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US Non-farm payrolls (June): Job gains cooled from strong spring spurt

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Employment change (thousands, unless otherwise noted)	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026
Unemployment rate (%)	**4.2**	4.3	4.3	4.3	4.4
Avg. hrly earn all (Monthly % Chg)	**0.3%**	0.3%	0.2%	0.2%	0.3%
Avg. wkly hour all (Monthly % Chg)	**0.3%**	0.3%	0.5%	-0.1%	0.3%
Nonfarm employment	**57.0**	129.0	148.0	214.0	-156.0
Total private	**49.0**	97.0	150.0	202.0	-148.0
Goods-producing	**10.0**	7.0	6.0	33.0	-21.0
Construction	**11.0**	6.0	3.0	15.0	-21.0
Manufacturing	**3.0**	-2.0	-1.0	15.0	1.0
Priv. Serv providing	**39.0**	90.0	144.0	169.0	-127.0
Wholesale trade	**2.4**	3.6	0.6	-1.7	8.4
Retail trade	**-7.5**	8.2	23.5	9.6	-0.3
Transp. & Warehousing	**2.3**	4.4	39.4	25.1	-45.5
Information	**-9.0**	-4.0	-6.0	1.0	-23.0
Financial	**0.0**	-22.0	-6.0	-17.0	2.0
Business services	**36.0**	11.0	20.0	28.0	4.0
Temporary help	**9.3**	-0.5	10.5	8.0	1.7
Education, health	**69.0**	45.0	67.0	95.0	-49.0
Leisure, hospitality	**-61.0**	40.0	-7.0	44.0	-31.0
Government	**8.0**	32.0	-2.0	12.0	-8.0
Federal Government	**2.0**	3.0	-1.0	-7.0	4.0

Source: Haver Analytics

- Hiring dipped lower in the US in June, with 57K jobs added, below the 113K consensus expectation. The unemployment rate ticked down a touch to 4.2% from 4.3% in May, as the labour force shrank by over 700K in June. This led to the labour force participation rate plunging lower to 61.5% from 61.8% in May. The private sector added 49K jobs, led by health care/social assistance adding 47K and professional and business services (36K), while leisure and hospitality contracted by 61K, more than reversing the 40K gains from the previous month. Government only added 8K jobs. Local government, which experienced a 33K increase in the previous month, only added 2K jobs in June. Average weekly hours worked remained the same in June as in May. Wage growth remained at 0.3% m/m, the same as May. Overall, the report suggests that the US labor market remains in balanced territory, with unemployment rate remaining low at 4.2% as labour demand roughly matches labour supply.

- Negative revisions are back, as May job gains were revised down by 43K from 172K to 129K. April was revised down by 31K from 179K to 148K. Combined, employment in April and May is 74K lower than previously reported.
- The goods sector posted 10K job gains in the month. Manufacturing posted 3K job gains, mainly due to durable goods manufacturing, while nondurable goods manufacturing declined. Construction saw a healthy 11K gain while mining and lodging lost 4K jobs. The services sector gained 39K in June, led by professional and business services (36K) and healthcare and social assistance (47K), these were partly offset by declines in leisure and hospitality (-61K) and retail trade (-7.5K).
- The household survey continued to look weaker than the payrolls data, showing a 507K contraction in June. Payroll employment is sitting 0.3% above year-ago levels, while the comparable household survey measure is down 0.65% y/y. The labour force (seasonally adjusted) shrank by 720K in June from May, pushing the overall participation rate lower from 61.8% to 61.5% in June, the lowest rate since March 2021. The prime-age participation rate (aged 25 to 54) also dipped significantly, from 83.9% in May to 83.3% in June. Interestingly, the non-seasonally adjusted labour force actually grew by 397K, as the drop in foreign born labour force (-740K) was more than offset by the increase in native born labour force (1137K). The decline in the seasonally adjusted labour force pushed the number of individuals of working age but not in the labour force to a new record high of 105.8 million. The lower labour force also pushed the unemployment rate lower from 4.3% to 4.2%.
- The employment-population ration declined from 59.2% to 59% in June. The U-6 unemployment rate, which is a broader measure that includes discouraged and marginally attached workers as well as those working part-time for economic reasons, ticked down from 8.1% to 7.9%, but is still sitting above year-ago levels.
- Hourly earnings grew by 0.3% m/m in June, the same pace as May (3.5% y/y). Goods-producing sector earnings decelerated slightly from 0.3% to 0.2% in June but services picked up from 0.2% in May to 0.4% in June, with a notable pick up observed in retail trade (from 0.1% to 0.5% in June), financial activities (0.5% to 0.7% in June) and transportation and warehousing (0.2% to 0.4% in June).

Implications & actions

Re: Economic forecast — Although job gains slowed in June from the previous three months, the decline in the labour force led to the unemployment rate ticking down to 4.2%. This report confirms that the Fed will focus most of their attention on inflation as the labour market still remains in balanced territory with labour supply keeping pace with labour demand.

Re: Markets — USD and bond yields declined from the downside surprise in hiring.

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