

## ECONOCAST™ UPDATE – November 24, 2014

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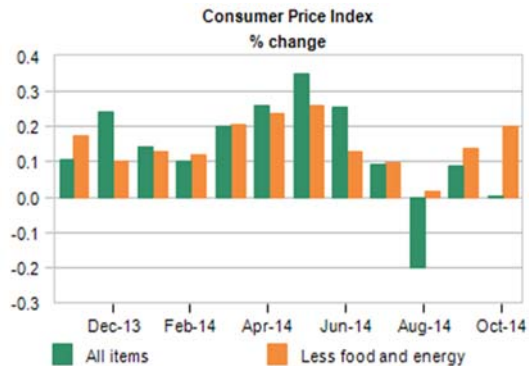
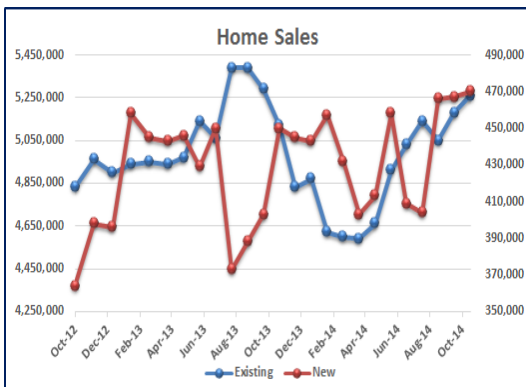
### U.S. Economy – The Home Stretch

Thanksgiving week marks the traditional beginning of the critical holiday sales season. The fundamentals are strong and the season should be bright. With retail sales projected to rise by more than 4% consumption spending should accelerate from last quarter's gain of 1.8% to 2.5% or more.

Housing markets are back on track after their disappointing 1<sup>st</sup> half performance. Existing home sales rose 1.5% to an annualized pace of 5.26 million pushing sales 2.5% over last year's levels. Pricing also inched up 5.5% over last year. Data for new home sales will be released later this week, but all signs point higher. I expect new sales to rise to 470,000 SAAR.

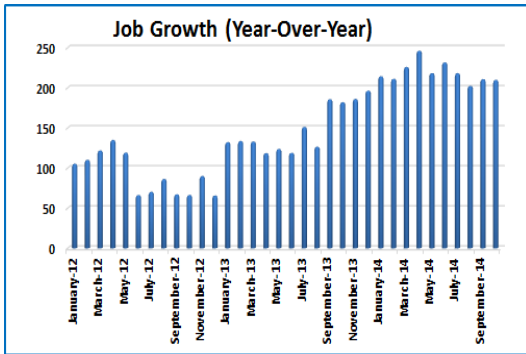
Although housing starts declined slightly in October, this was from a drop in volatile multifamily units. Single-family starts were up and are now 15% ahead of last year. And permit volume rose significantly too.

Consumer prices were unchanged in October with energy prices pushing down against rising food and shelter costs. The core rate rose and is now 1.8% over last year. While a sustained increase in core inflation is slowly building, the rate is unlikely to breach the Fed's 2% target until mid-2015. Monetary policymakers will not feel pressure from imminent inflation. But by mid-2015 core inflation will rise above 2%, and the unemployment rate will be near 5.5%. That said, I do not expect the Fed to raise the funds rate until 2015Q3.

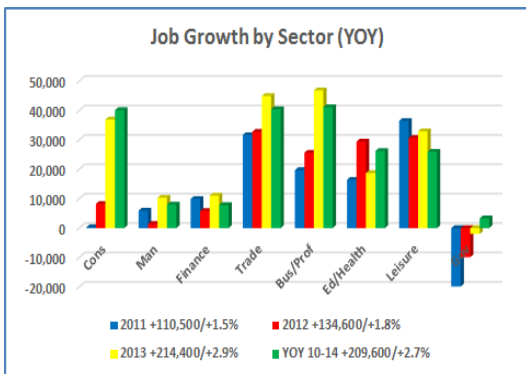


## Florida Economy: Job Growth on the High Plateau

Payrolls increased 206,900 for the 12-months ending October 2014. Although job growth is strong, it has been at this high plateau for over a year. It appears that this is the high point for this cycle's job growth.



Every major sector improved over the year. The strongest gains came in retail trade (food and beverage stores), construction (homebuilding), business and professional services (employment services and all types of professionals), healthcare (surgery and outpatient), and leisure (lodging and attractions).



The unemployment rate ticked down to 6%. While this is still a bit above the national average, the improvement demonstrates significant strength in Florida. This is because Florida's labor force is growing strongly, finally, reflecting the

state's stronger job market. The Florida household survey showed a labor force increase of 266,000 for 2.6% annual gain, but employment soared 3.9% up by a total of 347,000.

Miami and Orlando had the strongest job gains over the year with 36,000 or more rising by more than 3% each. Strong gains of more than 20,000 were also posted in Ft. Lauderdale, Tampa-St. Pete, and Jacksonville.

Data as of October 2014	Unemployment Rate	Jobs last 12 Months	% Change Jobs
Cape Coral-Ft Myers	6.1%	1,800	0.7%
Ft Walton	6.2%	1,400	1.7%
Deltona-Daytona	6.3%	2,300	1.4%
<b>Florida</b>	<b>6.0%</b>	<b>209,600</b>	<b>2.7%</b>
Ft. Lauderdale	5.2%	23,200	3.1%
Gainesville	4.5%	1,400	1.1%
Jacksonville	4.9%	21,900	3.6%
Lakeland	5.8%	1,700	0.9%
Miami	7.3%	37,600	3.5%
Naples	7.0%	4,800	3.8%
No. Port-Brad-Sarasota	5.8%	9,800	3.8%
Ocala	7.1%	-1,000	-1.1%
Orlando	5.8%	36,000	3.3%
Palm Bay-Melbourne	6.8%	300	0.2%
Palm Coast	9.2%	300	1.5%
Panama City	6.3%	-800	-1.1%
Pensacola	5.9%	3,200	2.0%
Pt St Lucie	7.6%	2,900	2.3%
Punta Gorda	6.3%	1,000	2.3%
Vero Beach	5.4%	-200	-0.4%
Tallahassee	6.2%	2,200	1.3%
Tampa-St. Pete	7.6%	20,500	1.7%
West Palm-Boca Raton	6.4%	14,700	2.7%

North Port-Sarasota-Bradenton and Naples enjoyed job gains of 3.8% boosted by their strongly improving housing sectors. But, the gains were not widespread across Southwest Florida. Weaker housing markets produced paltry gains of just 0.7% jobs in Ft. Myers and a below average 2.4% in Punta Gorda.

Panama City and Ocala were the only MSAs that lost jobs over the year. These areas continue to be weak with widespread losses and continuing erosion in their tourism sectors.

Tallahassee and Gainesville also have lagged in this recovery held back by their large, but anemic, state government sectors.