Register-Guard Capital

EMPLOYMENT GUARD 8/7/26

We predict a supply-capped reacceleration. We expect job growth above the Bloomberg consensus, an unemployment rate in line with consensus, and annual wage gains in line with consensus but with risk that is, for the first time this year, one-sided to the upside. Specifically, we project nonfarm payroll growth of 95,000, an unemployment rate of 4.2%, and average hourly earnings growth of 3.5% year-over-year, equivalent to roughly 0.3% on the month. July's labor demand picked up; July's labor supply did not. The gap between them will print in wages and unfilled openings, not in payrolls.

The Bureau of Labor Statistics releases its July 2026 Employment Situation Report on Friday, August 7, 2026, at 8:30 a.m. ET.[1] The Bloomberg survey median calls for payroll growth of 85,000 after June's lower-than-expected 57,000, with the unemployment rate holding at 4.2%;[2] the FactSet consensus sits higher at 100,000, with desk estimates spanning UBS at 70,000 and Bank of America at 80,000.[3] Average hourly earnings are projected at 0.3% month-over-month and roughly 3.5% year-over-year.[4] This is the first employment report since the July 28–29 FOMC meeting, at which the Committee held the funds rate at 3.50%–3.75% over three dissents in favor of a hike.[5]

We are above the Bloomberg median on payrolls, and we get there having first scored our own June miss. Our last Guard called 110,000 against an actual 57,000 and the spring prints that anchored our standing claim that consensus systematically undershoots were themselves revised away: April was cut by 31,000 to 148,000 and May by 43,000 to 129,000, a combined 74,000.[6] We retire that heuristic; the surprise distribution is once again symmetric. The June miss, however, was concentrated rather than general. Leisure and hospitality fell 61,000 on weaker-than-usual seasonal hiring, while private payrolls excluding the sector rose roughly 110,000, close to the underlying pace we had identified.[7] The July question is what the rest of the market does while that one sector's seasonal distortions wash through.

The July cross-checks describe a demand pickup running into a supply wall. On demand: the NFIB Small Business Employment Index rose to 102.1 after four consecutive monthly declines, hiring plans jumped nine points to a net 20%, the highest since October 2022, and

---

[1] Bureau of Labor Statistics, "The Employment Situation—June 2026," news release, U.S. Department of Labor, July 2, 2026, https://www.bls.gov/news.release/pdf/empsit.pdf.
[2] Vince Golle, "US Job Growth to Pick Up After Disappointing June," *Bloomberg*, August 1, 2026, https://www.bloomberg.com/news/articles/2026-08-01/us-job-growth-to-pick-up-after-disappointing-june.
[3] "July Jobs Report to Show Moderate Hiring Bounce," *Morningstar*, August 5, 2026, https://www.morningstar.com/economy/july-jobs-report-show-moderate-hiring-bounce.
[4] "The July Jobs Numbers Are Due Out Friday. Here's What to Expect," CNBC, August 6, 2026, https://www.cnbc.com/2026/08/06/the-july-jobs-numbers-are-due-out-friday-heres-what-to-expect.html.
[5] Golle, "US Job Growth to Pick Up."
[6] Bureau of Labor Statistics, "Employment Situation, June 2026"; Register-Guard Capital, *Employment Guard 7/2/26* (July 2, 2026).
[7] Bureau of Labor Statistics, "Employment Situation, June 2026."

unfilled openings rose four points to 36%, the highest since June 2025.[8] On layoffs: initial claims fell to 187,000 in the survey reference week ending July 18, the lowest reading since 1969, with continuing claims down to roughly 1.78 million.[9] But on hiring, the freeze holds. June JOLTS showed hires unchanged at 5.3 million and openings little changed at 7.4 million, with quits at 2.0% and layoffs at 1.1%.[10] ADP's July private reading of 44,000, which we continue to de-emphasize as a level, was narrow in exactly the familiar way: education and health services contributed 36,000, more than four-fifths of the total, and its chief economist flagged binding labor-supply constraints.[11] Most telling, NFIB's measure of actual hiring activity slipped a point in the same month its hiring plans surged, the single clearest statement of the constraint.[12] The household survey is the wall itself: the labor force contracted by 720,000 in June alone, participation fell to a post-pandemic low of 61.5%, and civilian employment has declined by more than 800,000 year-to-date.[13]

We depart from Bloomberg Economics on the World Cup, on timing rather than substance. Their preview expects tournament-related hiring to reverse in July, dragging leisure and hospitality lower again alongside construction weakness.[14] But the establishment survey's reference period is the pay period including July 12, and that week, with the semifinals on the 14th and 15th and the final at MetLife on the 19th, was the tournament's staffing peak, not its aftermath.[15] The unwind is real; it is an August story. With June's 61,000 decline having already right-sized the sector's seasonally adjusted level, we expect a modest July rebound of roughly 15,000, and we will carry the giveback into next month's Guard.

Building from the components, we reach 95,000. Private payrolls land near 100,000: education, health care, and social assistance contribute roughly 55,000; professional and business services, which has added 172,000 since its October 2025 low, roughly 20,000; leisure and hospitality about 15,000; financial activities and other services roughly 10,000 combined; and construction, manufacturing, and trade collectively flat to slightly negative. Government subtracts roughly 5,000 as the federal payroll continues its structural contraction against tight state and local budgets.[16] July seasonal factors are treacherous in both directions, education timing above all, and we treat the risks around 95,000 as roughly symmetric. That figure is above the Bloomberg median, marginally below FactSet, and a genuine step up from June without any

---

[8] National Federation of Independent Business, "NFIB Jobs Report: Small Business Employment Index Picks Back Up," news release, August 6, 2026, https://www.nfib.com/news/press-release/nfib-jobs-report-small-business-employment-index-picks-back-up/.
[9] U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report," news release, Employment and Training Administration, July 30, 2026, https://www.dol.gov/ui/data.pdf; "US Initial Jobless Claims Fall to Lowest Level Since 1969," *Bloomberg*, July 23, 2026.
[10] Bureau of Labor Statistics, "Job Openings and Labor Turnover—June 2026," news release, U.S. Department of Labor, August 4, 2026, https://www.bls.gov/news.release/pdf/jolts.pdf.
[11] ADP Research Institute, "Private Sector Employment Increased by 44,000 Jobs in July," ADP National Employment Report, August 5, 2026, https://adpemploymentreport.com/.
[12] NFIB, "Small Business Employment Index Picks Back Up."
[13] Bureau of Labor Statistics, "Employment Situation, June 2026"; "July Jobs Numbers Due Out Friday," CNBC.
[14] Golle, "US Job Growth to Pick Up."
[15] Bureau of Labor Statistics, "Employment Situation, June 2026," Technical Note.
[16] Bureau of Labor Statistics, "Employment Situation, June 2026"; ADP Research Institute, "Private Sector Employment Increased by 44,000 Jobs"; Golle, "US Job Growth to Pick Up."

heat: it would leave the three-month average near 94,000, in line with the second quarter's revised pace.

We are in line with consensus on the unemployment rate at 4.2%, and we retire our standing upside-risk language. For four consecutive reports we flagged risk of a higher rate; the rate instead fell. The mechanism we underweighted is supply: in June the labor force shrank by 720,000 while household employment fell by 507,000, and a rate whose denominator contracts faster than its numerator does not rise.[17] Reference-week claims at a 57-year low argue against any layoff impulse, and NFIB's read is that hiring will be sufficient to hold the rate roughly steady while the labor force stagnates and compensation firms.[18] The risks are now two-sided: a participation rebound toward 61.6% would put 4.3% in play, as UBS expects, while continued withdrawal would put 4.1% in play.[19] We emphasize that this stability is of the wrong kind, purchased by a shrinking labor force with the employment-population ratio at 59.0%, but it is stability nonetheless, and it is what the Committee will see.

We are in line with consensus on wages at 0.3% month-over-month and 3.5% year-over-year, and we upgrade our base discipline to get there. Consistent with the commitment our April Register made to explicit base arithmetic,[20] we now project from current-vintage levels rather than archived releases. The lesson is June's: our last Guard reached 3.7% from the archived June 2025 base of $36.30, and the BLS printed 3.5%, because the current vintage had revised the base up to $36.36 and May 2026 down to $37.51. The archived base cost us two tenths.[21] June 2026 average hourly earnings stand at $37.64; at our projected 0.3% monthly gain, July reaches roughly $37.75. The July 2025 base printed at $36.44 and, allowing for upward drift comparable to the June base's revision, likely sits near $36.48 in the current vintage; against that range our projection yields 3.4% to 3.6%, centered at 3.5%.[22]

The skew, however, is one-sided, and for the first time this year it points up. Every July compensation signal firmed: a net 31% of small-business owners report raising compensation, up three points, a net 19% plan increases, labor quality or availability jumped eight points to 27% as the single most important problem, and ADP reports year-over-year pay for job-changers accelerating to its fastest pace in nearly a year, the classic signature of employers bidding for scarce workers.[23] When demand firms against a shrinking labor force, the adjustment runs through price rather than quantity. A 0.4% month, which would carry the year-over-year figure toward 3.6%, is the live alternative; a 0.2% month is not, in our reading, supported by anything in the July data.

---

[17] Bureau of Labor Statistics, "Employment Situation, June 2026."
[18] NFIB, "Small Business Employment Index Picks Back Up"; U.S. Department of Labor, "Unemployment Insurance Weekly Claims Report."
[19] "July Jobs Report to Show Moderate Hiring Bounce," *Morningstar*.
[20] Register-Guard Capital, *Employment Register 5/8/26* (May 17, 2026).
[21] Register-Guard Capital, *Employment Guard 7/2/26*; Bureau of Labor Statistics, "Employment Situation, June 2026," Table B-3.
[22] Bureau of Labor Statistics, "The Employment Situation—July 2025," news release, U.S. Department of Labor, August 1, 2025, https://www.bls.gov/news.release/archives/empsit_08012025.pdf.
[23] NFIB, "Small Business Employment Index Picks Back Up"; ADP Research Institute, "Private Sector Employment Increased by 44,000 Jobs."

This is the first of two employment readings before the September 15–16 FOMC meeting and it lands on a Committee that has stopped debating cuts. The July hold drew three dissents in favor of a hike, Governor Cook has said she would support tightening if inflation does not improve, and market pricing carries at least one increase by year-end.[24] Our projected report, a supply-capped 95,000 alongside a stable 4.2% rate and non-decelerating wages, does nothing to restrain that impulse; the wage line is the one to watch for the inflation case. The nearer event risk to the payroll narrative itself is the August 28 preliminary benchmark revision, which will re-mark the trend against unemployment-insurance records and, given the direction of this year's monthly revisions, more likely down than up.[25] Our base case remains the hold at 3.50%–3.75% through year-end that we set out on June 17, with the risks to the rate path tilted toward a hike.[26]

[24] Golle, "US Job Growth to Pick Up"; "July Jobs Numbers Due Out Friday," CNBC; "July Jobs Report to Show Moderate Hiring Bounce," *Morningstar*.
[25] Bureau of Labor Statistics, "Employment Situation, June 2026."
[26] Register-Guard Capital, *Federal Reserve Register Guard 6/17/26* (June 17, 2026).