



Newsquawk Preview: US Nonfarm Payrolls due Friday 3rd April at 13:30BST/08:30EDT

- US economy expected to add 65k jobs in March, with unemployment unchanged at 4.4%
- Attention will be on whether February was a one-off dismal jobs report, or a more consistent theme
- Broader concern of Fed Committee is inflation, but labour market still eyed with Waller particularly concerned

SUMMARY: The March jobs report is expected to show 65k jobs added, rebounding from February's 92k decline, although participants will be alert to revisions, as ING suspects January overstated strength while February overstated weakness. Private payrolls are seen rising 73k from -86k, the unemployment rate is expected to remain at 4.4%, while wages are forecast to increase 0.3% M/M and 3.8% Y/Y. The Fed has signalled it is in wait-and-see mode, with added risks from the Iranian war, but the report will be used to gauge labour market strength, particularly after February's weak print. While inflation remains the Committee's broader concern, the labour market is still in focus, with Waller noting he would have cut rates at the February FOMC following the last jobs report, but the war changed things. Ahead of the release, March ADP was firm, ISM manufacturing employment was little changed M/M, and consumer views on current labour market conditions were largely unchanged, though expectations deteriorated. On the sell side, Barclays expects a modest 50k headline gain after February's sharp and distorted drop, with private payrolls expected to rise by 50k, no change in government payrolls, and unemployment is expected to remain at 4.4%. ING looks for a 65k increase, noting that if hiring stalled when conditions were stable, heightened geopolitical and economic uncertainty is unlikely to prompt firms to hire.

EXPECTATIONS: Headline NFP is expected to show a 65k increase in March, following February's 92k fall, with attention also on revisions. Forecasts range from -25k to +125k. In the post-FOMC press conference, Chair Powell said the breakeven rate for jobs is low, previously cited around 50k, but Powell had suggested it could be as low as zero. Private payrolls are expected to rise 73k from -86k. The unemployment rate is seen unchanged at 4.4%. Wages are forecast to rise 0.3% M/M, easing from 0.4%, with estimates between 0.2-0.4%. Average earnings growth Y/Y is expected at 3.8%, unchanged from the prior reading.

PROXIES: March ADP showed jobs rising 62k, beating expectations of 40k and broadly unchanged from 66k previously, which was revised up from 63k. In the ISM Manufacturing PMI, employment was little changed, slipping to 48.7 from 48.8. Elsewhere, focus remains on AI-related job cuts, after Block announced plans to cut 40% of its staff, raising concerns over how quickly companies may replace workers with AI. According to the BBC, Oracle has cut up to 10k jobs after heavy AI investment, though it is unclear if the cuts are directly linked to AI. Weekly initial jobless claims over the comparable survey period were 205k (exp. 215k) versus 208k, while continuing claims edged down to 1.819mln from 1.833mln. Conference Board data showed current labour market views were little changed, but expectations weakened; 27.3% said jobs were "plentiful" (prev. 26.7%) and 21.5% "hard to get" (prev. 21.0%), while 15.4% expected more jobs ahead (prev. 16.0%) and 27.9% expected fewer (prev. 26.2%).

FED: The Fed remains on hold, with only the notably dovish Miran dissenting at the latest meeting, as the central bank reiterated policy is in a good place while highlighting uncertainties and inflation risks. While the Committee is somewhat split on which side of the mandate to emphasise, the consensus view is that inflation remains the greater concern. Chair Powell said the labour market is being closely monitored, particularly weak private payroll growth, but stopped short of signalling employment risks dominate policy considerations. He did state that a good number of people on the FOMC are concerned about the "very, very low" level of job creation. In the March statement, the Fed made minimal changes, replacing "the unemployment rate has shown some signs of stabilisation" with "the unemployment rate has been little changed in recent months". Among policymakers, Williams expects unemployment to edge down this year and next and said the labour market is sending mixed signals, while Miran argued for additional support. Governor Waller said he would likely have dissented after the last jobs report, but the Iran conflict altered his view; he now expects labour force growth near zero, changing the breakeven level of job gains. Waller would support rate cuts later in the year if the labour market weakens. Regarding the breakeven rate, Powell and Waller have suggested it is around zero while a recent study from the St Louis Fed suggested it is between 15-87k, noting that the "wide range continues to reflect uncertainty about immigration flows, which makes it very hard to pin down a single breakeven growth number for 2026."

IRAN: Developments in the Middle East and the ongoing Iranian war, now about a month old, leave the economic impact uncertain but potentially significant for prices and monetary policy. The Fed typically looks through one-off energy price shocks, with most members expecting a temporary effect, but Schmid warned inflation from higher oil prices may not be transitory and expects a modest drag on growth from sustained increases. Waller said prolonged high oil prices could feed into core inflation, and a persistent shock would not be transitory, limiting the Fed's ability to look through it and reinforcing the need for caution. The Strait of Hormuz has been closed for a prolonged period, causing volatility in oil markets, though the extent of price impact and implications for rate cuts remain unclear. Recently, rhetoric has turned slightly more constructive, with Trump saying Iran's new president has requested a ceasefire and the US would consider this once Hormuz reopens, adding the US would exit Iran "pretty quickly". Iranian President Pezeskhan said Iran does not seek war but is ready to end it with guarantees against further attacks.

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