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The U.S. economy added 2.2 million jobs in 2024. Job seekers attended a resource fair in North Carolina last year.  
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## Jobs Growth Tops Expectations

Report puts further Fed rate cuts in doubt; stocks sell off, while yields rise

BY PAUL KIERNAN

The U.S. labor market has found its footing, a relief to households and businesses but a growing cause for concern in financial markets.

The U.S. economy added 256,000 jobs in December and the unemployment rate edged down to 4.1%, the Labor Department said Friday. Last month's gain in nonfarm payrolls was the biggest since March, and well above the 155,000 jobs that economists had expected, according to a Wall Street Journal survey. The unemployment rate also was better than the expected 4.2%.

Friday's jobs report was the latest sign that the U.S. labor market has recovered from its midyear stumble and might even be gaining steam. As such, it shuts the door on an interest-rate cut at the Federal Reserve's next meeting, which is Jan. 28-29. It also reduces the chances of a cut at the Fed's subsequent meeting in March.

"The labor market definitely cooled throughout 2024, and the concern was that it was cooling too fast," said Blerina Uruçi, chief U.S. economist at T. Rowe Price. "I don't think that concern is valid anymore."

Stocks traded lower, a sign that investors are focused not on the strong U.S. economy but on what the jobs report means for the Fed.

The Dow Jones Industrial Average, the S&P 500 and the Nasdaq Composite all fell 1.5% or more. The Dow gave up all the gains it has made since the presidential election.

The yield on the 10-year Treasury closed at 4.772%, up

from Thursday's 4.68%. That was its highest in more than a year.

The silver lining for markets was that wage growth continued to moderate. Average hourly earnings rose 0.3% from November to \$35.69, in line with expectations but slightly slower than the prior month. That leaves intact the Fed's thesis that the labor market isn't a source of inflationary pressure.

Market reaction aside, Friday's data paint a solid picture of the labor market, which remains in better balance than it was a year ago.

The U.S. economy added 2.2 million jobs in 2024. That was more than double the number expected by economists heading into the year, according to a Journal survey conducted last January.

For all of 2024, roughly 75% of hiring took place in just three sectors: healthcare and social assistance, leisure and hospitality, and government. But in December, a broader swath of the services sector added jobs, including retail, professional and business services, information and finance.

Economists read that as a sign of resilience. Moreover, the unemployment rate declined from the previous month even as 243,000 people joined the labor force in December.

"It's really, really good," Jay Bryson, chief economist at Wells Fargo, said of Friday's report.

Economists at Bank of America said the report was likely to seal the end of the Fed's easing cycle. While they saw the most likely outcome as an extended pause, they said Friday's data put a rate increase back on the table, particularly if inflation picks up.

Minutes of the Fed's Dec. 17-18 policy meeting, released Wednesday, showed policymakers were broadly comfortable with holding interest rates steady in the near term after cutting them by a cumulative percentage point since September. Friday's report reinforces that stance.

"The real question is, are they done or not?" Bryson said. "Particularly with the Trump administration coming in with tariffs and all that sort of stuff."

The unemployment rate is close to a level that Fed officials believe sustainable over the long run. In contrast to the situation a year ago, they no longer see the labor market as so strong it could jeopardize the Fed's goal of wrestling inflation back down to 2%.

But other sources of potential price pressures are on the horizon. President-elect Donald Trump has signaled he will drastically curb immigration, which has been a key source of new workers in recent years and has helped to ease postpandemic labor shortages.

Trump also has promised to ratchet up tariffs on the U.S.'s top-three trading partners—Mexico, Canada and China—along with many other countries. Economists say that likely would drive up prices for affected goods and could weigh on economic growth.

For now, there is enough uncertainty about Trump's plans that Fed policymakers are waiting and watching.

"The bottom line is the economy is in a good place. It's growing very strongly. The labor market is at full employment," said St. Louis Fed President Alberto Musalem in an interview Thursday. Looking ahead, the pace of rate reductions "has to be patient and careful and very dependent on the outlook."

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