

Date	Indicator	For	Estimate	Consensus*	Previous Period
7-May-2019	JOLTS Job Openings	Mar	NA	NA	7087.0
7-May-2019	Consumer Credit	Mar	\$18.000b	\$16.750b	\$15.188b
9-May-2019	PPI Final Demand MoM	Apr	0.2%	0.2%	0.6%
9-May-2019	PPI Ex Food and Energy MoM	Apr	0.1%	0.2%	0.3%
9-May-2019	Initial Jobless Claims	04-May	220k	NA	230k
9-May-2019	Trade Balance	Mar	-\$54.0b	-\$51.4b	-\$49.4b
9-May-2019	Wholesale Inventories MoM	Mar F	0.2%	NA	0.2%
10-May-2019	CPI MoM	Apr	0.3%	0.4%	0.4%
10-May-2019	CPI Ex Food and Energy MoM	Apr	0.1%	0.2%	0.1%

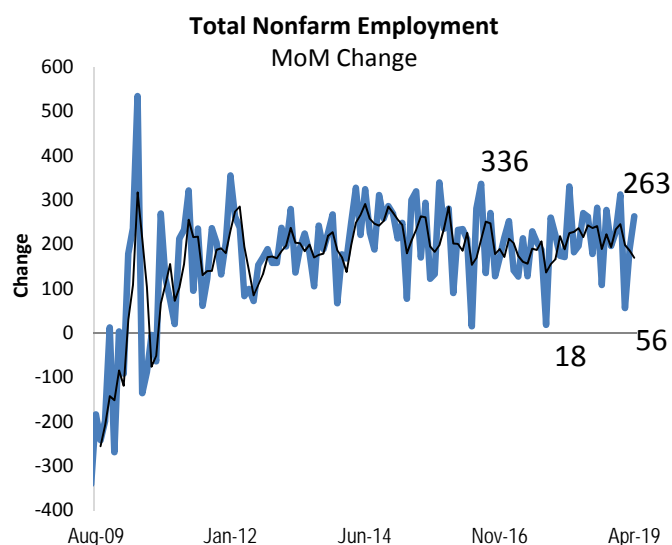
*Consensus from Bloomberg

Job Growth Starts the 2nd Quarter with a Bang

Job growth heated up in April as nonfarm payrolls increased a stronger than forecast 263k jobs – the best month for U.S. job growth since January. The upside jobs surprise will keep the economic growth slowdown fears at bay for a while longer and starts the second quarter off on a solid footing. This was a good week for the U.S. economy with big upside surprises on both productivity and job creation.

Job gains last month were broad-based and led by professional and business services (+76k), education and health care (+62k), leisure and hospitality (+34k), construction (+33k), and government (+27k). But on the less positive side, retail trade jobs declined by 12k in April and have been dropping now for three consecutive months. Manufacturing job growth has also been sputtering, increasing by only 4k jobs in April after being flat in March. Information jobs declined by 1k last month.

April Job Gains Buck First Quarter's Slowdown Trend

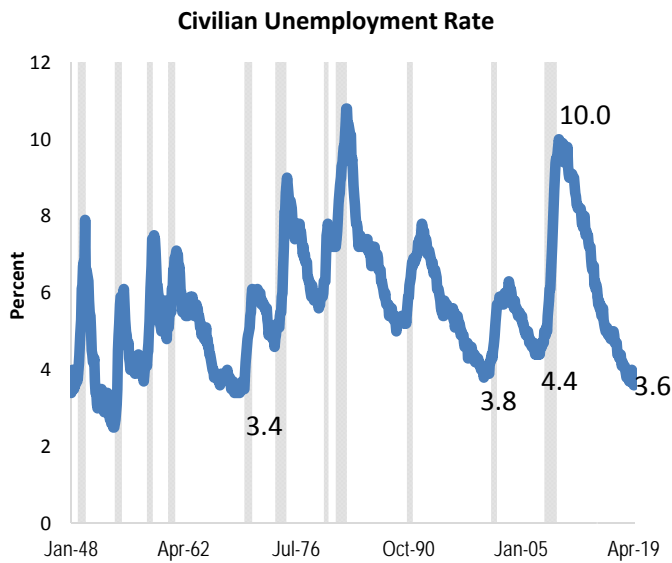


Source: U.S. Bureau of Labor Statistics

What today's jobs numbers don't do is completely erase the downward trend in monthly nonfarm job growth that has been underway now since the beginning of the year. The 3-month moving average of monthly job gains slipped to 169k in April down from 185k in March and 245k back in January. So go ahead and celebrate this spring job growth spurt, as the U.S. equity market is this morning, but don't lose sight of the broader 2019 growth slowdown story that still is very much in play and visible in other indicators like the ISM Manufacturing and Non-Manufacturing index.

The strength and momentum of the U.S. labor market continues to impress. The unemployment rate dropped another two tenths of a percentage point to 3.585% last month, hitting a new expansion low and reaching a new 49-year low milestone.

Lowest Unemployment Rate in a Half Century

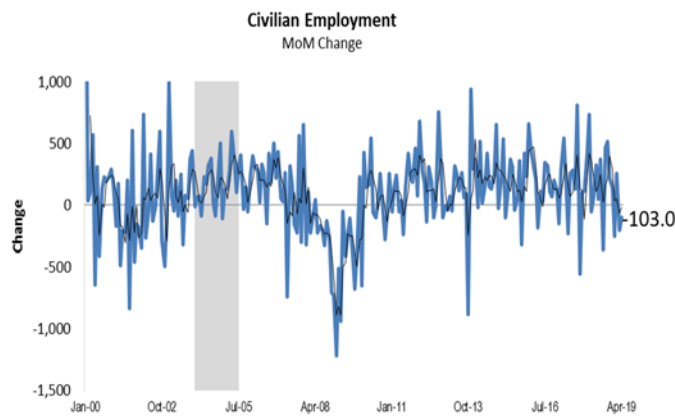


Source: U.S. Bureau of Labor Statistics

However, the drop in the unemployment rate to new lows doesn't appear to be coming from job creation today and is unlikely to be inflationary. The household employment and labor force data that the unemployment rate is calculated from shows a far different driver today. A decline in the U.S. labor force over the last four months appears to be the biggest driver of the unemployment drop so far this year.

Indeed, U.S. household employment has actually declined over the past two month, dropping by 201k jobs in March and by another 103k jobs in April.

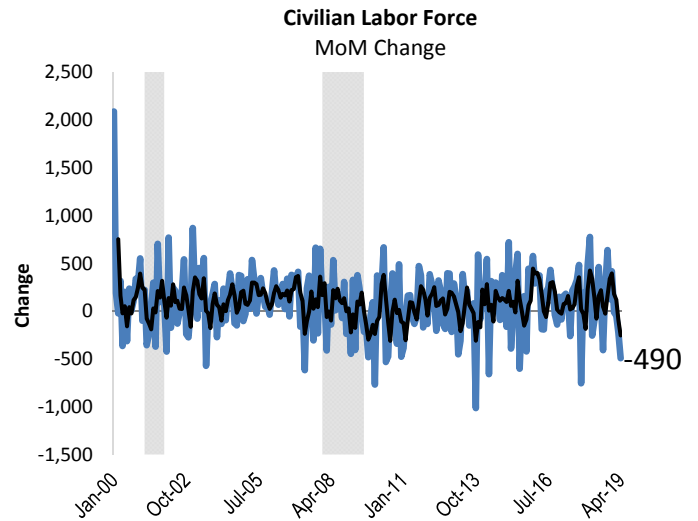
Household Employment Growth Stalls



Source: U.S. Bureau of Labor Statistics

Also, more people are leaving the labor force. The labor force plunged by 490k in April and has declined by 770k since January. The labor force participation rate was at 63.2% in January but has slipped to 62.8% in April.

Labor Force Shrinking Again



Source: Bureau of Labor Statistics

Average hourly earnings also missed analyst forecasts, increasing only 0.2% and in-line with the month before. The year-on-year growth rate held at 3.2% also missing analysts' expectation of an improvement to 3.3%.

Today's strong job numbers for April starts the second quarter off on a solid footing that nearly ensures the U.S. consumer will increase their spending growth in the second quarter. It will also likely silence fixed income investors that have been betting on an early interest rate cut from the Federal Reserve. However, it does little to alter our forecast that U.S. GDP growth will moderate to around 1.7% in the second quarter and is set to slow further in the quarters ahead.

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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	3.2	1.7	1.5	1.5	1.0	0.6	0.5	0.5	2.2	2.9	2.5	1.0
Personal Consumption Expenditures*	0.5	3.8	3.5	2.5	1.2	2.6	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.6	2.3	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	5.4	2.7	2.9	3.3	2.5	1.5	1.5	1.5	1.5	5.3	6.9	3.7	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	4.0	-0.3	1.0	1.7	1.0	-0.5	-1.0	-1.0	-1.0	1.6	4.0	2.0	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	3.7	3.8	3.9	4.2	4.5	4.8	4.4	3.9	3.8	4.4
Consumer Price Index* (percent)	3.2	2.1	2.0	1.5	0.9	2.1	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.7	1.9
"Core" CPI* (percent)	2.7	1.9	2.0	2.2	2.3	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	0.5	-2.5	2.1	1.8	1.8	1.3	1.4	1.4	1.4	3.2	3.1	0.6	1.6
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.5	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	62	60	59	58	57	53	52	51	65	59	55

*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