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Guest Feature: U.S. Data Quality - in the Line of Fire

"There are three kinds of lies: lies, damned lies and statistics."

– Oft repeated by Mark Twain but of unknown origin

The Through Line: For decades, the depth, breadth and quality of U.S. economic statistics have been applauded around the world. Data integrity is paramount because these numbers form the basis for a wide variety of undertakings – from compensation decisions to tax brackets. This week's guest contributors shed light on whether the statistics can still be trusted.

U.S. employment statistics take a header

July's U.S. employment report revealed large downward revisions to payrolls for the previous two months. May's growth was revised down by 125,000 to 19,000 and June's was reduced by 133,000 to 14,000. Moreover, July payrolls reported at just 73,000. When all was said and done, **the three month tally proved the weakest sum of new jobs since the first few months of the pandemic and, before then, since the labour market was still reeling from the Great Recession.** In one fell swoop, the narrative had gone from "slowing yet still sturdy" to "extremely weak." This eroded the administration's confidence in the head of the **Bureau of Labor Statistics (BLS)**, Dr. Erika McEntarfer. President Donald Trump promptly fired her and named Dr. E. J. Antoni to replace her, pending Senate approval.

Monthly employment data are based on the **Current Employment Statistics (CES)** survey, a.k.a. the establishment survey. The CES surveys roughly 631,000 establishments each month to produce granular estimates of nonfarm employment, hours worked and earnings of workers on payrolls. It forms the focal point of the monthly **Employment Situation** report issued by the BLS, alongside the **Current Population Survey (CPS)**, a.k.a. the household survey. The CPS is used to produce estimates of labour force status by demographic characteristics; the unemployment rate is the most-watched metric.

For market watchers and policymakers, it is the most anticipated release because it's the timeliest official U.S. macroeconomic indicator (it often precedes the CPI by at least one week). Historically, it has caused the most volatility in markets for that reason. Hence, any potential disruption to the current data offerings or erosion of trust in official employment numbers would have significant market ramifications. Accordingly, the previous heads of the BLS have maintained a strict nonpartisan ethos to avoid any suggestion that an administration was attempting to cook the books to make it look more favourable.

How is the data acquired?

Putting payroll data together involves revisions over the course of three consecutive months since the collection rates from the CES typically climb from around two-thirds of the sample to over 90%. When January's figures are released each year, CES data are revised again to align with employment levels captured in the **Quarterly Census of Employment and Wages (QCEW)**. It is put together from state and federal unemployment insurance data and covers more than 95% of U.S. jobs.

While recent revisions to the payroll data can be jarring, it's important to place them in the appropriate historical context. **Revisions to macroeconomic indicators are common and sometimes large. June's 133,000 revision was not outsized compared to the standard error on the month-over-month change in employment** from the CES. For any given month, it is about 83,000.

Two important factors contributed to the run of larger-than-expected downward revisions to payrolls over the past few years. First, more establishment survey responses have arrived late. In recent months, it's likely that businesses have had more pressing tasks (e.g., tariffs, trade policy, immigration issues) than filling out voluntary surveys in a timely fashion. Thus, when the second and third estimates arrive (based on more CES survey responses) the story can change markedly. The first payroll estimates were still awaiting a sizeable chunk of the data.

The second issue stems from the process that the BLS uses to estimate net additions to payrolls arising from new business formations. This is referred to as the net **business birth/death adjustment**. Each year, the BLS models how many new jobs it expects will be added based on the difference between entering and exiting businesses (new firms aren't directly captured in the CES). Recently, those adjustments have been exceeding the trend in establishments looking at the QCEW data. That makes further downward revisions more likely than in periods where the birth/death model was better aligned to the QCEW.

Data collection gets complicated

Even before the revisions to payrolls sparked so much controversy, concerns over BLS data, specifically the **Consumer Price Index**, had been brewing for months. The federal government's hiring freeze, which went into effect on January 20, 2025, created a shortage of CPI data collectors. Apart from normal attrition, it's unclear how many separations were also related to the efforts of the Department of Government Efficiency (DOGE). **To adjust for the labour constraints, the BLS began collecting less data in some local areas and no data in a few other areas. It also relied on less accurate imputation methods to fill in the missing data.**

When a specific price is not available, the price change is imputed via one of three methods. Home cell imputation employs the average price from other stores in the same area. When this is not available, different cell imputation employs the average price from other stores in a broader region. And when even this is not available, carry-forward imputation uses the same price as the previous month. Moving from a direct price quote and sequentially through the three methods, the accuracy of the data suffers. The BLS does not publish how many prices were imputed. But, since 2019, it has published the shares of the methods employed among all imputations. Typically, home cell is about 90%, different cell is 10%, and carry-forward is 0%.

