

TRENDMACRO LIVE!

On the March Jobs Report

Friday, April 3, 2026

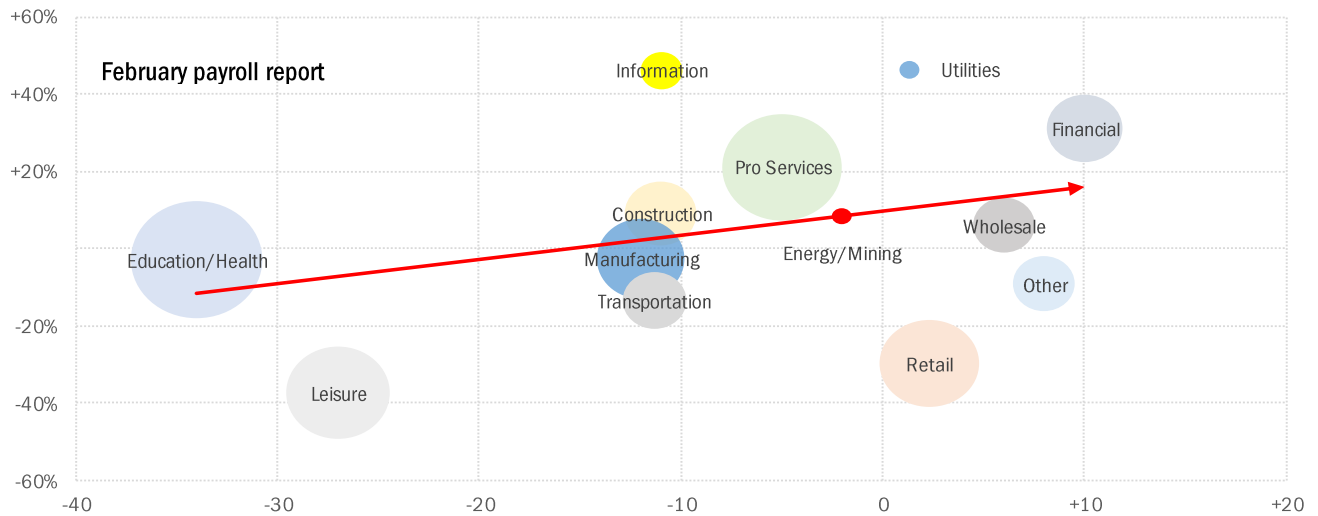
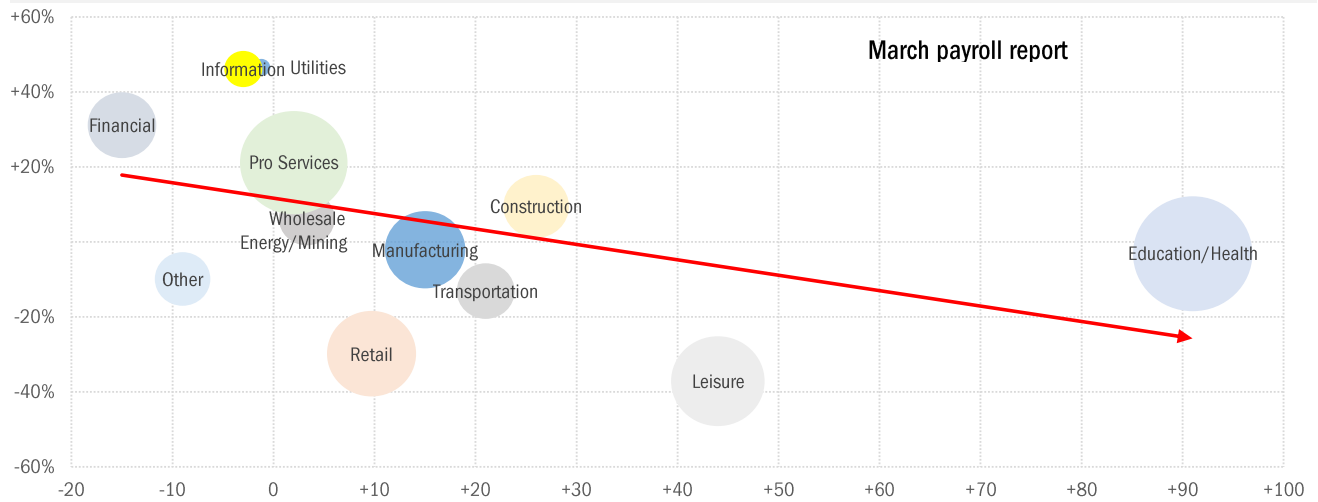
Donald Luskin

Another alternating oscillation in payroll growth and contraction. The Fed will look through it.

Today's [March Employment Situation Report](#) was in some sense the perfect opposite of last month's (please see the chart below). This morning's gain of 178,000 net payrolls (versus a consensus for 65,000) offsets February's contraction, revised down by 41,000 to 133,000 (versus a consensus for

Update to strategic view on the following page

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



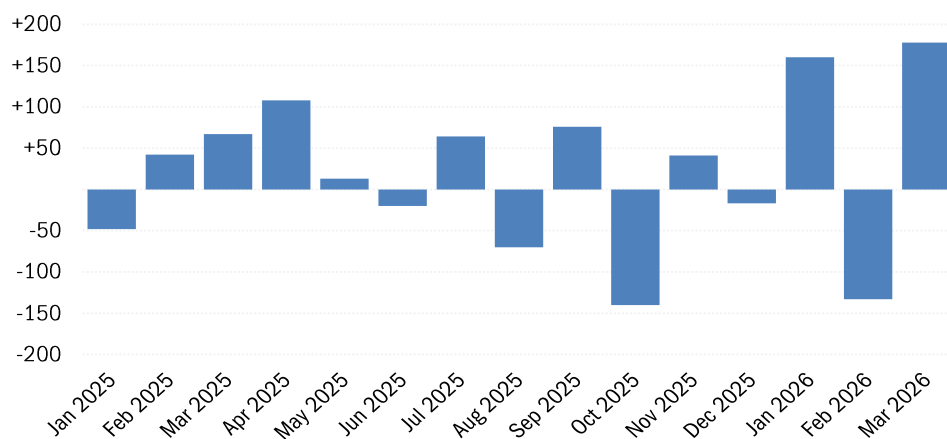
Source: BLS, TrendMacro calculations

60,000 gains). *This continues the prior two-month pattern as between January and February, which Fed Chair Jerome Powell remarked on at the March FOMC presser:*

“So I think you have to take the two together. ...the January report was a positive surprise, and the February report was a negative surprise... If you put them together, you get something in the middle, and I think you have to really...” [sentences rearranged for clarity]

- *It's more than that – since January 2025, payrolls have alternated between gains and contractions in 13 months out of 15 (please see the chart below).*

Net payrolls



Source: BLS, TrendMacro calculations

- On average, the net monthly gain is 21,400.
- Powell loses the thread when he goes on to say:

“If you adjust what has been the trend job creation over the past, let's say, six months, if you adjust that for what we think, our staff thinks, is the overstatement due to overcounting, effectively there's zero net job creation in the private sector.”

- Well, if you “adjust” to make true what he says is true after you “adjust,” it will be true. But by the reported numbers, the average for the period he's speaking about is 32,800 per month. Note that he is speaking of the private sector. Public sector payrolls have contracted 37,600 per month on average over the same period.
- *Not that some kind of “adjustment” isn't needed. According to what we think, our staff thinks, the payroll numbers are pretty much just out of control.*
- Last month, our model based on a wide variety of contemporaneous labor market indicators estimated payroll *gains* – and yet we got a large *contraction*, which was revised to be even larger with this morning's update (see [“Data Insights: Jobs”](#) March 6, 2026). This month's gains were directionally consistent with our model, which

Update to strategic view

US MACRO, FEDERAL RESERVE: 178,000 net payrolls smashed the consensus for 65,000, and overshot our model's estimate of 137,000. Last month's large contraction was made even worse with significant downward revisions. This is now yet another in a multi-month streak of alternating gains and contractions with a slightly positive average. Powell remarked on this oscillation at March's FOMC, and believes private sector payroll growth has in fact been zero for the last six months. Recognizing it as a “balance,” he nevertheless senses downside risk. We do not, seeing the cessation of immigration as the primary cause – which Powell sees, too. While a second-in-a-row large contraction would have deflected the Fed to the dovish, March's strong growth will not deflect it to the hawkish. We still forecast at least one rate cut this year, expecting the Fed to continue to sidestep the global mania mistaking an oil price shock for inflation.

AI podcast version



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

was estimating 137,000 gains – but the reported 178,000 gains was a large overshoot (see [“Data Insights: Jobs”](#) April 3, 2026).

- Surely with the Trump administration’s emphasis on halting immigration and implementing some degree of deportation – and surely a greater degree of self-deportation in light of the anti-immigration atmosphere – job creation will be smaller (fewer people entering the labor force) and job losses will be larger (people leaving, voluntarily or otherwise). As we’ve said many times, that leaves the native-born population to generate the payroll growth – which inexorable demographics limit to something like 75,000 per month.
- On top of that, the atmosphere of fear for immigrants likely makes it more difficult to get them (and their employers) to participate honestly, or at all, with the surveys that determine the labor statistics.
- *Powell is on the same page* – but for him it is tinged with risk to the Fed’s maximum employment mandate. He said,

“...it does have a feel of downside risk, and it’s not kind of a really comfortable balance... But ultimately, though, you can argue that it’s a consequence of deliberate policy, which is really the changes to immigration – that’s the biggest factor there – but, nonetheless, something we watch carefully.”

- But how, really, do you watch it carefully? *With a small native base of jobs growth as the monthly dial-tone, the Bureau of Labor Statistics processes of sampling, seasonal adjustment and birth/death modeling sets up error bands around the reported numbers that swamp the mean monthly change in those numbers.*
- Our conclusion is that we have no reason from jobs data to be worried about the health of the US economy. Six years from the bottom of the pandemic depression, we’re back to something like full employment. Small and variable payroll growth is consistent with that, in the context of no immigration.
- The Fed’s conclusion, or at least Powell’s, would seem pretty aligned with that, but with less confidence. So *we can be sure that this morning’s strong payroll report will not significantly impact Fed policy* – other than to say that if the report had been the opposite, that is, a unique example of two bad months in a row, policy would have had to be more dovish. *We continue to expect at least one rate cut this year, and that expectation was never contingent on labor market weakness. Given the global mania mistaking an oil price shock for inflation, this makes us significantly more dovish than the consensus.*

Bottom line

178,000 net payrolls smashed the consensus for 65,000, and overshoot our model’s estimate of 137,000. Last month’s large contraction was made even worse with significant downward revisions. This is now yet another in a multi-month streak of alternating gains and contractions with a slightly positive average. Powell remarked on this oscillation at March’s FOMC, and believes private sector payroll growth has in fact been zero for the last six months. Recognizing it as a “balance,” he nevertheless senses downside

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