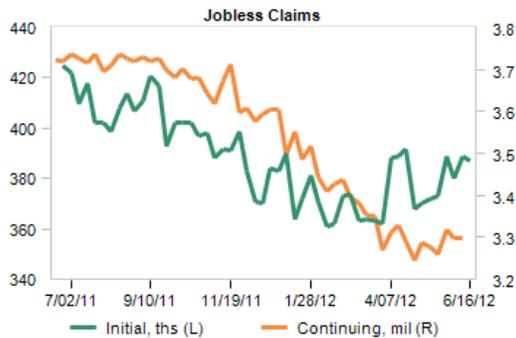




ECONOCAST UPDATE – June 25, 2012

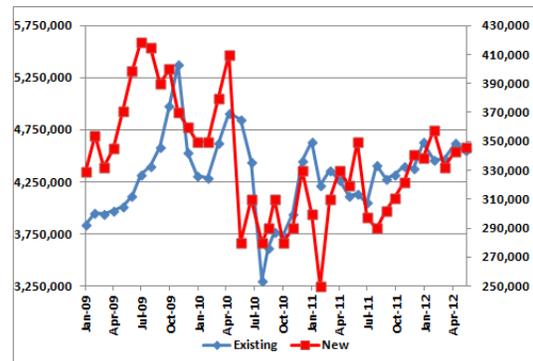
U.S. Economy – Growing Just Barely

The U.S. economy chugged along last week at about a 1% pace. Although jobless claims edged lower, they remain above their expected level. While the dip is more welcome than an increase, the small decline does not support optimism about the near-term outlook for the labor market. The lack of greater improvement is discouraging in the environment of a weak labor market.



Existing-home sales dipped to 4.55 million annualized units in May down 1.5% from April. The housing market is slowly reviving, but it's two steps forward and one back. Sales are up 9.6% from last May. While the months of inventories ticked up in May, it remains a reasonable 6.6 month. Other indicators were more positive including a lower share of

distress share sales, a rising median existing-house price (up 7.9% y/y). The new-home sales data support the view of a slowly healing housing market. Sales have trended upward since mid-2011 and are now 14% higher, indicating a revival in the fundamental demand for housing. Unlike sales of existing homes, which are being driven in part by strong investor demand, it is households who intend to live in homes that are driving new-home sales. Other signs point to improvement in the new-home market, including a very low months of inventory and slow stabilization in the inventory of homes available for sale. Even so progress is extraordinarily low (chart below).

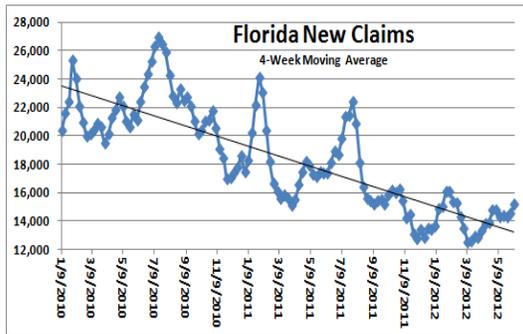


The Federal Reserve lowered its forecast for 2012 to 2% and extended "Operation Twist." The

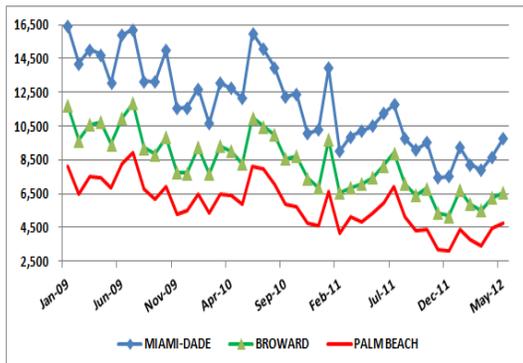
Fed reiterated its promise for additional stimulus should economic conditions continue to deteriorate.

Florida Economy: Moderating Slow Growth

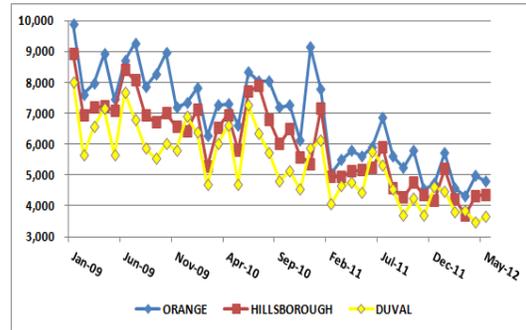
Over the last six months Florida's economic growth has also slowed, mirroring the U.S. pattern. As is the case for the nation, Florida's labor markets are only improving very slowly. Like the nation, new jobless claims have moved higher over the last 60-days in particular staying above the long term downward trend line.



Somewhat surprisingly, much of the increase in new claims came in South Florida generally, and in Miami-Dade County in particular. Since Miami-Dade has been Florida's strongest employment market, this increase in claims suggests some slowing in job growth lies ahead in South Florida.



By contrast, new claims in Central Florida's largest urban counties, Orange and Hillsborough, were flat to down over the last few months. This trend presages some mild acceleration in job growth. Hopefully, this will be enough to offset the weaker trend in South Florida.



Florida's housing markets, like those in the nation are improving at a glacial pace. Housing starts are up 20%-to-80% across Florida's major metro markets. While this looks wonderful, the unfortunate reality is that the absolute number of these higher starts is still very low by historical standards. At the current rate of improvement, housing starts in Florida will not reach what could be considered the new normal until 2014.

