California, Nevada lead in job recovery

By Steve Matthews, Bloomberg

Arizona, California, Florida and Nevada – the states that were most hurt in the real estate collapse over the past five years – are now leading the U.S. labor market expansion.

The four states added 222,100 jobs from August through December, accounting for 28 percent of the increase in U.S. employment in that period, according to Labor Department figures. Their outperformance may continue, say economists at Moody's Analytics Inc. and IHS Global Insight.

Households in the "sand states," whose homes have lost on average half of their value since the 2006 peak in the housing bubble, are healing after cutting debt and bolstering their net worth, said Jan Hatzius, chief economist at Goldman Sachs Group Inc., yesterday in an interview in New York. Their stabilization may signal a broader improvement by U.S. consumers that supports a faster expansion in employment growth.

"There has been a whole lot of balance sheet improvement," said James Paulsen, who helps oversee more than $330 billion as chief investment strategist in Minneapolis for Wells Capital Management. "Even the places that were ground zero for the 2008 financial crisis are coming back to life. Things are starting to pop a little again."

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