

## ECONOCAST™ UPDATE – January 16, 2017

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### U.S. Economy – Congress Passes the Budget Resolution for FY17

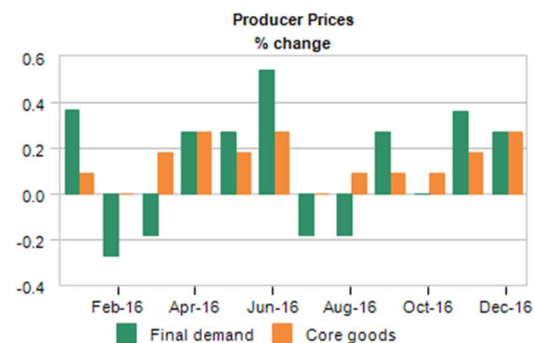
Motivated by their desire to repeal Obama Care, Congress passed a budget resolution governing spending for the current fiscal year 2016-17. Receiving less reportage, but of greater economic importance, was that the resolution: (a) increased the debt ceiling, (b) repealed the sequester, (c) increased federal spending significantly, and (d) provided required support to cut income taxes. This sets the stage for substantial fiscal stimulus this year and next. It appears that much of President elect Trump's fiscal policies will be approved during the first 100-days of his administration.

Retail sales rose 0.6% in December fueled by higher gas prices and strong auto sales. Core sales, excluding these two segments, were unchanged. Ecommerce sales rose 12% in December while sales were down more than 6% compared with last year at Department stores. Since retail prices were mostly lower, these dollar denominated gains understate the real strength in sales. Over the last four months sales growth has averaged 0.6% for core sales and 0.3% for noncore sales. Prospects

are bright for 2017 based on rising employment, accelerating wage gains, and improved wealth generated by the higher prices of homes and stocks.

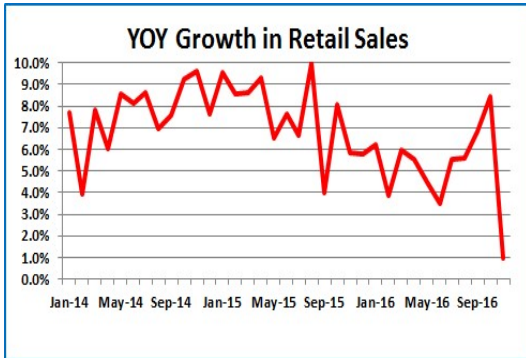


Inflationary pressures are developing, pointing to at least one rate hike by the Fed in the first half of the year. The PPI for final demand rose 0.3% in December after a 0.4% gain in November. Core goods prices rose an above-trend 0.3%.

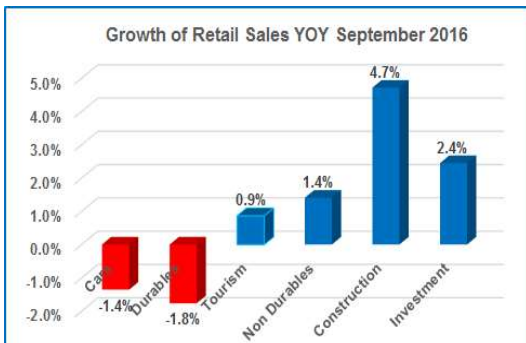


## Florida Economy: Retail Sales Soft in November

Retail sales growth was surprisingly weak in November with sales up by just 1% over the year. November's weakness reflects the national slowdown in retail sales in November.

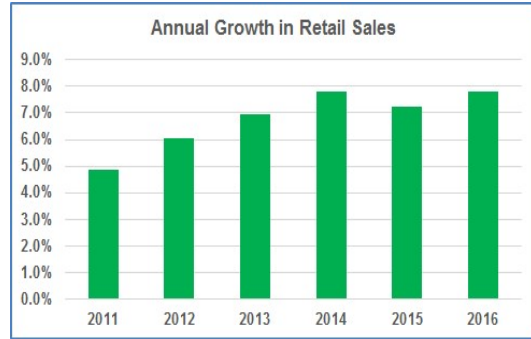


Over the year sales contracted for autos and durables. Tourism barely eked out a 0.9% gain and construction spending rose less than 5%.

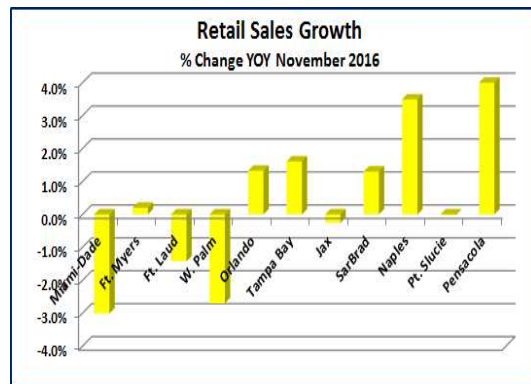


As was true for the nation, November's weakness will likely prove to be an aberration. Sales gains were strong for most of 2016. Comparing the cumulative level of sales in 2016 through November to the same 11-months in 2015 proves the point with recent sales up nearly 8% compared to 2015. This is consistent with the strong fundamentals supporting Florida retail sales including rising population

growth, higher employment, and rising incomes.



Sales were weak across all of Florida's major metro areas in November, but the South Florida metros were particularly weak.



The weakness in South Florida's November retail sales was broad based with contractions in tourism construction, and auto sales. By contrast tourism and construction sales held up better everywhere else.

