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in Business

Think Ahead ACCA

Global economic conditions survey report: Q2, 2017

About ACCA

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants, offering 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.

ACCA supports its **198,000** members and **486,000** students in **180** countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of **101** offices and centres and more than **7,291** Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. It believes that accountants bring value to economies in all stages of development and seek to develop capacity in the profession and encourage the adoption of global standards. ACCA's core values are aligned to the needs of employers in all sectors and it ensures that through its range of qualifications, it prepares accountants for business. ACCA seeks to open up the profession to people of all backgrounds and remove artificial barriers, innovating its qualifications and delivery to meet the diverse needs of trainee professionals and their employers.

More information is here: **www.accaglobal.com**

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 85,000 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/India.

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July 2017

Global economic conditions survey report: Q2, 2017

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 both the number of respondents and the range of economic variables it monitors.

Its main indices are good predictors of GDP growth in themed countries and its daily trend deviations correlate well with the VIX or 'fear' index, which measures expected stock price volatility.

Introduction

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Fieldwork for the Q2 2017 GECS took place between 02 and 19 June 2017 and attracted 965 responses from ACCA and IMA members around the world, including more than 89 CFOs.

ACCA and IMA would like to thank all members who took the time to respond to the survey. It is their first-hand insights into the fortunes of companies around the world that make GECS a trusted barometer for the global economy.

We would also like to thank the following for their time and expertise:

- Andrew Kenningham, Senior International Economist, Capital Economics
- Dario Perkins, Managing Director, Global Macro at TS Lombard
- Claus Vistesen, Chief Eurozone Economist, Pantheon Macroeconomics.

Executive summary

Economic confidence dipped slightly in the second quarter of 2017, but it remains relatively high.

Economic confidence dipped slightly in the second quarter of 2017, but it remains relatively high. The Global Economic Conditions Survey (GECS) findings are consistent with other survey data, such as the manufacturing PMIs and the official GDP figures, which show the global economy in good shape.

North America was the most confident region in Q2, followed closely by South Asia. Confidence levels are lowest in the Middle East.

As in Q1, the biggest concern cited by respondents is rising costs (47%), both in terms of wages and raw materials. Second on the list are worries about decreased income (40%), followed by concerns about securing prompt payment. While suppliers going out of business is the least concern of respondents (9%).

The opportunity to benefit from innovation is the main positive development listed by respondents (41%), which is followed closely by the opportunity to focus on niche products (34%). The outlook for the next few quarters looks less positive with only 13% of respondents citing the opportunity to increase orders.

The inconclusive result of the UK's general election in June appears to have had an adverse impact on the country's economic confidence, which fell sharply in the second quarter; it is now at its second-lowest level since the final quarter of 2011.

1. Global level analysis

Global economic confidence fell slightly in Q2, but confidence remains high compared with the past couple of years.

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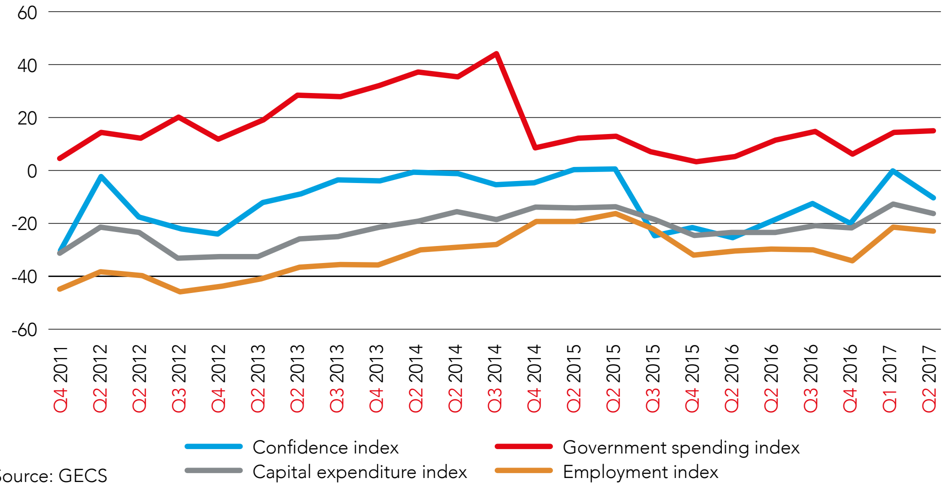
According to the GECS, in Q2 the number of respondents expecting conditions to worsen exceeds those expecting conditions to improve by 10 percentage points – yielding the second-highest confidence index in two years, and better than the average since the survey began. This finding is consistent with other data, such as the manufacturing PMIs and exports, which all point to a global economy that is in good shape.

The drop in confidence cannot be blamed on a single region, with most parts of the global economy – including North America, the Middle East, Asia Pacific, Central & Eastern Europe and Western Europe – recording dips in confidence in Q2. North America displays the highest levels of economic confidence, followed by South Asia.

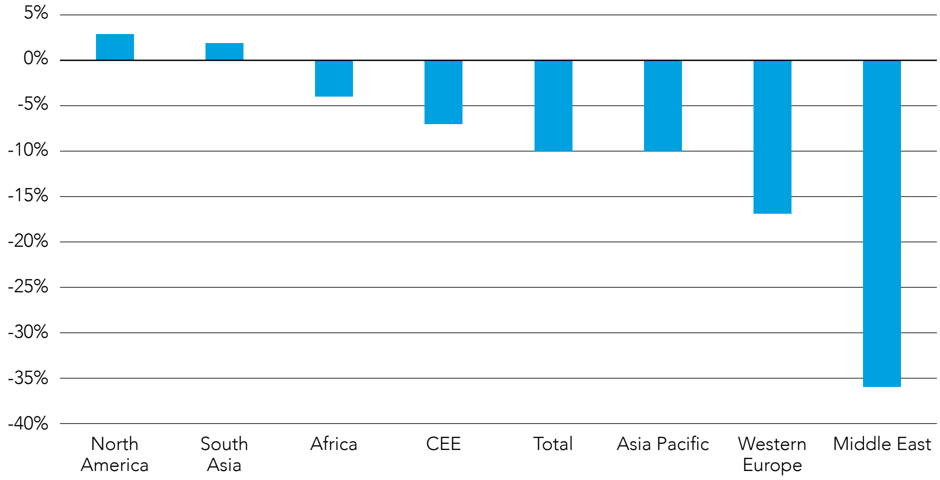
Confidence has fallen in both OECD and non-OECD economies. It is notable however, that confidence is higher in non-OECD economies than in OECD economies for only the second time since 2011. Although developed economies have continued to grow at a decent pace, emerging economies have reported much bigger improvements. The economies of Brazil, Russia, India and China are all now growing simultaneously for the first time in two and a half years.

Chart 1: Global confidence dips slightly



Source: GECS

Chart 2: North America leads the way



Source: GECS

2. Thematic analysis

Despite very low unemployment rates across large parts of the developed world, inflation remains subdued.

LOW RATES FOR EVEN LONGER?

Despite very low unemployment rates across large parts of the developed world, inflation remains subdued. This is creating a dilemma for central banks: when and how steeply should they raise interest rates?

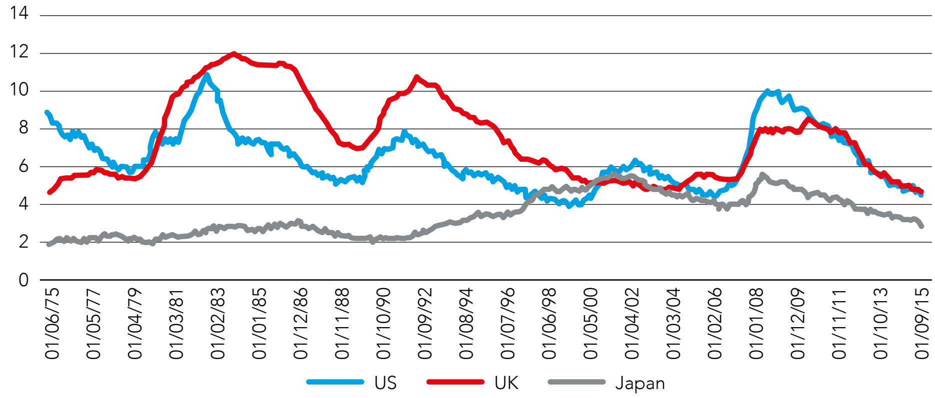
In the US, unemployment is now at its lowest since 2001. "The US economy is in a reasonable shape – it's getting close to full employment, however you measure it," says Andrew Kenningham, Senior International Economist at Capital Economics. "It had a fairly weak first quarter, which has now become traditional, which is probably due to seasonal adjustment or statistical problems. There's not much doubt that there's going to be a rebound in Q2. The economy should grow well over the rest of this year and next."

In Germany, meanwhile, unemployment is at its lowest since 1980. However there is little evidence so far of inflationary pressures linked to workers using their increased bargaining power to push for above-inflation wage increases.

If the natural rate of unemployment has fallen, there are significant implications for monetary policy. In particular, it means that there is more spare capacity left in the economy than previously thought, so the current economic expansion is likely to go on longer before there is an increase in price pressures. This means that although the US Federal Reserve and possibly other central banks are likely to raise interest rates at some point over the next year, the pace of tightening is likely to be gradual.

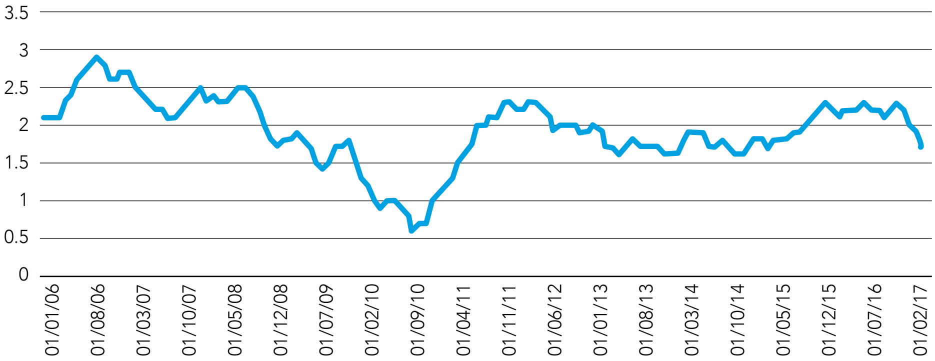
In the US, core inflation, which strips out volatile food and energy prices to provide a better indication of underlying price pressures in the economy, has declined in recent months. The same is true in Germany. In Japan, meanwhile, although core inflation has picked up since the start of the year, at just 0.4% year on year in May, it remains depressed.

Chart 3: Unemployment is low across much of the developed world (%)



Sources: Office for National Statistics, UK; Bureau of Economic Analysis, US; Statistics Bureau of Japan

Chart 4: Core inflation dips unexpectedly



Source: Bureau of Economic Analysis

Predictions that Europe could experience the wave of populism that led to the UK's Brexit vote and US' November election result have not materialised.

WHAT DOES MACRON'S ELECTION MEAN FOR ECONOMIC PROSPECTS IN FRANCE AND EUROPE?

Predictions that Europe could experience the wave of populism that led to the UK's Brexit vote and US' November election result have not materialised.

The poor showing of the anti-EU Party for Freedom in the Dutch general election and the election of the pro-European Emmanuel Macron as French president have boosted sentiment across continental Europe, with the stock market trending higher and the euro gaining ground against the US dollar.

Meanwhile, there are hopes that Macron's victory will lead to a new wave of economic reforms that will kick start economic growth in France.

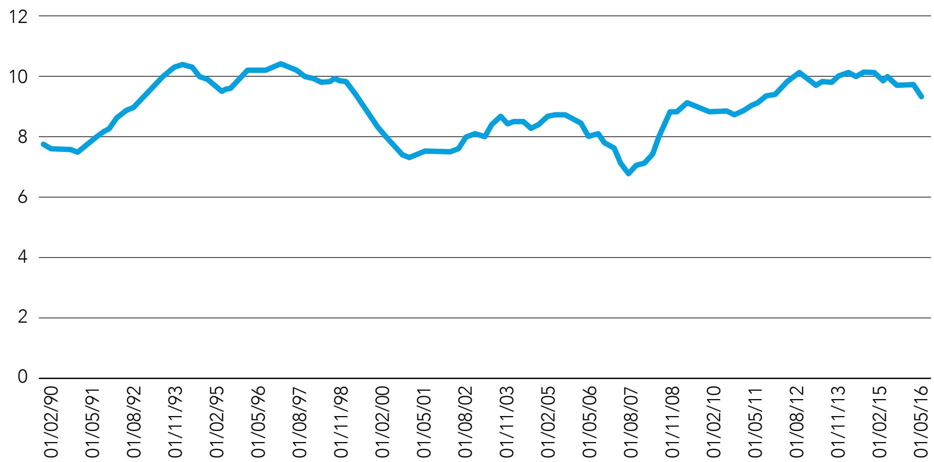
"Macron is not the first president of France who's promised labour market reforms, to liberalise the economy, to reduce the deficit or to make the economy more entrepreneurial," says Pantheon Macroeconomics' Chief Eurozone Economist Claus Vistesen. "We have to see it to believe it, but he's definitely rekindled some hope of growth, which hasn't been there for some time."

Much of the attention has focused on his plans for the employment market, which include allowing companies greater freedom to hire and fire workers and punishing companies that refuse to offer long-term contracts. Macron has pledged to bring the unemployment rate down from 9.5% to 7%.

"We know they are going to legislate these reforms in the summer," adds Vistesen. "Then comes September and the potential for disruptive strikes from the unions. The test will be whether Macron has to loosen these reforms."

Macron won a strong electoral mandate, which should boost the prospects for reform. Not only did he defeat his rival in the presidential election by an impressive margin, but his victory in June's parliamentary elections has given him a further boost. However, the low voter turnout (which could distract from his legitimacy) and the likelihood that reforms

Chart 5: French unemployment is high



Sources: Eurostat

If Macron is able to get his plans through parliament they should help to boost growth and bring down the unemployment rate, but he faces challenges to making his plans a reality.

will run into opposition from France's powerful trade unions, mean that it will not be all plain sailing.

Finally, the new president has limited fiscal wiggle-room in which to implement his agenda. His plans to raise spending on social safety nets and cut corporation tax will be expensive, and Macron is likely to come under pressure from the European Commission if he goes back on his promise to keep the budget deficit to less than 3% of GDP.

