

Global employment

Developed world employment may stabilise by year end, but high unemployment looks set to persist

Job losses gathered pace slightly in September...

The Global PMI's Employment Index, compiled by Markit on behalf of JPMorgan, fell back slightly in September from an 11-month high in August, indicating a drop in staffing levels across manufacturing and services for the twenty-first consecutive month. However, although the rate of job losses gathered pace marginally and continued to run at a steep pace by the historical standards of the PMI survey, the rate of decline remained well below the record seen at the start of the year.

The PMI's Employment Index sank to a low of 37.5 in March, a month in which job losses in the US, UK, Eurozone and Japan hit a high of 1.7 million. Since then, the PMI index has signalled a sharp easing in the rate of job losses. We estimate that the index readings seen in August and September are consistent with approximately 500-600k job losses each month.

...but improved trend likely in coming months

The failure of the Employment Index to rise further in September is likely to merely represent a pause in upward momentum. Employment tends to lag order book trends, and new orders across both manufacturing and services rose globally at the fastest pace for 22 months in September, with the differential between the Global PMI new orders and employment indices opening to the widest for over five years.

If the upward momentum in the New Orders Index is sustained during Q4, this raises the likelihood that the global employment market may have stabilised by the end of the year. Since bottoming out in March, the Employment Index has risen an average 1.4 points in each of the six months to September. As the New Orders Index suggests that this rate of improvement is likely to be sustained, this would push the Global

Chart 1: US, UK, Eurozone and Japan employment

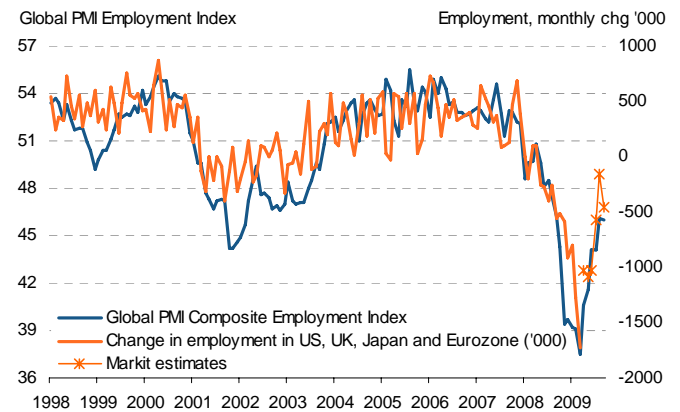


Chart 2: Global employment and order books

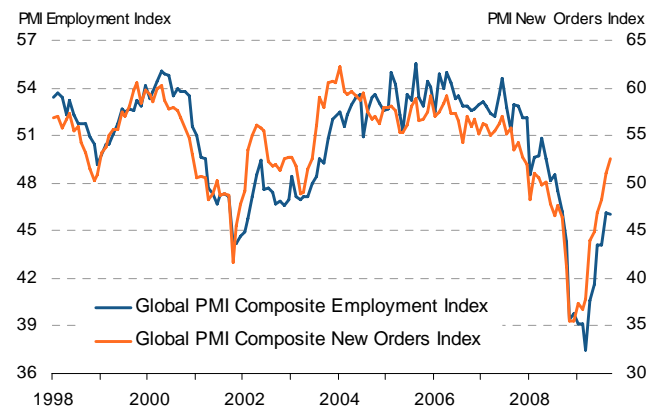
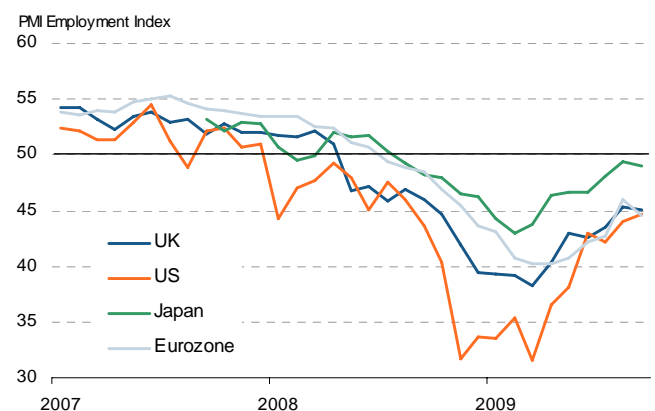


Chart 3: Composite Employment Index by country



Sources: Markit, ISM, Ecowin.

Composite Employment Index above 50.0 in December.

Employment to stabilise by end of year?

By country, the US saw the deepest fall in employment according to the PMI measure, followed by the UK and then the Eurozone. Japan has seen the smallest decline, and continued to do so up to September. The UK, US and Eurozone saw similar rates of job losses in September, with only the US seeing a weaker rate of job shedding than August.

