

Register-Guard Capital

EMPLOYMENT REGISTER 7/2/26

The June 2026 Employment Situation released by the Bureau of Labor Statistics on July 2, 2026, showed nonfarm payroll growth of 57,000, an unemployment rate of 4.2%, and average hourly earnings growth of 3.5% year-over-year.¹ Our prediction, published the morning ahead of the release, called for 110,000 jobs, a 4.3% unemployment rate, and 3.7% wage growth.² The FactSet consensus called for 100,000 jobs, 4.3% unemployment, and wage growth of 0.3% on the month, or roughly 3.7% year-over-year.³

Scorecard

Nonfarm payrolls:

RGC predicted +110,000.

Consensus predicted +100,000.

Actual was +57,000. RGC missed by 53,000; consensus missed by 43,000.

Unemployment rate:

RGC predicted 4.3%.

Consensus predicted 4.3%.

Actual was 4.2%. Both overshoot by 10-basis points.

AHE year-over-year:

RGC predicted 3.7%.

Consensus predicted 3.7%.

Actual was 3.5%. Both overshoot by 20-basis points.

By the scorecard convention we use in these pages, we matched the consensus on two of three measures and trailed it on the third. The central message of the Guard, deceleration from May's one-off-inflated pace, was right and arrived faster than we priced: we called the direction of every one of May's reversals and underestimated the size of the largest. The unemployment rate fell rather than held, for a reason we had named as a risk in the other direction, and the wage call was undone by a revision to the base rather than by the month.

Key Findings

The June report describes a labor market that has slowed to its trend and whose trend is low. The 57,000 gain is roughly in line with the average monthly change of the prior twelve months, 36,000, and it arrived with April and May revised down by a combined 74,000, to 148,000 and 129,000; May's 172,000, the print that had beaten every forecast a month ago, is now 129,000.⁴ The unemployment rate fell to 4.2%, its lowest in a year, but the labor force participation rate fell 0.3 percentage point to 61.5% and the employment-population ratio slipped

¹ Bureau of Labor Statistics, "The Employment Situation—June 2026," news release, U.S. Department of Labor, July 2, 2026.

² *Register-Guard Capital*, Employment Guard 7/2/26 (July 2, 2026).

³ FactSet consensus as cited in *Register-Guard Capital*, Employment Guard 7/2/26.

⁴ Bureau of Labor Statistics, "Employment Situation, June 2026," Table B-1 and text on revisions.

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to 59.0%, so the improvement in the rate came from people leaving the labor force rather than finding work.⁵ Average hourly earnings rose 13 cents, or 0.3%, to \$37.64, and 3.5% over the year, a pace that, against headline inflation of 4.2% in May, leaves real earnings falling.⁶ Long-term unemployment stands at 1.9 million, up 286,000 over the year, and accounts for 27.3% of the unemployed.

Six months into the year, the labor market has traced a V and then a slope. February's decline of 156,000, the weakest print since the pandemic, gave way to March's rebound of 185,000 and a spring in which April and May, on the figures first published, appeared to add 179,000 and 172,000; on the revised figures they added 148,000 and 129,000, and June added 57,000. The three-month average has fallen from roughly 150,000 in the spring to 111,000, and the twelve-month average sits at 36,000, which is to say the spring was the exception and June is the rule. The unemployment rate has held between 4.2% and 4.3% since March while participation has fallen from 61.9% in March to 61.5%, a labor force that is shrinking into its unemployment rate rather than growing into it.⁷ Wage growth has run between 3.4% and 3.6% over the year through the spring and printed 3.5% in June, with the monthly pace steady at 0.2% to 0.3%. The configuration we have called low-hire, low-fire since the winter has held on the firing side and weakened on the hiring side; what has changed since the spring is that the supply of labor is now contracting as fast as the demand for it, which is why a 57,000 month can coincide with a falling unemployment rate.

