U.S. Regional Flash

Labor Market Outlook Still Positive Despite Majority of States Losing Jobs in January

Preliminary estimates for state-level establishment employment surprised to the downside in January, as a majority of state payrolls declined (27 states). In total, 77K jobs were lost, contradicting the national estimate of an increase of 129K. In spite of statistical differences in the survey estimates, January's losses at the state-level were the largest contraction in aggregate state-level employment since September 2010. Moreover states such as California, Illinois, Kentucky and Connecticut experienced the worst job-losses since 2009 and lost 85K jobs combined. On a year-over-year basis, the subpar job creation pulled employment below one year ago in Kentucky, Virginia and West Virginia. Conversely, California, Florida and Texas created 319.6K, 192.8K and 322.4K jobs since January 2013, respectively.

Contrary to employment figures, unseasonable weather pattern had little effect on state-level unemployment rates. In total, 43 state unemployment rates declined, while it increased in only one state. Michigan, Louisiana and Tennessee unemployment rate's declined 0.5pp, and since last year, their unemployment rates declined 1.1pp, 1.4pp and 0.9pp, respectively. Downward trends in labor force participation, which had been a driver of the lower unemployment rates, reversed course in 28 states, and only declined in 7 states. Going forward, higher participation could put upward pressure on the unemployment rates. However, we expect that stronger job creation will counteract increases in participation for most states.

• Cold Weather Key Factor in January's State-Level Employment Estimates

Weather was a key factor in state employment estimates in January. For example, temperatures in Kentucky, Illinois and Indiana were, on average, 7.3 degrees lower than their state's historical average and in turn employment declined 18.5K, 27.6K and 10K, respectively. In addition, 20 of the 26 states that experienced well below average temperatures in January lost jobs over the month. Ohio (16.7K) and Texas (33.9K) were the only states to have significantly colder temperatures and stronger job creation; California (-31.5K) was the only state to have significantly hotter temperatures and a sharp contraction in employment.

• Upward Trends in Construction and Manufacturing Suggests Upside to 2014

Going forward, we expect job growth will pick up, as weather-related disruptions fade and the labor market strengthens. Strong contributions from the goods producing sector– mining, manufacturing and construction– is an extremely positive sign given the sector has lost 5.9M jobs since peak employment levels in 2000. Positive growth in Europe and home price appreciation domestically, will improve the upside for the goods producing sector. Signs such as an increasing number of employees willingly leaving their jobs and stronger labor force participation in a majority of states could signal that job-seekers are becoming more optimistic about the labor market outlook. As a result, our baseline forecasts are for employment growth of 5K, 13K and 27K per month in Arizona, Florida and Texas, respectively. Despite the slump in January, we continue to expect above average job creation in California (111K) over the next six months.

