

The ACCA logo is a red square with the letters 'ACCA' in white, bold, sans-serif font.

**ACCA**

The title is centered in a white, bold, sans-serif font within a semi-transparent white rectangular box. The background of the entire page is a low-angle shot of a modern glass skyscraper with a warm, golden light from the sun on the left and a blue sky on the right. A small airplane is visible in the upper left sky area.

**GLOBAL ECONOMIC  
CONDITIONS  
MONTHLY SURVEY  
JULY 2020**

The text 'GECS JULY 2020' is written in white, bold, sans-serif font on a red rectangular background.

**GECS JULY 2020**

Think Ahead

# 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.

Through our world leading ACCA Qualification, we offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. And using our respected research, we lead the profession by answering today's questions and preparing us for tomorrow.

**Find out more about us at [www.accaglobal.com](http://www.accaglobal.com)**

# Introduction

The monthly GECS is intended to give a snapshot of developments in between the main quarterly GECS.

In normal circumstances the economic outlook does not change dramatically from one month to the next. But the current conditions are far from normal: the global economy is facing the worst recession in decades as a result of the COVID-19 pandemic. In many economies the fall in output in the first half of 2020 has wiped out several years of economic expansion. Lockdowns are now being lifted in many countries, at the same time that global infections are reaching record levels. So, we have introduced on a temporary basis a short snapshot survey to be conducted in the intervening months between the quarterly GECS. The five questions in the monthly survey were introduced in the Q2 GECS conducted in the first half of June. The July monthly survey took place

between 3 and 10 July and gathered a total of 456 responses: these were sufficient to permit analysis of three key regions – Africa, Western Europe and Asia-Pacific.

These regions offer very different perspectives on the economic effects of the COVID-19 crisis. Western Europe (including the UK) is an advanced economic region that on the whole has suffered quite severely with prolonged and restrictive lockdowns that resulted in dramatic falls in economic activity – over 25% in the UK for example. Significant policy easing, including large scale fiscal transfers to support incomes has softened the blow for many households and businesses. Lockdowns are now being lifted and there are signs of economic recovery. In Africa COVID-19 arrived later than in the other two regions discussed here but infections are now rising rapidly in many countries. Emerging markets and low-income countries have much reduced capacity to provide fiscal support

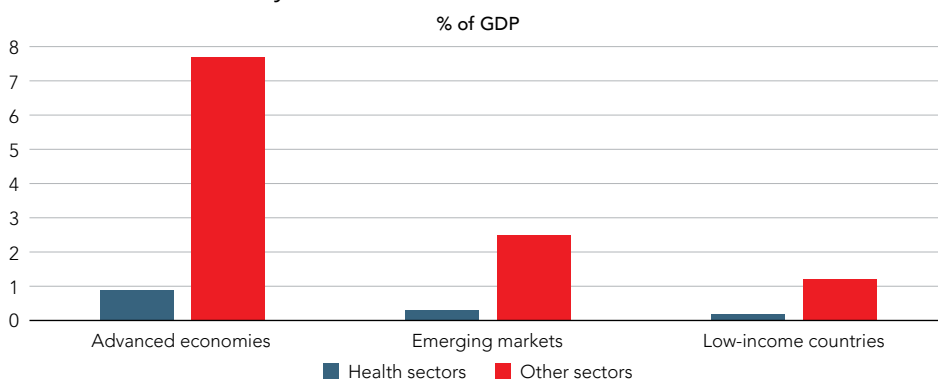
to businesses and households compared with advanced economies (see Chart 1). The good news for Africa is that its relatively young population means that the health impact of the virus, including the mortality rate, will be less than elsewhere, Europe say, which has a much older demographic. (Over 90% of COVID-19 deaths occur in those aged 60 or over).

Finally, Asia-Pacific is the region that suffered the effects of COVID-19 first and has emerged out of lockdowns first. China reported 3.2% annual GDP growth in the second quarter after a 6.8% contraction in the first three months of the year. Countries in the region have generally coped relatively well in this crisis, drawing on the experience of the SARS epidemic in 2003. This limited the duration and severity of many lockdown measures in the region. Nevertheless, the economic outlook is clouded by continued consumer caution and weak export demand from the rest of the global economy.

