

U.S. Municipal Bond Market

State and Local Government Job Losses in Three of Last Four Months Illustrate Continued Budget Pressures

Nonfarm Payrolls Down Unexpectedly

U.S. labor market data reported Friday by the [Bureau of Labor Statistics](#) showed non-farm payrolls dropped unexpectedly by -140,000 compared to the +50,000 consensus expectation. The December non-farm payroll decline ended seven straight months of U.S. labor market expansion going back to May 2020. The unemployment rate was unchanged at 6.7%. See more in [Unexpected December Job Loss Increases Urgency for Additional Aid](#).

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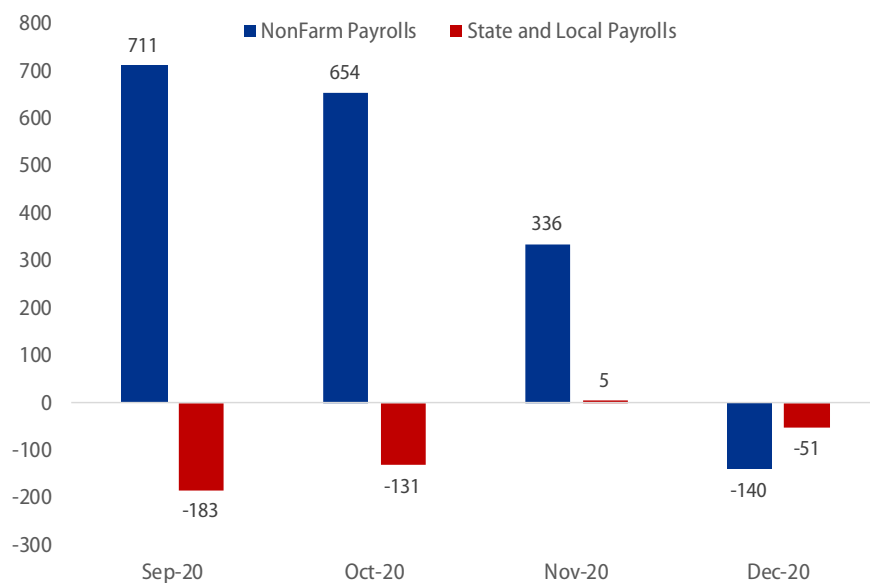
The third wave of COVID-19 is the leading factor for the negative employment actions. Job losses were concentrated in a few sectors: leisure and hospitality (-498,000), private education (-63,000) and government (-45,000). More specifically, we saw that local government employment fell by -32,000 and state government declined by -20,000. Federal government employment rose by 6,000. State and local government employment is still down by 1.385 million jobs compared to Feb. 2020. (See chart on following page.)

Government Labor Market Reacts to Budget Pressures

This continued pressure toward state and local government jobs demonstrates the steps governments are having to take to balance their spending plans. This weight illustrates the need for direct, unencumbered aid for state and local governments. We do not believe that the [fifth phase of COVID-19 relief was a “windfall”](#) for state and local governments, as the [Wall Street Journal](#) indicated in December.

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State & Local Government Job Losses in Three of Last Four Months



Source: Bureau of Labor Statistics and HilltopSecurities.

States and cities have still not received any direct, unencumbered aid. There is a significant amount of noise in the third quarter 2020 census state and local revenue data, mostly because of the tax deadlines that were pushed back from April as many probably now remember.

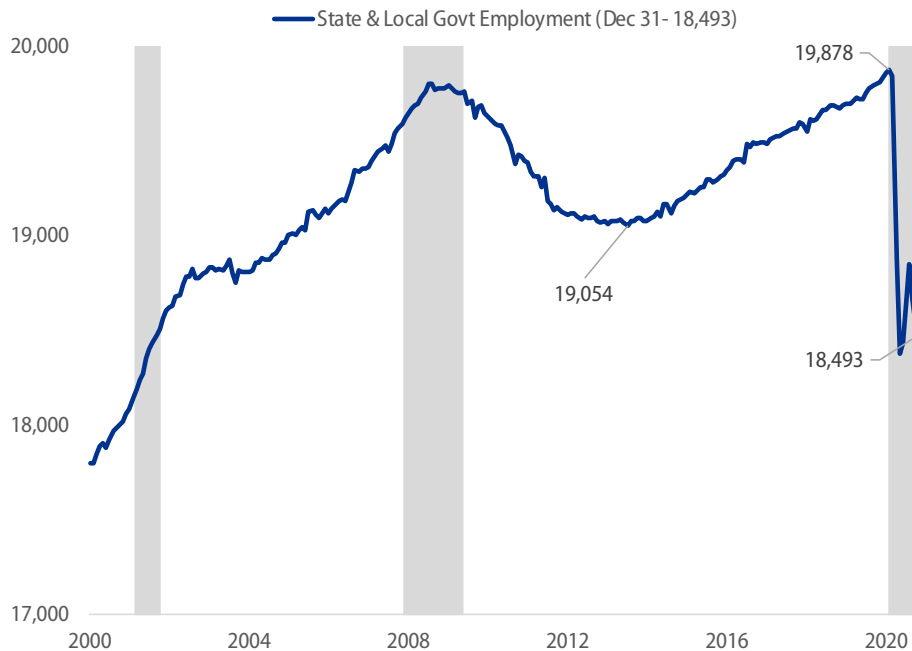
We expect that state and local governments will continue to feel budget pressure.

State and Local Government Jobs Down in December

State and local government jobs were down in December for the third month out of the last four. We expect that state and local governments will continue to feel budget pressure. COVID-19 is still spreading uncontrollably. Mobility data reported by the Dallas Federal Reserve is at levels not seen since May of 2020, which means that economic activity and government revenues are likely to take a hit.

We have written that we expect the Democrats' legislative agenda could include anything that was included in the HEROES Act or Moving Forward Act. There was almost \$1 trillion of direct, unencumbered aid included in the HEROES Act that state and local governments would be able to use for budget relief.

State and Local Government Jobs Still 1.3 million below Pre-Pandemic Peak



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Source: Bureau of Labor Statistics and HilltopSecurities.

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- [COVID-19 Spread Remains Out of Control to Begin 2021](#), January 6, 2021
- [Georgia Run-Offs Begin New Year, Important to Watch for Credit Quality](#), January 4, 2021
- [Fifth Phase of Fiscal COVID-19 Relief is No State and Local Government Windfall](#), December 23, 2020

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