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Labor market holds steady, but there are warnings for Trump

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The labor market is showing signs of underlying softness, just as the Trump administration implements policies that could further scare employers.

Why it matters: The white-hot hiring environment of a couple of years ago is long gone.

• While unemployment remains low and companies keep adding to payrolls, there are emerging signs of weakness, even before the impacts of historic trade disruption and potential wide-scale spending cuts.

By the numbers: The economy added 151,000 jobs in February, similar to the average monthly gain of 168,000 over the past 12 months. That offered a bit of relief to markets after whispers on Wall Street that a big deceleration could be afoot.

• The unemployment rate ticked up to 4.1%, still a historically low level of joblessness. But the details of why were bad.

Between the lines: About 380,000 workers left the labor force last month, while almost 590,000 fewer workers reported being employed. The employment-to-population ratio among prime-age workers, those between 25 and 54 years old, fell 0.2 percentage point to 80.5%.

• The broadest measure of unemployment, which includes people who want a job but have given up looking, or are working part-time but want full-time work, spiked to the highest level in three years, to 8% from 7.5%.

What they're saying: There was a "palpable sense of relief" at the solid numbers, wrote Economic Outlook Group chief global economist **Bernard Baumohl.** "What looms ahead, however, is troubling for the labor market."

• "Even in February's employment release there are telltale signs we need to prepare for hiring conditions to significantly weaken in the coming months," he added.

Of note: Early effects from the Elon Musk-led Department of Government Efficiency might be showing up in official data.

• The federal government shed 10,000 jobs, the most since June 2022 — though that was completely offset by a payroll gain of 21,000 in state and local government.

• "There are a lot of things that President Trump's policies haven't really been able to change yet, but the actions that he has taken in the first few weeks are quite visible in the jobs report," said White House economic adviser Kevin Hassett told reporters Friday morning.

• "He's taken action to reduce federal government employment, and we saw that in the jobs report. So that's something that you can definitely attribute to President Trump's policies," Hassett said.

The softness in the jobs numbers upped the odds that the Federal Reserve will resume cutting interest rates this year.

Zoom out: Fed officials have viewed the economy as being well-balanced, pending new shocks — and hence left rates unchanged at their last meeting. They're likely to do the same at the end of their next policy meeting in 11 days.

• The open question has been what might jolt them out of that steady-as-she-goes stance. If the economy starts to crack, they could resume rate-cutting.

• At the margins, the latest numbers tilt in that direction.

• The two-year Treasury yield was down slightly Friday morning, to 3.93%.

"[T]he report does confirm that the labor market is cooling and that it may require some assistance from the Fed in the coming months," Seema Shah, chief global strategist at Principal Asset Management, wrote in a note.

• Shah warns that "the softening trend is likely to persist and may potentially deepen given the toxic combination of federal government layoffs, public spending cuts, and tariff uncertainty related inertia."

What to watch: Trump largely rolled back the 25% tariffs on imports from Canada and Mexico, at least until April 2. The White House acknowledged the economic damage the import taxes would have had on the auto industry.

• Trump said this week there might be "a little disturbance" for the economy as trade policy plays out.

• But the first full month of jobs data in the Trump era suggests the labor market might already be on slightly weaker footing.

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