US non-farm payroll employment in July

United States

Credit Rating Agency

Economy
August 11, 2026

Edgar González
edgar.gonzalez@hrratings.com
Economic Analysis and Sovereign Debt Senior Associate

Ricardo Gallegos
ricardo.gallegos@hrratings.com
Deputy Chief Economic Analysis Officer

Felix Boni
felix.boni@hrratings.com
Chief Credit and Economic Analysis Officer

Non-farm payrolls indicate a decline in July. The participation rate has reached its lowest level since 1976

In July, U.S. nonfarm payrolls unexpectedly decreased by 23,000 jobs, with the unemployment rate at 4.1%, as reported by the BLS. The consensus anticipated an increase of 83,000 positions. The figures indicated that job growth from the previous two months was significantly downgraded, suggesting a much weaker labor market than anticipated. The May data were adjusted to reflect an addition of 63,000 jobs, a decrease from the previously reported 129,000 jobs, whereas the June figures were revised downward by 37,000 to show an increase of 20,000 jobs. The overall number of jobs was adjusted downward by 103,000. The employment report will moderate anticipations for an interest rate increase from the Federal Reserve next month.

Figure 1. Payroll, Employment and Hourly Wage Report

	Jul-23	Jul-24	Jul-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26
Total payrolls in the month (millions)	156.0	157.7	158.5	158.6	158.4	158.7	158.8	158.9	158.9	158.9
Net New Payrolls in month (thousands)	163.0	53.0	64.0	160.0	-156.0	214.0	148.0	63.0	20.0	-23.0
Net New Payrolls 3mma (thousands)	222.7	72.7	19.0	61.3	-4.3	72.7	68.7	141.7	77.0	20.0
Annualized quarterly change in total payrolls	1.73%	0.69%	0.29%	0.04%	0.05%	0.33%	0.35%	0.72%	0.73%	0.60%
Annual quarterly change in total payrolls	2.24%	1.17%	0.52%	0.17%	0.12%	0.15%	0.15%	0.20%	0.23%	0.23%
Labor force (millions)	167.2	168.4	170.4	170.5	170.5	170.1	170.0	170.1	169.4	169.1
Jobs (millions)	161.2	161.3	163.1	163.1	162.9	162.8	162.6	162.8	162.3	162.2
Unemployed (millions)	5.9	7.1	7.3	7.4	7.6	7.2	7.4	7.3	7.1	6.9
Labor force entrants (thousands)	211.0	361.0	32.0	-1030.0	18.0	-396.0	-92.0	83.0	-720	-264.0
Monthly unemployment rate	3.5%	4.2%	4.3%	4.3%	4.4%	4.3%	4.3%	4.3%	4.2%	4.1%
Labor participation rate	62.6%	62.7%	62.2%	62.1%	62.0%	61.9%	61.8%	61.8%	61.5%	61.4%
Quarterly average real hourly earnings*	33.76	34.04	34.48	34.65	34.65	34.60	34.48	34.32	34.32	34.33
Annualized quarterly change*	2.19%	2.58%	1.62%	1.37%	0.71%	-0.27%	-1.96%	-3.74%	-3.24%	-1.73%
Quarterly annual change*	1.03%	0.82%	1.30%	1.16%	1.17%	0.87%	0.39%	-0.29%	-0.35%	-0.44%
Quarterly average weekly real wage*	1,160	1,166	1,179	1,187	1,187	1,186	1,181	1,176	1,177	1,177
Annualized quarterly change*	1.40%	1.79%	1.22%	2.17%	1.10%	0.12%	-1.96%	-3.75%	-2.87%	-1.34%
Quarterly annual change*	0.35%	0.53%	1.10%	1.26%	1.37%	1.17%	0.49%	-0.19%	-0.16%	-0.15%
Quarterly annualized inflation*	2.60%	1.48%	1.87%	2.28%	2.54%	3.57%	5.20%	6.95%	6.07%	4.24%
Quarterly annual inflation*	3.49%	3.05%	2.60%	2.58%	2.49%	2.70%	3.17%	3.74%	3.80%	3.76%

Source: HR Ratings with data from the US BLS & information retrieved from FRED, Federal Reserve Bank of St. Louis.

*Inflation based on Headline CPI. Data for January is an estimate. Measures the real quarterly wage compared to the same quarter of the previous year and to the immediately preceding quarter annualized. Refers to all employees in the private sector.

