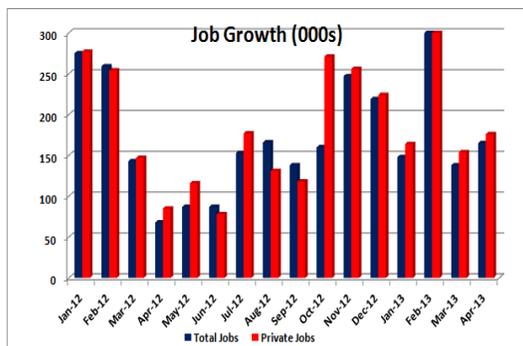


ECONOCAST™ UPDATE – May 6, 2013

U.S. Economy – Stronger Starts

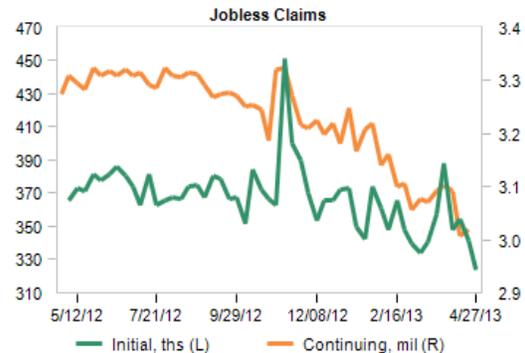
The economic picture has brightened significantly over the last few weeks. GDP grew faster than originally estimated and more importantly, employment is growing much faster.

April's job gains came in far higher than expected. Job increased to 165,000, and just as importantly the gains for February and March were revised up significantly to 332,000 and 138,000, respectively, up by more than 100,000 in total. The private sector added 176,000 jobs in April. Also, earnings increased 0.2%. The unemployment rate edged down to 7.5%, and reflecting a stronger job market the participation rate held steady at 63.3%.

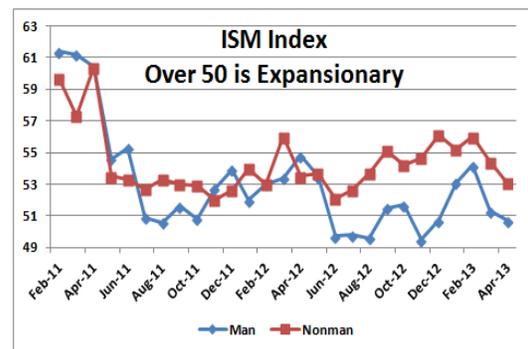


Reinforcing this good news is the continuing drop in new claims for unemployment compensation. This

is the lowest level since the recession began in late 2007 and is on par with the level of claims prior to the recession. The claims data point to further acceleration in job growth in the near term.



Damping some of this is the continuing weakening in the ISM indices in April. Both the manufacturing and non manufacturing indices dipped again. However, each still remains above 50 indicating expansion, but at a slower pace.



Florida Economy: The 2013 Legislative Session Ends

The 2013 Legislative session ended Friday with the passage of a record \$74.5 billion budget. Total spending increases 6.4% or by \$4.5 billion. However, this is not the amount that affects the economy because the Legislature decided to save more than half the increase by devoting \$2.8 billion more to the State's contingency or rainy day fund and \$500 million to beef up the hurricane catastrophe fund. Thus, actual spending will only increase by \$1.2 billion.

Most of the increase in spending is devoted to education restoring \$1.1 billion. However, even after this increase spending per student in 2013-14 remains below the level achieved in 2007-08. The Legislature also restored \$300 million cut last year from higher education.

Other notable actions affecting the economy included approval of a cut to sales tax on manufacturing equipment, which was one of the Governor's priorities. While small in magnitude the cut is politically significant.

More importantly, the Legislature improved Florida's notoriously slow judicial foreclosure process. The law now requires homeowners to show cause, ie. to demonstrate that there is an issue of genuine material fact as to why they should not be foreclosed. The new law allows homeowners associations to push foreclosures through the system and limits the time banks have to recover mortgage balances on foreclosed

properties. These actions should accelerate the process in a meaningful way.

Just as important for Florida's economy as what the Legislature did is what it failed to do. The Legislature resisted strong lobbying behind providing new sales tax rebates to support sports and entertainment facilities including a proposed \$350 million refurbishment of the Dolphins Sunlife Stadium. The promoters failed to demonstrate sufficient positive economic impact.

The Legislature also failed to reform Citizen's Property Insurance. They also did not increase rates to bring them more in line with actual risk.

But their biggest failure was on healthcare. Due to the House's unrelenting ideological resistance to accepting federal funds, the Legislature refused to accept \$51 billion in federal matching funds over ten year to expand Medicaid. This will have a substantial negative impact on Florida's economy. Floridians will be paying their share of the cost for the federal Affordable Care Act ("ACA") without receiving the benefits. Worse yet, it will directly cost \$150-\$250 million in cost next year by their failure to expand coverage to 1.1 million lacking insurance. Many of these uninsured work in Florida's restaurants, hotels, and tourist attractions. Their employers face the predicament of: (a) providing health insurance for their employees or (b) face federal fines for failing to do so.