November Payrolls Beat Expectations as Unemployment Jumps 0.2%

Matt Harris, CFA
HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

Scott McIntyre, CFA
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

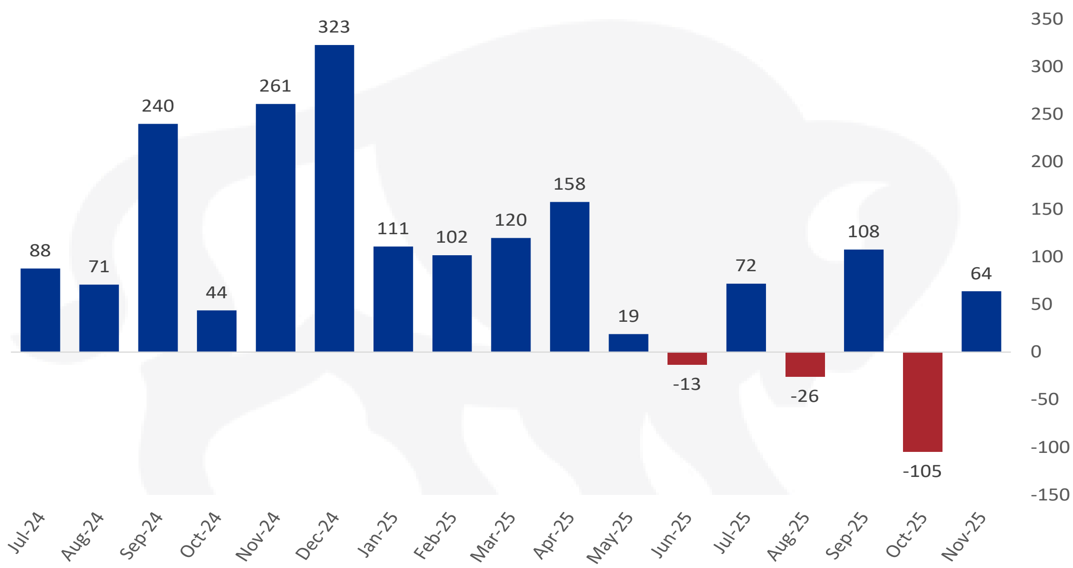
The Bureau of Labor Statistics released a combined October–November employment report today, providing the first read on labor conditions following the 43 day government shutdown. Because the October survey was never completed, the month includes no unemployment rate and only payroll data, marking the first time in nearly 80 years that the U.S. has gone a month without an official unemployment rate.

The November unemployment rate rose to 4.6%, a 0.2% increase from September's reading. Economists had expected only an uptick to 4.5%. The prime age (25–54) employment to population ratio slipped by -0.1%, reflecting weaker conditions in the core labor force. The BLS noted that November's unemployment rate estimate was affected by lower survey participation, composite changes, and analyzing two months of data together.

The report also showed a significant increase in the underemployment rate, which climbed to 8.7%, up from 8.0% in September. This measure includes those working part time for economic reasons and marginally attached workers, such as discouraged workers, who are not in the labor force but still want a job and have looked within the past year.

The nonfarm payroll survey showed that jobs increased by 64k in November, exceeding expectations of 45k. This improvement followed a steep 105k decline in October. October saw 157k government jobs lost, reflecting the combination of the shutdown and delayed DOGE impacts.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

The nonfarm payroll survey showed that jobs increased by 64k in November, exceeding expectations of 45k.

With the October drop and the downward revision to September, the three month average pace of job growth has slowed to just 22k, down sharply from 62k prior to the new data. The economy has now recorded job losses in three of the past six months, June, August, and October, further signaling loss of momentum. Last week Chair Powell cautioned that official statistics may be overstating job creation by as much as 60k jobs per month.

With the October drop and the downward revision to September, the three month average pace of job growth has slowed to just 22k, down sharply from 62k prior to the new data.

Job gains remain narrowly concentrated. Healthcare and social assistance, along with construction, led employment increases and have accounted for most of the net job growth in recent months. On the other hand, manufacturing payrolls have not increased since March and now sit at their lowest level since March 2022. Other cyclically sensitive sectors, transportation, information, financial services, and leisure/hospitality, show continued weakness.

Average hourly earnings rose only 0.1% month over month and are now increasing at a 3.5% year over year pace, the slowest since May 2021. Weakening wage growth alongside rising unemployment suggests that labor market slack is broadening as many Fed officials have warned.

Today's report alone isn't enough for the Fed to assume a January rate cut, though upcoming CPI and December jobs data could sway expectations. For now, markets still see one or two 25 bp cuts later in 2026.

Today's report alone isn't enough for the Fed to assume a January rate cut, though upcoming CPI and December jobs data could sway expectations. For now, markets still see one or two 25 bp cuts later in 2026. The job market continues to look like a "no hire, no fire" environment: hiring is slowing or stalled, but layoffs remain limited. With tighter immigration, slimmer government payrolls, more retirements, and AI disruptions shaping the labor supply, the Fed must balance inflation control with keeping the labor market on stable footing.

Market Indications as of 9:28 A.M. Central Time

DOW	Down -272 to 48,144 (HIGH: 48,704)
NASDAQ	Down -93 to 22,964 (HIGH: 23,958)
S&P 500	Down -12 to 6,804 (HIGH: 6,901)
1-Yr T-bill	current yield 3.51%; opening yield 3.49%
2-Yr T-note	current yield 3.48%; opening yield 3.50%
3-Yr T-note	current yield 3.53%; opening yield 3.55%
5-Yr T-note	current yield 3.70%; opening yield 3.72%
10-Yr T-note	current yield 4.15%; opening yield 4.17%
30-Yr T-bond	current yield 4.83%; opening yield 4.84%