Uncertainty Hurts More Than QE2 Helps, Finance Pros Say

By Editor Test *Thu, Nov 11, 2010*

Weak consumer demand, uncertainty about regulatory changes, unemployment, anti-business sentiment in Washington, uncertainty about tax policy, commodity price volatility and FOREX volatility, in that order, were cited as reasons for weak private investment.

The results of the recent mid-term elections is more likely to boost the U.S. economy more than the Fed's decision to buy $600 billion in Treasury bonds will, according to a survey of members of the Association for Financial Professionals (AFP).

At the AFP's annual conference, 54% of those surveyed, including bankers as well as CFOs and treasurers at companies with median revenues of $1.5 billion, said the elections would have a beneficial impact on general business conditions and 51% said the elections would help their own organizations.

Regarding the Fed's "quantitative easing" efforts, known as QE2, only 42% thought it would enhance their own company's prospects in the next 12 months. A minority (22% percent) said that anti-business sentiment in Washington, perceived or real, was "holding companies back."

One in five cited uncertainty about future tax policy and one in three cited uncertainty about the extent of other regulations as contributing to recent business paralysis. Two in ten financial professionals said their organizations have delayed investment decisions because of the current risk-averse climate.

Other factors cited as hurting investment were weak consumer demand (40%), a weak job market (24%), commodity price volatility (12%), and foreign exchange volatility (9%).

Among respondents, 42% said that their organizations' access to debt markets or bank lending has improved over the last six months, and 40% percent expect it to continue to improve over the next 12 months.