

# US Macroeconomics

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## Big Revisions Coming?

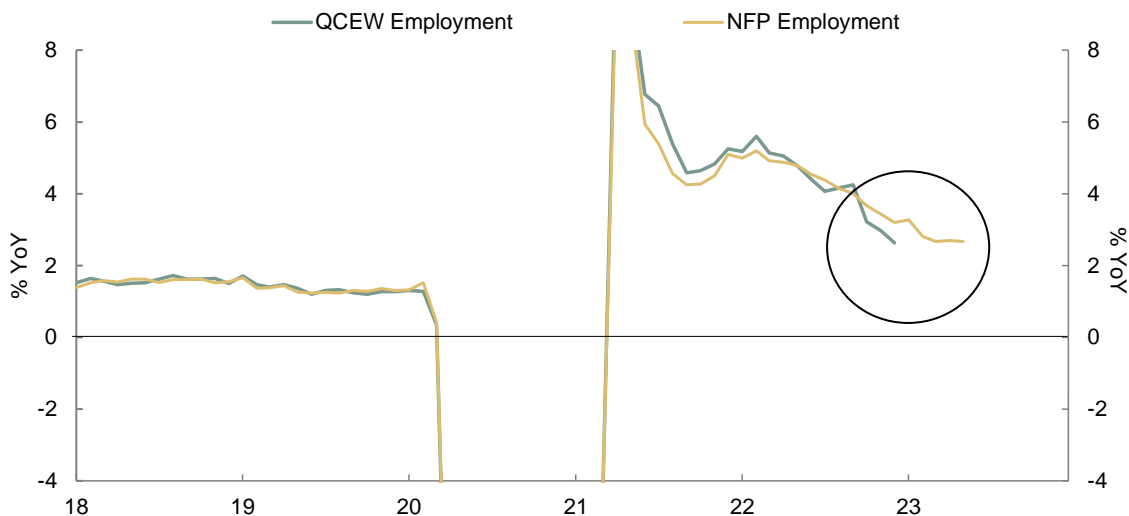
A few weeks ago, we learned that total labor market compensation was revised lower beyond what was originally reported. This downward adjustment was based off key source data which showed less income creation than what the government statisticians had assumed. The gist is a potentially large overstatement of 2022 job gains. Conceivably, this year’s payroll increases are overstated, too.

Every quarter, the Bureau of Labor Statistics releases its Quarterly Census of Employment and Wages (QCEW). This report is derived from quarterly tax filings of nationwide unemployment insurance programs. Since businesses and households do not pay tax on phantom income, tax receipts are the best economic data we have. Notably, **the QCEW is used to benchmark both employment and wages** (i.e., income). As we illustrate in the chart below, the growth rate in nonfarm payrolls is nearly identical to the growth in QCEW employment over time.

Unfortunately, the QCEW data lag a bit, as we only have figures through Q4 2022. The Q1 2023 data are released on August 23rd. Importantly, the data we currently have, show less hiring in 2022 than what the current nonfarm payroll figures show. We highlight this in the chart.

According to the QCEW, average employment in all industries grew 2.3% last year, compared to the 3.2% increase in nonfarm payrolls. Arithmetically, this difference is worth 972k jobs. Consequently, when the BLS does its next benchmark revision, **we could learn that 2022 payrolls increased just 3.9 million instead of 4.8 million.** But there is potentially more.

The downward momentum in the QCEW is occurring against the backdrop of gently rising (so far) initial jobless claims. Our hunch is that year-to-date jobs gains could be overstated, especially if the economy is closer to an inflection point. This hints that the **612k year-to-date job additions, attributable to the net birth/death model, could be too high.** The BLS will provide a preliminary estimate of next year’s benchmark revision in August. We anticipate that it will confirm much softer job creation in 2023. Stay tuned.



Sources: BLS, Haver Analytics, SMBC Nikko

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