

Date	Indicator	For	Estimate	Consensus*	Previous Period
8-Apr-2019	Factory Orders	Feb	-0.5%	-0.4%	0.1%
9-Apr-2019	NFIB Small Business Optimism	Mar	101.2	101.2	101.7
9-Apr-2019	JOLTS Job Openings	Feb	NA	7550	7581
10-Apr-2019	CPI MoM	Mar	0.3%	0.3%	0.2%
10-Apr-2019	CPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.1%
10-Apr-2019	FOMC Meeting Minutes	Mar 20			
11-Apr-2019	PPI Final Demand MoM	Mar	0.3%	0.3%	0.1%
11-Apr-2019	PPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.1%
11-Apr-2019	Initial Jobless Claims	06-Apr	210k	NA	202k
12-Apr-2019	Import Price Index MoM	Mar	0.4%	0.4%	0.6%
12-Apr-2019	U. of Mich. Sentiment	Apr P	97.6	98.0	98.4

*Consensus from Bloomberg

Job Growth Bounces Back in March

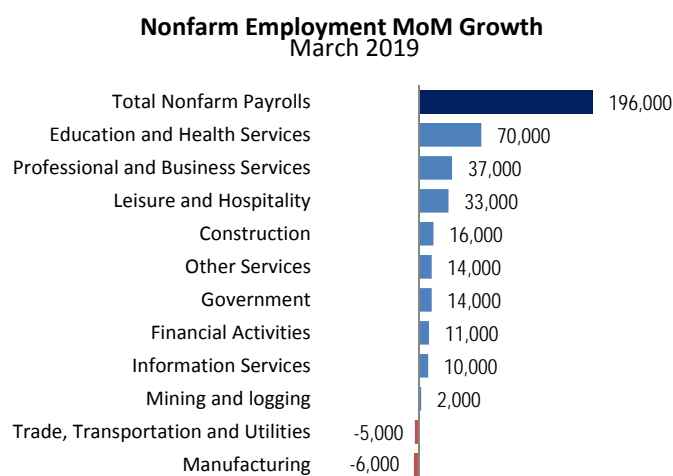
Despite a weaker than expected ADP employment report that seemed to highlight downside risks to today's jobs numbers, the Bureau of Labor Statistics reported a stronger than expected rebound in nonfarm payrolls in March. Nonfarm employment increased 196K last month from an upwardly revised 33K gain in February. The net upward revision for January and February payrolls was a solid 14K jobs. Clearly, fears that U.S. job growth was going to rapidly deteriorate following February's much worse than expected original estimate of 20K jobs were wildly exaggerated. However, don't celebrate the nonfarm payroll jump in March too heartily. There are signs below the surface of today's headline jobs gain that the U.S. labor market could be in for a rougher time ahead.

I keep my eye not on month-on-month gyrations in nonfarm payrolls, but on the longer-term trends in the labor market. And on that front, some interesting patterns are emerging. First, U.S. job growth is decelerating, just not at the pace that would herald the arrival of an economic recession. Back in January, the 3-month average monthly growth was 245K jobs a month. In February, that 3-month average slipped to 190K jobs a month. By March, the 3-month average dropped again to 180K jobs a month. This decrease in monthly job growth is not unexpected. We have known for a long time that

200K-plus monthly job growth like we saw in 2018 is not sustainable, especially with an unemployment rate below 4.0%. But the trend is in place nevertheless and we are forecasting further slowing in monthly job creation in the quarters ahead.

In this month's jobs report, we saw net job losses of 6K in manufacturing and 12K jobs in retail trade. These sectors tend to be some of the more cyclical sectors for employment so increasing job loss here could be a sign of slower overall job growth ahead.

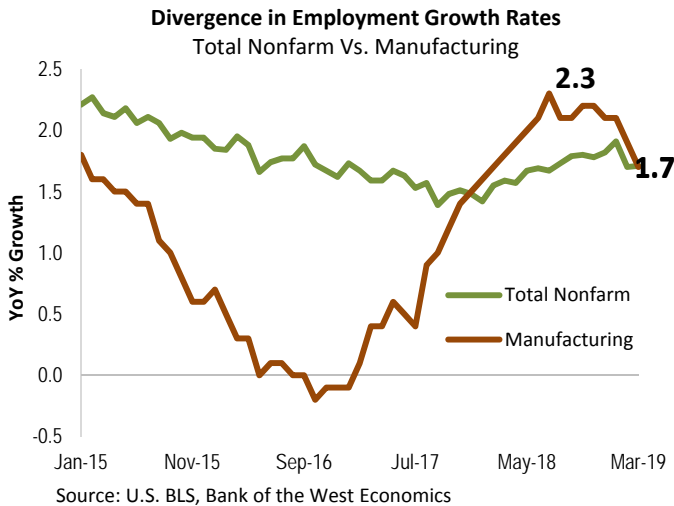
Manufacturing and Retail Trade Lost Net Jobs in March



Source: BLS, Bank of the West Economics

And this slowdown isn't a one-off bad weather event, but part of a longer-term trend. Manufacturing employment growth in the U.S. hit a peak of 2.3% year-on-year back in July 2018, but has been losing momentum ever since.

