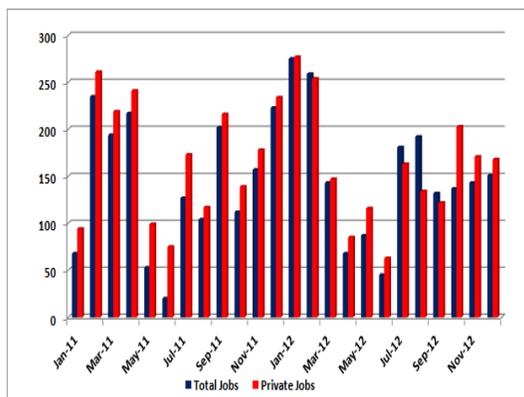


ECONOCAST™ UPDATE – January 7, 2013

U.S. Economy – Now What?

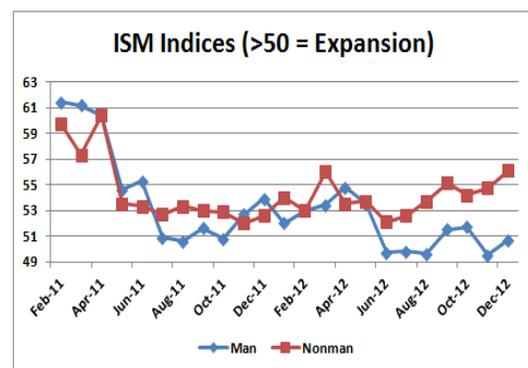
Welcome to 2013. Having dodged disaster for the moment the outlook for 2013 remains troubled by: (a) the ongoing political drama over the debt ceiling, (b) pending sequestration, (c) lack of a budget for 2012-13, and (d) the pressing need to resolve the fundamental fiscal imbalance in a prudent manner. That said, 2012 ended on a stronger note with real GDP growing at about 2.75% SAAR.

The job market ended 2012 with the same modest increase in payrolls of 155,000 that characterized its performance for much of the year. The 2012 gain of 1.8 million jobs was almost identical to the gain in 2011. Though modest, job growth was sufficient to bring down the unemployment rate from 8.5% to 7.8%.



The first half of 2013 will also generate only very modest job growth, because higher payroll and income taxes will dampen spending and the government is expected to implement some spending cuts.

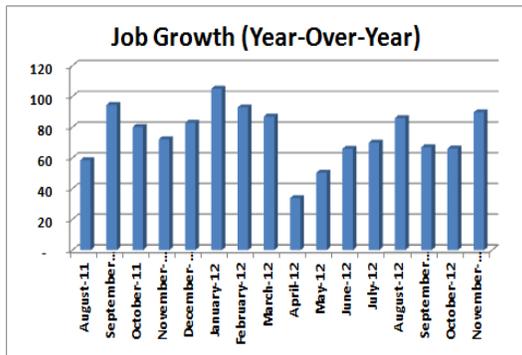
The ISM indices paint a somewhat better picture. The manufacturing index rebounded in December rising from 49.5 to 50.7. This is the third increase in the past four months, but the index is barely above its neutral threshold of 50 and consistent with sluggish factory orders. By contrast, services did well in December, and leading indicators suggest the industry headed into 2013 with positive momentum.



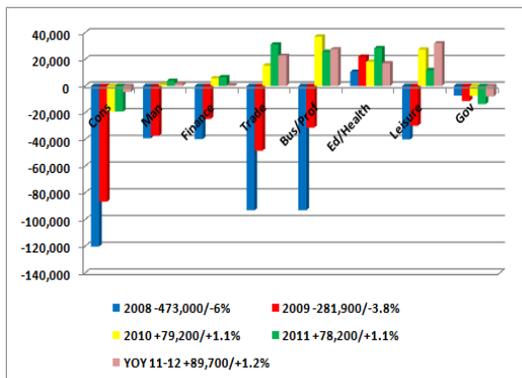
Housing markets also picked up steam at year-end. Pending home sales soared pointing to rising sales of existing homes in January.

Florida Economy: More Jobs

Florida's labor market accelerated in November, the latest data available. Job growth jumped to 89,700 for the 12 months ending in November, its highest level in eight months. The unemployment rate dropped to 8.1%, its lowest since November 2008.



Over the last 12-months job growth was strongest in leisure and hospitality (+31,200), followed by business and professional services (+27,500), trade (+22,000), and education and healthcare (+17,000). All levels of government continued to shed jobs (-7,800) as did construction (-4,400).



The regional pattern of job growth reflects some significant improvement this month. Job gains were more widespread for the 12-months ending November 2012 with 18 out of Florida's 22 metropolitan

areas having job growth. Only Gainesville, Port St. Lucie and Cape Coral-Ft. Myers lost jobs. The job losses in Gainesville were caused by the continuing contraction in State jobs. The losses in Port St. Lucie, Punta Gorda, and in Cape Coral-Ft. Myers reflect the lingering impacts of the housing boom and bust cycle.

| Data as of November 2012 | Unemployment Rate | Jobs Year over-Year | Jobs Year over-Year |
|--------------------------|-------------------|---------------------|---------------------|
| Bradenton-Sarasota | 8.1% | 2,900 | 1.2% |
| Cape Coral-Ft. Myers | 8.3% | -600 | -0.3% |
| Deltona-Daytona Bch. | 8.3% | 200 | 0.1% |
| Florida | 8.1% | 89,700 | 1.2% |
| Ft. Lauderdale-Pompano | 7.0% | 5,300 | 0.7% |
| Ft. Walton Bch | 5.9% | 600 | 0.8% |
| Gainesville | 6.4% | -1,100 | -0.9% |
| Jacksonville | 7.6% | 5,400 | 0.9% |
| Lakeland-Winter Haven | 9.0% | 1,200 | 0.6% |
| Miami | 8.0% | 1,600 | 0.2% |
| Naples | 7.8% | 2,800 | 2.4% |
| Ocala | 9.2% | 1,600 | 0.7% |
| Orlando-Kissimmee | 7.8% | 21,400 | 2.1% |
| Palm Bay-Melbourne | 8.5% | 2,200 | 1.2% |
| Palm Coast | 11.4% | 200 | 1.0% |
| Panama City | 8.2% | 400 | 0.6% |
| Pensacola | 7.8% | 0 | 0.0% |
| Port St. Lucie | 9.8% | -1,800 | -1.2% |
| Punta Gorda | 8.4% | -900 | -2.1% |
| Tallahassee | 6.7% | 300 | 0.2% |
| Tampa-St. Petersburg | 8.1% | 22,900 | 2.0% |
| Vero Beach | 9.6% | 1,500 | 3.3% |
| West Palm-Boca Raton | 8.3% | 5,700 | 1.1% |

Tampa Bay and Orlando continued to lead the State's metro areas in job growth. Strong gains in tourism, hospitality, healthcare, and business and professional services drove their gains. Improving housing markets helped too, especially in Orlando where construction employment is now registering job growth for the first time in more than four years. The improving housing markets coupled with strength in tourism and lodging also produced job growth in Naples, Sarasota-Bradenton, Vero Beach, and Palm Coast.

Reported job growth in Miami-Dade has slowed precipitously due to a suspicious contraction in leisure, tourism, healthcare and education following very strong gains in 2011. I suspect that this is a reporting quirk, since the data are inconsistent with other data statewide.