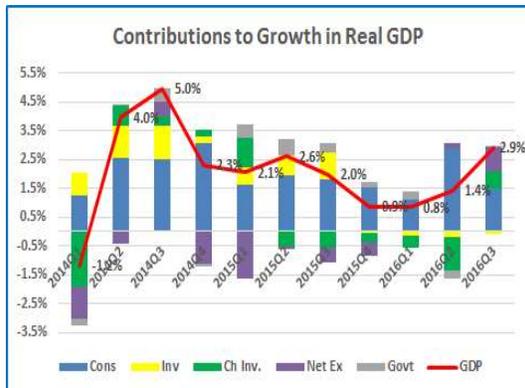


## ECONOCAST™ UPDATE – October 31, 2016

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### U.S. Economy – GDP Up 2.9%

Real GDP rebounded in 3<sup>rd</sup> quarter rising at a 2.9% pace, the best result in two years. Consumer spending contributed 1.5% of the total with exports adding 0.8%. The inventory correction is over, and inventories added 0.6%. Investment spending subtracted 0.1% remaining very weak.



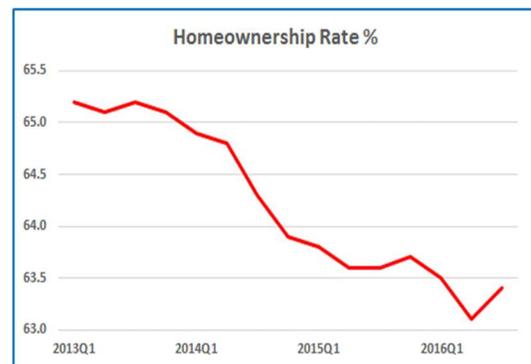
The composition of 3<sup>rd</sup> quarter growth points to continuing gains at 3% or more. Job gains and rising wages pushed real disposable income up 2.2% while the saving rate held steady at 5.7% setting the stage for stronger gains in consumption. This will stimulate production since the inventory correction is over. Residential construction is accelerating and commodity markets have stabilized which supports rising

overall investment spending. These gains will offset the one-time boost in net exports posted this quarter.

Consumer confidence retreated in September over concerns about the election and rising gas prices, but they exhibited long-term optimism.

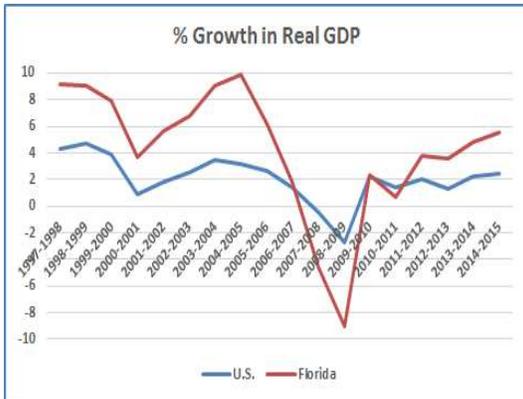


The homeownership rate showed a slight sign of improvement in the third quarter. This is welcome news for a still-weak housing market.

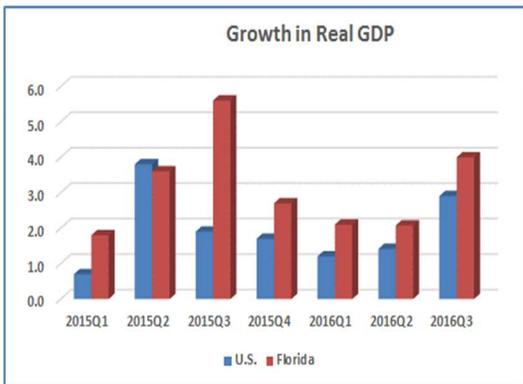


## Florida Economy: Growing at 4%

The rebound in real GDP is important news for Florida's economy. The growth in gross state product is highly correlated with the growth in real GDP, with a correlation coefficient of 0.88. Importantly, since 1997 Florida's economic growth is more volatile than the nation's, rising faster during expansions and contracting more sharply in recessions.

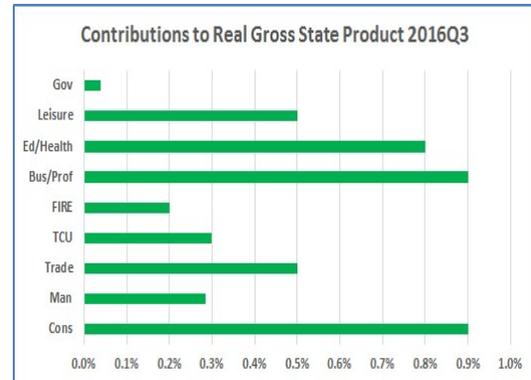


The jump in real GDP suggests that Florida's gross state product probably grew by 4% or more in 2016Q3. This comes at an important time for Florida, because it offsets weaker foreign investment and contracting foreign tourism caused by the stronger dollar and recessions in much of South America.



Buoyant construction activity contributed over 1% to the growth in GSP. Business and professional

services contributed 0.9% with noticeable gains in the professions. Healthcare pushed up the education/healthcare sector which provided 0.8% to GSP. The tourism sector, which had previously contributed the most to GSP fell back a bit adding 0.5%. Growth in population and employment has finally triggered stronger growth in retail trade which added 0.5% to GSP. TCU (transportation, communication, and utilities) gave 0.3% as did manufacturing. These gains are also linked to rising population and employment. The connection to TCU is obvious, but to manufacturing less so. But, much of Florida's durable manufacturing provides products to the construction sector including building materials.



The prospect of stronger growth in real GDP for the balance of 2016 and into 2017 confirms my optimistic outlook for Florida. As noted previously, when real GDP slowed during the first half of 2016, not only did the growth in real GSP slow – but the spread between Florida's faster growth rate and the U.S. rate shrank. Pressure from contracting foreign demand was not offset by rising domestic growth. This pattern reversed in the latest quarter. With very low interest rates, stronger housing and job markets, 2017 should be a great year for Florida.