

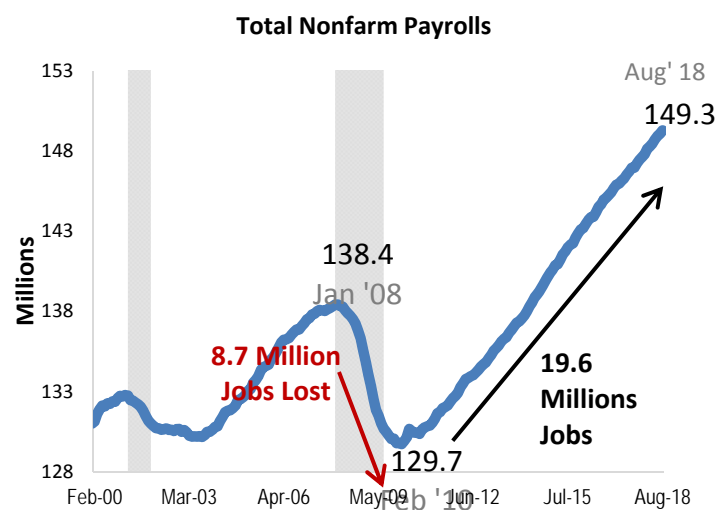
Date	Indicator	For	Estimate	Consensus*	Previous Period
1-Oct-2018	Markit US Manufacturing PMI	Sep F	55.6	NA	55.6
1-Oct-2018	Construction Spending MoM	Aug	0.2%	0.5%	0.1%
1-Oct-2018	ISM Manufacturing	Sep	59.9	60.3	61.3
1-Oct-2018	Wards Total Vehicle Sales	Sep	16.68m	16.70m	16.60m
3-Oct-2018	ADP Employment Change	Sep	185k	185k	163k
3-Oct-2018	Markit US Services PMI	Sep F	52.9	NA	52.9
3-Oct-2018	Markit US Composite PMI	Sep F	NA	NA	53.4
3-Oct-2018	ISM Non-Manufacturing Index	Sep	57.8	58.0	58.5
4-Oct-2018	Initial Jobless Claims	29-Sep	218k	NA	214k
4-Oct-2018	Factory Orders	Aug	1.8%	1.0%	-0.8%
5-Oct-2018	Trade Balance	Aug	-\$54.1b	-\$50.7b	-\$50.1b
5-Oct-2018	Change in Nonfarm Payrolls	Sep	180k	188k	201k
5-Oct-2018	Change in Manufacturing Payrolls	Sep	5k	15k	-3k
5-Oct-2018	Unemployment Rate	Sep	3.8%	3.8%	3.9%
5-Oct-2018	Average Hourly Earnings MoM	Sep	0.3%	0.3%	0.4%
5-Oct-2018	Average Weekly Hours All Employees	Sep	34.5	34.5	34.5
5-Oct-2018	Consumer Credit	Aug	\$18.000b	\$15.000b	\$16.640b

*Consensus from Bloomberg

On the Hunt for a Better Job

It is widely known that the U.S. economy is creating net new jobs at a rapid pace. Over the past 12 months the U.S. economy has created 2.33 million net new jobs across a broad cross-section of industries. Last month alone the economy added another 201K jobs. And since the expansion started, the economy has added nearly 20 million jobs. Clearly the quantity of new jobs created in this expansion is an impressive feat.

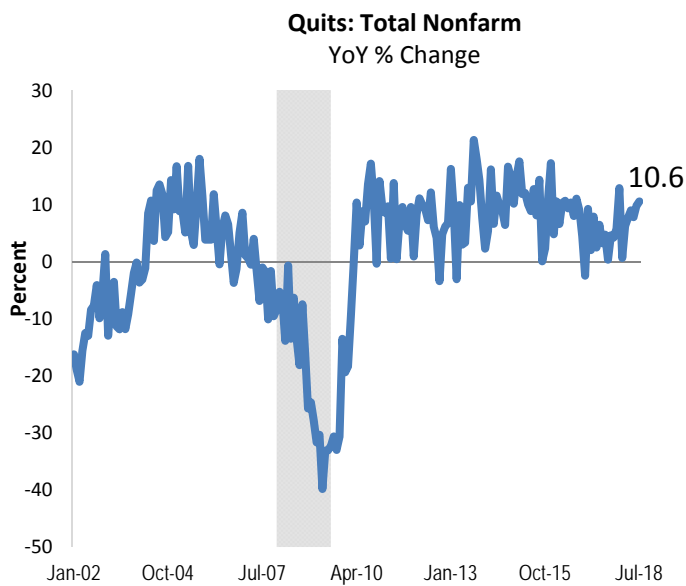
Nearly 20 Million New Jobs and Counting



Source: U.S. Bureau of Labor Statistics

But what is less well-known is the improvement we have seen in the quality of the jobs being created. With nearly 7.0 million open positions in the United States — a new national record — it is getting harder and harder for employers to find qualified candidates. “Help wanted” signs are proliferating. What’s clear from the labor market data is that more and more employed folks are also moving up into higher-quality jobs. Employer job openings have increased 11.9% over the past year, employee quits have risen 10.6%, while layoffs are down 11.8% through July, according to the Bureau of Labor Statistics JOLTS. This is tantalizing evidence that people are changing jobs and looking for greener pastures.

