Employment

Nonfarm payrolls increased by 49,000 jobs in January. Revisions to the previous two months reduced payrolls by 159,000 jobs. The unemployment rate fell from 6.7% to 6.3%. Labor force participation fell from 61.5% to 61.4%. Average hourly earnings rose 0.2% for the month and are up 5.4% year-over-year.

Our Take: The effects of pandemic-related shutdowns continued to be felt in January. The leisure and hospitality sector led job losses again this month. The strong growth in hourly earnings reflects the fact that the majority of job losses have been in lower-wage industries rather than indicating any underlying strength in wages. All told, there is little to like in the jobs report as even the fall in the unemployment rate was due mostly to workers leaving the labor force rather than finding jobs. Vaccination speed and effectiveness will determine the extent of the employment recovery and there is still a long way to go until full employment.

Municipals

Cities and states eliminated an estimated 1.4 million government jobs during the pandemic according to the Bureau of Labor Statistics. States eliminated approximately 1 million jobs, while local governments eliminated around 400,000 jobs.

Our Take: Municipalities were forced to take quick action during the pandemic. Shutdowns forced state and local governments to halt or delay projects. Potential decreases in both revenue collections and state aid led municipalities to furlough workers and freeze new hiring.

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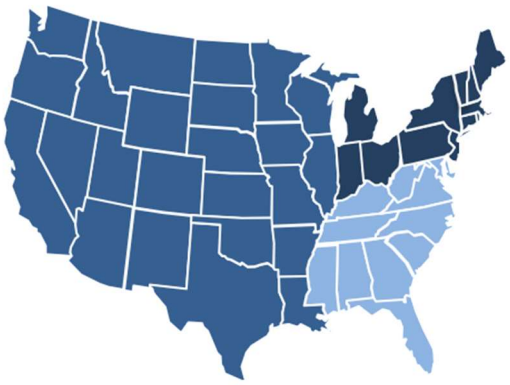

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