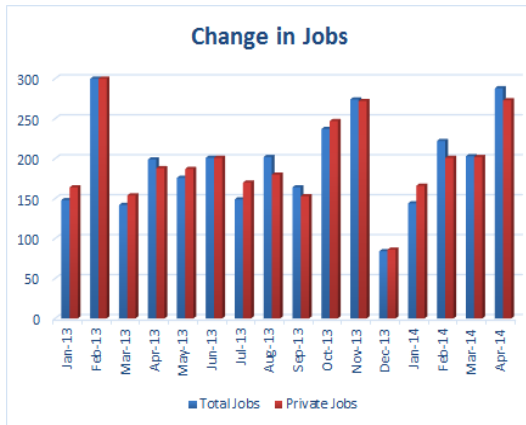


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U.S. Economy – Strong Job Gain

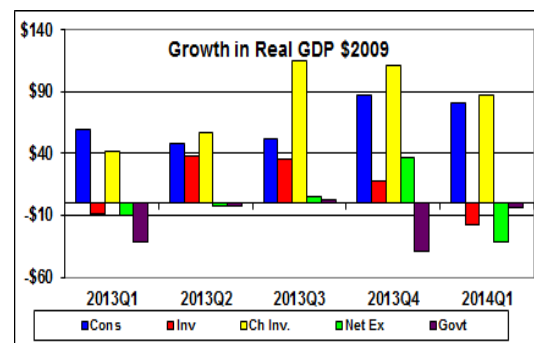
Job growth surged in April with payrolls up 288,000 and private jobs gaining 273,000. There were upward revisions for February and March as well. Gains were broad based with federal government being the exception. More jobs were generated in both high- and low-paying industries. The gains were the strongest since January 2012.



Although the unemployment rate plummeted 0.4 percentage point to 6.3%, the drop was caused by a large drop in the labor force and labor force participation by younger workers who are still struggling to find jobs. This is both puzzling, since job growth accelerated, and disconcertingly confusing.

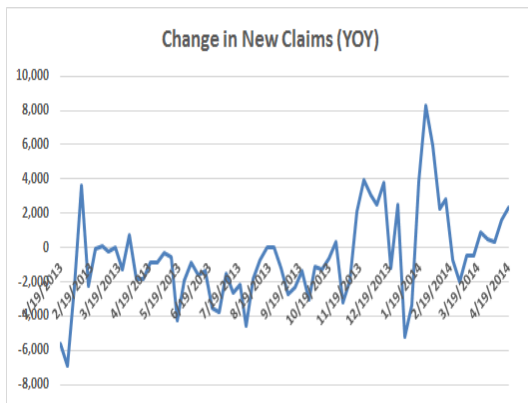
Other measures of labor market health were unimpressive. The workweek was unchanged and earnings were flat. So, it is possible that the strong growth in jobs reflects catch-up hiring following the disruptive winter, and the flat workweek means that employers are now opting to hire more workers in lieu of extending hours.

Looking backward over the first quarter, real GDP stalled, growing by just 0.1% SAAR - the weakest since the last quarter of 2012 and well below the fourth quarter's 2.6% gain. However, most of this slowdown was concentrated in the first two months of 2014. A sharp drop in investment spending coupled with the drag from lower inventory investing caused the slowdown. Consumer spending growth slowed only modestly, while the government drag was smaller.



Florida Economy: Mixed Bag

There were only limited new data for Florida's economy this week and they are a decidedly mixed bag. New claims for unemployment compensation continued to rise compared to last year. The trend suggests that the buoyant pace of job growth in Florida will slow some over the next few months. Not too much to worry over yet, but this could point to some topping out of job growth at a relatively high level.



The 2014 legislative session came to an end with modest results and limited economic impacts. But, of course, the main priority was preservation of political power. When the 2014 legislative session began, Senate and House leaders focused on a five-point "work plan." (1) Cut taxes. (2) Support the troops. (3) Make government more efficient. (4) Improve schools. (5) Protect the vulnerable. But the most important priority was to protect Gov. Rick Scott, who faces a tough reelection fight.

The Governor had a successful session based on his modest and focused political goals. The Governor's transparent agenda was designed to attract maximum popular

appeal. This includes: (1) a \$400 million rollback of auto tag fees, (2) more money for education and (3) a freeze on college tuition. He got all three, and a lot more. Most importantly was the passage of in-state tuition for undocumented immigrants at Florida colleges and universities. Scott, who opposed the idea in the past, never even pushed for it.

Abstracting from the typically overt political nature of a legislative session, education and healthcare received major funding increases. Per-student funding level rose to \$6,937 for an increase of \$176 from last year. But it still falls short of the \$7,126 per student in 2007-08, and a portion of the increase was funded from a state mandated increase in school board property taxes in the form of "required local effort". So much for no new taxes. Significant spending for Medicaid and transportation also passed, along with money for Everglades restoration focused on controlling outfalls to the estuaries in politically powerful east and west coast constituencies.

But, the economic hallmarks of the session were really the major issues that the legislature failed to pass. For the second year in a row the legislature failed to address Florida's antiquated gambling regulations, failed to deal with destination casinos in south Florida, and could not even deal with the soon to expire compact with the Seminoles over gambling.

But the biggest failure was to reject once again an expansion of Medicare funded by the federal government, because of political opposition to Obama Care.