

# Global economy

## Developed world employment growth highest for over three years

- **Global employment growth picks up as developed world companies take on staff at fastest rate since October 2007.**
- **Record gain in manufacturing.**
- **US leads job creation.**

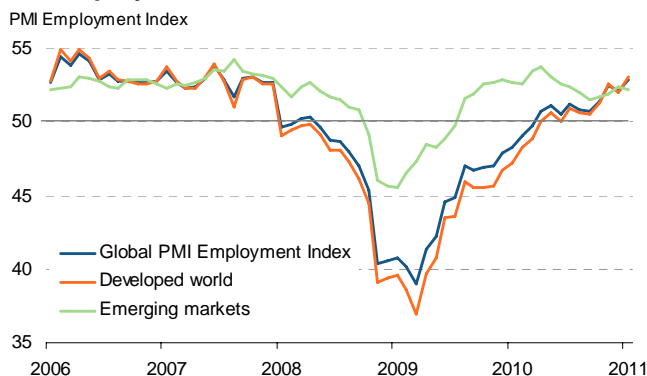
The global economy moved up a gear at the start of 2011, generating a welcome upturn in developed world job creation. Initially dependent upon manufacturing, labour market recoveries are also spreading to the service sector, adding to hopes that recoveries are becoming more self-sustaining.

However, after population growth and public sector payroll cuts are taken into account, the job creation signalled by the PMI surveys may do little to reduce historically high unemployment rates in many countries.

### Economic upturn spurs developed world employment growth

A revival in global economic growth was recorded at the start of 2011, driving a welcome upturn in job creation. The JPMorgan Global PMI, compiled by Markit from national PMI manufacturing and service sector survey data, indicated that the rate of worldwide economic expansion surged higher in January to reach the fastest since April 2006. The improvement in output growth encouraged firms to take on staff at the highest rate since October 2007.

#### PMI Employment Index



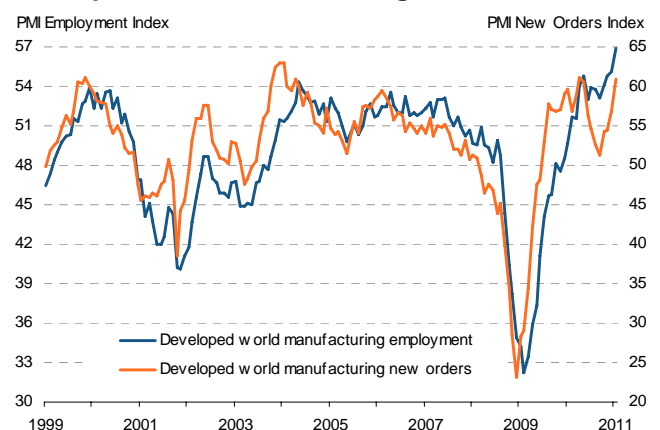
Sources: Markit, JPMorgan, ISM, HSBC.

Especially encouraging news came from the developed world, where job creation has been disappointingly lacklustre so far during the recovery. While developed world companies have reported rising levels of both output and new orders for 18 consecutive months, noteworthy increases in developed world employment have been recorded in only the last four months. However, the hiring trend appears to be gaining momentum, with the rate of increase picking up in the developed world to the highest for over three years in January.

### Record manufacturing jobs growth

The upturn in the developed world's labour market has been led by manufacturing, where headcounts rose in January at the fastest pace yet recorded by the Global PMI survey (data for which were first available in 1998). Producers boosted capacity following both the upsurge in new orders seen early in 2010 and a more recent revival in new orders growth from a lull late last year.

#### Developed world manufacturing



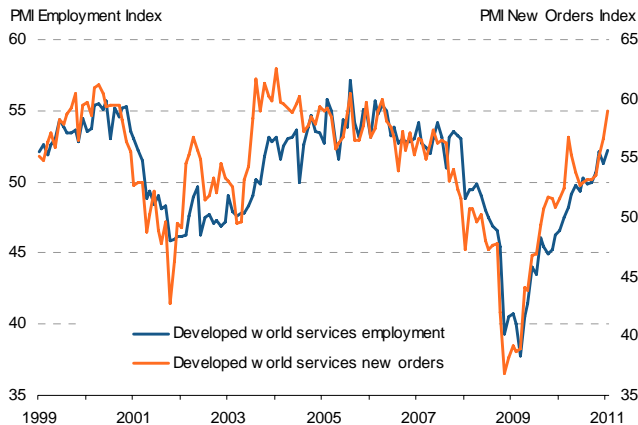
Sources: Markit, ISM.

### Service sector catch-up

The trend in service sector employment in the developed world has meanwhile been far less buoyant than in manufacturing. Whereas manufacturing employment has risen for 12 months, the service sector has only been a net hirer of staff over the last four months. Service sector

employment has nonetheless shown signs of gathering pace, with payrolls rising in January to the greatest extent since December 2007. Moreover, a sharp upturn in inflows of new business at the start of 2011 (the strongest for nearly five years) suggests that hiring should pick up further in coming months.

**Developed world services**

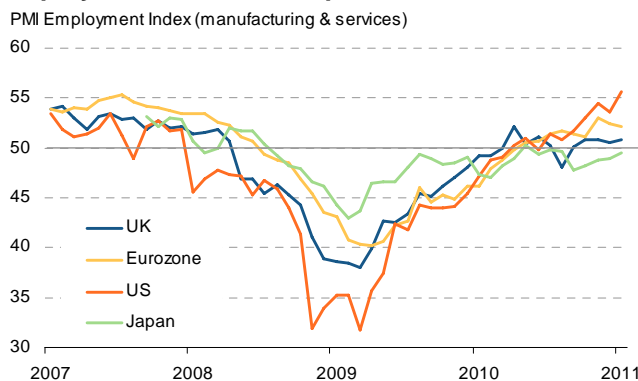


Sources: Markit, ISM.

