

A black and white photograph of a dense field of fern leaves, filling the top half of the page. The leaves are detailed and layered, creating a complex texture.

Global Economic Conditions Survey

Benchmark Report: Q1 2009



ABOUT ACCA

ACCA 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.

We support our 131,500 members and 362,000 students throughout their careers, providing services through a network of 82 offices and centres. Our global infrastructure means that exams and support are delivered – and reputation and influence developed – at a local level, directly benefiting stakeholders wherever they are based, or plan to move to, in pursuit of new career opportunities. Our focus is on professional values, ethics, and governance, and we deliver value-added services through our global accountancy partnerships, working closely with multinational and small entities to promote global standards and support.

We use our expertise and experience to work with governments, donor agencies and professional bodies to develop the global accountancy profession and to advance the public interest.

Our reputation is grounded in over 100 years of providing world-class accounting and finance qualifications. We champion opportunity, diversity and integrity, and our long traditions are complemented by modern thinking, backed by a diverse, global membership. By promoting our global standards, and supporting our members wherever they work, we aim to meet the current and future needs of international business.

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CONTACTS

For further information about the Global Economic Conditions Survey and the series of quarterly reports, please contact:

Wendy Towner
Head of Business Intelligence
+44 (0) 207 059 5755
wendy.towner@accaglobal.com

For further information about the technical and policy issues raised in this report, please contact:

Emmanouil Schizas
SME Policy Adviser
+44 (0) 207 059 5619
emmanouil.schizas@accaglobal.com

www.accaglobal.com/economy

Global Economic Conditions Survey

Benchmark Report: Q1 2009

TEN KEY FINDINGS FROM THE FIRST QUARTERLY SURVEY

- Businesses around the world have been hit hard by economic conditions, and falling demand is at the heart of the issue. Investment in both capital and staff has fallen in response.
- Confidence has fallen the most in the Asia Pacific region, especially China. As global trade slows, the countries the world is counting on to lead the global economic recovery are being severely tested.
- Finance professionals expect the global economy to recover within the next two years, but conditions may get worse before they start improving.
- The most developed economies face an increased risk of stagnation, while the rest of the world is expected to bounce back more sharply.
- Access to credit is a big issue, but late payment and troubled customers are, in reality, more problematic for the real economy.
- Optimism about the state of the global economy is underpinned by trust in the responses of governments. Survey respondents say that policy makers have not done enough, especially in the more developed nations. Small business finance professionals are the most critical of government interventions.
- Businesses are seeking opportunities, despite the downturn. In addition to cutting costs, they are strengthening supply chain relationships, promoting high quality standards and entering new markets. Finance professionals have a role to play, helping businesses drive value despite difficult trading conditions.
- Finance has been targeted in early rounds of – increasingly voluntary – redundancies, but headcount is mostly unaffected as the need for cost-cutting is balanced by the need for more finance capabilities.
- As businesses turn to finance for help in navigating the tough economic landscape, artificial ‘savings’ through reduced professional training could place many organisations at a disadvantage. There remains evidence that professional skills are highly valued by business.
- Policy makers should not ignore green shoots – opportunities for business to become profitable in new markets and niches. Business needs support to identify and take up new opportunities in changing circumstances, and policies which facilitate change for the better.

Executive summary

INTRODUCTION

ACCA is aware that different businesses in different countries are experiencing these challenging times in different ways. Yet for all the attention devoted to the matter, there is still relatively little concrete information and anecdotal reports can be misleading. ACCA's Global Economic Conditions survey aims to fill in important gaps in the understanding of global economic developments - using the unique insights of finance professionals as a temperature check of the global economy.

This report is the first of a series of publications on the findings of the Global Economic Conditions Survey. Fieldwork for the first 2009 survey took place between 20 February – 14 March 2009 and online responses were received from 805 ACCA members in more than 80 countries around the world. ACCA sincerely thanks all members who have taken part in this survey.

ACCA aims to offer a snapshot of current issues and challenges and analyse trends in respect of opportunities and impacts. ACCA, as a global professional body, wishes to ensure it monitors closely the effect the economic downturn has on its members, so it can respond appropriately in terms of support provided, and use the findings to inform its strategy on influencing public policy.

The findings of the first survey, as summarised below, show that global economic conditions are having a real impact on business life.

BUSINESS PERCEPTIONS

The findings of ACCA's inaugural survey on global economic conditions suggest that events have dented business confidence around the world. Despite concerns among commentators and policymakers about the prospects for small businesses, it is professionals working for the largest businesses that report the greatest loss of confidence. On the other hand, accounting practices appear more resilient as the current economic conditions are helping sustain demand for financial advice. Although the world is looking to the emerging economies of Asia, and especially to China, to lead a global recovery, their export-driven economies are being affected by slowing global trade and businesses there are even less confident than their western counterparts.

Finance professionals are not forecasting a quick recovery. Although global economic conditions are expected to improve within the next two years, the more developed nations face the possibility of a long period of stagnation and a slow, credit-constrained recovery. In the real economy, small business accountants are optimistic, but their advisers in small accounting practices are clearly preparing for the worst. So are financial services professionals and their counterparts in large accounting firms.

As the global economy works its way out of the current downturn, ACCA will closely monitor the responses of professionals in these sectors. Separate research from

ACCA on the longer-term outlook for accountancy has found that demand for professionals will be high to 2015. This suggests professional accountants can play a vital role in new areas such as risk management and other complex business areas.

BUSINESS IMPACT

Respondents to this survey indicate that falling demand is at the heart of the current economic outlook. Findings reflect a slowdown in international trade which is now affecting dynamic economies that have lately driven much of the world's economic growth. Fluctuations in currency exchange rates, driven by the imbalances in trade and capital flows as well as the state of public finances, only add to the uncertainty for importers and exporters.

Although policymakers and the media in many countries have focused their attention on the availability of bank lending, finance professionals note that trade credit extended by suppliers to their customers is a bigger concern for the real economy. Thus more respondents in the non-financial sectors are concerned about late payment and failing customers than about securing new credit facilities.

Although investment in staff and capital has decreased as a result of falling business confidence, finance professionals across sectors believe there are opportunities to be seized beyond simply cost-cutting. These most often involve building stronger relationships along the supply chain or improving quality standards, but there is a plethora of positive responses to the global downturn – and they are all worth sharing as examples of paths to innovation, new business models and investment in future profitability.

THE PROFESSION

The finance function has not escaped the early rounds of redundancies in many sectors, but finance headcount has remained unaffected in most organisations. The message is clear: there is only so much finance capacity that businesses are willing to relinquish – they need professional expertise in order to navigate the difficult economic conditions ahead. Therefore, while early redundancies have been mostly compulsory, professionals expect voluntary redundancy to be used more over the next 12 months.

A further impact is that respondents report that many businesses have cut back on learning and development for the finance team – at least for now. Employers in emerging economies and developing nations are almost twice as likely to attempt such 'savings', where evidence from other surveys suggest there continues to be a high demand for finance professionals. A report by ACCA, Perspectives on Talent Management in Challenging Times, suggests that any reduction in the skilled pool of professionals within business could be a false economy, leading to organisations missing the opportunities for identifying and maximising new directions.

OVERALL CONCLUSION

Businesses expect the already tough economic conditions to worsen before the recovery begins. While many have reacted to late payment and failing customers by taking cost cutting measures – significant numbers are already using the current climate as an opportunity to strengthen supply chains and improve quality standards to make them less vulnerable in future.

Finance professionals are rightly preparing clients of all sizes for more difficult times, but there are signs that the small business sector, where ACCA expects to see the first signs of recovery, is more optimistic.

This survey has shown that, away from the headlines, the real concerns are around issues such as whether suppliers are prepared to extend more trade credit to customers. Our next global research will be looking for signs that policy makers are working to address the issues and needs of the real economy and whether businesses are being innovative and are confident enough to take long term investment decisions.

THE GLOBAL ECONOMY – INSIGHT AND ANALYSIS

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 centre of media attention. Economic downturns now exist in many countries, and it is far from clear how long the downward trends will continue before economic growth is seen again. Nor is it clear what the impact will be in countries and regions around the world, although it is important to recognise that different markets will be affected in different ways.

ACCA is a prominent voice both on the causes of the credit crunch and on what needs to be done to turn round the global economy. It has already published papers outlining its response to the G20's public agenda and analysis of the outlook for regulation of financial markets. It has also considered issues in accounting, such as fair value and the role of international accounting standards in supporting transparent business practices.

ACCA aims 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 its members in times of challenge.

ACCOUNTANTS FOR BUSINESS

ACCA believes that accountants add considerable value to business by driving down costs and identifying drivers of value and profitability – and never more so than in the current environment. They are instrumental in obtaining access to finance and strengthening the balance sheet. Accountants are also essential to supporting the small business sector, estimated by the OECD to represent 95% of all enterprises. SMEs make a positive contribution to economic growth, requiring well-rounded finance managers and advisers to ensure small businesses survive and grow.

RESEARCH

ACCA is conducting a range of research projects to add to understanding of the effect of the economic conditions around the world, and ways in which the impact can be managed. The objectives of the research include:

- understanding trends and developments, including perceptions of changing prospects and opportunities in the current economic climate
- identifying areas of concern to members and assessing support and services which ACCA can offer to assist members in difficult economic circumstances
- championing the role of the accountant in business – especially the CFO – and illuminating areas of best practice which will help the companies where they work to add value to business strategy and operations, and to help their employers grow profitable businesses in difficult trading circumstances
- identifying ways in which accountants can add value as advisors, and
- understanding learning points and indicators for moving towards a refreshed global economy.

THE GLOBAL ECONOMY

Perhaps at the heart of the current debate on the economic environment is: where next for the global economy? As the G20 countries formulate strategy to promote stability and stimulate growth, the interconnectedness of our economies, and how they are managed and regulated, is firmly in the spotlight. The development of the global accountancy profession came out of, and has contributed to, the development of the global economy, with the aim of promoting common standards for accounting and auditing, and transparency in financial reporting. As a key stakeholder in the debate, ACCA will seek to address the challenges posed for the global economy, not least the need to ensure appropriate regulation which favours fair competition, capital investment and economic growth; and the removal of barriers inhibiting the lifeblood of our economies – entrepreneurship and innovation.

