

Economic Analysis

Nonfarm Payrolls Jump 321K in November, Boosts Upward Bias to 2014 Outlook

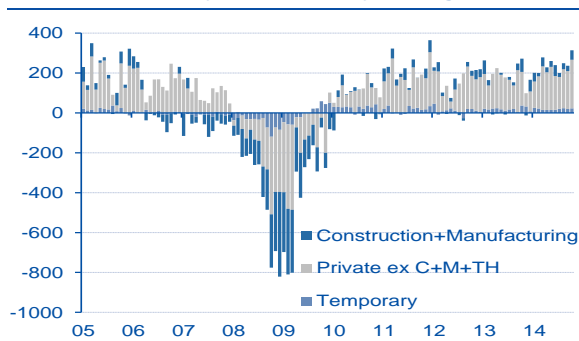
Kim Fraser Chase

- **Private payrolls increased 314K in November, with government jobs up 7K**
- **Unemployment and participation rates held steady at 5.8% and 62.8%, respectively**
- **Upward bias to 2014 outlook, with potential for positive momentum to carry over into 2015**

Employment growth was a jaw-dropper in November, up an astounding 321K following a revised 243K gain in October. This marks the strongest monthly job growth seen since January 2012 and comes on the back of the most robust 10-month string of nonfarm payroll data. Total private payrolls increased 314K in November, while the government sector added 7K. Leading the private sector gains were professional and business services (86K) and trade, transportation, and utilities (71K). Manufacturing and construction also showed strength compared to prior months, up 28K and 20K, respectively. This surprising payroll growth was not quite enough to bring down unemployment, but even still, the unemployment rate remained unchanged at a recovery low of 5.8%. The participation rate and employment-to-population ratio both also held steady at 62.8% and 59.2%, respectively. This report also noted a significant 0.4% gain in private average hourly earnings, a particularly encouraging highlight given the ongoing bout of low inflation.

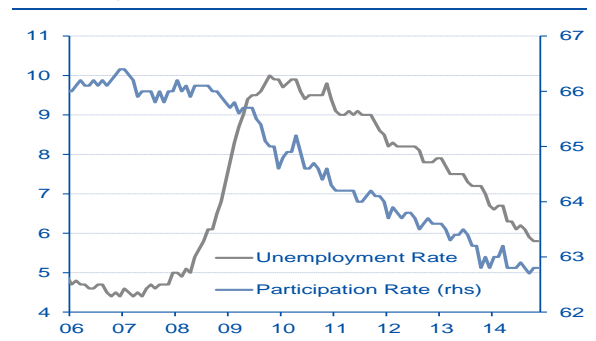
November's compelling employment report is just another piece of the puzzle that confirms our upward bias to the 2014 outlook. The data point to another robust quarter in 4Q14 following stronger-than-expected gains in both 2Q and 3Q. We do not expect that 4Q GDP will outpace that seen in the prior two quarters; however, it is likely that we will see healthy growth near 2.5% QoQ SAAR to close out the year. The ongoing strength in consumption could push the 4Q figure even higher depending on how much consumers adjust to the boost in purchasing power from falling gas prices. This would bring us to an annual average of 2.2-2.3% for 2014, in line with the pace seen in the past two years. Furthermore, if these trends continue and prices remain favorable for increased consumption, we may also see a positive impact on 2015 growth. As such, our views for 2015 are slightly biased to the upside, although our forecast remains at 2.5% for the year.

Chart 1
Private Sector Payrolls (Monthly Change in K)



Source: Bureau of Labor Statistics & BBVA Research

Chart 2
Unemployment and Participation Rates (%)



Source: Bureau of Labor Statistics & BBVA Research

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