

RESEARCH

Confidence in US economy tapers in Q1: report

May 26, 2015



Grange Park estate

By JOE MCCARTHY

Optimism among finance professionals increased the most for Africa, Asia and South Asia, according to a report by the Association of Chartered Certified Accounts and Institute of Management Accountants.

[Sign up now](#)

[Luxury Daily](#)

Confidence in the global economy is at its highest level among finance professionals since 2011, although too many points of economic stress around the world prevent total optimism. For luxury brands, gauging the forecast of finance professionals who regularly invest on a global scale can inform expansion plans and guide decisions to ramp up or scale back operations in certain markets.

"The global consensus of optimism reflects the convergence of many factors from around the world," said Raef Lawson, vice president of research and policy at [IMA](#), Montvale, NJ.

"A major factor is the general improvement in business conditions: companies are less concerned about their suppliers and customers going out of business, are less concerned about receiving payments and expect revenues to increase going forward," he said.

"Adding to this are a number of other positive factors: low commodity (especially oil) prices, the abatement of the Ebola crisis in Africa and a moderation of the Ukrainian conflict.

"While the slowing economic growth in China might not be considered as being positive, it also helps abate inflationary pressure on raw commodities which will contribute to enhancing corporate profitability."

This is the 23rd edition of the "**Global Economic Conditions Survey**" and the 12th since ACCA and IMA first collaborated. The report includes the views of more than 900 finance professionals from around the world.

Tempered optimism

There seems to be growing consensus within the finance community that a global recovery has taken root and may finally be ascending. Qualms still remain, however.

The two main economies in the world, the U.S. and China, are both in relatively solid shape and help to stabilize other economies.

Although the U.S. economy has shown steady growth for several quarters now, finance professionals tempered their optimism in Q1. While optimism grew, it was at a lower rate than in Q4.



Missoni Home at Bergdorf Goodman

China is also playing a prodigious role in holding economies together.

As Russia remains marooned in the West and Brazil's economy enters intensifying turbulence, China is lending a hand, further flexing its diplomatic might.

Two countries that depend on the oil industry, Russia and Brazil have been hit hard by plunging prices. Add to that economic isolation and a weak ruble for Russia and corruption and social unrest for Brazil, and both economies begin to lose the luster of the emerging nation status they were afforded several years ago as part of the elite BRIC club ([see story](#)).

As has been widely documented, China's double-digit growth is on track to sink into the single digits this year and for the foreseeable future.

The Middle East garnered the most skepticism among finance officials due to pervasive turmoil.

In recent months, despite political unrest, there has been a surge in hotel openings and property proposals across Middle Eastern countries from luxury hospitality brands.

Fairmont Hotels & Resorts announced its expansion plans into Bahrain, Trump Hotel Collection will unveil a new hotel in Azerbaijan this spring and Four Seasons Hotels & Resorts recently opened properties in Dubai, United Arab Emirates and Bahrain.

With the recent reports in regards to actions from terrorist group Islamic State of Iraq and the Levant, the idea of traveling to the region for a relaxing vacation is not enticing to most, so why are luxury brands investing millions into such properties? ([see story](#)).

Despite numerous sociopolitical setbacks such as Ebola and rising terrorism, Africa is improving economically and those surveyed are optimistic about the continent.

Optimism also runs high for Europe, which is gradually bringing down its steep unemployment, and South Asia.

Surprisingly, chief financial officers of larger companies are more pessimistic than those working in smaller businesses, likely because the global economy still remains volatile and unpredictable variables could disrupt operations.



Four Seasons Moscow

Many luxury brands have voracious expansion plans and sometimes mistake opening new stores or properties for sound business strategy.

This tendency to overextend is especially pronounced in the hotel sector, where brands seem intent on occupying every open space available in emerging markets even though market oversaturation is a persistent problem.

Highs and lows

Brands with a global presence have to pay close attention to economic fluctuations in each market they are in. However, the luxury market has the luxury of catering to elite consumers who are not always tied to the fate of their countries.

Oftentimes, luxury consumers exist in a bubble outside of general economic activity.

Affluent consumers are increasingly ready to purchase luxury products, providing brands give them plenty of information and appeal to global trends, according to an executive from YouGov at the Luxury Insights Summit 2015.

A number of trends have become apparent as global affluents recover from the recession and return to purchasing luxury products. Brands can harness these trends to appeal to the new global consumer ([see story](#)).

"Optimism is a precursor to investment, which in turn leads to economic growth," Mr. Lawson said.

"While our survey results indicate the highest level of confidence in the four-year history of the survey, the results are moderately (and increasingly) positive, an indication of a moderate, sustained economic recovery," he said.

Final Take

Joe McCarthy, staff reporter on Luxury Daily, New York

Embedded Video: <https://www.youtube.com/embed/q2zXALUU8m8>

© Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.