## **CPA**

## Practice **Advisor**

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Business optimism in the United States has surged to a record high of 80 percent, according to the latest Grant Thornton mid-market business survey, The International Business Report. This jump in optimism among mid-market decision-makers bodes well for the overall economy, as the segment often acts as the engine room for broader economic growth.

The findings, from Grant Thornton's most recent quarterly global survey of 2,400 businesses in 36 economies, suggest that the new pro-business U.S. administration is acting as a catalyst, releasing pent-up confidence after a long period of supportive monetary policy and cheap oil. Although the dollar has come off its recent high, it remains strong at a time of relatively low-cost financing and healthier global growth.

Globally, business optimism is at its highest level on record – 49 percent – heading in to the second quarter of 2017. Neighboring countries feel upbeat, too, as optimism rises in Canada from 33 percent to 59 percent and in Mexico from 8 percent to 32 percent. Countries across the European Union have seen a collective increase in optimism from 34 percent to 39 percent in the last quarter, despite the decision of the UK to leave the EU, while both Japan and Singapore have seen +20 percent improvements.

However, U.S. optimism is not yet feeding through into other business fundamentals. U.S. business expectations for revenue and profitability have fallen from 58 percent to 52 percent, and from 55 percent to 52 percent, respectively.

"As the world's largest economy, U.S. business confidence sends a shot of endorphins throughout the global market. It's encouraging, therefore, to see that close neighbors

and countries with strong trade links are also riding a new wave of hope," said

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expecting to invest in plant and machinery – at its strongest since the first quarter of 2014 at 41 percent – signals a desire to re-tool for the future.

Globally, export expectations are up from 16 percent to 18 percent over the past three months, with prospects improving particularly across the developed Asia-Pacific (+4 percent to 12 percent), the G7 (+3 percent to 17 percent) and the EU (+2 percent to 24 percent). Nigeria (+26 percent to 40 percent), Germany (+13 percent to 35 percent), the Netherlands (+12 percent to 30 percent) and Ireland (+10 percent to 28 percent) have seen the most improvement. The data also reveals global rises in expectations of investment in plant and machinery to 34 percent (+1 percent) and new buildings to 22 percent (+3 percent).

Added Lagerberg, "Growth in U.S. investment expectations are clearly opening up opportunities for trade. In light of this, businesses should assess their export strategies over the coming years and consider how to take advantage of where investments are likely to strengthen.

"Still, though firms in many parts of the world are feeling positive, concern over a lack of skilled staff is at a two-and-a-half year high of 33 percent, while global hiring expectations have also risen from 29 percent to 32 percent. This is a particular problem in tight labor markets, where businesses that don't provide above-inflation wage growth may soon find their workers looking elsewhere. We may finally be seeing the crunch point in countries like the UK, where unemployment has reached its lowest level in decades but where fewer businesses are expecting to offer above-inflation pay rises – especially since the mid-market is generally regarded as the driving force behind job growth."

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