

Date	Indicator	For	Estimate	Consensus*	Previous Period
21-Dec-2020	Chicago Fed Nat Activity Index	Nov	NA	NA	0.83
22-Dec-2020	GDP Annualized QoQ	3Q T	33.2%	33.1%	33.1%
22-Dec-2020	GDP Price Index	3Q T	3.6%	3.6%	3.6%
22-Dec-2020	Conf. Board Consumer Confidence	Dec	96.5	97.8	96.1
22-Dec-2020	Existing Home Sales	Nov	6.70m	6.70m	6.85m
22-Dec-2020	Richmond Fed Manufacturing Index	Dec	12.0	NA	15.0
23-Dec-2020	Personal Income	Nov	-0.3%	-0.3%	-0.7%
23-Dec-2020	Personal Spending	Nov	-0.2%	-0.1%	0.5%
23-Dec-2020	PCE Deflator MoM	Nov	0.1%	0.1%	0.0%
23-Dec-2020	PCE Core Deflator MoM	Nov	0.1%	0.1%	0.0%
23-Dec-2020	FHFA House Price Index MoM	Oct	0.7%	NA	1.7%
23-Dec-2020	U. of Mich. Sentiment	Dec F	80.9	81.0	81.4
23-Dec-2020	New Home Sales	Nov	990k	990k	999k
23-Dec-2020	Initial Jobless Claims	19-Dec	910k	NA	885k
23-Dec-2020	Durable Goods Orders	Nov P	0.6%	0.6%	1.3%
23-Dec-2020	Durables Ex Transportation	Nov P	0.5%	0.5%	1.3%
28-Dec-2020	Dallas Fed Manufacturing Activity	Dec	10.0	NA	12.0
29-Dec-2020	S&P CoreLogic CS 20-City MoM SA	Oct	0.90%	NA	1.27%
30-Dec-2020	Wholesale Inventories MoM	Nov P	1.0%	NA	1.1%
30-Dec-2020	Advance Goods Trade Balance	Nov	-\$81.5	-\$82.0	-\$80.3b
30-Dec-2020	Pending Home Sales MoM	Nov	-1.0%	-0.5%	-1.1%
31-Dec-2020	Initial Jobless Claims	26-Dec	NA	NA	NA

*Consensus from Bloomberg

U.S. Labor Market Recovery Ends Year With A Whimper

We have seen seven consecutive months of strong U.S. job re-creation, a surging housing market, and record high stock prices. But as we were just starting to get comfortable with weekly improvements in initial and continuing jobless claims, the evidence is mounting that the U.S. labor market recovery is starting to reverse. Job losses are mounting yet again as COVID cases surge and business shutdowns and stay at home orders wash over major states like California and New York.

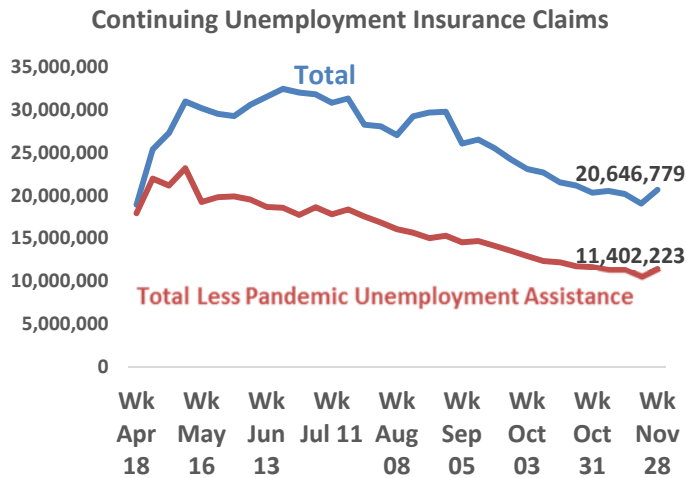
We are forecasting net U.S. job losses when the December payroll report is released on January 8th with an unemployment rate on the rise from already elevated levels. At this point, it is difficult to ascertain how bad the labor market reversal is bound to get, or how long it will last. Much depends on the course of coronavirus cases

and how swiftly new Federal relief can reach individuals and households in need. This isn't how anyone wanted to close out 2020 or begin 2021. While newly arriving vaccines will brighten our economic future by the second half of next year, it looks like we could be in for a rough first quarter and the damage to the labor market is likely to linger even longer.

