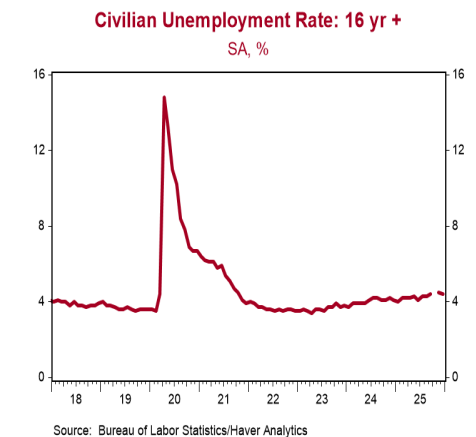
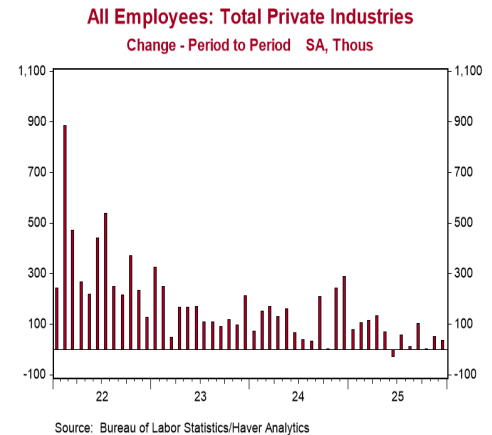


## December Employment Report

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- Nonfarm payrolls increased 50,000 in December, lagging the consensus expected 70,000. Payroll gains for October and November were revised down by a total of 76,000, resulting in a net loss, including revisions, of 26,000.
- Private sector payrolls rose 37,000 in December but were revised down by 70,000 in prior months. The largest gains in December were leisure & hospitality (47,000) and health care & social assistance (39,000). Manufacturing declined 8,000 while government grew 13,000.
- The unemployment rate ticked down to 4.4% in December versus a revised 4.5% in November.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in December and are up 3.8% versus a year ago. Aggregate hours declined 0.3% in December but are up 0.6% from a year ago.

**Implications:** A mediocre report on the direction of the job market for the last month of 2025, not great, not horrible. Nonfarm payrolls rose 50,000 for the month of December itself but revisions for October and November, combined, subtracted 76,000. In other words, payrolls in December are now 26,000 below what the prior report showed for November. Taking stock of all of 2025, payrolls were up 49,000 per month and 61,000 for the private sector. Notably, federal government jobs (ex-Post Office) declined 268,000 in 2025, the most on record for any year going back to at least 1990. Over time, we think shrinking federal jobs will boost private sector growth. We also like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (including COVID lockdowns and re-openings). This measure of “core payrolls” declined 51,000 in December and 164,000 in 2025. On net, leisure & hospitality as well as private education and health accounted for all private sector payroll growth in 2025. The best news in today’s report was that civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 232,000 in December and rose 2.4 million in 2025. The gain in December as well as a small decline in the labor force (people either working or looking for work) helped push the unemployment rate down a tick to 4.4%. The worst two data points in the report were on hours worked and the duration of unemployment. Total private-sector hours worked declined 0.3% in December, although they still rose 0.6% in 2025, similar to the gain in 2024. Meanwhile, the median number of weeks an unemployed person remains unemployed, rose sharply to 11.4 weeks in December. It’s possible that this is just statistical noise, but it’s also possible that the growing introduction of AI into workplaces is making it tougher for some unemployed workers to find jobs, as their skills might not be up-to-date. We will be watching this series closely in the months ahead. On the inflation front, average hourly earnings grew a moderate 0.3% in December and are up an annualized 3.9% in the past six months. The Federal Reserve probably wants to see at least a slightly lower figure on wage growth before cutting short-term interest rates again.



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Dec-25</b>	<b>Nov-25</b>	<b>Oct-25</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>12-month moving avg</b>
<b>Unemployment Rate</b>	<b>4.4</b>	4.5	NA	NA	NA	NA
<b>Civilian Employment (monthly change in thousands)</b>	<b>232</b>	NA	NA	NA	NA	NA
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>50</b>	56	-173	-22	15	49
<b>Construction</b>	<b>-11</b>	22	-13	-1	0	1
<b>Manufacturing</b>	<b>-8</b>	-2	-9	-6	-7	-6
<b>Retail Trade</b>	<b>-25</b>	-17	-24	-22	-5	0
<b>Finance, Insurance and Real Estate</b>	<b>7</b>	0	1	3	0	3
<b>Professional and Business Services</b>	<b>-9</b>	13	-16	-4	-8	-8
<b>Education and Health Services</b>	<b>41</b>	59	41	47	52	59
<b>Leisure and Hospitality</b>	<b>47</b>	-3	33	26	25	16
<b>Government</b>	<b>13</b>	6	-174	-52	-29	-12
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.3%</b>	0.2%	0.4%	4.1%	3.9%	3.8%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.2</b>	34.3	34.2	34.2	34.2	34.2
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>-0.3%</b>	0.3%	0.0%	0.3%	0.5%	0.6%

Source: Bureau of Labor Statistics \*3, 6 and 12 month figures are % change annualized

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.