mni

All Signal, No Noise

MARKET ANALYSIS

U.S. Payrolls Preview: Apr 2025

MNI View: A Pulse Check Amidst Tariff Pessimism

Apr 3, 2025 - By Chris Harrison

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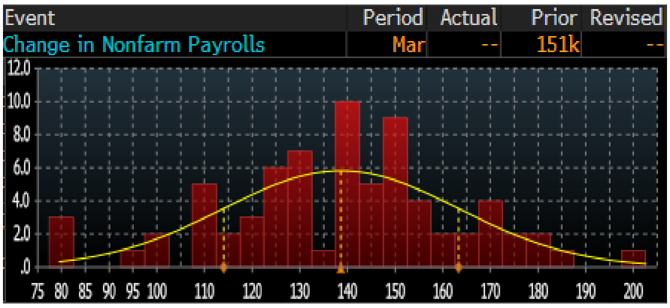
Executive Summary

- Nonfarm payrolls are seen increasing a seasonally adjusted 140k in March in the Bloomberg survey after 151k in February.
- Primary dealer analysts also see 140k whilst the Bloomberg whisper is just 120k despite an uplift after Wednesday's stronger than expected ADP report.
- A return of 15k returning strikers and more favorable weather clashes with likely further government layoffs (albeit possibly modest) and broader hiring caution.
- The slide in immigration flows seen in recent months should start to see more focus on longer-run breakeven payrolls pace, with slower payrolls growth seen in relatively better light.
- The unemployment rate is seen holding at 4.1% after a surprise increase in Feb, although at 4.14% it can very easily round higher as some analysts are expecting. Its recent high was 4.23% in Nov whilst the median FOMC participant raised the 4Q25 forecast a tenth higher to 4.4% in last month's SEP.
- With the market currently pricing 90bp of cuts for 2025, we feel there could even be a mildly hawkish reaction to an inline print, but it's a highly fluid situation at the moment.
- There's only so much impact data can have though whilst forward-looking growth implications from tariffs are still uncertain.
- In the interim, note that Fed Chair Powell provides post-payrolls remarks for the second month running, speaking at 1125ET on the economic outlook at a SABEW conference with prepared remarks and Q&A.

Fewer Strikers and Better Weather vs Federal Layoffs, Reduced Immigration and Uncertainty

Nonfarm payrolls growth is expected at 140k in March per Bloomberg consensus for a mild moderation from 151k in February. The median primary dealer analyst is exactly in line with this broader median although the Bloomberg whisper is weaker at 120k currently despite a small uptick following Wednesday's stronger than expected ADP report. Recent trends have been solid, with a three-month average of 200k (aided by 323k back in December before two softer months averaging 138k in Jan-Feb) and six-month average of 191k.



Median expectations for this mild moderation on the month appear to weigh up a boost from 15k returning strikers and more favorable weather versus a faster pace of federal government layoffs and uncertainty more broadly crimping hiring appetite. Labor force flows remain a wildcard on a month-to-month basis but the trend direction is clear as border encounters tumble – see a little later on in this preview. That should see longer-term payroll breakeven estimates start to feature more prominently, seen around the 100k mark or a little below (Gov Waller has suggested 80-100k, SF Fed staff have previously seen 70-90k), which should see a consensus nonfarm payrolls figure or even a small miss be portrayed in reasonable light.

Recent Payrolls Surprises vs Revisions (000s)

	Outturn	Cons.	Surprise	2-mth Rev.	Net
Sep	254	150	104	72	176
Oct	12	100	-88	-112	-200
Nov	227	220	7	56	63
Dec	256	165	91	-8	83
Jan	143	175	-32	100	68
Feb	151	160	-9	-2	-11

Outturn and two-month revision showing for at the time of release
Source: BLS, Bloomberg, MNI

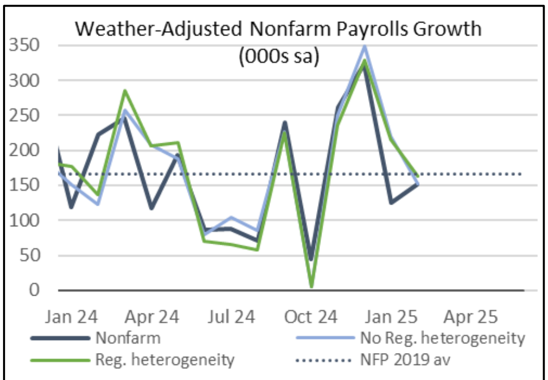
Uncertainty Over Federal Government Drag, But Likely Still Small
With private payrolls expected to increase by 135k, that leaves overall government net job creation of just 5k. It follows 'just' 11k in February after a prior twelve-month average of 38k for a pace more in keeping with the 18k

averaged in 2019 or 9k in 2017-8 under the middle years of the first Trump administration. There will once again be significant attention given to federal government net job creation, with this relatively small category (3.0m federal employees vs 5.5m for state and 15.1m for local) falling by 10k in February for its largest monthly decline since Jun 2022. CNN's impressive tracker (see here) suggests 121k workers have been fired from federal agencies under the second Trump administration as of Mar 28, or 106k according to JPMorgan in CNN's update as of Mar 19 for a period closer to the March survey reference period. However, this includes approaching 80k cuts at the Veterans Administration and Social Security Administration that again in JPM's words "are planned, but not to our knowledge implemented." Of course, we know that some 75k federal layoffs more broadly were part of the deferred resignation program in February which will see workers on payrolls, and therefore counted in the establishment survey, through September. A federal judge has also ordered the Trump administration to reinstate fired probationary employees at more than a dozen agencies although the scope has been narrowed to apply to workers in the 19 states and the District of Columbia rather than across the country – see AP's reporting here.

Tuesday's JOLTS report for February showed a sharp relative increase in federal government layoffs but it remained small from a macro perspective, rising to 22k vs 4k in Jan and a monthly 6k averaged in 2024. For perspective, private sector layoffs amounted to 1692k in February for their highest since October. Weekly jobless claims meanwhile show little sign of a material uptick in initial claims for those states most associated with federal agencies, or indeed specifically the UCFE program with its lagged release. Continuing claims have however slowly drifted higher which hints at the difficulty faced in rehiring in sectors that typically have low labor market churn. As for a potential pipeline of layoffs ahead, latest Challenger job cut announcements show 280k government layoffs in February and March combined, of which 217k came in March.

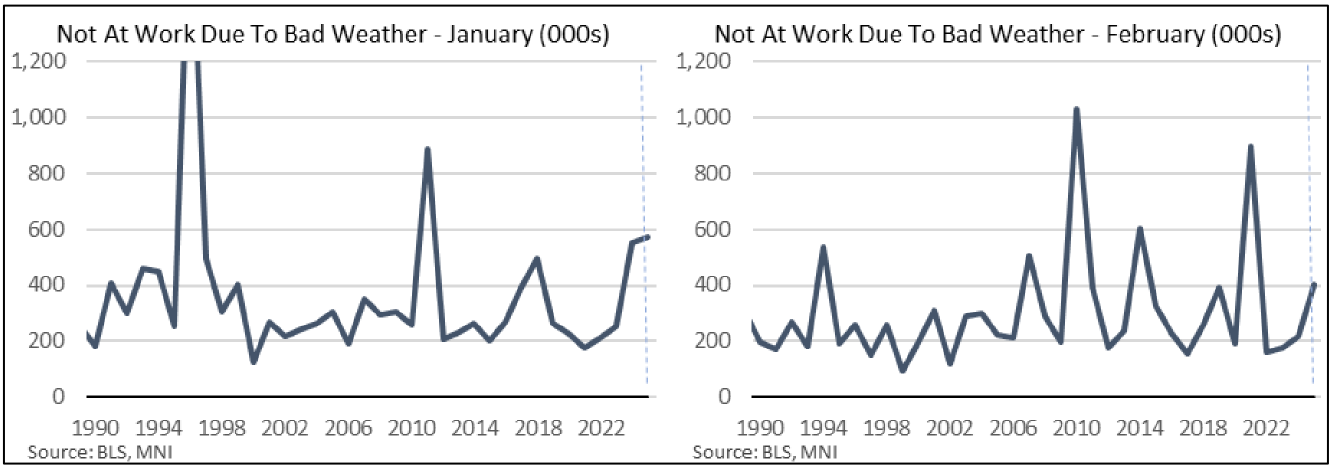
No Longer A 'Likely But Hard To Prove' Drag From Weather

