



## **Economy 2011: Signs Point to Slow Improvement**

By Richard Davies, December 27, 2011

In the closing days of 2011, reports on consumer confidence, job creation, manufacturing, and yes even housing, appeared to show cautious signs of improvement. But for many casualties of the recession the suffering is far from over.

At employment fairs across the country the lines of job seekers were long while full-time opportunities remained scarce. Long-term unemployment is still close to record high levels. "People who are getting jobs tend to be people who haven't been unemployed for very long," says economist Diane Swonk at Mesirov Financial in Chicago. Many employers who advertise jobs won't even interview someone who has been out work for more than a few weeks.

In Nevada, the state with the highest jobless rate – 13 percent – former lab worker Marcelle Updike has been out of a job for months. "It's very tough, especially if you're over 50," she says. "I'm willing to wash toilets, clean beds, whatever it takes."

Her job search in Las Vegas is relentless. "I look in the paper. I look at signs outside on walls. I walk about eight or nine miles twice a week looking for work because I don't have a car, but then I miss a lot when I go on a bus."

She struggles to feed her family. Updike's adult son is also out of work. "We can go like two days out of the week just eating cereal so we can make it."

While weekly unemployment claims dropped sharply in December and the unemployment rate fell to 8.6 percent, some of the decline was due to people dropping out of the labor market. "The share of the US population working is lower today that at the deepest point of the 2008-9 recession," says professor Lawrence Katz of Harvard University.

A perceived sense of economic injustice fueled street protests. Chants of "we are the 99%" by the Occupy Wall Street protesters put the issue firmly on the national agenda.

Street demonstrations, encampments and rallies sprang up in many cities in the fall as the movement complained about the power of the wealthy and their growing share of the economic pie.

In a year of economic discontent there was also anger on the streets of Europe. Police in Athens fired tear gas at Greek protestors furious about the austerity measures imposed by the government. Pensions and other benefits are being slashed taxes raised to cut deficits. Retailers in Greece saw their holiday sales drop by as much as 30 percent as a deep recession set in.

Europe's financial crisis grew during 2011, and is still regarded as the most important threat to the fragile US recovery. "If you have this degree of volatility in Europe we will be here in the United States among the first to feel it," says Jacob Kirkegaard of the Peterson Center for International Economics. "Europe is still 25-30 percent of the global economy."

We're all in this together, he says. "Europe is by far our biggest partner. It's where most of our exports go."

Economist Swank agrees: "If Europe goes down we're all just interconnected — 2008 taught us that and we're not an island." Worries about Europe had a major impact on the stock market, and while the major averages for the year are ending with little change in value, volatility in share prices rose sharply in the latter half of 2012.

Inflation went up more than average incomes this year, putting a squeeze on most households. But despite this American consumers worked hard to pare down their debt, with credit card late payments hitting a multiyear low in November. Despite threats to the economy from Europe, slower growth in China, and political gridlock in Washington, there were other hopeful signs.

"All the important indicators are going up. No question," says Brian Hamilton, CEO of the business information firm Sageworks. In surveys of privately owned companies, as well as large corporations quoted on stock exchanges, profits and revenues are rising.

For most businesses, says Hamilton, "things are favorable if you look at the data very objectively." Even with the depressed housing market "that drag is nowhere as significant as it was a year ago or two years ago".

For the full story featuring Sageworks' CEO Brian Hamilton, please visit [ABC News - Economy 2011: Signs Point to Slow Improvement](#).