

# Charities have to tackle 'new normal' economic conditions to survive - PwC

LONDON, UK: An economic climate of disappointing growth and volatility could be the 'new normal' for charities, prolonging the challenging fundraising climate, and further shocks cannot be ruled out.



Speaking at the Charity Finance Group's Annual conference, Andrew Sentance, PwC's senior economic advisor said that for both charities and businesses, the "new normal" economic world will put a premium on good operational and commercial management, sound financial planning and intelligent appraisal of risk.

Andrew Sentance, senior economic advisor, PwC said: "One thing is pretty clear. We are not going to return to the "old normal" we saw prior to 2007. Recreating a climate of confidence which can underpin a durable and sustained recovery will take time.

"It is likely to remain a challenging fundraising climate, with discretionary spending remaining under pressure. As society adjusts to the "new normal" world, there will be new social developments and trends which appear to require a response from charities. Youth unemployment is one obvious example.

## **New opportunities, but new risks**

"Retrenchment in the public sector may increase the pressure for voluntary organisations to contribute. This can create new opportunities - but also the risk attached to involvement in new areas.

"Charities should be careful to set plans based on realistic revenue targets and guard against over-optimism in terms of income projections."

Examining the economic outlook, the conference heard that most economies around the world have started to recover since the depths of the 2008 and 2009 crisis, in the UK and other Western economies, recovery has been relatively slow and uneven. Business and consumer confidence remains fragile and financial markets are volatile.

The conference heard that UK and major western economies are in the middle of a prolonged period of adjustment, with significant parallels between the current situation and the disappointing growth and volatility which the UK and other major economies experienced in the 1970s and early 1980s. The imbalances in the economic and financial system have built up over a long expansion which started in the early 1980s and continued for quarter of a century until 2007, with a brief interruption to growth in the early 1990s.

Sentence adds: "Further shocks from the euro area or other global financial instabilities cannot be ruled out. That means paying attention to the level of reserves and the ability to continue to fund new projects once they are commissioned.

"Not only do we face the legacy of the financial crisis, but western economies face an adjustment to co-existing with the rising powers of Asia. Public sector deficits need to be brought down and confidence in policy-makers has been eroded by the experience of the financial crisis.

"Recreating a climate of confidence which can underpin a durable and sustained recovery will take time. It therefore seems likely that the "new normal" of disappointing western growth, coupled with volatility in financial and energy/commodity markets will continue for a few years yet - into the mid-2010s."

## **The Charity Finance Group**

The Charity Finance Group is the charity that champions best practice in finance management in the voluntary sector.

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