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Nonfarm Employment – Regions Footprint: 2018 Benchmark Revisions

As is the case on the national level, the Bureau of Labor Statistics (BLS) publishes estimates of nonfarm employment on the state and metropolitan area levels, and these estimates are based on monthly surveys of businesses and government agencies. Each year, the BLS adjusts its sample estimates to universe counts of employment generated by Unemployment Insurance tax reports filed by virtually all private and public employers (the data cover employment, hours, and earnings). The revised estimates yielded by this process are typically referred to as the annual benchmark revisions, which for the national level data are released each February while the state level and metro area level data come later. In what follows, we summarize the results from the benchmark revisions to the 2018 data for the 15 states in the Regions footprint and also look at some of the notable revisions on the metro area level.

As was the case with the preliminary estimate of 2017 job growth, the benchmark revisions to the preliminary estimate of 2018 job growth were to the downside. The preliminary estimate showing nonfarm employment for the 15-state footprint as a whole rose by 1,209,200 jobs in 2018 was revised lower, with the revised data showing a net gain of 978,400 jobs. Some, well, Texas-sized downward revisions to the preliminary estimate of job growth in Texas help account for the sizeable markdown for the Regions footprint as a whole, but the reality is that, with the exception of South Carolina, the preliminary estimate of 2018 job growth was marked down in each state. Still, as the chart to the side shows, job growth did accelerate in 2018, and 2018 was a very good year for job growth across much of the Regions footprint, just not as good as was originally reported. Moreover, while the footprint accounts for roughly 39 percent of total nonfarm employment for the U.S. as a whole, the preliminary estimate of 2018 job growth for the U.S. was revised slightly higher in the benchmark revision process.



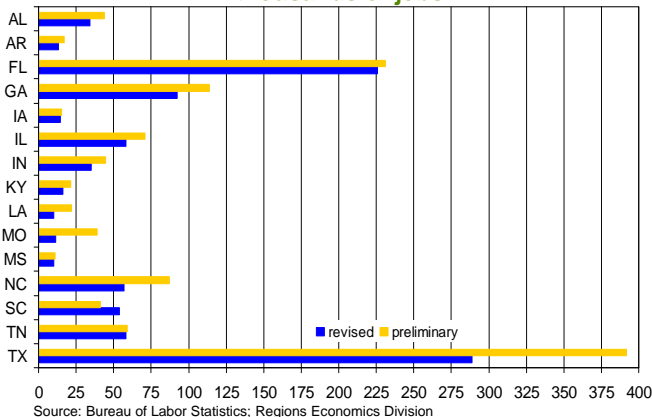
Annual Change In Total Nonfarm Employment



