

Economic Watch

US

Houston, August 7, 2012
Economic Analysis

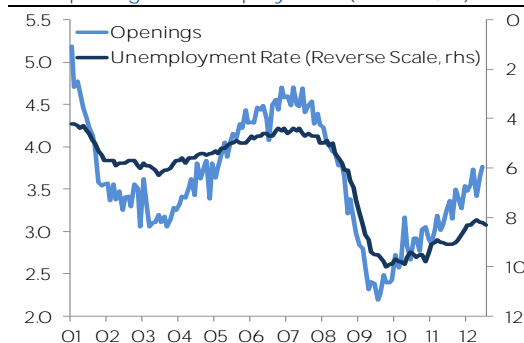
US
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Job Openings and Labor Turnover June Report Suggests More Dynamic Labor Market in 2Q12

- Job openings and hires accelerated throughout the second quarter despite weak nonfarm payroll growth
- Construction hiring rebounded while the vacancy yield jumped to the highest level in more than a year
- Despite volatility in the month-to-month data, net employment has remained steady, totaling 1.8mn over the prior 12 months

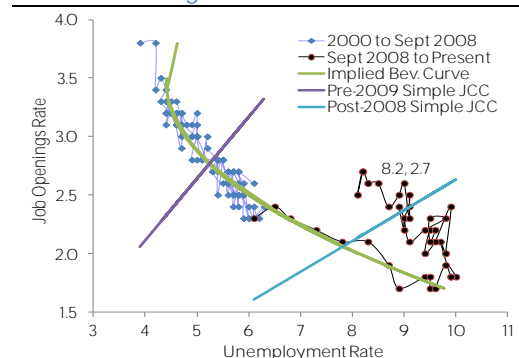
News of a weak labor market are anything but shocking given the anemic nonfarm payroll reports for the second quarter. Despite the fact that economic growth lost momentum in 2Q12, the latest JOLTS report suggests accelerating job openings and hires throughout the period. Job openings in June increased nearly 3% MoM to 3762K, closing out the second quarter with a 315K total gain over the three-month period compared to only 264K in the first quarter. Although uncertainties continue to weigh on business confidence and expectations, the data suggests at least some improvement in the demand outlook. Hires actually declined slightly in June but still reflected a 148K increase for the quarter, almost 65% more than in 1Q12. Not surprisingly, the construction sector contributed significantly to the increase in total hires, jumping more than 30% in May and June combined. Housing activity has continued to improve throughout the year, and in turn we have seen a significant spike in the construction vacancy yield. However, the sector's share of total vacancies remains very low, so it is unlikely that this will provide a significant boost to total employment growth in the short-term. Hiring in the manufacturing sector remains relatively constant, as expected given the recent slowdowns in the sector's activity. The relative strength seen in June's report foreshadows what we now know was a better July in terms of nonfarm payroll growth. The gap between hires and separations widened in June and is an indication of stronger job growth for the following month. Although layoffs and discharges declined in June after a large spike in May, the numbers likely reversed again in July given the rise in the unemployment rate back to 8.3%. Overall, net employment increased at a similar pace as in previous months, totaling 1.8mn over the 12 months ending in June 2012.

Chart 1
Job Openings & Unemployment (Millions, %)



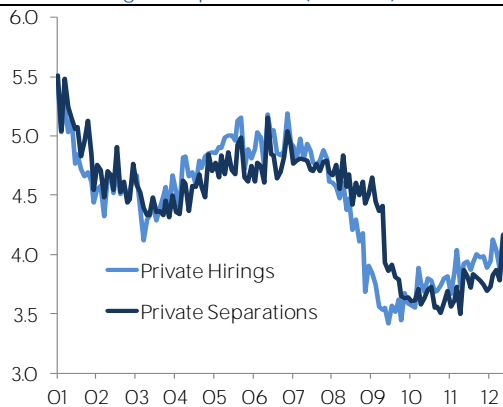
Source: Bureau of Labor Statistics and BBVA Research

