

# U.S. State Employment Flash

## Five States do the heavy-lifting in December

The state employment report for December confirmed that state-level job creation was less-than-stellar in spite of the fact that 48 state's unemployment rates declined or remained flat. Texas' did most of the heavy lifting accounting for 1 out of every 4 jobs created in the U.S. California and Florida also added 27.7k jobs since November. Rounding out the top five, in terms of job creation, were North Carolina and Massachusetts who added 11.1K and 10.3K, respectively. In total, 90.1% of jobs created in December came from these states.

To the downside, New Jersey lost 36.3k jobs or 1.0% of total employment in December. Pennsylvania and Kansas also shed 11.4K and 7.4K jobs, respectively. Despite staggering declines in employment, the unemployment rate declined 20bp in Kansas, 50bp in New Jersey and 40bp in Pennsylvania, a non-trivial amount. The simultaneous drop is the likely the result of lower labor force participation (LFP), which was a consistent trend throughout 2H13. As a larger share of the population enters retirement, there is a higher likelihood of lower labor force participation across states. In terms of labor market indicators, our baseline assumes higher, but still below-potential, job growth for the 1H14 and a slow decline of the unemployment rate to 6.5% by December 2014.

- **Payroll growth concentrated in most populous states**

In line with the 2013 trends, Texas, California and Florida were the largest contributors to overall job growth in December. In California and Florida, strong contributions from the construction sector due to an ongoing recovery in residential real estate offset contractions in manufacturing employment. For Texas, the retail sector was a strong contributor to employment growth, adding 2.4k jobs since November.

- **Midwestern states enjoy gains outside of manufacturing unemployment**

Minnesota's lack of employment growth in manufacturing was buoyed by hiring in the retail sector—5.2K hires in December. In fact, only Florida (9.1K), Georgia (6.2K) and New York (5.2K) added more jobs in the retail sector in December. Wisconsin's younger population and remarkably high participation are allowing contributions from healthcare, education and hospitality (1.8K), and professional services (1K) to offset slower job-creation in manufacturing. Nevertheless, the Midwest ties to manufacturing were evident in December as Illinois added 1.5K jobs in manufacturing and additional 1.1K in professional services jobs to the region.

- **Central and Midwestern states enjoy lowest unemployment**

Notwithstanding the drop in participation, many states in the Central and Midwestern U.S. have lower-than-average unemployment rates. For example, Nebraska, North Dakota and South Dakota have unemployment rates 0.2pp, 1.1pp and 0.1pp below pre-recession levels, respectively. In fact, North Dakota's unemployment rate of 3.6% (U.S.: 6.7%) is markedly lower than Texas' unemployment rate (6.0%). Although, lower labor force participation and slower job creation in December are signs of labor market weakness, our baseline is for job creation to pickup in 2014 as domestic policy uncertainty declines and consumer expectations improve.

