



# News

## Global league table shows slump in optimism amongst privately held businesses but also pockets of hope

Balance percentage of optimism/pessimism over the next 12 months

	India	83
	Botswana	81
	Philippines	65
	Brazil	50
	Armenia	46
	South Africa	35
	Vietnam	31
	Mainland China	30
	Singapore	15
	Australia	11
	Canada	3
	Malaysia	2
	Russia	-2
	Germany	-3
	Mexico	-7
	Poland	-12
	New Zealand	-15
	Global	-16
	Chile	-24
	Turkey	-24
	Denmark	-34
	Greece	-34
	United States	-34
	Netherlands	-37
	Finland	-40
	Sweden	-40
	Italy	-45
	United Kingdom	-47
	Hong Kong	-49
	Ireland	-50
	Taiwan	-50
	Argentina	-57
	Belgium	-58
	France	-60
	Thailand	-63
	Spain	-65
	Japan	-85

Source: Grant Thornton IBR 2009

Optimism amongst privately held businesses (PHBs) around the world has slumped by 56% in the last 12 months and pushed the Grant Thornton International optimism/pessimism barometer to a record negative balance of -16% compared to +40% this time last year. It is the first time pessimists have outweighed optimists about the outlook for their economy since the research began in 2003 but this year's International Business Report, which surveyed senior executives from over 7,000 PHBs across 36 economies, also shows an overwhelming consensus that falling consumer demand is the biggest threat to PHB businesses. There are also some startling differences in attitude towards the economic crisis between the mature and emerging economies.

Of the four largest trading nations, PHBs in the United States and mainland China, who together contribute over 32% of global GDP<sup>1</sup>, scored their optimism at -34% in the United States but +30% in mainland China. Similarly, Japan and India (collectively contributing over 11% of global GDP) scored their optimism at -85% and +83% respectively.

"These polarised results suggest there are still pockets of hope in the global marketplace and it is no coincidence that PHBs are some of the first to realise," explained Alex MacBeath, global leader of privately held business services, "Their macro view of the world economic stage explains the overall slump in optimism but while PHBs are preparing for a prolonged and painful downturn, those in the emerging economies realise that at their own micro level it could offer real opportunities."

Despite the pessimism, the survey found PHBs from 11 countries remained optimistic about the outlook for their economies, with India (+83%), Botswana (+81%) and Brazil (+50%) heading the list. Japan (-85%) and Spain (-65%) were the most pessimistic. The biggest swing in sentiment was in Hong Kong, which went from +81% optimistic last year to -49%, a factor of its exposure not only as one of the hard hit financial services centres but also of its close trading links with both the East and the West.

Regionally, the European Union emerged as the most pessimistic trading block at -38% on the optimism/pessimism barometer. Latin America (+11%) and Asia Pacific (+3%) both recorded optimistic scores, albeit down on last year.

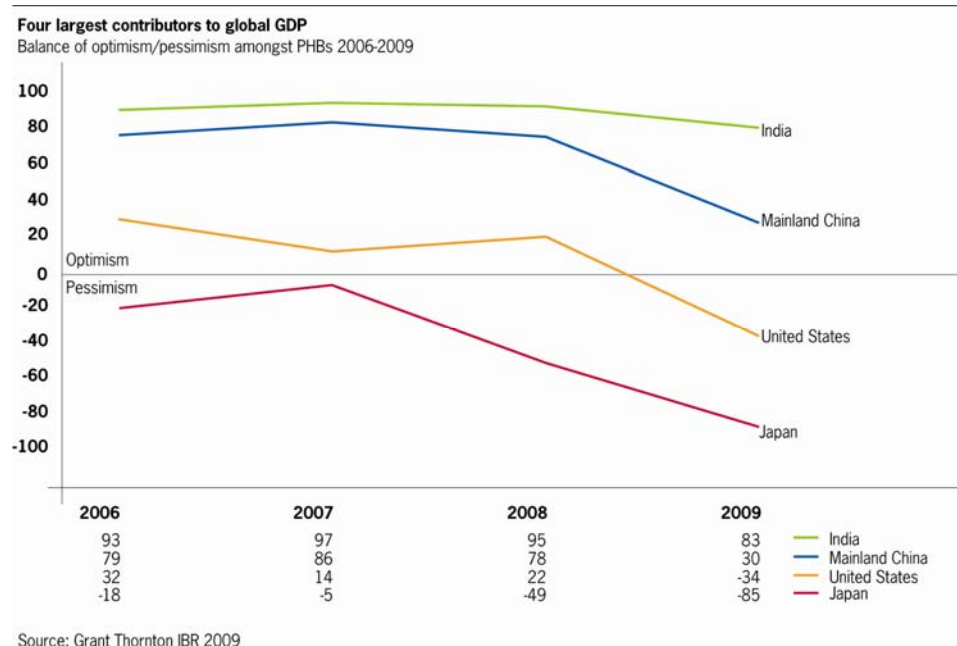
When asked to identify the single factor causing most concern for their business, PHBs in 33 out of the 36 economies cited a fall in consumer demand with a shortage of business credit a secondary concern. Alex MacBeath added, "The economies in our survey contribute 81% of global GDP. If politicians were in any doubt about the need to take steps to boost

<sup>1</sup>Shares of world GDP based on PPP according to IMF *World Economic Outlook* 2007.

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consumer spending and kick start the global economy this overwhelming consensus from PHBs should surely persuade them."

Further analysis on Botswana reports that respondents in Botswana remain extremely upbeat about economic prospects in the next 12 months and the country is the only one to be more optimistic than a year ago. Diamond production sustained growth for much of 2008 at a healthy pace and the country seemed largely immune from the impact of global credit problems. However, in recent weeks conditions have deteriorated. Official announcements highlight the fact that lack of credit and long-term investment funds has slowed growth in consumer spending and reduced employment, while exports, in particular diamond sales, started to fall significantly in November and there had been a sharp decline in commodity prices for other minerals like copper, nickel and gold.



"PHBs can have huge advantages over listed companies in times of commercial stress. Management can make decisions quickly because there are fewer stakeholders involved and PHBs' greater flexibility means change can be implemented faster than in more bureaucratic listed entities. We're telling our clients to take swift, decisive action to defend their businesses in the short term but to hold their nerve and develop a strategic plan for the long term - a new commercial environment will emerge but it could look very different to the current one."

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