



Economics Group

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California Job Growth Slowed Before the Latest COVID Spike

Employers added 57,100 jobs in California during November, while the jobless rate fell to 8.2%. November's gain was well-off from the 146,000 jobs added in October and hiring appears set to slow even further.

Hiring Moderates Further in November

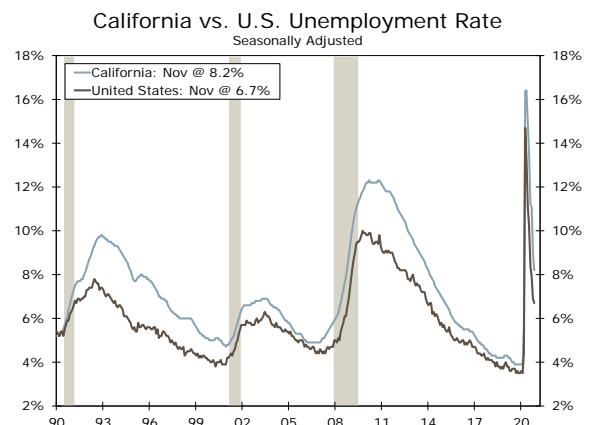
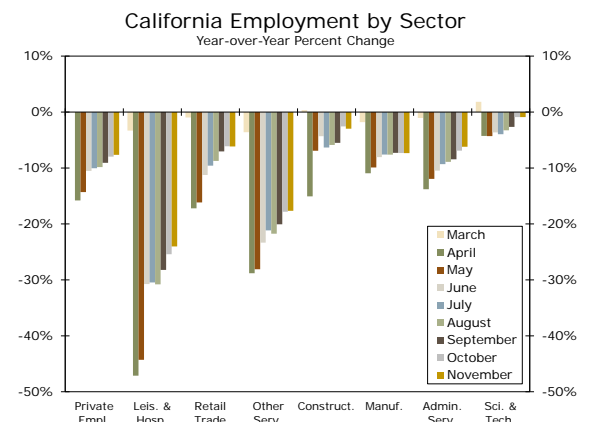
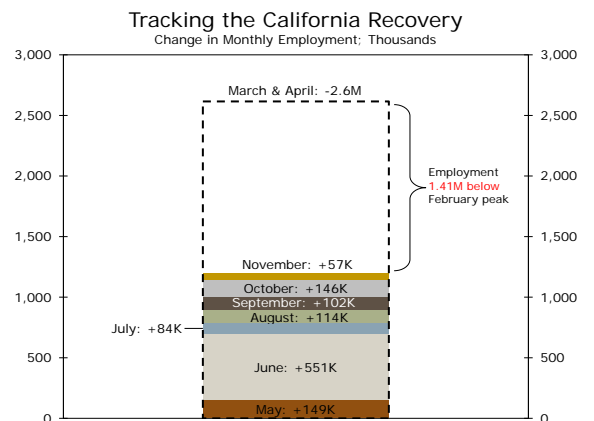
California nonfarm payrolls rose by 57,100 jobs in November, which is well-off from the pace seen in recent months. The headline number was held back by the winding down of temporary Census jobs, which accounted for the bulk of the 10,200-job loss in federal government employment. But, even after accounting for the drop in government jobs, private payrolls still rose much less than in prior months. The culprit has been the resurgence in COVID infections, which have caused consumers to shy away from high-contact economic activities, such as restaurant dining.

The November employment report covers the period from mid-October to mid-November. The seven-day average of new COVID infections in mid-November rose to 8,979, up from 3,268 new infections in mid-October. Unfortunately, the resurgence in COVID was just getting started, and the seven-day moving average of new cases surged to 32,833 on December 15. The spike in new infections means hiring will slow even further during the December survey period and possibly even dip back into negative territory.

California's recovery from the lockdowns has lagged behind many other states. California has replaced just 46% of the jobs that were lost in March and April, compared to 56% of jobs recovered nationwide. States that re-opened their economies earlier and have shown more flexibility in allowing businesses that can operate safely to remain open have seen even stronger recoveries. Georgia is a good case in point, having recovered 74% of the jobs lost during March and April.

California's largest employment shortfalls have been in the leisure & hospitality sector and other services, which includes hair salons and fitness studios. Employment in these high-contact areas will not fully recover until the pandemic is comfortably behind us. Hiring in parts of the economy where workers can work remotely has recovered much more quickly. Employment in scientific and technical services has nearly completely recovered.

While the lull in California's economic recovery is likely to carry over into 2021, the economy will clearly be in a better place a year from now. Progress in rolling out the COVID vaccines should reach a critical mass by late spring or early summer, allowing for a stronger recovery during the second half of the year. We look for nonfarm payrolls, which fell by more than 1.2 million jobs in 2020, to add back 238,000 jobs in 2021 and 730,000 jobs in 2022. Output should recover somewhat faster, with gains in the tech sector, media & entertainment, manufacturing and construction helping drive California's real GDP 2.5% higher in 2021 and 4.8% higher in 2022. Getting back to where California's economy was in 2019, when the unemployment rate fell to a modern-era low of just 3.9%, will take time. We expect California's jobless rate to average 8.4% in 2021 and 6.7% in 2022.



California Economic Outlook

	Actual			Forecast		
	2017	2018	2019	2020	2021	2022
Real Gross Domestic Product by State, \$ Millions	2,628,315	2,708,967	2,800,505	2,706,000	2,774,000	2,907,152
Annual Rate	4.3%	3.1%	3.4%	-3.4%	2.5%	4.8%
Nominal Personal Income, \$ Millions	2,383,131	2,514,503	2,632,280	2,769,158	2,795,493	2,918,495
Percent Change	4.8%	5.5%	4.7%	5.2%	1.0%	4.4%
Real Median Household Income, \$	73,045	71,766	78,105	83,494	81,156	82,375
Population, Thousands	39,358	39,462	39,512	39,535	39,559	39,594
Change in Thousands	191	103	51	23	24	36
Percent Change	0.5%	0.3%	0.1%	0.1%	0.1%	0.1%
Nonfarm Employment, Thousands	16,827	17,173	17,425	16,212	16,450	17,180
Change in Thousands	346	346	252	-1,213	238	730
Percent Change	2.1%	2.1%	1.5%	-7.0%	1.5%	4.4%
Unemployment Rate, Annual Average	4.8%	4.3%	4.1%	10.2%	8.4%	6.7%
Total Housing Permits	113,320	117,079	109,338	101,000	105,000	110,000
Single-Family Permits	58,134	62,236	59,598	58,900	61,000	63,000
Multi-Family Permits	55,186	54,843	49,740	42,100	44,000	47,000
FHFA Home Price Index, Percent Change	7.1%	6.8%	3.2%	3.4%	3.8%	4.5%
Median Existing Home Price, CAR	\$ 537,026	\$ 571,058	\$ 591,866	\$ 649,000	\$ 708,500	\$ 735,000

Forecast as of: December 18, 2020

Source: National Association of Realtors, California Association of Realtors, Federal Housing Finance Authority, U.S. Department of Commerce, U.S. Department of Labor and Wells Fargo Securities

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