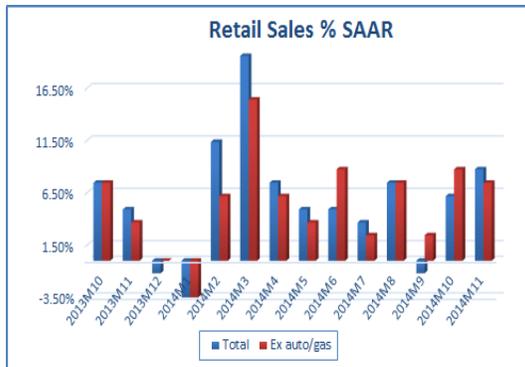


## ECONOCAST™ UPDATE – December 15, 2014

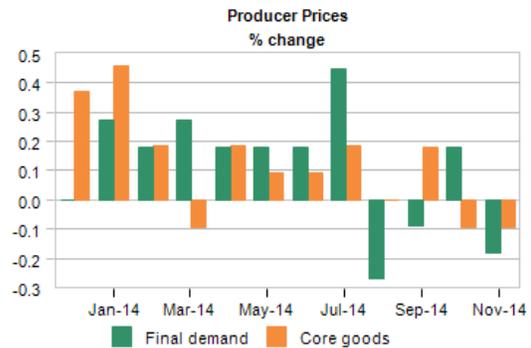
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### U.S. Economy – All Systems Go

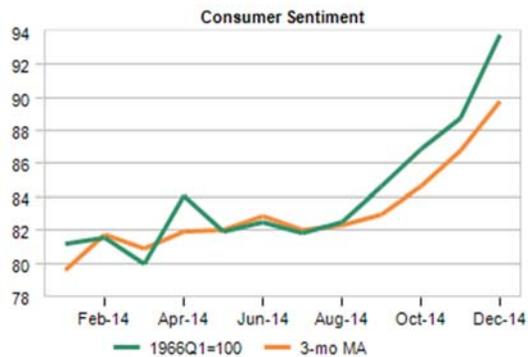
Last week was another good one for the U.S. economy. Retail sales rose 0.7% in November driven up by autos. But core sales, eliminating autos and gasoline, rose a strong 0.6% too. And, sales for October were revised higher as well. Sales were 5.1% higher than last year for their strongest showing since July 2013.



There is virtually no inflation on the horizon. The Producer Price Index for final demand fell 0.2% in November pushed lower by falling energy prices. Importantly, core prices fell as well in November signaling no building pressure on prices in the earlier stages of production either. Lower prices allow more earnings to translate into more real disposable income supporting retail sales.



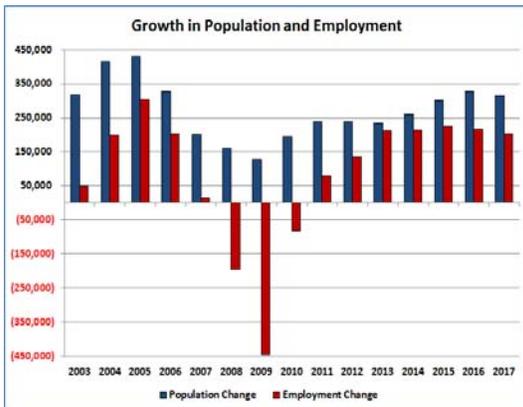
In this environment it came as no surprise that consumer confidence jumped to its highest in more than eight years, according to the University of Michigan consumer sentiment index.



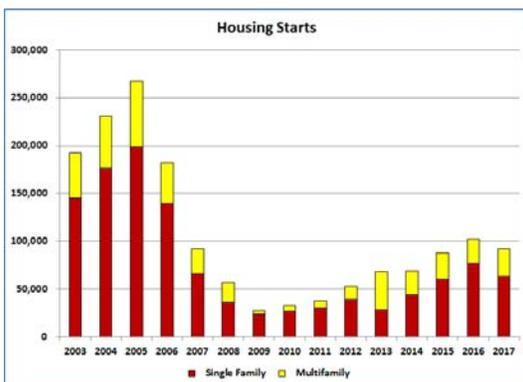
Finally, in its typical fashion Congress passed a budget deal avoiding a government shutdown. Discretionary spending will rise 1.5%. Now Congress can move to the next act in its ongoing drama series scheduled for March 2015 – the debt ceiling.

## Florida Economy: Strong Upswing in the Forecast through 2017

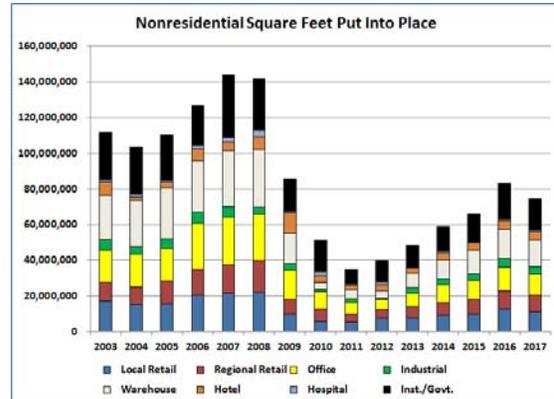
Florida is enjoying a strong cyclical upswing that will last through 2017. While not nearly as strong as the prior housing-fed boom, this cycle will prove to be more sustainable. Population growth will peak at 325,000 in 2016 before receding in the face of higher U.S. interest rates. Job growth will be very strong as well with gains well above 200,000 per year.



Housing starts have finally moved upward at a sustained rate, but they remain well below average and below levels that would otherwise be expected given the gains in households. Unfortunately, excess units from the prior boom are still available and foreclosures, while down, are still the highest in the U.S. As a result, new starts are restrained.



The long recessionary bottom coupled with continuing population growth, albeit at lower levels than usual, resulted in the rapid absorption of commercial space. This is now supporting a strong upswing in commercial and retail development. Office development continues to lag, as it does nationwide due to the structural changes that have occurred in the delivery of office services.



Regionally, South Florida (Miami-Dade, Ft. Lauderdale, and West Palm Beach) dominated the early phase of the recovery with its surging population growth driven by migration from Venezuela and Argentina. While the surge has dissipated, it has not ended. Strong employment gains have fueled population growth in Orlando, Tampa Bay and Jacksonville.

