

Australia

International Business Report 2008 – Country focus

The Grant Thornton IBR 2008 reveals that privately held businesses (PHBs) in most economies remain optimistic about economic prospects for the year ahead. For the fifth consecutive year, India tops the league table as the most optimistic economy with an optimism/pessimism balance¹ of +95 per cent with the Philippines joining them at the top for the first time (also +95 per cent). Japan is still at the bottom this year with a balance of -49 per cent. Meanwhile, PHBs in Australia are more optimistic about 2008 (+67 per cent) than they were about 2007 (+62 per cent).

The Australian economy

The global financial problems have made little impact on Australia so far. The economy posted above-trend real GDP growth of 3.9 per cent in 2007, its sixteenth consecutive year of positive growth. Domestic demand, vibrant consumer markets and heavy investment spending has powered the economy, along with raw material exports. Meanwhile, rising employment levels and steady wage inflation have increased disposable income and has quickly sustained buoyant consumer spending. Income tax cuts in July 2007 added to the high street boom.

Businesses have been equally confident, with investment spending streaking ahead in both manufacturing and services. However, the inflation rate has picked up since the autumn in response to tight domestic markets and rising import prices, despite the Australian dollar's appreciation. The Reserve Bank has increased its base rate three times in the last year but still cannot bring down inflation, to within its target bands.



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¹ the balance is the proportion of businesses reporting they are optimistic less those reporting they are pessimistic.

Business expectations/revenue

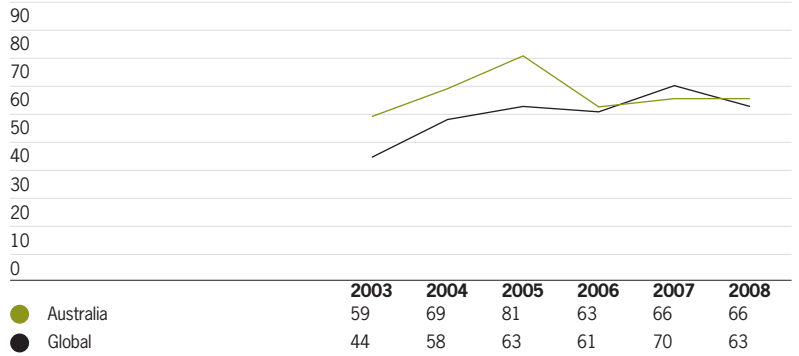
- This year, Australian businesses are equally as optimistic about revenue prospects as they were in 2007 (+66 per cent).
- Their levels of optimism regarding revenue performance are slightly above the global average (+63 per cent).
- One quarter of Australian businesses expect that next year, exports will increase above the global average of +18 per cent.
- A balance of +25 per cent of PHBs in Australia expect export growth in 2008, compared to +18 per cent of businesses globally.

Employment

- Australian businesses expect employment growth in 2008 to be at the same level as actual reported employment in 2007.
- Globally, companies expect employment growth to be lower than experienced in 2007.
- In 2007, the proportion of Australian businesses reporting an increase in employment was higher than expected. A balance of +38 per cent expected employment to increase, whereas a balance of +49 per cent actually observed increased employment in this period.

Figure 1: Revenue expectations for Australia and the global average 2003-2008

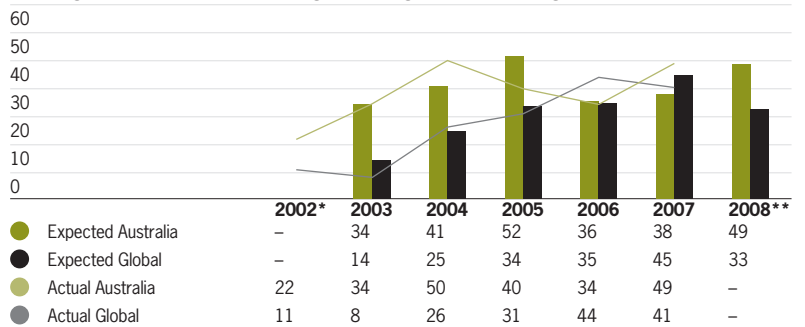
Percentage balance of businesses indicating optimism against those indicating pessimism



Source: Grant Thornton IBR 2008

Figure 2: Employment history of Australia and the global average 2002-2008

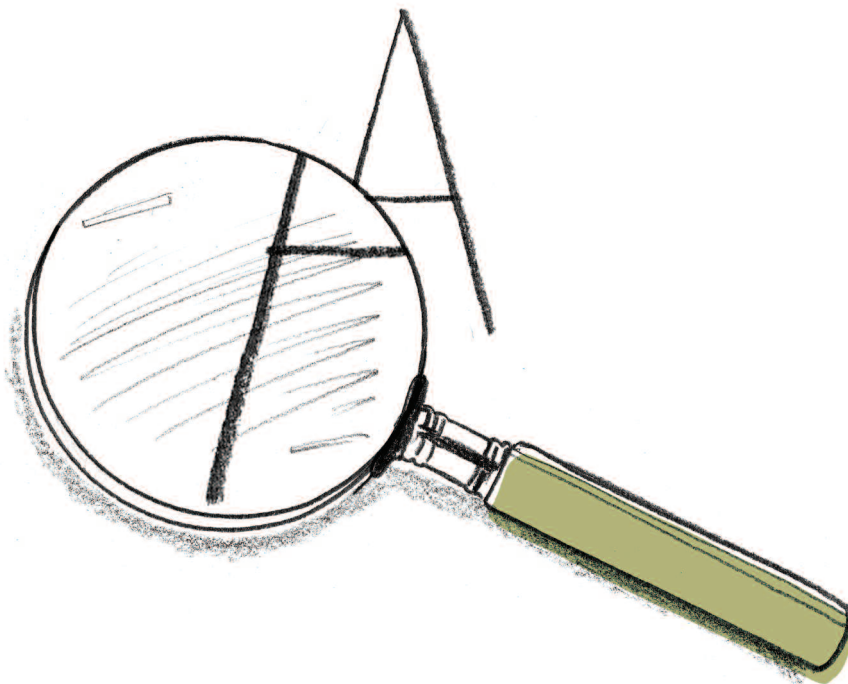
Percentage balance of businesses indicating optimism against those indicating pessimism



*no data available

**2008 data will be documented in IBR 2009

Source: Grant Thornton IBR 2008



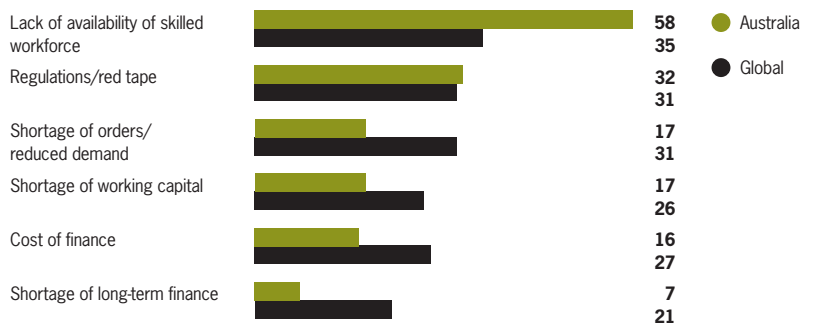
Constraints

- The availability of a skilled workforce is cited by over half of Australian businesses (58 per cent) as a major constraint on expansion. This is down marginally from 59 per cent in 2007, but is much higher than the global average of 35 per cent.
- Regulations/red tape is slightly more of an issue for businesses in Australia (32 per cent) than for businesses globally (31 per cent), but all other factors are much less of an issue.

Emerging markets

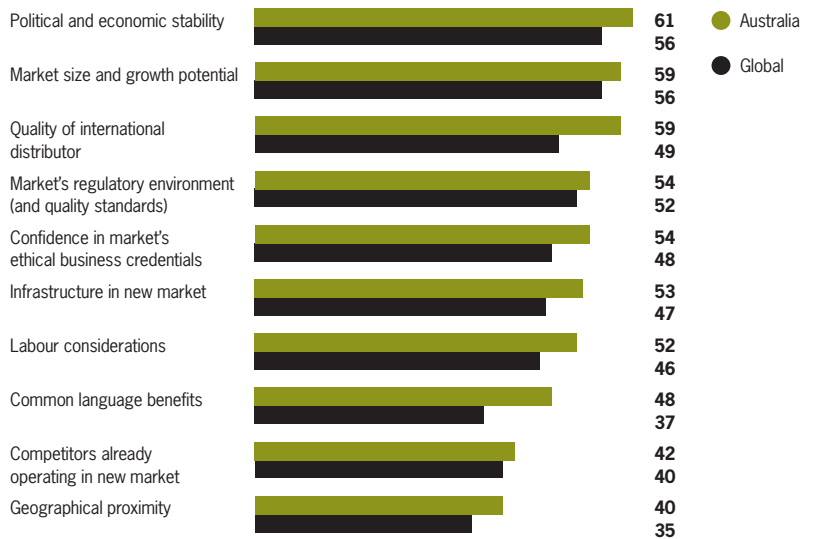
- The most important factor to Australian PHBs when determining whether to invest internationally, is political and economic stability, cited by 61 per cent of businesses.
- The number of Australian businesses which export (32 per cent) is lower than the global average (39 per cent), but is up by one per cent from 2007.
- 50 per cent of Australian businesses import, this is above the global average (39 per cent).
- Over half of PHBs in Australia see their primary competition being local (52 per cent). This is higher than the global average of 36 per cent.

Figure 3: Largest constraint on growth for Australian businesses compared to the global average
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 2008

Figure 4: Importance of factors determining foreign investment
Percentage of businesses rating level 4 or 5 on a scale of 1 to 5 where 1 is a low priority and 5 is a high priority



Source: Grant Thornton IBR 2008

Competitiveness

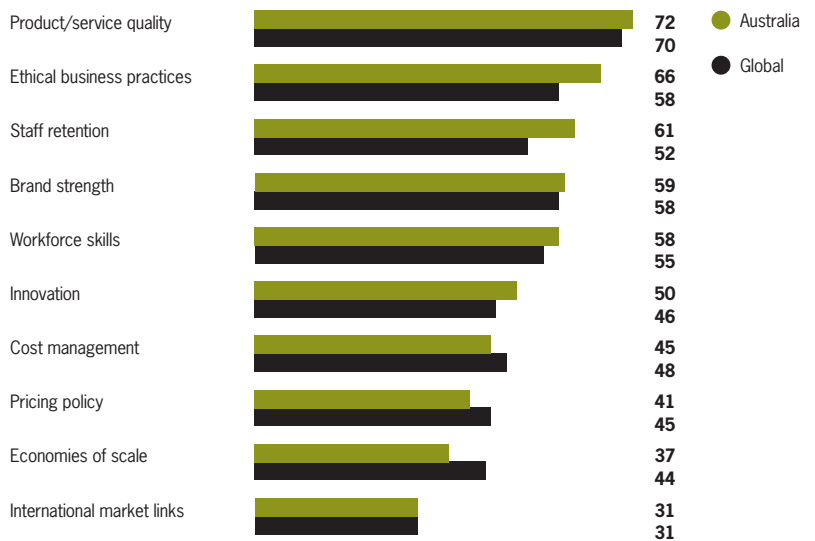
- Australian PHBs see their greatest source of competitive advantage as product/service quality (72 per cent), as is true of businesses globally (70 per cent).
- 66 per cent of Australian businesses see adherence to ethical business practices as a source of competitive advantage. This is much higher than the global business average of 58 per cent.
- Economies of scale are cited by 44 per cent of businesses globally but only by 37 per cent of Australian businesses.

Corporate social responsibility (CSR)

- The recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by Australian businesses. Only 27 per cent of Australian businesses cite government pressure as opposed to 38 per cent globally.
- 73 per cent of Australian businesses donated to community causes/charities in the past year, as opposed to 65 per cent of businesses globally.
- Less than half of Australian businesses have incorporated their policies in to a written CSR document (44 per cent), compared to 56 per cent of businesses globally.

Figure 5: Main sources of competitive advantage for Australian businesses compared to the global average

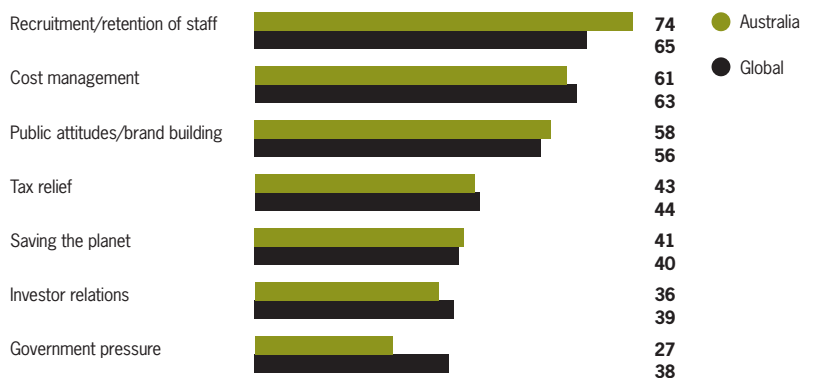
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Australian businesses compared to the global average

Percentage of businesses rating the importance 4 or 5 on a scale of 1 to 5 where 1 is not very important and 5 is very important



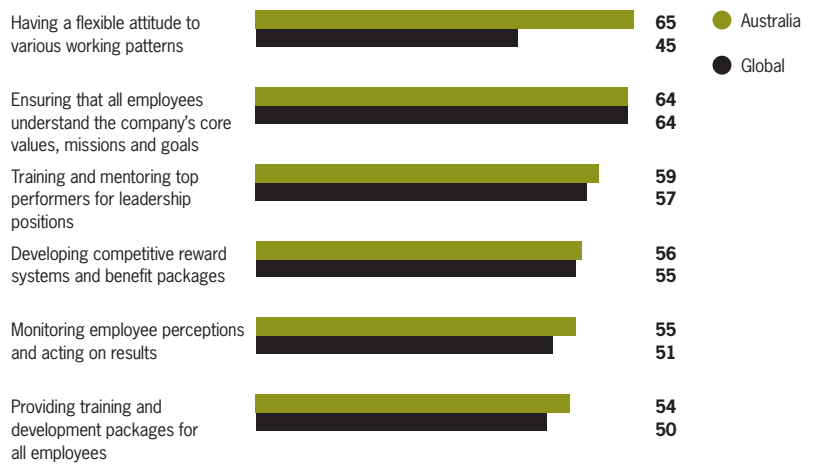
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of Australian businesses more focused on retention than those one year ago is 71 per cent, up from 63 per cent in 2005. Over the same period the global business average have risen from 44 per cent to 59 per cent.
- 65 per cent of Australian businesses have a flexible attitude to various working patterns to help recruitment/retention. This is far greater than the global average of 45 per cent.
- Cited by 49 per cent of Australian businesses, increased operating costs are viewed as the major problem staff retention issues have caused.
- It is costing 73 per cent of Australian businesses significantly more to pay their staff than it was 12 months ago, compared to the global average of 63 per cent.

Figure 7: Usage of recruitment and retention tools for Australian businesses compared to the global average

Percentage of businesses rating the level 4 or 5 on a scale of 1 to 5 where 1 is not at all and 5 is a great deal



Source: Grant Thornton IBR 2008

Outlook for the Australian economy

Driven by its exports to emergent Asian markets, and broadly untouched by the global credit crunch, the Australian economy will sustain growth into the medium-term, outperforming most of the industrialised world. Its consumer markets will continue to provide opportunities for manufacturers and retailers as employment growth, productivity improvement and tax cuts raise disposable income.

However, the economy will slow over the next year in response to higher interest rates and lower confidence levels beset by the gloom of the credit-crunch and slowing asset prices. Consumer markets will recover quickly, although households will raise their savings rates (from very low levels) and look to reduce their outstanding debt, more in response to higher interest rates than to any credit shortages.

The Grant Thornton International Business Report (IBR) 2008 examines the attitudes, plans and trends of 7,800 privately held businesses in 34 economies across six continents. The Grant Thornton IBR builds on data collected in previous surveys and boasts 16-year trend data for European Union (EU) countries and six year trend data for international economies.

To find out more about the Grant Thornton IBR and to obtain copies of reports, including focuses on emerging markets, corporate social responsibility and recruitment and retention, please visit www.internationalbusinessreport.com.

Focus reports are also available for each of the 34 participating economies, as well as regional and global summaries. You can also complete the questionnaire online and benchmark your answers against PHBs around the world by industry, size and geographical location.

Participating economies

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



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