



Think Ahead



The Association of  
Accountants and  
Financial Professionals  
in Business



GLOBAL ECONOMIC CONDITIONS SURVEY REPORT: **Q3, 2023**

## About ACCA

**We are ACCA (the Association of Chartered Certified Accountants), a globally recognised professional accountancy body providing qualifications and advancing standards in accountancy worldwide.**

Founded in 1904 to widen access to the accountancy profession, we've long championed inclusion and today proudly support a diverse community of over 247,000 members and 526,000 future members in 181 countries.

Our forward-looking qualifications, continuous learning and insights are respected and valued by employers in every sector. They equip individuals with the business and finance expertise and ethical judgment to create, protect, and report the sustainable value delivered by organisations and economies.

Guided by our purpose and values, our vision is to develop the accountancy profession the world needs. Partnering with policymakers, standard setters, the donor community, educators and other accountancy bodies, we're strengthening and building a profession that drives a sustainable future for all.

**Find out more at [www.accaglobal.com](http://www.accaglobal.com)**

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## About IMA® (Institute of Management Accountants)

IMA® 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) and CSCA® (Certified in Strategy and Competitive Analysis) programs, continuing education, networking, and advocacy of the highest ethical business practices. Twice named Professional Body of the Year by *The Accountant/International Accounting Bulletin*, IMA has a global network of about 140,000 members in 150 countries and 350 professional and student chapters. Headquartered in Montvale, N.J., USA, IMA provides localized services through its four global regions: The Americas, Asia/Pacific, Europe and Middle East/India.

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# Introduction

THE GLOBAL ECONOMIC CONDITIONS SURVEY (GECS), IS THE LARGEST REGULAR ECONOMIC SURVEY OF ACCOUNTANTS AROUND THE WORLD.

The Global Economic Conditions Survey (GECS), carried out jointly by ACCA (the Association of Chartered Certified Accountants) and IMA (Institute of Management Accountants), is the largest regular economic survey of accountants around the world, in both the number of respondents and the range of economic variables it monitors.

The GECS has been conducted for over 10 years. Its main indices are good lead indicators of economic activity and provide a valuable insight into the views of finance professionals on key variables, such as investment, employment, and costs.

Fieldwork for the 2023 Q3 survey took place between 1 September and 17 September 2023 and gathered 819 responses: 546 from ACCA members and 273 from IMA members.

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



# Executive summary

THE LATEST GLOBAL ECONOMIC CONDITIONS SURVEY SUGGESTS THAT CONFIDENCE HAS DECLINED AGAIN, BUT THERE IS NO INDICATION THAT A DOWNTURN IS IMMINENT.

The latest ACCA and IMA Global Economic Conditions Survey (GECS) suggests that globally, 'Confidence' declined slightly for the second consecutive quarter, although it remains higher than a year earlier, and only slightly below its long-term average. There were also modest declines in the 'New Orders', 'Employment' and 'Capital Expenditure' indices (see **Chart 1**), but only the latter is below its average.

A good cross-check on the economic outlook is provided by the two GECS 'fear' indices, which reflect respondents' concerns that customers and/or suppliers may go out of business (see **Chart 2**). Concerns about customers going out of business ticked up slightly, but fears about suppliers declined to the lowest since 2019. Neither series looks alarming by historical standards. Nevertheless, given that monetary policy tightening works with a lag, and government bond yields have risen sharply since the summer, it would be surprising if we don't see some

deterioration in these indices over the coming quarters.

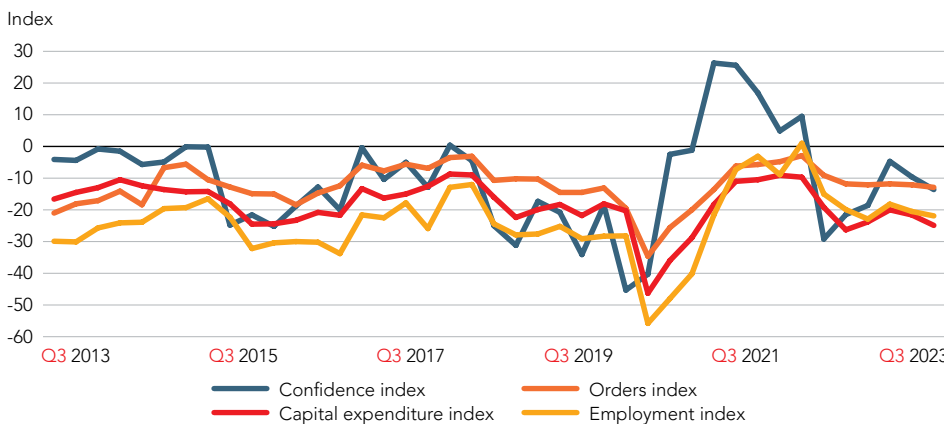
Regionally, there was a notable reduction in confidence in North America, although the decline for the U.S. was not as marked as for the broader region. There was a modest improvement in confidence in Asia Pacific after the previous quarter's sharp fall, while sentiment rose materially in Africa for the second successive quarter.

All in all, the GECS survey remains consistent with some further loss in global economic momentum, although it does not suggest that a downturn is imminent. That said, the risks to global growth are heavily stacked to the downside. These risks include the lagged impact of past monetary tightening, soaring government bond yields, rising oil prices, the Chinese economy, and geopolitics. Accountants should advise their firms or clients to plan accordingly.

THE GECS GLOBAL CONFIDENCE INDEX DECLINED SLIGHTLY FOR THE SECOND CONSECUTIVE QUARTER. CAPITAL EXPENDITURE, EMPLOYMENT, AND NEW ORDERS ALSO FELL, ALTHOUGH THE DECLINE IN THE LATTER WAS MARGINAL.



**CHART 1:** GECS global indicators



Source: ACCA/IMA (2013–23)

FEARS THAT CUSTOMERS COULD GO OUT OF BUSINESS TICKED UP, WHILE CONCERNS ABOUT SUPPLIERS GOING OUT OF BUSINESS CONTINUED TO DECLINE. THE LACK OF MUCH OF AN IMPACT ON OUR GECS 'FEAR' INDICES FROM AGGRESSIVE GLOBAL MONETARY TIGHTENING IS SURPRISING.



**CHART 2:** GECS global 'fear' indices



Source: ACCA/IMA (2013–23)

# 1. Global and regional analysis

WHAT STANDS OUT IS THE SHARP FALL IN THE CONFIDENCE INDEX IN NORTH AMERICA.

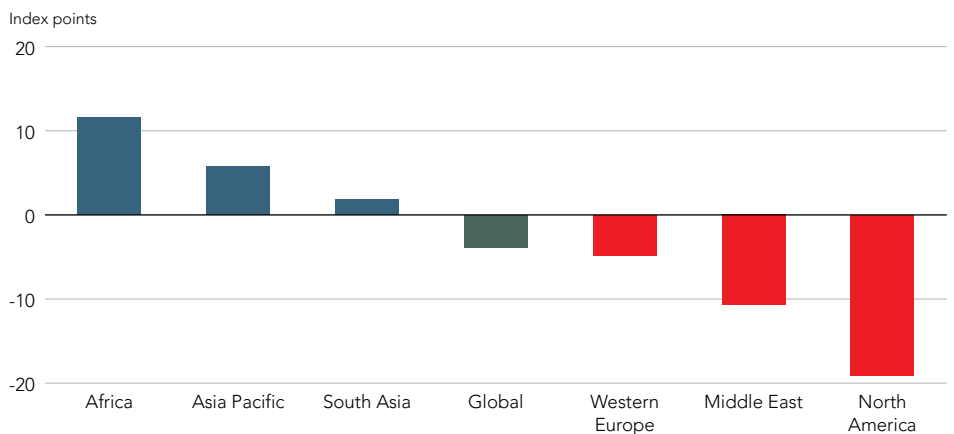
Looking at the change in the **GECS Confidence indices** over the past quarter, the fall in confidence in North America of almost 20 points stands out (see **Chart 3a**). This comes after four quarters of consecutive improvement. While the fall in the U.S. of nine points was not quite as marked, the Federal Reserve's aggressive policy tightening clearly appears to be having an impact. Sentiment fell again in Western Europe, and the euro area and UK economies look very weak at the present time. The fall in confidence in the Middle East was somewhat surprising given the sharp rise in oil prices in recent months. In contrast, confidence rose modestly in Asia Pacific, perhaps reflecting tentative signs that policy easing is leading to some improvement in the Chinese economy. Confidence also registered another decent increase in Africa.

Looking at the 12-month picture, the Confidence Index is up markedly in Western Europe, although this simply reflects the large initial rebound from its 2022 Q3 trough in the aftermath of Russia's invasion of Ukraine (see **Chart 3b**). Over the last two quarters, confidence has actually fallen sharply in Western Europe. Confidence globally and in North America is still modestly higher, despite aggressive global monetary tightening, although this may not be the case in coming quarters, given the long and variable lags with monetary policy. Confidence in Africa has risen materially over the past year, and is now well above its long-term average. Confidence in South Asia has fallen sharply, which is a bit surprising given the general resilience in the Indian economy, although Pakistan has experienced significant difficulties.

THE GLOBAL GECS CONFIDENCE INDEX DECLINED SLIGHTLY IN Q3 AMID A SHARP REDUCTION IN CONFIDENCE IN NORTH AMERICA, AND TO A LESSE EXTENT THE MIDDLE EAST AND WESTERN EUROPE. SENTIMENT IN ASIA PACIFIC IMPROVED AFTER THE PREVIOUS SHARP RETREAT.



