Growth in the Eurozone and Emerging Markets Threatened by Quantitative Easing Tapering, According to Research from FTI Consulting

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Fears of Inflation Prevalent in Global Business Community

DAVOS, Switzerland, Jan. 22, 2014 /PRNewswire/ -- Spain tops the list of countries predicted to suffer most from the effects of Quantitative Easing (QE) tapering, according to a global poll of more than 1,000 business decision makers released today by FTI Consulting, Inc. (NYSE: FCN), the global business advisory firm dedicated to helping organisations protect and enhance their enterprise value. The survey shows that as QE is further reduced and investment flows begin to change direction, the following markets will be most positively and negatively impacted:

BENEFIT	SUFFER
1) United States	1) Spain
2) Germany	2) Brazil, Indonesia
3) China	3) Poland, Turkey
4) Japan, United Kingdom	4) South Africa

Despite the improved outlook in the Eurozone, Spain's inflation and unemployment figures contribute to a lack of confidence in the country's ability to cope with QE tapering. The disparity in the perceived resilience of emerging markets shows a clear divide between those with an independently functioning economy, for example, China and Russia, and those reliant on foreign investment for economic growth, such as Brazil, Indonesia and South Africa.

When asked how QE tapering should be timed, business decision makers preferred linking QE reduction to rising inflation over all other options. The majority of respondents (68 percent in total and 80 percent in emerging markets) cited inflation as the dominant concern in their respective domestic economy during the next five years. The other most commonly anticipated threats to business in the coming year cited in the survey include escalating labour costs, rising supply chain/raw materials prices and the cost of finance — all factors that would be exacerbated by the onset of higher inflation. The global business poll conducted by FTI Consulting indicates that although the reaction to the U.S. Federal Reserve's QE tapering announcement in December was relatively calm, there still is potential for significant shifts in investor intentions as central bank stimulus is further reduced. More than 40 percent of respondents believe corporate bonds, equities and government bonds will become less attractive, and one in five global business decision makers surveyed is less likely to invest in countries such as Indonesia, Poland and Turkey when QE is tapered.

"It is clear from our global business poll that the same degree of management and coordination is needed to unwind QE as was applied when introducing the programme. The global economy is more interlinked now than ever before so a lack of synchronisation across the central banks deploying QE could have drastic destabilising effects," said Mark Malloch-Brown, Chairman of Europe, Middle East and Africa at FTI Consulting.

"There is a great deal of concern in the global business community over rising inflation and interest rates, a fact that the Federal Reserve must take into account. Businesses need to formulate plans for the different scenarios that may unfold during 2014, ranging from inflation destabilisation to rising costs of borrowing to an exodus of capital from particular emerging markets," Malloch-Brown continued. "Should central banks take measured steps to protect the progress made by MINT [Mexico, Indonesia, Nigeria and Turkey] and BRIC [Brazil, Russia, India and China] nations, growth in economies such as Indonesia and Turkey may well avoid suffering stunted growth as feared by our respondents. The risk associated with emerging markets remains high, but the way in which QE tapering is applied can play a role in either enabling growth or throwing currencies and economies into turmoil."

About the Research
Research was conducted online by the Strategy Consulting & Research team at FTI Consulting from 19-31 December 2013 with n=1,064 global business decision makers. Respondents were drawn from affiliate panel databases. More than n=50 respondents were sourced from each of the following 17 countries in order to obtain a widespread geographic and industry perspective: Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Japan, Poland, Russia, South Africa, Spain, Turkey, United Arab Emirates, United Kingdom and United States. The results of this research does not constitute investment or any other form of advice by FTI Consulting and no reliance should be placed on such results. FTI Consulting does not accept any liability for any losses and/ or costs which may be incurred as a result of decisions taken or not taken in reliance upon the results of this research.

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FTI Consulting, Inc. is a global business advisory firm dedicated to helping organisations protect and enhance enterprise value in an increasingly complex legal, regulatory and economic environment. With more than 4,100 employees located in 25 countries, FTI Consulting professionals work closely with clients to anticipate, illuminate and overcome complex business challenges in areas such as investigations, litigation, mergers and acquisitions, regulatory issues, reputation management, strategic communications and restructuring. The company generated $1.58 billion in revenues during fiscal year 2012. More information can be found at www.fticonsulting.com.

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