

Date	Indicator	For	Estimate	Consensus*	Previous Period
12-Feb-2019	NFIB Small Business Optimism	Jan	103.0	103.0	104.4
12-Feb-2019	JOLTS Job Openings	Dec	NA	NA	6888.0
13-Feb-2019	CPI MoM	Jan	0.1%	0.1%	-0.1%
13-Feb-2019	CPI Ex Food and Energy MoM	Jan	0.2%	0.2%	0.2%
14-Feb-2019	PPI Final Demand MoM	Jan	0.1%	0.1%	-0.2%
14-Feb-2019	PPI Ex Food and Energy MoM	Jan	0.2%	0.2%	-0.1%
14-Feb-2019	Initial Jobless Claims	09-Feb	230k	NA	234k
14-Feb-2019	Retail Sales Advance MoM	Dec	0.1%	0.1%	0.2%
14-Feb-2019	Retail Sales Ex Auto MoM	Dec	0.0%	0.0%	0.2%
14-Feb-2019	Business Inventories	Nov	0.3%	0.3%	0.6%
15-Feb-2019	Empire Manufacturing	Feb	6.0	7.5	3.9
15-Feb-2019	Import Price Index MoM	Jan	-0.3%	-0.2%	-1.0%
15-Feb-2019	Industrial Production MoM	Jan	0.2%	0.1%	0.3%
15-Feb-2019	Capacity Utilization	Jan	78.8%	78.8%	78.7%
15-Feb-2019	U. of Mich. Sentiment	Feb P	93.0	94.0	91.2
15-Feb-2019	Net Long-term TIC Flows	Dec	NA	NA	\$37.6b

*Consensus from Bloomberg

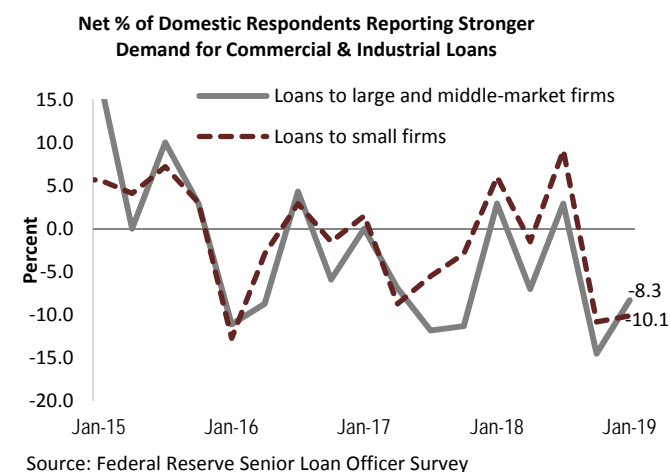
Senior Loan Officer Survey Results Suggest Caution

Earlier this week, the Federal Reserve released results from the January Senior Loan Officer Survey on Bank Lending Practices over the past three months. Given the timeliness of the survey data, the results provide an early indication of the willingness of consumers and businesses to borrow and banks to lend this year.

Business and Consumer Loan Demand Weakening

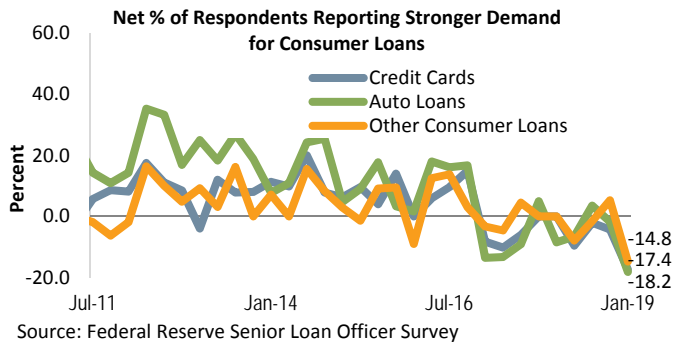
It's apparent in the latest survey results that weak loan demand persists, and is broad-based across both consumers and businesses. Indeed, banks reported that demand for commercial and industrial (C&I) loans remained weak in the fourth quarter of 2018. A majority of the banks that reported weaker loan demand stated that decreases in customers' needs to finance mergers and acquisitions and investment in plant and equipment contributed to weaker demand, as did a shift in borrowing toward other bank or nonbank sources.

C&I Loan Demand Remained Weak In The Fourth Quarter



Banks also reported weaker consumer demand for auto loans, credit cards, residential mortgage loans, and home equity lines of credit. Continued soft loan demand points to a more cautious consumer going forward.

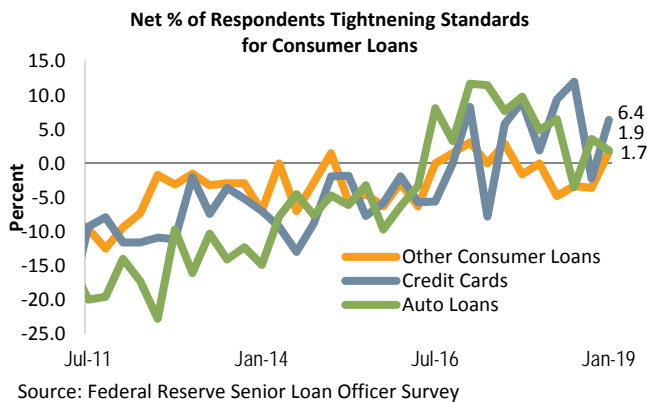
Consumer Loan Demand Softened In The Fourth Quarter



Banks Willingness to Lend and Lending Terms

Banks reported that lending standards tightened in the fourth quarter for numerous categories, from C&I loans to commercial real estate loans to credit card and other consumer loans.

