



The Association of  
Accountants and  
Financial Professionals  
in Business

A grayscale photograph showing a close-up of several hands holding and counting coins. The focus is on the texture of the coins and the movement of the fingers.

# Global economic conditions survey report: Q4, 2011

A grayscale photograph of a metal grate or grid, showing a perspective view of the intersecting lines. The lighting creates a sense of depth and texture.

## ABOUT ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies at all stages of their development. We seek to develop capacity in the profession and encourage the adoption of global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We seek to open up the profession to people of all backgrounds and remove artificial barriers, innovating our qualifications and their delivery to meet the diverse needs of trainee professionals and their employers.

We support our 147,000 members and 424,000 students in 170 countries, helping them to develop successful careers in accounting and business, based on the skills required by employers. We work through a network of 83 offices and centres and more than 8,000 Approved Employers worldwide, who provide high standards of employee learning and development. Through our public interest remit, we promote appropriate regulation of accounting and conduct relevant research to ensure accountancy continues to grow in reputation and influence.

## ABOUT IMA

IMA® (Institute of Management Accountants), the association for accountants and financial professionals in business, is one of the largest and most respected associations focused exclusively on advancing the management accounting profession. Globally, IMA supports the profession through research, the CMA® (Certified Management Accountant) program, continuing education, networking, and advocacy of the highest ethical business practices. IMA has a global network of more than 60,000 members in 120 countries and 200 local chapter communities. IMA provides localized services through its offices in Montvale, N.J., USA; Zurich, Switzerland; Dubai, UAE; and Beijing, China.

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# Global economic conditions: the CEO perspective

ACCA and IMA are pleased to partner in releasing the 12th edition of the *Global Economic Conditions Survey Report*.

With every great risk and challenge comes a great opportunity. In short, this comprehensive global survey tells us of business confidence falling, and economic growth stagnating or even reversing. The business challenges are many – falling revenues, rising costs, problems with access to finance, declining orders, and, concerns about suppliers and customers going out of business, among others.

CEOs and their boards are looking to their trusted business advisers to help them ride out the turbulence and achieve sustainable growth, to respond to a changing environment and seize the opportunities it offers. Now, more than ever, the accounting profession across the whole value chain is being asked to provide its unique expertise. Cutting costs is easy; optimising the use of resources much less so. Hiring and spending are likewise easy, while distilling competitive advantage out of human and other organisational resources is not. This is where the competence and expertise of professional accountants makes a difference, and it is in this manner that they earn their place among business decision-makers every day.

ACCA and IMA are each committed to adding unique value to the profession and to society, with both our membership and the scope of our 'value chain' approach spanning the whole world. In these challenging times, part of our responsibility is to report on the environment facing the profession in a robust, comprehensive and relevant manner. But the larger responsibility is to certify, educate and connect the world's best professional accountants, in business and in practice, so they can truly enrich organisations, economies and societies.



**Helen Brand**  
Chief Executive, ACCA



**Jeff Thomson, CMA**  
President and CEO, IMA

# Global economic conditions survey report: Q4, 2011

## ABOUT THE GLOBAL ECONOMIC CONDITIONS SURVEY

For three years, the Global Economic Conditions Survey has served as a powerful record of the recovery from the crisis of 2008–9 and the developments that followed it. During this time, the survey has anticipated the loss of momentum in the recovery and the slowdown that we are now experiencing.

The 12<sup>th</sup> edition of the Global Economic Conditions Survey marks a significant turning point in the survey and a break in the data series. ACCA and IMA (Institute of Management Accountants) have joined forces in order to develop a more robust and powerful record of the state of the global economy. The timing of this joint initiative is crucial as the global economy is entering uncharted territory and a period of renewed uncertainty.

With the addition of the substantial IMA sample, the latest edition of the Global Economic Conditions Survey is easily the largest to date, capturing the views of 3,775 professional accountants around the world, including 1,414 senior executives. It is also the first to benefit from a boosted US sample, which helps us to better capture the dynamics of the global economy. Over 81% of observations are from a 'core' sample of 17 major markets for which more detailed results are available, and which together account for 45.6% of world GDP.<sup>1</sup>

As always, we are grateful to all respondents for giving up their time in order to respond to cannot help but be a substantial and comprehensive survey. The result is, we hope, an equally substantial and comprehensive account of the global economy.

## CONFIDENCE CONTINUES TO FALL AS INTERNATIONAL TRADE TAKES FURTHER HIT

As Tables 1 and 2 demonstrate, 46% of our total sample reported a loss of confidence in the prospects of their organisations during the last quarter of 2011, and 73% believe the global economy is either deteriorating or stagnating. Only two major African markets, Zambia and Ghana, reported a net gain in business confidence and only Ghana and Saudi Arabia reported a positive global economic outlook.

Continuing a trend seen among ACCA's sample in the third quarter of 2011, Hong Kong, Singapore and Cyprus, all relatively small and very open economies, reported the worst loss of confidence and some of the worst perceptions of the global economy. While more localised economic problems may account for some of this sentiment (especially in Cyprus), this finding suggests that international trade is in decline. Accordingly, respondents in utilities firms, which are often domestically focused and fairly robust to economic conditions, have reported some of the strongest net confidence gains among IMA's major industrial groups, while pharmaceuticals and IT/communications firms, which are fairly exposed to trends in international trade and global economic activity, have been some of the hardest hit. On the other hand, professional services firms appear to have performed very strongly, while respondents in manufacturing firms have reported constant levels of confidence despite substantial international exposure.

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1. Australia, Canada, Mainland China, Cyprus, Ghana, Hong Kong SAR, Ireland, Malaysia, Mauritius, Pakistan, Russia, Saudi Arabia, Singapore, the UK, the UAE, the US, and Zambia.

**Table 1: Changes in business confidence compared to 3 months ago**

Jurisdiction	Much less confident	Less confident	No change	More confident	Much more confident	Index
Africa	10%	30%	32%	19%	9%	-13
Ghana	6%	22%	41%	22%	8%	2
Zambia	7%	30%	19%	28%	16%	7
Mauritius	11%	30%	42%	14%	4%	-23
Middle East	10%	32%	32%	19%	6%	-17
Saudi Arabia	8%	25%	38%	21%	8%	-4
UAE	11%	35%	31%	16%	7%	-22
South Asia	12%	27%	42%	14%	5%	-21
Pakistan	13%	28%	44%	11%	5%	-25
Americas	10%	29%	43%	16%	2%	-21
US	9%	29%	44%	16%	2%	-21
Canada	6%	39%	39%	13%	3%	-29
Western Europe	16%	36%	38%	9%	1%	-42
UK	15%	35%	40%	8%	2%	-40
Ireland	13%	38%	37%	12%		-40
Cyprus	25%	34%	34%	6%	1%	-51
Asia Pacific	13%	40%	36%	9%	2%	-43
Mainland China	11%	38%	36%	13%	2%	-34
Australia	14%	36%	38%	11%	2%	-38
Malaysia	13%	37%	42%	6%	2%	-42
Singapore	20%	47%	24%	8%	1%	-58
Hong Kong SAR	15%	50%	29%	5%	1%	-59
Central and Eastern Europe	12%	43%	38%	6%	2%	-47
Russia	8%	37%	42%	10%	4%	-31
OECD	12%	33%	41%	12%	2%	-31
Non-OECD	12%	35%	35%	14%	4%	-28
Total sample	12%	34%	39%	13%	3%	-30

At the regional level, Central and Eastern Europe has performed the worst in terms of business confidence, with 55% of respondents reporting a loss of confidence, while Asia Pacific continues to lose confidence at a rate faster than Western Europe. Africa, the Middle East and South Asia remain the most upbeat regions, both in terms of business confidence and in terms of respondents' perceptions on the state of the global economy. Finally, as with the previous downturn, trends in business confidence have converged between developed and developing

countries, suggesting that the weakness in demand has filtered through to the traditionally faster-growing emerging economies. Perceptions of the global economy, however, are quite different between the two blocs as respondents are not always able to put the performance of their own and neighbouring countries into a global perspective.

One detail worth noting is that members of each professional body were, on average, more likely to report

**Table 2: Perceptions of the overall trend in the global economy**

Jurisdiction	It's getting worse	It's getting better	We are at the bottom and will remain there for a while yet	We are at the bottom and things will now start to improve	Don't know	Index
Middle East	32%	23%	21%	18%	6%	-13
Saudi Arabia	23%	40%	19%	15%	2%	13
UAE	34%	16%	24%	23%	4%	-19
South Asia	33%	24%	22%	19%	3%	-13
Pakistan	31%	23%	22%	19%	5%	-11
Africa	36%	16%	22%	21%	5%	-21
Ghana	25%	40%	15%	19%	2%	19
Zambia	26%	26%	19%	19%	12%	0
Mauritius	43%	7%	26%	21%	3%	-41
Americas	28%	14%	40%	13%	6%	-42
US	27%	14%	42%	12%	6%	-43
Canada	48%	15%	19%	10%	8%	-44
Asia Pacific	50%	12%	25%	7%	7%	-56
Mainland China	45%	21%	20%	10%	4%	-35
Malaysia	43%	13%	33%	5%	6%	-58
Australia	53%	4%	22%	11%	11%	-60
Singapore	61%	5%	21%	8%	5%	-70
Hong Kong SAR	61%	5%	23%	1%	10%	-78
Central and Eastern Europe	54%	7%	28%	8%	3%	-68
Russia	54%	17%	17%	10%	2%	-44
Western Europe	52%	3%	36%	6%	2%	-78
Ireland	53%	2%	34%	10%	2%	-75
UK	49%	3%	40%	5%	2%	-80
Cyprus	74%	1%	21%	3%	1%	-90
OECD	38%	9%	39%	9%	4%	-59
Non OECD	43%	15%	24%	14%	5%	-38
Total sample	40%	11%	33%	11%	5%	-51

confidence gains than those of the other professional body if they were located outside of their association's traditional markets. A similar if weaker effect was found to influence respondents' perceptions of the global economy.

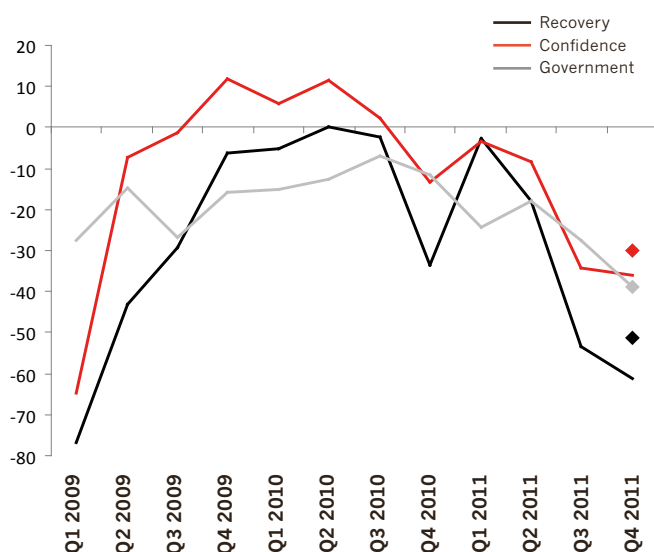
Although it is difficult to test this hypothesis, it is likely that more internationally mobile professionals are generally more confident – their mobility offers them a 'professional hedge' against economic conditions which influences their general outlook.

## RATE OF DECLINE SLOWS AS FAITH IN GOVERNMENTS FALLS TO RECORD LOW

Overall, it is difficult to know how steep the decline in business confidence or the loss of faith in the global economy has really been due to the break in the GECS series. However, the trends in the ACCA series suggest that the decline has, in both cases, been only moderate compared to the shock of the third quarter, or even the more modest decline in the second quarter of 2011, with ACCA's Confidence index falling from -34% to -36% and ACCA's Recovery index falling from -54 to -61. Governments are, increasingly, the target of disapproval, with ACCA's Government index recording its lowest reading since the surveys began (Figure 1). These figures are, unfortunately, consistent with falling output in the developed (OECD) economies.

At the regional level, our findings suggest that the trend in business confidence has actually improved slightly in Africa, the Americas and the Asia-Pacific Region, while Central and Eastern Europe has recorded the worst deterioration in confidence trends.

Figure 1: Main economic indices



Note: The lines represent indices from the ACCA-only sample. The points at Q4 2011, represent indices from the ACCA-IMA sample.

## DEMAND, INFLATION AND FINANCE TOP LIST OF BUSINESS CONCERNS

Overall, weak demand is the most commonly cited business challenge reported globally, and was equally common among businesses in developed and developing nations. Although demand appears weakest in Western Europe, especially Cyprus and Ireland, it is also weakening substantially in Africa and South Asia and even markets in faster growing regions, particularly Singapore. On the other hand, markets in the Americas, particularly Canada, are performing much better. At the global level, accountancy firms and IT and communications firms appear to be particularly hard-hit.

As with previous quarters, inflationary pressures have remained high on respondents' list of concerns, especially in developing countries and particularly in South Asia and Africa. That said, the Asia-Pacific region is also home to two of the worst-affected countries, Malaysia and Hong Kong. Only in Central and Eastern Europe are inflationary pressures still muted. Inflation is a significant problem for manufacturers and engineering firms, as well as small accountancy firms which often find it difficult to increase fees in line with costs.

