

# Global employment

## Job losses ease towards year-end, raising hopes for sustainable recovery

Global PMI data suggest that job losses eased sharply late last year, providing reassuring news regarding the economic outlook. So far, the global recovery has been driven to a large extent by the manufacturing inventory cycle, which has provided a short-term surge in growth as companies rebuild their stock levels. A necessary precursor to the recovery becoming more sustainable is an improvement in labour market conditions, especially in the developed world. Higher employment not only boosts incomes and consumer spending, but also indicates a revival of corporate investment.

### Employment falls at slower rate

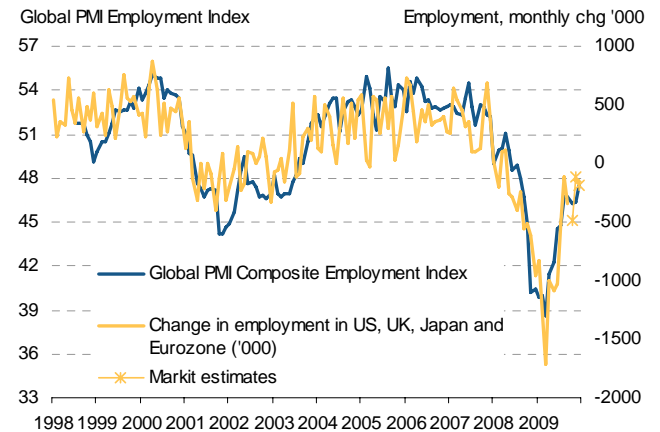
The Global PMI's Employment Index, compiled by Markit on behalf of JPMorgan, remained below 50.0 in December, signalling a further reduction in private sector employment. A rise in emerging market employment during the month was more than offset by a further net loss of jobs in the developed world. However, the rate of decline eased, and the overall drop in staffing levels signalled by the Global PMI was the slowest since August 2008.

In sharp contrast to the trend seen over the previous decade, manufacturing outperformed services in terms of employment late last year. World-wide manufacturing employment even returned to growth (albeit with only a marginal increase) in December, rising for the first time since March 2008, whereas service sector jobs continued to decline.

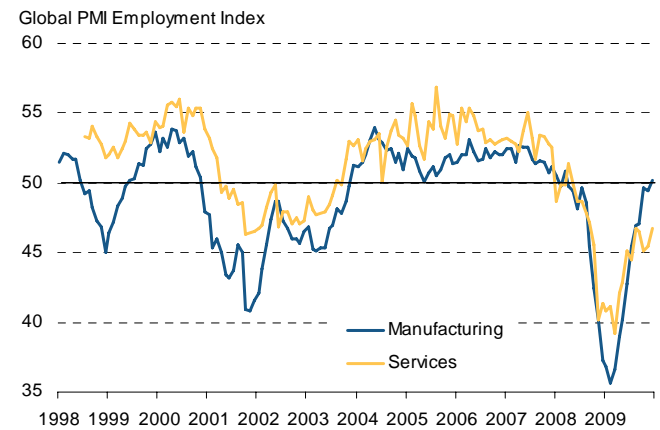
Comparisons of the PMI against actual employment data suggest that the total number of jobs lost in the final month of last year in the US, the UK, Japan and the Eurozone eased to approximately 200k. This compares with a peak of 1.7m in March of last year.

Official data on employment tend to be highly volatile, making national comparisons with PMI indices difficult. In the US, where official data are the most timely (but also subject to substantial revision), a 4k rise in non-farm payrolls in November marked the first increase in employment since 2007, but 85k jobs were then lost in

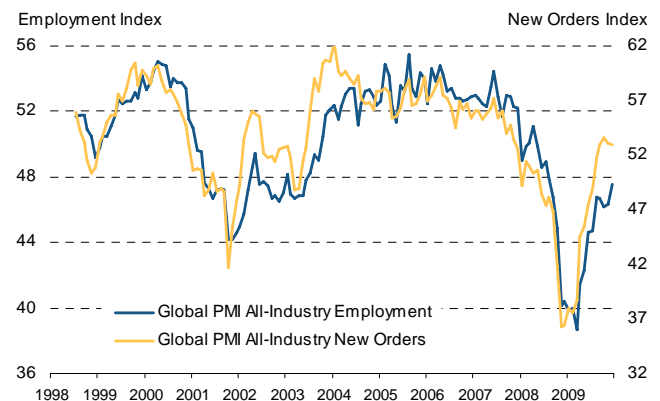
**Chart 1: US, UK, Eurozone and Japan employment**