1. About the global economic conditions survey

ACCA is aware that different businesses in different countries are experiencing these challenging times in different ways. Yet for all the attention devoted to the matter, there is still relatively little concrete information and anecdotal reports can be misleading. ACCA's Global Economic Conditions survey aims to fill in important gaps in the understanding of global economic developments – using the unique insights of finance professionals as a temperature check of the global economy.

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Fieldwork for the Q1 2009 survey took place between 20 February and 14 March 2009, and online responses were received from 805 ACCA members in more than 80 countries around the world. Figures 2.1–3 present the breakdown of respondents by sector, role, and region.

Figure 1.1: Respondents by sector

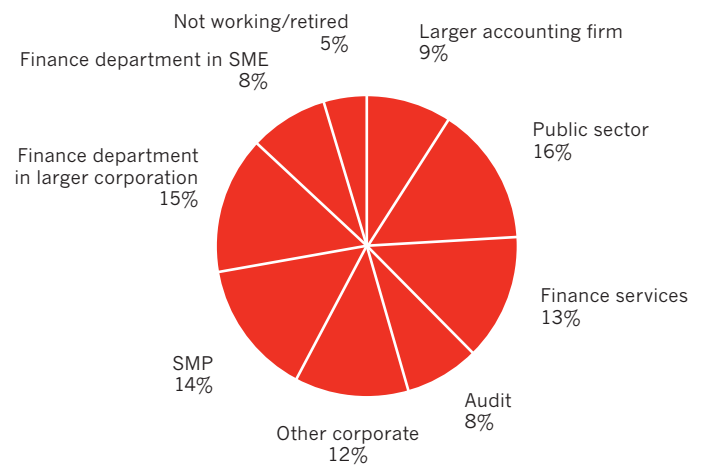


Figure 1.2: Respondents by role

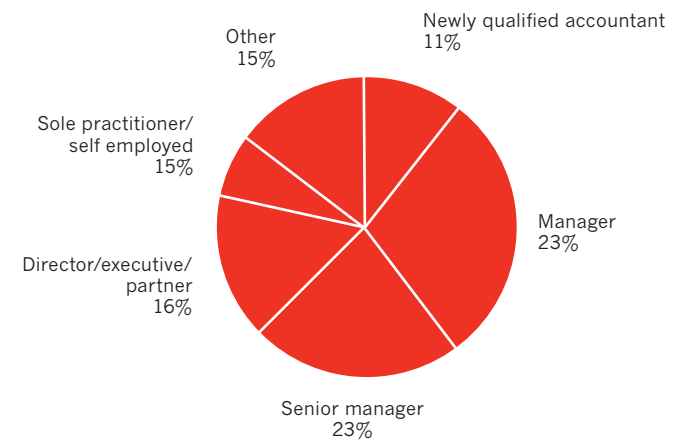
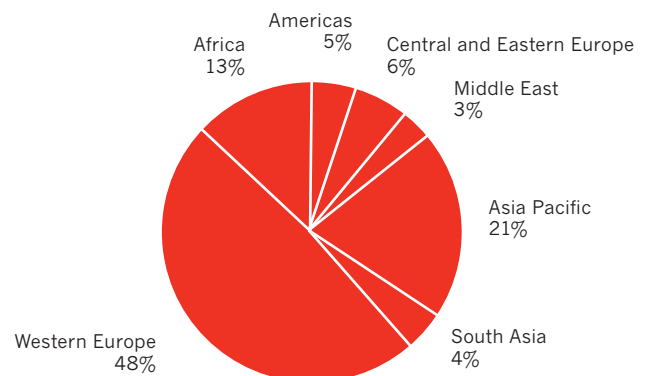


Figure 1.3: Respondents by region



2. Business perceptions

CONFIDENCE IS DOWN WHERE IT IS NEEDED THE MOST

Business confidence has taken a blow across sectors and around the world (See Figure 2.1). The majority of our members who responded to the survey (73%) were not as confident as they had been 12 months ago and 29% were much less confident.

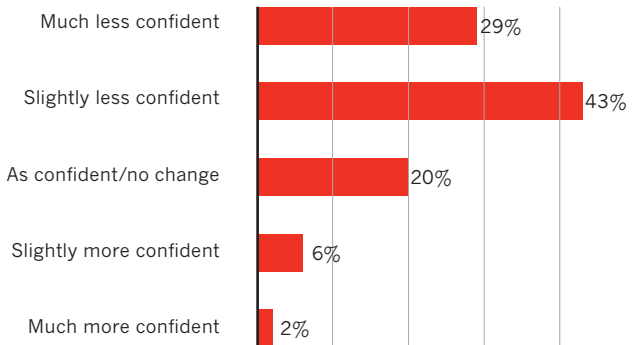
While this is bad news, it is important to consider the figures from the opposite perspective. Despite the apocalyptic tone of most forecasts on the global economy, almost a third of all respondents either as confident (20%) or more confident (8%) about their business' prospects today than in early 2008. This suggests that many individual businesses are more resilient than the wider economy and even a recession offers its own opportunities (see Section 3, 'Don't trample on the green shoots').

Across sectors, confidence has fallen most dramatically in financial services, where 78% of finance professionals are now less confident than 12 months ago. Large corporates have also been substantially affected. Despite widespread concern for the state of the SME sector, accountants

working in smaller businesses are more upbeat than those in larger organisations, although a balance of 68% of SME respondents are also less confident than they were a year ago. Accountancy practices, especially small and medium sized ones (SMPs), appear to be less affected than other businesses - 29% of large and 33% of SMP respondents respectively have not lost any confidence or are more confident. This is possibly due to the fact that the economic downturn has prompted more businesses and individuals to seek advice on their finances.

Business confidence has fallen more sharply in OECD countries¹, where 74% of finance professionals are now less confident. Irish businesses have been particularly affected, with 87% registering lower confidence levels. Among the emerging nations there is a great deal of variation – while African businesses appear to be less strongly affected, business confidence has fallen very sharply in the Asia Pacific region and finance professionals in China and Hong Kong SAR, where much of the world's hopes for recovery have been focused, have lost more confidence than their colleagues in almost every other country for which reliable estimates are available.

Figure 2.1: Confidence in economic prospects for your organisation

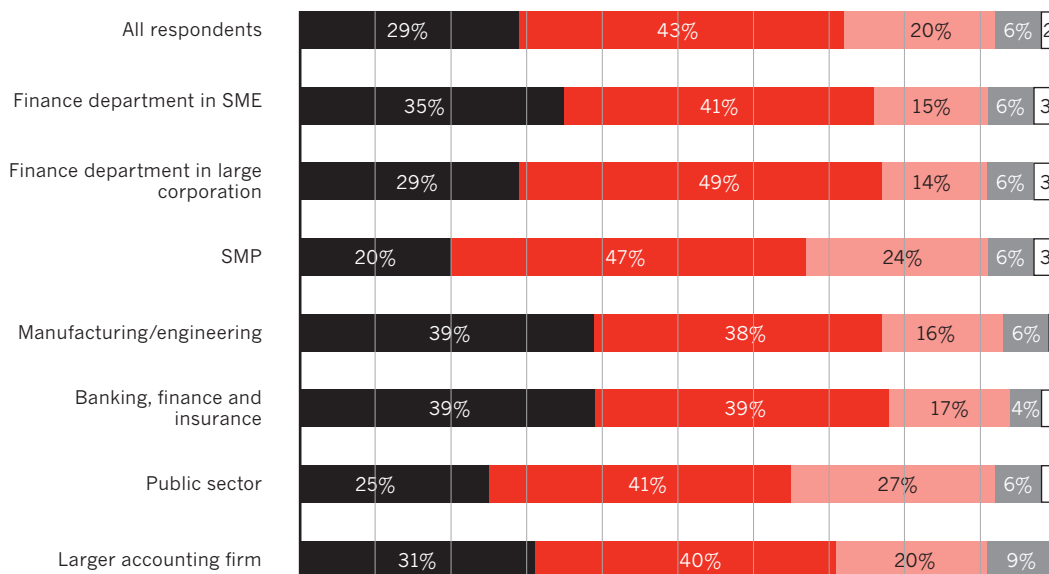


Confidence is the key to recovery, and now this has been lost it will take some time to rebuild.

Senior manager, global investment bank, England

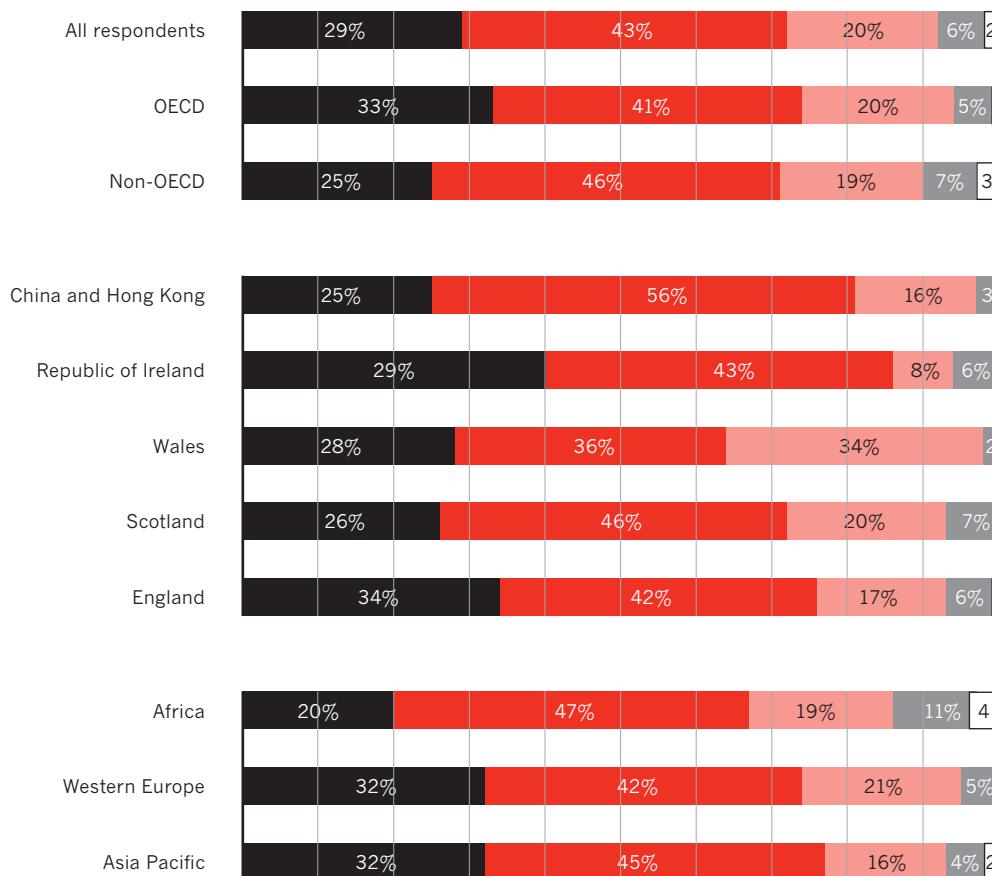
1. OECD countries include Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. Together they account for 59% of world GDP.

