

# U.S. Regional Flash

## Labor Market Outlook Improves In Non-Trivial Share Of MSAs

In January, nonfarm payrolls increased in 164 MSAs, with the largest seasonally adjusted increase occurring in Los Angeles (31.2K). Over the month, Dallas, Houston, San Antonio and Boston respectively added 16.4K, 9.4K, 7.9K and 6.5K jobs. Las Vegas, Oklahoma City and Nashville also experienced a non-trivial expansion in employment. Although employment in a handful of MSAs contracted in January, all of the top MSAs for job creation accelerated. Our baseline is also for a pick-up in job creation in Chicago, New York, Miami, Portland and Seattle.

In terms of unemployment, an overwhelming majority of MSAs saw unemployment rates dip below one month ago. In fact, the unemployment rate for 80.2% of MSAs was lower than one month ago— 98.7% from one year ago. The largest over the month decline occurred in Benton Harbor, MI (-0.7pp) whereas the largest increase occurred in Albuquerque, NM (0.2pp). For MSAs with a lower unemployment rate in January, the average decline was 0.3pp. For MSAs where the unemployment rate increased, the jump was comparatively less which is consistent with improvement in the labor market.

- Texas Sized Job Creation**

Texas continues to blaze the trail in job creation, as 3 of the top ten MSAs were from Texas in January. In total, Dallas, Houston and San Antonio created 33.4K jobs, or 99% of all jobs created in Texas for January. To put that into perspective, if Dallas, Houston and San Antonio were ranked amongst states, they would rank 3<sup>rd</sup>, 4<sup>th</sup> and 7<sup>th</sup> in terms of over the month job creation. Diversification amongst the retail, trade and health, education and leisure sectors, in Dallas and San Antonio is in line with our baseline for balanced growth in Texas' MSAs. While Houston continues to see employment growth spread amongst multiple sectors, the goods producing— mining, construction & manufacturing— sector is heating up. This will enhance Houston's ability to sustain high-levels of job creation going forward.

- Improvements In Labor Market Reflected In Unemployment Rate Declines**

Notwithstanding an increase in a handful of MSA unemployment rates in January, the overall labor market outlook is improving. In fact, areas in the Eastern, Southeastern and Western U.S., which had experienced the largest increase in unemployment rates during the recession, are now declining faster than other areas. Ultimately, faster unemployment rates declines in densely populated areas on the East Coast will pull-down the national unemployment rate. Going forward, some indicators suggest that job-seekers are becoming more optimistic about the labor market and are choosing to re-enter the labor force, which could put upward pressure on MSA unemployment rates. However, an increasing number of retirees will act to offset strong cyclical inflows into the labor market. Taken together, these dynamics support our baseline scenario of a moderate downward trend in many MSA unemployment rates throughout 2014.

Table 1

**MSA Snapshot: Top 10 MSAs for Employment Growth, January 2014**

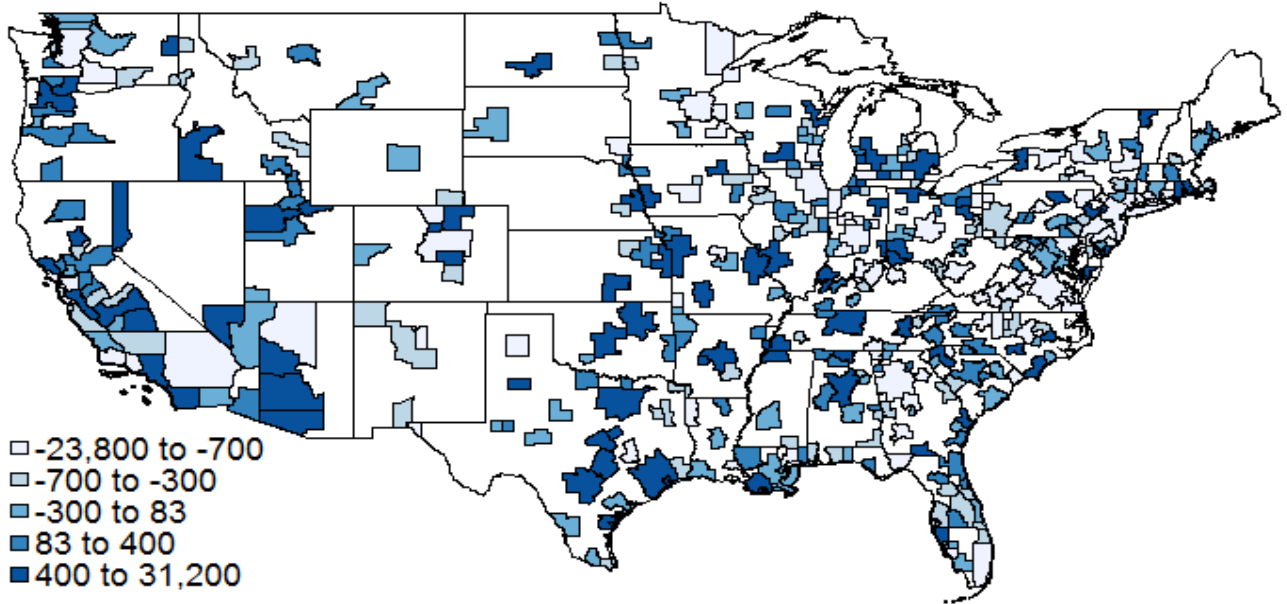
| <b>BBVA Compass</b>          | <b>U.R</b> | <b>Total</b>   | <b>Goods</b> | <b>Retail</b> | <b>Trade &amp; Info.</b> | <b>Prof. Serv.</b> | <b>Health, Edu &amp; Leisure</b> | <b>Forecast</b>     |
|------------------------------|------------|--|--------------|---------------|--------------------------|--------------------|----------------------------------|---------------------|
|                              | <b>(%)</b> | <b>3-month job gains (12-month job gains) in Thousands</b> |              |               |                          |                    |                                  | <b>12-month (k)</b> |
| <i>Los Angeles, CA</i>       | 8.1        | 43.4 (138.8)   | 1.3 (9.6)    | 5.9 (14.6)    | 4.1 (27.6)               | 17.2 (38.2)        | 3 (51.6)                         | 97.7                |
| <i>Dallas-Fort Worth, TX</i> | 5.7        | 11.7 (92.1)  | -1.4 (6.9)   | 1.7 (9)       | 7.9 (26.5)               | -2.2 (18.8)        | 10.2 (31.5)                      | 83.2                |
| <i>Houston, TX</i>           | 5.7        | 22.2 (85.8)  | 8.5 (21.4)   | 2.1 (7.1)     | 5.3 (17.9)               | 0 (12.8)           | 9.3 (24.4)                       | 92.4                |
| <i>San Antonio TX</i>        | 5.6        | 10.8 (25.3)  | -0.5 (1.4)   | 1.1 (3.8)     | 1.8 (5.2)                | -0.3 (4.1)         | 3 (8.7)                          | 27.1                |
| <i>Boston, MA</i>            | 6.0        | 11.6 (34.6)  | 0.1 (2.5)    | -0.1 (1.7)    | 2.4 (7.1)                | 1.3 (10.1)         | 2.7 (8.9)                        | 36.4                |
| <i>Grand Rapids, WY</i>      | 5.9        | 9.3 (16)   | 1.9 (3.9)    | 0.8 (1.3)     | 1.4 (2.6)                | 0.7 (-0.9)         | 2.7 (7.8)                        | 11.8                |
| <i>Las Vegas-Paradise NV</i> | 8.9        | 9.3 (25.8)   | -0.7 (0.9)   | 1.6 (5.1)     | 2.5 (6.6)                | 2.3 (4.8)          | 2.6 (9.7)                        | 27.2                |
| <i>Oklahoma City OK</i>      | 4.9        | 9.4 (18.4)   | 1.8 (2.9)    | 1.1 (2.6)     | 1 (4.1)                  | -0.6 (-0.4)        | 6.6 (9.2)                        | 10.2                |
| <i>Nashville, TN</i>         | 5.7        | 7.1 (27.7)   | 3.1 (6.1)    | 1.9 (2.1)     | 3.7 (4.9)                | 3.5 (11.4)         | -0.5 (6.1)                       | 28.2                |
| <i>Cincinnati, OH</i>        | 6.6        | 2.7 (19.3)   | -0.5 (2.1)   | -0.5 (-0.2)   | 1.3 (2)                  | -0.7 (6.8)         | 0.3 (5.5)                        | 6.4                 |

