Georgia’s Recovery Continues

Nonfarm Payrolls Rose Solidly in August, as Economic Activity Continues to Mend

Georgia employers continue to hire back a large proportion of the workers let go during the last spring’s economic lockdown. Employers added 21,700 jobs in August and the unemployment rate plummeted two percentage points to 5.6%. Georgia has now recovered 317,000 jobs, or 60% of the jobs lost in March and April. Job gains remain broad based, with some of the largest gains coming in retail trade and administrative services—two sectors that were hit particularly hard during the lockdown. Hiring also continues to rebound at restaurants and other parts of the leisure & hospitality sector, which accounted for roughly 42% of Georgia’s job losses during the lockdown.

Manufacturing and construction both saw modest job losses in August, with manufacturers losing 3,200 jobs and construction firms trimming 900 jobs. Both sectors remain on the mend, however. Factory orders have been an improvement recently and capital investment, particularly in Georgia’s important flooring and building products industries, has been on a bit of roll recently. Georgia’s logistics sector posted solid gains in August, with wholesale trade adding 1,900 jobs and employment in transportation, warehousing & utilities adding 6,400 jobs. Activity has clearly picked up at the Port of Savannah and railroads and trucking firms are reporting rising freight volumes, as retailers strive to restock their depleted inventories.

There has been a lot of talk this past summer about how the economic recovery has moderated. To be certain, the national, global and Georgia economies face a long road to recovery and the pace of job growth has moderated from the initial bounce back in May in June. Some moderation was unavoidable, however, as the easiest businesses to re-open have mostly already re-opened. This past summer also saw a resurgence in confirmed COVID-19 infections in Georgia and many other states, which has since subsided. Economic engagement has increased as the number of new infections have come back down. High-frequency measures of consumer confidence, restaurant dining and driving direction requests have all improved in recent weeks. Early setbacks on school re-openings and the delayed start to the college football season at the University of Georgia and Georgia Tech occurred too late in the month to be reflected in the August data but will likely weigh on some of the high-frequency data during the first half of September.

Figure 1

Tracking the Georgia Recovery
Change in Monthly Employment; Thousands

Source: U.S. Department of Labor and Wells Fargo Securities

Figure 2

Georgia Job Losses & Average Weekly Earnings
Since February 2020

Source: U.S. Department of Labor and Wells Fargo Securities

This report is available on wellsfargo.com/economics and on Bloomberg WFRE.
The Recovery May Be Further Along than the Headlines Suggest

The key takeaway from yesterday’s FOMC meeting is that the Federal Reserve is likely to keep short-term interest rates near zero through 2023. The financial markets sold-off following Jay Powell’s press conference, which was widely viewed as fairly dovish. Market participants may be concerned over the Fed’s intention to hold interest rates so low for so long reflects some unsaid pessimism. We doubt that. Fed Chair Powell has repeatedly stated that he believes the best way to return to an environment where the economy’s gains are shared throughout all areas of the economy is to return to an environment of persistently low unemployment, as we had in 2019.

Newly released data from the Census Bureau show the benefits the economy can wring out of tighter labor markets. The unemployment rate averaged 3.7% in 2019 and ended the year at 3.5%. Real median household income rose sharply last year, with the American Community Survey (ACS) posting a 4.5% rise in 2019 to $65,712, which is the highest level since the ACS began in 2005. Another Census measure of real median household income reported earlier this week posted an even larger percentage gain, rising 6.8% and also reached a new all-time high. With incomes rising, the poverty rate fell. The ACS noted an 0.8 percentage-point drop in the poverty rates to 12.3%. The Census Bureau noted that the decline in the poverty rate was one of the largest year-to-year declines since the inception of the ACS and the national poverty rate hit the lowest level ever since it was measured on a consistent basis. Median household income rose for all demographic groups during 2019, and poverty rates for African-Americans and Hispanics fell to the lowest levels on record.

