

The unemployment rate continued to decline in 2017 . . .

The labor market tightened further as the unemployment rate declined from 4.7 percent in December 2016 to 4.1 percent in December of this year. Labor force participation however was little changed in 2017; the share of those employed or actively seeking employment as a percentage of those employed and not employed was 62.8 percent in 2016 compared to 62.7 percent through December of 2017.

While payroll employment continued to expand at a solid pace – which contributed to the 0.6 percentage point decline in the civilian unemployment rate – growth in the labor force slowed in 2017 compared to prior years. The net change in the labor force totaled approximately 861 thousand through December of this year compared to 1.69 and 1.74 million in 2016 and 2015, respectively. Less entrants in the labor force also contributed to the decline in the headline unemployment rate

. . . although the pace of job gains slowed further

Payroll employment has increased by an average of approximately 171 thousand per month since December 2016, nearly 16 thousand slower however than the pace experienced in the prior year. The deceleration of employment gains is largely the result of a slowdown in services-related industries and to a lesser extent government, particularly at the local level.

Within the trade, transportation & utilities industry, 203 thousand jobs were created in 2016 compared to a net loss of approximately 66 thousand jobs through October of this year. Reductions in the retail trade sector were the predominant factor as retailers continue to shift to the evolving consumer needs.

Alternatively, mining & logging and manufacturing experienced the fastest pace of job gains in 2017 compared to the prior year as commodities, particularly, crude oil stabilized. In 2016, mining & logging and manufacturing experienced a net decline of 84 and 34 thousand, respectively, while producing a net increase of 49 and 138 thousand in 2017.

Unemployment is expected to remain at or near current levels

More than 147 million are employed in the U.S. as of December 2017, compared to 138 million at the peak of the last recession, with nearly 85 percent coming from private business in goods and services producing industries. The 125 million private workers support more than 22 million employed in government-related positions at the federal, state and local levels.

For context, the size of the labor force in October was estimated to be approximately 160 million. The amount of slack in the labor market has diminished considerably since the recession; therefore, there is little room for additional progress. Expectations for the unemployment rate are to remain at 4.1 percent in the short run and as payroll employment continues to slow, an uptick is expected longer-term. However, the new Administration has championed for changes to fiscal policy that would return the U.S. to a higher rate of growth which would result in improved labor market dynamics. In fact, there is risk that the unemployment falls below the 4.0 percent level with the recent passage of the Tax Cuts and Jobs Act. As for legislation in 2018, significant shifts in policy appear to remain on the horizon.

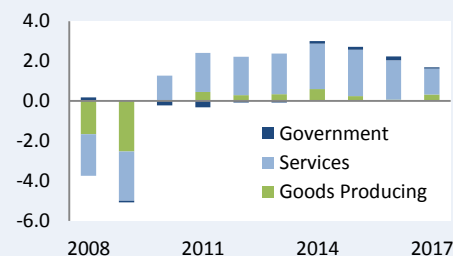
Interest Rate Monitor

	<u>Current</u>	<u>Previous</u>
PCE:	1.8%	1.4%
Core PCE:	1.5%	1.3%
CPI:	2.1%	2.2%
Core CPI:	1.8%	1.7%
Unemployment Rate:	4.1%	4.2%
U6 Unemployment Rate:	8.1%	8.3%
Non Farm Payrolls:	148,000	-33,000
Jobless Claims (4-wk Avg):	250,750	257,500
Real GDP:	3.2%	3.1%
2-Yr Treasury Rate:	1.98%	1.51%
10-Yr Treasury Rate:	2.54%	2.28%
Next FOMC Meeting:	Jan 30 - 31	
Consensus for Rate Hike:	March 21	
Fed Funds Target Range:	1.25 - 1.50	1.00 - 1.25

PCE, CPI readings are YoY; core strips out food & energy

U6 Unemployment: Total unemployed, plus all marginally attached workers plus total employed part time for economic reasons

All Employees: Total Nonfarm Payrolls (in millions)



