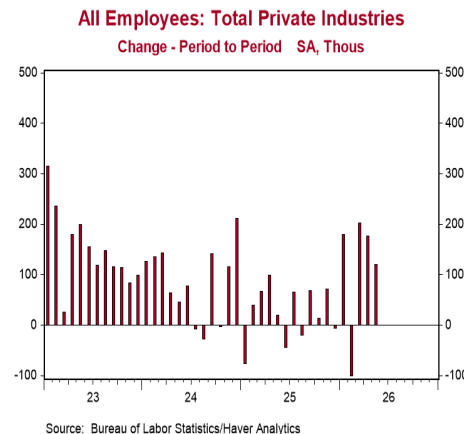


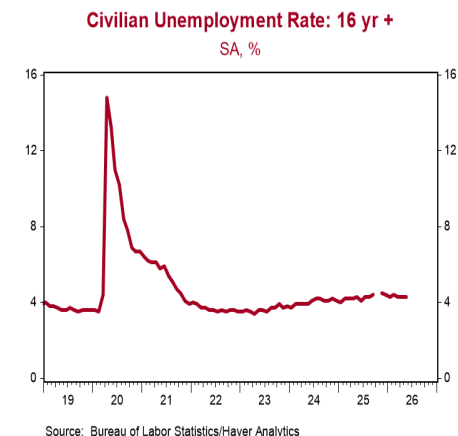
May Employment Report

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- Nonfarm payrolls rose 172,000 in May, easily beating the consensus expected gain of 88,000. Payroll gains for March and April were revised higher by a total of 93,000, resulting in a net gain, including revisions, of 265,000.
- Private sector payrolls rose 120,000 in May and were revised up by 66,000 in prior months. The largest increases in May were leisure & hospitality (+70,000), health care & social assistance (+47,000), and construction (+17,000). Manufacturing rose 7,000 while government increased 52,000.
- The unemployment rate remained unchanged at 4.3% in May.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.3% in May and are up 3.4% versus a year ago. Aggregate hours rose 0.1% in May and are up 0.9% from a year ago.



Implications: Whatever happened to the AI jobs apocalypse? While AI investments dominate headlines and markets prepare for a string of historic tech IPOs, the jobs market is showing signs of strength. Nonfarm payrolls rose 172,000 in May and 265,000 including upward revisions for prior months – easily beating the consensus expected 88,000. Meanwhile, the unemployment rate remained at a relatively low 4.3%. The job gains in May itself were led by leisure & hospitality, health care & social assistance, construction, and government. Total hours worked in the private sector rose 0.1%. We like to follow payrolls excluding government and health care & education (which are often driven by government policies), which rose 80,000 in May. The May rise in government payrolls of 52,000 is the largest monthly increase in nearly two years, but comes following a string of declines that closed out 2025 and kicked off 2026. Even with the May jump, federal payrolls excluding the Post Office and Census are down 330,000 from where they started last year. Leaving out the end of the Census every decade, the decline in federal payrolls in the past sixteen months has been the steepest since the wind-down from World War II. Over time, we think a smaller federal government will help boost growth in the private sector. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 149,000 in May. That series can be volatile month-to-month but is worth watching. The unemployment rate remained steady at 4.3%, as the employment gains were accompanied by an increase of 83,000 in the labor force (people working or looking for work). Average hourly earnings rose 0.3% in May, which given the recent (though we believe temporary) increase in inflation likely struggled to keep pace with higher prices for the month. Put it all together and we expect continued jobs gains in the months ahead, though likely slower than in May. In other recent news, initial jobless claims rose 13,000 last week to a still-low 225,000; continuing claims declined 8,000 to 1.777 million.



Employment Report <i>All Data Seasonally Adjusted</i>	May-26	Apr-26	Mar-26	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.3	4.3	4.3	4.3	4.3	#N/A
Civilian Employment (monthly change in thousands)	149	-226	-64	-47	-165	#N/A
Nonfarm Payrolls (monthly change in thousands)	172	179	214	188	92	42
Construction	17	9	15	14	10	6
Manufacturing	7	0	15	7	2	-4
Retail Trade	-1	24	10	11	3	1
Finance, Insurance and Real Estate	-22	-6	-17	-15	-14	-9
Professional and Business Services	6	22	28	19	13	2
Education and Health Services	40	54	95	63	50	51
Leisure and Hospitality	70	30	44	48	24	20
Government	52	2	12	22	5	-15
Avg. Hourly Earnings: Total Private*	0.3%	0.2%	0.2%	2.8%	2.9%	3.4%
Avg. Weekly Hours: Total Private	34.3	34.3	34.2	34.3	34.3	34.2
Index of Aggregate Weekly Hours: Total Private*	0.1%	0.4%	-0.1%	1.7%	0.9%	0.9%

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