Figure 2.2: Confidence in economic prospects for your organisation – by broad sector



Much less confident
 Slightly less confident
 as confident/no change
 Slightly more confident
 Much more confident

Figure 2.3: Confidence in economic prospects for your organisation – selected regional groupings and countries



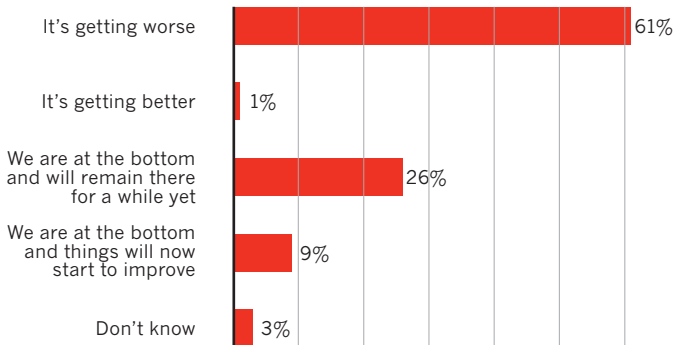
PREPARING FOR A SLOW RECOVERY

The majority of respondents (61%) think the worst is yet to come, however one in ten respondents were confident that we have reached the lowest point and that things will start to change for the better if they haven't already. Predictably, financial services staff made gloomier predictions, but so did finance professionals in accounting practices, especially SMPs – who clearly fear for their clients and are preparing for the worst. Respondents in non-OECD countries, especially in the Asia Pacific region, don't believe the full effect on world trade has materialised yet and were therefore more likely to expect further deterioration. Respondents in Africa, however, were more confident than their counterparts in any other region that the worst is behind us.²

Among the 35% who believe that the global economy has reached a bottom and will not slow any further, most predict that things will remain as they are for a while. While this is true regardless of geographic region, finance professionals in OECD countries were much more likely to predict a long period of stagnation than those in emerging economies. By contrast, professionals in Africa and non-OECD countries were most likely to predict a sharp bounce.

Another two years of challenging economic conditions was the most frequent forecast, although, encouragingly, one in three finance professionals think conditions will start to improve before the two-year milestone, and 5% believe there will be some change within 12 months.

Figure 2.4: Current global economy perceptions



At some point Chicken-Licken will realise that the sky hasn't in fact fallen on her head, and confidence will return.

Manager, small-to-medium-sized financial services firm, England

2. The most likely explanation is that demand for Asia Pacific's exports is driven by consumption in other countries, while demand for Africa's exports is driven by industrial activity in other countries. In recessions, changes in consumption lag those in output, whereas changes in industrial production lead those in output.

Figure 2.5: Current global economy perceptions – by broad sector

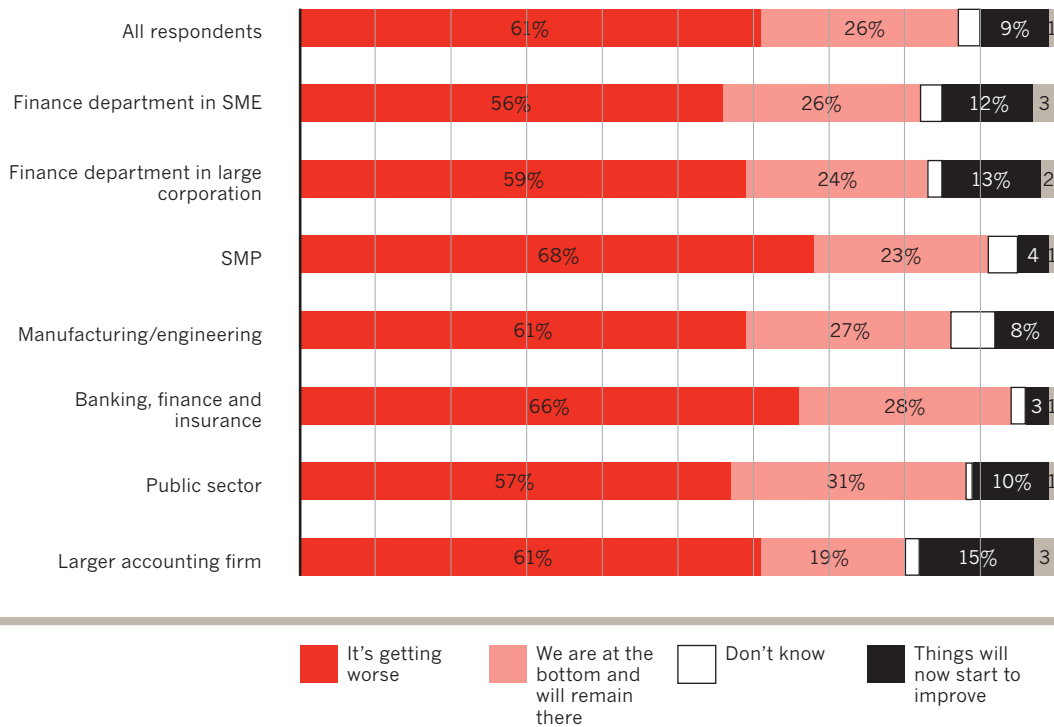
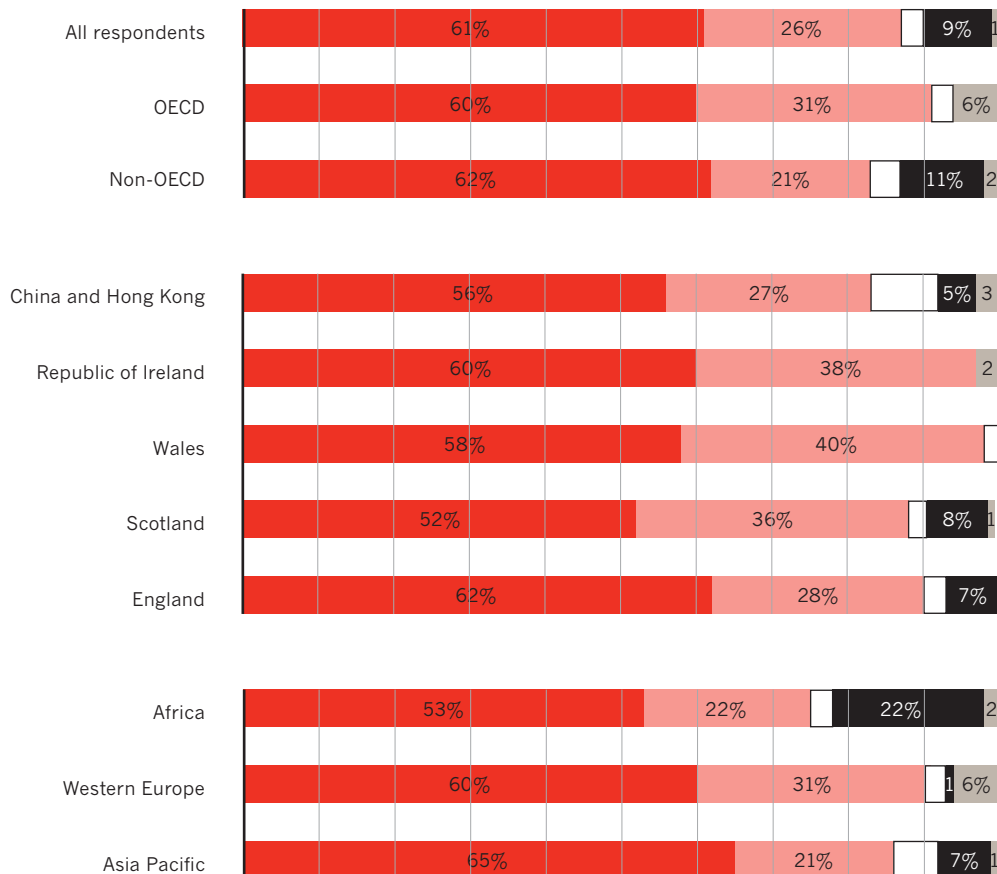


Figure 2.6: Current global economy perceptions – selected regional groupings and countries



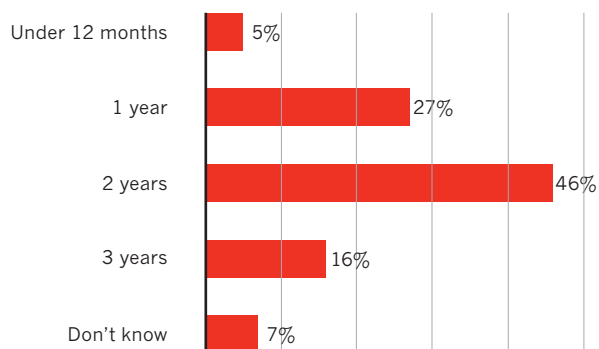
Again, finance professionals embedded in SMEs made the most optimistic forecasts: although 45% expected current conditions to continue for two years, 43% expected a recovery sooner than that. Those in manufacturing and engineering follow, with 38% predicting a recovery before the two-year milestone.

It is important to note that professionals in financial services and accountancy practices (especially large ones) predict a longer recession than others, even though they were generally more confident about prospects. Their views should not be easily disregarded, as the global economic recovery hinges on repairing the banking system – and accountants in practice are ideally placed to comment on the strength of company balance sheets.

We will come out on top, probably better than ever before. It is essential that people continue to think positive and look to the future with hope.

Assistant finance manager, hospitality/tourism, Mozambique

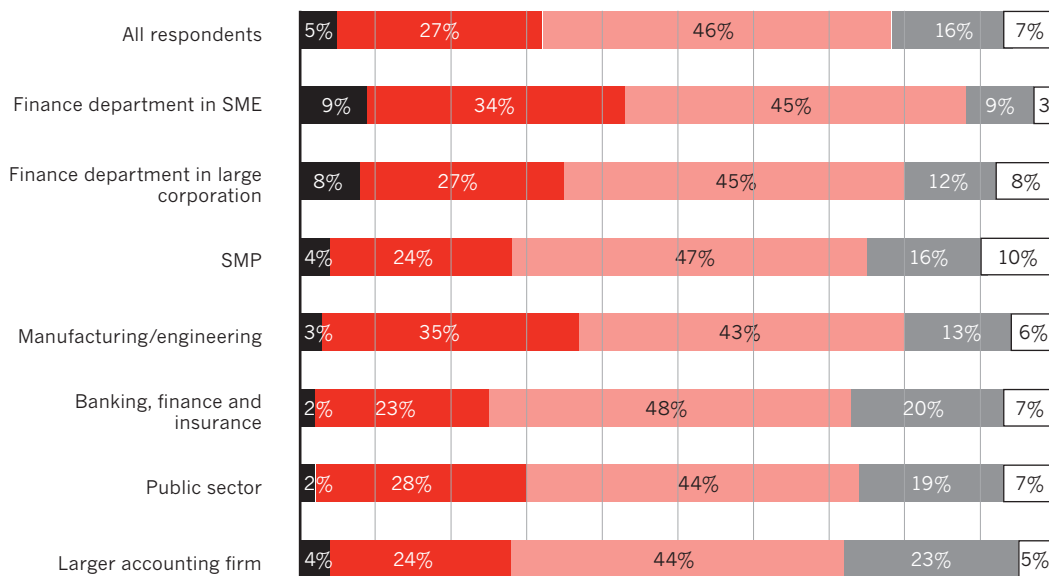
Figure 2.7: How long will it last?



I think the world economy should start picking up in the next 18 months. Jobs should be created and people will get opportunities all over the world to work and do business.

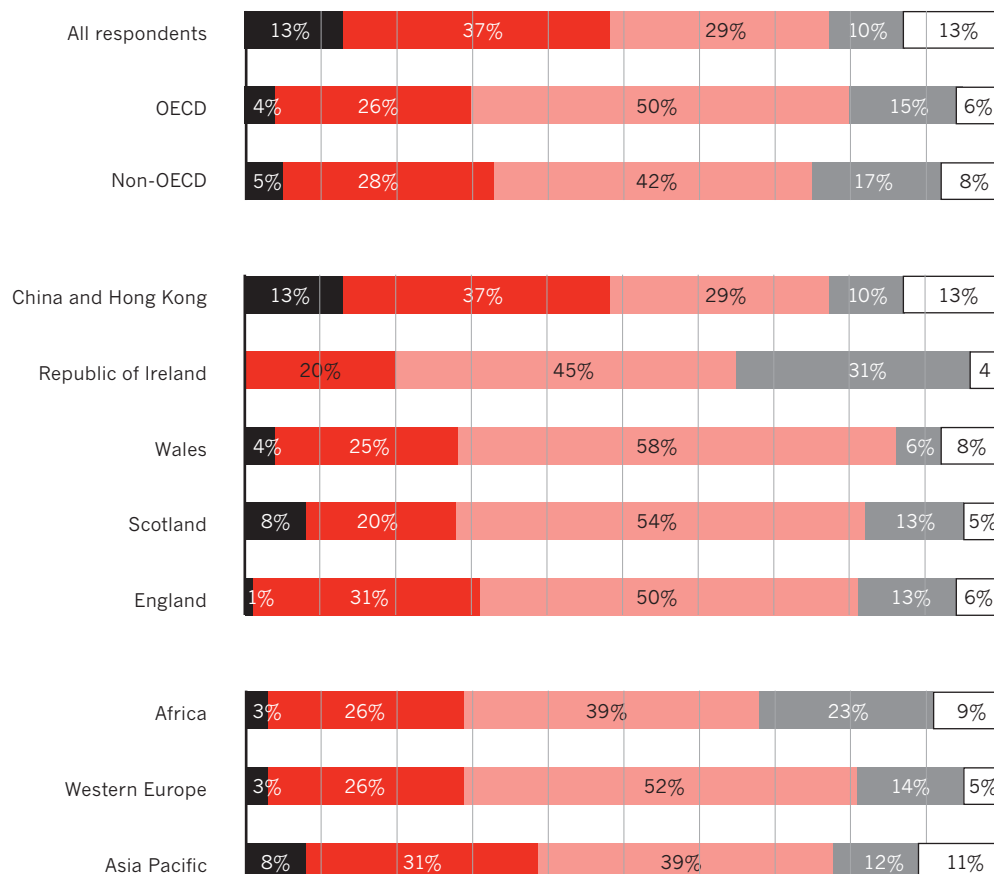
Senior manager, manufacturing/engineering company, Pakistan

Figure 2.8: How long will it last? – by broad sector



Under 12 months
 1 year
 2 years
 3 years or more
 Don't know

Figure 2.9: How long will it last? – selected regional groupings and countries

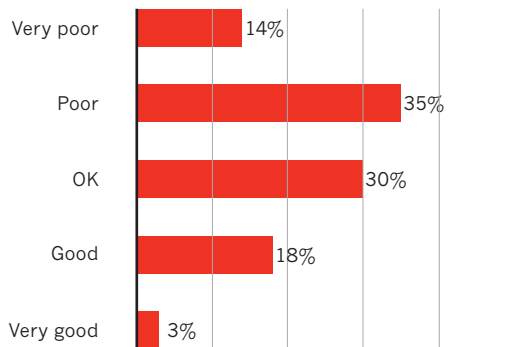


GOVERNMENTS CAN ONLY DO SO MUCH – BUT THEY HAVEN'T DONE ENOUGH YET.

Around 20% of respondents felt that their government's response to the economic conditions was good or very good and a further 30% neither approved nor disapproved of the actions taken. However, almost half of the respondents (49%) gave a negative assessment of government initiatives, although many of the critics also acknowledged that there is only so much that individual governments can do. Professionals working for SMEs were least impressed with government measures, whereas finance professionals in large corporates offered the most positive feedback, more so on average than even public sector employees.

Not all governments have had to face the same problems and their reactions have varied. Finance professionals in OECD countries, where the financial turmoil struck first, are less satisfied than those in emerging and less developed countries. Ireland is a particularly grim example, where concerns about the state of public finances led 79% of respondents to rate the government's response as "poor" or "very poor". This is much higher than the disapproval rate across Western Europe (54%), and more than double the disapproval rate in the Asia Pacific region (39%).

Figure 2.10: Government response to current economic downturn



The government can be a catalyst, but the corporations have to act. Due to the lack of confidence, the corporations so far have not acted to help with the execution. The industry (banks and financial institutions) need to be more responsive.

Director, global HR consulting firm, US

They should have put measures in place to help businesses apart from the banks. They could have opened a credit line to struggling businesses.

