

Fall in business optimism in mature economies hits economic recovery

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HOPES FOR A STRONG start to economic recovery in 2013 look to be diminishing as business confidence in mature economies continues to fall away, according to a Grant Thornton International Business Report (IBR) conducted between November and December last year.

The latest data from the IBR, a survey of 3 200 business leaders in 44 economies,

suggests economic uncertainty caused by concerns over the United States 'fiscal cliff' and ongoing fears over the long-term viability of Eurozone is dampening growth prospects.

The IBR reveals that global business optimism stands at just four per cent. This halts a rally in confidence seen in the first half of 2012, when global business optimism reached 23 per cent and brings it nearer to the zero per cent level observed this time last year.

The fall in global business

optimism has been largely driven by a huge fall in the world's largest economy, the United States. Optimism amongst US business leaders climbed to 50 per cent in second quarter of 2012, but slumped back to -4% in the fourth quarter – the lowest since the depths of the financial crisis.

According to Ed Nusbaum, chief executive Grant Thornton International, the protracted negotiations over how to resolve both the sovereign

debt crisis in the Eurozone and the fiscal cliff in the United States have weighed heavily on business confidence over the past six months.

Regionally, the IBR reveals a more mixed picture. Business optimism in the emerging markets of Latin America remained relatively stable over the last year, and actually increased to 69 per cent in fourth quarter, up from 61 per cent this time last year. The BRIC economies (34 to 39 per cent) also remained

consistently optimistic, while Asia Pacific excluding Japan has seen a rise from 23 per cent to 28 per cent over the same period.

By comparison, optimism in North America swung from six per cent in the fourth quarter of 2011 to 52 per cent in the second quarter of 2012, before falling back to just one per cent in the fourth quarter of 2012. The G7 economies have seen similar swings, while European businesses have reported a slow decline in business

optimism.

Ed Nusbaum says "economic uncertainty understandably elicits a 'wait and see' policy from businesses, but we would urge owners not to lose sight of their long-term growth objectives. Opportunities exist for those dynamic businesses which are prepared to balance reason with instinct in their decision making.

"Those that lock in their best people and invest to be first out of the gate in a recovery are likely to find themselves ahead

of the competition."

According to Grant Thornton, the IBR data are drawn from interviews with 3 200 businesses from all industry sectors across the globe conducted in November/December 2012. The target respondents are chief executive officers, managing directors, chairmen or other senior executives.