January and February saw higher than usual weather disruption judging by the household survey question, despite the BLS in the January report saying that wildfires in Southern California and severe winter weather in much of the country "had no discernible effect on national payroll employment, hours, and earnings from the establishment survey, nor on the national unemployment rate from the household survey". February's report showed 404k not at work due to bad weather, above the 216k in Feb 2024 for its highest since 2021 even if it was far from unprecedented. Notably though, it followed a more clearly larger than usual weather disruption in January, with the 573k unable to work close to the 553k in Jan 2024 but a clearer outlier historically. The combination saw 977k not at work over the first two months of the year, the highest since 1073k in 2021 and otherwise last higher in 2011. Separately, San Francisco Fed staff estimate there was a small weather drag on February payrolls (-2k to -12k depending on model) after a heavy drag on January payrolls (-92k to -95k). March weather is acknowledged to have improved relative to average.



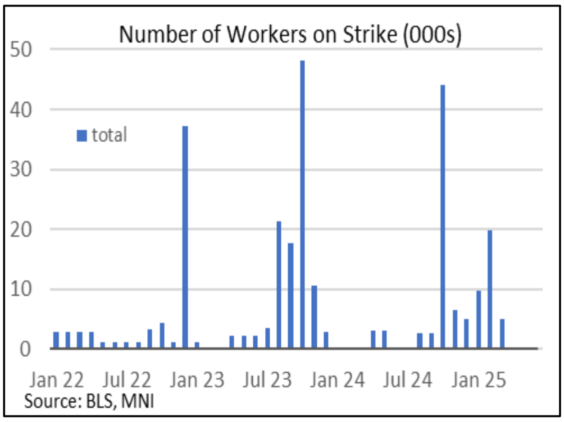
Source: BLS, SF Fed, MNI. SF Fed model with/without regional heterogeneity

Fed Governor Kugler touched upon this potential weather disruption in broader labor remarks on Mar 25: *"The pace of hiring during the first two months of the year is a slowdown compared with the strong gains in November and December, but, again, that could reflect weather disruptions and seasonal adjustment challenges. Over the past six months, employers added a solid average of 190,000 jobs a month. The unemployment rate—4.1 percent last month—is low and has remained near its current level since last summer."*



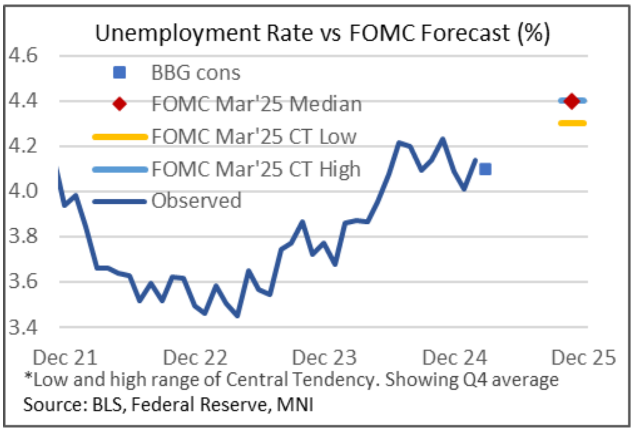
Modest Tailwind From Returning Strikers

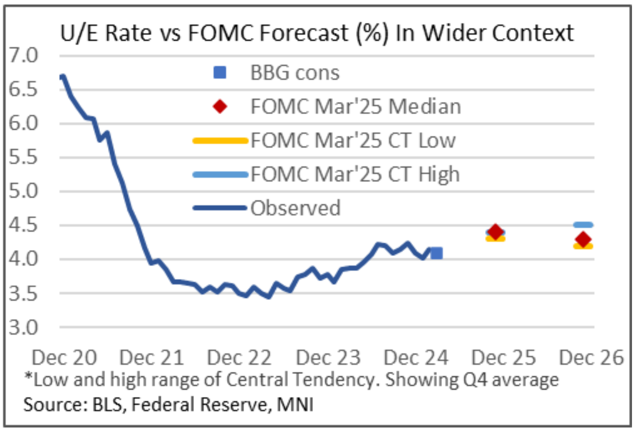
As noted above, quick mention is also required for returning strikers, with the BLS strike report suggesting a net boost worth 15k to monthly payrolls growth after drags of 10k in Feb and 5k in Jan. The bulk of this is 10k returning from the United Food and Commercial Workers strike, boosting retail, along with 4.8k from the Oregon Nurses Association strike, boosting health-related sectors.



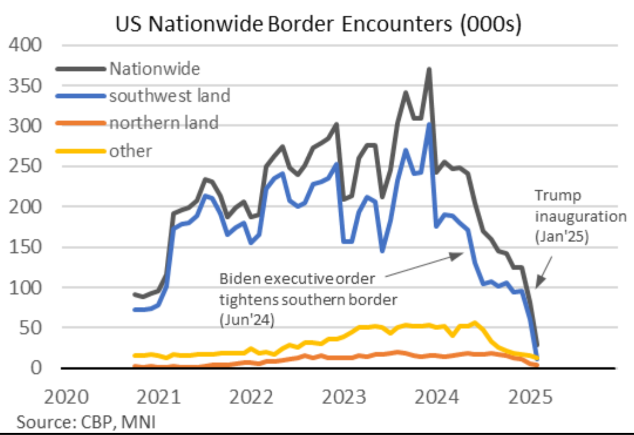
U/E Rate Seen Continuing To Broadly Plateau; Layoffs Vs Sharply Reduced Immigration

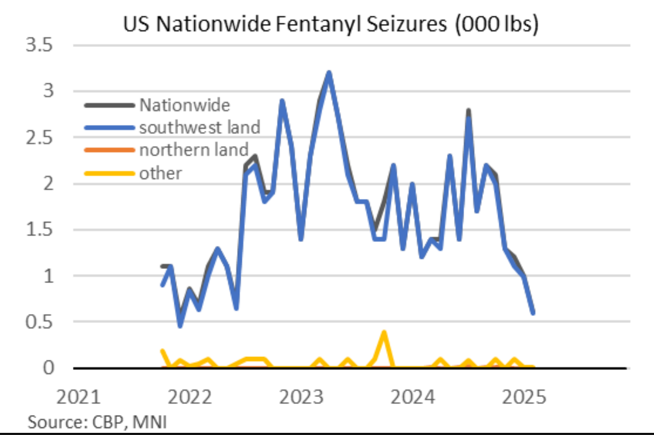
The unemployment rate is seen holding at 4.1% but can easily surprise higher again having increased to 4.14% in February after 4.01% in January. Indeed, there is a skew to a dovish surprise with 7 of 20 primary dealer analysts forecasting a rounded 4.2% for March [table further below]. The median FOMC participant has already marked its 4Q25 u/e rate forecast higher to 4.4% in the March SEP (from 4.3%) though, which might curtail market reaction to a small surprise higher, although it doesn't see any further deterioration with 4.3% in both 2026 and 2027. The wider details of the household survey were dovish in February, with the underemployment rate jumping 0.5pps to 8.0%. It was the largest rounded increase since the start of the pandemic and before that May 2009, leaving it at its highest since Oct 2021. We see scope for some reversal in the March print as it was driven by a sharp increase in the volatile category of those working part-time for economic reasons. On the flip side, another strong increase in this part-time category would be notable for a sign of companies limiting labor costs through hours offered.





