

U.S. Hiring Gathers Steam

Growth of 172,000 jobs tops estimates, marks third-straight monthly increase

BY HARRIET TORRY

The U.S. labor market has climbed out of a rut.

The country added a seasonally adjusted 172,000 jobs in May, the Labor Department said Friday, posting strong payroll gains for the third month in a row and beating expectations. Despite uncertainties around the Iran war, inflation, trade and artificial intelligence, the report suggests the U.S. labor market is steadily recovering from its weak patch last fall and winter.

With inflation rising and hiring healthy, the question for the Federal Reserve is no longer when to cut rates but whether to raise them. Treasury yields climbed Friday, and traders upped their bets that the central bank would raise interest rates by the end of the year.

Some Fed officials had already suggested in recent days that the central bank should be prepared to raise rates. A rebounding job market helps them build that case.

Stocks fell across a broad range of sectors on Friday. The Dow Jones Industrial Average fell nearly 700 points, or more than 1%, and the S&P 500 fell over 2%. The tech-

heavy Nasdaq composite sank more than 4%, its biggest oneday percentage drop in more than a year.

The May jobs report blew past the 80,000 jobs that analysts polled by The Wall Street Journal had expected to see.

The unemployment rate stayed unchanged at 4.3% in May, in line with economists' expectations. The share of people working or looking for work remained unchanged from April at 61.8%.

"What we're seeing here is the catch-up from last year where employers were on pause" due to uncertainties with President Trump's trade policy and federal-government cuts, said Sarah House, senior economist at Wells Fargo. "Employers have a better sense of the growth backdrop."

Payroll gains have averaged 188,000 over the past three months, a pace not seen since March 2024.

Heading into the summer months and the coming World Cup soccer tournament, a number of sectors posted outside job gains. Leisure and hospitality added 70,000 new jobs. Local government hiring jumped, with 55,000 new jobs, the biggest monthly gain in over two years.

The healthcare and social assistance sector also created 47,000 new jobs, and the construction sector posted modest job gains for the third month in a row. The retail, information and finance sectors lost jobs in May. Air transportation

employment declined by nearly 9,000 in May, reflecting the collapse of budget carrier Spirit Airlines.

Friday's report showed job growth in April and March was significantly stronger than earlier estimated. March's job gains were revised up by 29,000 to 214,000—the largest monthly gain since December 2024. April's payroll gain was revised up by 64,000 to 179,000. Note

Higher inflation stemming from a jump in energy costs has taken a bigger bite out of workers' earnings in recent months. In May, year-over-year average hourly earnings rose 3.4%, cooling from a 3.6% gain in April. That points to a continued squeeze on households' purchasing power.

Hiring trends have been looking sunnier this spring after a rough fall and winter.

Although the war in Iran—now in its fourth month—prompted a sharp pickup in energy prices that drives up costs for most businesses, U.S. employers have been posting more job openings. High-profile companies have conducted large-scale layoffs, but those job losses haven't pushed the unemployment rate higher. Note

Still, many workers, and people looking for work, re-main anxious about their own prospects. - Note

Friday's report showed the share of long-term unemployed, or people without a job for 27 weeks or longer, jumped to 27.5% in May, up from 25.3% in April and the highest since December 2021.

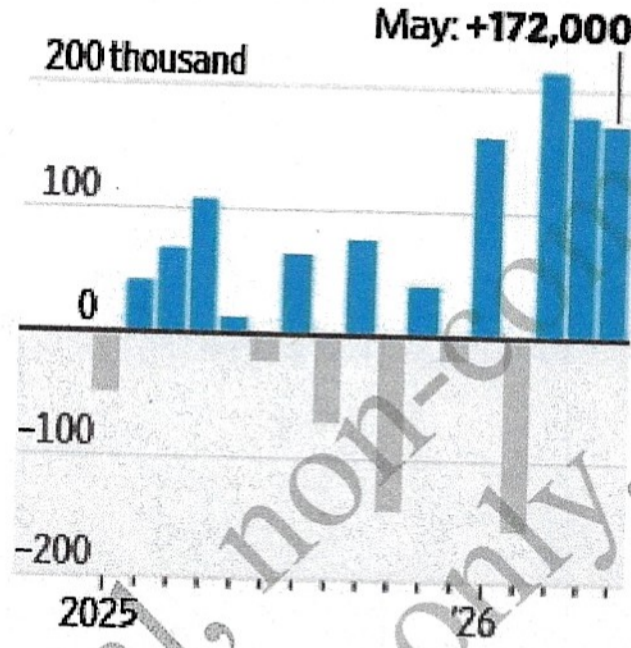
U.S. consumers report feeling miserable about the economy, gasoline prices, inflation and the labor market. A key measure of consumer sentiment has hit all-time lows in recent months amid anxiety about future inflation. People keep spending, though highend consumers continue to drive the economy.

Earlier this past week, Dollar General reported that its customers are feeling stressed. They are increasingly reining in spending on household expenses such as groceries as they face higher prices at the gas pump. Macy's, though, said that its customers are snapping up leather jackets and other higher-priced items.

