Economics

# ECONOMIC FLASH!

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## US Non-farm payrolls (Feb): A reversal of strength

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| Employment change (thousands, unless otherwise noted) | Feb 2026 | Jan 2026 | Dec 2025 | Nov 2025 | Oct 2025 |
|---|---|---|---|---|---|
| Unemployment rate (%) | 4.4 | 4.3 | 4.4 | 4.5 | #N/A |
| Avg. hrly earn all (Monthly % Chg) | 0.4% | 0.4% | 0.1% | 0.4% | 0.4% |
| Avg. wkly hour all (Monthly % Chg) | 0.4% | 0.7% | -0.2% | 0.7% | 0.4% |
| Nonfarm employment | -92 | 126 | -17 | 41 | -140 |
| Total private | -86 | 146 | -7 | 72 | 13 |
| Goods-producing | -25 | 51 | -21 | 25 | -20 |
| Construction | -11 | 48 | -7 | 36 | -12 |
| Manufacturing | -12 | 5 | -13 | -10 | -9 |
| Priv. Serv providing | -61 | 95 | 14 | 47 | 33 |
| Wholesale trade | 6 | 2.5 | -5.7 | -6.4 | 2.8 |
| Retail trade | 2.3 | 10.7 | -23.6 | -0.9 | -15.4 |
| Transp. & Warehousing | -11.3 | -12.4 | -4.8 | -58.9 | 0.6 |
| Information | -11 | -19 | -6 | -5 | -6 |
| Financial | 10 | -30 | 1 | 1 | -5 |
| Business services | -5 | 18 | -19 | 56 | -24 |
| Temporary help | -6.5 | 2.5 | -14.1 | 13.7 | -19.8 |
| Education, health | -34 | 129 | 38 | 56 | 44 |
| Leisure, hospitality | -27 | -12 | 25 | -12 | 41 |
| Government | -6 | -20 | -10 | -31 | -153 |
| Federal Government | -10 | -29 | -11 | -15 | -166 |

Source: Haver Analytics

- The US labor market deteriorated sharply in February, with employers shedding 92K jobs, compounding negative revisions to the prior two month job count that totaled -69K. The unemployment rate ticked up to 4.4%, and compared to the consensus expectation for a 55K gain in jobs and for the unemployment rate to remain steady at 4.3%. Job losses were widespread across industries, and even after accounting for healthcare strikes that weighed on jobs, this is a weak overall report, with the three-month average trend in job growth running at only 6K. Aggregate hours worked were unchanged. Wage growth was the only thing that surprised to the upside, coming in a touch hot at 0.4% m/m, which was a tick higher than expected. Overall, this still keeps intact our call for the Fed to cut rates in June and July, but the oil price shock could potentially delay the timing if the war doesn't end in the coming weeks.
- Job losses were spread across services (-61K), and goods-producers (-25K). Leisure/hospitality (-27K), health/social assistance (-19K), and manufacturing (-12K) saw the biggest drops. Retail trade was the only industry that didn't see

a decrease in employment, with headcounts up by a modest 2K. Trade uncertainty is weighing on cyclical sectors including manufacturing and construction, with year-over-year employment at -0.8% and 0.5%, respectively. Poor weather conditions could have held back activity in the leisure and hospitality sector during the month, but the weak trend in tourism is likely also weighing, with tourist arrivals sitting 5.3% below year-ago levels as of November. Looking beyond the volatility in health care and government, payrolls are averaging -9K jobs over the past three months, within the range seen for the second half of 2025.

- New population controls introduced showed a step down in the household survey population series, reflecting the decline in net international migration. As a result of the revisions not being applied to previous months' data, the household survey employment figure should be taken with a grain of salt. The revisions also accounted for the bulk of the decline in the participation rate on the month, and there was no impact on the unemployment rate. Still, the prime-age labor force participation rate is sitting close to levels not seen on a sustained basis since the late 90s/early 2000s.

## Implications & actions

**Re: Economic forecast** — This report was a sharp reversal of the prior month's strong reading, and the Fed will need to see more data to get a better read on the trend, which we think is cooling from here, and will keep a lid on consumption and services inflation. The Fed will also be on hold until we see how sustained the surge in oil prices is, and for now we are maintaining our call for the Fed to cut in June and July, although the timing could be pushed back if the war doesn't end in a few weeks.

**Re: Markets** — Bond yields and the broad dollar dropped off initially in response to the weak report, but rose thereafter as traders are more worried about the oil price spike persisting.

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