Press Release

Freddy's Forecast: December Jobs

FRED ASHTON | JANUARY 9, 2025

Director of Competition Policy Fred Ashton predicts the results of the monthly employment survey. This month, Ashton writes:

> *Expect a topline payroll number of 150,000, weaker than the three-month average of 173,000. The revisions to the prior month could be noisy as the post-hurricane and strike data settle. The unemployment rate will hold steady at 4.2 percent while growth in average hourly earnings will increase by 0.3 percent, or 11 cents.*

See below for his full analysis.

IT'S GETTING MORE DIFFICULT TO FIND A JOB

The post-COVID job market was a great time to find work. Hiring picked up as demand for labor soared. As a result, the number of unemployed was nearly halved between January 2021 and December 2022 and the unemployment rate dropped to its lowest level in more than 50 years at 3.4 percent in January 2023.

But it wasn't just the unemployed who benefited. Job hopping surged as those already with a job looked to leverage the supply-and-demand imbalance into better opportunities and pay. Between 2021 and 2023, an average of 4 million workers, or 2.6 percent of employees, quit their jobs each month. By contrast, in the three years leading up to the pandemic, an average of 3.3 million workers, or just 2.2 percent of employees, quit their jobs each month. This sharp uptick in the quit rate was dubbed "The Great Resignation."

More recent data, however, showed that this period has come to an end as demand for labor softened throughout 2024. Job vacancies slid from the peak of more than 12 million in March 2022 to 8 million in November, and as the number of available jobs dipped, so did the

hiring rate – falling from an average of 4.4 percent per month in 2021 to 3.5 percent over the first 11 months of 2024. Excluding the pandemic year of 2020, November's 3.3 percent hiring rate was the slowest since 2013. Consequently, workers soured on the prospect of finding greener pastures, and the quit rate sank to an average of 2.1 percent between January and November 2024.

That's not to say the labor market is falling apart. It's cooling off. The monthly employment report continues to show steady hiring, albeit at a slower pace than immediately following the pandemic, layoffs remain muted, and initial jobless claims are still near post-pandemic lows. This softening of labor demand has resulted in an increase in the number of unemployed for 27 weeks or more – known as the long-term unemployed – from 1.277 million in January 2024 to 1.661 million in November. In other words, the job market is solid if you have a job, but it's getting increasingly difficult for those currently unemployed or looking to enter the labor force.

FREDDY'S FORECAST: DECEMBER JOBS

The November jobs report showed employers added 227,000 new hires to the payrolls while the unemployment rate ticked up to 4.2 percent from 4.1 percent in October. The report was noisy as hurricanes and the worker strike affected the headline number and revisions to October. Hourly earnings growth remained steady at 4.0 percent over the past 12 months.

Since the last report, the labor market has continued to cool. ADP reported that private-sector employment increased by 122,000 jobs in December, the slowest pace since August, and year-over-year pay growth for job-stayers dipped to 4.6 percent, the slowest pace since July 2021. Details in the report showed that hiring in the education and health services sector remained strong, adding 57,000 workers to the payrolls. The manufacturing sector, meanwhile, weighed on the overall jobs total shedding 11,000 jobs, the third straight month of job cuts.

JOLTS data showed that job openings increased for the second consecutive month. The ratio of job openings per available worker was unchanged at 1.1 percent, where it has been since July.

The Institute for Supply Management showed that the manufacturing sector continued to contract in December, but at a slower pace than in November. Manufacturers, however, shed jobs at a quicker pace than in the prior month. The services sector showed an increase in activity in December, lifted by a jump in new orders. The services employment index slipped 0.1 percentage point but remained in expansion territory.

High-frequency data from the Department of Labor showed that weekly initial jobless claims dipped 10,000 to 201,000. It was the lowest reading since mid-February 2024.

Expect a topline payroll number of 150,000, weaker than the three-month average of 173,000. The revisions to the prior month could be noisy as the post-hurricane and strike data settle. The unemployment rate will hold steady at 4.2 percent while growth in average hourly earnings will increase by 0.3 percent, or 11 cents.