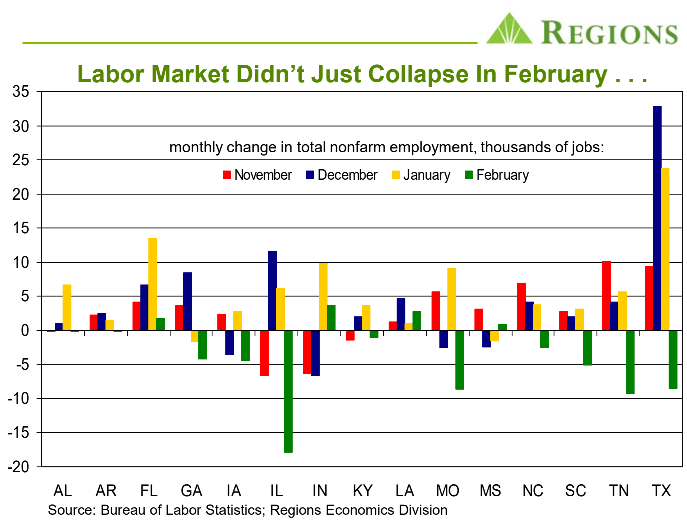
February 2026 Nonfarm Employment And 2025 Benchmark Revisions: Regions Footprint

At times, it can be hard to tell which is worse – not having any data at all or actually having data. Anyone questioning whether that can ever actually be the case need only glance at the chart below to understand exactly what we mean. This marks the return of what had been regular monthly updates on labor market conditions within the Regions footprint triggered by the release of the state level employment reports. As with virtually all of the economic data releases produced by government agencies, the state employment reports fell victim to last fall's shutdown of the federal government, and the disruptions in the flow of economic data continued well after the shutdown ended. That meant going months without updates of the state and metro area level data on nonfarm employment and the labor force data, including the unemployment rate. Additionally, the release of the annual benchmark revisions of the state level data from the Bureau of Labor Statistics' (BLS) establishment survey was delayed, with those revisions having only recently been released. The cadence of the state employment reports is still not back to normal, as the state (and metro area) level data still lag the national level data by a month, but by the end of next month that two should be synched back up. In this update, we'll discuss the state level data for the first two months of 2026 as well as the annual benchmark revisions. The annual benchmark revisions to the state level data, however, were no kinder on the state level than was the case with the national level data, with the revised data showing significantly less job growth within the Regions footprint in 2025 than was previously reported. At the same time, the monthly data seem to come with no particular rhyme or reason. This combination helps put our opening sentence in better context.



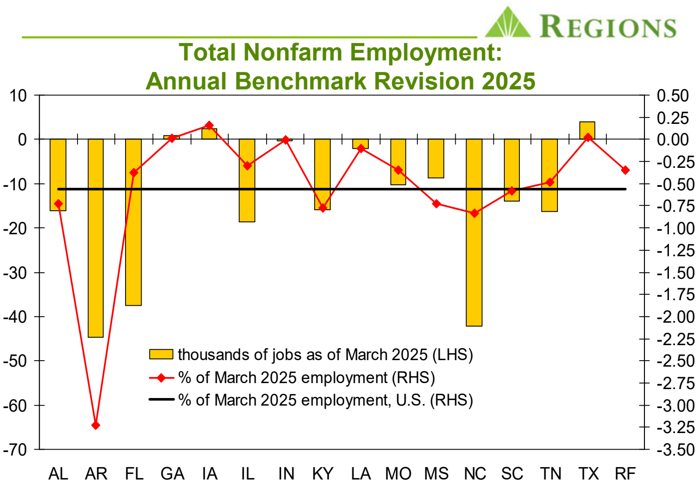
Total nonfarm payrolls within the Regions footprint fell by 52,700 jobs in February, with private sector payrolls down by 58,200 jobs and public sector payrolls up by 5,500 jobs. Additionally, rather than increasing by 141,600 jobs as first reported, total nonfarm payrolls within the footprint rose by 87,400 jobs in January. Nonfarm payrolls fell in eleven of the fifteen in-footprint states in February, with particularly large declines in Illinois, Missouri, Tennessee, and Texas. Despite what the chart to the side may seem to imply, the labor market did not spring to life in January only to come crashing down in February. Recall that the national level data show similar patterns, i.e., a sizable increase in nonfarm payrolls in January followed by a sizable decline in February, and at the time of each release we noted that neither was a true reflection of underlying labor market conditions. Moreover, after revision – twice in the case of the January estimate and once in the case of the February estimate – January's increase and February's decline are both shown to be larger than first reported, and the March data show a significant increase in nonfarm payrolls on the national level. It helps to keep these patterns in mind when assessing the state level data.

For instance, up on the release of the February employment report (national level data), we pointed to several factors that likely played a part in the reported decline in nonfarm payrolls. A notably low initial response rate to the monthly establishment survey – the lowest February response rate since 2000 – right off the bat opened the estimates of nonfarm employment, hours, and earnings to question as less survey data meant a bigger gap for BLS to fill in with their own estimates. A strike amongst health care workers took roughly thirty thousand jobs off nonfarm payrolls in February, while previously announced layoffs in transportation/warehousing services hit the books in February, contributing to job losses in that sector. Additionally, atypically harsh winter weather held down both job counts and hours worked in February. These effects filtered down to the state level data, though in terms of employment within the footprint, the strike amongst health care workers would not have played a role as those striking workers were mostly in California and Hawaii. To the extent the low response rate to the February establishment survey impacted the estimates of nonfarm employment, hours, and earnings, those effects would be more pronounced on the state level data as for any state (or metro area for that matter) sample sizes are even smaller,

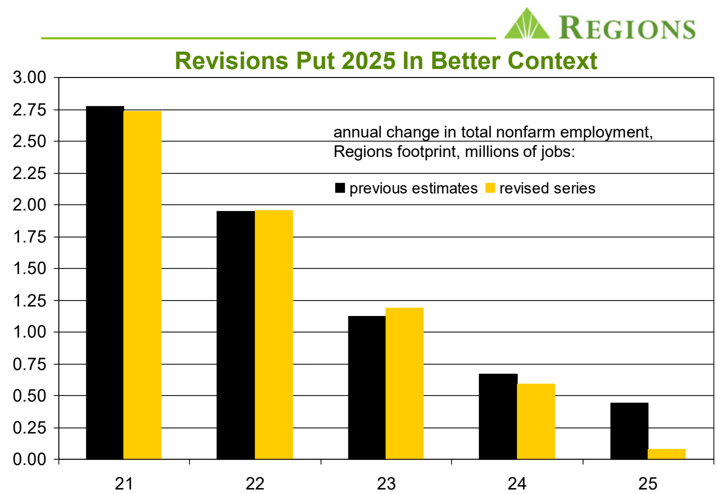
Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

which means a greater degree of inherent volatility even at higher survey response rates. As for job losses in transportation/warehousing services, a heavier industry concentration within the footprint than is the case nationally left the vulnerable to job cuts in this sector, which helps account for the loss of 21,000 jobs in February.

As for weather effects, the not seasonally adjusted data for the U.S. as a whole showed a smaller than normal February increase in total nonfarm employment, and the same was true for the increases in not seasonally adjusted payrolls in leisure and hospitality services and construction. At the same time, the decline in unadjusted payrolls in transportation/warehousing services was much larger than is typical for the month of February, and while part of that reflects laid off workers dropping off the books, there were likely also weather effects in play. We see these same effects in the state level data; the increase in not seasonally adjusted payrolls within the footprint was the smallest February increase since 2009, and while that may seem somewhat ominous, to the extent that did reflect the impacts of the atypically harsh winter weather that hit much of the nation, any such effects would be expected to reverse in the March data. That turned out to be the case in the national level data, and we'd therefore expect it to be the case in the state level data whey they are released.



