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## **Accountants' Confidence in Q3 2022: A Story of Pessimism with a Few Bright Spots Amid Volatile Business Environment, Fears Over Inflation**

*North American confidence recovers slightly in Q3, but still second weakest  
in survey's history*

**New York and Montvale, N.J., October 25, 2022** – The latest edition of the Global Economic Conditions Survey (GECS) from [ACCA \(the Association of Chartered Certified Accountants\)](#) and [IMA® \(Institute of Management Accountants\)](#) found confidence on the economic outlook remaining well below the median reading over the past decade due to fears over inflation and a slump in business.

The Q3 2022 GECS, the largest regular economic survey of accountants around the world, can be accessed [here](#) or at <https://www.imanet.org/insights-and-trends/global-economic-conditions-survey>. The survey took place between September 2 and 14, 2022 and gathered 905 responses.

Globally, the survey found that nearly three quarters of businesses are wrestling with increased costs, with the highest proportion of respondents reporting increased cost pressures for the last decade and over one in three worried about decreased income,

with a similar proportion highlighting foreign exchange volatility as uncertainty and glimpses of recession dominate the latest economic outlook.

Two developments underlined the precarious nature of the commercial environment. First, an increase in the number of respondents reporting “problems securing prompt payment,” which has risen to the highest level in four years. This could be the first sign of an increase in the number of organizations that may be experiencing cash-flow difficulties. Additionally, the survey found that there has been a noticeable rise in the numbers reporting “problems accessing finance,” with the most aggressive tightening of monetary policy in 40 years likely to hit corporate liquidity.

The data further notes confidence in the economic outlook remaining well below the median reading over the past decade, while the other three indicators that are more closely related to economic activity – new orders, capital expenditure, and employment – all showing a further deterioration. Taken as a whole, the series are consistent with slower global growth for the remainder of the year, coupled with inflationary pressures rising.

“Although confidence recovered from the very sharp fall in the Q2 survey, the indices for new orders, capital spending and employment all showed further deterioration,” said **Loreal Jiles, vice president of research and thought leadership at IMA**. “The two ‘fear’ indices – reflecting the level of concern that customers and suppliers may go out of business – were little changed but remain above pre-pandemic levels.”

The survey notes the growing divergence in confidence levels across the regions, with low levels in North America and Western Europe contrasting with the more upbeat perspective among the survey’s Middle Eastern and South Asian respondents.

The findings in North America illustrate the impact of rising inflation and the global economy. After collapsing to a record low in Q2, North American confidence recovered slightly in Q3, but it is still the second weakest reading in the survey’s history. Even more worrying is that new orders, capital spending, and employment all deteriorated in Q3.

“These series are less volatile than the confidence measure and may give a better sense of the slowdown in economic growth that is underway in the region,” said **Jamie Lyon, head of skills, sectors and technology at ACCA**. “With the U.S. Federal Reserve engaged in an aggressive monetary tightening to bring inflation back under control, it is inevitable that both confidence and economic activity will be reduced.”

After an inventory-induced contraction in the second quarter, some underlying measures of U.S. economic activity appeared to slow further in the third quarter. Housing has played an important part of that slowdown: housing starts have not grown at all since the end of June, while inventories of unsold new homes have risen sharply. The National Association of Home Builders’ Housing Market Index is down to its weakest level (outside the pandemic) since the middle of 2014. Yet, the decline in oil

prices through July and August appears to have given the U.S. consumer a bit of support.

Retail sales volumes rose in August, after three months of contraction. Both the Conference Board and University of Michigan confidence measures have bounced in recent months. The Federal Reserve Bank of Atlanta's "GDPNow" model suggests the economy could expand by an annual rate of 2.8% in the third quarter.

Declining oil prices have also pulled inflation lower, from 9% in June to 8.2% in September. Yet, that's still far higher than the Federal Reserve Board would like. Rising rents and house prices partly explain why high inflation has been so stubborn.

But, fundamentally, the problem is that nominal income and spending is growing too quickly given the supply-side constraints facing the U.S. economy. Markets now expect the Federal Funds Target Rate to get up towards 5% by the middle of next year.

"Our latest Global Economic Conditions survey points to obvious ongoing challenges in the global economy, a reflection of the continued economic fallout from the Russian invasion in Ukraine, a further tightening of monetary policy in key jurisdictions, and a cost-of-living crisis," Lyon said. "One of the key risks will be how much and how quickly central banks will seek to further tighten monetary policy in the months ahead to tame inflationary pressures, and whether or not the global economy could slow more than business leaders expect in 2023."

Added Jiles, "For most regions in the world, the GECS survey points to a decline in business orders both in comparison to the previous quarter, and looking across the new orders index over the past year. Coupled with inflationary pressures, it suggests a challenging time for businesses ahead in the next few months."

## **About ACCA**

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants.

We're a thriving global community **of 241,000 members and 542,000 future members based in 178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organizations and flourishing societies.

Since 1904, being a force for public good has been embedded in [our purpose](#). In December 2020, we made commitments to [the UN Sustainable Development Goals](#) which we are measuring and will report on in our annual integrated report.

We believe that accountancy is a cornerstone profession of society and is vital helping economies, organizations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organizations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organization. Find out more at [accaglobal.com](http://accaglobal.com)

### **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. For more information about IMA, please visit [www.imanet.org](http://www.imanet.org).

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