

## ECONOCAST™ UPDATE – October 5, 2015

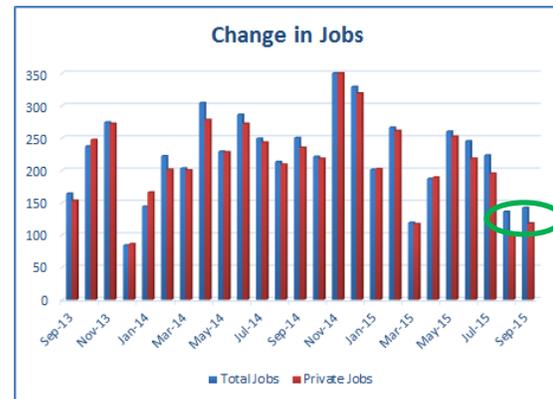
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### U.S. Economy – Only 142,000 New Jobs in September? I Doubt it.

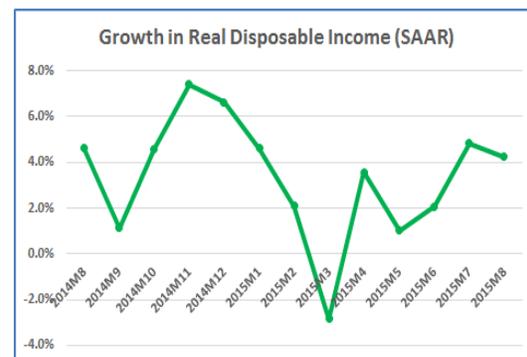
Reported job growth has slowed dramatically over the last two months from an average of over 214,000 per month from January through July dropping to a revised total of 136,000 in August and 142,000 in September. This 35% slowdown in job creation conflicts with almost all the other economic data, most importantly the slowing in job growth is inconsistent with the drop in new claims for unemployment compensation that I reported on last week.

Although there was nothing to like in September's job report, it is premature to panic. While there is no obvious explanation for the sudden weakness in job growth, I suspect aberrant seasonal adjustment and a high probability that these data will ultimately be revised upward. With the release of each employment report, the data are revised back three months. The data are also revised once a year to incorporate the benchmark revisions. Since the job market began to recover in 2010, job growth is, on average, 40,000 higher now than what the government initially reported. So, the jury on August and September employment

is still out, especially because the numbers conflict with weekly jobless claims.

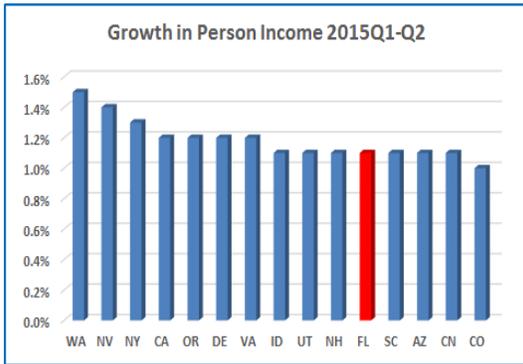


Despite the slow growth in jobs and in average wages, real disposable income increased at a 4.2% annual pace in August. Very low inflation has allowed modest gains in earnings to translate into stronger gains in real disposable incomes.

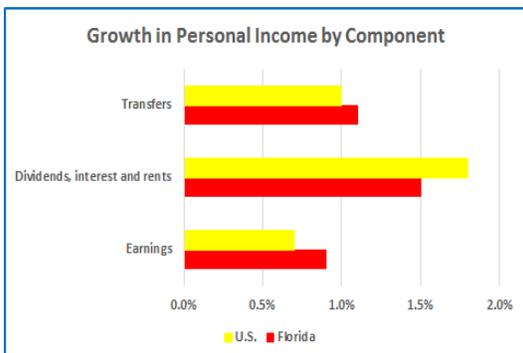


## Florida Economy: Growth in Personal Income 2015Q2

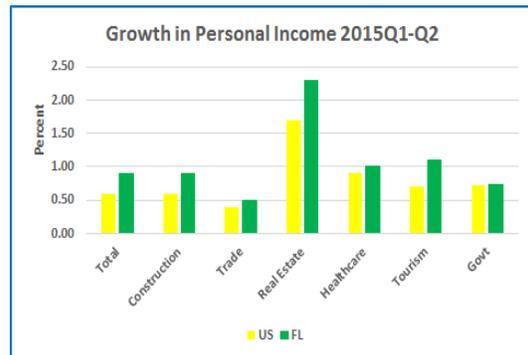
Data on personal income for 2015Q2 at the state level was released last week. In Florida personal income grew 1.1% well above the U.S. average of 0.9%. Florida's personal income gain ranked 11<sup>th</sup> in the U.S.



Interestingly, it was Florida's relatively strong growth in earnings that drove the gains in personal income in the 2<sup>nd</sup> quarter. Earnings from wages and salaries increased by 0.9% in Florida compared to 0.7% for the U.S. Somewhat surprisingly, income from dividends, interest and rents grew faster in the U.S. than in Florida in 2015Q2. This is the reverse of the typical pattern. With its large complement of retirees Florida's income from dividends, interest and rents generally grows faster than in the U.S. This is partly the result of Florida's relatively stronger job growth, but the shortfall in dividends, interest, and rents is puzzling.



Looking at the earnings data by sector shows that in every major employment sector earnings grew faster in Florida than in the U.S. This is not because wage grew faster in Florida than in the U.S. Wage growth was fairly comparable. Instead, Florida outperformed the U.S. because Florida's job growth in each major employment sector was significantly faster than in the U.S. As a result, in Florida the total growth in earnings in each sector topped that average gains for the U.S. This phenomenon is most obvious for earnings from real estate. Florida's strong real estate market with high levels of sales propelled earnings in Florida far higher than for the U.S.



Sometime later this year or in 2016 the Federal Reserve will begin raising interest rates. Since Floridians typically receive a higher share of income in the form of dividends, interest and rents, this segment of personal income should accelerate for Florida. In addition, the rising trajectory of rents also bodes well for the growth of personal income in Florida in 2016. But most importantly for growth in personal income for Florida will be the continuing strong growth in jobs. The growth in earnings in 2016 in Florida should continue outperforming the average gains for the U.S.