Manager, finance department in large Manufacturing company, England

Figure 2.11: Government response to current economic downturn – by broad sector

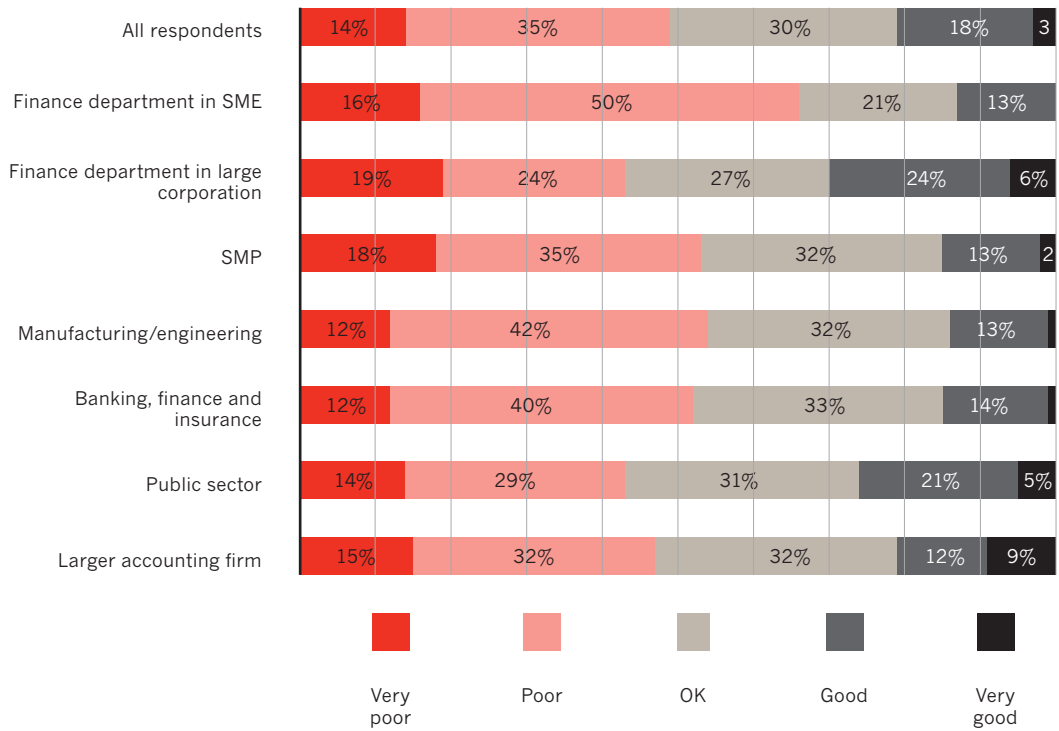


Figure 2.12: Government responses and business optimism



3. Business impacts

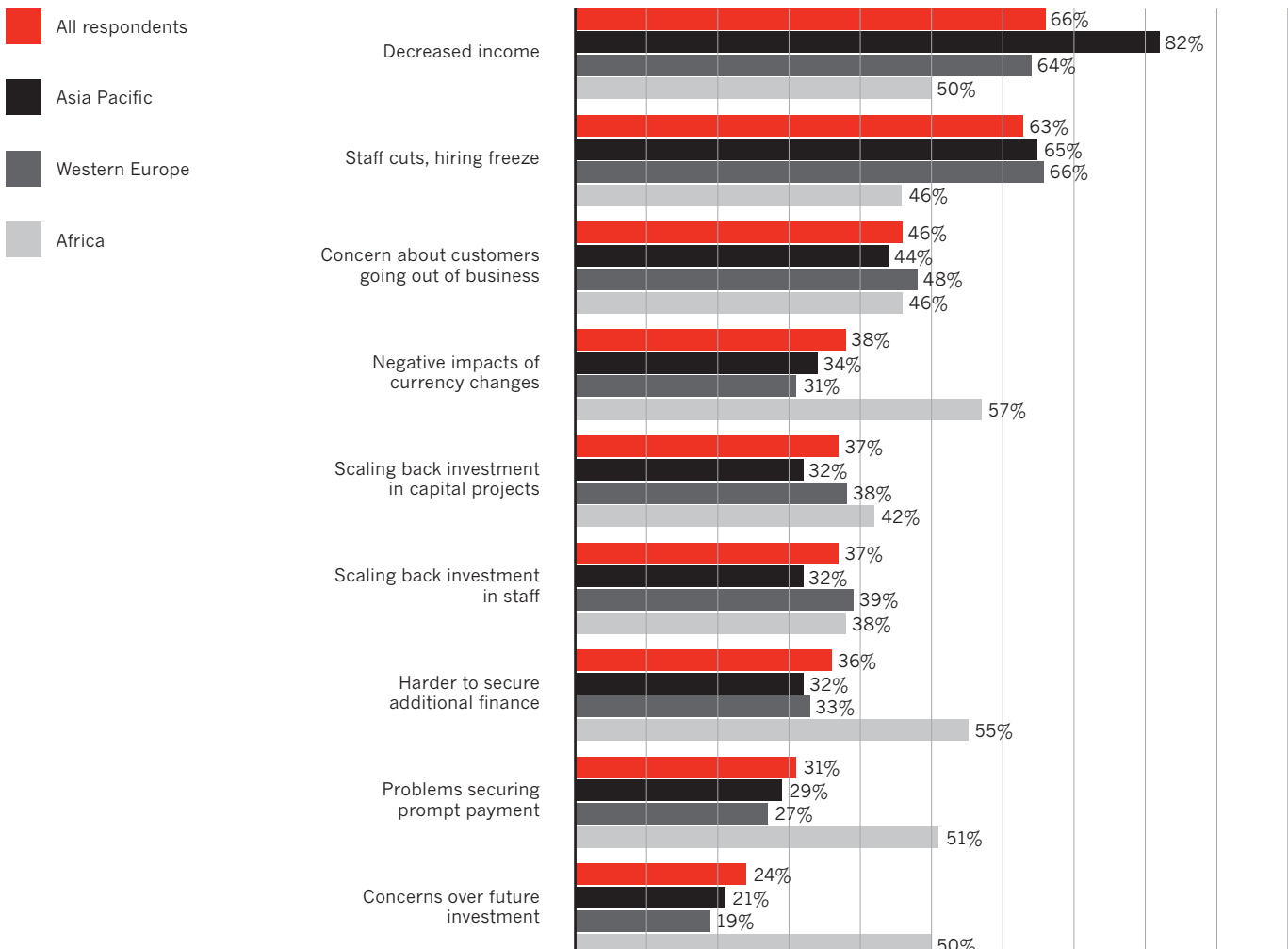
GLOBAL TRADE: A LONG WAY FROM BUSINESS AS USUAL

Across nearly all sectors and geographies, the most widely-felt impact of the current economic conditions is a decrease in business income. Overall, two thirds (66%) of respondents noted a fall in income for their own businesses and those of their clients as a result of economic conditions. Professionals in accountancy practices, especially SMPs, were most likely to cite a loss of income. On the other hand, accountants employed by SMEs noted less of an effect on demand – only their colleagues in the public sector were less affected.

Demand trends illustrate how fragile the flow of world trade is: the more extrovert economies that led global growth in the boom years are now most exposed to the downturn. The exporter economies of Asia Pacific registered the largest fall in demand, with 82% of finance professionals affected directly or indirectly. The effect witnessed by professionals in China and Hong Kong has been even greater.

Those doing business across borders are also strongly affected by the impact of currency fluctuations. Over one third (38%) of respondents reported concerns about exchange rates, although non-OECD countries were more extensively affected. In Africa, currency fluctuations were the most widely cited impact of the current economic conditions – even ahead of falling demand.

Figure 3.1: Top impacts – by region

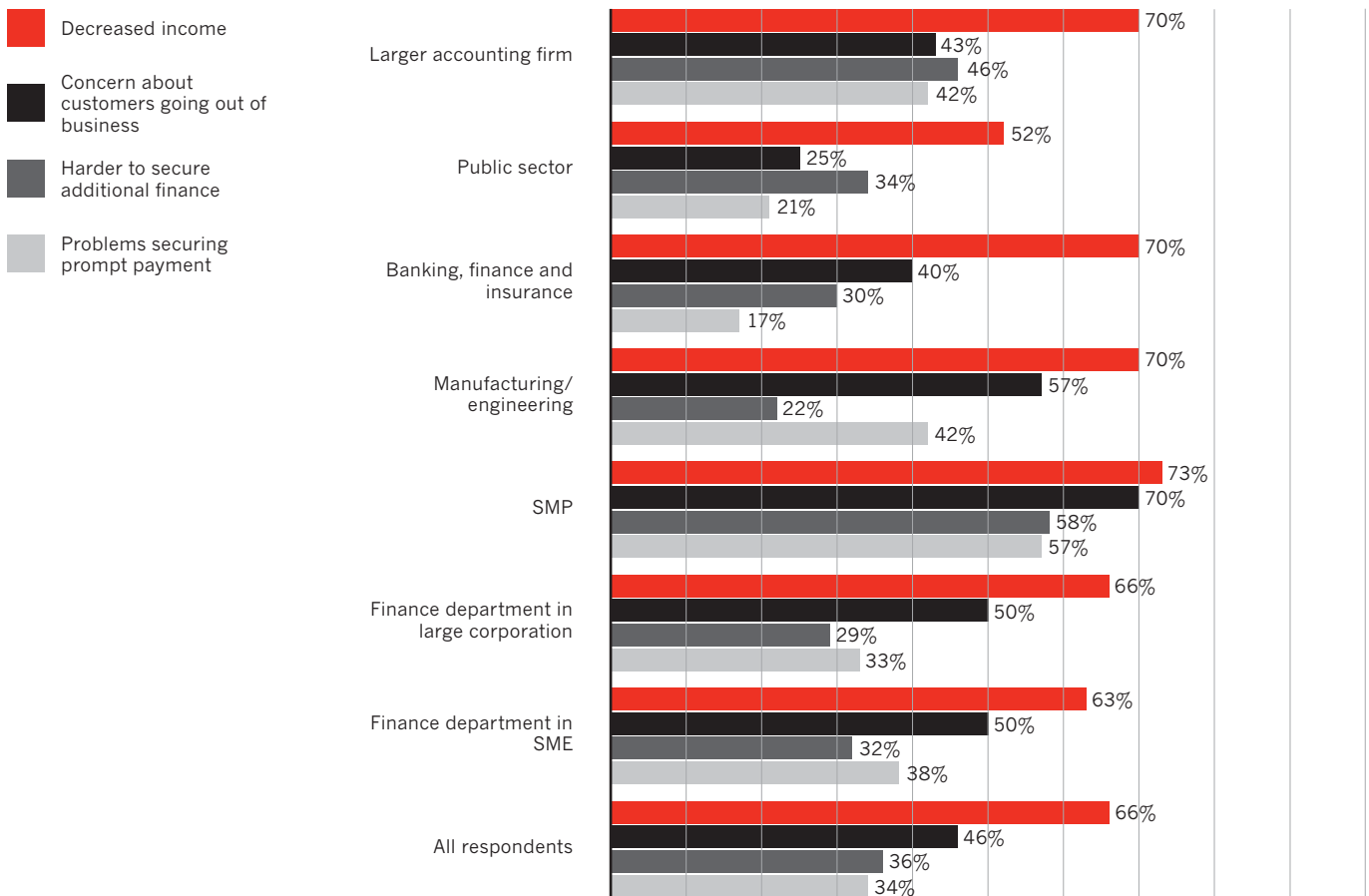


BEYOND THE CREDIT CRUNCH: TRADE CREDIT AND THE REAL ECONOMY

Much has been said about the supply of credit in the past year, but there has been an undue emphasis on bank lending. There is no denying that renewing or increasing loan facilities is a problem for many businesses – more than one third of respondents have seen credit tighten. But trade credit, the kind extended by suppliers to their customers, is just as important to the real economy as bank lending, if not more so.

Outside the financial services industry, more of our respondents reported difficulties securing prompt payment than new credit lines. Many more were worried about customers going out of business. This view is shared across the real economy by finance staff in SMEs as well as large corporates, and especially by accountants in the manufacturing and engineering sectors.

Figure 3.2: Selected impacts of economic conditions – by broad sector

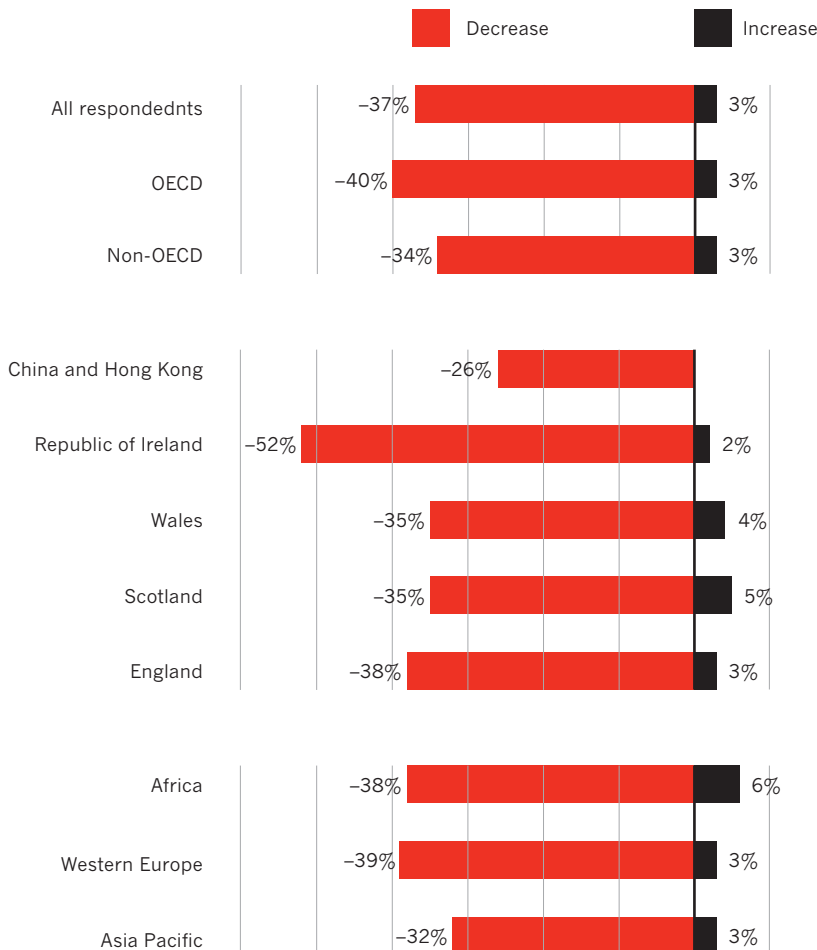


INVESTMENT GOING INTO REVERSE

The loss of business confidence has taken its toll on investment in its various forms. With demand falling, finance tightening and uncertainty about the future building, more than one in three finance professionals report that businesses have scaled back their investment in both staff and capital. Although a small percentage of respondents said spending on staff has actually increased. Cuts have so far been more extensive in OECD countries. It is particularly encouraging that capital investment is holding up best in the Asia Pacific region, and particularly in China, despite falling demand.

Investment in staff has fallen furthest in financial services firms and large accountancy practices, whereas finance professionals in industry, both large corporates and SMEs, have registered smaller losses. According to finance professionals, capital investment appears to have fallen most sharply in financial services and among large corporates.

Figure 3.3: Investment in staff – selected regional groupings and countries



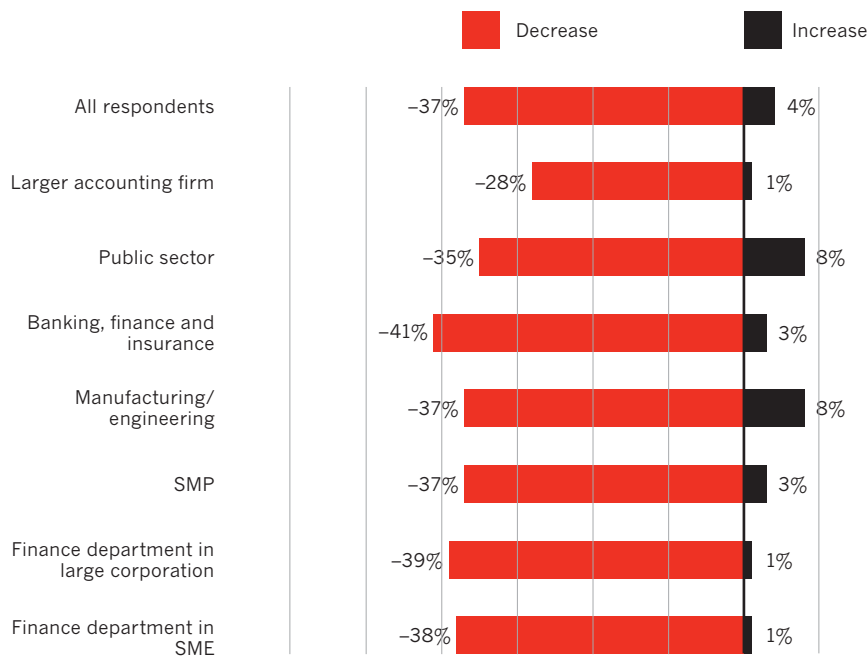
We have seen the total demand for our goods decline 40% so far and expect to see a further 10–20% decline in 2009. It may also be that during the next 12 months a number of competitors will fail.

Director, global car manufacturer, Italy

We have problems securing payments from our customers, which is affecting cash flow and consequently our daily operations.

Senior auditor, mid-tier/international accounting firm, Republic of Ireland

Figure 3.4: Investment in capital projects – by broad sector



DON'T TRAMPLE ON THE GREEN SHOOTS

In many countries, economic recovery has become a taboo subject and celebrating good news has been branded as insensitive. Yet there are real, positive changes taking place in the business world. For many respondents (33%) the current economic conditions only offer the opportunity to prioritise efficiency and savings – this is the most common response across industries and regions. But other opportunities are presenting themselves. Professionals in accountancy practices, especially smaller ones, believe their organisations can reap benefits by focusing on niche markets or services. In finance departments in industry, professionals expect their organisations to benefit from entering new markets. Smaller businesses and the public sector are welcoming the opportunity to focus on higher quality standards. And in the troubled financial services sector, finance professionals see opportunities in building strong relationships.

In geographical terms, second-most-common opportunities diverge: in more advanced economies, the overall trend is towards exploring closer relationships with customers and suppliers as businesses wake up to the degree of interdependence in their supply chains. In non-OECD countries, more businesses appear determined to improve quality standards as their cost advantages dwindle.

We have been able to venture into new consultancy business hence increasing our turnover.

Manager, Big Four accountancy firm, Yemen

Table 3.1: Opportunities – by broad sector

	Most common	% citing	Second most common	% citing
All respondents	Explore lowering costs	33%	Build strong client/supplier relationships	18%
Larger accounting firm	Explore lowering costs	24%	Focus on niche markets/products	16%
Public sector	Explore lowering costs	28%	Promote high quality standards	17%
Banking, Finance and Insurance	Explore lowering costs	30%	Build strong client/supplier relationships	21%
Manufacturing/Engineering	Explore lowering costs	38%	Explore/enter new markets	16%
SMP	Explore lowering costs	27%	Focus on niche markets/products	24%
Finance department in large corporate	Explore lowering costs	42%	Explore/enter new markets	24%
Finance department in SME	Explore lowering costs	40%	Promote high quality standards	22%

Base: All respondents

Question: What have been the major outcomes for you and/or your clients' organisations as a result of the changes to the global economy?

Though my organization currently does not have a liquidity problem, low consumer confidence has effected our revenues considerably.

Senior manager, international retailer, UAE

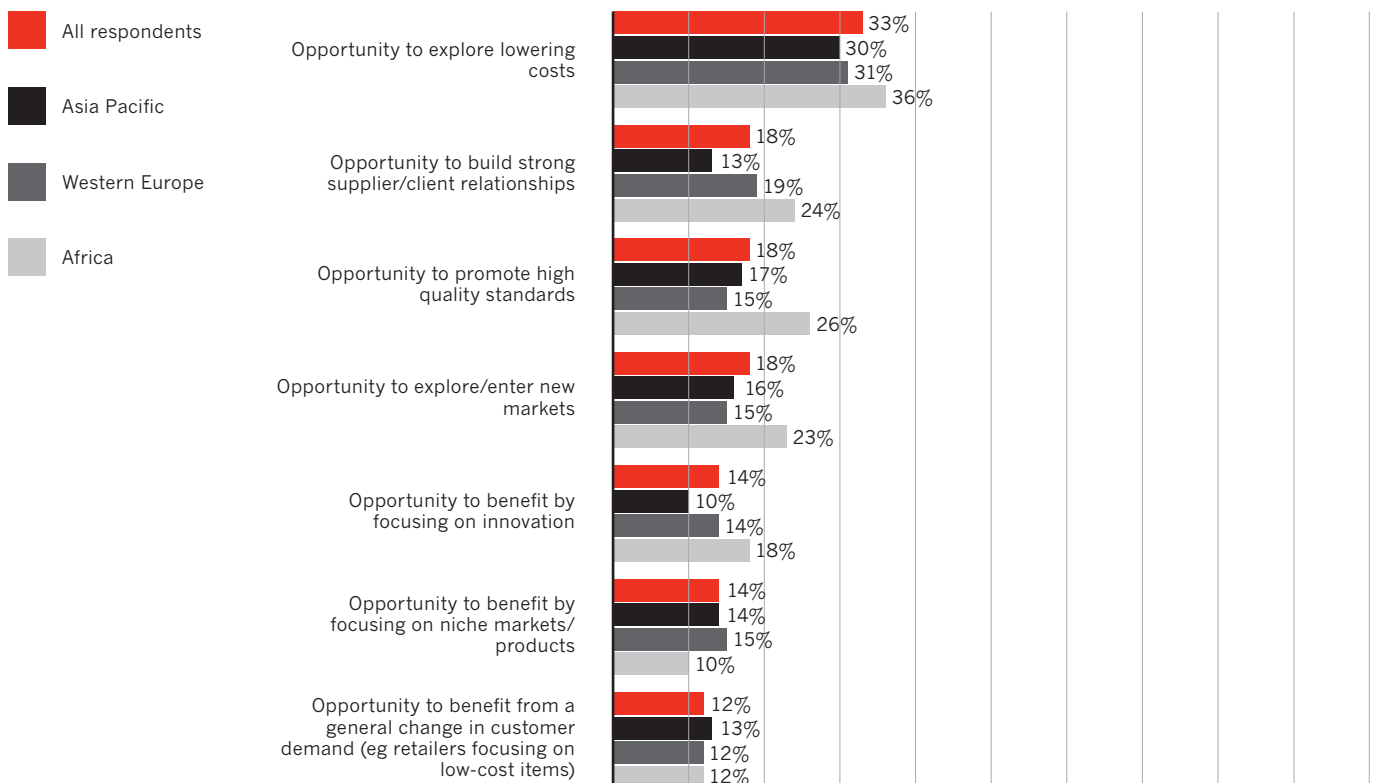
Our local currency is weak and so far it has depreciated by about 20% since August last year. Hauliage and clearing costs have also increased.

Newly qualified accountant, small-to-medium-sized manufacturing company, Uganda

Our organisation is doing more on brand building, looking for good locations for new outlets, recruiting professionals, and providing training to staff.

Senior manager, retail/consumer goods company, Singapore

Figure 4.5: Business opportunities – by region



4. Impact on finance professionals

FINANCE HEADCOUNT REBOUNDED, BUT PROFESSIONAL DEVELOPMENT TAKES A HIT

Most respondents (60%) did not witness any change in their organisations' finance headcount in the 3 months to February 2009.

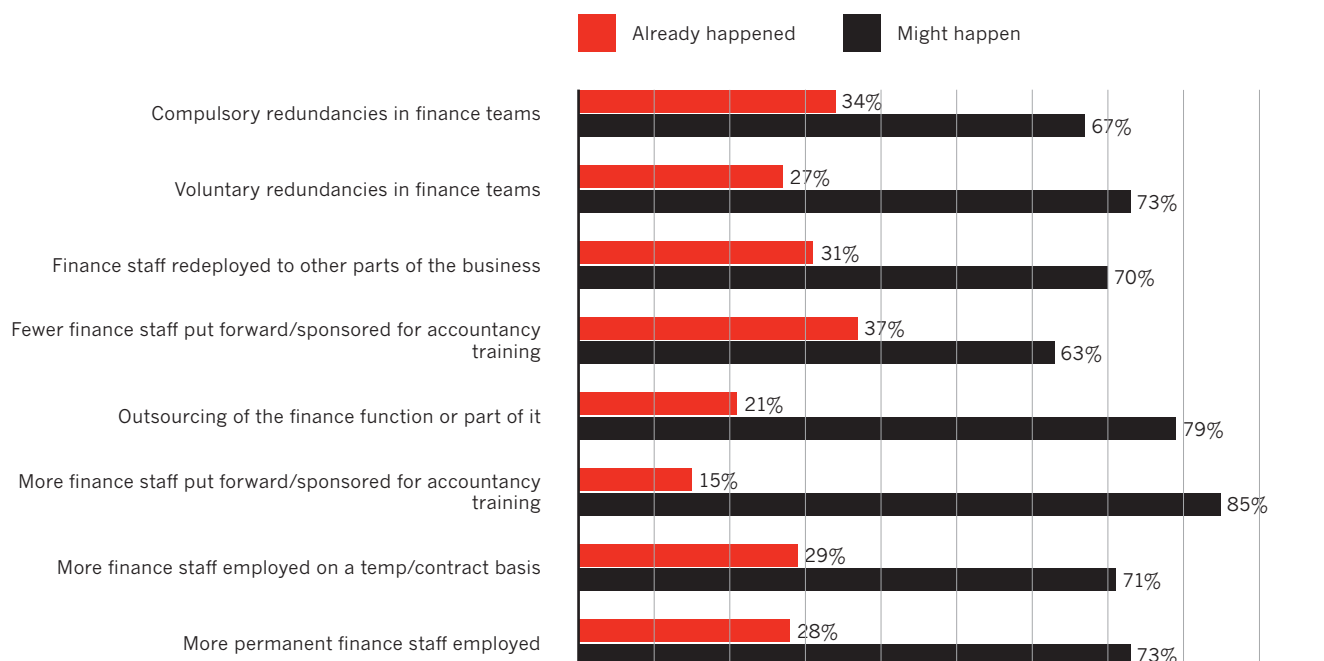
There have been some job losses as almost one in five saw headcount falling slightly (12%) or substantially (7%). Yet another 16% of respondents saw finance headcount increase. Employment of new finance staff is split between temporary and permanent staff – though financial services employers appear to have so far relied more on temporary workers.

There is, as yet, no expectation that this situation will be reversed over the following 12 months: more than a quarter (28%) of respondents expect their organisations to reduce the number of finance staff employed, while only about one in six (18%) expect headcount to rise. A much larger share of respondents (41%) expected no change.

The limited sensitivity of finance employment, as well as the conflicting trends illustrated by the survey, suggest that firms can only make so many savings by cutting their finance headcount. Most organisations do not want to compromise their capabilities in finance in this challenging economic environment.

The resilience of finance employment may also reflect the medium-term trends in demand for finance professionals discussed in ACCA's recent research report, *Accountancy: The Future Outlook*. This research found that, despite the effects of the current downturn, demand for accountants is expected to remain high over the next five years, driven by developing countries and large accountancy practices. This is due not only to continued growth but also to a trend towards deepening of financial capabilities. Where there is less potential to pursue such improvements, for instance in more established Western economies such as those of the UK and Ireland, demand is still expected to rise, if less strongly than elsewhere.

Figure 4.1: What's happening in finance?



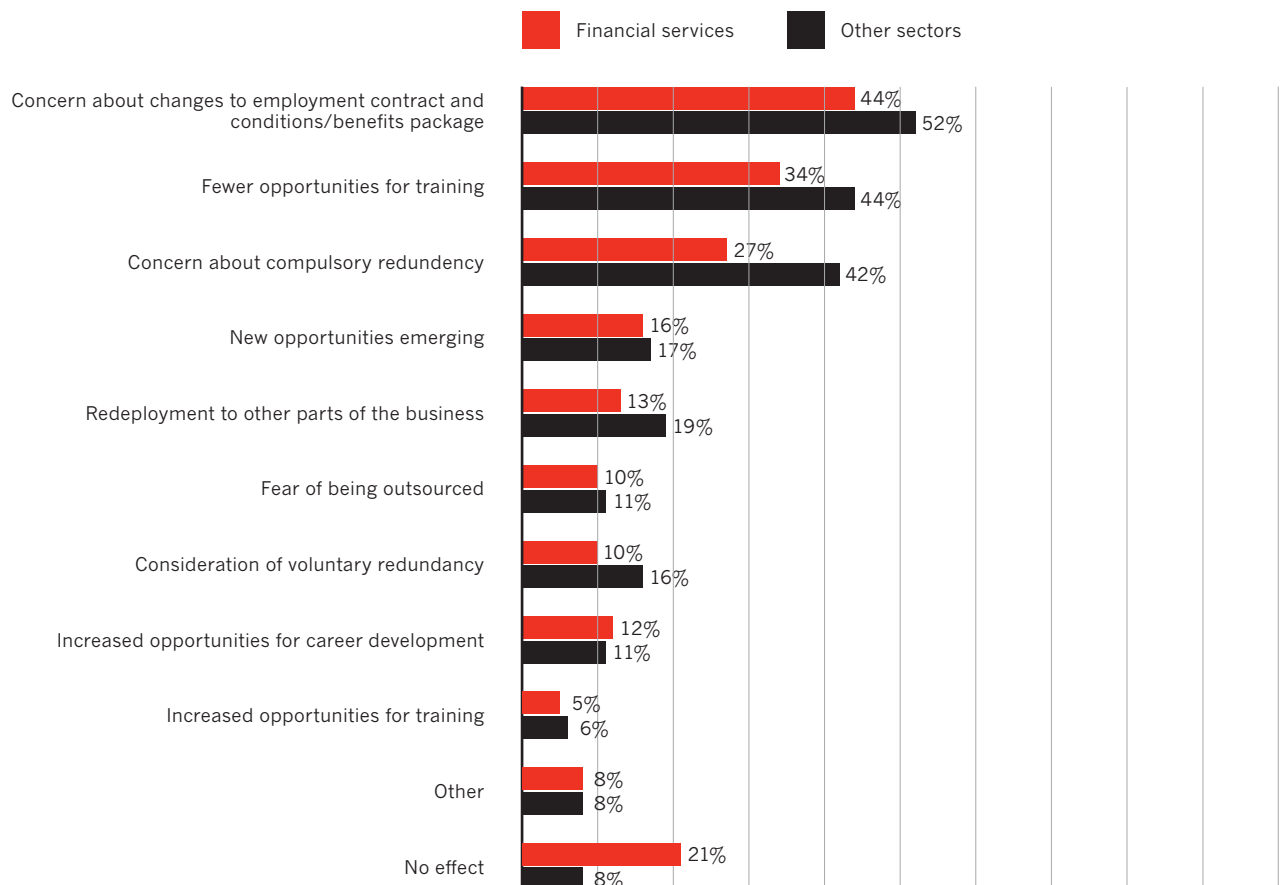
Our budgets for training have been slashed significantly. All we spend is now limited to needs-only.

Senior manager, banking/insurance sector, Uganda

For finance positions, full accounting qualifications have become fundamental for interview selection.

