The Association of Accountants and Financial Professionals in Business

The global body for professional accountants

Global economic conditions survey report: Q1, 2013

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

ABOUT ACCA

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

We support our 154,000 members and 432,000 students throughout their careers, providing services through a network of 83 offices and centres. 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.

ABOUT IMA

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

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Global economic conditions survey report: Q1, 2013

About the survey

The global economic conditions survey, carried out jointly by ACCA and IMA since late 2011, is the largest regular economic survey of accountants in the world, both in terms of the number of respondents and in terms of the number and scope of economic variables it monitors. Its main indices are good predictors of GDP in the OECD countries and daily trend deviations correlate well with the VIX or 'fear' index, which measures expected stock price volatility.

The Q1 2013 survey is the sixth jointly carried out by ACCA and IMA and the seventeenth in the series since it was launched in early 2009. Between 28 February and 21 March 2013, it attracted responses from just under 2,000 finance professionals, including almost 800 senior managers, and among those 168 CFOs. As always, ACCA and IMA are grateful to our members who took the time to share their first-hand views of the recovery.

Widespread optimism gives global economy a short-lived boost

Nearly one quarter (24%) of respondents reported they were more confident about the prospects of their organisations than three months earlier, up from 19% in late 2012, while 37% reported a loss of confidence, down from 43%. Further analysis reveals that this rise in global business confidence is significant, and can't be explained away as the result of changes in the makeup of the GECS sample. However, it also can't be explained in terms of the fundamentals, such as changes in demand, access to finance, or value added opportunities. The confidence gains recorded in Q1 2013 are much larger than what would be expected given improved economic fundamentals. As a result, they are likely to be short-lived.

Instead of fundamentals, it is rising expectations of a global recovery that have boosted respondents' confidence – a sharp increase illustrated in Figure 1. Over two fifths (43%) of respondents in early 2013 believed the global economy was improving or about to do so, up from 30% in the previous quarter, while just over half (54%) expected deterioration or stagnation, down from 65% in late 2012. This re-appraisal of economic trends to some extent an established seasonal effect; it was also observed in previous first- and second-quarter surveys, and tends to be reversed as the year draws to a close.

Figure 1: Major ACCA/IMA indices

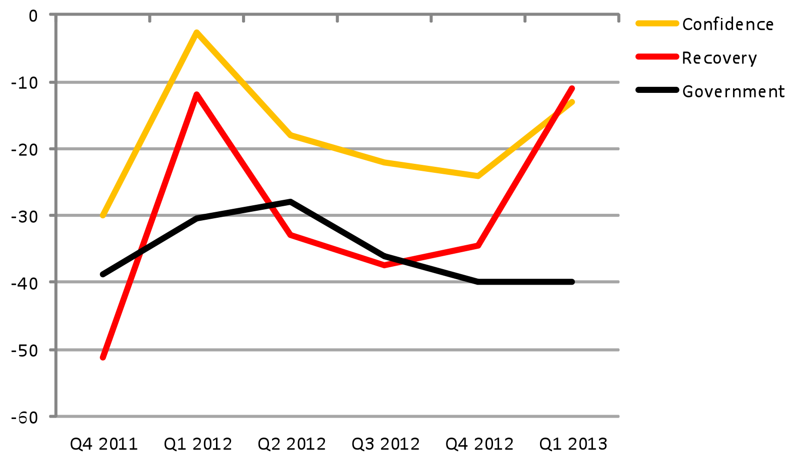


Figure 2: GECS Orders and Cashflow Indices

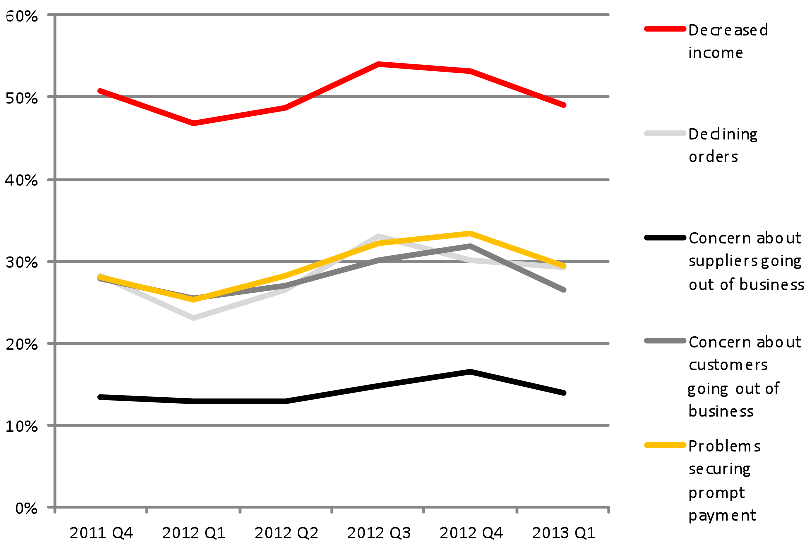


Figure 3: GECS Dynamism Indices

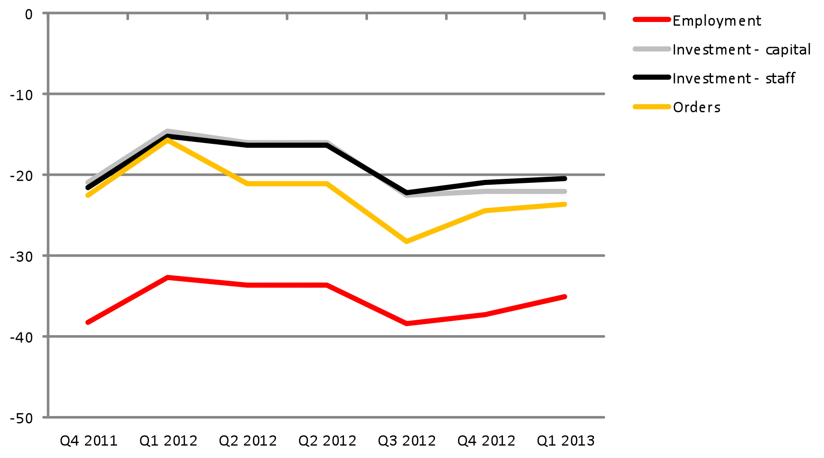
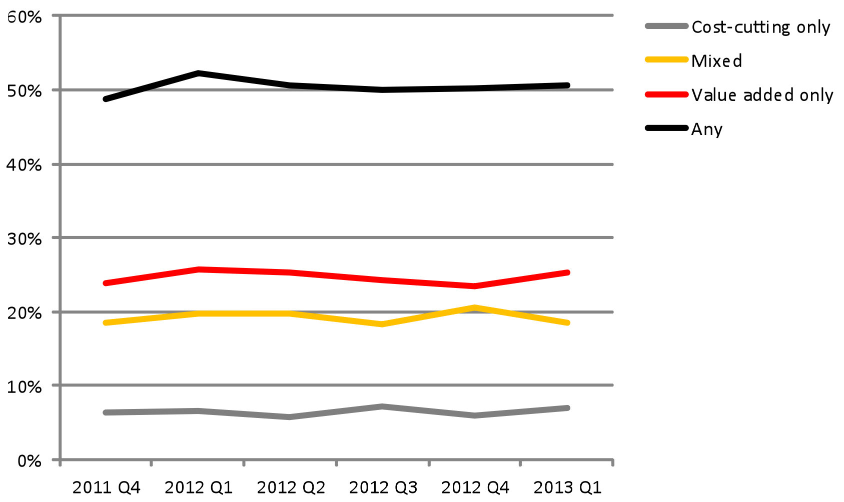


Figure 4: Share of respondents reporting business opportunities, by type



There is one more reason to expect a significant loss of confidence in the second quarter of 2013. Fieldwork for Q1 was already almost complete on 16 March, when news emerged of the controversial Eurogroup decision to impose a depositor levy as part of the resolution plan for troubled banks in Cyprus. This measure, later adjusted to a depositor and bondholder bail-in, has strongly influenced business confidence in the Eurozone and beyond, and its effects will be examined in depth in the Q2 survey.

This is not to say that the fundamentals did not genuinely improve in early 2013. At the global level, pressures on cashflow and new orders eased significantly (see Figure 2), having peaked in Q3 2012, and access to growth capital improved, leading to a significant acceleration in business capacity building – although this was mostly in the form of hiring and personnel development as opposed to capital spending (see Figure 3).

Although respondents report a steady improvement in term of opportunities for investment, there is no corresponding proliferation of genuine value-added business opportunities (Figure 4) – suggesting that too much money may soon be chasing too few opportunities at the global level.

Fundamentals: an overview of the regions and selected markets

Business confidence rose across the regions, with the Americas, Western Europe and South Asia leading the recovery. The highest confidence levels and the highest level of optimism about the global recovery were both observed in the Middle East, which once again overtook Africa as the leader of the recovery (See Figure 5). Tables 1 and 2 at the end of this section provide details of respondents' perceptions.

PESSIMISM IN AFRICA DAMPENS BUOYANT MOOD

Africa was the only region in which business confidence actually fell in early 2013, dragged down mostly by struggling small and medium-sized enterprises (SMEs) and non-profits. Within the continent, Cameroon, Uganda and Nigeria lagged a little behind other countries.

This result, though disappointing, is not surprising. It is chiefly the result of a whole year of mounting pressure on cashflow and new orders, although it doesn't help that respondents also saw business opportunities dwindle yet again after reaching their peak in late 2012.

The good news is that access to growth capital is easier than in the recent past and shows signs of stabilising. Inflation and foreign exchange (FX) volatility are also down, although the overall trend over the last year and a half is not encouraging.

Despite this difficult environment, business capacity building (including capital spending, recruitment and staff development) rose strongly in the six months to March 2013, and was still up year-on-year in Q1 2013. However this trend is not strong and could reverse.

Figure 5: GECS confidence index by region

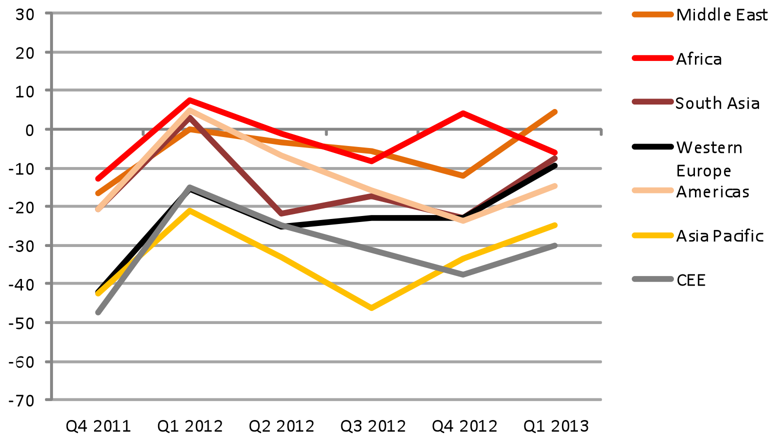
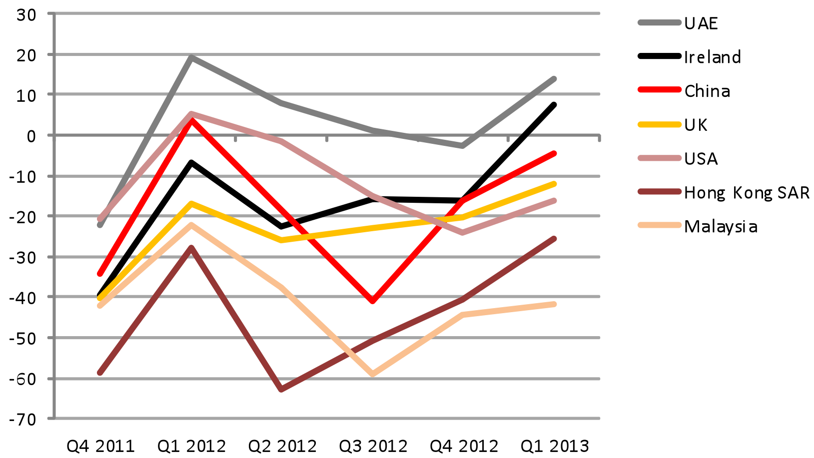


Figure 6: GECS confidence index in selected markets



THE UNITED STATES' POLITICAL HANGOVER

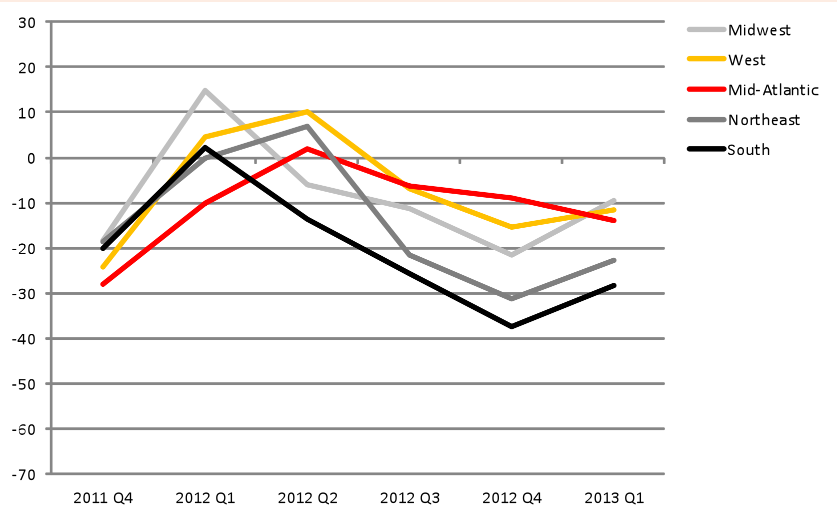
In the US, confidence gains in early 2013 were roughly in line with the global average, although they were held back by poor sentiment among middle management and respondents in large financials. Overall, mid-2012 marked a turning point for the US economy as politics cast a long shadow over the business environment, and only now are businesses beginning to recover and look ahead.

