

## GLOBAL EMPLOYMENT — 1Q 2019

Deploying a global workforce and ensuring access to the best talent is a crucial component of success for all multi-national enterprises. Global labor market intelligence is an invaluable tool for these HR departments and can be used to inform critical decisions around the best countries and regions in which to grow. Orion Novotus, an Orion Talent company, is the mid-market leader in recruitment process outsourcing (RPO) and an organization committed to delivering recruiting solutions that are fundamentally different and outcomes that are fundamentally better.

To truly understand unemployment rates, it is necessary to collect several categories of market information about the overall economic environment from which they derive. For that reason, this report also analyzes measures that include GDP, economic forecasts, and other factors that offer insight into a given country's economic circumstances.

A revised version of this report with the most up-to-date unemployment metrics and economic forecasts will be published on June 7, 2019.

unemployment rates since Q4 2018, while 15 reported increases. The remaining 18 were unchanged.

- In the United States, stocks finished their best quarter in nearly a decade, The S&P 500 closed up 13.1 percent for the first quarter of 2019, while The Dow Jones Industrial Average rose 11.2 percent in the first quarter. Unemployment remained at a low 3.8 percent.

### KEY TAKEAWAYS

- The current economic environment worldwide is precarious. While 2018 was generally positive, in Q1 2019, growth weakened. But the global economy is still benefiting from a tight labor market and has been accommodative towards monetary and policy stimulus in some countries.
- On the positive side, global unemployment levels remain low, once again with around half (24 of the 49) countries analyzed in this report showing levels of 5.0 percent or less, which is considered by many economists as at or near full employment, about the same as Q4 2018 findings.
- In the first quarter, 16 of the 49 countries analyzed in this report announced decreases in national

### ANALYSIS

Coming off a relatively strong year in 2018 where unemployment continued to fall in many countries, global growth in the first quarter of 2019 declined. The International Monetary Fund cut its outlook for global growth to 3.3 percent this year, the lowest since the financial crisis of 2009. A range of threats are menacing the global economy, including the possible collapse of negotiations between the U.S. and China to end their trade war and the departure of Britain from the European Union without a transition agreement.<sup>1</sup>

In its semi-annual "Global Economic Prospects" report, the World Bank says global economic growth is projected to soften from an already downwardly revised 2.9 percent in 2019 amid rising downside risks to the outlook. However, advanced economies look to take

most of the hit in growth as their numbers are projected to drop from 2.2 percent in 2018 to 2.0 in 2019. While growth in Emerging Markets and Developing Economies is projected to stay relatively flat, we saw an estimated GDP growth in 2018 of 4.2 percent and are expected to see growth in 2019 right around that same number.

As the fiscal stimulus in the United States wears off and the manufacturing sector continues to show signs of weakness in the Euro Area and Japan, we are likely to see this contribute to the slowdown in growth in the advanced world.<sup>2</sup>

But despite concerns about many economies, global unemployment is forecasted to fall to 4.9 percent in 2019, down from 5.0 percent in 2018, as high-income countries have largely seen a fall in their unemployment rates. An interesting trend in the global workforce is the large portion (61 percent) of employees reportedly having or engaging in contingent employment.



## UNITED STATES AND CANADA

The United States has largely seen a continuing tight labor market, as the unemployment rate has stayed very low, below

4.0 percent. While consumer optimism has stayed relatively high over the past few months, it has tapered off as of recently as the government shutdown bled into the first quarter of the year. Businesses are seeing some constraints on profitability and growth as both domestic and international demand for goods and services are slowing, particularly in the retail sector. According to The Conference Board, real GDP is projected to increase by 2.0 percent in the first quarter of 2019, down from the 2.2 percent increase in the fourth quarter of 2018.<sup>3</sup>

In late April, the U.S. unemployment rate was 3.8 percent, which marks the fifth consecutive quarter with an unemployment rate of 4.0 or less. Historically, unemploy-

ment rates at 5.0 percent or just below are considered by many economists to be at or near full employment. Full employment means that unemployment has fallen to the lowest possible level that will not cause inflation.<sup>4</sup>

U.S. stocks finished their best quarter in nearly a decade, as several clouds hanging over the financial markets at the end of 2018 dissipated enough to prompt a strong rebound for most shares. The S&P 500 closed up 13.1 percent for the first quarter of 2019, while The Dow Jones Industrial Average rose 11.2 percent in the first quarter.<sup>5</sup>

The Canadian unemployment rate increased by 0.2 percent since the last quarter of 2018 even as private sector job creation hit 300 thousand jobs over the past 6 months, which amasses to the most in any 6-month period on record. Real GDP is estimated to expand at an annualized pace of 1.6 percent in 2019, even as talks of a recession have increased, though rising oil prices have helped keep the economy afloat. Also, in March the “Accelerated Investment Incentive” began as part of a \$26.7 billion fiscal stimulus of new spending over the next five years. This program is aimed at helping first-time home buyers, retirees, and workers looking to improve some of their skills.<sup>6</sup>



## ASIA-PACIFIC (APAC)

According to an estimate for the region produced by FocusEconomics, The ESA region (East and South Asia) is expected to grow at 5.6 percent in 2019. Export-driven economies are expected to face headwinds as global growth slows, along with a rising movement towards trade protectionism in some countries, though loose monetary policy will help offset some of those headwinds.<sup>7</sup>

China has by far the largest economy in the region with a GDP of \$13.4 trillion and is nearly three times larger than the second biggest economy, Japan. The Chinese manufacturing index rebounded after bottoming out to a three year low in February. Exports also expanded at the

fastest pace in five months in March. Economic growth is projected to decelerate in 2019 largely due to lower global demand, domestic vulnerabilities, and a continuation to move towards a more sustainable economic model. The unemployment rate of China remained at 3.8 percent for the quarter, the same as the prior quarter but down 0.8 percent from one year ago.

Japan has the second largest GDP in the APAC region at \$5 trillion. The already low Japanese unemployment rate fell to a remarkable 2.3 percent in Q1 2019, down from the prior quarter and 0.20 percentage points from one year ago. However, economic growth was weak in Q1 2019. Economic forecasts for 2019 are a mixed bag. Frontloaded consumer spending ahead of the planned sales tax hike in October and the impact of the investment in the Tokyo 2020 Olympic Games could shore up economic growth this year. On the downside, the economy will feel the pinch of weak global demand, especially from China and Europe. Economists forecast GDP growth of only 0.8 percent in 2019.

India has the third largest economy in the region with a GDP of \$2.7 trillion, and the second largest population, nearly 1.3 billion. In the first quarter of 2019, the unemployment rate stood at 6.7 percent. The private sector showed strong growth in the first quarter of the year after a slow period of growth in the fourth quarter of 2018. This high growth is expected to continue as the two major parties released their general election manifestos that largely consist of infrastructure and social welfare spending. Panelists at FocusEconomics project that in 2019, GDP in India will grow by a robust 7.2 percent.



## EUROPE, THE MIDDLE EAST, AND AFRICA (EMEA)

The EMEA region covers three continents and includes 116 different countries, which vary greatly in GDP and population. Twenty-seven countries in EMEA are tracked in this quarterly analysis. Mixed results were seen in the quarter with unemployment

rates in the overall EMEA region declining, year-over-year, in 10 of the 27 countries examined here. The biggest decline in the unemployment rate was seen in Austria, where the unemployment rate declined by 1.3 percentage points for the quarter while Spain saw the biggest decline for the year, down 2.29. Conversely, Turkey and Finland reported the largest increase, with unemployment up over 2 percentage points for both to 14.7 percent and 7.4 percent, respectively.

In the first quarter of 2019, the Eurozone continued to lose momentum as the 2019 GDP is expected to grow 1.3 percent. The outlook for the manufacturing sector is set to be cut for the fifth consecutive month, largely due to the uncertainty around Brexit along with the tariffs on the automotive industry. This bleak news sparked a drop in the economic sentiment in the month of February. Though we did see a little light at the end of the tunnel as retail sales did jump in the month of January as household spending helped boost sales.<sup>8</sup>

As a region, the Eurozone's growth forecasts for 2019 are a tepid 1.3 percent, down from the 1.5 percent estimate in the fourth quarter of 2018.<sup>9</sup>

Germany has the third largest population in the region at 82.85 million, but by far the largest GDP (\$4 trillion) in this region. If Germany struggles, the results keenly impact the entire region. In the first quarter of 2019, the robust service sector helped steer the German economy out of a technical recession even as most economic indicators were mixed throughout the quarter. During the quarter, the unemployment rate dropped from 3.5 percent in Q1 2018 to 3.1 percent in Q2 2019. The low unemployment rate may be attributed to the increased domestic demand and higher consumer confidence. The unemployment rate in Germany is at the lowest point the country has seen since February of 1980.

Italy is the region's fourth largest economy, but is one of the five countries in the region with an unemployment rate over 10 percent, along with South Africa, Greece, Turkey and Spain. While the Italian unemployment rate remains high at 10.7 percent, they did manage to eke out a small decline since the first quarter of 2018

of 0.20 percent. This might be partially due to exports rebounding in January despite industrial output and business confidence shrinking in the first two months of the year.

The MENA (Middle East and North Africa) economy rebounded on the back of higher oil prices and government support through fiscal policies. The region is expected to grow at a 2.0 percent pace for 2019, with Egypt seeing a robust 5.3 estimated growth led by favorable government economic policies and rising natural gas production in Egypt's most recent report, its unemployment rate hit the lowest level since the fourth quarter of 2010 with a rate of 8.9 percent. Meanwhile in the United Arab Emirates (UAE), growth in the non-oil sector is expected to grow in 2019 as preparation for the Expo 2020 is set to produce a large stimulus injection throughout the year. Overall, the country is expected to experience a 2.9 percent increase in GDP for the year.<sup>10</sup>



## LATIN AMERICA

The Latin American economy should improve in 2019 as the region is forecast to experience a 2.1 percent GDP growth for the year, driven by Brazil. Growth is expected to rise at 2.5 percent in 2020, though political risk, predominantly in Argentina, and the fiscal state of other governments are a concern within the region.<sup>11</sup>

At the end of 2018, Latin America's largest economy, Brazil, reported their lowest unemployment rate in 2.5 years, 11.6 percent. However, that has proven short term, as there's been an uptick in the unemployment rate to 12.4 percent in Q1 2019, which in turn eroded consumer confidence to a 6-month low.

The rise in unemployment has been largely due to a decline in consumer spending, which makes up about two-thirds of Brazil's economic output.<sup>12</sup> Despite the rise in unemployment, industrial production grew in February even as ore output fell.

Mexico is the second largest country in the region, both by Gross Domestic Product and population. The Mexican economy continued to lose steam in the first quarter of the year. Industrial output and manufacturing both slid on top of flagging oil production. Due to the weak economic numbers, there has been a 0.4 percent increase in the unemployment rate from Q1 2018, which now stands at 3.3 percent. Economists forecast an expansion of 1.7 percent in 2019, down from 2018's GDP growth of 2.0 percent.

## ADDITIONAL IMPLICATIONS WHEN USING REPORT FINDINGS

HR professionals should be aware of several factors when interpreting the results in this research report. What constitutes unemployment across global economies is not universally defined and even countries with long-standing practices in reporting unemployment periodically change criteria. Some countries adjust unemployment estimates because of seasonality, and some do not. The definition of full-time employment and who should count as a member of the labor force varies by country. Further, the percentage change in the unemployment rate in a developed country like the UK with a high proportion of its potential workforce employed will be far lower than what's reported in a less developed country like Colombia.

Economic growth is also very relative. The GDP growth rate in Indonesia was 5.2 percent in 2018, far above the global growth rate of 1.7 percent for that of France. A larger economy like that of France won't grow proportionately as much as a smaller one like Indonesia. The smaller growth rate is not a negative when evaluating the economic health of the country.

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## ABOUT ORION NOVOTUS



Orion Novotus, an Orion Talent company, is the mid-market leader in recruitment process outsourcing (RPO) and an organization committed to delivering recruiting solutions that are fundamentally different and outcomes that are fundamentally better. An annual fixture of *HRO Today's* Baker's Dozen, Orion Novotus provides businesses with recruitment process outsourcing (RPO), skilled talent acquisition, and military hiring solutions that result in measurable, lasting workforce improvements: better hires, shorter hiring cycles, lower costs and greater efficiency.

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Country	Population (millions)*	GDP (US \$Billions)**	1Q % Unemployment Rate***	Last Report	1Q 2018 Reported Unemployment Rate	Update Frequency	Last Updated
<b>NORTH AMERICA</b>							
US	325.72	20,494.05	3.80	3.90	4.00	Monthly	Apr-19
Canada	37.71	1,711.39	5.80	5.60	5.80	Monthly	Apr-19
<b>ASIA PACIFIC</b>							
China††	1,395.38	13,407.40	3.80	3.80	3.89	Quarterly	Apr-19
India†	1,283.60	2,716.75	6.71	7.02	5.04	Annually	Apr-19
Indonesia	261.90	1,074.97	5.34	5.34	5.13	Monthly	Apr-19
Bangladesh††	161.80	287.63	4.20	4.20	4.20	Annually	Apr-19
Japan††	126.71	4,971.93	2.30	2.40	2.50	Monthly	Apr-19
Philippines	104.90	330.85	5.20	5.10	5.30	Quarterly	Apr-19
Vietnam	95.50	241.27	2.17	2.19	2.19	Quarterly	Apr-19
Thailand	66.19	487.24	0.80	0.90	1.20	Monthly	Apr-19
South Korea	51.61	1,619.42	3.80	3.80	4.00	Monthly	Apr-19
Malaysia††	32.05	354.35	3.30	3.30	3.30	Monthly	Apr-19
Australia	24.70	1,418.28	5.00	5.00	5.50	Monthly	Apr-19
Taiwan	23.57	589.39	3.72	3.70	3.69	Monthly	Apr-19
Hong Kong	7.48	363.03	2.80	2.80	2.90	Monthly	Apr-19
Singapore††	5.64	361.11	2.20	2.20	2.00	Quarterly	Apr-19
<b>EMEA</b>							
Russia	146.90	1,630.66	4.70	4.80	5.00	Monthly	Apr-19
Egypt <sup>(5)</sup>	96.20	249.56	8.90	8.90	10.60	Quarterly	Apr-19
Germany <sup>(5)</sup>	82.85	4,000.39	3.10	3.30	3.50	Monthly	Apr-19
Turkey††	80.81	766.43	14.70	12.30	10.10	Monthly	Apr-19
France	67.19	2,775.25	8.80	8.80	9.20	Quarterly	Apr-19
United Kingdom††	66.19	2,828.64	3.90	4.00	4.20	Monthly	Apr-19
Italy††	60.48	2,072.20	10.70	10.30	10.90	Quarterly	Apr-19
South Africa††	57.73	368.14	27.10	27.10	26.70	Quarterly	Apr-19
Spain††	46.66	1,425.87	14.45	14.45	16.74	Quarterly	Apr-19
Poland	37.98	586.02	6.10	5.80	6.60	Monthly	Apr-19
Saudi Arabia††	33.41	782.48	6.00	6.00	6.10	Quarterly	Apr-19
Kazakhstan	17.92	170.54	4.80	4.90	4.90	Monthly	Apr-19
Netherlands	17.12	912.90	3.30	3.60	3.90	Monthly	Apr-19
Belgium††	11.41	533.15	5.70	5.50	6.10	Monthly	Apr-19
Greece††	10.74	219.10	18.50	18.50	20.20	Monthly	Apr-19
Portugal††	10.29	238.51	6.70	6.70	7.90	Quarterly	Apr-19
Sweden	10.12	551.14	7.10	6.00	6.50	Monthly	Apr-19
United Arab Emirates††	9.40	424.64	1.72	1.72	1.72	Annually	Apr-19
Israel††	8.97	369.84	4.10	4.30	3.60	Monthly	Apr-19
Austria	8.82	457.64	7.40	8.70	8.00	Monthly	Apr-19
Switzerland	8.48	703.75	2.50	2.70	2.90	Monthly	Apr-19
Denmark	5.78	350.87	3.70	3.80	4.10	Monthly	Apr-19
Finland††	5.51	275.32	7.40	5.40	8.80	Monthly	Apr-19
Norway††	5.30	434.94	3.90	3.80	3.90	Monthly	Apr-19
Ireland	4.84	372.70	5.40	5.30	5.80	Monthly	Apr-19
Kuwait††	4.10	141.05	2.06	2.08	2.06	Annually	Apr-19
Qatar††	2.64	192.45	0.10	0.10	0.10	Quarterly	Apr-19
<b>LATIN AMERICA</b>							
Brazil††	207.66	1,868.18	12.40	11.60	13.10	Monthly	Apr-19
Mexico	123.52	1,223.36	3.30	3.40	2.90	Monthly	Apr-19
Colombia††	49.29	333.11	11.80	9.70	9.40	Monthly	Apr-19
Argentina††	44.05	518.09	9.10	9.00	9.10	Quarterly	Apr-19
Peru	31.83	225.20	8.20	6.70	8.10	Monthly	Apr-19
Chile††	18.37	298.17	6.70	6.70	6.90	Monthly	Apr-19

