



Mideast turmoil could slow U.S. hiring

By Matthew Rusling

WASHINGTON, Feb. 26 (Xinhua) -- Turmoil in the Middle East and North Africa could exacerbate uncertainty in the U.S. economy, causing U.S. companies to put off hiring amid the recovery from the worst recession in eight decades.

Unrest has spread like wildfire through the Arab world, starting in Tunisia, forcing the resignation of former President Hosni Mubarak in Egypt, and sparking government violence in Libya. Iran, Iraq, Yemen and Bahrain have also seen demonstrations.

In light of those events, a sense is emerging that whatever momentum the U.S. economy gained this year is likely to hit a speed bump, said **Bernard Baumohl**, chief global economist at the Economic Outlook Group and regular commenter on PBS' "Nightly Business Report."

Whether a rise in gas prices will take a big chunk out of Americans' disposable income, and whether that will lead to a slide in consumer spending, are the among the questions many business leaders are asking, he said in an interview with Xinhua.

Business leaders are beginning to delay some capital spending and hiring plans until they have a clearer sense as to how the current unrest will impact the U.S. economy, he added.

"What we are seeing now is sort of a wait and see attitude that a lot of companies are going to take before they commit themselves to resume hiring or to increase inventory or expand their operations," he said.

Few companies are willing to invest in filling up their stockrooms with inventory if they sense the economy will slow, he said. And that means the economy is likely to see less spending and hiring in the coming months. "Companies are not going to start purchasing a lot of new equipment to expand capacity if that capacity is going to end up sitting idle," he said.

This new uncertainty comes at a time when companies are already hesitant to hire, due to fears of future profits in this uncertain economic environment.

One sign of the times, said some economists, is the recent hiring surge of temporary workers by retail giants Home Depot and Lowe's. The two plan to hire a combined 110,000 temporary workers in the coming months, but some analysts said the move underscores companies' reluctance to take on permanent, full time employees.

Still, Andrew B. Busch, global currency and public policy strategist at BMO Capital Markets, said the hiring is welcome, although questions remain whether those positions will transition to full time and permanent, he added.

"We think that with the uncertainty that remains for small to mid size firms, and even large firms in this case, that their crystal balls are all kind of cloudy," he said. "They seek good things and there's some parting of the clouds but they are clearly not super conformable yet that they would hire full time employees."

Indeed, the recovery has seen temporary jobs rise by 26 percent, according to the Bureau of Labor Statistics.

Some economists also point to a host of new regulations -- from health care to finance to the environment -- as at least partly responsible for companies' reluctance to hire.

Many companies remain unaware of what kinds of taxes they will have to pay in the future, as the extent of the rules are yet to be determined by government regulators, some economists argued.