

Global economy

Global PMI Employment Index hits three-and-a-half year high in February

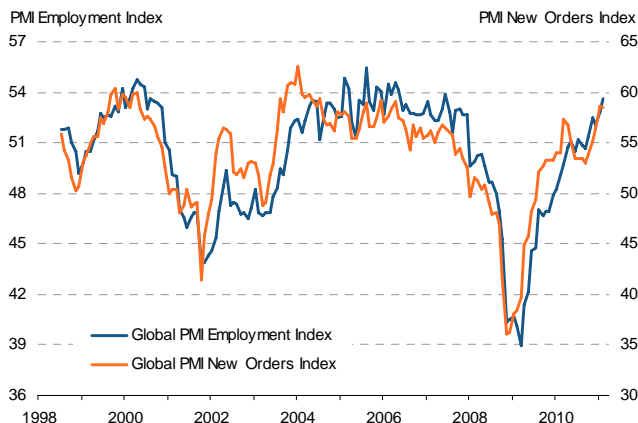
- Companies take on staff globally at fastest rate since June 2007, led by US payroll surge.
- Further record gain in developed world manufacturing employment, but job creation likely to shift to services.

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.

Hiring gathers pace in response to order book growth

The JPMorgan Global PMI, compiled by Markit from national PMI manufacturing and service sector survey data, indicated that worldwide employment grew at the fastest pace since June 2007. The pick-up in hiring reflected increasingly buoyant demand for goods and services across the world, with businesses reporting that new orders are likewise growing at a pace not seen since 2006.

PMI Employment Index

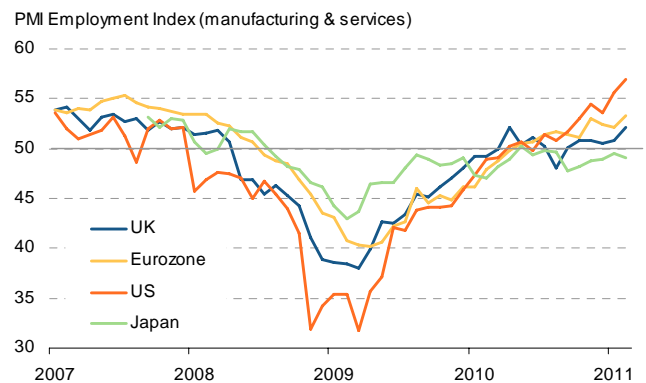


Sources: Markit, ISM, JPMorgan.

Developed world hiring at four-and-a-half year high

A feature of the recent recovery is that growth momentum has shifted from the emerging to the developed world, which has also led to renewed job creation in the latter. Markit's PMI index of employment growth in the developed world hit a four-and-a-half year high in February, reflecting increased hiring in the UK, Eurozone and – in particular – the US.

Developed world employment growth

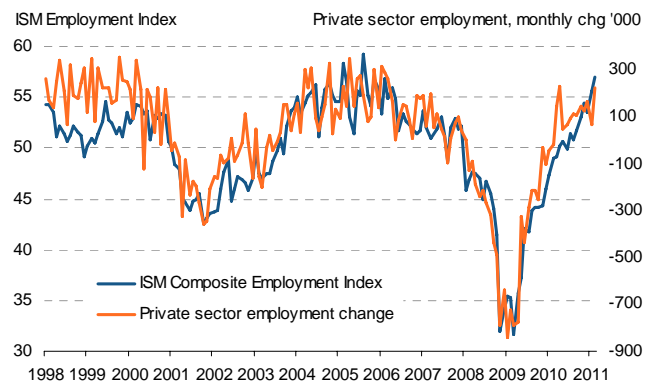


Sources: Markit, ISM.

US jobs surge

Combined employment growth across both manufacturing and services rose at the fastest rate since August 2005 in the US according to February's PMI surveys, led by manufacturing.