**EMERGING MARKETS AND LOW-INCOME COUNTRIES HAVE MUCH REDUCED CAPACITY TO PROVIDE FISCAL SUPPORT TO BUSINESSES AND HOUSEHOLDS COMPARED WITH ADVANCED ECONOMIES.**



**CHART 1: Discretionary fiscal measures**



Source: IMF staff estimates

**TABLE 1: World Bank Economic Forecasts June 2020**

GDP % CHANGE	2019	2020	2021
<b>World</b>	2.4	-5.2	4.2
<b>Advanced economies</b>	1.6	-7.0	3.9
<b>Emerging markets</b>	3.5	-2.5	4.6
East Asia and Pacific	5.9	0.5	6.6
China	6.1	1.0	6.9
South Asia	4.7	-2.7	2.8
Middle East and North Africa	-0.2	-4.2	2.3
Sub-Saharan Africa	2.2	-2.8	3.1

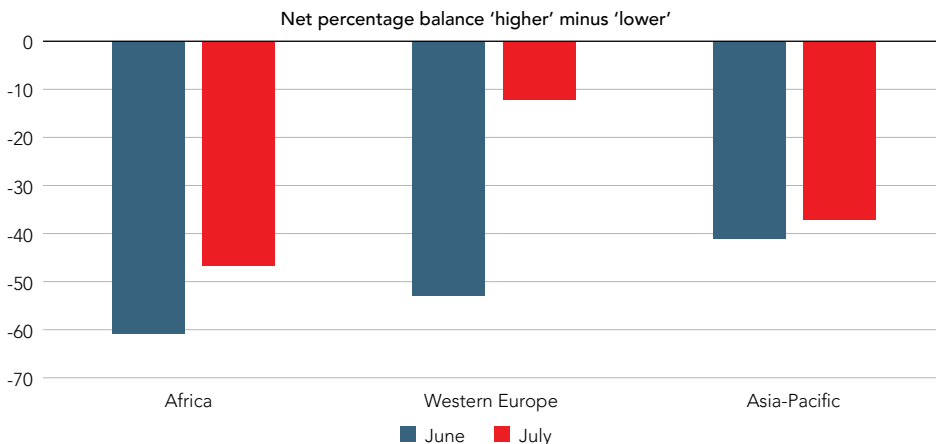
Source: World Bank June 2020

# The survey

## Orders/new business compared with previous month

All three regions recorded an improvement in orders balance between June and July, consistent with ongoing recovery. (Although orders balances remain negative, interpretation relies on the direction of such measures.) The biggest improvement in orders in July came in Western Europe, the message being that economic recovery is gathering pace into the third quarter of the year. Elsewhere, there was little change in Asia-Pacific where lockdowns have been substantially lifted already, while Africa showed modest improvement.

**CHART 2: Change in orders compared with a month earlier**



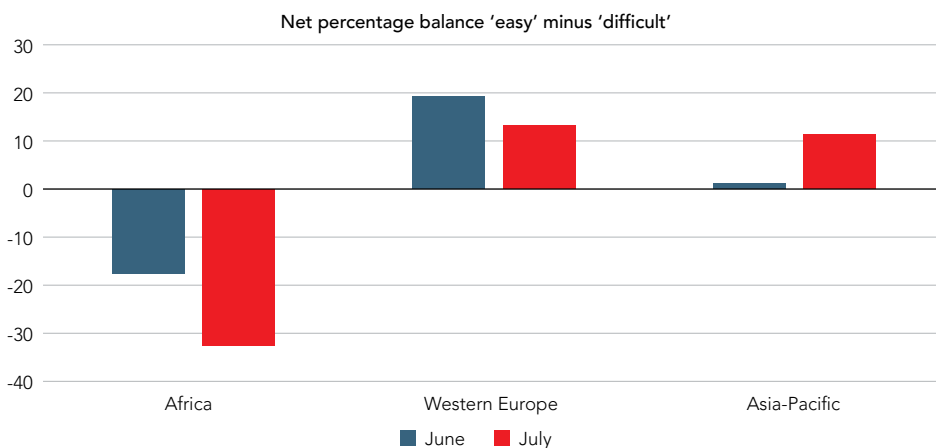
Source: ACCA 2020

## Ease of access to finance

(INCLUDING GOVERNMENT SUPPORT MEASURES)

Access to finance shows a consistent pattern across regions between June and July. A significant net balance of respondents in Africa say access to finance is difficult whereas modest balances in Asia Pacific and Western Europe say finance is relatively easy. This question explicitly refers to government support measures and the Africa region has much less fiscal capacity to provide support than advanced economies such as Western Europe. As Chart 1 above illustrates, the size of fiscal measures deployed in emerging markets and low-income countries is a fraction of that deployed by advanced economies.