Beginning with March's CPI data, the share of different cell imputation began to rise, hitting 15% (the previous high was 16% in April 2020 at the onset of the pandemic). It nearly doubled to 29% for April and hit 35% for June's data. It was 32% in July. The BLS has said that this shift should have "minimal impact on the overall inflation rate," although market participants are a little skeptical. It doesn't help that the consensus forecast for the monthly move in the core CPI has come up short in four of the last five periods, including by up to 0.2 percentage points for March and May.

Last month, Reuters conducted a survey of 100 leading policy experts, including Nobel Laureates, former policymakers, academics from top U.S. universities and economists from major banks, consultancies and think tanks. The survey showed that 41% were "very concerned" about the quality of data, and 48% were "slightly concerned." Some 71% felt U.S. authorities weren't treating the issue with sufficient urgency and 63% judged that agencies lack adequate resources to produce high-quality data.

Also stoking these concerns was the termination of the **Federal Economic Statistics Advisory Committee (FESAC)**, effective February 28, 2025. The FESAC had advised the Bureau of Economic Analysis (BEA), the Census Bureau and the BLS on "statistical methodology and other technical matters related to the collection, tabulation, and analysis of federal economic statistics." Even Fed Chair Jerome Powell has weighed in. During recent congressional testimony, Mr. Powell stated: "I wouldn't say that I'm concerned about the data today, although there has been a very mild degradation of the scope of the surveys... But I would say the direction of travel is something I'm concerned about." To that point, the response rates for several household and establishment surveys have fallen significantly since 2015.

Ways to improve the data

Many measures can be taken to alter the direction of travel and improve data quality. For statistical agencies, a quick fix would be to end their hiring freeze and expand their budgets. The adage that you get what you pay for can partly apply to data quality. In real terms, the BLS budget hasn't grown in over two decades despite immense growth in the labour market and consumer product landscape over the same period.

Another tack is to make survey responses mandatory. The Census Bureau's American Community Survey (ACS) and the decennial census are both mandatory at the federal level. The CES is not.

Employing more technology and big data are also ways to turn things around. For the CPI, the BLS is already using big data; "one firm" (name not published owing to confidentiality) provides the BLS "with a large volume of price data" on apparel and household goods, an alternative to in-house collectors gathering data via store visits. However, approximately two-thirds of the data are still collected by personal visits – about 100,000 price quotes collected per month on commodities and services. The BLS was already looking at expanding its alternative data (meaning anything not collected in person) such as corporate supplied data, secondary source data (third-party datasets), plus web scraping and establishment-provided Application Programming Interfaces (APIs). We reckon that these efforts have recently been given extra impetus.

Bottom line: Recent revisions aside, data from the BLS remain the gold standard for producing market-relevant macroeconomic data. Equipping the agency with the necessary tools and resources to continue producing high quality data should be a priority for current and future administrations.

In focus in North America

Jon Borchardt, Sr. Analyst

George Trapkov, CFA, VP and Portfolio Manager

This week

U.S. Federal Open Market Committee minutes show the majority find inflation as worrisome as job market status – According to Fed minutes from the July meeting, all but two FOMC members voted to maintain the federal funds rate at 4.25% to 4.50%. Participants noted that the impact of tariffs had become more apparent in recent data, and most believed that near-term inflation pressures continued to tilt to the upside. Though there was broad agreement that tariffs are influencing prices, there was considerable uncertainty about the timing, duration and magnitude of the effect. A few participants argued the tariff impact would be one-off in nature, whereas many expected the full effect to emerge gradually, leading to a more persistent inflationary trend. FOMC members continued to conclude headline labor market conditions are solid, yet an increasing undercurrent of indicators and anecdotes pointed to potential weakening. Participants acknowledged risks on both sides of the Federal Reserve's dual mandate (maintain price stability and support full employment). A majority judged that upside inflation risk remained the more pressing concern. Should the economy experience elevated and persistent inflation alongside a weakening labor market, participants emphasized that anchoring longer-term inflation expectations would take priority. Uncertainty remains a defining feature of the Fed's current outlook on inflation, labor markets, and the broader U.S. economy.

