



Economics

US Economic Notes

Date

4 January 2026

What you need to know for the week ahead

Commentary for Monday: The first full week of the new year features a busy data docket capped off by Friday's December employment report. Following two volatile months of labor data (see ["US Economic Chartbook: October / November employment: More noise than signal"](#)), the December employment report should give Fed officials a somewhat better read on the underlying trends. Regarding our forecasts, we project modest gains on headline (+50k forecast vs. +64k) and private (+50k vs. +69k) payrolls alongside a one-tenth decline in the unemployment rate (4.5% vs. 4.6%).

Note that there is somewhat elevated uncertainty with respect to our unemployment rate forecast. First, as the BLS noted last month, the November 2025 household estimates were associated with slightly higher than usual standard errors. This was due to several factors including: a lower survey response rate (64.0%), composite weighting changes, and the use of a 2-month period of analysis rather than a 1-month period. For example, the November unemployment rate required a 0.26 percentage point change to be statistically significant compared with a required change in September of 0.21 percentage points. In addition, as per usual with the December household survey, the BLS will incorporate annual revisions in seasonally adjusted household survey data covering the most recent 5 years.

With respect to other details of the establishment survey, we project average hourly earnings growth (+0.3% vs. +0.1%) to recover mainly due to an anticipated rebound in private education and health services AHEs which have been volatile of late. Hours worked should remain steady at 34.3hrs. Should our establishment survey forecasts prove close to the mark, the year-over-year growth rate of our payroll proxy for nominal compensation growth would rise by roughly 20bps to 4.5% and for Q4, implied compensation growth would pick up to 4.6% annualized, compared to 3.8% for Q3.

In short, we expect December private sector hiring to come in closer to its six-month average of 44k versus the somewhat stronger three-month trend of 75k. That being said, the unemployment rate could surprise in either direction given the above-mentioned issues. In turn, Fed officials and market participants are likely to pay close attention to Wednesday's ADP private employment (+50k vs. -32k) and November JOLTS releases for additional clues on the state of the labor market.

With respect to ADP, recall that last month's seasonal factor was significantly more onerous than in previous years. Hence, we would not be surprised to see some payback in December when the seasonal factors will typically anticipate a significant drop in private sector employment as the holiday shopping season winds down and schools enter winter break.

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Regarding the November JOLTS, aside from the usual focus on the private sector hiring, layoffs and quits rates, we will also pay attention to specific sectors that may be more exposed to immigration policy as there has been some unusual divergences in the job openings and quits rates – two series that typically move in tandem across the business cycle. Case in point, the October job openings rate for accommodations & food services (6.4%) had increased by 50bps since the beginning of the year. However, the quits rate for the aforementioned sector surged from 3.7% in January to 5.3% in June before plunging to 3.2% as of October. Our best guess is that as immigration raids ramped up earlier last year, employers reported those who did not show up for work as “quits”. Retail trade is another sector where there has been a notable divergence between the job openings and the quits rates. In short, there may be tentative evidence of labor market tightening in sectors more exposed to immigration policy.

The remainder of this week's data docket will provide information on December business sentiment as well as January consumer attitudes, a first look at Q3 productivity growth as well as an initial glimpse into Q4 economic activity. Regarding the sentiment indicators, we expect mixed results from Monday's manufacturing ISM (48.8 vs. 48.2), Wednesday's services ISM (52.1 vs. 52.6), and Friday's preliminary University of Michigan consumer sentiment (54.0 vs. 52.9). Thursday's initial read on Q3 productivity growth should show another large gain (4.8% vs. 3.3%) amidst a modest decline in unit labor costs (-1.3% vs. +1.0%). Monday's unit motor vehicle sales (15.5mn vs. 15.6mn), Wednesday's factory orders (-1.2% vs. +0.3%), Thursday's international trade balance (-\$70.5bn vs. - \$52.8bn) and Friday's double release of September and October housing starts (1.350mn September / 1.375mn October) and building permits (1.360mn September / 1.375mn October) will all inform Q4 real GDP growth estimates.

In summary, the past year witnessed a number of fiscal and monetary policy changes. Indeed, at times, economic indicators have shown conflicting signals with respect to the underlying strength of the economy – case in point, strong GDP growth yet soft employment indicators. This week's data are unlikely to completely resolve these discrepancies, but as we noted in our 2026 outlook (see [“2026 outlook: Keep on rockin’ in the not so risk-free world”](#)), our base case remains strong H1 growth that is likely to keep the Fed on hold in the near term.

Please see the following pages for a forecast summary and estimates of the upcoming US high-frequency data over the next several weeks.

Figure 1: Fedpeak Calendar

Region	Name	Date	Dove/Hawk	Voter	Events
Richmond	Barkin	Jan-6	Neutral	N	Speaks on economic outlook
Richmond	Barkin	Jan-9	Neutral	N	Repeats speech on economic outlook

Source: Deutsche Bank Research

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Figure 2: DB US Economic Forecast Summary

Economic Activity (% qoq, saar)	2025				2026				2027				2028				2025F				2026F				2027F				2028F					
	Q1	Q2	Q3	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q4/Q4																	
GDP	-0.6	3.8	4.3	0.6	2.9	2.7	2.2	2.0	2.0	2.3	1.9	2.3	2.3	1.8	2.1	1.8	2.0	2.4	2.1	2.1	2.0	2.0	2.2	2.1	2.2	2.2	2.2	2.0						
Private consumption	0.6	2.5	3.5	1.2	2.6	2.4	2.1	1.9	2.0	2.2	2.1	2.2	2.3	2.2	2.3	2.1	1.9	2.2	2.1	2.1	2.2	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2					
Investment	23.3	-13.7	-0.3	3.0	2.2	6.5	4.1	3.2	3.7	4.2	2.7	4.4	4.8	2.6	3.6	2.5	2.2	4.0	3.7	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4				
Nonresidential	9.5	7.3	2.8	-0.1	4.5	4.2	4.0	3.8	3.3	3.1	3.3	3.2	3.3	3.2	3.3	3.1	4.8	4.1	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2				
Residential	-1.0	-5.1	-5.1	-3.5	1.5	1.0	1.0	1.0	1.5	2.0	2.2	2.3	2.5	2.3	2.4	2.0	-3.7	1.1	2.0	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3			
Gov't consumption	-1.0	-0.1	2.2	-2.2	5.7	1.3	1.0	0.7	0.5	0.3	0.1	-0.1	-0.3	-0.5	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3				
Exports	0.2	-1.8	8.8	-1.8	2.6	2.1	2.1	2.0	2.0	2.1	2.0	2.1	2.0	2.1	2.0	2.1	2.1	2.2	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0				
Imports	38.0	-29.3	-4.7	3.0	3.5	3.1	2.6	2.3	2.2	2.0	1.9	2.0	2.1	2.2	2.1	2.2	2.2	-1.1	2.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1			
Contribution (pp): Inventories	2.6	-3.4	-0.2	0.3	-0.3	0.6	0.1	-0.1	0.1	0.2	-0.1	0.2	0.3	-0.1	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1				
Net trade	-4.7	4.8	1.6	-0.7	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1				
Unemployment rate, %	4.1	4.2	4.3	4.5	4.5	4.5	4.4	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.5	4.4	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3				
Prices (% yoy)																																		
CPI	2.7	2.5	2.9	3.0	2.9	3.0	2.8	2.4	2.4	2.3	2.4	2.4	2.4	2.4	2.5	2.4	3.0	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4		
Core CPI	3.1	2.8	3.1	3.1	3.1	3.3	3.1	2.6	2.7	2.6	2.6	2.6	2.6	2.5	2.5	2.5	3.1	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6		
PCE	2.6	2.4	2.7	2.9	2.8	2.9	2.8	2.3	2.2	2.0	2.0	2.1	2.1	2.1	2.2	2.1	2.9	2.3	2.3	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	
Core PCE	2.8	2.7	2.9	2.9	2.9	3.1	2.9	2.4	2.4	2.2	2.2	2.3	2.2	2.2	2.2	2.2	2.9	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	
Fed Funds	4.38	4.38	4.13	3.63	3.63	3.63	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.63	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38

Source: Deutsche Bank Research

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Figure 3: Data Calendar and DB Forecasts