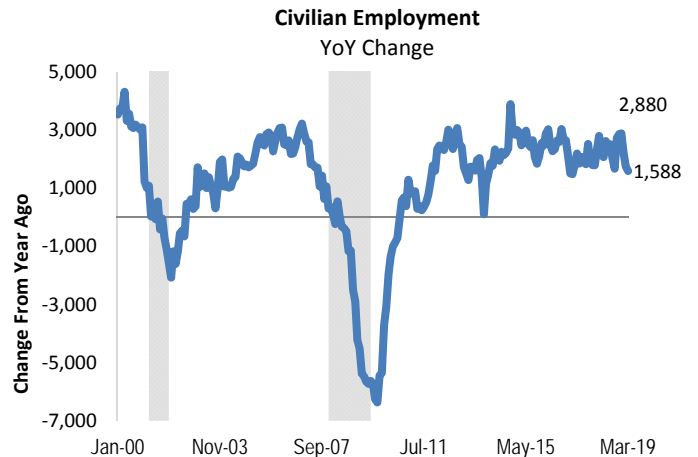
Manufacturing Job Growth Has Been Slowing Since July



The triple threat of slowing global growth, U.S.-China trade tariffs, and a strong U.S. dollar is having a chilling effect on job growth in the manufacturing sector. At the same time, the retail trade sector has shed net jobs for two consecutive months now. So far, employment growth in the services side of the economy, which makes up 80% of total nonfarm jobs, has held up well. But if history is any guide, services employment growth will eventually soften more visibly too.

Another sign of slower job growth ahead was the underlying weakness in the household employment survey. Household employment has declined in two of the last three months. Total household employment growth has slipped from 2.88 million year-on-year in December 2018 to just 1.588 million year-on-year, or 1.0% growth in March.

Household Employment Trend Noticeably Weaker in Q1



Household employment dropped by 201K in March and the only reason the unemployment rate didn't rise was the corresponding drop in the U.S. labor force of 224K. This led to a dip in the U.S. employment-population ratio to 60.6% from 60.7% and in the labor force participation rate to 63.0% from 63.2%. The average duration of unemployment also increased to 22.2 weeks from 21.7 in February. These are all signs that the foundations of the labor market could be weakening and nonfarm payroll growth could slow further in the months ahead.

Finally, we didn't get any meaningful follow through of February's acceleration in average hourly earnings growth. After jumping 0.4 percentage points in February, average hourly earnings growth managed only a 0.1 percentage point gain in March and the year-on-year increase slipped to 3.2% from 3.4%. The three-month average annualized growth rate is even worse at 3.0%. This is not the trend we need see in order to sustain real consumer spending at last year's pace, or to stoke an acceleration in core consumer inflation back to the Fed's 2.0% target.

The U.S. stock market might celebrate the March jobs number today, but investors need to keep in mind the longer-term implications of slower future job growth on the U.S. economic outlook.

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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	2.2	1.8	2.0	1.6	1.5	1.0	0.6	0.5	0.5	2.2	2.9	2.2	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	2.5	0.8	2.3	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.6	2.2	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	5.4	4.7	3.2	3.3	2.5	1.5	1.5	1.5	1.5	5.3	6.9	4.2	2.0
Private Housing Starts (000s units)	1,317	1,261	1,234	1,185	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,249	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*	2.3	4.6	5.2	3.7	0.3	1.0	1.7	1.0	-0.5	-1.0	-1.0	-1.0	1.6	3.9	2.1	0.0
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.2	151.7	152.1	152.4	152.0	151.7	151.5	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)	3.2	2.1	2.0	1.5	1.2	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)	2.7	1.9	2.0	2.2	2.0	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)	3.8	2.7	2.0	0.1	-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	91.4	91.6	90.6	89.5	89.3	89.0	88.5	88.0	91.1	89.0	90.8	88.7
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	55	57	56	55	53	52	49	47	51	65	56	50

*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	2,721								2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916	25,147								21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.40	2.40	2.40	2.40	2.29	2.04	1.79	1.63	1.00	1.83	2.40	1.94
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.44	2.45	2.44	2.43	2.30	2.05	1.80	1.64	0.95	1.97	2.44	1.95
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.51	2.45	2.45	2.46	2.38	2.15	1.92	1.87	1.40	2.53	2.47	2.08
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.50	2.40	2.42	2.48	2.41	2.22	2.10	2.05	1.91	2.75	2.45	2.20
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.65	2.55	2.60	2.68	2.62	2.51	2.30	2.28	2.33	2.91	2.62	2.43
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.02	2.99	3.05	3.06	3.00	2.88	2.85	2.80	2.90	3.11	3.03	2.88
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.50	5.50	5.38	5.13	4.87	4.69	4.10	4.90	5.50	5.02
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.71	2.65	2.65	2.68	2.60	2.35	2.10	1.94	1.26	2.31	2.67	2.25
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.41	4.33	4.40	4.50	4.53	4.45	4.40	4.38	3.99	4.54	4.41	4.44
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.01	4.95	5.40	5.70	6.20	6.20	6.10	6.10	4.44	4.80	5.27	6.15

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