First Trust
Weekly OUTLOOK

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Tepid Growth, But Growth

About a month ago the financial markets were surprised by a January jobs report that was stronger than expected. The consensus was for a gain of 68,000 private-sector jobs, but the actual came in at a much higher 172,000. We noted the good news at the time but also said that we should "look for much slower headline numbers on payroll growth in the months ahead."

And that's exactly what we got in February, with private payrolls falling 86,000, well short of the consensus-expected gain of 60,000.

Some saw the February report as a sign of a potential recession, but we think that's taking it much too far. The past two months should be looked at together, not separately. And together, including revisions, private payrolls rose 30,000 per month, in spite of a nurses' strike and unusually bad weather in February that should reverse in March.

Normally, private-sector job growth of 30,000 per month could be considered weak. But with strict immigration enforcement and an aging native population, it is very close to the underlying trend. In other words, nothing we've seen on the labor market tells us the economy is booming or in recession. Look for very modest growth in jobs, on average, in the months ahead.

Don't get us wrong; we are not "worry-free" when it comes to the US economy. The size of government expanded tremendously during COVID and has still not receded to pre-COVID levels. Meanwhile, inflation remains stubbornly above the Federal Reserve's 2.0% target. Stocks are overvalued and the loss of wealth that would accompany a correction in stock prices or a bear market would be a headwind for economic growth in the short term.

However, there are reasons to remain positive, as well. Technological innovation continues and the use of AI is spreading, potentially boosting productivity growth (output per hour) and facilitating entrepreneurship from people who otherwise would not be able to bring their ideas to life because of a lack of programming skills.

Think about it for a second: Mark Zuckerberg was able to create Facebook because he had some interesting ideas paired with his very own computer skills. But the next Zuckerberg doesn't need those same computer skills, meaning more ideas can come to fruition and we all benefit from a more competitive economy.

In the meantime, you are sure to hear concerns this week about oil prices, which have surged. When you do, remember that although Americans will be paying more at the pump and elsewhere for energy, American energy producers will be earning more income and incentivized to expand production. On net, this should not push us into recession.

The economy expanded 2.2% in 2025 and looks like it's starting out 2026 at about the same tepid pace.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-10 / 9:00 am	Existing Home Sales – Feb	3.880 Mil	**3.870 Mil**		3.910 Mil
3-11 / 7:30 am	CPI – Feb	+0.3%	**+0.3%**		+0.2%
7:30 am	"Core" CPI – Feb	+0.2%	**+0.2%**		+0.3%
3-12 / 7:30 am	Initial Claims – Mar 7	215K	**214K**		213K
7:30 am	Int'l Trade Balance – Jan	-$65.8 Bil	**NA**		-$70.3 Bil
7:30 am	Housing Starts – Jan	1.347 Mil	**1.340 Mil**		1.404 Mil
3-13 / 7:30 am	Q4 GDP Second Report	+1.4%	**+1.4%**		+1.4%
7:30 am	Q4 GDP Chain Price Index	+3.6%	**+3.6%**		+3.6%
7:30 am	Personal Income – Jan	+0.5%	**+0.5%**		+0.3%
7:30 am	Personal Spending – Jan	+0.3%	**+0.2%**		+0.4%
7:30 am	Durable Goods– Jan	+1.2%	**0.0%**		-1.4%
7:30 am	Durable Goods (Ex Trans) – Jan	+0.5%	**+0.5%**		+1.0%