

BBVA Research Flash

U.S.

January Employment Situation Surprises to the Upside

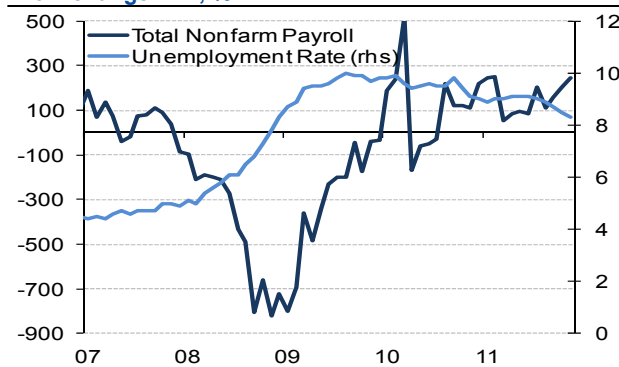
- **Nonfarm payroll growth accelerated for the third consecutive month, up 243K in January following a upward revision of 60K combined for November and December**
- **The unemployment rate fell to 8.3% but was likely influenced by a drop in the participation rate**

Nonfarm payroll growth beat consensus expectations in January, jumping 243K following upward revisions to both November (from 100K to 157K) and December (from 200K to 203K). Gains were led primarily by a 257K rise in private sector hiring, with job growth focused in professional and business services, manufacturing, and leisure and hospitality. As usual, government employment declined but to a lesser extent compared to the previous three months. Since the beginning of 2011, 276K jobs have been lost in the government sector. In other good news, the unemployment rate fell for the fifth consecutive month to 8.3%.

Revisions to the household survey involved a change in the base population from Census 2000 to 2010. For December, this led to an increase of 1.51mn in the civilian noninstitutional population, 258K in the civilian labor force, 216K in total employed, 42K in total unemployed, and 1.25mn in persons not in the labor force (the largest historical flow out of the labor force). Removing the effect of the population revisions, the change from December to January is less significant. The number of unemployed fell 381K in January to 12.8mn, the lowest since January 2009. The revisions also caused a decline in the participation rate from 64% to 63.7%, a factor that likely contributed to the falling unemployment rate. Even still, the number of unemployed has decreased since August and therefore supports the recent declines in initial jobless claims.

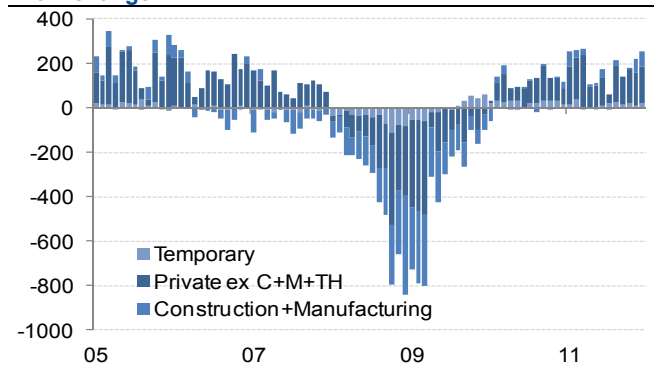
On the downside, the number of long-term unemployed individuals was unchanged in January, accounting for 42.9% of the unemployed and suggesting that structural unemployment concerns may linger. Furthermore, the number of individuals employed part-time for economic reasons (“involuntary” part-time workers) increased for the first time in three months, which may be an indication of continued structural problems. Although employment gains remain weaker than that in 1Q11, continued acceleration in nonfarm payroll growth should help ease worries of a weak labor market. Following the Fed’s recent announcements, we expect that today’s data will keep any interventions at bay for the near term.

Chart 1
Nonfarm Payrolls and Unemployment Rate
MoM change in K, %



Source: Bureau of Labor Statistics

Chart 2
Private Nonfarm Payrolls
MoM change in K



Source: Bureau of Labor Statistics

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