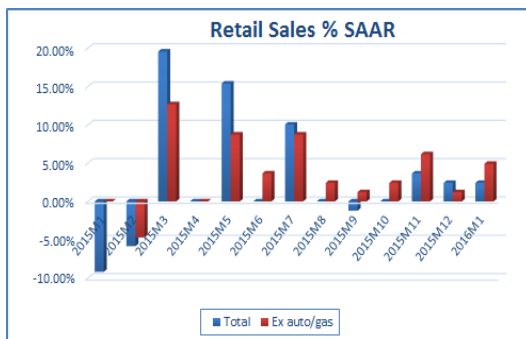


## ECONOCAST™ UPDATE – February 22, 2016

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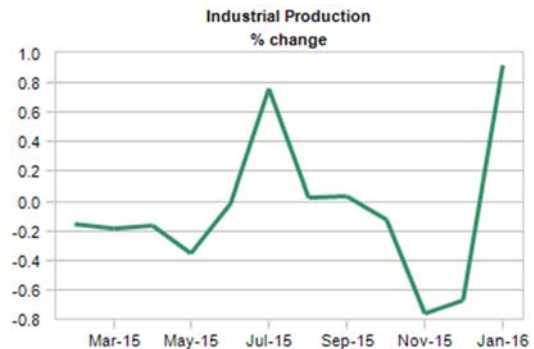
### U.S. Economy – Stable at 2.5%

Economic data over the last two weeks were much more encouraging and consistent with growth at the trend rate of 2.5%. Most importantly, retail sales rose at a 2.4% pace in January, and they were revised higher for December. January sales were 3.4% ahead of last year and the best in over 16 months. This means consumer spending was not as weak as thought. Furthermore, core sales, excluding gas and autos, rose at a 5% pace in January. Falling gasoline prices along with declines in import prices, and a general deceleration in goods prices, are depressing the top-line sales figures. However, real core sales are improving. The composition of sales growth is also encouraging, as many discretionary segments including sporting goods and hobby stores, restaurants, and building supply stores are accelerating.



Labor market data support stronger retail sales this year. The December Job Openings and Labor Turnover Survey showed job openings rebounded to a post-recession high of 3.8% as employers advertised for 5.6 million jobs. New claims for unemployment also are falling again.

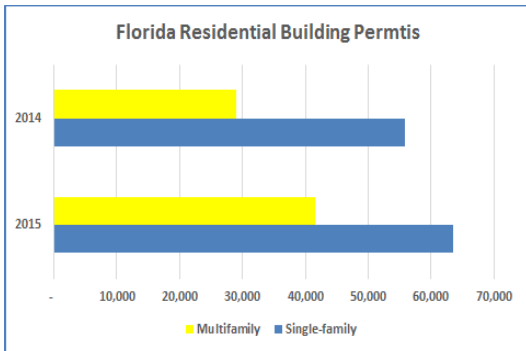
Industrial production shot up 0.9% in January mostly because of gains in utilities. However, manufacturing output gained 0.5% following the decline for two consecutive months. After declining in November and December, mining remained flat. This suggests that the downdraft from falling oil prices is about over allowing manufacturing to stabilize.



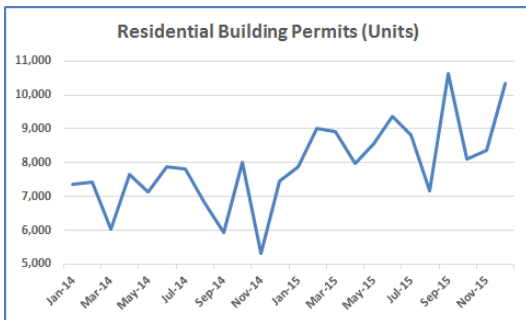
Rounding out the good news, U.S. stocks had their first weekly gain this year rising 2%. All of this suggests that the correction is over and markets may stabilize for now.

## Florida Economy: Residential Construction in Equilibrium Mostly

Residential construction accelerated strongly in 2015. Single-family permits rose 14% and multifamily permits soared 43% over 2014 levels. Permits totaled 105,109 in 2015 sufficient to house 263,000 people, but Florida's population growth exceeded 365,000. Since the recovery began in 2010, population growth and household formations have consistently exceeded permit levels. The excess inventory built up in the boom is now essentially gone. So, the stage is set for a significant increase in home construction in 2016.



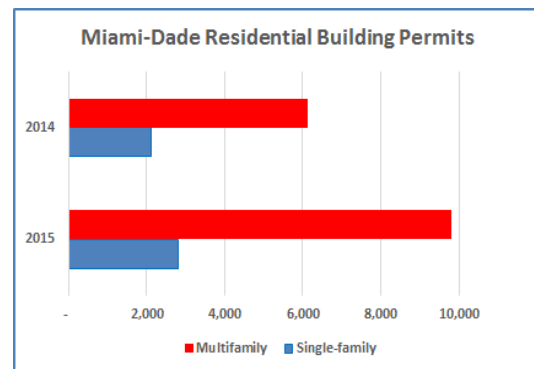
Permit volume accelerated in the last quarter of 2015. Permits jumped over 10,000 per month in both September and December of 2015.



However, even at these levels, permit volume will not keep up with Florida's accelerating population growth. The threshold for concern is at 13,500

permits per month. If permits remain at this level, housing starts would exceed the requirements of the 365,000 people who moved to Florida in 2015. Second home demand is also increasing and accounts for 10% or more of total demand. But at the 13,500 per month level, starts would exceed total demand.

Although statewide permit levels are in equilibrium, there are certain markets that are not. In particular, permit volumes in Miami-Dade County are running far ahead of demand, even allowing for significant volumes of foreign investment. In 2015 single-family permit volume jumped 34% and multifamily permit volume soared 60% over 2014 levels.



Permit volume is running ahead of demand. In December 2015 1,383 permits were issued. This is sufficient to house over 40,000 on an annualized basis. However, population growth is running at less than 30,000.

