

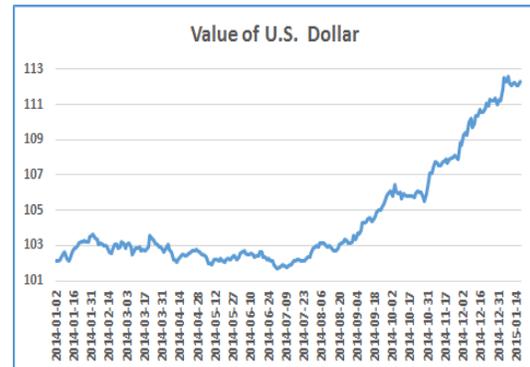
ECONOCAST™ UPDATE – January 26, 2015

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U.S. Economy – ECB, Rates, the Dollar and GDP

Finally, the European Central Bank (“ECB”) launched its QE promising to acquire \$1 trillion Euros worth of Eurozone sovereign debt. But, by waiting so long ECB’s QE will not have the same impact as the Fed’s. The Fed’s QE drove down U.S. interest rates, but rates in the Eurozone are already zero. But, QE here or in Euroland does push asset prices higher – stocks and real estate. This has happened in the U.S., and it will happen in the Eurozone too. But it takes time for asset prices to rise and time for the increased wealth that is created to generate stronger spending.

Today, the 10-Year U.S. Treasury trades at 1.7% and similar rates in Euroland range from 1.4% for Italy to 0.2% in Germany. The ECB’s QE will keep those rates down. As a result, more investors will search for yield in Eurostocks, real estate and in the U.S. bond market. The dollar increased 10% last year, and it will likely gain another 10%-15% this year. This will keep U.S. inflation low, investment flows high and constrain the growth in U.S. exports.



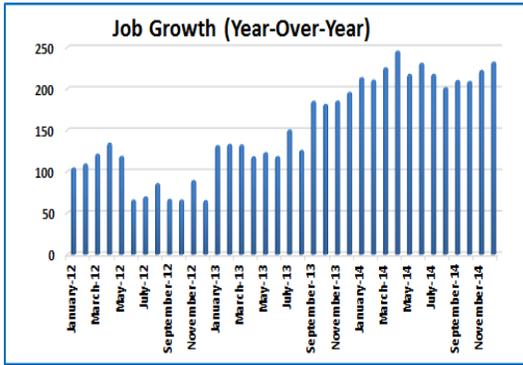
Since exports account for just 12% of GDP, the impact will be modest. The beneficial impact of lower oil prices far outweighs any negatives from the stronger dollar. In the longer run a stronger Eurozone is good for us.

The other major news was a small but encouraging rebound in existing home sales rising 2.4% in December. I expect new home sales to tick up too when the data are reported this week.

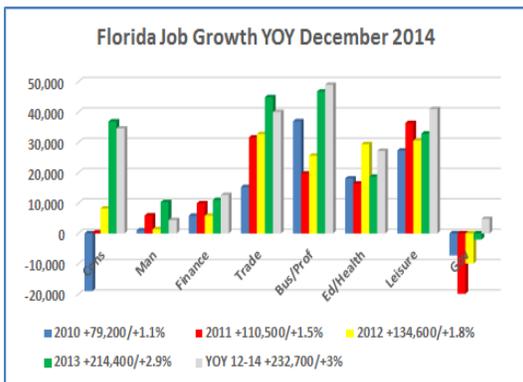


Florida Economy: Stronger Labor Market

Florida's labor market continued gaining momentum in December. Over the year 232,000 jobs were created for a 3% gain. This was nearly double the U.S. pace.



All ten of the major job sectors registered gains. The nearly 50,000 new jobs in business and professional services was particularly noteworthy, because these jobs are highly paid and they reflect the rebound in construction activity. Construction employment was up strongly as were jobs in retailing and tourism. Accelerating population growth is driving employment gains in food stores, restaurants, and healthcare. Rising tourism is supporting gains at attractions, lodging places and eating and drinking establishments. These trends should strengthen further as 2015 progresses.



Florida's unemployment rate dropped to 5.6% in December. Although this is equal to the U.S. average, the news for Florida is really a lot better. Florida's labor force is growing strongly again as job growth pulls people back into the market. But, employment grew far faster. Over the year employment grew 3.1%, the labor force by 2.4% and the number of unemployed dropped 8.1%.

Orlando continues to lead all MSA with job growth of 46,900 up by 4.3%. Job gains were also strong in Miami, Ft. Lauderdale, Sarasota/Bradenton, and Jacksonville. Only one MSA lost jobs over the year, Ocala. However, job gains remained far below the statewide average in Ft. Myers, West Palm and Tampa Bay which was somewhat surprising given the surge in retiree migration, home construction and tourism.

Data as of December 2014	Unemployment Rate	Jobs last 12 Months	% Change Jobs
Cape Coral-Ft Myers	6.1%	3,300	1.5%
Ft Walton	6.2%	1,700	2.1%
Deltona-Daytona	6.3%	2,300	1.4%
Florida	6.0%	232,700	3.0%
Ft. Lauderdale	5.2%	28,500	3.8%
Gainesville	4.5%	1,700	1.3%
Jacksonville	4.9%	22,800	3.7%
Lakeland	5.8%	3,500	1.8%
Miami	7.3%	29,700	2.8%
Naples	7.0%	4,800	3.8%
No. Port-Brad-Sarasota	5.8%	11,600	4.5%
Ocala	7.1%	-100	-0.1%
Orlando	5.8%	46,900	4.3%
Palm Bay-Melbourne	6.8%	2,800	1.4%
Palm Coast	9.2%	600	2.9%
Panama City	6.3%	400	0.5%
Pensacola	5.9%	3,500	2.2%
Pt St Lucie	7.6%	2,300	1.8%
Punta Gorda	6.3%	1,700	3.9%
Vero Beach	5.4%	100	0.2%
Tallahassee	6.2%	2,900	1.7%
Tampa-St. Pete	7.6%	14,300	1.2%
West Palm-Boca Raton	6.4%	13,700	2.5%

Job growth was also slow across the panhandle from Pensacola to Panama City with underperformance in tourism and construction. Gainesville and Tallahassee also lag.