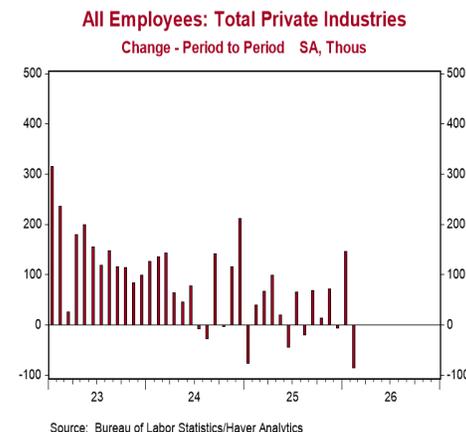


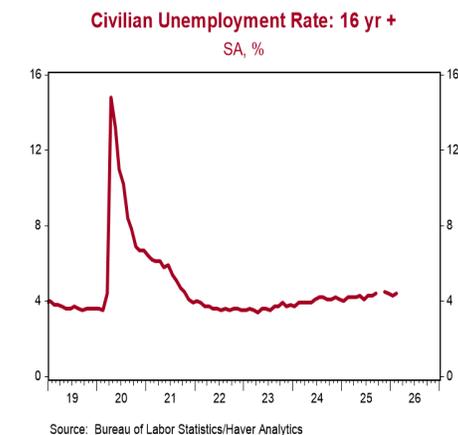
# February Employment Report

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- Nonfarm payrolls fell 92,000 in February, well below the consensus expected gain of 55,000. Payroll gains for December and January were revised down by a total of 69,000, resulting in a net decline, including revisions, of 161,000.
- Private sector payrolls fell 86,000 in February. The largest declines in February were leisure and hospitality (-27,000), healthcare and social assistance (-18,600), and education services (-15,700). Manufacturing fell 12,000 while government declined 6,000.
- The unemployment rate ticked up to 4.4% in February versus 4.3% in January.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in February and are up 3.8% versus a year ago. Aggregate hours remained unchanged in February but are up 0.6% from a year ago.



**Implications:** The job market was weak in February but not a reason to panic. Nonfarm payrolls fell 92,000 for the month, coming in well below consensus, and when including downward revisions to prior months the net decline was 161,000. The private sector, which has been stronger than headline payrolls, posted a decline of 86,000 driven by leisure and hospitality, healthcare, and education. Meanwhile civilian employment, an alternative measure of jobs that includes small-business start-ups, also posted a decline of 185,000. But while the February report was undoubtedly soft, we don't think it signals a recession. First, a huge winter storm hit half the country last month. Second, a nursing strike hit health care jobs, which declined 28,000 in February. Both of these factors should reverse next month. Third, now that we have revisions to jobs data, we know that private payrolls declined in four separate months last year even as real GDP rose 2.2% and avoided recession. In that context, today's headline losses look a lot less worrying for the broader economy. Also, given the large gains in jobs in January, it makes more sense to look at today's data in combination to cut through the volatility. That shows an average gain in private sector payrolls of 30,000 per month, by no means a booming economy, but probably consistent with slower trend growth following massive shifts in immigration policy that have significantly reduced labor supply. Given the data on Q4 productivity that was released yesterday showing an increase of 2.8% in the past year, real GDP can continue to grow even with the slowing labor market. Those productivity gains have also sustained healthy gains in pay, with average hourly earnings going up 0.4% in February and 3.8% in the past year. That said, total hours worked remained unchanged in February and are up a weaker 0.6% in the past year. As a result, total earnings rose 4.4% in the past year despite the broader weakening in the labor market. One last thing to keep in mind is that federal payrolls, excluding the Post Office and Census, are down 322,100 since the Trump Administration took office, the steepest drop in decades. But even factoring that in suggests we should expect headline numbers on payroll growth to be slow in the months ahead. In other recent news, initial jobless claims remained unchanged last week at 213,000, while continuing claims rose 46,000 to 1.868 million.



Employment Report <i>All Data Seasonally Adjusted</i>	Feb-26	Jan-26	Dec-25	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.4</b>	4.3	4.4	4.4	NA	NA
<b>Civilian Employment (monthly change in thousands)</b>	<b>-185</b>	-895	232	-283	NA	NA
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>-92</b>	126	-17	6	-1	13
<b>Construction</b>	<b>-11</b>	48	-7	10	12	4
<b>Manufacturing</b>	<b>-12</b>	5	-13	-7	-7	-8
<b>Retail Trade</b>	<b>2</b>	11	-24	-4	-2	-1
<b>Finance, Insurance and Real Estate</b>	<b>10</b>	-30	1	-6	-3	-3
<b>Professional and Business Services</b>	<b>-5</b>	18	-19	-2	2	-7
<b>Education and Health Services</b>	<b>-34</b>	129	38	44	48	55
<b>Leisure and Hospitality</b>	<b>-27</b>	-12	25	-5	9	11
<b>Government</b>	<b>-6</b>	-20	-10	-12	-35	-20
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.4%	0.1%	3.5%	3.9%	3.8%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.3	34.2	34.3	34.3	34.2
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.0%</b>	0.3%	-0.3%	0.3%	1.0%	0.6%

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized