INVESTOR ALERT
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Downward Revisions in Jobs: Data Manipulation or Recession Signal?

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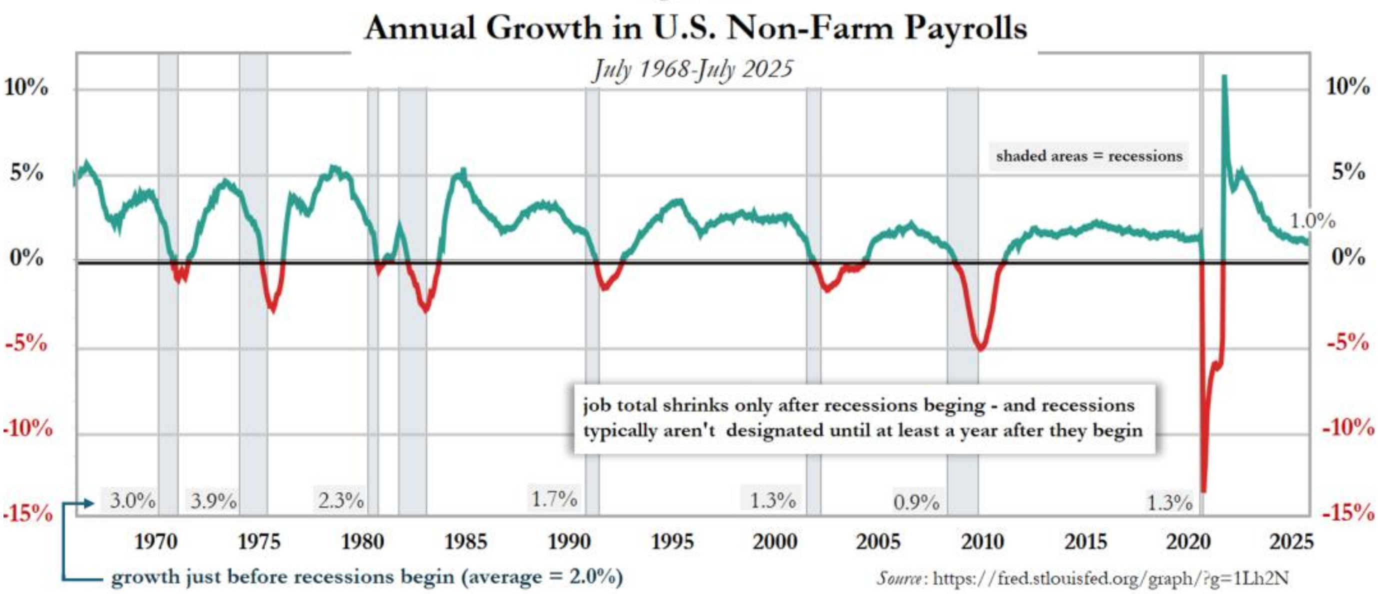
AUGUST 10, 2025

President Trump has fired the head of the U.S. Bureau of Labor Statistics (BLS) because the agency released a massive downward revision in its estimates of jobs so far this year (see Table One, page 2). The BLS also made a huge downward revision last year. Revisions are normal (given that these are job *estimates* and with *time* more information arrives), but the *magnitudes* are not. Is this incompetence, political data manipulation, or something typical of recessions? Possibly the first two, but definitely the latter.

The BLS conducts establishment (workplace) surveys of total jobs monthly, issues its initial estimate on the first Friday of the next month, then after gathering more information, provides two more estimates over the subsequent two months. Employment data are *coincident*, even *lagging* "indicators" of economic output, so revisions *upward* typically accompany economic *expansions* while revisions *downward* usually signify economic *contractions*. If the latest revisions resemble history, the U.S. economy has been contracting this year.[1]

Figure One



[1] As for actual production data, the U.S. Industrial Production Index has increased by only 0.7% in the year through June, while GDP has decelerated from growth of 1.9% in the half year through 4Q23 to 1.4% in the half year through 4Q24 and just 0.6% in the half year just ended (2Q25). See Figure Four.

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Figure One (page 1) makes clear that job totals certainly shrink *during* recessions, but not *prior* to recessions. That's why employment is not, technically, an "indicator"—a *forecaster*—of the business cycle (whether up or down). In one-year periods just prior to the last eight recessions, jobs have increased by 2.0% on average. There are no cases of a decrease. Job growth over the past year has been 1%. It was 1.3% before the recession of 2020 and 0.9% before the recession of 2007-09.

Table One

Second and Third Revisions to Initial Estimates of Non-Farm Payrolls in the U.S.

January-July, 2025

last report: August 1, 2025

	Seasonally adjusted					
	Over-the-month change			Revision* in over-the-month change		
Month	1st	2nd	3rd	2nd - 1st	3rd - 2nd	3rd - 1st
Jan.	143	125	111	-18	-14	-32
Feb.	151	117	102	-34	-15	-49
Mar.	228	185	120	-43	-65	-108
Apr.	177	147	158	-30	11	-19
May	139	144	19	5	-125	-120
Jun.	147	14		-133		
Jul.	73	985 732 =-253 (-26%)				
Aug.						

Source: Bureau of Labor Statistics: www.bls.gov/opub/hom/ces/presentation.htm#revisions

Figure Two below compares the magnitude of recent job revisions with those made annually since 2006, so we can contextualize patterns surrounding the last two recessions. Revisions downward are large during recessions. The latest revisions (2023-25) look suspiciously like a recession. When might we know for sure?

Recessions aren't declared "officially" by the National Bureau of Economic Research until at least a year after they begin (determined by a four-factor metric). After the yield curve inverted in October 2022 we predicted (in January 2023) a recession to begin in 2024; as inversion subsequently persisted through 2024, we projected that the recession could spill over into 2025. Real GDP growth has certainly decelerated sharply since 2022 (see Figure Four, page 3) but it has yet to contract for two straight quarters).

Figure Three (page 4) provides the longer history, with more recessions, back to 1966. The pattern is clear: revisions *upward* have typically accompanied economic *expansions* while revisions *downward* have usually signified economic *contractions*. It wasn't precisely that way in the dozen years 1970-82, but it's been that way since then.

The latest downward revisions in U.S. jobs resemble recession history. The U.S. economy seems to be contracting in 2025. Thus it's too early to declare that recession will be averted, especially because the yield curve inverted (a perfect forward-looking market price signal of recession). Now, as before, perhaps lagging data will finally validate the curve. Government statisticians will be the last to learn and report, however inaccurately.

