

# U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
16-Jun-2014	Empire Manufacturing	JUN	14.0	15.0	19.0
16-Jun-2014	Industrial Production MoM	MAY	0.7%	0.5%	-0.6%
16-Jun-2014	Capacity Utilization	MAY	78.9%	78.9%	78.6%
16-Jun-2014	NAHB Housing Market Index	JUN	47	47	45
17-Jun-2014	Consumer Price Index MoM	MAY	0.2%	0.2%	0.3%
17-Jun-2014	CPI Ex. Food and Energy MoM	MAY	0.1%	0.2%	0.2%
17-Jun-2014	Housing Starts	MAY	1,000K	1,030K	1,072K
17-Jun-2014	Building Permits	MAY	1,040K	1,070K	1,059K
18-Jun-2014	Current Account Balance	Q1	-\$96.4B	-\$96.6B	-81.1B
18-Jun-2014	FOMC Rate Decision	JUN	0.25%	0.25%	0.25%
18-Jun-2014	Fed QE3 Pace	JUN	\$35B	\$35B	\$45B
19-Jun-2014	Initial Jobless Claims	06/14	314K	315K	317K
19-Jun-2014	Philly Fed Business Outlook	JUN	14.0	14.0	15.4
19-Jun-2014	Leading Index	MAY	0.6%	0.6%	0.4%

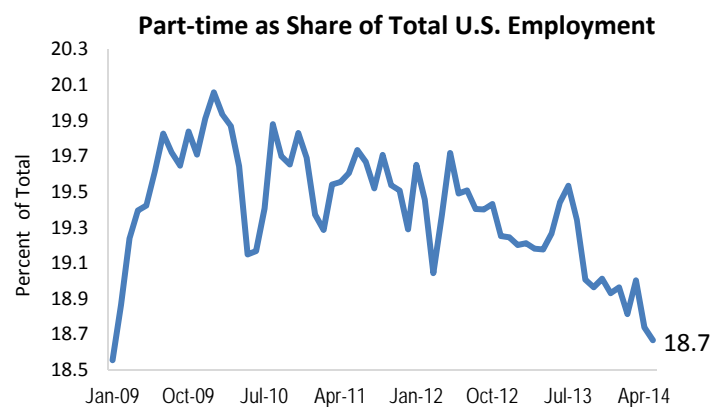
\*Consensus from Bloomberg

## A Part-Time Economy? Not Exactly

This is a follow-up on a report I wrote back in July of last year. (Are We Becoming a Part-Time Nation?, US Outlook Report July 19, 2013) At the time, there was much angst about the quality of the jobs being created. There had been a surge of part-time jobs, and several analysts were blaming the Affordable Care Act (ACA) for the trend. The accusation was that the U.S. economy was becoming a nation of part-time jobs. This culminated in a Wall Street Journal Op Ed piece by Mort Zuckerman that spent a great deal of space lamenting the creation of part-time jobs over full-time jobs. I was skeptical then and argued strenuously that there was no conclusive evidence to support the argument. I have heard similar arguments in the past, including in the 1980's when Japanese imports were surging and we were all supposedly going to become burger flippers at McDonalds.

Because the part-time nation argument continues to linger, I thought it would be interesting to revisit the evidence to see where we stand on this very important issue. Happily, we find that the evidence today is even less supportive of the part-time nation theory. In fact, just the opposite appears to be the case; the quality of the job creation during this expansion appears to be improving rapidly.

## Share of Part-time Employment Has Plunged Since Last July

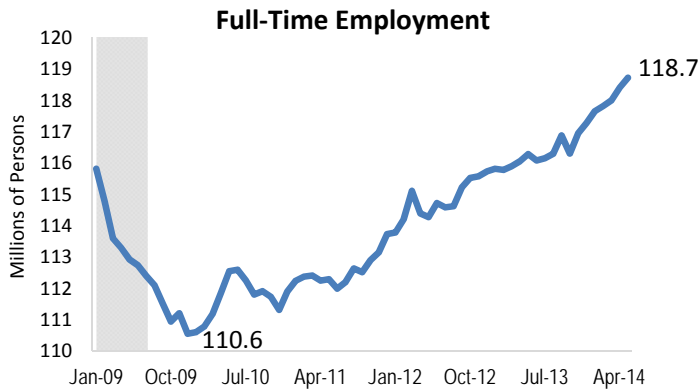


Source: Bureau of Labor Statistics

In May, the share of part-time employment to total employment settled at an expansion low of 18.7 percent of total U.S. employment. In fact, part-time employment as a share of total employment has fallen rapidly –as we expected-- since hitting a peak of 19.5 percent last July when all the commentary about a future part-time nation hit its crescendo.

