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Report indicates the economy is beginning to show signs of being squeezed.

image

73,000 - July
19,000 - May
14,000 - June
106,000

Hiring Slows Sharply in Summer

Stocks and yields fall after data revisions suggest a weaker jobs market

BY RACHEL WOLFE AND JUSTIN LAHART

After months of uncertainty, July's job's report is clear: The U.S. economy is beginning to show signs of slowing.

The U.S. added a seasonally adjusted 73,000 jobs in July, the Labor Department reported Friday, below the 100,000 that economists polled by The Wall Street Journal had expected.

Revisions cut down the jobs growth originally reported for May and June by a combined 258,000. That left May as having added just 19,000 jobs and June just 14,000.

A storm of changes is keeping business leaders cautious. Tariffs are weighing on manufacturing. Workplace raids are hurting immigrant-dependent sectors like landscaping and meatpacking. And cutbacks to the federal workforce are squeezing government hiring.

Note

"To see three months in a row of fewer than half of industries adding jobs is unprecedented outside of a reces sion," said Wells Fargo senior economist Sarah House. "Businesses are standing pat with their head counts as they wait to see what lies ahead."

President Trump on Friday afternoon said he had directed his team to fire the top official at the Bureau of Labor Statistics after the release of the soft data. That move raised concerns among economists and former officials that it could open the door for American

economic data to be distorted for political reasons.

Note

The unemployment rate rose slightly to 4.2% from 4.1%. The number of people unemployed for 27 weeks or longer increased to 1.83 million from 1.65 million in June. That latter increase could reflect an environment where layoffs have been low, but companies have been reluctant to hire, making it harder for people without work to find employment.

The healthcare and socialassistance sectors accounted for a large share of the new jobs. Those sectors tend to do well no matter how the economy is doing.

"The job market looks significantly worse today than it did before this report," said Jed Kolko, senior fellow at the Peterson Institute for International Economics. Slow payroll growth hasn't kept up with those looking for jobs, he said, even as population growth is also decelerating.

All three major stock indexes fell on Friday. The techheavy Nasdaq lost 2.2%, snapping a streak of 19 trading days without a 1% move in either direction, the longest such stretch since July 2021. The S& P 500 was down 1.6%. The Dow Jones Industrial Average lost about 540 points, or 1.2%, and capped its worst week since Trump's "Liberation Day" tariffs in early April. Yields also fell as investors rushed to buy Treasurys after the jobs report. Note

Federal-government layoffs continued to drag on payrolls, with that sector losing 12,000 jobs. After 1.3% growth in 2024, Kolko said, employment in the sector has fallen at an annualized rate of 5.5%.

"That is, of course, directly linked to administration policies," said Kolko.

Revisions have been consistently negative in 2025, with the Labor Department lowering its initially reported job count every month through June.

June's originally reported gain of 74,000 private- sector jobs was cut to just 3,000 on Friday. State and local education numbers were also much lower than originally reported.

When the June employment report was released a month ago, it had shown an increase of 63,500 state and local education jobs. Economists at the time said that was likely a fluky gain attributed to seasonal swings that the Labor Department can struggle to adjust for. The revised figures took that June job gain down to 7,500.

The recent trend in downward revisions could reflect that not all businesses respond to the Labor Department's monthly employer survey in time for the initial report. Those that do are more likely to be large, well-capitalized and seasoned. Later responders might be less equipped to handle challenges such as high tariffs and the sharp slowdown in the supply of immigrant labor. As their responses come in, the numbers get revised lower.

-NOTE

The weak jobs report is likely to fuel investors' bets on a Federal Reserve rate cut in September. Fed officials will have one more jobs report and two reports on consumer inflation before the next meeting.

Job growth has also meaningfully slowed in immigrationdependent industries, such as construction and landscaping. A sharp decrease in border crossings is constraining the number of people from abroad coming into the labor force. High-profile immigration raids are keeping many workers at home.

Based on a monthly Census survey of households, the Bureau of Labor Statistics estimates that the foreign-born labor force has declined by 1.65 million people since March, while the U.S.-born labor force has surged by 2.65 million.

"Native-born workers have accounted for all job gains since Inauguration Day," Labor Secretary Lori Chavez-DeRemer said in a statement touting Friday's numbers.

House, the Wells Fargo economist, said July's report suggests that some of the risks to the labor market that Fed Chair Jerome Powell highlighted at Wednesday's Fed meeting might be coming to fruition.

"There have been a lot of points of concern," said House. She pointed to a variety of factors. A huge share of hiring came from just a few industries. Average weekly hours worked remained relatively low. And people are remaining unemployed longer.

"We think things are only going to weaken from here," said House. "Yes, you're still adding jobs, but not everyone can work in healthcare or education."

Tariffs are a piece of the puzzle, she said, but not the only factor at play.

Guy Berger, senior fellow at labor-market think tank Burning Glass Institute, said he thinks the situation still may not be as bad as it looks on the surface. When the supply of workers declines, the unemployment rate can hold steady even if job growth slows.

The unemployment rate is basically where it was two months ago, he noted, even after such little new job creation. That tells him that only very low growth—or even no growth—is needed right now to keep the labor market treading water.

Still, Berger said, even without a surge in unemployment, low growth will create a less dynamic economy going forward— and make it harder for job seekers.

Note

“It’s miserable to be looking for a job right now,” he said.