Banks Tightened Standards On Most Consumer Loans In Q4



Most terms for consumer loans were reported as basically unchanged on balance. However, a higher share of banks did report tighter limits for credit cards in the fourth quarter, while a modestly higher share of banks reported wider loan spread limits on auto and consumer loans. The period of loosening consumer credit standards is probably over for this cycle.

Large banks (>\$50 billion in assets) reported easing some key terms on commercial and industrial loans to large and middle-market firms (>\$50 billion in sales), ranging from increasing maximum credit lines to easing loan covenants

to reducing loan rate spreads over cost of funds. Nearly every bank that eased terms over the last three months of 2018 cited increased competition from other banks as the primary reason.

2019 Lending Environment and Economic Outlook

Respondents were asked a series of special questions about their expectations for lending standards, loan demand, and loan performance this year. By and large, banks anticipate tighter lending standards, weaker loan demand, and deteriorating loan performance across most loan categories.

Banks that are expecting tighter standards for any loan category were asked to consider the importance of several possible reasons for the expected tightening and the most widely mentioned reason was a deterioration in collateral values. In addition, a majority of banks expect a reduction in their risk tolerance and a worsening in loan performance to contribute to tighter lending standards.

The deteriorating lending environment anticipated this year is consistent with our forecast for slower GDP, consumer spending, and business investment growth this year. Job growth is expected to slow as well, which is expected to lead to weaker loan performance and cause lenders to become more prudent in their lending.

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Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2017	2018	2019	2020
Real GDP*	2.2	4.2	3.4	2.5	1.7	2.0	1.8	1.7	1.0	0.6	0.5	0.5	2.2	2.9	2.3	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	3.5	1.5	2.3	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.7	2.5	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	5.7	4.3	4.1	3.7	3.4	1.5	1.5	1.5	1.5	5.3	6.9	4.5	2.3
Private Housing Starts (000s units)	1,317	1,261	1,234	1,250	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,266	1,233	1,183
Vehicle Sales (mill. Units, annualized)	17.1	17.1	16.9	17.5	16.9	16.8	16.7	16.5	16.2	15.9	15.6	15.9	17.2	17.1	16.7	15.9
Industrial Production*	2.5	5.3	4.7	3.8	2.1	2.0	1.7	1.5	-0.5	-1.0	-1.0	-1.0	1.6	4.0	2.8	0.1
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.2	151.7	152.1	152.4	152.0	151.6	151.4	146.6	149.1	151.4	151.9
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.7	3.6	3.7	3.9	4.2	4.5	4.8	4.4	3.9	3.7	4.4
Consumer Price Index* (percent)	3.5	1.7	2.0	1.8	1.1	2.1	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.8	1.9
"Core" CPI* (percent)	3.0	1.8	2.0	2.0	2.2	2.1	2.1	2.1	2.0	1.9	1.8	1.8	1.8	2.1	2.1	2.0
PPI (finished goods)* (percent)	3.6	2.9	2.2	-0.2	-0.1	2.1	1.8	1.8	1.3	1.4	1.4	1.4	3.2	3.0	1.1	1.6
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.1	90.6	89.6	88.5	88.3	88.0	87.5	87.0	91.1	89.0	90.0	87.7
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	52	54	53	53	51	50	47	46	51	65	53	49

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

Financial Data	History				Forecast								Annual Average			
	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2017	2018	2019	2020
S & P 500	2,733	2,703	2,850	2,699									2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916									21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.38	2.38	2.38	2.46	2.54	2.29	2.04	1.79	1.00	1.83	2.40	2.17
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.37	2.39	2.48	2.56	2.65	2.40	2.15	1.89	0.95	1.97	2.45	2.27
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.51	2.50	2.60	2.65	2.75	2.60	2.35	2.15	1.40	2.53	2.57	2.46
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.50	2.52	2.65	2.70	2.70	2.50	2.30	2.25	1.91	2.75	2.59	2.44
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.68	2.70	2.80	2.88	2.95	2.77	2.57	2.50	2.33	2.91	2.77	2.70
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.02	3.08	3.20	3.28	3.30	3.10	2.90	2.80	2.90	3.11	3.15	3.03
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.50	5.58	5.66	5.38	5.13	4.87	4.10	4.90	5.52	5.26
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.77	2.76	2.79	2.87	2.95	2.70	2.42	2.13	1.26	2.31	2.80	2.55
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.43	4.45	4.60	4.75	4.85	4.70	4.50	4.40	3.99	4.54	4.56	4.61
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.10	5.30	5.50	5.80	6.10	6.20	6.20	6.10	4.44	4.80	5.43	6.15

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