

U.S. Regional Flash

Broad based Improvements Drive State Hiring in April

April's state employment report confirms our expectations for improvements in regional labor markets, as 40 states added jobs over-the-month and 15 states added the most jobs since 2013. Specifically, Texas carried its momentum from 1Q14 into 2Q14, adding 64K jobs, of which 17.3K were in the goods producing sectors. California (56.1K) and Florida (34K) also added a non-trivial share of jobs over the month, led by respective increases of 12.8K and 8.1K in professional, business services and financial jobs, and 32.8K and 17.8K in leisure, healthcare and education. North Carolina (15.3K), Georgia (14.6K) and Colorado (13.9K) also benefited from the tailwinds in April, adding 43.8K jobs combined. The rebirth of the American consumer, a slower rate of deleverage, stronger economic conditions abroad and a less uncertain investment environment domestically have allowed 19 states to employ more people today than prior to the crisis.

In terms of the outlook for unemployed workers, 43 out of 50 states had lower unemployment rates in April than in March. Illinois' 0.5pp drop in its unemployment rate was the largest decline in April. Nevada and Tennessee also experienced a non-trivial decline in their respective unemployment rates— 0.5pp and 0.4pp. However, despite the improvements in April, these states continued to see persistent unemployment and rates that are well above the U.S. average. To the upside, however, Ohio once again ranked favorably amongst states with large improvements in unemployment conditions. As a result of improvements in mining and manufacturing sectors, Ohio's unemployment rate now stands below the U.S. average of 6.3%.

• Do Differences In Employment Growth Explain Variation In State Consumer Prices?

Although the recently released state relative price indexes are annual and lagged, the April release contains interesting information about how labor market heterogeneity and wages are affecting relative price changes amongst states. First, and not surprisingly, employment growth appears to be weakly correlated, and even negatively correlated in 2012, with relative increases in all consumer price categories. Second, the growth in nominal wages, as measured by the average annual wages from the CEW survey, shows the strongest correlation with relative price increases. This underlies a relationship that exists between higher relative productivity and growth in non-tradables prices. Third, unlike increases in relative prices, increases in rental prices have been correlated with employment growth. Ultimately, because Texas, California, and Florida are experiencing higher relative employment and wage growth, there is strong likelihood that prices will appreciate relative to other states in 2014.

• Labor Markets To Pick Up Momentum In 2Q14

In line with our expectations for a higher growth in 2014, the outlook for employment continues to brighten, particularly amongst the largest and most populous states. Going forward, as confidence improves, and investment picks up we expect states lagging in the recovery to gain momentum. For 2Q14, our focus is shifting eastward, as our forecasts imply strong employment growth in Georgia, Tennessee, South Carolina and North Carolina.

Table 1

State Employment Snapshot*, April 2014

	U.R	Total	Goods	Retail	Trade & Info.	Prof. Serv.	Health, Edu & Leisure	Forecast
	(%)	Month-over-Month Job Growth (K)						12-month (k)
1. South Dakota	3.8	0.5	0.0	0.3	0.4	0.0	-0.3	10.9
2. North Dakota	2.6	1.4	1.2	0.2	1.9	-0.3	-0.7	27.6
3. Alaska	6.4	2.0	1.4	-0.2	-0.2	0.1	0.0	4.0
4. Maine	5.7	-2.2	-1.1	-0.1	0.4	-0.2	-0.7	4.7
5. Vermont	3.3	0.1	-0.2	0.0	-0.3	-0.4	0.7	6.4
46. Wyoming	3.7	-0.9	-0.4	0.1	-0.1	-0.1	0.0	8.0
47. Mississippi	7.5	4.9	1.2	0.6	0.6	1.8	1.8	31.7
48. Rhode Island	8.3	0.7	0.8	0.5	0.3	-0.4	0.2	7.9
49. Massachusetts	6.0	-1.6	0.3	1.2	3.0	-0.9	-5.1	50.6
50. Nevada	8.0	3.0	1.4	-0.6	-1.5	1	1.9	47.1

