

U.S. Employment Flash

Employment Growth Fumbles Despite Upward Revisions

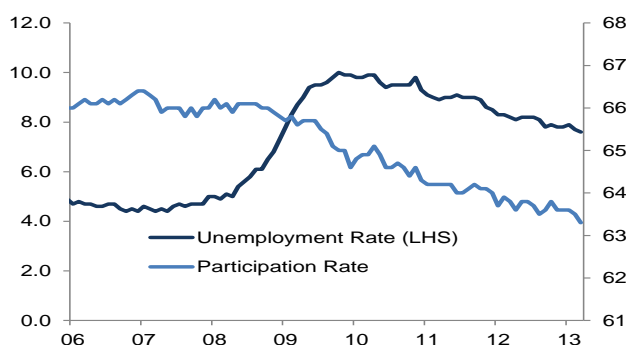
- **Nonfarm payrolls grew 88K in March, with private hiring up 95K**
- **The unemployment rate fell to 7.6% as the participation continues to fall**
- **Despite the revision for February, low employment raises concerns on momentum**

Employment growth for March took a proverbial nose dive as the figure missed economists' estimates by more than half. Nonfarm payrolls, expected to be around the 190K mark, rose by only 88K as many of the components reported a loss in jobs after a prolific February report. Private payrolls gained a modest 95K, the slowest pace since June. Within the goods producing component, mining and construction continued their rise although at depressed rates in comparison to recent trends. However, manufacturing jobs took a tumble, falling by 3K due to nondurable goods manufacturing, after a gain of 19K the month prior. Within private services the outcome was similarly bleak. Wholesale and retail trade fell a combined 25K with retail trade amassing 96% of the decline. Further declines were experienced in transportation, financial activities, other services, and government. The professional and businesses component did continue to grow, rising by 51K which is on par with prior months outside of the February surge. Education and health services bucked the disappointing aura all together and grew by 44K, the highest monthly rise since last September. Overall the establishment survey points toward some slowing momentum in employment growth as both manufacturing and consumer driven hiring suffered the largest declines. Revisions to February's nonfarm payrolls must be taken into account, however, driving the month's total jobs added from the prior 238K to an even more astounding 268K. This 32K gain does lessen the impact of March's decline when looking at the moving average of nonfarm payroll growth. As expected with an economy that remains far from its pre-recession growth, a month of massive employment growth is unlikely to be followed by even more prolific expansion.

At the employee level, the figures suggest that Americans worked longer workweeks in March but saw no rise in their average hourly earnings. In addition, the unemployment rate declined by one tenth to 7.6% for March which, taken out of context should have been cause for relief. However, the fall in the unemployment rate was due to a further decline in the labor force. The participation rate fell another 0.2% to 63.3%, the lowest rate since 1978. This decline continues to worry economists as discouraged workers leave the labor market. Continual difficulty matching workers with competitive employment is driving those close to retirement out of the labor force early and those who are looking for jobs in their skill range continue to experience difficulty.

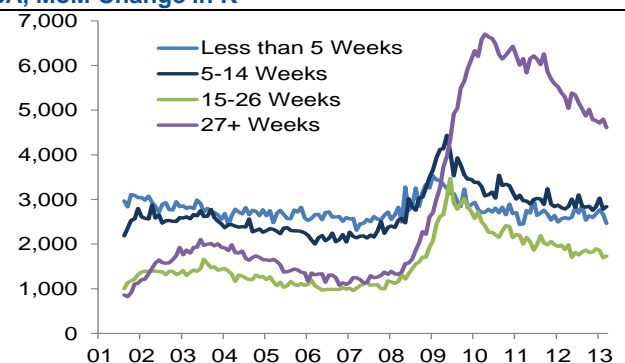
Overall, the March employment figures are not unexpected from a logical point of view. With GDP growth in the 1Q13 expected to be below 2.0%, it is unlikely, given prevailing headwinds in the economy, that the employment growth seen in February would be surpassed or even matched the month after. While the upward revision to February's nonfarm payrolls does soften the blow in terms of 1Q13 employment growth overall, the fact that job growth in March was so weak does raise the question of whether the economy is slowing slightly after sprinting the past two months. Similarly, we faced the same situation at this time last year, when employment growth took a turn for the worse moving into the second quarter. Equity markets, employment growth, and general optimism have been strong thus far for 1Q13 while underlying data from manufacturing and consumer activity have not shown the same strengths. Therefore, we may be experiencing a slowing of momentum, not due to economic frailty, but merely a return to normal after an overextension.

Chart 1
Unemployment and Participation Rates
SA, %



Source: Bureau of Labor Statistics & BBVA Research

Chart 2
Civilian Unemployment Duration
SA, MoM Change in K



Source: Bureau of Labor Statistics & BBVA Research

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