

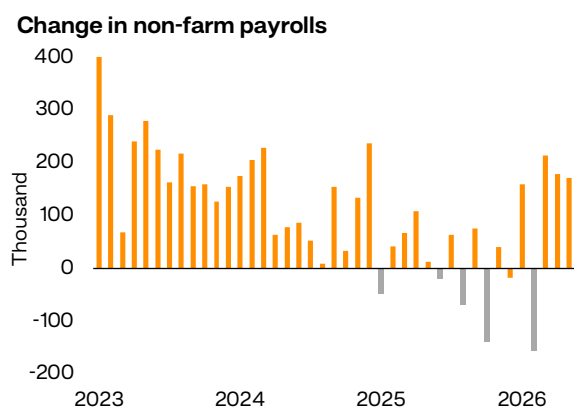
## May US Jobs Report: Headline Strength Marks Underlying Fragility



### Summary:

- Job gains hit 172k in May, with upward revisions of 93k for March and April combined.
- The unemployment rate held steady at 4.3%, while wage growth remained stable.
- The odds of a Fed hike rose after the report, driven by easing concerns on the labour market.

**The US labour market demonstrated headline strength in May, though underlying details reveal a narrow expansion.** Nonfarm payrolls rose by 172k in May, sharply above market expectations. Total nonfarm payrolls for March and April were also revised upward by a total of 93k. Undoubtedly, these headline gains were impressive, but the expansion was concentrated in a few sectors: leisure & hospitality (+70k), local government (+55k), and healthcare & social assistance (+47.2k). Robust hiring in leisure & hospitality is likely tied to preparations for hosting the World Cup this summer, while the bulk of remaining job growth was generated by government-funded sectors. Meanwhile, financial activities lost 22k jobs during the month. Furthermore, full-time workers declined by 79k as part-time workers climbed by 266k. Therefore, it revealed that private-sector momentum was not as robust as the headline suggested.



Source: CEIC

Nonfarm payroll revisions		
Month	April Jobs Report	May Jobs Report
March	185,000	214,000
April	115,000	179,000
May	n/a	172,000

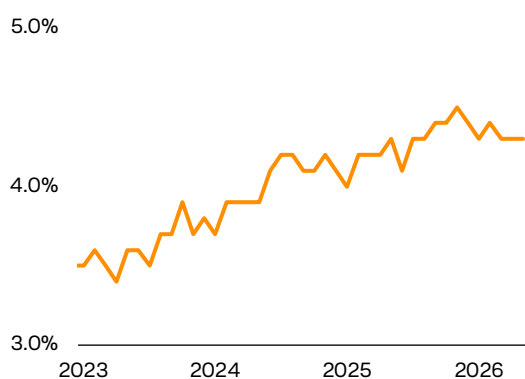
## Economic Indicators Analysis

8 June 2026

**The unemployment rate held steady at 4.3%.** In May, the labour force participation rate was unchanged at 61.8%, reflecting an 83,000 rise in the labour force alongside a 66,000 drop in the number of unemployed individuals. Conversely, a concern surfaced with the rise in the long-term unemployment rate, which hit 27.5% in May, compared to 20.4% a year ago. This likely reflected weaker re-entry prospects among unemployed individuals.

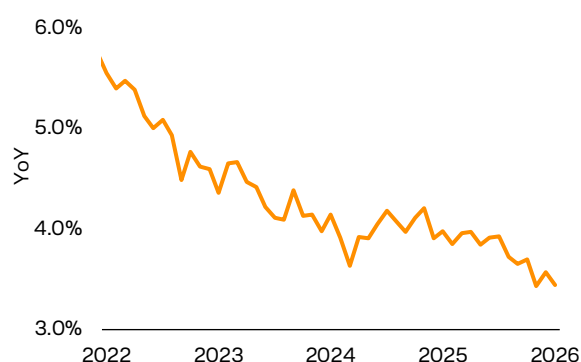
Meanwhile, youth unemployment has remained high. Despite a strong rise of payrolls, the unemployment rate for young professionals aged 20-24 remained elevated at 7.2%, far above the rate of 3.8% among individuals aged 25-54. Although this figure is in line with historical trends, deeper structural issues emerged for college educated young professionals. Data from the Federal Reserve Bank of New York revealed that the underemployment rate for recent graduates (those aged 22-27 with a bachelor's degree) reached 41.5% in Q1 2026. It stood in striking contrast with a recovery of job openings since the start of 2026 and highlighted an emerging issue linked with the rapid adoption of AI, contributing to an apparent decline in entry-level roles.

**Unemployment rate**



Source: CEIC

**Growth in average hourly earnings**



Source: CEIC

**Wage growth was stable.** Average hourly earnings (AHE) rose to USD 37.53 in May, which brought annual wage growth to 3.4% year-on-year (YoY), compared to 3.6% in April. On a monthly basis, AHE rose by 0.3% month-on-month (MoM) in May, a slight acceleration from 0.2% in April. Besides, the average workweek was unchanged at 34.3 hours. Overall, this wage data continued to signal steady underlying inflationary pressures.

**This combination of strong headline payroll growth and a surge in energy-driven inflation presents a complex backdrop for US monetary policy.** Given the upside surprise in headline job growth and a resurgence in energy-driven inflation rates, the Federal Reserve (Fed) is likely to maintain a cautious stance, keeping interest rates "higher for longer" until price pressures eventually dissipate. Immediately following the release of the job market report, derivative markets priced in higher odds of a rate hike. However, the broader economic outlook remains highly uncertain, particularly amid a narrow breadth of job creation and a restrictive monetary environment. The upcoming debut FOMC meeting chaired by Kevin Warsh will give a clearer picture of the Fed funds rate's potential trajectory.

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