ECONOCAST™ UPDATE – November 27, 2017

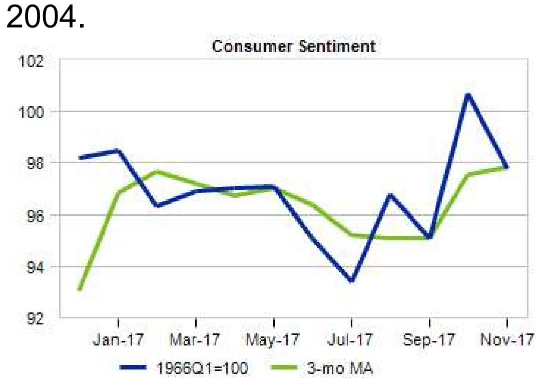
U.S. Economy – All Eyes on Congress

The continuing resolution ("CR") that funds federal government operations and increased the debt ceiling expires on December 8th. To avoid an economic disaster, Congress must pass a new CR. To avoid a political disaster for the Republicans, Congress must also pass a tax cut. Given the consequences of failure, it is highly likely that Congress will act, and the President will sign both bills.

The economy has strong momentum, and abstracting from the quarterly ups and downs, real GDP is growing at about a 2.75% rate, somewhat above the pace over the last nearly nine years of this expansion. Consumption has accounted for almost 80% of total growth in this expansion, far higher than average. While strong job growth has played its part, household wealth has soared fueled by record high stock prices and the rebound in home values. Households have rebuilt their balance sheets, and the proportion of after-tax income that households must use to make payments and remain current on their debts has never been lower in the 35 years of available data.

The unemployment rate is just over 4% and underemployment, a broader measure of labor market slack at less than 8%, are consistent with an economy operating beyond full employment. Data for new claims signal continuing gains as they remain below 300,000.

Despite falling, consumer confidence remains near its highest level since 2004.

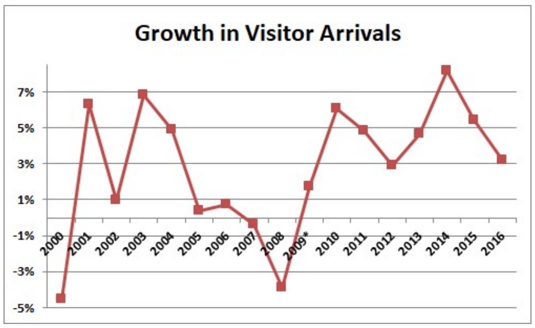


In this environment, the Federal Reserve will certainly raise the funds rate at its December meeting.

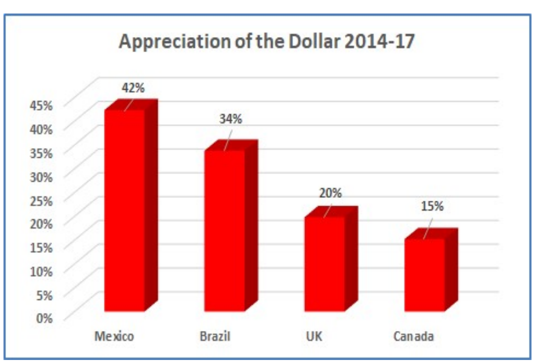
FISHKIND & ASSOCIATES ECONOMIC CONSULTANTS 12051 Corporate Blvd, Orlando, Florida 32817, Office 407-382-3256, Fax 407-382-3254, www.fishkind.com

Florida Economy: Tourism Sets Another New Record

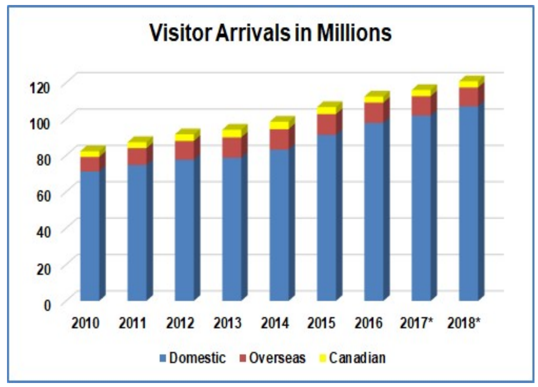
Tourism set another new record in 2017Q3 with visitor volume rising 3.4% over last year to nearly 28 million. However, the momentum is clearly slowing, as each quarter's growth this year was below last year. At the current pace, visitor volume will increase by only 3% in 2017 for the slowest growth rate since 2012.



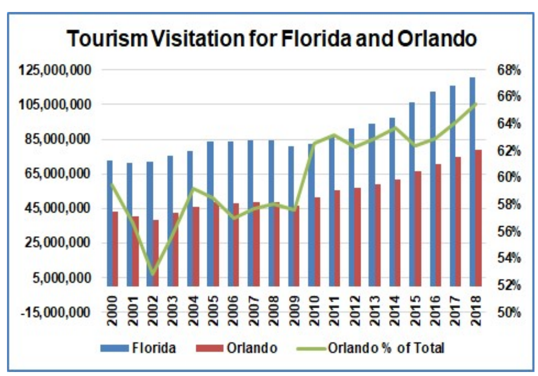
The growth in domestic visitation slowed from 7.2% in 2016 to 4.1% this year. Foreign visitation contracted by 2.5% last year and by 3.3% so far this year. The back to back declines in foreign arrivals was caused by recessions in major markets including Brazil and Argentina coupled with the sharp rise in the value of the dollar. The dollar has appreciated by 15% compared to the Canadian dollar, 20% to sterling, and by more than 30% compared to the Brazilian and Mexican currencies making a Florida vacation more expensive.



Looking ahead, visitor volume will accelerate modestly rising by 4.5% in 2018. U.S. economic growth will be stronger in 2018 boosting domestic visitation. In addition, the recessions in South America are over, except for Venezuela, and the dollar has not appreciated this year relative to most South American currencies or compared to the Canadian dollar or to Sterling. This will ease the contraction in foreign arrivals.



Over the last 9 years with the recovery, Orlando's share of tourist visits jumped from 58% to 64%. Orlando's attractions invested billions in their parks and in promoting them. At the same time, air fares and gasoline prices dipped making an Orlando vacation even more attractive. Since the domestic market is relatively more important to Orlando than to the State as a whole, Orlando's volume was less inhibited. Next year should be even better for Orlando.



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