

Global employment

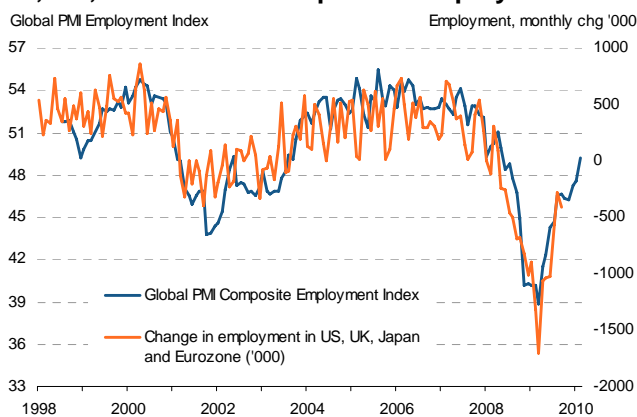
Stabilisation of labour markets signalled as Global PMI Employment Index hits 21-month high

Both PMI survey and official employment data in the main developed nations continue to provide indications of improving labour markets, an expected pre-condition of more sustainable recoveries. Growing demand for goods and services also points to ongoing, albeit modest, improvements in coming months.

PMI data point to labour market stability

The Global PMI Employment Index, compiled for JPMorgan by Markit, rose in February to reach its highest level since May 2008. The latest reading signalled only a very modest fall in worldwide private sector manufacturing and service sector jobs. Moreover, comparisons of the PMI against actual employment data suggest that the US, UK, Japan and Eurozone labour markets may have stabilised in February. This compares with a peak of 1.7m job losses in March of last year (the same month the Global PMI Employment Index hit a record low).

US, UK, Eurozone and Japanese employment

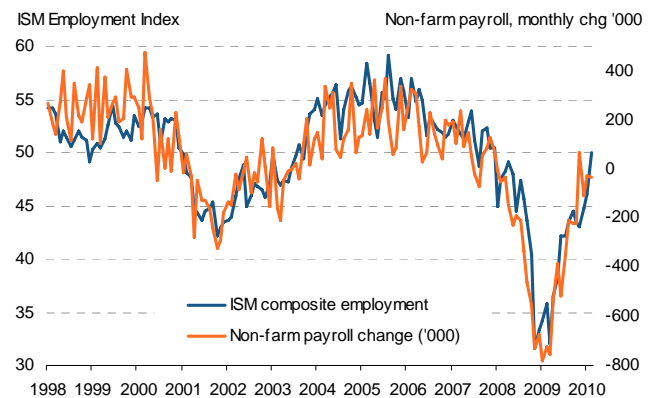


Sources: Markit, ISM, Ecwin.

Manufacturers, which have led the global economic recovery, took on additional staff at the fastest (though still modest) rate since September 2007, while job losses in the service sector were the weakest since July 2008.

In the **US**, where official data are the most timely of all major developed nations¹, adverse weather was expected to have hit payroll numbers hard, so a loss of a mere 36k jobs in February (and just 18k private sector jobs) was greeted by analysts as positive news, with many believing the payroll count would have risen if weather conditions had been normal for the time of year. The ISM (PMI) survey has helped fuel such optimism, with the weighted index of manufacturing and non-manufacturing employment hitting 49.9 in February – the best reading since the index fell below the 50.0 no-change level in January 2008.

US employment

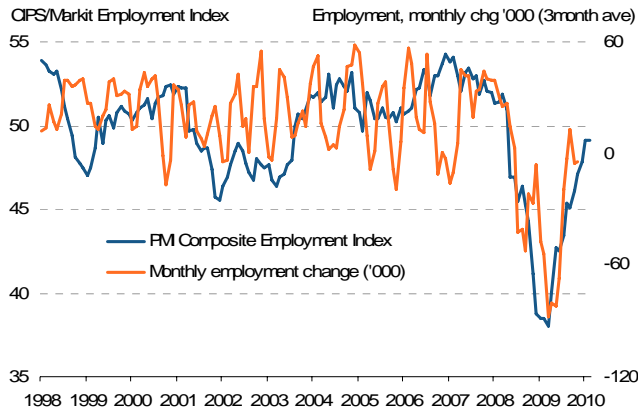


In the **United Kingdom**, PMI data also painted an increasingly brighter picture of labour market conditions – at least in the private sectors covered by the surveys. The PMI tends to draw a smoother line through the volatile official employment data, and also acts as a leading indicator of the underlying trend. The latest official data signalled 12k job losses in the three months to December, but a rise in the PMI Employment Index covering manufacturing and services since then suggests an imminent improvement in the labour force numbers. Although still signalling a small net decline in jobs in February,

¹ The US payroll count may be the most timely but is also perhaps subject to the greatest revision: a 4k rise in non-farm payrolls in November has been revised up to 64k, and an initial estimate of 85k jobs lost in December was revised to a loss of 109k).

