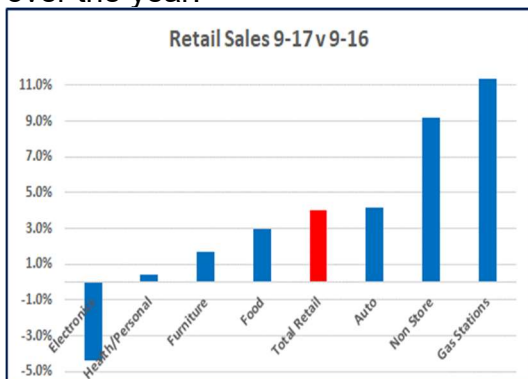


ECONOCAST™ UPDATE – October 23, 2017

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U.S. Economy – More Hurricane Impacts

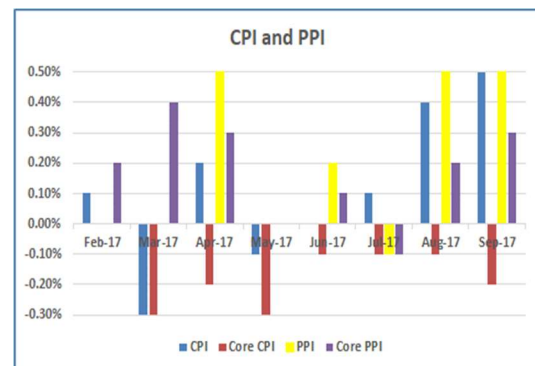
Hurricanes Harvey and Irma had large, but transitory effects on the data for retail sales and inflation. Retail sales jumped 1.6% in September because of higher gasoline prices, replacement of storm-damaged property, and postponed sales. But, the underlying trends remain unchanged. On a year-over-year basis, retail sales were up 4%, but the results were very mixed. Gasoline sales were up 11%, mostly due to rising prices, and ecommerce sales rose 9%, but sales of electronics were down over 4% and sales of health and personal products and furniture were weak over the year.



The data on job openings confirms the view that last month's fall in jobs will be quickly reversed. Job

openings remain high at 6.1 million and hiring stayed strong at 5.4 million, so the gap remained historically high despite the hurricanes. With strong labor markets and slowly rising wages, retail sales will continue to increase.

Inflation remains surprisingly low, even with the hurricane-caused spikes this month. The CPI rose 0.5% in September, but all of this was due to food and especially energy prices. Core prices continued to fall in September for the 7th month in a row (red bars). The trajectory for core producer prices over the last two months suggests that prices may be firming. Core PPI prices rose 0.2% and 0.3% recently.



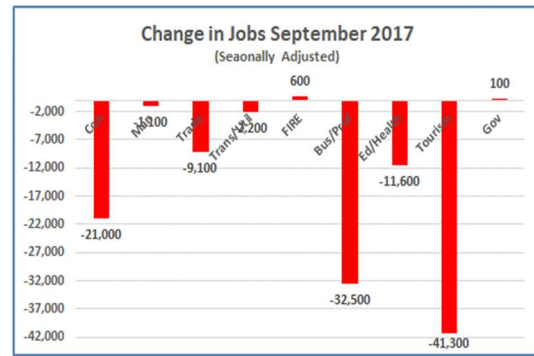
The weakness in prices may cause the Fed to raise rates more slowly than previously expected, but a December increase is still likely.

Florida Economy: Irma Impacts September Employment Data

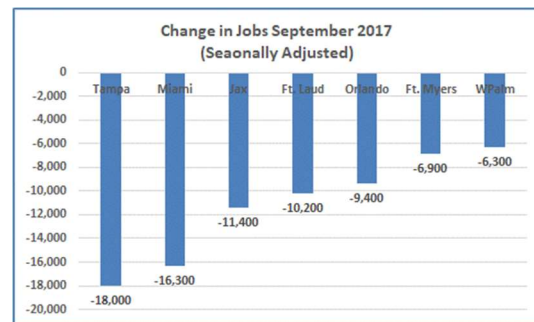
Hurricane Irma struck Florida on Sunday September 10th and traveled up the Florida peninsula affecting all of the State's major metropolitan areas. The storm knocked out power to more than 7 million customers and flooded parts of Miami, Jacksonville, and Ft. Myers. Over 6 million people evacuated to avoid the storm. As a result, the State's economy was shut down for most of the week of September 11th causing a huge loss of 127,400 jobs. Is this whopping job loss a cause for concern?

No. First of all, the reported job loss was not surprising since we already knew that the nation saw payrolls fall by 33,000 jobs. Leisure & hospitality accounted for the bulk of that loss, with an 111,000-job decline offsetting modest gains in other areas. That was largely a reflection of Hurricane Irma shutting down a large portion of Florida's economy during the survey week. And more importantly, the losses are temporary since Florida's economy came back on line quickly. Even in the most devastated parts of the State, the Keys and Marco Island, recovery efforts have progressed to the point that most businesses have now reopened.

That seems to be supported by the data on job losses by industry segment since tourism had the biggest job loss at 41,300?



All metros were impacted, even Pensacola, which was well out of the storm's direct path.



Florida's unemployment rate dipped to 3.8% even though there was that huge job loss. What explains this seeming contradiction?

This anomaly is the result of the different concepts of jobs on the one hand and employment on the other. An important difference between the payroll job numbers from the establishment survey and the employment numbers from the household survey is that the payroll survey only includes jobs where workers actually earned pay during the pay period that contains the 12th of each month. The household survey asks the respondent if they were employed that week, even if they were unable to make it to work due to bad weather or many other reasons and did not earn any pay that week.

