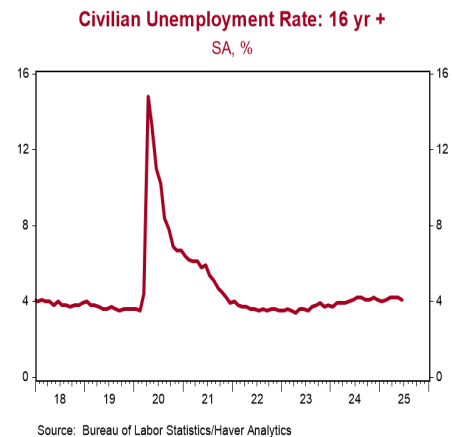
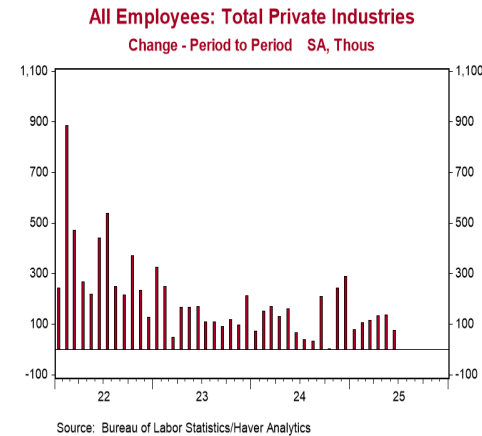


June Employment Report

Robert Stein, CFA – Dep. Chief Economist
Brian S. Wesbury – Chief Economist

- Nonfarm payrolls increased 147,000 in June, beating the consensus expected 106,000. Payroll gains for April and May were revised up by a total of 16,000, resulting in a net gain, including revisions, of 163,000.
- Private sector payrolls rose 74,000 in June but were revised down by 16,000 in prior months. The largest gains in June were education and health services (51,000) as well as leisure & hospitality (20,000). Manufacturing declined 7,000 while government increased 73,000.
- The unemployment rate declined to 4.1% in June versus 4.2% in May.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in June and are up 3.7% versus a year ago. Aggregate hours dropped 0.3% in June but are up 0.8% from a year ago.

Implications: No cheerleading today's employment report. Yes, the headline looks good: nonfarm payrolls rose 147,000 in June, beating the consensus expected 106,000. Payrolls were also revised up 16,000 in prior months, bringing the net gain to a solid 163,000. Meanwhile, the unemployment rate ticked down to 4.1% in June. So why not celebrate? Because *private* payrolls were up only 74,000 in June and were revised down 16,000 for prior months, bringing the net gain to 58,000. In other words, the gain in June itself was roughly half due to government and all the upward revisions were due to the government, as well. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (including COVID lockdowns and re-openings). This measure of "core payrolls" increased only 3,000 in June, the smallest so far this year. Perhaps the worst news was a 0.3% decline for total private-sector hours worked. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups (but is volatile on a month-to-month basis) rose 93,000 in June. So why did the unemployment rate tick down if job growth was tepid? Because the labor force (people who are either working or looking for work) dropped 130,000, not a good sign. Notably, in the past five months the native-born labor force is up while the foreign-born labor force is down, a sign of efforts against illegal immigration. On the inflation front, average hourly earnings rose a tepid 0.2% in June while up 3.7% versus a year ago. This is very close to the 3.5% gain we think the Federal Reserve would like to see and a sign that it has room for modest rate cuts in the months ahead. Although some may claim the increase in government payrolls shows the Trump Administration is failing to trim the federal government, that's not what the data say. In the five months since January, federal payrolls (excluding the Post Office and Census-related jobs) are down 2.4%, the steepest drop for any 5-month period since the 1990s. Instead, it's been hiring by state and local governments, particularly for education jobs, that's kept total government growing. In other news this morning, new claims for unemployment insurance declined, 4,000 last week to 233,000. Continuing claims remained at 1.964 million. These figures are consistent with continued job growth but at a slower pace.



Employment Report All Data Seasonally Adjusted	Jun-25	May-25	Apr-25	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.1	4.2	4.2	4.2	4.1	4.1
Civilian Employment (monthly change in thousands)	93	-696	461	-47	284	184
Nonfarm Payrolls (monthly change in thousands)	147	144	158	150	130	151
Construction	15	6	0	7	6	10
Manufacturing	-7	-7	0	-5	-2	-7
Retail Trade	2	-7	5	0	8	4
Finance, Insurance and Real Estate	3	10	5	6	8	7
Professional and Business Services	-7	0	27	7	-2	-3
Education and Health Services	51	83	85	73	69	73
Leisure and Hospitality	20	29	18	22	11	22
Government	73	7	25	35	23	30
Avg. Hourly Earnings: Total Private*	0.2%	0.4%	0.2%	3.1%	3.5%	3.7%
Avg. Weekly Hours: Total Private	34.2	34.3	34.3	34.3	34.2	34.2
Index of Aggregate Weekly Hours: Total Private*	-0.3%	0.2%	0.1%	0.0%	1.0%	0.8%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized