

BBVA Research Flash

U.S.

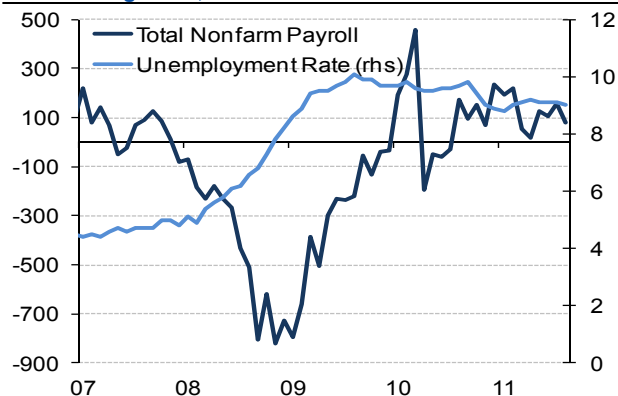
October Report Hints at Improvements in Employment Conditions

- **Nonfarm payrolls in October increased 80K, with declines in government hiring partially offsetting increases in the private sector**
- **Upward revisions to payrolls in August (from 57K to 104K) and September (from 103K to 158K) were enough to bring down the unemployment rate to 9.0%**

The employment situation in October was slightly weaker than expected, with payrolls up only 80K compared to consensus of 90K. A rise of 104K in private sector hiring was weighed down by continued declines in government payrolls at both the federal and state/local levels. However, the report does have some bright spots. Payrolls from the previous two months were revised upward, from 57K to 104K in August and from 103K to 158K in September. The August revision is particularly interesting because the initial estimate was 0K, with significant revisions in the last two employment reports. The revisions were mostly due to private payrolls, which were revised up from 42K to 72K in August and 137K to 191K in September. This net gain of 102K in total payrolls, including a gain of 84K in the private sector, was enough to bring down the unemployment rate to 9.0%. These trends in upward revisions may suggest that we will see an improvement in October payrolls in next month's report.

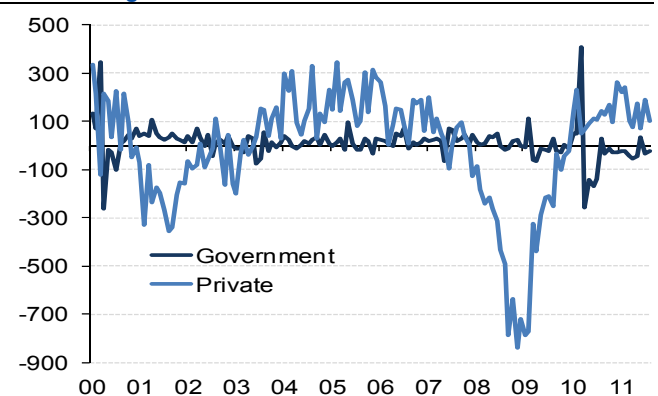
Other good news in today's data include a decline in the number of long-term unemployed as well as a decline in the number of persons working part time for economic reasons. Furthermore, the number of discouraged workers declined significantly from 12 months ago, suggesting that attitudes toward job availability are improving. In addition, average hourly earnings for all employees increased 0.2% for the month. Although hiring in October appears to have slowed, the underlying data indicate that the employment situation is improving gradually, in line with our baseline scenario.

Chart 1
Nonfarm Payrolls and Unemployment Rate
MoM Change in K, %



Source: Bureau of Labor Statistics

Chart 1
Private Sector and Government Payrolls
MoM change in K



Source: Bureau of Labor Statistics

Nathaniel Karp
Nathaniel.Karp@bbvacompass.com

Ignacio San Martin
Ignacio.Sanmartin@bbvacompass.com

Marcial Nava
Marcial.Nava@bbvacompass.com

Jeffrey Owen Herzog
Jeff.Herzog@bbvacompass.com

Hakan Danis
Hakan.Danis@bbvacompass.com

Jason Frederick
Jason.Frederick@bbvacompass.com

Boyd Stacey
Boyd.Stacey@bbvacompass.com

Kim Fraser
Kim.Fraser@bbvacompass.com

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.