Any softening in jobs growth will be met by what should be a trend moderation in labor force growth. Border encounters have continued to fall rapidly, down an average -53% Y/Y in 2H24 following a Biden executive order in June tightening southern border security and then sliding -89% Y/Y in latest data for February in the first full month under the second Trump administration. Putting these changes into perspective, there were 29k border encounters in February (12k Mexico, 4k Canada and 13k undeclared) compared to 256k in Feb 2024 (190k Mexico, 15k Canada and 52k undeclared). The speed at which these encounters feed through to those joining the labor force is variable but the trend has been clear. Whilst clearly less important for near-term jobs growth, we include the progress made in fentanyl seizures in the below charts considering its prominent use as justification in the early rounds of US tariff policy.





AHE Growth Seen Reverting To 0.3% M/M After Booming Jan
Returning to the establishment survey, average hourly earnings (AHE) growth is seen at 0.3% M/M for a similar pace to the 0.28% M/M in Feb after a surprisingly strong 0.42% in Jan. Analysts appear broadly in agreement here with only the mildest skew towards a dovish surprise with a 0.2% print. Once again, any surprises here should be seen in conjunction with average weekly hours worked after another dovish print in February. It's expected to increase a tenth to 34.2 after underwhelming with a second month at 34.1, a joint low with only one month in the pandemic (Mar 2020) for otherwise a level last seen in mid-2010 on the recovery from the Great Financial Crisis.

Primary Dealers See Dovish Skew To U/E

	Payrolls	U/E (%)	AHE (M/M)
Citi	95	4.2	0.2
Nomura	110	4.2	0.3
TD Securities	110	4.2	0.3
Barclays	125	4.1	0.3
BMO	130	4.1	0.3
Morgan Stanley	130	4.1	0.3
RBC	138	4.1	0.2
HSBC	140	4.2	0.3
Mizuho	140	4.2	0.4
Santander	140	4.1	0.3
Wells Fargo	140	4.1	0.3
BNP Paribas	145	4.1	0.3
Deutsche Bank	150	4.2	0.3
Goldman Sachs	150	4.1	0.3
J.P.Morgan	150	4.1	0.3
Jefferies	165	4.2	0.2
Societe Generale	170	4.1	0.3
Scotiabank	175	4.0	0.3
UBS	180	4.1	0.3
BofA	185	4.1	0.3
Median	**140**	**4.1**	**0.3**

Entered in BBG survey or seen by MNI. Missing Barclays & NWM
Red denotes tighter than consensus, blue looser

Perhaps Asymmetrical Risk To Stronger Report But A Particularly Fluid Backdrop

President Trump's "Liberation Day" near-universal tariffs have sparked a huge rally in rates. Fed Funds futures currently almost fully price a next cut in June (24bp at typing and having been 26-27bp earlier Thursday), a second cut easily seen with September (62bp) and circa 90bp of cuts for 2025 as a whole. That sees an effective rate ending the year at 3.42% but with further cuts eyed with a SOFR implied terminal yield bottoming out at 3.15% in the Sep'26 contract (vs 3.40% before latest tariff announcements).

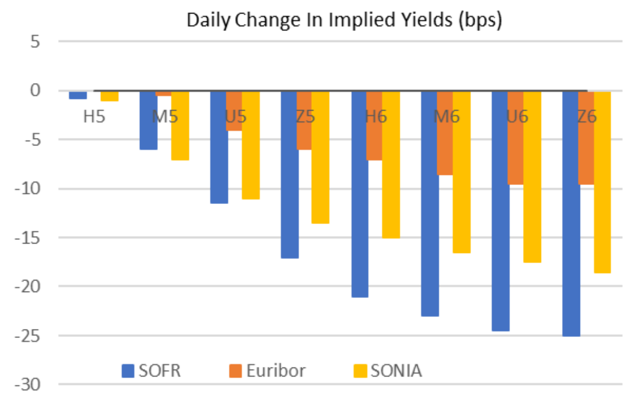
Downside surprises can continue to have a sizeable impact (especially if payrolls growth comes in under 75k, say, and/or the unemployment at a 'high' 4.2% or above) but we imagine there is greater risk to a hawkish surprise if we head into the release at similar levels. Again, assuming current market levels, we suspect even an inline payrolls print would be enough for a mildly hawkish reaction, especially if there are indeed signs of slowing labor supply growth which starts to see payrolls growth in better light versus long-run breakeven estimates. The modest reaction to Thursday's clearly dovish ISM Services report, with a 2pt miss at 50.8 and the second lowest employment reading since mid-2020, appears to lend support here. The risk to that view is that labor data are ultimately a lagging indicator, albeit timely in the case of payrolls data.

Indeed, there's only so much impact data can have whilst forward-looking growth implications from tariffs and other government policies such as tax cuts are still uncertain. For example, the baseline 10% tariffs are effective immediately but the higher rated tariffs won't kick in until Apr 9, leaving room for negotiation even if Trump administration officials are downplaying negotiation opportunities (Lutnick has recently been reported as saying there is no chance Trump will back off tariffs). On top of that there are questions as to how long these tariffs could be in place for and what retaliatory measures are seen. In the interim, note that Fed Chair Powell provides post-payrolls remarks for the second month running, speaking at 1125ET on the economic outlook at a SABEW conference with prepared remarks and Q&A. These of course will be watched particularly closely for clues over the Fed's assessment of Trump's reciprocal tariffs announcement. So far, Fed Gov. Jefferson has offered the first post-Liberation Day comments but was somewhat non-descript: "Significant changes in trade, immigration, fiscal, and regulatory policies currently are in process. It will be crucial to evaluate the cumulative effect of these policy changes as we assess the economy and consider the path of monetary policy. Of course, at the Fed, we look at the whole of the economy and many factors that shape it." His broader guidance of "there is no need to be in a hurry to make further policy rate adjustments" was very similar to when he last touched on monetary policy on Feb 19.

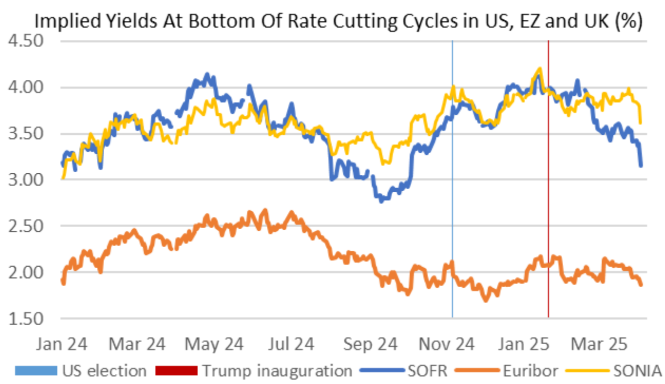
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre claims (Apr 3)			*chg in rate*	pre ADP (Apr 2)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	4.33			4.33				4.33			
May'25	4.26	-7	-7.2	4.26	-7	-7.4	*0.2*	4.28	-5	-5	*-2.4*
Jun'25	4.09	-17	-24.1	4.11	-14	-21.8	*-2.3*	4.12	-17	-21	*-2.8*
Jul'25	3.90	-19	-42.8	3.94	-17	-38.7	*-4.1*	3.96	-16	-37	*-5.5*
Sep'25	3.71	-19	-62.1	3.76	-18	-56.8	*-5.3*	3.78	-18	-55	*-7.3*
Oct'25	3.58	-13	-74.8	3.64	-12	-68.8	*-6.0*	3.68	-10	-65	*-10.0*
Dec'25	3.42	-16	-91.0	3.50	-15	-83.4	*-7.6*	3.55	-13	-78	*-13.1*

Source: Bloomberg, MNI.



