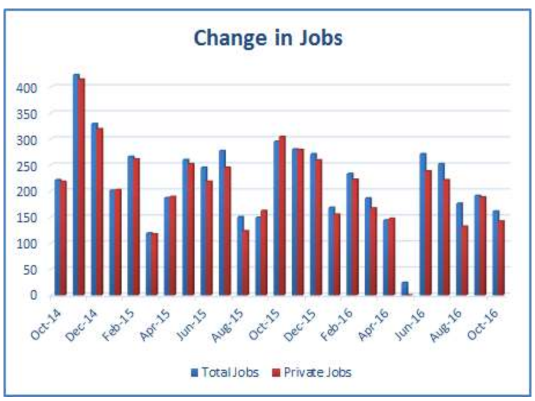
ECONOCAST™ UPDATE – November 7, 2016

U.S. Economy – Good Job Growth

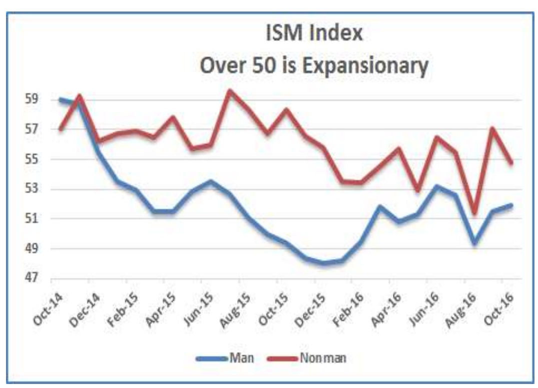
U.S. labor markets had another good month in October. Payrolls rose 161,000, and prior months were revised up by 45,000. The unemployment rate dipped to 4.9%, and the steady job growth has sent the broader U-6 measure, which includes discouraged and involuntary part-time workers, to a cyclical low of 9.5%. Wages rose 0.4% as the labor market continued to tighten pushing the year-over-year gain to 2.8% -- the highest of the expansion.



Although job growth has slowed a bit to an average of 181,000 per month, compared to over 200,000 per month in 2014 and 2015, the hallmark of this expansion is the strong and steady pace of job growth. There is every reason to expect this pattern of strong steady job growth to continue.

Predictably, the Fed did not increase the funds rate at last week's meeting given the timing of the election. However, the sturdy performance of the labor market all but assures that the Fed will raise the funds rate at their December meeting.

October's ISM indices remained well above 50 indicating continued expansion. Manufacturing is firming, because the headwinds from falling energy prices, the rising value of the dollar, and contracting inventories have all eased. The ISM manufacturing index rose to 51.9. Although the non-manufacturing index dipped to 54.8 it remains well above the 50 mark. The fundamentals remain strong with sturdy job growth, rising wages, and higher housing starts.



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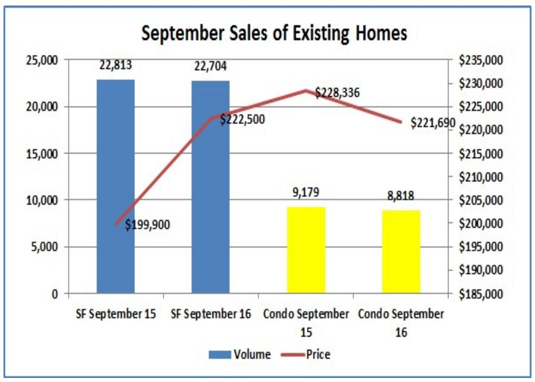
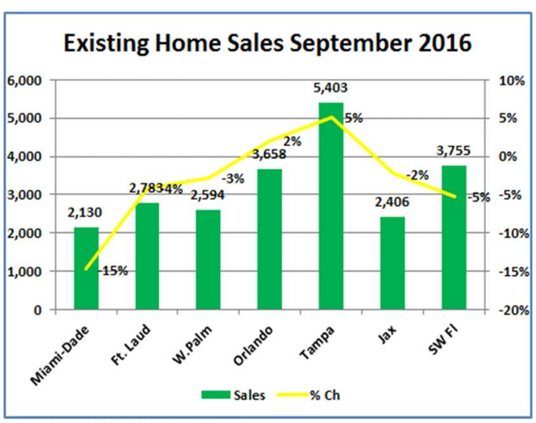
Florida Economy: Existing Home Sales Weaker in September

Housing markets retreated in September. Statewide sales of existing single-family homes were slightly lower than last year, but median prices rose 11%. Inventories remained very tight. Sales of condominiums and townhomes were down 4% compared to last year with prices up 7%. Inventories continued increasing reaching 6 months at the currently reduced sales pace. Despite the softer tone this month, the overall market remains in decent balance.

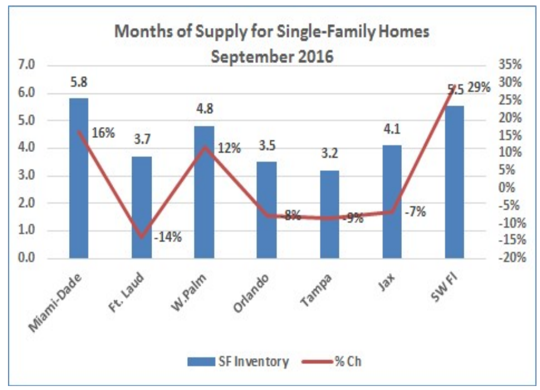


However, these statewide totals obscure the deepening declines in Miami-Dade and in Naples. Sales were down 15% in Miami-Dade with single-family closings down 10% and multifamily sales off 19%. The drop of 16% in Naples pushed sales down in Southwest Florida.



Otherwise, sales were essentially flat in all other major metro markets in September compared to last year.

The relative performance of the housing markets is shown most clearly in the data on inventories. At current sales rates the inventory of single-family homes rose 16% in Miami-Dade and a whopping 29% in Southwest Florida. At the same time inventories tightened in all the other major markets.



The condo/townhome market is even more worrisome in Miami-Dade where inventory rose to nearly 12 months at current sales levels up 37% over the year. Although the level of inventory is much lower in Southwest Florida, it shot up at a 55% rate over the year. By contrast, inventory dropped 18% in Orlando's multifamily market totaling just 3.5 months of inventory available. Inventories remained low in most of the other major markets as well.