

U.S. Regional Flash

Employment Undeterred by April Showers (Or Lack Thereof)

Two-thirds of U.S. MSAs added jobs over-the-month, totaling 276K of the 288k jobs created nationwide. Despite the small increase in the number of MSA's adding jobs— 246 vs. 230—average job growth for MSAs that added jobs was 1,500 jobs over the month; an acceleration from one month-ago. For the most part, employment growth was skewed to the larger MSAs such as New York, Dallas, Los Angeles, Miami and Orlando. Respectively, these MSA nonfarm payrolls expand by 31.4K, 16.1K, 13.8K, 12.4K and 11.2K. In year-over-year terms, New York grew by 1.1%, Dallas by 3.5%, Los Angeles by 2.2%, Miami by 3.2%, and Orlando by 4.4%. Despite improvements in 1Q14, Boston, MA (-3.2K), Detroit (-3.9K), Las Vegas (-2.2K), tilted to the downside, ranking at the bottom for employment growth in April. Overall, employment and hiring appeared to turn the corner, in line with our baseline for a pickup in labor market activity in 2Q14 and trend towards less parity between MSAs.

Despite 243 MSAs having lower unemployment rates relative to March, the underlying cause of the declines varied. For example, Yuma's 0.9pp and Peoria's 0.6pp MoM drop in its unemployment rates were explained by both gains in employment but also contraction in the labor force. In fact, both Yuma's and Peoria's labor force continue to trend below pre-crisis levels. For the MSAs with the largest declines in unemployment rates, 23 of the 25 MSAs have contracting or labor forces that are smaller than prior to the recession. To the upside, however, areas with growing labor forces such as Midland, TX and Bismarck, ND have unemployment rates that continue to trend downwards, reflecting the forceful boost from the energy sector.

- **For Texas Oil & Gas Not The Only Show In Town**

The Oil & Gas sector has been instrumental in the recovery and resiliency of economies in Texas' MSAs. For Houston, the resurgence in both traditional and non-traditional drilling led to the creation of 25K jobs in the mining sector alone, 40% of which were created in support activities. In April, seasonally adjusted gains in exploration and extraction, and support activities were 900 and 300 jobs respectively. However, the 1,200 jobs created in April understate the true impact that gains in the sector represent. In fact, estimates suggests that for every one job created in the oil & gas sector two indirect or induced jobs are created outside the industry or region. As a result, Houston and Dallas have added 14.6k and 8.1K construction and manufacturing jobs since last year. As a result of the energy boom, professional business services and financial services jobs have grown by 30.8K 12.9K and 12.4K in Austin Houston and Dallas, respectively. Furthermore, overabundance of natural gas and other input commodities in Texas has increased the states attractiveness for capital investments, which also boosts the states outlook for hiring. Taken together, Texas is on pace to create 455K jobs in 2014, which would shatter the state's record for most jobs created in one year— 364.8K in 1978.

- **Jobs Outlook For 2Q14 And Beyond**

Sluggish labor market growth in 1Q14 reflected economic headwinds that weighed on residential investment, consumption and exports and resulted in the first negative quarter of GDP growth since 1Q11. However, current indicators are more upbeat, which is in line with our baseline scenario for a stronger 2014. This in turn suggests a bounce back in employment growth at the MSA level in 2Q14. In percentage terms, Salt Lake City, UT, Austin, TX and Houston, TX will be leaders in employment growth over the quarter. Our forecasts also point to a very auspicious remainder to 2014 in Utah's three largest MSAs. In fact, as a result of increased tourism, growth in the manufacturing sector and resurgence in construction activity Provo, Salt Lake City and Ogden are forecasted to be the top three MSAs for employment growth over the remainder of 2014.

Table 1

MSA Employment Snapshot*, April 2014

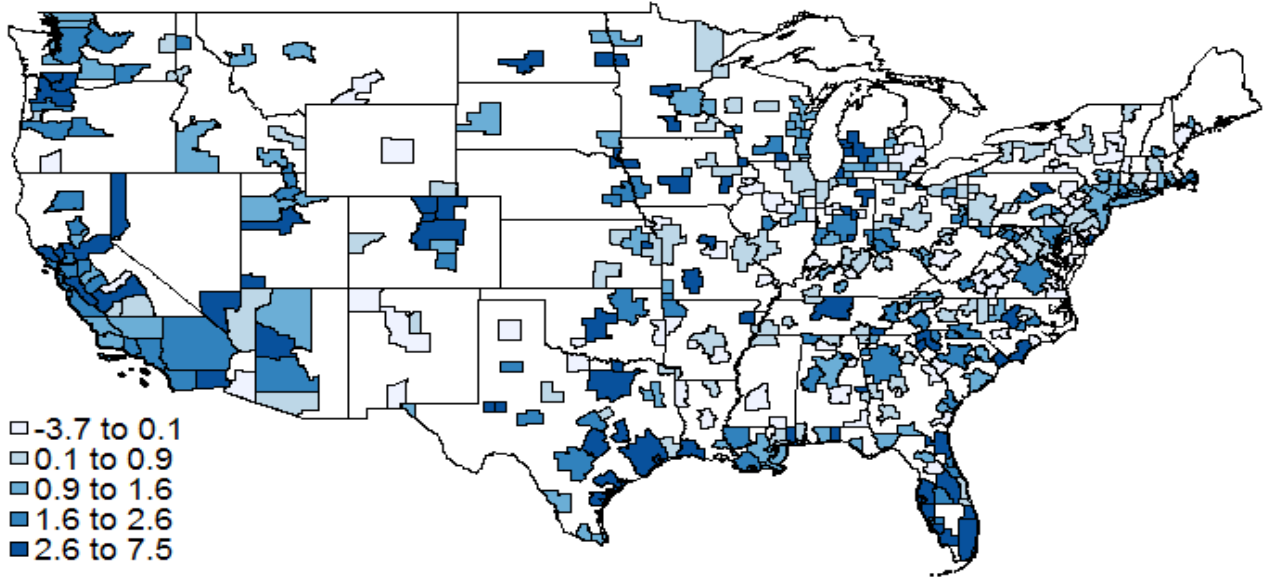
	U.R	Total	Goods	Retail	Trade & Info.	Prof. Serv.	Health, Edu & Leisure	Forecast
	(%)	Month-over-Month Job Growth (K)						12-month (K)
1. Honolulu, HI	4.1	-0.2	0.1	-0.1	-0.1	0	0.1	10.2
2. New York, NY-NJ	7.0	31.4	5.0	7.7	2.4	12.6	3.7	80.5
3. San Jose, CA	5.9	4.6	-0.2	-0.8	0	0.7	0.6	34.8
4. Bridgeport, CT	6.6	1.5	0.0	1.5	1.6	1.3	0.5	4.4
5. Santa Rosa, CA	5.7	1.3	0.3	-0.2	-0.2	0.2	-0.6	4.8
378. Rome, GA	7.2	-0.2	0.0	0.0	-	-	-	0.4
379. Jonesboro, AR	6.3	0.2	0.0	-	-	-	-	1.2
380. Jackson, TN	6.7	0.2	0.0	0.0	0.0	0.0	0.1	1.0
381. Jefferson City, MO	5.9	0.1	0.1	0.0	0.0	0.0	0.0	0.2
382. Danville, IL	10.4	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1

Source: BBVA Research & Haver Analytics

*Ranking based on relative prices estimates from the BEA, which are released annually; estimates span from 2008-2012. U.R. =Unemployment Rate

Chart 1

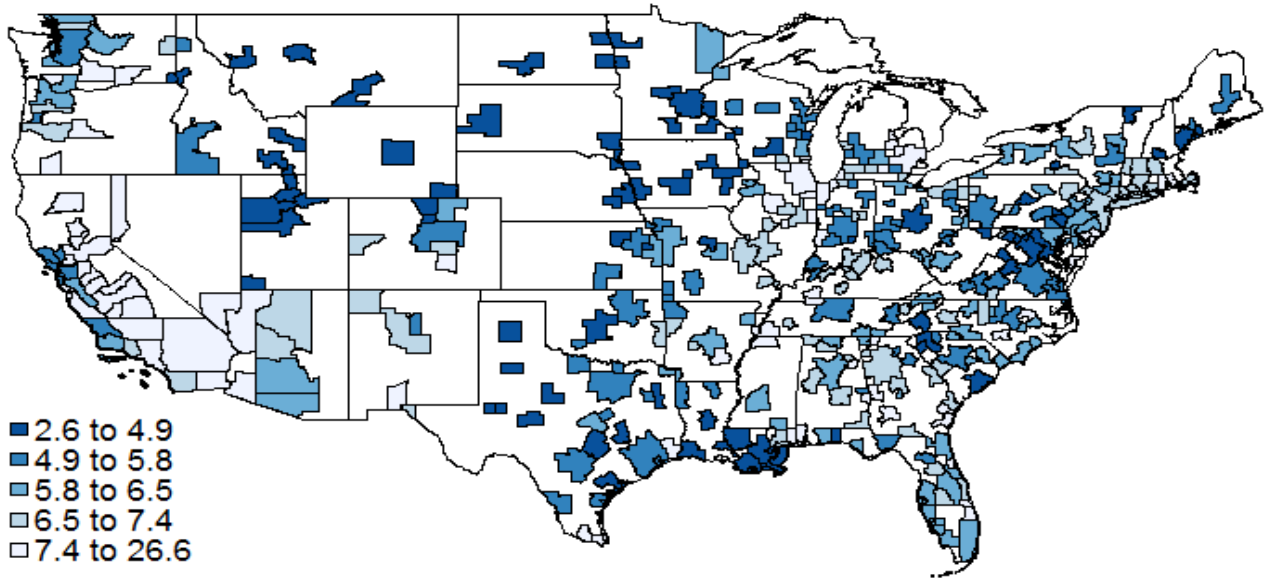
Nonfarm Payroll Growth (Year-over-Year %), April 2014



Source: BBVA Research & Haver Analytics

Chart 2

Unemployment Rate (%), April 2014



Source: BBVA Research & Haver Analytics



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