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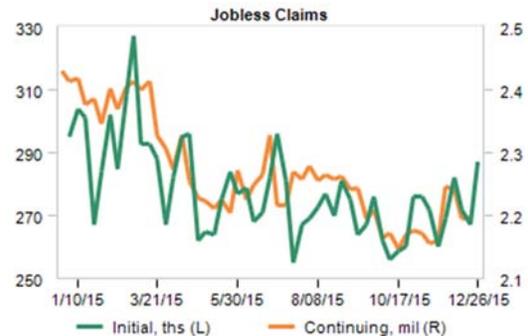
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**U.S. Economy – 2016 a Better Year**

The economy accelerated in 2015Q4 setting the stage for stronger growth this year. Despite a slow start, core retail sales, excluding auto and gas, grew 7.9% during the traditional Black Friday to Christmas Eve shopping season according to MasterCard's spending pulse report. The biggest winners this season were Ecommerce up 20% and furniture with double-digit growth, while electronics and men's apparel lagged well behind. Sales at traditional outlets increased by less than 2.5% according to the Johnson Redbook Retail Sales Index. Auto sales will jump to more than 17 million units when the data are tallied for 2015 marking their best year since 2005.

The labor market remains strong, even though new claims rose last week. The four-week moving average rose from 272,500 to 277,000 in the week ended December 26, consistent with growth in nonfarm payrolls north of 225,000 per month. A four-week moving average below 300,000 is historically rare, but it is the norm for 2015. With the unemployment rate at 5% wages will continue rising this year at an accelerating rate.



Housing has been a lagging sector throughout this recovery, and the latest data for November's home sales confirms this pattern. Sales of existing home plummeted 10.5% in November falling nearly 4% below 2014 levels. According to the National Association of Realtors, the decline is likely not the result of falling demand but because of longer closing times in November as the industry adjusts to new sales regulations. New-home sales in increased 4.3% from October and are 9.1% above their level in November 2014. However, sales for the past few months were revised down, indicating that the new home market is not yet at the point of taking off. Furthermore, the new home market has trended down for most of 2015. Even though sales of new homes are up year over year, the increase took place entirely from December 2014 to

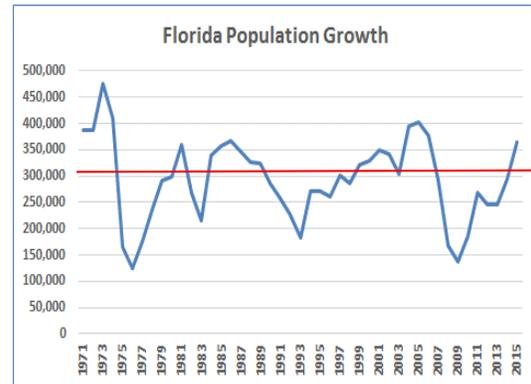
February 2015, with sales bouncing up and down but trending lower thereafter. Part of the reason for the historically slow recovery of new home sales is that the market has become more upscale since the recession. In the 20-year period from 1987 to 2007, the differential between the median new-home price and the median existing-home price averaged about \$20,000. As of the past two years, this differential has shot up to \$75,000 mostly because of increased wealth disparity since the recession. As a result, new home sales accounted for just 9% of all home sales over the last two years down from about a 20% share before the Great Recession.



### Florida Economy: Accelerating Population Growth

Florida’s population growth accelerated even faster than I expected in 2015 jumping by 365,703 – the strongest pace since 2005. Finally, for the first time since the Great Recession Florida’s population growth rose above its long-term average of about 300,000 per year. This sets the stage for even faster population growth this year. Despite the November setback, existing home sales will rebound supporting faster population growth as people are more able to sell their existing homes.

Continuing economic challenges in Argentina, Venezuela, and Puerto Rico will generate increasing volumes of international migration to Florida. In addition, U.S. demographics support stronger population growth in Florida as ever-increasing volumes of baby boomers retire.



The acceleration in Florida’s population growth over the last two years came from the strong increase in domestic migration. Since 2013, domestic migration has more than doubled from 91,484 to 202,510 in 2015. While much of the increase over the last two years is from retirees, Florida’s surging job growth has also attracted in more working-aged households and their children. This reverses the losses in the depths of the Great Recession.

