

Focus on: United States

International Business Report 2010 – Country focus series

The recovery

The United States (US) economy emerged from recession in the third quarter of 2009 as consumer spending rose at a pace last seen in 2001. Government spending, inventory rebuilding and a long-awaited recovery in residential investment also played a role, although the recovery remains tentative considering the massive amounts of fiscal stimulus pumped into the economy.

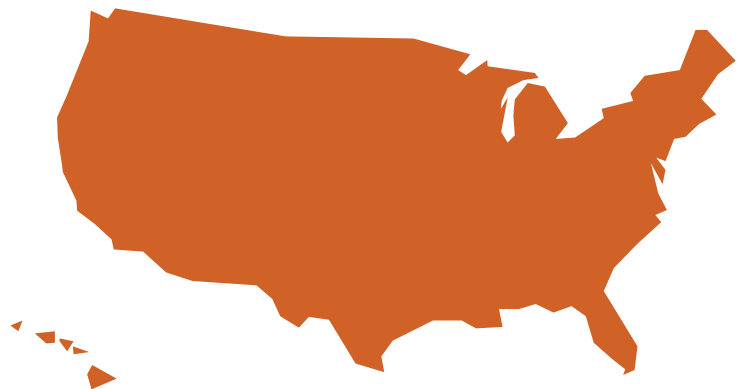
The key indicators¹ are highlighted below:

- GDP increased at an annual rate of 3.2 per cent quarter-on-quarter in Q1, down slightly on the previous quarter increase of 5.6 per cent
- having increased by 5.3 per cent in Q4 2009, exports grew by a more modest 1.4 per cent in Q1 2010
- imports climbed by 3.7 per cent in the three months to December, which slowed to 2.2 per cent quarter-on-quarter for Q1
- the unemployment rate edged up to 9.9 per cent in April, from the 9.7 per cent rate it had been for the previous three months.

Impact on businesses

The Grant Thornton International Business Report (IBR) 2010 surveyed the views of over 7,400 privately held businesses (PHBs) in 36 economies around the world. This report focuses on the US, the experiences and attitudes of its businesses and how they have been affected by the economic crisis along with how they are dealing with the recovery, as illustrated in figure 1.

The IBR survey tells us that businesses in the US are considerably more optimistic on the outlook for the economy over the next 12 months in 2010, than they were in 2009 and two-thirds expected to see an upturn in the global economy by the end of 2010. Expectations for revenue, profitability and employment growth are all markedly more positive this year but a shortage of orders/reduced demand remains a major constraint on potential expansion.



¹ Source: International Monetary Fund, The Economist and Experian.

Looking ahead

Forecasts seem to suggest that growth outcomes may disappoint, although many analysts generally expect longer-term growth to run at 2.75 per cent per annum or above. US growth is expected to surpass that of the eurozone, the United Kingdom (UK) and Japan, but differentials may be smaller than in 1997-2006.

Demographic factors suggest that the workforce will expand at a slower pace, particularly in the next decade. Productivity gains are also unlikely to match those recorded in 1995-2004. The benefits of heavy information technology investment in the 1990s, which gave a strong boost to average output per worker, now look to be waning. Indeed, investment in equipment in software, which averaged growth of 12 per cent per annum in 1992-2000, was comparatively soft in recent years, expanding by just 2.3 per cent per annum in 2001-2008.

Consumption, investment and government are all expected to show some softness in the long-term. Exports are expected to do reasonably well, but not enough to compensate for deceleration in domestic demand. Slower growth is likely to keep a lid on inflation of around 2.5 per cent.

The deleveraging of the US economy may yet prove to be a long-term phenomenon, curbing growth potential for many years to come as access to credit looks to remain restricted and financial services growth more modest. Annual outturns closer to 2-2.25 per cent may become the norm.

As the economy exits recession, all businesses will need to face new challenges and take advantage of new opportunities to achieve consolidated growth and lead the way to recovery.

Figure 1: Key indicators for PHBs

US compared to the global average	2008	2009	2010	2010
	US	US	US	Global
Outlook for the economy over the next 12 months				
Balance of optimists over pessimists	+22%	-34%	+20%	+24%
Change in employment levels				
Balance of PHBs expecting an increase over those expecting a reduction	+34%	-9%	+15%	+20%
Constraints on expansion				
Shortage of orders/reduced demand	19%	48%	36%	39%
Regulations/red tape	16%	22%	30%	32%

Source: Grant Thornton IBR 2010

Talk to us to find out how we can help you deal with the challenges of a new world economic order.



