Flash Economics

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How can we characterise the labour market situation in the United States?

The problem is this: as a result of the Trump administration's anti-immigration policy, the number of immigrants is falling, and the size of the working population is stagnating, whereas it had previously been rising.

Maintaining full employment (i.e. keeping the unemployment rate stable at a low level) is therefore now compatible with much lower job creation than before Donald Trump became President of the United States. If the Federal Reserve keeps an eye on the unemployment rate, its stability at a low level will not encourage it to cut interest rates sharply. But if the Federal Reserve is monitoring job creation, its sharp fall since May 2025 could, on the contrary, prompt it to cut interest rates sharply. If this is the case, it will be a sign that the Federal Reserve is not taking the anti-immigration policy into account when assessing the state of the US labour market.

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Decline in the working population as the number of immigrants falls

Data from the Pew Research Center show that **the number of immigrants to the United States has fallen**, from 53.3 million in January 2025 to 51.9 million in June. The policy pursued by the Trump administration (reduction in the number of new immigrants, deportation of illegal immigrants) has led to a decline in the number of immigrants, and therefore **a decline in the working population** (**Chart 1A**; the working population is calculated as the sum of employment and unemployment). Between March and August 2025, the number of foreign-born workers fell by 1.48 million (**Chart 1B**).

Chart 1A
United States: Labour force (in millions of persons)

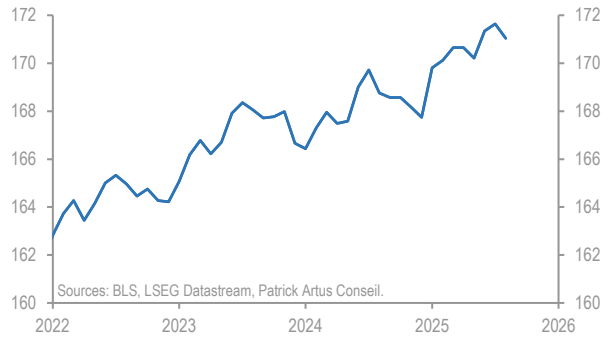
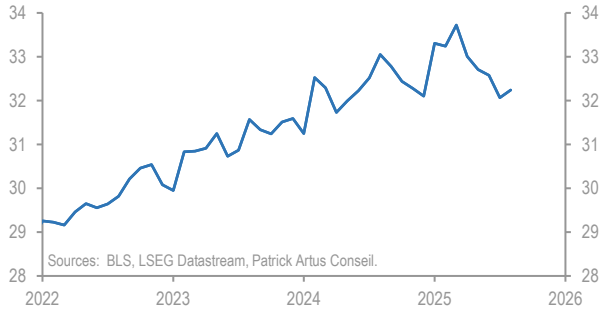


Chart 1B
United States: Foreign-born labour force (in millions of persons)



The decline in the working population means that maintaining full employment requires significantly fewer jobs to be created than was previously the case

Before the arrival of Donald Trump and the introduction of the policies that have led to a decline in the working population, **it was estimated that around 150,000 jobs a month needed to be created in the United States to stabilise the unemployment rate**. But since the working population is now shrinking, **the number of jobs needed to stabilise unemployment has become much smaller, practically zero**.

This explains why **the very low level of job creation since May 2025** (**Chart 2**) **has barely pushed up the unemployment rate** (**Chart 3**).

Chart 2
United States: Change in payroll employment (M/M, thousands of person)

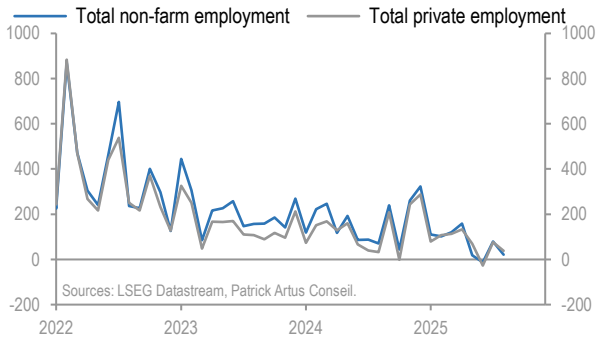
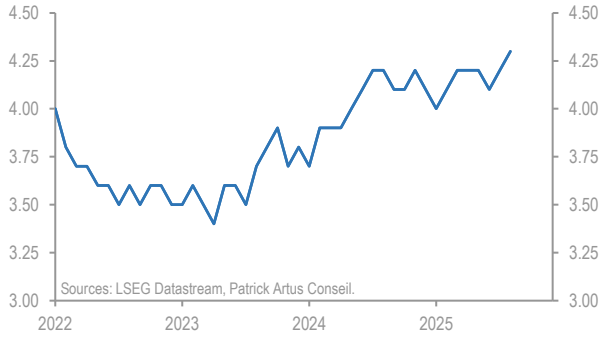


Chart 3
United States: Unemployment rate (as %)

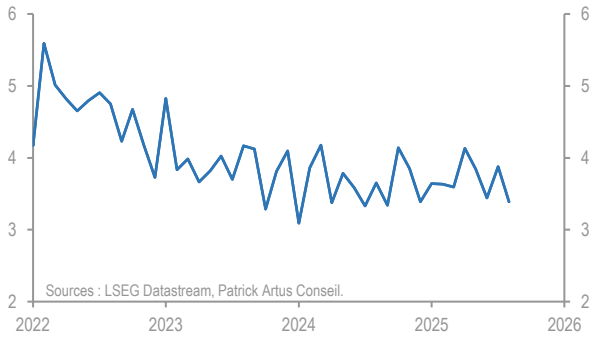


Summary: increased uncertainty about the direction of US monetary policy

One can see that:

- **While the Federal Reserve is monitoring the unemployment rate**, since it remains low due to the shrinking labour force, **it has little reason to switch to a much more expansionary monetary policy**. The low unemployment rate means that wages will continue to rise fairly rapidly (**Chart 4**);

Chart 4
United States : Evolution of weekly earnings (Y/Y as %)



- **Although the Federal Reserve is keeping a close eye on the number of jobs created**, a significant decline in this number, combined with weak growth (1.2% annualised in the first half of 2025), could lead the Federal Reserve to switch to a much more expansionary policy.

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