

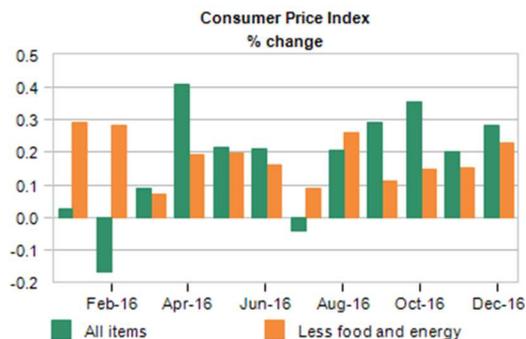
## ECONOCAST™ UPDATE – January 23, 2017

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### U.S. Economy – Stronger Growth Will Mean Higher Rates Sooner

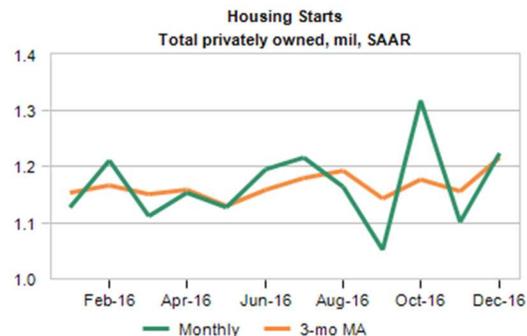
The latest data show inflation accelerating, job markets tightening, industrial production rising, and housing starts rebounding. In her speech last week, Fed Chair Yellen noted that the Fed has almost met its dual goals of full employment and 2% inflation. She cautioned against allowing the economy to run too hot because it could lead to more aggressive rate hikes and that could undermine the expansion. U.S. financial markets appear to be underestimating the likelihood that the Fed will raise rates in March.

Inflation registered 0.3% for the December CPI, up 2.1% over the year with core prices up 2.2%. Prices will continue accelerating based on rising producer prices.

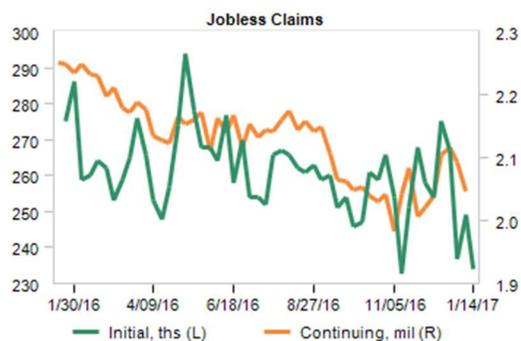


President Trump’s policies introduce considerable uncertainty into the forecast because it is unclear what actually will be implemented. There are also potential inflationary implications from his stance on immigration and trade.

Residential construction rebounded strongly in December as multifamily starts surged.



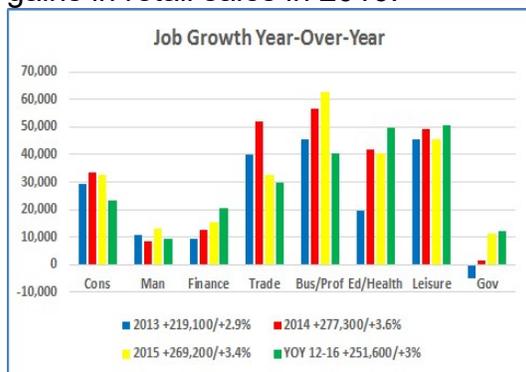
Initial claims dropped pushing the four-week moving average from 257,000 to 246,750



## Florida Economy: Job Growth Remains Strong and Steady

Job growth slowed in December with 700 fewer jobs on a seasonally adjusted basis, the first monthly decline in four years. However, the monthly data are volatile and subject to revision making the year-over-year comparisons more reliable. On that basis, payroll employment increased by 251,600 over the year for a 3% gain. Even though 2016's gain was below 2014 or 2015, job growth can only be characterized as strong. Florida ranked second only to California for job growth.

In 2016, booming tourism made the leisure and hospitality sector the biggest contributor to job growth, followed closely by the education and healthcare sector. Surging population growth and changes in healthcare delivery produced buoyant gains in jobs at medical facilities and in health care services. Although down from their prior peak, business and professional services added 40,600 jobs, mostly in administrative and support services. Job growth in retail trade continued to slow, retarded by the gains in ecommerce despite the growth in Florida's population and the strong gains in retail sales in 2016.



Florida's unemployment rate remained unchanged at 4.9% in

December. Florida's strong job market has triggered a rise in the State's labor force participation rate and is attracting job seekers from other states. This is a positive development for Florida's economy, increasing the supply of labor and boosting population growth and overall demand.

With booming tourism, it is not surprising that Orlando led all metro areas in job growth with an impressive gain of 49,300 for a 4.2% gain. But it was not all tourism, construction and healthcare also made big contributions. Job growth was sturdy across South Florida in 2016. Gains in healthcare, business and professional services, and tourism offset the slowdown in construction related jobs. A surge in construction jobs coupled with increases in tourism and healthcare propelled gains in Tampa Bay. In Sarasota and Bradenton, it was strong population growth pushing up healthcare, professional services and trade jobs. Similar forces were responsible for the job gains in Ft. Myers and Naples, but the slower pace of construction tempered the gains. Jacksonville's job growth was broadly spread across all sectors.

Data as of December 2016	Unemployment Rate	last 12 Months	% Change Jobs
<b>Florida</b>	<b>4.7%</b>	<b>251,600</b>	<b>3.0%</b>
Cape Coral-Ft. Myers	4.3%	6,100	2.4%
Gainesville	4.2%	1,200	0.9%
Jacksonville	4.4%	19,900	3.0%
Lakeland-Winter Haven	5.4%	3,400	1.6%
South Florida	4.9%	60,500	2.4%
Ft. Lauderdale	4.4%	30,100	3.7%
Miami	5.4%	21,800	1.9%
West Palm Beach	4.7%	7,600	1.3%
Naples	4.5%	2,800	2.1%
North Port-Sarasota-Bradenton	4.3%	12,300	4.3%
Ocala	5.7%	2,700	2.8%
Orlando	4.2%	49,300	4.2%
Palm Bay	4.9%	4,200	2.1%
Pensacola	4.7%	4,000	2.4%
Port St. Lucie	5.2%	1,800	1.3%
Punta Gorda	5.1%	1,400	3.0%
Sebastian-Vero	5.8%	1,500	3.1%
Tallahassee	6.3%	5,800	3.3%
Tampa-St. Pete	4.5%	27,100	2.1%