



**BurdenDare**  
Putting experience to work

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## **“NOT NOW” DARLING!**

*Is the economy turning the corner or isn't it?*

We hear from Mervyn King that we are on the way back with growth predicted to be 4% in 2011 the Chancellor in his pre-budget announcement reckons between 3.25% and 3.75%; good news for 2011 but what does that mean in the jobs market for 2010?

It does not mean that the number of job opportunities will increase any time soon; the jobless total increased again by 30,000 to just under 2.5m in the quarter to September, thankfully by less than previous quarters but none the less an increase. The Chancellor believes now that the jobless total will not get to 3m which is good but is this political optimism?

The Private Equity community are busy concerning themselves about the mountain of debt they loaded into their investments earlier this millennium that needs refinancing next year at what will be a significantly higher price than they are paying at the moment.

The consequences of this on the viability of those businesses and the effect this will have on employment are yet to be seen. The breakdown of the jobs market is interesting, there are still 29million employed and earning money but there are more people economically inactive than ever before at 8million. The number of 16 to 24 year olds is at a record high of 943,000.

The bad news is that these 29million people are not spending money at the rate they were due to a high level of uncertainty in the economy, the savings ratio has gone up as well which is not necessarily a bad thing. The high proportion of young people out of work, though depressing, means that they are probably still at home and not depressing other statistics, however this does put a further drain on Mum and Dad. A high proportion of the job losses to date are part time which will pick up again when Tesco's, Asda and other food retailers expand on the back of benefiting from the downturn. Tesco has recently announced their intention to create another 11,000 jobs next year and Sainsbury's 10,000 jobs over the next couple of years.

Small businesses that are basically sound but suffering from a drop in sales on the back of high fixed costs have seen their profits squeezed but thanks to the huge cut in interest costs they are still managing not to breach covenants. This is good news so long as the Bank of England keeps it this way and every six months that these businesses survive the better the economy gets which helps the banks in not having to write off the loans and helps them back to profitability which encourages more



lending etc...etc... However they will not be taking on more labour in the short term. The climb back will be slow and with the Public Sector deficit in the stratosphere it will take 5 years to get it back to acceptable levels and will involve belt tightening. Too much tightening though could set us back so how much will the next government, of either colour, be willing to do?

The Chancellor has just given us a hint of this in his pre-budget report. He will hold back the big cuts in Public Sector jobs until after the election as well as further tax rises and with the Conservatives sabre rattling even more we can rest assured that they are coming down the tracks post election whichever party is in power.

The likeliest and easiest casualties will be “consultants” hired on the public purse as the new sport of “Public Sector Bonus Bashing” gathers momentum.

The global economic bounce back led by the emerging markets could help offset this public sector dampener though with the low pound helping exporters and, despite the sabre rattling, the continuing positioning of London as the Financial Centre of choice due to the expertise still resident in the UK, the surprising resilience of £ Sterling, English as the business language of choice and not least the time zone benefits it holds to enable us to trade round the world in a day. Thank goodness for the Greenwich Meridian!

Retail sales will be down year on year for the first time since 1989, but because of the failure of some of the non-food toy and leisure goods businesses this year such as Woolworths this could mean a bumper harvest for those left standing. John Lewis are clear winners in the run up to Christmas and there is a rumour that M&S might also be in the running for a good showing as well.

China and India are powering ahead with China set to be the biggest economy in the world by 2014. Good for the UK economy? Once again we will see.

At Burden Dare we think that, more by luck than judgement, the economy is not in as bad a shape as some predicted, OK we are still lagging all other economies and not leading them as predicted by Mr Brown, but there are some positive signs as well as global economic factors that lead us to believe things will start to improve next year and definitely by 2011, but the permanent jobs market will probably remain in the doldrums for a little while yet.

So what about Interim Management opportunities?

We are seeing an upturn in interest since October, there seems to have been a mood change since the summer with people back at their desks and trying to make things happen; indeed some things, like merging Banks, *has* to happen. Yes, it is still slow as we run up to Christmas but we are optimistic that, as in previous recessions, businesses will look to interim positions before making a permanent commitment as they start to grow again. Indeed, never will it be truer that companies plotting to navigate the stormy seas ahead will be looking to safe hands and, surely, **Putting Experience to Work.**