For instance, pressure on cashflow and new orders has been easing for the last six months but is still elevated compared to the period prior to the summer of 2012. Similarly, business and investment opportunities receded substantially in the second half of 2012 and despite a rebound in Q1 they have yet to recover.

As a result, business capacity building may have picked up slightly in early 2013, but is still relatively slow. This is despite the fact that growth capital has become steadily more accessible over the past nine months and that this trend continued, albeit more slowly, in early 2013. On the bright side, FX volatility and inflation have subsided since peaking in Q3 and are now back to levels seen a year and half ago.

Both the economics and the politics of the US recovery are reflected in the fortunes of individual regions – since mid-2012 the Northeast and the South have diverged from the rest of the country in terms of business confidence and performed significantly worse, even taking into account the recent rebound in early 2013. Similarly, confidence in the West and Midwest is converging.

Figure 7: GECS confidence index in US regions



THE CARIBBEAN'S VERY OWN CREDIT CRUNCH.

The Caribbean underperformed the rest of the Americas, with only respondents in large financials and large corporates reporting significant confidence gains. Confidence was most subdued in Jamaica, followed by Barbados and St Lucia.

This relative underperformance has much to do with the fact that pressures on cashflow and orders increased and are elevated compared to last year, while access to growth capital has tightened.

There is also good news coming out of the Caribbean. Business opportunities have generally been on an upward trajectory for the last year and a half, and grew strongly in early 2013. Additionally, FX volatility and inflation are falling for the last six months, after peaking in Q3 and reported investment opportunities surged after falling for nine months straight. As a result, and although a good deal of dynamism was lost in Q1 2013, in net terms business capacity building has strengthened.

WESTERN EUROPE CONTINUES ITS SLOW RECOVERY DESPITE CRISIS AND AUSTERITY

Overall, early 2013 was a good time for European respondents, who reported an unexpected easing of the pressures on cashflow and new orders. These had previously peaked during the second half of 2012.

Although capacity building in the region receded slightly in early 2013, the overall trend in the last year and a half has been positive. This is not unrelated to the fact that access to growth capital has eased steadily over the last year and a half, despite austerity policies and the on-going sovereign debt crisis.

That said, business opportunities are scarce and dwindling over time, and the fact that, meanwhile, reported 'investment opportunities' are slowly multiplying suggests that cash-rich businesses in Western Europe may already be tempted to retain fewer of their earnings in future. Finally, inflationary pressures and FX volatility are slowly on the rise, although they are still well below global levels.

Only Switzerland outperformed the wider region, reversing confidence losses in the previous quarter. Cyprus underperformed strongly in anticipation of its controversial rescue package, but confidence also fell in Malta, the Channel Islands and the Isle of Man.

IRELAND SOLDIERS ON IN A SLOW, CREDIT-CONSTRAINED RECOVERY

Despite on-going austerity, Ireland has performed surprisingly well over the last year, and recorded larger confidence gains in early 2013 than any other of the best-represented ACCA and IMA markets.

This was primarily the result of business opportunities picking up slightly, both quarter-on-quarter and year-on-year, after declining through the second half of 2012. Overall this is a weak, but still encouraging trend. Moreover, following Ireland's crushing credit crunch, access to growth capital has been improving almost consistently in the last year and half, and continued to do so in the last quarter.

On the other hand, pressures on cashflow and orders are up, building on a consistent upward trend since mid-2012. Reported FX volatility and inflation are also on the rise, and grew substantially in Q1. As a result, business capacity building has slowed in early 2013, but is still above last year' levels and shows an overall upward trend. Similarly, reported investment opportunities fell in early 2013 and are down year on year as well.

DESPITE IMPROVED CONDITIONS, SLOWER CAPACITY BUILDING IN THE UK RISKS TRIPLE-DIP

In the UK, pressure on cashflow and new orders peaked in the second half of 2012 but fell sharply in early 2013, albeit to levels still higher than last year's. Less encouraging are the figures on business capacity building. Despite being on an upward trajectory for about a year up to Q4 2012, this has now fallen significantly. The overall trend is not encouraging, even though it has still improved year on year.

