U.S. Employment Insight: Dec 2025

MNI View: Unemployment Rate Trends Higher But Caveats Abound

Dec 17, 2025 - By Chris Harrison and Tim Cooper

Quick Take: Caveats Galore But U/E Rate Trends Higher, Whilst Government Leads Oct Jobs Weakness

- A highly unusual payrolls report saw multiple caveats that drove a swift fade of an initially dovish reaction.
- The two months of nonfarm payrolls growth was a little better than expected for November but much weaker than expected for October, although this was entirely driven by the public sector. Private sector job creation was almost exactly as expected as recent trends actually firmed slightly.
- The household survey for November, with its missing October values clouding recent trends, likely drove the initial reaction with its 4.6% unemployment rate, something that very few analysts forecast (median 4.5% with risks deemed skewed to 4.4%). It did however exaggerate a 4.56% unrounded figure for a 12bp increase, whilst estimates from Goldman Sachs for instance see this as just 2bp ex-government.
- A new historical low for the household survey response rate and higher standard errors, the latter as warned by the BLS and Powell, mean that we can't put too much weight on these figures. Nevertheless, the existing uptrend looks intact: while the interpolated 0.06pp average monthly increase implies a slower pace of rises vs the preceding three months, this puts the U/E rate on track for an overshoot of the FOMC's 4.5% median expectation for Q4 (something that 7 FOMC members forecast in the December SEP).
- With so many technical caveats to the report, we expect the December payrolls report, back on its original scheduled of Jan 9, to be more impactful ahead of the Jan 28-29 FOMC meeting.
- For now, the next cut is only fully priced for the June meeting under a new Fed chair although there is a cumulative 20bp for the April meeting. A subsequent cut is then broadly fully priced for September.
- Analyst summaries mostly reflect this continued data cloudiness, also putting more weight on the upcoming December NFP report. CIBC do however now expect the Fed to ease twice in 2026, compared to once previously, in Q1 and Q2 with monthly data driving the timing.

CONTENTS

Government Leads Both October Payrolls Weakness And Downward Revisions

- Nonfarm payrolls growth was a little better than expected in November at 64k (cons 50k) but it was more than offset by a weaker than expected -105k in October (we'd seen a median estimate of -25k).
- However, private payrolls were on balance very close to expectations, at 69k (cons 50k) in Nov after 52k (cons 65k, again from the median in the MNI preview).
- Indeed, public payrolls fell -5k in Nov after slumping -157k in Oct (likely on DOGE deferred resignations with all analysts we'd seen expecting a smaller hit than the circa -150k in press reports earlier in the year)
- Nonfarm payrolls were revised down a combined -33k in Sep (-11k) and Aug (-22k)
- Private payrolls were revised down only -1k, with Sep (+7k) and Aug (-8k)
- See the quick summary table below:

Nonfarm Payrolls Report - Nov'25

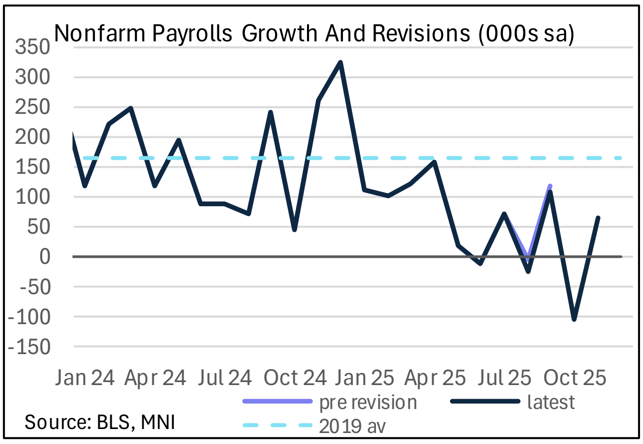
Monthly Payrolls Growth

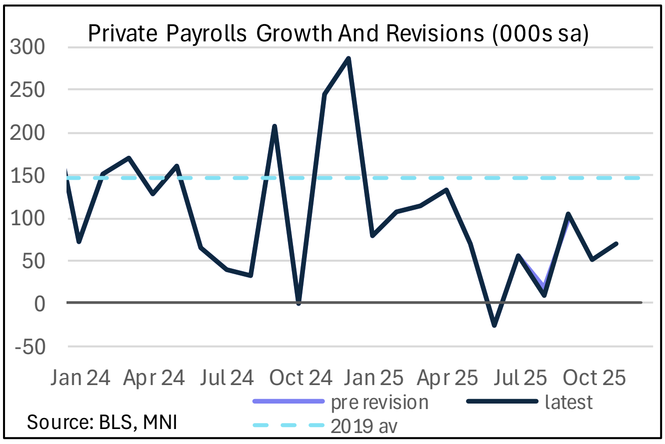
		Actual	Cons.	Surprise	Revision
NFP	Oct*	-105	-25	-80	-33
	Nov	64	50	14	
Private	Oct*	52	65	-13	-1
	Nov	69	50	19	

Source: BLS, Bloomberg Finance L.P., MNI. * consensus taken from median in MNI preview

Unemployment

	Nov	Cons.	Sept	Cycle low		2019 av
Rate (%)	4.56	4.5	4.44	3.45	Apr'23	3.67

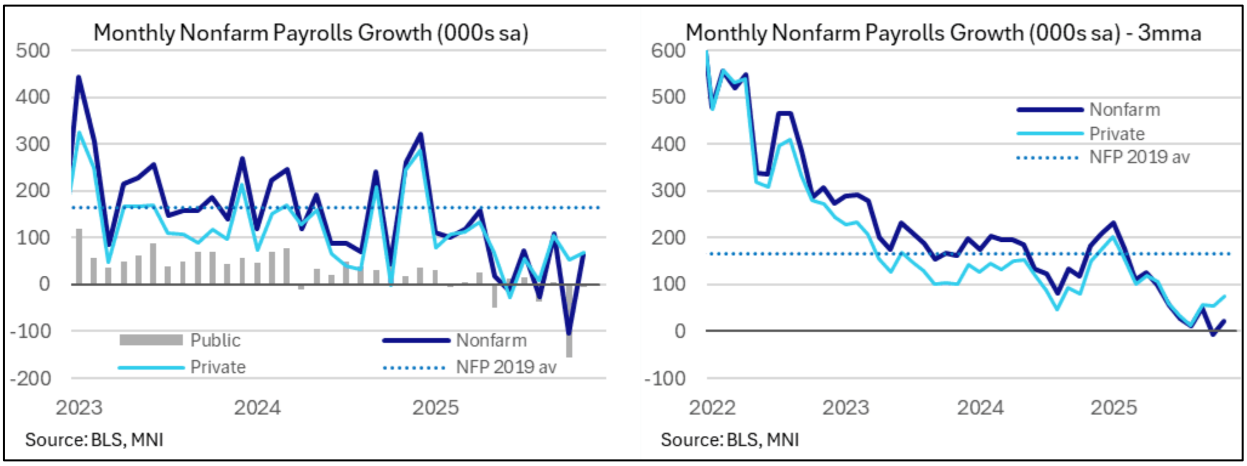




Diverging Trends In Private vs Overall Payrolls Growth On DOGE Hit

A sharp decline in government payrolls confined October weighed heavily on recent nonfarm payrolls growth trends, with the private payrolls trend actually firming a little since last known data for September.

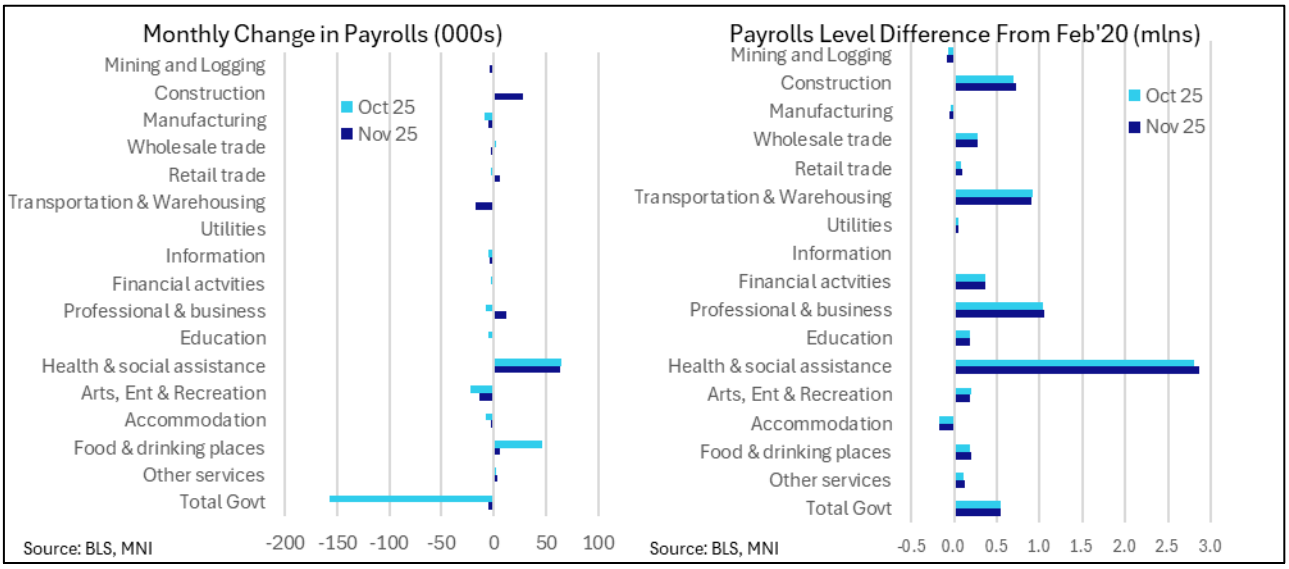
- Today’s two-month update for nonfarm payrolls growth saw a heavy impact from a slide in government payrolls in October.
- Nonfarm payrolls increased 64k in Nov (of which -5k govt) after -105k in Oct (-157k govt) and a downward revised 108k (initial 119k, govt 4k) in Sep.
- We had seen a median estimate of government payrolls dropping -77.5k in October with the largest hit the -135k forecast by BNP Paribas. It was likely driven by DOGE deferred resignations set to show after Sep 30, with all analysts we’d seen expecting a smaller hit than the circa -150k in press reports earlier in the year. It’s possible that this captured some impact from the government shutdown but that wasn’t expected to be a material factor for furloughed workers.
- This government drag meant that 3/6-month run rates for nonfarm payrolls stood at 22k/17k in November vs 51k/53k in previously released data for September.
- In contrast, private payrolls have increased an average 75k/44k over the three and six months to November for an improvement compared to the marginally upward revised 57/58k in September and a recent bottoming of 13k in Aug for the three-month average.
- Of course, these are likely to be viewed in line with Fed Chair Powell's estimate that overall payrolls growth is being overstated by 60k per month.

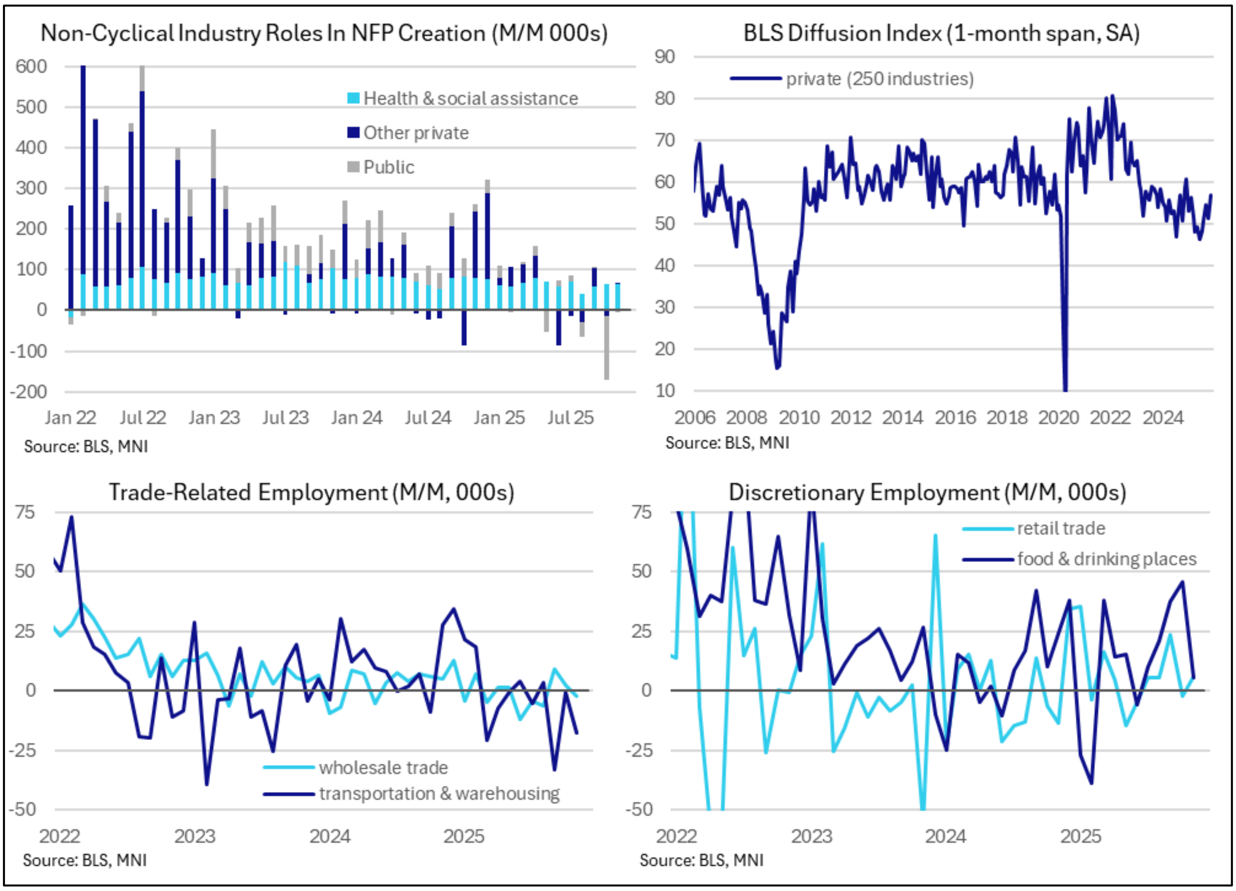


Healthcare Still A Major Driver Of Private Jobs But Breadth Improves

Private payrolls continue to see a heavy reliance on the non-cyclical health & social assistance category, with little net job creation outside of this in the latest two months after an encouraging increase back in September. However, the detailed 250 industry breakdown saw its highest net share of increases on the month in November in nearly a year.

- Private payrolls have increased 69k in Nov, 52k in Oct and 104k in Sep, but details reveal an ongoing reliance on the non-cyclical health & social assistance category.
- Health & social assistance added a consistent average of 63k in the latest three months (64k in Nov, 65k in Oct and 59k in Sep) compared to 12k for other private industries. The latter comprises of 5k in Nov and -13k for rough stabilization after what had been an encouraging 45k increase in September for its fastest since April.
- Highlighting this reliance on healthcare, the next largest contribution came from professional & business services adding 12k in a tepid increase after six consecutive declines totaling -88k.
- Other industries of note include food & drinking places only increasing by 6k after some particularly strong increases of 46k in Oct and 38k in Sep for the discretionary spending-reliant category.
- However, whilst private payrolls growth remains lopsided at an overall industry level, the one-month diffusion index across a much more detailed range of 250 industries increased to 56.8% in Nov after 51.2 in Oct and 54.6% in Sept for its highest since Dec 2024. It has now seen four months >50 after four months <50 through Apr-Jul when it had implied more than half the 250 industries included saw monthly declines.
- Backing this up, the three-month diffusion index increased to 55.2% from 52.4% in Oct and 50.2% in Sep for its highest since April.





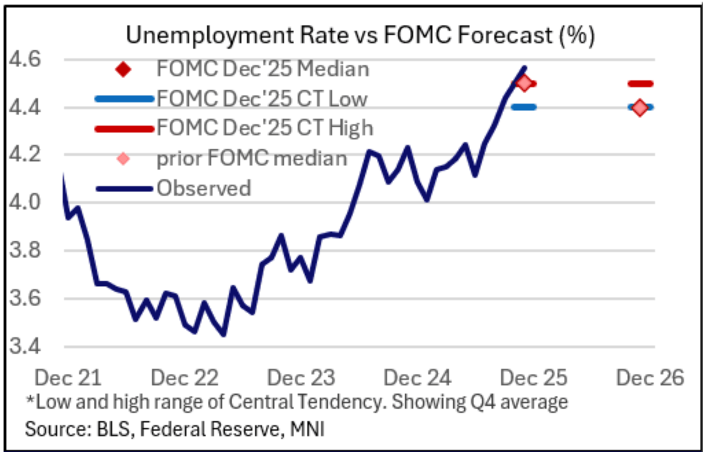
Unemployment Rate Jump Driven By Prime Joblessness, But Caveats Abound

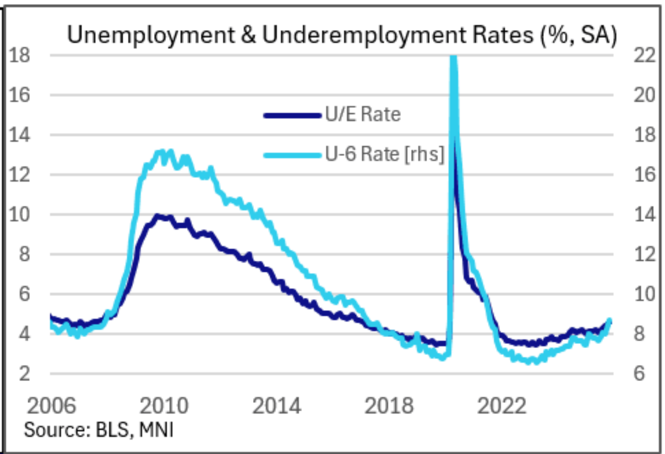
The rise in the unemployment rate to 4.56% unrounded in November from 4.44% in September represented a higher-than-expected reading and a fresh high for joblessness since September 2021. Analyst median consensus was 4.5%, with many more leaning toward 4.4% unrounded than 4.6% - and while the interpolated 0.06pp average monthly increase implies a slower pace of rises vs the preceding 3 months, this puts the U/E rate on track for an overshoot of the FOMC's 4.5% median expectation for Q4.