Deputy financial controller in large oil company, Malaysia

Figure 4.2: Impact on career development: financial services vs other sectors

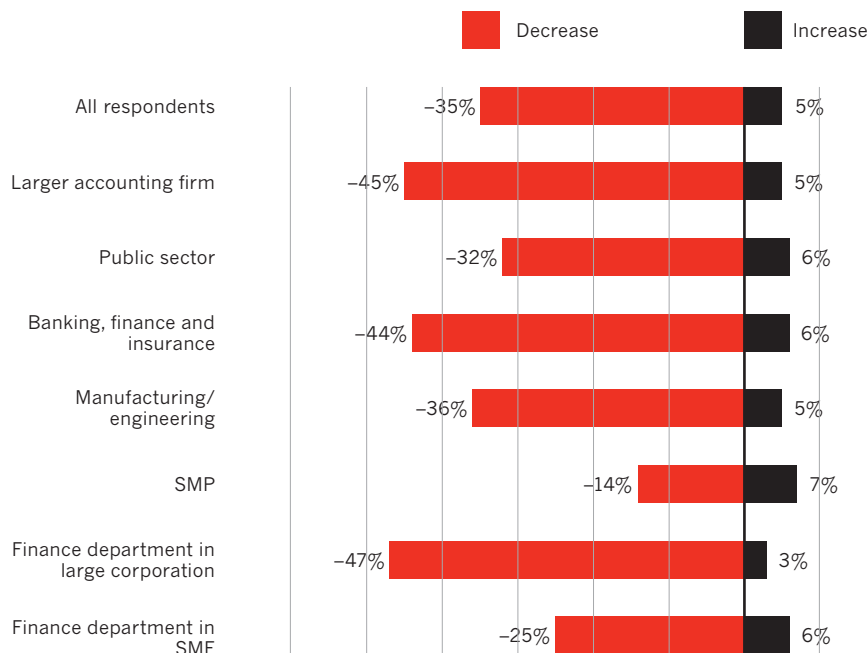


It is important not to overstate the potential negative effect of economic conditions on finance professionals' earnings. More than 30% of respondents expected their income to be unaffected, and more than one in ten expected their income to rise because of the financial crisis. Although finance professionals expect remuneration and contract terms to be most affected by the economic climate, they are also concerned about training and career development opportunities and this is a key area of risk for businesses. More than a third of respondents (and nearly half in financial services) saw their organisation sponsor fewer staff for accountancy training in the past six to nine months, and more professionals fear cutbacks on training (35%) than redundancy, particularly in the finance departments of large corporates.

Especially concerning is the finding that accountants in non-OECD countries are almost twice as likely to predict that training opportunities will dwindle in the near future as their colleagues in more developed nations. If these nations are to lead the world economy out of its current predicament, finance staff will need the right skills.

Evidence from other ACCA surveys suggests that, in the medium term, there continues to be a high demand for finance professionals. A report by ACCA, *Perspectives on Talent Management in Challenging Times*, suggests that any reduction in the skilled pool of professionals within business could be a false economy, leading to organisations missing the opportunities for identifying and maximising new directions as the economy recovers.

Figure 4.3: Opportunities for accountancy training, by broad sector



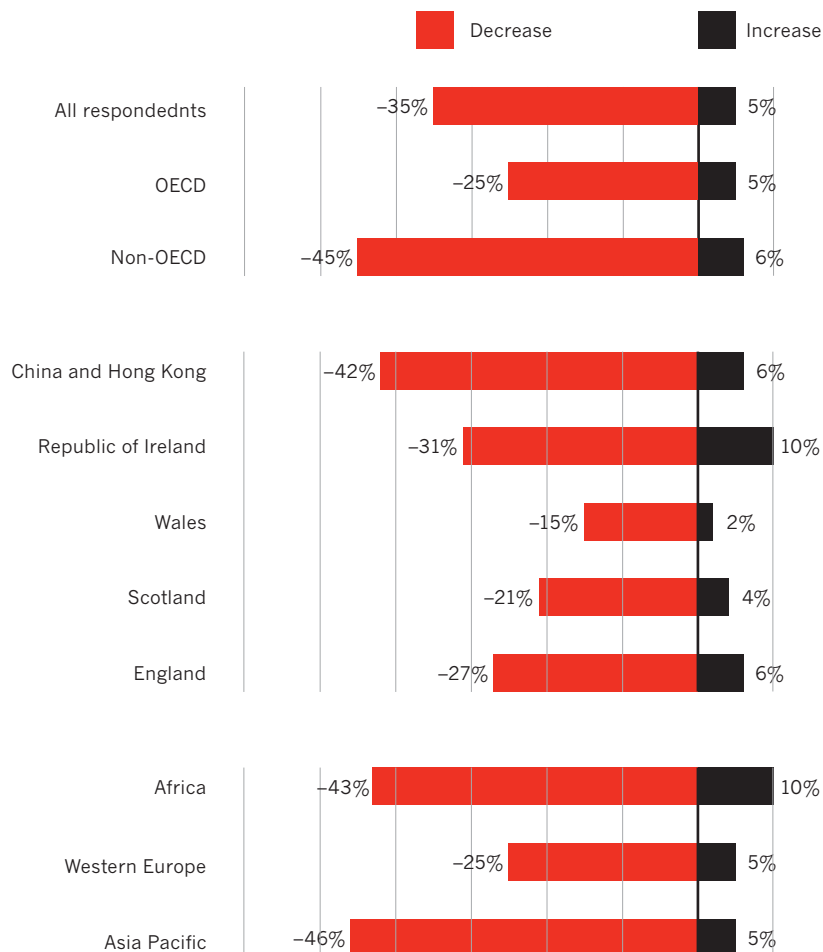
While pride in working for a bank dissipates I always have the pride of being part of ACCA.

Business manager, global retail bank, England

I am aware of some smaller enterprises in the profession (public accounting) that are now looking to increase staff as there is now a supply of available accountants which Australia did not have before the crisis

Self-employed accounting practitioner, Australia

Figure 4.4: Opportunities for accountancy training, selected regional groupings and countries



STAFF CUTS GIVING WAY TO MORE FLEXIBLE COST-CUTTING

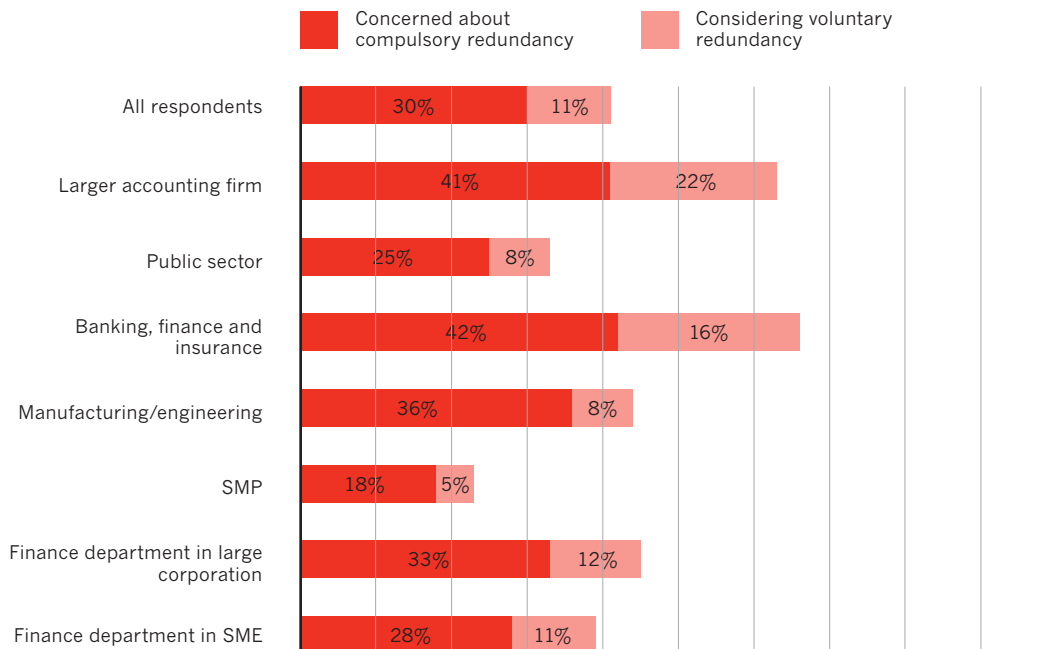
So far, compulsory redundancies have been more common than voluntary ones, though respondents expect that voluntary measures will close some of the gap during the next 12 months. Increasingly, many employers are trying to hold on to finance staff through alternative postings. On the whole, accountants are more likely to face or consider redundancy in the financial services sector and in large accountancy practices, whereas SMPs appear most likely to hold on to professional staff.

Early rounds of redundancies have presented firms with an opportunity to trim their headcount on the basis of performance – but as staff cuts move deeper into the core of the finance function, employers are having to become more flexible. Findings confirm that voluntary redundancy plays a greater role as more staff cuts are performed (see Figure 4.5).

My employer is in the process of re-organising the organisation, and may use this opportunity to cut staff and not pay a previously agreed increase in salary.

Manager, public financial services organisation, Jamaica

Figure 4.5: Redundancies – professionals’ perceptions by broad sector



5. Next steps and further reading

ACCA is very grateful to the 805 ACCA members who took the time to participate in the Global Economic Conditions Survey and shared their expert views of economic developments in their countries and industries.

We are especially grateful that a majority of respondents (96%) said that they were willing to take part in the next quarterly survey, and we aim to add more of our members to this global panel of experts.

We now know that businesses expect the already tough economic conditions to worsen before the recovery begins. Away from the headlines, the real concerns are around issues such as whether suppliers are prepared to extend more trade credit to customers. While many have reacted to late payment and failing customers by taking cost cutting measures – significant numbers are already using the current climate as an opportunity to strengthen supply chains and improve quality standards to make them less vulnerable in future.

Finance professionals are rightly preparing clients of all sizes for more difficult times, but there are signs that the small business sector, where ACCA expects to see the first signs of recovery, is more optimistic.

Going forward, we will report on the findings of the Global Economic Conditions Survey on a quarterly basis, focusing on change and identifying short-term trends as countries and industries work their way through the economic cycle. We will be looking for signs that policy makers are working

to address the issues and needs of the real economy and whether businesses are being innovative and are confident enough to take long term investment decisions.

These reports will add to a growing body of relevant research and policy publications. Since the first outbreak of financial turmoil in Western economies, ACCA set out our understanding of what went wrong and how the global financial system could be repaired in our policy papers, *Corporate Governance and the Credit Crunch* and *Climbing out of the Credit Crunch*. In the real economy, our recent policy paper, *Supporting Enterprise Globally*, reviews ACCA's most current work and thinking on small business issues around the world.

Additionally, through our 'Insight Series' of publications ACCA is monitoring medium- and long-term developments in the demand for finance skills and the role of finance professionals. The latest Insight report, *Perspectives on Talent Management in Challenging Times*, considers how retaining and building finance capabilities can enable resilient businesses to take advantage of economic recovery. This follows *Accountancy: The Future Outlook*, written in collaboration with the BPRI Group, which highlighted the areas of growing demand for financial skills over the next five years. Both reports in turn build on *A Changing Profession*, and its findings on the emerging roles and skillsets of professional accountants in the medium-term.

All reports can be found at www.accaglobal.com/economy

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