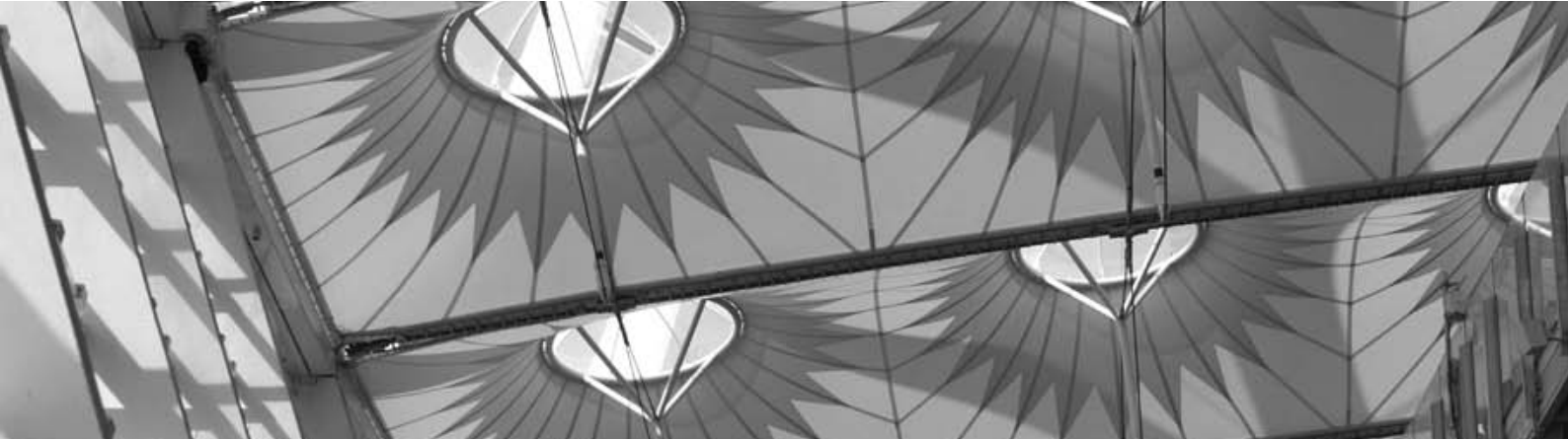




The Association of  
Accountants and  
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The global  
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# Back in the game

GLOBAL SME PERFORMANCE REVIEW 2013/14



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Founded in 1904, ACCA has consistently held unique core values: opportunity, diversity, innovation, integrity and accountability. We believe that accountants bring value to economies in all stages of development. We aim to develop capacity in the profession and encourage the adoption of consistent global standards. Our values are aligned to the needs of employers in all sectors and we ensure that, through our qualifications, we prepare accountants for business. We work to open up the profession to people of all backgrounds and remove artificial barriers to entry, ensuring that our qualifications and their delivery meet the diverse needs of trainee professionals and their employers.

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

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This report reviews the performance of SMEs around the world during 2013/14.

It is the second ACCA–IMA global SME performance review and compares SME performance with findings from the first review.

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## Executive summary

The first ACCA–IMA global SME performance review covered the period between Q4 2011 and Q2 2013. The second covers the period between Q3 2013 and Q2 2014. This second period saw a robust recovery for SMEs globally – a confirmation that the turning point in late 2012 did indeed mark the beginning of a nascent recovery as the first review had predicted. After lagging behind the wider economy in 2012 and early 2013, SMEs are now experiencing the benefits, with both business confidence and economic outlook improving dramatically.

All types of business challenges, particularly those relating to cash flow, have eased for SMEs, particularly for those in the Middle East and Western Europe. In Europe, however, this more benign business environment did not translate into an increase in business opportunities, which calls into question how growth in this region will be sustained. Capacity building in the SME sector across some regions has also resumed in earnest, led by the Americas and the Middle East. Elsewhere, SME sectors were more static, and in Central and Eastern Europe and south Asia they faced significant headwinds to growth.

SMEs may have been the hardest hit by the economic downturn, but they have consistently demonstrated a greater level of resilience than large corporates. This is particularly true in the 2013/14 period, buoyed by improved macroeconomic conditions. Most resilient of all were the mid-market businesses (those just above the traditional SME threshold which nonetheless self-identified as SMEs), which together formed the most resilient size segment of the real economy. These businesses responded to pressures by creating more jobs and investing in staff as opposed to cutting capacity; particularly when faced with opportunities, they chose to expand their way out of a depressed economy.

Mid-market businesses emerged in the first global SME performance review as a distinct group (ACCA and IMA 2013), demonstrating greater dynamism than both larger and smaller businesses in exploiting business opportunities and contributing strongly to economic growth. ACCA–IMA's second review (2014) solidifies this status, and goes further by highlighting more nuanced behaviour among businesses seeking growth – a willingness to consolidate pre-emptively in order to get fit for the competition ahead, and reallocating resources to where the opportunities are.

The SME recovery has broadly followed that of the wider real economy, but SMEs are waking up to the recovery by seizing opportunities to benefit from new developments – opportunities arising through innovation, entering new markets and building strong supplier relationships.

Government policy has continued to play both an enabling and an inhibiting role. Ratings of government policy have generally improved with the recovery, becoming positive in some major markets, including the UK, for the first time. SMEs have become more confident about the sustainability of fiscal policy in the medium term, which is no doubt encouraging them to increase hiring and to invest. Singapore, the UAE and the UK appear to have the most SME-friendly policies among the major ACCA–IMA markets, while SMEs in China were disproportionately affected by a shift in fiscal policy and the liquidity crunch of 2013. They, however, were nonetheless the most likely, of all their peers in the major ACCA and IMA markets, to trust their government's handling of fiscal policy in the medium term, demonstrating a high level of buy-in to the country's long-term reform and rebalancing programme.

The investment environment has improved considerably for SMEs

globally, driven primarily by a greater availability of capital and, to a lesser extent, profitable investment opportunities. Micro and small businesses reported the biggest boost in capital, as finance finally reached those SMEs that were the most squeezed in the pre-2013 period of rationing and restraint. SMEs in the UAE, the UK and Ireland saw the greatest improvement all-round, while their peers in China and Malaysia saw access to growth capital tighten and the more developed markets in south-east Asia (eg Singapore and Hong Kong) saw only marginal gains in this respect.

Reinforcing their status as the most ambitious and geared-for-growth size segment of the real economy, mid-market businesses were the most likely to report a rise in the number of profitable investment opportunities. The experience of Asia-Pacific stands out as one exception, with the combination of the Taper, regional economic slowdown and China's liquidity crunch halting SMEs' investment and growth plans. Interestingly, government support played a relatively minor role in the improvement of the overall investment environment in most regions, which suggests that the role of the private sector was crucial to the improved investment environment. At the other extreme, the experience of the Middle East was one of a much more government-led investment boom, accentuated by the awarding of the Expo2020 to Dubai.

SMEs are slowly starting to rebuild the capacity of their finance functions, with larger SMEs tending to focus on building human capital and micro and small businesses focusing on professionalising the organisation through finance training. Financial skills are also in high demand by SMEs operating in the UAE, preparing for the expected investment opportunities leading up to 2020.

# 1. Economic conditions

## **The 12 months from late-2013 to mid-2014 constituted a standout year of recovery, in terms of both economic outlook and business confidence.**

Both the macroeconomic outlook and confidence indices from the ACCA–IMA Global Economic Conditions Survey<sup>1</sup> (GECS) clearly show that the 2013/14 period – from late 2013 to mid 2014 – was a year of meaningful recovery. It is worth remembering that before this dramatically improved economic outlook (Figure 1.1) appeared, a nascent recovery was already underway by late 2012, buoyed by significant monetary stimulus and a reviving banking sector in developed countries. Crucially though, this improved economic outlook now appears to have filtered down to frontline businesses and prompted an increase in business confidence (Figure 1.2).

## **Mid-market businesses continue to show greater optimism about the recovery.**

Mid-market enterprises were consistently more likely than the rest of the real economy to be confident and have an improved economic outlook in 2013/14, while micro and small enterprises recovered faster than medium-sized enterprises and were more likely to be confident than large corporates.

Although headline GECS readings (see Appendix) on finance professionals' macro outlook and business confidence are usually correlated, when looking at the real economy in detail the symmetry can easily break down. The recovery in 2013 was still an uneven one and some sectors benefited sooner than others – ACCA's research shows that those working in the financial and professional services were much quicker to record an increase in confidence than those working in SMEs and corporates (ACCA and IMA 2014). Micro and small enterprises were also the slowest to experience the effects of the recovery from late 2012, having the most stagnant view of the economy until the 12 months preceding the writing of this report.

## **SMEs in Western Europe and the Middle East were the most likely to feel the recovery.**

More SMEs across all the regions were more confident about the economic prospects facing their businesses in the latest 12 months than they had been in the 2012/13 period. Similarly, SMEs in the majority of regions were also more likely to believe that the economy was recovering; south Asia was the only region to see a deterioration in SMEs' macro outlook, while Western Europe saw the biggest increase in both macro outlook and business confidence, followed by the Middle East.

Of the SMEs in all the major ACCA and IMA markets<sup>2</sup>, those in the UK, followed by those in Ireland, saw the biggest increase in both indices in the 12 months covered by the 2013/14 review. In all these major markets there was an increase in the proportion of SMEs that saw an improvement in both their economic outlook and their business confidence in those 12 months. SMEs in the UAE were consistently the most likely to experience a recovery across all three periods; they were only overtaken in level of business confidence by UK SMEs, in the 2013/14 period.

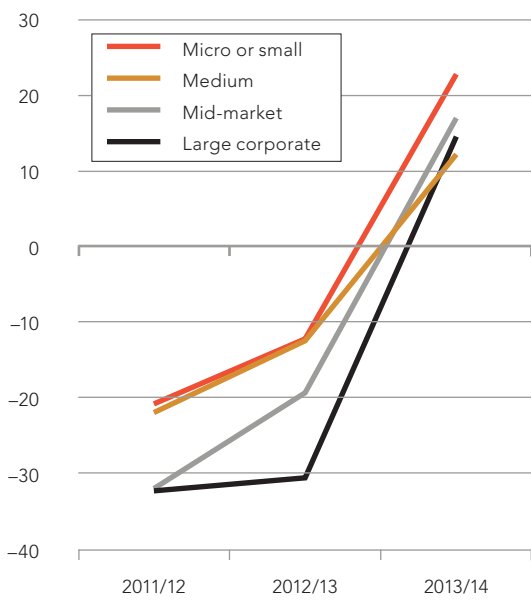
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1. See Appendix for details on the calculation of indices and the definitions of SMEs and the mid-market.

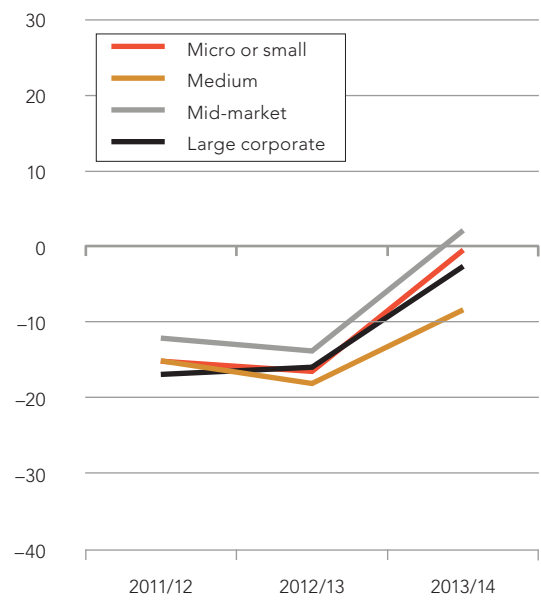
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2. ACCA and IMA major markets include: China, Hong Kong, Ireland, Malaysia, Singapore, UK, UAE and US.

**Figure 1.1: Economic outlook index, by size of business, over three periods**



**Figure 1.2: Business confidence index, by size of business, over three periods**



## 2. Business outcomes

### Pressures eased for SMEs, particularly for those in the Middle East and Western Europe, and mid-market enterprises.

The typical SME is constantly under some kind of pressure. The 12 months covered by the latest review have, however, seen the level of pressure experienced by SMEs drop – this is true for all size groups from micro or small to mid-market (Table 2.1).<sup>3</sup> This overall decline in pressures was experienced most keenly by mid-market enterprises, with a seven percentage point decrease from the previous 12 months' 89%. SMEs in the Middle East and Western Europe saw the largest decrease in pressures in the 2013/14 period, compared with the 2012/13 period, while the only regions in which SMEs did not report an easing of pressures were south Asia and Africa; 99% of SMEs in Africa still reported that they were under some type of pressure (Table 2.2).

The perceived rise in business opportunities<sup>4</sup> was mostly confined to larger SMEs – with mid-market enterprises most likely to benefit – and large corporates; micro and small enterprises did not appear to benefit. In addition to a significant easing of business pressures, SMEs in the Middle East also reported the sharpest increase in opportunities, while SMEs in Africa and Western Europe appeared not to benefit from this trend.

That SMEs in Western Europe did not benefit from increased business opportunities is intriguing, as they have benefited from decreased pressures and showed the most optimism in the recovery – this calls into question how growth in this region will be sustained.

### SMEs are waking up to the recovery with a renewed zeal for job creation and investment, but not all regions are telling the same story.

All size segments of the global SME population, as well as large corporates, saw a decrease in the incidence of capacity loss.<sup>5</sup> As was to be expected, fewer capacity losses correlated with an across-the-board increase in capacity building, from increased job creation to investment in capital projects. The Middle East and Western Europe – where SMEs saw the greatest decrease in external pressures – both experienced a 13 percentage point increase in capacity building, the largest increase of all the regions. SMEs in the Americas and Asia Pacific also reported that overall decreases in pressures and negative responses were matched with increases in opportunities and positive responses.

Nonetheless, not all regions are following this binary trend. For Central and Eastern Europe, the 12-month period saw a considerable decrease in SME capacity loss since the 2012/13 period, and a small easing of external

pressures, but this has not translated into an increase in capacity building. This deterioration would have been driven by the longstanding uncertainty over the situation in Ukraine,<sup>6</sup> including the impact of sanctions imposed by the US and EU on Russian individuals and businesses.<sup>7</sup>

Africa has the highest percentage of SMEs reporting external pressures, capacity loss and opportunities. SMEs also reported an increase in both capacity building and capacity loss. All this suggests that Africa remains a region that presents a high level of risk alongside a high level of opportunity. The continued high level of pressure will not have been helped by the major financial disruption that Africa has experienced in this latest period – combining exchange rate volatility and tightening finance provision. As a result, many SMEs will have been unable to perform as expected.

South Asia's SMEs did not appear to have experienced dramatic changes in 2013/14; there has been a continued increase in the percentage of SMEs that reported capacity loss, and capacity gains have remained at the same level.

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3. A business is considered to be experiencing 'pressure' if it reported any of the following: problems accessing finance, falling revenues or orders, increased costs, impact from foreign exchange volatility, late payment, or fears that suppliers or customers might go out of business.

4. A business is considered to have opportunities if it reported an ability to focus on innovation, explore niches, benefit from changes in demand, explore new markets, explore lowering costs, promote high quality standards, or build stronger supply chain relationships.

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5. A business is considered to be losing capacity if it is in the middle of a hiring freeze or carrying out job cuts, if it is scaling back capital spending, or if it is reducing investment in staff. Businesses reporting any of the opposite actions are considered to be building capacity. It is possible for a business to be doing both.

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6. November 2013 saw the rejection of an agreement for closer economic ties between Ukraine and the European Union. This caused a series of intensifying protests and came to a head in February 2014, forcing a change of government and prompting a vigorous response from neighbouring Russia, shaking business confidence throughout the region.

7. First announced in March 2014, the US and EU have imposed an array of sanctions on Russian individuals and businesses in response to the annexation of Crimea and the crisis in eastern Ukraine.

Table 2.1: Business outcomes by size of business, 2013/14 period compared with 2012/13 period

	Any pressure		Any negative response		Any opportunity		Any positive response	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Micro or small	88%	84%	47%	47%	53%	51%	15%	21%
Medium	89%	85%	51%	47%	55%	55%	18%	25%
Mid-market	89%	82%	55%	47%	55%	59%	19%	27%
Large corporate	86%	82%	65%	60%	53%	57%	17%	22%
All SMEs	89%	84%	51%	47%	54%	55%	17%	24%

Table 2.2: Business outcomes by region, 2013/14 period compared with 2012/13 period

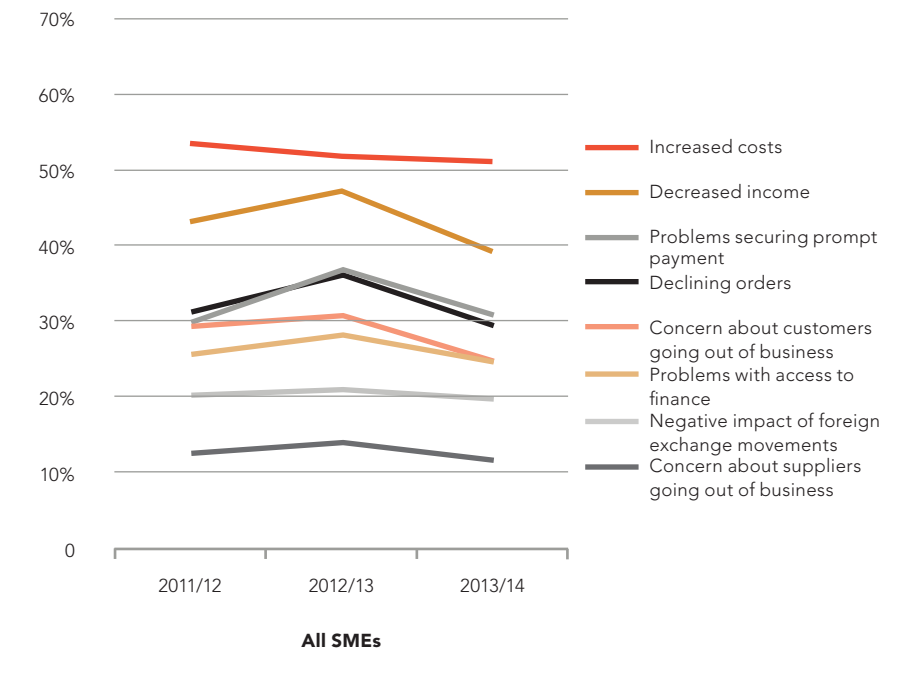
	Any pressure		Any negative response		Any opportunity		Any positive response	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
Americas	83%	78%	47%	43%	54%	57%	20%	27%
Middle East	94%	84%	60%	42%	56%	64%	23%	36%
Asia Pacific	91%	90%	48%	46%	49%	50%	15%	17%
Central and Eastern Europe	93%	90%	59%	49%	40%	42%	10%	7%
South Asia	95%	96%	55%	61%	43%	47%	9%	9%
Western Europe	93%	82%	50%	45%	57%	55%	17%	30%
Africa	99%	99%	72%	73%	75%	70%	12%	14%

## 2.1 PRESSURES

### Globally, increased costs remain a problem for SMEs, while other pressures recede.

SMEs have seen a decrease across all types of external pressure in the latest 12-month period, compared with the 2012/13 period (Figure 2.3). It is clear that across the three periods, SMEs experienced the most pressure in the 2012/13 period, during which all types of pressures peaked, apart from inflation. It is also worth noting that increased costs – such as for labour, fuel and materials – has remained the most commonly cited pressure on SMEs across all three periods, despite official readings of falling inflation in many major markets.

Figure 2.3: Types of pressure, by all SMEs, over three periods





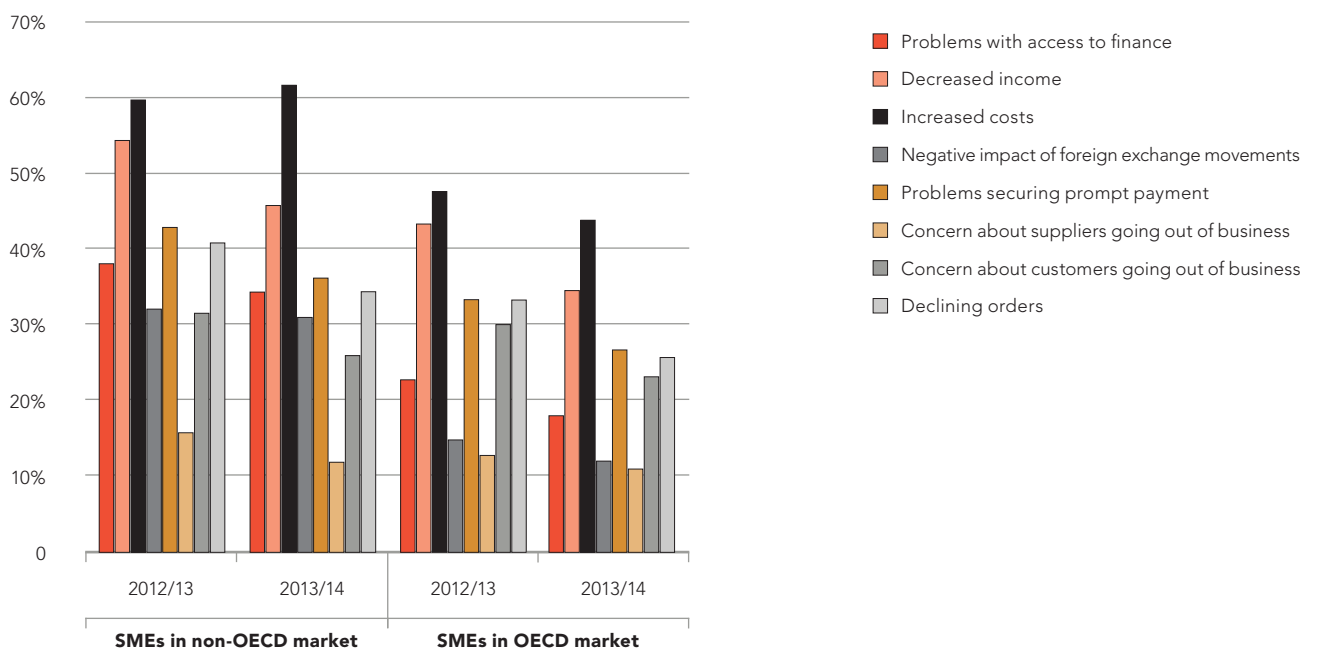
**The easing of pressures on SMEs is a truly global trend, but inflation remains a concern in emerging markets.**

Splitting countries by developed market status (defined here as being a member of the Organisation for Economic Co-operation and Development (OECD)) and emerging market status (not being a member of the OECD) makes virtually no difference to the trends discussed above. SMEs in both OECD and non-OECD markets saw almost all types of pressure ease; the only exception was increased costs, due to input price inflation, which rose in emerging markets (Figure 2.4). Decreased income was the type of pressure least likely to be reported by SMEs in both groups, followed by declining orders and problems securing prompt payment – taken together,

these are all signs that indicate a reviving economy, making a material difference to frontline business activity.

The Americas, the Middle East and Western Europe saw all types of pressure on SMEs ease. SMEs in Asia-Pacific also reported easing across the board with the exception of input prices; the latter was a problem area which saw the least improvement across regions. Conversely, decreased income was the only type of pressure to ease across all the regions. This was closely followed by problems securing prompt payment and declining orders, which improved for all the regions except south Asia. Central and eastern Europe (CEE) and south Asia saw the least improvement.

**Figure 2.4: SME pressures,** by developed market status, (2013/14 compared to 2012/13)



**Micro and small businesses were released from a cash flow gridlock.**

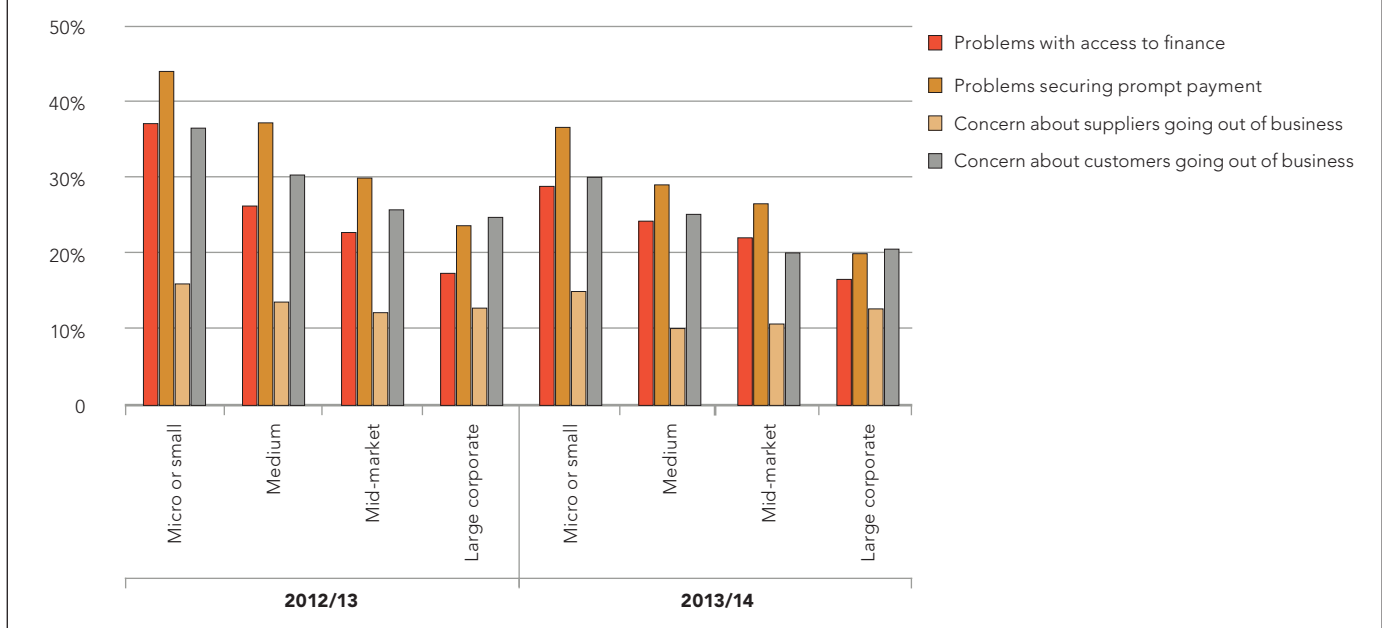
The increased incidence of late payments and problems accessing finance was identified as a significant problem for micro and small enterprises in ACCA's previous report (ACCA and IMA 2013): micro and small businesses, in particular, were most likely to encounter problems related to cash flow. The 2013/14 period showed a marked decrease in such pressures, across all businesses regardless of size (Figure 2.5).

The largest decrease in cash flow pressures was experienced by micro and small enterprises, with only 29%

reporting access to finance problems, down from 37% in the 2012/13 period. Late payment and customer insolvencies also became less common, although improvements were less pronounced. Medium-sized businesses also saw a considerable decrease in cash flow pressures, while the faster growing mid-market segment did not. This is not surprising, since growth is generally associated with cash flow pressures. Overall, efforts to increase liquidity in the banking sector and initiatives directed at targeting finance towards SMEs appear to have gone some way to easing cash flow for the smallest businesses, possibly for the first time since the recovery took hold.

Cash flow continues to be an issue for SMEs in south Asia and Central and Eastern Europe – the only regions not to see an easing of cash flow pressures in the 2013/14 period, compared with the 2012/13 period. Across the three periods, SMEs in Africa were consistently the most likely to have experienced cash flow pressures, while SMEs in the Americas were the least likely.

**Figure 2.5: Cash flow pressures, by size of business (2013/14 compared to 2012/13)**



## 2.2 FEELING THE PRESSURE

### SMEs became less likely to report capacity loss particularly in staffing levels.

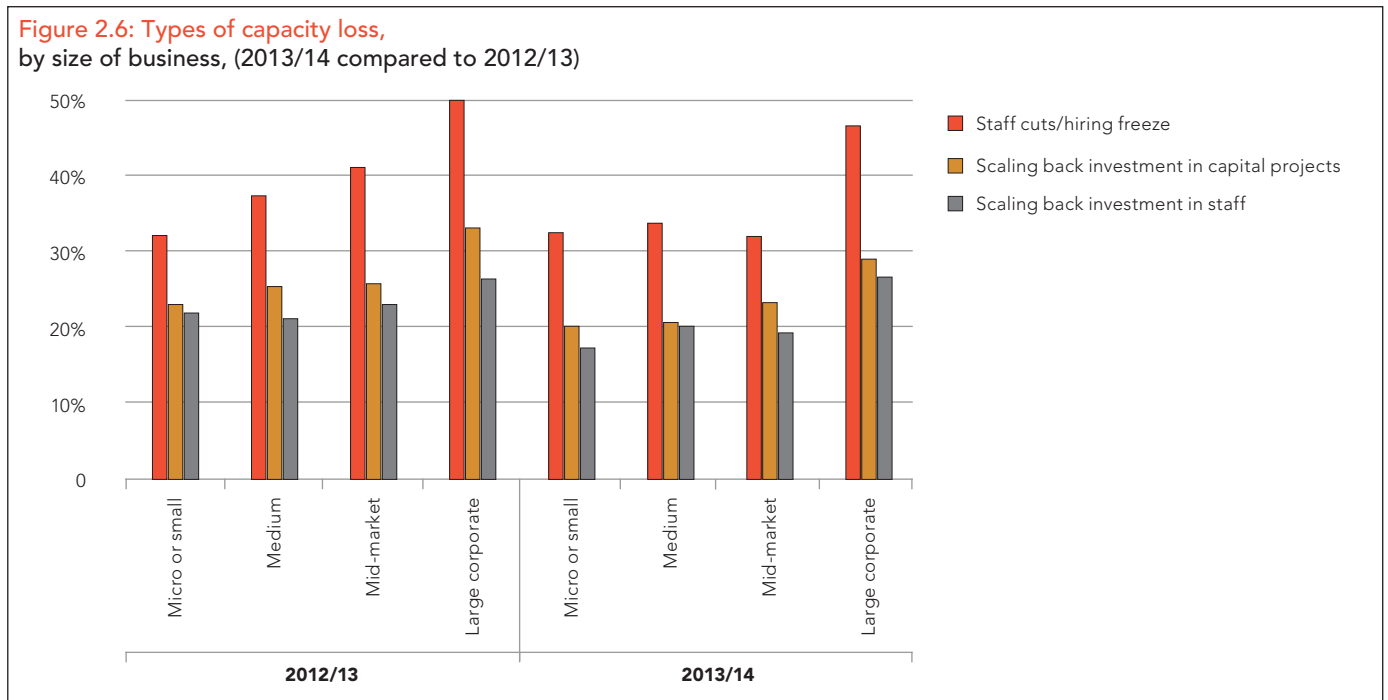
The ACCA and IMA previous review (ACCA and IMA 2013) shows that the larger the size of the enterprise, the more likely it is to engage in staff cuts/hiring freeze. It also shows that in 2012/13 mid-market businesses were the most likely among SMEs to undertake capacity-reducing actions – scaling back investment in staff, investment in capital projects or headcount. The current review, however, presents quite a different picture (Figure 2.6). As expected, large

enterprises were still the most likely to make cuts in 2013/4, but there was no longer a correlation between business size and the likelihood of staff cuts/hiring freezes. On the whole, fewer SMEs reported capacity loss, and the mid-market saw the largest decrease in the incidence of staff cuts/hiring freezes, dropping from 42% to 32%.

### Which regions were still cutting capacity?

Only SMEs in south Asia and Africa did not see an overall improvement in capacity levels in 2013/4. SMEs in south Asia were the only businesses to report an increase in all three types of capacity-loss, and SMEs in Africa saw

increased levels of staff cuts/freezes. Meanwhile, SMEs in the Americas, the Middle East and Western Europe reported decreases in all three types of capacity loss – scaling back investment in staff, scaling back investment in capital projects and staff cuts/freezes.



### 2.3 GOING FOR GROWTH

#### SMEs have resumed capacity building and are investing for growth.

While the majority of SMEs were still under pressure in the 2013/14 period, their increased level of investment signifies an emboldened SME sector emerging from the economic trenches. Businesses, regardless of size, were more likely to have taken actions to build capacity in 2013/4 – including new hires, capital spending or investment in staff development – than in the 2012/13 period (Figure 2.7).

Principal components analysis<sup>8</sup> suggests that these positive responses were closely correlated with the opportunity to increase orders, which also saw an increase across the real economy.

#### Mid-market businesses continued to storm ahead, staying ahead of the pack

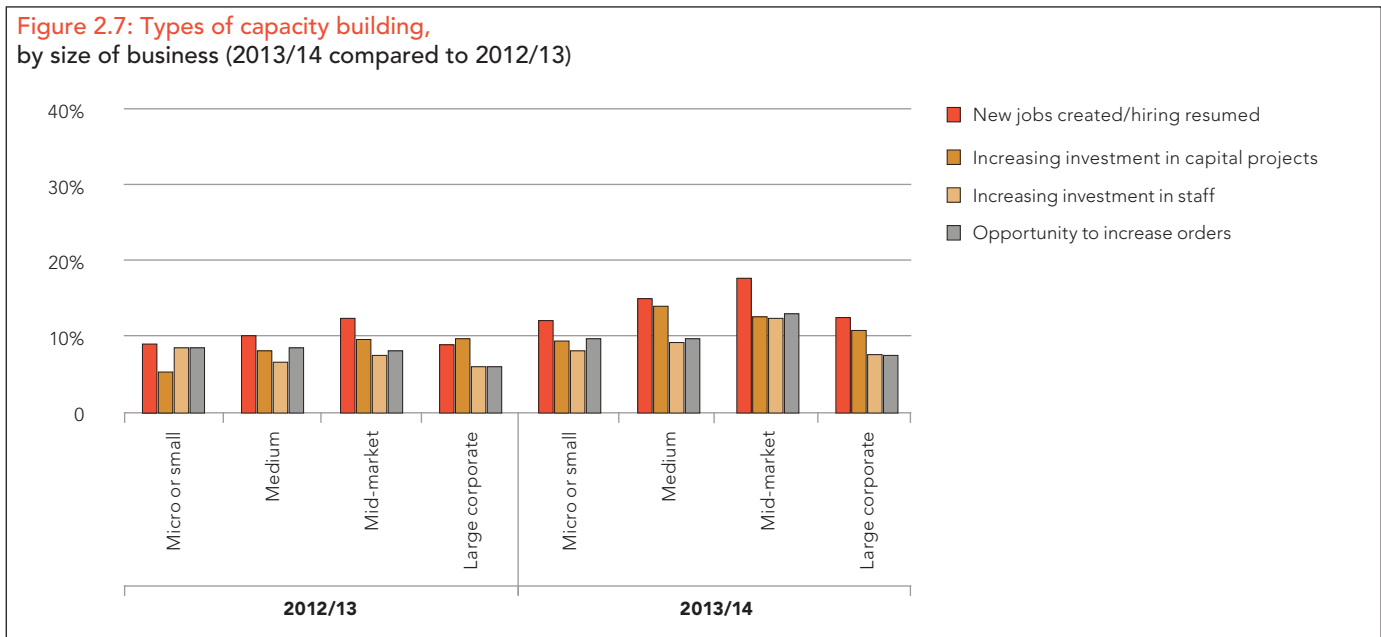
Mid-market businesses were the most likely to build capacity – again, marking them out as the most ambitious and ready for growth. In particular, this size segment was the most likely to create new jobs during the 2013/14 period and reported the biggest increase in job creation since the 2012/13 period, even compared with large corporates. The mid-market segment also reported the biggest increase in both investment in staff and benefits from opportunities to increase orders. Interestingly, medium-sized businesses reported the biggest increase in capital spending, and were the most likely to have increased capital investment in the 2013/14 period.