**Chart 2: Manufacturing and services employment**

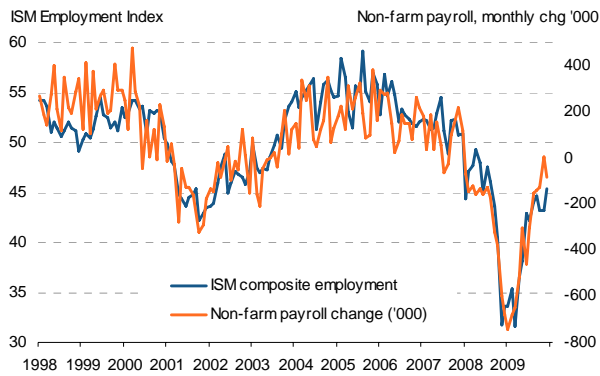


**Chart 3: Global employment and order books**

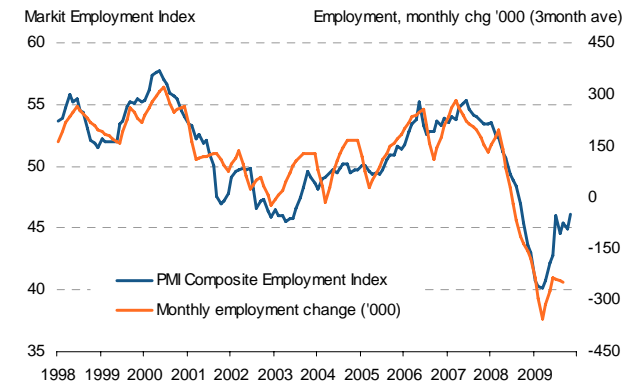


Sources: Markit, ISM, Ecwin.

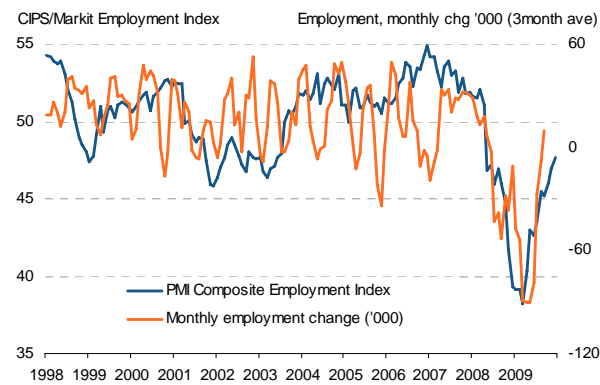
**Chart 4: US employment**



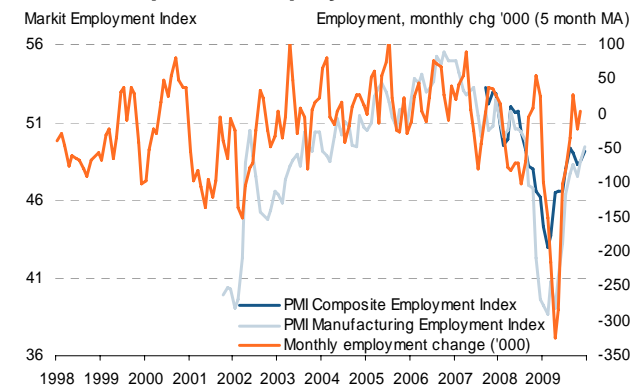
**Chart 5: Eurozone employment**



**Chart 6: UK employment**



**Chart 7: Japanese employment**



December. The (ISM) PMI data are roughly consistent with US payrolls numbers falling by around 100k per month towards the end of last year – still a huge improvement on the c.700k jobs that were being lost on average each month in late-2008/early-2009. The composite PMI index of ISM manufacturing and services (non-manufacturing) employment remained well below the no-change mark of 50.0 in December but nevertheless rose to a 16-month high.

A similar situation is evident in the UK, where a surprise increase in official employment in July and only modest declines in August and September tally with an upbeat trend in the PMI. The latter signalled the weakest rate of decline for 20 months in December to suggest a near-stabilisation of the job market.

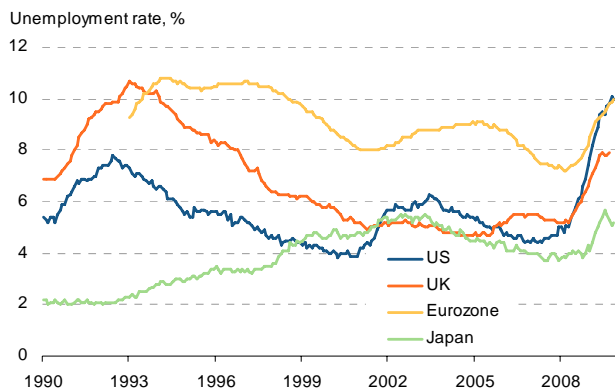
In the Eurozone, the composite PMI Employment Index struck a 14-month peak in December to suggest that the rate of job losses will have eased sharply in Q4 from the quarter of a million fall in Q3. In Japan, the PMI data have also improved considerably in recent months, with the Employment Index approaching the neutral 50.0 level.

**Order book trend suggests cautious optimism regarding labour market outlook**

The ongoing loss of jobs means unemployment rates have generally continued to climb, hitting double-digits in both the US and the Eurozone late last year. Within the Eurozone, trends vary markedly, with the rate running at one-in-five in Spain.

Hope that unemployment rates may soon peak, due to an improvement in the global labour market in early 2010, is provided by PMI data on new orders, which continued to show rising demand for goods and services in the final months of 2009. However, experiences in 2001-2 and 2003-4 suggest that improvements in new orders do not always lead to a corresponding rise in employment, especially if companies are not convinced of the sustainability of the upturn in demand. This highlights just how precarious the juncture facing the global recovery is in early-2010, as we move from an inventory-led rebound to a self-sustaining recovery.

**Chart 8: Unemployment by country**



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