

Date	Indicator	For	Estimate	Consensus*	Previous Period
2-Apr-2018	Markit US Manufacturing PMI	Mar F	55.7	55.7	55.7
2-Apr-2018	Construction Spending MoM	Feb	0.4%	0.4%	0.0%
2-Apr-2018	ISM Manufacturing	Mar	59.6	60.0	60.8
3-Apr-2018	Wards Total Vehicle Sales	Mar	16.95m	16.90m	16.96m
4-Apr-2018	ADP Employment Change	Mar	220k	205k	235k
4-Apr-2018	Markit US Services PMI	Mar F	54.1	54.3	54.1
4-Apr-2018	Markit US Composite PMI	Mar F	NA	NA	54.3
4-Apr-2018	ISM Non-Manufacturing Composite	Mar	58.5	59.0	59.5
4-Apr-2018	Factory Orders	Feb	1.8%	1.7%	-1.4%
5-Apr-2018	Initial Jobless Claims	31-Mar	220k	NA	215k
5-Apr-2018	Trade Balance	Feb	-\$57.6b	-\$56.5b	-\$56.6b
6-Apr-2018	Change in Nonfarm Payrolls	Mar	245k	189k	313k
6-Apr-2018	Change in Manufacturing Payrolls	Mar	26k	24k	31k
6-Apr-2018	Unemployment Rate	Mar	4.0%	4.0%	4.1%
6-Apr-2018	Average Hourly Earnings MoM	Mar	0.3%	0.3%	0.1%
6-Apr-2018	Average Weekly Hours All Employees	Mar	34.5	34.5	34.5
6-Apr-2018	Consumer Credit	Feb	\$16.500b	\$15.750b	\$13.906b

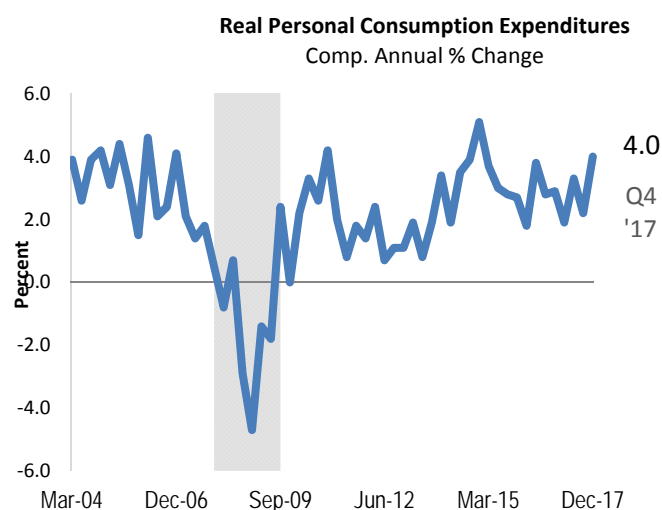
\*Consensus from Bloomberg

## What You Need to Know

### 1) Forecasting a Consumer Comeback in Round 2

Where did all the shoppers go? Coming off a heady fourth quarter when consumers couldn't find an item they didn't want to purchase, the consumer appeared to be knocked-out in the first quarter. According to last week's third revision of Q4 GDP, real consumer spending grew at a sizzling 4.0% annualized rate, the best quarterly performance from the U.S. consumer in three years. Consumers' spending on durable goods in the fourth quarter grew at a 13.7% annualized rate and even non-durable goods spending increased at 4.8% annualized pace last quarter.

### Consumer Spending Goes From Sizzle to Fizzle

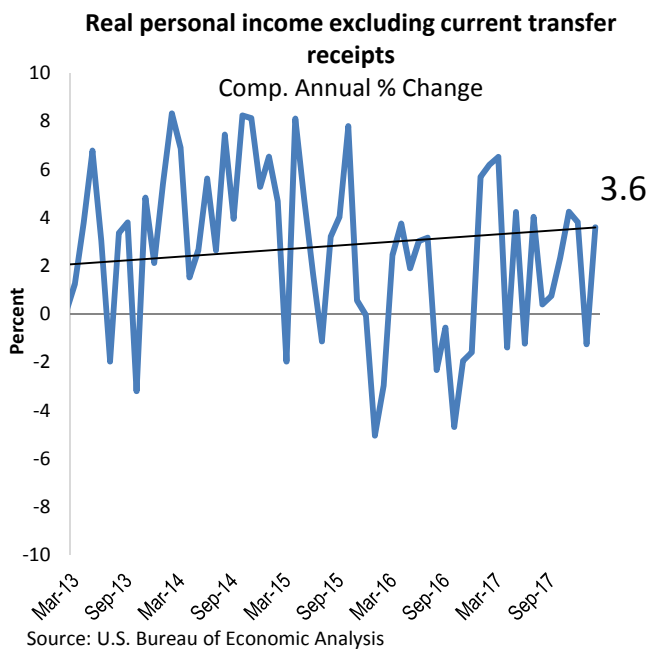


Source: U.S. Bureau of Economic Analysis

The first quarter has been a very different story so far. According to the latest Bureau of Economic Analysis data, real consumer spending dropped at a 2.4% annualized rate in January and remained there in February, pushing our real consumer spending forecast for the first quarter down to a paltry 1.1% annualized. Economists have been fishing for explanations from winter storms, residual seasonality, to a low personal savings rate. (All probably contributed to some extent to consumer spending growth disappearing in the first two months of the year.)

The good news at this point is that there is no reason to believe the consumer is down for the count. Consumers' personal savings rate has rebounded to 3.4% from 2.4% in December. Real personal income growth is picking up, and last month advanced at a robust 3.6% annualized pace.

**Real Income Growth Picking Up**



No matter what consumers say they are going to do, I have found if they have more money in their pocket or in their checking account they tend to spend it before too long. We are raising our forecast for a convincing rebound in real consumer spending in the second quarter to a solid 2.7% annualized rate, with GDP growth accelerating to an above trend 2.6% pace.

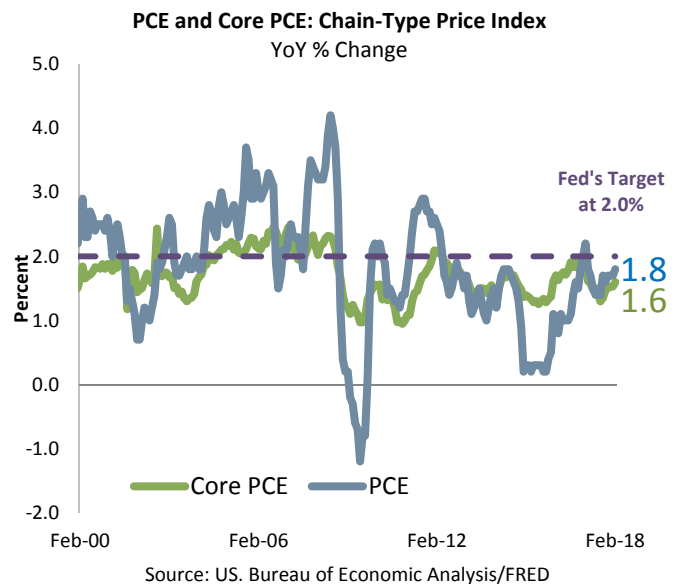
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**2) Get Ready For Another Strong Jobs Report**

Initial jobless claims hit a new expansion low last week to just 215K. This was the lowest weekly jobless claims reading in 49 years. Open job positions last month increased to 6.312 million, an increase of 16% from a year ago. In short, the labor market is probably running a little too hot for the Fed's liking right now, which is why some well know doves on the FOMC, like Lael Brainard, are sounding more like the hawks these days. When Friday's employment report for March is released next week, we expect a net gain of another 245K nonfarm jobs and an unemployment rate that drops to 4.0%. We also expect stronger average hourly earnings growth of 0.3%, up from a 0.1% gain last month.

