

ADP Report NOT A Blockbuster

eResearch Corporation is pleased to provide an article by Scott Grannis for his Blog, "Calafia Beach Pundit".

In this article, Mr. Grannis assesses the ADP number, and cautions that the manufacturing sector is only about 1/10th the size of the services sector in the GDP.

The article is reproduced below, beginning on the next page, or you can go to this specific Blog at the following link: [ADP report not a blockbuster](#)

You can also visit Scott Grannis' Home Page for his Blog at the link below:
<http://scottgrannis.blogspot.ca/>



eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. We write on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals.

Bob Weir, CFA: Director of Research

Note: All of the comments, views, opinions, suggestions, recommendations, etc., contained in this Article, and which is distributed by eResearch Corporation, are strictly those of the Author and do not necessarily reflect those of eResearch Corporation.



Wednesday, April 5, 2017

ADP Report NOT A Blockbuster

Lots of hoopla today about the "blowout" ADP employment report. Yes, it greatly exceeded expectations (+263K vs +185K), but lost in the shuffle was the fact that the prior month's number (+298K), which was a true blockbuster, was revised down to +245K.

As the chart below shows, what we are left with is nothing out of the ordinary. The economy is still on a moderate growth path, but it is probably getting stronger bit by bit, thanks to a revival in the manufacturing sector.



<continued>

Calafia Beach Pundit



As the second chart below shows, there has been a burst of employment growth in the manufacturing sector in recent months. This is where the strength in the ADP comes from. It also corroborates other reports that show manufacturing is rebounding after sustaining an oil patch-related setback.

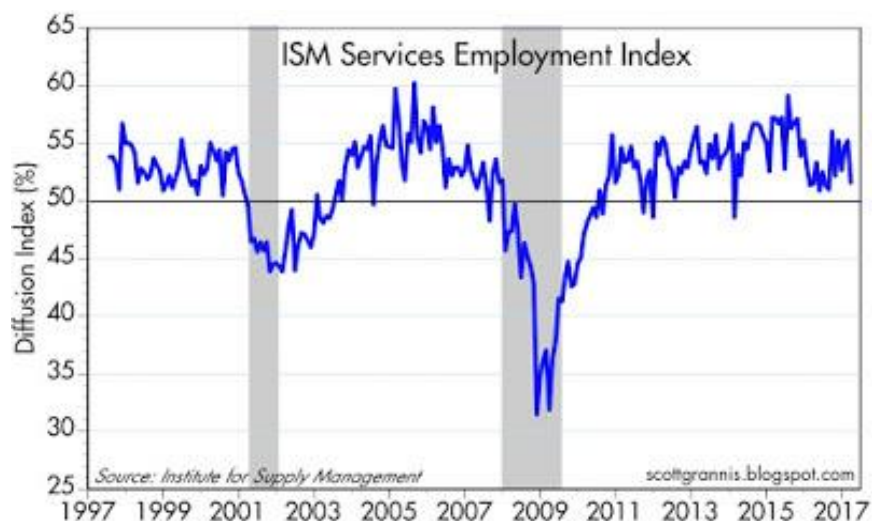


As the next chart shows, the service sector—which employs almost 10 times as many workers as the manufacturing sector—shows only modest improvement over the past year. It is too early to get excited about substantially stronger growth in the broad economy. There is excitement in manufacturing, but it is a very small piece of the GDP pie.





Service sector industries do not have particularly impressive hiring plans, see the next chart.



Nevertheless, it is still the case that the economic fundamentals have improved somewhat over the past year, particularly in the Eurozone, which had languished for a long time. See next chart.



In order to get really excited, we are going to have to see Trump pull off a significant reform of the U.S. tax code. I am still optimistic in that regard, but it is not going to happen soon.

BW: See ABOUT THE AUTHOR on the following page.



ABOUT THE AUTHOR



Scott Grannis was Chief Economist from 1979-2007 at Western Asset Management, a Pasadena-based, global manager of fixed-income portfolios for institutional clients.

He now enjoys keeping up on economics, markets, and politics from his condo overlooking Calafia Beach on the southern California coast, where he likes to think that he is immune to Wall Street group-think.

Married for 45 years to his Argentine wife, Norma, he has four children and five grandchildren (four boys and one girl).

He is a believer in supply-side economic theory, as practiced by his mentors, the late Jude Wanniski, Art Laffer, and Larry Kudlow. John Rutledge is another of his mentors, from the days that they worked together at Claremont Economics Institute.

#####