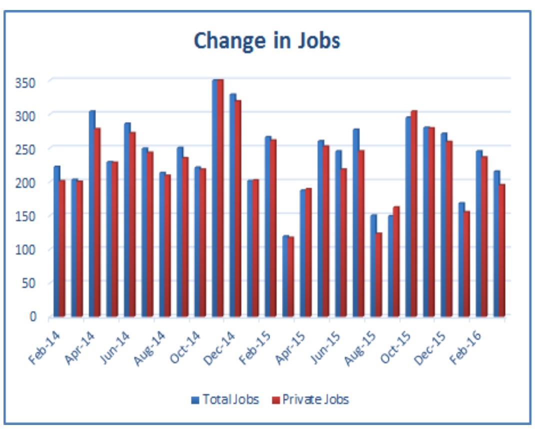
EW | ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – April 11, 2016

U.S. Economy – Does Slow Growth in GDP Mean It's Time to Worry?

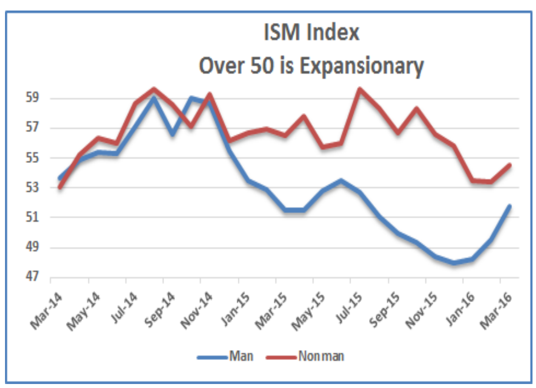
Growth in real GDP slowed sharply in 2015Q4, and it appears to have stalled out during 2016Q1 pulled down by contracting trade, lower inventory investment, and a pullback in spending for equipment and structures. While worrisome on its face, the slowdown is largely transitory and due in part from the lingering impact of the drop in oil prices.

The labor market continues to improve steadily. Payrolls increased by 215,000 in March, about equal to the average of the past four years. Gains were concentrated in services as manufacturers and energy producers pulled back.



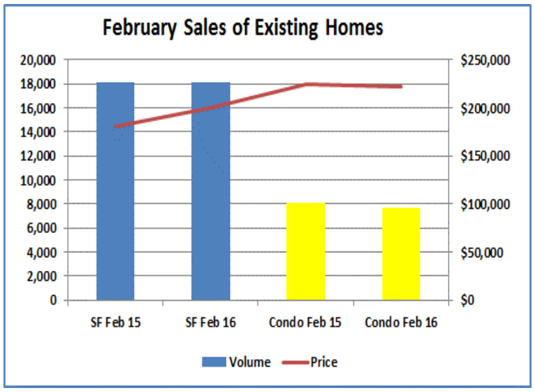
The unemployment rate notched up to 5% because (encouragingly) the labor force participation rose to 63%. Average hourly earnings increased by 0.3% bringing the year-over-year gain to 2.3%.

Manufacturing bottomed out and began recovering in February. The ISM manufacturing index increased 51.8 in March and it puts the index above its neutral threshold of 50 for the first time since August 2015. Most of the gain came from improving new orders. It appears that the down draft from lower energy prices is behind us. Inventory levels are low and additional upward movement is expected. The nonmanufacturing segment also moved up strongly in March rising to 54.5 in March. Again, gains were driven by rising new orders.

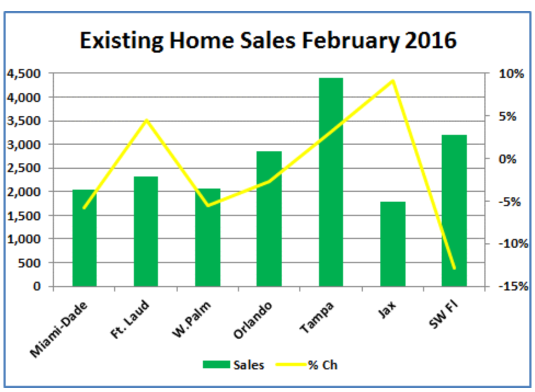


Florida Economy: Housing Market Activity Remains High, but Topped Out

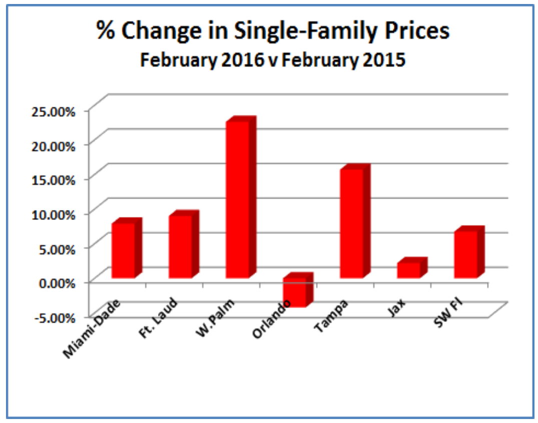
Over the last six months Florida's housing markets have operated at high levels of sales activity along with rising prices. However, the level of sales in the existing home marketplace have topped out. For example, sales of existing single-family homes rose less than 1% and condo sales dipped 5% over the year. The average prices were also essentially unchanged over the year.



There were substantial differences in existing home sales across Florida's major metro areas. Compared to last year sales were up 9% in Jacksonville and down 13% in Southwest Florida. Most other metro areas experienced very little gain or loss compared to last year.



The average prices paid for single-family homes increased at widely varying amounts over the year. For West Palm Beach, single-family home prices were up 23% over the year compared to a decline of 4% over the year in Orlando.



The supply of homes for sale remains extraordinarily tight. A six-month supply of inventory at current sales rates is generally viewed a market in balance. Markets across Florida have much lower inventory levels ranging from just 3.4 months of inventory in Orlando and Tampa and up to 6.1 months of inventory in Southwest Florida. With inventory levels this low, I would expect prices to rise faster in most markets in 2016, especially in Orlando and Jacksonville.