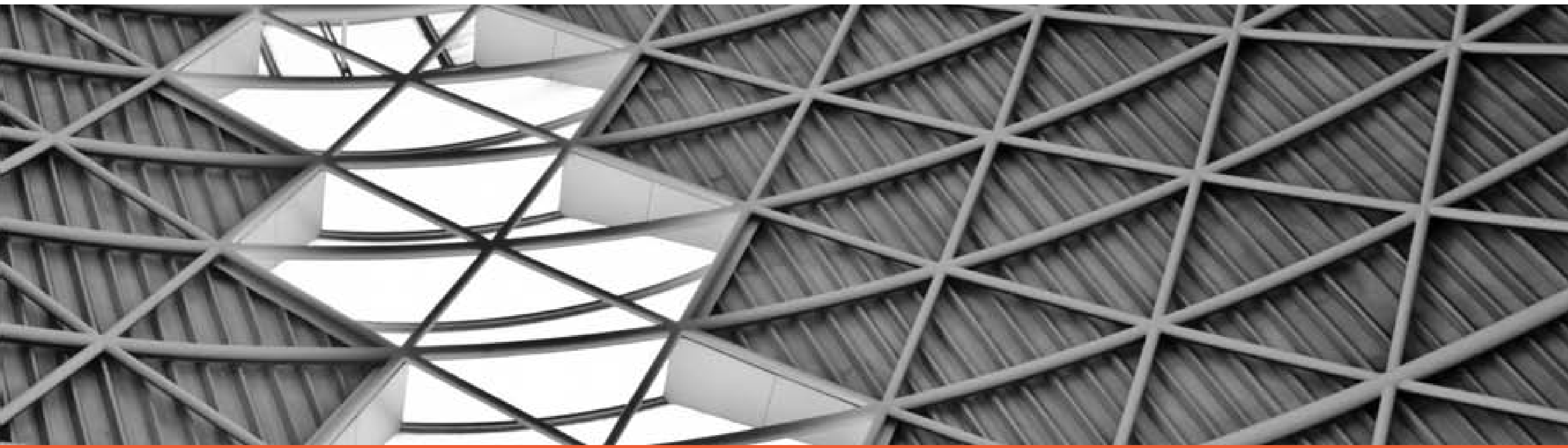
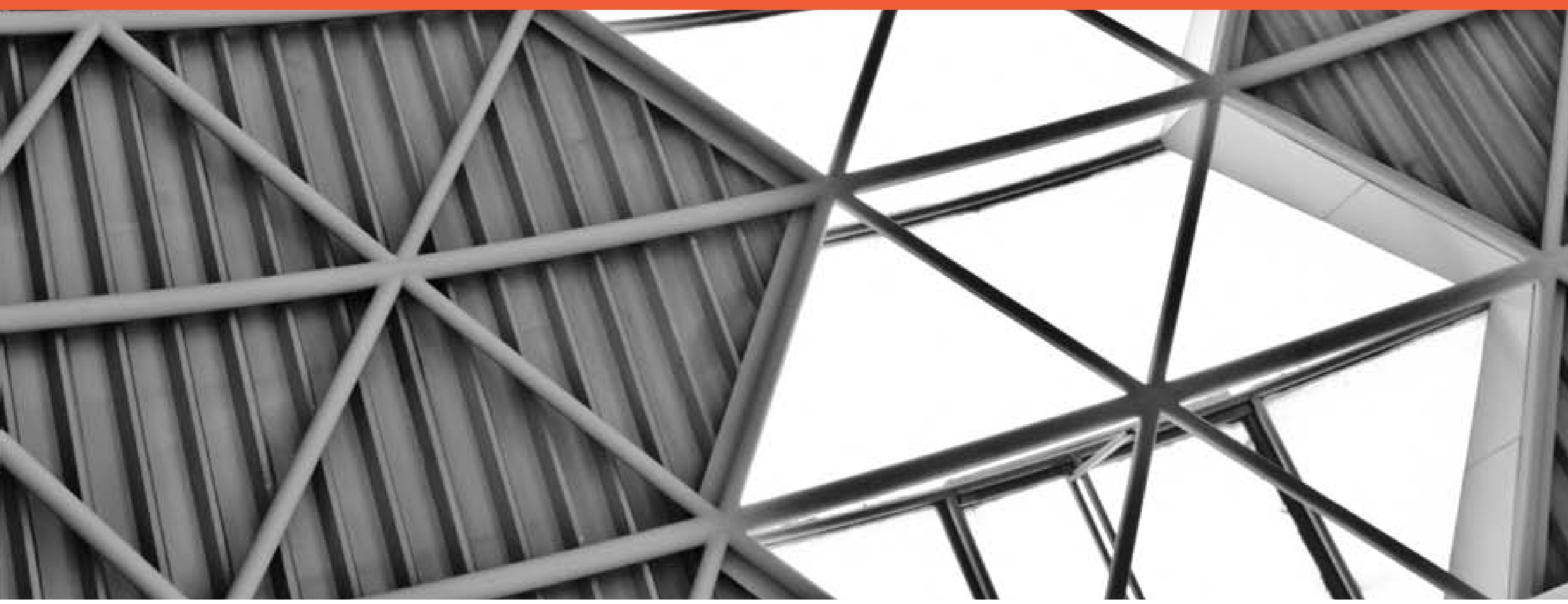
The Association of Accountants and Financial Professionals in Business

The global body for professional accountants



Global economic conditions survey report: Q3, 2014



ACCA AND **IMA**: GLOBAL BODIES EMPOWERING ACCOUNTANTS AND FINANCIAL PROFESSIONALS TO DRIVE BUSINESS PERFORMANCE

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 in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent 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 work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

We support our 170,000 members and 436,000 students in 180 countries, helping them to develop successful careers in accounting and business, with the skills needed by employers. We work through a network of 91 offices and centres and more than 8,500 Approved Employers worldwide, who provide high standards of employee learning and development.

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About IMA®

IMA®, the association of 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 70,000 members in 140 countries and 300 professional and student chapters. Headquartered in Montvale, N.J., USA, IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe, and Middle East/Africa.

www.imanet.org

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Global economic conditions survey report: Q3, 2014

INTRODUCTION

The Global Economic Conditions Survey (GECS), carried out jointly by ACCA and IMA, is the largest regular economic survey of accountants in the world, in terms of both the number of respondents and the range of economic variables it monitors. Its main indices are good predictors of GDP growth in the OECD countries and daily trend deviations correlate well with the VIX or 'fear' index, which measures expected stock price volatility.

This is the 23rd edition of the survey, and the 12th since ACCA and IMA first joined forces to conduct this research. Over the years, GECS has been covered in the international, national and local press more than 6,500 times, and its combined dataset now includes more than 42,000 responses. A review of the first five years of the survey, *Five Years of the Global Economic Recovery,* was published by ACCA and IMA in July 2014.[1]

Fieldwork for the Q3 2014 edition of the GECS took place between 13 August and 3 September 2014, and attracted responses from about 1,000 finance professionals, of which over 400 in senior roles (including just under 100 CFOs). Among other things, the fieldwork period followed the acknowledgement of the Ebola outbreak in West Africa as an 'international health emergency' by the World Health Organisation (WHO), as well as the first US airstrikes against Islamic State positions in Iraq but not the subsequent campaign in Syria. Elsewhere, the fieldwork period covered most of the run-up to the Scottish independence referendum, and some of the run-up to Alibaba's record-breaking IPO, but not the actual events themselves. It also did not include the events related to the Occupy Central movement in Hong Kong.

As always, ACCA and IMA are deeply grateful to all members who gave up their time to respond to the survey. Finance professionals have front-row seats to the recovery, and it is their first-hand accounts of business conditions on the ground that make the GECS a trusted barometer for the global economy. The two bodies are currently working on making changes to the survey that will make it quicker and easier for more busy professionals to participate while maintaining its valuable long-term time series.

1. *Five Years of the Economic Recovery*, ACCA and IMA, 2014. http://www.accaglobal.com/lk/en/technical-activities/technical-resources-search/2014/july/five-years-of-the-global-economic-recovery.html

GLOBAL MACRO OUTLOOK CONTINUES TO DEFY GRAVITY AS BUSINESS CONFIDENCE FALLS

The third quarter of 2014 has marked a second quarter of deteriorating business confidence at the global level, with 28% of respondents reporting confidence gains (down from 30% in the second quarter) and one third (33%, up from 32%) reporting a loss of confidence.

Despite these grim business confidence readings, finance professionals' global macro-economic outlook has improved marginally in the third quarter of 2014, with 58% of respondents (unchanged since the previous quarter) optimistic about the state of the recovery in their countries and 37% (down from 38%) pessimistic. Similarly, governments have enjoyed growing approval, with 23% of respondents (up from 21%) approving and 41% (unchanged) disapproving.

PERSISTENT RECOVERY NARRATIVE RESTS ON THE HEALTH OF FINANCIALS, EMERGING MARKETS

The continuing divergence of the GECS business confidence and macro-economic outlook indices suggests important imbalances are at play. It is clear that slowing regional economies in Europe and South East Asia are now compromising the recovery in the real economy, while the recovery consensus is influenced by the relative buoyance of the financial sector and brisk capital market activity. The ongoing tension between Russia and the West is also beginning to take its toll, primarily on Central and Eastern Europe.

At the regional level, the greatest confidence gains were recorded in Central and Eastern Europe, the Middle East and Africa (see Figure 2). Of these regions, however, only the Middle East exhibits a reliable upward trend; both Africa and CEE have recorded losses throughout 2014. The worst losses of confidence were recorded in the Caribbean, Asia-Pacific and Western Europe.

Digging further into the regions, it appears that much of the confidence gains have emerged in India, Singapore and Ireland. Perhaps more worryingly,

Figure 1: Main GECS Indices

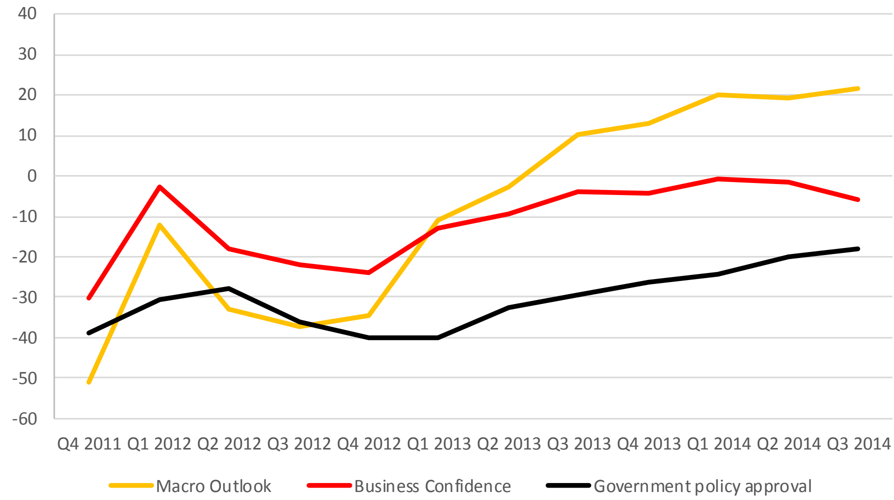


Figure 2: Changes in the regional GECS business confidence indices

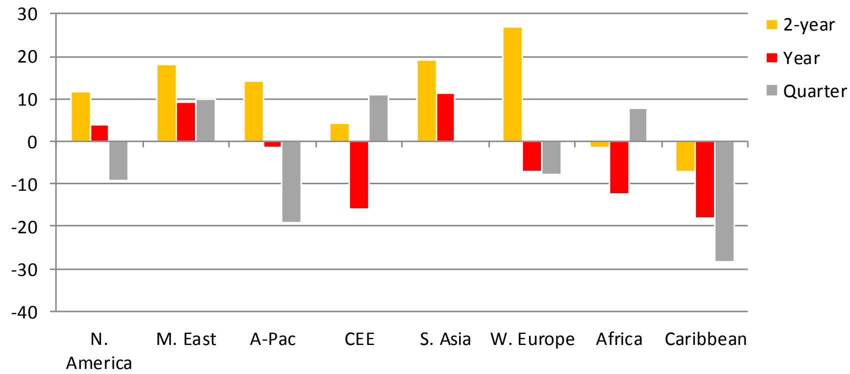
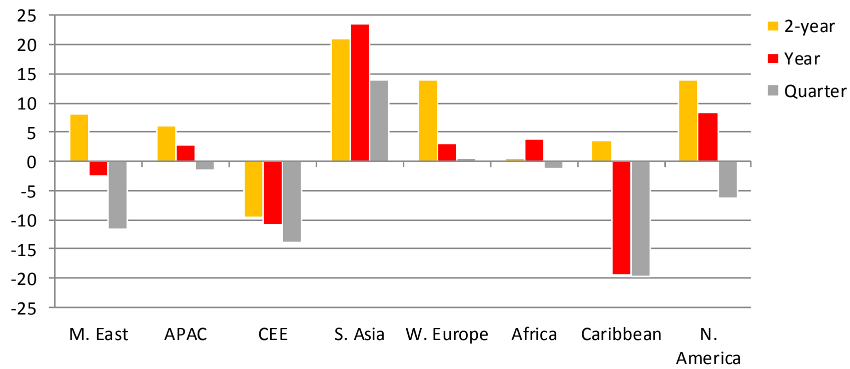


Figure 3: Changes in the regional GECS capital spending indices



the market reporting the worst fall in business confidence was (mainland) China, while Russia and the UK also saw significant losses of confidence. At the sector level, the imbalance is even clearer: almost all confidence gains in the third quarter of 2014 appeared to come from large financials, with every other sector experiencing a net loss of confidence at the global level. Even after accounting for changes to the composition of the sample and country-specific effects, the real economy has clearly underperformed.

On the other hand, the improvement in finance professionals' macro outlook for Q3 appears to have come mostly from emerging markets in South Asia, Africa and the Middle East. At the sector level, The Big Four, small practices and small businesses (particularly larger ones) have grown most in optimism quarter-on-quarter. However, the rising optimism in Africa is probably temporary, given a strong downward trend established earlier in the year, and in the medium-term it is still large businesses, from corporates to major financials and the Big Four, who have shown the most faith in the recovery narrative.

LIQUIDITY BARELY PROPPING UP THE RECOVERY AS FUNDAMENTALS, INVESTMENT AND PRICES FALL

At the global level, some level of optimism would appear to be justified by the fundamentals: access to growth capital improved again in Q3 2014, to the best levels ever seen during the recovery. Business cashflow also improved, although not quite as rapidly. On the other hand, both business and investment opportunities fell, breaking positive trends in both respects. Capacity building by businesses faltered in the third quarter after six months of rapid improvement. Worryingly, price and exchange rate volatility have increased yet again, completing a full year of growing turbulence. After allowing for changing fundamentals and changes to the composition of the GECS sample, it's clear that the real economy (SMEs and large corporates) has suffered a significant loss of business confidence in the third quarter of 2014.

As Figure 3 demonstrates, the drop in investment is unlikely to be temporary: almost all regions recorded falling capital spending in the latest quarter, most of them as part of longer-term trends. Similarly, all sectors saw similar trends, led by the real economy and mid-tier accountancy firms. Even the clear outlier region, South Asia, appears to be partly benefiting from a relocation of activity out of Central and Eastern Europe. The two regions' capital spending indices, which were strongly positively correlated up to late 2013, have become strongly negatively correlated in 2014.

