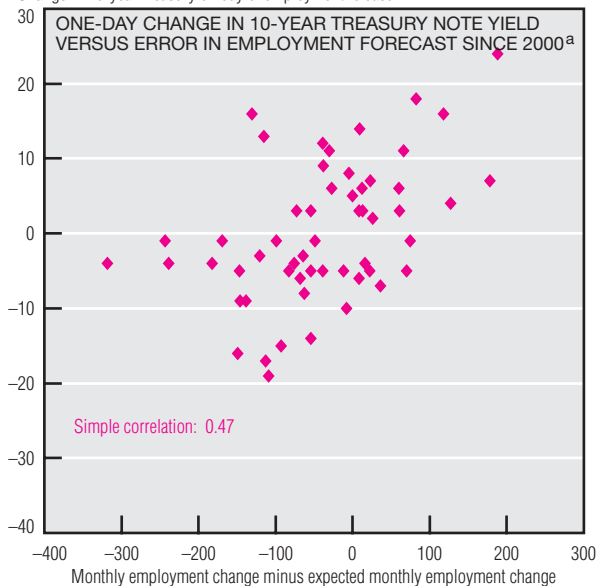
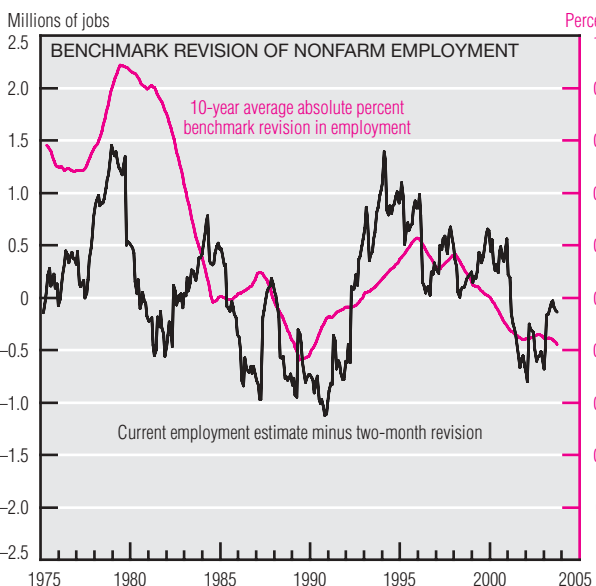
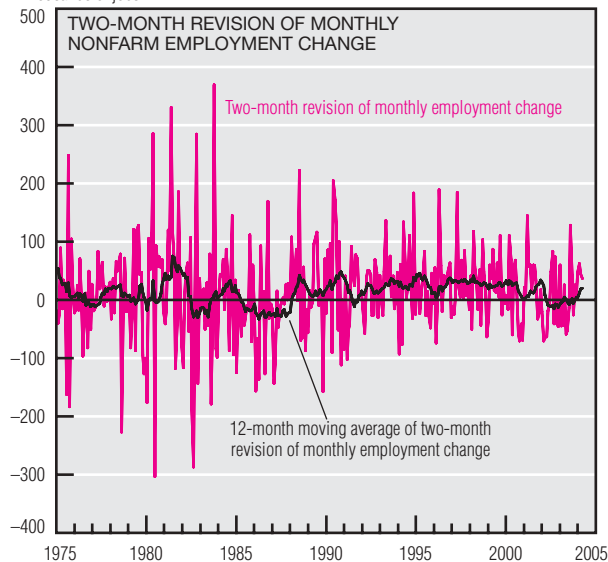


Revisions of Employment Data

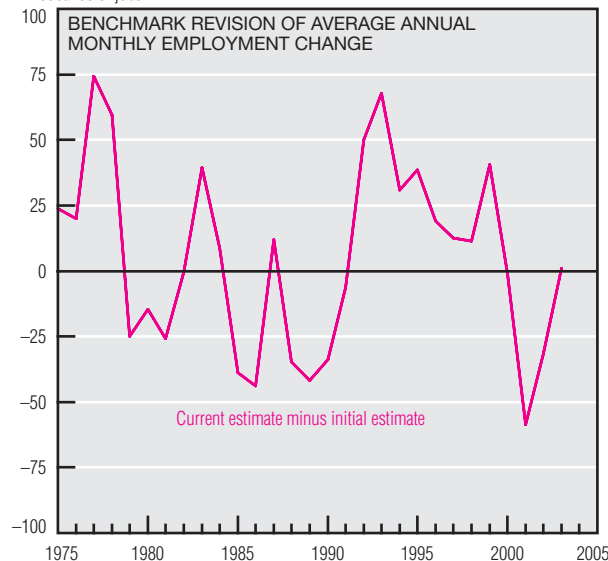
Change in 10-year Treasury on day of employment release



Thousands of jobs



Thousands of jobs



a. Expected change in employment as measured by the Bloomberg News median forecast.

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; Board of Governors of the Federal Reserve System; Federal Reserve Bank of Philadelphia, *Real-Time Data Set*; Alan Krueger, "Do Markets Respond More to More Reliable Labor Market Data? A Test of Market Rationality," Working Paper no. 367, Industrial Relations Section, Princeton University, January 2003; and Bloomberg Financial Information Services.

The Bureau of Labor Statistics' monthly employment report may be the most widely followed economic release. There is evidence that when its establishment survey reports an unanticipated change in nonfarm employment, it can affect long-term interest rates immediately. One research paper found that an unanticipated increase of 200,000 jobs for the most recent month is associated with an increase of 6 basis points in the 30-year Treasury rate, all else being equal. The scatter-plot above shows that unanticipated employment increases

for the most recent month are generally associated with rate increases in the 10-year Treasury note.

Observers often focus on the most recent employment figure, which is far from final. The June employment change that was reported this July will be revised in August and again in September as more returns from the establishment survey come in. During the 1990s, this two-month revision in employment growth was generally positive. Once a year, employment is revised further based on a count of all unemployment insurance tax records.

This corrects for sample error and includes jobs in new establishments that could only be estimated beforehand. This revision can be substantial but it declined in percentage terms over the 1980s and the second half of the 1990s as the sample size for the establishment survey steadily increased. During the 1990s boom, benchmark revisions showed consistently higher annual employment growth than had initially been estimated. Nevertheless, one recent study showed that these revisions do not have statistically significant effects on long-term interest rates.