**3) PCE Inflation Lifting Toward Fed Targets**

**Fed Is Making Measurable Progress On 2.0% Inflation Goal**



Stronger income growth is being met by rising consumer prices. Both the personal consumption expenditures (PCE) inflation and Core PCE inflation measures, the Fed's preferred measure of consumer inflation, increased at a faster 0.2% pace last month, making measure progress on a year-on-year basis toward the Fed's 2.0% intermediate inflation target. We expect another rate hike from the FOMC at the June meeting.

## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
Real GDP*	1.2	3.1	3.2	2.9	1.7	2.6	2.6	2.5	2.3	2.2	2.1	2.0	1.5	2.3	2.5	2.4
Personal Consumption Expenditures*	1.9	3.3	2.2	4.0	1.1	2.7	2.4	2.4	2.1	2.0	2.0	2.0	2.7	2.8	2.5	2.2
Non-residential Fixed Investment*	7.2	6.7	4.7	6.8	5.6	4.8	5.6	5.7	5.1	5.1	4.4	4.1	-0.6	4.7	5.7	5.2
Private Housing Starts (000s units)	1,238	1,167	1,172	1,256	1,269	1,265	1,275	1,285	1,294	1,303	1,312	1,321	1,176	1,208	1,274	1,308
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.0	16.9	16.9	16.9	16.5	16.5	16.4	16.3	17.5	17.2	16.9	16.4
Industrial Production*	1.5	5.6	-1.2	8.4	2.2	2.3	2.2	2.2	2.0	1.7	1.6	1.5	-1.2	2.0	3.1	2.0
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.2	148.8	149.3	149.9	150.3	150.8	151.2	151.6	144.3	146.6	149.0	151.0
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.6	3.8	3.9	4.0	4.1	4.9	4.4	3.9	4.0
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.2	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.0
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.8	2.1	2.1
PPI (finished goods)* (percent)	5.7	1.0	1.4	6.0	2.4	1.8	1.6	1.6	1.6	1.6	1.7	1.7	-1.0	3.2	2.6	1.6
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	87.2	87.8	87.5	87.2	88.0	87.7	87.0	86.5	91.6	91.2	87.4	87.3
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	62	62	62	63	62	61	58	43	51	62	61

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

Financial Data	History				Forecast								Annual Average			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
S & P 500	2,326	2,398	2,467	2,603									2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689									17,916	21,745		
Federal Funds Rate (effective)	0.70	0.95	1.15	1.20	1.44	1.71	1.88	1.96	2.13	2.38	2.38	2.38	0.39	1.00	1.75	2.32
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.61	1.75	1.90	2.00	2.15	2.40	2.40	2.36	0.32	0.95	1.82	2.33
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.15	2.39	2.47	2.55	2.69	2.86	2.88	2.85	0.84	1.40	2.39	2.82
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.60	2.78	2.85	2.96	3.15	3.10	3.15	1.34	1.91	2.69	3.09
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.87	2.98	3.10	3.30	3.53	3.52	3.50	1.84	2.33	2.93	3.46
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.10	3.28	3.40	3.69	3.85	3.90	3.96	2.60	2.90	3.20	3.85
Prime Rate	3.80	4.05	4.25	4.29	4.53	4.80	4.98	5.06	5.23	5.48	5.48	5.48	3.51	4.10	4.84	5.42
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.20	2.27	2.33	2.40	2.50	2.50	2.46	0.74	1.26	2.18	2.47
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.20	4.38	4.50	4.63	4.83	5.08	5.15	5.25	3.66	3.99	4.43	5.08
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.75	4.98	5.25	5.60	5.80	6.00	6.30	4.71	4.44	4.86	5.93

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