



A Brutal Jobs Report

Sage Economics <basu@substack.com>

Fri, Mar 6, 2026

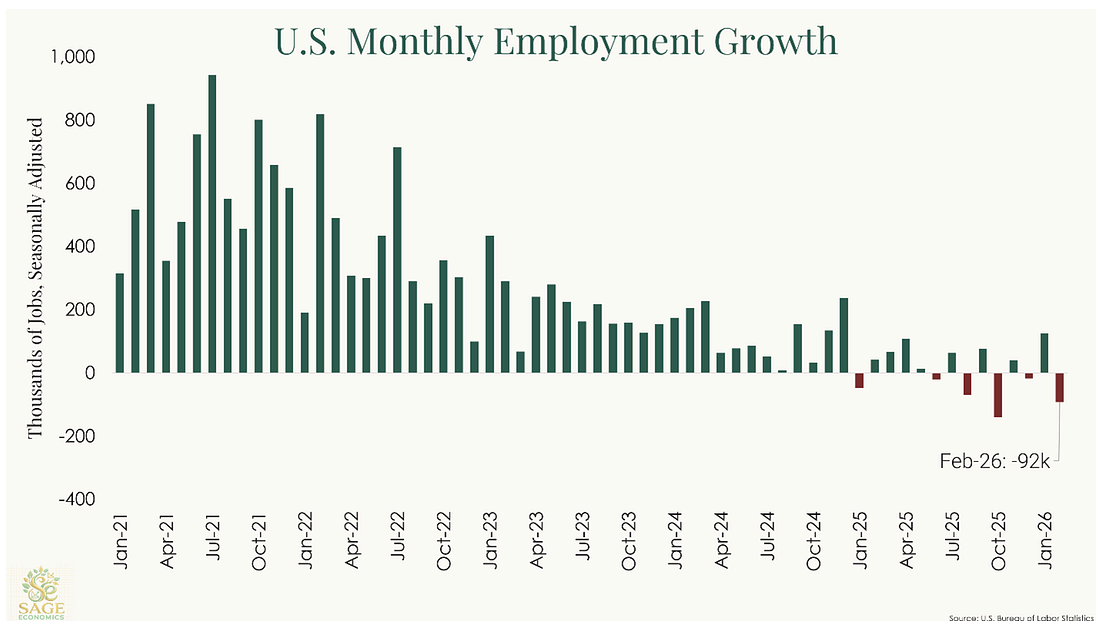
A Brutal Jobs Report

Employment down 92,000 in February

ANIRBAN BASU

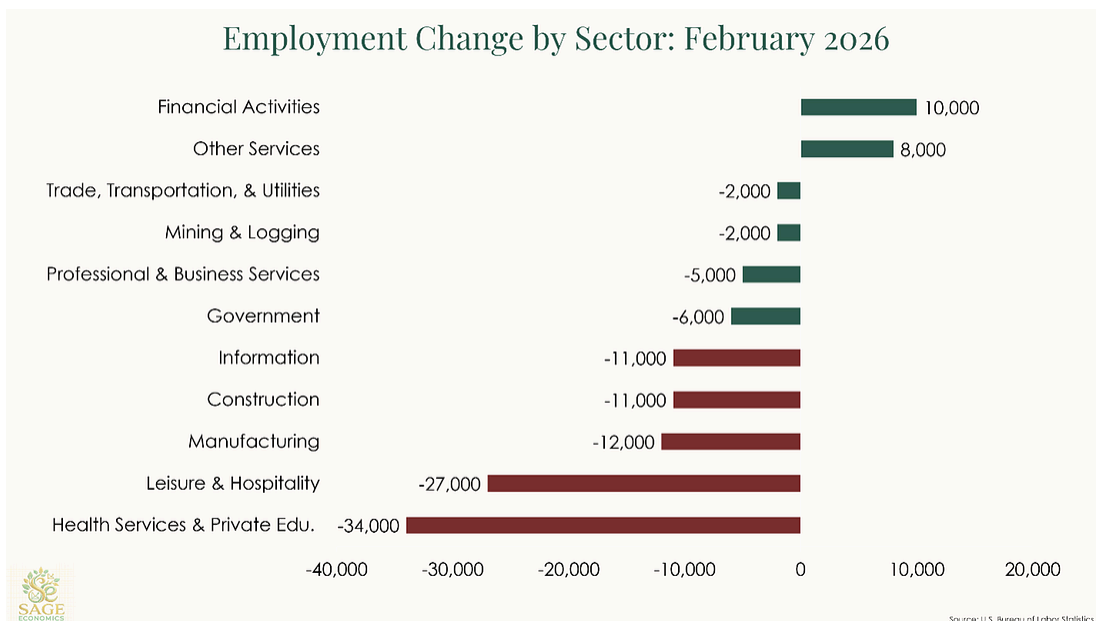


Today's jobs report was, in a word, *brutal*. U.S. employment fell by 92,000 jobs in February, and December and January's employment growth was revised down by a combined 69,000 jobs. The unemployment rate rose to 4.4%.

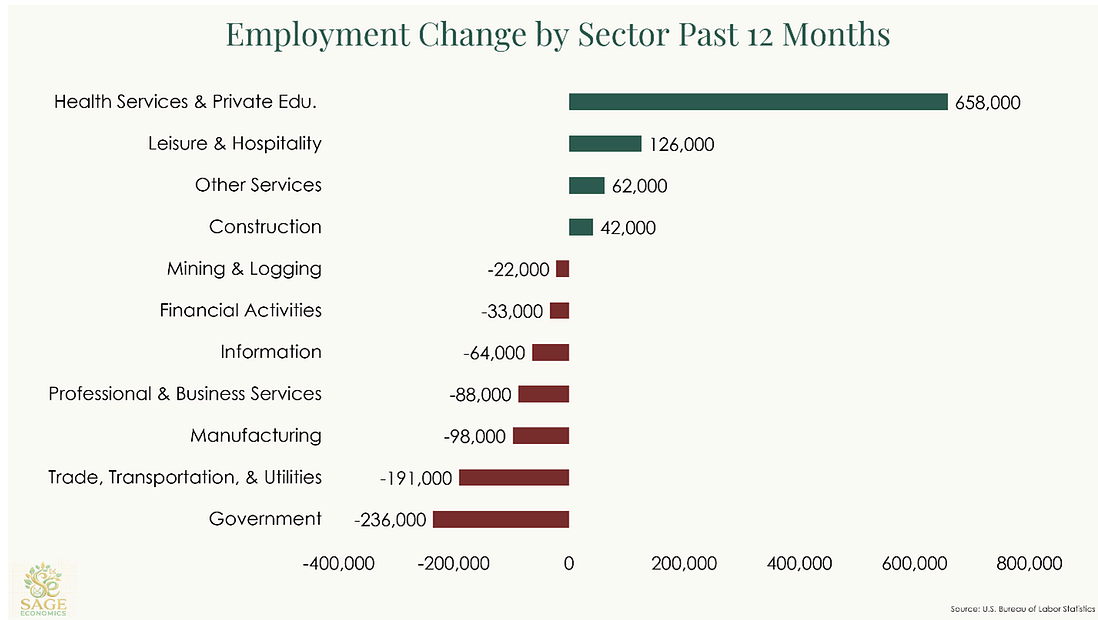


Employers have added just 156,000 jobs over the past year, and it's difficult to explain just how atrocious that is. For context, we averaged more than 156,000 **per month** in every year from 2011 to 2019. As all know, these numbers are subject to revision, so that 156,000 figure could be completely revised away, or worse.

Are there a few caveats to today's data? Absolutely. A Kaiser strike caused employment to fall in the healthcare segment, and those jobs will presumably come back in March.



The weather was also worse than normal for the month, and that can hurt leisure and hospitality hiring. True, the so-called reference week (when underlying surveys transpire) occurred well before the February 23-24 storms. Nonetheless, there was likely at least some weather impact here based on the poor performance of weather-centric segments like construction and leisure/hospitality.



There was also some shift in methodology that I won't get into here, but that triggers some additional uncertainty regarding how one should interpret the initial estimate for February jobs.

But those caveats don't change the fact that the labor market is utterly stagnant. What's (or who's) to blame? There's a lot going on, but it's no coincidence that employment is now lower than it was in April 2025, the month that kicked off our ongoing tariff misadventure. We've also observed weaker job growth in industries that typically depend on unauthorized immigrants, although that may be due to cyclical factors rather than immigration policy.

Are there any silver linings in today's report? Yes, as long as you really squint. The prime age (25-54) employment-to-population ratio ticked down but remains very elevated by recent standards. This economy is fine for anyone who has a job but rather brutal for those in search of one.

The Upshot (Is it Time to Panic?)

Viewed in isolation, no, it's not time to panic. It's one bad jobs report, and as mentioned above, there are caveats. But the risk of recession is rising and the economy is becoming increasingly dependent on the AI infrastructure spending boom to drive growth. With oil prices spiking and market values declining, the trajectory is not good. This war needs to end soon, or it could utterly upend the 2026 economy.



Scary Week in Review

Sage Economics <basu@substack.com>

Fri, Mar 6, 2026

Scary Week in Review

AHHHHHH!

ZACK FRITZ



Crude oil is over \$90/barrel, stocks are diving, and treasury yields rose enough to push mortgage rates back above that elusive 6% threshold. Oh, and the economy lost 92,000 jobs in February (Anirban's [full post on that](#)).

But hey, at least we're supposed to [hike our new global tariffs from 10% to 15% this week](#).

It wasn't all gloom this week, but the bright spots are decidedly dim when viewed through the thickening fog of war.

Monday

ISM Manufacturing PMI

Manufacturing activity expanded in February, according to this [survey of industry managers](#). That's the second straight month of growth, which is good: manufacturing activity shrank in 37 of the previous 38 months.

That's the good news. The bad—bordering on horrible—news is that the ISM Prices Index surged to the highest level since June 2022. As this respondent explained:

“Today, American produced commodities like steel and aluminum are the highest priced in the world, by far. Hence, the Section 232 tariff policy is having the exact opposite effect of their intention on an American manufacturer like us: It is raising prices while lowering demand and profitability.”

TSA Checkpoint Travel Numbers

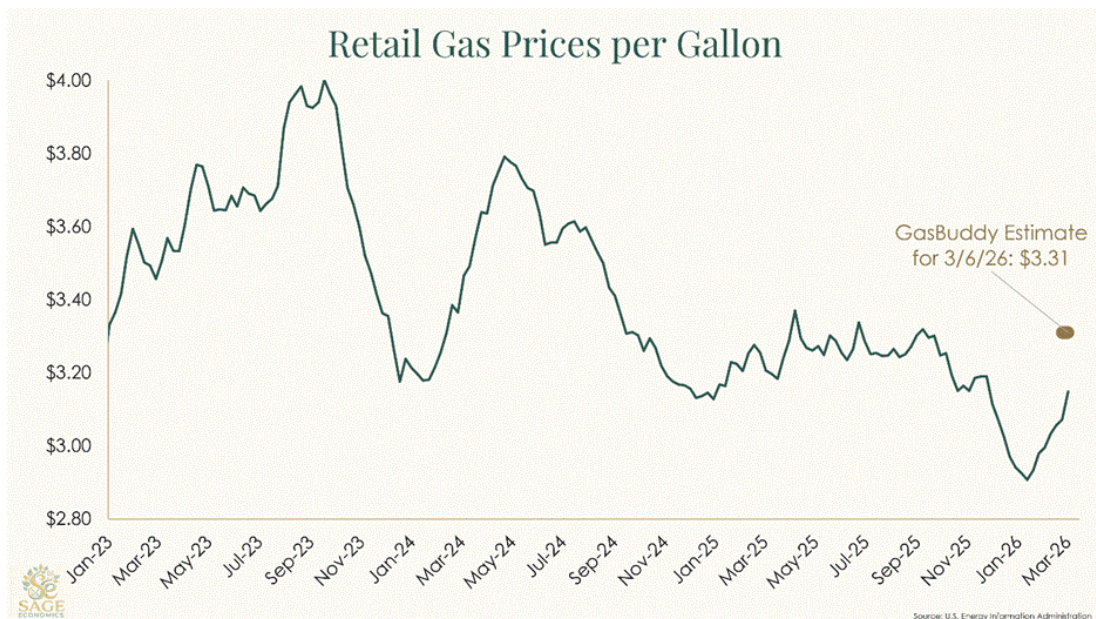
Air travel remains in good shape, according to TSA data, but airfares are exceptionally exposed to the Iran conflict because a majority of Europe's jet fuel travels through the Strait of Hormuz. While U.S. airfares are more insulated, it's a global market, and the rising price of jet fuel will definitely push air travel prices higher.

Tuesday

Oil Stuff

Crude oil prices are, as of this morning, in the mid \$80/barrel range, up more than \$20/barrel from just a few weeks ago. This is due to the conflict in Iran as well as related factors like this morning's news that Kuwait is cutting oil production.

So no surprise that EIA data shows that gas prices surged to \$3.15/gallon for the week ending March 2nd, and more real-time data from GasBuddy shows prices up to \$3.31/gallon as of this morning.



Diesel prices also jumped and are up to \$3.90/gallon, with the more recent GasBuddy estimate showing prices are at \$4.26/gallon as of this morning, the highest since November 2023.

What should you take from this? First: our prolonged period of low gas prices is definitely over.

Second: buckle up! The next few days could be absolutely wild in oil markets.

Wednesday

The Beige Book

About half of the 12 Fed districts saw economic growth in February, according to this collection of anecdotal information. This strikes me as the most important takeaway:

“Although consumer spending increased slightly on balance, two Districts reported ongoing declines, and many noted that sales were dampened by economic uncertainty, increased price sensitivity, and lower-income consumers pulling back on spending.”

ISM Services PMI

The services side of the economy remains scorching hot, according to this survey of industry managers, posting its 20th straight month of growth in February. Notably, a few respondents indicate that they’ve adapted to tariffs.

This cuts a harsh contrast with manufacturing managers, who continue to struggle with trade policy.

ADP Employment Report

Private employers added 63,000 jobs in February, according to an estimate from payroll processing firm ADP. While this is a really solid number, the ADP jobs estimate is far less important than Friday's BLS jobs report, which was altogether less solid.

Mortgage Applications

Mortgage applications increased for the week ending February 27, and that's no surprise given that average 30-year mortgage rates recently (briefly) dipped below 6.0%.

Thursday

Mortgage Rates

Mortgage rates inched up to exactly 6.0% for the average 30-year fixed. Given what's happened with bond yields, expect these to rise over the next week.

Jobless Claims

Initial jobless claims came in at a wonderfully low 213,000. This remains the most encouraging indicator and, in my opinion, the one most worth monitoring.

Friday

Jobs Report

This was an absolutely abysmal jobs report. Employment fell by 92,000 in February, with large downward revisions to December and January estimates, and the unemployment rate rose to 4.4%. You can read Anirban's full commentary on it here.

Retail Sales

Retail spending declined in January, but I'm willing to chalk that up to foul weather. Excluding car dealership and gas station sales, spending increased

0.3% and was 4.7% higher than during January 2025. Notably, e-commerce continues to rip, rising 1.9% in January and up 10.9% year over year.

Links of the Week

AI and Young-adult Jobs: The Real Mystery ([Agglomerations](#))

On Being a Dad ([Derek Thompson](#))

“All Lawful Use”: Much More Than You Wanted To Know ([Astral Codex Ten](#))

This is about the Department of War/Anthropic clash.

Final Thoughts

After this week, Zack’s outlook for the economy is: *Worse*

You want lower prices? Best we can do is the most extreme trade policy in a century and war in Iran. We’ll see what things look like when the dust settles, but there’s nothing to like about \$80 crude oil, massively inflated uncertainty, and a sputtering labor market.



March 2026 Q&A

Sage Economics <basu@substack.com>

Wed, Mar 11, 2026

March 2026 Q&A

You asked, we answer

ZACK FRITZ AND ANIRBAN BASU



We have over 3,000 words of Q&A for you. You sent in way more questions than we could answer. If we didn't get to yours, sorry and send it in again next time!

Zack's Answers

How many rate cuts, if any, do you suspect will happen in 2026?

Two? I don't know. Nobody knows. The conflict in Iran, which has upended my already tenuous forecast, could last four weeks, four months, or for God only knows how long. At this point, I'd feel more confident guessing how many M&Ms are in a giant jar at an office party.

Has the elimination of de minimis harmed small businesses? For larger companies, has it had a significant impact, or is it just more of a nuisance?

This is a tricky question. The biggest victim of the de minimis exemption was foreign small businesses who had large customer bases in the U.S. ([like this](#)

Australian jewelry seller).

For U.S. small businesses, it's more of a headache. Sourcing is more complicated, with longer delays and more logistical work, and small businesses are unlikely to have a dedicated customs broker. They certainly don't have a sourcing department that can give tariffs the attention it requires. As a result, some owners are probably now buying inputs in bulk (and then figuring out how to fund/store those larger orders).

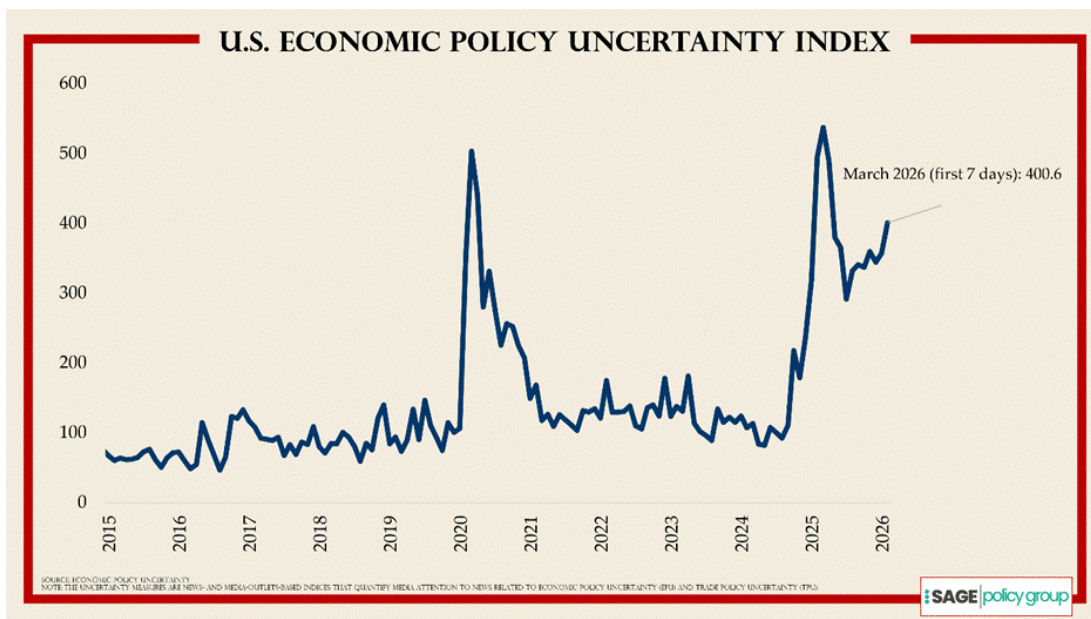
[I run a small business and, as much as I enjoy the doing our actual work, I hate—HATE—any task that brings me in contact with big-business or government bureaucracy. Seriously. I'd rather shove a glass tube up my nose and then get punched in the face by Mike Tyson than have to figure out how to pay tariffs on \$500 of foreign inputs. I'm angry just thinking about it. It's fortunate that we're a services firm.]

Of course, a domestic jewelry seller that no longer has to compete with that Australian shop is better off. Which is to say, some U.S. small businesses are benefiting from the end of the exemption.

Some large companies are likely benefiting because of how this harms small businesses, although I'm sure it was a headache for shipping firms like FedEx and UPS.

What can we expect in terms of political uncertainty during the coming months? Will the 2026 midterm elections affect this at all?

Political uncertainty is so high that we could climb it to the moon. This indicator reflects media attention to economic policy matters. As you can see, it's been outrageously elevated since Liberation Day in April 2025.

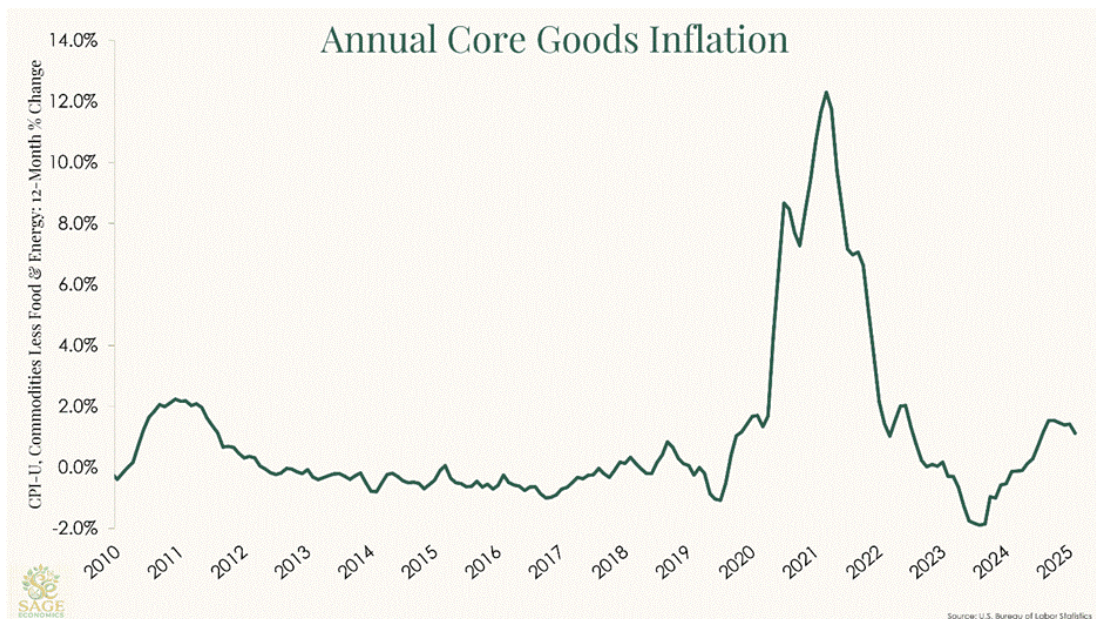


You can see the measure spiking as oil prices surge in response to the Iran conflict, and while uncertainty will lessen whenever that ends, we're still way above the historical baseline.

Midterm elections are their own form of uncertainty, and we have a long way to go to get there. Even if the House and Senate flip, I have a hard time imagining them reigning in trade policy. Which is to say, I think uncertainty will stick around for a while.

What price inflation is directly resultant from tariffs?

Core goods inflation (physical things other than food and energy) is the first place to look. These prices have been rising at a less than 2% annual pace for the past year or so, but it's unusual that they're rising at all. Note that they consistently declined from 2012 to 2019.



Consider TVs. A top of the line 65" plasma TV, which would look like garbage by today's standards, cost \$3,500 in 2012. A high end 65" inch TV now goes for less than \$1,500. So if we add a 10% tax on the import of those TVs, and the business passes along even a third of that tax, those prices are suddenly rising.

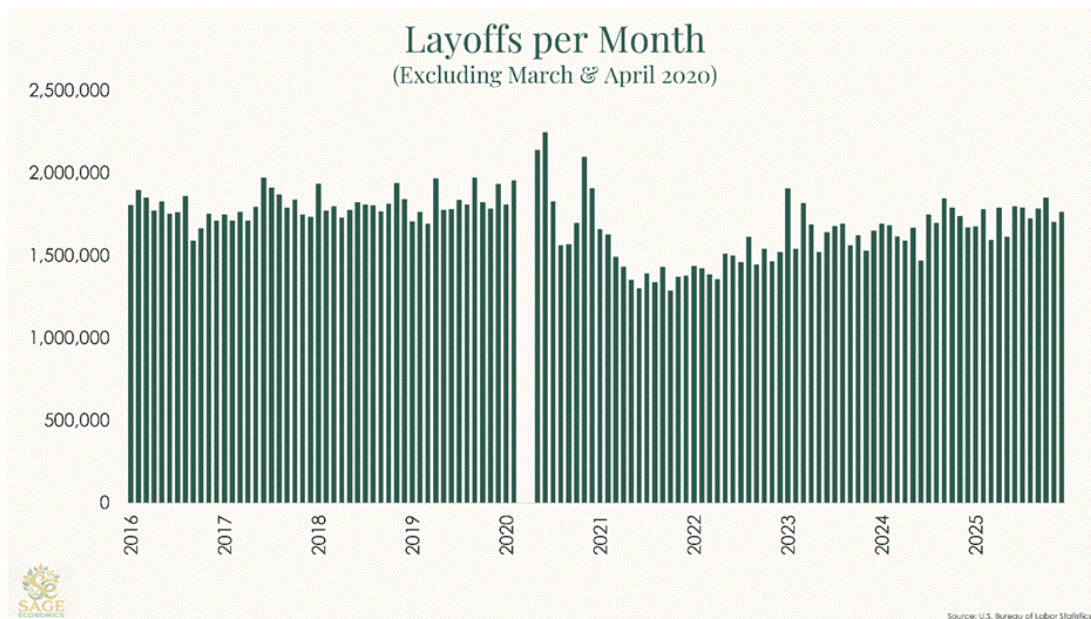
That's the case for how tariffs directly caused (in the past tense) inflation. I think the companies making core goods have, for the most part, already raised their prices to reflect tariffs.

This will be difficult to tell in the coming months because of other inflationary factors—like soaring computer component costs—that will specifically affect consumer products like TVs and laptops.

Is AI really causing layoffs?

I don't think so, at least not en masse. If a company needs to lay off workers, "we're using AI to enhance productivity" sounds a lot better than "our staffing levels got a bit bloated in 2021-22" or "we're struggling and need to reorganize."

And there aren't many layoffs in general right now. About 1.75 million people were fired in December, which might sound like a lot, but it's fewer than the 2015-19 monthly average (1.8 million/month).



More plausibly, AI is forestalling hires. Maybe a medical office uses an AI scheduler instead of hiring a second front desk person, or a research shop holds off on adding a research assistant.

Of course, a lot of people think this will change, and change rapidly, over the next few years.

What historical world economy do you think most closely represents the United States circa 2026?

Two comparisons come to mind, neither of which I think are particularly useful.

First up, England in the early 1800s. Automation, especially in the textile industry, caused largescale social upheaval, and there are similar concerns about the effects of AI. So far, those concerns are unjustified. England experienced a sharp increase in unemployment and a sudden decrease in wages. As of January 2026, unemployment is at 4.3% and real wages are at an all-time high. There's also not a giant, ominous comet coursing through the sky.

Second, there are some similarities with the late 1920s/early 1930s. The U.S. had just emerged from a pandemic (the Spanish Flu in 1918-20), we had a massive increase in tariffs (Smoot-Hawley in 1930), and markets surged to all-time highs due to widespread speculation.

But this isn't the 1930s. We have a services based economy, so tariffs won't bite as hard. More importantly, investors aren't leveraged up to their eyeballs right now. Seriously, people were buying stocks at 10:1 margins in the 1920s, which means that a 10% decline could wipe out their entire investment. I'm extraordinarily confident saying that even a large market drawdown won't cause a 1929-style crash.

Who do you think the economy will be good and bad for during 2026 (specifically by income tiers)?

Income tiers is a difficult way to look at this because the economy tends to work better for those in the higher tiers (even if their incomes grow more slowly). It's hard to fathom a situation where the top 5% struggle but the masses thrive.

I prefer to frame this as a job-havers economy. Given the incredibly slow pace of hiring and firing, it's a great time to have a job and a terrible time to need one. This may sound obvious, but it wasn't the case in 2022 when job switchers saw significantly larger pay increases than job stayers.

How will growing discontent with data centers affect smaller edge data center developments?

Discontent that manifests as community backlash will hamper hyperscale developments far more than edge ones. Discontent that manifests as legislation likely won't distinguish between small and large data centers, and that's going to be a problem for edge and smaller solo developments.

Even so, I think smaller projects will continue to have an easier time going forward.

On the graph Specialty Trade Contractor Employment by Subsegment from a few weeks ago: what's the different between "New Single Family" and "For-Sale Builders?"

These data are categorized by what the employer primarily does. Employers in the new single family category primarily work on new single family homes, but they don't sell them (i.e., they're contracted by others to work on new houses). For-sale builders construct homes with the intent to sell them.

How does Maryland's budget per capita compare to other states?

Maryland ranks 19th in state spending per capita, but that's a little misleading. It's best to look at state and local spending per capita, because the state/local division of responsibilities varies significantly between states. As of 2021, Maryland ranked 15th in terms of state and local spending per capita at about 5% above the national average.

It wouldn't surprise me if we're now ranked higher than that. Being above average is probably unavoidable; because Maryland has the highest median income of any state, our governments have to pay more in order to compete for talent.

That said, we spend on a lot of things we shouldn't, and I'd reduce our spending were I the State's benevolent ruler (note: I think it's easier for benevolent rulers to balance budgets because they don't have to worry about getting reelected).

AI and government budget cuts are going to kill the Eds and Meds economy nationwide. The superstar cities are dead meat.

I disagree! The Meds economy has an exceptionally wide AI moat; it's highly regulated, physical in nature, and part of what you're paying for is the ability to sue if something goes wrong. It's also worth noting that healthcare has accounted for the vast majority of job growth over the past few years.

Regarding education: trouble is coming, but it's not going to touch the superstar cities. I'm worried about small towns economically dependent on nonbrand name colleges. Austin will be fine, but places like Macomb, home to Western Illinois University, are going to have a hard time.

I have pharmacological firms pledging to spend \$500 billion over the next five years (maybe half of which is construction). How does this compare to the data center boom? Will the industries have issues handling these megaprojects with the data center boom already in effect?

We've spent more on chemical manufacturing construction (\$43.1 billion) than we have on data centers (\$39.3 billion) over the past twelve months. So even without a pharma boom, this is already a huge segment.

Regarding the *boom* part, I expect this to be a lot different than what we see with data centers. That \$500b number comes from a trade group and is

probably a little exaggerated, but let's be generous and say 30% of it goes toward construction put in place and that occurs over the next decade. That comes out to \$15 billion a year.

That's a lot! But it's not transformative, and I imagine some of it covers spending that's already occurring in the chemical manufacturing segment. Which is to say, I expect the category to remain strong, but it won't show the kind of rapid growth we saw with data centers.

As to whether the industry can handle it: I'm a big believer in the elasticity of supply. If Eli Lilly wants to build a \$3 billion plant in Pennsylvania, contractors will gladly rise to the challenge regardless of how much data center work they have under contract.

Anirban's Answers

What is going on with the bond market? Are foreign investors getting rid of US bonds?

There has been some selling of US bonds by several central banks, with more than \$48 billion in holdings sold off by mid-2025. There has been an obvious shift to gold, which as I'm writing this is sitting at > \$5,100/ounce. That said, remarkably, the yield on the 10-year Treasury has been flat to declining, suggesting that many U.S. actors are still sitting in American bonds, the most liquid asset in the world other than basically currency and checking accounts. As I'm writing, the yield on the 10-year Treasury is 4.14%.

What makes this even more remarkable is that hyperscalers are floating a ton of debt to finance AI expenditures, which means that some fixed income investors are being induced away from treasuries. Despite that, yields are reasonably low. Plenty of people willing to hold treasuries. The next Federal Reserve Chairman has indicated a desire to impact the Federal Reserve's balance sheet. We'll see what that means for yields.

What is going on with precious metals? Why the prices surges (and decays)?

This is part of the so-called debasement trade, with some investors shifting away from dollar-denominated assets. This is how I see it. Many investors are piled into risky large tech equities, which among other things are

associated with elevated price/earnings ratios. Having taken such a large, risky position in their portfolios, they are looking for safer assets, in part because of the conflict in the Middle East. Moreover, erratic policymaking in the U.S. has convinced some that less U.S. dollar exposure would be a good thing. So they are looking for a safer, time-tested asset that is not dollar denominated. Gold and silver fill the gap. One might have thought that Bitcoin would be a winner in an environment in which some are trying to avoid the dollar, but that actually adds to already elevated portfolio risk. So precious metals it is.

What is your prognosis for the upcoming review of our NAFTA AGREEMENT?

As I understand it, the USMCA will undergo formal review beginning July 2026. The Trump Administration will seek further concessions from the Mexicans and Canadians regarding long-standing trade disputes, including concessions regarding matters that are trade adjacent like migration, narcotics distribution, and continental defense.

This is not a small matter. The three nations represent 30% of global GDP. North America is a giant. Obviously, tariffs will be a major focus. If negotiations break down, the automotive sector would be the most negatively impacted, especially given the growing Chinese EV incursion on the way. Energy cooperation would also be impacted. The 2020 USMCA supplies “protections for cross-border energy investments and facilitates the flow of electricity, natural gas, and refined products...” (Center for Strategic and International Studies).

Now, here’s the thing. Three factors stand to soften the U.S. position. First, mid-term elections will likely intervene. Second, the Supreme Court’s recent decision regarding IEEPA tariffs have really weakened the Trump Administration’s ability to unilaterally impose tariffs. But here’s the big one. If the parties cannot reach an agreement or extension by July 1, 2026, the treaty DOES NOT automatically expire. Rather, a 10-year review period begins that could produce termination in 2036. But of course, much will be different by then.

Is there a direct correlation between a dollar losing value and inflation? If so, why is inflation rate steady as the dollar drops in value?

Yes, there is a direct correlation between the dollar losing value and inflation. As the dollar falls relative to the yen, euro, British pound, Canadian dollar, Swiss franc, etc., imports become more expensive all things being equal. But here's the thing. Imports only represent about 14% of GDP (13.8%, 2025, U.S. Bureau of Economic Analysis). So most inflation is a domestic process. This also helps explain why the Trump tariffs have only had moderate impact on price levels with a few noteworthy exceptions.

What are your favorite leading recession indicators? Or economic indicators more generally?

Yikes. This reminds me of my late-2022 forecasts, when I thought the U.S. would enter recession at some point in 2023. Obviously didn't happen. That's because the leading indicators I use all failed me, including an inverted yield curve and the Conference Board's Index of Leading Economic Indicators. Of course, the Federal Reserve was aggressively increasing rates in 2022 starting in March. What I failed to realize is just how much cash was still in the hands of households and businesses, which rendered higher borrowing costs less important.

In any case, those were unusual circumstances. Today, [the Index of Leading Economic Indicators \(Conference Board\)](#) is still my go-to. The most recent data indicate that the economy is still in expansion mode, but that it is about to soften. I think recession is unlikely this year because of ongoing fiscal stimulus and the AI infrastructure buildout, but if the war/special military operation continues for more than two more weeks, all bets are off. Consumer spending is poised to be meaningfully weaker later this year after people have spent their chunkier tax refunds, but given how long it is taking the IRS to process returns, returns may still be arriving later than I think.

Which near-term economic signals (next 6 months) will best predict how the housing market will impact the components industry? (i.e. roof/floor trusses).

The most important element at work is mortgage rates. I think virtually every analyst agrees that there's a housing unit shortage and affordability challenge in America. We need more housing. Desperately. But with interest rates stubbornly high, we aren't yet in a position to experience the housing boom to come. Unfortunately, I don't think interest rates will fall as rapidly as they did last year, when the 30-year fixed mortgage rate fell from around 6.9% to

6.1%. That's helpful, but with construction materials costs higher, labor costs rising in part because of labor challenges (e.g., impact of shifting immigration policy), and stubbornly high project financing costs, I think 2026 could be another subdued year of construction. Inflation spawned by conflict doesn't help. There might be a bit of a pickup, but not fabulous. Permits data do not indicate any substantial improvement in the near-term.

How will the immigration crackdown affect GDP growth?

Negatively. I understand that some communities can make the case that their fiscal circumstances have deteriorated. But macroeconomically, a surge of incoming, less expensive, highly motivated workers is generally a good thing. Helps fill jobs in construction, landscaping, agriculture, food processing, food distribution, hotels, restaurants, etc. That expands GDP while constraining inflationary pressure, with the possible (likely?) exception of the cost of affordable housing.

Longer-term, this will translate into an older America. Fewer young families, taxpayers, and people available to pay into Social Security and Medicare trust funds. By the way, I'm not suggesting that we reopen the southern border. But stepped-up legal immigration would probably be beneficial, including taking away that \$100,000 fee attached to certain visas.

Will a weaker US dollar be beneficial or detrimental to the United States economy? What about the average consumer?

There is not a right answer. It's circumstantial. When inflation is elevated, a strengthening dollar helps because it dampens price pressures. When the economy is struggling with soft growth and higher unemployment, a weaker dollar helps because it stimulates the export/manufacturing sectors.

I would say that presently, a weaker dollar will help. Manufacturing has been struggling and the trade deficit is as large as ever. Now, that would negatively impact the average consumer, with an accompanying weakening of buying power. But the consumer is also often a worker, and the economy is more likely to produce more high quality jobs with a less potent USD.

If the new fed chair dissents from the other governors over interest rate decisions, what kind of reaction can we expect from the markets?

Not much. I don't think the market really pays much attention to dissents, even from a Fed Chair. Ultimately, the market only cares about what interest rates are. That said, if a Fed Chair dissent signals something new about the forward-looking trajectory of rates, well then that's different. Still, Warsh will only be one vote.

Do you expect any significant changes in Fed policy after May?

New chair, new policies. But here's the thing. Everyone focuses on the rate-setting functions at the Fed. Obviously, that's important, but the new Fed Chair is only one vote, and the data are what the data are regarding inflation, etc. Where you might observe some bigger changes is the manner in which banks are regulated by the Fed, with regulation perhaps softening further. Also, the new Chairman has indicated a desire to adjust the Fed's balance sheet, which I think could mean shrinking it (e.g., selling U.S. debt). That would actually put upward pressure on long-term interest rates even as the Fed Chair tries to engineer faster reductions in short-term ones. There is a risk that such efforts will really spook both fixed-income and equity markets.

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Fri, Mar 13, 2026

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Inflation, oil, & more

ANIRBAN BASU



Ten-year treasury yields are up 0.3 percentage points since the conflict in Iran started, while oil prices are up about \$30/barrel. That's bad news for anyone planning to buy a home, drive a car, or buy anything that has to be shipped anywhere using a vehicle that runs on diesel. Which is to say, an EV-driving wandering aesthetic may be relatively unaffected by recent events.

This week brought us updates on inflation, small business optimism, GDP, consumer sentiment, and a whole lot more. Oh, and it also brought Maxx Crosby to the Ravens. . .oh, wait, no it didn't.

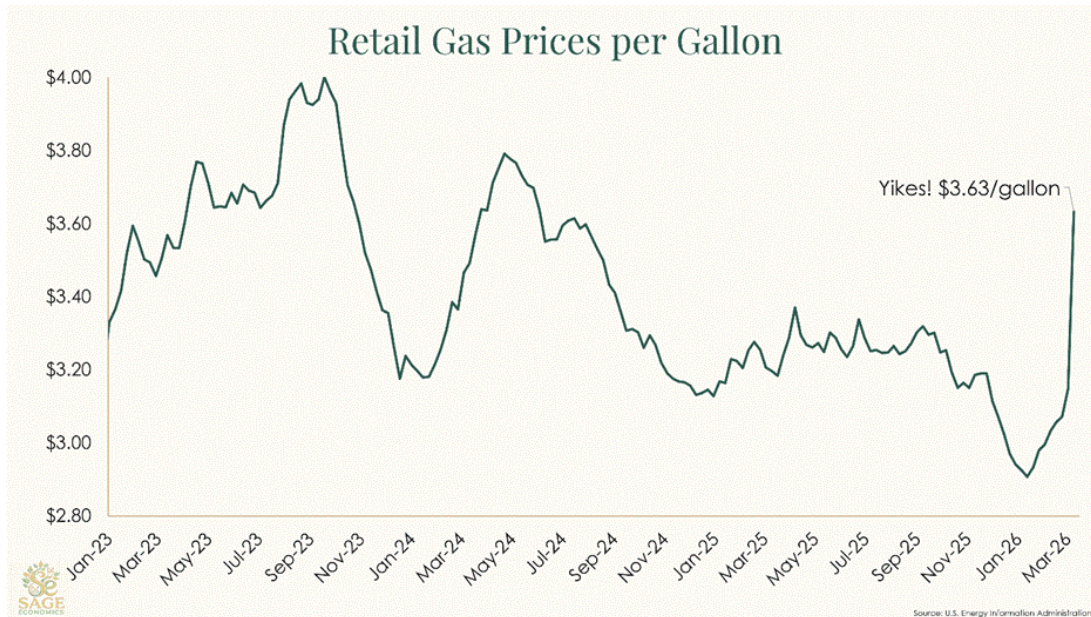
Monday

Oil Stuff

The International Energy Agency, which has deemed this "the largest supply disruption in the history of the global oil market," announced that it will release a record 400 million barrels of oil, while the White House is going to release 172 million barrels from our Strategic Petroleum Reserve.

