

Job creation in December United States



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US labor market conditions remained weak in December, with job creation declining for the year while the unemployment rate has stabilized at higher levels

Total nonfarm payroll employment increased by 50,000 jobs in December, following a downwardly revised rise of 56,000 in November and falling short of the consensus projection of 73,000. Job creation in December was substantially below historical averages. Between 2022 and 2024, average job gains for the month stood at 239,300. On an annual basis, payroll employment rose by 584,000 jobs in 2025, equivalent to an average monthly gain of 49,000, sharply lower than the 2.0 million jobs added in 2024 (168,000 per month). The December data reveals a significant slowing in employment momentum over the last year, but real wage income is marginally improving, despite continuously high inflation (CPI at 2.7% by year-end 2025, compared to 2.9% at the end of 2024).

Given this outlook, our expectation is for the continuation of gradual cuts in interest rates. Under HR Ratings baseline scenario, the Fed policy rate is expected to decline to a midpoint of 3.13% by year-end, from 3.63% at the end of 2025, signaling continued easing of financial conditions. In addition to cyclical labor market signals, increased political noise around the Federal Reserve is shaping monetary policy expectations. Recent public conflicts between President Trump and Chair Powell have reignited debate over the Fed's future leadership, particularly because Powell's term as Chair is slated to expire in May 2026. However, from a monetary policy perspective, the data supports expectations that the Federal Reserve can continue with a gradual easing cycle. The significant slowdown in hiring momentum gives policymakers more confidence that restrictive policies are no longer needed to the same extent as in past years.

As shown in Figure 1, the unemployment rate stood at 4.4% in December (vs. 4.1% and 3.8% in 2024 and 2023), while the number of unemployed remained broadly unchanged at 7.5 million (vs. 7.8 million in November but at 6.9 million in December 2024). Labor force participation edged slightly lower to 62.4%, suggesting little change in the labor force. Meanwhile, the quarterly average weekly real wage has continued to increase albeit gradually, indicating that real labor income has remained resilient despite softer hiring conditions and persistently high inflation. In December, the annual change in quarterly real hourly earnings increased 0.93% vs. 1.34% in December 2024 while quarterly annual inflation remained basically unchanged (2.75% in December 2025 vs. 2.72% in December 2024).



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Figure 1. Payroll, Employment and Hourly Wage Report

	Dec-22	Dec-23	Dec-24	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Total payrolls in the month (millions)	154.3	156.9	158.9	159.4	159.5	159.5	159.6	159.4	159.5	159.5
Net New Payrolls in month (thousands)	126.0	269.0	323.0	-13.0	72.0	-26.0	108.0	-173.0	56.0	50.0
Net New Payrolls 3mma (thousands)	274.3	198.7	209.3	54.7	26.0	11.0	51.3	-30.3	-3.0	-22.3
Annualized quarterly change in total payrolls	2.29%	1.36%	1.29%	0.71%	0.45%	0.23%	0.22%	0.08%	0.05%	-0.14%
Annual quarterly change in total payrolls	3.33%	1.65%	1.24%	1.04%	0.98%	0.94%	0.88%	0.79%	0.67%	0.53%
Labor force (millions)	165.0	167.4	168.5	170.4	170.4	170.8	171.3	171.4	171.5	171.5
Jobs (millions)	159.3	161.1	161.6	163.3	163.1	163.4	163.7	163.7	163.8	164.0
Unemployed (millions)	5.8	6.3	6.9	7.1	7.3	7.4	7.6	7.7	7.8	7.5
Labor force entrants (thousands)	575.0	-701.0	258.0	-112.0	32.0	338.0	511.0	140.0	140.0	-46.0
Monthly unemployment rate	3.5%	3.8%	4.1%	4.1%	4.3%	4.3%	4.4%	4.5%	4.5%	4.4%
Labor participation rate	62.3%	62.5%	62.5%	62.3%	62.2%	62.3%	62.5%	62.5%	62.5%	62.4%
Quarterly average real hourly earnings*	33.52	33.81	34.26	34.39	34.44	34.45	34.45	34.48	34.52	34.58
Annualized quarterly change*	0.71%	0.57%	1.32%	1.59%	1.72%	0.95%	0.73%	0.51%	0.86%	1.47%
Quarterly annual change*	-1.96%	0.87%	1.34%	1.31%	1.20%	1.01%	0.89%	0.80%	0.80%	0.93%
Quarterly average weekly real wage*	1,156	1,162	1,174	1,178	1,180	1,179	1,179	1,179	1,182	1,184
Annualized quarterly change*	0.32%	0.57%	1.71%	2.39%	1.72%	0.17%	0.34%	-0.27%	0.86%	1.47%
Quarterly annual change*	-2.71%	0.48%	1.04%	1.31%	1.20%	0.91%	0.89%	0.60%	0.71%	0.83%
Quarterly annualized inflation*	4.11%	2.79%	3.03%	1.65%	1.89%	2.73%	3.14%	3.45%	2.97%	2.45%
Quarterly annual inflation*	7.10%	3.24%	2.72%	2.46%	2.59%	2.78%	2.90%	2.95%	2.88%	2.75%

Source: HR Ratings with data from the US BLS & information retrieved from FRED, Federal Reserve Bank of St. Louis.

*Inflation based on Headline CPI. Measures the real quarterly wage compared to the same quarter of the previous year and to the immediately preceding quarter annualized. Refers to all employees in the private sector.

Overall, December's payroll report reinforces the view that the U.S. labor market is cooling in an orderly manner rather than deteriorating abruptly. Slower employment growth, with payrolls increasing at a 0.4% annual rate in December 2025 vs 1.3% a year ago, along with consistent participation rates, suggests more balanced market conditions, which should help anchor inflation expectations and support further progress toward price stability.



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