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UNITED STATES

Economic Outlook is Modest, with a Chance for Surprise

In the final moments of trading on the final trading day of the year, the S&P 500 dipped .04 points into the negative for the year, or -0.0032 percent. In many ways it seemed like a fitting conclusion. The questions and concerns that investors, consumers, employers and employees faced in the United States and abroad over the last year have been both foundational and astronomical in their scope, with many left unresolved.

In Europe, a growing chorus of critics has brought into question the future of the world's largest currencies. In Asia, countries with a massive slice of the world's global population have started to remove the term "emerging" from their economies' status. Many Latin American countries, for the first time in modern economics, seem to have survived a crippling global downturn with successful monetary policy. In the United States, we saw a credit rating agency report that America's debt, for the first time in more than 70 years, was not without risk and economists began to build economic models for how the global economy might function without the U.S. at the top of the pile.

"For the last few years, we've gotten to December, looked back and had to admit it wasn't as good a year as we were hoping it would be. Now, no one wants to risk being too positive about 2012 and what it could mean for the economy and jobs," notes Rob Romaine, president of **MRI**Network. "At the same time, there is enough information to at least say, 'this is one that could surprise us.'"

A recent survey by the Conference Board said consumer confidence rose from 55.2 to 64.5 points between November and December, while its Expectations Index rose from 66.4 to 76.4 points. The Conference Board also cautioned against optimism while reporting a 1.28 percent increase in its Employment Trends Index from 102.42 to 103.7.

"In the management and executive ranks, we've seen an increase over the last six months of employers seeking to back-fill positions vacated because of resignations, showing an improvement in the portability of talent in the labor market," says Romaine. "Employees are finding and accepting new jobs, and their former employers are discovering they can't leave those positions open."

Top employed candidates sticking their proverbial foot into the labor market have added to the pool of available talent over the last half of the year. The demand for candidates has also increased, with the number of job postings calling for a bachelor's degree having risen by nearly 20 percent in the last year. Many employers' processes for screening and interviewing mid- and senior-level candidates has continued to elongate and the amount of time top candidates remain on the market has actually shrunk, while multiple offers have increased in frequency.

"There aren't any large single events on the calendar in 2012 that are going to take up the slack in the labor market, and we have no reason to expect that issues hanging over the global economy are going to come to an immediate or even a positive resolution," says Romaine. "At the same time, there is a pretty solid foundation of reasons to suspect that the economy will maintain a modest pace of growth and that total employment will continue to slowly improve. And, there's even a chance that the economy could do better than we expect."

*Recent **MRI**Network® Analysis*

Relocation can be costly, and most companies are more reluctant to pick up the tab these days than they have been in past years, Noble said.

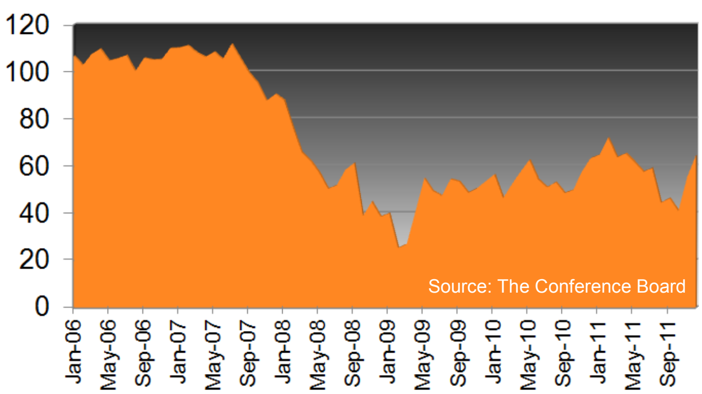
"In bygone days, companies would buy your house and do stuff like that to help you relocate, but that's very rare anymore," he said. "It's a lot easier for somebody to relocate if they rent and are single ... as opposed to somebody who has a $300,000 house that they have to sell and two kids in high school."

Jeff Noble, Management Recruiters of Dayton
As quoted in the Dayton Daily News
December 16, 2011

Notable International Events

- In November, a rising unemployment rate in Australia began to decelerate while its manufacturing index in December showed expansion for the first time in six months. While the country never entered recession, the last half of 2011 saw a substantial slow down.
- German unemployment has managed to continue to fall for more than two and a half years, reaching 5.5 percent in October. It is one of the few bright spots in the EU labor market where total unemployment has risen to 9.8 in October, its highest point since the global downturn began.

Consumer Confidence Index
(1985=100)



MIDDLE EAST & NORTH AFRICA

A Year After the Arab Spring

January 2011 saw the beginning of an unprecedented wave of uprisings throughout North Africa and the Middle East, resulting in the ouster of the governments of Tunisia, Libya, and Egypt and significant government changes in at least a half-dozen other nations. A year later, with the exception of protests against the interim military government in Egypt and the Assad government in Syria, much of the dust has settled.

The short-term economic impact on the region though, as expected, hasn't been positive. Tourism revenue, which in 2010 was the second-largest source of foreign exchange earnings for Egypt has seen steep declines, as have other countries in the region. Tourism is important not only because it brings fresh currency into the economy, but also because its labor-intensive nature requires a certain level of employment. Foreign investment, too, has been impacted, as investors remain leery of the interim governments.

In the past decade, many of the region's non-oil-exporting countries have actually been experiencing modest GDP growth, averaging between 3 and 4 percent per year. It may be another year until foreign investment and tourist dollars return to previous levels, allowing these countries to see the same growth.

Economists estimate that as many as 48 million jobs will need to be created over the next 10 years to help reduce an unemployment rate in the region topping 10 percent and a youth unemployment rate of 24 percent.

Many of the changes that have come about because of the Arab Spring, however, are likely to help make that possible. The increased transparency and social and economic reforms the protests spurred will make many of the non-oil-producing countries more attractive for foreign investment in the private sector –if stability returns. In fact, many of the non-oil-producing nations in North Africa and the Middle East are among the least internationally-connected economies in the world.

The Arab Spring was caused in large part by rising unemployment, which itself was brought about by the plummeting price of oil in early 2009. As the price of oil fell from over $100 a barrel to as low as $37 a barrel on January 16, 2009, construction projects throughout the oil-producing states, especially in the UAE, were put on hold. Those projects employed mostly laborers from North African countries like Egypt and Tunisia whose visas were revoked after their employment ended.

Today, the price of oil has returned back above $100 a barrel and construction projects are revived, and with them, both labor and professional jobs are back on the rise. As those jobs return, they will help to provide a short-term boost to employment while their economies begin to cultivate more robust domestic opportunities that will provide for longer-term stability.

WASHINGTON, D.C.

Region Likely to be Unscathed by Federal Budget Cuts

The Washington, D.C. area is home to nearly 15 percent of the federal government's workforce. So as the talk on Capitol Hill and in the presidential primary continues to focus on debt and deficit reduction, there should be no region more concerned than the metro area. In fact, as much as one-third of the region works directly for the federal government and its contractors, with most of the remaining two-thirds almost all indirectly employed because of the existence of the federal government.

"Among contractors in the defense industry there is understandably a great deal of concern since many of those cuts have not yet been formalized," says Eric Beebe, president of Management Recruiters of Gaithersburg in Maryland. "But outside of those, the contractor community is actually rather confident going into 2012. The types of services they perform for government agencies—ranging from network engineering to custodial services—can't be cut and those services are expected to stay at a similar level throughout the next year."

Because of the sequestration provisions of the Congressional compromise over the debt ceiling in August 2011, the Department of Defense will be cutting nearly a half-trillion dollars from its 10-year budget. The exact cuts have not been announced, though they are expected to be made public in late January. The same sequestration provision is requiring that more than another half-trillion dollars be cut from the remainder of the federal budget over the next 10 years.

Beebe says, "The majority of cuts are unlikely to come from either federal employees or contractors in the D.C. area. The agencies are more likely to cut or consolidate services from across the country rather than substantially reduce their district-based operations."

The U.S. Postal Service, which has been under pressure to reduce its $75 billion annual budget, is proposing to do just that. In plans released last month, the USPS will close 487 postal processing facilities and 3,700 of the 32,000 post offices across the United States.

"Spending cuts may even be a boon to contractors as agencies cut back on having a physical presence in smaller communities, possibly relying instead on contractors to provide the on-the-ground delivery of services in those areas," notes Beebe.

At 10.6 percent, unemployment in the District of Columbia is well above the nation's 8.6 percent rate. Yet, the District's two neighboring states, Maryland and Virginia, which are home to many government employees, contractors, and agencies, both hold unemployment rates well below the national average, at 6.9 and 6.2 percent, respectively.

No matter how much federal government spending may vary, notes Beebe, the one event that seems to substantially impact the district area economy is when the White House changes parties.

"When the presidency changes parties—Democrat or Republican—all the priorities change. As those new plans are being drawn up, spending in the district slows for about a year as the budgets get sorted out," says Beebe. "And whether or not that will affect the region in 2013 won't be known until November 6."