CHANDLER ASSET MANAGEMENT

Economic highlights from the week ending on February 5, 2021

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The labor market remained under pressure in January. U.S. nonfarm payrolls were up just 49,000 in January, versus the Bloomberg consensus forecast of 105,000. December payrolls were revised down by 87,000 to -227,000. On a seasonally adjusted basis, the increase in January payrolls was led by an 80,900 net gain in temporary help services and a 43,000 net gain in government jobs. Meanwhile, payrolls in the leisure and hospitality sector declined 61,000 in January, following a large 536,000 net decline in December. There were also notable declines in healthcare and social assistance and retail trade payrolls in January. The unemployment rate unexpectedly declined to 6.3% in January from 6.7% in December, but this was due in part to a decline in the participation rate to 61.4% in January from 61.5% in December. On a year-over-year basis, the size of the US civilian labor force has declined by nearly 4.3 million people. Although the unemployment rate has improved from the peak of 14.8% last April, more than 10.1 million people remain unemployed. Workers who classified themselves as employed but absent from work in January 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 11.1% in January from 11.7% in December. Although the labor market is a long way from a full recovery, we believe financial market participants remain focused on the longer-term view and the expectation of a return to pre-pandemic levels of economic activity and continued decline in unemployment as vaccine distribution accelerates.

Next Week

CPI, Consumer Sentiment

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