

U.S. Employment Flash

Employment Gains Steady for Second Consecutive Month

- **Nonfarm payrolls added 192K in January, but unemployment remained at 6.7%**
- **Labor force participation increased as more people join the job hunt**
- **Improvements in long-term unemployment, but still far from pre-crisis levels**

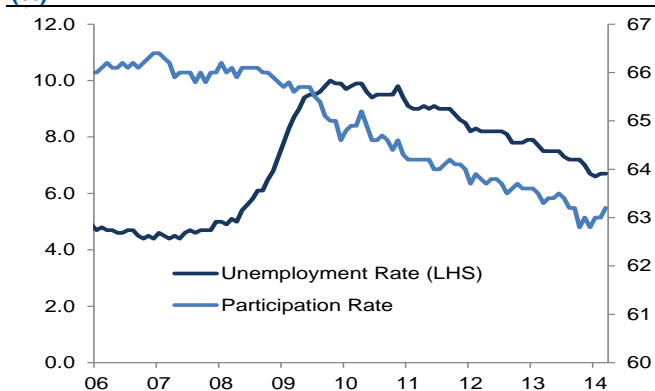
According to the report released by the Bureau of Labor Statistics on Friday, the U.S. economy added 192K jobs in March. Additionally, revisions in both January and February showed that job growth was higher than initially estimated, as February's figure was revised up from 175K to 197K and January's estimate was revised from 129K to 144K. The private sector was responsible for all of the job gains in March, with some notable tailwinds coming from professional and business services (57K), education and health services (34K), and construction (19K). On the downside, manufacturing jobs declined 1K in March for the first time since July.

Despite another month of job gains close to the 200K mark, the unemployment rate remained unchanged at 6.7%. As we have been expecting for a while now, an increase in labor force participation put upward pressure on the unemployment rate. The participation rate ticked up to 63.2% from 63.0% in March, a sign that workers are becoming confident enough to enter the job market in search of a job. Similarly, the employment report did note a decline in both discouraged workers and those marginally attached to the labor force.

Looking at other areas of the report, the recovery has certainly provided a positive boost in the bleak long-term unemployment data, but there still is work to be done to return to pre-recession levels. The number of individuals who have been unemployed for 27+ weeks dropped 2.9% to 3.7M in March, the lowest figure since March 2009 (3.3M). Though it is good news that this number is declining, the figure may not paint the whole picture for the long-term unemployed. Many of these workers may have had their jobless benefits expired, in which case they no longer count as part of the labor force. Additionally, in 2008, the number of people unemployed for 27+ weeks ranged from 1.3-2.6M, or about 1-2M lower than it is currently.

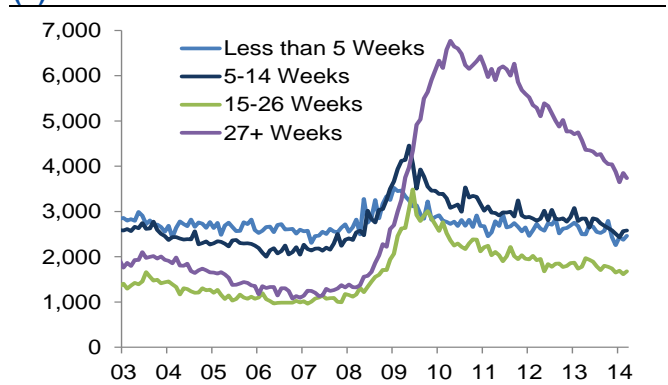
Overall, the jobs data for March, along with the substantial upward revisions to initial estimates for January and February, are positive signs for the economy after a brief slowdown throughout the cold winter months. However, to significantly improve the employment situation, job growth needs to be in the 200-250K range. We also expect that as the job outlook improves, people will re-enter the labor force and put upward pressure on the unemployment rate. Thus, we do not expect that the unemployment rate will decline as quickly as it did in 2013, holding above 6.0% through mid-2015.

Chart 1
Unemployment and Participation Rates (%)



Source: Bureau of Labor Statistics & BBVA Research

Chart 2
Duration of Unemployment (K)



Source: Bureau of Labor Statistics & BBVA Research

Michael Soni
Michael.soni@bbvacompass.com
+1 713 831 7348

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.