US labour market

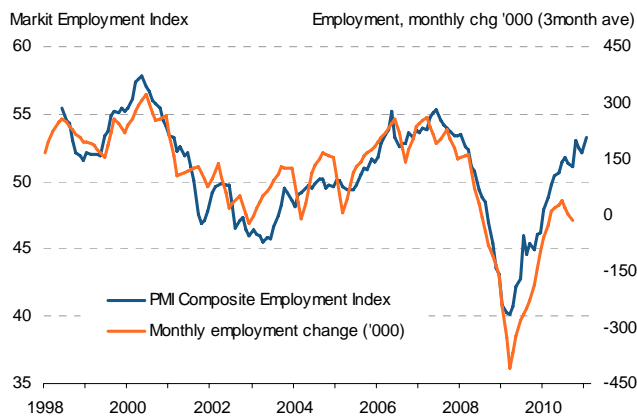


Comparisons with official data suggest that the US (ISM) PMI data are consistent with private sector non-farm payrolls rising by approximately 250k, suggesting non-farm payroll growth may well improve in coming months on the 192k rise seen in February.

Eurozone and UK employment growth hit three-year highs

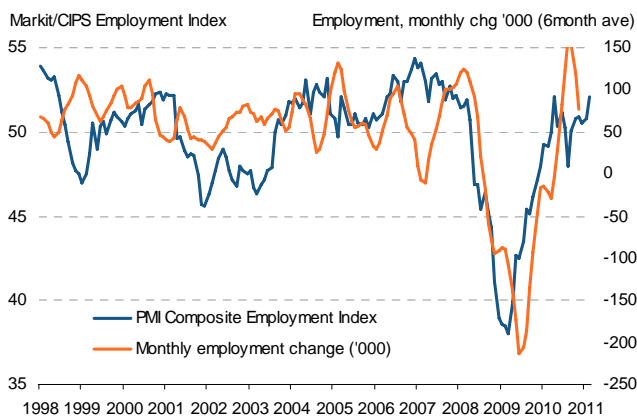
Eurozone PMI data meanwhile indicate that jobs are being created in the single currency area at the fastest rate since February 2008. Historical comparisons suggest approximately 200k jobs are being added each month. However, the national data reveal wide discrepancies in hiring by country, with job creation biased towards the core nations (and Germany in particular).

Eurozone labour market



In the UK, the PMIs pointed to the largest monthly rise in staffing levels since December 2007. Like the official data, the PMI employment trend has been volatile in recent months but the recent upturn adds to hope that renewed private sector hiring may offset some of the looming public sector cuts which are being implemented to help reduce the budget deficit.

UK labour market

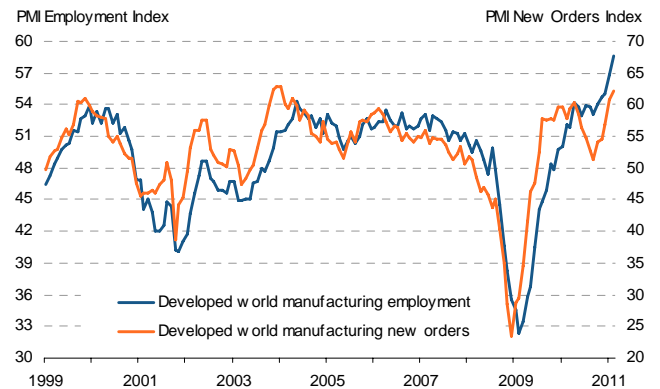


The UK PMIs are consistent with job growth of roughly 75k per month. Some 300k public sector positions are forecast to be lost due to the austerity measures.

Job creation to move to services

The upturn in the developed world's labour market is being led by manufacturing, where employment growth struck a new high for the PMI surveys in February (data were first available in 1998). However, the rate of hiring appears to have risen by far more than would be historically consistent with recent new orders growth, suggesting that payroll growth is likely to moderate in coming months.

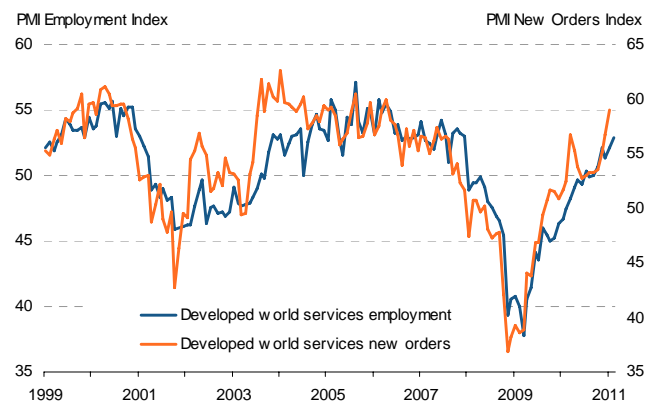
Developed world manufacturing



Sources: Markit, ISM.