Access to finance is cited as a challenge by less than a third (30%) of our sample, although this percentage rises significantly in Africa, South Asia and Western Europe. Some of the worst-hit markets, such as Cyprus and Ireland, have been directly or indirectly affected by severe banking crises, while others, such as Zambia, are disadvantaged by more mundane behaviours and structural factors. It is particularly telling that respondents working in Utilities firms – traditionally a safe, countercyclical sector – are reporting substantial financing problems.

Three African countries (Ghana, Zambia and Mauritius), are leading, along with Saudi Arabia, the league table for almost all types of value-added business opportunities. Opportunities were most commonly reported in new export markets (especially for firms in South Asia and the Middle East) and in deepening supply chain relationships (particularly in Africa and the Middle East), with innovation also providing a likely outlet. Because of the nature of opportunities available, it is mostly respondents in larger firms that reported a more positive outlook, while wholesalers and retailers in particular appear to be benefitting from changes in demand and investing in their relationships with customers – a common sign of businesses preparing for a downturn.



**Table 3: Impacts of, and responses to, economic conditions**

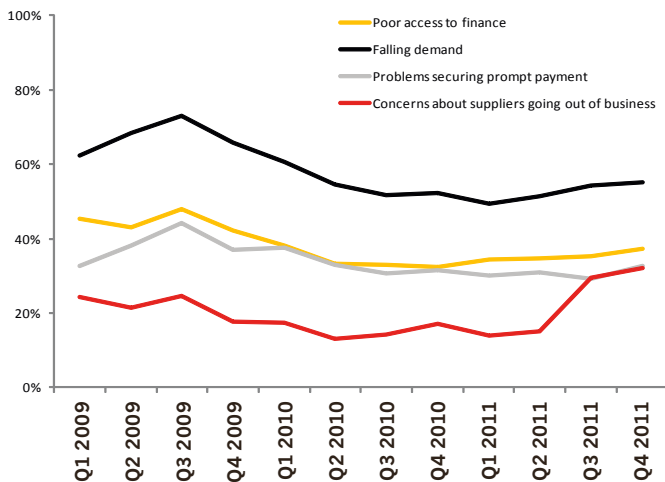
Incidence of business challenges		Top major markets by incidence	Top sectors/industries by incidence
<b>Business challenges</b>			
Decreased income	51%	Cyprus, Ireland, Singapore	Accountancy practices, IT & Comms
Increased costs (eg labour, fuel, materials)	48%	Pakistan, Malaysia, Hong Kong	Small accountancy practices, manufacturing/engineering
Problems with access to finance	30%	Cyprus, Zambia, Ireland	Accountancy practices, Energy and Utilities
Declining orders	28%	Singapore, Hong Kong, Mainland China	Small accountancy practices, manufacturing/engineering
Problems securing prompt payment	28%	Ghana, Cyprus, UAE	Accountancy practices, IT & Comms
Negative impact of foreign exchange movements	22%	Ghana, Mauritius, Russia	Large accountancy practices, Healthcare & Pharma
Concern about customers going out of business	28%	Cyprus, Ireland, Ghana	Small accountancy practices, IT & Comms
Concern about suppliers going out of business	14%	Zambia, Ghana, UK	SMEs, manufacturing/engineering
<b>Business responses</b>			
Staff cuts/hiring freeze	46%	Australia, Pakistan, UK	Public sector, Professional Services
Scaling back investment in capital projects	27%	Australia, UK, Zambia	Public sector, Energy & Utilities
Scaling back investment in staff	27%	UK, Australia, Ireland	Public sector, Professional Services
New jobs created/hiring resumed	7%	Saudi Arabia, Mainland China, Mauritius	SMEs, Professional Services
Increasing investment in capital projects	6%	Saudi Arabia, Zambia, Ghana	SMEs, manufacturing/engineering
Increasing investment in staff	5%	Ghana, Saudi Arabia, Malaysia	SMEs, Professional Services
<b>Business opportunities</b>			
Exploring lowering costs	25%	Ghana, Zambia, Mauritius	Large financials, IT & Comms
Exploring/entering new markets	19%	Ghana, Saudi Arabia, Mauritius	Large corporates, Professional Services
Building strong supplier/client relationships	16%	Saudi Arabia, Zambia, Ghana	Large financials, Wholesale/Retail
Focusing on innovation	16%	Ghana, Zambia, US	Large corporates, Healthcare & Pharma
Focusing on niche markets/products	14%	Ghana, Malaysia, Australia	Small financials, Professional Services
Promoting high quality standards	14%	Ghana, Australia, Zambia	Large financials, Professional Services
Benefiting from general change in demand	8%	Saudi Arabia, Australia, Ghana	Large corporates, Wholesale/Retail
Increasing orders	6%	Saudi Arabia, Zambia, Malaysia	SMEs, manufacturing/engineering



## CONCERNS MOUNT WHILE INVESTMENT AND EMPLOYMENT FALL ON LOW DEMAND, TIGHT FINANCE

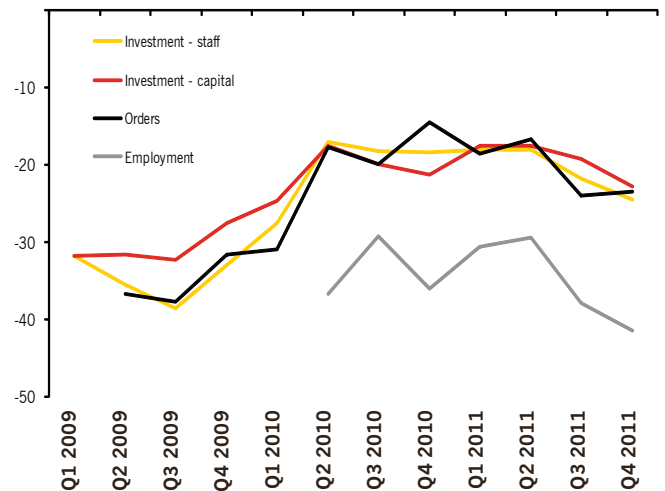
This has been the third consecutive quarter in which respondents reported weakening demand and problems accessing finance (Figure 2). However, the combination of sustained demand weakness and financing problems has continued to take its toll, leading to a sharply increasing number of respondents reporting concerns for the survival of their suppliers – more than double the percentage recorded only six months ago. While the percentage of respondents reporting problems with late payment has not risen in line with such perceptions, the dynamic is now almost certainly a cause for concern. Overall, this pattern of low demand and cashflow problems was most commonly reported by IT & communications firms as well as accountancy practices (Table 3). Consistent with falling demand, inflationary pressures appear to have fallen significantly.

**Figure 2: Demand and financial pressures**  
(ACCA sample only)



As Figure 3 shows, a tentative recovery might be in sight for demand at the global level, as the decline in new orders has momentarily halted and some industries, especially manufacturing, are demonstrating substantial dynamism. Still, investment has fallen for a third consecutive quarter, and employment is falling even faster, both led by a significant slowdown in utilities, professional services firms and the public sector.

**Figure 3: Orders, employment and investment indices**  
(ACCA sample only)



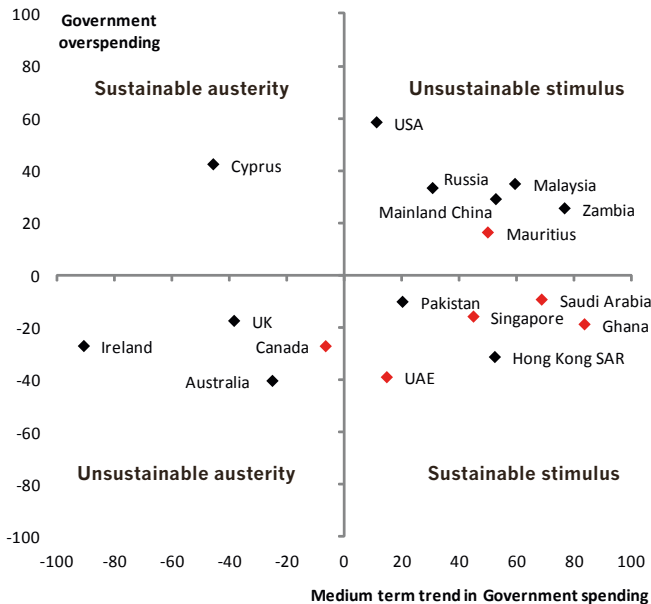
### FISCAL STIMULUS AND ITS LIMITATIONS

In previous editions of this survey we noted that the weakening global economy will put pressure on governments to increase spending, but weak fiscal fundamentals will constrain the extent to which they can do so in a sustainable way. We have returned to this question in late 2011, as it is likely to define the economic challenges of the new year. Figure 4 demonstrates the dynamics of fiscal policy in major ACCA/IMA markets.

