

# UNITED STATES

## The Sun Comes Out

After surging 5.6 percent in the fourth quarter of 2009, the U.S. GDP slowed its rate of growth to 3.2 percent in the first quarter of 2010. At the time, the significance of the surge in late 2009 was somewhat discounted as a temporary blip by many economists since it was so largely tied to businesses restocking dwindled supplies. The first quarter of 2010, in contrast, saw consumer spending grow by 3.6 percent, and more impressively, business investment in equipment and software grew by 13.4 percent.

"There can't be a more definitive indicator of a change in business sentiment than such a significant surge in business investment," says Tony McKinnon, president of MRINetwork. "Business investment goes hand-in-hand with headcount increases. From companies hiring staff to operate the new equipment or suppliers having to hire to meet the increased demand, investment creates jobs."

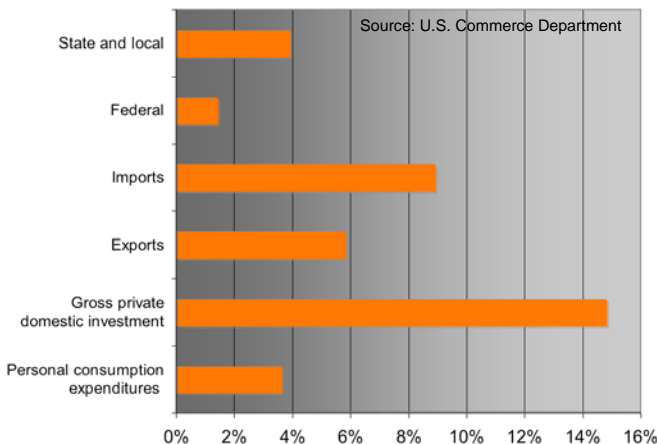
At a 3.2 percent annualized rate, the first quarter's GDP growth still exceeded the 2.8 percent average growth the U.S. has seen over the last 25 years. However, GDP growth immediately following a deep recession, like we've just seen, often reaches as high as 10 percent, a level the United States hasn't even begun to experience.

"We can't confuse strong signs of recovery with a strong recovery. There is hardly a sector of the economy that hasn't taken a beating," says Evan Davis, chief operating officer of MRINetwork. "Yet, we are seeing growing anecdotal evidence within our network that a recovery is taking form. For the first time in months, if not years, we are observing an increase in candidates with secure jobs who are willing to consider new opportunities."

A continually growing issue for both recruiters and employers in the last few years has been getting top candidates to accept a position that would require relocation. Between mounting unemployment and a falling real estate market, changing jobs wasn't worth it.

"At last though, candidates are displaying optimism both by

### U.S. GDP Growth 1st Quarter 2010



### Recent MRINetwork® Analysis

"Historically, job hopping or taking steps back in your career are often looked down upon. However, with that being said, we are coming out of an unprecedented recession not seen since the Great Depression," said Jason Breault, managing director of TopGrading Solutions, an MRINetwork office in Westport, Mass. "Employers will look back at 2008-2010 and understand there were a lot of instances where people needed to do what was required to make ends meet."

Jason Breault, TopGrading Solutions  
As quoted on MSNBC.com, April 26, 2010

### Notable International Events

- A €110 billion rescue package has been approved to aid Greece in covering its debt obligations. Additionally, the European Central Bank has modified its lending practices to allow "junk" rated Greek bonds to be accepted as collateral after the country agreed to both spending cuts and tax hikes. Both actions signal a resolution of current worries about an immediate Greek default.
- The People's Republic of China has indicated a willingness to allow its yuan currency's value to float, potentially letting it become stronger against the U.S. dollar as the country's economy continues to grow. Such a move would make Chinese goods more expensive in the United States and Europe, while decreasing the cost of imports in China.

taking the time to consider opportunities and by actually accepting offers that require a move," notes Davis. "What's more reassuring is that once candidates accept these positions, potential issues like selling a house or getting financing for a new one have potential issues like selling a house or getting financing for a new one is becoming easier."

As both candidates and employers receive more positive economic signals, and their confidence grows, one of the most helpful boosts to the economy may seem the most trivial.

"Summer weather," says McKinnon. "It's irrelevant to the fundamentals of the economy, but after a literally and figuratively dark and gloomy winter, having the sun come out will uplift America's collective spirit, which traditionally leads to increased spending and overall confidence."

In March, U.S. consumer spending increased by .5 percent, raising it past its pre-recession peak.

## GERMANY

### Europe's Largest Economy on the Rebound

Faced with a staggering economy in recent years, the German people, already known for being responsible with money, looked to tighten their belts and save more. Trying to stretch their euros further, Germans purchased store brands in increasing quantities and retailers responded in kind by increasing their private label offerings.

The reduction in market share for name brand consumer goods and food products was substantial and companies responded by trimming their workforce as quickly as German law would allow. Across the country, companies reduced their workforce and unemployment in urban areas rose into the double digits.

Then around the New Year, things started to turn around.

"Companies started hiring again, people started spending, and companies had to hire even more," says Robert Weichsberger, a partner in MPW Executive Search, an MRINetwork office in München. "A year ago, there was clearly a shortage of jobs and most of our efforts were to find positions for our candidates. Today the tables have turned, fewer candidates are reaching out to us, and it has become a candidates' market once again."

Tellingly, one of the only types of retailers that seem to be having a hard time expanding, notes Weichsberger, are discount stores. After GDP shrunk by 5 percent in 2009, it is on track to increase by 1.4 percent in 2010.

"Optimism in Germany right now is strong. Both consumers and businesses are relatively confident and are showing it in their actions," notes Weichsberger.

Germany has the largest economy in Europe and the third largest in the world. The country is also the world's second largest exporter, only behind China, causing the nation to be deeply reliant on both the economy of Europe and the rest of the world for continued growth.

"If there is a dark cloud on the horizon for the German economy, it is the pending sovereign debt crisis in Portugal, Spain and Greece," says Weichsberger. "While confidence is growing about Germany's domestic economy, there is still a populist concern about the broader prospects for both the EU economy and the value of the euro."

Conversely, while Germans are concerned about the economy of these other countries, they also remain wary about lending money or even guaranteeing the debt of other EU nations. While Chancellor Angela Merkel's Cabinet eventually agreed to contribute €22.4 billion over three years to the Greek bailout, it was met by vocal objections.

"We certainly see an uptick in business and a corresponding increase in hiring, but we are cognizant that growth won't continue in Germany if it doesn't exist outside of Germany as well," continues Weichsberger. "While we relish what currently feels like the strong emergence from recession, we recognize how quickly circumstances could change again."

## KANSAS

### We Are Still in Kansas, and Better For It

You can't get much more middle of the country than Kansas. The state is situated a little over 1,200 miles from Los Angeles and about the same from New York City. The top employers are a diverse group, ranging from Sprint/Nextel to Cessna Aircraft, to Farmers Insurance and Coleman sporting goods.

"The diversity of major companies has been a ballast for the Kansas economy. While it may have prevented the state from ever having any really boom years, the impact of recessions has always been muted as well," says Brian Howard of The Howard Group, an MRINetwork office in Overland Park.

In April though, the state was surprised when tax receipts fell short of expectations. With a \$5 billion state budget, Kansas now faces a nearly \$500 million annual shortfall. In an appeal to citizens, Governor Mark Parkinson called for—and was supported by a State Senate committee—an increase of 1 percent in the sales tax rate to close the budget gap.

The governor explained the tax increase as necessary to prevent cutting programs, like education, which would undermine long-term economic prospects. While the shortfall the state is now experiencing is dramatic—in the range of 10 percent—it's occurring at the tail end of the recession, and in contrast to other states, the deficit has not compounded during the downturn. The proposed sales tax increase is planned to expire within three years.

"While unemployed workers are feeling very frustrated, in general the state is seeing the emergence of cautious optimism," says Howard. "Hiring may have been frozen for many employers in 2009, but now they are searching to fill vacant positions."

In their hiring, employers are still being cautious, conducting exhaustive searches and vetting candidates against more specific and stringent requirements than ever before.

Total unemployment in Kansas normally floats either below the national average or at worst equal to it. In March, unemployment reached 6.9 percent after topping out at 7.9 percent last summer.

"We don't have the same population concentration as you see on the coasts, so bubbles never seem to have the chance to form in Kansas. Prices fluctuate, but not as substantially as we see elsewhere," says Howard.

The best example of this can be seen in the average home sale prices. Since their peak, average sale prices in New York have fallen by 8 percent and in California they've fallen by more than 30 percent. In Kansas by contrast, they only dropped 2 percent.

"A lot of businesses that locate to Kansas, specifically professional services, are taking advantage of that stability," continues Howard. "More consistent operating costs and more reasonable real estate prices allow for better long-term planning, more realistic budgeting and greater long-term success."