

Does it make sense to react to today's employment data?

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With rates rising and recession fears growing, economic numbers have become increasingly important as they should. Economic numbers are the clues that investors will use to determine the most likely path the economy will take. No economic number is more important than Employment. The two goals of the FED are full employment and controlled inflation.

History suggests that we should take the current employment data with a healthy dose of salt, because of the size and consistency of revisions. 43 years of monthly data and revisions are in the attached document. Using absolute numbers, the average size of monthly revision is over 45,000. The average absolute percentage revision over the past 43 years is 73% and 68% for the past 20 years. These are large revisions. The impact of these revisions may be less as they are taken over a multi-month period, but that does not reduce the caution of putting too much weight on any one monthly number.

Nonfarm Payroll Employment & Revisions between month-over-month 1979-2022			
<i>(Thousands)</i>			
		Average	Average Absolute
		Absolute Revision	Percentage Revision
All Years	1979-2022	45.73	73.20%
20 Years	2002-2022	45.43	68.92%

<https://www.bls.gov/web/empsit/cesnaicsrev.htm>

We provide the Non-Farm data for the past 2 years below as an example. This period is actually better than the entire history in terms of revisions, but it still shows examples of giant revisions to the preliminary numbers.

Month	Year	Monthly Change	Revision	Absolute Revision	<u>Absolute</u> Percentage Change
Jun.	2020	4800	-26	26	0.54%
Jul.	2020	1763	-30	30	1.70%
Aug.	2020	1371	107	107	7.80%
Sep.	2020	661	17	17	2.57%
Oct.	2020	638	-18	18	2.82%
Nov.	2020	245	86	86	35.10%
Dec.	2020	-140	-93	93	66.43%
Jan.	2021	49	119	119	242.86%
Feb.	2021	379	119	119	31.40%
Mar.	2021	916	-147	147	16.05%
Apr.	2021	266	8	8	3.01%
May	2021	559	-1	1	0.18%
Jun.	2021	850	100	100	11.76%
Jul.	2021	943	99	99	10.50%
Aug.	2021	235	180	180	76.60%
Sep.	2021	194	-7	7	3.61%
Oct.	2021	531	18	18	3.39%
Nov.	2021	210	75	75	35.71%
Dec.	2021	199	67	67	33.67%
Jan.	2022	467	-18	18	3.85%
Feb.	2022	678	182	182	26.84%
Mar.	2022	431	-25	25	5.80%
Apr.	2022	428	-12	12	2.80%
May	2022	390	-18	18	4.62%
Jun.	2022	372			