

ADP EMPLOYMENT STATS CAST LOW EXPECTATIONS SHADOW OVER FRIDAY'S LABOR DEPARTMENT REPORT



Data from a private survey reveal that, contrary to popular estimates companies in the U.S. added fewer workers last month indicating a weakening of the job market. To add to the, disappointment, the Commerce Department also reported a decline for manufactured goods in the month of March. Private employment increased marginally by 119,000, in April, its smallest gain in the last seven months. Coming on the heels of registering 201,000 payrolls in the preceding month, analysts fear that the government report to be released on Friday will bring more below par and disappointing news. Economists, surveyed by Bloomberg News had predicted that the payroll increase on an average would be 170,000. 37 economists' who were surveyed had projected growth between 100, 000 to 200,000. On hearing the news and owing to solemn predictions for the government data to follow, Stocks fell. Gus Faucher, a senior economist PNC Financial Services Group Inc. in Philadelphia said, "Some slowing of job growth was expected. As of now, the job market continues to expand, and we're getting close to a self-sustaining recovery where job growth supports wage gains." ADP's reports have always varied with the Labor Departments monthly reports and become a rather erratic and uncertain yardstick to gauge the health of the economy. In its last six reports, it overstated the gain by 6,000, but got it badly wrong in December, when it overestimated employment by 113,000. After a disappointing report in March, the April report is projected to show that employment has increased by approximately 160,000, 40,000 more than the increase in March. Economists say that that lukewarm report is to be expected. There is a natural lull in the economy during spring, after the warm winter weather, while the increased construction and manufacturing activity in January and February, reflected in the reports for those months. Dean Maki, US chief US economist for Barclays Capital said, "What we're seeing is more weather related volatility." Maki said that he thinks that the slowdown is a passing phenomenon, consistent for this time of the year and that there will be a more forceful pace in May and June. Despite the poor ADP report, Dean Maki says that he expects the Labor Department report to show that 150,000 jobs were added in April. David Sloan, an economist at 4Cast Inc. said, "Employment growth is slowing. But that's not necessarily a death sentence for the business cycle. The economy is growing at a fairly slow pace, though it's sustainable." If the ADP report is any indication it portends towards worse news this Friday. David Carter, chief investment officer at Lenox Advisors said, "This is an upsetting report. The strength of the U.S. economic rebound is clearly still uncertain. Hopefully we don't get a third consecutive summer of weaker growth."

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