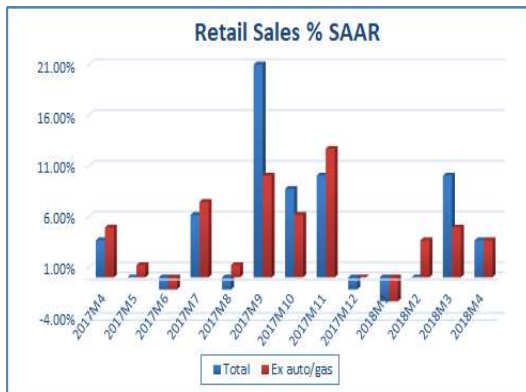


## ECONOCAST™ UPDATE – May 21, 2018

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### U.S. Economy – Strong Growth and Higher Interest Rates

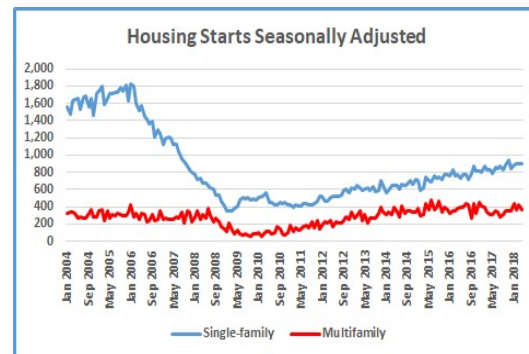
Retail sales rose 0.3% in April on top of a revised 0.8% gain in March. Over the last three months sales have rebounded, increasing at an annual rate of 4.6%. Core sales, excluding gasoline and vehicles, were up 0.3% in April with their three-month average 4% higher at an annual pace.



Sales will continue to accelerate based on the tax cuts, job gains, rising wages, and higher incomes. Rising home prices add to wealth and, even after the recent declines, stock prices are still up about 10% from a year ago. Credit is readily available for most, as debt burdens remain low and credit quality high.

Housing starts fell 3.7% in April, because of a drop in multifamily

projects. But, compared to last April, single-family starts are up 7% and multifamily starts are 19% higher.

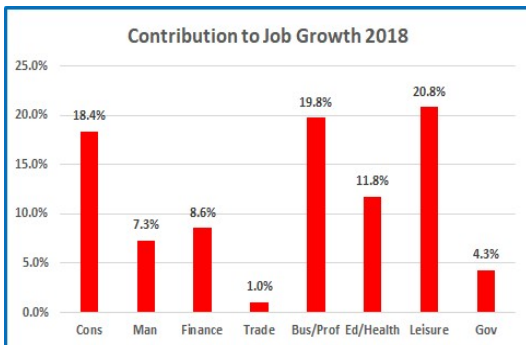


The 30-year fixed-rate mortgage averaged 4.47% for the week ending April 19<sup>th</sup>. It is at its highest rate since January 2014. A year ago, the 30-year fixed-rate mortgage averaged 3.97%. The bell-weather 10-year bond rose from 2.95% on Monday to a seven-year high of 3.11% on Thursday before dipping to close at 3.06% on Friday. Given the economic momentum documented in this week's data, the Fed will increase the funds rate three more times this year and continue to shrink its balance sheet. Meanwhile, the Treasury must increase bond sales to more than \$1 trillion this year compared to \$600 billion last year. Reduced Fed bond purchases will only push rates up faster and higher.

## Florida Economy: Job Growth Remains Solid in April

Job growth slowed to 9,600 in April on a seasonally adjusted basis, down from an upwardly revised 17,800 in March. But, Easter was in March this year, and the seasonal adjustment appears faulty. Over the last three months job gains averaged 19,230. At this pace, annual job growth would top to 230,000 – well above the year-over-year gain of 178,100 posted in April 2018.

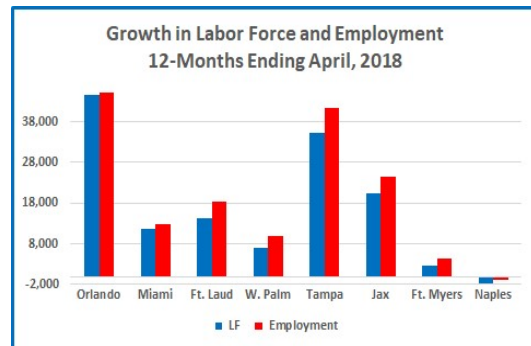
Every major sector enjoyed gains over the year. The leisure/tourism sector accounted for 21% of the gain, followed by the 20% contribution from business and professional services, and 18% accounted for by construction jobs. Despite the growth in population and employment, jobs in retailing barely grew due to the inroads of Ecommerce.



Florida's unemployment rate was unchanged at 3.9% and equal to the national average. This understates the relative strength of Florida's labor market, because Florida's labor force grew 1.1% over the year, but employment was up 1.7%. This compares favorably to the U.S. where the labor force by 0.9% and employment was up 1.4%.

Unemployment rates were generally the same or a bit lower over the

month across the State with Crestview-Ft. Walton Beach posting the lowest rate of all MSAs at 3.1%. Hurricane Irma is still impacting Southwest Florida. Naples and Sebring were the only MSAs where the labor force shrank over the year. Everywhere else, the labor force grew strongly allowing labor markets across the State to have sufficient supplies of labor to maintain their low unemployment rates in the face of strong job growth.



Orlando continued to dominate job growth in Florida over the year with a gain of 40,000 jobs rising by 3.2%. Strong and continuing gains in tourism propelled Orlando. Tampa continued to follow closely with job growth of 34,200 or 2.6%. Job growth was strong in Jacksonville and Lakeland as well.

Data as of April 2018	Unemployment Rate	Last 12 Months	% Change Jobs
<b>Florida</b>	<b>3.9%</b>	<b>178,100</b>	<b>2.1%</b>
Cape Coral-Ft. Myers	3.6%	900	0.3%
Gainesville	3.6%	2,100	1.5%
Jacksonville	3.6%	17,300	2.5%
Lakeland-Winter Haven	4.5%	5,500	2.5%
South Florida	4.3%	25,500	1.0%
Ft. Lauderdale	3.6%	12,800	1.5%
Miami	4.8%	12,200	1.0%
West Palm Beach	3.9%	500	0.1%
Naples	3.9%	-3,600	-2.4%
North Port-Sarasota-Bradenton	3.6%	7,100	2.4%
Ocala	4.6%	1,800	1.8%
Orlando	3.5%	40,000	3.2%
Palm Bay	3.9%	1,900	0.9%
Pensacola	3.8%	1,800	1.0%
Port St. Lucie	4.7%	2,200	1.5%
Punta Gorda	4.2%	500	1.0%
Sebastian-Vero	5.1%	600	1.2%
Tallahassee	3.8%	2,100	1.2%
Tampa-St. Pete	3.7%	34,200	2.6%