Special Commentary — December 15, 2025

Time and a Half: U.S. Employment Report Preview

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Summary

The final Employment Situation report of the year will be a unique one. On Tuesday, December 16, the Bureau of Labor Statistics will release the shutdown-delayed November jobs report. Published with it will be the establishment survey half of the October jobs report, including nonfarm payrolls and average hourly earnings. But the October household survey, which includes the unemployment rate, will not be published due to collection issues caused by the government shutdown.

We estimate payroll employment declined by 60K in October, although that will overstate the loss of momentum in job growth. October marked the first month when workers who participated in the federal government's deferred resignation program were no longer on the payroll. When combined with the ongoing federal hiring freeze, we expect federal employment declined by around 125K. The government shutdown itself, however, should not affect federal payrolls since furloughed workers eventually received pay for the survey's reference period.

The November data will provide both a more timely and more complete look at the jobs market. We expect it to show the labor market remains in a tenuous position, with nonfarm payrolls expanding by 45K and the unemployment rate edging up to a cycle high of 4.5%. If realized, we believe it will be increasingly clear that the "maximum employment" side of the Fed's mandate is in jeopardy.

Wells Fargo Estimates for Employment Indicators

	October		November	
	Consensus	*Wells Fargo*	*Consensus*	*Wells Fargo*
Nonfarm Payrolls	–	-60K	50K	45K
Average Hourly Earnings (MoM)	–	0.3%	0.3%	0.3%
Unemployment Rate	–	–	4.4%	4.5%

Source: Bloomberg Finance L.P. and Wells Fargo Economics

What Data Are On Tap for December 16?

The next U.S. employment report will be released on December 16, and it will be a highly unusual one. The report will cover employment for both October and November (Figure 1). For October, it will be a "half" employment report, with labor market indicators produced from the Current Employment Statistics survey (CES) released but not the Current Population Survey (CPS). The CES, more informally known as the establishment survey, collects data from businesses and should be reported as usual for October, although we would not rule out the possibility of some shutdown-related disruptions.

The CPS, also known as the household survey, collects data from individuals. We will not get these indicators for October since it was not feasible for BLS to collect the raw data. In general, the establishment survey is better set up to retroactively collect data than the household survey. There are a few reasons for this, but one is that businesses typically keep payroll records, while individuals generally rely on their (sometimes faulty) memory of what they were doing in a specific week.

October Employment: Half a Loaf Is Better Than None

We forecast NFP *declined* 60K in October. If realized, the drop would be the largest one-month contraction in NFP since December 2020, but it overstates the recent loss of momentum in hiring. The Trump administration initiated a deferred resignation program for federal workers earlier this year, and many of those employees remained on the government's payroll through the end of September. As they were still being paid, they were still counted as employed in the establishment survey.

With those workers now off the payroll, there will be a large, one-time drop in federal employment in October. When combined with the government's ongoing hiring freeze, we expect federal employment to decline by roughly 125K in October—a monthly drop that would be bigger than the 97K year-to-date decline (Figure 2). Notably, the government *shutdown* should not impact October NFP. Furloughed federal workers are counted as employed in the establishment survey because they eventually receive pay for the survey's reference period. Excluding federal payrolls, we expect employment to *rise* by 65K in October, modestly softer than the current three-month pace of 71K.

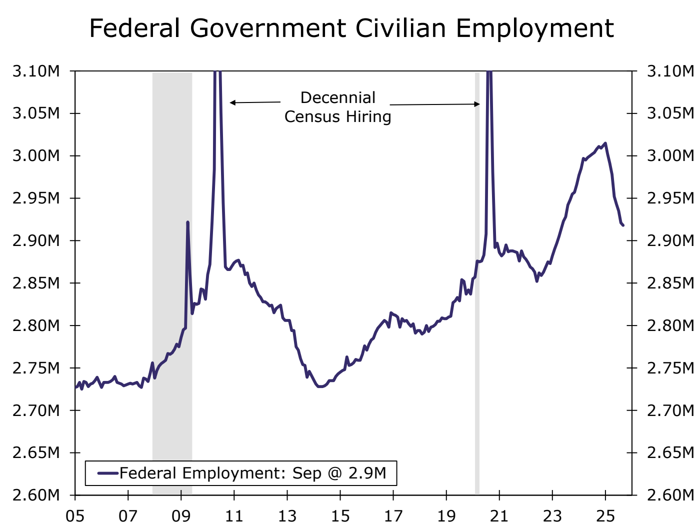
Figure 1

Employment Situation on Dec 16

		Oct	Nov
Current Employment Statistics (**CES**)	Nonfarm Payrolls	✓	✓
	Industry Details	✓	✓
	Avg Hourly Earnings	✓	✓
	Avg Weekly Hours	✓	✓
Current Population Survey (**CPS**)	Unemployment Rate	-	✓
	Participation Rate	-	✓
	Emp-to-Pop Ratio	-	✓
	Demographic Details	-	✓

Source: U.S. Department of Labor and Wells Fargo Economics

Figure 2



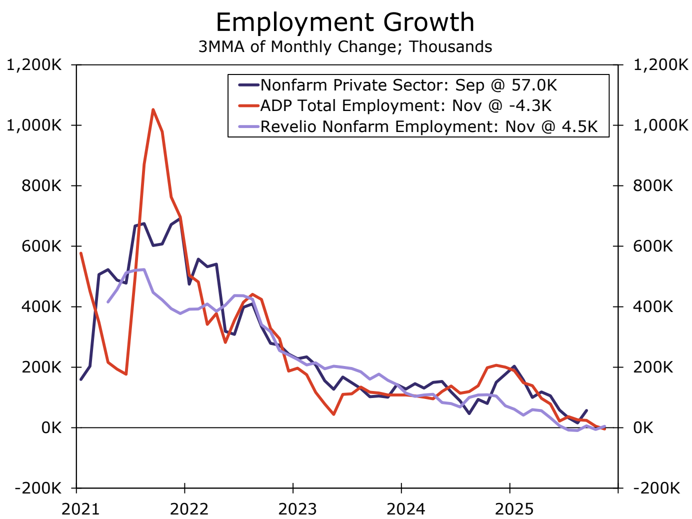
Source: U.S. Department of Labor and Wells Fargo Economics

A Full View in November

The November data will be more critical. This portion will be timely, and it will contain *all* the data points we usually receive on an employment Friday. We will look for data collection issues. During the press conference following the December 10 FOMC meeting, Chair Powell highlighted the possibility of "technical distortions" to the November household survey because of the government shutdown. Data collection has not been a major problem in past shutdowns. The 2013 shutdown ended 16 days into October, and despite BLS's late start to collection, the response rate for the October household survey was within its normal range. But because this shutdown lasted a record 43 days, there might have been issues with response rates, seasonal adjustment or other technical factors for November.

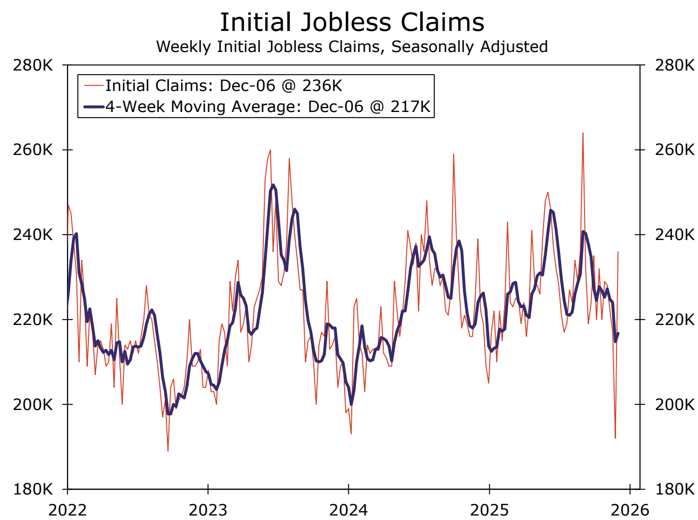
We forecast nonfarm payrolls rose 45K in November, downshifting further below its current three-month (62K) and six-month (58K) paces. Alternative data show the softening trend remains in place. ADP's measure of private sector employment fell 32K in November, led by cuts at small businesses, while Revelio's measure of total employment contracted 9K (Figure 3). A simple average of regional Fed purchasing manager surveys indicates the pace of service sector hiring is still contracting. That said, job postings on Indeed suggest seasonal hiring for retail, driving and warehousing positions is running moderately stronger than last year, which should provide some support.

Figure 3



Source: U.S. Department of Labor, Bloomberg Finance L.P. and Wells Fargo Economics

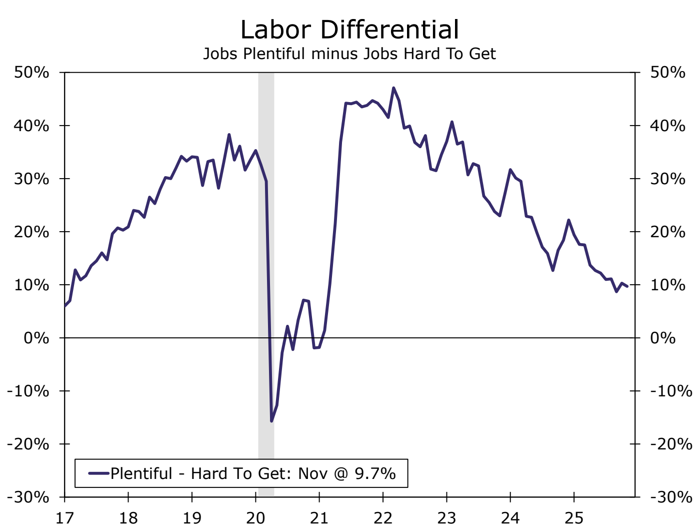
Figure 4



Source: U.S. Department of Labor and Wells Fargo Economics

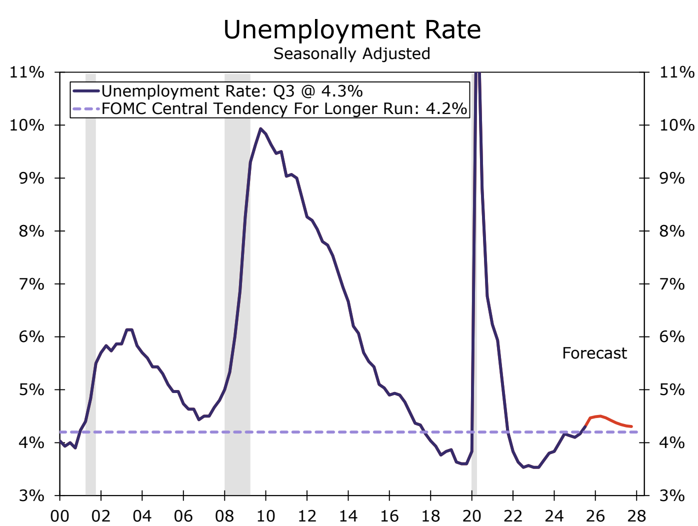
The data tell us employers remain reluctant to expand headcount, yet many are still reluctant to let go of existing staff in droves. Initial jobless claims fell between the payroll survey's reference weeks (Figure 4), and Challenger's measure of job cut announcements retreated in November from October's jump. The slowdown in labor demand has modestly outweighed growth in the labor supply in recent months, underpinning the upward drift in the unemployment rate. The Conference Board's labor differential slipped further in November, reinforcing the view that slack is still gradually building (Figure 5). We thus expect the unemployment rate to edge up to 4.5% in November.

Figure 5



Source: The Conference Board and Wells Fargo Economics

Figure 6



Source: U.S. Department of Labor and Wells Fargo Economics

The tenuous balance between labor demand and supply is evident in wage growth. We expect average hourly earnings rose 0.3% in both October and November, in-line with its average rise over the past year or so. But if realized, the year-over-year pace of wage earnings would slip to a cycle low of 3.6%.

On balance, our expectation is that the coming data deluge will continue existing trends. Job growth remains slow but positive on trend, and the unemployment rate will edge up slightly to 4.5%, continuing its slow grind higher. It is important to note that a 4.5% unemployment rate would be above both our estimate for full employment (4.0%) and the FOMC's median long run projection (4.2%, Figure 6). Numerous other labor market indicators, such as the data on job openings and worker sentiment about the labor market, reinforce this point. If the final labor market data of 2025 evolve as we expect, it will be increasingly clear the full employment side of the FOMC's dual mandate is at risk. This outlook, when paired with our expectation for continued progress toward 2% inflation in 2026, explains our expectation for two more 25 bps rate cuts from the FOMC in the first half of next year.

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