

Register-Guard Capital

EMPLOYMENT REGISTER 8/7/26

The July 2026 Employment Situation released by the Bureau of Labor Statistics on August 7, 2026, showed a nonfarm payroll decline of 23,000, an unemployment rate of 4.1%, and average hourly earnings growth of 3.2% year-over-year.¹ Our prediction, published ahead of the release, called for growth of 95,000 jobs, a 4.2% unemployment rate, and 3.5% wage growth.² The Bloomberg survey consensus called for 85,000 jobs, 4.2% unemployment, and 3.5% wage growth;³ the FactSet consensus sat higher at 100,000.⁴

Scorecard

Nonfarm payrolls:

RGC predicted +95,000.

Consensus predicted +85,000.

Actual was -23,000. RGC missed by 118,000; consensus missed by 108,000.

Unemployment rate:

RGC predicted 4.2%.

Consensus predicted 4.2%.

Actual was 4.1%. Both overshoot by 10-basis points.

AHE year-over-year:

RGC predicted 3.5%.

Consensus predicted 3.5%.

Actual was 3.2%. Both overshoot by 30-basis points.

This is our weakest scorecard since we began publishing. We matched consensus on the unemployment rate and on wages, and both marks were wrong. On payrolls we were not only farther from the actual than consensus but positioned in the wrong direction: we published above the Bloomberg median into the first negative print since February. “Better than or equal to consensus on two of three measures” is technically accurate and analytically hollow, we were strictly better on none, and our two distinctive calls this month, the leisure and hospitality rebound and the one-sided upside skew on wages, both failed. The diagnosis follows.

Key Findings

¹ Bureau of Labor Statistics, “The Employment Situation, July 2026,” news release, U.S. Department of Labor, August 7, 2026, <https://www.bls.gov/news.release/pdf/empst.pdf>.

² *Register-Guard Capital*, Employment Guard 8/7/26 (August 7, 2026).

³ 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>; “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>.

⁴ “July Jobs Report to Show Moderate Hiring Bounce,” Morningstar, August 5, 2026, <https://www.morningstar.com/economy/july-jobs-report-show-moderate-hiring-bounce>.

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The July report describes a labor market whose stall is no longer confined to hiring. The 23,000 decline is the first negative monthly print since February, the three-month average has fallen to 20,000 against a prior-12-month average of 34,000, and May and June were revised down by a combined 103,000, the third consecutive report to deliver net downward revisions, with 177,000 of spring and summer job growth now revised away across the last two.⁵

The headline overstates July's deterioration in one respect and understates the trend in another. Private payrolls rose 30,000; the negative headline owes to a 53,000 government decline concentrated in local education (−50,000), a series that had shown little net change over the prior 12 months, and which economists broadly read as a seasonal-adjustment misfire likely to partially reverse.⁶ But beneath the quirk, the private diffusion index fell to 51.8, barely more industries adding than cutting, the labor force is 1.3 million smaller than a year ago, and wage growth at 3.2% is the slowest since May 2021.⁷ The low-hire, low-fire label we have applied all year is beginning to strain on its second word: the number of unemployed on temporary layoff jumped 153,000 to 921,000.⁸

Seven months into the year, the trend has turned over. On the current vintage, February fell 156,000, March rebounded 185,000, April and May added 148,000 and 63,000, June added 20,000, and July subtracted 23,000; the three-month average has gone from 150,000 in the spring to 20,000, and the twelve-month average of 34,000 now describes the whole year rather than its weak months.⁹ The household side has moved the other way for the wrong reason: the unemployment rate has fallen from 4.3% in the spring to 4.1% while participation has fallen 0.7 point since January to 61.4%, and the labor force is 1.3 million smaller than a year ago. Wage growth has decelerated from 3.6% in April to 3.2%, the slowest since May 2021, with the monthly pace slipping from 0.3% to 0.05%. Through the spring the story was a market that had cleared its winter and was adding at trend; since June it is a market where demand has met a supply wall and both have stopped moving, and the direction of our own errors has flipped with it, from undershooting the spring to overshooting the summer.

Component Analysis

Payroll growth

Health care added 22,000, below its 12-month average of 36,000, with the gain concentrated in ambulatory services (+18,000); hospitals were flat. Social assistance, the most reliable single contributor of the past year, added fewer than 1,000, it essentially stalled. Professional and business services added 18,000. Construction added 22,000 on nonresidential

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

⁶ "Here Are Three Key Takeaways from the Disappointing July Jobs Report," CNBC, August 7, 2026, <https://www.cnbc.com/2026/08/07/here-are-three-key-takeaways-from-the-disappointing-july-jobs-report.html>.

⁷ Bureau of Labor Statistics, "Employment Situation, July 2026"; "Jobs Report July 2026: U.S. Economy Unexpectedly Lost 23,000 Jobs in July," CNBC, August 7, 2026, <https://www.cnbc.com/2026/08/07/jobs-report-july-2026.html>.

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

⁹ Bureau of Labor Statistics, "Employment Situation, July 2026," Table B-1; *Register-Guard Capital*, Employment Register 5/8/26 (May 8, 2026) and Employment Register 7/2/26 (July 2, 2026).

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strength. Information added 11,000, led by motion picture and sound recording (+10,000). Retail lost 19,000, concentrated in warehouse clubs and supercenters (-21,000). Financial activities lost 14,000 and is down 121,000 from its May 2025 peak. Leisure and hospitality lost 40,000, food services -26,000; arts, entertainment, and recreation -16,000, its second consecutive decline. Government subtracted 53,000: local education -50,000, federal -3,000, state +7,000.¹⁰

Our build-up missed in three specific ways. First, local government education. We wrote that July seasonal factors are treacherous, “education timing above all,” and then carried a -5,000 government estimate anyway; the sentence was right and the number ignored it.¹¹ Local education alone subtracted 50,000, roughly 48,000 of our 118,000 miss. That the drop is likely timing rather than genuine separations, and may partially reverse in August, is mitigating context, not exculpation, the same logic was available to us Thursday.¹²

Second, the World Cup. Our signature call, that the establishment reference period, ending the day before the final, captured peak tournament staffing and deferred the unwind to August, was wrong by 55,000: leisure and hospitality fell 40,000 against our +15,000.¹³ June’s revised figure (-43,000, from -61,000) now reads as the first leg of a rolling unwind already underway, not a one-off shortfall that had right-sized the sector. We fought a trend and called it timing. Bloomberg Economics had this right, and we disagreed with them in print, which makes the miss instructive rather than unlucky: a distinctive timing call against a reasoned consensus view requires corroborating high-frequency evidence, event-staffing data, WARN filings, and we had none.¹⁴

Third, the engine slowed. We carried education, health care, and social assistance at roughly 55,000; the group produced roughly 25,000, with health care below trend and social assistance flat. Half the market’s reliable growth is one super-sector, and when it decelerates there is no second engine, a concentration risk we have described in every publication since April and then priced at trend anyway.¹⁵ Construction (+22,000) and information (+11,000) surprised in our favor and trimmed the miss; professional and business services, at 18,000 against our 20,000, was the one component we priced accurately.

What the components say about the economy is concentration. Two sectors, health care and social assistance, have supplied most of the year’s private gains, and in July one slowed and the other stopped; the cyclical sectors that should carry an expansion, construction, manufacturing, retail, and finance, were flat to negative; and the government figure is a seasonal artifact sitting on a structural federal decline. This is a market with no second engine, and the payroll headline will now swing on timing quirks and on whether the care sector holds, not on the business cycle.

¹⁰ Bureau of Labor Statistics, “Employment Situation, July 2026.”

¹¹ *Register-Guard Capital*, Employment Guard 8/7/26.

