

## U.S. Municipal Bond Market

## Jobs Coming Back, Yet Spread of Delta Variant Challenges State and Local Jobs Recovery

- July's nonfarm payrolls report was solid across the board. U.S. companies added +943k jobs in July, topping the +870k forecast.
- The progress the U.S. labor market has made could be disrupted by the spread of the Delta variant.
- July's report saw +240k government jobs come back into the labor market. If schools shift back to virtual this fall the state and local government jobs recovery would soften for sure.

*Tom Kozlik**Head of Municipal Research & Analytics**214.859.9439**tom.kozlik@hilltopsecurities.com*

### Solid Across the Board

The July nonfarm payrolls result was solid across the board. U.S. companies added +943k jobs in July, topping the +870k forecast. The June payroll count was revised upward from +850k to +938k. Please see more in HilltopSecurities' economic commentary, [Falling Claims Signal Upside for Friday's Labor Report](#).

This is the level of recovery we should expect as the economy recovers from last year. After multiple months of additions and two solid months of gains, total nonfarm payrolls have now returned all but 5.7 million jobs shed during last year's COVID-19 related shutdowns. However, this momentum is under threat now. This progress could be disrupted by the spread of the Delta variant. We have expected both August and September payrolls will be strong as students return to in-person school, freeing parents to reenter the labor force. However, this expectation is not as certain as it was a month ago.

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### Governments Jobs

Government jobs have also continued to return, as expected. July's report saw +240k come back into the labor market. Those are broken down by the federal (+18k), state (-8), and local (+230) government sectors as noted. A significant +220k of those +230k local government positions were education-related, which makes sense because a large percentage of the overall state and local government jobs lost since the beginning of COVID-19 were in education. When schools went virtual many in the sector positions were just simply not needed. We are concerned this may occur again.

At the low points of last year's labor market, state and local governments shed about 1.5 million jobs. We have seen approximately 728k jobs come back since last summer. However, state and local governments are still short about 807k positions, which is about what was lost at the worst of the Great Recession. There is still significant ground to make up. If schools shift back to virtual this fall the state and local government jobs recovery would soften for sure.

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