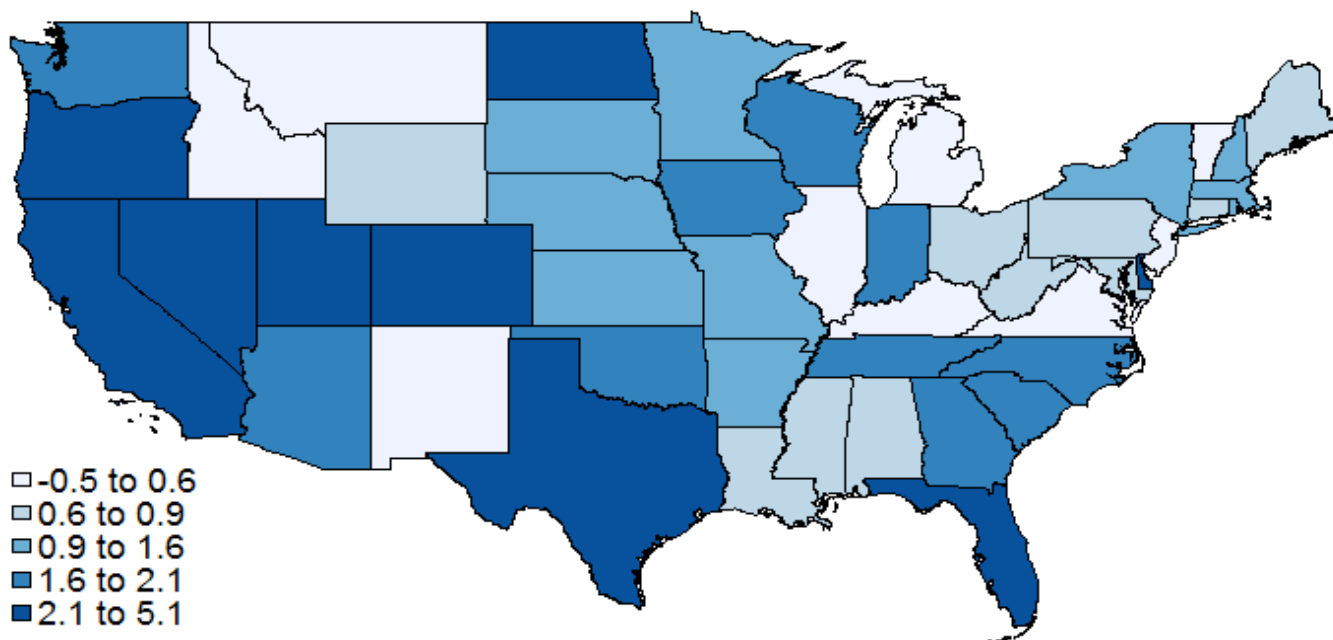
Source: BBVA Research & Haver Analytics

U.R.=Unemployment Rate

*Ranking based on relative prices estimates from the BEA, which are released annually; estimates span from 2008-2012

Chart 1

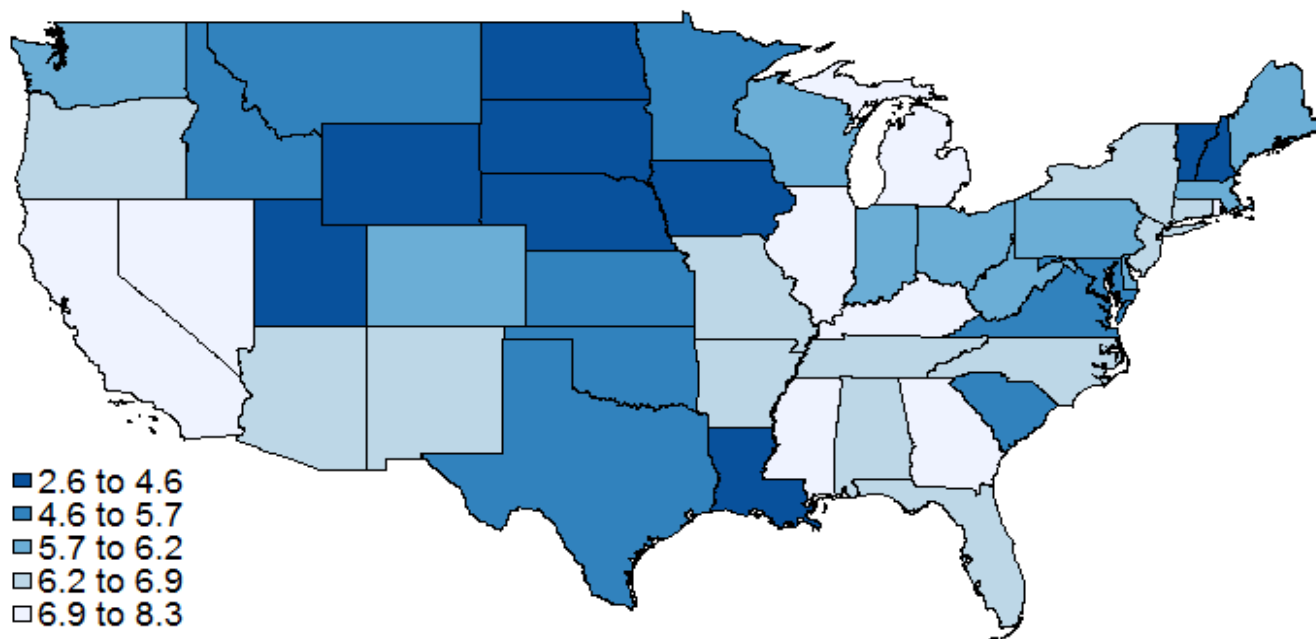
Nonfarm Payroll Growth (YoY%), April 2014



Source: BBVA Research & Haver Analytics

Chart 2

Unemployment Rate (%), April 2014



Source: BBVA Research & Haver Analytics

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