

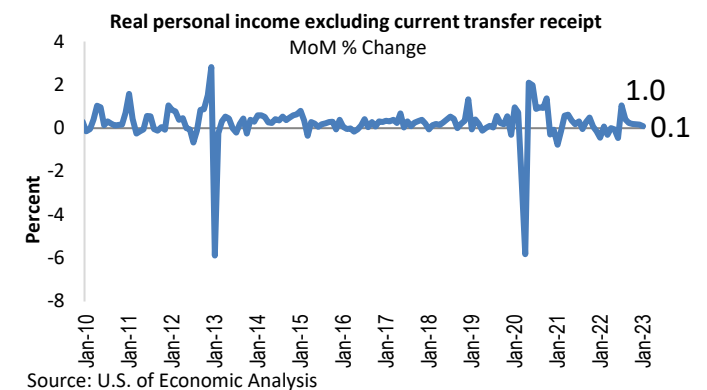
Date	Indicator	For	Estimate	Consensus*	Previous Period
27-Feb-2023	Durable Goods Orders	Jan P	-4.0%	-4.0%	5.6%
27-Feb-2023	Durables Ex Transportation	Jan P	0.1%	0.2%	-0.25
27-Feb-2022	Pending Home Sales MoM	Jan	0.8%	1.0%	2.5%
27-Feb-2023	Dallas Fed Manf. Activity	Feb	-10.0	-9.3	-8.4%
28-Feb-2023	Advance Goods Trade Balance	Jan	-\$91.0b	-\$91.0b	-\$89.7b
28-Feb-2023	Wholesale Inventories MoM	Feb	0.1%	0.1%	0.1%
28-Feb-2023	FHFA House Price Purchase Index QoQ	4Q	NA	NA	0.1%
28-Feb-2023	FHFA House Price Index MoM	Dec	-0.2%	-0.2%	-0.1%
28-Feb-2023	S&P CoreLogic CS 20-City MoM SA	Dec	-0.35%	-0.40%	-0.54%
28-Feb-2023	MNI Chicago PMI	Feb	45.0	45.3	44.3
28-Feb-2023	Richmond Fed Manufact. Index	Feb	-7	-5	-11
28-Feb-2023	Conference Board Consumer Confidence	Feb	108.2	108.5	107.1
01-Mar-2023	S&P Global US Manufacturing PMI	Feb F	47.8	47.8	47.8
01-Mar-2023	Construction Spending MoM	Jan	0.3%	0.2%	-0.4%
01-Mar-2023	ISM Manufacturing	Feb	48.1	48.0	47.4
01-Mar-2023	Wards Total Vehicle Sales	Feb	14.70m	14.78m	15.74m
02-Mar-2023	Nonfarm Productivity	4Q F	2.3%	2.5%	3.0%
02-Mar-2023	Unit Labor Costs	4Q F	1.6%	1.6%	1.1%
02-Mar-2023	Initial Jobless Claims	Feb 25	197k	197k	192k
03-Mar-2023	S&P Global US Services PMI	Feb F	50.5	50.5	50.5
03-Mar-2023	S&P Global US Composite PMI	Feb F	NA	NA	50.2
03-Mar-2023	ISM Services Index	Feb	54.3	54.5	55.2

A Strong Start To Consumer Spending In 2023

The January personal income and spending report came in even hotter than expected, underscoring the continued resilience of U.S. consumers, but was categorically negative for investors and the Fed in its battle to lower inflation. Real consumer spending jumped at sizzling 14.5% annualized rate in January with strong gains in motor vehicles and parts and recreation goods, food services, and accommodations spending.

However, inflation continues to take a toll on the purchasing power of consumers. Real personal disposable income ex. transfer payments increased an anemic 0.1% in January or 1.1% annualized continuing a slowdown that started last August.

Real Personal Income Barely Beating Inflation

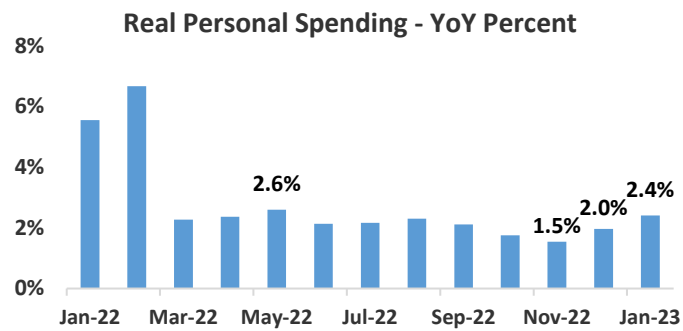


With that said, nominal disposable income jumped a whopping 2.0% in January as an 8.7% Social Security COLA increase came through for millions of Americans and likely was a big factor in the consumer spending windfall last month.

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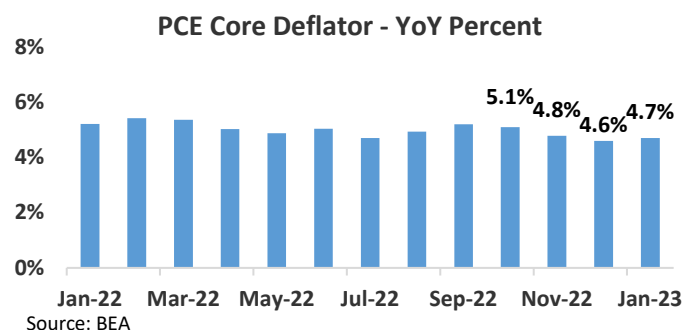
Real consumer spending rebounded a solid 1.1% in January after two consecutive monthly declines. The largest monthly advance since March 2021 was led by a 2.2% increase in spending on goods with spending on services rising a more modest 0.6%. The strong monthly upturn pushed the year-ago growth rate up to 2.4% – the fastest year-on-year pace since May 2022.

Spending Growth Accelerated Further In January



Unfortunately, inflation was as equally “hot” as spending last month. The PCE core deflator – which excludes food and energy and is closely monitored by the Fed – increased 0.6% in January or 7.1% annualized, accelerating from a 0.4% increase in December. Core PCE inflation from a year ago increased to 4.7% from 4.6% in December. This will surely garner the attention of the Fed and raises the risk of further rate hikes to sufficiently slow inflation.

Annual Growth in the PCE Core Deflator Reaccelerates

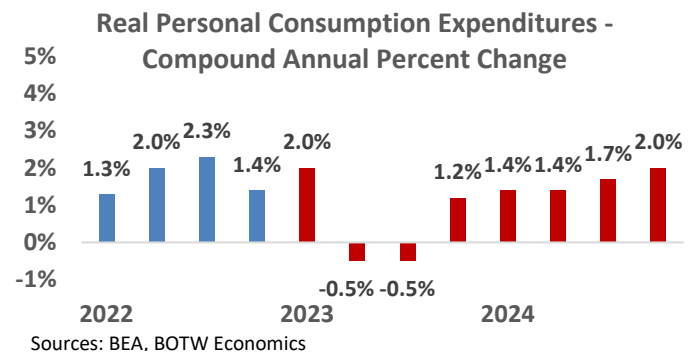


The Consumer Spending And Inflation Outlook

Continued elevated inflation, additional Fed rate hikes, increasing long-term interest rates, tightening financial conditions and a faltering global economy are collectively expected to limit U.S. consumers’ ability to spend this year. Real consumer spending is forecast to drop at a 0.5%

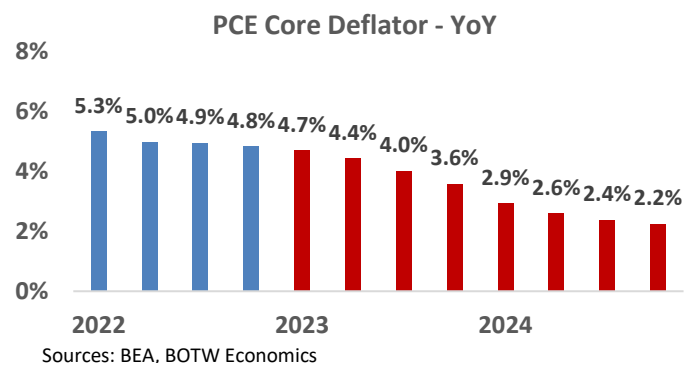
annualized rate in the second and third quarters of 2023, the first back-to-back quarterly declines since early 2020.

Danger - Consumer Slump Ahead!



On the brighter side, a prolonged spending strike by consumers and a mild U.S. recession is expected to bring somewhat better news on the inflation front by 2024. Core PCE inflation is forecast to continue decelerating through next year and close in on the Fed’s medium-term target of 2.0% in the second half of 2024. This should allow the Fed to cut interest rate cuts in 2024 to support the recovery.

PCE Core Deflator Growth Projected To Moderate



The Fed will eventually prevail in its quest to lower inflation, but not without some real economic and financial pain. While job gains have remained solid thus far despite higher interest rates, the economy is projected to shed net jobs in the second and third quarters of this year and push the jobless rate up to a peak of around 4.8% by the first quarter of 2024, up from a cycle low of 3.5% in the current quarter. The tradeoff of higher unemployment for lower inflation is one the Fed will be willing to accept to achieve its inflation mandate over the medium term.