Source: Bureau of Labor Statistics; Regions Economics Division



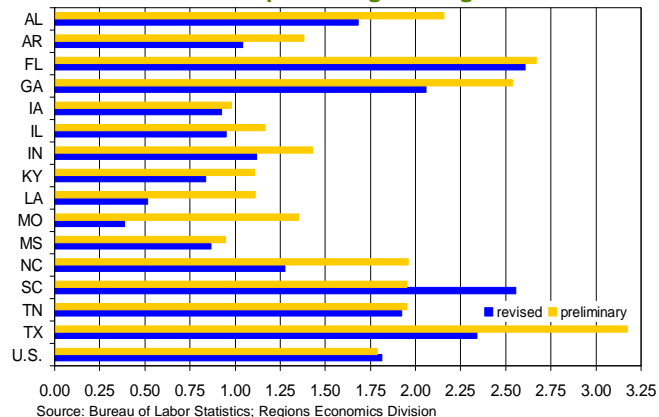
2018 Change In Nonfarm Payrolls



Source: Bureau of Labor Statistics; Regions Economics Division



Nonfarm Employment, Regions Footprint



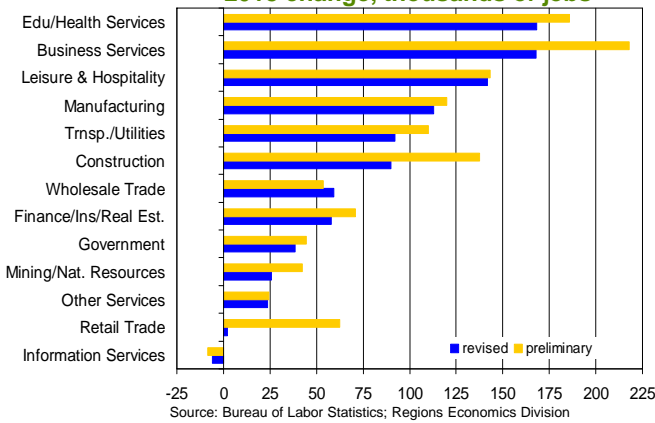
Source: Bureau of Labor Statistics; Regions Economics Division

The revised data show there were 230,800 fewer jobs added across the Regions footprint in 2018 than had originally been reported, which amounts to a 0.40 percent revision using average 2018 as the base. For comparison, the 2017 benchmark revision amounted to a 0.30 percent (downward) revision, both larger than what had been the typical revisions (on an absolute value basis) in prior years. In

In addition to Texas, Georgia, Louisiana, Missouri, and North Carolina saw sizeable downward revisions to the initial estimate of 2018 job growth. Not only was South Carolina the only state in the footprint for which the preliminary estimate of 2018 job growth was revised higher, but the revision was a sizeable one, amounting to 0.60 percent of average 2018 employment. As a point of reference, the upward revision to the preliminary estimate of 2018 job growth for the U.S. as a whole amounted to 0.03 percent of average 2018 employment.

The benchmark revisions did shake up the ordering of 2018 job growth across the individual states in the Regions footprint. Based on the preliminary data, Texas posted the fastest job growth in the footprint in 2018, followed by Florida and Georgia, but the revised data show Florida, with a 2.61 percent increase, posted the fastest job growth, with South Carolina jumping from sixth place in the preliminary data to second place in the revised data, with a 2.56 percent increase. Texas did hold the third spot, with the revised data showing nonfarm employment in the state rose by 2.34 percent in 2018. At the other end of the spectrum, the preliminary data showed that Mississippi ranked last in 2018 job growth but, as it turned out, that spot belongs to Missouri, with total nonfarm employment rising by just 0.39 percent in 2018. What was initially reported as a 1.11 percent increase in total nonfarm employment in Louisiana is now reported to be a 0.52 percent increase, the second smallest in the footprint.

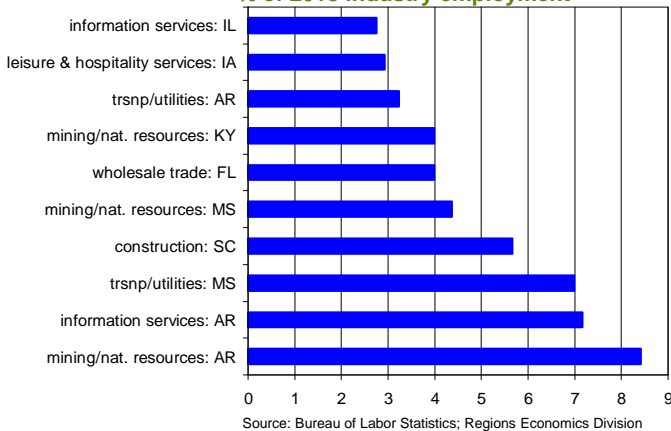
REGIONS
Nonfarm Employment, Regions Footprint
2018 change, thousands of jobs