Source: Bureau of Labor Statistics; Regions Economics Division

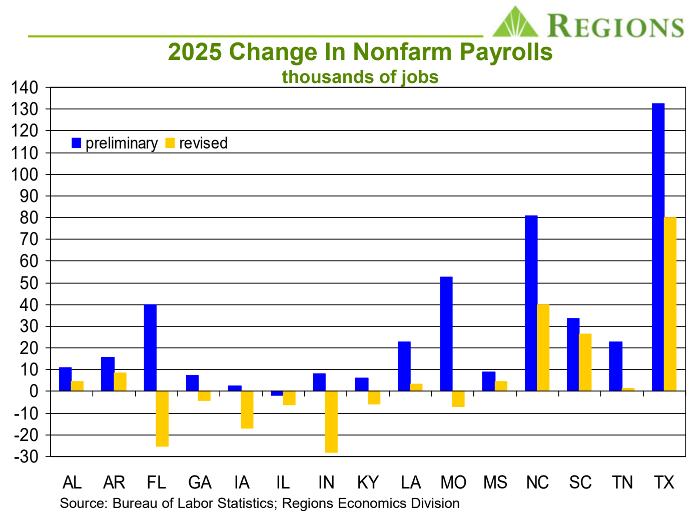


Source: Bureau of Labor Statistics; Regions Economics Division

The above charts go to our earlier point about the annual benchmark revisions being somewhat unkind, which was true for the national level data as well. The first chart above shows the benchmark revision to the level of total nonfarm employment as of March 2025, the new "reference month" for the BLS's establishment surveys. Recall that the benchmark revisions entail tethering the BLS's monthly establishment surveys to the universe of payroll tax returns, which cover virtually all nonfarm employment in the U.S., as of the previous March. The first chart shows the difference in the level of employment as of March 2025 between the original and revised estimates (gold bars), and also shows the revision scaled to the original estimate of nonfarm employment as of March 2025 (red diamonds). For instance, the benchmark revisions show 44,600 fewer nonfarm jobs in Arkansas as of March 2025 than had previously been reported, which is equivalent to 3.23 percent of the prior estimate of nonfarm employment, a staggeringly large revision. While the level of nonfarm employment in Florida as of March 2025 was revised down by 37,400 jobs, that was a much smaller share, 0.37 percent, of total nonfarm employment. For the footprint as a whole, the benchmark revisions showed 219,000 fewer nonfarm jobs as of March 2025 than previously reported (we do not show this in the chart in order to preserve the left-side scale), which was equivalent to 0.35 percent of the level of nonfarm employment, smaller than the downward revision, 0.56 percent, to the level of nonfarm employment for the U.S. as a whole. Note that Iowa and Texas saw mild upward benchmark revisions.

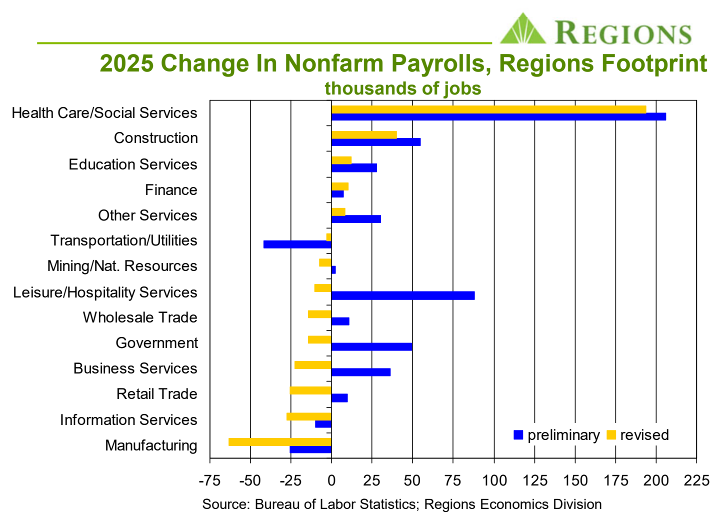
Along with the annual benchmark revisions come revisions to the month-to-month estimates of the change in nonfarm payrolls. This is where the second chart above comes into play, keeping in mind that each year the BLS revises the most recent few years of historical data, which can reflect revisions to the original source data, revisions to seasonal adjustment factors, or both. As is typically the case, the revisions to the earliest years in the revision window were uneventful, with little difference in net job growth over the 2021-2023 period than previously reported. The revision to 2024 job growth was a bit larger, with the revised data showing 76,000 fewer jobs added within the footprint during the year than previously reported, but that pales in comparison to the magnitude of the downward revision to 2025 job growth. Whereas the pre-revision data showed total nonfarm payrolls within the footprint rising by 443,900 jobs in 2025, the revised data show an increase of just 75,600 jobs, or, 368,000 fewer jobs added than previously reported. For the U.S. as a whole, the revised data show there were 468,000 fewer jobs added in 2025 than previously had been reported. While we had argued over the course of 2025 that job growth was being overstated, the downward revision was nonetheless larger than we anticipated.

