

News release

Businesses confidence on a knife edge heading into 2012

Global business confidence is balancing on a knife edge heading into 2012 according to new figures from Grant Thornton's International Business Report (IBR). With the global economic outlook dominated by the crisis in the eurozone, fears are increasing that business growth will become even more difficult than in 2011.

The latest research shows that global business optimism in the fourth quarter of 2011 stands at net 0%, indicating a balance between those business leaders feeling optimistic about their economies in 2012 and those feeling pessimistic. It represents a further deterioration from 3% in Q3 2011 and 31% in Q2 2011.

The regional picture is, however, more nuanced. Optimism levels in the BRIC economies (up from 25% to 34%) and North America (up from 3% to 6%) have shown significant improvement over the last quarter. However, at the global level, this has been offset by a large drop in Europe where optimism fell from 0% to -17% in Q4. In the eurozone optimism fell from 2% to -16%.

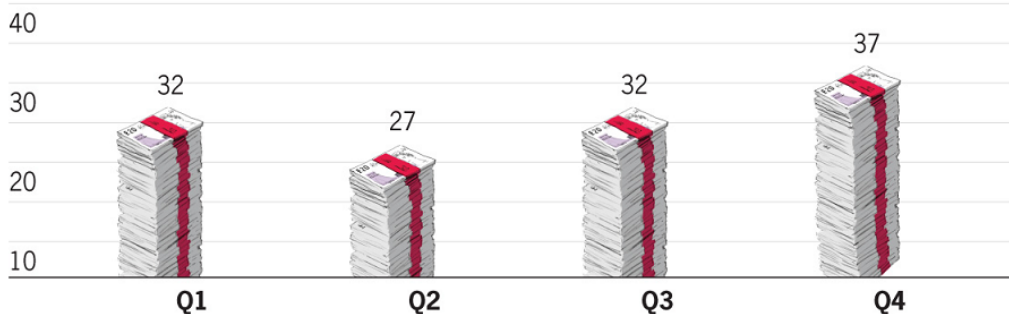
Ed Nusbaum, CEO of Grant Thornton International, said: "Heading into 2012, we're seeing a polarisation of business confidence between Europe and the rest of the world. However, the threat of total meltdown in the eurozone means business leaders remain uncertain about the year ahead – they simply do not know how things will turn out. That uncertainty is sapping confidence and choking business growth prospects."

"The business optimism results mirror the perilous position of the global economy; stronger results for key markets such as Brazil, China and the United States being offset by the lack of a clear resolution to the sovereign debt crisis in Europe."

The research also suggests global trade is suffering. Having risen by 5 percentage points in Q3, the proportion of businesses citing a shortage of orders rose again in Q4, up five percentage points to 37% globally. This result was largely driven by an increase of nine percentage points across the eurozone, but businesses in North America (up seven) and the BRICs (up four) are also suffering.

Global trade slowing

Percentage of businesses citing shortage of orders/reduced demand as a constraint on growth



Global business optimism

Net percentage of businesses indicating optimism less those indicating pessimism

	Georgia	78
	Peru	78
	Brazil	74
	Philippines	74
	India	58
	United Arab Emirates	53
	Armenia	52
	Chile	52
	Mexico	50
	South Africa	47
	Germany	46
	Canada	46
	New Zealand	36
	Vietnam	34
	Botswana	28
	Argentina	24
	Australia	24
	China (mainland)	22
	Turkey	20
	Poland	12
	Hong Kong	10
	United States	1
	Denmark	0
	Singapore	-4
	Malaysia	-4
	Switzerland	-4
	Russia	-4
	Sweden	-8
	Ireland	-12
	Italy	-20
	Taiwan	-29
	United Kingdom	-35
	Greece	-42
	Netherlands	-44
	Belgium	-46
	France	-46
	Finland	-48
	Thailand	-52
	Spain	-62
	Japan	-71

Away from the economic gloom, the results from the United States provide a welcome and encouraging bright spot in the research. Expectations for increasing revenue and profits in the world's largest economy in 2012 are both up by seven percentage points, to stand at 48% and 40% respectively. Further, net 35% of US businesses plan to hire workers over the next 12 months, up from just 17% in Q3.

Ed Nusbaum added: "Around the world, prospects for growth are mixed. Businesses are having to work harder than ever to maintain margins and competitiveness in the face of powerful economic headwinds. Vital to the situation improving or deteriorating is the fate of the eurozone.

"This threatens to undermine business prospects around the world, not just in Europe. Businesses in the higher growth economies such as China and Brazil remain positive for now but Europe is the world's largest single market and consequently a key trading partner. The effects of a further downturn will resonate even in these high growth markets and beyond.

"Policymakers in Europe have some job on their hands in 2012. The concern for businesses is that a focus on austerity rather than economic growth is damaging their own growth prospects. Certainly, the resolution of the crisis and securing the future of the euro is top of their New Year's wish list."

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Notes to editors

The Grant Thornton International Business Report (IBR) provides insight into the views and expectations of over 11,500 businesses per year across 40 economies. This unique survey draws upon 20 years of trend data for most European participants and nine years for many non-European economies. For more information, please visit:

www.internationalbusinessreport.com.

Data collection

The research is carried out primarily by telephone interview lasting approximately 15 minutes with the exception of Japan (postal), Philippines and Armenia (face to face), mainland China and India (mixture of face-to-face and telephone) where cultural differences dictate a tailored approach. Telephone interviews enable Grant Thornton International to

conduct the exact number of recommended interviews and to be certain that the most appropriate individuals are interviewed in an organisation which meets the profile criteria.

Data collection is managed by Grant Thornton International's core research partner - Experian. Questionnaires are translated into local languages with each participating country having the option to ask a small number of country specific questions in addition to the core questionnaire. From 2011, fieldwork takes place on a quarterly basis every quarter with fieldwork lasting approximately one month and a half.

Sample

IBR is a survey of both listed and privately held businesses. The data for this release are drawn from interviews with 2,800 businesses across the globe conducted in November/December 2011.

The target respondents are chief executive officers, managing directors, chairmen or other senior executives (title dependent on what is most appropriate for the individual country) from 40 economies primarily across five sectors: manufacturing (25 per cent), services (25 per cent), retail (15 per cent) and construction (10 per cent) with the remaining 25 per cent spread across all sectors.

Locally, the sample tends to cover the sectors mentioned previously, with some countries being able to have local valid data for specific sectors or regions when the sample size is large enough.

Group/region	Economies included in IBR
Asia-Pacific (APAC)	Australia, Hong Kong, India, Japan, China (mainland), Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand, Vietnam
Association of Southeast Asian Nations (ASEAN)	Malaysia, Philippines, Singapore, Thailand, Vietnam
BRIC	Brazil, Russia, India, China (mainland)
European Union (EU)	Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Poland, Spain, Sweden, United Kingdom
G7	Canada, France, Germany, Italy, Japan, United Kingdom, United States of America
Latin America	Argentina, Brazil, Chile, Mexico, Peru
Nordic	Denmark, Finland, Sweden
North America	Canada, United States of America
Other	Armenia, Botswana, Georgia, South Africa, Switzerland, Turkey, United Arab Emirates

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