U.S. Employment Insight: Jul 2026

MNI View: Solid First Half Ends On Soft Note

Jul 2, 2026 - By Chris Harrison and Tim Cooper

Quick Take: Payroll Gains Disappoint, But Multi-Month Improvement Still Impresses
Nonfarm payrolls growth stuttered slightly in June, with downward revisions casting a less-positive light on the prior months that had been seen as sealing the Fed's pivot away from its easing bias. Additionally, there were some details in the Household Survey of the report that suggested weakness on the labor supply side. But make no mistake: the state of the labor market was solid overall in the first half of the year, particularly versus concerns coming into 2026, with the unemployment rate remaining impressively well-contained.

- Nonfarm payrolls were comfortably softer than expected in June at 57k (sa, cons 113k), while the two-month revision of -74k was evenly split across May (-43k) and April (-31k).
- But looking through latest monthly swings, six-month run rates stand at their strongest since Jun 2024 for private payrolls and Oct 2023 when excluding health & social assistance courtesy of a strong run through Mar-May after Feb weakness.
- Private payrolls weakness in June was concentrated in the leisure & hospitality sector in a development that questions World Cup-related discretionary spending. But overall, June saw the best breadth of jobs growth since late 2023/early 2024
- The fall in the unemployment rate to an unrounded 4.189% from 4.296% prior (vs 4.3% consensus, with some analysts seeing 4.2%; FOMC June median end-2026 is 4.3%) marked a 2nd consecutive fall and the lowest rate outright since June 2025.
- With employment in the Household Survey again dropping sharply, this unemployment dip was also in large part a participation story: June saw a 63-month low in the participation rate, 61.55% after 61.83%.
- The earnings side of the payrolls report was the closest to consensus amongst the main indicators, with monthly AHE growth at the stronger end of consensus but with some softer details.
- Average hourly earnings increased 0.35% M/M (cons 0.3 with dovish skew to 0.2) in June with the modest beat offset by a downward revision to 0.27% M/M in May (initial 0.32%) after an unrevised 0.16% in April.
- Low response rates to the surveys suggest ample room for future revisions. We note overall for this month's report that seasonal factors weren't a major tailwind.
- Other recent labor market metrics were mostly solid too. Weekly jobless claims remain at relatively healthy levels, Challenger job cut announcements dropped to their lowest June level since 2023, JOLTS showed elevated job openings in May, and Revelio pointed to a 32-month high in payrolls in June. Less impressive were ADP private sector gains and the Conference Board's Labor Market Differential.

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Payrolls Summary Statistics For June 2026

	Actual	Cons.	Surprise on mth	2-mth Rev	May	Apr	Net Surprise
Monthly growth (000s)							
NFP	**57**	113	-56	**-74**	-43	-31	-130
Private	**49**	107	-58	**-50**	-23	-27	-108

	Actual	Cons.	Prior mth	Cycle low		2019 av
U/E rate (%)	**4.19**	4.3	4.30	3.45	Apr'23	3.67

	M/M Growth		Y/Y Growth	
	Actual	Cons.	**Actual**	Cons.
AHE (%)	**0.35**	0.3	**3.52**	3.5

Source: Bloomberg Finance L.P., BLS, MNI

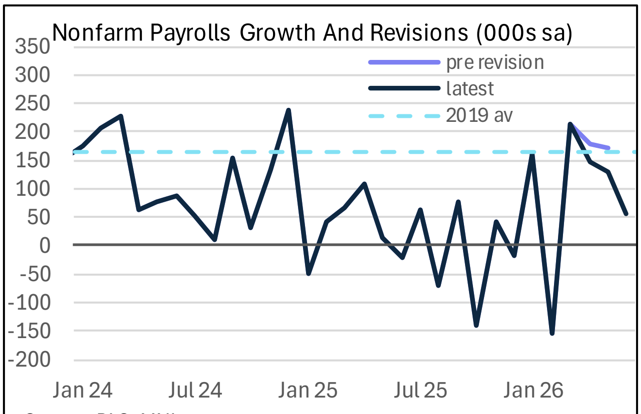
Payrolls Miss and Negative Revisions Driven By Food & Drinking Places

- Nonfarm payrolls comfortably softer than expected in June at 57k (sa, cons 113k)
- The two-month revision of -74k was evenly split across May (-43k) and April (-31k).
- These revisions are in the underlying data rather than seasonal factors, with non-seasonally payrolls revised -69k.
- Private payrolls saw a similar miss at 49k (sa, cons 107k) in June whilst the two-month revision was slightly less negative but still notable at -50k (evenly split)
- There was a heavy drag in June from the broad leisure & hospitality sector of -61k, split between food & drinking places (-33k), accommodation (-22k) and arts, entertainment and recreation (-7k).
- Food & drinking places in particular saw a heavy and evenly split downward revision of -58k, completely changing what had looked like surprising strength in the build up to the World Cup. Highlighting this shift, what was originally seen to be its strongest monthly increase since early 2023 was now a middling 20k in May before slipping to, tentatively, one of its weakest readings in recent years.

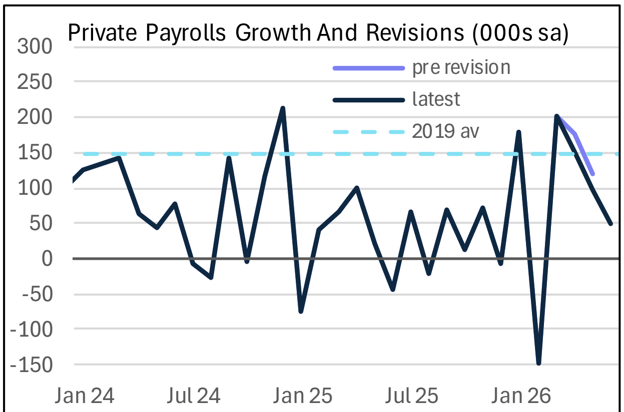
Payrolls Growth (000s) - Jun 2026 Report

	Actual	Cons.	Surprise	2-mth Rev	May	Apr
NFP	57	113	-56	-74	-43	-31
Private	49	107	-58	-50	-23	-27

Source: BLS, Bloomberg Finance L.P., MNI



Source: BLS, MNI



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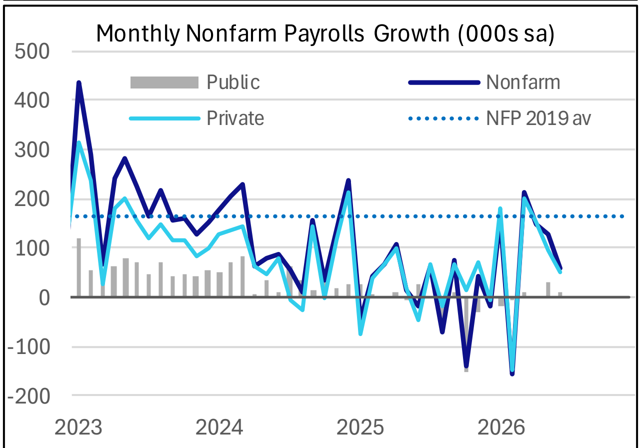

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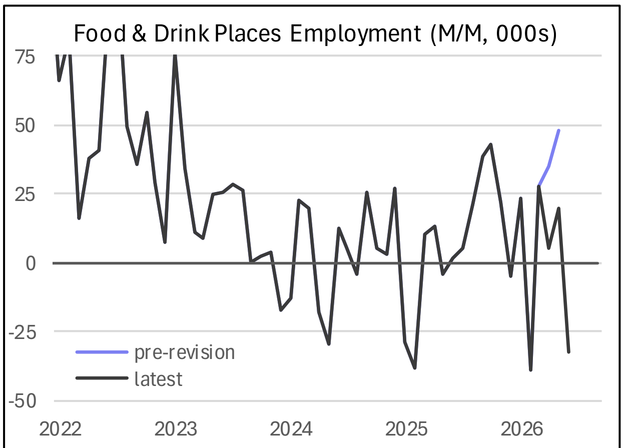
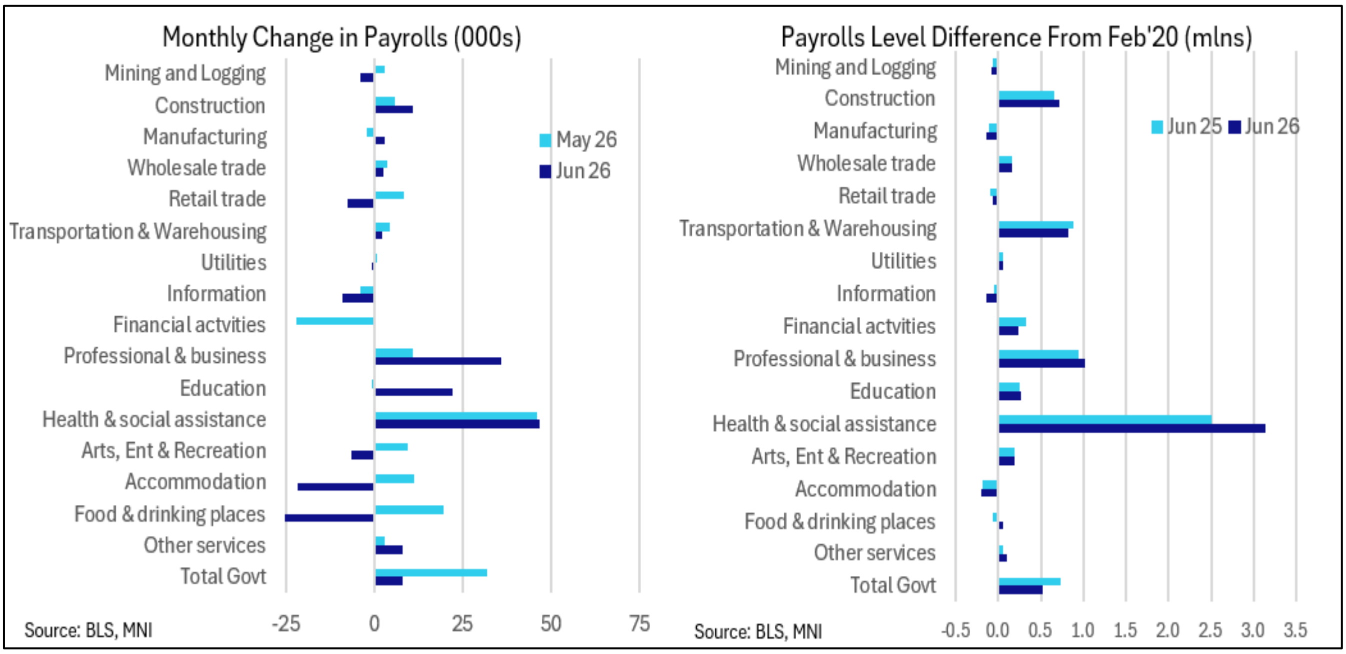


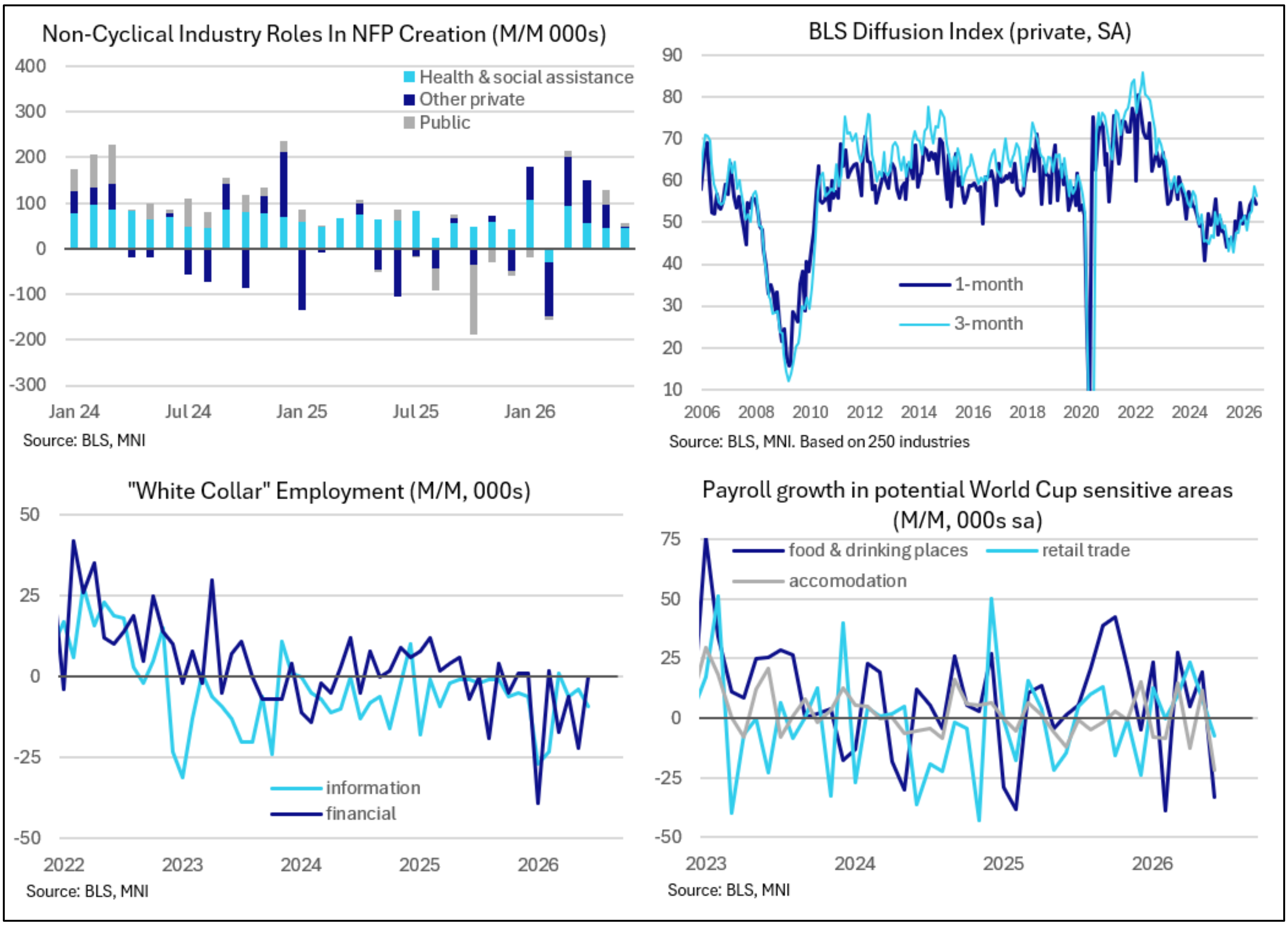
Source: BLS, MNI

Concentrated Private Payrolls Weakness, Trends Still Relatively Solid

Private payrolls weakness was concentrated in the leisure & hospitality sector, and food & drinking places in particular in a development that questions World Cup-related discretionary spending. Diffusion indices meanwhile are holding at solid levels, with the best breadth of jobs growth since late 2023/early 2024. Looking through latest monthly swings, six-month run rates stand at their strongest since Jun 2024 for private payrolls and Oct 2023 when excluding health & social assistance courtesy of a strong run through Mar-May after Feb weakness.

- Private payrolls disappointed as they increased 49k (sa, cons 107k) in June after 97k in May (revised -23k) and 150k in April (revised -27k).
- With the large, cyclically insensitive health & social assistance category increasing a typical 47k in June (after 46k in May and 57k in April), we're back to seeing little sign of growth in other private industries at just 2k. This private ex-health & social category increased an average 35k per month through 1H26 (in a volatile period which saw a peak 109k in Mar and a low of -118k in Feb) compared to an average -20k in 2H25.
- The three-month average of private payrolls growth pulled back from 150k (initially 166k) in May to a still relatively solid 99k, whilst the six-month average of 88k is the highest since Jun 2024.
- Private ex health & social assistance payrolls increased an average 49k over three months or 35k over six months, its highest since Oct 2023 via a low of -45k in mid-2025.
- As noted earlier, food & drinking places were a key driving force both in the latest monthly change (-33k) and two-month revisions (-58k).
- For now, and bearing in the mind the latest large revisions, the largest drivers of private payrolls growth were health & social assistance (47k), professional & business services (36k), education (22k) whilst the largest drags came from food & drinking places (-33k), accommodation (-22k).
- With the combined leisure & hospitality sector (food & drinking places, accommodation and arts, entertainment & recreation) sliding -61k in June, there isn't sign of a World Cup boost on a discretionary spending angle.
- Alternatively, the 1-month diffusion index across 250 industries currently stands at 54.4 in June after an upward revised 56.0 (from 54.4) in May and 54.6 (from 54.0) in April - i.e. reinforcing that the heavy downward revisions to actual payrolls growth was concentrated.
- For now, this diffusion index is running around its highest since late 2023/early 2024, a significant improvement from last summer after tariff announcements (bottomed at 44% in May 2025) but it is still off the pre-pandemic average closer to 60.

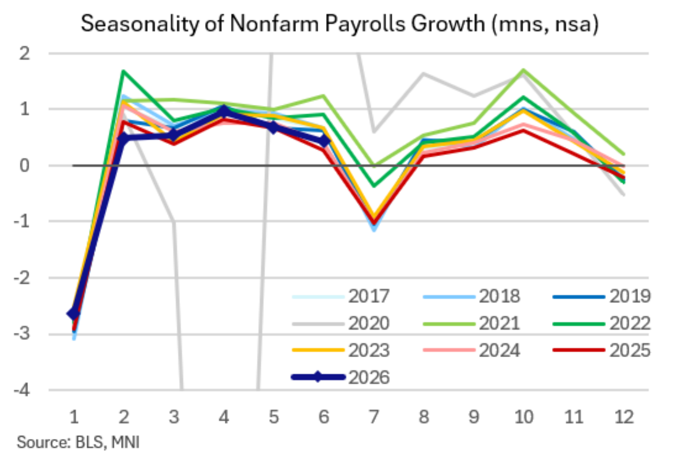


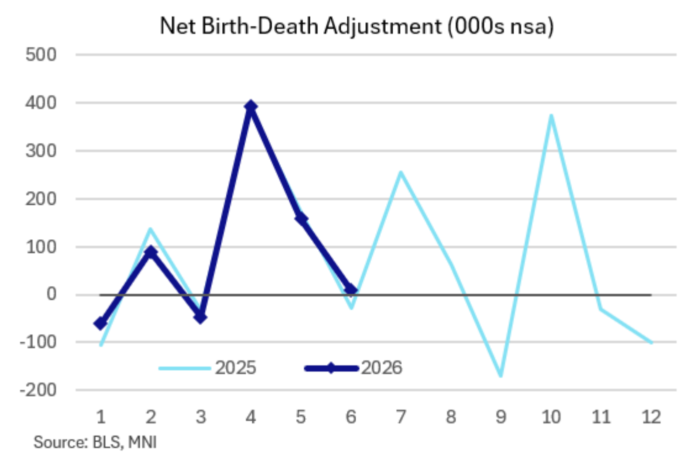


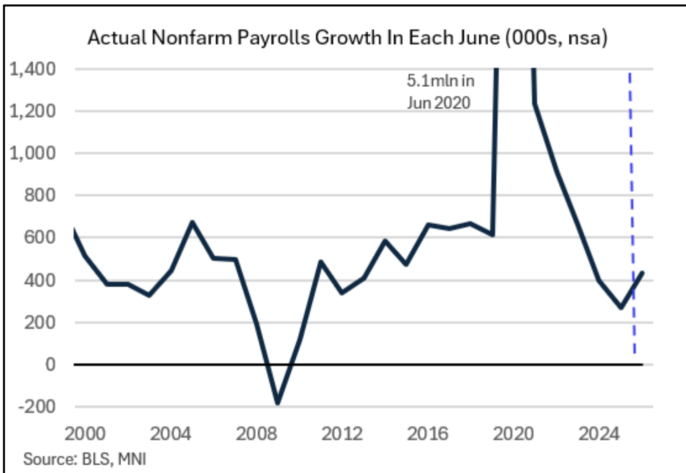
Underlying Payrolls Growth In Context

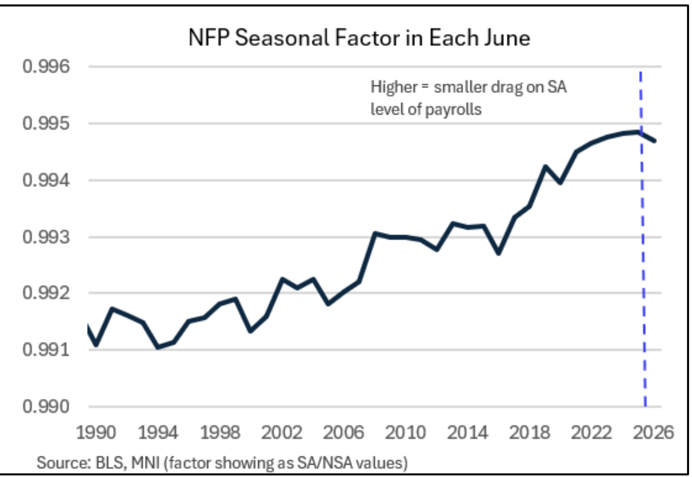
Strongest non-seasonally adjusted nonfarm payrolls growth in June since 2023 after a low base in the past two years, with a modest boost from the net birth-death adjustment. Seasonal factors were slightly less favorable this month.

- Nonfarm payrolls increased by 432k in June in non-seasonally adjusted terms for its best June since 2023.
- That is however flattered by two particularly weak figures with 267k in Jun 2025 (depressed by fallout from tariff policies, lowest since 2010) and 396k in 2024.
- For historical context June typically saw a ~650k increase in June through 2016-19, although take with some caution owing to seasonal trends altering over time (June is one of the months that has seen the largest drift in seasonality).
- Note that the two-month downward revision of -74k to seasonally adjusted growth was driven by underlying factors, with non-seasonally adjusted payrolls lowered by -69k. This was mainly in the May figure, meaning that its 685k was less impressive compared to 664k in 2025 and 747k in 2024 than the 741k reported last month.
- The net birth-death adjustment provided a boost in June, with +8k vs -29k in Jun 2025, after a slightly relative drag in May (158k vs 173k a year ago).
- In terms of translating into seasonally adjusted payrolls, there was a slightly less favorable seasonal factor compared to last year, after the Jun 2025 factor was its most favorable in multi-decades. Crudely using last year's factor would have seen a 79k seasonally adjusted increase in nonfarm payrolls vs the 57k reported, narrowing the miss to the 113k consensus.







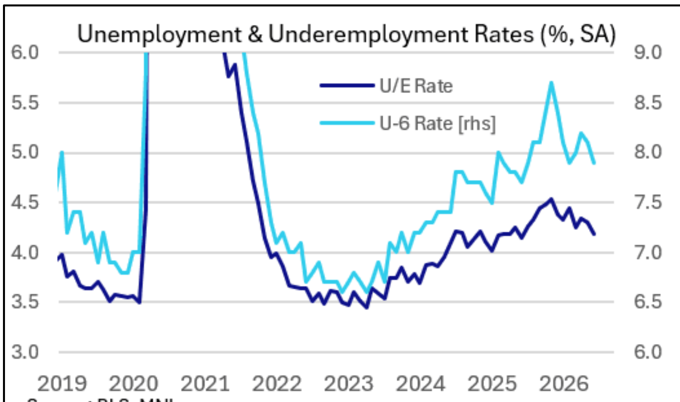


Unemployment Rate Downtick Comes Alongside Worrying Supply-Side Trends

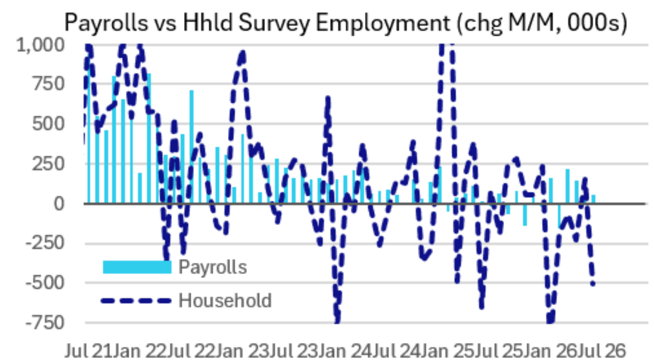
The mildly surprising decline in the unemployment rate in June vs May was ostensibly a sign of strength for the US labor market, but there were some worrying longer-term supply trends in the Household Survey that look to have remained intact through the month-to-month noise.

- To start with the good news: the fall in the unemployment rate to an unrounded 4.189% from 4.296% prior (vs 4.3% consensus, with some analysts seeing 4.2%; FOMC June median end-2026 is 4.3%) marked a 2nd consecutive fall and the lowest rate outright since June 2025. Prime-age unemployment fell to a 6-month low 3.68%, and the U-6 underemployment rate hit a joint 12-month low at 7.9%.
- There were improvements/was steadiness across all major demographics/education categories as well, and the permanent job losers' rate dropped to 1.04% from 1.13% for a 16-month low.
- But when we look at the aggregate quantities, dynamics don't look quite as healthy. In June, unemployment fell 213k, but employment fell 507k (vs a 57k rise in the Establishment survey). In the last 5 months, Household employment has fallen 833k, vs gains of 392k in Establishment payrolls.
- Household unemployment has fallen 274k in the last 5 months, including 3 of the last 4, helping the unemployment rate stabilize. But this is also in large part a participation story: June saw a 63-month low in the participation rate, 61.55% after 61.83%.
- Prime age participation fell sharply, to a 15-month low 83.3% from 83.9%, with 25-34 driving the drop. In other words, it was the engine of the labor market driving the decline in the month, not retiring older workers (55+ participation was unchanged at 37.1%).

- Zooming out, June saw the biggest NSA Y/Y fall in the size of the labor force (0.7%) since March 2021; on a seasonally-adjusted basis it's fallen 1.1m in the last 5 months including 720k in June (offsetting the outsized Household employment decline) with an 832k rise in those not in the labor force.
- The employment-to-population ratio is now down to a 56-month low 59.0% (59.2% prior).
- Some of the month-to-month readings here look like noise as is reasonably typical for the Household Survey, with perhaps some sampling issues at play particularly for the younger demographic of the prime-age contingent. We will have to see whether there is a reversion in the months ahead.
- But the longer-term trends suggest signs of more chronic weakness, perhaps with immigration restrictions holding back labor force growth, and also the U-6 rate's decline suggesting that the discouraged unemployed are leaving the labor force altogether (we saw a 158k decline in permanent job losers among the ranks of the unemployed, though in the U-6 calculation we also saw another large drop in those working part-time for economic reasons).



Source: BLS, MNI



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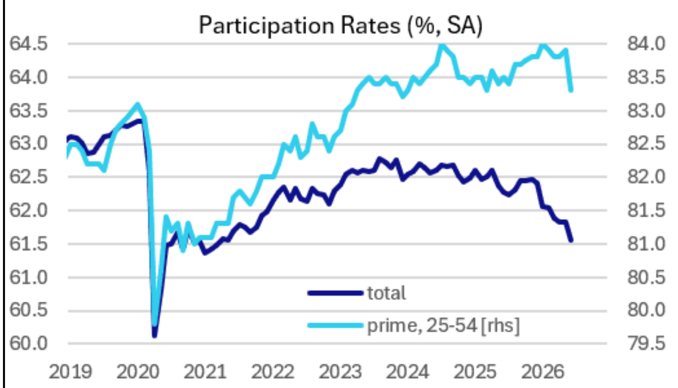

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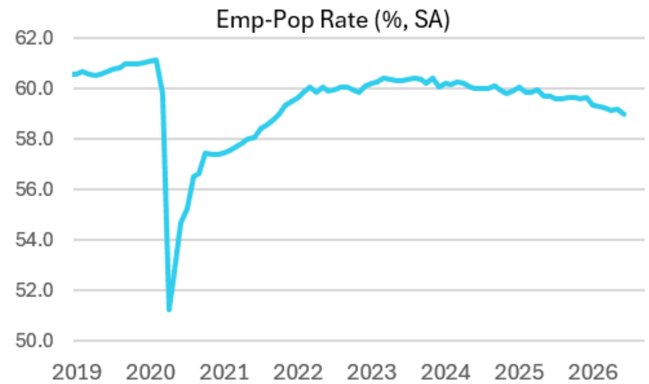


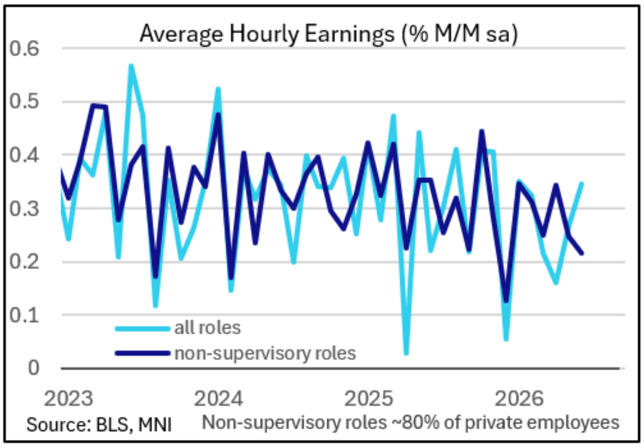
Source: BLS, MNI

AHE Growth Continues Stabilization After Trend Moderation

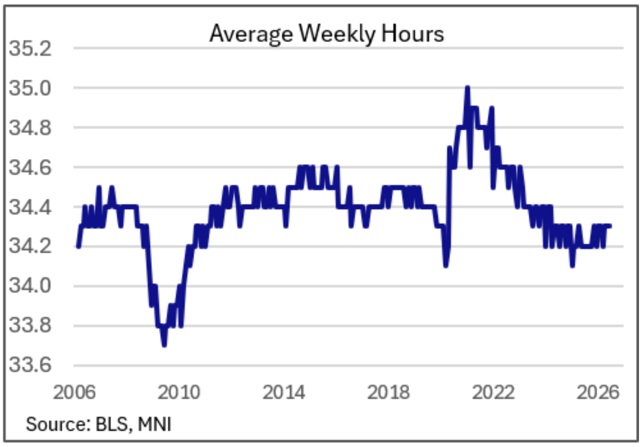
The earnings side of the payrolls report was the closest to consensus amongst the main indicators, with monthly AHE growth at the stronger end of consensus but with some softer details.

- Average hourly earnings increased 0.35% M/M (cons 0.3 with dovish skew to 0.2) in June with the modest beat offset by a downward revision to 0.27% M/M in May (initial 0.32%) after an unrevised 0.16% M/M in April.
- Also dampening the slightly stronger headline wage figure, non-supervisory employees were more subdued at 0.22% M/M after an unrevised 0.25% M/M in Apr and 0.34% in Mar.
- The AHE Y/Y accelerated to 3.52% (cons 3.5 with skew to 3.4) after a downward revised 3.39% (initial 3.45%) but broadly extends stabilization with an average of 3.5% over the latest four months having cooling from last year's peak of 4.2% in Mar 2025 and more recently 3.9% in November.
- The non-supervisory AHE fell below the AHE Y/Y for the first time since Mar 2025, at 3.42% Y/Y after 3.56% in May.

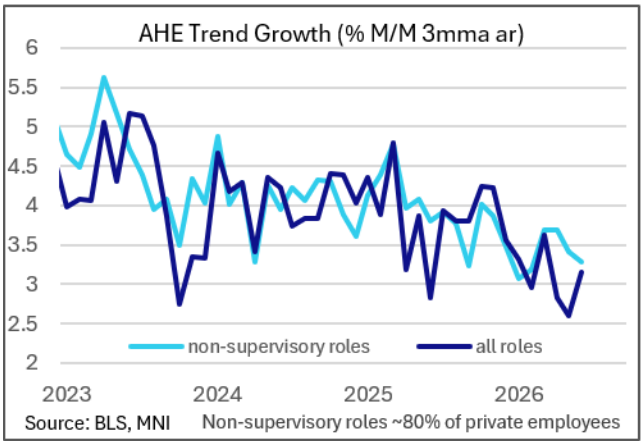
- Current levels of wage growth should continue to see little direct inflationary pressures whilst very strong productivity growth continues. That said, with the Fed increasingly eyeing stubborn core services prices there will be more scrutiny than usual on AHE growth this month.
- The average work week meanwhile held steady at 34.3 hours for a third consecutive month, at typical but still relatively low levels on a historical basis.



Source: BLS, MNI Non-supervisory roles ~80% of private employees



Source: BLS, MNI



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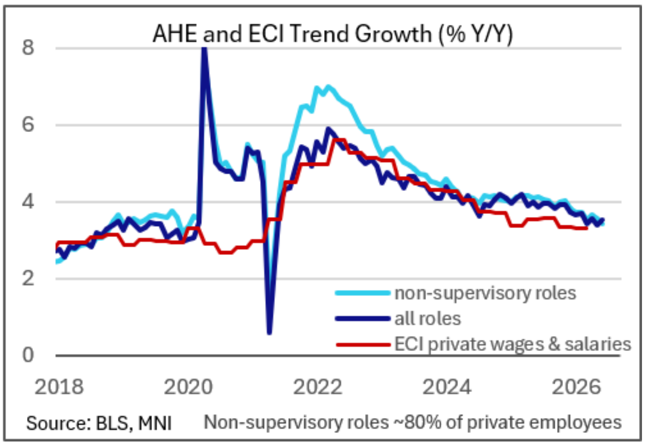
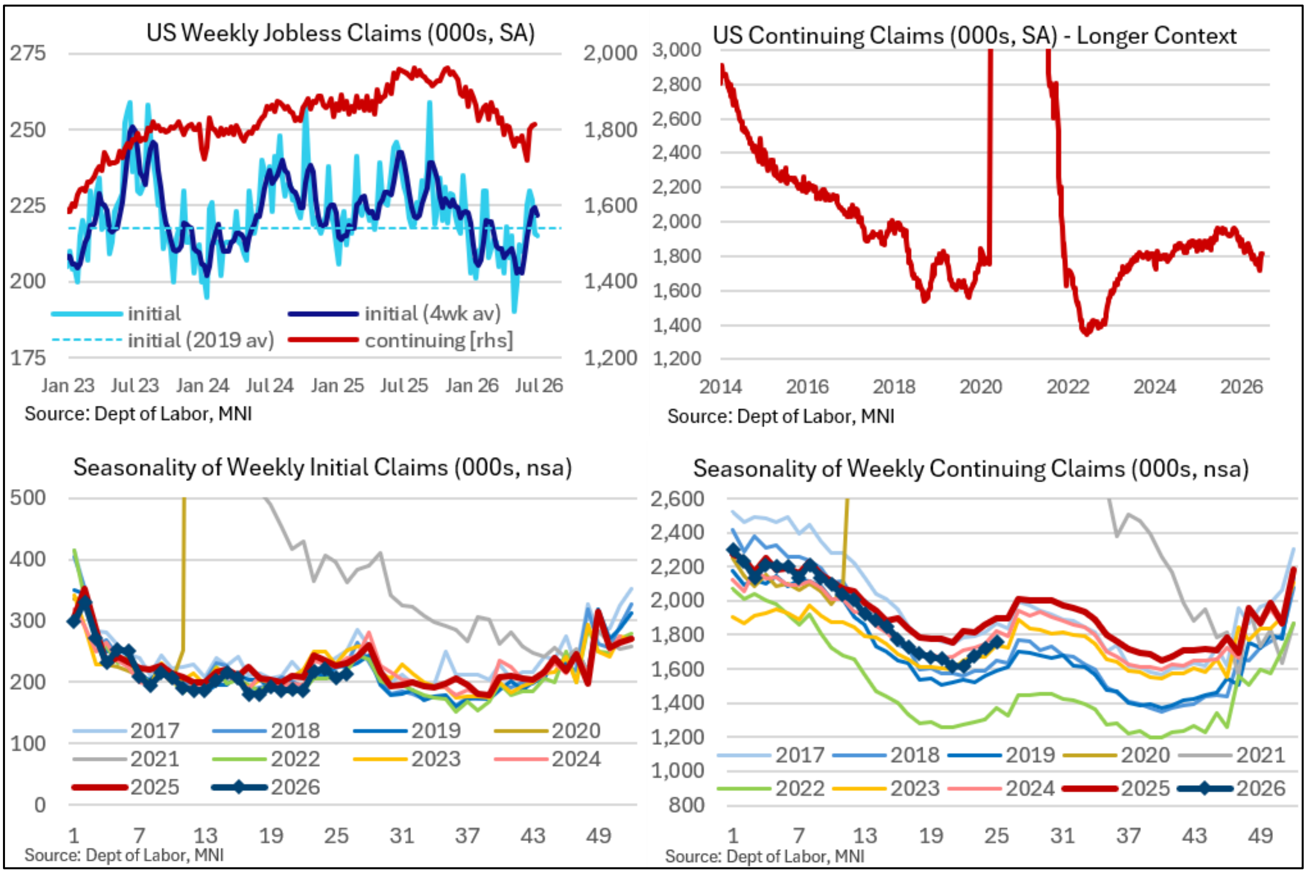


Source: BLS, MNI Non-supervisory roles ~80% of private employees

Jobless Claims Maintain Relatively Healthy Levels

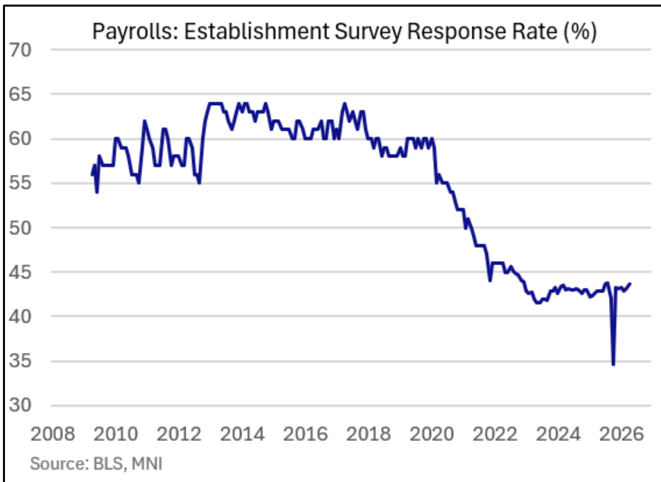
Weekly jobless claims were slightly better than expected as they consolidated rather than extended an increase off May lows. Both initial and continuing claims remain at relatively healthy levels.

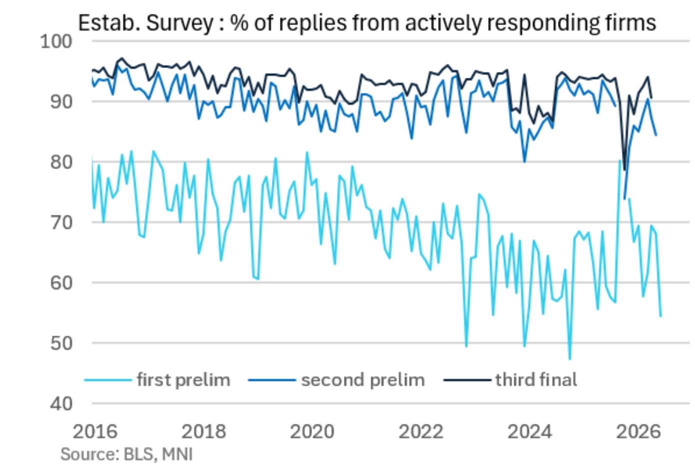
- Initial jobless claims were essentially unchanged at 215k (sa, cons 218k) in the week to Jun 27 after a slightly upward revised 216k (initial 215k).
- The four-week average dipped to 222k after the 225k in the previous week hit fresh highs since Nov 2025. It has increased from recent lows of 203k in May but is still close to the 2019 average.
- The 5.6k increase in non-seasonally adjusted claims was countered by a 5.9k decline in California in a move that broadly chimes with seasonal norms.
- Continuing claims were also little changed at 1814k (sa, cons 1820k) in the week to Jun 20 after a downward revision to 1812k (initial 1821k) that was entirely in the ballpark of what we expected.
- That 1812k is the highest payrolls reference week since March in a deterioration after the 1785k and 1776k in April and May respectively.
- The latest figure consolidates a return to or above 1800k for three weeks now for the first time since the first half of April. It bottomed at 1718k in late May although these latest figures are still modest compared to the decline from the >1900k readings seen through 2H25.

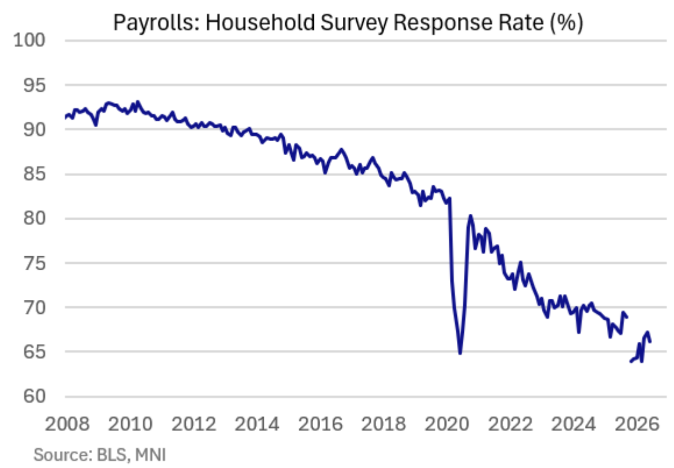


Data Quality: NFP Establishment Survey Initial Response Rate Slid In June

- Returning to the payrolls report, it's worth noting that the June figures were based on a return to a particularly low initial collection rate of 54.4% (lowest since Oct 2024) - these being based of the share of actively reporting sample units.
- It increases scope for large revisions in subsequent updates even if May's 68.2% initial rate still came with a sizeable -74k two-month revision with today's update.
- The entire response rate (rather than shares of actively reporting units) remained low at 43.6%.
- Alternatively, the household survey response rate gave back some of its increase improvement, dipping to 66.2% from 67.2% (highest since September) having lifted off the historical low of 63.9% - see charts.
- Household survey measures such as the unemployment rate don't have regular monthly revisions although the low response rates can increase volatility from month-to-month.







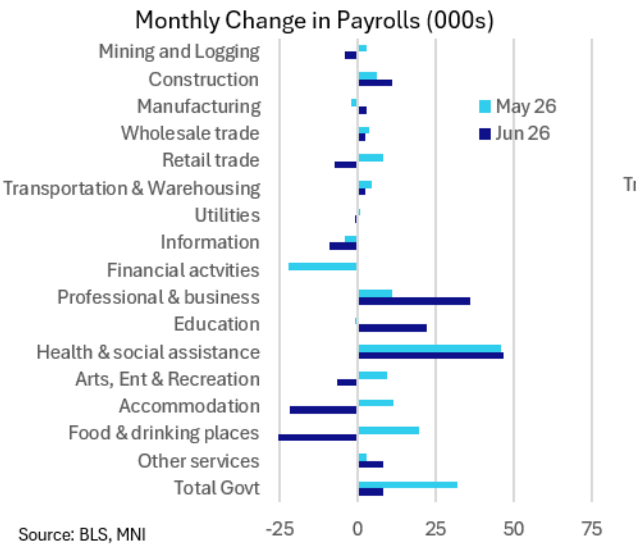
STIR: Dovish Reaction Held – Fed Hike Kicked Back From October To December

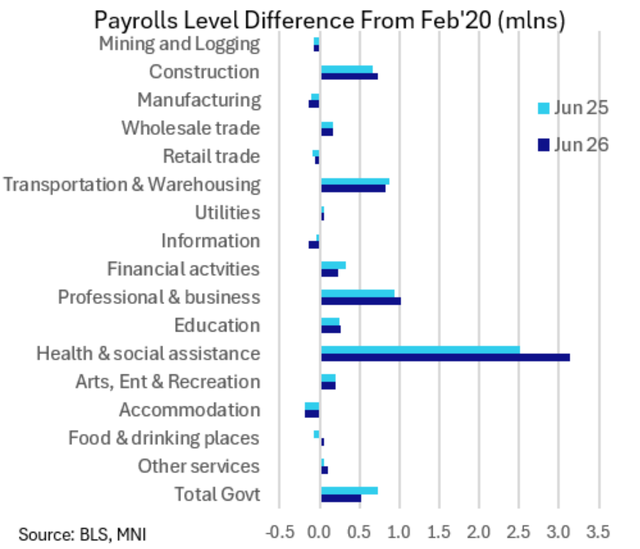
FOMC-dated Fed Funds futures implied rates

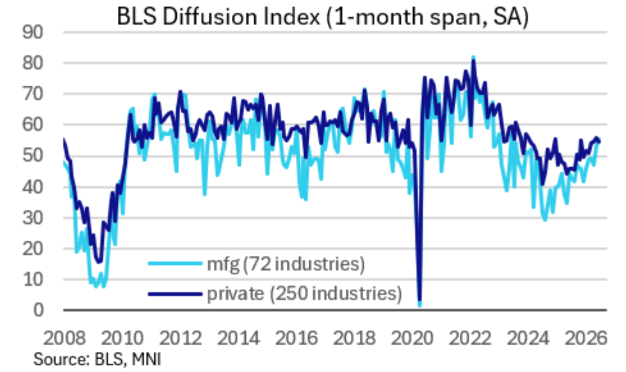
Meeting	Latest			pre NFP (Jul 2)			*chg in rate*	pre FOMC decision (Jun 17)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	3.63			3.63				3.63			
Jul'26	3.67	4.2	4.2	3.71	8	7.7	*-3.5*	3.65	2	2	*2.0*
Sep'26	3.79	11.4	15.6	3.83	13	20.4	*-4.8*	3.72	6	9	*7.0*
Oct'26	3.84	5.2	20.8	3.89	6	26.2	*-5.4*	3.75	3	12	*9.1*
Dec'26	3.94	9.7	30.5	3.99	10	36.2	*-5.7*	3.84	9	21	*9.9*
Jan'27	3.97	3.0	33.5	4.03	4	40.0	*-6.5*	3.87	3	24	*9.7*
Mar'27	4.01	4.7	38.2	4.08	5	45.0	*-6.8*	3.91	4	28	*10.0*
Apr'27	4.02	0.3	38.5	4.09	1	45.8	*-7.3*	3.93	2	30	*8.7*
Jun'27	4.00	-1.9	36.6	4.07	-2	43.7	*-7.1*	3.92	0	29	*7.2*

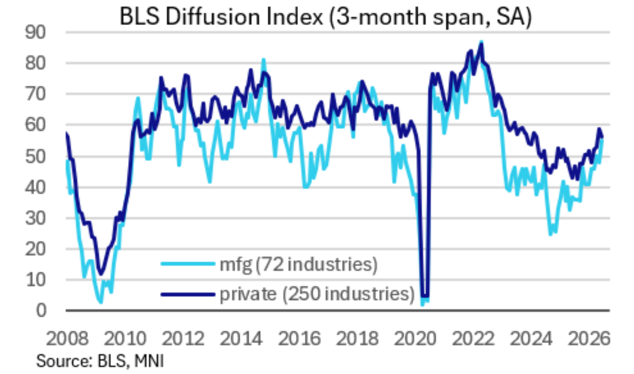
Source: Bloomberg Finance L.P., MNI. Assuming same EFFR-target lower bound spread from latest fix going ahead

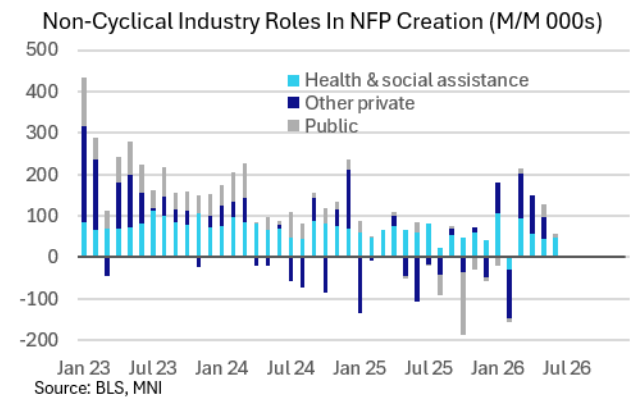
Payrolls Report Chart Pack

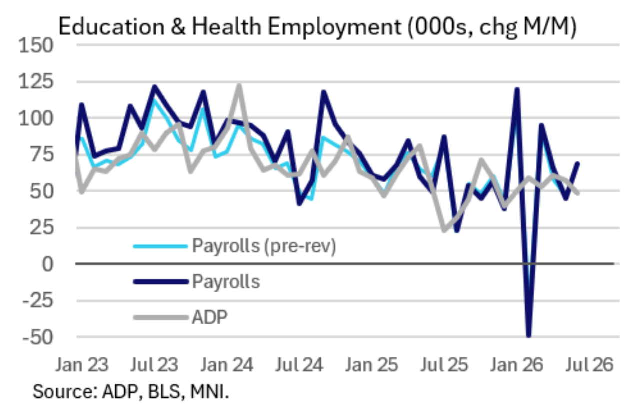




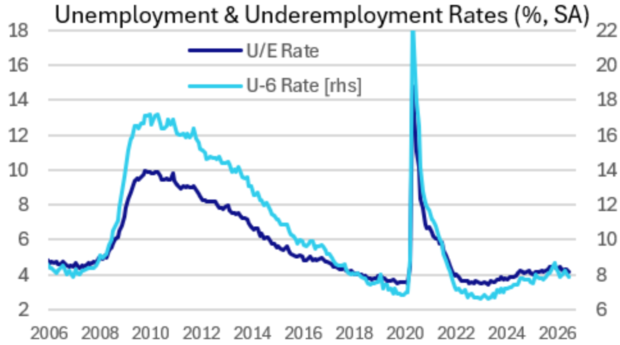






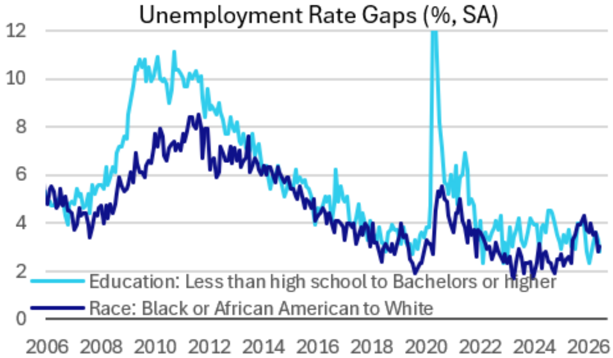


Unemployment & Underemployment Rates (%, SA)



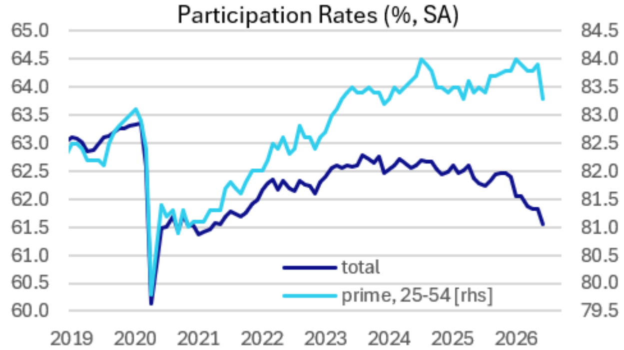
Source: BLS, MNI

Unemployment Rate Gaps (%, SA)



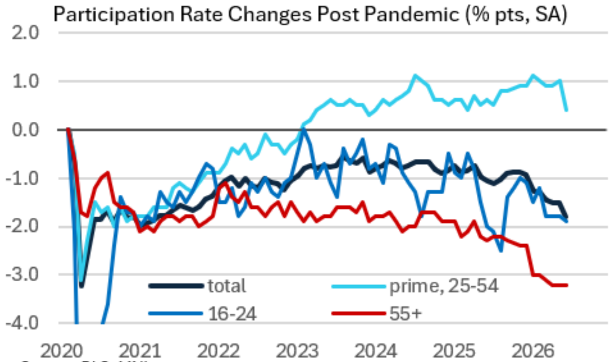
Source: BLS, MNI

Participation Rates (%, SA)



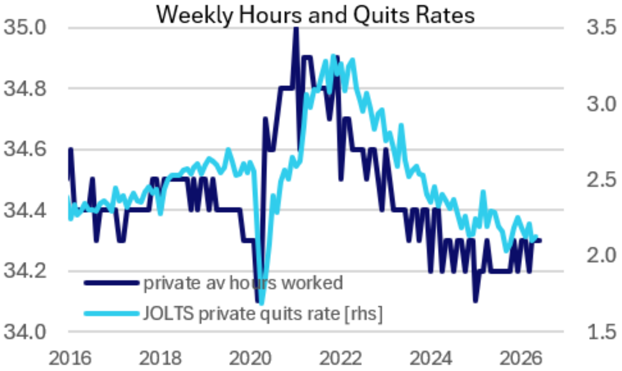
Source: BLS, MNI

Participation Rate Changes Post Pandemic (% pts, SA)



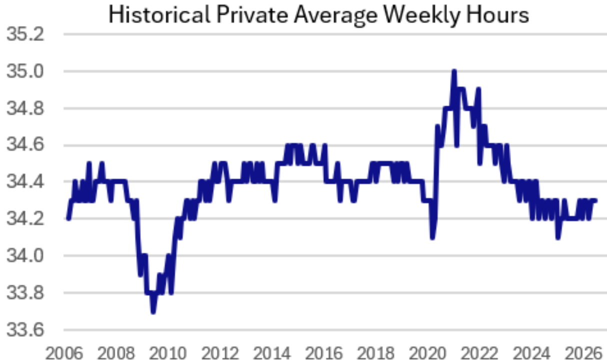
Source: BLS, MNI

Weekly Hours and Quits Rates



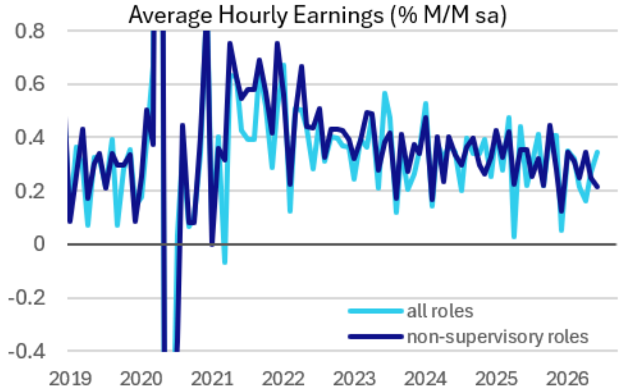
Source: BLS, MNI

Historical Private Average Weekly Hours



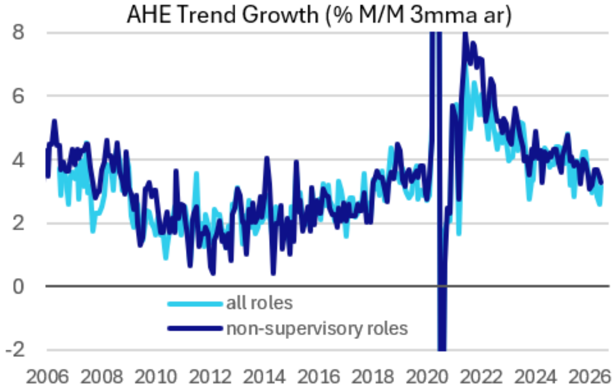
Source: BLS, MNI

Average Hourly Earnings (% M/M sa)



Source: BLS, MNI Non-supervisory roles ~80% of private employees

AHE Trend Growth (% M/M 3mma ar)



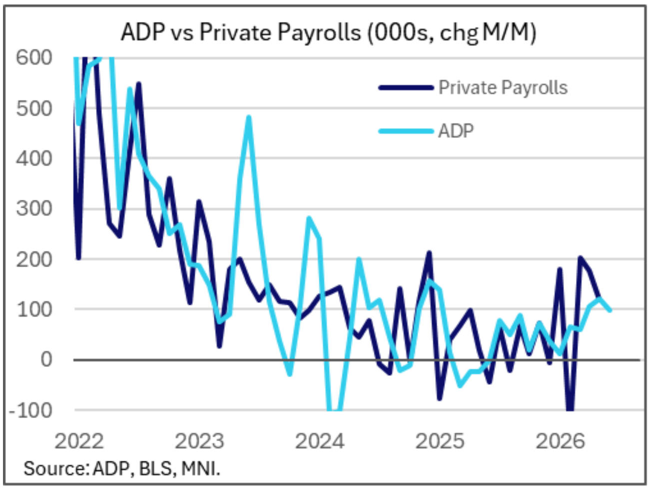
Source: BLS, MNI Non-supervisory roles ~80% of private employees

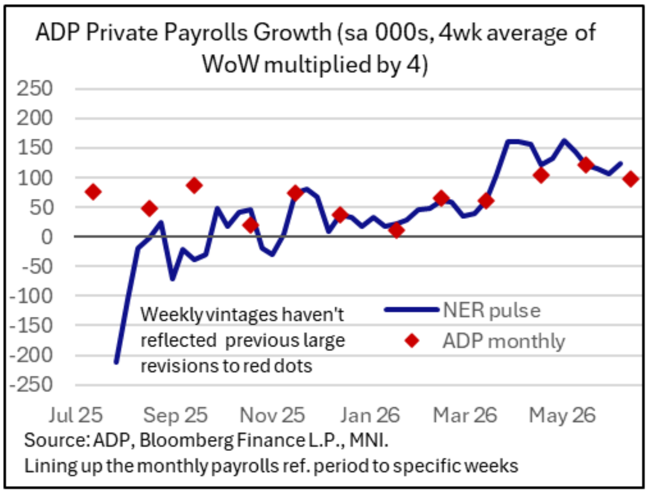
Other Labor Indicators Of Note

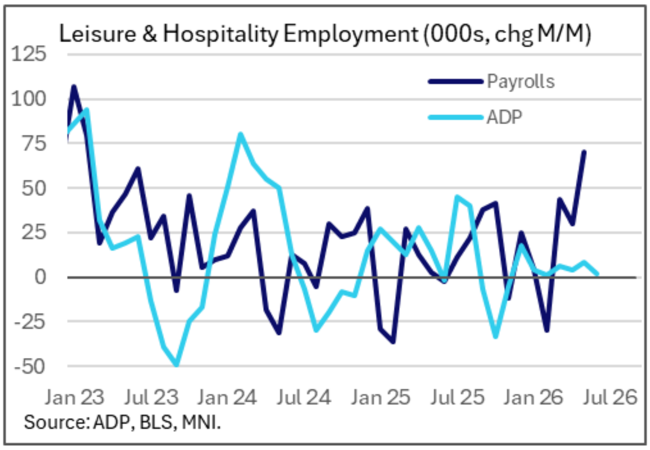
ADP Disappoints But Still Reasonably Solid, Categories Mixed

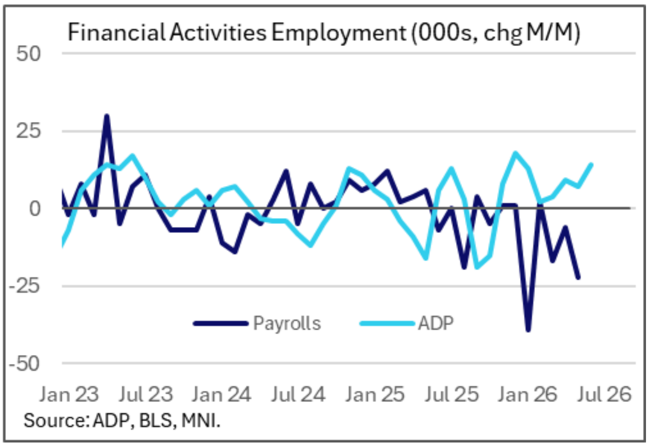
ADP private sector employment disappointed expectations in June as it increased 98k after two months a little above 100k, although it was still the strongest increase since Jan 2025 prior to Apr-May. Leisure & hospitality hiring continued to be subdued but we warn reading too much into this as a potential World Cup hiring angle considering a large recent wedge with the BLS payrolls series.

- ADP employment increased 98k (sa, cons 120k) in June after an unrevised 122k in May.
- The weekly series had been showing some sustained moderation in recent weeks before a slight firming to a monthly equivalent of 123k in the latest update covering the four weeks to Jun 6.
- The press release flags an uneven pace of job creation. There were further large increases in the cyclically insensitive education & health category (+48k) whilst the press release points to financial activities (14k) and information (7k) increases.
- Against that, leisure & hospitality (+2k) was one of the weaker areas for those watching for clues on a potential World Cup impact. Beware translating this into NFP-specific expectations though, with a large wedge having opened up recently between the two series (ADP averaged 6k per month in Mar-May vs 48k for the BLS series per the latest vintage) - see chart.
- There's the opposite story on the financial activities series as well, with ADP increasing an average 7k in Mar-May vs the -15k for the BLS series, muddying interpretations of potential impact of AI disruption.
- Rather than focusing on specific sectors, we find it more useful to take the overall trend which in recent months have been smoother than the more volatile, and stronger, BLS series.
- As for job growth by firm size, the smallest (1-19 employees) saw the largest job creation for a seventh consecutive increase, most recently with 38k.





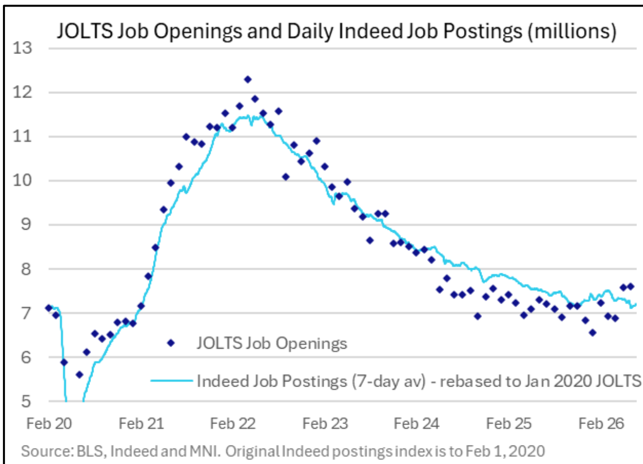


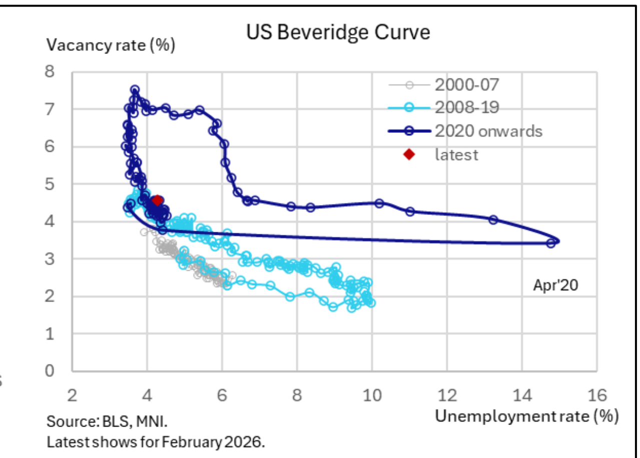


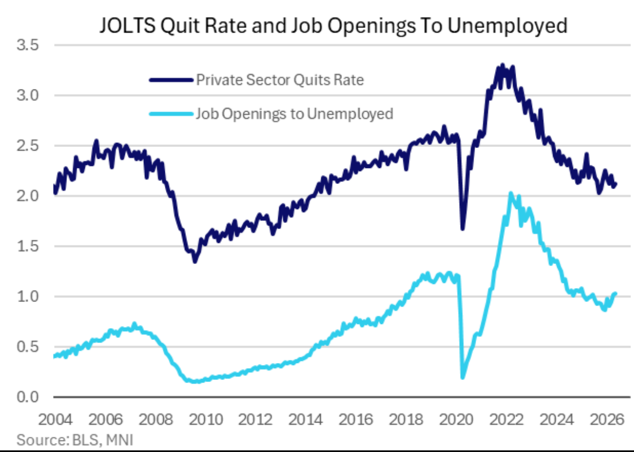
A Second Month Of Surprisingly High Job Openings

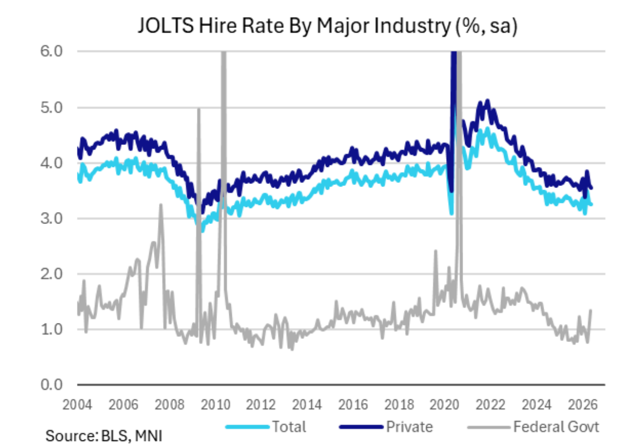
The JOLTS report for May was stronger than expected, with strength again concentrated in job openings but with quits also holding up better than expected. Job openings surprisingly held onto the strong rise seen in April in a move that continues to go against a relatively softer sequential trend in indicators such as Indeed openings. It helps the ratio of job openings to unemployed increase a little closer to pre-pandemic levels although quit and hire rates remained notably more depressed in a sign of still limited labor market churn.

- Job openings surprisingly increased to 7594k (sa, cons 7296k) in May after a downward revised 7585k (initial 7618k) in April as it held onto the increase from two months at ~6900 in Feb-Mar.
- The level of openings is at its highest since May 2024 whilst the ratio of openings to unemployed of 1.04 is its highest since Jan 2025. This ratio bottomed at 0.87% back in December before increasing every month since then, whilst it compares with an average 1.2 in 2019 or 1.0 in 2017-18 for historical context.
- Openings for the professional & business services category, which we suspect played a large role in the surprisingly strong openings last month, slightly extended its recent increase with 1485k in May after 1473k in Apr, 1047k in Mar and 1303k in Feb.
- The strong openings in the April JOLTS report had been somewhat offset by softer hires and quits rates, although upward revisions in today's release have taken the edge off there.
- The quits rate inched up to 1.93% in May after 1.92% in Apr (initially 1.87% at what had been the lowest since April/May 2020 and before that late 2014) to limit the drop from 1.99% in March. Quit rates are clearly still low historically though e.g. compared to the 2.3% averaged in 2019 or 2.2% in 2017-18.
- Private quits meanwhile increased to 2.13% in May from 2.10% (initially 2.05%) in Apr after 2.21% in Mar. This series recently bottomed at 2.03% in Sep 2025 and compares with 2.6% in 2019 or 2.45% in 2017-18.
- The hire rate is probably the weakest area of the report on the month as it fell to 3.25% from an upward revised 3.28% in Apr (initially 3.22%). It has seen some volatility recently, with the 3.09% in Feb its lowest since Jan 2011 before bouncing to 3.49% in Mar. It remains far below the 3.8% averaged in 2017-18 or 3.9% in 2019.





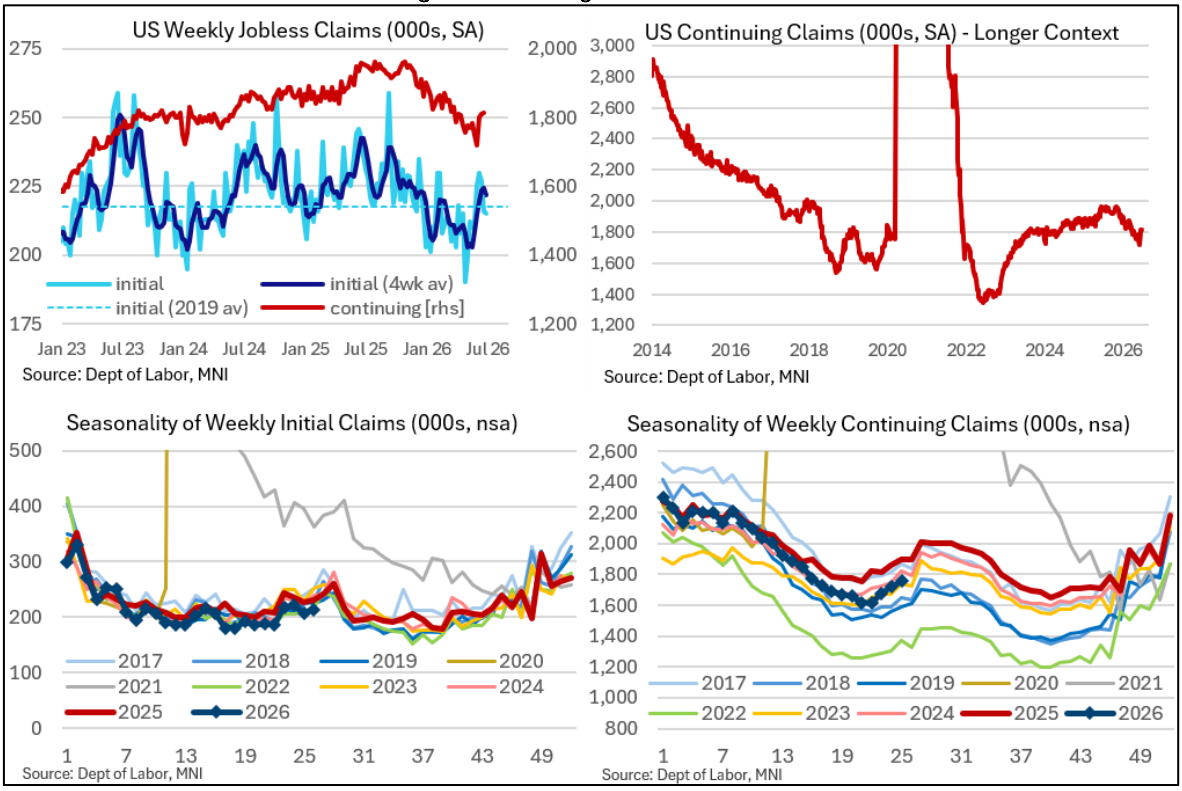




Jobless Claims Maintain Relatively Healthy Levels

Weekly jobless claims were slightly better than expected as they consolidated rather than extended an increase off May lows. Both initial and continuing claims remain at relatively healthy levels.

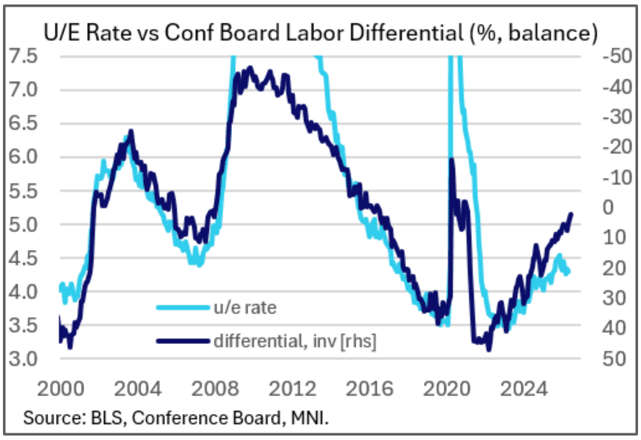
- Initial jobless claims were essentially unchanged at 215k (sa, cons 218k) in the week to Jun 27 after a slightly upward revised 216k (initial 215k).
- The four-week average dipped to 222k after the 225k in the previous week hit fresh highs since Nov 2025. It has increased from recent lows of 203k in May but is still close to the 2019 average.
- The 5.6k increase in non-seasonally adjusted claims was countered by a 5.9k decline in California in a move that broadly chimes with seasonal norms.
- Continuing claims were also little changed at 1814k (sa, cons 1820k) in the week to Jun 20 after a downward revision to 1812k (initial 1821k) that was entirely in the ballpark of what we expected.
- That 1812k is the highest payrolls reference week since March in a deterioration after the 1785k and 1776k in April and May respectively.
- The latest figure consolidates a return to or above 1800k for three weeks now for the first time since the first half of April. It bottomed at 1718k in late May although these latest figures are still modest compared to the decline from the >1900k readings seen through 2H25.



Conference Board Labor Diff. Falls To Weakest Of Cycle In June

The Conference Board survey's indicative Labor Market Differential (jobs plentiful minus hard to get) fell to a cycle low 2.4pp in June from 5.0pp in May. Outside of the 2020 pandemic period this was the lowest since July 2016.

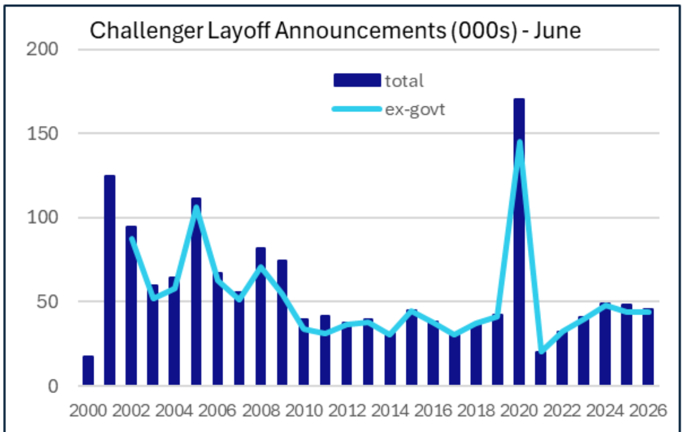
- A lower number is consistent with a higher unemployment rate, and there was a cycle high for jobs "hard to get" (22.5%) and low for "jobs plentiful" (24.9%).
- The direction of travel in this indicator toward a looser labor market remains clear, but It's increasingly at odds with an unemployment rate that has stabilized in the 4.3% area for the last few months and is expected to do so again in June.



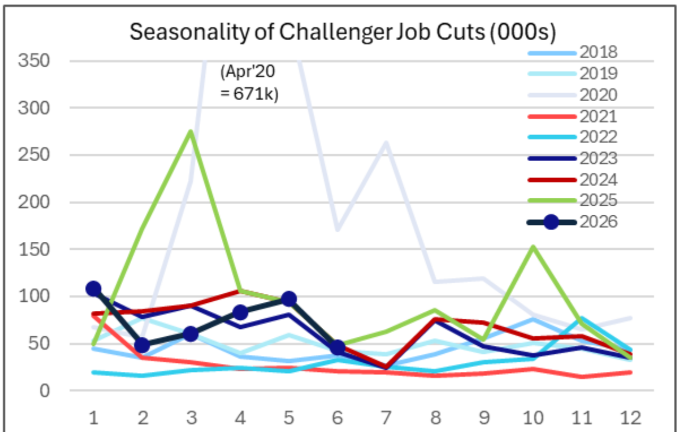
Challenger Job Cuts Ease To Lowest June Since 2023

Challenger job cut announcements dropped to their lowest level for a June since 2023. It offered a more encouraging take on the labor market than May's highest reading since 2020 even if these relative developments were on the small side. AI attribution eased from May but remained high at 31% of all job cut announcements in June.

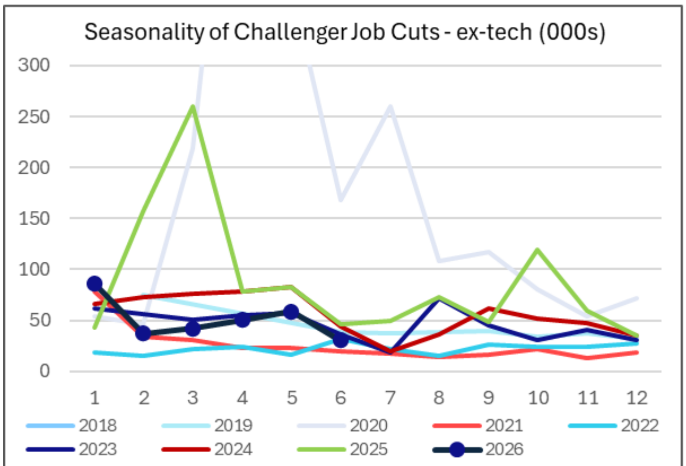
- Challenger job cut announcements totaled 45.8k in June, the lowest monthly value for these non-seasonally adjusted values since December but with the 48k in Jun 2025 a better comparison (-4.5% Y/Y).
- Encouragingly, it's the lowest June since 2023 although it's a limited improvement having kept to a narrow range with 48k in 2025 and 49k in 2024. For comparison, prior June peaks were 170k in the 2020 and 111k in 2005 whilst it saw just 20k in 2021.
- That's in contrast to last month's May release were it technically marked a fresh high for May since 2020 and before that 2009, although was also relatively little changed by this series' standards compared to the past two May figures.
- As for latest drivers, the 51k decline from the 97.0k in May was helped by tech (-23k to 15.5k, albeit still high compared to the 1.5k in Jun 2025) with the next largest monthly drops from transportation (-6k to 0.6k) and pharmaceutical (-4.8k to 0.2k).
- The press release notes that AI was attributed to 31% of job cut announcements specifically in June, down from the previously reported 40% for May. That in turn followed 26% in April for a marked increase from 7% at the start of the year. Cumulatively, AI has been cited in 102k job cut announcements or 23% of total for the first six months of the year.



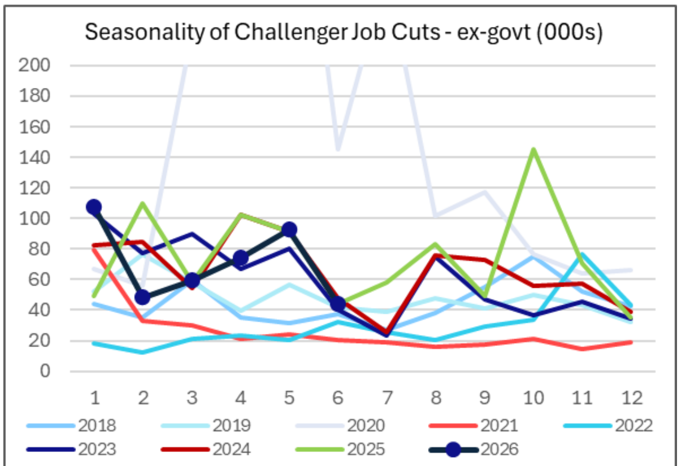
Source: Challenger, Gray & Christmas, MNI



Source: Challenger, Gray & Christmas, MNI



Source: Challenger, Gray & Christmas, MNI

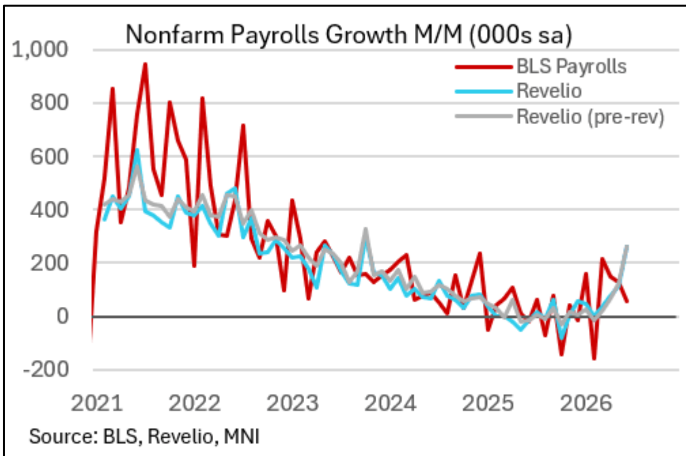


Source: Challenger, Gray & Christmas, MNI

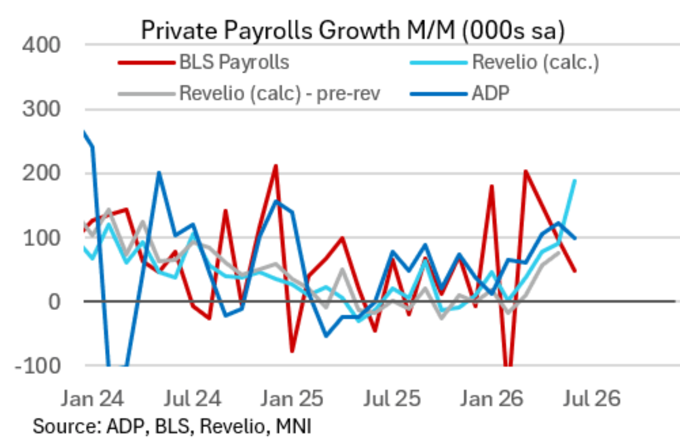
Revelio Nonfarm Payrolls Soar In June, Keeping Upward Trend Intact

Revelio Labs' June nonfarm payrolls release showed 258k gains in June, easily a 32-month high and up from 111k prior (rev down from 124k). Private payrolls (overall minus public administration) were estimated to have contributed 187k to that total (90k prior).

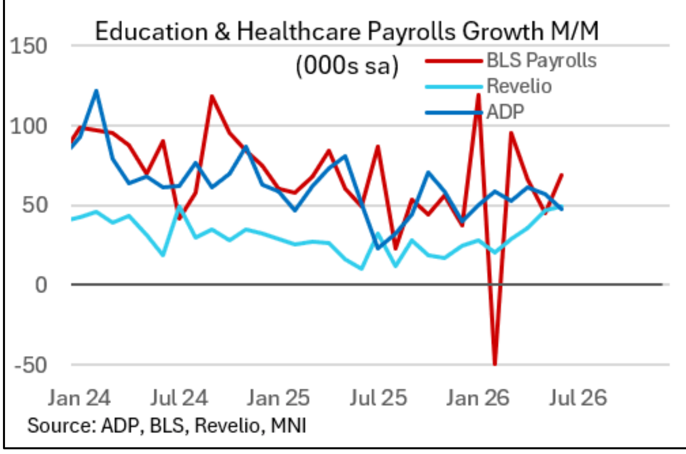
- This release contrasted with the official BLS report for June, which told a much weaker story (57k payroll gains with large downward revisions, and a 49k rise in private payrolls).
- We took some note here of the leisure and hospitality category, whose outsized gains in May's BLS report were revised down substantially in June; Revelio shows essentially flat growth through May and June, indicative of a lack of a "World Cup" effect.
- Additionally, Revelio appears to be a little more positive than BLS on public/government payrolls with the 72k in June representing a series high (going back to 2021). In other typically acyclical categories, education/healthcare payrolls growth more or less aligned with BLS and ADP in the 50k area.
- Overall we read more into the longer-run trends in this series and it clearly shows a strong inflection point to the upside since the start of the year that generally mirrors the improving official series.
- Revelio estimates monthly changes in unemployment by looking at professional profiles sourced from professional networking websites eg LinkedIn: "RPLS provides a set of employment statistics derived from over 100 million professional profiles sourced from professional networking websites. After deduplication, adjustments for reporting lags, and reweighing to ensure that the data resembles the national distribution of the workforce, these data yield timely and detailed measures of employment dynamics."



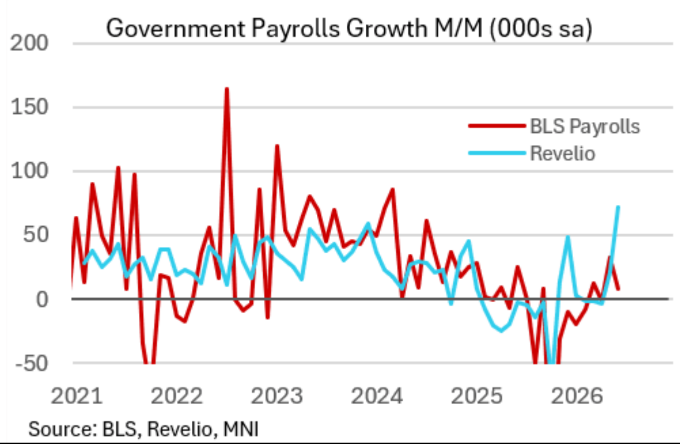
Source: BLS, Revelio, MNI



Source: ADP, BLS, Revelio, MNI



Source: ADP, BLS, Revelio, MNI



Source: BLS, Revelio, MNI

MNI Policy Team Insights

MNI INTERVIEW: Fed Hike Plausible As Early As July – George

By Pedro Nicolaci da Costa (Jun 29, 2026)

LONDON - The Federal Reserve should consider raising interest rates as early as its next meeting in July, because inflation is too far above target and showing little sign of abating, former Kansas City Fed President Esther George told MNI.

George said that Fed Chair Kevin Warsh's approach to communications, which shies away from the kind of forward guidance that requires several months of foreshadowing before any new action on rates, means every meeting will be live.

"If you were really serious, that this feels too high, and you're not seeing disinflationary signs, July obviously should be on the table," she said in an interview Monday. "We've all gotten accustomed to a lot of preparation to move and so I think it's a real question, why not July?"

Despite hopes for a resolution to the Iran war, George does not see a retreat in oil prices as enough to restart the process of U.S. disinflation.

"What does waiting for September buy you here? I understand oil is such a salient price for our inflation expectations. But I just keep looking at inflation – ahead of this war, it was an issue. You get an easing on the oil prices, I'm not sure that's going to be definitive in terms of a direction for lower inflation," she said. (See MNI INTERVIEW: Fed's Next Rate Move Likely Upward-Kohn)

50 TO 100BPS

George said the Fed's three rate cuts of late 2025 were likely premature because they were delivered before the FOMC had gotten inflation sufficiently close to its 2% target, which has been exceeded for over five years.

That means financial conditions are fairly loose, and would need to be tightened considerably in order to get price pressures back under control, she added.

"When I hear businesses and I hear households' expectations, I see examples of them changing to say we're accepting inflation, we feel can pass prices on. That tells me you're probably talking 50 to 100 basis points before you can call that policy restrictive," said George.

By keeping rates steady as inflation rises anew, the Fed is in fact passively easing policy, said George. "You can't say rates are near restrictive when they're hovering around the zero to half percent range on a real basis."

George gave Warsh high marks for sticking to his philosophical priors of not offering too much guidance and pushing for reform during his first press conference. But she added that, over time, the chair will have to give more details on the FOMC's reaction function.

"I do think it would be helpful if in future meeting he leaned more into 'what communication will we offer, and how will we help the public understand the Fed's reaction function or assessment of the economy that stops short of whatever you define as forward guidance,'" she said.

REGIONAL FEDS

Despite institutional changes she generally views as positive, George was worried by media reports of the chair's involvement in the selection process for the new Atlanta Fed President. "The Atlanta story was concerning."

Asked if she fears regional Fed presidents losing power in a way that compromises the institutional structure that helps keep the central bank independent, George said: “I always worry about that. It comes from increasing influence from the Board of Governors around those selections. It also comes from the presidents feeling very confident about the role they play.”

She thinks regional presidents for now are giving the new chair the benefit of the doubt, but would need to assert themselves if they feel constrained, she said.

“The Fed has a culture of deference to the chair, a honeymoon period to say, ‘we want to get off on the right foot here, we are open-minded about what changes you want to make,’” she said. “I think as we go forward though, I don’t expect the Fed presidents in particular to change their communication style. They have to get out in their districts.”

George added: “The presidents have to be very clear about the role they play and not lean very much toward a system view, a deference that goes too far. And the boundaries around what the center does are equally important.”

MNI INTERVIEW: Ex-Trump Economist Says Fed Will Hike In 2026

By Pedro Nicolaci da Costa (Jun 24, 2026)

WASHINGTON - The Federal Reserve will likely need to raise interest rates later in the year even if the Iran war is successfully brought to a close because the resurgence in inflation is rightly making policymakers nervous about price pressures becoming embedded, Joseph Lavorgna, former Counselor to the U.S. Treasury Secretary, told MNI.

“The inflation news is not moving in the direction the Fed wants. I've never found a period in history where you can get inflation down as much as it needs to fall without the Fed doing something. And it's going to be more than one or two rate hikes,” Lavorgna, now back in his role as chief economist at SMBC Nikko Securities America, said in an interview.

He said a tentative peace deal that has brought down oil prices will help prevent a further inflation surge, but still expects core PCE to end the year above 3%. (See MNI INTERVIEW: Fed’s Next Rate Move Most Likely Upward-Kohn)

GOING THE WRONG WAY

“Inflation is going to moderate relative to USD100 oil, but, depending on what metric you're looking at, inflation was arguably trending up a little bit. It certainly wasn't trending down before we went into Iran,” he said. “And we’ve got this residual commodity pressure supply disruption that's going to persist against an economy that actually now looks pretty firm with a better labor market.”

Lavorgna said some investors had become overly convinced that Warsh would embrace some of the dovish rhetoric he delivered during the nomination process, ignoring the shift in the outlook that has taken place since.

“The market has underestimated the fact that Kevin Warsh is going to let the data dictate the talking. He's going to react, and do what he believes is best,” he said.

“Yes, he may believe there is a productivity boom that will be disinflationary, but in the short term, inflation has moved further away from target, the economy is healthy. Do you really want to run the risk of overheating the economy to have to do a whole lot more down the line and risk a recession? I don't believe Kevin wants to do that, and he's going to be pragmatic enough. If he believes the committee's view that the balance is shifting toward tightening, I think that's where we'll go.”

WORTHY GOALS

Lavorgna said he found Warsh's effort to pull back on forward guidance and be more circumspect, including a much shorter policy statement, to be refreshing. The shift could raise uncertainty in the markets but that is not necessarily a bad thing, he added.

"At some point, I think we do need to get the Fed reaction function, whatever that is. However, to the extent that meetings will be less preplanned, less rehearsed discussions around what the statement's going to look like, if that's ending that's great. That means the meetings are going to be live," he said.

"It also may mean that if the Fed is going to hike this year, they may not do what they would have done in the past, which is okay, here we are in June, they're going to do a tightening bias in July, and then we're going to like warn the markets, 'oh we're going to hike.' Maybe we don't have that," added Lavorgna.

"I think that also means you get less potential misallocation of capital and the Fed is going to be less stuck to policies that make it harder for them to pivot, because if they change the communication based on what they've been saying, then you've got credibility issues. So I think that the general direction of where he wants to go with monetary policy is the right direction, and I think it's going to be fun watching it evolve."

MNI INTERVIEW: Hawkish Fed Tilted Toward Hikes, Says Groen

By Pedro Nicolaci da Costa (Jun 22, 2026)

WASHINGTON - Federal Reserve officials are increasingly likely to push interest rates higher as inflation proves more stubborn than they thought earlier in the year, though a tightening cycle is not yet a foregone conclusion and depends on the extent of second-round effects from the Iran shock, former New York Fed economist Jan Groen told MNI.

"It'll be hard for Warsh to stem the hawkish tide within the FOMC," said Groen in an email exchange. "The Committee has shifted towards a more of hawkish outlook centered on inflation worries, especially now that the jobs reports since the start of the year have come in meaningfully strong."

Groen said he has not changed his official call for the Fed to stay on hold through the end of 2027 just yet. But he added: "The risks of the start of a hiking cycle have gone up meaningfully and the direction of travel will be up."

"The biggest uncertainty in this regard for me is the timing and duration. Unless we have an unpleasant core inflation print soon, I'm not so sure we'll have a hike in the immediate future." (See MNI INTERVIEW: Fed's Next Rate Move Most Likely Upward-Kohn)

Groen noted that even more hawkish FOMC members indicated in public comments ahead of the June meeting that hikes might be needed later in the year, which he interprets as coming somewhere close to year end.

"When you look at the dots to show hikes for 2026 you could roughly see a potential start date for hikes at the October meeting, but I'm not so sure that Warsh would go along with that as it is right at the doorstep of the midterms," he said.

INFLATION MOMENTUM

The inflation picture has deteriorated significantly in the past couple of months, with PCE inflation hitting 3.8% in April while core prices rose 3.3%. Warsh's first meeting saw a notable hawkish shift in rate forecasts, with nine officials penciling in a hike this year.

“I have argued for a while that the inflation momentum was heading in the wrong direction well before the Iran war, especially core services inflation has been stuck at an average well above target-consistent levels,” wrote Groen, now chief U.S. economist at Societe Generale. “The impact of structurally higher tariffs and the Iran war have only amplified these trends."

He said the conflict in the Persian Gulf has heightened worries among FOMC members that supply shocks might be a more recurring feature of the global economic landscape.

“For many Fed officials the Iran war-induced oil price shock served as a wake-up call to the dangers of tolerating a persistent overshoot of the Fed’s nominal anchor: in an environment where inflation shocks happen more frequently, at some point a sequence of those shocks could dislodge inflation expectations with all the unpleasant consequences that come with it.”

If the Fed does hike rates, it will probably deliver about three quarter-point hikes that more or less take back the three “insurance cuts” of late 2025, said Groen.

LESS TALK, MORE VOL

Groen said Warsh will bring considerable changes to the Fed’s communications approach, including likely doing away with the Summary of Economic Projections.

“Warsh clearly doesn’t like the SEP as well as too-detailed speeches spelling out a Fed official’s outlook,” said Groen.

“If, instead, we are doing away with more explicit guidance and scenario discussions and have public Fed remarks that are mostly ‘light’ on content, markets will face a lot of uncertainty, not only about the medium-term path of the policy rate but also the immediate policy rate decision. Nonetheless, I believe this communications task force will push in this direction – and likely do away with the SEP,” he added.

“So, as was the case in the Greenspan era, the likelihood of surprise rate decision will go up and consequently structurally higher bond market volatility will become a feature of the Warsh Fed.”

MNI INTERVIEW: Fed Warsh 'Strategically Hawkish' - Lockhart

By Jean Yung (Jun 19, 2026)

WASHINGTON – Kevin Warsh navigated a delicate balancing act between reformer and institutionalist in his first FOMC meeting, heralding a rethink of key policy tools while carrying forward a hawkish shift that had already begun under his predecessor, former Atlanta Fed President Dennis Lockhart told MNI.

A hike is firmly on the table this year, Lockhart added, citing the committee's updated policy statement and rate projections, which signaled the Fed's first serious consideration of rate increases since the current inflationary cycle began.

"There's a better-than-even chance of a hike this year, but that presumes that the inflation picture continues to be troubling and that the committee feels it has to act," he said. (See MNI INTERVIEW: Fed’s Next Rate Move Most Likely Upward-Kohn)

STRATEGICALLY HAWKISH

The FOMC's updated Summary of Economic Projections revealed a committee shifting decisively toward tightening, upgrading inflation projections while downgrading its growth forecasts. Nine out of 18 rate projections showed one or more increases in the second half of the year, compared with nine for maintaining or lowering rates.

Even as Warsh tried to say as little as possible on the future path of interest rates, his tone was "strategically hawkish" -- careful but pointed, driven not so much by what he said as what he left unsaid, Lockhart said.

"The current conditions call for hawkishness. He never stated that explicitly, but you can infer that," he said.

"He made the statement that the committee is committed to restoring price stability. The committee has missed its target for over five years. It would be inconsistent with that longer-term statement to say we prioritize employment under the current situation."

LESS IS MORE

The revised policy statement, stripped of what Lockhart called "a lot of boilerplate," was a signal of how Warsh intends to run the institution, Lockhart said.

"This was a simplification and a very direct statement without the forward guidance in it. Clearly one of Kevin Warsh's views is less is more when it comes to Fed communications."

The committee's reaffirmation that it would maintain ample reserves in the banking system signaled no aggressive effort to unwind the balance sheet in the near term, while the closing declaration -- "The Committee will deliver price stability." -- makes clear that the inflation objective takes priority, Lockhart said.

"I don't think it somehow dismisses the other side of the mandate, the employment side."

VOLUNTARY DOTS

That Warsh declined to submit his own dot was a break with convention that raises questions about whether participation in the projection process is becoming voluntary. Warsh has set up a communications task force, and changes to the SEP could follow by year-end, Lockhart said. (See MNI INTERVIEW: Warsh Could Overhaul SEP, Drop Dot Plot - Lewis)

"If people opted out and this gets to be a little bit more of a ragged process -- note that one person chose not to put in a forecast for 2028 -- then it will tell you less about the thinking of the committee overall," he said. "The dots give you a sense of the mind of the collective participants of the committee at that particular time. That's not exactly what the market wants -- the market wants certainty and definitive statements -- but it's something."

Replacements for the dot plot have been debated in the past, including a single committee forecast, but never implemented due to the difficulty of reaching consensus.

"It would be far too hard. We would be cloistered for a week or more trying to get to a consensus forecast. Because of the degree of difficulty of that perhaps more useful communications device, the committee always fell back on: let's stick with the dots, they're as good as we can deliver."

MNI INTERVIEW: Fed’s Next Rate Move Most Likely Upward-Kohn

By Pedro Nicolaci da Costa (Jun 18, 2026)

WASHINGTON - The Federal Reserve’s next move on interest rates is likely to be higher as long inflation pressures linger and given new Fed Chair Kevin Warsh’s strong focus on the price stability side of the central bank’s mandate, former Fed vice chair Donald Kohn told MNI.

“To carry through on the emphasis and priority given to price stability, is the next move more likely to be up or down? I would say it's more likely to be up,” said Kohn, a four-decade veteran of the Fed who is now at the Brookings Institution.

While Warsh was circumspect in offering policy guidance or even detailed insights into his economic views, Kohn said there was a hint of it when the chair spoke about the degree of policy restrictiveness, describing it as uneven.

That, Kohn noted, was a break from Jerome Powell's R-star focused approach, which would lead the former chair to say policy was mildly restrictive.

Warsh also repeatedly emphasized his commitment to returning inflation to 2% after more than five years of overshoot, painting it as the FOMC's primary immediate goal. His hawkishness took many investors by surprise.

"I share some of the skepticism on whether they are headed back to 2%. And I was a bit skeptical on whether they needed, particularly, that last cut in December, the insurance cut," he said.

"Growth is solid, the labor market looks solid. If wealth continues to build and there isn't some evidence of the surge in productivity, the argument might be they bought a little too much insurance last year and they have to take it back." (See MNI INTERVIEW: Fed At Neutral Risks Entrenched 3% Inflation-Koenig)

Kohn said he expected a hawkish shift in the tone and substance of the Fed's internal deliberations but was surprised by how quickly the transition to active discussion of rate hikes had taken place.

"The direction of travel was where I expected things to go but the travel was further than I thought it would go," he said.

TASK FORCES

The former vice chair welcomed Warsh's launch of various task forces to examine possible improvements in everything from communications to the balance sheet. He said there is precedent for this around the world.

"I think that's a great idea. It gives time, six months at least, for him to get his feet on the ground and figure out what needs to happen, what's already happening, etcetera. I like the idea of bringing in some outside voices into those task forces. It's a little tricky with confidential information and whatnot, but that can be handled," said Kohn.

"There are other central banks – the Bank of England, the Riksbank, Reserve Bank of New Zealand, the Reserve Bank of Australia – that have brought in outsiders to evaluate them. And in this case he's talking about task forces that are joint insiders and outsiders, so I think that's a very constructive way to proceed."

ECONOMIC NARRATIVE

Warsh's reluctance to offer economic clues led to a dearth of information about his inclinations that will need to be addressed more directly as his tenure evolves, said Kohn

"He kind of used the dialing back for guidance to avoid saying very much about how he was viewing, or the committee was viewing, the economy. Why was the inflation forecast revised so much? Why were the dots revised so much higher? We didn't get that. How is inflation going to come down over time. We didn't get that either.

"But he's only been there three weeks, so I think it was a good start. Even if he doesn't give forward guidance on interest rates, he needs to give a story, a narrative around what's happening in the economy, why it's happening, what the committee led under his leadership will be looking at."