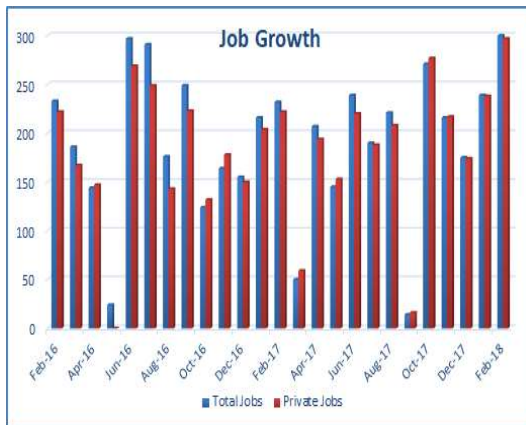


## ECONOCAST™ UPDATE – March 12, 2018

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### U.S. Economy – Jobs and Tariffs

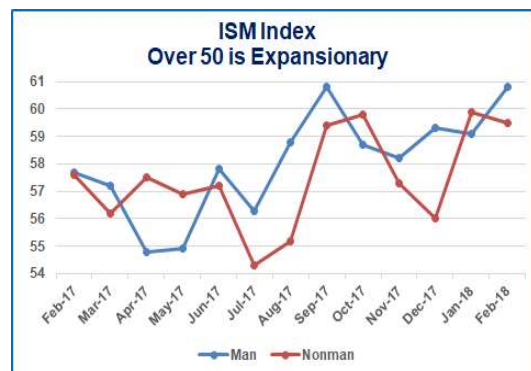
Job growth soared 313,000 in February with strong increases across all major sectors. Also, gains for the prior two months were revised higher. Wages rose 2.6% over the year, compared to the 3% pace achieved last month. And, the unemployment rate was unchanged at 4.1%. This means that despite 9 years of steady expansion, the labor market is not yet at full employment. Strong job gains, with no change in the unemployment rate and slowing wage gains, reflects a surge in labor market participation, particularly by adult men. Big gains in construction and retailing suggest that these men were attracted by the broad availability of jobs in industries that do not require college educations.



With the broader U-6 under employment rate remaining unchanged at 8.1%, job growth can remain strong without overheating. But, these data also support the Fed's plans to raise the funds rate at least three times this year, starting this month.

President Trump approved tariffs on steel and aluminum as promised, and as expected a number of exceptions were already approved with more surely to come. Financial markets were calm reflecting the belief that a trade war will be avoided.

The ISM manufacturing index advanced strongly in February supported by strong orders and employment. The nonmanufacturing index remained solidly above 50. These data point to accelerating growth over the next six months.



## Florida Economy: Tariffs, Trade and Florida's Economy

Although Florida produces no steel or aluminum, Florida's large trade sector, and its exporters, may be adversely impacted. Florida's total international trade was almost \$143 B in 2016 ranking 8<sup>th</sup> in the U.S. Exports of goods from Florida were \$52B, and services (including tourism) were over \$38 B in 2016. Florida's exports of goods and services amounts to 10% of gross state product.

Category	Value in	U.S. Rank
Total Trade with the World (2016)	\$142.80	8
Merchandise Exports (2016)	\$67.90	5
Merchandise Imports (2016)	\$74.90	8
Florida-Origin Exports (2016)	\$52.00	7
Services Exports (2014)	\$38.50	4

Florida's main merchandise export markets include Brazil which accounted for 18% of the total in 2016. The threat of tariffs on Brazilian steel raises the specter of Brazilian tariff increases that would likely affect Florida exporters.

Merchandise Export Markets	\$B	Share
Brazil	\$12.0	18%
Columbia	\$4.0	6%
Chile	\$3.6	5%
Argentina	\$3.3	5%
Dominican Republic	\$3.1	5%
All Others	\$41.8	62%
	=====	=====
<b>Total</b>	<b>\$67.8</b>	<b>100%</b>

The most important merchandise exports that process through or originate in Florida include aircraft, engines & parts; telecommunications equipment and vehicles. These are all potential targets for retaliatory tariff action by other countries, particularly by Brazil.

Merchandise Export Goods	\$B	Share
Aircraft, engines & parts	\$7.1	10%
Telecommunications equipment	\$4.4	6%
Cars and trucks	\$3.7	5%
Computers	\$2.9	4%
All other	\$49.8	73%
	=====	=====
<b>Total</b>	<b>\$67.9</b>	<b>100%</b>

Drilling down to the exports manufactured in Florida, computers and electronic equipment accounted for 25% of Florida-originating exports in 2016 with large shares contributed by transportation equipment, chemicals, and machinery. The tariffs will directly affect the costs for Florida's transportation equipment and machinery manufacturers. Computer and electronic products are easily subjected to retaliatory tariff action.

Florida Manufactured Exports	\$B	Share
Computer & electronic products	\$12.0	25%
Transportation equipment	\$8.4	17%
Chemicals	\$6.1	13%
Machinery	\$4.9	10%
Misc. manufactured products	\$3.5	7%
All other	\$13.3	28%
	=====	=====
<b>Total</b>	<b>\$48.2</b>	<b>100%</b>

Florida's export of services is dominated by travel, tourism and transportation services. Services are far less vulnerable to countervailing tariffs. However, a large share of Florida services is exported to Brazil putting them at some risk.

Florida Services Exports	\$B	Share
Travel/tourism	\$15.2	39%
Transportation	\$9.3	24%
Business & professional services	\$6.2	16%
Financial	\$2.0	5%
Installation, maintenance & repair	\$1.4	4%
Communications	\$1.2	3%
Insurance	\$1.0	3%
All other	\$2.20	6%
	=====	=====
<b>Total</b>	<b>\$38.50</b>	<b>100%</b>