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US Market Briefing

June 2026

172,000 Jobs Beat Expectations, But Real Wages Turn Negative as CPI Hits 4.2%

- Payrolls +172,000 in May, beating the +80,000 forecast; April revised to +179,000 and March to +214,000.
- Unemployment held at 4.3% for a third month; participation was 61.8%, with 2.0 million long-term unemployed.
- Wages rose 0.3% MoM and 3.4% YoY to $37.53, below May CPI at 4.2% annually.
- April openings jumped to 7.6 million; hires were 5.1 million, while quits fell to 1.9%.

May's employment report was a genuine positive surprise: nonfarm payrolls increased by **172,000**, more than double the **80,000** consensus forecast, while the unemployment rate held steady at **4.3%** for the third consecutive month.

Revisions added further weight — April was revised up **64,000** to **+179,000** and March up **29,000** to **+214,000**, adding a combined **93,000** jobs to previously reported counts. Yet the headline overstates the picture.

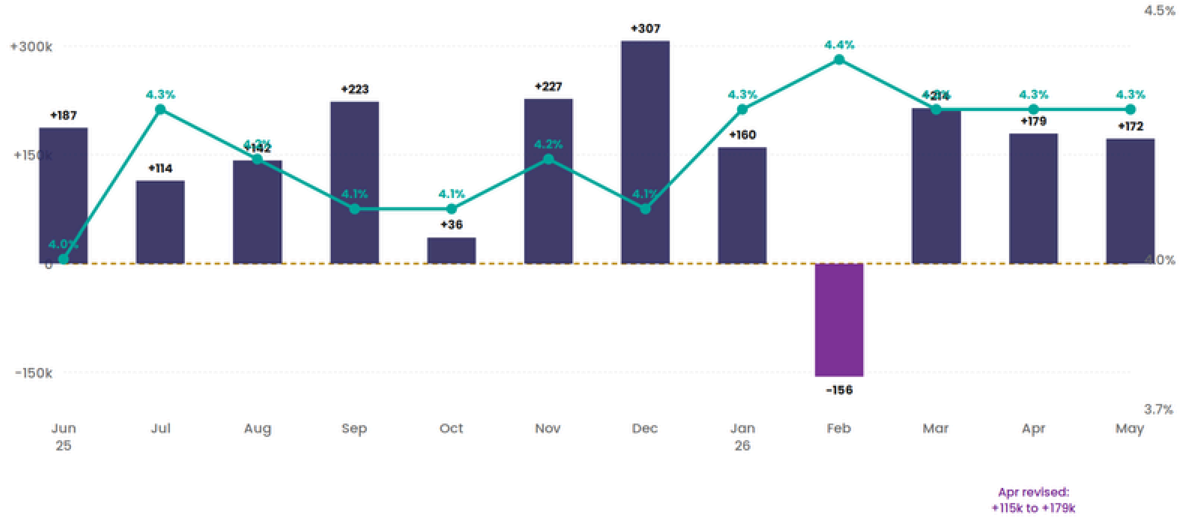
Real average hourly earnings turned negative for the first time since 2025, with nominal growth of **3.4%** overwhelmed by CPI of **4.2%** — partly reflecting the inflationary impact of elevated energy prices linked to Middle East tensions, with Brent averaging **$117** per barrel in April.

The underlying labour market remains in a low-hire, low-fire equilibrium: JOLTS job openings surged to **7.6 million** in April, yet hires fell to **5.1 million**, the quits rate declined to a multi-year low of **1.9%**, and long-term unemployment rose to **2.0 million** — up **524,000** over the year.

US Nonfarm Payroll Change & Unemployment Rate, Jun 2025 – May 2026

Monthly payroll change (000s) and unemployment rate (%)

Source: U.S. Bureau of Labor Statistics, Employment Situation, May 2026, released 5 June 2026



Source: U.S. Bureau of Labor Statistics, Employment Situation, May 2026, released 5 June 2026.
Mar revised +214k (from +185k); Apr revised +179k (from +115k).

Sectoral Performance

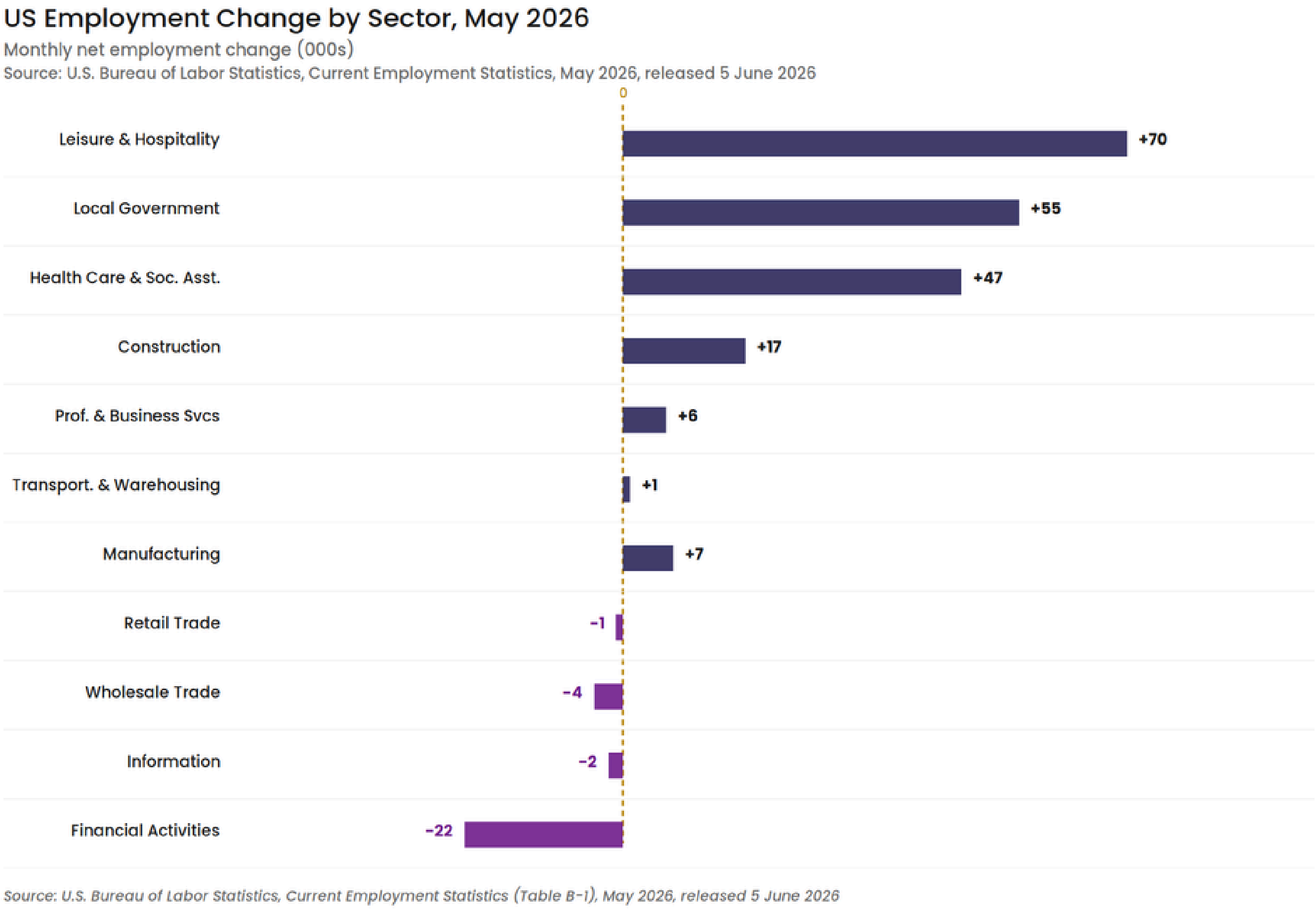
Leisure, Government and Healthcare Lead; Finance Contracts

Leisure and hospitality led all sectors with 70,000 jobs added in May — nearly five times the prior 12-month average of 14,000, with the gain likely reflecting summer seasonal hiring and possibly event-driven demand ahead of the FIFA World Cup.

Food services and drinking places alone accounted for 48,000 of those gains. Local government added 55,000, with local government excluding education up 43,500.

Healthcare and social assistance contributed 47,200, broadly in line with its 38,000 monthly average, with ambulatory health care services (+26,000) and hospitals (+6,000) the principal drivers. Construction added 17,000.

Against these gains, financial activities shed 22,000 — extending a contraction that has now cost the sector 107,000 jobs year-on-year and reflects both rate-sensitive headcount reduction and the indirect effects of energy-driven credit tightening. Information lost 13,000 and wholesale trade fell 3,700.



Professional and business services added only 6,000 despite the JOLTS data showing a 668,000 surge in openings for the sector in April — underscoring the widening gap between stated demand and actual hiring.

Wage and Labour Supply Dynamics

Nominal Growth Outpaced by Inflation for First Time Since 2025

Average hourly earnings rose 12 cents in May to $37.53 — a gain of 0.3% on the month and 3.4% year-on-year. In isolation this appears healthy; in context it represents a meaningful deterioration.

CPI rose 4.2% year-on-year in May (released 10 June), driven by energy prices up 23.5% nationally, shelter, and food. The result is real average hourly earnings of approximately -0.8% year-on-year — the weakest real-wage reading in this series since 2025 and a sharp reversal from the marginal gains visible through late 2025 and early 2026.

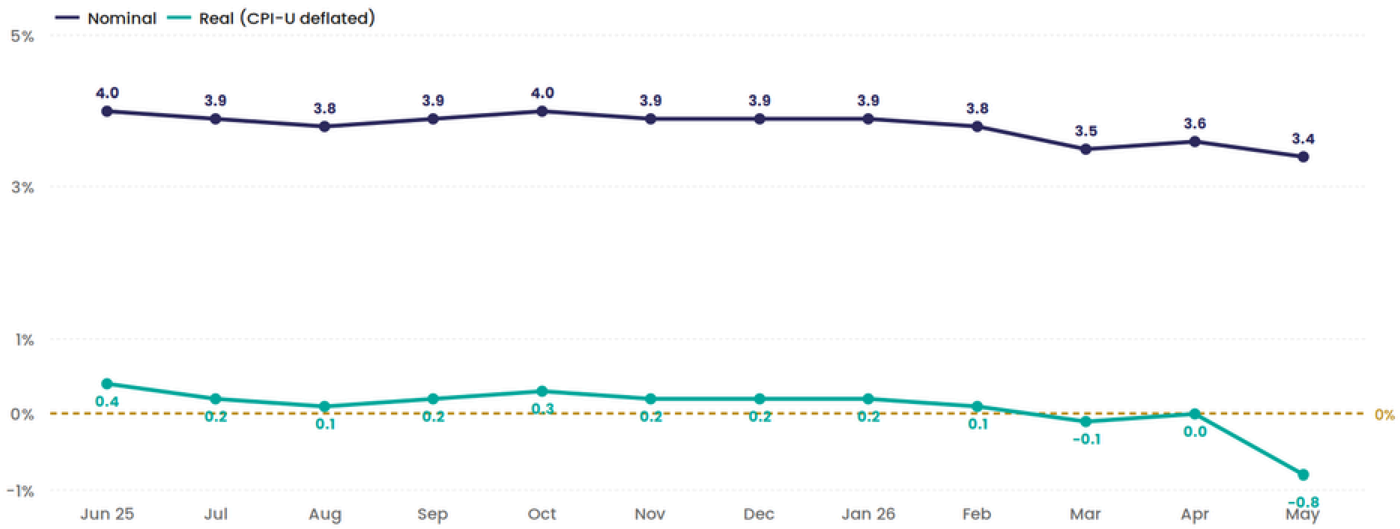
For production and nonsupervisory employees, real wage erosion is more acute given their lower nominal base ($32.31 per hour).

