

Economic Analysis

# Weekly Focus: Labor Market & Net Exports

Kim Chase

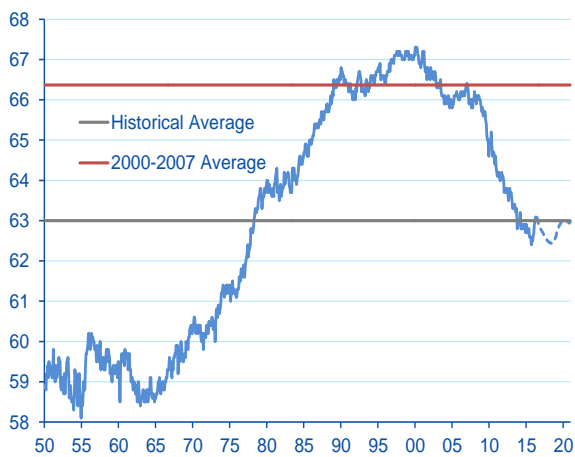
## Rising Labor Force Participation Continues to Signal a Healthy Labor Market

**Nonfarm payroll growth in April (Friday)** is expected to hold steady near the 1Q16 average of 209K per month, while the unemployment rate should remain near 5.0%. We are finally starting to see workers come back into the labor force, which is ultimately slowing the pace of decline in the unemployment rate compared to the faster trend in the past few years. Growing confidence in the labor market and an increase in job availability are encouraging many marginally attached and discouraged workers to jump back into the labor force. This helps offset some of the demographic decline from the retiring baby boomers. In fact, employment reports throughout the past few months have noted an increase in the flows of those not in the labor force to employment, where typically people would at least start looking for a job first and be classified as unemployed before finding a position. This suggests that businesses are somehow finding a way to hire directly from the pool of individuals not in the labor force. Although the unemployment rate has quickly approached its natural level, the fact that there are still so many out of the labor force that are willing to work highlights the concern that there is some slack left in the labor market, and serves as a good explanation for why wage pressures have yet to pick up significantly.

## Weaker Dollar Helping to Ease Pressures from Net Exports

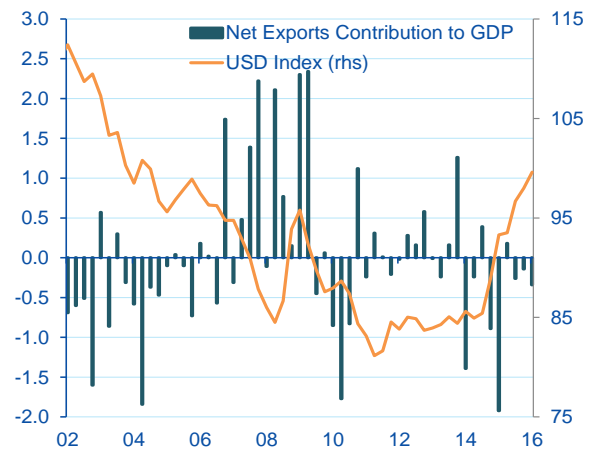
The **international trade balance for March (Wednesday)** is expected to show some improvement alongside a modest depreciation of the USD throughout the month. Both exports and imports increased in February and should continue to do so on account of healthier conditions for both the domestic and global economies. The strength of the dollar had been severely limiting global demand throughout the past year, with U.S. exports declining in eight of the past twelve months. This has resulted in a significant drag of real GDP growth and a negative contribution from net exports for three consecutive quarters. On the bright side, the recent weakening of the dollar suggests a more positive contribution to growth, at least for 2Q16.

Graph 1  
**Labor Force Participation Rate (%)**



Source: BLS & BBVA Research

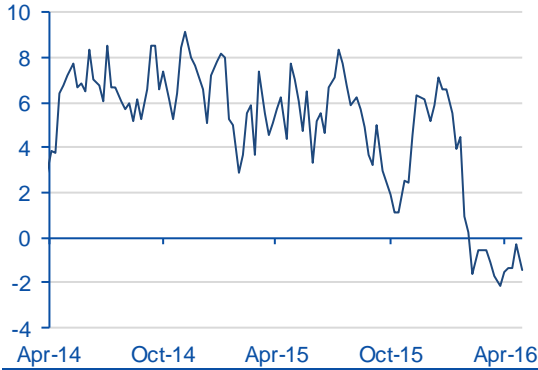
Graph 2  
**Net Exports (SAAR pp) and USD Index**



