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MARKET ANALYSIS

MNI View: Preliminary U.S. Payrolls Benchmark Revision – Another Large Drag

September 8, 2025 - By Chris Harrison

Executive Summary

- Tuesday's preliminary annual payrolls benchmark revision is widely expected to imply large downward revisions to nonfarm payrolls growth through the twelve months to March 2025.
- We've seen estimates for a downward revision of at least 500k (using mid-point estimates when analysts quote a range) with a central guess of around -750k.
- History suggests the actual benchmark revision due with the Jan 2026 payrolls report will be smaller than what's reported this week, but downward revisions could still be significant.
- Beware extrapolating these downward revisions beyond March 2025 after significant changes in the labor force since then.
- Also recall that last year saw issues in the publication of this preliminary estimate, with a late release.

Released Sep 9 at 1000ET, the preliminary payrolls revision offers an early estimate of changes to the non-seasonally adjusted level of payrolls back in March 2025, with the actual benchmark revision not known until early 2026 with the publication of the January payrolls report in February. It will see monthly changes spread over the period from what is currently seen as a seasonally adjusted 147k per month for nonfarm payrolls in the twelve months up to March 2025. There could be a temptation to extrapolate this forward against what has been a particularly soft recent trend with payrolls rising an average of 29k in the three months to Aug 2025. We warn against doing so though considering some significant changes in the labor market under the second Trump administration. Note that this revision is based on the Quarterly Census of Employment and Wages (QCEW), administrative data that covers more than 95% of US employment. Last year's benchmark revisions saw some concerns that, by being based on unemployment insurance records, it could also exclude undocumented workers who had potentially played a significant role in jobs growth at the time. Whilst immigration has slowed considerably this year along with declines in foreign-born employment, and with this revision being based on QCEW data to 1Q25, undocumented workers are even less likely to be counted here.

We see estimates with wide ranges but with a median based on mid-point estimates of around -750k or subtracting just over 60k per month from currently published jobs numbers to Mar 2025. However, these preliminary estimates have a strong tendency of being too negative at point of release – we go into this more below.

- Fed Governor Waller: Around -60k/month (i.e. circa -720k)
- Speaking on Aug 28 (prior to latest payrolls data and based off 4Q24 QCEW data): *"That's the picture after the unusually large revisions to May and June payrolls and the soft reading for July that was included in the latest jobs report. In addition to those revisions, on September 9 we will get a preliminary estimate of what to expect in the annual "benchmark" revisions to 2025 early next year. I estimate that monthly job creation will be reduced by an average of about 60,000 a month. That would mean that private-sector employment actually shrank, on average, in the past three months and that job creation earlier in the year was weaker than currently reported."*
- Waller is a permanent voter and leading contender for next Fed Chair role. He first made these remarks ahead of the July FOMC when he indicated he would push ahead with a call to start cutting rates.
- Tsy Sec Bessent: -800k. "*We're going to get the revisions for last year next week. There may be as big as a 800k downward revision. This would be a second downward revision […] We need good data*." (Sep 7 on NBC's Meet The Press)

Sellside estimates (see more detailed color below) for Apr 2024-Mar 2025 revisions:

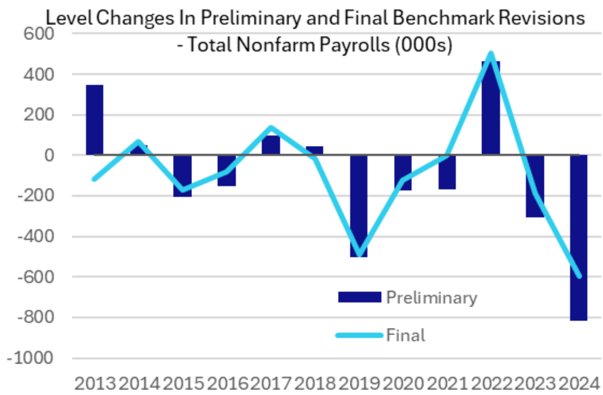
- Barclays: Preliminary estimate of -1-1.3mn before -0.8-1.1mn final
- SEB: Preliminary estimate of possibly -900k before closer to -700k in the final revision
- BMO: -800k
- BofA -500k to -1000k
- GS: -550k to -950k or a 45-80k downward revision to average monthly payroll growth
- Nomura: -600k to -900k
- Wells Fargo: -475k to -790k
- DB: Eyeing -50k to -60k per month, i.e. somewhere around -600k to -720k
- TD Securities: -590k
- UBS: -550k

Bear in mind that the final benchmark estimate tends to nearly always be less negative than the preliminary figure – see historical values to the right. That doesn't mean they can't be large again after last year's historically negative revision that lowered the level of payrolls by ~600k vs -818k in the preliminary estimate.

