Grant Thornton

Privately held businesses: optimism emerges but uncertainty prevails.

International Business Report 2010 – Global overview

Contents

Front cover illustration created by Sophia Augusta, winner of our 2009 Grant Thornton Illustrator competition run by the Young Creative Network. To find out more about our illustrators please visit the about us section on www.gti.org

Foreword

Since 2008, privately held businesses (PHBs) worldwide have been faced with almost unprecedented challenges and risks as a consequence of the economic crisis. Mid/end 2009 was a turning point with the emergence of "green shoots" supporting a global perception that the worst was over. Indeed, the future was looking brighter for business, as revealed by the Grant Thornton International Business Report (IBR) 2010 which presents the thoughts and opinions of over 7,400 businesses from 36 economies around the globe. This year's research, the 18th in the series, coincided with signs of a recovery in the global economy as massive stimulus packages and looser monetary policy measures helped restore consumer confidence and supported the re-emergence of global trade.

However, whilst the recovery has been strong and swift in some economies, most noticeably in emerging Asian economies, it has been slow and patchy in others, where fears of a double-dip recession have not gone away. Problems persist in the European Union (EU) in particular, where the travails of Greece, Ireland and Spain have dashed hopes of a robust upturn in the regional economy.

Indeed the recovery has served to highlight the growing shift in economic power from "west to east" for whilst more mature economies laboured through 2009, posting a contraction of 3.2 per cent, emerging economies actually grew by 2.4 per cent, led by mainland China (8.7 per cent) and India (5.7 per cent).

Global trade posted a contraction of more than ten per cent in 2009, the first annual decline since 1982. Having contracted severely in the previous two quarters, the decline in trade bottomed out in the second quarter of 2009 and was on the mend in the third quarter as massive fiscal stimulus packages introduced by governments all over the world, as well as slower inventory destocking, increased domestic demand, infrastructure spending and global manufacturing.

Going forward, businesses will need to put into practice the lessons learned from the downturn and be able to take decisions in a rather uncertain environment. In this new economic order, the "game" needs to be played in a totally different manner. Succeeding will depend on how well businesses confront new challenges and take advantage of new opportunities while capitalising on their past experiences.

Alex MacBeath
Global leader – markets
Grant Thornton International

1 Impact on businesses

For the past 18 years, Grant Thornton has been gathering the experiences and attitudes of businesses around the globe. This report brings together this research to discover how businesses have been affected by the economic crisis and how they are dealing with recovery, as illustrated in figure 1.

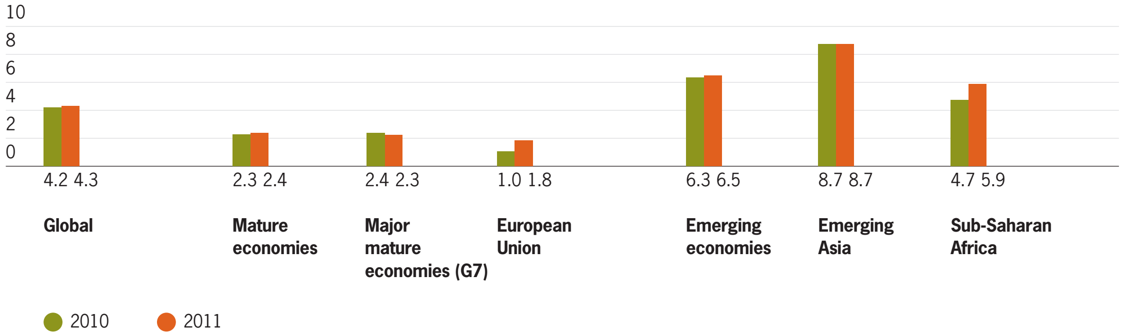
Businesses globally are considerably more optimistic about the year ahead compared with last year whilst employment is expected to recover, having declined in 2009. However, challenges remain with the proportion of businesses citing a shortage of orders/reduced levels of demand as a constraint on expansion remaining at a high level.

Figure 1: Key indicators for businesses

	2007 Global average	2008 Global average	2009 Global average	2010 Global average
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+45%	+40%	-16%	+24%
Change in employment levels				
Balance of businesses expecting an increase over those expecting a reduction	+45%	+33%	-4%	+20%
Constraints on expansion				
Regulations/red tape	38%	31%	30%	32%
Shortage of orders/reduced demand	29%	31%	49%	39%

Source: Grant Thornton IBR 2010

Figure 2: Emerging economy growth rates: 2010-2011
Percentage growth in gross domestic product (GDP), constant prices



Source: International Monetary Fund (2010)

Looking ahead

The global economy is expected to recover robustly this year; growth of 4.2 per cent is forecast for 2010, accelerating slightly to 4.3 per cent in 2011. Growth rates in emerging economies are forecast to be over six per cent, boosted by export growth of more than eight per cent. However, growth rates in mature economies, notably the EU and Japan, are forecast to be far more sluggish; unemployment rates are expected to stay stubbornly high through 2011, keeping a lid on consumer confidence.

The BRIC economies (Brazil, Russia, India and China) are expected to contribute 61.3 per cent of global growth 2008-2014 compared with a 12.8 per cent contribution of the G7, underlining a continuing shift in the balance of economic power[1].

[1] source: p.8, Financial Times (08.01.10)

2 Economic outlook

The post-economic crisis

This year's research was conducted in a time characterised by signs of recovery all over the world from the largest global economic downturn since World War II. However, the strength of the recovery was split between emerging and mature markets, with fears in the latter of a double-dip recession as credit lines remained squeezed and growth was tentative at best. By contrast, many emerging economies did not even go into recession as the slowdown in global trade proved little more than a brief interruption to rampant expansion.

This polarisation is reflected in the results from IBR 2010 which show that businesses in Asia Pacific[2] (excluding Japan) and Latin America[3] remained optimistic about their economies in 2009, and expect an even stronger performance over the course of 2010. In the more mature markets of the EU[4] and North America, the balance[5] of businesses indicating optimism against those indicating pessimism swung back to positive this year, but they remain markedly less positive than emerging market peers. To illustrate the point, excluding Japan from the Asia Pacific average resulted in a 31 per cent rise in the regional figure, from +33 per cent (including Japan) to +64 per cent.

The majority of businesses are optimistic about a strong recovery in their country's economy, led by the emerging economies of Chile (+85 per cent), India (+84 per cent), Vietnam (+72 per cent), Brazil (+71 per cent) and Australia (+79 per cent), which has close trade links with emerging Asia.

Figure 3: Outlook for regions over next 12 months: 2003-2010

Average percentage balance of businesses indicating optimism against those indicating pessimism

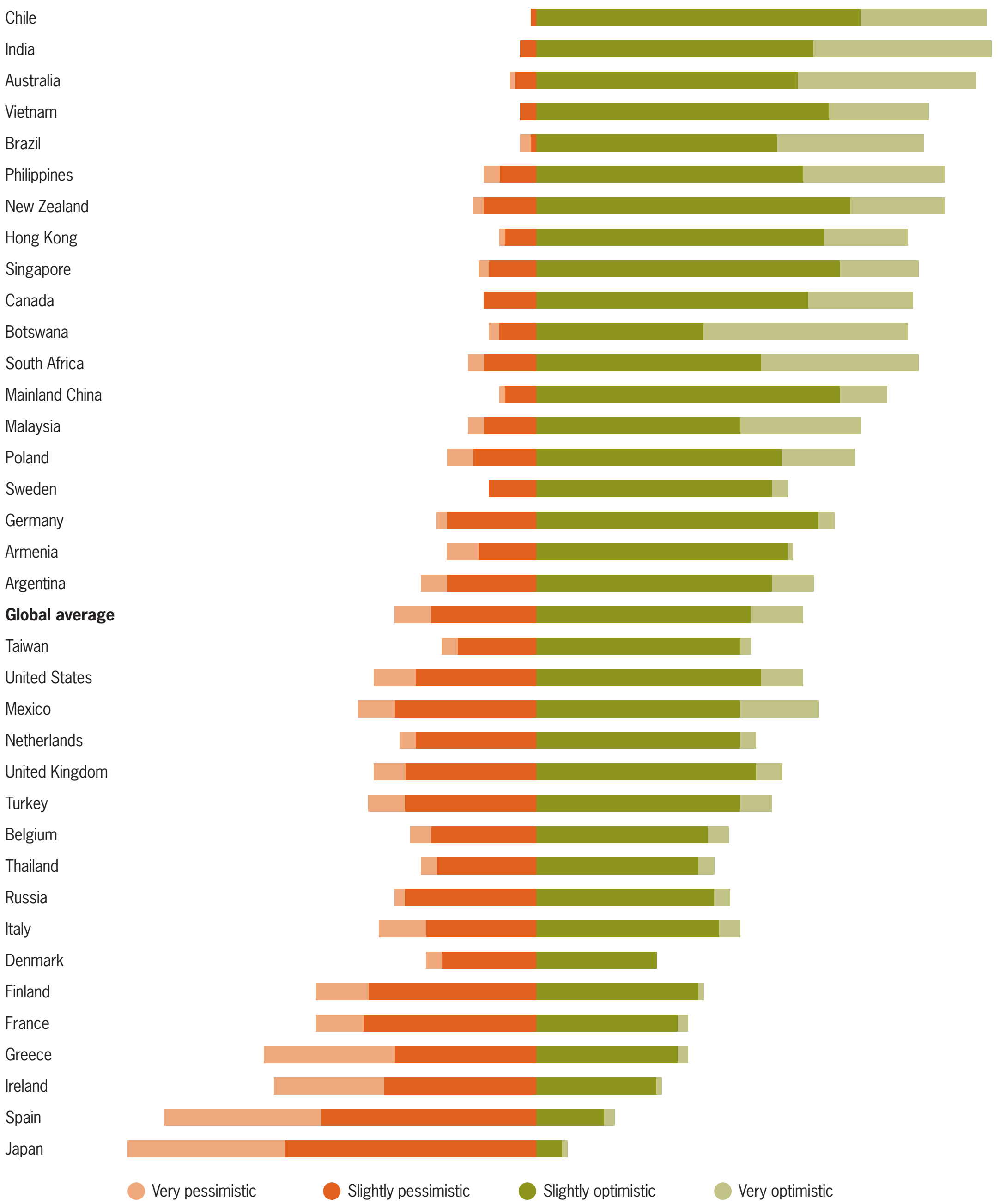
	2003	2004	2005	2006	2007	2008	2009	2010
Asia Pacific (excl. Japan)	–	–	–	72	80	74	30	64
Latin America	–	–	–	–	56	59	12	48
Global	**3**	**40**	**41**	**39**	**45**	**40**	**-16**	**24**
North America	41	78	63	35	19	24	-31	24
European Union	-12	15	23	18	46	34	-38	7

Source: Grant Thornton IBR 2010

However, a few countries in the EU are overwhelmingly pessimistic, notably Spain (-56 per cent), Ireland (-42 per cent) and Greece (-23 per cent). These countries face severe adjustment as unemployment soars and governments grapple with large budget deficits. Japan (-72 per cent), where the contraction in global trade compounded years of underachievement, faces renewed fears of another long bout of deflation.

[2] for the purposes of IBR, the term 'Asia Pacific' refers to those Asia Pacific economies covered by our survey – Australia, mainland China, Hong Kong, India, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand and Vietnam
[3] for the purposes of IBR, the term 'Latin America' refers to those Latin American economies covered by our survey – Argentina, Brazil, Chile and Mexico
[4] for the purposes of IBR, the term 'European Union' refers to those EU economies covered by our survey – Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom
[5] the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic

Figure 4: Outlook for economies over next 12 months: 2010
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010

Uncertainty in mature markets

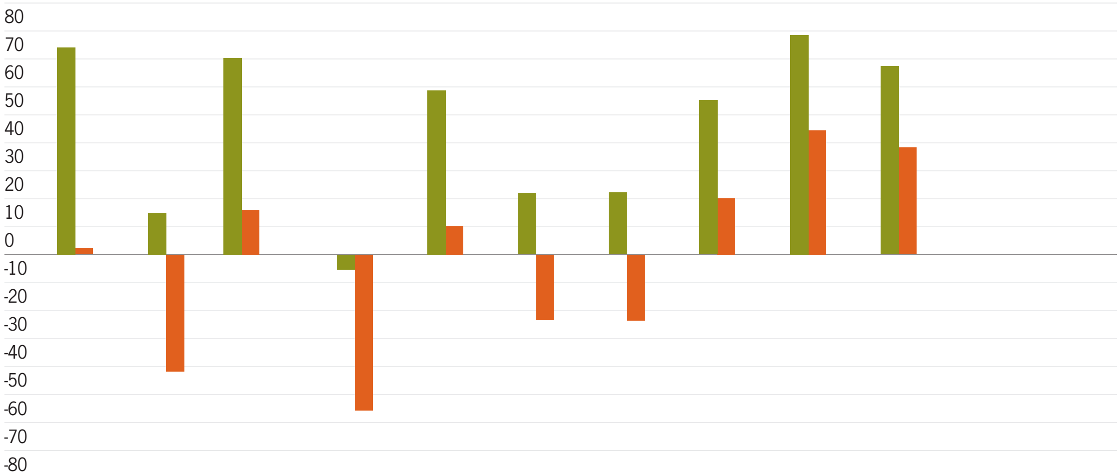
Whilst the economies of the emerging world, notably the BRICs, are forecast to expand robustly over the next two years, the future of many more mature economies – especially in the EU – are more unclear, with a lack of fixed investment, huge budget deficits and rising unemployment damaging short term growth prospects.

The tentative nature of the recovery in the EU is highlighted by the IBR 2010 results. The optimism levels of businesses this year are compared with those observed in 2008 in figure 5, and it is revealing that eight of the top ten countries more optimistic before the downturn hit are in the EU.

Of these, the biggest fall in optimism before and after the downturn is observed in Denmark; +74 per cent of businesses were optimistic in 2008, compared to just +2 per cent this year, with conditions in the labour market and persistent weakness in fixed investment making the recovery patchy and slow.

Figure 5: Outlook for economies over next 12 months compared with 2008

Percentage balance of businesses indicating optimism against those indicating pessimism



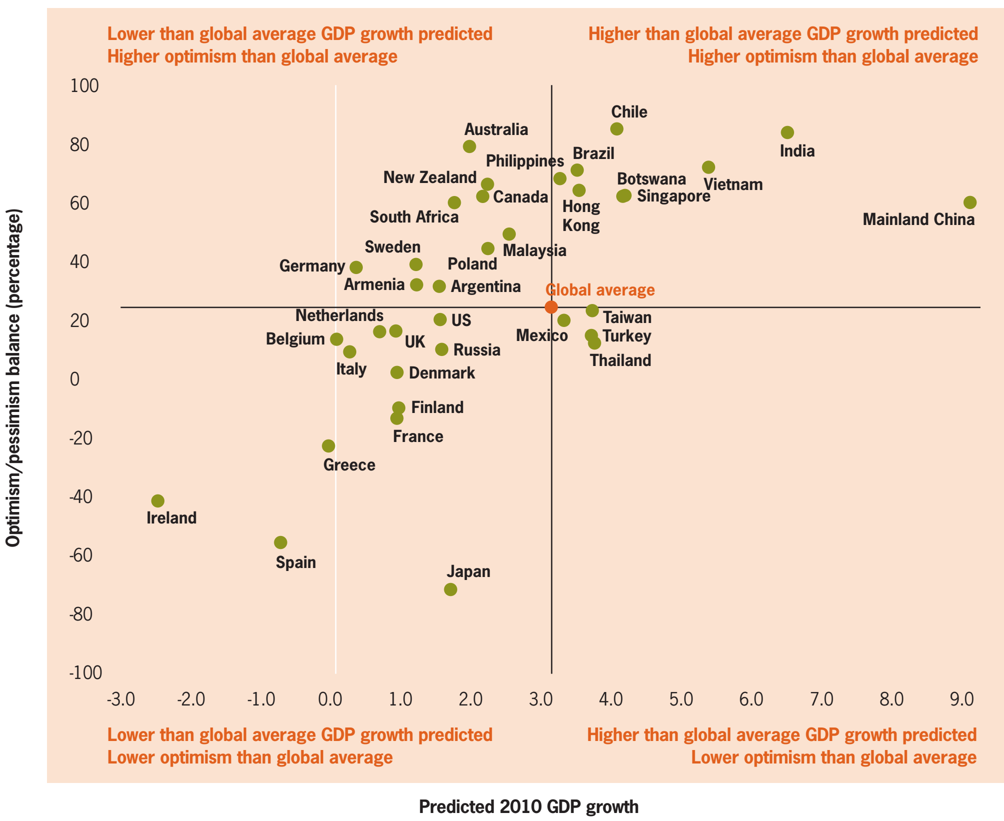
	Denmark	Ireland	Netherlands	Spain	Russia	France	Greece	Mexico	Poland	Germany
2008	74	15	70	-5	58	35	22	55	78	67
2010	2	-42	16	-56	10	-13	-23	20	44	38

Source: Grant Thornton IBR 2010

Meanwhile, businesses in three of the economies hardest hit by the downturn, namely Ireland, Spain and Greece, are also far less optimistic about 2010 than they were about 2008. A combination of double-digit unemployment and large budget deficits have hit investor confidence in these countries. Even businesses in the larger and comparatively healthier economies of France and Germany are noticeably less optimistic this year than in 2008.

Against the International Monetary Fund's (IMF) GDP forecasts for 2010, an interesting picture emerges, with businesses in places as geographically diverse as Australia, New Zealand, Canada, Malaysia and Germany recording disproportionately higher optimism than might be expected. Not surprisingly, countries such as Ireland, Spain and Greece, some of the countries hardest hit by the economic crisis and with very negative GDP forecasts, are among the most pessimistic countries.

Figure 6: Levels of business optimism vs predicted 2010 GDP growth



Source: Grant Thornton IBR 2010, IMF 2009

3 Business indicators

Global background

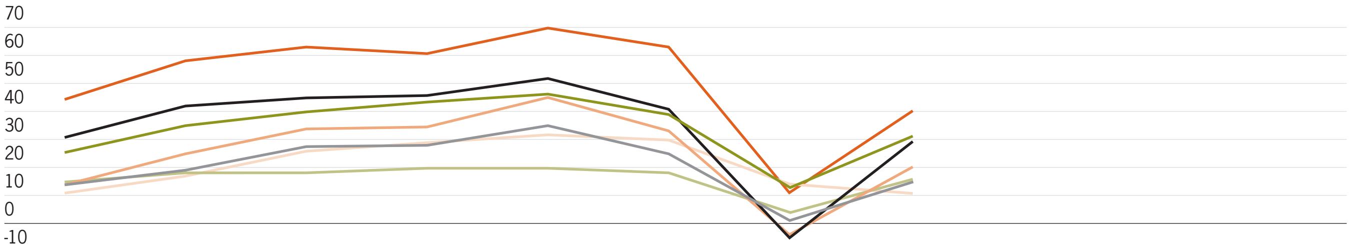
Businesses showed a marked increase in performance expectations for 2010 across all indicators, as huge fiscal stimulus packages and an easing of credit lines helped restore confidence and kick-started a recovery in global trade. However, it is significant that businesses globally are not as positive this year as they were in 2008 for any indicator – if we exclude the 2009 results, when the economic crisis hit businesses hard, expectations for revenue and profitability are at their lowest since the survey went global in 2003 – suggesting that businesses do not think the recovery is guaranteed just yet.

Focus on efficiency

Profitability is the performance indicator showing the biggest rise in 23 economies, whilst selling prices is the greatest faller in 24. At first this may seem contradictory, but it suggests that despite low levels of inflation and price pressures, cost cutting and other efficiency measures taken by businesses during the downturn have put them in a good position to increase profitability as the upturn kicks in.

Figure 7: Global business performance expectations: 2003-2010

Average percentage balance of businesses indicating an increase against those indicating a decrease



2003	2004	2005	2006	2007	2008	2009	2010	
44	58	63	61	70	63	11	40	Revenue
26	35	40	43	46	39	13	31	Investment in plant & machinery
31	42	45	46	52	41	-5	29	Profitability
14	25	34	35	45	33	-4	20	Employment
15	18	18	20	20	18	4	16	Exports
14	19	27	28	35	25	2	15	Investment in new buildings
11	17	26	29	32	30	14	11	Selling prices

Source: Grant Thornton IBR 2010

Figure 8: Largest rises and falls in expectations for performance indicators: 2009-2010
Change in percentage balance of businesses indicating an increase against those indicating a decrease