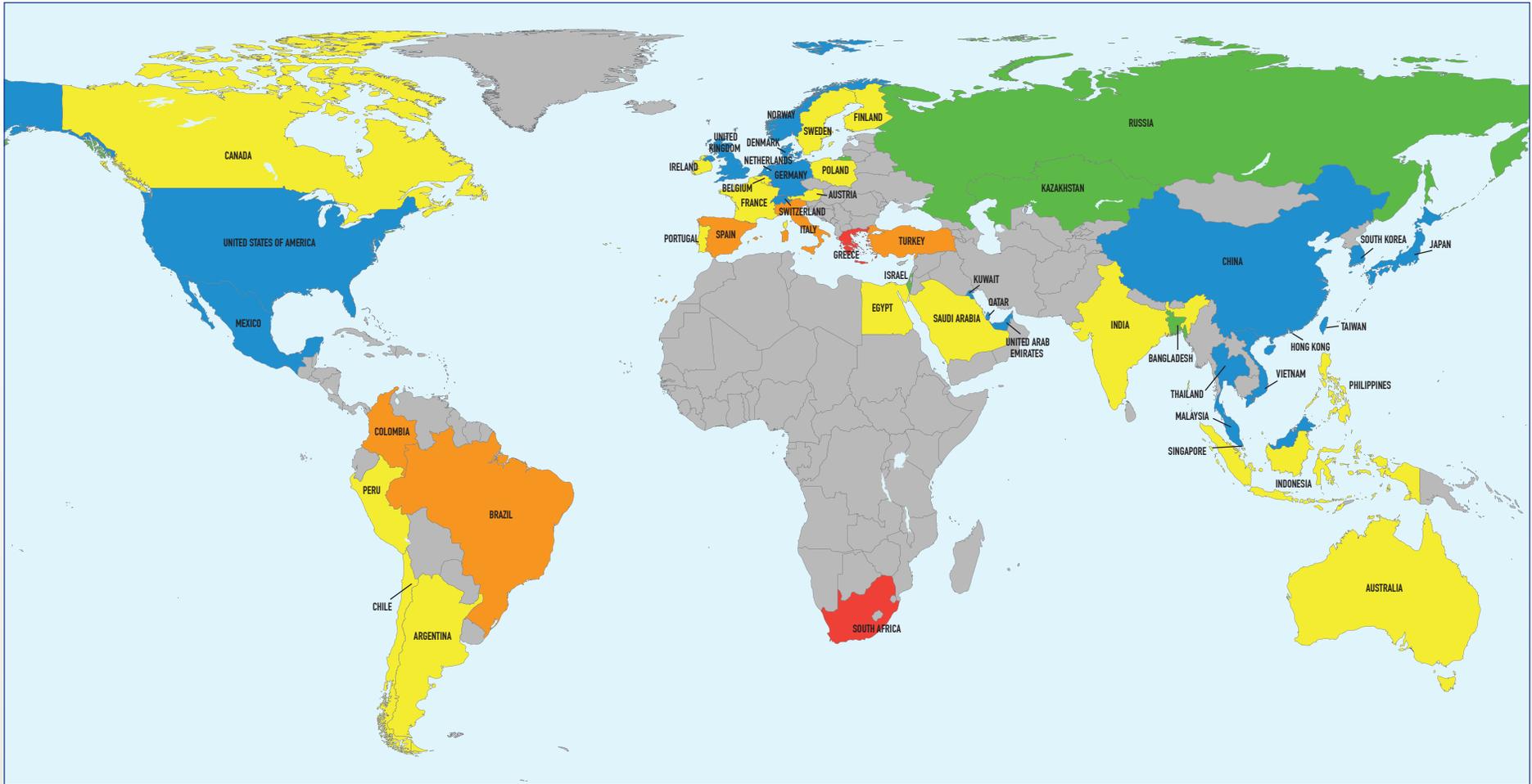
\* Source: Tradingeconomics.com, April 19th, 2019

\*\* Data from the International Monetary Fund, April 19th, 2019. Please note, some numbers may be estimates

\*\*\* Unemployment Statistics obtained from Tradingeconomics.com, April 2019

† Employment Statistics for India came from the Centre for Monitoring Indian Economy in April 2019

†† The unemployment rate obtained for this country is the most recent data available



Note: Only those countries included in the Worldwide Unemployment Snapshot in this report are shown.

■ (not included)