

# Global employment

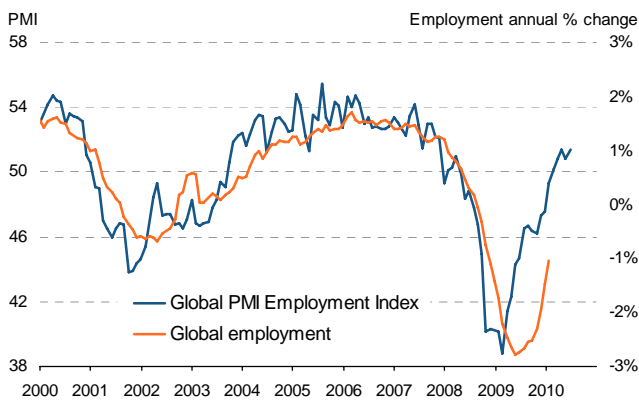
## Services continue to subdue employment growth in developed economies

### Global employment rising at just 1%

The PMIs suggest that the global recovery continued to generate only disappointing rates of jobs creation in July, especially in developed economies. Economic growth rates are consequently likely to remain constrained by weak consumer spending until employment growth accelerates.

The JPMorgan Global PMI™ survey, compiled by Markit, showed a net increase in jobs for the fifth successive month in July. The rate of job creation narrowly exceeded May's previous post-recession high, but – at 52.3 – the Index points to only very modest job creation. We estimate that, globally, employment is rising at an annual rate of just 1% (around half that seen in the years leading up to the financial crisis).

### Global employment (PMI v. official)

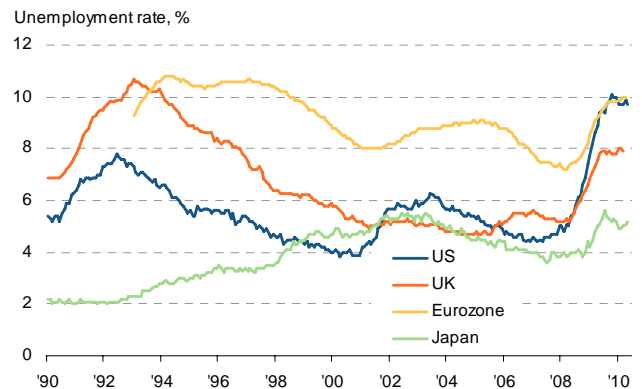


Sources: Markit, ISM, JPMorgan, Ecwin.

### Employment subdued by weak demand

With global output and inflows of new orders having both now risen for 12 successive months according to the PMI surveys, the modest job creation remains a key concern in the economic recovery, especially given the extent of the job cuts seen in many countries. Unemployment rates are running at 9.5% in the US and 10% in the Eurozone (with 20% joblessness seen in Spain). UK unemployment has risen less than many had expected, but still stands at 7.8%.

### G4 unemployment rates

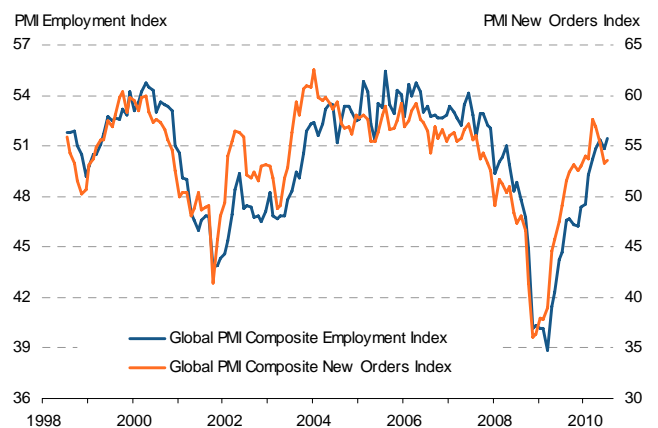


Source: Ecwin.

However, historical comparisons indicate that the rate at which new business is growing remains too low to generate stronger global job creation.

Moreover, with the Global PMI's New Orders index having slipped from March's high, firms may remain reluctant to take on new hires until the outlook becomes more certain.

### Global employment and order book inflows



Sources: Markit, ISM, JPMorgan.

### Service sector doldrums

The employment situation is quite different by sector, however, with manufacturing generating the lion's share of the job creation again in July, reflecting the strong growth of new orders in the goods-producing sector seen throughout much of the year, while barely

any job creation was again seen across the global service sector.

Global manufacturing employment growth is currently running at a rate rarely seen in the Global PMI's 12-year history as growth of new orders has surged in many countries. Service sector job creation was again only modest in comparison, as inflows of new business remained well below that seen prior to the financial crisis (although the rate of job growth did pick up to the highest since April 2008).

**Global manufacturing v. services jobs**

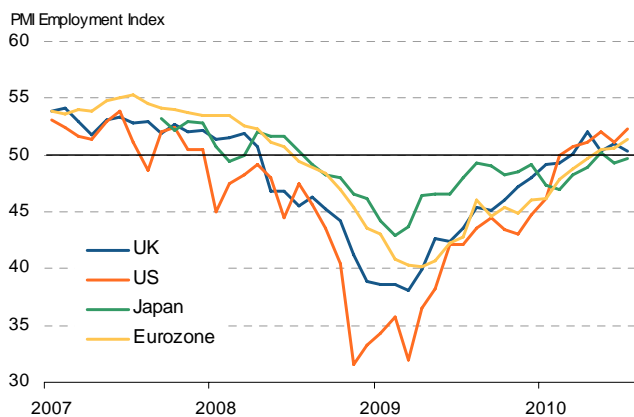


Sources: Markit, ISM, JPMorgan.

**Job growth picks up in US and Eurozone, but stagnates in the UK and falls slightly in Japan**

The July PMI surveys showed that disappointing job growth was a common theme across all G4 developed countries. A modest improvement in employment growth in the US and the Eurozone was offset by an easing to near-stagnation in the UK, while a marginal net loss of jobs was recorded in Japan.

**'G4' PMI Composite Employment Indices**



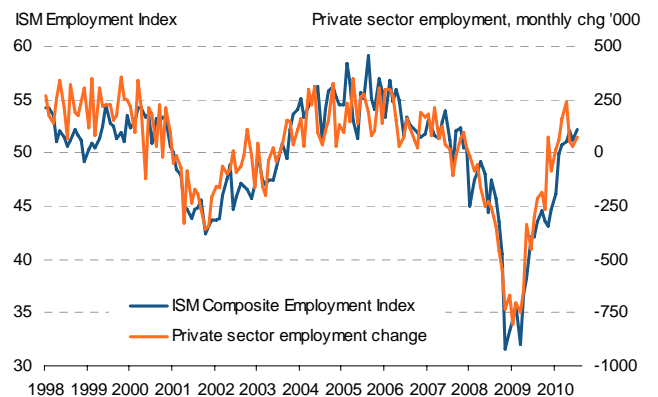
Sources: Markit, ISM.

**US payrolls disappoint again**

In the US, the ISM PMI survey employment measures showed manufacturers continuing to take on staff at a strong pace (recent growth has been the best for six years), but employment outside of manufacturing was more-or-less unchanged again (although the marginal rise was nevertheless the strongest since December 2007).

The resulting overall rate of employment growth signalled by the US PMI surveys was the fastest since October 2007. However, historical comparisons with the government's non-farm payroll data suggest that the current reading of the ISM surveys is consistent with less than 100k monthly jobs growth (private sector payrolls rose 71k in July). This rate of job creation is too low to generate a significant fall in the unemployment rate as the population grows.

**US non-farm payrolls**



Sources: ISM, US Bureau of Labor Statistics.

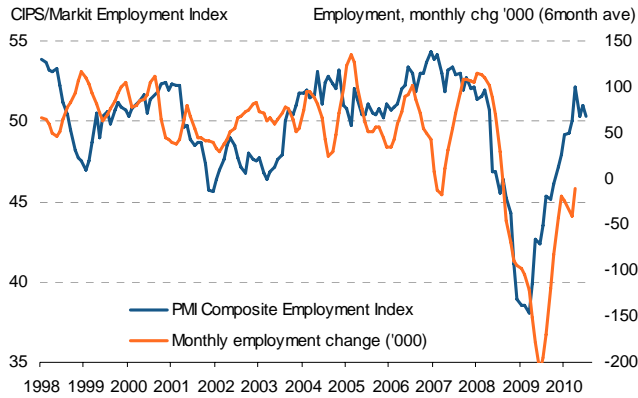
**United Kingdom**

UK employment data have been sending mixed messages in recent months. Even so, an improving trend has become more apparent, with recent rates of private sector job shedding considerably slower than one year ago. The PMI indicated that payrolls rose for the fourth month in succession during July, although the rate of growth was only fractional as a moderate gain in manufacturing was offset by a marginal decline in services employment.

Official employment figures have followed the improving trend signalled by the PMI. However, the risk of an acceleration in the rate of private sector job shedding is growing, with the PMI surveys now showing slower growth of output and new business

(with particular weakness seen in services), and historically low service sector business confidence.

**UK employment**



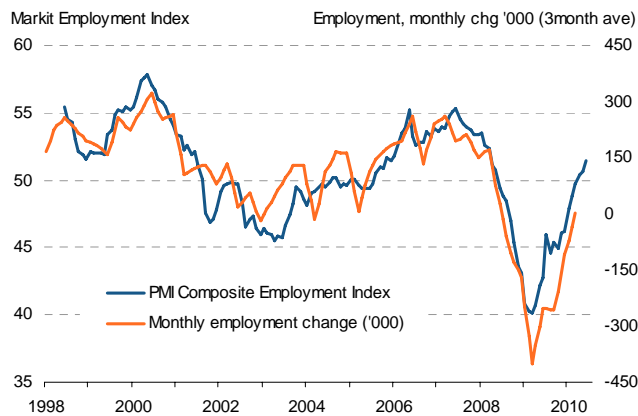
Sources: Markit, CIPS, ONS

**Eurozone**

Eurozone companies added to their staff numbers for the third month running in July. The pace of job creation was the most marked since April 2008 and was evenly distributed across the manufacturing and service sectors.

However, Eurozone PMI and official data continue to depict an uneven recovery in the region's labour market. Germany and France registered further gains in employment, with rates of job creation rising to post-recession highs in both cases. In contrast, nations on the Eurozone periphery continued to reduce staff numbers, with the pace of job shedding quickening in Spain.

**Eurozone employment**

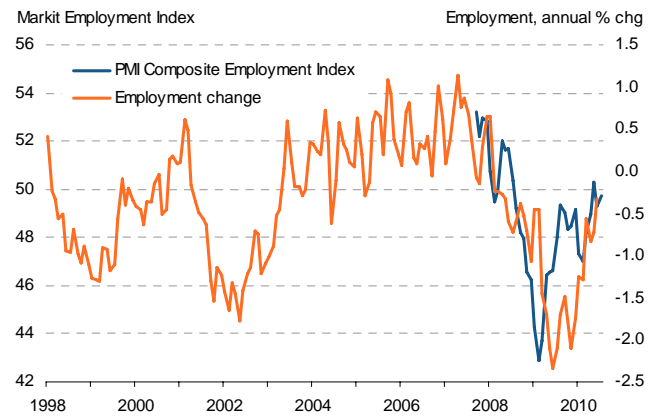


Sources: Markit, Eurostat.

**Japan**

PMI data (covering manufacturing and services) pointed to a second successive monthly decline in Japanese employment during July. As seen in many other countries monitored by the PMIs, manufacturers continued to add to their workforce numbers. However, this increase was offset by a further drop in service sector headcounts.

**Japan employment**



Sources: Markit, Nomura, Cabinet Office.

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