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EMPLOYMENT GUARD 6/5/26

We predict a modest positive surprise. We expect job growth above consensus, an unemployment rate in line with consensus, and annual wage gains below consensus. Specifically, we project nonfarm payroll growth of 120,000, an unemployment rate of 4.3%, and average hourly earnings growth of 3.5% year-over-year, equivalent to roughly 0.2% on the month.

The Bureau of Labor Statistics releases its May 2026 Employment Situation Report on Friday, June 5, 2026, at 8:30 a.m. ET.¹ The FactSet consensus forecast calls for payroll growth of 105,000, an unemployment rate of 4.3%, and average hourly earnings of 0.4% month-over-month, translating to roughly 3.6% year-over-year; JP Morgan analysts note that a print near consensus would push the three-month average above 100,000 for the first time since 2024.² This is the final major labor-market reading before the June 17 FOMC meeting, which will be Kevin Warsh's first as Chair.³

We are above consensus on payrolls because the most recent high-frequency private data came in strong and broad-based, and the consensus has repeatedly underestimated the underlying trend. ADP's May private payroll reading of 122,000 showed gains across eight of ten supersectors, the broadest hiring breadth in several years, with its chief economist describing momentum as sustained.⁴ Initial jobless claims stayed low through the survey week at roughly 210,000, with the four-week average near 209,000 and below year-ago levels, confirming that businesses are not shedding workers.⁵ Consensus has also systematically undershot payroll growth: in April it called for 55,000 against an actual 115,000, while our above-consensus forecast of 95,000 proved far closer.⁶ The establishment survey's one-month diffusion index widened to 53.8 in April from 47.6 a year earlier, indicating that gains are broadening across industries.⁷

We temper that optimism for four reasons. First, the April flow data cut against the strength story: JOLTS hires fell 419,000 to 5.1 million even as openings rose to 7.6 million, while quits and layoffs both stayed subdued, the signature of a low-hire, low-fire market in which employers post positions they are slow to fill.⁸ Second, two of April's largest gains look nonrepeating, with transportation and warehousing lifted by a courier surge and retail by warehouse-club hiring.⁹ Third, structural headwinds persist, as federal government employment

¹ Bureau of Labor Statistics, "The Employment Situation—April 2026," news release, U.S. Department of Labor, May 8, 2026, <https://www.bls.gov/news.release/pdf/empsit.pdf>.

² Jillian Moore, "May Jobs Report Seen Showing Continued Healthy Job Gains," *Morningstar*, June 3, 2026, <https://www.morningstar.com/economy/may-jobs-report-seen-showing-continued-healthy-job-gains>.

³ Moore, "May Jobs Report."

⁴ ADP Research Institute, "Private Sector Employment Increased by 122,000 Jobs in May; Annual Pay was Up 4.4%," ADP National Employment Report, June 3, 2026, <https://adpemploymentreport.com/>.

⁵ U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report," news release, Employment and Training Administration, June 3, 2026, <https://www.dol.gov/ui/data.pdf>.

⁶ Register-Guard Capital, *Employment Guard 5/8/26* (May 8, 2026).

⁷ Bureau of Labor Statistics, "Employment Situation."

⁸ Bureau of Labor Statistics, "Job Openings and Labor Turnover—April 2026," news release, U.S. Department of Labor, June 2, 2026, <https://www.bls.gov/news.release/pdf/jolts.pdf>.

⁹ Bureau of Labor Statistics, "Employment Situation."

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fell another 9,000 and information shed 13,000.¹⁰ Fourth, the NFIB small-business employment index slipped for a second consecutive month, suggesting the acceleration narrative does not hold across the board.¹¹ Balancing broad private strength against these nonrepeating gains and structural losses, we arrive at 120,000, above consensus and modestly above April's 115,000, but stabilization rather than acceleration. The figure sits just below the ADP private read because continued government contraction drags the total.

