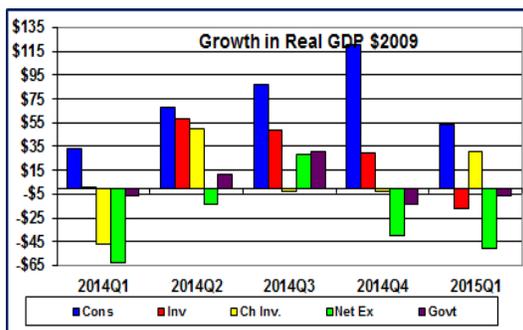


ECONOCAST™ UPDATE – May 4, 2015

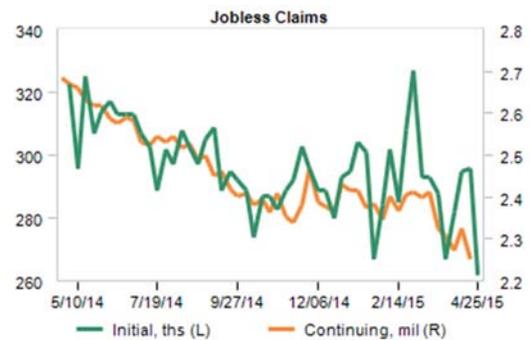
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U.S. Economy – Not as Bad as Reported

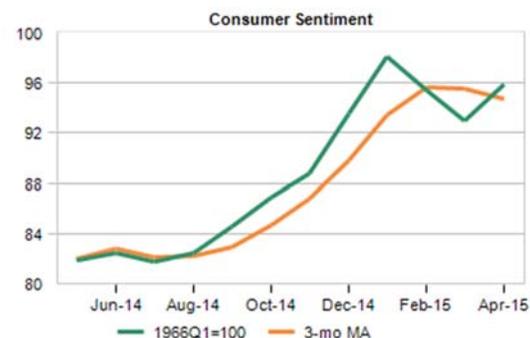
Real GDP eked out a 0.4% gain in the first quarter. While this was far slower than expected, it is also due to temporary factors including the weather and the strike at West Coast ports – both of which are over now. So far the negatives of lower oil prices have overwhelmed the positives. Drilling related activity has contracted sharply pushing down investment spending and limiting employment gains. The benefits of lower oil prices have been slower to emerge, but consumers are benefitting as are all energy using businesses, which is most of them. Overtime the benefits of lower oil prices and the higher dollar on consumer spending will outweigh the near term negatives. The big rebound in car sales and the strong hiring are clear signs of this.



Initial claims dropped sharply last week to 262,000. This is their lowest level since 2000 reflecting the momentum in hiring. This is also clear from the the increase in the employment cost index for wages, which rose 0.7% in the first quarter, an improvement from the 0.6% gain in each of the prior two quarters. As the economy approaches full employment, wage growth should continue to accelerate.

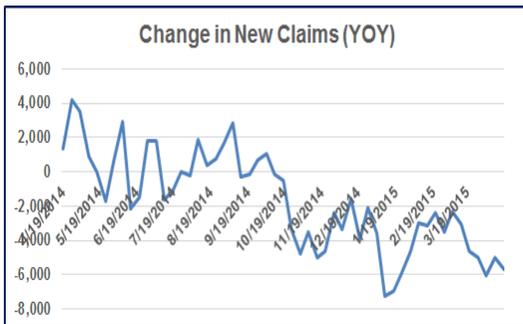


And consumers remain optimistic as the sentiment index shows.

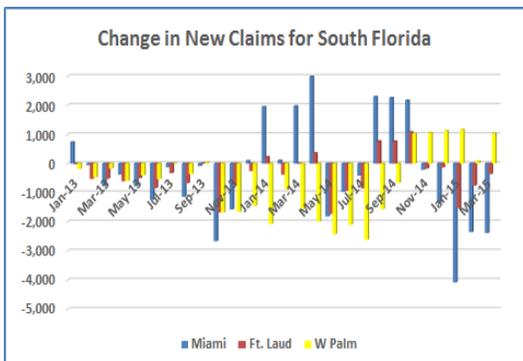


Florida Economy: New Claims Point to Strong Hiring

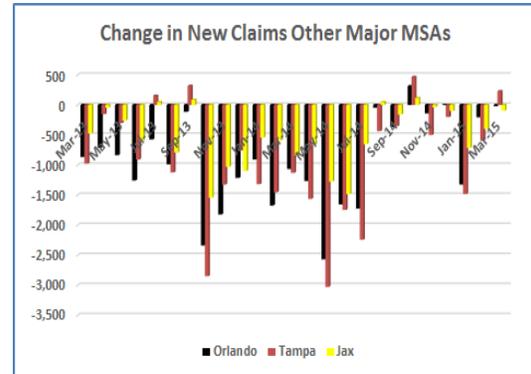
In line with the U.S. data on claims, new claims for unemployment compensation have fallen rapidly over the last 12-months in Florida. The latest data for April show claims down by almost 6,000 compared to last year. The sharply lower levels of new claims are consistent with prospects for even faster job creation in Florida over the next six months.



The claims data for South Florida's MSAs show substantial variation. After falling significantly during all of 2013 compared to 2012, claims increased in Miami in 2014. This increase was surprising and appears to relate to the huge influx of working aged population in 2012-14 into Miami-Dade. Nevertheless, Miami's claims have dropped sharply in 2015 indicating a strong labor market with rising employment.



Claims contracted dramatically in Orlando, Tampa Bay and Jacksonville in 2014 as job growth accelerated strongly. The pace of contraction has slowed in 2015, but this is due to very tight labor markets and not to any pending slowdown in hiring. The gains in employment have soaked up most of the idle labor force including those who were claiming unemployment insurance.



Southwest Florida was one of the hardest hit areas during the Great Recession. However, the area's labor markets have recovered strongly as shown in the data for new claims. Claims dropped dramatically in 2014 as the area's residential construction markets rebounded and retiree migration into Southwest Florida recovered. Having largely recovered by this point new claims have leveled off at very low levels.

