

Date	Indicator	For	Estimate	Consensus*	Previous Period
2-Nov-2020	Markit US Manufacturing PMI	Oct F	53.3	NA	53.3
2-Nov-2020	ISM Manufacturing	Oct	55.8	55.6	55.4
2-Nov-2020	Construction Spending MoM	Sep	0.9%	1.0%	1.4%
3-Nov-2020	Factory Orders	Sep	0.9%	0.5%	0.7%
3-Nov-2020	Wards Total Vehicle Sales	Oct	16.45m	16.50m	16.34m
4-Nov-2020	ADP Employment Change	Oct	550k	738k	749k
4-Nov-2020	Trade Balance	Sep	-\$63.5b	-\$64.3b	-\$67.1b
4-Nov-2020	Markit US Services PMI	Oct F	56.0	NA	56.0
4-Nov-2020	Markit US Composite PMI	Oct F	NA	NA	55.5
4-Nov-2020	ISM Services Index	Oct	57.2	57.5	57.8
5-Nov-2020	Initial Jobless Claims	31-Oct	742k	NA	751k
5-Nov-2020	Nonfarm Productivity	3Q P	3.7%	3.3%	10.1%
5-Nov-2020	Unit Labor Costs	3Q P	-8.7%	-9.8%	9.0%
5-Nov-2020	FOMC Rate Decision (Upper Bound)	05-Nov	0.25%	0.25%	0.25%
5-Nov-2020	FOMC Rate Decision (Lower Bound)	05-Nov	0.00%	0.00%	0.00%
6-Nov-2020	Change in Nonfarm Payrolls	Oct	520k	610k	661k
6-Nov-2020	Change in Manufacturing Payrolls	Oct	55k	53k	66k
6-Nov-2020	Unemployment Rate	Oct	7.7%	7.7%	7.9%
6-Nov-2020	Average Hourly Earnings MoM	Oct	0.2%	0.2%	0.1%
6-Nov-2020	Average Weekly Hours All Employees	Oct	34.7	34.7	34.7
6-Nov-2020	Wholesale Inventories MoM	Sep F	-0.1%	NA	-0.1%
6-Nov-2020	Consumer Credit	Sep	\$6.500b	\$10.75b	-\$7.22b

*Consensus from Bloomberg

Consumers Keep Spending Going Into The Holidays

The September consumer spending and income report exceeded economists' forecasts again. In real terms, consumer spending increased at a robust 15.9% annualized pace in September, nearly ensuring, consumers will continue to increase their spending at a healthy pace over the holidays too. Durable goods spending is up 14.3% from a year ago even as personal services spending has declined 6.5% from a year ago.

John Maynard Keynes is alive and well in 2020. Economic policy makers have gone back to their 1930's playbook to get the U.S. economy out of this pandemic recession, the deepest U.S. and global downturn since the Great Depression.

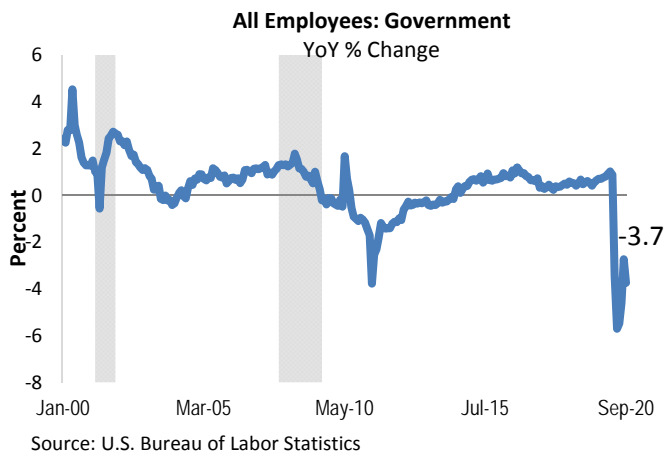
One lesson of the Great Recession (2007-2009) was that without government stimulus far greater than the loss in economic activity, the economy could take a decade or more to get back to full-employment. In 2008, the Bush Administration got Congress to pass the Economic Stimulus Act of 2008, a \$152 billion dollar tax rebate bill that gave each eligible tax payers \$300 to \$1,200 each, depending on if they were married or had dependents. By early 2009, it was obvious to all that \$152 billion was not going to even make a dent in the economic and financial hole Americans found themselves in.

So in February 2009, the American Recovery and Reinvestment Act was passed, which amounted to a far higher \$831B in added stimulus from 2009 to 2019. About \$288B went to tax relief, \$144 billion to state and local fiscal relief, and \$111 billion in infrastructure spending,

among other categories. This additional stimulus helped to stabilize financial markets and ignite an economic recovery that began in the second half of 2009 and started creating net new jobs by January 2010. But at the time the American Recovery and Reinvestment Act was passed, many economists, including myself, concluded that the size of the fiscal stimulus package was not large enough.

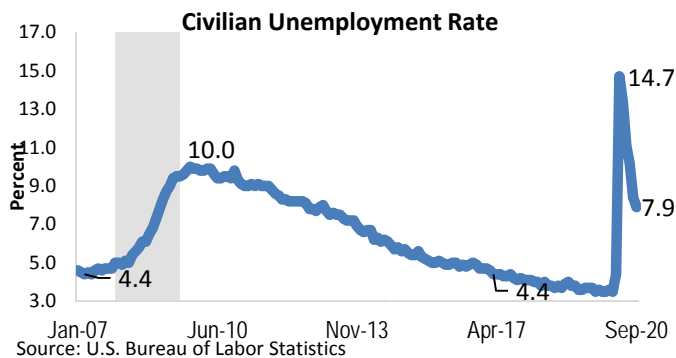
State and local tax revenues plunged and state budgets were slashed to balance the budgets, leading to another four years of state and local government job losses that held back overall job creation and the pace of economic recovery, even as the expansion continued. Outside of a brief surge in government payrolls during the 2010 Census, total government payrolls from a year ago didn't start growing again until the summer of 2014.

Gov't Budget Cuts Seriously Delay Full Recoveries



The result was years of elevated unemployment that didn't need to occur. The U.S. unemployment rate didn't reach its pre-Great Recession low of 4.4% from May 2007 until March of 2017.

Chronic Unemployment Would Be A Disaster



If we wait another decade for full-employment to return, a whole generation of young Americans could see their

skills atrophy and lose countless job opportunities. Eight months in, this pandemic is already a public health tragedy with nearly 229k American's dead, but another decade of lost economic activity, would probably be enough to sideline the United States as the world's preeminent global economic power for good.

Keynes's theory is simple, when aggregate spending from consumers and businesses is far below full-employment levels, like during a sharp recession, there is scope to change the undesirable economic equilibrium by using the power of the government and its unique ability to borrow at a risk-free rate to supplement and support the spending power of the private sector. This can be done indirectly by cutting taxes, but more effective is direct government transfers and spending.

It's a testament to the effectiveness of trillions of dollars of government transfers through traditional fiscal stabilizers like unemployment benefits and direct payments to taxpayers that U.S. consumer spending came roaring back at a 40.7% annualized pace in the third quarter. Fiscal stimulus to date is more than 3 times what the Federal government provided in the decade during and after the Great Recession. Despite the expiration of expanded unemployment benefits at the end of July and others, the U.S. economy is still expanding on the direct fiscal support that helped swell aggregate personal income and saving rates. About two-thirds of households that received fiscal support during this pandemic have been able to use some of it to pay down existing debts or bolster their savings. This pushes back the danger of insolvency for millions and keeps the pandemic economic shock from morphing into a full-blown financial crisis that could amplify homelessness and unemployment that could take decades to recover from.

Seeing the success of the economic policies to date, the Congress should double down on this fiscal stimulus strategy in 2021 with extended pandemic assistance for state and local governments, small businesses, and the unemployed, while supplementing these measure with added infrastructure, education, and health spending to keep another lost decade from occurring. These outlays will have the added benefit of laying the ground work for faster economic growth for our children's future.

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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*	2.9	1.5	2.6	2.4	-5.0	-31.4	33.1	3.5	1.9	2.8	2.9	3.0	3.0	2.2	-3.6	3.4
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	40.7	4.5	2.0	3.1	2.8	2.7	2.7	2.4	-3.8	4.2
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.2	20.3	4.0	1.4	2.4	3.2	3.1	6.9	2.9	-4.8	2.5
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,064	1,435	1,385	1,365	1,360	1,350	1,365	1,208	1,296	1,342	1,360
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.0	11.4	14.9	14.7	14.8	15.0	15.2	15.3	17.2	16.9	14.0	15.1
Industrial Production*	-1.9	-2.3	1.1	0.4	-6.8	-42.9	39.8	2.5	4.8	5.3	4.5	4.4	3.9	0.9	-7.4	4.1
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	140.8	142.2	143.4	144.6	145.8	147.1	146.6	150.9	142.2	145.2
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.0	8.8	7.7	7.5	7.1	6.7	6.3	4.4	3.7	8.3	6.9
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.5	5.2	1.6	1.4	1.4	1.4	1.4	2.4	1.8	1.2	1.6
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	-1.6	4.4	2.0	1.3	1.4	1.4	1.5	2.1	2.2	1.7	1.7
PPI (finished goods)* (percent)	-2.7	4.7	-1.2	3.0	-3.4	-11.4	7.1	2.2	0.1	0.9	1.6	1.7	3.0	0.8	-1.4	1.0
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.9	122.2	118.1	116.5	116.0	115.8	115.7	115.5	91.1	115.7	118.7	115.8
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	45	28	41	40	40	40	41	41	51	57	39	40

*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	3,320						2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554	24,571	27,299						21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.06	0.09	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.38	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.14	0.11	0.10	0.11	0.12	0.12	0.13	0.95	2.11	0.36	0.12
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.14	0.15	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	0.27	0.34	0.34	0.37	0.40	0.42	1.91	1.96	0.53	0.38
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.69	0.65	0.75	0.75	0.78	0.85	0.90	2.33	2.15	0.86	0.82
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.36	1.55	1.53	1.56	1.64	1.70	2.90	2.58	1.54	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	0.25	0.23	0.23	0.23	0.23	0.23	1.26	2.33	0.65	0.23
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	2.95	3.00	3.05	3.05	3.05	3.10	3.99	3.94	3.18	3.06
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.32	3.48	3.65	3.78	4.05	4.10	4.44	4.38	3.65	3.89

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