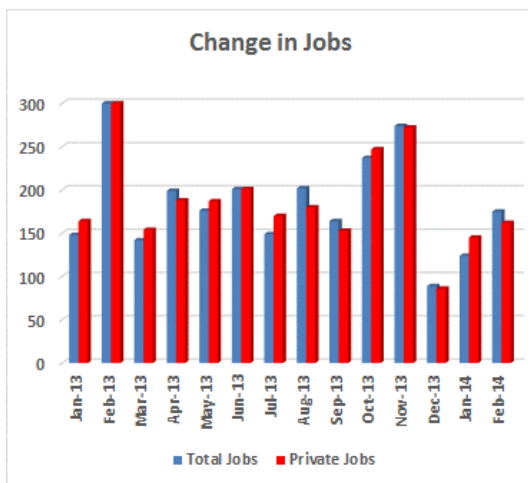


ECONOCAST™ UPDATE – March 10, 2014

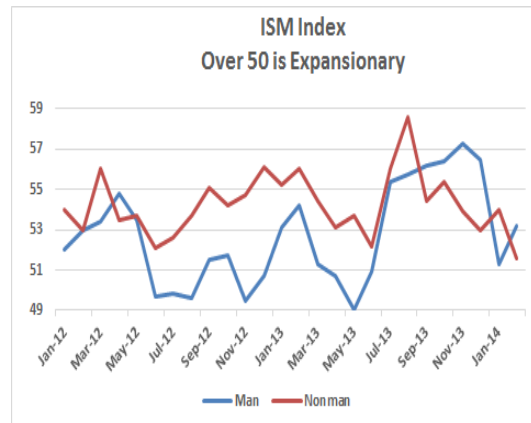
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U.S. Economy – Stronger Job Growth Confirms Momentum

Job growth was surprisingly strong in February with payroll employment up 175,000 despite the severe winter weather. This pace of job growth is consistent with the fundamental strength of the economy. Strong gains in services and a rebound in state and local jobs pushed the total up. The Affordable Care Act is having a mixed impact on employment with insurance up and hospital payrolls down. The unemployment rate rose, because more people entered the labor force which is an encouraging sign. As the weather warms up, I expect job growth to accelerate based on strengthening fundamentals.



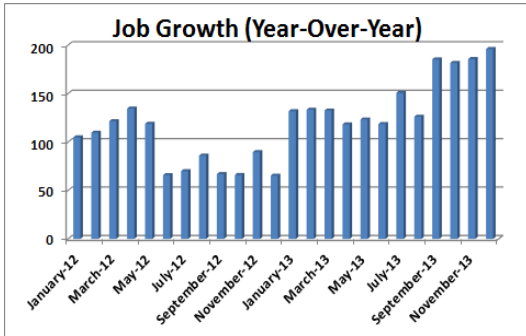
Manufacturing activity rebounded a bit in February, and the ISM manufacturing index rose from 51.3 to 53.2. The gain came from a rise in new orders even as the weather continued to restrain production. The ISM nonmanufacturing survey retreated 2.4 points in February, 51.6. Weakness was concentrated in the employment component which again is likely weather related. Thus, abstracting from the weather's impact these ISM index readings point to accelerating growth in the near term.



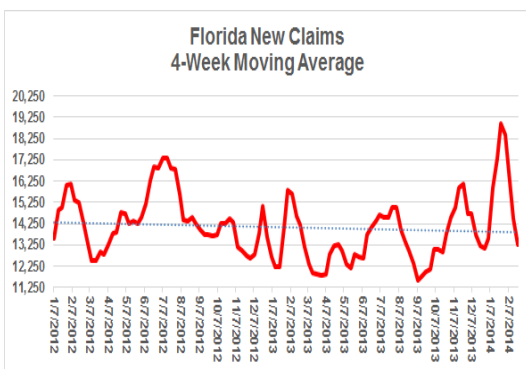
Given the encouraging employment report in February, the Fed is likely to continue reducing its bond purchases by \$10 billion per month. This in combination with a slowly accelerating economy will push rates up at a modest pace in the Spring.

Florida Economy: Job Prospects

Since September 2013 Florida's job growth accelerated to an average of 187,000 on a year-over-year basis compared to 126,000 average earlier in the year. Growth reached a peak for this recovery in the 12-months ending December 2013 at 196,000. So, it appeared that job growth was poised to rise faster in 2014.

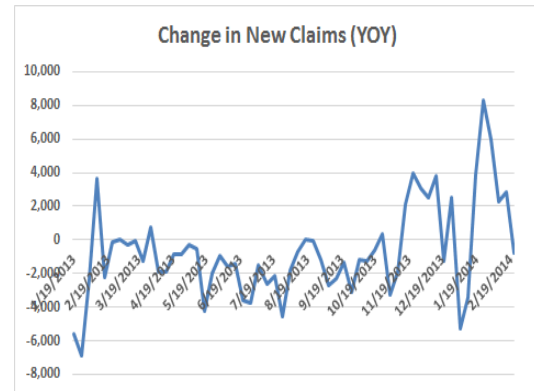


However, the data for new claims for unemployment compensation suggest that the momentum may have peaked. The four-week moving average of new claims spiked up sharply in January 2014 and remained relatively elevated so far this year. For Florida the weather was not a factor pushing up new claims.



And, this increase in new claims so far in 2014 is not just a statistical or seasonal quirk in the data. Comparing new claims on a year-over-year basis eliminates any

seasonality concerns over the fact that new claims always rise in January of each year. As the year-over-year comparisons shown below demonstrate, this year's rise in new claims is signaling that the rising momentum of job growth has peaked, at least for now.



Some peaking out of job growth is to be expected at this stage in the business cycle. While job growth remains high, and is likely to continue at a high rate for many months, it is not likely to continue to accelerate from this point – at least in the near term if the new claims data are accurately foreshadowing the fundamental strength in Florida's economy.

Other national data point to accelerating economic growth and rising employment in the spring and summer. Should this unfold, which I think is very likely, then Florida's economy and its job market should also improve.

Putting this all together suggests that job growth will plateau at its current strong pace in the first quarter of 2014 and then re-accelerate again in the second quarter. Then population growth will get a boost this winter in reaction to the terrible winter of 2013-14 which will accelerate migration to Florida.