

Date	Indicator	For	Estimate	Consensus*	Previous Period
7-Apr-2020	JOLTS Job Openings	Feb	NA	NA	6963.0
7-Apr-2020	Consumer Credit	Feb	\$14.000b	\$13.500b	\$12.021b
9-Apr-2020	PPI Final Demand MoM	Mar	-0.5%	-0.3%	-0.6%
9-Apr-2020	PPI Ex Food and Energy MoM	Mar	-0.1%	0.0%	-0.3%
9-Apr-2020	Initial Jobless Claims	04-Apr	5000k	5000k	6648k
9-Apr-2020	Wholesale Inventories MoM	Feb F	-0.2%	NA	-0.5%
9-Apr-2020	U. of Mich. Sentiment	Apr P	80.8	82.0	89.1
10-Apr-2020	CPI MoM	Mar	-0.3%	-0.3%	0.1%
10-Apr-2020	CPI Ex Food and Energy MoM	Mar	0.0%	0.1%	0.2%

*Consensus from Bloomberg

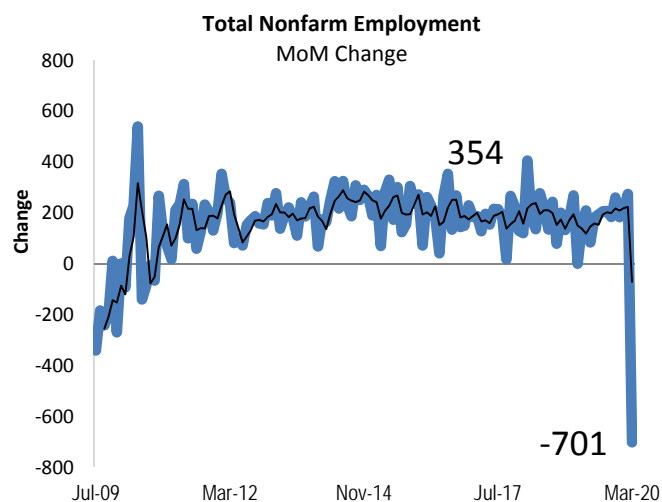
Only The Tip of the Iceberg

The March employment report was shockingly bad. Seven hundred and one thousand jobs lost last month - more than 7 times higher than economists' consensus forecast. That pace of monthly job loss was exceeded only once during the Great Recession in March 2009 when the U.S. economy shed 800k jobs. The worst part is we know the March job's report is capturing only a glimpse of what is likely to come in the quarter ahead - unprecedented levels of unemployment and job loss the U.S. economy hasn't seen since the Great Depression.

Honestly, I am running out of adjectives to describe this economic disaster unfolding at lightning speed. Economic models are incapable of forecasting what comes next, since we have never seen anything like it in the post-war period on which economist models are trained. Policymakers are literally flying blind and making things up as they go along, much as they were forced to do during the financial crisis and Great Recession more than a decade ago.

In fact the economic damage from the COVID-19 shutdowns has unfolded so quickly that I suspect markets, business owners, policymakers, and importantly consumers have yet to fully understand the implications for our economic and financial future. It's an economic and financial earthquake and our world is shifting beneath our feet.

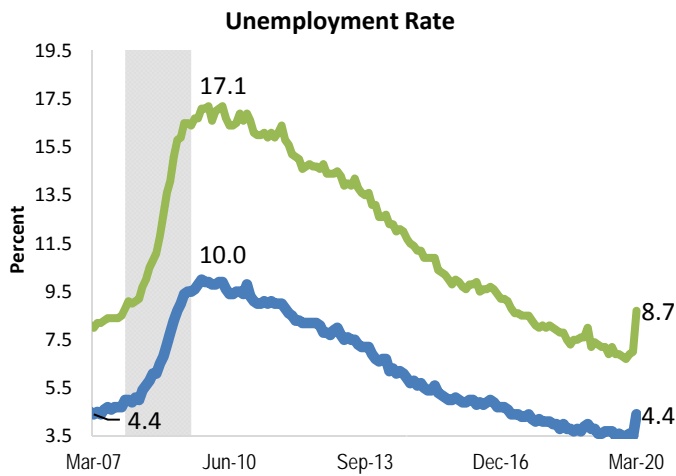
An Expansion Ending Plunge in Payrolls in March



Source: U.S. Bureau of Labor Statistics

The U.S. unemployment rate increased to 4.4 percent last month from 3.5 percent in February, while the U6 measure of unemployment, that includes involuntarily underemployed folks, increased an even greater 1.7 percentage points last month to 8.7%. We have never seen a jump in the U.S. unemployment rate of these magnitudes without a recession ensuing.

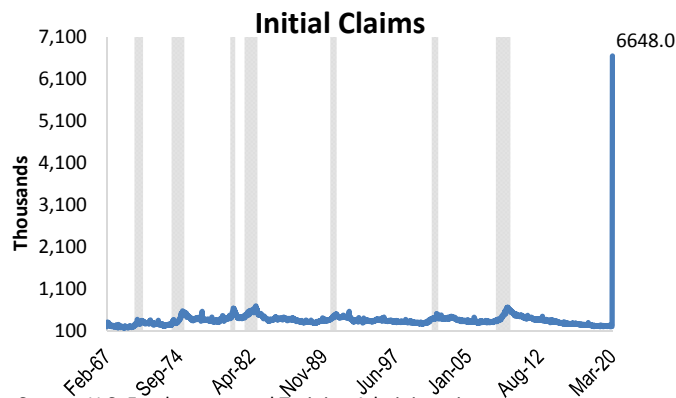
Unemployment Rate Leaps from 50 Year Lows



Source: U.S. Bureau of Labor Statistics

Job loss, furloughs, and business shutdowns have ballooned across most of the country as the coronavirus ravishes cities and towns. And we continue to increase our forecasts of lost economic activity and unemployment as a result.

Initial Claims Suggest 10's of Millions of Job Losses Ahead



Source: U.S. Employment and Training Administration

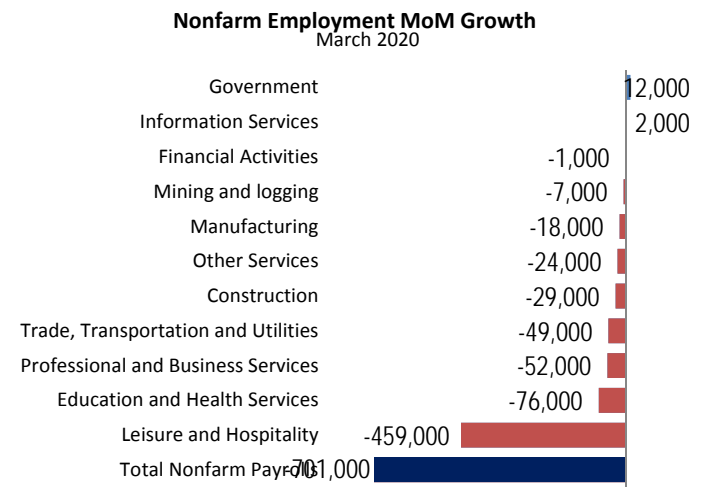
U.S. GDP growth will likely contract at a 27.5% annualized rate in the second quarter with the unemployment rate rising to nearly 14.0 percent. Before the recession ends sometime in the fourth quarter this year, we see the unemployment rate peaking at around 17.0 percent. There is a big confidence band around these forecasts, but a unemployment rate between 15 and 20 percent looks

like the most likely path right now. We think about 20.5 million U.S. jobs will be at least temporarily destroyed.

Looking at the details from the March employment report. Leisure and hospitality accounted for 459k of the 701k jobs lost last month or 65% of the total. We expected leisure and hospitality to get hit harder with job losses than most sectors, but the fact that the job declines were so lopsided in only one category last month, suggests there are a lot more job losses to come from other industries too.

However, jobs were indeed lost across a broad cross-section of sectors last month from education and health services (-76k) and professional and business services (-52k) and trade and transportation (-49k) - a tell-tail sign the U.S. economy has already entered a recession. Only government (+12k) and information services (+2k) managed to grow net jobs last month.

Leisure and Hospitality Sheds a Half Million Jobs



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

Federal government payments and loans to address this problem, while sizable at \$2.2 trillion, can't stop the virus. And the economy won't be able to truly recover until the widespread business shutdown begin to be lifted. Even so, it may be difficult to restart demand and it will take years to recreate the number of jobs that are being lost today.

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Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
Real GDP*	3.1	2.0	2.1	2.1	-3.4	-27.5	-4.8	3.8	4.4	3.0	2.3	2.3	2.9	2.3	-5.6	0.4
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	-4.7	-35.0	-7.0	5.0	3.6	3.4	2.6	2.5	3.0	2.6	-7.2	-0.3
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-2.4	-6.3	-34.1	-7.5	-2.8	1.5	2.5	3.2	3.0	6.4	2.1	-9.6	-2.3
Private Housing Starts (000s units)	1,213	1,256	1,282	1,449	1,470	750	790	850	930	995	1,075	1,245	1,208	1,300	965	1,061
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.5	10.0	13.6	14.1	14.7	15.0	15.2	15.3	17.2	16.9	13.3	15.1
Industrial Production*	-1.9	-2.3	1.1	0.1	-4.0	-50.0	-30.0	1.0	2.0	2.3	2.5	1.8	3.9	0.8	-13.5	-5.9
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	152.2	136.9	132.8	131.7	132.7	133.6	134.4	135.2	146.6	150.9	138.4	134.0
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.9	16.2	17.0	15.0	13.9	13.3	12.0	4.4	3.7	12.7	13.6
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.8	-1.5	0.9	0.7	1.1	1.3	1.5	1.6	2.4	1.8	1.2	1.0
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.2	1.5	1.5	1.3	1.4	1.5	1.5	1.5	2.1	2.2	2.0	1.4
PPI (finished goods)* (percent)	-2.3	5.3	-2.1	3.2	1.9	-2.5	-0.5	-0.5	0.6	0.9	1.6	1.7	3.1	0.8	0.6	0.3
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.7	125.1	127.0	126.3	125.5	124.1	124.1	123.0	91.1	115.7	124.0	124.2
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	43	20	23	29	31	36	39	41	51	57	29	37

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

Financial Data	History				Forecast								Annual Average			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
S & P 500	2,721	2,882	2,958	3,083									2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537									21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.29	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.42	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.32	0.03	0.03	0.04	0.05	0.05	0.07	0.07	0.95	2.11	0.35	0.06
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.31	0.23	0.25	0.26	0.26	0.26	0.26	0.28	1.40	1.97	0.51	0.26
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.34	0.38	0.39	0.40	0.50	0.50	0.52	0.54	1.91	1.96	0.62	0.51
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.52	0.63	0.68	0.70	0.82	0.83	0.90	0.93	2.33	2.15	0.88	0.87
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.99	1.24	1.31	1.34	1.52	1.53	1.60	1.63	2.90	2.58	1.47	1.57
Prime Rate	5.50	5.50	5.31	4.83	4.41	3.25	3.25	3.25	3.25	3.25	3.25	3.25	4.10	5.29	3.54	3.25
Libor 3-Mo. U.S. Dollar	2.69	2.51	2.20	1.93	1.61	1.36	1.26	1.06	0.81	0.71	0.63	0.63	1.26	2.33	1.32	0.69
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.62	3.88	3.88	3.85	3.87	3.78	3.80	3.83	3.99	3.94	3.80	3.82
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.65	4.63	4.73	4.60	4.62	4.58	4.65	4.63	4.44	4.38	4.40	4.62

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