

# THE BOND BUYER

## **Data comes in strong despite virus fears**

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Economic activity and job growth were strong in February, according to data released on Wednesday, but the threat posed by the COVID-19 virus remains a future danger to the economy's well-being.

Employment numbers came in stronger than expected. Private sector employment increased by 183,000 jobs, according to the February ADP National Employment Report.

Economists polled by IFR Markers had expected 170,000 new jobs in February.

"The labor market remains firm, as private-sector payrolls continued to expand in February," said Ahu Yildirmaz, vice president of the ADP Research Institute. "Job creation remained heavily concentrated in large companies, which continue to be the strongest performer."

February's number was down from the 209,000 jobs reported in January.

The report, produced by the ADP Research Institute with Moody's Analytics, is derived from actual payroll data and measures the change in total non-farm private employment each month on a seasonally adjusted basis.



*Mark Zandi, chief economist of Moody's Analytics. Bloomberg News*

"COVID-19 will need to break through the job market firewall if it is to do significant damage to the economy," said Mark Zandi, chief economist of Moody's Analytics. "The firewall has some cracks, but judging by the February employment gain it should be strong enough to weather most scenarios."

Economic activity in the U.S. non-manufacturing sector grew for the 121st month in a row, according to the Institute for Supply Management's February non-manufacturing business survey.

"The NMI registered 57.3%, which is 1.8 percentage points higher than the January reading of 55.5%. This represents continued growth in the non-manufacturing sector, at a faster rate," said Anthony Nieves, chair of the ISM's non-manufacturing business survey committee.

Economists surveyed by IFR Markets had expected a reading of 55.0% for February.

The non-manufacturing business activity index fell to 57.8%, from 60.9% in January, reflecting growth for the 127th straight month. The new orders index rose to 63.1%, up from 56.2% in January. The employment index rose to 55.6% from 53.1% in January.

The prices index reading of 50.8 fell 4.7 percentage points from 55.5% in January, indicating that prices increased in February for the 33rd straight month. Sixteen non-manufacturing industries reported growth, according to the survey.

However, the positive numbers for last month were overshadowed by the growing worry that many executives expressed regarding the evolving situation around the spread of COVID-19.

“Most respondents are concerned about the coronavirus and its supply chain impact. They also continue to have difficulty with labor resources. They do remain positive about business conditions and the overall economy,” Nieves said.

Comments included in the survey from different sectors by the nation’s purchasing and supply executives included: “[The] coronavirus has increased lead times for the critical items.” (construction); “Because of the coronavirus, we are looking at major back-orders in masks, gloves, and PPE [personal protection equipment]. A lot of the masks are manufactured in China, so not only are we facing a shortage because of the virus, there is a drastic shortage because the masks are manufactured where the virus originated.” (healthcare); “The business outlook remains positive, but foggy due to the Chinese coronavirus outbreak. The mining industry is well dependent on Chinese consumption. On the other side, it is difficult to [make] sourcing decisions, since it is not clear how long China will need to return to normal production capacity, and if it is worth it to pay more from other countries.” (mining).

Separately, the Federal Reserve said that economic activity expanded at a modest to moderate rate in the United States over the past several weeks.

Most Federal Reserve districts said in the “Beige Book” report that activity increased as the St. Louis and Kansas City districts reported no change.

“Overall, growth in tourism was flat to modest,” the Fed said. “There were indications that the coronavirus was negatively impacting travel and tourism in the U.S. Manufacturing activity expanded in most parts of the country; however, some supply chain delays were reported as a result of the coronavirus and several Districts said that producers feared further disruptions in the coming weeks. Transportation activity was generally flat to up slightly aside from some Mid-Atlantic ports that saw strong volume growth.”

Outlooks for the near term were mostly for modest growth with the coronavirus and the upcoming presidential election cited as potential risks.