In some of our key markets, most notably the US, Russia and mainland China, respondents expect that their governments will increase spending in the face of a weakening global economy, but at the price of fiscal sustainability in the long-run. In other major markets, such as the UK and Ireland, austerity is seen as coming at the price of economic growth.

Out of all major markets in this sample, only in Cyprus is austerity seen as largely sustainable. Finally, respondents in some countries feel that their governments are likely to increase public spending but feel that there is room for more stimulus – these include Singapore, Pakistan, Saudi Arabia and the UAE. It is worth noting that the only countries in which governments achieved net approval from respondents (marked in red) were either in the ‘sustainable stimulus’ category (Singapore, Saudi Arabia, UAE, Ghana), or otherwise as close as possible to a neutral outlook within their quadrants (Mauritius and Canada).

Figure 4: Dynamics and evaluation of government spending in the medium term (5yrs)



## CONCLUSIONS

As professional accountants look ahead to the new year, their views paint a sobering picture of the global economy. They tell us that international trade continued to dry up in the last quarter of 2011, posing a particular challenge for what have, until only recently, been dynamic and open economies leading the recovery. While the negative trend in global business confidence has eased, and there are encouraging signs from resilient new orders, the damage done to global demand over the last year has been substantial.

After three consecutive quarters of weakening demand, the cumulative effect is beginning to take its toll on business, and with banks around the world facing an uphill climb towards capital adequacy tightening finance is now adding to this challenge. The result is a deteriorating outlook for business cashflow around the world which may be driving a rise in business failures. Inflationary pressures, which built up steadily over the past two years, are now easing, but the underlying causes of this trend may be just as worrying as last year's rise in operating costs.

In line with this deteriorating outlook, our findings point to weakening trends in employment and investment globally. This is particularly worrying as these two indicators have remained weak throughout the last three years and are crucial to any kind of sustainable recovery.

Finally, our findings suggest governments have to perform a tough balancing act in coming years if they are to support a flagging economic recovery. Sustainable fiscal stimulus is a luxury that not all governments can afford, especially among developed nations, while austerity is proving hard to reconcile with sustained growth, unless perhaps as a response to exogenous shocks. As a result, government approval levels are at a record low, just when they are most likely to influence business confidence.

Overall, the stage appears to be set for a renewed global economic downturn in 2012 and most respondents to the Global Economic Conditions Survey certainly believe this to be the case. As trusted business partners and advisers, professional accountants will be called upon to steer businesses through challenging times in the new year, especially in the areas of strategic planning, scenario analysis and risk management. Through their joint commitment to the largest regular survey of professional accountants in the world, ACCA and IMA will be proactive in strengthening organizational capability to manage the turbulence and help create sustainable growth.

# ACCA, IMA and the global economy

Global economic conditions continue to dominate business life. They are at the top of the world's political agenda, and updates and debates on economic issues are almost constantly the focus of media attention. While most national economies are now growing once again, it is far from clear how sustainable this growth is or how long it will be before a sense of normalcy returns to the global economy.

ACCA and IMA have been prominent voices on what the accounting profession can do to help turn the global economy around. Both bodies have published extensively on a range of topics from the regulation of financial markets or the prevention of fraud and money laundering, to fair value or the role of international accounting standards, to talent management and the development of an ethical business culture.

ACCA and IMA aim to demonstrate how an effective global accountancy profession contributes to sustainable global economic development; to champion the role of accountants as agents of value in business; and to support their members in challenging times. Both professional bodies believe that accountants add considerable value to business, and never more so than in the current environment.

Accountants are particularly instrumental in supporting the small business sector. Small and medium-sized enterprises (SMEs) account for more than half of the world's private sector output and about two thirds of all employment. Both ACCA and IMA focus much of their research and advocacy efforts on articulating the benefits to SMEs of solid financial management and reliable financial information.

## WHERE NEXT?

As countries around the world once again consider strategies to promote stability and stimulate growth, the interconnectedness of our economies, and how they are managed and regulated, is now firmly in the spotlight. The development of the global accountancy profession has benefited from, and in turn contributed greatly to, the development of this interconnected global economy. The fortunes of the two are tied. ACCA and IMA will, therefore, continue to consider the challenges ahead for the global economy, and focus on equipping professional accountants for the uncertain future.

To find out more visit

[www.accaglobal.com](http://www.accaglobal.com)

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