



Economics Group

Sarah House, Senior Economist
sarah.house@wellsfargo.com • (704) 410-3282

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.

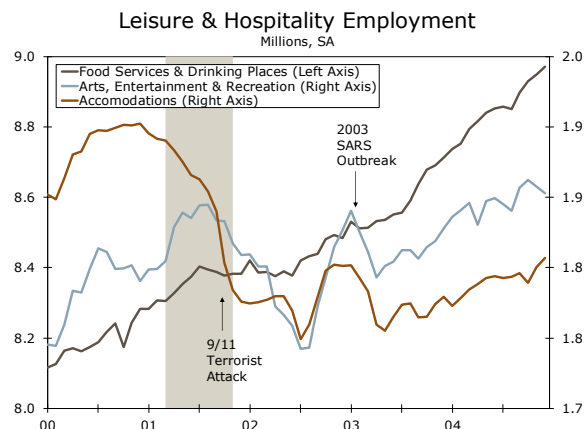
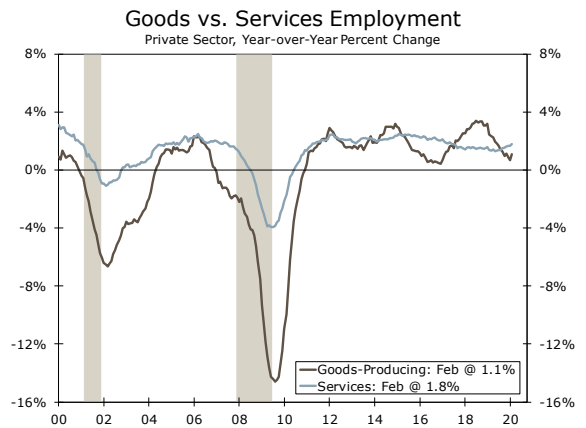
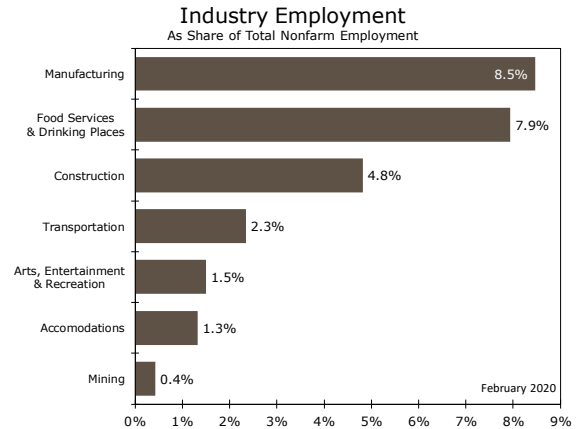
We would expect hiring in the **construction** sector to be more insulated, but also acknowledge the potential for some projects to get hung up waiting for materials, a risk highlighted in the latest ISM survey. Falling oil prices should put additional pressure on jobs in the energy sector, but at 0.4%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



Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting 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	Macro Strategist	(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
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Licis	Economic Analyst	(704) 410-1309	jennifer.licis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2020 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE