



CARSON

# Charts of the Week

Carson Investment Research

December 15-19, 2025

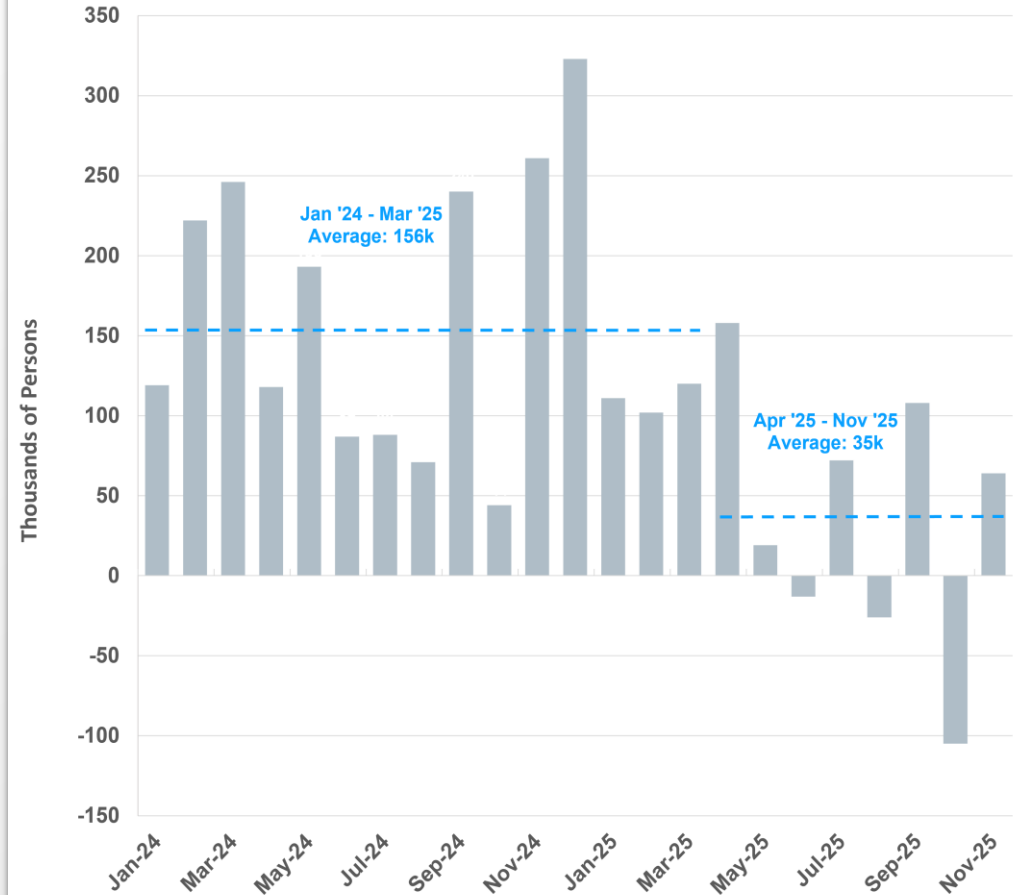
# Chart of the Week

## Hiring Has Slowed Sharply, But Layoffs Remain Contained

- Payroll gains have fallen sharply since April, with recent job growth running well below earlier 2025 averages, signaling a clear cooling in labor demand.
- The year-over-year pace of payroll growth has been cut roughly in half, reinforcing that the slowdown is persistent rather than noise.
- Importantly, weaker hiring has not yet translated into widespread job losses, suggesting normalization rather than labor market stress.

### Post-Liberation Day hangover .... hiring has collapsed since April

#### Monthly Nonfarm Payroll Gains



Data source: Carson Investment Research, FRED 12/16/2025

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Dashed line shows 3-month moving average



