Manpower Europe Economic Insight

Issue 1. Vol 2. January 2011

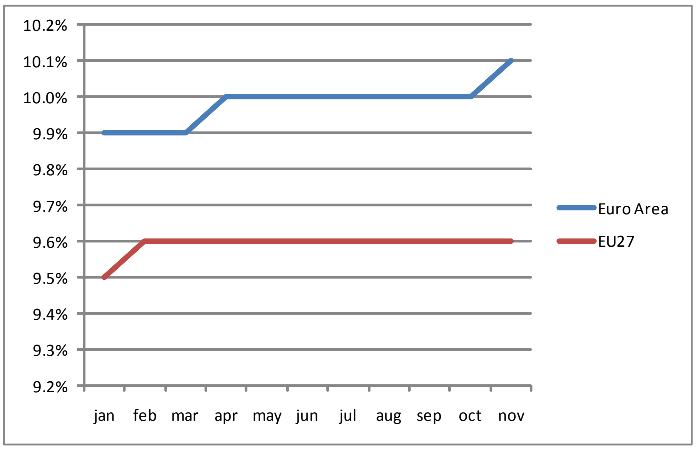
Manpower

Europe Macro Economic Insight

Recovery in the global economy is proceeding in the second half of 2010, with positive signals from the most recent short term indicators, even in the presence of high uncertainty. After the severe decline in global growth between the end of 2008 and the beginning of 2009, the positive conditions have gradually spread from emerging markets to advanced economies since mid-2009. The effects due to the expansive fiscal and monetary policies and the positive inventory cycle have been gradually moderated. In the second part of 2010 signals of growth coming from several emerging countries are still pronounced but have slowed especially in Asia; by contrast major advanced economies proceed at a more moderate pace, being involved in budgetary restraint. Inflationary pressures remain rather contained, but there are signs of a recovery of commodity prices.

In the second half of 2010 most relevant statistical indicators show an expansion of global economic activity at a pace slower than in the first six months. However, in most of the markets the signals are still higher than one year ago. At present all the signs of moderation depend on several factors of uncertainty in the recovery: the negative developments in the labour market, the process of adjustment of balance sheets, a general underestimation of the impact of the crisis on the real economy, and an increase in manufacturing input prices. http://tinyurl.com/6jekxxl

Euro Area unemployment at 10.1% and 9.6% in the EU27
The Euro Area seasonally-adjusted unemployment rate was 10.1% in November 2010, unchanged compared with October. It was 9.9% in November 2009. The EU27 unemployment rate was 9.6% in November 2010, unchanged compared with October. It was 9.4% in November 2009.



Euro Area and EU27 unemployment rates Jan 2010 - Nov 2010

Estimates indicate that 23.25m people in the EU27, of whom 15.924m were in the Euro Area, were unemployed in November 2010. Compared with October, the number of persons unemployed decreased by 35,000 in the EU27 and by 39,000 in the Euro Area. Compared with November 2009, unemployment rose by 606,000 in the EU27 and by 347,000 in the Euro Area. Among the Member States, the lowest unemployment rates were recorded in the Netherlands (4.4%), Luxembourg (4.8%) and Austria (5.1%), and the highest in Spain (20.6%), Lithuania (18.3% in the third quarter of 2010) and Latvia (18.2% in the third quarter of 2010). Compared with a year ago, the unemployment rate fell in six Member States, remained stable in three and increased in eighteen.

Industrial new orders up by 2.1% in Euro Area and up by 1.6% in EU27
In November 2010 compared with October 2010, the Euro Area industrial new orders index rose by 2.1%. In October the index grew by 1.4%. In the EU27, new orders increased by 1.6% in November 2010, after a rise of 0.4% in October. Excluding ships, railway & aerospace equipment, industrial new orders increased by 2.1% in the Euro Area and by 1.9% in the EU27. In November 2010 compared with November 2009, industrial new orders grew by 19.9% in the Euro Area and by 18.9% in the EU27. Total industry excluding ships, railway & aerospace equipment rose by 19.6% and 19.4% respectively.

EU27 current account deficit €19.7bn
According to the latest available data, the EU27 external current account recorded a deficit of €19.7bn in the third quarter of 2010, compared with a deficit of €26.1bn in the Q3 2009 and a deficit of €34.9bn in the Q2 2010. Estimates show a €21.1bn surplus on trade in services mainly due as the result of surpluses in "other business services", which includes miscellaneous business, professional and technical services (€9.1bn), financial services (€6.7bn) and transportation (€5.6bn).

Volume of retail trade falls
In November 2010, compared with October 2010, the volume of retail trade fell by 0.4% across the EU27. In November 2010, compared with November 2009, the retail sales index rose by 0.8%.

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Insight on Twitter
February 1st will see the launch of the Economic Insight newsletter on the ever popular microblogging website Twitter. **Twitter.com/ManpowerInsight will host all the latest news on the European jobs economy.**

Estonia joins euro party
Following the approval by the EU Ministers of Finance on 13th July 2010, the euro became legal tender in Estonia from 1st January 2011. All Estonian kroon balances were converted into Euro's automatically at a rate of €1 = EEK 15.6466. A dual currency circulation arrangement ran until 14th January and as of 15th January only euro banknotes and coins are accepted as cash payments.

Serbian loans from European Investment Bank
The European Investment Bank has agreed to lend a total package of €325m to support a number of infrastructure projects in Serbia. Two main projects, the building of a new 40km highway and the development of access roads to the new Sava Bridge in the Serbian capital have received the majority of the funding.

Worries over Swiss currency value.
The Swiss National Bank says the strength of the country's Franc threatens economic growth, as it reaches record levels against other major currencies. In the past 12 months the Swiss Franc has risen in value by 16% against the Euro and 10% against the US dollar. With 60% of Swiss exports going to the European Union, Swiss manufacturers are worried that the Swiss export market and also the tourist industry will be adversely affected by the safe harbour currency.

IAG launches after BA-Iberia merger.
British Airways and Iberia have now formerly launched the International Airlines Group. Europe's second biggest airline group by value behind Lufthansa, is seen as a major player with regards to further industry consolidation and expansion and is well-placed to be able to gain from any global economic recovery. IAG which has a market capitalisation of £5.3bn and is traded in both London and Madrid is looking to have operating savings of €400m within five years. The two key drivers for expansion are the ever improving macro-economic environment as well as new capacity growth. In September last year IAG signed a north Atlantic code share agreement with American Airlines and further deals are expected in the near future, especially in relation to Asian and Chinese carriers.

Ericsson sees growth via smart phone technology
Ericsson has posted a robust set of quarterly results on the back of continued growing consumer demand for smart phones, as mobile operators bought more network equipment to cope with ever increasing data traffic volumns. Sales at the Swedish telecoms giant grew 8% to $9.6bn. Net profits in Q4 were 4.3bn kronor against 725m kronor for the same quarter last year.

Siemens' profits beat forecasts with 17% rise
Strong demand from emerging economies has helped Siemens beat analysts' forecasts in its latest earning release. The German engineering group announced profits from its continuing operations rose 17% to €1.79bn whilst revenues for the period, between October and December, were up 12% to €19.49bn. Siemens order book from the BRIC and emerging markets rose by 31% and accounted for one-third of Siemens' total orders for the quarter.

Airbus increases plane orders in 2010.
Airbus announced that during 2010 a total of 644 new orders were placed, worth an estimated $84bn at full list price. By comparison Boeing had 625 new plane orders. However both plane-makers saw their order book double from 2009, as increasing confidence returned to the aviation sector. Airbus also announced that deliveries were up 12% on 2009 with a total of 510 new planes delivered for the year. In 2011 Airbus is looking to increase deliveries by an additional 5-6%. By contrast Boeing announced a delivery rate of 462 planes, down by 4% from 2009.

BP undertakes JV with Rosneft.
BP has signed a joint venture with the Russian energy firm Rosneft to exploit upwards of five billion tonnes of oil and 10 trillion cubic metres of gas in Russia's Arctic shelf. The "strategic global alliance" will see the firms exchange expertise in exploring the region. Rosneft will take 5% of BP's shares in exchange for approximately 9.5% of Rosneft's shares. Bob Dudley, the new CEO of BP said that the historic deal had "great potential but that it will need alot of environmental care".

Sanofi-Aventis & Genzyme merger.
Sanofi-Aventis the French pharmaceuticals giant has extended its $18.5bn tender offer for Genzyme, the U.S. biotech organisation specialising in rare disease control. The main area of deadlock focuses on future sales of Genzyme's multiple sclerosis blockbuster, Lemtrada. Genzyme is forecasting sales of $3.5 billion for Lemtrada, whilst Sanofi expects more modest sales of around $700 million. The merger agreement may include additional shareholder value payments based on future sales of Lemtrada.

Intel invests in Israel chip plant .
Intel, the U.S. chipmaker will invest upwards of $2.7 billion during a two year plant upgrade scheme for its chip plant in southern Israel, having secured a $210m grant from the Israeli government. Intel Israel employs over 7,000 people and expects to hire an additional 1,000 people over the coming year. Maxine Fassberg, general manager of Intel Israel, told a news conference "We are already in preparation for hiring, as we are scheduled to start new production in December."

Europe Country Insight

EUROPEAN UNION:
The European Commission as part of its 2020 agenda, is planning to launch an initiative to encourage EU member states to tackle the problem of lowly qualified school leavers. More than six million young people - one in seven in the EU - currently have only a basic secondary education. At the same time EU Ministers responsible for Employment, Social Policy, Health and Consumer Affairs are starting to focus on how the economic crisis is affecting the national plans and projects of education and employment aimed at young people. Ministers stated at a recent meeting that social partners should play a stronger role in designing, organising and evaluating youth policies, the employment actions and education systems to ensure that youths are not disproportionately affected by current austerity measures and budget cuts.

SLOVAK REPUBLIC:
Changes to the State Language Act were made last month. Employees in transport, telecommunications and postal services no longer have to speak or write Slovak, as their activities are now reclassified as within the private business sector. However all relevant Health & Safety and welfare documentation has to be fully compliant with the Act.

ITALY:
A wide ranging collective agreement has been reached between Fiat and the majority of trade unions at its Mirafiori plant in Turin. The deal will ensure a direct link between pay and productivity as well as allowing the factory to operate a new shift pattern. Final approval will take place later this month after employees vote on the new amendments.

TURKEY:
The net monthly minimum wage in Turkey has just been raised to €306.55 with an additional 4.2% increase taking effect from July 1st 2011. Those under the age of 16 will now receive a minimum wage of €266.10 per month raising to €278.71. The changes are expected to directly affect just under 50% of private sector employees.

DENMARK:
The Danish Prime Minister has again reiterated his plan that early retirement will be phased out completely for citizens currently aged 45 or under. The plan was first enacted via the 2006 welfare reform act which extended the pensionable age to 67 and the early retirement age to 62.

POLAND:
The Polish labour code has been amended to ensure that adoptive fathers have the right to take paternity leave. The leave entitlement is for one week and may be taken at any time within the first year following adoption. From 2012 this right will be extended to a period of two weeks. Amendments have also been made to current disability legislation allowing most disabled workers to be employed for up to eight hours a day. The severely disabled will have their workdays restricted to a maximum of seven hours.

GERMANY:
The Institute for World Economics has calculated that a total of €164bn worth of state subsidies including tax breaks was paid to employers and employees in 2009-10. This is likely to rise further unless significant cuts are made to tax breaks and incentives.

PORTUGAL:
With on-going austerity measures high on the agenda, Portugal's state-owned bank, Caixa Geral de Depósitos has cut the holiday pay of all employees by 20%. This is in response to the state budgets requirement that employee salaries should be reduced by an average of 5% for all those earnings above €1,500pm.

GERMANY:
New research published by Linz University in collaboration with the Institute for Applied Economic Research (IAW) has revealed that the growth in the German economy in 2010 has reduced the German black market by €4.2bn. The research predicts a further reduction of €1.8bn in 2011. But the expected introduction of a nationally binding minimum wage for temporary employees, could increase the black market economy by as much as €300m especially in the economically weak parts of E. Germany.

FRANCE:
Recent data published by economic research firm Markit indicates an acceleration in growth of French private sector output during January. The headline index rose to a four-month high of 56.9 from 56.3 in December 2010. A strong expansion of services activity more than offset a slower rise in manufacturing production. Service providers signalled the sharpest rise in activity since September 2010 while, in contrast, manufacturers reported the weakest output growth for three months.

UNITED KINGDOM:
The UK government has given more details on its plans for a new system of flexible parental leave. The Department for Business Innovation and Skills (BIS) is now in the process of launching a consultation exploring the various proposals for a more flexible system of parental leave. Any new proposed changes will not come into force until at least 2015.

SWITZERLAND:
A number of policy changes have taken place on a federal level across Switzerland. These include encouraging those aged over 58 to remain economically active and changes to residential requirements for those seeking to marry a Swiss national. Changes have also taken place regarding post qualification residency for foreign students.

ITALY:
According to the latest figures the seasonally adjusted amount of wages paid to agency temporary employees was up by +26.7% in November 2010 compared to November 2009 and grew by +5.6% in November 2010 compared to October 2010.

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Europe Employment Insight

Manpower Inc has announced at the World Economic Forum (WEF) in Davos, Switzerland, the dawn of a new world era; the Human Age.

Previous eras were defined first by the raw materials that transformed them — the Stone Age, Bronze Age and Iron Age, then they were characterized by the domains people conquered with ever-improving technology — the Industrial Age, Space Age and Information Age. Now we're entering a new age: The Human Age.

This new reality has significant implications both for employers and for individuals, as human potential now becomes the major agent of economic growth.

The world is experiencing an era of great transformation, where business models will have to be redesigned, value propositions redefined and social systems reinvented. Existing models and social systems have been strained to the point that they're no longer sustainable. The resulting chaos and post-recession pressure to do more with less is creating a very challenging environment.

"Our ability as companies, as governments and of course individuals to adjust to this new reality, this new way of doing things, will depend upon to what extent we can tap into inner human potential — talent has become the key differentiator," said Jeffrey A. Joerres, Chairman & CEO of Manpower. "Understanding how to unleash this spirit, passion and potential is not a one-size-fits-all approach and will require employers to engage with their people on a human level. We are entering the Human Age."

Global forces, including the recession, rapid technological development, a shifting demographic landscape and the rise and fall in power of emerging and developed markets are conspiring to bring about the Human Age and the velocity of change is increasing.

Through the recession and now into the recovery, many organizations have streamlined and redefined their people practices, cutting costs while driving efficiency but at the same time, talent is becoming a scarce resource; employers are struggling with a mismatch - finding the right talent in the right place at the right time, despite relatively high levels of unemployment. According to Manpower's most recent Talent Shortage Survey of more than 35,000 employers across 36 countries, over 30% are struggling to fill key jobs that are vital to the success of their organization.

"In the past, it was a 'war for talent,' now it's a war for talents," added Joerres. "What we're seeing now and what we're hearing from the companies we're dealing with is that in order to get ahead you have to have the talent you need not just in a few key executive roles, but in every position in the organization. Margins have been squeezed to such a point of tension that every role matters, every role must be as productive and efficient as it can be.

Organizations need to have access to talent — not just capital. As this process evolves, we'll see capitalism shifting to talentism, and access to talent, rather than capital, become the definitive competitive advantage."

Visit www.manpower.com/humanage for full details