

| Date | Indicator | For | Estimate | Consensus* | Previous Period |
|-------------|------------------------------|--------|----------|------------|-----------------|
| 07-Dec-2020 | Consumer Credit | Oct | \$18.00b | \$17.50b | \$16.21b |
| 08-Dec-2020 | NFIB Small Business Optimism | Nov | 102.0 | 102.5 | 104.0 |
| 08-Dec-2020 | Nonfarm Productivity | 3Q F | 4.9% | 5.0% | 4.9% |
| 08-Dec-2020 | Unit Labor Costs | 3Q F | -8.9% | -8.9% | -8.9% |
| 09-Dec-2020 | Wholesale Inventories MoM | Oct F | 0.9% | 0.9% | 0.9% |
| 09-Dec-2020 | JOLTS Job Openings | Oct | NA | 6300 | 6436 |
| 10-Dec-2020 | CPI MoM | Nov | 0.1% | 0.1% | 0.0% |
| 10-Dec-2020 | CPI Ex Food and Energy MoM | Nov | 0.1% | 0.1% | 0.0% |
| 10-Dec-2020 | Initial Jobless Claims | 05-Dec | 732k | NA | 712k |
| 11-Dec-2020 | PPI Final Demand MoM | Nov | 0.1% | 0.1% | 0.3% |
| 11-Dec-2020 | PPI Ex Food and Energy MoM | Nov | 0.2% | 0.2% | 0.1% |
| 11-Dec-2020 | U of Mich. Sentiment | Dec P | 75.0 | 76.0 | 76.9 |

*Consensus from Bloomberg

V-Shaped Employment Recovery Comes To An End

The November employment report wasn't great, revealing a sharp deceleration in job creation from October's pace, but it could have been much worse, given the rising coronavirus case counts and renewed business shutdowns rolling once again across many regions, and the delay in additional relief from the Federal government.

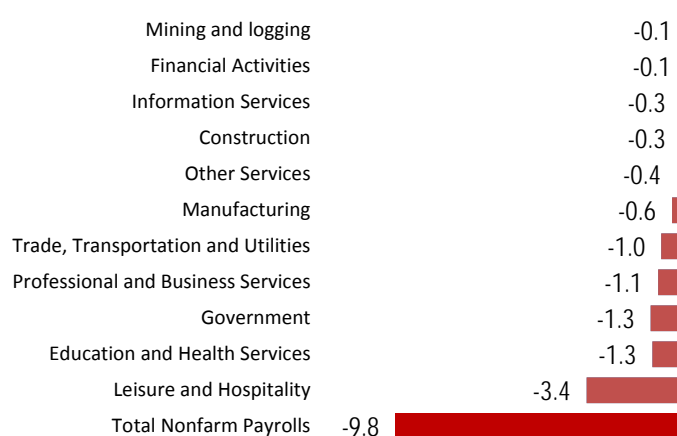
Before we go into the details of the release, it is important to note that the survey week for this payroll report came somewhat before most states and regions made severe lockdown decision, so December's job numbers are bound to be much worse and could actual turn out to be a net job loss. What is clear is that the euphoric days of multi-million job monthly gains seen in the first four months of this economic recovery are behind us. And with it, any illusion of a rapid return to normal for the U.S. economy.

Total nonfarm payrolls increased a less than forecast 245k last month down from a downwardly revised 610k job gain in October.

This not a good time for the U.S. labor market recovery to stall. Total employment in the United States is still nearly ten million jobs short of where it was when this pandemic started.

Still Nearly 10 Million Jobs Short Of A Full Recovery

Net Job Loss Since Feb 2020 - Millions of Jobs
November 2020

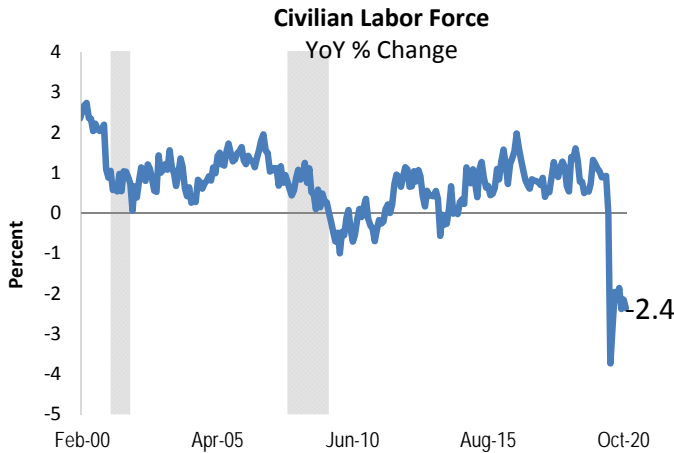


Source: Bureau of Labor Statistics, Bank of the West Economics

The official unemployment rate managed to decline again to 6.7% in November from 6.9% in October, but 400k people had to drop out of the labor force to achieve this feat. The labor force participation rate declined to 61.5% last month from 61.7% in October.

