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US Non-farm payrolls (May): Solid report supports pause for Fed

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Employment change (thousands, unless otherwise noted)	**May 2026**	Apr 2026	Mar 2026	Feb 2026	Jan 2026
Unemployment rate (%)	**4.3**	4.3	4.3	4.4	4.3
Avg. hrly earn all (Monthly % Chg)	**0.3%**	0.2%	0.2%	0.3%	0.4%
Avg. wkly hour all (Monthly % Chg)	**0.3%**	0.5%	-0.1%	0.3%	0.6%
Nonfarm employment	**172**	179	214	-156	160
Total private	**120**	177	202	-148	180
Goods-producing	**28**	14	33	-21	45
Construction	**17**	9	15	-21	45
Manufacturing	**7**	0	15	1	2
Priv. Serv providing	**92**	163	169	-127	135
Wholesale trade	**-4**	-2	-2	8	2
Retail trade	**-1**	24	10	0	13
Transp. & Warehousing	**1**	39	25	-46	23
Information	**-2**	-8	1	-23	-27
Financial	**-22**	-6	-17	2	-39
Business services	**6**	22	28	4	36
Temporary help	**1**	9	8	2	19
Education, health	**40**	54	95	-49	119
Leisure, hospitality	**70**	30	44	-31	5
Government	**52**	2	12	-8	-20
Federal Government	**1**	-6	-7	4	-37

Source: Haver Analytics

- Hiring remained strong in the US in May, with 172K jobs added, well above the 88K consensus expectation. Hiring in the previous two months was revised up, with April revised up by 64K and March revised up by 29K. Combined with the revisions in March and April, that implies that employment is 93K higher than previously reported, and the three-month moving average of job gains is now at 188K. The private sector added 120K jobs; the biggest contributors were leisure and hospitality, which added 70K, and health care/social assistance which added 47K and has remained strong for the last three months. Government added 52K jobs with increases concentrated in local government, excluding education. The unemployment rate remained steady at 4.3% as expected. The participation rate remains the same at 61.8%. Aggregate hours worked slowed to 0.1% m/m. Wage growth accelerated to 0.3% m/m from 0.2% in April. Overall, the report suggests that the US labor market is on solid footing and remains in balanced territory.

- Among the services sectors, leisure and hospitality increased by 70K, which could partly be tied to the upcoming FIFA World Cup. Health care and social assistance, which had been growing strongly in the past three months, continued to post healthy gains at 40K. On the other hand, financial activities payrolls pulled back 22K, the third consecutive monthly decline. Consistent with signs of easing consumption, retail trade payrolls also declined by 1K. Still, over the past year, hiring in private services has been overwhelmingly concentrated in the health care/social assistance sector, where payrolls are sitting 2.8% above year-ago levels. Excluding that industry shows that other private service payrolls are roughly flat from year-ago levels.
- All industries in the goods sector increased in the month. Manufacturing posted 17K job gains mainly due to durable goods manufacturing. Construction saw a healthy 17K gain and mining and lodging at 4K gains.
- The household survey continued to look weaker than the payrolls data, showing a 149K gains in May. Payroll employment is sitting 0.3% above year-ago levels, while the comparable household survey measure is down 0.3% y/y. The participation rate held firm at 61.8% in May, and the employment-population ration changed little at 59.2%. These measures showed little change over the year, after accounting for annual population control adjustments. The U-6 unemployment rate, which is broader measure that includes discouraged and marginally attached workers as well as those working part-time for economic reasons ticked down from 8.2% to 8.1%, but is sitting above year-ago levels.
- With the strong employment growth, hourly earnings ticked up to 0.3% m/m in May from 0.2% m/m (3.4% y/y). The monthly acceleration was driven by private-service-providing industries as hourly earnings picked up from 0.1% to 0.4% in May while private-goods-producing industries held steady at 0.3% m/m.

Implications & actions

Re: Economic forecast — The US labor market remains on solid footing and in balanced territory, with the unemployment rate holding steady. This report confirms that despite pick up in inflation and signs of easing consumption, the labour market remains resilient. So for now, we look for the Fed to remain on the sidelines in the near future.

Re: Markets — Bond yields and USD increased from the upside surprise in hiring, with greater odds being placed on a Fed hike by the end of the year.

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