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workers in a cooling labor market.

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*By Augusta Saraiva, Bloomberg News (via TNS).*

U.S. companies ramped up hiring in December, suggesting there's still appetite for workers in a cooling labor market.

Private payrolls increased 164,000 last month after a revised 101,000 gain in November, according to figures published Thursday by the ADP Research Institute in collaboration with Stanford Digital Economy Lab. The reading came in above all but one estimate in a Bloomberg survey of economists.

The advance was led by services sectors including leisure and hospitality and

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report. For those who changed jobs, wages rose 8%. Both figures marked the slowest pace of increase since 2021.

“We’re returning to a labor market that’s very much aligned with pre-pandemic hiring,” Nela Richardson, chief economist at ADP, said in a statement. “While wages didn’t drive the recent bout of inflation, now that pay growth has retreated, any risk of a wage-price spiral has all but disappeared.”

The trajectory of the labor market — especially the pace of wage growth — will be key for Federal Reserve officials as they assess when to begin cutting interest rates. Minutes from the last central bank meeting released Wednesday indicated increased optimism among policymakers about the path of inflation, noting “clear progress.”

The ADP report is among an array of labor-market data due this week. The government’s jobs report on Friday is projected to show private U.S. employers added some 130,000 positions last month.

While Labor Department data out Wednesday showed a broad-based softening in labor demand in November, another report suggested that cooling is largely coming in the form of weaker hiring instead of job losses. U.S.-based employers announced some 35,000 layoffs in December, a 20% decline from a year ago and the second-lowest reading of 2023.

ADP bases its findings on payroll data covering more than 25 million U.S. private-sector employees.

(With assistance from Chris Middleton.)

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