

US payrolls: the pre-trade war situation

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The US labor market was in rather good shape in March, i.e. before the massive tariff increases by the American government. Employment rose by 228,000 jobs, and thus noticeably faster than in the first two months of the year. However, the negative effects of Trump's policies are likely to become increasingly apparent in the coming months. In view of the rising risks of an intensified trade conflict and the slump in economic sentiment, companies will be reluctant to add to their payrolls in the months to come.

The data

Non-farm payrolls rose by 228k in March, much more than expected (Commerzbank forecast +90k, consensus +140k). However, the job growth of the two previous months was revised down by a total of 48k. The unemployment rate, which is based on a different survey, rose slightly to 4.2% (table).

The largest gains were seen in health care services. Retail trade employment also rose quite sharply, but this was partly due to the end of a strike. US federal government employment fell slightly (-4k) to 3 million; the major wave of job cuts by the Trump administration has not yet had a major impact here.

As of March, the US labor market was relatively robust and there is no sign of a slump.

For classification

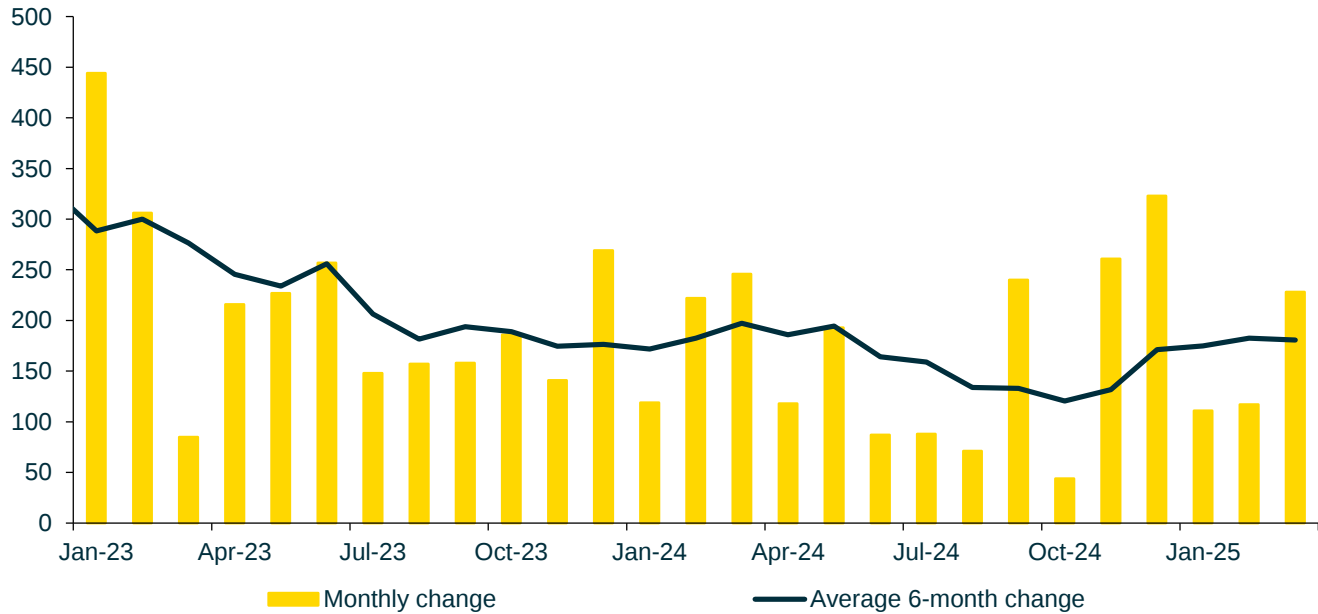
The reference period for the employment report is the pay period that includes the 12th of a month. Thus, the current data covers the first half of March. President Trump did not announce the latest drastic tariff increases until 2 April. It will therefore take some time for any adverse effects to be reflected in the employment data.

For some time now, companies have had to contend with a sharp increase in uncertainty, particularly in the area of trade policy. The business environment is in a state of flux and costs for companies – especially for those that rely on supplies from abroad – are rising. In addition, there is growing uncertainty among consumers, which has recently been reflected in a noticeable slowdown in consumer spending. In this situation, companies are likely to be less willing to take on new staff. A weakening of the labour market is therefore to be expected in the coming months.



Chart 1 - US labor market: so far, so good...

Nonfarm payrolls, changes in thousands



Source: BLS, S&P Global, Commerzbank Research

Table 1 - US employment report

Monthly change of nonfarm payrolls in thousands and unemployment rate in %

	Mar 25	Consensus	Feb 25	Jan 25	Dec 24	6-month average
Nonfarm payrolls	228	140	117	111	323	181
Unemployment rate	4.2	4.1	4.1	4.0	4.1	4.1

Source: BLS, S&P Global, Commerzbank Research



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