

Date	Indicator	For	Estimate	Consensus*	Previous Period
16-Jan-2018	Empire Manufacturing	Jan	17.0	18.0	18.0
17-Jan-2018	Industrial Production MoM	Dec	0.5%	0.2%	0.2%
17-Jan-2018	Capacity Utilization	Dec	77.3%	77.2%	77.1%
17-Jan-2018	NAHB Housing Market Index	Jan	71.0	NA	74.0
17-Jan-2018	U.S. Federal Reserve Releases Beige Book				
17-Jan-2018	Net Long-term TIC Flows	Nov	NA	NA	\$23.2b
18-Jan-2018	Housing Starts	Dec	1281k	1270k	1297k
18-Jan-2018	Building Permits	Dec	1290k	1288k	1303k
18-Jan-2018	Philadelphia Fed Business Outlook	Jan	23.2	22.9	26.2
18-Jan-2018	Initial Jobless Claims	13-Jan	254k	NA	261k
19-Jan-2018	U. of Mich. Sentiment	Jan P	95.0	97.0	95.9

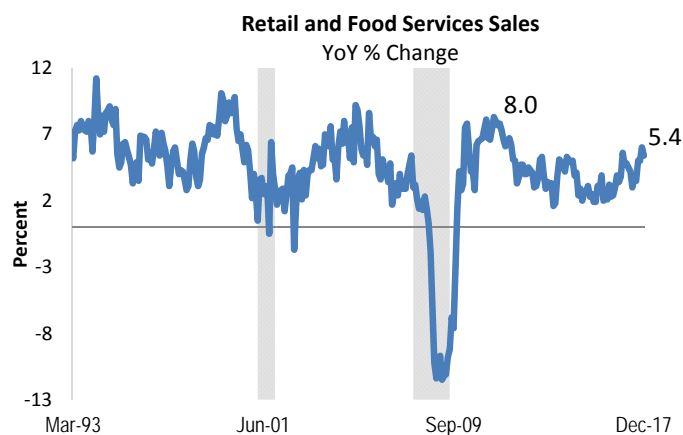
*Consensus from Bloomberg

A Robust Holiday Shopping Season – Retail Sales Shine

December retail sales came in at a robust pace, and November sales were revised higher, cementing a strong increase in real consumer spending during the fourth quarter. Retail sales increased 0.4% last month, following an upwardly revised 0.9% increase for November. From a year ago, December retail sales increased 5.4%. Over the past three months retail sales have increased at an accelerated 11.3% annualized pace.

The retail control group — which is used to estimate consumer spending in the GDP report and excludes food, automobile, building material, and gasoline station sales — increased at a healthy 0.3% in December, with a sizzling 1.4% increase for November. For the two-month holiday shopping season, the retail control group sales increased at a 10.2% annualized pace. Based on this retail sales strength, we are revising our estimate for fourth quarter real consumer spending growth up to 3.8% annualized, which pushes our Q4 real GDP estimate up to a 2.7% annualized pace.

Consumers Spend More over the Holidays



Source: Census Bureau

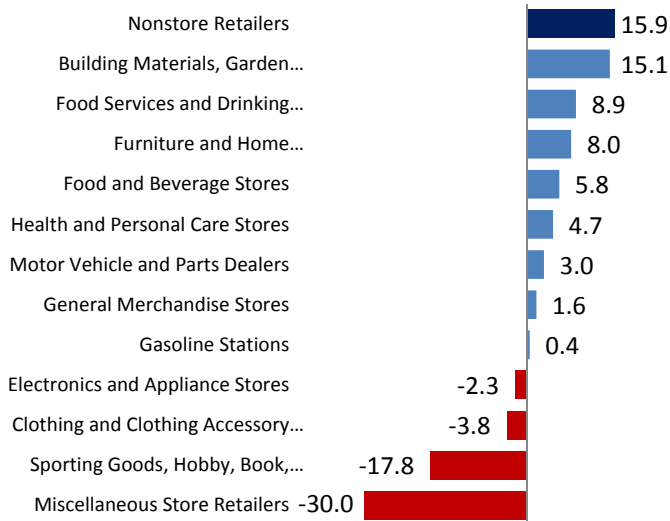
Non-store retailers and building material stores led the way in December with sales gains of 1.2% from the month before. Furniture store sales were also strong in December, rising 0.6%.

Amazon Effect on Retail Sales in Full View in December

Hot Home Sales Aid Building Material and Furniture Sales

Retail Sales Growth

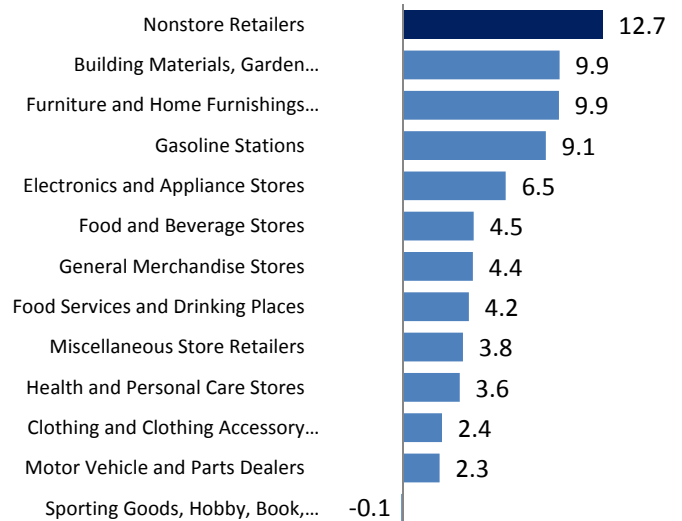
Dec 2017 - Comp. Annual Percent Change



Source: US. Bureau of the Census

Retail Sales Growth

Dec 2017 - YoY% Change



Source: US. Bureau of the Census

Not only did non-store retailers take the top spot in sales gains for December, they also took the top spot over the past year. Non-store retail sales increased at a 15.9% annualized pace in December and 12.7% from a year ago. Building material and furniture store sales were almost 10% above year-ago levels. Hurricane rebuilding and a robust housing market are the primary drivers for the strength of sales in those categories.

At the same time, there appears to be some gradual progress on lifting U.S. consumer inflation back toward the Fed’s target. Consumer price inflation subsided in December, rising only 0.1% after a 0.4% increase in November. Even so, the three-month annualized average increase in consumer prices accelerated to a more respectable 2.5% annualized pace, up from 1.9% in November. From a year ago, consumer price inflation slipped to 2.1% from 2.2% in November. Consumer price increases for housing, medical care, and services drove the increase in consumer prices last month. Consumers’ energy, transportation, and commodity prices fell last month.

The increase in core consumer inflation, which excludes food and energy, increased at a better-than-expected 0.3% pace in December, lifting the year-on-year increase in core CPI to 1.8% from 1.7%. In short, these are marginally better numbers on consumer inflation, but they still are not as strong as the FOMC would like to see at this stage of the economic cycle.

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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	3.2	2.7	2.3	2.3	2.2	2.3	2.6	1.5	2.3	2.6
Personal Consumption Expenditures*	1.8	3.8	2.8	2.9	1.9	3.3	2.2	3.8	2.5	2.4	2.3	2.3	3.2	2.7	2.7	2.5
Non-residential Fixed Investment*	-4.0	3.3	3.4	0.2	7.2	6.7	4.7	7.9	3.8	4.5	5.6	5.7	2.1	-0.6	4.8	5.4
Private Housing Starts (000s units)	1,151	1,159	1,145	1,248	1,238	1,167	1,172	1,278	1,269	1,265	1,275	1,285	1,108	1,176	1,214	1,274
Vehicle Sales (mill. Units, annualized)	17.3	17.2	17.5	17.8	17.1	16.8	17.1	17.7	17.0	16.9	16.9	16.9	17.4	17.5	17.2	16.9
Industrial Production*	-1.3	-0.7	0.8	0.7	1.5	5.6	-0.3	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	147.2	147.7	148.2	148.7	149.1	141.8	144.3	146.4	148.4
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.3	4.3	4.1	3.9	3.8	3.9	4.0	5.3	4.9	4.4	3.9
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	-0.3	2.0	3.7	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	2.3	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	0.6	0.8	6.6	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	90.2	93.5	94.4	93.0	88.3	88.9	87.2	87.8	87.5	87.2	90.9	91.6	91.2	87.4
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	48	48	56	59	58	58	58	50	43	51	58

*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	2,603					2,061	2,093	2,449	
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406	20,994	21,891	23,689					17,591	17,916	21,745	
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.94	1.15	1.20	1.46	1.71	1.88	1.96	0.13	0.39	1.00	1.75
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.91	1.05	1.23	1.40	1.67	1.85	1.93	0.05	0.32	0.95	1.71
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.36	1.69	1.98	2.25	2.42	2.53	0.69	0.84	1.40	2.30
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	1.81	1.81	2.07	2.30	2.50	2.68	2.81	1.53	1.34	1.91	2.57
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.26	2.24	2.37	2.57	2.76	2.92	3.03	2.14	1.84	2.33	2.82
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	2.90	2.82	2.82	2.90	3.16	3.33	3.45	2.84	2.60	2.90	3.21
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.05	4.25	4.29	4.58	4.83	5.00	5.08	3.26	3.51	4.10	4.87
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.21	1.31	1.46	1.70	1.90	2.05	2.10	0.34	0.74	1.26	1.94
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	3.98	3.88	3.92	4.10	4.35	4.52	4.63	3.85	3.66	3.99	4.40
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.49	4.33	4.27	4.30	4.73	4.98	5.25	5.00	4.71	4.44	4.82

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