Strong job growth likely to perk up sluggish economy

Friday's Labor Dept. report expected to show gain of 200,000

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Several top analysts expect the government to report strong job growth Friday despite a disappointing private-sector survey, a development that would reinforce the belief the economy is poised to pick up after two weak quarters.

Payroll processor ADP said Wednesday that businesses added 156,000 jobs in April, well below the 195,000 economists expected and a possible red flag that the sluggish economy is dragging down the labor market.

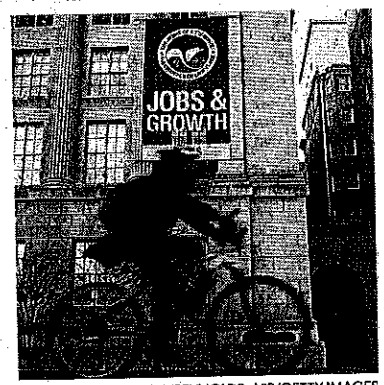
But economists project the Labor Department's survey of the public and private sectors, due out Friday, will record 200,000 job gains for last month, according to the median estimate of those surveyed by Bloomberg. ADP's tally has often varied significantly from Labor's.

High Frequency Economics, Barclays Capital and JPMorgan Chase expect Labor to announce job gains of 240,000 to 250,000 Friday, above the 209,000 monthly average so far this year. They largely point to initial jobless claims, a reliable gauge of layoffs, that continue to hover near 42-year lows. And the Institute for Supply Management said Wednesday that its measure of service-sector employment reflected more hiring last month.

The labor market has held up well, defying weak economic growth of 1.4% at an annual rate in the fourth quarter of 2015 and a meager 0.6% in this year's first quarter. A listless global economy, strong dollar and low oil prices have hampered U.S. exports and business investment.

Barclays economist Jesse Hurwitz believes a recent drop in consumption is temporary, citing soft heating demand because of an unseasonably warm winter and a pullback in auto sales.

A report Friday of at least 200,000 or so payroll gains likely would dispel concerns of a weakening economy, High Frequency economist Jim O'Sullivan says. At the same time, he says, a disappointing tally "is going to be viewed as evidence the (job growth) trend is slowing."



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The labor market has held up remarkably well, defying weak economic growth.