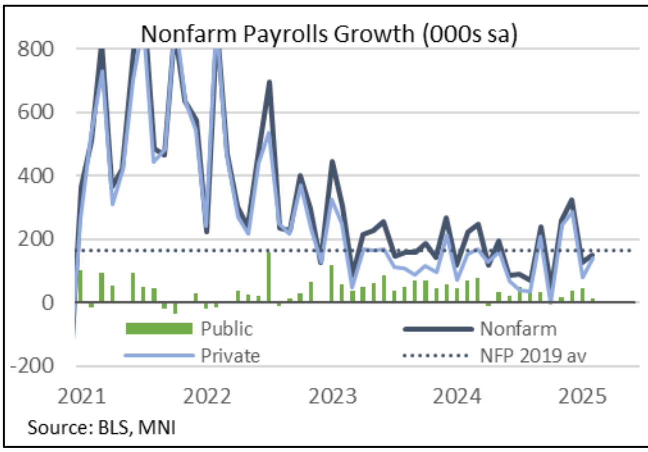
Source: Bloomberg, MNI

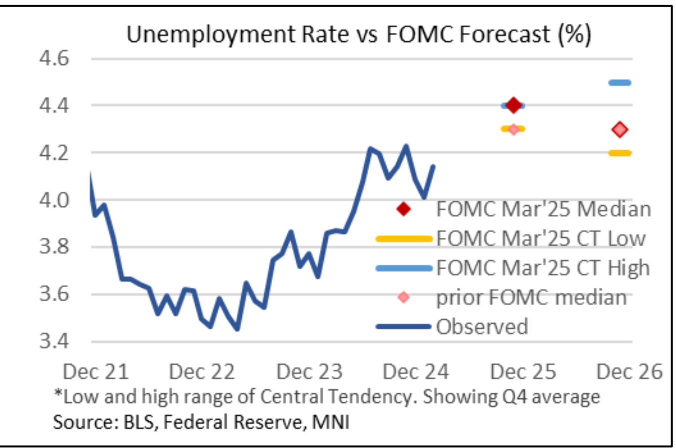


Source: Bloomberg, MNI. Minimum implied yield looking out to end-2027

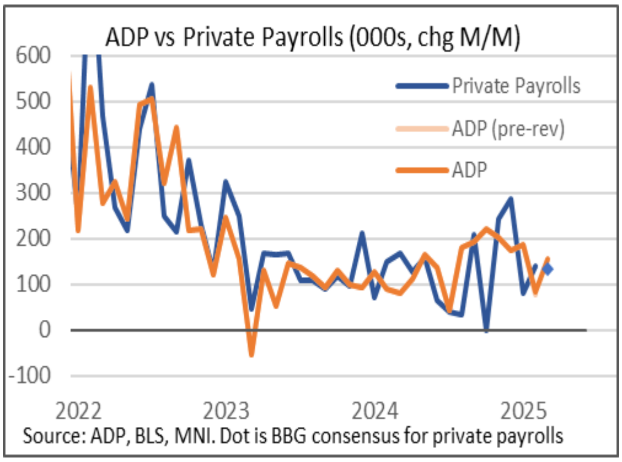
Recent Labor Market Developments

Last month's payrolls recap on how reaction to some notably dovish details was limited by a dovish shift in pricing ahead of the release ([link here]()).



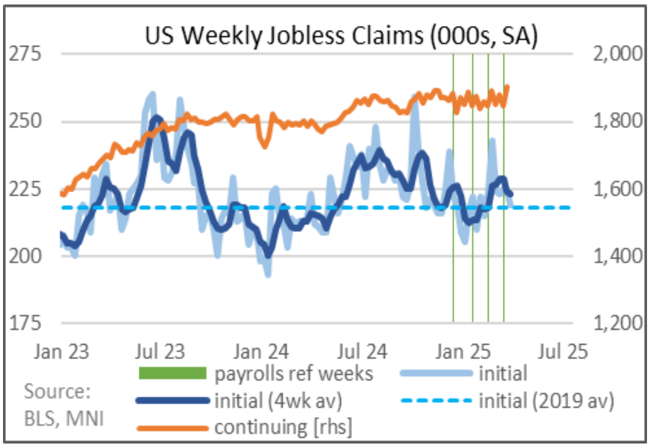


Labor indicators since last payrolls report:

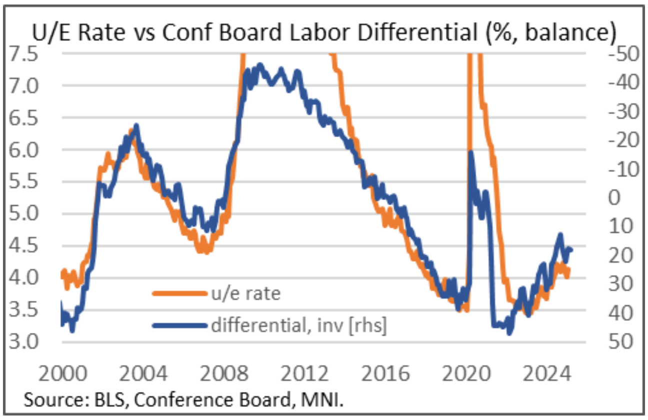


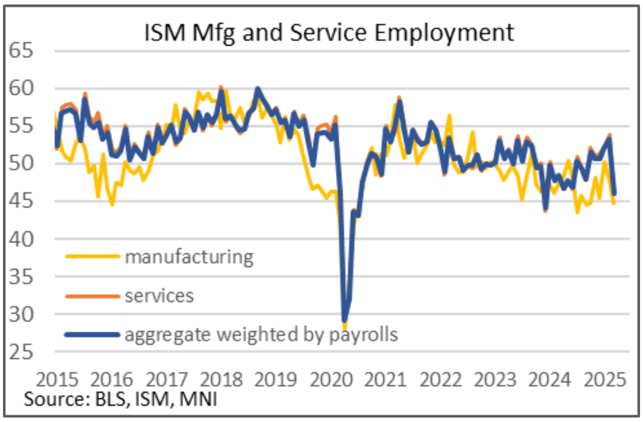
- **Upside (hawkish): ADP employment** growth was stronger than expected in March at 155k (cons 120k) after a marginally upward revised 84k (initial 77k) in February. It leaves an average monthly 142k increase in Q1 and with the latest increase above the average 144k in 2024, offering a reasonably solid report along with other hard data vs weaker soft data. Correlation with private payrolls growth remains a concern. In latest vintages for both releases, ADP undershot by -56k in Feb, overshot by 105k in Jan and undershot by -111k in Dec. That said, the private payrolls series has admittedly been the more volatile series in recent months. With that standard caveat aside, there was an impressive bounce in seasonally adjusted hiring from smallest firms, with those with 1-19 employees adding 42k jobs after a rare 4k decline in Feb (revised from the -17k initially, a first monthly decline since Dec 2023). There's no clear trend by firm size when comparing the Q1 average job growth to that of 2024. The smallest (1-19) and largest (500+) employees have both seen a moderation in hiring (average 22k vs 39k and 54k vs 67k respectively) but all other sized firms have seen an acceleration in hiring. On the pay front, median annual pay eased to a new recent low for job changers at 6.5% Y/Y (from 6.8% in Feb and through September's 6.6% for the lowest since early 2021. Job stayers meanwhile eased a tenth to a joint recent low of 4.6% Y/Y (otherwise lowest since mid-2021) with the combination seeing a joint low for the pay premium at 1.9pps.

- **Neutral/mixed**: **Initial claims** have shown showed no sign of an increase and whilst **continuing claims** are showing evidence of slowing re-hiring, it came after the payrolls reference period. Initial jobless claims were lower than expected at 219k (sa, cons 225k) in the week to Mar 29 after a marginally upward revised 225k (initial 224k). The four-week average fell 1k to 223k to a new lows since mid-Feb, close to the 218k in 2019 for our usual marker of a previously tight labor market. Continuing claims were higher than expected at 1903k (sa, cons 1870k) in the week to Mar 22, for a sizeable increase from a downward revised 1847k (initial 1856k). It pokes above recent highs of 1892k seen a few times since November for a new high since late 2021. This doesn't look like a DOGE-related push higher, at least not directly from a federal government layoff angle. Non-seasonally adjusted data show no sign of a marked increase in continuing claims in Maryland, Virginia & Washington DC (those with greatest reliance on federal government) whilst the UCFE program, which is lagged another week later than most continuing data, actually dipped ~1k to 8.2k. Whilst continuing claims have pushed higher most recently, its translation to payrolls reference periods will look more encouraging. The downward revised 1847k leaves it unchanged from the February payrolls reference period and close to the 1849k in Jan for an improvement from 1882k in Dec.



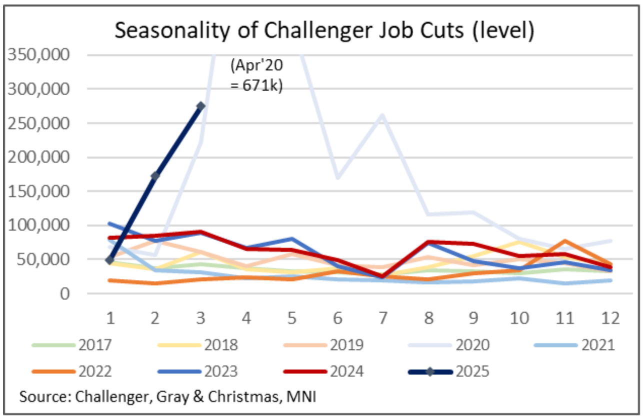
- The **Conference Board labor market differential** impressively inched higher in March considering the broad confidence index slipped for a fourth consecutive month to its lowest since early 2021. The net share of those reporting jobs plentiful vs hard to get increased to 17.9 after an upward revised 17.6 (initial 17.1) in Feb having dropped from 19.4 in Jan and a recent high of 22.2 in Dec. The latest change came as jobs plentiful was unchanged at 33.6% whilst jobs hard to get dipped to 15.7%. It doesn't materially alter the readthrough to the unemployment rate when allowing for a wide error range, suggesting some very mild upside bias remains.

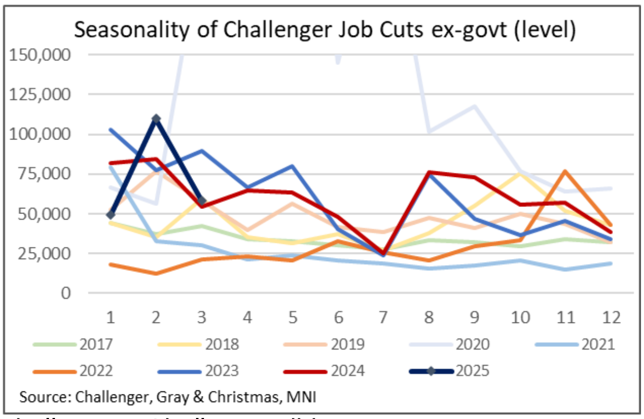




- **Downside (dovish): ISM Services** employment surprisingly fell to 46.2 in March (cons 53.0), marking its second weakest since July 2020 for a significant reversal after February's 53.9 was the highest since December 2021. It echoed the dip in the Manufacturing ISM. Rounding out soft labor data, the S&P Global services PMI release noted that "Jobs growth was also recorded, though only to a modest degree in the context of the survey history amid worries over rising costs."

- **Challenger job cut announcements** surged further in March, with the report specifically noting that most of the March job cuts were attributed to DOGE streamlining. Job cut announcements increased to 275k (205% Y/Y) after 172k in Feb (103% Y/Y) and 50k (-40% Y/Y) in Jan. It was driven by government layoffs jumping to 217k after 62k in Feb and 0.3k in Jan. With the risk that comes with omitting any industry that sees a sharp increase, it's still notable that job cut announcements ex government looks less troubling this time. They stood at 58k in March (7% Y/Y) having jumped to 110k in Feb (30% Y/Y) after 50k in Jan (-40% Y/Y).





- Challenger summary of DOGE cuts (from the full report here): "Over the last two months, DOGE actions have been attributed to 280,253 layoff plans of federal workers and contractors impacting 27 agencies, according to Challenger tracking. Another 4,429 job cuts have come from the downstream effect of cutting federal aid or ending contracts, impacting mostly Non-Profits and Health organizations."
- And specifically on DOGE cuts and recalled workers: "Challenger attempted to track the federal layoff plans that were rescinded and found 3,972. This figure was included in the report's hiring plans. It is unclear if all workers who were recalled returned to their positions. Separately, the administration attempted to cut tens of thousands of probationary employees, 24,000 of whom were recalled, according to court filings. This matter is still undergoing legal challenges. Challenger did not count probationary employee cuts as a whole and therefore, did not include the recalled probationary employees in its hiring totals. It is possible that some probationary employees were included in individual agency layoff plans."

Selected Sell-Side Views

Ranked from largest to smallest NFP figure:

BofA: Boost From Payback After A Cold January And February

- BofA see NFP growth at a "robust" 185k in March, "due to payback in leisure & hospitality for cold weather in Jan and Feb."
- "Government job growth is expected to come in at just 10k due to the federal hiring freeze/DOGE."
- "Given the muted claims data in the survey week, we do not expect DOGE-driven job cuts to be a sizable drag, although risks are to the downside."
- The unemployment rate should remain at a rounded 4.1%.
- Average weekly hours, "which were impacted by weather disruptions, should see an uptick (34.2), with AHE rising by 0.3% m/m."

Natixis: Limited Declines In Federal Payrolls Prior To Survey Period Plus Weather Boost

- Natixis estimate NFP growth of 175k in March with the private sector adding 165k.
- "The forecast shows strong job growth but would bring the three-month moving average of employment gains down to 151k, the lowest since October."
- "Further, the estimate reflects limited declines in federal payrolls that occurred prior to the March survey reference week, alongside a rebound in hiring due to the abnormally warm reference week and 14.8k workers returning from strikes."
- "We expect government job gains to be more muted going forward into 2025, as state and local fiscal recovery funds have largely been disbursed and expectations are for budget decreases in 2025. However, as many of the federal government workers from DOGE cuts will only leave after the March survey reference week, the impact on March government employment remains limited."
- "We expect a largely stable unemployment rate which should remain at 4.1% rounded, and a similarly stable labor force participation rate of 62.4%."

