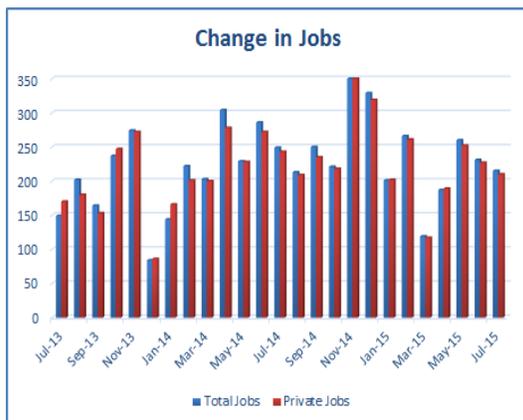


## ECONOCAST™ UPDATE – August 10, 2015

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### U.S. Economy – Another Solid Jobs Report in July

Payroll employment increased a solid 215,000 in July. The gains for May and June were revised up modestly, by a total of 14,000. This pace is more than sufficient to absorb new labor force entrants and to enable the labor market to gradually tighten. Importantly, average hourly earnings increased by 0.2% following no growth in June, and the average workweek increased which boosted weekly earnings by 0.5% in July. The unemployment rate remained unchanged at 5.3% along with the labor force participation rate which remained at 62.6%.

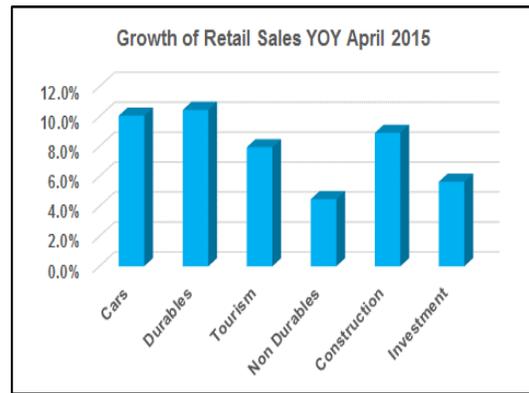
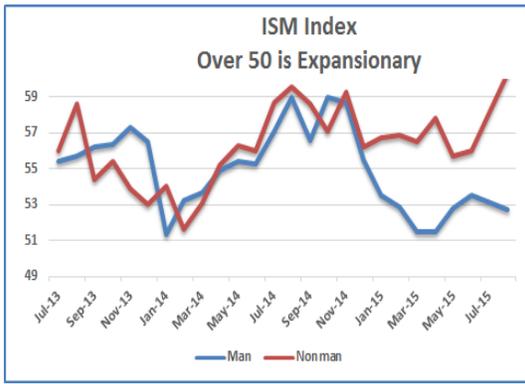


Although wage gains remain modest, they are sufficient to drive nominal person income up at a 4% annual

pace. Since there is very little inflation, real disposable income is rising at a respectable 2.5% annual pace so far this year. This is why retail sales are up, but only modestly.



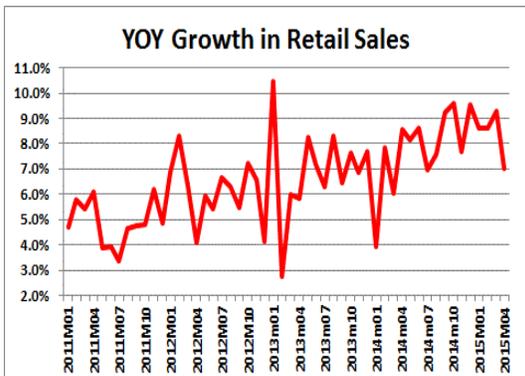
The sensitive ISM indices continue to point to expansion. However, they reflect the cross currents impacting the U.S. economy. On the one hand the non-manufacturing index leaped to 60.3, its highest level since 2005. The strength in the ISM survey is important because nonmanufacturing accounts for 88% of GDP. On the other hand, low oil prices and the strong dollar are inhibiting manufacturing. While the index remained comfortably above the 50 level indicating expansion, the gain is gradual. Even so, the details were encouraging with rising new orders and falling inventory levels pointing to stronger manufacturing levels ahead.



## Florida Economy: Retail Sales Remain Strong

On a year-over-year basis retail sales growth slowed to a 7% rate in April compared to the near 9% pace posted in 2015Q1. However, the slowdown was purely statistical in nature. Easter was on April 5<sup>th</sup> this year, so most of April 2015 sales came after Easter. Easter fell on April 20<sup>th</sup> last so most Easter sales occurred in April of last year, but in March for this year distorting the monthly trajectory.

Retail sales were particularly buoyant in West Palm Beach and Ft. Myers both driven by gains in tourism and home construction. Sales gains were much slower in Ft. Lauderdale in Port St. Lucie, but this was mostly because of statistical quirks with April 2014 boosted strongly by Easter sales in 2014.



Abstracting from the statistical noise, most major retail components were strongly higher in April. Sales of cars and other durable goods were particularly potent rising by double digits. Construction material sales jumped up 9% and were part of the reason for the rise in durables. Higher home construction triggered gains in appliances and related durable goods in April.

I expect retail sales gains to rebound in May and June when the statistical distortions are behind us. With strong growth in population and employment in Florida coupled with rising real disposable incomes in the U.S. the stage is set for a strong surge in Florida's retail sales.