

2017 Economic Outlook

January 25, 2017



What is the economic outlook for 2017?

idk

US Output

2 – 2.5%

Modest US economic growth
(2 – 2.5%).

- ▶ Modest GDP growth in 2017
- ▶ 2016:Q3 was strong
- ▶ Productivity will be key to higher growth
- ▶ Chance of recession remain low

Annual Wage Growth



3 - 3.5%

Annual wage growth
exceeding 3 - 3.5%.

- ▶ Employment growth is slow but steady
- ▶ Job-less claims are near 43-year low
- ▶ Skilled workers relatively scarce
- ▶ Income and wage gains suggest this is a supply issue

Annual Inflation



Early signs of an economy
"overheating" as a result of
relative full employment
creating upward
pressure on inflation.

- ▶ Relative full-employment
- ▶ Late term business cycle
- ▶ Inventory correction resolved in 2016
- ▶ Inflation at highest level in nearly a decade

Interest Rates



Proactive monetary policy as soon as inflation creeps towards the 2% target, with multiple interest rate hikes throughout the year.


- ▶ Federal Reserve Policy has been neutral for some time
- ▶ 25-basis-point rate hikes in 2015 and 2016
- ▶ Low tolerance for inflation $>2\%$
- ▶ Expect to see multiple hikes in 2017

But....



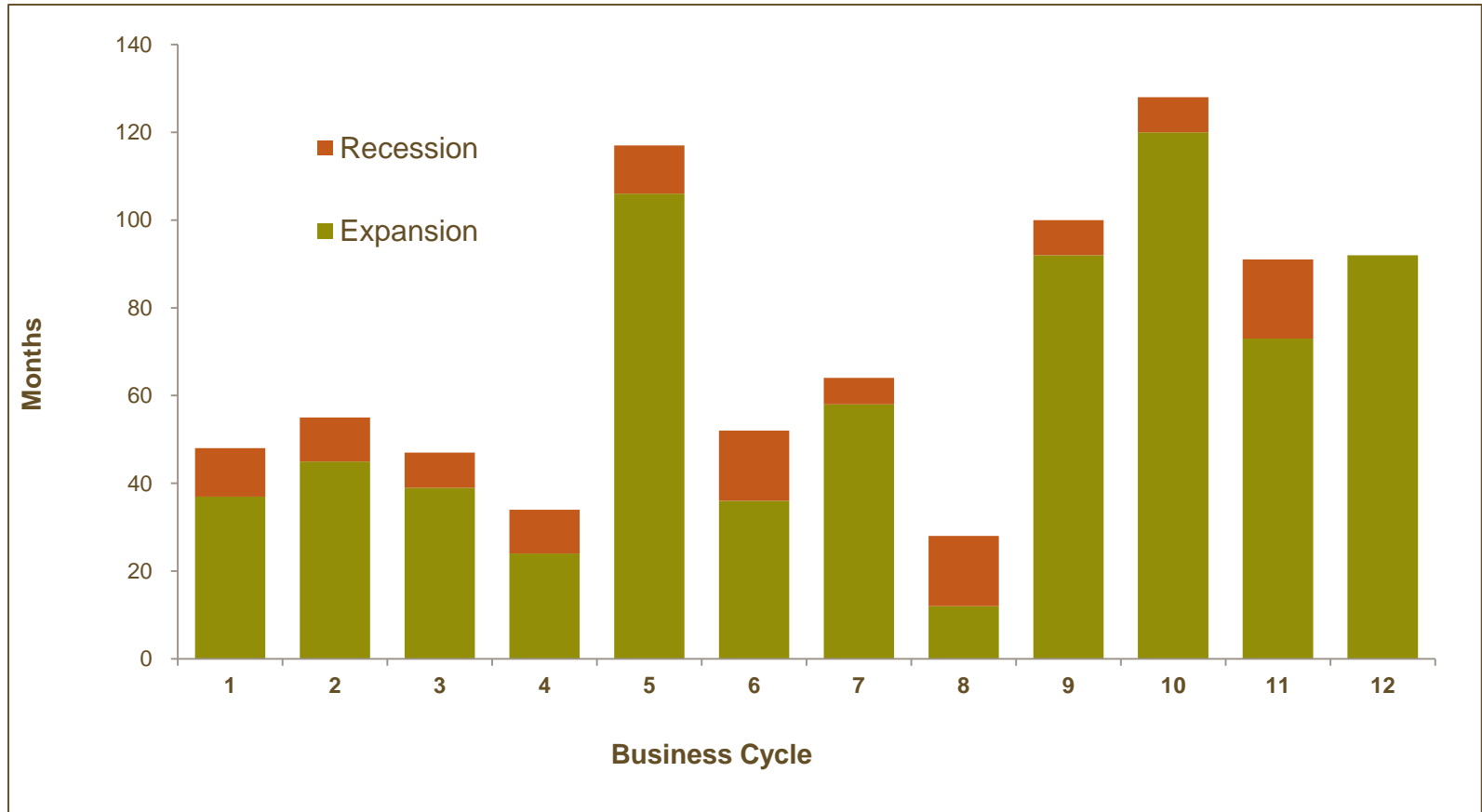
► Real risks include

- Inflation (and politics)
- Economic policy uncertainty
- Irrational Exuberance with Republican control
- Global economic uncertainty

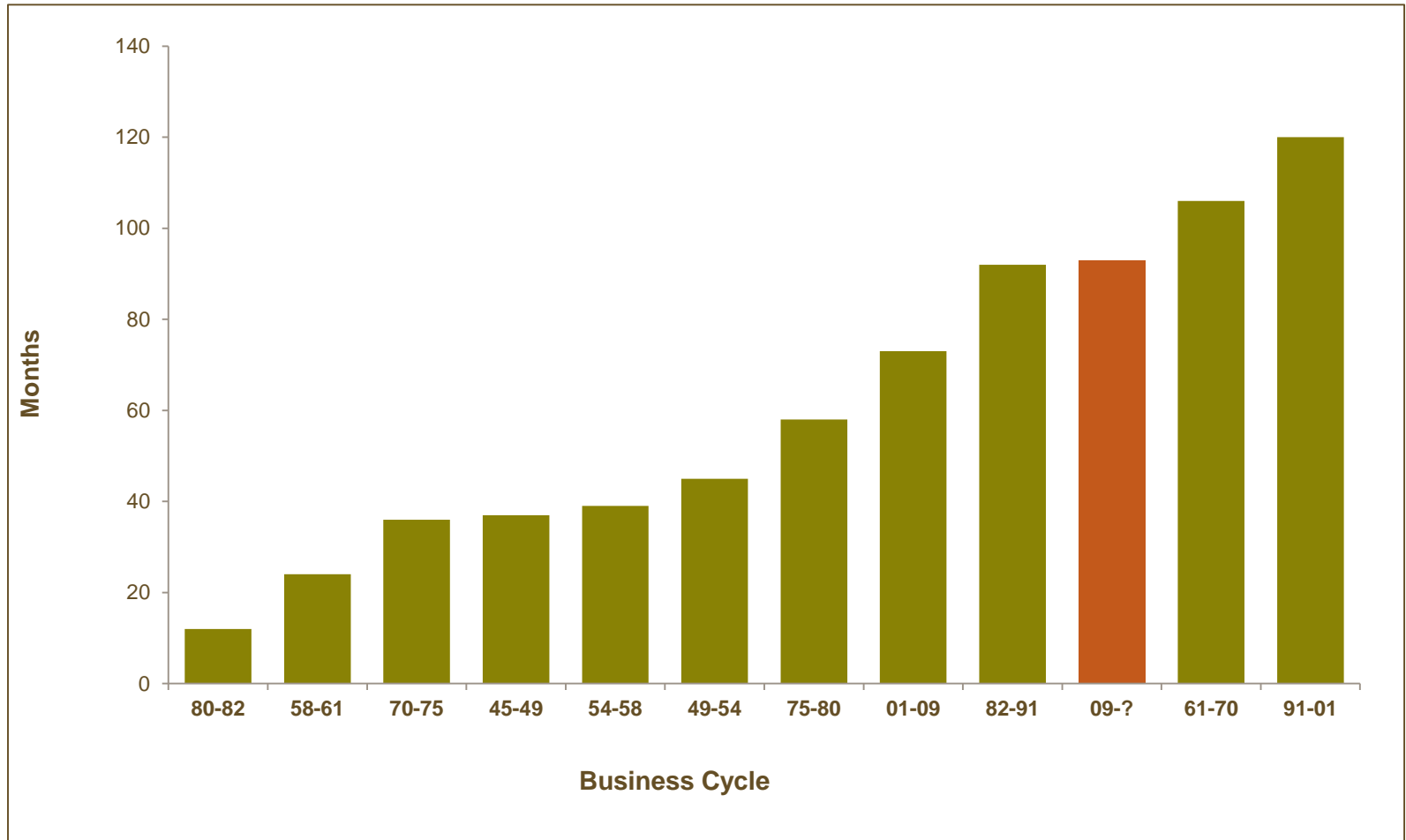


Where we go is largely based
on where we are.

