



Embargoed until 00.01 hrs, Monday 27th March 2017

## SLIDE IN SENTIMENT HALTS AMID BROADER RESILIENCE OF ECONOMY

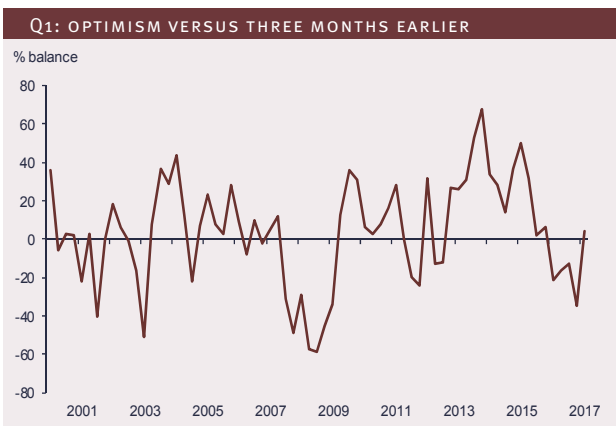
Sentiment in the financial services sector stabilised in the quarter to March, having deteriorated steadily over the previous year. Business volumes expanded at a solid pace which, combined with a continued focus on cost-cutting, helped support a healthy increase in profits. Headcount rose for a second consecutive quarter and a further pick-up in the pace of hiring is expected. In general, however, financial services firms still appear to be fairly cautious about their prospects, with more moderate growth in volumes and profitability expected in the three months to June. Against this backdrop, investment intentions for the year ahead have cooled, though firms still expect to increase their spending on IT to improve efficiency and expand capacity. Regulatory compliance also remains a key driver of capital spending, as well as the most significant constraint on business expansion. Firms see a moderate risk that rising compliance costs could divert funding away from other areas of investment.

- |  |                |  |
|--|----------------|--|
| <b>Banking</b>                                   | <i>page 6</i>  | Rising fees & commissions and falling costs helped to shore up profits over the three months to March, helping to offset stagnant business volumes and falling spreads. Headcount also grew strongly, though investment intentions for the year ahead remain a mixed bag.  |
| <b>Building societies &amp; finance houses</b>   | <i>page 10</i> | Building societies reported that business volumes had grown at the fastest pace in over seven years. Meanwhile, a sharp drop in profitability among finance houses, causing sentiment to deteriorate at the fastest pace since the third quarter of 2008.  |
| <b>Life insurance</b>                            | <i>page 16</i> | Sentiment among life insurers improved for a second straight quarter. Although business volumes were unchanged, they are expected to see a return to growth next quarter.  |
| <b>General insurance &amp; insurance brokers</b> | <i>page 20</i> | General insurance firms saw sentiment stabilise last quarter while volumes growth eased. Insurance brokers also saw slower growth in business volumes and, although profits growth remained robust, headcount fell sharply.  |
| <b>Investment management</b>                     | <i>page 26</i> | An acceleration in business volumes growth led to a pick-up in profits growth over the last quarter. Meanwhile, both cost and income growth has strengthened. Headcount continued to grow strongly while investment intentions remained robust over the three months to March.   |
| <b>Supplementary questions</b>                   | <i>page 30</i> | Concerns over a deterioration in financial market conditions remained elevated in the quarter to March. General insurers were the least concerned that compliance costs could divert funds from other business priorities, while life insurers saw significant risks to investment. Financial services firms are taking varied approaches to increasing diversity in senior roles. Cyber-security strategies are well developed, but some firms may be relying too much on technology and neglecting the “human factor”. |

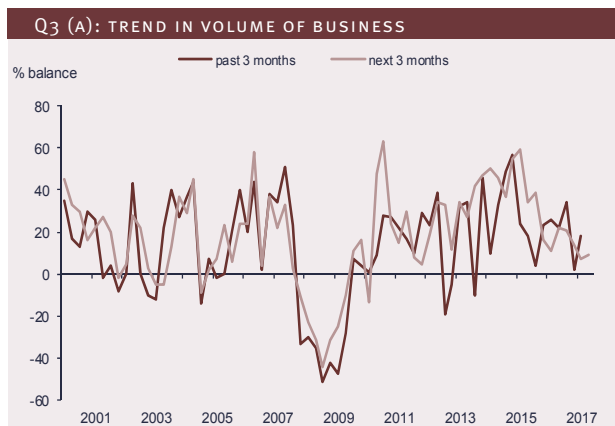


# Overall financial services

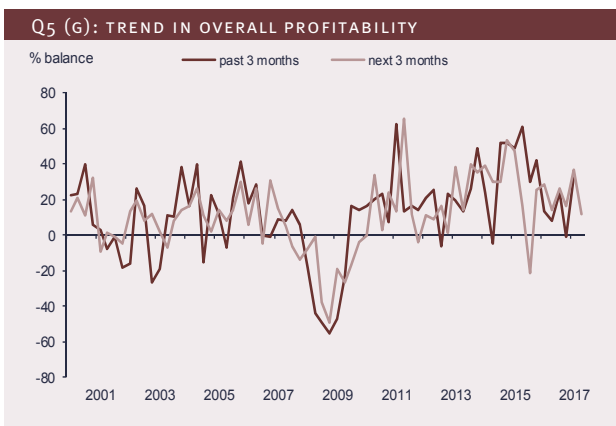
- **Optimism** Sentiment in the financial services sector as a whole stabilised in the three months to March, having deteriorated steadily over the previous year. However, building societies, life insurers, insurance brokers and investment managers reported they were more optimistic about the business situation than three months earlier.
- **Business volumes** Business volumes expanded at a solid pace and the overall level of business was deemed to be normal, although the level of business with overseas customers fell further below normal. Volumes expanded across most customer groups, though demand from financial institutions was reported as unchanged. Overall, firms remain fairly cautious, however, with slower growth expected in the three months to June.
- **Income** In contrast to expectations of falling revenues, income from fees, commissions & premiums grew at a healthy pace, with income from net interest, investment & trading rising for the first time in a year-and-a-half. Firms expect modest growth in incomes from both sources next quarter.
- **Pricing power** Pricing power remains constrained. Average spreads narrowed over the quarter to March, while average commissions, fees & premiums were broadly unchanged, after falling in the previous two quarters, with only a slight increase expected next quarter.
- **Costs** Cost pressures continue to diminish. Both total and average costs were fairly flat for a second quarter in a row. The value of non-performing loans continued to fall, while staff costs increased moderately as a share of total costs. Financial services firms expect total costs to increase a little next quarter, but average costs to fall.
- **Profitability** Rising volumes underpinned a revival of profit growth in the quarter to March, following a stable picture for profits in the previous quarter. Profitability is expected to improve next quarter, albeit at a more moderate pace.
- **Employment** Financial services companies reported a modest rise in headcount for a second successive quarter, after a generally weaker picture over much of the previous two years, with staff turnover also the highest since early 2015. Expectations for employment growth next quarter are the strongest for three years.
- **Investment** Investment intentions for the year ahead cooled slightly. Firms still expect to increase spending on IT, but other capital spending is predicted to fall, while planned marketing spending is expected to increase at a pace well below its historical average. Improving efficiency and regulatory compliance remain the main motivations for investment, but the share of firms citing the need to expand capacity hit the highest since the start of the survey in 1989. Firms cited a broad range of constraints on investment, with citations for shortages of skills and finance for investment well above their historical averages.
- **The year ahead** Financial services firms see a range of factors potentially limiting business growth over the coming year. The level of statutory regulation was the top constraint, with citations having crept up over the past year to the highest since mid-2014. Operational concerns—such as the availability of professional staff and the adequacy of systems capacity—also remain elevated, while demand uncertainty has increased. The development of new products and services is emerging as a key element of growth strategies, reflecting an increasingly competitive landscape across the industry.



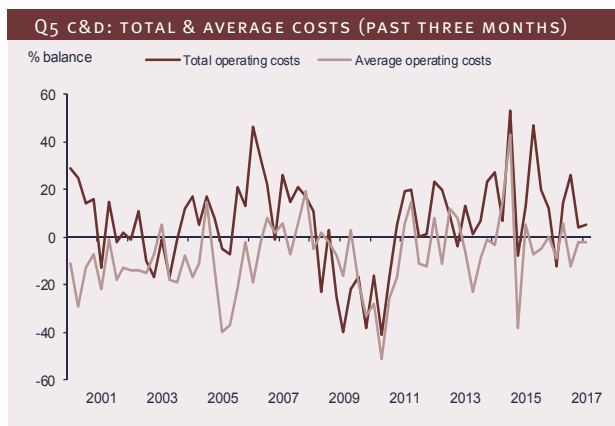
	Q1
Latest	+4
Previous	-35
Mean	+5



	Q3a: Past	Q3a: Next
Latest	+18	+9
Previous	+2	+7
Mean	+14	+20



	Q5g: Past	Q5g: Next
Latest	+33	+12
Previous	-1	+37
Mean	+13	+14



	Q5c: Past	Q5d: Past
Latest	+5	-2
Previous	+4	-2
Mean	+7	-10

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Overall

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2016 Mar	Jun	Sep	Dec	2017 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	-21	-16	-13	-35	+4
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	-9	-24	-12	-4	0
b) Your present level of business with overseas customers (above/below normal) is:	-9	-17	-3	-6	-15
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+26	+22	+34	+2	+18
- next 3 months	+22	+21	+14	+7	+9
b) Value** of fee, commission or premium income					
- past 3 months	+22	+23	+25	-9	+17
- next 3 months	+8	+11	+10	-3	+6
c) Value** of net interest, investment or trading income					
- past 3 months	-19	-1	-8	-1	+6
- next 3 months	-7	-3	-8	-18	+8

\*\* in sterling

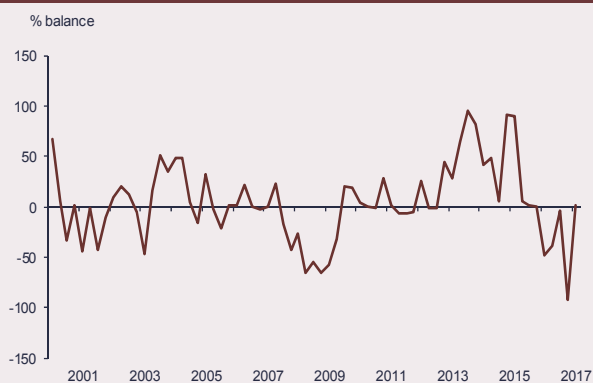
		2016 Mar	Jun	Sep	Dec	2017 Mar
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>						
a)	Industrial & commercial companies					
	- past 3 months	+10	+12	+23	+21	+25
	- next 3 months	+10	+19	+10	+38	+29
b)	Financial institutions					
	- past 3 months	+2	+2	+27	+11	-3
	- next 3 months	+1	+11	+13	+9	+2
c)	Private individuals					
	- past 3 months	+24	+2	+23	-4	+12
	- next 3 months	+22	+29	+11	+18	+27
d)	Overseas customers (UK-based operations)					
	- past 3 months	-1	+16	+10	+3	+10
	- next 3 months	-11	+21	+13	+6	+10
<b>CHARGES, COSTS AND PROFITABILITY</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a)	Average spreads					
	- past 3 months	-15	-4	-12	-45	-11
	- next 3 months	-3	-22	-2	-4	-10
b)	Average commissions/fees/ premiums paid					
	- past 3 months	+10	+8	-2	-6	+4
	- next 3 months	+17	+3	+3	-15	+8
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	-12	+14	+26	+4	+5
	- next 3 months	-4	+17	+5	-11	+8
d)	Average operating costs per transaction					
	- past 3 months	-9	+6	-12	-2	-2
	- next 3 months	-12	-16	-11	-27	-10
e)	Value of non-performing loans					
	- past 3 months	-26	-3	-10	-20	-16
	- next 3 months	-18	-13	-2	-22	-6
	of which:					
	Retail					
	- past 3 months	-26	-10	-11	-23	-14
	- next 3 months	-28	-13	-3	-22	-6
	Corporate					
	- past 3 months	-15	-2	-7	-21	-7
	- next 3 months	-14	-11	-3	-20	+4
g)	Overall profitability of business					
	- past 3 months	+13	+8	+24	-1	+33
	- next 3 months	+14	+26	+16	+37	+12
<b>EMPLOYMENT AND TRAINING</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a)	Numbers employed					
	- past 3 months	+15	+3	-1	+7	+11
	- next 3 months	0	+15	+20	+20	+25
b)	Training expenditure					
	- past 3 months	+18	+31	+22	+8	+27
	- next 3 months	+20	+9	+14	+31	+30
c)	Staff costs as a proportion of total costs					
	- past 3 months	-3	+4	+22	+8	+8
	- next 3 months	-9	-6	+7	-10	+2
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+1	+12	-13	+12	+26
	- next 3 months	0	+10	+3	+21	+13
<b>MARKETING EXPENDITURE</b>						
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>						
		+7	+19	+26	+14	+11
<b>CAPITAL EXPENDITURE</b>						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a)	Land and buildings	-20	-9	-4	-5	-4
b)	Vehicles, plant & machinery	-19	-10	-4	-2	-11
c)	Information technology	+42	+46	+50	+58	+46
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
	To provide new services	46	53	58	37	55
	To increase efficiency/speed	78	72	68	78	73
	To reach new customers	47	33	35	54	41
	For replacement	41	57	40	46	40
	To expand capacity	24	35	38	56	61
	Statutory legislation and regulation	51	70	66	70	68
	Other	1	4	0	1	1
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
	Inadequate net return on proposed investment	53	60	55	43	52
	Shortage of finance	11	9	10	13	27
	Cost of finance	19	6	4	7	17
	Uncertainty about demand/business prospects	54	60	51	46	49
	Shortage of labour including managerial & supervisor staff	38	36	28	28	37
	Other	3	2	8	25	14

BUSINESS PROSPECTS		2016					2017
		Mar	Jun	Sep	Dec	Mar	
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>							
Level of demand	- Total	54	63	58	54	67	
	- Overseas	30	24	35	19	11	
Staff turnover	- Total	4	2	5	3	5	
	- Overseas	2	0	1	1	1	
Availability of professional staff	- Total	18	24	22	30	29	
	- Overseas	4	1	4	5	6	
Availability of clerical staff	- Total	7	6	3	5	9	
	- Overseas	6	0	1	0	2	
Adequacy of systems capacity	- Total	29	30	25	35	36	
	- Overseas	2	4	11	1	1	
Ability to raise funds	- Total	4	5	7	7	9	
	- Overseas	1	3	1	1	1	
of which:							
Ability to raise capital	- Total	3	8	3	5	9	
	- Overseas	0	2	1	1	1	
Availability of wholesale funds	- Total	3	7	4	2	3	
	- Overseas	0	0	1	1	1	
Competition	- Total	67	88	66	79	56	
	- Overseas	22	40	33	16	15	
Statutory legislation and regulation	- Total	52	59	55	62	68	
	- Overseas	16	22	17	6	7	
Other	- Total	1	1	16	7	4	
	- Overseas	0	1	7	2	0	
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+45	+54	+63	+54	+53	
<b>12 Where do you see your competition coming from in the next 12 months?</b>							
Your sector of financial services		98	97	91	99	95	
Other sectors of financial services		53	59	41	31	39	
Companies currently positioned outside of financial services		26	33	15	16	37	
New entrants		35	54	48	71	50	
Other		2	0	1	3	5	
<b>GROWTH</b>							
<b>13 Where do you think your growth will come from over the next 3 months?</b>							
Cross sales to new customers		35	37	41	21	27	
Cross sales to existing customers		54	59	61	26	56	
Acquisition of domestic customers		61	57	59	91	69	
Acquisition of international customers		35	32	29	18	16	
New products		21	33	30	62	53	
No growth expected		25	8	3	1	5	
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>							
<b>Organic growth activities:</b>							
Acquiring new customers		+44	+56	+58	+78	+50	
Cross-selling to existing customers		+48	+57	+42	+29	+34	
Retaining existing customers		+53	+49	+53	+50	+48	
Launching new products/services		-7	+27	+38	+47	+50	
<b>Inorganic growth activities:</b>							
Engaging in M&A transactions		-3	+12	+11	+2	+12	
Forming strategic partnerships/alliances		+21	+28	+16	+34	+21	
<b>Market focus for growth:</b>							
Increasing market share in domestic markets		+41	+33	+44	+59	+54	
Increasing market share in international markets		-10	+11	+24	+12	+7	
<b>Investment in enablers to growth:</b>							
Brand and advertising		+23	+22	+46	+10	+20	
Sales force and distribution channels		+31	+33	+52	+69	+33	
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+46	+41	+43	+32	+39	
Performance measurement processes/tools		+25	+16	+9	+27	+24	
IT systems and applications		+54	+61	+62	+59	+55	

# Banking

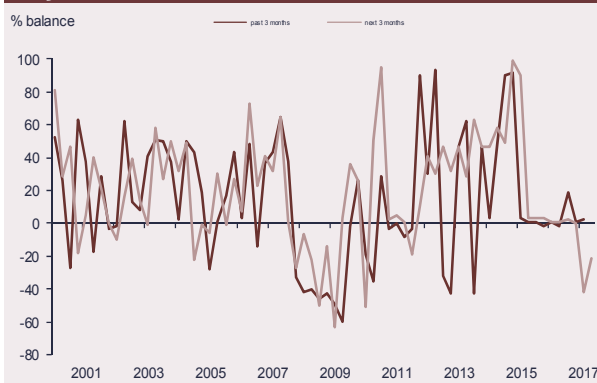
- **Optimism** Sentiment stabilised over the first three months of 2017, after falling persistently over last year.
- **Business volumes** Business volumes remained stagnant in the three months to March, though this was a better outcome than expectations of a sharp decline. Nonetheless, barring a quarter of growth in September 2016, volumes have been flat for the past two years. Over the quarter to March, growth in business with corporate clients was offset by a decline in that with financial institutions. Bankers are expecting a decline in overall volumes over the next three months.
- **Income** Income from fees/commissions remained stagnant, having been mostly flat or falling since mid-2015. However, net interest/trading income rose for the first time in a year-and-a-half. Similar trends are expected to persist over the coming quarter.
- **Pricing power** Spreads continued to narrow, but fees and commissions rose—the latter beating expectations of a decline. Spreads are expected to fall again over the coming three months, but bankers are anticipating further growth in fees/commissions.
- **Costs** Total costs fell over the past three months, for the first time in a year, and average costs also declined. Both are expected to fall again over the next quarter.
- **Profitability** Rising fees & commissions and falling costs helped to shore up profits over the three months to March, helping to offset stagnant business volumes and falling spreads. As a result, profits rose for the first time in a year, with further (albeit slower) growth expected over the coming three months.
- **Employment** Numbers employed picked up, rising at the fastest pace in three years. Similarly solid growth is expected over the next three months. In tandem, staff turnover picked up strongly, rising at its third-fastest rate since the end of 2006 (when the data began).
- **Investment** Continuing the general theme of the last couple of years, investment intentions for the year ahead remained a mixed bag: spending plans for IT strengthened even further, but banks are still planning on cutting investment in other areas relative to the past year. Banks are increasingly investing to expand capacity, with citations for this motivation rising to their highest in almost two years. However, a number of factors are increasingly expected to limit capex over the year ahead—notably, concerns over labour shortages have picked up once again.
- **The year ahead** Chiming with the results on investment, more bankers expect limited availability of professional staff to limit business expansion over the year ahead; adequacy of systems capacity and regulation also remain prominent concerns. Launching new products is expected to be a key source of growth over the next three months, and more banks consider this an important element to their growth strategies for the year ahead.

Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



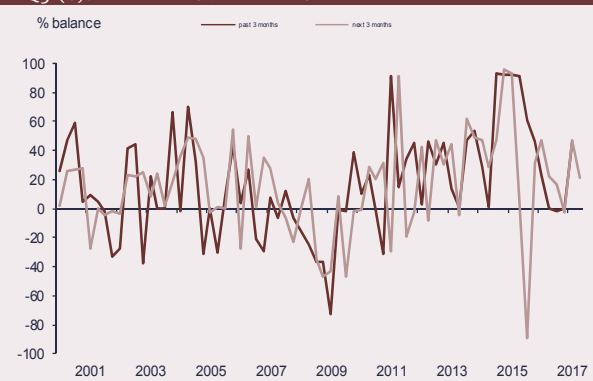
	Q1
Latest	+1
Previous	-92
Mean	+4

Q3 (A): TREND IN VOLUME OF BUSINESS



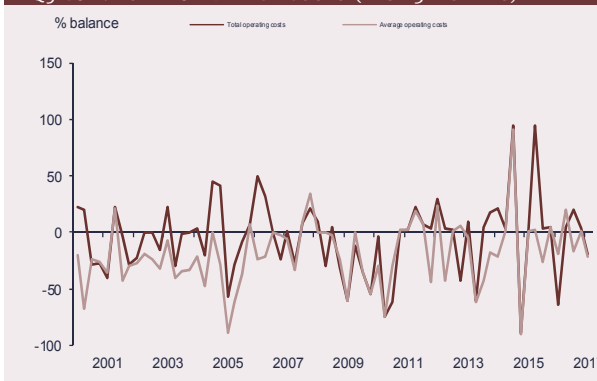
	Q3a: Past	Q3a: Next
Latest	+2	-21
Previous	+1	-42
Mean	+15	+21

Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next
Latest	+45	+21
Previous	0	+47
Mean	+18	+18

Q5 C&amp;D: TOTAL &amp; AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past
Latest	-19	-21
Previous	+3	+1
Mean	-3	-18

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Banking

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

#### VALUE AND VOLUME OF BUSINESS

	2016				2017
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	-48	-39	-4	-92	+1
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	-24	-58	0	+1	+1
b) Your present level of business with overseas customers (above/below normal) is:	-26	-20	0	0	-25
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+1	-2	+19	+1	+2
- next 3 months	+1	+2	0	-42	-21
b) Value** of fee, commission or premium income					
- past 3 months	0	+15	0	+1	+1
- next 3 months	+1	-18	-2	-42	+3
c) Value** of net interest, investment or trading income					
- past 3 months	-19	0	-21	-2	+24
- next 3 months	+1	+1	-21	-45	+22

\*\* in sterling

		2016				2017
		Mar	Jun	Sep	Dec	Mar
<b>4</b>	<b>What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a)	Industrial & commercial companies					
	- past 3 months	+1	-1	+37	+46	+44
	- next 3 months	-1	+1	+18	+48	+45
b)	Financial institutions					
	- past 3 months	-22	-17	+36	-1	-24
	- next 3 months	-25	0	+16	-1	-24
c)	Private individuals					
	- past 3 months	+22	-18	+17	-1	+1
	- next 3 months	+25	+19	-1	+1	+46
d)	Overseas customers (UK-based operations)					
	- past 3 months	-23	0	+18	-1	-1
	- next 3 months	-45	+19	+16	+1	-1
<b>CHARGES, COSTS AND PROFITABILITY</b>						
<b>5</b>	<b>Excluding seasonal variations, what are the trends for:</b>					
a)	Average spreads					
	- past 3 months	-26	-3	-23	-94	-23
	- next 3 months	-1	-37	-3	-3	-23
b)	Average commissions/fees/ premiums paid					
	- past 3 months	+21	+17	0	0	+24
	- next 3 months	+45	0	+15	-45	+21
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	-64	+5	+20	+3	-19
	- next 3 months	-41	+24	+1	-42	-17
d)	Average operating costs per transaction					
	- past 3 months	-19	+20	-17	+1	-21
	- next 3 months	+1	-16	+2	-44	-19
e)	Value of non-performing loans					
	- past 3 months	-46	0	-18	-44	-23
	- next 3 months	-23	-18	+1	-45	-22
	of which:					
	Retail					
	- past 3 months	-45	-18	-19	-45	-23
	- next 3 months	-45	-18	0	-46	-23
	Corporate					
	- past 3 months	-22	0	+1	-44	+1
	- next 3 months	-22	-18	+1	-43	+1
g)	Overall profitability of business					
	- past 3 months	+23	0	-2	0	+45
	- next 3 months	+22	+17	-3	+47	+21
<b>EMPLOYMENT AND TRAINING</b>						
<b>6</b>	<b>Excluding seasonal variations, what are the trends in:</b>					
a)	Numbers employed					
	- past 3 months	-20	+4	-33	+2	+26
	- next 3 months	-44	+2	+1	+1	+25
b)	Training expenditure					
	- past 3 months	+26	+37	+40	+3	+48
	- next 3 months	+25	-17	+3	+4	+49
c)	Staff costs as a proportion of total costs					
	- past 3 months	-19	-13	+21	+3	+23
	- next 3 months	-20	+2	+20	+5	+25
<b>6.1</b>	<b>What has been the trend with regard to your staff turnover:</b>					
	- past 3 months	-19	+2	-19	+2	+47
	- next 3 months	+1	+2	-1	+47	+46
<b>MARKETING EXPENDITURE</b>						
<b>7</b>	<b>Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	+2	-19	+18	-44	+1
<b>CAPITAL EXPENDITURE</b>						
<b>8</b>	<b>Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>					
a)	Land and buildings	-70	-39	-20	-46	-21
b)	Vehicles, plant & machinery	-47	-19	-1	-1	-23
c)	Information technology	+26	+42	+21	+48	+72
<b>9</b>	<b>What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>					
	To provide new services	24	57	57	3	70
	To increase efficiency/speed	95	78	75	93	70
	To reach new customers	46	20	19	48	24
	For replacement	27	59	41	50	28
	To expand capacity	1	21	21	47	69
	Statutory legislation and regulation	51	80	79	96	75
	Other	0	0	0	1	0
<b>10</b>	<b>What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>					
	Inadequate net return on proposed investment	71	59	57	47	25
	Shortage of finance	1	2	3	1	24
	Cost of finance	23	2	1	1	23
	Uncertainty about demand/business prospects	49	78	42	50	50
	Shortage of labour including managerial & supervisor staff	26	21	5	2	26
	Other	1	0	19	47	24



BUSINESS PROSPECTS		2016				2017	
		Mar	Jun	Sep	Dec	Mar	
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
	Level of demand	- Total	50	62	62	51	50
		- Overseas	25	40	41	6	5
	Staff turnover	- Total	0	1	1	1	0
		- Overseas	0	0	1	1	0
	Availability of professional staff	- Total	1	20	1	3	24
		- Overseas	0	0	1	1	1
	Availability of clerical staff	- Total	0	1	1	1	0
		- Overseas	0	0	1	1	0
	Adequacy of systems capacity	- Total	23	21	20	49	47
		- Overseas	0	2	20	2	1
	Ability to raise funds	- Total	4	3	3	3	4
		- Overseas	1	2	2	2	0
	of which:						
	Ability to raise capital	- Total	3	3	1	3	2
		- Overseas	0	1	1	1	0
	Availability of wholesale funds	- Total	0	3	3	2	1
		- Overseas	0	1	1	2	0
	Competition	- Total	72	94	76	96	24
		- Overseas	1	57	39	3	1
	Statutory legislation and regulation	- Total	51	78	60	98	74
		- Overseas	3	39	20	5	5
	Other	- Total	0	1	37	1	1
		- Overseas	0	0	19	1	1
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+74	+61	+96	+51	+71
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>						
	Your sector of financial services		99	100	100	100	98
	Other sectors of financial services		71	77	39	2	3
	Companies currently positioned outside of financial services		24	38	20	1	25
	New entrants		26	75	75	93	27
	Other		0	0	1	0	0
<b>GROWTH</b>							
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>						
	Cross sales to new customers		26	40	58	2	25
	Cross sales to existing customers		71	75	94	3	48
	Acquisition of domestic customers		51	41	41	96	50
	Acquisition of international customers		25	40	38	3	2
	New products		1	20	19	92	70
	No growth expected		24	1	2	1	2
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
	<b>Organic growth activities</b>						
	Acquiring new customers		+52	+77	+61	+97	+75
	Cross-selling to existing customers		+70	+74	+57	+1	+47
	Retaining existing customers		+72	+56	+76	+49	+48
	Launching new products/services		-45	+19	+37	+46	+90
	<b>Inorganic growth activities</b>						
	Engaging in M&A transactions		+1	+36	+19	-1	+45
	Forming strategic partnerships/alliances		+25	+37	+2	+45	+23
	<b>Market focus for growth</b>						
	Increasing market share in domestic markets		+48	+36	+38	+49	+48
	Increasing market share in international markets		-44	-1	+39	+2	+1
	<b>Investment in enablers to growth</b>						
	Brand and advertising		+21	+18	+38	-42	+1
	Sales force and distribution channels		+21	+19	+37	+93	+26
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+68	+37	+37	+1	+47
	Performance measurement processes/tools		+45	+1	+1	+46	+46
	IT systems and applications		+68	+75	+57	+49	+70

