U.S. Payrolls Preview: Feb 2026 Report

MNI View: Softer, With Many Moving Parts

March 4, 2026 - By Chris Harrison

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Executive Summary

- Nonfarm payrolls are expected to increase 58k in February with gains coming entirely from the private sector, pulling back from a surprisingly strong January.
- One temporary impact known in advance was an additional 31k of striking workers over the payrolls reference period, the highest rise since late 2024. 32k workers will return in the March payrolls count.
- Beyond that, there are questions over the extent to which healthcare jobs pull back after a potential boost from a severe January flu season, with Scotiabank, at the low end of consensus, again eyeing a drag from ACA subsidies expiring at the end of the last year. Some cite a colder than usual February as a potential drag after a potential boost in January. Severe winter storms hit in late January, disrupting the actual collection of last month's household survey.
- On this front, the household survey response rate was its third lowest on record in January, with only the two prior readings lower, increasing scope for volatility.
- The unemployment rate, expected to round to 4.3% again after the 4.28% in January was surprisingly its lowest since July, should be assessed with this data quality issue in mind.
- The household survey will also see a delayed population control adjustment, which should markedly lower the level of various metrics such as household employment and labor supply but have limited impact on ratios such as the unemployment rate. Wells Fargo see downside risk on the u/e rate though.
- This will be the last payrolls report before the Mar 17-18 FOMC meeting, with the February CPI report also landing before then on Mar 11. Unusually, the NFP report lands alongside the delayed Jan retail sales report which could complicate reaction to the data.
- These reports are unlikely to alter the Fed's March decision itself, with just 0.5bp of cuts priced and with a next Fed cut currently not priced until September following a surge in energy prices in the aftermath of US-Israel strikes on Iran. Nevertheless, they can help shape the revised quarterly projections.

Strikes and Colder Weather Seen Adding To Payback After January Strength

Bloomberg consensus looks for a 58k monthly increase in nonfarm payrolls in February at typing (primary dealers 55k) with only a small drag from the public sector with private payrolls seen rising 65k. There's a lower range to estimates this month after January's report was complicated by annual adjustments. This month isn't completely free of annual adjustments though, with the household survey population control coming a month later than usual and with it a rare revision to January data. This should have limited impact on ratios within the household survey but should be watched nevertheless, with consensus looking for the same rounded 4.3% unemployment rate after a surprising drop in January.

Summary Of Expectations For Feb 2026 Report

Payrolls M/M (000s)	Dec	Jan	Feb estimate BBG cons	Feb estimate Primary dealer	
NFP	48	130	58	55 (range 10-100)	
Private	64	172	65	63 (range 25-100)	*a reduced sample for private

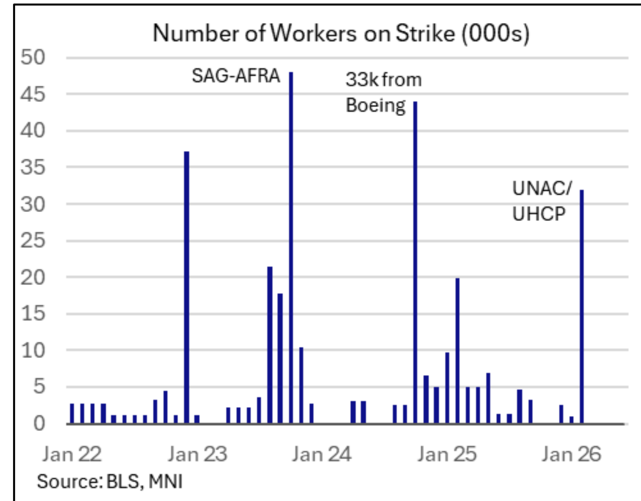
U/E Rate	Dec	Jan	Feb estimate BBG cons	Feb estimate Primary dealer	
%	4.38	4.28	4.3	4.3 (range 4.3-4.4)	Views skewed to higher figure

AHE	Dec	Jan	Feb estimate BBG cons	Feb estimate Primary dealer	
% M/M	0.05	0.41	0.3	0.3 (range 0.2-0.4)	Views slightly skewed to lower figure

Source: Bloomberg Finance L.P., BLS, MNI

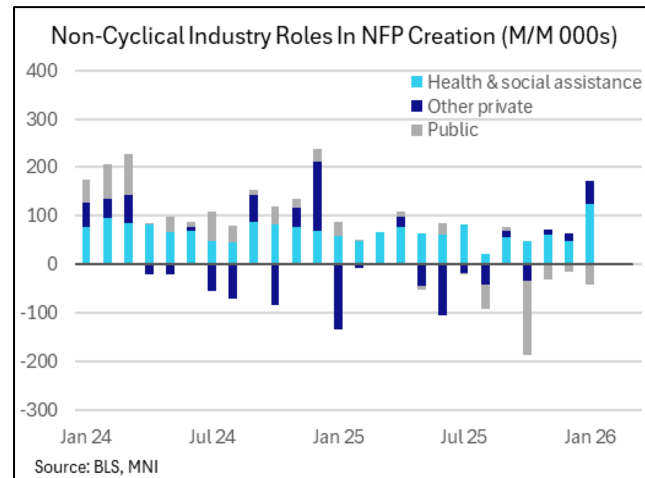
Largest Strike Impact Since Late 2024

United Nurses Associations of California/Union of Health Care Professionals (UNAC/UHCP) strikes will see 31k health physicians temporarily missing from the payrolls figures having not worked through 26th Jan to 23rd Feb. After months of limited strike activity, this is the largest monthly increase since the 41k uptick in Oct 2024 (33k of which was from Boeing). It adds to a marginal 1k sustained strike from Starbucks workers through 13th Nov to 24th Feb.



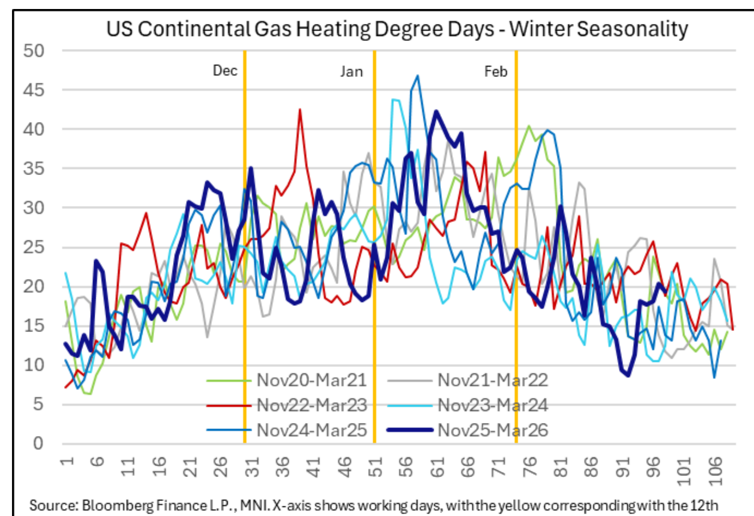
Broader Health Payback After January Flu Boost?

With the cyclically insensitive health & social assistance category seeing a temporary dent from striking physicians, expect it to further emphasize at best tepid job creation in other private sectors. January saw a particularly strong 124k increase in healthy & social assistance, potentially boosted by the worst January flu season on record according to Scotia who have also warned about the potentially adverse impact from Affordable Care Act subsidies expiring last year. Non-health private payrolls meanwhile increased 49k in January with recent three- and six-month averages at 25k and just 2k respectively. Whilst it's too early to say, these could well be overstated as well if there are further negative benchmark revisions (what was seen as a 612k increase in the twelve months to Mar 2025 prior to last month's annual adjustments is now a -151k decline for non-health private jobs). Since Mar 2025, a further 134k of non-health private jobs have been lost despite the recent firming in jobs growth, concentrated in May and June after April tariff announcements.



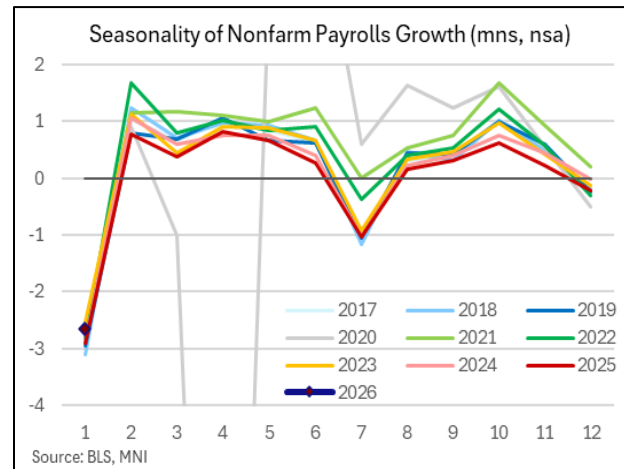
Uncertainty Over Impact Of Strong Winter Storms In Late January

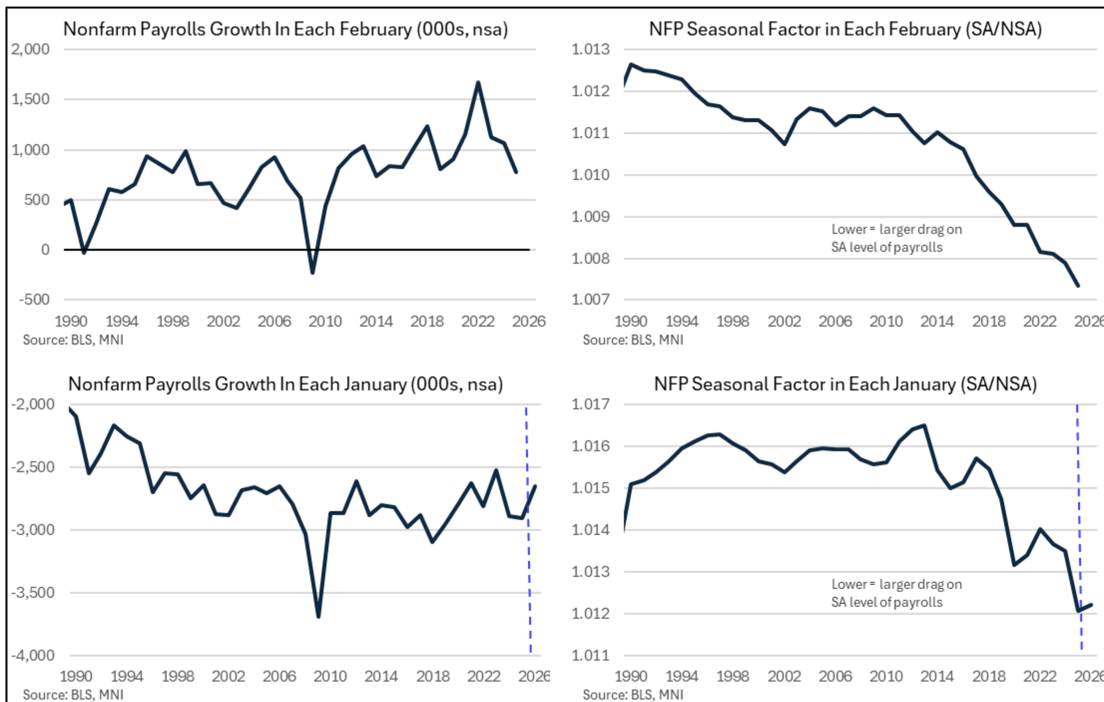
Some cite colder than usual weather as a factor likely weighing on payrolls growth in the February payrolls period. Heating degree days show a mixed take here, with elevated readings between survey periods as massive winter storms hit in late January but then these heating days fell to more typical/lower values closer to the 12th of the month itself. This is of course a particularly crude approach though as it won't fully reflect idiosyncratic weather differences in areas with differing population densities. It did however successfully pre-empt a low level of those reporting they weren't able to work due to bad weather in January in the household survey question, with 217k vs 553k in Jan 2024 and 573k in Jan 2025. As noted elsewhere though, those winter storms then adversely impacted the actual conducting of the household survey.



Seasonality: A Test Of Hiring Demand After Post-Holiday Layoffs

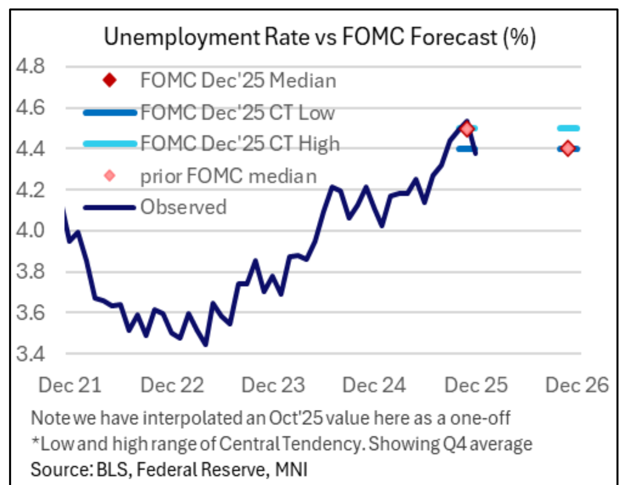
February offers a very different test to a labor market in a "low hire, low fire" state, with re-hiring after January's post-holiday heavy layoffs in non-seasonally adjusted terms. February hiring appetite has clearly been slowing though, with the 775k increase in nonfarm payrolls in Feb 2025 its lowest for a February since 2014. What's more, February seasonal factors have been increasingly penal in recent years, exerting a larger drag when it comes to the seasonally adjusted level of payrolls. January developments offered some signs of encouragement, with -2.65mln jobs lost vs -2.91mln in Jan 2025 and -2.89mln in Jan 2024 along with a slight 'improvement' in the seasonal factor from its lowest in at least the past forty years. A repeat at least for the latter could act as a modest tailwind for seasonally adjusted nonfarm payrolls growth in February.



