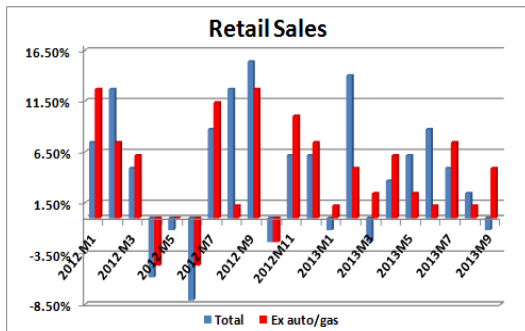


## ECONOCAST™ UPDATE – November 4, 2013

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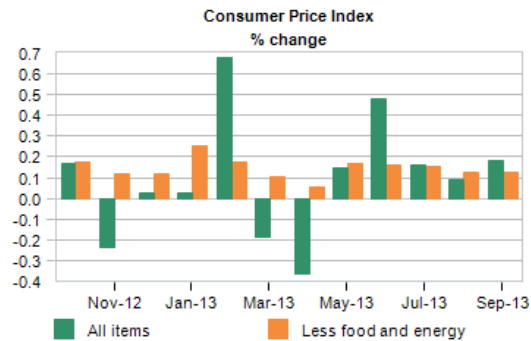
### U.S. Economy – Treading Water

Retail sales contracted at 1% annual rate in September, but this was entirely due to lower car sales. Core retail sales (ex cars and gas) rose at a 5% pace rebounding from the August pause. Nevertheless, retail sales have clearly weakened this year as year-over-year growth slowed to 3.2%, matching the weakest pace since 2010. Importantly, September retail sales were not impacted by the government shutdown, which was not anticipated until just before it happened.



Inflation remains very low. The CPI rose 0.2% in September, up from August thanks to the rebound in energy prices. In contrast, food prices were unchanged. The core CPI inched up 0.1%, the same rate as in the previous month. Low

inflation will continue for some months based on the very low levels of producer price increases.

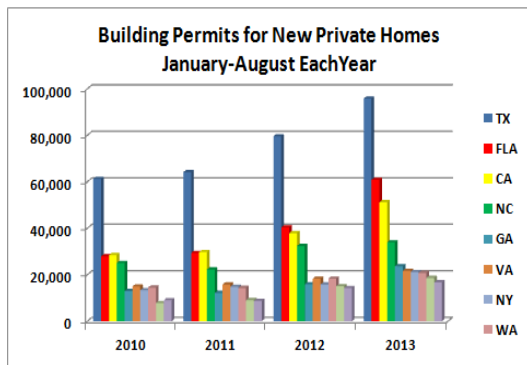


Rounding out last week's most important economic news, after its October meeting the Fed announced no changes to its bond purchasing program or to maintaining extraordinarily low interest rates. The Fed described the economy as expanding at a moderate pace, unchanged from its prior statement.

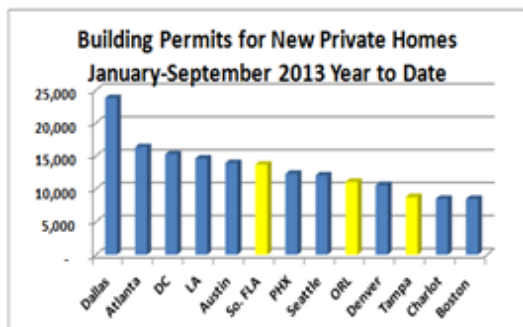
Looking beyond the next few months, as the uncertainty around fiscal policy clears, GDP growth should improve. The damage from federal cuts is past its peak. As long as events in the Middle East or Washington do not disrupt economic activity again, confidence is likely to rise and more pent-up demand be released.

## Florida Economy: Rising Building Permits Portend Stronger Growth

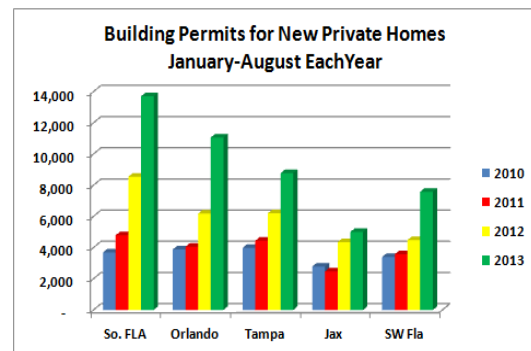
Residential building permits are a good indicator of Florida's economic growth. While building permits for new homes have increased since 2010 across the U.S., the gains in Florida are particularly robust. In terms of total permits Florida ranks second to Texas. Since 2010 permit volume in Florida has soared by 118%. At the current pace residential permit volume will leap above 90,000 in 2013 with the monthly momentum building.



Three of Florida's metro areas rank among the top 15 in the country: So. Florida (Miami-Ft. Lauderdale-W. Palm), Orlando, and Tampa. Only Texas and Florida have three metro areas among the top 15 in the nation. Unlike most other states where the housing rebound is more concentrated in a few major metro areas, the recovery in Florida and Texas is widespread.



Permit activity in the first 8-months of each year since 2010 illustrates the strength of the recovery in residential construction across Florida's major metro areas. South Florida has experienced nearly a tripling of residential building permits up from 3,700 for the first eight months of 2010 to a startling 13,700 for the January-to-August period this year. At their current pace South Florida's residential permit volume will total 20,500 for 2013.



While Florida's other major metro areas are not quite as strong, gains in excess of 100% in Orlando, Tampa and Southwest Florida (Sarasota-Bradenton, Ft. Myers and Naples) are impressive. Monthly permit volume is rising rapidly on a year-over-year basis suggesting that building activity will be very strong in 2014 and that permit volume will continue rising next year.

The sharp increases in residential construction activity are stressing the supply of construction labor which was severely depleted in the crash. Many in the industry left Florida or entered other occupations. Florida builders will face rising costs and delayed schedules as activity levels continue rising in 2014.