

International Business Report 2007

Australian country focus

Grant Thornton 



“Grant Thornton suggested a strategic planning session with myself, the owner and key management...as a result we are now more focused on the growth areas of the business and less so on the smaller things.”

Colin Hughes, CEO, Snows Confectionery

The Grant Thornton International Business Report (IBR) 2007 examines the attitudes, plans and trends of **7,200 businesses in 32 countries across six continents**. IBR builds on data collected in previous surveys* and boasts **15-year trend data** for EU countries and **5-year trend data** for international participants.

This year's survey reveals that businesses in most countries remain optimistic about economic prospects for the year ahead. For the fourth consecutive year, India tops the league table as the most optimistic country with an optimism/pessimism balance** of +97%, whilst Japan is at the bottom this year with a balance of -5%. Meanwhile, businesses in the UK are significantly more optimistic about 2007 (+43%) than they were about 2006 (+8%).

Economic growth last year was 2.7%, a modest rate by Australian standards. High interest rates constrained household spending to its weakest annual outturn since 2001, while exports were subdued, with growth below 4% for the second consecutive year, as exchange appreciation constrained non-commodity exports. Meanwhile, severe drought reduced rural output and depressed overall GDP growth. Higher energy and raw material prices drove inflation well above the Reserve Bank's 2%-3% target range for the first time in three years in 2006. However, tighter monetary policy, involving three rate rises last year, and the easing of energy prices have since brought core inflation back to the Reserve Bank's range.

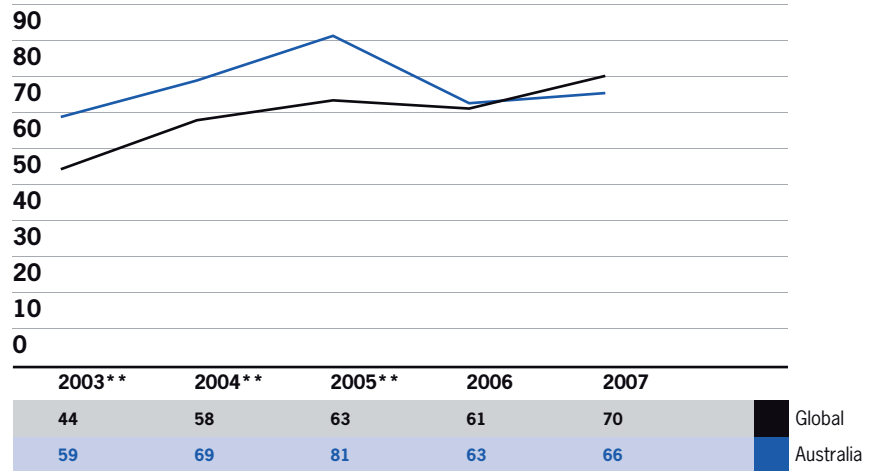
* the European Business Survey (EBS) charted the views and trends of privately held businesses in Europe between 1993 and 2002. This was followed by the International Business Owners Survey (IBOS) which ran from 2003 to 2006.

** the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

Business expectations/turnover

- Australian business owners are marginally more optimistic about turnover prospects this year than in 2006 (+66% compared to +63%)
- this optimism/pessimism balance is 4% lower than the global average (+70%)
- businesses in Australia are also more optimistic (+58%) than those across the globe (+46%) regarding investment in plant and machinery for the coming year

Turnover expectations (% balance *)



* the balance is the proportion of companies reporting that they are optimistic less those reporting they are pessimistic

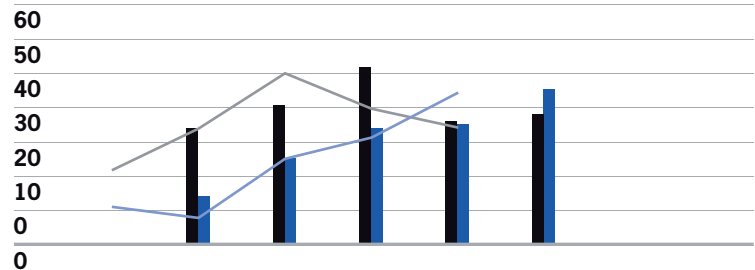
** Global figure excludes mainland China

