BEA 東亞銀行

Economic Indicators Analysis

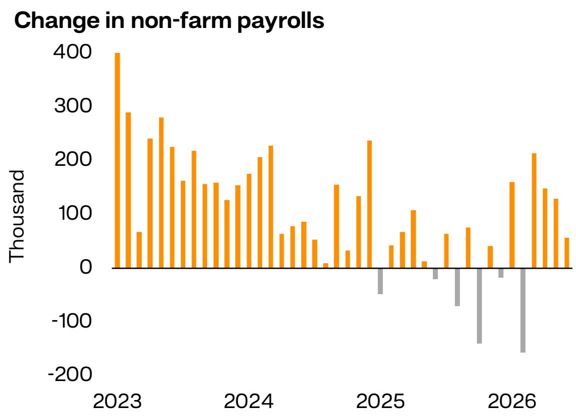
3 July 2026

US Hiring Slowed in June as Hidden Softness Intensified

Summary:

- US hiring slowed in June, with non-farm payrolls rising by 57k, coupled with deep downward revisions to the previous two months.
- Wage growth remained stable at 3.5% YoY, continuing to mitigate immediate fears of a demand-driven wage-price spiral.
- The Fed faces a complex macroeconomic backdrop marked by cooling economic growth and above-target inflation.

The US labour market cooled in June, after a brief spring acceleration. Nonfarm payrolls edged up by a modest 57k during the month, missing market expectations. Compounding the disappointment, total hiring gains for April and May were revised downward by a combined 74k, revealing softer underlying economic momentum heading into the summer months.



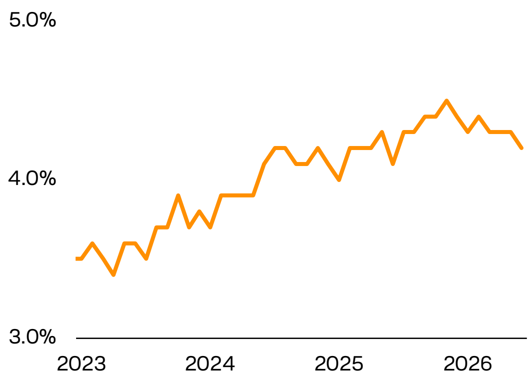
Source: CEIC

Nonfarm payroll revisions		
Month	May Jobs Report	June Jobs Report
April	179,000	148,000
May	172,000	129,000
June	n/a	57,000

A detailed sectoral breakdown highlighted an increasingly uneven employment expansion. Job growth was concentrated in a handful of sectors, primarily private education & health services (+69k) and professional & business services (+36k). Conversely, cyclical industries underperformed significantly. Most notably, leisure & hospitality shed 61k positions, a stark reversal from its spring performance that reflects much weaker-than-usual seasonal hiring despite ongoing summer tourism tailwinds.

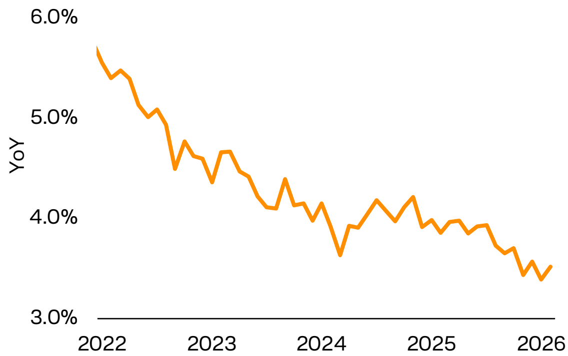
The headline unemployment rate ticked down slightly from 4.3% to 4.2% in June. Rather than signalling a surge in employment, a closer look at the underlying household survey showed that the decline in the unemployment rate was driven by a massive contraction in the overall labour supply, as more than 720k individuals exited the workforce. This sizable exodus suggests mounting discouragement among jobseekers navigating an increasingly stagnant "low-hire, low-fire" corporate environment. Additionally, the number of long-term unemployed individuals (those jobless for 27 weeks or more) hovered near 1.9 million, accounting for a substantial 27.3% of the total unemployed population and underscoring structural fragility.

Unemployment rate



Source: CEIC

Growth in average hourly earnings



Source: CEIC

Wage growth remained stable, mitigating immediate fears of a demand-driven wage-price spiral. Average hourly earnings (AHE) rose by 13 cents to USD 37.64 in June, bringing annual wage growth to 3.5% year-on-year (YoY), matching consensus expectations and up slightly from a revised 3.4% in May. On a month-on-month basis, AHE rose by 0.3%, mirroring the pace recorded in May. While current wage trends are not signaling an inflationary spiral, nominal gains continue to lag behind headline inflation, leaving real wage growth in negative territory and weighing on broader consumer sentiment.

A complex macroeconomic backdrop, marked by cooling economic growth and above-target inflation, presents a challenging policy dilemma for the Fed. While the stagnant 57k payroll print provides clear evidence of slowing economic momentum, elevated consumer price inflation continues to compel the Fed to retain a hawkish bias. At present, financial markets continue to price in a potential rate hike later this year. Our baseline scenario is for the Fed to maintain a patient stance, leaving the benchmark federal funds rate unchanged at its upcoming July meeting. As the Fed remains data-dependent, any policy adjustments are expected to come in September or October once the macroeconomic picture is clearer.

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