

TRENDMACRO LIVE!

On February Jobs Report

Friday, March 6, 2026

Donald Luskin

We hate it when bad news is good news. But this might keep the Fed from a terrible error.

Today's [Employment Situation Report](#) was weirdly weak, following [last month's that was weirdly strong](#) (see "[On the January Jobs Report](#)" February 11, 2026). Payrolls contracted by 92,000 – and what's weird about that is that the consensus was for a 60,000 gain, and our model based on a broad variety of contemporaneous labor market indicators was for a 119,000 gain (see "[Data Insights: Jobs](#)" March 6, 2026). To be sure, payrolls were corroborated by a contraction of 185,000 in employment reported in the "[household survey](#)". But the two BLS series reported this morning were, taken together, very much an outlier. So the most important question this morning is: what is real?

- We can [round up the usual suspects](#) and note that seasonal adjustments more than explain the contradiction more than entirely – without them, payrolls grew 563,000 and employment grew 483,000. But the adjustments are always large, typically larger than the change-figures they adjust. Though this time it is the fact that they do *directionally* explain a contradiction that demands explanation, suggesting that what amounts to just a model-driven best-guess is just wrong.
- But who knows... all the data from the BLS and everyone else is just a small sample in a big, complex world.
- Our strong sense, based on the total context of the economic outlook, is that the BLS series are wrong, and the strong preponderance of all the other evidence is right.

Setting the contradiction aside, let's just look at the BLS data for its own sake.

- Last month's surprisingly strong payroll gain was revised lower, but only by 4,000 – to a net gain of 126,000, down from 130,000. December was revised down more sharply, by 65,000, flipping a gain of 48,000 to a loss of 17,000.
- This now further entrenches the strange pattern we have been seeing since May 2025 – a perfectly alternating monthly pattern of payroll gains in one month and a contraction in the next. You don't see this kind of pattern typically. Payrolls are very cyclical – when you get the first contraction, that's always been the sign that you'll get a lot more (and a recession).

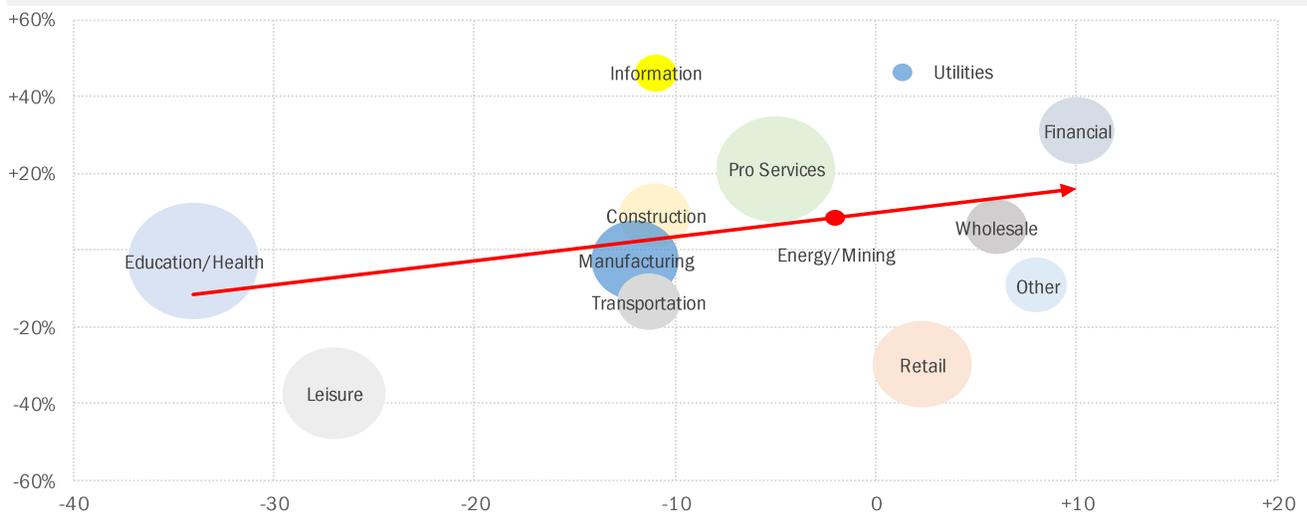
Update to strategic view

US MACRO, FEDERAL RESERVE: The large contraction of 92,000 payrolls is corroborated by a drop of 185,000 in the "household survey" employment. But the two BLS data series together are starkly and strongly contradicted not only by consensus estimates for 60,000 payrolls but also by a wide range of contemporaneous labor market indicators. Weather played some role, but doesn't explain the contradiction. Seasonal adjustments point in the right direction, but they are always large. Taking payrolls at face value, we now have a perfect series since May of alternating months of gains and losses. This is very unusual – typically the first month of payroll contraction signals a consistent downturn and a recession. This will help the FOMC in two weeks to not make a stupid policy error possibly tinged with politics, based on the false argument that a supply shock in energy is inflationary. One rate cut for 2026 has been taken out of the curve since the attack on Iran, and this jobs report builds back a third of a cut.

[\[Strategy dashboard\]](#)

- Weather had something to do with it, but not enough to explain it away. We estimate that, compared to the typical February, unusually bad weather took something like 50,000 off the table.
- We note that, even within the BLS data itself, there is a contradiction – while payrolls and employment contracted, aggregate hours worked remained at an all-time high.
- An unusual change in the BLS data – not contradiction, really – is that for the first time in recent memory payroll gains and losses across sectors favored higher-wage industries (please see the chart below). The biggest losers in February have typically been the biggest winners – education/health and leisure. We suppose “K-shaped economy” narratives could be supported by this – but those narratives were going ahead full-speed when the payroll data was the exact opposite. Feels more like noise to us.

Vertical: Hourly wages vs average Horizontal: Payrolls change this month Circle size: Share of all employment



Source: BLS, TrendMacro calculations

With an FOMC meeting coming up in less than two weeks, this data is going to throw an already confused and rudderless committee into even deeper conceptual disarray.

- The sharp uptick in oil and gasoline prices this week in the wake of the US/Israel attack on Iran has given birth to a whole new inflation narrative (see [“Quick Note on Developments in Iran”](#) March 3, 2026).
- Any oil bottlenecks that really do end up developing here will be supply shocks. Supply shocks cause recessions, not inflation. So what seems to be a growing consensus that rate cuts need to be delayed – or even that hikes ought to be considered – would be a terrible policy error.
- Funny how everything President Donald J. Trump does – tariffs first and now Iran – is assumed to be inflationary. Funny how that is a uniquely politically useful assumption for his opposition, considering that he was elected to reverse the “affordability crisis,” but having failed to do so after a year in office (indeed, what could anyone have done?), the Democrats now own the issue (see [“Did We Just See](#)

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.

[Peak Tariffs?](#)” November 17, 2025). We don’t think we’re going too far to guess that some on the FOMC are – probably quite unconsciously – infected with this particular form of Trump Derangement Syndrome.

- *But this morning’s jobs report should refocus the Fed on recession risks, if for no other reason than that those who are of a mind can blame that on Trump, too.*
- As of this writing mid-day Friday, a third of a rate cut has been built back into the money-market curve for December. But that only partially repairs the one entire cut that had been taken out since just before the Iran attack.
- *This is the big risk the economy faces now. It’s not oil or gasoline. It’s the Fed potentially making a major pro-cyclical policy error. It doesn’t matter what political biases, if any, are affecting their thoughts. It just matters because it looks like they are teeing up to get it wrong – and how sad it is to have the best cure for that be a lousy jobs report.*
- Kevin Warsh can’t show up in Washington a moment too soon (see [“Our Hot Take: It’s Warsh”](#) January 30, 2026).

**Contact
TrendMacro**

On the web at
trendmacro.com

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

[\[About us\]](#)

Bottom line

The large contraction of 92,000 payrolls is corroborated by a drop of 185,000 in the “household survey” employment. But the two BLS data series together are starkly and strongly contradicted not only by consensus estimates for 60,000 payrolls but also by a wide range of contemporaneous labor market indicators. Weather played some role, but doesn’t explain the contradiction. Seasonal adjustments point in the right direction, but they are always large. Taking payrolls at face value, we now have a perfect series since May of alternating months of gains and losses. This is very unusual – typically the first month of payroll contraction signals a consistent downturn and a recession. This will help the FOMC in two weeks to not make a stupid policy error possibly tinged with politics, based on the false argument that a supply shock in energy is inflationary. One rate cut for 2026 has been taken out of the curve since the attack on Iran, and this jobs report builds back a third of a cut. ▶