It is even more striking that the revised data show nonfarm payrolls declined in seven of the fifteen in-footprint states in 2025, as seen in the chart to the side, with only minimal advances in Louisiana and Tennessee. In each state, the revised result was worse than the originally reported result, i.e., either a smaller increase, an increase flipping to a decline, or in the case of Illinois a larger decline in total nonfarm employment in 2025. Over the course of 2025 we pointed to demand side factors, such as a drive for greater efficiency, firms hesitating to make calls on capital spending and/or hiring amid a highly uncertain policy landscape, and firms having right-sized payrolls after the wild swings seen after the onset of the pandemic, that held down hiring. We also pointed to a significant outflow of foreign born labor as holding down job growth, with the size of the foreign born labor force almost one million persons smaller at the end of 2025 than at the beginning of 2025. This would have hit industry groups such as construction, transportation services, leisure and hospitality services, miscellaneous services, and certain segments of health care harder than other industry groups, thus holding down net job growth. All that being said, we are still unable to fully make sense of some of the revised employment data.



For instance, nonfarm payrolls in Florida are reported to have declined by 25,400 jobs in 2025, but that decline is more than entirely accounted for by a reported decline of 42,600 jobs in the month of October. Ruling out hurricane/tropical storm activity, of which there was none, having disrupted nonfarm employment, one might instead turn to a drop in federal government payrolls as the main culprit, as this is the month in which government workers who had accepted buyouts earlier in the year fell off the books. That, however, is not the case; while government sector payrolls in Florida fell by 12,300 jobs in October, private sector payrolls fell by 30,300 jobs, with declines across almost all of the twelve main private sector industry groups. Indiana saw government sector payrolls fall by over 13,000 jobs in October 2025, accounting for almost one-half of the full-year decline in nonfarm employment, but the state was also hit hard by job losses in transportation/warehousing services, manufacturing, and leisure and hospitality services. More broadly, while the annual benchmark revisions are nothing new, we cannot recall a year in which the post-revision picture of the labor market looked so sharply different from the pre-revision picture.

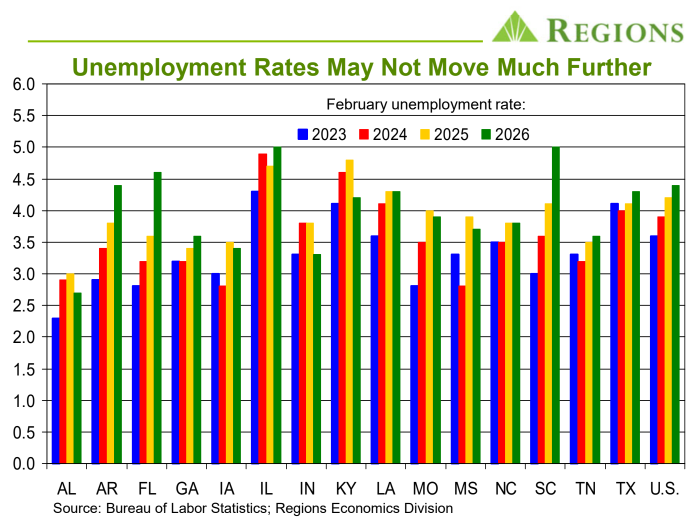
The chart to the side makes the same point by looking at the revised data on an industry group basis. As with the data for the individual states, the revised result was worse than the originally reported result in twelve of the thirteen main industry groups, with financial services being the lone exception. In six industry groups what in the originally reported data was shown to be an increase in payrolls in 2025 flipped to a decline, with leisure and hospitality services being particularly noteworthy, as what was reported to be an increase of 88,000 jobs was revised to a loss of 10,500 jobs. The revised data show manufacturing payrolls within the Regions footprint fell by 63,200 jobs in 2025, meaningfully worse than the originally reported decline of 25,400 jobs.



