

Economic Analysis

# Another Positive Surprise for Job Growth in June

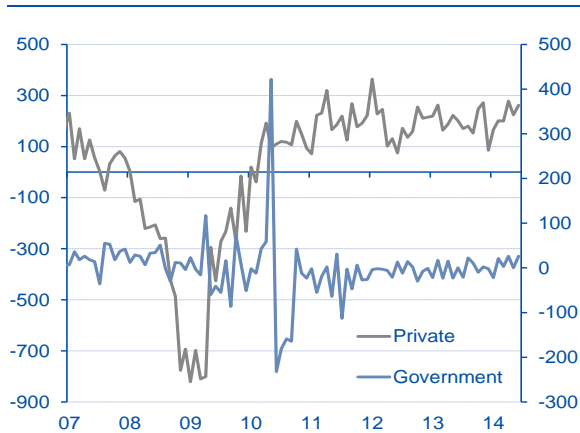
Kim Fraser Chase

- **Nonfarm payrolls jumped 288K following a combined 29K upward revision to April and May**
- **Participation remained stable as the unemployment rate dropped to 6.1%**
- **Despite slower activity elsewhere, healthier job conditions support our outlook for stronger economic growth after a weak 1Q14**

The past few employment reports have been welcomed with open arms, and June's data is no exception. Nonfarm payrolls increased a surprising 288K for the month following upward revisions to both April (282K to 304K) and May (217K to 224K). Private payrolls rose a healthy 262K while the government added 26K, matching April's gain at the fastest monthly pace in nearly three years. Manufacturing payrolls have accelerated throughout the past few months, up 16K in June, while construction jobs remained low at only 6K for the month.

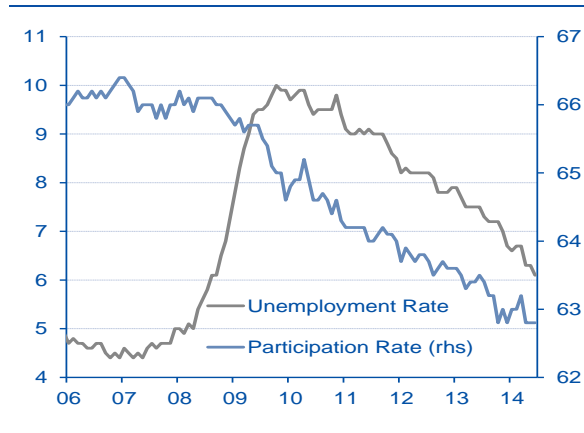
Looking at the household survey, employment jumped a whopping 407K after rising 145K in May. The data have been somewhat inconsistent with payrolls in recent months, particularly in April when household employment fell 73K as a significant number of employed and unemployed dropped out of the labor force completely. On the bright side, the participation rate has remained stable at 62.8% throughout the past three months, therefore giving a more genuine look to the 6.1% unemployment rate in June. Our expectations have been for an increase in labor force participation as job availability improves; however, the latest trends suggest that this scenario is becoming less plausible and will not put as much upward pressure on the unemployment rate as we originally projected. As such, our forecast for the average unemployment rate in 2014 is now much closer to 6.0% compared to the 6.5% forecast reported at the beginning of this year. Despite the fact that other economic data have not been as robust as we would have hoped for 2Q14 thus far, improving labor market conditions are certainly supportive of our stronger growth outlook for the remainder of 2014.

Chart 1  
**Private Sector and Government Payrolls (Monthly Change in K)**



Source: Bureau of Labor Statistics & BBVA Research

Chart 2  
**Unemployment and Participation Rates (%)**



Source: Bureau of Labor Statistics & BBVA Research

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