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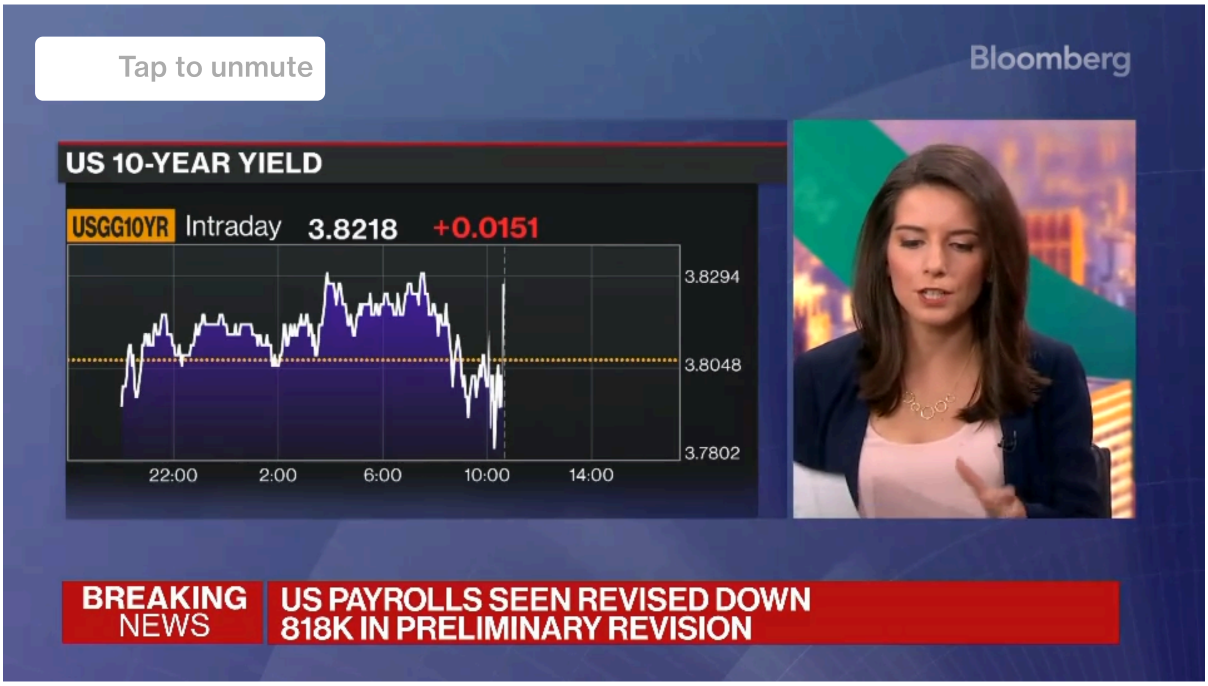
US Payrolls Marked Down by Most Since 2009 in Preliminary Data

- Early revision showed 818,000 fewer jobs in year through March
- Pace of job growth still healthy but moderation began sooner



US Payrolls Likely 818,000 Lower in Preliminary Revision

By Augusta Saraiva
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US job growth was probably far less robust in the year through March than previously reported, keeping pressure on the Federal Reserve to cut interest rates next month.

The number of workers on payrolls will likely be revised down by 818,000 for the 12 months through March – or around 68,000 less each month – according to the Bureau of Labor Statistics' preliminary benchmark revision. It was the largest downward revision since 2009.

Bloomberg Intelligence
US Payrolls Marked Down in Prelim Data

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While economists largely anticipated a decline, some predicted a loss of up to 1 million jobs. The final figures are due early next year.

The revisions suggest the labor market started moderating much sooner than originally thought. It wasn't until earlier this month that markets and economists grew concerned with the release of the July jobs report. That set off alarm bells with a weak pace of hiring and a fourth month of rising unemployment, but other metrics like jobless claims and vacancies have suggested a more moderate slowdown.

