U.S. Payrolls Preview: Dec 2025 Report

MNI View: Cleaner, But Not Quite Fogless

January 7, 2026 - By Chris Harrison and Tim Cooper

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Executive Summary

- Friday's nonfarm payrolls report for December (released 0830ET) should see a return to a more normal update, after last month's dual payrolls figures and single month for the household survey in November with its missing October values and well-touted technical issues clouding it.
- Consensus looks for nonfarm/private payrolls growth of 69k/75k with primary dealer analysts a touch higher for nonfarm. It would see similar monthly rates to those in November after nonfarm payrolls fell heavily in October on federal government deferred resignations showing up.
- There could be a mild drag from colder than usual early December weather.
- The government shutdown shouldn't have had a direct impact on payrolls in either Nov or Dec although it would have indirectly from contractors affected by it. However, it's possible that those in the household survey incorrectly identified themselves as unemployed in November with a correction due this month.
- The unemployment rate is seen rounding down to 4.5% after its surprise increase to 4.56% in Nov to extend its latest increase to 4.44% back in September. There's a wide range to primary dealer analyst views of 4.3-4.7% although risks are generally perceived as tilting higher.
- The household survey will also see annual revisions to its seasonal factors - any changes to recent trends would be notable although last year's edition saw minimal changes.
- The December data will carry more signal to the market and Fed than the highly unusual November report.
- This is the last NFPs before the FOMC's end-January meeting, at which participants would probably require substantially weaker-than-expected NFPs to spur even consideration of another cut (4bp priced).
- The FOMC's December 2025 median for the Q4 unemployment rate was 4.5% so a steady rate from November would imply a dovish "miss" to the upside though the significance will be muted by the noise in the household data.
- That said with Fed Chair Powell stating last month that nonfarm payroll gains are overstated by 60k/month, the consensus expectation will - to the leadership of the FOMC, at least - imply only continued softness in the labor market, keeping further rate cuts in play this year.

Payrolls Seen Repeating November Pace As U/E Rate Watched After Prior Technical Issues

Friday sees a return to the original release schedule for the BLS nonfarm payrolls report for December after months of disruption stemming from the federal government shutdown. This disruption will impact how this week's release is viewed but it should nevertheless offer a better idea of latest trends. That's especially for the household survey after the surprisingly large increase in the unemployment rate in last month's November-only update (with no October value collected). This is the last payrolls report before the FOMC's end-January meeting, at which participants would probably require substantially weaker-than-expected NFPs to spur even consideration of a another 25bp cut.

Summary Of Expectations For December Report

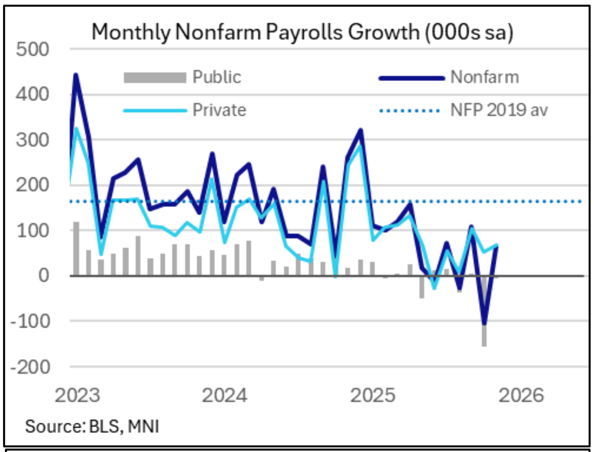
Payrolls M/M (000s)	Oct	Nov	Dec estimate: BBG cons	Dec estimate: Primary dealer	
NFP	-105	64	69	75 (range 25-155)	
Private	52	69	75	75 (range 50-95)	*a reduced range for private

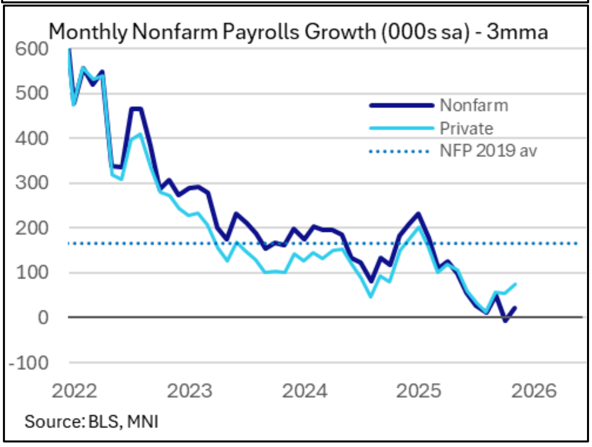
U/E Rate	Oct	Nov	Dec estimate: BBG cons	Dec estimate: Primary dealer	
%	x	4.56	4.5	4.5 (range 4.3-4.7)	Views skewed to upside surprise

AHE	Oct	Nov	Dec estimate: BBG cons	Dec estimate: Primary dealer	
% M/M	0.44	0.14	0.3	0.3 (range 0.1-0.3)	Views skewed to downside surprise

Source: Bloomberg Finance L.P., BLS, MNI

December Seen With Similar Monthly NFP Increase To November





Bloomberg consensus looks for nonfarm payrolls growth of 69k in December with the private sector adding 75k jobs. The primary dealer median analyst is similar after broader entries trended higher, with both nonfarm and private payrolls seen rising 75k. Recall last month's unprecedented two-month update for October and November payrolls left a soft run rate for overall nonfarm payrolls owing to the hit from DOGE-related deferred resignations for federal government employees but a more resilient private sector trend.

Specifically, nonfarm payrolls increased 64k in Nov (5k drag from government roles) after -105k in October (157k drag from government), leaving a three/six-month run rate of 22k/17k. Private payrolls increased 69k in Nov after 52k in Oct, leaving a three/six-month run rate of 75/44k. This private three-month run rate has improved from a recent low of 13k in August and is likely seen as a better gauge of underlying labor demand.

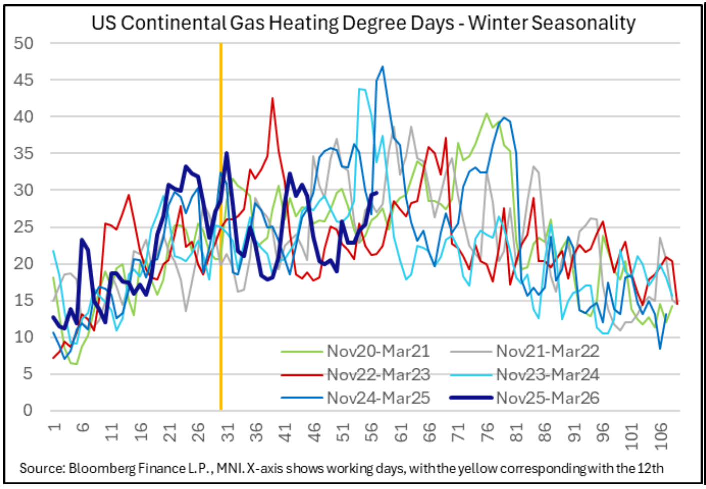
To be clear though, whilst the private sector is demonstrating some resilience, it's not exactly a rosy picture. For one thing, Fed Chair Powell has estimated that payrolls growth could be overstated by roughly 60k per month (supported by subsequent QCEW data), which we think mostly comes from the private sector. Secondly, there remains a heavy reliance on the non-cyclical health & social assistance category (added 69k jobs in Nov, 52k in Oct and 104k in Sep), with little net job creation outside of this in the latest two months after an encouraging increase back in September. That being said, the detailed 250 private industry breakdown saw its highest net share of increases on the month in November in nearly a year. On balance, we judge that job creation has steadied after a weaker period in the summer, something that chimes with jobless claims data, but with the unemployment rate recently on a weaker trend and consumer surveys pointing to continued softness.

Known Government Disruption Mostly Passed But Could Have Rumbled On In December

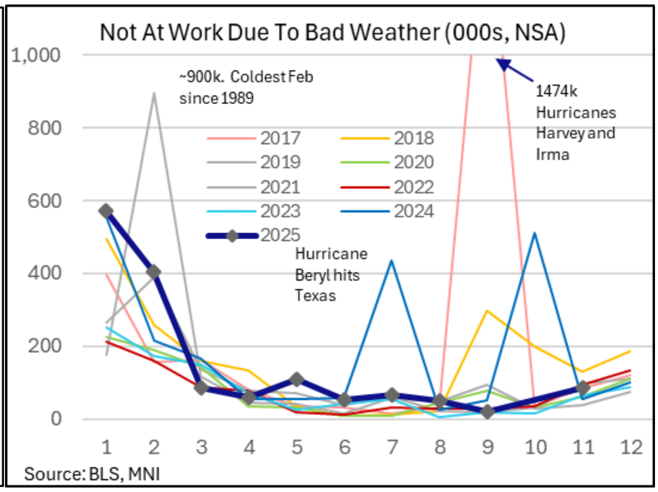
- <u>Workers furloughed by the federal government shutdown (Oct 1-Nov 12)</u>: Scope for some upside to household survey employment if those furloughed incorrectly identified themselves as unemployed in November. It's hard to say to what extent the 171k increase in temporary layoffs in November was down to government employees viewing themselves as unemployed or a more genuine indirect impact from contractors and other government-dependent industries opting for temporary layoffs.
- JPM on the matter: "Despite the government shutdown ending partway through the household survey reference week, a number of federal employees still classified themselves as being on temporary layoff. Reversing that in December could cut the unemployment rate about 4bp."
- Furlough shouldn't have had any direct impact on payrolls figures, with only the indirect impact captured. Jefferies take a different view though, arguing that if it took government employees a few days to return to work post-shutdown then this would have been reflected as an increase in December payrolls.
- <u>DOGE deferred resignations</u>: potentially small negative impact in both sides of December report. Largest hit back in October after most workers who accepted a buyout remained on government payrolls through Sep 30. However, workers who were eligible for regular retirement could also accept a buyout until their planned retirement date, which could see another modest drag in December. As such, this will only have had an impact if it persuaded those to actually take retirement rather than continue working. The impact will have been captured in both payrolls and the household survey unemployment details but the latter is particularly noisy and will be hard to ascertain whether it was a driver or not in this latest monthly report.

Potential Adverse Weather Impact

We start by necessarily recapping what happened in recent months to capture potential ongoing spillovers into December. One new shock compared to November could be the weather, with colder than usual temperatures generally observed around the payrolls reference period in December as well in the week leading up to it. December tends to see less weather disruption than January or February according to the specific question in the household survey. While it's hard to say whether it prevented people from reaching their workplaces, it could have seen some downward pressure on industries such as construction after its unusually large positive contribution of 28k new jobs in November (second largest behind the ever-large gains for health care & social assistance) or those reliant on travel. JPMorgan for example estimate construction payrolls to have increased 5k. Explicit estimates for the potential weather impact on payrolls are light but Goldman Sachs highlight it as a downside risk this month.



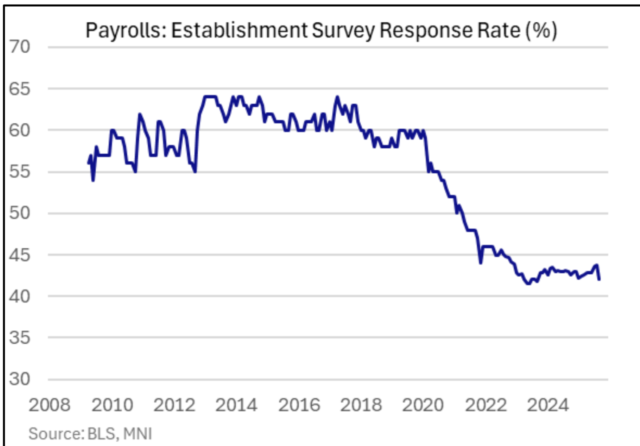
Source: Bloomberg Finance L.P., MNI. X-axis shows working days, with the yellow corresponding with the 12th



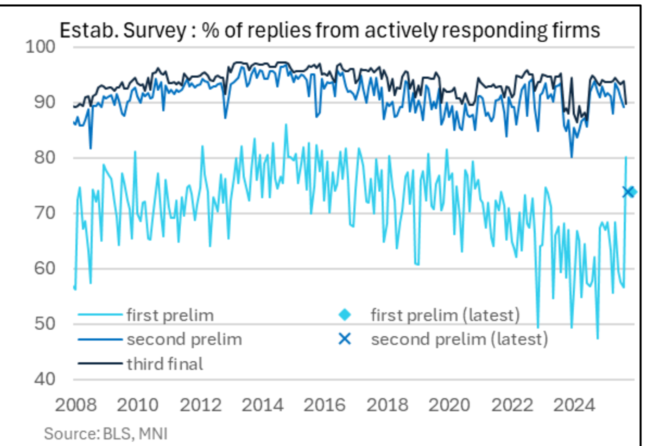
Source: BLS, MNI

Mixed Revision Implications From Establishment Survey Response Rates

Data quality of course continues to be top-of-mind, with the establishment survey of the payrolls report not seeing the same drop off in response rates as the CPI survey has under the second Trump administration but having started from a low base. Last month's combined Oct-Nov release saw some mixed results for the share of responses of actively reporting sample units, owing to longer collection periods whilst keeping the standard reference period that includes the 12th day of the month. The first preliminary rate of 73.8% in November was again high compared to recent years even if it dipped from the 80.2% in the September report that had been particularly delayed by the government shutdown (initial response rates averaged 62% in the first eight months of 2025). On its own that would imply smaller than usual scope for upcoming two-month revisions but the October rate at least somewhat goes against that at 73.9%, at least if comparing with typical second response rates closer to 90%. That said, the BLS clearly describes this as an "initial" estimate and it being "higher than usual as a result of the extended collection periods" despite including enough detail that would typically only have been available with the second update. We crudely show it as a second response rate in the below charts. The third and final response rate of 89.8% (again, of actively responding units) fell from 93.9% for its lowest since Jun 2024, which if replicated or improved upon this time would leave a lot of 'new' information to be received since that October update. The overall response rate meanwhile drifted lower still from 43.8% to 42.1% for its lowest since Sep 2023 and one of its lowest on record. We touch on the new record low in the separate household survey further below.

