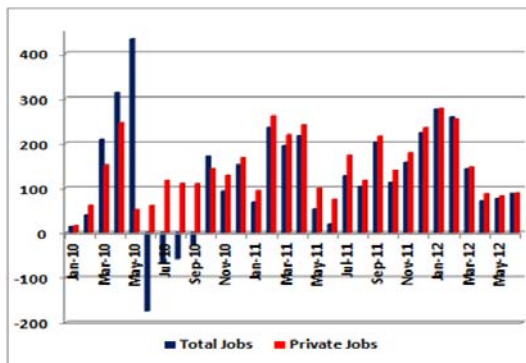




## ECONOCAST UPDATE – July 16, 2012

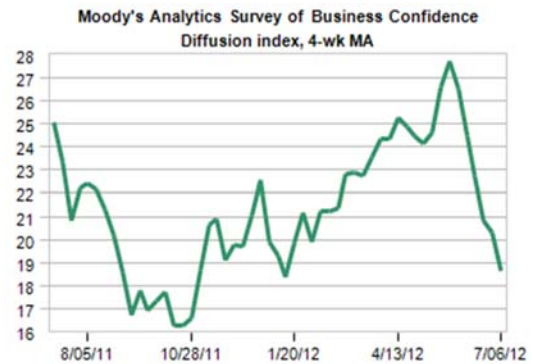
### U.S. Economy – Slow Growth Ahead

The U.S. economy is struggling to emerge from its midyear slump. Despite a fall in the average price of gasoline, consumer spending is not offsetting weakness in business investment and exports. Faced with stagnant aggregate demand, businesses have less need to hire. So, job growth has slowed to just 79,000 per month over last three months compared to 225,000 per month in the first three months of 2012.

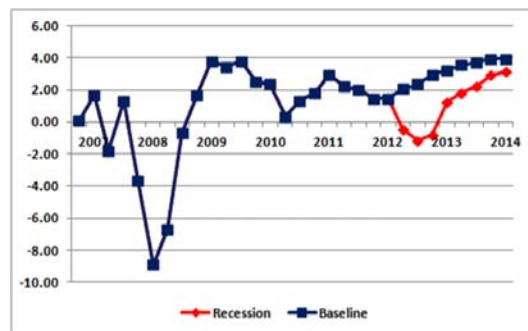


Furthermore, business confidence is collapsing. The risks posed by: (1) recession and financial turmoil in Europe; (2) the global economic slowdown; and (3) the looming fiscal “cliff” which will trigger a major tax increase, draconian budget cuts, and

the expiration of extended unemployment claims have combined to depress confidence and make businesses reticent to hire.

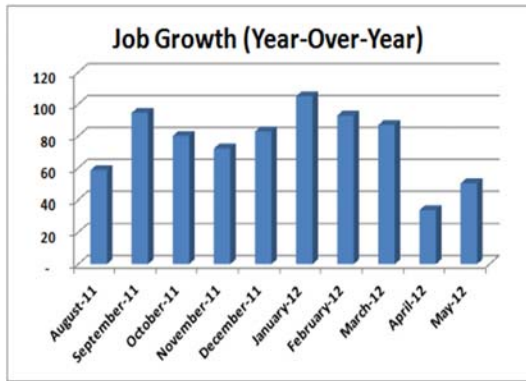


Fortunately, there is sufficient momentum to keep the economy growing at about a 1.5% pace. Housing is improving and low prices are boosting real incomes. I expect modest growth over the next 24 months, but unless Congress acts to move off the fiscal “cliff”, then a recession would unfold in early 2013.

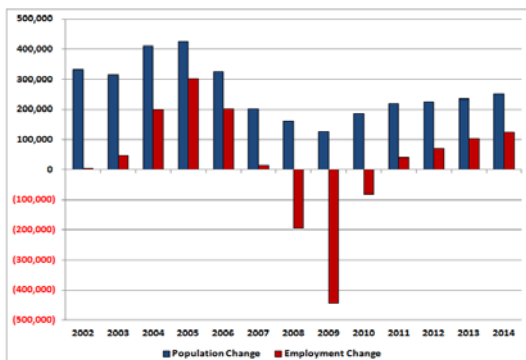


## Florida Economy: Modest Growth

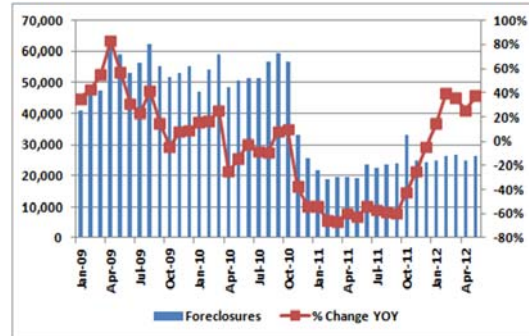
In this environment Florida's economy will grow only very slowly. Already, the pace of job growth in Florida has slowed by 50% over the last two months.



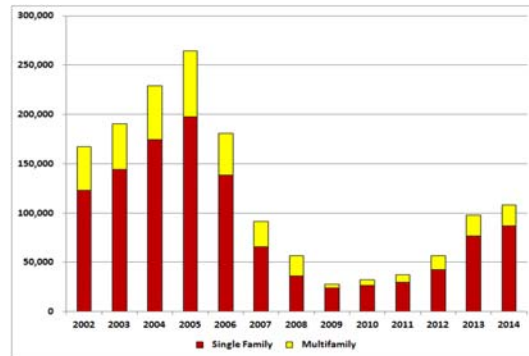
But, slower growth is not no growth. In fact, there is a modest acceleration in population growth underway fueled by improving housing market conditions in the Northeast and Midwest. As it becomes easier to sell their homes, more people, especially retirees, are moving to Florida. This process will accelerate over the next 12-months. Stronger population growth and rising tourism are supporting Florida's recovery. However, the ultimate trajectory is modest by Florida standards since the U.S. economy is growing slowly and although improved housing markets have a long way to full recovery.



Foreclosures are on the rise again in Florida, up 30%-to-40% compared to this time last year. The rising tide of foreclosures will add to the inventory of existing homes for sale limiting price appreciation. However, the level of new foreclosures remains well below 2009 and 2012, so the impact is unlikely to hold down housing starts as it did previously.



Starts up are up over 35% compared to last year, but even so, the volume of starts remains very depressed. Next year will be better as population growth accelerates and the inventory of existing homes is whittled down.



There are more than the typical risks ahead with Europe and the political battles in the U.S. over the size of government and how to deal with our fiscal imbalances. However, the odds favor a continuing modest recovery path which will make Florida the strongest growing state East of the Mississippi.