Economy	Greatest rise in expectation	Largest fall/smallest rise in expectation
Argentina	Revenue (+85)	Investment in new buildings (+20)
Armenia	Profitability (+15)	Selling prices (-10)
Australia	Profitability (+54)	Selling prices (-7)
Belgium	Profitability (+39)	Selling prices (-11)
Botswana	Profitability (+10)	Selling prices; investment in plant & machinery (both -14)
Brazil	Employment (+39)	Exports (-1)
Canada	Profitability (+49)	Selling prices (+7)
Chile	Profitability (+97)	Selling prices (+12)
Mainland China	Profitability (+35)	Investment in new buildings (+4)
Denmark	Profitability (+53)	Selling prices (-16)
Finland	Profitability (+46)	Investment in new buildings (+3)
France	Profitability (+31)	Selling prices (-15)
Germany	Profitability (+29)	Selling prices (-12)
Greece	Profitability (+26)	Selling prices (-12)
Hong Kong	Revenue (+106)	Investment in new buildings (+37)
India	Employment (+19)	Revenue (+3)
Ireland	Profitability (+30)	Selling prices (-24)
Italy	Exports (+16)	Selling prices (-30)
Japan	Profitability (+22)	Selling prices (-20)
Malaysia	Revenue (+79)	Investment in new buildings (+22)
Mexico	Employment (+36)	Selling prices (-11)
Netherlands	Profitability (+36)	Selling prices (-23)
New Zealand	Profitability (+71)	Selling prices (-4)
Philippines	Revenue (+37)	Selling prices (-4)
Poland	Investment in plant & machinery (+39)	Employment (0)
Russia	Profitability (+36)	Selling prices (-14)
Singapore	Revenue (+70)	Investment in new buildings (+13)
South Africa	Profitability (+23)	Selling prices (-14)
Spain	Profitability; employment (both +34)	Selling prices (-17)
Sweden	Profitability (+67)	Selling prices (+5)
Taiwan	Revenue (+99)	Investment in new buildings (+12)
Thailand	Revenue (+53)	Selling prices (+3)
Turkey	Profitability (+54)	Selling prices (+13)
United Kingdom	Profitability (+47)	Selling prices (-3)
United States	Profitability (+35)	Selling prices (-4)
Vietnam	Revenue (+4)	Investment in plant & machinery (-22)

Source: Grant Thornton IBR 2010

Revenue

Revenue expectations increased in every economy but Botswana this year as the balance of businesses expecting a rise in 2010 recovered to +40 per cent, up from just +11 per cent in 2009. The largest increases from 2009 are observed in two of mainland China's closest trading partners, namely Hong Kong (+106 per cent) and Taiwan (+99 per cent), followed by two Latin American economies, Argentina (+85 per cent) and Chile (+83 per cent).

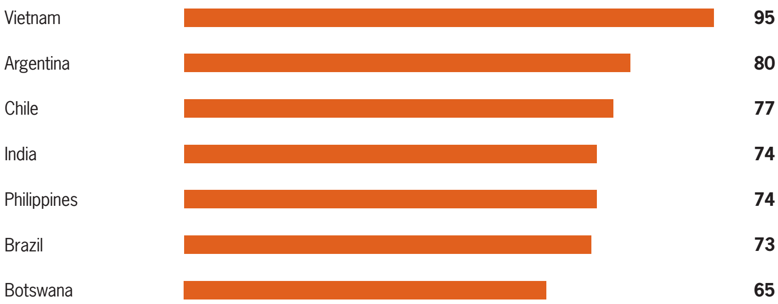
Significantly, the top seven most optimistic business communities in terms of revenue prospects are from emerging economies. Having weathered the economic storm better than some of its neighbours, +95 per cent of businesses in Vietnam expect to increase revenues in 2010. Businesses in the Latin American economies of Argentina (+80 per cent), Chile (+77 per cent) and Brazil (+73 per cent) are also bullish about revenue prospects for 2010.

Profitability

Expectations for profitability show the greatest increase from last year amongst the business communities in 23 economies this year. This represents a significant correction from the dramatic fall observed in 2009, when profitability prospects turned negative for the first time since 1993. The largest turnaround was in Chile – where expectations for increasing profitability rose by +97 per cent, boosted by demand for the economy's principal export, copper – followed by Hong Kong (+90 per cent).

Figure 9: Revenue expectations: 2010

Percentage balance of businesses indicating an increase against those indicating a decrease

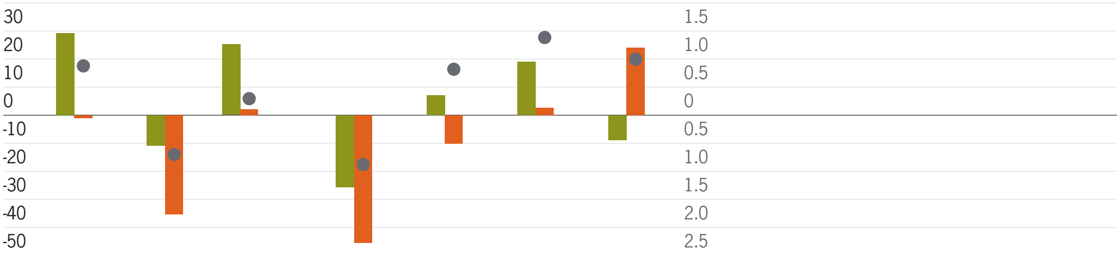


Source: Grant Thornton IBR 2010

Again, businesses in Vietnam are the most positive regarding profitability prospects in 2010. At +91 per cent, Vietnam is well ahead of second placed India (+65 per cent) and the Philippines in third place (+59 per cent). Two Latin American economies, Brazil (+57 per cent) and Chile (+56 per cent), make up an all-emerging market top five for this performance indicator.

Figure 10: Expectations for increasing selling prices (2009-2010) compared with forecast consumer price index (CPI) growth

Percentage balance of businesses indicating an increase against those indicating a decrease



	Italy	Ireland	Netherlands	Japan	Spain	Denmark	France
2009	29	-11	25	-26	7	19	-9
2010	-1	-35	2	-46	-10	3	24
Forecast CPI growth 2010	0.9	-0.7	0.3	-0.9	0.8	1.4	1

Source: Grant Thornton IBR 2010; Organisation for Economic Co-operation and Development (OECD) 2010

Selling prices

Expectations for an increase in selling prices is the only indicator to have fallen this year in comparison with 12 months previously, dropping by three per cent globally. The business communities of 21 economies are less optimistic about increasing selling prices in 2010 than in 2009, whilst it was the biggest faller (or smallest riser) in 24 economies. Regionally, the EU was the least optimistic at -1 per cent, the lowest level observed in the survey's history.

Globally, inflation – which averaged four per cent in 2007, accelerating to 5.9 per cent in 2008 – fell back to 2.5 per cent in 2010 and is forecast to remain around the three per cent mark over the next four years. The two least optimistic countries regarding selling prices this year, namely Japan (-46 per cent) and Ireland (-35 per cent) are forecast to experience deflation this year. The greatest downswing in optimism from 2009 is in Italy, where the balance of businesses expecting to increase selling prices fell by 30 per cent.

"Domestic consumption in the Philippines is fuelled by remittances from an estimated five million workers overseas. Recovery in the major markets, such as the UK, US and Japan, is key to driving profitability not just because these are major markets for Filipino workers but also because the US and Japan, in particular, are major trading partners. Also, confidence of the business community in the new president is expected to bring in new investments."

Marivic España
Grant Thornton, Philippines

Employment

As enterprises slashed costs and others were forced to fold, 2009 was a year of severe weakness in labour markets around the globe. The balance of businesses expecting to increase employment fell to -4 per cent in 2009. Whilst businesses are more confident this year, the balance of +20 per cent in 2010 was well below the +45 per cent and +33 per cent observed in 2007 and 2008 respectively. In contrast to the boom years of 2005-2008, businesses remained wary of the cost implications of increasing staff levels.

Regionally, businesses in the EU are again the least positive; a balance of -1 per cent expect to increase employment in 2010, although this represented an improvement on the -12 per cent observed in 2009. The labour market has turned around faster in North America, where a balance of +15 per cent of businesses expect to increase employment in 2010, up from -8 per cent 12 months previously. However, businesses in Latin America (+42 per cent) and Asia Pacific excluding Japan (+41 per cent) are far more positive as regards increasing staff levels.

Businesses in Vietnam (+60 per cent) are once again the most positive, followed by Brazil (+59 per cent) and Botswana (+50 per cent). Unsurprisingly, the five least optimistic countries regarding employment prospects in 2010 are all from the EU with Ireland and Italy (both -14 per cent), followed by France (-10 per cent), Spain (-8 per cent) – where the unemployment rate is currently the highest in the mature world – and Finland (-7 per cent). The unemployment rates in all five are forecast to touch double figures in 2010, with Spain (19.3 per cent) in a more difficult situation than Ireland (14 per cent).

Figure 11: Expectations for increasing employment: 2010
Top and bottom five economies
Percentage balance of businesses indicating an increase against those indicating a decrease

Source: Grant Thornton IBR 2010

Exports

Expectations for increasing exports varied very little between 2003 and 2008, but in 2009 the balance of businesses expecting to see an increase in this indicator fell to just +4 per cent as trade around the world contracted. This year, export expectations picked up to +16 per cent, led by the EU (+22 per cent) as the global economy recovers.

Businesses in Turkey (+47 per cent) are the most optimistic for export prospects in 2010; the total value of the economy's exports dropped by more than a fifth in 2009 as demand collapsed in its main trading partner, the EU. However, the government has set a ten per cent growth target for exports in 2010, although current private forecasts are nearer the seven per cent mark. Turkey is followed by three Asian economies, Malaysia (+37 per cent), the Philippines (+34 per cent) and Singapore (+31 per cent). Considering the percentage change from 2009, Malaysia (+44 per cent) and Singapore (+43 per cent) also show the greatest recoveries on this performance indicator from 2009, just behind Taiwan (+45 per cent).

Optimism in mainland China, which overtook Germany to become the world's largest exporter in 2009, recovered from a balance of -3 per cent last year to +17 per cent this year. Expectations for an increase in exports in Germany itself rose to +31 per cent, from +19 per cent 12 months previously.

Figure 12: Expectations for new investment: 2010
Average percentage balance of businesses indicating an increase against those indicating a decrease

New buildings		Plant & machinery	
European Union	7	European Union	29
North America	17	North America	29
Latin America	26	Latin America	50
Asia Pacific (excl. Japan)	19	Asia Pacific (excl. Japan)	35
Global	**15**	**Global**	**31**

Source: Grant Thornton IBR 2010

Investment

Fixed investment contracted sharply during the downturn but optimism has returned this year and, at a global level, investment in new buildings (+15 per cent) and in new plant and machinery (+31 per cent) are both expected to increase.

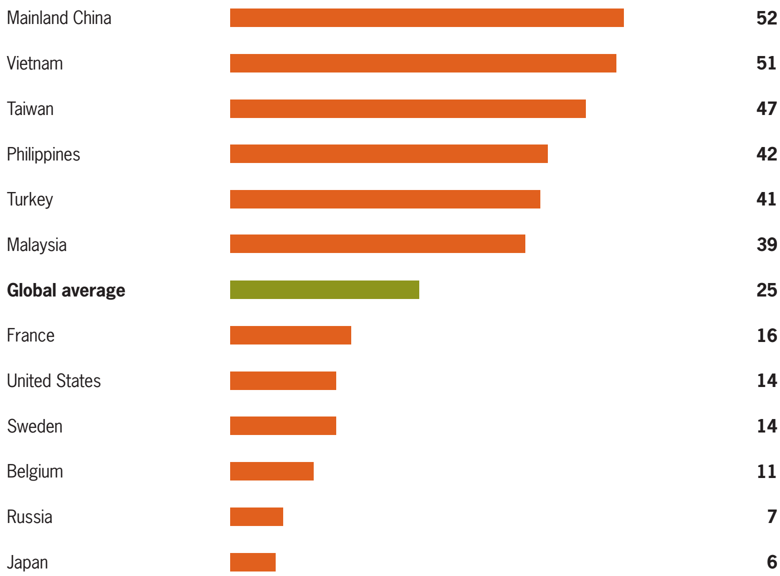
Investment sentiment is most buoyant in Latin America where a balance of +26 per cent of businesses expect to raise investment in new buildings and +50 per cent in plant and machinery, representing a +21 and +36 percentage points increase on 2009 results respectively. This strong regional performance is led by the manufacturing-centric economy of Brazil, where businesses are the second most optimistic (behind Botswana) as regards increasing investment in new buildings (+37 per cent) and the most optimistic regarding investment in plant and machinery (+61 per cent).