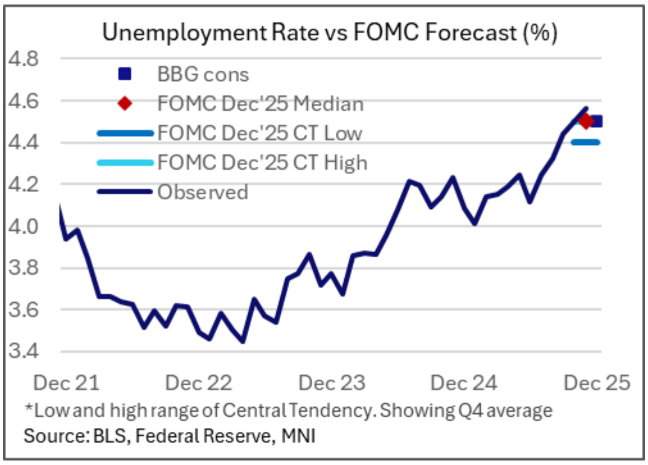


Source: BLS, MNI



Source: BLS, MNI

Household Survey: Unemployment Rate Expected To Show Only Small Improvement



The establishment survey tends to offer a somewhat cleaner look at the jobs market with less statistical noise than the household survey although, as has been discussed for some time, its readthrough for labor market tightness has been muddied by an abrupt slowdown in labor supply. As such, the unemployment rate had taken on increased weight in market reaction to payrolls reports for the months leading up to the government shutdown. That was brought into question in last month's November update along with its lack of October reading. The unemployment rate pushed higher to 4.56% in November from 4.44% in September for its highest since Sep 2021. NY Fed's Williams, after unusually dovish guidance ahead of the December FOMC meeting, instead drove a hawkish reaction three days after the payrolls report with a patient tone: "I don't personally have a sense of urgency to need to act further on monetary policy right now because I think the cuts we've made have positioned us really well." As part of his argument, he estimated that the unemployment rate was unduly boosted by a tenth having cited technical factors depressing CPI also by a tenth. Indeed, whilst not a technical factor, Goldman Sachs estimate the unemployment rate would have increased just 2bps excluding the increase in unemployed government workers as opposed to the 12bp increase reported overall, whilst JPMorgan used CPS microdata to estimate 4bp of the increase came from federal government temporary layoffs.

Bloomberg consensus looks for the unemployment rate to round down to 4.5% in December, with two-sided risks but generally biased to the upside. The median FOMC member forecast an average 4.5% u/e rate in 4Q25 in the Dec 2025 SEP, so a steady rate from November would imply a small dovish "miss" to the upside. Whilst the significance will be muted by the noise in the household data it still leaves an uptrend intact, barring a big downside surprise in December. The interpolated 0.06pp average monthly increase between Sep and Nov may have slowed compared to the preceding three months, but it's still put it in touching distance with an overshoot of the median, something that 7 FOMC members forecast in December (with seven expecting 4.6-4.7% vs three in the Sept SEP). Alternate indicators point to a relatively steady labor market overall in December vs November, with the Chicago Fed's advance estimate of December's unemployment rate also at 4.56%. Some areas look healthier, such as weekly jobless claims data, but consumers see further pressures according to the Conference Board's labor differential – we go into the array of indicators below as usual. It of course came before the November payrolls report but Powell talked on the policy normalization seen so far when asked at last month's FOMC press conference about what gives him confidence that the unemployment rate won't continue rising in 2026 after its gradual increase for the better part of two years. "*The idea is with now having cut 75 basis points more now, and having policy, you know, call it in a broad range of plausible estimates of neutral, that that will be a place which will enable the labor market to stabilize, or to only tick up one or two more tenths. But we won't see, you know, any kind of sharper downturn, which we haven't seen any evidence of it at all.*"

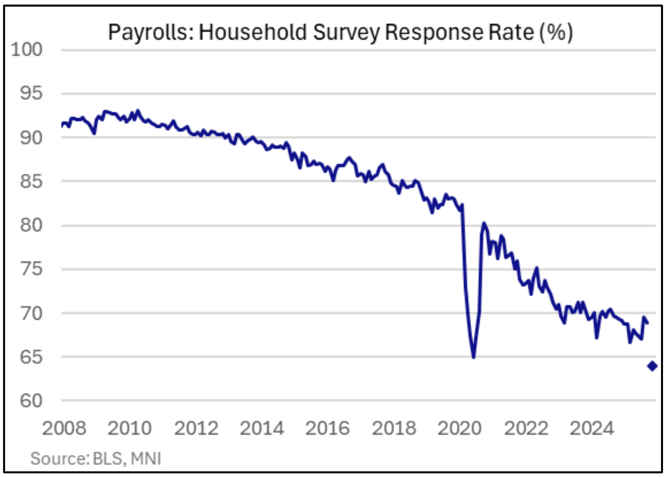
Annual Seasonal Adjustment Revisions: Probably Minor But Still Worth Watching

The December report should as usual include new estimates for seasonal adjustment factors used in the household survey. This will provide revised estimates for the past five years of data although will be zero sum within any given year. They can still be of impact if they alter what's currently a clear uptrend for the unemployment rate since mid-2025, with latest months clearly of greater interest, although last year's edition saw only very modest changes – see the table to the right. We haven't seen any estimates on a potential bias to these revisions.

Table 1. Seasonally adjusted unemployment rates in 2024 and change due to revision

Month	As first published	As revised	Change
January	3.7	3.7	0.0
February	3.9	3.9	0.0
March	3.8	3.9	0.1
April	3.9	3.9	0.0
May	4.0	4.0	0.0
June	4.1	4.1	0.0
July	4.3	4.2	-0.1
August	4.2	4.2	0.0
September	4.1	4.1	0.0
October	4.1	4.1	0.0
November	4.2	4.2	0.0

Household Survey Quality Concerns Follow Lowest Response Rate On Record



The household survey collection period for November was extended to “provide more time for contacting households around the Thanksgiving holiday” having begun a day late due to the government shutdown, yet this longer period didn’t prevent a sharp decline in the response rate. The household survey response at 64% in November fell from 68.9% in September for a new low having dropped below the 64.9% in Jun 2020 on pandemic disruption. Building on information released by the BLS the day before the release, there were higher-than-usual standard errors due to "multiple reasons: lower survey response, composite weighting changes, and the use of a 2-month period of analysis rather than a 1-month period". That meant the unemployment rate "required a 0.26 percentage point change to be statistically significant compared with a required change in September of 0.21 percentage point". The BLS had the day before the release said the national unemployment rate standard error was going to be larger than usual by a factor of 1.06 due to the weighting methodology change alone. Fed Chair Powell had of course warned at the December FOMC press conference that "we're going to have to look at it carefully and with a somewhat skeptical eye" given technical issues. We expect an improvement in both response rate and broader technical issues this month but will keep a close eye on both.

JPMorgan On Additional Distortion From Sample Rotation

In addition to JPMorgan’s CPS microdata-level analysis that federal government temporary layoffs drove 4bp of the 12bp increase in the unemployment rate over two months, we also touch on their estimation of rotation bias.

“Rotation group bias refers to the tendency of survey respondents to report a lower unemployment rate the longer they are in the household survey. Respondents are normally in the survey for four months, off for eight months, and back on for four months, with these groups being labeled as month-in-sample (MIS) 1 through 8. […T]he share of households either responding to the survey for the first time, or responding for the first time after the eight-month break, were both twice as large as normal in November, which could have biased up the unemployment rate.

*Looking at the actual results from the November CPS microdata, we find that not only are MIS 2 and MIS 6 not lower than MIS 1 and MIS 5 as we might expect, but they are in fact substantially higher. The gap between MIS 2 and 1 was 76bp higher than the 10-year average (96th percentile), and the gap between MIS 6 and 5 was 52bp higher (89th percentile). Since each cohort gets 1/8 of the total survey weight, that could imply a large 1/8 * (76+52) = 16bp upward bias.*

However, we are cautious about such a strong conclusion. For one thing, the figures above demonstrate that these gaps are quite noisy on a month-to-month basis. The other point is that while the MIS 2 unemployment rate is high, what stands out as more unusual is how low the MIS 1 rate is. The MIS 1 unemployment rate is 8bp below the total unemployment rate in November, whereas since 2015 it has on average been more than 45bp above. In other words, it is more than 50bp, or 1.6 standard deviations, below “normal”. In contrast, the MIS 2 unemployment rate is only 0.8 standard deviations above normal. The final point is that to the extent there is any rotation group bias in November, it isn’t clear whether it should disappear immediately or only over a number of months.”

AHE Seen Accelerating After Highest Earner Driven Dip In November

Average hourly earnings are seen at 0.3% M/M in December which would be enough for a one tenth acceleration in the Y/Y to 3.6%, against steady average weekly hours worked at 34.3. The two months of average hourly earnings data in last month’s release were a mixed bag rather than the outright weakness that the headlines suggested, with non-supervisory employee wage growth running firmer and hours worked also increasing in November. Overall AHE growth of 0.14% M/M in November was clearly softer than the 0.3% M/M widely expected although it was countered by a stronger than expected 0.44% M/M in Oct (we had seen limited estimates with a median 0.3 but with risks skewed lower). Still, September was also revised lower to 0.19% M/M vs the previously estimated 0.25%

M/M. The combination meant the Y/Y rate surprised lower, with 3.51% Y/Y (cons 3.6) after 3.75% in Oct for a fresh low since May 2021. Non-supervisory earnings painted a stronger picture however, at 0.35% M/M in Nov after 0.41% M/M in Oct and only a marginally downward revised 0.22% (initial 0.25%) in Sep. This typically less volatile category that captures about 80% of employees accelerated to a three-month high of 3.86% Y/Y from 3.81%.

Primary Dealer Analysts See Risks Skewed To Dovish Surprises In U/E Rate and AHE Growth

- Our survey of primary dealer analyst expectations shows a median estimate of 75k nonfarm payroll gains in December after 64k in November and -105k in October.
- The private sector should drive this, with a median also of 75k across twelve estimates.
- Public sector payrolls are indeed for the most part seen broadly flat, with a range of -10k to +10k, but Jefferies are a clear standout at 65k owing to timing within the payrolls reference week.
- The unemployment rate is on balance seen rounding down to 4.5% in December from an unrounded 4.56% in November. There's a wide range here of 4.3% (Jefferies) to 4.7% (Citi) although it's broadly seen as between 4.5% or 4.6%, unsurprisingly owing to that unrounded 4.56%.
- Average hourly earnings growth is seen at 0.3% M/M after two volatile months with a surprisingly soft 0.14% in Nov and 0.44% in Oct, but with risks skewed lower including just 0.1% from Citi and multiple 0.2% estimates.
- We include selected excerpts of analyst previews further below.

Primary Dealers See Dovish Risks To AHE and (Mostly) U/E

mni	Payrolls (chg M/M, k)			U/E Rate	AHE
	Total	Private	Govt	(%)	(% M/M)
Scotiabank	25			4.5	0.2
TD Securities	40	50	-10	4.5	0.3
Barclays	50	50	0	4.5	0.3
Deutsche Bank	50	50	0	4.5	0.3
BMO	58			4.6	0.3
HSBC	65			4.6	
Goldman Sachs	70	75	-5	4.5	0.25
RBC	70			4.5	0.2
Wells Fargo	70			4.5	0.3
BNP Paribas	75	70	5	4.5	0.2
Citi	75	80	-5	4.7	0.1
J.P.Morgan	75	75	0	4.6	0.3
Morgan Stanley	75			4.6	0.3
NatWest	75	75	0	4.5	0.2
Nomura	75	65	10	4.5	0.2
UBS	90	85	5	4.5	0.3
Mizuho	100			4.4	0.3
Santander	100	95	5	4.5	0.2
Jefferies	155	90	65	4.3	0.3
Median	**75.0**	**75.0**		**4.5**	**0.3**
Prior	*64*	*69*		*4.56*	*0.14*

Entered in Bloomberg survey or seen by MNI.
Missing BofA and SocGen

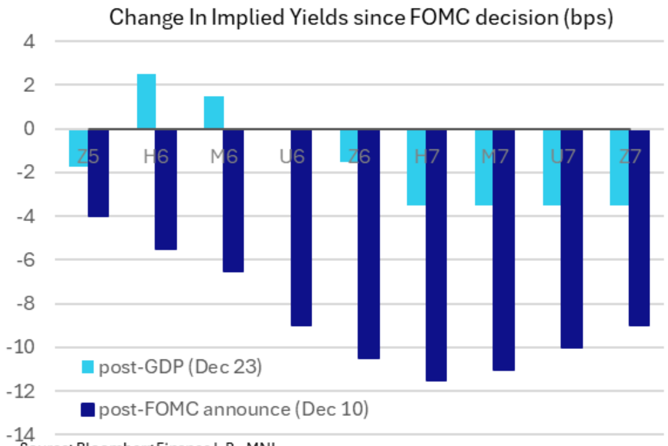
Still Sensitive To Further Unemployment Rate Increases

The December data will carry more signal to the market and Fed than the highly unusual November report. This is the last NFPs before the FOMC's end-January meeting, at which participants would probably require substantially weaker-than-expected NFPs to spur even consideration of another cut (currently just 4bp of cuts priced). The FOMC's December 2025 median for the Q4 unemployment rate was 4.5% so a steady rate from November would imply a dovish "miss" to the upside though the significance will be muted by the noise in the household data. That said with Fed Chair Powell stating last month that nonfarm payroll gains are overstated by 60k/month, the consensus expectation will - to the leadership of the FOMC - imply only continued softness in the labor market, keeping further rate cuts in play this year. As Powell has warned for some time now, the low hire rate means that the Fed will have to be particularly attentive to any signs of more pronounced labor market pressure. The unemployment rate will be a key metric here, with some analysts in the survey looking for an outcome, such as Citi's 4.7% estimate, that could materially increase odds of a fourth consecutive cut later this month.

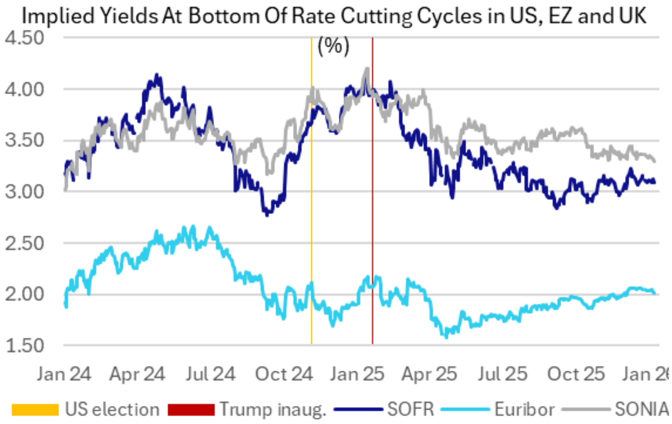
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre ISM mfg (Jan 5)			*chg in rate*	pre GDP (Dec 23)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	3.64			3.64				3.64			
Jan'26	3.60	-4.2	-4.2	3.60	-4	-4.2	*0.0*	3.60	-4	-4	*0.0*
Mar'26	3.51	-8.6	-12.8	3.50	-10	-14.2	*1.4*	3.49	-11	-15	*1.9*
Apr'26	3.46	-5.5	-18.3	3.44	-6	-19.7	*1.4*	3.42	-7	-22	*3.5*
Jun'26	3.31	-14.9	-33.2	3.30	-14	-33.9	*0.7*	3.29	-13	-35	*1.4*
Jul'26	3.23	-8.1	-41.3	3.22	-8	-41.7	*0.4*	3.22	-8	-42	*1.0*
Sep'26	3.14	-8.7	-50.0	3.13	-9	-50.6	*0.6*	3.13	-8	-51	*0.7*
Oct'26	3.08	-5.8	-55.8	3.09	-5	-55.2	*-0.6*	3.09	-4	-55	*-1.0*
Dec'26	3.04	-4.5	-60.3	3.05	-4	-59.4	*-0.9*	3.06	-4	-58	*-2.0*