BLS Benchmark Annual Payrolls Revisions: Preliminary vs Final

	Total nonfarm					Private sector				
	Prelim.		Final (NSA)		Final - Prelim	Prelim.		Final (NSA)		Final - Prelim
	000s	%	000s	%	000s	000s	%	000s	%	000s
2013	345		-119	-0.1	-464	333		-126	-0.1	-459
2014	47		67	*	20	7		105	0.1	98
2015	-208		-172	-0.1	36			-232	-0.2	
2016	-150		-81	-0.1	69			-151	-0.1	
2017	95	0.1	135	0.1	40	98		133	0.1	35
2018	43		-16	*	-59	-17		-104	-0.1	-87
2019	-501	-0.3	-489	-0.3	12	-514	-0.4	-505	-0.4	9
2020	-173	-0.1	-121	-0.1	52	-229	-0.2	-184	-0.1	45
2021	-166	-0.1	*	*	166	-421	-0.3	-256	-0.2	165
2022	462	0.3	506	0.3	44	571	0.4	607	0.5	36
2023	-306	-0.2	-187	-0.1	119	-358	-0.3	-249	-0.2	109
2024	-818	-0.5	-598	-0.4	220	-819	-0.6	-635	-0.5	184

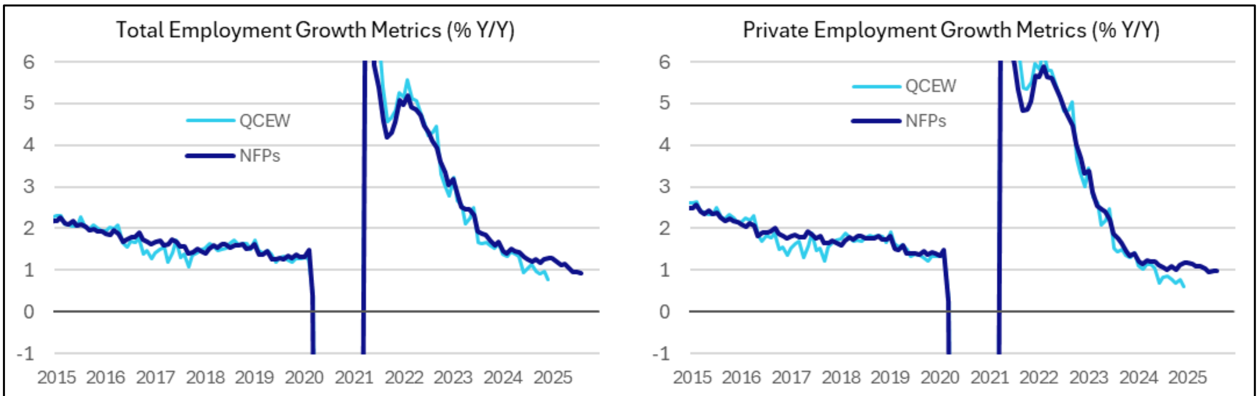
* Less than 0.05% or 500 jobs
Many of the individual industry series show larger percentage revisions than the total nonfarm series, primarily because statistical sampling error is greater at more detailed levels than at an aggregated level.
Source: Bloomberg Finance L.P., BLS, MNI



Source: BLS, MNI

The above estimates for preliminary revisions stem from what's already a very large difference in the growth in non-seasonally adjusted levels of payrolls and QCEW-based employment between Mar 2024 and latest QCEW data currently up to Dec 2024.

- The NSA level of payrolls increased 3.3mln through Mar-Dec 2024 vs 2.45mln for QCEW, an overestimation of 857k.
- Alternatively, QCEW data up to Dec 2024 pointed to total employment growth over the year of 0.8% Y/Y vs payrolls growth at the time of 1.3% Y/Y (which has since moderated to 0.9% Y/Y as of Aug 2025).
- There's a larger gap when just looking at the private sector, with QCEW pointing to 0.6% Y/Y vs an equivalent 1.2% Y/Y for private payrolls (1.0% in latest data).