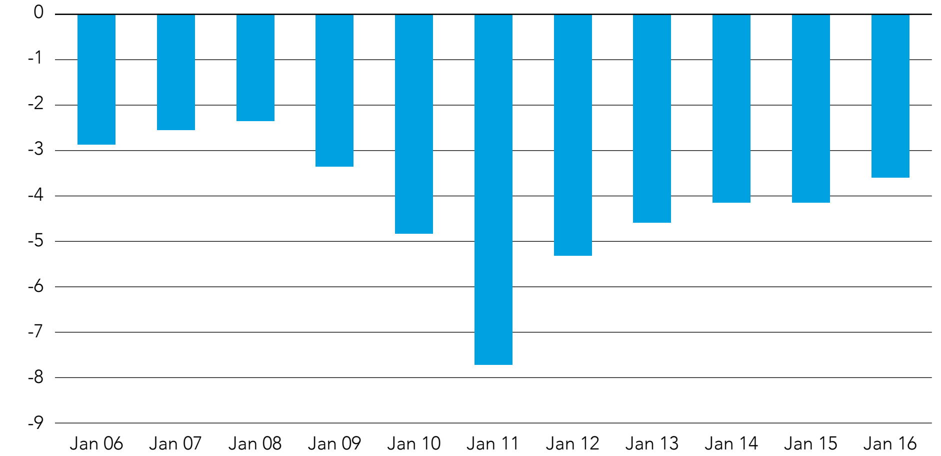
If Macron is able to get his plans through parliament they should help to boost growth and bring down the unemployment rate, but he faces challenges to making his plans a reality.

WHAT DOES THE UK ELECTION MEAN FOR BREXIT?

The failure of the Conservative Party to gain a majority in June's UK general election has thrown the outlook for the country's departure from the EU into doubt amid growing calls from cabinet members as well as business leaders for the prime minister to adopt a push for a 'softer' form of Brexit (in other words, one that would involve remaining in the customs union and/or single market).

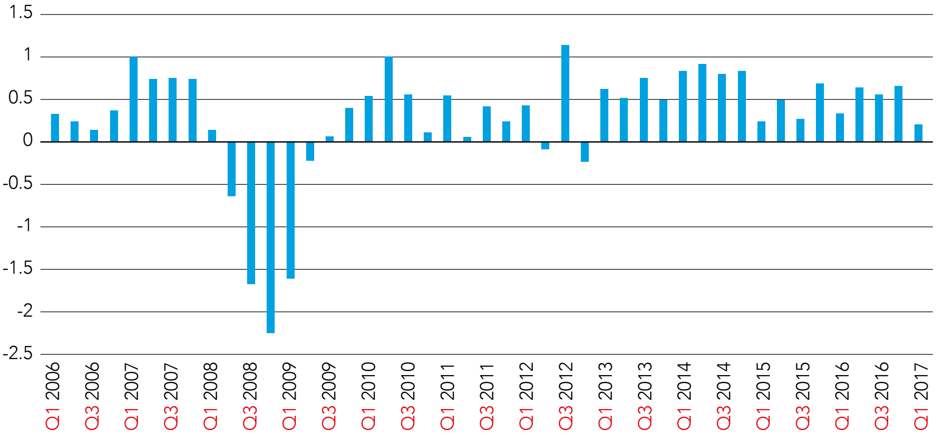
Given the volatile political situation, it is difficult to say for certain what the election result will mean for Brexit. But while Theresa May remains in power and the opposition Labour Party is committed to

Chart 6: France's budget deficit leaves little room for manoeuvre
Government budget deficit (% of GDP)



Sources: World Economic Forum

Chart 7: UK growth takes a dive



Source: Office for National Statistics

The big picture is that the economic outlook for the UK is steadily deteriorating. The IMF is forecasting that growth will slow to just 1.5% next year, from 2.0% this year.

leaving the EU, any significant change in the UK government's negotiating stance seems unlikely.

Meanwhile, having initially taken the Brexit vote in its stride, the economy is showing increasing signs of struggling in the face of the uncertainty caused by the referendum.

Having been one of the fastest growing major economies in the second half of last year, growth slowed sharply in Q1. Indeed, the 0.3% quarter-on-quarter expansion put the UK at the bottom of the growth league table of the major G7 economies.

"From 2012 to 2016, the story in the UK was a positive one. It was outpacing the rest of the EU, and doing very well," says Claus Vistesen. "The story has switched very quickly to a classic negative one, where you have high inflation, low growth, and negative real wage growth."

The main way the result appears to have affected the economy is the slump in the currency, which has pushed up import costs and caused inflation to rise, which in turn is weighing on households' purchasing power. Exports, which should have been buoyed by the slump in the pound, do not appear to be benefiting. They have shrunk during two of the three quarters since Brexit.

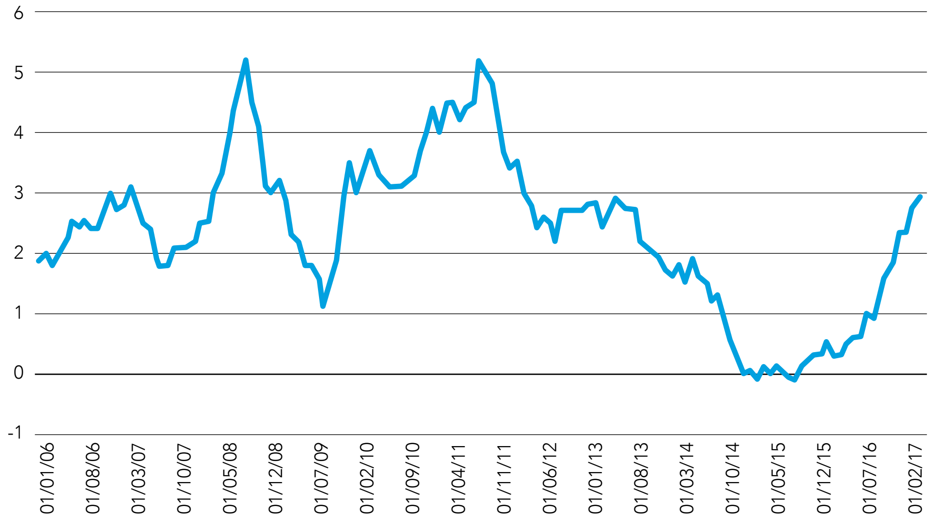
"Eurozone trade with the UK is now falling rapidly because the UK economy is slowing," explains Vistesen. "Exports to the UK have seen a big change in their competitiveness. This is not so much because the euro has strengthened, but because the pound has dropped in value."

Meanwhile, the UK's inflation is rising steeply. "The inflation effect seems to have come through a bit quicker than we had thought, but it may equally pass through a bit earlier than we had anticipated," says Andrew Kenningham. "The peak may be a little bit higher in terms of the year-on-year inflation rate, which we now think will be a little over 3% towards the end of this year. Inflation should then gradually come back towards the target."

With business uncertainty likely to pick up as Brexit approaches, investment is likely to weaken too. And although the government has signaled that it will slow the pace of austerity, the government's weak fiscal position means it has little room for manoeuvre.

The big picture is that the economic outlook for the UK is steadily deteriorating. The IMF is forecasting that growth will slow to just 1.5% next year, from 2.0% this year. Given the headwinds facing the economy, even this could prove a little optimistic.

Chart 8: UK inflation is on the rise



Sources: Office for National Statistics

3. Regional analysis

Economic confidence has fallen slightly in North America in the second quarter of the year.

