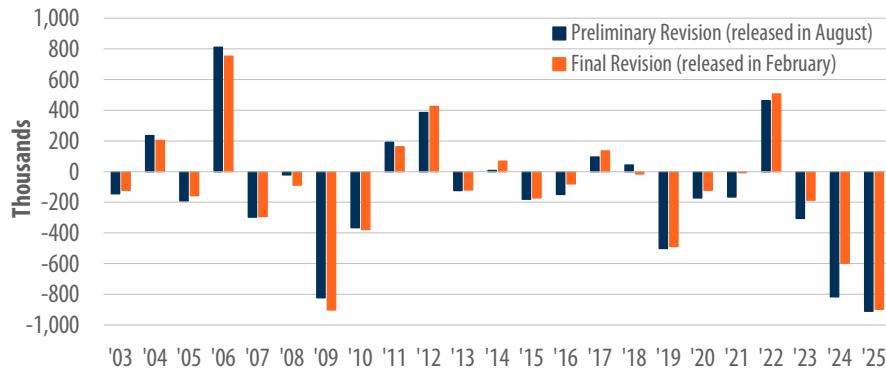


Another Massive Payroll Revision

Yesterday, the Bureau of Labor Statistics (BLS) released the final benchmark revision of payrolls for the year ending in March 2025 which showed a downward adjustment of 898,000 jobs. In this week's "Three on Thursday," we explore what happened and its implications. 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. Curious about the results? Check out the two charts and table below.

Historical Payroll Benchmark Revisions



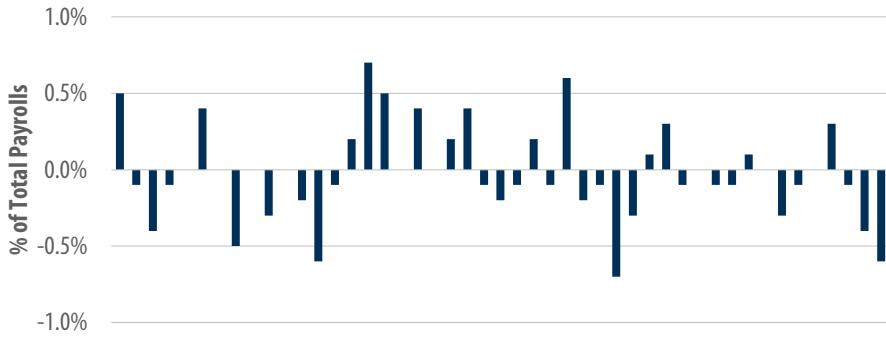
Source: Bureau of Labor Statistics, First Trust Advisors. Annual revisions for the 12 months ending in March of the listed year.

March 2025 Final Benchmark Revisions by Major Industry Sector

	Benchmark Revision (1,000s)	Benchmark Revision (% of Employment)
Total nonfarm	-898	-0.6%
Total private	-864	-0.6%
Mining and logging	-4	-0.6%
Construction	-30	-0.4%
Manufacturing	-98	-0.8%
Wholesale trade	-115	-1.9%
Retail trade	-128	-0.8%
Transportation and warehousing	-70	-1.1%
Utilities	4	0.6%
Information	-71	-2.5%
Financial activities	-37	-0.4%
Professional and business services	-126	-0.6%
Private education and health services	9	-1.0%
Leisure and hospitality	-153	-0.9%
Other services	-45	-0.8%
Government	-34	-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 all years.

The final revision showed a substantial downward adjustment of 898,000 to payroll growth for the 12-month period from April 2024 to March 2025. The preliminary estimate released last September was for a downward adjustment of 911,000. Initially, it was estimated that 1.76 million jobs (approximately 147,000 per month) were added during this timeframe. Since then, the BLS has gathered new data on hiring seasonality and which survey participants have gone out of business. With the clearer landscape, the BLS now estimates the actual increase was closer to 911,000 jobs (around 76,000 per month).

As is often the case, individual industry series experienced more significant percentage revisions compared to the total nonfarm series, mainly due to greater statistical sampling errors at more detailed levels. The leisure & hospitality sector was hit hardest, with a downward revision of 153,000 jobs, followed by a reduction of 128,300 jobs in the retail trade sector. Conversely, the private education and health services sector (+9,000) and utilities sector (+3,600) saw upward revisions. Including these adjustments, 128% of all net new jobs in the year ending in March 2025 were concentrated in government, healthcare, and education. Healthcare and education continued to play a massive role in net job creation throughout the rest of 2025, but government has decidedly turned negative with a significant decline in the Federal work force.

Since 1979, annual benchmark revisions have typically fluctuated between +/-0.2% of total nonfarm payroll employment, with the most extreme changes reaching +/-0.7%. Last week's final revision of -898,000 jobs, representing a -0.6% adjustment, is the largest downward revision since 2009 and tied with the second largest negative revision in the past 47 years. The BLS models — especially the "birth-death" model that estimates jobs from new businesses — appear to have overestimated job growth during an unusual, post-pandemic labor market. Lower survey response rates and rapid shifts in business formation, immigration, and workforce dynamics have also made it harder to measure employment accurately in real time. This has led to significant adjustments over the past few years.

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.