

Date	Indicator	For	Estimate	Consensus*	Previous Period
14-April-2015	Retail Sales Advance MoM	MAR	1.1%	1.0%	-0.6%
14-April-2015	Retail Sales Ex. Autos	MAR	0.8%	0.7%	-0.1%
14-April-2015	PPI Final Demand MoM	MAR	0.2%	0.2%	-0.5%
14-April-2015	PPI Ex. Food & Energy MoM	MAR	0.1%	0.1%	-0.5%
14-April-2015	NFIB Small Business Index	MAR	98.2	98.3	98.0
14-April-2015	Business Inventories	FEB	0.3%	0.2%	0.0%
15-April-2015	Empire Manufacturing Index	APR	7.30	7.00	6.90
15-April-2015	Industrial Production MoM	MAR	-0.2%	-0.3%	0.1%
15-April-2015	Capacity Utilization	MAR	78.8%	78.7%	78.9%
15-April-2015	NAHB Housing Market Index	APR	56	55	53
15-April-2015	Federal Reserve's Beige Book Report	APR	NA	NA	NA
16-April-2015	Housing Starts	MAR	1052K	1040K	897K
16-April-2015	Housing Permits	MAR	1090K	1080K	1102K
16-April-2015	Initial Jobless Claims	04/11	287K	NA	281K
16-April-2015	Philly Fed Index	APR	6.0	5.0	5.0
17-April-2015	Consumer Price Index MoM	MAR	0.2%	0.3%	0.2%
17-April-2015	CPI Ex. Food & Energy MoM	MAR	0.1%	0.2%	0.2%
17-April-2015	University of Michigan Sentiment- Preliminary	APR	94.0	93.7	93.0
17-April-2015	Conference Board US Leading Index MoM	MAR	0.3%	0.3%	0.2%

\*Consensus from Bloomberg

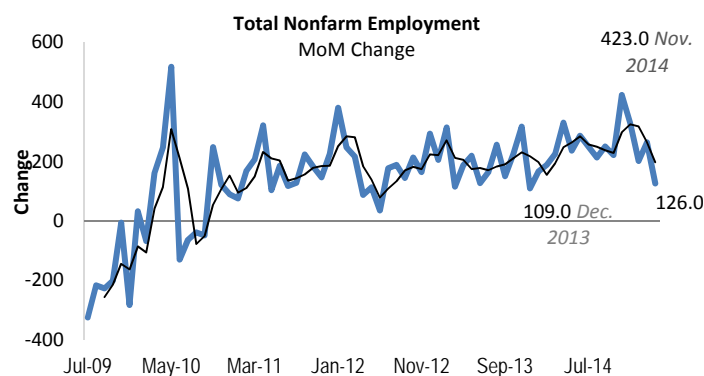
## Labor Market Recovery Not So Fast & Furious

We already knew the economy has been slowing over the past two quarters. In contrast, labor market indicators have been a beacon of strength and resilience. This has provided the bedrock for macroeconomic forecasts of a consumer spending-led revival in the second quarter and over the balance of the year. However, the weak March payroll report and the downward revisions over the past two months add another element of doubt to the baseline forecasts. This should keep the Fed data-dependent in the second quarter, despite talk of a possible rate hike, and push the first rate hike from the Fed into September.

We are starting to see a more sobering picture of the current labor market. Not only did nonfarm job growth fall to +129K in March, but with downward revisions for January and February of a net 69K jobs, the three month moving average of nonfarm job growth fell below 200K for

the first time since last winter's economic debacle starring Old Man Winter.

## Nonfarm Payroll Growth Visibly Softens

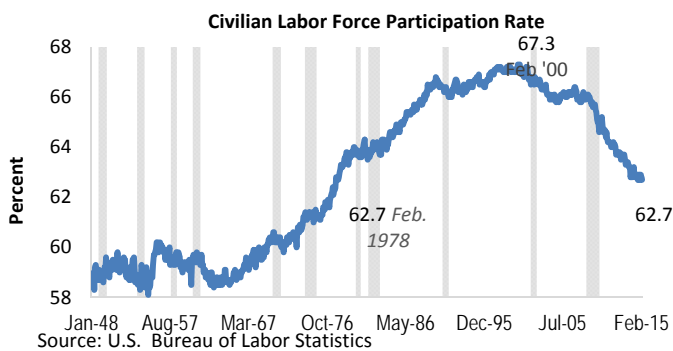


Source: U.S. Bureau of Labor Statistics

The question hanging in the air today: Is the current slowdown just another temporary blip, or are we in for a more prolonged slog? A growth rebound is still the most likely course ahead for the U.S. economy, but we thought now would be a good time to review the labor market indicators that continue to point to caution as the Fed contemplates when to pull the trigger on its first interest rate hikes.

