

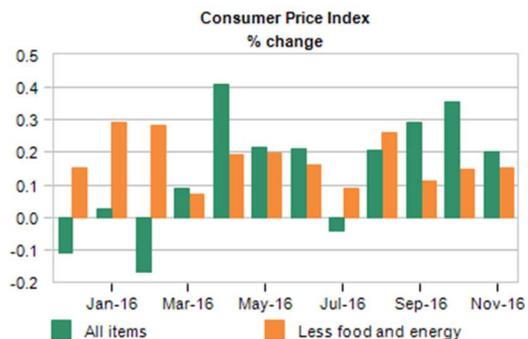
## ECONOCAST™ UPDATE – December 19, 2016

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### U.S. Economy – More Jobs and Higher Rates

As expected, the Federal Reserve raised the fed funds rate 25 basis points, and it announced plans for three more 25-basis point rate hikes in 2017 with additional increases to follow in 2018 and 2019. The Fed's ultimate target for the fed funds rate was raised from 2.875% to 3%. Since the interest rate projections probably do not include any assumption for fiscal policy, it is likely that rates will rise faster and sooner, should the Trump administration pass its expansionary fiscal policy.

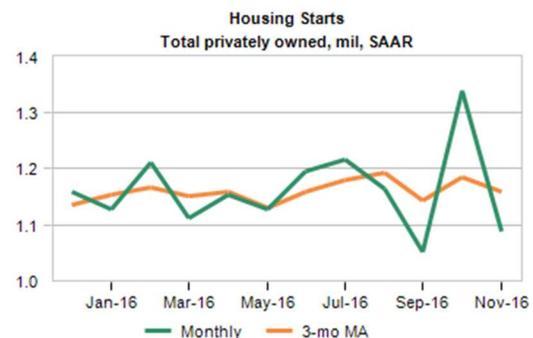
Inflation risks are slowly building. The CPI rose 0.2% in November for its third monthly gain, and core prices were up 0.2%. Producer prices are rising faster too, with the PPI for final goods up 0.4% and core PPI up 0.2%.



But the economy is certainly not overheating. Retail sales growth slowed to 0.1%, after a revised 0.6% gain in October. Core sales, excluding cars and gasoline, increased 0.2%, after rising 0.5% in October. Even so, sales are still 3.8% ahead of last year's level.

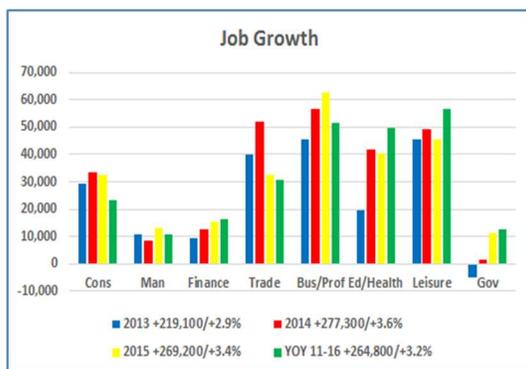


But, housing starts dropped in November giving up all their prior gains and bringing their level down 7% compared to last year. So, no signs of overheating yet.



## Florida Economy: Stronger Job Growth

Job growth surged 29,600 in November on a seasonally adjusted basis, and this was the most in the nation. The winter tourism season is off to a strong start with help from an earlier than usual Thanksgiving. The monthly data are volatile and subject to revision, so not too much can be read into them. Nevertheless, it does appear that job growth has accelerated again over the last 90-days. On the more reliable year-over-year basis, employment rose by 264,800 over the last 12-months almost equaling the 2015 total. Stronger gains in leisure/hospitality and healthcare were responsible for the improvement.



The strong upturn in employment is attracting more job seekers into the labor market. Again this month, growth in the labor force outpaced gains in employment causing the unemployment rate to inch up to 5.1%. But this is actually a sign of strength not weakness. The increasing labor force likely reflects faster in migration of workers along with a rising labor force participation rate of Floridians. Stronger population growth is a big plus for growth.

Not only was Florida's job growth relatively strong in November, it is very strong over the last year as well. Florida now ranks second only to California in terms of total job growth and highest in percentage terms too, among the states with the most job growth.



The Orlando MSA continued to lead all metro areas for job growth posting a gain of 52,700 over the year for an impressive 4.5% gain. Orlando ranks 10<sup>th</sup> in the nation for total job growth. The I-4 corridor maintained its dominant rank for job growth in Florida with an increase of over 90,000 jobs over the year. Ft. Lauderdale added 30,000 jobs, but slower gains in Miami and West Palm held down the total for South Florida. There were notable gains in Jacksonville as well.

Data as of November 2016	Unemployment Rate	last 12 Months	% Change Jobs
<b>Florida</b>	<b>4.7%</b>	<b>264,800</b>	<b>3.2%</b>
Cape Coral-Ft. Myers	4.6%	7,200	2.9%
Gainesville	4.4%	800	0.6%
Jacksonville	4.7%	23,500	3.6%
Lakeland-Winter Haven	5.7%	3,300	1.6%
South Florida	4.8%	60,800	2.4%
Ft. Lauderdale	4.6%	30,400	3.8%
Miami	5.0%	17,500	1.5%
West Palm Beach	4.9%	13,100	2.2%
Naples	4.9%	3,200	2.3%
North Port-Sarasota-Bradenton	4.6%	9,500	3.3%
Ocala	6.0%	2,100	2.1%
Orlando	4.4%	52,700	4.5%
Palm Bay	5.2%	3,400	1.7%
Pensacola	4.9%	3,500	2.1%
Port St. Lucie	5.4%	1,900	1.4%
Punta Gorda	5.4%	1,000	2.2%
Sebastian-Vero	6.2%	900	1.8%
Tallahassee	4.8%	3,000	1.7%
Tampa-St. Pete	4.7%	33,400	2.6%