

Economics

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US Non-farm payrolls: A wrong turn

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Employment change (thousands, unless otherwise noted)	Nov 25	Oct 25	Sep 25	Aug 25	Jul 25
Unemployment rate (%)	4.6		4.4	4.3	4.2
Avg. hrly earn all (Monthly % Chg)	0.1%	0.4%	0.2%	0.4%	0.3%
Avg. wkly hour all (Monthly % Chg)	0.4%	0.4%	0.2%	0.1%	0.6%
Nonfarm employment	64	-105	108	-26	72
Total private	69	52	104	10	56
Goods-producing	19	-9	17	-33	-16
Construction	28	-1	25	-20	-3
Manufacturing	-5	-9	-5	-11	-9
Priv. Serv providing	50	61	87	43	72
Wholesale trade	-2.2	2.3	8.9	-6.1	-4
Retail trade	6.2	-2.4	23.4	5.4	6
Transp. & Warehousing	-17.7	-0.5	-33.4	3.3	-5
Information	-4	-5	-3	-5	-6
Financial	-2	-3	6	-15	1
Business services	12	-7	-8	-13	-13
Temporary help	-5	-12.7	-6.2	-10.3	-15
Education, health	65	59	56	34	80
Leisure, hospitality	-12	16	42	23	9
Government	-5	-157	4	-36	16
Federal Government	-6	-162	-4	-19	-8

Source: Haver Analytics

- The November job report showed that the labor market took a wrong turn in the fourth quarter. While job gains in November came in at 64K, surpassing expectations of 50K, there were net job losses of 105K in October, which essentially wiped out the large gains in September of 108K (revised down from 119K). Most of that October steep drop was in government employment, as federal government employees accepted a deferred resignation offer, but still, these workers are either leaving the workforce or may be looking for new opportunities. Private payrolls over the two months averaged 61K. Wage growth was also soft, coming in two notches below consensus at 0.1%, although average hours worked rose slightly to 34.3. The soft employment picture was also reflected in the household survey in November, which showed the jobless rate standing at 4.6% (or 4.56% for the two decimal place crowd), a few hairs above expectations of 4.5%. However, the participation rate continued to rise, hitting 62.5%, driven by higher prime-age participation.

- Excluding government and healthcare services, there have effectively been no new jobs since May. Average job gains in cyclical sectors have been a net negative 13K compared to +42K in the first four months of the year. Most of those job losses have come in the goods sector (62%) and reflect a mix of softening labor demand due to trade uncertainty and tariffs, as well as immigration.
- The biggest worry for the Fed however will be what we see in the household survey. The level of unemployment continues to rise, and the broadest measure of unemployment -- U6, which includes those actively seeking work, discouraged workers and those working involuntarily part-time -- rose to 8.7% in November from 8.0% in September. The household survey may not be capturing the full extent of the slow down in population, but the Fed may also not want to take a chance.
- 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.

Implications & actions

Re: Economic forecast — 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.

Re: Markets — Yields initially dipped but have since returned close to their pre-data level, but the broad dollar has sustained its decline.

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