March Jobs Forecast Remains Strong Despite ADP Report

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Economists aren't scaling back their predictions of sizable job growth in Friday's March unemployment report, despite a report Wednesday showing that the private sector unexpectedly lost jobs during the month.

ADP Employer Services said **the economy shed 23,000 non-government jobs during the month,** even though the firm had predicted job growth of 50,000.

The report traditionally serves as the precursor for the Labor Department's monthly nonfarm payroll reading, which is expected to show Friday that 200,000 jobs were added in March and the unemployment rate held steady at 9.7 percent.

"I take it with a huge grain of salt," Kurt Karl, chief US economist at Swiss Re in New York, said of the ADP numbers. "It's worth paying attention to, but I never change my numbers."

Indeed, ADP numbers, though more reliable in the past two months, on average undercount by 50,000 the government number, which takes into account public sector job-creation as well. ADP reported a loss of 24,000 jobs last month while the actual number was 36,000.

Even Joel Prakken, chairman of Macroeconomic Advisors, which compiles the report with ADP, **told CNBC the consensus of 200,000 was possible given the amount of variables that go into the government report**.

Markets, though, react to the report, and **stocks were flat to modestly lower** as investors braced for the possibility of more bad jobs news.

But Karl said he's sticking with his projection of positive jobs growth—the first since the financial crisis erupted a year and a half ago—even though his estimate of plus-125,000 is below consensus.

"It's clear that the current quarter will show positive GDP. That's three quarters of positive GDP. There's less anxiety about future demand. That should translate into positive job gains," he said. "We saw it in manufacturing and we expect to see it Friday in services."

Other economists were holding fast as well.

Nomura Securities in New York is above consensus, with a projection of 225,000, though its chief economist David Resler said in a research note that "the picture revealed by the latest data is undeniably disappointing."

But Friday's report from the Bureau of Labor Statistics will include perhaps 100,000 Census worker hires as well as a rebound from February's job losses due to inclement weather, he said.

"It could be the first meaningful increase that will be followed by many more in payroll employment. It will end the jobs rout," Resler said in an interview. "We think the headline is going to be magnified by Census hiring and we'll have to look beyond that. If beyond that we find that the employment trend has improved a lot more than I'm now thinking, that could indeed be a game changer."

The addition of the Census workers is one of several variables that investors will have to digest when evaluating the report.

While Thomson/Reuters has the consensus at 200,000, Briefing.com is looking for a gain of just 75,000 jobs.

Peter Cardillo, chief economist at Avalon Partners in New York, is an optimist about the economy but has the nonfarm payrolls figure at plus-135,000.

"Companies are flush with cash and they're lean and mean," Cardillo said. "Capital investment is above double-digit levels and that's a good sign that businesses are more and more convinced of the economy staying afloat. That should help jobs."

One reason for some pessimism is that the Census hires are only temporary and could in turn foretell a weak employment market in ensuing months.

"Census hiring will turn into job losses later in the year," Joel L. Naroff, chief economist at Naroff Economic Advisors, said in a research note. "State and local governments and school districts across the country are in desperate shape because the federal bailout is disappearing. They will likely be cutting jobs the second half of the year."

As for market impact, Wall Street isn't used to such a key report being released on a market holiday—Good Friday—so traders could look to brace for the report ahead of time, or be forced to react quickly should the number surprise either way.

"Traders and trader-types are going to be a little leery," said Ralph Fogel, investment strategist at Fogel Neale Partners in New York. "They're probably going to be lightening positions."

Fogel is one who was swayed by the ADP numbers and sees a possible negative jobs number coming Friday.

Even so, he thinks it may not trigger a violent reaction from a market that has been remarkably efficient at ignoring bad news.

"The market hasn't been listening," Fogel said. "It's the trend over time that matters. This one is not going to change the world."

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