FISHKIND
& ASSOCIATES

Recent Data Painted a Mixed Picture for November

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After a strong October the economy has evidently cooled a bit in November. The employment report for November was released on Friday, and it was a big disappointment. Only 112,000 jobs were created in November, much less than the consensus estimate of 200,000 or my more optimistic projection of 250,000. Worse yet the labor department also revised downward its estimated for October from 337,000 to 303,000 and for September from 139,000 to 119,000. That's 50,000 fewer jobs than initially reported. The hiring weakness was widespread in November. Retailers and manufacturers actually trimmed their payrolls. Hiring in professional services totaled only 28,000 down from over 100,000 in October. Construction gains fell off from the post hurricane flurry of 65,000 in October to just 11,000 in November. The weakness in hiring at retail and for manufacturers tracks the softness in retail sales generally in November and in auto sales in particular. Auto sales dropped to their lowest levels since June, in part due to the expiration of incentives at GM. Furthermore, rising interest rates and previously record setting levels of car sales probably took sales away from the final quarter of 2004. Inventories are backing up on car lots so automakers are hitting the brakes on production and hiring. The growth in chain store sales was much weaker than expected, especially at Wal-Mart and other value-oriented retailers. Higher gas prices and weak hiring has hit lower income families particularly hard thereby limiting sales at Wal-Mart. Sales at department stores fared much better, but the overall numbers will be down in November. Retailers report reasonable good sales after thanksgiving, especially in Florida and particularly here in central Florida. However, other data on our local economy point to a topping out at best. For example, sales of new homes peaked in May, as did pricing momentum. Yes, new home prices are more than 10% over last year, but they are no longer moving higher. This same pattern is repeated for existing homes. Prices are 10% or more above last year's levels, but there is no more momentum and pricing has peaked out in the spring. That said, there is still sufficient momentum in the economy to assure a strong winter tourism season. The falling value of the dollar is also a big help, pushing visitors from home and abroad to vacation in the U.S. but, we are not going to reach the peaks of activity attained in the last business cycle. Activity now appears to be peaking. With the Fed committed to increasing interest rates the die is cast for slower growth next year.

This is Hank Fishkind for 90.7 FM, WMFE News.