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Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2	2023.3	2023.4	2024.1	2024.2	2024.3	2024.4	2021	2022	2023	2024
Real GDP*	-1.6	-0.6	3.2	2.7	0.5	-2.5	-0.6	1.4	1.8	1.4	1.6	1.8	5.9	2.1	0.5	1.0
Personal Consumption Expenditures*	1.3	2.0	2.3	1.4	2.0	-0.5	-0.5	1.2	1.4	1.4	1.7	2.0	8.3	2.8	1.1	1.1
Non-residential Fixed Investment*	7.9	0.1	6.2	3.3	2.3	-5.3	-1.0	-0.7	0.9	1.0	1.1	1.2	6.4	3.6	0.3	0.0
Private Housing Starts (000s units)	1,720	1,647	1,450	1,403	1,385	1320	1300	1280	1274	1320	1355	1390	1,605	1,555	1321	1335
Vehicle Sales (mill. Units, annualized)	14.1	13.3	13.3	14.1	14.7	13.6	12.8	13.0	13.3	13.8	14.0	14.1	15.0	13.7	13.5	13.8
Industrial Production*	4.7	5.0	1.8	-1.7	-2.2	-3.0	-0.8	0.5	1.3	1.2	1.8	1.9	4.9	3.9	-1.0	0.7
Nonfarm Payroll Employment (mil.)	150.8	152.0	153.3	154.3	155.3	154.7	154.3	154.3	154.4	154.8	155.1	155.4	146.3	152.6	154.6	154.9
Unemployment rate	3.8	3.6	3.6	3.6	3.5	4.0	4.4	4.7	4.8	4.7	4.7	4.6	5.4	3.7	4.2	4.7
Consumer Price Index* (percent)	9.2	9.7	5.5	4.2	4.0	3.4	3.1	2.7	2.4	2.3	2.2	2.2	4.7	8.0	4.2	2.5
"Core" CPI* (percent)	6.7	6.0	6.2	5.1	4.3	4.1	3.6	3.1	2.4	2.3	2.2	2.1	3.6	6.1	4.6	2.7
PPI (finished goods)* (percent)	17.2	20.3	0.9	3.6	4.8	3.2	2.2	2.0	2.0	2.1	2.2	2.3	8.9	13.4	4.1	2.2
Trade Weighted Dollar (Fed AFE)	108.5	113.7	119.0	120.0	115.0	116.1	115.2	113.5	112.9	112.9	113.1	113.3	104.6	115.3	115.0	113.0
Crude Oil Prices -WTI (\$ per barrel)	91	104	89	83	79	77	74	73	72	71	70	70	67	92	76	71

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

Financial Data	History				Forecast								Annual Average			
	2022.1	2022.2	2022.3	2022.4	2023.1	2023.2	2023.3	2023.4	2024.1	2024.2	2024.3	2024.4	2021	2022	2023	2024
S & P 500	4,464	4,106	3,980	3,852									3,218	4,273		
Dow Jones Industrial Average	34,679	32,688	31,774	32,490									26,891	34,055		
Federal Funds Rate (effective)	0.21	0.96	2.63	3.64	4.63	5.13	5.38	5.38	5.29	4.88	4.54	4.29	0.09	1.86	5.13	4.75
Treasury-3 Month Bills (yield)	0.31	1.10	2.75	4.19	4.78	5.08	5.30	5.29	5.24	4.83	4.49	4.24	0.04	2.09	5.11	4.70
Treasury-2 Year Notes (yield)	1.46	2.72	3.38	4.39	4.45	4.76	5.03	5.05	5.06	4.75	4.56	4.37	0.26	2.99	4.82	4.69
Treasury-5 Year Notes (yield)	1.83	2.96	3.23	4.00	3.85	4.18	4.55	4.60	4.64	4.43	4.24	4.09	0.84	3.00	4.30	4.35
Treasury-10 Year Notes (yield)	1.95	2.93	3.10	3.83	3.69	4.03	4.43	4.46	4.54	4.32	4.14	4.01	1.45	2.95	4.15	4.25
Treasury-30 Year Notes (yield)	2.26	3.06	3.26	3.90	3.79	4.13	4.53	4.56	4.64	4.42	4.24	4.11	2.06	3.12	4.25	4.35
Prime Rate	3.33	4.08	5.75	6.82	7.75	8.25	8.50	8.50	8.41	8.00	7.66	7.41	3.25	4.99	8.25	7.87
SOFR Overnight Rate	0.09	0.69	2.15	3.60	4.49	5.01	5.28	5.28	5.19	4.78	4.44	4.19	0.04	1.63	5.02	4.65
SOFR 3-Mo. CME	0.34	1.32	2.84	4.24	4.73	5.19	5.44	5.44	5.35	4.95	4.61	4.36	0.05	2.19	5.20	4.82
Libor 3-Mo. U.S. Dollar	0.53	1.54	3.00	4.51	4.85	5.26	5.51	5.51	5.47	5.05	4.71	4.46	0.16	2.39	5.28	4.92
Mortgage-30 Year (yield)	3.82	5.27	5.62	6.63	6.19	6.68	7.10	7.16	7.21	6.97	6.74	6.51	2.96	5.33	6.78	6.86
BAA Corporate (yield)	3.97	5.02	5.35	5.98	5.59	5.98	6.53	6.61	6.69	6.57	6.44	6.36	3.39	5.08	6.18	6.52

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