Current economic cycle



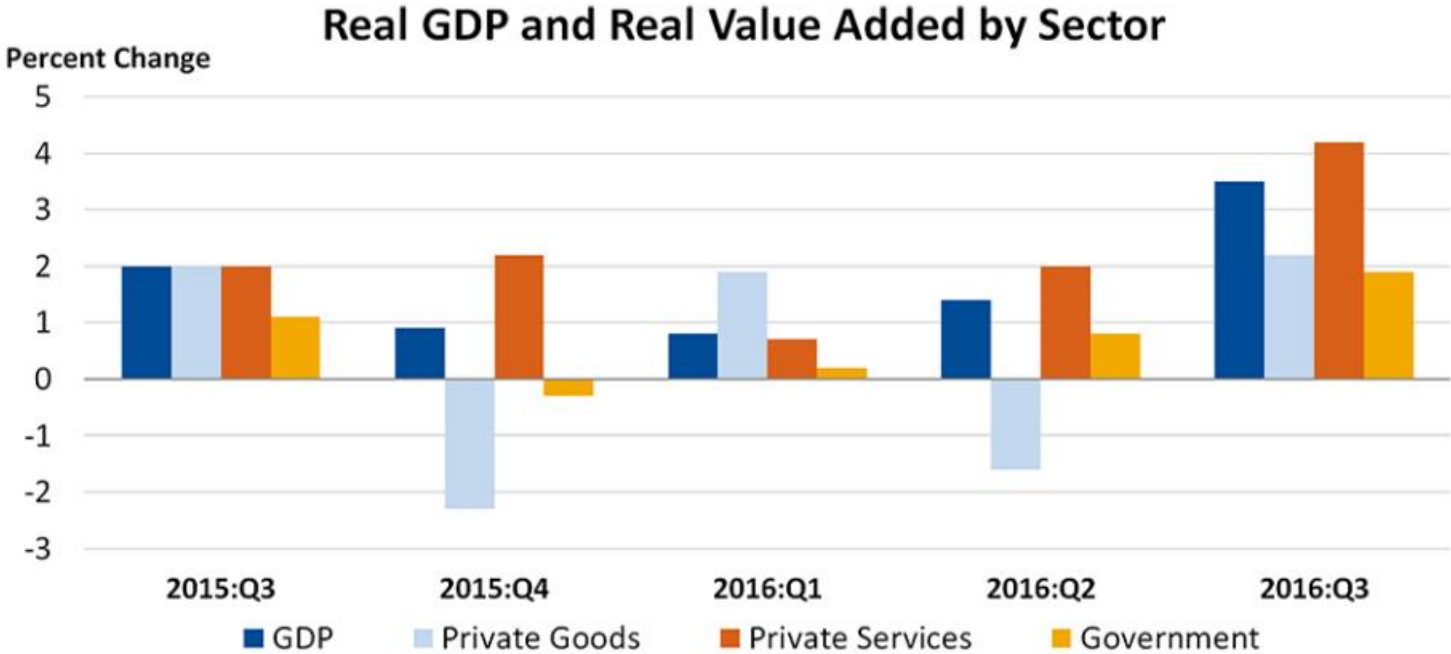
How much longer?



