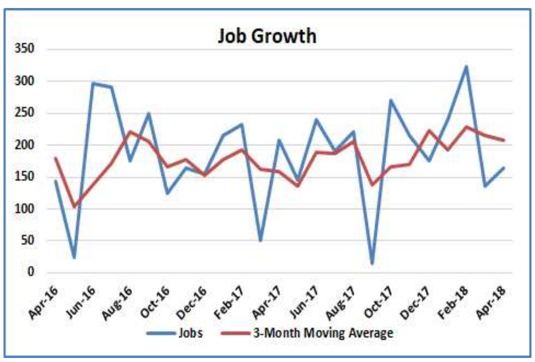
EW | ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – May 7, 2018

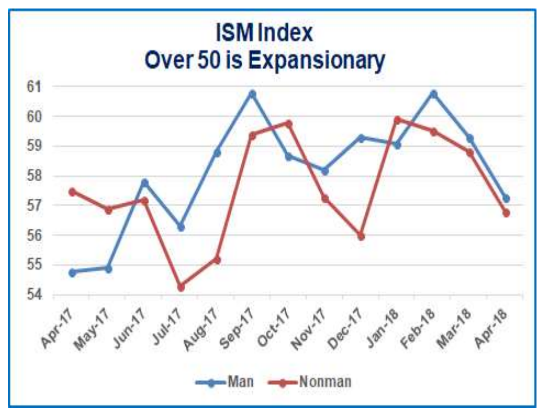
U.S. Economy – Solid Job Growth

Job growth rebounded in April, rising 164,000, and March was revised up by 33,000. Abstracting from the month-to-month volatility caused in part by unpredictable weather, the average year to date gain of 200,000 net new jobs reflects the real pace of growth.



The unemployment rate fell to 3.9%, a rate last seen in 2000. However, a surprise contraction in the labor force explains much of this decline. Despite the very tight labor market, hourly earnings were only 2.6% higher than last year. The last time the unemployment rate fell below 4%, wages were rising at a 4% rate. It appears that fundamental changes in global competition, automation, cost controls, and weaker gains in productivity are combining to keep a lid on wage gains.

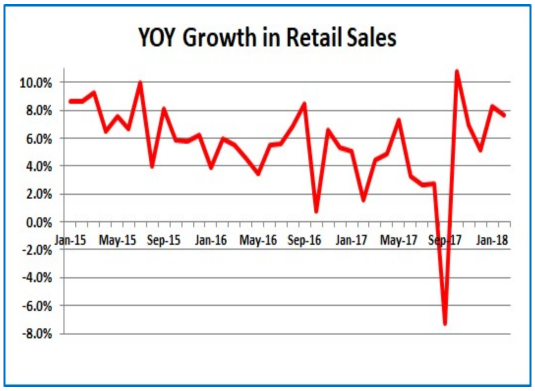
The ISM's manufacturing and nonmanufacturing indices slipped again in April, but both remain well into the expansionary area above a score of 50. Limited labor supply and supply chain disruptions have caused delivery times to lengthen. This resulted in a 14-year high in backlogs. Prices are escalating too.



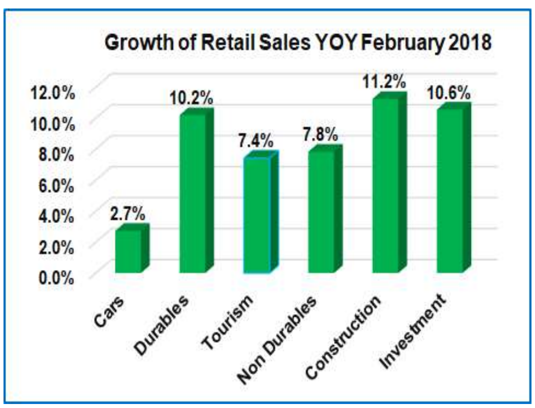
The April economic reports support the Fed's view that the economy in the equilibrium, with inflation near its 2.5% objective and unemployment low. Therefore, the Fed will continue normalizing interest rates gradually. This means one rate hike per quarter. The hard part for the Fed is to keep the economy in balance. To do so, I think that rates will have to increase more than financial markets appear to be anticipating. This creates downside risks in financial markets.

Florida Economy: Retail Sales Continue Growing Strongly

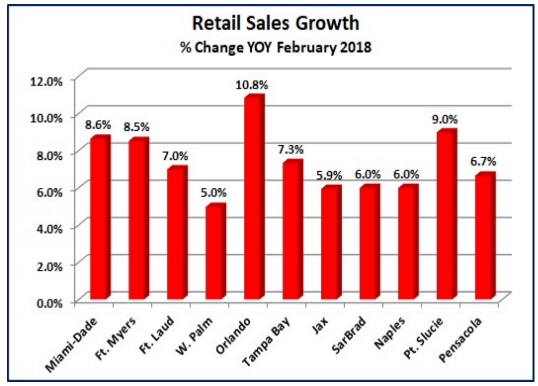
Retail sales grew 7.7% for the year ending in February keeping pace with the stronger pattern of the last 4 months.



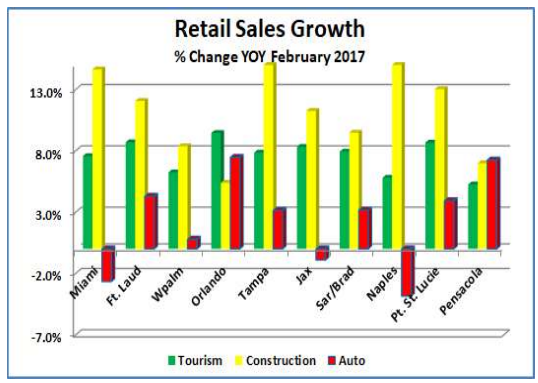
There were strong gains in every major sector, except for vehicles which increased by less than 3% over the year. Double digit gains occurred in durables, construction, and business investment.



Orlando continued to lead all metro areas in sales gains with its 10.8% jump over the year. Sales in South Florida rebounded in February as well with gains of 7% to 8.6% in West Palm, Ft. Lauderdale, and Miami. Sales were also up a strong 9% in Port St. Lucie.



Construction sales were up by over 12% for the year ending in February in Miami, Ft. Lauderdale, Tampa, and Naples. There were strong gains in tourism in Orlando, Miami, Ft. Lauderdale, Tampa, Jacksonville, and Port St. Lucie. While vehicle sales were generally weaker for the year ending February, sales were strong in Orlando and Pensacola.



The outlook for retail sales is bright for Florida over the upcoming 12-months. Job gains are very strong increasing incomes. Population growth continues to be high as well. These factors alone will support retail gains of 5% or more. Construction spending continues to increase, and the gains are magnified by rising prices for labor and materials. Finally, with strong U.S. growth and significant new investments in hotels and attractions, tourism spending will also contribute to the strong upswing.