

Datanote: US ADP Employment, April

In one line: Nothing to see here.

- ADP employment rose by 192K in April, slightly above the consensus, 183K.

We strongly recommend ignoring the ADP employment number. Since its methodology was revised in August 2022, the ADP model's average absolute error relative to the initial

private payrolls print has been 99K, with a range of -337K to +348K. Over the same period, a forecast based solely on assuming that last month's initial print is repeated has had a smaller average absolute error of 77K, and with a narrower range of -223K to +178K.

The ADP model had a good run of predictions in late 2023, but its performance this year has been woeful, under-predicting the first estimate of the official number by a

wide margin. Our Homebase model is sometimes wide of the mark too, but its suggestion that private payrolls rose by only 120K in April is corroborated by the weakness of the employment/hiring components of the NFIB and S&P Global PMI surveys. Accordingly, we continue to look for a run of subpar payrolls reports and a renewed deceleration in the core PCE deflator in Q2, enabling the Fed to begin to reduce interest rates sooner than the November date now priced in by investors.

- ADP new methodology as initially reported, thousands
- Private payrolls as initially reported

