

Economic Analysis

Weekly Focus: Employment and Exports

Kim Fraser Chase

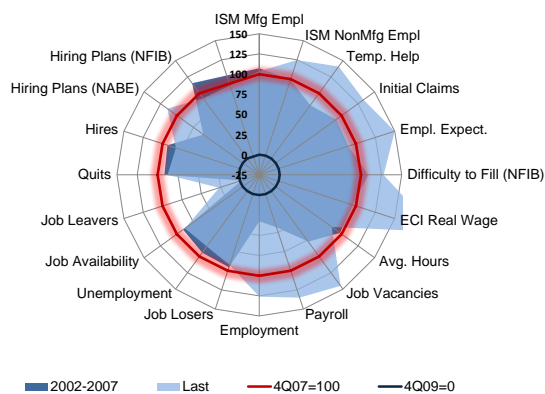
Expected Rebound in April's Job Growth Not Enough to Pull Forward Rate Hike

April's employment report (Friday) is expected to ease concerns after a weak showing in March, yet markets will be increasingly sensitive as we get another step closer to the first rate hike. Nonfarm payrolls had been stronger-than-expected in January and February, contradicting most other economic data pointing to a weak first quarter. Thus, the adjustment in March was not so surprising, albeit slightly lower than we had hoped to see. The [latest FOMC statement](#) acknowledged slower job growth and perceived underutilization of labor market resources as "little changed", putting additional focus on this upcoming employment report for April. A recovery in labor market indicators will quickly put the Fed back on track with their labor market projections. Additional Fed speak this week will hopefully clarify rather than confuse markets on how significant of a rebound in job growth they are looking to achieve. Any data that do not constitute "further improvement in the labor market" – whether that means slower job growth, increased number of discouraged workers, or the lack of upward pressure on wages – will heighten concerns among the doves at the Fed. We have already excluded June from our list of potentials for the first rate hike, and our eyes remain focused on September. Of course, this assumes that we don't see any more hiccups in either employment or inflation data throughout the coming months.

Exports Expected to Decline for 5th Straight Month, First Time Since Crisis

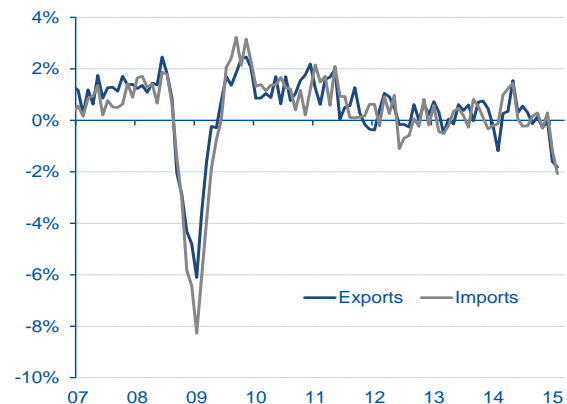
The **international trade balance (Tuesday)** has made its way higher on the priority list when it comes to important economic indicators on the radar. More specifically, falling exports have become a key factor to watch as the strong USD limits external demand in a global economy that is still extremely vulnerable. The rapid appreciation of the USD is something we have not experienced since the 2008 financial crisis, and back then we witnessed a seven-month stretch of consistent declines in exports. Now for March, we expect to hit the fifth consecutive monthly drop for export growth. Domestic demand has fared slightly better, but imports have declined throughout 1Q15 thus far (not just in nominal terms). We do expect to see a rebound in imports for March given that other consumer data has picked up for the month.

Graph 1
Labor Market Outlook



Source: BLS, DoL, NABE, NFIB, ISM, & BBVA Research

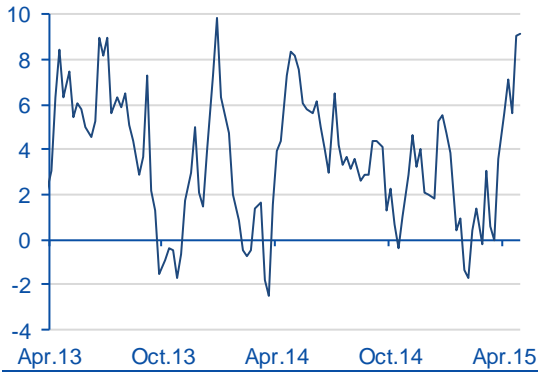
Graph 2
Import & Export Growth (3MMA MoM % Change)



Source: Census Bureau & BBVA Research

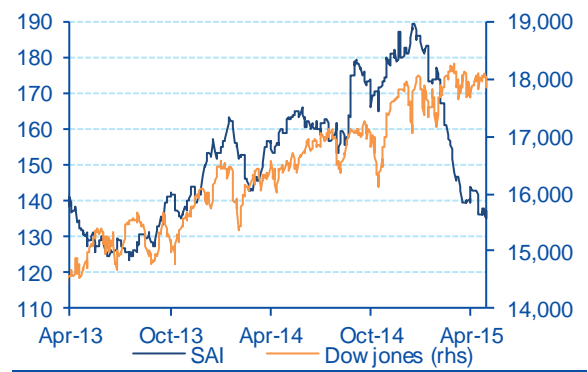
Economic Trends

Graph 3
BBVA USA Weekly Activity Index (3 month % change)



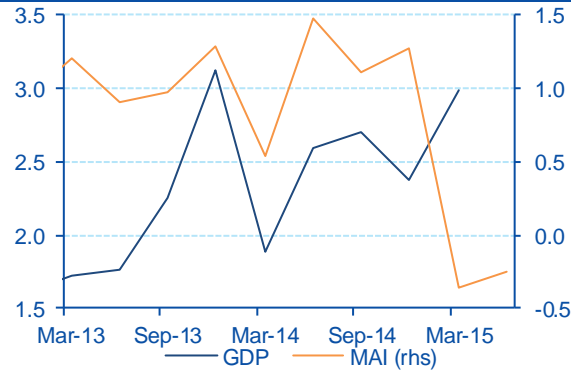
Source: BBVA Research

Graph 4
BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)



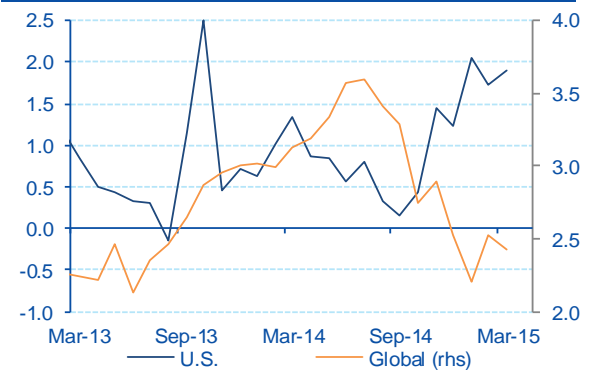
Source: Bloomberg & BBVA Research

Graph 5
BBVA USA Monthly Activity Index & Real GDP (4Q % change)



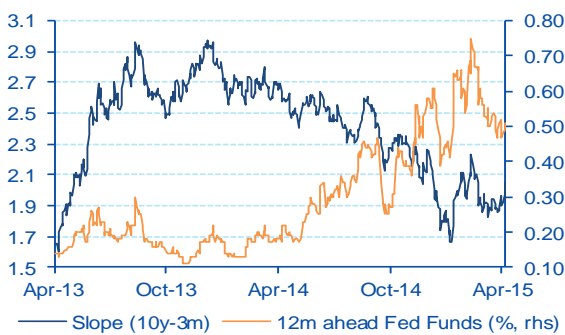
Source: BBVA Research & BEA

Graph 6
BBVA USA Risk Index (> 0 = increasing risk)



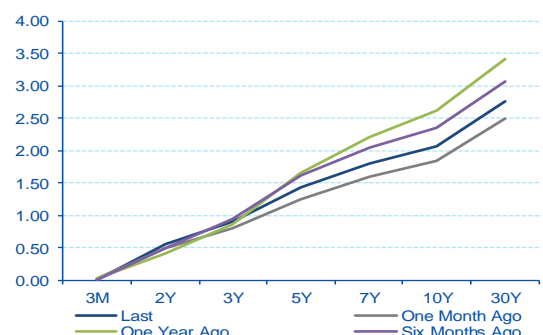
Source: BBVA Research

Graph 7
Fed Futures & Yield Curve Slope (% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 8
U.S. Treasury Yield Curve (% p.a.)



Source: Haver Analytics & BBVA Research

Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
4-May	NEW YORK PURCHASING MANAGER Current Business Conditions SA	APR	50.50	--	50.00
4-May	US Manufacturers New Orders Total MoM SA	MAR	1.50	2.00	0.20
5-May	US Trade Balance of Goods and Services SA	MAR	-37.10	-41.00	-35.44
5-May	ISM Non-Manufacturing NMI NSA	APR	57.00	56.20	56.50
6-May	ADP National Employment Report SA Private Nonfarm Level Change	APR	205.00	200.00	188.70
6-May	US Output Per Hour Nonfarm Business Sector QoQ SA	1Q P	-1.50	-1.85	-2.20
6-May	US Unit Labor Costs Nonfarm Business Sector QoQ % SAAR	1Q P	2.50	4.40	4.10
7-May	US Initial Jobless Claims SA	MAY 2	280.00	277.00	262.00
7-May	US Continuing Jobless Claims SA	APR 25	2290.00	2267.00	2253.00
7-May	Federal Reserve Consumer Credit Total Net Change SA	MAR	16.30	15.90	15.52
8-May	US Employees on Nonfarm Payrolls Total MoM Net Change SA	APR	213.00	225.00	126.00
8-May	US Employees on Nonfarm Payrolls Total Private MoM Net Change SA	APR	205.00	223.00	129.00
8-May	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	APR	5.00	5.00	-1.00
8-May	US Average Hourly Earnings All Employees Total Private Monthly Percentage Change	APR	0.20	0.20	0.30
8-May	US Average Weekly Hours All Employees Total Private SA	APR	34.50	34.50	34.50
8-May	Unemployment Rate	APR	5.50	5.40	5.50
8-May	Merchant Wholesalers Inventories Total Monthly % Change	MAR	0.20	0.30	0.30

Economic Outlook

	2014		2015		2014	2015	2016	2017
	3Q	4Q	1Q	2Q				
Real GDP (% SAAR)	5.0	2.2	0.2	4.2	2.4	2.9	2.8	2.8
CPI (YoY %)	1.8	1.2	-0.1	0.2	1.6	0.6	1.9	2.2
CPI Core (YoY %)	1.8	1.7	1.7	1.6	1.7	1.6	1.7	1.9
Unemployment Rate (%)	6.1	5.7	5.6	5.4	6.2	5.3	4.9	4.6
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.25	0.25	0.50	1.50	2.50
10Yr Treasury (eop, % Yield)	2.53	2.21	2.04	1.90	2.21	2.40	3.00	3.54
US Dollar/ Euro (eop)	1.29	1.23	1.08	1.00	1.23	1.02	1.12	1.24
Core Logic Home Prices (YoY %)	5.92	5.06	5.10	5.94	7.40	6.30	5.70	4.38

Fun Fact

Apple's total revenues in 2014 were greater than the 2013 GDP of 135 countries (BBVA Research)

Recent Publications

[FOMC Review of Economic Activity Hints at Rate Hike After June](#) (April 29, 2015)

[Weak 1Q GDP Continues for 7th Straight Year](#) (April 29, 2015)

[State Monthly Activity Indexes: Upswing Expected After Transitory Weakness in 1Q15](#) (April 24, 2015)

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.