Fed Chair Powell back at the July 30 FOMC press conference acknowledged the prospects for particularly weak payrolls growth after these revisions but again cited the still low unemployment rate (when it was 4.12% vs latest data of 4.32% just to be clear):

"So, I'm not going to talk about any individuals, you know, any individual's comments, I wouldn't do that. But look, I think what we know is that private sector job creation, certainly in the last report, we will see on Friday, but had come down a bit. And if you take the QCEW adjustment seriously, it may be close to zero, but the unemployment rate is still -- was still low. So, what that is telling you is that, you know, demand for workers is slowing but so is the supply. So, that's -- it's in balance, oddly enough. You have got a very low unemployment rate and it's kind of been there for a year as job creation has moved down, but also we know that, you know, because of immigration policy really, the flow into our labor force is just a great deal slower and those two things have slowed more or less in tandem.

Of course, for a more timely example of his views on the labor market, see his Jackson Hole address on Aug 22, which included rising downside risks to employment*: "The July employment report released earlier this month showed that payroll job growth slowed to an average pace of only 35,000 per month over the past three months, down from 168,000 per month during 2024 (figure 2). This slowdown is much larger than assessed just a month ago, as the earlier figures for May and June were revised down substantially. But it does not appear that the slowdown in job growth has opened up a large margin of slack in the labor market—an outcome we want to avoid. The unemployment rate, while edging up in July, stands at a historically low level of 4.2 percent and has been broadly stable over the past year. Other indicators of labor market conditions are also little changed or have softened only modestly, including quits, layoffs, the ratio of vacancies to unemployment, and nominal wage growth. Labor supply has softened in line with demand, sharply lowering the "breakeven" rate of job creation needed to hold the unemployment rate constant. Indeed, labor force growth has slowed considerably this year with the sharp falloff in immigration, and the labor force participation rate has edged down in recent months. Overall, while the labor market appears to be in balance, it is a curious kind of balance that results from a marked slowing in both the supply of and demand for workers. This unusual situation suggests that downside risks to employment are rising. And if those risks materialize, they can do so quickly in the form of sharply higher layoffs and rising unemployment."*

For more on latest labor market data, including latest trends for the unemployment rate, see the comprehensive MNI Employment Insight, here.

A word of caution from last year's release confusion

Last year's release for the preliminary benchmark revision estimate was plagued by confusion around the release time. Whilst set for 1000ET, as again this year, it wasn't officially released until after 1030ET but with some able to get the figure from BLS after 1010ET when phoning directly. (A report from Reuters at the time, for example). At the time, the underlying QCEW data were published before the revision estimates were made available, with the former showing a potential downward revision of -915k vs the actual preliminary estimate of -818k.

Analyst Views For Benchmark Revisions

Barclays: History Suggests Even Larger Preliminary Revision Adjustment

- "Be prepared for a big benchmark revision to the job estimates in the upcoming employment situation report for January 2026. This could be preceded by a preliminary benchmark adjustment this August that is even larger."
- "According to the latest QCEW estimates through December, job gains from April 2024-December 2024 were overstated by about 850k, in seasonally unadjusted terms. If recent history is a reliable guide, this overcount could increase to anywhere from 1.0-1.3mn jobs when initial Q2 estimates are folded in for the preliminary benchmark adjustment. This magnitude would likely be revised down by about 200k by the time of the actual benchmark revision, to 0.8-1.1mn."
- "This would trim monthly job gains by 65-85k/m over this period, reflecting the diminished tailwind on labor supply from slowed immigration."

BMO: Rough Estimate of -800k

- "The new and improved stats use unemployment insurance tax records to provide a more complete picture of headcount than initially derived from a sample of firms. Payroll gains averaged 146,000 per month in this 12-month period, down from 196,000 in the prior year. And job growth has slowed further since March, to an average of just 53,000 to August, and most of the revisions have landed on the downside. The benchmark figures from April 2024 to March 2025 could also get chopped down due to weaker population growth than initially assumed by the BLS. A rough estimate based on data from the Quarterly Census of Employment and Wages would put the total adjustment in the -800k range."

