

JULY 2025

Pullback in Private Employment Growth Reflects Lack of Confidence Among CEOs

Narrow group of industries dominates June employment gains. Total U.S. employment rose by 147,000 jobs in June as the unemployment rate edged down to 4.1 percent. Private hiring was led by expansions in the education, healthcare, leisure and hospitality sectors, which accounted for over 90 percent of net non-government employment gains. Nearly all other private sectors posted minimal shifts in payrolls as a pullback in hiring continued to typify the majority of industries. Total federal headcount reductions since January rose to 69,000 while a substantial increase in hiring by state and local governments, which added 80,000 positions, made up for a more than 40- percent drop in private employment growth compared to May.

Uncertainty weighing on employment outcomes. Amid the lowest CEO confidence since 2022, June hiring reveals a still-healthy employment market among select industries. However, many employers continue to grapple with uncertainty about the outlook. Shifting regulations, geopolitical instability and rapidly evolving trade conditions have resulted in an increasingly unpredictable business environment. Meanwhile, tariff-induced price increases continue to weigh on future plans, adding to a lull in hiring activity reflected in the near-stagnant employment figures posted by a majority of sectors. So, while fears of weakening employment have not materialized, the hiring outlook for this year may begin to taper if CEO confidence does not begin to rise.

Federal policy to shape second-half hiring momentum. The manufacturing sector posted its second consecutive monthly workforce reduction of 7,000 positions in June, reflecting early signs of the impact of tariffs. With the end of the 90-day pause on reciprocal tariffs rapidly approaching, federal trade policy could begin to more adversely impact hiring. In addition, as the labor force shrinks, immigration policy may be reducing the job growth needed to sustain unemployment at present levels. Roughly 70 percent of firms have no plans to expand payrolls in the next 12 months as they await greater clarity on federal policies, however, long-term, if the workforce shrinks, it could drive labor shortages in some sectors. With trade, tariffs and regulatory uncertainty among the top industry concerns identified by the Conference Board's second-quarter survey, federal policy will play a key role in shaping business planning and employment activity through year-end.



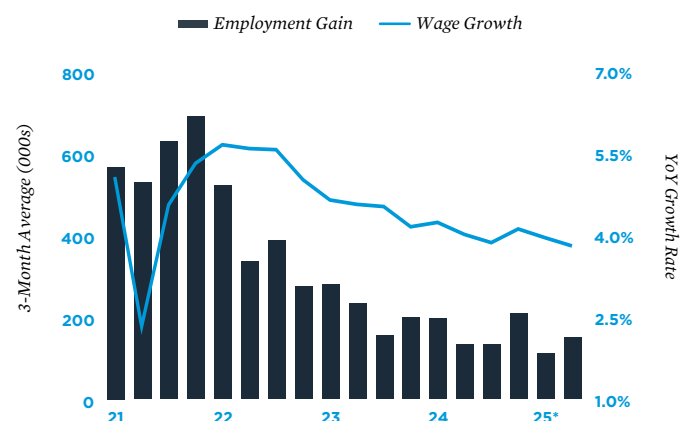
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Tariff Fallout Likely to Shift Consumer Spending

Apartment demand could taper if hiring slows. While employment growth has remained steady through the first two quarters, monthly hiring continues to fall substantially short of both the 2024 and 10-year pre-pandemic averages. Additionally, June marks a month-over-month pullback in private employment growth of over 60,000 jobs. Should businesses slow onboarding efforts further in the coming months, household formation may follow suit, weighing on apartment demand. Still, amid a downturn in apartment deliveries, the sector is well positioned to withstand headwinds this year. Especially after a strong first quarter dropped the national vacancy rate to just 5.0 percent, rising renewal rates and the substantially higher costs of homeownership should help multifamily vacancy remain low.

Tariff-induced pricing adjustments to shape retail spending. June's mean hourly earnings increased 3.7 percent on an annual basis — down from 3.9 percent in May. While this outpaces inflation, slowing wage growth will have an outsized effect on lower-income households, especially as consumers brace for anticipated price increases. This may drive more consumers to necessity and discount retailers, driving up tenant demand for low-cost floorplans. Meanwhile, higher-income households are expected to continue to drive consumer spending, supporting a broader trend of falling vacancy among retail spaces, with the year-end figure expected to fall slightly to 4.3 percent.

Post-Pandemic Employment and Wage Growth



* Through 2Q: All data displayed as quarterly averages.

Sources: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Federal Reserve; Moody's Analytics; Real Capital Analytics; RealPage, Inc.