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Weekly Commentary

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The Fed has a word for that

The Federal Reserve might apply its favorite word "transitory" to another aspect of the U.S. economy. Policymakers have been calling the recent spike in prices temporary as inflation will run up against large-scale deflationary forces like aging demographics. But they likely will view the robust jobs report released last week in the same light. That's largely because the delta variant of Covid-19 is likely to slow down the recovery that began in earnest earlier this year. At the very least, it probably puts doubt in their minds, and any doubt about the strength of the labor market likely pushes rate normalization down the road. Employment is simply the priority.

So the addition of 943,000 new jobs and the lowering of the unemployment rate by half a percent to 5.4%, even the rise in the important labor force participation won't cause the Federal Open Market Committee members to blink. They know that there are still several million fewer people working than there were a year and a half ago before the coronavirus came ashore.

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