



Economics Group

Mark Vitner, Senior Economist
mark.vitner@wellsfargo.com • (704) 410-3277
Jamie Feik, Economist
jamie.feik@wellsfargo.com • (704) 410-3291
Misa Batcheller, Economic Analyst
misa.n.batcheller@wellsfargo.com • (704) 410-3060

Minnesota Labor Market Update: December 2016

Minnesota employers added 11,900 jobs in December, following an upwardly revised 12,700-job gain in November. A total of 37,100 jobs were added in 2016, but the jobless rate rose while the labor force contracted.

Payrolls End 2016 on a High Note, But Unemployment Is Up

Employment growth in Minnesota ended 2016 on a high note as employers added a combined 24,600 net new jobs in November and December. Most of the recent payroll gains have come in the health care sector, which added 7,900 jobs over the past two months. Hiring in professional & technical services is also on the upswing after a rocky year, adding 1,700 jobs over the past two months to bring its 2016 gain to 2,200 new jobs. Construction job growth took off in 2016, particularly in the past two months, and ended 2016 with an additional 7,200 jobs in the state.

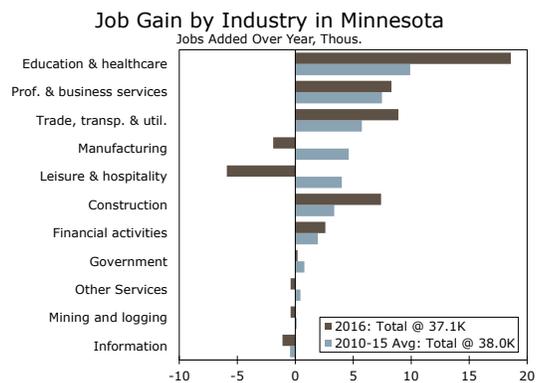
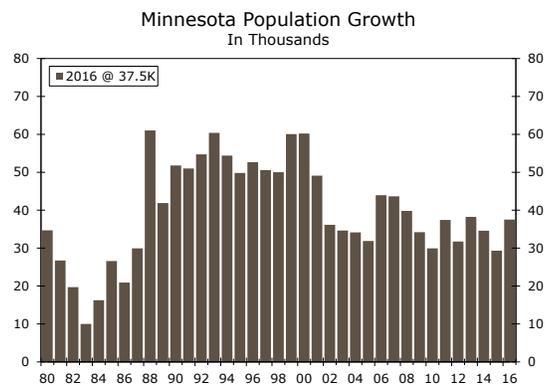
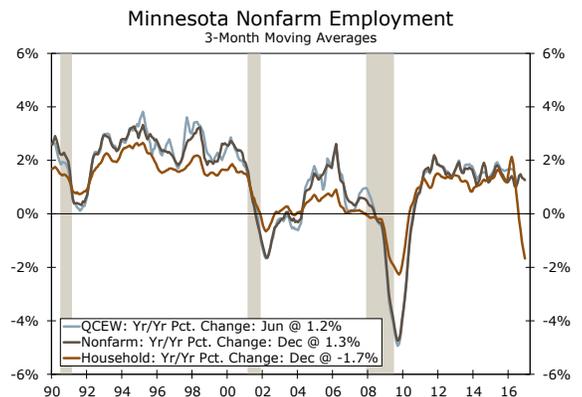
Minnesota’s job gain in 2016 was close to its average in previous years of the expansion, adding 37,100 jobs last year for a gain of 1.3 percent. The unemployment rate, however, edged up 0.2 percentage points over the year to end 2016 at 3.9 percent. The state’s labor force declined by 35,700 in 2016, entirely from the ranks of employed as Minnesota’s older workforce hits retirement age. The labor force participation rate declined 1.3 percentage points to 68.9 percent in December.

Demographics and Job Growth in Minnesota

Minnesota’s population increased by 37,520 residents in 2016, according to the most recent numbers from the U.S. Census Bureau (middle chart). Minnesota’s population growth accelerated from 2015 to 2016, contrasting the national average, which slowed over the year. That said, both reported an increase of 0.7 percent in 2016. Minnesota’s larger population gain in 2016 was due in part to a lesser drag from domestic out-migration, or the number of residents leaving for another state.

Stemming domestic out-migration is crucial for Minnesota’s labor market, which continues to shrink as more workers reach retirement age. Labor shortages have placed constraints on Minnesota’s job growth. Of the 37,100 jobs added in Minnesota over the past year, over half were in the healthcare sector, which saw hiring double in 2016 relative to its average from 2010-2015 (bottom chart). Moreover, most of those jobs were added at hospitals and physicians’ offices, two higher-paying parts of this category. Hiring held steady at business services firms—though more of the recent job growth has been concentrated in administration & waste services. Professional & technical firms added fewer jobs in 2016 than earlier in the expansion. Labor shortages likely played a role in the hiring slowdown, as many firms within this sector employ highly-skilled workers, which are more difficult to replace as employees retire.

Holiday hiring in the leisure & hospitality sector was soft during the last three months of 2016, resulting in a year-over-year decline for the sector. Retail employment was up solidly over the holidays, however, and transportation & warehousing also added more positions.



Wells Fargo Securities Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Anika R. Khan	Senior Economist	(212) 214-8543	anika.khan@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Analyst	(212) 214-5652	erik.f.nelson@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
E. Harry Pershing	Economic Analyst	(704) 410-3034	edward.h.pershing@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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