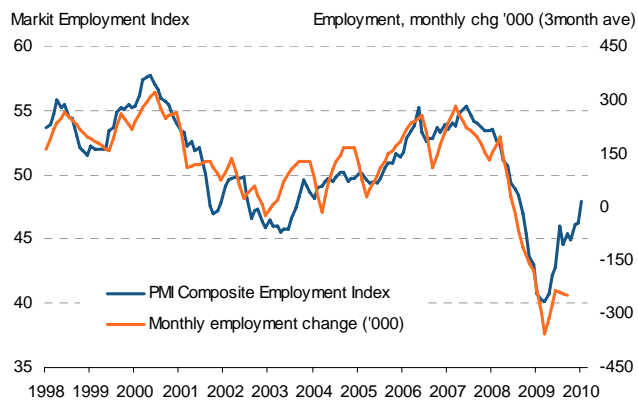
the UK PMI Employment Index is currently running at its highest level since April 2008.

UK employment



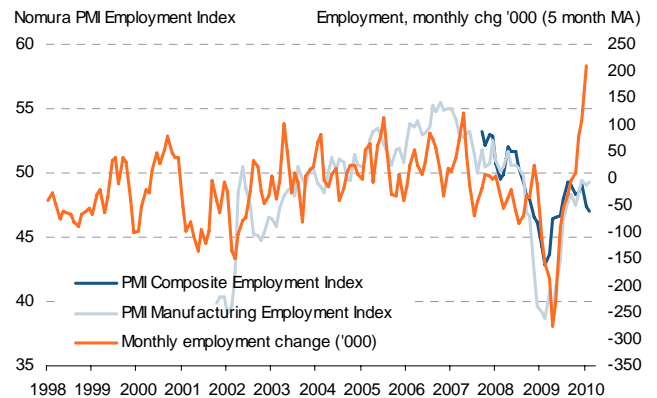
In the **Eurozone**, the composite PMI Employment Index has recovered to pre-Lehman collapse levels. The index continued to signal ongoing job cuts in February, but suggests that the rate of job losses indicated by the official data for the region (which showed an average monthly employment fall of 246k in the three months to September) will have slowed considerably and that an overall improvement in the labour market could be not far off.

Eurozone employment



Japanese official employment data provided the biggest surprise of the month, recording a 540,000 increase in jobs during January. The rise, the largest for 30 years, was at odds with the PMI (and other) surveys, which point to an ongoing fall in employment. While the Nomura PMI data point to a near-stabilisation of the manufacturing labour force, a deepening downturn in services led to an increased rate of job cutting in February. A correction from January's buoyant job creation looks likely as official data are published in coming months.

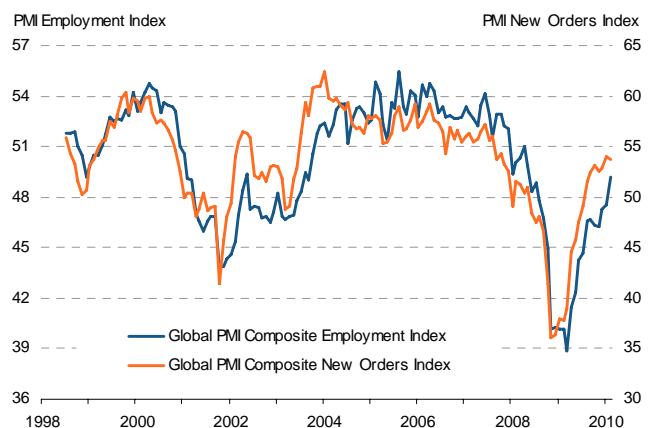
Japanese employment



Rapid employment growth unlikely without further order book growth gains

While official and PMI data point to an encouraging stabilisation of the labour market, strong job creation in coming months is by no means assured. Comparisons of Global PMI data on new orders and employment show that upturns in order books in 2001-2 and 2003-4 failed to generate corresponding improvements in employment. The divergence between the Global PMI's new orders and employment indices narrowed considerably in February, suggesting that stronger growth of new orders will be required to generate meaningful job creation.

Global PMI employment and order books



Sources: Markit, ISM, Ecwin.

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