

U.S. Regional Flash

Largest States Create Bulk of U.S. Jobs in February

State and regional nonfarm payroll growth remained heterogeneous in February, with only 17 of 50 states adding jobs over the month. The largest over the month increase came in California (58.8K), which rebounded from the sharpest post-recessionary contraction in nonfarm payrolls in January (-32.0K). Florida, New York and Texas also contributed strongly to state-level employment growth, adding 33.4K, 17.6K and 37.6K, respectively. In total, these four states accounted for 80% of total state-level job creation in February. Improvements in California's and Florida's construction sectors should support higher economic growth in 2014.

In terms of the overall labor market outlook, unemployment rates continue to trend downwards in a majority of states. South Carolina's unemployment rate declined by 0.7pp to 5.5% in February, which is only 20bp above pre-crisis lows. Despite having the only unemployment rate to return to pre-recession lows, North Dakota's unemployment rate was unchanged since January (2.6%). Persistently high unemployment rates should decline over the year, as construction and manufacturing rebound on the West Coast and in the Midwest. Ohio, Arizona and Nevada are amongst the states where we expect the largest decline in the unemployment rate in 2014. Florida's California's and New York's unemployment situation will improve with growth in professional services employment and a reigniting of the construction sector.

- California Rights Ship in February**

California bounced back after experiencing its sharpest post-recession drop in nonfarm payrolls in January. Gains in manufacturing, construction and professional and scientific and technical services underlied much of 58.8K job gained over the month. Despite a decline in February, California's retail sector has added 28.1K jobs over the year and should continue to recover in 2Q14. In our baseline scenario, California will be one of the top job creators, and add close to 300K jobs in 2014.

- Growth in Professional & Business Employment Drives Illinois' Recovery**

Although Illinois' labor market benefited from a non-trivial increase in professional and business service employment, the state has struggled to create jobs over the past three-months. A historically cold winter likely weighed on the manufacturing and retail, which shed 2K and 14K jobs, respectively. However, a strong recovery in health, education and leisure reduces our concerns of a downside risks scenario in 2014. Gains in construction and manufacturing will also improve the employment outlook in Illinois. As a result, our baseline is for Illinois' to create more jobs in 2014 than the previous year.

Table 1

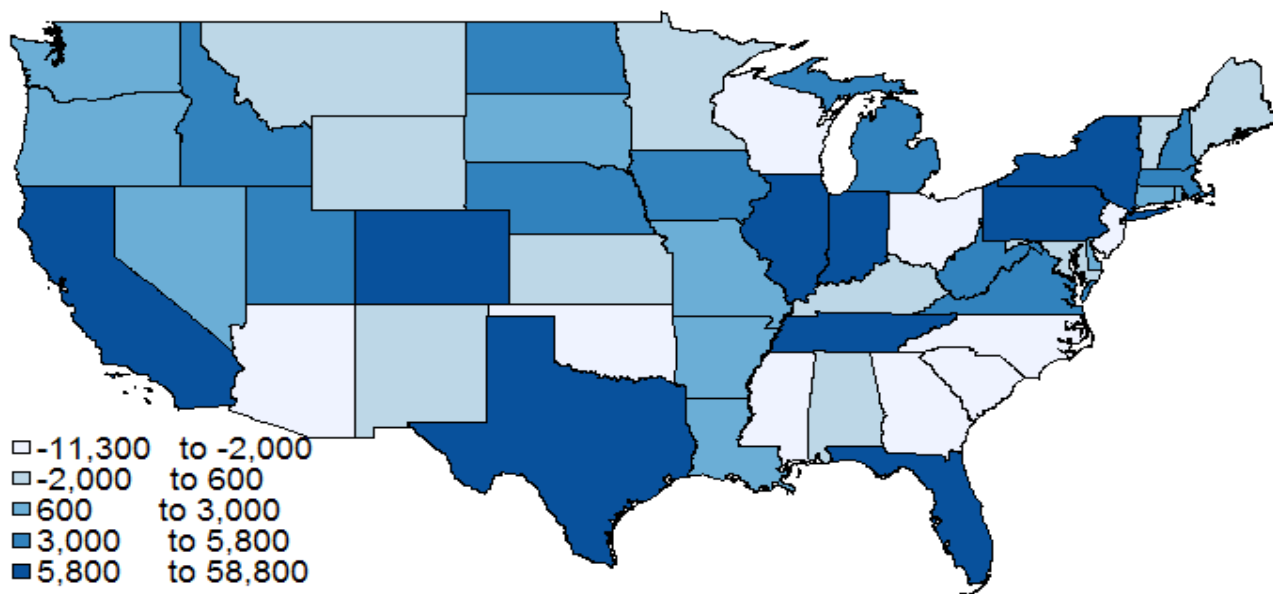
State Snapshot: Top 10 States for Employment Growth, February 2014

