

Date	Indicator	For	Estimate	Consensus*	Previous Period
26-May-2020	Chicago Fed Nat Activity Index	Apr	NA	NA	-4.2
26-May-2020	FHFA House Price Index MoM	Mar	0.6%	0.6%	0.7%
26-May-2020	S&P CoreLogic CS 20-City MoM SA	Mar	0.35%	0.30%	0.45%
26-May-2020	Conf. Board Consumer Confidence	May	80.0	87.0	86.9
26-May-2020	New Home Sales	Apr	480k	500k	627k
26-May-2020	Dallas Fed Manufacturing Activity	May	-65.0	NA	-73.7
27-May-2020	Richmond Fed Manufacturing Index	May	-45.0	NA	-53.0
27-May-2020	U.S. Federal Reserve Releases Beige Book				
28-May-2020	GDP Annualized QoQ	1Q S	-4.8%	-4.8%	-4.8%
28-May-2020	GDP Price Index	1Q S	1.3%	1.3%	1.3%
28-May-2020	Durable Goods Orders	Apr P	-20.0%	-18.0%	-14.7%
28-May-2020	Durables Ex Transportation	Apr P	-15.0%	-15.0%	-0.4%
28-May-2020	Initial Jobless Claims	23-May	1800k	NA	2438k
28-May-2020	Pending Home Sales MoM	Apr	-15.0%	-17.5%	-20.8%
28-May-2020	Kansas City Fed Manufacturing Activity	May	-22.0	NA	-30.0
29-May-2020	Advance Goods Trade Balance	Apr	-\$65.5b	-\$63.3b	-\$64.4b
29-May-2020	Wholesale Inventories MoM	Apr P	-0.7%	NA	-0.8%
29-May-2020	Personal Income	Apr	-6.0%	-6.8%	-2.0%
29-May-2020	Personal Spending	Apr	-12.7%	-12.6%	-7.5%
29-May-2020	PCE Deflator MoM	Apr	-0.7%	-0.6%	-0.3%
29-May-2020	PCE Core Deflator MoM	Apr	-0.3%	-0.3%	-0.1%
29-May-2020	PCE Core Deflator YoY	Apr	NA	NA	1.7%
29-May-2020	U. of Mich. Sentiment	May F	74.0	73.7	73.7

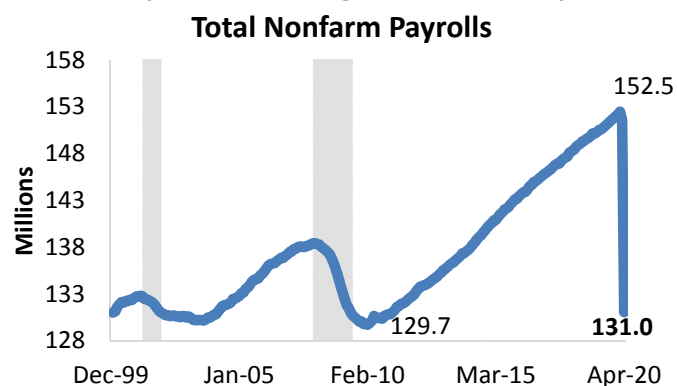
\*Consensus from Bloomberg

## Labor Market Devastation – Who Is Bearing The Brunt?

The widespread business shutdowns that began in mid-March to try to contain the rapidly spreading coronavirus led to millions of Americans being thrown out of work. In just a short two months since nonfarm payrolls peaked in February 2020, 21.4 million jobs have been lost, nearly erasing the approximately 22.8 million jobs gained during the record-long economic expansion that lasted for over 10 and a half years. The unprecedented speed of job losses, which differentiates this downturn from previous ones, pushed the unemployment rate up from an expansion-low of 3.5% in February to 14.7% in April, the highest since the BLS began recording official statistics in 1948. To put the 14.7% into context, the peak unemployment rate during the Great Recession was

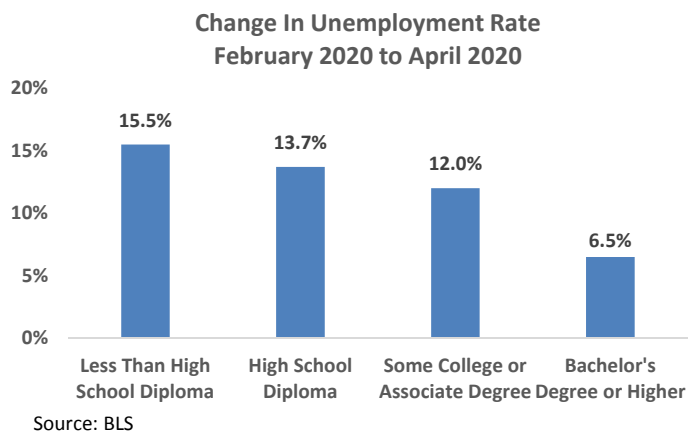
10.0% when a “mere” 8.7 million jobs were erased over 18 months.

## Nonfarm Payrolls Have Plunged Since February



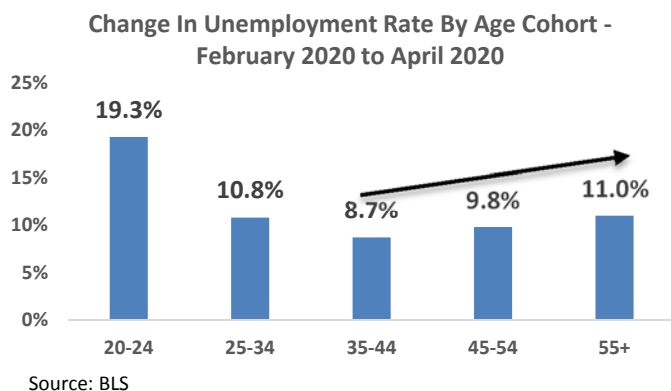
Digging beneath the obvious labor market devastation helps one see a little clearer who is bearing the brunt of the economic pain at this juncture. Looking at unemployment by educational attainment, we see that workers with more education have been relatively insulated. Those with at least a bachelor’s degree experienced the smallest unemployment rate increase of 6.5 percentage points, while those without a high school diploma suffered the largest unemployment rate increase of 15.5 percentage points over the past two months.

**More Education Helps Workers Absorb The Shock**



Older workers have also gotten hit harder than they have in recessions in the past. Younger workers always seem to experience the biggest unemployment rate increases during recessions while older age cohorts see a smaller rise. Young age cohorts have seen big increases this time too, but older workers in 45-54 and 55+ category have also seen hefty increases in unemployment of 9.8% and 11.0% respectively.

**Older Workers More Impacted by Current Downturn**



When the data is segmented by sex, males normally suffer a bigger increase in unemployment than females during recessions. However, in this downturn the unemployment rate increase for females (12.8%) easily exceeds that of males (9.9%). Therefore, the early stages of the economic downturn appear to have been particularly painful for women as well.

**The Labor Market Outlook**

There is considerable uncertainty regarding the shape of the U.S. economic recovery. The uncertainty predominantly stems from the uncertainty regarding the spread and containment of COVID-19 infections and how quickly consumer confidence and spending can recover to more normal levels.

Our baseline economic outlook is for a U-shaped recovery which is characterized by a sharp two-quarter recession followed by a gradual return to the prior peak. Under this scenario, the unemployment rate peaks at 20.5% in the third quarter of 2020 and remains in the double digits through the fourth quarter of 2021.

A more optimistic or a V-shaped recovery could be possible if a viable vaccine surfaced before year-end. In this scenario we could see sharp bounce back in economic activity that mirrors the steep decline that precipitated it. A second sizable stimulus package from Congress would further turbo charge the recovery. The U.S. unemployment rate in this scenario peaks at 18.1% in the second quarter of this year and falls to below 7.0% by the fourth quarter of next year.

A more pessimistic W-shaped recovery or a double-dip recession could unfold if we see significant reemergence of virus cases and a return of widespread business lockdowns. The U.S. unemployment could move above 30% by the first quarter of 2021 in this scenario and remain near Great Depression levels throughout next year. Regardless of the shape the recovery ultimately takes, one thing is certain, the contraction that precedes it will prove to be one for the record books and will be studied by economists for years.

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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	-4.8	-37.4	5.1	5.3	4.7	4.0	3.3	3.3	2.9	2.3	-6.5	1.6	
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	-7.6	-45.0	9.0	10.6	3.6	3.4	2.6	2.5	3.0	2.6	-7.7	2.0	
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-2.4	-8.6	-37.7	-18.1	-6.1	1.5	2.5	3.2	3.0	6.4	2.1	-12.2	-4.6	
Private Housing Starts (000s units)	1,213	1,256	1,282	1,441	1,466	750	790	850	930	995	1,075	1,245	1,208	1,298	964	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	0.3	-7.5	-65.0	-15.0	1.0	2.0	2.3	2.5	1.8	3.9	0.9	-15.3	-5.1	
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	152.1	123.6	121.7	124.8	127.2	129.0	130.6	132.1	146.6	150.9	130.5	129.8	
Unemployment rate	3.9	3.6	3.6	3.5	3.8	18.1	20.5	18.0	15.9	14.9	14.1	13.0	4.4	3.7	15.1	14.5	
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.3	0.1	0.5	1.0	1.0	1.3	1.4	2.4	1.8	0.6	0.6	
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	0.4	0.8	1.2	1.3	1.4	1.4	1.5	2.1	2.2	1.6	1.2	
PPI (finished goods)* (percent)	-2.3	5.3	-2.1	3.2	1.9	-10.0	-2.5	-1.0	0.1	0.9	1.6	1.7	3.1	0.8	-1.1	-0.6	
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	23	24	28	30	33	35	38	51	57	30	34	

\*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	3,056								2,449	2,911			
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554								21,745	26,364			
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.40	0.13	
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.11	0.10	0.09	0.09	0.09	0.10	0.10	0.95	2.11	0.35	0.09	
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.18	0.19	0.20	0.22	0.23	0.24	0.26	1.40	1.97	0.41	0.23	
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.35	0.37	0.40	0.43	0.44	0.47	0.48	1.91	1.96	0.56	0.45	
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.66	0.70	0.70	0.82	0.83	0.90	0.93	2.33	2.15	0.85	0.87	
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.29	1.40	1.42	1.54	1.55	1.62	1.65	2.90	2.58	1.49	1.59	
Prime Rate	5.50	5.50	5.31	4.83	4.43	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	1.53	0.85	0.42	0.42	0.42	0.42	0.42	0.43	1.26	2.33	0.80	0.42	
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.56	3.60	3.60	3.72	3.68	3.75	3.78	3.99	3.94	3.57	3.73	
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	4.09	3.95	3.95	4.07	4.13	4.20	4.28	4.44	4.38	3.97	4.17	

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