Component Analysis

Payroll growth

Private payrolls rose 49,000 and government 8,000. Professional and business services added 36,000, and has added 172,000 since its October 2025 low; social assistance added 25,000, above its twelve-month average of 16,000, concentrated in individual and family services; health care added 22,000, below its twelve-month average of 38,000, with hospitals contributing 9,000. Leisure and hospitality fell 61,000 on weaker than usual seasonal hiring and has shown little net change for the year. Construction added 11,000, manufacturing 3,000, other services 8,000; information lost 9,000; retail, transportation, financial activities, and wholesale trade were essentially flat. Government added 8,000: federal 2,000, state 4,000, local 2,000, with local education down 1,000.⁸

Our build missed in one place and that place was large. We carried an education-and-health engine near 55,000 and it delivered 47,000; we carried government in single digits and it delivered 8,000; we carried professional and business services soft and it delivered 36,000, our largest favorable error. Private payrolls excluding leisure and hospitality rose roughly 110,000, which is almost exactly the underlying pace we said May's scaffolding concealed. The miss is

⁵ Bureau of Labor Statistics, "Employment Situation, June 2026," Table A-1.

⁶ Bureau of Labor Statistics, "Employment Situation, June 2026," Table B-3; Bureau of Labor Statistics, "Consumer Price Index—May 2026," news release, June 10, 2026.

⁷ *Register-Guard Capital*, Employment Register 5/8/26 (May 8, 2026); Bureau of Labor Statistics, "Employment Situation, June 2026," Tables A-1 and B-1.

⁸ Bureau of Labor Statistics, "Employment Situation, June 2026," Table B-1.

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leisure and hospitality. We wrote that the sector would decelerate sharply from a May surge we had identified as World Cup and Memorial Day timing; it did not decelerate, it reversed, falling 61,000 in a month, and that single line is more than the whole of our 53,000 miss. What the components say about the economy is that hiring has narrowed to two engines, professional services and the care sector, and that the seasonal industries are no longer adding on schedule: a market that is not shedding workers but is not competing for them either, with employers filling the roles they must and leaving the rest.

Revisions

April was revised down by 31,000 to 148,000 and May by 43,000 to 129,000, a combined 74,000. The revision pattern has turned: March was revised up a month ago, and the two months since have both come down. May's local government surge of roughly 52,000, which we identified as election-related and seasonal, survived the revision in part, and its reversal in June, local government up just 2,000, is the second of May's one-offs that unwound on schedule.

Unemployment rate

It fell to 4.2% against our 4.3%, the lowest rate in a year, and it fell for the reason we had flagged as the risk in the other direction. The labor force participation rate dropped 0.3 point to 61.5%, the employment-population ratio dropped 0.2 to 59.0%, and household employment fell; the number of unemployed, at 7.1 million, changed little.⁹ We wrote that participation near 61.8% had drifted lower in a way that mechanically restrains the rate and then carried the risk one way, to 4.4%, on the strength of rising continued claims and lengthening durations; the household survey instead delivered the withdrawal scenario, and the rate improved because the denominator left faster than the numerator. The number working part time for economic reasons was little changed at 4.7 million, and the marginally attached at 1.8 million. The teenage unemployment rate, at 14.6%, remains the softest cohort in the survey. The reading is a supply story: an economy where the people leaving the labor force are not being replaced by new entrants is one where a low unemployment rate says less about demand than it used to, and where wage pressure comes from scarcity of workers rather than from the pace of hiring.

Wage growth

Average hourly earnings rose 13 cents, or 0.3%, to \$37.64, and 3.5% over the year. Production and nonsupervisory earnings rose 7 cents, or 0.2%, to \$32.38. The average workweek was unchanged at 34.3 hours.¹⁰ The monthly figure and the dollar level were exactly what we projected: we wrote that a 0.3% month would take earnings to roughly \$37.64, and it did. The annual rate printed two-tenths below our 3.7% because the base moved beneath the calculation twice. May's level was revised down from \$37.53 to \$37.51, and the June 2025 base in the current vintage is \$36.36, not the \$36.30 we took from the archived June 2025 release; on the current base, \$37.64 is 3.5%, and our own 0.3% month would have produced 3.5% as well. The wage reading for the economy is the same one the household survey gives: earnings growth near

⁹ Bureau of Labor Statistics, "Employment Situation, June 2026," Table A-1 and Summary table A.

¹⁰ Bureau of Labor Statistics, "Employment Situation, June 2026," Tables B-2 and B-3.

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3.5% with the workweek flat is neither accelerating nor collapsing, it is the price of retaining workers in a market where nobody is bidding for new ones, and at 3.5% against headline inflation above 4%, it is a real pay cut.

On the Miss

We predicted 110,000, 4.3%, and 3.7%; actual was 57,000, 4.2%, and 3.5%. The payroll miss is one component: leisure and hospitality, which we carried as decelerating and which fell 61,000. The rest of the build was within 10,000 of the print in aggregate, and private payrolls excluding that sector rose at the roughly 110,000 pace we identified as May's underlying trend. We found the right mechanism, a May surge that was timing rather than demand, and priced its unwind as a slowdown instead of a reversal; a one-off that adds 40,000 in one month does not decelerate the next month, it subtracts. The unemployment miss is the participation channel we named and carried in the wrong direction. The wage miss is the base: we reached 3.7% by explicit arithmetic, as the May Register required, and the arithmetic was right on the month and wrong on the vintage, because the June 2025 level we used came from the archived release rather than the current series.

Methodology

Three corrections, each tied to a line in this report. First, base levels for any year-over-year projection are taken from the current vintage of the series, not from the archived release for the base month. The May Register required an explicit base lookup; this report shows that the lookup must be to the revised level, because the Bureau revises the prior year's levels with each annual benchmark and the archived release is not what the year-over-year rate will be computed against. On the current vintage our wage projection was 3.5%, which printed. Second, when a prior month's surge in a sector has been identified as timing, the following month carries a reversal at the size of the surge, not a deceleration toward trend. May's leisure and hospitality gain was timing; June's reversal was larger than the gain, and a build that carried the sector at minus 40,000 rather than plus 10,000 would have put the headline near 60,000. Third, the unemployment rate is carried with a two-sided range that models the labor force flow explicitly. Participation has fallen 0.4 point since March, and a rate that can fall on withdrawal as easily as it can rise on layoffs is not a rate to which we should attach one-sided risk. Applied together, the three corrections give a build near 60,000, 4.2% to 4.4%, and 3.5%, against a print of 57,000, 4.2%, and 3.5%.

Macro Implications

The report lands three weeks before the July 28 to 29 meeting and does not change the case we set out on June 17, that the Committee holds at 3.50% to 3.75% and that inflation, not employment, is the binding constraint.¹¹ A 57,000 month with the unemployment rate at a one-year low, wages at 3.5%, and participation falling is not the labor-market deterioration that would move a Committee whose median voter has been at the current range since December, and it is not the heat that would justify the hike the market has begun to price for the autumn. What

¹¹ *Register-Guard Capital*, Federal Reserve Register Guard 6/17/26 (June 17, 2026).

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the report does is remove the spring's payroll strength from the argument on both sides: the case for tightening now rests on the May CPI's 4.2% headline and on what the June CPI shows on July 14, and the case for easing rests on nothing in this release. We expect the July statement to hold and to keep the easing bias out, and we expect the debate inside the Committee to be about energy, the Strait, and the tariff pass-through rather than about jobs. For markets, the report should hold the front end where it is, ease the two-year at the margin as the hike case loses its labor leg, and do little for the dollar.

Forward Look

Three things to watch in the next month. First, the June Consumer Price Index on July 14, which will carry the pump-price reversal that followed the ceasefire and decide whether the headline rate retreats from 4.2%; it is the report the Committee will be reading on July 28. Second, the June JOLTS report, which will tell us whether hires held at 5.2 million and whether the quits rate, at 1.9%, has begun to recover; a labor market that is contracting on the supply side should show it first in openings per unemployed. Third, the July Employment Situation on August 7, where leisure and hospitality's reversal will either complete or begin to give back, and where the local government education seasonals that distorted last July will be in play again.

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