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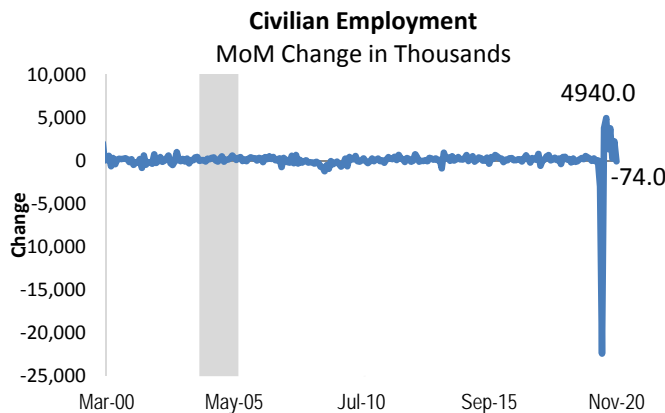
Labor Force Contraction Accelerates



Source: U.S. Bureau of Labor Statistics

Moreover, the employment data coming from the household survey used to calculate the unemployment rate, actually showed a 74K job decline in November. The first monthly drop since April. When the U.S. labor market rolls over, it is often picked up sooner and more frequently in the household survey employment figures, especially if it is small businesses that are doing the laying off. Household employment dropped sharply in two months in 2000 and in February 2001, but the establishment survey nonfarm payrolls didn't show any serious net job declines until March 2001. A similar pattern developed in 2007, when household survey employment dropped in 5 months in 2007, before nonfarm payrolls from the establishment survey finally confirmed the net job losses in February 2008.

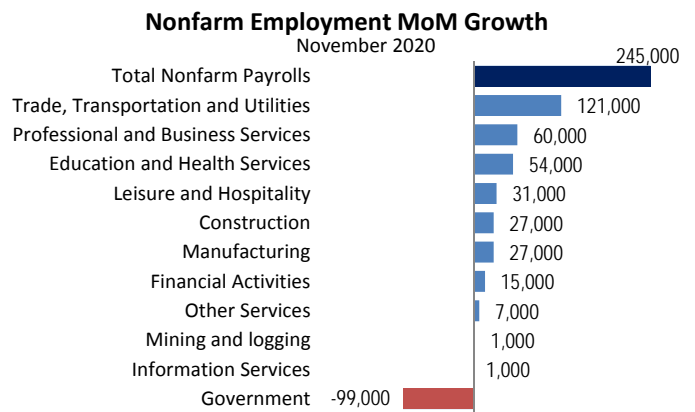
Household Employment - Worse Job Numbers Ahead?



Source: U.S. Bureau of Labor Statistics

Looking at the 245K nonfarm payroll gain last month, by sector, we see continued net job creation in most sectors of the economy, but a consistent slowdown trend is quite evidence almost across the board. The only sector that managed better job creation in in November was the information sector, which created a thousand net jobs after losing 28K job in October. Moreover, significant net job losses were seen in retail trade (-35k) and government payrolls (-99k). Leisure and hospitality managed a meager 31k net job gain in November, before business and travel restrictions got too severe, down from a solid 270k job rebound in October.

Job Growth Downshifts Across the Board In November



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

It has taken awhile, but I am finally getting to the lone bright spot in today's employment report, and it's potentially a big one as we try to bridge the gap to widespread vaccinations, reopenings, and more Federal relief. Average hourly earnings growth picked up to 0.3% in November, and average weekly earnings accelerated to 5.9% from a year ago. This income boost, should keep those who have been able to hang onto their jobs spending generously this holiday season. These folks may also be even more inclined to spend as they see their stock portfolios at record highs, interest rates that are historically attractive, and home prices that are swelling in value. This employment report reflects the inequality of this pandemic shock on the economy and labor market, and highlights the fact that not everyone is suffering in this pandemic.

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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 | 4.0 | 1.9 | 2.8 | 2.9 | 3.0 | 3.0 | 2.2 | -3.5 | 3.5 |
| Personal Consumption Expenditures* | 1.8 | 3.7 | 2.7 | 1.6 | -6.9 | -33.2 | 40.7 | 4.0 | 2.0 | 3.1 | 2.8 | 2.7 | 2.7 | 2.4 | -3.8 | 4.1 |
| Non-residential Fixed Investment* | 4.2 | 0.0 | 1.9 | -0.3 | -6.7 | -27.2 | 20.3 | 5.8 | 1.4 | 2.4 | 3.2 | 3.1 | 6.9 | 2.9 | -4.7 | 2.8 |
| 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 | 15.4 | 16.3 | 15.0 | 15.2 | 15.3 | 15.5 | 17.2 | 16.9 | 14.5 | 15.3 |
| 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 | 142.4 | 143.6 | 144.8 | 146.0 | 147.2 | 146.6 | 150.9 | 142.2 | 145.4 |
| Unemployment rate | 3.9 | 3.6 | 3.6 | 3.5 | 3.8 | 13.0 | 8.8 | 6.8 | 7.0 | 6.7 | 6.5 | 6.2 | 4.4 | 3.7 | 8.1 | 6.6 |
| 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 | 117.7 | 116.5 | 116.0 | 115.8 | 115.7 | 115.5 | 91.1 | 115.7 | 118.6 | 115.8 |
| Crude Oil Prices -WTI (\$ per barrel) | 55 | 60 | 56 | 57 | 45 | 28 | 42 | 39 | 40 | 40 | 41 | 41 | 51 | 57 | 38 | 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