



SA business owners expect turnaround sooner than global counterparts

2010 Grant Thornton IBR survey reveals optimism bounces back worldwide

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South African privately held businesses (PHBs) are hopeful that the worst of the recession is behind them as the 2010 Grant Thornton global optimism / pessimism index indicates an optimism balance of +60% compared to +35% this time last year. An “optimism balance” is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

“SA business owners are certainly looking with renewed optimism towards the coming 2010 FIFA World Cup year and its associated rewards,” says Leonard Brehm, National Chairman of Grant Thornton South Africa.

The International Business Report (IBR) survey of over 7,400 PHBs across 36 economies, now in its 8th year, also highlights that South Africa expects the turnaround post-recession to occur a lot earlier than most other countries. The IBR statistics indicate that 26% of SA PHB owners expect an upturn during the first half of 2010, with 33% expecting the upturn to take place in the second half of the year – most likely as a direct result of the 2010 FIFA World Cup event in June / July. In comparison, global statistics indicate a turnaround during the second half of 2010 (34%) or only during 2011 (23%).

Optimism amongst PHBs around the world has bounced back to give the Grant Thornton global optimism/pessimism index for 2010 an overall optimism balance of +24%, compared to its lowest ever score of -16% this time last year. Businesses in Chile, India, Australia, Vietnam and Brazil are the most optimistic in the world, all scoring over +70%. Close behind are South Africa, China, Singapore, Canada and Hong Kong (which showed the biggest swing of sentiment from 2009) at +60% or higher (to see figure 1 [click here](#)).

At the other end of the scale, many Eurozone countries remain pessimistic about the future; Italy, Denmark, Finland and France all scored -10% or lower.

“In addition,” says Brehm, “The 2010 IBR survey indicates a group of ten economies – which includes South Africa - where businesses are more optimistic about the outlook for their economies than International Monetary Fund (IMF) forecasts might suggest.”

Businesses in places as geographically diverse as Australia, New Zealand, Canada, Malaysia and Germany recorded disproportionately higher optimism than might be expected (to see figure 2 [click here](#)).

“Many governments, on reading these results, will hope their business community is right and that their GDP in 2010 will outstrip IMF forecasts,” continues Brehm. “This is especially because privately held businesses contribute 81% of global GDP. The global business community should be encouraged by the results of this survey.”

Why are South African business owners optimistic?

“South African specific data found that expectations of increased revenues in 2010 once again surpassed global trends with a +60% optimism balance, compared to global’s +40% figure,” says Brehm. Of all trends highlighted, global PHBs expectations of increased revenue came out highest.

PHBs in South Africa also believe that profitability (+44%) and investment in plant and machinery (+37%) will both increase. Global figures for profitability (+29%) and investment in plant and machinery (+31%) also indicated increases.

Businesses were much less hopeful about selling prices with 21 out of 36 economies, including South Africa, less optimistic about increasing their prices than they were in 2009. Leonard Brehm comments, “This suggests that during the recession businesses have become leaner and more cost effective which may enable them to lower prices while still securing increased revenues and, crucially, profits. As the global economy emerges from recession, we are likely to see many businesses reaping the rewards of recession induced efficiencies.”

South Africa’s employment optimism data indicates a +25% increase, compared to the global number of +20%. European businesses were far more pessimistic than their counterparts elsewhere in the world; a negative balance of -1% in Europe compared to balances of +33% and +42% in Asia Pacific and Latin America respectively. All countries which recorded negative balances for employment were European, led by Ireland and Italy (both -14%).

“Many people blamed globalisation for the speed of the downturn but we are now seeing that globalisation may also help us accelerate out of recession. The giant emerging markets of China, India and Brazil are confident that they can help to pull the rest of the world back into growth. Businesses in many other economies are equally optimistic that they have not only survived this recession but are well placed to help drive the upturn, and see their business grow as a result,” concludes Brehm.

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Notes to editors

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What is the International Business Report?

The Grant Thornton International Business Report (IBR) is an international survey of the opinions of medium to large privately held businesses. The survey covers over 7,400 respondents in 36 economies.

What is the balance percentage?

A balance statistic reports the percentage of respondents who reported a figure rising less than the percentage who reported it falling. It not only provides a useful summary statistic, but numerous studies have shown it is well correlated with economic time series data and that it performs as well as highly complex methods of analysing survey data to predicting economic outcomes.

What is a PHB?

A privately held business includes businesses such as entrepreneurs, family businesses and non-listed entities which account for over 98% of businesses worldwide.

How is the data collected?

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), China and India (mixture of face-to-face and telephone), where cultural differences dictate a tailored approach.

Who do we survey?

IBR is conducted among medium to large privately held businesses, surveying over 7,400 chief executive officers, managing directors, chairmen or other senior executives from 36 economies primarily across ten industry sectors (cleantech, food & beverage, construction & real estate, hospitality, transport, manufacturing, retail, financial services, healthcare and technology).

When was the fieldwork conducted?

October/November 2009.

South African highlights of the 2010 International Business Report

- South Africa optimism balances from 2003 to 2010 as follows:
 - 2003 (+34%); 2004 (+72%); 2005 (+84%); 2006 (+80%); 2007 (+74%); 2008 (+75%); 2009 (+35%) and 2010 (+60%)
- South Africa's data is very similar to the optimism balances recorded for China – an interesting finding. China optimism balances since 2006 follow here: 2006 (+79%); 2007 (+86%); 2008 (+78%); 2009 (+30%) and 2010 (+60%)
- For selling prices, South African respondents had the third highest optimism trend out of all countries surveyed with +46% (India the highest at +53% and Argentina second at +52%), compared to a much lower global trend at +11%. However, this result is still negative to last year, down 14% compared to 2009's selling price predictions, for South Africa.

Global Highlights of the 2010 International Business Report: optimism/pessimism

- Asia Pacific (+64%, excluding Japan) was the most optimistic region, followed by Latin America (+48%) and North America (+24%). The European Union at +7% was the least optimistic by some distance.
- Amongst the Eurozone economies, Sweden (+39%) and Germany (+38%) ranked the most optimistic; Ireland (-42%) and Spain (-56%) the most pessimistic.
- The biggest swing in sentiment was in Hong Kong which moved from deep pessimism last year (-49%) back to an optimistic +64% this year (a 113% rise).
- Brazil, Chile, New Zealand, Malaysia and Taiwan all recorded their highest levels of optimism since joining the survey.

Global Highlights of the 2010 International Business Report: economic expectations

- An expectation of increased revenues was the most optimistic business trend (+40%) out of the eight, respondents were asked to rank. Vietnam was most optimistic at +95% with Japan lowest, and the only negative country, at -9%.
- Selling prices saw the least positive trend at +11%. Japan was most pessimistic at -46% with India most positive at +53%. Out of the 36 economies surveyed, 21 were less optimistic about increasing selling prices for 2010 than they were for 2009.
- Expectations for employment were most subdued in the European Union with a balance of -1% pessimistic about trends for the next 12 months. This was compared with +42% in Latin America.