

A positive outlook for the year ahead

Senior executives are optimistic about the business prospect for 2007, but there are a few things to watch out for, writes **Keith Humphreys**

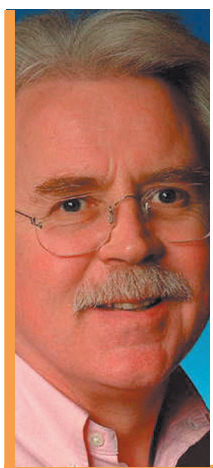
» Despite the political uncertainty caused by the war in Iraq, things are looking positive for business, according to the latest Economist Intelligence Unit (EIU) report. This is the fifth year it has produced the *Chief Executive Briefing*, compiled from responses from more than 1,000 senior executives during November and December 2006.

The results indicate that the good times of last year are set to continue with executives confident about the future. Nine out of every 10 executives surveyed considered business prospects over the next three years to be either 'good' or 'very good', with 28 per cent saying 'very good'. This is up from 20 per cent in 2006 and nine per cent in 2005.

However, the rating of 28 per cent contrasts with China and India, where more than 90 per cent of respondents said business prospects were either 'good' or 'very good'. Brazil, Russia, India and China are great opportunities for vendors, but this could be a poisoned chalice in the UK and Europe, especially for the channel. Manufacturers from the US, and even the Far East, will penetrate these markets. This will divert funds and resources from established geographies.

Overall, the economy grew by 5.4 per cent in 2006 and although it has dipped recently, it is expected to continue to grow by 4.7 per cent on average over the next five years. Europe is in the middle of a recovery. Growth last year within the Euro-13 countries was about 2.4 per cent, which is up strongly from 2005. But Europe's real growth story lies further east with the new members of the European Union, which are expected to expand by an average of some 4.7 per cent in 2007, down from 5.5 per cent in 2006.

The Baltic region – Estonia, Lithuania and Latvia – will grow by some 7.8 per cent in 2007, slightly cooler than the red-hot growth of 9.6 per cent in 2006. However, there is risk in Europe. Should the euro strengthen more sharply than expected against the dollar, and the US economy deteriorates further, growth would be reduced. Moreover, housing markets in several countries have



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become substantially overvalued.

Globally, the greater optimism is balanced by an awareness of greater uncertainties. Thanks to ongoing headlines about Iraq, Iran and the Middle East, along with tensions in North Korea, geopolitical instability continues to concern executives.

When firms discuss emerging market opportunities, they are usually referring to Asia-Pacific. Fifty two per cent polled for the report believed that the greatest opportunity for revenue growth lies in Asia. North America, in second place, captured just 13 per cent of the vote.

Six out of 10 respondents believed that the Asia-Pacific region offers the greatest sourcing opportunities, followed by central and eastern Europe with 15 per cent. The largest share of respondents will pump most new investment into Asia, with western Europe, eastern Europe and North America all lagging well behind. The EIU predicts that growth in the economies of Asia and Australasia (excluding Japan) will average 6.3 per cent between 2007 and 2011. China and India lead the way with dramatic growth rates of 9.6 per cent and 7.6 per cent respectively in 2007.

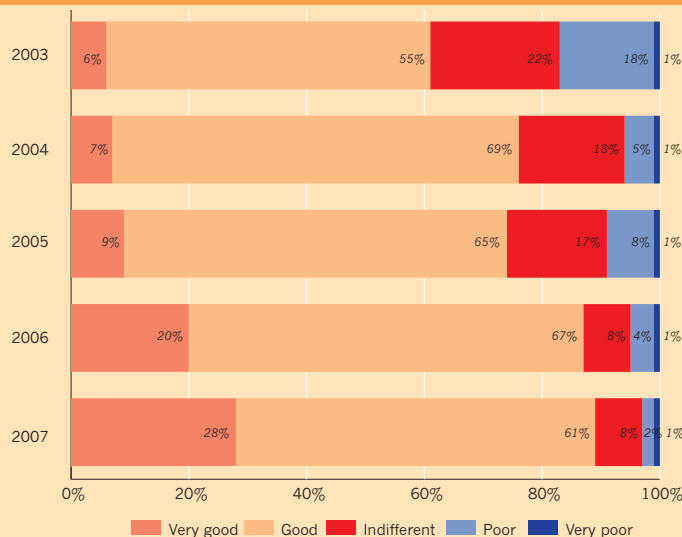
It is gratifying that growth was considered to be a higher priority than cost-control for most executives, because this provides a greater opportunity for the channel. **CRN**

» Keith Humphreys is managing consultant at EuroLAN.

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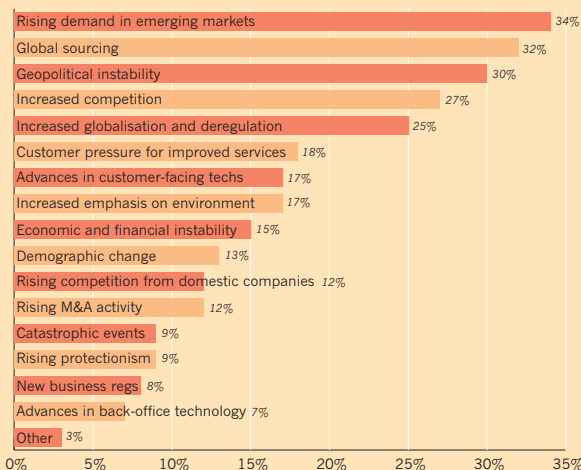
HOW DOES YOUR ORGANISATION VIEW THE PROSPECTS FOR BUSINESS IN THE GLOBAL MARKET OVER THE NEXT THREE YEARS?



Source: Economist Intelligence Unit

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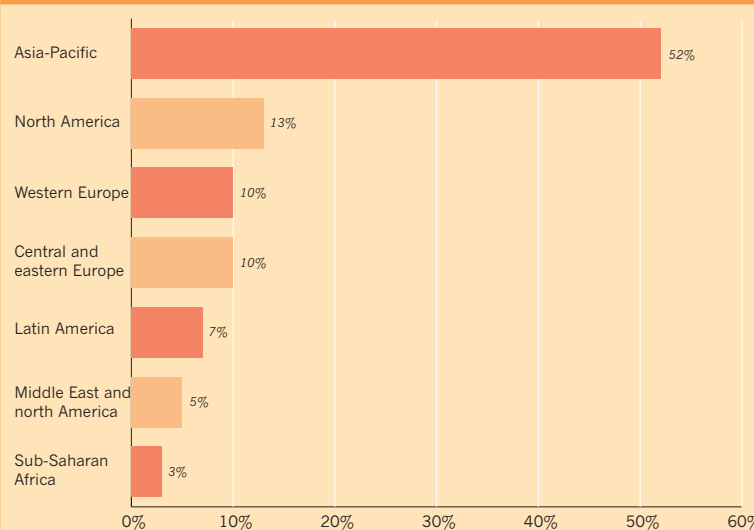
WHICH OF THE FOLLOWING FORCES WILL HAVE THE GREATEST IMPACT ON THE GLOBAL MARKET OVER THE NEXT THREE YEARS?



Source: Economist Intelligence Unit

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WHICH REGION DO YOU THINK WILL OFFER THE GREATEST OPPORTUNITIES OF REVENUE GROWTH FOR YOUR BUSINESS OVER THE NEXT THREE YEARS?



Source: Economist Intelligence Unit

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