

ECONOCAST™ UPDATE – July 17, 2017

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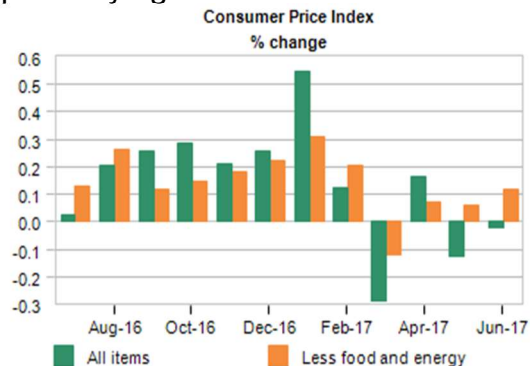
U.S. Economy – Lower Sales and Weaker Inflation

Weaker economic data last week point to a somewhat lower trajectory for real GDP for 2017Q2. Most analysts have marked down their forecasts to 3% or less. So, there is no breakout from the 2% overall pace which has characterized the last 8-years. Hopes for a Trump bump to growth have faded as healthcare reform has stalled and other policy initiatives remain merely outlines.

June retail sales were disappointing, down 0.2% after dipping 0.1% in May. Sales were held down in part by lower prices for gasoline and most other goods. Core sales, excluding auto dealers and gasoline stations, were down 0.1% after changing little in May. In June sales were 2.8% above their year-ago level, the weakest growth since August.

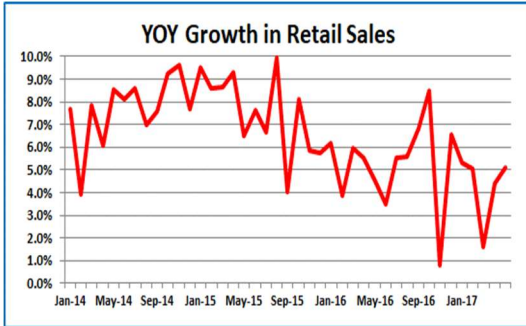
The biggest threat comes from income. If income increases do not improve as quickly as expected, falling retail sales could upset the recovery. Which brings us back to the labor markets. The Job Openings and Labor Turnover Survey show a strong dynamic labor market, though new job opening dipped to 5.7 million, from the record 6 million in April. Hiring, however, increased from 5 million to 5.5 million.

The CPI was unchanged in June. Excluding food and energy, core CPI rose 0.1% for the third consecutive month. And there are no building price pressures since producer prices for final demand rose 0.1% in June and are up about 2% compared to last year. However, in her testimony before Congress last week Dr. Yellen concluded that the recent weakness in inflation is transitory. She is probably right.

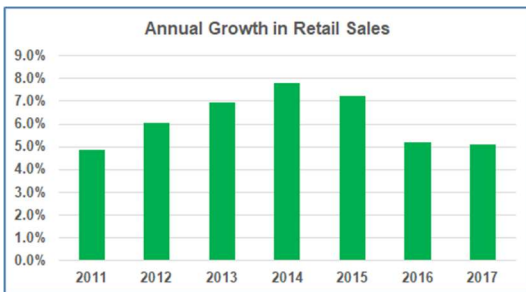


Florida Economy: Retail Sales Rise in April Courtesy of Easter

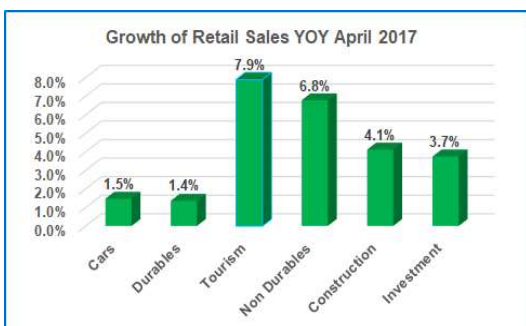
Florida's retail sales have rebounded back to year-over-year gains of 5% over the last two months, reversing nearly 6-months of slowing growth.



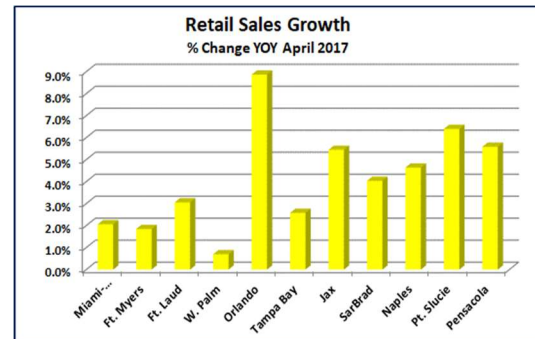
As a result, sales gains so far in 2017 have recovered back to their levels achieved in 2016.



The strength in April is a bit overstated since Easter fell in April this year compared to March last year, thereby distorting the year-over-year comparisons. This is reflected in the big jump in tourism sales in particular. Nevertheless, the overall pace of sales has picked up.



Keeping with the Easter theme, sales gains shot up 9% in Orlando for the year ending in April propelled by a 14% jump in tourism sales. There were also very strong sales gains in Jacksonville and in Port St. Lucie over the year that were less dependent on tourism. Sales gains were noticeably weaker in South Florida and in Ft. Myers over the last year.



The impact of Easter on tourism sales in April is on display in the chart below. Tourism was generally the biggest contributor to sales in every major metro area in April. Construction sales were also very strong in most markets except for South Florida. There, the impacts of the contraction in foreign investment, particularly from South America have caused construction activity to slow. Construction activity is likely to remain depressed for at least another 24 months in South Florida for condominium and apartment construction as the market regains equilibrium.

