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Weather and strikes weigh on February US jobs

January jobs numbers probably overstated the strength in hiring, while bad weather and strike actions probably mean that the February numbers overstate the weakness. Nonetheless, hiring remains subdued, and higher energy costs will squeeze spending power, leaving the door open for Fed rates cuts. But that will be a late second half of the year story

The February jobs numbers were weaker than expected. With inflation expected to remain elevated, this likely pushes out any Federal Reserve rate cuts

-92,000 **jobs lost in February**

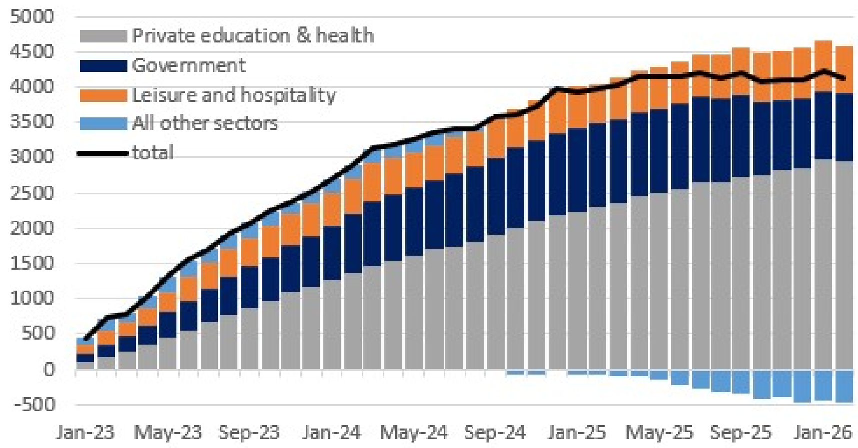
Jobs shrink, unemployment rises, spending falls

US non-Farm payrolls **FELL** 92k in February versus the +55k consensus and there were a net 69k downward revisions to the previous two months (January 2026 and December 2025). The unemployment rate has risen to 4.4% from 4.3% while January retail sales fell 0.2% month-on-month versus the 0.3% drop that was expected. This is clearly not a good set of numbers, but the weather almost certainly played a significant role here.

The week the data for January was collected was relatively warm in what was a very cold month and that helped boost construction numbers as sites remained open (+48k). In contrast, February was filled with winter storms, impacting construction the other way and hurting leisure and hospitality as people stayed in the warm at home. There was also strike activity and that contributed to physicians' offices subtracting 37k from the total. The details show construction falling 11k, manufacturing down 12k, leisure and hospitality down 27k. Conversely, financial services rose 10k and retail jobs increased 2k.

The +126k payrolls number for January probably overstated the strength in the jobs market and today's February data probably overstates the weakness due to the weather and strikes. Nonetheless, we know hiring is weak, but lay-offs remain low too. Essentially, the jobs market is just treading water with payrolls trending at around 50k per month. The job concentration risk point still holds though. Three sectors (government, leisure & hospitality and private education & healthcare services) are still responsible for all job creation over the past three years. All other sectors combined (essentially the bulk of the US economy) have lost 460k jobs since December 2022.

Cumulative job increases since December 2022



Soucre: Macrobond, ING

Rate cuts delayed on near-term inflation

We know that there are more unemployed Americans than there are job vacancies and this is now depressing wage growth. Average earnings did rise 3.8% year-on-year in today's report, but that is likely due to lower wage workers not being able to get to work and not being reported and skewing the reported earnings in favour of higher-earning office workers who could work from home. The broader measure of wage growth within the employment cost index risks dropping below 3% YoY and we already know that real household disposable incomes are flat lining. The surge in energy costs, particularly for gasoline, that we expect over the next few weeks in response to global market moves, means that we could see real disposable incomes turning negative. That risks creating an intensifying headwind for growth in the second half of the year.

While higher energy costs are inflationary and make near-term rate cuts look less probable, it also puts more pressure on consumer finances and can ultimately be demand destructive. This can push core inflation pressures lower over the medium to longer term. Therefore, we argue the story is one where rate cuts are delayed rather than removed from forecasts. We have pushed our Fed rate cut forecasts from June and September to September and December.

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