The Federal Reserve's dilemma deepens: core CPI of 2.9% year-on-year would ordinarily not preclude rate cuts, but headline CPI at 4.2% — inflated by energy — limits the political and communications space for easing, even as real household purchasing power contracts.

The 3-month average payroll gain of 188,000 equally removes any immediate pressure for urgent policy easing.

US Average Hourly Earnings Growth, Jun 2025 – May 2026

Year-over-year wage growth (%) | Source: U.S. Bureau of Labor Statistics, Employment Situation and CPI release, May 2026



Note: Real wages YoY = nominal AHE growth minus CPI-U YoY. May 2026: AHE +3.4% vs CPI-U +4.2% = real wages -0.8% — first negative reading since 2025.

Source: U.S. Bureau of Labor Statistics, Employment Situation and Consumer Price Index releases, May 2026

Structural Employment Decline: Cumulative Job Losses Since Peak

Total jobs lost and % decline | Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics, May 2026, released 5 June 2026

US Labour Market: Demand & Mobility Dashboard, April 2026

JOLTS metrics | Source: U.S. Bureau of Labor Statistics, JOLTS, released 2 June 2026

INDICATOR & SOURCE	VALUE	DIR.	CONTEXT
Job Openings *April 2026*	**7.6M**	▲	Rose +731k from 6.9M in March Highest since Nov 2024; above 6.88M expectations

Hires *April 2026*	5.1M	▼	Down from 5.5M in March Hires-openings gap: 2.5M unfilled positions
Quits *April 2026*	3.0M	▼	Rate 1.9% — lowest in years Workers not confident enough to voluntarily leave
Layoffs & Discharges *April 2026*	1.7M	▼	Rate fell to 1.1% from 1.2% Low-fire environment persists despite softening
Jobs per Unemployed *April 2026*	1.03	▲	7.6M openings vs 7.4M unemployed Highest ratio since January 2024

Source: U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS), April 2026, released 2 June 2026

Comparative Analysis: U.S., Eurozone and APAC

At 4.3%, US unemployment remains below the UK (5.0%, Jan–Mar 2026, ONS released 19 May 2026), Australia (4.5%), and well below France (7.7%) and Spain (10.3%). Japan (2.5%) and South Korea (2.8% seasonally adjusted) continue to operate with structurally tighter labour markets driven by demographic constraints rather than cyclical strength.

The US holds a relative competitive position but faces a unique inflationary pressure: energy-driven CPI at 4.2% YoY is eroding real household incomes at a faster rate than in most comparable economies, with the exception of energy-importing APAC markets.

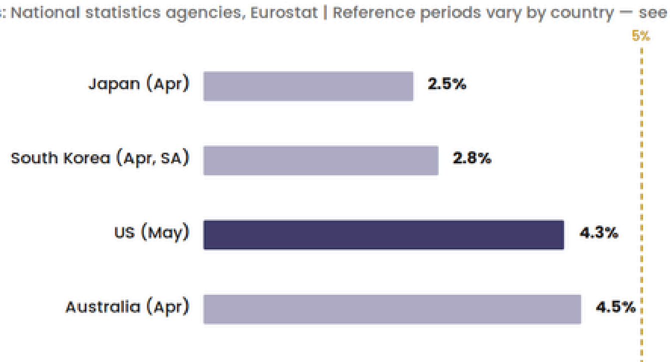
The Eurozone at 6.2% and the UK at 5.0% both face labour market slack that the US has not yet experienced, giving European employers relative negotiating leverage on wages that their US counterparts have largely lost.