Research & development

As markets recover and businesses look for new opportunities, research and development (R&D) activity is expected to rebound with a balance of +25 per cent of businesses globally expecting to increase R&D activity in 2010. Regionally, the picture is again somewhat polarised between emerging and mature economies. +15 per cent and +22 per cent of businesses in North America and the EU expect to increase R&D activity this year; compared to +31 per cent in Latin America and +43 per cent in Asia Pacific (excluding Japan).

This translates into five of the top six most optimistic countries in this regard coming from the Asia Pacific region, led by mainland China (+52 per cent), Vietnam (+51 per cent) and Taiwan (+47 per cent). Meanwhile, businesses in some of the more mature economies continue to concentrate on the short term. The world's largest economy – the United States (US) – is fifth bottom with a balance of just +14 per cent, with the third largest, Japan, rock bottom at just +6 per cent.

Figure 13: Expectations for increasing R&D: 2010
Top and bottom six economies
Percentage balance of businesses indicating an increase against those indicating a decrease



Source: Grant Thornton IBR 2010

4 Access to finance

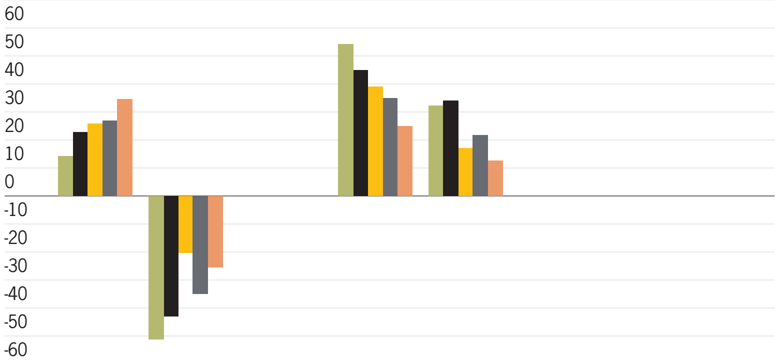
Accessibility

The extreme pressure the financial sectors of economies across the globe faced in the wake of the collapse of Lehman Brothers lessened in the second half of 2009 as a swathe of government bailouts saved many of the largest players in the sector from extinction.

Consequently, businesses globally believe finance will become much more accessible over the course of 2010; more than a third of businesses (35 per cent) expect finance to become more or much more accessible. In addition, whilst more than a quarter of businesses (27 per cent) expect finance to become less or much less accessible in 2010, the proportion has dropped by 34 percentage points compared with 2009.

Regionally, businesses in the EU are anticipating the hardest time in terms of accessing funding; whilst businesses are more optimistic in 2010 than in 2009, a balance of -9 per cent expect finance to become more accessible, the only region to dip into negative. The biggest turnarounds in confidence were observed in the Americas, where around a third more businesses expect finance to become more or much more accessible, compared with 2009.

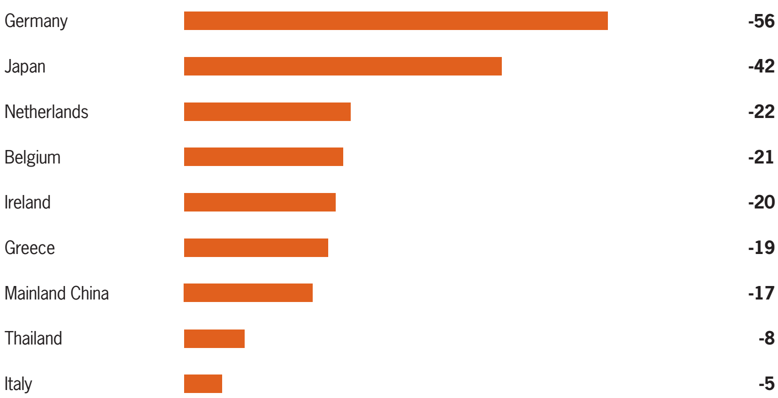
Figure 14: Expectations for accessibility of finance: 2010
Average percentage of businesses



Less or much less accessible		More or much more accessible		
2010	**2009-2010 change**	**2010**	**2009-2010 change**	
14	-51	54	32	Latin America
23	-43	45	34	North America
26	-20	39	17	Asia Pacific (excl. Japan)
27	**-34**	**35**	**22**	**Global**
34	-26	25	13	European Union

Source: Grant Thornton IBR 2010

Figure 15: Economies where businesses expect tougher credit conditions: 2010
Balance percentage of businesses indicating credit will become more accessible against those indicating it will become less accessible



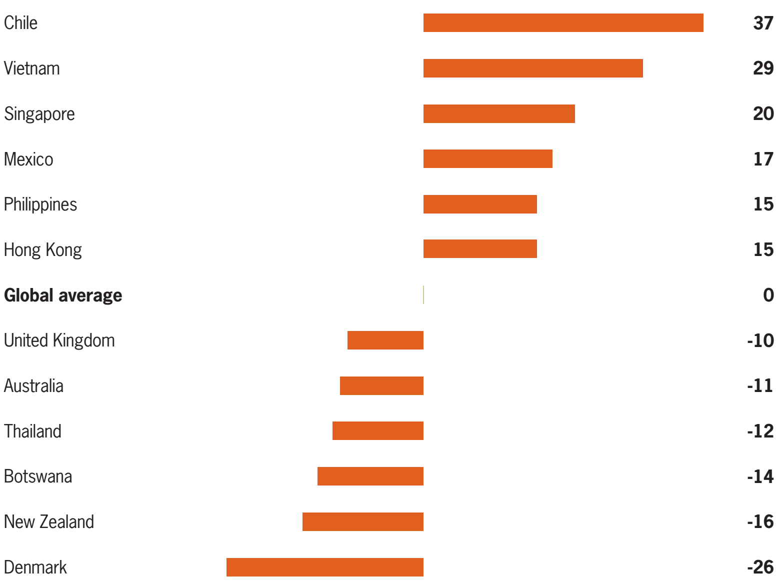
Source: Grant Thornton IBR 2010

Support of lenders

Whilst businesses in general expect access to finance to improve, it is interesting to observe that the perceived supportiveness of lenders globally has not changed this year in comparison with 12 months previously; two-thirds of businesses perceived lenders to be supportive or very supportive of their business.

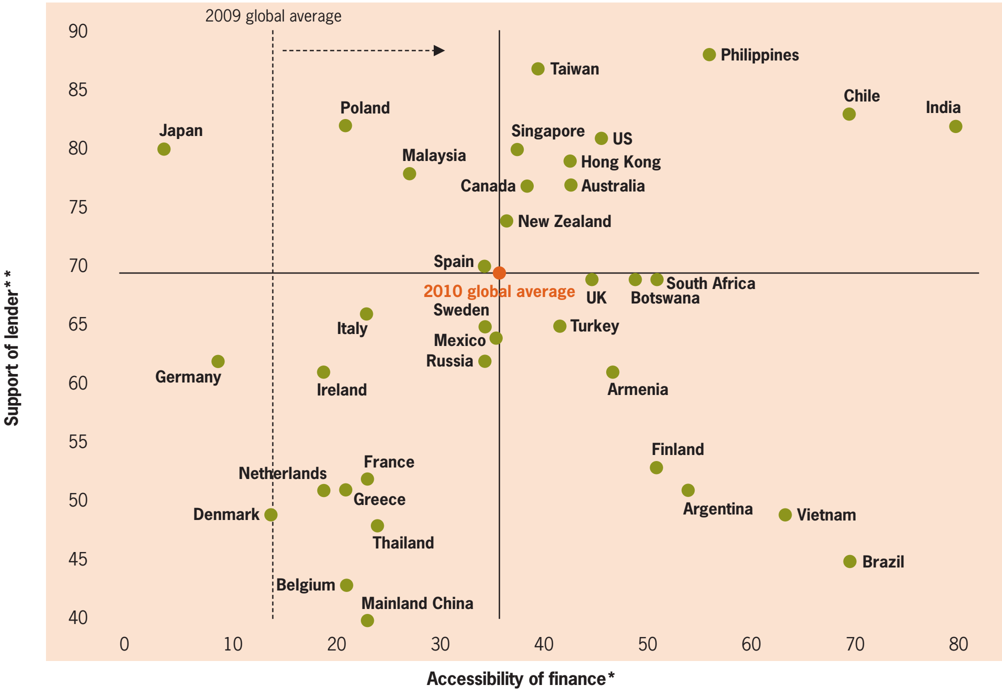
However, on an individual country basis, there are some interesting changes from last year, with businesses in Latin America and Asia in particular more positive about lenders than 12 months previously, led by businesses in Chile (+37 per cent) and Vietnam (+29 per cent). Meanwhile, lender support is perceived to have dropped in Australia (-11 per cent) and New Zealand (-16 per cent), as well as in Denmark (-26 per cent).

Figure 16: Change in perceived supportiveness of lender: 2009-2010
Top and bottom six economies
Percentage of businesses citing lenders as supportive or very supportive



Source: Grant Thornton IBR 2010

Figure 17: Levels of support of lenders vs accessibility of finance in 2010 (percentage)



*includes only businesses answering more or much more accessible when asked "do you expect finance to be more or less accessible in the coming 12 months?"
**includes only businesses answering supportive or very supportive when asked "how supportive or unsupportive do you currently feel that your lender is towards your business?"
Source: Grant Thornton IBR 2010

Access vs support

Considering the two aspects of raising finance together, businesses in countries like India, the Philippines and Chile appear most confident, believing their lenders are currently more supportive and their access to finance better than the global averages, and these are joined in the top right hand quadrant of figure 17 by the North American economies of the US and Canada and some of the more mature economies of the Asia Pacific region, namely Hong Kong, Singapore, Australia and New Zealand.

Conversely, the vast majority of economies in the bottom left quadrant of the chart have remained there since last year so it seems their pessimism in 2009 was well founded. These businesses have lower than the global average expectations for the availability of finance in 2010 and also feel unsupported by their lenders. The EU economies of Belgium, France, Germany, Ireland, Denmark, the Netherlands and Greece are joined again by Thailand and also by mainland China, where the perceived support of lenders remains low and expectations for access to credit in 2010 plummeted.

