Datanote: US ADP Employment, March

In one line: Inconclusive, as always

- ADP employment rose by 184K in March, above the consensus, 150K.

As usual, we recommend ignoring the ADP employment number. We say that even though the 184K estimate for last month is remarkably close to our own forecast, based on the Homebase data, for a 175K increase in private payrolls,

with a further 50K climb in government hiring taking headline growth to 225K. The ADP has simply had a poor track record in recent years and we'd never take it as evidence either for or against our estimate. Since the ADP model was revised in August 2022 its average absolute error relative to the initial private payrolls print has been just over 100K but with a range from -337K to +348K. The ADP had a short run of more accurate estimates late last year, but undershot private payrolls substantially in January and February.

We see no obvious reason to expect the ADP to be more accurate in March, or to think that a similar overshoot in private payrolls relative to the ADP number is especially likely. Admittedly, our model is also subject to large errors, but that is unavoidable when forecasting a series that is as volatile and subject to revisions as nonfarm payrolls.

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

X-axis labels: Aug, Oct, Dec, Feb, Apr, Jun, Aug, Oct, Dec, Feb, Apr

Y-axis values: 0, 50, 100, 150, 200, 250, 300, 350, 400, 450, 500, 550