Register-Guard Capital

EMPLOYMENT GUARD 7/2/26

We predict a moderation. We expect job growth marginally above consensus, an unemployment rate in line with consensus, and annual wage gains in line with consensus. Specifically, we project nonfarm payroll growth of 110,000, an unemployment rate of 4.3%, and average hourly earnings growth of 3.7% year-over-year, equivalent to roughly 0.3% on the month. The headline will read as a modest beat, but the signal is deceleration from May's one-off-inflated pace.

The Bureau of Labor Statistics releases its June 2026 Employment Situation Report on Thursday, July 2, 2026, at 8:30 a.m. ET, a day ahead of the observed Independence Day holiday.[1] The FactSet consensus forecast calls for payroll growth of 100,000, an unemployment rate of 4.3%, and average hourly earnings of 0.3% month-over-month, translating to roughly 3.7% year-over-year; forecasters look for a pullback from May's unexpectedly strong pace while still calling the month solid, with desk estimates spanning JPMorgan at 125,000, Bank of America at 110,000, and Vanguard at just 50,000.[2] This is the last major labor-market reading before the July 28–29 FOMC meeting.

We are marginally above consensus on payrolls, but our central message is deceleration. May's 172,000 print, which beat both consensus and our own 120,000 call, was inflated by identifiable one-offs that will not repeat and, in several cases, will reverse.[3] Local government added roughly 52,000 on election-related and seasonal hiring; leisure and hospitality surged on a confluence of World Cup and Memorial Day timing that Bank of America flagged as transitory; and unseasonably mild weather pulled forward hiring in construction and hospitality.[4] Stripping those effects, May's underlying pace was closer to 120,000, precisely where the private high-frequency data had been running. June should reveal that underlying trend without May's scaffolding.

The June cross-checks point uniformly to cooling. ADP's private payroll reading fell to 98,000 from May's 122,000, with its chief economist describing a slowdown in job creation as workers take longer to find positions and labor-supply constraints binding; the gains were narrow, concentrated in education and health services, which alone contributed roughly half the total.[5] Initial jobless claims drifted higher through the survey week, with the week ending June 13 registering 227,000 seasonally adjusted, up from roughly 210,000 a month earlier, lifting the four-week average to 224,250, while continued claims climbed to 1,821,000, still below year-ago

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[1] Irza Waraich, "June Job Forecasts Show Continued Robust Gains in Hiring," *Morningstar*, June 30, 2026, https://www.morningstar.com/economy/june-job-forecasts-show-continued-robust-gains-in-hiring.
[2] Waraich, "June Job Forecasts."
[3] Register-Guard Capital, *Employment Guard 6/5/26* (June 5, 2026).
[4] Bureau of Labor Statistics, "The Employment Situation—May 2026," news release, U.S. Department of Labor, June 5, 2026, https://www.bls.gov/news.release/archives/empsit_06052026.pdf.; Waraich, "June Job Forecasts."
[5] ADP Research Institute, "Private Sector Employment Increased by 98,000 Jobs in June," ADP National Employment Report, July 1, 2026, https://adpemploymentreport.com/.

levels but unmistakably rising.[6] The NFIB small-business survey reinforced the softening: hiring plans fell to a net 9%, the lowest since May 2020, and unfilled openings dropped to 29%, also a five-year low.[7] And the flow data remain frozen, with May JOLTS showing openings unchanged at 7.6 million, hires unchanged at 5.2 million, quits at just 1.9%, and layoffs at 1.1%, the signature low-hire, low-fire equilibrium, neither shedding workers nor competing to add them.[8]

Building from the components, we reach 110,000. Private payrolls land near 100,000 to 105,000, anchored by an education-and-health engine of roughly 55,000, with leisure and hospitality decelerating sharply from its May surge, professional and business services soft, and construction and manufacturing close to flat; this sits just above the ADP private read. Government adds only single digits: federal employment continues its structural contraction of roughly 10,000, while local government gives back most, though, per JPMorgan, likely not all, of its election-related bump.[9] Unlike in prior months, we see the risks as roughly symmetric, skewed if anything to the downside. We decline to chase the figure lower, however, because consensus itself has systematically undershot, calling 55,000 against an actual 115,000 in April and 105,000 against 172,000 in May.[10]

We are in line with consensus on the unemployment rate, which we expect to hold at 4.3% for a fourth consecutive month. Labor force participation near 61.8% has drifted lower in a way that mechanically restrains the rate, and the pool of unemployed has changed little.[11] Beneath that stability, however, the household survey continues to look materially softer: the number working part-time for economic reasons stood at 4.9 million and those unemployed fewer than five weeks at 2.5 million in the latest data, both elevated.[12] Rising continued claims and lengthening durations point the same way. We therefore carry clear upside risk to 4.4%; the stable headline is fraying at the edges.

