

## U.S. Municipal Bond Market

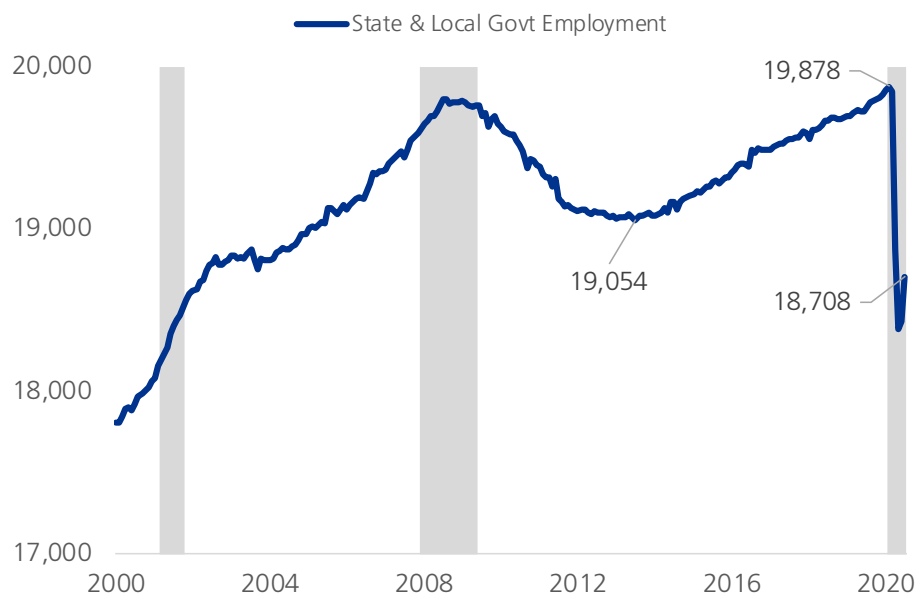
# July Nonfarm Payroll Data Emphasizes Substantial State/Local Government Job Reduction Since Feb., Despite Monthly Increase

### Summary

- Nonfarm payrolls rose by 1.8 million, which is higher than the 1.5 million consensus forecast but well under last month's 4.8 million increase.
- The U.S. unemployment rate also improved to a better level than expected. It fell to 10.2%, down from last month's 11.1%, which is better than the 10.6% survey expectation. An unemployment rate of 10.2% is still worse than at any point during the Great Recession.
- The economy added 301,000 government jobs in July; 274,000 were state and local government and 27,000 were federal government positions.
- A key fact is that state and local government employment is still 1.1 million below its Feb. 2020 level, confirming that state and local governments have been forced to cut payroll in order to balance budgets during the new COVID normal.
- We expect more state and local government layoffs to occur if there is not federal aid. We also believe more layoffs could occur in the coming years as state and local governments continue to deal with revenue uncertainty, which could be potentially fueled by residential and commercial real estate market weakness.

**Tom Kozlik**  
Head of Municipal Strategy & Credit  
214.859.9439  
tom.kozlik@hilltopsecurities.com

### State and Local Government Jobs Slightly Higher, But Still Well Below Feb. 2020 Levels (in thousands)



Source: Bureau of Labor Statistics, NBER data via FRED, Bloomberg, and HilltopSecurities.

*A key fact is that state and local government employment is still 1.1 million below its Feb. 2020 level, confirming that state and local governments have been forced to cut payroll in order to balance budgets during the new COVID normal.*

### Recent HilltopSecurities Municipal Commentary

- [Labor Markets Stunted, Recovery Halted, Negotiations Paused, and Strong Demand for Municipal Continues](#), August 6, 2020
- [Rating Agencies' Questions About U.S. Governance and Policy Gridlock](#), August 3, 2020
- [COVID-19 Spending to Date Not an Accurate Indicator of Need](#), July 30, 2020
- [The HEALS Act: Republicans' Fifth Phase Proposal, Almost Final](#), July 27, 2020
- [Fed Expands Main Street Lending Program Eligibility to Include Nonprofits](#), July 23, 2020

Readers may view all of the HilltopSecurities Municipal Commentary [here](#).

*The paper/commentary was prepared by Hilltop Securities (HTS). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS as of the date of the document and may differ from the views of other divisions/departments of affiliate Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. This material has not been prepared in accordance with the guidelines or requirements to promote investment research, it is not a research report and is not intended as such. Sources available upon request.*

*Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 1201 Elm Street, Suite 3500, Dallas, Texas 75270, (214) 859-1800, 833-4HILLTOP*