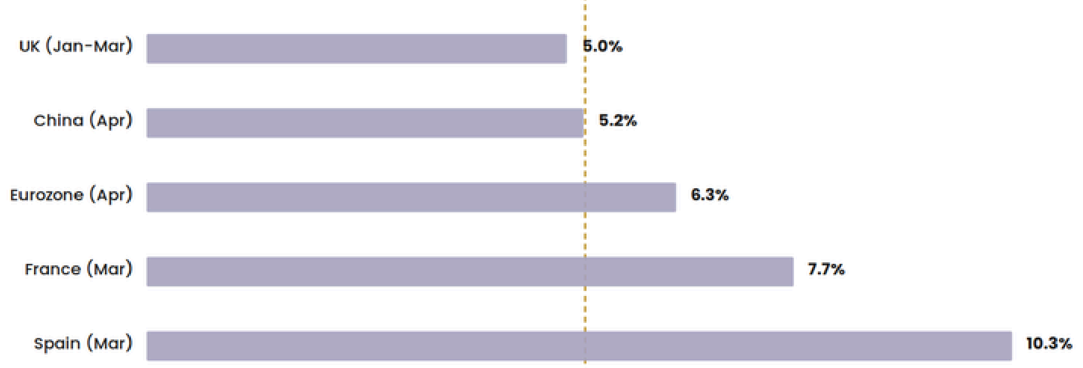
The Federal Reserve's hold-at-3.50–3.75% stance continues to diverge from the ECB's easing path, maintaining the dollar's strength and adding a competitiveness dimension for US multinational hiring strategies.

Global Unemployment Rates Comparison

Latest available rates, mixed reference periods, data available as of mid-June 2026

Sources: National statistics agencies, Eurostat | Reference periods vary by country — see footnote





US highlighted. UK: ONS Jan-Mar 2026, released 19 May 2026. Eurozone: Eurostat April 2026 flash estimate. France/Spain: Eurostat March 2026. Japan/S. Korea/Australia/China: national agencies, April 2026.

Strategic Implications for HR and Talent Acquisition

- Plan for real wage pressure; CPI at 4.2% versus 3.4% wage growth leaves workers 0.8 percentage points worse off, increasing retention risk despite competitive salaries.
- Use the 1.9% quits rate carefully; lower movement may signal caution rather than engagement. Use pay reviews, surveys and mobility to limit quiet-stay risk.
- Treat the 2.5 million openings-to-hires gap as a skills mismatch. Prioritise skills mapping, reskilling and apprenticeships rather than higher salaries alone.
- Target talent displaced from Financial Services and Information, including mid-career specialists moving into growth sectors.
- Long-term unemployment at 2.0 million, up 524,000 YoY, highlights a divided market. Inclusive hiring can unlock overlooked talent at lower cost.
- Treat leisure and hospitality's 70,000 gain cautiously; World Cup, seasonal and event-driven demand may distort May's figures and should not guide H2 planning.

Forecast / Outlook

Payroll growth is likely to slow from May’s 172,000 pace as temporary leisure and hospitality gains fade and weakness continues across financial services, information and federal government. Unemployment could rise toward 4.4–4.5% through H2 2026, while inflation may keep real wages negative and the Federal Reserve on hold through Q3.

The June jobs report will determine whether May marked a lasting trend or a temporary rebound.

Sources & Assumptions

- *U.S. Bureau of Labor Statistics, Employment Situation, May 2026 (released 5 June 2026) — payrolls, unemployment, wages, participation rate, sector breakdown.*
- *U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey (JOLTS), April 2026 (released 2 June 2026) — job openings, hires, quits, layoffs, jobs-to-unemployed ratio.*
- *U.S. Bureau of Labor Statistics, Consumer Price Index, May 2026 (released 10 June 2026) — CPI-U +4.2% YoY, used for real wage calculation.*
- *Comparative data: ONS Labour Market Overview, UK (released 18 June 2026); ABS Labour Force Australia April 2026; Eurostat unemployment, March 2026; Statistics Bureau of Japan / Statistics Korea, April 2026; NBS China April 2026.*
- *Oil price data: EIA Short-Term Energy Outlook (May 2026) — Brent average $117/b April 2026; EIA projection ~$106/b May–June 2026.*
- *June 2025 payroll figure (+187,000) is provisional pending confirmation from BLS historical data; all other payroll figures from BLS CES monthly series.*