

## December ADP Jobs, UI Claims, Mortgage Apps, ISM-MF

### *Bright and Shiny ADP Jobs Report Contrasts with Other Gloomier Data*

- The ADP Employment Report for December showed an increase of 271,000 private sector jobs.
- Initial Claims for Unemployment Insurance gained 10,000, to hit 231,000 for the week ending Dec. 29.
- Total Mortgage Applications fell by 8.5 percent for the week ending December 28.
- The ISM Manufacturing Index for December fell to a still-positive 54.1.
- Construction Spending data for November was not released today due to the federal gov. shutdown.

The ADP Employment Report showed that a greater-than-expected 271,000 net new private sector jobs were added to the U.S. economy in December. The ADP numbers do not have to line up exactly with the official job count from the Bureau of Labor Statistics. The BLS data for December will be released tomorrow morning. The strong ADP job count lifts expectations for tomorrow's official data release. According to ADP, small businesses (less than 50 employees) added a strong 89,000 jobs in December. Medium sized businesses (50-499 employees), added a robust 129,000 net new jobs. Large businesses increased payrolls by 54,000. Results for December were positive across most sectors. The natural resources and mining sector shed 2,000 jobs, consistent with lower oil prices. Construction was strong, adding 37,000 jobs despite soft housing-related data. Manufacturing was solid, gaining 12,000 workers. Professional and business services added 66,000 net new jobs. Education and healthcare employment was up by 61,000. Leisure and hospitality gained 39,000. The ADP data can get squirrely in December. It is possible that year-end "purging" effects have inflated the ADP numbers. Some employers may keep former workers on their payrolls until year-end tax documents are filed.

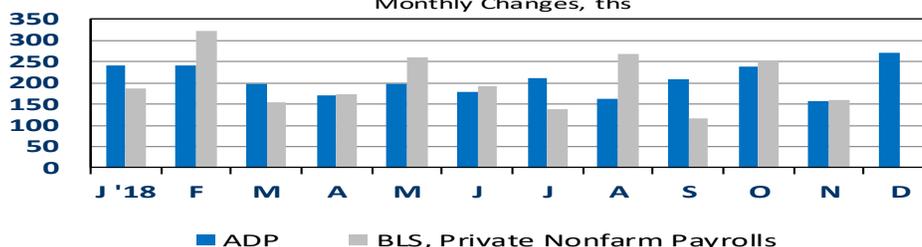
Other labor data released today was not as positive. Initial claims for unemployment insurance increased by 10,000 for the week ending December 29, to hit a still-low 231,000. It looks like the series is lifting after its September low. Continuing claims increased by 32,000 for the week ending December 22, to hit 1,740,000.

Mortgage applications fell at year end. This is non-seasonally adjusted data, so we expect to see mortgage apps tail off over the holidays. Purchase apps were down 7.6 percent for the week ending December 28, their third consecutive weekly decline. Refi apps fell 10.6 percent for the week, also the third consecutive decline. Year-over-year comparisons look better. On a four-week moving average basis, refi apps were down 32.5 percent from a year ago, purchase apps were essentially unchanged from a year ago. According to the Mortgage Bankers Association, the rate for a 30-year fixed-rate mortgage eased in late December to 4.84 percent, down 33 basis points from early November.

The ISM Manufacturing Index for December fell to a still-positive 54.1, down from November's 59.3. The new orders sub-index fell sharply, down from a strong 62.1 in November, to a barely positive 51.1 in December. Production eased from a strong 60.6 in November, to 54.3 in December. Eleven out of eighteen industries reported expansion in December. The six industries reporting contraction were printing, fabricated metals, nonmetallic minerals, petroleum, paper and plastics. Anecdotal comments were led by "Growth appears to have stopped". The report implies an inflection point for the manufacturing sector, not contracting overall, but clearly less positive than it was last summer.

**Market Reaction:** U.S. equity markets opened with losses. The yield on 10-Year T-bonds is down to 2.59 percent. NYMEX crude oil is up to \$46.55/barrel. Natural gas futures are down to \$2.79/mmbtu.

**December ADP Data Strongest for the Year**  
Monthly Changes, ths



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