Slow and steady

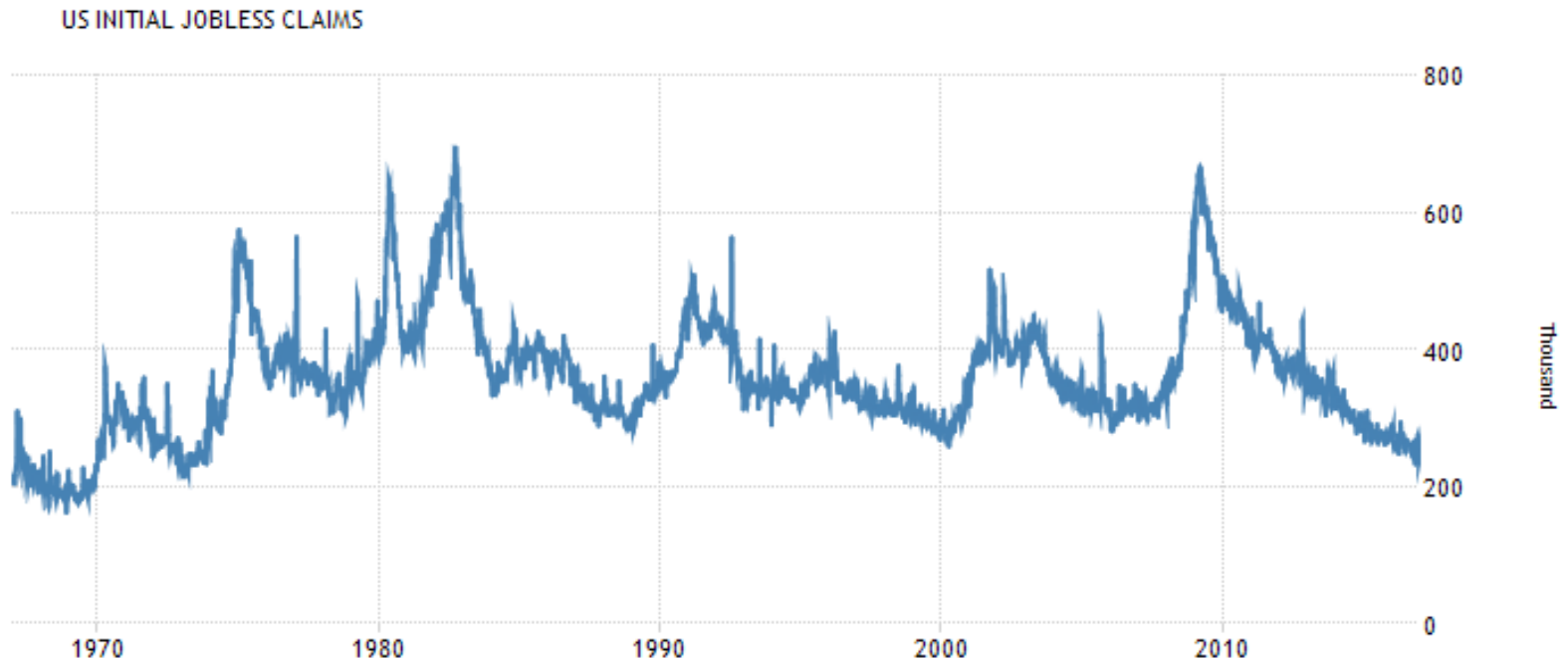


2016:Q3



U.S. Bureau of Economic Analysis

Jobs and Unemployment



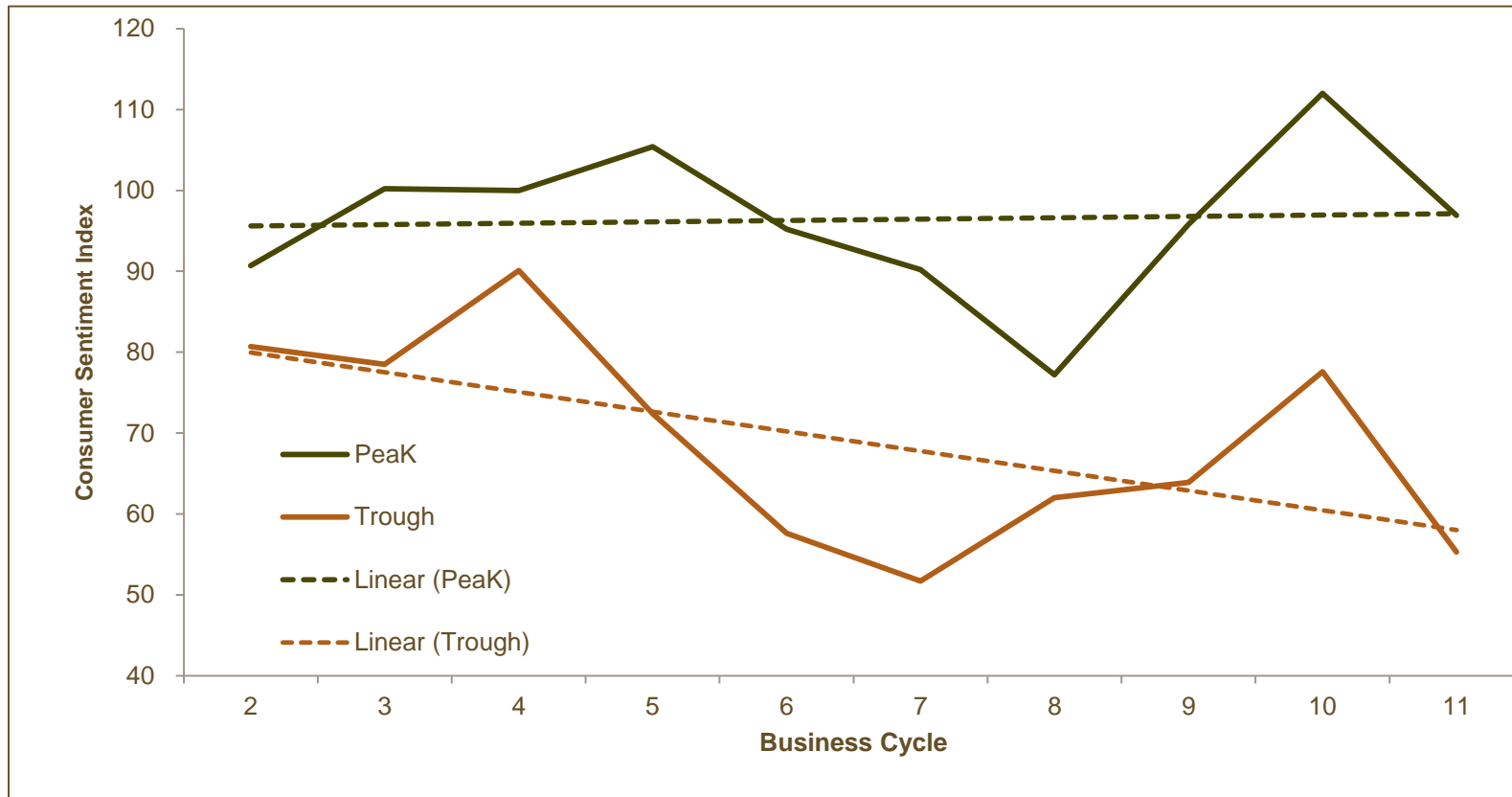
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Economic Policy Uncertainty

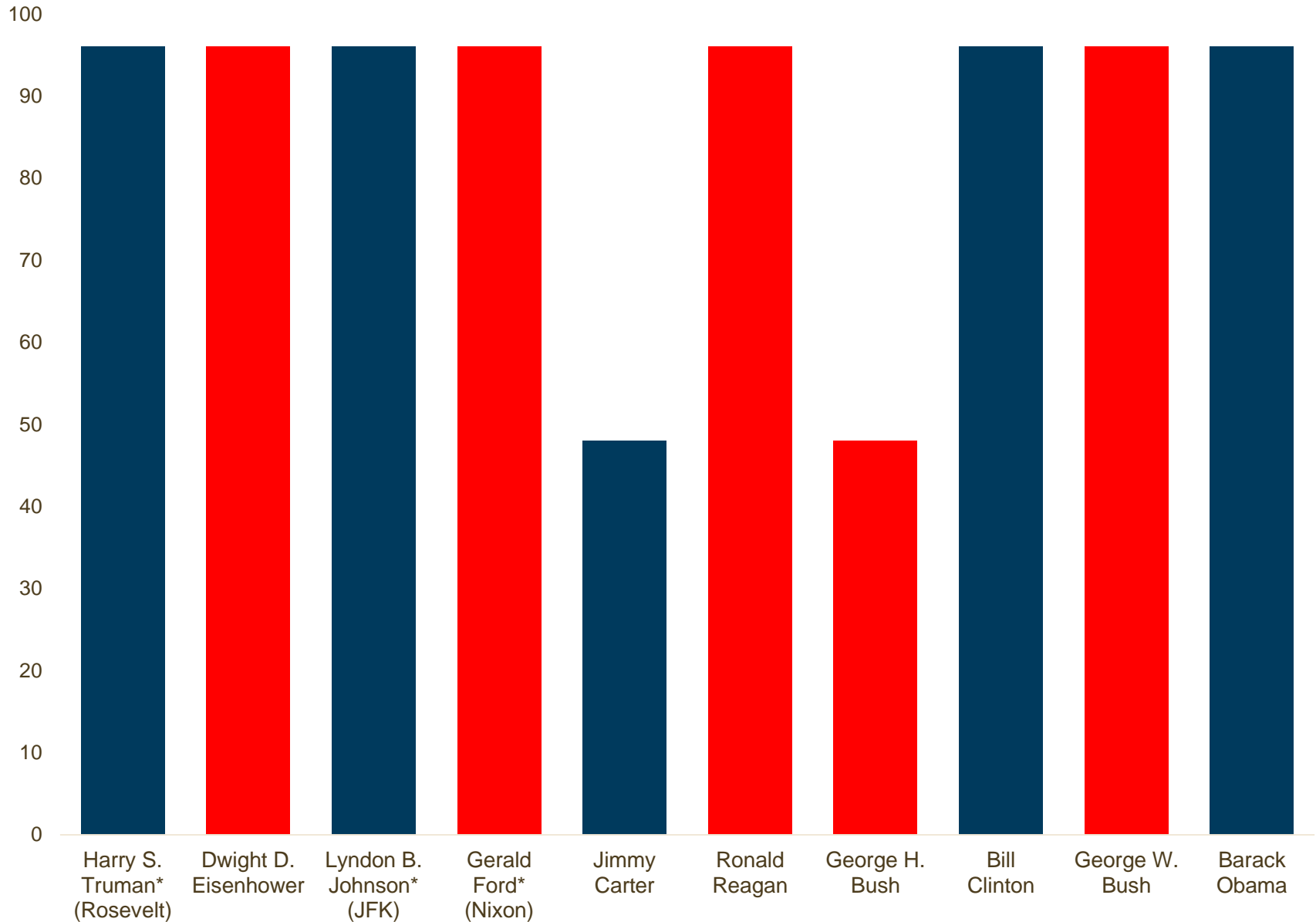
“Today is one of the relatively rare times that an incoming US president has not been handed an economy already in a recession or headed towards one.”

