

U.S. Employment Flash

Nonfarm Payrolls Surprise Upward on Strong Private Growth

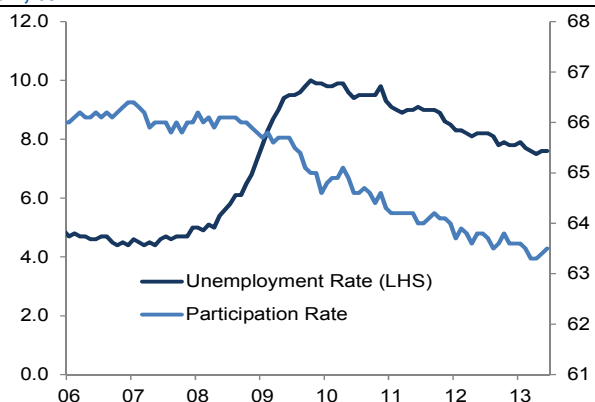
- **Nonfarm payrolls grew 195K in June with private payrolls totaling 202K**
- **The unemployment rate remained at 7.6% due to growth in the labor force**
- **Revisions to April and May bring the 3-month average to 195K**

The employment report for June will have a significant impact on how 2Q13 growth plays out as both June's figures and revisions to April and May bring the three-month average just under 200K. Nonfarm payrolls for the month rose much higher than expected, up 195K compared to consensus expectations for 161K. This is a heavy figure after talk from the Fed hinted at a possible tapering of asset purchases later in 2013, depending on prevailing economic conditions. Delving further into the numbers, the goods producing sector continues to remain the weaker of the two sub-components as manufacturing has slowed since April. The sector as a whole added 8K with construction adding 13K and manufacturing creating most of the drag, falling 6K for the fourth consecutive month. The final subcomponent of the goods sector, mining, rose 1K as the industry has remained relatively subdued as of late.

Turning to the service sector we see the most growth. Wholesale and retail trade both grew at a strong pace as the summer season has brought on a surge of interest from consumers, rising 11K & 27K, respectively. Transportation & warehousing, information, and other services were the three service components that declined, down 14K collectively with the split between them close to equal. Shifting between weaker and stronger growth, financial services rose at its quickest pace since March 2012, up 17K as less jobs are being shed and the sector as a whole begins to look at the growing pool of applicants for new talent. In line with that, professional & business services also grew a moderate pace in June, up 53K after three months of strong gains. Education & healthcare services rose at a slower pace than in prior months, up 13K but not unusual given that the school year is over and talks about shifting a significant facet of the healthcare bill to 2015 could have assuaged demand for those positions at the moment. The heavy hitter of the month however, was leisure & hospitality services which rose 75K to its highest level since April of 2005 as the summer months roll around and these touristy industries benefit from travel seekers and warm weather habits. Looking toward the public sector, the government figure declined 7K bringing the total since the beginning of the year to a disappointing -23K. Helping to impart some optimism in the labor market were the revisions made to April and May employment figures which saw rises of 50K in April and 20K in May. This brings the three-month average to 195K which is very close to the 200K mark that economists are looking to surpass in order to bring sustained employment growth to the economy.

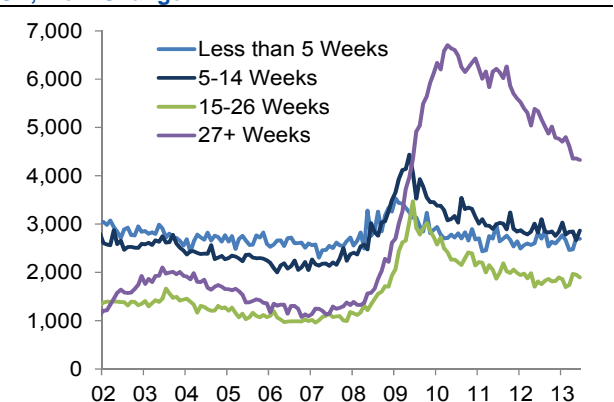
Despite the surprisingly high nonfarm payroll figure, the unemployment rate remained at 7.6% due mostly to the participation rate which continued to rise, reaching 63.5% in June. While it remains pivotally low, given the growing confidence in the labor market, there may be room for growth as more people become emboldened with the hope of employment. Those employed individuals have been working, on average, the same amount of hours per week since April, 34.5 according to the employment survey. Average weekly earnings however, ticked up 0.4% in June, marking the fastest pace since February. Overall this is a positive end to 1H13 and imparts optimism in terms of the outlook for 2H13 labor growth. With that optimism, we expect the coming quarters to show improved labor market conditions and help to bring economic growth up in the 2H13.

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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