Before the report, the BLS's initial payrolls figures indicated employers added 2.9 million total jobs in the period, or an average of 242,000 per month. Now the monthly pace is more likely to be around 174,000 assuming the change is distributed proportionately, still a healthy rate of hiring but a moderation from the post-pandemic surge.

"The revisions aren't a shock, given the estimates were for one million fewer jobs," Robert Frick, corporate economist with the Navy Federal Credit Union, said in a note. "This doesn't challenge the idea we're still in an expansion, but it does signal we should expect monthly job growth to be more muted and put extra pressure on the Fed to cut rates."

Treasuries edged higher after the data reinforced wagers the Fed will start cutting interest rates next month. Traders expect a quarter-point cut next month and are assigning a roughly 20% chance for a half-point reduction.

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The data were scheduled to be released at 10 a.m. in Washington but didn't appear on the BLS's website for more than a half hour later. A spokesperson for the agency didn't answer questions as to why the figures were delayed. In an X post, the agency said it's looking into the reason for the delay: "We have no additional information to share regarding the delay at this time."

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We are aware there was a delay to the CES preliminary benchmark announcement. We are looking into the reason for the delay. We have no additional information to share regarding the delay at this time.
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Wednesday's data will help shape Fed Chair Jerome Powell's latest assessment of the labor market ahead of a speech Friday at the central bank's annual symposium in Jackson Hole, Wyoming. Policymakers have recently turned their attention to the labor side of their dual mandate now that inflation has come down from its pandemic peak.

Benchmark revisions are done every year, but they were particularly scrutinized this year by markets and Fed watchers for any signs that the labor market may be cooling faster than originally reported.

Several economists said the initial payrolls data may have been impacted by a number of factors, including adjustments for the creation and closure of businesses and how unauthorized immigrant workers are counted.

Professional and business services accounted for nearly half of the downward revision. Other industries were also marked lower, including leisure and hospitality, manufacturing and retail trade.

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> "We think these revisions indicate the labor market was running cooler than most believed for most of last year. Notably, the main sources of the downward revision were white-collar sectors - such as professional and business services - that don't tend to be a major draw for undocumented workers. That should alleviate concerns that the benchmarked series undercounts undocumented workers."

> – Anna Wong, chief US economist. See full note here .

The BLS compiles each monthly employment report from two surveys. The Wednesday revisions pertain to payrolls – which are gathered through a survey of businesses – and don't affect the unemployment rate, which is derived from a survey of households.

Once a year, the BLS benchmarks the March payrolls level to a more accurate but less timely data source called the Quarterly Census of Employment and Wages that's based on state unemployment insurance tax records and covers nearly all US jobs.

QCEW figures were also released Wednesday, and showed a 1.3% increase in employment in the year through March 2024. That compares with a 1.9% annual gain as measured from the initial monthly payrolls data.

Both sides of the presidential campaign used the data to make a point about the state of the economy. Former President Donald Trump and the GOP said the numbers confirm the labor market is much weaker than initially reported. Jared Bernstein, a top White House economic adviser, said in the statement that the preliminary estimate doesn't change the fact that the jobs recovery has been and remains "historically strong."

Wednesday's revisions apply to the total level of payrolls in March 2024 compared to the prior year. The final numbers, which are released with the January 2025 employment report, will break out the revisions by each month.

For most of the recent years, initial monthly payroll data have been stronger than the QCEW figures. Some economists attribute that in part to the so-called birth-death model – an adjustment the BLS makes to the data to account for the net number of businesses opening and closing, but that might be off in the post-pandemic world.

Others have argued there's another reason behind that discrepancy: immigration. Because the QCEW report is based on unemployment insurance records – which undocumented immigrants can't apply to – the data are likely to have stripped out up thousands of unauthorized workers that were included in the initial payroll estimates.

– With assistance from Cecile Daurat, Alexandre Tanzi, and Liz Capo McCormick

(Adds comments from economists.)