This is despite the fact that growth capital has become more accessible since mid-2012 and, although access became more difficult in early 2013 it is still significantly easier than a year ago. The underlying reason for the UK's slow capacity building may instead be that business opportunities receded in Q1, falling to levels comparable to those seen a year ago. That said, the medium-term trend in business opportunities is flat, so it is unlikely to weigh capacity down for long. Finally, FX volatility and inflation have been on the rise for the last 12 months, but appear to have risen further in early 2013.

SCOTLAND POWERS AHEAD OF THE REST OF THE UK ON STRONGER BUSINESS INVESTMENT

In Scotland, business confidence has also been on the rise since mid-2012, although confidence gains have been significantly stronger here than in the rest of the UK. Nearly a third (32%) of respondents reported confidence gains in early 2013, against 13% in late 2012 and 20% in the UK as a whole.

The reasons for such buoyant sentiment in Scotland are complex, pressures on cashflow and orders are falling, after peaking in Q3, and are now below last year's levels. Access to growth capital has improved steadily since Q2 2012, and although business opportunities have become rarer since last year, they are no longer doing so. As a result, business capacity building has accelerated substantially in early 2013, adding to a slow upward trend over the last six quarters. Respondents' views suggest that more earnings are being reinvested into businesses, as outside investment opportunities peaked in mid-2012 and have been falling ever since.

BUSINESS ENVIRONMENT IS STABILISING IN PAKISTAN, BUT HASN'T YET MADE UP FOR LOST GROUND

In Pakistan, 23% of respondents reported confidence gains against 45% who reported losses, but this still represents a mild improvement on previous quarters. Moreover, there is reason to believe that this trend will continue.

Although pressures on cashflow and new orders were growing exponentially in 2012, the first quarter of 2013 saw a strong improvement and could be the beginning of a return to stability.

Business opportunities became rarer, but still matched last year's levels – and overall the trend over the last year and a half is marginally positive. Additionally, respondents report more opportunities for investment, especially year on year – which suggests a weakly positive trend over the last year. As a result business capacity building has accelerated in early 2013, halting a six-month negative trend.

On the other hand, FX volatility and inflation have risen and are now higher than they've been over the last year and a half.

CENTRAL AND EASTERN EUROPE RECOVERING STRONGLY, BUT RUNNING OUT OF GROWTH OPPORTUNITIES

Business confidence in the region rebounded strongly following nine months of deterioration. Poland and Slovakia outperformed their peer group substantially, as did Hungary and the Czech Republic, while Bulgaria emerged as the most notable underperformer.

The strong rebound is to some extent justified. Cashflow and new orders are less constrained than in the previous quarter, when the share of respondents reporting problems probably peaked, although pressures are still substantially elevated compared to the previous year.

On the other hand, value-added business opportunities are still rare, well below last year's levels and showing no signs of improving in the latest quarter. FX volatility and inflation have fallen substantially in the last six months, and growth capital has become steadily easier to access since last year, even though conditions tightened slightly in Q1. The marginal growth in business capacity reported by respondents in the region could be related to this.

DESPITE A SURGE OF CONFIDENCE, SOUTH ASIA IS AT RISK OF 'LOSING DYNAMISM'

In South Asia, business confidence grew strongly in early 2013, although detailed analysis paints a more nuanced picture. Pakistan lagged the rest of the region for business confidence gains and so did respondents in the public sector and (to some extent) SMEs. Perhaps significantly, senior managers and directors in the region registered smaller confidence gains than junior and mid-level staff.

Pressure on cashflow and new orders is down substantially after peaking in Q4, while access to growth capital has been slowly easing for the last nine months. Moreover, reported investment opportunities have been multiplying over the last nine months and the region is now outperforming the global average in this regard.

However, actual business opportunities are still scarce, well below the levels seen in late 2011, and down slightly from late 2012. FX volatility and input price inflation have grown consistently over the last six months and are on an overall upward trajectory.

Despite these challenges, business capacity building accelerated in early 2013, although the region has also lost much of its private sector dynamism and largely depends on government spending for capital formation.

MORE INVESTMENT CHASING FEWER OPPORTUNITIES IN THE ASIA-PACIFIC REGION

The region registered a strong improvement in business confidence in early 2013, against a mixed set of fundamentals. Pressure on cashflow and orders is down following a peak in Q3 2012, and is roughly at the same level as a year ago. Growth capital has become increasingly more accessible over the last year and the region is generally well served by global standards. Finally, investment opportunities have also picked up slightly, although they have been less common over the last nine months compared to earlier periods.

