



Understanding the Global Economy

In a recent survey conducted by ACCA and IMA®, respondents painted a grim picture of the world's economy and weren't very hopeful that things would change soon. But management accountants can still find many opportunities to help their companies succeed.

Since IMA® is a worldwide association of accountants and financial professionals, one critical aspect of our mission is to identify and analyze trends that impact all of our members. In keeping with that mission, in January 2012, IMA released the results of a groundbreaking study, the largest-ever economic survey of finance professionals. These results, while painting a pretty bleak picture of the state of the global economy, also revealed opportunities for our members as they strive to add strategic value to their organizations.

The study, titled *Global Economic Conditions Survey Report: Q4, 2011*, was conducted by IMA in conjunction with ACCA (the Association of Chartered Certified Accountants), a global body for profes-

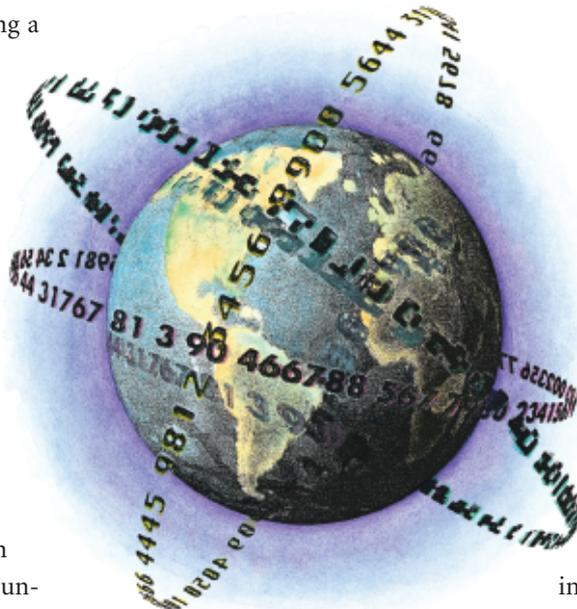
sional accountants. Though ACCA has sponsored this survey since 2009, the 2011 study was the first time that our two organizations have collaborated to provide insight into the challenges facing businesses around the world. (For a full copy of the 12-page survey report, please visit <http://www.imanet.org/PDFs/Public/Research/ACCA%20IMA%20Joint%20economic%20conditions%20survey%204Q%2711.pdf>.)

The study analyzed data gathered from 3,775 professional accountants, including 1,414 senior executives, from around the

world about their perspectives on global economic conditions. The findings from the study were sobering:

- u Almost three-quarters of those surveyed said that they believe the global economy is either deteriorating or stagnating.
- u Nearly half reported a loss of confidence in the prospects of their organizations during the fourth quarter of 2011.
- u While government spending is expected to rise modestly over the next five years, most respondents believe that even these modest increases will prove unsustainable.

Breaking out the results by region, the news was slightly better when looking exclusively at North America. In fact, the survey found that North American respondents were relatively optimistic compared to the total sample. For instance, only 69% reported that they believe the global economy is either deteriorating or stagnating. The most optimistic regions—both in terms of business confidence



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Perspectives

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and respondents' perceptions on the state of the global economy—were Africa, the Middle East, and South Asia. By contrast, Central and Eastern Europe performed the worst in terms of business confidence, and the Asia-Pacific region is losing confidence at a rate even faster than that of Western Europe.

Comparing results by industry, the survey found that professionals working in utilities firms, which are often domestically focused and fairly hearty in response to economic conditions, reported some of the strongest net confidence gains. On the other hand, professionals working in the pharmaceutical, communications, and information technology business segments were much more pessimistic.

Finally, the results of the survey suggest that various governments around the globe have to perform a difficult balancing act in the coming years if they are going to support a weakening economic recovery. Unfortunately, sustainable fiscal stimulus is a luxury that many governments can't afford, especially among developed nations. In addition, austerity measures are proving difficult to reconcile with sustained growth. Therefore, many government approval ratings are at a record low just at a point when they are most likely to have an influence on business confidence.

Although unwelcome news, these findings shouldn't come as a surprise: After three consecutive quarters of declining demand, the

end result is an eroding outlook for business cash flow around the world. Even more troubling, the findings also point to weakening trends in employment and investment globally, which are two indicators that are typically crucial to sustainable economic recovery.

What can IMA members do in response to this rather grim portrait? As trusted business partners and advisors, accounting and finance professionals will be asked to steer their businesses through challenging times in the coming year, especially in the areas of strategic planning, scenario analysis, and risk management. If these survey results are any indication, organizations all over the world will require robust leadership, sound ethical thinking, and creative problem solving to help navigate these turbulent times.

Furthermore, through our commitment to accounting and finance professionals around the world, IMA will be proactive in providing our members with tools, resources, and thought leadership to help create sustainable growth. IMA will also provide a forum for leading-edge research and industry best practices, extensive education programs to advance professional knowledge, and advocacy of the highest ethical and best business practices in management accounting and finance. Together, we can help businesses survive this economic downturn and emerge stronger than ever.

As always, I welcome your thoughts on this or any other topic. Please share them with me at bmcguire@imanet.org. **SF**