Jobs data doesn't provide much clarity for Fed

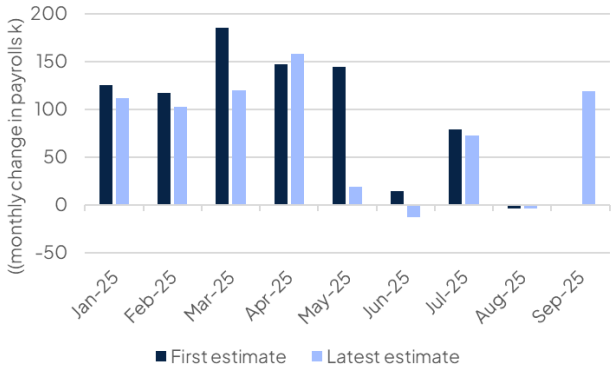
21 November 2025 – Market economics

- The long-delayed September nonfarm payrolls report printed better than expected with 119k jobs added though there was a rise in the overall unemployment rate.
- Estimates of prior jobs data were revised lower, suggesting the US has added far fewer jobs in 2025 than initially estimated.
- With few additional data points ahead of the December FOMC, the Fed will remain cautious.

September jobs report keeps outlook cloudy

The long-delayed September nonfarm payrolls report from the US provided something for everyone, though that was precisely the outcome the markets didn't want. A total of 119k jobs were added in September but data for the prior months was revised sharply lower. The BLS now estimates that in the year to August, 565k jobs were added compared with more than 800k previously and that in both June and August the US actually lost jobs.

US jobs market has turned

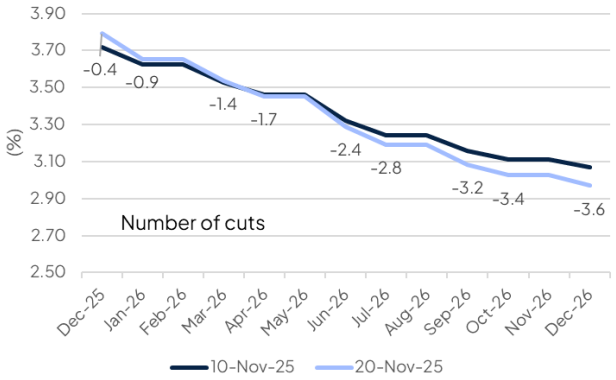


Source: Bloomberg, Emirates NBD Research.

The unemployment rate also edged up to 4.4%, from 4.3% a month earlier and its highest level since 2021. Young workers are taking the brunt of the current unemployment conditions with the 25-34 year old bracket of workers seeking a material rise in unemployment to 4.8% in September from 4.4% a month earlier while unemployment among job market entrants remains wide at more than 9%. Both have risen sharply since the start of the year. The overall gain in the unemployment rate was largely down to a positive rise in the overall labour force, up 470k in September and much larger than the increase in the household estimate of employment.

The September NFP didn't provide much clarity on whether the US labour market is cooling, heating or treading water and moreover will be old data by the time the Fed has to take a call on rates at the next FOMC meeting on December 10th. Markets have slashed their expectations for the December meeting, currently pricing in just 8bps of easing or less than a one-in-three probability of a cut. That's down from a two-thirds probability at the start of November.

Market has cut pricing for December



Source: Bloomberg, Emirates NBD Research.

Fed officials favour caution

Several Fed speakers have come out recently to try and turn attention back to the inflation side of the Fed's mandate. Anna Paulson, the president of the Philadelphia Fed, said she was approaching the December meeting cautiously while Austan Goolsbee, her counterpart at the Chicago Fed, said that inflation was giving "warnings of going the wrong way." The next inflation print covering November is scheduled to be released the day of the FOMC in December while the October nonfarm payrolls report has been confirmed to not be published at all.

We still expect the Fed to cut again in December given the cooling in the labour market and the fact that while inflation has proved stubborn, it hasn't materially accelerated. But given the lingering absence of data caused by the government

shutdown and the compressed timeline before the next meeting, they may favour caution and wait until the January 28 FOMC to resume cutting rates.

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