NORTH AMERICA

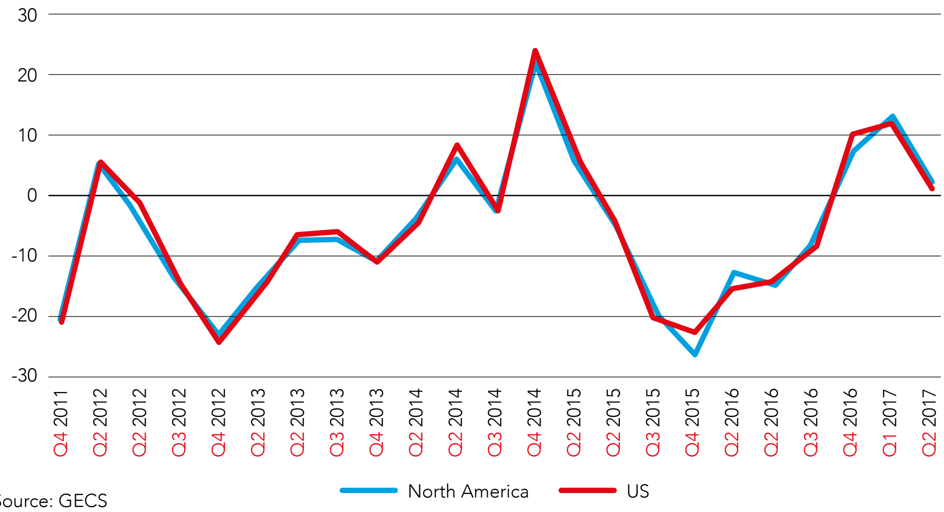
Economic confidence has fallen slightly in North America in the second quarter of the year, with 31% of respondents saying that they are more confident about the future, compared with 28% who are less confident. Despite this slight drop in overall confidence, the region is still the most confident in our study.

The US in focus

Confidence in the US has fallen and is now at its lowest level since the last quarter of 2016. The drop in confidence comes amid mounting problems early in the new administration's first year in office, which are likely to have dented confidence. In particular, it now looks as though the planned stimulus package of tax cuts and increases in infrastructure spending will be delayed until 2018 at the earliest. The changes are unlikely to pass until the administration has pushed through its changes to the US healthcare system, which is one of its key priorities.

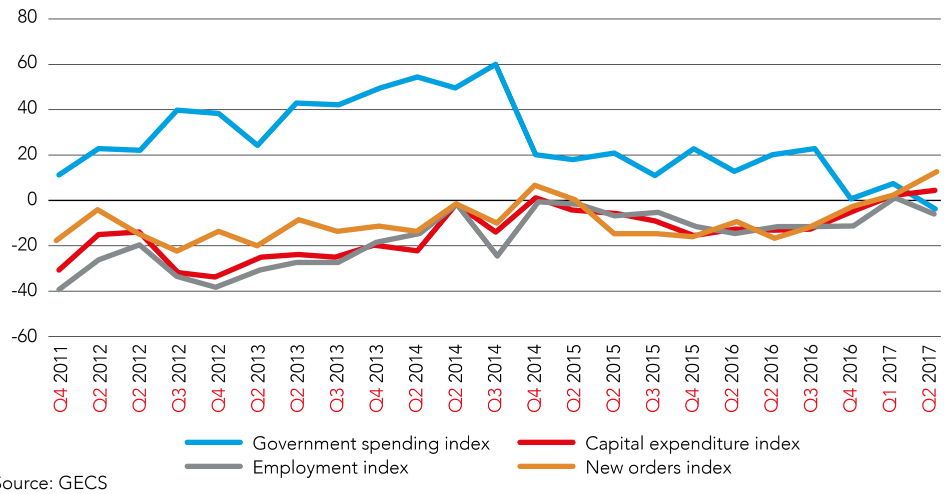
Perhaps reflecting the problems that the administration is also experiencing in pushing through key initiatives, there has been a fall in the government spending expectations component of the GECS. Although there has been a slight drop in

Chart 9: US confidence dips



Source: GECS

Chart 10: Fall in US government spending expectations



Source: GECS

> Having rebounded strongly in the first quarter of the year, confidence in Western Europe has fallen back sharply in Q2.

the employment index, it remains relatively high – reflecting the strong underlying health of the US employment market. More encouragingly, there has been a small increase in the capital expenditure index, which has risen to its highest level on record.

In a similar picture to the global story, US companies cite rising costs as their main concern (45% of respondents), followed by decreased income (35%). Customers going out of business (14%) and suppliers going out of business (6%) are the least cited reasons for concern.

WESTERN EUROPE

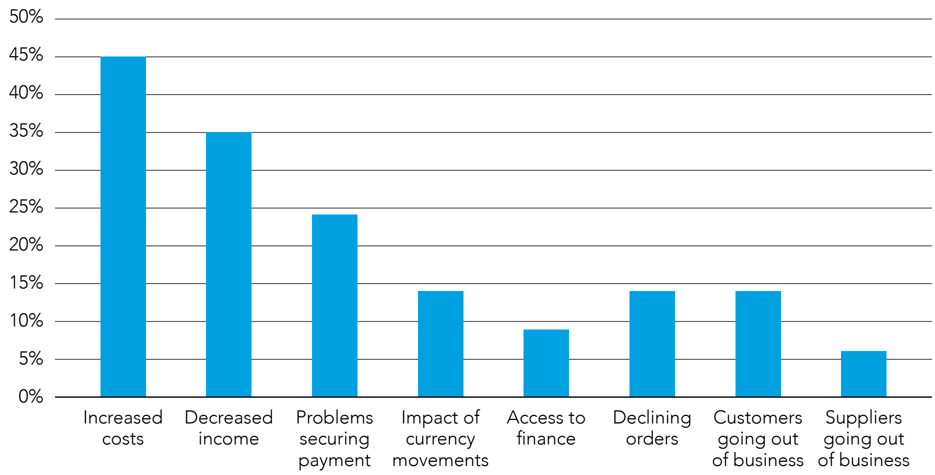
Having rebounded strongly in the first quarter of the year, confidence in Western Europe has fallen back sharply in Q2, with the number of respondents negative about the future exceeding by 17 percentage points those who are more confident.

The drop in confidence is something of a surprise, given that the economies of Western Europe are enjoying a strong rebound and the main domestic political risks that were such a concern at the start of the year have diminished. One possible cause of the fall in confidence could be the UK's general election, which has led to further uncertainty over the Brexit negotiations that have just started.

45%

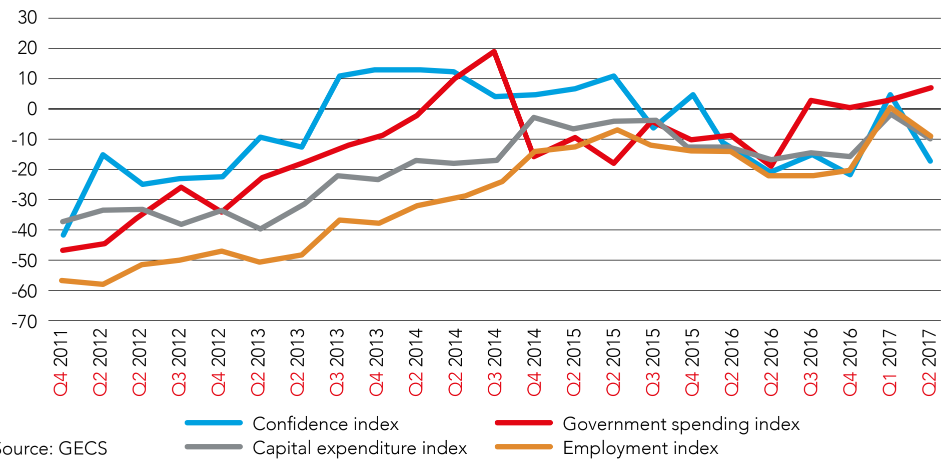
of US companies cite rising costs as their main concern

Chart 11: Increased costs are the biggest concern for the US



Source: GECS

Chart 12: Confidence falls in Western Europe



Source: GECS

The euro has appreciated against both the US dollar and pound sterling recently, reflecting concerns about the outlook for fiscal policy in the US and the impact of Brexit.

Looking at the survey breakdown in more detail, there is a sharp rise in the government spending expectations sub-component – to its highest level in nearly three years, which is consistent with an easing-off of austerity policies. However, there have been falls in most of the other major sub-components, including capital expenditure, employment and investment opportunities.

The key concern for companies in the Eurozone is rising costs, which are cited by 48% of respondents. This concern is difficult to reconcile with the hard data for inflation, which points to an easing of concerns about costs. It is possible that this sub-component will fall over the coming quarters. The second-biggest concern for those in the Eurozone is decreased income, which is cited by 34% of respondents.

The third-biggest worry is exchange-rate movements – cited by 32% of respondents. The euro has appreciated against both the US dollar and pound sterling recently, reflecting concerns about the outlook for fiscal policy in the US and the impact of Brexit. A stronger exchange rate is bad news for the region's exporters, which will have seen their competitiveness suffer.

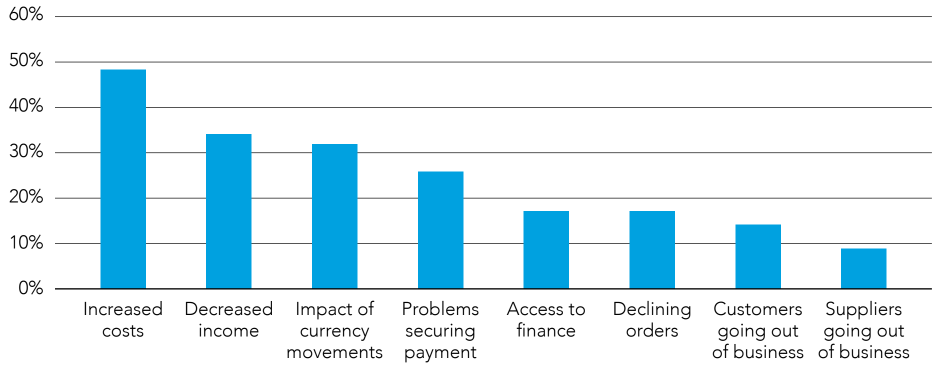
The UK in focus

Economic confidence in the UK has plummeted in the second quarter and is now at its lowest level since the final quarter of 2011.

48%

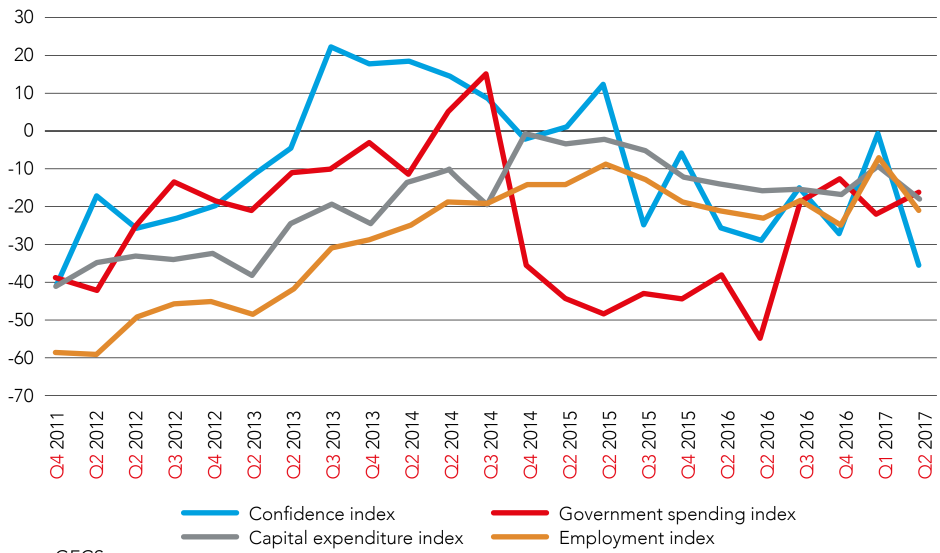
of respondents in the Eurozone cited rising costs as their key concern

Chart 13: Western Europe is concerned about rising costs



Source: GECS

Chart 14: Brexit takes its toll on the UK's confidence



Source: GECS

Given the relatively low levels of preparedness, a transitional period may offer some assistance to help them adjust to the new reality post-Brexit.

69%

of UK companies have no plans or are unclear about what to do; or are still in early stages of planning

The fall is no surprise in light of recent political events, and is consistent with the latest GDP data, which showed economic growth slowing sharply. The snap general election in the UK, which saw the Conservative Party lose its majority, has led to heightened uncertainty over not only the outlook for Brexit but also for all other government policy.

Looking at the breakdown in more detail shows a sharp fall in the capital expenditure, employment and investment opportunity sub-components. The government spending expectations sub-component, however, has improved a little, reflecting the likelihood that austerity will be eased slightly over the coming quarters.

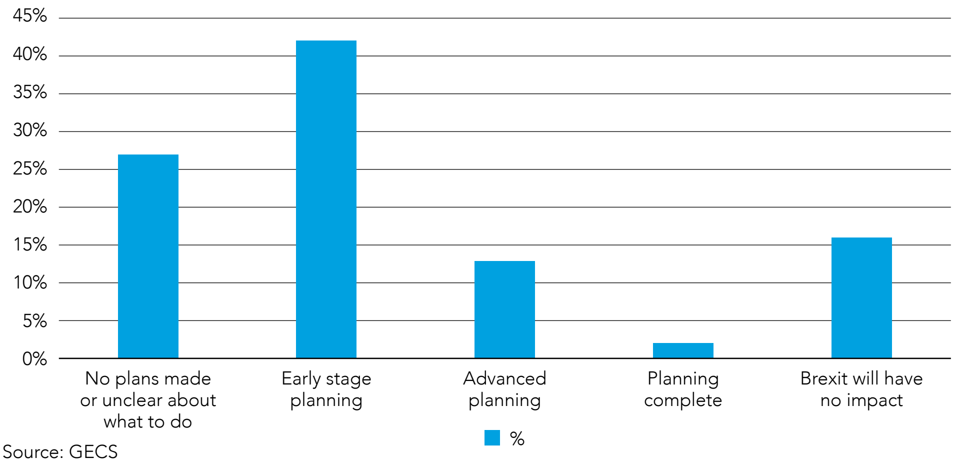
The biggest concern for respondents (cited by 56%) is rising costs, which is unsurprising. The sharp fall in the pound since the Brexit vote is starting to feed into rising inflation through an increase in import prices; inflation reached 2.9% year on year in May 2017 – the highest rate since 2012. Another concern is exchange-rate movements (cited by 33% of respondents). Again, this is unsurprising: the pound fell sharply following the general election and is likely to remain volatile over the coming months amid heightened political uncertainty.

"The very big fall in sterling has created this import price inflation," says Dario Perkins, Managing Director, Global Macro at TS Lombard. "The inflation rate has jumped to 3% and it might go a bit above that. Wages have actually slowed down, so there's been a big squeeze on the consumer that's come through from there. So far, the consumers have cut savings and borrowed more and that doesn't really seem sustainable. Obviously, unless there's going to be some massive shift in the currency, this drag is going to continue."

Our separate poll on the potential impact of Brexit once again underlines how much uncertainty is affecting confidence. It shows the number of businesses who thought Brexit presented more risks than opportunities outweighed those who thought the reverse by 27 percentage points. This is 12 points more than the corresponding difference in Q1.

Worryingly, companies appear to be in only the initial stages of planning for a post-Brexit UK. According to our survey, the majority of respondents, 69% have no plans or are unclear about what to do; or are still in early stages of planning. This may reflect the uncertainty over what the UK economy will look like after the country leaves the EU. Given the relatively low levels of preparedness, a transitional period may offer some assistance to help them adjust to the new reality post-Brexit.

