

U.S. Employment Flash

Unemployment Rate at 7.9% Despite Upward Payroll Revisions

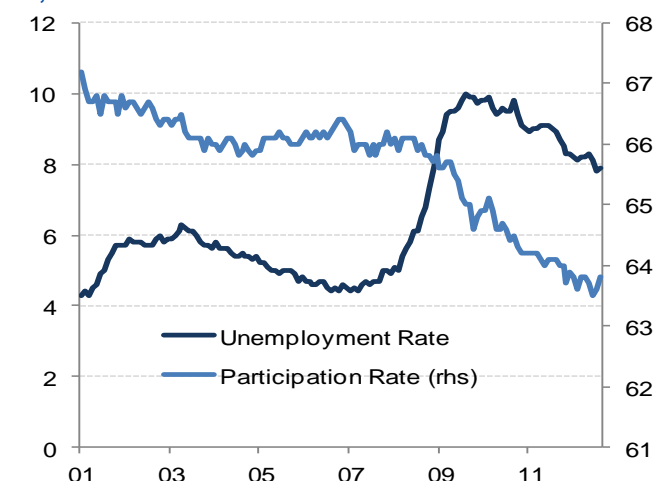
- **Nonfarm payrolls jumped 171K in October, with 184K coming from the private sector**
- **Government payrolls declined 13K for the first time since July**
- **The unemployment rate rose to 7.9% due to an increase in the labor force**

The employment report for October imparts some better-than-expected growth, with nonfarm payrolls up 171K for the month after an upwardly revised 148K gain in September. Total payrolls in August were also revised up significantly, from 142K to 192K. Private payrolls rose by 184K, the highest rate since February, with continued hiring in professional & business services, retail trade, and healthcare. Manufacturing made a turn around after two months of negative figures, gaining 13K jobs, along with construction which added 17K, reflecting the gaining momentum we have seen in housing activity. After a third quarter full of hiring in the public sector, government payrolls declined 13K in October for the first time since June. Mining payrolls also fell by 9K.

After the significant drop in the unemployment rate in September, it was unclear whether the trend would continue in the following months given that there was little evidence from any particular indicators. As expected, the unemployment rate rose slightly to 7.9% with an increase in the labor force and a 0.2% gain in the participation rate. Those unemployed for 5 or less weeks rose by 3.5% while the 15-26 week range dropped moderately by -1.29%, signaling that more people are being encouraged to re-enter the workforce. The people unemployed for the longest period of time, 27+ weeks, grew in October by 3.2%.

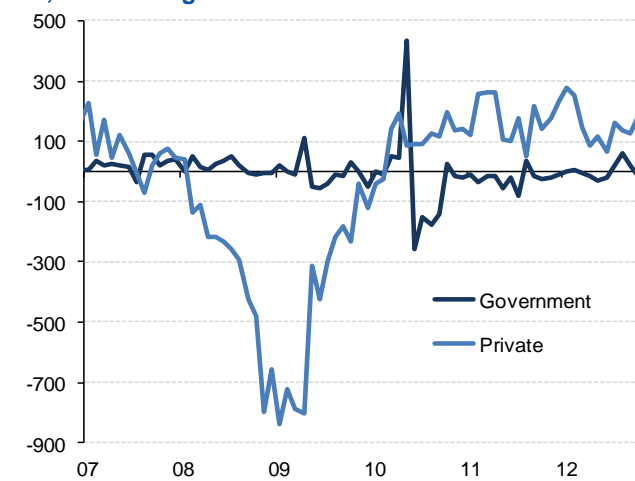
October's figures have been the revision people were waiting for in the sense of whether or not the astounding fall to 7.8% unemployment could be legitimate or whether there was a statistical detail that caused it to show bolstered results. Behind the tenth of a percent rise is good news, as more people enter into the workforce and payrolls increase dramatically. As we enter the fourth quarter, employment data fall in line with our forecast for slow but steady growth throughout the coming months. Ultimately, businesses remain hesitant to make longer-term decisions on hiring and capital expenditures as risks on tax levels and other policy changes still loom.

Chart 1
Unemployment & Participation Rates
SA, %



Source: Bureau of Labor Statistics & BBVA Research

Chart 2
Private and Government Payrolls
SA, MoM Change in K



Source: Bureau of Labor Statistics & BBVA Research

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