▶ Steven McDonald, Chief Economist

Consumer perceptions



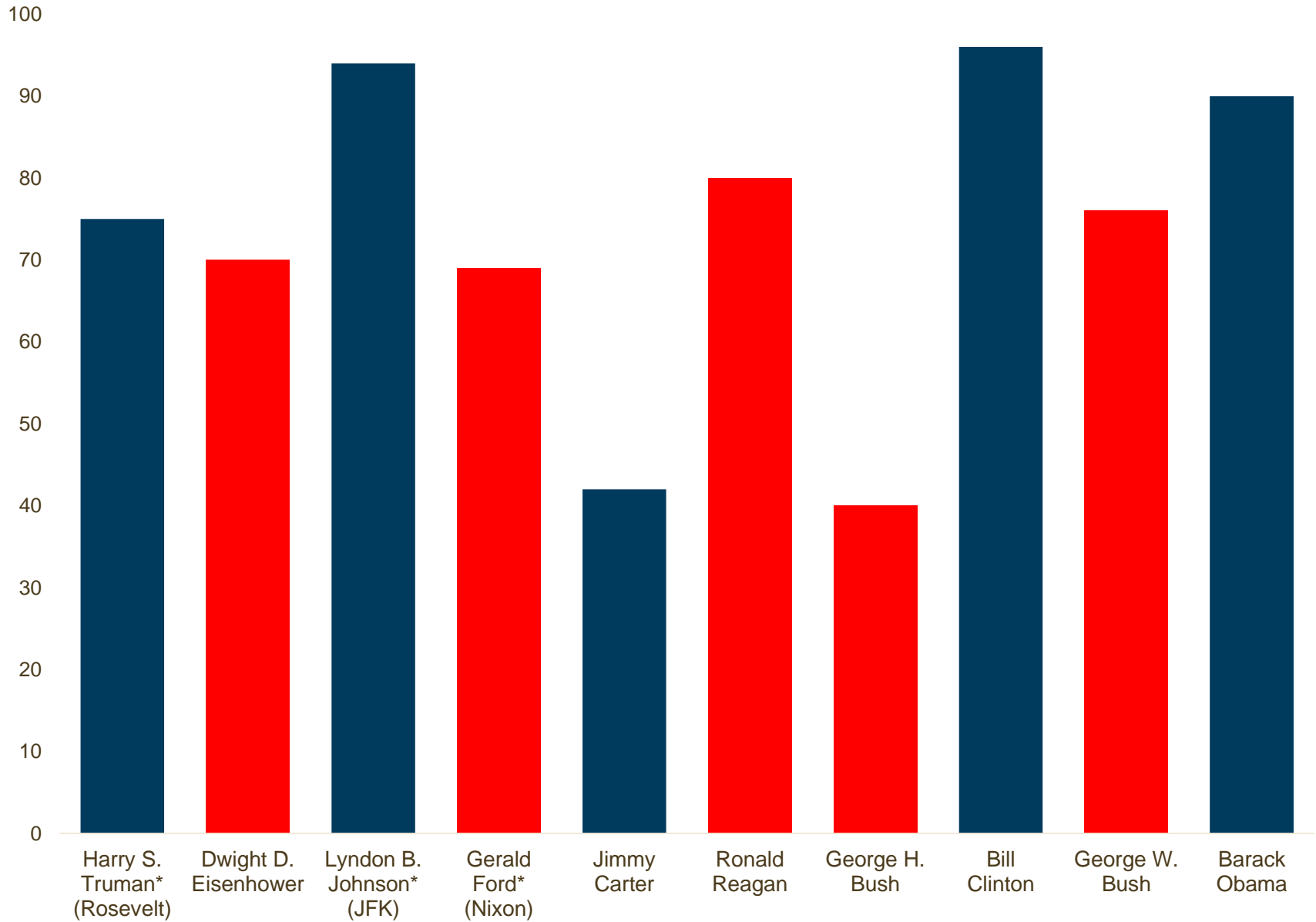
US Presidential Terms (Months)



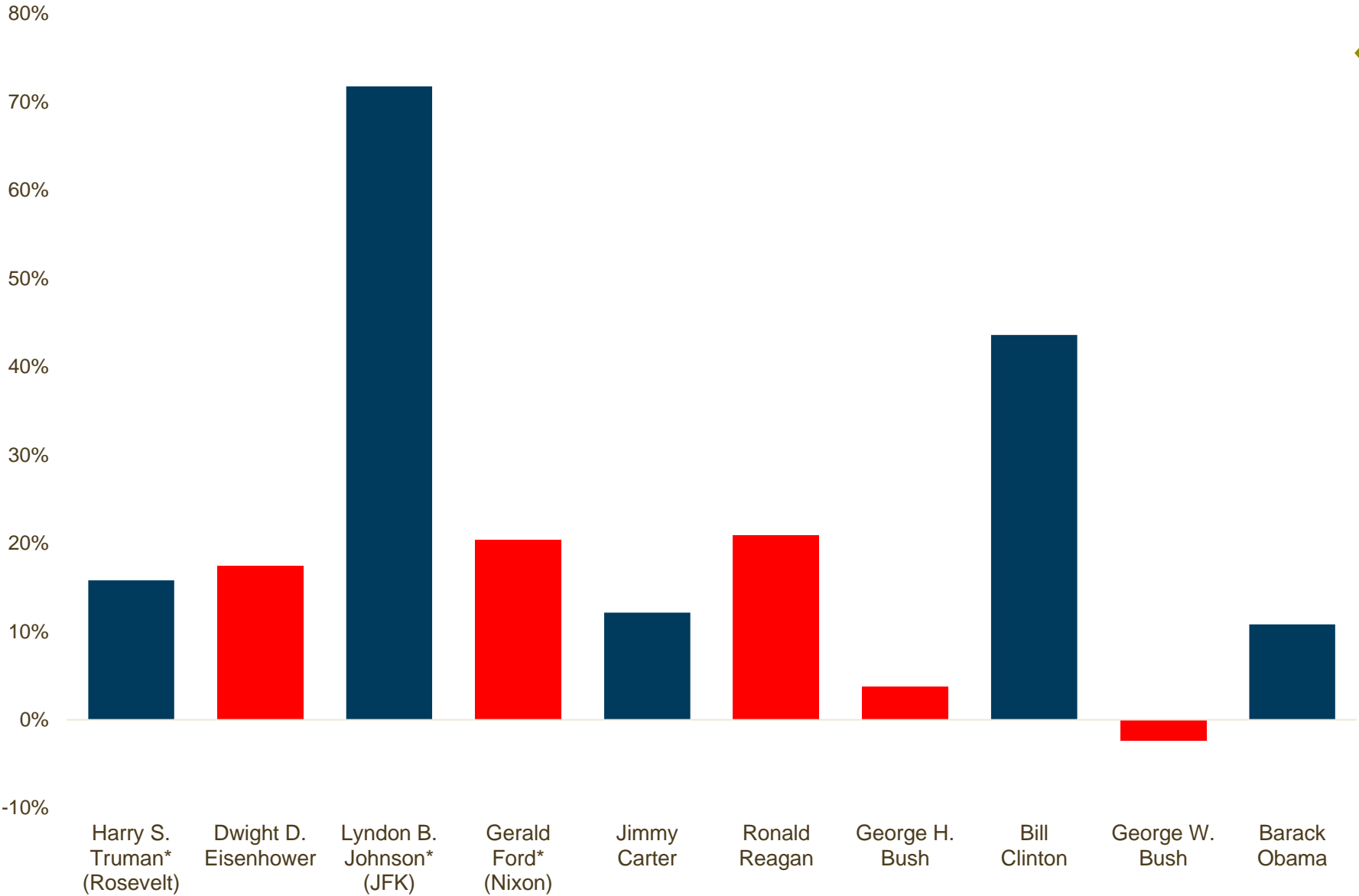
Political Economic Cycles

- ▶ Past 72 years (864 months)
 - 432 months of Republican presidency
 - 432 months of Democrat presidency
- ▶ Generally we take 6 steps forward for every step back
 - 5.55 month expansion for 1 month recession

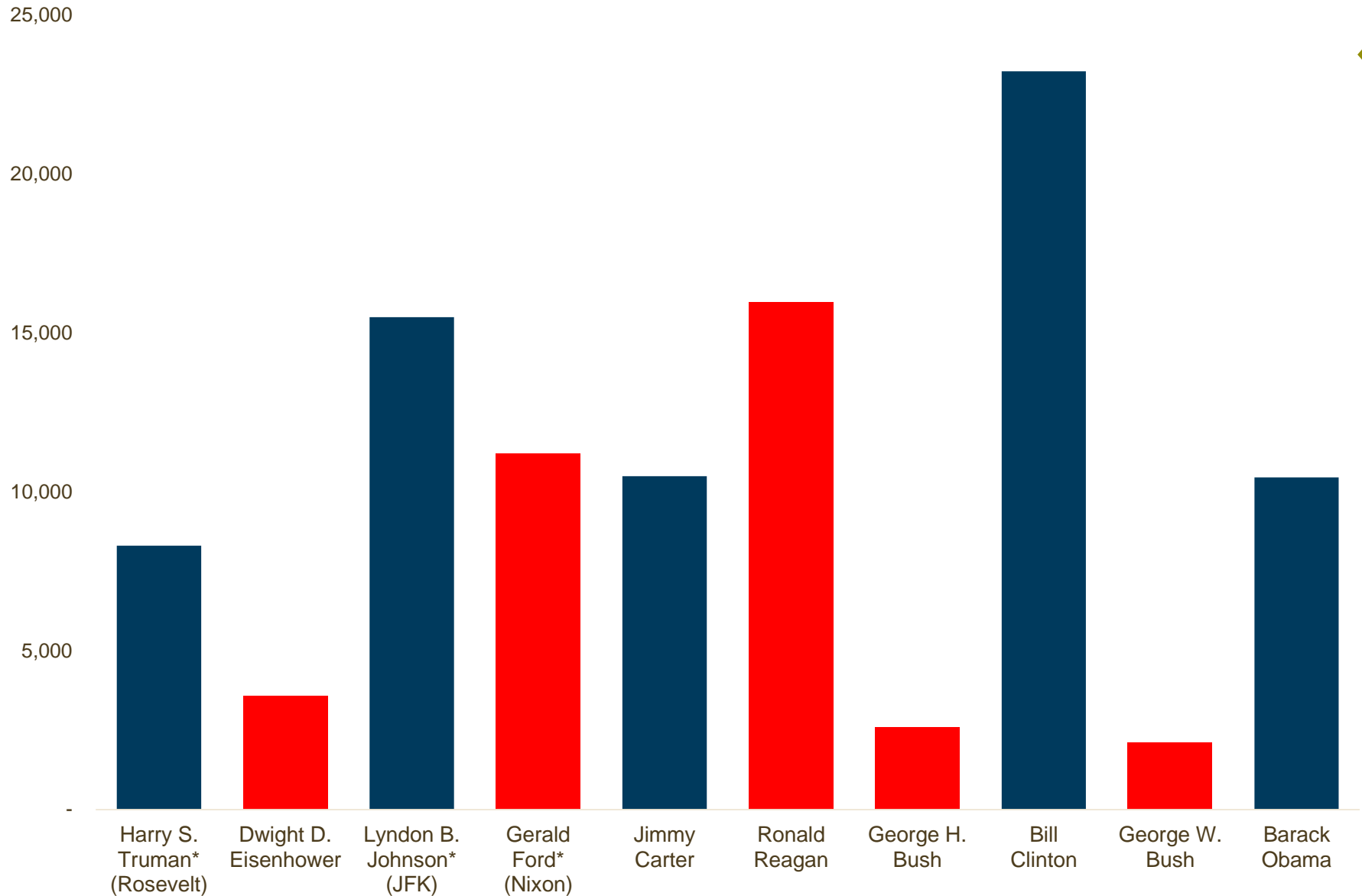
US Economic Expansion (Months)



