

# U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
17-November -2014	Empire State Manufacturing Index	NOV	10.0	12.0	6.17
17-November -2014	Industrial Production MoM	OCT	0.2%	0.2%	1.0%
17-November -2014	Capacity Utilization	OCT	79.3%	79.3%	79.3%
18-November -2014	Producer Price Index	OCT	-0.2%	-0.1%	-0.1%
18-November -2014	PPI Ex. Food & Energy	OCT	0.1%	0.1%	0.0%
18-November -2014	NAHB Housing Market Index	NOV	56	55	54
19-November -2014	Housing Starts	OCT	1030K	1025K	1017K
19-November -2014	Building Permits	OCT	1040K	1038K	1031K
20-November -2014	Consumer Price Index	OCT	-0.1%	-0.1%	0.1%
20-November -2014	CPI Ex. Food and Energy	OCT	0.1%	0.2%	0.1%
20-November -2014	Initial Jobless Claims	11/15	288K	N/A	290K
20-November -2014	Philadelphia Fed Business Index	NOV	18.0	18.5	20.7
20-November -2014	Existing Home Sales	OCT	5.13M	5.15M	5.17M
20-November -2014	Leading Index	OCT	0.5%	0.6%	0.8%

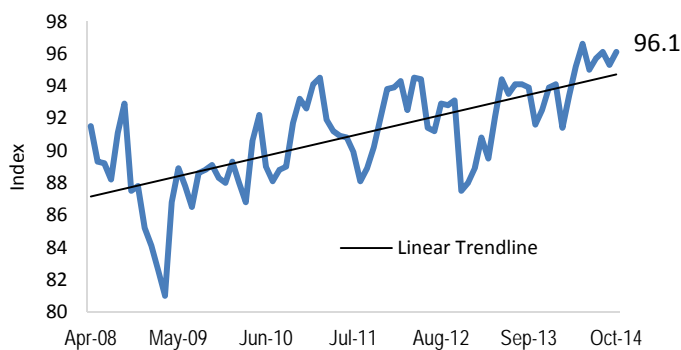
\*Consensus from Bloomberg

## Are Small Businesses Joining the Expansion?

Fresh data from the National Federation of Independent Business (NFIB) and Senior Loan Officer Survey from the Federal Reserve add to the evidence that U.S. small businesses are finally joining the economic expansion.

### Small Business Optimism Near Expansion Highs in October

#### NFIB Small Business Optimism



Source: National Federation of Independent Business

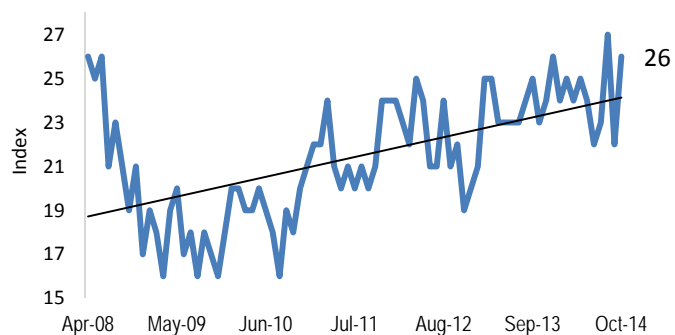
The NFIB Small Business Optimism Index rose to 96.1 last month and continues to hold noticeably above its linear trend since 2008. Small businesses comprise over 99 percent of all business establishments in the U.S., employing over half the labor force, according to U.S.

Small Business Administration. Their rising optimism about the current and future state of their businesses could turbo charge U.S. capital spending and employment growth.

The most promising component in the October release is the sharp 4-point upturn in capital expenditure plans that could in turn lead to increased borrowing by small businesses.

### Small Business Capital Spending Plans Bounce Back

#### NFIB Small Business Capital Expenditure Plans



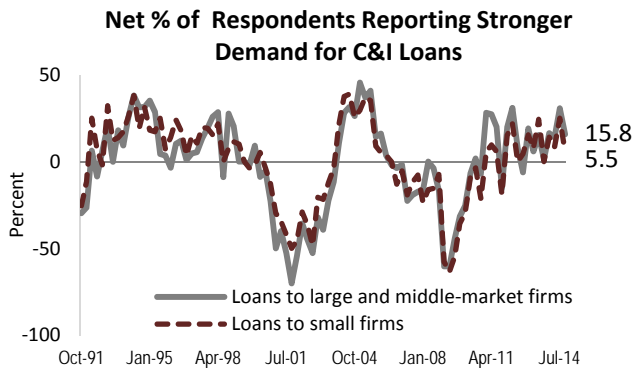
Source: National Federation of Independent Business

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Beyond that- small business sales expectations, expected credit conditions and hiring plans also improved.