Chart 1

### State Snapshot: Top 10 States for Employment Growth

BBVA Compass			YTD Job Gains K (per M residents)						Forecast
	U.R. (Dec.)	NFP (Dec.)	Total	Manu.	Retail Services	Bus. Services	Health, Edu. & Liesure	Gov.	6-month Gains
<b>Texas</b>	6.0	17.6	252.4 (9.5)	12.5 (0.5)	44.5 (1.7)	69.9 (2.6)	56 (2.1)	9.2 (0.3)	155.2 (5.9)
<b>Florida</b>	6.2	14.1	192.9 (9.9)	4.4 (0.2)	55 (2.8)	49.8 (2.5)	41 (2.1)	-1.7 (-0.1)	90.3 (4.6)
<b>California</b>	8.3	13.6	235.7 (6.1)	0.9 (0)	21.3 (0.6)	67.1 (1.8)	101.3 (2.6)	-18.4 (-0.5)	150.3 (3.9)
<b>North Carolina</b>	6.9	11.1	64.5 (6.5)	1.3 (0.1)	12.2 (1.2)	24.9 (2.5)	16.8 (1.7)	-0.4 (0)	34.3 (3.5)
<b>Massachusetts</b>	7.0	10.3	55.5 (8.3)	-0.8 (-0.1)	4.4 (0.7)	15.3 (2.3)	18.7 (2.8)	1 (0.1)	30.2 (4.5)
<b>New York</b>	7.1	9.8	96.9 (4.9)	-8.7 (-0.4)	24.1 (1.2)	10 (0.5)	66.7 (3.4)	-12.8 (-0.7)	45.4 (2.3)
<b>Minnesota</b>	4.6	9.5	45.8 (8.4)	-0.5 (-0.1)	7.4 (1.4)	5.5 (1)	17.8 (3.3)	1.7 (0.3)	25.1 (4.6)
<b>Maryland</b>	6.1	7.3	36 (6.1)	-2.8 (-0.5)	4.7 (0.8)	16.4 (2.8)	11.2 (1.9)	1.9 (0.3)	21.8 (3.7)
<b>South Carolina</b>	6.6	6.3	36.8 (7.7)	4 (0.8)	7.8 (1.6)	8.9 (1.9)	9.9 (2.1)	2.5 (0.5)	22.8 (4.8)
<b>Wisconsin</b>	6.2	6.2	44.5 (7.7)	13.1 (2.3)	3.6 (0.6)	10.5 (1.8)	14 (2.4)	0.6 (0.1)	25.9 (4.5)

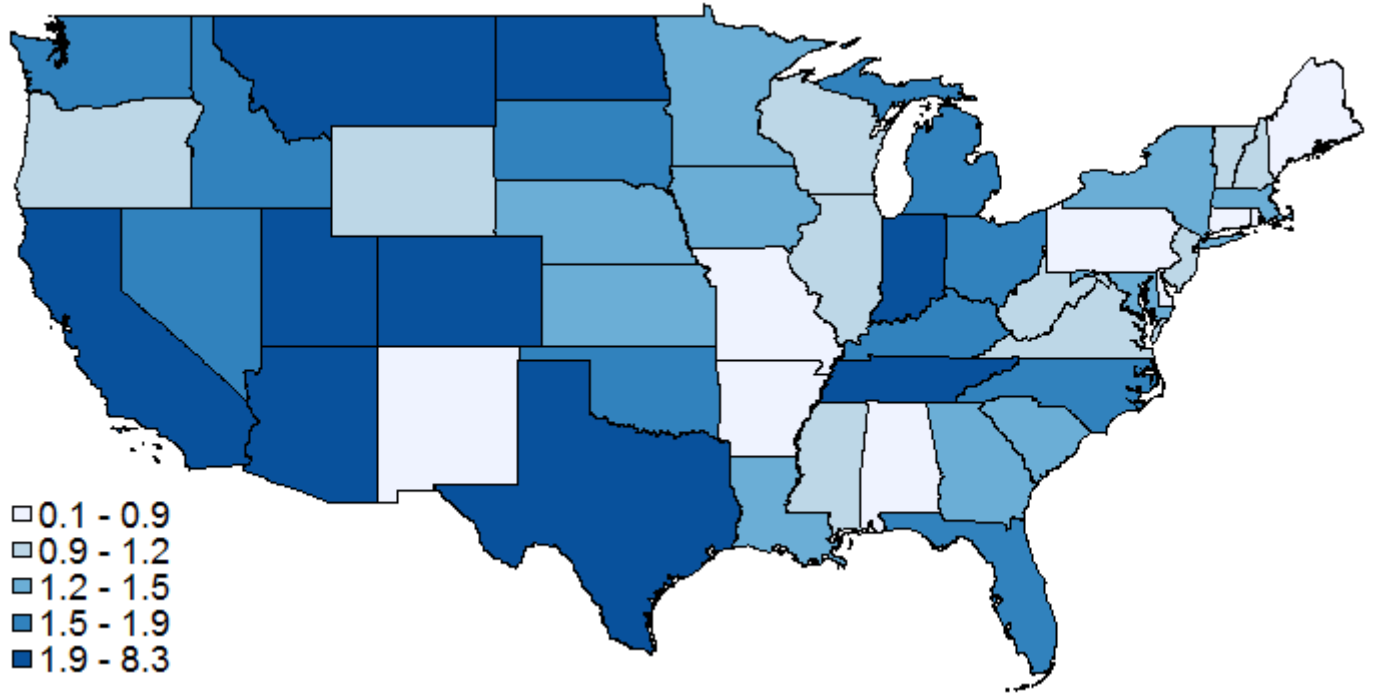
Source: Haver & BBVA Research

\* U.R. =Unemployment Rate; NFP=Nonfarm payrolls

\*\*Values in parenthesis represent per capita job creation

Chart 9

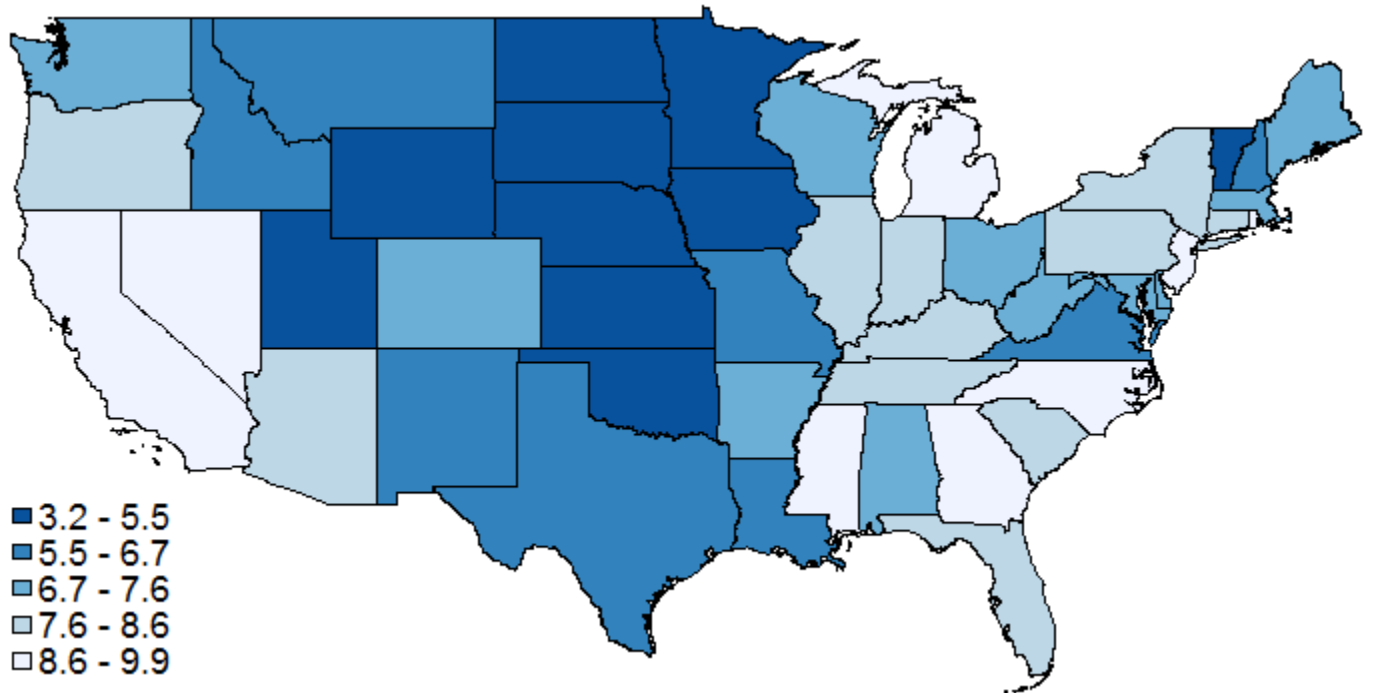
### Nonfarm Payroll Growth (YoY%)



Source: Haver & BBVA Research

Chart 9

### Unemployment Rate (%)



Source: Haver & BBVA Research

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