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US JOBS END 2025 WEAK

NEWS SUMMARY

The latest US Employment situation reported that nonfarm payrolls only rose by 50,000 in December, undershooting market expectations and confirming that job creation has slowed sharply. Despite the weak hiring, the rate of unemployment edged down to 4.4% from 4.5%, partly due to slipping labor force participation and some workers left the job market. Wage growth however remained firm, with average hourly earnings up 0.3% on the month, and close to high-3% year-on-year, adding to concerns that wage pressures have not yet fully cooled.

WHAT IT MEANS FOR THE US ECONOMY

The report suggests a the labor market is softening but not collapsing. Hiring is running at the weakest annual pace since the early 2000s outside a recession, however unemployment is still in the mid-4s. This points to a ‘job-light’ expansion in which firms rely more on productivity and technology rather than new workers, leaving many households under pressure even though GDP growth has held up. Sector data shows that gains are concentrated in services like leisure, hospitality, and healthcare, while sectors like retail and manufacturing are shedding jobs, highlighting an uneven adjustment across the economy.

MARKET AND FED REACTION

Financial markets read the data as a mixed signal: slower payroll growth reduced the risk of an overheating labor market, but the drop in unemployment and solid wage gains argued against an imminent rate cut. Equity indices and the dollar held reasonably well after the release, and longer-term Treasury yields stayed broadly stable, reflecting expectations that the Federal Reserve will keep policy on hold at its late-January meeting. Analysts estimate that this allows the Fed to keep rates elevated a little longer, and looking toward mid-2026 rather than this month for the next easing step.

BROADER IMPLICATIONS

For households, a slower but positive jobs market with rising wages but higher borrowing costs could continue pressure on affordability, especially for lower-income workers facing weaker job security. For firms, the combination of tepid demand for labor and relatively strong wage growth encourages cost-cutting and investment in automation rather than aggressive hiring, which could entrench the ‘jobless expansion’ narrative further.