Scotia: Weather May Be More Beneficial For Household Survey Employment Than Payrolls

- Scotia estimate NFP growth of 175k in March.
- "The readings for March could either assuage or feed concerns about the US economy's momentum. My hunch is they'll do the former, but in this case, job growth may not be an accurate gauge of confidence in the economy."
- "I've also estimated that the unemployment rate could slip a tenth to an even 4% as derived from the companion household survey as jobs rebound more than the labour force from the large declines in both during the prior month."
- "Weather effects are somewhat uncertain, but I've gone with a mildly positive influence for the nonfarm tally and a bigger one for the household survey measure of jobs. The BLS measure for 'unable to work' due to bad weather was abnormally high in both January and February this year. That measure is drawn from the household survey that includes payroll employees as well as workers not on formal payrolls. By contrast, the San Fran Fed's weather-adjusted payroll change in February turned out to be a largely neutral effect. Other than massive differences in sampling noise, the two sources taken together could imply that weather may be more of a beneficial impact on household survey employment than on payrolls."
- "A modest decline in federal government employment is expected, but most of the effects of the DOGE cuts are likely still ahead as cuts are staggered and workers who accepted packages will technically be on payroll for several more months. Offsetting this federal government effect could be ongoing hiring at the state and local level such that we could see total government hiring being either flat if not a material gain. State and local level governments have been on a hiring spree for quite a while and may continue as federal program cuts result in downloaded responsibilities to other governments."

SocGen: Layoffs Remain Very Low

- SocGen anticipate NFP growth of 170k in March.
- "In February, payrolls for federal government employees decreased by 10,000, and we expect a
- similar decline in the March report."
- "Uncertainty regarding fiscal policies, particularly tariffs and, to a lesser extent, cuts made by the Department of Government Efficiency (DOGE), may be hindering or delaying some hiring plans."

- “Importantly, layoffs, which are typically indicative of recessions, remain very low. In the past week, initial jobless claims totaled 224,000, consistent with recent weeks. Federal unemployment benefits have declined. While federal employment cuts are frequently reported, many affected workers may remain on payrolls until September. If they do not secure new jobs by then, they could become eligible for unemployment benefits and be counted as unemployed in the monthly employment reports.”
- They see the unemployment rate holding at 4.1% and AHE growth of 0.3% M/M.

Jefferies: Looking Past Soft Survey Data

- Jefferies expect NFP growth of 165k in March with the private sector adding 160k.
- This is partly based on applying an 80% scale-down vs March 2024 NSA payrolls growth after similar was seen in Feb and then seasonally adjusted.
- “Is 80% the right number, given that "uncertainty" is worse now than it was in February? We think so because while uncertainty is worse, the weather in March was better.”
- “We also have the unemployment rate ticking up to 4.2% (it was 4.1395% in February, so the bar is set pretty low for an uptick), and we expect that better weather will lead to a slightly longer workweek, which tends to dampen aggregate AHE growth.”
- “This forecast for payrolls may appear to be too high at first glance given the heightened level of uncertainty about trade policy, its consequence on inflation, low consumer confidence, DOGE cuts, stagflation concerns, market volatility etc.”
- “Admittedly, we were surprised to see the output from some of our models and we were tempted to mark the forecasts down, but in the end we decided to trust the process since it is data-driven, and most data related to the labor market has shown very little deterioration so far.”
- “We think it is better to approach this month's payroll data from a nuts and bolts, bottom-up point of view rather than one driven by un measurable uncertainty and decision paralysis. We are just as exhausted and frustrated by the disjointed and inconsistent communication and application of policy from the White House as everyone else, and we certainly can't claim to know exactly how their ambitious agenda will play out, but for this month we are going to try and look past the soft survey data and focus on the fundamentals.”

GS: Solid Big Data Indicators vs Federal Government Reductions

- GS estimate NFP growth of 150k in March, of which private 160k.
- “On the positive side, big data indicators pointed to a solid pace of job creation. The return of striking workers will be a 15k net boost, according to the strike report, and we expect a rebound in hiring among weather-sensitive industries following the particularly cold weather in January and February.”
- “On the negative side, we expect a moderate hit—we assume 25k—from the combined reduction in force actions of the federal government and a more moderate, but still positive, pace of state and local hiring (+15k).”
- Unemployment rate seen unchanged at a rounded 4.1% along with participation at 62.4%.
- AHE growth seen at 0.3% M/M, “reflecting positive calendar effects.”

JPM: Weather Could Provide A Small Boost, Or At Least Not Be A Drag

- JPMorgan expect NFP growth of 150k in March of which 135k comes from the private sector.
- “Since February the tracking on current quarter growth and our near-term forecast have both been lowered, and there are a number of reasons to think that employment growth could slow. However, not all the hard data has looked so bad recently, and one can also make a case that employment should remain near trend.” JPM conclude “that growth should be a bit weaker than the recent 3 and 6-month trends.”
- “The hard data often hasn’t weakened at all”. JPM point out those that have however: “Some notable items include the regional Fed surveys, whose employment diffusion indexes have declined in the services sector. In addition, the Indeed measures of daily job openings has been slowly trending down again, in February the Challenger survey noted a pop in announced private-sector job cuts (though this has not resulted in higher UI claims), and WARN notices have pointed to slightly more layoffs.”
- On weather: “The February employment report likely got a boost as weather shifted from unusually cold in January to more normal in February. We can see this from daily weather data, as well as the weather-adjusted payroll estimate published by the SF Fed, although according to the NOAA’s Regional Snowfall Index February still had some major snowstorms around the February reference week. Moving from February to March, the weather improved a bit more relative to normal and there were no storms, so weather could provide a small boost, or at least not be a drag.”

- “A tracker on CNN counts 106k job cuts as of March 19, but this includes close to 80k cuts at the Veterans Administration (VA) and Social Security Administration (SSA) that are planned, but not to our knowledge implemented.”

BNP Paribas: Balanced Risks To Payrolls Growth, Upside Risk To U/E Rate

- BNP Paribas expect NFP growth of 145k in March, including a 15k drop in federal government jobs.
- This should be sufficient to keep the unemployment steady at 4.1%.
- “Fed officials have put the so-called “breakeven rate” below 100k. Our estimate is 100-150k, with the lower end more credible.”
- “From a statistical standpoint, we note that if the trend pace of NFP growth slows to 75k, there is a near-20% chance of a negative payroll print in any given month based on the report’s 90% confidence interval of +/-136k. In short, anything above 100k is likely good enough for the Fed to stand pat, and even a near-zero reading may not be an immediate gamechanger as tariffs ramp up.”
- ”Though anxiety about the jobs market has risen, we think even a soft report may not immediately shift the Fed’s attention to rate cuts”
- “We see roughly balanced risks around our NFP forecast but upside risks to the unemployment rate – which nearly rounded to 4.2% in February (4.139%).”
- “To the downside, business uncertainty and the consumer confidence shock may have had a more chilling effect on hiring. High-frequency data from Indeed show a drop in job openings into March and a slip in small-business hiring intentions through February. To the upside, labor-market momentum was strong through February – averaging 200k on a three-month average basis – and initial claim filings have barely budged at low levels. We also see potential for a delayed, and larger, rebound from poor weather in January and February.”

