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EMPLOYMENT REGISTER 5/8/26

The April 2026 Employment Situation released by the Bureau of Labor Statistics on May 8, 2026, showed nonfarm payroll growth of 115,000, an unemployment rate unchanged at 4.3%, and average hourly earnings growth of 3.6% year-over-year.¹ Our prediction, published the morning ahead of the release, called for 95,000 jobs, a 4.3% unemployment rate, and 3.5% wage growth.² The FactSet consensus called for 55,000 jobs, 4.3% unemployment, and 3.8% wage growth.³

Scorecard

Nonfarm payrolls:

RGC predicted +95,000.

Consensus predicted +55,000.

Actual was +115,000. RGC missed by 20,000; consensus missed by 60,000.

Unemployment rate:

RGC predicted 4.3%.

Consensus predicted 4.3%.

Actual was 4.3%. Both exact.

AHE year-over-year:

RGC predicted 3.5%.

Consensus predicted 3.8%.

Actual was 3.6%. RGC undershot by 10-basis points; consensus overshoot by 20-basis points.

We got direction right on the headline payroll print (above consensus) and were materially closer to the actual figure than consensus was. We were exact on the unemployment rate. We missed by 10-basis points on year-over-year wages in a direction opposite the consensus error: consensus overshoot at 3.8%, we undershot at 3.5%, and the actual landed in between at 3.6%.

Key Findings

The April report describes a labor market that has decisively cleared the worst of its winter without breaking out into expansion. The 115,000 print, combined with March's upward revision to 185,000 from 178,000, marks the first back-to-back monthly increase in payrolls in

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/archives/empsit_05082026.htm.

² Register-Guard Capital, *Employment Guard 5/8/26* (May 8, 2026).

³ John Butters, "Total Nonfarm Payrolls for April 2026 Are Projected to Rise by 65,000," FactSet Insight, May 5, 2026, <https://insight.factset.com/>.

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nearly a year.⁴ The two-month average is now 150,000 jobs per month.⁵ Both the level of hiring and its breadth across sectors have improved relative to the -156,000 February disaster (revised down from -133,000), and the configuration is no longer one of imminent recession.⁶

At the same time, the labor market is not strong. The labor force participation rate fell to 61.8% from 61.9%, the employment-to-population ratio fell to 59.1% from 59.2%, and the number of people unemployed less than five weeks rose by 358,000 to 2.5 million, a meaningful uptick in fresh layoff activity even as headline claims data remained low.⁷ Federal government employment continued to decline (-9,000 in April, cumulative loss of 348,000 or 11.5% since the October 2024 peak).⁸ Wage growth at 3.6% remains above the pace consistent with 2% inflation given trend productivity, though it has moderated from the post-pandemic surge.

The combination is what economists have for a year called a "low-hire, low-fire" labor market, and the April report is consistent with that label persisting rather than breaking in either direction.

Component Analysis

Payroll growth

The 115,000 increase came from a narrower set of sectors than the headline suggests. Health care added 37,000, in line with its 12-month trend of 32,000 per month, with gains concentrated in nursing and residential care facilities (+15,000) and ambulatory health care services (+11,000).⁹ Transportation and warehousing added 30,000, a notable positive surprise we did not anticipate, and one that partially reverses the sector's year-long decline of 105,000 jobs since February 2025.¹⁰ Retail trade added 22,000, driven by warehouse clubs and supercenters (+18,000) and building material and garden equipment dealers (+13,000), partially offset by department stores (-7,000) and electronics and appliance retailers (-2,000). Social assistance continued its trend at +17,000.¹¹

The drags came where we expected them. Federal government lost 9,000 jobs, milder than our -15,000 to -20,000 projection but consistent with the trajectory.¹² Information lost 13,000, consistent with the technology sector layoff surge captured in the Challenger data we cited (33,361 announced tech cuts in April, with AI cited as the primary driver in 26% of cases).^{13, 14} Manufacturing was essentially flat at -2,000.¹⁵

⁴ Bureau of Labor Statistics, "Employment Situation, April 2026."

⁵ Bureau of Labor Statistics, "Employment Situation, April 2026."

⁶ Bureau of Labor Statistics, "Employment Situation, April 2026."

⁷ Bureau of Labor Statistics, "Employment Situation, April 2026."

⁸ Bureau of Labor Statistics, "Employment Situation, April 2026."

⁹ Bureau of Labor Statistics, "Employment Situation, April 2026."

¹⁰ Bureau of Labor Statistics, "Employment Situation, April 2026."

¹¹ Bureau of Labor Statistics, "Employment Situation, April 2026."

¹² Bureau of Labor Statistics, "Employment Situation, April 2026."

¹³ Bureau of Labor Statistics, "Employment Situation, April 2026."

¹⁴ Register-Guard Capital, *Employment Guard* 5/8/26.

¹⁵ Bureau of Labor Statistics, "Employment Situation, April 2026."

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Our build-up missed in two specific ways. First, we overestimated health care, expecting 60,000 to 80,000 against an actual 37,000. Health care has been running closer to its 12-month trend than the post-strike surge of March (+76,000 originally, now revised), and we extrapolated too aggressively from the March print.¹⁶ Second, we did not anticipate the transportation and warehousing rebound (+30,000), which after a year of declines we had implicitly assumed would continue trending negative or flat.¹⁷ Retail trade also surprised positively. Federal payroll losses were milder than expected, partially compensating.

Revisions:

February revised down by 23,000 to -156,000; March revised up by 7,000 to +185,000.¹⁸ Net, February and March combined are 16,000 lower than previously reported. The March strength held up; the February weakness deepened. The two-month pattern of a weak month followed by a strong month has now produced a positive monthly average.

Unemployment Rate

It held at 4.3% as predicted.¹⁹ The household survey continues to show participation softness: labor force participation fell 0.1 percentage point to 61.8%, and the employment-to-population ratio fell 0.1 to 59.1%.²⁰ Long-term unemployed (jobless 27 weeks or more) was essentially unchanged at 1.8 million and accounted for 25.3% of all unemployed people.²¹ The number of people unemployed less than five weeks rose by 358,000, a fresh-layoff signal worth tracking.²²

The youth and recent graduate cohort continues to look soft. The household survey showed teenage unemployment at 14.4% in April, up from 13.7% in March.²³ We continue to monitor this cohort for signs of either the deterioration the New York Fed Q1 data suggested or the recovery the WSJ/NACE data hinted at.

Wage growth

Average hourly earnings rose 6 cents, or 0.2% month-over-month, to \$37.41, and 3.6% year-over-year.²⁴ Production and nonsupervisory worker wages rose 0.3% to \$32.23. Average weekly hours edged up 0.1 to 34.3.²⁵ The average workweek and the AHE both rising on the month means weekly earnings rose more than hourly earnings, a stronger signal of labor income growth than the headline AHE alone suggests. Despite this though, recent headline CPI and PCE

¹⁶ Register-Guard Capital, *Employment Guard* 5/8/26.

¹⁷ Register-Guard Capital, *Employment Guard* 5/8/26.

¹⁸ Bureau of Labor Statistics, "Employment Situation, April 2026."

¹⁹ Bureau of Labor Statistics, "Employment Situation, April 2026."

²⁰ Bureau of Labor Statistics, "Employment Situation, April 2026."

²¹ Bureau of Labor Statistics, "Employment Situation, April 2026."

²² Bureau of Labor Statistics, "Employment Situation, April 2026."

²³ Bureau of Labor Statistics, "Employment Situation, April 2026."

²⁴ Bureau of Labor Statistics, "Employment Situation, April 2026."

²⁵ Bureau of Labor Statistics, "Employment Situation, April 2026."

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inflation renders the 3.6% year-over-year wage growth as essentially flat in real terms.^{26, 27} We are watching this closely moving forward.

On the Wage Miss:

We predicted 3.5% YoY; actual was 3.6%.^{28, 29} A 10-basis point miss is small in isolation, but the diagnosis matters because we can't fix what we don't understand. Three failures combined to produce it.