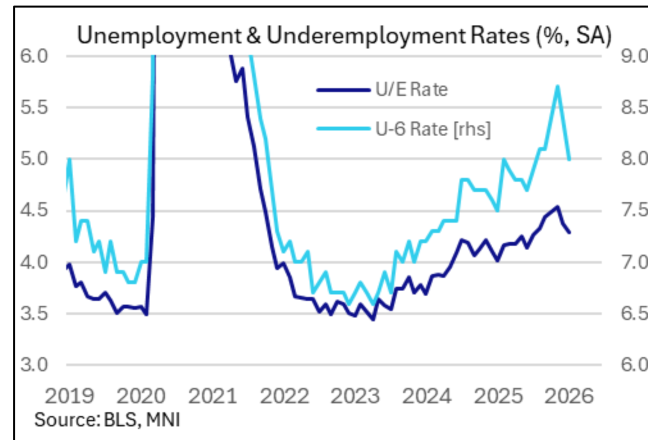


Household Survey: A Fresh Take After Collection Disruption But With Population Controls Caveat

Turning to the household survey, consensus expects the unemployment rate to round to 4.3% again, albeit with risks skewed higher, after surprising with 4.28% in January. That wasn't just below the consensus of 4.4% and 4.375% prior, but also the lowest since July via a high of 4.54% in November (which NY Fed's Williams estimated was distorted a tenth higher by the government shutdown). Whilst we would ordinarily argue to put as much weight on the unemployment rate as the payrolls figures, there could be a slight caveat on the unemployment rate this month owing to new population controls. These population controls come a month later than usual – their inclusion in the January report was delayed by the government shutdown – but will still apply to January figures. This means the January underlying figures will unusually be revised (the household survey is usually only revised once a year specifically only for seasonal factors). As always, this should primarily effect levels within the household survey, with the level of employment and



labor supply cut notably, but less so ratios. Analysts tend to see this population control impact as being on the negligible side for ratios although Wells Fargo see some downside risk to the unemployment rate from it.



Source: BLS, MNI

Comparing with the December SEP, the unemployment rate averaged 4.47% back in 4Q25 to nearly undershoot the median 4.5% and also importantly rule out a 4.6-4.7% scenario that seven members had pencilled in (with an important caveat that the October value is interpolated having never actually been collected). Looking ahead, the median participant eyed 4.4% in 4Q26 before levelling out at 4.2% in 4Q27 and beyond.

The January household survey details had been anticipated to provide a cleaner read on current labor market conditions although whether it accomplished that is questionable. The unemployment rate fell for the 'correct' reasons, with unemployment falling by 141k after a heavy drop in December for its largest two-month drop since early 2022 and employment rising 528k for it's strongest increase since Nov 2023 for a non-population control month. However, it has left some particularly sharp swings in recent months, including the U-6 underemployment rate falling 0.4pps to 8.0% for also a part-time low, which must be viewed in the context of another extremely low household survey response rate (the 64.3% in Jan was the third lowest in history, with only the prior two surveys lower). Add in the fact that the BLS noted that unlike with the establishment survey, "The severe weather did impact the collection of household survey data" for January and we would firmly advise to take the results with a grain of salt.

Analyst Estimates: Dovish Skew Seen For U/E Rate & AHE

- The median primary dealer analyst looks for nonfarm payrolls to have increased a seasonally adjusted 55k in February.
- The range of 10-100k is smaller than last month's 0-135k in what was a more complex report with various annual adjustments being applied.
- The median of a reduced sample of estimates sees private payrolls growth of 63k in a range of 25-100k as the public sector sees a small drag of circa 10k after the sizeable 42k decline in January.
- The unemployment rate is mostly expected to round to 4.3% again after last month's surprisingly low 4.28% although a non-trivial share look for it to round higher to 4.4%.
- Average hourly earnings growth is mostly expected to come in at 0.3% M/M after surprising higher with 0.41% M/M in January, with a small dovish skew towards a 0.2% print.

mni	Payrolls (chg M/M, k)			U/E Rate	AHE
	Total	Private	Govt	(%)	(% M/M)
Scotiabank	10			4.4	0.3
Barclays	25	25	0	4.3	0.3
Morgan Stanley	25	25	0	4.3	0.3
Deutsche Bank	30	50	-20	4.3	0.3
UBS	30	30	0	4.4	0.3
HSBC	40			4.3	0.3
Goldman Sachs	45	45	0	4.4	0.3
Wells Fargo	45	55	-10	4.3	0.3
J.P.Morgan	50	60	-10	4.4	0.3
Societe Generale	55			4.3	
BMO	58			4.3	0.3
Santander	60	70	-10	4.3	0.2
BNP Paribas	65	65	0	4.3	0.3
BofA	65	75	-10	4.3	0.3
RBC	65			4.4	0.2
Citi	55	65	-10	4.4	0.2
Jefferies	75	85	-10	4.3	0.3
Nomura	85	95	-10	4.3	0.3
TD Securities	90	100	-10	4.3	0.2
Mizuho	100			4.3	0.4
Median	**55**	**63**	**-10**	**4.3**	**0.3**
Prior	*130*	*172*	*-42*	*4.28*	*0.41*

Entered in Bloomberg survey or seen by MNI.
Red denotes tighter than consensus, **blue** looser

Waller Lays Out The Dovish Case For Labor Market Concern

Fed Governor Waller (voter) in Q&A on Feb 23 outlined the dovish FOMC contingent's view of the lack of churn within the labor market, citing the latest data to reiterate his previous view that labor market demand is weakening more than supply:

- "If all of the decline [in payrolls] that we saw last year was purely immigration, so that labor supply fell more than demand, you should see the following things. Vacancies go up, wages get bid up. People should say it's [getting easier] to find a job. Firms should be saying it's harder to find workers. That's if labor supply is driving everything. Now, if it's labor demand that's driving everything, what should happen? Vacancies should go down, wages should be going down. You should have workers saying it's very hard to find a job. You should have firms saying it's very easy to find workers. Which of those two cases are you hearing right now? That's what I mean. You can't just look at quantities and tell me what's driving it... right now, all the data that I've seen for the last year is telling me it's the labor demand is falling more than labor supply. And I just told you that jobs [growth] last year was 181,000. And that's going to get revised down, trust me. 2.9 million people entered the labor force despite the immigration [net decline]. This is not looking like labor supply is really the problem. It's labor demand. So until we can fix that, I just don't think you're going to see a very healthy labor market."
- That sounds a lot like passage of the January FOMC minutes which notes "Some participants...noted that even though the labor market was showing signs of stabilization, some indicators such as survey measures of job availability and the share of those working part time for economic reasons continued to suggest softening of conditions."
- He acknowledges that the weak jobs growth alongside still-low household unemployment is something of a puzzle that will have to resolve: "If it looks like you just don't have any labor force growth and the economy's doing fine and the unemployment rate stays roughly where it is, I guess you say, good enough for me. Even with the immigration stuff, our labor force is growing like 7/10 of a percent. Zero Job growth just doesn't map into any kind of stability in terms of employment and whatnot. So this would be the first time in my career, my life, that I saw an economy growing like this, and zero job growth. I don't even know really quite how to think about it, to be honest, because I've never seen it before. So I either think that you'll see some return to job growth coming in this next year as some of the stuff I mentioned in the beginning fades away, or we're in a period of economic activity I've never seen in my life and don't really know quite how to think about it. But it's just concerning not to see any job growth in an economy where you have labor force growing and somehow the unemployment rate doesn't change. Something's going to get corrected. I don't know what it is, but something has to."

Markets: Data Has Taken A Backseat To Geopolitics

The aftermath of US-Israel strikes on Iran has seen significant hawkish adjustments in the US rate path this week, with wide ranges as risk sentiment remains particularly fluid whilst watching for signs of further Middle East escalation or off-ramps. A next Fed rate cut is currently priced for September having previously been oscillating between June and July, with June meetings to be under a new Fed Chair. It's part of a path with less than two cuts priced to year-end, with 45bp at typing vs Tuesday's recent hawkish extreme of 38bp or more than 60bp of cuts on Friday afternoon. Whilst of course a long time ago now, the December SEP had a median dot looking for just a single cut although in a sign of how deeply divided the FOMC is, just four of nineteen members pencilled this in. Either side of this, another four eyed two cuts for 2026 whilst seven didn't anticipate any further cuts (three of which didn't even want to cut in December). The SEP will be updated with this month's meeting.

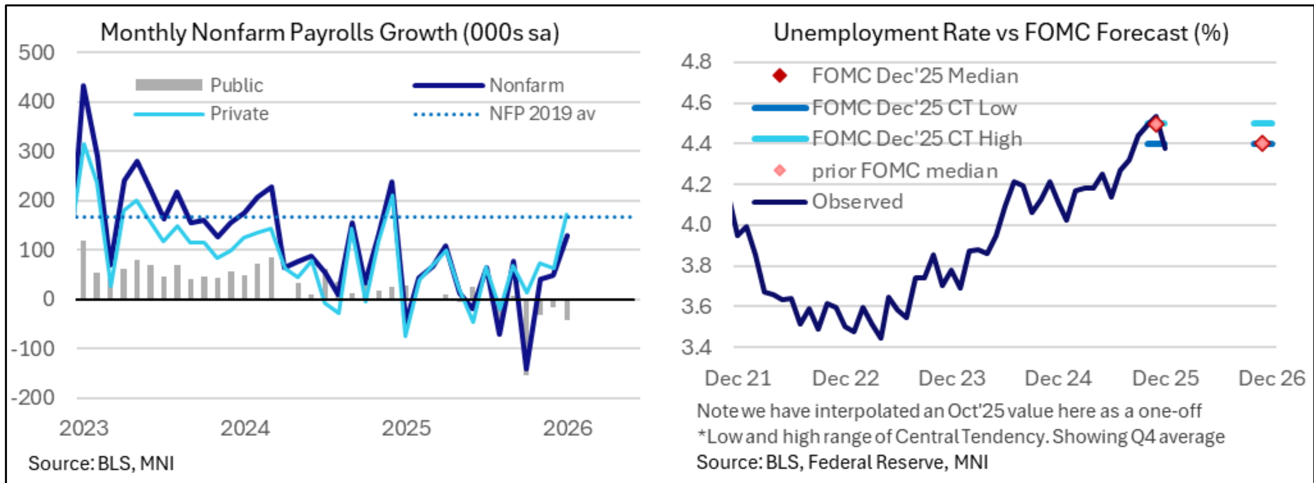
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre ISM mfg (Mar 2)			*chg in rate*	pre NFP (Feb 11)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	3.64			3.64				3.64			
Mar'26	3.63	-0.7	-0.7	3.63	-1	-0.6	*-0.1*	3.59	-5	-5	*4.7*
Apr'26	3.61	-2.5	-3.2	3.60	-4	-4.2	*1.0*	3.52	-6	-12	*8.5*
Jun'26	3.54	-7.0	-10.2	3.50	-10	-13.8	*3.6*	3.38	-15	-26	*16.2*
Jul'26	3.47	-7.1	-17.3	3.41	-9	-22.8	*5.5*	3.28	-9	-36	*18.4*
Sep'26	3.35	-11.3	-28.6	3.29	-13	-35.5	*6.9*	3.17	-11	-47	*18.2*
Oct'26	3.29	-6.7	-35.3	3.20	-8	-43.7	*8.4*	3.11	-6	-53	*17.5*
Dec'26	3.19	-9.7	-45.0	3.09	-11	-54.8	*9.8*	3.05	-6	-59	*14.0*

Source: Bloomberg Finance L.P., MNI. Assuming same EFFR-target lower bound spread from latest fix going ahead

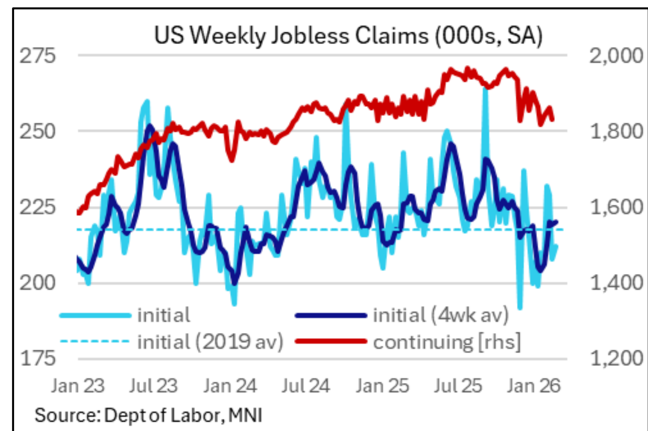
Recent Labor Market Developments

The recap of the Jan payrolls report: MNI US Employment Insight: Strong NFP Report Delays Rate Cuts (link).