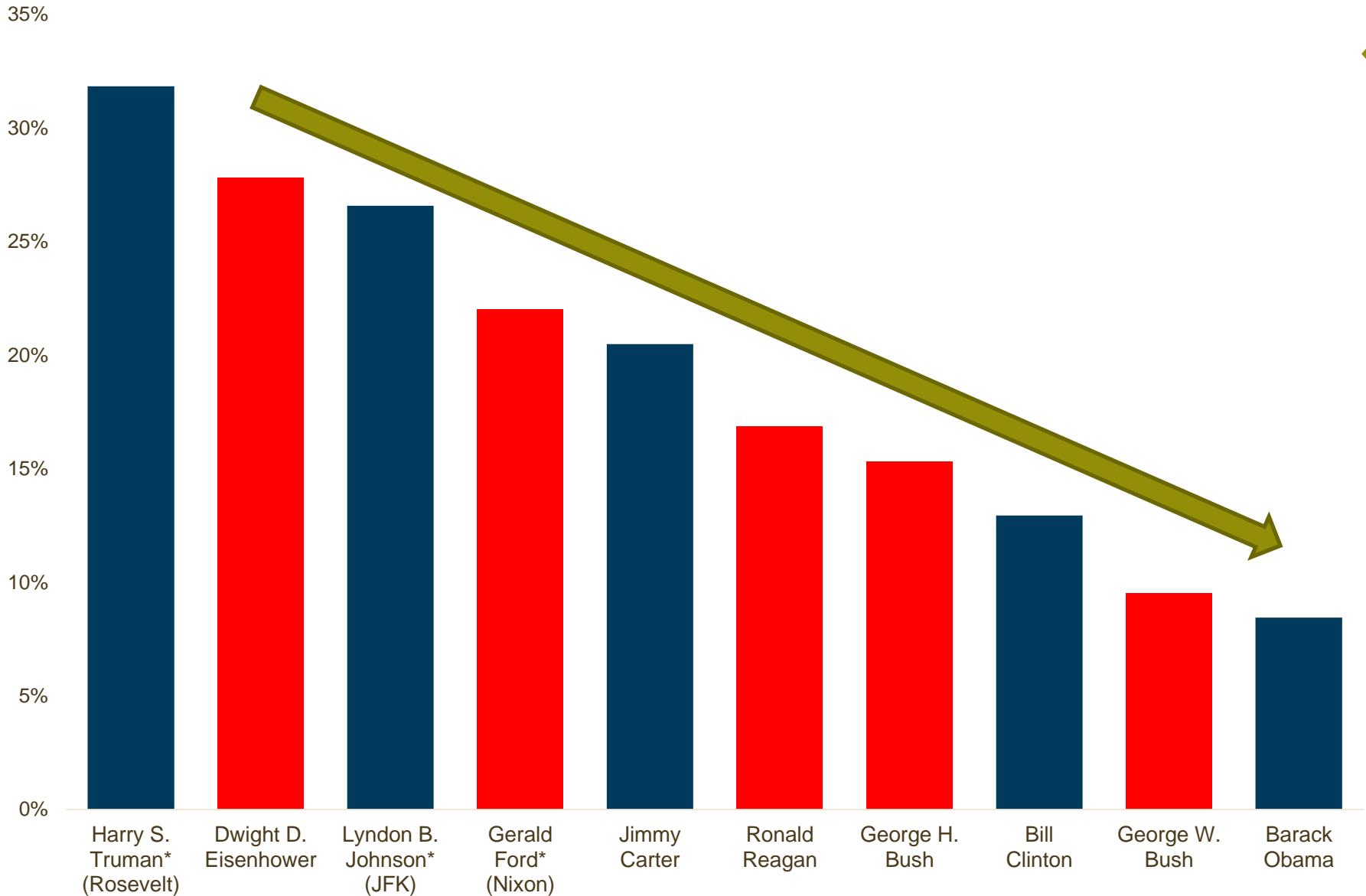
US Industrial Production - % Growth



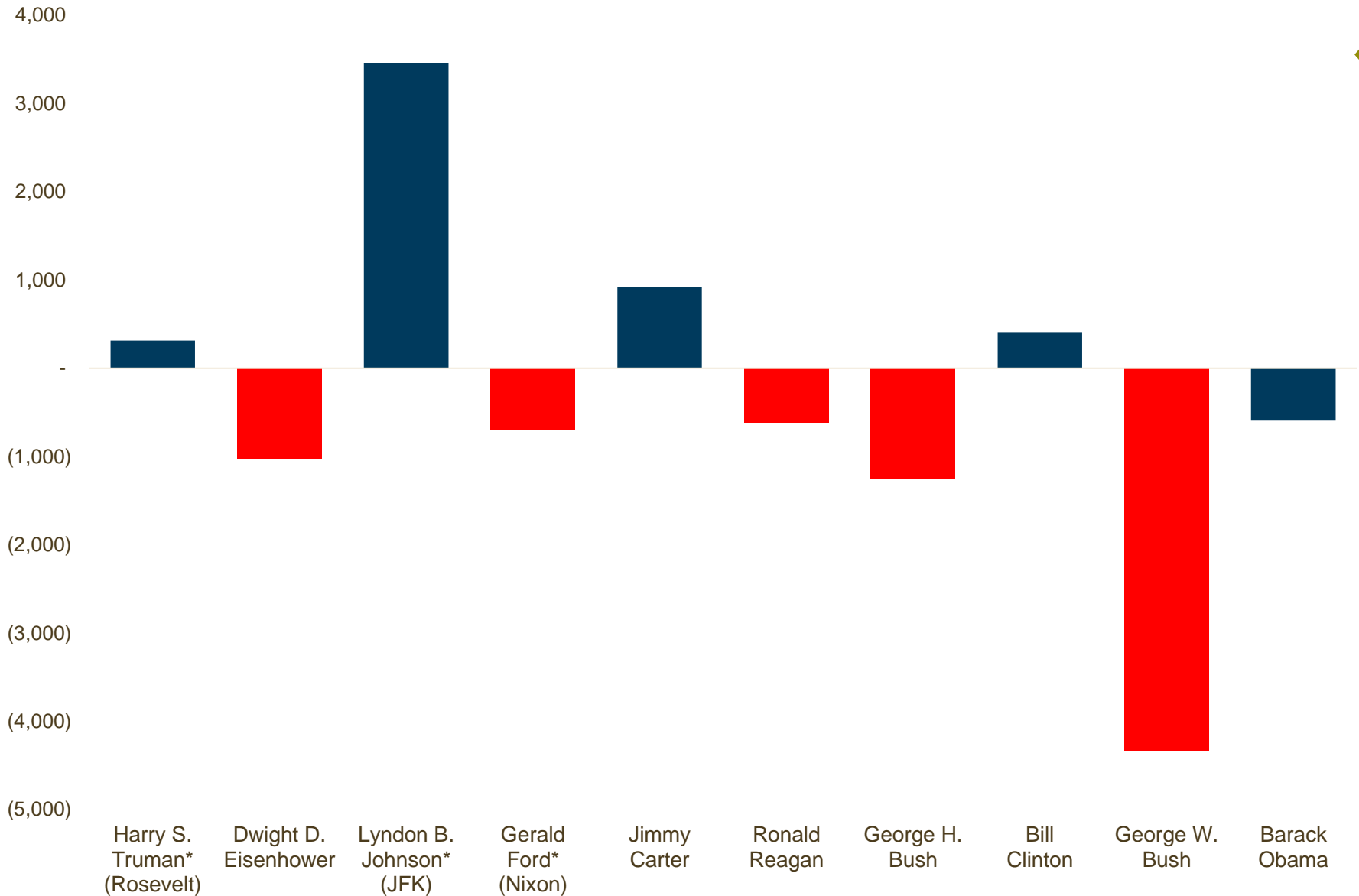
Total US Non-Farm Employment Growth (000's)



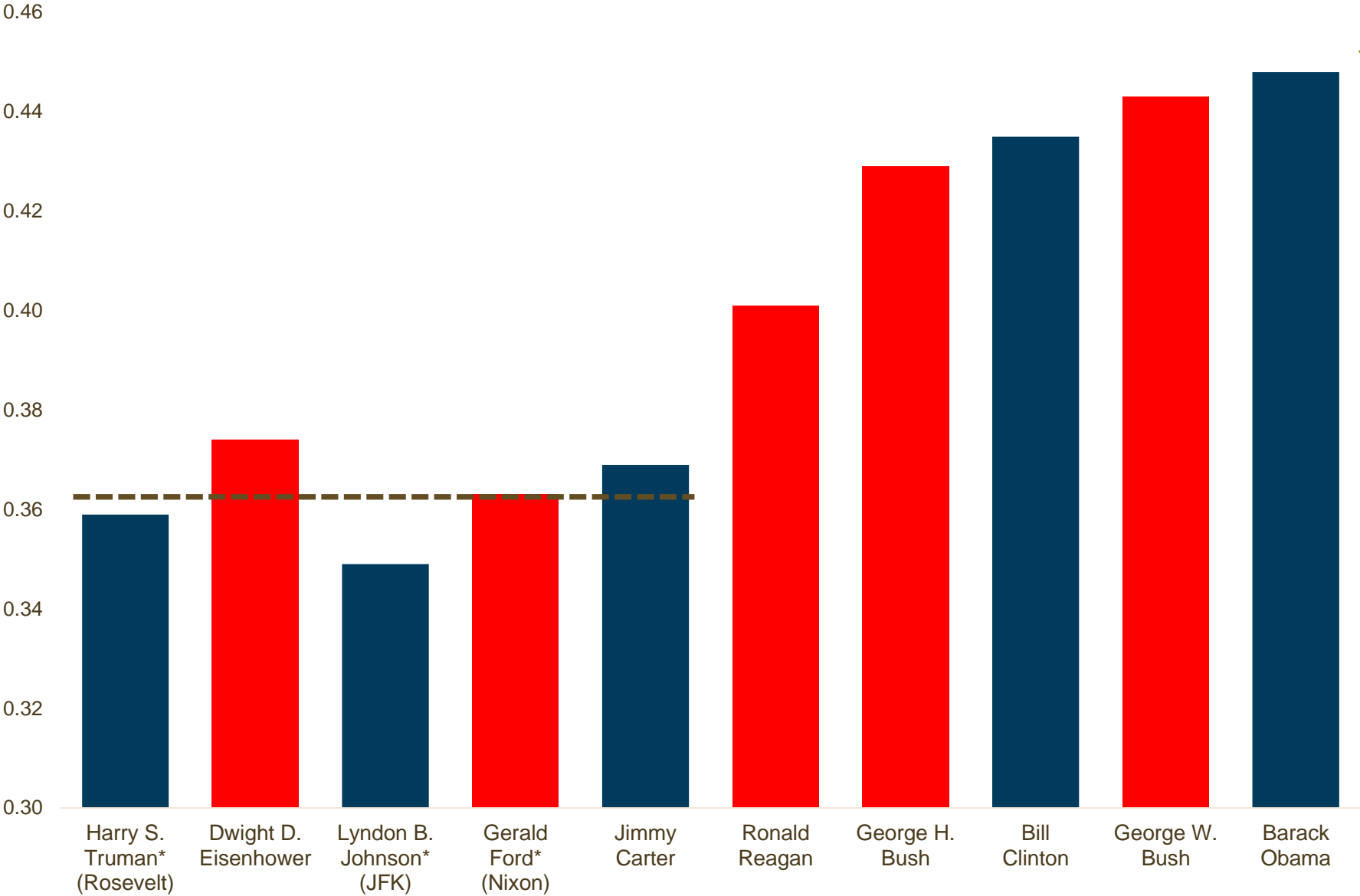
US Manufacturing Employment as Share of Total (End-of-term)



Total US Manufacturing Employment Growth (000's)



US Income Inequity (Gini Coefficient)



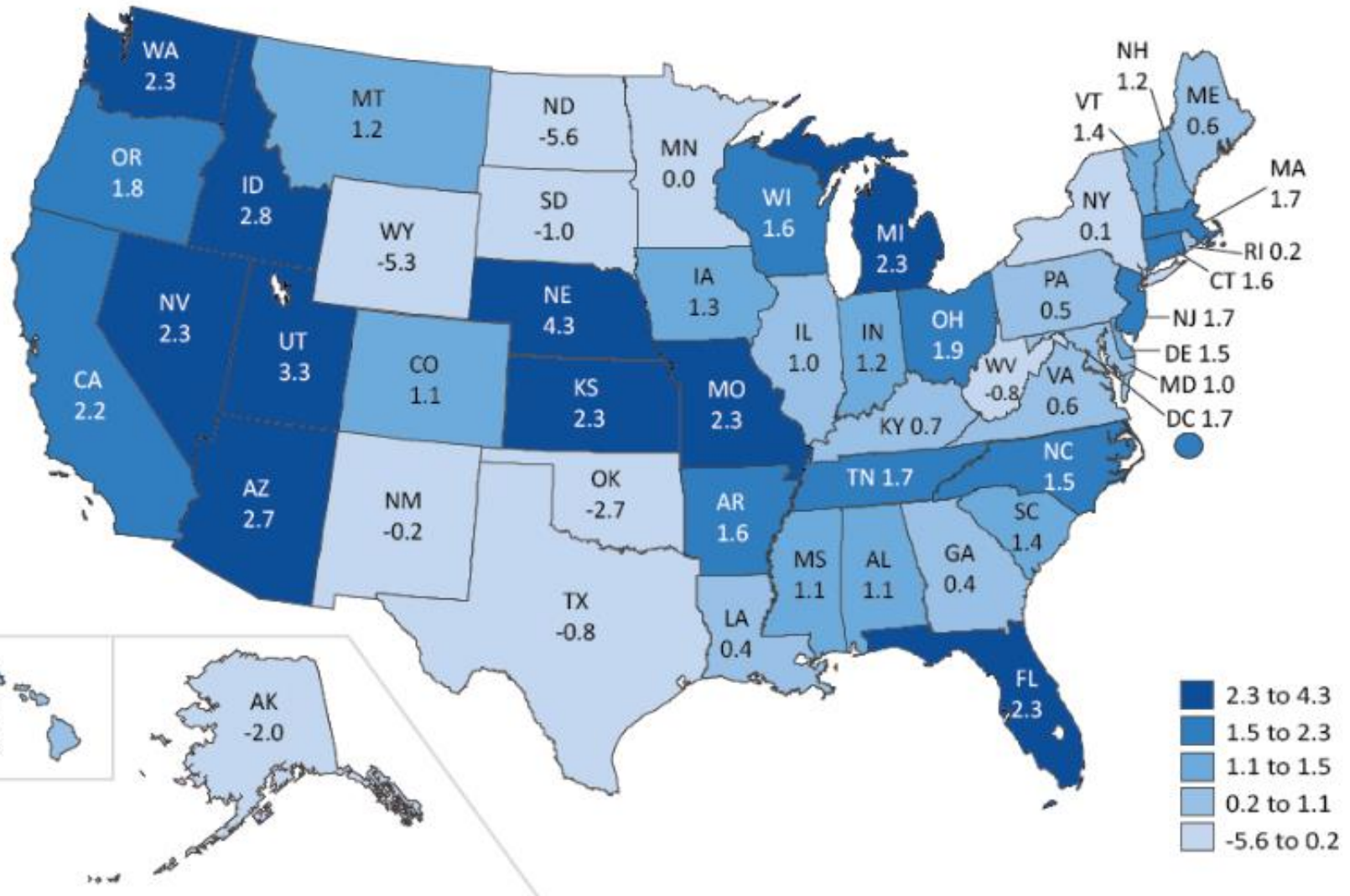


What does this mean for
Florida and Tampa?

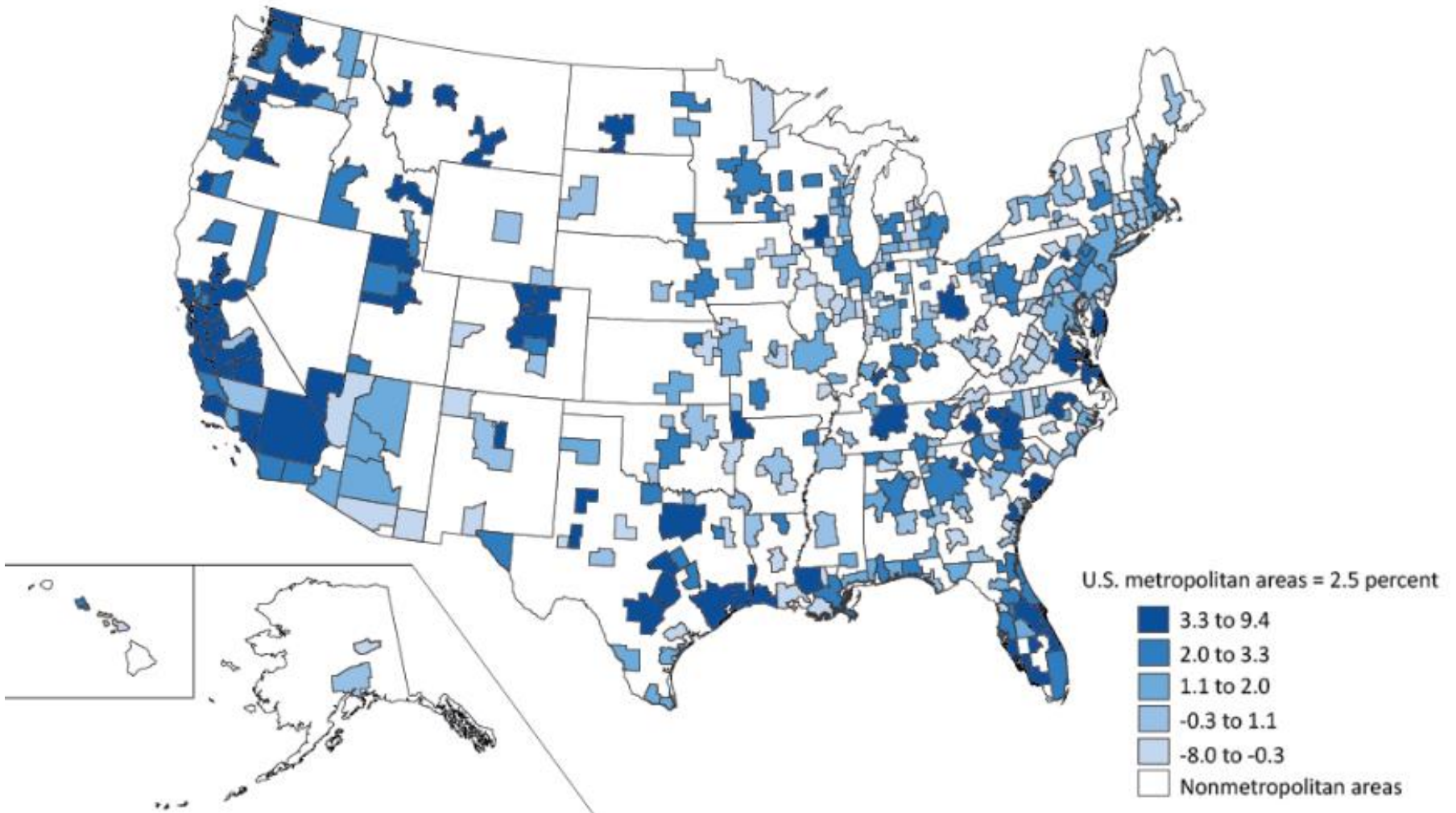
Political Economic Cycles

- ▶ It is important to not underestimate the power of confident consumers.
- ▶ Strong economic foundations that currently exist will support future growth
- ▶ Hope alone that the current US political change will generate more growth, the 2017 Florida economy should continue on a positive trend.

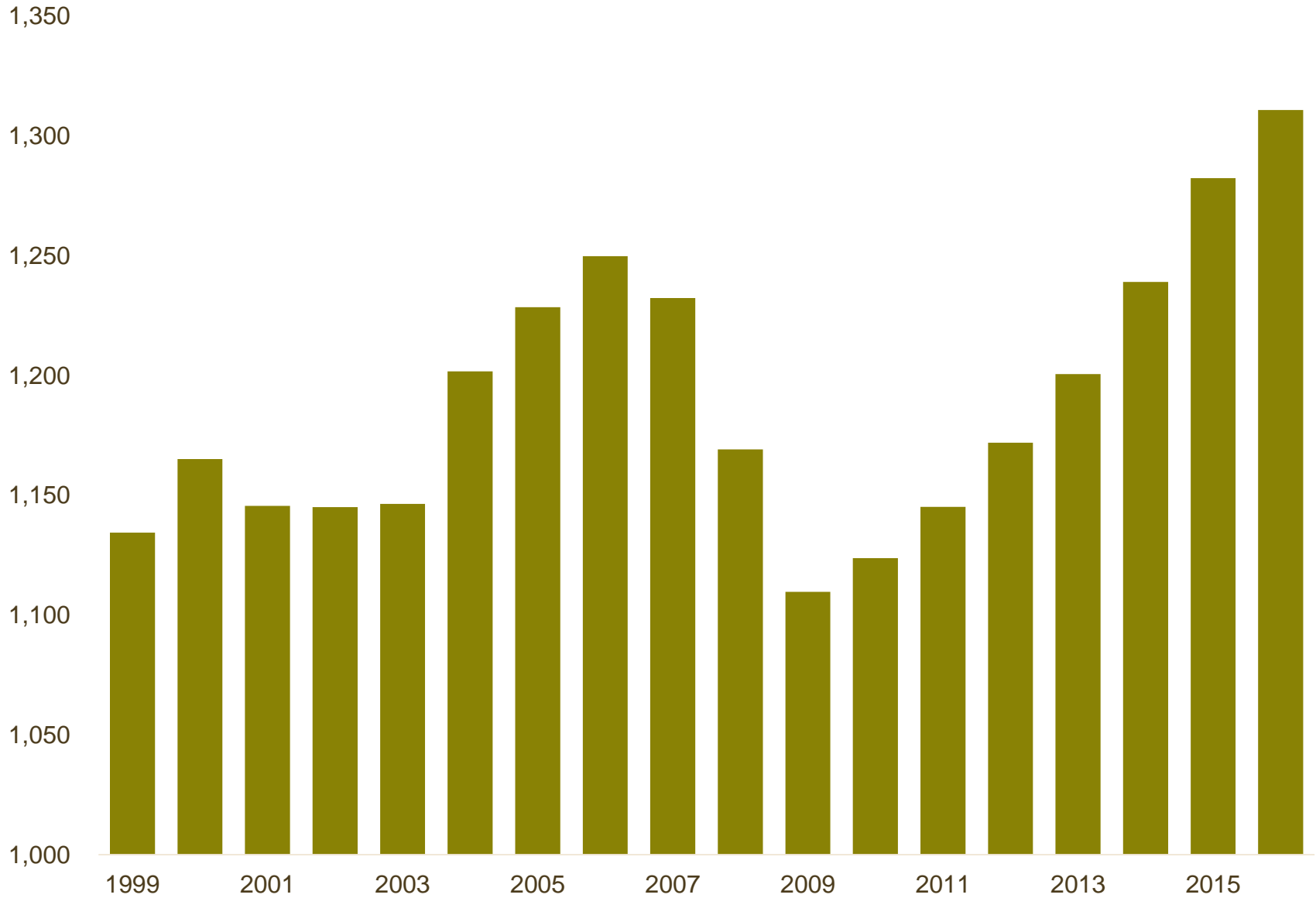
2016:Q1-Q2 GDP Annual Growth Rates



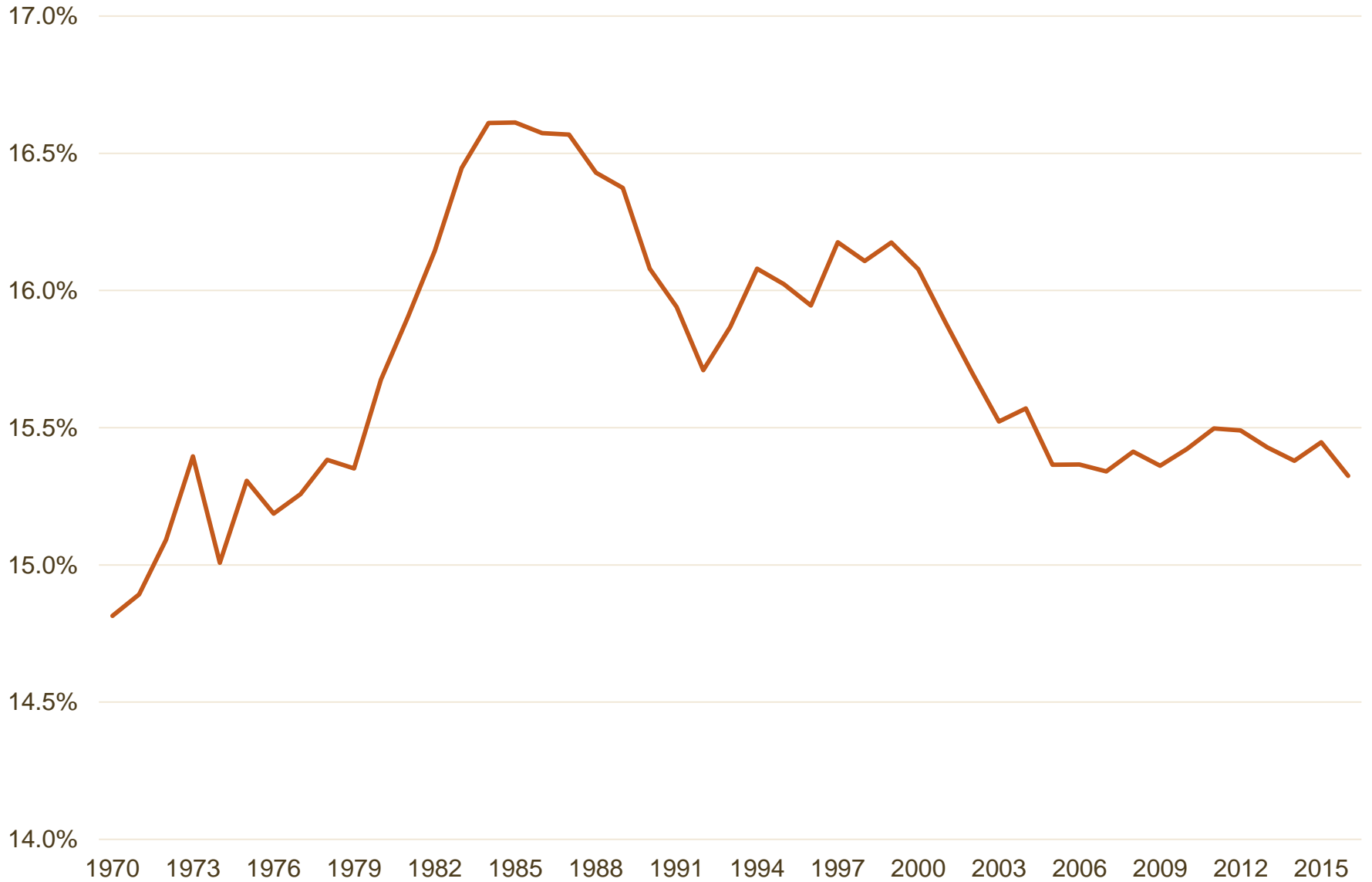
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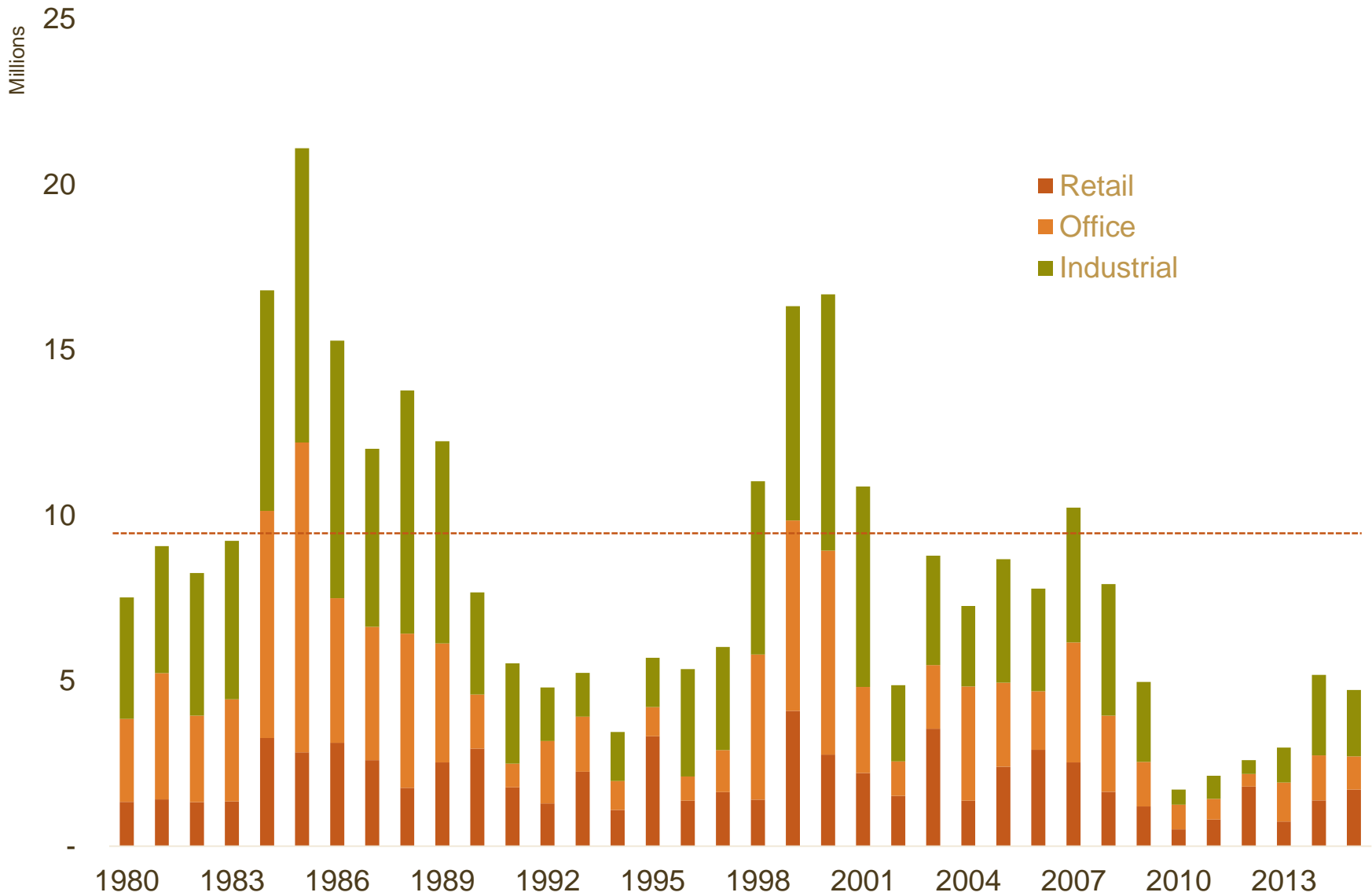
Tampa MSA Employment (000's)



Tampa MSA Share of State Employment



Tampa MSA Non-residential Development (sq ft)



Keys to Maintaining Growth

- ▶ Continued development and redevelopment
- ▶ Major infrastructure improvements
 - Ports
 - Airport
 - Transportation
 - Utilities



Questions



Steven McDonald, Chief Economist

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