

# ECONOMIC UPDATE

REGIONS

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## December Employment Report: More Of The Same, In More Ways Than One . . .

- › Nonfarm employment rose by 50,000 jobs in December; prior estimates for October and November were revised down by a net 76,000 jobs
- › Average hourly earnings rose by 0.3 percent, while aggregate private sector earnings rose by 0.1 percent (up 4.3 percent year-on-year)
- › The unemployment rate fell to 4.4 percent in December (4.375 percent, unrounded); the broader U6 measure fell to 8.4 percent

Total nonfarm payrolls rose by 50,000 jobs in December, short of what we (112,000 jobs) and the consensus (70,000 jobs) expected, with private sector payrolls up by 37,000 jobs and public sector payrolls up by 13,000 jobs. At the same time, prior estimates of job growth in October and November were revised down by a net 76,000 jobs for the two-month period. The length of the average workweek fell by one-tenth of an hour which, despite a 0.3 percent increase in average hourly earnings, acted as a powerful drag on growth of aggregate private sector wage and salary earnings, which rose by just 0.1 percent in December. Still, this leaves them up 4.3 percent year-on-year, leaving growth easily ahead of the rate of inflation. The unemployment rate fell to 4.4 percent, matching our forecast, and the broader U6 rate, which also takes underemployment into account, fell to 8.4 percent as the number of people working part-time for economic reasons fell in December. As we flagged in our weekly *Economic Preview*, softer hiring in warehousing and distribution services and in retail trade than is typical for the month of December led to declines on a seasonally adjusted basis. Whereas the not seasonally adjusted data show a combined increase of 242,000 jobs in these two segments in December, the seasonally adjusted data show a combined decline of 33,000 jobs, accounting for a good chunk of our forecast miss on headline job growth. All in all, however, the December employment report does not really alter the labor market narrative; while the rate of hiring remains notably low, so too does the rate at which workers are being laid off, yielding little net job growth, but with growth in aggregate labor earnings still easily outpacing inflation. Not an ideal set of conditions by any stretch, but neither does this suggest a cratering labor market that could take the broader economy down with it.

With the monthly employment reports, and in turn the establishment survey collection periods, back on a more normal cadence, the initial collection rate for the monthly establishment survey was, unfortunately, back in familiar territory for December. The rate fell to 66.8 percent after having been significantly higher for September and November thanks to survey collection times having been extended by the government shutdown. Moreover, with the December collection period having ended

relatively early in the month, there is likely even more play in the initial estimates of nonfarm employment, hours, and earnings. Of more relevance at this point is that the January employment report will incorporate the final results of the BLS's annual benchmark revisions to the establishment survey data. Recall that the preliminary estimate showed a sizable downward revision to the level of nonfarm employment as of March 2025, which will be the new survey reference month. Last year the final revision was not as harsh as the initial estimate, which of course doesn't imply the same will be the case this time around. As the data now stand, total nonfarm payrolls rose by just 584,000 jobs in 2025, weaker than in any year of the decade-plus long economic expansion prior to the pandemic.

As noted above, seasonal hiring in warehousing and delivery services and in retail trade was weaker than in a typical December. That followed what was, as we discussed last month, notably weak seasonal hiring in October and November. For the three-month holiday season hiring period as a whole, combined hiring in these segments was weaker than in any year since 2009, which is a low bar to clear. One thing to note, however, is that since seasonal hiring was so weak over the final three months of 2025, there will be fewer layoffs in these segments in January than is typically the case, which opens the door for seasonal adjustment to flatter January 2026 job growth. This is yet another illustration of why we are so insistent on examining the patterns in the not seasonally adjusted data. There were weather-related disruptions in both the number of people at work and the number of hours worked in December, in the case of the former the most in any December since 2018. This could help account for the drop in average weekly hours reported in the establishment survey. While the household survey data show a decline in the number of people working part-time for economic reasons, the level of this metric remains significantly higher than it was as of September. We simply do not know if this reflects the diminished reliability of the household survey data after the disruptions caused by the shutdown or whether it reflects sudden deterioration in overall economic conditions. Our sense is that it is the former not the latter, but we'll continue to monitor this metric.