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International Business Report results

The Grant Thornton IBR 2010 reveals that businesses in almost all countries are more optimistic about economic prospects for the year ahead. Businesses in the US are more optimistic about prospects for 2010; their optimism/pessimism balance² has risen 54 percentage points from -34 per cent in 2009 to +20 per cent in 2010.

For the first time in six years, India has been overtaken as the most optimistic country by Chile. Chile now tops the league table with a net balance of +85 per cent (-24 per cent in 2009), India comes in a very close second with +84 per cent, whilst Japan remains at the bottom with a balance of -72 per cent.

Overall optimism amongst businesses globally has risen from 2009; this year a balance of +24 per cent of businesses across all countries are positive about their country's economy – compared to a balance of -16 per cent in 2009.

Optimism/pessimism

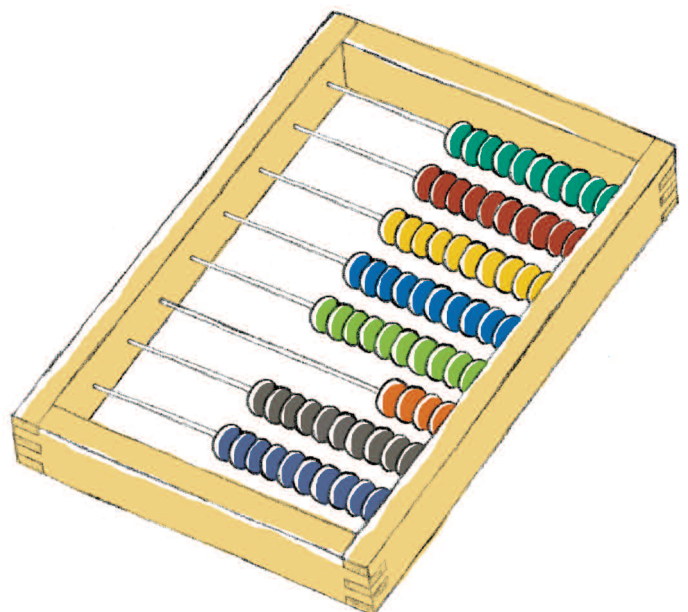
- businesses in the US are more optimistic about their country's economic outlook (+20 per cent) compared with 2009 (-34 per cent)
- this is slightly lower than the global average of +24 per cent
- global optimism has also risen this year, but less significantly than the US; by 40 percentage points to +24 per cent compared with -16 per cent in 2009.

Figure 2: Outlook for the economy over the next 12 months: 2003-2010

Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2010



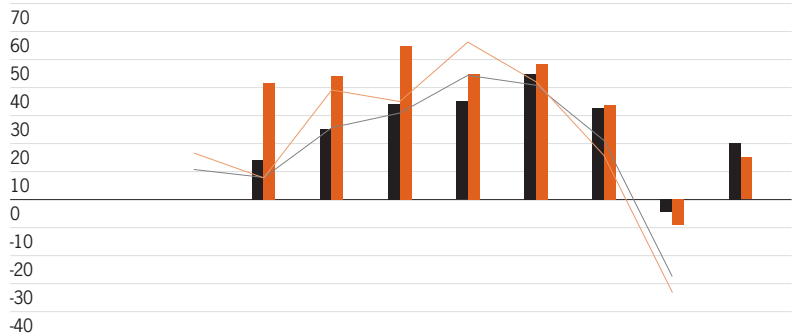
² the balance is the proportion of companies reporting they are optimistic less those reporting they are pessimistic.

Employment

- a balance of 15 per cent of businesses in the US expect employment to grow in 2010, lower than the global average of +20 per cent
- actual employment contraction reported by businesses in the US in 2009 (-33 per cent) was significantly more severe than expected 12 months previously (-9 per cent).

Figure 3: Employment history: 2002-2010

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



	2002	2003	2004	2005	2006	2007	2008	2009	2010*
● Expected global	-	14	25	34	35	45	33	-4	20
● Expected US	-	42	44	55	45	48	34	-9	15
● Actual global	11	8	26	31	44	41	21	-8	-
● Actual US	17	8	39	35	56	42	16	-33	-

*actual 2010 data will be documented in IBR 2011

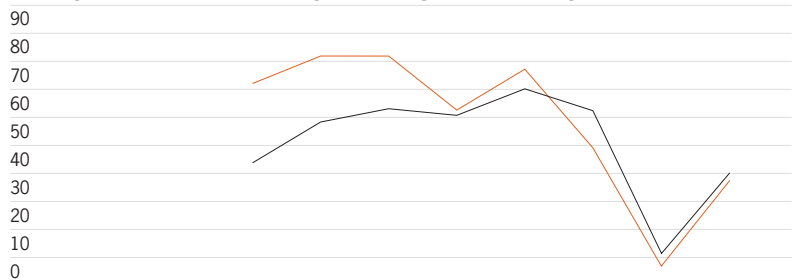
Source: Grant Thornton IBR 2010

Revenue expectations

- expectations for revenue prospects have risen by 31 percentage points; from just +7 per cent in 2009 to +38 per cent this year
- the global average has also risen, by 29 percentage points from +11 per cent in 2009 to +40 per cent.

