

## ECONOCAST™ UPDATE – August 22, 2016

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### U.S. Economy – Stronger Growth with Less Inflation

Last week's data point to stronger growth with less inflation. Housing starts rose 2.1% in July, and they are 5.6% higher than last year. Nearly all the gain came from multifamily starts, which jumped 5%, while singles increased by just 0.5%. Although housing continues to slowly improve, the sector is not about to accelerate significantly. Permits for new single-family units dropped nearly 4% in July even as permits for apartments rose 6.3%.

This dynamic, favoring apartments over new homes, is unlikely to change anytime soon. The result is a low growth trajectory for housing.

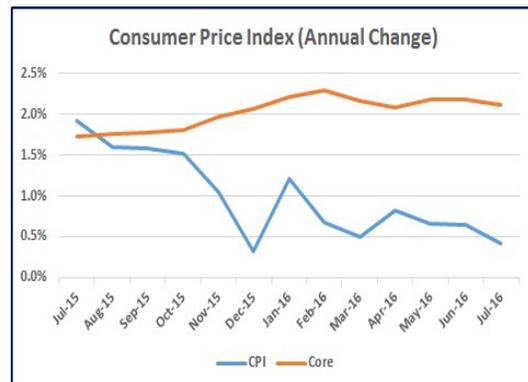


Industrial production grew strongly for the second month in a row buoyed by manufacturing and utilities. Capacity utilization gained 0.5 percentage

points but remains well below its historical trend.

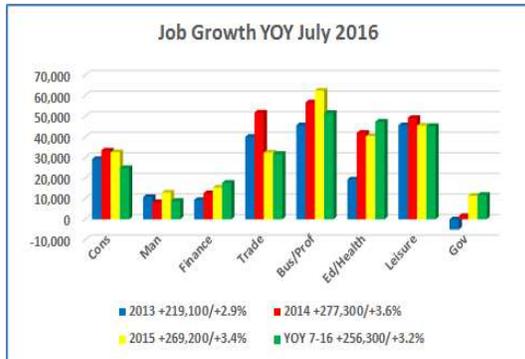


July's low inflation data reduce the odds that the Federal Reserve will tighten monetary policy in September. The CPI rose just 0.4% and the core CPI, which excludes food and energy, rose 2% over the last year. With producer prices flat or falling there is no near term risk of rising U.S. inflation which remains well below the Fed's target level.



## Florida Economy: Job Growth Remains Strong and Steady

July was another good month for Florida's labor market. Florida added 28,100 jobs in July with job gains rising to 247,200 over the year. The gains were widespread with every major sector improving. Florida's labor force has begun growing faster, and the influx held the unemployment rate steady at 4.7% in July.



In July, business and professional services led all sectors contributing more than 20% of total new jobs. Healthcare and Leisure/hospitality each provided 18% of the jobs with construction adding 10% of the gain.

Florida's job growth continues to compare favorably to other states ranking 2<sup>nd</sup> only to California for total job gains and 3<sup>rd</sup> in the U.S. on a percentage basis.



Regionally, the I-4 corridor from Daytona to Tampa continued adding jobs at a very fast pace in July accounting for over 100,000 new jobs over the last year. The job growth was spurred by strong tourism and retirement activity. Job gains in South Florida accelerated to very high levels. Job gains in Jacksonville and Naples were also well above the statewide average.

Data as of July 2016	Unemployment Rate	last 12 Months	% Change Jobs
<b>Florida</b>	<b>4.7%</b>	<b>250,200</b>	<b>3.1%</b>
Cape Coral-Ft. Myers	4.8%	7,900	3.2%
Gainesville	4.7%	3,900	2.9%
Jacksonville	4.9%	24,300	3.7%
Lakeland-Winter Haven	6.0%	3,700	1.8%
South Florida	5.1%	74,000	2.9%
Ft. Lauderdale	4.7%	36,300	4.5%
Miami	5.4%	21,400	1.9%
West Palm Beach	5.2%	15,400	2.6%
Naples	5.4%	5,300	3.9%
North Port-Sarasota-Bradenton	4.8%	6,200	2.2%
Ocala	6.1%	1,900	1.9%
Orlando	4.6%	50,800	4.4%
Palm Bay	5.4%	2,100	1.0%
Pensacola	5.1%	2,400	1.4%
Port St. Lucie	5.8%	4,100	3.0%
Punta Gorda	5.6%	1,300	2.9%
Sebastian-Vero	6.8%	1,500	3.1%
Tallahassee	5.1%	3,500	2.0%
Tampa-St. Pete	4.8%	38,200	3.1%

Florida's fast pace of job growth is likely to continue for at least another 12-to-18 months. However, there are a few clouds on the horizon. First, even with the strong gains over the last 24 months, Florida's job growth has peaked, albeit at a high level of growth. Further acceleration from this point is unlikely for this cycle. Second, the spread of Zika is a real threat to Florida's tourism industry, especially to the family-oriented attractions in Central Florida. An outbreak in Central Florida, even a small one, would likely cut deeply into visitation. Third, weakness is showing up over the last 90-days in hotel rooms sold in the Orlando area. This may be a harbinger of a slowdown in tourist visitations.