

The New Year started with noticeable momentum in economic activity. The labor market continued to strengthen with unemployment reaching historical low rates. This development fueled increases in aggregate demand. In essence, the overall economy shows little evidence of entering a contractionary period for at least the first half of the New Year. Table 1 below highlights key trends in national macroeconomic variables through 2023.

Table 1. U.S. Economic Indicators

Indicators	2020	2021	2022	2023 ^f
Real GDP Growth (Δ %)	-2.8	5.9	2.1	2.0
GDP Price Deflator (Δ %)	1.3	4.5	7.3	5.0
Core CPI (Δ %)	1.7	3.6	6.1	4.5
Merchandise Exports (\$ Billions)	\$1,432	\$1,761	\$2,086	\$3,000
Merchandise Imports (\$ Billions)	\$2,346	\$2,852	\$3,277	\$4,000
Trade Balance (\$ Billions)	-\$914	-\$1,090	-\$1,192	-\$1,000

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, US Census, International Trade and Forecasts (F) by The Washington Economics Group (WEG).

As indicated in Table 1 above, it is expected for GDP growth to continue expanding at a moderate pace in 2023, close to the growth rate experienced in 2022. The inflation rate will likely continue on a moderate downward trend as tight monetary policy reduces the expansion of aggregate demand. The GDP price deflator is expected to increase 5 percent or slightly less this year, down from a high 7 percent in 2022. Most importantly, the so-called Core Consumer Price Index (CPI) is estimated to increase at a modest 4.5 percent, down from a high 6.1 percent in 2022. Core CPI is a key indicator used by the FED to assesses inflationary pressures.

Regardless of positive news on inflation, FED policy is expected to remain tight, with a couple of increases in the FED Funds Rate. However, the expected increases will be 25-50 basis points each as opposed to the significant increases of 2022. In essence, the FED will remain in a tight posture until inflation reaches the FED target of 2 percent.

The South Florida economy comprised of Miami-Dade, Broward and Palm Beach Counties, is growing at a faster rate than the National average. Table 2 below presents key indicators of the Region's economic activity.

Table 2. South Florida Economic Indicators

Indicators	2020	2021	2022	2023 ^F
Population Growth (Δ %) ¹	1.0	1.0	1.2	1.5
Total Taxable Sales (Δ %) ² , of which:				
<i>Ft. Lauderdale</i>	-2.2	23.0	10.4	12.0
<i>Miami-Dade</i>	-9.7	32.9	12.7	13.0
<i>Palm Beach</i>	-2.7	22.9	9.2	10.0
Total Merchandise Exports (\$ Billions), of which:³	\$51.0	\$64.8	\$74.2	\$80.0
<i>Brazil</i>	\$10.6	\$14.0	\$13.5	\$14.0
<i>Colombia</i>	\$3.6	\$4.7	\$5.2	\$6.0
<i>Chile</i>	\$3.5	\$4.5	\$4.6	\$5.0
Total Merchandise Imports (\$ Billions), of which:³	\$46.0	\$53.0	\$62.0	\$70.0
<i>China</i>	\$5.3	\$6.4	\$7.0	\$8.0
<i>Colombia</i>	\$3.3	\$4.0	\$4.2	\$5.0
<i>Dominican Republic</i>	\$3.0	\$3.6	\$3.9	\$4.0

Sources: ¹U.S. Census Bureau (State of Florida), ²Florida EDR, % Change October over October, ³Enterprise Florida, (Miami District 52) and Forecasts (F) by The Washington Economics Group (WEG).

Population growth and global markets are main drivers of overall expansion in South Florida. Taxable Sales, a top indicator of regional activity, expanded by a solid 10 percent in 2022, with present trend showing an average of 12 percent rise this year. The increases in Taxable Sales are also strengthened by global demand for South Florida exports as presented in the above table.

In conclusion, another year of positive expansion in economic activity is expected. At present, it appears likely that the FED could engineer a positive landing of economic activity with moderate growth and declining inflation. South Florida will grow faster than the National average, fueled by domestic and global demand.

About the Washington Economics Group® (WEG®)

Founded in 1993 in the City of Coral Gables, WEG® is a boutique economic consulting firm specializing in comprehensive economic solutions for businesses. WEG® engages a limited number of clients each year in order to ensure the best client experience within premier areas of specialization, and possesses expertise in the economies of Florida, the U.S., Latin America as well as the global economy and emerging markets.

