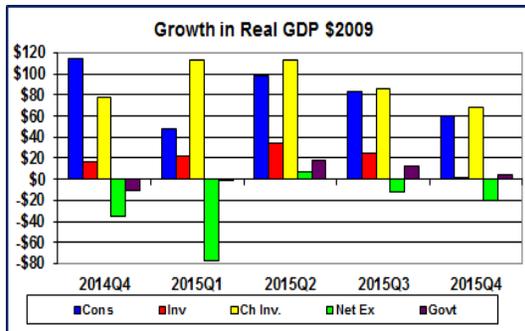


ECONOCAST™ UPDATE – February 1, 2016

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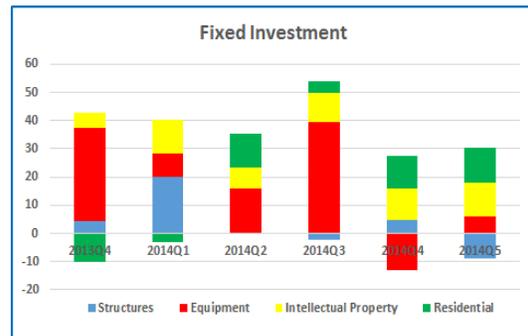
U.S. Economy – Deja vu all over again

Once more growth in real GDP slowed in 2015Q4 to just 0.7%. This is well below the 2.5% trend in place since 2010. Consumption spending added 1.5% to GDP in the 4th quarter down from its 2% contribution in the 3rd. Fixed investment spending was flat while inventories and net exports each contracted by 0.5%.



The slowdown in consumption spending is a temporary blip. Employment is up strongly, and wages are accelerating. New claims for unemployment compensation remain very low pointing to continuing job growth when the January data are reported on Friday. Despite the financial market turmoil in January, consumer confidence remained high.

The performance of fixed investment is puzzling. Over the last six months residential construction has rebounded and investment in intellectual property (software) has remained strong. But, business investment in equipment and structures has contracted, mostly due to falling oil prices.

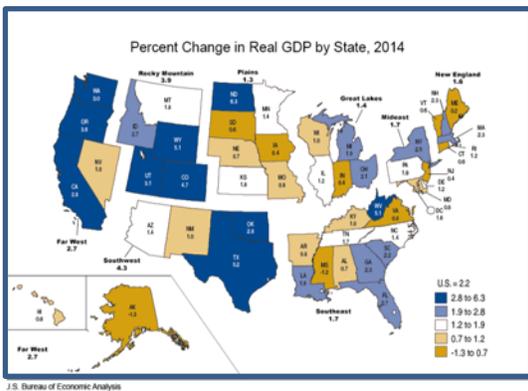


Oil prices appear to have stabilized at about \$32/barrel. If this holds, then the erosion in business investment will slow too allowing total fixed investment to buoy GDP growth in 2016 as home construction rises. In fact, as expected, new home sales jumped 11% in December. Additionally, with crude prices stabilizing stocks rallied strongly last week replacing some of the wealth lost and restoring confidence in the outlook. While manufacturing remains weak, the overall picture is good for the 2016.

Florida Economy: Strong Sending Areas Make Florida Strong

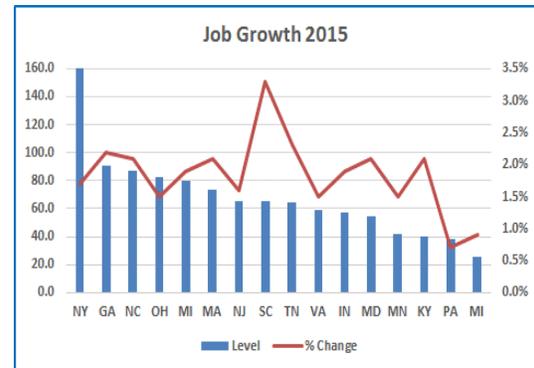
Growth in Florida's economy is fueled in large part from tourism and population growth. Inflows from Canada, South America and Puerto Rico are important, but inflows from states east of the Mississippi are dominant. Economic problems in South America and Puerto Rico will continue to push people and investment into Florida in 2016. Even more importantly, the eastern half of the U.S. is doing quite well economically.

In 2014 (the latest data available) gross state domestic product grew at the same pace, or faster, on average in many states in the eastern half of the country (in blue on the chart below). Importantly, these included New York, Massachusetts, Michigan, and Ohio that are major demand generators and sources of population growth. The only significant exceptions were in Illinois, New Jersey and Pennsylvania.

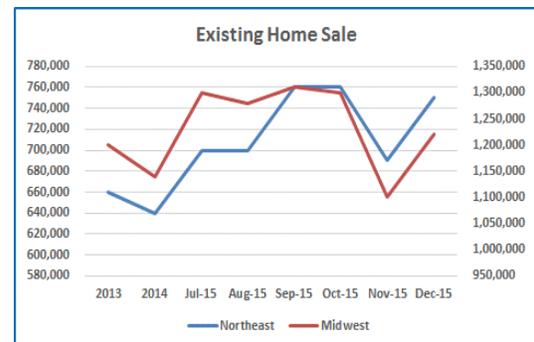


The latest employment data for 2015 was reported last week, and these data look even better for Florida. Of the 25 states contributing the most to job growth in 2015, sixteen of them were located east of the Mississippi. New York ranked 4th in the U.S. for

job growth with Michigan, Ohio, and Massachusetts coming in at ranks 8-10. When states in the eastern half of the U.S. have strong job growth, more of their residents vacation in Florida and more of them tend to move here.



The data on sales of existing homes in the Northeast and Midwest support the trend in Florida's accelerating population growth in 2015. Sales of existing homes rose rapidly in the second half of 2015, rising well above their levels in 2013 or in 2014. The drop in existing home sales in November 2015 was the result of changes in legal documentation requirements. So, sales bounced back in December.



These fundamental forces in those areas that are the sources of economic growth for Florida bode very well for the outlook in 2016. I expect even higher tourism visits and an acceleration in our population growth.