

ECONOCAST™ UPDATE – July 13, 2015

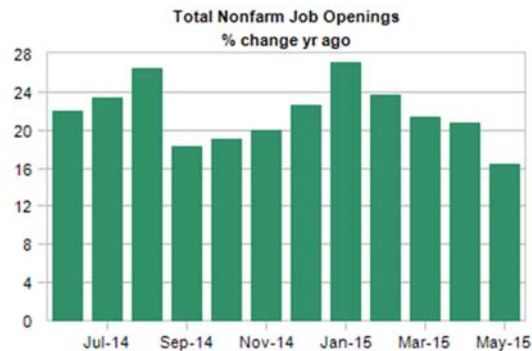
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U.S. Economy – Agreements Will Boost Economic Growth

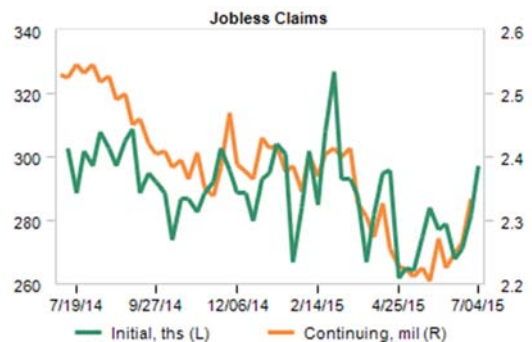
The big news this week is the pending agreements to keep Greece in the Eurozone and to limit Iran’s nuclear program. Both are likely to be approved, and both will boost economic growth by reducing uncertainty and boosting oil production. Financial markets rallied on the news with stock prices up in Europe and in Asia and in the U.S. Bond yields dropped in the Eurozone and in the U.S., and oil prices declined. All of this is good news for the U.S. economy, and it will boost growth this year and next.

There were few important U.S. economic reports released last week, but the data were generally positive. The May job openings and labor turnover report (“JOLTS”) continued to be strong showing openings still growing at a 16% YOY pace totaling over 5.3 million. However, hiring has not increased in two months suggesting that firms maybe having trouble filling open positions. This will put additional, and welcomed, pressure on wages going forward. There are ample signs of diminished slack. The short-term unemployment rate is a full percentage point below

its historical average, and the long-term rate is falling quickly. Also, broader measures of labor underutilization continue to improve.

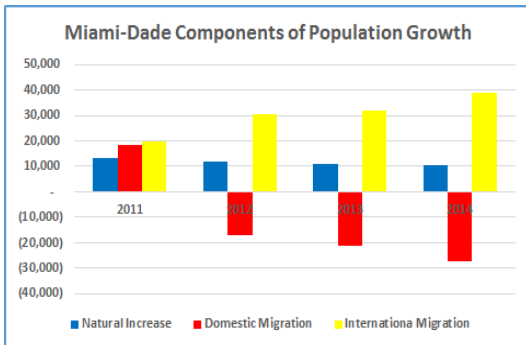


Initial claims for unemployment insurance unexpectedly increased in the week ended July 4, and the trend continues to weaken; the four-week moving average increased from 275,000 to 279,500. But the average is still consistent with an economy creating at least 200,000 jobs per month.

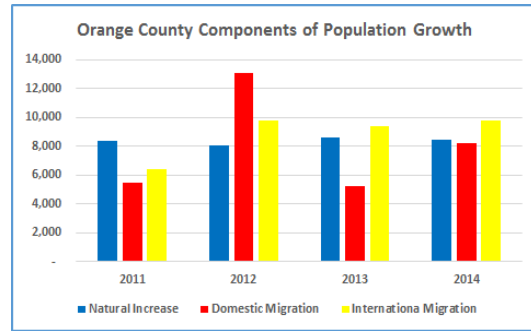


Florida Economy: Components of Population Growth 2011-14

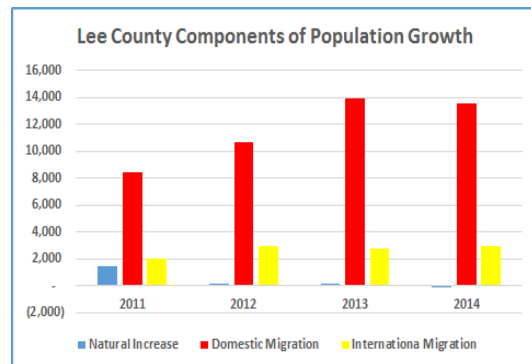
Since 2011 Florida's population growth not only accelerated, but the components of growth shifted. The state level data obscure important changes that occurred at the county level. For example, in 2011 Miami-Dade County's population growth soared by more than 51,000 as large numbers of international and domestic migrants moved in. However, from 2012 through 2014 as international migration accelerated, many former residents moved north into Broward and Palm Beach Counties causing domestic migration to soar in those counties.



The story was very different in Orange County. Domestic and international migration peaked in 2012 and both components of population growth slowed in 2013 and recovered in 2014. The slowdown in domestic migration in 2013 was not limited to Orange County, but instead occurred across most areas of Florida in reaction to a dip in home sales. Many domestic migrants must first sell their existing homes before they can move to Florida. So, when housing markets retreated in 2013 migration slowed. The economic and financial turmoil in Puerto Rico will trigger a significant increase in migration into Orange County in 2015 and beyond.



The recent trends in Lee County's population growth provide a good example of the forces shaping population growth across Southwest Florida and in other areas of the State where retiree migration is the dominant force in population growth. Natural increase, the excess of births over deaths, is low and turned negative by 2014. There is a modest level of international migration, but it is domestic migration, mostly of people 65 and over, that dominates the growth in Lee County's population.



The agreements to keep Greece in the Eurozone and to limit Iran's nuclear program add to the optimistic outlook for Florida's accelerating population growth. The U.S. economy should continue growing at a 3% or faster pace over the next 18 months supporting housing markets and job growth. Although interest rates will rise, the economy is strong enough to continue growing at least over the near term.