United States

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 balance[1] of +95 per cent with the Philippines joining India 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 the United States are more optimistic about 2008 (+22 per cent) than they were about 2007 (+14 per cent).

The United States economy

Growth slowed sharply in the last quarter of 2007. The household sector continued to expand, and net exports also provided a significant contribution to growth. But residential investment continued to be a major drag on the economy. Firms also cut back on investment in industrial and transport equipment. House price falls have accelerated and have surpassed ten per cent on a national basis, while signs of a bottoming out are not forthcoming. Output in both manufacturing and services has also contracted over the past year. The weaker dollar has also been a boom to exporters, who have continued to see annual growth in foreign sales in the double digits. Unfortunately for the United States trade and current account balances, higher prices for oil has meant that growth in imports in value terms is also in the double digits.

The Grant Thornton IBR contact for the United States is:

Grant Thornton LLP
Mike Hall
T +1 312 602 8727

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

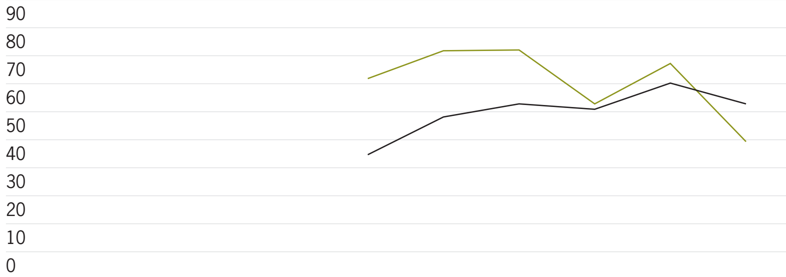
Business expectations/revenue

- This year, United States businesses are much less optimistic about revenue prospects (+49 per cent) compared to 2007 (+77 per cent).
- Their levels of optimism regarding revenue performance are below the global average (+63 per cent).
- A balance of +17 per cent of PHBs in the United States expect export growth in 2008, which is marginally below the global average (+18 per cent).

Employment

- United States businesses expect employment growth in 2008 to be at a significantly lower level than that actually reported in 2007.
- Globally, businesses also expect employment growth to be lower than experienced in 2007.
- In 2007, the proportion of United States businesses reporting an increase in employment was lower than expected. A balance of +48 per cent expected employment to increase, whereas a balance of +42 per cent actually observed increased employment in this period.

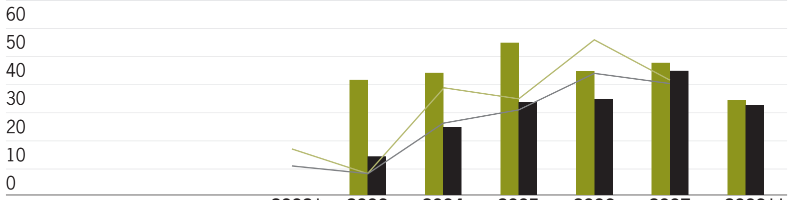
Figure 1: Revenue expectations for the United States and the global average 2003-2008
Percentage balance of businesses indicating optimism against those indicating pessimism



	2003	2004	2005	2006	2007	2008
United States	72	82	82	63	77	49
Global	44	58	63	61	70	63

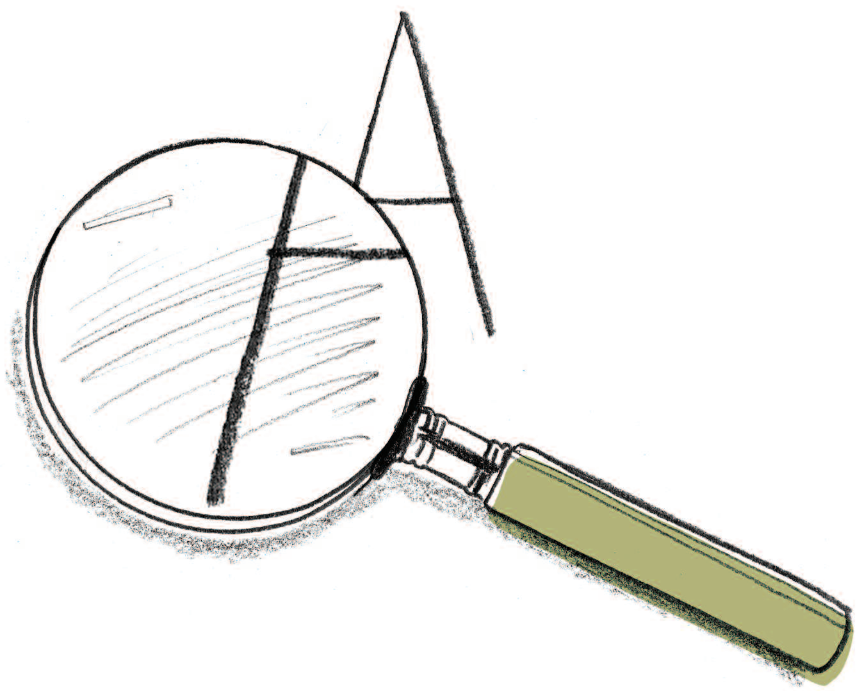
Source: Grant Thornton IBR 2008

Figure 2: Employment history of the United States and the global average 2002-2008
Percentage balance of businesses indicating optimism against those indicating pessimism



