

SUMMARY & OVERVIEW

This note seeks to provide an update on labor market conditions for the month of December 2025. As a reminder, this note includes the following indicators:

- ADP's (Ticker: ADP) [monthly jobs report](#)
- Paychex's (Ticker: PAYX) [Small Business Employment Watch](#) data, which tracks same-store worker growth as well as weekly and hourly wage growth
- LinkedIn's (owned by Microsoft, Ticker: MSFT) [Workforce Reports](#)
- Intuit's (Ticker: INTU) [Small Business Index](#) report
- Bank of America (Ticker: BAC) Institute's [new notes on job growth](#), employee compensation, etc.
- Gusto's (Private) [small business reports](#)
- Indeed's (Private) [job openings and wage growth data](#)
- UKG's (Private) [Workforce Activity Reports](#)

Though we're still missing several of our datasets even into mid-month now, the bottom line takeaway from private market source data indicates that the labor market improved in December. This generally seemed to match the BLS jobs report as well. For reference, here are our notes from [November](#), [October](#) and [September](#).

PORTFOLIO MANAGER'S REVIEW

As we usually do, let's start by showing a heat map of our indicators, followed by a chart of the data. The heat map's colors represent the following:

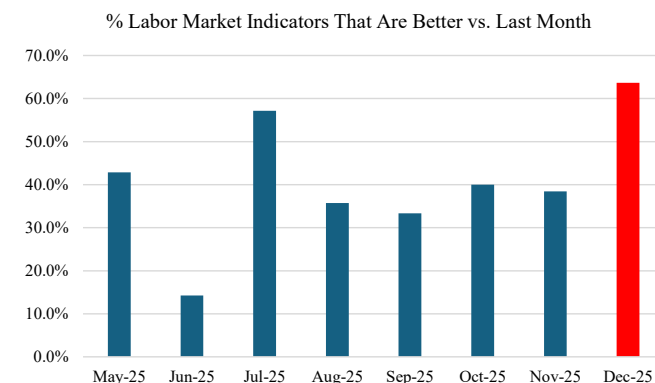
- Green = metric got better vs. last month
- Red = metric got worse vs. last month
- Yellow = metric stayed the same vs. last month
- No color = no data yet as of this writing

For the avoidance of doubt, faster wage growth for example would precipitate a green box, while slower wage growth would be a red box. A higher job openings index number would also be green (because it indicates a higher demand for labor). Hopefully you get the idea.

As the table shows, what we have for December's data (11 out of our 15 datasets) is notably positive. As we'll show in the next chart, 7 of the 11 indicators we have data for improved versus last month, which produces a Diffusion Index value of 64%, the highest since at least May of '25.

| MONTHLY LABOR MARKET INDICATOR HEAT MAP | May-25 | Jun-25 | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| ADP Jobs Report - Net Chg. In Private Employment | | | | | | | | |
| ADP Jobs Report - Diffusion Index - 3 Mo. MA | | | | | | | | |
| ADP Jobs Report - Wage Growth - Job Stayers | | | | | | | | |
| ADP Jobs Report - Wage Growth - Job Changers | | | | | | | | |
| Paychex Small Business Employment Watch - Same-Store Jobs | | | | | | | | |
| Paychex Small Business Employment Watch - Hourly Wage Growth | | | | | | | | |
| Paychex Small Business Employment Watch - Weekly Wage Growth | | | | | | | | |
| LinkedIn Workforce Report - SAMM Hiring | | | | | | | | |
| LinkedIn Workforce Report - Y/Y Hiring | | | | | | | | |
| Indeed Job Postings (indexed to Feb. 2020) | | | | | | | | |
| Indeed Wage Growth | | | | | | | | |
| Intuit Small Business Index Report | | | | | | | | |
| Bank of America Institute Payroll Growth | | | | | | | | |
| Gusto Small Business Update - Net Hire % | | | | | | | | |
| Gusto Small Business Update - AHE Y/Y % Chg. | | | | | | | | |

Source: *The Curb Economist*

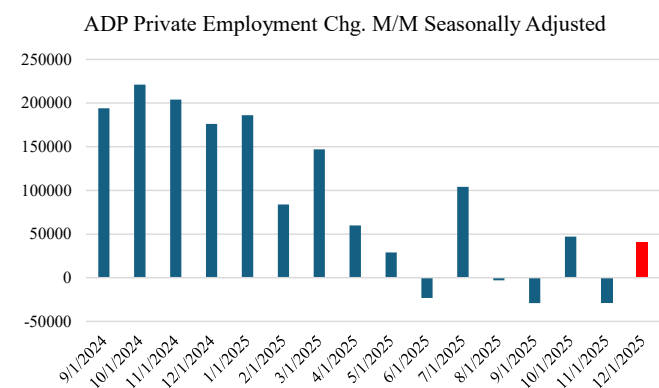


Source: *The Curb Economist*

EMPLOYMENT & JOB OPENINGS

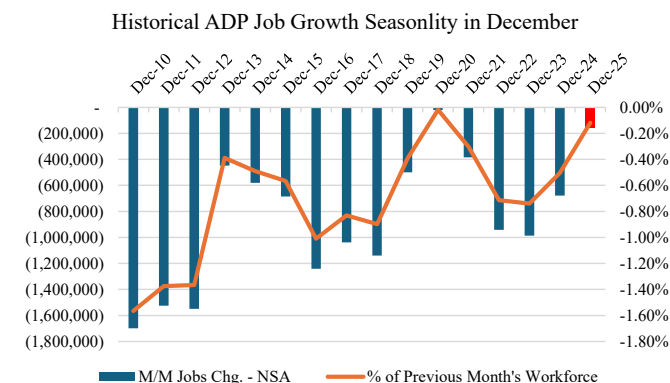
Let's now turn to specific data, and we'll start with ADP's monthly employment report. ADP's measure of job change flipped back to positive this month, reporting a gain of 41,000 private sector jobs. As you'll see from the first chart on the next page, this is now the fourth month in a row where we've flipped back and forth from job losses and job gains. Also worth noting, however, was last

month's jobs figure was revised down by 7,000 (worsening job losses from 32,000 to 39,000).



Source: ADP Employment Report, *The Curb Economist*

ADP's report looks better again this month if you look at things on a non-seasonally adjusted basis. We do this in the chart below, where the bars show the typical change in private aggregate employment levels in Decembers compared to Novembers. The chart below also has a line that looks at the typical employment level change in December compared to November's employment base. This allows us to adjust for the growth in the size of the employment base over time.

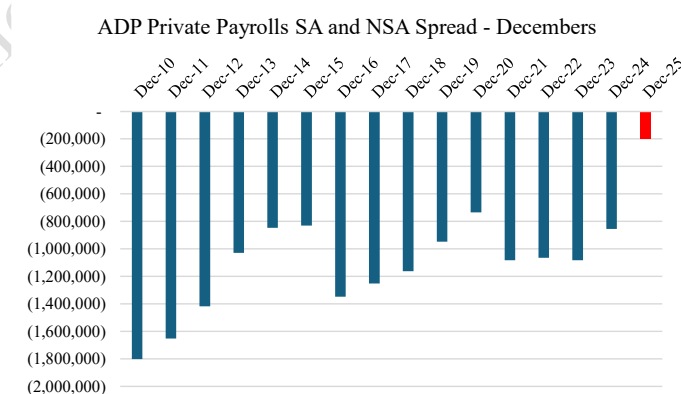


Source: ADP Employment Report, *The Curb Economist*

When viewed on a percentage basis then, December's job losses were actually significantly less than the historical average over the last 15 years (-0.12% month-over-month change in December 2025 relative to November 2025 versus a

-0.74% average month-over-month change in Decembers from 2010-2024).

The significance of looking at things on a non-seasonal basis is that it accounts for, you guessed it, seasonal adjustments. We do this because seasonal adjustments are in many ways arbitrary and can and do change. Looking at the non-seasonally adjusted data also becomes particularly important for a month like December, where the non-seasonally adjusted data usually shows substantial *losses*, but adjusting for things like landscaping, outdoor restaurants, etc., seasonally adjusted figures can actually be much different. This year's seasonal adjustment in the ADP data happened to be significantly greater than usual, however, as the next chart below shows. This too helps paint a slightly better picture of the December report (just as it did November's as well).

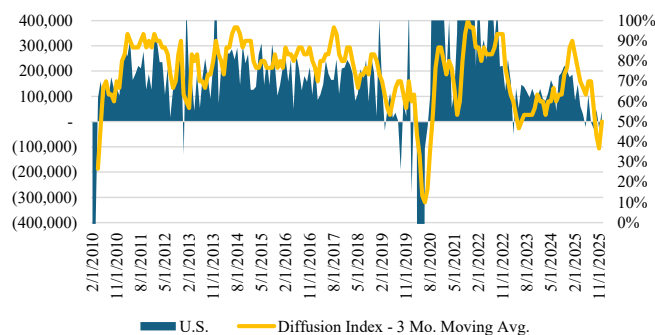


Source: ADP Employment Report, *The Curb Economist*

Furthermore, our sector Diffusion Index from ADP's jobs data shows nice strength in December as well. Diffusion Indexes are helpful in that they serve as a barometer of breadth, and in this case, the measure of breadth is job growth across different sectors. If the labor market was healthy, we should (in theory anyway) be seeing job growth in a large number of ADP's 10 sectors. The first chart below shows historical job creation in the ADP employment reports overlaid with the Diffusion Index (with COVID extremes cut off). As the chart makes clear, there is a strong overlap. Large job

creation months are almost always seen in months where there is a high Diffusion Index value as well. The reverse is also true.

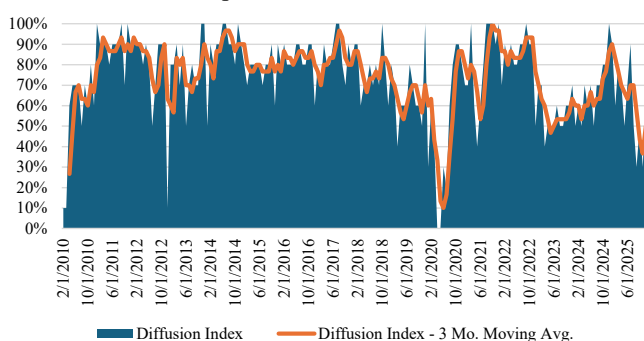
ADP Jobs Created vs. Diffusion Index



Source: ADP Employment Reports, *The Curb Economist*

If the Diffusion Index is synonymous with both labor market breadth and health then, what is it saying now? In December, both the one-month and three-month average Diffusion Indexes saw a nice bounce, with the one-month rising to 70% and the three-month rising to 50%. This is a nice improvement from last month's 40% (for both the one month and three month), which were the lowest since the depths of 2020 (in August 2020 the Diffusion Index was 37%). The below two charts help put this concerning trend in perspective.

