

Regional Commentary — January 22, 2021

New York Payrolls Drop in December

Summary

- Total payrolls declined by 37,200 during December. Private sector payrolls fell by 22,100.
- Statewide, the unemployment rate declined to 8.2% from 8.4%. In New York City, the jobless rate fell to 11.4% from 12.1%, but remains among the highest of any major city in the U.S.
- Employment growth in the state appears to be weakening alongside business restrictions intended to counter rising COVID infections.
- Encouragingly, vaccine deployment has ramped up after a slow start, which should eventually help get the state's economic recovery back on track.

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

New York's Jobs Recovery Skips a Beat in December

Employment growth in New York appears to be weakening alongside new business restrictions. Total payrolls declined by 37,200 during December, the first drop since the March-April lockdown period when payrolls fell by almost two million jobs. Employers have made considerable headway in regaining many of those jobs over the course of 2020, but payrolls are still 10.7% below the February peak.

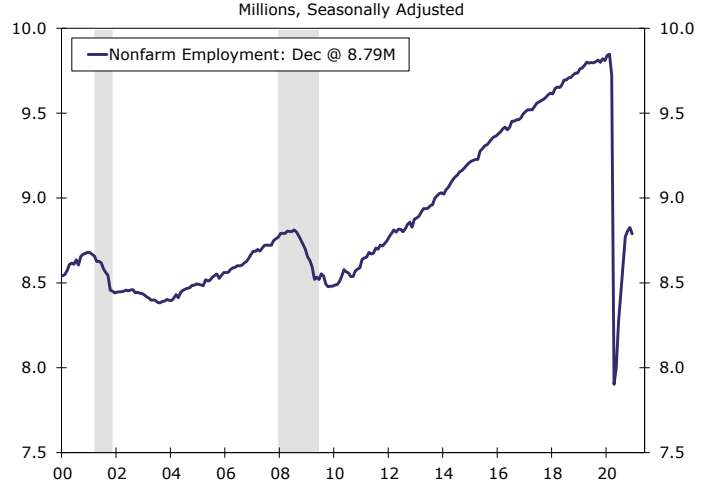
The recent surge in COVID cases and accompanying business restrictions was clearly evident in December. Leisure & hospitality payrolls fell by 33,900, as hiring at bars, hotels and restaurants plummeted by 27,200. The COVID crisis has severely strained tax revenues, which appears to be putting pressure on government hiring. The public sector shed 15,100 jobs during the month, as state and local government payrolls declined by 14,300. The state's education and health industry was another notable area of weakness. Education payrolls dropped by 7,200 and health slipped by 3,800.

It Wasn't All Bad in December

There were a few bright spots in the December employment report. The hard-hit retail industry added 8,500 jobs, the largest gain since August. This gain may reflect a pick-up in holiday-related hiring, but the improvement is nevertheless an encouraging sign that retailers are at least trading water in a very challenging environment. Manufacturers also expanded payrolls by 5,100, while the construction industry gained 8,500 jobs.

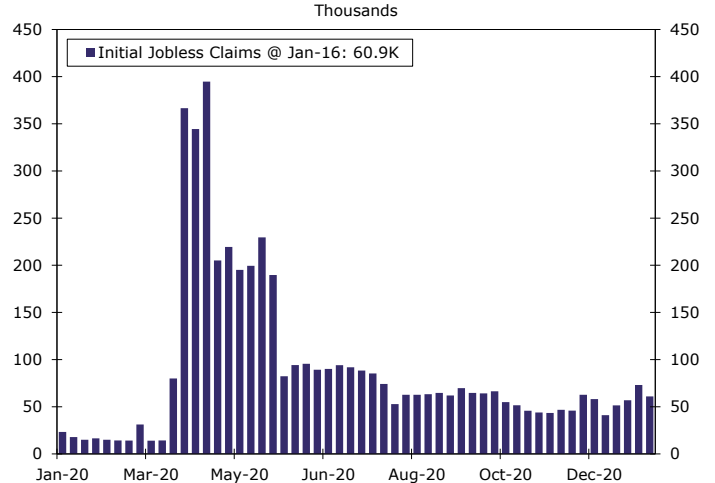
Statewide, the unemployment rate fell to 8.2% from 8.4%, the fifth straight monthly decline. The labor force shrunk 0.1%, while the number of employed New Yorkers rose 0.2%. Similarly, New York City's jobless rate improved to 11.4% from 12.1%, although it remains among the highest of any major metropolitan area in the country.

New York Nonfarm Employment



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

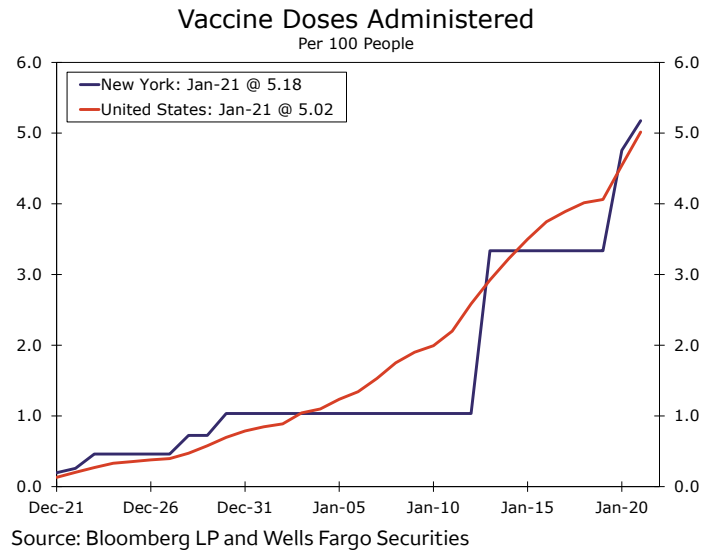
New York Initial Jobless Claims



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

Better Days Ahead for New York

The next few months are sure to be challenging ones for the New York economy. During the week of January 16, jobless claims fell slightly to 60,900. So far, however, the average number of applicants for unemployment benefits in January are running a bit higher than December, meaning the labor market may continue to lose momentum in the months ahead. The reason for the recent slowdown is clear. Although the growth in new COVID cases appears to be slowing, case counts remain highly elevated. Encouragingly, vaccine deployment looks to be accelerating after a slow start, which should eventually help get the state economic recovery get back on track.



Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

The 2021 Annual Economic Outlook: *Aftershocks and Divergence in the Post-Pandemic Economy* is available at wellsfargo.com/economicoutlook

Via The Bloomberg Professional Services at WFRE

And for those with permission at www.wellsfargoresearch.com

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

Required Disclosures

This report is produced by the Economics Group of 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 this report directly and through affiliates 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 Europe S.A., 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 Commodity 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 Commodity 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 report.

The information in this report has been obtained or derived from sources believed by Wells Fargo Securities, LLC to be reliable, but Wells Fargo Securities, LLC does not guarantee its accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or upon any opinions set forth herein. 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 sale of any security or other financial product 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. © 2021 Wells Fargo Securities, LLC

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, 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. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE