



BurdenDare
Putting experience to work

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ARE YOU A **U** OR ARE YOU A **W**?

The world seems to be split into the **U**'s and the **W**'s.

In a recent survey Burden Dare found that the business community is split about equally on whether the latest round of world economic news represented a genuine **U**pturn in the economy or an artificial bounce that will fall a**W**ay again into another downturn.

The **U**'s believe the world has pulled through the worst of the recession and, barring a minor hiccup or two, we are now on a path to growth, albeit a slow one to start with.

The **W**'s believe that the recent round of good news on growth from the likes of France, Germany, and Japan coupled with favourable indicators from the USA and the UK only represent the temporary benefits of the unprecedented injection of spending from the world's Governments which when not matched by the continued spending from the private sectors will lead to a new downturn in the economy.

So where is the UK in this economic cycle and should we be thinking like **U**'s or **W**'s? Is the latest round of economic news a bit like the Curate's egg?

And if so does it conform to the original meaning as depicted in George Du Maurier's Punch cartoon of 1895, that is, because the egg is bad in parts then the whole egg must be by definition rotten or are we to adopt the contemporary view that it is good in parts.

Unemployment seems to be the big worry around the world with most economists agreeing that the official figures are only the tip of the iceberg. In Japan some commentators argue that due to cultural influences, where the concept of losing face restricts companies and individuals from admitting to the actual rate of unemployment, official estimates represent only half of the true level and as a result growth will have to go some to soak up this slack before it affects the real level of unemployment.

In the UK the recession has hit all levels of the pay scale with a significant number of well paid jobs in the Financial and Banking sector being the first to go. These latter casualties of the recession are in the fortunate position of having contracts that give them a cushion for between 3 and 12 months before the money runs out and even then they may have savings that they draw on for a time. This means that they are technically not earning but have not signed on and therefore the headline unemployment figures are artificially low.

The impact of this will as in the Japanese example above have a dampening effect on the recovery beyond what is being admitted in the published statistics.



The optimists may point to the level of savings and debt reduction going on in the UK which some say is not a bad thing given that one of the causes of the current recession was too much credit fuelled by the housing boom.

The banks are re capitalising to exit the harsh terms of the Government bailout and get control back all of which could happen this calendar year and watch this space for some spectacular returns to profit of the these banks in the second half.

Retail sales are showing resilience above what some would have predicted and the housing market has not crashed to levels some were forecasting.

What we need is a change of mood.

It is an amazing fact that the mood of the people can change the world.

So let the U's have it and let's see what happens.

If you are in the **U** camp you may now be focusing on growth opportunities, new products, new markets and expanding your business. So, if you are a **U**, why don't you call Gavan on 020 7260 0001 to find out more about how we can help?

If you are in the **W** camp then you will still be focused on the core business, minimising costs and streamlining the workforce. If you are a **W**, why don't you call Gary on 020 7260 0002 to find out more about how we can help?

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