ADP Jobs Report Diffusion Index & 3 Mo. MA

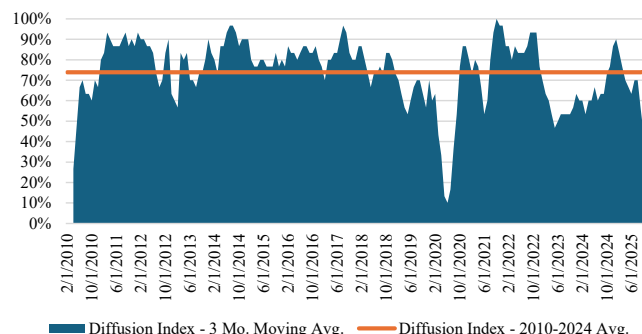


Source: ADP Employment Reports, *The Curb Economist*

That says, as the next chart shows, despite the nice improvement we saw in December, we're still quite a bit below historical averages. This chart shows the same 3 month moving average we showed in the

above chart, except now we compare it to the historical average from Feb. 2010 to Nov. 2025.

ADP Jobs Report Diffusion Index & 3 Mo. MA



Source: ADP Employment Reports, *The Curb Economist*

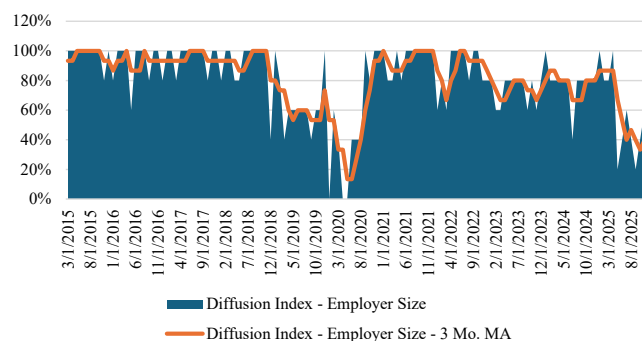
The same trends can be seen when cutting the ADP data based on employer size. Below is a table showing the number of months of positive job growth by employer size over the last 6, 12, and 24 months, as well as a chart showing a Diffusion Index based on company size as well. The table shows that breadth across firm size has been improving of late, and the chart indicates the same thing.

| Employer Size | 1-19 | 20-49 | 50-249 | 250-499 | 500+ |
|----------------|------|-------|--------|---------|------|
| Last 6 Months | 2 | 1 | 4 | 3 | 6 |
| Last 12 Months | 5 | 4 | 10 | 7 | 11 |
| Last 24 Months | 17 | 8 | 21 | 15 | 23 |

| Employer Size | 1-19 | 20-49 | 50-249 | 250-499 | 500+ |
|----------------|------|-------|--------|---------|------|
| Last 6 Months | 33% | 17% | 67% | 50% | 100% |
| Last 12 Months | 42% | 33% | 83% | 58% | 92% |
| Last 24 Months | 71% | 33% | 88% | 63% | 96% |

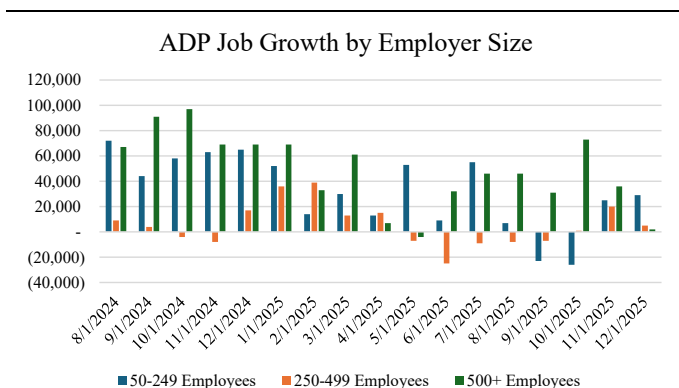
Source: ADP Employment Reports, *The Curb Economist*

ADB Jobs Diffusion Index by Employer Size



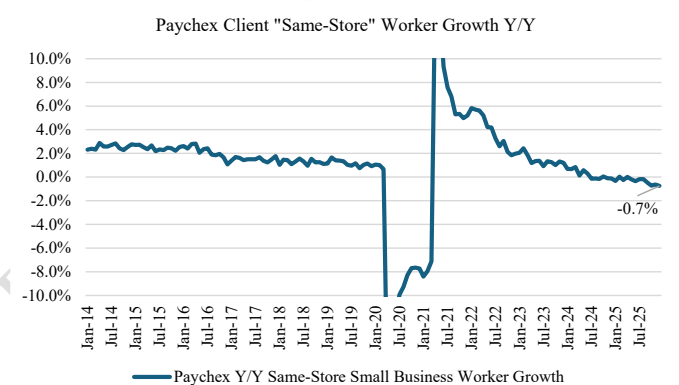
Source: ADP Employment Reports, *The Curb Economist*

This can be more easily seen if we show aggregate job growth based on firm size, which the next chart shows. Larger firms had been carrying the bulk of what little employment growth we have, but December was the second month in a row where that trend seems to have abated, with more breadth across employer sizes again.



