

Date	Indicator	For	Estimate	Consensus*	Previous Period
31-Oct-2022	MNI Chicago PMI	Oct	44.0	47.6	45.7
31-Oct-2022	Dallas Fed Manf. Activity	Oct	-22.0	-16.8	-17.2
01-Nov-2022	S&P Global US Manufacturing PMI	Oct F	49.9	49.9	49.9
01-Nov-2022	JOLTS Job Openings	Sep	NA	9750k	10053k
01-Nov-2022	Construction Spending MoM	Sep	-0.9%	-0.5%	-0.7%
01-Nov-2022	ISM Manufacturing	Oct	50.2	50.0	50.9
01-Nov-2022	Wards Total Vehicle Sales	Oct	13.70m	14.25m	13.49m
02-Nov-2022	ADP Employment Change	Oct	180k	200k	208k
02-Nov-2022	FOMC Rate Decision (Lower Bound)	Nov 2	3.75%	3.75%	3.00%
02-Nov-2022	FOMC Rate Decision (Upper Bound)	Nov 2	4.00%	4.00%	3.25%
03-Nov-2022	Trade Balance	Sep	-\$69.5b	-\$70.2b	-\$67.4B
03-Nov-2022	Nonfarm Productivity	3Q P	0.6%	-0.1%	-4.1%
03-Nov-2022	Unit Labor Costs	3Q P	4.0%	3.9%	10.2%
03-Nov-2022	Initial Jobless Claims	Oct 29	225k	NA	217k
03-Nov-2022	S&P Global US Services PMI	Oct F	46.6	46.6	46.6
03-Nov-2022	S&P Global US Composite PMI	Oct F	NA	NA	47.3
03-Nov-2022	Factory Orders	Sep	0.6%	0.4%	0.0%
03-Nov-2022	Durable Goods Orders	Sep F	0.4%	NA	0.4%
03-Nov-2022	ISM Services Index	Oct	54.7	55.5	56.7
04-Nov-2022	Change in Nonfarm Payrolls	Oct	180k	200k	263k
04-Nov-2022	Change in Manufact. Payrolls	Oct	7k	10k	22k
04-Nov-2022	Unemployment Rate	Oct	3.6%	3.6%	3.5%
04-Nov-2022	Average Hourly Earnings MoM	Oct	0.3%	0.3%	0.3%
04-Nov-2022	Average Weekly Hours All Workers	Oct	34.5	34.5	34.5

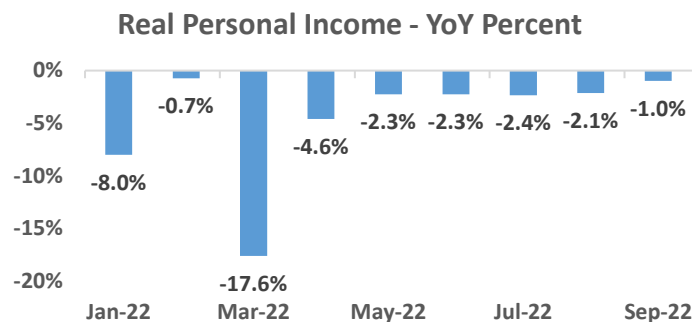
PCE Inflation Showing Few Signs Of Moderating

The personal income and spending report for September from the Bureau of Economic Analysis showed continued solid gains in nominal consumer spending and income but more worrisome inflation data for the Fed as it tries to lower stubbornly-high inflation.

Nominal personal income rose a solid 0.4% last month – in-line with the consensus forecast and unchanged from August – as the tight U.S. labor market compels employers to increase wages to attract and retain workers. Inflation, however, continues to wear down the purchasing power of consumers as inflation-adjusted personal income was flat in September after rising meager 0.1% in August. Real personal income has declined for nine consecutive months year-on-year. The unwind of COVID income

supports combined with high inflation has been a toxic mix for real personal incomes, although the 1.0% decrease last month was the smallest drop since February.

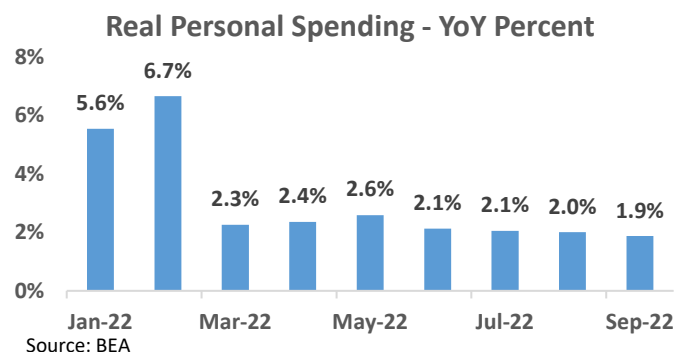
Real Personal Income Declined Again In September



