

ECONOCAST™ UPDATE – November 10, 2014

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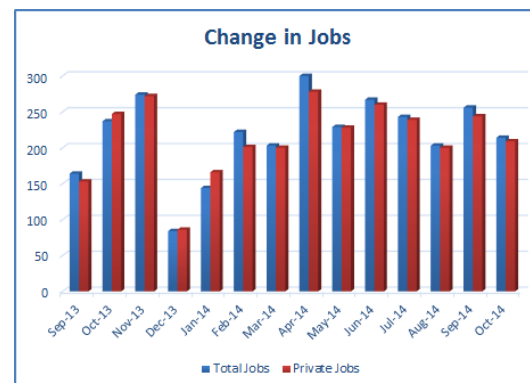
U.S. Economy – New Congress but We have the same Politics

Although the Republicans now control Congress, the gridlock remains with our politics still pulled in three different directions by: (1) Tea Partiers, (2) established Republicans, and (3) a Democratic President. Nevertheless the lame duck session beginning Wednesday will produce important legislation including: (a) an omnibus spending resolution funding the federal government through 9-31-15; (b) money for Ebola and the wars in Iraq and Syria; and (c) extensions of expired tax breaks for depreciation, research, etc. Why? Because it is in the interests of both parties to resolve these languishing issues and begin in January 2015 with a clean slate.

The big question for the U.S. and Florida economies is can the Republicans govern? Can they control their Tea Party element? The acid test will come in March when the debt ceiling needs to be increased again, which is always a lightning rod for the Tea Party. After much drama the likely result will be the required increase, but as we have seen before even the delays and drama have high costs for the economy. Thereafter, expect little progress on the big

issues of the debt and immigration. These cannot be resolved with the current political divide. But Congress will rollback regulations, especially on greenhouse gases, and will enact programs to promote energy. And maybe, there will be a major reform of our outmoded corporate income tax system and approval of pending trade pacts with Europe and Asia that the President and Congress will support.

October job growth totaled 214,000 which was a bit below this year's average of 230,000 per month. But, job gains in the prior two months were revised higher by 31,000. The unemployment rate dipped to 5.8% even as the labor force grew strongly. The share of workers who were unemployed in September but found jobs in October rose to 24%, the highest since 2008. Wage growth continued at about a 2% pace.



Florida Economy: the Election and Housing Markets

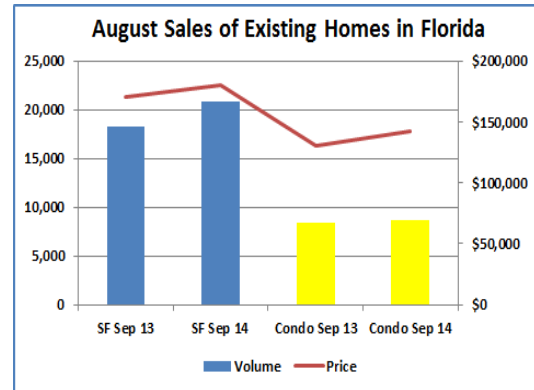
Governor Scott was narrowly reelected, and the Republicans increased their control over Florida's Legislature. The results are likely to be more of the same with more corporate tax cuts, reduced regulations, and more spending on education and infrastructure courtesy of higher state revenues. The economic impacts will be very small.

Although Governor Scott claimed credit for Florida's economic recovery, there is no evidence that his policies had much impact on the trajectory of job growth. The Governor ran in part on creating more jobs, but simply cutting taxes and regulations in a State which already has low taxes and regulations will not have much additional impact.

One new area that will get attention will be Florida's springs and surface waters. Amendment #1 passed diverting some \$800 million/year of documentary stamp tax revenues to conservation. The Legislature plans to use the money to fund the new springs/surface waters initiatives diverting the money from land purchases. Given the sorry state of Florida's surface waters, this will be a good decision.

Sales of existing homes rose strongly in September which is typically a slower month for Florida home sales. Sales of existing single-family homes jumped 14% compared to September 2013 and prices rose 6%. Condo and townhome sales ticked up 2% but prices rose 10% compared to last year. Inventories increased as did days on the market pointing to the

equilibrium that has been finally achieved.



Existing home sales varied widely across Florida's major metro areas in September 2014 compared to September 2013. Tampa Bay had the best performance with sales of almost 5,000 units rising nearly 10% above last year. Jacksonville also had a 10% sales gain. Orlando had the weakest sales which dipped 4% compared to 2013. There were only modest increases in sales in Southeast Florida led by the 4% gain in Ft. Lauderdale. In Southwest Florida sales rose just 4%, but this masks wide variations. In Sarasota/Bradenton sales were up 11% as single-family sales soared 23% offsetting a decline in condo sales. But Cape Coral-Ft. Myers have a sales gain of just 2% and sales declined in Naples over the year.