The Fed's Senior Loan Officer Opinion survey echo's some of the NFIB data, showing the majority of banks expect to increase their lending to small businesses over the next 12 months.

**C&I Loans Still Attractive for Businesses of All Sizes**



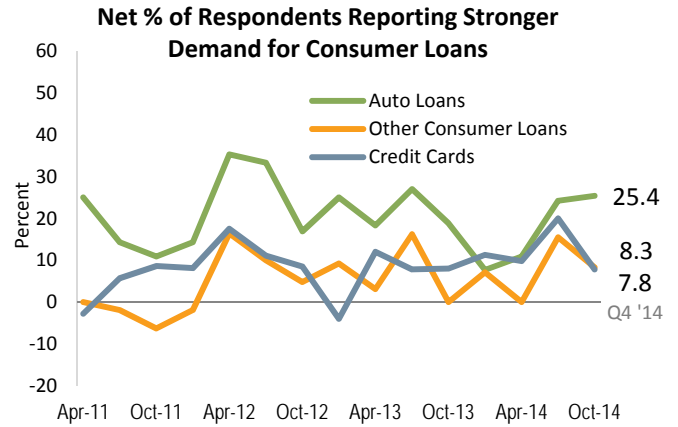
Source: Federal Reserve System

At the same time, a “modest percentage” of banks indicated that they eased their standards for commercial and industrial (C&I) loans to firms of all sizes in Q4.

Yet today demand for credit remains somewhat lackluster. Only a “modest net fraction” of banks witnessed stronger demand for C&I loans from large and mid-size firms from a quarter ago. While credit demand from small firms remained largely unchanged from recent levels.

Part of the recovery in small business optimism is likely being driven by a more resilient consumer. A rising share of commercial banks were reporting in the fourth quarter that consumer demand for auto loans strengthened, while “modest net percentages” also reported strengthening demand for credit cards and other consumer loans.

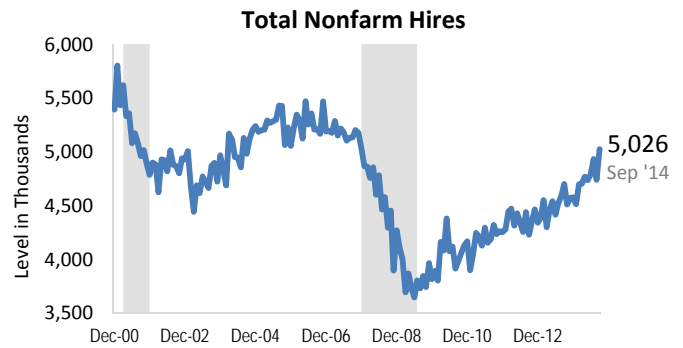
**Demand for Auto Loans Marching Up**



Source: Federal Reserve

The improving labor market is bolstering consumer resilience. The job openings, layoffs, turnovers and separations (JOLTS) data released this week by the Bureau of Labor Statistics revealed gradual improvement in the U.S. labor market continues. There were some 4.735 million job openings in the U.S. in September, the second highest reading since 2001. At the same time, employers hired over 5 million workers that month, the highest number of monthly hires since 2007. The hiring rate improved to 3.6% percent from 3.4% in August.

**Levels of Hires Highest since December 2007**



Source: U.S. Bureau of Labor Statistics

Employees are also quitting more – a sign they are becoming more confident about finding better jobs elsewhere. The level of total job quits rose to 2.73 million in September.

As consumer and business balance sheets continue to improve, their demand for credit and spending should improve, and banks will be more willing to ease their lending standards across a broader range of loan products.