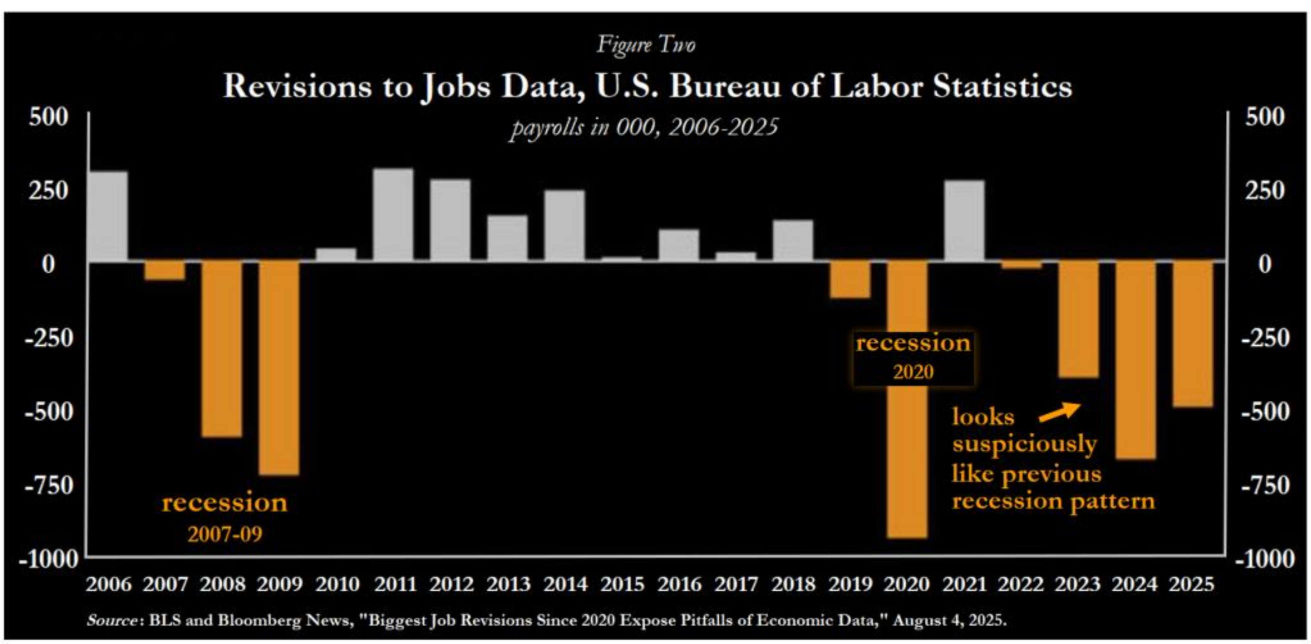


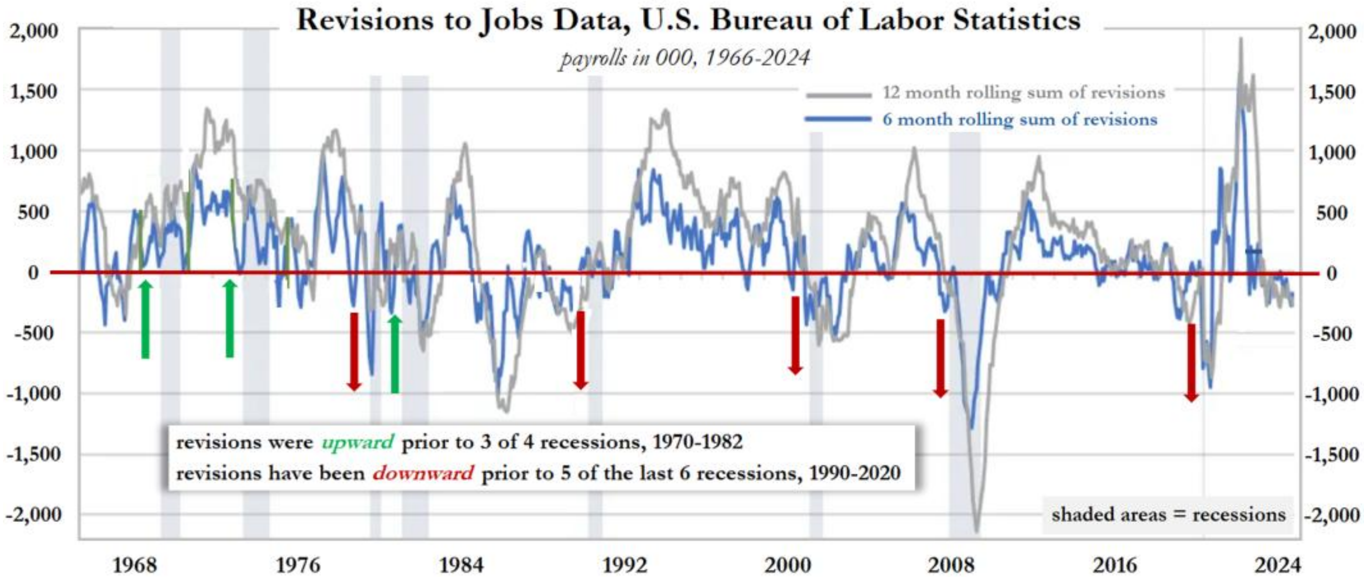
Figure Two

Revisions to Jobs Data, U.S. Bureau of Labor Statistics

payrolls in 000, 2006-2025

Source: BLS and Bloomberg News, "Biggest Job Revisions Since 2020 Expose Pitfalls of Economic Data," August 4, 2025.

Figure Three



Source: BLS and mishtalk.com/economics/in-honor-of-labor-day-lets-review-bls-job-revisions/

Figure Four