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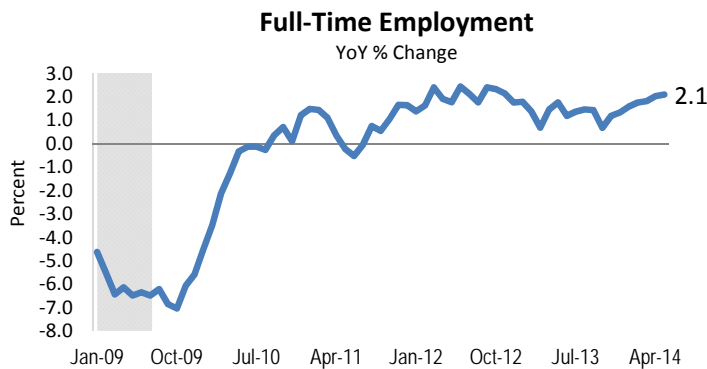
**Full-Time Employment On the Rise**



Source: Bureau of Labor Statistics

After hitting a post-recession low of 110.6 million jobs in December of 2009, full-time employment has increase by 8.727 million jobs, a gain of 7.4 percent over the period. Over the past 12 months, full-time employment has grown a steady 2.1 percent an increase of 2.4 million full-time jobs.

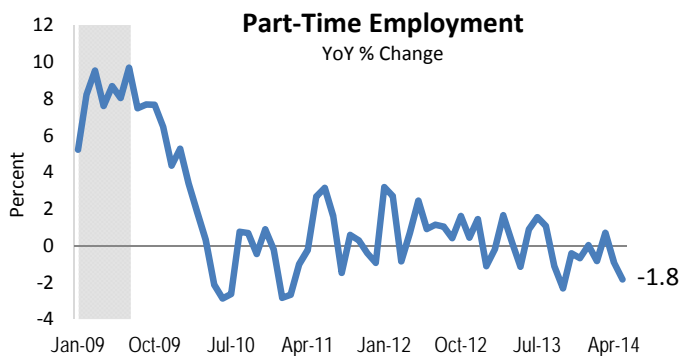
**Full-Time Employment Growth Strengthens**



Source: Bureau of Labor Statistics

At the same time, part-time employment has declined 1.8 percent, or a little over a half million net jobs.

**Part-Time Employment Declines**



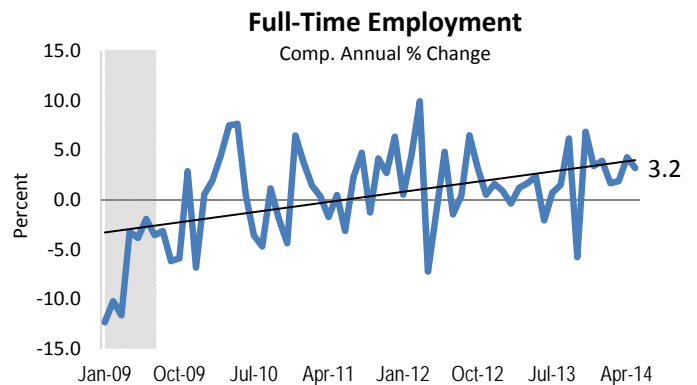
Source: Bureau of Labor Statistics

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This is part of the normal cyclical patterns we see during economic expansions. Early in the recovery, the mix of employment shifts toward more part-time workers as companies adjust to an uncertain economic environment and concerns about sustainability of demand remain high. That peak appears to have occurred back in late 2009. But as the recovery gains pace and fears of a reversal decline, part-time workers are increasingly offered full-time positions or replaced by full-time workers.

The suspension of the debt-ceiling and passage of a budget in Congress appears to have further reduced this economic uncertainty and boosted employers' appetite for full-time workers. The growth of full-time employment appears to be accelerating so far this year, despite an abysmal first quarter GDP report. In the first two months of the second quarter, full-time employment growth has advanced at an average 3.8 percent annualized pace.

**A Solid Preference for Full-Time Employees Emerges**



Source: Bureau of Labor Statistics

So, clearly, news of the economy's shift to a world of only part-time employment opportunities has been wildly exaggerated. Indeed, I find ample evidence to conclude this cycle isn't all that different from others in the past and to what economic theory would predict. As final demand solidifies, we can expect more good news on the quality of the jobs being created.

## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2012	2013	2014	2015
Real GDP*	1.1	2.5	4.1	2.6	-1.0	3.6	3.1	3.3	3.1	3.0	2.9	2.9	2.8	1.9	2.2	3.1
Personal Consumption Expenditures*	2.3	1.8	2.0	3.3	3.1	3.0	3.2	3.2	2.9	2.8	2.6	2.6	2.2	2.0	2.9	3.0
Non-residential Fixed Investment*	-4.6	4.7	4.8	5.7	-1.6	5.4	4.5	5.1	4.7	4.9	4.8	4.9	7.3	2.7	3.5	5.0
Private Housing Starts (000s units)	957	869	882	1,008	923	990	1,005	1,030	1,106	1,171	1,173	1,178	783	929	987	1,157
Vehicle Sales (mill. Units, annualized)	15.3	15.5	15.7	15.6	15.9	16.3	16.5	16.6	16.7	16.8	16.9	16.8	14.4	15.5	16.3	16.8
Industrial Production*	4.2	1.9	2.5	4.9	4.5	4.6	4.7	4.5	4.2	4.1	4.1	4.0	3.8	2.9	4.2	4.4
Nonfarm Payroll Employment (mil.)	135.5	136.1	136.6	137.2	137.8	138.5	139.2	139.9	140.7	141.4	142.1	142.8	134.1	136.4	138.8	141.8
Unemployment rate	7.7	7.5	7.2	7.0	6.7	6.3	6.2	6.1	6.0	5.9	5.8	5.7	8.1	7.4	6.3	5.9
Consumer Price Index* (percent)	1.2	0.4	2.2	1.1	1.9	2.0	2.0	1.7	1.7	1.7	1.8	1.8	2.1	1.5	1.7	1.8
"Core" CPI* (percent)	2.0	1.4	1.8	1.6	1.6	1.8	1.8	1.8	1.8	1.8	1.8	1.8	2.1	1.8	1.7	1.8
PPI (finished goods)* (percent)	0.8	-1.0	2.3	1.2	3.5	4.4	1.9	1.8	1.5	1.3	1.2	1.3	2.0	1.2	2.5	1.7
Trade Weighted Dollar (Fed BOG, major)	74.8	76.6	76.8	76.0	77.1	76.8	77.3	78.0	79.5	80.0	80.7	81.3	73.6	76.1	77.3	80.4
Crude Oil Prices -WTI (\$ per barrel)	94	94	106	98	98	103	102	101	99	99	99	98	94	98	101	99

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

Financial Data	History				Forecast								Annual Average			
	2013.1	2013.2	2013.3	2013.4	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2012	2013	2014	2015
S & P 500	1,514	1,610	1,675	1,769	1,835								1,379	1,644		
Dow Jones Industrial Average	13,994	14,959	15,286	15,736	16,177								12,965	15,010		
Federal Funds Rate (effective)	0.15	0.12	0.09	0.09	0.07	0.07	0.08	0.08	0.15	0.25	0.38	0.87	0.14	0.11	0.08	0.41
Treasury-3 Month Bills (yield)	0.09	0.05	0.03	0.06	0.05	0.04	0.05	0.06	0.10	0.20	0.33	0.83	0.09	0.06	0.05	0.37
Treasury-2 Year Notes (yield)	0.26	0.27	0.37	0.33	0.37	0.38	0.49	0.62	1.00	1.06	1.29	1.59	0.28	0.31	0.47	1.24
Treasury-5 Year Notes (yield)	0.82	0.91	1.50	1.44	1.60	1.63	1.68	1.72	1.93	2.14	2.35	2.63	0.76	1.17	1.66	2.26
Treasury-10 Year Notes (yield)	1.95	1.99	2.71	2.74	2.77	2.69	2.95	3.00	3.10	3.28	3.51	3.66	1.80	2.35	2.85	3.39
Treasury-30 Year Notes (yield)	3.13	3.14	3.71	3.79	3.68	3.55	3.80	3.85	4.04	4.20	4.31	4.41	2.92	3.44	3.72	4.24
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.38	3.87	3.25	3.25	3.25	3.44
Libor 3-Mo. U.S. Dollar	0.29	0.28	0.28	0.28	0.26	0.24	0.25	0.26	0.27	0.36	0.60	0.97	0.42	0.28	0.25	0.55
Mortgage-30 Year (yield)	3.50	3.67	4.44	4.29	4.36	4.28	4.42	4.60	4.65	4.84	5.06	5.21	3.66	3.98	4.42	4.94
BAA Corporate (yield)	4.81	4.82	5.40	5.36	5.12	4.85	5.02	5.14	5.20	5.38	5.60	5.76	4.94	5.10	5.03	5.49

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