Once again we are focused on the weekly jobless claims data trying to ascertain how bad things are about to get for the U.S. unemployment rate and our economy. So far the outlook isn't looking too bright. Total continuing claims from all programs jumped by 1.6 million in just one week at the end of November, going from a terrible 19.04 million to an awful 20.65 million. The number of people collecting unemployment claims through the pandemic unemployment assistance program alone increased by

689k during the last week in November to over 9.24 million claims. The last time total continuing claims jumped this much was at the beginning of August. Also, since this data is lagged by almost three weeks, we can expect these continuing claims numbers to only get worse over the next month. California and New York just recently issued their most restrictive business restrictions and stay at home orders so the worst is yet to come.

An Unwelcome Jump in Continuing Claims



Source: U.S. Department of Labor

The New York Fed’s weekly economic indicator index is confirming the economic reversal taking shape in December. This indicator designed to track changes in U.S. Real GDP in near real-time had been on a steady improvement path since July and improved to -2.1% by the end of November. This measure has since deteriorated for the second week in a row in December to -2.7%. The last time this measure deteriorated for two consecutive weeks was during the April shutdown.

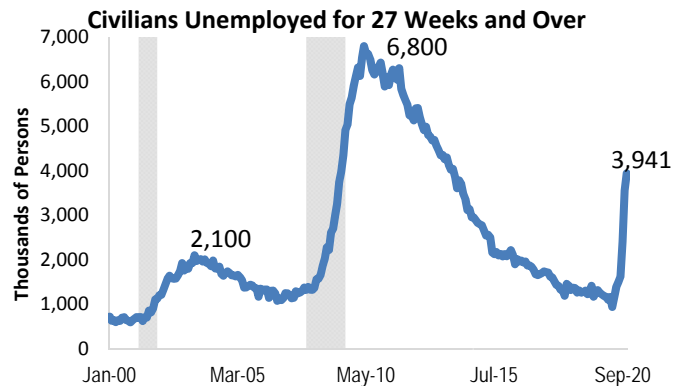
In short, economists’ forecasts, including my own, may not be downbeat enough, given the extent of the business shutdown that are now re-occurring. News of vaccine approvals and deliveries, and resurgent stock market prices have likely lulled some analysts and investors into a false sense of economic optimism near-term.

Economic Recovery Appears To Be Going Into Reverse



Source: New York Fed

Long Term Unemployment Already A Big Problem



Source: Bureau of Labor Statistics

Already, long-term unemployment is a big problem. Research has shown the longer people are unemployed the more their skills degrade and the bigger the negative impact on lifetime earnings. This pandemic is nearly a year old and 3.94 million people are now classified as long-term unemployed, having been unemployed longer than 27 weeks. This is nearly double the number of long-term unemployed seen in the 2000-2001 recession and already almost 60% of the peak in long-term unemployed seen in the Great Recession. If we don’t get this pandemic under control soon, no matter how much COVID relief Congress enacts before year-end, demand won’t be able to bounce back for consumer service businesses and the greater the long-term economic and financial scarring we will see.

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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	1.3	2.6	2.9	3.0	3.0	2.2	-3.5	3.3
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	40.6	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	21.8	7.8	1.4	2.4	3.2	3.1	6.9	2.9	-4.4	3.3
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,079	1,440	1,500	1,465	1,460	1,450	1,455	1,208	1,296	1,376	1,458
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.0	11.4	15.4	15.9	15.0	15.2	15.3	15.5	17.2	16.9	14.4	15.3
Industrial Production*	-1.9	-2.3	1.1	0.4	-6.8	-42.9	39.8	6.5	4.8	5.3	4.5	4.4	3.9	0.9	-7.2	4.9
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	140.8	141.5	142.4	143.5	144.7	145.9	146.6	150.9	142.0	144.1
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	115.4	114.0	113.8	113.7	113.5	91.1	115.7	118.3	113.8
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	45	28	42	41	42	42	43	43	51	57	39	42

*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	0.09	0.10	0.11	0.11	0.12	0.95	2.11	0.36	0.11
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.14	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	0.27	0.35	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	0.85	0.78	0.80	0.87	0.93	2.33	2.15	0.89	0.84
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.36	1.63	1.56	1.58	1.66	1.73	2.90	2.58	1.56	1.63
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	0.22	0.22	0.22	0.22	0.22	1.26	2.33	0.65	0.22
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	2.95	2.79	2.76	2.85	2.82	2.88	3.99	3.94	3.12	2.82
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.32	3.34	3.43	3.40	3.42	3.48	4.44	4.38	3.62	3.43

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