

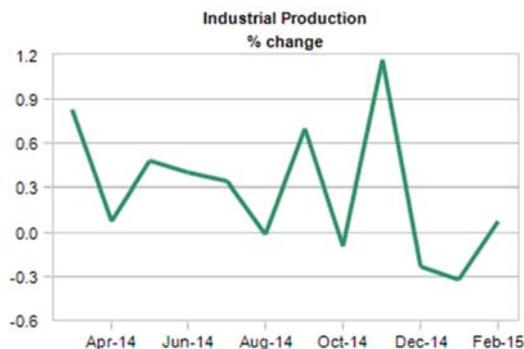
ECONOCAST™ UPDATE – March 23, 2015

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U.S. Economy – The Fed is No Longer Patient, but it is Cautious

Surprising no one the Fed announced that it will be cautious in the conduct of monetary policy, but it will no longer be “patient”. Financial markets rallied and the dollar declined, as market fears of an early rate hike diminished based on a combination of the Fed’s comments and the weaker than expected economic data.

Manufacturing activity downshifted under the weight of the higher value of the dollar and lower energy prices. Overall industrial production increased just 0.1% in February, and this was only because of a 7.3% surge in utility output due to the harsh winter weather. Manufacturing production dropped by 0.2% capping its weakest three months since 2012. Oil production fell 0.3% in February.



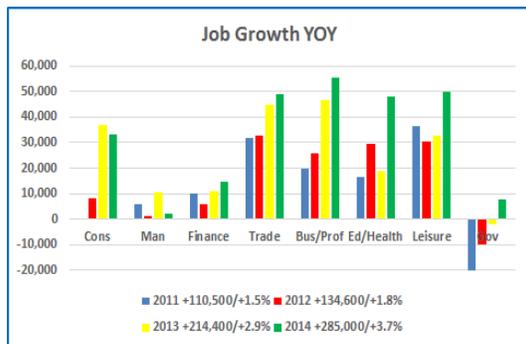
Housing starts dropped 17% from January pushing starts 3.3% below February 2014. Much of this was weather related, because permits rose strongly. However, the gains were all in multifamily product. Applications for new home mortgages remain below trend dating back to 2013. Evidently the finances of younger households are still too weak to support stronger single-family home sales. Wages for families renting homes also remain weak. So, it will be at least a few years before the homeownership rate recovers. As a result, the rental vacancy rate for the U.S. is lower than at any point since 1986, and rents are rising steadily. So, multifamily construction is doing much better. These fundamentals favoring multifamily apartments will shift to favor single-family homes, as the economy continues to generate jobs and wages.



Florida Economy: Revised Employment Data are Strong

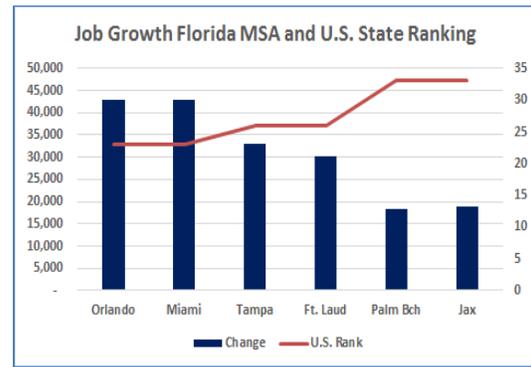
Florida's employment data are revised every year in March in a process called re-benchmarking. I have pointed out repeatedly that the employment data were understated, especially for Miami-Dade County. The revised data confirm this suspicion. Overall job growth during 2014 was revised upward to 285,000 for the 12-months ending January 2015 from a run rate of about 220,000 previously reported – up nearly 25%.

As the chart below shows, the revised employment data now show a strongly rising trajectory for job growth every year since the recession ended in 2009. Importantly, every sector shows growth in 2014.

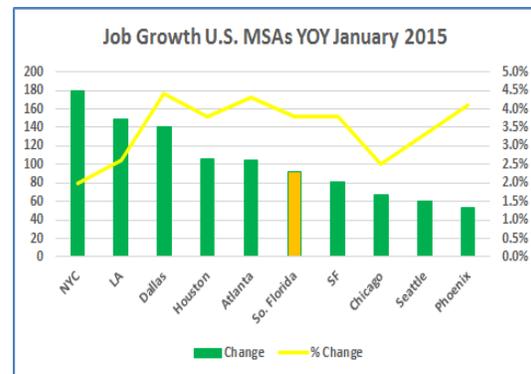


Four sectors had job growth of about 50,000 over the last year including trade, education/healthcare, business/professional services, and leisure/hospitality. Job growth slowed in 2014 in just two sectors, construction and manufacturing.

Job gains were concentrated in Florida's major metro areas. Orlando and Miami led the pack with over the year job gains of over 40,000 each. If they were states, their job growth would have ranked 23rd in the U.S. outpacing the majority of states in the union.



Miami is only a part of the South Florida metro area. Adding in Ft. Lauderdale and West Palm makes south Florida the 6th strongest for job growth among all U.S. metro areas.



Finally, job gains vary across the State with more modest gains in the smaller metro areas. Only Ft. Myers and Port St. Lucie stand out with stronger relative job growth in 2014.

Data as of January 2015	Unemployment Rate	Jobs last 12 Months	% Change Jobs
Cape Coral-Ft Myers	5.3%	13,300	5.9%
Ft Walton	5.2%	28,100	3.7%
Deltona-Daytona	6.4%	4,100	3.2%
Florida	5.7%	285,000	3.7%
Ft. Lauderdale	5.4%	28,500	3.7%
Gainesville	5.1%	1,700	3.2%
Jacksonville	5.8%	22,800	2.6%
Lakeland	6.6%	3,500	3.0%
Miami	5.8%	41,200	3.8%
Naples	5.2%	6,600	3.8%
No. Port-Brad-Sarasota	5.6%	10,400	3.8%
Ocala	6.9%	4,400	3.8%
Orlando	5.6%	45,400	3.8%
Palm Bay-Melbourne	6.4%	4,600	3.8%
Panama City	6.5%	1,800	2.4%
Pensacola	5.8%	5,000	3.1%
Pt St Lucie	6.3%	5,400	4.2%
Punta Gorda	6.4%	700	1.6%
Vero Beach	6.6%	1,100	2.4%
Tallahassee	5.5%	5,500	3.3%
Tampa-St. Pete	5.7%	31,300	2.6%
West Palm-Boca Raton	5.2%	20,300	3.7%