

Raw material and energy costs increasing pressure on global business

Energy and raw material costs are an increasing worry for global businesses according to the latest findings from the Grant Thornton International Business Report (IBR). The biggest worry for businesses are raw material costs with 44% of global businesses identifying these as having a major impact on cost pressures in the next twelve months, followed by 41% who were concerned about staff costs, 37% about energy costs and 34% about transport costs. Property costs (15%) are expected to have a lesser impact over the coming year.

Raw material and energy cost pressures
Energy costs appear to be affecting Europe more than the rest of the world with five of the region's top ten countries citing energy as having a major impact on cost pressures: Germany (58%), Ireland (47%) and France, Luxembourg and Italy (all 44%). Globally, companies in the Philippines (68%) are due to be most impacted by energy cost pressures, followed by Botswana (65%). Companies in Australia (18%) are least likely to be impacted by the cost of energy.

In comparison, raw material costs are due to have a greater impact on global businesses with companies from every continent appearing at the top of the table. Businesses in Spain (61%) are due to be most impacted by the cost of raw materials, followed by Botswana and Singapore (both 60%), and Thailand and France (both 56%). Raw material costs are due to affect businesses least in the Netherlands (29%), followed by the US, UK and Sweden (all at 31%).

Major impacts on businesses cost pressures (%)

Energy costs		Raw materials	
Philippines	68	Spain	61
Botswana	65	Botswana	60
Germany	58	Singapore	60
Thailand	55	Thailand	56
Mexico	55	France	56
Turkey	52	Mexico	55
Ireland	47	Philippines	55
France	44	Armenia	54
Luxembourg	44	South Africa	53
Italy	44	Italy	53
Poland	43	Malaysia	52
Japan	43	Taiwan	52
Armenia	42	Germany	51
India	42	Japan	51
Russia	41	Mainland China	50
Argentina	40	Turkey	48
UK	40	India	48
Malaysia	39	Argentina	45
South Africa	38	Poland	44
Canada	35	Australia	44
Spain	34	Brazil	42
Sweden	32	Luxembourg	41
US	32	Hong Kong	40
Netherlands	31	Ireland	39
Taiwan	29	Greece	38
Greece	28	Russia	36
Mainland China	28	Canada	34
Singapore	25	New Zealand	34
New Zealand	25	Sweden	31
Brazil	23	UK	31
Hong Kong	23	US	31
Australia	18	Netherlands	29

Source: Grant Thornton International Business Report (IBR) 2007

Managing future energy cost pressures

The survey also brings to light that companies in the emerging markets have done most to date to manage energy cost pressures according to Grant Thornton International Business Report.

Out of a maximum score of 600, companies in the Philippines (410) lead the way, followed by: Brazil (360), mainland China (341), Malaysia (307), Germany (306) and Turkey (303).

Management of energy and environmental issues league table*

	Philippines	410
	Brazil	360
	Mainland China	341
	Malaysia	307
	Germany	306
	Turkey	303
	Poland	298
	Hong Kong	292
	Mexico	283
	India	282
	Armenia	271
	UK	258
	Ireland	253
	Spain	248
	Greece	243
	Italy	235
	Australia	233
	Canada	233
	South Africa	230
	US	229
	Russia	223
	Netherlands	217
	Luxembourg	214
	Argentina	213
	New Zealand	212
	Sweden	208
	Taiwan	207
	Japan	205
	Botswana	191
	France	186
	Thailand	178
	Singapore	143

Source: Grant Thornton International Business Report (IBR) 2007

Comments **Jay Ramesh Managing partner of Grant Thornton in Botswana** –“Botswana is well aware of the power crisis situation that is building up- however the general users have not started taking steps to conserve energy or find alternative sources in spite of the fact that the cost of power is relatively high compared to the region.

It'll be very useful if a power conservation campaign is launched on similar lines of the “water conservation campaign that was effectively done last year.

It is imperative that large businesses evaluate the effects of energy costs on their businesses and find suitable alternative sources of energy to sustain in the future.

With raw materials already being a constraint in land locked Botswana we have to plan ahead so that businesses do not get severely constrained because of high energy costs.

*Each country in IBR was given a score based on the percentage of businesses who had carried out each of the criteria. For each of the six criteria, the highest score a country could receive was 100, with a total maximum score for the management of energy and environmental issues league table of 600.

Notes to editors

Grant Thornton International started a major annual survey of the attitudes and expectations of small and

medium-sized businesses in 1992 called the European Business Survey (EBS). In 2003 the research project was widened to an international perspective covering medium-sized businesses and renamed the International Business Owners Survey (IBOS).

In 2007, the survey's name was changed from IBOS to the International Business Report (IBR). The IBR survey draws upon 15 years of trend data for original EBS participants and 5 years for original IBOS countries. 15 year trend data is available for: France, Germany, Greece, Ireland, Italy, the Netherlands, Poland, Spain, Sweden, Turkey and the UK, while 5 year trend data is available for Australia, Canada, Hong Kong, India, Japan, Mexico, Singapore, South Africa and the US.

Grant Thornton International will donate US\$5 to UNICEF for every completed IBR questionnaire. In 2007 this will result in a donation of over US\$35,000.

The research was conducted by Experian Business Strategies Limited and Harris Interactive. All figures were correct at time of going to press. To find out more about IBR and to obtain details of IBR reports and results please visit

www.internationalbusinessreport.com