

SEPTEMBER 7, 2021



Paige Wilhelm

*Senior Vice President
Senior Portfolio Manager
Federated Investment Counseling*

Delta variant impacts job market

On Friday, the Labor Dept. announced that U.S. payrolls increased by only 235,000 in August, much less than July's 1,053,000 (revised up by 110,000, from 943,000) and far below the Bloomberg consensus of around 700,000. One actually wonders why that consensus was so high considering the economy has been losing the momentum it enjoyed in spring and early summer. Retail sales in particular are slumping.

The fact that the leisure and hospitality sector did not add any jobs at all is a stark sign that concern over the highly contagious delta variant is keeping Americans from shopping, eating out and hitting bars. This category increased by a monthly average of 350,000 in the last six months. The subcategory of food services and drinking places actually lost jobs (42,000).

How this affects the liquidity sector depends on the Federal Reserve's opinion of this jobs report miss. If policymakers were expecting this pullback then it probably won't derail their plans to begin the tapering of asset purchases, which Chair Jerome Powell recent said would probably be announced soon. If they were surprised, they might push that decision back. We will soon find out, as the next Federal Open Market Committee meeting is only a few weeks away.