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Fitch: U.S. State Employment Growth Largely Flat to Start 2021

Fitch Ratings-New York-25 March 2021: State employment began the year essentially stagnant, though Fitch Ratings' latest U.S. States Labor Markets Tracker points to a more promising second half of 2021.

States seeing marginal employment declines in January were California, Hawaii, Arkansas, Nebraska, North and South Carolina, Louisiana and Tennessee. The January official unemployment rate improved overall, though the Fitch-adjusted rate weakened for six states (Connecticut, Louisiana, Minnesota, Missouri, Texas, and Vermont), given declines in those states' labor force.

"Economic activity is expected to pick up in the second half of the year with additional fiscal support and greater vaccination rates allowing for lifting restrictions, supporting a stronger jobs recovery," said Senior Director Olu Sonola. However, severe delays or setbacks in immunization strategies remain a key risk and will weigh on the pace of economic and labor market recovery well into 2021.

Minnesota, New York, New Jersey, Louisiana, Wyoming, Washington, Alaska, Oregon, Illinois, California, New Mexico, North Dakota and Hawaii have recovered less than 50% of the jobs lost at the peak of the pandemic. Employment losses are still largely dominated by the leisure and hospitality industries, representing 40% of all state job losses since February 2020, despite making up only about 11% of total employment before the onset of the pandemic. These sectors continue to show significant signs of weakness, given government travel restrictions and consumer reluctance to travel.

Fitch's latest "U.S. States Labor Markets Tracker" is available at www.fitchratings.com.

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