Source: BBVA Research & Haver Analytics

\*Ranking based on MoM job creation in thousands; U.R. =Unemployment Rate

Chart 1

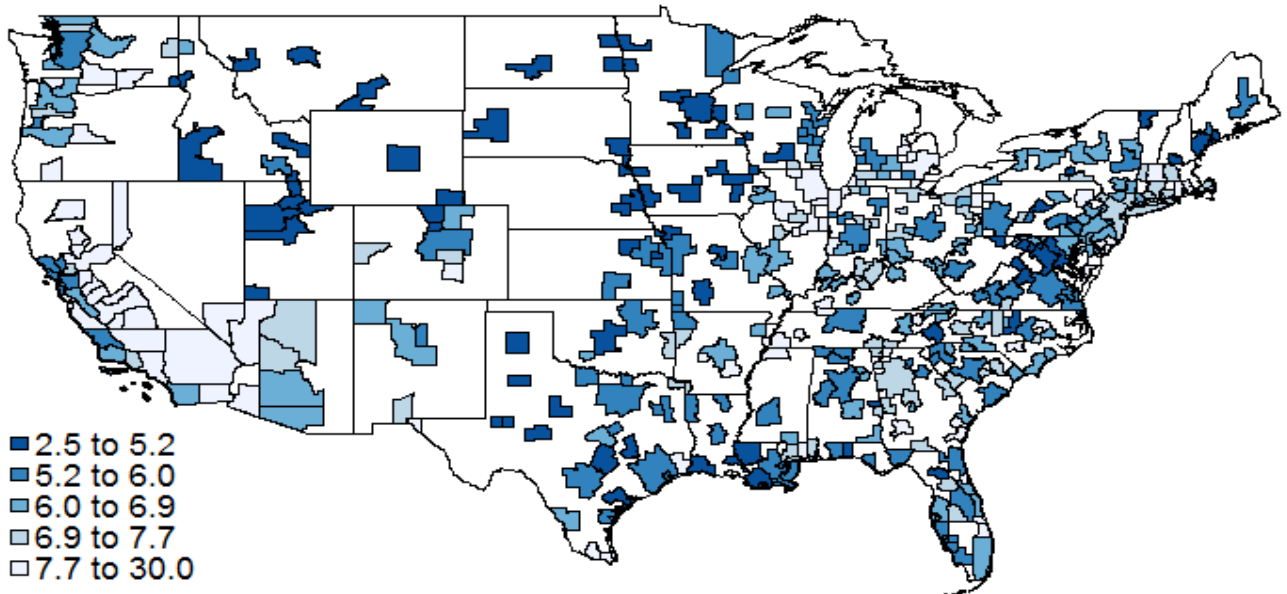
**Nonfarm Payroll Growth (MoM), January 2014**



Source: BBVA Research & Haver Analytics

Chart 2

**Unemployment Rate (%), January 2014**



Source: BBVA Research & Haver Analytics



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