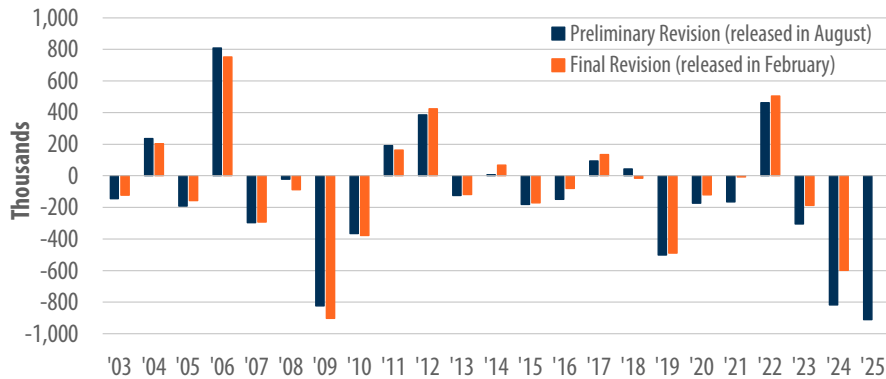


BLS Payroll Revisions Slash Job Gains by Nearly a Million

On Tuesday, the Bureau of Labor Statistics (BLS) released the preliminary benchmark revision of payrolls for the year ending in March 2025. In this week's "Three on Thursday," we explore what happened and its implications for jobs. Every August or September, the BLS publishes a preliminary set of revisions to payroll growth, with the final revision in February. These revisions provide a more accurate picture of job growth, as they're based on state unemployment insurance tax records from the Quarterly Census of Employment and Wages (QCEW). While the QCEW takes time to put together, it's more comprehensive than the monthly payroll data, which only covers 119,000 establishments. It's also important to realize the existing payroll series is not officially updated with the release of the preliminary revisions released in August. The BLS will do the official update when the final revision is issued in February. Curious about the results? Check out the three charts below.

Historical Payroll Benchmark Revisions



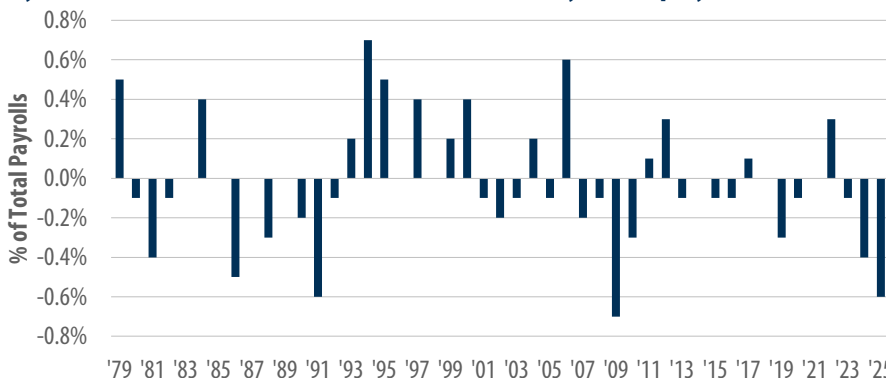
Source: Bureau of Labor Statistics, First Trust Advisors. Annual revisions for the 12 months ending in March of the listed year.

March 2025 Preliminary Benchmark Revisions by Major Industry Sector

	Benchmark Revision (1,000s)	Benchmark Revision (% of Employment)
Total nonfarm	-911	-0.6%
Total private	-880	-0.7%
Mining and logging	-4	-0.7%
Construction	-29	-0.4%
Manufacturing	-95	-0.8%
Trade, transportation, and utilities	-226	-0.8%
Information	-67	-2.3%
Financial activities	-39	-0.4%
Professional and business services	-158	-0.7%
Private education and health services	-35	-0.1%
Leisure and hospitality	-176	-1.1%
Other services	-51	-0.9%
Government	-31	-0.1%

Source: Bureau of Labor Statistics, First Trust Advisors. Revisions for the 12 months ending in March 2025.

Payroll Benchmark Revisions as a Share of Total Payroll Employment



Source: Bureau of Labor Statistics, First Trust Advisors. Final benchmark revision used for 1979-2024, preliminary revision used for 2025.

The preliminary revision shows a substantial downward adjustment of 911,000 to payroll growth for the 12-month period from April 2024 to March 2025. Initially, it was estimated that 1.8 million jobs (approximately 147,000 per month) were added during this timeframe. However, more accurate data now indicate that the actual increase was closer to 847,000 jobs (around 71,000 per month). The Establishment survey data will be updated with the final figures next February. It's worth noting that the current -911,000 revision may be revised upward (becoming less negative) in February. The QCEW data, which forms the basis for these revisions, will undergo further updates. Over the past four years, QCEW employment figures have been consistently revised upward each quarter. If this trend continues, the final payroll benchmark revision could be less severe than the BLS's preliminary estimate.

As is often the case, the revisions for individual industries were larger on a percentage basis than the revision for total nonfarm payrolls, mainly due to greater statistical sampling error at more detailed levels. The Leisure and Hospitality sector was hit hardest, with a downward revision of 176,000 jobs (-1.1%), followed by a reduction of 158,000 jobs (-0.7%) in the Professional and Business Services. Conversely, Transportation and Warehousing along with Utilities employment were revised slightly higher. Including these adjustments, 134% of all net new jobs in the year ending in March 2025 were in government, healthcare, and education. This means without growth in these categories, Employment would have been negative for the year.

Since 1979, annual benchmark revisions have typically fluctuated between +/-0.2% of total nonfarm payroll employment, with the most extreme changes reaching +/-0.7%. Tuesday's preliminary revision of -911,000 jobs, representing a -0.6% adjustment, is poised to be the largest downward revision since 2009 and tied for the second largest negative revision in the past 47 years if it holds in the final estimate. This significant adjustment suggests that the BLS models may be struggling to accurately account for the 2024 surge in immigration and net business creation.

This report was prepared by First Trust Advisors L.P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.