Source: Bloomberg Finance L.P., MNI.
Assuming same EFFR-target lower bound spread from latest fix going ahead



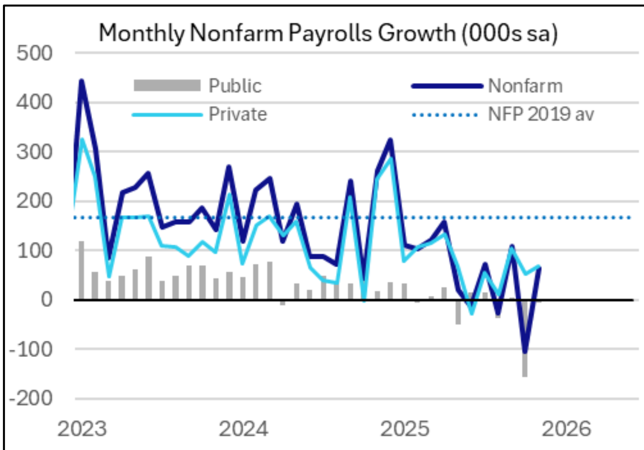
Source: Bloomberg Finance L.P., MNI



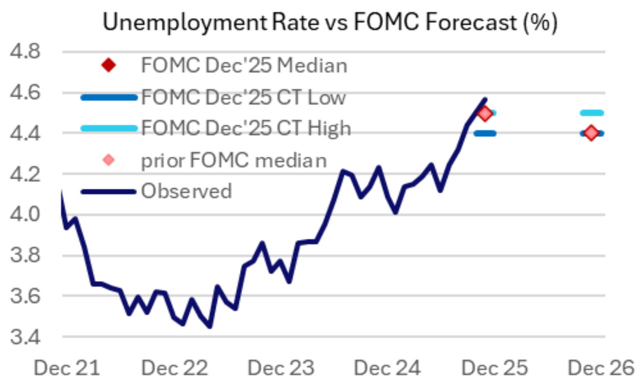
Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2027

Recent Labor Market Developments

The recap of the Oct/Nov payrolls report where the unemployment rate trended higher but with caveats galore (**[link here]**).



Source: BLS, MNI

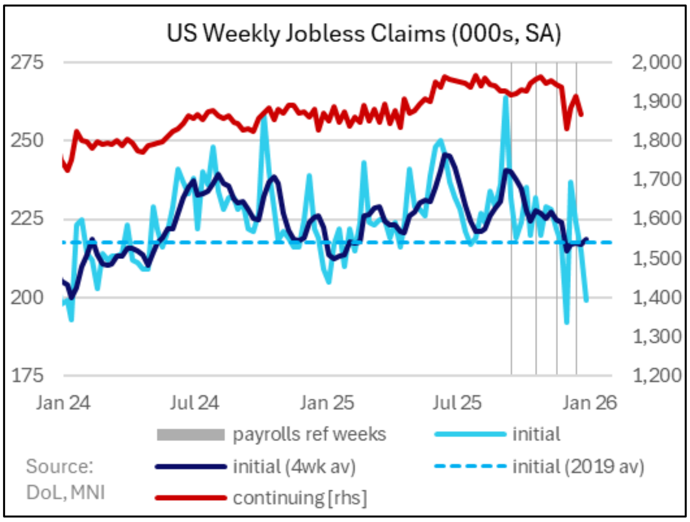


Note we have interpolated an Oct'25 value here as a one-off
*Low and high range of Central Tendency. Showing Q4 average
Source: BLS, Federal Reserve, MNI

Upside

Jobless claims data for the reference week were on the lower side of the range seen in recent months' reference periods.

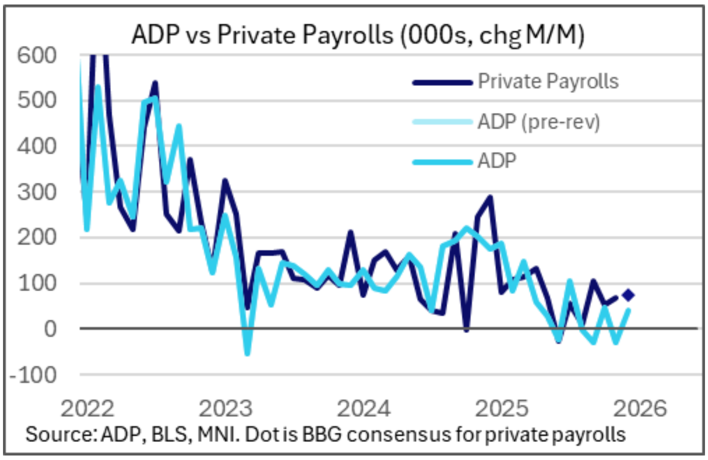
- Initial claims printed 224k in the Dec 13 week vs 222k for Nov, 231k for Oct, 232k for Sep and 234k for Aug.
- Continuing claims printed 1913k, comparing favorably to the 1944k in Nov, 1957k in Oct, 1916k in Sep and 1944k in Aug.



Mixed

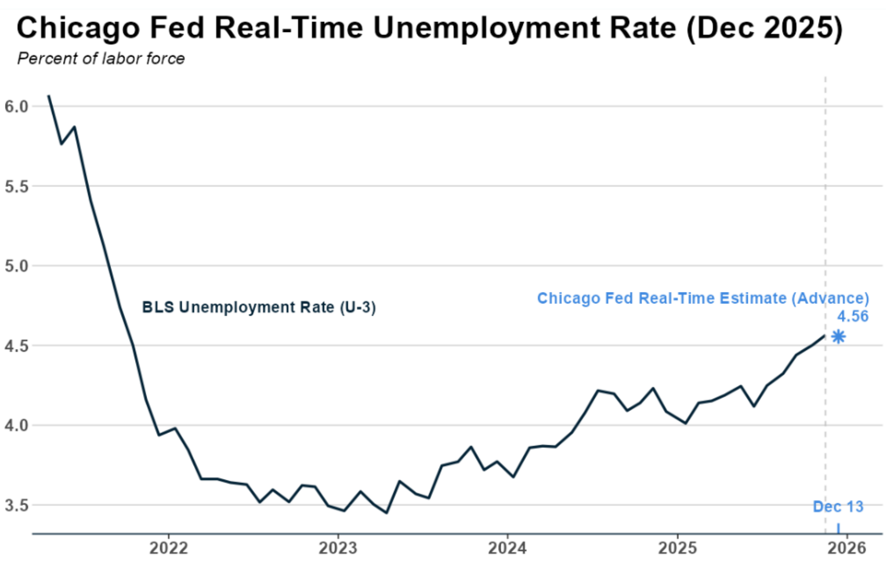
ADP Employment Increase A Touch Softer Than Tracking

ADP private employment modestly disappointed Bloomberg consensus in December but was close to weekly tracking when considering volatility within the data. It continues a trend of oscillating between modest declines and then increases in recent months, and has declined in three of the past six months. At 41k (Bloomberg cons 50k, tracking equivalent to 46k) and a three-month average of 20k it confirms an alternative indicator that is softer than the 73k increase expected for BLS private payrolls on Friday, although it has undershot the latter for some time.



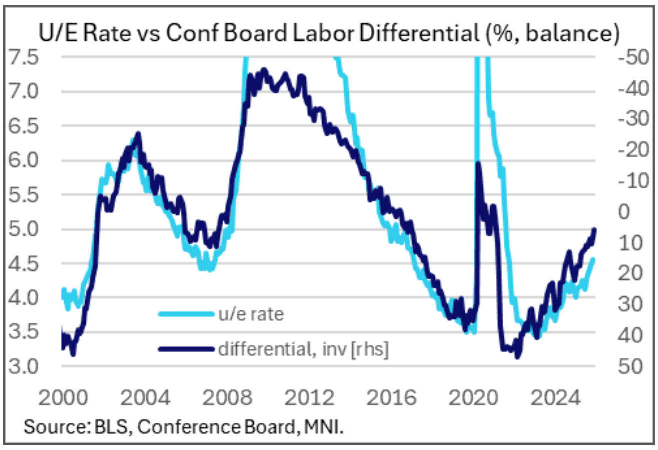
Chicago Fed U/E Rate Nowcast Sideways

The Chicago Fed's advance estimate of December's unemployment rate is 4.56% - which would be unchanged from November's unrounded BLS reading. The estimate incorporates a slightly higher hiring rate for unemployed workers (44.72%, vs 44.54% prior), with an unchanged layoffs/other separations rate (2.10%).Their model also suggests that the odds of a lower rounded unemployment rate are 49%, with no change 27% and increase 24%, perhaps reflecting the unrounded value lying between 4.5-4.6%. The final estimate will be published on Thursday, Jan 8.

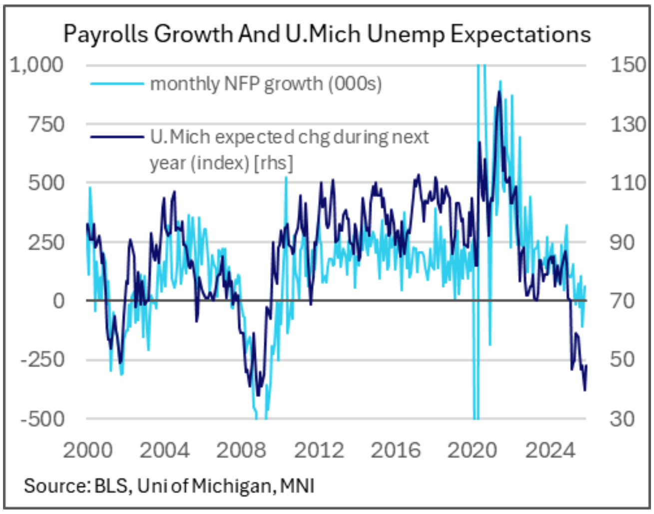


Downside

The "labor differential" in the December Conference Board consumer survey its lowest since February 2021 at 5.9, pointing to a continued pickup in the unemployment rate. This is the share of those seeing jobs as "plentiful" (26.7% in December) minus those seeing jobs as "hard to get" (20.8%).



The UMichigan survey's expected job changes expected during the next year remains at levels consistent with meaningful monthly nonfarm payrolls contractions.



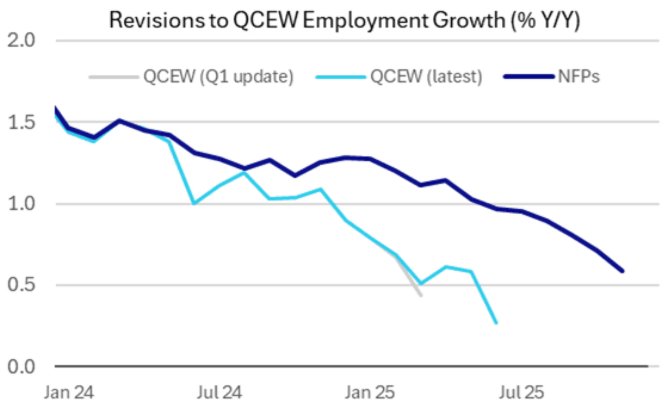
Not directly related to latest monthly tracking but still of note when considering recent trends:

Downward NFP Revisions Look On Track For Powell's 60k/Month Estimate

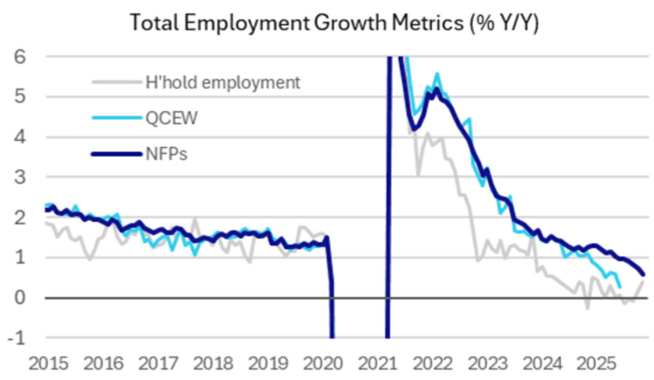
The latest QCEW data for Q2, released at 1000ET, show what we think is confirmation that the benchmark revision for payrolls, due with the January payrolls report, will be less negative than the preliminary estimate pointed to (but still very large). Today's update shouldn't surprise the Fed or markets but we'll revert if we see otherwise.

- There are two areas worth focusing on in today's Q2 update for QCEW (the far more comprehensive measure of employment than payrolls): revisions to Q1 and latest trends.
- Q1 revisions were positive, with total employment rising 779k in the twelve months to March 2025 (when nonfarm payrolls will be revised to in the Jan 2026 report) vs a 675k increase in the Q1 update.
- Latest nonfarm payrolls data show a 1790k increase over the same period, i.e. they overestimated jobs growth by 1011k vs 1115k with the Q1 QCEW vintage.
- The latter coincided with a preliminary benchmark revision estimate of -911k, which as noted at the time was highly likely to be revised lower come the actual benchmark revision, as is usually the case (see bottom chart).
- We therefore crudely assume - and will keep an eye out for other estimates - that the benchmark estimate is currently tracking more like -815k, or 68k/month vs 76k/month with the preliminary estimate, with a further narrowing in the gap next quarter.
- This shouldn't be a surprise, with these monthly adjustments walking closer to those by Powell last week at the FOMC press conference ("we think there's an overstatement […] by about 60k" per month) and Waller again earlier this week (50-60k overestimation, having estimated a 60k overshoot for some time).

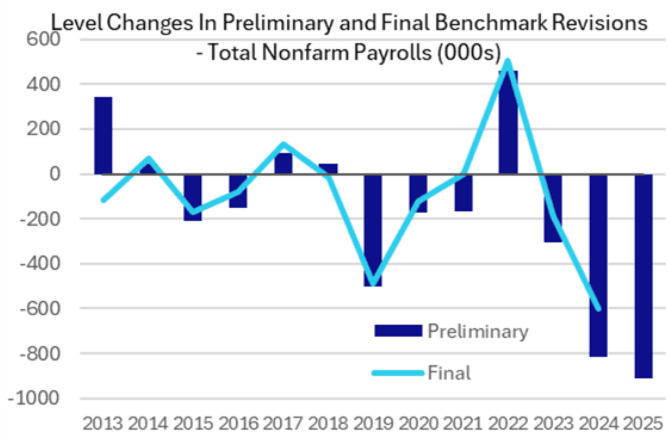
- As for latest QCEW data for Q2, it continues to point to softer employment growth than implied by payrolls, up just 0.3% Y/Y in June vs 1.0% Y/Y for nonfarm payrolls at the time. Since then, payrolls growth has slowed to 0.6% Y/Y in November whilst the household survey equivalent was 0.4% Y/Y in November (crudely adjusting for the annual population control).



Source: BLS, MNI.



Source: BLS, MNI.
Household survey employment w/ MNI adjustment for population control



Source: BLS, MNI

Selected Sell-Side Views

Ranked from largest to smallest NFP figure for November:

Jefferies: Far Stronger Than Consensus As Government Shutdown Distortions Linger

- NFP growth of 155k in December (private 90k), U/E rate to drop to 4.3%
- “We are expecting what will look like a remarkably strong December employment report, a reversal of the rising unemployment trend and one of the strongest-looking prints in several months.”
- “However, these impressive headlines are a consequence of calendar quirks combined with payback effects from October and November distortions that grossly overstate the difference in demand for labor in December.”
- “An expectation of a +65k m/m increase [for government employees] may seem like we're going out on a limb. However, this has nothing to do with a change of heart in the approach to government employment and everything to do with calendar quirks. Recall that the Establishment Survey measures the number of workers that are on payroll (and receive pay) during the week that contains the 12th of the month. For December, this is the week that began on Sunday, December 8, and ended on Saturday, December 13. The government shutdown ended on Wednesday, December 10, and workers were expected to be back at work the following day, Thursday, December 11. Assuming that all workers followed orders immediately, one would expect that furloughed workers would have returned by Thursday or Friday, worked some hours, and received pay.” However potentially long travelling distances or other commitments may have stopped

them from returning until the Monday. "If this is the case, then they would not be counted on payrolls for November, but instead they would be counted in December." [Note that the reference of December dates looks incorrect to us but the logic still stands for the November reference period]

- Reasoning behind the low u/e rate forecast of 4.3%: "we feel confident that the +1.191m increase in the labor force from August through November will be followed by a mean-reverting decline of about 300k. Assuming that employment rises by +100k, similar to November, this would translate to a -400k decline in household unemployment, and an unemployment rate of 4.338%. For illustrative purposes, if we were to instead assume that household employment falls -100k, unemployment falls -400k, and the labor force contracts -500k, this would still put the unemployment rate at 4.343%."

Citi: NFPs Could Be Supported By Seasonal Adjustment Issues But U/E Rate To Increase Further

- NFP growth of 75k in December (private 80k) but the U/E rate to increase to 4.7%
- "But just as with the last few months, we would caution that seemingly stronger job growth may be more a result of seasonal adjustment issues in a low hiring environment rather than a sustained pick-up in demand for workers. Seasonal factors imply a boost from typically low hiring in many months in Q4/Q1."
- Payrolls increased a "very strong" 323k in Dec 2024. "Looking through extreme seasonal adjustment issues around the Thanksgiving holiday, continuing jobless claims have been following a similar pattern as last year, declining more clearly by the end of November. This could suggest upside risk to our forecast, possibly with seasonally adjusted strength in sectors like transportation and retail trade."
- They see the u/e rate rising again to 4.7% in Dec despite "still few signs of large layoffs". A key driver is the labor force participation rate rising a bit further again from 62.47% to a rounded 62.6%. "There has been substantial residual seasonality in the participation rate this year that would imply it rises again in December, although usual seasonal factor updates incorporated into December data are a risk to this assumption." These "could smooth through residual seasonality. However, just one revision round is typically not enough to substantially change seasonal factors in a year."
- Elsewhere, they see AHE on the soft side at 0.1% M/M. "Calendar effects that imply softer wage growth could also be one temporary factor leading to softer wage growth in December. But forward-looking wage plans of businesses, which tend to lead actual wage growth trends by a few months, suggest this slowing will continue into 2026."

JPMorgan: See U/E Rate Holding At 4.6% Despite Potential For Upside Bias Back In November

- NFP growth of 75k in December (private 75k), U/E rate at 4.6%
- "Payroll growth has accelerated since the summer, with employment gains averaging 80k per month over the last three months, excluding the federal government, compared to a recent low of just 23k in August. It's possible revisions in the next report will reduce that trend a bit, and since recent December values have tended to be revised up, it might be prudent to assume a below-trend rate of growth."
- "On the other hand, the summer deceleration and subsequent acceleration bears some resemblance to last year, so there could be a bit of residual seasonality in play that causes job growth to keep accelerating. We thus forecast a near-trend value of 75k for payrolls, as a range of labor indicators don't point to major changes in labor market conditions compared to earlier months."
- "Heating degree days showed weather in early November as somewhat warmer than usual, turning to colder than usual in December, which could weigh on jobs, though the effect is probably not large."
- "The revision pattern for payrolls continues to be broadly negative. Because of the late collection for November, the collection rate was high, so revisions could be smaller than normal for that month. In contrast, the collection rate for October was more like a first collection than a second collection, and so the October revision could act more like a first to second revision than a second to third revision."
- They see the u/e rate holding at 4.6% along with the participation rate at 62.5%. "There may have also been some upward bias in the November unemployment rate". Reversal of a number of federal employees still classifying themselves as being on temporary layoff "could cut the unemployment rate about 4bp."

Goldman Sachs: Moderate Big Data Indicators vs Further Govt Drag And Unusually Poor Weather

- NFP growth of 70k in December (private 75k), U/E rate at 4.5%
- "On the positive side, big data indicators indicated a moderate pace of private sector job growth."
- "On the negative side, we expect a 5k decline in government payrolls—reflecting a 5k decline in federal government payrolls and unchanged state and local government payrolls—and sequentially slower construction employment growth after an outsized increase the prior month and unusually poor weather early in the survey period."

- They expect the u/e rate "edged" down to 4.5%: "the bar for rounding down to 4.5% is not high from an unrounded 4.56% in November, continuing claims have declined slightly, and the furloughed federal workers that likely contributed to the spike in workers on temporary layoff (+171k in November vs. September) and unemployed government workers (+193k, SA by GS) that explained most of the increase in overall unemployment in November would have returned to work."
- AHE seen increasing 0.25% M/M in December, "reflecting negative calendar effects".

Wells Fargo: Hiring To Remain Weak Vs Historical Norms

- NFP growth of 70k in December, U/E rate at 4.5%
- "We expect the challenges suppressing labor demand and supply to keep hiring weak compared to historical norms, but we do not foresee significantly more slack building in the labor market. One trend likely to remain is softer wage growth, which should keep a lid on labor-induced inflation pressures."

Deutsche: Elevated Risks To Unemployment Forecast

- NFP growth of 50k in December (50k private), U/E rate at 4.5%
- Deutsche notes "elevated uncertainty with respect to our unemployment rate forecast. First, as the BLS noted last month, the November 2025 household estimates were associated with slightly higher than usual standard errors…. In addition, as per usual with the December household survey, the BLS will incorporate annual revisions in seasonally adjusted household survey data covering the most recent 5 years."
- They anticipate AHE will rebound to 0.3% after 0.1% "mainly due to an anticipated rebound in private education and health services AHEs which have been volatile of late".

Scotiabank: Possible Upside From Seasonal Adjustment But Weaker Details Likely Still Apply

- NFP growth of 25k in December, U/E rate at 4.5%
- "Nobody should have much confidence in their estimates for this reading given low data quality but data collection has returned to its pre-shutdown state which wasn't great to begin with."
- "There are very few advance labour market readings available so far but we'll get more next week ahead of payrolls. Consumer confidence jobs plentiful dipped. 'Indeed' job postings surged in December and late November over earlier in November which points to a rise in JOLTS job openings. ADP private payrolls appear to have been up by about 50k but track nonfarm poorly. Layoff trackers pointed to fewer in December. Initial jobless claims have been reasonably well behaved while continuing claims have recently trended lower and point to a correlated dip in the unemployment rate. Alt-data like Revelio and Homebase are not yet available for December."
- "December is normally a down-month for seasonally unadjusted payrolls. What happens next depends upon how the BLS manages seasonal adjustments. In each of the three prior reports they have gone with historical all-time highs for monthly seasonal adjustment factors when comparing like months across time. If they do the same thing this time, then that could add some upside."
- "And yet the arguments for how nonfarm payrolls are much weaker under the hood are likely to still apply. […] Take out healthcare hiring and private payrolls have been down or flat in six of the past seven months and healthcare hiring is vulnerable as subsidies expire. Adjust for benchmarking revisions that have yet to be incorporated and payroll levels are much lower by just under a million up to last March and by more since then. Adjust for fishy seasonal adjustment factors that went high in each of the three months since Trump started attacking the BLS after firing its Commissioner. We're getting low quality jobs data out of the US for these reasons plus others like falling survey response rates."
- "At some point—probably not yet—we'll need to keep an eye on weather-adjusted payrolls given the widespread earlier snowstorms and adverse weather than prior years. The San Fran Fed's weather-adjusted payrolls could be instructive."
- "The breakeven rate of payroll gains has shifted sharply lower amid draconian immigration policies, but a fact is a fact—the sharply weakening trend in job growth is getting too close to past recessionary signals for comfort".

MNI Policy Team Insights

MNI INTERVIEW: Fed's Miran Sees Substantial Rate Cuts In 2026

By Pedro Nicolaci da Costa (Jan 5, 2026)

WASHINGTON - Federal Reserve Board Governor Stephen Miran told MNI on Monday the FOMC needs to cut interest rates substantially this year because underlying inflation is near target and a hesitancy to lower borrowing costs has already unduly damaged the labor market.

Recent weakness in the labor market, which saw the jobless rate increase to a four-year high of 4.6% in November, could have been prevented by more consistent monetary support from the central bank, Miran said in an interview.

"I would say the labor market has been on a trajectory of gradual weakening, in large part because of Federal Reserve policy," he said.

"And with the unemployment rate having crept higher and with various survey measures showing a job market that increasingly favors employers, it seems clear where the trajectory is and, given the inflation outlook, it seems inappropriate for us to try to maintain that trajectory and push it even farther."

CATCHING UP

Miran, who has dissented in favor of larger 50-basis point cuts at all three Fed meetings he's attended thus far, said he penciled in 150 basis points of rate cuts for this year in the December Summary of Economic Projections, up from 100 basis points in his September forecast.

"My previous dot was preconditioned upon the Fed pursuing the right policy, and as long as we keep policy at what I think of as materially too tight, we're reducing my growth expectations in the future," he said. "That requires looser policy now to offset that."

Other reasons for the downward revision were greater damage from the government shutdown and more dovish readings on employment and inflation than he had expected, Miran said. Futures traders are currently pricing in just over two quarter-point cuts for the year.

The way shelter and financial services costs are imputed in traditional inflation measures is significantly overstating price pressures in the economy, Miran said.

"Once you extract from both of these distortions, underlying inflation is running at around 2.3%, which is basically within noise of our target," Miran said. Headline and core CPI in November rose at a 2.7% and 2.6% rate, respectively.

"Because average tenant rents appear finally to have caught up to new tenant rents, and because market rents have been running at a 1% rate for a couple of years, that gives me a lot of confidence that we're going to see CPI rents really start to decelerate in the near future."

UNDERSHOOT RISK

Miran said inflation is making such swift progress that it actually has the potential to undershoot the Fed's 2% target. His expectation for a large looming inflation drag from shelter means that even sticky goods prices would not derail his view.

“I actually don't need a decline in goods prices to hit my inflation forecast. My inflation forecast is driven entirely by things that are not core goods. And so I can tolerate higher inflation from goods for a sustained period of time, in large part because I have such aggressive shelter-inflation marked in my forecast,” he said.

“If I end up being right on housing and wrong on tariffs, and then goods inflation does come down as a result of tariffs, we're going to end up pretty substantially undershooting our target as a result of that,” said Miran. “That's a risk that I feel is really being underappreciated by people. We seem to be having a lot of people that are fighting the last war without sort of thinking about the fact that we have two-sided risk looking forward.”

STAYING PUT FOR NOW

Miran, who was appointed to the Board of Governors in September to serve out the remainder of a 14-year term set to end this month, and is currently on leave from his role as chair of President Donald Trump’s Council of Economic Advisers, indicated he intends to stay at the central bank at least until someone is appointed to replace him, possibly beyond.

“Until somebody else is confirmed into my seat, I will continue to sit in my seat. That means what happens depends on whether somebody is nominated for my seat, and then what the timeline for that person's confirmation is, if someone is nominated for my seat,” he said.

“Whether I'll remain on the Federal Reserve if somebody is confirmed into my current seat will depend on a variety of things, including how many seats are open, and whether the president nominates me for one of them, or wants to keep me in this seat. That's not up to me.”

MNI INTERVIEW: Fed In Easing Territory After Rate Cuts - Tracy

By Jean Yung (Dec 19, 2025)

WASHINGTON - U.S. monetary policy has crossed into accommodative territory after three straight rate cuts, further imperilling the Federal Reserve's price stability objective and inflation-fighting credentials, Joe Tracy, former executive vice president and senior adviser to the president at the Dallas Fed, told MNI.

In prioritizing the full employment side of its dual mandate, the central bank is also poised to deliver more cuts that the Trump administration has loudly called for, highlighting the difficulty of maintaining independence when tasked with both monetary and fiscal objectives, Tracy said.

"If Congress aligned the Fed's mandate with that of other major central banks, which is to focus solely on price stability, then there's no way with the Fed missing its inflation target for five years that they could move to accommodative monetary policy," he said.

"Unfortunately, when you ask the central bank to choose between its two mandates in a supply shock, there’s pressure on the administration to encourage the Fed to choose the employment side," he said.

"Maybe the data are signaling a future slowdown, but right now there's really not slack in the labor market. So it's interesting that the Fed is focusing on a potential problem rather than an actual, persistent problem."

EASY POLICY

Policy is no longer restrictive after the December cut, based on estimates of r-star and financial conditions, Tracy said. The real neutral rate has risen to 1% to 2% on expectations of strong productivity growth. Assuming the natural rate of unemployment is 4.5%, Taylor rules suggest policy rates should be roughly a full point higher, he said.

The Chicago Fed's National Financial Conditions Index has also indicated looser-than-average conditions and is trending looser since late 2022.

"They were on the low end of where they should have been before the cuts. Now they're in accommodative territory," Tracy said.

With another round of stimulus from tax cuts hitting next year, ongoing tariffs and firms delaying price hikes on policy uncertainty, "we could very much be in a situation where inflation gets back to the low 3s over the course of the year," he said. "I don't think it's all behind us." (See: MNI: Fed Biased To Ease With Focus On Jobs - Ex-Officials)

INFLATION TAKES PRIORITY

The FOMC's latest projections have inflation hitting target in 2028. That long timeline puts the Fed's credibility at risk and makes it more challenging to return inflation to target, Tracy said.

"Inflation expectations aren't moving up now, but at some point people will say the Fed is not serious about 2%, otherwise they'd be acting on it. When they come to that view, expectations will rise."

As the central bank faces down fresh tests of its independence in 2026, Congress should legislate to allow the Fed to focus solely on its inflation mandate, as dealing with inflation first and foremost is better for the labor market in the long run, Tracy argued.

"If we look back at the major times when the Fed has been pressured by the administration, it's reasonable to assume that would not have happened at all or to a lesser degree if the Fed were only responsible for inflation," he said.

"It would create cleaner lines of accountability and keeps the Fed out of anything that looks like fiscal policy."