

Resilience of US job creation set to be tested

The US economy added 151k jobs in February, but with DOGE's influence increasingly being felt on the economy the risk is that we start to see renewed softness in the months ahead



151,000

 US jobs added in February

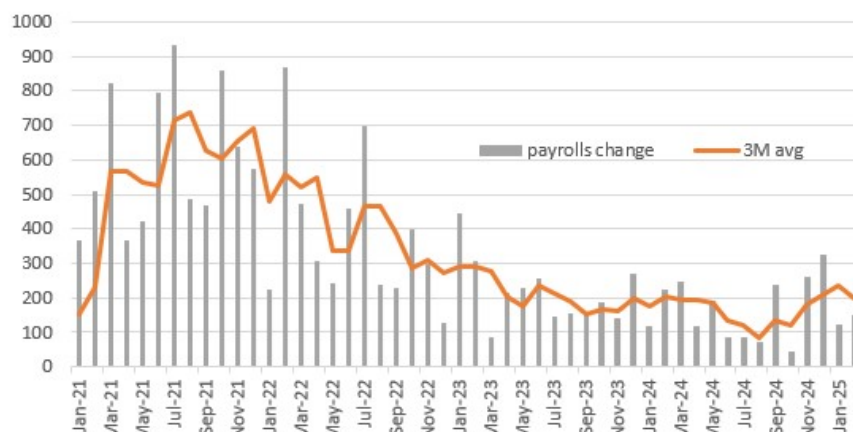
As expected

Jobs report suggests no pressing need for additional Fed support

In terms of the headlines from the jobs report, US non-farm payrolls rose 151k in February versus the 160k consensus while there were 2k of downward revisions to the past two months. The unemployment rate ticked higher to 4.1% from 4% (consensus 4%) while hours worked remained at a very subdued 34.1 hours. Wages came in-line at 0.3% month-on-month/4% year-on-year. As

such this report is modestly softer than expected, but in general the labour market remains in decent shape and suggests no pressing need for further imminent support via Federal Reserve interest rate cuts.

Monthly change in non-farm payrolls (000)



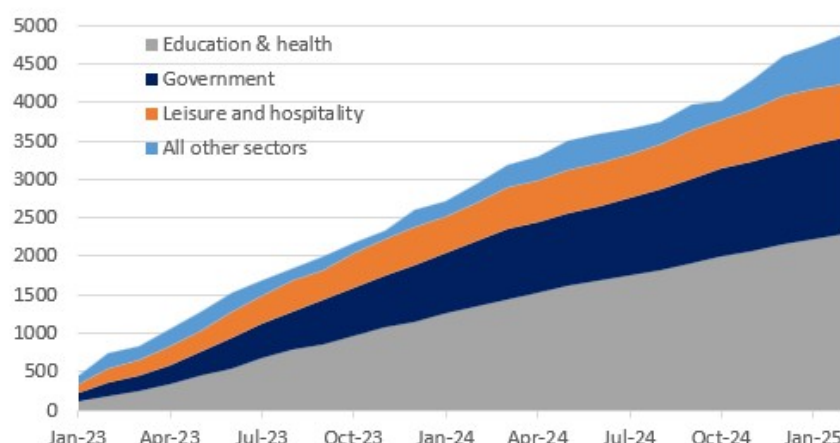
Source: Macrobond, ING

In terms of the details, federal government jobs fell 10k, which is the biggest drop since an 11k decline in June 2022, but there are obviously downside risks for coming months given the Department for Government Efficiency's (DOGE) efforts to trim spending. Private payrolls rose 140k with trade & transport adding 21k and financial services also adding 21k. Private education and healthcare services continues to be the main engine of job creation, rising 73k, but leisure and hospitality fell for a second consecutive month. This may well be weather related after a cold snap in the early part of the year hit the hospitality industry.

Quality of jobs remains a concern

Our chief concern about the US jobs market is the quality of jobs that are being added. Since January 2023 only 13% of jobs created have been outside of leisure & hospitality, government and private education & healthcare services. These sectors tend to be lower paid, less secure and more part time in nature, a point borne out by the fact that the average working week in America remained at just 34.1 hours, down from 35 hours in 2021. We would feel much happier if it was technology, construction, manufacturing, business services, transport and logistics etc that was leading job creation – sectors that are typically associated with a strong and vibrant economy.

Cumulative jobs creation by industry (000s)



Source: Macrobond, ING

DOGE's influence set to weigh on future job creation

With next week's CPI report expected to post yet another "hot" 0.3% MoM print – we need to average 0.17% MoM over time to deliver 2% YoY inflation – and huge uncertainty over the economic impact of President Trump's policies this will keep the Fed on the sidelines with the March FOMC set to be a non-event. However, as DOGE effects become more apparent we expect to see the number of Federal government jobs being lost mounting. The bigger risk though is that private sector contractors working for the Federal government are trimmed much more. With tariffs also likely to result in some price rises, putting a squeeze on spending power, we continue to look for rate cuts to resume from the third quarter.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom

this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.