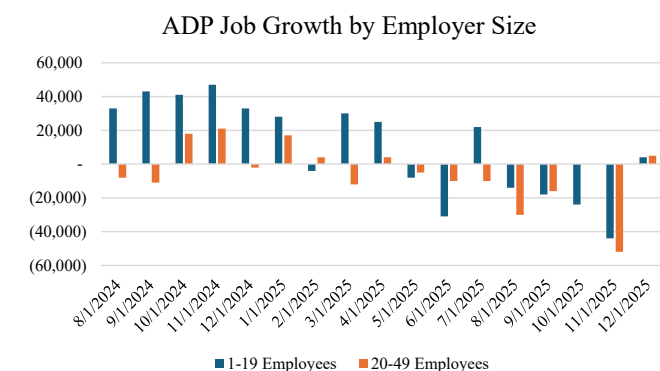
Source: ADP Employment Reports, *The Curb Economist*

Let's now turn to Paychex's Small Business Employment Watch Data. This metric tracks "same-store" employment at PAYX's clients. For December, this index ticked down slightly to 99.25 from November's 99.38. This is the lowest this dataset has seen since March of 2021. For perspective, the lowest figure from the pre-COVID era (in this case we have data from September 2014 until February 2020) was 100.75, which occurred in September of 2019 (February 2020, for reference was 100.67).



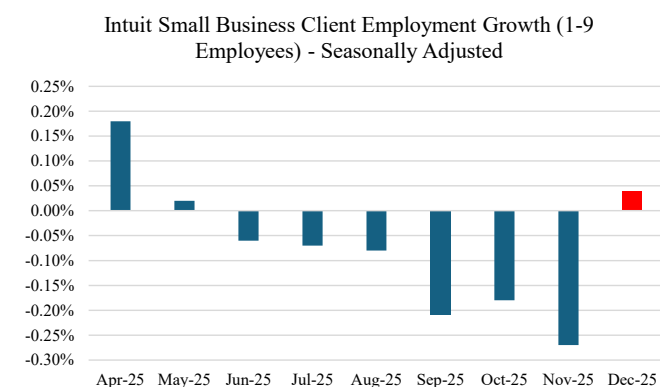
Source: Paychex Small Business Employment Watch, *The Curb Economist*

For the second month in a row, this stands in contrast to what the ADP data showed, which indicated hiring trends in the small business world got better in December (see second chart on the next page).



Source: ADP Employment Reports, *The Curb Economist*

Intuit's QuickBooks Small Business Index (which is seasonally adjusted and tracks businesses with 1-9 employees) was more in-line with ADP's data than PAYX's this month (similar to last month), and showed the first month of employment growth in some time.

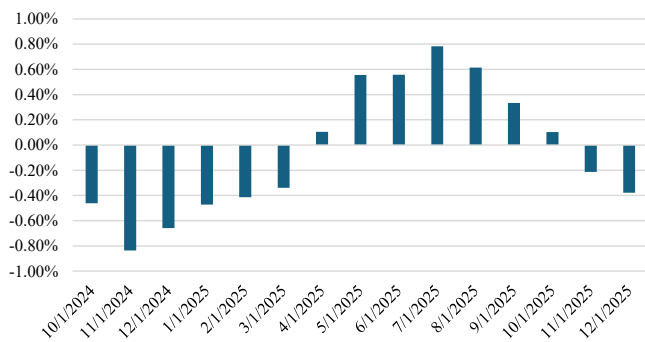


Source: Intuit Small Business Index, *The Curb Economist*

Since INTU doesn't give us seasonally un-adjusted employment levels, we can try and compensate for this by looking at year-over-year growth in employment. As a reminder, ADP's jobs data looked significantly more encouraging looking at the data without seasonal adjustment, suggesting seasonal adjustments may be pulling down the

aesthetics of that datapoint. We're trying to essentially do the same thing here for the INTU data, albeit in a different way. The below chart shows that year-on-year growth in the INTU data remained in negative territory in December, despite the month-over-month improvement, and in fact got worse versus November.

INTU Y/Y Chg. in Employment

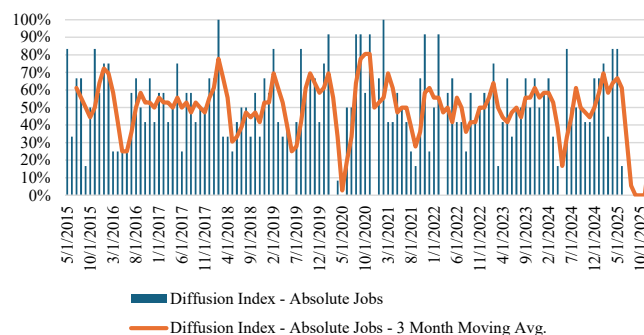


Source: Intuit Small Business Index, *The Curb Economist*

Like ADP, INTU also discloses employment by sector, which allows us to compile a Diffusion Index from that dataset as well. The below two charts seek to do that, compiling both a raw Diffusion Index predicated on the 12 sectors that INTU discloses, and then a 3 month moving average. Similar to what we did with ADP, the Diffusion Index is simply the percentage of sectors each month with job growth (6 out of 12 would equate to a Diffusion Index value of 50%, 9 would be 75%, etc.). The first chart shows the raw Diffusion Index against the 3 month moving average, and the second chart looks at the 3 month moving average and compares it to the average Diffusion Index value from 2015-19.

