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TRENDMACRO LIVE!

# On January Jobs Report

Wednesday, February 11, 2026

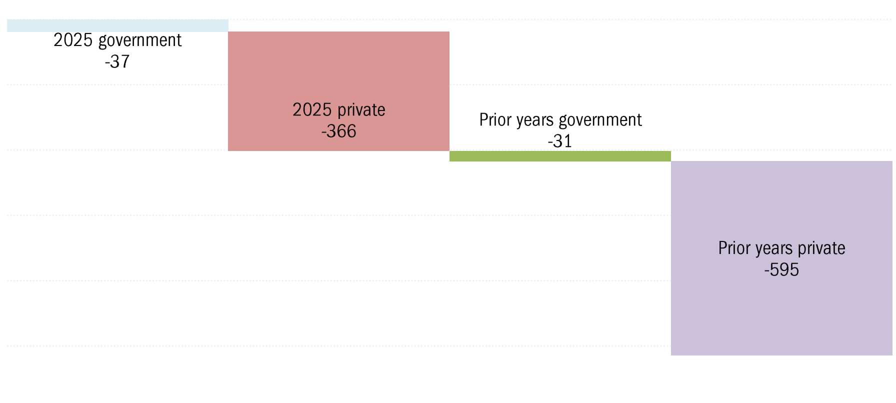
**Donald Luskin**

### A 65,000 beat in January payrolls is more important than a 1 million benchmark contraction.

*Today's Employment Situation Report was very strong*, with 130,000 net payrolls versus a consensus for only 65,000 – literally a double. *The reported number is in line with the estimate of our multi-factor model* that considers a variety of contemporaneous labor market indicators (see "Data Insights: Jobs" February 11. 2026). The two prior months were revised downward modestly, 2,000 in December and 15,000 in November.

- To be sure, *the annual benchmarking exercise effective with this morning's report reduced the level of payroll employment to 158.5 million as of December, from 159.5 million reported previously, a difference of 1.0 million, all but 68,000 in the private sector*. (please see the chart below).
- 403,000 of that applied to calendar 2025, all but 37,000 in the private sector. This reduces previously reported payroll growth of 584,000 (an already paltry 49,000 per month on average) to 181,000 (15,000 per month).
- The remaining 626,000 downgrade applied to prior years.
- For 2025, there had previously been three months reported with payroll contractions (June, August and October). The benchmark revisions added a fourth – January. Still, there are no consecutive months of contraction.
- *And none of that matters* because it was pretty much expected, and because it is only about the past. Economics is a what-have-you-

Attribution of 1.029 million adjustments to payrolls in annual benchmarking




Source: BLS, TrendMacro calculations

**Update to strategic view**

**US MACRO, FEDERAL RESERVE:** 130,000 net payrolls was a big beat, and it is affirmed by our multi-factor model. The annual benchmarking exercise reduced the total number of payrolls by 1 million, 403,000 of which was assigned to 2025. January 2025 now joins June, August and October as a month of payroll contraction (still no consecutive months). This was all expected, and all in the past. More than all the payroll growth in January was in the private sector, with a contraction of 42,000 government payrolls. Wage growth was modest, given a sharp downward revision to December. Rate cut expectations tightened somewhat this morning, but we still forecast three cuts in 2026. Immigrant employment rose sharply and native-born employment fell, but the data comes from the less reliable "household survey" and is not seasonally adjusted, which is especially important in January.

[Strategy dashboard]

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done-for-me-lately game, and what you've done for me lately is report 130,000 net payroll growth for January, blowing through the consensus for only 65,000.

We expect some will write off January's good news with 130,000 net payrolls because there were 138,000 gains in government-adjacent sectors – 124,000 in health care and 14,000 in education.

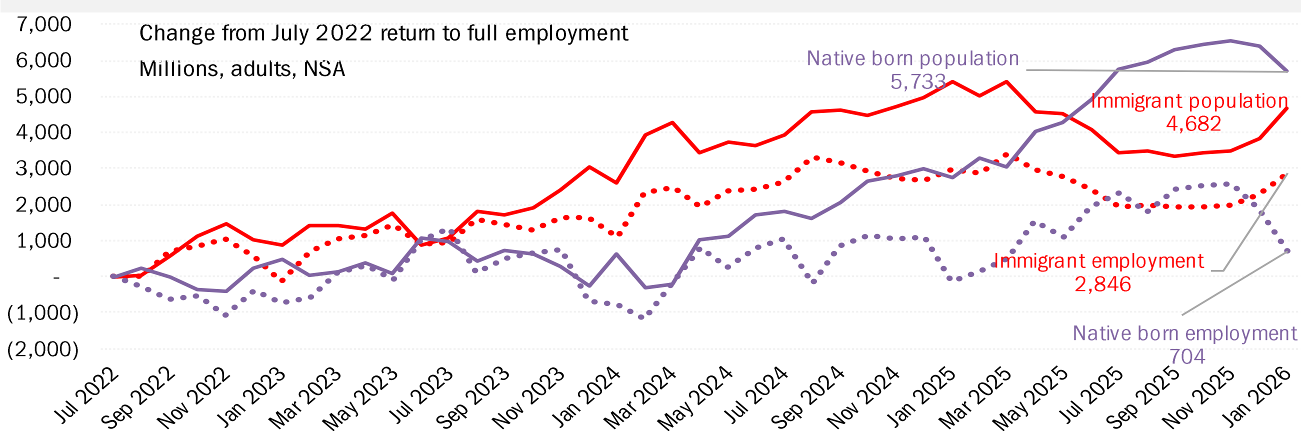
- Adjacent arguably, but nevertheless private. In January actual government payrolls fell 42,000 – 34,000 federal and 18,000 state with a gain of 10,000 local.
- So private payrolls grew 172,000 – and whatever you may say about the internal composition, they are private, and that number is almost six times the 2025 average of 31,000.

*With this large headline payrolls beat, expectations for Fed rate cuts tightened slightly*. As of this writing mid-morning, full discounting for the next rate cut was moved out from the June FOMC meeting to July, the number of cuts expected by year-end fell slightly, from 2.3 cuts to 2.1.

- Fortunately, Fed chair nominee Kevin Warsh does not believe the Big Lie that employment causes inflation (see "Our Hot Take: It's Warsh" January 30, 2026)
- And even for Phillips Curve dead-enders, while average hourly earnings grew a robust 0.41% in January, that was only because December's growth was downwardly revised by 0.27%. We are sticking with our forecast for three rate cuts in 2026 (see "Predictions for 2026 (And a Very Hot Take on Venezuela)" January 5, 2026).

*The weirdest thing to us about the report is the 565,000 surge in employment of immigrants, and the 1.2 million decline in employment of the native-born*, as reported in the "household survey". (please see the chart below).

**Cumulative immigrant population and employment growth after pandemic normal (thousands, not seasonally adjusted, population-controls adjusted)**




Source: BLS Current Population Survey, TrendMacro calculations

**AI podcast version**

Click here to listen to an informal podcast version of this report made entirely by artificial intelligence.

Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

- This data is not seasonally adjusted – and seasonal adjustments are important in January. Without seasonal adjustments, payrolls would have been reported as contracting by 2.6 million!
- This data is subject to the small sample-size of the "household survey," even smaller for January because bad weather lowered already-low response rates.
- And, of course, in a survey, are we to believe respondents in these dangerous times when they self-characterize as either native-born or foreign-born? We'd think nowadays many immigrants would lie about it (we would). Indeed, that might explain much of last year's reported drop-off in immigrant employment. Why would they suddenly tell the truth in January (we wouldn't).
- We'll have much more on this in a forthcoming video.

## Bottom line

130,000 net payrolls was a big beat, and it is affirmed by our multi-factor model. The annual benchmarking exercise reduced the total number of payrolls by 1 million, 403,000 of which was assigned to 2025. January 2025 now joins June, August and October as a month of payroll contraction (still no consecutive months). This was all expected, and all in the past. More than all the payroll growth in January was in the private sector, with a contraction of 42,000 government payrolls. Wage growth was modest, given a sharp downward revision to December. Rate cut expectations tightened somewhat this morning, but we still forecast three cuts in 2026. Immigrant employment rose sharply and native-born employment fell, but the data comes from the less reliable "household survey" and is not seasonally adjusted, which is especially important in January.

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[About us]