**CHART 3a:** Changes in GECS Confidence indices in the past quarter, by region

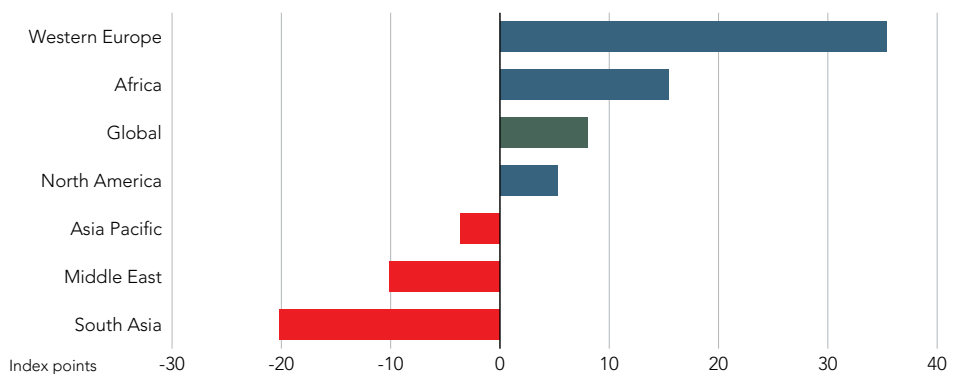


Source: ACCA/IMA (2013–23)

OVER THE PAST YEAR, CONFIDENCE HAS IMPROVED SHARPLY IN WESTERN EUROPE, REFLECTING THE REBOUND FROM THE TROUGH AFTER RUSSIA INVADED UKRAINE. CONFIDENCE HAS BEEN QUITE RESILIENT GLOBALLY AND IN NORTH AMERICA, DESPITE AGGRESSIVE MONETARY TIGHTENING.



**CHART 3b:** Changes in GECS Confidence indices over the past year, by region



Source: ACCA/IMA (2013–23)

The **GECS Global New Orders Index** declined fractionally in Q3, although it remains in line with its average over the survey's history. There was some modest regional variation. Orders rose in the Middle East and Asia Pacific, but declined in North America, Africa, South Asia and Western Europe (see **Chart 4a**). Looking back over the past year, the changes in

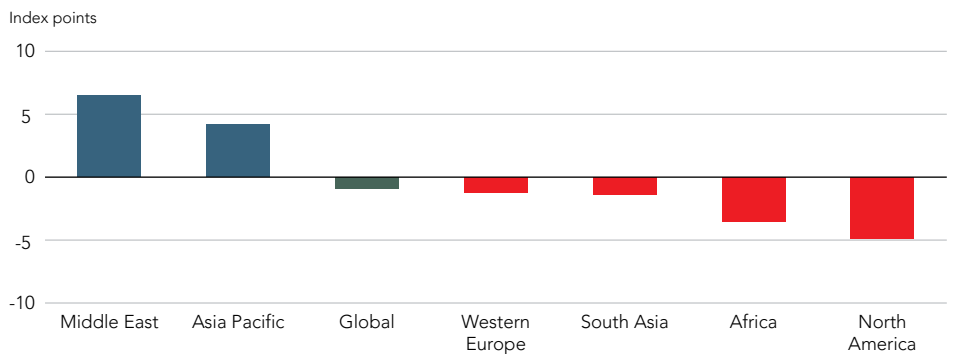
the New Orders Index have been small in most regions. South Asia stands out with a very sharp drop in orders, while Africa recorded the largest rise (see **Chart 4b**). New orders are above their historical long-term average in Africa, the Middle East and Asia Pacific, and below average in South Asia, North America and Western Europe.

Concerns about 'increased costs' edged back slightly again in the latest quarter. As **Chart 5** shows, cost pressures seem to have peaked, although they still remain well above the median recorded over the survey's history. This suggests that central banks could still have more tightening to do than markets currently expect. The sharp rise in oil prices over recent months will make their job even trickier.

**THE GECS GLOBAL NEW ORDERS INDEX DECLINED SLIGHTLY IN Q3, ALTHOUGH THERE WAS QUITE A MIXED REGIONAL PROFILE. NEW ORDERS ROSE IN THE MIDDLE EAST AND ASIA PACIFIC, WHILE THE LARGEST DECLINES WERE IN NORTH AMERICA AND AFRICA.**



**CHART 4a:** Change in the GECS New Orders Index in 2023 Q3, by region

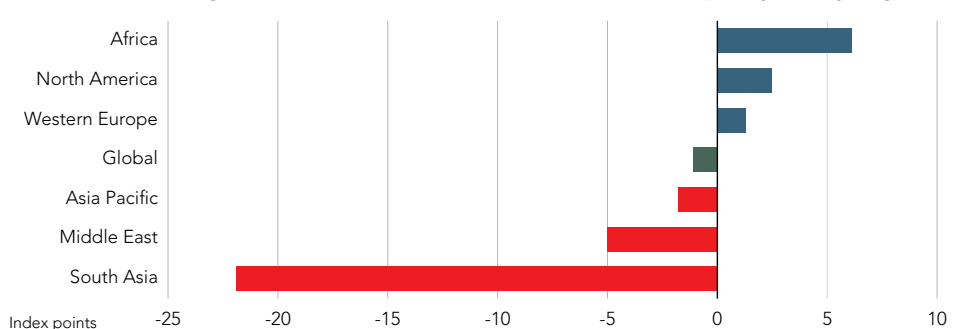


Source: ACCA/IMA (2013–23)

**OVER THE PAST YEAR, NEW ORDERS HAVE NOT CHANGED THAT MUCH IN MOST REGIONS, APART FROM A SIGNIFICANT FALL IN SOUTH ASIA.**



**CHART 4b:** Change in the GECS New Orders Index over the past year, by region

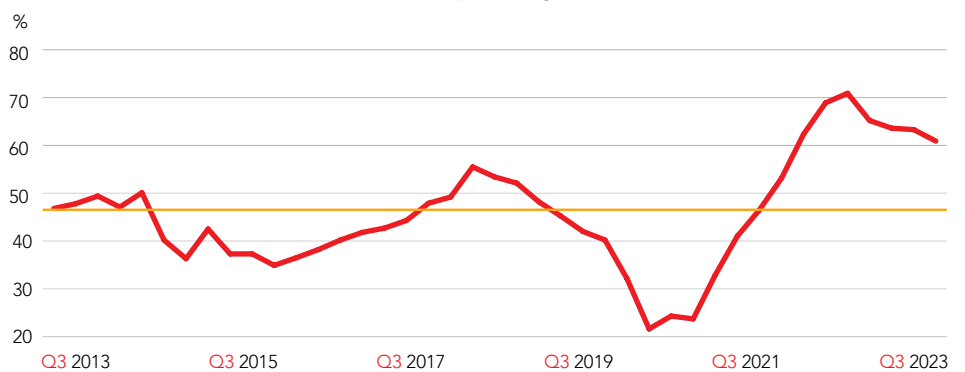


Source: ACCA/IMA (2013–23)

**CONCERNS ABOUT 'INCREASED COSTS' EASED AGAIN, BUT REMAIN VERY ELEVATED BY HISTORICAL STANDARDS. THIS WOULD SUGGEST THAT CENTRAL BANKS MAY STILL HAVE SOME WORK TO DO TO GET INFLATION SUSTAINABLY DOWN TO THEIR TARGETS.**



**CHART 5:** Concerns about increased operating costs



Source: ACCA/IMA (2013–23)

— ACCA Global percentage concerned about 'increased costs'  
— Median over survey history

Global problems accessing finance and securing prompt payment both eased slightly in the latest quarter (see **Chart 6**), and neither currently looks alarming by historical standards. This is surprising given the very aggressive global monetary tightening we have seen over the past 18 months, not to mention the notable

increase in sovereign bond yields since the summer. This may reflect the fact that monetary policy works with long and variable lags.

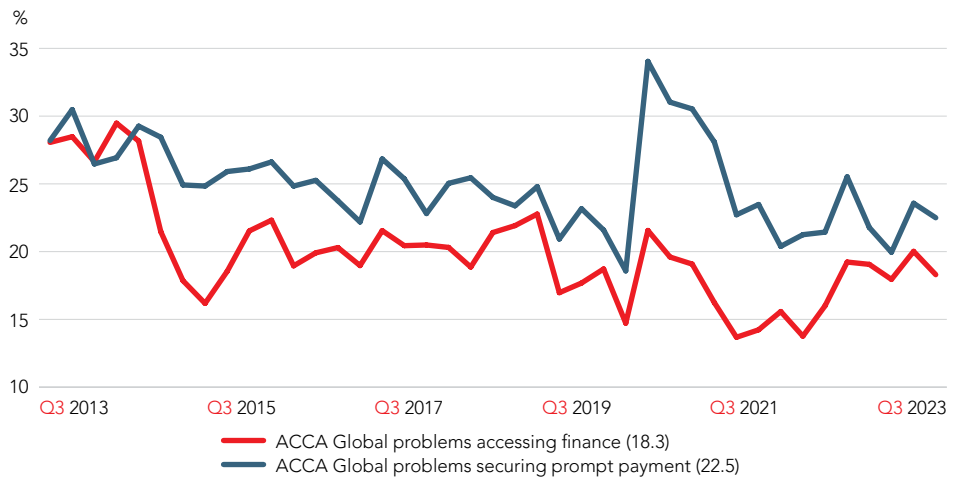
Firms' capital expenditure, investment in staff, and hiring all declined slightly for the second consecutive quarter (see **Chart 7**).

This is consistent with the modest decline in global confidence, and would support the view that the global economy is losing some momentum. Nevertheless, there is little evidence to suggest that firms are embarking on a significant retrenchment, supporting the view that a downturn is not imminent.

SOMEWHAT SURPRISINGLY, GIVEN AGGRESSIVE GLOBAL MONETARY TIGHTENING, THE SURVEY RECORDED SMALL DECLINES IN COMPANIES THAT WERE EXPERIENCING PROBLEMS ACCESSING FINANCE OR SECURING PROMPT PAYMENT.



**CHART 6:** Problems securing prompt payment and accessing finance

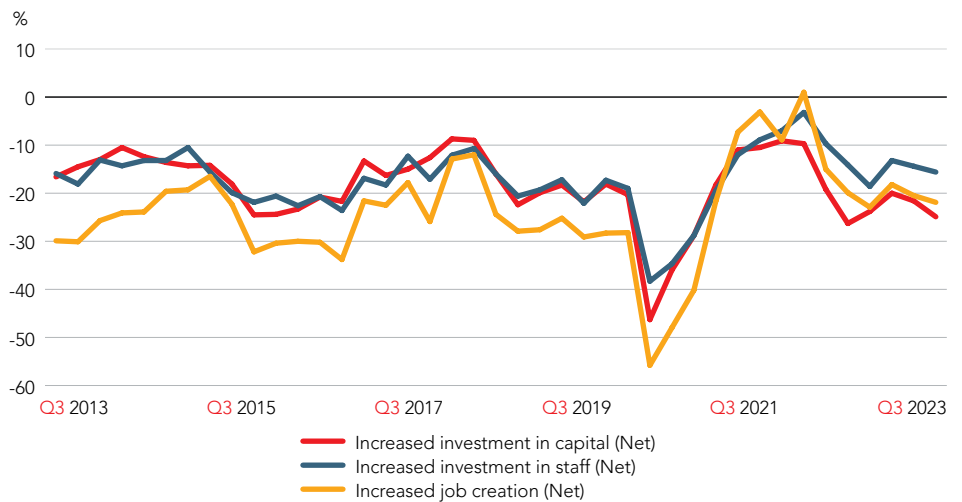


Source: ACCA/IMA (2013–23)

COMPANIES REDUCED THEIR CAPITAL EXPENDITURE, INVESTMENT IN STAFF, AND JOB CREATION FOR THE SECOND SUCCESSIVE QUARTER, THOUGH THE REDUCTION HAS BEEN QUITE MODEST.



**CHART 7:** Changes in net investment and job creation



Source: ACCA/IMA (2013–23)

## Regional analysis

**THE SHARP REDUCTION IN CONFIDENCE IN NORTH AMERICA WAS NOTABLE, AS WERE TENTATIVE SIGNS OF IMPROVEMENT IN ASIA PACIFIC.**

The latest results continue to show a mixed picture at the regional level. The sharp decline in confidence in North America stood out, after rebounding strongly since its 2022 trough, and there was also quite a large fall in the Middle East. Sentiment also fell in Western Europe after a pretty sharp decline in the previous quarter. Nonetheless, the Confidence Index rose quite materially in Africa, and there was also a modest improvement in Asia Pacific after the sharp decline previously. Sentiment was broadly flat in South Asia (see **Chart 8**).

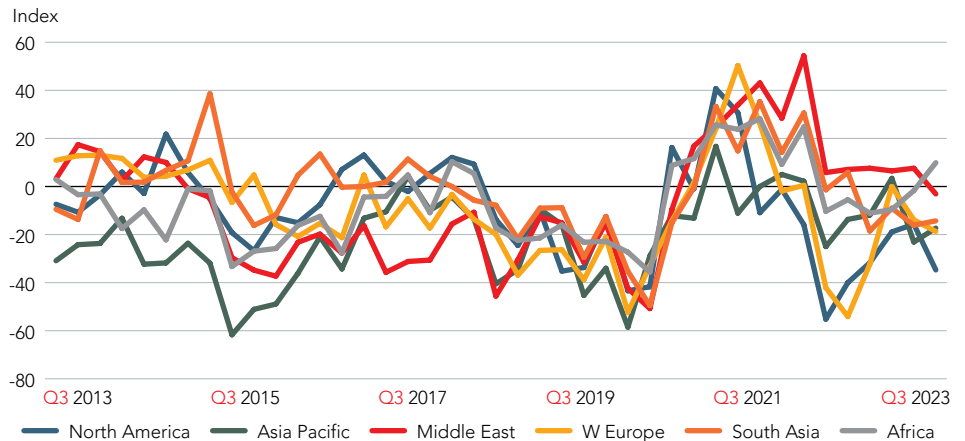
The regional results for new orders exhibited more modest changes (see **Chart 9**) and a similar picture has been evident over the past year.

All in all, North America stood out, with declines in both the Confidence and New Orders indices. This may suggest that U.S. economic growth, which in 2023 has been much stronger than expected, could be set to lose some momentum. Meanwhile, the modest rise in the Confidence and New Orders indices in Asia Pacific could reflect tentative signs of recovery in the Chinese economy amid increasing policy support.

AFTER REBOUNDED STRONGLY SINCE ITS 2022 TROUGH, CONFIDENCE IN NORTH AMERICA FELL SHARPLY IN THE LATEST QUARTER. IT DECLINED AGAIN IN WESTERN EUROPE, BUT THERE WAS SOME FIRING IN ASIA PACIFIC AFTER THE SHARP FALL PREVIOUSLY. CONFIDENCE ROSE SMARTLY AGAIN IN AFRICA.



**CHART 8:** GECS Confidence indices in the major global regions

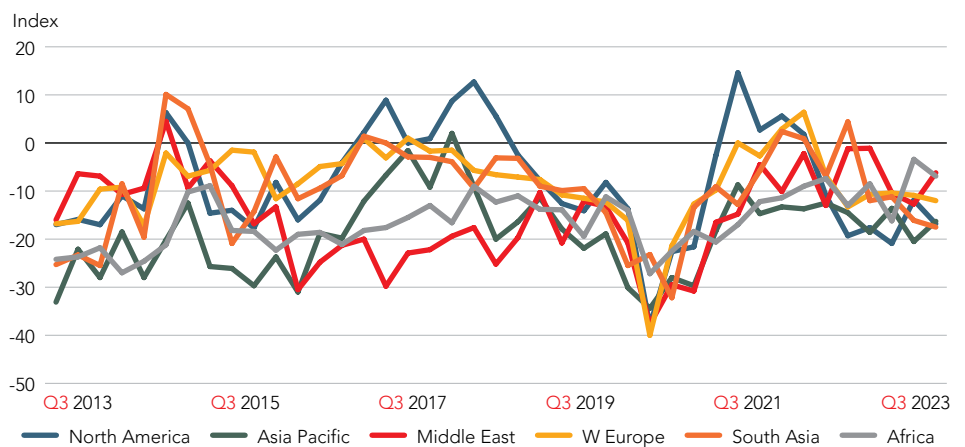


Source: ACCA/IMA (2013–23)

CHANGES IN THE NEW ORDERS INDEX WERE NOT PARTICULARLY LARGE IN ANY OF THE REGIONS IN THE LATEST QUARTER. THE BIGGEST DECLINES WERE IN NORTH AMERICA AND AFRICA, WITH THE LARGEST GAINS OCCURRING IN THE MIDDLE EAST AND ASIA PACIFIC.



**CHART 9:** GECS New Orders indices in the major global regions



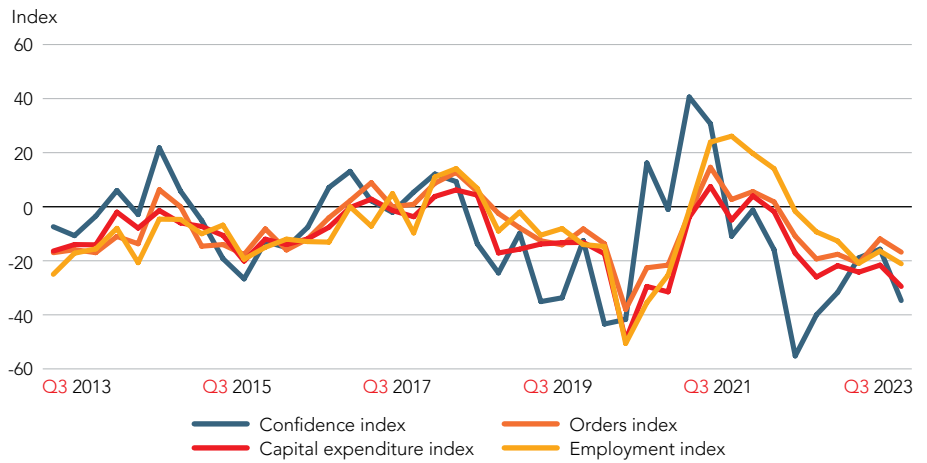
Source: ACCA/IMA (2013–23)



**NORTH AMERICA**

Confidence in the North American region fell very sharply in Q3, interrupting a run of gains since its trough in 2022. The Confidence Index can be quite volatile, however, and the reduction in the other indicators was more modest. The fall of nine points in the Confidence Index for the U.S. was less marked than that of the wider region. Nevertheless, it suggests that the first cracks could be beginning to appear in the previously resilient U.S. economy, which has so far defied predictions of a recession this year. The economy expanded solidly in the first half of 2023 and appears to have grown very strongly in Q3. But growth looks set to slow in Q4 and early 2024 amid multiple headwinds, which include sharply higher borrowing costs, rising gasoline prices, the end of student loan payment deferrals, a strike by auto workers, and a possible government shutdown.

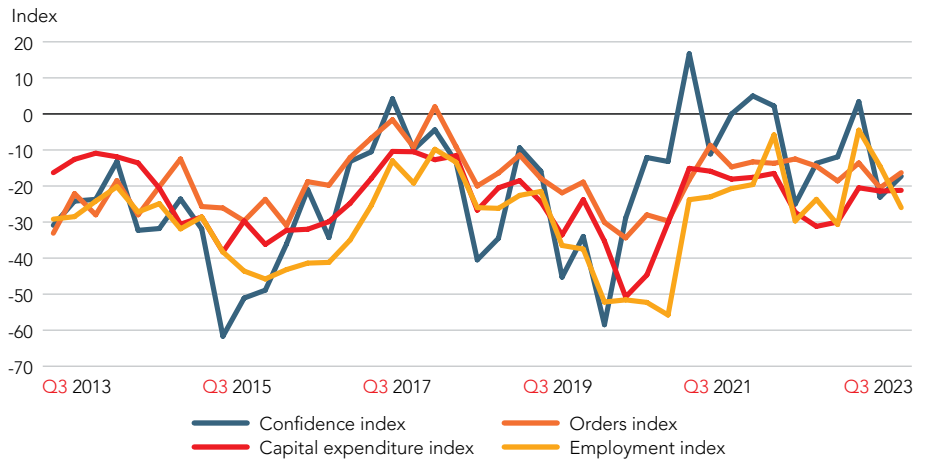
**CHART 10: North America**



**ASIA PACIFIC**

The GECS Asia Pacific Confidence Index recorded a modest improvement in Q3, after a very sharp decline previously. There was also a small improvement in the New Orders Index. Both indicators remain above their long-term average. While it is difficult to be definitive about small changes, signs that gradual policy easing is beginning to lead to some tentative improvement in the Chinese economy could be behind the rise in the Asia Pacific Confidence and New Orders indices. The indicator for capital expenditure was largely unchanged, but there was quite a large fall in employment (see **Chart 11**). Some further recovery in the Chinese economy would clearly be beneficial for the region going forward, although any deterioration in the advanced economies, and further rises in the price of oil, would be headwinds.

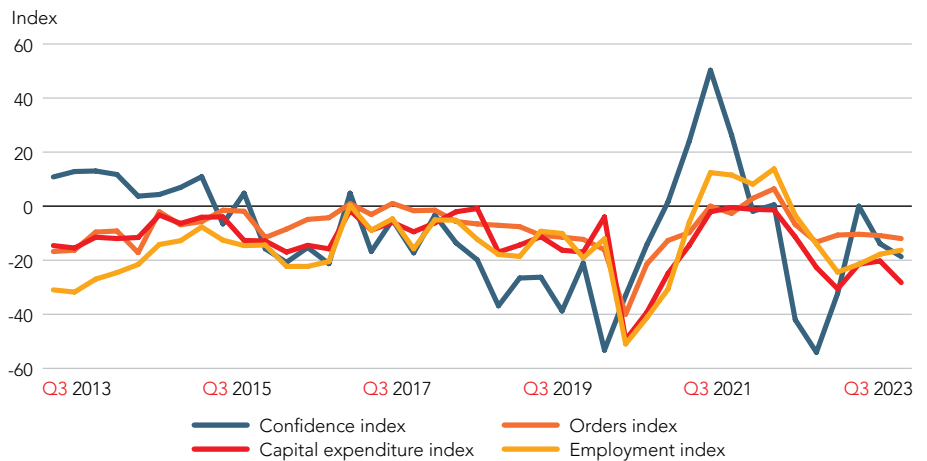
**CHART 11: Asia Pacific**



**WESTERN EUROPE**

Confidence declined in Western Europe for the second consecutive quarter and is almost 20 points below its recent peak in 2023 Q1 (**Chart 12**). It is below its long-term average but does not look especially depressed compared with historical levels in the survey. The New Orders Index remains close to its average despite a modest decline, but capital spending looks weak by historical standards, after a material reduction. The employment component increased for the third consecutive quarter and remains indicative of a resilient jobs market. Aggressive monetary tightening by the European Central Bank and Bank of England as well as the weak Chinese economy appear to be weighing on the region. But a strong jobs market and an improving picture for real incomes provide some support. All in all, while growth has weakened across the region, it is not clear that a major downturn is on the cards.

**CHART 12: Western Europe**



### MIDDLE EAST

The GECS results for the Middle East were a bit mixed. The Confidence Index declined by over 10 points, but it remains slightly above its long-term average. By contrast, there were moderate gains in the New Orders, Employment, and Capital Expenditure indices. Both New Orders and Employment are meaningfully above their historical averages, while Capital Expenditure is below. All in all, the key indices paint a somewhat encouraging picture for the region, and the sharp rise in oil prices since the summer should be a helpful tailwind. Geopolitical developments are a major downside risk, though, after the October terrorist attacks on Israel.

### SOUTH ASIA

The most recent survey results for South Asia were quite mixed and didn't show major changes in either direction. Confidence edged up slightly and there was a moderate gain in Capital Expenditure, but there were modest reductions in the New Orders and Employment indices. Overall, all the key indicators remain quite materially below their historical averages. The results are perhaps worse than one might have expected, given the relative strength of the Indian economy. Despite some slowing in the current fiscal year, the IMF still expects it to grow by more than 6%. However, some other economies in the region have been really struggling, with Pakistan recently receiving a new IMF bailout.

### AFRICA

The GECS Confidence Index for Africa saw the strongest improvement of any region for the second consecutive quarter and is materially above its long-term average. The upbeat picture was generally supported by the New Orders Index. It fell slightly after the previous quarter's large gain but was still at its second highest on record. Meanwhile, the Capital Expenditure and Employment indices presented competing narratives on firms' expansion plans. The former fell sharply and is at a low level historically, while the latter improved moderately and is above its long-term average. Overall, the Confidence and New Orders indices paint an upbeat picture on developments in Africa, although it is difficult to identify the specific drivers behind this, given the significant heterogeneity among the countries in the region. Nevertheless, with slowing global growth, sharply rising government bond yields, a resurgent U.S. dollar, and rising oil prices, it would be surprising if this resilience is maintained over coming quarters.

CHART 13: Middle East

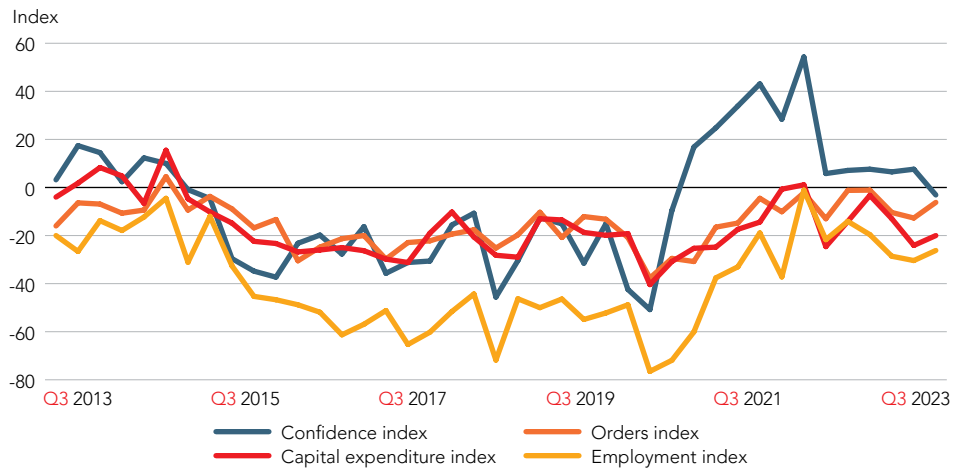


CHART 14: South Asia

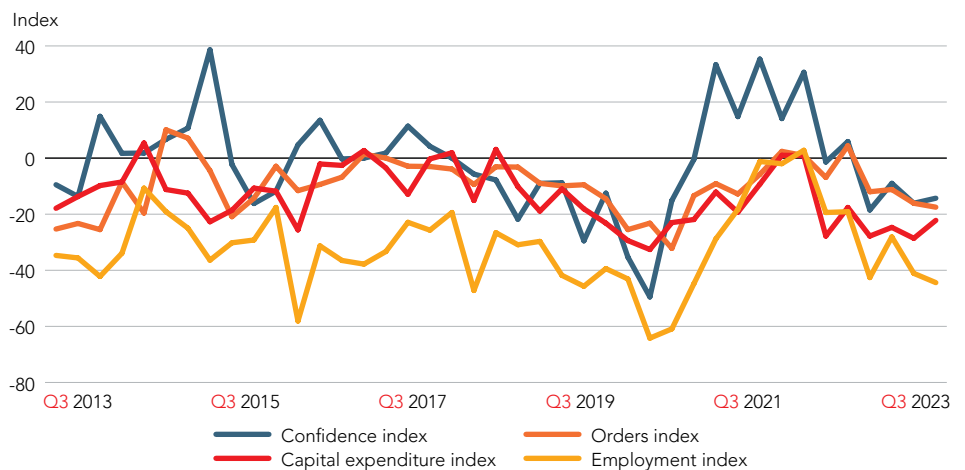
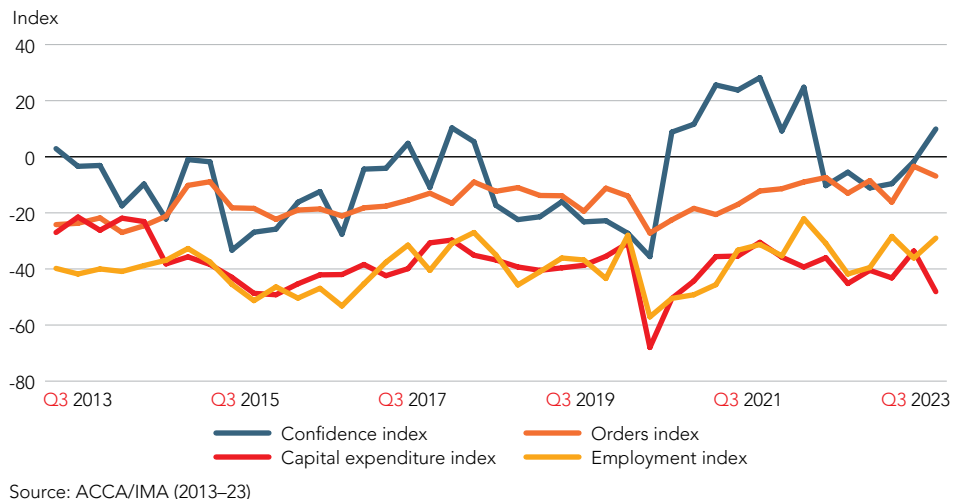


CHART 15: Africa



## CFOs

**CONFIDENCE AMONG CFOs IMPROVED IN THE LATEST QUARTER AND THERE WERE MODEST GAINS IN THE NEW ORDERS AND EMPLOYMENT INDICES. THE CAPITAL EXPENDITURE INDEX FELL QUITE SHARPLY THOUGH.**

Confidence among Chief Financial Officers (CFOs) in our panel improved moderately in Q3 but remains slightly below its long-term average. New Orders also improved marginally but remain below average (see **Chart 16**). The Confidence indices for CFOs and the broader panel (accountants, auditors, CFOs etc.) are at similar levels, while the New Orders Index is materially lower for CFOs.

Capital expenditure fell quite sharply in Q3 according to CFOs and is at a low level by historical standards. Moreover, the Capital Expenditure Index for CFOs is much lower than that for the broader panel. By contrast, employment improved slightly and is above its long-term average

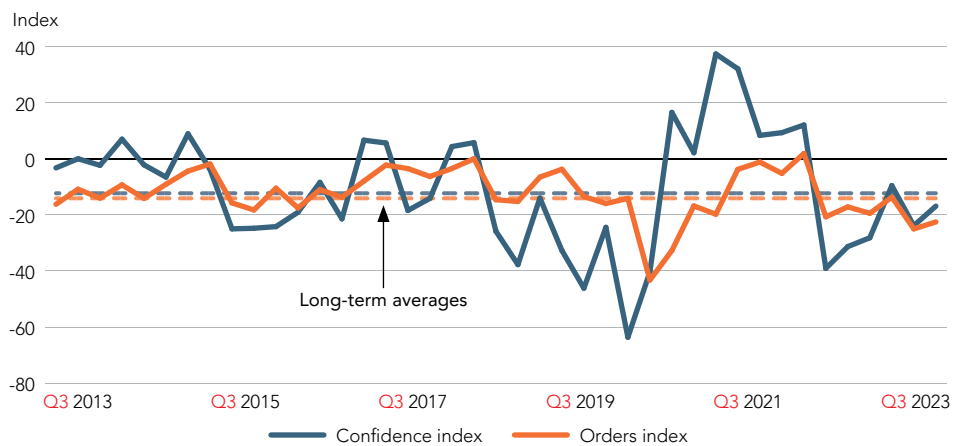
(see **Chart 17**). The Employment Index for CFOs is materially higher than that of the broader panel.

For much of the survey's history, the Capital Expenditure Index for CFOs was often close to, or above, the Employment index. However, since the recovery from the pandemic, the former has consistently been lower than the latter, often by large margins. The Employment Index has also typically been above its average in this period, while the Capital Expenditure Index has been below average since Russia's invasion of Ukraine. This may be capturing increased caution among firms in the aftermath of major shocks, with a greater focus on labour to meet demand rather than investment that is often irreversible.

CONFIDENCE AMONG CFOs IN OUR PANEL IMPROVED IN THE THIRD QUARTER, ALTHOUGH IT REMAINS SLIGHTLY BELOW ITS LONG-TERM AVERAGE. NEW ORDERS ALSO TICKED HIGHER BUT REMAIN BELOW THEIR HISTORICAL AVERAGE.



**CHART 16: CFOs Confidence and New Orders**

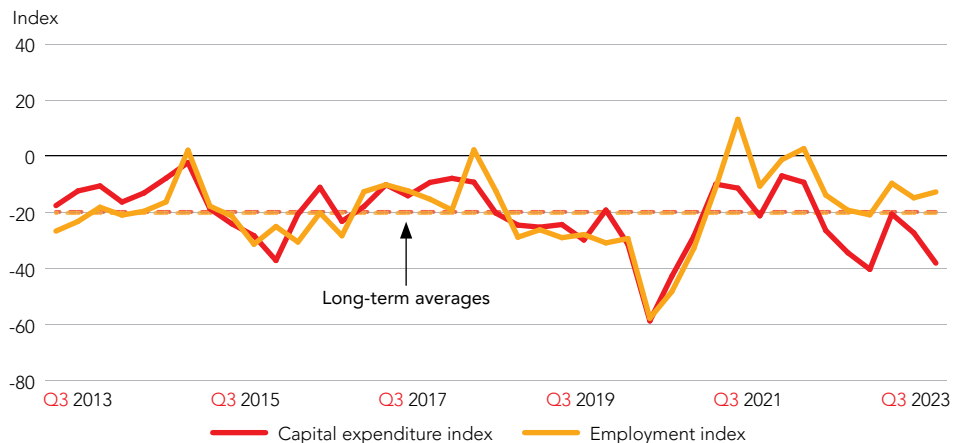


Source: ACCA/IMA (2013–23)

CAPITAL EXPENDITURE FELL SHARPLY IN Q3 ACCORDING TO CFOs. IT IS CURRENTLY SIGNIFICANTLY BELOW ITS LONG-TERM AVERAGE. IN CONTRAST, EMPLOYMENT IMPROVED SLIGHTLY AND REMAINS ABOVE ITS HISTORICAL AVERAGE.



**CHART 17: CFOs Capital Expenditure and Employment**



Source: ACCA/IMA (2013–23)

## 2. ACCA/IMA global risks survey

THE RISK SECTION OF OUR 2023 Q3 GECS SURVEY HIGHLIGHTS NOT ONLY HOW FAST AND INTERCONNECTED GLOBAL ISSUES ARE TODAY BUT ALSO WHERE ACCOUNTING AND FINANCE PROFESSIONALS CAN HELP CONNECT THE DOTS IN UNDERSTANDING AND PRIORITISING THE EXISTENTIAL MATTERS AFFECTING THEIR ORGANISATIONS.

### Author

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The third quarter of 2023 proved to be another one full of sudden surprises and exponential change, and the message coming from our Q3 survey is that organisations are increasingly finding it difficult to keep up with the speed of risk, including the risk of missed opportunities.

Respondents expressed more concern than in previous quarters about their leaders steering them in the right direction. The unintended consequences of cost cutting, for example, stood out in the replies to *'what do you believe is the most underestimated risk facing your organisation today?'* with many members listing more than one.

*'Lack of cost control, lack of culture development, lack of staff retention efforts.'*  
**ACCA member in Sri Lanka**

*'There is no comprehension of cash flow problems.'*  
**ACCA member in Botswana**

*'It's the lack of market and industry knowledge at my organisation.'*  
**ACCA member in Australia**

As thinning resources and restructurings add to today's complex times, accountancy professionals could be creating greater value with their budgeting skills, for example, by analysing where to allocate what energy they do have in the right places and getting decision makers to understand the different scenarios and stages of disruption. As we discuss in our Calls to Action in the recent risk culture

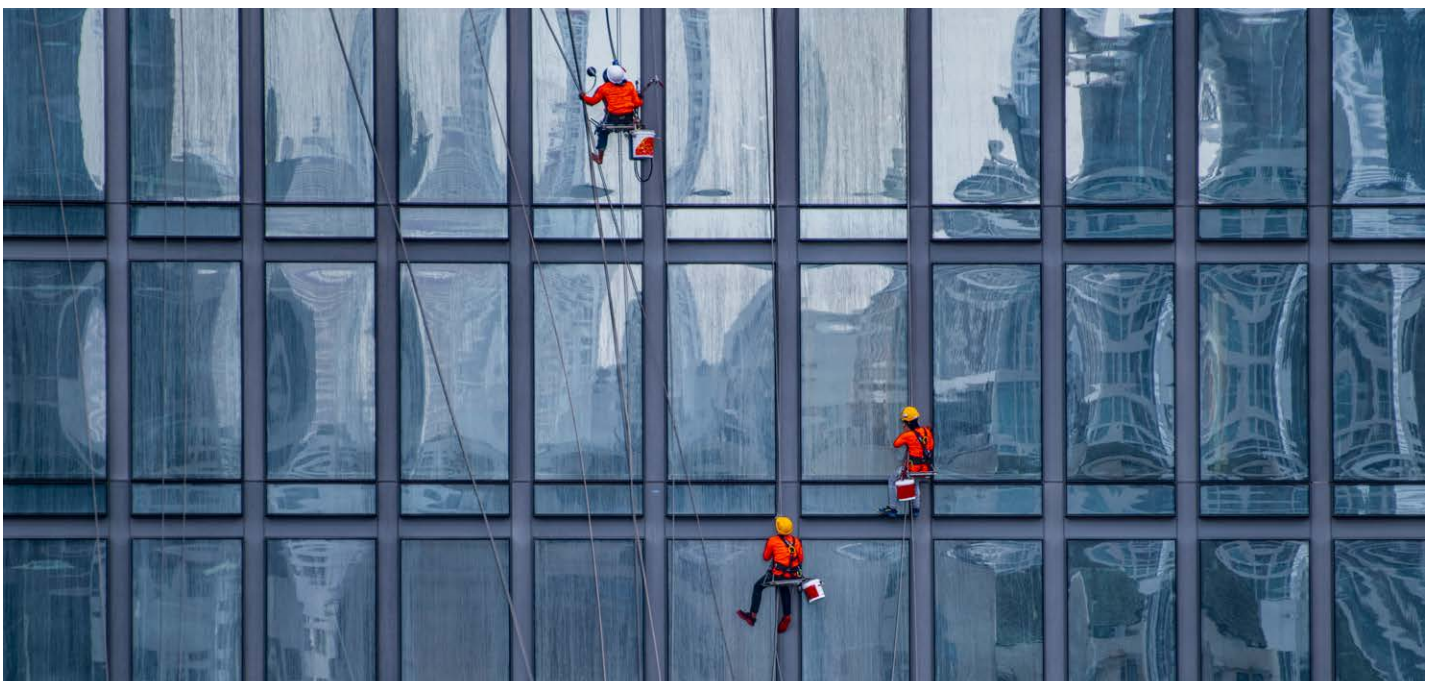
study, [Risk Culture: Building Resilience and Seizing Opportunities](#) (Johnson 2023), accounting professionals could also be asking more questions about risk awareness in the organisation, and whether this is sufficiently discussed at all levels.

In addition, with business models evolving so rapidly, accounting and finance professionals should be reviewing how products and services are rolled out and look for potential conflicts with stated values and desired ethics. Our 2023 Q3 responses in the *'what do you believe is the most underestimated risk facing your organisation today?'* also showed a severe lack of understanding of the implications of artificial intelligence (AI) at senior management and board levels. This was evident across all industries and company sizes.

*'AI could replace existing systems without any comprehensive analysis of the consequences.'*  
**ACCA member in the UK**

*'Artificial intelligence and its impact on how we serve our clients are truly underestimated.'*  
**ACCA member in Ghana**

Our research shows that scenario planning is at the heart of building the governance frameworks needed to support AI transformations. For example, business leaders should consider not only what the bad scenarios are and how to address them, but also what the good scenarios are and how to best facilitate them.



The ‘everything, everywhere all at once’ sentiment of accounting and finance professionals was also reflected in our 2023 Q3 responses to the question ‘**what do you believe are the top three risk priorities at your organisation today?**’ Whilst ‘economic inflation, recession, and interest rates’ and ‘talent scarcity, skills gaps, and employee retention’ maintained their first and second places, respectively, from Q2, ‘technology, data, and cybersecurity’ dropped from third to fifth place, with ‘regulatory, compliance, and legal’ moving back into the top three from the original survey in October 2022, and ‘international and geopolitical instability’ remaining in fourth place (see **Chart 18**). It’s worth noting that the GECS Q3 survey was conducted before the Israel and Hamas war erupted. **Chart 19** shows the top three risk priorities in specific regions. See below more responses to the open-ended question on ‘underestimated risk’.

*‘The spread of war beyond Ukraine and political instability in the US.’*  
**ACCA member in Ireland**

*‘Regulators haven’t done enough to regulate industry. They don’t ask people who work within the industry, which doesn’t make sense.’*  
**ACCA member in the UK**

*‘Legislative changes in the local government sector, for example, the Resource Management Act changes and the Future for Local Government review.’*  
**ACCA member in New Zealand**

*‘As we try to expand our global reach, our biggest risk currently is international economic downturns and trade tensions. A strong US dollar could potentially price us out of new markets that we wish to enter.’*  
**ACCA member from the USA**

*‘Compliance risks and unavailability of compliance staff.’*  
**ACCA member in Mauritius**

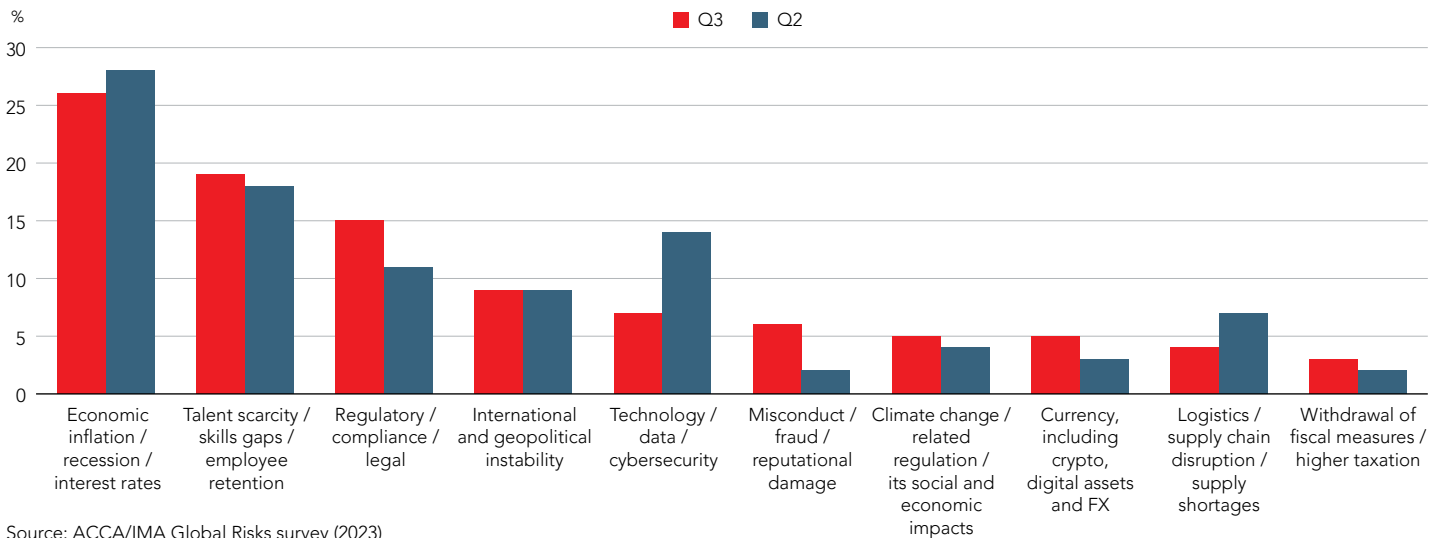
*‘Experienced people are leaving and migrating to different parts of the world, and millennials do not have loyalty to the workplace, in my view. Cultural changes created by the new normal, for example, digitisation and process automation are happening without any upskilling or skilled and experienced teams.’*  
**ACCA member in South Asia**

‘Misconduct, fraud, and reputational damage’ also moved up the risk priority ranks, coming in sixth place compared to ninth in the quarter before. The GECS global risk survey is increasingly revealing how our profession is considering ‘behaviours-at-risk’ more and how staff at all levels respond to change. We also see more talk about potential ‘greenwashing’ and to what extent the organisation’s financial statements illustrate what is happening in practice.

*‘Increasing likelihood of strategy objectives not being fully met – i.e., strategy displacement – is the most underestimated risk at my organisation.’*  
**Respondent in South Africa**

As our overarching risk culture research progresses, it continues to unravel the overconfidence of leaders in understanding what their risks are, and, indeed, knowing what is really going on across the organisation. We found that this debilitating disconnect is becoming a growing concern of the global accounting and finance profession, and we will be exploring this issue more in the quarters to come.

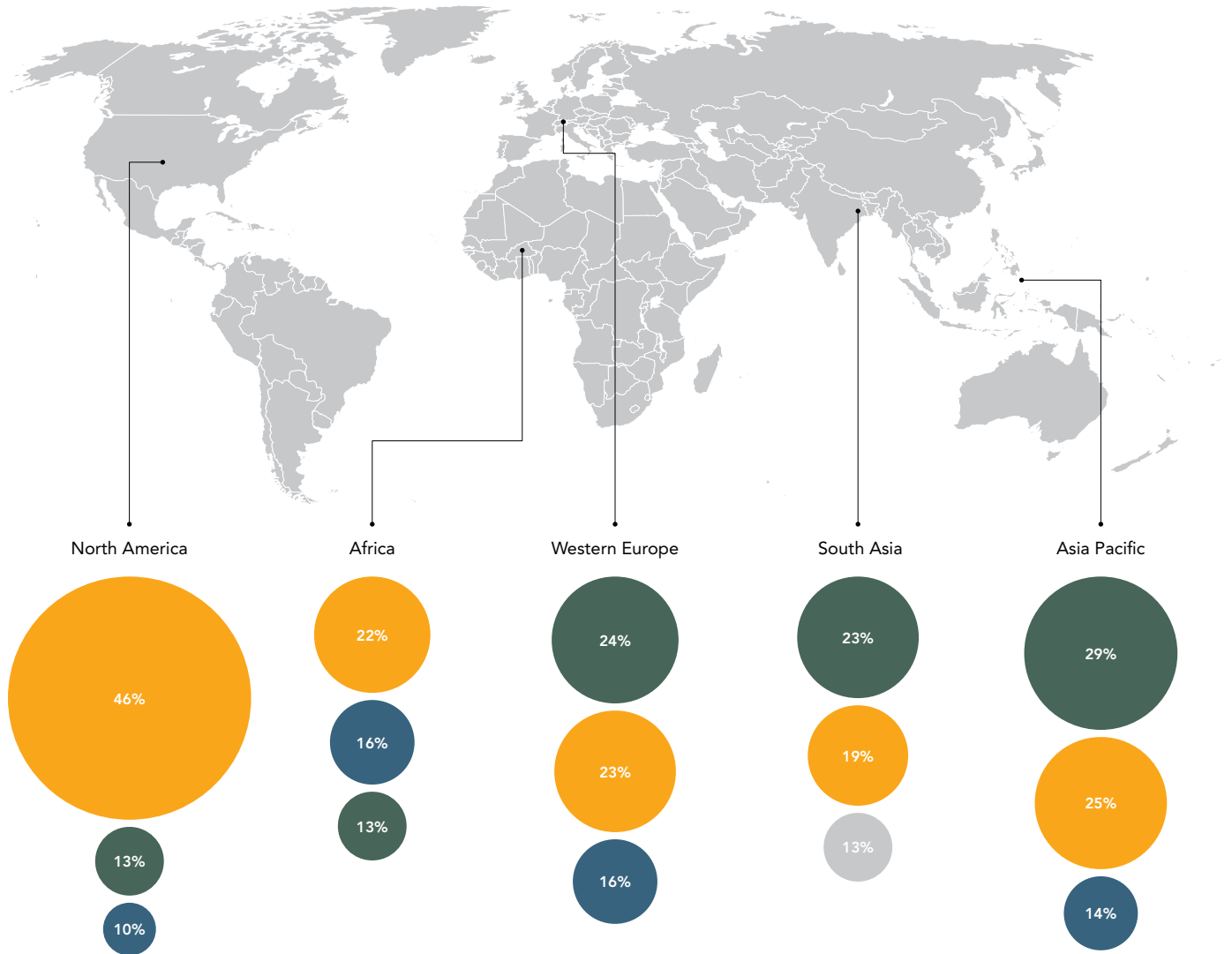
**CHART 18:** Top risk priorities of accountancy professionals, Q3 vs. Q2 2023



Source: ACCA/IMA Global Risks survey (2023)

**CHART 19: The top 3 risk priorities around the world, Q3 2023**

- Regulatory / compliance / legal
- Technology / data / cyber security
- Economic inflation / recession
- Talent scarcity / skills gaps / employee retention
- Misconduct / fraud / reputational damage
- International and geopolitical instability
- Logistics, including supply chain
- Climate change and its social and economic implications
- Currency, including crypto and digital assets



Source: ACCA/IMA Global Risks survey (2023)

Compare this chart with the 'Top risk priorities around the world' Figure 2.3 in *Risk Culture: Building Resilience and Seizing Opportunities* (2023), and with 'The top 3 risk priorities around the world, Q2 2023, Chart 17 in *Global Economic Conditions Survey: Q2 2023*.

# 3. The global economic outlook

THE GLOBAL ECONOMY HAS SLOWED SINCE THE SUMMER. THE RISKS REMAIN HEAVILY STACKED TO THE DOWNSIDE.

After showing more resilience than expected in the first half of 2023, the global economy looks to have materially slowed since the summer. The closely watched JP Morgan Global Composite Purchasing Managers' Index (PMI) has fallen from a recent peak of over 54 in May to just 50.5 in September – only slightly higher than the 50 threshold that separates expansion from contraction (see **Chart 20**). The forward-looking New Business component fell into contractionary territory, at 49.3, in September<sup>ii</sup>.

The manufacturing sector has been consistently weak in 2023, with the JP Morgan Global Manufacturing PMI standing at just 49.1 in September. The new orders and new export orders components

improved slightly but remain soft at 48.4 and 47.7. The eurozone manufacturing sector is particularly depressed, especially in Germany<sup>iii</sup>. The weakness in global goods production is evident in the data on global trade, which contracted at a year-on-year rate of over 3% in July – the fastest pace of decline in recent decades, apart from the 2001 U.S. recession, the Global Financial Crisis and the pandemic (see **Chart 21**). The World Trade Organization (WTO) has downgraded its forecast for global trade growth this year to just 0.8%<sup>iv</sup>. Meanwhile, the important and previously resilient global services sector has lost momentum, with the JP Morgan Global Services PMI falling sharply from second quarter levels to just 50.8 in September – the lowest reading since January 2023<sup>v</sup>.

GROWTH IN THE GLOBAL ECONOMY LOOKS TO HAVE SLOWED IN THE THIRD QUARTER.



**CHART 20:** Business surveys point to slowing global growth



Source: ASR Ltd. /Refinitiv Datastream / S&P Global (2023)

THE WEAKNESS IN GLOBAL GOODS PRODUCTION IS EVIDENT IN THE DATA ON GLOBAL TRADE, WHICH CONTRACTED AT A YEAR-ON-YEAR RATE OF OVER 3% IN JULY.



**CHART 21:** Global trade volumes



Source: CPB

A key driver behind the slowing in global growth is the aggressive monetary tightening by the major central banks, whose impact will be increasingly amplified by the sharp rise in medium and longer-term government bond yields since the summer. Ten-year government yields in the U.S. and Germany are now around their highest levels since 2007 and 2011 respectively (see **Chart 22**). An important contributor to the recent spike in yields is the growing recognition by investors that central banks are set to keep policy rates at elevated levels for an extended period. The resurgent U.S. dollar will put additional pressure on the global economy by raising the costs of international trade and of servicing U.S. dollar-denominated debt liabilities. The much weaker than expected recovery in China, and rising oil prices, have also weighed on global growth.

Headline inflation has fallen back sharply in the major advanced economies, as past large rises in food and energy prices have fallen out of the annual numbers. Core inflation has also begun to come down gradually, but still remains well above central bank targets. Core goods inflation has fallen sharply in the U.S. and moderately in the eurozone and the UK. The decline in services inflation has been more modest, however (see **Chart 23**), reflecting the strength in job markets and solid wage growth. The sharp rise in the price of oil will further complicate central banks' task of getting inflation back to targets. It weighs on growth, but pushes up inflation and may raise inflation expectations. The major central banks have suggested that interest rates are probably close to a peak, while noting that they will have to remain at high levels for an extended period of time.

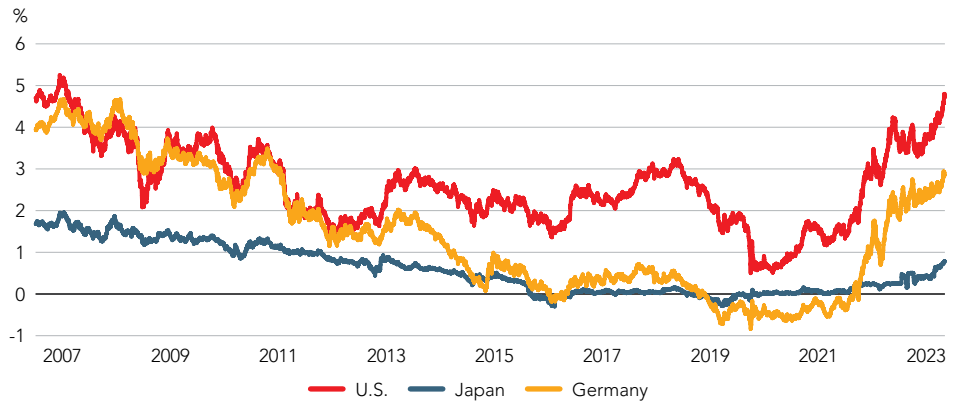
**U.S.**

The U.S. economy has shown more resilience than expected in 2023, defying expectations of a recession. It expanded at an annual rate of 2.1% in Q2, and the Nowcasting models of the Federal Reserve Banks of Atlanta and New York are predicting growth of 5.4% and 2.55% in Q3<sup>vi,vii</sup>. Key sources of strength have been the consumer and non-residential investment, where The Inflation Reduction Act and The CHIPS\* and Science Act have sparked massive investments in new structures by firms. The jobs market remains very strong. Employment increased by a robust 336,000 in September after solid gains in August and July, and the unemployment rate remains very low at 3.8%. Wage growth remains solid despite moderating slightly, and the sharp fall in inflation means that positive real income growth has been supporting

TEN-YEAR GOVERNMENT YIELDS IN THE U.S. AND GERMANY ARE NOW AROUND THEIR HIGHEST LEVELS SINCE 2007 AND 2011 RESPECTIVELY.



**CHART 22:** Government bond yields, 10-year

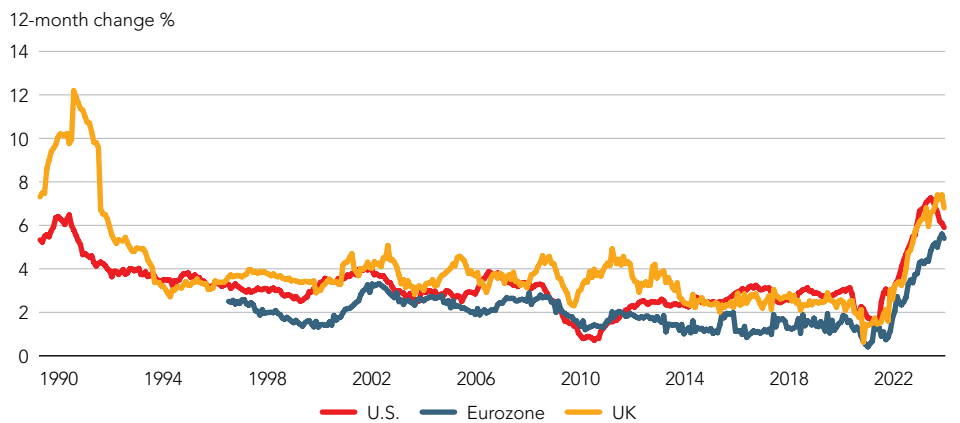


Source: ASR Ltd. / Refinitiv Datastream (2023)

THE DECLINE IN SERVICES INFLATION HAS BEEN MODEST, REFLECTING THE STRENGTH IN JOB MARKETS AND SOLID WAGE GROWTH.



**CHART 23:** Services prices



Source: ASR Ltd. / Refinitiv Datastream (2023)

\* CHIPS = 'Creating Helpful Incentives to Produce Semiconductors



consumer spending. Despite the overall strength of the economy, there is clear evidence that monetary tightening is slowing growth, including the collapse in mortgage applications, the slowdown in bank lending, and rising corporate bankruptcies.

Growth is likely to slow in Q4 and early 2024. Some of this will represent payback after growth that was probably well above trend in Q3. But the economy also faces a number of growing headwinds. These include the sharp rise in borrowing costs since the summer, the hit to incomes and confidence from rising oil and gasoline prices, the ending of student loan payment deferrals, the strike by auto workers, and a potential government shutdown in November. There is also growing evidence that the excess savings built up during the pandemic may have been largely exhausted. If so, this would remove a recent important source of support for the economy. Fears of a recession could begin to emerge again, although recession would seem unlikely if the job market remains strong.

Headline personal consumption expenditures (PCE) inflation has fallen sharply from its peak of over 7% in the summer of 2022 to 3.5% in August, while the Federal Reserve's preferred core measure has fallen more gradually from a peak of around 5.5% to just under 4%. This is still around double the 2% target. The U.S. central bank kept rates on hold at its September meeting, but its dot-plot suggested that a majority of members expected a further quarter-point interest rate increase by year-end, and only a modest amount of monetary easing in 2024<sup>viii</sup>. The strength of September's jobs data increased the risk of a hike at the meeting on 1 November, although the committee may conclude that the recent spike in bond yields has done their job for now.

### China

The recovery in the Chinese economy since the end of its zero-COVID policy has been much weaker than expected. A key problem is the major downturn in the housing market, which accounts for up to 30% of the economy on some estimates. The sharp fall in residential land sales has hammered local government finances, which had already been weakened by massive pandemic-related spending. Private sector confidence has also been depressed by years of on-off lockdowns, previous regulatory measures against certain sectors, and very elevated youth

unemployment. The external backdrop is also difficult amid aggressive monetary tightening in the advanced economies, and efforts in a number of countries to move manufacturing production back home or to geopolitically aligned countries.