We think it worth repeating a point here that we've made in our discussions of the national level data. Many were quick to pin job losses in manufacturing and transportation/warehousing services over the course of 2025 on shifts in the global trade landscape brought about by steep increases in U.S. tariff rates, while pinning job losses in information services on the rise of AI. This is yet another reminder that the common and seemingly plausible narrative is not necessarily the correct narrative. Manufacturing payrolls declined in 2024, nationally and within the Regions footprint, and also declined nationally in 2023. Moreover, for the U.S. as a whole, payrolls in information services and in transportation/warehousing services peaked in late-2022, as these were the industry groups that hired most aggressively coming out of the pandemic. While information services payrolls within the Regions footprint also began trending lower in 2022, payrolls in transportation/warehousing services continued to increase, which makes sense given that notably rapid in-migration, both domestic and international, into the Regions footprint and a faster rate of overall economic growth would have been a draw for such services even as other parts of the U.S. saw employment falling in this industry group. The broader point here is that these patterns in these industry groups were in place well before 2025. We'd argue that what for over two years was but anemic growth in manufacturing output and what coming out of the pandemic proved to be overly aggressive hiring in information services and in transportation/warehousing services were bigger drivers of employment patterns in 2025 than changes in U.S. trade policy and AI. This isn't to say these two factors had no impact, only that they did not suddenly trigger a marked deterioration in labor market conditions in 2025 as the popular narrative holds.

We also think it worth repeating a point we've made countless times going back almost two years now, which is that the slower rate of job growth has overwhelmingly been a function of less hiring than of rising layoffs. Again, we can point to both demand side and supply side factors as being behind the slowdown in hiring, but whether one looks at the not seasonally adjusted data on initial claims for unemployment insurance or the layoffs rate as reported in the data from the Job Openings and Labor Turnover Survey (JOLTS), the layoff rate remains below where it was prior to the pandemic, both nationally and within the Regions footprint. To be sure, that may be an uncomfortable equilibrium for the labor market to be resting on, but unless and until we see a significant and sustained pickup in the rate at which workers are being laid off, we'll continue to hold a more constructive view of labor market conditions than many others seem to hold.

While the steady deceleration in the rate of hiring has put upward pressure on the unemployment rate, going forward we do not expect much further movement in the unemployment rate even absent a pickup in the pace of job growth. This is simply a function of the extent to which growth in the labor force has slowed, meaning that even the markedly slower pace of job growth should be sufficient to keep the unemployment rate stable. While we won't be able to answer this question until next year, we suspect that the methodology employed by the Census Bureau to estimate the components of the annual change in population is leading growth in the noninstitutional population, and in turn the labor force, to be overestimated in Florida and South Carolina, helping account for the sizable jumps in the unemployment rate over the past year. Either way, in most states and for the U.S. as a whole, barring a meaningful upturn in layoffs, we do not expect much movement in unemployment rates in 2026. That does not mean there are no adverse implications of a "low hire-low fire" labor market. One significant implication is that while the overall rate of layoffs remains low, those who do lose a job are finding it much harder to land a new job thanks to the diminished rate of hiring. As such, the duration of unemployment has been drifting higher, and one reason we think this to be important is that there is a sizable body of empirical evidence showing that the longer one remains without a job, the lower the odds of them ultimately finding a new job.



The labor market data have been all over the map for some time now. In part, this reflects what in the post-pandemic world have been significantly lower response rates to the BLS's monthly establishment survey, which is an issue we've been pointing to for almost three years now. That doesn't figure to change any time soon, and one implication is that the headline prints on the monthly employment reports may not be all that informative. We will, at least, be back on a normal cadence of state and metro area data releases by the end of next month, when we'll get two reads – the March data early in May and the April data later in May. We'll wait until the latter before producing another of these updates but, as may have been inferred by this point, more data does not necessarily yield clear cut answers. Moreover, the BLS has decided to terminate the monthly state level data releases from the Job Openings and Labor Turnover Survey, which yields estimates of job openings, hires, layoffs, and quits. While we've long cautioned against putting too much stock in the levels of these metrics reported in any given month, we have had more faith in the longer-term trends in the JOLTS data. On net, then, the BLS's decision to go from monthly releases to an annual release means we'll lose a useful indicator of labor market conditions in the individual states. Be that as it may, we continue to point to the weekly data on initial claims for unemployment insurance, not seasonally adjusted, as the single most important labor market indicator at our disposal, as this would be the first place we'd see signs of the significant and sustained increase in layoffs we continue to flag as a downside risk to our outlook for the labor market and, in turn, for the broader economy.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com