

TRENDMACRO LIVE!

## On the October/November Jobs Report

Tuesday, December 16, 2025

**Donald Luskin**

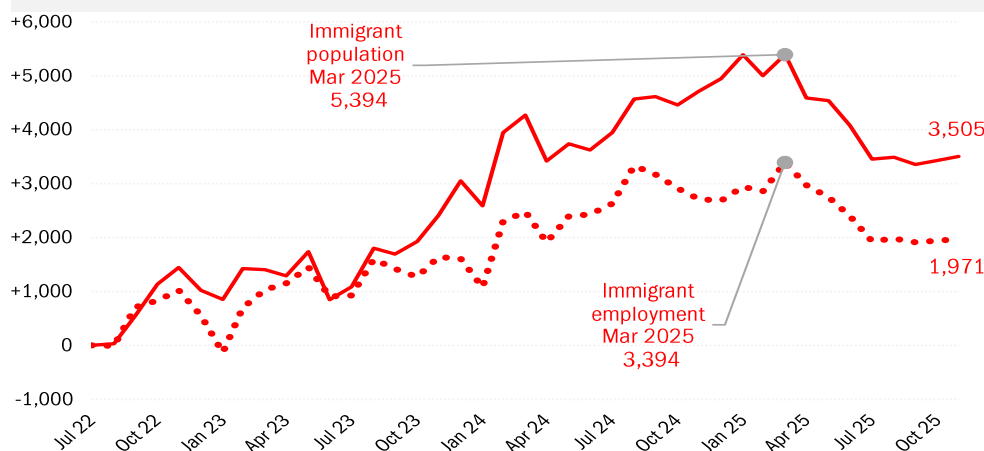
October's payroll contraction is a big one – but it doesn't mean we're in recession.

Today's [Employment Situation Report](#) included “payroll survey” data for the months of October and November, released together. “Household survey” data was released only for November. October's data will never be published because the underlying survey was not conducted during the government shutdown. From a process standpoint, with so many of our automations tuned to regular release of data with no gaps, this was very difficult for us to deal with. So we apologize to you for the unusually late release of “[Data Insights: Jobs](#)” this morning. So far we have detected no errors in it, but the day is young.

You might think that skipping a month of “household survey” data is no big deal. But in this case, missing October's data is especially unfortunate. That's because the “payroll report” showed a contraction of 105,000 payrolls for October, followed by a 64,000 expansion in November. Because we think so much of the explanation of this year's payroll volatility has been the hard-stop in immigration, and indeed a large-scale self-deportation – it would be useful to have October's “household survey” data on foreign-born population and employment (the “payroll survey” is silent as to that distinction).

- By the way, we have no evidence that the government shutdown had any effect on October or November employment. Government

Cumulative immigrant population and employment growth after pandemic normal (thousands, not seasonally adjusted, population-controls adjusted)



Source: [BLS Current Population Survey](#), TrendMacro calculations

### Update to strategic view

**US MACRO, FEDERAL RESERVE:** Two months of payroll data released at once show a 105,000 contraction in October followed by a 64,000 expansion in November. We now have three months this year of payroll contraction – June, August and now October. Historically this has been a reliable indicator of the onset of recession, but we don't think it is this time. There's no other evidence for it, and it arises from an easily observable exogenous shock to the labor market – the hard-stop in immigration and the large scale self-deportation that has occurred since the March peak of an historic immigration wave. With many immigrants leaving, and taking their jobs with them, it is surprising there is so little evidence of contraction of economic activity – their exodus physically shrinks the size of the economy. The likely explanation is that we are in a post-pandemic productivity-led boom in which we have acquired the habits and disciplines and knowledge to do more with fewer hours worked. This morning's data has not moved market expectations for rate cuts, as indeed it should not.

[\[Strategy dashboard\]](#)

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workers were deemed employed the whole time. We suppose there are private sector government-adjacent workers who were displaced in the shutdown – but there's no hard evidence of it.

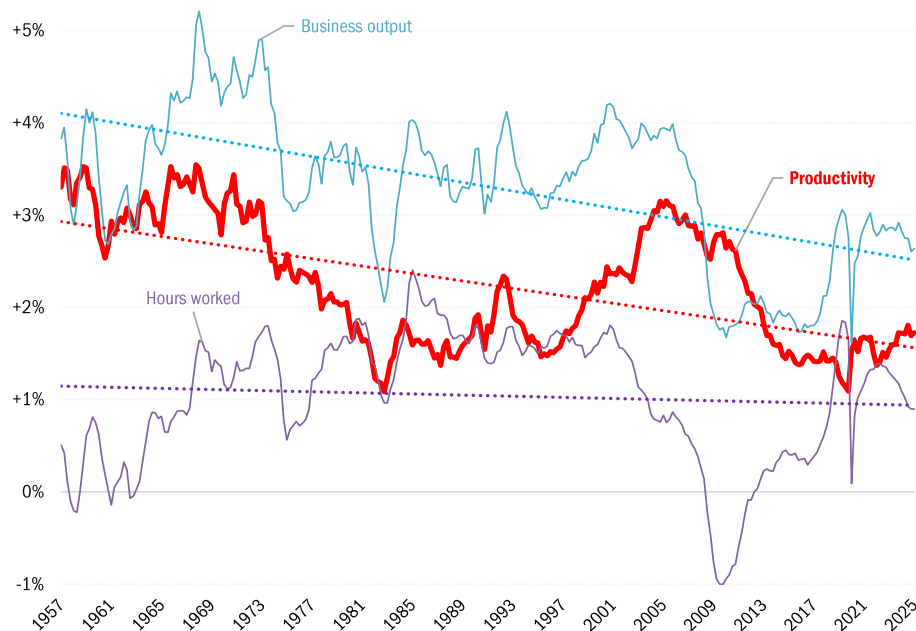
*Be that as it may, we now have three months this year showing payroll contractions – the nonconsecutive months of June (-13,000), August (-26,000) and now October (-105,000). Just by the numbers, this is what it always looks like when a business cycle expansion has ended and a recession is getting started. This is a much more reliable tell than the yield curve or the Index of Leading Indicators and all that stuff. Nevertheless, we think it is wrong in this case to think we are starting to fall down the slope of recession.*

The immigration wave of the last three years is the second largest in history in terms of percentage of the overall population, second only to the Ellis Island Godfather Part 2 wave in the early 20th century. It has stopped and is running in reverse (please see the chart on the previous page).

With November's data, it looks like the outflow of recent immigrants is stabilizing. But without new immigrants coming in, a typical report resulting only from the growth of the native-born population would be about 75,000. With almost 1.9 million adult immigrants having self-deported since the March peak, and 1.4 million jobs gone with them, it's amazing recent jobs reports haven't all been worse.

And it is amazing there hasn't been very much other evidence of recession. Even if the self-deportation wave is seen as supply-side shock to the labor force – as opposed to the usual demand-side shock in which declining

10-year CAGR of output, hours and productivity, and linear trends



Source: BLS, TrendMacro calculations

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Remember – AI can be funky. This is still experimental. Check it out and let us know what you think.

business activity forces firms to shed employees – nevertheless, the sheer shrinkage of the total population should drive economic contraction (simply fewer people to both produce and consume). And yet we aren't seeing that.

Why? Because it is the case that hours worked – the result, mostly, of the sheer number of people working – explains only about 30% the growth in business output. 70% is explained by productivity (please see the chart on the previous page, and see [“Video: What you're not hearing about the most important concept in economics”](#) December4, 2025).

We are in a post-pandemic productivity-led boom. The best quarter for productivity in the history of the data was the pandemic lockdown in Q2-2020. We learned, because we had to, how to get by with fewer hours worked. And we never forget. That quarter marked an historic double-bottom in productivity growth, and we continue to build on it. We have acquired habits, discipline and knowledge on how to do more with fewer hours worked when that is necessary.

We note that since the jobs data this morning, there has been little change in market-based expectations for what the Fed will do. The Fed has signaled very clearly it expects only one rate cut in 2026 (see [“On the December FOMC”](#) December 10, 2025), unless Stephen Miran is made chair in which case, based on his December “dot plot,” there will be six! The market has been expecting two for many weeks, and continues to do so as of this writing.

Either way – one cut or two – that's not much of a policy response if we really think that October's 105,000 payroll contraction means we're already in recession. So the implication is that the Fed doesn't expect a recession – and far more important, the market doesn't either. We agree.

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### Bottom line

Two months of payroll data released at once show a 105,000 contraction in October followed by a 64,000 expansion in November. We now have three months this year of payroll contraction – June, August and now October. Historically this has been a reliable indicator of the onset of recession, but we don't think it is this time. There's no other evidence for it, and it arises from an easily observable exogenous shock to the labor market – the hard-stop in immigration and the large scale self-deportation that has occurred since the March peak of an historic immigration wave. With many immigrants leaving, and taking their jobs with them, it is surprising there is so little evidence of contraction of economic activity – their exodus physically shrinks the size of the economy. The likely explanation is that we are in a post-pandemic productivity-led boom in which we have acquired the habits and disciplines and knowledge to do more with fewer hours worked. This morning's data has not moved market expectations for rate cuts, as indeed it should not. ▶