



U6 Fix

The Fed May Be in for a Long Pause

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Job growth was much stronger than expected in December as employers added 256,000 new hires to their payrolls. The three-month average held steady at 170,000 for the second-straight month, the highest since May. For the year, employers added 2.2 million workers. The unemployment rate ticked down to 4.1 percent from 4.2 percent in the prior month. Average hourly earnings increased 0.3 percent for the month for a 12-month gain of 3.9 percent. After the Fed's hawkish rate cut in December, the muted wage gains and strong topline number in the most recent jobs report could afford the Fed some time before its next rate adjustment.

Employers added 256,000 new hires to their payrolls in December, according to the Bureau of Labor Statistics. Private-sector firms added 223,000 workers, higher than the revised 182,000 in November. Government hiring remained steady as 33,000 new employees were added. Goods-producing industries weighed on the topline number, shedding 8,000 jobs as manufacturers cut 16,000 positions. The construction sector added 8,000 workers for the second-straight month. Service-providing industries hiring jumped by 231,000. The health care and social services sector remained strong, gaining 69,500 jobs and leisure and hospitality jobs rose by 43,000. Hiring in retail trade rebounded as employers added 43,400 jobs after cutting just over 29,000 jobs in November. Professional and business services hired 28,000 new workers after adding a revised 9,000 in the prior month. Employment in temporary help services logged back-to-back monthly gains, adding 5,300 in December and 6,200 in November. The information sector added 10,000 workers. Data for October were revised up by 7,000 and data for November were downwardly revised by 15,000. Combined, employment gains were 8,000 lower than previously reported.

The unemployment rate ticked lower to 4.1 percent in December from 4.2 percent in November. The labor force participation rate held steady at 62.5 percent as 243,000 workers entered the labor force. The household survey moved in the same direction as the establishment survey as the number of employed persons grew by 478,000, while the

number of unemployed persons dropped by 235,000.

Gains in average hourly earnings increased 10 cents in December - a 0.3-percent monthly increase, though smaller than the 13-cent gain in November. Over the past 12 months, average hourly earnings increased by 3.9 percent. Average hourly earnings for production and non-supervisory workers increased by 6 cents, which is a 0.2-percent monthly gain, a slowdown from the 0.3-percent monthly rise in November.