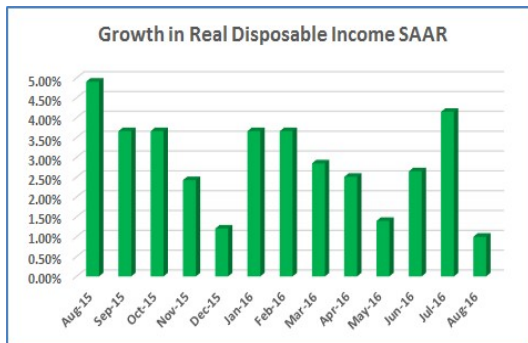


## ECONOCAST™ UPDATE – October 3, 2016

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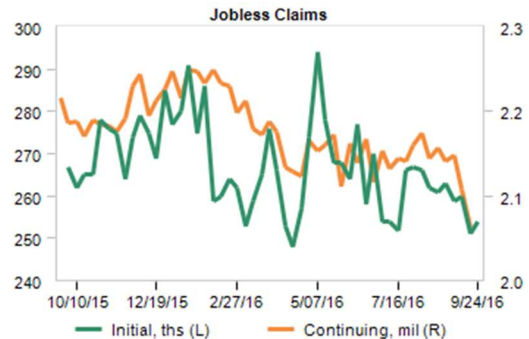
### U.S. Economy – Can Consumers Carry the Economy?

Last week, the BEA confirmed that the economy grew slowly in the 2<sup>nd</sup> quarter by just 1.4%. Consumer spending rose at a 2.9% rate accounting for more than all of the quarter's gains. With growth more dependent than usual on consumers, it was troubling that retail sales slumped in August. Lower sales growth was consistent with the slowdown in income growth. Real disposable income increased at just 1% in August following much stronger gains in prior months. This raises the issue of whether consumers can continue to carry the economy?

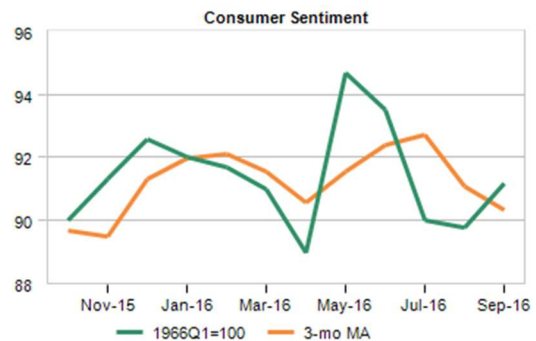


The deceleration of income growth was caused by wages and salaries, which grew only 0.1% in August after a 0.5% gain in July. The pace of wage increases remains weaker than

expected given the tight job market. So, it is likely that the slowdown of incomes in August is transitory. As long as job growth remains strong, consumers should be able to continue spending. Based on the latest data on new claims, employers continue to hire. Since job openings are well above hiring rates, the job market is strong and wages will accelerate.

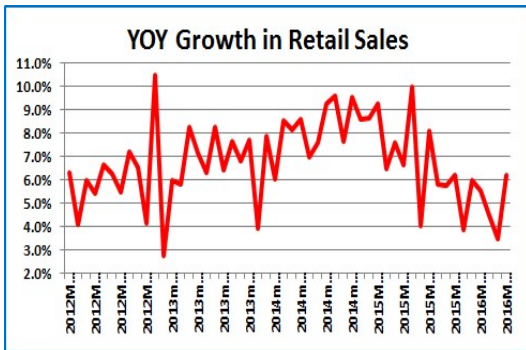


And consumers remain very confident about the economy both for current conditions and expectations.

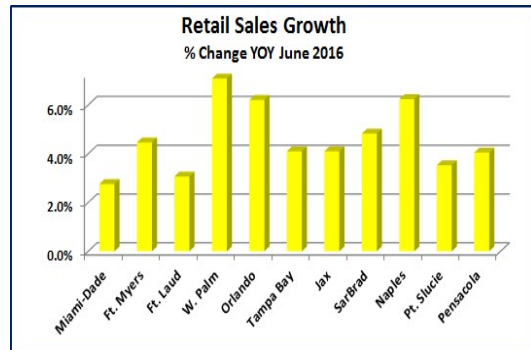


## Florida Economy: Retail Sales Up 6.2% for 12-Months Ending June

Retail sales rebounded in June rising 6.2% over last year and reversing the slower growth rate earlier this year. However, one month does not make a trend and sales are volatile from month to month, even on a year over year basis.



Growth in retail sales varied widely across Florida's major metro areas. Sales were up over 7% in West Palm Beach but by only 3% in Miami and Ft. Lauderdale. These data reflect the cross currents buffeting South Florida's economy. In Southwest Florida, sales were up over 6% in Naples, but by just 4% elsewhere along Florida's west coast.



The components were encouraging and support the view that retail sales may be accelerating. Investment spending rose by nearly 10% as businesses expanded their capacity. Tourism spending rose strongly as well, even as the volume of tourists flattened out. Construction spending was up a more modest 4.75% as construction activity has leveled out for this cycle. Spending on durable and non-durable goods remains surprisingly weak in the face of strong gains in population and employment.

There were a variety of reasons that sales were weaker across many metro areas with no one overall cause. For example, most sectors were weaker than Miami, but it was primarily construction that held back sales in Ft. Lauderdale and Orlando. Tourist sales were generally weak in June in Southwest Florida, Tampa and Jacksonville, but strong in Orlando, Ft. Lauderdale and Naples. Since no single sector exhibited particular weakness, the impacts this month are likely transitory with stronger retail sales likely going forward.