But high unemployment likely to persist

As discussed in last month's note (http://www.markit.com/assets/en/docs/commentary/markit-economics/sept%2009/global_employment_09_09_09.pdf), the possible return to stability of the labour markets in the developed nations is earlier than expected by economists when last polled by Reuters (in July).

However, even when stability is reached, the recession will have left large scars in each of these economies in terms of the number of people unemployed. According to the latest official data, the US unemployment rate hit a 26-year high of 9.8%, while a 10-year high of 9.6% was seen in the Eurozone and a 12-year high of 7.9% recorded in the UK. In Japan, the rate fell in September, but only slightly from August's record high of 5.7%.

With economic growth generally forecast to be subdued in 2010 as stimulus packages are withdrawn, it is unlikely that the developed nations will see a swift return to strong job creation, meaning high unemployment rates look set to persist for some time.

Chart 4: US employment

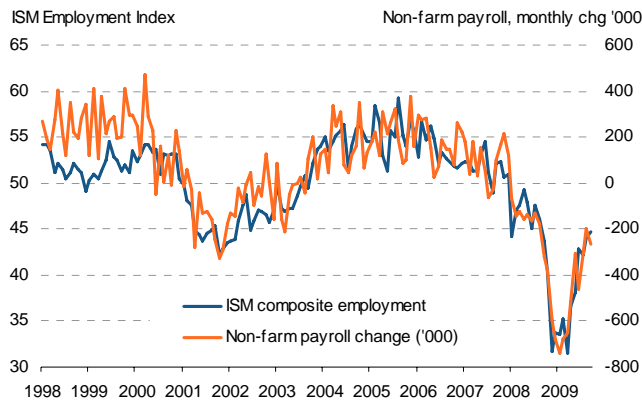


Chart 5: Eurozone employment

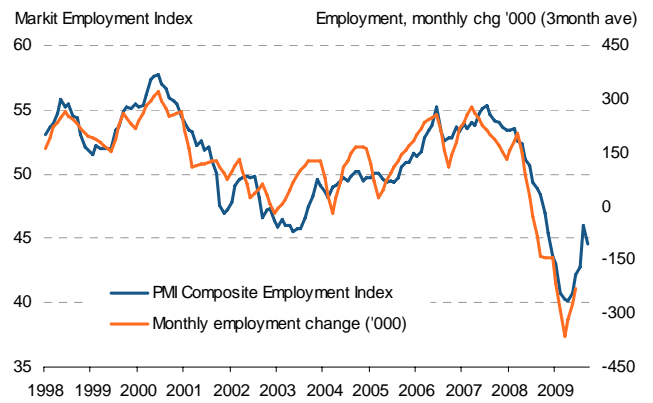


Chart 6: UK employment

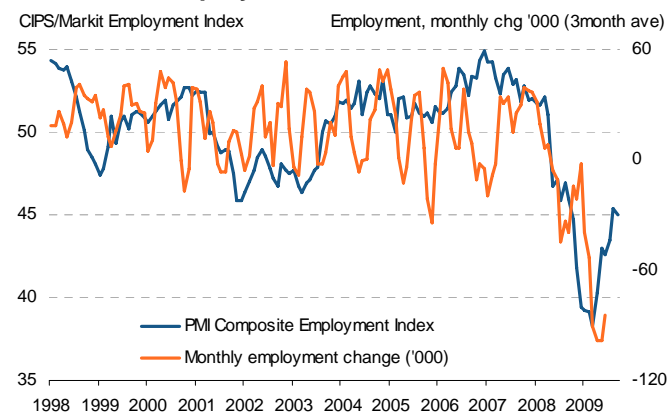
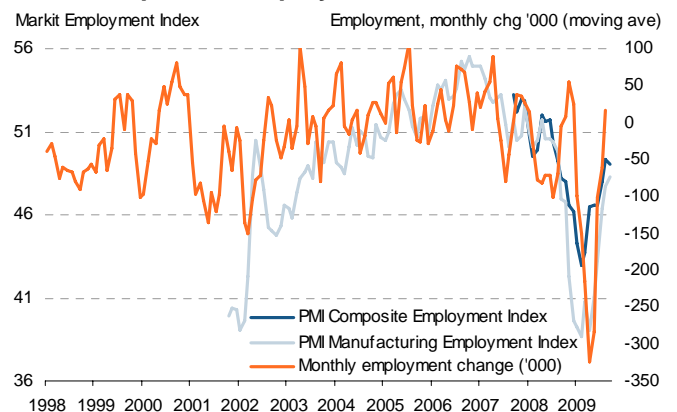


Chart 7: Japanese employment



Chris Williamson

Chief Economist

Markit

Tel: +44 20 7260 2329

Email: chris.williamson@markit.com

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