

Belgium

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, a balance of +24 per cent of PHBs in Belgium are optimistic about 2008.

Levels of optimism have fallen amongst European Union (EU)² businesses. This year a balance of +34 per cent of EU businesses are positive about their economy compared to a balance of +46 per cent in 2007. However, levels of optimism vary extensively throughout the EU economies with Denmark recording the highest balance with +74 per cent optimistic, while Spanish PHBs are pessimistic about their economy over the next year (-5 per cent).

The Belgian economy

Despite a weakening world environment, business and household confidence has improved in Belgium lately. Sentiment in manufacturing and construction bounced back in February 2008, as export order books improved and households investment showed resilience. But a significant decline in sales during the month of December 2007 hurt retailers' confidence. More than firming economic conditions, the expected end to political instability has certainly helped improve confidence among Belgian businesses and households.

GDP rose by 0.5 per cent in the fourth quarter of 2007, and at 2.4 per cent on an annual basis, with leading indicators pointing to some weakening in consumer spending and business investment. The external environment has also become much less supportive, with the strong euro raising competitiveness concerns. Consumer prices fell by 1.3 per cent in January 2008 but were still up 3.5 per cent on the previous year. Producer price inflation has picked up significantly to 7.6 per cent in January 2008, pointing to sustained inflationary pressures.



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

² for the purposes of IBR, the term 'EU' refers to those EU economies covered by our survey – Belgium, Denmark, France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden and the United Kingdom.

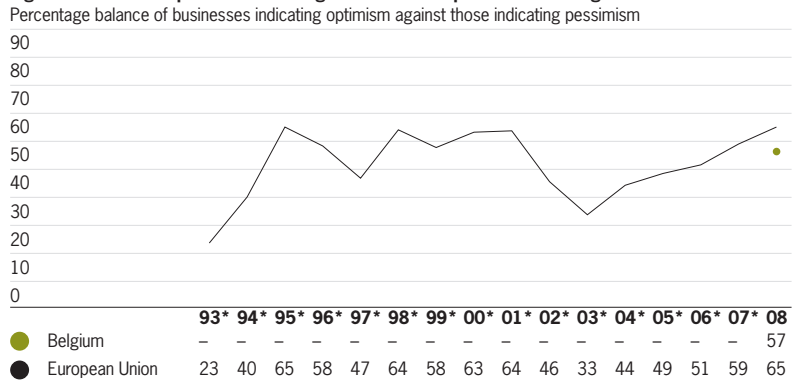
Business expectations/revenue

- Belgian businesses are less optimistic about revenue prospects (+57 per cent) than the EU average (+65 per cent).
- Belgian businesses are more optimistic about profitability (+47 per cent) than the EU as a whole (+36 per cent), as well as businesses globally (+41 per cent).
- A balance of +32 per cent of PHBs in Belgium are optimistic regarding exports, which is slightly higher than the EU regional average (+28 per cent).

Employment

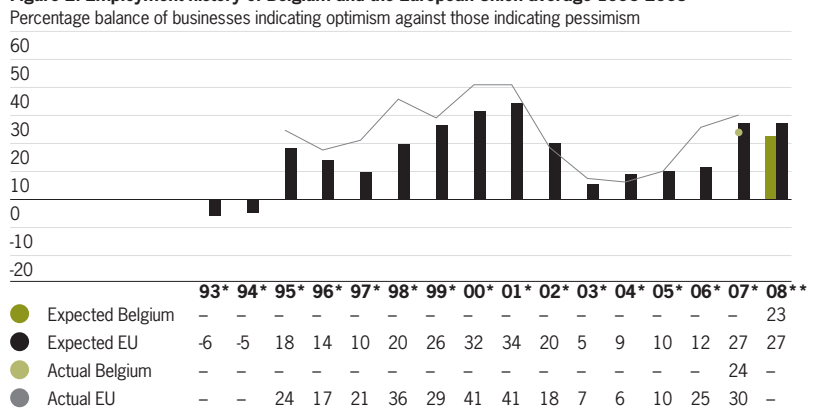
- Actual reported employment growth in Belgium (+24 per cent) was lower than the EU average (+30 per cent).
- Equally PHBs in Belgium expect employment growth to remain behind that of the EU in 2008.

Figure 1: Revenue expectations for Belgian and the European Union average 1993-2008

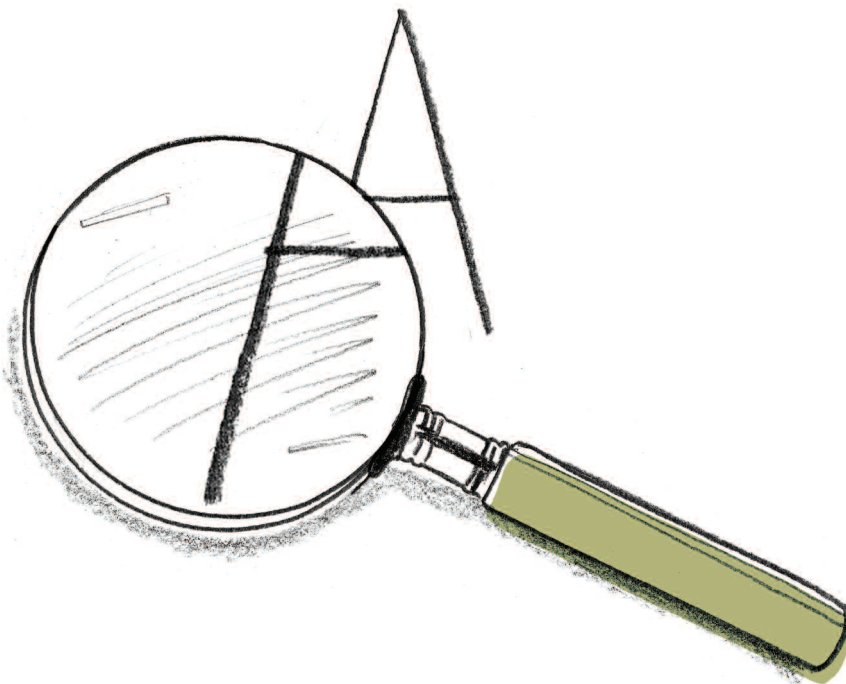


*no data for Belgium available
Source: Grant Thornton IBR 2008

Figure 2: Employment history of Belgium and the European Union average 1993-2008



*no data available
**2008 data will be documented in IBR 2009
Source: Grant Thornton IBR 2008



Constraints

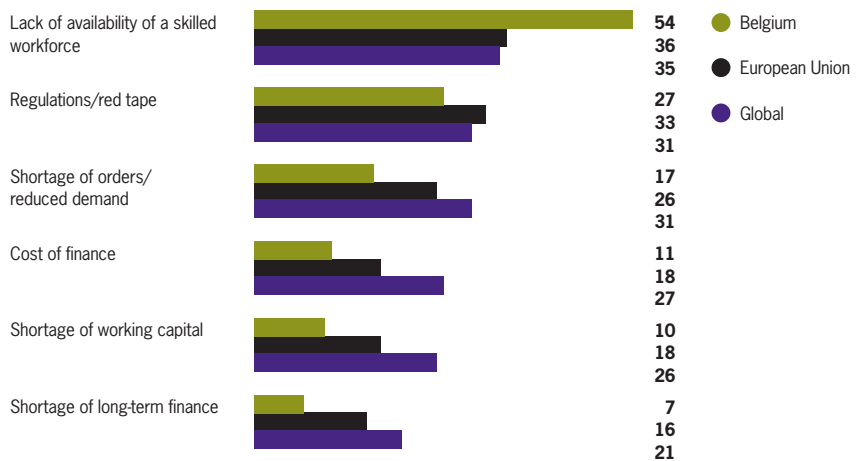
- The availability of skilled workforce (54 per cent) is the major constraint on expansion for Belgian businesses, cited by a much greater proportion of businesses than in the EU as a whole (36 per cent).
- Just seven per cent of PHBs in Belgium cited the shortage of long-term finance a major constraint, compared to 16 per cent of businesses in the EU and 21 per cent of businesses globally.

Emerging markets

- The most important factor for Belgian businesses when determining whether to invest internationally, as is the case globally, is market size and growth potential, cited by 45 per cent of Belgian businesses.
- The proportion of Belgian businesses which export (59 per cent) is higher than both the EU (53 per cent) and the global (39 per cent) average.
- 60 per cent of Belgian businesses import, this is higher than both the EU (57 per cent) and the global average (39 per cent).
- 62 per cent PHBs in Belgium see their primary competition coming internationally, compared to just 22 per cent of all businesses.

Figure 3: Largest constraints on growth for Belgium businesses compared to the European Union and the global average

