

Date	Indicator	For	Estimate	Consensus*	Previous Period
18-Dec-2017	NAHB Housing Market Index	Dec	69.0	70.0	70.0
19-Dec-2017	Housing Starts	Nov	1252k	1248k	1290k
19-Dec-2017	Building Permits	Nov	1265k	1270k	1316k
19-Dec-2017	Current Account Balance	3Q	NA	NA	-\$123.1b
20-Dec-2017	Existing Home Sales	Nov	5.44m	5.52m	5.48m
21-Dec-2017	GDP Annualized QoQ	3Q T	3.2%	3.3%	3.3%
21-Dec-2017	GDP Price Index	3Q T	2.1%	2.1%	2.1%
21-Dec-2017	Initial Jobless Claims	16-Dec	NA	NA	NA
21-Dec-2017	Philadelphia Fed Business Outlook	Dec	20.5	21.0	22.7
21-Dec-2017	Chicago Fed Nat Activity Index	Nov	NA	NA	65.0%
21-Dec-2017	FHFA House Price Index MoM	Oct	0.4%	NA	0.3%
21-Dec-2017	Leading Index	Nov	0.4%	0.4%	1.2%
22-Dec-2017	Personal Income	Nov	0.4%	0.4%	0.4%
22-Dec-2017	Personal Spending	Nov	0.4%	0.4%	0.3%
22-Dec-2017	Durable Goods Orders	Nov P	2.0%	1.7%	-0.8%
22-Dec-2017	Durables Ex Transportation	Nov P	0.5%	0.4%	0.9%
22-Dec-2017	PCE Deflator MoM	Nov	0.3%	0.4%	0.1%
22-Dec-2017	PCE Core MoM	Nov	0.1%	0.1%	0.2%
22-Dec-2017	New Home Sales	Nov	644k	650k	685k
22-Dec-2017	U. of Mich. Sentiment	Dec F	97.2	97.3	96.8
22-Dec-2017	Kansas City Fed Manufacturing Activity	Dec	18.0	NA	16.0

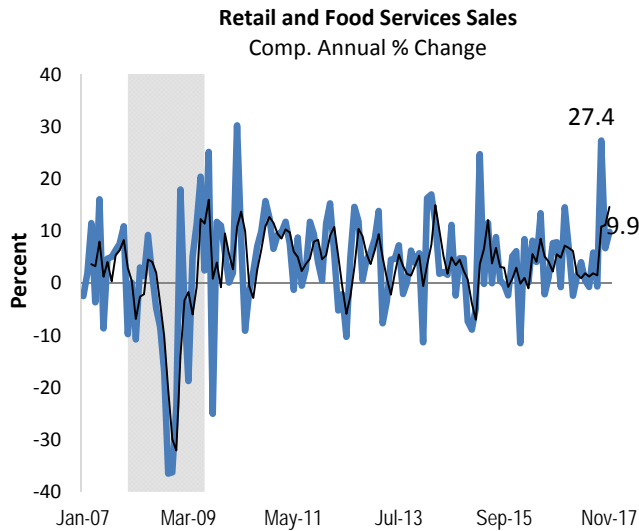
\*Consensus from Bloomberg

## Consumers Go Shopping in the Fourth Quarter

Retail sales gains have been impressive over the last three months. Sales jumped in September in the aftermath of the hurricanes, but sales have largely continued surging into October and November. The November retail sales report, released earlier this week, easily beat consensus expectations and October sales were revised higher. As a result, we have bumped up our forecast for real consumer spending in the fourth quarter to 3.1% annualized, which pushes up our real GDP estimate for Q4 to a solid 2.8% annualized.

The three month annualized growth rate for retail and food service sales is at a sizzling 11.7% through November.

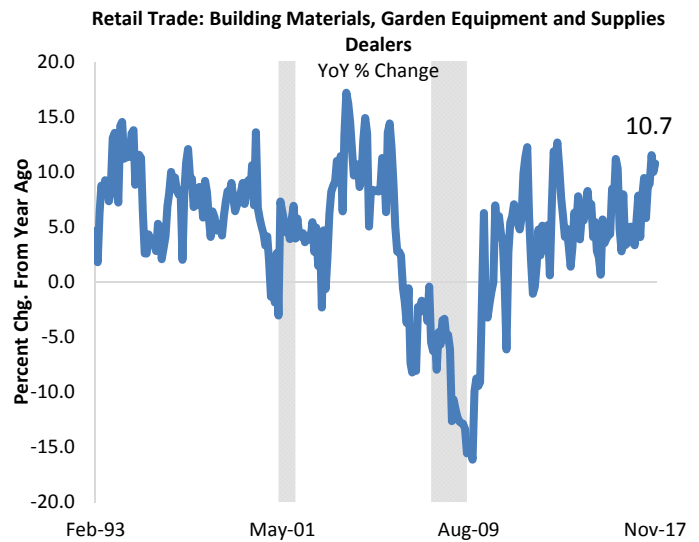
**Retail Sales On a Roll**



Source: U.S. Census Bureau

Last month retail sales growth was led by gasoline stations, non-store retailers, electronics, building materials, and furniture stores. No doubt hurricane rebuilding continues to support consumer spending into November, but once you add-on the strong Thanksgiving weekend sales for electronics and on-line sales, last month's sales gains become truly eye opening.

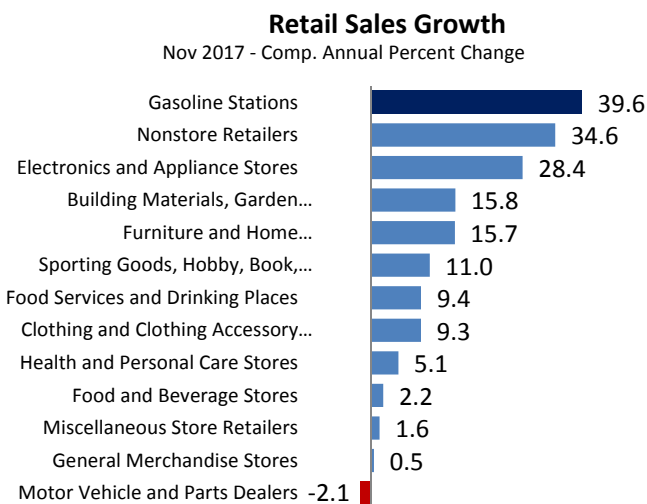
**Building Material Stores Cleaning Up**



Source: US. Bureau of the Census/FRED

Unfortunately, we don't think the fourth quarter pace of real consumer spending is sustainable longer-term. We expect consumers to take a bit of a spending breather in January and beyond. There is evidence that the robust pace of consumer spending is already eroding consumers' personal savings rate and forcing more and more consumers to put their purchases on their credit card. If consumers don't get the tax cuts they are being promised, it could be a rude awakening for consumers who appear to be counting their chickens before they have hatched.

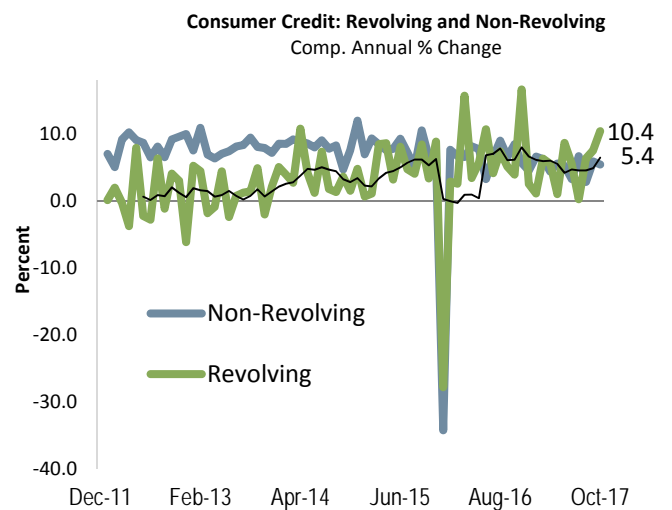
**On-Line and Electronics Sales Jump in November**



Source: US. Bureau of the Census

Building material sales are holding more than 10 percent above year ago levels through November.

