

Economics

ECONOMIC FLASH!

economics.cibccm.com

November 20, 2025

US Non-farm payrolls: Fed to be on hold in December

by **Ali Jaffery** ali.jaffery@cibc.com

Employment change (thousands, unless otherwise noted)	Sep 25	Aug 25	Jul 25	Jun 25	May 25
Unemployment rate (%)	4.4	4.3	4.2	4.1	4.2
Avg. hrly earn all (Monthly % Chg)	0.2%	0.4%	0.3%	0.2%	0.4%
Avg. wkly hour all (Monthly % Chg)	0.2%	0.1%	0.6%	-0.1%	0.4%
Nonfarm employment	119	-4	72	-13	19
Total private	97	18	56	-27	69
Goods-producing	10	-32	-16	-21	-13
Construction	19	-14	-3	-2	2
Manufacturing	-6	-15	-9	-17	-11
Priv. Serv providing	87	50	72	-6	82
Wholesale trade	9.4	-7.8	-4.4	-12.1	1.6
Retail trade	13.9	3.2	5.7	-5	-14.8
Transp. & Warehousing	-25.3	2.5	-5.1	3.8	-0.5
Information	0	-7	-6	-3	2
Financial	5	-15	1	-6	7
Business services	-20	-17	-13	-24	-23
Temporary help	-15.9	-10.1	-15	-10	-15.2
Education, health	59	43	80	51	70
Leisure, hospitality	47	32	9	-5	27
Government	22	-22	16	14	-50
Federal Government	-3	-14	-8	-9	-26

Source: Haver Analytics

- The September jobs report was overall a decent report that showed the job market isn't on the precipice, and should be enough for the Fed to pause in December. Payroll job gains came in at 119K, well expectations of 51K, but there were negative revisions over the prior two months (-33K), which showed slightly negative job growth in August, so the big gain in September was essentially a bounce back from a weak prior month. Nonetheless, the three-month job gain tally, 62K as of September, is materially stronger than the 29K three-month average as of August report and is a better temperature gauge for where job gains stand. Wage growth edged down a tick below the consensus view to 0.2%, while average hours worked stayed unchanged at 34.2. The household survey showed the jobless rate rose to 4.4%, one notch above expectations, but the participation rate also moved up one tick to 62.4% and so did the employment-to-population ratio to 59.7%. A December pause by the Fed will have a lot to do with a lack of data and it makes sense to kick the can down the road to the new year as they get more information about the recent performance of the economy, as well better insight into the legal challenges to the administration's tariffs.

- Underneath the hood of today's report, about two-thirds of the job gains came from health and government, and amongst the remaining cyclically sensitive sectors, leisure and hospitality led the way with a robust 47K increase in the month. The manufacturing sector continued to shed jobs and is now trending at -10K on average over the last three months, or a cumulative drop of nearly 60K jobs since global tariffs were applied. Transportation and warehousing was weak in the month as well, losing 25K jobs in the month.
- Despite a solid headline number, there was wide sectoral dispersion in job growth reflecting the different forces at play in the economy. Trade tensions are weighing on trade sensitive parts of the economy, likely as firms are carefully managing tariff pass-through, but mitigating the impact on margins by either pausing on hiring, or selectively firing. The flip-side is the consumer so far remains unbothered by the modest price gains from tariffs and is mostly employed outside of trade-intensive sectors, and is also being buoyed by healthy wealth gains. All of that is helping to keep demand high for leisure and hospitality, and potentially elective healthcare procedures.
- The rise in the jobless rate in the household survey will be of some concern to members of the FOMC. The increase in the participation rate isn't enough to explain the rise, and unemployment did broaden by demographic groups. Around 35% of the rise in today's unemployment rate came from prime-age workers and 55% from the 55+ category. That is a continuation of a shift in the composition of unemployment. The jobless rate has risen now 0.7%-points since January 2024. In June of this year, over 90% of the increase came from youth, but now, that has fallen to about 50% of the overall rise since the start of last year. Historically, rising youth unemployment presages higher prime-age unemployment during downturns. That dynamic has yet to forcefully appear so far, as the overall level of unemployment remains modest, but there are signs of a slow move in that direction which will worry several labor-focused FOMC members.
- The data fog will be the main reason for the Fed's pause, with the deluge of data to come in December and January as statistical agencies get back on track. But the Fed minutes showed that there seems to be a desire to get to neutral, with the data dictating the speed of that return as opposed to significant worries about price stability. We expect the debate on where neutral exactly is to heat up in the coming months and it would not be unreasonable for further pauses to test out how the market, the economy and sentiment holds up at different interest rates to assess where neutral actually is.

Implications & actions

Re: Economic forecast — We continue to expect the Fed to pause in December before resuming with two more rate cuts in 2026.

Re: Markets — Yields and the dollar dropped on the upside surprise. Market odds are less than 50% as of writing for the Fed to move in December.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC