

U.S. Regional Flash

Slack Remains in Final Employment Report of 1Q14

Employment growth continued to underwhelm in March, as 16 of 50 states added jobs over-the-month. The largest over-the-month increase came in Florida (58.8K), which unlike much of the country, added a 62.3K jobs in 1Q14, 15K more than the 1Q13. North Carolina (19.4K) and Georgia (14.6K), Florida's neighbors to the north, also added a non-trivial number of jobs. Texas and California, who had been amongst the strongest job creators prior to March, decelerated slightly to 11.8K and 9.1K respectively. This was nevertheless above the average increase of 5K jobs. In line with lackluster growth in 1Q14, employment dropped considerably more than the average (1.9K) in Pennsylvania (-8.4K), Virginia (-5.1K) and Illinois (-3.2K). In fact, Virginia and Illinois shed 16.5K jobs in 1Q14.

To the upside, the unemployment picture improved in 20 out of 50 states, with the largest improvement coming in Ohio. Ohio's unemployment rate stands 1.3pp lower than 6 months ago. The Midwest and Northeast were all well represented in the group of states with lower unemployment rates in March. Rhode Island, Vermont, Illinois and Massachusetts all saw significant declines in their unemployment rates. Positive economic growth in Europe will continue to reinforce these trends ([2014 Regional Outlook](#)). Despite improvements in a handful of economic indicators, the unemployment rate has trended upwards in Alabama and New Mexico over-the-quarter.

- ### Higher Employment Growth Favors Incumbents In Close Mid-Term Elections

North Carolina, Louisiana, Alaska and Michigan are hosting highly contested House and Senatorial races in November. Given that the economy has continued to trend below potential and too many Americans remain unemployed, job growth over the coming months will be pivotal for challengers trying to control the political histrionics. Job losses in key sectors of Alaska's and Michigan's economy and weaker economic prospects will likely push the economy and job creation to the forefront of the conversation. In addition, a lack of job creation in the manufacturing and construction will likely reduce the potential for the economic recovery to progress quickly in these areas. An additional 19.4K 3.3K and 14.6K jobs in North Carolina, Colorado and Georgia respectively, broad-based employment growth in a number industry sectors, and the fact that all of these states are expected to experience a pickup in job growth over the year suggests that attention will likely shift away from the economy to other issues such as healthcare and income inequality in these states.

- ### Glimpse Into April's Employment Report Suggest Turning Point

The positive national labor market report for April is in line with our expectations for higher job growth and stronger economic activity in 2014. The deceleration in the housing market and unseasonably cold weather likely weighed on state job creation in 1Q14. As a result, a non-trivial share of states have higher unemployment rates today than in January. In addition, the glimpse into April's labor market reaffirms our expectations for growth to not only pick up in the 2H14, but reach more Americans. Therefore, our baseline is for average state employment growth of 10.9K (6.2K in 1Q14) jobs per state in 2Q14.

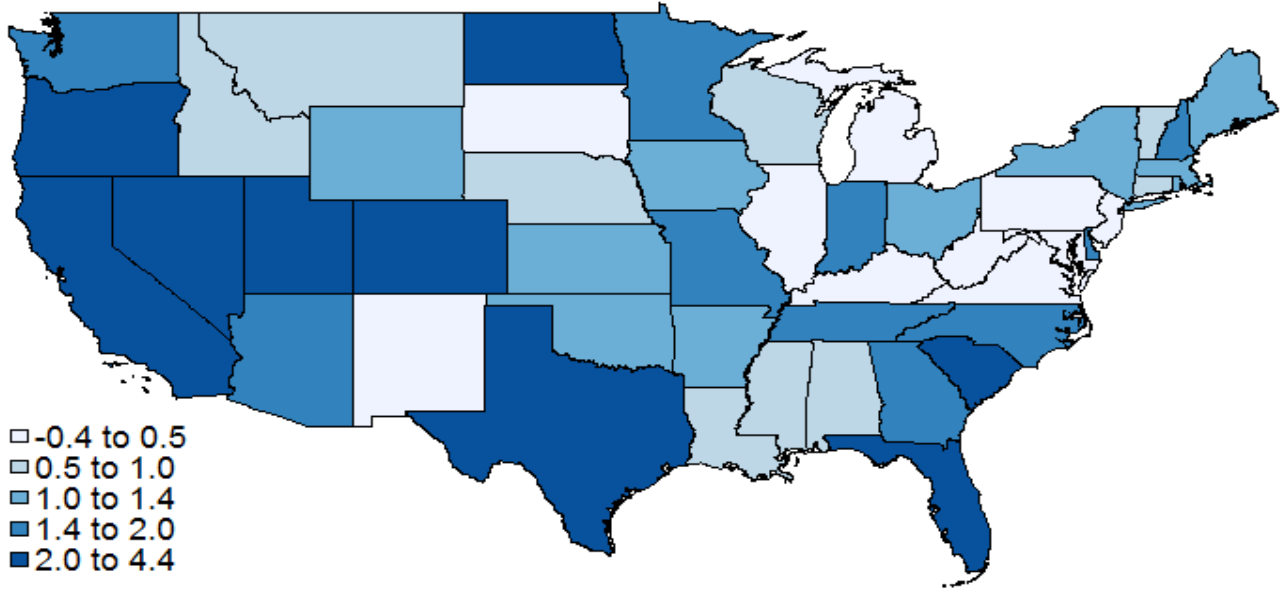
Table 1

State Snapshot: Employment Growth in Contested Congressional Races, March 2014

	U.R	Total	Goods	Retail	Trade & Info.	Prof. Serv.	Health, Edu & Leisure	Forecast
	(%)	Month-over-Month Job Growth (K)						12-month (k)
<i>North Carolina</i>	6.3	19.4	1.2	2.3	4.9	6.8	6.3	41.7
<i>Louisiana</i>	4.5	0.9	2.5	-0.6	0.3	2.1	-3.8	19.8
<i>Alaska</i>	6.6	-0.2	-0.8	-0.2	-0.3	0.5	0.3	3.9
<i>Michigan</i>	7.5	-0.4	-3.2	0.2	1.3	-2.3	3.6	23.5
<i>Colorado</i>	6.2	3.3	1.9	2.3	1	-2.2	1.3	65.3
<i>Arkansas</i>	6.9	1.2	-1.2	0.0	0.8	0.9	0.7	1.5
<i>Georgia</i>	7.0	14.6	2.6	3.8	5.2	2.7	3.2	63.1
<i>Iowa</i>	4.5	-1.7	-1.5	-0.2	-0.1	-0.5	1.1	16.5
<i>New Hampshire</i>	4.5	2.6	0.1	0.8	0.7	0.4	1.2	13.8
<i>Montana</i>	5.1	0.3	0.6	-0.7	-1.0	0.1	0.1	9.1

Chart 1

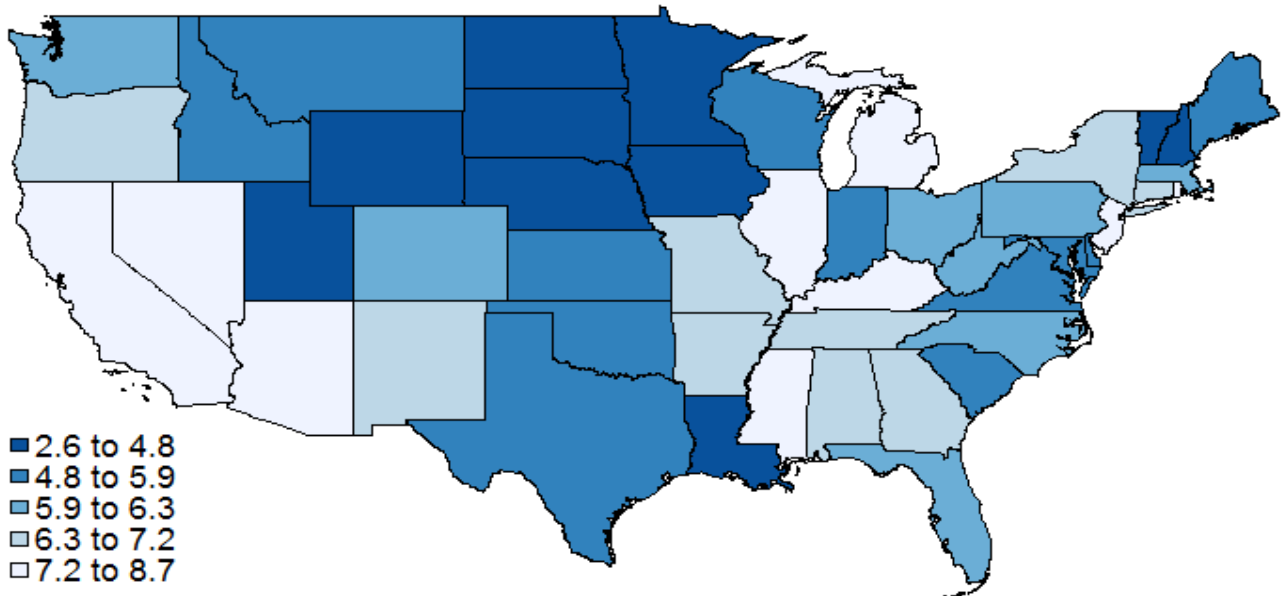
Nonfarm Payroll Growth (YoY%), March 2014



Source: BBVA Research & Haver Analytics

Chart 2

Unemployment Rate (%), March 2014



Source: BBVA Research & Haver Analytics



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