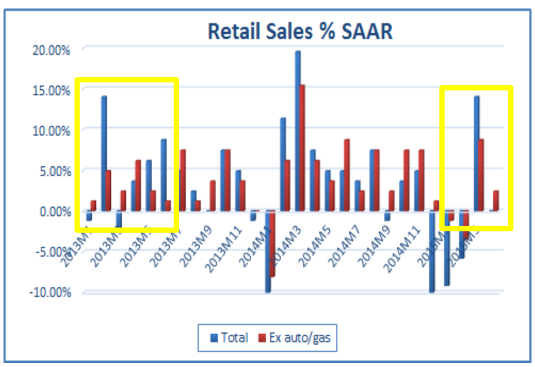
EW | ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – May 18, 2015

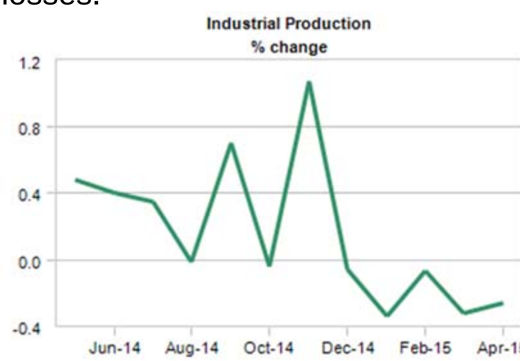
U.S. Economy – Disappointing Retail Sales

Retail sales were virtually unchanged in April. This was a big disappointment, even though March sales were revised up to 1.1%. Even excluding autos and gasoline, sales rose a meager 0.2%. April's sales were only 0.9% above year-ago levels for their weakest gain since 2009. Unlike the strong rebound in 2014 the current trajectory seems more like 2013's more modest pace.

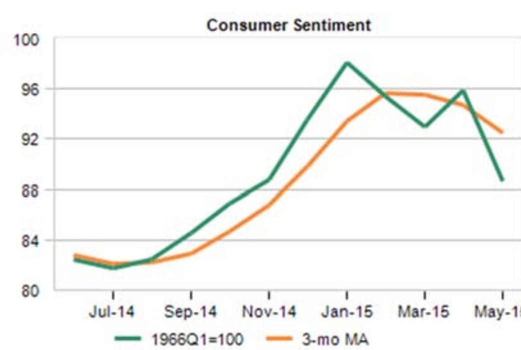


Despite the weak report, the outlook remains bright. The fundamentals for consumer spending are very strong with low gas prices, rising home sales, and strong employment gains. It would be rare if consumers failed increase their spending soon.

Industrial production fell again in April for the fifth decline in a row. Most of the losses are due to falling oil production, which declined again at double digit rates. However, with oil prices up most of the losses should be behind us. Manufacturing output has stopped falling as rising auto sales pushed car manufacturing higher offsetting export related losses.



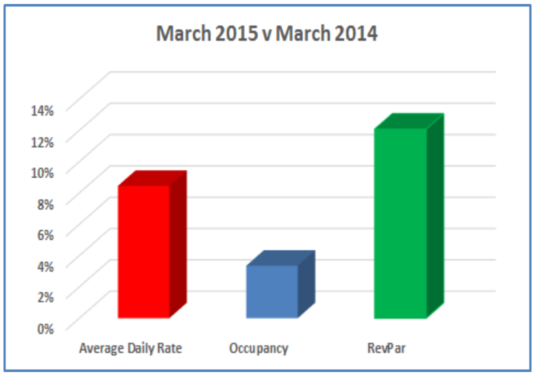
Consumer confidence dropped in May, hurt by higher gas prices. Obviously, this will not help retail sales, but the impacts will dissipate quickly offset by strong fundamentals.



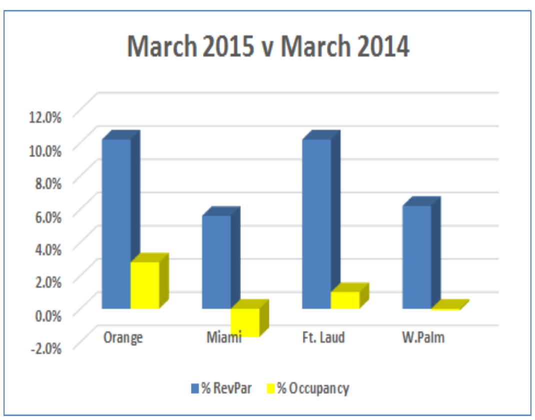
FISHKIND & ASSOCIATES ECONOMIC CONSULTANTS 12051 Corporate Blvd, Orlando, Florida 32817, Office 407-382-3256, Fax 407-382-3254, www.fishkind.com

Florida Economy: Strong Hotel Performance

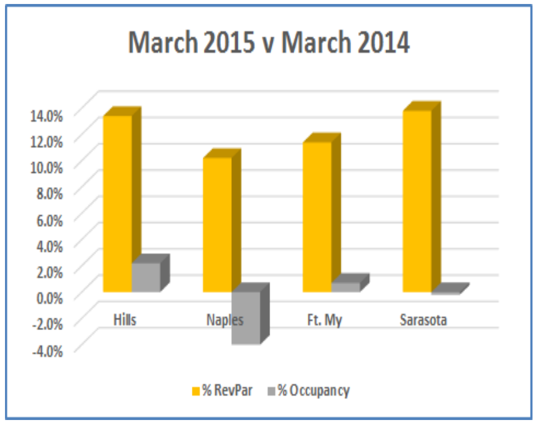
The strength in Florida's tourism sector so far this year is reflected in the hotel data. Statewide the buoyant demand for rooms has pushed the average daily rate up 8% and average occupancy rate up to 80%, which is 3% higher compared to last March. As a result, the revenue per occupied room or RevPar soared 12% above last year.



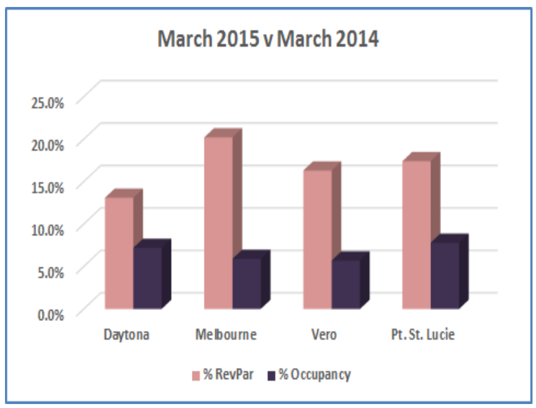
With occupancy rates generally above 85% in most of the State's winter vacation areas there was little room to push occupancy rates even higher. As a result, many operators instead chose to increase their average daily rates. In the biggest markets occupancy rates were essentially flat, except for Orange County. But, RevPar rose very strongly in all of the largest winter tourist destinations.



The major winter destinations on Florida's west coast turned in similarly strong performances. Most markets registered double digit gains in RevPar as a result of strong gains in average room rates coupled with their high but stable levels of occupancy.



The strongest gains in occupancy and in RevPar came in the smaller east coast destinations from Daytona Beach south to Port St. Lucie with big gains in occupancy and in rate.



These very strong results will support significant new investments in hotel development. Generally, when occupancy rates average above 75% for three years coupled with rising room rates, the industry responds by developing new properties. The Great Recession stifled hotel development in much of Florida over the last six years. So, most market are under served.