¹² “Three Key Takeaways,” CNBC.

¹³ Bureau of Labor Statistics, “Employment Situation, July 2026”; *Register-Guard Capital*, Employment Guard 8/7/26.

¹⁴ Golle, “US Job Growth to Pick Up”; *Register-Guard Capital*, Employment Guard 8/7/26.

¹⁵ Bureau of Labor Statistics, “Employment Situation, July 2026”; *Register-Guard Capital*, Employment Guard 7/2/26 (July 2, 2026).

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Revisions

May revised down by 66,000 to +63,000; June revised down by 37,000 to +20,000. Combined, May and June are 103,000 lower than previously reported.¹⁶ The claim in our last Guard that June's private payrolls excluding leisure and hospitality rose roughly 110,000 is, in the current vintage, roughly 73,000; the underlying pace we cited was partly a data-vintage artifact. We flagged the August 28 preliminary benchmark revision as more likely down than up. The monthly revision pattern continues to argue that direction.¹⁷

Unemployment rate

It fell to 4.1% against our 4.2%. This was the scenario we flagged, “continued withdrawal would put 4.1% in play”, and it arrived by exactly that mechanism: the labor force contracted by 264,000, participation fell to 61.4%, down 0.7 percentage point since January, and the employment-population ratio slipped to 58.9%. Household employment fell 87,000; the rate improved because the denominator left faster.¹⁸ Two wrinkles complicate the wrong-kind-of-stability story, one hopeful and one not. Teenage unemployment plunged to 12.1% from 14.6%, with teen employment rising, the first genuinely good household-survey print for the young cohort we have tracked since spring. And the temporary-layoff jump to 921,000 is consistent with event-driven separations in leisure and hospitality; if those recalls do not materialize, the low-fire half of the freeze is ending.¹⁹

The reading is that the unemployment rate has stopped measuring slack. With participation at 61.4% and the labor force a million smaller than a year ago, a 4.1% rate describes a shrinking pool rather than a tight one, and the temporary-layoff jump is the first sign that the firing side of the freeze is thawing even as the rate improves.

Wage growth

Average hourly earnings rose 2 cents, or 0.05%, to \$37.62, the weakest monthly print of the year, and 3.2% year-over-year, the slowest since May 2021.²⁰ Production and nonsupervisory wages rose 4 cents to \$32.40, and the average workweek held at 34.3 hours, leaving aggregate weekly payrolls up just 0.1%. The softness sat where the employment weakness sat: private service-providing earnings rose one cent while goods-producing rose thirteen, and earnings levels fell outright in leisure and hospitality, retail trade, financial activities, and private education and health services.²¹ At 3.2%, nominal wage growth now runs below recent headline inflation prints; real hourly earnings are shrinking.²²

¹⁶ Bureau of Labor Statistics, “Employment Situation, July 2026.”

¹⁷ *Register-Guard Capital*, Employment Guard 8/7/26.

¹⁸ Bureau of Labor Statistics, “Employment Situation, July 2026”; *Register-Guard Capital*, Employment Guard 8/7/26.

¹⁹ Bureau of Labor Statistics, “Employment Situation, July 2026.”

²⁰ Bureau of Labor Statistics, “Employment Situation, July 2026”; “Jobs Report July 2026,” CNBC.

²¹ Bureau of Labor Statistics, “Employment Situation, July 2026.”

²² *Register-Guard Capital*, Inflation Guard 7/14/26 (July 14, 2026).

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The reading for the economy is that the wage channel to inflation is closed. Employers are paying for the scarce workers they must hire and holding the line on everyone else, service-sector earnings are flat, and real hourly earnings are shrinking; whatever keeps the Committee from easing, it is not labor cost.

