

U.S. Employment Insight: March 2026

MNI View: Payrolls Take A Misstep

Mar 6, 2026 - By Chris Harrison and Tim Cooper

Quick Take: Weak And Volatile Payrolls But Trend U/E Rate Broadly Stable

- Key figures in both the establishment and household surveys disappointed in the February payrolls report although it must be seen in the context of strong January report. Indeed, even the most dovish FOMC member, Governor Miran, cautioned against reading too much into one month's job report.
- It still acts as a dovish surprise though as it firmly pushes back on any more optimistic views of the labor market going into this report.
- The themes broadly flagged ahead of the report were as expected although the magnitude was surprising. There were two healthcare-related hits, one fully expected (31k strikes) and one less so (potential reversal after a severe flu season in January), whilst adverse weather might well have played a role but was still hard to square away the extent of industries reporting job losses.
- Nonfarm payrolls fell -92k (cons 55k) after 126k as part of heavy negative revisions of -69k, leaving a three-month average of 6k and six-month average of -1k. Private payrolls fell -86k (cons 60k) after 146k with a three-month average of 18k and six-month average of 34k, whilst private ex health & social assistance sees a three-month average of -29k and six-month of -16k after sizeable declines last year.
- The household survey brought some meaningful surprises and oddities, in terms of both the monthly data and the annual population control revisions. Understanding February dynamics depends largely on figuring in the annual revisions, though overall February's household report looked largely weak.
- For a household survey bottom line, the u/e rate surprised higher in Feb at 4.44% (cons 4.3 with dovish risk tilted to a 4.4) after an upward revised but what would still have surprised lower 4.32% in Jan. The latter was first reported at 4.28% vs then consensus of 4.4%, before unusually being revised with the delayed population control back on January levels.
- Average the two monthly prints and the 4.38% sits between the heavily caveated 4.47% averaged in Q4 (government shutdown disruption) and 4.34% in Q3.
- That broad stability continues to defy a scenario that the most dovish FOMC members had envisaged back in the December SEP (seven members pencilled in an u/e rate at 4.6-4.7% in 4Q25), with some of these prominent members since dialling back cut calls/rhetoric over the past month.
- In a reminder of the risk in putting too much weight on single reports, response rates were at best mixed. The household survey response rate increased from three months of record lows but remains depressed and leaves it prone to higher than usual month-to-month volatility, whilst first responses for payrolls data slid back to very low levels and leave scope for larger revisions.
- Whilst heavily clouded by today's surge in WTI futures and two-way swings in rates since the release, there has been a net dovish shift with June Fed Funds implied rates 4bp lower post-release and Dec 8bp lower. A next Fed cut is seen in September in a close call with July (22bp) and with 45bp of cuts seen for 2026.

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Payrolls Summary Statistics For February 2026

	Actual	Cons.	Surprise on mth	2-mth Rev	Jan	Dec	Net Surprise
Monthly growth (000s)							
NFP	-92	55	-147	-69	-4	-65	-216
Private	-86	60	-146	-97	-26	-71	-243

	Actual	Cons.	Prior mth	Cycle low	2019 av	
U/E rate (%)	4.44	4.3	4.32	3.45	Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	Actual	Cons.
AHE (%)	0.40	0.3	3.84	3.7

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

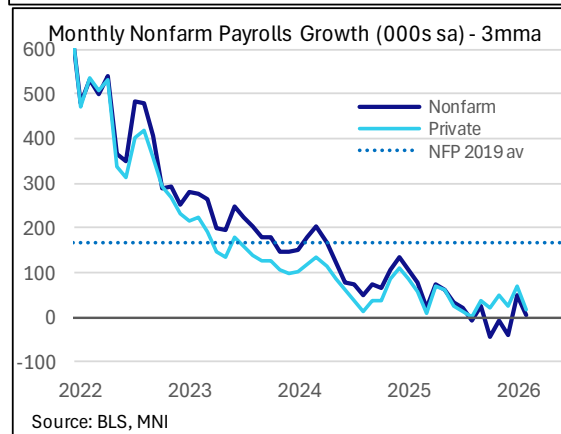
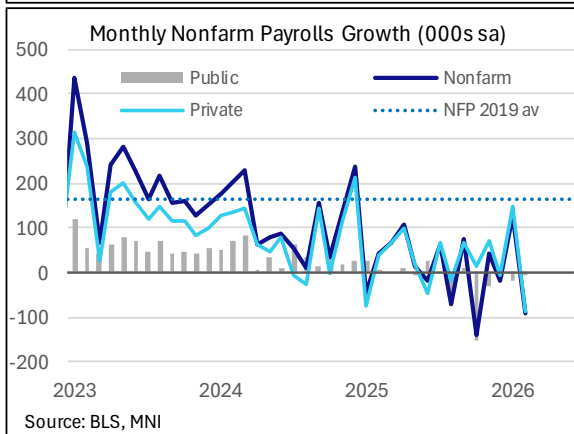
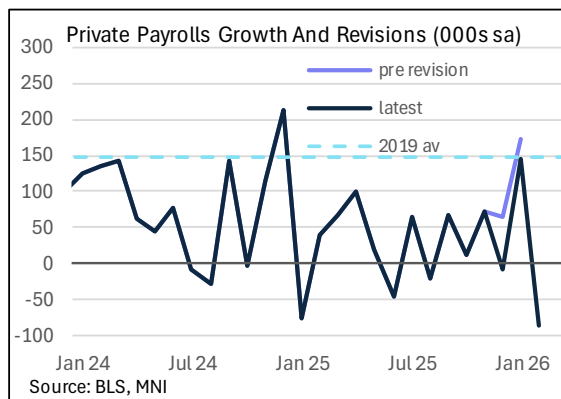
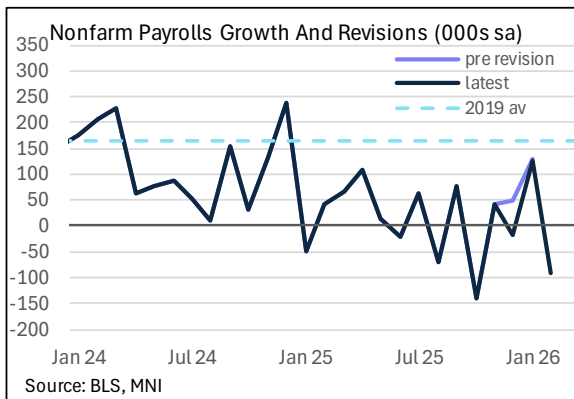
Large Miss For NFPs In Feb With Heavy Downward Revision To Dec

- A large miss for nonfarm payrolls (-92k vs cons 55k) in Feb after heavy downward revisions of -69k concentrated two months back in Dec.
- Latest monthly changes of -92k in Feb, 126k in Jan (revised -4k after 130k) and -17k in Dec (revised -65k from 48k). Gov. Waller said less than an hour before the report said it was almost certain that January payrolls growth will get revised down.
- Private payrolls saw the same negative surprise on the month but an even larger two-month revision of -97k (split across Jan -26k, Dec -71k).
- Latest trends: nonfarm payrolls 6k 3mths, -1k 6mths; private payrolls 18k 3mths, 34k 6mths.

Payrolls Growth (000s) - Feb'26 Report

	Actual	Cons.	Surprise	2-mth Rev	Jan	Dec
NFP	-92	55	-147	-69	-4	-65
Private	-86	60	-146	-97	-26	-71

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

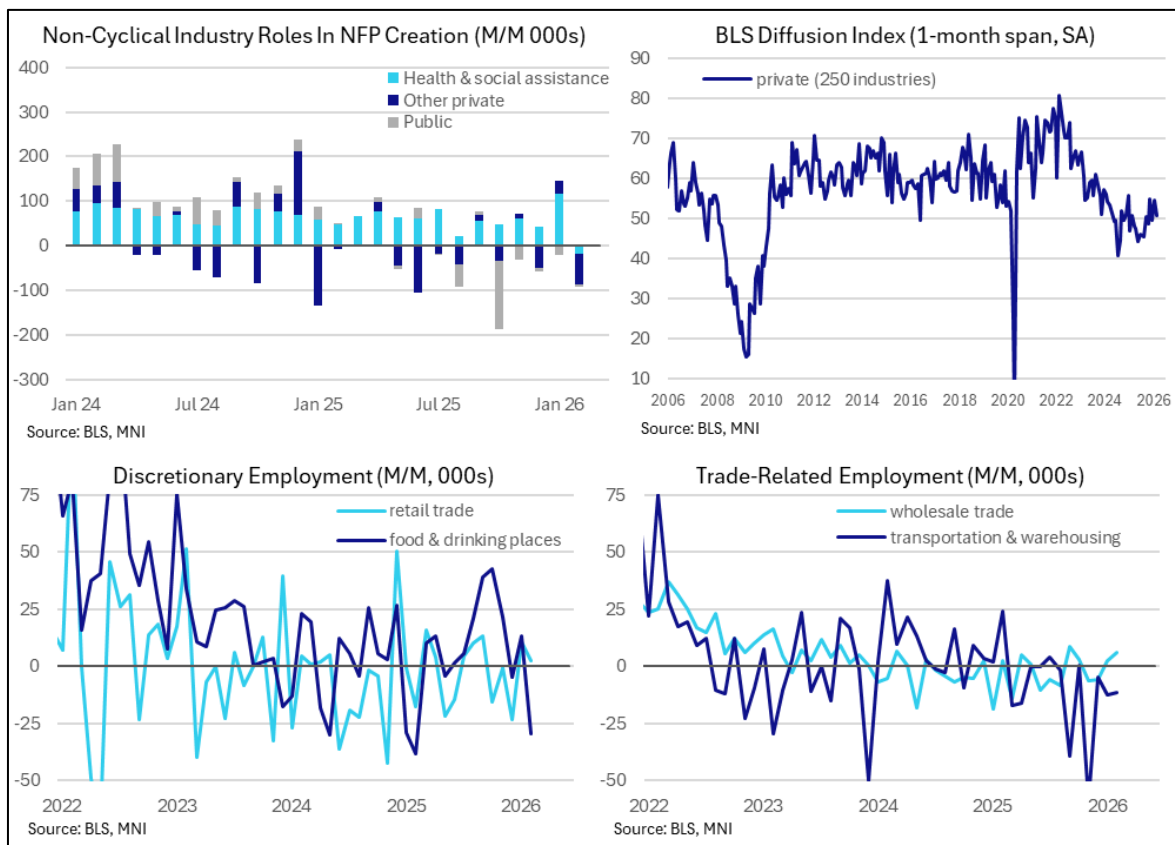


Some Known Themes Behind Feb NFP Weakness But With Magnitude Surprising

Various themes flagged in our preview were evident in the February payrolls details although the breadth of weakness was clearly more than expected considering the large miss on the month. There were two healthcare-related hits, one fully expected (strikes) and one less so (potential reversal after a severe flu season in January), whilst the weather might well have played a role but it's still hard to square away the extent of industries reporting job losses.

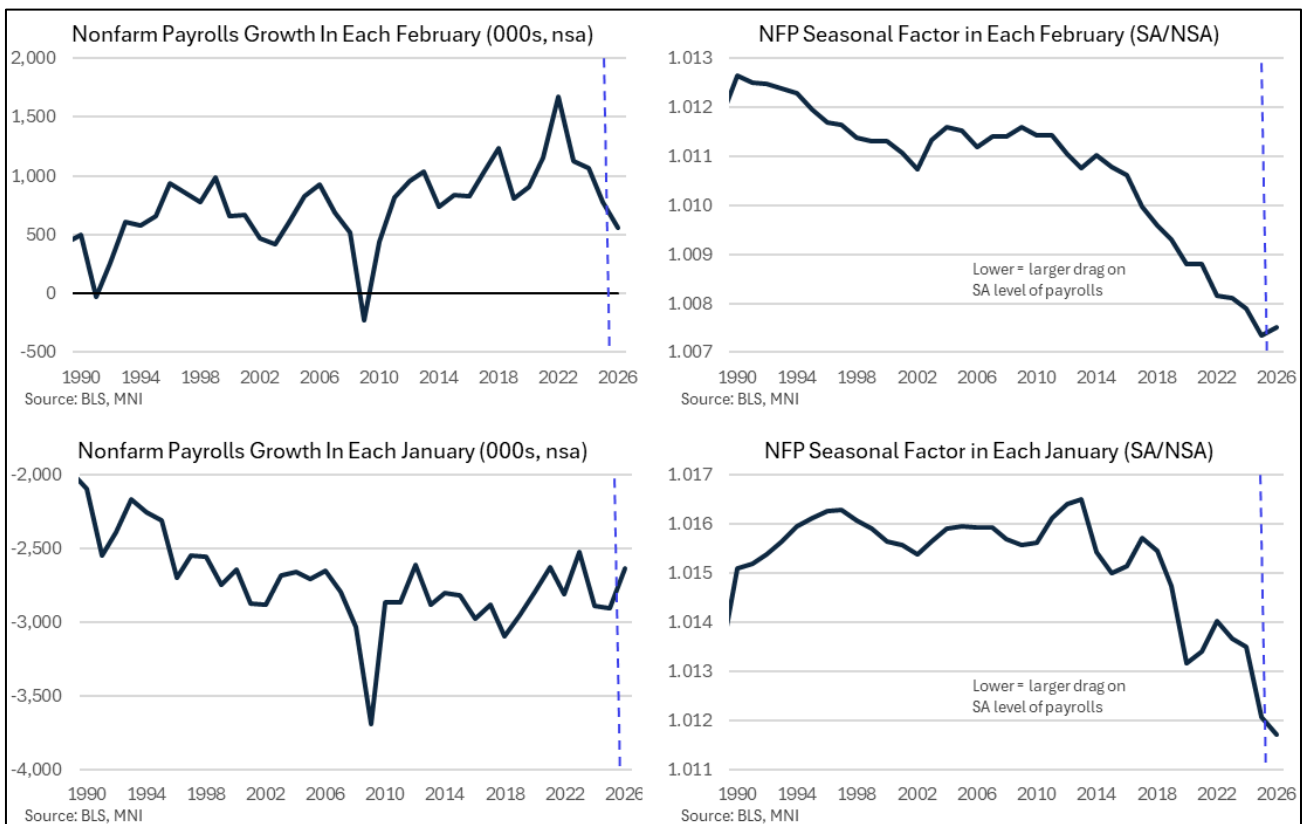
- "Health care employment declined by 28,000 in February, following a large increase in January (+77,000). Offices of physicians lost 37,000 jobs in February, primarily due to strike activity."

- This physicians hit was entirely expected as there were 31k on UNAC/UHCP strike over the Feb reference period (who have since returned to work) but it still leaves healthcare jobs broadly flat when allowing for this temporary impact.
- That's a weak patch for a sector which has been a key lifeline for private sector job creation, although it does follow a very strong January which Scotia (at the bottom of the primary dealer range with 10k NFPs) had warned was due to a boost from the worst January flu season on record which would unwind. Scotia had also warned about the hit from ACA subsidies expiring end-2025.
- Indeed, a slightly broader category of health and social assistance fell -19k in Feb after an unusually strong 116k increase in January. That two-month average of 49k is very close to the 50k averaged through Q4 or 60k through Q3, suggesting little new from a trend sense.
- The greater negative surprises came elsewhere, with private ex-health & social assistance jobs sliding -67k for the largest monthly decline of -106k in June. It leaves a monthly average for this non-health category of -29k over three months or -16k over six months. That's having lost an average -33k jobs per month through 2025 (total -390k) with only Jan-Mar of that year reflecting the heavy downward revision from the benchmark adjustment with potentially more negative revisions still to come.
- Whilst it can be argued that some of these other private industries may have been impacted by delayed impact from severe winter storms in late January, the details are weak across the board.
- Food & drinking places led declines (-30k after +13k), along with education (-16k after +13k), manufacturing (-12k after +5k), construction (-11k after +48k), transportation (-11k after -12k) and information (-11k after -19k). The largest increase came from financial activities with 10k but that followed a -30k hit in January.
- The one-month diffusion index of 250 private sector industries, which drills into more detail than these main categories, isn't quite as weak although is still at best tepid at 50.8% (meaning almost the same numbers of firms reported job gains as job losses on net). That's down from 54.6% in Jan (second highest since Dec 2024) but is still above the 49.6% in Dec after today's downward revision and four months in a range of 44-46% after tariff disruption across May-Aug (in the current data vintage).