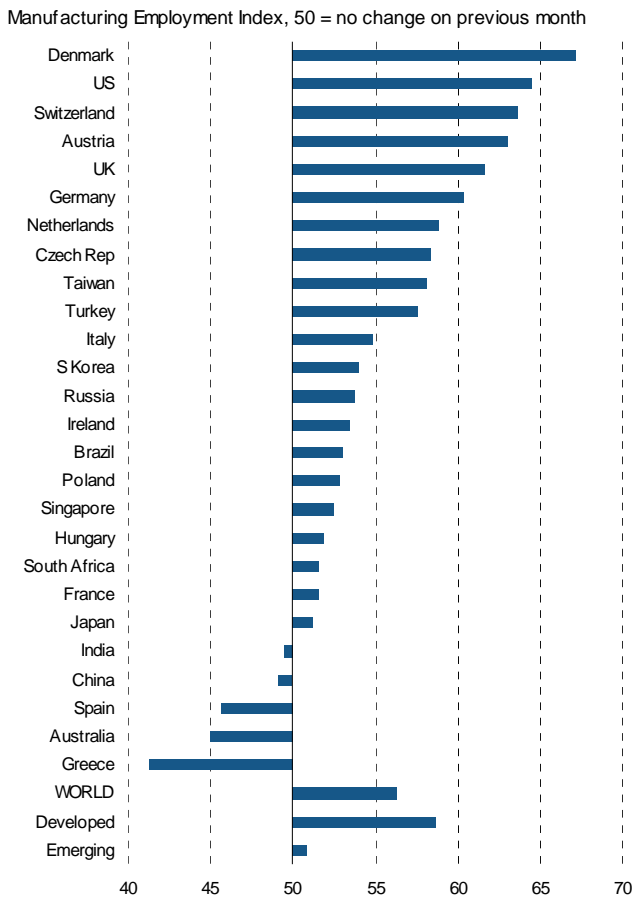
Service sector employment in the developed world has meanwhile also gathered momentum, with payrolls rising in February at the fastest rate for over three years. Moreover, in a reversal of the situation seen in manufacturing, employment growth in the developed world service sector is growing at a weaker rate than would normally be consistent with order book growth, suggesting that services hiring should pick up in coming months if new business inflows continue to improve.

Developed world service sector

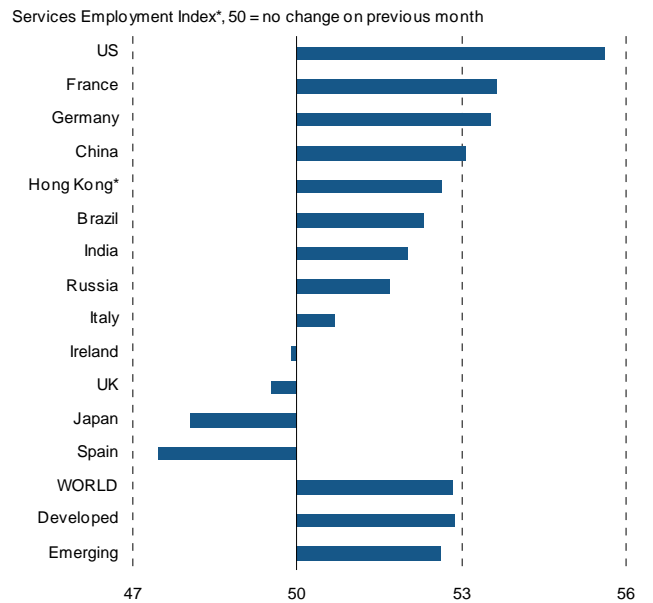


Sources: Markit, ISM.

Manufacturing employment growth in February



Services employment growth in February



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