

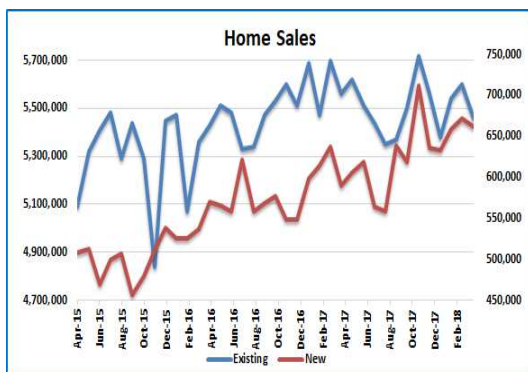
ECONOCAST™ UPDATE – May 28, 2018

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U.S. Economy – Housing Sales Dip

Home sales dipped in April, giving back their gains from March. Existing home sales declined 2.5% in April and are down by 1.8% from April 2017. All of the dip came from a 3% drop in single-family sales, whereas condo sales actually rose 1.6%. Inventories also increased in April, so finally the market is no longer tightening. But, it remains very tight by historical standards pushing prices up 5.3% since last year.

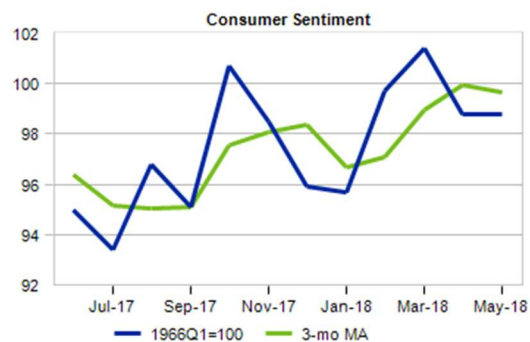
New single-family home sales fell 1.5% below the upwardly revised March rate, but sales are still 11.6% above year-ago levels. New home prices were flat mirroring the last few months of no change.



The outlook for housing remains bright despite higher mortgage rates

and reduced home-purchase tax deductibility from the tax overhaul. Continuing strong job growth and gains in incomes will push sales higher. First-time buyers are increasingly present too, so existing-home sales have not yet peaked for this economic cycle.

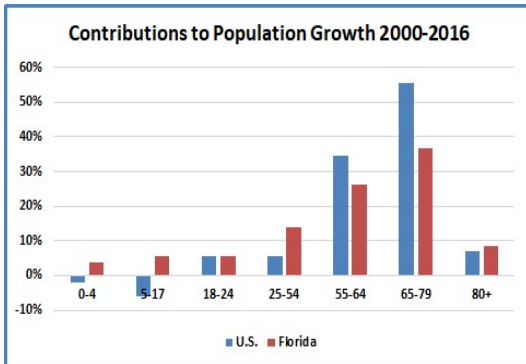
Consumer confidence fell again in May according to the University of Michigan. However, the high overall levels of consumer sentiment since the presidential election are consistent with faster economic growth and higher consumer spending. Current economic conditions were responsible for all of the drop in May, driven down by rising gasoline prices.



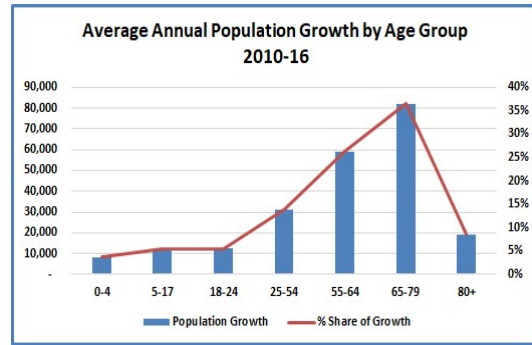
Investors shifted from stocks into bonds last week pushing the yield on the 10-year Bond below 3% as stocks retreated.

Florida Economy: Demography Matters

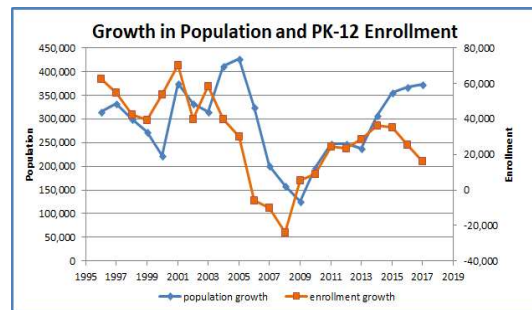
Demography may not be destiny, but it matters. Between 2010 and 2016 the U.S. population grew at just 0.8% per year compared to Florida's 1.5%. Importantly, in the U.S., the population ages 0-17 actually contracted while the population ages 65-74 accounted for 55% of the nation's total population growth. In Florida, the 65-74-year-old age cohort accounted for 37% of total population growth, which is counter intuitive for a State known as a retirement haven. Fortunately for Florida, faster population growth in total created a more vibrant overall economy, and one that is relatively more attractive to working-age families with children.



Unfortunately for the nation as a whole, the contraction in younger age cohorts and the growth in older cohorts will result in: (a) slower GDP growth and (b) higher public costs. U.S. birthrates are very low and falling while migration policy has turned more restrictive. Therefore, no change in trajectory is expected. By contrast, Florida is better situated. Recent data show that international migration into Florida has held up well despite changes in national policy, and Florida continues to generate large volumes of jobs attracting in primary households with children.



However, Florida's population growth is very sensitive to the business cycle, and the age structure of growth has important economic impacts. For example, recently, school enrollment growth in PK-12 has declined even as population growth has increased.



The demographic components of population growth vary significantly across Florida counties. For example, the 25-54 age cohort provides the most population growth in Orange and Miami-Dade Counties with small contributions from the older cohorts. By contrast, 75% of population growth in Sarasota County is from those ages 65-74.