Source: BEA, FRB, & BBVA Research

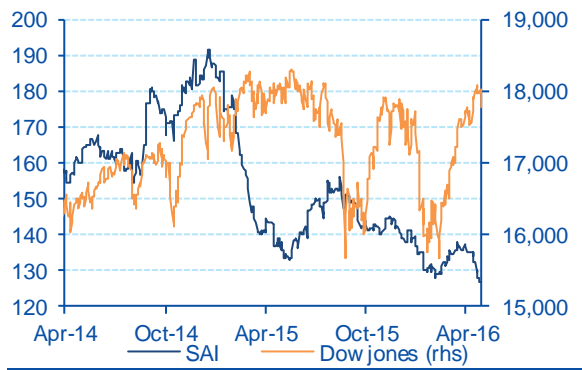
**Economic Trends**

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



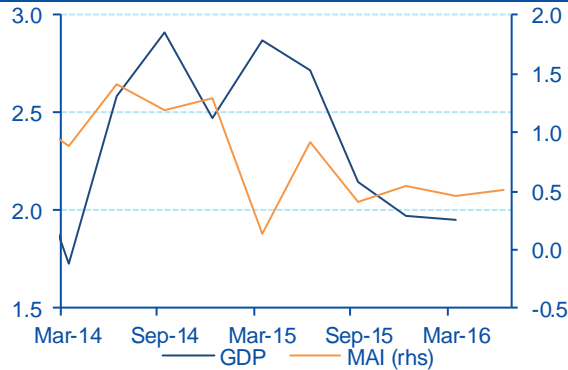
Source: BBVA Research

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



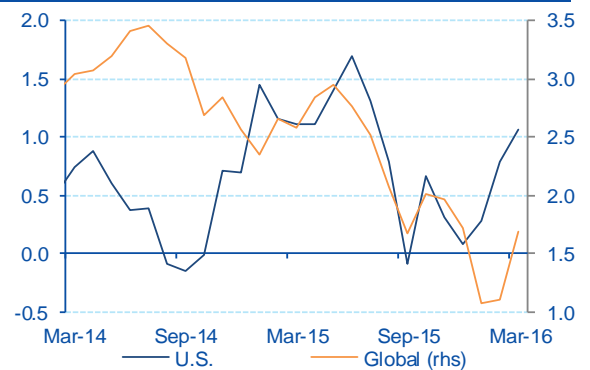
Source: Bloomberg & BBVA Research

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



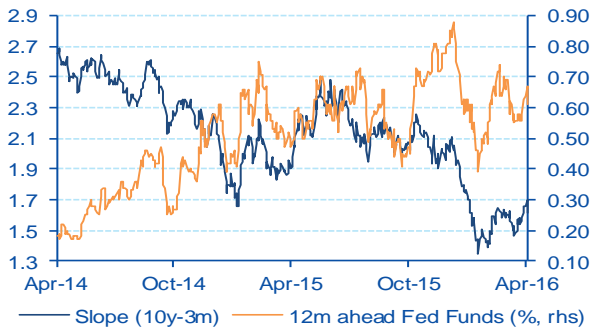
Source: BBVA Research & BEA

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



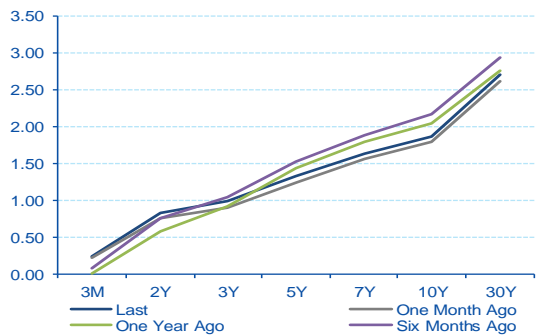
Source: BBVA Research

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
2-May	Census Bureau US Construction Spending MoM SAAR	MAR	0.40	0.50	-0.50
2-May	ISM Manufacturing PMI SA	APR	52.30	51.40	51.80
3-May	US Auto Sales Total Annualized SAAR	APR	17.10	17.30	16.46
3-May	New York Purchasing Managers Current Business Conditions SA	APR	50.90	0.00	50.40
4-May	ADP National Employment Report SA Private Nonfarm Level Change	APR	210.00	195.50	200.10
4-May	US Trade Balance of Goods and Services SA	MAR	-46.30	-41.50	-47.06
4-May	US Output Per Hour Nonfarm Business Sector QoQ SA	1Q P	1.30	-1.30	-2.20
4-May	US Unit Labor Costs Nonfarm Business Sector QoQ % SAAR	1Q P	0.70	3.00	3.30
4-May	US Manufacturers New Orders Total MoM SA	MAR	0.60	0.60	-1.70
4-May	ISM Non-Manufacturing NMI	APR	54.90	54.70	54.50
5-May	US Initial Jobless Claims SA	APR 30	255.00	263.00	257.00
5-May	US Continuing Jobless Claims SA	APR 23	2140.00	2124.00	2130.00
6-May	US Employees on Nonfarm Payrolls Total MoM Net Change SA	APR	227.00	200.00	215.00
6-May	US Employees on Nonfarm Payrolls Total Private MoM Net Change SA	APR	213.00	192.50	195.00
6-May	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	APR	3.00	-5.00	-29.00
6-May	US Average Hourly Earnings All Employees Total Private Monthly Percentage Change	APR	0.20	0.30	0.30