As a result, business capacity building has accelerated slightly over the last six months, although it's still down substantially from a year ago. This may have something to do with the fact that value added business opportunities have receded in general, falling back to the average levels seen over the last two years. Additionally, FX volatility and inflation have ticked upwards, ending what seemed like a trend towards stabilisation over much of the last year.

Australia, New Zealand and Japan outperformed the broader region while China underperformed in terms of business confidence in early 2013. Importantly, though, it was primarily respondents at the director level who held back the rise in business confidence in the region.

SINGAPORE HOLDS ON TO REGIONAL LEAD AS BUSINESS CONDITIONS STABILISE

Singapore may be leading the wider region in terms of business confidence – its fundamentals however speak of an economy still under pressure, but stabilising.

Pressure on cashflow and orders increased slightly, although the medium-term trend is towards greater stability. Similarly, although business opportunities receded in early 2013, following a brief surge in late 2012, they are still above average levels seen over the last six quarters. Inflation and FX volatility increased, however, interrupting what appeared to be a steady improvement over the last year.

On the other hand, investment opportunities have multiplied in early 2013 and access to growth capital has continued to improve, building on a strong trend over the last eighteen months. As a result, business capacity building accelerated mildly, after slowing throughout the second half of 2012,

Q1 2013 COULD MARK THE END OF THE CHINA SLOWDOWN

Despite confidence gains, it is clear that business dynamism in China and Hong Kong has been dented as finance professionals take stock of the slowdown and its aftermath.

Pressures on cashflow and new orders eased significantly in early 2013, following a steady build-up throughout 2012 as the economy slowed down. Inflation and FX volatility have stabilised, after falling consistently for a full year, and respondents report more investment opportunities for their organisations.

On the other hand, actual business opportunities dwindled significantly, ending what had been a fairly stable improvement throughout 2012. Access to growth capital remains inconsistent, and deteriorated in the last quarter. Despite this, however, business capacity building appeared to accelerate in the first quarter of 2013, ending a full year of negative trends, as the China slowdown has turned out to be manageable after all.

DESPITE TEMPORARY RELIEF, MALAYSIA IS RUNNING OUT OF STEAM

While respondents in Malaysia also reported rising confidence, confidence gains were weaker here than in any other well-represented ACCA or IMA market. There is cause for some optimism: pressures on cashflow and new orders fell sharply after rising consistently for a whole year; FX volatility and inflation have increased, but only marginally, and are still well below last year's levels. But otherwise it is clear that a lot of dynamism has drained out of the Malaysia economy.

Reported business opportunities are down marginally to the levels seen last year, while the overall trend has been flat over the last year and a half. Outside investment opportunities have also been falling steadily for the last six months and are now well below last year's levels. Additionally, access to growth capital has followed a weakly negative trend over the last year and a half, including early 2013.

As a result, business capacity building has accelerated only marginally in the first quarter of 2013 and is still very subdued compared to last year's volumes.

MIDDLE EAST TOPS CONFIDENCE LEAGUE TABLE, BUT ITS LEAD IS THREATENED BY FALLING INVESTMENT

The Middle East is now once again leading the global recovery. Cashflow and demand pressures eased sharply compared to their peak in Q4, and have fallen to a very low level by the standards of recent quarters. Moreover, growth capital has become much more accessible and investment opportunities have increased substantially following a dip in the second half of 2012.

On the other hand, FX volatility and inflation have grown over the last six months and are generally on an upward trajectory. More importantly, business opportunities have receded following what appears to have been a one-off surge in Q4, to roughly the same level as one year ago. As a result, despite an improving investment environment, business capacity building has slowed both over the last quarter and year on year.

At the country level, Israel appeared to outperform the rest of the region in terms of business confidence, while Jordan underperformed. Among the different occupations, it was supervisors who demonstrated the smallest confidence gains.

IN THE BUOYANT EMIRATES, TOO MUCH CAPITAL MAY SOON BE CHASING TOO FEW OPPORTUNITIES

As in previous quarters, the UAE have emerged as the most confident among the better-represented ACCA and IMA markets. Although pressures on cashflow and new orders have eased significantly, justifying some confidence gains, trends in other fundamentals are less encouraging.

Access to growth capital improved strongly for the fourth consecutive quarter. However, because of dwindling business opportunities – a consistent trend over the last six months – the resulting acceleration in business capacity building has been very modest, while inflation and FX volatility have grown. In fact, businesses may have strong incentives not to retain earnings as respondents reported growing levels of external investment opportunities.

Table 1: Detailed Recovery Index for selected markets

	Getting better	At the bottom and will improve	At the bottom and will remain	Getting worse	Don't know	Index	QoQ change	YoY change
Total	25.3%	17.2%	29.3%	24.4%	3.8%	–11.1	▲	▲
OECD	23.9%	16.1%	33.7%	23.1%	3.1%	–16.7	▲	▼
Non-OECD	27.4%	18.9%	22.7%	26.4%	4.7%	–2.8	▲	▲
Americas	33.7%	16.2%	25.5%	20.4%	4.3%	4.0	▲	▲
Caribbean	17.7%	27.4%	19.4%	29.0%	6.5%	–3.2	▲	▲
Middle East	38.7%	15.3%	19.8%	23.4%	2.7%	10.8	▲	▲
Asia Pacific	22.5%	16.8%	24.0%	29.0%	7.6%	–13.7	▲	▲
CEE	22.7%	10.3%	34.0%	29.9%	3.1%	–30.9	▲	▼
South Asia	34.0%	25.5%	17.0%	17.0%	6.4%	25.5	▲	▼
Western Europe	12.4%	17.2%	41.6%	27.1%	1.8%	–39.1	▲	▲
Africa	29.8%	21.5%	21.5%	24.9%	2.2%	5.0	▼	▼
China	27.9%	20.9%	23.3%	27.9%	0.0%	–2.3	▲	▼
Hong Kong SAR	17.6%	14.7%	29.4%	26.5%	11.8%	–23.5	▲	▲
Ireland	12.9%	35.5%	34.4%	17.2%	0.0%	–3.2	▲	▼
Malaysia	14.3%	17.9%	23.8%	34.5%	9.5%	–26.2	▲	▼
Pakistan	30.4%	23.2%	21.4%	17.9%	7.1%	14.3	*	*
Singapore	32.0%	16.0%	14.0%	28.0%	10.0%	6.0	*	*
UK	10.5%	13.9%	46.2%	27.3%	2.1%	–49.1	▲	▲
UAE	53.5%	16.3%	14.0%	14.0%	2.3%	41.9	▲	▲
US	36.4%	13.3%	27.0%	18.9%	4.4%	3.9	▲	▲

Table 2: Detailed Confidence Index for selected markets

	Much less confident	Less confident	No change	More confident	Much more confident	Index	QoQ change	YoY change
Total	10.7%	26.4%	38.8%	20.6%	3.6%	–13.0	▲	▼
OECD	10.7%	24.9%	41.2%	20.1%	3.1%	–12.3	▲	▼
Non-OECD	10.7%	28.7%	35.2%	21.2%	4.2%	–14.0	▲	▼
Americas	11.4%	26.9%	38.2%	19.7%	3.8%	–14.7	▲	▼
Caribbean	8.1%	22.6%	46.8%	21.0%	1.6%	–8.1	▲	▲
Middle East	10.7%	18.8%	36.6%	24.1%	9.8%	4.5	▲	▲
Asia Pacific	9.2%	35.1%	36.3%	16.0%	3.4%	–24.8	▲	▼
CEE	14.4%	30.9%	39.2%	14.4%	1.0%	–29.9	▲	▼
South Asia	10.6%	25.5%	35.1%	25.5%	3.2%	–7.4	▲	▼
Western Europe	9.2%	22.5%	45.7%	20.7%	1.8%	–9.2	▲	▲
Africa	12.6%	27.5%	25.8%	28.0%	6.0%	–6.0	▼	▼
China	11.6%	23.3%	34.9%	25.6%	4.7%	–4.7	▲	▼
Hong Kong SAR	5.7%	34.3%	45.7%	11.4%	2.9%	–25.7	▲	▲
Ireland	6.5%	17.2%	45.2%	30.1%	1.1%	7.5	▲	▲
Malaysia	11.9%	42.9%	32.1%	11.9%	1.2%	–41.7	▲	▼
Pakistan	14.3%	30.4%	32.1%	21.4%	1.8%	–21.4	*	*
Singapore	4.0%	36.0%	44.0%	12.0%	4.0%	–24.0	*	*
UK	9.7%	22.4%	47.6%	18.2%	2.1%	–11.8	▲	▲
UAE	4.7%	14.0%	48.8%	23.3%	9.3%	14.0	▲	▼
US	11.2%	28.3%	37.2%	19.8%	3.5%	–16.2	▲	▼

Views from the coalface

IMPRESSIONS AND COMMENTARY FROM SELECTED MARKETS

'I believe the re-election of the president has put a lot of companies on edge with [regards to] Obamacare; I think companies are holding tight in 2013 and waiting to see what happens to their costs in 2014 before investing in new capital.'
Controller, private medium-sized manufacturer, US (Northeast)

