

Regional Commentary — January 26, 2021

## North Carolina Payrolls Climb in December

### Summary

- Total nonfarm payrolls rose by 33,600 during December, the eighth consecutive monthly gain and third largest gain of any state behind Texas and Georgia.
- Payrolls are down 4.2% (190,700 jobs) over the past year. We note that the recent employment figures are preliminary and that revised data will be published in March.
- Statewide, the unemployment rate was 6.2%, unchanged from the prior month.
- Despite the monthly payroll gain, the COVID crisis continues to weigh on the state's recovery. Most major industries added jobs during the month, however, the hard-hit leisure & hospitality sector registered a decline.
- Vaccine deployment is well under way in the state, although distribution is running at a slightly slower pace than the national average.

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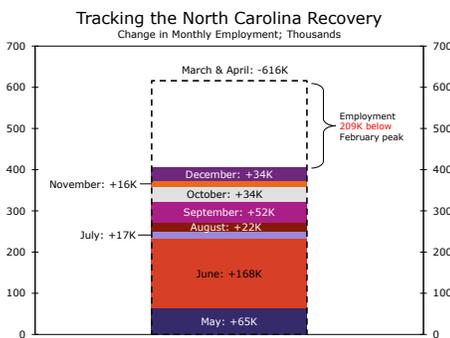
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## North Carolina Employment Growth Heats Up

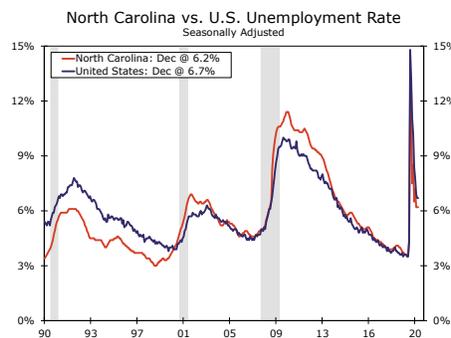
Hiring in North Carolina appears to be heating up as employment growth nationally is cooling down. Total nonfarm payrolls rose by 33,600 during December, the eighth consecutive month of payroll growth in the state. The monthly gain, which was the third strongest of any state, stands in contrast to the 140,000 payroll contraction posted at the national level during the final month of 2020.

Like many other areas, COVID case counts surged during December. North Carolina's relatively warm weather, however, allows for more outdoor dining and other activities to take place. The relative resilience of the state's hospitality sector likely played a key role in keeping payroll growth in positive territory. Other warm-weather states, such as Texas, Georgia, Florida and South Carolina, also bucked the national trend and added jobs during the month.

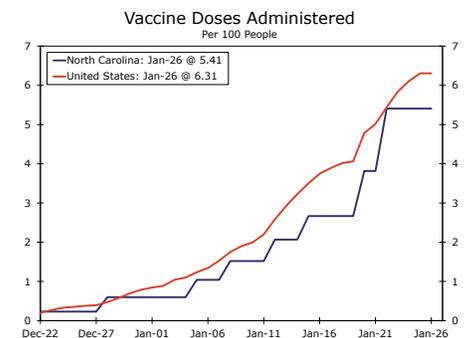
Despite the recent resiliency, the COVID crisis is still clearly weighing on employment growth. Fast-rising case counts have led to state officials imposing new restrictions on restaurants and bars. The beleaguered leisure & hospitality sector registered a 2,800-job decline during the month, as hiring at bars, hotels and restaurants fell by 3,400.



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



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



Source: Bloomberg LP and Wells Fargo Securities

## Most Industries Added Jobs in December

Elsewhere, most major industries added jobs during the month. Retail trade payrolls rose by 8,200, as retailers likely expanded headcounts to prepare for the holiday shopping season. Foot traffic at retail stores is still running lower than pre-pandemic levels, however, the rise of online ordering and curbside pickup has bolstered employment growth in the industry. Similarly, transportation & warehousing hiring picked up by 4,900.

The professional & business services industry added 11,700 jobs, owed largely to a 10,400 gain in administrative & waste services. Education and healthcare, rose by 900 and 1,000 jobs, respectively. The finance industry expanded payrolls by 1,800, while manufacturers posted a 4,500-job gain.

## Unemployment Rate Unchanged, but Lower than the National Rate

North Carolina's labor market continues to gradually improve. Statewide, the unemployment rate was unchanged from the previous month, but, at 6.2%, the jobless rate in the state is still lower than the national rate of 6.7%. Furthermore, both the labor force (0.5%) and household employment (0.6%) improved at comparable rates, which helps explain why the jobless rate held steady during the month.

Overall, we expect the next few months to be challenging ones. December's spike in COVID infections appears to be receding, but case counts are still elevated which will continue to hold back the economic recovery. Vaccine deployment is well under way, although distribution is running at a slightly slower pace than the national average. Still, the vaccine rollout appears to be accelerating and economic growth should strengthen as the state progresses toward herd immunity.

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