

Regional Commentary — January 22, 2021

Georgia Continues to Add Back Jobs Lost in the Lockdowns

Summary

December Saw Solid, Broad-Based Job Gains

Georgia bucked the national trend and saw solid job gains in December. Nonfarm employment rose 1.0% as employers added 44,700 jobs. Georgia has now recovered 82% of the jobs lost in March and April. The state's unemployment rate fell 0.1 percentage point to 5.6%.

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Hiring Remained Strong in December

Hiring remained strong across Georgia in December, with employers adding 44,700 jobs. By contrast, nonfarm employment declined nationally, with employers shedding 140,000 jobs during the month.

Georgia's strong December print owes a lot to the state's policy of allowing businesses that can safely operate their business to remain open. Georgia has largely avoided the volatility seen in some other large states that reinstated operating restrictions when COVID infections picked back up. While Georgia has seen spikes in COVID, its total case count is roughly in line with its place as the nation's eighth largest state. Georgia has recorded the seventh largest number of COVID cases since the onset of the pandemic, and suffered the tenth largest amount of COVID fatalities.

Georgia's December job growth was led by the very areas hit the hardest by the pandemic. The leisure & hospitality sector added 10,600 jobs in December, even though the sector lost 498,000 jobs nationwide that month. Other high-contact areas of Georgia economy also added staff during December, including administrative services (+10,900), retail trade (+7,800) and other services (+1,300). The continued rebound in high-contact services is the key reason Georgia bucked the national trend in December, and not only added jobs, but also added them at the fastest pace in six months.

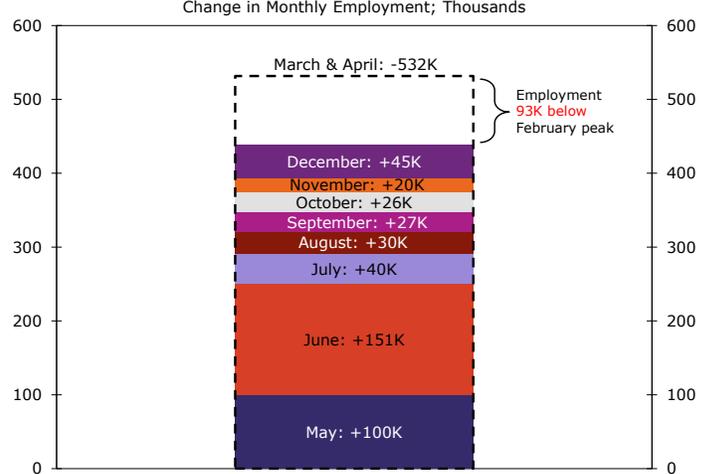
Georgia's Labor Market Is Well Along the Road to Recovery

With December's 44,700 job gain, Georgia has now recovered 82% of the 532,000 jobs lost during the March-April lockdown. However, a word of caution is in order. The state and local employment estimates are revised in early March each year to reflect hard data on actual job counts from the Quarterly Census of Wages and Employment and other sources. We suspect the annual revisions to this past year's data will be quite substantial, but we still expect to see that Georgia is recovering well ahead of most other major states.

Most major industry categories show employment down on a year-over-year basis. The one exception is trade, transportation & utilities, which is Georgia's largest employment sector. The strength, however, does look a little suspicious. Employment in retail trade is reported 6.0% higher than it was one year ago, despite all the store closings we have seen around the state. The 3.5% growth in transportation, warehousing & utilities looks more believable, given the explosive growth in online retailing and continued growth at the Port of Savannah.

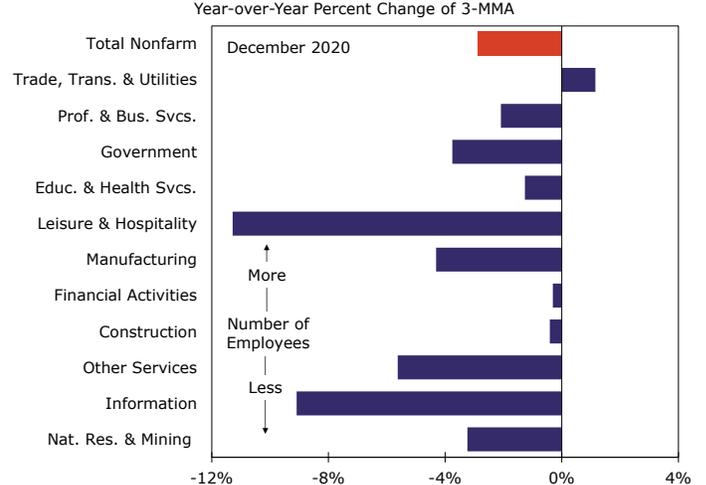
On the downside, the 10.1% drop in leisure & hospitality payrolls looks very credible. Atlanta's large convention trade has been particularly hard-hit as businesses remain reluctant to allow their workers to travel. The industry has been clawing its way back, as restaurants gradually re-open.

Tracking the Georgia Recovery



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

Georgia Employment Growth By Industry

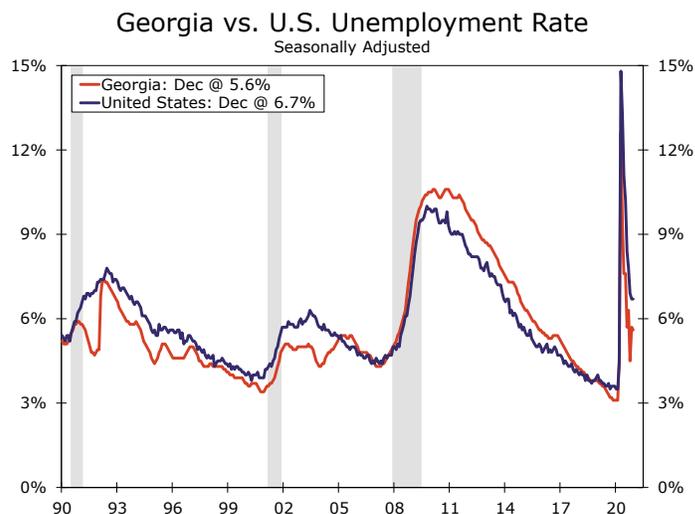


Source: U.S. Department of Labor and Wells Fargo Securities

Georgia's Unemployment Rate Fell to 5.6% in December

Georgia's unemployment rate fell 0.1 percentage point to 5.6% in December, as the number of employed Georgians fell by 25,726, and Georgia's civilian labor force declined by 32,978. Household employment is more volatile on a month-over-month basis. Both the number of employed Georgians and the civilian labor force have increased since bottoming in April, with the number of employed and the labor force rising by 561,415 and 233,224, respectively. The difference of the two reflects the drop in the number of unemployed, which fell by 328,191 and produced the sharp drop in the state's unemployment rate.

The drop in unemployment would be much more meaningful if it was accompanied by a resurgence in labor force growth. Such a resurgence, however, is unlikely to happen until COVID is safely behind us and consumers feel safe enough to venture out to restaurants, bars and entertainment venues. That is what we expect to unfold across Georgia in 2021. The latest data suggests the number of new daily COVID cases likely peaked a couple of weeks ago, while the frustratingly slow rollout of vaccinations in Georgia appears to finally be gaining momentum.



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

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