

Date	Indicator	For	Estimate	Consensus*	Previous Period
30-Apr-2018	Personal Income	Mar	0.3%	0.4%	0.4%
30-Apr-2018	Personal Spending	Mar	0.4%	0.4%	0.2%
30-Apr-2018	PCE Deflator MoM	Mar	0.1%	0.1%	0.2%
30-Apr-2018	PCE Core MoM	Mar	0.2%	0.2%	0.2%
30-Apr-2018	Chicago Purchasing Manager	Apr	59.0	58.0	57.4
30-Apr-2018	Pending Home Sales MoM	Mar	1.0%	0.5%	3.1%
30-Apr-2018	Dallas Fed Manufacturing Activity	Apr	26.0	25.0	21.4
1-May-2018	Markit US Manufacturing PMI	Apr F	56.5	NA	56.5
1-May-2018	Construction Spending MoM	Mar	0.3%	0.4%	0.1%
1-May-2018	ISM Manufacturing	Apr	58.6	58.5	59.3
1-May-2018	Wards Total Vehicle Sales	Apr	17.3m	17.2m	17.4m
2-May-2018	ADP Employment Change	Apr	204k	193k	241k
2-May-2018	FOMC Rate Decision (Upper Bound)	02-May	1.75%	1.75%	1.75%
2-May-2018	FOMC Rate Decision (Lower Bound)	02-May	1.50%	1.50%	1.50%
3-May-2018	Nonfarm Productivity	1Q P	0.5%	0.8%	0.0%
3-May-2018	Initial Jobless Claims	28-Apr	226k	NA	209k
3-May-2018	Unit Labor Costs	1Q P	3.2%	3.0%	2.5%
3-May-2018	Trade Balance	Mar	-\$56.0b	-\$55.8b	-\$57.6b
3-May-2018	Markit US Services PMI	Apr F	54.4	NA	54.4
3-May-2018	Markit US Composite PMI	Apr F	NA	NA	54.8
3-May-2018	ISM Non-Manufacturing Composite	Apr	58.2	58.2	58.8
3-May-2018	Factory Orders	Mar	0.9%	1.0%	1.2%
4-May-2018	Change in Nonfarm Payrolls	Apr	185k	193k	103k
4-May-2018	Change in Manufacturing Payrolls	Apr	17k	18k	22k
4-May-2018	Unemployment Rate	Apr	4.0%	4.0%	4.1%
4-May-2018	Average Hourly Earnings MoM	Apr	0.2%	0.2%	0.3%
4-May-2018	Average Weekly Hours All Employees	Apr	34.5	34.5	34.5

*Consensus from Bloomberg

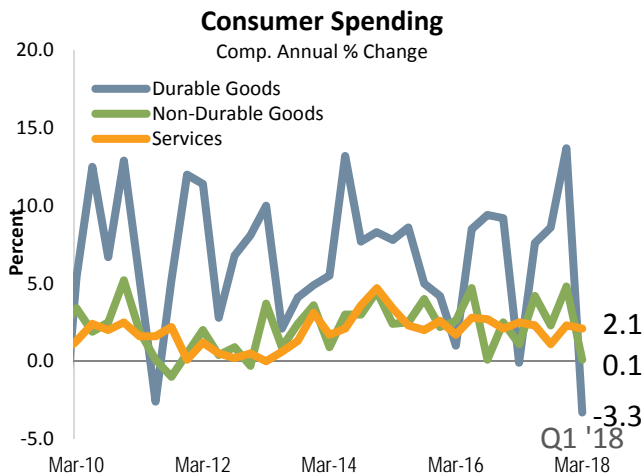
Behind the Q1 GDP Headlines – What It Means for Q2

We were bracing for a soft Q1 GDP print this morning, primarily due a sharp slowdown in real consumer spending in the first quarter. We got the drop we forecast, as real consumer spending growth slumped to 1.1% from a 4.0% annualized growth rate in Q4. An overextended consumer from a fourth quarter shopping binge, bad winter weather, and an auto sales slump all contributed to the drop in consumer spending growth in the first three months of the year.

More specifically, the decline in consumer spending was driven by a 3.3% decline in durable goods spending, primarily motor vehicles. Non-durable goods spending was nearly flat as well, up only 0.1%, though service spending remained near the fourth quarter pace at 2.1%.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank's view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.