"The businesses best placed to benefit from an upturn in the US are those which have focused on efficiency and cutting costs. These businesses are finding that they can do more with less, whether through investing in technology or through streamlining their operations, which will boost their competitiveness in the long term."

J. Michael McGuire
Grant Thornton, United States

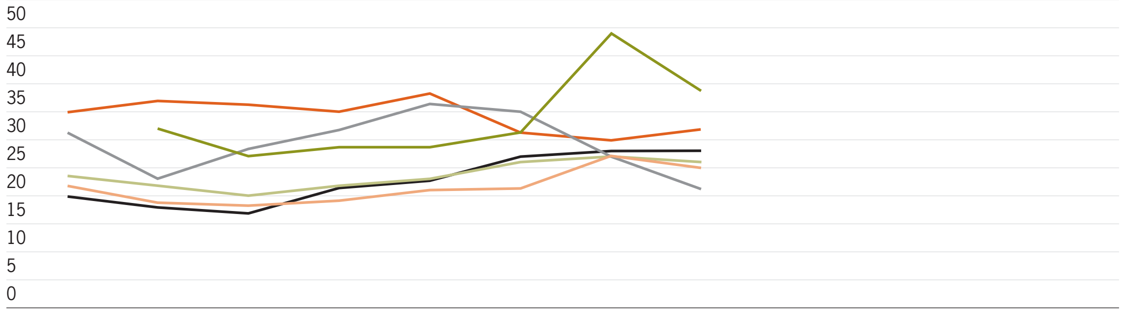
5 Business constraints

Evidence from IBR 2010 shows that a shortage of orders/reduced demand (39 per cent) remains the most pressing concern for businesses trying to expand. While this is well down on last year's 49 per cent – the highest on record – it suggests that businesses are not yet experiencing a return to the buoyancy that characterised 2005-2008.

Meanwhile, the hangover from the credit crunch is evident in that the proportion of businesses citing a shortage of long term finance as a constraint (25 per cent) remains well above its pre-2009 level. Elsewhere, a rise in unemployment rates across the globe is reflected in the proportion of businesses citing a lack of availability of a skilled workforce as a constraint (21 per cent), falling to its lowest level in IBR history.

Figure 18: Constraints on expansion globally: 2003-2010

Average percentage of respondents rating 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint



2003	2004	2005	2006	2007	2008	2009	2010	
*	32	27	29	29	31	49	39	Shortage of orders/reduced demand
35	37	36	35	38	31	30	32	Regulations/red tape
20	18	17	21	23	27	28	28	Cost of finance
24	22	20	22	23	26	27	26	Shortage of working capital
22	19	18	19	21	21	27	25	Shortage of long term finance
31	23	28	32	36	35	27	21	Availability of a skilled workforce

*this option was not surveyed in 2003
Source: Grant Thornton IBR 2010

Figure 19: Most significant constraint on growth by economy: 2010
Percentage of respondents rating 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint

Shortage of orders/ reduced demand	Regulations/ red tape	Lack of availability of a skilled workforce	Cost of finance	Shortage of long term finance
Armenia	Australia	Canada	India	Argentina
Belgium	Botswana	Malaysia	Mainland China	
Denmark	Brazil	Singapore*	Vietnam	
Finland	Chile	South Africa		
France	Greece			
Germany	Mexico			
Hong Kong	Netherlands			
Ireland	New Zealand			
Italy	Philippines			
Japan	Poland			
Russia	Thailand			
Singapore*	Turkey			
Spain				
Sweden				
Taiwan				
United Kingdom				
United States				

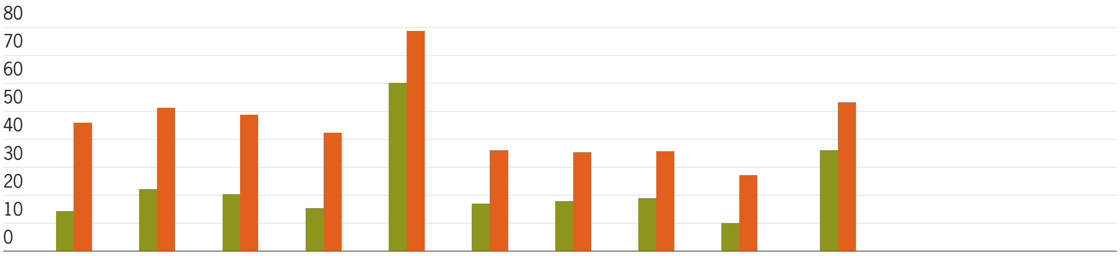
*tied with another constraint
Source: Grant Thornton IBR 2010

"The UK economy is fundamentally based on international trade, and the new Government is trying to stimulate an enterprise-led recovery with business friendly tax measures. A key concern remains whether overseas markets will provide sufficient demand to drive orders for UK products and services to stimulate an export-led recovery."

David Campbell
Grant Thornton, United Kingdom

Figure 20: Top 10 economies showing slowest recovery in impact of a shortage of orders/reduced demand on their growth plans: 2008-2010

Percentage of respondents rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint

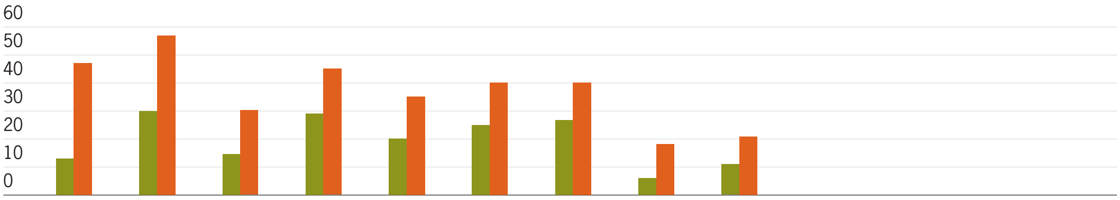


	Armenia	Russia	Ireland	Germany	Japan	Belgium	UK	US	Singapore	Italy
2008	14	22	20	16	60	17	18	19	10	36
2010	46	51	49	42	79	36	35	36	27	53

Source: Grant Thornton IBR 2010

Figure 21: Economies witnessing the greatest increased impact of regulations/red tape on expansion: 2009-2010

Percentage of respondents rating constraint 4 or 5 on a scale of 1 to 5, when 1 is not a constraint and 5 is a major constraint



	Thailand	Greece	Belgium	Botswana	Australia	Russia	Germany	Finland	Spain
2009	13	30	14	29	20	25	27	6	11
2010	47	57	30	45	35	40	40	18	21

Source: Grant Thornton IBR 2010

Shortage of orders/reduced demand

Despite dropping significantly from the level seen during the global downturn, a shortage of orders/reduced demand remains well above its pre-2009 levels as the biggest constraint on the ability of businesses to expand. Regionally, businesses in the EU are the most concerned with this constraint (41 per cent), followed by North America (35 per cent) and Asia Pacific excluding Japan (34 per cent) whilst just one fifth of businesses in Latin America cited it as a major constraint.

At a country level, businesses in the export-oriented economy of Japan are most concerned about a shortage of orders/reduced demand (79 per cent), followed by Taiwan (60 per cent) and Italy (53 per cent). Meanwhile, sluggish growth in many of the more mature economies is reflected by comparing 2010 results with pre-downturn results of 2008 where five members of the G7 appear in the top ten economies showing the slowest recovery in the impact of a shortage of orders/reduced demand on their growth plans.

Regulations/red tape

The impact of regulations/red tape on the expansion plans of businesses around the globe rose slightly this year to 32 per cent, whilst remaining lower than at any point in 2003-2007. Regionally, businesses in Latin America are the most constrained by bureaucracy in their attempts to grow, followed by the EU (34 per cent), with North America and Asia Pacific (excluding Japan) on just 29 per cent and 27 per cent respectively.

It is perhaps unsurprising, considering their current economic woes, to see Greece head the list of economies where businesses felt under the most pressure from bureaucracy (57 per cent). However, the biggest increase in concern over this factor was observed in politically volatile Thailand, where over a third more businesses cited regulations/red tape as a major constraint in 2010 compared with 2009.

Financial constraints

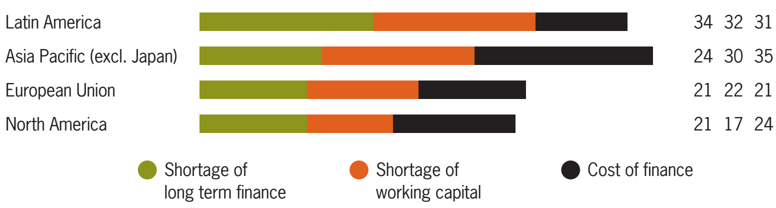
Having reached record highs in IBR 2009, financial factors (shortage of working capital, cost of finance, shortage of long term finance) stayed broadly level this year, reflecting the continuing restrictions to credit lines across the globe.

In spite of the concentration of financial problems in more mature markets, it is businesses in the emerging markets which appeared most constrained by financial issues in IBR 2010; 30 per cent or more of businesses in Latin America and in Asia Pacific (excluding Japan) cited a shortage of working capital as a major constraint compared with 22 per cent in the EU, and just 17 per cent in North America.

Moreover, over a third of businesses in Latin America feel constrained by a shortage of long term finance (34 per cent), compared with under a quarter in the EU and North America (both 21 per cent).

Meanwhile, 35 per cent of businesses in Asia Pacific (excluding Japan) and 31 per cent of those in Latin America felt constrained by the cost of finance compared to 24 per cent and 21 per cent of those in North America and the EU respectively. Indeed, for businesses in the two Asian powerhouses of mainland China and India, the cost of finance was cited as the greatest constraint they faced, suggesting that rampant rates of growth are putting the supply of finance under pressure.

Figure 22: Regional comparison of impact of financial constraints on ability of businesses to grow
Average percentage of businesses rating 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 IBR 2010

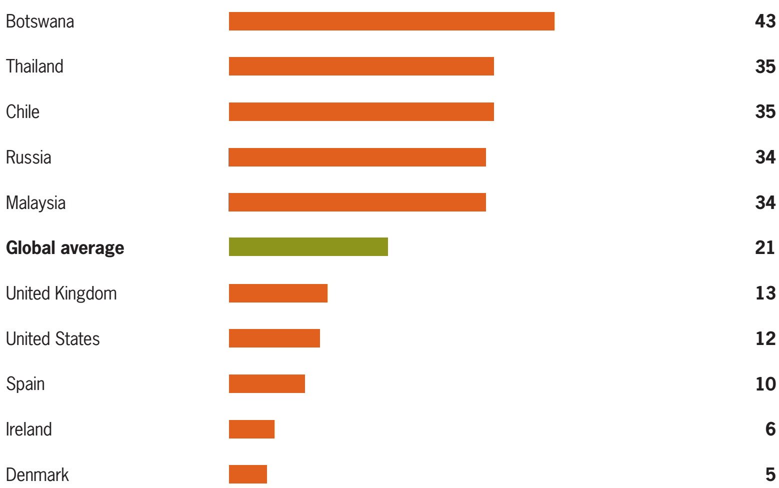
Lack of availability of a skilled workforce

Businesses globally are not as concerned with an inability to find the right workers as they were before the downturn. In the period 2006-2008, when many economies around the world were booming, a lack of skilled workers gradually became the most pressing constraint for businesses, peaking at 36 per cent in 2007. Subsequently, as the downturn struck and employers had to contend with laying staff off rather than hiring, the proportion of businesses who feel constrained in this regard fell to 27 per cent in 2009 and dropped to just 21 per cent this year.

