

Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Aug-2020	JOLTS Job Openings	Jun	NA	NA	5397.0
11-Aug-2020	NFIB Small Business Optimism	Jul	98.5	NA	100.6
11-Aug-2020	PPI Final Demand MoM	Jul	0.3%	0.3%	-0.2%
11-Aug-2020	PPI Ex Food and Energy MoM	Jul	0.1%	0.1%	-0.3%
12-Aug-2020	CPI MoM	Jul	0.3%	0.3%	0.6%
12-Aug-2020	CPI Ex Food and Energy MoM	Jul	0.2%	0.2%	0.2%
13-Aug-2020	Import Price Index MoM	Jul	0.4%	0.5%	1.4%
13-Aug-2020	Initial Jobless Claims	08-Aug	1200k	NA	1186k
14-Aug-2020	Retail Sales Advance MoM	Jul	1.5%	1.4%	7.5%
14-Aug-2020	Retail Sales Ex Auto MoM	Jul	1.3%	1.3%	7.3%
14-Aug-2020	Nonfarm Productivity	2Q P	5.0%	1.5%	-0.9%
14-Aug-2020	Unit Labor Costs	2Q P	5.5%	5.5%	5.1%
14-Aug-2020	Industrial Production MoM	Jul	2.7%	3.0%	5.4%
14-Aug-2020	Capacity Utilization	Jul	69.9%	70.3%	68.6%
14-Aug-2020	Business Inventories	Jun	-1.3%	-1.2%	-2.3%
14-Aug-2020	U. of Mich. Sentiment	Aug P	70.5	71.0	72.5

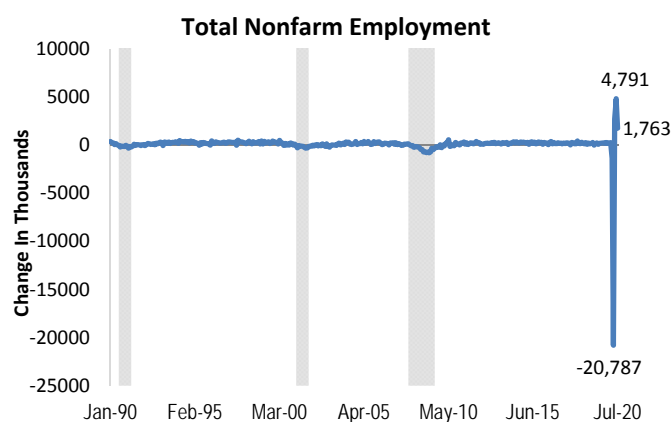
*Consensus from Bloomberg

Employment Growth Decelerates In July

The headline nonfarm payroll gain in July beat consensus expectations, rising 1.763 million jobs compared to expectations for 1.48 million. However, this was a sharp deceleration from June's 4.791 million job gain and May's 2.725 million increase. This is likely to be the best jobs report we are likely to see for a while and probably exaggerates the health of the U.S. labor market today.

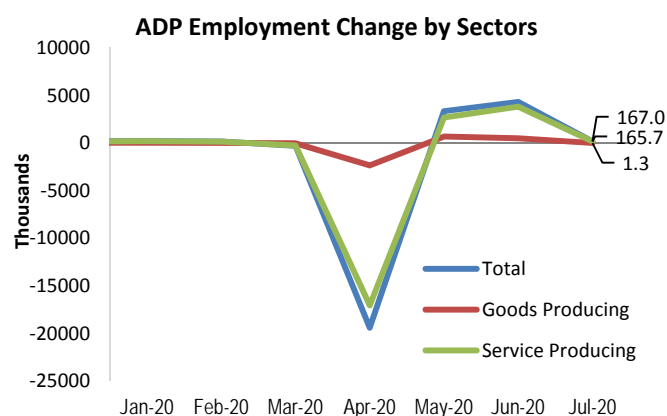
Since the July employment survey week, initial jobless claims have been creeping higher and that weakness won't be showing up until the August employment report released in the first week of September. The July employment report also painted a much more robust picture of the labor market than the ADP Employment report released earlier this week that showed only 167k private payroll gain in July.

Employment Gains Decelerate In July



Source: U.S. Bureau of Labor Statistics

ADP Employment Data Tell A More Troubling Story

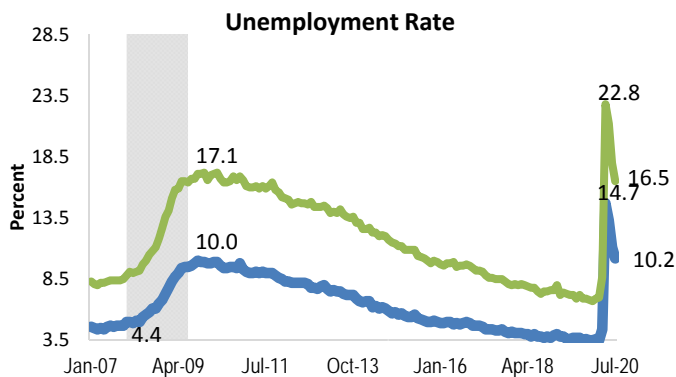


Source: Automatic Data Processing, Inc

In short, the easy reopening job gains are likely behind us with this July employment report. Future payroll reports will be a better reflection of how consumer and business demand is holding up in the face of double-digit unemployment rates. Another sizable Federal pandemic rescue package needs to be passed soon to ensure consumer demand remains intact at least for another quarter or two. The loss of enhanced unemployment benefits and an inability to pass another stimulus bill will threaten a labor market recovery that already appears to be losing momentum.

Despite the massive reopening employment gains over the past three months, the U.S. unemployment rate in July continues to modestly exceed to peak level seen during the Great Recession. The U.S. unemployment rate improved to 10.2% in July from 11.1% in June and an April peak to 14.7%. The underemployment unemployment rate or U6 measure of unemployment improved to 16.5% in July from 18.0% in June.

Unemployment Rate Improves To Great Recession Peak

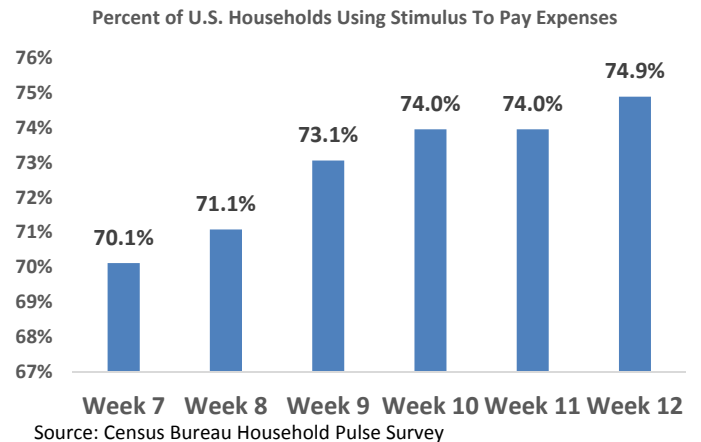


Source: U.S. Bureau of Labor Statistics

The strong rebound in retail sales over the last several months fueled by surging real disposable incomes from Federal transfer payments have helped create the conditions that got the U.S. unemployment rate back down to these still elevated levels. If the Federal government starts to remove that income support in August, the economic reality of 10 percent unemployment will begin to dawn on more consumers and their spending behavior could deteriorate substantially in the months ahead. This could start another negative feedback loop for the labor market as employers respond to that new sales weakness by laying off more workers.

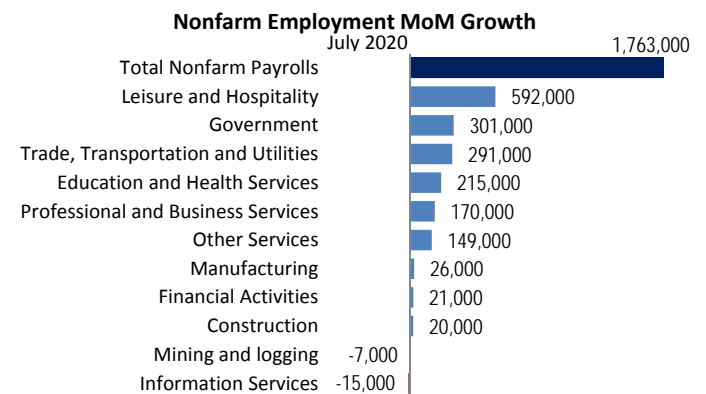
The discussions and information contained in this document are the opinions of the author should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank's view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Bank of the West Economics reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.

Consumers More Dependent Than Ever On Govt Stimulus



The bulk of the job gains at the industry level in July (79% of total nonfarm payroll gains) came from leisure and hospitality, trade and transportation, education and health care, and government, suggesting reopening continued to dominate the headline job growth last month. This has a lot to do with the timing of the July employment survey, which actual captured job gains between mid-June and mid-July and caught the tail-end of people returning to their jobs following the shutdowns. However, job growth downshifted sharply last month in manufacturing, construction, information, and business services, signaling prolonged labor market weakness just below the surface. Bottom line, the July employment report extended the three month reopening job gains that has exceeded nearly all economists' expectations, but the labor market outlook from here remains as murky as ever.

Prolonged Labor Market Weakness Below The Surface



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

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*	2.9	1.5	2.6	2.4	-5.0	-32.9	18.7	4.9	4.8	4.1	3.3	3.3	3.0	2.2	-5.1	3.3
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-34.6	25.0	5.0	3.4	3.1	2.6	2.5	2.7	2.4	-5.3	3.2
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.0	-14.8	-6.2	1.5	2.5	3.2	3.0	6.9	2.9	-9.2	-3.7
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,044	980	970	985	1,025	1,075	1,150	1,208	1,296	1,120	1,059
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.0	11.4	13.6	14.1	14.7	15.0	15.2	15.3	17.2	16.9	13.5	15.1
Industrial Production*	-1.9	-2.3	1.1	0.4	-6.8	-42.6	22.0	8.0	6.0	5.3	4.5	4.4	3.9	0.9	-8.4	4.0
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	140.1	141.1	142.9	144.5	146.1	147.8	146.6	150.9	141.7	145.3
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.0	10.2	9.7	9.2	8.5	7.4	6.5	4.4	3.7	9.2	7.9
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.5	2.0	1.2	1.0	1.0	1.3	1.4	2.4	1.8	0.8	0.9
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	-1.6	1.2	1.2	1.3	1.4	1.4	1.5	2.1	2.2	1.3	1.1
PPI (finished goods)* (percent)	-2.7	4.7	-1.2	3.0	-2.5	-11.5	5.0	2.0	0.1	0.9	1.6	1.7	3.0	0.8	-1.5	0.7
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.9	122.2	119.5	119.0	118.5	118.3	118.0	117.5	91.1	115.7	119.6	118.1
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	45	28	39	38	38	38	39	39	51	57	38	39

*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	2,932							2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554	24,571							21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.06	0.13	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.39	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.14	0.10	0.11	0.12	0.13	0.13	0.14	0.95	2.11	0.36	0.13
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.15	0.16	0.18	0.20	0.21	0.23	1.40	1.97	0.39	0.20
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.36	0.29	0.31	0.34	0.37	0.40	0.42	1.91	1.96	0.52	0.38
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.69	0.61	0.68	0.75	0.78	0.85	0.90	2.33	2.15	0.83	0.82
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.30	1.41	1.52	1.56	1.64	1.70	2.90	2.58	1.49	1.60
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	0.60	0.27	0.28	0.29	0.29	0.29	0.29	1.26	2.33	0.67	0.29
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	3.15	3.20	3.25	3.25	3.25	3.30	3.99	3.94	3.28	3.26
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.36	3.58	3.75	3.88	4.15	4.20	4.44	4.38	3.69	3.99

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