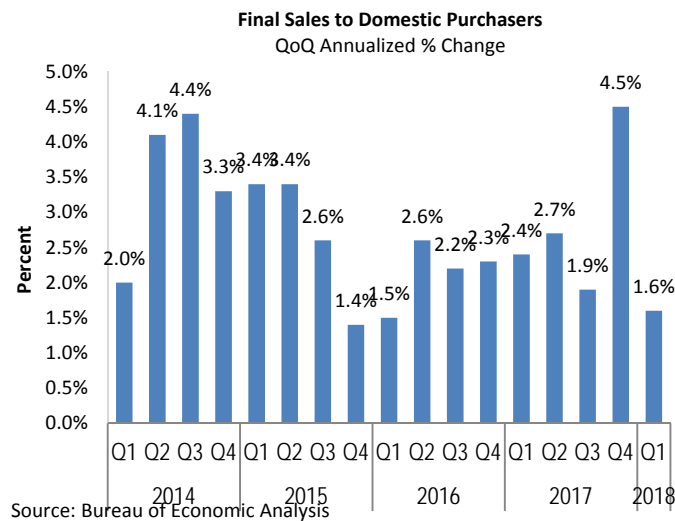
Dissecting the Consumer Spending Decline



Source: Bureau of Economic Analysis

Moreover, the cleanest measure we have on domestic demand in the first quarter, called “final sales to domestic purchasers,” dropped to 1.6% from 4.5% in fourth quarter. The metric measures demand for goods and services from U.S. households, businesses, and government, regardless of whether those goods and services are imported or domestically produced.

Real Domestic Demand Slump Even Deeper than GDP

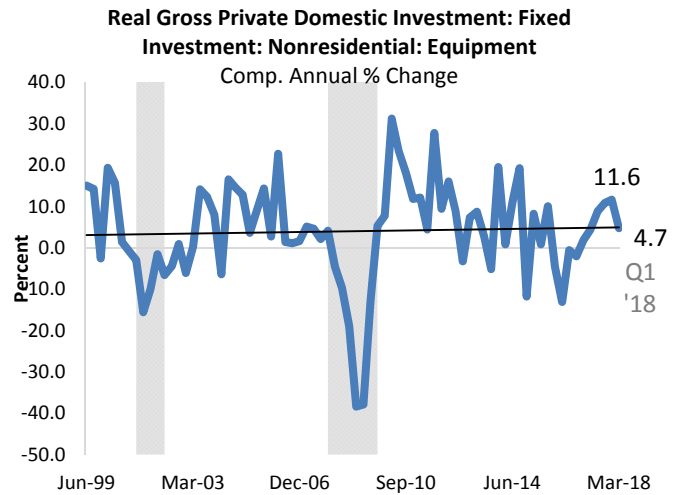


Source: Bureau of Economic Analysis

Business equipment spending also came out on the weak side, at just 4.7% compared to double-digit annualized gains over the previous two quarters. Overall business fixed investment was only held aloft by a 12.3% gain in

commercial construction spending and an acceleration in intellectual property investment.

No Tax Cut Bump for Business Equipment Spending in Q1



Source: US. Bureau of Economic Analysis/FRED

So how does this new GDP report leave our forecast for the second quarter? We expect the drop in real consumer spending growth in Q1 to be partially reversed in the second quarter as recharged savings, pent-up demand, and lower credit card balances entice consumers to spend more freely. A little more warm spring sunshine certainly couldn’t hurt consumer spending plans, either.

Real personal disposable income increased at a healthy 3.4% annual rate last quarter, even as consumers put away their wallets. This added spending power should allow real consumer spending to rebound to around a 2.7% annualized pace this quarter. Residential investment should bounce back, too, after the harsh winter season (+3.5%); and government spending should ramp up due to the recently passed two-year federal spending bill (+2.3%). As a result, our forecast for second quarter GDP growth improved to 3.0% from 2.6% prior to today’s release.

On the other hand, business investment is expected to continue to slow as structural investment cools and equipment spending growth fails to lift. Moreover, the trade balance will likely deteriorate this quarter as consumer spending sucks in more imports, becoming a net drag on GDP growth.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank’s view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.

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	2.3	3.0	2.6	2.6	2.3	2.2	2.1	2.0	1.5	2.3	2.8	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	6.1	4.8	5.6	5.7	5.1	5.1	4.4	4.1	-0.6	4.7	5.8	5.2
Private Housing Starts (000s units)	1,238	1,167	1,172	1,256	1,318	1,265	1,275	1,285	1,290	1,298	1,300	1,300	1,176	1,208	1,286	1,297
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.2	17.3	17.0	16.9	16.5	16.5	16.4	16.3	17.5	17.2	17.1	16.4
Industrial Production*	1.0	5.0	-1.5	7.8	4.5	3.9	3.0	2.6	2.2	2.0	1.7	1.5	-1.2	1.6	4.0	2.4
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.6	149.2	149.7	150.1	150.6	151.0	151.4	144.3	146.6	148.9	150.8
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	3.5	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3	2.1	2.6	2.0
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.8	2.2	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	86.5	86.9	87.2	87.8	87.5	87.1	86.6	85.5	91.6	91.2	87.1	86.7
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	66	64	63	62	61	61	58	43	51	64	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	2,733								2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127								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	1.58	1.75	1.90	2.00	2.15	2.40	2.40	2.36	0.32	0.95	1.81	2.33
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	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	4.52	4.75	4.98	5.06	5.23	5.48	5.48	5.48	3.51	4.10	4.83	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	4.28	4.38	4.50	4.63	4.83	5.08	5.15	5.25	3.66	3.99	4.45	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