

## ECONOCAST™ UPDATE – October 22, 2018

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### U.S. Economy – Q3 Growth Stays Strong, But Home Sales Fall

Data reported last week point to growth at 3.25% in 2018Q3 fueled by strong consumption spending, a significant buildup of inventories, and the boost from fiscal stimulus. However, this quarter will be weaker as firms work down inventory and interest rates rise.

Already, higher mortgage rates are contributing to lower sales of existing homes, which fell 3.4% from August and are now down by 4.1% from September 2017. While Florence depresses sales in the South, sales fell in the East and West as well.

New home sales will be reported on Wednesday, but I am not optimistic. Although prices have flattened out, rising rates are limiting sales gains.



Retail sales were surprisingly weak in September, but some of this is hurricane related. The fundamentals remain strong with households more focused on the strength of the labor market than on rising rates or the growing trade war. Even with the sharp drop in September, year-over-year growth remains above its trend since mid-2012.

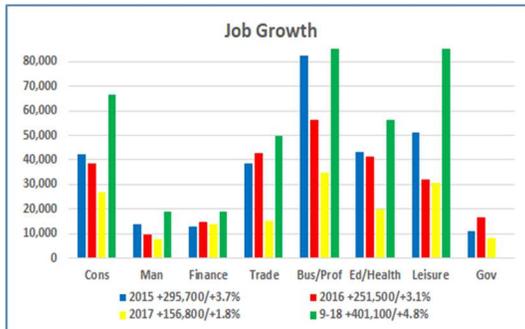


Importantly, labor markets remain very strong. Job openings rose to a new high of 7.1 million at the end of August as hiring could not keep pace.



## Florida Economy: Strong Job Growth in September

Florida's job count soared by 401,100 compared to last year, but much of these comes from comparison to last year's totals which were depressed temporarily by Hurricane Irma. On a seasonally adjusted basis monthly payrolls grew 16,900 in September, which is better than 2017 and on par with the stronger 2016 total.



Florida nosed out Texas for most jobs created over the last year. However, Florida's total was inflated by the comparison to 2017 when Irma depressed the job count.



As always, there was significant variation in job growth and in unemployment rates across Florida's major metro areas. The distorting effect of Irma on the year-over-year comparisons of job growth make these data of limited use. I point this out so users are not surprised or

confused. The unemployment rates are not distorted by the Irma effect. Unemployment rates are very low for Florida and for all major metro areas. These very low unemployment levels are beginning to constrain job growth since employers are finding it increasingly difficult to fill open positions in the U.S. and across Florida.

Data as of July 2018	Unemployment Rate	Last 12 Months	% Change Jobs
<b>Florida</b>	<b>3.5%</b>	<b>401,100</b>	<b>4.8%</b>
Cape Coral-Ft. Myers	2.9%	17,400	7.0%
Gainesville	2.7%	4,800	3.4%
Jacksonville	2.8%	30,200	4.4%
Lakeland-Winter Haven	3.4%	9,900	4.6%
South Florida	3.2%	107,700	4.0%
Ft. Lauderdale	2.8%	35,100	4.3%
Miami	3.6%	50,200	4.4%
West Palm Beach	3.1%	22,400	3.7%
Naples	3.3%	9,100	6.9%
North Port-Sarasota-Bradenton	2.8%	15,800	5.4%
Ocala	3.6%	4,700	4.7%
Orlando	2.7%	73,300	5.9%
Palm Bay	2.9%	9,800	4.7%
Pensacola	2.9%	3,900	2.2%
Port St. Lucie	3.5%	6,500	4.6%
Punta Gorda	3.5%	2,300	5.0%
Sebastian-Vero	3.9%	2,100	4.2%
Tallahassee	2.9%	2,100	1.2%
Tampa-St. Pete	2.9%	49,800	3.8%

The challenge of filling available job openings is particularly acute in Orlando, Tampa, and Ft. Lauderdale where employment gains have far outstripped the growth in the labor force. With unemployment levels below 3% each of these areas will be increasingly challenged over the next six months.