6-May	US Average Weekly Hours All Employees Total Private SA	APR	34.40	34.50	34.40
6-May	Unemployment Rate	APR	5.00	5.00	5.00
6-May	Federal Reserve Consumer Credit Total Net Change SA	MAR	19.40	16.00	17.22

## Economic Outlook (revisions pending)

	2015		2016		2014	2015	2016	2017
	3Q	4Q	1Q	2Q				
Real GDP (% SAAR)	2.0	1.4	0.5	<b>3.4</b>	2.4	2.4	<b>2.5</b>	<b>2.4</b>
CPI (YoY %)	0.1	0.5	1.1	<b>1.1</b>	1.6	0.1	<b>1.3</b>	<b>2.0</b>
CPI Core (YoY %)	1.8	2.0	2.2	<b>2.1</b>	1.7	1.8	<b>2.1</b>	<b>2.1</b>
Unemployment Rate (%)	5.2	5.0	4.9	<b>4.9</b>	6.2	5.3	<b>4.8</b>	<b>4.6</b>
Fed Target Rate (eop, %)	0.25	0.50	0.50	<b>0.75</b>	0.25	0.50	<b>1.00</b>	<b>2.00</b>
10Yr Treasury (eop, % Yield)	2.17	2.24	1.89	<b>1.95</b>	2.21	2.24	<b>2.27</b>	<b>2.79</b>
US Dollar/ Euro (eop)	1.12	1.09	1.11	<b>1.10</b>	1.23	1.09	<b>1.12</b>	<b>1.16</b>
Core Logic Home Prices (YoY %)	5.05	5.31	<b>5.76</b>	<b>4.81</b>	7.70	5.01	<b>4.84</b>	<b>4.16</b>

## Fun Fact

Uber is launching UberYACHT this Saturday in Dubai, giving users access to a deluxe yacht party, including food, drinks, and a DJ, for \$82 per ride. (CNN, 29 April 2016)

## Recent Publications

[Sure as the Wind Blows: the Potential of Wind Energy in the U.S.](#) (April 28, 2016)

[1Q16 Real GDP Growth Decelerates to 0.5%](#) (April 28, 2016)

[FOMC Statement: Doves Hold off Hawks for Another Meeting, but How Long Can it Last?](#) (April 27, 2016)

[The Financial Stability Mandate Strikes Back](#) (April 26, 2016)

[Home Price Appreciation Moderates in February](#) (April 26, 2016)

[Weakness in West Region Drags Down New Home Sales in March](#) (April 25, 2016)

[Existing Home Sales Advance Healthily in March](#) (April 20, 2016)

[Housing Starts and Permits Tumble in March](#) (April 19, 2016)

[Doomed Deal in Doha](#) (April 18, 2016)

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