'[The] conclusion of stimulus spending in the US [has had an] effect on infrastructure product purchases. As a manufacturer of fiber optic cable, once the stimulus spending was 'complete,' our sales were reduced significantly.'
Supervisor, large manufacturer, US (South)

'As a pan European logistics company we have noticed reduced orders right across Europe and a tendency to reduce stockholding resulting in bigger peaks and troughs.'
VP Sales, large logistics firm, UK (Northern Ireland)

'More QE [Quantitative Easing] and more inflation will see more UK manufacturers closing businesses down – there is no scope anymore to pass on the rising costs to end-users.'
Internal auditor, mid-cap, UK (South East of England)

'A reduction in local government funding towards our charity clients has impacted on their ability to survive. As a result we are now in a cut throat environment in tendering for work at a lower fee level.'
Accountant, SMP, UK (Yorkshire and the Humber)

'The UAE economy is forecast to grow by nearly 4% in 2013, according to economic surveys. There has been a reflection of this upbeat mood in my organization which is indicated by undertaking of new capital investments. Though there is a tendency for my company to move towards more debt financing, increased global risk aversion is adding to financing costs and limiting the availability of credit, particularly in the GCC, in view of goings on in neighbouring countries.'
Manager, medium-sized wholesale/retail business, UAE

'The Government's decision to increase foreign worker levies has put great pressure on SMEs such as ours that are very much labour intensive'
Senior manager, medium-sized business, Singapore

'Because of a lack of planning and vision within government, new industries are not emerging. The business situation is getting worse as industrialists are taking their business, especially textiles, from Pakistan to Bangladesh.'
Manager, large insurer, Pakistan (Karachi)

'It is rather chaotic right now. Apparently current Government personnel are putting less effort into development and more into trying to beef up their image ahead of the coming election. Economic activities are moving south as a result of uncertainty. Many good organisations have taken the route of voluntary delisting but a number of companies are also moving their operations and head offices abroad. This is not a good sign, but such are the actions deemed necessary by a number of big international organizations.'
CFO, Malaysia

'The restriction order on the property development industry has had an effect of my company, as it has resulted in fewer new house sales and an increase in land and other construction costs.'
Newly qualified accountant, large Corporate, China (Guangdong)

'[We're seeing a] continued reduction in government spending on education, specifically, the TAFE [Technical and Further Education] sector. Although we have been advised, this week, by our CEO that the worst has passed, impacts to come include rationalisation of our asset base, further impacts on training courses and delivery of services to clients and potential clients.'
Academic, public sector, Australia

'As the economic environment continues to deteriorate, more customers are moving to sub-standard products, no longer concerned about quality. This is eating into our market share as our vision and strategy has always been to provide a quality product. For now our products are taken to be a luxury that most can live without.'
Director, small business, Zimbabwe

'The General Elections held on March 4th 2013 stopped all potential investors from investing in the country. Our organisation was also affected in the sense that fewer customers came: many were holding off for three months due to the elections.'
Controller, small business, Kenya

'The devaluation of our currency has impacted economic development of the country to such an extent that it is not sustainable. High fuel prices have had multiple effects on prices of all commodities. The lack of adequate forex reserves has also affected the import cover period with huge arrears accruing. Nonetheless, our only hope are the revenues from Agricultural sector which is the bedrock of our economy – with good rains we are optimistic that the economy will slowly turn around'
Accountant, large financial, Malawi

Conclusions

The first quarter of 2013 has been, on balance, a good time for the global economy. Although the confidence gains seen in the last quarter are unlikely to survive to the second half of the year, improved fundamentals – especially demand and cashflow – should still provide some relief to businesses around the world.

Instead, the biggest problem in 2013 is likely to be restoring dynamism to the global economy. In the world's fastest-growing markets, business opportunities are becoming scarce, frustrating both policymakers and investors, at home and abroad. While access to finance isn't necessarily as easy as it could be, it's clear that for now it is not the lack of funds that is holding businesses back – it's the relative lack of promising projects to invest in.

The good news is that all three of the world's major economies are recovering, however weakly, from a combination of challenges. Europe is managing to stagger on despite the impact of austerity; China has almost certainly avoided a hard landing; even the US economy is recovering from the political fallout of late 2012, with businesses slowly taking stock of the real impact of new policies and considering investment once again. The next quarter will test their ability to turn this newfound resilience into growth.

ACCA, IMA and the global economy

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

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

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

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

WHERE NEXT?

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

To find out more visit

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