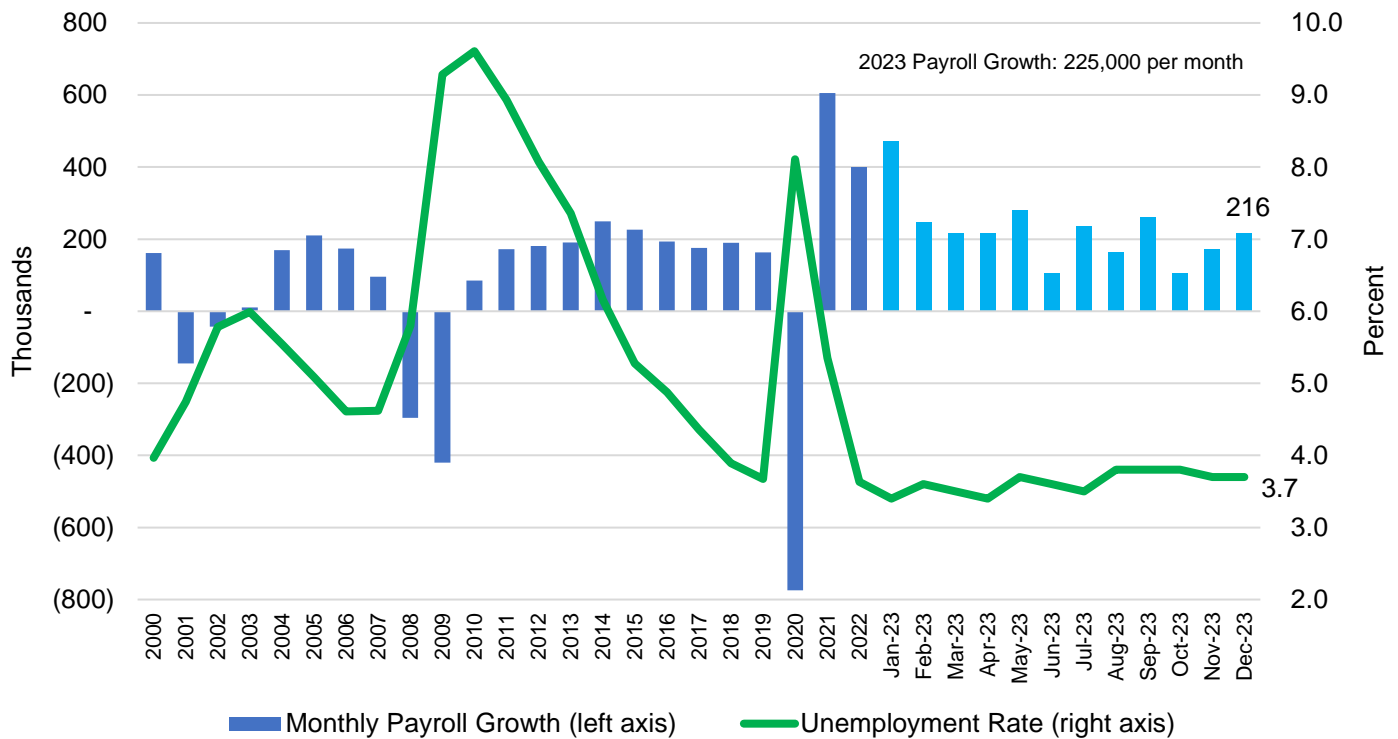


**Chart of the Week - Jan 5, 2024**  
**Monthly Payroll Growth and Unemployment Rate**



Source: Bureau of Labor Statistics

This morning’s [report](#) from the Bureau of Labor Statistics showed that the job market remained relatively strong in December, with growth in payrolls of 216,000 – just below the monthly average of 225,000 for full-year 2023. The unemployment rate was unchanged at 3.7% in December, but higher than what we saw in the first half of 2023 and slightly higher than the 3.6% average for 2023. Payroll gains for October and November were revised down by 71,000, countering the somewhat faster pace of job growth anticipated in December. As in prior months, the bulk of the job gains were in a few sectors, with a 52,000 increase in government employment leading the pack. At the same time, businesses are hiring fewer temp workers, down 33,000 for the month and down 346,000 from its peak – a sign that businesses do not need to expand their production capacity in this market.

Job openings, the pace of hiring, and the quits rate are all trending down, but layoffs and initial claims for unemployment insurance are not moving higher. Together, these data indicate a market where employers are slower to take on new employees but are not seeing enough weakness to dramatically cut payrolls.

Wage growth at 4.1% over the past year remains brisk, but we expect this will slow in the year ahead, supporting further reductions in inflation.

In summary, this report shows a job market little changed from November. We expect that the economy will slow down in 2024, and this will likely lead to increases in the unemployment rate. In terms of implications for the housing market, these data are likely to keep interest rates from falling further at this point, but we expect mortgage rates to drift down over the year as the economy slows.

An additional highlight for the housing sector - construction employment increased by 17,000 jobs in December to cap off a strong year where employment grew in 11 of the 12 months. Both residential construction and residential specialty contractor categories saw job gains in December, consistent with other reports showing strength in the new home construction activity and renovation/repairs in 2023. The ongoing shortage of for-sale inventory and recent uptick in housing starts will likely continue to support labor demand.