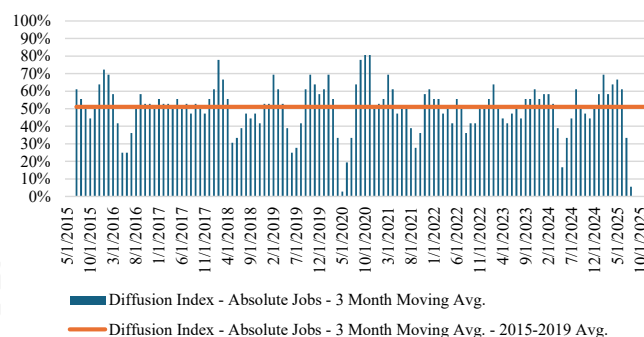
Both charts show strengthening in December, but still at meager at best and well below historical levels. December's 22% Diffusion Index is nice in the context of the last three months being 0%, but hard to get excited about in the context of the historical average of 51%.

INTU Employment Diffusion Index



Source: Intuit Small Business Index, *The Curb Economist*

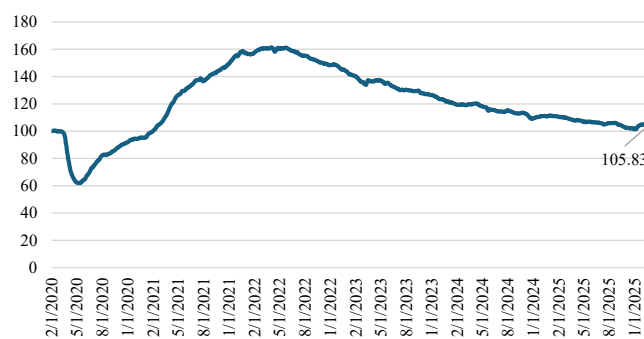
INTU Employment Diffusion Index



Source: Intuit Small Business Index, *The Curb Economist*

Indeed posts both job opening and posted wage growth data. We'll come back to the wage growth data later, but for now, the job openings data for December indicates a further strengthening in job openings, which is encouraging and may bode well for a future pickup in hiring in coming months.

Indeed Job Postings Indexed to Feb. 2020

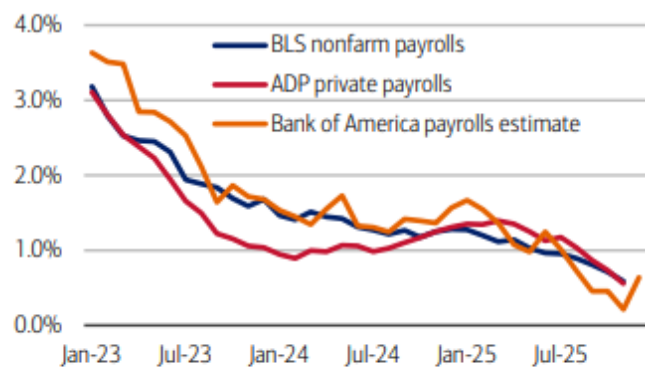


Source: Indeed Hiring Lab, *The Curb Economist*

Let's now turn to the Bank of America Institute's Employment Report for December of 2025. Their data estimates both payrolls and unemployment payments based on the payment data into their clients' accounts. Though there are still only a few months worth of hard numbers for us to track here, their data indicate stronger job growth (0.6% vs. 0.2%) and similar unemployment payment growth (around 10% year-on-year) in December compared to recent months.

Exhibit 1: An estimate of payrolls from Bank of America internal data suggests some rebound in YoY jobs growth in December

Payroll estimates from Bank of America internal data (three-month moving average, % YoY), the Bureau of Labor Statistics (BLS) and Automatic Data Processing (ADP) (monthly, YoY)

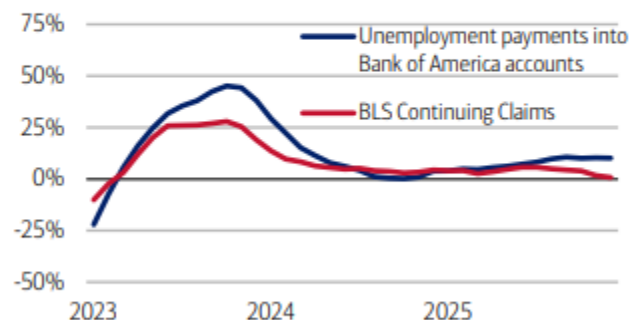


Source: Bank of America internal data, Haver Analytics
BLS and ADP data are seasonally adjusted, Bank of America data is not seasonally adjusted.
BANK OF AMERICA INSTITUTE

Source: Bank of America Institute, *The Curb Economist*

Exhibit 2: Unemployment payments into Bank of America customer accounts rose around 10% YoY in December, similar to September-November

Number of households receiving unemployment payments (three-month moving average, YoY%, not seasonally adjusted (NSA)) and Continuing claims (three-month moving average, YoY%, seasonally adjusted (SA))



Source: Bank of America internal data, Bloomberg
December continuing claims YoY data is average for weeks through December 19, 2025.
BANK OF AMERICA INSTITUTE

Source: Bank of America Institute, *The Curb Economist*

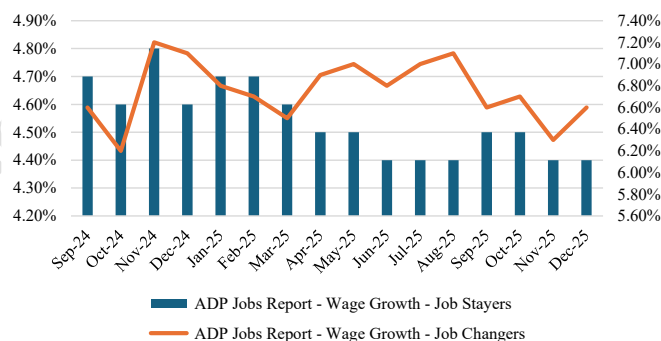
In summary, most of the private sector data indicates the labor market strengthened in December.

WAGES, HOURS & PAYROLL GROWTH

We said above that the employment side of the labor market coin seems to have strengthened in December. The wages data is a bit more mixed, but generally still solid and stable.

Let's turn to the specific data. We'll again start with wage growth from the ADP employment reports. ADP wage growth data on a year-over-year basis for December was stable for "job-stayers" and ticked up for "job switchers".

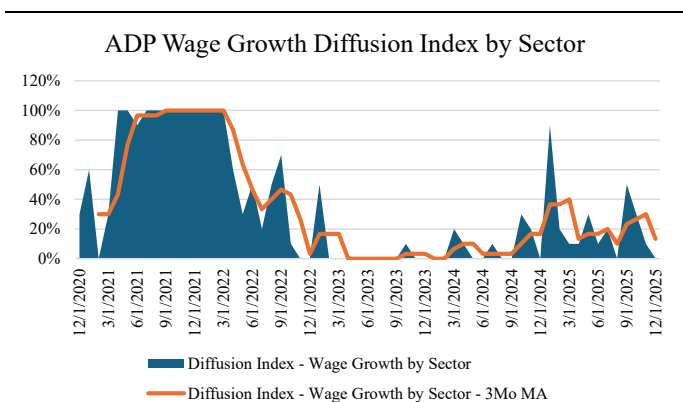
ADP Wage Growth Figures (Y/Y %)



Source: ADP Employment Reports, *The Curb Economist*

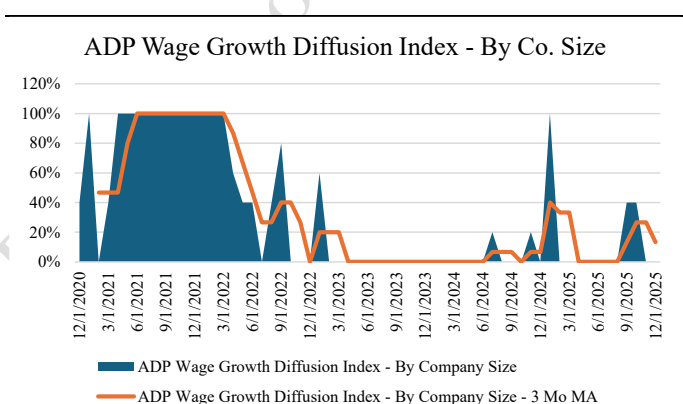
ADP Pay Diffusion Indexes for both sector and company size show a bit more negative picture this month. For starters, the raw ADP Diffusion Indexes for both sector and size fell back to 0% this month. While this is seemingly bad, a 0% on the Diffusion Index with respect to wages is not nearly as alarming as a 0% on the jobs index, simply because wage growth moves much more slowly than actual employment. A 0% on a Diffusion Index when it comes to wage growth would be bad if we were seeing consistent *declines* across the board, but not necessarily if we were seeing *stability* (this is also why it's all the more relevant to use 3 month moving averages in this case). Both can produce a 0% result, however.

So which are we seeing? This month, 0 of the 10 ADP sectors saw wage growth accelerate versus last month. That said, only 4 sectors saw decreases versus 5 in November (one sector did see acceleration in November, however). That isn't exactly encouraging, but as the chart below shows, sector wage growth breadth on a 3 month moving average basis is basically where it's been the last 18-24 months. "Stable" feels like a reasonable word to use here again then.



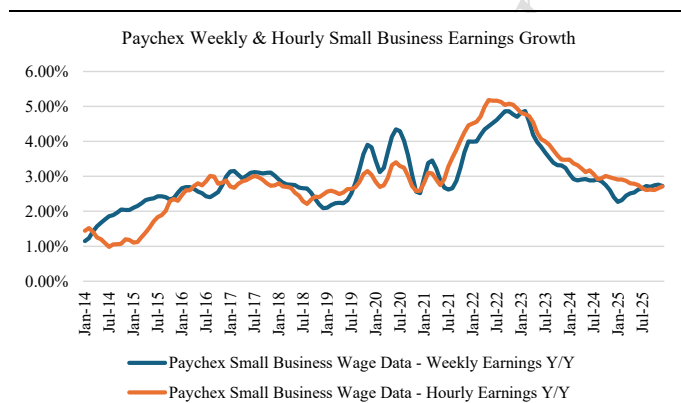
Source: ADP Employment Reports, *The Curb Economist*

When it comes to company size, all five company size delineations saw wage growth decelerate in December whereas only one company size saw its collective wage growth slow in November (the other four size brackets were stable in November). The breadth across company sizes is definitely more concerning this month, though here the 3 month moving average, while also ticking down, remains in-line with the last 18-24 months.



