



US Market Briefing

August 2026

Payrolls Turn Negative and Revisions Deepen; Unemployment Falls to 4.1% as the Labor Force Shrinks

- Payrolls fell by 23,000 in July, missing the +83,000 forecast; May and June were revised down by a combined 103,000.
- Unemployment held at 4.1%, but the labor force shrank by 264,000 and household employment fell by 87,000.
- Wages rose 3.2% YoY, but real hourly earnings fell by 0.2% as annual CPI inflation remained higher at 3.4%.
- June openings held at 7.4 million; hires reached 5.3 million, while the quits rate rose to 2.0%.

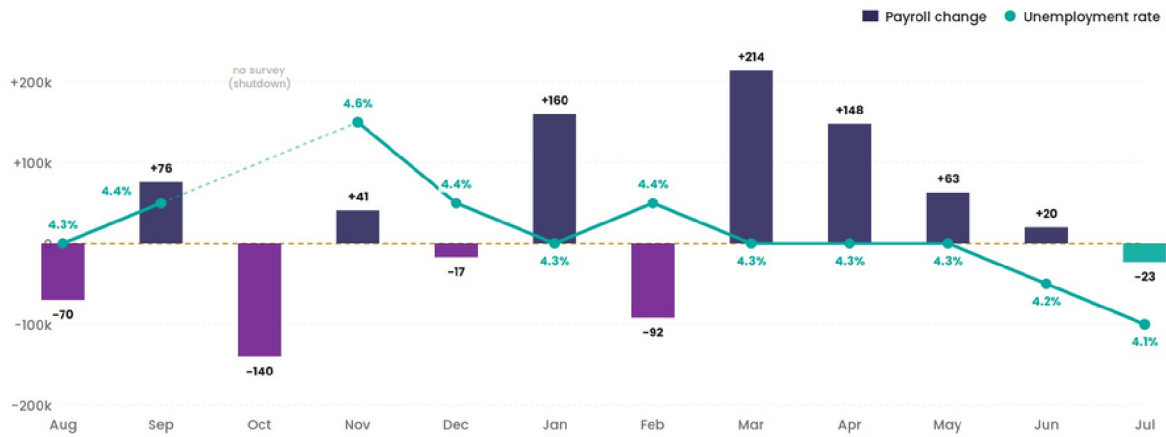
July marked a renewed deterioration, with payrolls turning negative after months of weak gains. They fell **23,000** – the first decline since February – against a consensus of **+83,000**. Revisions made it worse: May was cut to **+63,000** and June to **+20,000**, together **103,000** lower, pulling the 12-month average to **34,000**.

Unemployment fell to **4.1%**, but that reflects a shrinking labor force, not hiring: it contracted **264,000**, household employment fell **87,000**, and participation dropped to **61.4%** – the lowest in over five years and, outside Covid, since the mid-1970s. CPI eased to **3.4%** and core to **2.5%**, but real hourly earnings fell **0.2%** on the year.

US Nonfarm Payroll Change & Unemployment Rate, Aug 2025 – Jul 2026

Bars = monthly payroll change (000s); line = unemployment rate (%)

Source: BLS Employment Situation, July 2026, released 7 August 2026



May and June revised down 103,000 combined

July: -23,000, the first decline since February, against a Dow Jones consensus of +83,000. May revised to +63,000, June to +20,000.

Sectoral Performance

Education, Retail and Finance Drive the Fall

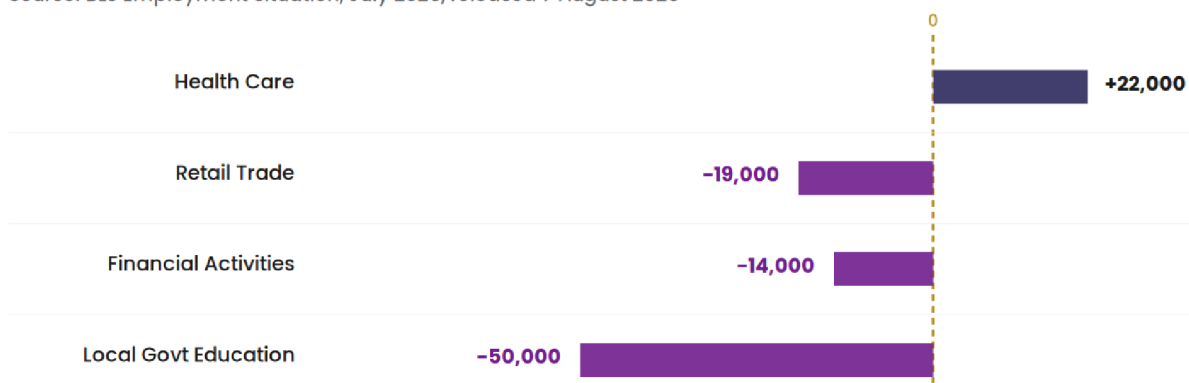
The July decline was concentrated rather than broad. Local government education shed 50,000 jobs and retail trade 19,000, more than accounting for the headline fall. Financial activities fell 14,000 on losses in credit intermediation and insurance, and is 121,000 below its May 2025 peak.

Health care was the only major industry BLS reported still trending up, at +22,000 – below its +36,000 prior 12-month average. BLS characterised all other major industries, including construction, manufacturing, information and professional and business services, as little changed. With the 12-month average at 34,000, a few declining industries can tip the headline negative.

US Employment Change: Industries BLS Quantified, July 2026

Monthly net employment change (000s), seasonally adjusted

Source: BLS Employment Situation, July 2026, released 7 August 2026



Why the Unemployment Rate Fell for the Wrong Reason

July 2026 household survey | Source: BLS Employment Situation, released 7 August 2026

Note: the rate declined because the labour force shrank by 264,000, not because employment rose. Household employment fell 87,000.

Unemployment Rate	4.1%	Down from 4.2% – but not from job gains
Labour Force Participation	61.4%	Lowest in over five years; outside the Covid era, lowest since mid-1976
Change in Labour Force	-264,000	The reason the rate fell: people left, they did not find work
Household Employment	-87,000	Fewer people reported being at work
Employment–Population Ratio	58.9%	Down 0.5pp since January
Discouraged Workers	476,000	Essentially unchanged – the participation fall is not simply discouragement

Source: BLS Employment Situation (household survey), July 2026, released 7 August 2026.

The fall to 4.1% again moves in a direction the underlying data does not support. The labor force contracted 264,000 and household employment fell 87,000; participation is now 61.4%, down 0.7 points since January, with the employment–population ratio down 0.5.

Outside Covid, participation is at its lowest since the mid-1970s. Discouraged workers were unchanged at 476,000, so this is not simply people giving up – retirement, caregiving, education and immigration are all plausible contributors. The falling rate is a supply story, not a demand one.

Wage and Labor Supply Dynamics

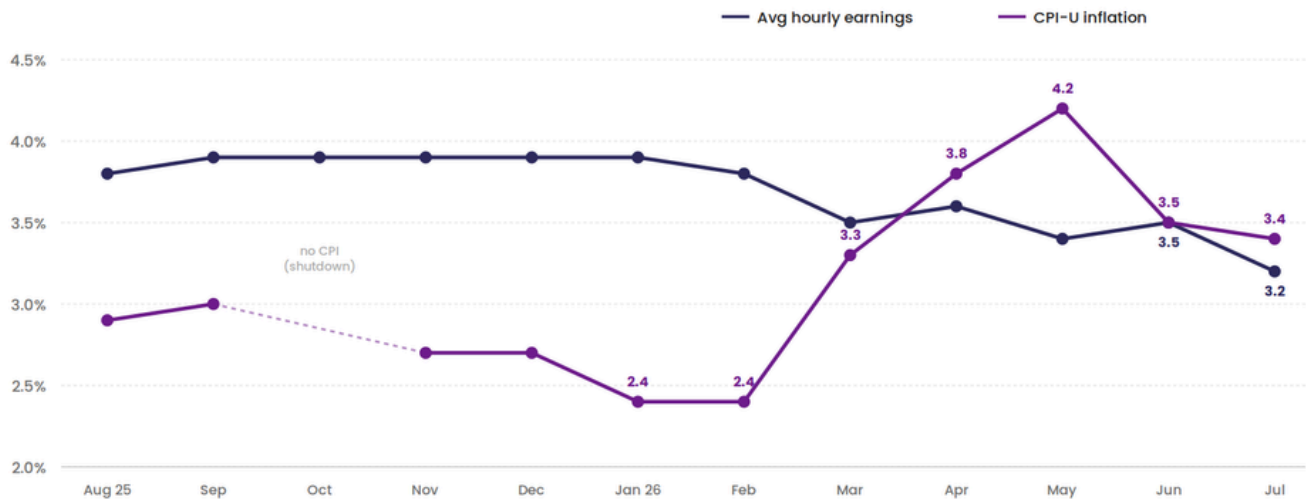
Disinflation Continues, Real Pay Negative

CPI rose 0.1% in July and 3.4% year-on-year, easing for a second month as the Iran energy shock unwound. Gasoline fell 2.9% on the month, its annual increase moderating to 24.6% from 26.7%; core CPI eased to 2.5%. Shelter, up 0.1% monthly but 3.2% annually, was roughly two-thirds of the monthly rise.

