

ECONOCAST™ UPDATE – February 13, 2017

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U.S. Economy – Positive Numbers

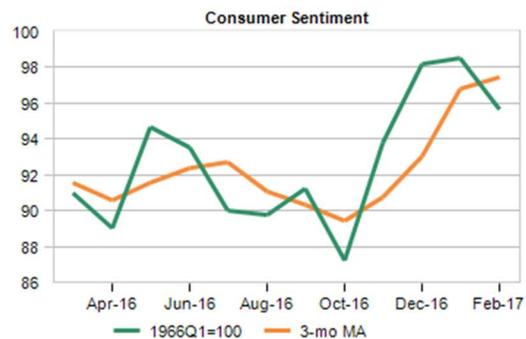
The big economic news last week was the jobs opening and labor turnover survey, or JOLTS. The December report indicates that the labor market remained steady and strong. Although, the number of job openings was flat at 5.5 million, job availability remains high - at rates last seen in the early 2000s. Hiring was also flat, at 5.25 million, which is lower than in the second half of the year after reaching a high of 5.5 million midyear.



Importantly, since the beginning of the JOLTS in 2001 through 2014, hiring had remained consistently higher than openings, until the last two years. In 2016, the gap between openings and hiring has averaged 400,000 each month. The gap seems to reflect a shortage of qualified

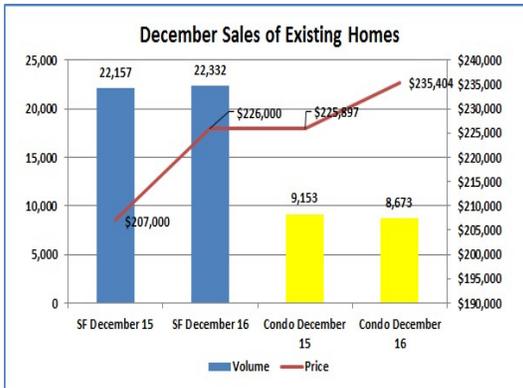
workers, particularly in healthcare, financial services, and manufacturing, where certain skills are required. The lack of available workers will inevitably lead to rising wage pressures this year.

The controversies and turmoil caused by the President's recent executive orders has begun to take a toll on consumer confidence. The preliminary University of Michigan Consumer Sentiment index fell 2.8 points in February to 95.7, marking the index's first decline since October. While some of this was inevitable given the surge in confidence with Mr. Trump's election, the turn in confidence was significant. To the extent that the rancor of recent weeks dissipates and job growth and wages continue rising, confidence will steady at a relatively high equilibrium in the near term.



Florida Economy: Home Sales Flat in December

Sales of existing homes were essentially unchanged in December, but average prices continued advancing for both single-family homes and condos. The inventory of single-family homes remained extraordinarily tight with no sign of relief as listing dipped. Multifamily inventories were also relatively tight.

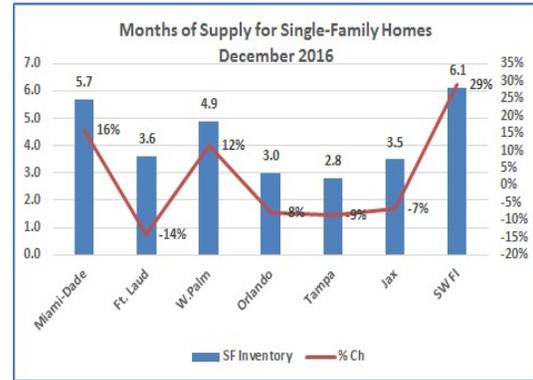


Home sales rose a modest 1% in Tampa, Orlando and Jacksonville over the year. But, sales dipped in the State's other large metro areas. Condominium sales continued contracting in South Florida with sales off 8%-to-16% in Miami-Dade and Palm Beach.

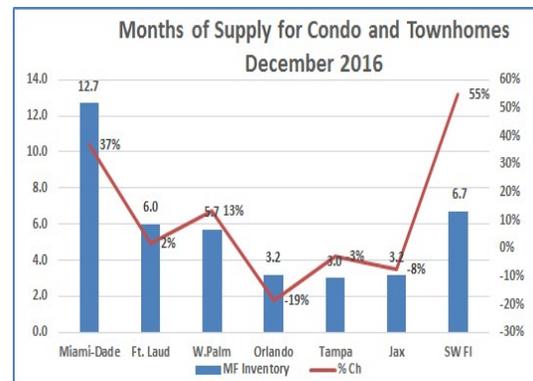


The slowdown in home sales in South Florida has caused inventories to rise. While the market for single-family homes in South Florida has moved

towards normal inventory levels of about 6 months at current sales rates, the inventory of condominiums for sale has reached alarming levels in Miami-Dade already, and at their current growth rates inventories will become bloated in Broward and Palm Beach as well.



Much like South Florida, the sales of existing homes, particularly condominiums, has slowed sharply in Naples causing inventory levels to skyrocket. The deterioration has distorted the data for Southwest Florida, but home sales were weaker in Ft. Myers and in Sarasota-Bradenton over the last 12 months as well.



The continuing strength of the dollar and the ongoing economic and political problems in South America have sharply curtailed home purchases in South Florida and no relief is in sight.