Other measures of economic inequality also improved in 2019. The Gini Index, which measures the amount that any two incomes differ, on average, relative to average income, fell in 2019, indicating that income inequality diminished in 2019. Changes from year-to-year are typically slight but the Census noted that 15 states saw statistically significant improvements in income inequality during 2019. At the other end of the spectrum, California, Connecticut, Louisiana, New York and the District of Columbia all saw income inequality worsen in 2019.

Real median household income rose 3.6% in Georgia to $61,980 in 2019. The Atlanta metro area posted a smaller increase, with median income rising 1.8% to $71,742. Income inequality also improved in Georgia during 2019 but the gain was not statistically significant. Georgia’s Gini Index is 0.48 (a reading closer to zero indicates less inequality), which is on par with Florida but higher than other neighboring states. The urban-rural divide explains part of Georgia’s inequality gap. Atlanta accounts for a disproportionate share of Georgia’s growth and incomes are significantly higher in the Atlanta area. Atlanta has its own inequality challenges, however, with large prosperous professional services and technology sectors almost evenly matched with large and lower-paid leisure & hospitality, retail trade, and administrative services sectors. The former fell less and recovered more quickly from the lockdowns earlier this year, while the later has struggled.

The high-frequency data that we regularly track shows improvement in August. Restaurant dining has improved in Georgia, Atlanta and in neighboring states, as has travel to retail and entertainment establishments. The number of small businesses open for business remains largely unchanged, however, although hours worked at those businesses has risen more recently.

Figure 3

**Georgia Employment Rates**

Percent Change from January 2020 by Wage Level

- Total: Jul-29 @ -4.76%
- Low (<$27K): Jul-29 @ -13.80%
- Middle ($27K-$60K): Jul-29 @ -2.86%
- High (>$60K): Jul-29 @ 2.79%

Source: Opportunity Insights and Wells Fargo Securities
Georgia Labor Market Conditions

Total Nonfarm Payrolls

- Nonfarm Employment: Aug @ 4.43M

Georgia Employment Recovery by MSA

Percent of Jobs Recovered from March-April 2020 Losses

- Warner Robins: 35%
- Valdosta: 58%
- Savannah: 58%
- Rome: 71%
- Macon: 29%
- Hinesville: 75%
- Gainesville: 50%
- Dalton: 39%
- Columbus: 75%
- Brunswick: 37%
- Atlanta: 46%
- Athens: 41%
- Albany: 46%

August 2020

Georgia Employment Growth By Industry

Year-over-Year Percent Change of 3-MMA

- Total Nonfarm
- Trade, Trans. & Utilities
- Government
- Prof. & Bus. Svcs.
- Educ. & Health Svcs.
- Leisure and Hospitality
- Manufacturing
- Financial Activities
- Construction
- Other Services
- Information
- Nat. Res. & Mining

- More
- Less
- Number of Employees

Georgia vs. U.S. Unemployment Rate

Seasonally Adjusted

- Georgia: Aug @ 5.6%
- United States: Aug @ 8.4%

Professional & Technical Services Employment

In Thousands

- Prof. & Tech Services: Aug @ 269K

Source: U.S. Department of Labor and Wells Fargo Securities
Georgia’s Recovery Continues

September 17, 2020

WELLS FARGO SECURITIES, LLC
ECONOMICS GROUP

Georgia High-Frequency Data

Consumer Sentiment
Morning Consult ICS, 7-day EWMA

Local Businesses Open
Percent Change from Baseline, HomeBase Data

Hours Worked by Hourly Employees
Percent Change from Baseline, HomeBase Data

Seated Diners
Year-over-Year Percent Change, 7-Day MA, OpenTable Data

Visits to Retail & Recreation Locations
Percent Change from Baseline, 7-Day MA, Google Data

Driving Directions Requests
Percent Change from January Baseline, Apple Mobility Data, 7DMA

Source: OpenTable, Apple, Google, HomeBase, Morning Consult and Wells Fargo Securities
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jay H. Bryson, Ph.D.</td>
<td>Chief Economist</td>
<td>(704) 410-3274</td>
<td><a href="mailto:jay.bryson@wellsfargo.com">jay.bryson@wellsfargo.com</a></td>
</tr>
<tr>
<td>Mark Vitner</td>
<td>Senior Economist</td>
<td>(704) 410-3277</td>
<td><a href="mailto:mark.vitner@wellsfargo.com">mark.vitner@wellsfargo.com</a></td>
</tr>
<tr>
<td>Sam Bullard</td>
<td>Senior Economist</td>
<td>(704) 410-3280</td>
<td><a href="mailto:sam.bullard@wellsfargo.com">sam.bullard@wellsfargo.com</a></td>
</tr>
<tr>
<td>Nick Bennenbroek</td>
<td>Macro Strategist</td>
<td>(212) 214-5636</td>
<td><a href="mailto:nicholas.bennenbroek@wellsfargo.com">nicholas.bennenbroek@wellsfargo.com</a></td>
</tr>
<tr>
<td>Tim Quinlan</td>
<td>Senior Economist</td>
<td>(704) 410-3283</td>
<td><a href="mailto:tim.quinlan@wellsfargo.com">tim.quinlan@wellsfargo.com</a></td>
</tr>
<tr>
<td>Azhar Iqbal</td>
<td>Econometrician</td>
<td>(212) 214-2029</td>
<td><a href="mailto:azhar.iqbal@wellsfargo.com">azhar.iqbal@wellsfargo.com</a></td>
</tr>
<tr>
<td>Sarah House</td>
<td>Senior Economist</td>
<td>(704) 410-3282</td>
<td><a href="mailto:sarah.house@wellsfargo.com">sarah.house@wellsfargo.com</a></td>
</tr>
<tr>
<td>Charlie Dougherty</td>
<td>Economist</td>
<td>(704) 410-6542</td>
<td><a href="mailto:charles.dougherty@wellsfargo.com">charles.dougherty@wellsfargo.com</a></td>
</tr>
<tr>
<td>Michael Pugliese</td>
<td>Economist</td>
<td>(212) 214-5058</td>
<td><a href="mailto:michael.d.pugliese@wellsfargo.com">michael.d.pugliese@wellsfargo.com</a></td>
</tr>
<tr>
<td>Brendan McKenna</td>
<td>Macro Strategist</td>
<td>(212) 214-5637</td>
<td><a href="mailto:brendan.mckenna@wellsfargo.com">brendan.mckenna@wellsfargo.com</a></td>
</tr>
<tr>
<td>Shannon Seery</td>
<td>Economist</td>
<td>(704) 410-1681</td>
<td><a href="mailto:shannon.seery@wellsfargo.com">shannon.seery@wellsfargo.com</a></td>
</tr>
<tr>
<td>Jen Licis</td>
<td>Economic Analyst</td>
<td>(704) 410-1309</td>
<td><a href="mailto:jennifer.licis@wellsfargo.com">jennifer.licis@wellsfargo.com</a></td>
</tr>
<tr>
<td>Hop Mathews</td>
<td>Economic Analyst</td>
<td>(704) 383-5312</td>
<td><a href="mailto:hop.mathews@wellsfargo.com">hop.mathews@wellsfargo.com</a></td>
</tr>
<tr>
<td>Nicole Cervi</td>
<td>Economic Analyst</td>
<td>(704) 410-3059</td>
<td><a href="mailto:nicole.cervi@wellsfargo.com">nicole.cervi@wellsfargo.com</a></td>
</tr>
<tr>
<td>Sara Cotsakis</td>
<td>Economic Analyst</td>
<td>(704) 410-1437</td>
<td><a href="mailto:sara.cotsakis@wellsfargo.com">sara.cotsakis@wellsfargo.com</a></td>
</tr>
<tr>
<td>Coren Burton</td>
<td>Administrative Assistant</td>
<td>(704) 410-6010</td>
<td><a href="mailto:coren.burton@wellsfargo.com">coren.burton@wellsfargo.com</a></td>
</tr>
</tbody>
</table>

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC, is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC. And Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC’s research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC. Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MIFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE