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ECONOMIC TALKING POINTS

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February Employment: Enjoy while it lasts. But get ready to "Detox!"

Enjoy the February jobs report. It may well be the last before the DOGE-triggered tidal wave of layoffs of federal workers and government-linked private contractors show up in the hard data.

After several weeks of nonstop news how Elon Musk and his team were dismembering federal agencies and firings employees, there was a palpable sense of relief to see February's payroll increase close to expectations at 151,000.

The unemployment rate did tick up 0.1% to 4.1% in February, but it has been hovering within a narrow range between 4.0% and 4.2% since May of 2024.

Additionally, there has been no change in the average weekly hours worked. It remained at 34.1.

What looms ahead, however, is troubling for the labor market. Even February's employment release shows telltale signs that we need to prepare for hiring conditions to weaken in the coming months.

Here are a few to consider:

• The household survey showed total employment plunged by 588,000 in February, the single largest monthly drop since December 2023.

• The size of federal workforce dropped by 10,000 last month, the biggest single decline since June 2022. And this represents just the first wave of dismissals based on data collected the week of mid-February.

• Americans forced to accept part time work because they were unable to secure full time employment, leaped by 460,000 last month, the largest jump since June 2023.

• Trucking companies, worried how tariffs will disrupt the shipment of goods into the US from Canada and Mexico, have just dropped 1,900 drivers, the biggest decline since last May.

What does all this tell you?

Whatever conclusion one draws from February's employment report, at least one thing is abundantly clear: The winds are shifting in the wrong direction. Concerns about job security are cropping up.

Even Treasury Secretary Scott Bessent has acknowledged the growing public anxiety about employment and rising inflation. But not to worry, he says. This is merely a temporary cost as President Trump seeks to firmly restructure the US economy more to his vision. Bessent argues the nation is in transition and everyone must adjust in the interim. He has labelled this a "detox period."

A "detox period?"

This instantly raises questions. Detox from what? We entered 2025 with a robust economy, a healthy job market and a resilient consumer. All that momentum has dissipated!

Are we to detox from four straight years of remarkable vibrant economic growth? Detox from historically low unemployment AND disinflation? Detox from a record high stock market? Detox from high levels of consumer confidence and spending?

Bessent's approach can be summarized as follow: 'I understand your pain, but in the long run we'll all be better off. Just be patient.'

The problem with this approach is that the long run starts with the short run, and if the economy is being ripped apart in the short run and then reassembled, the long run could be marked by a drawn out, gut-wrenching recovery. We simply will not know for some time whether this forced dislocation will ultimately improve how our economy functions -- or end up doing lasting damage to it and thus take decades to repair.

And so once again we have to confront a central question so early in the Trump's second term. Are we going to see a coherent economic and political strategy emerge from the White House, one that is well thought out and deliberative?

Or is the nation about to labor through four years of essentially a bar room brawl with an antagonistic foreign policy, harmful tariffs, greater inflation, and where most other policy actions taken by Trump and DOGE simply founder in courts on charges they may violate a bevy of laws, including the Constitution?

The latter would have the Trump Administration dissolve into mediocrity and condemn the US economy to a period of chronic underperformance and much higher unemployment.

No one wants that. At the same time, we cannot ignore the ominous warnings signs of an economy heading in the wrong direction.

(Charts to follow)

Chart 1. Unemployment rate, seasonally adjusted, February 2023 – February 2025

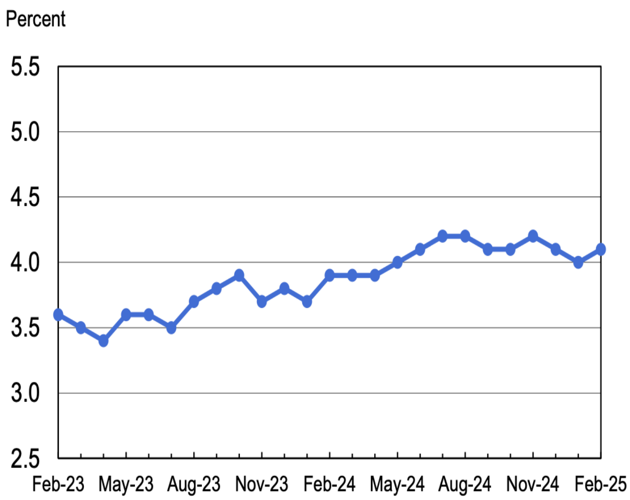
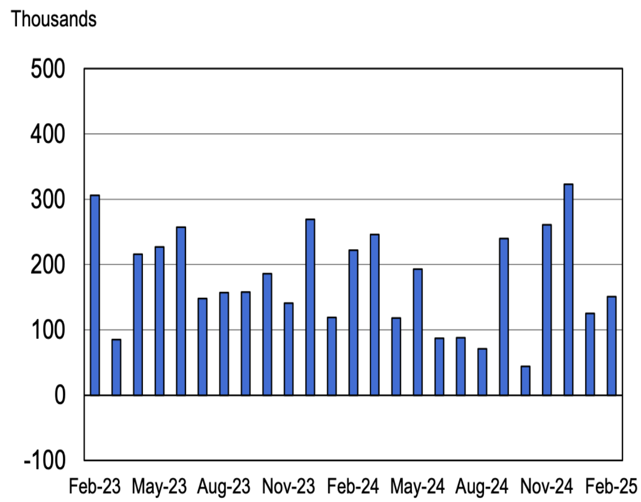


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, February 2023 – February 2025



United States

	I 2025	II 2025	III 2025	IV 2025	I 2026	II 2026	III 2026	IV 2026	I 2027	II 2027	III 2027	IV 2027	I 2028	II 2028	III 2028	IV 2028
Real Gross Domestic Product (GDP):																
%	-0.6	0.8	1.7	2.6	0.8	2.1	2.3	2.4	1.2	2.0	1.5	1.8	1.7	2.3	2.0	1.9
Personal Consumption Expenditures:																
PCE %	0.9	1.3	1.0	2.7	1.1	1.4	2.2	3.0	0.9	1.6	1.7	2.1	1.3	1.9	2.0	2.2
Inflation, end of period, year-over-year:																
CPI %	3.3	3.5	3.2	3.3	3.2	3.5	3.5	3.6	3.6	3.3	3.3	3.1	2.9	2.9	2.7	3.0
Unemployment Rate (end of period):																
%	4.3	4.3	4.1	4.0	4.2	4.0	4.0	4.1	4.0	4.1	4.3	4.2	4.3	4.4	4.4	4.4
Non-farm Payrolls, monthly avg. thousand:																
	145	130	120	135	110	125	130	125	125	110	115	120	125	130	140	145
Treasury 10-yr Note Yield % (end of period):																
	4.10	3.80	3.65	3.65	3.45	4.10	4.40	4.65	4.70	4.60	4.40	4.20	4.20	4.15	4.30	4.10
Federal funds rate % (mid-point, end of period):																
	4.38	4.38	4.38	4.38	4.38	3.88	3.63	3.63	3.38	3.38	3.38	3.38	3.13	2.88	2.88	2.88