Berenberg: In Line With Consensus But With Upside Risk From Weather Rebound

- Berenberg expect NFP growth of 140k in March with risk to the upside.
- Along with expectations of the unemployment rate holding steady at 4.1%, “these headline figures would reaffirm the view of many Fed members that the labour market does not need any further rate cuts.”
- “In our view, the US labour market remains healthy. Despite well-publicised job cuts in the public sector driven by Elon Musk’s “DOGE”, the layoff rate is at historical lows, the vacancy-to-unemployment ratio has returned to pre-pandemic levels, and inflation-adjusted wages are rising roughly in line with productivity gains. Yes, the hiring rate is slowing, but that is more due to slowing immigration—a key source of labour supply—rather than employers reducing hiring amid elevated uncertainty about trade policies.”
- “For this year, due to Trump’s restrictive immigration policy, nonfarm payroll gains around 100k per month would not indicate a weakening labour market; instead, they would reflect a market in balance, keeping the unemployment rate close to 4%.”
- “Nearly a million employees did not go to work in January and February due to bad weather (the coldest winter in a decade). The last time this many people were absent from work was in January of the previous year after which nonfarm payrolls bounced back with two consecutive gains of 200k+ in February and March. This time, we may see a repeat of last year if those who could not work in January and February due to bad weather returned to work in March, resulting in a sharp rebound in employment.”

HSBC: Labor Market In Low Firing, Low Hiring Situation

- HSBC estimate NFP growth of 140k in March.
- “Weekly initial jobless claims have continued to average around 225,000 over recent readings. At the March press conference, Fed Chair Jerome Powell described the labour market as in a “low firing, low hiring situation."
- HSBC see the unemployment rate rising a tenth to a rounded 4.2% with participation also rising to 62.5%.
- AHE growth is seen at 0.3% M/M with the Y/Y holding steady at 4.0%.

Wells Fargo: Firms Having More Trouble Relying On Attrition To Manage Headcount

- Wells Fargo estimate NFP growth of 140k in March, with federal employment (ex Post Office workers) declining by about 15k in March “as the ongoing hiring freeze was met with a jump in layoffs among federal employees.”
- “Since then, a court has ordered many federal workers to be reinstated, but concerns about federal funding and the path of other economic policy changes ahead have seemed to spill into the private sector's appetite to hire.”

- “Interest in bringing on new workers is waning again, with small business hiring plans in February falling back to where they were before the election, Indeed job postings turning lower in recent weeks and the Fed's regional PMIs pointing to a sharp slowdown of service sector hiring in March.”
- “Layoffs as measured by initial jobless claims remain relatively steady, but the jump in Challenger job cut announcements in February to their highest level since 2020 suggests firms are having more trouble relying on attrition to manage headcount.”
- They expect the unemployment rate remained at 4.1% in March, “helped by a rebound in the separate household survey's measure of employment”, but with risks to the upside.

RBC: DOGE Layoffs And Contract Streamlining At Play

- RBC expect NFP growth to slow to 138k in March as “weaker government hiring will show up as DOGE layoffs and a streamlining of government contracts embody a lean staffing mentality”.
- “The federal employment site (USAjobs.gov) had ~20% fewer job postings in March vs. February.”
- “In last month’s print, a pullback in accommodation and food service hiring was likely impacted by measures to curb immigration. We expect that this will continue to be a theme in the months ahead.”
- “But health care hiring remains the standout as demographic forces, including an aging population, means demand in the sector ought not slow due to cyclical forces. While public sector layoffs will boost available labor supply, skills-matching and geographic constraints mean that labor shortages will remain an issue in the health care sector going forward.”
- They also see the unemployment rate holding steady at 4.1% in March.

Danske: Federal Layoffs And Sharply Cooling Immigration

- Danske see NFP growth of “just” 110k in March.
- “Federal layoffs and sharply cooling immigration are set to weigh on employment growth over coming months, but the low number of jobless claims on the private sector suggests overall conditions remain stable.”
- “In light of the DOGE-related layoffs, the February jobs report pointed towards only a muted impact so far. This could, however, be due to the BLS survey reporting period ending before the settlement of the layoffs. Looking at the Challenger report for planned layoffs by US firms, the picture is quite different, with 172k announced job cuts in February.”
- “Reductions on the public sector accounted for around 62k, but private sector numbers were up as well, perhaps due to cancelled government contracts and fear of trade wars. We recommend keeping an eye out for the upcoming March Challenger report, which could provide further clarity on the scale of DOGE's federal layoffs.”
- “Unemployment rate will likely tick higher to 4.2% but we do not expect to see a much further increase in the near-term given the tightening labour supply.”

Nomura: Notable Divergence Between Hard and Soft Leading Indicators

- Nomura expect NFP growth of 110k in March for the lowest since Oct 2024.
- “Private payrolls likely grew 120k, while government employment fell 10k in the month, owing to the Federal hiring freeze and the ongoing slowdown in state and local government hiring.”
- “Lead indicators for the labor market were mixed this month, with a notable divergence between hard and soft data. The employment subcomponent of services PMI fell, while the UMich and NY Fed consumer surveys highlighted growing concerns. On the other hand, tax withholding data picked up recently, while jobless claims for the March NFP survey reference week were subdued.”
- “The unemployment rate likely drifted up to 4.2% in March after almost rounding higher in February (4.13%). Job losses have ticked up, which is likely to put some upward pressure on the unemployment rate in the near term”

Citi: Hard Labor Data Haven’t Shown Sign Of Weakness But That Could Change

- Citi expect NFP growth of 95k and the unemployment rate to tick up to the top of its range at 4.2%.
- “Market expectations have quickly shifted more negative amidst rising tariff costs, weaker consumer spending, cuts to government funding and jobs, and elevated uncertainty. But hard labor market data have at least not yet shown much obvious weakening. That may start to change in March data this week”.
- “For now, this would primarily reflect low hiring at a time of year when hiring would start to pick-up. But this slowing would precede a period starting around May and continuing through the summer when weakness from low hiring could be augmented by federal job cuts and private sector spillover effects.”

- “Evidence that the economy is already starting to slow ahead of the larger downside risks has the Fed cutting rates again in May in our base case and 125bp total this year.”
- “Given an already-shaky backdrop this week around additional tariff announcements, the realization of softer labor market data could be a particularly large risk-off catalyst. Markets may further pull forward the timing and magnitude of rate cuts from the Fed this year. But if March employment data are stronger than expected, we would caution that peak labor market weakness will likely not occur for a few more months. True labor market resilience will likely not be known until data for June/July. And with the labor market softening further in March and still one more employment report to be released before the May FOMC meeting, we continue to pencil in the resumption of Fed cuts at that meeting.”

MNI Policy Team Insights

MNI INTERVIEW: Tariff Benefits Loom Despite Some Fallout-Miran

By Pedro Nicolaci da Costa (April 3, 2025)

WASHINGTON - U.S. President Donald Trump's new tariff regime is aimed at addressing long-standing trade imbalances that have hollowed out American manufacturing, and the economy stands to benefit broadly despite a negative market reaction, White House Council of Economic Advisers Chair Stephen Miran told MNI Thursday.

“In the short term there’s obviously a lot of market volatility and given the scope and speed of the president’s historic action, there will be some fallout from that,” Miran said in an email exchange the day after the administration major announcement.

“However, in the longer term these tariffs provide a powerful incentive for firms to invest in America and make stuff here, and the revenue is a nice side effect that will help us not only preserve the president’s historic tax cuts from his first term, but provide further tax relief to American families.”

Asked about his growth forecast for this year and whether the tax cuts would come in time to help redress the recent retrenchment in consumer and business sentiment, Miran did not give a specific GDP estimate but sounded an optimistic note.

