

BBVA Research Flash

U.S.

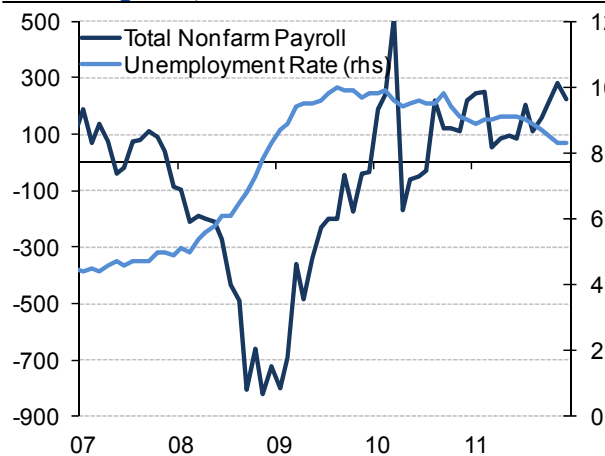
Nonfarm Payroll Growth Above 200K for Third Straight Month

- **Nonfarm payrolls increased 227K in February, reflecting a 233K increase in private sector hiring, while the unemployment rate held steady at 8.3%**
- **Structural problems are still a concern, with an increase in the number of discouraged workers and more than 40% long-term unemployed**

The employment report for February was better than expected, with nonfarm payrolls up 227K to mark the third consecutive month of more than 200K growth. Private sector hiring is holding strong, jumping 233K in February with continued growth in professional and business services, education and health services, and manufacturing jobs. Total nonfarm payroll growth in January was revised up from 243K to 284K, reflecting a 28K increase in private payrolls and marking the largest total gain since May 2010. Employment growth reached similar levels in February, March, and April of 2011 but then dropped sharply as a result of high oil prices and the spillover effects from the earthquake in Japan. The unemployment rate is much lower, holding steady at 8.3% in February compared to 9.0% last year.

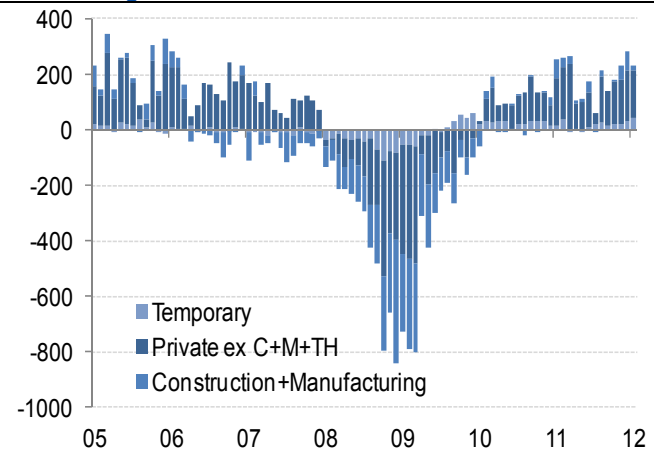
While today's news adds positively to expectations for improving labor market conditions, we continue to see underlying weaknesses that hint at structural unemployment. For instance, the number of long term unemployed (27+ weeks) declined only slightly and still accounts for more than 40% of total unemployment. While the number of involuntary part-time workers is showing signs of a downward trend, the number of discouraged workers is relatively unchanged from 12 months ago. The participation rate increased slightly to 63.9% from 63.7% but remains far below the historical trend of the past few decades (peak of 67.3%). The question remains whether this trend is sustainable for businesses. Still, today's data do not change our expectations for the Fed's future actions, and we continue to expect the FOMC to be on hold in anticipation of next week's meeting.

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



Source: Bureau of Labor Statistics

Chart 2
Private Nonfarm Payrolls
MoM change in K



Source: Bureau of Labor Statistics

Nathaniel Karp
Nathaniel.Karp@bbvacompass.com

Hakan Danis
Hakan.Danis@bbvacompass.com

Marcial Nava
Marcial.Nava@bbvacompass.com

Jeffrey Owen Herzog
Jeff.Herzog@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.