

BBVA Research Flash

U.S.

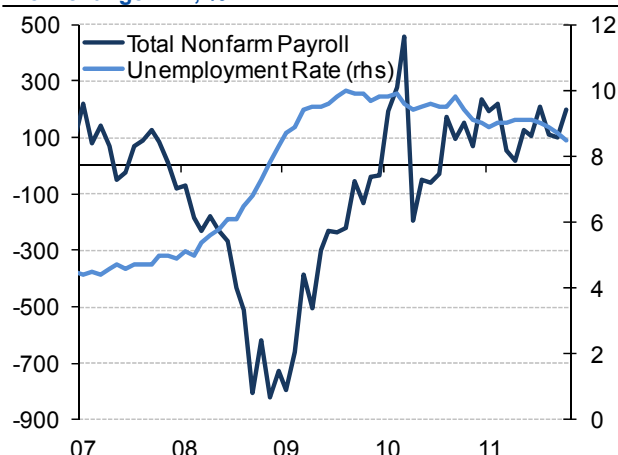
Employment Situation Ends 2011 on a Positive Note

- **Nonfarm payrolls increased 200K in December due to a 212K jump in private sector payrolls**
- **The unemployment rate dropped to 8.5% from a revised 8.7% in the previous month, the lowest since February 2009**

The employment report for December surprised to the upside with improvements in both nonfarm payrolls and the unemployment rate. Total nonfarm payrolls increased 200K, while data for November was revised down from 120K to 100K. Private payrolls were slightly lower than the series-high ADP report of 325K, coming in at only a three-month high of 212K. Gains were concentrated in private service-providing jobs as well as manufacturing. The unemployment rate dropped to 8.5% from a revised 8.7% in November, which could be meaningful given that the participation rate did not decline. Furthermore, the lower unemployment rate reflects the steady declines in initial jobless claims that grabbed market attention throughout December. Although the labor force was relatively unchanged, a decline in the number of discouraged and involuntary part-time workers suggests that attitudes are improving and that workers may be having more success finding full-time positions. Revisions to the household survey were minimal, adjusting the unemployment rate by +/- 0.1% in most months. Another positive in today's report includes a rise in average hourly earnings, which increased 0.2% in December after remaining unchanged in November.

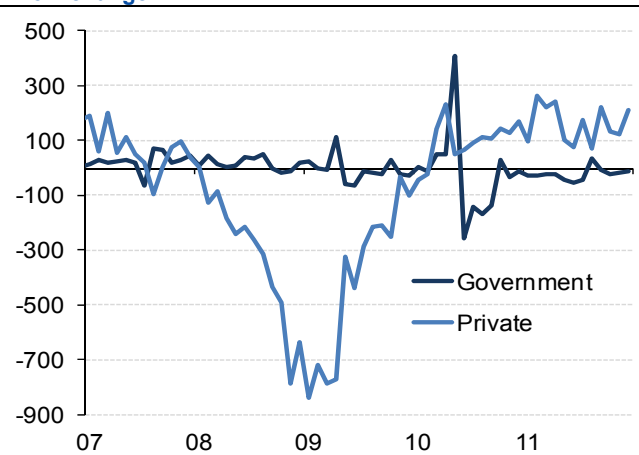
While this appears to be good news for the labor market, we remain cautious in our outlook as it is not yet clear whether these trends will continue. Despite this monthly surge in payrolls, business hiring plans remain conservative. Furthermore, employment growth for 4Q11 totaled 412K but was less than payrolls in both 1Q11 and 3Q11 (497K and 441K, respectively). A few more months of similar growth will likely provide a clearer picture of labor market improvements.

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



Source: Bureau of Labor Statistics

Chart 2
Private Sector and Government Payrolls
MoM change in K



Source: Bureau of Labor Statistics

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