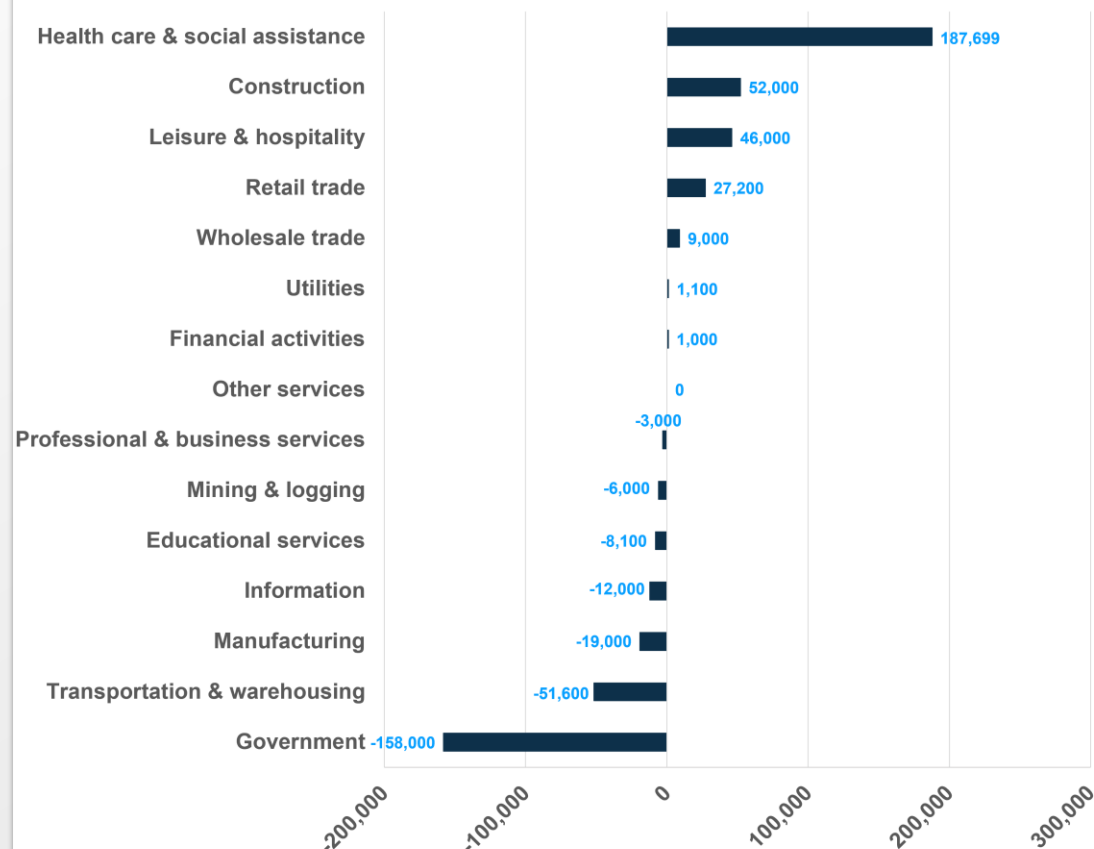
# Macro

## Job Growth Lacks Breadth Across Industries

- Recent private-sector job growth has been narrowly concentrated, with health care accounting for a disproportionate share of gains.
- Cyclical sectors such as manufacturing, transportation, and professional services show little momentum.
- Narrow hiring breadth reinforces the view that labor demand is cooling unevenly across the economy.

Not a lot of breadth in payrolls. The private sector gained 225,000 jobs over the last three months, but mostly driven by health care

Payroll Gains by Industry (SA): September '25 - November '25



Data source: Carson Investment Research, FRED 12/16/2025

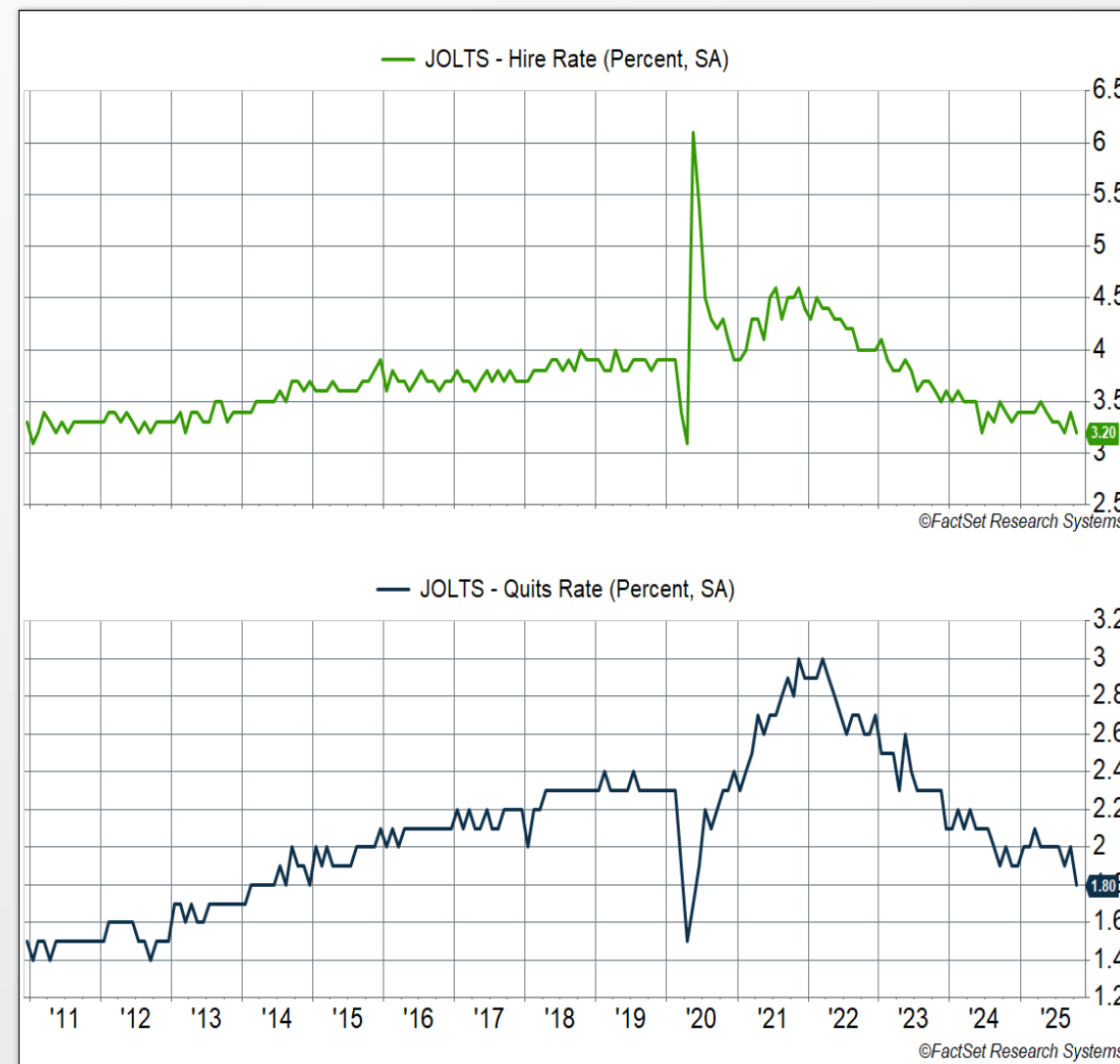
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# Macro

## Labor Market Churn Continues to Normalize

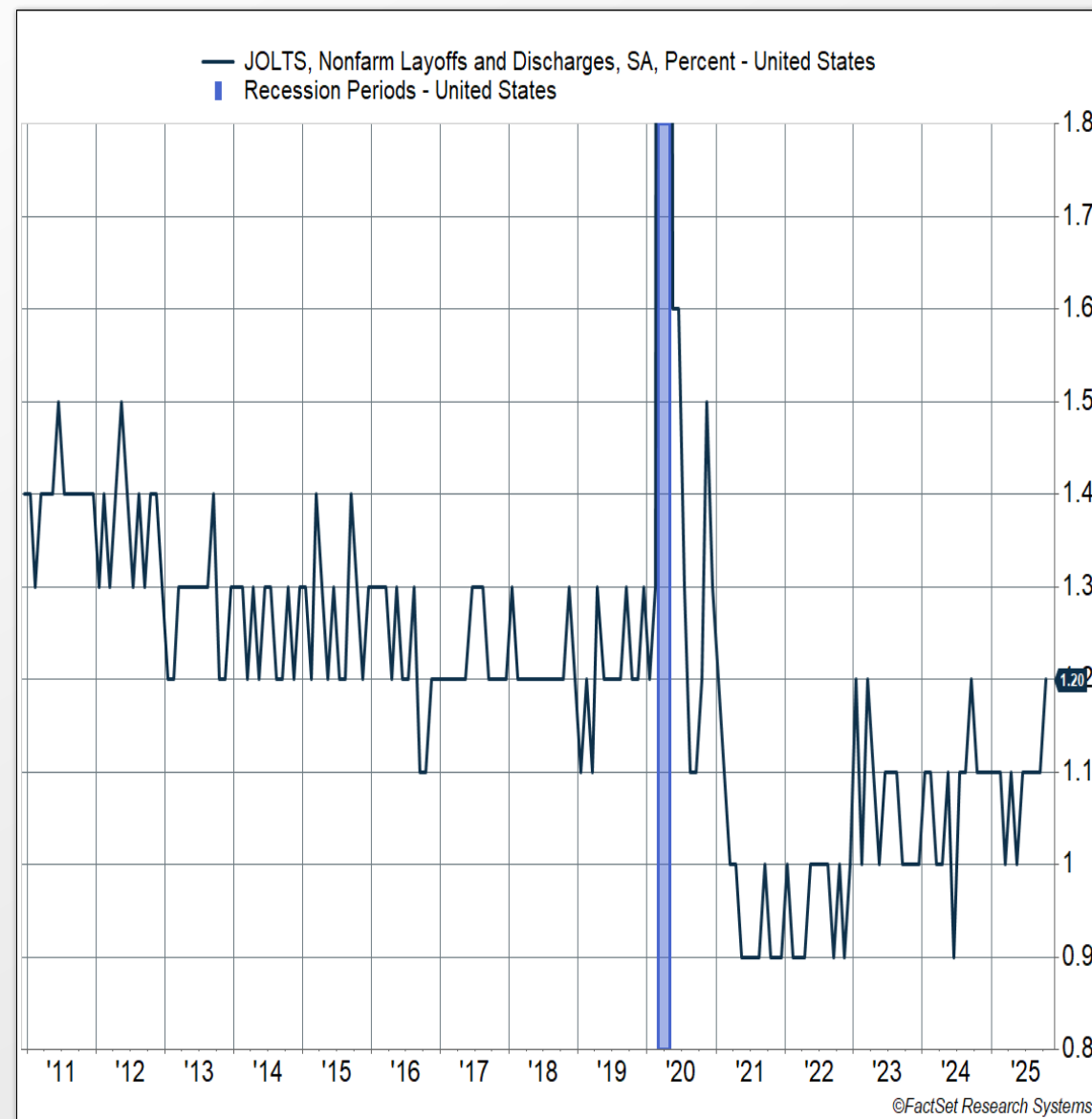
- Both the hires rate and quits rate have moved steadily lower, signaling reduced labor market churn.
- Lower quits suggests declining worker bargaining power after years of unusually tight labor conditions.
- This normalization supports slower wage growth without requiring a spike in unemployment.



