



East or west,  
mature or emerging,  
**it's all about  
a sustainable  
future**



Even as mature economies build confidence and emerging economies continue to grow, businesses keep a firm focus on efficiency initiatives to ensure long-term sustainable growth.

2.5%

World trade is expected to grow by 2.5% this year and 4.5% in 2014

# Management Summary

Global business confidence remains steady; mature economies are showing confidence gains; and emerging economies have tempered their outlook somewhat. But no-one in business is letting a confidence uplift divert them from a continued focus on efficiency gains. Mature economies have learnt the lesson from the recent recessionary period and are ensuring that they seek out further efficiencies; and emerging countries want to ensure that they avoid the West's historic boom-and-bust cycle. Those efficiencies are concentrated on better value for money service providers, higher return on marketing investment, improved employee retention and less fixed office workspace.

*The latest Regus Business Confidence Index (BCI), based on the views of over 20,000 senior business people globally, reveals business confidence levels are still undermined by the protracted economic slowdown.*

The Index has dropped by one point to 113 from 114 in April 2013. According to the World Trade Organisation's new chief, Roberto Azevedo, world trade is expected to grow by 2.5% this year and 4.5% in 2014, revising down previous estimates of 3.3% and 5%<sup>1</sup>. In this economic climate, it is not surprising to find that businesses are honing in on making their operations lean and flexible through strategic efficiencies.

Overall, the Regus Index shows that the huge gap in outlook between the mature and emerging economies is narrowing. Confidence levels have risen by five points to 109 in mature economies, while there has been a drop of nine points to 117 in emerging countries.

However, a determination for sustained, long-term growth unites the global business community. While growth expectations slowly slip, all businesses are still firmly set on an operational efficiency drive. To this end, they are pursuing better and more cost-effective services and a quality, committed workforce for greater productivity and sustainable growth.



Importantly, they want to benefit from opportunities which allow them to meet their changing needs in a volatile climate. Flexible workspace is seen as a top target for cost reduction and options to upscale during anticipated periods of expansion are valued highly.

# Management Summary

In global terms, there has been some progress over the past six months, with a number of anticipated risks avoided. The United States (up eight index points) economy is on the right track in its fourth year of expansion, despite a patchy recovery, and a rise in small business optimism, according to the National Federation of Independent Business. In Europe, the break-up of the euro zone has been avoided and the area is showing signs of new life, with a small rise of 0.3% in GDP. In Germany, according to Der Spiegel, private consumption grew significantly in July, largely as a result of wage increases and rising employment.

A “renewed recovery is taking hold” in the UK economy, but its pace will be “more measured than rapid”, the new Bank of England Governor Mark Carney has said. BDO’s Optimism Index, which predicts business performance two quarters ahead, increased for the seventh consecutive month to reach 98.0 – its highest level since May 2011<sup>2</sup>. Confidence in the UK upturn is reflected by the findings of the Regus Index. The UK index level has risen 23 points from a lowly 94 (the global average last year was 114) to 117, four points above this edition’s average of 113.

# 45%

*Forty-five % of small businesses reported rising revenues compared with 59% of large companies*

While the UK may have turned a corner along a path of fragile recovery, some of the previously soaring emerging economies have seen confidence slow, with disappointing growth forecasts and falling currencies signalling an end to miracle expansion. The global business view gained from the Regus Index reaffirms in this iteration a disparity between the fortunes of small entrepreneurial companies and large corporations, reflecting the difficulties of SMEs in accessing credit, exemplified by China’s tightening credit market. Forty-five% of small businesses reported rising revenues compared with 59% of large companies.

In keeping with the growth percentages, the Regus Index show that large (123) and medium-sized (117) companies are, on the whole, more optimistic than small businesses (110) and are strongly focused on nurturing and retaining to save on expensive recruitment agency fees, adapt to changing requirements and improve areas in need of troubleshooting. Small entrepreneurial firms are generally fixing their sights firmly on the bottom line, seeking competitive supplier savings and benefiting from flexible and scalable workplace options.



- The latest Regus Index reveals that global confidence has hardly changed compared to six months ago; dipping just one point from 114 to 113.
- Revenue and profit growth remain unchanged since April 2013, with 49% of businesses reporting revenue growth, equal to 49% in April, and 39% reporting profit growth, the same percentage as six months before.
- Emerging markets continue to show that they are suffering from the effects of the protracted economic slowdown, with declining growth rates and falling currencies.

# key findings and statistics

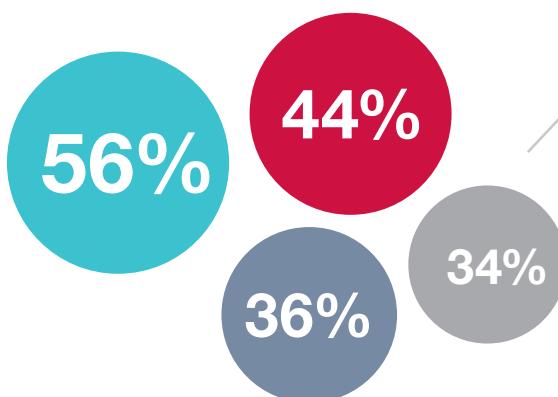
- The significant gap in outlook between mature and emerging economies is narrowing from twenty two points six months ago to only eight. Confidence levels have risen by five points to 109 in mature economies, while there has been a drop of nine points to 117 in fast-growing countries.
- Companies reporting revenue and profit growth in mature economies have dropped by 1% to 43% and 34% since April 2013 and by one and 2% to 57% and 45% respectively in emerging economies.
- Both mature and emerging economies are set on seeking further efficiencies. The order of priorities for developed countries is: better and more efficient providers (55%); higher return on marketing and advertising (40%); improved talent retention (34%) and cheaper advertising and marketing (32%).
- The principal efficiencies sought by emerging nations are: better and more efficient providers (45%); higher return on marketing and advertising (43%); improved talent retention (40%) and less fixed office workspace (38%).



# Confidence and business size correlation

# 51%

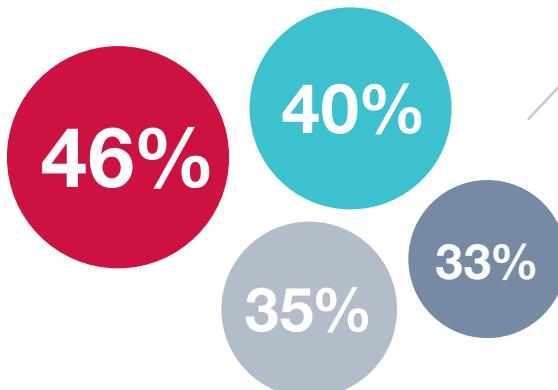
Above all, medium companies prize their people, with 51% seeking improved talent retention, followed by better and more efficient providers (46%); higher return on marketing and advertising (37%); and more people redeployment (31%).



Small firms are largely pursuing efficiencies through better and more efficient providers (56%); higher return on marketing and advertising (44%); less fixed office workspace (36%); and cheaper advertising and marketing (34%).



Large (123) and medium (117) businesses continue to remain more confident in their outlook than small firms (110).



Large companies are mainly concerned with cost savings through improved talent retention (46%); better and more efficient providers (40%); less business travel (35%); and less fixed office workspace (32%).

# Introduction

The past months have seen some rebuilding of global confidence and, although recovery is fragile, there are more grounds for optimism.

The United States has not fallen off the “fiscal cliff”; in Europe, the breakup of the euro zone has been avoided and sovereign bond differentials have narrowed; and in China, fears of a hard landing have receded for the time being.<sup>3</sup> In Japan business sentiment among major manufacturers turned positive for the first time in nearly two years, a signal that companies are reacting positively to the weaker yen and Prime Minister Shinzo Abe’s policies to revive the stagnant economy.<sup>4</sup>



Despite this more positive global outlook, uncertainty remains. In mature economies, the potential consequences of a halt of quantitative easing in the United States, the aggressive yet still incomplete financial and structural measures adopted in Japan, and the persistent unemployment and economic recovery challenges in Europe are factors that could put future economic performance at risk.<sup>5</sup>

The emerging market slowdown continues to raise cause for concern. The miracle of the BRICs in the 2000s was largely driven by a single colossus, China, with many other emerging economies, such as Brazil, South Africa and Russia, becoming supplier-economies to its massive appetite for commodity imports.<sup>6</sup>

As export markets shrank in the aftermath of the financial crisis, China turned to credit to fuel its growth. Total debt owed by Chinese households, companies and governments now stands at almost 200 % of gross domestic product, up from 130 % in 2008.<sup>7</sup> Economic growth in China fell to 7.5% in the three months ending in June after declining steadily for 10 straight quarters.<sup>8</sup>

In Brazil, the government initially forecast 4% GDP growth this year, but gradually revised downward to 2.5%. Inflation has crossed 6.5%, which is the upper limit of the target tolerance band to be met at year-end.<sup>9</sup>

<sup>3</sup>World Economic Forum, The Global Competitiveness Report 2013-2014 pp.19  
<http://www.weforum.org/reports>

<sup>4</sup>The Associated Press 01.07.13 <http://www.businessweek.com/ap/2013-07-01/news-summary-japan-business-confidence-improves>

<sup>5</sup>World Economic Forum, The Global Competitiveness Report 2013-2014 pp.19  
<http://www.weforum.org/reports>

<sup>6</sup>The Financial Times 25.08.13, Will the emerging world derail the global recovery?

<sup>7</sup>The Financial Times 28.08.13, Chinese economy chases the dragon

<sup>8</sup>The Associated Press 26.08.13 <http://www.usatoday.com/story/money/business/2013/08/26/china-economy-stabilizing-after-long-slowdown/2700039/>

# 7.4%

*Although the world's largest economy is in its fourth year of expansion, the recovery has been patchy, leaving the unemployment rate at an uncomfortably high 7.4% and average growth projected to fall to 1.9%.*

With the currencies of many emerging markets in free fall, leaders of the BRICs group of nations announced at the September G20 Summit in St Petersburg, Russia, that they will set up a \$100bn (£65bn) fund to guard against financial shocks.<sup>12</sup>



The move comes as emerging economies across the world have been hit by news of the United States scaling back its key economic stimulus programme. Although the world's largest economy is in its fourth year of expansion, the recovery has been patchy, leaving the unemployment rate at an uncomfortably high 7.4%<sup>13</sup> and average growth projected to fall to 1.9%.<sup>14</sup>

Weak market demand in Canada continues to be the number one factor in holding back business investment, as has been the case since mid-2008<sup>15</sup> when 432,000 jobs were lost during the global recession. However, according to the Bank of Canada, the entrepreneurial spirit is alive and well with many firms marketing to the faster-growing segments of the Canadian economy.<sup>16</sup>

Latin America has exhibited resilience with a projected growth rate of 3% for 2013 and 3.4% for 2014, outperforming other regions in the world, especially mature economies.<sup>17</sup>

<sup>10</sup>BBC 27.08.13 <http://www.bbc.co.uk/news/business-23847059>

<sup>11</sup>Business Day 27.08.13 <http://www.bdlive.co.za/economy/2013/08/27/sa-businesses-expect-higher-growth-next-year>

<sup>12</sup>BBC 06.09.13 Brics economies plan \$100 bn reserves fund <http://www.bbc.co.uk/news/business-23982996>

<sup>13</sup>Reuters 13.08.13 <http://www.reuters.com/article/2013/08/13/us-usa-economy-optimism-idUSBRE97C0CB20130813>

<sup>14</sup>Regional economic outlook, Western Hemisphere. – Washington, D.C. : International Monetary Fund, 2006-; May 2013

<sup>15</sup>Toronto Star 26.07.13 [http://www.thestar.com/business/2013/07/26/canadian\\_business\\_optimistic\\_as\\_us\\_economy\\_gains\\_steam.html](http://www.thestar.com/business/2013/07/26/canadian_business_optimistic_as_us_economy_gains_steam.html)

<sup>16</sup>Bank of Canada 19.06.13 <http://www.bankofcanada.ca/2013/06/publications/speeches/reconstruction-rebuilding-business-confidence-in-canada/>

<sup>17</sup>World Economic Forum, The Global Competitiveness Report 2013-2014 pp.37.

However, Mexico's Finance Ministry cut its 2013 growth forecast for Mexico to 1.8%, down from its previous prediction of 3.1%. And although Mexico rebounded quickly from the global recession, reporting 5.5% growth in 2010 and outpacing Brazil in both 2011 and 2012, recent growth rates have disappointed many investors.<sup>18</sup>

Business confidence in Australia fell to an eight-month low in July despite a falling Australian dollar and lower interest rates, while conditions remained at four-year lows, according to a leading private survey.<sup>19</sup>

A "renewed recovery is taking hold" in the UK economy, but its pace will be "more measured than rapid", the new Bank of England governor Mark Carney has said. The Bank was "removing uncertainty" with its guidance that interest rates would stay low until the unemployment rate had declined to 7%. UK GDP grew by 0.7%<sup>20</sup> in the end of July, according to the National Institute of Economic and Social Research.<sup>21</sup>

Unemployment remains Europe's most crucial problem. With an unemployment rate of 12.1% in July, joblessness within the euro zone has climbed to its highest level since that data began being collected in 1995.

Now, after the longest recession since the common currency's inception, the euro zone economy is showing signs of new life. GDP rose by 0.3% in the euro area and by 0.4% in the European Union (EU27) during the second quarter of 2013, compared with the previous quarter, according to Eurostat, the statistical office of the EU.

Significantly, Germany saw GDP growth of 0.7% and is expected to strengthen gradually over the coming months to reach 2% in 2014. While subdued activity in the euro area will hold back the recovery, the pick-up of world trade is projected to increase export growth.

France too, came through with a surprisingly strong figure of 0.3%. In Portugal, the economy grew for the first time in two and a half years - by as much as 1.1%.<sup>22</sup>

*A 'renewed recovery is taking hold' in the UK economy, but its pace will be 'more measured than rapid', the new Bank of England governor Mark Carney has said.*



<sup>18</sup>Forbes 27.08.13, Is the Aztec tiger starting to whimper?

<sup>19</sup>The Australian 13.08.13 <http://www.theaustralian.com.au/business/economics/business-confidence-at-eight-month-low-in-july-nab-survey-finds/story-e6frg926-1226696215353>

<sup>20</sup>BBC 28.08.13 <http://www.bbc.co.uk/news/23872639>

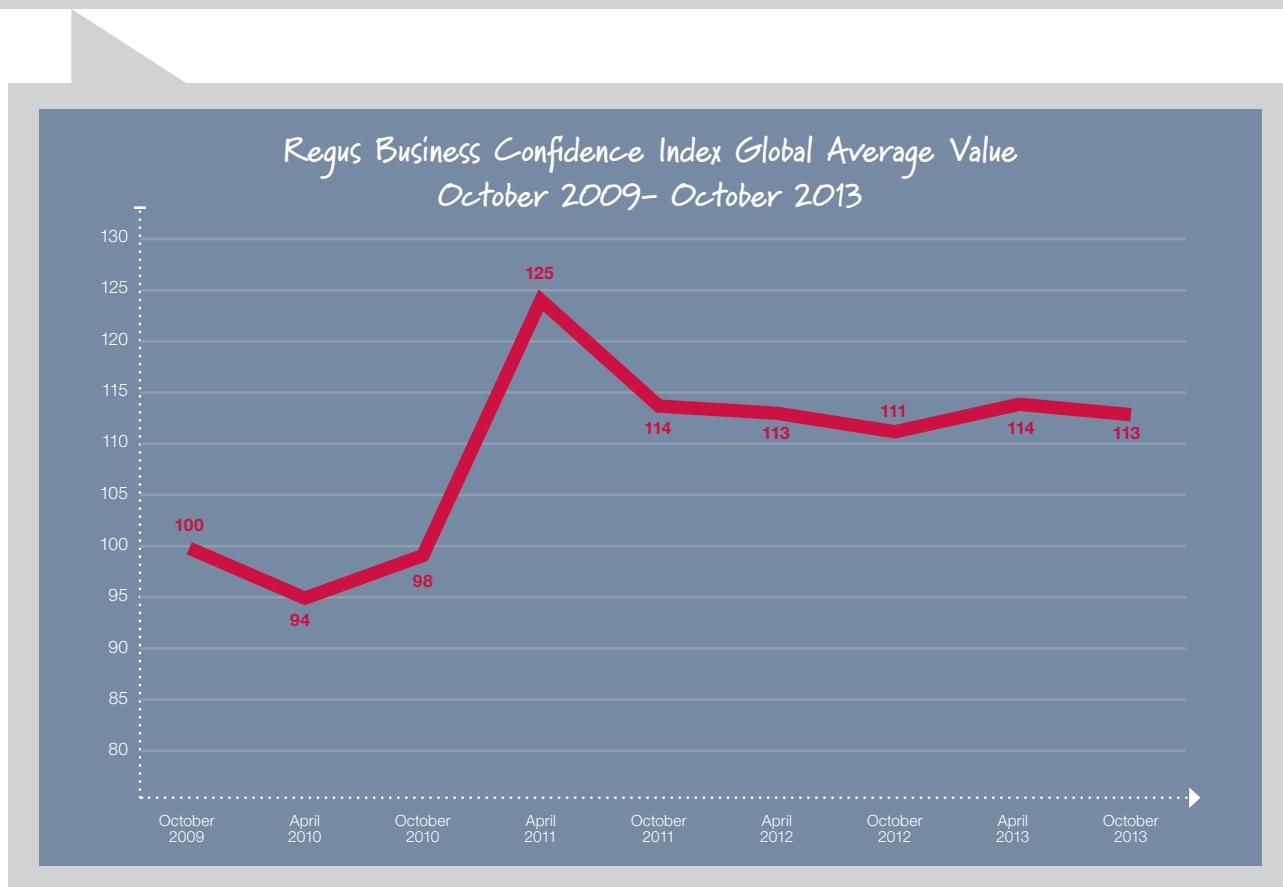
<sup>21</sup>NIESR 06.09.13 <http://niesr.ac.uk/press/september-2013-gdp-estimates-11587#UjmgzdKkqT4>

<sup>22</sup>Der Spiegel 14.08.13 <http://www.spiegel.de/international/business/recession-ending-euro-zone-shows-growth-in-second-quarter-a-916642.html>

# The Regus Business Confidence Index

Every six months the Regus Index endeavours to provide an up-to-the-minute picture of business confidence around the globe and overall business outlook. The Regus index is calculated on a basis of statements combining year-to-date revenue and profit trends with forward views on expected revenue growth and the timing of the full momentum of economic recovery. The benchmark average for the Index was set at 100 in September 2009 in the first publicly divulged edition.

No significant variation was seen between April and October 2013 as the Regus Index dropped by only one point from 114 to 113. Overall, global business confidence has remained steady. However, the wide gap between mature economies versus emerging economies has narrowed to 109 (up from 104) compared to 117 (down from 126).

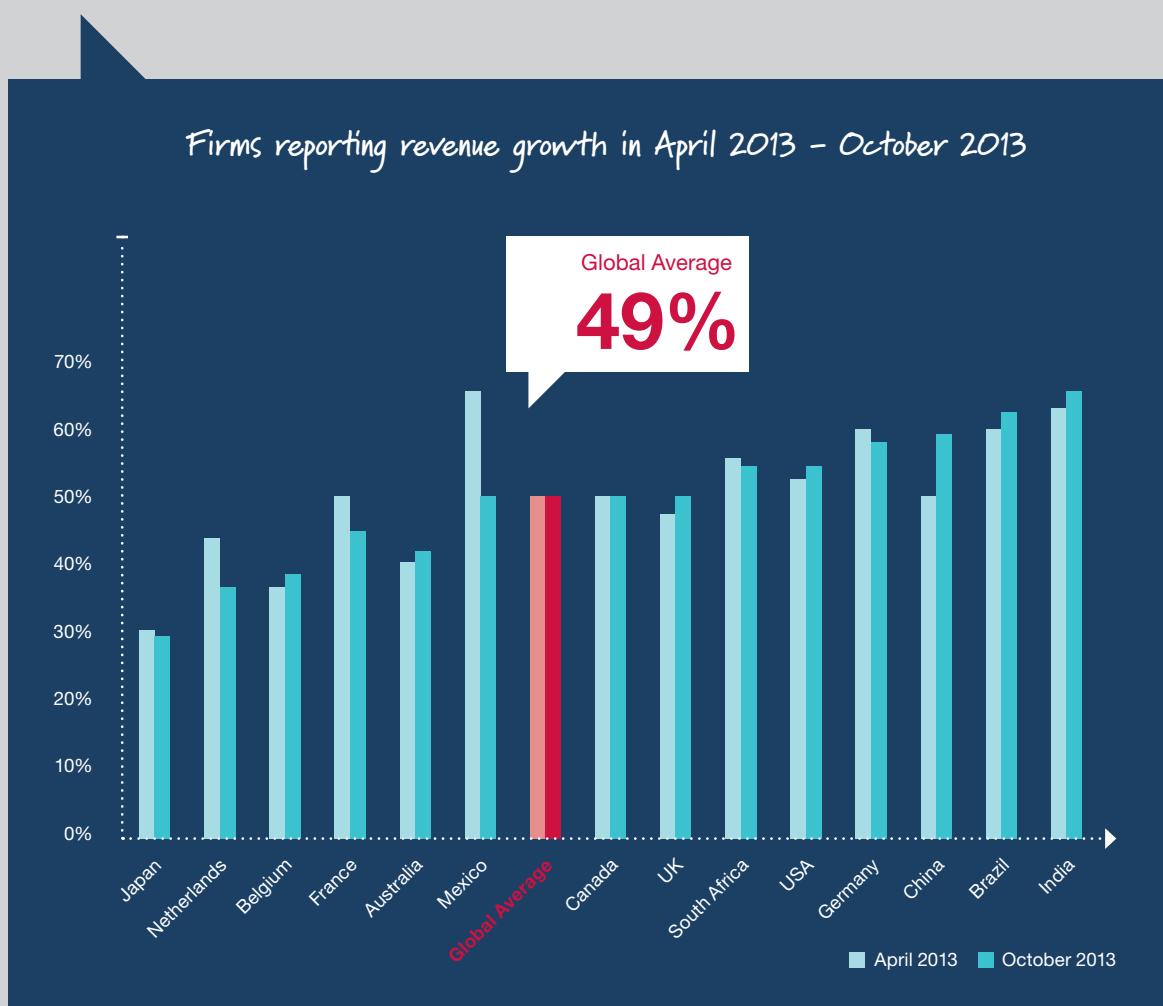


**Figure 1** - Variation in global Regus Index values October 2009- October 2013

# The results

As the protracted economic slowdown continues, the proportion of businesses reporting revenue growth among countries analysed has remained broadly similar to April 2013 (Figure 2). The global Regus Index has dipped, but only by one point (from 114 to 113) and has essentially remained steady over the iterations from October 2011 onwards.

The UK (51%) and the USA (56%) are back in the top half of the graph. There has been a resurgence among the mature economies, although the BRIC countries remain at the top of the tree (India 66%, Brazil 63%, China 60%). The global average of 49% means that in the majority of countries more than half reported revenue growth. The UK (+7%) and China (+8%) show the biggest increase from last time around with Mexico (-15%) falling away rather alarmingly. The Netherlands (-12%) follows close behind.



**Figure 2** - Proportion of companies reporting revenue growth

As Figure 3 shows, profit trends reveal a similar pattern to revenue growth. The UK and China share the same percentage lift (+10%) and Brazil (+3%) is only slightly ahead. Once again the biggest losers are Mexico (-15%) and the Netherlands (-11%) where the proportion of profit-reporting companies has contracted significantly. Both the USA (+5%) and Australia (+5%) are making steady progress.



**Figure 3**  
Proportion of companies reporting profit growth

Although the global outlook remains uncertain, the more mature economies are catching up (109), narrowing the divide between emerging markets, where there has been a notable drop in confidence (from 126 in the last Index to 117).

The highest-rating fast-growing countries overall are India (down 8 points) and Brazil (down 7), both with an Index score of 129, although China has dropped only two points from 123 to 121. Well-performing mature economies are Germany at 131 (up one point) and the USA at 119 (up 8).

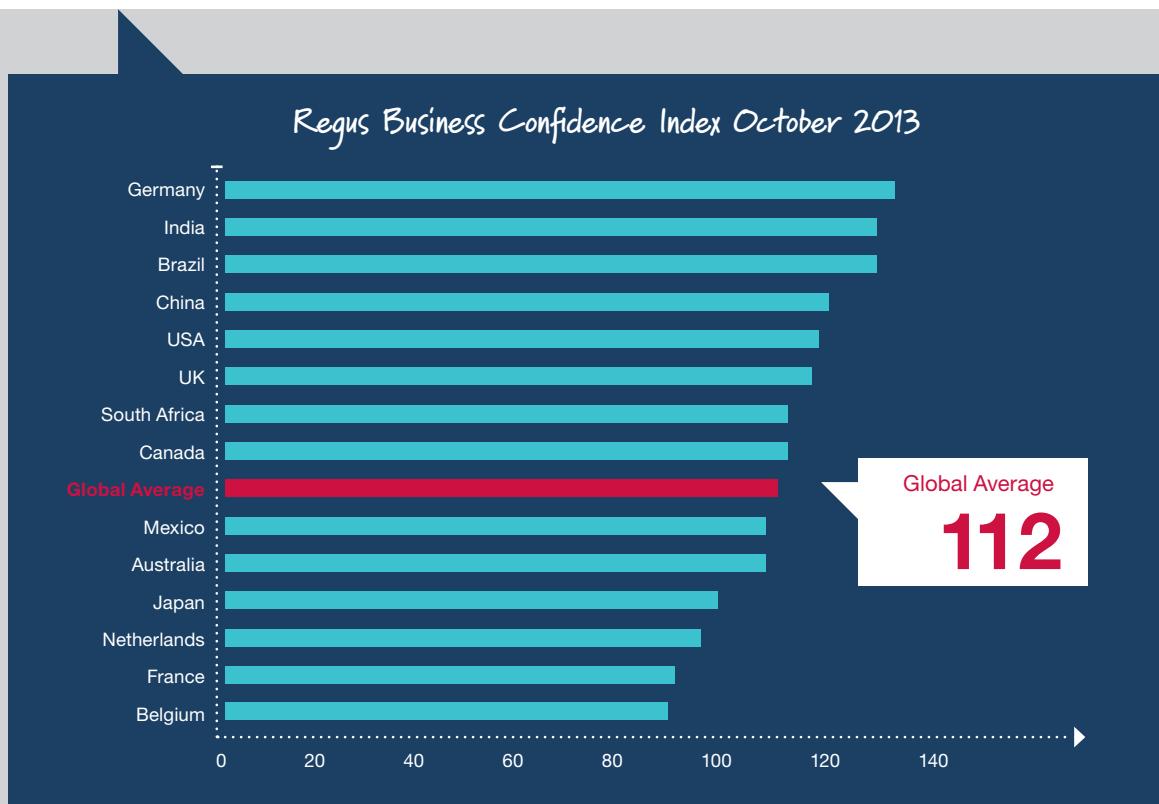


**Figure 4**  
Emerging and mature economies Business Confidence Index

While mature economies are making fairly steady progress through the global slowdown, all global markets reveal similar levels of revenue and profit growth to the last Index iteration. 57% of businesses in emerging markets achieved revenue growth compared to just over two fifths (43%) in mature economies and firms reporting risen profits followed the same trend with just over a third (34%) in developed , compared to 45% in emerging economies.

# The Regus Business Confidence Index by country

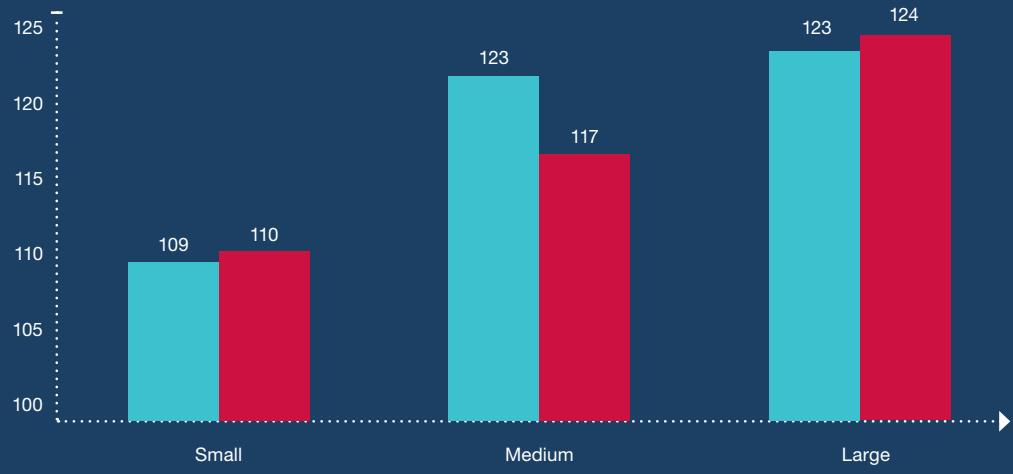
Germany heads off the BRIC countries to go to the top of the table (131). The USA and UK are climbing up the ranks into the top half (119 and 117 respectively). Mexico has dipped in confidence even more than the UK has gained, which might demonstrate that while the BRIC countries have the resilience to cope with the dip, smaller emerging economies are suffering more drastically.



|                | GBS8 | GBS9 | Variation |
|----------------|------|------|-----------|
| Australia      | 105  | 111  | 6         |
| Belgium        | 89   | 93   | 4         |
| Brazil         | 136  | 129  | -7        |
| Canada         | 123  | 114  | -9        |
| China          | 123  | 121  | -2        |
| France         | 91   | 95   | 4         |
| Germany        | 130  | 131  | 1         |
| Global Average | 114  | 113  | -1        |
| India          | 137  | 129  | -8        |
| Japan          | 101  | 102  | 1         |
| Mexico         | 135  | 111  | -24       |
| Netherlands    | 95   | 98   | 3         |
| South Africa   | 121  | 114  | -7        |
| UK             | 94   | 117  | 23        |
| USA            | 111  | 119  | 8         |

Larger companies remain more confident (123). However, the confidence of small companies has increased slightly (109 to 110) unlike that of large and medium-sized companies. There has been a big dip in the confidence of those in the middle (123 to 117).

Regus Index values by company size for April 2013 and October 2013



**Figure 6**

The Regus Business Confidence Index October 2012-April 2013

# efficiencies make the **World** go round

To keep pace in an increasingly competitive and volatile global market, businesses the world over need to be run as efficiently as possible. The Regus Index shows that this maxim is as relevant today for faltering mature economies as it is for fast-growing emerging superpowers, where the challenge to meet huge consumer demand and gain market share has to be met by the quality of end-user services.

In the wake of the recent financial meltdown, mature economies have a strong track record in protecting the bottom line. Emerging countries see a road of uncertainty ahead and want to avoid the profligacy shown by western economies during times of economic boom. All businesses recognise the need for long-term sustainable growth, which makes maximum use of resources with minimum environmental impact.

In order to gain insight into the global drive for operational efficiencies, the survey enquired about the kinds of cost-cutting and energy-saving measures prioritised by the global business community. From reducing overheads through outsourcing, increasing productivity and talent retention with flexible working or making the most of technological advances in cloud computing, every approach is designed to reach a higher level of competitiveness.



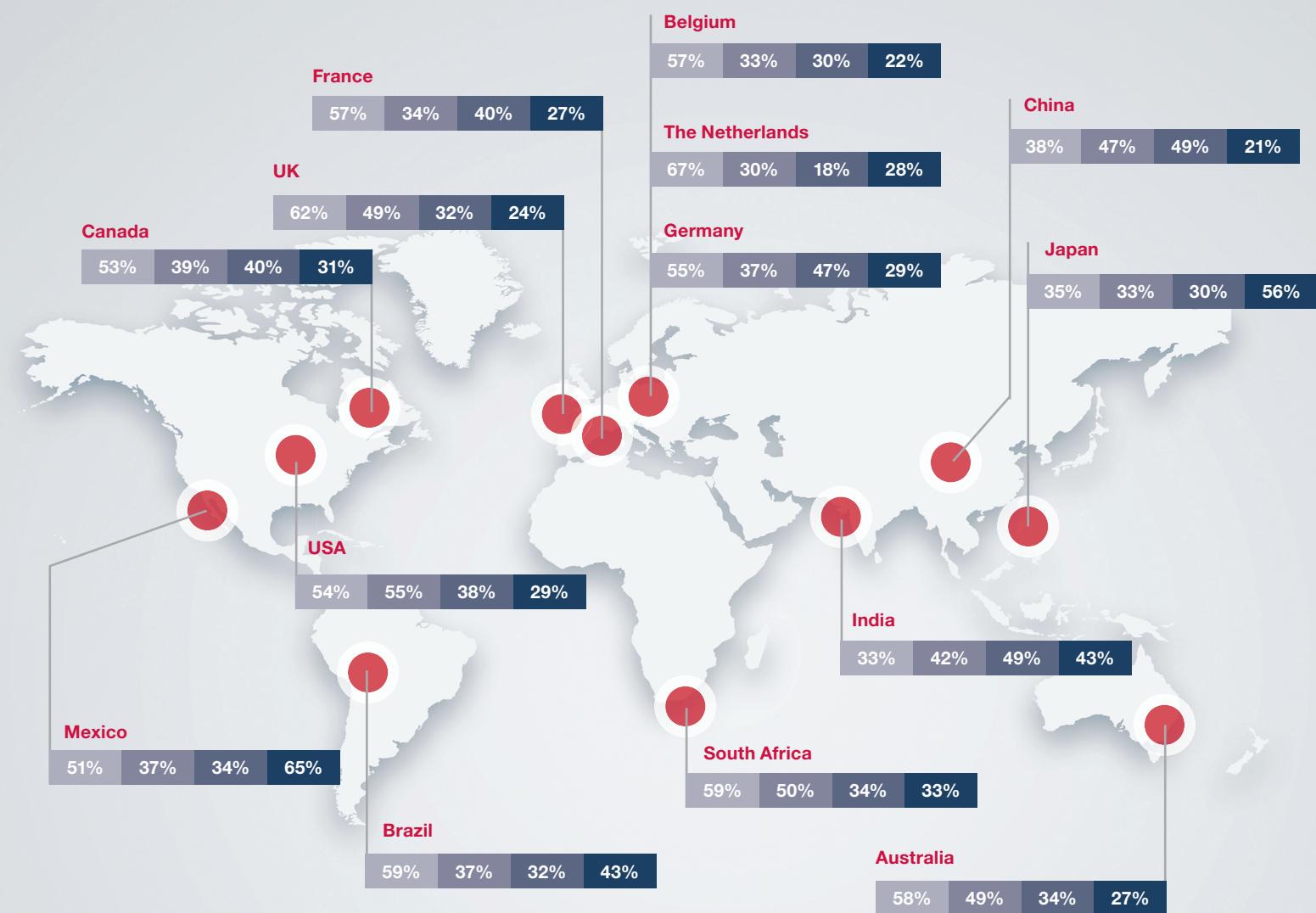
# The global picture

## Global Average



The global list of strategic efficiencies is led by four priorities: better and more efficient providers (53%); higher return on marketing and advertising (41%); improved staff retention (36%); and less fixed office workspace (34%).

Among countries analysed, getting the best value from service suppliers, such as telecommunications and energy companies, is most sought by the Netherlands (67%) and the UK (62%). The USA leads on targeting marketing and advertising return (55%) and flexible workspace is especially prized by Mexico (65%) and Japan (56%). The emerging powers of China and India prize their people above all, shown by their equal determination to retain talent (both 49%).



- Better/more efficient services providers (ie Telephone, internet, IT)
- Higher return on advertising/marketing investment
- Improved staff retention
- Less fixed office workspace

# Emerging vs. Mature

The top priority for both mature economies (55%) and emerging nations (45%) is the quest for more cost-effective suppliers. Higher return on marketing and advertising is number two for mature (40%) and emerging markets (43%), followed by improved talent retention, 34% and 40% respectively. The benefits of flexible workspace are particularly valued by emerging economies (38%) where it would seem businesses are keen to avoid the fettering of long term leasing arrangements that so weighed down companies in mature economies during the downturn.<sup>23</sup>

<sup>23</sup>Walking the tightrope, Regus, April 2012



# Country highlights

| Country      | Revenues rise | Profits rise | Better and more efficient providers | Higher return on marketing & advertising | Improved staff retention | Less fixed office workspaces |
|--------------|---------------|--------------|-------------------------------------|--|--------------------------|------------------------------|
| UK           | 51%           | 44%          | 62%                                 | 49%                                      | 32%                      | 24%                          |
| USA          | 56%           | 50%          | 54%                                 | 55%                                      | 38%                      | 29%                          |
| France       | 41%           | 27%          | 57%                                 | 34%                                      | 40%                      | 27%                          |
| Germany      | 57%           | 47%          | 55%                                 | 37%                                      | 47%                      | 29%                          |
| India        | 66%           | 54%          | 33%                                 | 42%                                      | 49%                      | 43%                          |
| China        | 60%           | 52%          | 38%                                 | 47%                                      | 49%                      | 21%                          |
| Belgium      | 36%           | 22%          | 57%                                 | 33%                                      | 30%                      | 22%                          |
| Netherlands  | 31%           | 26%          | 67%                                 | 30%                                      | 18%                      | 28%                          |
| Brazil       | 63%           | 55%          | 59%                                 | 37%                                      | 32%                      | 43%                          |
| South Africa | 55%           | 44%          | 59%                                 | 50%                                      | 34%                      | 33%                          |
| Japan        | 26%           | 20%          | 35%                                 | 33%                                      | 30%                      | 56%                          |
| Australia    | 42%           | 34%          | 58%                                 | 49%                                      | 34%                      | 27%                          |
| Canada       | 49%           | 41%          | 53%                                 | 39%                                      | 40%                      | 31%                          |
| Mexico       | 48%           | 32%          | 51%                                 | 37%                                      | 34%                      | 65%                          |

# methodology

Over 20,000 business respondents from the Regus global contacts database were interviewed online during September 2013. The Regus global contacts database of over 1 million business-people worldwide is highly representative of senior managers and owners in business across the globe. Respondents were asked about their recent revenue and profit trends, along with their future views on a number of issues including the most sought after efficiencies. The survey was managed and administered by the independent organisation, MindMetre, [www.mindmetre.com](http://www.mindmetre.com)



**20,000**  
business respondents  
interviewed

The Regus global contacts database of over 1 million business people worldwide is highly representative of senior managers and owners in business across the globe.

# About Regus

Regus is the world's largest provider of flexible workplaces, with products and services ranging from fully equipped offices to professional meeting rooms, business lounges and the world's largest network of video communication studios. Regus enables people to work their way, whether it's from home, on the road or from an office. Customers such as Google, GlaxoSmithKline, and Nokia join hundreds of thousands of growing small and medium businesses that benefit from outsourcing their office and workplace needs to Regus, allowing them to focus on their core activities.

More than 1.5 million customers a day benefit from Regus facilities spread across a global footprint of more than 1,700 locations in 600 cities and 100 countries, which allow individuals and companies to work wherever, however and whenever they want to. Regus was founded in Brussels, Belgium in 1989, is headquartered in Luxembourg and listed on the London Stock Exchange.