**Consumers Start Exercising Their Credit Cards Again**



Source: Federal Reserve System

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## Major Economic Indicators

Economic Data	History								Forecast				Yr/Yr % chg or Annual Avg.			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
Real GDP*	0.6	2.2	2.8	1.8	1.2	3.1	3.3	2.8	2.3	2.2	2.1	2.2	2.6	1.5	2.3	2.5
Personal Consumption Expenditures*	1.8	3.8	2.8	2.9	1.9	3.3	2.3	3.1	2.5	2.4	2.3	2.3	3.2	2.7	2.7	2.6
Non-residential Fixed Investment*	-4.0	3.3	3.4	0.2	7.2	6.7	4.7	7.4	3.8	3.4	3.9	4.2	2.1	-0.6	4.8	4.8
Private Housing Starts (000s units)	1,153	1,158	1,150	1,248	1,238	1,167	1,164	1,256	1,263	1,265	1,275	1,285	1,108	1,177	1,206	1,272
Vehicle Sales (mill. Units, annualized)	17.3	17.2	17.5	17.8	17.1	16.8	17.1	17.4	16.9	16.6	16.6	16.5	17.4	17.5	17.1	16.7
Industrial Production*	-1.3	-0.7	0.8	0.7	1.5	5.6	-0.9	1.9	2.2	2.3	2.2	2.2	0.3	-1.2	1.7	2.1
Nonfarm Payroll Employment (mil.)	143.4	144.0	144.7	145.2	145.7	146.2	146.7	147.3	147.8	148.3	148.8	149.3	141.8	144.3	146.5	148.6
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.1	4.0	3.9	4.0	4.1	5.3	4.9	4.4	4.0
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	-0.3	2.0	2.2	2.2	2.0	2.0	2.0	0.1	1.3	2.0	2.0
"Core" CPI* (percent)	2.5	2.1	2.1	2.0	2.5	0.6	1.7	2.0	2.1	2.1	2.1	2.1	1.8	2.2	1.8	1.9
PPI (finished goods)* (percent)	-3.9	3.0	1.7	3.4	6.3	0.8	0.6	2.8	2.1	1.8	1.6	1.6	-3.3	-1.0	3.0	1.8
Trade Weighted Dollar (Fed BOG, major)	93.1	89.5	90.3	93.6	94.4	93.1	88.4	89.0	90.2	90.8	90.5	90.2	90.9	91.6	91.2	90.4
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	48	48	54	54	54	54	54	50	43	50	54

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

Financial Data	History								Forecast				Annual Average			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
S & P 500	1,951	2,075	2,162	2,185	2,326	2,398	2,467						2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406	20,994	21,891						17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.94	1.15	1.21	1.38	1.46	1.63	1.71	0.13	0.39	1.00	1.55
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.91	1.05	1.15	1.32	1.40	1.57	1.67	0.05	0.32	0.93	1.49
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.36	1.70	1.87	2.02	2.17	2.29	0.69	0.84	1.40	2.09
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	1.81	1.81	2.02	2.28	2.41	2.60	2.71	1.53	1.34	1.90	2.50
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.26	2.24	2.40	2.57	2.76	2.92	3.03	2.14	1.84	2.34	2.82
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	2.90	2.82	2.87	3.00	3.26	3.43	3.55	2.84	2.60	2.91	3.31
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.05	4.25	4.30	4.50	4.58	4.75	4.83	3.26	3.51	4.10	4.67
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.21	1.31	1.41	1.53	1.61	1.77	1.85	0.34	0.74	1.25	1.69
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	3.98	3.88	4.00	4.15	4.40	4.56	4.67	3.85	3.66	4.01	4.45
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.49	4.33	4.40	4.58	5.03	5.28	5.55	5.00	4.71	4.47	5.11

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