The base effect:

AHE in April 2025 was approximately \$36.11, essentially flat from March 2025 at \$36.11.³⁰ Wages did not grow month-over-month in April 2025, an unusual observation that created a favorable base for April 2026 year-over-year comparison.³¹ Even modest April 2026 nominal wage growth would produce a higher YoY reading than the prior month's because the denominator did not advance. We did not look up the April 2025 base level when constructing our prediction; we instead assumed YoY would track the trajectory of the prior month's YoY, which implicitly assumed April 2025 grew from March 2025 at trend pace. It did not. Had we modeled the base effect explicitly, we would have predicted YoY of approximately 3.7% to 3.8% even at our 0.3% MoM forecast, above consensus, not below. The directional flip on this measure was entirely attributable to the omitted base.

Over-weighting deceleration signals:

Our framework cited four data points as evidence of easing wage pressure: Q1 ECI at +0.7%, ADP job-stayer slowdown to 4.4% from 4.5%, NFIB compensation gains down 3 points, and prior-month AHE deceleration to 3.5% from 3.7%.³² Each of these is a directional MoM signal. None of them speaks to the base year. By stacking four directional signals all pointing the same way, we generated false confidence in a downward YoY move that the underlying arithmetic did not support. Consensus, working from less-articulated heuristics, ended up too high (3.8%) but for the right reason: consensus did not over-extrapolate the deceleration narrative.

The corrective methodology refinement is straightforward and will be incorporated into future Guards: explicit base-year level lookup for any year-over-year projection, and quantitative composition arithmetic rather than directional handwaving.

²⁶ Bureau of Labor Statistics, "Consumer Price Index—April 2026," news release, U.S. Department of Labor, May 12, 2026, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

²⁷ Bureau of Economic Analysis, "Personal Income and Outlays, March 2026," news release, U.S. Department of Commerce, April 30, 2026, <https://www.bea.gov/sites/default/files/2026-04/pi0326.pdf>.

²⁸ Bureau of Labor Statistics, "Employment Situation, April 2026."

²⁹ Register-Guard Capital, *Employment Guard* 5/8/26.

³⁰ Bureau of Labor Statistics, "Employment Situation, April 2026."

³¹ Bureau of Labor Statistics, "Employment Situation, April 2026."

³² Register-Guard Capital, *Employment Guard* 5/8/26.

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Macro Implications

This report cuts cleanly against the case for a near-term rate cut. The April 29 FOMC meeting concluded with an 8-4 vote to hold the target range at 3.50% to 3.75%, with three of the four dissents arguing against retaining the easing bias in the statement.³³ Those three, Cleveland's Hammack, Minneapolis's Kashkari, and Dallas's Logan, have been signaling that they view labor market weakness as less severe than headline payroll prints suggested. The April report validates their view. Two consecutive months of positive payroll growth, a stable unemployment rate, and wage growth that did not decelerate as the dovish narrative required all reduce the urgency for a cut and likely cement the September meeting as the earliest realistic window.

The transition to the Warsh chairmanship has arrived. Powell's last meeting on May 15 handed over a labor market that, as of this morning, is no longer a coherent argument for easing. Warsh inherited a Committee where the median voter appears to be at 3.50–3.75% indefinitely absent further inflation deceleration or a clean break lower in employment.

For RGC's medium-term outlook, this report supports the position we took in our January FRRG endorsing the Fed's hold. Inflation control remains the binding constraint. The labor market is weakening at a pace the Committee can tolerate, and the post-Special-Note recession scenario we outlined on March 11 has receded as the probability-weighted base case. We are not yet ready to retract that scenario, two months of stabilization is not a trend, and the credit-market deterioration we flagged in the Special Note remains in motion, but the labor portion of the recession argument has weakened materially.

For markets, the report should support the long end of the curve modestly (no near-term cut means term premium can settle), pressure rate-sensitive equities at the margin, and remove some of the bid for credit-quality flight. The dollar should firm. None of these moves are likely to be large.

Forward Look

Three things to watch in the next month. First, the May Employment Situation (June 5) will determine whether April was a one-month rebound or a two-month trend. We need to see the May payroll print confirm the level of hiring rather than reverting to February's pattern. Second, the May ADP report (June 3) will give us an early read on the private-sector trajectory. Third, the JOLTS report for April (June 2) will tell us whether the surge in March hires was a one-month catch-up or an inflection in the labor market's flow dynamics.

³³ Register-Guard Capital, *Federal Reserve Register Guard 4/29/26* (April 29, 2026).