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An Improving Economy? How About Campfires and Hotdogs?

At this time last year, there weren't a lot of good things business people could say about the economy, other than interest rates were very low. In my article entitled "*Do You See Sparks?*", which appeared in the April 1, 2003 issue of *Business, Profits and Strategy* (to view a copy, go to Previous Issues at the lower right on the cover page of this issue), I wrote about the slight improvements that began to emerge in business, finance, technology, and real estate. It appears that now the sparks may have begun to ignite the wood. Does that mean we'll be roasting hotdogs around the campfire sometime soon? Maybe.

Equities Markets: The US stock market has been interesting of late, returning some real gains, retreating, providing more gains, and retreating again. But, it appears to be in much better shape now than it was this time last year. The Dow Jones Industrial Average is up 13% for 2003, despite falling 22.74 points on Monday. The NASDAQ Composite Index declined 9.33 points on Monday and is still up 38% for the year, according to today's Wall Street Journal.

Money and Business: The Federal Reserve's recent commentary is suggesting of an economic recovery that, while soft at the moment, continues to gain strength. According to yesterday's *Wall Street Journal*, "The Federal Reserve held short-term interest rates at a 45-year low today and signaled they are likely to stay there for a 'considerable period' to fend off the threat of deflation." A continuation of low interest rates spells good news for businesses and consumers. The *Wall Street Journal* also stated: "The central bank cited evidence that spending is improving but that the labor market is weakening, saying that 'upside and downside risks' to sustainable growth 'are roughly equal' for the near term."

Executive Recruiting: Executive level staffing companies concentrating on both senior and middle management tell us about increased demand. John Moskonas, President of Accounting Resources, an accounting and finance search firm in Parsippany, New Jersey said he's noticed an improvement in the employment picture for high-paid executives. "We're interviewing more executives, and our clients are hiring" he said. "Only months ago, companies were conducting interviews, but were slow to pull the trigger. The same positive activity is occurring for more mid level jobs." However, today's reports indicate

that jobless claims in New Jersey continue to drop, despite increases in other markets, and that the state has added considerably to its employed ranks in 2003.

Planning for Growth / Renewed Business Initiatives: A noticeable number of companies have begun to dust-off previously shelved business initiatives and are planning modest, realistic growth in the next few quarters. In fact, some companies that were offering their excess real estate for sublease have pulled back, removing that space from the market, and have elected to retain it for expected employee growth.

Real Estate: Landlords and tenants around the country are still creating real value for each other, employing lease restructuring techniques, and turning existing short term leases into long-term transactions that are more favorable and profitable (for different reasons) to both parties. Additionally, new activity has begun to pop-up in markets around the country. Across all sectors of corporate real estate, the number of inquiries, space searches, and commencement of long term real estate planning projects appears to be on the rise.

Real estate is still a largely untapped source of unlocked hidden corporate value. A recent survey of the CFOs of more than 100 US and European headquartered companies conducted by Ernst & Young, LLP found that although 80 percent of CFOs were seeking ways to cut operating costs, 52 percent were unaware as to how to improve the value of their businesses through real estate.

Technology: Pent-up demand and lack of spending on technology by businesses over the last three years has created some real excitement as to what may be in store for those companies selling and servicing technology, as well as the impact the next two years could have on their stock valuations. Some of these expectations appear to be driving movement in stock prices now.

So, the economy looks good, not great yet, but in some respects it appears to be gaining strength. Positive signs have begun to present themselves on many business and financial fronts while others, that have been around for a while, remain strong.

We've still got a way to go. But like others, I've dusted-off my gear, having stacked plenty of firewood over the last two years. And, while I haven't yet defrosted the hotdogs, they will taste very good when those sparks take hold and that campfire comes to life.

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