BUSINESSES ADD 179,000 JOBS IN MAY

Hiring falls short of forecast; many remain bullish

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The high-flying job market may have drifted back to Earth last month.

The government's closely watched employment report, due Friday, could show a marked slowdown in job growth after a private survey on business hiring fell short of estimates.

Businesses added 179,000 jobs in May, payroll processor ADP said Wednesday, well below the median forecast of 210,000 in an Action Economics survey.

The ADP report is tracked as a possible harbinger of the Labor Department's employment survey, which compiles both private- and public-sector hiring totals. Both reports have shown average job gains topping 200,000 from February through March.

In April, Labor said job gains totaled 288,000, the most in more than two years, as the economy and job market emerged from a brutal winter.

While both the ADP and Labor Department surveys reflect similar broad trends, ADP has differed from Labor's tally of private-sector additions by an average of 36,000 in the past year, according to High Frequency Economics (HFE).

This time, however, several economists said ADP may accurately reflect a natural tempering after April's outsize gains, and not a fundamental slowing. "This would not be a disaster," Paul Dales of Capital Economics said in a research note. "The labor market remains strong, and the economy is still recovering" from the weather-tainted first quarter.

Several economists said they're sticking to their bullish forecasts for Friday's reports. Median projections call for about 220,000 job gains in May. UBS notes that a measure of service-sector employment out Wednesday showed a pickup in activity last month. Also, first-time jobless claims, a gauge of layoffs, have continued to fall to pre-recession levels.

In May, small businesses added 82,000 jobs; midsize ones, 61,000; and large companies, 37,000. Job gains slowed particularly among midsize companies with 50 to 999 employees, says Mark Zandi, chief economist of Moody's Analytics, which helps ADP compile the report.

The government said last week that the economy shrank in the first quarter for the first time in three years, as adverse weather, among other temporary factors, crimped activity. But measures of manufacturing output and business investment have rebounded in the second quarter.

In other economic news:

- Service firms grew at a healthy pace in May as the Institute for Supply Management says its service-sector index rose to 56.3 from 55.2 in April. Any reading above 50 indicates expansion.
- Productivity fell more sharply than previously estimated as the government said it dropped 3.2% in the first quarter.
- The U.S. trade deficit widened to its highest in almost two years in April as goods imports set a record.

SMALLER JOB GAINS

Change in business employment from previous month, in thousands:

2013	
May	163
June	216
July	188
Aug.	190
Sept.	215
Oct.	196
Nov.	245
Dec.	191
2014	
Jan.	121
Feb.	193
March	198
April	215
May	179

SOURCES ADP NATIONAL EMPLOYMENT REPORT, MOODY'S ANALYTICS, HAVER ANALYTICS