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## Major Economic Indicators

Economic Data	History								Forecast				Yr/Yr % chg or Annual Avg.			
	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2012	2013	2014	2015
Real GDP*	2.7	1.8	4.5	3.5	-2.1	4.6	3.5	2.7	3.0	3.0	2.9	2.9	2.3	2.2	2.2	3.1
Personal Consumption Expenditures*	3.6	1.8	2.0	3.7	1.2	2.5	1.8	2.8	2.9	2.8	2.7	2.7	1.8	2.4	2.2	2.7
Non-residential Fixed Investment*	1.5	1.6	5.5	10.4	1.6	9.7	5.5	5.3	4.9	4.9	4.9	4.9	7.2	3.0	5.9	5.4
Private Housing Starts (000s units)	947	865	882	1,025	925	985	1,023	1,040	1,096	1,100	1,121	1,143	784	930	993	1,115
Vehicle Sales (mill. Units, annualized)	15.3	15.5	15.7	15.6	15.6	16.5	16.7	16.8	17.0	17.1	17.2	17.3	14.4	15.5	16.4	17.2
Industrial Production*	4.2	1.9	2.5	4.9	3.9	5.5	2.7	4.5	3.5	3.3	3.3	3.2	3.8	2.9	4.0	3.7
Nonfarm Payroll Employment (mil.)	135.5	136.1	136.6	137.2	137.8	138.5	139.2	139.9	140.6	141.2	141.9	142.5	134.1	136.4	138.9	141.5
Unemployment rate	7.7	7.5	7.2	7.0	6.7	6.2	6.1	5.8	5.7	5.6	5.5	5.4	8.1	7.4	6.2	5.6
Consumer Price Index* (percent)	1.2	0.4	2.2	1.1	1.9	3.0	1.1	0.9	0.5	1.7	1.9	1.9	2.1	1.5	1.7	1.3
"Core" CPI* (percent)	2.0	1.4	1.8	1.6	1.6	2.5	1.3	1.1	1.6	1.7	1.7	1.8	2.1	1.8	1.7	1.6
PPI (finished goods)* (percent)	0.8	-1.0	2.3	1.2	3.9	3.9	0.8	-0.1	0.0	0.3	1.0	1.1	2.0	1.2	2.2	0.6
Trade Weighted Dollar (Fed BOG, major)	74.8	76.6	76.8	76.0	77.1	76.6	77.0	80.5	82.0	82.5	83.2	83.8	73.6	76.1	77.8	82.9
Crude Oil Prices -WTI (\$ per barrel)	94	94	106	98	99	103	98	79	79	79	80	81	94	98	95	80

\*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History								Forecast				Annual Average			
	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2012	2013	2014	2015
S & P 500	1,514	1,610	1,675	1,769	1,835	1,900	1,976						1,379	1,644		
Dow Jones Industrial Average	13,994	14,959	15,286	15,736	16,177	16,604	16,954						12,965	15,010		
Federal Funds Rate (effective)	0.15	0.12	0.09	0.09	0.07	0.09	0.09	0.08	0.10	0.13	0.34	0.60	0.14	0.11	0.08	0.29
Treasury-3 Month Bills (yield)	0.09	0.05	0.03	0.06	0.05	0.03	0.03	0.03	0.03	0.11	0.34	0.66	0.09	0.06	0.04	0.29
Treasury-2 Year Notes (yield)	0.26	0.27	0.37	0.33	0.37	0.42	0.52	0.46	0.74	0.90	1.13	1.43	0.28	0.31	0.44	1.05
Treasury-5 Year Notes (yield)	0.82	0.91	1.50	1.44	1.60	1.66	1.70	1.64	1.70	1.91	2.12	2.40	0.76	1.17	1.65	2.03
Treasury-10 Year Notes (yield)	1.95	1.99	2.71	2.74	2.77	2.62	2.50	2.40	2.60	2.82	3.06	3.21	1.80	2.35	2.57	2.92
Treasury-30 Year Notes (yield)	3.13	3.14	3.71	3.79	3.68	3.44	3.27	3.12	3.43	3.63	3.73	3.83	2.92	3.44	3.38	3.66
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.38	3.87	3.25	3.25	3.25	3.44
Libor 3-Mo. U.S. Dollar	0.29	0.28	0.28	0.28	0.26	0.25	0.24	0.24	0.25	0.28	0.49	0.75	0.42	0.28	0.25	0.44
Mortgage-30 Year (yield)	3.50	3.67	4.44	4.29	4.36	4.23	4.14	4.07	4.27	4.46	4.70	4.84	3.66	3.98	4.20	4.57
BAA Corporate (yield)	4.81	4.82	5.40	5.36	5.12	4.82	4.74	4.73	4.78	4.94	5.16	5.32	4.94	5.10	4.85	5.05

Source: Bank of the West Economics, Bloomberg, Federal Reserve