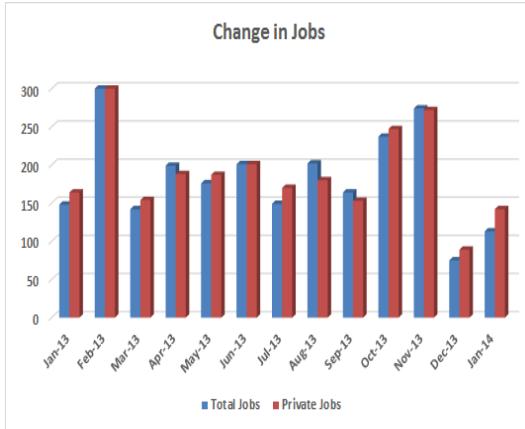


ECONOCAST™ UPDATE – February 10, 2014

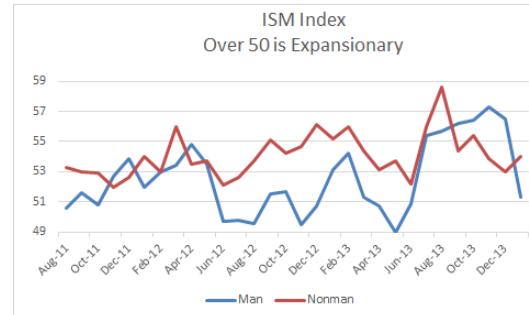
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U.S. Economy – The Artic Freeze

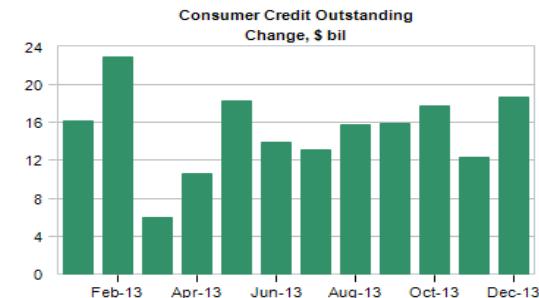
Unusually cold and stormy weather depressed economic activity and job growth in December and again in January. Payrolls increased just 113,000 in January caused by weakness in services and government. Somewhat surprisingly manufacturing and construction jobs increased. I do not believe that the fundamentals supporting job growth have changed, and once the snows melt job growth should rebound to an average of 250,000 per month in 2014. The household survey data corroborate this view. The unemployment rate declined in January even as the labor force participation rate improved in January. So, the improvement came from rising employment.



The ISM indices continue to point to stronger growth in 2014. Although the manufacturing index slipped to 51.3 in January, it remains above 50% and with weakness caused by the weather. The nonmanufacturing index rose 1% based on gains in orders and pricing. Overall, the ISM data are consistent 3% GDP growth in the first quarter.

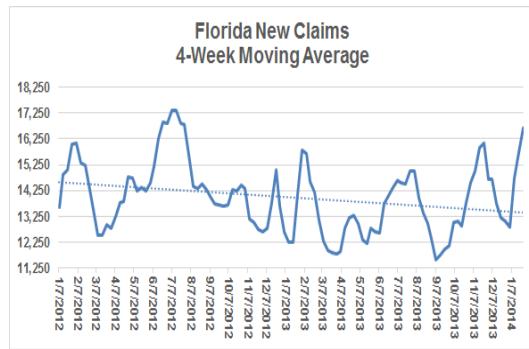


Demand for consumer credit surged in December posting the largest increase since February 2013 as consumers are growing more confident.



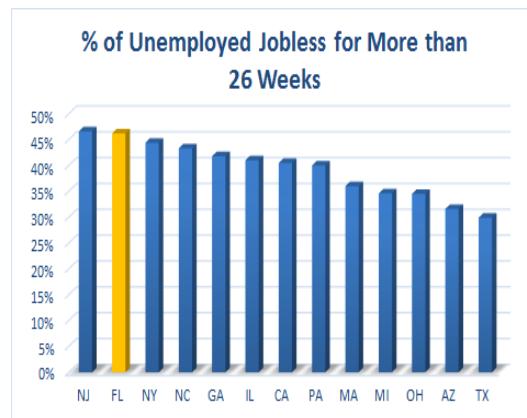
Florida Economy: Florida's Labor Market Slows

New claims rose sharply in January. While this happens every January, the gains in 2014 were particularly strong suggesting some slowing in job growth. Since Florida did not have particularly bad weather in December or January (despite cold and ice in the panhandle), the rise in new claims points to something more fundamental. The culprit is likely the slowing acceleration in new home construction. While construction levels are high, and they continue rising, the rate of gain has slowed significantly as sales gains have slowed.



Florida's labor market also suffers from a very high percentage of workers who have been unemployed for more than six months. Florida ranks 2nd in the U.S. with 46.2% of all unemployed Floridians jobless for six months or more. Once a worker has been unemployed for over six months it becomes increasingly difficult for that worker to find a job. This structural unemployment is particularly difficult to mitigate, even with retraining and other focused programs (which Florida is deficient in). This problem will get worse in Florida and across the nation since the Emergency Unemployment program has expired. Without benefits the long term unemployed

will have even less incentive to look for work since benefits required the recipient to be in the labor force.



The highest the national long-term unemployment share ever reached prior to the Great Recession was 26 percent in June of 1983. Currently, there are 41 states (plus the District of Columbia) with long-term unemployment shares above 26 percent. So, Florida is certainly not alone.

However, Florida faces particular challenges with its long term unemployed. First, Florida's long term unemployed tend to be older than the national average. Second, Florida's economy tends to generate large volumes of lower paying service sector jobs that tend to hire younger workers exacerbating the challenges for older and unemployed workers. Third, Florida is relatively stingy with its unemployment compensation. As a result, more jobless workers tend to leave the labor force. Finally, Florida has not focused resources and programs on worker training and promoting rehiring of the long term unemployed. The end result will be a burden on the unemployed who wish to work and on Florida's social services that will be required to support these unemployed workers.