We are in line with consensus on the unemployment rate, which we expect to hold at 4.3%, where it has stood since March; the roughly 7.4 million unemployed have changed little, and labor force participation at 61.8% has drifted lower in a way that mechanically restrains the rate.¹² We also decline to repeat our March prediction, when we projected 4.5% against a 4.3% actual by over-reading household softness while the headline held.¹³ Beneath that stability the household survey looks materially softer. The number working part-time for economic reasons jumped 445,000 to 4.9 million, and those unemployed fewer than five weeks, a fresh-layoff signal, rose 358,000 to 2.5 million.¹⁴ Entry-level conditions reinforce the concern: recent college graduates carried a 5.7% unemployment rate in the first quarter, inverted from their customary position below the national rate, and teenage unemployment stood at 14.4%.¹⁵ We therefore flag clear upside risk to 4.4%; the stable headline is fraying at the edges.

We are below consensus on wages on both the monthly and year-over-year measures, and, consistent with the discipline our April Register committed us to, we reach our figure through explicit base arithmetic rather than directional inference.¹⁶ Average hourly earnings were \$37.41 in April; at our projected 0.2% monthly gain, May reaches roughly \$37.49.¹⁷ The FactSet consensus of 0.4% month-over-month implies roughly \$37.56. May 2025 average hourly earnings were \$36.24; at that base, our projection yields 3.45%, which we report as 3.5% year-over-year, against the consensus's 3.6%.¹⁸ The gap between our reading and consensus is therefore a monthly-pace disagreement, not a base-effect story: we and FactSet are working from the same denominator, but they are calling for a re-acceleration in nominal wage growth that the compensation indicators do not support.

We do not see the catalyst for a return to 0.4% month-over-month. The NFIB shows compensation gains easing to a net 30% even as hiring plans firmed to a net 13%.¹⁹ April's 0.2% print itself followed February's 0.4% and March's 0.2%, reinforcing a pattern of alternating

¹⁰ Bureau of Labor Statistics, "Employment Situation."

¹¹ National Federation of Independent Business, "NEW NFIB SURVEY: Small Business Optimism Remains Below Average But Stable," news release, May 12, 2026, <https://www.nfib.com/news/press-release/new-nfib-survey-small-business-optimism-remains-below-average-but-stable-9/>.

¹² Bureau of Labor Statistics, "Employment Situation."

¹³ Register-Guard Capital, *Employment Guard* 4/3/26 (April 3, 2026).

¹⁴ Bureau of Labor Statistics, "Employment Situation."

¹⁵ Federal Reserve Bank of New York, "The Labor Market for Recent College Graduates," Economic Research, accessed June 4, 2026, <https://www.newyorkfed.org/research/college-labor-market#--:explore=unemployment>.

¹⁶ Register-Guard Capital, *Employment Register* 5/8/26 (May 17, 2026).

¹⁷ Bureau of Labor Statistics, "Employment Situation."

¹⁸ Bureau of Labor Statistics, "The Employment Situation—May 2025," news release, U.S. Department of Labor, June 6, 2025, https://www.bls.gov/news.release/archives/empsit_06062025.pdf.

¹⁹ NFIB, "Small Business Optimism Below Average."

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rather than accelerating monthly gains. The underlying dynamic remains a low-hire, low-fire freeze in which employers pay up to retain workers rather than bid for new ones, holding nominal gains in the mid-3s while real earnings stay essentially flat against current inflation. We are deliberately not stacking deceleration signals into false confidence, the error we diagnosed in April, but neither are we extrapolating a re-acceleration that the data does not require.

This is the last major labor reading before the June 17 FOMC meeting, Kevin Warsh's first as Chair. A third consecutive positive payroll print alongside stable unemployment and non-decelerating wages would reinforce the Committee's hold; Bank of America's Mishra notes that an unemployment rate of 4.3% or lower would "likely leave the Fed comfortably on hold in the near term amid rising inflation risks."²⁰ That is our base case. Inflation control remains the binding constraint, and September remains the earliest realistic window for a cut, consistent with our April 29 assessment.²¹

²⁰ Moore, "May Jobs Report."

²¹ Register-Guard Capital, *Federal Reserve Register Guard 4/29/26* (April 29, 2026).