However, the dichotomy evident as regards the health of the labour markets in the economies of the emerging and mature world is reflected in the results; 18 per cent of businesses in Europe and just 13 per cent of those in North America cited a lack of availability of a skilled workforce as a constraint, compared with 23 per cent in Latin America and 25 per cent in Asia Pacific (excluding Japan).

Businesses in Botswana are the most concerned with not being able to find the right workers this year (43 per cent), ahead of Thailand and Chile (both 35 per cent) and Russia and Malaysia (both 34 per cent). At the other end of the scale, businesses in the more mature economy of Denmark (five per cent) are the least concerned by this factor, behind two economies where unemployment is forecast to remain high this year – Ireland (six per cent) and Spain (ten per cent) – the US at 12 per cent and the United Kingdom (UK) at 13 per cent.

Figure 23: Economies most and least affected by a lack of availability of skilled workers
Top and bottom five economies
Percentage of respondents rating 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 IBR 2010

6 Stress

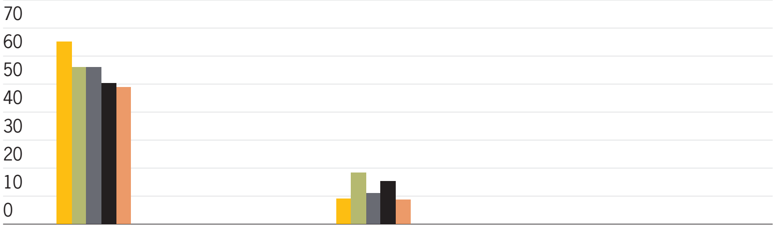
The year of recession and financial turmoil took its toll on business leaders around the globe; more than half of the business owners surveyed (56 per cent) reported an increase in stress levels from 12 months previously, compared with just 11 per cent who reported a decrease in levels of stress.

Regionally, business owners in Asia Pacific (excluding Japan) reported the greatest increase in stress levels over the course of 2009; 65 per cent said their levels of stress had increased, compared with 56 per cent in Latin America, 50 per cent in North America and 48 per cent in the EU. Meanwhile, business owners in Latin America (18 per cent) reported the greatest decrease in stress levels from 12 months previously, followed by those in North America (15 per cent).

But it is not just the recession which has caused business owners stress; set against a background of rapid economic growth, business owners in mainland China (+72 per cent) reported the greatest increase in levels of stress. Chinese business owners are followed by those in Mexico (+69 per cent), Turkey (+63 per cent), Japan (+62 per cent), Vietnam (+62 per cent) and the three most distressed EU economies, Greece, Spain (both +61 per cent) and Ireland (+55 per cent).

At the other end of the spectrum, business owners in three Nordic nations appear in the bottom seven least stressed; Sweden is bottom with just +6 per cent of business owners indicating an increase in stress in 2009, followed by Denmark (+9 per cent) and Finland (+21 per cent), which suffered more than its neighbours during the downturn. Other less stressed business owners are found in Brazil (+9 per cent), Thailand (+10 per cent), Australia (+12 per cent) and Canada (+16 per cent).

Figure 24: Change in stress levels from one year ago by region
Average percentage of businesses



	Increased or increased significantly	Decreased or decreased significantly
Asia Pacific (excl. Japan)	65	9
Latin America	56	18
Global	**56**	**11**
North America	50	15
European Union	48	8

Source: Grant Thornton IBR 2010

Figure 25: Change in stress levels from one year ago by economy
Balance percentage of respondents indicating an increase less those indicating a decrease

Mainland China	72	Chile	46	Singapore	30
Mexico	69	Armenia	45	New Zealand	28
Turkey	63	Belgium	45	Netherlands	26
Japan	62	France	44	Hong Kong	25
Vietnam	62	South Africa	42	United Kingdom	25
Greece	61	Argentina	40	Finland	21
Spain	61	Botswana	40	Canada	16
Ireland	55	Taiwan	40	Australia	12
Italy	55	Philippines	39	Thailand	10
Malaysia	53	Poland	39	Brazil	9
India	50	United States	36	Denmark	9
Russia	50	Germany	34	Sweden	6

Source: Grant Thornton IBR 2010

"Much of the stress and anxiety caused by the most severe global economic downturn since WWII was unavoidable, but this year's results show that business owners can help insulate themselves against the stresses and strains of running a business by taking holiday."

Peter Sherwin
Grant Thornton, New Zealand

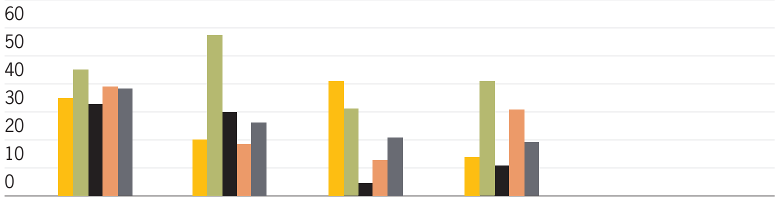
The causes of stress

Considering the uncertainty in the global economy, it is perhaps unsurprising that the economic climate was cited as the greatest cause of workplace stress by business owners (38 per cent); this was followed by pressure on cash flow (26 per cent), competitor activities (21 per cent) and heavy workload (19 per cent).

Regionally, business owners in Latin America are the most stressed by pressure on cash flow (57 per cent), followed by the economic climate (45 per cent) and a heavy workload (41 per cent). Meanwhile, in the EU (39 per cent) and North America (33 per cent) the economic climate is viewed as causing the most stress, whilst in Asia Pacific (excluding Japan) competitor activities come out on top (41 per cent).

Figure 26: Top four causes of stress in the workplace by region

Average percentage of businesses



	Economic climate	Pressure on cash flow	Competitor activities	Heavy workload
Asia Pacific (excl. Japan)	35	20	41	14
Latin America	45	57	31	41
North America	33	30	4	11
European Union	39	18	13	31
Global	**38**	**26**	**21**	**19**

Source: Grant Thornton IBR 2010

Holiday

A strong relationship between stress levels and the number of days off taken by business owners is also apparent: countries at the top of the stress league are those where business owners, on average, take fewer holidays each year.

For example, business owners in mainland China, Mexico and Vietnam are in the top five in terms of stress and the bottom five in terms of number of days holiday taken. On average, business owners in Vietnam took just seven days holiday in 2009, and +62 per cent reported an increase in stress levels; just seven days off were taken in Mexico and +69 per cent reported an increase in stress; whilst business owners in mainland China took nine days off, and stress levels rose by +72 per cent on balance. Business owners in Turkey, India and Russia also took fewer days holiday than the global average, and reported above average increase in stress levels (top right quadrant of figure 27).

Meanwhile, of the 11 countries where, on average, more than 18 days holiday are taken per year, seven appeared in the top 11 least stressed economies. Business owners in the Netherlands took the most days holiday in 2009 (24) with just +26 per cent reporting an increase in stress levels, whilst the Nordic nations took an average of 23 days holiday in 2009 and reported an increase in stress of just +12 per cent. Businesses in the UK, New Zealand and Canada also took more holiday days than average, whilst reporting lower than average increases in stress levels (bottom left quadrant of figure 27).

Some of the economies not to conform include the EU economies hardest hit by the downturn with Greece, Ireland, Italy and Spain all reporting above average levels of stress increase, but also higher than average levels of holiday days taken (top left quadrant of figure 27).

Figure 27: Increase in levels of stress vs number of days holiday taken

Source: Grant Thornton IBR 2010

7 Employment

Employment in 2009

As shown in previous sections, the labour market has not returned to pre-downturn levels of buoyancy. This year, for the first time in IBR history, the proportion of businesses reporting laying off staff over the last 12 months outweighed the proportion hiring staff (-8 per cent).

Once again, the uneven distribution of the downturn between emerging and more mature economies is reflected in the regional results. Whilst employment in North America (-30 per cent) and the EU (-19 per cent) contracted, businesses in Latin America (+2 per cent) reported a slight increase, whilst the balance of businesses in Asia Pacific (excluding Japan) reporting an increase in employment was a very healthy +24 per cent.

The divide is even more apparent at the economy level; economies in Asia Pacific occupy four of the top five positions reporting an increase in employment in 2009, led by Vietnam (+54 per cent), followed by India (+33 per cent), the Philippines (+29 per cent) and mainland China (+26 per cent). At the other end of the scale, the troubled EU economies of Ireland (-54 per cent), Denmark and Spain (both -38 per cent) are behind the US (-33 per cent) and the UK (-30 per cent).

Figure 28: Change in number of employees over the last 12 months
Top and bottom five economies
Percentage balance of businesses indicating an increase over a decrease

Source: Grant Thornton IBR 2010

"Hosting the World Cup in South Africa provided an enormous boost to the positive outlook on the country and that should translate in economic growth and improved, sustainable local employment prospects. The hope is that the legacy of the event will be more than an improved infrastructure but that it assisted us to redress the dichotomy of high unemployment and severe skills shortages which hold the economy back."

Johan Blignaut
Grant Thornton, South Africa

Avoiding redundancies

Despite difficult conditions in the labour market, half of businesses globally did not need to make redundancies in the past 12 months. Unsurprisingly, businesses in the EU (57 per cent) were the most likely to need to make redundancies, followed by those in North America (52 per cent). Elsewhere, 43 per cent and 38 per cent of businesses in Latin America and Asia Pacific (excluding Japan) were forced to lay off staff.

At a country level, the pressure inflicted on the labour market in Ireland is once again apparent, where a remarkable 88 per cent of businesses reported having to make redundancies in 2009. Elsewhere, 76 per cent of businesses in Japan reported the need to make redundancies, compared to 75 per cent in Finland, 69 per cent in Chile and 66 per cent in Germany. Meanwhile, just 29 per cent of businesses in both mainland China and Hong Kong reported having to lay staff off in the previous 12-month period.

The most popular measure used by businesses globally to avoid making redundancies was reducing employee hours (23 per cent), a measure which proved especially popular in the EU (29 per cent). The redeployment of staff was the second most popular measure globally (21 per cent), followed by the laying off of casual/contract staff (18 per cent).

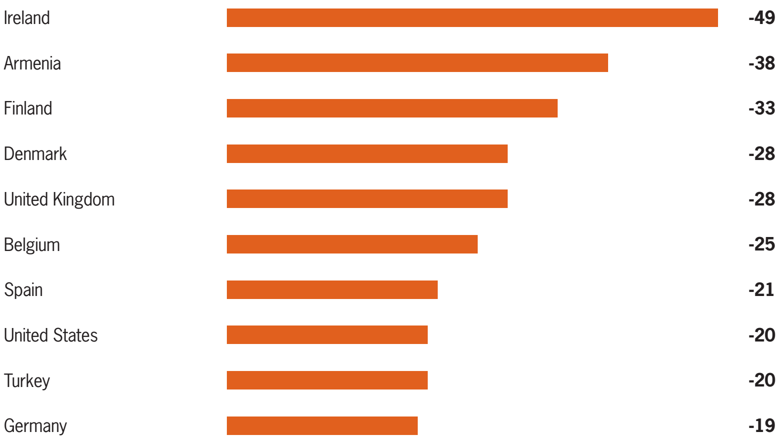
Salaries in 2010

Employees in just over half of businesses globally could expect a pay rise in 2010; 51 per cent of businesses said they expect to raise employee salaries at least in line with inflation, with 11 per cent expecting to increase salaries by more than inflation. Last year, 64 per cent of business owners expected to increase employee salaries and this year's figures reflect the continuing need for businesses to control costs. Another third of business owners expect to offer no pay rise to their employees over the course of 2010, up from just a fifth last year.

Whilst there are no significant regional differences in salary expectations for the next 12 months, there are some interesting results at the country level; in Ireland, the salaries of employees in just nine per cent of businesses is expected to rise in 2010 whilst in Japan the proportion of businesses expecting to raise salaries is 17 per cent, and in Taiwan 22 per cent. However, employees in South Africa (87 per cent), Vietnam (87 per cent) and Argentina (85 per cent) are likely to benefit from an increase in pay in 2010.

Businesses in over three-quarters of countries interviewed are more pessimistic with regard to employee salaries than they were last year, reflecting the realisation in the majority of more mature economies that the recovery would be neither quick nor steady. Of these economies, the greatest decline is observed in Ireland (-49 per cent), followed by Armenia (-38 per cent) and two Nordic nations, Finland (-33 per cent) and Denmark (-28 per cent). Seven of the top ten greatest declines are observed in the EU where the labour market – and recovery in general – remain precarious.

Figure 29: Change in proportion of employers expecting to increase salaries: 2009-2010
Percentage of businesses expecting to offer a salary rise over the next 12 months



Source: Grant Thornton IBR 2010

8 Mergers and acquisitions

The medium term outlook for mergers and acquisitions (M&A) activity has deteriorated since last year, as businesses globally continue to grapple with the aftershocks of the credit crunch. Having fallen by around a quarter in 2008, the value of M&A activity is estimated to have fallen by a further 15 per cent in 2009, although transactions fell by only two per cent.[6]

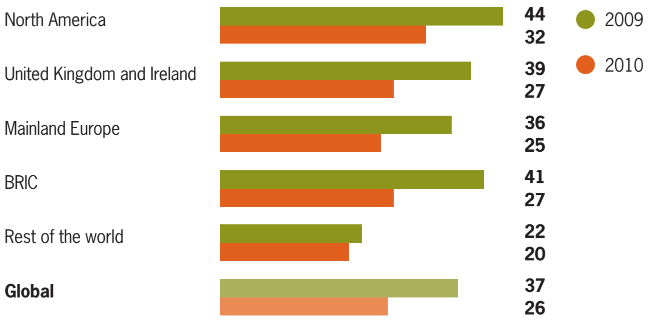
In IBR 2010, the proportion of businesses expecting to grow through M&A over the next three years fell to 26 per cent this year, down from 37 per cent and 44 per cent in 2009 and 2008 respectively. The largest fall is observed in the BRIC economies, where 14 per cent fewer businesses expect to grow through acquisition. Elsewhere, the drop off in expected activity is around the ten per cent mark.

However, this still leaves a substantial proportion of entrepreneurial firms wanting to grow through M&A and this is likely to improve if optimism about a global economic recovery spreads and credit markets ease. For example, Poland expects to increase M&A activity in comparison with 12 months previously; an increase of seven percentage points to 66 per cent. Moreover, Indian businesses are among the keenest to make cross-border acquisitions, at 42 per cent. However, businesses in the Philippines (-41 per cent), Brazil (-27 per cent) and Spain (-26 per cent) all expect to reduce M&A activity levels in the medium term in comparison with 2009.

What M&A activity remains over the next three years is expected to be slightly more concentrated on the domestic, rather than the international market. The proportion of businesses planning to grow through domestic acquisition has risen to 84 per cent this year, up from 79 per cent in 2009, whilst the proportion expecting acquisitions to be made across borders has fallen from 30 per cent to 28 per cent. This trend is boosted by businesses in the EU with seven per cent more businesses expecting to acquire domestically, and six less per cent expecting to acquire across borders.

Meanwhile, the drivers behind decisions to acquire remain broadly equal with last year's results; 57 per cent of businesses cited access to new geographic markets in 2010, the same as 2009, whilst 48 per cent cited building scale, up one percentage point from 2009. Regionally, the drivers also remained broadly similar, although the results suggest that businesses in Latin America are looking beyond merely increasing their size, and more towards expanding their operations in terms of value-add and location. 12 per cent fewer businesses planning to grow through M&A in the next three years in Latin America are looking to build scale, whilst eight per cent and seven per cent more are looking to acquire new technology and access new geographic markets respectively.

Figure 30: Change in M&A activity levels by region: 2009-2010
Average percentage of businesses planning to grow through acquisition



Source: Grant Thornton IBR 2010

For more detailed information on mergers and acquisitions please see: "Mergers and acquisitions: prospects for global recovery", available at: www.internationalbusiness report.com

[6] source: www.zephyrdealdata.com

“The economic downturn has left many enterprises in severe financial distress, but these represent investment opportunities for businesses with healthier balance sheets to broaden their horizons.”

Tomasz Wroblewski
Grant Thornton, Poland

9 Taxation

Tax burden

As governments around the globe grapple with large budget deficits, brought on by heavy spending and declining fiscal revenues, the tax burden faced by businesses remains in the spotlight. This year, taxes on business profits are cited as the most burdensome by businesses globally for the third successive year, although the proportion dropped slightly from 27 per cent in 2009 to 25 per cent in 2010. In fact, an emerging pattern this year is the shift in the perceived tax burden from tax on business profits to employment-related taxes. Employment-related taxes are cited as the most burdensome by 23 per cent of respondents, an increase of three percentage points, whilst the proportion citing personal income tax as the most burdensome has risen from 16 per cent in 2008 to 22 per cent this year.

This year's results suggest that businesses in East Asia find taxes on business profits the most burdensome, led by enterprises in Japan (46 per cent), Vietnam (41 per cent) and mainland China (34 per cent). At the other end of the scale, businesses in Sweden (three per cent), Chile (four per cent) and Australia (five per cent) find this tax the least burdensome.

There is some correlation between local corporate tax rates and the burden of taxes on business profits, with the Japanese corporate tax high at 40 per cent, and Ireland's low at 13 per cent. However, Australia's corporate tax is higher than in Vietnam, mainland China and Malaysia, where enterprises view taxes on business profits as a much heavier burden.

Figure 31: Burden of taxes on business profits against local corporate tax rate

	Tax on business profit as the greatest burden Percentage of businesses	Corporate tax rate Percentage of profits
Japan	46	40
Vietnam	41	25
Mainland China	34	25
Malaysia	32	25
Thailand	31	30
Global average	**25**	**–**
Mexico	7	28
Ireland	5	13
Australia	5	30
Chile	4	17
Sweden	3	26

Source: IBR 2010; OECD 2009

For more detailed information on tax please see: "Taxing times", available at: www.internationalbusinessreport.com

On a regional basis, taxes on business profits are only seen as the most burdensome in Asia Pacific (32 per cent). In North America, personal income tax is cited as the most burdensome (36 per cent); in the EU, employment-related taxes such as national insurance contributions come out on top (38 per cent); whilst in Latin America, 32 per cent of businesses cited indirect taxes, such as VAT, as the greatest burden.

Investing abroad

When considering establishing an operating base abroad, a tax-free period for five years was cited by 41 per cent of respondents and would be the aspect most likely to influence location for businesses globally, followed by a low rate on business profits (39 per cent) and a stable tax regime (38 per cent). Interestingly, 17 per cent of businesses globally do not consider the local tax regimes when investing in another country.

Regionally, businesses in North America (40 per cent) and the EU (42 per cent) cited low tax rates on businesses profits as the factor most likely to influence their location decision, whilst those in Asia Pacific excluding Japan (50 per cent) and Latin America (39 per cent) cited a tax-free period for five years.

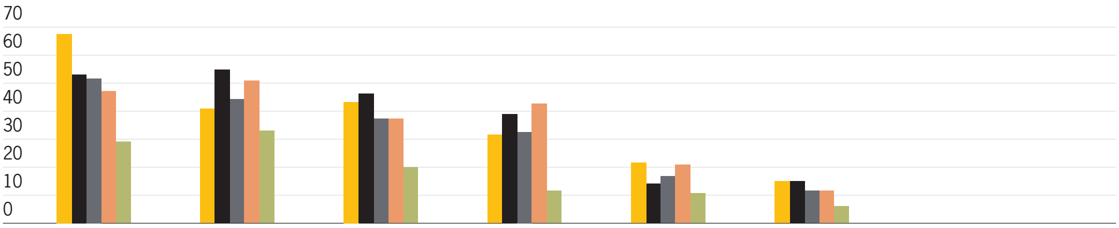
10 Financial reporting

More than half of respondents globally (52 per cent) cited greater transparency when asked how their business should benefit from financial reporting. A further 44 per cent cited reducing costs, and 37 per cent believe they would find capital easier to access. Few businesses believe financial reporting would help with cross-border activities; just 17 per cent and 12 per cent believe it should help with non-domestic trading and M&A respectively.

Regionally, the proportion of businesses citing greater transparency was highest in Asia Pacific (excluding Japan) where this benefit was cited by almost two-thirds of businesses. In the EU (51 per cent) and in North America (55 per cent) more than half of businesses believe that financial reporting should help reduce costs, compared with just one third of businesses in Latin America.

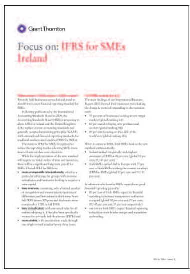
Just over half of businesses globally (53 per cent) have heard of international financial reporting for small and medium enterprises (IFRS for SMEs), whilst just 52 per cent of those aware of the standards would like their country to adopt them (52 per cent).

Figure 32: How businesses believe they should benefit from financial reporting
Average percentage of businesses



	Greater transparency	Reduced cost	Easier access to capital	Less complexity	Facilitating cross-border trading	Facilitating M&A
Asia Pacific (excl. Japan)	68	41	43	32	22	15
North America	53	55	46	39	14	15
Global	**52**	**44**	**37**	**33**	**17**	**12**
European Union	47	51	37	43	21	12
Latin America	29	33	20	12	11	6

Source: Grant Thornton IBR 2010



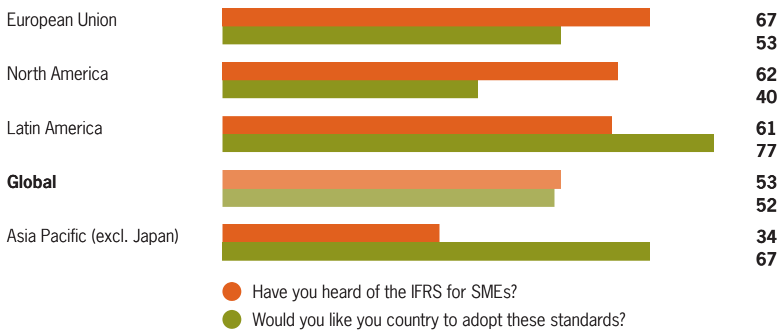
For more detailed information on IFRS for SMEs please see: "IFRS for SMEs focus series", available at: www.internationalbusinessreport.com

Businesses in the Asia Pacific (excluding Japan) region are the least aware of IFRS for SMEs (34 per cent), although two thirds of those aware would like their respective countries to adopt them. Similarly, in Latin America, 61 per cent of businesses are aware of IFRS for SMEs, and over three-quarters of these businesses would like to adopt them. Meanwhile, whilst more than 60 per cent of businesses in both the EU and North America have heard of IFRS for SMEs, just 53 per cent and 40 per cent respectively would like their respective countries to adopt them.

Awareness of IFRS for SMEs is strongest in the EU; businesses in Ireland emerge as the most aware of IFRS for SMEs (86 per cent), ahead of Spain (79 per cent), Finland (78 per cent) and the UK (76 per cent). Meanwhile, businesses in Thailand (18 per cent), Japan (19 per cent) and mainland China (29 per cent) are least likely to have heard of these reporting standards.

Of those businesses who have heard of IFRS, businesses in Japan are the least enthusiastic as just 13 per cent of respondents want the standards to be adopted. The most positive business communities in terms of adopting IFRS for SMEs are those in Mexico (89 per cent), the Philippines (85 per cent) and Chile (84 per cent).

Figure 33: Awareness and attitudes of businesses towards IFRS for SMEs
Average percentage of businesses answering 'yes'



Source: Grant Thornton IBR 2010

Further information

IBR methodology

Grant Thornton IBR 2010 surveyed a sample of over 7,400 chief executive officers, managing directors, chairmen or other senior executives in medium to large privately held businesses (PHBs) across 36 economies. This unique survey draws upon 18 years of trend data for most European participants and seven years for many non-European economies. The sample was randomly selected by number of employees or revenue of the businesses.

A minimum sample size of 100 per country was surveyed in order to guarantee statistical reliability, although this number was higher in larger economies. The global sample includes businesses from all industry sectors with robust global data available for ten industry sectors: construction and real estate, technology, retail, financial services, healthcare, manufacturing, cleantech, food and beverage, transport and hospitality.

Data was collected using 15-minute telephone interviews in most countries, and face to face interviews or postal questionnaires where cultural differences required a different approach. Fieldwork was conducted locally from October to November 2009.

The survey was commissioned by Grant Thornton International and conducted by an independent market research agency, Experian Business Strategies.

Further details about the IBR methodology are available at:
www.internationalbusinessreport.com/Results

About Grant Thornton

Grant Thornton International Ltd (Grant Thornton International) is one of the world's leading organisations of independently owned and managed accounting and consulting firms. These firms provide assurance, tax and specialist business advice to privately held businesses and public interest entities. Clients of member firms can access the knowledge and experience of more than 2,500 partners in over 100 countries and consistently receive a distinctive, high quality service wherever they choose to do business.

Please contact Rita Duarte if you would like more information on +44 (0) 20 7391 9564, email rita.duarte@gtuk.com or visit the IBR website at www.internationalbusinessreport.com.

This list represents the countries and territories where Grant Thornton International member firms currently have operations. July 2010.

Economies who participated in IBR 2010 are shown in **bold**.

Argentina
Armenia
Australia
Austria
Bahamas
Bahrain
Belgium
Bolivia
Botswana
Brazil
Bulgaria
Cambodia
Canada
Cayman Islands
Channel Islands
Chile
Mainland China
Colombia
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Egypt
Finland
France
Georgia
Germany
Gibraltar
Greece
Guatemala
Guinea
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Isle of Man
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Korea
Kosovo
Kuwait
Lebanon
Luxembourg
Macedonia
Malaysia
Malta
Mauritius
Mexico
Moldova
Morocco
Mozambique
Namibia
Netherlands
New Zealand
Nicaragua
Norway
Oman
Pakistan
Panama
Philippines
Poland
Portugal
Puerto Rico
Qatar
Russia
Saudi Arabia
Serbia
Singapore
Slovak Republic
South Africa
Spain
Sweden
Switzerland
Taiwan
Thailand
Tunisia
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
United States
Uruguay
Venezuela
Vietnam
Yemen
Zambia

International Business Report contacts

Argentina
Grant Thornton
Arnaldo Hasenclever
T +54 11 4105 0000
E ahasenclever@gtar.com.ar

Armenia
Grant Thornton Amyot
Gurgen Hakobyan
T +374 (0) 10 276 569
E gurgen.hakobyan@gta.am

Australia
Grant Thornton
Tony Markwell
T +61 (0) 7 3222 0229
E tony.markwell@au.gt.com

Belgium
Grant Thornton
Johan Haelterman
T +32 (0) 477 61 80 87
E johan.haelterman@grantthornton.be

Botswana
Grant Thornton
Jay Ramesh
T +267 395 2313
E jramesh@grantthornton.co.bw

Brazil
Grant Thornton International
Rita Duarte
T +44 (0)20 7391 9564
E rita.duarte@gtuk.com

Canada
Grant Thornton
Bill Brushett
T + 1 416 369 6445
E bbrushett@grantthornton.ca

Chile
Surlatina Auditores
Alfonso Ibáñez
T +56 (2) 269 1737
E aibanez@gtchile.cl

Mainland China
Grant Thornton China
Xu Hua
T +86 65 26 48 38
E xuhua@cn.gt.com

Denmark
Grant Thornton
Jan Hetland Møller
T +45 35 27 13 83
E jhm@grantthornton.dk

Finland
Grant Thornton
Joakim Rehn
T +358 (0) 9 512 3330
E joakim.rehn@gtfinland.com

France
Grant Thornton
Jean-Jacques Pichon
T +33 (0) 3 81 88 3987
E jean-jacques.pichon@fr.gt.com

Germany
Grant Thornton
Christian Kirnberger
T +49 (0) 89 36 849 360
E c.kirnberger@muc.grantthornton.de

Greece
Grant Thornton
Vassilis Kazas
T +30 210 72 80 000
E vkazas@grant-thornton.gr

Hong Kong
Grant Thornton
Gary James
T +852 2218 3137
E gary.james@gthk.com.hk

India
Grant Thornton
Vishesh Chandiok
T +91 11 4278 7001
E vishesh.chandiok@wcgt.in

Ireland
Grant Thornton
Patrick Burke
T +353 (0)1 6805 650
E patrick.burke@grantthornton.ie

Italy
Grant Thornton Bernoni & Partners
Giuseppe Bernoni
T +39 02 76008751
E giuseppe.bernoni@gtbernoni.it

Japan
Grant Thornton
Hiroyuki Hamamura
T +81 3 5770 8855
E hhamamura@gtjapan.com

Malaysia
SJ Grant Thornton
Dato' Narendra Jasani
T +60 (0) 3 2692 4022
E jasani@gt.com.my

Mexico
Salles, Sáinz-Grant Thornton S.C.
Héctor Pérez
T +52 55 5424 6500
E hector.perez@mx.gt.com

Netherlands
Grant Thornton
Frank Ponsioen
T +31 (0) 172 42 38 70
E frank.ponsioen@gt.nl

New Zealand
Grant Thornton
Peter Sherwin
T +64 4 474 8500
E peter.sherwin@nz.gt.com

Philippines
Punongbayan & Araullo
Marivic España
T +63 (2) 886 5579
E marivic.espano@pna.ph

Poland
Grant Thornton Frąckowiak
Tomasz Wroblewski
T +48 (61) 8509 200
E wroblewski.tomasz@gtfr.pl

Russia
Grant Thornton
Ivan Sapronov
T +7 495 258 9990
E ivan.sapronov@ru.gt.com

Singapore
Foo Kon Tan Grant Thornton LLP
Aw Eng Hai
T +65 6303 9500
E enghai.aw@grantthornton.com.sg

South Africa
Grant Thornton
Johan Blignaut
T +27 (0) 12 346 1430
E jb@gtpta.co.za

Spain
Audihispana Grant Thornton
José María Fernández
T +34 91 576 39 99
E jmfernandez@ahgt.es

Sweden
Grant Thornton
Peter Bodin
T +46 (0) 8 563 070 00
E peter.bodin@grantthornton.se

Taiwan
Grant Thornton
Jay Lo
T +886 (0) 2 2758 2688
E jay@gti.com.tw

Thailand
Grant Thornton
Ian Pascoe
T +66 (0)22 05 8100
E ian.pascoe@gt-thai.com

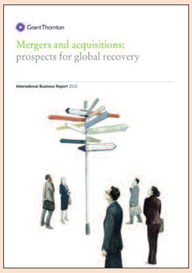
Turkey
Grant Thornton
Aykut Halit
T +90 (0) 212 373 0000
E aykut.halit@gtturkey.com

United Kingdom
Grant Thornton
David Campbell
T +44 (0)114 255 3371
E david.campbell@gtuk.com

United States
Grant Thornton
J. Michael McGuire
T +1 704 632 6788
E mike.mcguire@gt.com

Vietnam
Grant Thornton
Ken Atkinson
T +84 8 39109100
E ken.atkinson@gt.com.vn

Also in this series

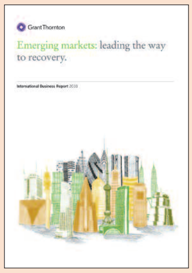


IBR M&A report

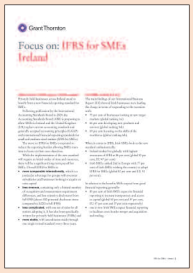
IBR country focus series

IBR sector focus series on ten key sectors

IBR tax report



IBR emerging markets report



IBR IFRS for SMEs focus series

Visit www.internationalbusinessreport.com to download copies and for more information on IBR.

Grant Thornton

www.gti.org
www.internationalbusinessreport.com