With the payrolls report coming early in the month, there are fewer alternative indicators to run through with Challenger job cuts, Revelio labor statistics and the finalized Chicago Fed unemployment rate nowcast for February all set to be released on Thursday. On the latter, the advance estimate point to an unchanged u/e rate at 4.28%. The JOLTS report for January doesn't follow until Mar 13.

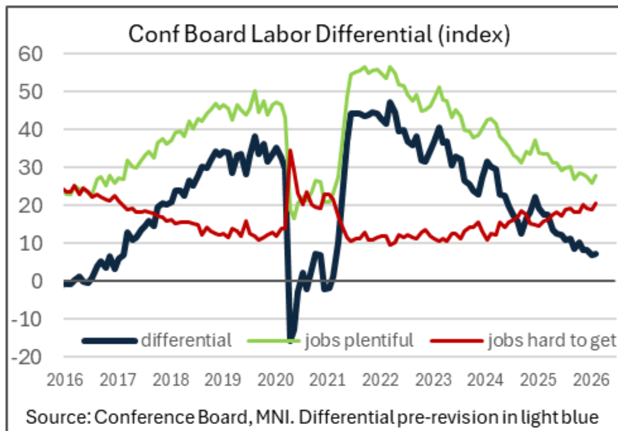
Upside

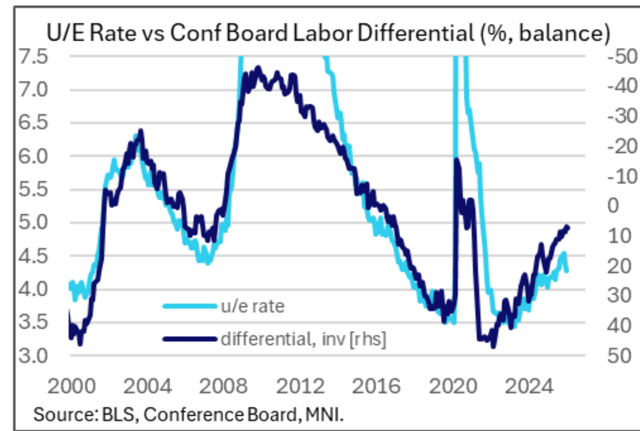


Weekly jobless claims data show similar readings for February vs January payrolls reference periods but that's after a significant improvement compared to previous months. Specifically, initial claims stood at 208k in the February period compared to 210k in Jan, 224k in Dec and 222k in Nov, whilst continuing claims stood at 1833k (still to be revised with Thursday's update, usually lower) after 1819k in Jan, 1914k in Dec and 1944k in Nov.

However, Fed Governor Waller on Feb 23 discounted the signal from seemingly solid weekly initial jobless claims, saying of their remarkable consistency: "I mean they've been like 200 (thousand weekly), 220 for like five years. They just don't seem to move. I don't even know what signal to take. They go up, they go down, they go up, they go down. No matter what happens with the unemployment rate, it doesn't show any kind of secular trend. Plus the labor force grows over time. 200,000 was the standard years ago. But the labor force keeps growing. So if you look at claims to the size of the labor force, they've just done this continually in a downward trend. So I don't really know sometimes what to make out of the initial claims. Somebody once joked that state computers can only process so many claims a month, no matter how many come in. So the number is always the same."

[A relative improvement but still directionally dovish] The **Conference Board** consumer survey's **labor differential** inched higher to 7.4 in February after an upward revised 6.8 (initially 3.1) in January, with the latter still marking its lowest since Feb 2021. Jobs plentiful increased from 25.8 to 28.0 (highest since Nov) but jobs hard to get also rose to a new recent high of 20.6 from 19.0 (last higher Feb 2021). The differential continues to point to a sizeable uptrend in the unemployment rate, countering recent stabilization/declines in the unemployment rate from the BLS payrolls report.