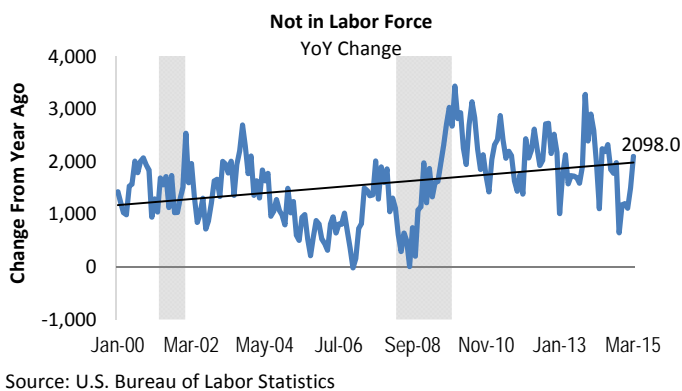
First, the labor force participation rate hasn't recovered a bit in this expansion and slipped again in March to 62.7 percent. This is the same level of labor market participation the U.S. economy had in February 1978.

**Labor Force Participation- No Recovery in Sight**



More people continue to leave the labor force. More than 2 million have left in the last 12 months, 14 million have left since the Great Recession, and 24 million have left since 2000. A robust labor market should help staunch the outflow, but there is little sign that is happening. There are still 2.6 million long-term unemployed in the United States about 500K more than the peak following the 2001 U.S. recession.

**Those Not in the Labor Force on the Rise Again**



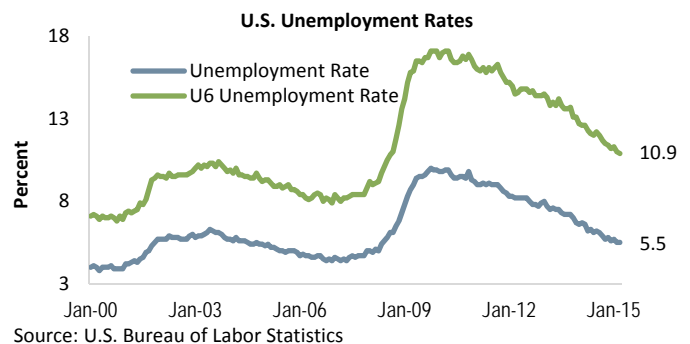
At the same time, 6.7 million are still working part-time for economic reasons, about 2.0 million more than prior to the Great Recession.

**Millions Remain Under-Employed**



The Federal Reserve now thinks 5.0% or 5.1% may be the natural rate of unemployment, leaving us well shy of that mark today at 5.5 percent. The U6 measure, a broader measure of labor market slack that takes into account discouraged workers, marginally attached workers, and those working part-time for economic reasons remains elevated at 10.9%.

**Broader Measures of Unemployment Still Elevated**



Lastly, the goods producing side of the economy is where the job weakness has surfaced. Not only did construction and manufacturing payrolls fall in March, but year-on-year growth in the goods producing sector has slipped to 2.5% from 3.1% in December. Average weekly manufacturing hours are back down to 41.8 from an expansion high of 42.2 last November, which was the highest reading on this measure since World War II. When employment growth slows it's generally seen in the goods producing sectors first. In short, more labor market progress is necessary before we can be reasonably confident the U.S. economy can stomach higher interest rates.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and economist Myasnik "Nik" Poghosyan and 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 Dr. Anderson and Poghosyan, 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.

## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2013	2014	2015	2016
Real GDP*	-2.1	4.6	5.0	2.2	1.2	2.9	2.9	3.0	2.7	2.8	2.7	2.7	2.2	2.4	2.7	2.8
Personal Consumption Expenditures*	1.2	2.5	3.2	4.4	2.3	3.5	3.5	3.4	3.1	3.1	2.9	2.8	2.4	2.5	3.3	3.2
Non-residential Fixed Investment*	1.6	9.7	8.9	4.7	2.2	2.8	5.0	5.0	4.7	4.6	4.6	4.2	3.0	6.3	4.6	4.7
Private Housing Starts (000s units)	925	985	1,030	1,075	1,010	1,070	1,101	1,133	1,145	1,170	1,230	1,250	930	1,004	1,079	1,199
Vehicle Sales (mill. Units, annualized)	15.7	16.5	16.7	16.8	16.6	17.1	17.2	17.2	17.2	17.2	17.3	17.3	15.5	16.4	17.0	17.2
Industrial Production*	3.9	5.7	4.1	4.3	0.0	2.0	3.3	3.2	3.4	3.4	3.4	3.4	2.9	4.2	2.7	3.3
Nonfarm Payroll Employment (mil.)	137.8	138.6	139.4	140.2	141.0	141.8	142.7	143.5	144.3	145.1	145.9	146.6	136.4	139.0	142.3	145.5
Unemployment rate	6.6	6.2	6.1	5.7	5.6	5.4	5.2	5.1	5.0	4.9	4.9	4.9	7.4	6.2	5.3	4.9
Consumer Price Index* (percent)	2.1	2.4	1.2	-0.9	-3.0	1.7	1.9	1.9	1.9	1.9	2.0	2.1	1.5	1.6	0.1	1.9
"Core" CPI* (percent)	1.8	2.2	1.4	1.5	1.9	1.8	1.8	1.9	1.9	1.9	2.0	2.0	1.8	1.7	1.8	1.9
PPI (finished goods)* (percent)	4.1	3.5	0.4	-5.1	-11.5	0.3	1.0	1.1	1.3	1.3	1.4	1.4	1.2	1.3	0.3	1.8
Trade Weighted Dollar (Fed BOG, major)	76.9	76.4	77.5	82.2	89.3	90.0	90.4	90.7	91.0	91.8	92.5	92.4	76.1	78.3	90.1	91.9
Crude Oil Prices -WTI (\$ per barrel)	99	103	98	76	50	51	52	54	62	63	64	65	98	94	52	64

\*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History				Forecast								Annual Average			
	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2013	2014	2015	2016
S & P 500	1,835	1,900	1,976	2,009									1,644			
Dow Jones Industrial Average	16,177	16,604	16,954	17,345									15,010			
Federal Funds Rate (effective)	0.07	0.09	0.09	0.10	0.11	0.13	0.21	0.46	0.88	1.13	1.38	1.71	0.11	0.08	0.23	1.27
Treasury-3 Month Bills (yield)	0.05	0.03	0.03	0.02	0.02	0.05	0.11	0.36	0.78	1.03	1.28	1.61	0.06	0.03	0.14	1.18
Treasury-2 Year Notes (yield)	0.37	0.42	0.52	0.54	0.60	0.65	0.88	1.08	1.55	1.85	2.10	2.43	0.31	0.45	0.80	1.98
Treasury-5 Year Notes (yield)	1.60	1.66	1.70	1.60	1.46	1.53	1.72	2.00	2.44	2.64	2.89	3.02	1.17	1.63	1.68	2.75
Treasury-10 Year Notes (yield)	2.77	2.62	2.50	2.28	1.97	2.17	2.35	2.51	2.71	2.84	2.95	3.18	2.35	2.54	2.25	2.92
Treasury-30 Year Notes (yield)	3.68	3.44	3.27	2.97	2.55	2.75	2.90	3.05	3.16	3.27	3.40	3.53	3.44	3.34	2.81	3.34
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.33	3.58	4.00	4.25	4.50	4.83	3.25	3.25	3.35	4.40
Libor 3-Mo. U.S. Dollar	0.26	0.25	0.24	0.25	0.30	0.27	0.33	0.58	1.00	1.25	1.50	1.83	0.28	0.25	0.36	1.40
Mortgage-30 Year (yield)	4.36	4.23	4.14	3.96	3.72	3.92	4.16	4.30	4.52	4.65	4.76	4.99	3.98	4.19	4.02	4.73
BAA Corporate (yield)	5.12	4.82	4.74	4.73	4.50	4.62	4.70	4.87	5.05	5.20	5.32	5.55	5.10	4.86	4.68	5.28

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