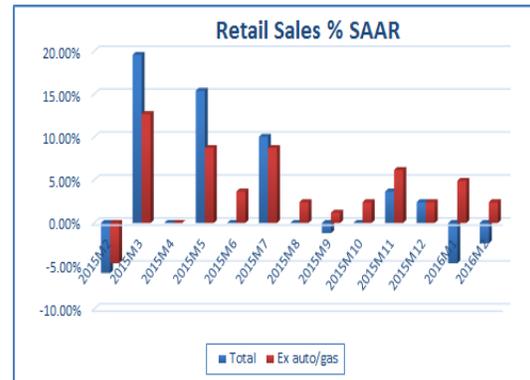


## ECONOCAST™ UPDATE – March 21, 2016

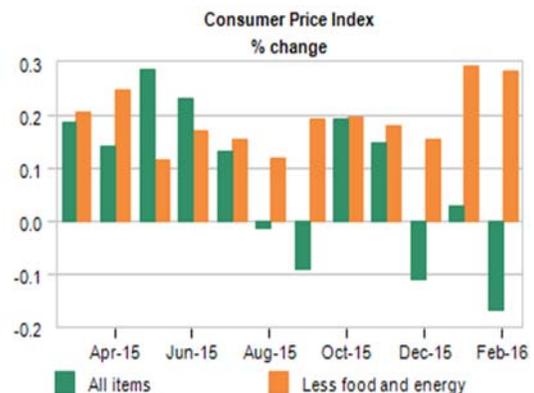
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### U.S. Economy – How Weak are Retail Sales?

The trajectory of retail sales is important to the economic outlook because they are a major component of consumption and consumption is about 2/3<sup>rd</sup> of GDP. So, it is concerning that retail sales are so weak. Sales dipped 0.1% this month; January sales, originally reported to have risen 0.2%, were revised to a 0.4% drop. Falling gasoline prices pushed top line sales down. Top line sales are virtually unchanged from July. However, top line sales overstate the weakness. Sales excluding gasoline stations were up 4.8% over the past year. While some of the strength comes from depressed sales last year because of the winter weather, the trend in sales growth has actually held up well in the face of accelerating deflation in retail prices. Furthermore, gains in real spending are far better than the top-line sales figures suggest. So, with rising employment and earnings, sales will improve though the timing is uncertain. Housing markets will keep improving as well, as rising house prices lift wealth and construction. Finally, rising access to credit and unusually low debt burdens are also positives for retail sales.

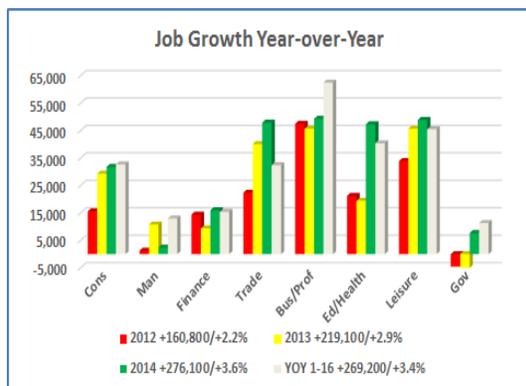


Core inflation has finally firmed rising 0.3% in each of the last two months. The last time the core CPI rose at least 0.3% in consecutive months was in 2001. This trend suggests that the Federal Reserve will not delay its second rate hike this cycle beyond June. To do otherwise would risk the Fed's credibility.



## Florida Economy: Employment Growth Remains Strong

The January employment data reflect the annual “benchmark” revisions to the previously published data back to 2011. The initially reported sample-based data are updated with more complete records from employer tax filings. The updated data reveal stronger job growth across all employment sectors. For the 12-months ending January 2016, nonfarm employment rose 266,200 for a gain of 3.4%. Job gains were led by a 62,500 jump in business and professional services driven up by a gain of 21,600 for employment services. This gain in employment services points to continuing strong gains in the near term because firms often hire temps from employment services before hiring full time workers. Florida’s booming tourism sector produced a strong gain in leisure and hospitality jobs, but the gain fell short of 2014 levels. This pattern of strong gains, but not quite as good as 2014, was repeated for all other job sectors except for government. The overall gain of 269,200 while very good, fell short of the 276,100 new jobs in 2014.



Florida’s unemployment rate was 5.1% on a non-adjusted basis, about the same as over the last few months

and slightly above the national average. However, Florida’s labor force grew twice as fast as the nation’s over the last 12 months because Florida’s economy generated more jobs and thereby attracted more participants into the labor force primarily from other states supporting Florida’s strong population growth. If Florida’s labor force had grown at the national average, the State’s unemployment rate would have dropped dramatically.

Job growth in the I-4 corridor from Orlando to Tampa was particularly buoyant. Orlando led all MSAs as job growth soared by 59,300. Interestingly, business and professional services contributed the most with tourism-related sectors a close second. At 46,300 new jobs over the year, Tampa Bay was a close 2<sup>nd</sup> to Orlando. Ft. Myers and Jacksonville also had strong gains fueled by strong jumps in construction and in business services. In Ft. Lauderdale it was gains in construction and business services while for West Palm it was business services and healthcare that propel job growth over the year. Surprisingly, the revised data showed slower job growth in Miami.

Data as of January 2016	Unemployment Rate	Job Gain last 12 Months	% Change Jobs
<b>Florida</b>	<b>5.1%</b>	<b>269,200</b>	<b>3.4%</b>
Cape Coral-Ft. Myers	4.7%	10,400	4.3%
Gainesville	4.5%	3,700	2.8%
Jacksonville	4.9%	25,500	4.0%
Lakeland-Winter Haven	5.8%	6,900	3.4%
South Florida	5.2%	69,100	2.8%
Ft. Lauderdale	4.7%	26,700	3.4%
Miami	5.6%	20,100	1.8%
West Palm Beach	4.9%	21,600	3.8%
Naples	4.8%	2,700	2.0%
North Port-Sarasota-Bradenton	4.7%	8,000	2.9%
Ocala	6.1%	500	0.5%
Orlando	4.7%	59,300	5.2%
Palm Bay	5.5%	3,900	2.0%
Pensacola	5.1%	4,300	2.6%
Port St. Lucie	5.5%	4,100	3.0%
Punta Gorda	5.6%	1,000	2.2%
Sebastian-Vero	6.2%	1,000	2.1%
Tallahassee	5.0%	700	0.4%
Tampa-St. Pete	4.8%	46,300	3.8%