

Today's ADP Employment Report

eResearch Corporation is pleased to provide an article by Jill Misliniski of Advisor Perspectives.

Ms. Misliniski takes a close look at the ADP numbers.

The article is reproduced below, on the following page, but it also can be sourced at the following link:
<https://www.advisorperspectives.com/dshort/updates/2017/04/05/a-closer-look-at-this-morning-s-adp-employment-report>

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Bob Weir, CFA: Director of Research

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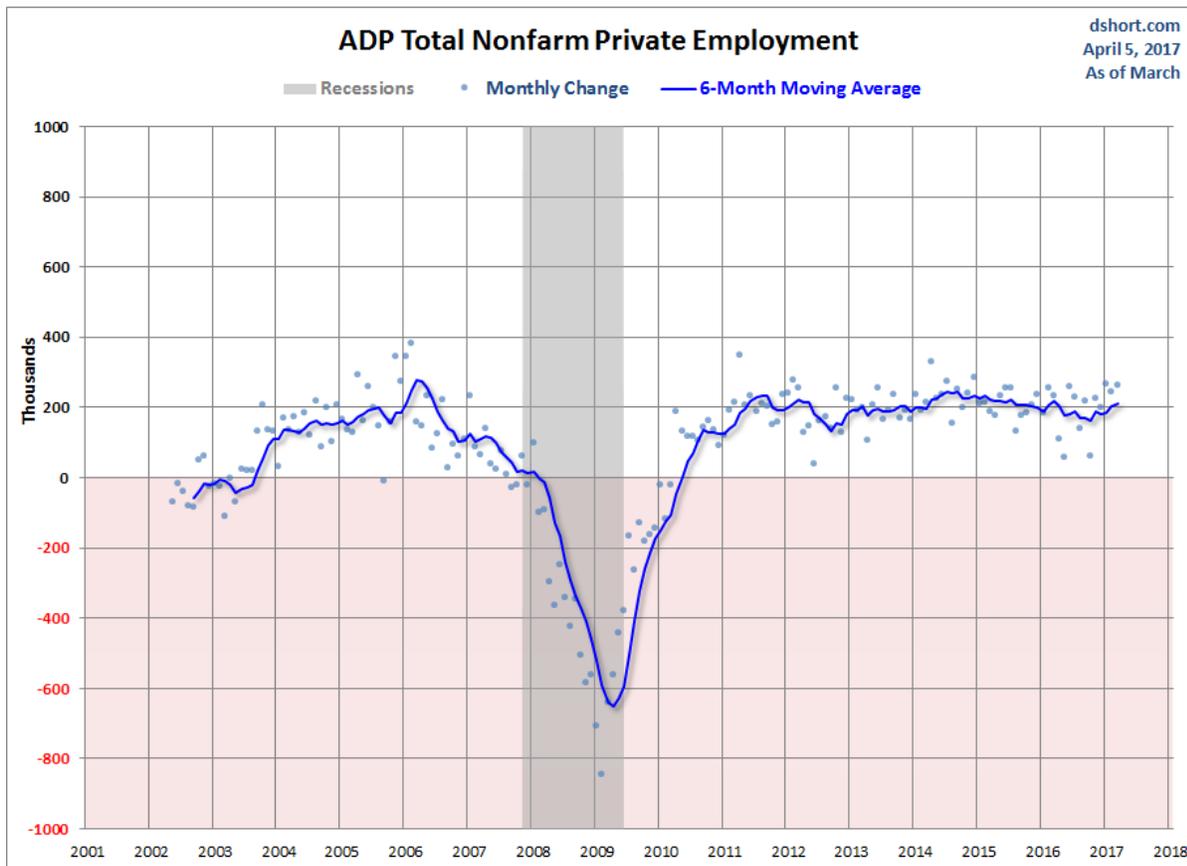
Today's ADP Employment Report

April 5, 2017

By: Jill Mislinski

In this morning's ADP employment report we got the March estimate of **263K** new non-farm private employment jobs from ADP, an increase over February's **245K**, which was a downward revision of 53K. The popular spin on this indicator is as a preview to the monthly jobs report from the Bureau of Labor Statistics. But the ADP report includes a wealth of information that is worth exploring in more detail.

Here is a snapshot of the monthly change in the ADP headline number since the company's earliest published data in April 2002. This is quite a volatile series, so we have plotted the monthly data points as dots along with a six-month moving average, which gives us a clearer sense of the trend.