A deeper analysis of the link between fundamentals and business confidence reveals ever more troubling developments (see Figure 4). In relative terms, expectations of government spending in the medium-term emerged as a more significant driver of business confidence than business opportunities, or indeed any other fundamentals, in the third quarter of 2014. This suggests that businesses are increasingly looking to public spending to stimulate flagging demand. Meanwhile price stability, which had grown into a significant driver of confidence through 2013 and the first half of 2014, now became insignificant again as falling prices were increasingly seen by professionals in developed markets as evidence of deflation taking hold. These factors suggest fears of a renewed downturn across markets are gaining ground, and while deflation is not an immediate concern in most of the ACCA regions, as Figure 5 indicates, the trend towards falling prices is definitely established in Europe.

Figure 4: Standard impact of economic fundamentals on global business confidence

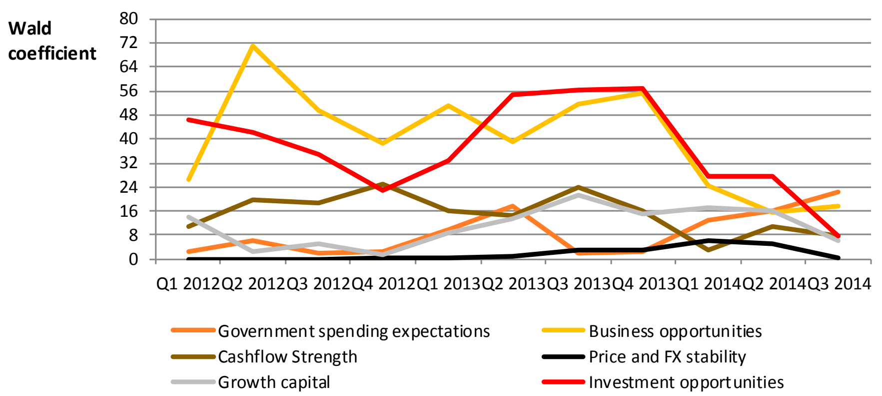
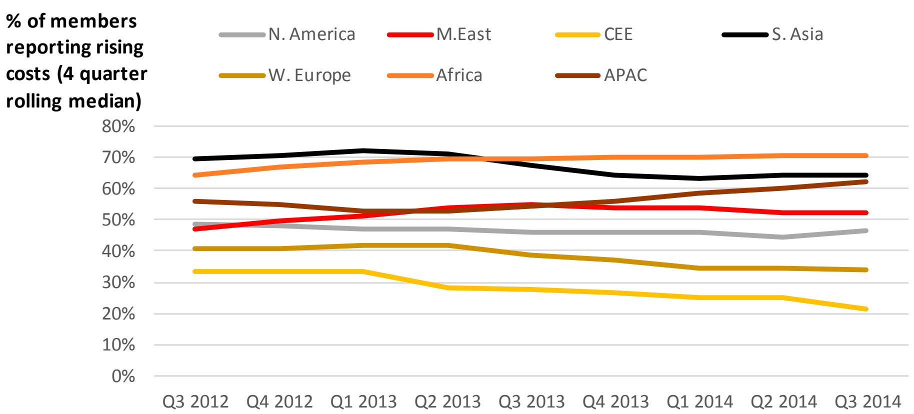


Figure 5: Regional inflation trends, simplified



Views from the coalface

IMPRESSIONS AND COMMENTARY FROM SELECTED MARKETS

BUSINESSES IN THE MIDDLE EAST BRACE FOR TIGHTENING CASHFLOW AS EXUBERANCE COMES TO AN END

Business confidence in the Middle East rose in the third quarter of 2014: only 24% of respondents reported a loss of confidence, down from 33% in the second quarter, while 36% reported confidence gains (unchanged since Q2). Unlike the surging confidence of some previous quarters, however, this was a measured rise underpinned by fundamentals. Business conditions on the ground improved marginally across the board, with access to growth capital and investment opportunities holding up, and prices and exchange rates becoming less volatile. As a result, the broad upward trend in business capacity building in the region continued.

Despite this, business opportunities did not proliferate and respondents reported significantly tighter cashflow, breaking a generally benign trend over the past year. On this evidence, respondents' macro-economic outlook for the region did not keep pace with rising business confidence: only 28% now expect macroeconomic conditions to deteriorate, against 32% previously, while the optimists made up 66% of the Middle East sample, up from 62% previously.

Although most individual country samples for the region were not large enough for detailed statistics, it is possible to confirm two case of countries outperforming their regional peers in Q3 in terms of confidence gains since the previous quarter. In these terms, the strongest performer was Kuwait, which has since unveiled a record budget surplus and progress in reforming fuel subsidies, followed by Egypt, where the return of political stability appears to be boosting business confidence.

The main event was not economic but political; political and security stability has made it possible for business to prosper. There is a big dependency on government expenditure on mega projects and the promise of a new Suez Canal project, along with a decrease in fuel and energy subsidies.

SENIOR FINANCIAL ANALYST, LARGE IT CONSULTANCY, EGYPT

With the award of EXPO 2020 to the Dubai Government, prices have sky rocketed, which in turn has damaged consumer trust. People have started to cut on spending and looking for alternatives. The industry in which I work has already been facing difficulties in finding buyers and now it is even tougher to survive.

MANAGER, MEDIUM-SIZED GARMENT MANUFACTURER, UAE

BUSINESS CONFIDENCE IN EASTERN EUROPE RECOVERS ON EASING FINANCIAL TURBULENCE, BUT A SEVERE CASH CRUNCH THREATENS INVESTMENT

Responses from Central and Eastern Europe suggest that the macro-economic outlook for the region has deteriorated in the third quarter of 2014. The majority of respondents (58%, up from 54% previously) now believe conditions are deteriorating, while only 37% report expectations of a recovery (against 44% in the second quarter).

Business conditions on the ground remained challenging, but respondents also reported the odd glimmer of hope. Access to growth capital tightened and cashflow conditions deteriorated to record lows, driving down business capacity building and opportunities for inorganic growth; more conventional business opportunities, however, appear to have returned and exchange rate volatility has eased.

As a result, business confidence picked up slightly, breaking a year-long trend and defying the gloomy macro-economics of the region: 47% of CEE respondents reported a loss of confidence, down from 53% in the second quarter, while 19% reported confidence gains, up from 14% previously.

Sanctions imposed on Russia have improved domestic demand [for our products] and decreased the level of competition.

MANAGER, LARGE CORPORATE, RUSSIA

There is a constant policy of increasing the tax burden on companies. Recently, the government was taxing a non-monetary benefit of using company cars for employee purposes such as commuting. Every quarter there is something new in this field! It's like filling in little holes in a sieve.

CFO, SMALL BUSINESS, POLAND

HOPE TRIUMPHS OVER FUNDAMENTALS IN SOUTH ASIA AS INDIA'S ELECTION BOOM PERSISTS

In South Asia, the macro outlook received a significant boost in the third quarter of 2014, with 64% of respondents optimistic about the state of the recovery in their countries (up from 58% previously) and pessimists making up only a quarter of the sample (25%, down from 37%) previously.

Business confidence, however, has barely shifted since mid-2014, with 32% of respondents in the region reporting confidence gains in their own organisations (down from 34%) and 30% (down from 32%) reporting loss of confidence. Further analysis points to specific countries, most notably the Maldives, further underperforming the wider region in the third quarter.

To reconcile these two trends, it's important to consider the fundamentals. Respondents reported an easing of access to growth capital as well as cashflow conditions; these fundamentals have resulted in a very substantial increase in capital spending, which is likely to bear fruits in the medium term. Meanwhile, price and exchange rate volatility has eased, and the region appears to have recovered from the financial turbulence of late 2013.

On the other hand, respondents are reporting a second quarterly fall in tangible business opportunities, which are now weaker than they were prior to the boost associated with the Indian elections – indeed lower than at any time since at least late 2011. Opportunities for non-organic growth have also taken a hit, while at least some of the new capacity building seems to be related to activity moving away from troubled countries in Central and Eastern Europe.

Together, these trends have kept business confidence gains down to almost zero, but have not been able to suppress finance professionals' hope for the near future.

My organisation is in the construction Industry, and usually projects take years to be completed. Over the last 3 months, the Government of Pakistan has developed a deep interest in delivering a Metro service in Pakistan and a bid is underway for a consortium of companies, including ourselves, to deliver this projects. However, there is political turmoil in my country; leaders are fighting for fame, power and their egos. If the government changes, then Metro projects and other developments will have no future but continued uncertainty.

ACCOUNTANT, LARGE CORPORATE, PAKISTAN (LAHORE)

We are a service provider in the power sector, where power tariffs are constant over a period of 10 years, regulated under Power Purchase Agreements (PPAs) with power distribution companies. Economic developments in the country will not improve the performance of companies in the power sector, unless they are allowed to exit the PPAs.

CFO, SMALL PROFESSIONAL SERVICES COMPANY, INDIA

AFRICAN BUSINESSES PARALYSED BY UNCERTAINTY DESPITE RECOVERY IN SIGHT

Following a very difficult second quarter, respondents in Africa reported an improving outlook in the latest wave of the survey. Access to growth capital received a boost and cashflow improved, making new investment opportunities accessible. Opportunities for organic growth did not recover as strongly, but at least held up for a second quarter, and faith in governments returned to levels seen earlier in the year after a very poor reading in the second quarter.

As a result, business confidence recovered marginally: 43% of respondents reported a loss of confidence, down from 45% previously, while 34% reported confidence gains, up from 28% in the second quarter. The macro-economic outlook also improved, with 61% of respondents (up from 55% previously) believing macro-economic conditions are improving or about to do so. The pessimists now only make up 36% of the Africa sample, down from 42%.

Despite these general improvements, business capacity building failed to pick up, against a backdrop of lingering uncertainty. It is clear that Africa's businesses have suffered a very substantial drop in business confidence in the last year, and will remain cautious for some time.

