

United States

Economy
February 12, 2026



Paulina Villanueva
paulina.villanueva@hrratings.com
 Economic Analysis and Sovereign Debt
 Senior Associate



Edgar González
edgar.gonzalez@hrratings.com
 Economic Analysis and Sovereign Debt
 Senior Associate



Ricardo Gallegos
ricardo.gallegos@hrratings.com
 Deputy Chief Economic Analysis Officer



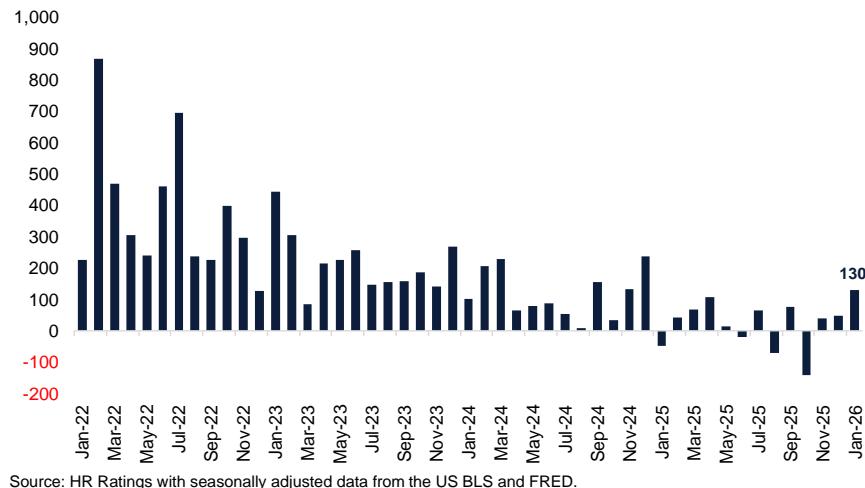
Felix Boni
felix.boni@hrratings.com
 Chief Credit and Economic Analysis
 Officer

Stronger than expected payrolls highlight US resilience, reducing the likelihood of near-term Fed cuts

The January employment report points to an uptick in labor market momentum, with total non-farm payrolls rising by 130,000 jobs, following a downwardly revised 48,000 increases in December. While the January gain was the strongest monthly increase since December 2024 (+237k), it should be viewed in context: job creation throughout 2025 was notably subdued (see Figure 1), averaging 15k per month after recent revisions, a sharp slowdown compared to the 116k monthly average recorded in 2024. In fact, total nonfarm employment increased by only 181,000 in 2025, significantly below the initially reported 584k. Excluding the pandemic year (2020) and the financial crisis (2008-2009), this marks the weakest annual job creation since 2003 (+124k). Meanwhile, the unemployment rate edged down to 4.3%. Wage growth remains positive but has stabilized, and labor force participation continues to move sideways.

Given the renewed momentum in payrolls and the stabilization in wage dynamics, we expect the Federal Reserve to remain cautious in signaling near-term rate cuts. While inflation has moderated relative to prior peaks, labor market conditions may be viewed as sufficiently stable to prevent an imminent easing cycle. The January report reinforces the view that the Committee will likely require clearer evidence of sustained disinflation and softer labor demand before adjusting the policy.

Figure 1. Net New Payrolls monthly (thousands)



@HRRATINGS



HR RATINGS



WWW.HRRATINGS.COM



HR RATINGS

At a sectoral level, job creation was concentrated on health care (+82k), social assistance (42k), and construction (33k), which was offset by declines in federal government (-34k) and financial activities (-22k). Broader labor market indicators, including long-term unemployment and part time employment, suggest that while labor demand remains solid, underlying softness has increased modestly compared to a year ago.

In Figure 2 below we can observe that the unemployment rate stood at 4.3% in January, essentially unchanged from December and modestly above its year-earlier level of 4.0%. The total number of unemployed individuals totaled 7.4 million, broadly unchanged from the prior month but up from 6.9 million a year earlier. For its part, the labor force participation rate was little changed in the month (62.5%) and has shown limited movement over the past year (62.6% in January 2025). However, year over year, the US labor force expanded by 1.2 million, roughly one-third of the increase recorded in the prior year (+3.4 million). Given the significant role of immigration flows in labor force expansion, changes in migration dynamics and work authorization policies may be contributing to the slower pace of labor supply growth.

