

ECONOCAST™ UPDATE – May 15, 2017

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U.S. Economy – Retail Sales Rebound in April

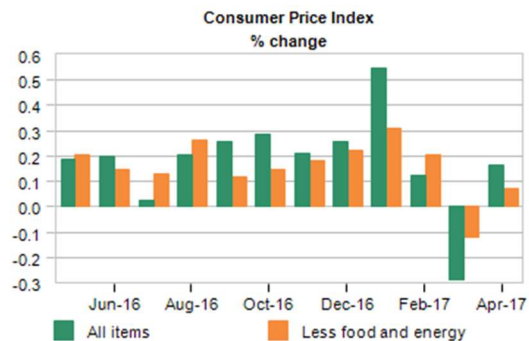
Retail sales rebounded in April, rising 0.4%, and sales were revised higher for March as well. Auto sales recovered and ecommerce sales expanded, but sales fell in department stores, apparel and furniture stores. Core sales, excluding auto and gasoline, rose 0.3% after upwardly revised gains of 0.4% and 0.1% the prior two months. In April sales were 4.5% above their year-ago level, and core sales were up 3.7%.



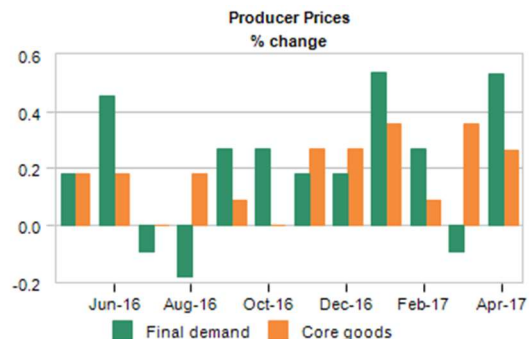
Despite the tighter labor market and modest increases in incomes, core sales gains remain stuck below 4%. While the prospects are bright, based on an expectation for accelerating wages, rising inflation is limiting gains in real disposable income thereby

jeopardizing both future sales gains and continuing growth in GDP.

The surprising dip in the CPI reversed in April, but core prices rose just 0.1%, their slowest pace since 2015.



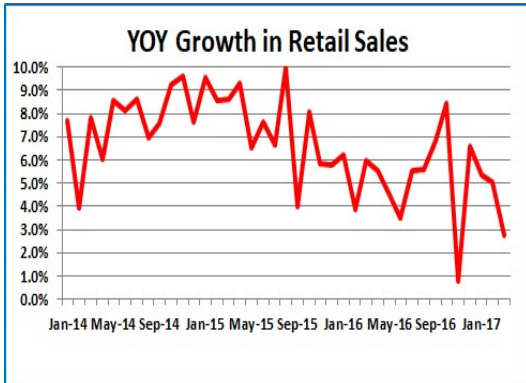
This was a bit surprising since producer prices are rising faster.



This matters, because it may affect the course of interest rates. But, I still believe the Fed will raise rates in June and again in the fall.

Florida Economy: Retail Sales Gains Slow

After rising at a 5.5% pace in January, growth in Florida's retail sales slowed by half to 2.8% in February. While this lower trajectory matches the February weakness in sales nationwide, it is a bit surprising given Florida's strong growth in population and employment.

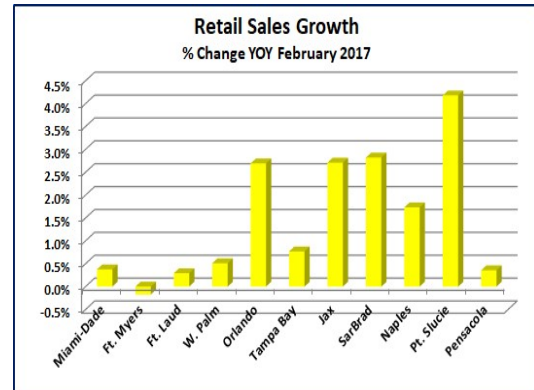


Sales gains were depressed by a drop in sales of durables goods, along with slow growth in auto sales and in tourism. The thrust from construction was a bit less in February, so growth overall dipped.

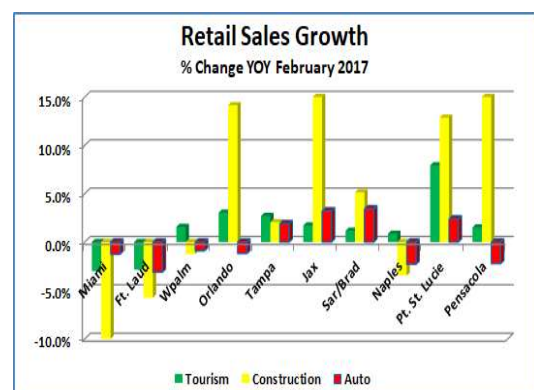


Retail sales growth was also restrained by weakening sales in South Florida. For the year ending in February 2017, retail sales grew by less than 1/2% in Miami, Ft. Lauderdale and West Palm. Sales growth was not much better in

Tampa, Southwest Florida, or in Pensacola.



A combination of factors contributed to the weakness in retail sales in South Florida. Sales of autos, construction materials, and in tourism all contracted over the year. By contrast, strong gains in construction sales supported overall retail sales gains in Orlando, Jacksonville and Port St. Lucie. In addition, while tourism related sales are not robust, except in Port St. Lucie, they improved compared to last month, especially in Orlando where tourism sales moved back into positive territory.



While February sales were weak, sales growth is likely to recover to the 4% range over the balance of 2017. The continuing strong gains in population and employment will offset weakness in tourism sales and the slowing in construction activity.