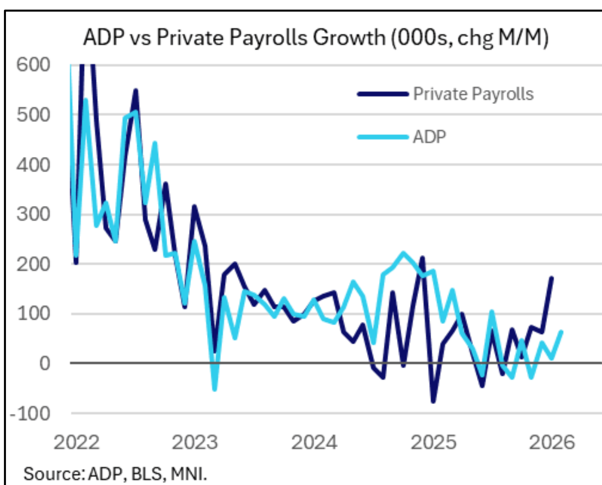


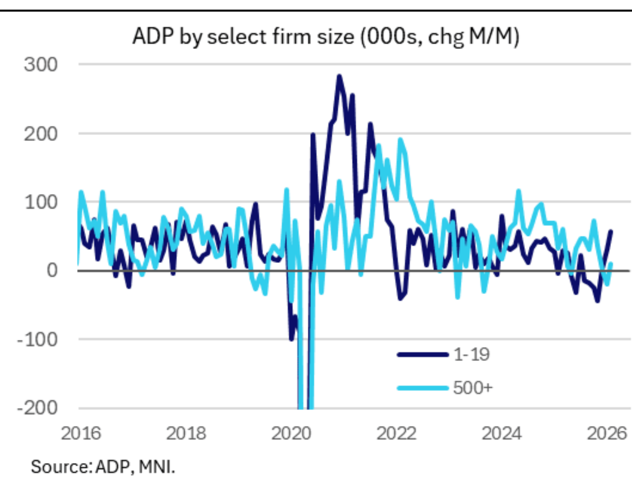


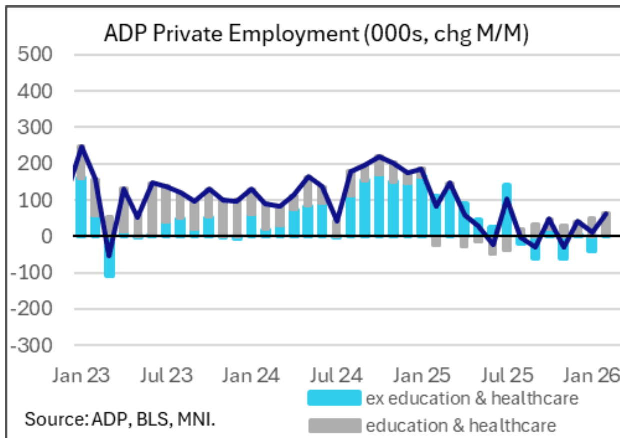
Neutral

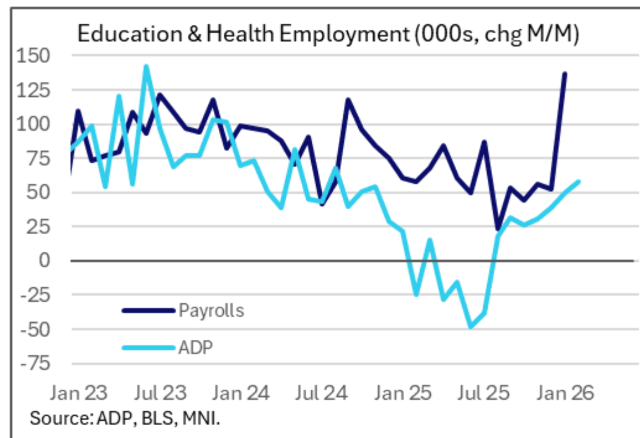
ADP private payrolls rose by 63k in February, the strongest initial reading since July 2025 and a beat vs the 50k expected but with its impact offset by some mitigating factors that pointed to relatively subdued labor market conditions.

- The first was the downward revision to January's 22k rise (to 11k), which meant that the 3-month moving average came in at 38k which was exactly as expected (incorporating January pre-revision and Feb consensus 50k). However this also meant that despite the strong February figure, the 3-month average was the lowest since July 2025.
- The second was a lackluster composition of gains: while a 19k increase in construction payrolls was a positive sign cyclically, there was a 5k drop in manufacturing and 30k in professional/business services. This left the notoriously acyclical education and health services sector driving the overall gain in payrolls, at 58k, the strongest since August 2024. Services jobs (ex-education/health) rose 5k which was better than the -39k prior but left the 6-month pace at just -22k.
- Finally, the wage dynamics were soft. ADP Chief Economist Nela Richardson points out in the press release that "with hiring concentrated in only a few sectors, our data shows no widespread pay benefit from changing jobs. In fact, the pay premium for switching employers hit a record low in February." Job-stayer pay rose 4.5% Y/Y, with the aforementioned job changes up 6.3%.
- In better news, small-firm (1-19 employees) saw a 58k rise in payrolls, the best since January 2024 in something of a bellwether category for underlying labor demand.
- Overall the headline figure was very close to the February BLS private payrolls expectation of 65k (which would be down from 172k in January) so shouldn't shift expectations very much. Indeed, the gap in January between BLS and ADP was very wide so it's likely ADP would have been faded this month either way.









Selected Sell-Side Views

Ranked from largest to smallest NFP figure for February:

TD Securities: Above Consensus For Jobs Growth But Soft On Wages

- NFP growth of 90k (private 100k) in Feb, U/E rate to remain at 4.3%
- “Payroll gains likely moderated to 90k in Feb from a strong showing in Jan. The moderation should be led by healthcare after it posted unusually strong gains last month.”
- “We also look for the UE rate to stay at 4.3%, while we flag the risk of an increase to 4.4%.”
- Despite above consensus payrolls growth, they look for AHE growth to have moderated to 0.2% M/M.

Jefferies: More Likely Than Not That February Jobs Numbers Will Be Solid

- NFP growth of 75k (private 85k) in Feb, U/E rate to remain at 4.3%
- “Unlike last month, we do not have strong conviction that there will be excessive seasonal noise in the February payroll data. Instead, we will review our typical approach behind the forecast of 75k.”
- “When we were putting together our 2026 outlook at the end of last year, we had expected that the labor market data would be weakening by now. Given the revisions to the payroll data last month and the recent behavior of jobless claims, we do not see much evidence that this is the case.”
- “Despite skepticism that some degree of the strength in the January payroll print was due to seasonal adjustment noise rather than improving fundamentals and labor market demand, it looks more likely than not that the February jobs numbers will be solid.”
- “If the data comes in close to our forecasts, we doubt that it will move the needle for the Fed. Recent comments from policymakers suggest that they are comfortable on "pause", and it would take a dramatic downside miss to move the timeline for cuts earlier.”

BofA: Unemployment Rate More Important Than Payrolls Growth

- NFP growth of 65k (private 75k) in February, U/E rate to remain at 4.3%
- “We look for NFP to slow to a still solid 65k (private: 75k). This would lift the 3-mo moving average to 81k, strongest since last Jan.”
- “More importantly, we expect the u-rate to remain at 4.3%, with some risk of going up to 4.4%.”
- Population control: “We will also get the population update to the HH survey where we expect a downward reduction in levels.”
- “On net, a largely stable u-rate with hiring momentum strengthening is unlikely to spur calls for near-term cuts.”

JPMorgan: Some Of February Weakness Could Be Temporary Plus Scope For Downward Revisions

- NFP growth of 50k (private 60k) in February, U/E rate at 4.4%
- “The January jobs report was surprisingly strong, with a 172k increase in private jobs that left the three-month average at 103k per month. Other labor indicators had suggested to us that job growth would be closer to trend, and we expect a return to more subdued readings in February. We also see a decent chance that January is revised down given recent revision patterns. Some of the forecasted weakness in February could be temporary, stemming from colder weather, and perhaps extra volatility from the new birth/death model.”
- “The new birth/death model looks to have boosted January growth. That model now uses the first print of the growth rate of employment at establishments who report both in the current and last month to project net job gains from opening and closing establishments. [U]sing the output of the older model would have probably produced a flatter profile for job gains, though a similar three-month average. In any case, the strong lift from the model in January could be followed by a soft value in February.”
- On the expected uplift in the u/e rate to 4.4%: “The unemployment rate has mostly reversed a recent spike and is now the lowest since July, so further declines may become more difficult. In addition, there is some possible residual seasonality around January/February, with the unemployment rate dropping in January and increasing again in February.”
- Population control: “this release will include a delayed update to the household survey population controls, which will lead to revisions in the January household data. They should lead to a downward revision to population, but we don’t foresee major changes to rate quantities, like the unemployment rate.”