Figure 2. Payroll, Employment and Hourly Wage Report

| | Jan-23 | Jan-24 | Jan-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total payrolls in the month (millions) | 154.8 | 157.0 | 158.3 | 158.5 | 158.5 | 158.5 | 158.4 | 158.4 | 158.5 | 158.6 |
| Net New Payrolls in month (thousands) | 444.0 | 102.0 | -48.0 | 64.0 | -70.0 | 76.0 | -140.0 | 41.0 | 48.0 | 130.0 |
| Net New Payrolls 3mma (thousands) | 289.0 | 170.7 | 107.7 | 19.0 | -8.7 | 23.3 | -44.7 | -7.7 | -17.0 | 73.0 |
| Annualized quarterly change in total payrolls | 2.29% | 1.37% | 0.89% | 0.29% | 0.11% | 0.08% | -0.08% | -0.07% | -0.17% | 0.12% |
| Annual quarterly change in total payrolls | 3.19% | 1.57% | 0.86% | 0.52% | 0.48% | 0.45% | 0.38% | 0.31% | 0.21% | 0.19% |
| Labor force (millions) | 166.0 | 167.3 | 170.7 | 170.4 | 170.8 | 171.3 | 171.4 | 171.5 | 171.5 | 171.9 |
| Jobs (millions) | 160.2 | 161.1 | 163.8 | 163.1 | 163.4 | 163.7 | 163.7 | 163.8 | 164.0 | 164.5 |
| Unemployed (millions) | 5.7 | 6.2 | 6.9 | 7.3 | 7.4 | 7.6 | 7.7 | 7.8 | 7.5 | 7.4 |
| Labor force entrants (thousands) | 939.0 | -131.0 | 2190.0 | 32.0 | 338.0 | 511.0 | 140.0 | 140.0 | -46.0 | 387.0 |
| Monthly unemployment rate | 3.5% | 3.7% | 4.0% | 4.3% | 4.3% | 4.4% | 4.5% | 4.5% | 4.4% | 4.3% |
| Labor participation rate | 62.4% | 62.5% | 62.6% | 62.2% | 62.3% | 62.5% | 62.5% | 62.5% | 62.4% | 62.5% |
| Quarterly average real hourly earnings* | 33.54 | 33.86 | 34.25 | 34.48 | 34.49 | 34.49 | 34.52 | 34.58 | 34.62 | 34.65 |
| Annualized quarterly change* | 0.96% | 1.63% | 0.55% | 1.60% | 0.76% | 0.68% | 0.47% | 1.08% | 1.50% | 1.56% |
| Quarterly annual change* | -1.67% | 0.95% | 1.15% | 1.31% | 1.12% | 1.00% | 0.93% | 1.00% | 1.08% | 1.19% |
| Quarterly average weekly real wage* | 1,157 | 1,163 | 1,172 | 1,179 | 1,179 | 1,180 | 1,181 | 1,184 | 1,185 | 1,188 |
| Annualized quarterly change* | 0.57% | 1.24% | 0.16% | 1.21% | 0.37% | 0.29% | 0.47% | 1.48% | 1.90% | 2.35% |
| Quarterly annual change* | -2.24% | 0.46% | 0.85% | 1.11% | 0.92% | 0.80% | 0.74% | 0.90% | 0.98% | 1.29% |
| Quarterly annualized inflation* | 3.84% | 2.39% | 3.69% | 1.89% | 2.73% | 3.14% | 3.45% | 2.97% | 2.45% | 2.16% |
| Quarterly annual inflation* | 6.63% | 3.19% | 2.86% | 2.59% | 2.78% | 2.90% | 2.95% | 2.88% | 2.75% | 2.57% |

Source: HR Ratings with data from the US BLS & information retrieved from FRED, Federal Reserve Bank of St. Louis.

*Inflation based on Headline CPI. Data for January is an estimate. Measures the real quarterly wage compared to the same quarter of the previous year and to the immediately preceding quarter annualized. Refers to all employees in the private sector.

Overall, January's data reduced the urgency for near-term monetary easing but do not materially alter the broader picture of a cooling labor market relative to last year. The combination of moderate job gains, stable participation, and wage pressures supports a higher for longer stance in the near term. For the Fed, clearer evidence of sustained disinflation or a more pronounced softening in labor demand will likely be required before initiating rate cuts.



@HRRATINGS



HR RATINGS



WWW.HRRATINGS.COM



HR RATINGS

HR Ratings de México, S.A. de C.V. ("HR Ratings"), is a credit rating agency authorized by the National Banking and Securities Commission(CNBV) and registered by the Securities and Exchange Commission (SEC) as a Nationally Recognized Statistical Rating Organization (NRSRO) for the assets of public finance, corporates and financial institutions as described in section 3 (a) (62) (A) and (B) subsection (i), (iii) and (v) of the US Securities Exchange Act of 1934 and certified as a Credit Rating Agency (CRA) by the European Securities and Markets Authority (ESMA) and the Financial Conduct Authority (FCA).

The ratings and/or opinions of HR Ratings de México S.A. de C.V. (HR Ratings) are opinions regarding the credit quality and/or the asset management capacity, or relative to the performance of the tasks aimed at the fulfillment of the corporate purpose, by issuing companies and other entities or sectors, and are based on exclusively in the characteristics of the entity, issue and/or operation, regardless of any business activity between HR Ratings and the entity or issuer. The ratings and/or opinions granted are issued on behalf of HR Ratings and not of its management or technical personnel and do not constitute recommendations to buy, sell or maintain any instrument, or to carry out any type of business, investment or operation, and may be subject to updates at any time, in accordance with the rating methodologies of HR Ratings.

HR Ratings bases its ratings and/or opinions on information obtained from sources that are believed to be accurate and reliable. HR Ratings, however, does not validate, guarantee or certify the accuracy, correctness or completeness of any information and is not responsible for any errors or omissions or for results obtained from the use of such information. Most issuers of debt securities rated by HR Ratings have paid a fee for the credit rating based on the amount and type of debt issued. The degree of creditworthiness of an issue or issuer, opinions regarding asset manager quality or ratings related to an entity's performance of its business purpose are subject to change, which can produce a rating upgrade or downgrade, without implying any responsibility for HR Ratings. The ratings issued by HR Ratings are assigned in an ethical manner, in accordance with healthy market practices and in compliance with applicable regulations found on the www.hrratings.com rating agency webpage. HR Ratings' Code of Conduct, rating methodologies, rating criteria and current ratings can also be found on the website.

Ratings and/or opinions assigned by HR Ratings are based on an analysis of the creditworthiness of an entity, issue or issuer, and do not necessarily imply a statistical likelihood of default, HR Ratings defines as the inability or unwillingness to satisfy the contractually stipulated payment terms of an obligation, such that creditors and/or bondholders are forced to take action in order to recover their investment or to restructure the debt due to a situation of stress faced by the debtor. Without disregard to the aforementioned point, in order to validate our ratings, our methodologies consider stress scenarios as a complement to the analysis derived from a base case scenario. The fees HR Ratings receives from issuers generally range from US\$1,000 to \$1,000,000 (one million dollars, legal tender in the United States of America) (or the equivalent in another currency) per offering. In some cases, HR Ratings will rate all or some of a particular issuer's offerings for an annual fee. Annual fees are estimated to vary between \$5,000 and US\$2,000,000 (five thousand to two million dollars, legal tender in the United States of America) (or the equivalent in another currency).

Media Contact

comunicaciones@hrratings.com



@HRRATINGS



HR RATINGS



WWW.HRRATINGS.COM



HR RATINGS