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Fitch: Employment Growth Slows for U.S. States as COVID-19 Cases Rise

Fitch Ratings-New York-02 November 2020: The pace of job recovery continues to slow for most U.S. states with COVID-19 cases and hospitalization rates increasing throughout much of the country, according to Fitch Ratings in a new report.

“States by and large saw continued improvement in jobs recovery in September, although the pace has slowed since the summer, we expect the economic recovery to continue slowing this quarter.” said Senior Director Olu Sonola. Median jobs recovery (gain in non-farm payrolls) improved to 55% in September from 51% in August. Fitch considers most states are well-positioned to deal with resulting budget volatility at current rating levels, though economic contraction could compound revenue declines that erode states’ gap-closing abilities.

New York, Alaska, Illinois, Nevada, New Jersey and Kentucky all saw the steepest employment declines in the first three months of the pandemic and have seen slower employment recovery in recent months. Additionally, nine states lost jobs in September with Hawaii topping the list. Fitch downgraded Hawaii to ‘AA’ and revised the Rating Outlook to Stable last month, noting the outsized impact of the coronavirus pandemic on Hawaii’s economy and workforce, particularly its large leisure and hospitality sector.

Conversely, the employment picture improved dramatically for states like Massachusetts in September. Massachusetts’ official unemployment rate improved to 9.6% in September from 11.4% in August with the Fitch-adjusted unemployment rate also falling to 10.8% from 18.9%.

“Massachusetts has seen a notable uptick of hiring in the education and health services sector, which drives a large portion of their economy,” said Sonola.

Fitch’s ‘U.S. States Labor Markets Tracker’ is available at ‘www.fitchratings.com’

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