

Economic highlights from the week ending on January 8, 2021

Shelly Henbest, CFA
Senior Credit Analyst

U.S. nonfarm payrolls declined by 140,000 in December. It was the first monthly decline in nonfarm payrolls since April of last year and came in well below expectations for a 50,000 gain. The monthly decline was led by the leisure and hospitality sector which experienced a 498,000 net decline in payrolls in December, along with modest declines in government jobs and education and health services. The unemployment rate was unchanged in December at 6.7% and has improved significantly from the peak of 14.8% last April. Nevertheless, more than 10.7 million people remain unemployed. Workers who classified themselves as employed but absent from work in December continued to understate the unemployment rate by about 0.6%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, remained high but declined to 11.7% in December from 12.0% in November. The labor participation rate was unchanged at 61.5% in December and remains well below pre-pandemic levels. We anticipate the labor market is likely to remain challenged over the near-term due to the virus, particularly in the leisure and hospitality sector.



Democrats Raphael Warnock and Jon Ossoff defeated the GOP incumbents in Georgia's Senate runoffs this week, putting Democrats in control of both chambers of Congress. However, we note that Democrats only have a small lead in the Senate and a weakened majority in the House. Nevertheless, this is likely to strengthen President-elect Joe Biden's ability to achieve his legislative agenda. During his campaign, Biden proposed spending over \$2 trillion on infrastructure, with a focus on clean energy, and has recently signaled that more spending on COVID-19 relief is likely. We believe the incoming Presidential administration will be primarily focused on supporting the economic recovery and accelerating the pace of vaccine distribution in 2021. The financial markets had a modest reaction to the chaos at the US capital this week, supporting the idea that a relatively peaceful transition of power will take place. Continued fallout from current cabinet members and aids, may cause some volatility over the coming weeks.



Next Week

CPI, Beige Book, PPI, Retail Sales, Empire State Manufacturing, Industrial Production, Consumer Sentiment

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