Note: Data is annual through 2017

Source: FRED, Bloomberg

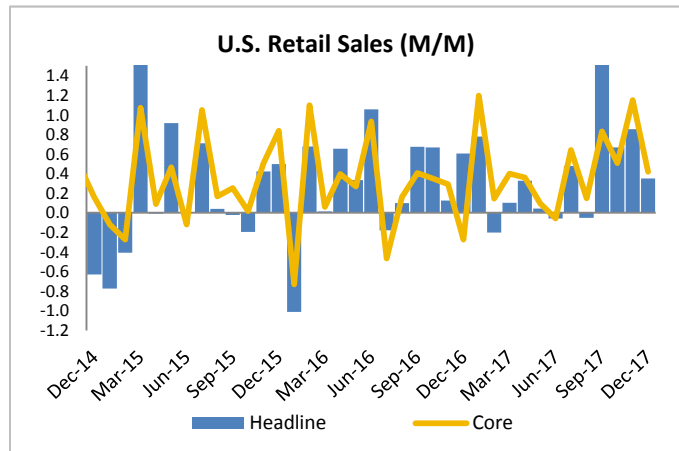
U.S. Retail Sales – December

Release Date: January 12, 2018

Market Consensus: 0.5%

December Result: 0.4%

Despite some geopolitical concerns, particularly with the leader of North Korea, Kim Jong-un, and uncertainty on the domestic front around the changes to fiscal policy, consumer confidence remained lofty heading into the holiday season. Ahead of the spending frenzy, retail sales, measured on a month over month basis, increased 2.0 and 0.7 percent in September and October, respectively. A large portion of the strong gain in September represented a give back after sales were lower in the prior month which was impacted by hurricanes Irma and Harvey.



Nevertheless, even with the solid sales prints in September and October, the headline retail sales figure for November advanced an upwardly revised 0.9 percent (from 0.8%) compared to the prior month. Building on the solid gain, the December reading came in at 0.4 percent. Although, the reading was a tenth shy of the market consensus which called for an increase of 0.5 percent. The relatively solid gains in sales for the prior months is contributing to a boost to fourth quarter estimates of GDP which are now tracking near 3.3 percent, 2.6 percentage points of which are estimated to be fueled by private consumption of goods and services.

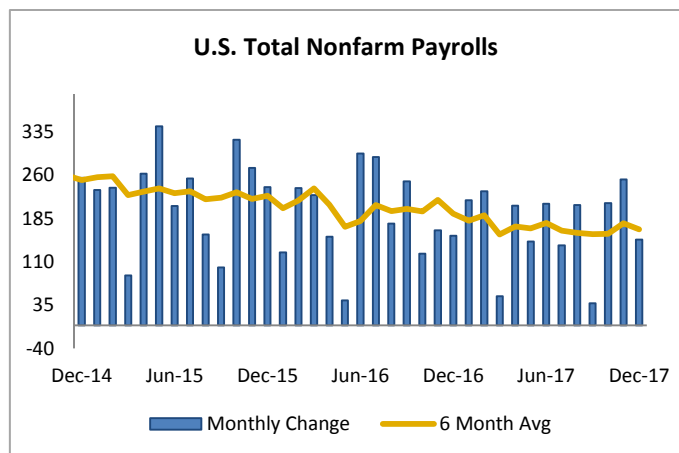
U.S. Total Nonfarm Payrolls – December

Release Date: January 5, 2018

Market Consensus: 191K

December Result: 148K

Nonfarm payrolls rose by 148 thousand in December, well below the market’s expectation for 191 thousand. To soften the blow, the prior month was revised modestly higher by 24 thousand to 252 thousand (from 228k).



Beneath the surface, there was little in the way to turn the final employment report for 2017 decisively positive. Average hourly earnings for all private employees measured on a year over year basis ticked higher by a tenth of a percent from 2.4 percent in November to 2.5 percent in last month. Compared to the end of 2016, wage growth was lower by 4 tenths, a trend that should it persist may evoke some concern at the fed. The unemployment rate held steady at 4.1 percent, ending the year at the lowest level since December 2000. In addition, the participation rate for December was unchanged from the prior month.

Source: FRED, Bloomberg

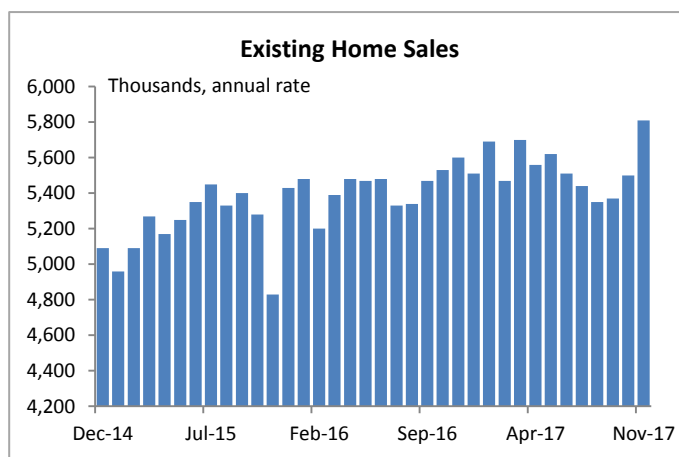
U.S. Existing Homes Sales – November

Release Date: December 19, 2017

Prior Result: 5.55 million

September Result: 5.81

As we approached year end 2017, existing home sales had been trending lower. In fact, month over month comparisons had declined five out of the six months from March to August. Even new home sales had been decelerating; momentum had clearly turned to the downside. We flagged the trend in late September and turned to the building permits release for a sense of where the market was headed. Building permits tend to be a proxy for future demand which had remained elevated and supported the conclusion that sales would increase in the impending months. Nevertheless, we see affordability as a ceiling to sales perhaps in the 6 million range.

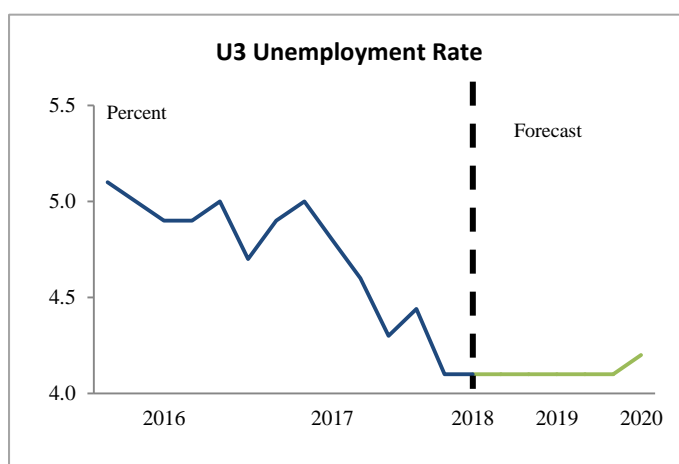


In November, U.S. existing home sales increased 5.6 percent, compared to the prior month, to an annual rate of 5.81 million which was ahead of the market consensus of 5.55 million. The prior month was largely unchanged at 5.48 million. The jump in November sales came at the fastest pace in nearly a year following three consecutive months of declines. Compared to the prior month, the median sales price increased 0.8 percent to \$248 thousand. On a year over year basis, prices were higher by 5.8 percent. Single-family housing inventories were trending higher in recent months; however, as sales rebounded the stock has fallen to represent 3.7 months worth of supply matching the reading at the beginning of the year. Sales for December are released later this month which will offer confirmation on the rebound.

Unemployment: the Look Ahead

More than 147 million are employed in the U.S. as of December 2017, compared to 138 million at the peak of the last recession, with nearly 85 percent coming from private. business in goods and services producing industries. The 125 million private workers support more than 22 million employed in government-related positions at the federal, state and local levels.

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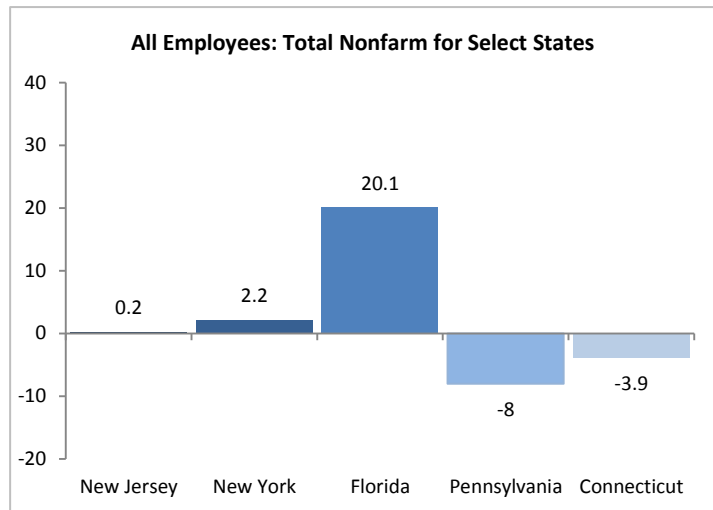
Source: FRED, Bloomberg

All Employees: Total Nonfarm – November

Release Date: December 27, 2017

Change, thousands of persons

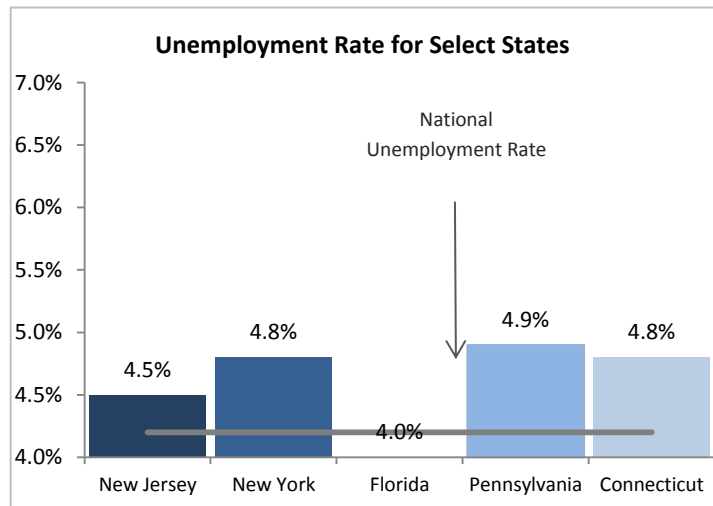
	Current	Prior
New Jersey	0.2	6.7
New York	2.2	14.6
Florida	20.1	28.2
Pennsylvania	-8	36.9
Connecticut	-3.9	-1.7



Unemployment Rate – November

Release Date: December 27, 2017

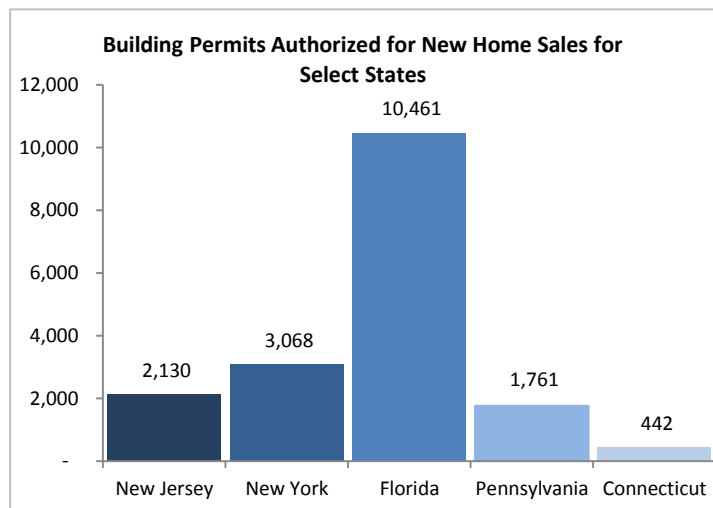
	Current	Prior
New Jersey	4.5%	4.2%
New York	4.8%	4.7%
Florida	4.0%	4.1%
Pennsylvania	4.9%	5.0%
Connecticut	4.8%	5.0%



Building Permits Authorized for New Home Sales – November

Release Date: December 27, 2017

	Current	Prior
New Jersey	2,130	2,328
New York	3,068	2,902
Florida	10,461	10,191
Pennsylvania	1,761	1,778
Connecticut	442	391



Source: FRED, Bloomberg

Key Economic Indicators													
Economic/Financial Indicator	Units	Period	Current	Prior	Prior Year	07/01/17	04/01/17	01/01/17	07/01/16	01/01/16	01/01/15	5Yr Max	5 Yr Min
Price Levels													
PCE Core Inflation ¹	Y/Y % Chg	Aug	1.3%	1.4%	1.9%	1.4%	1.6%	1.9%	1.8%	1.6%	1.4%	1.9%	1.3%
Consumer Price Index	Y/Y % Chg	Sep	2.2%	1.9%	1.5%	1.7%	2.2%	2.5%	0.9%	1.4%	-0.2%	2.8%	-0.2%
CPI excluding food & energy	Y/Y % Chg	Sep	1.7%	1.7%	2.2%	1.7%	1.9%	2.3%	2.2%	2.2%	1.6%	2.3%	1.6%
Producer Price Index: Final Demand Services	Y/Y % Chg	Sep	2.1%	2.1%	1.4%	1.8%	1.7%	1.1%	1.1%	1.2%	2.0%	2.2%	0.2%
Producer Price Index: Final Demand Goods	Y/Y % Chg	Sep	3.3%	3.1%	-0.4%	2.3%	4.1%	3.2%	-2.1%	-2.5%	-3.8%	4.1%	-5.2%
Personal Consumption Expenditures Price Index	Y/Y % Chg	Aug	1.4%	1.4%	1.1%	1.4%	1.7%	2.0%	1.0%	1.1%	0.2%	2.2%	0.2%
Employment & Labor Markets													
All Employees: Total Nonfarm Payrolls, Monthly Change	Thsd	Sep	(33)	169	249	138	207	216	291	126	234	344	(33)
Unemployment Rate	Percent	Sep	4.2%	4.4%	4.9%	4.3%	4.4%	4.8%	4.9%	4.9%	5.7%	8.0%	4.2%
U6 Unemployment Rate ²	Percent	Sep	8.3%	8.6%	9.7%	8.6%	8.6%	9.4%	9.7%	9.9%	11.3%	14.8%	8.3%
4-Week Moving Average of Initial Jobless Claims, Monthly	Thsd	Oct	258	267	250	244	250	254	267	272	285	404	236
Average Duration of Unemployment	Weeks	Sep	26.8	24.4	27.3	24.9	24.1	25.1	28.0	29.0	31.9	39.8	24.1
Avg Hourly Earnings of All Employees (Private)	Y/Y % Chg	Sep	0.0	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0	3.6	1.7
Avg Wkly hrs worked (Manu: Production & Nonsupervisory)	Hours	Sep	41.8	42.0	41.8	42.0	41.9	41.9	42.0	41.9	42.0	42.2	41.5
Retail Trade, Housing & Other Activity													
Total Vehicle Sales	Millions	Sep	18.9	16.5	18	17.1	17.4	17.7	18.1	18.1	17.1	18.9	14.8
Retail Sales	Y/Y % Chg	Sep	4.4%	3.5%	3.1%	3.7%	4.5%	5.6%	2.3%	2.8%	4.1%	5.6%	1.6%
Retail Sales ex Auto	Y/Y % Chg	Sep	4.6%	4.1%	3.0%	3.6%	4.5%	5.4%	2.0%	2.3%	2.3%	5.4%	0.6%
Housing Starts	Thsd	Aug	1,180	1,190	1,164	1,190	1,154	1,236	1,223	1,123	1,101	1,328	754
New Housing Units Under Construction	Thsd	Aug	1,075	1,197	1,040	1,197	1,098	1,083	1,086	1,051	952	1,230	652
Real Estate Loans, All Commercial Banks	Y/Y % Chg	Sep	4.0	4.3	7.3	4.6	5.2	6.2	7.2	6.5	3.3	7.5	-0.7
Building Permits Authorized for New Private Housing	Thsd	Aug	1,272	1,230	1,200	1,230	1,228	1,300	1,175	1,193	1,069	1,363	832
Production & Business Activity													
Industrial Production	Index	Sep	104.6	104.3	103.0	105.1	105.0	103.5	103.2	103.5	105.6	106.6	99.9
Capacity Utilization: Total Industry	Percent	Sep	76.0%	75.8%	75.6%	76.5%	76.6%	75.7%	75.9%	76.1%	78.1%	79.2%	75.4%
Coincident Economic Activity Index	Index	Aug	2.7%	2.8%	3.0%	2.8%	2.8%	2.7%	3.0%	3.4%	3.5%	3.8%	2.7%
National Accounts													
Real Gross Domestic Product	Q/Q % Chg	Q2	3.1%	1.2%	2.2%	2.7%	3.1%	1.2%	2.8%	0.6%	3.2%	5.2%	-0.9%
Nonresidential Fixed Investment	Q/Q % Chg	Q2	8.7%	8.8%	3.5%	8.7%	8.7%	8.8%	3.1%	-4.8%	3.1%	12.0%	-5.6%
Residential Fixed Investment	Q/Q % Chg	Q2	-3.1%	13.0%	0.8%	-3.1%	-3.1%	13.0%	1.6%	16.2%	12.0%	27.3%	-3.1%
Change in Private Inventories	Billions	Q2	4.9	(0.1)	12.2	4.9	4.9	(0.1)	16.5	42.2	148.6	148.6	(0.1)
Net Exports of Goods & Services	Billions	Q2	(567.2)	(582.8)	(501.6)	(567.2)	(567.2)	(582.8)	(492.8)	(526.2)	(538.2)	(440.9)	(582.8)
Trade Balance: Goods & Services	Millions	Aug	(42,395)	(43,558)	(41,130)	(43,558)	(47,375)	(48,775)	(41,294)	(43,409)	(41,819)	(34,813)	(49,040)
Government: Current Expenditures	Q/Q % Chg	Q2	-4.1%	4.7%	2.1%	-4.1%	-4.1%	4.7%	3.4%	4.6%	3.0%	8.1%	-7.4%
Financial Indicators													
Standard & Poors 500 Index	Index	Oct-16	2,441	2,438	2,186	2,423	2,363	2,239	2,103			2,558	-
10 Yr Treasury Rate	Percent	Oct-16	2.30%	2.28%	1.80%	2.31%	2.40%	2.45%	1.46%			3.04%	1.37%
2-10 Yr Treasury Rate Spread	Percent	Oct-16	0.77%	0.82%	0.90%	0.93%	1.13%	1.25%	0.87%			2.66%	0.76%
Oil Price (WTI)	Spot Price	Oct-10	49.58	49.34	49.76	46.02	50.54	53.75	49.02			110.62	26.19
Gold Price	Spot Price	Oct-17	1,290	1,290	1,252	1,242	1,245		1,340			1,751	1,049
Credit Markets & Monetary Data													
Money Supply M2	Y/Y % Chg	Oct	5.2%	5.2%	7.9%	5.5%	6.1%	6.8%	6.9%	5.7%	6.1%	8.7%	0.0%
Velocity of M2	Percent	Q2	1.4%	1.4%	1.5%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.6%	1.4%
Loans & Leases in Bank Credit, All Commercial Banks	Y/Y % Chg	Oct	3.3%	3.3%	7.9%	3.4%	4.0%	6.2%	7.9%	7.9%	7.5%	8.5%	1.9%
Total Consumer Credit, Outstanding	Y/Y % Chg	Aug	5.5%	5.8%	2.9%	5.8%	6.1%	6.6%	2.6%	3.1%	7.0%	7.3%	2.6%

¹Personal consumption expenditures core inflation excludes food & energy prices

²Total unemployed, plus all marginally attached workers plus total unemployed part time for economic reasons

Regional Economic Indicators													
Economic Indicator	Units	Period	Current	Prior	Prior Year	07/01/17	04/01/17	01/01/17	07/01/16	01/01/16	01/01/15	5 Yr Max	5 Yr Min
New Jersey													
All Employees: Total Nonfarm	Thsd Chg	Aug	0.2	6.7	6.3	6.7	0.7	13.9	15.1	1.8	-3.8	23.5	-15
Unemployment Rate	Percent	Aug	4.5%	4.2%	5.0%	4.2%	4.1%	4.6%	5.1%	5.0%	6.5%	9.4%	4.1%
Building Permits Authorized for New Private Housing	Units	Aug	2,130	2,328	2,347	2,328	1,535	2,583	1,482	1,556	2,165	4,001	1,267
Leading Index	Percent	Aug	-0.48%	0.58%	1.49%	0.58%	1.76%	1.55%	1.32%	1.41%	1.36%	2.29%	-0.48%
New York													
All Employees: Total Nonfarm	Thsd Chg	Aug	2.2	14.6	4.7	14.6	4.4	26.2	34.2	14.3	11.8	44.1	-24.8
Unemployment Rate	Percent	Aug	4.8%	4.7%	4.9%	4.7%	4.3%	4.6%	4.9%	4.9%	5.7%	8.4%	4.3%
Building Permits Authorized for New Private Housing	Units	Aug	3,068	2,902	2,988	2,902	3,630	6,900	2,825	1,620	3,448	13,687	1,620
Leading Index	Percent	Aug	0.26%	-0.08%	1.03%	-0.08%	0.76%	2.16%	0.72%	0.79%	1.61%	2.70%	-0.08%
Florida													
All Employees: Total Nonfarm	Thsd Chg	Aug	20.1	28.2	20.4	28.2	10.8	55.6	44	20.8	23.8	55.6	-6.2
Unemployment Rate	Percent	Aug	4.0%	4.1%	4.9%	4.1%	4.5%	5.0%	4.9%	5.0%	5.7%	8.3%	4.0%
Building Permits Authorized for New Private Housing	Units	Aug	10,461	10,191	10,475	10,191	10,725	10,237	9,130	8,048	7,805	11,108	5,165
Leading Index	Percent	Aug	2.03%	1.97%	1.75%	1.97%	3.06%	1.49%	1.70%	2.28%	2.19%	3.06%	1.49%
Pennsylvania													
All Employees: Total Nonfarm	Thsd Chg	Aug	-8	36.9	2.1	36.9	-4.1	12.8	29.8	5.9	-6.8	36.9	-20.5
Unemployment Rate	Percent	Aug	4.9%	5.0%	5.5%	5.0%	4.9%	5.2%	5.5%	5.3%	5.4%	7.8%	4.8%
Building Permits Authorized for New Private Housing	Units	Aug	1,761	1,778	1,929	1,778	1,676	1,892	1,319	1,809	1,273	2,636	1,161
Leading Index	Percent	Aug	1.41%	1.14%	1.04%	1.14%	0.68%	2.12%	1.03%	0.98%	0.92%	2.55%	0.21%
Connecticut													
All Employees: Total Nonfarm	Thsd Chg	Aug	-3.9	-1.7	0.6	-1.7	-3.1	6.5	1.8	0.1	2.4	6.5	-6.1
Unemployment Rate	Percent	Aug	4.8%	5.0%	4.9%	5.0%	4.9%	4.5%	5.1%	5.5%	6.1%	8.5%	4.4%
Building Permits Authorized for New Private Housing	Units	Aug	442	391	324	391	281	400	259	200	362	916	200
Leading Index	Percent	Aug	2.46%	0.40%	2.89%	0.40%	0.00%	0.40%	2.38%	1.37%	1.58%	3.15%	-1.08%
New York Metropolitan Area													
All Employees: Total Nonfarm	Thsd Chg	Aug	1.2	12.5	2.6	12.5	-7.2	1.2	45.7	18.6	13.8	63.4	-45.3
Unemployment Rate	Percent	Aug	4.6%	4.3%	4.9%	4.3%	4.2%	4.3%	4.9%	4.8%	5.9%	8.8%	4.0%
Building Permits Authorized for New Private Housing	Units	Aug	3,737	3,657	3,863	3,657	3,800	6,904	2,655	1,913	4,093	16,264	1,913
Orlando Metropolitan Area													
All Employees: Total Nonfarm	Thsd Chg	Aug	0.7	6.8	1.9	6.8	2.8	15.2	10.3	2.7	4	15.2	-4.4
Unemployment Rate	Percent	Aug	3.6%	3.7%	4.4%	3.7%	3.9%	4.7%	4.4%	4.6%	5.5%	8.3%	3.6%
Building Permits Authorized for New Private Housing	Units	Aug	2,193	1,967	1,810	#N/A	1,678	1,597	1,523	1,524	979	3,387	648
Miami Metropolitan Area													
All Employees: Total Nonfarm	Thsd Chg	Aug	-11.9	15.7	3.5	15.7	15.6	12	15.5	6.9	5.5	15.7	-11.9
Unemployment Rate	Percent	Aug	4.1%	4.2%	4.9%	4.2%	4.7%	5.2%	4.9%	5.1%	5.7%	8.2%	4.1%
Building Permits Authorized for New Private Housing	Units	Aug	1,557	2,215	2,145	2,215	2,290	2,032	1,491	1,275	2,018	2,569	689
U.S. Regional Existing Home Sales													
Northeast Census Region	Thsd	Aug	720	650	710	650	730	800	660	750	640	-	-
South Census Region	Thsd	Aug	2,150	2,280	2,170	2,280	2,290	2,310	2,200	2,240	2,100	-	-
West Census Region	Thsd	Aug	1,200	1,260	1,190	1,260	1,180	1,290	1,200	1,190	1,100	-	-
Midwest Census Region	Thsd	Aug	1,280	1,250	1,270	1,250	1,360	1,290	1,270	1,300	1,120	-	-

Source: VNB Institutional Research, FRED

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