

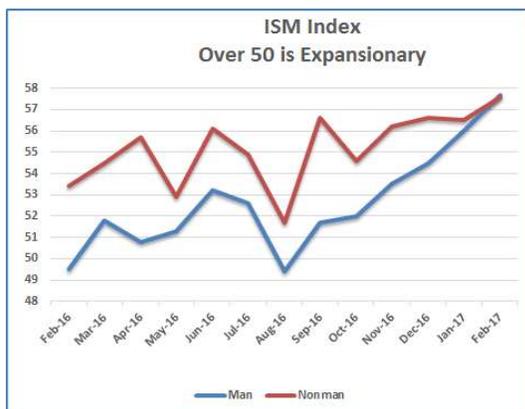
ECONOCAST™ UPDATE – March 6, 2017

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U.S. Economy – Fed to Raise Rates as Economy and Inflation Rise

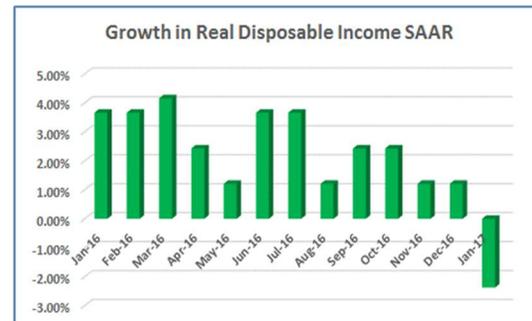
With another week of strong economic reports and rising inflation, it was not surprising that Fed Chair Yellen signaled that the Fed will raise rates at its March meeting. A rate hike is already priced into markets, and Bloomberg reported a 98% probability of a hike. At this point if the Fed doesn't raise rates, it will lose credibility.

The February ISM surveys were very strong pointing to accelerating growth. The manufacturing index rose from 56 in January to 57.7 pushed up by stronger orders and rising production. The index for nonmanufacturing rose to 57.6 with broad based increases in orders and employment.

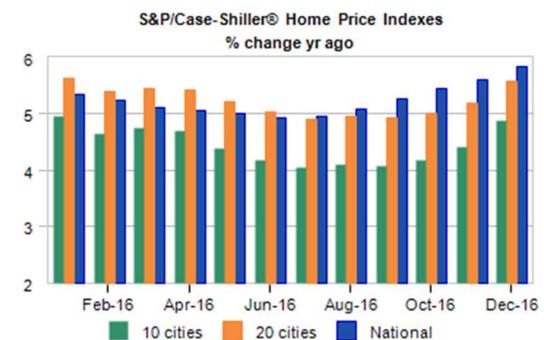


The combined ISM indices are at their highest levels since August 2015. However, these strong survey results have not fully translated into gains in actual output or employment yet, so there is significant upside to come.

The relatively weak gain in wages in January limited the growth in personal income, and with rising prices, real disposable income dipped 2.5% annualized rate.



Prices for existing homes were up 5.8% over the year boosting wealth.

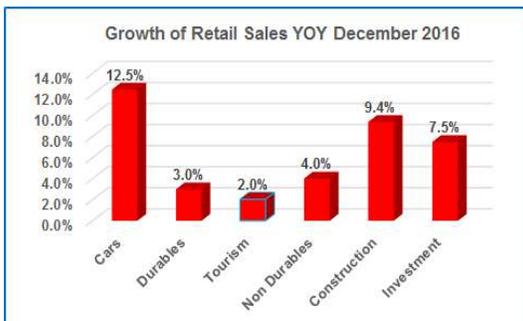


Florida Economy: Retail Sales Rise in December

Retail sales rebounded in November and December erasing earlier weakness. Overall, retail sales rose 5.2% in 2016 down from the gains of over 7% registered from 2013-2015. The slowdown in sales does not reflect any weakness in Florida's economy. Instead, it is largely the result the structural changes in retailing with the shift to ecommerce.

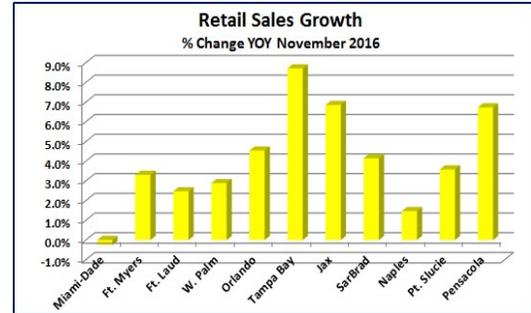


Over the year ending in December 2016 auto sales soared more than 12%, and there were strong gains in construction and in business investment. However, the slower growth in tourism this summer depressed tourism related retail sales.

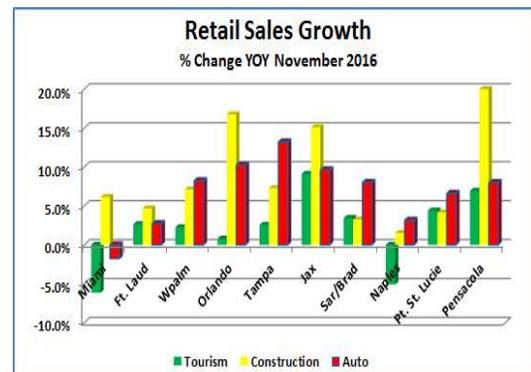


There were very wide differentials in the growth rates for retail sales across Florida's metro markets. At one extreme sales were up nearly 9% in Tampa while at the other extreme

sales were actually 0.3% lower than last year in Miami.



The decline in retail sales in Miami was caused by a 6% drop in tourism and a 2% dip in auto sales. Construction sales only rose 6% and could not offset the weakness elsewhere. With construction spending slowing, the dollar rising, and the economies in South America weak or in recession, Miami will continue to experience lower sales. Naples is experiencing similar trends, and its prospects are weak for 2017.



Otherwise, the outlook for retail sales is very good for 2017. Construction activity is high, and so is business confidence boosting investment spending. Buoyant growth in population, jobs and incomes will support strong auto sales in 2017. The only soft area will be tourism. The high and rising value of the dollar is crimping foreign tourism which then offsets some of the gains from the strong U.S. market.