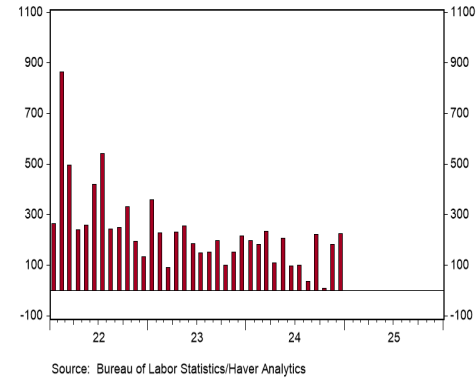


# December Employment Report

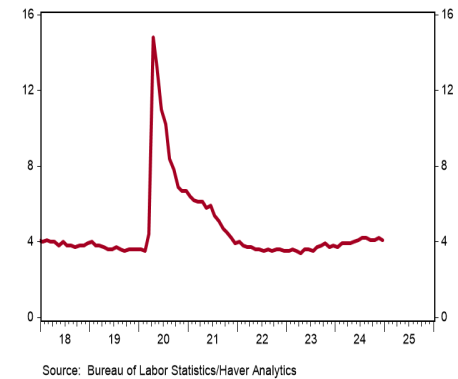
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- Nonfarm payrolls increased 256,000 in December, beating the consensus expected 165,000. Payroll gains for October and November were revised down by a total of 8,000, resulting in a net gain, including revisions, of 248,000.
- Private sector payrolls rose 223,000 in December but were revised down by 1,000 in prior months. The largest gains in December were in health care & social assistance (70,000), leisure & hospitality (43,000), and retail (43,000). Manufacturing declined 13,000 while government increased 33,000.
- The unemployment rate ticked down to 4.1% in December from 4.2% in November.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in December and are up 3.9% versus a year ago. Aggregate hours increased 0.2% in December and are up 1.0% from a year ago.

All Employees: Total Private Industries  
 Change - Period to Period SA, Thous



Civilian Unemployment Rate: 16 yr +  
 SA, %



**Implications:** The labor market finished 2024 on a stronger note, with more jobs, lower unemployment, and solid growth in wages. The problem is that the continued strength in job growth suggests monetary policy wasn't tight enough for long enough to consistently bring inflation to the Federal Reserve's 2.0% target. That, in turn, means investors should not expect any more rate cuts for at least the next few months and potentially much longer. Nonfarm payrolls rose 256,000 in December, beating the consensus expected 165,000. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (that includes COVID lockdowns and re-openings for leisure & hospitality). This "core" measure of jobs rose 100,000 in December, besting the 45,000 monthly average of 2024. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 478,000. This growth in employment, which outstripped a 243,000 increase in the labor force (people who are either working or looking for work) helped push the unemployment rate down to 4.1% in December from a previous 4.2%. Average hourly earnings rose 0.3% in December bringing the gain in 2024 to 3.9%, while total hours worked rose 0.2% in December and 1.0% for 2024. Combined, more hours and more earnings per hour translate into more purchasing power for workers as a whole. One key question is the gap between the payroll and civilian employment surveys. Payrolls are up 2.2 million in the past year while civilian employment is up only 0.5 million. This gap may be related to the surge in immigration in the past few years; the payroll survey would pick up a worker using a fake ID but that same worker would be reluctant to answer the employment survey which goes to households (if the government even knows about that household's presence in the US). However, the gap could also be a sign that the payroll survey has overestimated job growth and a harbinger of slower job growth or even a contraction in jobs ahead.

Employment Report <i>All Data Seasonally Adjusted</i>	Dec-24	Nov-24	Oct-24	3-month moving avg	6-month moving avg	12-month moving avg
<b>Unemployment Rate</b>	<b>4.1</b>	4.2	4.1	4.1	4.2	4.0
<b>Civilian Employment (monthly change in thousands)</b>	<b>478</b>	-273	-346	-47	84	45
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>256</b>	212	43	170	165	186
<b>Construction</b>	<b>8</b>	8	-1	5	14	16
<b>Manufacturing</b>	<b>-13</b>	25	-52	-13	-12	-7
<b>Retail Trade</b>	<b>43</b>	-29	9	8	2	6
<b>Finance, Insurance and Real Estate</b>	<b>13</b>	11	5	10	6	4
<b>Professional and Business Services</b>	<b>28</b>	9	-10	9	0	8
<b>Education and Health Services</b>	<b>80</b>	87	74	80	78	81
<b>Leisure and Hospitality</b>	<b>43</b>	52	-8	29	33	24
<b>Government</b>	<b>33</b>	30	34	32	36	37
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.4%	0.4%	4.1%	4.0%	3.9%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.3	34.3	34.3	34.3	34.3
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.2%</b>	0.1%	0.0%	1.0%	1.0%	1.0%

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized