



COVID-19


The road to recovery?

The COVID-19 crisis has created the biggest challenge to the global economy since the Great Depression of the 1930s. This short survey of over 4500 ACCA members follows the publications of ACCA's report *Covid-19 Global Survey: Inside Business Impacts and Responses* in April 2020. It continues to track ACCA sentiment around the world on the impact of Covid-19 and examines how organisations are responding.



Our message to governments around the world

1. The economic impact of Covid-19 will be long lasting. Some businesses will be hurt more than others and, conversely, some will recover faster than others. Government thinking in the mid-term response needs to anticipate what measures will need to be in place to support and enable viable businesses to recover. This also needs to include a review of eligibility to support packages available and an acceptance that eligibility is likely to need to change over time. This will require both long term thinking and mid - to long term support to save jobs and enable a return to sustainable growth..
2. Governments must look to work closely with business and international organisations in delivering support packages which may need to be in place long after the pandemic has passed. Financial institutions must do their part in keeping cash flowing to hard hit businesses during their time of struggle. In turn, governments must do what they can to reduce the risks taken on board by large financial institutions, such as underwriting a proportion of lending, or by incentivising bank support for smaller businesses.
3. This is a global crisis and governments, business and international organisations will need to work together to find solutions that will work for all at national, continental and global levels. It is vital that governments work together to develop national and international exit strategies that can support economic recovery post-the pandemic. Failure to develop and deploy comprehensive recovery strategies will only prolong the economic downturn and risk a depression.
4. Those businesses, particularly the most profitable and least affected by the pandemic, must expect to also work with their governments to do their part to save smaller businesses, who may be within their supply chains, from going under as a result of the crisis.



Covid-19 survey in numbers

53%

say purchases
down or
stopped

83%

expect revenue
to be down vis-à-
vis the previous
financial year

32%

now see
government
interventions as
effective versus
17% in March

81%

have now
adopted flexible
working from
home strategies

82%

have now
performed a
financial
reforecast since
the outbreak

71%

identify
workplace
transformation
as longest term
Covid-19 impact

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Recovery roadmap



ACCA 3 stage framework for organisation recovery

Act Focused on the short term horizon and the initial first few weeks of response to the crisis, this stage is critical to ensure the current situation is managed properly, continuity plans are brought into place, and the wellbeing of employees is protected



Analyse The shift to the medium term horizon reflects the focus on starting to build the path to recovery. At this stage, the organisation starts to resume its business operations, planned in manageable phases



Anticipate The longer term horizon is focused on innovation and understanding how organisations must evolve in the face of the pandemic. Here the business model and organisation strategies may evolve

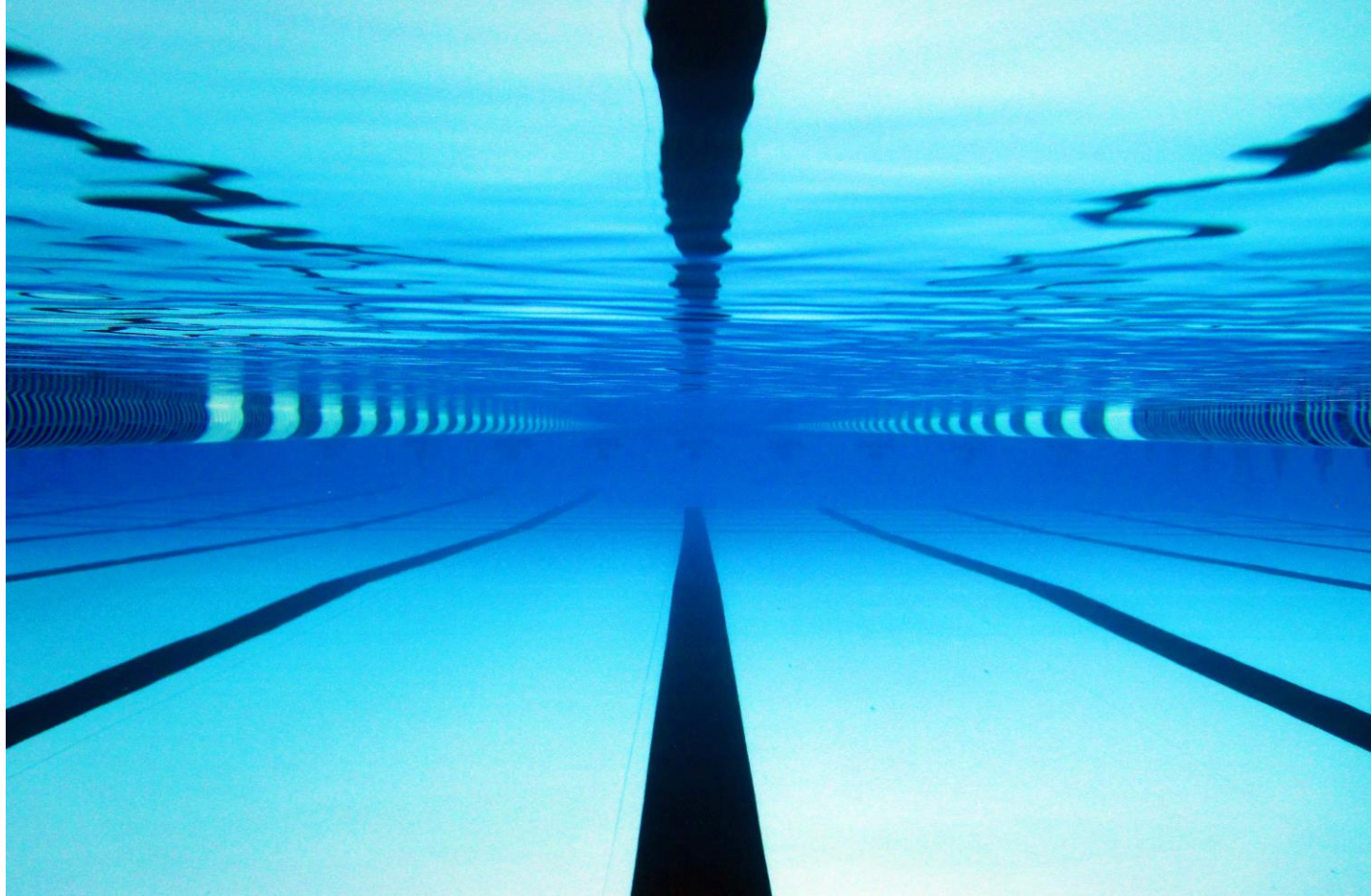


The recovery roadmap



The full roadmap can be accessed at ACCA's Covid-19 Global hub. <https://www.accaglobal.com/uk/en/cam/coronavirus.html>

Executive summary



Business and financial impact of Covid-19

1. Operational challenges scale up for many

Our data suggests organisations in all sectors are experiencing increased challenges across the value chain relative to the results from our March survey due to falling customer demand.

2. Revenue forecasts continue to fall

Operational issues are impacting the financials. 83% of respondents overall now expect revenues vis-à-vis the previous financial year to be down; 40% expect revenues to be down by at least 25%.

3. Forecasting practices are improving

There is some good news. Forecasting practices are improving with 82% of organisations having now undertaken a financial forecast since the outbreak of the crisis, compared to only 53% having done so in March.

4. Government support is improving

Almost one third of respondents in our June survey now see interventions as effective, up from just 17% in March. Yet effectiveness also varies significantly depending on the interventions offered.

5. Auditors, accountants and advisers see opportunities rising

Respondents from audit firms see more opportunities in business continuity and resilience, digital transformation and supply chain transformation. It is a particular opportunity for smaller practices.



Organisation responses to Covid-19

1. Focus pivots to the medium and long term

Many organisations are shifting their focus towards the medium term (over the next 6 months) and longer term (beyond the 6 months horizon) as they plan the business recovery journey

2. The big experiment: flexibility

Over 80% of organisations have implemented flexible working and home working practices which could be a catalyst for changing work practices in the future. 50% have adopted staff rotas to accommodate social distancing requirements

3. A focus on operational efficiency

Implementing cost reduction activities is cited by over half of respondents as the key financial priority in charting a path to recovery followed closely by process reviews. It is no surprise given the current global economic indicators

Long term impacts of Covid-19

The data suggests the long term impacts from Covid-19 could be very significant. Most tellingly, flexible working practices and work transformation are cited as the highest likely long term outcome from the pandemic. However, our data identifies a wide range of other possible outcomes too, from examination of the effectiveness of crisis management and risk management practices, through to acceleration of changing skills, less international travel, and possible global supply chain evolution.

The Covid-19 crisis continues to impact all organisations irrespective of size or sector



Business & financial impact of Covid-19



1. Operational challenges scale up for many

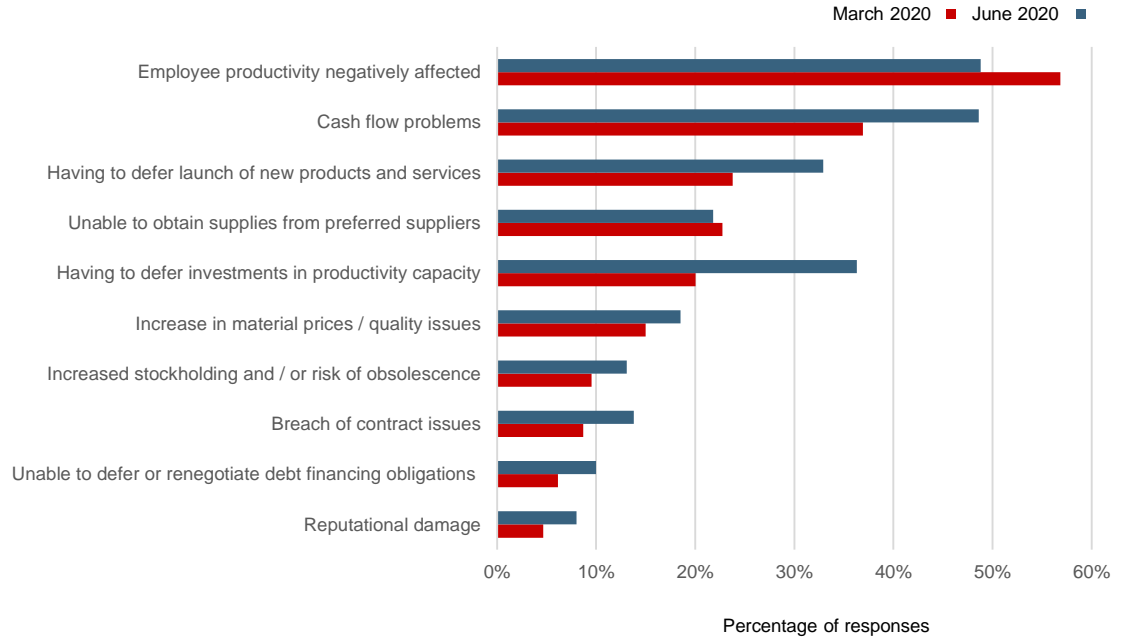
Challenges cut across the value chain (Figure 2)

- Irrespective of size, sector or location of response compared to our March data, the impact of the pandemic has expanded and challenges are growing. The problem at the centre of these issues is a collapse in customer demand for many organisations, with 53% of respondents citing purchases as having completely stopped or having reduced. It is a domino effect, with both product launches and investment plans being deferred, further compounded by supply chain challenges and issues with customer order fulfillment.
- Falling customer demand is translating into core financing issues. The June data shows many more organisations facing cash flow challenges with almost half of respondents citing issues. It is a classic triggered effect, and over the last three months since our initial survey, the data suggests greater concerns over financing and debt issues. Given the increasingly depressed economic narrative, it is difficult to see how these issues will resolve in the near term.

Figure 2: Challenges across the value chain

53%

say purchases
down or
stopped



Smaller business continue to be hard hit (Figure 3)

- Perhaps unsurprisingly, the data suggests smaller businesses are particularly suffering in some key areas. They face greater challenges in relation to stopped or reduced customer purchases and cash flow relative to larger organisations. Almost 60% of SMEs are now citing customer purchases as having stopped or reduced. Cash flow is following a similar trajectory, with over half of SME respondents (53%) indicating this is now a problem, compared to 46% in our March data. This is of particular concern particularly given the range of support measures introduced by governments to help SME financing and cash flow challenges. Our previous survey in March had suggested many of these issues could impact the very viability of organisations over the coming months.

Figure 3: Challenges across the value chain – size of organisation comparison

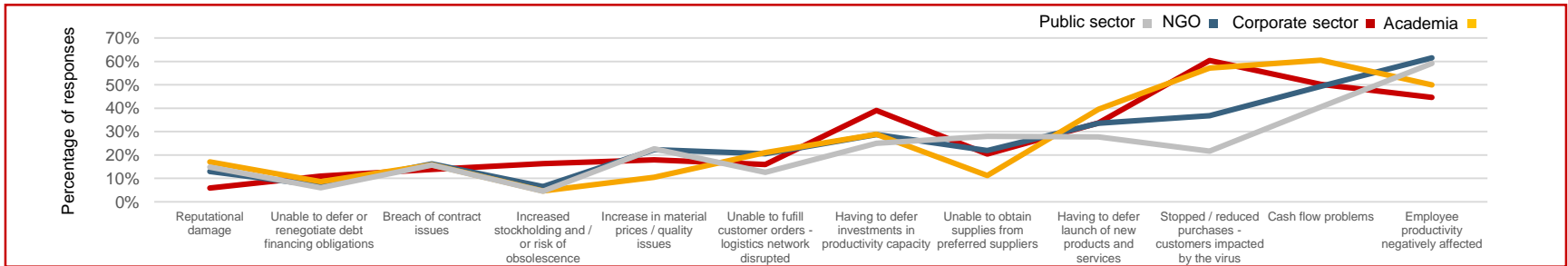
57%
of SMEs say
purchases down
or stopped



Impacts across sectors appear consistent but have increased compared to March data (Figure 4)

- Comparing different sectors, the data suggest challenges across the value chain follow broadly the same trajectory in terms of which issues are cited as most prevalent, however, the most obvious difference is in relation to customer demand. The public sector in particular cites a much lower incidence of customer demand falling. In fact, 48% of respondents cited increased demand, no surprise given the increased need on health services, as well as other services such as social care.

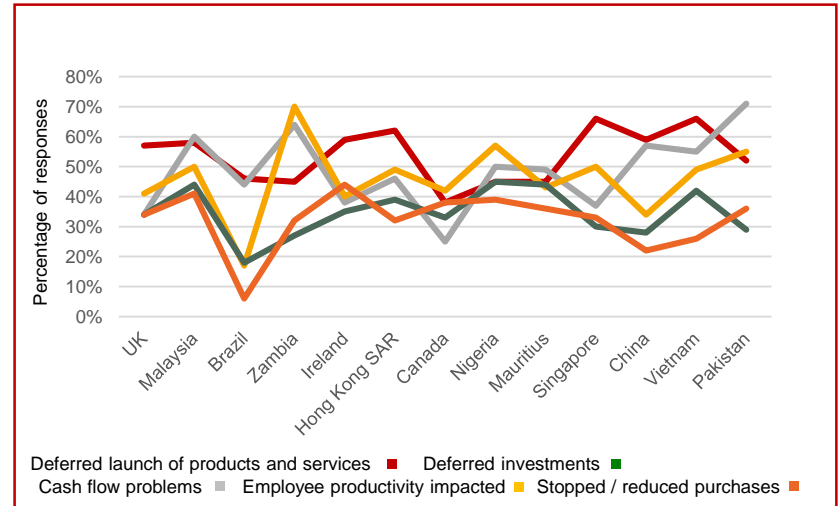
Figure 4: Impacts across sectors



Impacts track spread of pandemic (Figure 5)

- The top 5 business impacts are affecting locations across the world differently, and possibly reflect the extent to which the locality is currently exposed to the pandemic, and how well it has been managed.
- Of particular note in our June data is the potential lag to deferring investments in enhanced productivity and product and service launches, as well as the relatively better state of customer demand in Brazil vis-à-vis other locations. This could change dramatically over the coming weeks as the pandemic spreads in that location.

Figure 5: Impacts across different locations



In its recent Global Economic Outlook Report, the World Bank forecast a 5.2% drop in world GDP this year with declines of approximately 6% in the US and 9% in the euro area. Emerging markets are forecast to suffer a 2.5% fall in GDP, the worst since comparable records began in 1960. Meanwhile, the OECD in its June Economic Outlook is more pessimistic, forecasting a 7.7% fall in world GDP this year, including declines of 8.5% in the US and 11.5% in both the euro area and the UK. Predictions of the scale of the collapse in activity in the second quarter vary but for advanced economies are concentrated in the 10% to 20% range. These are unprecedented falls in GDP over the course of a single quarter.

The World Bank has recently published its latest Global Purchasing Managers' Indices for manufacturing and services. It shows the sheer scale of the collapse in economic activity through the first months of 2020. From signalling expansion or steady output, manufacturing and services measures plunged to record lows over March and April. In particular, the service sector has seen the biggest collapse in activity due to shutdowns. But so-called high frequency data, such as Google mobility statistics and road traffic flows have started to point to increased in activity in June, albeit still well below pre-crisis levels. There may be some prospects of recovery in the second half of the year.



2. Revenue forecasts continue to fall

Organisations expect revenue to fall vis-à-vis previous financial year (Figure 6)

- As challenges across the value chain continue to impact, it is no surprise to see this continue to translate into a downturn in expected financial performance. In our March 2020 survey, 83% of business leaders at the time expected revenues to fall vis-à-vis the previous financial year. It's exactly the same figure as at June 2020. Analysing the data in a different way, over one third of respondents expect revenues to fall by at least one quarter vis-à-vis the previous financial year, again a strikingly similar result to the data in March.

Smaller organisations remain more pessimistic on revenue predictions (Figure 7)

- Our March survey indicated that SMEs were more pessimistic in their revenue predictions than those of larger businesses. This trend continues in the latest survey with 85% of SMEs predicting negative revenue vis-à-vis the previous year, compared to 76% from larger businesses. These findings may not be surprising, given SMEs are now seeing greater challenges in cash flow management and more are citing reduced or stopped customer purchases compared to the respondents from larger organisations. It remains a difficult situation for SMEs particularly.

Figure 6: Revenue forecasts vis-à-vis the previous financial year – March versus June comparison

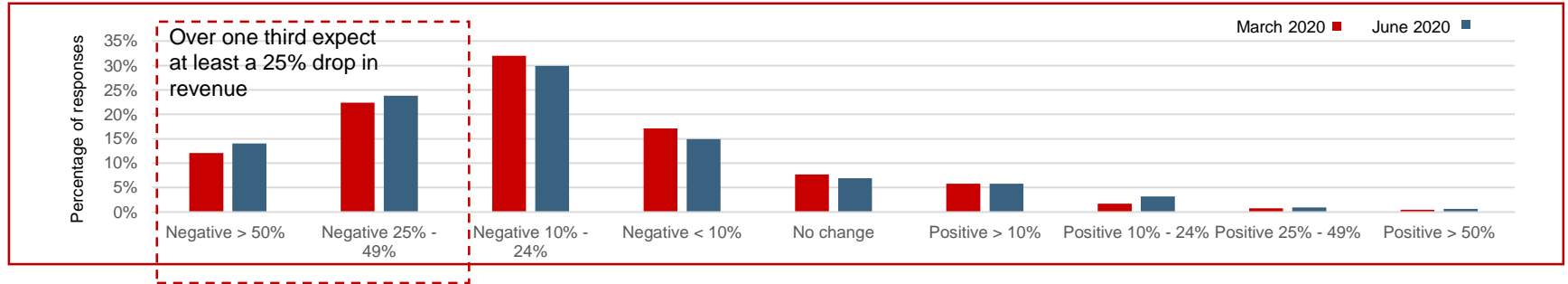
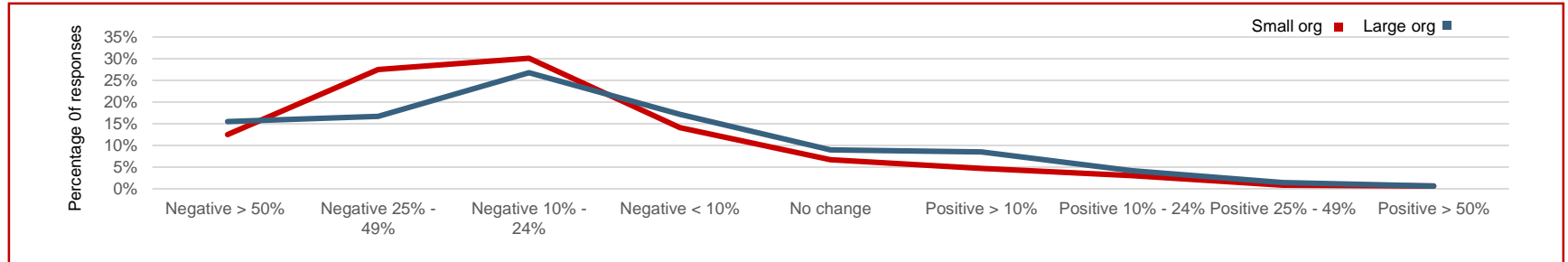


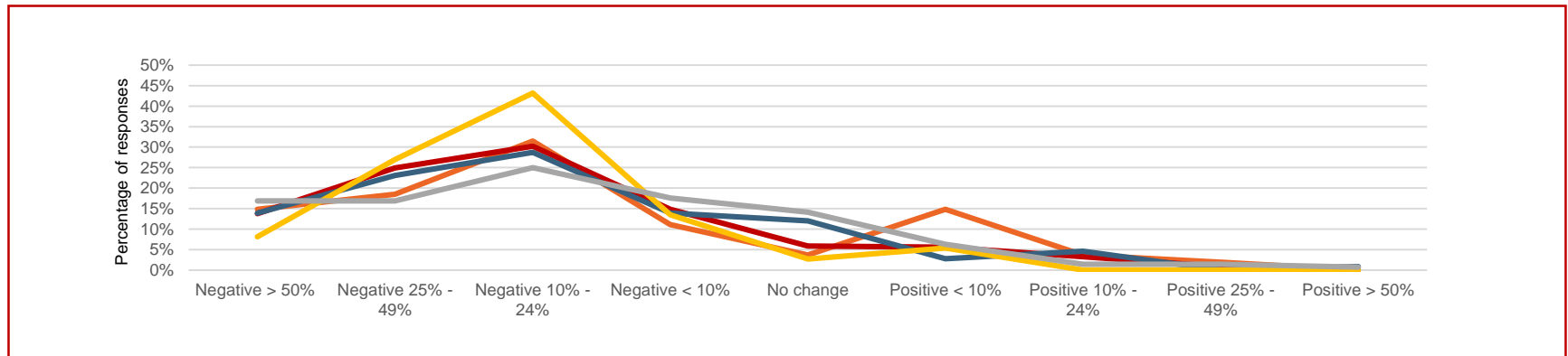
Figure 7: Revenue forecasts vis-à-vis the previous financial year – small organisations versus large organisations



Impacts across sectors appear consistent but have increased across the board compared to March data (Figure 8)

- Current data suggests the revenue forecasts across different sectors broadly follow the same pattern, with all sectors predominantly expecting a negative revenue forecast vis-à-vis the previous financial year. Particular concerns are expressed from the academic sector, however, possibly a reflection of the impact of the lockdown on face to face education and the capacity of institutions to attract new revenue streams.

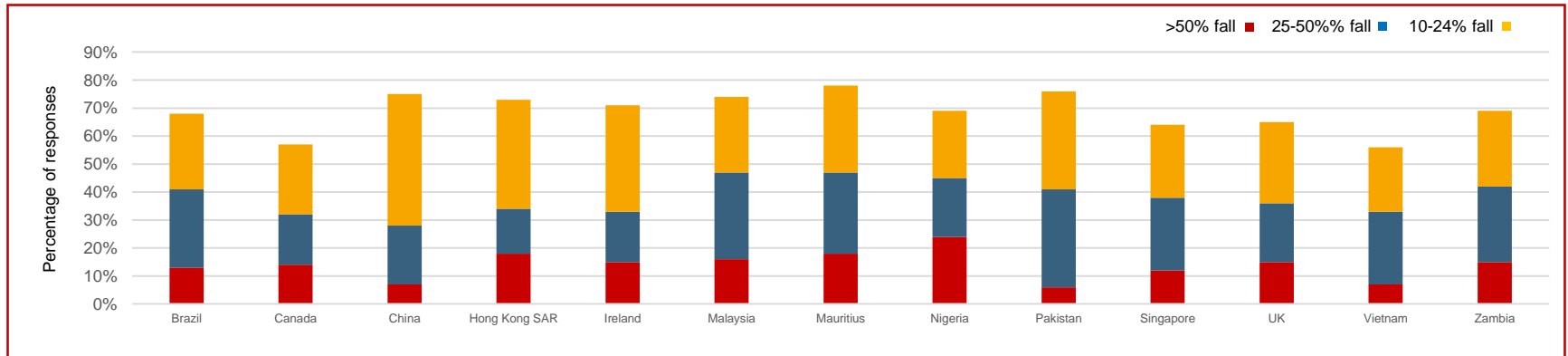
Figure 8: Revenue forecasts vis-à-vis the previous financial year – by sector



Differences do exist across locations on the severity of revenue predictions (Figure 9)

- Whilst there is a high degree of consistency in the overall total proportion of respondents expecting revenues to be lower this financial year vis-à-vis the previous financial year across locations, significant differences are apparent when evaluating the severity of revenue expectations, ranging from almost one quarter of Nigerian respondents expecting revenues to fall by over 50% to much lower expectations, for example in Pakistan (6%).

Figure 9: Revenue forecasts vis-à-vis the previous financial year – by sector

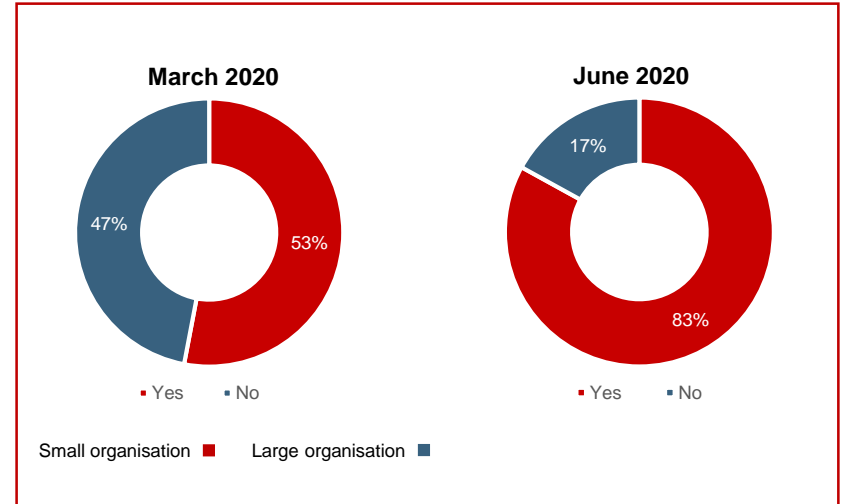


3. Forecast practices are improving

Rise in organisation forecasting (Figure 10)

- Our March survey data suggested almost half of respondents had not undertaken a financial reforecast since the outbreak of the Covid-19 crisis with uncertainty created by Covid-19 identified as the biggest barrier at the time.
- Data from June suggests 83% of organisations have now undertaken a financial reforecast; this is a significant difference, and better practices are crucial to helping organisations gauge the impact of the crisis and respond accordingly.

Figure 10: Have you performed a reforecast?



SMEs increase forecasting (Figure 11)

- Our March survey data suggested 54% of SMEs had undertaken a financial reforecast since the outbreak of the pandemic. Fast forward to June, and 80% of SMEs are now forecasting and bringing valuable insight to enhance decision making.

Forecasting consistency across sectors (Figure 12)

- The data suggests that most organisations across all sectors have undertaken a forecast since the pandemic outbreak, and there are few material differences identified.

Figure 11: Have you performed a reforecast? – small versus large orgs

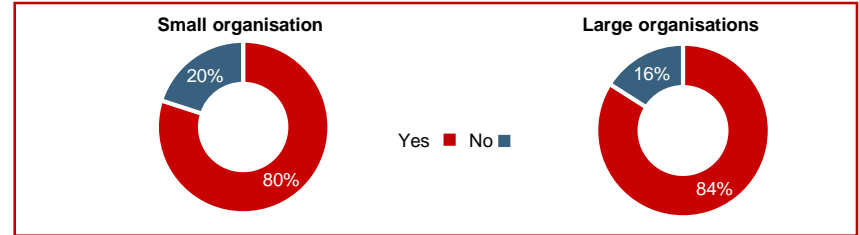
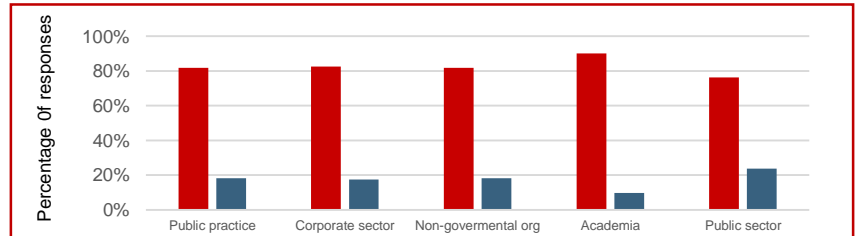


Figure 12: Have you performed a reforecast? – sector comparison

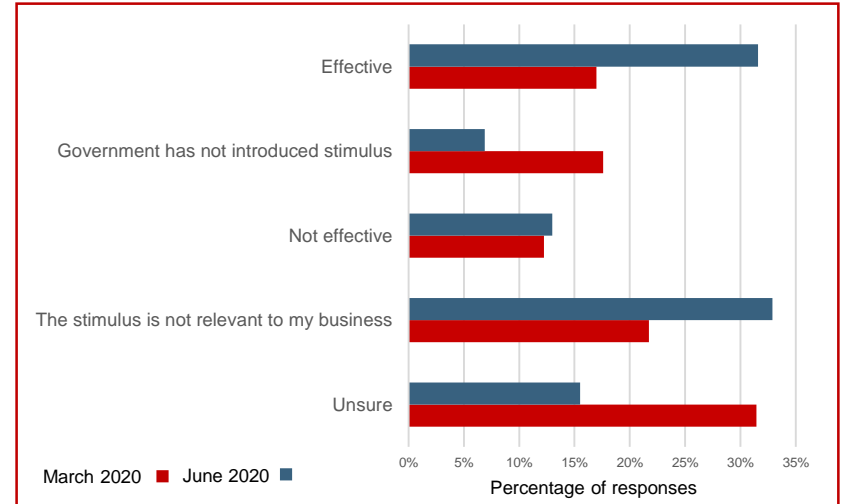


4. Government support is improving

Perceived effectiveness rises (Figure 13)

- Governments across the world continue to deploy a wide range of monetary and fiscal interventions to support organisations in response to Covid-19.
- Only 17% of respondents in March considered government interventions to be effective. But now just under one third (32%) rate these as effective, probably reflecting the time that responses have had to embed.

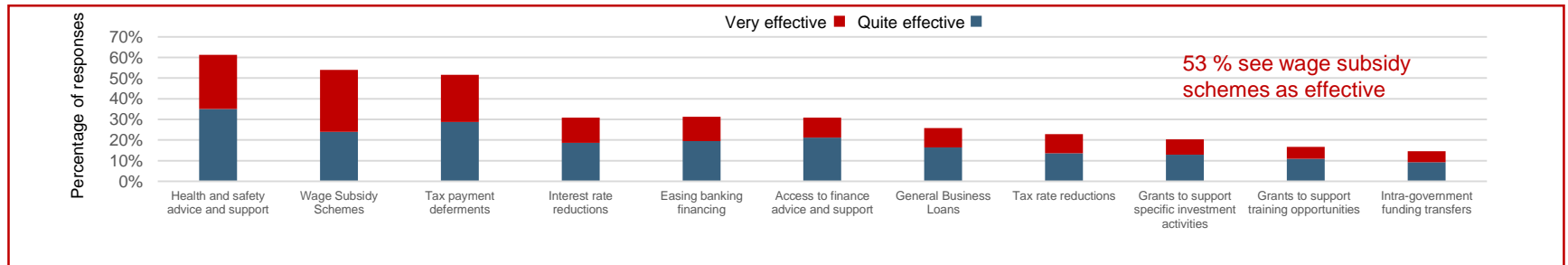
Figure 13: How effective have government interventions been?



But effectiveness of different government interventions differs significantly (Figure 14)

- The perceived impact of different government interventions, however, is varying significantly. Those interventions targeted at employee support appear to be perceived as of greater value for most of our respondents. Over three fifths of respondents identified health and safety support offered as quite effective or very effective. Similarly, wage subsidy schemes and tax payment deferrals are also seen as relatively of higher value aimed at helping cost and cash flow challenges.

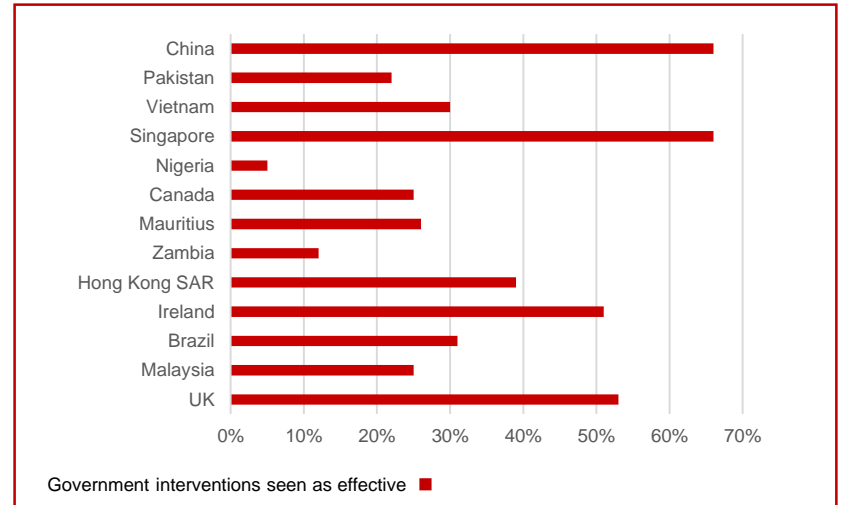
Figure 14: Effectiveness of different government interventions



Significant variation in perceived effectiveness of government interventions by location. (Figure 15)

- The perceived impact of different government interventions also varies significantly by location with two thirds of respondents from China and Singapore rating the interventions undertaken by their government as effective.
- There could be implications of time lags for certain jurisdictions, as more broadly our data suggests that as time goes on and effectiveness measures have time to embed, the perception of effectiveness of these measures increases.

Figure 15: Perceived effectiveness across different locations





A public sector perspective

As a result of COVID-19, nearly half (48%) of public sector respondents reported an increase in demand for the public services provided by their organisations. This response is unsurprising for certain subsectors, such as health and social care, but the demand for additional public services extends beyond the provision of health care in response to the pandemic. For example, there has been significant strain on social benefits systems and civil servants needing to rapidly adapt to remote working and the digital provision of many services.

Yet the key issue for the public sector continues to be the negative affects of the crisis on employee productivity (59% of public sector responses cited this issue, compared to 45% in the private sector). In combination with the increased demand for public services, this reduced productivity will need to be addressed for governments to deliver value for money to their citizens, many of whom are under considerable strain. The combination of increased demand for service and decreased capacity could also explain why public sector respondents were more likely to cite 'reputational damage' as an impact of the pandemic on their organisation.

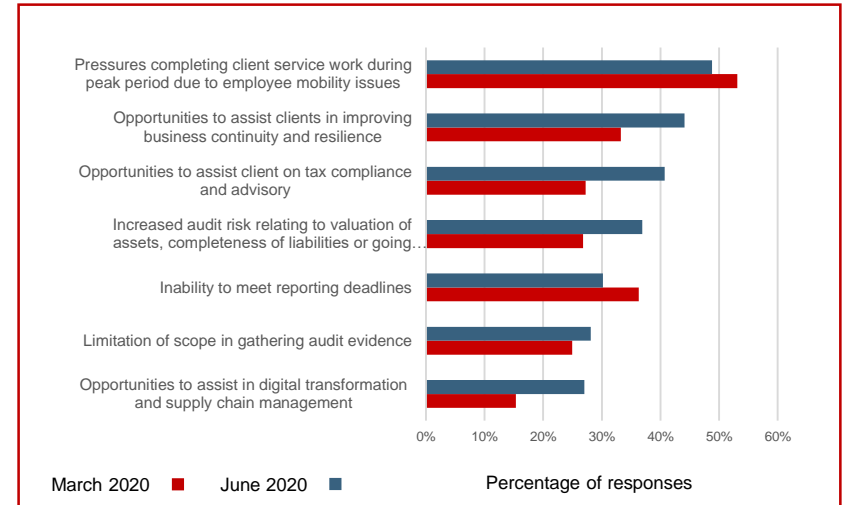
Public sector organisations remained less likely to have completed a reforecasting exercise since the start of the crisis (with 75% having now completed the exercise), compared to their peers in the private sector (82%). At the same time, public sector respondents were much more likely to be 'prioritising data and information insights to support decision making', compared to the private sector. This suggests that public sector finance professionals are focusing their energy on providing timely insights through new data sources, beyond simply reforecasting budgets – which are often set on an annual basis in the sector.

5. Auditors, accountants and advisers see opportunities rising

New horizons for advisory firms (Figure 16)

- There is a growing sense from our latest data that advisory opportunities are increasing compared to our March data - 44% of respondents see advice around business continuing and resilience growing
- There other opportunities identified too: tax compliance and advisory is cited by over 40% of accounting firm respondents. Similarly, the percentage of respondents now identifying digital transformation and supply chain management as increasing opportunities has almost doubled since March.

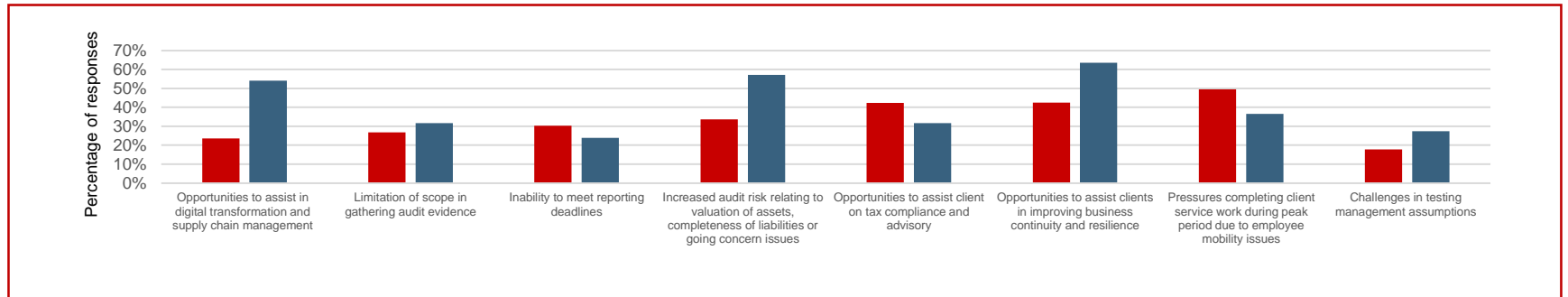
Figure 16: What impact is your organisation now seeing due to Covid-19?



Opportunities and risks differ depending on size of accounting firm (Figure 17)

- Unsurprisingly, our data suggests the opportunities and risks facing different sizes of accounting and auditing firms varies. Respondents from larger firms are clearly seeing more opportunities in advisory services relating to digital transformation, supply chain management and business continuity, but this does not seem to be always translating to the smaller accounting and advisory firms, possibly suggesting missed opportunities.

Figure 17: What impact is your organisation now seeing? (By size of organisation)



Small firm ■ Large firm ■

More than ever before the SMP (Small and Medium Sized Practice) is the trusted adviser to smaller businesses, and the Covid-19 crisis is a call to arms for smaller accountancy firms to transform further. Digital transformation of SMPs is key to accelerating the pace of change, ensuring durability, and driving better understanding of client needs. SMPs now have superb client opportunities to diversify in areas such as improving business resilience and continuity, supply chain management, and broader digital transformation. As catalysts for innovation, SMPs can help businesses develop new revenue streams, transform their business models and support growth and share best practices. But this demands new capabilities and skills within the firm, and potentially culture change too.



See ACCA's Covid-19 hub which includes useful resources to help deal with the impact of the pandemic.

Organisation responses to Covid-19



1. Focus pivots to the medium and longer term

Horizons are changing for some (Figure 18)

- There is a clear narrative from the data that for some organisations horizons are shifting and they are focusing more of their time on the medium and long term. Fewer than one fifth of organisations are still primarily focused on the short term (4-6 weeks).
- However, differences are evident when the data is cut by sector. Nearly one quarter of SME organisations are still focused on the short term period, versus one-tenth of their larger counterparts, and this seems consistent with a slightly higher focus of smaller businesses continuing to focus on shoring up operating fundamentals. Significant differences are evident by jurisdiction too (Figure 19).

Figure 18: Where is your organisation currently focusing most of its time?

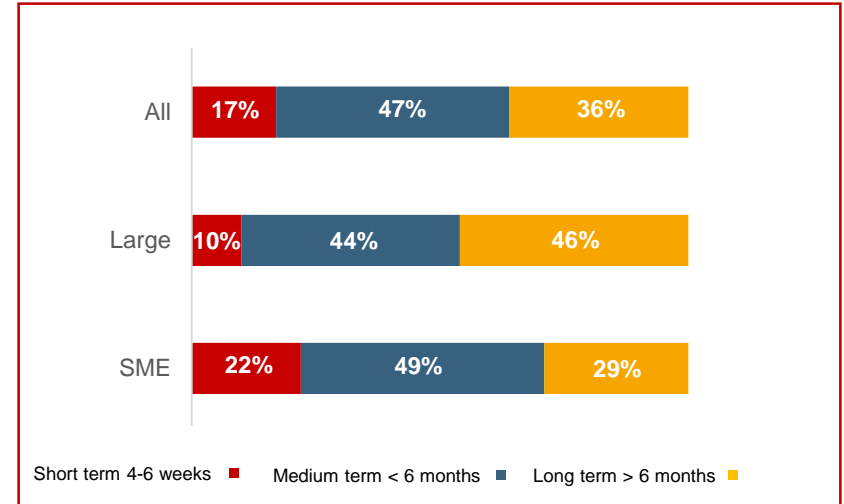
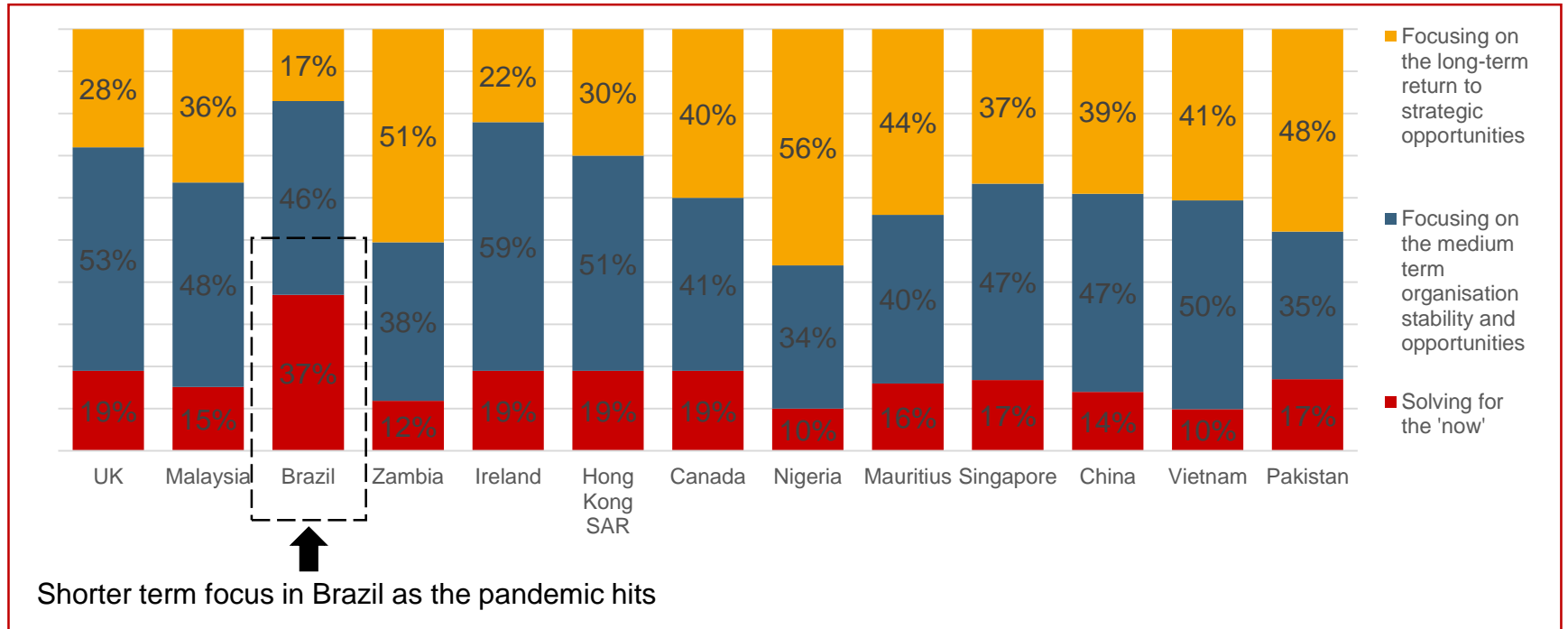


Figure 19: Where is your organisation currently focusing most of its time?



2.The big experiment: flexibility

The transition to remote working (Figure 20)

- Across all our data points relating to the strategies being adopted by organisations in response to the Covid-19 outbreak, the provision of working from home arrangements is cited by the most respondents. The Covid-19 crisis has arguably quickened the longer term aspiration for many employees of remote working and leveraging technology solutions to perform work activities. Over 80% of respondents suggested their organisations are now adopting remote working practices, rising from two-thirds of respondents who cited this in our March data. But clearly organisations are rightly focused on a wider range of interventions to manage their employees, and our data suggests heightening health and safety measures continues to be a priority across the board.

Smaller organisations slightly less responsive in adjusting people practices (Figure 21)

- Many smaller organisations are adopting a myriad of different employee strategies in response to the Covid-19 pandemic too, although across most data points (comparatively), adoption was slightly lower than that seen in the largest organisations. Almost 90% of large organisations have shifted to flexible work arrangements and home working as the primary response, versus just over three quarters of SMEs.

Figure 20: People activities implemented in response to Covid-19

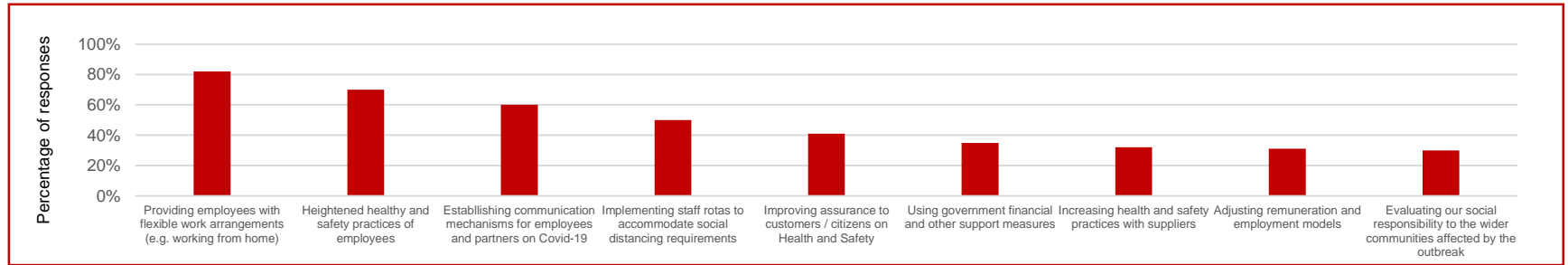
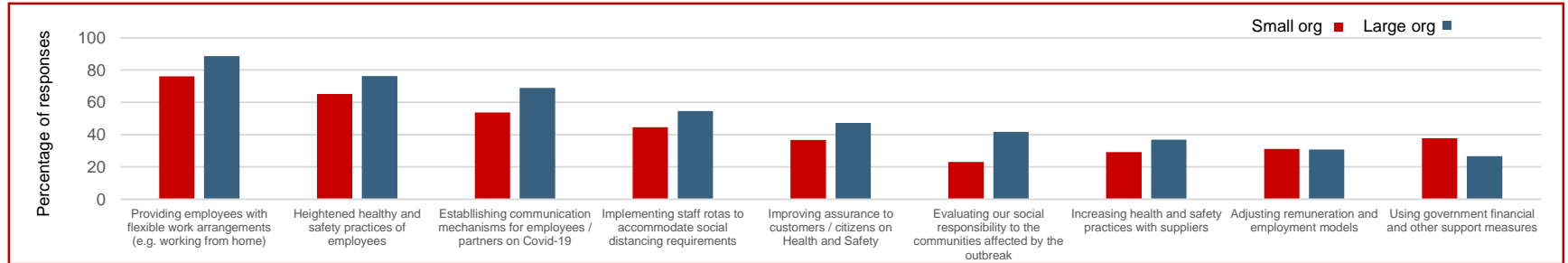


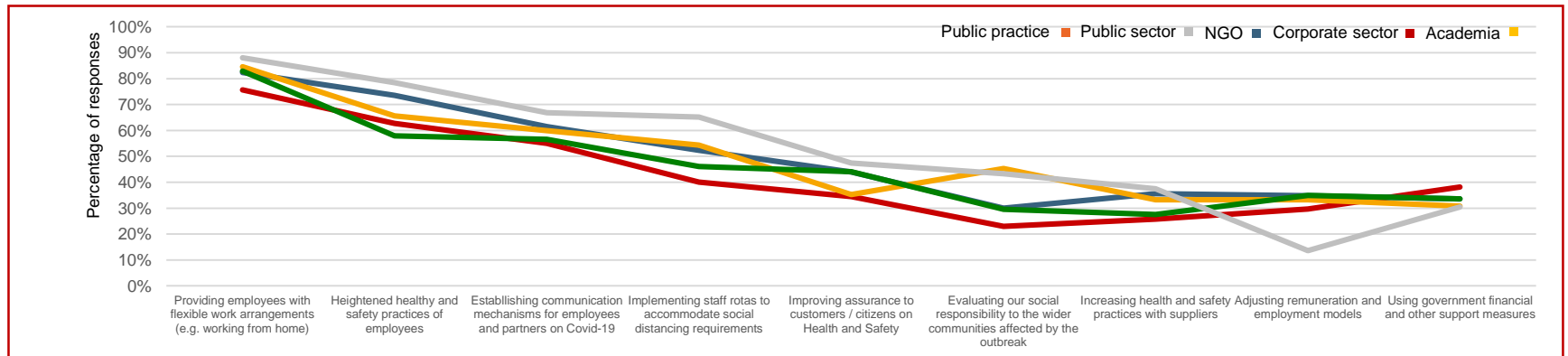
Figure 21: People activities implemented in response to Covid-19 (small versus large organisations)



People strategies across different sectors appear very consistent (Figure 22)

- The data suggests people strategies across the sectors are reasonably consistent. Providing employees with flexible work arrangements such as working from home is the most widely cited strategy response irrespective of sector, however comparatively small differences were identified with academia more likely to be adopting people practices compared to other sectors.

Figure 22: People activities implemented in response to Covid-19 (by sector)



3. A focus on operational efficiency

It is still primarily about ensuring financial viability (Figure 23)

- In the face of the pandemic continuing to spread around the world, as well as specific jurisdictions having seemingly passed the worst of the crisis, organisations across all sectors and sizes are at different stages of reaction to the crisis as our analysis has shown. However, there is a more consistent narrative to the areas that organisations are targeting in response. Primarily, this remains an efficiency play, with cost reduction identified by respondents as the key financial priority as organisations respond to the challenges.
- Over 50% of respondent identified cost reduction as the highest priority, followed closely by process review to identify operational efficiencies. It is still a major focus on the fundamentals of running the business and ensuring viability with over two fifths of respondents continuing to prioritise the mitigation of cash flow impacts through wider stakeholder engagement. In this sense, our data in June continues the narrative from March with broad consistency. Whilst smaller organisations tracked slightly lower across many of these parameters, the general trajectory in priorities was similar (Figure 24).

Figure 23: Strategic and financial activities implemented in response to Covid-19

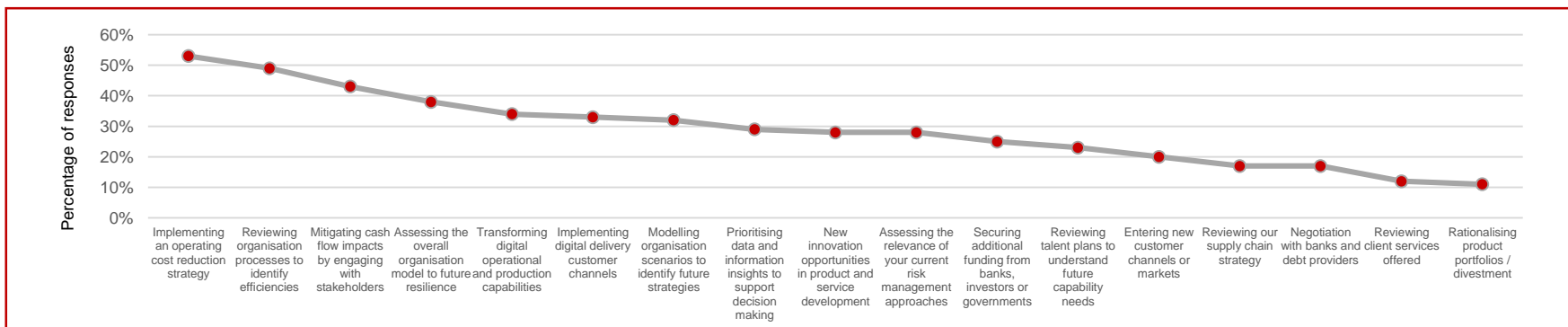
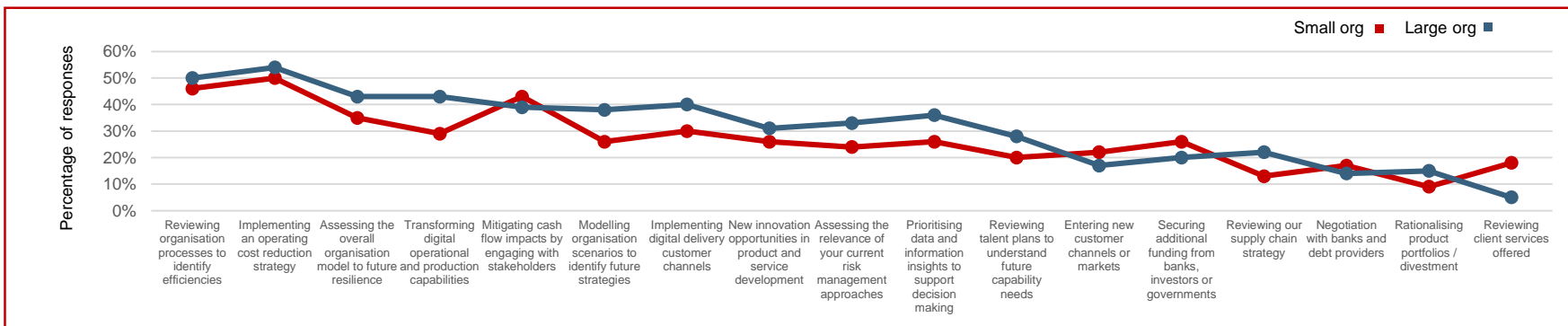


