

Regional Commentary — January 22, 2021

Minnesota Lost Nearly 50,000 Jobs in December

Summary

Minnesota payrolls declined for the second consecutive month, down 48,900 in December. The resurgence in COVID case counts will likely suppress employment growth in the coming month as well, but the vaccine rollout is gaining some momentum. The unemployment rate ticked down to 4.4%.

Economist(s)

Mark Vitner

Senior Economist | Wells Fargo Securities, LLC
mark.vitner@wellsfargo.com | 704-410-3277

Charles Dougherty

Economist | Wells Fargo Securities, LLC
charles.dougherty@wellsfargo.com | 704-410-6542

Nicole Cervi

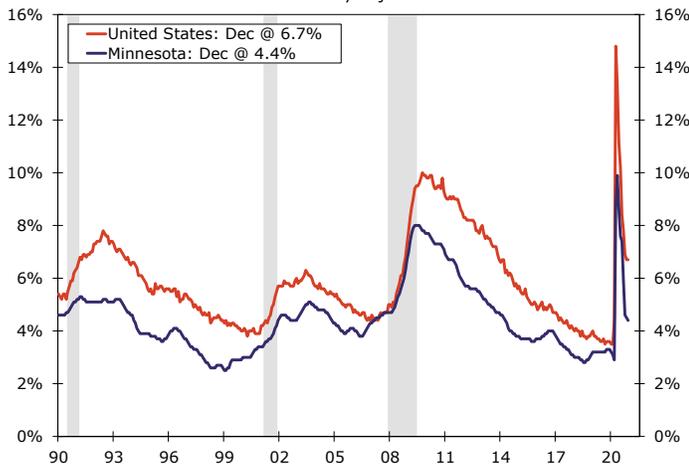
Economic Analyst | Wells Fargo Securities, LLC
Nicole.cervi@wellsfargo.com | 704-410-3059

The COVID Resurgence Weighs on Minnesota Employers

Minnesota's jobs picture worsened in December, as the state endured some of its highest COVID infection rates of the pandemic. Economic engagement was likely pulled back by reinstated operating restrictions and consumer's reticence to venture out. Payrolls declined 49,800 over the month, led by a 42,900 job-loss in the private sector, while government payrolls fell by 6,900 jobs.

The divergence between high-contact industries and sectors more amenable to remote work widened in December. Losses were greatest in the hard-hit leisure & hospitality sector, which was down 41,100 jobs over the month, marking the largest contraction since last April. Restaurants, bars and entertainment venues accounted for nearly all the drop. The decline coincided with a statewide pause on indoor dining and entertainment, which likely drove the bulk of the sector's loss. Professional & business services and financial activities added 1,200 and 500 jobs, respectively.

Minnesota vs. U.S. Unemployment Rate
Seasonally Adjusted



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

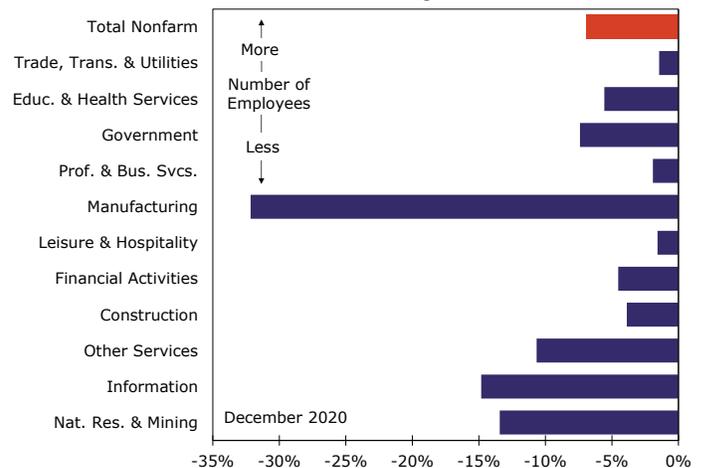
Trade, transportation & utilities and manufacturing payrolls led December's gains. Manufacturers added 1,300 jobs, bolstered by strength in food and medical equipment manufacturing. Retail trade, another sector hard-hit by the pandemic, added 2,600 jobs over the month. Construction employment increased by 800.

Educational services employment fell 3,900 in December, likely dragged down by private schools and colleges returning to remote learning amid surging COVID case counts. Health care & social assistance added 1,300 jobs over the month, but is still down 4.1% year-over-year. Other services, which captures workers providing household and personal services (hair salons, fitness centers, repair shops, dry cleaners, etc.) lost 3,400 jobs.

Minnesota's unemployment rate ticked down to 4.4% in December from an upwardly revised 4.5% the month prior. Although unemployment has steadily improved over the past seven months, much of the recovery has been propelled by a shrinking labor force. The labor force participation rate subsided to 67.5%, well-below its year-ago level of 70.3%. A growing labor force would be a signal that Minnesota's economy is on the mend and is something to look for in 2021.

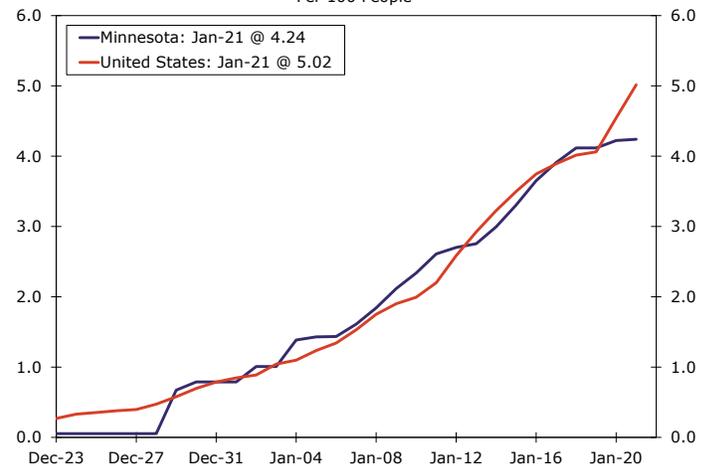
Despite two consecutive months of payroll decline, Minnesota is still poised for a strong recovery once the pandemic is safely behind us. The recent round of COVID relief payments should help support consumer spending and provide some downside protection to

Minnesota Employment Growth By Industry
Year-over-Year Percent Change of 3MMA



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

Vaccine Doses Administered
Per 100 People



Source: Bloomberg LP and Wells Fargo Securities

the broader economy while the vaccine rollout continues to build momentum. So far, about 4.24 doses per 100 people have been administered in the state, which slightly lags the nation.

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Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	International Economist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	International Economist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economist	(704) 410-1681	shannon.seery@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Nicole Cervi	Economic Analyst	(704) 410-3059	nicole.cervi@wellsfargo.com
Sara Cotsakis	Economic Analyst	(704) 410-1437	sara.cotsakis@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

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