

## ADP Release (July) Indicates Labor Market Slowdown

Rohan Kumar\*

The ADP National Employment Report starkly contrasted DE and Consensus expectations. The release suggested **just a 167 K increase for Nonfarm Private Sector Employment in July (DE 1.379 M; Consensus 1.2 M).**

Nonfarm Private Employment took a severe hit in April, with a 19.4 M reduction, but then quickly rebounded by 7.7 M through May and June combined. **The stagnation in July indicates that the Coronavirus resurgence is significantly slowing the labor market recovery.**

### Data Details – Minimal Growth

- Employment in **Services rose by 166 K**, led by growth in the Professional and Business category. The Financial Activities and Information divisions both cut jobs.
- In the **Goods Sector, Employment grew by 1 K**. Manufacturing posted gains while Construction as well as Natural Resources and Mining contracted.
- For Midsized businesses, Employment fell 25 K. Meanwhile, Large and Small companies increased jobs by 129 K and 63 K, respectively.

### Perspectives – Labor Market Recovery Comes to Halt

The Employment Recovery was expected to lose pace in July, with Coronavirus outbreaks. That said, the ADP figures suggest that the Recovery slowed far more than anticipated.

This paints a **bleak picture for the economy** as a whole. It has been said time and again that the speed of the Recovery depends on controlling the Pandemic, and that link is being shown firsthand. Since the Pandemic is once again creating **uncertainty regarding future economic conditions**, businesses are showing **reluctance to expand Employment**.

**The Bureau of Labor Statistics (BLS) will release its Nonfarm Payroll figures this Friday (August 7).** Before the ADP release, forecasts already anticipated less substantial gains than in the past (DE 1.2 M; Consensus 1.5 M). Incorporating the ADP surprise, DE's model indicates that the BLS release could potentially show a drop as large as 1 M in Payroll Employment.