On the Hunt for a Better Job

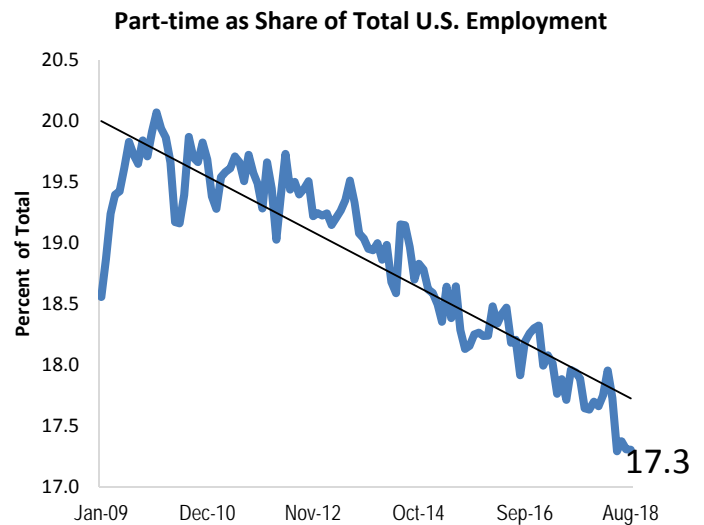


Source: U.S. Bureau of Labor Statistics

Diving into the employment data further, we find an interesting shift away from part-time employment toward more full-time jobs. As of August, part-time employment in the United States had dropped by 616,000 jobs, while full-time employment was up by 2.7 million. In fact, part-time employment as a share of total U.S. jobs peaked in January 2010 at around 20.1% of total jobs and has been on a clear downtrend ever since. However, the shift away from part-time work appears to have accelerated around April of this year. By August,

part-time jobs comprised only 17.3% of total employment in the United States.

Part-time Jobs Disappear as Employees Trade Up for Stability



Source: Bureau of Labor Statistics

This is another important clue that people are trading lower-pay, part-time jobs for new and improved full-time jobs, and probably with benefits like health care and 401k’s. Given a choice, employees will seek stable and steady work rather than the flexibility and instability of income from part-time jobs. This trend likely extends into the gig economy as well. Judging by all the billboards and radio ads popping up looking for new Uber and Lynx drivers, it appears labor shortages are becoming more urgent. Industries like retail trade, construction, and restaurants and bars that primarily hire part-time and contract workers are already feeling the effects.

Looking to next week’s payroll report for September, we are expecting another solid reading on net new jobs. Our forecast is for another increase of 180K nonfarm jobs, with the U.S. unemployment rate moving back down to 3.8%. But at this stage of the economic cycle, it is the quality of the jobs over the quantity of jobs that is becoming more important for the sustainability of this expansion.

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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*	1.8	3.0	2.8	2.3	2.2	4.2	3.1	2.2	1.9	1.9	1.9	1.8	1.5	2.2	2.8	2.3
Personal Consumption Expenditures*	1.8	2.9	2.2	3.9	0.5	3.8	3.4	3.1	2.1	2.1	2.0	1.8	2.7	2.5	2.7	2.5
Non-residential Fixed Investment*	9.6	7.3	3.4	4.8	11.5	8.7	2.4	4.2	3.6	4.0	3.4	2.7	-0.6	5.3	6.8	3.9
Private Housing Starts (000s units)	1,231	1,171	1,172	1,259	1,317	1,254	1,220	1,240	1,270	1,280	1,277	1,275	1,176	1,208	1,258	1,276
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.1	17.1	17.1	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	7.7	2.5	5.1	3.0	2.6	2.2	2.0	1.7	1.5	-1.2	1.6	3.7	2.4
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.7	149.3	149.8	150.3	150.7	151.1	151.5	144.3	146.6	149.0	150.9
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.9	3.8	3.7	3.8	3.9	4.0	4.9	4.4	3.9	3.9
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.5	1.7	2.2	2.1	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.1
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	1.8	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	1.6	5.7	3.6	2.7	2.5	2.0	1.8	1.8	1.7	1.7	-1.0	3.2	3.2	2.0
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	86.2	88.2	90.1	91.1	90.8	90.4	89.6	88.5	91.6	91.1	88.9	89.8
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	68	68	69	66	65	65	61	43	51	67	64

*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	2,703	2,847						2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127	24,556	25,566						17,916	21,745		
Federal Funds Rate (effective)	0.70	0.94	1.15	1.20	1.45	1.74	1.91	2.21	2.46	2.63	2.63	2.63	0.39	1.00	1.83	2.59
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.58	1.87	2.09	2.20	2.44	2.61	2.61	2.61	0.32	0.95	1.94	2.57
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.48	2.66	2.81	2.91	3.01	3.02	2.97	0.84	1.40	2.53	2.98
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.77	2.81	2.93	3.05	3.15	3.16	3.11	1.34	1.91	2.76	3.12
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.92	2.92	3.02	3.19	3.28	3.27	3.21	1.84	2.33	2.91	3.24
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.09	3.06	3.14	3.26	3.35	3.34	3.28	2.60	2.90	3.08	3.31
Prime Rate	3.80	4.05	4.25	4.29	4.53	4.80	5.00	5.25	5.50	5.75	5.75	5.75	3.51	4.10	4.90	5.69
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.34	2.34	2.40	2.64	2.81	2.80	2.80	0.74	1.26	2.25	2.76
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.54	4.55	4.70	4.87	4.97	4.98	4.85	3.66	3.99	4.52	4.92
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.78	4.81	4.98	5.30	5.50	5.70	6.00	4.71	4.44	4.76	5.63

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