

ECONOCAST™ UPDATE – December 16, 2013

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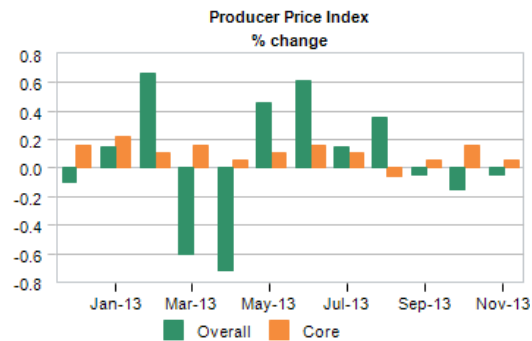
U.S. Economy – A Budget

Congress is on the verge of passing a long term federal budget for the first time since 1997. The budget sets federal spending at about \$1 trillion for each fiscal year through October 1, 2015 which is about \$62 billion higher than under current law. The increased spending is more than paid for through higher fees and lower Medicare reimbursements over the next 10 years reducing the overall deficit by \$23 billion. It relaxes sequestration limit on the Defense Department. While the budget deal is limited in scope, it lifts the pall of uncertainty created by Congressional inaction which limited economic growth this year. The result will be less fiscal drag, lower risk and faster growth in 2014 and 2015.

Confirming the acceleration in growth indicated by rising employment, retail sales surprised on the upside. Retail sales grew 8.7% annual rate in November following a revised October gain of 7.4%. Auto sales were particularly strong. Sales excluding gas and autos grew at a 7.4% pace matching the October gain.



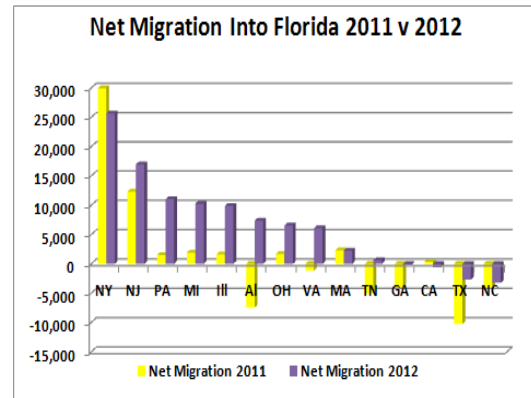
Despite the monetary stimulus and accelerating private sector growth, there is virtually no price inflation to worry over. Producer prices fell for the third month in a row in November and core prices retreated.



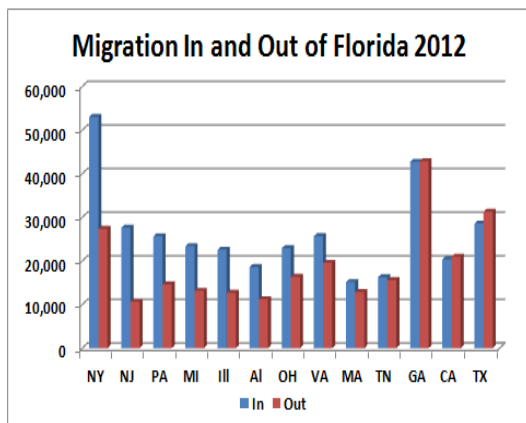
While the very low level of price inflation maybe a worry, the Fed is likely to announce the beginning of its long awaited tapering of bond purchases at its meeting this week. Markets have already priced this into current rates so little impact is likely.

Florida Economy: Migration Data

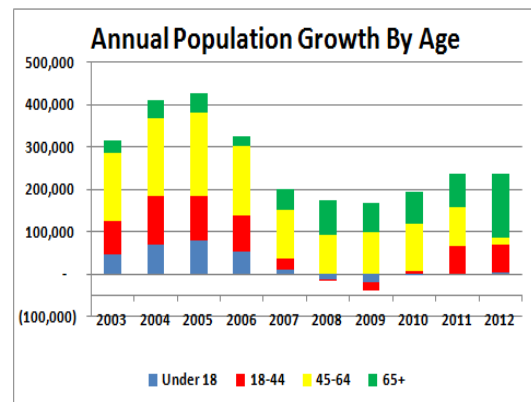
Last week Census published the inter-state migration data for 2012. Net inter-state migration into Florida nearly doubled from 2011 up from 68,000 to over 109,000 in 2012. As the chart below shows, there is a large volume of both in and out migration every year. As usual Florida receives the most net migrants from New York, New Jersey, Michigan, Illinois, Ohio, Pennsylvania and Virginia. The significant net migration from Alabama was surprising, but it is probably the result of rising relative job growth in Florida. With the increase in job opportunities Florida sent far fewer migrants to Texas, North Carolina and Georgia in 2012.



The implications of these shifts in migration are reflected in the growth of Florida's population by age group. The rebound in migration from the Midwest drove population growth in the 65 and over age cohort. This in turn boosted demand for Florida's retirement communities. In addition, the recovery in Florida's labor market has created sufficient opportunities to arrest the loss families headed by those in the labor force resulting in significant gain in the population under age 44.



Comparing the volume of net migration in 2011 to 2012 presents some important trends. Net migration from the Midwest picked up dramatically in 2012. Housing markets in the Midwest have improved both in terms of pricing and sales volume sufficient to support an marked acceleration in migration to Florida. As the chart below shows, net migration was quite limited from these areas in 2011.



These trends are very encouraging for accelerating population growth over the next two years. Housing markets should remain strong in for all states East of the Mississippi, the area providing the bulk of Florida's migrants. Rising job growth in Florida further adds to the strength to population growth through 2016.