We are in line with consensus on wages, a deliberate departure from our recent below-consensus calls, which undershot the actual in both April and May.[13] Consistent with the discipline our April Register committed us to, we reach our figure through explicit base arithmetic rather than directional inference.[14] Average hourly earnings were $37.53 in May; at our projected 0.3% monthly gain, June reaches roughly $37.64.[15] June 2025 average hourly

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[6] U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report," news release, Employment and Training Administration, June 25, 2026, https://www.dol.gov/ui/data.pdf.
[7] National Federation of Independent Business, "NEW NFIB SURVEY: Small Businesses Report Reduced Optimism," news release, June 9, 2026, https://www.nfib.com/news/press-release/new-nfib-survey-small-businesses-report-reduced-optimism/.
[8] Bureau of Labor Statistics, "Job Openings and Labor Turnover—May 2026," news release, U.S. Department of Labor, June 30, 2026, https://www.bls.gov/news.release/archives/jolts_06302026.pdf.
[9] Waraich, "June Job Forecasts."
[10] Register-Guard Capital, *Employment Guard 5/8/26* (May 8, 2026); Register-Guard Capital, *Employment Guard 6/5/26* (June 5, 2026).
[11] Bureau of Labor Statistics, "Employment Situation, May 2026."
[12] Bureau of Labor Statistics, "Employment Situation, May 2026."
[13] Register-Guard Capital, *Employment Guard 6/5/26*.
[14] Register-Guard Capital, *Employment Register 5/8/26* (May 17, 2026).
[15] Bureau of Labor Statistics, "Employment Situation, May 2026."

earnings were $36.30; at that base, our projection yields 3.69%, which we report as 3.7% year-over-year.[16]

The critical point is that the uptick from May's 3.6% to our 3.7% is a base effect, not a re-acceleration. June 2025 was itself a soft month, with average hourly earnings rising just 0.2%, so an ordinary 0.3% print this June mechanically lifts the year-over-year rate by a tenth without any change in the underlying monthly pace. That pace holds at trend precisely because the low-hire, low-fire freeze persists, with quits at 1.9%, employers pay up to retain workers rather than bid for new ones.[17] The compensation signals argue against extrapolating further deceleration, the error we diagnosed in April. The NFIB now reports labor costs as the single most important problem facing small business at a record 14%, even as it registers reduced optimism elsewhere, and it does so against a hot inflation backdrop.[18] We are therefore neither stacking deceleration signals into false confidence nor calling for a re-acceleration the data do not require; the downside case is a 0.2% month that holds the year-over-year rate at 3.6%.

This is the last major labor reading before the July 28–29 FOMC meeting, and the shift since our June note is in the rate path, not the base case. Where we then identified September as the earliest realistic window for a cut, the market has since repriced away from cuts entirely and toward at least one hike in 2026; Bank of America now calls for three.[19] Inflation control remains the binding constraint. A solid-but-decelerating payroll print alongside a stable unemployment rate and non-decelerating wages does nothing to loosen it. Our base case is a hold at 3.50%–3.75% in July, but with the risks to the rate path now tilted upward, an inversion of the easing bias that prevailed through the spring and consistent with the reassessment we began on April 29.[20]

[16] Bureau of Labor Statistics, "The Employment Situation—June 2025," news release, U.S. Department of Labor, July 3, 2025, https://www.bls.gov/news.release/archives/empsit_07032025.pdf.
[17] Bureau of Labor Statistics, "Job Openings and Labor Turnover."
[18] NFIB, "Small Businesses Report Reduced Optimism."
[19] Waraich, "June Job Forecasts."
[20] Register-Guard Capital, *Federal Reserve Register Guard 4/29/26* (April 29, 2026).