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The report isn't expected to alter the Fed's calculus on cutting rates.

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Unemployment Rises Despite Job Gains

Rate of 4.6%, highest in over four years, hints at underlying economic weakness

By Chao Deng, Harriet Torry and Justin Lahart

The U.S. unemployment rate rose to 4.6% in November, its highest in more than four years, fueling questions about the economy's underlying strength.

A delayed government report on Tuesday showed that 64,000 jobs were gained in November, while 105,000 jobs were lost in October. Job losses in June, August and October mean the U.S. economy has shed jobs in three out of the past six months.

The unemployment rate in November was up from 4.4% in September, the last month the Labor Department reported for that metric.

Taken together, the data point to one of the weakest American labor markets in years. While the economy has added jobs so far this year, mostly on the back of gains in healthcare and education, the shock of shifting trade policies and an immigration crackdown has restrained labor demand and supply, making for tepid hiring overall.

"All roads lead back to policy out of Washington, D.C.," said Joseph Brusuelas, chief economist at accounting firm RSM. "I'm not saying this is a harbinger of a recession, but we have some real challenges to the economy that we didn't have one year ago."

Still, market reaction was muted Tuesday. The Dow Jones Industrial Average fell 302 pointes, or 0.6%, and the S&P 500 declined 0.2%. The Nasdaq Composite rose 0.2%.

Some economists and investors were putting less stock in the new job numbers because of likely distortions from the long government closure, which prevented the Labor Department from collecting some of the data that it normally would have.

"Given the contrasting signals from payrolls and the unemployment rate, you'd hope to get a cleaner read in December," said Stephen Stanley, an economist at investment bank Santander.

"What I can conclude is that we're not falling off a table," he added.

An unemployment rate for October wasn't available because, during the government shutdown, officials weren't able to conduct the survey needed to calculate that number. The department published two months of data instead of one, after pausing its data collections during the 43-day shutdown.

Payroll gains in November were slightly better than the 45,000 forecast by economists polled by The Wall Street Journal, but they had expected a lower unemployment rate of 4.5%.

The Journal didn't survey forecasters about their expectations for the October jobs number, but economists had generally expected a decline, in large part because of government layoffs from earlier this year finally kicking in. Note

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Federal-government employment shrank by 6,000 jobs in November, adding to a massive loss of 162,000 federal jobs in October. Federal-government employment is down by about 270,000 since January, the Labor Department said, to its lowest level in more than a decade.

President Trump has made slashing the federal workforce a key part of his policy agenda. But many of those layoffs didn't show up in the data until now. Employees who are on paid leave are counted as employed in the monthly jobs numbers, and many government workers who took deferred buyouts were paid through Sept. 30.

Tuesday's report still offers clues about a job market that has cooled in recent months. The report was eagerly anticipated after economists for months had to rely mostly on backward-looking government indicators and alternate data from the private sector.

The Labor Department revised down payrolls for both September and August, for a total gain of 82,000 jobs, instead of the 115,000 previously reported.

Taking out the impact of the government sector, the economy then added 121,000 private-sector jobs over October and November. Those were driven by the healthcare and social-assistance sector, which gained 128,600 jobs. Manufacturing, transportation and warehousing and temporary- help services were among the sectors shedding jobs. So did the typically white-collar information and finance sectors. But the construction sector gained 27,000.

Blerina Uruçi, a U.S. economist for T. Rowe Price, said private employment growth in October and November was "basically in line with the trend" this year before the government shutdown. "My view is that labor market w e a k n e s s troughed over the summer months." Also, the jump in the unemployment rate was smaller than it might seem at first glance. The September figure rounded down to 4.4%, and the November figure rounded up to 4.6%, so the gap between them was closer to 0.12 point than a full 0.2 point.

Note

Overall, economists describe the current labor market as a low-fire, low-hire environment. Most companies aren't laying off workers en masse. But they also aren't willing to hire too many new workers. Many employers that typically rush to hire seasonal workers at this time of year are sitting tight. Others are experimenting to see how many job tasks can be replaced by artificial intelligence.

What's more, Americans remain frustrated with high and rising prices, and the recordlong government shutdown disrupted food aid, air travel and the paychecks of federal workers. Also on Tuesday, the government reported that U.S. retail sales were decelerating.

There was a jump in the proportion of people who are working part time but would prefer a full-time job, and people who are so discouraged they have stopped looking for work.

Earnings growth continued to slow, with hourly earnings in the private sector rising 3.5% from a year earlier. Outside of pandemic-era distortions, it was the lowest rate of growth in several years—a factor that could be adding to a sense of disillusionment with the economy.

The new employment figures are unlikely to significantly shift the Federal Reserve's calculus as it weighs whether to continue cutting rates early next year.

The report was soft enough to validate the job-market concerns that drove recent rate cuts, but it may not have been alarming enough to demand another in January, particularly given the potential idiosyncrasies after the shutdown impaired data collection.

Last week, Fed Chair Jerome Powell flagged that the Labor Department's methodology for estimating job changes from new businesses being created or shutting down could be helping to overstate job creation by 60,000 jobs a month. The Labor Department is scheduled to release the December jobs report in January, before the Fed's next meeting.

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