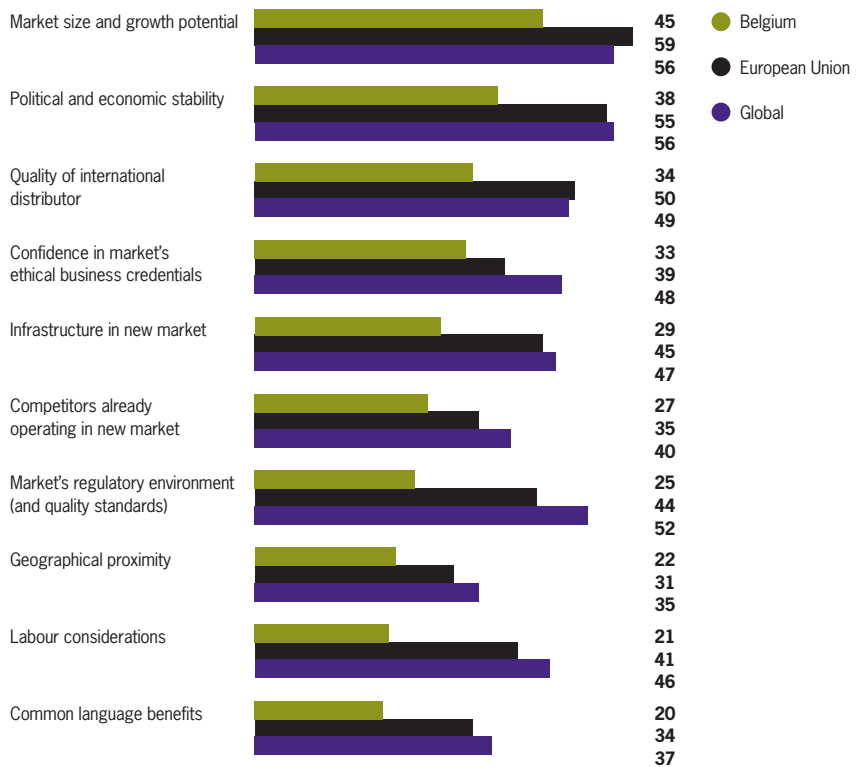
Percentage of businesses rating constraint 4 or 5 on a scale of 1 to 5 where 1 is not a constraint and 5 is a major constraint



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

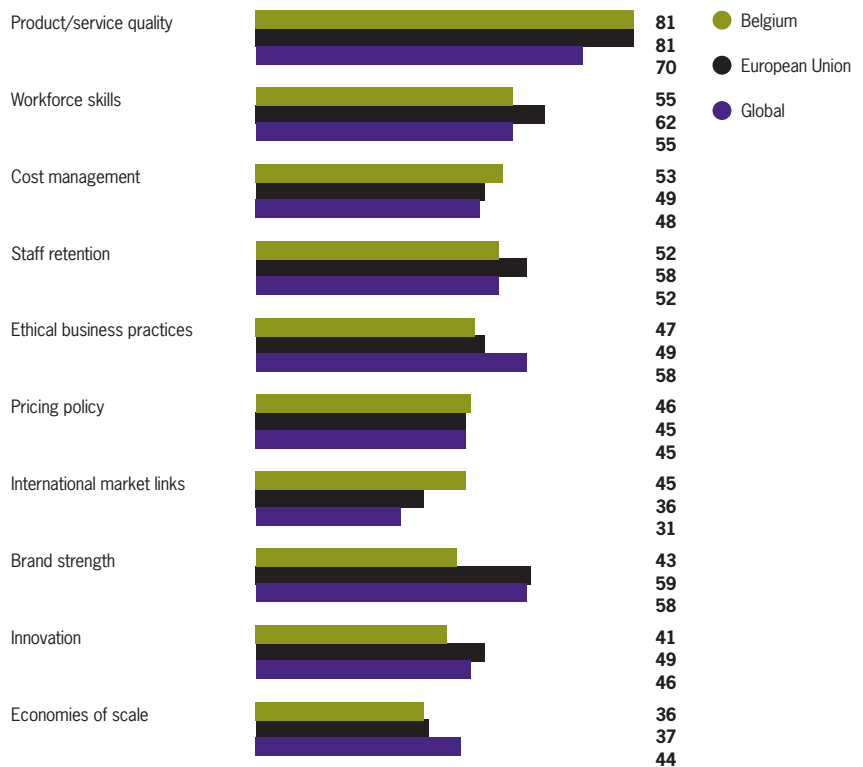
- Belgian PHBs see their greatest source of competitive advantage as product service quality (81 per cent), as is true of EU (81 per cent) and global (70 per cent) businesses.
- Workforce skills are viewed as the second greatest source of competitive advantage by PHBs in Belgium at 55 per cent.
- Brand strength is cited by 59 per cent of businesses in the EU but only by 43 per cent of businesses in Belgium.

Corporate social responsibility (CSR)

- The recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by Belgian businesses, whilst only 20 per cent cite government pressure, as opposed to 38 per cent globally.
- 84 per cent of PHBs in Belgium improved waste management in the past year, as opposed to 71 per cent of EU businesses as a whole, and 59 per cent of businesses globally.
- 50 per cent of Belgian businesses have incorporated their policies in to a written CSR document, compared to 56 per cent of businesses globally.

