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Economics Group

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COVID-19: Which Industries Are Exposed to a Hiring Hit?

The striking pace of hiring to start the year will be hard to maintain amid efforts to contain COVID-19. Services are at greater risk than recent periods of slowing growth and threaten the broader health of the labor market.

Job growth remained on a tear in February, but measures to curtail the spread of COVID-19 are poised to reduce hiring in the coming months. In the goods sector, which accounts for 14% of total employment, we see the coronavirus likely hitting hiring through both supply and demand channels. **Manufacturing** will bear the early strains of supply disruptions. Although inventories were generally high at the start of the year, lengthy delays for parts could force companies to suspend production and lay off workers to preserve cash. If businesses and households curtail spending in the interim, weakness may linger even when suppliers are fully back up and running.

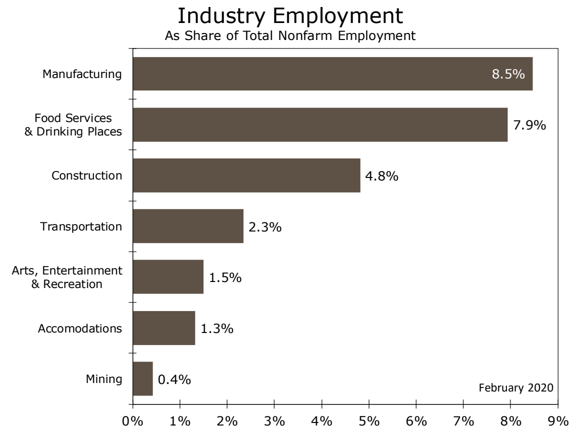
We would expect hiring in the **construction** sector to be more insulated, but also acknowledge the potential for some projects to get hung up waiting for materials, a risk highlighted in the latest ISM survey. Falling oil prices should put additional pressure on jobs in the energy sector, but at 0.4% of employment, the **mining** industry has little bearing on overall employment.

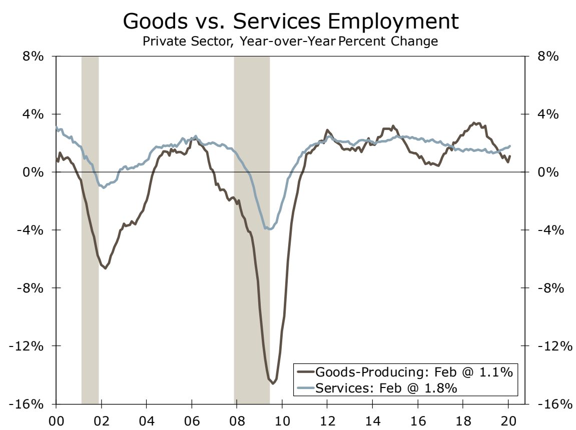
Unlike recent growth scares, the effects of the coronavirus outbreak stand to directly impact the service sector, which had been a bastion of strength during the trade war and commodity turmoil of 2015-2016.

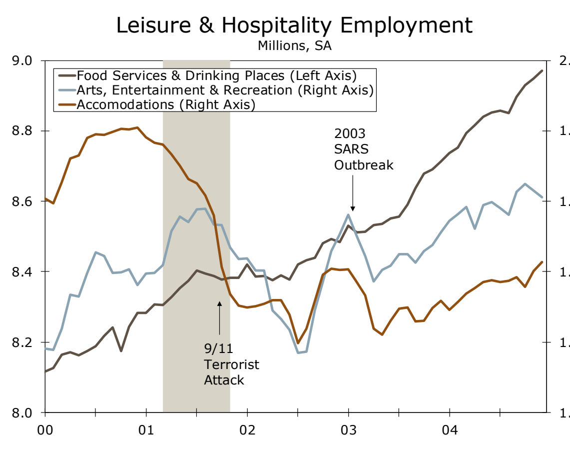
Transportation employment has already been under the gun this past year due to shifts in trade policy and the resulting slowdown in trade volume. Prolonged disruptions to shipments out of China or reduced volumes of U.S.-made goods as American producers await parts are only going to lessen the need to bring on additional workers. At the same, time passenger transportation—specifically airlines—is now ripe for declines, as meetings and holidays are cancelled. Employment in the U.S. **air transportation** industry dove 10% in the six months following the September 11 attacks and 9% in the six months following the SARS outbreak in 2003.

That said, air transportation makes up only a sliver of total employment (0.3%). More significant would be the hit to activities often related to air travel. The **leisure & hospitality** industry has grown to account for about 11% of total employment over the past 20 years and now employs about 30% more workers than manufacturing. Employment in **accommodation** was already slipping in 2001 amid the recession, but plunged at a 13% annual rate in the final three months of that year. The SARS scare of 2003 generated a similar temporary hit to the sector, with employment falling at a 9% pace in the three months through April of that year. Meanwhile, the avoidance of crowded events like concerts and sports games dragged down jobs in **arts, entertainment & recreation** at a 10% pace over the same period.

Somewhat more encouraging is that most of the leisure & hospitality industry is comprised of **food services**, accounting for about 8% of total employment on its own. Following both the September 11 attacks and SARS episode, job growth for the industry largely just stalled. But if households are more apt to hunker down in the coming months, a pullback in hiring, and at the very least hours worked, may be hard to avoid.







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

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