Register-Guard Capital

EMPLOYMENT GUARD 5/8/26

We predict a modest upside surprise. We expect job growth above consensus, an unemployment rate with consensus, and annual wage gains slightly below consensus. Specifically, we project nonfarm employment gains of 95,000, an unemployment rate of 4.3%, and annual average hourly earnings growth of 3.5%.

The Bureau of Labor Statistics releases its April 2026 Employment Situation Report on May 8, 2026. The FactSet consensus forecasts nonfarm payroll growth of 65,000, an unemployment rate of 4.3%, and annual wage gains of 3.8%.[1]

Forecasting Framework

This Guard introduces, more explicitly than prior Guards, the primary framework that governs our monthly employment predictions. The framework reflects three convictions: that no single indicator deserves a privileged role (especially private surveys), that consensus estimates are not anchors, and that a structured weight-of-evidence approach disciplines the kind of conviction-heavy pessimism that misled our March projections. We projected job gains of 35,000 against an actual print of 178,000; a more transparent prediction process is necessary moving forward.[2],[3]

First, we build a bottom-up estimate of nonfarm payroll growth. We project sector-by-sector employment changes using each sector's recent trend, adjusted for special factors (strikes, weather, government policy actions) and cyclical drivers. We separate public and private sectors, and within government we distinguish federal from state and local given the divergent trajectories under the current administration.

Second, we update our establishment estimate against independent indicators. The ADP National Employment Report, despite its well-documented divergence from BLS in any single month, provides a near-real-time read on private-sector hiring and serves as an essential cross-check. The JOLTS report informs us of the hiring and quit dynamics underlying payroll change. Weekly initial and continued unemployment claims, particularly during the establishment survey reference week (the pay period containing the 12th of the month), capture layoff momentum. Challenger, Gray & Christmas announced cuts provide a forward-looking layoff signal, though we discount Challenger because announced cuts often lag actual payroll losses by months.

Third, we construct the unemployment rate. Labor force participation trends, population estimates from the Census Bureau, and prior-month flows between employment, unemployment, and not-in-labor-force determine our projection.

[1] John Butters, "Total Nonfarm Payrolls for April 2026 Are Projected to Rise by 65,000," FactSet Insight, May 5, 2026, https://insight.factset.com/.
[2] Register-Guard Capital, *Employment Guard 4/3/26* (April 3, 2026).
[3] Bureau of Labor Statistics, "The Employment Situation—March 2026," news release, U.S. Department of Labor, April 3, 2026, https://www.bls.gov/news.release/archives/empsit_04032026.htm.

Fourth, for average hourly earnings we begin with composition: which sectors are adding or losing jobs, weighted by their average wage levels. We cross-check against the Employment Cost Index, the ADP pay tracker for job stayers and changers, and NFIB's compensation plans series. Each of these indicators answers a slightly different question, and the combined picture is more reliable than any one in isolation.

Job Growth

We are above consensus on payroll growth because the April establishment survey period captured a labor market that, while still subdued, has stopped deteriorating and shows tentative signs of broader stabilization. The case rests on five observations.

The ADP National Employment Report for April, released May 6, showed private-sector employment rising by 109,000, the strongest monthly print since January 2025 and well above the Dow Jones consensus of 84,000.[4] Education and health services led with 61,000, followed by trade, transportation, and utilities at 25,000, construction at 10,000, and financial activities at 9,000.[5] Professional and business services lost 8,000 jobs.[6] Mid-sized firms (50–499 employees) added only 2,000 jobs while small businesses added 65,000 and large businesses 42,000—a "softness in the middle" pattern that warrants monitoring but does not, in our view, override the headline strength.[7]

The JOLTS report for March, released May 5, showed hires rising to 5.6 million, an increase of 655,000 over February that more than offset the prior month's decline.[8] The hires rate climbed from 3.1% to 3.5%, the quits rate ticked up from 1.9% to 2.0%, and job openings remained stable at 6.9 million.[9] This is not the configuration of a labor market in retreat; it is the configuration of a labor market regaining momentum, even if only modestly.

Weekly initial unemployment claims through the April establishment reference period averaged roughly 211,000 for the four weeks ending April 18, broadly stable at low levels.[10] Continued claims declined to 1.776 million as of April 25 from 1.808 million in early April.[11] These figures are inconsistent with a substantial step-up in layoffs.

The early-April announcement of a ceasefire in the Iran conflict, while preliminary, removed a significant source of business hiring uncertainty during the second half of the establishment survey period. The labor market we worried about in our March 11 Special Note,

4 ADP Research, "ADP National Employment Report: Private Sector Employment Increased by 109,000 Jobs in April; Annual Pay was Up 4.4%," news release, May 6, 2026, https://adpemploymentreport.com/.
5 ADP Research, "ADP National Employment Report, April 2026."
6 ADP Research, "ADP National Employment Report, April 2026."
7 ADP Research, "ADP National Employment Report, April 2026."
8 Bureau of Labor Statistics, "Job Openings and Labor Turnover—March 2026," news release, U.S. Department of Labor, May 5, 2026, https://www.bls.gov/news.release/jolts.htm.
9 Bureau of Labor Statistics, "JOLTS, March 2026."
10 U.S. Department of Labor, "Unemployment Insurance Weekly Claims," news releases, weeks ending April 11 through May 2, 2026, https://www.dol.gov/ui/data.pdf.
11 U.S. Department of Labor, "UI Weekly Claims, April–May 2026."

one frozen by war-driven uncertainty, did not crystallize. Oil prices have moderated from their March peak, easing input cost pressures.

Working against these signals: federal government employment continues to decline, with March showing another -18,000 print and cumulative losses at 355,000, or 11.8%, since the October 2024 peak.[12] We expect federal payrolls to lose another 15,000 to 20,000 jobs in April. Challenger announced cuts rose to 83,387 in April from 60,620 in March, the third-highest April reading since 2009, with technology (33,361) leading and artificial intelligence cited as the primary reason for 26% of cuts.[13] Year-to-date, however, Challenger cuts remain 50% below the same period in 2025, and announced cuts often translate to BLS payroll losses with substantial lag.[14]

Netting these forces produces our 95,000 estimate. ADP private (109,000), plus a modest state and local government contribution (roughly 5,000), less the federal drag (-17,000), less the typical month-to-month BLS-ADP divergence on the soft side, lands meaningfully above consensus but well short of a robust expansion. We characterize April as the labor market clearing the worst of its winter, not as the start of a hiring boom.

Unemployment Rate

We are with consensus at 4.3% on the unemployment rate. The labor force participation rate fell to 61.9% in March from 62.0% in February, and the employment-to-population ratio drifted to 59.2%.[15] These declines partially explain why the unemployment rate held at 4.3% in March even as nonfarm payrolls grew strongly: workers exited the labor force rather than transitioning between unemployment and employment. With low initial claims and rising hires per JOLTS, we expect April to show similar dynamics, that is, continued participation softness, and a flat 4.3% reading. A drift to 4.2% is plausible if labor force exits accelerate; a tick up to 4.4% is plausible if participation rebounds.

A note on recent college graduate outcomes: The New York Fed's Q1 2026 update placed the unemployment rate for recent college graduates at 5.7% and the underemployment rate at 41.5%.[16] A Wall Street Journal article from April 20 reported a NACE survey showing employers expect to boost new-graduate hires by 5.6% this spring relative to a year ago, and BofA Global Research found unemployment among 20-24 year-olds with bachelor's degrees fell sharply in March to 5.3%.[17] This is the cohort Employ America identified in early 2026 as

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[12] Bureau of Labor Statistics, "Employment Situation, March 2026."
[13] Challenger, Gray & Christmas, Inc., "April Job Cuts Rise 38% from March; YTD Cuts Down 50%," news release, May 7, 2026, https://www.challengergray.com/blog/challenger-report-april-job-cuts-rise-38-from-march-ytd-cuts-down-50/.
[14] Challenger, Gray & Christmas, "April Job Cuts Rise 38%."
[15] Bureau of Labor Statistics, "Employment Situation, March 2026."
[16] Federal Reserve Bank of New York, "The Labor Market for Recent College Graduates: 2026:Q1 Quarterly Highlights," May 2026, https://www.newyorkfed.org/research/college-labor-market.
[17] Ray A. Smith and Te-Ping Chen, "College Graduates Are Finally Catching a Break in This Job Market," *Wall Street Journal*, April 20, 2026, https://www.wsj.com/.

bearing the brunt of recessionary labor market conditions, and we will be watching April closely for confirmation that the conditions for younger workers are improving.[18]

Wage Growth

We are slightly below consensus on wage growth at 3.5% year-over-year. Several indicators point to easing compensation pressure. The Q1 2026 Employment Cost Index showed private-sector wages rising 0.7% over the quarter, a deceleration from the post-pandemic surge.[19] ADP's pay tracker showed annual gains for job stayers slowing to 4.4% in April from 4.5% in March, while pay gains for job changers held at 6.6%.[20] The April NFIB survey showed a net 30% of small business owners raised compensation, down 3 points from March, with planned compensation increases unchanged at net 18%.[21] We expect April to show a 3.5% annual reading, matching March on the year-over-year measure but slightly below the 3.6% consensus.

The combination of stronger payroll growth and decelerating wage growth, if our predictions hold, would represent a modest improvement in the labor market's underlying health: hiring is recovering without the stagflationary signal we worried about following the February report.

Forward Look

This report arrives at an inflection point in monetary policy. The April 29 FOMC meeting concluded with an 8-4 vote to hold the target range at 3.50% to 3.75%, the most dissents at a single meeting since 1992.[22] Three of the four dissents opposed inclusion of an easing bias in the statement, signaling that a meaningful contingent of the committee views the labor market weakening as less severe than headline payroll prints have at times suggested. Kevin Warsh, advanced out of the Senate Banking Committee on April 29, is widely expected to assume the Chair from Jerome Powell on May 15. A modestly above-consensus April employment print, particularly one that confirms the March rebound rather than disappoints, would reduce the probability of a near-term cut and give the new Chair operational room to maintain the current stance. A weaker-than-expected report would intensify the existing tension between the labor market doves and the inflation hawks on the committee.

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[18] Register-Guard Capital, *Special Note I* (March 11, 2026).
[19] Bureau of Labor Statistics, "Employment Cost Index—March 2026," news release, U.S. Department of Labor, April 30, 2026, https://www.bls.gov/news.release/eci.htm.
[20] ADP Research, "ADP National Employment Report, April 2026."
[21] National Federation of Independent Business, "Small Business Employment Index Falls Again Due to Easing Compensation Pressures," *April 2026 NFIB Jobs Report*, May 7, 2026, https://www.nfib.com/.
[22] Register-Guard Capital, *Federal Reserve Register Guard 4/29/26* (April 29, 2026).