

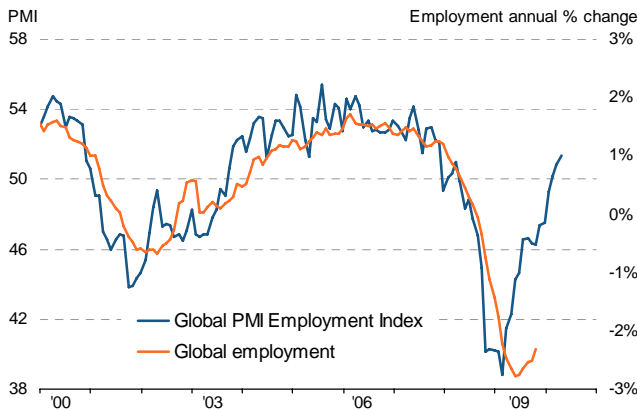
# Global employment

PMI Employment Indices point to improved labour markets in May, but looming public sector job cuts darken the outlook

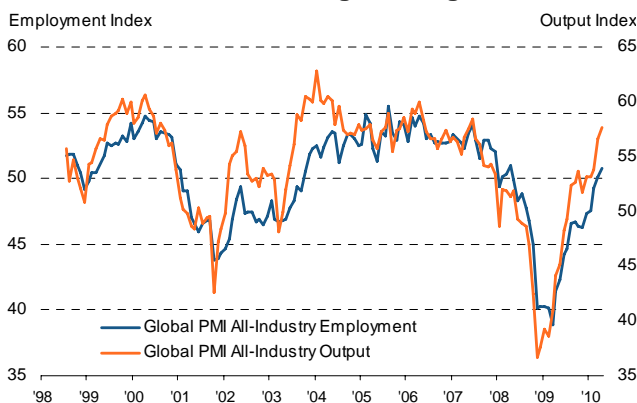
## Rising backlogs of work drive jobs growth

The JPMorgan Global PMI survey, compiled by Markit, indicated that further robust growth of world-wide manufacturing and service sector output led to increased job creation in May. The survey's Employment Index rose from 50.8 in April to 51.4, signalling a rise in staffing levels for the third month running following 22 months of continual decline. The rate of increase was only modest but was none the less the strongest since December 2007 as a growing number of employers took on extra staff to meet rising order book backlogs (which showed the largest rise since August 2007).

## Modest return to global employment growth



## Job creation linked to rising backlogs of work



Sources: Markit, ISM.

## Record rise in manufacturing jobs



Sources: Markit, ISM.

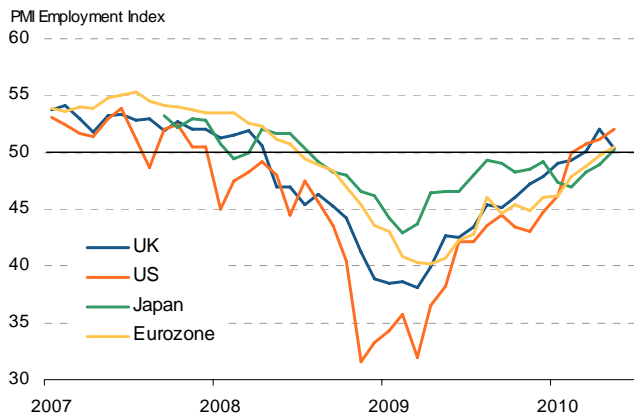
The bulk of the newly created jobs were seen in manufacturing, where the rate of increase picked up to show one of the strongest expansions seen over the survey's 12-year history. A far more moderate increase was seen in services, though the rise was significant in being the first since April 2008.

## All 'G4' developed world PMI surveys show job creation

Emerging market employment growth again exceeded that seen in the developed world, with jobs growth only slightly below the 32-month high registered in April. However, the differential narrowed to the smallest for over two years, as developed country employers reported an increase in staffing levels for the second month running, with the rate of job creation remaining weak but rising to the highest since December 2007.

Of the major ('G4') developed economies, PMI data showed private sector employment returning to growth in both Japan and the Eurozone for the first time since payrolls began falling in the summer of 2008, with Eurozone growth driven principally by Germany. The US and UK PMI surveys meanwhile both showed an increase in employment for the third successive month in May, although slower job creation in the UK contrasted with the largest increase in US jobs since October 2007.

### 'G4' (private sector) employment



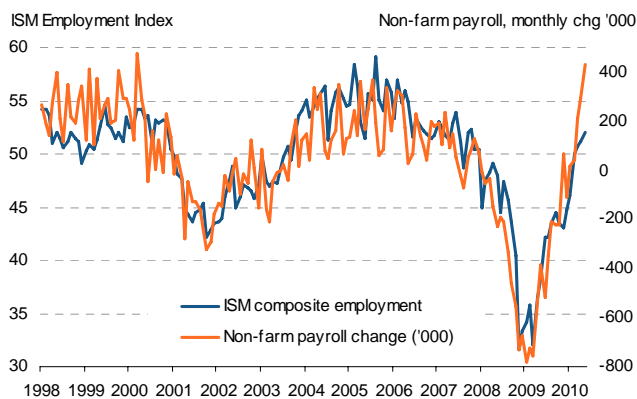
Sources: Markit, ISM.

### US payrolls disappoint

In the US, the official non-farm payroll data signalled a 431k increase in employment. However, the monthly rise was buoyed by government hiring of 411k temporary census workers, and the overall increase disappointed analysts, who had pencilled in a 500k increase. However, the payroll count is notoriously volatile and subject to revision, and some comfort can be drawn from the improvement in the PMI data, which suggests that US employment is growing by around 150k per month.

Furthermore, the recent improvement in the ISM's PMI Composite Output Index (covering both manufacturing and non-manufacturing) points to further jobs growth in coming months.

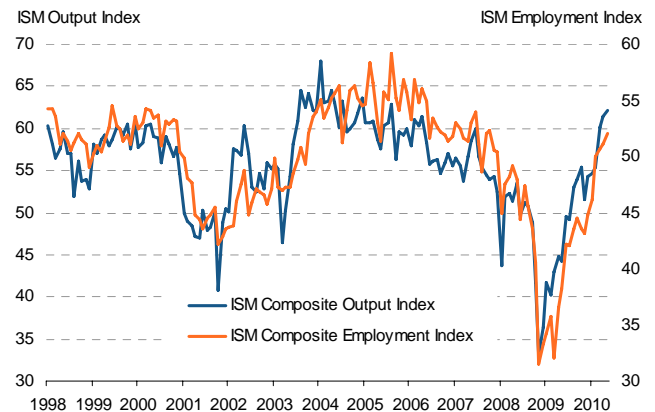
### US non-farm payrolls



Sources: ISM, US Bureau of Labor Statistics.

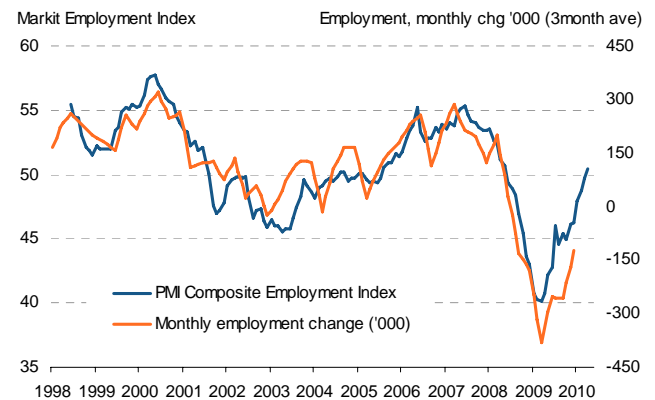
European PMI data also depict a more buoyant labour market than the more out-of-date official employment statistics, although comparisons are made difficult by the volatility of the official data. In both the Eurozone and UK, PMI indices are currently consistent with employment rising by 50-100k per month.

### US output and employment



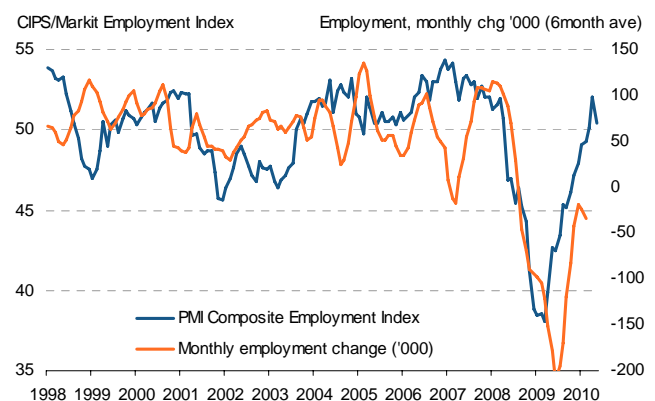
Source: ISM.

### Eurozone employment



Sources: Markit, Eurostat.

### UK Employment



Sources: Markit, Eurostat.

### Public sector cuts loom

However, the overall employment picture is darkened by the substantial public sector job cuts that are widely anticipated in many countries, including the UK, Germany and other Eurozone nations, due to the spending cuts required to reduce budget deficits.

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Whether private sector employers will regain sufficient confidence to step up hiring and offset public sector lay-offs remains a key talking point.

While the PMI data provide some encouraging news that the developed world recoveries are by no means 'jobless', and official data may not fully reflect underlying recruitment momentum, rates of private sector job creation remain lacklustre as companies remain wary of expanding workforces with an uncertain outlook. Earlier in the year, the KPMG Business Outlook survey, conducted by Markit, showed that both employment and investment intentions lagged well behind what one would expect given the actual and expected future sales growth at the time of the survey. Worries generated by the Eurozone debt crisis in recent months are of course likely to have further discouraged hiring and expansion plans.

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