Among the different types of capacity

building available to them, micro and small and medium businesses were more likely to invest in capital projects, while the mid-market and large businesses were more likely to emphasise job creation. This highlights a difference in how resources are prioritised and allocated, based on size and where the business is in its growth cycle, but it also reflects a long-term trend for listed companies to direct cash towards dividend payments and share buybacks as opposed to capital spending (Financial Times 2014a and 2014b).

Impressively, SMEs did not report an overall decrease in capacity building in any of the major regions. SMEs in the Middle East and the Americas were consistently most likely to report

Figure 2.7: Types of capacity building, by size of business (2013/14 compared to 2012/13)



8. Principal components analysis is a statistical procedure that converts a set of observations of possibly correlated variables into a narrower set of values of uncorrelated variables called principal components.

capacity building, throughout the entire period from Q4 2011 to Q2 2014. SMEs in Central and Eastern Europe were consistently the least likely to report capacity building. Finally, some regions saw SME investment remain mostly static over the three periods, notably, CEE, Africa and Asia Pacific.

**SMEs were more resilient than large corporates.**

While it is logical to expect that capacity building will grow as pressures on the business ease, further statistical analysis performed for the purposes of this report identified a share of enterprises that insisted on capacity building despite external pressures. These can be clustered together as a group of enterprises demonstrating resilience. The majority of these

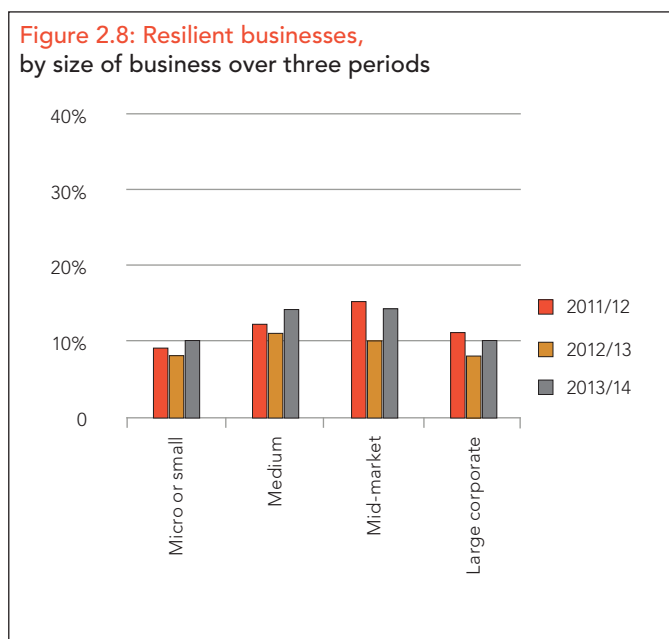
enterprises benefited from business opportunities, but there were also a minority that did not and yet still managed a resilient response.

Over the three periods (2011/12, 2012/13 and 2013/14), the lowest levels of resilience overall occurred in 2012/13 – this was true of all size segments (Figure 2.8). All segments, from micro and small to large corporates, saw an increase in resilience moving into 2013/14; medium and mid-market enterprises were the most likely to demonstrate resilience, with the latter experiencing the largest increase in that period.

Central and Eastern Europe was the only region not to show an increase in the proportion of resilient SMEs in

2013/14. The Middle East and Western Europe regions, however, saw the biggest increase in the proportion of resilient SMEs; SMEs in these regions were also the most likely to be resilient in 2013/14. Overall, SMEs tend to be more resilient than large corporates; only CEE and south Asia did not follow this trend in 2013/14.

This pattern, with SMEs demonstrating greater resilience than large corporates, is reinforced by the cluster of businesses that experienced pressure and reacted with capacity loss – businesses that behaved as expected. While 50% of large corporates fell into this cluster, only 40% of SMEs did. SMEs, regardless of size, were also less likely to belong to this group in the 2013/14 period than in the 2012/13 period.



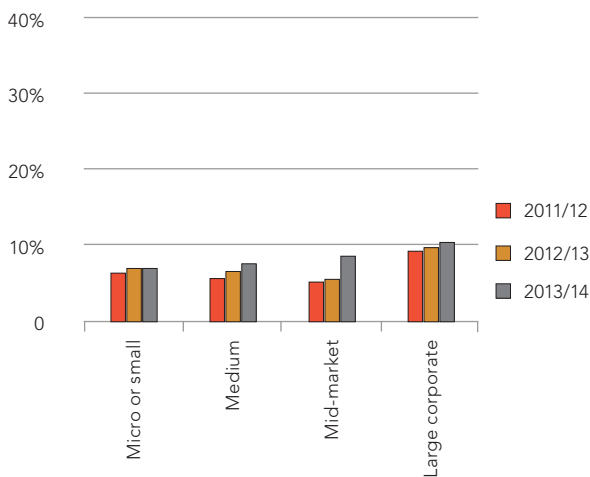
**Businesses consolidated to exploit opportunities for growth.**

The analysis performed for this report also revealed a smaller group of businesses that reported a loss of capacity without experiencing any external pressures (Figure 2.9). This seemingly contradictory behaviour helps to shed some light on how business dynamics change in order to exploit opportunities for growth. Mid-market businesses were the most likely to reduce capacity strategically or pre-emptively in the 2013/14 period, in response to the recovery taking off from the 2012/13 period.

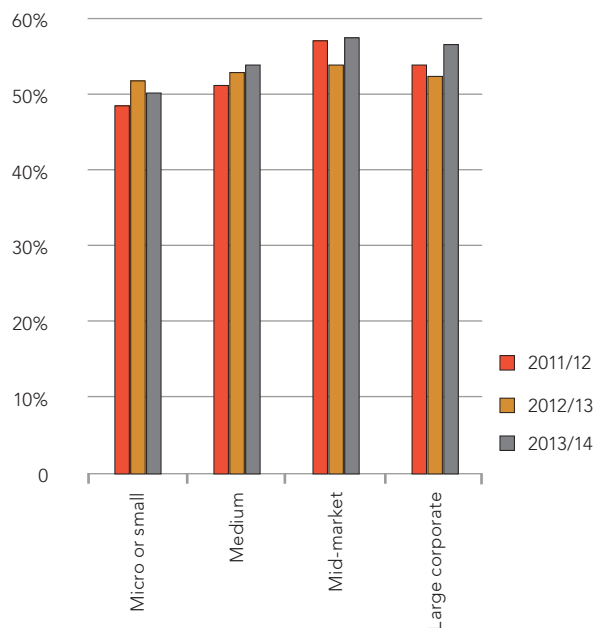
Some businesses, such as the mid-market businesses most geared for growth, may have been consolidating pre-emptively in order to improve their chances of raising funds in the rejuvenated capital markets or from increasingly active venture capitalists. During this period of recovery, tight competition for investment would require businesses to be in their best financial health and most operationally agile in order to exploit new opportunities and attract investment. Accordingly, large corporates were also consistently more likely to behave in this manner.

It is also a common dynamic in growing businesses to restructure, and/or redirect resources to different parts of the business – be it geographic markets, consumer audiences or sectors – in order to adapt to new opportunities or market trends. This would certainly have been the case in a period of global economic recovery.

**Figure 2.9: Pre-emptive or strategic capacity loss, by size of business over three periods**



**Figure 2.10: Any business opportunity experienced, by size of business over three periods**



## 2.4 BUSINESS OPPORTUNITIES

### SMEs are finding business opportunities with new people, places and products.

Mid-market businesses were the most likely to have reported business opportunities in the 2013/14 period – even more likely than large corporates (Figure 2.10). Alongside large corporates, this size segment also reported the biggest increase in business opportunities since the 2012/13 period. The mid-market has particularly benefited from increased opportunities in new markets, innovation, strong client and supplier relationships; although the opportunity

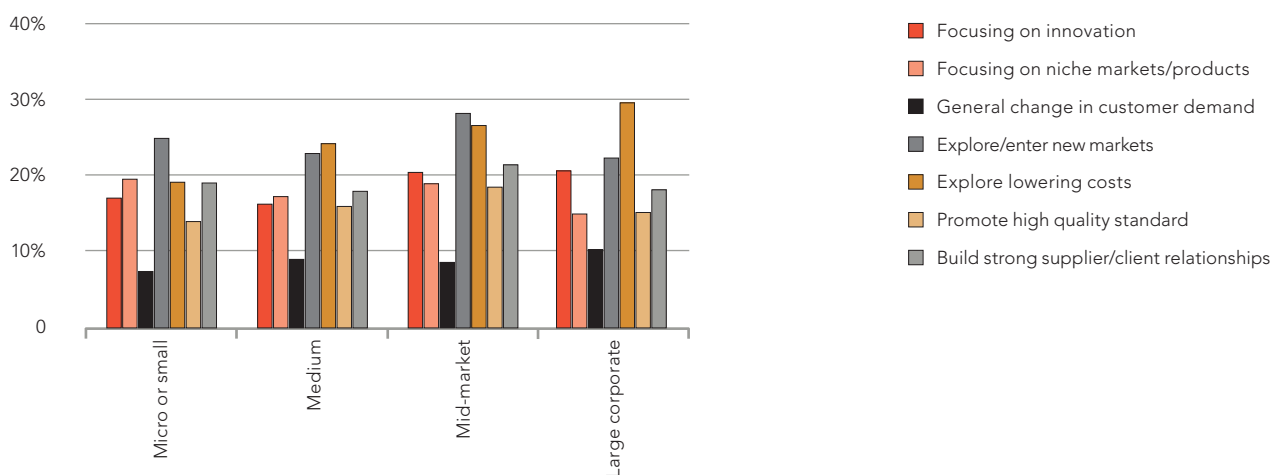
to reduce costs was the second most reported benefit, this did not show an increase from the 2012/13 period (Figure 2.11).

Micro or small enterprises fared the worst, being the only size segment that did not see an overall increase in business opportunities. It is noteworthy that opportunities to benefit from innovation, new markets, quality standards and supply chain relationships did not see decreases across any size group. These areas suggest that SMEs, particularly mid-market businesses, are finding opportunities in areas that are new to them or at least not yet established,

and international supply chains continue to provide SMEs with opportunities.

Across the regions, SMEs were most likely to benefit from opportunities to explore/enter new markets; only SMEs in CEE and Africa did not benefit from this opportunity. SMEs were most likely to see an increase in opportunities in innovation and to promote high quality, which saw increases in the majority of regions.

Figure 2.11: Types of business opportunity, by size of business, 2013/14 period



### 3. Investment environment

**Micro and small businesses felt the biggest increase in available capital.**

ACCA–IMA’s first SME performance review (ACCA and IMA 2013) shows that the availability of capital had become less of a restraint for SMEs, regardless of size, from late 2012 onwards. Figure 3.1 shows that this trend has continued through to 2013/14, as it has for large businesses.

While it is the mid-market, followed by medium-sized businesses, that experienced the least constraint in available capital – a consistent finding from the previous report – it is actually the micro and small enterprises that have reported the biggest improvement in the 2013/14 period. This is a rapid turnaround from the 2012/13 period, when micro or small enterprises were still reporting problems, and suggests

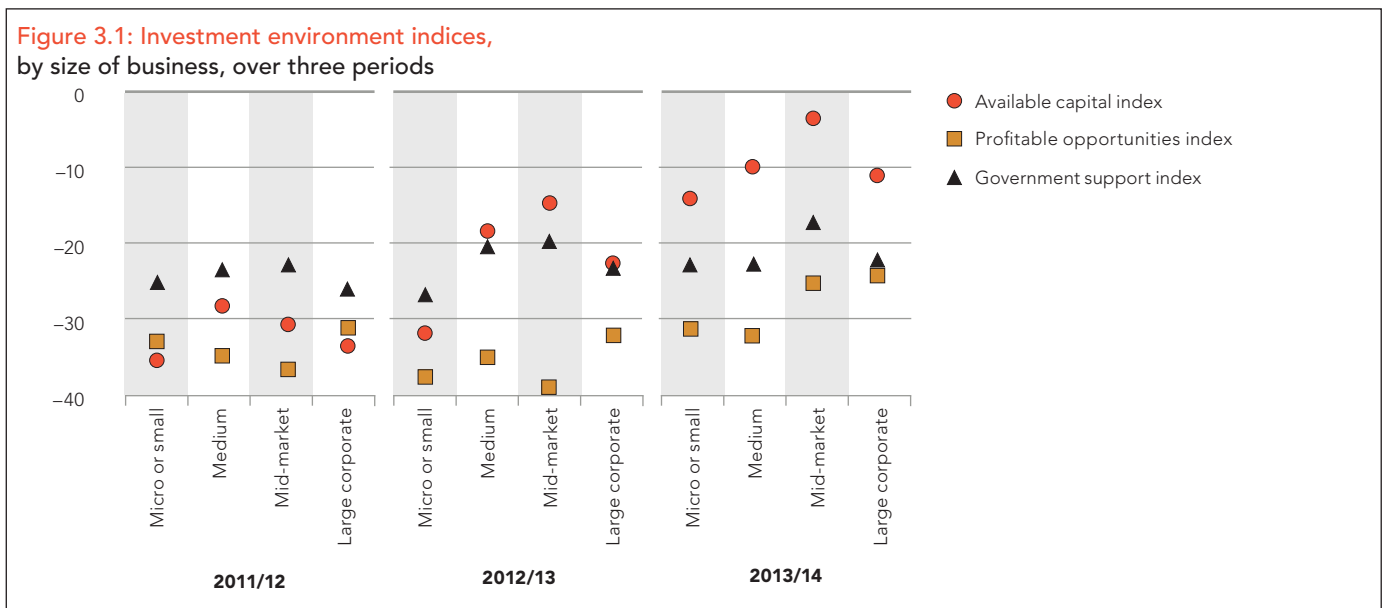
that the supply of business finance has finally recovered enough to reach the more credit-rationed part of the business population.

**What drove the recovery in investment?**

Figure 3.1 shows that, from the 2012/13 period, the recovery in the investment environment has been predominantly driven by increased access to capital, followed by profitable investment opportunities. Both SMEs and large corporates were more likely to report profitable investment opportunities in the 2013/14 period than in the 2012/13 period, which had the lowest levels of profitable opportunities out of the three periods. Geared for growth, however, more mid-market businesses were able to exploit profitable opportunities than were other SMEs and large corporates.

The level of government support and the availability of growth capital are usually correlated. The increase in available capital in the 2013/14 period, however, has not been matched by a respective increase in government support for investment; only mid-market and micro or small enterprises reported a small increase. The gap between the two aspects of the investment environment has widened as the availability of capital has improved, which suggests that the rise in available capital and investment in SMEs has been private-sector led or heavily bolstered by private-sector funding.

Interestingly, the only significant increase reported in government support since the 2012/13 period was for SMEs in the Middle East; SMEs the Middle East were also the most likely to





have stated an improvement in the 2013/14 period. It is clear from the verbatim responses<sup>9</sup> that the investment environment in the Middle East has been largely boosted by government investment in the wake of the UAE winning the bid to host the World Expo 2020 in Dubai.<sup>10</sup>

As one respondent noted, both the government and private sector are driving 'aggressive strategies after the announcement of Expo 2020', to attract more visitors, business and investment – 'there is more government support to investors, and invitations to global bodies to have affiliations with companies in the UAE have opened visions to other countries for more business'. In particular, this has revived the construction sector and sparked heavy spending in the hospitality and tourism sector to prepare for the growing demand – 'creating new jobs and higher spending in the general market'.

#### **SMEs in the Middle East and Western Europe see the biggest boost in the investment environment.**

SMEs in the majority of regions saw a continual improvement in the availability of capital across the three periods, from Q4 2011 to Q2 2014; only SMEs in Africa and Asia did not report an improvement. SMEs in the Americas were consistently the least likely to report constraints on the availability of capital, while SMEs in the Middle East and Western Europe reported the biggest improvements in the 2013/14

period, compared with the 2012/13 period. The Middle East and Western Europe were also the only regions to see a continuous improvement in profitable investment opportunities across the three periods. This may go some way to explain why SMEs in these two regions were both the most likely to feel more confident and report that the economy is getting better.

#### **Asia Pacific SMEs are experiencing the ripple effect of China's liquidity crunch and economic slowdown.**

Available capital and investment opportunities, in the 2013/14 period, have seen a general improvement across ACCA and IMA's major markets since the 2012/13 period (see Figure 3.2). Noticeably, all the decreases have been reported by SMEs in Asia Pacific countries; most significant is the drop in available capital in China. SMEs in mainland China, Hong Kong, Malaysia and Singapore were all more likely to report that government support decreased in the 2013/14 period, with China and Hong Kong seeing the biggest drops. It is worth noting, though, that despite a small decrease, SMEs in Singapore consistently report higher levels of government support for investment than do SMEs in other countries.

China's liquidity crunch during 2013 has clearly had a big impact on SMEs' access to capital. In addition to the clampdown on banks to control their credit expansion and lending practices,

the increased scrutiny on 'shadow banking'<sup>11</sup> will also have contributed to the restrictions on finance experienced by SMEs – one respondent commented 'the structural risk of the economy has increased while supervisory restrictions on the financial industry have tightened'. Such drastic developments in a major market such as China were bound to have had wider effects across the region.

#### **There has been a change in fortune for SMEs in the UK, the UAE and Ireland.**

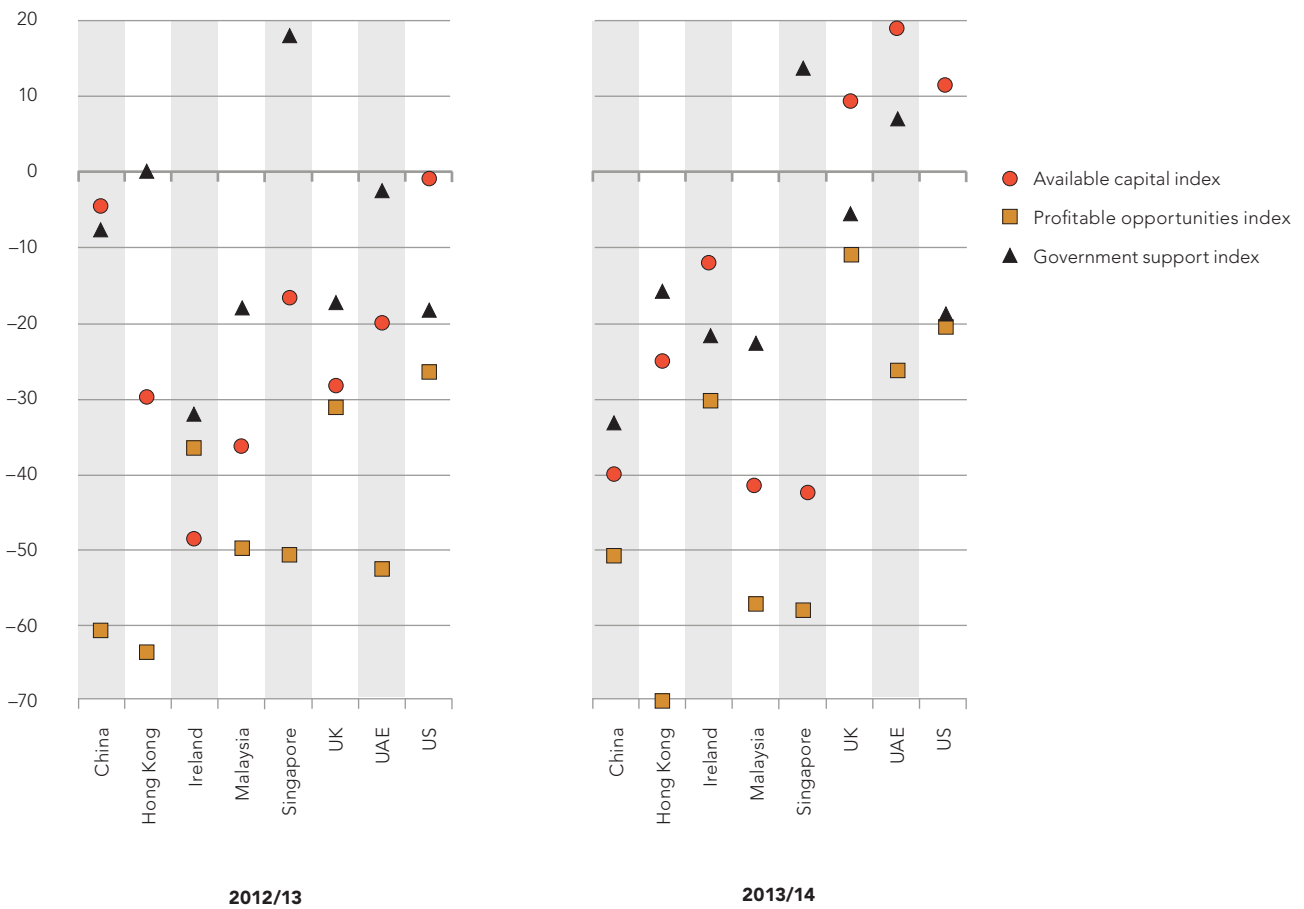
Among the major ACCA–IMA markets, SMEs in the UK, UAE and Ireland had contrasting experiences to those in the Asia Pacific region. SMEs in the first three countries have reported improvements to all three indexes. In particular, the availability of capital has increased considerably for all three countries; an increase in profitable opportunities for investment also rose considerably for SMEs in the UK and the UAE. Despite not seeing as big an increase, it is worth noting that SMEs in the US were also among the most likely to have reported an increase in available capital, alongside the UK and the UAE, in the 2013/14 period.

9. Respondents were asked to provide verbatim responses on the economic developments that most affected their organisation.

10. World Expos are a global hallmark event, taking place every five years as a key meeting point for the global community to share innovations and make progress on issues of international importance such as the global economy, sustainable development and improved quality of life for the world's population.

11. According to the Financial Stability Board (FSB), the shadow banking system can be defined as 'the system of credit intermediation that involves entities and activities outside the regular banking system.' In China, the term generally refers to a somewhat diverse range of non-bank financial institutions, including trust companies, wealth management products, entrust loans, brokerage firms, small lenders, financial guarantors and underground lending (SEI 2013).

**Figure 3.2: Investment environment indices, by SMES in major markets, 2013/14 compared to 2012/13**



## 4. Government policy

### **More SMEs than in previous periods think that their governments are responding better to the economy, but most remain unconvinced.**

As in the first ACCA–IMA SME performance review (ACCA and IMA 2013), SMEs in the majority of the regions, with the exception of the Middle East, gave a net negative rating for their respective governments' economic response in the 2013/14 period. Nonetheless, in the majority of regions more SMEs rated government responses positively in the 2013/14 period than in the 2012/13 period; only SMEs in south Asia and Africa did not report an improvement.

It is not surprising that SMEs rated government policies more positively as the recovery became more established. ACCA and IMA's 2014 five-year review of the GECS dataset (ACCA and IMA 2014) found that expectations of fiscal policy and overall macro-economic conditions are generally the most important drivers of business' perceptions of government.

SMEs, regardless of size, had improved perceptions of government as positive government ratings increased across all size segments of the real economy in the 2013/14 period. Indeed, the 2012/13 period saw the lowest level of positive ratings among all segments, with the exception of medium-sized businesses, which saw a continuous increase from 2011/12. Large corporates were consistently the most likely to rate government policy positively, across all the three periods.

SMEs in the Middle East, Asia Pacific and, particularly in the 2013/14 period, Western Europe, were consistently more likely to rate their governments' responses positively. In contrast, SMEs in the Americas, south Asia and Central and Eastern Europe were the least likely to rate their government response positively.

### **Government policy in Singapore and the UAE is consistently hitting the mark with SMEs.**

The majority of countries saw a decline in how SMEs rated their government responses in 2012/13 period but then reported an increased approval in 2013/14. Only SMEs in Ireland and the US made a continuous improvement in ratings across the three periods.

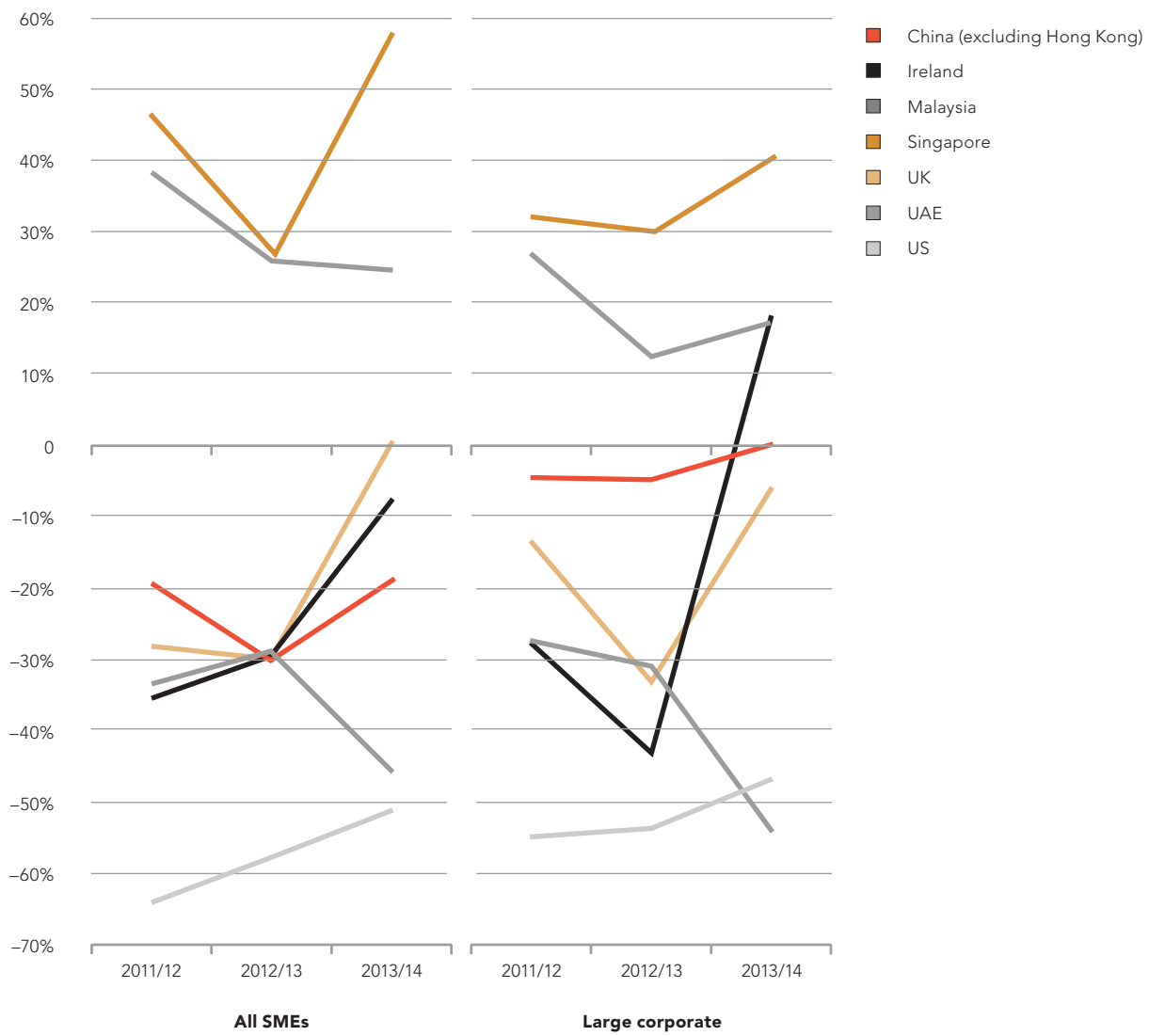
Among the major ACCA and IMA markets, countries with the consistently highest SME ratings for government responses were led by Singapore and the UAE. At the other end of the spectrum, the SMEs in the US consistently provided the lowest ratings. This is also true of the large corporates in each country, respectively.

### **Which governments have the most SME-friendly policies?**

The difference in government approval ratings between large corporates and SMEs is another useful indicator for how SME-friendly government policies are. The influence wielded by large corporates usually keeps them high among government priorities, so wherever government ratings by SMEs

are close to or higher than those of corporates, it is reasonable to assume that the former are treated as a priority sector by government. Again, Singapore has emerged as the country with the government judged most SME-friendly in 2013/14, followed by the UAE and the UK. While Ireland and China have both seen an increase in the proportion of SMEs that rated government response positively, this is much lower than the proportion of positive ratings from large corporates, suggesting that policies have tended to benefit the latter more. SMEs in China often report lower levels of satisfaction with economic policies than do large corporates, especially those policies driven by market demands, and have been disproportionately affected by the liquidity crunch, as one participant, from Q1 2014, commented: 'The central government has issued a law on the banking interest rate, which allows the financial sector to set interest rates based on supply and demand. This act, however, significantly increased the market borrowing rate from around 6.5% to nearly 8% pa. Also, there is a developing liquidity problem on market funds. Consequently, banks are tightening lending and SMEs are seriously affected by this situation'.

**Figure 4.1: Government response index, by SMEs and large corporates in major markets, over three periods**



An analysis of the verbatim responses by ACCA and IMA members from businesses in **Singapore** on the economic developments that most affected their organisations reveals a strong theme of positive government support, particularly on providing grants and tax benefits for training purposes. As one respondent stated, 'the government is making a concerted effort to stimulate economic growth.

In some countries SMEs and large corporates gave very similar ratings to their government's response; this is particularly noticeable in **Malaysia**, where there is a dramatic decline from both SMEs and large corporates in the 2013/14 period, after a similar level of ratings for both the 2011/12 and 2012/13 periods (see Figure 4.1). This points to macro level issues that have fundamentally affected the business environment – an analysis of SME responses sheds some light on what these might be. The 2014 budget, which was announced in October 2013, seems to be a major reason for the increased negative ratings. The budget included a reduction in both government spending and subsidies, which has resulted in 'cost cutting in the organisation', 'increased cost of sales due to increase in petrol and diesel', and 'increase in expenses' for businesses both big and small. Some businesses mentioned concerns about how this will affect

consumers: 'a reduction in subsidisation of certain control items has diminished the real purchasing power of the consumers generally', and worrying about how 'personal incomes will not catch up with the cost of living'. The everyday and pervasive impact of such policies have caused a 'negative perception towards government's ability to control and monitor real inflation indicators'.

Finance professionals were also concerned about the 'impending introduction of the GST (Goods and Services Tax)', due to be implemented in 2015, which some businesses believe will have an adverse effect on Malaysian consumers and on the economy. Lastly, as in many emerging markets, Malaysia has suffered the consequences from the US taper,<sup>12</sup> as one respondent put it: 'the impact to the ringgit due to the quantitative easing by US has [triggered a] withdrawal of capital from Malaysia and hence impacted the currency'.

Ratings of the **UK** government by SMEs became positive for the first time in the 2013/14 period. An analysis of the verbatim responses from UK businesses highlighted government policies and interventions as a dominant theme – comments on government actions highlighted government investment in the construction sector<sup>13</sup> and the Bank of England's Funding for Lending

scheme.<sup>14</sup> Although the responses were sharply split between negative comments, mostly centring on spending cuts, and positive comments on various investment and support initiatives, it is clear that the government has been a very visible player in the economy in the 2013/14 period. It is perhaps this visibility that has translated into a marked increase in positive ratings.

#### **What do SMEs expect from government spending in the medium-term?**

The GECS records finance professionals' expectations of fiscal policy in the medium term, as well as their preferences regarding government spending. The difference between the two can be easily derived as a measure of how appropriate fiscal policy is expected to be in future. At the global level, there were no significant changes to what SMEs expect from government spending in the next five years, between the 2013/14 period and the 2012/13 period. Nonetheless, on balance a more favourable outlook can be inferred from the increased proportion of SMEs who believed that government spending was at the 'right' level, coupled with a marginal decrease in both those that expected overspending and those that expected underspending.

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12. In December 2013, the US Federal Reserve announced it would be tapering its quantitative easing (QE) policies by reducing the US monthly asset purchase scheme by US\$10bn, looking to complete the withdrawal by late 2014.

13. In September 2013, the UK Government announced that the construction industry was set for a boost of up to £150 million over the following five years to help reduce construction times, improve quality and make buildings more efficient.

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14. First announced in 2012, the Funding for Lending scheme is a government-supported initiative from the Bank of England, designed to increase lending to businesses by lowering interest rates and increasing access to credit. In April 2013, a one-year extension to the Funding for Lending scheme was announced, until January 2015, adding incentives to boost lending towards small and medium-sized businesses. Technically, central bank interventions are not government policy, as a result of central bank independence, but from the point of view of participants working in SMEs this is often a technical, even artificial, distinction.

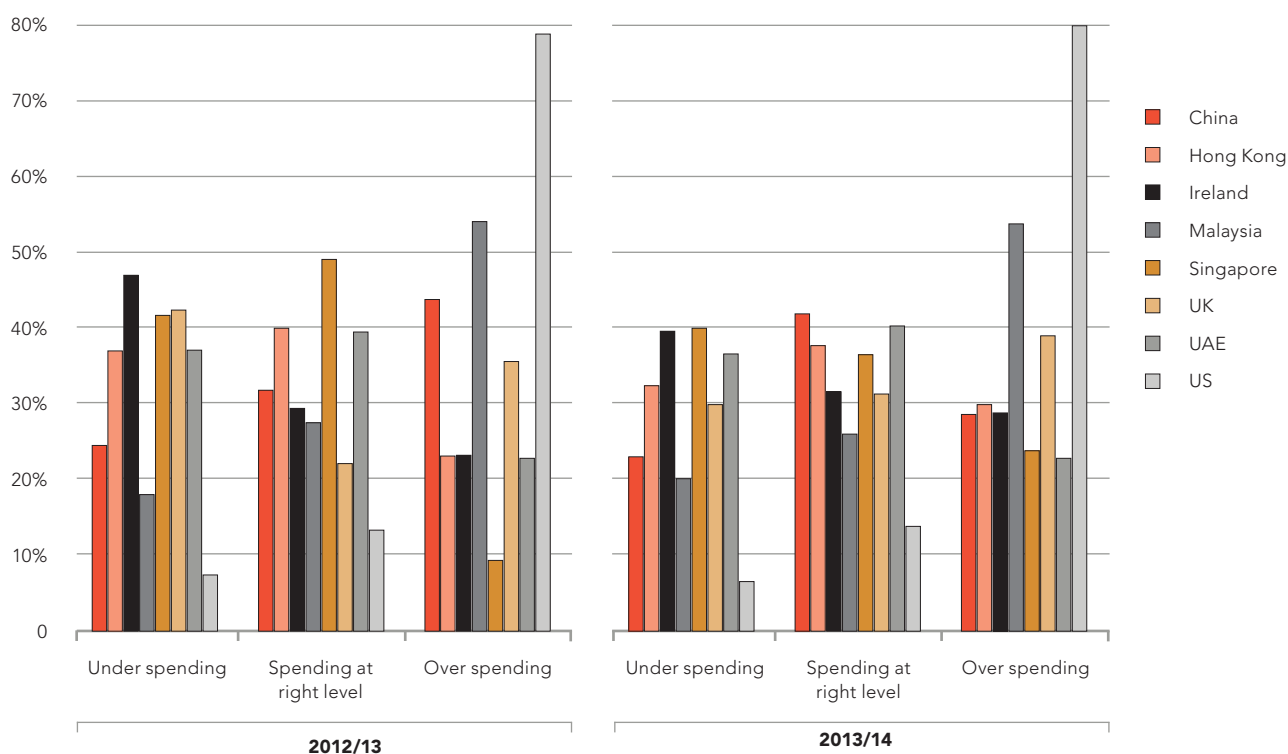
Micro or small businesses were most likely to expect underspending and medium and mid-market businesses were most likely to expect overspending. These trends are consistent with those from the previous report, and suggest that smaller-sized SMEs are hungrier for capital and support; similarly, smaller businesses are more vulnerable to changes in the fiscal environment. Mid-market businesses possessed the most favourable outlook on government spending, being the most likely to report that spending is at the right level, and were quickest to move to a more favourable outlook on fiscal policy in 2013/14. The reason for this is likely to

be that mid-market businesses benefit most from government spending decisions focused on high-growth enterprises, and yet are also less reliant on government spending to generate demand for their products and services. This explanation is reinforced by the finding that mid-market businesses were the most likely to report increased levels of available capital, profitable opportunities and government support (Figure 3.1).

SMEs in all regions seem to have an improved outlook on government spending in the medium term; being more likely to state that government spending is at the right level in the

2013/14 period, than there were in the 2012/13 period. SMEs in Africa, Western Europe and South Asia reported the biggest increases in this area. SMEs in Asia Pacific and the Middle East were consistently, over the three periods, the most likely to expect government spending to be at the right level. SMEs in the Americas, CEE and Africa were consistently more likely to expect their government to overspend than underspend, from Q4 2011 to Q2 2014.

**Figure 4.2: Expectations of government spending**  
by selected countries, 2013/14 period compared to 2012/13 period



### **Which SMEs were most likely to expect their governments to spend at the right level in the medium term?**

Broken down by ACCA and IMA's major markets, SME expectations of government spending produced few discernible trends (see Figure 4.2). Between 2012/3 and 2013/4, SME expectations changed the least in Hong Kong, Ireland, the UAE and the US; in fact, SMEs in the last two countries hardly reported any change at all. SMEs in the US were, by far, the most likely to expect the government to overspend, with 80% of SMEs reporting this in the 2013/14 period. They are also the least convinced that the government spending will be at the right level.

The most satisfied SMEs in the 2013/14 period were to be found in China, where 42% expected government spending to be at the right level – this was a 10 percentage point increase from 2012/13, the biggest increase in any country, though with the UK following closely. The increase from the UK suggests that SMEs have increased their trust in government spending, bolstered by the recovery's impact on frontline businesses.

For China, changes could, in part, be a result of the bold reforms announced by the government in November last year (Yao and Blanchard 2013); reforms to open China further to global market forces and redirect focus towards consumption, services and innovation are tempered by assurances that this

growth will be stable and prudent. Analysis of the verbatim responses shows that many businesses welcome this approach of controlled growth, particularly over areas such as the property market, and reforms to regulatory policy and spending. Government efforts to promote domestic consumption also seem to be having a positive impact and creating increased demand, as one respondent noted: 'Government's policy in promoting domestic consumption seems to attract the investments by foreign retailing businesses in China'.

SMEs in the UAE (40%), Hong Kong (38%) and Singapore (37%) were also among the most likely to take the view that government spending in the medium term will be roughly at the right level. These were the same top four countries with the highest proportion of SMEs that expected government spending to be at the right level in the 2012/13 period.

## 5. Finance function trends

In addition to monitoring finance professionals' macro outlook and the pressures and opportunities facing their businesses, GECS also monitors developments in businesses' finance teams – from new hires and redundancies to finance training and outsourcing (ACCA 2014).

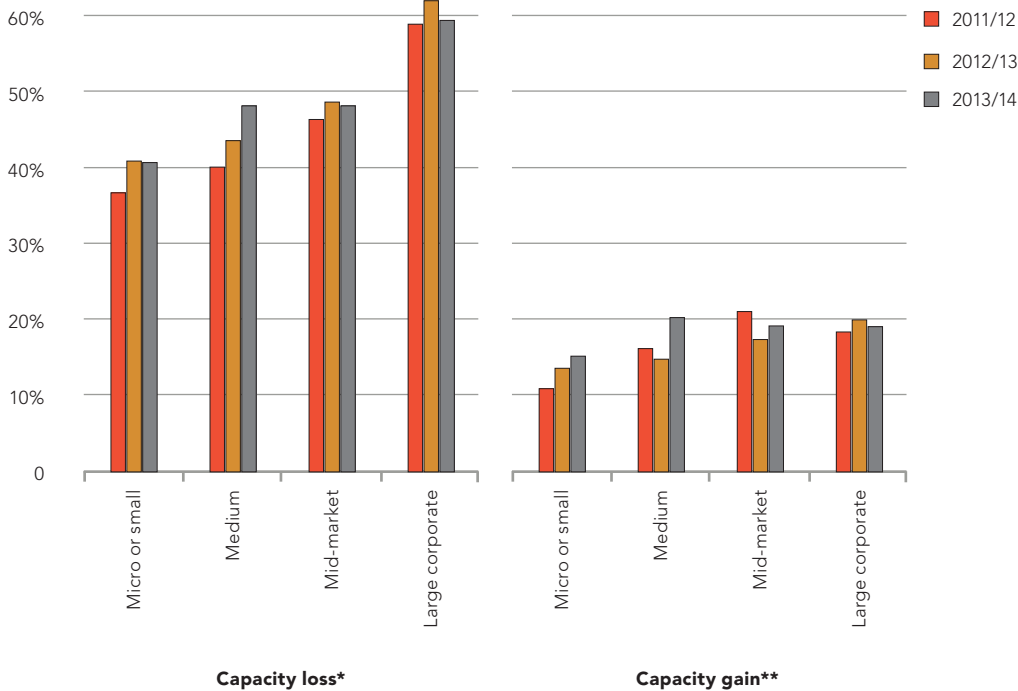
### SMEs are slowly rebuilding capacity in the finance function.

Over the three periods covered in this review, the capacity of SME finance functions around the world does not appear to have changed dramatically in terms of either loss or gain. While the experience of capacity loss remains relatively static across the three periods, there have been no decreases in capacity gain among the any of the SME groups. Further, all SMEs have seen an increase in capacity gains in the 2013/14 period, compared with the 2012/13 period (see Figure 5.1).

There is a clear correlation between the size of the enterprise and the likelihood that it would report capacity loss of some kind in the finance function. Micro and small businesses were consistently the least likely to experience capacity loss, in fact, out of all the various experiences of capacity loss, only the outsourcing of all or part of the finance function saw a marginal increase, all other types saw a decrease.

Interestingly, the practice of outsourcing the finance function has not diminished in any of the size

Figure 5.1: Incidence of capacity loss\* and capacity gain\*\* in the finance function, by size of business, over three periods



\* Indicated by any of the following experiences: compulsory redundancies, voluntary redundancies, finance staff redeployment, fewer finance staff put forward/sponsored for accountancy training, more finance staff employed on a temp/contract basis, and outsourcing of the finance function or part of it.

\*\* Indicated by any of the following experiences: more finance staff put forward/sponsored for accountancy training, more permanent staff employed, and bringing the finance function back in house.



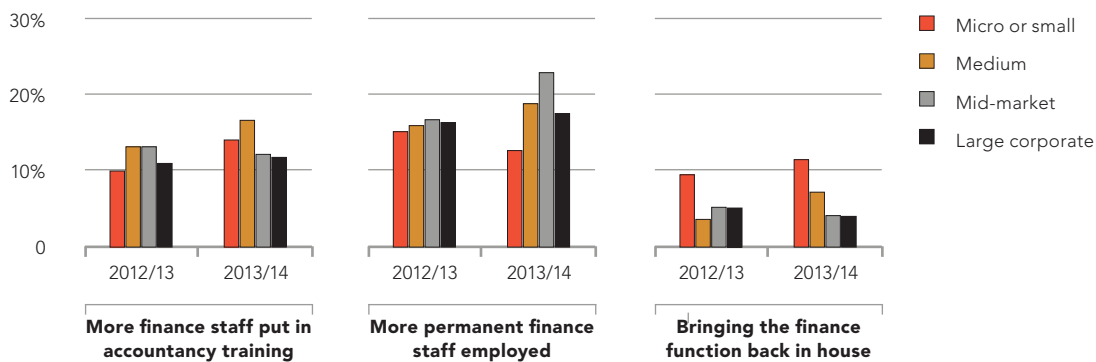
segments. This presents a nuanced picture about the drivers behind outsourcing. Principal components analysis (see footnote 8) reveals that finance outsourcing among SMEs is primarily associated with capacity loss and cost pressures on the business. Therefore, the increased level of outsourcing may suggest that, despite a recovery, many organisations continue to operate cautiously, and so outsource all or part of their finance function. This is also very likely to be part of a longer-

term trend towards smaller, more virtual and less capital-intensive businesses in developed countries. Finally, outsourcing is often cited as a beneficial practice in allowing enterprises to focus on more core areas of the finance function as they grow, which would make sense in a recovery period.

**Mid-market businesses are focusing on human capital while smaller SMEs work on professionalising.**

Capacity gains in the finance function were made in different areas according to the size of the enterprise – medium and mid-market enterprises were able to increase capacity through hiring more permanent staff during 2013/14, while micro or small enterprises were more likely to make capacity gains through putting more finance staff into training or bringing the finance function back in-house (see Figure 5.2). Echoing the trend with the capacity loss

**Figure 5.2: Types of capacity building, by size of business, 2013/14 period compared to 2012/13 period**



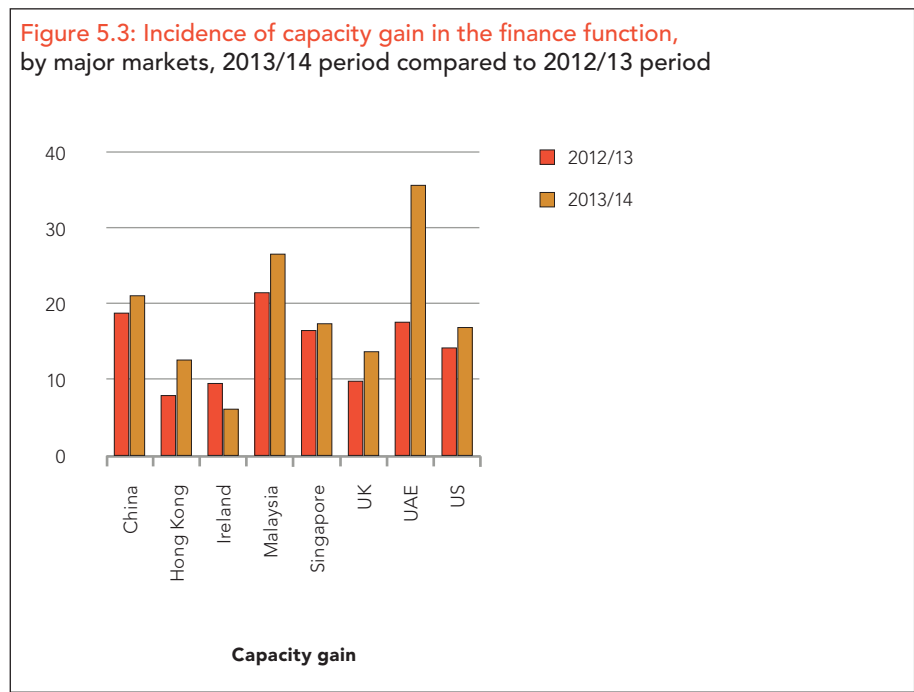
experiences, large enterprises were the least likely to report increases in capacity gains. The biggest capacity gain reported in the 2013/14 period was in more permanent staff employed by mid-market enterprises, again reinforcing the mid-market businesses as the high-growth segment of the real economy.

SMEs in all the major ACCA and IMA markets, with the exception of Ireland, were more likely to report capacity gains made in their finance function in the 2013/14 period than in the 2012/13 period (see Figure 5.3). SMEs in the

UEA were the most likely to report any improvements, and they saw the biggest overall increase from 17% to 35% in the 2013/14 period. There was no decline in the proportion of SMES that reported capacity gains in all three areas – more permanent staff, more staff training and bringing the finance function back in-house – in over half of the major markets: China, Singapore, the UK, UAE and the US.

Interestingly, this general trend for increased capacity gains is not mirrored by a general decrease in terms of the proportion of SMEs that experienced

capacity loss. SMEs' experience of capacity loss presented much more of a mixed picture. For example, SMEs in Malaysia and the US reported improvements to most of the experiences indicative of capacity loss in the 2013/14 period compared with the 2012/13 period, while SMEs in China and Ireland reported the least improvements. Overall, this suggests that SMEs may be going through a period of restructuring in the finance function as they gear up for growth; hence actions are undertaken that result in both losses and gains in capacity.



Large corporates are consistently the most likely to report compulsory redundancies in finance teams across the three periods; this percentage has risen steadily to 24% in 2013/14 (see Figure 5.4).

Interestingly, while micro or small enterprises and mid-market enterprises have both shown a decrease in the 2013/14 period, medium enterprises have shown a similar trend to large corporates, reporting a steady increase of redundancies. Micro and small enterprises are both the most stable

size segment across the three periods and the least likely to make compulsory redundancies.

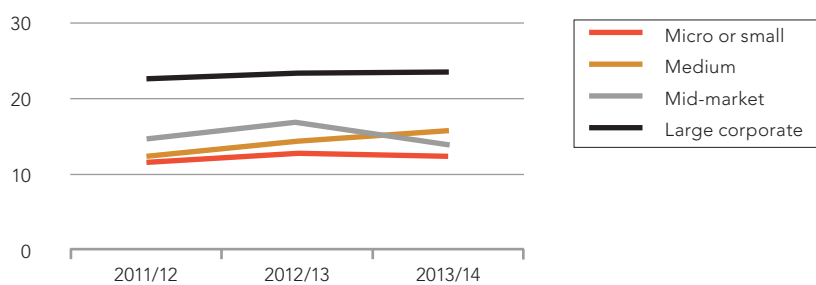
SMEs in the majority of ACCA and IMA's major markets saw a decrease in the incidence of redundancies in the finance function in 2013/14 since the 2012/13 period; SMEs in China, the UK and Ireland saw an increase. Malaysia was the only major market to see a continuous decrease in redundancies among SME finance teams across the three periods. It is also consistently one of the markets with the lowest incidence

of SME finance team redundancies, alongside Hong Kong.

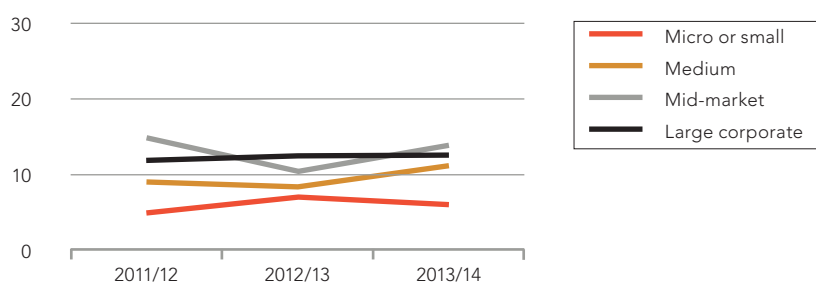
Mid-market enterprises were both the most likely to take on more permanent finance staff in the 2013/14 period and were the size segment that saw the biggest increase in permanent staff since the 2012/13 period (see Figure 5.5). This confirms that the strong ambitions of this particular group of businesses generate demand for finance expertise; and since mid-market companies are not afraid to make cuts in order to redirect resources to where they are most needed, this is an indication of how much growing businesses value the contribution of finance professionals. Micro and small businesses were the only group to not increase its levels of permanent staff.

The 2013/14 period also saw a general trend of increased permanent finance staff in SMEs across the major ACCA and IMA markets; only SMEs in Ireland and Malaysia reported an overall decrease. Singapore was the only market to show continual increases in permanent staff from both SMEs and large corporates across all three periods. In general, while the increases were all relatively modest, SMEs in the UAE reported the largest increases in both its SMEs and large corporates in the 2013/14 period. Coupled with decreases in redundancies, this reflects the burgeoning investment environment in the UAE, as discussed above, which would have stimulated demand within SMEs for financial skills and increased capacity.

**Figure 5.4: Redundancies in finance teams, by size of business, over three periods**



**Figure 5.5: Increases in permanent finance staff, by size of business, over three periods**



## Appendix: Background and methodology

The Global Economic Conditions Survey (ACCA 2014) is carried out jointly by ACCA and IMA to provide a regular ‘temperature check’ on the economy from the accountant’s viewpoint. It draws on responses from ACCA and IMA members across the world and has become the largest regular economic survey of accountants. The survey measures perceptions of economic recovery, government spending and business confidence and provides a range of economic variables and indices that are tracked quarter on quarter. The results can be used to indicate GDP growth patterns and inform economic policy.

This report presents findings from among SME businesses that have completed the survey between Q4 2011 and Q2 2014, although the focus of the report is on the latest 12-month period, from Q3 2013 to Q2 2014 inclusive. The entire period of time covered has been broken down into a time series of three periods: Q4 2011 to Q3 2012 (2011/12), Q3 2012 to Q2 2013 (2012/13), and Q3 2013 to Q2 2014 (2013/14).

The focus of this report is 1,598 SME responses, collected over four quarters, from Q3 2013 to Q2 2014 (2013/14) (Figure A1). The comparative analysis is primarily between this set of responses and the 1,979 SME responses, collected over the four quarters in the previous 12-month period, Q3 2012 to Q2 2013 (2012/13). Where relevant, the period from Q4 2011 to Q2 2012 is also included in the comparative analysis. The 2,241 responses from this 2011/12 period were taken over three quarters as opposed to four; however, this period is not the main focus in the comparative analysis but serves to show macro developments over a longer time frame.

**Table A1: Sample size by size of business, over three periods (2011/12, 2012/13, 2013/14)**

	2011/12	2012/13	2013/14
Micro or small	564	560	439
Medium	839	752	639
Mid-market	838	667	520
Large corporate	1675	1491	1176
SMEs (total)	2241	1979	1598

### **Size-of-business definitions (size segments) used in this report:**

- Micro = 0–9 employees
- Small = 10–49 employees
- Medium = 50–249 employees
- Mid-market = 250+ employees but self-defined as an SME
- Large corporate = 250+ employees not self-defined as an SME

Note: An SME is typically defined as a business with fewer than 250 employees. As the upper thresholds of SME definitions vary around the world, however, for the purpose of this report the respondent’s self-definition as an SME has also been considered. Countries where the upper threshold can be much higher (over 1,000 employees for some sectors) include the US and China, among others.

Additionally, there has been much discussion throughout the recovery of the role of 'mid-market' businesses as drivers of growth. This term loosely reflects segments of the business population such as France's 'entreprises de taille intermediaire' (ETI) and a substantial part of Germany's 'Mittelstand'. In this report, the term 'mid-market' is used to refer to businesses that have 250 or more employees, but were classified as 'SMEs' by respondents, as opposed to 'large corporates'.

Further, as with most SME definitions around the world, the results in this report exclude responses from corporate businesses whose main activity is in financial services, and only included those operating in the real economy.

The businesses in the GECS data were segmented by size (Table A1), and in addition the data was analysed according to the different world regions where businesses were located (Table A2) and by ACCA and IMA's major markets (Table A3). To ensure that a robust sample size was consistently available across the three time periods, regional and market analysis was not conducted according to the broken down SME size segments, and instead used the 'all SMEs' sample, which combine: micro and small, medium and mid-market businesses.

**Table A2: Sample SMEs and large corporates by world region over three periods**

	2011/12		2012/13		2013/14	
	Large corporate	SME	Large corporate	SME	Large corporate	SME
Americas	687	1016	544	818	383	577
Middle East	159	163	124	121	95	129
Asia Pacific	275	325	269	265	191	263
Central and Eastern Europe	115	80	125	87	98	72
South Asia	71	49	55	75	69	57
Western Europe	402	408	380	412	319	331
Africa	72	97	92	101	113	80

**Figure A3: Sample SMEs and large corporates in ACCA and IMA major markets over three periods**

	2011/12		2012/13		2013/14	
	Large corporate	SME	Large corporate	SME	Large corporate	SME
China	98	98	43	43	39	43
Hong Kong	*	54	*	38	*	40
Ireland	72	82	74	85	51	66
Malaysia	63	78	91	75	58	72
Singapore	50	47	43	55	37	64
UK	252	277	223	271	188	213
UAE	56	63	56	46	46	54
USA	633	950	496	733	337	513

\* Sample size was not large enough to be included in the analysis

## INDEX CALCULATIONS

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**Economic recovery index** = % stating that the economy is getting better or about to improve – % stating that the economy is getting worse or will remain at the bottom for a while yet

**Business confidence index** = % stating that they are more confident in the economic prospects facing their organisation than they were three months ago – % stating that they are less confident. (Those stating no change are not included in this calculation).

## INVESTMENT ENVIRONMENT INDICES

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**Available capital** = % stating that availability of capital has increased – % stating that availability of capital has decreased

**Profitable opportunities** = % stating that there are more profitable opportunities to exploit – % stating that there are fewer profitable opportunities to exploit

**Government support** = % stating that availability of government support has increased – % stating that availability of government support has decreased

**Government response** = % rating their government response to the economic downturn over the past three months as good or very good – % rating the government response as poor or very poor

'Don't know' responses have been included in the main analyses and index score calculations, except for the government spending index. In these cases, 'don't know' responses are treated as 'missing' and excluded from the base.

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