	U.R	Total	Goods	Retail	Trade & Info.	Prof. Serv.	Health, Edu & Leisure	Forecast
	(%)	Month-over-Month Job Growth (K)						12-month (k)
California	8.0	58.8	11.7	-0.2	6.7	10.1	25.1	367.6
Texas	5.7	37.6	6.4	5.5	0.6	15.7	2.4	346.0
Florida	6.2	33.4	7.2	7.0	8.1	9.1	9.2	171.6
New York	6.8	17.1	-2.7	-1.5	-6.0	6.7	12.3	103.7
Indiana	6.1	9.1	2.7	2.4	1.3	-0.7	1.4	18.6
Pennsylvania	6.2	8.7	-1.8	2.2	3.0	2.7	1.0	44.1
Tennessee	6.9	6.9	0.4	0.5	1.1	3.2	-0.7	54.5
Illinois	8.7	6.4	-1.0	-6.2	-6.8	8.6	4.4	57.5
Colorado	6.1	6.2	-0.6	0.9	1.2	2.5	0.8	67.2
North Dakota	2.6	5.8	1.4	0.8	0.7	1.0	2.0	18.1

Source: BBVA Research & Haver Analytics
U.R. =Unemployment Rate

Chart 1

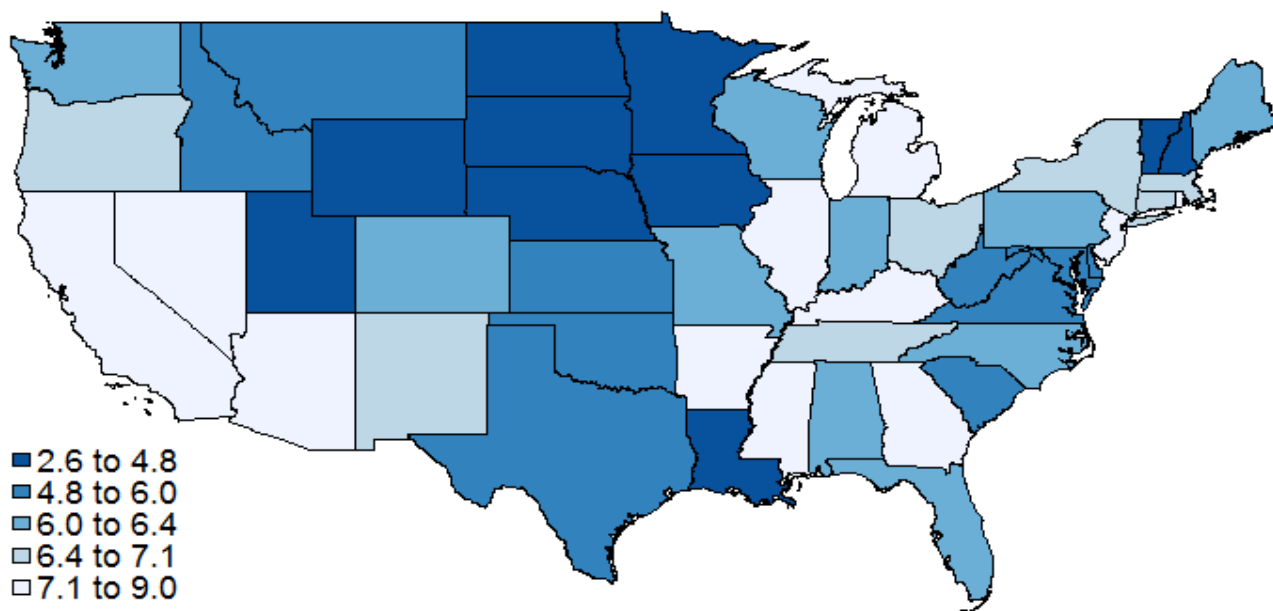
Nonfarm Payroll Growth (MoM), February 2014



Source: BBVA Research & Haver Analytics

Chart 2

Unemployment Rate (%), February 2014



Source: BBVA Research & Haver Analytics

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