Goldman Sachs: Payrolls To Be Weighed By Striking Workers And Poor Weather

- NFP growth of 45k (private 45k) in February, U/E rate at 4.4%
- “On the negative side, we expect a 31k drag from newly striking workers and a modest headwind from poor winter weather after it likely boosted January payroll growth. Additionally, we expect unchanged government payrolls—reflecting a 5k decline in federal government payrolls that is offset by a 5k increase in state and local government payrolls. The big data indicators of job growth we track were mixed in February. On the positive side, the pace of layoffs remained subdued and online measures of job openings stabilized.”
- “We estimate that the unemployment rate edged up to 4.4% in February. While other measures of labor market tightness improved slightly on net, the February unemployment rate appears to suffer from positive residual seasonality (the unrounded unemployment rate has increased in each of the last three Februarys by an average of 0.15pp).”
- AHE seen at 0.3% M/M in February, “reflecting neutral calendar effects”.
- Population controls: These “are likely to lead to downward revisions to the level of the population, labor force, and household employment. The impact on ratios in the survey (e.g., the unemployment rate and labor force participation rate) is likely to be negligible.”

Wells Fargo: Unemployment Rate Could See Downside Risk From Population Control

- NFP growth of 45k (private 55k) in February, U/E rate at 4.3%
- “While some stabilization in labor demand is evident, a range of indicators, including JOLTS and consumers' perception of job availability, continue to point to a gradual loosening in labor market conditions rather than a renewed acceleration in hiring”.
- “[L]ast month's outsized gain in healthcare & social assistance is unlikely to be repeated. We expect either a downward revision to January and/or some payback with a sub-trend reading in February for this sector.”
- “Although recent winter storms largely missed the payroll survey weeks, poor conditions throughout the month likely restrained hiring activity in weather-sensitive sectors, such as leisure & hospitality and construction. By contrast, federal government job cuts should be starting to lose steam, which should help to lessen the drag on employment from the public sector.”
- “We look for the unemployment rate to hold at 4.3% in February, but we would hasten to add there are a number of cross currents this month that generate quite a lot of two-sided risk. The population control adjustments pose some downside risk, in our view, given the immigration shifts we have seen this year”
- Population control: “the levels of employment, unemployment, the labor force, etc. will not be directly comparable on a year-ago basis. Ratios such as the unemployment rate and labor force participation rate should be less impacted, although they too may not be entirely immune if the adjustments reveal a meaningful change in the composition of the population.”

Scotia: Payback For Jobs Growth After Worst January Flu Season On Record

- NFP growth of 10k in February, U/E rate to rise to 4.4%
- "Touting the strength of the US labour market because of the surprise 130k gain in payrolls during January was basically the same as saying it's a good thing to have so many people sick. That's because the worst January flu season on record was responsible for boosting related hiring in the health sector. After all, every other indicator of the US job market going into the January report in early February was looking rather weak."
- "Of the 130k nonfarm payroll gain in January, 124k of the jobs were in the health and social services sectors. Within those sectors, 82k jobs were created in health care of which ambulatory care services including outpatient services were the biggest component (+50k), followed by hospitals (18k) and nursing and residential care facilities (13k). A sector that makes heavy use of on-call workers had all hands on-deck among doctors, nurses, and support workers as cases mounted."
- "Take that out health and social security and job growth was up a paltry 6k, or very close to my zero call for January. Where I got it wrong was on failing to understand how much of a surge of health hiring would be driven by influenza as an offset to expiring Affordable Care Act subsidies at the end of December."
- "It could be that a bad flu season temporarily interrupted the aftereffects of expired Affordable Care Act subsidies that ended as the calendar flipped over to 2026. Studies like this one use a model to suggest that 286k to 340k jobs might be lost this year because of the ACA expiration. The authors reasonably reckon that there are direct and indirect effects on jobs. One is less appetite to hire. The other is the indirect effect that forces folks to spend more on pricier insurance options or leads millions to lose their insurance. Those effects probably drive higher precautionary saving and hence less consumption growth with adverse effects upon hiring. In addition to model uncertainty is uncertainty toward timing the losses and distributing them over the year."
- Population controls: "This time, however, they'll be revising down. By a lot. That's because ever since January of last year, the BLS has been using the CBO's projected level of population counts as at that time and based on the 2024 vintage. This means they're using population counts dating back to before 'Inauguration Day' after which immigration policy tightened rather sharply. […] I tentatively figure that using current Census Bureau counts as at January this year would revise down the BLS estimate of the 16+ noninstitutionalized population by about 1.25 million people."

MNI Policy Team Insights

MNI INTERVIEW: Uncertainty Dominates US Hiring Outlook - Indeed

By Jean Yung (Mar 3, 2026)

WASHINGTON - The uncertainty over trade, geopolitics and AI that has frozen the U.S. labor market even as growth exceeds expectations will have to break one way or the other as the macro picture shifts, Indeed Hiring Lab economist Laura Ullrich told MNI, predicting mediocre payrolls growth in February and potentially negative revisions for January.

Despite the Indeed job postings index gapping notably higher than the Bureau of Labor Statistics' official JOLTS report over the past few months, there are fewer openings than unemployed persons and time-to-hire has lengthened, in line with an overall softening of the labor market, Ullrich said.

"I don't think we can stay in this low-hire, low-fire environment forever with economic growth continuing like it has -- unless AI all of a sudden is able to do much more than it can today," Ullrich, director of North American economic research and a former Richmond Fed economist, said in an interview.

"I can envision a scenario where consumption remains relatively strong, uncertainty does clear up to some extent and so companies start hiring more," she said. "I also can envision a scenario where the opposite happens, where there is a stock market correction from an AI bubble or geopolitical developments and there's a pullback."

DIVERGENCE

Jobs figures are especially important for the Federal Reserve in the first half of 2026 as it weighs resuming rate cuts, and officials have cited deteriorating job openings in particular as a reason for worry. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

JOLTS openings dipped below pre-Covid levels late last year, while Indeed’s series remains slightly higher than before the pandemic. December openings, according to JOLTS, fell to their lowest since 2017, while Indeed's inched higher.

The private data series last diverged from JOLTS in the first half of 2024, for which no particular reason was found at the time. In retrospect however with revisions in hand, "that was when the labor market really started slowing down a bit," Ullrich said.

"So it could be we have these little one- or two-month divergences that just recover and it's just a statistical anomaly, or it's really a pattern. I think it's too early to say."

HEALTH CARE AND AI

More important has been the markedly different evolution in hiring trends from sector to sector, particularly in health care, which has dominated job growth over the past year, Ullrich said, noting jobs in occupational therapy and physical therapy are up 91.1% compared to pre-Covid, while data analytics is down 37%.

