

U.S. Regional Flash

Coastal MSAs Shine In February Employment Report

Pointing to improvements in local labor markets, employment in February expanded in more MSAs than one month ago. For the 218 MSAs that added jobs since January, payrolls expanded by an average of 1,300 per MSA, which is also up since December. Denver (12.9K), Miami (11.7K), Dallas (9.1K) and Houston (8.6K) added the most jobs in February and have grown 3.0%, 3.0%, 2.7% and 2.8%, respectively from February 2013. In these MSAs, gains in employment were spread across several sectors including retail and professional services and construction and manufacturing. Despite a slump in January and below-average growth in retail and wholesale trade, Chicago added 6.2K jobs.

The unemployment rate also trended downward in 229 MSAs with the largest decrease in Yuma, AZ (0.9pp), which currently has the highest unemployment rate in the country (28.9%). For 28 MSAs, the unemployment rate in February was below pre-crisis averages. Meaningful declines in a handful of MSAs in South Carolina also show strength across the country. In spite of positive signs across many MSAs, unemployment rates remain above pre-crisis lows in all MSAs.

• Sun Shines On Labor Markets In California, Colorado, Florida and Texas

Job growth among MSAs in the South and West has been staggering. Since February 2013, MSAs in California, Colorado, Florida and Texas accounted for 47% of all job creation across the U.S. The unparalleled growth in employment is the result of a strong rebound in manufacturing and construction, particularly in a handful of Florida MSAs: Miami, Orlando and Tampa. In California, San Jose also saw substantial job growth over the year. Construction employment also expanded at a high rate in many major metro areas within the region as a result of strong home price appreciation. High-skilled job creation among professional, business and technical services and information continue to strengthen the labor market. As a result of employment growth in multiple high-value added sectors, 65.8% of MSAs now exceed their pre-crisis level of employment, with the most populous MSAs leading the way.

• Labor Market Outlook Will Continue To Improve In 2Q14 And Throughout 2014

The fact that unemployment rates in 28 MSAs are below pre-crisis averages and that 173 MSAs are at or above pre-crisis employment levels suggest that local labor markets are strengthening and will continue to do so in 2Q14. More confident consumers and improvements in the outlook for investment are also increasing the incentives for people to return to the workforce. Higher inflows into the labor force and less uncertainty over regulation and future demand should reduce hiring frictions at the MSA-level. As a result, we forecast that more than 36 additional MSAs will add enough jobs to recover or surpass their pre-crisis employment, and 11 MSAs will add over 10K jobs in 2Q14. Primarily, job growth will be concentrated in construction, healthcare, retail and professional service occupations such as accountants and lawyers. In turn, we anticipate that by year-end, 41 MSAs will have unemployment rates below their pre-crisis average.

Table 1

MSA Snapshot: Top 10 MSAs for Employment Growth, February 2014

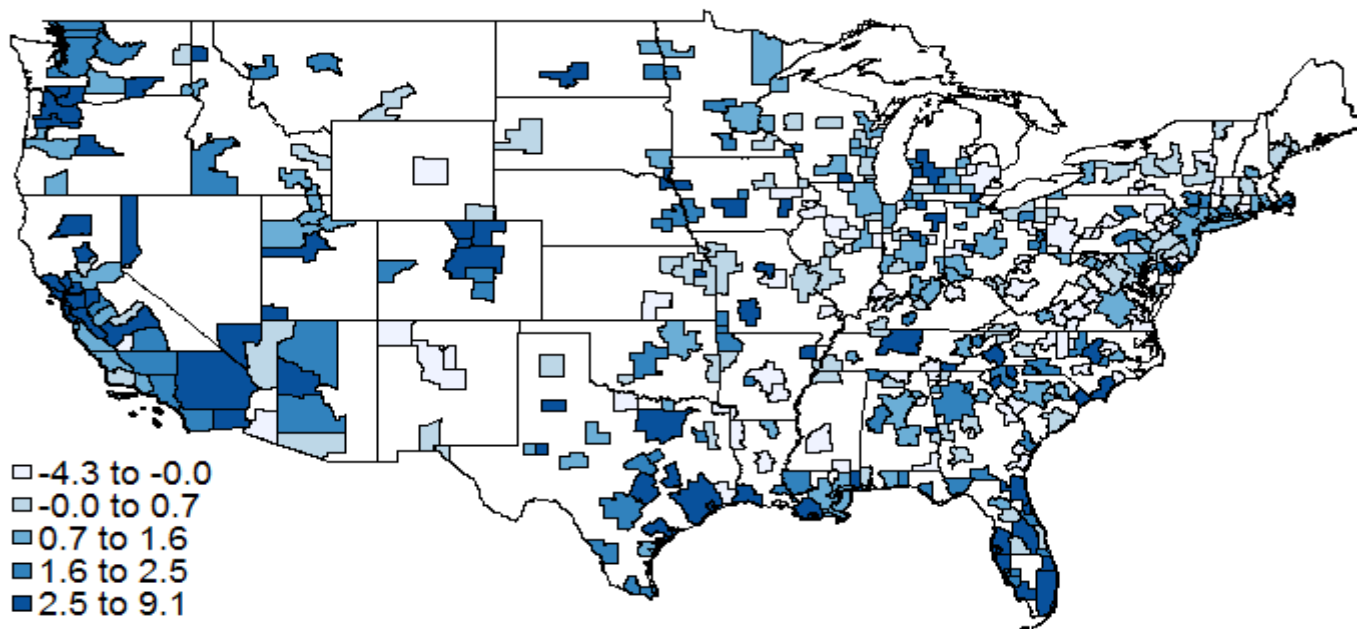
| | U.R. | Total | Goods | Retail | Trade & Info. | Prof. Serv. | Health, Edu & Leisure | Forecast |
|--------------------------------|------|---------------------------------|-------|--------|---------------|-------------|-----------------------|--------------|
| | (%) | Month-over-Month Job Growth (K) | | | | | | 12-month (K) |
| <i>Denver-Aurora, CO</i> | 6.0 | 12.9 | -0.4 | 1.9 | 1.8 | 4.1 | 1.5 | 41.1 |
| <i>Miami, FL</i> | 6.3 | 11.7 | 0.6 | 2.3 | 2.7 | 3.3 | 2.0 | 58.8 |
| <i>Dallas-Fort Worth, TX</i> | 5.6 | 9.1 | -1.6 | -2.1 | -2.6 | 5.1 | 0.1 | 86.7 |
| <i>Houston, TX</i> | 5.6 | 8.6 | 3.4 | 3.2 | 0.7 | -0.4 | -2.1 | 96.1 |
| <i>San Diego, CA</i> | 6.8 | 8.1 | -0.4 | 1.3 | 1.5 | 0.5 | 1.7 | 33.0 |
| <i>San Francisco, CA</i> | 5.9 | 7.6 | 1.5 | 0.2 | 0.4 | 1.5 | 0.2 | 62.0 |
| <i>Orlando, FL</i> | 5.8 | 7.1 | 1.1 | 0.8 | 0.6 | 0.5 | 2.7 | 31.8 |
| <i>Tampa-St Petersburg, FL</i> | 6.3 | 6.8 | 0.9 | 0.6 | 0.7 | 4.3 | 0.4 | 25.5 |
| <i>Chicago, IL</i> | 8.4 | 6.2 | 0.7 | -4.9 | -5.8 | 1.6 | -1.0 | 52.4 |
| <i>Pittsburgh, PA</i> | 5.8 | 5.8 | -1.8 | 0.5 | 0.5 | -0.4 | 2.7 | 9.1 |

Source: BBVA Research & Haver Analytics

*Ranking based on MoM job creation in thousands; U.R. =Unemployment Rate

Chart 1

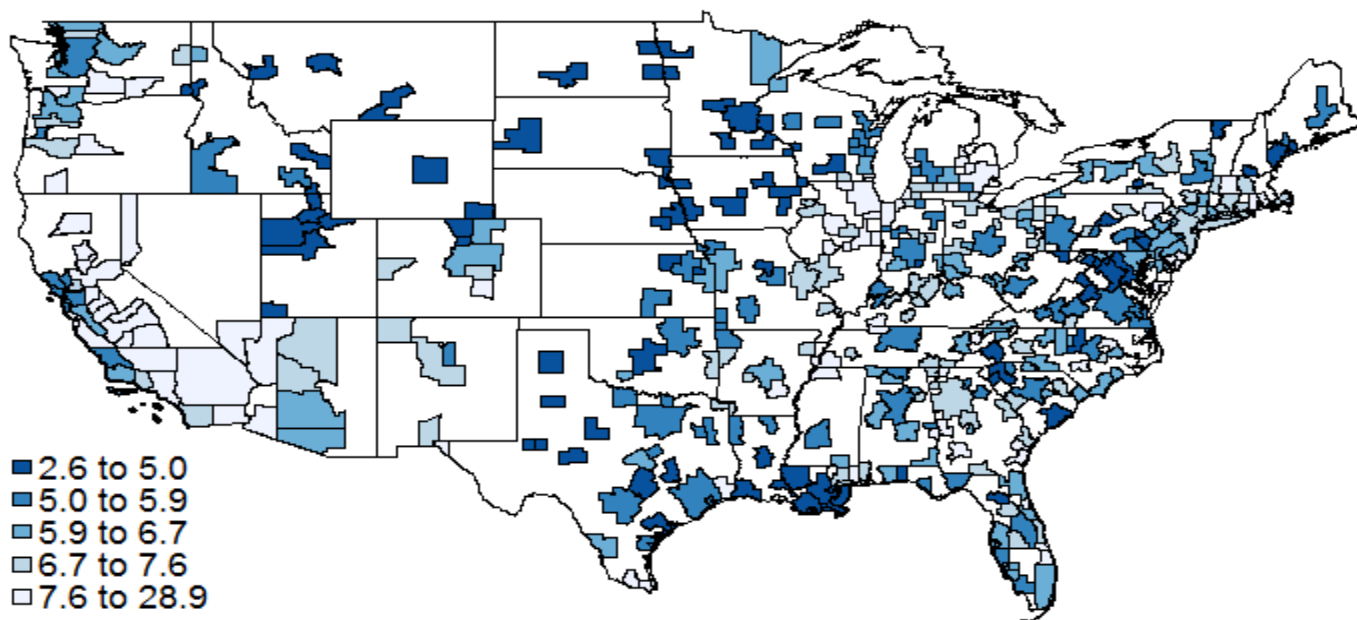
Nonfarm Payroll Growth (Year-over-Year %), February 2014



Source: BBVA Research & Haver Analytics

Chart 2

Unemployment Rate (%), February 2014



Source: BBVA Research & Haver Analytics

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