But that wasn't enough to bring down crude oil prices, which are nearing \$100/barrel. Late last year, the price of oil was routinely below \$60/barrel.

As you might expect, gas prices continue to surge, with the average up to \$3.63/gallon as of the week ending March 9th.



Diesel prices have also spiked, with the average price up to \$4.86/gallon from \$3.80 just two weeks ago. While higher gas prices are going to hurt consumers at the pump, \$5.00/gallon diesel (which will likely be a reality in the next week or two) is arguably the bigger economic problem since that impacts shipping costs and therefore the price of food, fertilizer, etc.

TSA Checkpoint Travel Numbers

Air travel remains in great shape, according to TSA data, with TSA checkpoint numbers up about 3.5% compared to the same week last year. Of course, these are all flights booked well before the recent jump in jet fuel prices. Expect fares to begin rising significantly during the weeks to come.

Tuesday

NFIB Small Business Optimism

Small business optimism fell slightly in February but remains in pretty decent shape. The most interesting part of this is are quotes from NFIB members (page 4 of the link) that show agricultural firms having a particularly hard time

with rising input prices. The crisis of the moment relates to fertilizer, which is having a tough time getting here from Russia, Saudi Arabia, Egypt and Qatar. For many farmers, this is planting season.

Existing Home Sales

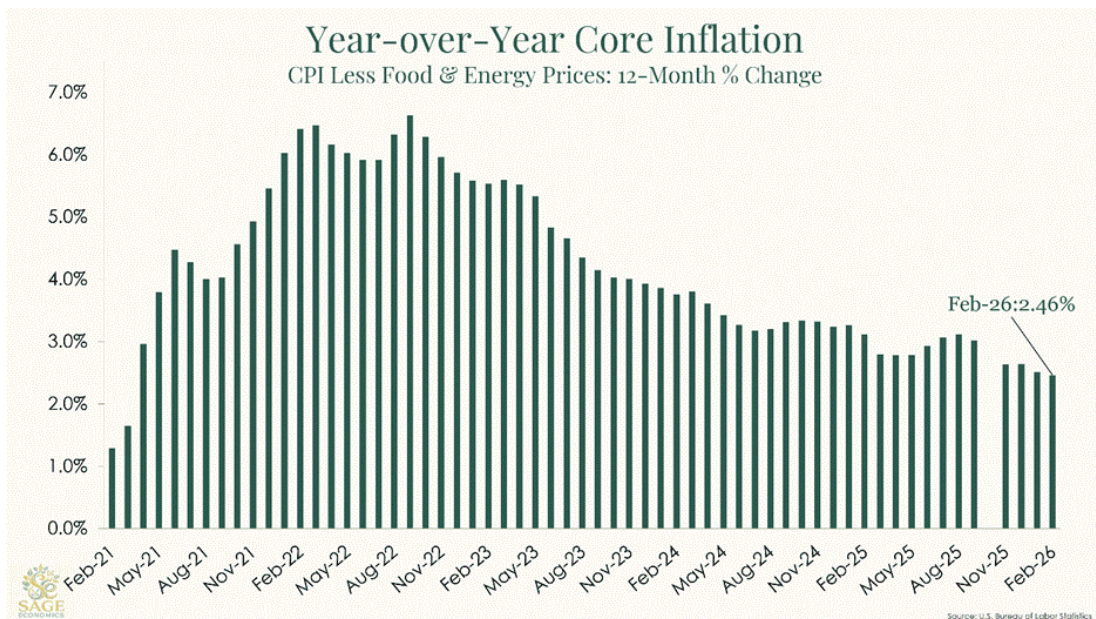
Sales of existing homes (that is, not new houses) increased slightly in February but are still lower than during the same month last year. Disruptive weather played a part, but mortgage rates were close to 7% during February 2025 and now they are closer to 6%. The lack of year-over-year improvement in home sales is disappointing.

Wednesday

Consumer Price Index

Inflation was relatively cool in February, but that was before the conflict in Iran started, so take it with a drop of sticky crude oil. Overall prices increased 0.3%, slightly faster than the 0.2% increase in core prices (exclude food and energy because they're volatile). Core prices were up just 2.46% year over year in February. That's the smallest annual rise since March 2021.

All things being equal, increasingly benign inflation would be consistent with expectations for further rate cuts engineered by the Federal Reserve. But all things are not equal. The promised restoration of higher tariffs and oil shocks have the bond market increasingly suggesting there will be no rate cuts this year.



Mortgage Applications

Mortgage applications increased for the week ending March 6, and purchase applications are up about 10% from the same time last year. However, a recent bounce back in mortgage rates may staunch that emerging momentum for now.

Thursday

New Residential Construction

Housing starts surged 7.2% in January, rising to their highest level since December 2024. Permits are down, though, and the number of units under construction continues its steady decline, down to its lowest level in over five years. I had dinner with an extremely large apartment developer on Thursday itself, and he said that like many others they have shifted away from developing new units and are focusing on managing the ones already in their portfolio.

Mortgage Rates

Mortgage rates jumped to an average of 6.11% for a 30-year fixed as the conflict in Iran pushed bond yields, and therefore mortgage rates, higher. Given recent yield increases, rates will continue to rise until Pete Hegseth says, "mission accomplished."

Jobless Claims

Initial jobless claims came in at a wonderfully low 213,000. No problems here! The number of layoff announcements also has faded a bit recently.

Friday

PCE Price Index

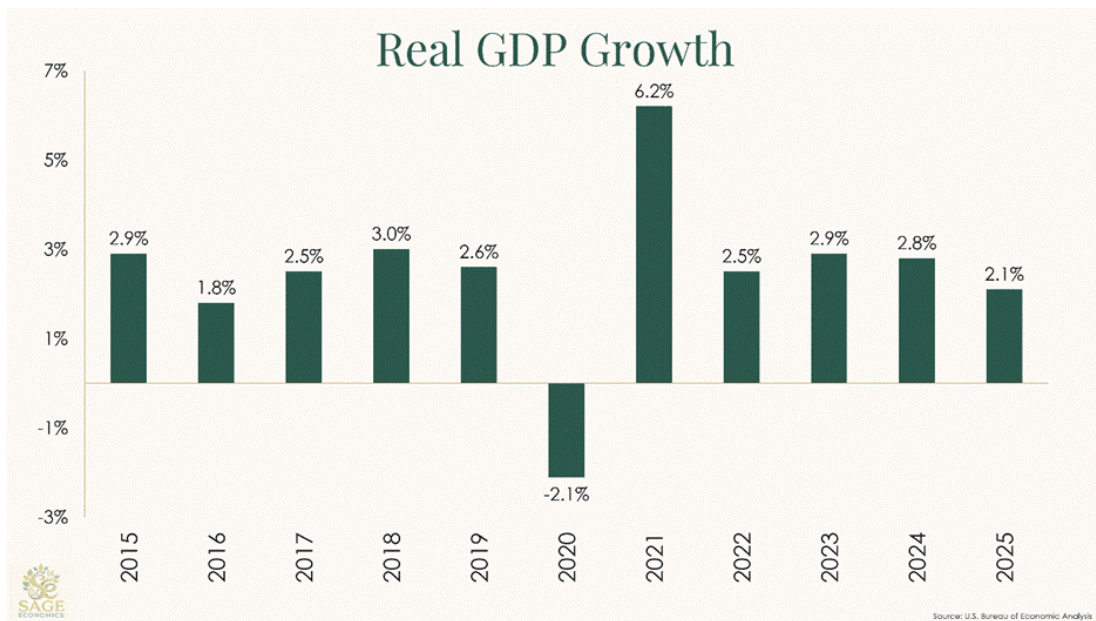
The Fed's preferred measure of inflation—what they're actually targeting with that 2.0% annual rate—came in slightly hot and is up 2.83% year over year. That's disappointing considering that inflation had slowed to a 2.28% year-over-year level, just barely above target, back in April 2025.



Again, this is from the before times, and the Iran conflict has totally changed the inflation picture for at least the next month or two. No rate cuts for you!!! But soup you can have.

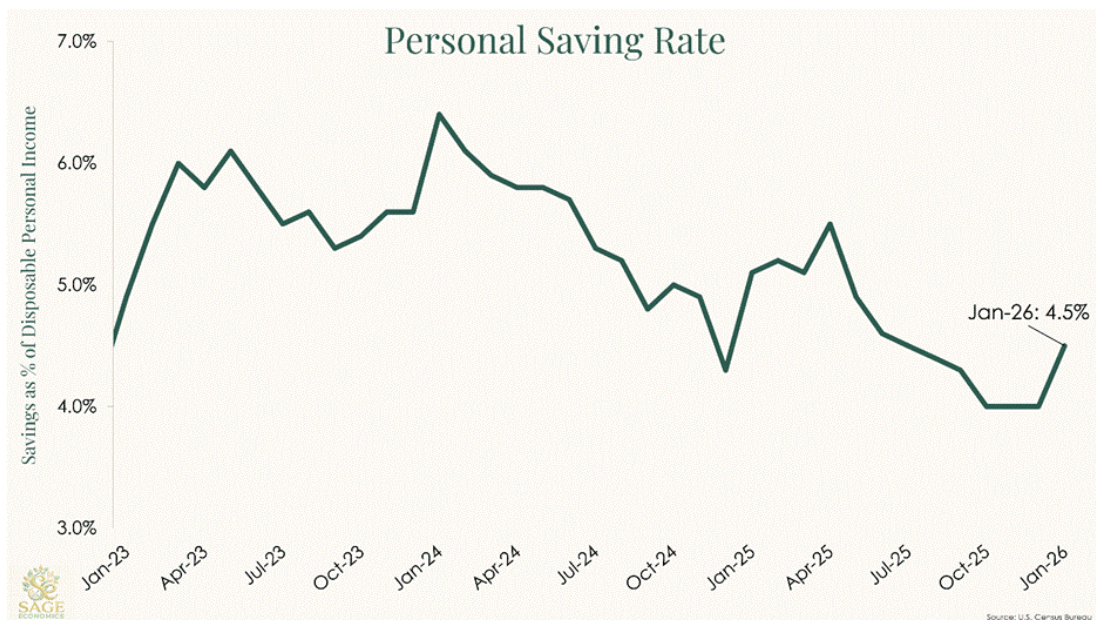
Gross Domestic Product Revision

Fourth Quarter GDP growth was revised down from a 1.4% annualized rate to a 0.7% annualized rate. That brings estimated 2025 growth down from 2.2% to 2.1%, the slowest annual expansion since 2016 with the obvious exception of 2020.



Income, Spending, & Saving

Income and spending increased in January, both rising 0.4% for the month. Because disposable income increased at a much faster pace for the month (+0.9%), the saving rate increased for the first time since April 2025. Many economists are viewing the rising savings rate as an indication that more households have become pessimistic about their idiosyncratic financial outlook, and are saving for rainy days.



University of Michigan Consumer Sentiment Index

Consumer sentiment fell slightly in March, but this will likely be revised lower when the final estimate comes out later this month; those surveyed before the conflict in Iran started were far more optimistic about the economic situation.

Job Opening and Labor Turnover Survey (JOLTS)

The number of open, unfilled jobs rose in January but are still down by about 500,000 over the past year. More importantly, the hiring rate and firing rate remained exceptionally low, while quitting also remained relatively uncommon. Which is to say, the labor market remains stagnant.

Links of the Week

The Elusive Cost Savings of the Prefabricated Home (Construction Physics)

Place and Male Educational Attainment Gaps (Agglomerations)

Who Uses AI in Congress? (Homo Economicus)

Final Thoughts

After this week, my outlook for the economy is: *Worse*

The war sets back America along a number of economic dimensions. We want lower inflation and lower interest rates. Lower borrowing costs will position the economy for its next growth spurt. But the war is lifting inflation and postponing the arrival of lower rates. Rising prices will continue to waylay household balance sheets, and volatile equity markets probably have some wealthy families embracing a wait and see attitude regarding their investment and spending behavior as well.



Grim Week in Review

Sage Economics <basu@substack.com>

Fri, Mar 20, 2026

Grim Week in Review

Oil, death pledges, & more

ANIRBAN BASU



The word “mortgage” comes from an Old French term that literally means “dead pledge.” It’s unfortunately appropriate for the current housing market, which has been flattened by some rate-boosting event every time it starts to revive over the past few years.

Beyond some macabre housing stats, this week brought us grim updates on oil, producer prices, and a lot more. Oh, by the way, start Gunnar Henderson in the final against Venezuela and the US would have won the World Baseball Classic.

Monday

Industrial Production

This measure of how much our manufacturing, mining, and utilities industries produce increased 0.2% in February and is up 1.4% year over year. Not great, but not too bad, either. This is one of the six indicators that the NBER uses to diagnose a recession, so even tepid growth is encouraging.

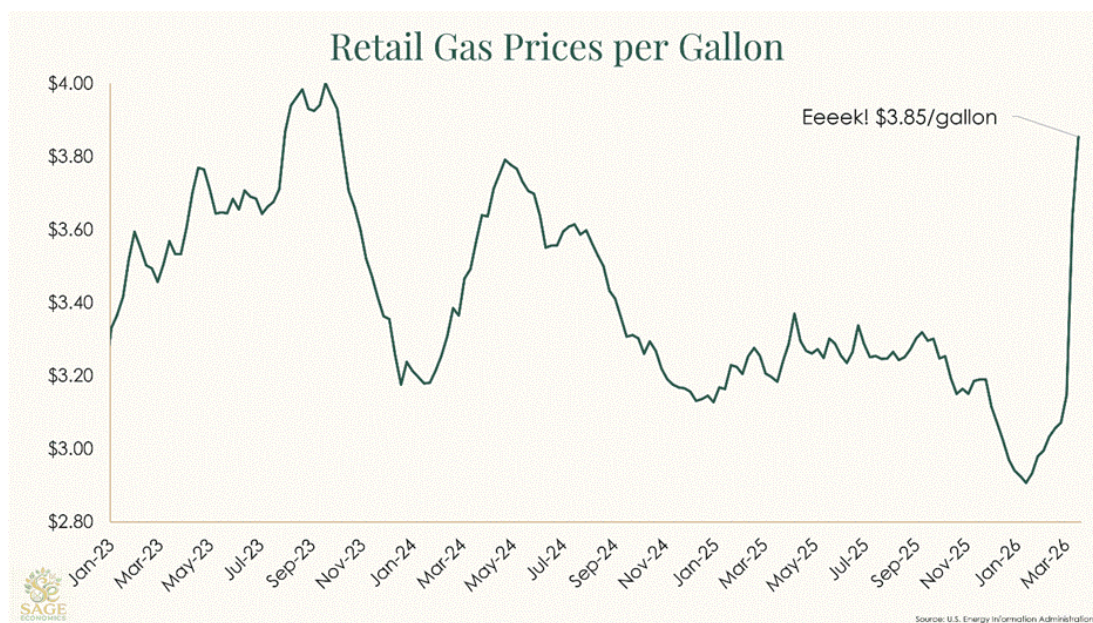
NAHB Housing Market Index

Homebuilder confidence improved slightly in March. While this measure is higher than during mid- 2025, it's still extremely low by historical standards. Homebuilders are particularly glum about the traffic of prospective buyers, so it's not a surprise that 37% of builders cut prices in March.

Oil Stuff

The oil situation is not improving and—with no end in sight for the conflict in Iran—will keep getting worse for quite some time.

Gas prices continue to race higher, up to \$3.85/gallon for the week ending March 16th. That's about a dollar higher than in mid-February, meaning that U.S. consumers will spend \$375 million more on gas *every day* than they did one month ago. Can't we just declare victory and head to Taiwan?



Diesel prices surged above \$5.00/gallon for the first time since 2022. That's going to hurt a lot of parts of the economy in a lot of different ways. Food prices are headed higher as is any good that needs to be transported in the near-term.

White House Tries to Make Oil Stuff Better

The White House is expected to temporarily wave rules about summer gas formulations, which we switch to during hotter months to reduce air pollution, in an attempt to lower gas prices. The White House also waived the Jones

Act—one of the very worst economic policies in existence—for the next 60 days.

[Please, please, permanently waive the Jones Act.]

These moves, which don't exactly inspire confidence that the Iran conflict is going to end anytime soon, will shave a few cents off a gallon of gas. That's not nothing, but it also won't make consumers feel much better about soaring pump prices. Expect ongoing efforts to mitigate price increases, but the best way to do this is to end the war and start Gunnar Henderson.

Tuesday

Pending Home Sales

Pending home sales, which are supposed to hint at what actual home sales will look like in a month or two, increased in February but are still down on a year-over-year basis. That's pretty disappointing given how much mortgage rates fell between February 2025 and February 2026. More recently of course, mortgage rates have been edging higher.

TSA Checkpoint Travel Numbers

Air travel remains elevated compared to the same time last year, according to TSA data, but we'll see how long that lasts with jet fuel prices soaring and TSA lines lengthening.

Wednesday

Producer Price Index (Inflation)

Prices received by U.S. producers rose way faster than expected in February. That has a lot to do with food prices, which have been pushed higher by bad winter weather and tariffs, including on fertilizer. The conflict in Iran, which is going to put more pressure on both food and fertilizer prices, is not going to help this situation. Household finances were already in poor shape by many measures, including credit card delinquencies. Risk of recession is climbing.

Fed Interest Rate Decision

The Fed kept interest rates steady at their March meeting. That's not news—we knew they weren't moving rates.

What is news is that Powell, in his press conference, said he will remain as the chairman pro tempore until his successor is confirmed. Powell also said that he's not leaving the Fed Board of Governors until the investigation into him is dismissed (a judge recently tossed the subpoena against Powell with an absolutely scorching opinion).

Again, the White House's efforts to pressure the Fed have been counterproductive at every turn. Don't fight the Fed!!

Fed Projections

The Fed also released new economic projections at this meeting. Compared to December, they expect slightly faster growth for 2026, much higher inflation (2.7% vs. 2.4%), and the same number of rate cuts (1). Of the 19 members who supply forecasts:

- 7 expect no rate cuts in 2026
- 7 expect 1 rate cut
- 2 expect 2 rate cuts
- 2 expect 3 rate cuts
- And 1 expects 4 rate cuts

Mortgage Applications

Mortgage applications fell sharply this past week. Blame mortgage rates.

Thursday

New Home Sales

Sales of newly built homes fell off a cliff in January, down 18% from December. While it's tempting to blame weather, sales also fell sharply in the western U.S., where winter storms were less of a factor. Big picture, new home sales fell to their lowest level since October 2022. Stubbornly high mortgage rates, rising uncertainty and sagging confidence are likely to remain in place over the near-term, unless this war ends.

Mortgage Rates

Mortgage rates surged to 6.22% for a 30-year fixed. That's up from 5.96% just three weeks ago.

Jobless Claims

Initial jobless claims fell to an even lower 205,000 this past week. There's a lot of reason to worry about the economy, but our most real time labor market indicator remains in great shape. People are not losing jobs in large numbers.

Friday

Nothing

Given, well, everything, no news is good news. Enjoy the weekend!

Links of the Week

How Much Computing Power is in a Data Center? ([Construction Physics](#))

The TACO trade meets the fog of war ([The Silver Bulletin](#))

How Thirsty is AI? This [tool from Andy Masley](#) lets you contextualize how much water data centers use with proportional squares—very fun.

Final Thoughts

After this week, my outlook for the economy is: *Worse*

I've said it before. We need lower interest rates to catalyze the next leap in our collective economic fortunes. We just can't get there with all the inflationary pressure filtered into the economy through tariffs, shifting immigration policy, and war. The good news is that since we haven't spelled out our objectives in Iran, we can declare victory at any moment.

Nightmarish Week in Review

Sage Economics <basu@substack.com>

Fri, Mar 27, 2026

Nightmarish Week in Review

Construction spending, workplace injuries, & more

ZACK FRITZ



Our long national nightmare appears to be coming to an end. No, not the nightmare that has sent oil surging to several-year highs. That one is ongoing and just as scary as ever, with gas prices up \$1.00/gallon from just four weeks ago.

The other nightmare. The one that caused the longest TSA wait times in history. Early this morning, the Senate approved funds to pay most Homeland Security agencies. Assuming the House does its part, this could all be wrapped up later today.

This week was light on economic data releases but still brought us updates on construction spending, workplace injuries and illnesses, and more.

Monday

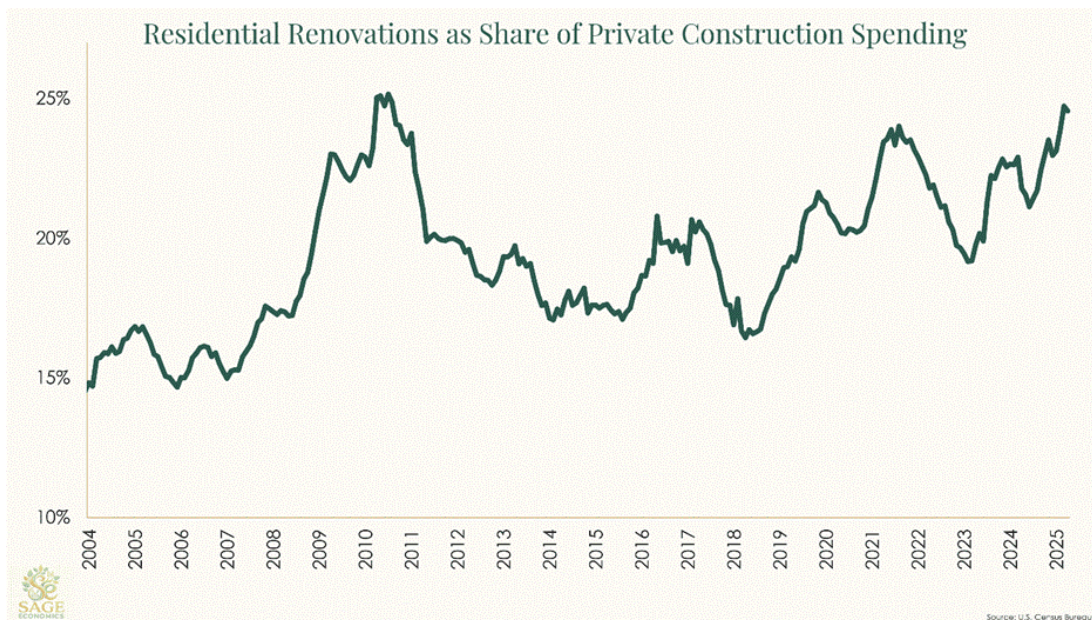
Construction Spending

Construction spending fell 0.3% in January, but that decline was at least partially due to bad weather.

Taking the optimist's view, spending is up about 2% from the May 2025 cyclical low and has increased in 5 of the past 8 months.

Is that encouraging? Sure, but the recent rebound is almost entirely due to increasing residential renovation work, which has risen by \$53 billion (seasonally adjusted annual rate) since May. All other construction spending is down by about \$12 billion over that span.

To put this into context, we're spending about 770% more on residential renovations than we are on data centers. Residential renovations now account for \$1 in every \$4 of private construction activity.

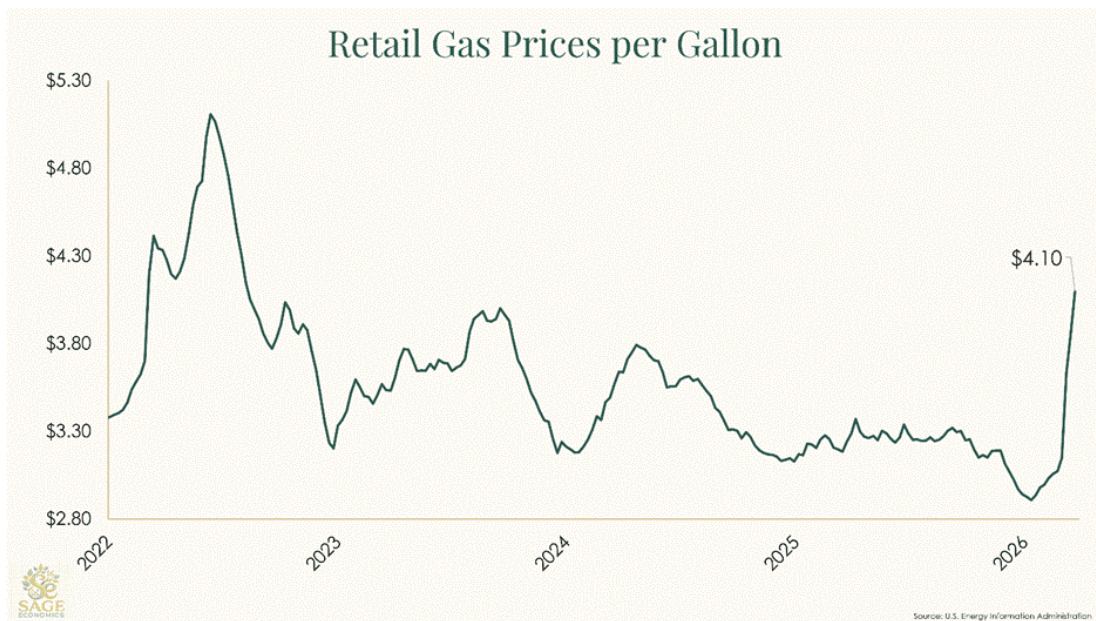


Just focusing on the nonresidential side of the industry, spending fell in January, and private nonresidential is particularly weak, down 3.0% year over year.

And that's before we see what kind of pain soaring oil prices cause for the industry. Not great!

Oil Stuff

Gas prices shot up to \$4.10/gallon for the week ending March 23rd. That's up more than \$1.00/gallon from late February.



Diesel prices—what you should really lose sleep over—continue to surge and are now up to \$5.38/gallon. That's going to put upward pressure on a lot of other prices.

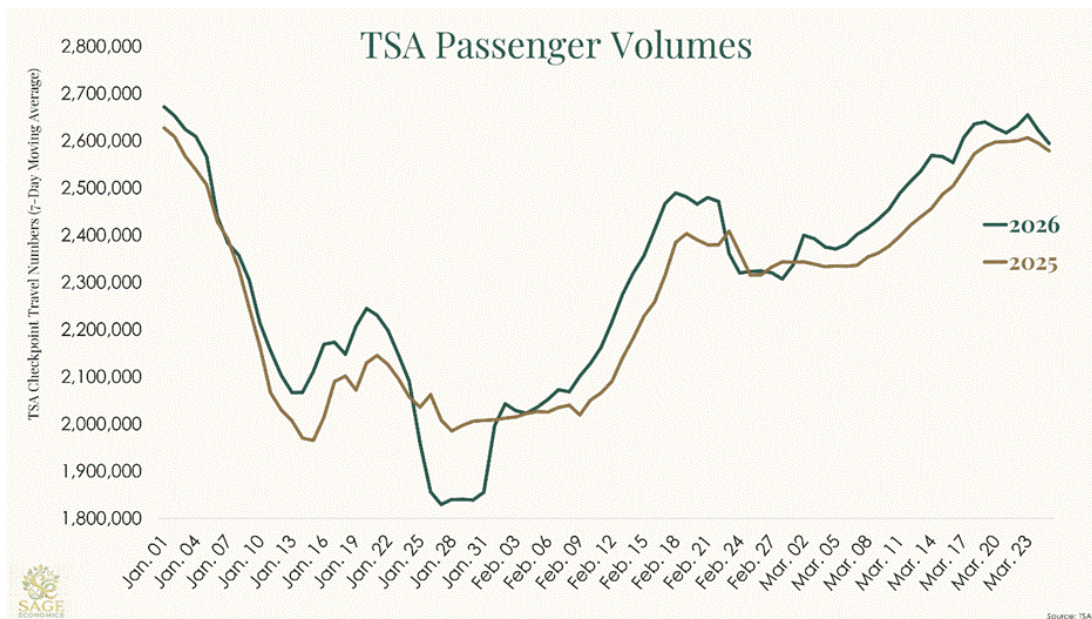
Despite the massive increase in prices, domestic oil production hasn't risen and is actually slightly lower than in February.

Oil prices continued to rise through this morning, so no imminent relief in sight.

Tuesday

TSA Checkpoint Travel Numbers

Air travel has held up better than I would have guessed in the face of the TSA wait time craziness, with passenger volumes still up on a year-ago basis. Even with the end of this TSA funding standoff in sight, the prospect of rapidly rising fuel costs suggests ongoing turbulence for air travel.



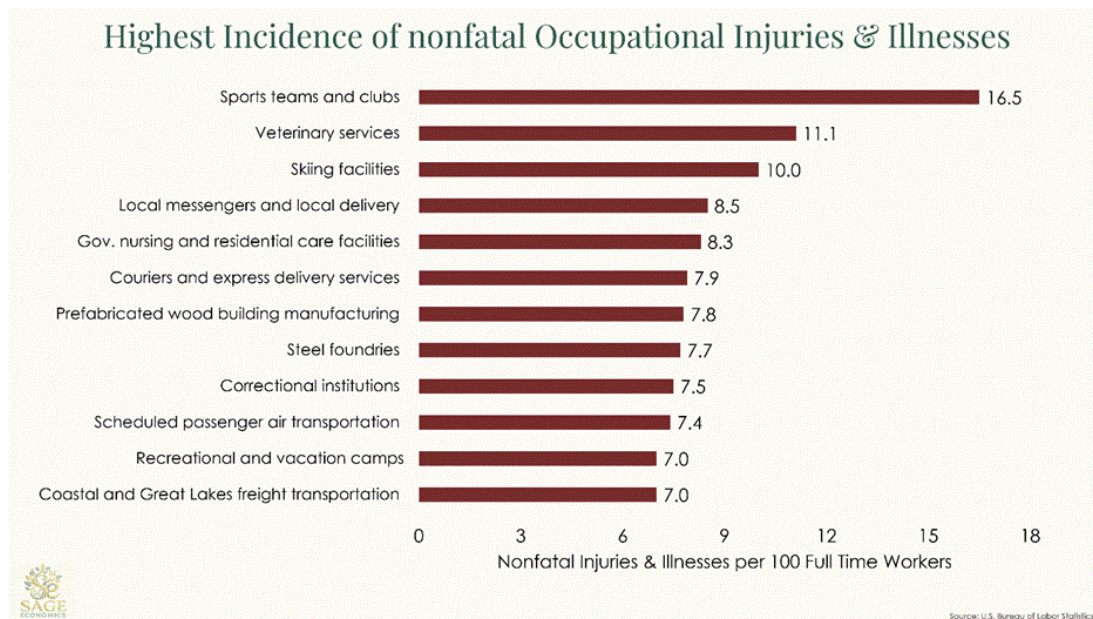
Wednesday

Workplace Injuries and Illnesses

There were 3.1% fewer workplace injuries and illnesses in 2024 than in 2023, and that was mostly due to a massive 46% decrease in respiratory illnesses, which are now roughly back to 2019 levels after a huge spike (not surprising given, you know, the global pandemic).