Small U.S. businesses facing difficult choices as tariff and trade policy bites – Port of Los Angeles Executive Director Gene Seroka told *Bloomberg News* that big-box retailers brought in large volumes of inventory ahead of the tariffs, and the drawdown of these lower-cost inventories has delayed the tariff cost pass-through many had expected. "But it will come," he warned. Mr. Seroka fears the biggest tariff casualties will be small and medium-sized businesses, which are dipping into savings to cover higher prices for goods and rising costs to clear cargo at the port; it's the importer who writes the tariff check once goods have landed. **The U.S. Chamber of Commerce warned in early August that the latest tariffs represent a \$200 billion annual tax on more than 236,000 small U.S. businesses.**

After an extended period of cost absorption, the Chamber reports that small manufacturers and wholesalers have begun to raise prices across the value chain – increases that are likely to reach consumers while businesses work to preserve margins. In a May post, the Chamber noted that even small increases in tariffs can have a profound impact on the bottom lines of small businesses, which already operate on tight margins. These added cost pressures may be one reason corporate bankruptcy filings reached a 25-year high in July, according to S&P Global, which identified uncertainty around tariff policy as one of several contributing economic stressors. **Small-to-medium-sized businesses account for nearly 50% of all U.S. private-sector jobs.** If they are unable to pass on rising tariff costs, labor markets could face pressure. If they do succeed in raising prices, the inflationary pressure could force the Fed to hold rates higher. Failure to do so may lead to job losses – an outcome that would argue for rate cuts. Either path presents a policy dilemma.

Tariff impacts on larger businesses and consumers still being sorted out – Four and a half months after the April "Liberation Day" tariff announcement, debate continues over how U.S. consumers may be impacted by higher trade barriers. Last week's Consumer Price Index (CPI) reading came in aligned with expectations, a data point that seemingly gave Federal Reserve officials the green light to cut rates in September. However, Thursday's Producer Price Index (PPI) report gave reason for pause, with both headline and core (ex-food and energy) prices rising 0.9% month over month. The increase was driven by a 1.1% rise in service-sector prices, which includes retailers. Within that, the retail trade margin rose 2%, suggesting that retailers are beginning to pass through higher costs. Though this figure can be volatile and small changes are often disregarded, this was the largest increase in the retail trade margin since March 2022. Because PPI data often lead CPI, the latest numbers suggest that tariff-related inflation risks may still be building.

Canadian inflation remains tame, but – Consumer prices rose by 0.3% in the month of July, which was in line with market expectations. That resulted in a year-over-year headline inflation rate decline to 1.7% from 1.9% in June. Underneath the surface, however, core inflation remained somewhat sticky since two of the Bank of Canada's preferred inflation gauges hovered closer to the 3.0% level for the fourth month in a row. Shelter is the ongoing main driver: both rent and mortgage-interest cost pressures remain elevated. Meanwhile, the trade war appears to be having an impact – durable goods prices were noticeably higher, vehicle prices in particular. BMO Economics believes the inflation data are probably not persuasive enough to spur action from the BoC, which has been reluctant to lower rates in the face of sticky inflation. We'll have one more month of data before the central bank makes its next policy decision.

Canada banks earnings – Canadian banks will start reporting earnings next week. BMO Capital Markets (BMO CM) expects earnings to be flattish year over year. Revenues for the group are expected to be up by high single digits. BMO CM anticipates higher credit provisions due to performing loan reserves; however, provisions should stabilize in Q3. Tariff uncertainty and a soft housing market may lead to slower loan growth in the quarter. Based on current BMO Economics forecasts relative to a quarter ago, the outlook for the Canadian economy is improving, which is supportive of the earnings outlooks and sentiment on Canadian banks' share price (banks are said to be plays on the economy).

Canadian housing continues to strengthen – July's existing home sales rose 3.8% in seasonally adjusted terms, a fourth consecutive month of improvement. Sales were also up a moderate 6.6% from year-ago levels. They are effectively back into the range – albeit the lower end – of what was normal before the pandemic. Although new listings were little changed in the month, they are still up 5.9% from a year ago. On a seasonally adjusted basis, the national benchmark price was flat in July, which left prices still down 3.4% from a year ago. The national benchmark remains more than 17% below peak early-2022 levels and the sideways grind continues. For the full housing report, [Click Here](#).

Next week

A relatively light data (and likely volume) week, though Friday has the Fed's key inflation measure, the PCE and a key consumer sentiment read in the U.S. Canada has GDP. Seems a tad harsh for a pre-holiday weekend period, so reaction (if there are surprises) could largely be pushed into the post-holiday session the following Tuesday.

- **Tuesday 8/26** – U.S. Durable goods orders, Consumer confidence, S&P Case-Shiller home price index
- **Wednesday 8/27** – Canada Wholesale sales
- **Thursday 8/28** – U.S. Weekly unemployment claims, GDP
- **Friday 8/29** – U.S. PCE reports, Trade balances, Retail and Wholesale Inventories, Consumer sentiment| Canada GDP, Budget balance

Data scorecard as of August 20, 2025

Equity Market Total Returns						
	8/20/2025 Level	WTD	YTD	2024	2023	2022
S&P 500	6,396	-0.8%	9.6%	25.0%	26.3%	-18.1%
NASDAQ	21,173	-2.1%	10.1%	29.6%	44.7%	-32.5%
DOW	44,938	0.0%	6.7%	15.0%	16.2%	-6.9%
Russell 2000	2,269	-0.7%	2.6%	11.5%	16.9%	-20.5%
S&P/TSX	27,879	-0.1%	14.7%	21.7%	11.8%	-5.8%
MSCI EAFE	9,997	0.1%	23.7%	3.8%	18.2%	-14.5%
MSCI EM	684	-1.0%	19.3%	7.5%	9.8%	-20.1%
Bond Market Total Returns						
		WTD	YTD	2024	2023	2022
Bloomberg U.S. Aggregate		0.2%	4.6%	1.3%	5.5%	-13.0%
Bloomberg U.S. Treasury		0.2%	4.1%	0.6%	4.1%	-12.5%
Bloomberg U.S. Corporate		0.1%	5.1%	2.1%	8.5%	-15.8%
Bloomberg U.S. High Yield		0.0%	5.6%	8.2%	13.4%	-11.2%
Bloomberg 1-10 Year Munis		0.0%	2.9%	0.9%	4.5%	-4.7%
Bloomberg Canada Aggregate		0.1%	0.4%	4.0%	6.5%	-11.3%
Bloomberg Canada Treasury		0.1%	0.0%	2.9%	5.0%	-9.9%
Bloomberg Canada Corporate		0.0%	2.2%	6.9%	8.2%	-9.5%
Government Bond Yields						
	8/20/2025	Last Month End	Last Quarter End	2024	2023	2022
U.S. 10-Year Treasury	4.29%	4.38%	4.23%	4.57%	3.88%	3.88%
Canada 10-Year Government	3.44%	3.46%	3.27%	3.23%	3.11%	3.30%
U.K. 10-Year Gilt	4.67%	4.57%	4.49%	4.56%	3.53%	3.66%
German 10-Year Bund	2.72%	2.69%	2.61%	2.36%	2.02%	2.57%
Japan 10-Year Government	1.60%	1.55%	1.43%	1.09%	0.61%	0.41%
Currencies & Real Assets						
	8/20/2025 Level	WTD	YTD	2024	2023	2022
USD Index	98.22	0.4%	-9.5%	7.1%	-2.1%	8.2%
CAD:USD	\$0.72	-0.4%	3.7%	-7.9%	2.3%	-6.7%
Bitcoin	\$114,387.01	-2.5%	22.1%	120.5%	157.0%	-64.3%
Gold	\$3,348.43	0.4%	27.6%	27.2%	13.1%	-0.3%
Oil (WTI)	\$63.21	0.7%	-11.9%	0.1%	-10.7%	6.7%

**Benchmark data does not reflect actual investment performance but reflects benchmark results of the underlying indices referenced. You cannot invest directly in an index. Index definitions can be found at the end of this publication.*

Index Definitions

Equity indices

S&P 500® Index is an index of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

Dow Jones Industrial Average ("DOW") is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

S&P/TSX Index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX).

MSCI EAFE Index (Developed Markets —Europe, Australasia, and Far East Index) is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International. The index captures large and mid-cap representation across 21 developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index is a market capitalization weighted index representative of the market structure of the emerging markets countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

Fixed income indices

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg U.S. Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

Bloomberg U.S. Corporate High Yield Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+ or below.

Bloomberg 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Bloomberg Capital Municipal Bond Index — an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Canada Aggregate Bond Index measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market. It includes treasuries, government-related, and corporate issuers.

Bloomberg Canada Aggregate Bond Index - Treasury is the treasury sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.

Bloomberg Canada Aggregate Bond Index - Corporate is the Corporate sub-component of the Bloomberg Canada Aggregate Bond Index, which measures the investment grade, Canadian dollar-denominated, fixed-rate, taxable bond market.



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