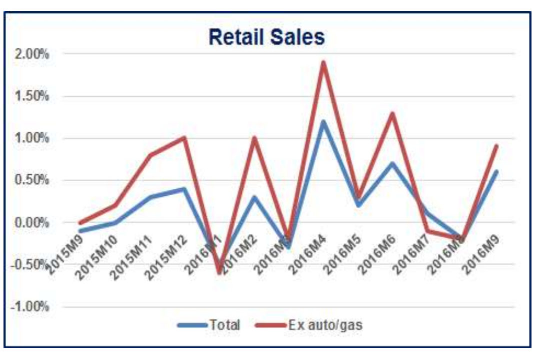
EW | ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – October 17, 2016

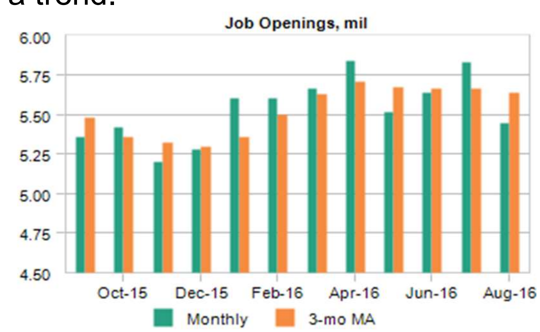
U.S. Economy – Retail Sales Rebound

Retail sales rebounded in September, rising 0.6% and making their first meaningful gain since June. Much of the strength was in autos and gas. Excluding them, core sales rose a more modest 0.3%. Compared to last year sales were up 2.7% and core sales rose 3.4%. But, these numbers understate the real strength in sales, because retail deflation, excluding gasoline stations, remains historically high depressing the total dollar value of those sales.

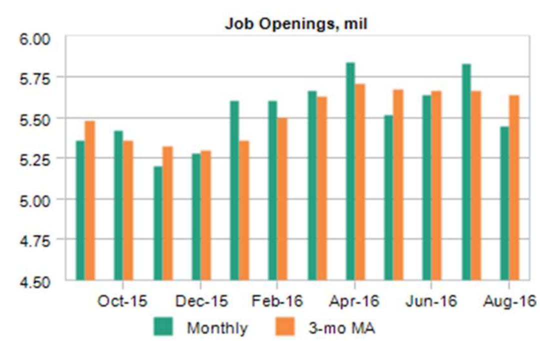


Looking ahead the prospects for stronger retail sales are good. Tightening labor markets are lifting wages, and with more jobs total incomes are rising sufficiently to support stronger sales. Furthermore, rising home prices are boosting household wealth and the demand for homes.

While the number of job openings dipped last month, they remain quite high. The decline in job openings followed the steady upward trend that began in 2010. The decline in job openings was widespread across industries and regions of the country. However, one month does not make a trend.



Encouragingly, new claims remained very low. For the 84th consecutive week claims were below 300,000 making the longest streak since 1970.



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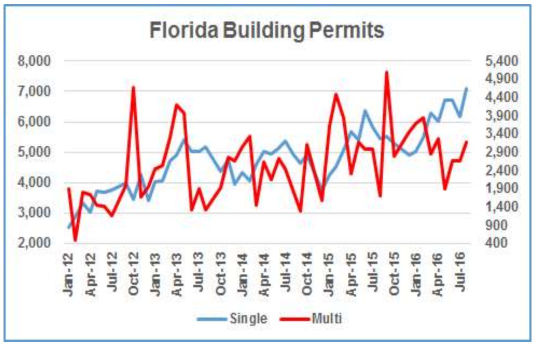
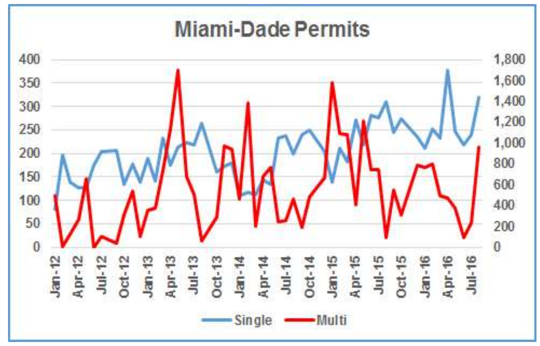
Florida Economy: Building Permits Up at a Sustainable Rate

Residential construction activity continues increasing in Florida, but, so far, the rate is sustainable. Permit volume in on track to total 110,500 this year, up about 7% compared to 2015. At 110,500 permit volume is still running below demand levels for permanent homes alone, not including 2nd home demand.

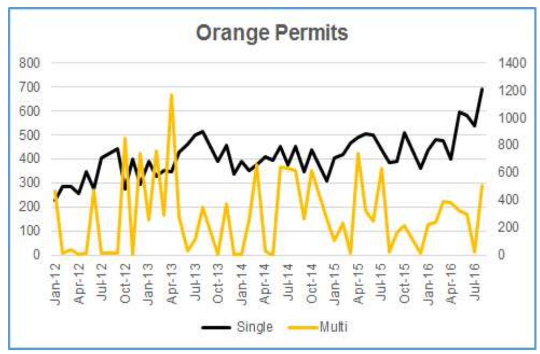


Not only is total permit volume growing modestly, but the composition of permits has changes with more single-family permits (+17%) and fewer multifamily permits (-9%). This assuages concern about multifamily overbuilding statewide.

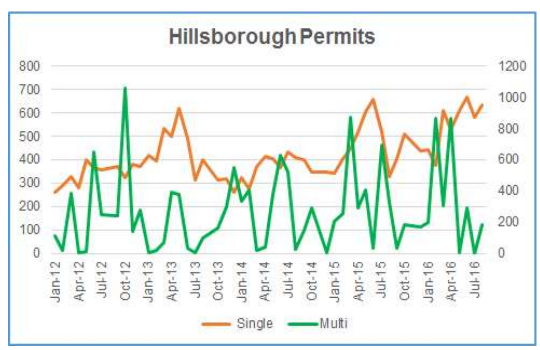
However, in some markets the slowdown in multifamily permits probably comes a bit too late. In Miami-Dade total permit volume is running 23% below last year as multifamily permits have dropped by 33%. Nevertheless, the prior volume of activity is resulting in an excess of units coming to market. As a result, the volume of multifamily units for sale has risen sharply and the months of inventory, compared to current sales levels, has soared to over 11 months. Rent levels have topped out as well. While the excess inventory and market pressures are nothing like the bust in 2008-12, nevertheless the pressure is building.



By contrast, most other major markets in Florida remain in good balance. For example, in Orange County (Orlando) total permit volume is down 9% so far this year driven down by a 32% drop in multifamily permits. With strong growth in population and employment Orange County's housing market remains tight with low levels of inventories and rising prices and rents.



The trend in Hillsborough County (Tampa) confirms the conclusion that most major markets remain tight as multifamily permits retreat to sustainable levels.



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