

ECONOMIC UPDATE



REGIONS

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November Employment Report: New Data Brings Little Change In Labor Market Narrative

- Nonfarm employment rose by 64,000 jobs in November after having fallen by 105,000 jobs in October
- Average hourly earnings rose by 0.1 percent, while aggregate private sector earnings rose by 0.5 percent (up 4.3 percent year-on-year)
- The unemployment rate was 4.6 percent in November (4.564 percent, unrounded); the broader U6 measure was 8.7 percent

The delayed November employment report shows that total nonfarm employment rose by 64,000 jobs in November, with private sector payrolls up by 69,000 jobs and public sector payrolls down by 5,000 jobs. The November report also brought the first glimpse of nonfarm payrolls, hours, and earnings for the month of October, with the data having been delayed by the shutdown. Total nonfarm payrolls fell by 105,000 jobs in October as a sharp decline in federal government payrolls, down by 162,000 jobs, swamped an increase in private sector payrolls, which rose by 52,000 jobs. While November's increase in private sector payrolls was closer to the consensus forecast (50,000 jobs) than to our forecast (101,000 jobs), we'll note that private sector hiring in October, a gain of 52,000 jobs topped our forecast. For the two-month period, private sector payrolls rose by 121,000 jobs, only modestly lower than the increase of 139,000 jobs our forecast anticipated. The decline in federal government payrolls in October was a bit larger than we anticipated and reflects those workers who earlier this year accepted DOGE buyouts. Those workers, however, remained on the books through the end of the fiscal year on September 30 and, as such, continued to be counted as employed in the establishment survey until falling off the books on October 1. While the shutdown, which ended during the November survey period, should not have had any impact on the establishment survey data, as furloughed workers would receive backpay, it does appear to have contributed to the unemployment rate coming in at 4.6 percent in November, as there was a meaningful jump in the number of unemployed public sector workers; the December employment report will answer this question.

Many are already dismissing the reported November increase in private sector payrolls on the grounds that it was almost solely accounted for by an increase in payrolls in health services. While on the surface that may seem like a plausible reaction, we'll note that the one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, rose to 56.8 percent in November, marking a third straight month in which the index was over the fifty percent mark after what had been a five-month run of sub-fifty percent readings. How you can square the improved breadth of hiring with health care seeming to

account for all private sector hiring in November is that while the breadth of hiring widened, the intensity of hiring remained fairly low, i.e., those industry groups that were adding workers were not adding that many. While that obviously doesn't paint a picture of a robust labor market, it does suggest the "low hire-low fire" narrative of the labor market is still holding, a contention supported by the weekly data in jobless claims.

As we expected, one drag on private sector hiring in November was tepid holiday season hiring in retail trade and transportation, warehousing, and distribution services. We noted in our weekly *Economic Preview* that in any given year November marks the peak of seasonal hiring in these segments and further noted that we expected the not seasonally adjusted data to show much smaller than typical November increases in payrolls in these segments. That proved to be the case; the unadjusted data show payrolls in retail trade rose by "only" 251,000 jobs, an increase of 1.6 percent, with payrolls in transportation, warehousing, and distribution services rising by only 120,000 jobs, a 4.0 percent gain. With the seasonal factors anticipating larger increases, the seasonally adjusted data show a net decline of 10,000 jobs for these two segments combined. Note that October hiring in these two segments was also on the soft side.

We won't put too much stock in the reported 0.1 percent increase in average hourly earnings in November, particularly after that comes off an outsized increase in October (as we've noted, this metric is imputed by the BLS not reported by firms). We always stress that total private sector wage and salary earnings is the much more relevant metric, and a 0.5 percent increase in November, aided by a slightly longer workweek, puts the year-on-year gain at 4.3 percent. One thing we find hard to reconcile is that the reported increase in average weekly hours comes when the household survey data show a massive spike in those working part-time for economic reasons, the latter of which we find rather curious.

We noted in our weekly *Preview* that even with two months more of data at our disposal, we may not know all that much more about the state of the labor market. Perhaps a better way to put it is that the additional data do little to change how we see the labor market, i.e., not robust by any means but holding up better than many think to be the case.

