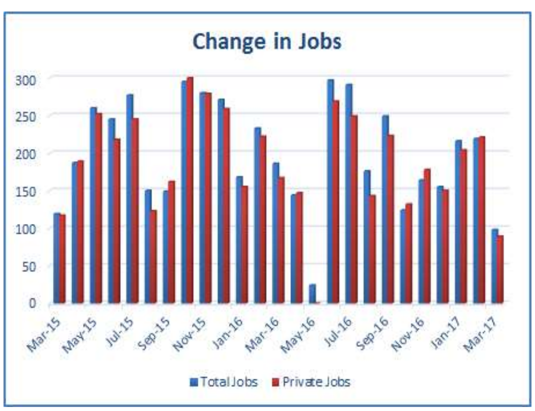
EW ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – April 10, 2017

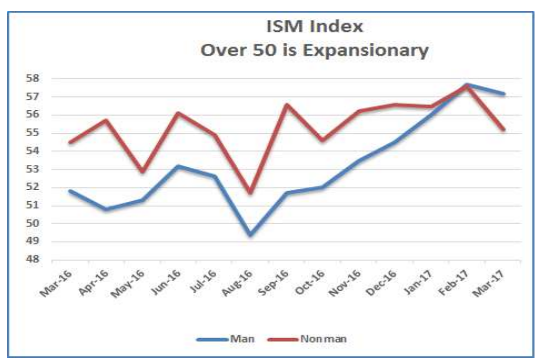
U.S. Economy – Soft Job Report

Last week's data are consistent with continuing slow-but-steady economic growth, but growth is significantly less exuberant than the sentiment measures suggest. Nonfarm payrolls increased by just 98,000 jobs in March, far below trend. Much of the weakness in March was weather related. Mild weather pumped up job growth in January and February, accelerating normal job gains thereby robbing them from March. But, job gains were revised downward for January and February, lowing the 1st quarter average gain to 178,000 compared to the pace of 203,000 in the 1st quarter of 2016.



Surprisingly, the household survey showed robust gains in employment causing the unemployment rate to drop to a cycle low of 4.5% in March. Even more encouraging was that this improvement came even as the labor force participation rate rose. This suggests faster growth of small-businesses, which is not captured in the payroll survey. This is also consistent with the buoyant NFIB survey and the ADP jobs report.

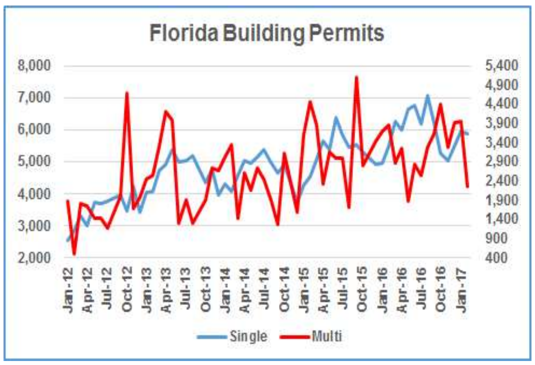
The March ISM surveys were a touch weaker but still well into expansion territory north of 50. The manufacturing index dipped to a still-strong 57.2. The nonmanufacturing index dropped 2 points to 55.2, but remained in expansion mode.



The other major news this week was a 0.3% dip in auto sales to a rate of 16.6 million units. Although this was the slowest pace since early 2015, much of weakness was probably due to the big March storms across much of the country.

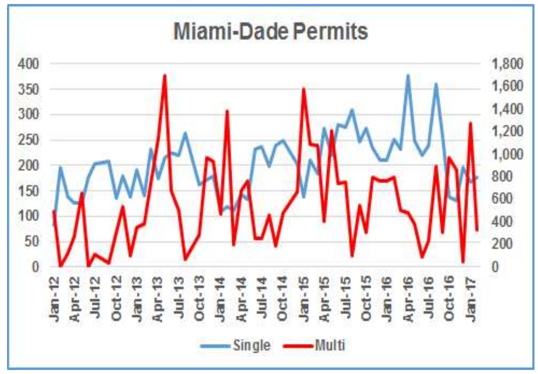
Florida Economy: Building Permits Steady in February

So far this year, building permit activity is about the same as 2016. However, the mix has shifted with far fewer permits for multifamily units. Overall, there are no signs of overbuilding. The downshift in multifamily permits reflects the sharp slowing in condominium sales in south Florida and the reaction to the surge in apartment projects in 2015. If these trends continue, which I think that they will, Florida's housing markets will remain in relative equilibrium even as interest rates rise.

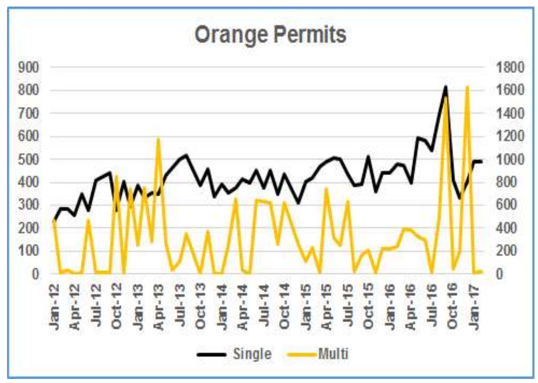


The continuing rapid growth in population and the high levels of job growth will put pressure on Florida's housing markets this year. As noted last week, the existing home market is very tight with low levels of inventory and escalating prices. This should stimulate higher levels of new home construction.

The overall trajectory of activity in Miami-Dade has dropped from its unsustainable levels of 2015. Multifamily permit volume dropped 30% in 2016, and despite the spike in January, multifamily permit volume will stabilize at these lower, sustainable levels in 2017. Single-family permits have also moved lower bringing this segment into balance.



By contrast, in Orange County (Orlando), the strong growth in population and in jobs pushed permits up 41% in 2016 with a major surge in multifamily projects. So far this year, permit volume has dropped. If permit volumes remain restrained, then overbuilding is unlikely.



The data for Hillsborough County (Tampa) are representative of trends for the other major metro areas in peninsular Florida. Permit volumes increased at a modest pace of 9% in 2016 and just 4% so far this year.