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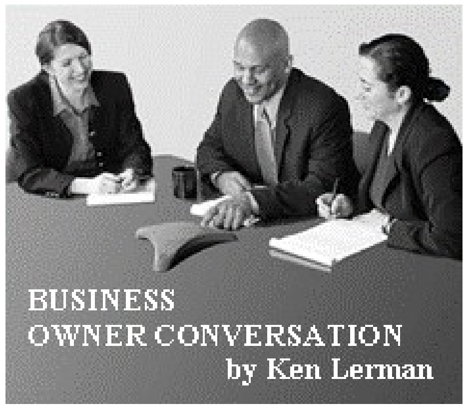
Y a "W" Recovery



Eighteen months ago I began forecasting and writing of an extended "W" Recovery. You're in the distinct minority if you believe that this business and economic recovery will resemble any U.S. recovery over the past fifty years – it simply cannot and won't!

An "up and down extended W" will remain a vacillating economic model for years to come. Fragile economies are more susceptible to man made and natural disasters i.e. volcanic ash, oil spills, Euro markets, Greece, North/South Korea, earthquakes, etc. Reorganizing national/political governments and emerging social reclassifications will certainly add to the economic unsteadiness.

The past five years of economic, political and social change more likely represents the beginning of an historic economic and social upheaval – a leveling of the "playing field" swiftly and steadfastly underway. A new/old economic worldwide reorder and reprioritizing has begun – among and within nations, market categories, segments and niches and among personal lifestyles and choices.

While the U.S. world position will remain significant, its role, position and influence is quickly diminishing as newly strengthening nations seek the advice and friendship of others.

The U.S. economy is becoming more fragile as we seek either a restructuring or a reinforcement of our national institutions in government (ideology and party realignment), business (bailouts and regulation), education (college?), family (marriage?) and jobs – jobs, jobs, jobs.

In U.S. recessions during the past 50 years, the first industries and regions to undergo economic disruptions – the first and hardest hit – were the first to recover. Those recoveries were typically "U" shaped.

This disruption, recession and recovery – however it is termed – will not model the past. In this recovery the last and the least hit (business categories and regions) will be the first to recover. Those hit first and hardest may not recover at all – if they do recover, they will be significantly weakened.

<u>Structural Unemployment</u>

Lengthier, perhaps continuous, periods of "Structural Unemployment" will also impact unsteady national economies and their social and investment policies. Defined as unemployment resulting from a mismatch between highly skilled workers in a market with a lowered demand for their talent. They might lack the skill sets required for the new jobs that are evolving – or may not live where those jobs are available.

Catherine Rampell, Economic Editor, *New York Times*, May 13, 2010: "Their skill sets don't match what employers want (highly specialized auto workers but the local job openings are in health care). Causes of structural unemployment are the three Ts: Trade, Technology and Tastes (changing consumer choices).

A perfect economic storm?

This "economic restructuring" contemplated and talked about over many years became evident as I just completed an intense U.S. one-on-one interview process for a client among owners, officers and maintenance directors throughout the northeast, southeast, midwest and central California. Each U.S. region and category had its difference.

Northeast workers and managers were a bit vocal, disappointed and angry over the loss of jobs, eroding business and overseas market opportunities, while the heated acquisition frenzy of U.S. assets by foreign-based investors continues.

In the southeast and midwest, their disappointment was evident but they remain grateful for what they had, what they have and are remaining hopeful for a brighter tomorrow.

The Charleston, SC port expansions and its surrounding infrastructure development along with deployment of a new large Boeing asset pairs nicely with Greenville's regained economic momentum.

In Central California, resiliency to economic disruption and an evident positive attitude toward new business opportunity and quality of life was consistently expressed among all age groups and industries. Possible explanations for their positive mindset might include the shorter development of 150 years vs. the east coast development of 350 years and consistent strong growth within California's efficient technology segments.

Many call California "the twisted state," often citing their economic constraints of large over-active governments, politics and concerns over water supply. Further, many claim the west coast resiliency to natural and man made disruption, government interference and over-regulation has been "earned and learned" over the past 50 years – "We're used to it!" Personally I believe it's the weather they live in.

I am for business,

Ken Lerman

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