

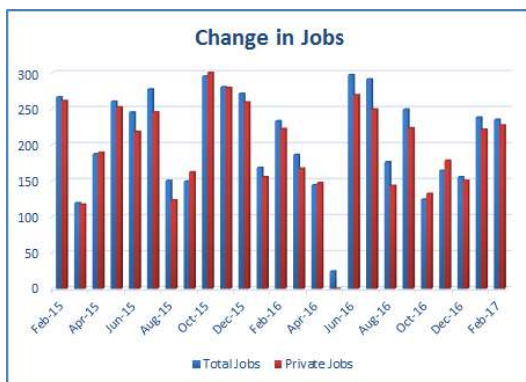
ECONOCAST™ UPDATE – March 20, 2017

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U.S. Economy – Fed Acts

As expected, the Federal Reserve raised the target range for the fed funds rate by 25 basis points to 0.75%- to-1%. The Fed continued to predict only modest growth of 2.1% this year and about 2% thereafter with three 25-basis point rate hikes this year and next.

By contrast, the economy seems stronger. February payrolls rose by 235,000 jobs. Much of the strength was in goods producing industries, especially construction, which benefited from the mild winter. The unemployment rate declined to 4.7% even as participation edged higher. Wage growth perked up as well, to 2.8% year over year.



Retail sales are quite volatile so far this year. After a strong January,

sales barely grew in February, undermined by slow income growth, delayed tax refunds and, likely, payback from the strength in January. Still, excluding gasoline stations, sales were up 4.6% over the past year.

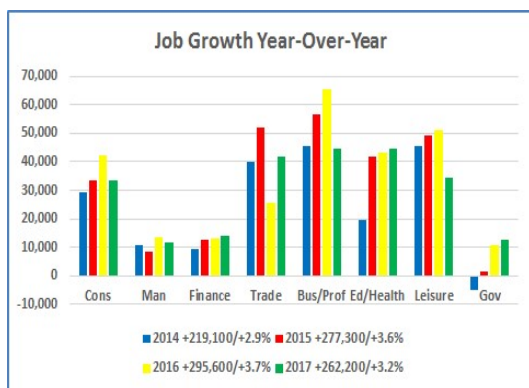


Although the economy is off to a good start this year, stocks have soared by more than 10% pushing P/E ratios to very high levels. Stock investors are expecting big things from President Trump very quickly delivered including: (a) much lower corporate taxes; (b) regulatory reform and the repeal and replacement of the ACA; (c) higher defense spending; and (d) massive infrastructure investment. They will be very disappointed if this agenda is not soon passed. Yet, this looks increasingly doubtful. The result will be a sharp sell-off in stocks damaging the prospects for growth in 2018-19.

Florida Economy: Strong Job Growth in January

Every March, Florida's data for the labor market is revised in a process called "benchmarking." These revised data show much stronger job growth in 2015 and 2016 of 277,300 and 295,600, respectively. The momentum boosted the January 2017 job growth to 54,300 on a seasonally adjusted basis boosted by gains in construction and in business and professional services. The unemployment rate ticked up to 5% because of a surge in the labor force of 53,000 in January eclipsing the 42,000 jump in employment. Over the year, Florida's labor force has grown by 2.6% compared to the 0.9% gain nationally. Florida has one of the fastest growing labor forces in the U.S. fueled by gains in high school graduation and in migration of workers from other states.

On a year-over-year basis, January job gains totaled 262,200 with gains in every major sector led by education/health, business and professional services, and trade. While tourism remained strong, the re-benchmarked data show it fading.



The revised data confirm our suspicion that job gains in Miami-Dade were being significantly

underestimated. Job growth was revised upward to 34,100 for a gain of 2.9%. Job growth in Ft. Lauderdale and West Palm were also revised higher, too. Even with its 67,700 additional jobs in 2016 in South Florida, the I-4 corridor, from Daytona to Tampa, continued to dominate job growth in Florida with over 100,000 new jobs in 2016 led by Orlando's 56,300. Jacksonville also had strong job growth in 2016 with gains in construction and trade.

A number of Florida's smaller metro areas enjoyed above average job growth in 2016 including Palm Bay-Melbourne, Gainesville, Ocala, Punta Gorda, Sebastian-Vero, and Tallahassee. An influx in retirees boosted these economies.

Data as of January 2017	Unemployment Rate	last 12 Months	% Change Jobs
Florida	4.7%	262,200	3.2%
Cape Coral-Ft. Myers	5.0%	5,500	2.2%
Gainesville	4.8%	5,600	4.0%
Jacksonville	5.2%	15,400	4.1%
Lakeland-Winter Haven	6.0%	8,000	2.3%
South Florida	5.1%	67,700	3.8%
Ft. Lauderdale	5.0%	23,500	2.6%
Miami	5.1%	34,100	2.9%
West Palm Beach	5.2%	16,300	3.0%
Naples	5.0%	3,200	2.7%
North Port-Sarasota-Bradenton	5.0%	13,100	2.3%
Ocala	6.3%	3,600	4.5%
Orlando	4.9%	56,200	3.6%
Palm Bay	5.5%	8,000	4.7%
Pensacola	5.4%	4,300	0.6%
Port St. Lucie	5.7%	4,800	2.5%
Punta Gorda	5.8%	1,900	3.4%
Sebastian-Vero	6.2%	2,000	4.1%
Tallahassee	5.2%	4,600	4.0%
Tampa-St. Pete	5.1%	40,500	2.6%

Job growth was generally below average in Southwest Florida including Naples, Ft. Myers, and Sarasota-North Port. This was a bit surprising given their gains in retiree migration. However, construction employment was a bit weaker in 2016 limiting overall gains. Looking forward 2017 will be another excellent year for job growth in Florida.