

ECONOCAST™ UPDATE – January 1, 2018

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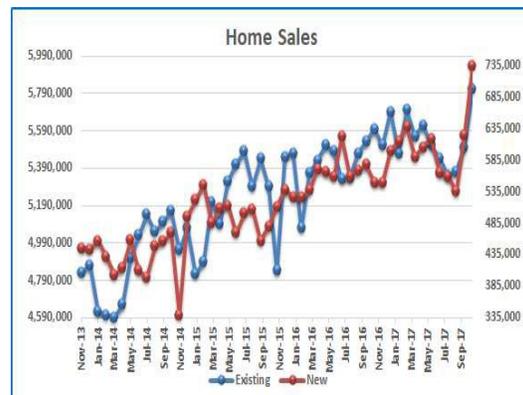
U.S. Economy – Stronger this year and weaker in 2019

Combine tax cuts, an economy near full employment, growing at 2.5%, with a still expansionary monetary policy and the result should be 3.5% growth in 2018. But, this likely sows the seeds for the next recession.

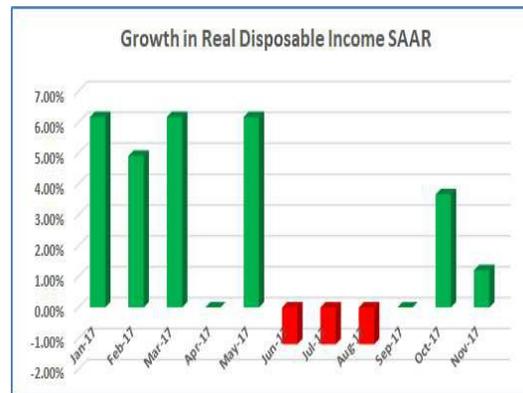
But, before we get ahead of ourselves, 2017 ended on a strong note. Mastercard reported that holiday sales, excluding autos, rose 4.9% in 2017 compared to last year for their best showing since 2011. These strong sales will burn off the inventory that built up in 2017Q3 stimulating production in 2018.

The housing market has finally broken out of its doldrums. Existing home sales jumped 5.6% in November to their highest level in 11 years. Inventories dropped 7.2% to their lowest level in recent history pushing the inventory-to-sales ratio down to just 3.4 months of sales. New-home sales shot up 17.5% from October to 733,000 units on an annualized, seasonally adjusted basis. November sales are 27% higher than last year. Despite sales surge, the median price for new

homes rose just 1% on a year-ago basis maintaining affordability.



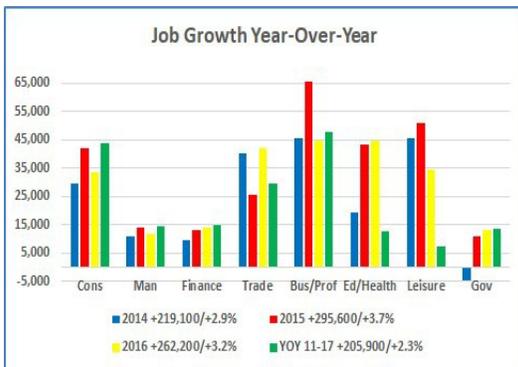
Although personal income growth slowed to 0.3% in November, wages rose 0.4% - double the gain in October. Real disposable income eked out a 1% gain and is up 1.9% compare to 2016.



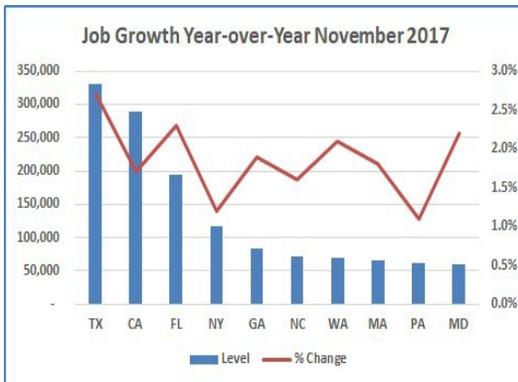
Inflation remains modest with the PCE deflator rising 0.2% consistent with its trendline over the last year.

Florida Economy: Strong Job Growth

Florida's economy also ended 2017 on a strong note. Job growth bumped up to 205,900 for the 12-months ending in November, rising above the 200,000 level for the first time in over six months. There were strong gains in construction and professional and business services. However, leisure and hospitality has yet to fully recover from the hurricanes with job gains of just 7,400 caused by a loss in the hotel component.



Florida continued to rank 3rd to Texas and California in total job growth over the year.



Last November Florida's unemployment rate was 4.9% compared to 4.6% in the U.S. Since then Florida's labor market has outperformed with employment soaring 3.4% while the labor force grew at a respectable 2% pace. As a

result, Florida's unemployment rate has dropped to 3.6% - essentially to full employment. The November data do not seem to reflect the influx of more than 250,000 Puerto Ricans, but Florida's employment market will benefit in 2018 from a surge of additional badly needed workers.



Job gains varied widely across Florida's major metro areas ranging from nearly 39,000 in Orlando to a loss of 300 jobs in Ft. Myers. Orlando continued to have the most job growth over the year, even though its hotel sector was down. Strong gains in construction, health, business services, and manufacturing offset the weaker leisure sector. The gains in Tampa and Ft. Lauderdale shared these same areas of strength. In West Palm a surge in construction jobs was offset by weakness in most service sectors. Finally, in Ft. Myers losses of over 1,000 in construction and in leisure were not fully offset by the modest gains in most other sectors.

