



## Preliminary Revisions to Employment Indicate Job Market Is Even Weaker Than Initially Thought in Summer of 2025

### Headlines

- According to preliminary revisions from the BLS, the level of employment in March 2025 was lower by 911,000 (0.8%) than initially reported.
- The combination of weak job growth in recent months and the downward revisions indicate a job market that is rapidly slowing.
- The revisions support PNC's forecast for fed funds rate cuts in late 2025 and early 2026.
- The revisions are based on more complete data from unemployment insurance tax filings, and will be fully incorporated into the employment data early next year.

### Details

**According to the Bureau of Labor Statistics, employment in March 2025 was lower by 911,000 than initially reported. This indicates that job growth in 2024 and early 2025 was significantly weaker, and the labor market not as strong, as initially thought.** From March 2024 to March 2025 average monthly job growth was just 71,000 after the revisions, compared to more than 146,000 before the revisions. These preliminary revisions are not yet included in the employment levels in the Employment Situation report; they will be incorporated in the monthly jobs report for January 2026, to be released in early February next year.

Although these revisions apply only through March 2025, they suggest much less momentum in the job market in late 2024 and the first part of 2025. It is fair to assume that this slower momentum has carried through the summer, and that **the job market is not as strong as current employment data suggest.**

**This raises further questions about the strength of the labor market, given that job growth before the revisions is already weak.** In the four months through August the U.S. economy has added just 27,000 jobs on average (not including the preliminary revisions), the slowest pace since the economy was losing millions of jobs during the pandemic. Employment fell slightly in June 2025, the first month of job losses since a resurgence in the pandemic in December 2020, before rebounding somewhat in July and August. If job growth is even slower than this, as the revisions suggest, job gains in recent months have been negligible, or perhaps employment is outright falling.

**The preliminary revisions make it even more likely the Federal Open Market Committee will cut the federal funds rate in the months ahead.** In his Jackson Hole monetary speech last month Federal Reserve Chair Jerome Powell indicated that the FOMC was set to cut the fed funds rate at its meeting on September 17, given softer job growth in recent months. The preliminary revisions make further rate cuts more likely. PNC's baseline forecast is for fed funds rate cuts of 0.25 percentage point each at

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the next four FOMC meetings; this would take the fed funds rate to a range of 3.25% to 3.50% by late January 2026. The FOMC could cut the fed funds rate even more aggressively if it appears that the labor market is quickly unraveling.

The monthly employment numbers in the jobs report come from a survey of employers by the Bureau of Labor Statistics. After their initial release, the monthly jobs numbers are updated over the next two months as more survey results come in. The BLS uses the monthly survey results to estimate total employment in the U.S., accounting for things like seasonal patterns in job growth and new firms being formed while others close down.

But once a year the BLS “benchmarks” the employment numbers to a much more complete universe of employment from state unemployment insurance tax data, which covers almost all employers in the U.S. Based on the unemployment insurance data from March 2025, the level of employment in the U.S. was actually 158.364 million, compared to the reported result of 153.275 million, a difference of 911,000 or 0.6%. These revisions are larger than usual; the usual revision is around 0.2% (either up or down).

These revisions will be incorporated into the historical employment numbers in February 2026, with the release of the January 2026 Employment Situation report from the BLS. The unemployment rate is calculated from a different survey, of households, and these revisions will not affect that.

According to the BLS the largest downward revisions by industry are in trade/ transportation/utilities (down 226,000, or 0.8%), leisure/hospitality services (down 176,000, or 1.1%), professional/business services (down 158,000, or 0.7%), and manufacturing (down 95,000, or 0.8%). The downward revision to employment in March 2025 was much smaller in education/health services, just 35,000 or 0.1%. This raises even more concerns about the breadth of recent job growth. Over the past year health care has accounted for almost 60% of all job growth, and in three of the last four months employment outside of health care has fallen on net. The preliminary revisions suggest that job growth since March 2024 has been even more skewed toward health care, which is unsustainable over the longer run.

There were downward revisions to employment levels in March 2025 in 38 states and the District of Columbia, and upward revisions in 12 states. There were downward revisions of 1% or more in Colorado (-1.8%), Oklahoma (-1.7%), South Dakota (-1.6%), Idaho (-1.5%), Oregon (-1.5%), Hawaii (-1.3%), Wyoming (-1.3%), Minnesota (-1.2%), New Mexico (-1.2%), North Carolina (-1.1%), and the District of Columbia (-1.1%). There were upward revisions of more than 1% or more in Arizona (+1.1%) and New York (+1.1%).

**Please reach out with any questions,**

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