

Economic Analysis

Weekly Focus: Jobs, ISM, & Consumption

Kim Chase

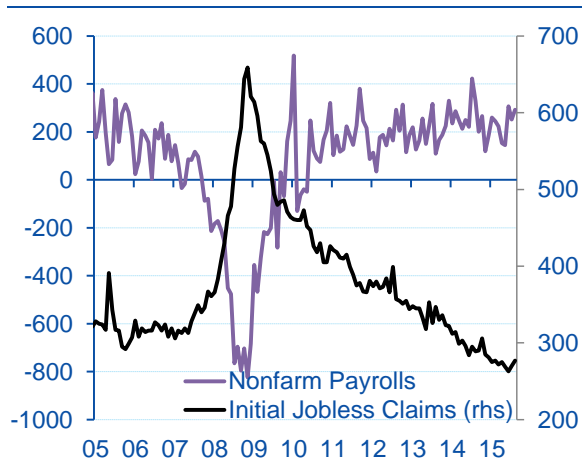
Searching for Positive Economic News Like a Needle in a Haystack

This week's economic calendar is chock full of relevant reports to close out 2015 and get a first look at 1Q16's data. The **employment report for January (Friday)** is the frontrunner, coming off a very strong performance in 4Q15 where nonfarm payrolls increased an average 284K per month. Expectations are for another +200K month to start the year. However, initial jobless claims ticked up in both November and December and will be worth monitoring in 1Q16 for possible signs of a slowdown in labor market improvement. It is important to remember that employment growth tends to be lagging and therefore we could see moderation throughout the first part of 2016. Still, labor market concerns are minimal compared to other aspects of the economy, like manufacturing.

Other highlights for the week include **January's ISM Manufacturing (Monday) and Non-Manufacturing (Wednesday) Indices**, which are expected to show the continued to divide between activity in the two sectors. It is no surprise that manufacturing has suffered as a result of the strong USD and weak global demand, but the question remains how long the services sector can hold up strength. If manufacturing continues to decline drastically, we could see an eventual spillover to other areas. This is also where we could see moderation in job growth, with manufacturing payrolls expected to decline in January.

December's personal income and outlays (Monday) should not be overlooked, particularly with U.S. growth depending heavily on domestic consumption at this time. We expect to see modest strength in both components for the month, although leading indicators in the form of average hourly earnings and retail sales do not suggest an overwhelmingly positive report. The advance report for 4Q15 real GDP growth was disappointing but confirmed that personal consumption expenditures remain the key driver of the U.S. economy.

Graph 1
Nonfarm Payrolls and Jobless Claims (MoM Change in Thousands)



Source: BLS, DOL, & BBVA Research

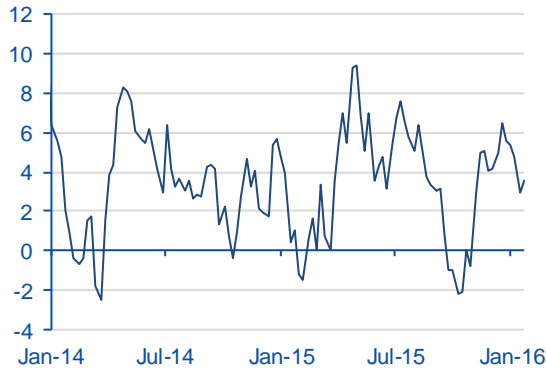
Graph 2
ISM Manufacturing and Non-Manufacturing (SA, 50+ = increasing)



Source: ISM & BBVA Research

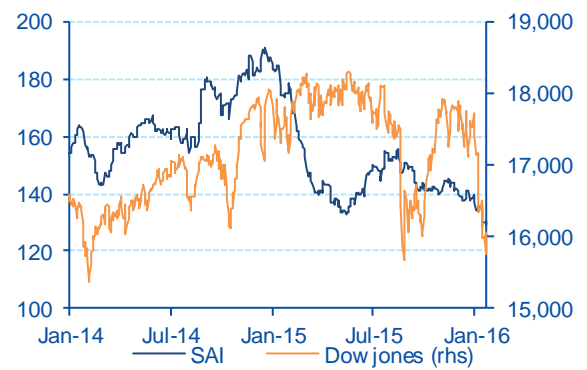
Economic Trends

Graph 3
BBVA USA Weekly Activity Index (3 month % change)



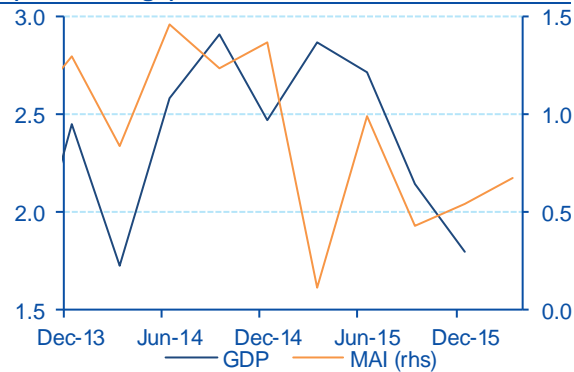
Source: BBVA Research

Graph 4
BBVA USA Surprise Activity Index & Dow Jones (Index 2009=100 & eop)



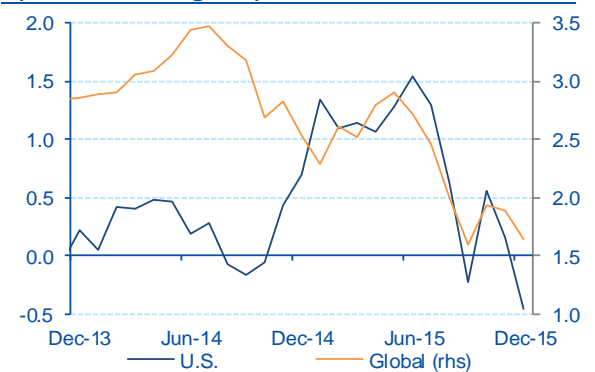
Source: Bloomberg & BBVA Research

Graph 5
BBVA USA Monthly Activity Index & Real GDP (4Q % change)



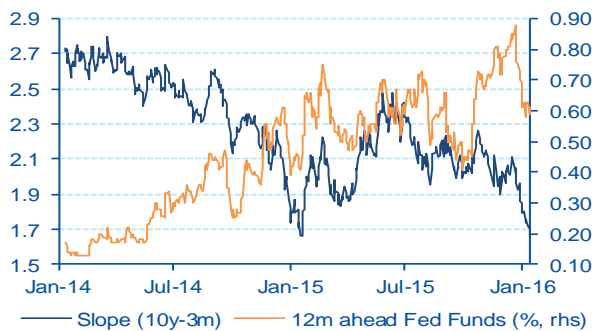
Source: BBVA Research & BEA

Graph 6
BBVA USA Risk Index (> 0 = increasing risk)



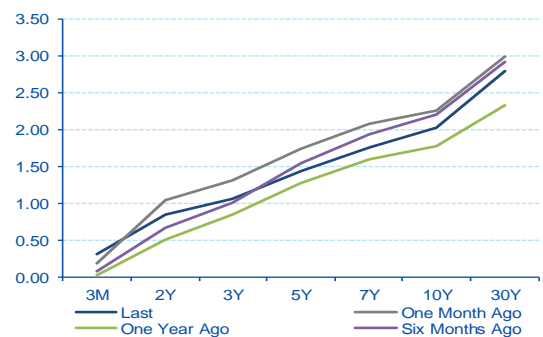
Source: BBVA Research

Graph 7
Fed Futures & Yield Curve Slope (% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 8
U.S. Treasury Yield Curve (% p.a.)