Chart 2
National Beveridge Curve



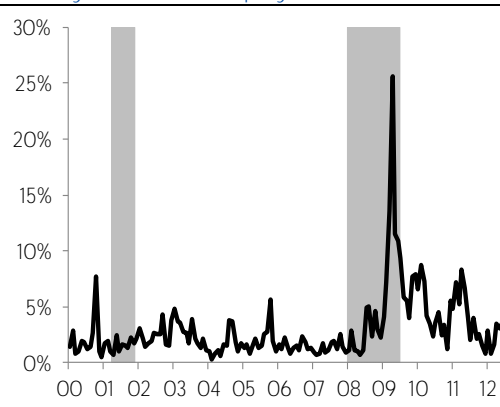
Source: Bureau of Labor Statistics and BBVA Research

Chart 3
Private Hirings & Separations (Millions)



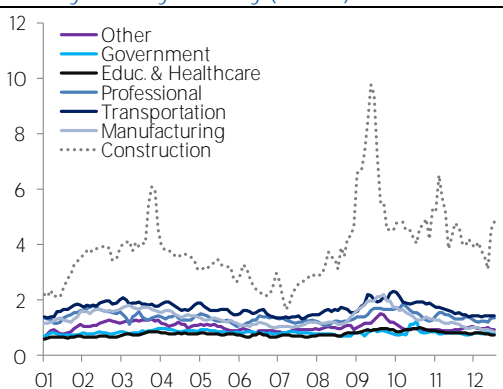
Source: Bureau of Labor Statistics and BBVA Research

Chart 4
Industry Relative Unemployment Variance



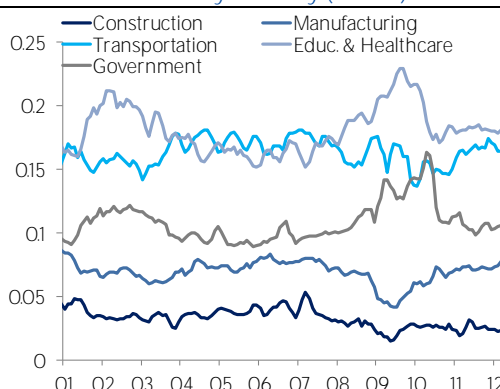
Source: Bureau of Labor Statistics and BBVA Research

Chart 5
Vacancy Yield by Industry (3MMA)



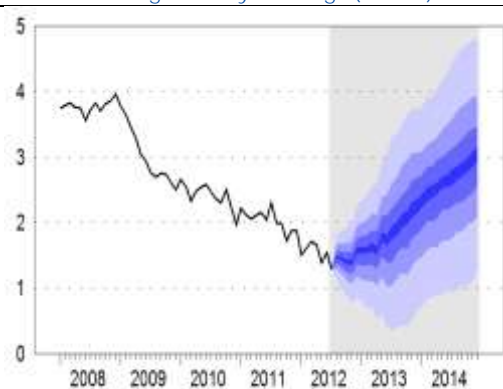
Source: Bureau of Labor Statistics and BBVA Research

Chart 6
Share of Vacancies by Industry (3MMA)



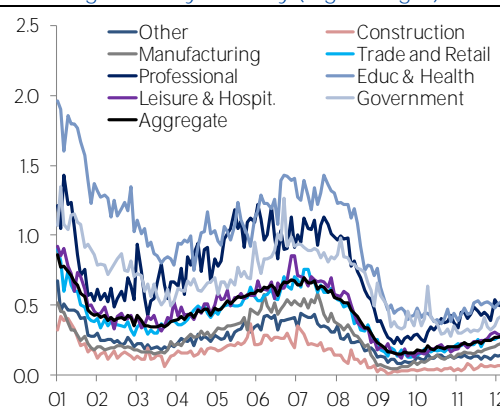
Source: Bureau of Labor Statistics and BBVA Research

Chart 7
Nominal Average Hourly Earnings (YoY %)



Source: BBVA Research

Chart 8
Labor Tightness by Industry (higher=tight)



Source: Bureau of Labor Statistics and BBVA Research

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