	2002*	2003	2004	2005	2006	2007	2008**
Expected United States	–	42	44	55	45	48	34
Expected Global	–	14	25	34	35	45	33
Actual United States	17	8	39	35	56	42	–
Actual Global	11	8	26	31	44	41	–

*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 most by United States businesses (26 per cent) as a major constraint on expansion, down from 35 per cent in 2007.
- All factors are much less of an issue for businesses in the United States than they are for businesses globally, particularly with regulations/red tape.

Emerging markets

- The most important factor to United States businesses, as well as to businesses globally, when determining whether to invest internationally is market size and growth potential, cited by 54 per cent of United States businesses.
- The proportion of PHBs in the United States which export (29 per cent) is lower than the global average (39 per cent), and is down by 3 per cent from 2007.
- 33 per cent of United States businesses import, slightly below the global average (39 per cent).
- Similarly to businesses globally, 81 per cent of PHBs in the United States see their primary competition coming either locally or nationally.

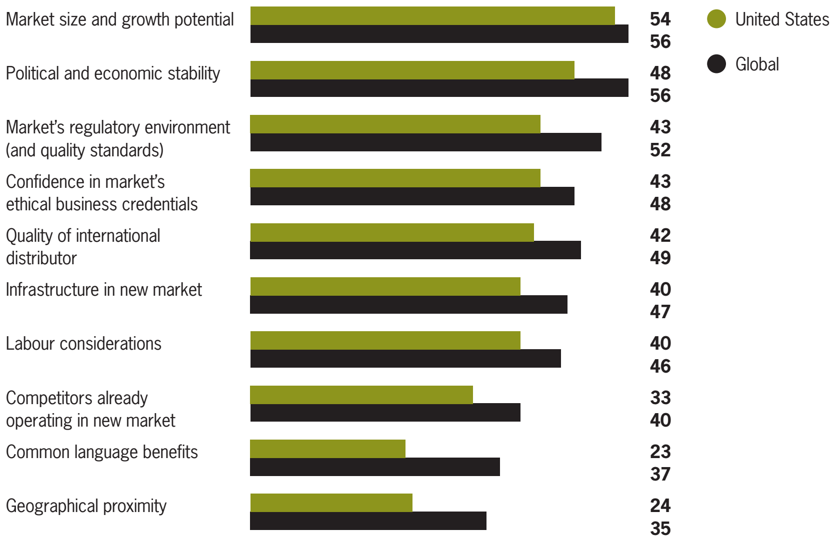
Competitiveness

- United States PHBs see their greatest source of competitive advantage as product service quality (76 per cent), as is true of global businesses (70 per cent).
- 70 per cent of United States businesses see adherence to ethical business practices a source of competitive advantage, higher than the global business average of 58 per cent.
- International market links is cited by 31 per cent of businesses globally but only by 20 per cent of United States businesses.

Figure 3: Largest constraints on growth for United States 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

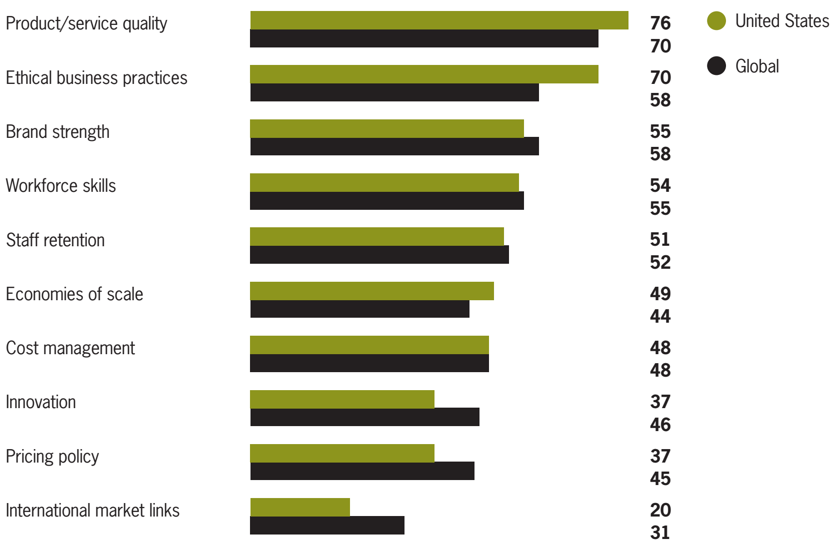
Source: Grant Thornton IBR 2008

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

Figure 5: Main sources of competitive advantage for United States 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

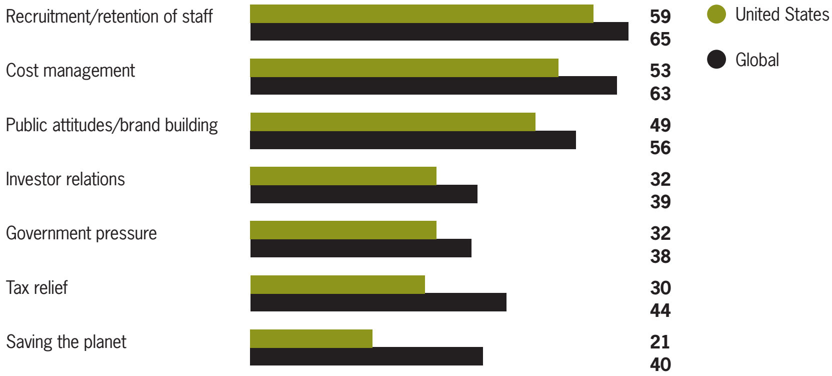
Corporate social responsibility (CSR)

- The recruitment/retention of staff is viewed as the biggest driver towards more ethical practices by United States businesses, whilst only 21 per cent cite saving the planet as opposed to 40 per cent globally.
- 91 per cent of United States businesses actively promoted workforce health and well being in the past year, as opposed to 71 per cent of businesses globally.
- 63 per cent of United States businesses have incorporated their policies in to a written CSR document, compared to 56 per cent of businesses globally.

Recruitment and retention

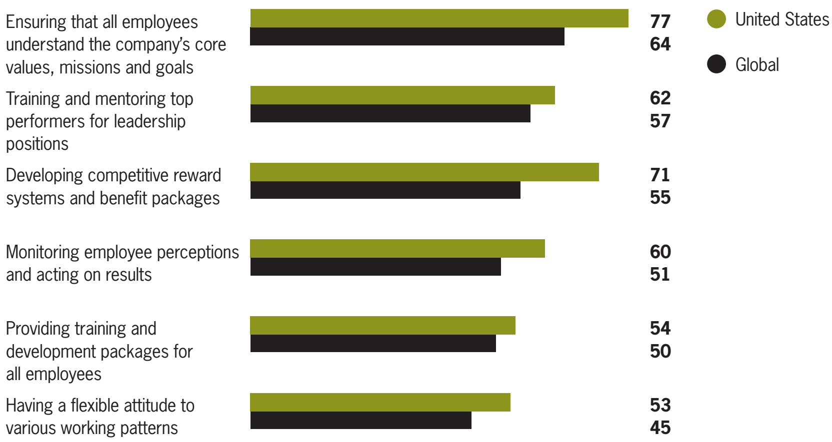
- The balance of United States businesses more focused on retention than they were one year ago is +58 per cent, up from +42 per cent in 2005. In the same time, the global business average has risen from +44 per cent to +59 per cent.
- 77 per cent of United States businesses ensure that all employees understand the company's core values, mission and goals as a recruitment/retention tool. This is higher than the global average of 64 per cent.
- Cited by 42 per cent of United States businesses, increased workload for remaining staff is viewed as the major problem staff retention issues have caused.
- It is costing 48 per cent of United States businesses significantly more to pay their staff than it was 12 months ago, although this is below the global average (63 per cent).

Figure 6: Importance of drivers to more ethical practices for United States 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

Figure 7: Usage of recruitment and retention tools for United States 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 United States economy

The United States economy probably started contracting in December 2007. Residential housing construction remains a major drag on growth, but troubles in the homebuilding sector were just the first signs that many households are in for a tough year, with foreclosures and delinquencies on the rise.

Adding to their woes are higher prices for gasoline and home heating. Given the uncertainty of the global credit crunch, businesses are also expected to take a cautious approach. Businesses are in good financial shape, but are facing tighter borrowing terms. Overall business investment should have an average growth of around 2.7 per cent in 2008, a five year low. The key to prospects increasingly hinge on house prices stabilising. Besides helping to arrest the decline in consumer confidence, this would also help ease the gridlock in the financial system, brought on by the drying up of the market for mortgage-backed securities.

Consensus forecasts are expecting the economy to rebound strongly in 2009. But given consumers' woes and the limited room for stimulus from the government sector, 2009 is likely to be a transitional year.

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 6-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
Armenia
Australia
Belgium
Botswana
Brazil
Canada
Mainland China
Denmark
France
Germany
Greece
Hong Kong
India
Ireland
Italy
Japan
Malaysia
Mexico
Netherlands
New Zealand
Philippines
Poland
Russia
Singapore
South Africa
Spain
Sweden
Taiwan
Thailand
Turkey
United Kingdom
United States
Vietnam

GrantThornton

www.gti.org
www.internationalbusinessreport.com