

## News

# Australian SME's carrying on with caution

24 October 2011

Australia's privately held businesses continue to maintain optimism, but are becoming more discerning of the current global economic climate, according to Grant Thornton's latest International Business Report.

The report revealed Australia is one of only nine countries in the global economy to maintain optimism among its privately held business. Despite the positive outlook, Australian privately held business appear to be carrying on with caution, concerned over Government uncertainty and that the troubled environment overseas may reach local shores.

"We've almost got full employment in Australia and this increased employment indicates growth. Privately held businesses are in a solid position to keep up with the on-going skills shortage as the report revealed 83% expecting to offer employees a pay rise over the next 12 months. Of those respondents, 14% indicated they would offer employees a rise above inflation rates," said Bill Shew, Partner – Privately Held Business, Grant Thornton Australia.

Continued strengthening relationships with financial institutions and positive signs of sustained growth have attributed to the steady optimism.

"We are now seeing banks and businesses starting to come together again. Australian privately held businesses continue to feel supported by their financial institutions, with more discussions being had to facilitate growth and stability," said Mr Shew.

Contributing to caution for Australian privately held business is the struggle for the government to make a decision during this current political climate.

"Australian privately held business has been affected by the uncertainty surrounding the current political landscape. Growth and investment have stalled among the difficult environment for legislation to be passed. Waiting for outcomes on major reforms including Carbon Tax and the Minerals Resource Rent Tax have caused funding of projects to be delayed for many Australian privately held businesses," said Shew.

Australian privately held businesses that are exposed to foreign exchange are particularly cautious of the distressed European economy. In addition to that, concerns over the overseas crisis affecting local markets have some Australian privately held slightly unsettled.

"Those privately held businesses exposed to foreign exchange markets need to ensure they establish and maintain sound business fundamentals to efficiently manage suppliers, customers cash flow and assets to survive the market volatility.



“For Australian privately held businesses operating domestically, it will be critical to continually assess supply and demand as the crisis overseas impacts local market behaviour,” said Mr Shew.

Overall, privately held business in Australia remains consistent and optimistic.

“Australian privately held businesses need to re-engineer what they have to meet the changing market needs. There is a constant requirement to assess and consider how consumers are changing the way in which markets operate,” said Mr Shew.

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**For further detailed analysis or interviews with Bill Shew, please contact:**

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**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.

The research was conducted by Experian Business Strategies Limited.

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From market-leading services for the owners of private businesses, to audit, to insolvency and capital markets services for corporations, and to innovative taxation and wealth management services for individuals, Grant Thornton in Australia helps business owners achieve success and realise their ambitions.