

## Powell Warns of Overstated Job Figures

BY MATT GROSSMAN AND HARRIET TORRY

Fed Chair Jerome Powell pointed on Wednesday to a job-market risk that economists have been worried about for months: Official statistics could be drastically overstating recent hiring.

Powell said Fed staffers believe that federal data could be overestimating job creation by up to 60,000 jobs a month. Given that figures published so far show the economy has added about 40,000 jobs a month since April, the real number could be something more like a loss of 20,000 jobs a month, Powell said. "We think there's an overstatement in these numbers," he said. Note

Published data already show the labor market has slowed significantly this year, down from rapid hiring after the Covid-19 pandemic. This means big data revisions can more easily reveal the economy is shedding jobs, not adding them. "It's a complicated, unusual, and difficult situation, where the labor market is also under pressure, where job creation may actually be negative," Powell said. Note

That concern provided some of the backing for the Fed's decision to cut interest rates at a third straight meeting, Powell said—despite a labor market that still looks healthy on the surface, with unemployment at a relatively modest 4.4% in September and a net gain of 119,000 jobs that month. Next week, the Labor Department will report fresh jobs numbers for October and November.

Powell's concern involves a quandary that the Labor Department faces when measuring hiring: how to judge the number of jobs added or destroyed when new businesses are created or close down. Those jobs can't be surveyed directly because it is difficult for the government to reach out to brand-new companies or companies no longer in business.

Instead, Labor's data arm, the Bureau of Labor Statistics, must use a statistical model to make a guess. In the past few years, that technique, called the birth-death model—referring to the births and deaths of businesses—has contributed to estimates that have overstated job creation by hundreds of thousands of jobs a year, forcing significant downward revisions later. Note

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