Figure 4: Revenue expectations: 2003-2010

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



	2003	2004	2005	2006	2007	2008	2009	2010
● Global average	44	58	63	61	70	63	11	40
● United States	72	82	82	63	77	49	7	38

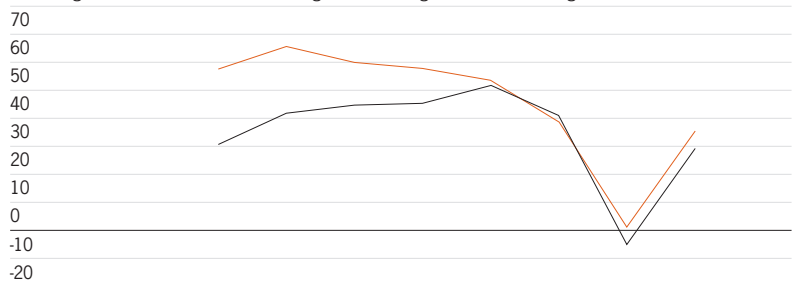
Source: Grant Thornton IBR 2010

Profitability expectations

- profitability expectations amongst businesses in the US have risen by 35 percentage points this year
- the global average has seen a similar rise of 34 percentage points, from -5 per cent in 2009 to +29 per cent this year.

Figure 5: Profitability expectations: 2003-2010

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



	2003	2004	2005	2006	2007	2008	2009	2010
● United States	57	66	60	58	54	39	1	36
● Global average	31	42	45	46	52	41	-5	29

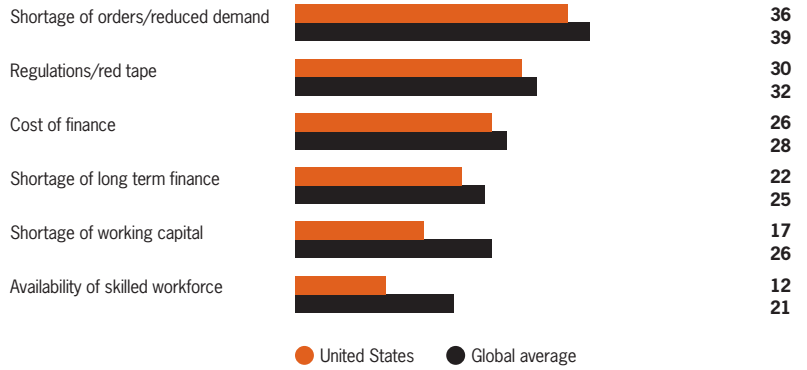
Source: Grant Thornton IBR 2010

Constraints

- as in 2009, the shortage of orders/reduced demand is viewed as the major constraint restricting expansion for businesses in the US (36 per cent) and globally (39 per cent)
- all of the constraints are less of a concern for businesses in the US, compared to the global average; particularly a shortage of working capital and the availability of a skilled workforce.

Figure 6: Constraints on expansion

Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



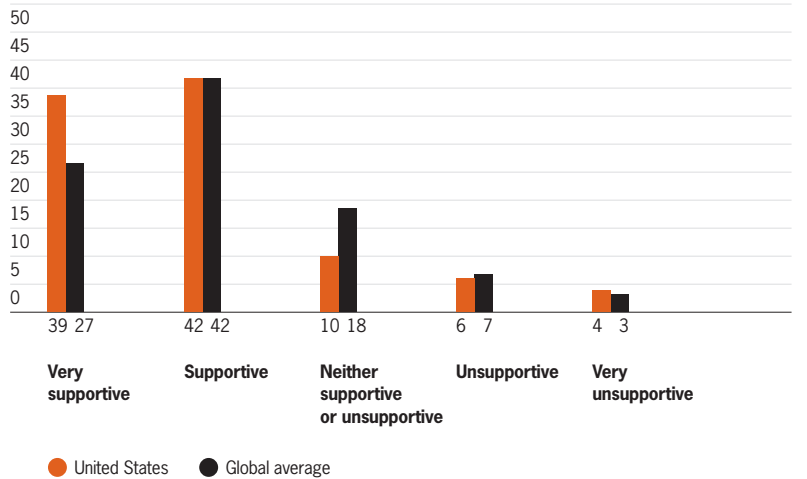
Source: Grant Thornton IBR 2010

Support of lender

- the majority of businesses in the US are happy with the level of support provided by lenders; 81 per cent class lenders as supportive or very supportive towards their business
- this compares with 69 per cent globally
- one-tenth of businesses in the US and globally (both ten per cent) believe that lenders are unsupportive or very unsupportive of their business.