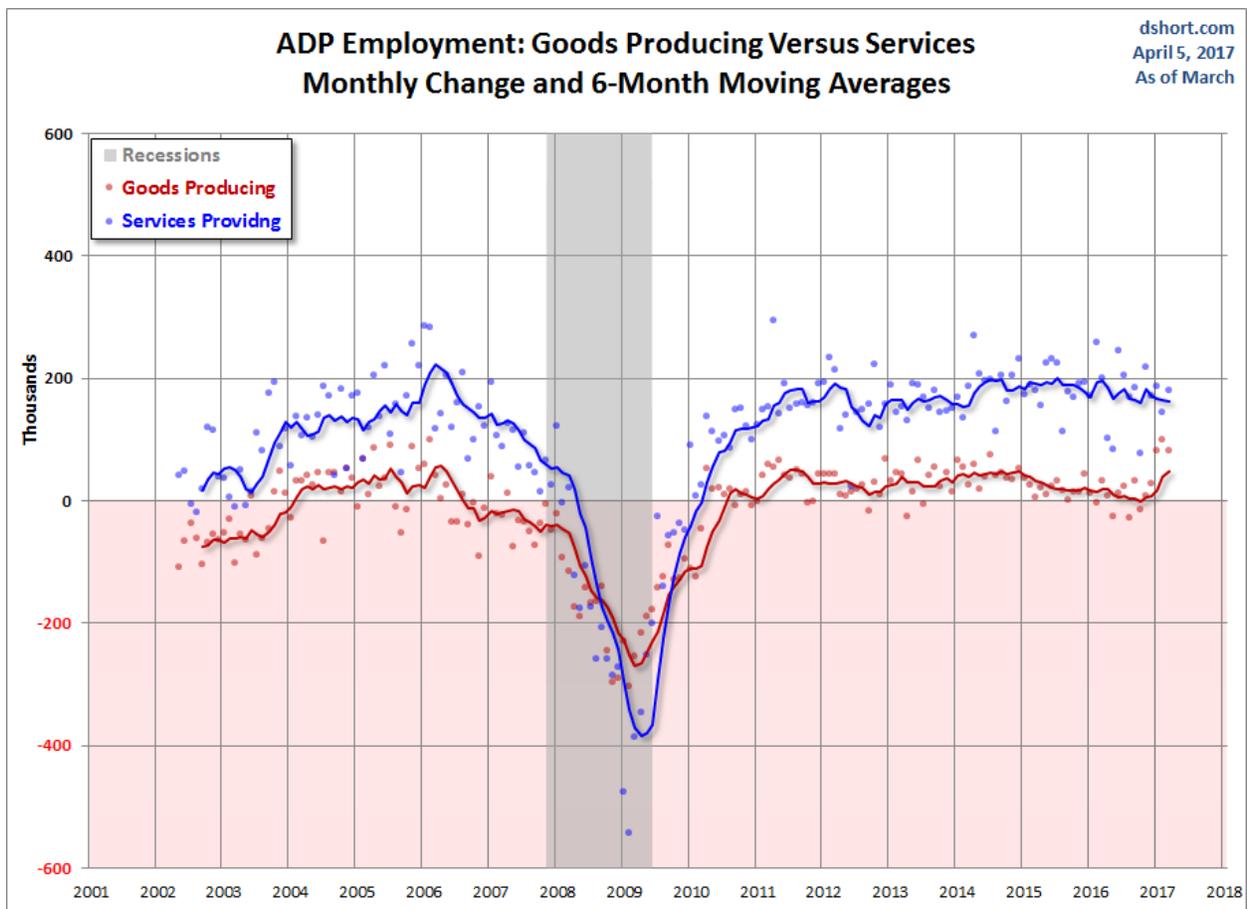


As we see in the chart above, the trend peaked 20 months before the last recession and went negative around the time that the NBER subsequently declared as the recession start.

At present, the six-month moving average has been hovering in a relatively narrow range around 200K new jobs since around the middle of 2011.

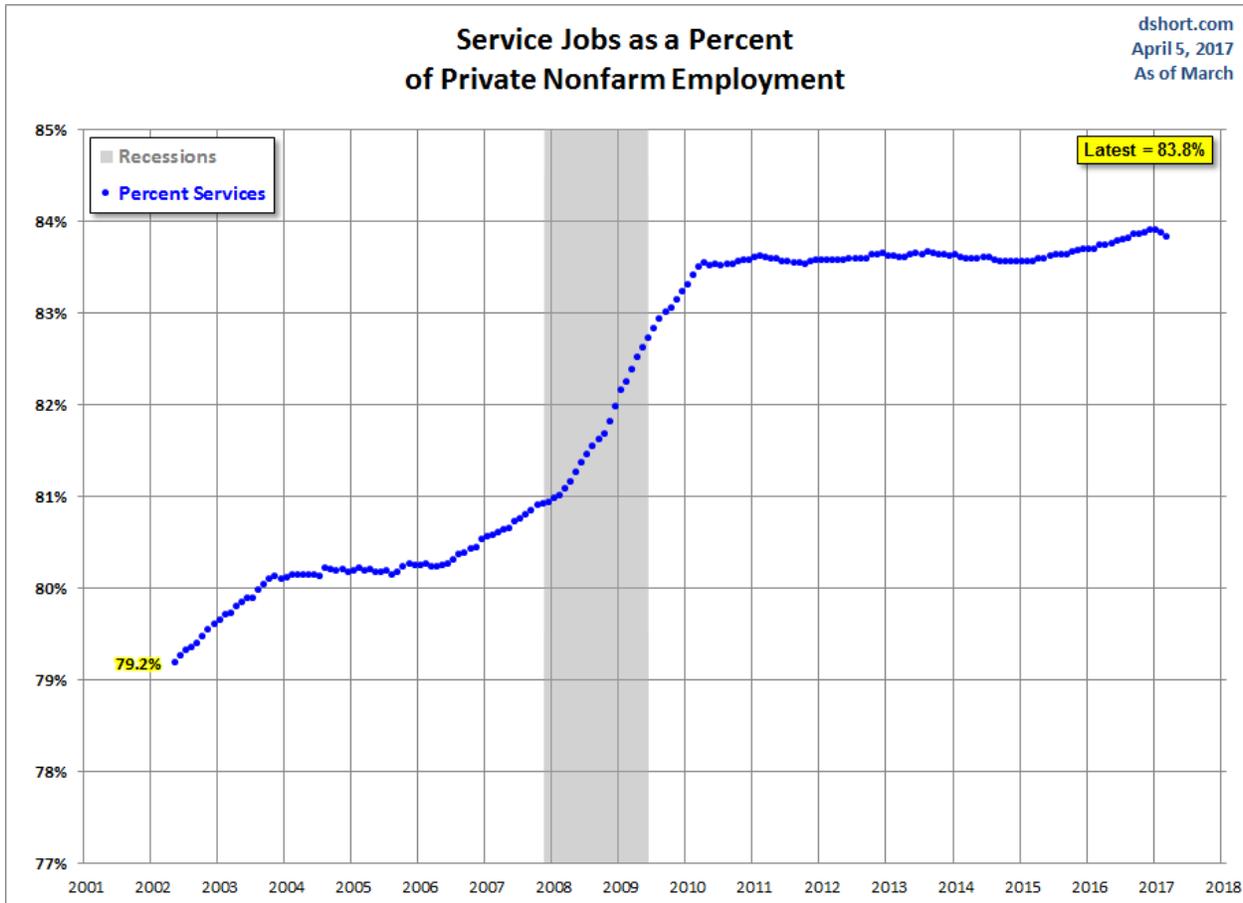
ADP also gives us a breakdown of Total Non-Farm Private Employment into two categories: Goods Producing and Services.

Here is the same chart style illustrating the two. The USA is predominantly a services economy, so it comes as no surprise that Services employment has shown stronger jobs growth. The trend in Goods Producing jobs went negative over a year before the last recession.



