

Register-Guard Capital

EMPLOYMENT GUARD 4/3/26

We predict a negative surprise. We expect job growth below consensus, an unemployment rate above consensus, and annual wage gains with consensus. Specifically, we project non-farm employment gains of 35,000, an unemployment rate of 4.5%, and annual average hourly earnings growth of 3.8%.

The Bureau of Labor Statistics releases its March 2026 Employment Situation Report on April 3, 2026. The FactSet consensus forecast shows consensus job growth of 60,000, an unemployment rate of 4.4%, and annual wage gains of 3.8%.¹ The report will be released on Good Friday, meaning equity markets will be closed and traders will not be able to react until Monday, April 6th.

We are below consensus on jobs growth because the March survey period captured the first full month of war-related uncertainty and the underlying labor market was already deteriorating before Operation Epic Fury began. The last three out of six months have been negative for payrolls and February's loss of 92,000 was far worse than anyone predicted.² While the resolution of the Kaiser Permanente strike should add back roughly 30,000 healthcare jobs in March, this mechanical bounce will be offset by continued weakness elsewhere.³ Federal government employment has declined by 330,000, or 11%, since October 2024 and shows no sign of reversing.⁴ The war introduced significant uncertainty into business hiring decisions during March, with oil prices spiking above \$115/barrel and the Strait of Hormuz effectively closed. Initial jobless claims have remained low, averaging around 207,000 through late March, which continues to signal that businesses are not laying off workers in large numbers.⁵ However, low layoffs paired with weak hiring is the definition of a frozen labor market. Businesses are holding on to the workers they have but refusing to add headcount amid unprecedented uncertainty from the war, tariff policy, and stagnant consumer demand. A 35,000 gain would be consistent with the Kaiser bounce partially offsetting continued structural weakness.

We are above consensus on the unemployment rate because the household survey has been weakening and the war is likely to push more workers to the margins of the labor force. The unemployment rate rose to 4.4% in February from 4.3% in January and labor force participation fell to 62.0% from 62.1%.⁶ The pattern of the past several months shows the unemployment rate drifting upward, not stabilizing. Long-term unemployment rose to 25.7 weeks in February, the longest since December 2021, suggesting that those losing jobs are having increasing difficulty finding new ones.⁷ A 4.5% reading would mark the highest unemployment rate since November 2025 and would reinforce the regime change thesis we outlined in our Special Note I.

¹ "Total Nonfarm Payrolls for March 2026 Are Projected to Rise by 60,000," FactSet Insight, March 13, 2026, <https://insight.factset.com/total-nonfarm-payrolls-for-march-2026-are-projected-to-rise-by-60000>.

² Bureau of Labor Statistics, "The Employment Situation—February 2026," news release, U.S. Department of Labor, March 6, 2026, <https://www.bls.gov/news.release/pdf/empst.pdf>.

³ Register-Guard Capital, "Employment Memo 3/6/26," internal research memorandum, March 6, 2026.

⁴ Bureau of Labor Statistics, "Employment Situation."

⁵ U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report," news release, April 2, 2026, <https://www.dol.gov/ui/data.pdf>.

⁶ Bureau of Labor Statistics, "Employment Situation."

⁷ Bureau of Labor Statistics, "Employment Situation."

Register-Guard Capital

We are with consensus on wage growth because the "low hire, low fire" dynamic that has characterized this labor market continues to support wage gains even as employment weakens. Average hourly earnings grew 3.8% year-over-year in February, accelerating from 3.7% in January.⁸ With the labor market frozen rather than collapsing, employers are paying more to retain existing workers while not hiring new ones. This is a "stagflationary" signal, not a sign of labor market health. We expect this dynamic to persist in March.

Finally, this report arrives at a critical juncture. As we detailed in our Special Note I on March 11th, the convergence of a deteriorating labor market, a war-driven commodity shock, and weakening credit conditions creates the architecture for a potential recession. The March employment report is the first major data release that captures the initial impact of the Third Gulf War on the real economy. A weak print will raise the pressure on the Fed, which is already navigating the impossible task of managing inflation expectations alongside rising unemployment. We will publish our Employment Register with a full analysis after the report is released.

⁸ Bureau of Labor Statistics, "Employment Situation."