Money

▲ Dow 23,328.63 (+165.59) ▲ S&P500 2,575.21 (+13.11) ▲ NASDAQ 6,629.05 (+23.99) ▲ OIL $51.47/bbl. (+0.35%) ▲ 10-YR. NOTE 2.38% (+0.06)

Irma dampens September payrolls

Storm cost 127,400 jobs in short term

By Marcia Heroux Pounds
Staff writer

Hurricane Irma sent Florida payrolls spiraling downward by 127,400 jobs in September, which was one factor leading to $7.5 billion in economic losses across South Florida, a local economist says.

Irma had a "short-term impact" on payroll and economic losses, said J. Antonio Villamil, founder of The Washington Economics Group in Coral Gables. For Palm Beach, Broward and Miami-Dade counties, losses were primarily in household incomes, business production and government revenues.

"We were able to recover fairly quickly compared to what could have been if the [hurricane] eye had come through Miami-Dade and Broward," Villamil said. "We're growing faster than the nation. We'll get back to it in 2018 or sooner when the snowbirds come down."

Still, one-third of the economic impact of lost output statewide was in South Florida, an assessment covering Palm Beach, Broward, Miami-Dade and Monroe counties, Villamil said.

He estimates a regional impact of $7.5 billion that includes losses of $2.6 billion in household income, $4.1 billion to regional gross domestic product or total value of everything produced, and close to $900 million in foregone federal, state and local revenues.

The total economic impact from Irma to the Florida economy is estimated at between $19 billion and $24 billion, Villamil said.

The Washington Economics Group used a range of four and five days to calculate the impact on Miami-Dade, Broward and Palm Beach counties, and between eight and 12 days for Monroe County or the Keys, which suffered a more severe impact from the storm.

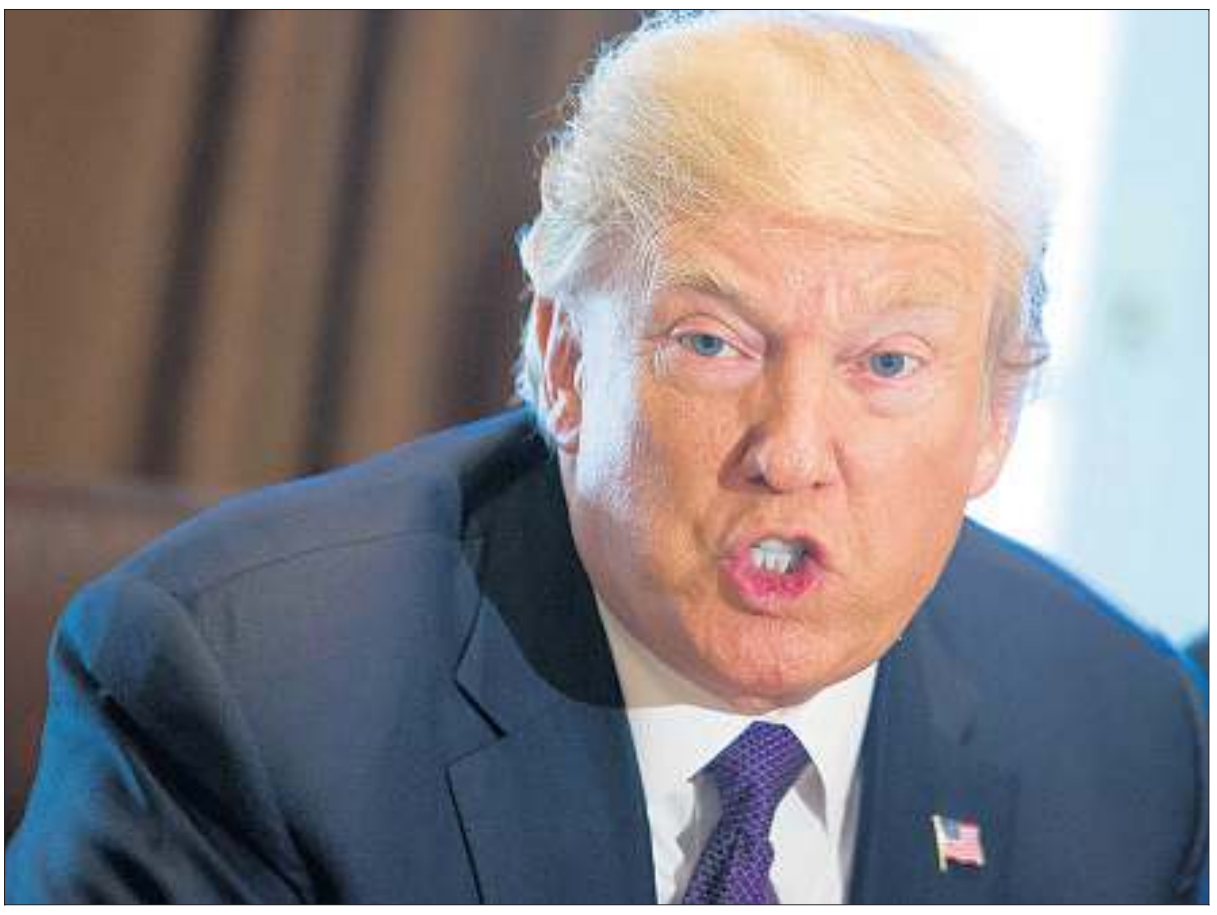
Many businesses in South Florida were closed for at least part of the week following the storm, which came through the Keys and then moved north and west on Sept. 10-11.