Figure 5: Main sources of competitive advantage for Belgium businesses compared to the European Union and the global average

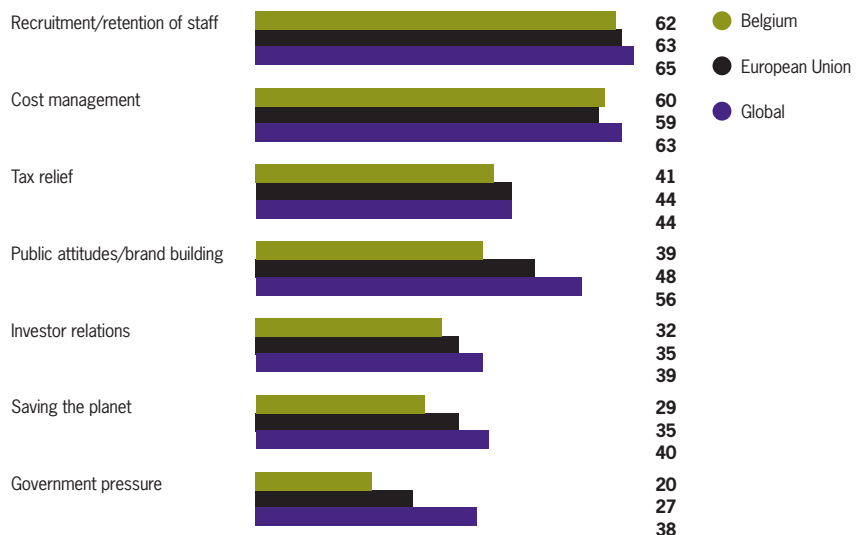
Percentage of businesses rating strength of the advantage 4 or 5 on a scale of 1 to 5 where 1 is not very strong and 5 is very strong



Source: Grant Thornton IBR 2008

Figure 6: Importance of drivers to more ethical practices for Belgium businesses compared to the European Union and 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



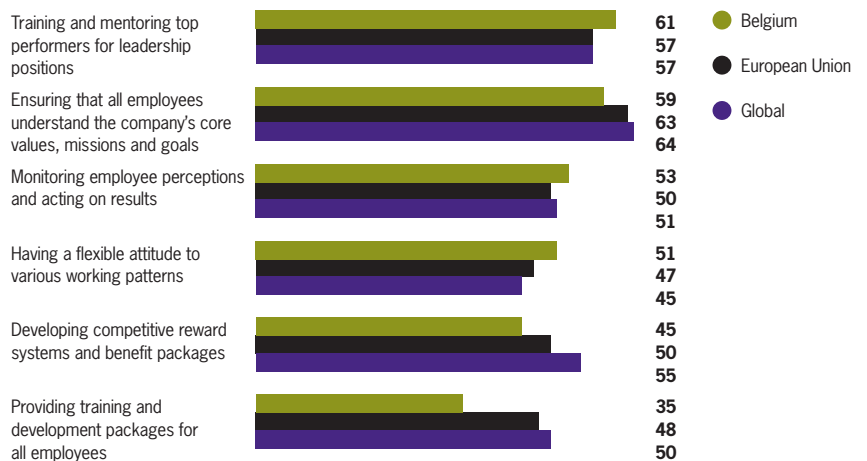
Source: Grant Thornton IBR 2008

Recruitment and retention

- The balance of Belgian businesses more focused on recruitment and retention than they were one year ago is +57 per cent, this is slightly higher than the EU average (+52 per cent) but below the global average (+59 per cent).
- 61 per cent of Belgian businesses train and mentor top performers for leadership positions to aid recruitment/retention, this is slightly higher than the EU and global averages (both 57 per cent).
- Cited by 31 per cent of Belgian businesses, increased operating costs are viewed as the major problem staff retention issues have caused.
- It is costing 79 per cent of PHBs in Belgium significantly more to pay their staff than it was 12 months ago, this is well above the EU (58 per cent) and global (63 per cent) averages.

Figure 7: Usage of recruitment and retention tools for Belgian businesses compared to the European Union and 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 Belgian economy

Economic growth is likely to have peaked in the first half of 2007, as leading indicators all point to weakening business conditions in the next few quarters. Business demand, a pillar of growth so far, is expected to slow significantly as world demand abates, and the euro's strength bites into Belgian market shares. Highly exposed to external trade (nominal exports accounted for 88 per cent of GDP in 2006), businesses will start to revise investment plans to adjust to lower demand expectations. As a result, total investment is expected to grow by 2.8 per cent this year, compared to 4.8 per cent in 2007.

Expected lower residential investment on the part of households should also weigh on total investment. Consumption on the other hand, is expected to enjoy stable growth this year as improved labour market conditions support Belgian households spending. Weaker job creation is expected this year, which should eventually impact consumer confidence and spending. Consumer spending and investment growth are expected to slow this year and next. Positive contribution from trade (as imports weaken) should, however, allow GDP growth to accelerate in 2009. Job creation this year and next will not be as strong as during the previous three years, but unemployment should nonetheless continue to fall to 7.4 per cent of the workforce in 2009.

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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