ECONOCAST WEEKLY

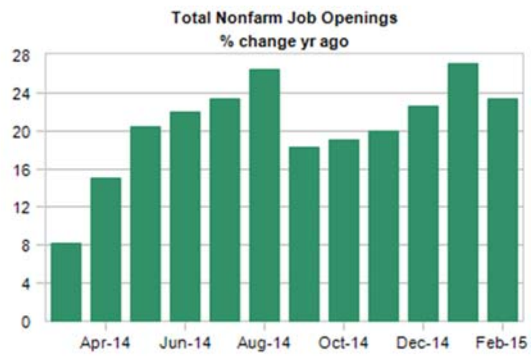
ECONOCAST™ UPDATE – April 13, 2015

U.S. Economy – Job Growth Slows

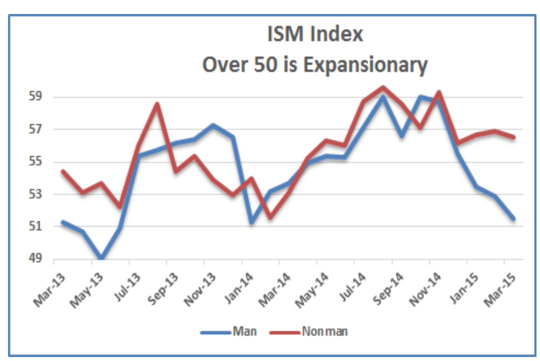
I often report on the latest data for new unemployment claims, because it is the best leading indicator for job growth. Moody's found that claims are also a reliable indicator for growth in real GDP.

Claims are at historically low levels (inverted axis at the right of the chart) pointing to a rebound in real GDP in Q2. Claims below 325,000 per month are consistent with strong increases in jobs (+250,000 or more) and with the high levels of business and consumer confidence.

Job openings surged in February to 5.13 million and the rate relative to the employment base was at its highest since January 2001. Hiring, however, declined for a second month to 4.9 million. The only logical reason for hiring to have declined was the awful winter weather. This suggests that employment and the economy will rebound strongly from the winter's lull.

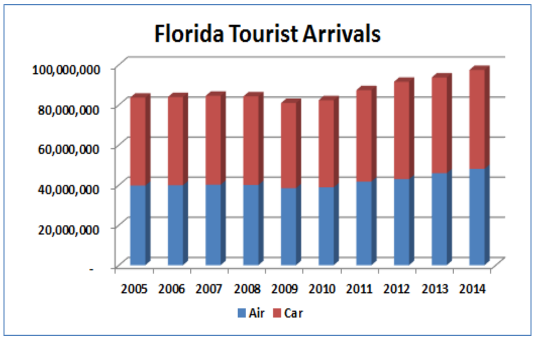


Predictably, the ISM manufacturing index continued to retreat in February. The high value of the dollar and the impact of lower oil prices are apparent. However, the index still remains above 50, meaning that expansion continues. High vehicle sales should support manufacturing. Nonmanufacturing remained strong on rising orders.

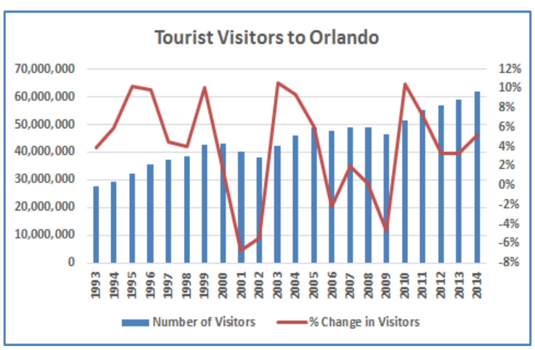


Florida Economy: Tourism at Record Highs

Florida's tourism industry recovered early in the cycle and has grown at record rates since the recessionary trough. Over 97 million tourists visited Florida last year an increase of 4% from 2013 and 3.8% per year since 2009. Arrivals by air represented 51% of the total about the same share as the last few years.

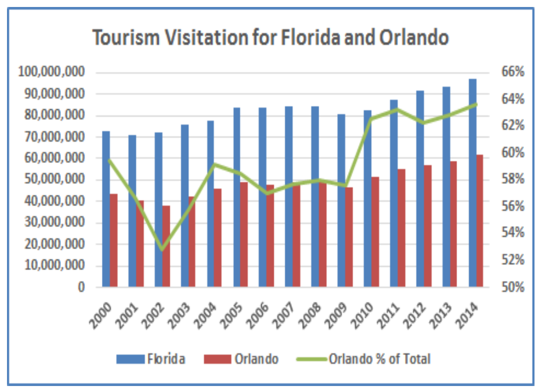


As strong as these statewide numbers are, the really remarkable tourism surge came in Orlando. Orlando became the first destination in the U.S. to breach the 60 million visitor per year level as 62 million flocked to Orlando in 2014. Since the recession tourism has grown by at a 4% annual rate.



It is useful to note that even in Orlando, tourist volume is cyclically sensitive. The recession of 2000 caused Orlando arrivals to drop 7% and arrivals dipped 5% at the trough of the Great Recession in 2009. However, the unprecedented investments by Orlando's attractions drew in record visitor volumes. Universal's Harry Potter, the rebuilding of WDW's Magic Kingdom, Seaworld's opening of Antarctica, and the opening of Legoland in 2010-2014 were all well received. This year will be just as strong since WDW completed New Fantasyland, and the Wizarding World of Harry Potter – Diagon Alley at Universal Orlando Resort opened. Visitors to Orlando in 2015 will experience the first full year of these expansions.

As a result, Orlando's share of Florida's tourism market jumped to 62% in 2014 and will rise higher this year.



However, the strongest grains in tourism are probably behind us for this cycle. First, the strong rise in the value of the dollar will cause a decline in foreign arrivals. The exchange weighted value of the dollar is up 13% compared to last year and will probably be close to 20% higher by this summer making a Florida vacation much more expensive to overseas tourists.

Second, the high value of the dollar also makes a foreign vacation a lot cheaper for U.S. travelers. Finally, rising interest rates will eventually slow growth in real U.S. GDP.