

Date	Indicator	For	Estimate	Consensus*	Previous Period
9-Sep-2019	Consumer Credit	Jul	\$16.000b	NA	\$14.596b
10-Sep-2019	NFIB Small Business Optimism	Aug	103.5	NA	104.7
10-Sep-2019	JOLTS Job Openings	Jul	NA	NA	7348.0
11-Sep-2019	PPI Final Demand MoM	Aug	0.0%	0.0%	0.2%
11-Sep-2019	PPI Ex Food and Energy MoM	Aug	0.1%	0.2%	-0.1%
11-Sep-2019	Wholesale Inventories MoM	Jul F	0.2%	NA	0.2%
12-Sep-2019	CPI MoM	Aug	0.1%	0.1%	0.3%
12-Sep-2019	CPI Ex Food and Energy MoM	Aug	0.2%	0.2%	0.3%
12-Sep-2019	Initial Jobless Claims	07-Sep	219k	NA	217k
13-Sep-2019	Import Price Index MoM	Aug	-0.4%	-0.5%	0.2%
13-Sep-2019	Retail Sales Advance MoM	Aug	0.3%	0.3%	0.7%
13-Sep-2019	Retail Sales Ex Auto MoM	Aug	0.2%	0.2%	1.0%
13-Sep-2019	U. of Mich. Sentiment	Sep P	90.5	90.0	89.8
13-Sep-2019	Business Inventories	Jul	0.3%	0.3%	0.0%

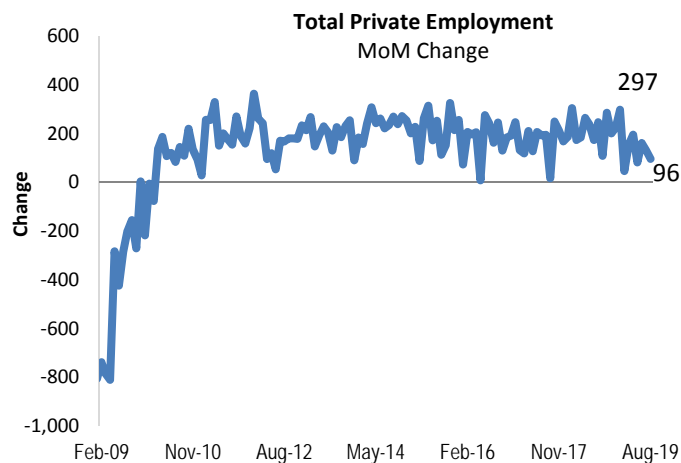
*Consensus from Bloomberg

Another Worrying Sign - The Job Market

There was a clear slowdown in U.S. job growth in August, raising the possibility of two more Federal Reserve rate cuts this year. Last month, the U.S. economy created 130k net nonfarm jobs, lower than the downwardly revised 159k net new jobs in July, according to a government report. August's job gains were actually lower than our below-consensus estimate of 149k jobs.

The health of the U.S. labor market is even weaker than the August headline job gain would suggest. The government has revised lower job creation data over the past two months by around 20k jobs and reported that once-in-a-decade Census hiring was behind 25k jobs created last month. In other words, Census hiring will provide only a temporary boost to nonfarm jobs. Therefore, the adjusted net gain in nonfarm jobs in August is more like 85k jobs. Moreover, private sector job growth fell below 100k to 96k in August. That is the weakest performance of private sector job creation since May. It's also a sharp deterioration from July's 131k job gain and January's 297k monthly increase.

Private Sector Job Creation Engines Start to Sputter



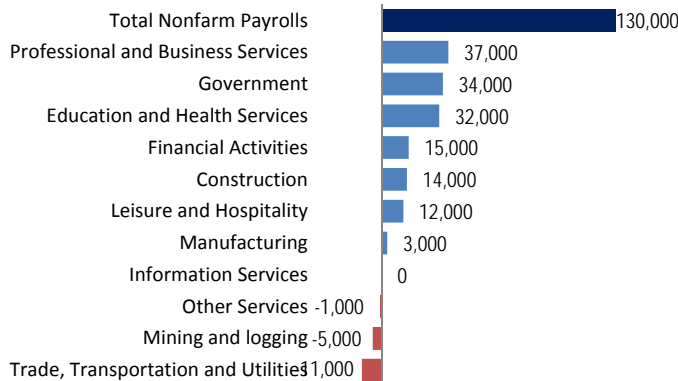
Source: U.S. Bureau of Labor Statistics

The weak jobs report last month is consistent with the message coming from the ISM Manufacturing and Non-Manufacturing Surveys, which both showed a decline in their employment indexes last month.

Most concerning for the Fed is the sharp slowdown in service sector employment gains to just 84k jobs last month from 133k jobs in July. Financial services job gains slowed to 15k from 20k in July. Education and health care job gains slowed to 32k from 71k in July. Information services employment was unchanged and retail trade job losses accelerated to 11k from 5k in July. The retail trade sector has seen net job losses for seven consecutive months. Goods-producing jobs held up better than expected, construction payrolls gained 14K last month, up from -2k in July. U.S. manufacturers added another 3k jobs, down from a downwardly revised 4k job gain in July.

