

Regional Commentary — January 22, 2021

Texas Posts Robust Payroll Gain in December

Summary

- Nonfarm employers added 64,200 jobs, the eighth straight monthly gain.
- The unemployment rate declined to 7.2% from 8.1% the month prior.
- Employment growth in the state has been incredibly resilient to the latest wave of COVID cases, which have come down in recent weeks, but remain elevated.
- Vaccine deployment is well under way, with about 5.11 (per 100 people) Texans vaccinated so far, which is on par with the national rate of 5.02.
- We expect the pace of job gains to pick-up further as more of the population receives vaccinations and the state progresses to herd immunity.

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

Texas Remains on the Path to Recovery

The Texas jobs recovery remains intact. Total nonfarm employers added 64,200 jobs during December, the eighth straight month of job growth. The fairly robust monthly gain stands in stark contrast to the COVID-induced 140,000 payroll contraction posted nationally during the final month of 2020.

Clearly, the state's economy is not immune to the negative effects of the ongoing public health crisis. The recent COVID surge has resulted in operating restrictions on high-contact businesses in the most severely affected areas of the state. These restrictions are generally lighter than other states, however. Moreover, Texas' relatively warm weather allows for more outdoor dining and other activities to take place, which also helps explain why hiring in Texas has held up better compared to other states.

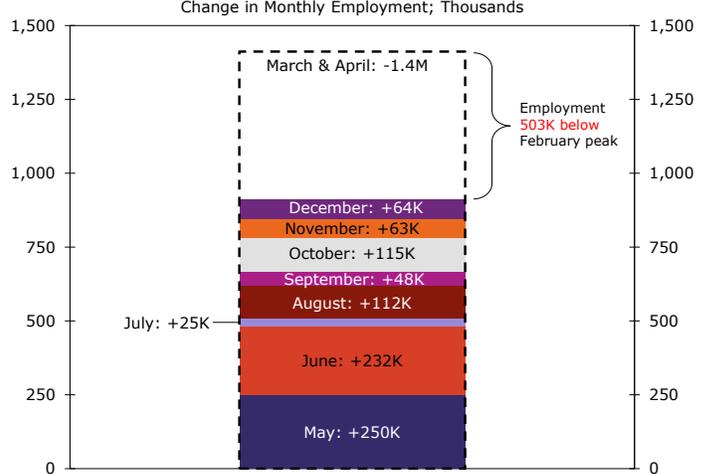
Hiring in the Tech Industry Continues to Climb

Most major industries added jobs during the month. Professional & business services expanded payrolls by 27,000 jobs, more than any other sector. This increase reflects the accelerated relocation of advanced-service industries, such as the tech industry into Austin and other parts of the state. Professional, scientific & technical services, which partially captures headcounts in the tech industry, posted a 14,300 job-gain.

Retailers added 12,900 jobs in December, which is likely the result of an increase in holiday-related hiring, but nevertheless it is an encouraging sign that the hard-hit retail sector continues to recover. Leisure & hospitality payrolls rose by 6,300 jobs, as hiring at hotels, bars and restaurants picked up by 7,300 while arts, entertainment & recreation declined by 1,000.

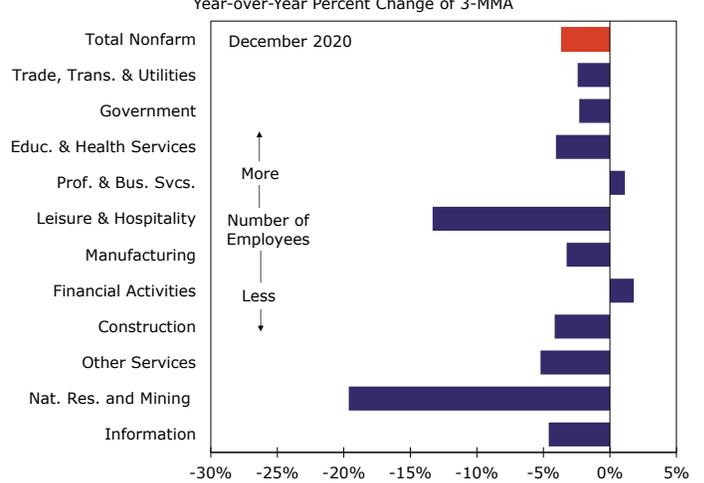
The healthcare industry saw payrolls rise by 5,500, while wholesale trade grew by 4,700 jobs. Mining & logging payrolls advanced by 1,000 jobs alongside higher oil prices and a modest increase in oil and gas drilling activity in the state. Construction and manufacturing payrolls climbed by 3,100 and 2,700, respectively. There were a few areas of weakness during the month. Government payrolls declined by 3,400 and the financial services industry trimmed 4,800 from headcounts.

Tracking the Texas Recovery



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

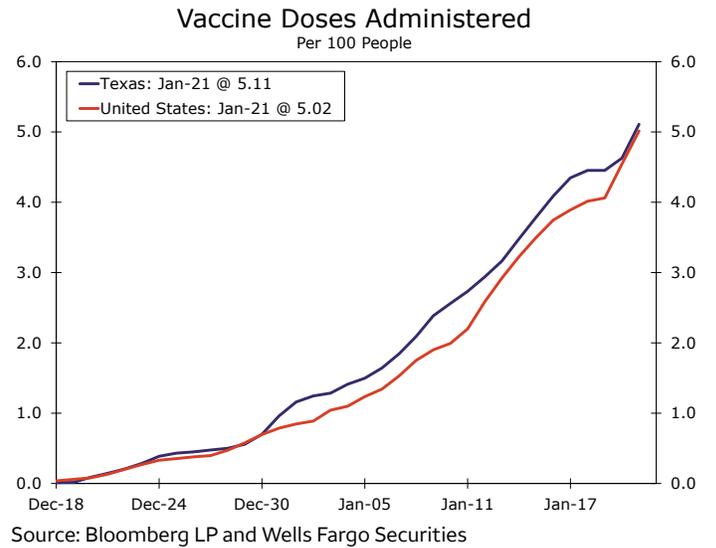
Texas Employment Growth By Industry



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

Vaccinations Will Eventually Lead to Stronger Growth

Overall, the state remains firmly on the path to recovery, but there is still a long road ahead. During December, the jobless rate declined to 7.2% from 8.1% the month prior. Despite the monthly improvement, the unemployment rate remains well above where it was at the start of 2020. What's more, COVID case counts have come down in recent weeks, but remain highly elevated, which could limit hiring over the next few months. Encouragingly, vaccine deployment is well under way, with about 5.11 (per 100 people) Texans vaccinated so far, which is on par with the national rate.



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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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