# Macro

## Layoffs Remain Historically Subdued

- Layoffs and discharges remain well below recessionary levels despite weaker hiring trends.
- Employers appear reluctant to shed workers after prolonged labor shortages.
- The absence of a layoff surge materially lowers near-term recession risk.



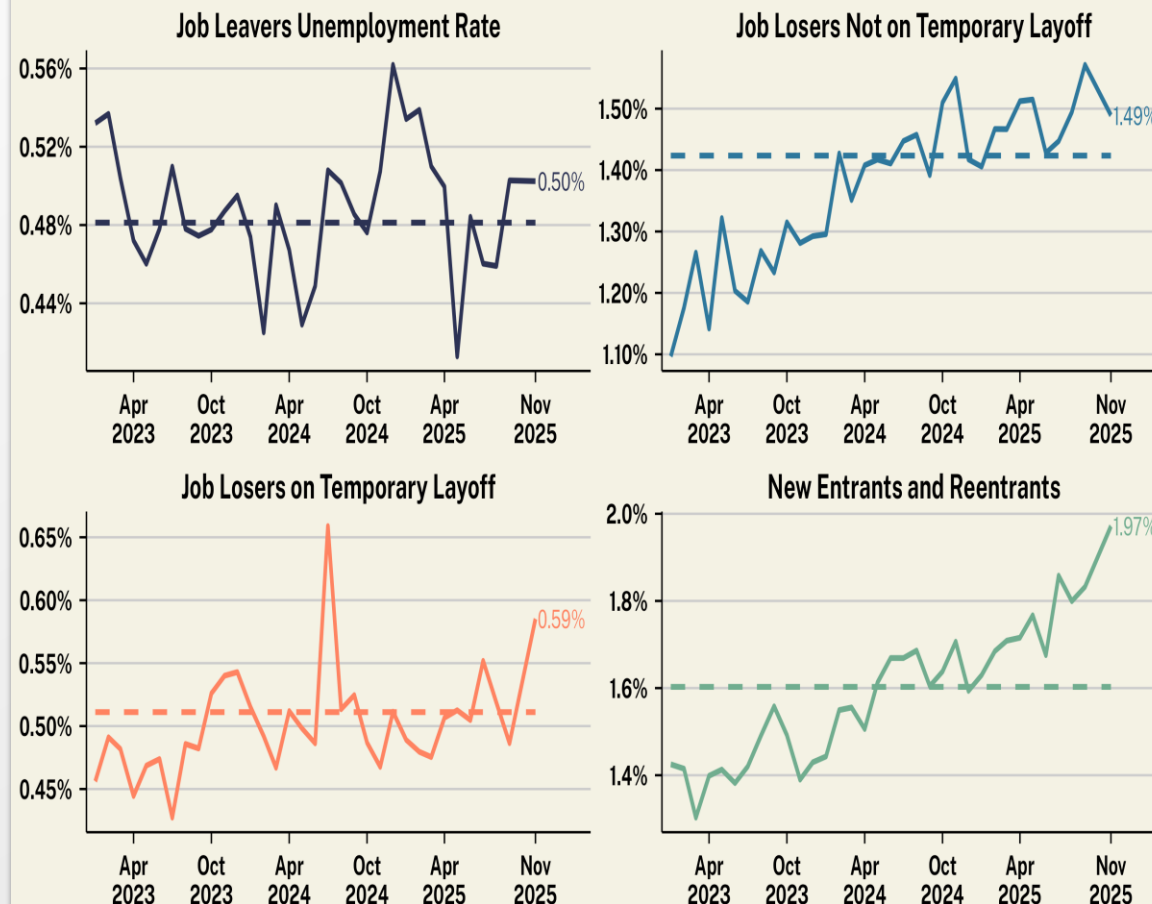
# Macro

## Unemployment Is Being Driven by Entrants, Not Job Losses

- The recent increase in unemployment is largely driven by new entrants and re-entrants to the labor force.
- Temporary layoffs remain contained, and permanent job losses have not accelerated materially.
- This reinforces the narrative of a cooling labor market rather than a deteriorating one.

### Job Losers and New Entrants Drive Unemployment Increase

Unemployment rate contribution, by category of unemployment. Dotted line is average 2024 value.



BLS, CPS, Seasonally Adjusted, Mike Konczal



# Income & Wages

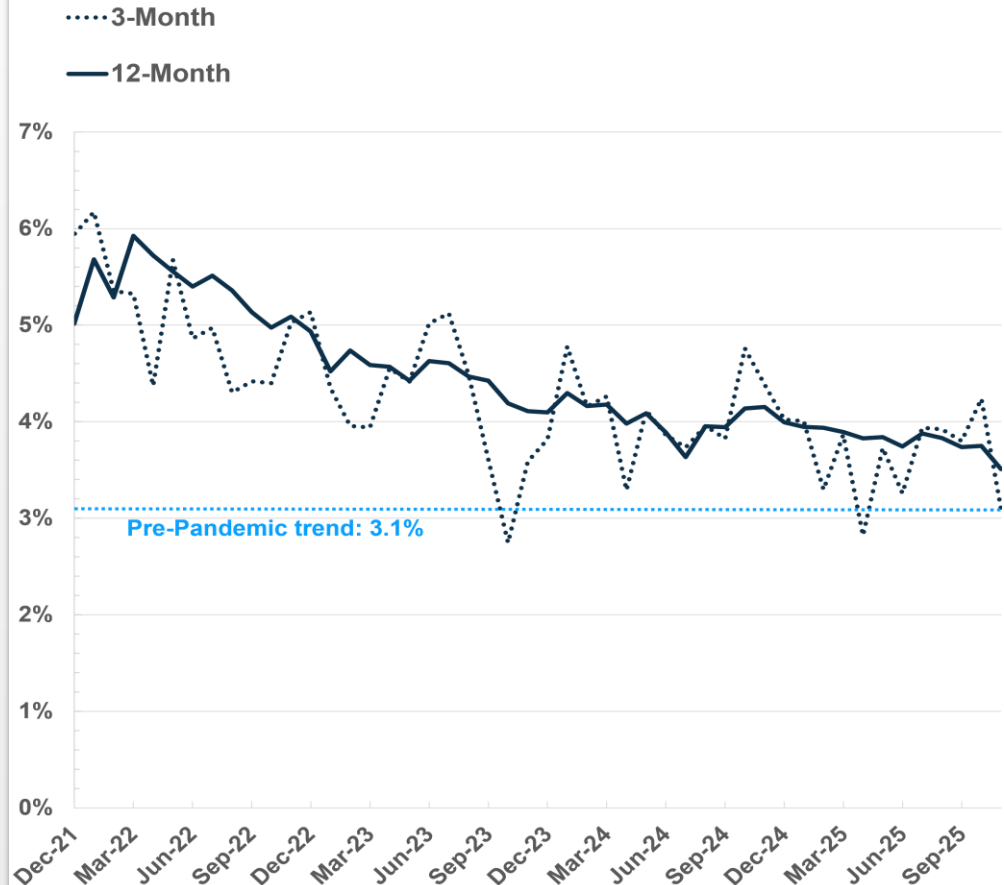
## Wage Growth Has Returned to Pre-Pandemic Levels

- Wage growth has cooled to roughly its pre-COVID trend, no longer acting as a major inflation driver.
- The unwinding of pandemic-era wage pressures reduces the risk of persistent service inflation.
- Slower wage growth gives the Federal Reserve more flexibility without undermining household income.

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### Wage growth eases, running close to pre-pandemic trend

Growth Rate of Average Hourly Earnings (Annualized)



Data source: Carson Investment Research, FRED 12/16/2025

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Pre-Pandemic Trend is the annualized growth rate from Jan 2019 to Feb 2020



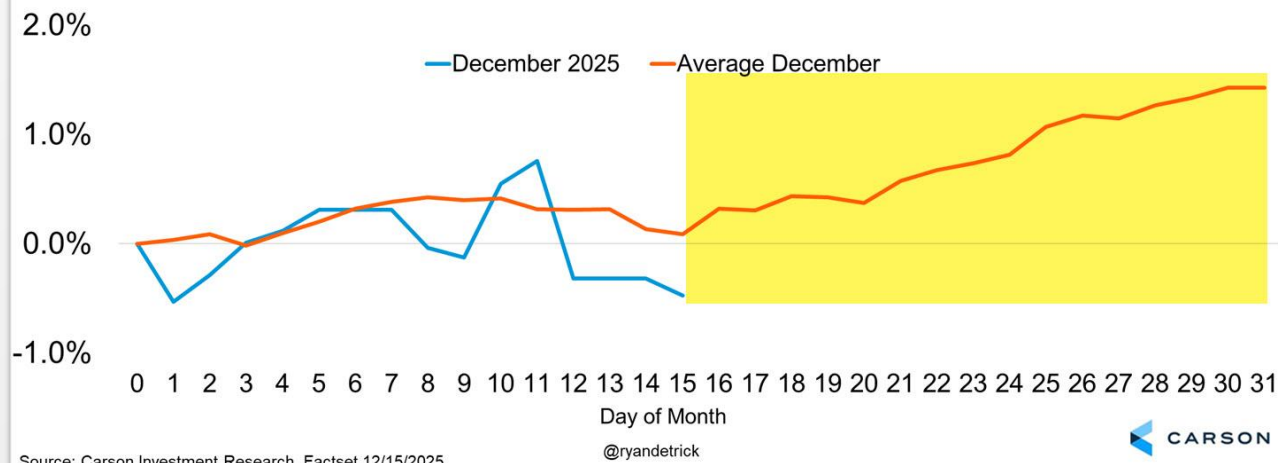


# Markets

## December Weakness Has Historically Been Short Lived

- Historically, December market weakness tends to bottom around mid-month before strengthening into year-end.
- The average December path shows improving returns in the back half of the month, even when early performance is choppy.
- Seasonal patterns suggest the Santa Clause rally window may be approaching!

December Bottoms On Average Right Now  
S&P 500 Returns in December (1950 - Current)



Source: Carson Investment Research, Factset 12/15/2025

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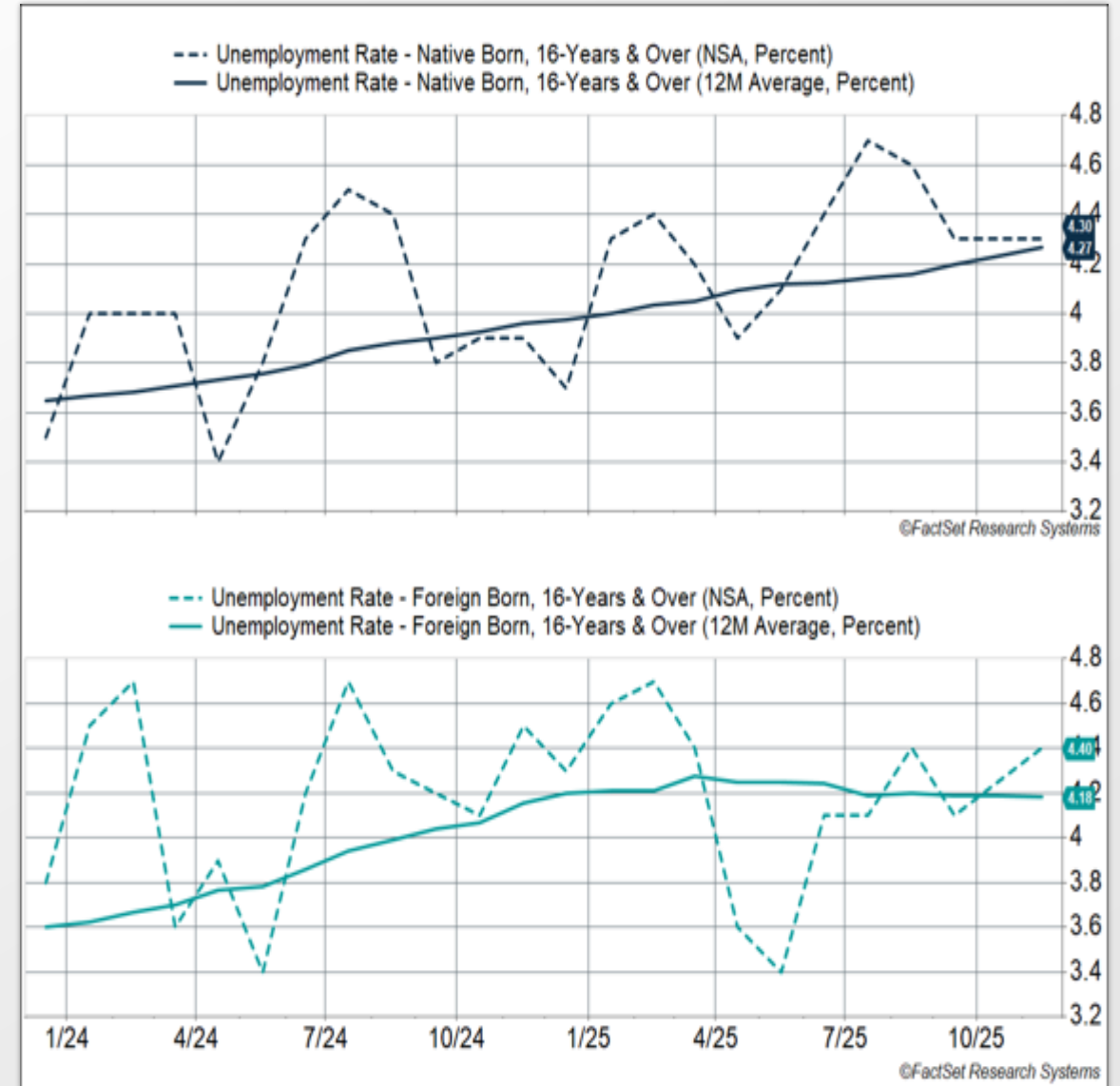




# Income & Wages

## A Low Hire, Low Fire Economy

- Unemployment rates for native-born workers has climbed despite the collapse in immigration.
- This is partially because of higher labor pool growth.
- Prime working age participation (25-54) remains strong, but younger workers have been hit harder.



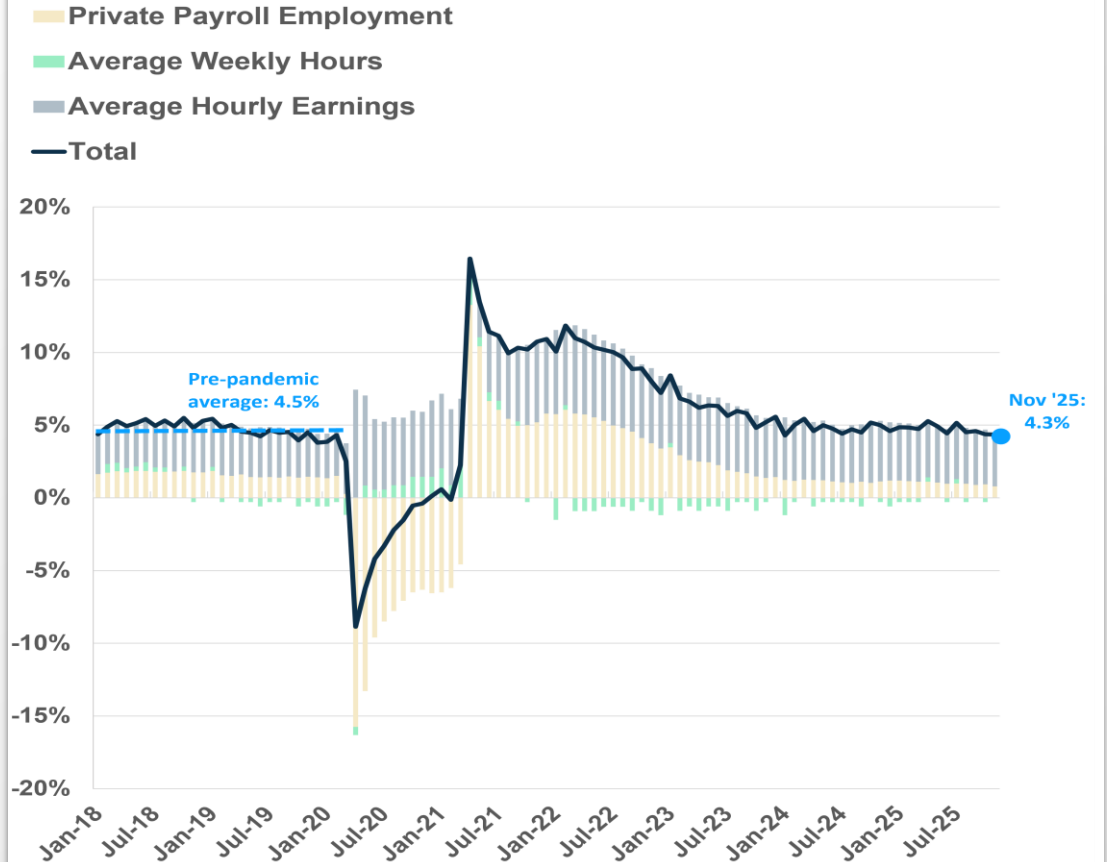
# Income & Wages

## Aggregate Income Growth Is Slowing Alongside Hiring

- Aggregate weekly payroll growth has decelerated meaningfully as job creation slows.
- Income growth remains positive but is no longer accelerating.
- Slower income growth may temper consumption without triggering contraction.

### Aggregate income growth has slowed on the back of the big slowdown in payroll growth

#### Year-Over-Year Change in Aggregate Weekly Payrolls



Data source: Carson Investment Research, FRED 12/16/2025

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Pre-pandemic average calculated as the average annualized growth rate between Jan 2018 and Feb 2020



# Policy & Trade

## Tariffs Look Large on Paper, But the Bite Is Much Smaller

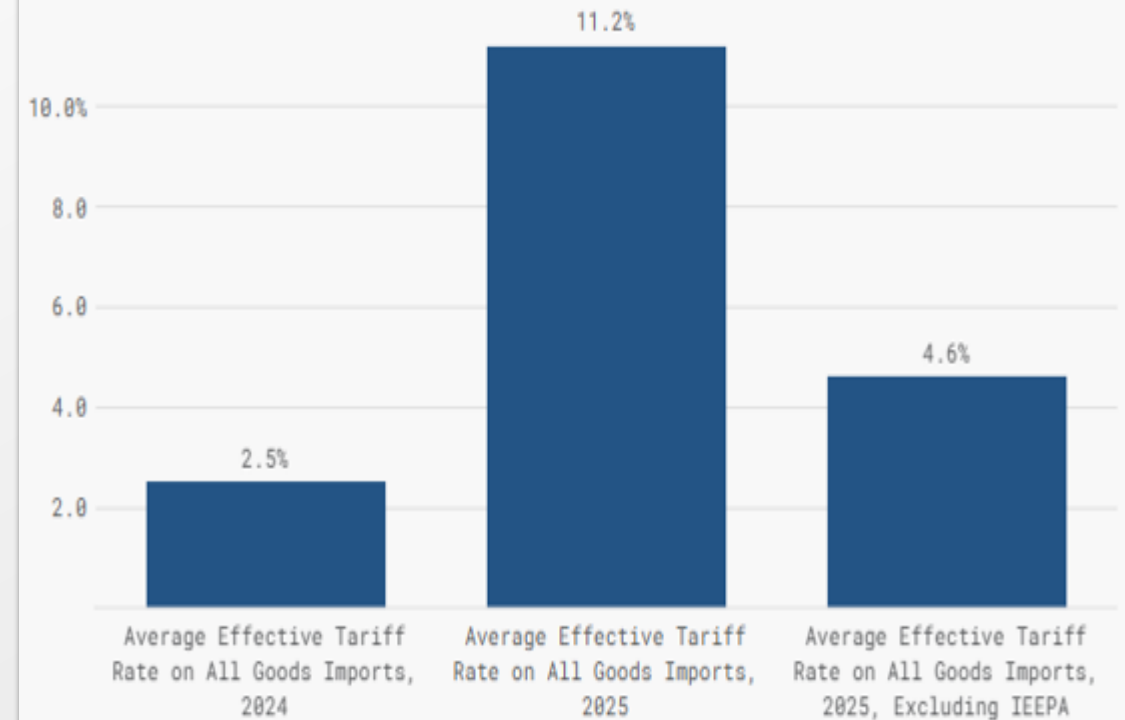
- While announced tariff rates imply a sharp jump in effective tariffs, widespread exemptions mean the realized economic impact is materially lower than headline figures suggest.
- Roughly half of U.S. imports currently avoid new tariffs through exemptions, trade agreements, or overlapping tariff rules, muting the drag on growth and inflation.
- Effective tariff rates are elevated versus 2024 but remain well below worst-case assumptions made earlier in the year and may decline further as exemptions expand.

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### Trump's Tariffs Will Dramatically Raise Effective Tariff Rates

*Average Effective Tariff Rate on All Goods Imports in 2024 and Tax Foundation Estimates of Average Effective Tariff Rate on All Goods Imports Under Trump's Proposals*



Source: Tax Foundation calculations.

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