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2008 tech growth expected, despite global gloom

Research conducted by a corporate finance firm among 200 board level individuals in the UK technology, media and telecoms (TMT) sector suggests that businesses in this sector are unlikely to suffer the fate that hit many companies in the downturn of 2000/2001 – but the majority have lost faith in US dollar trading and the UK government.

Cobalt Finance conducted extensive research into the recent dramatic global shifts on the TMT sectors and its effect on businesses' financial strategy – and it suggest that all is not doom and gloom. A majority of 41 percent believe businesses in the TMT sectors would fare better if a recession were to hit compared to the downturn of 2000/2001. However 70 percent still believe the UK would follow the US into a recession.

It said that businesses' faith in the US economy and dollar slide has resulted in nearly 20 percent considering trading in non-US \$ currencies.

It is not just the US economy that has lost the trust of UK businesses. Some 78 percent said they've lost trust in the government following changes and amendments to capital gains tax. This has resulted in 52 percent pushing back their exit strategies 2-5 years before selling due to macro economic shifts over the summer.

Despite the economic downturn employers are anticipating growth in 2008. Figures indicate that 44 percent suggest employment levels are expected to rise in 2008 while 40 percent say it will remain the same.

Predictions and concerns for 2008 include:

Almost 20 percent considering dealing in non-US dollar currencies due to the US dollar slide

- 64 percent of those considering changing their currency will turn to pound sterling
- 44 percent believe employment levels will increase
- 41 percent see West Europe as the greatest market opportunity in 2008
- 38 percent see North America as the greatest market opportunity in 2008

A majority of 76 percent anticipate recession as a threat to their business in 2008.

Chris Williams, a partner at Cobalt, said, "I'm highly encouraged by a TMT sector that has reacted quickly and proactively to the much talked about storm clouds in the US and the looming global credit crunch. Businesses expect the UK to follow any US downturn but the majority do not expect the impact on the sector to be as devastating as 2000/2001 and almost half expect employment to rise next year."

"The decline in the dollar against world currencies has already prompted a reaction with 20 percent looking to switch pricing into alternative currencies for the first time in the history of the industry."

"All the signs are that this supposedly mature industry is quick to spot the potential opportunities and ready to embrace global change."

"However the survey has shown that Gordon Brown has further damaged the confidence of UK businesses. He has a long way to go in wooing them back following the capital gains tax debacle and business sentiment has moved to view him less as an ally and more as a threat."