Figure 7: Level of support provided by lenders

Percentage of businesses



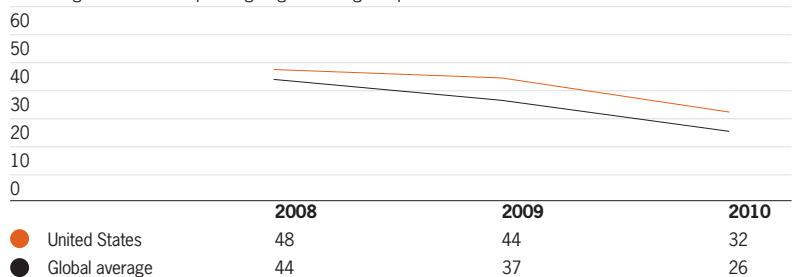
Source: Grant Thornton IBR 2010

Mergers & acquisitions

- the proportion of businesses in the US planning to grow through acquisition this year has fallen by 12 percentage points to 32 per cent, compared to a global decrease of 11 percentage points
- 90 per cent of those planning to grow in this way expect to acquire domestic businesses, whilst 25 per cent expect to acquire across borders
- for two-thirds of these businesses the key driver is to access new geographic markets, and for one-half it is to build scale.

Figure 8: Plans to grow through acquisition in the next three years

Percentage of businesses planning to grow through acquisition



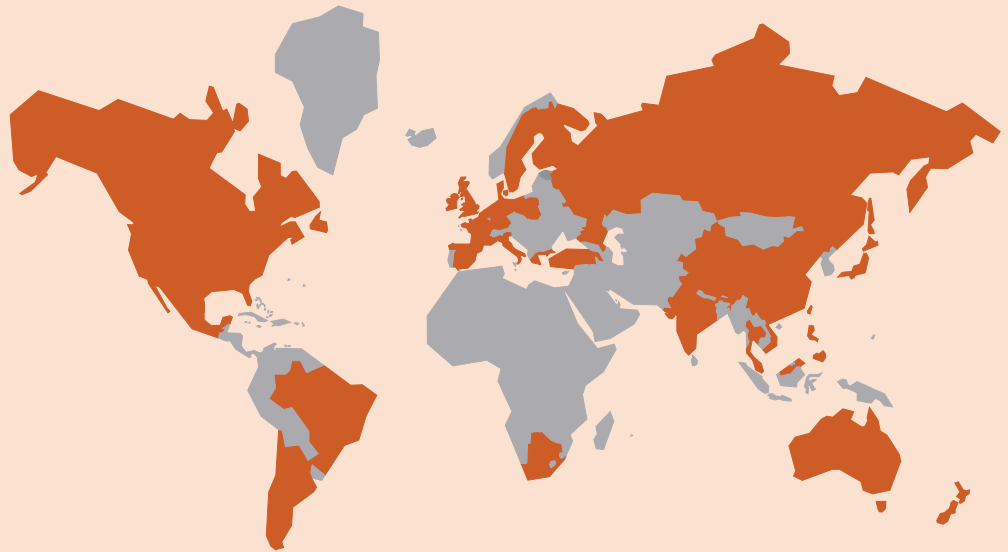
Source: Grant Thornton IBR 2010

The Grant Thornton International Business Report (IBR) is an annual survey of the views of senior executives in privately held businesses (PHBs) all over the world. Launched in 1992 in nine European countries the report now surveys over 7,400 PHBs in 36 economies providing insights on the economic and commercial issues affecting a segment often described as the 'engine' of the world's economy. In the US 250 PHBs were surveyed across all industry sectors. The annual turnover of these businesses ranged from US\$50 million to US\$2 billion.

To find out more about IBR and to obtain copies of reports and summaries visit: www.internationalbusinessreport.com. The site also allows users to complete the survey and benchmark their results against all other respondents by territory, industry type and size of business.

Participating economies

Argentina	Japan
Armenia	Malaysia
Australia	Mexico
Belgium	Netherlands
Botswana	New Zealand
Brazil	Philippines
Canada	Poland
Chile	Russia
Mainland China	Singapore
Denmark	South Africa
Finland	Spain
France	Sweden
Germany	Taiwan
Greece	Thailand
Hong Kong	Turkey
India	United Kingdom
Ireland	United States
Italy	Vietnam



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