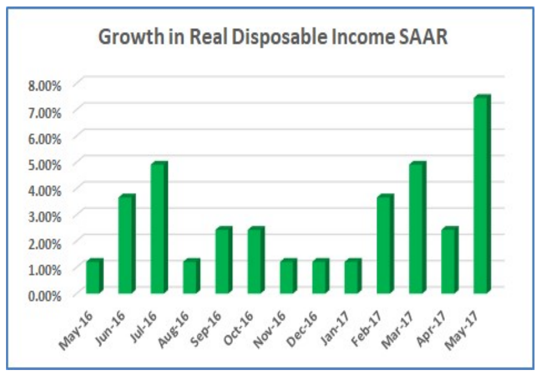
ECONOCAST WEEKLY

ECONOCAST™ UPDATE – July 3, 2017

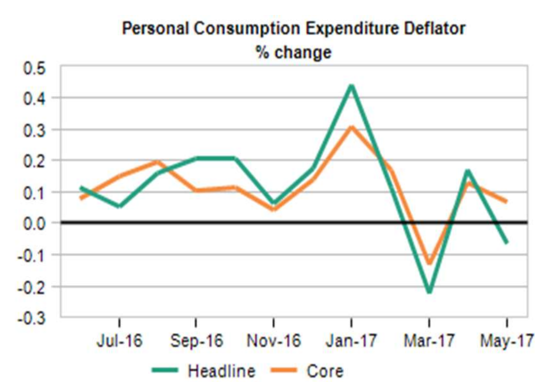
U.S. Economy – 8-Years Old and Still Expanding

Despite its modest 2% average growth rate, the economic expansion is enjoying its eighth birthday this month. That makes it the third longest on record, bested only by the nearly 9-year expansion of the 1960s and the 10-year 1990s expansion. The odds are good for this expansion to become the longest in our economic history since there are no obvious imbalances building up.

Key to continuing growth is expanding employment and rising incomes. Nominal personal income picked up slightly to 0.4% in May, but wages rose by just 0.1%. Wages are key to the personal income outlook, and May's report confirmed the downward trend in wage income which has increased by less than 3% over-the-year compared with 4.1% in May of last year. While this is worrisome on its face, most of the wage slowdown came because of the mix of jobs – more hiring in lower paying jobs. As labor markets tighten, growth in wage rates will accelerate further. However, employment growth will slow further as workers become scarce in more areas. Fortunately, inflation remains very low, so even these modest wage gains are translating into sufficient growth in real disposable incomes to drive consumption up.



Inflation, measured by the Fed's preferred index for personal consumption, fell 0.1% in May following a 0.2% gain in April. This is the second decline in the past three months. Excluding food and energy, the PCE deflator increased 0.1%, and is up just 1.4% on a year-ago basis in May.



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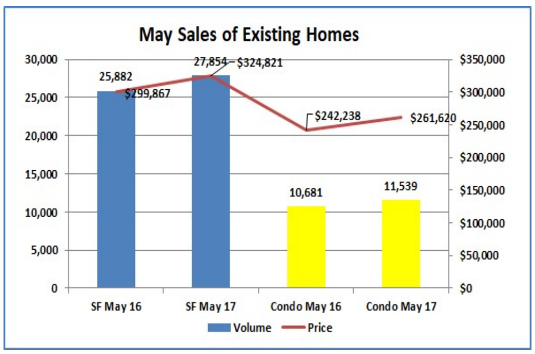
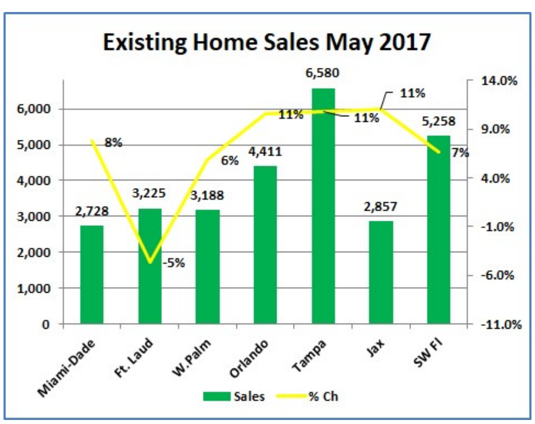
Florida Economy: Housing Markets Strengthen in May

Sales and prices for existing single-family homes rose 8% in May compared to last year and reversing their April dips. Sales of townhomes and condos also increased 8% over last year with an 8% price gain to boot. Rising sales and higher prices are finally causing new listings to increase by more than 7% compared to last year, but the momentum in sales is still outrunning the gains in listings thereby making markets even tighter with just 4-months of single-family supply and 6-months of multifamily supply.

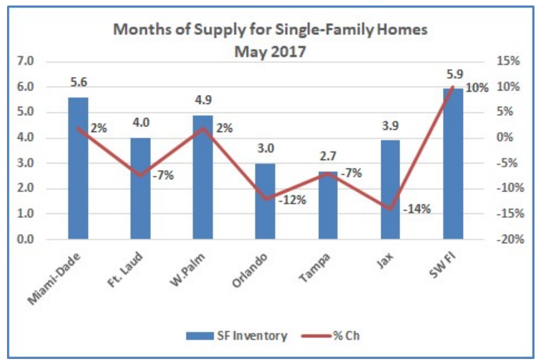


With a whopping 6,580 closing of existing homes in May, Tampa Bay notched the highest level of sales in the State, and even at this high-level its sales were 11% higher than last year. There were double-digit gains in Orlando and Jacksonville as well.

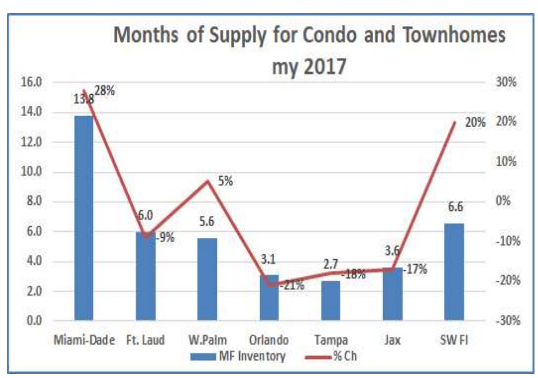


Sales in South Florida were mixed in May rising 8% in Miami-Dade, 6% in Palm Beach, but dipping 5% in Broward. Pricing was generally higher across all of the major metro markets ranging from a 2% gain for condo prices in Palm Beach to a 15% surge in prices for single-family homes in Tampa Bay.

Inventories of single-family homes remain very tight in all markets. Surging sales in Tampa, Orlando and Jacksonville in particular are causing inventories to drop. The imbalance in Naples is slowing being absorbed.



Wide differences in inventory levels for multifamily units across Florida reflect very different market conditions. In Miami-Dade inventory levels are excessive, but sales have stabilized and are running slightly ahead of new listings. A similar pattern has emerged in Naples as the market moves back towards equilibrium.



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