



## The Daily Dish

# The 2025 Preliminary Benchmark Revisions

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Buckle up for Friday's August employment report from the Bureau of Labor Statistics (BLS), which - rightly or wrongly - will carry more weight than usual. This is not the only labor market data on the Fed's radar. On September 9, the BLS will [release its preliminary benchmark revisions](#) to the non-seasonally adjusted level of payrolls for March 2025 - and a back-of-the-envelope estimate of the preliminary revision suggests that payrolls could be downwardly revised by between -470,000 and -740,000. Let's review what's on tap for Friday's jobs number and then walk through why BLS' annual benchmark revisions are necessary, whether the size of the anticipated revision is typical, and what a large downward revision could mean for policy.

Recall that the August payroll report will be the first since the BLS made unusually large downward revisions to job growth in May and June - which led to [accusations](#) from President Trump that the numbers were "rigged" and his subsequent firing of [BLS Commissioner Erika McEntarfer](#) - and the final payroll number before the Federal Reserve's next policy meeting scheduled for September 16-17. [Expectations](#) are for the Federal Open Market Committee to cut its policy rate by 25 basis points.

Potentially causing an even bigger stir, the BLS on September 9 will [release its preliminary benchmark revisions](#) to the non-seasonally adjusted level of payrolls for March 2025. Annual benchmark revisions allow the BLS to anchor its estimates to data from the Quarterly Census of Employment and Wages (QCEW), a more comprehensive dataset derived from state unemployment insurance records covering more than 95 percent of jobs. The preliminary revision will estimate how much the monthly payroll report overstated (or understated) actual job growth between April 2024 and March 2025, providing the Fed with a more reliable read on the health of the labor market. The final benchmark revision will be incorporated in the January 2026 employment report in February 2026. Two quick points: 1)

This revision affects only two months of the Trump Administration's tenure, and is thus more of a reflection of the job market in the latter months of the Biden Administration; and 2) the expected downward revisions say nothing about the effects of Trump's tariff policies on the labor market.

The benchmark revision process provides the BLS with the opportunity to incorporate more timely and accurate data on firm births and deaths than are available when compiling the monthly jobs numbers. Moreover, the nearly complete job market coverage of the QCEW dwarfs the low and declining survey response rate of the monthly jobs report - averaging just 43 percent in the 12 months through March 2025, down from nearly 61 percent in 2016 - which introduces a statistical bias. The BLS provides an in-depth [explanatory video](#) of the monthly revisions and annual benchmarking process.

Using available QCEW data through the end of 2024, a quick-and-dirty estimate of the preliminary revision suggests that payrolls will be downwardly revised by between -470,000 and -740,000 (economists at [Wells Fargo](#) and [Evercore ISI](#) have made similar predictions). This would translate to average monthly job growth of between 88,000 and 110,000 in the 12 months through March 2025 compared to the 149,000 currently reported - a continued slowing in job growth seen over the past year from the post-pandemic boom. Notably, this year's estimated revision is similar to the prior year's unusually large [downward revision](#) of 598,000.

This downward revision would confirm suspicions that the labor market has cooled at an even faster pace than the monthly data have indicated. A softer labor market could lead some of the Fed's most dovish members to call for a larger-than-expected rate cut at the September meeting, despite inflation moving in the wrong direction.

If recent history is any indication, a downward revision of this magnitude could draw ire from the White House and prompt accusations that the data were "rigged." The president could also use this opportunity to call for Fed Chair Jerome "Too Late" Powell - as he is mockingly called - to cut rates by more than the expected 25 basis points.

## **FREDDY'S FORECAST: AUGUST JOBS**

The July jobs report showed employers added 73,000 workers to their payrolls while the unemployment rate ticked up to 4.2 percent. Average hourly earnings rose by 12 cents, or 0.3 percent, for an annual gain of 3.9 percent.

The weak headline number was overshadowed by "larger than normal" revisions to May and June data, which were collectively revised down by 258,000 to just 19,000 and 14,000,

respectively. July private-sector job growth led the way, up 83,000 for the month, which almost exclusively came in the health care and social assistance sector. Meanwhile, manufacturers continued to shed jobs, slashing another 11,000 workers from their payrolls in July after cutting a combined 26,000 positions in May and June.

August data from payroll processor ADP showed private-sector employers increased headcount by a paltry 54,000 during the month. Hiring was led by job gains in the leisure and hospitality sector (+50,000) and construction (+16,000). The manufacturing sector cut 7,000 workers while the education and health services sector slashed 12,000 positions. The trade, transportation, and utilities sector cut more than 17,000 workers, likely caused by trade uncertainty surrounding tariffs.

After the near-term bottom on July 19 of 217,000, initial jobless claims have trended higher in recent weeks, reaching 237,000 during the week ending August 30. The current level of initial claims suggests firms have remained reluctant to fire workers. Continuing claims, meanwhile, remained above the 1.9 million level but fell by 4,000 during the week ending August 23 to 1.94 million.

The JOLTS report confirmed that businesses remained reluctant to hire or fire. Job openings dipped by 176,000 to 7.2 million in July. Hires ticked up slightly by 41,000. The report also showed that the ratio of job vacancies to unemployed workers fell below 1 to 0.99 during the month, the lowest since April 2021 when the ratio was 0.96. The ratio has steadily declined since reaching 2.02 in March 2022.

Data from the Institute for Supply Management showed that manufacturing continued to slow in August, albeit at a slower pace than in July. The employment index remained well in contraction territory. The production index slipped into contraction, but new orders reversed course and grew during the month. Survey respondents expressed concerns over tariffs and having to pass on cost increases to customers. One respondent described the current economic situation as “survival.” The ISM services index was slightly brighter, registering 52.0 in August, an improvement of 1.9 points from July. Survey responses were mixed on the economic outlook, but the impact of tariffs was widely discussed.

For the August report, expect topline payroll growth of 65,000. The unemployment rate is likely to tick up to 4.3 percent while growth in average hourly earnings increases to 0.3 percent, or 11 cents, for an annual gain of 3.7 percent.