

Employment Revised Lower by 800K in March 2024; Labor Market Appears Somewhat Softer, But Still Solid

- Preliminary BLS revisions indicate total employment in March 2024 was lower by 818,000 compared to the previous estimate.
- Job growth from March 2023 to March 2024 was revised substantially lower.
- The revisions were in line with expectations, and indicate that the labor market is still in good shape, but is somewhat softer than previously thought.
- The revisions are consistent with PNC's baseline forecast for cuts in the federal funds rate starting in mid-September and continuing through the first half of 2025.

The Bureau of Labor Statistics revised the level of employment in March 2024 lower by 818,000 compared to the prior estimate. The level of jobs in a survey of employers was 157.288 million after the incorporation of more complete employer records based on unemployment insurance tax filings, compared to 158.106 million before the revisions. Job growth from March 2023 to March 2024 was 1.3% after the revisions, compared to 1.9%. Alternatively, average monthly job growth in the 12 months through March 2024 was 174,000 after the revisions, compared to 242,000 before the revisions.

The revision this year of -0.5% was much larger than the average revision over the past decade of +/-0.1%. The downward revision was expected given previous data from the Quarterly Census of Employment and Wages. Response rates for the monthly employer survey used to calculate employment have fallen from 60% before the pandemic to 43% in early 2024, perhaps contributing to the large revision this year.

The revisions do not say anything about the change in pattern of job growth from March 2023 to March 2024, or about job growth since March of this year. These revisions will be incorporated into the annual benchmark revisions to the employment data in early 2025.

The revisions do not affect the unemployment rate, which is calculated using a different survey of individuals.

The downward revision to the level of employment in March 2024 indicates that the labor market, while still solid, is not quite as strong as previously thought. It is also consistent with other measures and anecdotal information that indicated that the job market has been gradually softening over the past couple of years. Job growth from March 2023 to March 2024 was well below the previous estimate, although the pace of 174,000 per month was still stronger than it was right before the pandemic. It is also close to estimates of potential long-run job gains given growth in the labor force. The downward revision, and somewhat softer picture of the job market, support PNC's forecast for a 25-basis point cut in the federal funds rate at the Federal Open Market Committee meeting on September 18, with additional 25-basis point rate cuts expected at the FOMC's meetings in November and December, as well as additional rate cuts in the first half of 2025.

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Private-sector employment was revised lower by 819,000 in March 2024, with government employment revised up by 1,000. Within the private sector there were large downward revisions to employment in professional/business services (-358,000), leisure/hospitality services (-150,000), retail trade (-129,000), and manufacturing (-115,000). There were upward revisions in a few private-sector industries, including education/health services (+87,000) and transportation/warehousing (+56,000).

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