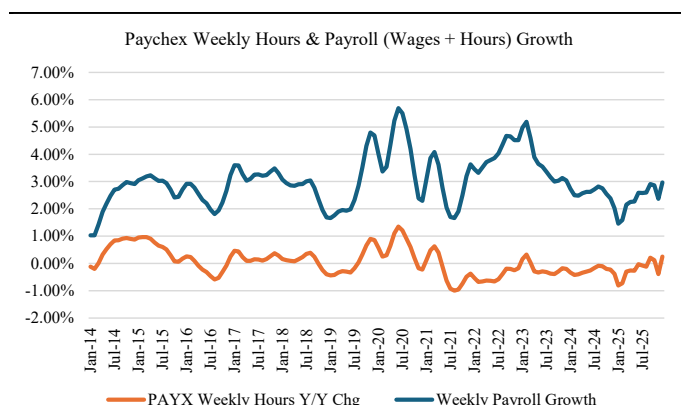
Source: ADP Employment Reports, *The Curb Economist*

Let's now turn to PAYX, which generally corroborates the "stability" story again this month. Hourly wage growth had been slowing in recent months, while weekly wage growth has been improving, largely on the back of stronger hours. Now, however, we're starting to see wage growth tick up in both hourly *and* weekly earnings.



Source: Paychex Small Business Employment Watch, *The Curb Economist*

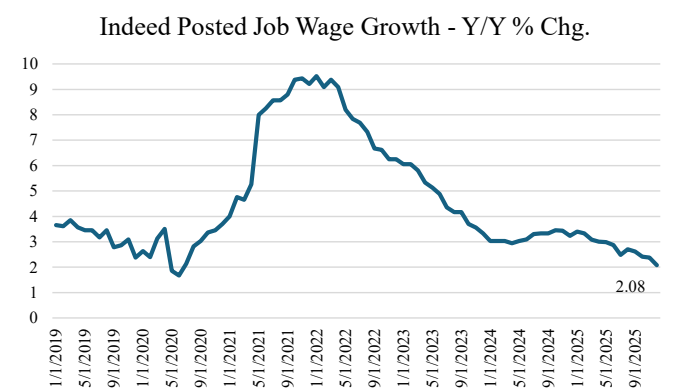
We noted above that weekly earnings growth was being driven by growth in hours, not wages. After a dip in November, December rebounded here and resumed a strengthening trend. As the chart below shows, this hours data can be volatile, but the general trend in recent months has indicated stability here as well. Companies who are about to lay off workers are probably cutting hours, not see them stabilize or even grow.



Source: Paychex Small Business Employment Watch, *The Curb Economist*

Lastly, Indeed's posted wage growth data, which we referenced earlier, indicates more slowing as well,

with November's 2.08% wage growth the slowest since June 2020. Besides the ADP Wage Growth Sector Diffusion Index, this was probably the most discouraging labor market datapoint this month.

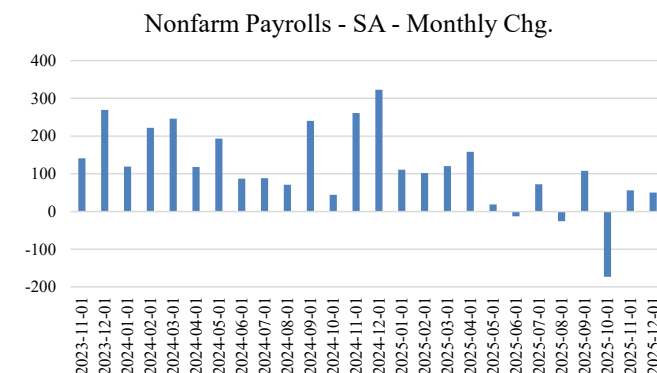


Source: Company Data, *The Curb Economist*

To summarize the conclusions from the wage growth side of the labor market coin, we can again generally say mixed, but stable. Some metrics improved vs. last month, while some deteriorated. But on balance, things don't seem to be getting worse. Now let's turn to the government data to see how our conclusions thus far compare to the data from the BLS.

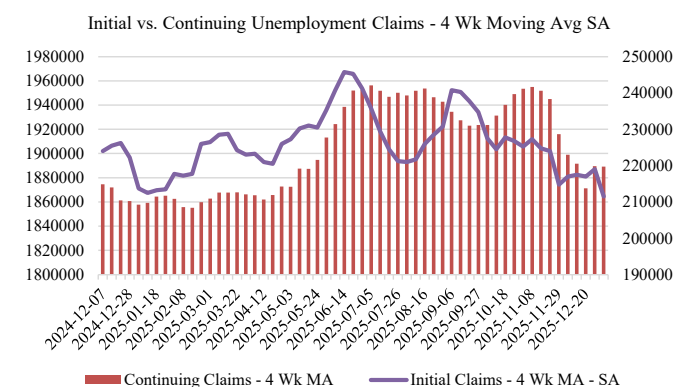
WHAT DOES THE GOVERNMENT DATA SAY?

December's nonfarm payroll release painted a generally solid picture of the labor market. On the payrolls side, December saw a 50,000 job gain, slightly below November's revised gain of 56,000 (November's initial release was for a gain of 64,000 jobs, so that was downwardly revised by 8,000). October was also revised down, but by a much more significant 68,000 jobs, putting the total for that month now at a loss of -173,000 (vs. 105,000 initial job *loss* estimate). On the one hand then, total employment across the three months actually went down, but most of that was October. With December marking the second month in a row of gains, it's a little easier to maybe say October was an aberration, but we'll see in coming months.



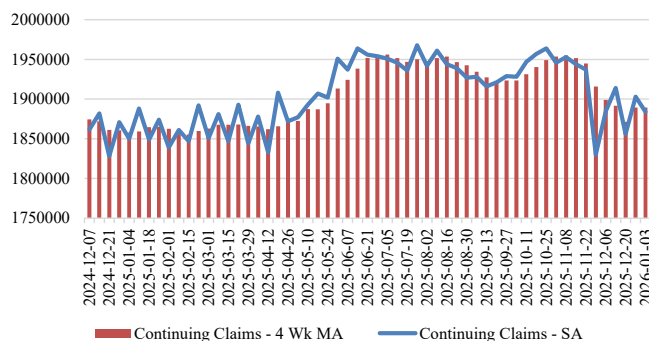
Source: Bureau of Labor Statistics (BLS), FRED, *The Curb Economist*

Unemployment claims also moved lower throughout December, both on an initial basis and on a four week moving average basis. This was true for both initial claims and continuing claims. We should remind the reader that unemployment claims are one of the "harder data" categories that we have from the government, so they are a good sanity check on what's happening with the BLS jobs report each month. **We've been in a slow-to-hire, slow-to-fire labor market for some time now, but the last couple months seem to be pointing us in the direction of a *less*-slow-to-hire and a *more*-slow-to-fire market.**



Source: U.S. Employment and Training Administration, FRED, *The Curb Economist*

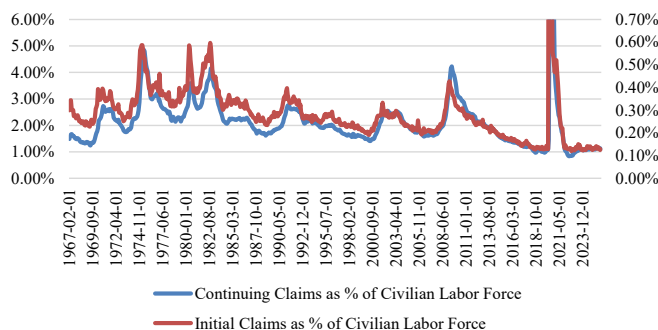
Continuing Unemployment Claims - SA



Source: U.S. Employment and Training Administration, FRED, *The Curb Economist*

The low amount of firing becomes even more noticeable when you look at unemployment claims as a percentage of the labor force. We essentially remain at historically low levels here.

Unemployment Claims as % of Labor Force

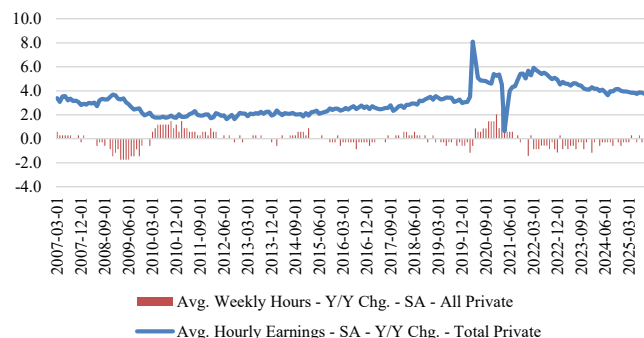


Source: U.S. Employment and Training Administration, FRED, *The Curb Economist*

So the takeaway from the government data so far in December is that a little more hiring happened, and a little less firing happened as well. If that's the case though, what's happening with wages? In December, year-on-year wage growth accelerated a bit to 3.76%. This is a nice bounce off what was a post-COVID low in November, but as you can see from the second chart below, the trend has been softening. We hope we can say its also been increasingly "stable" in coming months as well, but time will tell on that. Hours have definitely been more in this "stabilization" category, which has also kept total weekly compensation (wage growth +

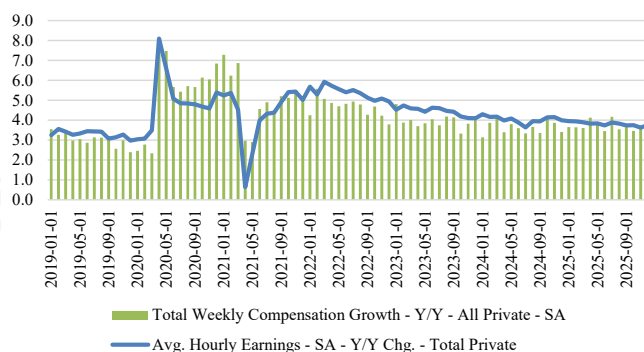
hours growth) firmly in the stabilization category as well.

Avg. Hourly Earnings & Weekly Hours Growth



Source: BLS, FRED, *The Curb Economist*

Avg. Hourly Earnings & Weekly Compensation Growth



Source: BLS, FRED, *The Curb Economist*

The conclusion from the government data for December was generally positive and lined up fairly well with the private market data: hiring improved on the month, firings decreased (also an improvement), wage growth got slightly better, and hours worked was flat, allowing total compensation growth to remain solid as well.

CONCLUSION

Labor market conditions in the United States remain fragile, but they appeared to improve in December. Thankfully both the private sector and government data corroborated that this month. Market fears around AI taking jobs imminently seem to have been stemmed a bit from the December data, but we will see how long that

continues. For now, hiring got better on the month, firings also got better, and wage and compensation growth remain nicely in a “stable” category.

There’s a good argument to be made that all of these items, in tandem with the absolute level of wage growth of 3.76%, has put the labor market in a sweet spot like we saw towards the end of 2019.

We’ll see how long we can remain in this Goldilocks period in coming months.

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