



# US February jobs report

## US adds 151k jobs in February, unemployment rate rises slightly to 4.1%

The US jobs report for February showed 151k non-farm payroll jobs created during the month, somewhat lower than the market consensus estimates of 160k. However, there were concerns that the number could have been much lower given the high profile government job cuts by Elon Musk's DOGE and the decline in business sentiment during the month due to uncertainty around tariff policies. In this context, the 151k jobs created look very respectable and show that the economy, while slowing from the strength of the end of 2024, is still on a reasonable growth path.

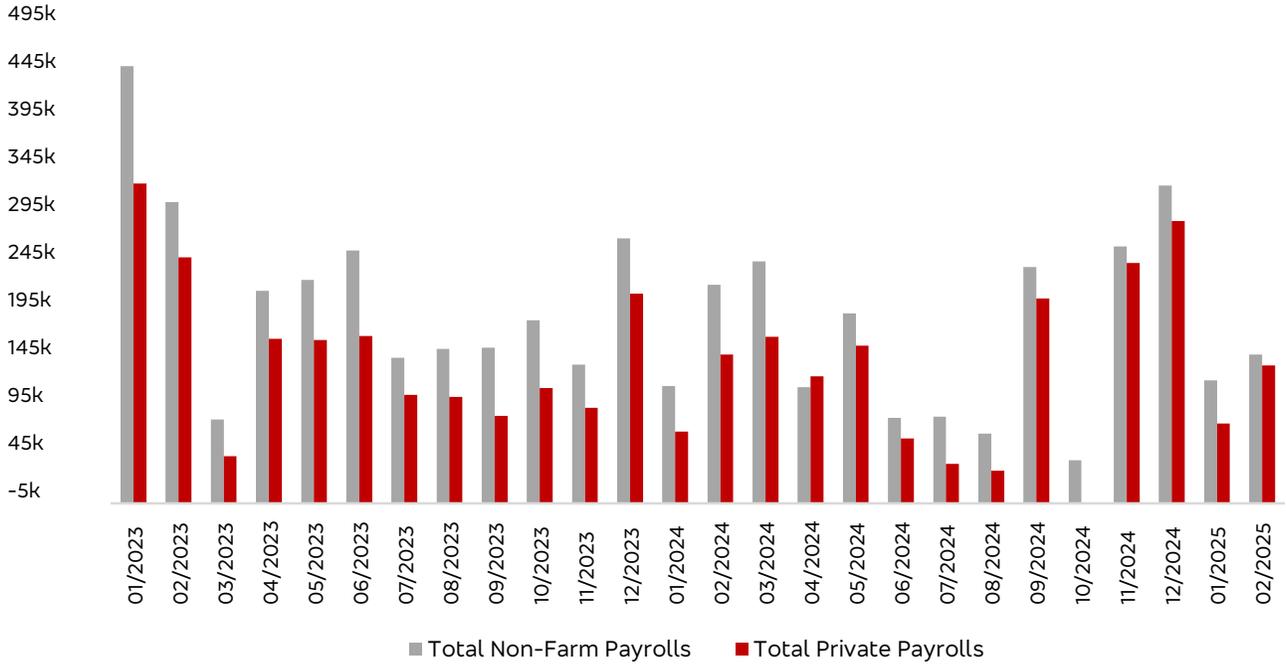
The Unemployment Rate (U-3) increased slightly from 4% in January to 4.1% in February. Despite this rise, it is still well within the range of much of the past year. Somewhat more concerning is the rise in the Underemployment Rate (U-6), which increased to 8% in February from 7.5% in January and which reached the highest level since late 2021. The Underemployment Rate includes those working part-time who want full-time positions but have not been able to find such positions. A strong rise in the Underemployment Rate could signal underlying weakness in the economy which eventually leads to rising Unemployment and lower job creation.

During the month, strong jobs growth came from the Private Sector with 140k jobs created. Healthcare added 63k, Financials added 21k, Construction added 19k, and Manufacturing added 10k. Government added just 11k during the month, which was the lowest level for nearly a year. Local governments added 20k while Federal jobs declined by 10k, the weakest level for about 2.5 years. The government job cuts by DOGE were likely only partially included in the February data and further cuts are expected to enter the data in the coming months, which could keep overall job creation low.

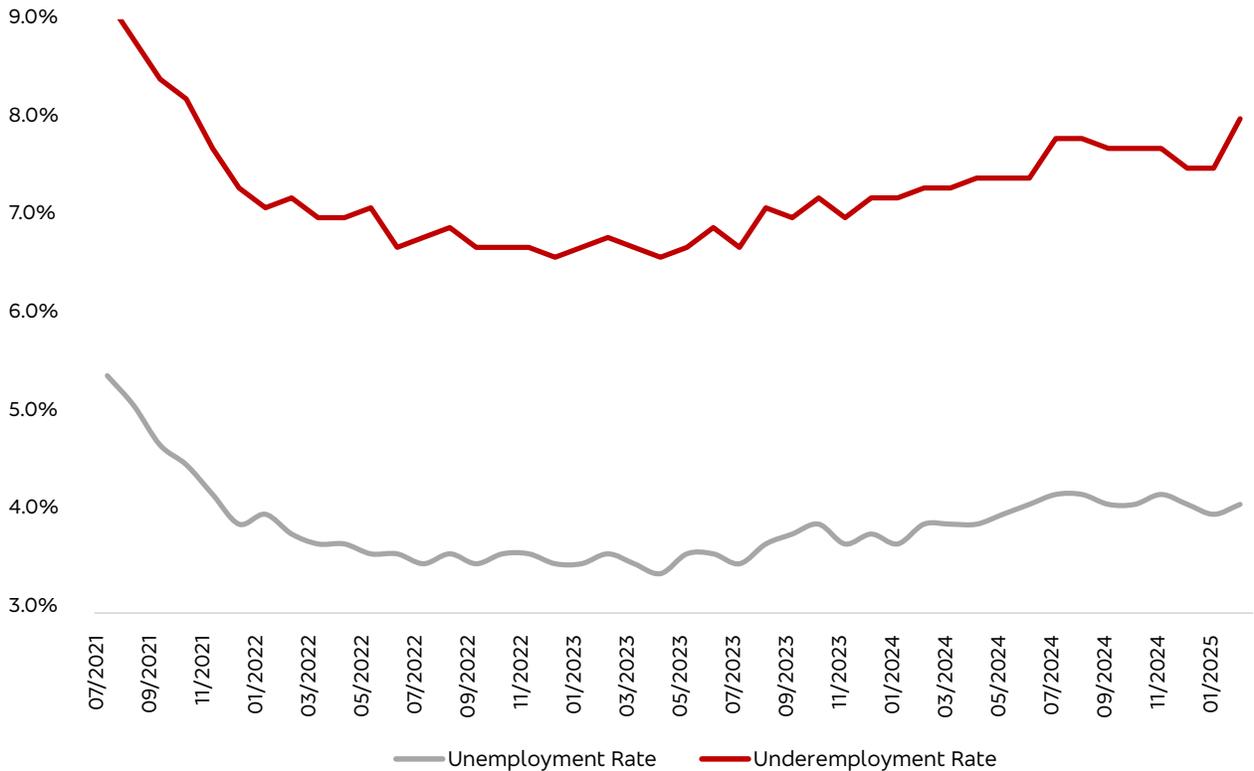
Average hourly earnings increased 0.3% month-on-month, down from 0.4% in January. On a year-on-year basis, average hourly earnings increased 4% in February vs 3.9% in January. Wage growth has moderated from the 5-6% range it reached after the pandemic, but it seems to be stabilizing in the 4% range now, which is above the 2.5%-3.5% range it was in the years before the pandemic. Continued wage growth will help consumer maintain their spending, but also means inflation pressures will remain high.

There has been a sharp downturn in consumer and business sentiment through February and investor's are worried that this will lead to slower economic growth and a weaker jobs market. The data for February did not show this happening yet, with only some job losses in Federal Government. However, financial markets will remain wary on concerns that economic data in the coming weeks and months may start to show this slowdown. If this does start to occur, the Fed could be forced to resume its rate cutting cycle, even if inflation remains high. The Fed will hold its next meeting on March 19th and we expect it to hold rates steady at the current 4.25%-4.50% level. The Fed will also be publishing updated economic projections at this meeting and we will see if Fed members are becoming more pessimistic on the economic outlook. Business and consumer sentiment has weakened due to the uncertainties around Trump's tariff policies. This will likely continue through March but in April we may see some clarity as he could offer more details on tariffs against various trading partners and on important trade goods.

### 151k jobs added in February, including 140k Private Payrolls



### Unemployment rate rises slightly to 4.1% from 4%, but Underemployment Rate rise sharply to 8% from 7.5%



Source: Bloomberg/Bradescio

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