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CGMA Global Economic Forecast Shows Pessimistic Outlook for Global Growth

Survey of 600 CEOs, CFOs and other Management Accountants Reveals Challenges for the Global Economy, but Half of U.S. Companies are Optimistic about Their Own Prospects

Toronto (July 12, 2012) – The world's CEOs, CFOs and senior management accountants have an increasingly negative outlook for the global economy over the next 12 months, according to the CGMA Global Economic Forecast released today by the American Institute of CPAs ([AICPA](#)) and Chartered Institute of Management Accountants ([CIMA](#)). The quarterly forecast polled 600 management accountants from more than 60 countries on global and domestic economic conditions and the outlook for their organizations.

The CGMA Global Economic Index – a comprehensive gauge of executive sentiment within the Forecast – declined 7 points to 58 from the first quarter 2012 reading of 65. The Index is a composite of 10 equally weighted survey measures on a scale from 0 to 100, with 50 considered neutral and numbers above that signifying positive sentiment.

While all factors in the Index weakened, the global economic optimism component registered the most significant decline. Only 11 percent of respondents expressed optimism. The decline appears to reflect the worsening of the sovereign and financial crisis in Europe and its effects on other regions; slower economic growth in China; and US. political and fiscal uncertainty.

"Although the CGMA Global Economic Index is still slightly above neutral, the pullback in optimism points to an unclear future in which companies must be prepared to address a variety of economic scenarios," said Arleen Thomas, CPA, CGMA and AICPA senior vice president for management accounting. "

She continued:

"Businesses continue to show a need for the strategic perspectives of management accountants who can navigate the uncertain elements of our global economy."

In the U.S., 36 percent of management accountants surveyed are optimistic about the domestic economy, down from 44 percent in the prior quarter. Asked about their own organizations, 51 percent of U.S. respondents are optimistic about prospects for their companies, a decrease of 7 percentage points over last quarter.

CIMA Canada response:

"This survey shows there is still a risk of a knee jerk reaction by organisations, with economic pessimism leading to an investment freeze in areas that are the bedrocks of future success such as training,

recruitment, R&D and capital investment. Organisations should resist short-term pressure from the investment community and not be distracted from their longer term growth plans. They should turn to the management accountants in their business, who, like financial athletes, can help Boards better understand what needs to be done to win in today's competitive market."

Other key survey findings include:

- **Weak Employment Outlook:** Companies globally expect to increase headcount by only .6 percent, weaker growth than the 1.6 percent increase predicted just three months ago. With the exception of the retail and wholesale trade, the reduced projections for headcount growth were spread across all industry sectors. In the U.S., projections declined from 2.4 percent to 1.3 percent. While hiring growth remains weak, many 34 percent of management accountants in the U.S. said their businesses are operating with too few employees.
- **Inflation worries subside:** Worries about inflation subsided somewhat for most regions, reflecting the recent falls in commodity prices. A majority of Asian companies, 63 percent, continue to be most concerned about inflation, while in the U.S. fear of inflation dropped from 49 percent to 33 percent. Concerns about deflation continue to be low in the U.S., but the number of European companies concerned about deflation increased to 15 percent from 11 percent in the first quarter of 2012.
- **Firms Expect More Difficult Financing:** Financing continues to be most challenging for Asian companies with more than a third, or 37 percent, expecting greater difficulty, followed by those in emerging economies, 28 percent, and Europe, 28 percent. The U.S. was the exception, with only 9 percent expecting more difficulty in obtaining financing.
- **Industry Sector Outlook:** From an industry sector perspective, 53 percent of finance and insurance respondents are now optimistic about their own companies, followed closely by those in retail and wholesale trade, 50 percent. All other sectors reported less than 50 percent optimism, including banking, 48 percent, manufacturing, 45 percent and technology, 41 percent.

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Chartered Global Management Accountant (CGMA)

Two of the world's most prestigious accounting bodies, AICPA and CIMA, have formed a joint-venture to establish the Chartered Global Management Accountant (CGMA) designation to elevate the profession of management accounting. The designation recognizes the most talented and committed management accountants with the discipline and skill to drive strong business performance.

Chartered Institute of Management Accountants (CIMA)

The Chartered Institute of Management Accountants, founded in 1919, is the world's leading and largest professional body of Management Accountants, with more than 195,000 members and students operating in 176 countries, working at the heart of business. CIMA members and students work in industry, commerce, the public sector and not-for-profit organizations.

American Institute of CPAs (AICPA)

The American Institute of Certified Public Accountants (AICPA) is the world's largest association representing the accounting profession, with nearly 377,000 members in 128 countries and a 125 year heritage. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

Forecast Methodology

The CGMA Global Economic Forecast quarterly survey was completed by CGMA panelists between May 23 and June 18, 2012. Panelists comprise CGMA Management Accounting Professional Decision makers (primarily CFOs, CEOs and Controllers) who work in business and industry. In total, the opinions of 609 CGMA Management Accounting Professional Decision makers from around the world were captured in the index. This is the third consecutive quarter for the index.

The 10 factors included in the CGMA Global Economic Index are as follows: global economy optimism; domestic economy optimism; organization optimism; expansion plans; revenue; profits; employment; IT spending; other capital spending; training & development.