Policymakers have eschewed the massive stimulus packages used in the past for fear of reigniting excesses in the housing market and other parts of the financial system, and given the already high levels of private sector and government debt. Policy easing has been more gradual and piecemeal. It has included modest cuts in policy rates and banks' required reserve ratios, efforts to boost private sector confidence, and measures to boost the housing market such as reducing mortgage rates and down-payment ratios for mortgages. Media reports have suggested that some fiscal stimulus could also be in the offing<sup>ix</sup>.

There are some signs that policy easing is having an impact. The closely watched (Chinese) National Bureau of Statistics (NBS) purchasing managers' survey for manufacturing moved back into expansionary territory for the first time since March, at 50.2 in September, while the non-manufacturing PMI rose slightly to 51.7 from 51 previously. The sequential rate of economic growth also strengthened from 0.5% in Q2 to a better than expected 1.3% in Q3, leading some economists to revise higher their forecasts for growth this year<sup>xi</sup>. Nevertheless, the housing market remains very weak and ongoing troubles at some major developers risk further hitting confidence and delaying any recovery in the sector. The government is likely to hit its growth target of around 5% for 2023 but a robust recovery seems unlikely. The International Monetary Fund (IMF) forecasts falling growth over the coming years, from 4.2% in 2024 to just 3.4% by 2028<sup>xii</sup>.

### Eurozone

The eurozone economy was flat in Q1 and expanded by just 0.1% on a quarterly basis in Q2. Key indicators point to a significant slowdown, and risk of a contraction, in Q3. The Hamburg Commercial Bank (HCOB) Eurozone Composite Purchasing Managers' Index (PMI) stood at 47.2 in September, well down from levels in Q2. Particular weakness was evident in France and Germany, while the readings for Italy and Spain, at close to 50, were consistent with stagnation. The services sector has slowed sharply and had a reading of 48.7 in September, while manufacturing was at 43.4<sup>xiii xiv</sup>.

The aggressive monetary tightening by the European Central Bank (ECB), despite weak growth, appears to be weighing heavily on the economy. Bank lending growth has largely ground to a halt, the money supply is contracting, and housing markets are very weak. The manufacturing sector, particularly in the key German economy, has also been hit by weakness in key export markets such as China, as well as the rise in the euro's value since last autumn. Meanwhile, the sharp slowing in service sector activity partly reflects the ending of the post-pandemic recovery. Not all developments have been negative, though. The strong jobs market is providing support to the consumer, with the unemployment rate at a historical low of 6.4% in August. Moreover, with strong wage growth and falling inflation, real incomes are improving.

Headline inflation has fallen back sharply over recent quarters, and was down to 4.3% in September. Core inflation has also begun to move downwards and is currently at 4.5%. The ECB recently revised its forecasts slightly upwards for headline inflation in 2023 and 2024 and doesn't expect it to return to its 2% target until 2025<sup>xv</sup>. Against such a backdrop, it hiked interest rates by a quarter of a percentage point at its September meeting, taking the main deposit rate to 4% – the highest on record. But with growth at an increasing risk of contracting, we may have seen the peak in rates in the current cycle. Nevertheless, the ECB has suggested that it intends to keep interest rates in restrictive territory for as long as necessary.

### UK

Significant upward revisions of GDP growth for 2020 and 2021 suggest a stronger recovery from the pandemic than previously thought. The economy is now judged to have been 0.6% larger at the end of 2021 than before the pandemic, compared with an estimate of 1.2% smaller previously. In 2023 Q1, the economy expanded by an upwardly revised 0.3% on a quarterly basis, followed by 0.2% in Q2. The Standard and Poor's (S&P) Composite PMI points to a sharp slowing in Q3, however, with the service sector moving slightly into contractionary territory in recent months<sup>xvi</sup>. Housing market activity is very weak and prices are falling, and the resetting of fixed-rate mortgages onto significantly higher rates will remain a major drag over the coming quarters. The jobs market remains tight, but there have been clear signs that it is beginning to ease. With strong wage

growth and falling inflation, improving real incomes should provide some support to the consumer.

The Bank of England kept interest rates on hold at 5.25% at its September meeting, in a very finely balanced decision. Five members voted to keep policy on hold while four opted for another quarter-point hike. Positive progress in lowering inflation, signs of a material slowing in growth, and an easing jobs market, appear to have persuaded the majority to hold still, despite very fast wage growth and inflation remaining well above target<sup>xvii</sup>. While the sharp rise in government bond yields will further slow the economy, the risk remains that some further monetary tightening may still be needed.

### Emerging markets

Emerging economies have continued to grow at a reasonable pace, although activity appears to have moderated in Q3, with the S&P Global Emerging Markets Composite PMI declining over recent months<sup>xviii</sup>. There is quite a wide divergence in performance among the major countries. The reading of 61 for India was one of the highest in almost 13 years<sup>xix</sup>, consistent with its position as one of the fastest-growing major economies. The IMF forecasts that its annual growth will exceed 6% for the foreseeable future<sup>xx</sup>. At almost 55, the index is also consistent with a decent rate of expansion in Russia<sup>xxi</sup>,

while readings of 50.9 and 49 point to weaker conditions in China and Brazil<sup>xxii, xxiii</sup>.

Headline inflation has fallen in most of the major emerging economies as the previous large rises in food and energy prices have fallen out of the annual numbers. Core inflation has gradually come down too. Many countries have kept rates unchanged since the end of their monetary tightening cycles, while some have begun to cut interest rates. Rates in Brazil are now down by one percentage point since their peak and further easing is expected over coming quarters. But with oil prices increasing, U.S. government bond yields surging, and the U.S. dollar rising, policymakers in the emerging world may become increasingly cautious about policy easing, fearing large capital outflows and sharp currency depreciation. Some may opt for further tightening, with Bank Indonesia raising rates by a quarter of a percentage point at its recent meeting. Meanwhile, certain countries, such as Turkey, have recently been hiking interest rates aggressively. This reflects the reversal of past misguided policies that had sparked rapid inflation and massive currency depreciation.

External developments will remain very important. A stronger recovery in China would be helpful for emerging markets, as would continued resilience in the U.S. and other advanced economies. But if growth in the U.S. economy were too strong, that

could become problematic. If it led to material additional monetary tightening and further U.S. dollar strength, there could be a significant further tightening in global financial conditions.

### Risks to the global outlook

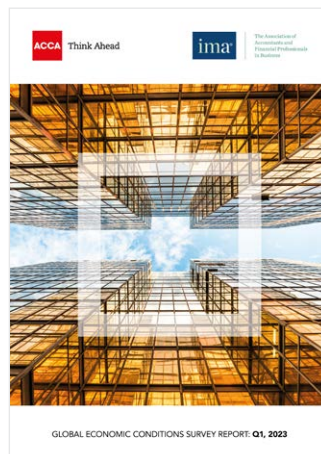
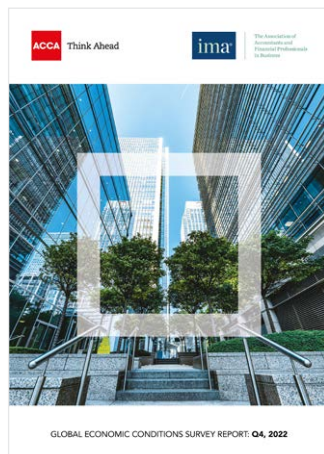
The risks to the global outlook remain heavily skewed to the downside. As monetary tightening works with long and variable lags, there remains a material risk of a hard landing in one of the major economies and/or further financial accidents. The sharp move higher in global bond yields over recent months, as well as the resurgent U.S. dollar, further increase those risks. Meanwhile, the Chinese economy has shown some tentative signs of improvement in response to gradually increasing policy stimulus. But there remains a reasonable risk that problems in the housing market could lead to a sharper slowdown in the economy, and potentially financial contagion in the wider banking and financial system. The rise in oil prices since the summer further exacerbates the risks facing the global economy. It will reduce real incomes among consumers and complicates the task of central bankers in getting inflation back to their targets. After the October terrorist attacks in Israel, developments in the Middle East could lead to a further increase in oil prices. A further intensification of the Russia–Ukraine conflict could also lead to higher commodity prices.

## Endnotes

- i <[https://cdn.ihsmarket.com/www/pdf/4764736\\_4764729\\_0.1.pdf](https://cdn.ihsmarket.com/www/pdf/4764736_4764729_0.1.pdf)>
- ii <<https://www.pmi.spglobal.com/Public/Home/PressRelease/13520721b61b4c50ba86b1f33b5f9a80>>
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- v <<https://www.pmi.spglobal.com/Public/Home/PressRelease/13520721b61b4c50ba86b1f33b5f9a80>>
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- xxii <<https://www.pmi.spglobal.com/Public/Home/PressRelease/801c7bbdae3f487990ac58ae4accf892>>
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	Kuwait	Korea, Republic of	Romania	Nepal	Italy	Liberia	Puerto Rico	
	Lebanon	Malaysia	Russia	Pakistan	Luxembourg	Malawi	St Vincent	
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						Uganda		
						Zambia		
						Zimbabwe		

# ACCA, IMA and the global economy

To find out more visit:  
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Global economic conditions continue to dominate business and political life. News and debates on economic issues are almost constantly the focus of media attention. While most national economies are now growing once again, it is far from clear how sustainable this growth is or how long it will be before a sense of normalcy returns to the global economy.

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

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

Accountants are particularly instrumental in supporting the small business sector. Small and medium-sized enterprises (SMEs) account for more than half of the world's private sector output and about two-thirds of all employment.

Both ACCA and IMA focus much of their research and advocacy efforts on articulating the benefits to SMEs of solid financial management and reliable financial information.

## WHERE NEXT?

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

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