

June ADP Jobs, ISM Non-MFG Index, UI Claims, May Intl Trade

Job Growth Shifting Down from High Gear

- The June ADP Employment Report showed a moderate net gain of 158,000 private sector jobs.
- Initial Claims for Unemployment Insurance increased by 4,000 for the week ending July 1, to hit 248,000.
- The ISM Non-Manufacturing Index increased to a strong 57.4 in June.
- The U.S. International Trade Gap narrowed in May, to -\$46.5 billion.

The June ADP Employment Report was a little weaker than expected, showing a net gain of 158,000 private sector payroll jobs. We may not get much help from the government sector in tomorrow's official Bureau of Labor Statistics Employment Report. Since last October, the government sector has averaged a net loss of 1,500 payroll jobs per month. Normally, we see a gain of about 10,000 net new government sector jobs per month. According to ADP, small business job creation was weak in June, adding only 17,000 net new jobs. Medium-sized businesses (50-499 employees) added 91,000 jobs in June, while large companies added 50,000. Sector results were mixed. Natural resources/mining saw a new loss of 4,000 jobs. This coincides with a leveling out of the drilling rig count in June as oil prices eased. Construction employment was down 2,000 jobs in June. Manufacturing added 6,000 jobs despite slower auto production. Private service-providing businesses added 158,000 net new jobs, a little below the 181,000 jobs per month average since 2014. It looks like we are starting to see some evidence of a downshift in job growth beyond the idiosyncratic issues with government and goods-producing industries. Tomorrow morning we will see the official BLS employment numbers for June.

Initial claims for unemployment insurance increased by 4,000 for the week ending July 1, to hit 248,000, staying in the very low range where they have been since the first of the year. Even with a little less job growth, we are not seeing evidence of increasing layoffs. Continuing claims gained 11,000 for the week ending June 24, to hit 1,956,000, still a very low number.

The ISM Non-Manufacturing Index increased from a positive 56.9 in May, to a strong 57.4 in June. All 10 sub-indexes were above 50, indicating improving conditions. Sixteen out of seventeen industries reported growth in June. The only industry reporting contraction was Other Services. Anecdotal comments were generally positive. Labor shortages were reported in construction. Healthcare is struggling with uncertainties around federal healthcare policy.

The U.S. international trade gap narrowed by \$1.1 billion in May, to reach -\$46.5 billion. Exports increased by \$0.9 billion, while imports edged down by \$0.2 billion. The average inflation-adjusted balance of trade in goods for April and May was a little above the first quarter average. This suggests that trade may be a modest drag on Q2 GDP growth.

Market Reaction: U.S. equity prices opened with losses. The yield in 10-Year T-bonds is up to 2.38 percent. NYMEX crude oil is up to \$45.78/barrel. Natural gas futures are up to \$2.87/mmbtu.

ADP Shows Less Job Growth in June



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