Despite war and consumer anxiety, big U.S. companies are piling up profits. With more than 98% of S&P 500 companies reporting results for the first quarter, yearover-year growth in earnings per share is up about 29%, according to estimates from financial-data firm LSEG.

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Nonfarm payrolls, change from previous month



Note: Seasonally adjusted
Source: Labor Department

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Job market doubles forecasters' expectations

Many Americans still frustrated by prospects and surging prices

BY PAUL WISEMAN AND ANNE D'INNOCENZIO

THE ASSOCIATED PRESS

WASHINGTON>> The American job market continues to show surprising strength — good news for President Donald Trump, who has taken a beating in the polls over the surging gasoline prices that followed U.S. and Israeli attacks on Iran.

Employers added 172,000 jobs in May — approximately double what forecasters had expected — and the unemployment rate remained at a low 4.3%, the Labor Department reported Friday.

Job growth was down slightly last month from a revised 179,000 in April. -Note

Hiring has bounced back this year from a miserable 2025, showing resilience in the face of economic uncertainty and painfully high energy prices since the Iran war started in late February.

The job gains are broad-based. Local governments added 55,000 workers, restaurants and bars 48,000, healthcare companies 35,000. In another sign of job market strength, Labor Department revisions added a combined 93,000 jobs in March and April. Job growth averaged 188,000 a month from March through May, marking the best three months of hiring since early 2024.

“The hiring recession is over. American firms are hiring again,” said Heather Long, chief economist at Navy Federal Credit Union. “The job rebound is happening in almost every industry ... This is encouraging news for job seekers and for the U.S. economy. The labor market has stabilized and is showing early signs of a genuine rebound.”

With just five months to go before consequential midterm elections in the U.S., Americans have grown increasingly frustrated by rising costs, and it's unclear if the strong job numbers this year will change their gloomy view of the economy. Inflation data last week showed that in addition to gasoline, prices for groceries, clothing and electricity are also on the rise, indicating that inflation may be growing more entrenched.

Polls show that Trump's approval rating on the economy is falling sharply after being reelected largely on the promise of taming inflation.

And despite the pickup in hiring, wage gains were modest. Average hourly wages rose 0.3% from April and 3.4% from May 2025. Many young people are still finding it tough to catch a break on a job, and workers who have been laid off have struggled to find another. Nearly 28% of the unemployed in April had been jobless for more than six months, the largest share since December 2021.

But the labor market is clearly improving. Last year, employers added just 9,700 jobs a month, the fewest outside of a recession since 2002. Hiring has rebounded, averaging 114,000 new jobs a month so far this year.

Friday's report “really is a positive surprise, particularly given the headwinds from the Iran conflict, which clearly led to much higher energy prices and which are going to act to slow economic activity to some degree,” said

Ryan Nunn, research director at Yale University's Budget Lab.

The economy, Nunn said, has been boosted by a surge in investment in artificial intelligence. Also helping are lower tariff rates since President Donald Trump has effectively lowered the massive import taxes he imposed last year — and the Supreme Court in February struck down his most sweeping levies, setting the stage for businesses to get back money they'd paid.

Big tax refunds — the product of Trump's 2025 tax cuts — have given the economy a lift, offsetting the impact of higher energy prices. But the refunds have mostly been pocketed, and gasoline prices have remained above \$4 per gallon since March.

U.S. financial markets retreated after the jobs data was released Friday. Healthy hiring has raised the odds that the Fed's next move will be an interest rate increase, a sharp change from the start of the year when central bank officials had still penciled in two rate cuts for 2026. Wall Street now expects a rate hike in December, which would be sharply at odds with Trump's repeated demands for a cut. An increase by the Fed could lead, over time, to higher borrowing costs for mortgages, auto loans, and business loans.

"Higher rates are coming, particularly when inflation is above target and clearly moving in the wrong direction," said Dario Perkins, an economist at TS Lombard. "The only question is when."

Uncle Giuseppe's Marketplace, which operates 12 grocery stores across New York and New Jersey, is on a hiring spree. President Mike Nelson announced last fall that he wanted to add 1,000 workers over the next year, pushing the company's payroll over 3,500.

Nelson says his problem is finding skilled workers.

"We're looking for a butcher who can cut meat in the store and engage with our customers and give them cooking ideas and speak to them about what makes the product special," he said. "You don't find that everywhere now."

Like other grocery stores, Uncle Giuseppe's has benefited as Americans cut back on dinners out as the cost of living marches higher. The company is marketing specials to lure inflation-scarred shoppers, like a \$39.99 chicken Parmesan and pasta meal for a family of four that includes a loaf of bread and a salad.

Michael Wieder, the co-founder of the baby products maker Lalo, is also hiring a few new workers.

Wieder is feeling optimistic because he expects \$2 million in tariff refunds after the trade policies of President Trump were shot down by the courts. He is planning to use that money for hiring, but gotten less than \$50,000 back to date.

He has about 20 employees who work in marketing, operations, customer service and other areas for his New York company. He said he's looking for applicants that will embrace artificial intelligence. Lalo has already been using AI tools in areas like marketing and plans to launch an AI tool on Monday that helps parents potty train their children.