

ECONOCAST™ UPDATE – November 21, 2016

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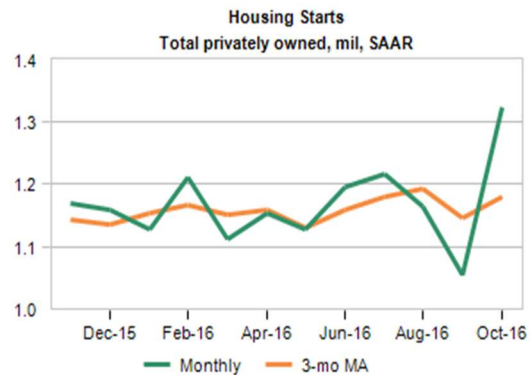
U.S. Economy – Stronger Growth and Higher Interest Rates

For the second month in a row retail sales grew strongly. Consumer spending growth is accelerating with sales up 0.8% in October, after adding a revised 1% in September. Auto dealers and gasoline stations were among the leaders, but core sales, excluding those two components, rose a robust 0.6%, after rising 0.5% in September after revision. As a result, October's sales were 4.3% above their year-ago level, the strongest increase since 2014.

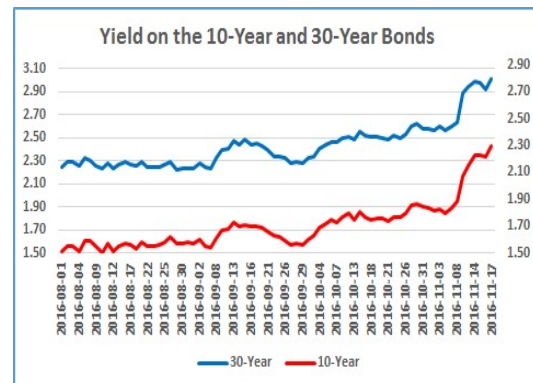


Housing starts rebounded 25% from their 10% drop in September, pushing starts 23% above last year's level. Permit levels remained high in October, but they were only slightly higher than last month suggesting that this month's surge in starts will

not carry forward. Nevertheless, construction activity will remain high.



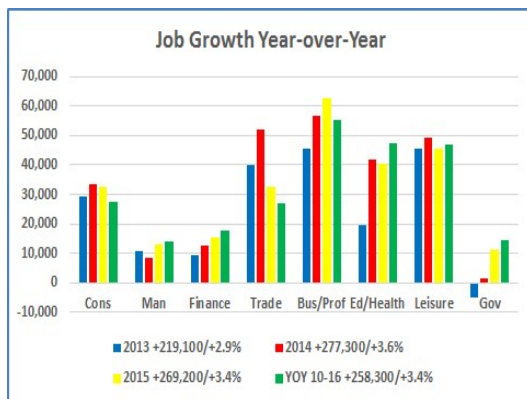
A surge in energy prices pushed the CPI up 0.4% in October, but core prices rose only 0.1%. Since core producer prices rose a similar 0.1%, inflation remains restrained. Even with modest inflation now, interest rates jumped again last week especially for longer duration bonds. Rates are at their highest levels in years.



Florida Economy: Job Growth Slows in October

After six months of strong and rising job gains, job growth slowed to just 5,700 in October on a seasonally adjusted basis. Some of this was give back from the unsustainable gains in local government jobs last month, and some reflects a contraction in retail jobs courtesy of E-commerce. However, based on this month's report there is no reason to believe that a change in direction has occurred.

Nevertheless, job gains peaked at 277,300 in 2014 and subsequent gains, while strong, have remained lower without sign of a breakout. Construction employment gains track the trajectory of construction which has recovered, but is now operating at a fairly high level of activity limiting an acceleration in job growth. Similar forces are limiting the gains in other sectors. Retail employment gains supported by surging population growth are offset by the impact of E-commerce.



Florida's unemployment rate ticked up 0.1% to 4.9% in October, because of a surge in Florida's labor force. Somewhat counterintuitively, the rise in the unemployment rate reflects strength not weakness in Florida's

labor market. After months of strong job gains more job seekers have entered the labor force attracted by the improved prospects for finding work.

All of Florida's major metro areas enjoyed job growth over the last 12-months led by gains in Orlando, Tampa and Ft. Lauderdale. The I-4 corridor from Daytona Beach to St. Petersburg generated over 91,000 jobs. Jacksonville, Ft. Myers, and Sarasota-Bradenton also had above average job gains over the year. Job growth remained noticeably weaker in Gainesville and Tallahassee where their economies are dominated by slow growing government sector jobs. Miami continues to suffer from slower foreign investment and Naples burdened by its excess residential real estate.

Data as of October 2016	Unemployment Rate	last 12 Months	% Change Jobs
Florida	4.7%	258,300	3.4%
Cape Coral-Ft. Myers	4.7%	9,500	3.8%
Gainesville	4.4%	700	0.5%
Jacksonville	4.7%	25,500	3.9%
Lakeland-Winter Haven	5.8%	2,500	1.2%
South Florida	5.1%	53,300	2.1%
Ft. Lauderdale	4.6%	27,800	3.4%
Miami	5.4%	15,400	1.4%
West Palm Beach	5.1%	9,500	1.6%
Naples	5.2%	4,000	2.9%
North Port-Sarasota-Bradenton	4.7%	10,700	3.8%
Ocala	6.0%	1,100	1.1%
Orlando	4.5%	46,600	4.0%
Palm Bay	5.3%	3,800	1.9%
Pensacola	4.9%	3,500	2.1%
Port St. Lucie	5.6%	2,200	1.6%
Punta Gorda	5.5%	1,100	2.4%
Sebastian-Vero	6.5%	900	1.8%
Tallahassee	4.8%	2,600	1.5%
Tampa-St. Pete	4.7%	33,400	2.6%

Job growth over the next few years should remain high. While interest rates are rising, they remain relatively low. Housing markets in the Northeast and Midwest are strong supporting migration to Florida.