Source: Grant Thornton International Business Report 2007

Employment

- a balance of just 2% more businesses in Australia expect an increase in the trend in employment growth this year than in 2006
- the actual reported employment change in 2006 was +34%, slightly lower than the expected employment change for 2006 (+36%)
- globally, the actual reported employment change stood at +44%, 10% more than in Australia

Employment history (% balance*)



	2002**	2003	2004	2005	2006	2007***	
	22	34	50	40	34	-	Act. Australia
	-	34	41	52	36	38	Exp. Australia
	11	8	26	31	44	-	Act. Global†
	-	14	25	34	35	45	Exp. Global†

* the balance is the difference between the proportion of businesses indicating an increase and those indicating a decrease

** no data available

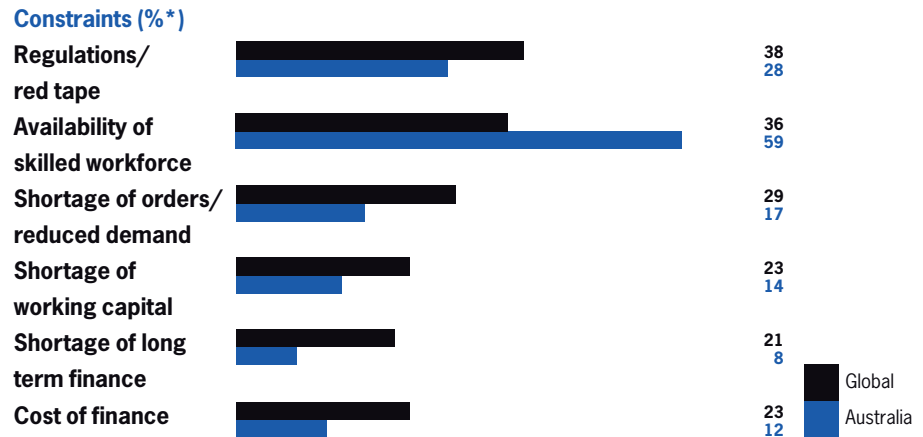
*** 2007 data will be documented in IBR 2008

† Global figure excludes mainland China in 2002, 2003 and 2004

Source: Grant Thornton International Business Report 2007

Constraints

- lack of availability of a skilled workforce is the biggest constraint on expansion for businesses in Australia (59%)
- lack of availability of skilled workers was the only factor more of an issue for businesses in Australia than businesses globally
- only 8% of businesses cite a shortage of long term finance as restrictive to growth, 13% less than the global average



* % companies rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint
Source: Grant Thornton International Business Report 2007

Stress levels

- the proportion of business owners in Australia reporting an increase in stress levels has fallen since 2006
- 41% report that they have experienced a rise in stress levels, compared to a global figure of 56%
- in order to gain insight into how business owners manage stress, we also asked about how many hours they work a week. On average, business owners in Australia work 56 hours per week, marginally more than the global average of 53 hours

Rise in stress levels (%*)



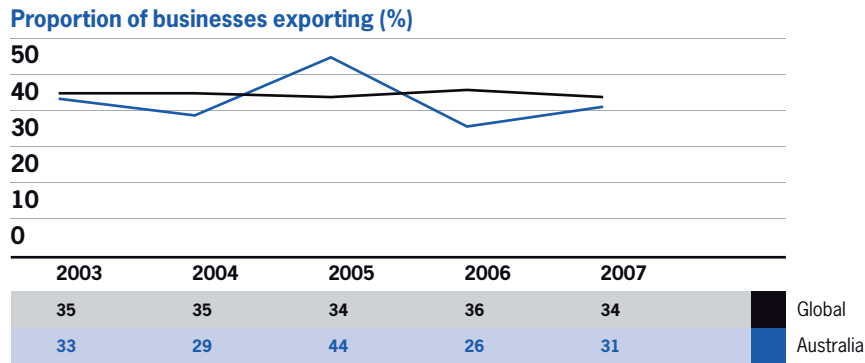
* % of respondents indicating that stress levels had increased or increased significantly over the past year

** Global figure excludes mainland China

Source: Grant Thornton International Business Report 2007

International trade

- the proportion of Australian companies exporting has increased in the last year from 26% in 2006 to 31% in 2007
- this is lower than the global average (34%) which has fallen slightly since 2006



Source: Grant Thornton International Business Report 2007

Globalisation

- Australian businesses are much more likely to see globalisation as an opportunity than a threat to their business with 45% viewing it as an opportunity and 22% viewing it as a threat
- globally, businesses are more likely to see globalisation as an opportunity (55%) and less likely to see globalisation as threat

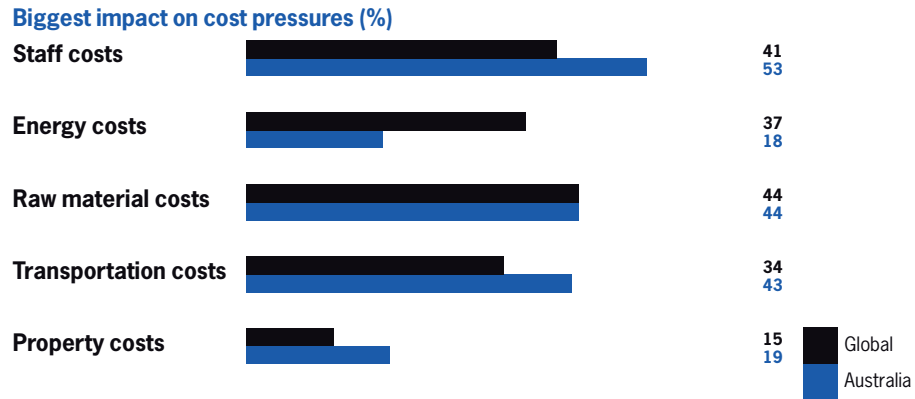
Impact of Globalisation (%)



Source: Grant Thornton International Business Report 2007

Impact on cost pressures

- over half of Australian businesses (53%) expect staff costs to have a major impact on their cost pressures over the coming year
- the same proportion of Australian businesses expect raw material costs to have a major impact as businesses globally (44%)
- just 18% of Australian businesses expect energy costs to have a big impact on cost pressures, much lower than the global average (37%)



Source: Grant Thornton International Business Report 2007

The recent **strengthening** of activity is expected to produce Australian GDP growth of 3.1% in 2007. Consumer spending, though still constrained by tight monetary conditions, will record growth at 3.1%, as in 2006. The main force behind faster growth will be a modest revival of exports from the weak performance of the past two years. Strong demand from key overseas markets is projected to produce export growth of 4.7% this year. This will result in a sharp reduction in the GDP growth from net trade, reinforced by weaker import growth than in recent years in line with less robust consumer spending.

To find out more about the Grant Thornton International Business Report (IBR) and to obtain copies of topical supplements, including focuses on emerging markets, energy and environmental issues and European business, please visit www.internationalbusinessreport.com.

Summaries are also available for each of the 32 participating countries, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against those of businesses around the world.

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Participating countries

Argentina	Spain	The Netherlands
Ireland	Brazil	Turkey
Russia	Mainland China	Greece
Armenia	Sweden	New Zealand
Italy	Canada	UK
Singapore	Malaysia	Hong Kong
Australia	Taiwan	Philippines
Japan	France	USA
South Africa	Mexico	India
Botswana	Thailand	Poland
Luxembourg	Germany	

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