The number of injuries fell too, down to the lowest level since 2021. Notably, workplace injuries remain well below pre-pandemic levels; it's harder to get hurt at work when you're working from home.

Unsurprisingly, the *sports teams and clubs* industry was the most likely to report injuries/illnesses, with 16.5 cases per 100 workers. *Veterinary services* was the second most likely, with 11.1 cases per 100 workers.



Mortgage Applications

Mortgage applications fell sharply for the second straight week. No surprise there given rapidly rising mortgage rates.

Thursday

Mortgage Rates

Mortgage rates rose for the fourth straight week, and we're now at 6.38% for a 30-year fixed. Just a reminder that average rates fell below 6.0% during the week ending February 28th. This is a direct result of the conflict in Iran.

Jobless Claims

Initial jobless claims came in at a perfectly low 210,000 this past week. This remains a reassuring indicator. Despite everything else, there's no sign of an imminent increase in unemployment.

Friday

University of Michigan Consumer Sentiment Index

Consumer sentiment fell 6% in March, with a particularly large 9% decline in consumer expectations. Year-ahead inflation expectations posted their largest single-month increase since April 2025. If the conflict in Iran continues into mid-April, expect ongoing declines in sentiment.

Links of the Week

The Ozempicization of the Economy ([Kyla's Newsletter](#))

H-1B Immigration Plugs Fiscal Gaps ([Agglomerations](#))

The Age of the Amplifier ([Construction Physics](#))

Final Thoughts

After this week, my outlook for the economy is: *Worse*

Higher oil prices are bad for the economy in just about every way, and the ongoing rise is concerning for a number of reasons. And then there's the run up in bond yields, which has already pushed borrowing costs way higher. Which is to say, I'll keep feeling worse about the outlook for as long as the Strait of Hormuz is closed.

Construction Wage Escalation Reaccelerates

Sage Economics<basu@substack.com>

Tue, Mar 31, 2026

Construction Wage Escalation Reaccelerates

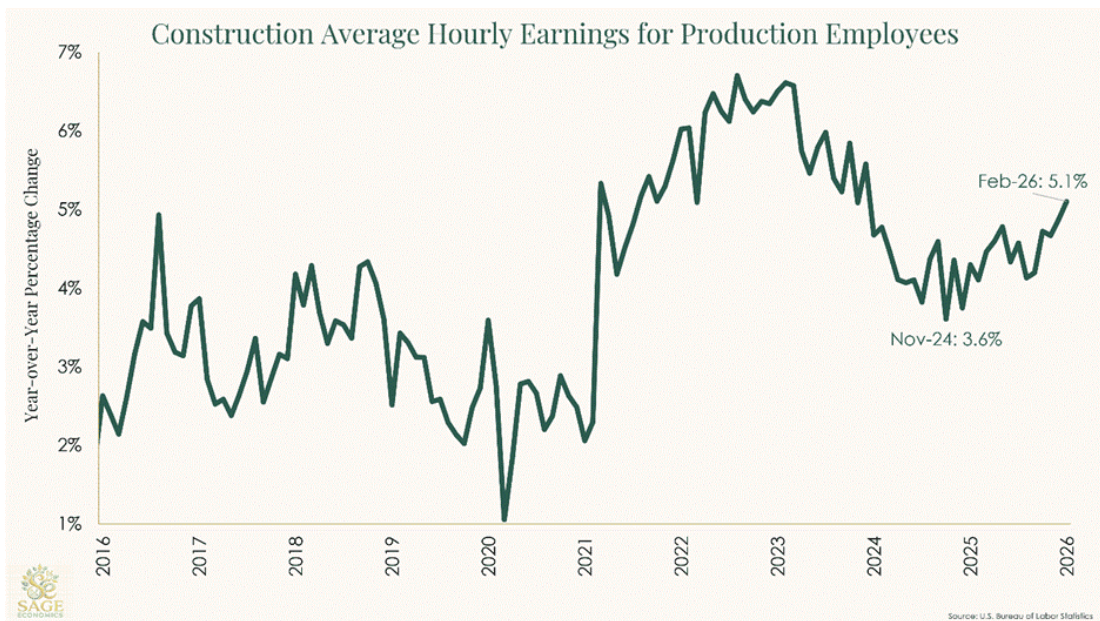
What's fueling the rise?

ZACK FRITZ AND ANIRBAN BASU



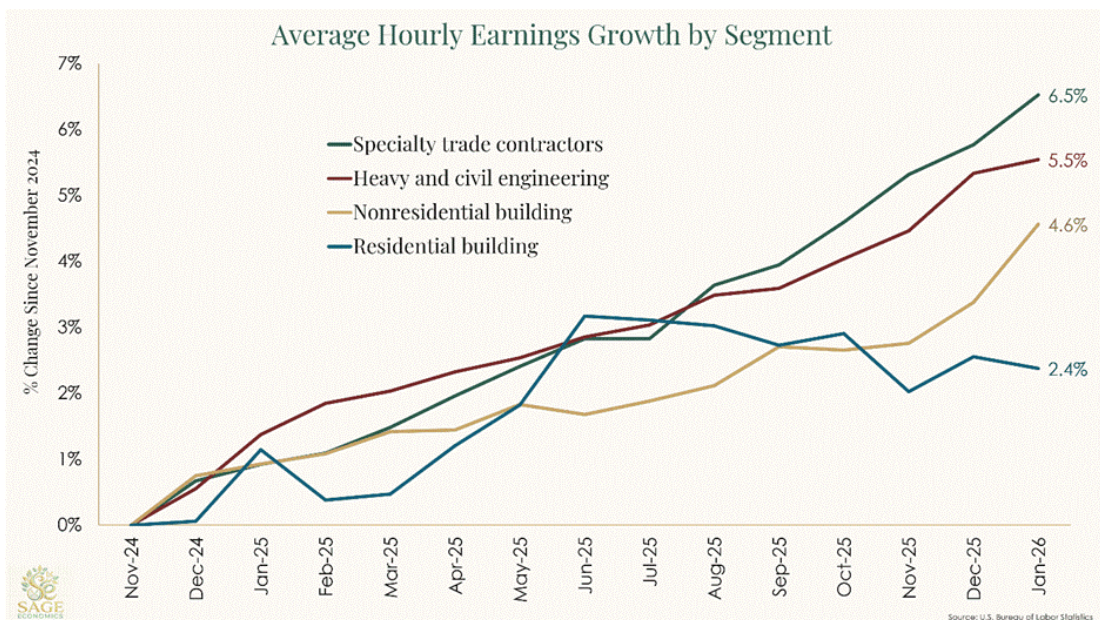
Construction Trend Tuesday covers one (hopefully) interesting industry trend in a quick, two-minute read. You can access the archive of [CTT posts here](#).

Construction wage growth, which slowed in 2023 and most of 2024, reaccelerated starting November 2024. As of February, earnings for production employees were up 5.1% year over year, the fastest growth in more than two years.



That's had a lot to do with specialty trade contractors, whose production employees (i.e., not managers) have experienced a 6.5% jump in earnings since that reacceleration began.

[Note that these data are grouped by the kind of work the employer primarily does, not what the employees themselves do.]

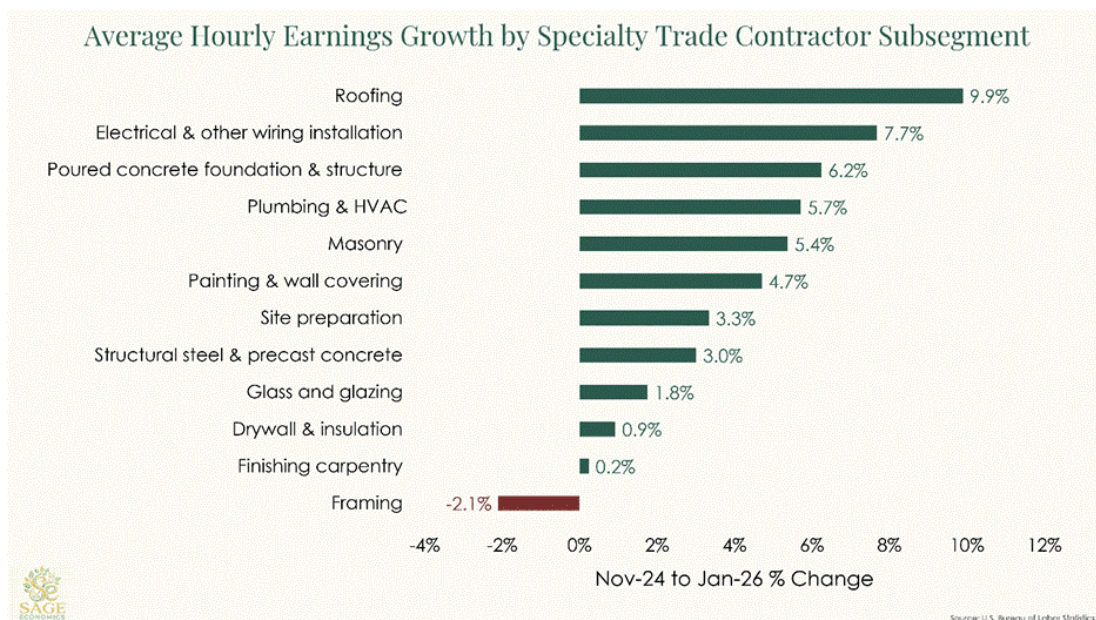


There are two popular theories regarding why construction wages are rising while construction spending is falling.

1. Immigration policy has reduced labor supply, causing contractors to more aggressively compete for laborers even when work is scarce.
2. The boom in data center work has led to sharp competition for certain skilled trades workers, boosting wages.

There's evidence to support both theories.

The sharpest rise in earnings since the rebound began is for roofers, with average hourly earnings up nearly 10%, and over half of roofers are foreign born, according to [data from NAR](#). This is exactly what you'd expect to see if the loss of undocumented workers was weighing on labor supply.



The second largest increase is in electrical and wiring installation contractors, whose earnings are up 7.7% since November 2024. This supports the data center theory, as does the 5.7% increase in plumbing and HVAC wages.

While these theories check out, there are obviously other factors at work. New building construction has slowed over the past several quarters, for instance, so it's not surprising that framing contractor wages have actually fallen. The same goes for the modest increase in site prep wages.