

ECONOCAST™ UPDATE – September 25, 2017

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U.S. Economy – Fed Moves to Normalize Monetary Policy

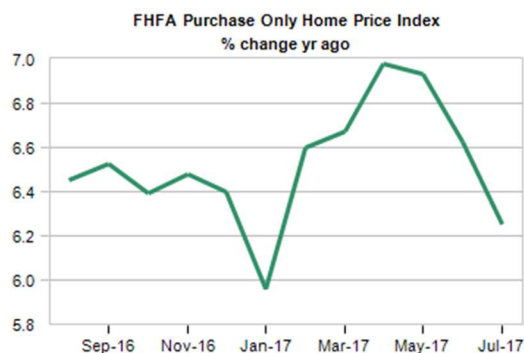
As widely expected, the Fed announced that beginning in October it is moving from quantitative easing to quantitative tightening to shrink its balance sheet. This will happen very gradually over the next few years. To do so, the Fed will stop fully reinvesting in maturing Treasury and mortgage backed securities. This will cause long term rates to rise about 1% over the upcoming year. In addition, the Fed plans one more hike in the funds rate this year and three more in 2018. Finally, the Fed lowered its estimate for the equilibrium level of the funds rate from 4% to 3% which is significant.

Rising rates will add to the headwinds for housing markets. Sales of existing homes dipped again in August, down 1.7% from July totals, but they are still 0.2% over August 2016. The decline was exclusively in single-family sales. Surprisingly, listings also fell again, so overall market tightness was unchanged despite the drop in sales. It is the shortage of listings that is causing sales to fall and not any fundamental drop in demand. However, hurricane Harvey did pull sales down temporarily in August.

Sales of new homes will be released on Tuesday. I expect that sales will rebound from their 10% drop in July. Given the monthly volatility, it is likely that the July drop will be revised higher as were sales reported in May and June.

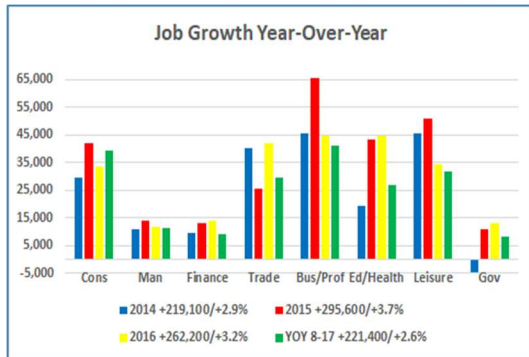


Given the very low level of homes for sale, home prices rose 6.3% in July on a year-ago basis, which is just a bit slower than the previous month's increase.

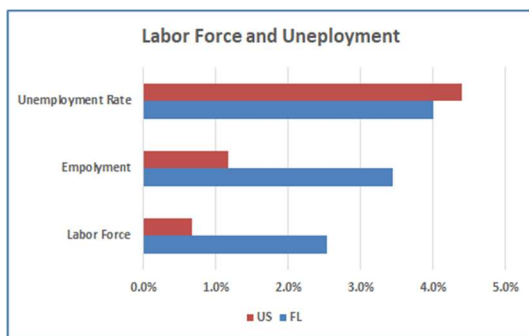


Florida Economy: Strong and Steady Job Growth in August

Florida has had strong and steady job growth over the last nine months. On a year-over-year basis, job gains totaled 221,400 in August. All sectors had positive gains led by increases in business and professional services and in construction. However, job gains have continued to slow from the peak of 295,600 achieved in 2015.



Florida's unemployment rate dipped to 4% in August compared to 4.3% for the U.S. Although Florida's labor force grew by 2.5% over the year, employment rose by 3.4% pushing the unemployment rate down by nearly 1%. These data compare very favorably to trends in the U.S.



Despite the slowing pace of job growth in Florida, Florida continues to rank 3rd among the states for job gains. With its 2.6% rate of job growth Florida ranked 2nd to Georgia.



Orlando regained its leadership for job growth in August with a yearly gain of 40,000 jobs driven by an 11,000 gain in its tourism sector. Tampa was a close second with 39,600 jobs boosted by its 16,000 jump in business and professional services. In third place was Ft. Lauderdale with widespread job gains led by healthcare. North Port-Sarasota-Bradenton had Florida's highest rate of job growth over the year, at 5%, supported by strong gains in tourism and retirement related sectors.

Data as of August 2017	Unemployment Rate	Last 12 Months	% Change Jobs
Florida	4.1%	221,400	2.6%
Cape Coral-Ft. Myers	4.1%	1,500	0.6%
Gainesville	3.8%	4,500	3.3%
Jacksonville	4.1%	16,900	2.5%
Lakeland-Winter Haven	4.8%	5,700	2.7%
South Florida	4.5%	61,900	2.3%
Ft. Lauderdale	3.9%	26,900	3.3%
Miami	4.9%	19,300	1.7%
West Palm Beach	4.4%	15,700	2.6%
Naples	4.7%	4,300	3.1%
North Port-Sarasota-Bradenton	3.9%	14,600	5.0%
Ocala	4.9%	2,100	2.1%
Orlando	3.8%	40,000	3.3%
Palm Bay	4.3%	5,500	2.6%
Pensacola	4.0%	3,700	2.1%
Port St. Lucie	4.7%	3,800	2.7%
Punta Gorda	4.7%	1,400	3.0%
Sebastian-Vero	5.5%	1,900	3.9%
Tallahassee	4.0%	4,700	2.7%
Tampa-St. Pete	4.0%	39,600	3.1%

Hurricane Irma will have a significant, but transitory, impact on Florida's labor market. Electricity has been restored in most areas and most businesses are back on line.