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Economic Research

Economic Briefing

# US labor market is – still – stable

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**Table of contents**



**The US labor market remained fairly stable in February. Employment rose by 151,000, while the unemployment rate increased slightly. Today's data is therefore rather unspectacular. However, the report is already somewhat out of date. The job cuts in the public sector and the companies' possibly lower willingness to hire due to the increased uncertainty will probably only have a stronger impact in the coming months.**

## The data...

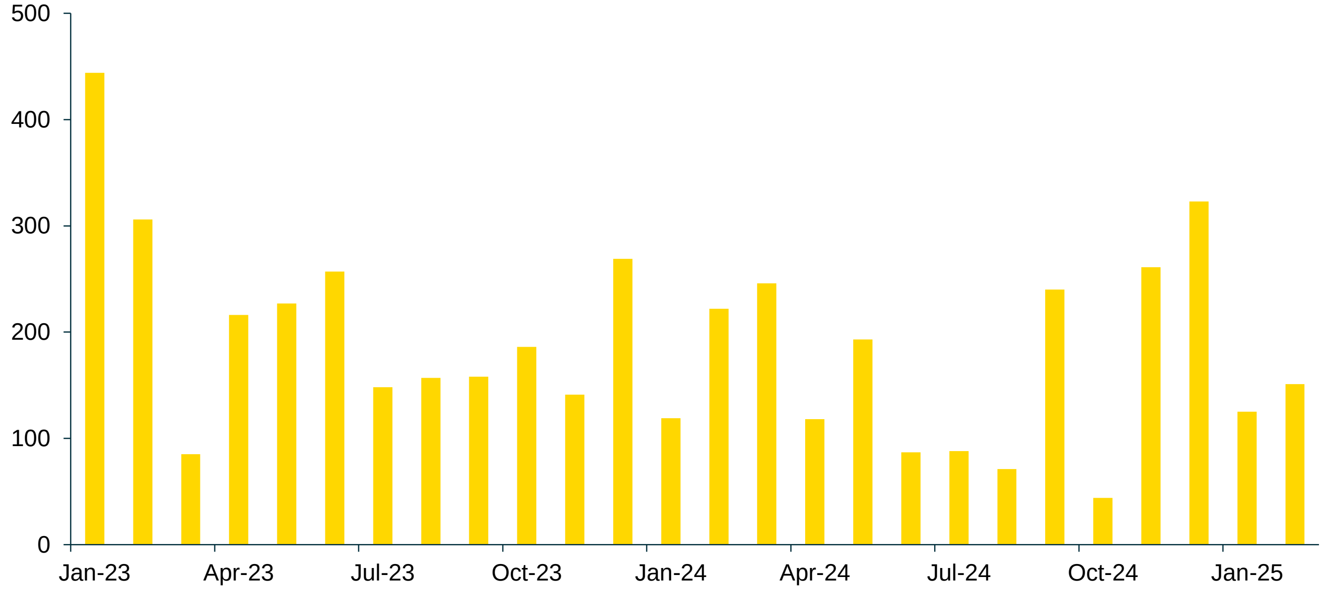
In February, the US labor market added 151,000 jobs. This was roughly in line with expectations (consensus 160,000, Commerzbank 175,000). Revisions to previous data more or less offset each other. The unemployment rate rose slightly from 4.0% to 4.1%. Average hourly earnings increased at a slightly slower rate of 0.3% compared to the previous month. Compared to the previous year, wages rose by 4.0% after 3.9% in January (initially reported as 4.1%).

## ... and the background

After the nerve-wracking back and forth over tariffs this week, the US employment report for February was rather unspectacular (Chart 1). However, this is also due to the fact that the data was already collected around February 12, i.e. before the job cuts at the federal government really took off. However, there was already a small impact. The number of people employed by the federal administration fell by 10,000. In the six months prior to that, it had still been increasing by an average of 2,500 per month. The escalation of the trade conflict also took place after the survey date. The significantly increased uncertainty and the resulting likely reluctance of companies to hire new employees will only be reflected in the next reports.

**Chart 1 - February gain rather unspectacular**

nonfarm payrolls, monthly change in thousand




Source: BLS, S&P Global, Commerzbank Research

## The Fed is in no rush

The labor market is still quite solid, although there are increasing signs that it could become more difficult in the coming months. From the Fed's perspective, the risks to its full employment target are gradually increasing. At the same time, however, inflationary pressures are rising, not least due to the US government's tariff policy.

In some respects, today's figures are already out of date. After all, they show the situation before the job cuts among federal employees picked up speed and before numerous tariff decisions by the Trump administration. The Fed will therefore wait and see how these factors affect the labor market. A rapid rate cut is not on the agenda.

**Table 1 - US employment report**

| | **Feb-25** | Consensus | Jan-25 | Dec-24 | Nov-24 | six month average |
|---|---|---|---|---|---|---|
| Nonfarm payrolls | **151** | 160 | 125 | 323 | 261 | 191 |
| Unemployment rate | **4.1** | 4.0 | 4.0 | 4.1 | 4.2 | 4.1 |

Source: BLS, Bloomberg, S&P Global, Commerzbank Research

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