

Contributors

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Chart 1

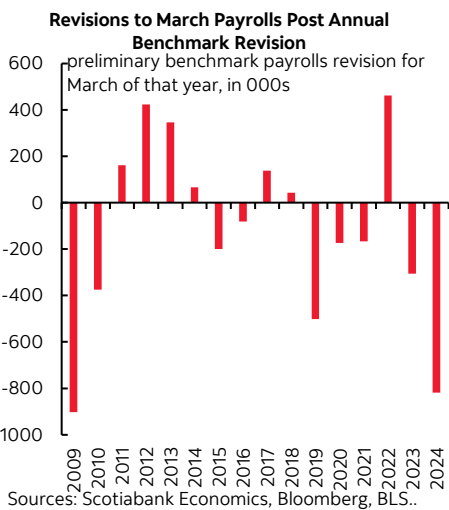
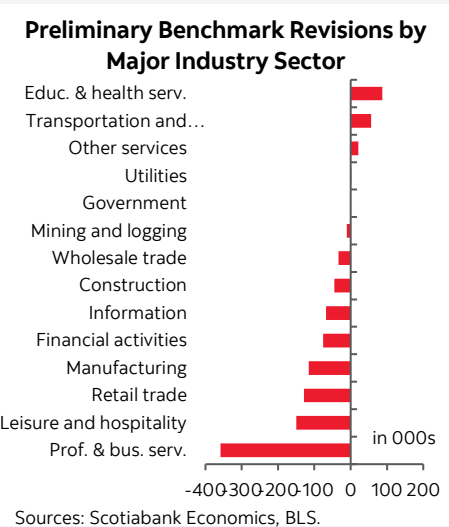


Chart 2



US Payrolls Revised Lower; Release Process Smells

- Nonfarm payrolls revised down by 818,000 jobs as at March 2024
- Monthly payrolls up by 174k March to March instead of 242k pre-revision
- A handful of sectors bore the brunt of the negative revisions, few were positive
- This looked like a highly unequal dissemination process

Annual US nonfarm payroll revisions were released just after 10:30amET and recorded the second biggest downward revision to the reported level of nonfarm payrolls on record since the GFC (chart 1). The way the numbers were disseminated looked awfully fishy.

818,000 jobs were taken away from reported job growth over the March 2023 to March 2024 period, which translates into an average monthly reduction of 68k fewer jobs created over the period from April 2023 to March of this year. Instead of nonfarm payrolls being up by 2.9 million between April 2023 and March 2024, the figure is now 2.082 million jobs created for an average monthly amount of jobs created of about 174k. That's still decent, but materially lower from the previously understood pace of 242k per month.

Chart 2 shows where the downward revisions were focused on a sector by sector basis. It was all in the private sector. Professional and business services took the biggest hit by far, followed by manufacturing and then the trade/transportation/utilities sector. There were minor upward revisions in a handful of sectors.

MARKETS SHRUGGED

Markets barely flinched, perhaps because the size of the revisions fell shy of a widely advertised higher estimate of up to 1 million jobs lost to revisions. Markets continue to price about 34bps of a cut at the September FOMC. Pricing for a full percentage point of cumulative cuts by the December meeting remained unchanged. US 2s were little changed. The S&P initially rallied a touch but is back to little changed post-release.

REASON TO BE CAREFUL

I would be careful with the figures especially in terms of viewing them as justifying more than a quarter point cut at the September meeting. It's widely understood that the US has seen population growth of about 3½ million in each of the past two years including undocumented workers. Nonfarm payrolls count undocumented workers (illegal migrants). The QCEW source that is used for this annual benchmarking exercise to revise nonfarm payrolls does not include undocumented workers because it comes from unemployment insurance tax records and by definition undocumented workers don't file. Therefore, there is the strong risk that the downward revision to payrolls is overstated.

UNEQUAL DISSEMINATION BY THE BLS?

The BLS promised a release ([here](#)) for 10amET. They didn't release at that site until after 10:30amET. Media outlets apparently did not have access to the figures either, including Bloomberg that didn't report the figures until after 10:30amET when the BLS posted them. Bloomberg put out a story at 10:19:37amET titled "Release of Preliminary US Payroll Data Revisions is Delayed" that included the line "calls and emails to BLS representatives were not immediately answered." And yet select US dealers obtained the figures directly from the BLS reportedly by phone call. One US dealer reported the figure before 10:20amET and another at 10:27amET. Does the BLS choose what calls to take? Who does? Do they delay until after giving advantage to a select few? What firms knew in advance of the release? I have placed a call asking about the release process and was told someone will get back to me and I'm still waiting. I am not certain, but it feels like another case of unequal dissemination of an important U.S. government report that should be investigated including whether select few enjoyed unusual advantages from early access.

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