



News

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Glass half full: Australian businesses some of the most optimistic in the world

Australia is one of only 12 countries positive about the financial outlook for 2009, according to new research.

Almost half (46%) of privately held businesses in Australia have declared themselves optimistic about the domestic economy, remaining buoyant about the future despite the impact of the global financial crisis.

This resilience places Australia tenth in the Grant Thornton International optimism/pessimism barometer - ranking behind entrepreneurs in emerging economies India and Brazil, but well ahead of competitors in the traditional powerhouse markets like the United States, Japan and the UK.

The 2009 Grant Thornton International Business Report (IBR) tracks market sentiment amongst more than 7,200 business owners from 36 different economies. Based on the data, analysts create a global league table, which records whether each of the respondent nations has a net optimistic/pessimistic outlook for the year ahead*.

According to the latest data, optimism around the world has slumped by 56% in the last 12 months. Australia is one of just ten countries with a double digit optimism rating, registering a score of net score of + 11% against a global average of -16%.

Australian respondents also had generally more positive expectations about specific business trends than their global counterparts:

- 80% expect their turnover in 2009 to increase or remain the same
- Two thirds believe their profitability will hold steady or rise
- Two fifths (39%) are planning to increase their investment in plants and machinery

Tony Markwell, National Head of Privately Held Business at Grant Thornton Australia, commented:

“Although times are tough, Australian entrepreneurs appear undefeated. Entrepreneurs can hold huge advantage over listed companies in times of commercial stress: they can move quickly and decisively to exploit changing economic conditions because they’re



smaller and have fewer stakeholders. Defensive action in the short term may be necessary, but we're telling our clients to hold their nerve and get a strategic plan in place for what could be a very productive new marketplace. In this climate, our natural Australian talent for positive thinking could deliver a real business dividend."

State rankings

Despite its positive placing in the worldwide league table, domestically Australia's business confidence has fallen. The 2009 domestic optimism balance is less than a sixth of the level recorded at the same time last year, and there has been a 70 point drop since its highest point in 2004 (+81%).

Australia's above-average confidence score for 2009 was boosted in particular by strong responses from businesses in Southern and Western Australia:

- 62% of respondents in SA, and 52% of those surveyed in WA, were optimistic about the future
- Just over a third of respondents in Queensland and New South Wales were positive about the outlook for 2009, relative to 44% in Victoria

Commenting on the high optimism scores registered by businesses in Western and Southern Australia, Tony Markwell remarked:

"What we may be seeing here is the delayed effect of the global confidence crisis, which has already started to overshadow states on the Eastern seaboard and could begin to creep westward over the coming months. Last year two thirds of businesses across Australia told us they were positive about the 12 months ahead of them, now that figure has fallen to just under half nationally, and to a third in New South Wales and Queensland.

"With such an unprecedented pressure on the marketplace, it's inevitable that firms will be feeling the strain, but the right attitude is critical in weathering the storm. Sound business planning and financial management, alongside ongoing support from Government, should help businesses steer a steady path through the next twelve months."

Following global trends, Australian entrepreneurs are most apprehensive about a fall in consumer demand. Two fifths (41%) said that a decrease in consumer demand would cause them the greatest concern, followed by a shortage of business credit (21%) and a dearth of skilled labour (13%).

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*The 'balance of optimism/pessimism' (as displayed in the chart above) is calculated by subtracting the percentage of those who made a negative forecast about the year, from the numbers who were

positive about prospects for 2009. The difference between the two figures becomes the net positive or negative score for that country

Australian Regional Breakdown

Approximately 250 medium to large Australian businesses participated in the survey in October 2008. Medium to large companies are defined as having between 20-299 employees.

The following data shows the sentiment trends tracked amongst business owners over the last three years, with the percentages below indicating the number of entrepreneurs who indicated they were optimistic about the coming year:

State	2009	2008	2007
NSW	37%	74%	53%
QLD	37%	50%	56%
SA	62%	68%	54%
VIC	44%	72%	48%
WA	52%	91%	93%
Australia	46%	77%	61%

This table identifies the factors which would most worry Australian businesses over 2009, with the percentages indicating the proportion of respondents who singled out each issue as their 'greatest concern'.

Global	Australia	SA	WA	NSW	QLD	VIC
Fall in consumer demand (39%)	Fall in consumer demand (41%)	Fall in consumer demand (50%)	Fall in consumer demand (36%)	Fall in consumer demand (44%)	Fall in consumer demand (37%)	Fall in consumer demand (37%)
Shortage of business credit (19%)	Shortage of business credit (21%)	Shortage of business credit (22%)	Shortage of skilled labour (20%)	Shortage of business credit (25%)	Shortage of business credit (21%)	Shortage of business credit (19%)
Increased cost of energy (10%)	Shortage of skilled labour (13%)	Shortage of skilled labour (14%)	Shortage of business credit (16%)	Shortage of skilled labour (10%)	Shortage of skilled labour (12%)	Shortage of skilled labour (12%)

The International Business Report

Grant Thornton International started a major annual survey of the attitudes and expectations of small and medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 17 years of trend data for original EBS participants and 7 years for original IBOS countries. The 17 year trend data is available for: France, Germany, Greece, Ireland, Italy, Netherlands, Spain, Sweden and the United Kingdom, while the 7 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Russia, Singapore, South Africa and the United States.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2009, this will result in a donation of almost US\$36,000.

The research was conducted by Experian Business Strategies Limited. To find out more about IBR and to obtain details of IBR reports and results please visit www.internationalbusinessreport.com.

About Grant Thornton Australia

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