

## May 2019 ADP Jobs, ISM Non-MF, Mortgage Apps

### Weak ADP Employment Report Lowers Expectations for May Payrolls

- The ADP Employment Report for May showed an increase of just 27,000 private sector jobs.
- The ISM Non-Manufacturing Index for May increased to a solid 56.9.
- Mortgage Applications increased at the end of May as refi activity picked up.

The ADP employment report for May, which monitors private-sector job creation, was much weaker than expected, showing a net gain of just 27,000 private-sector jobs. The disappointing report lowers expectations for the official Bureau of Labor Statistics employment report for May, due out Friday morning. The weak ADP numbers do not necessarily signal an imminent slowdown in the U.S. economy. Occasionally, the series will slump and then bounce back due to data collection, weather and/or other anomalies. So we will be looking for other signals in the economy that either corroborate or refute the weak ADP report. According to ADP, small businesses (less than 50 employees) gave up 52,000 jobs in May. This is the worst monthly performance for small businesses this side of the Great Recession. Medium-sized businesses (50-499 employees) also showed weaker-than-expected job creation, gaining just 11,000 employees on net. This is also the weakest monthly performance for medium-sized businesses since the end of the Great Recession. Large businesses put up solid numbers in May, gaining a net 68,000 workers. The construction industry was a big drag on the ADP numbers, giving up 36,000 jobs in May. Natural resources and mining lost 4,000 jobs. Manufacturing lost a net of 3,000 workers. Information services gave up 3,000 and other services dropped 9,000. Because of today's weak ADP report for May, we will lower our expectation for the BLS report to just 100,000 net new jobs in May. The ADP and BLS numbers are related but they are entirely different surveys, so they can diverge in any given month.

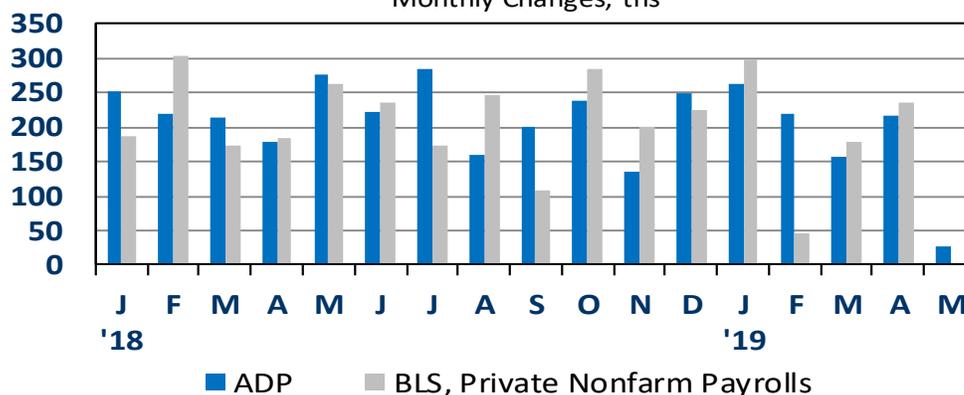
The ISM Non-Manufacturing Index for May does not corroborate the weak ADP employment report. In May, the ISM Non-Manufacturing Index increased from 55.5 to a solid 56.9, indicating moderate expansion for the bulk of the U.S. economy. The business activity, new orders and employment sub-indexes all improved and are all well above the break-even 50 mark. The only sub-index under 50 in May was supplier deliveries. Anecdotal comments were generally positive but did show broad concern about the impact of trade tariffs. Sixteen out of seventeen industries reported growth for the month. Only agriculture reported worsening conditions.

Total mortgage applications increased by 1.5 percent for the last week of May. According to the Mortgage Bankers Association, the rate for a 30-year fixed-rate mortgage fell to 4.23 percent. Refi apps gained 6.4 percent for the week. Despite the recent decline in mortgage rates, purchase apps fell by 2.4 percent, the fourth consecutive weekly decline. On a four-week moving average basis, refis are up 27.3 percent over a year ago. Purchase apps are up 4.9 percent over the last year.

**Market Reaction:** U.S. equity markets were mixed after the open. The yield on 10-Year T-bonds is down to 2.10 percent. NYMEX crude oil is down to \$51.59/barrel. Natural gas futures are down to \$2.39/mmbtu.

### ADP Slumped in May

Monthly Changes, ths



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