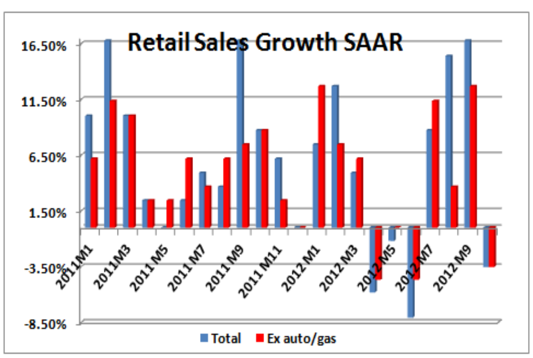
EW | ECONOCAST™ WEEKLY

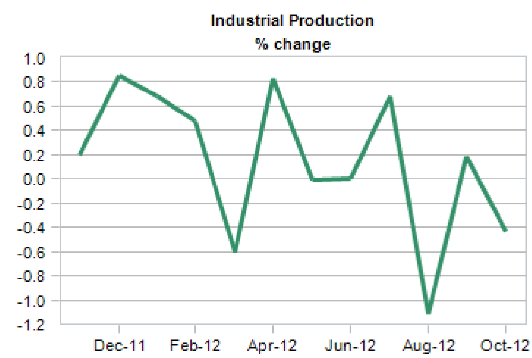
ECONOCAST™ UPDATE – November 19, 2012

U.S. Economy – Sandy and the Cliff

Last week's economic data was heavily colored by the impacts of Hurricane Sandy and the uncertainties of the fiscal cliff. Retail sales fell 0.3% in October following an upwardly revised 1.3% jump in September. Although declines were widespread there were a few areas of strength including gasoline station and grocery stores which may have benefited from price increases and pre-storm purchases. Retail spending is neither as weak as the decline in October nor as strong as the rapid growth in the prior two months.



Industrial production also declined in October in part because of Sandy. The Federal Reserve estimates a 1% loss from Sandy. Had there been no storm, manufacturing output would have been flat. Excluding the Sandy's effects, manufacturing declined just more than 3% at an annual rate over the last three months, the worst outcome of the recovery to date.

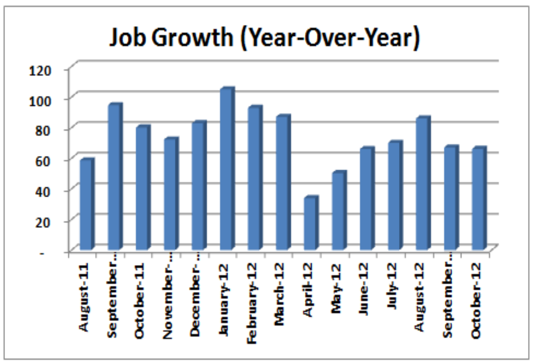


Rounding out last week's reports, Producer prices fell 0.2% in October after rising sharply in the previous two months and consumer prices followed the same pattern. There is no sign of sustained price inflation.

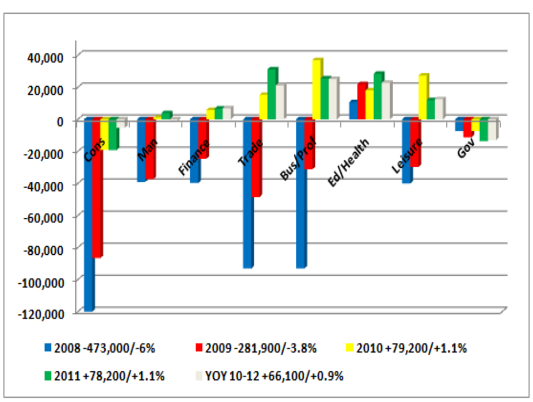
Friday the President met with the congressional leadership from both parties to hammer out a fiscal agreement. While no deal is imminent, the parameters for resolution are becoming increasingly clear. A two part deal is apparently in the works, much as expected. Part 1 includes a down payment on the debt and a framework agreement. Part 2 approves the framework in 2013 which is expected to include: (1) tax reforms which will raise revenue, close loopholes, and maybe lower marginal rates; (2) limits on the growth in discretionary spending, especially for defense; and (3) very modest reforms to entitlements programs.

Florida Economy: October Jobs Report - More Slow Steady Growth

Florida's job growth has averaged about 70,000 over the last 18-months with little variation month to month. There is no evidence of any acceleration or slowing.



The composition of growth across the sectors was also about the same as it has been for the last 18-months. Construction and government sectors continue shedding jobs at about the same rate for the last year. Manufacturing growth dipped due to losses in chemical manufacturing and in aerospace.



Retail trade, business and professional services, healthcare and tourism continue to account for most of the job growth. Notably, the housing recovery has spurred sales of furniture, building materials and electronics. Real estate brokers got a boost too.

Job growth continues to be concentrated in a few major metro areas. Orlando enjoyed strong growth based on tourism, healthcare, and business services coupled with the housing recovery. Tampa-St. Pete also gained from a recovering home market, tourism, healthcare and business services. Jacksonville and Bradenton-Sarasota also posted noticeable gains.

Data as of October 2012	Unemployment Rate	Jobs last 12 Months	% Change Jobs
Bradenton-Sarasota	8.3%	3,200	1.3%
Cape Coral-Ft. Myers	8.4%	-2,800	-1.4%
Deltona-Daytona Bch.	8.4%	-2,100	-1.3%
Florida	**8.5%**	**66,100**	**0.9%**
Ft. Lauderdale-Pompano	7.1%	-1,100	-0.2%
Ft. Walton Bch	5.7%	-2,000	-2.5%
Gainesville	6.2%	-2,800	-2.2%
Jacksonville	7.7%	6,300	1.1%
Lakeland-Winter Haven	9.2%	2,000	1.0%
Miami	8.2%	800	0.1%
Naples	8.4%	2,400	2.1%
Ocala	9.1%	1,700	1.9%
Orlando-Kissimmee	7.9%	21,700	2.1%
Palm Bay-Melbourne	8.7%	1,800	0.9%
Palm Coast	11.3%	0	0.0%
Panama City	7.8%	700	0.1%
Pensacola	7.7%	-1,100	-0.7%
Port St. Lucie	10.2%	-1,700	-1.4%
Punta Gorda	8.5%	-800	-1.9%
Tallahassee	6.6%	-1,100	-0.7%
Tampa-St. Petersburg	8.7%	19,300	1.7%
Vero Beach	10.2%	1,800	4.1%
West Palm-Boca Raton	8.6%	-800	-0.2%

However ten of Florida's twenty-two metro areas sustained job losses over the year. Some of the weakness reflects residual effects of the housing crash, and as recovery builds in 2013 they should strengthen. This group includes Port St. Lucie, Palm Coast, Punta Gorda and Ft. Myers.

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