Table 1

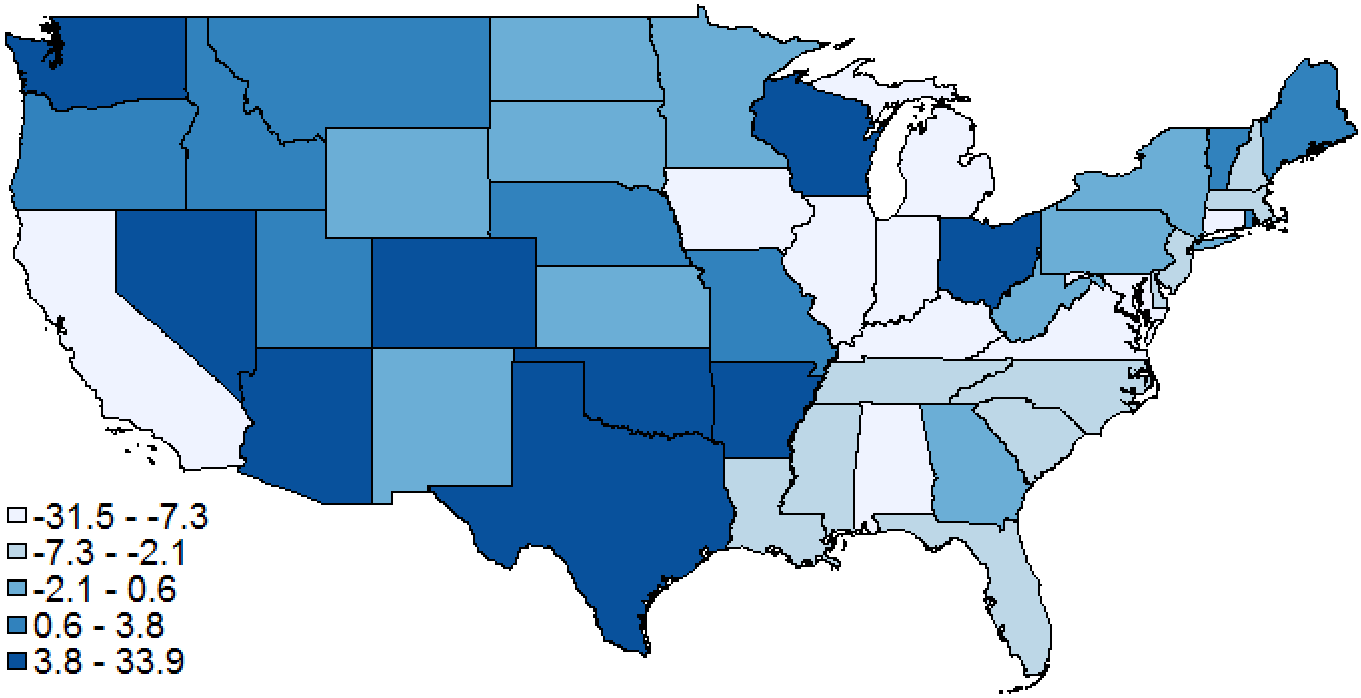
State Snapshot: Top 10 States for Employment Growth

BBVA Compass			YTD Job Gains K (per M residents)						Forecast
	U.R (Dec.)	NFP (Dec.)	Total	Goods[1]	Retail Services	Bus. Servicies	Heatlh, Edu. & Liesure	Gov.	6-month Gains
Texas	5.7	33.9	33.9 (11.5)	8 (0.3)	-6.7 (-0.3)	0.9 (0)	11.9 (0.4)	0.2 (0)	162 (6.1)
Ohio	6.9	16.7	16.7 (2.8)	10.9 (0.9)	-7 (-0.6)	7 (0.6)	2.8 (0.2)	2.5 (0.2)	27.6 (2.4)
Arizona	7.5	8.9	8.9 (2.5)	0.6 (0.1)	-1 (-0.2)	7.3 (1.1)	3.1 (0.5)	1.7 (0.3)	28.7 (4.3)
Nevada	8.7	8.0	8 (5)	1.4 (0.5)	-2.6 (-0.9)	3 (1.1)	3.6 (1.3)	2.2 (0.8)	19.1 (6.8)
Colorado	6.1	7.3	7.3 (1.2)	2.9 (0.6)	0.9 (0.2)	1.3 (0.2)	4.3 (0.8)	-0.3 (-0.1)	12.4 (2.4)
Oklahoma	5.2	6.8	6.8 (5.1)	1.3 (0.3)	0.8 (0.2)	0.4 (0.1)	4.9 (1.3)	-1.5 (-0.4)	10.4 (2.7)
Wisconsin	6.1	6.2	6.2 (0.9)	3 (0.5)	0.9 (0.2)	0.8 (0.1)	-5.7 (-1)	6.2 (1.1)	23.9 (4.2)
Arkansas	7.3	4.5	4.5 (1)	4.1 (1.4)	-1.5 (-0.5)	-0.6 (-0.2)	1.6 (0.5)	-0.6 (-0.2)	4.6 (1.6)
Rhode Island	9.2	3.8	3.8 (2)	0.4 (0.4)	0.1 (0.1)	-0.1 (-0.1)	2.6 (2.5)	0.1 (0.1)	2.3 (2.2)
Washington	6.4	3.8	3.8 (1.4)	3.3 (0.5)	-1.7 (-0.2)	-3.2 (-0.5)	3 (0.4)	1.1 (0.2)	31.7 (4.5)