Deutsche: Could Be Worth 50-60k Lower Per Month

- "The latest Q4 2024 QCEW suggested that average monthly payroll gains from April 2024 through March 2025 (148k), could be revised down by roughly 50k - 60k. While the Q4 QCEW is likely to anchor market expectations for the preliminary benchmark, it is important to remember that the QCEW itself is often revised. Over the last 10 years, the annual benchmark revision at the total nonfarm level has averaged 0.15 percent (in absolute terms). The range has been between -0.4% (2024) to +0.3% (2022).”

ING: Even A -750k Revision Would Still Be A Big Change In Jobs Narrative

- “The Quarterly Census of Employment and Wages (QCEW), which uses state unemployment insurance tax records – suggest employment in the nine months between March and December 2024 was 857k lower than reported in the payrolls report, implying the possibility of 95k of downward revisions on average each month. We expect to see some narrowing in the figures for first quarter 2025 between payrolls and the figures QCEW will be releasing at the same time, but even if it is a 750k downward revision that is still a big change in the jobs narrative.”
- “Moreover, the Fed’s own Beige Book made for grim reading earlier this week and that was the catalyst for a 50bp move last year to kick things off in terms of Fed rate cuts. However, the conservative make-up of the Fed (for now) and uncertainty over tariffs on inflation means there probably won't be a majority, but we could see two or three voting for 50bp.”

Nomura: Substantial Downward Revision Owing To Multiple Factors

- Nomura expect a “substantial” downward 600-900k from Apr 2024 through Mar 2025.
- “The downward revisions will likely be due to multiple factors, including undocumented immigrants and an overestimation of job gains through business openings. The past revisions suggest that the primary cause of the revision tends to be excessive birth-death adjustments. The revised industry breakdown on job gains might show a greater degree of concentration in a handful of industries, which poses downside risks to labor markets.”

SEB: Could See Preliminary Estimate Of Almost -900k Or Perhaps -700k in Final

- SEB estimate NSA payrolls may be lower by as much as 900k for the twelve months up to Mar 2025 assuming the 0.5%pt different in the Y/Y rate between payrolls growth and QCEW data remained in Q1.
- This would see seasonally adjusted average monthly growth rate for payrolls for the year until March being lowered from close to 150k to only around 70k.
- “The final benchmark revision for last year was less negative than suggested by the preliminary estimate (598k vs a preliminary estimate of 818k, a difference of over 200k). A similar deviation this year would still imply a negative revision of nearly 700k or nearly 60k fewer jobs per month, to an average monthly pace of around 90k.”
- “The data is outdated as it only covers the period up until March. Recent data - including the downward revisions of May and June payrolls and the fact that employment has been solely driven by non-cyclical hiring in especially health care - already signal a clear slowdown in employment growth, following an unexpected acceleration by the end of last year and again during spring.”
- “Other indicators, such as job openings, labour market assessments in the Conference Board’s consumer confidence survey (jobs-plentiful minus jobs-hard-to-get) and continued claims, have shown a gradual weakening of the labour market. A downward revision of employment in late 2024/early 2025 would thus be more in line with other labour market indicators.”

Wells Fargo: Job Growth Seen Flying At Lower Altitude

- Wells Fargo analysts see a preliminary downward revision to benchmark payolls of -475k to -790k as “reasonable”, or growth of 83-110k/month in the 12 months to March (vs 149k as currently reported).
- They note that a back-of-the-envelope approximation of the revision, which uses the 0.35pp gap between the CES and QCEW Q4/Q4 growth rate remaining steady through Q1, then that’s equivalent to 103k monthly payroll growth, implying a benchmark revision of around -550k.
- However, the gap between QCEW and CES could widen in Q1 (was 0.55pp in December), which “suggests the risk around the above approximation skews toward a larger downward revision”.
- They suggest that “This year's benchmark revision appears somewhat less fraught than last year's due to the unemployment rate moving sideways since last July”, with a labor supply slowdown reducing the breakeven rate of NFPs.
- “Yet, with the benchmark revision likely to show a weaker pace of job growth through March, a loss of momentum at the beginning of the year would cast a shadow on the true strength of payroll growth since then. In short, even as the labor market is still standing, its footing is becoming more tenuous.”