"In health care, we have both constrained supply and high demand," and that is likely to continue, she said. An Indeed analysis of signing bonuses found health care postings continuing to offer extra pay for physicians and nurses, an indication that employers feel pressure to attract workers.

"Not only do we have increased spending on health care because of aging baby boomers, but also because they're wealthy. So long as asset values continue to grow, I think we'll continue to see that generation spend a lot of money on health care, on optional procedures, and also in leisure and hospitality, retail and housing."

The path forward for jobs affected by AI is less certain and is a subject of ongoing research at Indeed, Ullrich said. The share of job postings with AI-related terms rose to 4.7% by end-January. Tech sector layoffs thus far likely reflect a pullback from the over-hiring during Covid, rather than sweeping technological changes, she said.

"Right now what we're seeing is more of a shift toward investment in capital, in AI, and lower investment in labor. I don't think we're in a world yet where AI is doing all the work -- or even a lot of the work." (See: MNI INTERVIEW: US Labor Market 'On Pause' Amid AI Uncertainty)

MNI INTERVIEW: Manufacturing Showing Signs Of Upswing - ISM

By Evan Ryser (Mar 2, 2025)

WASHINGTON - The U.S. manufacturing sector's ability to sustain early-year momentum into February provides some hope for the long-dormant sector, though continued tariff uncertainty is still weighing, Institute for Supply Management manufacturing chair Susan Spence told MNI.

"I'm encouraged, but I see nothing in the headlines on the tariff front that's going to make people feel any better," she said in an interview. "I still am in the cautious area."

The ISM manufacturing index was down by two tenths to 52.4 in February, above consensus expectations. The first two reports of the year were the best since the summer of 2022, when the economy was still recovering from the pandemic.

"Maybe we're not going to take a leap at 55 or 60. Maybe we'll hover," the ISM manufacturing chief said about the PMI.

"I will feel better with a couple more months of new orders," said Spence. The new orders subindex declined 1.3ppts to 55.8, but still up considerably since December's 47.4. The new orders measure slipped after January’s 10-point gain but held at the second-best level since February 2022.

The February ISM Manufacturing report shows "sentiment is holding" and reinforces the optimism for growth but there are concerns of rising prices.

INFLATION WORRIES

The prices index surged by more than 11 points to 70.5 in February, the highest reading since June 2022. There were 18 commodities reported up in price versus 1 reported down in price, and 4 reported in short supply.

Spence attributed higher input prices to the steel and aluminum sector and to tariffs. "The price index has taken this huge leap," she said. "I wouldn't be surprised if price pressures continue. I think the inflation worries kind of start again."

With some stabilization in the labor market, the Federal Reserve is likely to keep its focus on combatting price pressures, Spence said. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

The employment subindex remained in contraction at 48.8 in February. Attrition rather than layoffs was the main head-count management strategy this month, the ISM report noted.

Companies will be watching the war in the Middle East closely to see potential impacts on prices and overall manufacturing, particularly around energy and chemicals, Spence said. "It really depends on how long this war lasts."

TARIFF IMPACTS

Peak uncertainty around the Trump administration's upending of global trade is likely in the rearview mirror after the Supreme Court struck down the President's use of reciprocal tariffs, Spence said.

"We'll see what the SCOTUS impact is. Is that enough to calm people down that, there is a limit finally to what the administration can do, as far as weaponizing tariffs?" she asked.

"If trade deals hold, if they're in the 10% to 15% range, and they're not going to change, then I think that's helpful," she said. "But it also depends on what these countries decide to do."

MNI POLICY: AI Boom Complicates Fed's Path To Lower Rates

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Feb 27, 2026)

WASHINGTON - Federal Reserve officials view a potential productivity surge driven by artificial intelligence as a reason for patience on interest-rate cuts rather than a green light for easier policy, drawing lessons from the 1990s IT boom that boosted the economy's long-run potential but also complicated real-time policy decisions.

This could create an intellectual rift at the central bank if the new nominee for chair, Kevin Warsh, keeps pushing the idea that higher productivity can drive a burst of non-inflationary U.S. growth.

Policymakers this week cautioned against simplistic analogies to the 1990s, an era that featured not just productivity gains but also significant globalization with China's economic opening, creating favorable conditions for strong labor markets, lower unemployment and subdued inflation.

The '90s debate centered on whether to delay rate hikes because of productivity growth -- not whether to cut rates. Among the key differences between then and now: interest rates were higher, inflation was below 2% rather than above it, and the labor market was much tighter.

"The argument was maybe we don’t have to raise rates yet because the productivity growth rate is higher. It wasn’t ‘should we cut rates because productivity growth is high?’" Chicago Fed President Austan Goolsbee told reporters this week. "It's a cousin to the '90s but it really isn’t the same situation."

Warsh wrote in an opinion piece in December that "the Fed should discard its forecast of stagflation in the next couple of years," adding that "AI will be a significant disinflationary force, increasing productivity and bolstering American competitiveness."

HIGHER R-STAR

The trouble for many current FOMC members is that a sustained AI productivity boost would also likely raise the neutral interest rate, or r-star, as demand for investment increases, which eventually increases supply, and a new equilibrium with a higher neutral rate is established. Fed Vice Chair Philip Jefferson said this month that that mismatch risks creating periods when demand outstrips the economy’s immediate productive capacity, keeping price pressures elevated. (See MNI INTERVIEW: AI Boom Doesn't Justify Lower Rates - Haskel)

The Laubach-Williams model, co-developed by New York Fed President John Williams in 2003 as he sought to understand what the internet boom meant for interest rates, estimated that r-star rose a full percentage point to above 3.5% in 2000 as growth topped 4%.

The model estimate has been stuck in a much lower range over the past two decades due to aging, low birth rates and longer life expectancy, but policymakers agree AI will likely contribute to somewhat higher neutral rates.

Alan Greenspan ultimately did raise rates starting in June 1999, taking the Fed's benchmark rate from 5% to 6.5% over the course of a year.

OVERHEATING NOW

Goolsbee cited HVAC worker shortages in Cedar Rapids, Iowa due to data-center needs and rising farmland prices from resource competition as evidence that "in the here and now, we're facing a tighter situation," with AI demand straining scarce resources.

In the early 2000s, productivity was high, inflation was low, and the Fed kept rates low -- fueling a rapid rise in housing prices and a massive credit bubble, another cautionary tale.

Officials have already signaled they want clearer evidence of sustainably cooling inflation before resuming rate cuts in the face of stickier inflation. The AI boom may raise questions over whether cuts remain appropriate. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

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