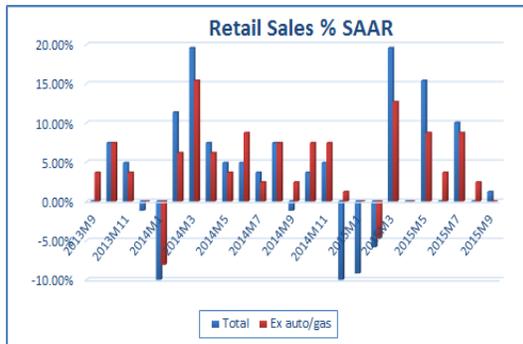


ECONOCAST™ UPDATE – October 19, 2015

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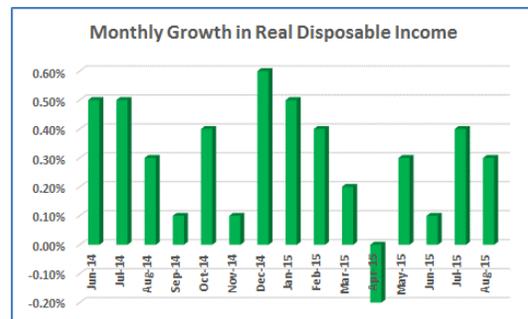
U.S. Economy – Disappointing Retail Sales

Retail sales were again weak in September for the second month in a row. Sales are now just 2.4% higher than last year. Some of the weakness was caused by falling gasoline prices, but even excluding gasoline sales were poor. Sales of autos and other discretionary goods were up, but most segments were softer.

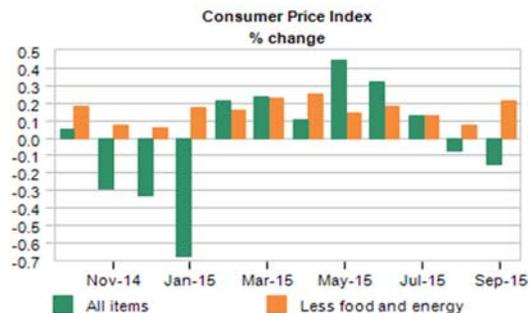


Along with job growth, consumption spending will determine the trajectory of the economy. Fortunately, the latest slowdown is likely to be short lived, because the fundamentals remain strong. The drag from falling gasoline prices is likely over, but with prices almost \$1 per gallon below their year-ago level, consumers have more money for other purchases. In addition, job gains are sufficient to tighten labor markets, and that will lift

wages. The weakness in retail sales is odd in light of the growth in real disposable income which at an annual rate averaging 4.8% over the last 2 months. This supports the view that the latest weakness will be temporary.

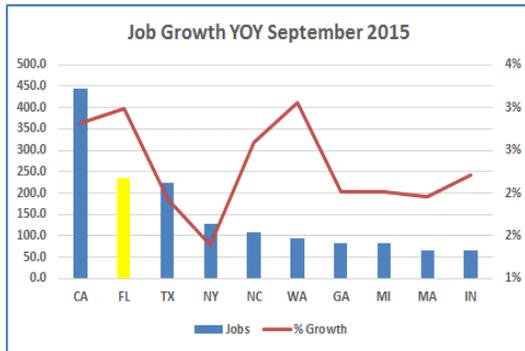


Inflation remains very low. Falling energy prices drove the CPI down 0.2% in September with core prices rising just 0.2%. Producer prices fell too, so there are no signs of inflation. Price weakness weighs against any increase in the funds rate anytime soon.

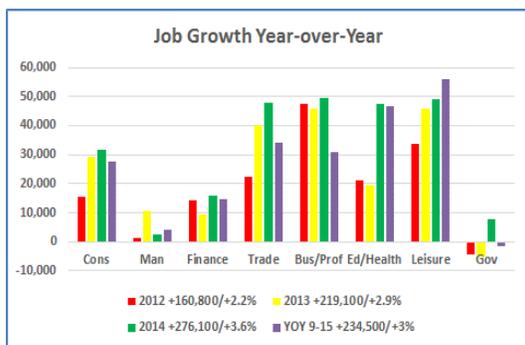


Florida Economy: Job Growth Slows Again

Florida's economy generated 234,500 jobs over the 12 months ending in September. This strong performance allowed Florida to rank 2nd in the U.S. for job growth. Furthermore, Florida's 3% rate of job gain also ranked 2nd in the U.S.



As impressive as these data are, job gains have slowed each month over the last six months. For example, for the 12-months ending in August 2015 job gains totaled 244,900. Over the year job gains have remained high, but they are lower than in 2014 for every major employment sector with the exception of leisure, which is supported by booming tourism.



Florida's unemployment rate dipped to 5.2% in September down 0.2 from August. However, the household survey data on which these number are based continue to be quite odd. Despite strong gains in jobs, the

household survey data shown a gain of just 27,000 in employment. Clearly, something is amiss. This is important because it suggests that once again there will be significant upward revisions to the employment data and probably to the jobs data as well.

Across Florida's major metro areas every metro had a healthy increase in jobs over the year. With the boom in tourism continuing, Orlando led with a gain of 44,500 jobs. Robust gains were also recorded in Tampa Bay and in South Florida, notably in Ft. Lauderdale. Job gains in Jacksonville accelerated in September, but most other metro areas had smaller gains in September following the statewide pattern.

Data as of September 2015	Unemployment Rate	% Change Jobs	Change in Jobs last 12 Months
Cape Coral-Ft Myers	5.1%	2.5%	5,800
Ft Walton	4.4%	1.2%	1,300
Deltona-Daytona	5.5%	2.2%	4,000
Florida	5.1%	3.0%	234,500
Ft. Lauderdale	4.9%	3.5%	27,200
Gainesville	4.5%	3.2%	4,200
Jacksonville	5.1%	2.8%	17,500
Lakeland	6.1%	4.3%	8,600
Miami	6.2%	2.4%	26,600
Naples	5.6%	3.3%	4,300
No. Port-Brad-Sarasota	5.0%	2.2%	6,000
Ocala	6.1%	2.7%	2,600
Orlando	4.8%	4.0%	44,500
Palm Bay-Melbourne	5.6%	2.9%	5,800
Panama City	5.0%	1.0%	800
Pensacola	5.0%	3.2%	5,200
Pt St Lucie	6.0%	2.6%	3,400
Punta Gorda	5.9%	3.4%	1,500
Vero Beach	7.2%	1.5%	700
Tallahassee	5.0%	1.5%	2,500
Tampa-St. Pete	5.0%	2.9%	35,100
West Palm	5.2%	1.7%	9,800

While Florida's job gains have slowed this year compared to 2014, I expect 2016 to be better for a number of reasons. First, domestic migration into Florida is poised to accelerate. The job gains in major states east of the Mississippi bodes well for Florida. When this sending area experiences both strong job growth and rising housing sales, migration to Florida increases. Second, the U.S. economy should grow at 3% in 2016.