

Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Sep-2018	Consumer Credit	Jul	\$15.000b	\$14.000b	\$10.211b
11-Sep-2018	NFIB Small Business Optimism	Aug	108.0	108.2	107.9
11-Sep-2018	JOLTS Job Openings	Jul	NA	NA	6662.0
11-Sep-2018	Wholesale Inventories MoM	Jul F	0.6%	0.3%	0.7%
12-Sep-2018	PPI Final Demand MoM	Aug	0.2%	0.2%	0.0%
12-Sep-2018	PPI Ex Food and Energy MoM	Aug	0.2%	0.2%	0.1%
12-Sep-2018	U.S. Federal Reserve Releases Beige Book				
13-Sep-2018	CPI MoM	Aug	0.2%	0.3%	0.2%
13-Sep-2018	CPI Ex Food and Energy MoM	Aug	0.2%	0.2%	0.2%
13-Sep-2018	Initial Jobless Claims	08-Sep	210k	NA	203k
14-Sep-2018	Retail Sales Advance MoM	Aug	0.5%	0.6%	0.5%
14-Sep-2018	Retail Sales Ex Auto MoM	Aug	0.5%	0.6%	0.6%
14-Sep-2018	Import Price Index MoM	Aug	-0.4%	-0.4%	0.0%
14-Sep-2018	Industrial Production MoM	Aug	0.4%	0.4%	0.1%
14-Sep-2018	Capacity Utilization	Aug	78.3%	78.3%	78.1%
14-Sep-2018	Business Inventories	Jul	0.5%	0.3%	0.1%
14-Sep-2018	U. of Mich. Sentiment	Sep P	96.0	96.5	96.2

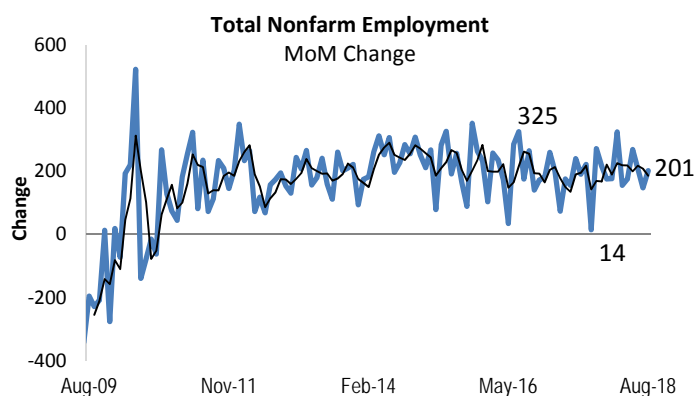
*Consensus from Bloomberg

Economy Keeps Cranking Out New Jobs

The August employment report looks pretty sweet on the surface. Another 201K net new nonfarm jobs were created last month, beating analysts' expectations for a 190K gain. It's a big improvement on July's downwardly revised 147K gain.

Private service industries led the rebound in overall job growth last month, adding 178K positions. Business services and education and health care sectors both added 53K jobs last month – a solid improvement on July's gains. The trade and transportation sector added another 37K. Leisure and hospitality and financial services added 17K and 11K, respectively.

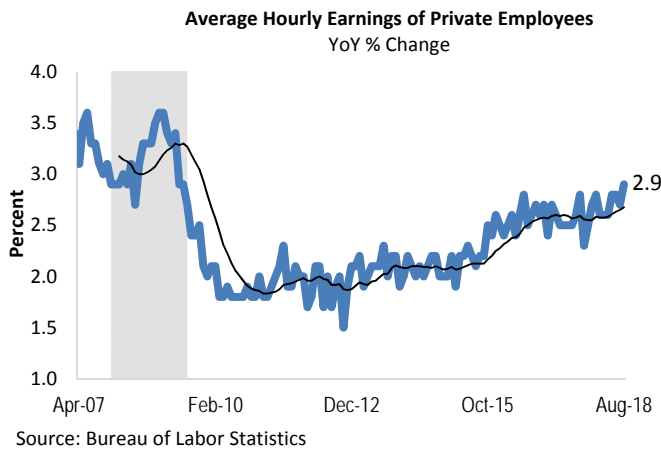
Job Growth Engine Speeds up in August



Source: U.S. Bureau of Labor Statistics

The unemployment rate held at a low 3.9%, and average hourly earnings growth is finally starting to show signs of acceleration. Average hourly earnings increased 0.37% in August, the fastest monthly pace since December, moving the year-on-year increase to an encouraging 2.9% – a new expansion high. What's not to like? On the surface the U.S. labor market appears to be in a real sweet spot. The nation's job growth engine keeps cranking out new jobs month after month with few signs of overheating.

Wage Growth Hits New Expansion High



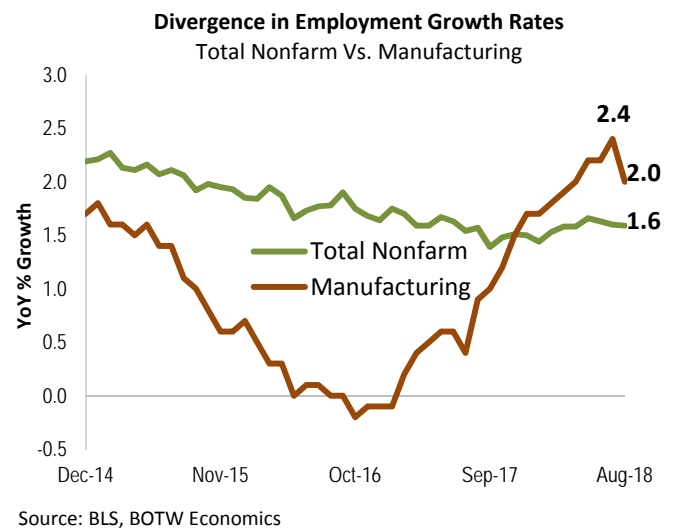
There were a few blemishes hidden in the employment report today that are worth pointing out and bear watching in the months ahead. Despite the acceleration in job growth last month, June and July job gains were downwardly revised by 50K jobs. Moreover, on a more stable three-month moving average basis, nonfarm job growth slowed down to 185K per month from 207K per month in July. In other words, trend job growth appears to be downshifting from earlier in the year.

The job report was also peppered with a number of major sectors that lost net new jobs in August. Of most concern is the 3K jobs lost in the manufacturing sector after five consecutive months of 20K jobs per month gains. U.S. manufacturers are among the most exposed sectors to the escalating trade war. So the manufacturing sector job loss last month could be the first sign of negative fallout from the Trump administration’s trade policies.

Also U.S. retailers shed a net 6K jobs in August and have shed a net 15K jobs per month over the past three months. The information sector lost 6K jobs and has been losing jobs now for three consecutive months. Finally, government lost jobs for a second consecutive month. So your view of the health of the labor market could be very different depending on the industry you work in.

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Job Losses Hit Manufacturing



Moreover, the failure of the unemployment rate to drop to 3.8% last month was a bit of a miss, compared to economists’ expectations. According to the household survey data that is used to calculate the unemployment rate, the U.S. labor force fell by 469K people last month, and household employment fell by 423K people. While volatile month-to-month, the weakness in labor force growth and household employment paints a more sobering picture of the labor market today. The labor force participation rate slipped to 62.7% from 62.9%. In a strengthening labor market, you would expect the labor force participation rate to rise. The pool of Americans classified as not in the labor force today increased by 692K in August to 96.29 million.

Bottom line: the economy’s job growth engine continued to chug along at a decent clip through August, and we are finally starting to see some measurable acceleration in average hourly earnings growth. This data virtually ensures another rate hike from the Fed at the September FOMC meeting and raises the probability of another in December. Still, we do forecast and see some signs of slowing job growth ahead in today’s employment report. Manufacturing job growth may have already peaked, and further slowing could occur as the trade war intensifies and emerging market growth cools.

Major Economic Indicators

Economic Data	History						Forecast						Yr/Yr % chg or Annual Avg.			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
Real GDP*	1.8	3.0	2.8	2.3	2.2	4.2	3.0	2.2	1.9	1.9	1.9	1.8	1.5	2.2	2.8	2.2
Personal Consumption Expenditures*	1.8	2.9	2.2	3.9	0.5	3.8	3.0	2.7	2.1	2.1	2.0	1.8	2.7	2.5	2.6	2.4
Non-residential Fixed Investment*	9.6	7.3	3.4	4.8	11.5	8.5	4.2	4.2	3.6	4.0	3.4	2.7	-0.6	5.3	7.0	4.1
Private Housing Starts (000s units)	1,231	1,171	1,172	1,259	1,317	1,254	1,220	1,240	1,270	1,280	1,277	1,275	1,176	1,208	1,258	1,276
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.1	17.1	17.1	16.9	16.5	16.5	16.4	16.3	17.5	17.2	17.1	16.4
Industrial Production*	1.0	5.0	-1.5	7.7	2.4	6.0	3.0	2.6	2.2	2.0	1.7	1.5	-1.2	1.6	3.8	2.5
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.7	149.3	149.8	150.3	150.7	151.1	151.5	144.3	146.6	149.0	150.9
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.9	3.8	3.7	3.8	3.9	4.0	4.9	4.4	3.9	3.9
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.5	1.7	2.2	2.1	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.1
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	1.8	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.8	2.2	2.1
PPI (finished goods)* (percent)	5.7	1.0	1.6	5.7	3.5	2.7	2.5	2.0	1.8	1.8	1.7	1.7	-1.0	3.2	3.1	2.0
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	86.2	88.2	90.4	91.4	91.1	90.4	89.6	88.5	91.6	91.1	89.0	89.9
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	68	68	65	63	61	61	59	43	51	66	61

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

Financial Data	History						Forecast						Annual Average			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
S & P 500	2,326	2,398	2,467	2,603	2,733	2,703							2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127	24,556							17,916	21,745		
Federal Funds Rate (effective)	0.70	0.95	1.15	1.20	1.45	1.74	1.91	2.21	2.46	2.63	2.63	2.63	0.39	1.00	1.83	2.59
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.58	1.87	2.06	2.31	2.56	2.73	2.68	2.68	0.32	0.95	1.96	2.66
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.48	2.62	2.77	2.91	3.01	3.02	2.97	0.84	1.40	2.51	2.98
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.77	2.79	2.91	3.05	3.15	3.16	3.11	1.34	1.91	2.75	3.12
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.92	2.91	3.02	3.19	3.28	3.27	3.21	1.84	2.33	2.90	3.24
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.09	3.03	3.11	3.26	3.35	3.34	3.28	2.60	2.90	3.07	3.31
Prime Rate	3.80	4.05	4.25	4.29	4.53	4.80	5.00	5.25	5.50	5.75	5.75	5.75	3.51	4.10	4.90	5.69
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.34	2.35	2.50	2.70	2.85	2.80	2.80	0.74	1.26	2.28	2.79
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.54	4.52	4.60	4.77	4.87	4.88	4.85	3.66	3.99	4.49	4.84
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.78	4.79	5.04	5.40	5.60	5.80	6.10	4.71	4.44	4.77	5.73

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