**US leads job growth**

Developed world job creation is being led by the United States, followed by the Eurozone and then the UK. Of the G4 developed countries, only Japanese firms were still reporting reductions to staffing levels in January.

**Employment in G4 developed economies**

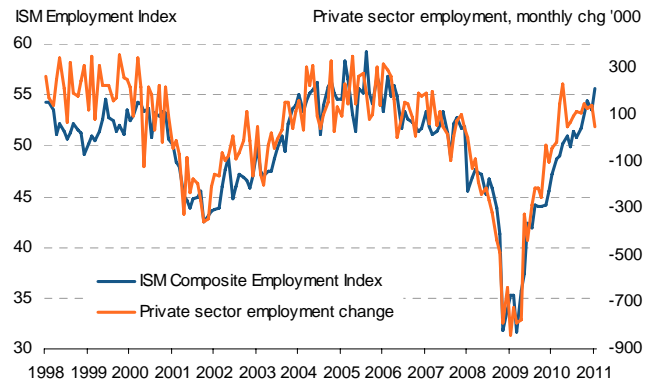


Sources: Markit, ISM.

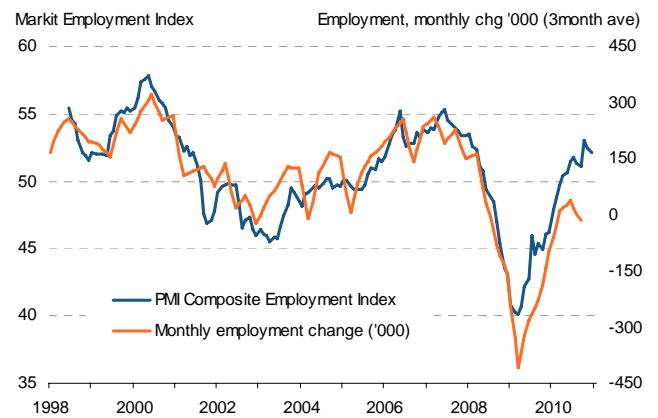
Comparisons with official data suggest that the US PMI data (from the ISM surveys) are roughly consistent with payroll growth of 200k per month. For the Eurozone, the PMIs are signalling job growth of around 150k per month, and in the UK approximately 60k per month.

The data therefore also suggest that recent weak non-farm payroll data, which have signalled payroll growth of just 105k in the four months to January, understate the true health of hiring in the US.

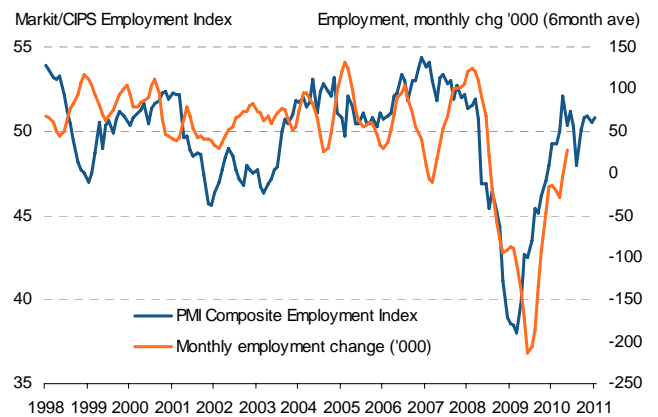
**US labour market**



**Eurozone labour market**



**UK labour market**



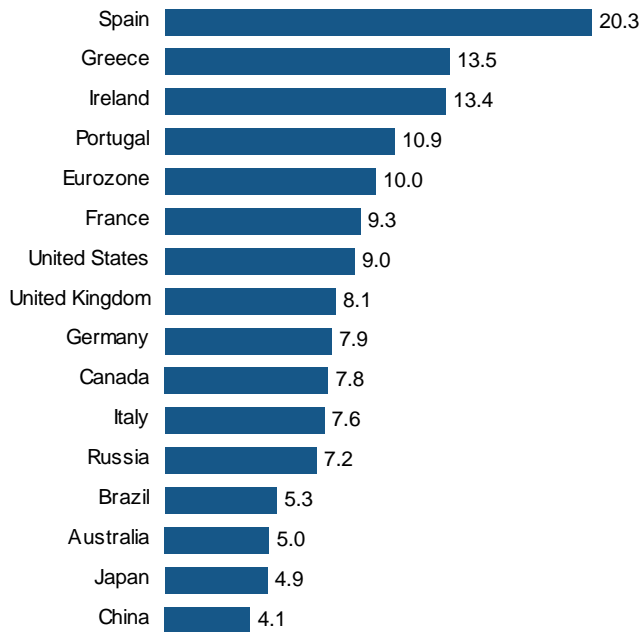
Sources: Markit, ISM, CIPS, US BLS, Eurostat, UK ONS.

**Unemployment rates set to remain high**

With the possible exception of the US, however, the current rate of job growth signalled by the PMIs may do little to reduce current high rates of unemployment, especially when population growth and anticipated public sector payroll cuts in countries facing austerity are taken into consideration. Countries such as Spain, Greece, Ireland and the UK therefore look set to struggle with high unemployment and associated weak consumer spending unless employment growth picks

up further in coming months. This in turn suggests that economic growth may also remain subdued in these countries.

**Unemployment rates (%)**



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