Average hourly earnings grew 3.2%, below inflation, marking a fourth consecutive month in which headline CPI has met or exceeded nominal hourly earnings growth. Official real average hourly earnings were down 0.2% on the year for all employees and 0.1% for production and nonsupervisory workers.

US Wage Growth vs Inflation, Aug 2025 – Jul 2026

Year-over-year (%) | Source: BLS Employment Situation & Consumer Price Index, July 2026



July 2026: AHE +3.2% against CPI +3.4%. Headline CPI has met or exceeded nominal hourly earnings growth for four months; official real average hourly earnings were down 0.2% on the year in July for all employees, and 0.1% for production and nonsupervisory workers.

Oct 2025 CPI not collected (shutdown). Source: BLS, CPI released 12 August 2026.

Labor Demand Dashboard

Openings Stable, Mobility Ticking Up

June JOLTS showed a market stable in aggregate but no longer deteriorating on mobility. Openings held at 7.4 million and hires at 5.3 million, while layoffs stayed low at 1.8 million and a 1.1% rate.

The notable development is the quits rate reaching 2.0%, its first time at that mark in roughly a year, suggesting worker confidence has stopped falling. Employers are neither hiring nor firing at scale; adjustment comes via attrition and labor force exit.

US Labour Demand & Mobility Dashboard, June 2026

JOLTS metrics | Source: BLS Job Openings and Labor Turnover Survey, released 4 August 2026

INDICATOR	VALUE	DIR.	CONTEXT
Job Openings June 2026	7.4M	►	Little changed on the month May revised down 57,000 to 7.5 million
Hires June 2026	5.3M	►	Unchanged on the month May revised up 82,000, also to 5.3 million
Quits June 2026	3.2M	▲	Rate 2.0% – back at the 2% mark First time at or above 2% in about a year
Layoffs & Discharges June 2026	1.8M	►	Rate 1.1%, unchanged Little change across all industries
Other Separations June 2026	353k	►	Little changed Retirements, deaths and transfers

Comparative Analysis: US vs. Global Labor Markets

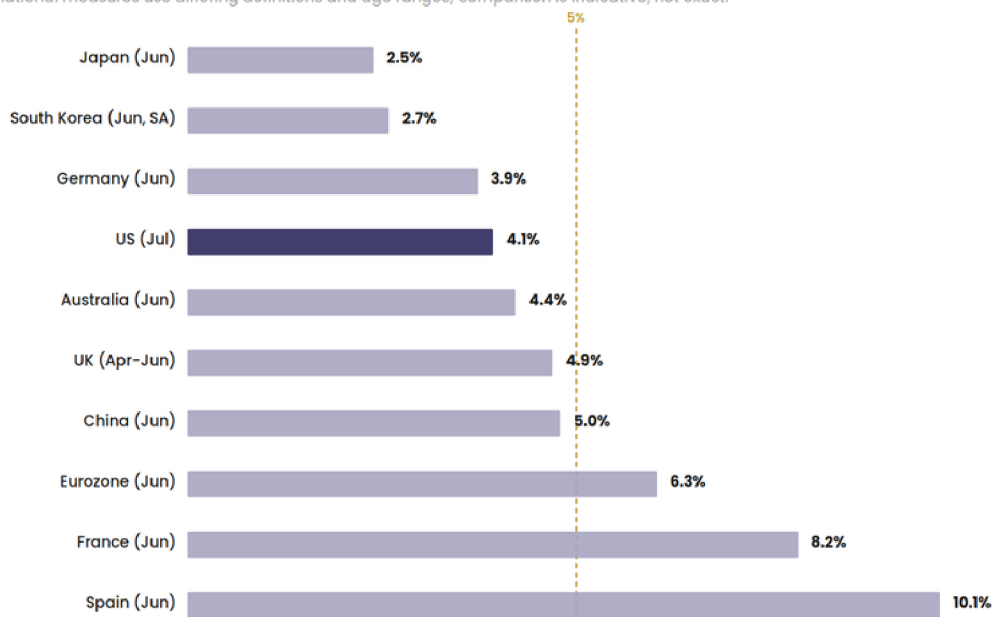
At 4.1%, US unemployment sits below the UK (4.9%) and well below the Eurozone (6.3%). But composition matters more than level. The US decline is driven by labor force contraction – the dynamic Japan reported in June, where a steady 2.5% rate sat on employment falling 360,000.

China, South Korea and Australia did not show the same labour-force contraction dynamic. The US and Japan are the major economies where the headline flatters the underlying position.

Global Unemployment Rates Comparison

Latest available rates (%), mixed reference periods, as at mid-August 2026

Note: national measures use differing definitions and age ranges; comparison is indicative, not exact.



Strategic Implications for HR and Talent Acquisition

- Plan for a weaker H2 hiring market; July's 23,000 payroll decline and 103,000 in downward revisions confirm that employment growth is contracting.
- Use the shrinking labor force as a sourcing opportunity. Target returners, phased retirees and candidates seeking flexible work who may be overlooked by competitors.
- Budget conservatively outside healthcare, which remains the only major sector delivering reliable employment growth. Cyclical industries should expect continued softness.
- Treat the quits rate's return to 2.0% carefully; rising mobility could make retention harder, while previously low attrition may have reflected caution

rather than engagement.

- Frame pay reviews around purchasing power, not nominal increases alone. Inflation has matched or exceeded hourly earnings growth for four months, while real hourly earnings fell 0.2% year-on-year in July.

Forecast / Outlook

TALiNT's house forecasts as of 17 August 2026 are judgement-based. With the 12-month payroll average at 34,000 and July recording a decline, further negative months are plausible. The underlying trend is now close enough to zero that seasonal volatility could determine whether individual months show gains or losses.

Unemployment may drift lower as labor-force participation falls, even if employment continues to weaken. Any decline in the headline rate should therefore be treated cautiously rather than automatically interpreted as an improving labor market.

Inflation is likely to ease further if energy costs remain contained, although shelter inflation of 3.2% may keep headline CPI above target.

The Federal Open Market Committee next meets in September, with another month of economic data available before its decision. Some officials had argued for a rate rise ahead of July's CPI release, but the broadly in-line reading reduced that pressure without making a cut the obvious next step.

The BLS preliminary benchmark revision on 28 August will also be important to watch, as it could materially revise the historical payroll series, as occurred in February.

Sources & Assumptions

- U.S. Bureau of Labor Statistics, *Employment Situation, July 2026* (released 7 August 2026) – payrolls –23,000, unemployment 4.1%, participation 61.4%, employment–population ratio 58.9%, labour force –264,000, household employment –87,000, discouraged workers 476,000, May and June revisions: [BLS Employment Situation](#)
- U.S. Bureau of Labor Statistics, *Consumer Price Index, July 2026* (released 12 August 2026) – CPI +0.1% monthly, +3.4% annual; core +0.2% monthly, +2.5% annual; shelter, gasoline and airline fare detail: [BLS CPI](#)
- U.S. Bureau of Labor Statistics, *Real Earnings, July 2026* (released 12 August 2026) – for all employees, real average hourly earnings –0.2% and real average weekly earnings +0.1% over the year; for production and nonsupervisory workers, –0.1% and +0.2% respectively: [BLS Real Earnings](#)
- U.S. Bureau of Labor Statistics, *Job Openings and Labor Turnover Survey, June 2026* (released 4 August 2026) – openings 7.4 million, hires 5.3 million, quits 3.2 million at a 2.0% rate, layoffs 1.8 million at 1.1%, other separations 353,000, May revisions: [BLS JOLTS](#)
- Consensus forecast (+83,000) and market commentary as reported by CNBC, 7 August 2026: [CNBC jobs report](#) | CPI reaction and Federal Reserve commentary, 12 August 2026: [CNBC CPI report](#)
- Comparative data: ONS UK (April to June 2026) | Eurostat euro area (June 2026, 6.3%) | Statistics Korea, ABS Australia and NBS China (June 2026). Japan: Statistics Bureau of Japan Labour Force Survey, June 2026 (released 31 July 2026) – unemployment 2.5%, employment 68.46 million, down 360,000, on a labour force contracting by 350,000: Statistics Bureau of Japan
- Upcoming: the BLS preliminary estimate of the annual benchmark revision to establishment survey data is scheduled for 28 August 2026, alongside Q1 2026 QCEW data. The August Employment Situation is scheduled for 4 September 2026: [BLS CES](#)
- Note: payroll figures in the trend chart reflect the latest published vintage as at mid-August 2026 and are subject to revision, including at the 28 August benchmark. October 2025 household-survey and CPI data were not collected because of the federal government shutdown and are shown as gaps.



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