“Don’t forget that imports are only about 14% of the economy, while the taxes and deregulation affect the other 86%. So there’s a lot of juice left in terms of unleashing economic growth, and President Trump has repeatedly said that he wants to provide further tax relief for American families,” he said. Miran urged Congress to “preserve low tax rates on American workers and firms and provide even more tax relief.”

Trump used a Rose Garden ceremony Wednesday to unveiled new 10% baseline tariff on all imported goods, in addition to reciprocal tariffs on around 60 countries, and other sectoral tariffs from autos to semiconductors. Stock markets have fallen sharply around the world in reaction and the dollar has retreated.

DO NOT RETALIATE

Miran urged American trading partners not to retaliate against the new tariffs or risk a new round of punitive measures.

“My advice to foreign leaders would be not to retaliate, since the president reserved the right to increase tariffs even further if they do so. Instead, I’d point out that the president is famous for his ability to create deals where nobody thought it was even possible. So they should convince him what they can do for America,” he said.

MAR-A-LAGO

Miran indicated a possible Mar-a-Lago currency accord that seeks to further address trade imbalances, an idea he explored in detail in a now famous-paper written before he joined the administration, is not currently in the works. But he left the door open for future such negotiations.

“The president can’t have been clearer that he’s focused on redressing the unfair way our trading partners have treated us for decades. He’s also famous for his ability to negotiate and close deals. So if anyone can, in the future, negotiate a multilateral accord like that, it’s him, but he’s been very clear he’s focused on fair and reciprocal tariffs right now,” Miran said.

MNI INTERVIEW: Tariffs Freeze Fed, Court Global Recession - Fatas

By Greg Quinn (Apr 3, 2025)

OTTAWA - U.S. tariffs will send an inflationary impulse around the globe even as it depresses growth and raises the risk of recession, with the Federal Reserve likely to be prevented from further lowering interest rates and the reserve currency status of the dollar now questionable, INSEAD professor Antonio Fatas told MNI.

“You can have some economies where the recession effect is so big that inflation doesn't go up at all. A big recession will pull down inflation,” said Singapore-based Fatas, who has advised the Fed Board of Governors and consulted for the IMF, OECD, World Bank, and the UK government.

“Sorry, no one is escaping this.”

The tariffs are big enough to stall the global economy, with most countries likely to retaliate, he said.

“These are tariffs which are very high, they're going to disrupt trade, companies. They're going to lead to retaliation by the other countries,” he said. “This is going to be a serious shock to global growth, not just U.S. growth, and to inflation, no doubt about it.”

Some Fed officials have already pointed to sticky trend inflation as a reason to hold borrowing costs, and Fatas said the best case scenario now would be for inflation to remain elevated rather than getting worse. (See: MNI POLICY: Fed Forced Into Hawkish Stance Despite Growth Risk)

“Growth might slow down, will slow down. Then the central bank is going to be looking at an inflation rate which is either going up or stubborn,” he said. “Even if it doesn't go up dramatically, but at least it's stubborn, it means interest rates cannot go down. And because interest rates cannot go down, you cannot help growth.”

Nor will tariffs produce the promised benefits of revitalizing America's manufacturing base while keeping consumer prices in check, said Fatas, adding that they will instead harm the U.S. reputation as a rules-based economy that can back up its reserve currency status.

“This is going to cause pain in the short term. And when you wake up from that pain, whenever we get out of whatever crisis we have, we'll be back to where we started. There's nothing good coming out of these tariffs.”

NEW COALITIONS

President Donald Trump’s tariff rates “make no sense” and appear to turn trade balances into a corporate calculation of business profits, he said. Singapore got off lightly even though the U.S. under normal calculations could have found it to be a major trade offender, he said, pointing also to other anomalies. “Brazil has massive tariffs, massive tariffs on anyone and is at the bottom of this table.”

The instability will encourage more odd coalitions like the one formed recently between longtime rivals Japan, China and South Korea, he said. That could also re-unite some post Brexit ties between the UK and EU, he said, and Canada may also seek to join that group. “You are going to see these coalitions, which might not be natural, but this is about power and who yells the most so people will get together to yell as hard as the U.S.” (See MNI: U.S. Policies Will Push EU, China Closer - Senior Advisor)

Fatas is giving up his view the U.S. dollar will remain the global reserve currency in the foreseeable future. “In Singapore, in Europe, in Canada, I'm going to be thinking to myself, can I trust the U.S. dollar? Can I trust the U.S. central bank as sort of the central bank of the world? And the answer is, No, I don't. I don't anymore, because who knows what they're going to do to me.”

MNI INTERVIEW: US Factories Set For Contraction On Tariffs - ISM

By Evan Ryser (Apr 1, 2025)

WASHINGTON - U.S. manufacturing is on track for at least a quarter of contraction as the Trump administration's push for tariffs keeps firms shedding jobs through attrition and hiring freezes, Institute for Supply Management chair Timothy Fiore told MNI Tuesday.

"We started off pretty good in November, December, even January. We were looking good, not a dramatic growth, but we were going to be growing nonetheless. We were finally in our seventh expansion cycle in 20 years. I can't say that anymore," Fiore said in an interview. "We're not there and I don't think we're going to be there for months, maybe not six months, probably at least three."

At the same time, companies are already experiencing cost increases that will most likely remain transitory but have some potential to linger, said Fiore, whose view of the manufacturing sector has darkened due to tariffs and the surrounding policy uncertainty.

The ISM manufacturing index decreased 1.3pp to 49.0 in March, below expectations and the worst reading since November. Readings below 50 indicate contraction.

"The report by itself is not damning, but if you look at the fundamentals it's really alarming," Fiore said. "It's not growth and the fact that we're still releasing people is alarming."

PRICE GROWTH

Input prices surged at the fastest pace since mid-2022, surging 7.0ppts to 69.4. Fiore called the tariff effects on price increases "transitory," but stressed there will be second round effects that will last for some time.

"This is not inflation. This is price growth," he said. "This is all transitory. This is just price growth because of extreme demand and restricted supply."

But "if you're going to put 25% tariffs on everything that's imported, it's going to raise the prices in the United States of the product that is not imported. Because nobody is going to sit there with a 25% cost advantage. They're gonna increase their prices to maximize profits," Fiore said. "In the end, we're sitting with 25% cost growth in our cost of living and how are we going to fund that? Everybody's going to be slamming for 8% pay raises."

The new orders index fell to 45.2 from 48.6, and the employment index fell to 44.7 from 47.6.

"Employment levels are going to go down. This is killing demand, especially investment. If that's the case, then you're going to see the unemployment rate go up." (See: MNI INTERVIEW: Fed To Focus On Growth Drag From Tariffs - Sahm)

"Employment at less than 45? I would never have thought this back in November, December that we'd see companies continuing to de-staff. They're doing it through attrition and freezes. They're not doing it primarily by layoffs," Fiore said. "The confidence factor among businesses that they're going to be able to fully utilize these people in the next three to six months is diminishing every day."

TARIFF DRAG

Fiore said he is expecting greater clarity this week on the Trump administration's tariff policies and added that he expects tariffs will largely remain in place to a significant degree once put on.

"The top line takeaway is, we're going to have more clarity in the next week or so on what we're going to be facing at least in the first half of this year," Fiore said. "I'm not saying we're going to have all the clarity that we need, but we're going to have more clarity. I'm just astounded that here we are the day before a major policy decision that has huge implications on the US economy and we don't know what the details are."

The administration's tariff policies "really appear to be tied into reconciliation," Fiore said, referring to fiscal and revenue discussions on Capitol Hill. "I can't imagine that you put in 25% tariffs, you reconcile a budget bill, and then you remove the tariffs next day."