Source: BEA

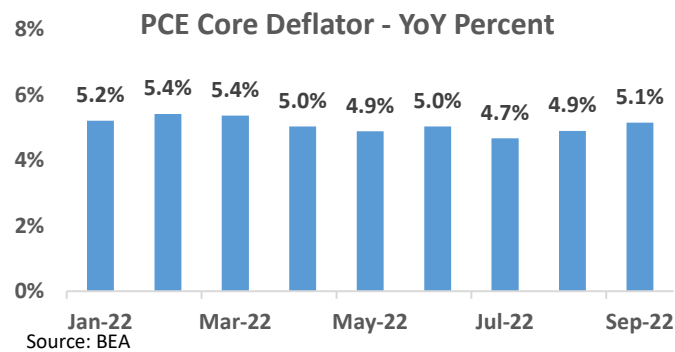
Still the continued erosion of purchasing power amid high inflation and other headwinds have not yet deterred the U.S. consumer from spending. Real personal spending climbed 0.3% in September, in-line with the consensus estimate. The gain was driven entirely by a 0.6% increase in services spending. Goods spending dipped 0.1% – the third consecutive monthly decline – suggesting consumers are shifting their limited dollars to services and away from goods. Despite the solid monthly increase, growth in real consumer spending from a year ago slowed slightly to 1.9%, but has been relatively steady in recent months despite aggressive Fed interest rate hikes.

Real Personal Spending Growth Moderated Slightly



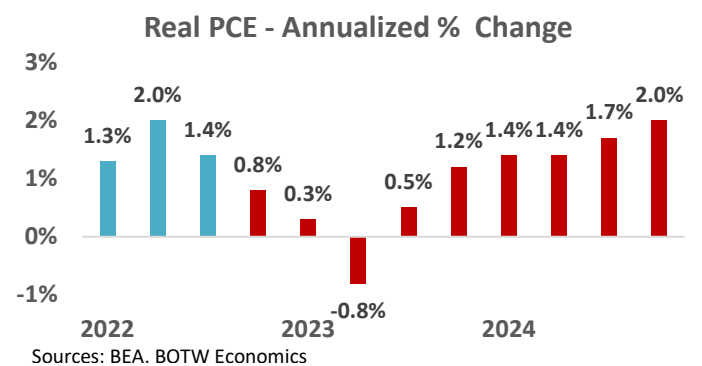
The report also contained some troubling data in the nation’s inflation problem. The PCE core deflator – which excludes volatile food and energy prices and is the Fed’s preferred measure of inflation – climbed 0.5% in September. This was on par with the August reading and still above the average monthly gain of 0.4% this year. Core PCE inflation was 5.1% from a year ago last month and has accelerated for the last two months. This nearly ensures another aggressive 75 basis point rate hike from the Fed at the November FOMC meeting next week.

Core Inflation Has Accelerated For Two Straight Months



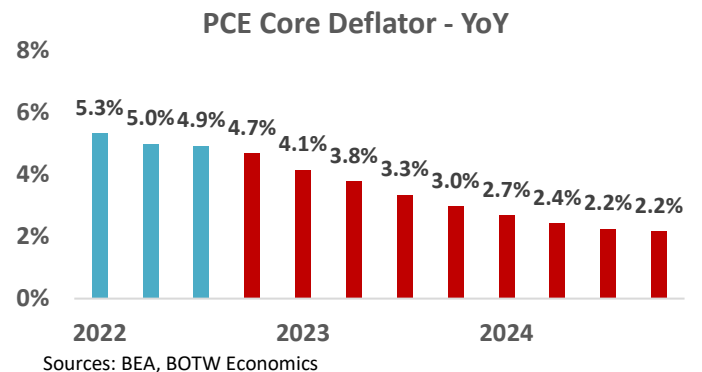
Persistently high inflation, continued aggressive interest rate hikes from the Fed and slower job and income growth will likely weigh on the consumers’ ability and desire to spend next year. Real consumer spending growth peaked in the second quarter at a 2.0% pace as consumers ventured out and travelled extensively for the first time since that pandemic began. But by early next year, nearly two years of negative real disposable income growth, net job losses, and depleted savings are expected to take their toll on the consumer. The U.S. economy appears most vulnerable to a recession sometime in the first half of next year with the Fed expected to boost interest rates into early next year, thereby increasing the risk of overtightening into a slowing or already contracting economy.

Consumer Spending Growth To Slow Sharply In Q4



Dampening U.S. consumer and global demand will eventually slow inflation. We are forecasting Core PCE inflation will gradually moderate through 2024 and approach the Fed’s 2.0% target in the second half of 2024. This should allow the Fed to lower rates a bit in 2024 allowing an economic recovery to take hold.

