Dade County, FL	-0.9	4.5	3.5
Orange County, FL	-2.1	4.1	1.9
Osceola County, FL	1.3	8.1	9.6
Palm Beach County, FL	3.4	5.1	8.6
Sarasota County, FL	4.9	3.4	8.4
Volusia County, FL	-4.6	2.3	-2.5