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Fitch: Job Growth for California Metros May Stumble Due to Delta Variant

Fitch Ratings-New York-21 July 2021: Employment growth is positioned to spike for most metros throughout the country as vaccinations continue and social-distancing measures are rolled back, though Fitch Ratings latest U.S. Metro Labor Markets Tracker points to California as a potential hot spot in the coming weeks.

Monthly employment growth has been on a steady upward trajectory for California, where imposed lockdowns may have been more stringent. However, 'the growing spread of the delta variant has led to the return of mask mandates in Los Angeles and is one to watch as further restrictions could slow the pace of employment recovery in the affected metros,' said Senior Director Olu Sonola.

While most regions of the country showed notable growth in jobs, the Midwest's median recovery rate for major metros fell to 66% in May from 68% in April. Cleveland was the Midwestern major metro with the largest decline in May at five percentage points below April. Eight out of nine major metros in the Midwest had employment recovery rates above 50%, with the exception being Chicago. The Midwest's median Fitch-adjusted unemployment rate rose to 8.8% in May from 8% in April. All three Midwestern metros where Fitch-adjusted unemployment rates rose in May are in Ohio (Cincinnati, Cleveland, and Columbus).

Leisure and hospitality remain a lingering sore spot for job growth. Though cities like Miami and New Orleans are seeing relatively strong improvement from prior months, Miami has only recovered 62% of leisure and hospitality employment while New Orleans has recovered 42%. Interestingly, Las Vegas, which has the highest leisure and hospitality employment concentration among major metros, has seen job recovery stall lately compared to other cities.

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

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