On the wage miss

We predicted 3.5%; the actual was 3.2%. The 30-basis-point decomposition: roughly one tenth came from vintage, June's level was revised down 4 cents to \$37.60, so even our predicted 0.3% month would have produced 3.4%, and two tenths from the month itself, which delivered 0.05% against our 0.3%. The base-arithmetic upgrade from the April Register worked as designed: we projected the current-vintage July 2025 base at \$36.48, and it printed at \$36.47.²³ The machinery was right; the input was wrong.

The input error repeats April's, with the sign flipped. In April we stacked four directional deceleration signals and undershot; in July we stacked the NFIB compensation nets and ADP's job-changer pay acceleration and declared the risk one-sided to the upside, writing that a 0.2% month was not, in our reading, supported by anything in the July data. The actual was 0.05%.²⁴ The structural lesson we should have drawn in April and now do: survey compensation nets and job-changer pay describe the churn-exposed margin of the market. In a market where quits sit at 2.0% and hiring is frozen, that margin is thin, and the CES average is dominated by job-stayers whose pay employers face no bidding pressure to move.²⁵ Employers are paying up for the scarce workers they must hire and holding the line on everyone else, which is precisely what a demand-against-a-supply-wall market should produce, and which we described correctly while pricing it incorrectly. Cross-survey wage signals therefore join ADP payroll levels in the demoted tier: read for breadth and mechanism, never carried into the point estimate at full weight.

Implications and the Path Forward

The market read the report the way the configuration demands: rate-hike odds cooled.²⁶ The Committee that held 9–3 in late July, with several officials publicly open to a September increase if inflation does not ease, now confronts a negative payroll print, decelerating wages, and an unemployment rate falling for the wrong reasons.²⁷ Nothing in this report supplies the labor-side heat a hike case wants, and the wage deceleration subtracts from it. Our June 17 base case of a hold at 3.50%–3.75% through year-end is strengthened, though inflation, not employment, remains the binding constraint and the deciding data.²⁸ The calendar from here: the

²³ *Register-Guard Capital*, Employment Register 5/8/26.

²⁴ *Register-Guard Capital*, Employment Guard 8/7/26.

²⁵ 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>.

²⁶ "Weak July Jobs Report Cools Rate-Hike Odds," *Kiplinger*, August 7, 2026, <https://www.kiplinger.com/investing/economy/jobs-report-july-2026-what-to-expect>.

²⁷ "Jobs Report July 2026," CNBC.

²⁸ *Register-Guard Capital*, Federal Reserve Register Guard 6/17/26 (June 17, 2026).

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preliminary benchmark revision on August 28, which we expect to skew the trend down; the August Employment Situation on September 4, where the local-education quirk may partially reverse and the leisure and hospitality unwind completes; and the FOMC on September 15–16.²⁹

The corrections are set out below.

Methodology

Three corrections, each tied to a line in this report. First, seasonal-quirk months receive scenario-weighted treatment rather than a point estimate carried at full confidence. July's local government education line, which we named as treacherous and then carried at a single figure, is the case: a build that weighted a large negative seasonal at even a third would have carried government near minus 20,000 rather than minus 5,000. Second, any timing call made against a reasoned consensus view requires corroborating high-frequency evidence before publication. Our World Cup call was a mechanism without a measurement; event-staffing data, WARN filings, or the state-level claims would have been the evidence, and without them the call is not published. Third, cross-survey compensation signals, the NFIB compensation nets and ADP's job-changer pay, are demoted to the tier where ADP payroll levels already sit: read for breadth and mechanism, never carried into the point estimate at full weight, because they describe the churn-exposed margin of a market in which churn has stopped. Applied together, the three corrections give a payroll build near 40,000 to 50,000, a two-sided unemployment range of 4.1% to 4.3%, and a wage projection of 3.3% to 3.4%, against a print of minus 23,000, 4.1%, and 3.2%. Still high, but on the right side of the consensus on every measure, which is the test. The framework's core reading, demand against a supply wall, survived July; nearly every number we hung on it did not. The corrections target the numbers.

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²⁹ Bureau of Labor Statistics, "Employment Situation, July 2026."

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