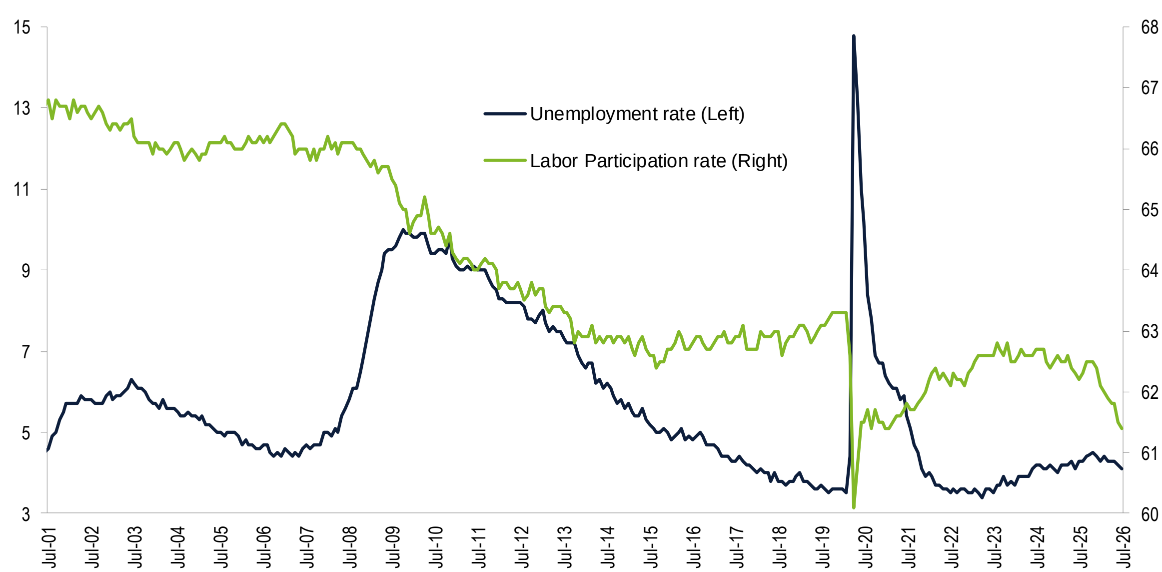
The weak employment growth stands in contrast to much stronger GDP growth and implies a significant increase in labor productivity which is not reflected in overall increases in real wages. On an annual basis total payroll in the June quarter increased by a modest 0.23% while real GDP expansion was at a 2.3% rate. On an annualized basis GDP expanded by 1.5% in 2Q vs. 1Q while the comparable figure for payroll growth was 0.6%. At the same time as Figure 1 shows real wages are down.

The most significant declines were found in local government education, which had a reduction of 50,000, followed by retail trade with a loss of 19,000, and financial activities with a decrease of 14,000. The retail industry experienced a decline of 21,000 jobs due to reductions in warehouse clubs, supercenters, and general merchandise establishments. Real wage growth has lagged behind broader inflation, signaling tighter consumer spending behavior and economic caution. Average hourly wages have risen by 3.2% over the course of the year, but only by 0.5% in the last twelve months.

Healthcare employment rose by 22,000, however this figure is significantly lower than the monthly average of 36,000 recorded during the previous year. Employment in construction increased, alongside a 5,000 rise in manufacturing positions. Employment showed minimal fluctuations during the month in various sectors such as mining, oil and gas extraction (-2,000), construction (+22,000), and transportation (+9,700).

The labor force participation rate declined to 61.4%, marking the lowest point in five years. Disregarding the influence of the COVID-19 epidemic, the labor force participation rate has reached its lowest point since 1976 (61.3%), potentially because of the minimal immigration rate. The unemployment rate decreased to 4.1% last month from 4.2% in June, attributed to an additional 264,000 individuals leaving the labor force.

Figure 2. Unemployment and labor force participation rate (monthly)



Source: HR Ratings with seasonally adjusted data from the US BLS and FRED.

Fed officials are divided over whether to increase or maintain interest rates. The debate regarding the near-term monetary policy outlook may be intensified by the inflation data that is expected to be released next week. We are of the opinion that the Federal Reserve's decision to maintain the interest rate in its upcoming September meeting will be contingent upon recent employment data and lower than anticipated inflation data for July. Although we still anticipate that the Federal Reserve will raise its benchmark rate by 0.25% by the end of the year that is not likely if the labor market continues to show this degree of weakness. The decline in the unemployment rate appears to be a positive but the reality is different given the decline in the labor participation rate as individuals leave the labor market, or indeed the country.

Media Contact

comunicaciones@hrratings.com