

Datanote: ADP Employment Report, February

In one line: Nothing to see here

- ADP reports a 140K increase in private payrolls, marginally below the consensus, 150K.

We recommend entirely disregarding the ADP employment number, as always, given the model's very poor track record. The mean absolute error since the new methodology

was introduced in August 2022 is 100K, ranging between a maximum undershoot of 337K and an overshoot of 348K. The ADP model was quite accurate between October and December of last year, but that run ended with a huge 201K miss in January, and we see no clear reason to put any more trust in February's number. Our forecast—based on the Homebase small business employment data—is also subject to large and unavoidable margins of error. But, for what it's worth, we expect a modest

75K increase in private payrolls,
with overall payrolls rising by 125K,
boosted by continued rapid state and
local government hiring. January's first
official estimate for headline payrolls
was a huge and unsustainable 353K.

