Daily Bulletin

January 11, 2026

US payrolls come in below forecast, unemployment rate dips to 4.4%

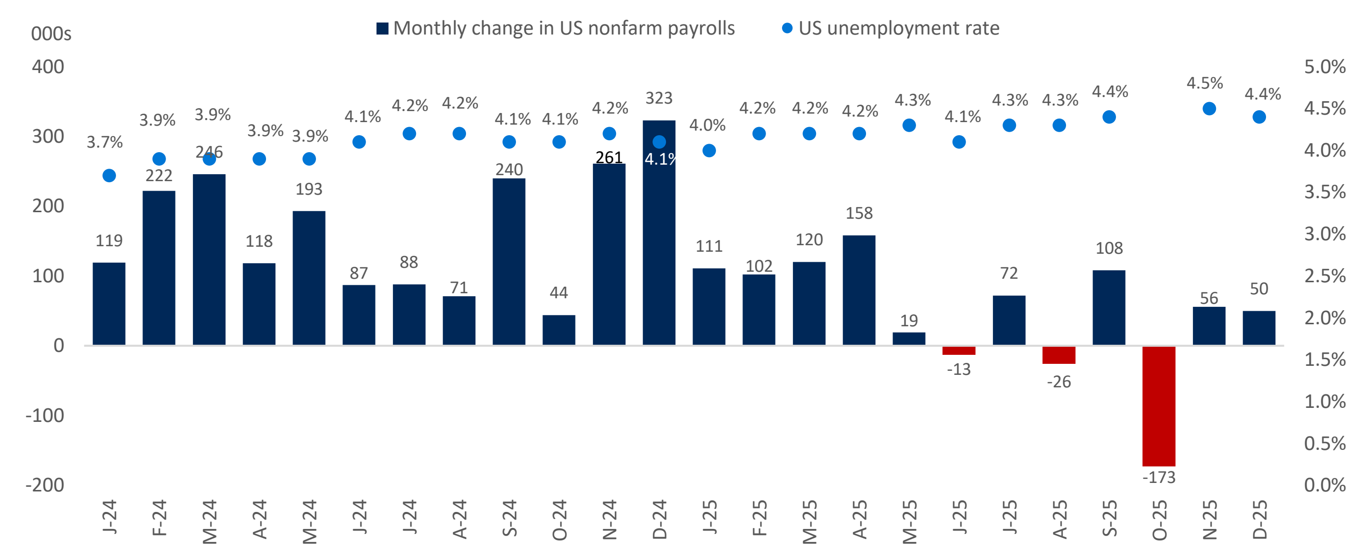
According to the latest monthly report from the Bureau of Labor Statistics released on Friday, U.S. employers added 50,000 jobs in December, fewer than the 66,000 initially expected, extending a year-long slowdown in the labor market marked by cautious hiring and limited layoffs. Hiring remained concentrated in leisure and hospitality and healthcare, while retail, construction, and manufacturing continued to shed jobs. Private payroll growth was modest at 37,000, highlighting weak momentum compared with the same period last year.

Despite soft job creation, labor-market conditions remain relatively stable. The unemployment rate declined to 4.4%, indicating that weak hiring has not translated into widespread job losses. Economists continue to describe the environment as one of low hiring and low layoffs, with overall employment levels holding up even as growth slows. December's data suggest the labor market ended the year on a fragile footing, with limited signs of a near-term rebound in hiring.

Labor force participation (62.4%) and the employment-population ratio (59.7%) were largely unchanged. Long-term unemployment stood at 1.9 mn, accounting for 26% of total unemployment, while the number of people working part-time for economic reasons remained elevated on a YoY basis, signaling continued underemployment. Wage growth was moderate, with average hourly earnings up 0.3% MoM to USD 37.0, while the average workweek edged lower, reinforcing signs of soft labor demand.

From a policy and market perspective, the report supports a steady stance. The gradual cooling in employment led the Federal Reserve to cut interest rates three times toward the end of 2025, but current data have reinforced expectations that policymakers will hold rates steady at their January meeting. Equity markets reacted positively, while short-term Treasury yields moved higher. Looking ahead, economists expect another year of constrained job growth and moderating wage gains, which could keep pressure on household affordability and remain a key issue heading into the midterm elections.

US nonfarm payrolls and employment rate (%)*



Source: Bureau of labor statistics, anbc research, data for Oct'25 not available.

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