CHANDLER ASSET MANAGEMENT

# Economic highlights from the week ending on March 5, 2021

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U.S. nonfarm payrolls were stronger than expected in February, up 379,000, versus the Bloomberg consensus forecast of 200,000. January payrolls were also revised up by 117,000. Payrolls in the leisure and hospitality sector improved in February and were up 355,000, following a combined decline of 523,000 in December and January. The unemployment rate declined to 6.2% in February from 6.3% in January. The participation rate was unchanged in February at 61.4%, and remained well below pre-pandemic levels. On a year-over-year basis, the size of the US civilian labor force has declined by more than 4.2 million people. Meanwhile, nearly ten million people remain unemployed. Workers who classified themselves as employed but absent from work in February continued to understate the unemployment rate by about 0.5%. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, was unchanged at 11.1% in February.

We believe the improvement in nonfarm payrolls in February is consistent with an easing in pandemic-related business restrictions and a gradual economic reopening. Nevertheless, the labor market remains a long way from a full recovery (a view which has also been repeatedly vocalized by Fed Chair Powell and other Fed policymakers in recent weeks). We expect continued improvement in the labor market this year as vaccine distribution becomes widespread. The current Bloomberg consensus estimate calls for the unemployment rate to decline to 5.7% by year-end. We believe policymakers will be looking for continued improvement in both the unemployment rate and labor participation rate before they consider making any changes to monetary policy.

Last weekend House lawmakers passed the $1.9 trillion coronavirus package and we believe a Senate vote on a slightly revised version of the package is imminent. Overall, we believe robust fiscal spending, along with the Fed's highly accommodative monetary policy framework should continue to provide support for the economy. Progress on the vaccine rollout remains favorable and appears to be accelerating. President Biden signaled this week that there should be enough doses of the vaccine available for the entire adult population in the United States by the end of May. Altogether, we believe these factors could set the economy up for a fairly robust second half of the year.

## Next Week

*CPI, PPI, Consumer Sentiment*



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