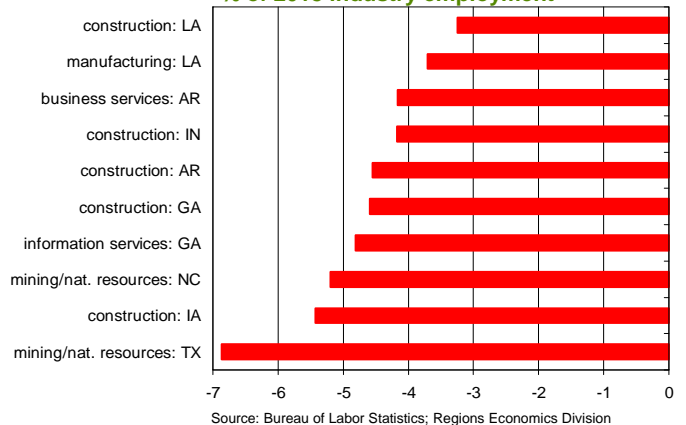
The chart to the side breaks down the benchmark revisions to show changes in employment by industry group for the Regions footprint as a whole. To the surprise of no one, retail trade saw the largest downward revision of any major industry group; the 62,300 job increase in retail trade payrolls in 2018 reported in the preliminary data is now reported to be a gain of just 2,300 jobs – again, that is the combined total for the 15-state footprint. The 1,000 job increase in retail trade payrolls in Texas was originally reported to be a 19,300 job increase, while Georgia and North Carolina also saw sizeable downward revisions of 10,500 jobs and 9,500 jobs, respectively, to the initial estimate of job growth in retail trade. The preliminary data showed construction payrolls rose by 137,500 jobs across the Regions footprint in 2018, but the revised data show a net increase of 89,800 jobs, or, 47,700 fewer jobs than originally reported. Over the course of 2018, we noted

on more than one occasion that reported job growth in retail trade seemed oddly strong and we did not expect it to survive the benchmark revisions, while reported job growth in construction seemed a bit at odds with the pace of residential construction activity.

REGIONS
Top Ten 2018 Upward Revisions By Industry, State
% of 2018 industry employment



REGIONS
“Top” Ten 2018 Downward Revisions By Industry, State
% of 2018 industry employment

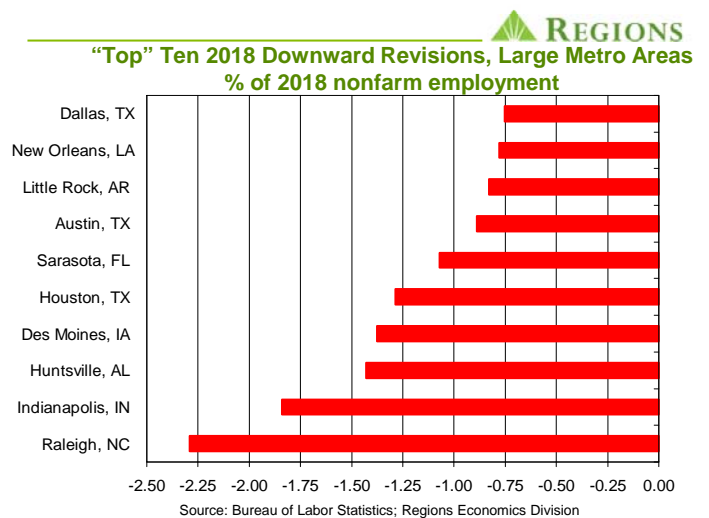
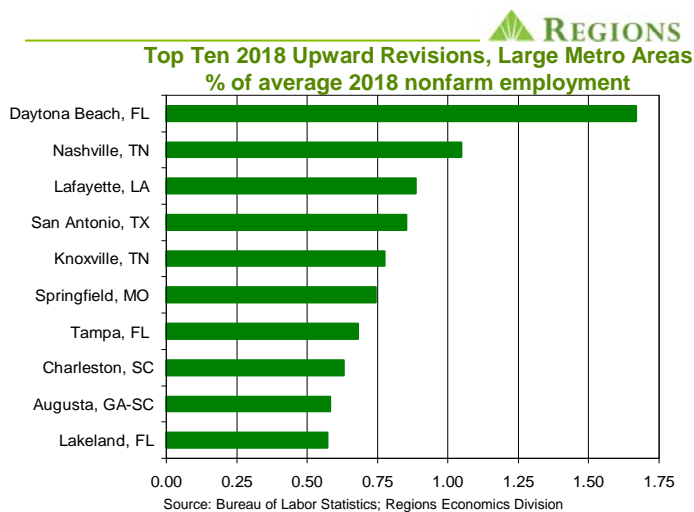


While the sizeable downward revisions to preliminary estimates of 2018 job growth in construction and retail trade were not surprising, we have to admit to being caught off guard by the sizeable downward revision to the preliminary estimate of 2018 job growth in business & professional services. What was reported as an increase of 218,000 jobs is now reported to be an increase of 167,900 jobs, or, 50,100 fewer jobs than had been originally reported, with 28,300 of the total downward revision coming out of Texas. The downward revision to transportation and utilities also stands out. We have argued that job losses in retail trade would be offset by job gains in transportation and distribution operations, and while this has indeed been the case, the benchmark revisions show this effect to have been a bit weaker

than suggested by the preliminary data. Though patterns for any particular industry group vary across states, it is interesting that wholesale trade is the only industrial group for which the aggregate revision across all 15 states was to the upside, and even then not by much, with a net upward revision of 5,700 jobs. Though net job gains were revised lower, education & health services and business & professional services were the two industry groups adding the most jobs across the Regions footprint in 2018, with leisure & hospitality services coming third – what stands out about this industry group is how small the benchmark revision was (down by a net 1,200 jobs) for the footprint as a whole.


The industry level data also help explain the nature of the benchmark revisions and why we often see large revisions to individual industries and/or geographies on the state and metro area levels. As noted earlier, each year’s preliminary estimates of job counts are benchmarked to the universe of payroll tax returns for the “reference month” which, in the case of the industry employment data, is March of the prior year. For instance, the monthly estimates we are getting during 2019 are benchmarked to the universe of payroll tax returns as of March 2018. In any given year, the further we get from the reference month the greater the room for sampling error as firms come into/go out of existence. The BLS does attempt to account for this by use of the “birth/death” model which, for the U.S. as a whole, tends to be only a modest source of error in its initial estimates. On the state or local level, however, there can be considerably more noise due to changes in the composition of firms, particularly when one or more industry groups is in the throes of a cyclical or structural change. As such, as the current estimates are pegged to the universe of firms as it existed in March 2018 it could be that there have been more significant changes in employment in industry groups such as retail trade and transportation/warehousing than are apparent in the monthly employment reports. This of course gives you reason to check back a year from now and read what will then be our latest summary of the benchmark revisions . . .

More generally, just as changes between initial estimates and benchmark revisions stemming from variances between the universe of firms and the sample pool will be more pronounced on the state level than on the national level, any such changes will be even more pronounced on the metro area level. For instance, the benchmark revisions to the preliminary 2018 employment data for the group of 103 in-footprint metro areas which we routinely track amounted to 0.31 percent of average 2018 employment. For comparison, the benchmark revision to the initial estimate of 2017 job growth amounted to 0.16 percent of average 2017 employment. While the preliminary data showed total nonfarm employment rose by a net 894,400 jobs across these 103 metro areas in 2018, the revised data show a gain of 761,700 jobs, or, 133,700 fewer jobs than initially estimated.



The charts above show those metro areas with the most significant revisions, upward and downward, to the preliminary estimates of 2018 job growth. Note that here we limit our sample pool to the larger metro areas, i.e., those with higher levels of employment, as in smaller markets it can take a revision as small as a couple hundred jobs to constitute a “large” revision when the revisions are measured against the average level of employment. The Daytona Beach metro area saw the largest upward revision to the preliminary estimate of 2018 job growth, equal to 1.67 percent of average 2018 employment, with the Nashville metro area second, with an upward revision amounting to 1.05 percent of average 2018 employment. Given the sizeable downward revision for Texas as a whole, it is interesting that the San Antonio metro area makes the list of metro areas with the largest upward revisions to the initial estimate of 2018 job growth, with the revision amounting to 0.85 percent of average 2018 employment. Note that Austin, Dallas, and Houston appear on the list of metro areas with the largest downward revisions. The Raleigh metro area saw the largest downward revision, amounting to 2.29 percent of average 2018 employment, followed by the Indianapolis metro area (1.84 percent of average 2018 employment).

