

U.S. Employment Flash

Robust January Figures and Revisions Boost Labor Market

- Total nonfarm payrolls added 157K jobs, but the unemployment rate edged up to 7.9%
- Private payrolls also rose by 166K on better service sector and retail trade prospects
- Revisions to 2012 figures surprise strongly to the upside

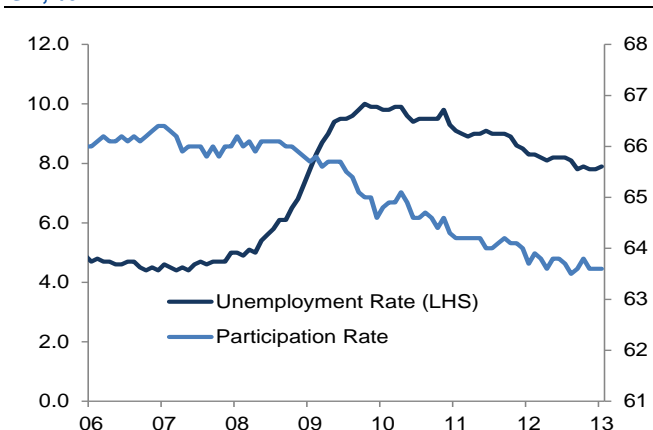
Starting the year off with a strong clap, the economy added 157K nonfarm payroll jobs in January, with 166K in the private sector. Hiring in retail, education, construction, and professional and business services increased by at least 25K jobs in each case, leading the nonfarm figures. Following its trend since October, the government shed 9K while transportation and warehousing lost 14.2K, its first decline since April 2012 after posting robust gains in December. Through the rest of the establishment survey it seems that employment gains were pervasive with only the two aforementioned sectors posting losses. In addition, the construction sector, in the limelight due to its link to its concurrent market, has continued to grow at a moderate pace, achieving double digit growth since October and beginning 2013 with a gain of 28K jobs. Overall, the survey shows that, despite pundits' assertions that the fiscal cliff situation might continue to drag down employment opportunities into 2013, revisions and January's employment gains stand to oppose the negative sentiment and provide some optimism for the fragile employment market. Also to be highlighted were the employee figures from the establishment survey as well. Average weekly hours remained the same while average weekly earnings rose by 0.2% to 23.78/hr.

Still, consistent sub-200K gains are just enough to keep pace with a growing labor force and are therefore not likely to lead to genuine declines in the unemployment rate without some help from other factors. In January, the unemployment rate rose to 7.9%, suffering slightly as the government adjusted its counting scheme and with the revisions from the benchmark update the labor force grew slightly, inflating the pool of workers. However, the participation rate remained unchanged at 63.6% for the third consecutive month. The number of individuals unemployed for 27 weeks or more continues to decline at a moderate pace, but is most likely reflected in the movement from those in unemployed status out of the labor force count.

The gem in the report issued today were the revisions to a slew of data from 2012. First were the revisions to the final two months of 2012: November's gains were revised upward from 161K to 247K while December increased from 155K to 196K, in turn adding 127K to the two months leading up to 2013. This massive revision upward was then further bolstered by the labor department's benchmark update that it undertakes at the beginning of every year for the year prior. According to its new calculation, which is adjusts with tax records, between April 2011 and March 2012, the economy added an additional 424K jobs. It also adjusted, with new census information, the number of those counted in the labor force, which rose by 136K.

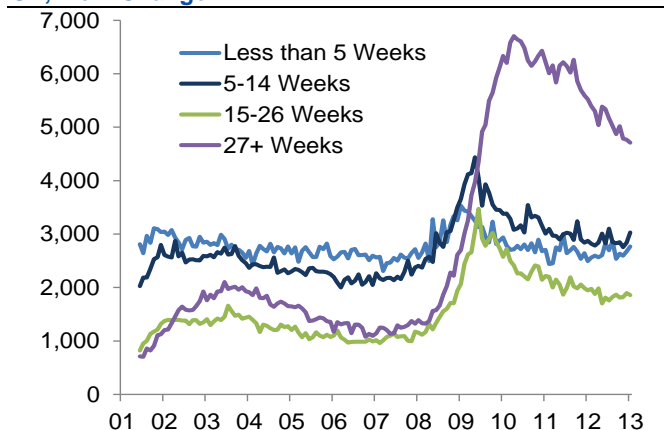
Ultimately, January has emerged as an important month for the employment situation as dramatic revisions and steadfast payroll growth have calmed some of those who were more vocally pessimistic and downplaying the fiscal cliff's impact on payroll growth. The gains are on track with the Fed's requirements for gradual improvements in the labor market, even with the upward pressure on the unemployment rate from a larger labor force.

Chart 1
Unemployment and Participation Rates
SA, %



Source: Bureau of Labor Statistics & BBVA Research

Chart 2
Civilian Unemployment Duration
SA, MoM Change in K



Source: Bureau of Labor Statistics & BBVA Research

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