Source: Haver & BBVA Research
* U.R. =Unemployment Rate,; NFP=Nonfarm payrolls
**Values in parenthesis represent per capita job creation
[1] Mining, Manufacturing & Construction

Chart 1

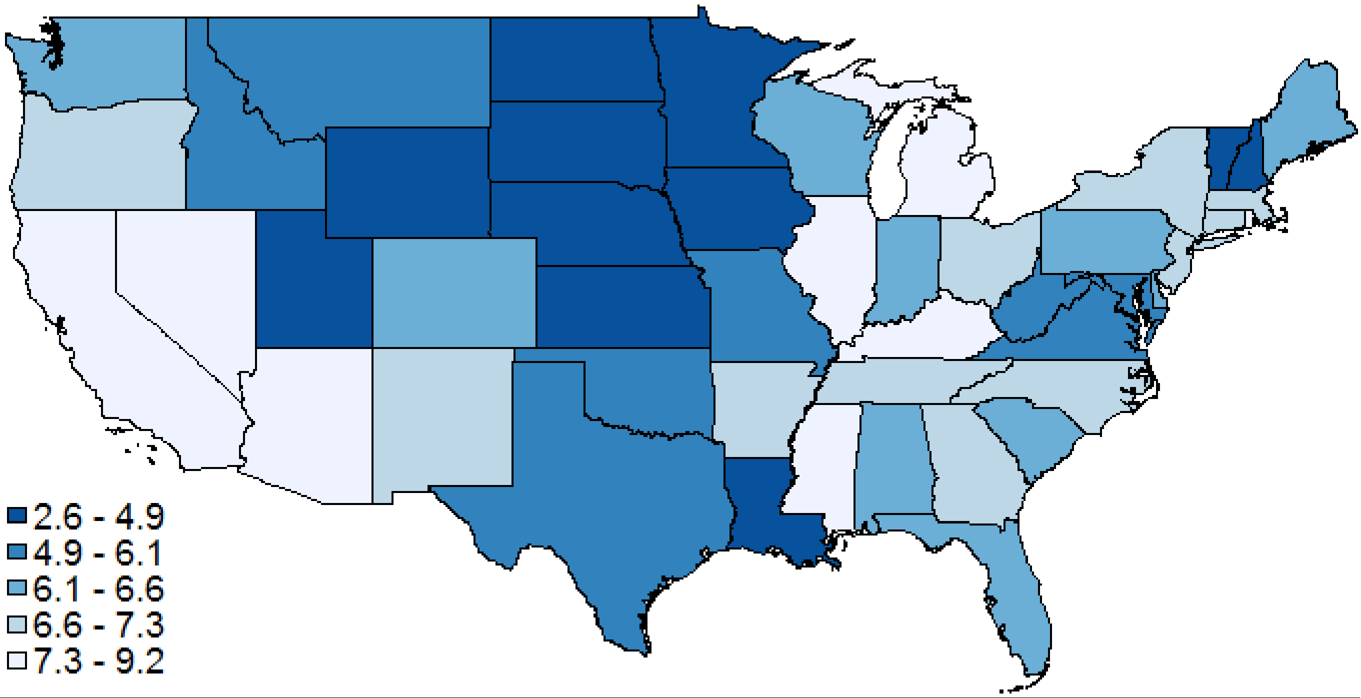
Nonfarm Payroll Employment Growth (MoM, K)



Source: Haver & BBVA Research

Chart 2

Unemployment Rate (%)



Source: Haver & BBVA Research

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