U.S. Regional Flash

March's MSA Employment Report Inconsistent With Revised

For the 234 MSAs that added jobs over-the-month, average job creation was 1,200 jobs. For the top-five Job creators, Atlanta, St. Louis, Indianapolis, Seattle and Houston, payrolls expanded by 13.2K,10.5K, 8.8K, 8.5K and 7.6K, respectively. For St. Louis, Indianapolis and Seattle, a reigniting of the manufacturing sector, which added a combined 11K jobs in March, contributed strongly to overall employment growth. From one year ago, employment has grown by 1.1%, 2.2%, and 2.5%, respectively. Employment gains in Atlanta and Houston were spread across multiple sectors, including retail, trade, information and professional and business services.

In March, unemployment rates declined by an average of 0.2pp in the 168 MSAs with lower unemployment rates. The largest decrease came in Danville, IL (-0.6pp), which is down from a level well above the U.S. average — 11.9% vs. 6.3%. The extreme weather and dip in investment, prolonged the malaise in Alabama and New Mexico MSAs, which experienced a weakening of local labor markets and a non-trivial increase in unemployment rates. Regardless, for 28 MSAs, the pace at which the unemployment rate is declining picked up. Ultimately, stronger growth in manufacturing and construction is needed to increase the pace and incentives for discouraged workers and the long-term unemployed to return to the labor force. Putting people back to work in these sectors will have a larger impact MSAs in Illinois and Ohio, which remained distressed in the post-recessionary period.

- **Employment Growth A Mixed Bag In MSA's With Close Congressional Elections**

  In Miami, Sacramento and Tucson, which face tight elections in November, job creation was evenly distributed across industries and grew by 5.6K, 4.1K and 7.1K, respectively. Conversely, Denver shed 100 jobs and Albany lost and additional 400 jobs. Low rates of job creation and effectively no economic growth in the 1Q14 will reignite the histrionics associated with the economy in competitive House elections. We expect weak labors markets and separations in higher-wage professional services will be an advantage for challengers. All else equal, if challengers fail to shift the conversation away from economic activity, it appears incumbents will have the upper hand. In fact, the unemployment rates in these areas remain at or below the nation average, which suggests conversations could rebalance between economic and non-economic issues. Regardless, our outlook is for positive job growth over the remainder of 2014 in these cities, and for the downward trend in unemployment to continue– see table below.

- **Widespread Job Gains Likely As National Payrolls Beat Consensus In April**

  After a quarter of tepid job creation, the jobs outlook appears to be improving. At the national level, in April, nonfarm payrolls expanded at the highest month-over-month pace since January 2012, adding 288K jobs over the month. In addition, February's and March's employment estimates were revised up to over 200K jobs per month. In terms of our forecasts, this confirms our upside bias for Provo, UT, Bryan-College Station, TX, Midland and Lawrence Kansas, which will be amongst the states with the fastest growing employment. By yearend, our forecasts indicate that Midland, TX, Bismarck, ND, Fargo, ND and Houma, LA will have the lowest unemployment rates in the country.

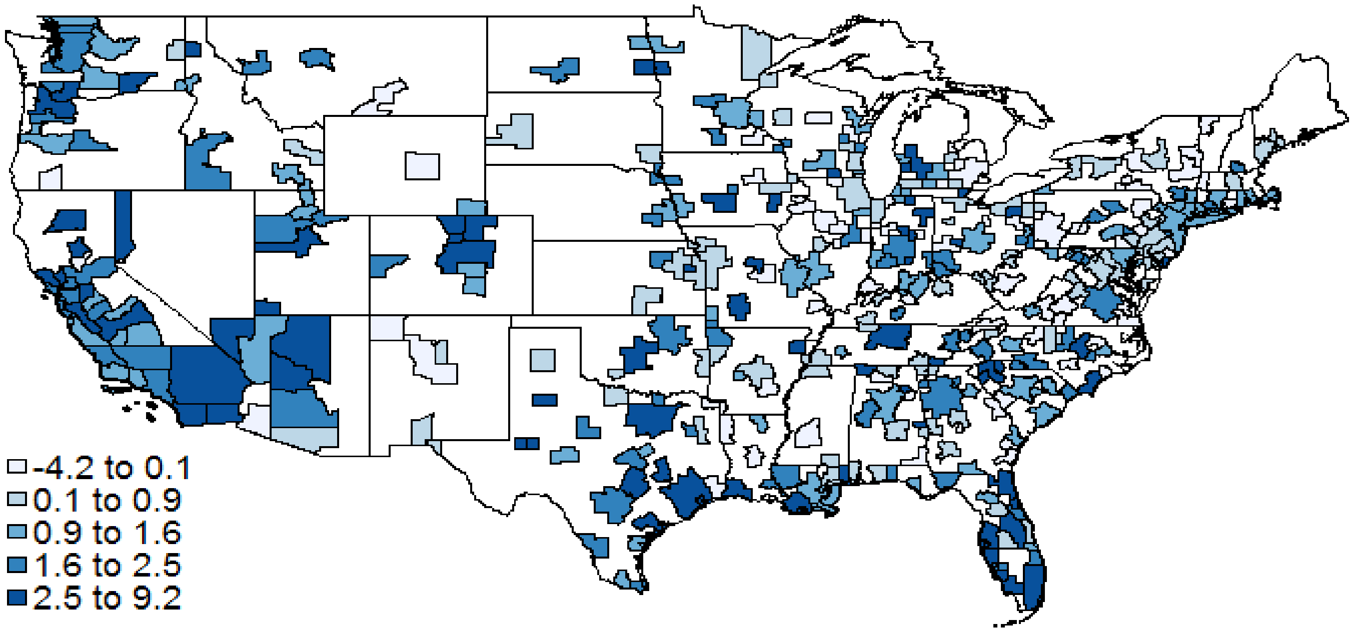
Table 1

MSA Snapshot: MSA Employment Growth In Contested Congressional Races

	U.R	Total	Goods	Retail	Trade & Info.	Prof. Serv.	Health, Edu & Leisure	Forecast
	(%)	Month-over-Month Job Growth (K)						12-month (K)
W. Palm Beach, FL	6.5	0.8	0.1	0.4	0.6	0.2	1.1	13.0
Miami, FL	6.4	5.6	0.2	0.5	2.1	1.5	1.9	59.0
Denver, Co	6.0	-0.1	0.3	1.0	0.3	-2.1	-0.4	5.9
Albany, NY	5.6	-0.4	0.2	0.1	0.1	-0.3	0.8	2.0
Manchester, NH NECTA	4.4	0.9	0.0	0.1	0.0	0.2	-0.1	2.0
Trenton, NJ	5.8	1.1	0.0	0.1	0.2	0.3	0.3	6.0
Des Moines, IA	4.4	0.7	0.2	0.1	0.0	-0.3	0.9	7.1
Flagstaff, AZ	6.6	1.3	-0.1	0.4	0.3	0.2	1.1	6.9
Tucson, AZ	6.8	7.1	1.7	1.2	1.7	0.3	2.4	35.2
Sacramento, CA	7.8	4.1	1.5	0.2	0.0	1.4	2.2	19.2

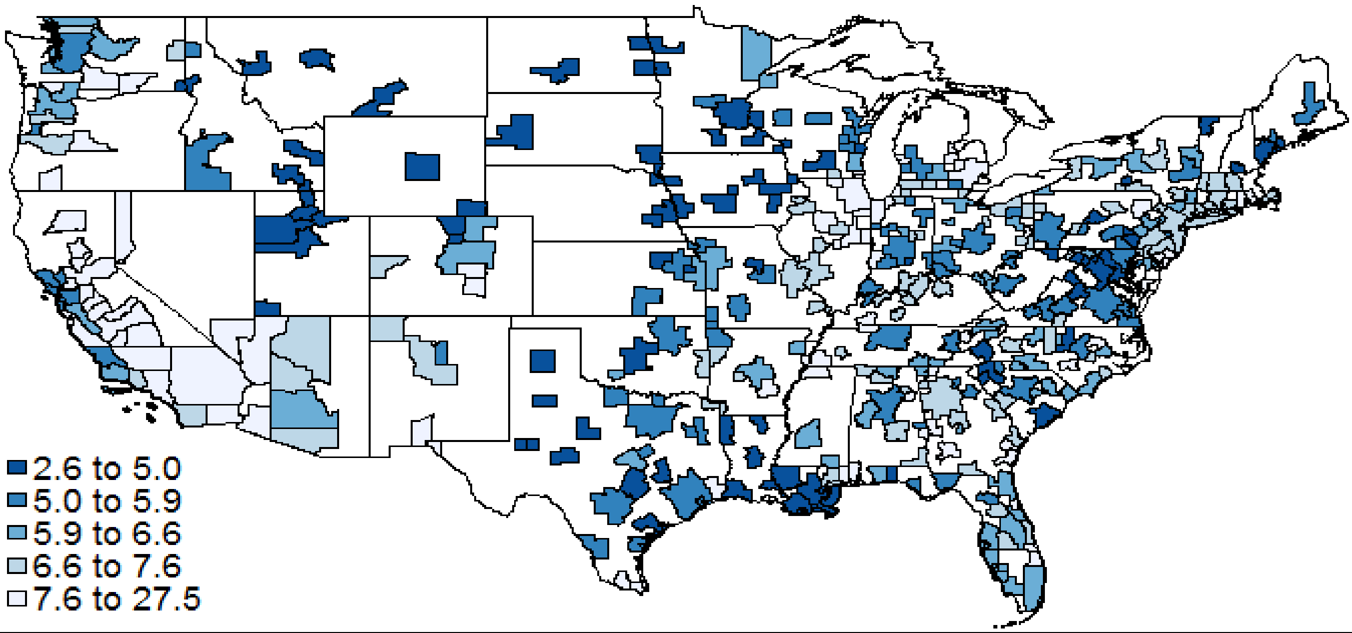
Source: BBVA Research & Haver Analytics
*Ranking based on MoM job creation in thousands; U.R. =Unemployment Rate

Chart 1
Nonfarm Payroll Growth (Year-over-Year %), March 2014



Source: BBVA Research & Haver Analytics

Chart 2
Unemployment Rate (%), March 2014



Source: BBVA Research & Haver Analytics

| 2200 Post Oak Boulevard ,21st Floor, Houston, TX 77056 USA | www.bbvaresearch.com

Boyd Nash-Stacey
boyd.stacey@bbvacompass.com
+1 713 831 7344