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Economic & Market Watch

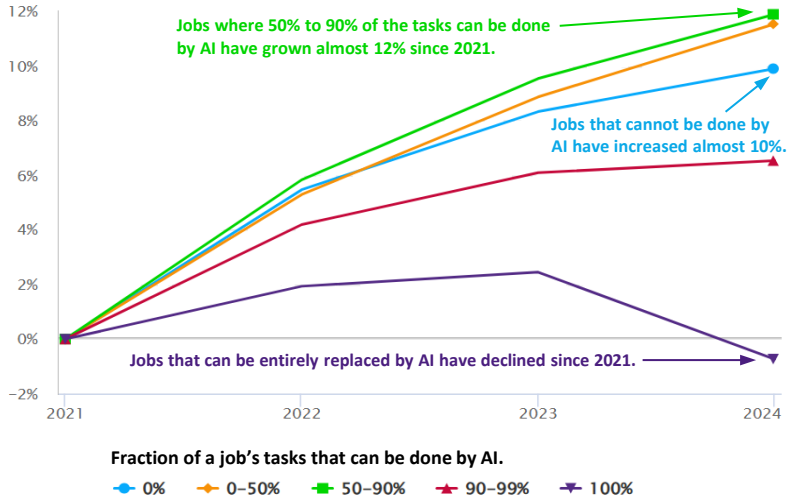
Economic & Market Watch Intelligence Brief

February 23, 2026

Briefing

- In the 12 months ending January 2026, the private sector created 616,000 jobs. Federal, state and local governments cut almost 260,000, leaving the economy with a net increase of about 350,000 jobs.
- In 2025, the federal government lost around 10% of its jobs, the largest relative job decline. At the other end of the spectrum, education and health services jobs grew by 3%. That growth is more than four times the 0.7% increase in the overall labor force (**Figure 1**).
- Net job growth doesn't reveal anything about the rate at which workers enter and leave an industry. For example, if half of an industry's workers leave and are replaced, the industry will show zero net job growth even though it experienced 50% turnover in its workforce. Churn (job losses plus job gains as a fraction of total jobs) captures the movement of workers into and out of an industry. High churn can reflect low labor replacement costs, intense competition, volatile demand or technological disruption (**Figure 2**).
- California's and Washington's economies are heavily driven by imports. Unsurprisingly, tariffs contributed to job losses in those states. Nevada's job losses were driven by a downturn in tourism. Virginia and Maryland's job losses were largely due to federal government cuts. Southern and Midwestern states mostly saw job gains in 2025 (**Figure 3**).

Chart of the Week: AI & Employment Growth



Commentary

As with every other technological revolution, artificial intelligence (AI) will both create and destroy jobs. The Penn Wharton Budget Model (PWBM) is a private sector analogue to the Congressional Budget Office and Joint Committee on Taxation. In September, PWBM published an in-depth analysis on the effect of AI on U.S. jobs over the period of 2021 through 2024.

Unsurprisingly, it found that the few jobs that could be entirely replaced by AI declined in number (**purple, Chart of the Week**). By comparison, it found that the 30% of U.S. jobs that could not be replaced by AI, even in part (e.g., linemen, electricians), grew by 10% (**blue**). Neither of these results is surprising.

The surprises came when PWBM looked at jobs whose functions could be partially, but not completely, replaced by AI. Jobs in which at least 90%, but not all, of the functions could be performed by AI (e.g., office admin support) increased in number only by 6% (**red**). However, the 45% of jobs in which less than 90% of the functions could be performed by AI (e.g., engineers) grew more than 10% (**orange and green**).

Where AI can completely replace workers, jobs are disappearing. This is the destructive power of AI. But, where AI can do up to 90% of the workers' jobs, jobs are being created faster than among jobs that AI can't do at all. This is evidence that AI—at least so far—is more a complement to human labor than a substitute.

Snapshots

Figure 1. Job Growth by Industry, 2025

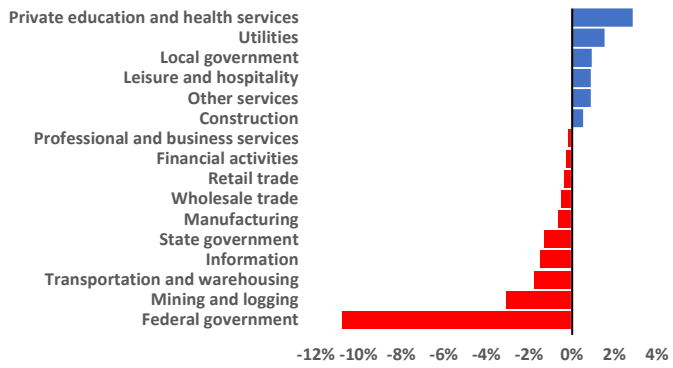


Figure 2. Job Churn by Industry, 2025

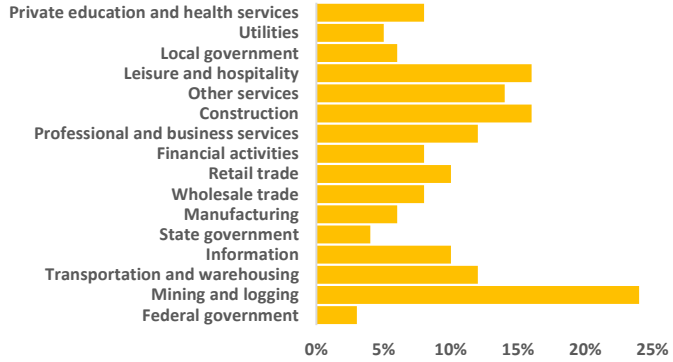
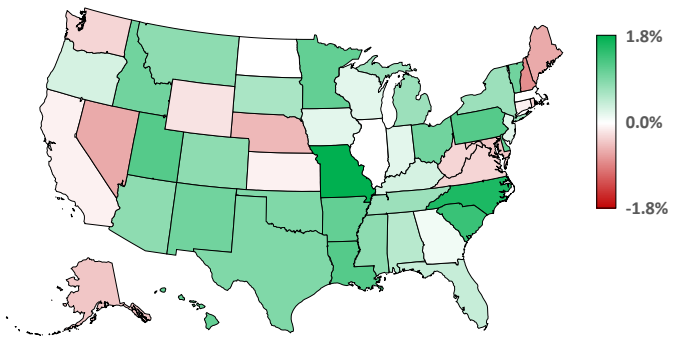
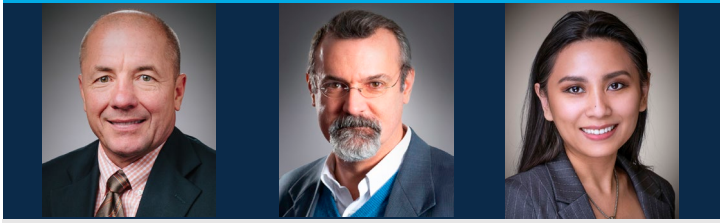


Figure 3. Job Growth by State, 2025



The Economic & Financial Research Team



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Economic & Market Watch Dashboard

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Key Indicators

INTEREST RATES[1]

	Current	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1
Fed Funds Target[2] (%)	3.75	3.75	3.75	3.50	3.25	3.25
SOFR (%)	3.64	3.36	3.22	3.15	3.12	3.08
2Y UST (%)	3.48	3.42	3.40	3.39	3.36	3.33
5Y UST (%)	3.62	3.66	3.66	3.67	3.67	3.67
10Y UST (%)	4.06	4.10	4.11	4.11	4.10	4.08
30Y UST (%)	4.71	4.69	4.68	4.67	4.65	4.64

ECONOMY

	Current	2026 Q1	2026 Q2	2026 Q3	2026 Q4	2027 Q1
PCE Inflation (YoY %)	2.9	2.7	2.5	2.3	2.3	2.2
CPI Inflation (YoY %)	2.4	2.8	2.6	2.5	2.4	2.3
Real GDP (QoQ %)	1.4	2.1	2.0	2.0	2.1	2.0
Unemployment (%)	4.3	4.6	4.6	4.5	4.5	4.5
Consumer Spending (QoQ %)	2.4	1.3	1.5	1.7	1.8	2.0
Industrial Production (YoY %)	2.3	0.9	1.0	1.2	1.5	1.5

Equities & Currency

	Current	Year ago	YoY Δ
DJIA	48,937	43,461	12.60%
Nasdaq	22,746	19,287	17.93%
S&P 500	6,863	5,983	14.70%
US Dollar Index	$1,187.40	$1,287.27	(7.76%)

Commodities

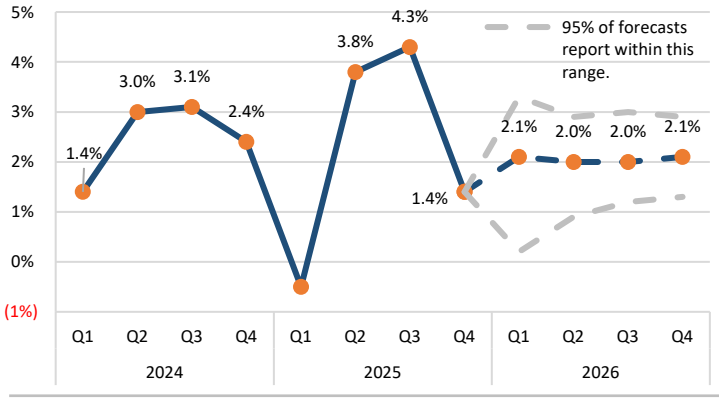
	Current	Year ago	YoY Δ
Crude Oil (Per Barrel)	$67.22	$70.70	(4.92%)
Natural Gas (Per MMBtu)	$3.56	$4.17	(14.53%)
Coal (Per Short Ton)	$11.62	$10.23	13.59%
Gold (Per Ounce)	$5,218.00	$2,963.20	76.09%
Corn (Per Bushel)	$4.43	$4.97	(10.97%)
Soybean (Per Bushel)	$11.58	$10.48	10.57%

Industry

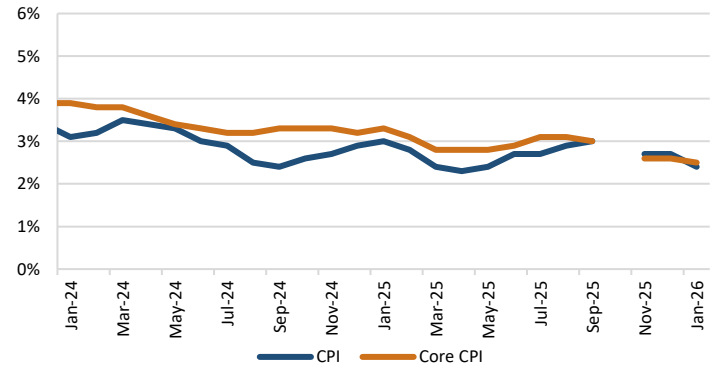
	Current	Year ago	YoY Δ
Natural Gas Storage (Billion Cubic Feet)	2,070	2,129	(2.80%)
U.S. Daily Power Consumption (MWh)	10,512,942	11,227,999	(6.37%)
World Container Index (Per 40ft)	$1,919	$3,095	(38.00%)

Forecasts

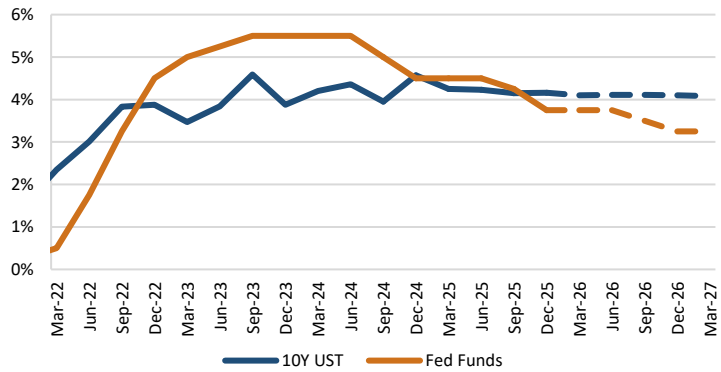
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year US Treasury vs. Fed Funds Trend



[1] *Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters.*
[2] *Target rate forecast is based on futures market contracts.*

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Oxford Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.