**CHART 3: Access to finance**

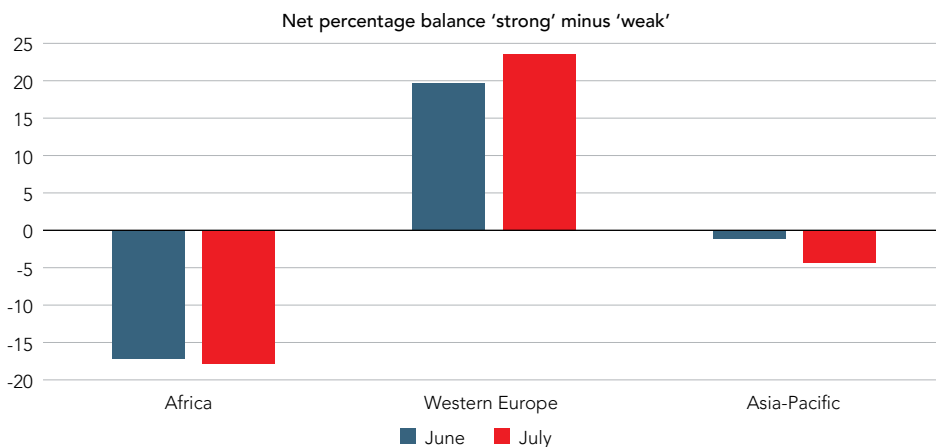


Source: ACCA 2020

## Cash flow position

Cash flow patterns are similar to those for access to finance. But Western Europe cash flow appears considerably better than even Asia-Pacific. To some extent this may be a function of the degree of government support available, including tax deferrals. But it also reflects other factors, notably business revenues. Western Europe has the most extensive furlough schemes and fiscal support. Africa shows a significant balance reporting a poor cash flow position, reflecting also its current difficult economic situation.

**CHART 4: Cash flow**

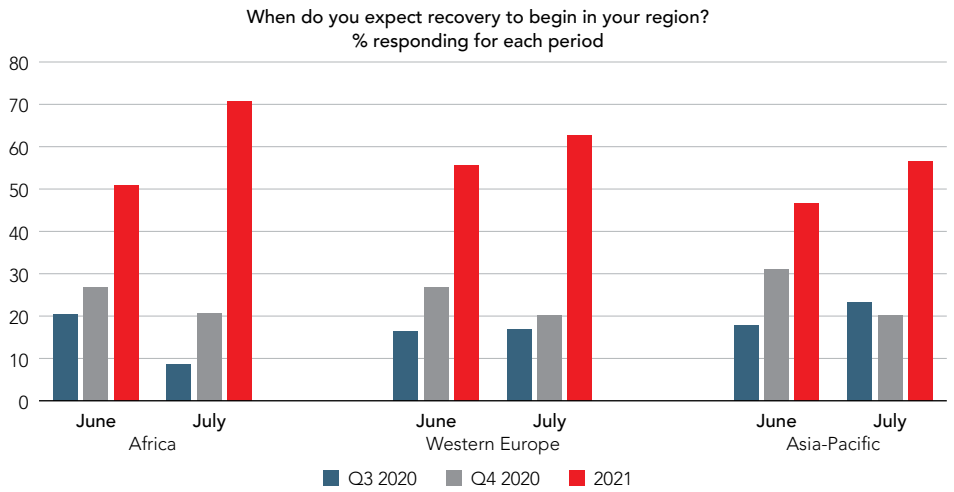


Source: ACCA 2020

### Expectations of timing of economic recovery

All three regions showed a shift in expectations towards economic recovery in 2021 rather than later this year. This was especially pronounced in Africa where in July 70 per cent expect a 2021 recovery, up 20 percentage points from the previous month. But over half of respondents in both Asia-Pacific and Western Europe are of a similar view. While official data may show economic expansion in the second half of this year, the impression of a majority of respondents is that a substantial recovery will not happen until next year.

**CHART 5: Expectations of economic recovery**



### Confidence about organisation's post-crisis prospects

This question asks about changes in confidence after the crisis is over. Compared with June there is a large fall in confidence in Africa, which was the highest among all regions in the June survey. In July confidence improved from lower levels in Western Europe and Asia-Pacific. All regions have reasonable levels of confidence about their organisation's prospects once the crisis is finally over.

**CHART 6: Post-crisis confidence**