Keep in mind, however, that a downward revision to the preliminary estimate and solid job growth in the revised data are not mutually exclusive. Despite seeing some of the largest downward revisions to the initial estimates of 2018 job growth, the Austin and Dallas metro areas still rank high on the list of metro areas with the fastest job growth in 2018. The revised data show the Gainesville, GA metro area posted the fastest 2018 job growth of our group of 103 metro areas, with total nonfarm rising by 4.19 percent. But, to illustrate our point about the often sizeable revisions to the preliminary data on the metro area level, of the 20 in-footprint metro areas which posted the most rapid job growth in 2018, fewer than half were on the same list based on the preliminary data. The same is true at the other end of the spectrum, with fewer than half of the 20 areas posting the slowest job growth (or, in some cases, the largest declines) in nonfarm employment in 2018 based on the revised data were on the same list based on the preliminary data.



Total Nonfarm Employment, Regions Metro Areas			
2018 Percentage Change			
Top Twenty		Bottom Twenty	
	% change		% change
Gainesville, GA	4.19	Texarkana, TX-AR	0.34
Decatur, AL	4.04	Gulfport, MS	0.32
Auburn-Opelika, AL	3.74	Jackson, MS	0.29
Dalton, GA	3.60	Johnson City, TN	0.25
Lakeland, FL	3.58	Shreveport, LA	0.22
Melbourne, FL	3.51	Fort Smith, AR-OK	0.18
Orlando, FL	3.39	Monroe, LA	0.13
Naples, FL	3.24	Columbia, MO	0.00
Charleston, SC	3.17	Cedar Rapids, IA	-0.07
Nashville, TN	3.17	Louisville, KY-IN	-0.10
Pensacola, FL	3.08	Terre Haute, IN	-0.28
Fort Walton Beach, FL	3.07	Champaign, IL	-0.36
Tuscaloosa, AL	3.04	Jefferson City, MO	-0.39
Cape Coral, FL	2.88	Montgomery, AL	-0.45
Valdosta, GA	2.71	Panama City, FL	-0.47
Dallas, TX	2.70	Kokomo, IN	-0.96
Huntsville, AL	2.61	Alexandria, LA	-1.13
Fort Worth, TX	2.59	Houma, LA	-1.62
Warner Robins, GA	2.54	Iowa City, IA	-1.76
Austin, TX	2.54	Bloomington, IL	-1.82

Source: Bureau of Labor Statistics; Regions Economics Division

This does help account for why we caution against drawing broad conclusions from changes in the metro area level data over any given time period. By nature, the reliability of the estimates for any data series, in this instance nonfarm employment, diminishes as one moves down geography levels, i.e., from the national level to the state level to the metro area level to the county level. This simply reflects the nature of how these estimates are produced as well as the reality that sample size becomes a more pressing issue the smaller the geographic unit. The benchmarked data, however, are more reliable given that they account for the entire pool of employers, not simply a sample that is augmented by modeling. The drawback, however, is that the benchmark data come but once a year, so in the interim the less reliable monthly estimates are what we have to go on.

This is by no means to say these monthly estimates are of no value, but instead that they must be taken in proper context and anyone using them should be mindful of the potential for significant revision. Our monthly updates track each of the 103 metro areas (available here: <http://lifeatregions/Finance/MonthlyEconomicReports.rf> or here: https://www.regions.com/about_regions/economic_update.rf) included in this analysis. After the discussion of what are often large revisions to the metro area data, however, it is clear that getting an accurate sense of how a given metro area is performing based on the initial estimates of the data is sometimes difficult, particularly with the smaller metro areas. This makes it more important to rely on the body of data for a given market, as opposed to only one or two “main” data series, in order to make any such assessments.