Lowest Actual February Hiring Since 2010 After January Relative Improvement

- It's not particularly surprising considering the heavy seasonally adjusted decline in nonfarm payrolls in February (-92k on the month) but non-seasonally adjusted hiring was the softest for a February since 2010, with the level of nonfarm payrolls increasing by 23% since then.
- 563k jobs were added vs 775k in Feb 2025 and a ten-year average of 1.06mln including a high of 1.7mln in Feb 2022 on post-pandemic re-hiring.
- It goes against January's smaller-than-usual outright job losses of 2.64mln vs 2.91mln in Jan 2025 and a ten-year average of 2.84mln.
- There are grounds to average the two months when comparing recent relative trends. Indeed, there's an additional consideration behind this monthly volatility from the birth/death model. This from JPMorgan: "Last month, we observed that the new birth/death model could be amplifying monthly volatility and probably contributed to the outsize January gain, with the possibility of payback in February. In line with that, the birth/death addition for February was smaller than in the same month of prior years, running 46k below last year and 60k below the average of the prior five years. In January, the gap to prior years was about the same magnitude but with the opposite sign."
- The Feb 2026 seasonal factor was slightly more favorable than in Feb 2025 when it weighed by its most on the seasonally adjusted level of payrolls in at least the past forty years. The slight improvement compared to a year ago was worth about 26k on the month.



AHE A Lone Solid Point In NFP Report But Offset By Productivity

Average hourly earnings were the only stronger than expected reading from the main metrics within the payrolls report. It should however be seen in light of yesterday's strong productivity data which continues to offset nominal wage growth from an inflationary angle.

- AHE growth printed 0.40% M/M (cons 0.3 with risks slightly skewed lower), extending a solid run having seen 0.4% M/M increases in five of the past seven months.

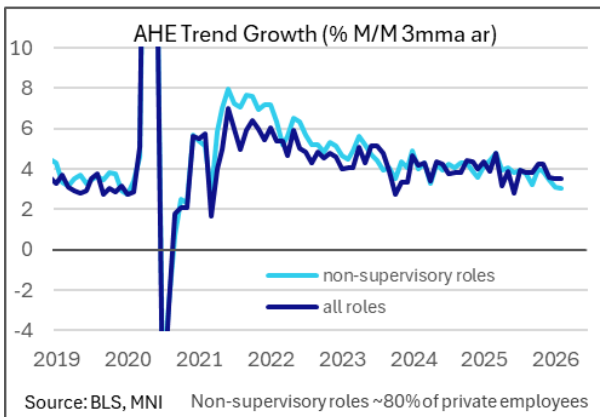
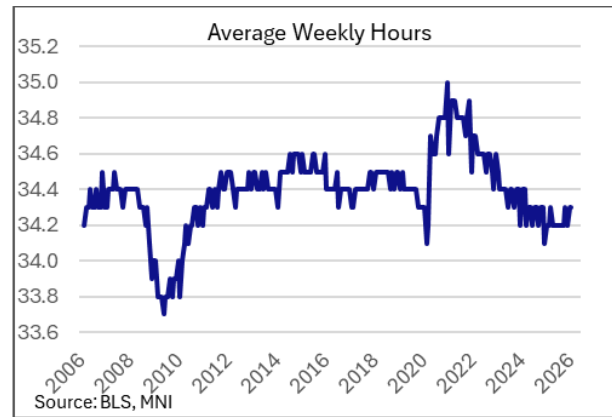
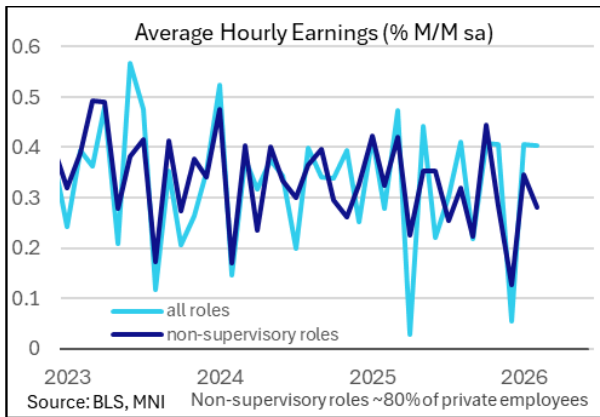
- Annual growth firmed to 3.8% Y/Y whilst the recent 3M/3M trend is slightly softer at 3.5% annualized.
- The non-supervisory category was a little softer on both counts, at 3.7% Y/Y and 3.2% 3M/3M annualized.
- Labor productivity growth meanwhile accelerated to 2.8% Y/Y in yesterday's Q4 preliminary release for its fastest since 3Q24, which for now offsets any lingering impact from still resilient wage growth.
- Rounding out the establishment survey, average weekly hours worked were steady at 34.3, which should limit scope for weather disruption although a lack of unrounded figures clouds that take.

Total AHE:

- M/M (SA): 0.404% in Feb from 0.405% in Jan (initial 0.405%)
- Y/Y (SA): 3.84% in Feb from 3.711% in Jan

AHE Non-Supervisory:

- M/M (SA): 0.282% in Feb from 0.346% in Jan (initial 0.377%)
- Y/Y (SA): 3.691% in Feb from 3.735% in Jan

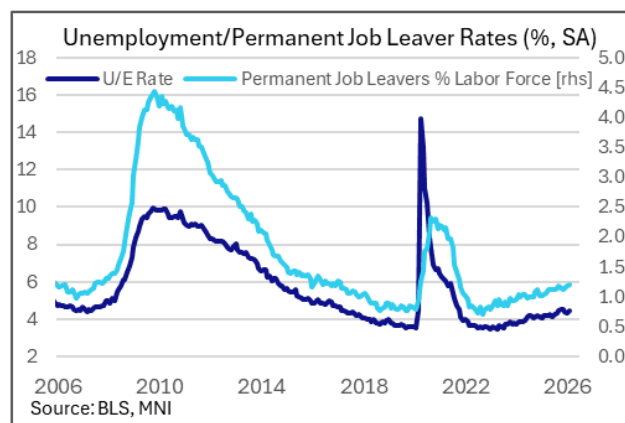
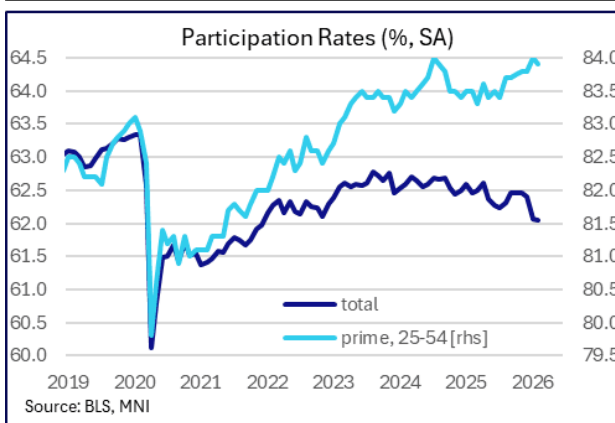
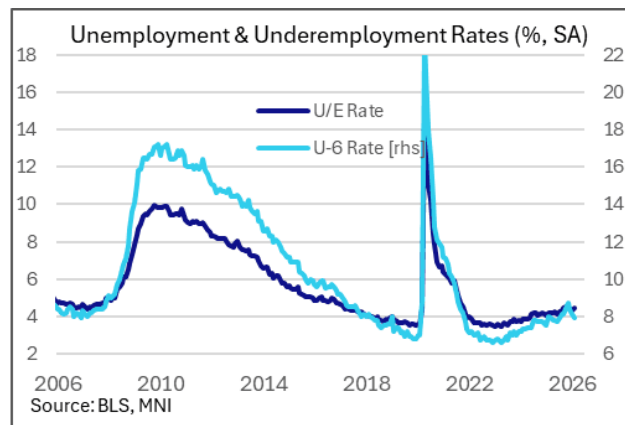
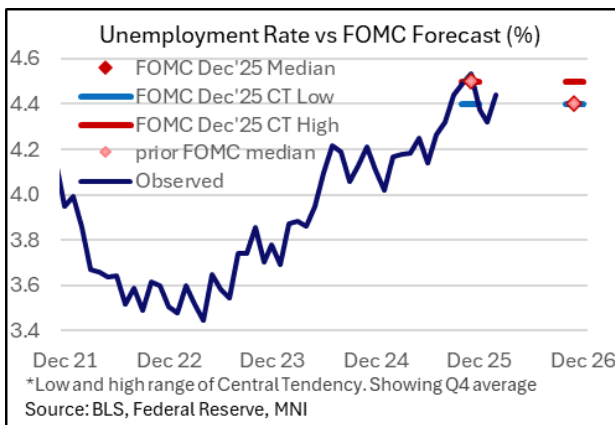


Household Survey Brings Large Revisions, Many Surprises, Weak February

The Household Survey portion of February's Employment Report brought some meaningful surprises and oddities, in terms of both the monthly data and the annual population control revisions. Indeed, understanding February dynamics depends largely on figuring in the annual revisions, though overall February's household report looked largely weak.

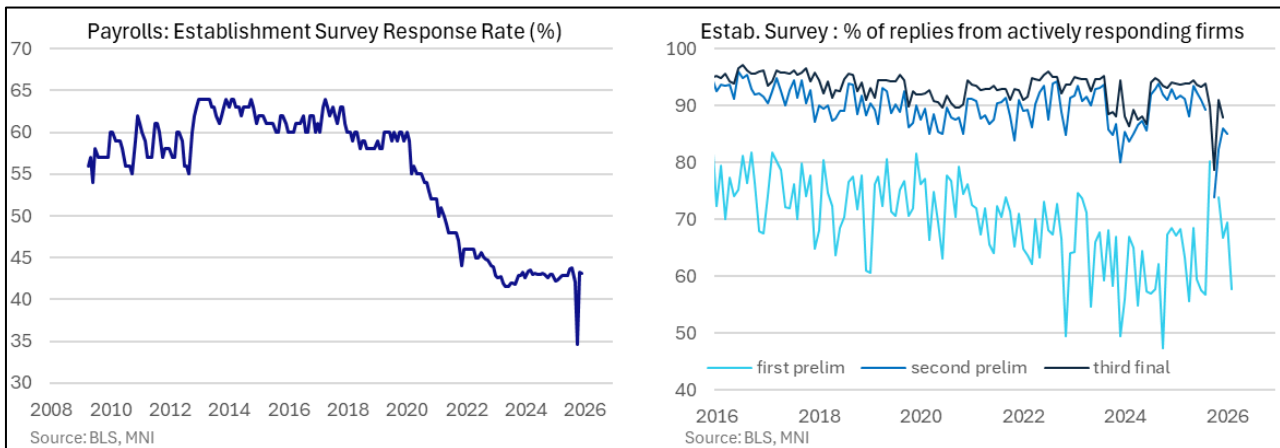
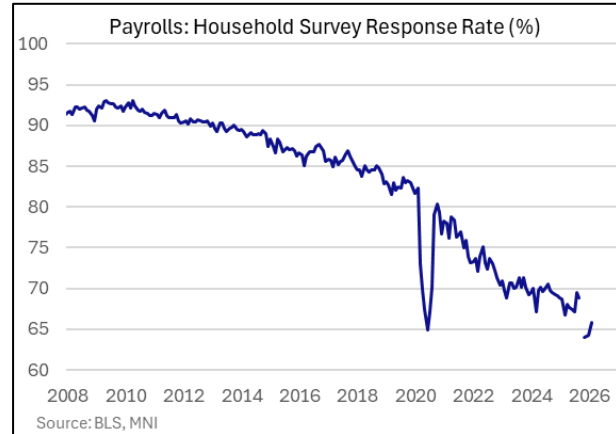
- The new population data brought downward revisions to the size of the population and the labor force which had been expected, at least directionally. This reflects both the usual re-estimates of population dynamics over the last year (in this case, namely lower immigration), as well as revisions due to using an updated Census 2020 population base.
- The population was revised down by just 231k, but this appeared small vs expectations we'd seen of 1+ million.

- The labor force as a whole was revised down by 1.42 million and the number of employed fell by 1.43 million. The implication there is that the number of unemployed was only revised 15k higher, and the official stats now record an additional 1.19 million people not in the labor force.
- Of the employment drop, 1.28 million was native-born employed and 153k foreign-born employed, somewhat counterintuitive given the emphasis on 2025's net immigration outflows and appearing reflective of the large effects of the 2020 Census rebasing.
- Looking first at the unemployment rate, due to the population revisions, January saw a revision to 4.32% vs the 4.28% initially reported. February's rise to a 3-month high 4.44% came as a significant surprise and was very close to rounding up to 4.5% vs the 4.3% consensus.
- Employment fell 185k in February with the labor force rising 18k, and unemployment up 203k for the biggest rise since September. Job losers/persons who completed temporary positions came in at 125k for the highest since April 2025, with job leavers down 171k for the biggest drop since March 2022. Somewhat more encouraging was that there were 152k re-entrants boosting the unemployment rate, the most since March 2021.
- We note a sizeable jump in the prime-age unemployment rate in February as well (3.85% after 3.77%). There was no population control effect on the (rounded) unemployment rate change from December to January.
- One puzzle here is that the U-6 underemployment rate fell for a 3rd consecutive month, to 7.9% from 8.1% prior for the lowest since July 2025. Part-time workers fell 648k, with those part-time for economic reasons down 477k - the highest number dropping out of that column since June 2022.
- Prime-age participation remains near multi-decade highs at 83.9%, but January's participation rate was revised down substantially, to 62.1% from 62.5%, becoming the lowest since the end of 2021 as opposed to a 9-month high as previously thought. There was no improvement in February (rounding down to 62.0%). January participation would have been 0.1pp higher than December when accounting for the population controls, but from a lower level.
- The employment-to-population ratio of 59.3% in February was down 0.1pp from prior for the lowest since October 2021.



At Best Mixed Labor Data Response Rates, Scope For Large NFP Revisions

- The household survey response rate saw a slight improvement in February after its three lowest readings on record since the government shutdown.
- It increased to 65.9% after three months at 64.0-64.3%. For context, it averaged just below 70% since late 2022 up until the shutdown and previously bottomed at 64.9% in the pandemic when physical collection was impeded.
- The household survey, which includes the u/e rate, doesn't get revised from month-to-month (only as part of annual adjustments) but these low readings will continue to leave scope for monthly volatility.
- Indeed, the u/e rate has shifted from 4.44% in September up to 4.54% in Nov, down to 4.32% in Jan and most recently back up to 4.44% in February.
- Establishment survey responses meanwhile saw a push lower in the latest report, with the first reading most notable as it slipped to just 57.7% from 69.5% (with a reminder that these aren't response rates but rather than share of replies from actively reporting sample units).
- Unlike the household survey which has seen a still unrecovered drop in responses since the Oct-Nov government shutdown, these establishment survey responses (which are relatively mor reliant on online reporting) recently bottomed at 56.7% in Aug 2025 and before that a historically low 49.4% in Dec 2023.
- With a latest second response rate at 85% and third/final at 87.9%, there is large scope for revisions to today's surprisingly weak -92k job losses in February as new figures are received.



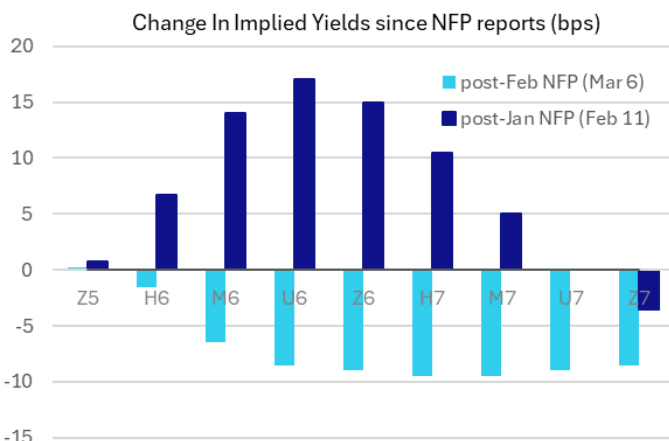
STIR: Soft Payrolls Bring September Cut Back On Table

- December rate cut pricing briefly touched ~32.5bp of cuts in the hour prior to the release of the February employment report, a 28bp repricing vs prior to the US-Iran conflict.
- The unexpected drop in payrolls and uptick in the unemployment rate was worth about 9bp of added 2026 cuts at one point, and at the end of the day was enough to bring a September rate cut to fully priced (29bp), even if a cut as soon as July remained slightly elusive.
- Cumulative rate cuts currently priced: Mar 1bp, Apr 5bp, Jun 12bp, Jul 20bp, Sep 29bp, Oct 35bp, Dec 43bp.
- Throughout, a March rate cut was unsurprisingly never really on the agenda, starting and closing the week at roughly 1bp implied.

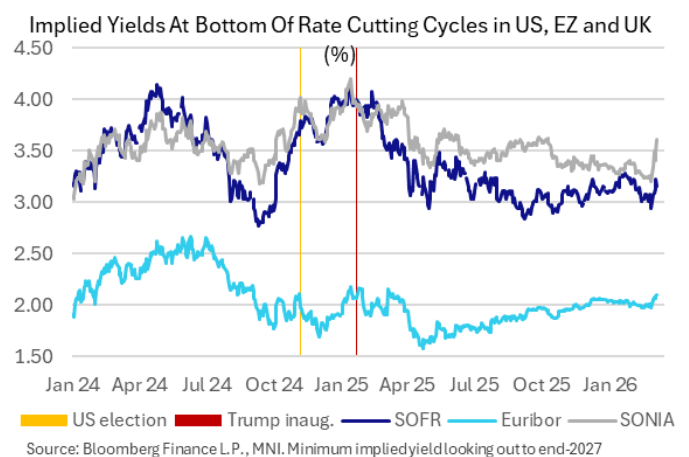
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Mar 6)			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	-1.1	-1.1	3.63	-1	-1.2	0.1	3.59	-5	-5	4.3
Apr'26	3.58	-4.7	-5.8	3.60	-3	-3.8	-2.0	3.52	-6	-12	5.9
Jun'26	3.50	-8.5	-14.3	3.54	-7	-10.5	-3.8	3.38	-15	-26	12.1
Jul'26	3.42	-7.9	-22.2	3.48	-6	-16.3	-5.9	3.28	-9	-36	13.5
Sep'26	3.32	-9.6	-31.8	3.39	-9	-24.8	-7.0	3.17	-11	-47	15.0
Oct'26	3.26	-5.9	-37.7	3.34	-5	-29.8	-7.9	3.11	-6	-53	15.1
Dec'26	3.19	-7.6	-45.3	3.27	-8	-37.3	-8.0	3.05	-6	-59	13.7

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



Source: Bloomberg Finance L.P., MNI



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

Post-NFP Fed speak Not Alarmist

February's nonfarm payrolls data doesn't appear to have greatly impacted FOMC participants' overall views on the rate outlook, which had appeared decidedly less dovish after the release January's strong report. It sounds as though many will have to weigh the surprise rise in unemployment and sharp drop in payroll jobs alongside the potential macro implications of the conflict in the Middle East before coming up with a synthesis and forming March SEP projection updates. We heard from multiple speakers on Friday after payrolls but before the pre-March FOMC blackout period began - some highlights, in alphabetical order of speaker:

- Boston's Collins (leans hawkish, non-2026/2027 FOMC voter):** Said she does not put too much emphasis on any particular data point, said February's 4.4% unemployment rate remains low by historical standards and has been relatively stable over the last few months. "Still, it appears that the rate of hiring last year was below breakeven as we saw a modest increase in the unemployment rate." She sees the conflict in the Middle East as exacerbating uncertainty but still does "not see an urgency for additional policy adjustments, and I will be looking for clear evidence that inflation is moving durably toward the 2% target - something that might occur only over the second half of the year."
- San Francisco's Daly (dovish, 2027 FOMC voter):** Said "I had hoped the 75 basis points we did last year would put a floor underneath the labor market. But this jobs market report has got my attention, and I've long been worried about it...the labor market is maybe a little weaker than we have seen so far." That said, "I think it's really important to step back. No one month of data is a decisional month of data. I think it just tells us that, you know, the hopes that the labor market was studying maybe we maybe that was too much, and we really have to keep our eye on the labor market, but we also have inflation printing above target and oil prices rising. How long they last, we don't know, but both of our goals are risks now, and we have to keep our eye on both."
- Chicago's Goolsbee (2027 FOMC voter, near-term hawk but longer-term dove):** Said he remains more concerned about elevated inflation despite a "tough miss" on the February jobs report. The added

uncertainty of rising oil prices bolsters the case for the Fed to hold rates. "As we get more uncertainties, I think the time at which it makes sense to act keeps getting pushed back...I remain hopeful that conditions will improve, that we'll start to see some progress on inflation, headed back to 2%, and by the end of the year that we would be in a situation that we could commence our march back down to the settling point." Of the rise in the unemployment rate in February, "if you've got several months like that, that would be a concerning spot for the labor market."

- **Cleveland's Hammack (2026 voter, one of most hawkish on FOMC):** Said that with inflation high alongside a softening labor market, "Given this combination and recent rate reductions, I believe policy is in a good position. The fed funds rate is around neutral, which allows us to see how things are going to play out." "Under my base case, I think policy should be on hold for quite some time as we see evidence that inflation is coming down and the labor market stabilizes further. But it's easy to envision other scenarios, as well, so I see two-sided risks to rates."
- **Gov Miran (permanent voter, biggest dove on FOMC):** Said "Policy is pretty miscalibrated...The labor market could use more support from monetary policy." The oil price spike from the Iran war "slightly weighs on core inflation because it pulls demand out of the economy as people have to spend more on energy products. I'm hesitant to react to what's going on oil until we know more but if anything it biases more toward more dovish policy."

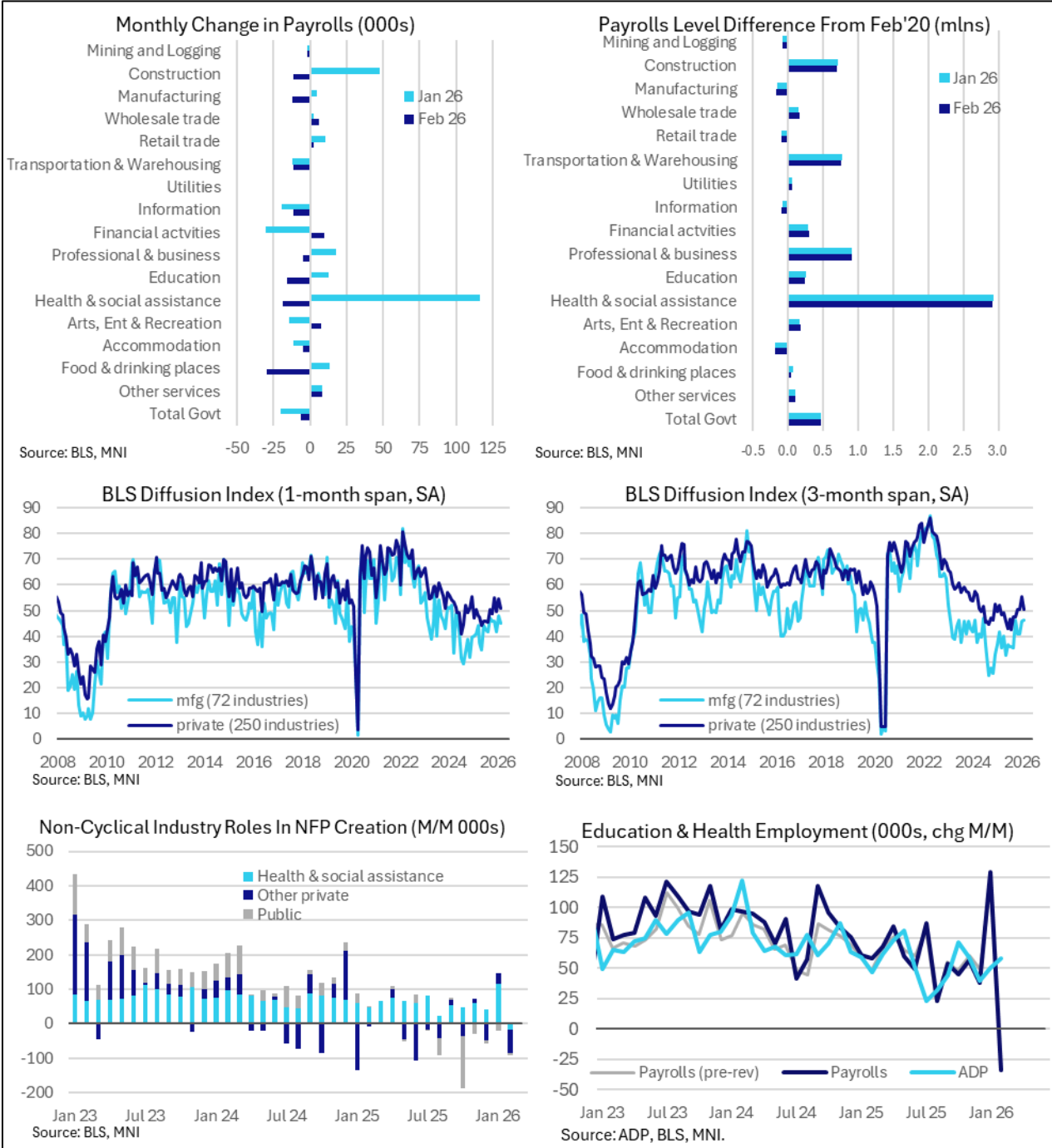
Analyst View Changes

We haven't seen any obvious view changes at typing. Other unchanged views of note:

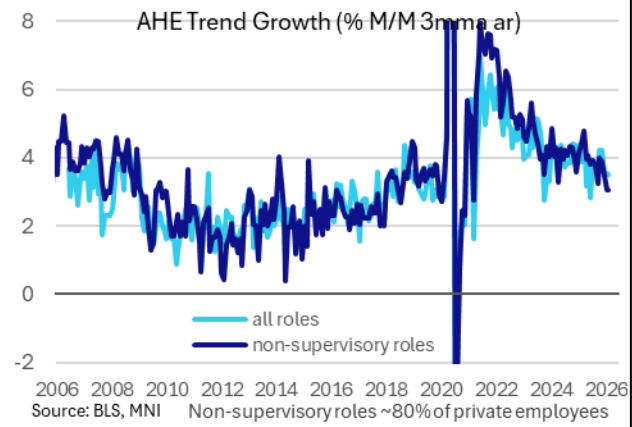
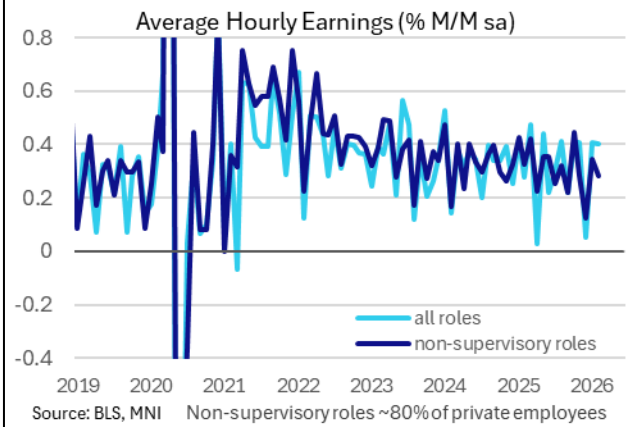
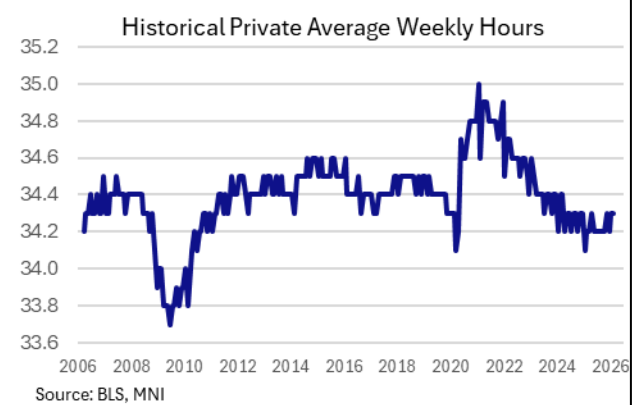
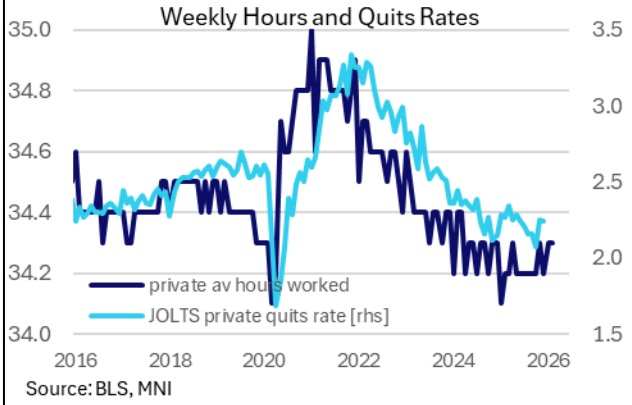
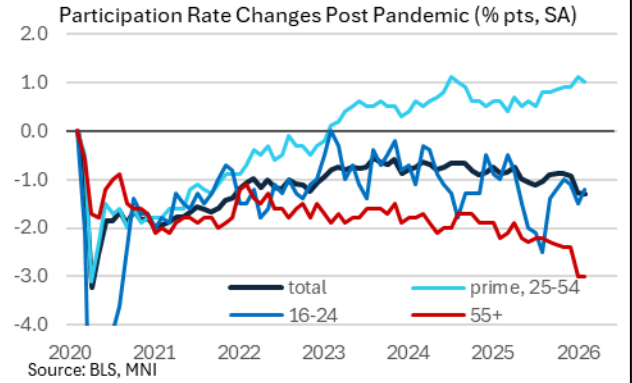
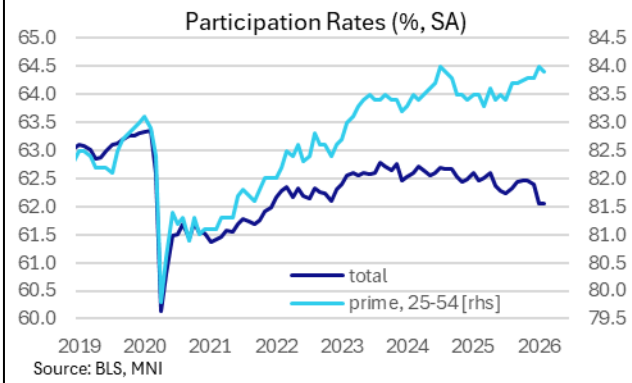
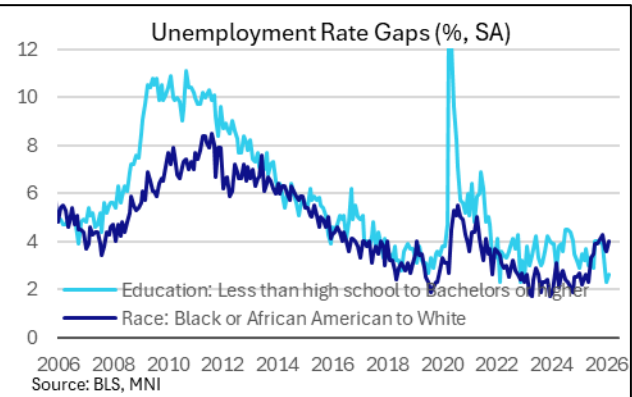
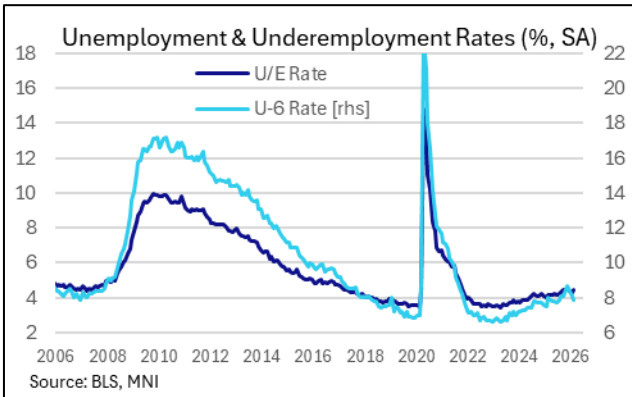
- **ING:** "January jobs numbers probably overstated the strength in hiring, while bad weather and strike actions probably mean that the February numbers overstate the weakness. Nonetheless, hiring remains subdued, and higher energy costs will squeeze spending power, leaving the door open for Fed rates cuts. But that will be a late second half of the year story"
- **Jefferies:** "We are skeptical that this report, likely dragged down by one-off, idiosyncratic factors will shift the narrative in favor of near-term cuts, but this does keep the door open (ever so slightly) for a cut at the April meeting. The decision will come down to the next steps of development in labor market trends and how Fed officials assess the impact of higher gasoline prices due to the war in Iran on inflation."
- **JPMorgan:** "We continue to expect that the Committee will remain on hold at the March meeting as they wait for more clarity on the state of the labor market and any inflationary developments stemming from the Iran conflict. We also continue to look for the Fed to remain on hold all this year, conditional on labor markets starting to tighten again soon while inflation remains firm."
- **TD Securities:** "The evolving Middle East conflict along with an unclear labor market picture will keep the Fed on the sidelines in the near term as it is too early to make material changes to the economic outlook. As economic activity appears to still be on solid footing with long-term inflation expectations contained, the Fed has time to assess what all these moving parts mean for future policy decisions."
- **Wells Fargo:** "Today's data will challenge what was a growing view among Fed officials that the labor market is stabilizing, and the Iran conflict further compounds the outlook. Ultimately, the Federal Reserve cannot do much to combat higher inflation from a supply-side oil price shock. Yet, the inflationary impact of the conflict in Iran makes it harder to be a dove at the moment. On balance, we expect the FOMC to remain in wait-and-see mode, and our forecast for 50 bps of rate cuts this year remains unchanged."

[The NFP chart pack and analysis of alternative labor indicators continues below]

Payrolls Report Chart Pack



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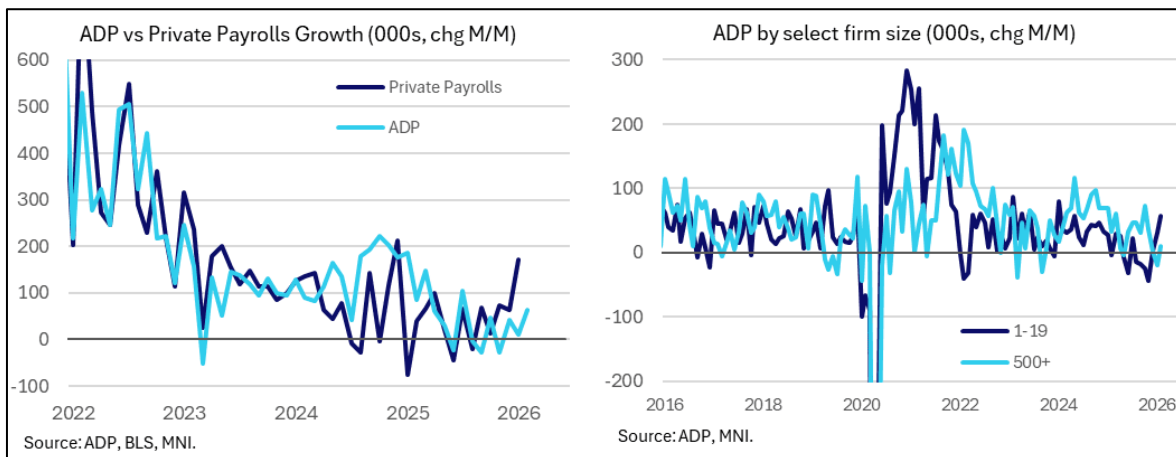


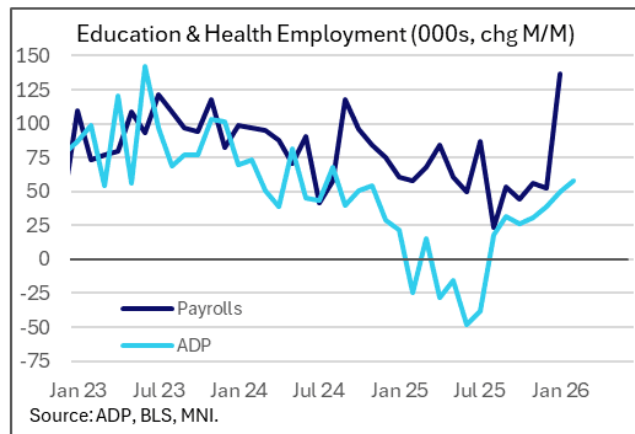
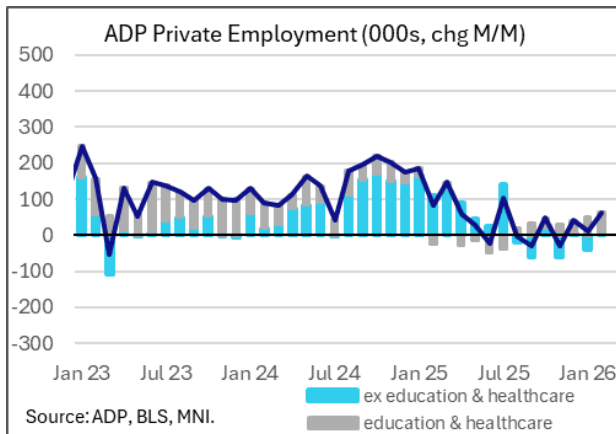
Other Labor Indicators Of Note

ADP Payrolls Beat In February, But Underlying Details Don't Convince

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.

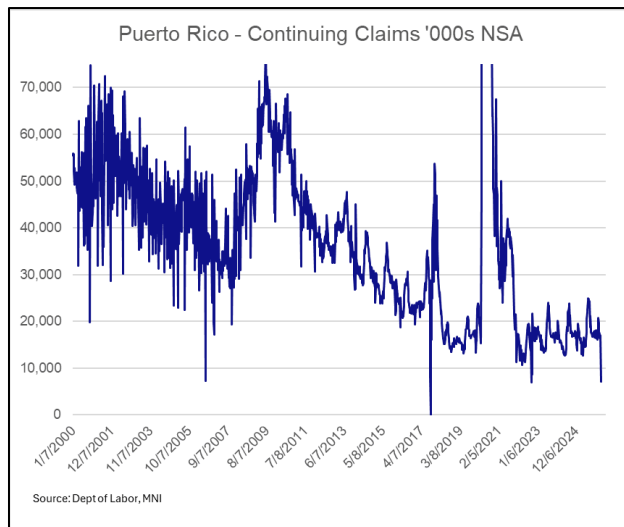
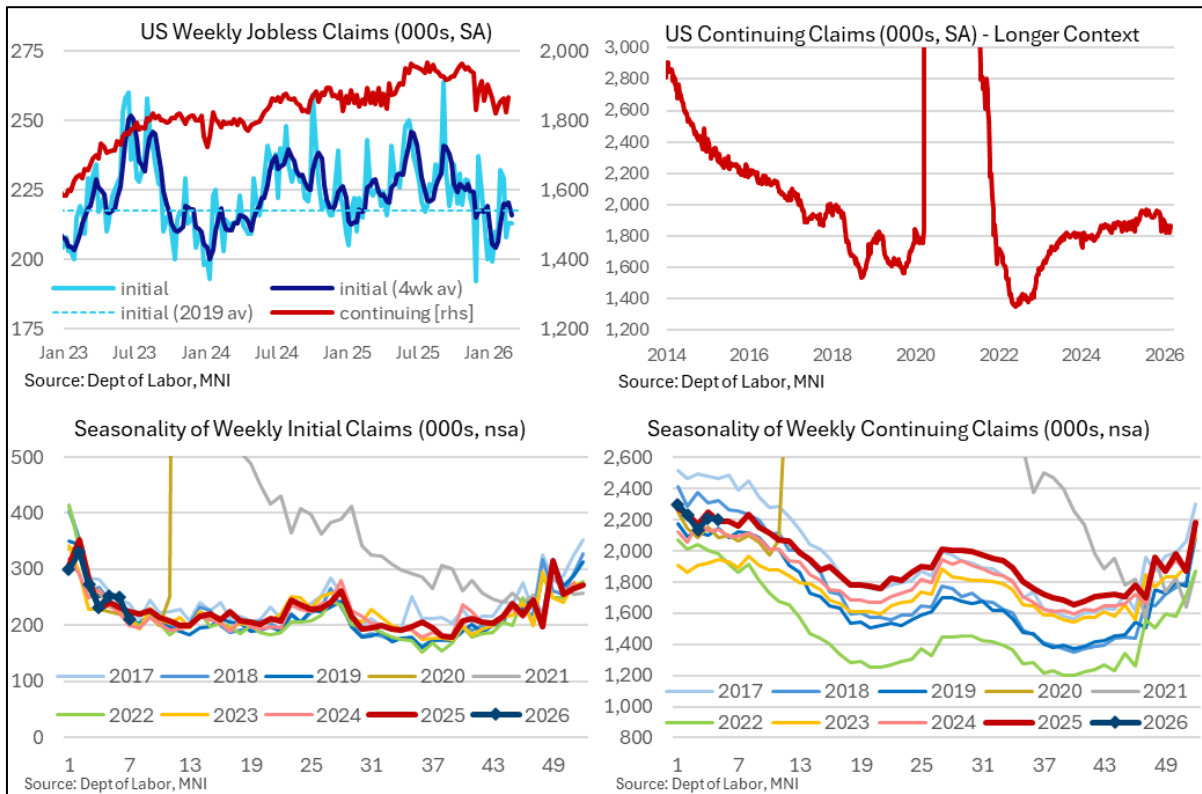




Initial Claims Flat, Continuing Picking Up (With A Puerto Rico Oddity)

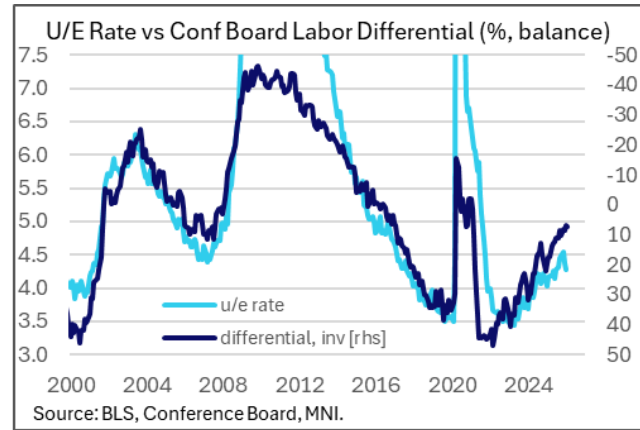
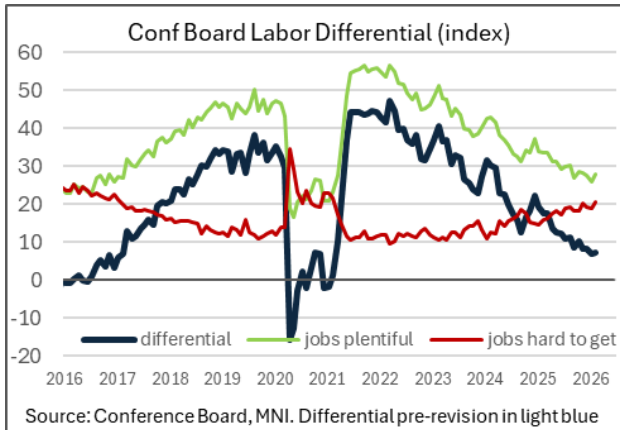
Initial claims were steady in the latest week of data, but there was a decent uptick in continuing claims. Both remain in healthy labor market territory though there is a bit of a steady pickup evident in the continuing claims column that bears some watching even as initial claims remain subdued.

- Initial claims for the Feb 28 week came in at 213k, slightly below the 215k expected but equal to the upwardly-revised prior (had been previously reported at 212k). By remaining so steady, it allowed the 4-week moving average to step lower after what appeared to be a weather/seasonality related jump at the end of January and early February: it's now down to 216k, the lowest in 4 weeks, after ticking up to 221k in the prior week which had been the highest since late November. There were no real standouts in the NSA data, with the national total being at the lower end of recent years for this week (213k, up 19k).
- Continuing claims for the Feb 21 week however showed a bigger-than-expected increase, particularly when taking the prior downward revision into account. At 1,868k (1,845k expected), the 46k increase from prior (1,822k downward rev from 1,833k) was the biggest rise in months to the highest level since the first week of the year.
- NSA continuing claims rose 71k after falling 63k the week prior; it seems that the prior week looks to have been the anomaly in terms of being unusually low, without which there has been a slow but steady uptick in continuing claims from a SA 1,819k low in mid-January that in itself bears watching even if the absolute level of claims remains low vs 2025 highs.
- There is one very unusual anomaly in the continuing claims data: Puerto Rico saw a 9.9k fall to 7.0k (NSA) in the week which represents one of the two or three lowest levels of claimants going back to the 1990s and easily the largest drop among states/territories in the latest week. Without any evident explanation, we wonder whether the number of claims will be revised higher in which case the latest continuing reading may likewise have to be bumped up.



A Minor Improvement For The Conf Board's Labor Differential But Still Depressed

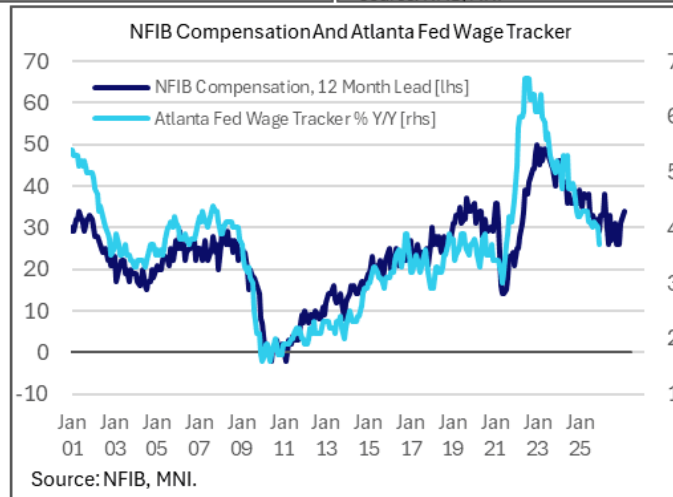
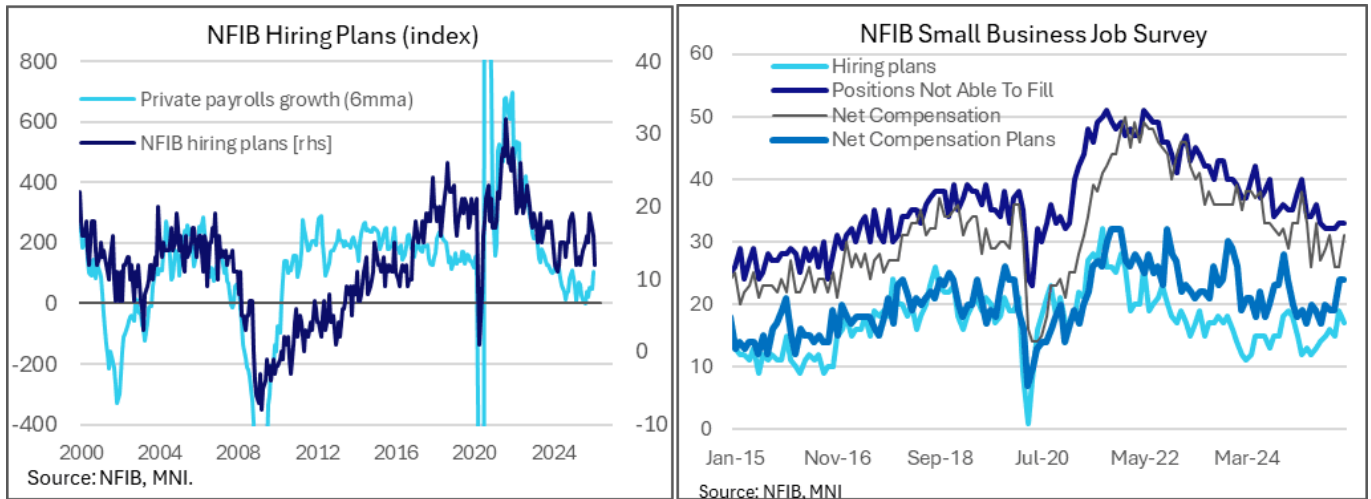
The Conference Board consumer survey's labor differential inched higher to 7.4 in February after an upward revised 6.8 (initially 3.1) in January, with the latter still marking its lowest since Feb 2021. Jobs plentiful increased from 25.8 to 28.0 (highest since Nov) but jobs hard to get also rose to 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.



NFIB Small Business Labor Conditions Improve, Hiring Vs Wages Mixed

The National Federation of Independent Business (NFIB)'s February jobs report suggests slightly stronger labor market conditions vs January, particularly in the compensation category which suggests that the slowdown in wage growth is stalling.

- The headline Small Business Employment Index (which was only introduced for the first time last month), a composite of underlying measures, rose to 103.5 from 102.6 prior, above the 2025 average of 101.2 and the historical average of 100.0.
- The NFIB explains that "These higher numbers are indicative of growing tightness in the labor market, though the market remains in balance overall."
- 33% of firms reported unfilled job openings, up 2pp and above the 24% historical average; 54% (up 4pp) reported they tried to, or made, hires. 34% (up 2pp) reported raising compensation, the highest since March 2025 in a potential sign that the longer-term wage slowdown is stalling (see chart), while plans to raise comp (22%) were unchanged.
- Despite the above it's not entirely clear cut that there was a tightening in the labor market overall in February. There was a 4pp decline in the percent of small businesses that plan to create jobs in the next 3 months, with the 12% the lowest level since May 2025 (this series has some correlation with nonfarm payrolls on longer time horizons, but is volatile on a month-by-month and even quarter-by-quarter basis).
- Additionally, 15% of owners cited labor quality as their single most important problem, a 4th consecutive decline to the lowest proportion since April 2020.



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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