



The Data Point Up and Up

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The latest economic data reflect brisk economic activity continuing in the fourth quarter. October housing starts reached a seventeen-year high, continuing the strong performance of the third quarter, which was up an astounding 21 percent. Labor markets also improved substantially. Initial claims fell again for the November survey week. Claims dropped 37,000, suggesting that November payrolls will be up strongly.

In the face of a clearly accelerating economy, the Fed has gone to extraordinary lengths to dispel market expectations of an early tightening. Last week no fewer than five Fed officials spoke on the economic outlook, and each made the point that, in light of the considerable output gap, the economy can grow above potential for some time before inflationary pressures emerge. The markets have interpreted "some time" to mean May or June. Well, we'll see about that!

Florida's economy is clearly leading the national recovery. The Labor Department released detailed employment data for September on Friday. Florida has generated 96,000 new jobs over the last twelve months, and this continues to be more than twice the total for any other state. Furthermore, every single metropolitan area in Florida showed improvement except Pensacola and Gainesville. In many cases the growth in jobs is very strong. Over the last twelve months job growth totaled more than 17,000 in West Palm Beach, which leads the state. The rapidly rebounding tourism industry propelled Orlando's job gains to 16,900. Tampa Bay followed with 16,200 new jobs. Ft. Lauderdale and Sarasota had double-digit gains, and even lagging areas like Daytona Beach and Melbourne are now in positive territory.

So Florida is having a great run, and the good news will continue well into next year, given the strong economic momentum building up nationwide and the extraordinary performance of housing markets all across the nation. This latter

trend will ensure that Florida will continue to have very high levels of population growth for the next twelve months or so.

That said, interest rates will rise, either sooner or perhaps as late as June, but they will go up, and go up substantially, given the strong pace of macroeconomic growth and the very high federal budget deficit. And while financial market participants seem to welcome the news that the Fed will delay raising rates until the spring, this delay in the inevitable will allow financial markets to gain momentum, making it more difficult to restrain interest rates and economic growth.

No matter—the party is on for now. So prepare for strong growth now and relatively low rates for at least a few more months.

This is Hank Fishkind for 90.7 FM, WMFE news.

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