Dec-29	Dec-30	Dec-31	Jan-01	Jan-02
Pending Home Sales Index 10:00 AM Sep: +0.1% Oct: +2.4% Nov: +3.3%	Chicago PMI 9:45 AM Oct: 43.8 Nov: 36.3 Dec: 43.5	Initial Claims 8:30AM Dec-13 224k -13k Dec-20 215 -9 Dec-27 199 -16	New Year's Day All Markets Closed	
		FOMC Minutes		
FORECAST				
Jan-05	Jan-06	Jan-07	Jan-08	Jan-09
ISM Index 10:00 AM Oct: 48.7 Nov: 48.2 Dec: 48.8		ADP Employment Report 8:15 AM Oct: +47k Nov: -32 Dec: +50	Productivity 8:30AM 1Q25: -1.8% +6.9% 2Q25: +3.3 +1.0 Prelim: 3Q25: +4.8 -1.3	Employment 8:30 AM Oct: Nov: Dec: Payrolls -105k +64 +50 Private +52k +69 +50 UnRate 4.6 4.5
		ISM Services 10:00 AM Oct: 52.4 Nov: 52.6 Dec: 52.1	Initial Claims 8:30AM Dec-20 215k -9k Dec-27 199 -16 Jan-03 210 +71	Hrly Errgs +0.4% +0.1 +0.3 Workwk 34.2 34.3 34.3
Unit motor vehicle sales Oct: 15.3 Nov: 15.6 Dec: 15.5		Factory Orders 10:00 AM Aug: +1.3% Sep: +0.3 Oct: -1.2	International Trade Balance 8:30 AM Aug: -\$59.3B Sep: -52.8 Oct: -70.5	Housing 8:30AM Starts Permits Aug: 1.307M 1.330M Sep: 1.350 1.360 Oct: 1.375 1.375
			November JOLTS data released	Consumer Sentiment 10:00 AM Nov: 51.0 Dec: 52.9 Prelim: Jan: 54.0
				Wholesale Inventories 10:00 AM Aug: -0.1% Sep: +0.5 Oct: +0.2
				Consumer Credit 3:00 PM Sep: +\$11.0B Oct: +9.2 Nov: +12.4
				3 Yr Note Announcement \$58bn 10 Yr Note Announcement \$39bn 30 Yr Bond Announcement \$22bn
Jan-12	Jan-13	Jan-14	Jan-15	Jan-16
3 Yr Note Auction \$58bn 10 Yr Note Auction \$39bn	CPI Price 8:30AM Oct: +0.24% +0.26% Nov: +0.24 +0.26 Dec: +0.37 +0.32	Total 8:30AM Sep: +0.3% +0.1% Oct: +0.1% +0.2% Nov: +0.3% +0.2%	Core 8:30AM Nov: +18.7 Dec: -3.9 Jan: +1.0	NY Fed Empire State Survey 9:15AM Oct: -0.1% 75.9% Nov: +0.2 76.0 Dec: +0.1 76.0
	New Home Sales 10:00 AM Aug: 800k Sep: 700 Oct: 750	PPI 8:30AM Sep: Oct: Nov: Total +0.1% Unch. +0.2 Ex Autos +0.1% +0.4 -0.1 Control -0.1% +0.8 -0.1	Retail Sales 8:30AM Sep: Oct: Nov: Total +0.1% Unch. +0.2 Ex Autos +0.1% +0.4 -0.1 Control -0.1% +0.8 -0.1	Philadelphia Fed 08:30AM Nov: -1.7 Dec: -10.2 Jan: -5.0
				NAHB Housing Market Index 10:00 AM Nov: 38 Dec: 39 Jan: 38
	30 Yr Bond Auction \$22bn		Existing Home Sales 10:00 AM Oct: 4.11M Nov: 4.13 Dec: 4.12	20 Yr Bond Announcement \$13bn 10 Yr TIPS Announcement \$18bn
Jan-19	Jan-20	Jan-21	Jan-22	Jan-23
Martin Luther King Jr. Day (all markets closed)		Housing 8:30AM Oct: 1.375M 1.375M	Starts 8:30 AM 1Q25: -0.6% +3.6% 2Q25: +3.8 +2.1 Adv: 3Q25: +4.3 +3.7	Permits Deflator 10:00 AM Nov: 51.0 Dec: 52.9 Final: Jan: 54.0
		Leading Economic Indicators 10:00 AM Oct: % Nov: Dec:	Real GDP 2:30 AM 1Q25: -0.6% +3.6% 2Q25: +3.8 +2.1 Adv: 3Q25: +4.3 +3.7	Consumer Sentiment 10:00 AM Nov: 51.0 Dec: 52.9 Final: Jan: 54.0
			2 Yr Note Announcement \$69bn 5 Yr Note Announcement \$70bn 7 Yr Note Announcement \$44bn 2 Yr FRN Announcement \$28bn 10 Yr TIPS Auction \$19bn	
		Construction Spending 10:00 AM Aug: +0.2% Sep: +1.0 Oct: +0.3		
		Pending Home Sales Index 10:00 AM Oct: +1.9% Nov: +1.0 Dec: +1.0		
		20 Yr Bond Auction \$13bn		

Source: Deutsche Bank Research



Appendix 1

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The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Matthew Luzzetti, Ph.D., Brett Ryan, Justin Weidner, Amy Yang.

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