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April Employment Report: Labor Market Finding Its Footing?

- Nonfarm employment rose by 115,000 jobs in April; prior estimates for February and March were revised down by a net 16,000 jobs
- Average hourly earnings rose by 0.2 percent, while aggregate private sector earnings rose by 0.5 percent (up 4.0 percent year-on-year)
- The unemployment rate was unchanged at 4.3 percent in April (4.337 percent, unrounded); the broader U6 measure rose to 8.2 percent

Noted labor market analyst Friedrich Nietzsche, who we understand also dabbled in other fields, observed that "there are no facts, only interpretations." That seems a fitting observation given how warmly the April employment report, showing total nonfarm payrolls rose by 115,000 jobs, is being greeted, yet we can recall a time, not so long ago, when an increase of that size would have been interpreted by many as a sign that the labor market was wobbling. Either way, April's increase in nonfarm payrolls was easily ahead of the consensus forecast of 65,000 jobs and just a touch above our forecast of 114,000 jobs. Private sector payrolls rose by 123,000 jobs in April while public sector payrolls fell by 8,000 jobs, reflecting lingering cuts in the federal government workforce. Prior estimates of job growth in February and March were revised down by a net 16,000 jobs for the two-month period, with a further downward revision to February – what was originally reported as a decline of 92,000 jobs is now reported to be a decline of 156,000 jobs – while March's increase in nonfarm payrolls is now shown to be a touch higher than first reported, with an increase of 185,000 jobs. While average hourly earnings were softer than we anticipated, up just 0.2 percent, the average length of the workweek ticked higher as we anticipated which, along with the increase in employment, resulted in aggregate private sector wage and salary earnings rising by 0.5 percent, good for a year-on-year increase of 4.0 percent. At 69.4 percent, the initial collection rate for the April establishment survey is one of the highest monthly rates over the past two-plus years but is nonetheless well below pre-pandemic norms.

The details of the April household survey are seemingly on the soft side; while the labor force participation rate fell to 61.8 percent, the lowest since October 2021, household employment declined, with the net result being no change in the unemployment rate, which sits at 4.3 percent. Apropos of "no facts, only interpretations," the declines in both the labor force and the level of household employment are more than accounted for by declines amongst males in the 20-to-24 year-old age cohort, thus continuing the pattern of odd flips amongst genders and age cohorts that has for some time plagued the household survey data, and we'll further note that the response rate to the household survey continues to fall, dropping to 66.6 percent in April. The broader U6 measure rose to 8.2

percent from 8.0 percent in March, primarily reflecting an increase in the number of those working part-time for economic reasons. Only a small share of this increase reflected those working part-time due to slack business conditions, a metric we continue to monitor as a signal of overall economic conditions.

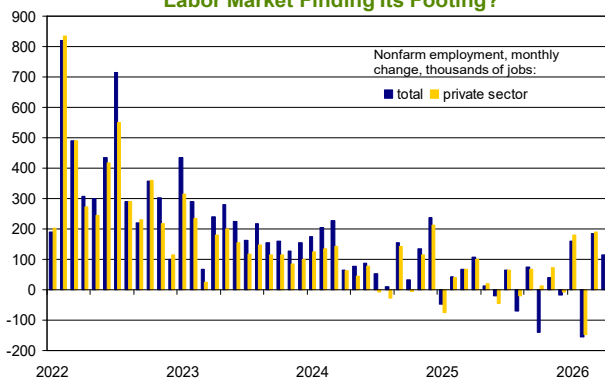
The increase in not seasonally adjusted private sector payrolls, up 0.69 percent from March, is slightly larger than the post-pandemic average for the month of April, but a few things stand out here. The increase in unadjusted retail trade payrolls was larger than is typical for April, but this could reflect jobs added after the March survey period, which ended early in the month, ahead of Easter having fallen so early in April. As we suspected might be the case, the decline in unadjusted warehousing and delivery services payrolls was smaller than the typical April decline, which likely reflects what had been sizable layoffs in this segment earlier this year. Either way, the smaller than normal decline translated into an increase of 38,000 jobs on a seasonally adjusted basis, though this is the sole instance of seasonal adjustment flattery we can find in the April data.

Job growth was a bit less broad in April, with the one-month hiring diffusion index, a measure of the breadth of hiring across private sector industry groups, slipping to 53.8 percent from 56.8 percent in March. That said, April marks the fourth straight month in which the index was above 50.0 percent after having been below that threshold for almost all of 2025. Health services remain the largest driver of job growth, but there is at least more support coming from other industry groups than had been the case. We continue to maintain that the outflow of foreign born labor is acting as a meaningful drag on job growth, and the household survey data show that outflow to be continuing in 2026.

There have been increasing signs that labor market conditions have been stabilizing, and the April employment report is in line with those other indicators. Though perhaps unimpressive numbers (not so far) back in the day, trend job growth at present is at least sufficient to keep the unemployment rate steady given what remains listless labor supply growth. While that may not seem all that satisfying, it's at least better than the alternative, at least in our interpretation.



Labor Market Finding Its Footing?



Part-Time For Economic Reasons

