

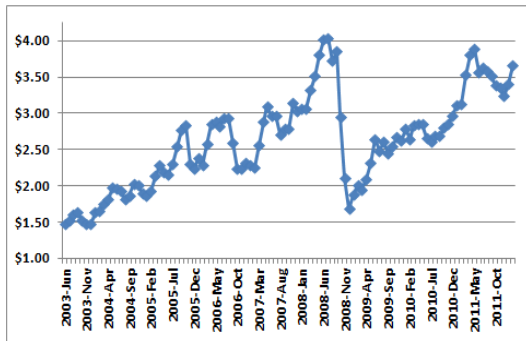


ECONOCAST UPDATE – February 28, 2012

U.S. Economy – Gas and Greeks

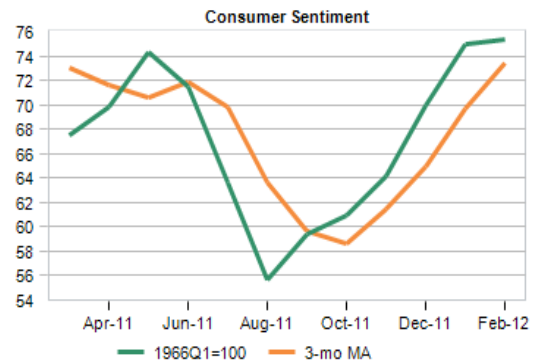
The big economic news last week was the sharp jump in gasoline prices and the approval of the 2nd round of bailout for Greece. With the agreement on the bailout in place, financial markets in Europe settled down.

Gasoline prices are up by about 50 cents per gallon since January and by almost 17% compared to last year.

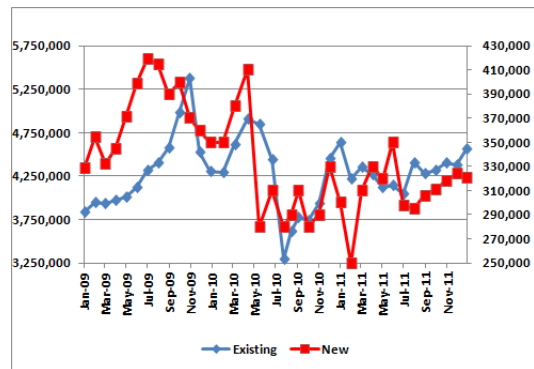


If this trend in gas prices does not soon reverse, it will threaten the recovery. However, as long as prices remain below about \$4.50 per gallon there is not likely to be any lasting impact. Prices, while high, are below their all time peak reached in 2008. In addition, the sharp fall in natural gas prices has limited the overall increase in energy prices to a

less scary 6% since last year. Interestingly, despite the surge in gas prices, consumer confidence has increased so far this year. It appears that consumers are more concerned about jobs than about gas prices.



Last week's housing market report showed continued, but very slow, improvement. Although new sales were down slightly, sales of existing homes were up substantially.



Florida Economy: Limited Impact from Gas Prices and Stronger Employment

Higher gasoline prices are unlikely to have a significant impact on Florida's tourism industry. Of course lower gas prices are preferable to higher prices. However, historically high gas prices have not had much impact on the volume of visitors. Instead, higher gas prices cause visitors to spend less on other things during their vacation. According to the latest survey of visitor spending per day, visitors spend about \$50 per day per visit on transportation, which includes airfare for air arriving visitors. A 17% increase in gasoline prices would only have about an \$8 per day impact on tourist spending based on the survey data.

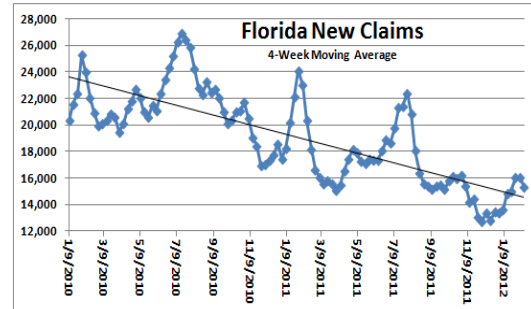
	2008	2009	2010
Average	\$135.40	\$134.70	\$150.70
Transportation	\$44.80	\$41.40	\$50.20
Food	\$28.20	\$27.20	\$29.70
Accommodations	\$23.70	\$28.10	\$29.30
Entertainment	\$17.60	\$16.90	\$19.30
Shopping	\$15.40	\$15.20	\$15.00
Miscellaneous	\$5.70	\$5.80	\$7.30

Therefore, as long as gasoline is readily available, then the price increase so far is readily absorbed without substantial impact.

Consumer confidence and continued job creation is more important to the decision to travel than is gasoline price alone. Furthermore, corporate profits remain robust supporting business travel and attendance at meetings and conventions.

The latest Florida data on new claims for unemployment compensation are encouraging. The

continued drop in new claims points to stronger growth in jobs during the 1st quarter of 2012. Although the next data release will not occur until next month, it is likely to show a year-over-year gain of more than 150,000.



The March 2012 Florida employment report will be particularly interesting, because it will reflect the effects of new benchmarking which occurs each March. The monthly report on Florida employment is based on a sample of Florida's employers. The sample and weighting are updated each March in the benchmarking process. Historically, during periods of rising employment the benchmark revisions are positive and vice versa. So, I am looking forward to some substantial upward revisions to the historical data. Finally, the improving trend in the new claims data is consistent with the expectation of upward revision to the employment series.