Service Sector Job Growth Pulls Back Sharply in August

Nonfarm Employment MoM Growth
August 2019

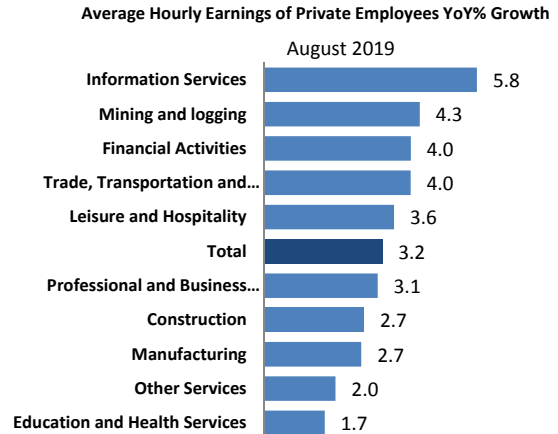


Source: Bureau of Labor Statistics, Bank of the West Economics

The August jobs report is weak enough to prompt another 25 basis point rate cut from the Fed at the upcoming September 18 FOMC meeting. It also raises the chances of a 25 basis point cut in October.

On a brighter note, average hourly earnings growth, on a three-month average annualized basis, accelerated to 3.6% from 3.0% in July. This boost should keep consumers spending at a decent pace over the near-term despite the headwinds from the global economy, trade tariffs, and slowing job creation. U.S. recession risks remain elevated, but we are clearly not there yet.

Earnings Growth Still Supporting Retail Sales



Source: US. Bureau of Labor Statistics

Moreover, the unemployment rate held at 3.7% last month and the labor force participation rate improved to 63.2%. As recently as May, the participation rate was only 62.8%. However, average duration of unemployment increased to 22.1 weeks from 19.6 weeks in July. That is a concern and may hint at higher unemployment rates ahead.

In short, August’s weaker-than-expected jobs report suggests the need for more Fed stimulus this year. Just the threat of additional tariffs in August helped take some of the air out of the U.S. expansion and job growth. If the additional tariffs on Chinese imports go into effect, we can expect far more obstacles to continued growth in the quarters ahead. Economists have known for centuries that trade wars have real negative economic impacts. Those times appear to be upon us yet again.

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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*	2.5	3.5	2.9	1.1	3.1	2.0	1.9	1.7	1.3	1.0	0.4	0.4	2.4	2.9	2.3	1.3
Personal Consumption Expenditures*	1.7	4.0	3.5	1.4	1.1	4.7	3.6	2.3	1.7	1.3	1.2	1.2	2.6	3.0	2.7	2.1
Non-residential Fixed Investment*	8.8	7.9	2.1	4.8	4.4	-0.6	-1.2	2.0	1.3	0.8	0.6	0.7	4.4	6.4	2.6	0.8
Private Housing Starts (000s units)	1,321	1,260	1,233	1,185	1,213	1,263	1,230	1,180	1,165	1,150	1,135	1,130	1,208	1,250	1,222	1,145
Vehicle Sales (mill. Units, annualized)	17.1	17.1	16.9	17.5	16.9	17.0	16.7	16.5	16.2	15.9	15.6	15.9	17.2	17.1	16.8	15.9
Industrial Production*	2.3	4.6	5.2	3.9	-1.9	-1.2	-0.8	-0.5	-1.0	-1.0	-1.0	-1.0	2.3	3.9	0.8	-0.9
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.1	151.5	151.9	152.2	152.4	152.5	152.5	146.6	149.1	151.3	152.4
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.6	3.7	3.8	3.9	4.0	4.3	4.6	4.4	3.9	3.8	4.2
Consumer Price Index* (percent)	3.2	2.1	2.0	1.5	0.9	2.9	1.3	1.7	1.7	1.7	1.7	1.6	2.1	2.4	1.7	1.7
"Core" CPI* (percent)	2.7	1.9	2.0	2.2	2.3	1.8	2.0	2.0	2.0	1.9	1.8	1.8	1.8	2.1	2.1	1.9
PPI (finished goods)* (percent)	3.8	2.7	2.0	0.4	-2.3	4.6	-3.0	1.2	1.2	1.3	1.3	1.3	3.2	3.1	0.4	0.9
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.5	92.2	91.9	92.5	92.0	91.8	91.5	90.0	91.1	89.0	92.0	91.3
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	55	60	56	53	52	51	50	50	51	65	56	51

*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	2,882							2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916	25,147	26,096							21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.40	2.40	2.04	1.63	1.54	1.29	1.13	1.13	1.00	1.83	2.12	1.27
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.44	2.35	1.97	1.70	1.59	1.32	1.14	1.11	0.95	1.97	2.12	1.29
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.49	2.13	1.70	1.46	1.35	1.19	1.21	1.25	1.40	2.53	1.94	1.25
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.46	2.12	1.66	1.35	1.34	1.24	1.31	1.41	1.91	2.75	1.90	1.33
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.65	2.34	1.84	1.48	1.48	1.47	1.52	1.58	2.33	2.91	2.08	1.51
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.01	2.78	2.33	1.88	1.98	2.00	2.05	2.13	2.90	3.11	2.50	2.04
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.36	4.75	4.64	4.39	4.26	4.26	4.10	4.90	5.28	4.38
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.69	2.51	2.21	1.95	1.86	1.57	1.42	1.32	1.26	2.31	2.34	1.54
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.37	4.01	3.78	3.56	3.53	3.50	3.55	3.66	3.99	4.54	3.93	3.56
BAA Corporate (yield)	4.47	4.78	4.81	5.14	4.97	4.60	4.07	3.78	4.28	4.45	4.70	4.96	4.44	4.80	4.35	4.60

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