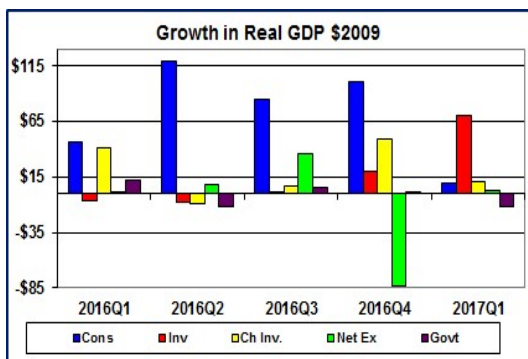


ECONOCAST™ UPDATE – May 1, 2017

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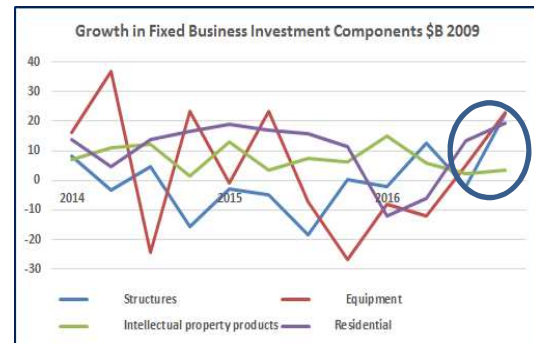
U.S. Economy – A Pivotal Week

As expected, GDP grew by just 0.7% in 2017Q1, its slowest pace in 3 years. Q1 has tended to be weak over the last decade with stronger growth in Q2, but much of this comes from inaccurate seasonal adjustment. However, this does not explain very weak consumer spending in Q1. With pent up demand satisfied, the boom in auto sales appears to have peaked. In addition, real disposable income growth slowed to 1% in Q1, also the slowest in more than 3 years. But, this is likely to be transitory since job growth is strong, wages are rising, and income tax refunds were delayed. A sharp slowing in inventory accumulation also contributed to slower growth in Q1.

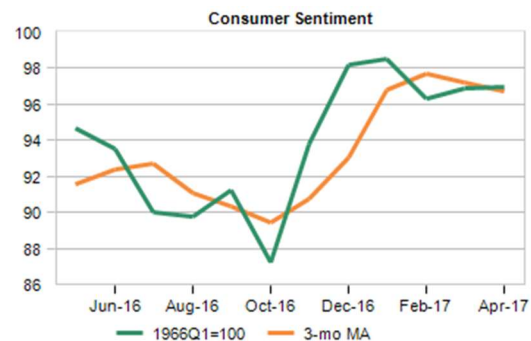


On the plus side, investment spending rose at its strongest pace in almost 3 years. Residential construction was

up, and business investment in equipment and structures has finally turned consistently positive.

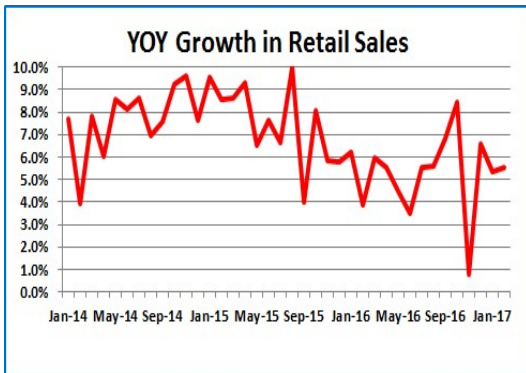


Consumer confidence remains at the high levels achieved after the election. Both present conditions and expectations are sturdy; inflation expectations are modest; and confidence about jobs and incomes are high. However, despite the gains in sentiment, consumers have not been quick to spend.

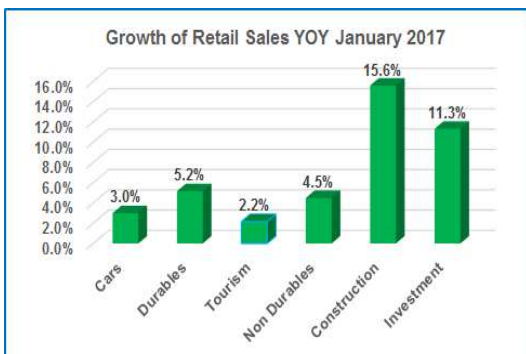


Florida Economy: Retail Sales Grow 5.5% Over the Year

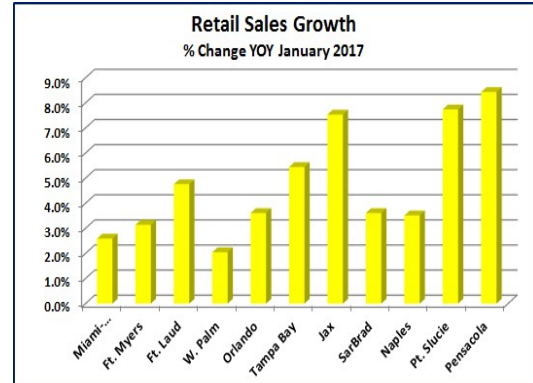
Retail sales grew by 5.5% over the 12-months ending in January 2017, noticeably stronger than the average of 5.2% for 2016. It appears that sales growth has now fully recovered from the near-term low in November 2016.



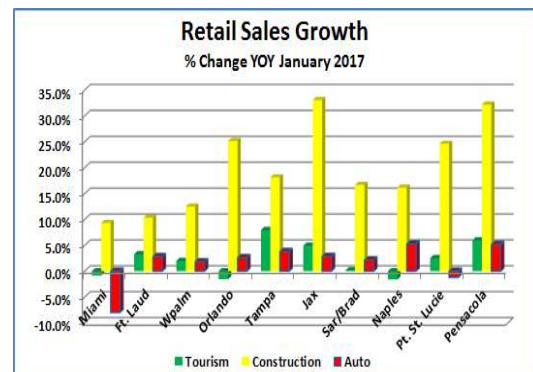
The high level of residential construction pushed construction spending up 15.6% over the year along with a strong 11% gain in business investment in plant and equipment in Florida. These strong gains were tempered by modest increases in tourism and auto sales. Tourism was held back by the slowdown in visitor volume and the sharp rise in the value of the dollar that depressed spending by international visitors. Slower auto sales were consistent with national trends, as the auto cycle peaked.



Over the last year retail sales were stronger than the statewide average in Jacksonville, Port St. Lucie, and Pensacola. Sales were well below average in Orlando, Naples, Miami, and West Palm.



Much of the weakness in those areas came from the slowdown in tourism sales that were not fully offset by the boom in construction spending. These forces were exacerbated by the drop in auto sales in Miami. By contrast, in Jacksonville, booming residential construction spending was not depressed by tourism sales which rose by 5% over the year.



The outlook for retail sales is very good going forward. Strong growth in jobs, incomes and population will push retail sales up at an accelerating rate over the course of this year exceeding 6% by year-end.