

Economic Perspectives for 2014

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A Changed Economic Environment: Implications for South Florida

- A prolonged period of **below potential** economic growth in US and industrial countries
- Growing business opportunities in selected emerging markets of Asia and Latin America – positive for South Florida
- Low "pricing power" for most products and services (e.g., low and stable inflation), which suggests a prolonged period of relatively low-real interest rates
- Consumers and businesses "reliquifying" balance sheets
- Emphasis on productivity, cost controls and credit quality

Economic Drivers Becoming More Positive in 2013-2014: South Florida's Economy Starting to Steadily Recover from a Deep Recession

Economic Driver	Outlook 2013-2014
US Economy	Moderate growth, with stronger pace likely this year and into 2014
Global Economy	Moderate growth, with emerging markets above industrial countries
 Financial Markets 	Stability returning, credit availability is improving, but still tight for small businesses and real estate

US Economy

Indicator	2011	2012	2013 ^E	2014 ^F
Economic Growth (Δ% Real GDP)	1.8	2.8	2.0	2.5
Inflation (∆% Core CPI/U)	1.7	2.1	1.7	2.0
Personal Income Growth (Δ%)	6.1	4.2	2.6	4.0
Unemployment Rate (%)	8.9	8.1	7.5	7.0

Sources: Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), Federal Reserve. Estimates (E) and Forecasts (F) by The Washington Economics Group (WEG).

Global Economic Activity 2013-2014: Modest Growth with Eurozone Starting to Stabilize

Region/Country	2011	2012	2013 ^E	2014 ^F	
World Output (GDP), of which	3.9	3.1	3.1	3.8	Still below 5%-6%
Japan	-0.6	2.0	2.0	1.2	3%-0%
United Kingdom	1.0	0.3	1.0	1.5	
Canada	2.5	1.7	1.7	2.2	
Euro Area, of which	1.5	-0.6	-0.6	0.9	
Germany	3.1	1.0	0.3	1.3	
France	2.0	FLAT	-0.2	0.8	Cluggish
Spain	0.4	-1.4	-1.6	FLAT	Sluggish
Italy	0.4	-2.4	-1.8	0.7	

Source: International Monetary Fund, <u>World Economic Outlook</u>, Update July, 2013 and The Washington Economics Group (WEG) for Estimates (E) and Forecasts (F).

Latin American Markets Expanding at Moderate Pace, but Below 2011 Performance: Brazil, Mexico, Colombia, DR, Chile and Peru Stronger in 2014

Region/Country	2011	2012	2013 ^E	2014 ^F
Latin America & the Caribbean, of which	4.6	3.0	3.0	3.4
Brazil	3.0	1.0	2.5	3.2
Mexico	4.0	4.0	3.0	3.4
Colombia	5.9	4.0	4.1	4.5
Dominican Republic (DR)	4.5	4.0	3.0	3.4
Chile	6.0	5.6	4.6	4.6
Peru	7.0	6.3	6.1	6.1
Argentina	9.0	2.0	3.5	3.5

Source: International Monetary Fund, <u>World Economic Outlook</u>, July 2013, Economic Commission for Latin America and the Caribbean (ECLAC) and The Washington Economics Group (WEG) for Estimates (E) and Forecasts (F).

South Florida MSA¹ Economic Indicators: Improving at a Moderate Pace, but Stronger than Less Diversified Counties of Florida

Economic Indicators	2011	2012	2013 (YOY)**
Population (\Delta %)	1.7	1.3	1.4
Total Personal Income (Δ %)	4.6	3.2	3.0
Total Taxable Sales (△ %): Miami-Dade County Broward County Palm Beach County	8.2 4.2 2.2	8.2 4.7 5.8	6.3 7.3 7.0
Total Non–Ag Employment (∆ %)	1.8	2.2	1.3
Exports (Δ %)	18.0	6.0	5.5

Sources: Florida DEO, Labor Market Statistics, US Census, Foreign Trade Statistics, EDR and UCF *Observation for 2013 :UCF Estimates .** Year-over-Year . ¹Comprised of Miami-Dade, Broward and Palm Beach Counties.

South Florida MSA* Real Estate:

Real Estate Indicators	2011	2012	2013 YOY
Single-Family Home Median Price (Δ %)	-0.5	7.6	20.5
Existing Condominiums Median Price (\Delta %)	-3.4	21.2	8.7
Building Investment Total Taxable Sales (△ %):			
Miami-Dade County	0.3	4.7	14.0
Broward County	2.2	5.1	14.3
Palm Beach County	1.7	7.0	18.1
Total Housing Starts	44.2	58.3	63.0
Building Permits (Δ %)	28.0	76.0	N/A

Sources: Florida Association of Realtors, EDR, US Census ,UCF

^{*}Comprised of Miami-Dade, Broward and Palm Beach Counties.

Conclusions

- 2012 was a transition year to a moderate acceleration in the economic recovery of South Florida in 2013-2014
- There is significant statistical dispersion around average levels of industry performance in Florida

STRONGER GROWTH

- Global Business
 (Trade, International Visitors, FDI, Wealth Management)
- Private Education
- Health Care
- Retail/Wholesale Trade

IMPROVING GROWTH

- New Construction
- Population-Driven Activities
- Manufacturing
- Real Estate