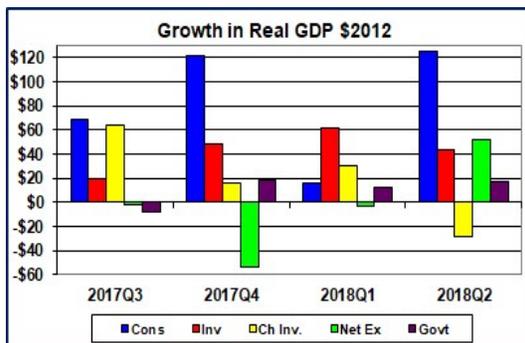


ECONOCAST™ UPDATE – July 30, 2018

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U.S. Economy – Faster Growth and Higher Prices

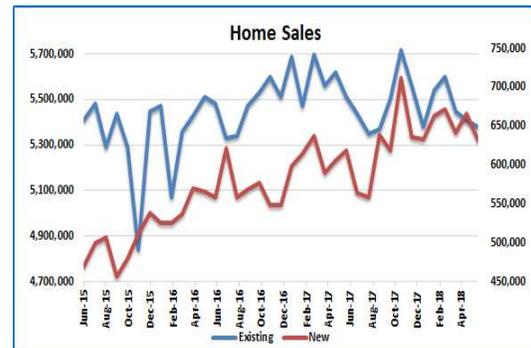
Economic growth is accelerating. Real GDP grew at a 4.1 percent pace in 2018Q2 fueled by: the massive, deficit-financed, tax cut, and increases in government spending. Consumption spending jumped over \$125B in 2018Q2 contributing 2.7% to GDP, while exports and business investment each added another 1%. Inventories fell, which sets the stage for restocking and more production in Q3. Real final sales to domestic purchasers, or GDP less inventories and net exports, rose 3.9%. This is impressive and suggests that the economy can do well, even as the yield curve flattens.



The big question now is how sustainable is the improvement? I doubt we will see another 4% gain in real GDP growth anytime soon, since

1% of it came from the surge in exports, mostly of soybeans to beat the tariff increase. However, growth will remain strong for at least another 18-months based on the stimulus, tax cuts, and reduced regulations.

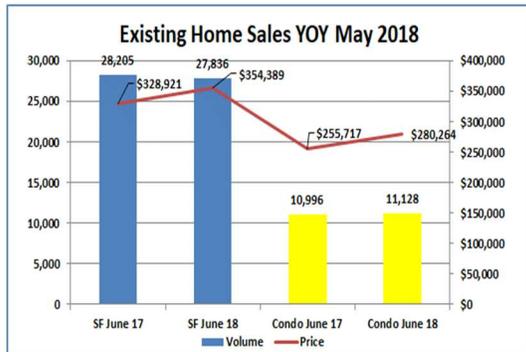
Housing is the only significant weak spot. Sales of existing homes fell for the third straight month in June, down 0.6% from the revised May total and are down by 2.2% from June 2017. The sales decline seems to be due to rising mortgage rates and falling confidence, since listings have been increasing. New home sales also dipped in June, falling 5.3% from the revised May total, but they remain 2.4% above June 2017.



The August meeting of the Federal Open Market Committee will mostly be a formality. With accelerating growth and rising inflation, the Fed is sure to continue raising rates.

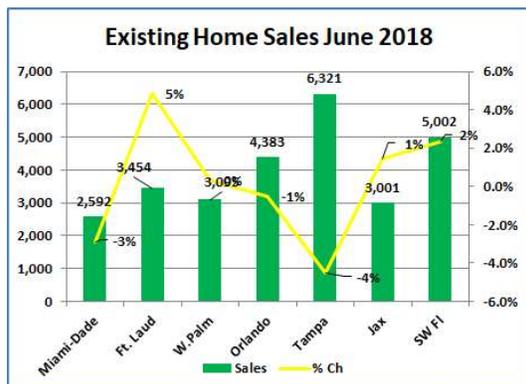
Florida Economy: Existing Home Sales Flat in June

Over the last six months sales of existing homes have remained about the same as in 2017, but prices have increases significantly. This pattern persisted in June. Existing home sales were off 1% compared to last June, but prices were up 8% for single-family homes and almost 10% for condos and townhomes.

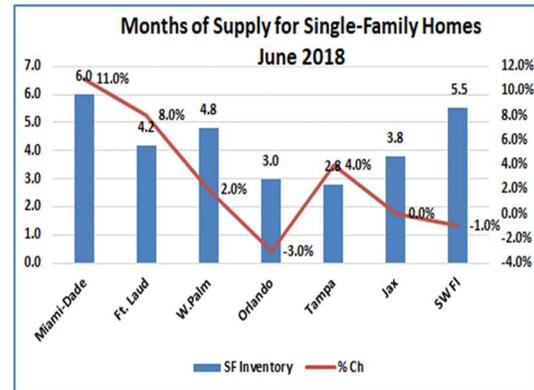


Statewide, inventories contracted 1% for single-families and 3% for multis, reversing the increases posted last month. New listings of single-family homes were flat, and multi listings fell 3%. This is most surprising in light of the significant increases in prices.

Sales were off 1%-to-4% in most major markets with the exceptions of Ft. Lauderdale (up 5%), Southwest Florida (up 2%) and Jacksonville (up 1%). Most of the declines came in the single-family market segment.



Inventories continued to tighten across most metro areas with the notable exception of Miami-Dade. There the inventory levels are already above the equilibrium level of 6-months compared to sales, and inventory levels are rising rapidly compared to the pace of sales in Miami-Dade. The opposite is true in Orlando where inventory levels are extraordinarily low and they are falling.



Although existing home sales have been flat in Florida, they are significantly better than for the nation. Furthermore, for the first five months of 2018 Florida's building permits are 18% above last year's pace. At the current rate home construction will top 135,000 units in 2018 in Florida. The strength of Florida's population growth and its strong gains in employment are offsetting rising prices and higher mortgage rates.