

Economics

ECONOMIC FLASH!

economics.cibccm.com

July 3, 2025

US Non-farm payrolls: Nothing to write home about

by **Ali Jaffery** ali.jaffery@cibc.com

Employment change (thousands, unless otherwise noted)	Jun 25	May 25	Apr 25	Mar 25	Feb 25
Unemployment rate (%)	4.1	4.2	4.2	4.2	4.1
Avg. hrly earn all (Monthly % Chg)	0.2%	0.4%	0.2%	0.3%	0.2%
Avg. wkly hour all (Monthly % Chg)	-0.1%	0.4%	0.2%	0.6%	0.5%
Nonfarm employment	147	144	158	120	102
Total private	74	137	133	114	107
Goods-producing	6	-4	2	5	24
Construction	15	6	0	5	12
Manufacturing	-7	-7	0	1	8
Priv. Serv providing	68	141	131	109	83
Wholesale trade	-6.6	3.7	1.3	-4.8	7
Retail trade	2.4	-7.1	4.7	16.4	-4
Transp. & Warehousing	7.5	4.5	-7.6	-20.7	18
Information	3	5	1	-2	0
Financial	3	10	5	3	15
Business services	-7	0	27	-11	15
Temporary help	-2.6	-5.7	16.9	-14.3	-2
Education, health	51	83	85	65	65
Leisure, hospitality	20	29	18	45	-34
Government	73	7	25	6	-5
Federal Government	-7	-25	-13	-11	-13

Source: Haver Analytics

- The headline job numbers looked solid in June but underneath the hood, the story was not as great. Payrolls came in at a 147K pace in June, above pessimistic expectations of 106K and the prior two months were revised up by +16K, resulting in the three-month average job gain tally now at 150K, up from the 135K thought at the time of the May release. Federal government job losses and weak manufacturing employment continued, but today's report was flattered by strong state and local government hiring, especially in state educational services that does not look durable. Private sector hiring was pretty soft and wage growth edged down a notch below expectations to 0.2% m/m. But that being said, the unemployment rate ticked down by two notches to 4.1%, whereas consensus expected a rise to 4.3%. Some of that is due to lower participation but overall, the labor market is still in decent shape and not far from full employment. That still gives the Fed the luxury to wait-and-see what happens with inflation. We continue to expect they will ease policy in December of this year.

- Government hiring and healthcare/social assistance were the main forces driving job growth in the payroll survey. Together, they accounted for close to 90% of job gains in June. State government hiring in educational services (+40K) surged in June in seasonally adjusted terms, but it declined as one would expect on a non-seasonally adjusted basis. It's very hard to decipher what exactly is happening there, but the trend has been gradually higher summer employment in state educational services, perhaps reflecting the large past increase in population, available state funding and the need for catch-up after hiring in this category was depressed for the three pandemic years.
- But beyond that potentially idiosyncratic force, private sector hiring looked fairly depressed with the weakest private service employment (+68K) report since October of last year. Amongst cyclical sectors, only leisure and hospitality showed meaningful employment gains in the month. The trend in private employment is clearly down, being weighed down by fading population growth and trade tensions. Average hours worked ticked down too, and when you put together all the ingredients, wage income was essentially flat in the economy in June. That portends further soft consumption growth ahead.
- The household survey was mixed, with the jobless rate declining in part because young (16-24) and older workers (55+) are exiting the labor force, but also due to a modest rise in employment (+93K). Prime-age participation remains stellar (+83.5%) and adult population growth is still holding up in the survey, although it doesn't have a great track record. But one can't conclude from looking at the household survey that the job market health is at major risk. Population ageing should imply a further decline in participation, and the jobless rate is still telling us that despite supply and demand both moving down, they are doing so together keeping the labor market still roughly in balance.
- The Fed will take this as more sign of a controlled structural slowdown in the economy, implying limited feedback to inflation from the job market. The job market could start to look worse between now and September, but inflation could also rise, and we expect Powell to channel his inner Volker and resist easing until he is confident that tariff pass-through means a temporary blip to prices, and the knock-on impacts to inflation expectations and service prices are modest. That we expect will materialize close to the end of the year.

Implications & actions

Re: Economic forecast — Today's data are telling us the job market is in decent health but the labor market clearly slowing and today's report was flattered by state and local government hiring that could fade in the coming months. It's nothing to write home about. Wage income growth in June was weaker implying modestly weaker consumption growth ahead. Our Q2 tracking is at 2.2%.

Re: Markets — The market was clearly worried about a bad job report today as yields and the dollar rose in reaction to the solid headline job numbers.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC