

Snap | 9 September 2025

UNITED STATES

US job revisions make an even stronger case for rate cuts

After benchmarking with state unemployment insurance tax records, the Bureau for Labor Statistics has acknowledged that it overestimated employment in the US by 911,000 in the 12M to March 2025.

Thus, labour market momentum is being lost from an even weaker position than originally thought, reinforcing expectations of meaningful interest rate cuts



The Bureau of Labor Statistics has published preliminary revisions to US non-farm payrolls which indicate a bigger downward revision than expected

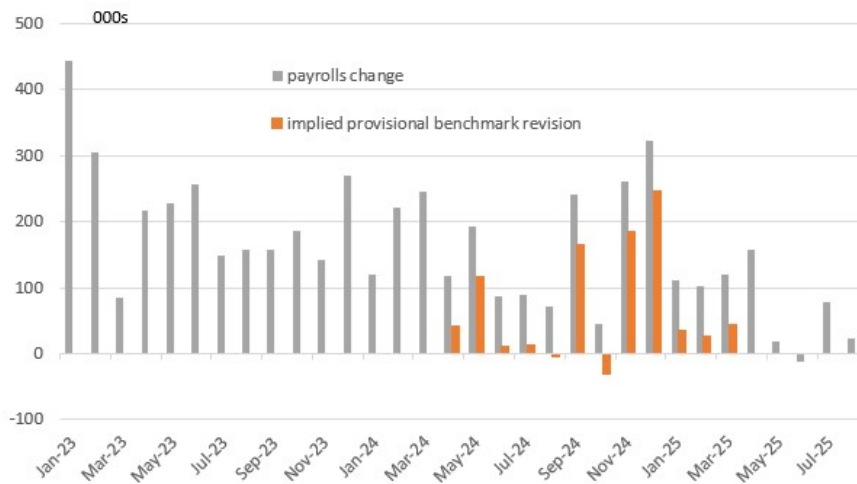
911,000

Downward revision to US employment

The Bureau for Labor Statistics has just published its preliminary benchmark revisions to US non-farm payrolls for the 12 months to March 2025 and they show that rather than adding 1.758mn jobs as originally reported, the US economy created only 847,000 – a 911,000 downward revision. This is a bigger error than the consensus expected (682k) and even larger than the 800k Treasury Secretary Scott Bessent talked of over the weekend. This means that rather than recording average monthly payrolls growth of 146,500 over that period, it is

actually only 70,600 per month.

Implied payrolls numbers based on downward revisions (monthly change, 000s)



Source: Macrobond, BLS, ING

These new numbers come about after benchmarking the initially reported payrolls figures to employment data from the Quarterly Census of Employment and Wages (QCEW) that are derived from state unemployment insurance (UI) tax records that nearly all employers are required to file. Historically the error has been 0.2 percentage points, but this year's error was 0.6pp coming after last year's 0.5pp error that required a 818,000 downward revision.

For this year the most impacted sectors were leisure and hospitality (-176k jobs or 1.1pp) followed by retail trade (-126k or 0.8pp) and whole sale trade (-110k or 1.8pp). The biggest percentage error was in information at -2.3pp (or 67,000 jobs).

In the benchmarking process the BLS cite problems with response rates, which means data gaps, and response errors, whereby employers give them the wrong number relative to what are reported to tax authorities. They also highlight problems with other forecast errors that are attributable to the BLS themselves. The BLS has a good handle on what is going on amongst large employers, but has less visibility on the small business sector and has a "births-death" model.

In steady times, their assumptions are accurate, but at turning points in the cycle they can be significantly wrong – so in the early stages of a downturn they tend to overestimate the jobs created by new start-ups – "births" – and underestimate the number of jobs lost by the "death" of failing small businesses.

These revisions suggest that jobs momentum is being lost from an even weaker position than

originally thought. It also reinforces the belief that even the poor numbers seen in 2025 are probably overstating the health of the employment market. So even if we get an upside surprise to US inflation on Thursday the Federal Reserve will very likely be cutting interest rates next week and follow up with 25bp moves in October and December.

Author

James Knightley

Chief International Economist, US

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.