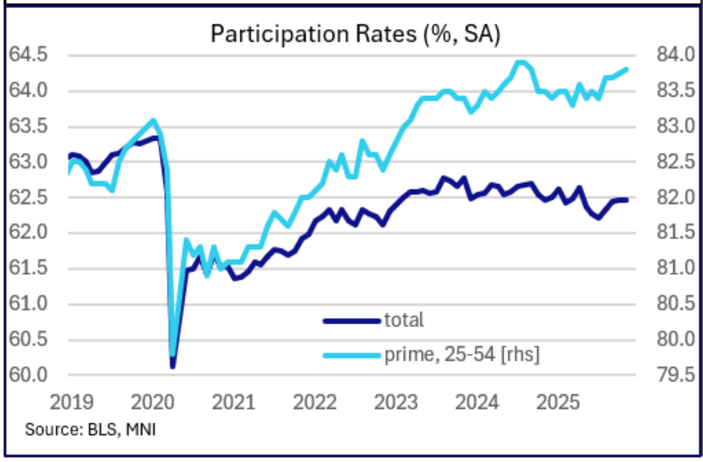
- Prime-age unemployment rate picked up to 3.91% (highest since Oct 2021) from 3.65% over the course of the two months, with the 0.26pp rise far outpacing the 0.12pp overall increase. And other signs of loosening, the U-6 underemployment rate jumped to 8.7% from 8.0%, easily the highest since August 2021, while the teenage unemployment soared 3.1pp to 16.3%, a post-August 2020 high. And employment grew by just 96k over 2 months, after rising an average 270k in each of September and August.
- However, there are many caveats to the above that imply some oddities in November's collection, above and beyond the late and longer survey period.
- The actual number of unemployed rose only 228k over the two months, an average of 114k which would be on the low side of the preceding 4 months' change.
- And this was driven too by re-entrants to the workforce: 293k over 2 months, a figure not seen since 2021, and arguably a sign of increased confidence in the labor market. In contrast, job leavers totaled only 34k (171k of which were due to temporary layoff, with -136k not on temporary layoff - both outsized numbers for these series and unclear whether affected by the federal shutdown). Permanent job losers fell, both in raw numbers and as a % rate of the workforce (1.13% from 1.18%).
- Goldman Sachs estimate that the unemployment rate would only have increased 2bp rather than the 12bp reported excluding the increase in unemployed government workers.
- With participation ticking marginally higher to 62.47% from 62.45%, amid a 323k 2-month rise in the labor force, the overall unemployment rate was nudged higher. Prime-age participation increased 0.1pp to 83.8%, highest since September 2024. For 16-24 it jumped 0.4pp to 55.9%, highest since April (partly explaining the

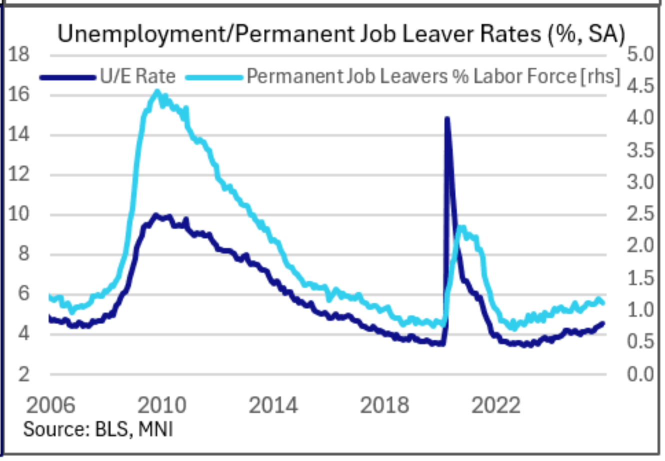
teenage unemployment jump), with 55+ dipping 0.2pp to 37.9% as part of a secular trend that brought it to the lowest level since 2006.

- Prime employment-population dipped to the lowest since July.





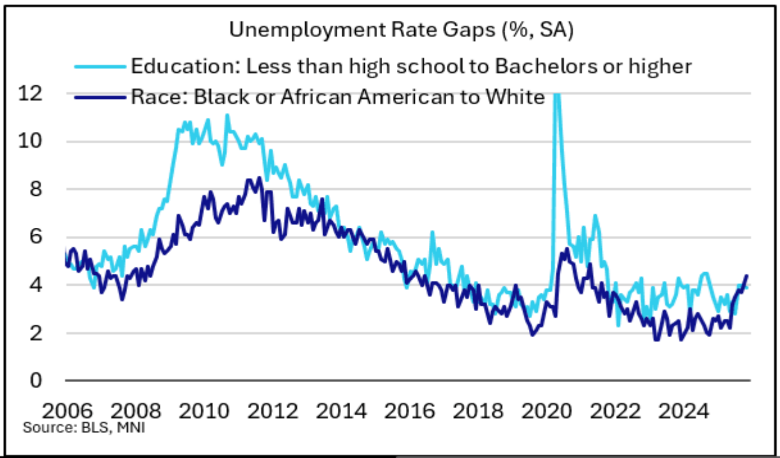


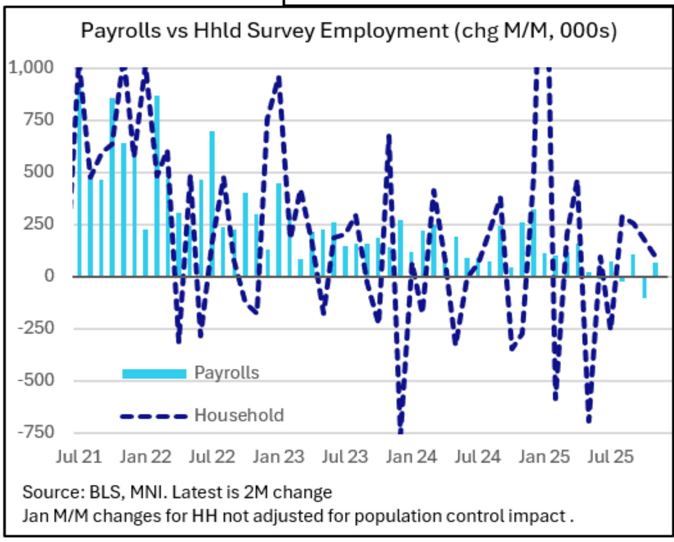


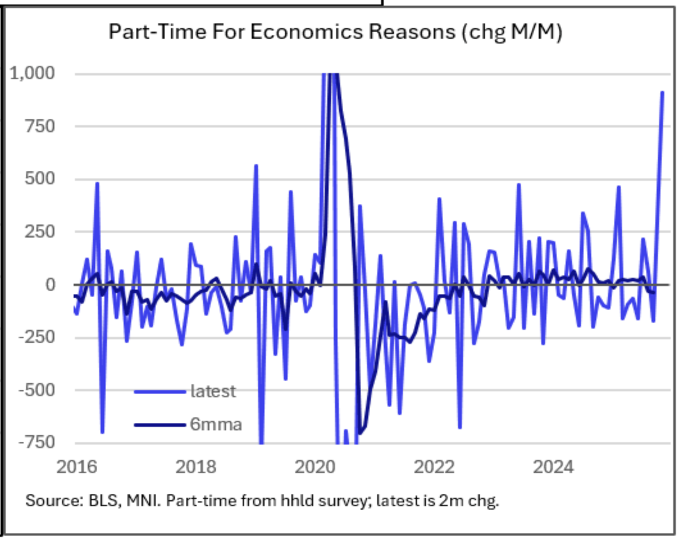
Higher-Than-Usual Uncertainty Over Unemployment Rate Clouds Signal

Going back to other weak/mixed notes from November's Household Survey:

- Those working part-time for economic reasons rose 909k over the 2 months to November, easily the highest for a 2-month period since the pandemic (the preceding 8-month average had been +13k), though we'd guess this is at least partly related to the federal government shutdown.
- And the demographic breakdown was extremely mixed, suggesting potential quirks driven by the unusual survey: White unemployment ticked up 0.1pp to 3.9% and fell 0.8pp for Asian (3.6%) and 0.5pp for Hispanic/Latino Americans (5.0%), but the Black/African American rate jumped 0.8pp to 8.3%.
- Additionally, for adult men the unemployment rate rose 0.1pp to 4.1%, but for women it fell 0.1pp to 4.1%. Unemployment by education was mixed, with all those with a high school diploma or higher seeing a higher unemployment rate vs September.
- We could go on with the various biggest caveat of all is that October's household survey was not conducted due to the federal government shutdown and there were multiple caveats provided with the release. As BLS noted the day before the release, the November Household survey has 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", which meant that 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".
- That alone suggests a higher bar to interpreting the November estimate of the U/E rate rise literally, though clearly it remains in an uptrend overall.
- However the report also confirms that federal government workers were counted as employed in November's survey as they returned to work in the reference week. However, "It is not possible to precisely quantify the effect of the federal government shutdown on household survey estimates for November."







AHE A Mixed Bag Rather Than A Clear Miss In Two-Month Update

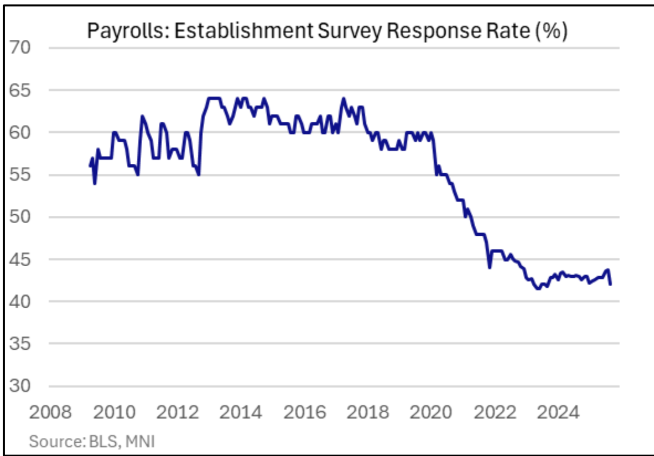
The two months of average hourly earnings data were a mixed bag rather than the outright weakness that the headlines suggest, with non-supervisory employee wage growth running firmer and hours worked also increasing in November.

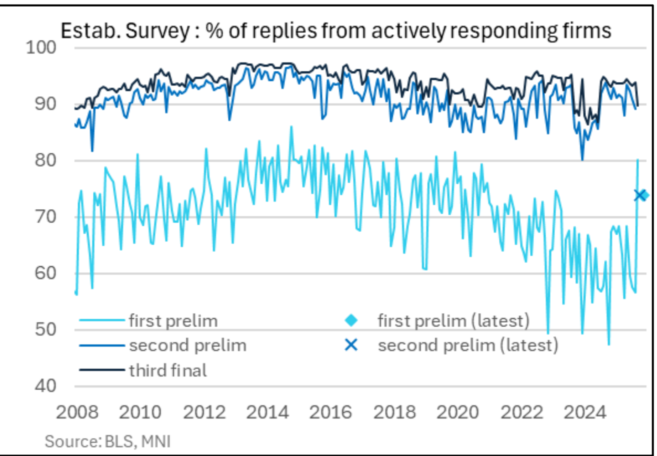
- Overall AHE growth of 0.14% M/M in November was clearly softer than the 0.3% M/M widely expected although it was countered by a stronger than expected 0.44% M/M in Oct (we had seen limited estimates with a median 0.3 but with risks skewed lower). Still, September was also revised lower to 0.19% M/M 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%.
- Another factor that makes the headline AHE figures look less weak is that average hours worked surprised higher in November at 34.3 (cons 34.2) after the 34.2 was unchanged from the previously reported 34.2 in September. This would mechanically have biased average hourly earnings of salaried employees lower in the month.

New Low For Household Survey Response Rate, Establishment Survey Mixed

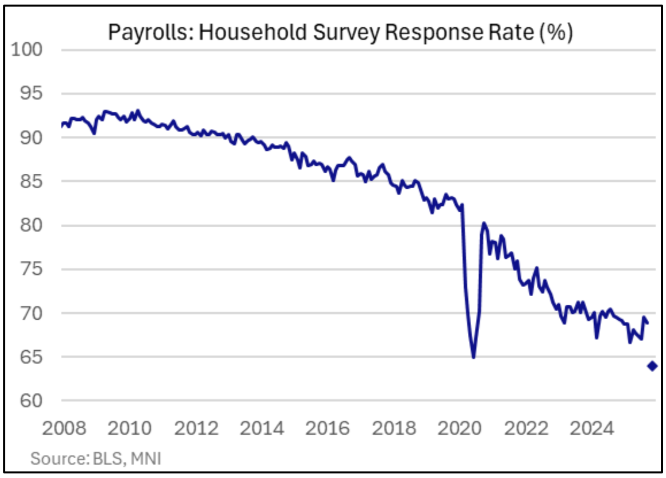
Data quality was in firm focus with today's nonfarm payrolls report and response rates indeed saw mixed developments across the main establishment and household surveys. They make it hard to put too much weight on any single area of the jobs report although the continued uptrend in the u/e rate is unlikely to have seen the FOMC majority retrospectively question last week's third consecutive 25bp cut. The December report, keeping to its original schedule of Jan 9, will be watched particularly closely.

- The **establishment survey** (behind the payrolls figures) saw mixed results for the share of responses of actively reporting sample units.
- 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. This initial response rate had 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% if comparing with typical second response rates closer to 90%. That said, the BLS clearly describes this as an initial estimate (and 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 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. 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.





- The **household survey** collection period 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 (there was no October survey) fell from 68.9% in September for a new low having surpassed the 64.9% in Jun 2020 on pandemic disruption.
- Building on information released by the BLS the day before the release, it has 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", which meant that 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 on Monday said the survey would have larger standard errors, with the national unemployment rate error being larger than usual by a factor of 1.06 due to the weighting methodology change alone.



- The BLS has since updated broader standard error estimates, noting that "the November unemployment rate required a 0.26 percentage point change to be statistically significant, about 1.23 times larger than the required change of 0.21 percentage point in September."
- Fed Chair Powell had of course warned last week that "we're going to have to look at it carefully and with a somewhat skeptical eye" given technical issues.

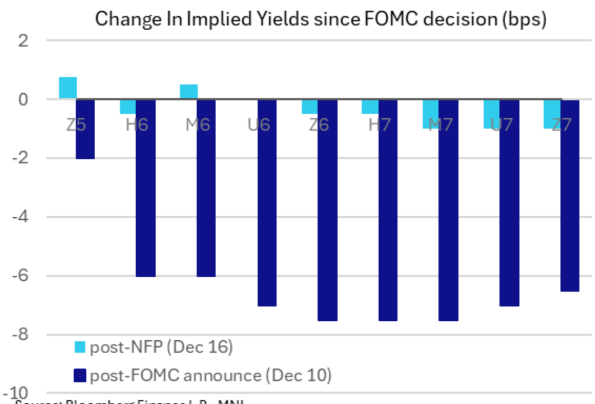
STIR: Initially Dovish Reaction Pared and Then Fully Reversed With Caveats Galore

- Updating for market moves on Wednesday before publishing this note, the Fed rate curve has now fully reversed the modest initial dovish reaction, having already pared a sizeable bit of the move shortly after the release.
- Admittedly, some of this further reversal overnight is down to oil rising sharply on the US Venezuela oil blockade.
- A further climb in the unemployment rate, which rounded to 4.6% for something only a few analysts had forecast, set the tone for the initial reaction but it was exaggerated by rounding along with many other complexities within the household survey alone. Similarly, weak October payrolls growth likely played a role in the snap reaction but this too was entirely concentrated in the public sector.
- Fed Funds futures cumulative cuts from 3.64% effective: 5bp Jan, 13.5bp Mar, 20bp Apr, 33bp Jun, 49.5bp Sep and 57bp Dec.

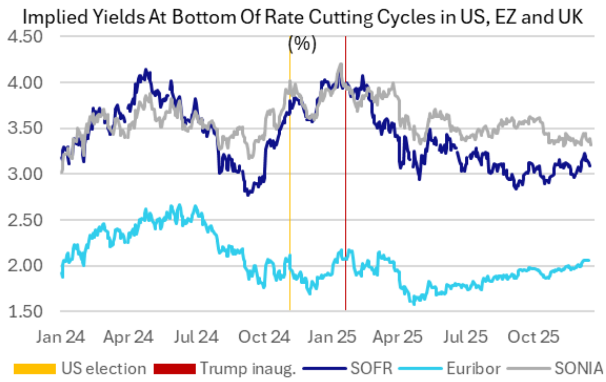
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Dec 16)			*chg in rate*	pre FOMC (Dec 10)			*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	3.59	-5.2	-5.2	3.58	-6	-5.8	*0.6*	3.59	-5	-5	*-0.4*
Mar'26	3.51	-8.3	-13.5	3.50	-8	-13.7	*0.2*	3.53	-6	-11	*-2.4*
Apr'26	3.44	-6.7	-20.2	3.44	-6	-20.2	*0.0*	3.47	-6	-17	*-3.5*
Jun'26	3.31	-12.9	-33.1	3.30	-14	-33.9	*0.8*	3.34	-13	-30	*-3.5*
Jul'26	3.23	-7.6	-40.7	3.23	-7	-41.3	*0.6*	3.28	-7	-36	*-4.4*
Sep'26	3.15	-8.7	-49.4	3.15	-8	-49.3	*-0.1*	3.20	-8	-44	*-5.3*
Oct'26	3.11	-3.4	-52.8	3.11	-4	-53.2	*0.4*	3.16	-4	-48	*-5.0*
Dec'26	3.07	-4.2	-57.0	3.07	-4	-56.8	*-0.2*	3.12	-4	-52	*-5.1*

Source: Bloomberg Finance L.P., MNI.
Assuming same EFFR-target lower bound spread from latest fix going ahead (& showing as pre-FOMC for ease)



Source: Bloomberg Finance L.P., MNI



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

Post-NFP Fedspeak

Chicago Fed's Goolsbee (next voting in 2027) said the job market is cooling at a modest pace, with low hiring but a still low level of layoffs. He reiterates that he believes rates can come down in 2026, with a reminder that he dissented at the December decision on grounds of wanting to see more economic data.

Atlanta Fed's Bostic (retiring in February) sees the labor market cooling but not at a negative inflection point. He sees structural reasons behind rising unemployment, with aggressive Fed policy not the remedy for declining jobs. Indeed, he would have preferred to have held rates unchanged this month and didn't pencil in any cuts for 2026, indicating he one of just three participants who saw rates unchanged vs pre-December cut levels.

Analyst View Changes

CIBC: “We now expect the Fed to ease twice in 2026, compared to once previously. We are penciling in Fed cuts in each of Q1 and Q2 with the timing of easing dictated by the monthly data.

Overall, the labor market data today is not encouraging and opens the door to an early move from the Fed in 2026. The dissenters in the FOMC will be rethinking their positions today. The strength in retail sales is clearly not generating enough labor demand, or firms are substituting aggressively to capital, or perhaps some combination of the two, and generally making it complicated for the dual mandate Fed.”

Select Analyst Views

ABN Amro: “Data collection was impacted by the government shutdown and large revisions are likely. Still, data continues to evolve in line with further rate cuts over the course of next year. We still expect a pause in January but expect moderate headline inflation and a continuously weakening labour market to tilt the balance towards another 75bps of gradual easing over the course of the year.”

Berenberg: “The December labour market report, scheduled for 9 January 2026, will likely adjust for the one-off increase in the jobless rate and leave the Fed with little reason to move the needle at the 17-18 January meeting.”

BofA: “We agree with markets' that today's data flow was a wash. Every data point, whether hawkish or dovish, had a caveat. Job growth was strong but dominated by healthcare. The u-rate rose but due to idiosyncratic spikes. The control group surged but restaurants & bars slid. On balance, we think the Fed is well positioned to wait for Dec data before making its policy decision. We still think another u-rate rise to 4.7% will trigger a cut.”

JPMorgan: “We continue to believe these concerns will motivate the Fed to cut rates one more time in January, though that call will be informed by whether the cleaner December jobs report indicates growing labor market slack.”

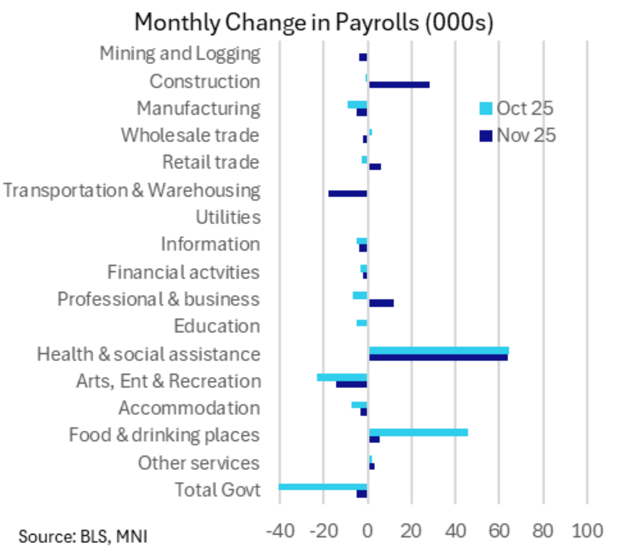
RBC: “We continue to see mixed signals from multiple data sources, and we caution reading too much into a single data point in today’s report.”

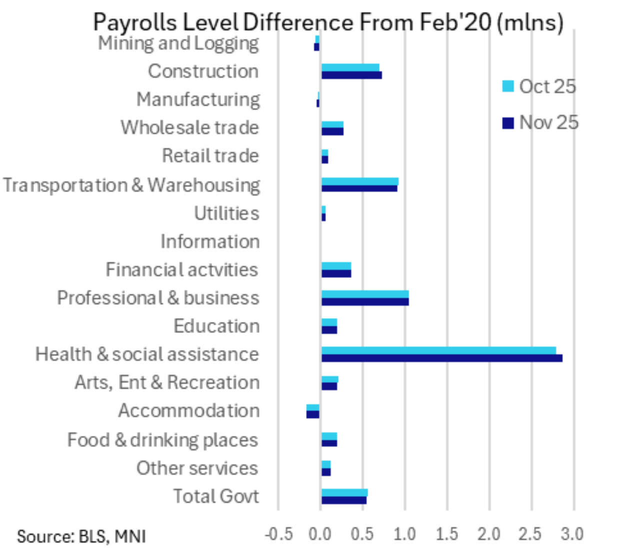
Scotia: “If the FOMC cuts, it will embolden arguably damaging policies in other areas that are contributing to this weakness, like protectionism and over-tightening of immigration policy including against highly skilled labour. The Fed could perversely wind up encouraging more of the policies that are harming the US and world economies and driving our forecast for world GDP growth to be the weakest since 2020. But the Fed has somewhat of a straight jacket placed upon it by Congress to adhere to full employment and price stability dual mandate goals. […] Therefore we take today’s readings as tentatively supportive of our call for another FOMC rate cut on January 28th. We continue to predict easing down to 3% by Spring.”

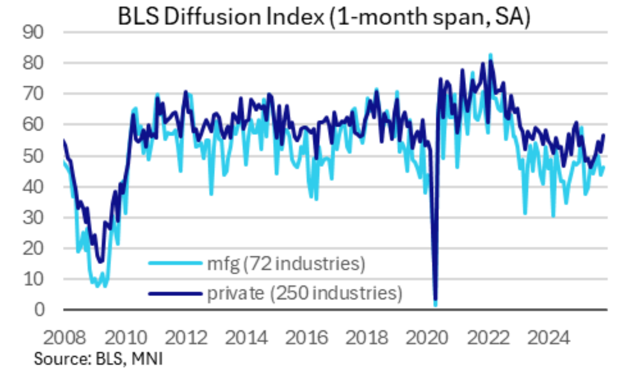
TD Securities: “Today's report does not change the thinking for Fed officials at large. Payrolls are likely still running within the breakeven pace, and we expect Fed officials to judge the sharp increase in the UE rate as temporary. In all likelihood, the Fed will look through the October/November jobs data and wait to make a more informed assessment based on a more reliable December report.”

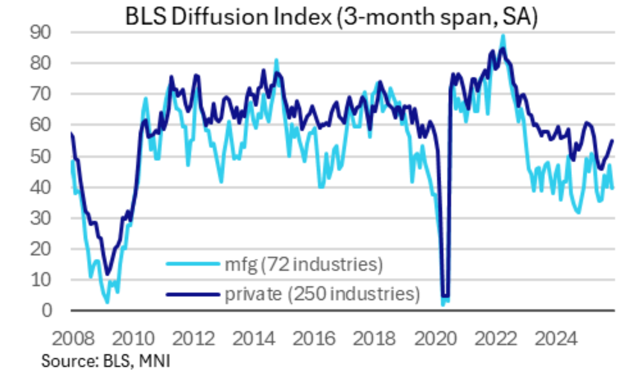
Wells Fargo: “We doubt today's data are enough to push the FOMC to make another 25 bps rate cut the base case for the January meeting. That said, it is soft enough that the door is open should the November/December CPI data and the December employment report come in below expectations. For now, our base case remains two 25 bps rate cuts in the first half of next year at the March and June FOMC meetings, with the risks skewed toward more rather than fewer cuts in 2026.”7

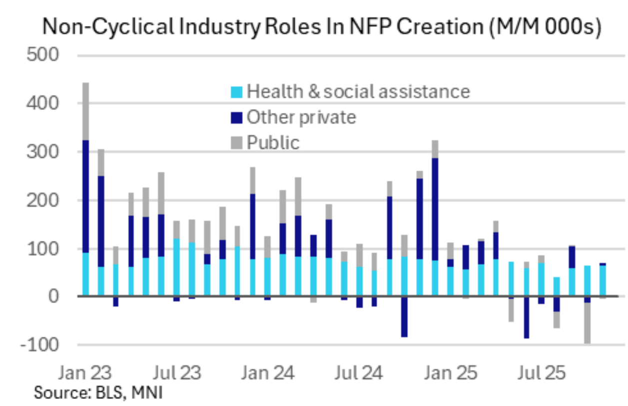
Payrolls Report Chart Pack

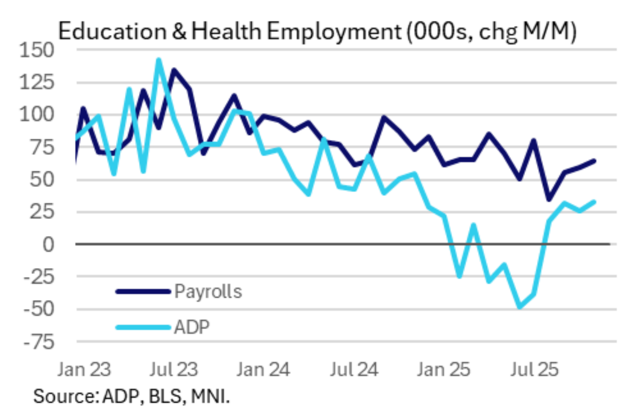


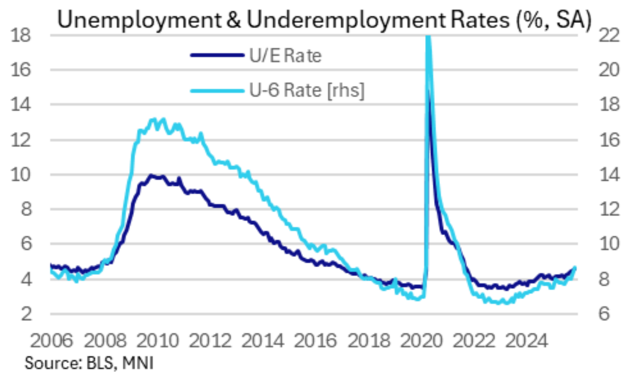


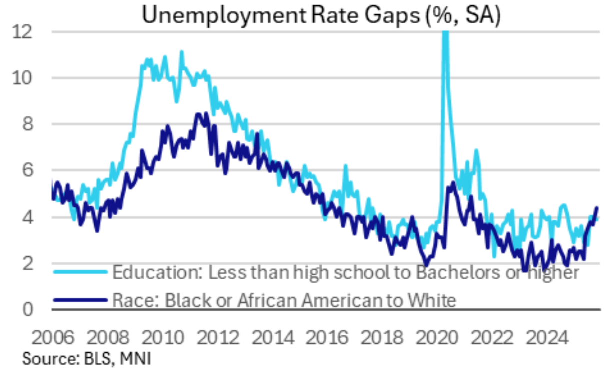


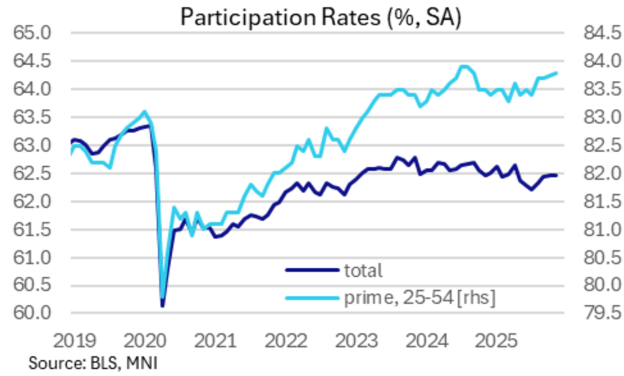


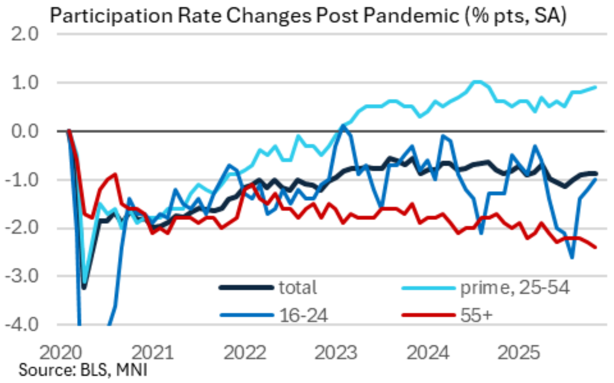


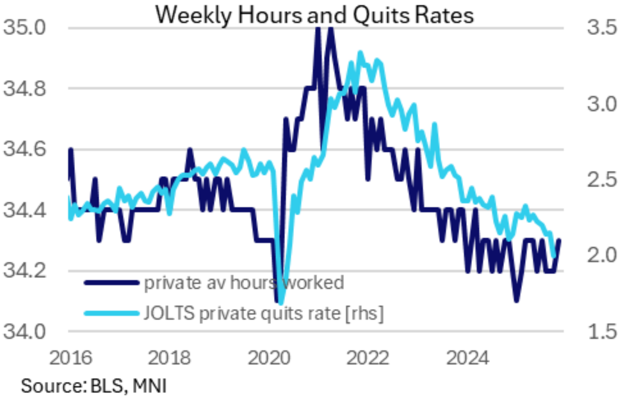


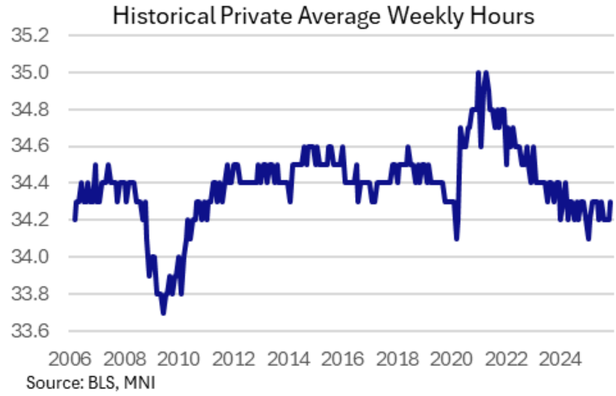

Unemployment & Underemployment Rates (%, SA)
U/E Rate
U-6 Rate [rhs]
Source: BLS, MNI

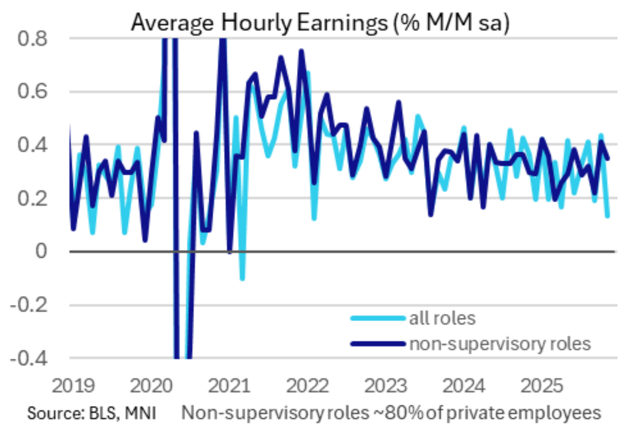

Unemployment Rate Gaps (%, SA)
Education: Less than high school to Bachelors or higher
Race: Black or African American to White
Source: BLS, MNI

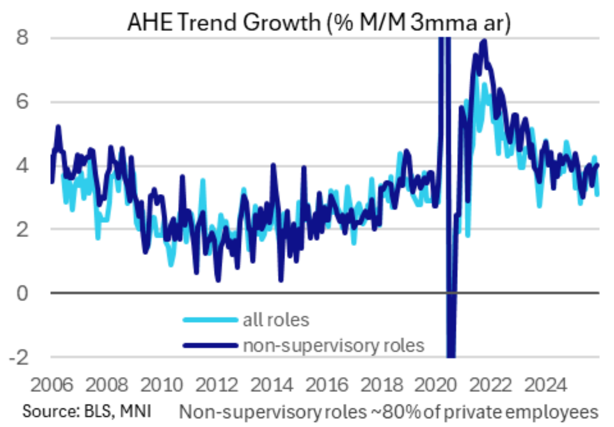

Participation Rates (%, SA)
total
prime, 25-54 [rhs]
Source: BLS, MNI


Participation Rate Changes Post Pandemic (% pts, SA)
total
prime, 25-54
16-24
55+
Source: BLS, MNI


Weekly Hours and Quits Rates
private av hours worked
JOLTS private quits rate [rhs]
Source: BLS, MNI


Historical Private Average Weekly Hours
Source: BLS, MNI


Average Hourly Earnings (% M/M sa)
all roles
non-supervisory roles
Source: BLS, MNI
Non-supervisory roles ~80% of private employees

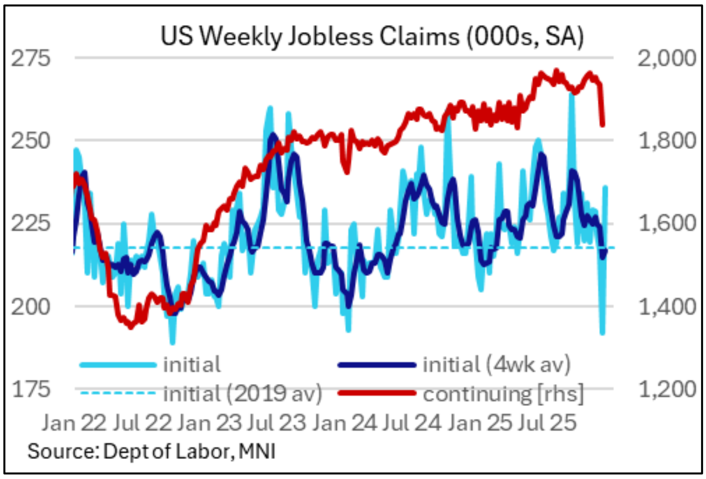

AHE Trend Growth (% M/M 3mma ar)
all roles
non-supervisory roles
Source: BLS, MNI
Non-supervisory roles ~80% of private employees

Other Labor Indicators Of Note

Recapping some of the more notable labor indicator updates on net over the past two months:

<u>Upside</u>

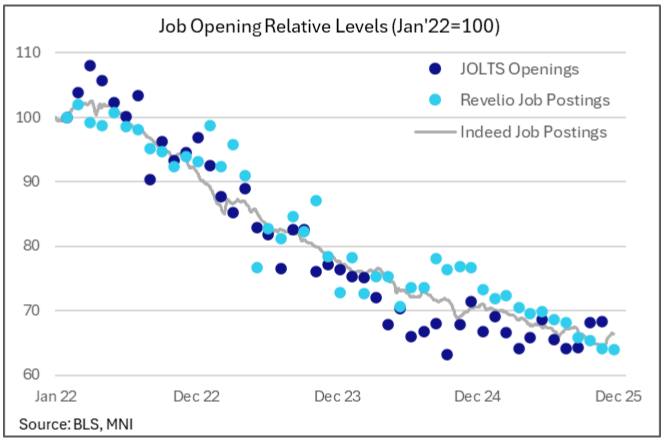
Very Low Initial Claims When Looking Through Thanksgiving Distortion
We downplay the supposed upside for initial jobless claims in last week's release as it appears to just be reflecting a reversal of a particularly low week before that under adjustment difficulties around the Thanksgiving holiday. Surprisingly low continuing claims were also likely a factor of this distortion. For now, a two-week average for initial claims remains particularly low and shows no sign of labor market distress, whilst prior trends for continuing claims in payrolls reference periods are broadly in keeping with recent months rather than eyeing further deterioration.



- Initial jobless claims 'surprised' higher at 236k (sa, cons 220k) in the week to Dec 6, a consensus reading that had looked for surprisingly little rebound considering it followed the 3+ year low of 219k in the week to Nov 29 in what had looked likely down to difficulty in adjusting around the Thanksgiving holiday.
- The average of the two is 214k, a still very low figure considering it averaged 218k in 2019, following 220k in the two weeks before that.
- Within the NSA details, California and Texas provided some upside after large declines the week prior (+14.5k after -19.8k for California and +7.7k after -7.8k for Texas) although there was also a notable increase for NY with +10.6k after -3.5k.
- Continuing claims meanwhile were also lower than expected at 1838k (sa, cons 1938k) in the week to Nov 29 after a marginally downward revised 1937k (initial 1939k), but we suspect the same Thanksgiving issue is now at play here.
- We'll need to see the next couple weeks of continuing claims data to have a better idea of trend though, which will coincidentally take us into the reference period for the December payrolls report. For now, a reminder ahead of Tuesday's November payrolls report that continuing claims at 1944k in the Nov payrolls reference week leaves a more favorable comparison compared to the Oct payrolls reference period (1957k) but a less favorable one compared to Sept (1916k, the last known BLS payrolls report) and was back close to the 1944k of Aug and 1946k of Jul.

<u>Mixed</u>

Much Higher Than Expected JOLTS Job Openings…
Job openings in the delayed BLS JOLTS report were far higher than expected in October. There was rare relative outperformance to alternative sources such as Indeed or Revelio that had helped form expectations of a modest steady decline compared to August data last released just prior to the government shutdown.



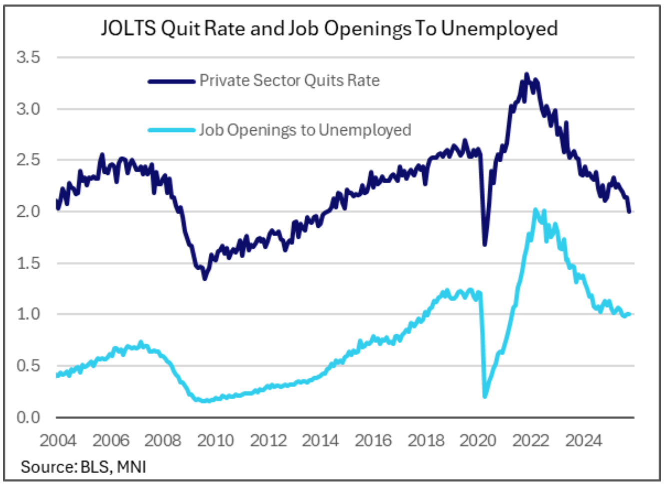
- Job openings were far higher than expected in October at 7670k (sa, cons 7117k) whilst September job openings were also higher than presumably expected at 7658k in September also released today.
- It's a marked increase compared to the 7227k seen in August shortly before the government shutdown. As the chart below shows, the size of this deviation from alternate indicators such as Indeed or Revelio isn't new

but JOLTS being relatively higher than them certainly is.

- It saw the ratio of openings to unemployed more than reverse its dip from 1.00 to 0.98 in August (a fresh low and technically its first sub-1.0 since Apr 2021) with 1.01 in September. This increase was limited by September's already known large increase in unemployment.
- This will have remained at 1.01 in October assuming the same level of unemployment (there won't ever be household survey details for October), leaving four months averaging 1.00 for a further steady moderation from the 1.04 averaged in Feb-Jun. Powell in September noted the ratio remained near 1 as a part of a number of other labor market indicators that remain broadly stable, but we assume greater sensitivity if this starts falling materially lower. For context, it averaged 1.2 in 2019 and 1.0 in 2017-18.

… But Alternate JOLTS Indicators Read Softer

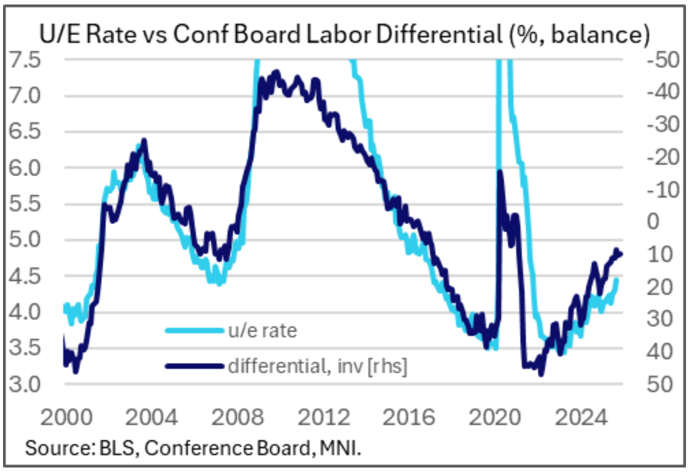
The quits rate fell further in October to its lowest since 2014 when excluding two pandemic months of 2020 and the hires rate broadly confirmed August's decline to lows since 2021



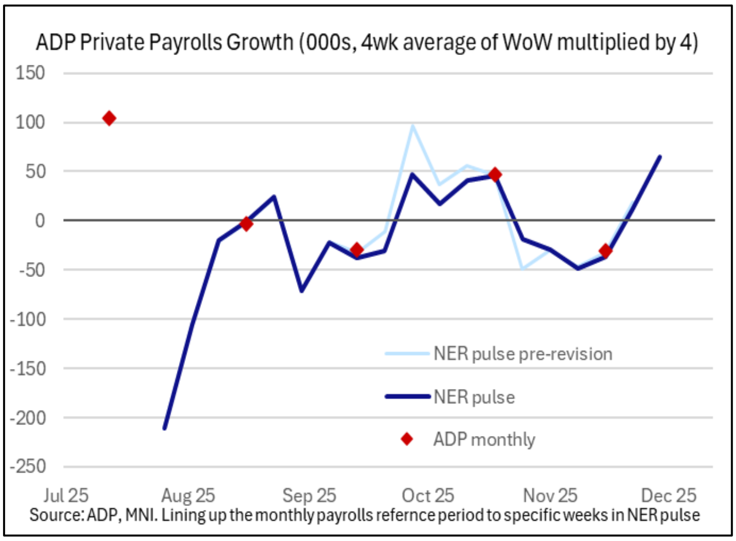
- The quits rate was reported at 1.8%, down from 1.96 in September and 1.94 in August.
- We have taken this October quits rate from the 1.d.p value reported by the BLS rather than our usual unrounded calculations which use the usually already known level of payrolled employment in the month.
- Of course, we will only officially know the October level of payrolls with the delayed November report on Dec 16. It's unclear whether the BLS has used what it currently estimates to have been payrolls employment in October or whether it just references September instead (the latter would yield a 1.84 quit rate so it would just hold).
- Those details aside, this 1.8% quit rate is its lowest since 2014 outside of Apr and May 2020 pandemic months, clearly pointing to greater caution in the labor market. It steps below a range of 1.9-2.1% seen since mid-2024.
- The hires rate meanwhile broadly confirmed a shift to new recent lows, reported at 3.2% in October (it would be 3.23 assuming zero payrolls growth since September) for close to the 3.21 in August that had been its lowest since Sep 2021 when excluding the pandemic-hit Apr 2020. This briefly increased to 3.36% in September.
- Finally, layoffs increased further to 1854k in October and 1781k in September after the 1725k in August to hit the highest since early 2023. It paints a weaker picture than that painted by higher frequency weekly jobless claims data although is a less severe increase than the surge in layoff announcements from back in the October Challenger report.
- Context is important for the level of these JOLTS layoffs, only just pushing back above the 1818k averaged in 2019 when the labor market was historically tight.

Conference Board Labor Differential Stabilizes

The Conference Board labor differential, the share of those seeing jobs as "plentiful" minus those seeing "hard to get" was little changed at 9.7 in November after a slightly upward revised 10.3 (initial 9.4) in Oct. The 8.7 from Sept remains its recent low. It continues to point to a trend increase in the unemployment rate, which of course most recently saw an increase to 4.44% in September from 4.32% in August in Thursday's release, but the historical fit isn't precise. Whilst it's improved from September, we still mark as mixed because it continues to point to upside risks to the unemployment rate.



Recent Improvement For Weekly ADP From A Low Base



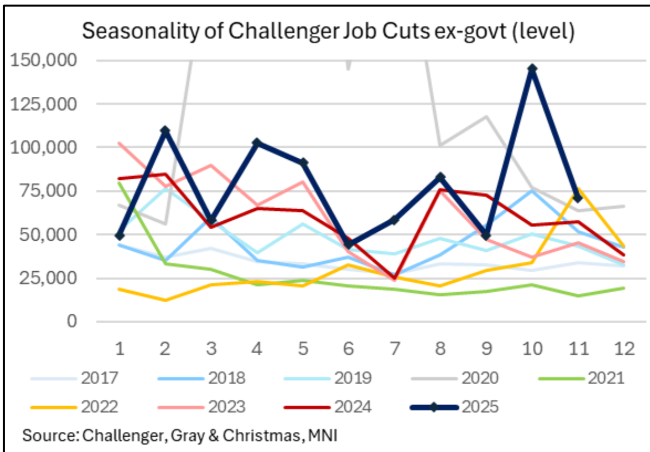
Tuesday's latest ADP employment update saw a second improvement in weekly tracking, with an average 16.25k week-on-week increase in the four weeks to Nov 29. The further improvement confirms what must have been a sizeable change compared to recent weeks although we continue to suspect the underlying is volatile (as the four-week average has shifted from -9.25k up to Nov 15 to +16.25k in latest data). Taken as a given, it sees a monthly equivalent of 65k, implying a marked improvement from the -31k in the monthly November release. The previous three ADP months had seen +47k for Oct after -29k in Sep and -3k in Aug. These monthly reports are based on a reference week including the 12th of the month to broadly mimic the BLS nonfarm payrolls report, meaning it's still a little early to form a strong view here on potential estimates for December but signs are at least more encouraging. The fit with BLS payrolls growth remains weak, with the -31k in November vs Tuesday's realized +69k for BLS private payrolls but at least the ADP data appear to have improved directionally.

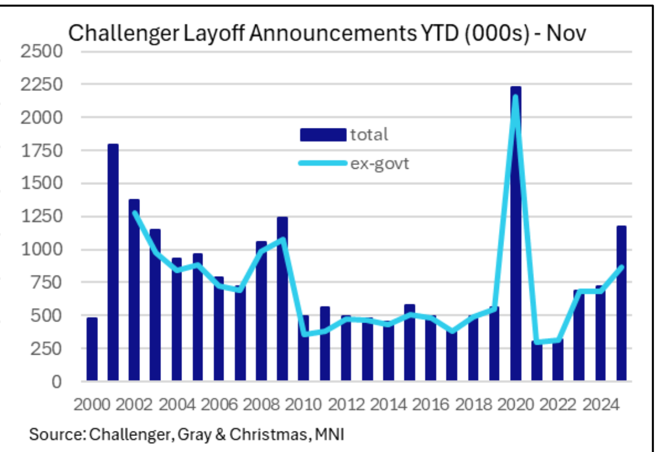
<u>Downside</u>

A Less Drastic Increase In Challenger Layoff Announcements

Challenger job cut announcements pulled back after October's surge although still saw a solid increase on an year ago. Latest weekly initial jobless claims for the week to Nov 22 (Nov 29 lands at 0830ET) don't yet appear to show signs of these recent increases but will continue to be watched as lags can be quite long.

- Challenger reports job cut announcements summed to 71.3k in November, a 24% Y/Y increase. It's after a particularly sharp increase to 153k in October, a 175% Y/Y rise for its highest October since 2003.
- Latest optics are still weak however with the 71k for a November last higher in 2022 and before that 2008.
- With little contribution from government layoffs this month, the ex-government measure came in at 70.9k for also a 24% Y/Y increase.
- Year-to-date, ex-govt layoff announcements have summed to 863k, a 26% increase after two years around 685k. Exclude the 2020 pandemic-driven surge in layoffs and this is the most amount of layoffs since 2008.
- From the press release on why companies are cutting: "In November, Restructuring led all reasons with 20,217 for a total of 128,255 in 2025. Store, unit, or department Closing accounted for 17,140 in November, and 178,531 for the year. Artificial Intelligence (AI) was cited for 6,280 cuts in November. So far this year, AI is responsible for 54,694 layoff plans. Since 2023, when this reason was first cited, AI has led to 71,683 job cut announcements."





MNI Policy Team Insights

MNI: Fed Biased To Ease With Focus On Jobs - Ex-Officials

By Pedro Nicolaci da Costa, Jean Yung and Evan Ryser (Dec 12, 2025)

WASHINGTON - The Federal Reserve is still inclined to keep cutting interest rates as policymakers worry predominantly about employment weakness, even if the bar for additional easing is higher with borrowing costs closer to neutral, former central bank officials and staffers told MNI.
“I read the direction of travel as dovish. While the SEP highlighted the hawkish disagreement around the table, the chair's comments clearly placed more weight on the cooling labor market dynamics than inflation,” said former Kansas City Fed President Esther George.

Fed Chair Jerome Powell "dismissed any consideration of higher rates, leaned pretty clearly I thought on productivity effects without saying that suggests higher neutral, and protested too loudly in my opinion that ‘reserve management purchases’ were not at all related to monetary policy," she added.

Policymakers are putting too little weight on persistently high inflation, and the Fed could hold off on further cuts until it waits for a leadership transition, George said.

"I worry that pressures are growing on the Fed to accommodate massive Treasury issuances through asset purchases and lower capital requirements for banks," she said. "Continuing to de-emphasize inflation is a mistake regardless of assumptions about tariffs and expectations."

PERSUADABLE

Joseph Wang, a former New York Fed staffer, said the FOMC could well be persuaded to ease again over the next couple of meetings.

“Powell mentioned he viewed jobs data as significantly overstated, and also that he viewed inflation excluding tariffs as only slightly above target. That seems to me to qualify for an easy policy stance, even as we are currently above neutral,” Wang said. “So cuts in January and March sound reasonable. This would be derailed by strong jobs prints.”

Rick Roberts, a former Fed system executive who also worked at the Kansas City Fed, thinks the Fed remains in easing mode despite the effort to message renewed caution, which was likely a compromise to get the hawks on board.

“Three sequential cuts plus bill buys read as the opening salvo of an ongoing and likely to continue easing cycle unless incoming data argues otherwise. Moreover, the data will have to be very convincing given the administration's ongoing influence on the FOMC — it seems to be the early part of an ongoing easing cycle to me, not the conclusion of an adjustment period,” he said.

PRODUCTIVITY

Importantly, Powell's embrace of the possibility that strong productivity growth could be a more permanent feature of the economy also portends lower rates.

“The Fed's soft endorsement of the productivity story widens its tolerance band. So, strong growth no longer equals inflation risk, while soft labor data equals a reason to cut. The reaction function becomes asymmetric -- ease on weak data, but don't tighten simply because of strong growth,” Roberts added.

“This provides Powell's Trump-appointed successor with more analytical headroom to argue that deeper or faster cuts are consistent with the Fed's mandate. By leaning in a narrative of stronger supply side performance and productivity gains, the Chairman has effectively broadened the set of policy rates that the Fed can defend as consistent with stable inflation.” (See MNI INTERVIEW: Fed Faces Politically Tumultuous Year - Bullard)

Peter Ireland, a former Richmond Fed economist, said the latest rate cut was a prudent move given relief in non-tariff inflation and weakening labor market conditions -- as is the decision to "wait-and-see" before making any further cuts.

“The implicit message that the Committee will await further news on the evolving state of the economy before committing to additional reductions in rates strikes me as appropriate as we still haven't gotten inflation back down to the 2% target,” he said.

MNI INTERVIEW: Fed Faces Politically Tumultuous Year - Bullard

By Jean Yung (Dec 8, 2025)

WASHINGTON - The Trump administration's efforts to gain influence over U.S. monetary policy are setting up for the most consequential showdown over Fed independence in decades with a wide range of potential outcomes, former Federal Reserve Bank of St. Louis President James Bullard said in an interview.

"2026 is going to be a very tumultuous year for the Fed," he told MNI. "For an organization that's been through a lot of tumultuous years, by comparison this will be pretty fundamental to see if the institution's underpinnings can hold up."

On the U.S. economy itself, Bullard is bullish. The AI spending boom and Trump's tax and spending legislation are major forces driving growth, while the relatively low unemployment rate and looser financial conditions bode well for consumption, he said.

"Growth will be good in 2026, and that lessens the pressure for the Fed to do any more than what they’ve done already," he said.

COMPETING INTERESTS

That investors are voicing concern Kevin Hassett will agitate for aggressive rate cuts to align with Trump could have an effect on the ultimate pick of a president sensitive to market reaction, Bullard said. A Fed chair must satisfy three criteria: political standing inside the Beltway, the academic community and credibility on Wall Street that they'll pursue low and stable inflation, he said.

Powell's successor is also likely to be tested by markets, and his view on policy may shift as a result, Bullard said. Alan Greenspan initiated a tightening cycle to combat inflationary pressures shortly after taking office in 1987, but the Black Monday stock market crash just two months later forced him to abandon his hawkish stance, he noted.

"It’s often the case that a new chair gets tested early in their term, and even if they know the organization, they don’t always appreciate how sensitive markets can be," he said, adding the smoothest transitions have been those of the past three Fed leaders, all of whom were elevated from the Board of Governors.

Aside from the new Fed chair, potential changes to the institution are set to test the century-old Federal Reserve Act that sought to balance short-run political with longer-run economic interests as well as national and local interests, Bullard said.

The Supreme Court's interpretation of law around the removal of governors could deliver Trump a 4-3 majority on the Board of Governors, expanding presidential influence in Washington. That in turn opens up an option not to re-authorize the 12 regional Fed presidents for their five-year terms.

The proposed three-year residency rule for Fed bank presidents also suggests the administration is preparing to exert leverage over the regional network -- potentially remaking how the Fed works from top to bottom.

"There's a wide range of outcomes," Bullard said.

NEAR NEUTRAL

The FOMC should wait until January to lower rates, rather than pushing ahead with a rate cut this week having little new data in hand, Bullard said.

"It's going to be a minor mistake," he said. "The risk is they go ahead and make this move, and the outlook brightens up with strong data, and now you can't take that move back."

The jobs data released since the federal government shutdown ended indicated improved hiring in September than over the summer, while other indicators point to a steady state labor market, Bullard said. Meanwhile, headline and core PCE inflation were last seen at 2.8% in September.

The hawks' argument that inflation hasn't budged in 18 months is a good one, Bullard said. The median official is likely to continue to see just one more cut next year, he said. "They risk ongoing inflation well above the 2% target and I don't think they want to risk that." (See: MNI INTERVIEW: Fed Risks Overcutting As Inflation Lingers) Monetary policy is modestly restrictive now, but "if they continue to go down, they'll take the pressure off inflation and risk it going to the 3% range. That's something that needs to be priced in."

MNI INTERVIEW: US Job Market Continues To Slow - Glassdoor

By Evan Ryser (Nov 14, 2025)

WASHINGTON - The U.S. job market is continuing to slow but there are no signs of a more worrisome decline, Glassdoor chief economist Daniel Zhao told MNI, adding that the Federal Reserve should continue its fight against inflation.

"The Fed is taking out an insurance premium at a time when the rest of their household budget might not be able to afford it," he said. "There's still the inflation side of the dual mandate that the Fed needs to worry about, and we aren't seeing signs yet of a sharp deterioration in the job market."

"Overall, the holistic picture we're seeing is still a job market that is slowing, if not sluggish," Zhao said about Glassdoor labor market data. "The job market is still slowing steadily. We don't see any reason to believe that trend has stopped."

The Fed lowered borrowing costs for a second straight meeting in October, though recent speeches and appearances from policymakers have shown officials are so far split on the prospect of a third cut in December. The government's data deluge will be key for the Fed and half of interest-rate traders bet the Fed would cut its interest rate in December, according to the CME FedWatch tool. (See: MNI INTERVIEW: High Bar For More Cuts As Neutral Nears-Kaplan)

SLOWING STEADILY

Glassdoor, an employment site that is part of Indeed, collects tens of thousands of employee ratings and their data suggest layoffs were down in October but increased significantly year-over-year, Zhao said in an interview. Employee anxiety about layoffs has risen over the last few years.

"The recent wave of layoff announcements came at the end of October, so its possible workers have not had the opportunity to react. Instead, we might see employee sentiment at the start of November start to incorporate this news."

Glassdoor's employee confidence index, a new report that provides a real-time pulse on the economy from the lens of employees, dropped in October and is now at the lowest level since June, which was a record low, he said. "Clearly, employees feel sour about the current job market," Zhao said.

"We've seen that in the past where a small rise in the unemployment rate tends to beget a much larger one," he said. But, "we aren't seeing signs of those cracks really starting to take hold in the labor market quite yet."

Salaries dropped month-over-month in October and September but increased year-over-year in October. "The picture for pay is that it is slowing in the short run, but overall it has not deteriorated rapidly," Zhao said. (See: MNI INTERVIEW: Fed Will Cut In Dec, More Next Year-Reinhart)

CLEAN READ

Zhao is expecting continued impacts from the government shutdown in the monthly jobs report, particularly when it comes to government payrolls, and a negative overall payrolls print is "absolutely" possible. He's not expecting a "clean read" in the BLS jobs reports until the December report is released in January.

The impetus for hiring growth is largely limited to the healthcare sector, he said. "Healthcare is really the only industry that is consistently adding jobs month-over-month, whereas if you look at all the other industries put together, they've actually lost jobs."

"We know that there are tens of thousands of federal workers who have rolled off of federal payrolls because their voluntary severance payments are ending. That is a real trend, regardless of how it shows up in the data."