

# “Gargantuan” downward revision in US job-creation numbers

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A very sharp downward revision of almost 1 million in the estimate of the number of jobs created in the 12 months to March this year has cast a revealing look at the real state of the US economy, as opposed to the hype about economic growth and a strong labour market.

Carrying out a more in-depth review of employment than can be obtained through monthly surveys, the Bureau of Labor Statistics (BLS) found that employers had added 911,000 fewer jobs than has been previously reported.

The report followed the release of survey data last week which showed that only 22,000 jobs had been created in August, and that over the past four months the number of jobs added has been 27,000—well below the levels of 2024.

Economists voiced their concerns over the size of the downward revision with Samuel Tombs, chief US economist at Pantheon Macroeconomics, telling the *Financial Times* it was “gargantuan.”

The number of jobs created was revised down in almost every sector of the economy. Leisure and hospitality were down 176,000, business services 158,000 and retail 126,000.

Commenting on the result for services—lower by 13,000 per month than previous estimates—Bradley Saunders, North American economist for Capital Economics, said: “With services being the last bastion of employment growth, this does not bode well for the overall health of the labour market.”

While the numbers are not so large, the all-important manufacturing sector, according to the monthly data, recorded its fourth consecutive monthly decline in August, the longest such period since the pandemic, with employment in the sector now negative for the year.

The boost to jobs which Trump claimed would result from tariffs has not materialised. In fact, the tariffs are giving rise to job cuts as employers seek to cut costs because of the hit to their bottom line caused by the price rises in their inputs.

According to Bob Schwartz of Oxford Economics, whose comments were reported in the FT: “If tariffs are aimed at bolstering the domestic manufacturing economy, the benefits are not showing up on the hiring front. ... It appears that the higher input costs linked to tariffs are having an immediate effect, whereas the incentive for companies to bring operations—and jobs—to the US have yet to bear fruit.”

The Trump administration eagerly seized on the jobs data as justification for its actions on two fronts—the sacking of the head of the BLS at the beginning of last month and its push to have the Federal Reserve make a major cut in its interest rate.

In a statement on the major revision, White House Press Secretary Karolin Leavitt said: “This is exactly why we need new leadership to restore trust and confidence in the BLS’s data on behalf of the financial markets, businesses, policymakers and families that rely on this data to make decisions.”

In fact, the new data do not support the decision to sack BLS head Erika McEntarfer because her dismissal and replacement by Trump acolyte E.J. Antoni was carried out amid claims that the August monthly data, which contained a major downward revision, had been “rigged.”

Those numbers, far from reflecting a political agenda, as claimed by Trump, expressed an objective trend that has now become even more apparent.

The reason for the large revisions lies in the difficulties in rapidly gathering monthly data based on surveys. The overestimations of the number of jobs

created is rooted, at least in part, in the fact that only 43 percent of employers respond to the monthly survey, down from the 60 percent who replied before the pandemic.

The BLS has been trying to improve its data gathering methods, but has been hampered by budget cuts carried out under both previous Republican and Democratic administrations and the further cuts under the second Trump regime.

A statement issued by the National Association of Business Economists earlier this week said that “with sufficient funding, agencies can modernise data collection and improve the accuracy of first estimates.”

After claiming that earlier numbers were “rigged,” Trump has now changed tack and is seeking to use them as the basis for his push to have the Fed cut interest rates. A White House statement said Trump had been right about the Fed being “too late” and that the revisions “make clear that the Fed’s monetary policy is far too restrictive and interest rates remain too high.”

It is almost certain that the Fed will cut rates by 0.25 percentage points at its meeting next week, and may well make a so-called “jumbo” cut of 0.5. One of Trump’s appointees to the Fed’s governing council, Christopher Waller, who dissented from the July decision to keep rates on hold, has indicated he is in favour of such a move if there were a significant deterioration on the jobs front.

But even a cut of that size is nowhere near the reduction by as much as three percentage points that Trump has been demanding.

However, his campaign to change the balance of power in the Fed’s governing body and weaken the position of Chair Jerome Powell, whom he has denounced as a “numbskull” while trying to find ways to have him removed, has received something of a setback. A US judge has ruled that Fed governor Lisa Cook, sacked by Trump, could retain her position while her case for wrongful dismissal proceeded.

In a ruling handed down late on Tuesday, Judge Jia Cobb said: “Cook has made a strong showing that her purported removal was done in violation of the Federal Reserve Act.”

Cook came under attack from the Trump administration over allegations that before her appointment to the Fed she had claimed two properties as her primary residence when seeking a mortgage,

enabling her to receive a lower interest rate, and she should be removed from her position.

But in her ruling, Judge Cobb appeared to close that off saying that a president could only remove a governor for “cause” on grounds pertaining to their conduct in office, and that “for cause” did not “contemplate removing an individual purely for conduct that occurred before they began in office.” This battle, however, is far from over as the administration has said it will appeal, and the issue could go all the way to the Supreme Court.



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