
WEEK IN REVIEW | REINHART FIXED INCOME BY MADISON INVESTMENTS

September 10, 2021

EMPLOYMENT

The U.S. economy added a much less than expected 235,000 jobs in August, although the previous two months were revised upward by 134,000. Flat job growth in retail, leisure and hospitality held back the overall growth number. The unemployment rate dropped to 5.2%, and participation held steady at 61.7%. Wages rose by a larger than expected 0.6% compared to July and 4.3% compared to August of 2020. Job openings in July rose to a record 10.9 million, which is greater than the number of unemployed.

Our Take: These reports seem to indicate that any shortfall in employment growth is driven more by the supply of labor than by the availability of jobs. The unavailability of labor relative to employers' demand for it is likely constraining economic growth and creating inflationary pressures at the same time. If this situation persists it will force the Fed to prioritize one of its dual mandates (full employment and price stability) over the other.

INFLATION

The August Producer Price Index rose by 0.7% from July and 8.3% from August of 2020, a greater than expected amount. The drivers of this large increase were largely related to supply chain bottlenecks including materials and inputs availability and shipping capacity as well as labor shortages.

Our Take: The bottlenecks in supply chains are likely having the same stagflationary impact as labor shortages. It remains to be seen whether these effects will ease in the coming months or become a persistent situation requiring a strong policy response.

MUNICIPALS

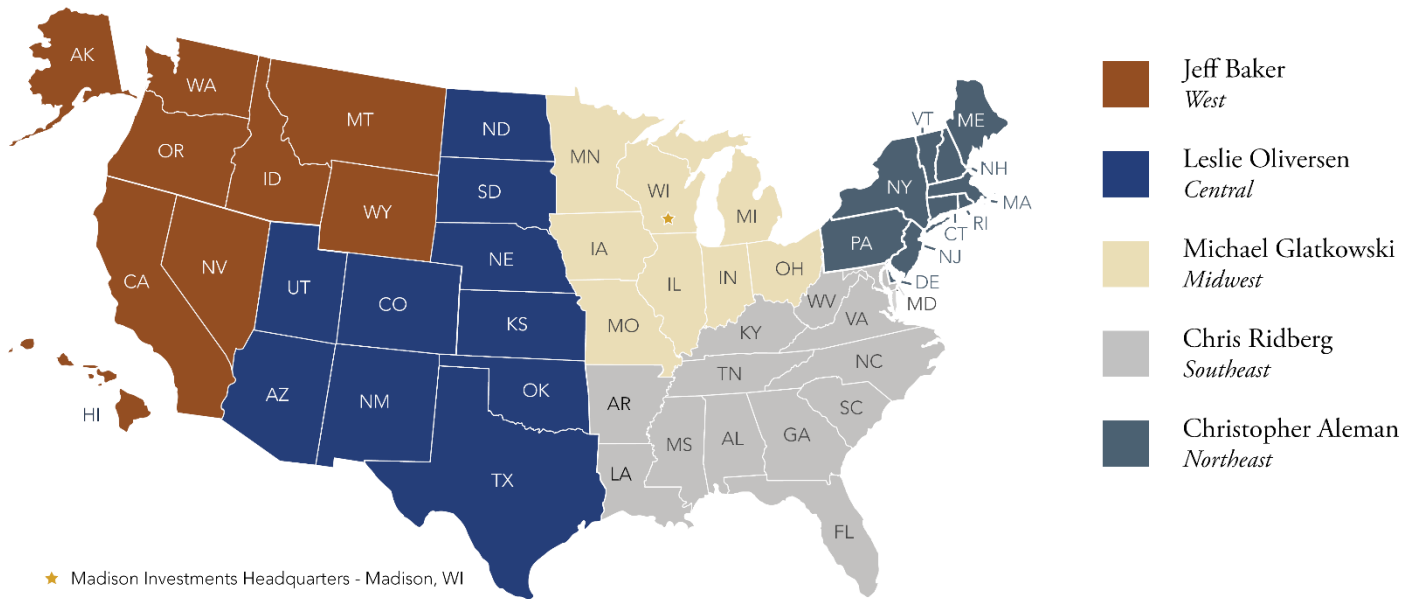
Wisconsin's Legislative Fiscal Bureau released a memo indicating that the state has collected \$19.6 billion in tax revenue for the fiscal year. This amount is a 12 percent increase over the prior fiscal year and \$319 million more than the previous revenue estimate released in June.

Our Take: Wisconsin continues to rebound from the pandemic as the economy improves and tax collections increase. The higher-than-expected tax revenue and budget surplus is good news long-term for the state as Wisconsin law calls for half of the surplus to be placed in the state's rainy day fund.



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