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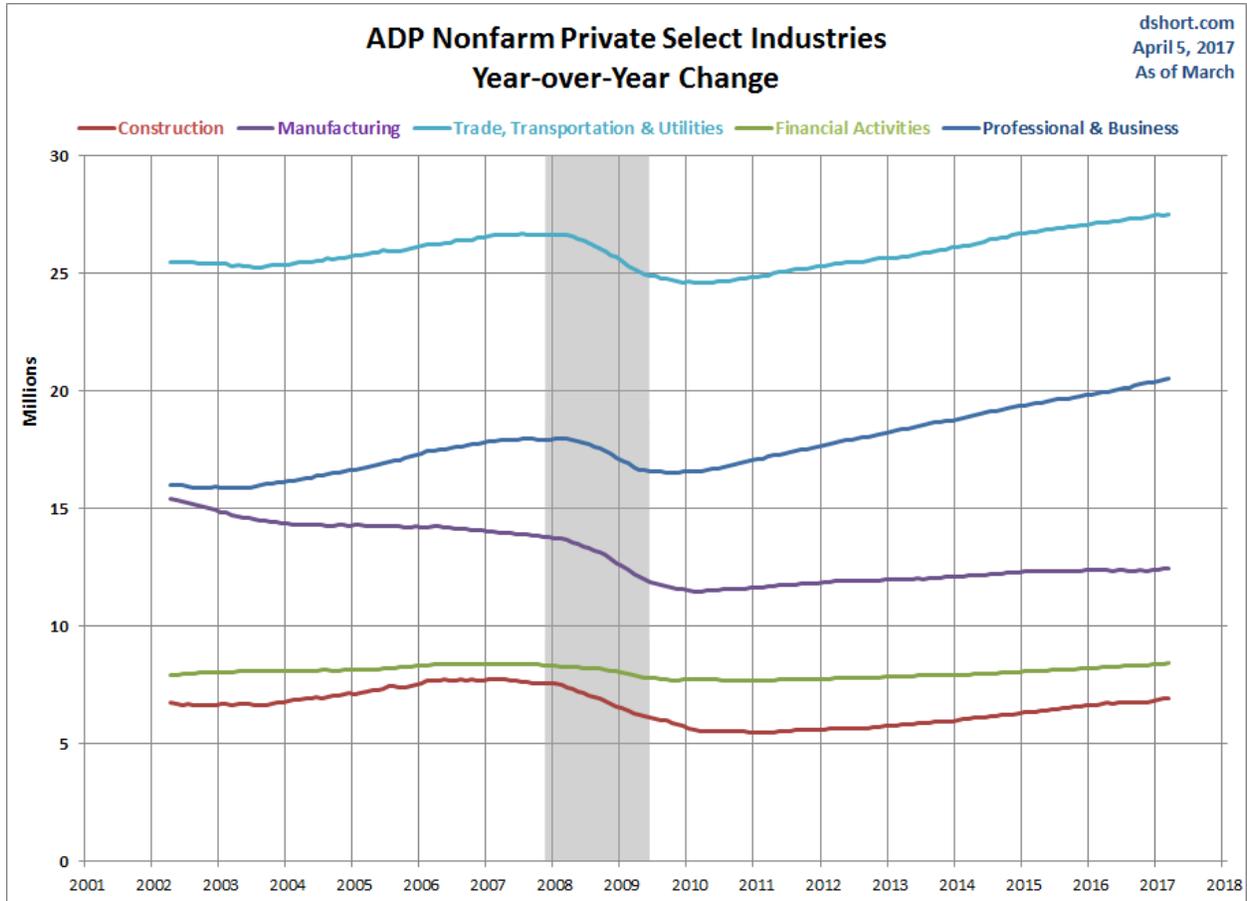
For a sense of the relative size of Services over Goods Producing employment, the next chart shows the percentage of Services Jobs across the entire series. The latest data point is just fractionally below the record high.



There are a number of factors behind this trend. In addition to our increasing dependence on Services, Goods Production employment continues to be impacted by automation and offshoring. The percentage in the chart above leveled off in late 2010 but began drifting higher in early 2015.

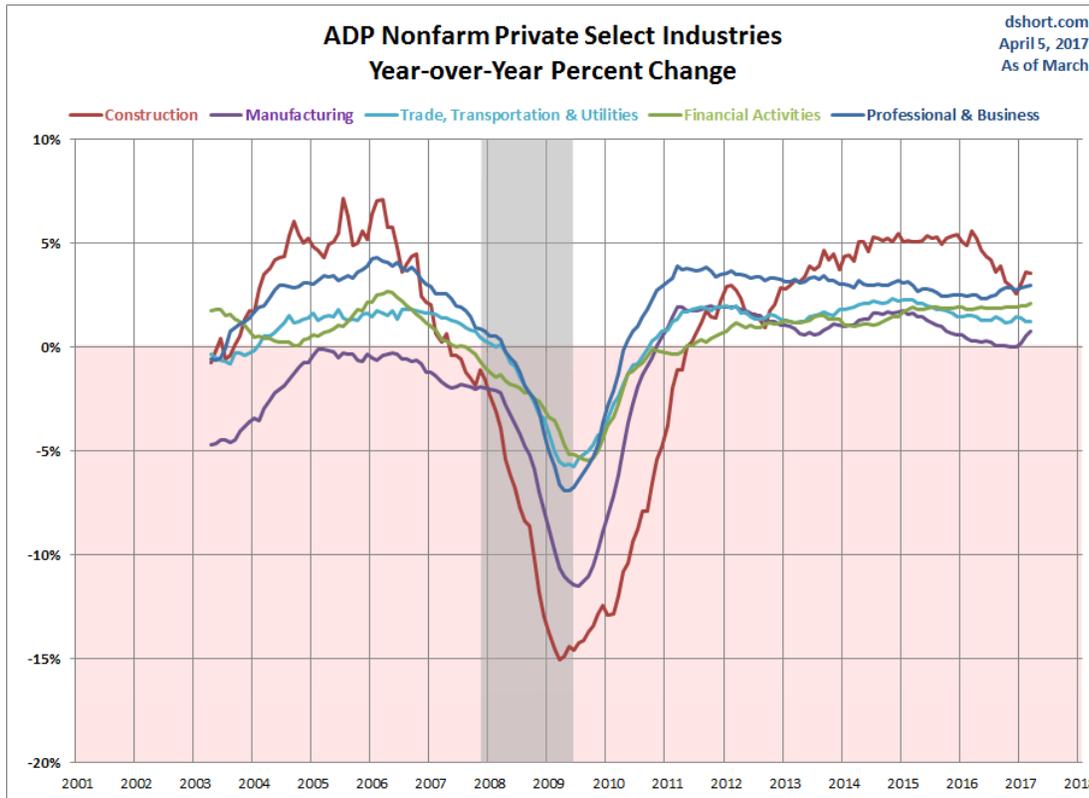
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For a better sense of the components of the two Goods Producing and Service Providing cohorts, here is a snapshot of the five select industries tracked by ADP. The two things to note here are the relative sizes of the industries and the relative trends. Note that Construction and Manufacturing are Production industries whereas the other three are Service Providing.