But now, with dollars coming in for insurance claims and reconstruction, the economy in early 2018 "is going to look pretty good," Villamil said.

The unemployment report for Florida, released Friday by the Florida Department of Economic Opportunity, shows job growth held steady in many industries and an unemployment rate that

See JOBS, 6B

ANALYSIS



CHRIS KLEPONIS/GETTY

President Trump's goal of 3 percent GDP growth with his tax plan could be difficult to achieve.

Big tax cuts may not cut it

Critics say Trump plan could fail to fuel growth

By Don Lee
Washington Bureau

WASHINGTON — President Donald Trump and congressional Republicans talk about their tax overhaul plan as if it's a sure-fire bet for the economy.

Far from it. There's little historical evidence that tax cuts actually pay off in boosting economic growth long-term.

And today's combination of high federal debt and a tight labor market casts even more doubt on whether tax cuts will stimulate growth.

The heart of the GOP strategy is big tax savings for corporations and other businesses. Slashing taxes on companies large and small, the theory goes, will bring massive new investment in plants and equipment, job growth and higher pay for America's long-suffering middle class.

Specifically, Trump administration officials predict that its tax plan will push U.S. economic growth to 3 percent per year from the 2 percent annual average that economists expect for the foreseeable future. The higher growth, officials say, would help create 12 million new jobs over the next decade.

To achieve those goals, however, Trump's tax scheme will have to succeed where Republican as well as Democratic presidents before him have failed.

To bolster its case, the White House last month cited President Ronald Reagan's massive cuts in 1986 and the effect they had over the following 10 years. Yet U.S. economic growth, as well as gains in jobs and income per person, was actually stronger in the decade before the Reagan tax change.

A corporate tax cut "isn't by itself enough to make a dent in the growth rate," said Joel Slemrod, co-author of the book "Taxing Ourselves," which reviewed linkages between taxes and growth going back to the late 19th century.

What's more, there are two realities in today's economy that are likely to weigh against the potential benefits of substantial tax cuts. First, the gross national debt, nearly $19 trillion, is far larger than when Reagan or his successors tried the strategy. Second, the domestic labor market is much tighter, with unemployment at a 17-year low.

Although details of the GOP tax plan are still being negotiated, the White House framework would add significantly to the national debt, about $2.4 trillion over 10 years, according to the nonpartisan Tax Policy Center think tank.

Adding to that debt, most economists agree, would largely negate any growth gains from tax relief.

That is because high federal debt means higher interest payments for the government, and will tend to push up inflation and interest rates. That would likely undercut savings generated from lower taxes and discourage private-sector investment, which is crucial to improving productivity and long-run prosperitys.

At the same time, when an economy is already near full employment, tax cuts can only do so much to pull in more workers. The resulting pressure to pay higher wages may in fact encourage business executives to spend money on better technology instead.

As a top Reagan economic adviser, Martin Feldstein fully supported the slash in the corporate tax rate that was part of the 1986 overhaul. Today the Harvard economist is more circumspect.

Though he sees the need for tax reform, Feldstein said the current

See TAX, 6B

Hurricane slowed South Florida real estate deals

By Jennifer Boehm
Staff writer

The South Florida housing market got its first glimpse of what Hurricane Irma did to residential sales volume in September and the results can hardly be a surprise: closings for existing, single-family homes in the tri-county area fell by 31 percent, according to figures released by local Realtor boards.

The reports they compiled showed the combined closings in Broward, Palm Beach and Miami-Dade counties declined to 2,735 compared with 3,964 deals completed in September 2016.

"There is no doubt that Hurricane Irma impacted real estate activity throughout the month of September," said Jeffrey Levine, first vice president, Realtors of the Palm Beaches and Greater Fort Lauderdale. "In addition to most businesses losing up to five working days, no closings could take place until FEMA lifted our disaster area status."

Christopher Zoller, the 2017 chairman of Miami Association of Realtors and a Coral Gables Realtor, noted that federal-backed lenders required new appraisals on properties under contract due to the hurricane and many buyers and sellers experienced delays in acquiring the services of crews, inspectors and appraisers last month.

Along with the missed days due to the hurricane, September also had a shortened work week with the Labor Day holiday.

Both Levine and Zoller expect a bump in closings in the forthcoming months once homes on the sales block are re-inspected and South Floridians finalize their stalled sales.

The storm did nothing to erode prices, as the medians trended upward. The median price in Broward last month was $357,600, up 10 percent from a year ago, according to the Realtors of the Palm Beaches and Greater Fort Lauderdale. Palm Beach County's median price increased almost 3 percent, to $325,000.

Miami-Dade experienced an increase 6.5 percent, from $314,500 in September 2016 to 335,000 last month, according to the Miami Association of Realtors, which also noted that single-family home prices have now risen for 70 consecutive months.

The statewide median sales price for single-family existing homes last month was $239,900, up 7.6 percent from the previous year.

Similarly, townhouse and condo closing sales also declined about 22 percent throughout the tri-county area, with last month's 2,738 sales compared to September 2016's 3,543 sales.

Median prices for townhouses and condos rose in all three counties, reaching $156,000 in Broward, $172,000 in Palm Beach County and $234,000 in Miami-Dade.

DOREEN'S DEAL

Football greats at Dunkin'

Meet Miami Dolphins greats Jason Taylor and Zach Thomas and the New York Giants' Lawrence Taylor at Dunkin' Donuts at 4430 Hypoluxo Road in Lake Worth today.

The first 50 people in line for the customer appreciation event, held from 11 a.m. and 1 p.m., will win free coffee for a year. Activities include picture taking and autograph signings with the ex-NFL players, as well as face painting and prizes.

Taylor, the beloved Dolphins defensive end, was inducted into the Pro Football Hall of Fame on Aug. 5.

Go to SunSentinel.com/FreebieFriday for this deal and many more.

— Doreen Christensen

S&P 500, Dow indexes on a 6-week winning streak

By Alex Veiga
Associated Press

Wall Street capped a week with no shortage of milestones with a few more Friday.

U.S. stocks closed modestly higher, lifting the Standard & Poor's 500 index to its fifth record close in a row. The Dow Jones industrial average, which crossed past the 23,000 mark for the first time on Wednesday, also finished the day with its fifth-straight all-time high.

Banks led the gainers Friday. Technology companies also posted big gains, helping to drive the Nasdaq composite to a record high.

The latest milestones came as investors drew encouragement from the Senate's passage of a budget bill that is expected to ease the path for the White House's tax cut proposal.

"Market expectations for an impactful tax reform have been running fairly low," said Mike Baele, managing director at U.S. Bank Private Wealth Management. "That changed a bit today with the Senate passing the budget resolution for 2018."

The S&P 500 index rose 13.11 points, or 0.5 percent, to 2,575.21. The Dow gained 165.59 points, or 0.7 percent, to 23,328.63. The Nasdaq composite added 23.99 points, or 0.4 percent, to 6,629.05.

The Russell 2000 index of smaller-company stocks picked up 7.20 points, or 0.5 percent, to 1,509.25.

The S&P 500 and the Dow are now on a six-week winning streak.

Should tax reform pass, it's a good bet that interest rates will move higher, which will benefit banks and other financial companies. That's one reason banks and bond yields rose Friday.

Higher bond yields allow banks to charge higher interest rates on mortgages and other loans. The yield on the 10-year Treasury note rose to 2.38 percent from 2.32 percent late Thursday.

While still early in the third-quarter earnings season, strong earnings helped push the market higher this week.

Just under 12 percent of S&P 500 companies have released quarterly results through Friday. Of those, 78 percent reported earnings and revenue that beat financial analysts' estimates, according to S&P Global Market Intelligence.