Trend Macrolytics, LLC
Donald Luskin, Chief Investment Officer
Thomas Demas, Managing Director
Michael Warren, Energy Strategist

TRENDMACRO LIVE!

# On the February Jobs Report

Friday, March 8, 2024

**Donald Luskin**

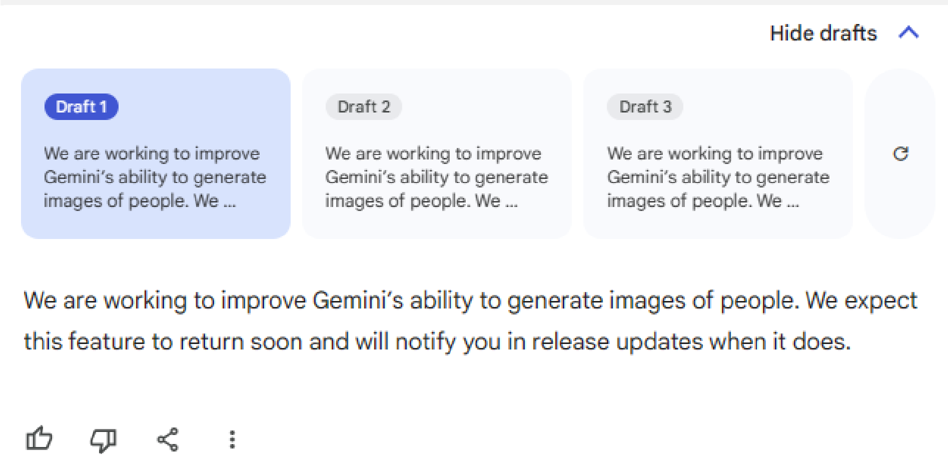
## A mass of contradictions – but all Fed-friendly.

Today's February 2024 Employment Situation Report with 275,000 net new payrolls beat the consensus for 200,000. But we think *it's a very Fed-friendly report* nevertheless. *January's too-good-to-be-true blockbuster was revised lower by 124,000 and December was downgraded, too, by 43,000*. The unemployment rate ticked up by 20 bp to 3.86%. And best of all for the Fed, an institution that believes falsely and malignantly that prosperity causes inflation, *the month-on-month gain in average hourly earnings was only 14 bp, the lowest in two years, and January's scorcher was revised slightly lower by 3 bp*. According to the "household survey," *employment fell by 184,000* (see "Data Insights: Jobs" March 8, 2024).

So with all that said, *other than that the Fed wants to see a cooler labor market* in order to feel free to cut rates – which the economy probably doesn't need all that much anyway at this point (see "Video: What you're not hearing about why it doesn't matter when the Fed cuts rates" February 26, 2024) – *was there anything good about this jobs report?*

- Yes. Even subtracting the prior months' payrolls revisions, *February's 275,000 remain ahead of the 90,000 natural rate of monthly jobs growth implied by the growth of the adult population and the labor force participation rate*.

**Generative AI token: Hundreds of thousands of American workers**




Source: Google Gemini

**Update to strategic view**

**US MACRO, FEDERAL RESERVE:** A big payroll beat, but it was facilitated by sharp downward revisions, especially to January's too-good-to-be-true blockbuster. The unemployment rate rose as employment in the household survey fell. Our model based on eight contemporaneous labor market indicators confirms the payroll number, not the household number. Average hourly earnings growth was sharply lower, the lowest in two years, and last month's scorcher was revised slightly lower. This is a very Fed-friendly report.

[Strategy dashboard]

- And despite another contradiction of the rosy Current Employment Statistics survey – the "payroll survey" – by the Current Population Survey – the "household survey" – our model that encompasses eight contemporaneous labor market data-sets estimates 154,000 jobs were created in February. That means *the bullish payroll survey is far less of an outlier than the bearish household survey.*

The media buzz around this morning's report is predicably confused. Our favorite headline is "US Jobless Rate Hits Two-Year High Even as Hiring Stays Strong."

- Well, fair enough. Hiring *is* staying strong. But it's obviously not going to be as strong, at this point, as it was three years ago when the economy was still freshly recovering from the mass-unemployment of the pandemic depression.
- And the unemployment rate *did* hit a two-year high. But that's hardly an emergency, considering that the range for the last year has been in the narrow and extraordinarily low band between 3.4% and 3.9%.

**Bottom line**

A big payroll beat, but it was facilitated by sharp downward revisions, especially to January's too-good-to-be-true blockbuster. The unemployment rate rose as employment in the household survey fell. Our model based on eight contemporaneous labor market indicators confirms the payroll number, not the household number. Average hourly earnings growth was sharply lower, the lowest in two years, and last month's scorcher was revised slightly lower. This is a very Fed-friendly report.

**Contact TrendMacro**

On the web at
trendmacro.com

Follow us on Twitter at
twitter.com/TweetMacro

Donald Luskin
Dallas TX
214 550 2020
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

[About us]