While national samples within Africa aren't large enough to allow easy comparisons, it is possible to single out particular countries where business confidence grew more slowly or fell faster in the third quarter: the biggest underperformer for this quarter was Nigeria, hit hard by both falling oil prices and some of the first confirmed Ebola cases, prior to the virus being declared contained in late October. A second underperformer for this quarter was Botswana, which was held back by a combination of power shortages, pre-election uncertainty and falling mining output. Underperformance was also evident in DR Congo, where falling copper prices and other factors (including a separate Ebola outbreak) have impacted business sentiment.

The scrapping of duties on machinery has encouraged manufacturing and will in turn increase exports. Because this has enabled us to buy new machinery, we are able to carry out more production solely for export purposes.

SENIOR MANAGER, MEDIUM-SIZED ENTERPRISE, ZAMBIA

Changes in the Management Team of the Central Bank of Nigeria and the reforms being introduced have had a significant impact on the economy as well as given an indication of where the Nigerian economy will be steered. The cashless policies and the move towards e-payment platforms will inform how govt and private parastatals will do business from now on as well as drive SME growth and re-organisation. The long-term effects are going to be enormous.

MANAGER, MEDIUM-SIZED ENTERPRISE, NIGERIA

CONTINUING FINANCIAL DISRUPTION KEEPS EXPECTATIONS LOW IN THE CARIBBEAN, EVEN AS ACCESS TO CAPITAL EASES

Business confidence in the Caribbean fell to a multi-year low in the third quarter of 2014, with 50% of respondents citing a loss of confidence, up from 27% in the second quarter, and only 18% reporting confidence gains, down from 23% previously. Some countries were more affected than others, with Bermuda underperforming the wider region.

The drop in business confidence is not surprising; opportunities for organic growth have been dwindling over a full year, while price and exchange rate volatility has grown; both trends continued in the third quarter. Cashflow conditions also tightened, although this is likely to prove temporary.

Access to growth capital in the region has improved for a second consecutive quarter and investment opportunities picked up. Although, set against a backdrop of continuing financial disruption, these improvements were unable to keep business capacity building from receding, they did keep the macro-economic outlook relatively benign.

Respondents have held on to their faith in the recovery, with 50% still pessimistic (unchanged on last quarter), but another 50% now believing recovery is at hand, up from 47% in the second quarter.

SURPRISE CREDIT CRUNCH KNOCKS BUSINESS CONFIDENCE IN THE FAR EAST, BUT MACRO OUTLOOK STAYS ON TRACK

The third quarter of 2014 was a challenging time for businesses in the Asia-Pacific region. Overall, the region suffered a significant loss of confidence after nine months of relative buoyancy, with only 15% of respondents reporting confidence gains (down from 24% in the second quarter of 2014), against 48% (up from 37%) who reported losses.

Tightening fundamentals are, to some extent, to blame for the recent poor confidence readings. Although business opportunities held up reasonably well and access to finance tightened only marginally, respondents in the region reported a severe tightening of business cashflow; investment opportunities were down also significantly quarter-on-quarter, continuing a persistent medium-term trend.

But there is hope for stability going forward. Prices and exchange rates continued to stabilise, and businesses in the region continued to add capacity, building on a strong two-year trend. Unlike business confidence, the macro-economic outlook for the region remained stable in the third quarter of 2014, with 39% of respondents believing conditions were improving, and 54% pessimistic about the recovery. Both figures were unchanged quarter-on-quarter.

My organization trades in ladies' undergarments and fashion homewear. Rationalisation of fuel, electricity and sugar subsidies by the Government has negatively impacted the pockets of the ordinary consumers. This has resulted in lower purchasing power and slow retail growth, hence the slow turnover growth.

DIRECTOR, MID-MARKET COMPANY, MALAYSIA

The Government's foreign workers policy has reduced the population of foreign workers and affected demand for our consumer products, while high commodities prices forced our overseas buyers to reduce purchases. The government's [expanded Productivity and Innovation Credit] scheme will help SMEs like us to be able to look into new technology to cut costs.

DIRECTOR, SMALL ENTERPRISE, SINGAPORE

SLOWING GROWTH EATING INTO CHINESE BUSINESS CONFIDENCE, BUT FAITH IN THE RECOVERY PERSISTS

The third quarter of 2014 appears to have been very difficult for businesses in China and Hong Kong. Two-thirds of respondents (66%, up from 45%) reported a loss of confidence, while only 5% (down from 29%) reported confidence gains. Amid slowing growth, inflation fell, business opportunities became rarer and access to growth capital tightened. Moreover, respondents reported fewer investment opportunities and tighter cashflow conditions for a second consecutive quarter.

Despite these trends, capacity building increased in net terms. New hires and investment have not accelerated very much, but Chinese businesses have progressively become more cautious about laying off staff or cutting capex since early 2013. This trend, combined with rising confidence in the authorities' ability to manage the slowing economy, has led to a mild improvement in the macro-economic outlook. As of Q3 2014, 41% of respondents in China (up from 32% in the second quarter) were optimistic about the state of the national economy, while just over half (51%, up from 41%) were pessimistic.

The improvement of government capability in railway technology has resulted in competition with my company at the global stage.

CFO, SMALL OR MEDIUM-SIZED ENTERPRISE, CHINA (JIANGSU)

The Chinese government is seriously fighting corruption. Government departments nowadays are very strict about regulations laid down years ago, which in the past nobody had cared about.

Controller, Small or medium-sized Enterprise, China (Shandong)

UK ECONOMIC SLOWDOWN MODERATED BY RESTORED ACCESS TO FINANCE

Business confidence fell marginally in the UK in the third quarter of 2014, marking a full year of slow confidence losses after the strong recovery between late 2012 and late 2013. 31% of UK respondents reported confidence gains, down from 37% in the previous quarter. Another 22% reported a loss of confidence (unchanged on Q2).

The key driver appears to be a second consecutive drop in business opportunities in the third quarter; although this includes a strong seasonal effect, opportunities are still down year-on-year. Opportunities for non-organic growth are also down and price and exchange rate volatility have increased. As a result of these developments, capacity building by businesses slowed.

Despite these disappointing readings, other indicators point to some improvement in terms of access to finance – with both cashflow conditions and access to growth capital improving in the third quarter. With demand showing signs of resilience, and government spending now expected to rise moderately in the medium-term, UK respondents' macro-economic outlook continued to improve: 71% of UK respondents are optimistic (unchanged since the second quarter), but only 24% (down from 27%) are pessimistic.

The Scottish independence vote is having a major impact; people are not investing in property as they do not know what the future holds. If we get a yes vote, what will happen? We have no firm answers, and if we do get a yes vote we will go into a period of uncertainty which will affect the economy.

NEWLY QUALIFIED ACCOUNTANT, MICRO-ENTERPRISE, UK (SCOTLAND)

Well consumer spending has increased. I am attributing this to improved confidence in the economy and the government's ability to keep interest rates low. However this increase in confidence has created an inflated housing market which is not sustainable.

SENIOR MANAGER, LARGE CORPORATE, UK (SOUTH EAST)

IRISH SUCCESS STORY PERSISTS, BUT WEAK EUROPEAN, DOMESTIC DEMAND HINT AT TROUBLE AHEAD

After undergoing a mild correction in the first half of 2014, Irish business confidence rose again in the third quarter, with 43% of respondents reporting confidence gains (up from 34%) and only 22% (unchanged on Q2) reporting a loss of confidence.

Behind this new confidence boost are a range of improving fundamentals; respondents reported a significant improvement in cashflow conditions and access to growth capital, as well as more investment opportunities. These have resulted in a significant increase in business capacity building. On the other hand, not all signals from Ireland as positive. Price and exchange rate volatility are up, and more importantly business opportunities have fallen. This indicator of business dynamism has weakened consistently since early 2013 as Europe's recovery has progressively slowed, but may also indicate long-term damage to domestic demand in Ireland.

Despite such news, the macro outlook of Irish GECS responses has become more benign in the third quarter, with 83% of respondents expressing optimism (up from 61% in the second quarter of 2014), and only remaining 15% pessimistic (down from 37% previously).

Foreign investment in property assets, whose value had diminished as a result of the Troika bailout, renders it easier for our organisation to dispose distressed assets and loan portfolios.

SENIOR MANAGER, LARGE PUBLIC SECTOR ORGANISATION, IRELAND

DESPITE IMPROVING FUNDAMENTALS, GROWING UNCERTAINTY HURTS US BUSINESS CONFIDENCE, INVESTMENT

According to GECS respondents, the fundamentals of the US economy strengthened in the third quarter of 2014; most noticeable was the improvement in cashflow conditions, but access to business and investment opportunities as well as growth capital also improved marginally. Despite these developments, business confidence fell significantly: 29% of respondents reported a loss of confidence in the prospects of their organisations, up from 23% previously, while only 26% reported a confidence gains, down from 32% in the second quarter.

The reason for the latest quarter's confidence losses appears to be a darkening macroeconomic outlook. 39% of US GECS respondents were pessimistic about the state of the economy in the third quarter of 2014 (up from 28%), although the majority of US respondents (56%, down from 67%) are still optimists. Far from being merely theoretical, macroeconomic uncertainty seems to be impacting capital spending and employment. Despite fundamentals strongly supporting investment, US business capacity building slowed significantly in Q3 2014, breaking the generally positive trend established over the past year.

There is reason to believe that this gloomy outlook reflects developments in the global economy more than it does the US business cycle. As Figure 6 demonstrates, US respondents in the retail, wholesale and distribution sectors have generally led the business cycle, while their colleagues in the manufacturing and engineering sectors have lagged. The year-long slowdown in the former appears to have come to an end in the third quarter of 2014, suggesting a more robust recovery may be at hand in the US. Regional performance has converged substantially since early 2013 (see Figure 7), a trend which largely continued in the latest quarter, with the exception of the Northeast, where business confidence has weakened. Businesses in the West and the South are currently leading the US recovery.

[We're taking advantage of the] *ability to re-issue debt at lower cost, using proceeds from the sale of business segments to enact a stock buy-back.*

MANAGER, LARGE UTILITY COMPANY, US

The economy really appears to be slowing down. Several suppliers have recently gone out of business and another company is planning to outsource finance/accounting functions to Manila. Our leadership is making decisions based on fear and not logic.

CONSULTANT, LARGE MANUFACTURER, US (SOUTH)

Figure 7: Business confidence trends in the US regions

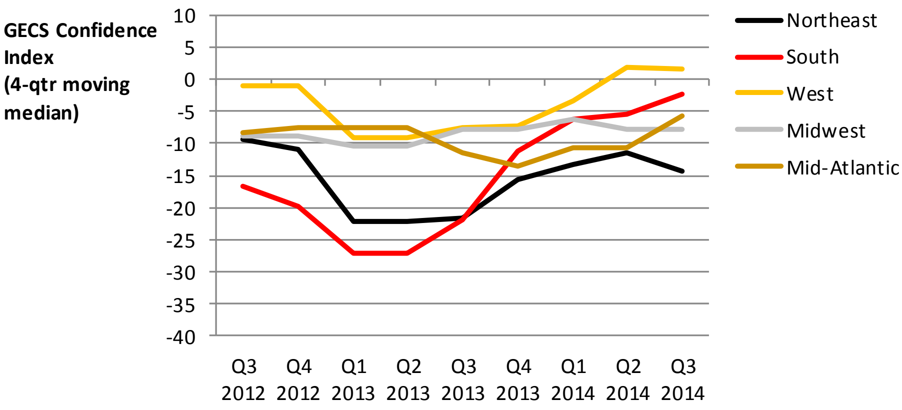
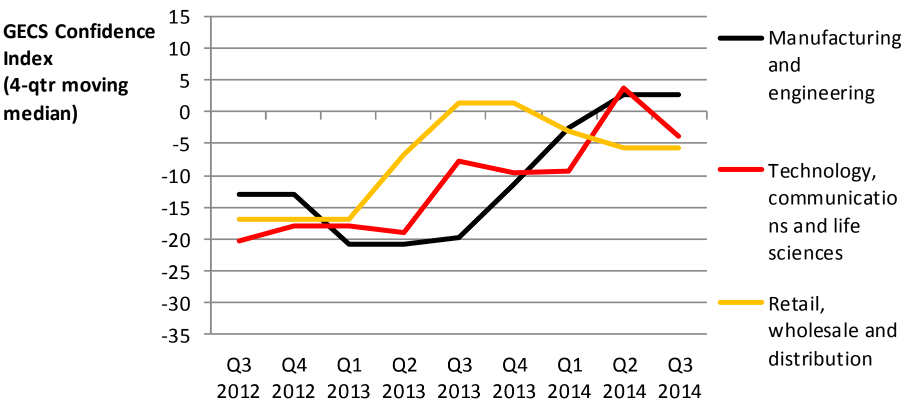


Figure 6: Business confidence trends in key US industries



EMIRATES GROWTH EASES, BUT FUNDAMENTALS PROMISE MORE GROWTH TO COME

41% of respondents in the Emirates reported confidence gains, down from 45% in the second quarter, while 20% reported a loss of confidence, down from 24%.

Following a significant increase in business financing in the past few quarters, access to finance in the Emirates appears to be returning to normal with both cashflow conditions and access to growth capital tightening marginally, and expectations of government spending also becoming more moderate. As a result, business capacity building has slowed, though it remains remarkably strong by global standards. In fact, it is likely to strengthen further in future; respondents in the Emirates reported a significant increase in business opportunities and a marginal increase in opportunities for non-organic growth in the third quarter of 2014.

For the time being, however, the economy of the Emirates is returning to more moderate growth, and so the macroeconomic outlook has suffered a marginal correction. Two-thirds of of respondents optimistic (67%, down from 71%), while the pessimists still make up 24% of the UAE sample (unchanged).

There have been a number of job opportunities in the financial sector. This has resulted in a significant number of resignations in our firm over the past 3 months only. There are, however, limited growth opportunities for employees to grow within the firm.

BIG FOUR AUDITOR, UNITED ARAB EMIRATES

Conclusions

In the third quarter of 2014, a number of clear signals from the GECS suggest that the global recovery has lost momentum for good. These include a second consecutive quarter of falling global business confidence; growing reliance on government spending; fears of deflation in the developed markets; and a synchronised fall in capital spending around most the world.

It is clear that the recovery is becoming increasingly unbalanced, as free-flowing liquidity and market buoyancy have helped prop up confidence in many parts of the financial sector while doing very little for the real economy. Despite access to growth capital reaching a post-crisis high, the dearth of genuine business opportunities has meant that investment has been subdued almost across all major ACCA/IMA markets. Meanwhile, emerging markets dependent on fuel and other commodity prices for continued growth and fiscal sustainability are being tested.

Going forward, a number of major concerns are emerging. Even if the US economy manages a more robust recovery in late 2014 and early 2015, slowing Asian and European economies will continued to depress demand globally, especially if the latest round of stress tests prompts European banks to reduce lending to the real economy. Meanwhile any reduction in key Central Banks' liquidity operations (however well justified) will almost certainly risk unwinding all of the confidence gains that these have supported over the past 18 months. Finally, the rapid escalation of what were once seen as regional significance events, such as the crisis in Ukraine, the Ebola outbreak in West Africa or the rise of the Islamic State, poses questions over how the global economy would react to a truly destabilising event. In summary, the global economy is entering a very dangerous period of uncertainty which could easily result in a renewed downturn.

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

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