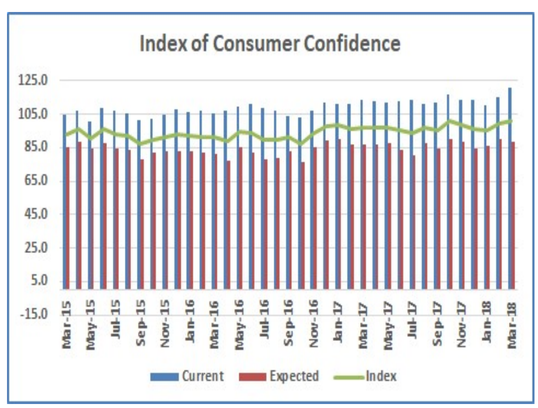
EW | ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – April 2, 2018

U.S. Economy – Wages Are Rising

The strong labor market pushed wages up 6% annual pace in February, consistent with the pace of increases since November. These strong gains boosted real disposable income by 2% in February, still strong but down from January's 7% gain which was inflated by the impact of the tax cut. The government computes personal current taxes on an accrual basis so it assumed the impact of the tax legislation began on January 1, when the law generally came into effect rather later in February when companies were actually adjusting to the new tables. Thus, disposable income got a significant bump in January only to fall back to its pre-January pace in February. Going forward, wage gains will determine in large part the trajectory for real disposable incomes, which in turn drive consumption. Since the unemployment rate is sure to fall below 4%, this will pressure employers to continue raising wages. Already, the forward-focused indicators are signaling accelerating wage gains. More workers are quitting their jobs for higher paying ones, and the quit rate of 2.2% now matches its prerecession peak.

Consumer confidence soared to its highest level since 2004. Consumers cited higher household incomes as the primary reason for their stronger rating of current conditions. Expectations for future conditions eroded a bit from January but remain very high as well. With cyclical high levels of confidence, consumers will spend freely over the upcoming 12-months fueling strong growth in real GDP.



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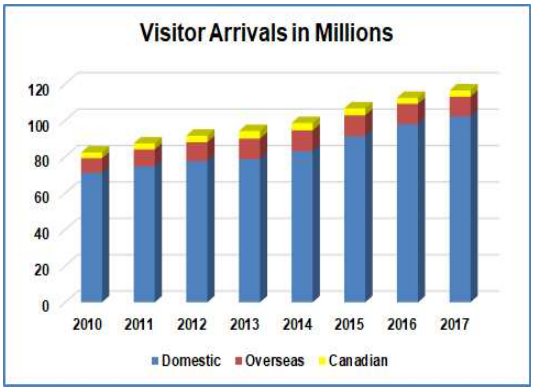
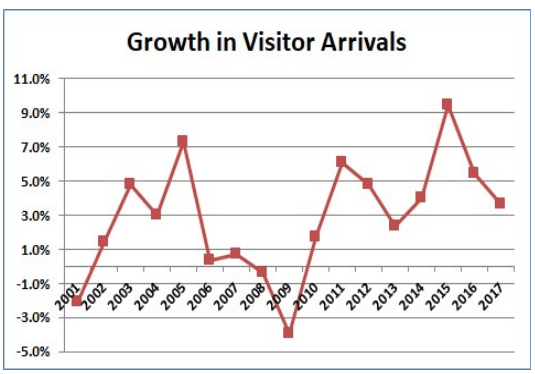
Florida Economy: Visitors to Florida Set Another Record

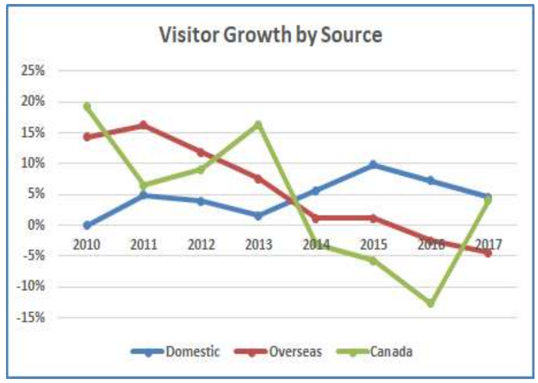
Over 116 million visitors flocked to Florida in 2017 setting another all time high. Visitation has risen each year since the recession bottomed out in 2009.



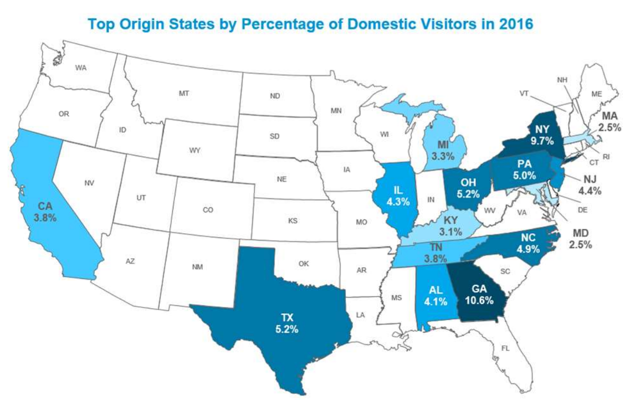
However, the growth rate has slowed since peaking at over 9% in 2015. This was surprising since the U.S. economy grew steadily by more than 2% per year, and Florida's attractions expanded substantially.



Visitor growth slowed over the last two years for a variety of reasons. Most importantly, there was a substantial erosion in visitors from overseas, primarily from South America and Europe. After dropping sharply since 2013, Canadian visitors increased 4% in 2017, but this was not enough to offset the declines from overseas. Some of the contraction in foreign arrivals was because of the appreciation of the dollar and some was the result of deep recessions in many South American countries. However, the dollar declined by about 10% in 2017, recessions were over in Brazil and Argentina and growth has rebounded in the EU. So, further erosion in overseas visitors in 2017 is probably the result of changes in U.S. immigration and visa policies.



Looking ahead it is important to note that 88% of Florida's visitors come from the U.S. Most of the visitors come from states east of the Mississippi, dominated by Georgia and New York.



Economic prospects are bright for 2018 in the U.S. and are particularly good for both New York and Georgia. This suggests that the growth in domestic arrivals will rebound in 2018 reversing its two-year decline. However, this will be dampened a bit by continuing declines in overseas visitors. I look for 123 million in 2018.

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