

## ECONOCAST™ UPDATE – June 18, 2018

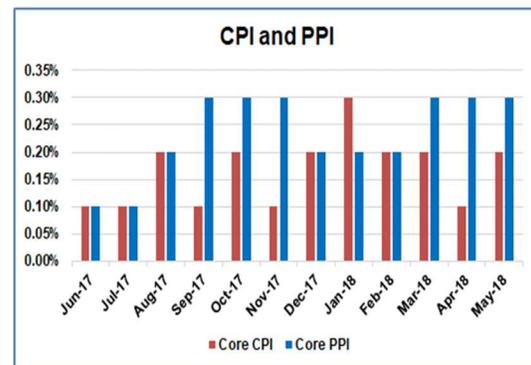
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### U.S. Economy – Higher Rates and Rising Inflation

As expected, the FOMC raised the target funds rate by 25 bps to 1.75%-2.0%. More important was their announcement of a 4<sup>th</sup> rate hike this year and a stronger forecast for GDP and inflation. This is not surprising, given that the economy growing at about a 4% pace and the biggest boost from the fiscal stimulus is still ahead of us. The unemployment rate will only go lower, and inflation is now running at or above the Fed's target and is accelerating.

U.S. inflation pressures are gradually developing, because of the tight U.S. labor market, rising global commodity prices, and newly imposed tariffs. Headline CPI rose 0.2% in May, matching the gain in April. Excluding food and energy, the CPI was up a trend-like 0.2%. Price pressures are building. May PPI was up 0.5%, but much of this was due to higher oil prices. Oil prices are topping out and the global oil market is likely to regain balance in the second half of 2018, preventing oil prices from rising in a sustainable way. OPEC and Russia are likely to increase output levels, and non-OPEC supply will increase at a faster pace in 2018 thanks to higher

oil prices. Even so, core PPI continues rising at a 0.3% pace which is above the Fed's target. At this stage in the business cycle price pressures will continue to develop, which will squeeze profit margins causing firms to raise prices faster.

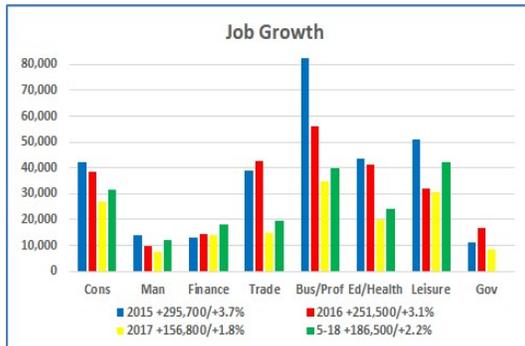


Retail sales rose strongly in May up at a 10% annual pace for both top line sales and core sales. Sales are now 7% ahead of last year, courtesy of the tax cuts and job gains.

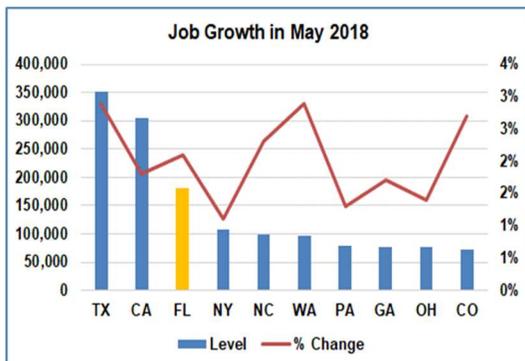


## Florida Economy: Job Growth Accelerates in May

Job growth accelerated in May up 186,300 compared to last year and the biggest year-over-year gain in over 18-months. This pushed job growth well above the 2017 level. Rising tourist arrivals drove job gains in leisure and hospitality leading all other sectors. Every sector had stronger growth so far this year compared to 2017, except for government. Over the month and on a seasonally adjusted basis job gains were buoyant in leisure, professional services, healthcare and wholesale and retail trade offsetting losses in local government jobs.



For the year ending May 2018 Florida continued to rank 3<sup>rd</sup> in job generation behind Texas and California.



Florida's unemployment rate dipped to 3.8% in May compared to 3.9% in April. Although Florida's labor force grew by 12,000 in May this was still

below the employment gain of 19,000 driving down the unemployment rate. Fortunately, the very tight labor market has yet to constrict job growth.

Orlando continues to dominate State job growth gaining 44,000 jobs over the year propelled by business and professional services and tourism. Tampa was a distant 2<sup>nd</sup> with strong gains in finance, tourism and healthcare. Jacksonville's gains were broadly based led by business and professional services. Only Naples and Ft. Myers had job losses over the year, and these were caused by the lingering impact of Hurricane Irma.



There were notable job gains in Sarasota/Bradenton and Lakeland. But job gains were slower in South Florida and across Northeast Florida.

Data as of May 2018	Unemployment Rate	Last 12 Months	% Change Jobs
<b>Florida</b>	<b>3.8%</b>	<b>186,500</b>	<b>2.2%</b>
Cape Coral-Ft. Myers	3.2%	400	0.2%
Gainesville	3.0%	2,300	1.6%
Jacksonville	3.1%	22,400	3.2%
Lakeland-Winter Haven	3.7%	5,900	2.7%
South Florida	3.5%	23,400	0.9%
Ft. Lauderdale	3.2%	10,600	1.3%
Miami	4.0%	12,100	1.0%
West Palm Beach	3.3%	700	0.1%
Naples	3.1%	-2,400	-1.6%
North Port-Sarasota-Bradenton	3.1%	7,100	2.4%
Ocala	4.0%	1,900	1.9%
Orlando	3.0%	44,000	3.5%
Palm Bay	3.4%	2,900	1.3%
Pensacola	3.2%	2,200	1.2%
Port St. Lucie	3.9%	2,000	1.4%
Punta Gorda	3.7%	900	1.9%
Sebastian-Vero	4.1%	500	1.0%
Tallahassee	3.2%	2,100	1.2%
Tampa-St. Pete	3.3%	30,400	2.3%