Core Inflation Is Forecast To Slowly Moderate



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Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2	2023.3	2023.4	2020	2021	2022	2023
Real GDP*	6.3	7.0	2.7	7.0	-1.6	-0.6	2.6	0.2	-0.3	-1.5	-0.2	0.6	-2.8	5.9	1.8	0.0
Personal Consumption Expenditures*	10.8	12.1	3.0	3.1	1.3	2.0	1.4	0.8	0.3	-0.8	0.5	1.2	-3.0	8.3	2.6	0.5
Non-residential Fixed Investment*	8.9	9.9	0.6	1.1	7.9	0.1	3.7	6.6	-1.3	-5.3	-0.9	-0.7	-4.9	6.4	3.7	0.1
Private Housing Starts (000s units)	1,581	1,591	1,569	1,679	1,720	1647	1461	1400	1380	1320	1300	1280	1,395	1,605	1557	1320
Vehicle Sales (mill. Units, annualized)	16.8	16.9	13.3	12.9	14.1	13.3	13.3	13.3	13.0	12.6	12.8	13.0	14.5	15.0	13.5	12.9
Industrial Production*	3.1	6.5	3.5	4.8	4.7	5.2	2.9	0.8	-1.0	-2.6	-0.3	0.5	-7.0	4.9	4.3	0.1
Nonfarm Payroll Employment (mil.)	143.7	145.2	146.9	148.6	150.4	151.6	152.7	153.0	152.7	152.2	151.7	151.7	142.1	146.1	151.9	152.1
Unemployment rate	6.2	5.9	5.1	4.2	3.8	3.6	3.6	3.7	4.0	4.4	4.7	4.8	8.1	5.4	3.7	4.5
Consumer Price Index* (percent)	4.1	8.2	6.7	7.9	9.2	10.5	5.7	4.2	3.9	3.6	3.0	2.5	1.2	4.7	8.1	4.3
"Core" CPI* (percent)	1.4	7.8	5.3	5.6	6.5	6.6	6.4	5.5	4.5	3.9	3.2	2.7	1.7	3.6	6.2	4.7
PPI (finished goods)* (percent)	13.7	11.6	12.9	13.7	18.3	22.3	-0.6	0.5	2.0	1.6	1.7	1.8	-1.3	8.9	13.3	2.4
Trade Weighted Dollar (Fed AFE)	103.4	102.9	105.0	107.0	108.4	113.7	119.0	123.7	124.8	124.2	123.8	123.6	109.0	104.6	116.2	124.1
Crude Oil Prices -WTI (\$ per barrel)	58	66	70	76	91	104	89	87	84	81	77	76	39	67	93	80

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

Financial Data	History				Forecast								Annual Average			
	2021.1	2021.2	2021.3	2021.4	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2	2023.3	2023.4	2020	2021	2022	2023
S & P 500	3,866	4,184	4,422	4,602	4,464	4,106	3,980						3,218	4,273		
Dow Jones Industrial Average	31,551	34,121	34,916	35,517	34,679	32,688	31,774						26,891	34,055		
Federal Funds Rate (effective)	0.08	0.07	0.09	0.13	0.21	0.96	2.63	3.79	4.54	4.63	4.63	4.63	0.37	0.09	1.90	4.61
Treasury-3 Month Bills (yield)	0.05	0.03	0.05	0.05	0.31	1.10	2.75	4.07	4.46	4.55	4.55	4.58	0.36	0.04	2.06	4.54
Treasury-2 Year Notes (yield)	0.13	0.17	0.22	0.50	1.46	2.72	3.38	4.47	4.50	4.56	4.57	4.58	0.39	0.26	3.01	4.55
Treasury-5 Year Notes (yield)	0.62	0.84	0.80	1.11	1.83	2.96	3.23	4.28	4.34	4.48	4.49	4.50	0.54	0.84	3.08	4.45
Treasury-10 Year Notes (yield)	1.34	1.59	1.32	1.54	1.95	2.93	3.10	4.05	4.20	4.28	4.29	4.30	0.89	1.45	3.01	4.27
Treasury-30 Year Notes (yield)	2.09	2.26	1.93	1.95	2.26	3.06	3.26	4.20	4.23	4.25	4.31	4.34	1.56	2.06	3.20	4.28
Prime Rate	3.25	3.25	3.25	3.25	3.33	4.08	5.75	6.91	7.66	7.75	7.75	7.75	3.54	3.25	5.02	7.73
SOFR Overnight Rate	0.04	0.02	0.05	0.05	0.09	0.69	2.15	3.61	4.36	4.46	4.48	4.49	0.36	0.04	1.64	4.45
SOFR 3-Mo. CME	0.02	0.05	0.06	0.09	0.34	1.32	2.84	4.09	4.59	4.68	4.68	4.69	NA	0.05	2.15	4.66
Libor 3-Mo. U.S. Dollar	0.20	0.16	0.13	0.16	0.53	1.54	3.00	4.30	4.67	4.76	4.76	4.76	0.65	0.16	2.34	4.74
Mortgage-30 Year (yield)	2.88	3.00	2.87	3.08	3.82	5.27	5.62	6.90	7.10	7.18	7.09	7.05	3.12	2.96	5.40	7.11
BAA Corporate (yield)	3.49	3.55	3.24	3.30	3.97	5.02	5.35	6.62	6.80	6.90	6.91	6.85	3.61	3.39	5.24	6.87

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