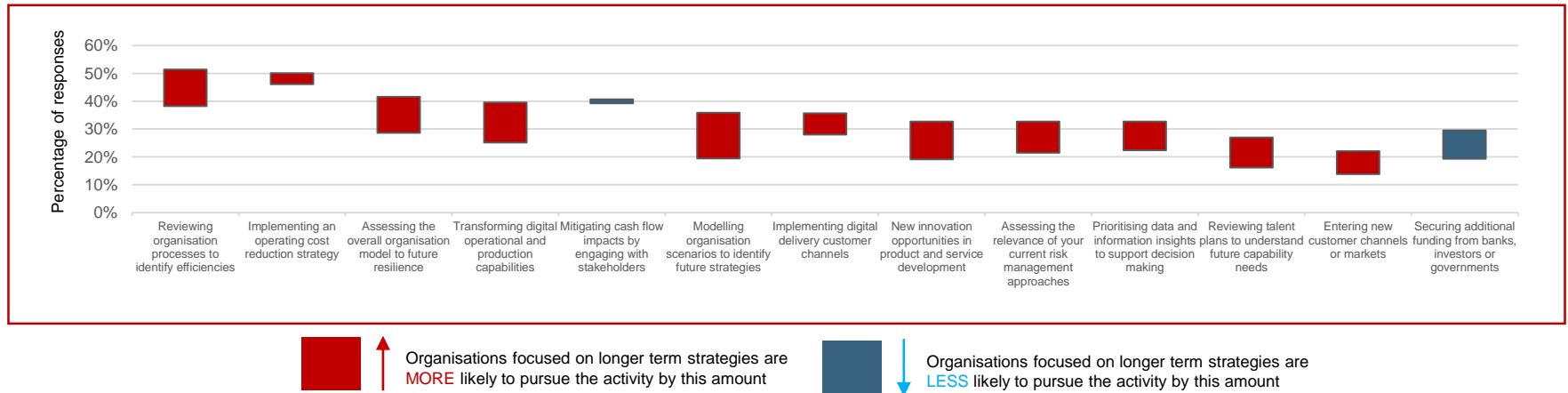
Figure 24: Strategic and financial activities implemented in response to Covid-19 (by size of organisation)



Organisations focused on the long term are pursuing digital transformation opportunities

- Digital transformation is the potential catalyst for wider business model change. The data suggests one third of organisations are currently transforming their digital operations and capabilities in response to the Covid-19 crisis and a similar proportion are transforming their customer engagement strategies through digital optionality. Those organisations focused on longer term strategies are more likely to be adopting such strategies (Figure 25).

Figure 25: Strategic and financial activities implemented in response to Covid-19

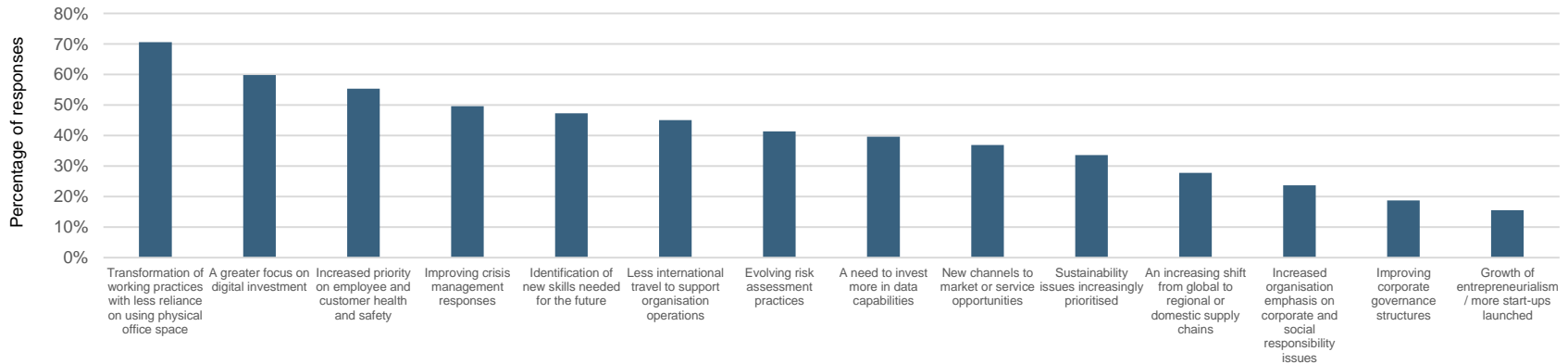


Beyond the horizon – long term impacts



- The long term impacts from the Covid-19 pandemic could be profound. Following the immediate outbreak we have seen many employees working from home, many being furloughed, and in the medium term there is a significant imperative for organisations to be thinking about how staff transition back into the workplace as lockdown restrictions ease. But longer term the crisis raises fundamental questions about the future of work, and the nature of our working lives. 71% of respondents to our survey identified the transformation of working practices with less reliance on using physical space as the most likely long term implication. However, according to our data, there are other potential long term implications too, with technology particularly as a significant disruptor and catalyst for business model transformation. It will be critical to understand the lessons learned from the pandemic so that risk and crisis management strategies can be made more effective (Figure 26).

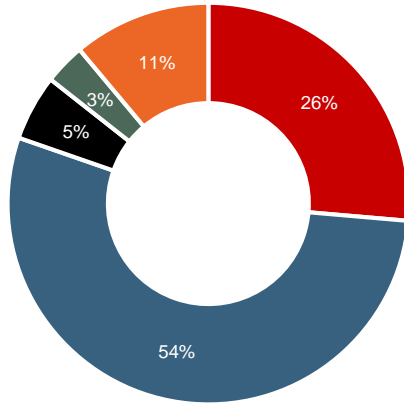
Figure 26: Long term impacts of Covid-19



Survey Demographics

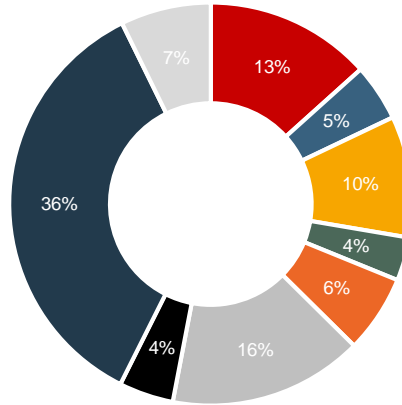


Sector



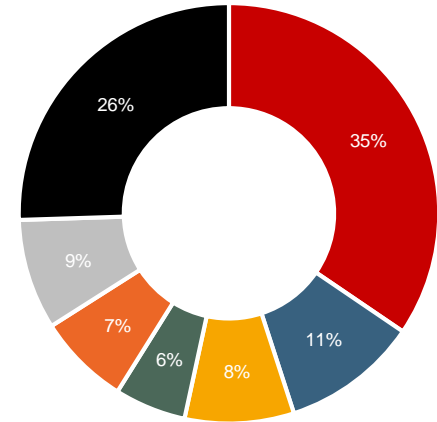
Public practice ■ Corporate sector ■
 Academia ■ Not for profit ■
 Public sector ■

Role



Partner in practice ■ Senior Manager ■
 CFO or FD ■ CEO or Board ■
 Head of Finance ■ Controller ■
 FPA leader ■ Other finance staff ■
 Non-finance ■

Size of organisation



< 50 people ■ 50-100 people ■
 101-200 people ■ 201-300 people ■
 300-500 people ■ 301-500 people ■
 > 1000 people ■

ACCA would like to express its gratitude to the following organisations for supporting the promotion of this survey:

- ASEAN Federation of Accountants
- British Malaysian Chamber of Commerce
- Malaysian Institute of Accountants
- The Vietnam Association of Public Certified Accountants
- Vietnam CFO Club
- Pan African Federation of Accountants
- Fenacon
- AIFC BCPD
- HKICPA
- Shanghai National Accounting Institute
- Xiamen National Accounting Institute
- Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB)

About ACCA

ACCA is the Association of Chartered Certified Accountants. We're a thriving global community of 227,000 members and 544,000 future members based in 176 countries that upholds the highest professional and ethical values.

We believe that accountancy is a cornerstone profession of society that supports both public and private sectors. That's why we're committed to the development of a strong global accountancy profession and the many benefits that this brings to society and individuals.

Since 1904 being a force for public good has been embedded in our purpose. And because we're a not-for-profit organisation, we build a sustainable global profession by re-investing our surplus to deliver member value and develop the profession for the next generation.

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