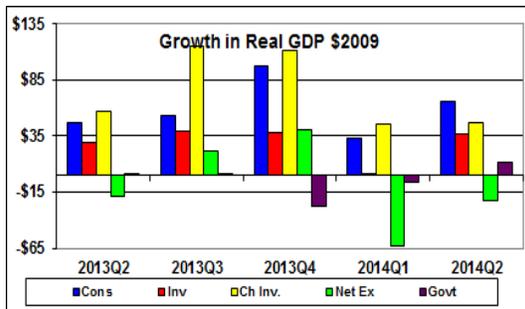


ECONOCAST™ UPDATE – August 4, 2014

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U.S. Economy – As Good as it Gets

This week's economic news was about as good as it gets. Real GDP grew at a 4% pace, inflation remains low, the FOMC confirmed that it will keep rates low, and job growth exceeded 200,000 for the sixth month in a row. Not only did growth in real GDP rebound, but the all the components were up strongly except for net exports. The gains in consumption and investment were robust, running well ahead of the increase in inventories setting the stage for stronger gains going forward.



Inflation measured by the deflator for consumption remained low rising at just a 2% pace over the year. Importantly, gasoline prices fell dropping below last year's levels.

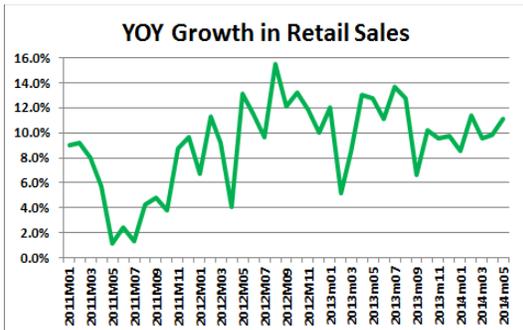
Job growth was strong again in July and the gains for the prior months

were revised upward by 15,000. Job gains were broadly based across most sectors. The quality of new jobs has improved in recent months as well, with the lowest-paying industries such as leisure/hospitality, retail and temporary help accounting for one-quarter of net new jobs, down from about a half in the first quarter and last half of 2013. The unemployment rate ticked up to 6.2%, but this came because of a surge in the labor force participation rate reflecting improved prospects for finding work. The extent of labor market slack is of particular interest now, because it will determine how soon wage pressures will develop. Wage growth remain restrained rising only 2% over the year suggesting no cost push inflationary pressures building yet. However, total compensation has accelerated this quarter as benefit costs rose even faster than wage gains.



Florida Economy: Retail Sales Growth Accelerates

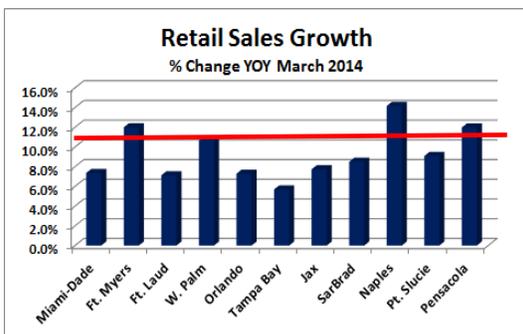
Reflecting a strengthening Florida economy, retail sales gains moved higher in May rising by 11.1% compared to last year. Sales are strong and are once again accelerating.



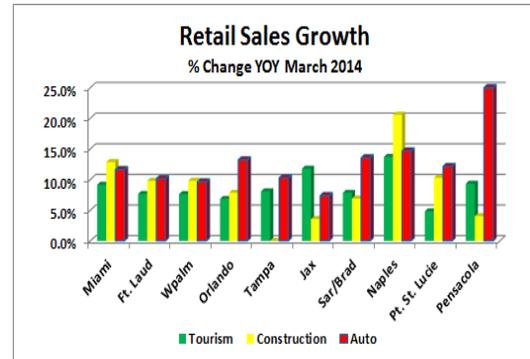
All major sectors enjoyed big gains over the year led by auto sales, nondurables consumption and business investment.



Every major metro area had strong sales gains. Naples and Ft. Myers in Southwest Florida were particularly strong along with Pensacola.



The big jump in Pensacola's sales come from a 23% jump in auto sales compared to last year. And car sales were very strong across. Floridians are feeling much better about their economic prospects and they are spending on durables and cars.



Construction spending was the key to the gains in Southwest Florida. But, construction spending was buoyant in South Florida and in Orlando based on gains in residential construction activity.

While tourism spending remained high in May, the year-over-year gains were less impressive. This is not because of any pullback in tourist spending. Tourist visitations continue to rise robustly. However, much of the really big year-over-year gains occurred as Florida pulled out of the recession. Tourism spending has remained high, but the gains come on top of an already high base in the last few years. This makes the year-over-year comparisons look small.

Given the brighter outlook for the U.S. economy, Florida's economy should shift into a higher growth trajectory over the upcoming 12-to-18 months. Lower gasoline prices are an immediate stimulus to tourism spending and lower interest rates assure accelerating population growth.