

## ECONOCAST™ UPDATE – September 19, 2016

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### U.S. Economy – More Cross Currents

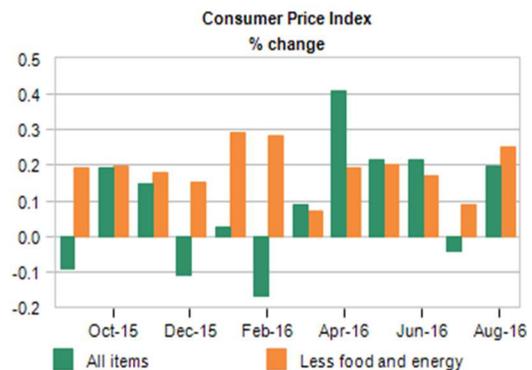
First we learn that real median household income rose 3.8% in 2015, rising at near record setting rates. Incomes rose most for lower income households courtesy of a tighter labor market and rising wages. Then retail sales disappoint in August. Sales fell 0.3% and core sales dropped too. But some perspective is in order. Consumer spending was very strong in the 2<sup>nd</sup> quarter, so some slowing was inevitable. August retail sales put real consumer spending on track to rise 3% at an annual rate this quarter following a 4.4% gain in the prior quarter. The fundamentals supporting consumption remain strong based on growth in jobs and incomes.



Consumer confidence remained

steady in September holding at a relatively high level, which is not surprising in light of employment markets, income gains, and low inflation. So, consumption will still be strong enough to propel GDP forward at a 3% pace.

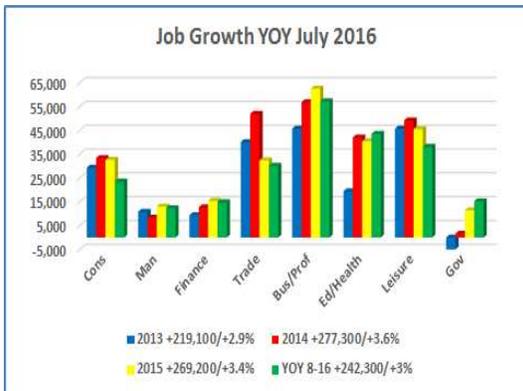
The CPI rose 0.2% in August and importantly core prices were up 0.3% -- rising at a 2.3% annual pace. Even though core inflation is rising, it remains well below levels that were consistent in the past with today's tight labor market conditions. Furthermore, producer prices were flat in August after falling in July. There are still no signs of building inflation.



Thus, it is increasingly unlikely that the Fed will raise the interest rates at the upcoming September meeting. Any rate rise will probably wait until the December meeting well after the election.

## Florida Economy: Job Growth Remains Strong

Florida's economy added 28,100 jobs in August and the data for July were revised higher. Although job growth is no longer accelerating, job gains remain high totaling 242,300 over the year rising at a 3% pace. Gains were paced by growth in business and professional services. Of note was the 13,000 jump in employment services that are used by employers in anticipation of additional hiring. Health care hiring remained strong along with gains in tourism related sectors. Gains in construction, finance, and trade were sturdy in August, but each was noticeably below the gains posted previously.



Job growth of 3% for the year ending in August is likely stronger than reported. The monthly employment report is based on a survey of employers (the CES survey). The quarterly report, based on complete records from employers (QCEW report), showed job growth running at a 3.6% pace in the 2016Q1 compared to the CES rate of 3.2%. This suggests that the CES data will be revised higher next year when it is re-benchmarked.

Florida's unemployment rate remained unchanged again at 4.7%

despite the surge in job growth. Continuing strong job growth over the last three years has triggered rapid growth in Florida's labor force thereby holding the unemployment rate down. This also suggests that population growth is accelerating.

There continues to be significant variation across Florida's major metro areas. The I-4 corridor continues to dominate job growth with the panhandle considerably slower.

Data as of July 2016	Unemployment Rate	last 12 Months	% Change Jobs
<b>Florida</b>	<b>4.7%</b>	<b>242,300</b>	<b>3.0%</b>
Cape Coral-Ft. Myers	4.7%	7,900	3.2%
Gainesville	4.4%	3,900	2.9%
Jacksonville	4.7%	24,300	3.7%
Lakeland-Winter Haven	5.8%	3,700	1.8%
South Florida	5.1%	74,000	2.9%
Ft. Lauderdale	4.6%	36,300	4.5%
Miami	5.6%	21,400	1.9%
West Palm Beach	5.1%	15,400	2.6%
Naples	5.3%	5,300	3.9%
North Port-Sarasota-Bradenton	4.5%	6,200	2.2%
Ocala	5.9%	1,900	1.9%
Orlando	4.4%	50,800	4.4%
Palm Bay	5.2%	2,100	1.0%
Pensacola	4.8%	2,400	1.4%
Port St. Lucie	5.6%	4,100	3.0%
Punta Gorda	5.3%	1,300	2.9%
Sebastian-Vero	6.6%	1,500	3.1%
Tallahassee	4.8%	3,500	2.0%
Tampa-St. Pete	4.6%	38,200	3.1%

Median, real, household income in the U.S. jumped to \$55,775 in 2015 rising at a record 3.8% pace. Although real, median, household incomes were considerably lower in Florida, they increased faster. For example, Florida incomes rose at a 4.1% rate and its major metro areas also outperformed the U.S.

