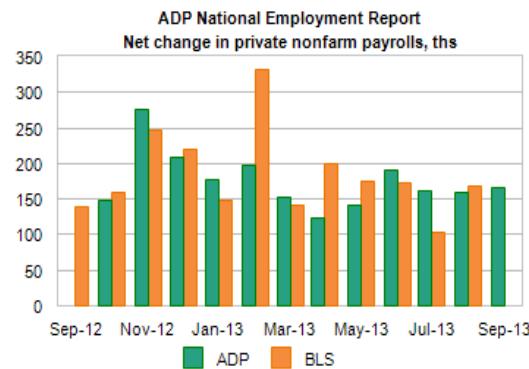


## ECONOCAST™ UPDATE – October 7, 2013

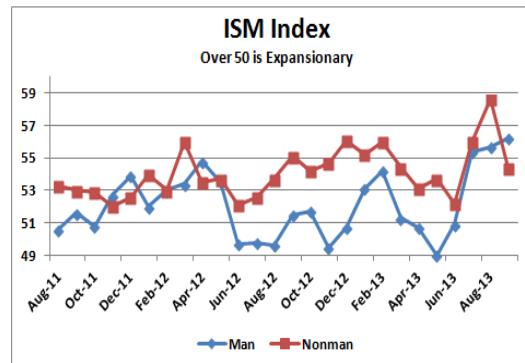
### U.S. Economy – Shut Down Week Two

There was good news and bad news on the federal government shutdown. Good news – over 350,000 civilian defense workers were recalled easing the impact of the shutdown leaving 450,000 still furloughed. Bad news - Tea Party republicans in the House remain committed to defunding the Affordable Care Act resulting in a continuing deadlock. While significant risk remains, the most likely outcome is a vote next week to raise the debt ceiling and re-open the government.

The shutdown limited data releases this week, most importantly the August employment report. However, the ADP National Employment Report for September (a good substitute for BLS) counted 160,000 new jobs. While this is the same as August, the gains for July and August were revised lower 54,000, indicating that job growth has slowed some. Service sector growth weakened, mostly because of slower gains in professional/business services, while goods-producing employment improved due to the jump in construction jobs.



The supply managers' indices for August remained strong. Manufacturing jumped from 55.7 to 56.2 to its highest level since. Most importantly, new orders were above 60 for the second consecutive month. The non manufacturing index declined in September, but remains at a healthy 54.4.

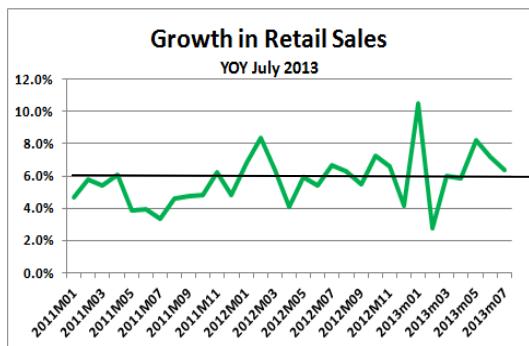


So, despite the deadlock over fiscal policy the real economy continues to chug along at 2%+ growth pace.

## Florida Economy: Retail Sales Accelerate

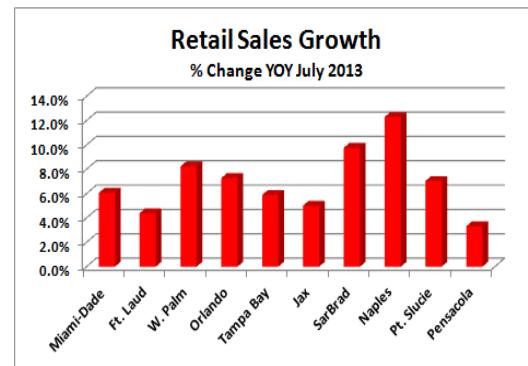
The recall of civilian federal defense workers was very good news for Florida since over half of the 52,000 federal workers furloughed last week were recalled.

Retail sales accelerated in July building upon the momentum in evidence over the last six months. Sales grew 6.4% for the 12-months ending July 2013 which is well above the average gain of 5.8% since January 2011. The sales gains were driven up by double digit growth in auto sales and construction. But there was noticeable weakness in tourism sales which only increased 2.2% over the last year.

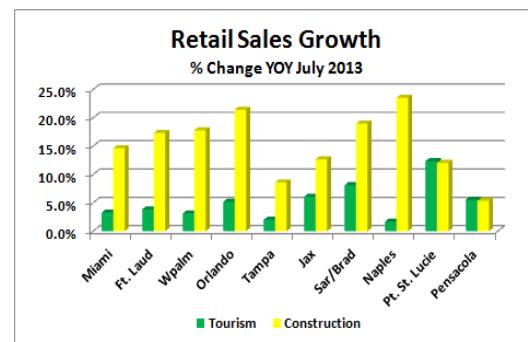


Sales gains were particularly strong in Naples, Miami, West Palm Beach, Orlando, Port St. Lucie, and Sarasota/Bradenton all of which registered above average increases in retail sales. Weak sales gains in Ft. Lauderdale were surprising given the State's estimate for very strong job growth in Ft. Lauderdale over the year. As I pointed out two weeks ago, the employment data for Miami and Ft. Lauderdale look suspicious. The retail sales data confirm these suspicions suggesting that growth in Miami is stronger and Ft. Lauderdale

somewhat weaker than the job data indicate.



The recovery in Florida's construction sector is highlighted below. Every major metro area had above average gains in construction spending, except for Pensacola. In many metro areas the construction sales increases were robust. Gains in Orlando and Naples were over 20% for the last year reflecting the strong recovery in residential construction in these markets.



Gains in tourism spending were surprisingly modest for the year ending July 2013. Some of this is because of the very strong rebound in tourism in 2011 and 2012 making the year-over-year comparisons more difficult. However, some of the recent softness may also reflect the drop in consumer confidence because of weak gains in disposable income and the ongoing Washington drama over fiscal policy.