Chart 15: Brexit planning is at an early stage



Source: GECS

Although uncertainty over Brexit is still weighing on sentiment in Ireland, the economy is otherwise doing well.

Ireland in focus

Economic confidence in Ireland has picked up slightly in Q2, and is now at its highest level in a year. Although uncertainty over Brexit is still weighing on sentiment in Ireland, the economy is otherwise doing well. Growth has picked up in recent quarters – helped in large part by an improvement in exports to the rest of the EU. The government spending expectations, employment and capital expenditure sub-components all increased in Q2.

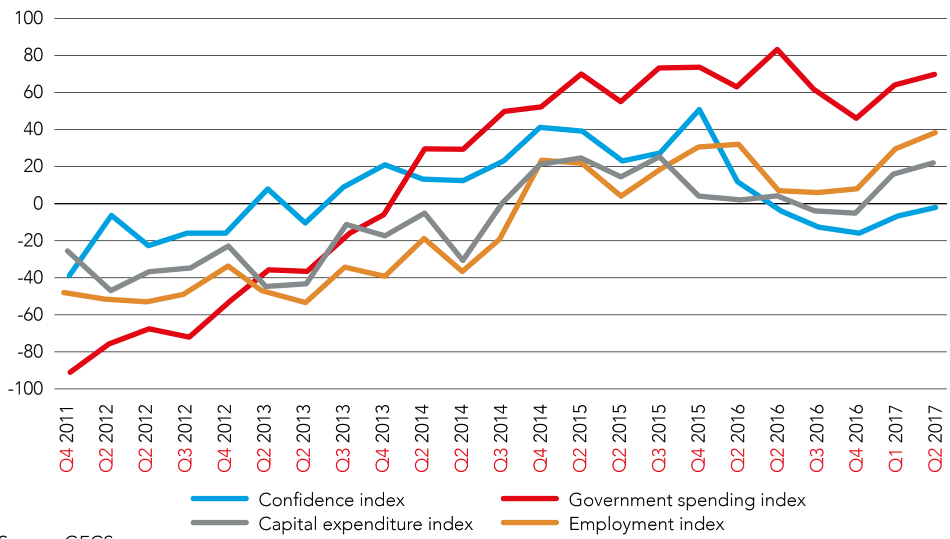
According to our separate survey on Brexit, 56% of Irish respondents view the risks from Brexit as greater than the opportunities. This is an even higher figure than for the UK, and may be a reflection of Ireland's exposure to the UK economy. Irish exports to the UK are equivalent to about 8% of its GDP[1].

If the UK exits the customs union and the single market without any transition agreement in place, the Irish economy would be hit hard: Irish exports to the UK are equivalent to about 8% of its GDP, making the UK its third-largest trading partner after the US and the Eurozone.

56%

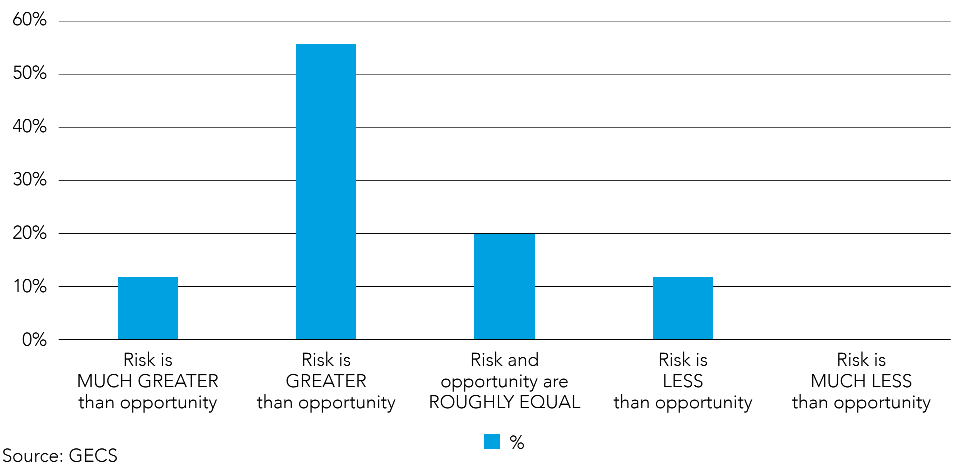
of Irish respondents view the risks from Brexit as greater than the opportunities

Chart 16: Ireland's confidence on the rise?



Source: GECS

Chart 17: Significant level of worry in Ireland about Brexit



Source: GECS

1 Source: OECD

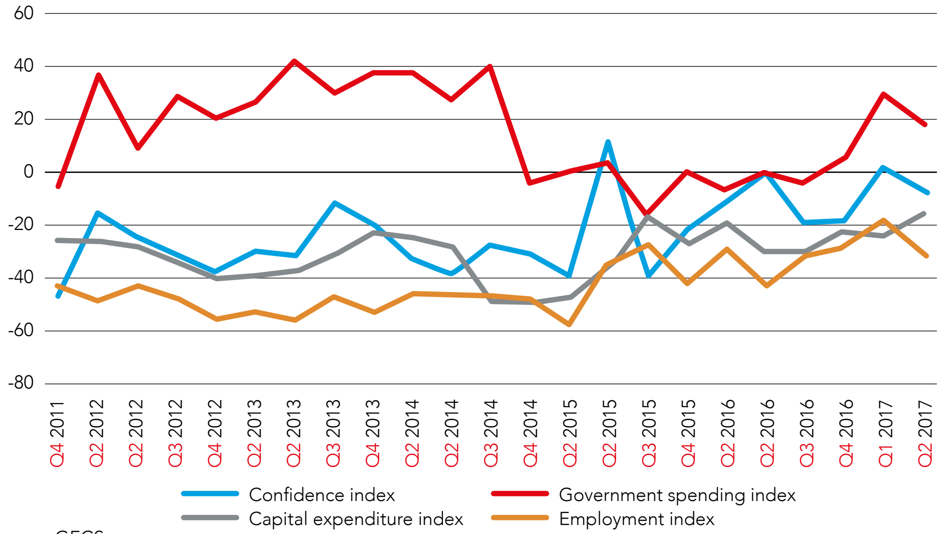
Economic confidence has dipped slightly in Central & Eastern Europe (CEE), but it remains fairly high by recent standards.

CENTRAL AND EASTERN EUROPE

Economic confidence has dipped slightly in Central & Eastern Europe (CEE), but it remains fairly high by recent standards. The dip in confidence is probably in part due to the fall in confidence in Western Europe: the two regions are closely integrated. The fall in the index is broad based in CEE, with the sub-components for government spending expectations, capital spending and employment all falling back.

Although the outlook in CEE's largest economy, Russia, is improving (growth is picking up, inflation is down and monetary policy is being loosened), the long-run growth outlook is held back by poor demographics (the working age population is falling sharply) and weak productivity growth. Further fiscal consolidation will also drag on growth, as the government looks to bring the budget balance to more sustainable levels.

Chart 18: Confidence dips in Central & Eastern Europe



Source: GECS

Confidence in South Asia was higher than in any other region in Q2 apart from North America.

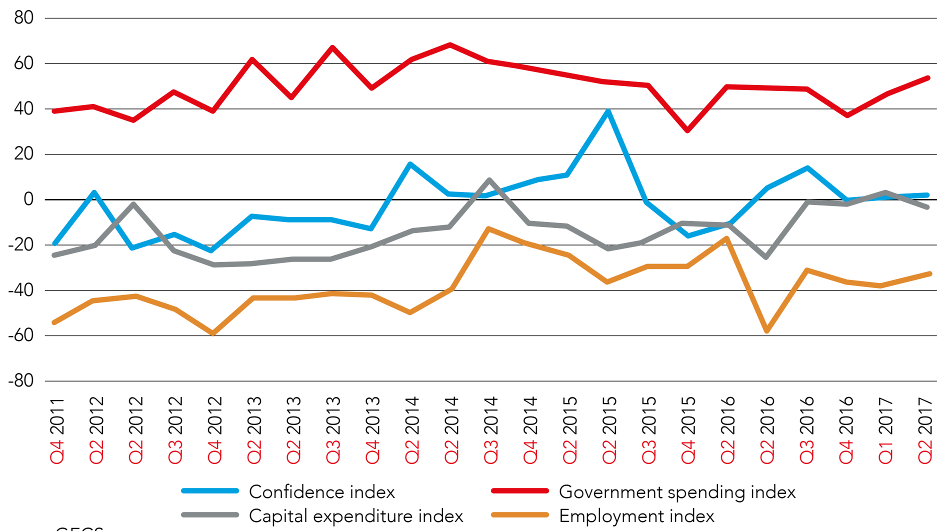
SOUTH ASIA

Confidence in South Asia was higher than in any other region in Q2 apart from North America. However, compared with the previous quarter, confidence is unchanged, with the same number of respondents reporting that they are more confident about the future as those who report they are less confident. The sub-components paint a mixed picture. Although the government spending expectations and employment sub-components have both risen, the one for capital expenditure has fallen.

This relatively high overall confidence reading reflects a buoyant outlook for South Asia's two main economies. India is bouncing back strongly from the government's 2016 initiative to tackle the shadow economy whereby 86% of cash ceased to be legal tender overnight – which led to severe cash shortages at the end of the year. The government is also making steady progress in terms of its reform agenda. Since the current administration took over about three years ago, some progress has been made in cutting the size of the bureaucracy, selling off state companies, cutting subsidies and introducing a goods and services tax. The outlook for India's economy over the next year is increasingly positive.

After a number of challenging years, the outlook for Pakistan is also improving. Two main factors are likely to support growth over the next few years. The first is increased Chinese investment in infrastructure projects as part of the China-Pakistan Economic Corridor. All the projects added together are expected to come to US$62bn, which is the equivalent of 17% of Pakistan's 2015 GDP. Low interest rates, which have been slashed over the past few years in response to a sharp fall in inflation, will also boost growth.

Chart 19: South Asia confidence high



Source: GECS

Economic confidence in Asia Pacific has increased again and is at a new record high.

ASIA PACIFIC

Economic confidence in Asia Pacific has increased again and is at a new record high. The improvement in confidence is most likely linked to an increase in global export demand. Countries such as Korea, Taiwan and Hong Kong are heavily integrated into global supply chains and have benefited greatly from the pick-up in global trade growth since late 2016.

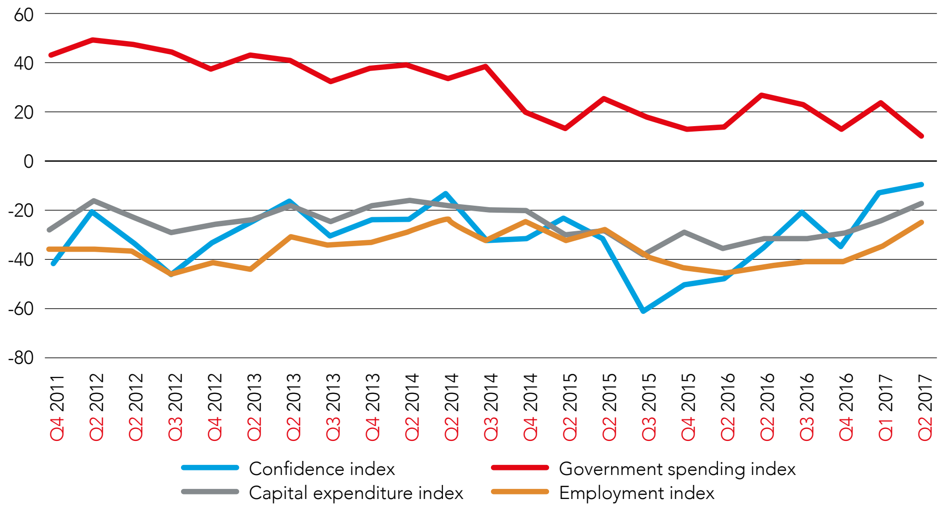
Looking at the breakdown in more detail shows a fall in the government spending expectations sub-component, but an improvement in the capital spending and employment sub-components.

It appears that the region's strong rebound is starting to feed into increased cost pressures: 52% of respondents cite rising costs as a concern. Worries about the negative impact of exchange-rate stability, meanwhile, is a factor for 36% of respondents. It is notable that most currencies have appreciated against the US dollar since the start of the year.

52%

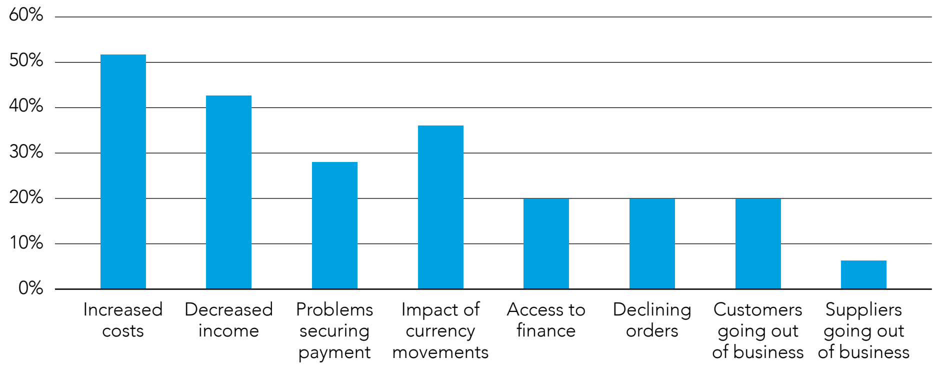
of respondents in Asia Pacific cite rising costs as a concern

Chart 20: Confidence rises again in Asia Pacific



Source: GECS

Chart 21: Asia Pacific is most concerned about increased costs



Source: GECS

Confidence in the Middle East fell sharply in the second quarter of the year, and is now at its lowest level since the second quarter of 2016.

THE MIDDLE EAST

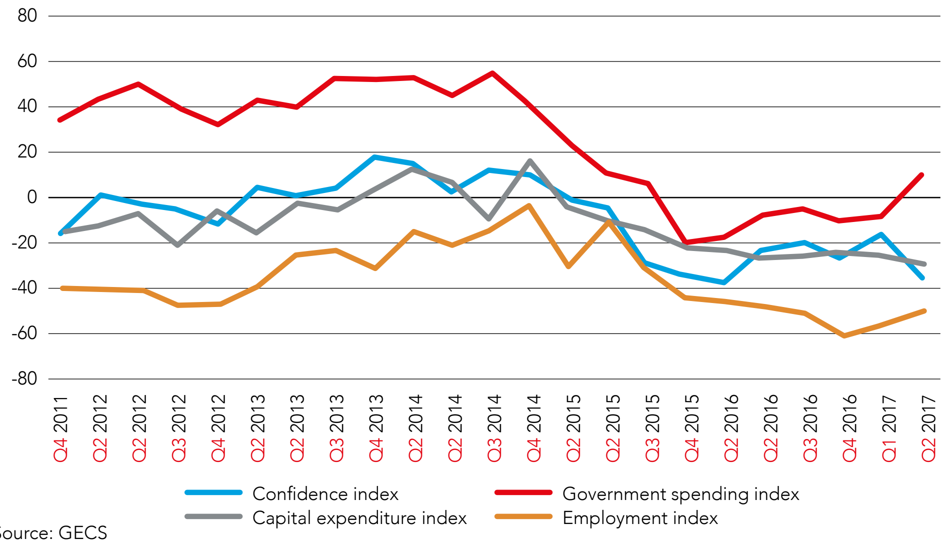
Confidence in the Middle East fell sharply in the second quarter of the year, and is now at its lowest level since the second quarter of 2016. The sharp fall mirrors the oil price, which has fallen to below $45 a barrel in recent weeks due to fears of a further increase in US oil production. Oil prices were as high as $55 a barrel in late February.

