

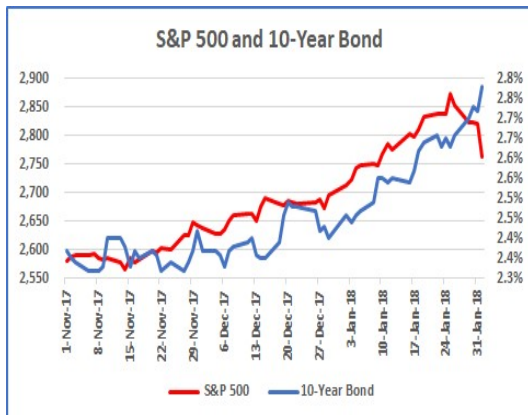
ECONOCAST™ UPDATE – February 5, 2018

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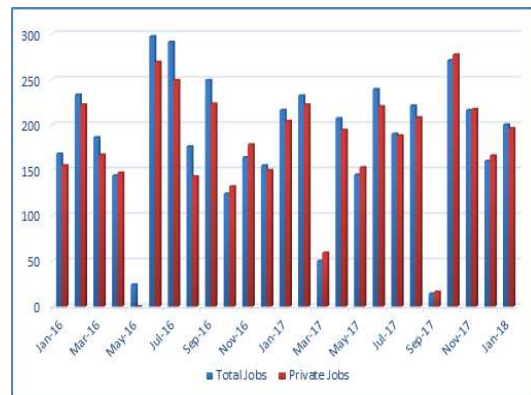
U.S. Economy – Groundhog Day

The film Groundhog Day is 25 years old, yet we still seem trapped - Congress faces yet another deadline on Thursday to secure funding for the government or risk another shutdown. So, just like the movie, Congress will likely pass another continuing resolution dooming us to do this all over again soon. The obvious danger is that we are losing the capacity to govern. The drama over the Nunes Memo underscores this risk to the economy.

Last week was particularly tumultuous. While the economic data were surprisingly strong, stocks sold off sharply and the 10-year Treasury spiked over concerns about rising inflation and growing budget deficits.



Nonfarm payrolls rose 200,000 in January and the unemployment rate remained at 4.1%. This marks an unprecedented ninth year of steady growth.

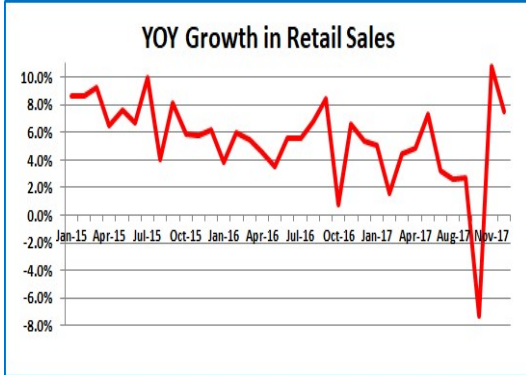


Labor markets have tightened enough and shortages of qualified workers are widespread enough to trigger a 2.9% gain in wages over the year for the best performance of the expansion. Higher minimum wages in more than 24 states and those announced by companies contributed to the increase in wage growth.

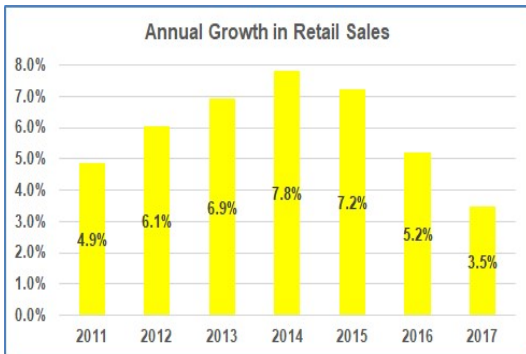
Consumer confidence rose 2.3 points in January, reflecting the surge in stocks and growing optimism about tax reform. Business investment spending is also accelerating, according to the latest ISM manufacturing survey which reported a jump in new orders for capital goods.

Florida Economy: Retail Sales Surge in November

After rebounding from their Irma-depressed level in October, retail sales surged 7.5% in November compared to last year.

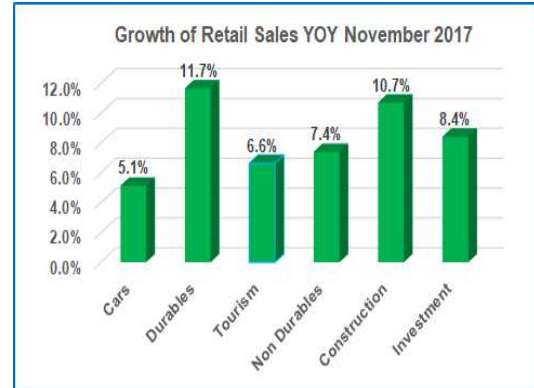


However, the November surge was not enough to offset the very modest gains earlier in 2017. As a result, sales in 2017 were only 3.5% higher than 2016. While some of the slowdown was caused by the global shift more to Ecommerce sales, Florida's slow growth in income also contributed to the small sales gain.



November's sales were boosted by double digit gains in construction and purchases of durable goods. With strong home sales, households invested in furniture and home equipment. Pent up demand for autos was satisfied last year, so car sales slowed. Falling foreign

visitation capped the gains in tourism sales.



The strongest gains in retail sales were in smaller metro areas including Cape Coral-Ft. Myers, Port St. Lucie, and Sarasota-Bradenton. Sales gains were noticeably weaker in West Palm Beach.



Construction and auto sales were flat in West Palm explaining the weakness, contrasting with strong gains for Port St. Lucie and Sarasota.

