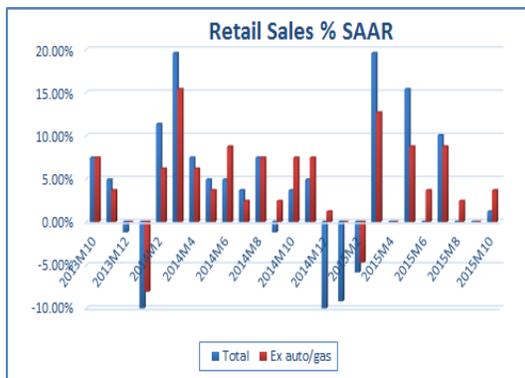


ECONOCAST™ UPDATE – November 16, 2015

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U.S. Economy – Retail Sales Disappoint Again

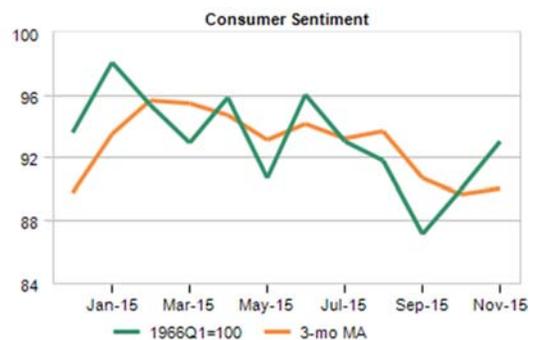
Retail sales rose by a meager 0.1% in October after two months of minimal increases. Some of the weakness came from falling gasoline prices, but the dollar value of auto sales dipped 0.5% despite the increase in unit sales. Core sales, excluding those two segments, rose by only 0.3%.



The weakness in retail sales is both troubling and unexpected. Troubling because retail sales are the main component of consumption, which accounts for about 2/3^{rds} of GDP. Unexpected because the fundamentals are so strong. The unemployment rate has dropped 0.7%, and job growth has averaged about 235,000 per month so far this year. While wage gains have been modest, low inflation has allowed

them to generate a 3.4% increase in real disposable income compared to last year. Home prices are up, and confidence is high. Yet, retail sales gains remain modest. Given these fundamentals, I still remain confident that retail sales will rebound in time for the holidays.

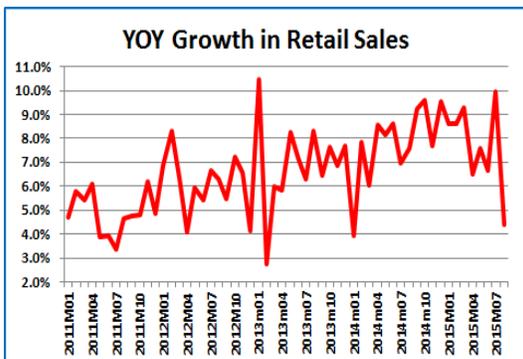
Consumers are quite confident about their future economic conditions. The stock market recovered over October and is back near its previous 2015 highs, and gasoline prices are 25% lower than last year.



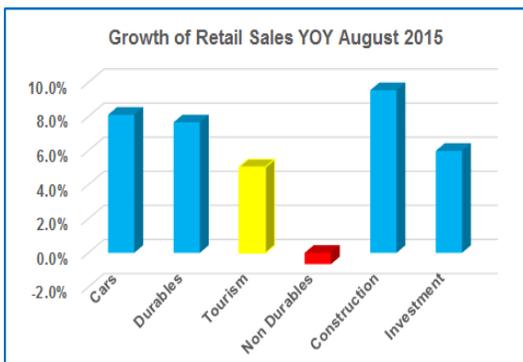
Producer prices dropped 0.4% in October for the second month in a row. The weakness in October pricing was broad based, and the core rate (less energy and food) fell 0.3%. There is simply no sign of inflation. The decline in producer prices all but guarantees that consumer prices will not increase either.

Florida Economy: Slower Growth in Retail Sales

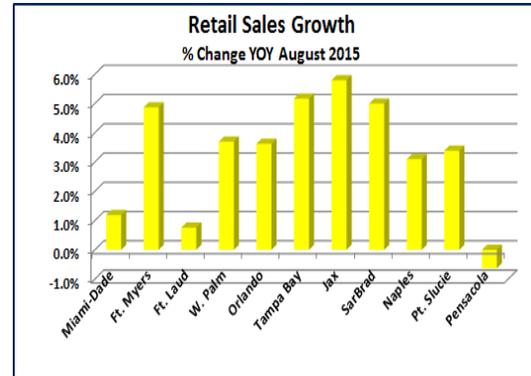
The growth rate for retail sales slowed sharply for the 12-months ending in August 2015 to just 4.4% compared to the strong 10% pace for the year ending in July 2015. As a result, the average growth of retail sales in 2015 dipped to 7.7% compared to 7.8% for 2014. While it is unusual to have this much volatility in retail sales when measured on a year-over-year basis, it is not unprecedented. Previously, when the growth in sales has slowed precipitously, the slowdown was very short lived.



Every major retail sector slowed over the latest 12-months, except for construction spending which continued rising at a double-digit pace. Spending on nondurables contracted 1% and tourism spending, which had been growing at very strong rates over the last 36 months, slowed by half.



Not surprisingly gains in retail sales also slowed precipitously in every major metro area in Florida. Sales were nearly 1% lower than last year in Pensacola and only grew by 1%, or a bit less, over the last 12 months in Miami and Ft. Lauderdale. Ft. Myers, Tampa Bay, and Jacksonville turned in the best performances for the year ending in August, but none of them had gains of even 6% over the year.



Disaggregating the growth in retail sales by sector reveals interesting variations across the State. For example, construction spending continued to grow strongly over the last 12-months in Orlando, Naples and Port St. Lucie. However, construction spending contracted in Pensacola over the year and was only modestly higher in Miami, Ft. Lauderdale, and Sarasota/Bradenton. Auto sales remained strong in Tampa and Sarasota, but they were softer elsewhere in Florida.