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Another view of the relative trends of the five select industries is an overlay of the year-over-year comparison.



For a longer-term perspective on the Goods Producing and Service Providing employment, see our periodic analysis, [Secular Trends in Employment: Goods Producing Versus Services Providing](#), which is based on data from the Department of Labor reaching back to 1939.

BW: Information on the Author is provided below.



Jill Mislinski works for Advisor Perspectives, a leading interactive publisher for Registered Investment Advisors, as Research Director. She analyzes economic and market data for the “dshort” portion of its website, concentrating on short-term and long-term trends. She is a CFA candidate.

BW: Information on Doug Short, dshort.com, and Advisor Perspectives is provided on the following pages.

ABOUT THE AUTHOR AND DSHORT.COM



My original dshort.com website was launched in February 2005 using a domain name based on my real name, Doug Short. I'm a first wave boomer with a Ph.D. in English from Duke and a lifelong interest in economics and finance. In 2011 my website was acquired by Advisor Perspectives.

My first career was a faculty position at North Carolina State University, where I achieved the rank of Full Professor in 1983. During the early '80s I got hooked on academic uses of microcomputers for research and instruction. In 1983, I co-directed the Sixth International Conference on Computers and the Humanities. An IBM executive who attended the conference made me a job offer I couldn't refuse.

Thus began my new career as a Higher Education Consultant for IBM — an ambassador for Information Technology to major universities around the country. After 12 years with Big Blue, I grew tired of the constant travel and left for a series of IT management positions in the Research Triangle area of North Carolina. I concluded my IT career managing the group responsible for email and research databases at GlaxoSmithKline. In mid-2006 economic analysis became my full-time occupation.

My interest in economics and financial planning was triggered by the bear market of 1973-74. My wife and I bought our first home in August 1973, a month after our second child was born. Two months later, the Oil Embargo tripled gas prices, and I began commuting to work on a bicycle. During the decade of stagflation, I became fascinated with economics, finance, and market behavior (my wife claims it's an addiction).

Charting financial data is something I've been doing for over thirty years. I was an early user of first-generation spreadsheet software (VisiCalc, SuperCalc, and Lotus 1-2-3), and I participated in the beta program for the original release of both Excel and Quicken.

I use the word "chart" for my visualizations of data rather than "graph", which has always struck me as a bit pretentious. I suppose my language preference was conditioned decades ago by the terminology used in spreadsheet software.

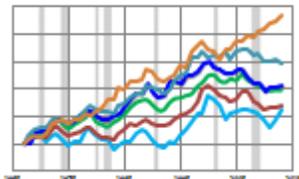
Contrary to what many visitors assume based on my last name, I'm not a bearish short seller. It's true that some of my content has occasionally been a bit pessimistic in recent years. But I believe this is a result of economic realities and not a personal bias. For the record, my efforts to educate others about bear markets date from November 2007, as this Motley Fool article attests.

Unless I've been coerced into a vacation to a remote location without Internet access, I'm usually at home in North Carolina watching the economy and markets on my handy Ultrabook or iPad.

Doug Short, Ph.D.
Advisor Perspectives

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