Source: Haver Analytics & BBVA Research

Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
1-Feb	US Personal Income MoM SA	DEC	0.20	0.20	0.30
1-Feb	US Personal Consumption Expenditures Nominal Dollars MoM SA	DEC	0.20	0.10	0.30
1-Feb	Census Bureau US Construction Spending MoM SA	DEC	0.30	0.50	-0.40
1-Feb	ISM Manufacturing PMI SA	JAN	47.70	48.50	48.20
2-Feb	US Auto Sales Total Annualized SAAR	JAN	17.60	17.50	17.22
2-Feb	New York Purchasing Managers Current Business Conditions SA	JAN	59.70	-	62.00
3-Feb	ADP National Employment Report SA Private Nonfarm Level Change	JAN	223.00	190.00	256.90
3-Feb	ISM Non-Manufacturing NMI	JAN	56.00	55.30	55.30
4-Feb	US Initial Jobless Claims SA		280.00	281.00	293.00
4-Feb	US Continuing Jobless Claims SA		2215.00	2217.50	2208.00
4-Feb	US Output Per Hour Nonfarm Business Sector QoQ SA	4Q P	1.00	-1.60	2.20
4-Feb	US Unit Labor Costs Nonfarm Business Sector QoQ % SAAR	4Q P	2.00	4.30	1.80
4-Feb	US Manufacturers New Orders Total MoM SA	DEC	-1.30	-0.10	-0.20
5-Feb	US Trade Balance of Goods and Services SA	DEC	-43.20	-43.00	-42.37
5-Feb	US Employees on Nonfarm Payrolls Total MoM Net Change SA	JAN	217.00	200.00	292.00
5-Feb	US Employees on Nonfarm Payrolls Total Private MoM Net Change SA	JAN	223.00	190.00	275.00
5-Feb	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	JAN	-3.00	0.00	8.00
5-Feb	US Average Hourly Earnings All Employees Total Private Monthly Percentage Change	JAN	0.20	0.30	0.00
5-Feb	US Average Weekly Hours All Employees Total Private SA	JAN	34.50	34.50	34.50
5-Feb	Unemployment Rate	JAN	5.00	5.00	5.00
5-Feb	Federal Reserve Consumer Credit Total Net Change SA	DEC	14.40	15.00	13.95

Economic Outlook (revisions pending)

	2015			2016	2014	2015	2016	2017
	2Q	3Q	4Q	1Q				
Real GDP (% SAAR)	3.9	2.0	0.7	2.2	2.4	2.4	2.5	2.4
CPI (YoY %)	0.0	0.1	0.4	2.2	1.6	0.1	1.8	1.9
CPI Core (YoY %)	1.8	1.8	2.0	1.9	1.7	1.8	1.8	1.9
Unemployment Rate (%)	5.4	5.2	5.0	5.0	6.2	5.3	4.9	4.6
Fed Target Rate (eop, %)	0.25	0.25	0.50	0.50	0.25	0.50	1.00	2.00
10Yr Treasury (eop, % Yield)	2.36	2.17	2.24	2.15	2.21	2.24	2.43	3.09
US Dollar/ Euro (eop)	1.12	1.12	1.09	1.05	1.23	1.09	1.12	1.16
Core Logic Home Prices (YoY %)	4.95	4.98	6.19	5.82	7.67	5.22	5.16	2.45

Fun Fact

During this year's Super Bowl, Americans will eat an estimated 1.3 billion chicken wings, up 3% YoY. (National Chicken Council, January 2016)

Recent Publications

[4Q15's 0.7% Pace Closes out 2015 at 2.4%](#) (January 29, 2016)

[FOMC Statement: January 26-27th Meeting](#) (January 27, 2016)

[U.S. Real GDP Growth Nowcast: 1.96% for 4Q15](#) (January 26, 2016)

[BBVA Research Oil Price Outlook](#) (January 26, 2016)

[Energy and Food Prices Drag Down Headline CPI](#) (January 20, 2016)

[Obama's Call for Social and Political Unity in Final SOTU](#) (January 13, 2016)

[Resilient 4Q Job Growth Despite Subdued Wages](#) (January 8, 2016)

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