In addition to the oil price, the fall in confidence can also be attributed to the political crisis led by Saudi Arabia's attempts to sever diplomatic ties with Qatar in early June.

Looking ahead, the region faces a number of headwinds over the next year. A key drag on growth is likely to come from higher interest rates: most of the region's countries peg their currencies to the US dollar, which means that if interest rates in the US continue to rise (as the Fed itself expects them to), local rates will also rise. This will drag on demand. The other headwind will come from falling oil output as countries in the Middle East look to reduce production as part of their efforts to comply with the latest OPEC deal.

The breakdown shows a fall in the investment opportunities and capital expenditure sub-components for the Middle East. The one encouraging feature is a further rise in the government spending expectations component. This reflects the fact that austerity in the region, which was a key drag on growth in 2015 and 2016, is slowly starting to ease. It is notable that this sub-component is now at its highest level since the second quarter of 2015.

Chart 22: Confidence falls in the Middle East



Source: GECS

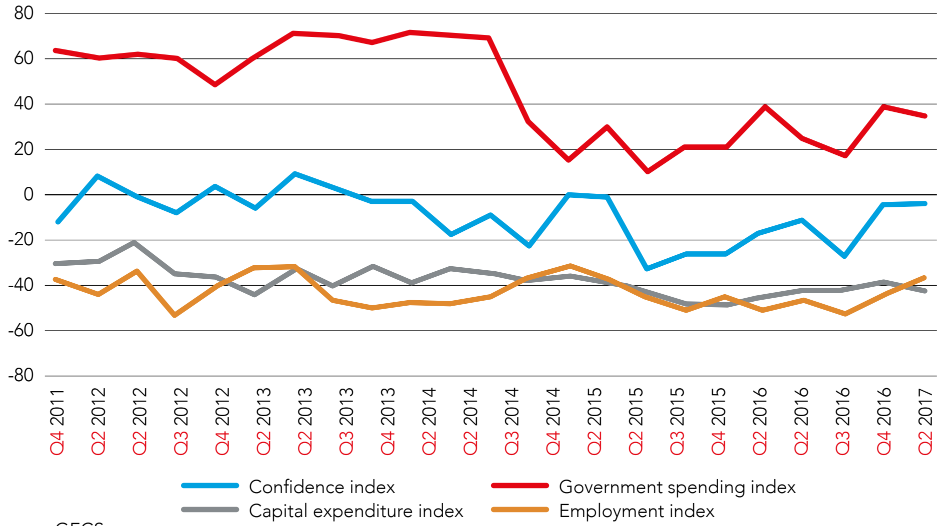
Economic confidence in Africa has picked up slightly and is now at its highest level since the second quarter of 2015.

AFRICA

Economic confidence in Africa has picked up slightly and is now at its highest level since the second quarter of 2015. A detailed look at the breakdown shows that the government spending expectations sub-component has slightly fallen but remains relatively elevated. The capital expenditure and employment sub-components, however, are still negative.

Last year was a difficult one for Africa's major economies, and there are signs that things are starting to improve in the continent's powerhouses, Nigeria and South Africa. Growth in Nigeria should start to pick up this year on the back of an increase in oil production. In South Africa, meanwhile, despite continuing political instability, the growth outlook is also better, helped by a rebound in agricultural production following a drought last year and falling inflation, which is boosting consumers' purchasing power.

Chart 23: Signs of improvement in Africa



Source: GECS

Looking ahead

The outlook for the global economy is promising, with all of the main economies set for decent growth over the next few years.

The outlook for the global economy is promising, with all of the main economies set for decent growth over the next few years. Although a large-scale fiscal stimulus (in the form of tax cuts and increased spending on infrastructure) in the US is looking less likely, the US economy should continue to perform well, helped in large part by a strong employment market.

"Consumption growth is the most important component of demand, and that should continue to drive the recovery in the US and elsewhere," says Andrew Kenningham. "Another reason for optimism is the overall health of the banking sector. Credit growth from banks has picked up. That's a sign that investment is going to pick up, too."

Meanwhile, over the coming year growth in the Caribbean region may benefit from strong tourism revenues, supported by the recovery in the global economy, most notably in the US and Latin America.

The outlook for the Eurozone is better than it has been for some time, thanks to a combination of eased austerity, low interest rates and increasing exports. Victories for mainstream candidates in crucial presidential elections in the Netherlands and France have also helped to boost investor and consumer confidence.

The outlook in Japan is also looking up, with the economy notching up five consecutive quarters of economic growth. Although Abenomics (the radical economic package of tax cuts, looser monetary policy and structural reforms) is certainly no silver bullet for the economy, it has certainly helped.

In fact, the only developed country where prospects appear to be deteriorating is the UK, where the recent election result has led to even more uncertainty over the outlook for Brexit.

Prospects for emerging markets look reasonably good. Although growth in China is showing signs of having peaked, the concerns about a hard landing have largely disappeared. A gradual slowdown appears the most likely outcome for the next couple of years.

Other emerging markets are also showing signs of picking up. India's economy has rebounded strongly following the government's controversial demonetization campaign last year, and Brazil and Russia are finally growing again following protracted economic recessions.

The IMF recently upgraded its forecasts for global growth to 3.5% in 2017 and 3.6% in 2018, up from just 3.1% last year. Given the improving outlook, this may now be achievable.

Appendix I:
Economies covered by Q2 survey responses

North America	Middle East	Asia Pacific	Central & Eastern Europe	South Asia	Western Europe	Africa	Caribbean	Central & South America
Canada	Bahrain	Australia	Bulgaria	Afghanistan	Cyprus	Cameroon	Barbados	Belize
Mexico	Egypt	China, People's Rep of	Czech Republic	Bangladesh	Finland	Ethiopia	Bermuda	Brazil
USA	Iraq	Hong Kong SAR	Hungary	India	Germany	Ghana	Grenada	Columbia
	Israel	Indonesia	Moldova	Kazakhstan	Greece	Ivory Coast	Guyana	Costa Rica
	Jordan	Japan	Poland	Maldives	Ireland, Republic of	Kenya	Jamaica	
	Kuwait	Korea, Republic of	Romania	Nepal	Italy	Liberia	Puerto Rico	
	Lebanon	Malaysia	Russia	Pakistan	Luxembourg	Malawi	St Vincent	
	Oman	New Zealand	Slovakia		Malta	Mauritius	Trinidad & Tobago	
	Palestine	Philippines	Ukraine		Netherlands	Namibia		
	Qatar	Singapore			Spain	Nigeria		
	Saudi Arabia	Vietnam			Switzerland	Sierra Leone		
	United Arab Emirates				Turkey	South Africa		
					UK	Sudan		
						Tanzania		
						Uganda		
						Zambia		
						Zimbabwe		

ACCA, IMA and the global economy

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Global economic conditions continue to dominate business and political life. News 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 continue to consider strategies to promote stability and stimulate growth, the interconnectedness of national economies, and how they are managed and regulated, is now under close scrutiny. The development of the global accountancy profession has benefited from, and in turn contributed greatly to, the development of the 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.

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