# Building societies and finance houses

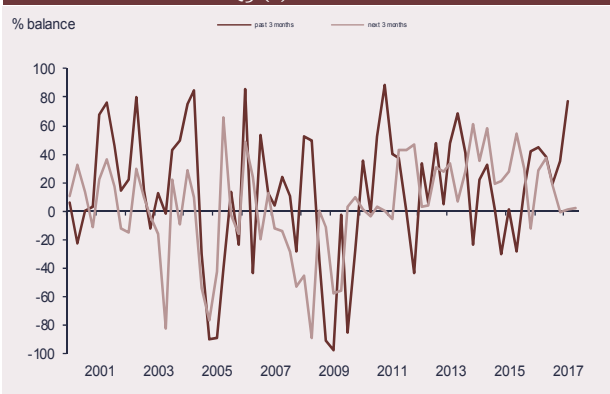
## Building societies

- Optimism**                      Optimism about the business environment improved for the first time since June 2016.
- Business volumes**            Business volumes beat expectations for no growth by expanding at the fastest pace since December 2010. Looking ahead, however, building societies anticipate that volumes will be broadly stable over the next three months.
- Profitability**                    Profitability growth slowed in the three months to March, and respondents expect profits to grow only slightly over the second quarter.
- Employment**                    Staffing levels rose more quickly following stable recruitment in the previous quarter. Building societies anticipate that they will continue to hire staff at a robust pace over the near-term.
- Investment**                    Spending on IT growth is expected to rise at a solid pace over the year ahead, albeit more slowly than was expected in recent quarters. Other forms of capital spending are also expected to increase. Regulatory compliance and replacement were the most commonly cited motivations for investment.

## Finance houses

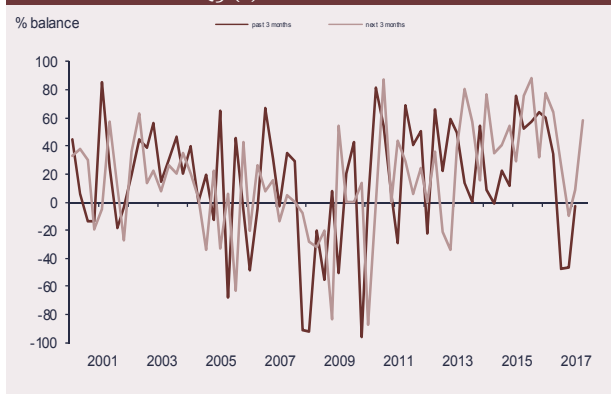
- Optimism**                      Sentiment about the overall business situation deteriorated at the fastest pace since 2008.
- Business volumes**            Business volumes were relatively stable following two consecutive quarters of sharp contractions, albeit undershooting expectations for them to grow modestly. Firms expect strong growth in volumes over the next three months.
- Profitability**                    Profitability among finance houses dropped at the quickest rate in eight-and-a-half years. Over the coming quarter, firms anticipate that profits will grow significantly.
- Employment**                    Staffing levels continued to grow at an above average pace, with firms expecting headcount to rise further over the coming quarter.
- Investment**                    Investment intentions softened across the board, most acutely for planned IT spending, which was expected to rise at the slowest pace in fifteen years. Raising efficiency was the most widely cited motivation for capital expenditure.

**BUILDING SOCIETIES Q3 (A): TREND IN VOLUME OF BUSINESS**



	Q3a: Past	Q3a: Next
Latest	+77	+2
Previous	+35	+1
Mean	+10	+8

**FINANCE HOUSES Q3 (A): TREND IN VOLUME OF BUSINESS**



	Q3a: Past	Q3a: Next
Latest	-3	+58
Previous	-46	+9
Mean	+14	+15

# CBI/PwC Financial Services Survey

Survey number 110, March 2017

## Building societies

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2016				2017
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	-2	+19	-57	0	+39
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+13	+2	-35	0	+39
b) Your present level of business with overseas customers (above/below normal) is:	0	0	-1	-18	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+45	+38	+19	+35	+77
- next 3 months	+37	+18	-1	+1	+2
b) Value** of fee, commission or premium income					
- past 3 months	-3	+8	-18	-36	-2
- next 3 months	+5	+6	-38	+1	-23
c) Value** of net interest, investment or trading income					
- past 3 months	-45	-27	-3	+17	-18
- next 3 months	+14	-45	-4	0	-18
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	-1	-1	0	0	-2
- next 3 months	-1	-1	0	0	-2
b) Financial institutions					
- past 3 months	+15	0	-1	0	0
- next 3 months	0	0	0	0	0
c) Private individuals					
- past 3 months	+15	+38	+19	+38	+59
- next 3 months	+37	+35	-1	+4	+5
d) Overseas customers (UK-based operations)					
- past 3 months	0	0	0	0	0
- next 3 months	0	0	0	0	0
CHARGES, COSTS AND PROFITABILITY					
<b>5 Excluding seasonal variations, what are the trends for:</b>					
a) Average spreads					
- past 3 months	-77	-67	-78	-20	-33
- next 3 months	-66	-81	-22	-39	-17
b) Average commissions/fees/ premiums paid					
- past 3 months	+15	+15	-20	-36	-16
- next 3 months	0	+1	-20	-1	+2
c) Total operating costs (excluding cost of funds)					
- past 3 months	+79	+50	+60	+38	+59
- next 3 months	+18	+52	+41	+5	+41
d) Average operating costs per transaction					
- past 3 months	+2	-12	+22	0	-14
- next 3 months	+2	+3	+4	+1	-16
e) Value of non-performing loans					
- past 3 months	-96	-95	-60	-57	-79
- next 3 months	-62	-63	-40	-38	-22
of which:					
Retail					
- past 3 months	-95	-80	-60	-75	-79
- next 3 months	-62	-48	-40	-38	-22
Corporate					
- past 3 months	-45	-47	-56	-38	-75
- next 3 months	-30	-16	-36	-18	-18
g) Overall profitability of business					
- past 3 months	-1	-30	+18	+36	+21
- next 3 months	-3	-18	-18	-21	+5
EMPLOYMENT AND TRAINING					
<b>6 Excluding seasonal variations, what are the trends in:</b>					
a) Numbers employed					
- past 3 months	+64	+5	+79	+3	+59
- next 3 months	+17	+19	+20	-18	+37
b) Training expenditure					
- past 3 months	+34	+35	+20	+56	+41
- next 3 months	+38	+22	+60	+40	+39
c) Staff costs as a proportion of total costs					
- past 3 months	+34	+3	+24	+2	+43
- next 3 months	+33	+19	+21	+3	+37
<b>6.1 What has been the trend with regard to your staff turnover:</b>					
- past 3 months	+16	+2	-1	-18	-37
- next 3 months	+16	-2	0	0	-18

MARKETING EXPENDITURE						
	2016 Mar	Jun	Sep	Dec	2017 Mar	
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	+62	+65	+55	+37	+57	
CAPITAL EXPENDITURE						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings	+14	+16	+1	-18	+71	
b) Vehicles, plant & machinery	-16	0	0	-18	+36	
c) Information technology	+81	+67	+80	+99	+64	
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services	23	52	60	43	64	
To increase efficiency/speed	99	66	79	61	62	
To reach new customers	49	51	61	42	43	
For replacement	64	65	60	58	77	
To expand capacity	37	50	79	60	75	
Statutory legislation and regulation	84	84	97	97	77	
Other	0	2	0	21	18	
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment	37	67	22	26	43	
Shortage of finance	45	32	37	21	2	
Cost of finance	0	18	37	2	2	
Uncertainty about demand/business prospects	21	6	24	44	43	
Shortage of labour including managerial & supervisor staff	66	63	57	58	59	
Other	0	0	1	18	18	
BUSINESS PROSPECTS						
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	48	50	81	98	79
	- Overseas	0	0	0	0	0
Staff turnover	- Total	15	0	1	0	2
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	2	5	1	1	2
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	0	0	2	0	0
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	62	80	40	26	23
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	30	15	0	1	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	15	17	18	1	2
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	30	30	18	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	99	98	98	96	98
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	49	53	60	75	78
	- Overseas	0	0	0	0	0
Other	- Total	0	0	0	18	18
	- Overseas	0	0	0	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+35	+36	+24	+61	+41	
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services	85	83	82	80	82	
Other sectors of financial services	67	51	62	62	59	
Companies currently positioned outside of financial services	34	30	39	39	38	
New entrants	100	49	99	78	64	
Other	4	0	0	0	0	

GROWTH					
	2016 Mar	Jun	Sep	Dec	2017 Mar
<b>13 Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers	1	1	19	21	5
Cross sales to existing customers	32	32	38	39	41
Acquisition of domestic customers	98	98	81	79	95
Acquisition of international customers	0	0	0	0	0
New products	36	35	39	60	43
No growth expected	1	1	1	2	0
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>					
Acquiring new customers	+52	+36	+41	+23	+43
Cross-selling to existing customers	+15	+1	+20	+21	+19
Retaining existing customers	+68	+53	+40	+82	+61
Launching new products/services	+22	+35	+41	+27	+27
<b>Inorganic growth activities</b>					
Engaging in M&A transactions	-30	-30	-36	-18	-18
Forming strategic partnerships/alliances	-16	-30	+21	-18	0
<b>Market focus for growth</b>					
Increasing market share in domestic markets	+2	-13	+40	+79	+59
Increasing market share in international markets	0	0	0	0	0
<b>Investment in enablers to growth</b>					
Brand and advertising	+18	+49	+41	+21	+39
Sales force and distribution channels	+38	+84	+79	+62	+64
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+32	+34	+58	+58	+59
Performance measurement processes/tools	+16	+18	+2	+40	+21
IT systems and applications	+49	+70	+64	+64	+45

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Finance Houses

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2016 Mar	Jun	Sep	Dec	2017 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+54	+54	-37	-21	-45
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+47	+74	+5	-1	+54
b) Your present level of business with overseas customers (above/below normal) is:	0	-6	+5	-20	-49
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+60	+34	-47	-46	-3
- next 3 months	+64	+26	-10	+9	+58
b) Value** of fee, commission or premium income					
- past 3 months	-1	+29	-37	-40	+3
- next 3 months	+3	+74	-13	-36	+58
c) Value** of net interest, investment or trading income					
- past 3 months	+7	+23	-10	-6	+7
- next 3 months	0	+26	-10	-1	+7
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	-1	+69	-61	-30	0
- next 3 months	+7	+54	0	+17	+59
b) Financial institutions					
- past 3 months	+8	+3	+7	0	+5
- next 3 months	+15	+6	+2	-3	+8
c) Private individuals					
- past 3 months	+65	+20	-45	-16	+3
- next 3 months	+72	+80	+14	+29	+61
d) Overseas customers (UK-based operations)					
- past 3 months	+3	+54	-22	-27	+59
- next 3 months	+3	+54	+27	-20	+62

## CHARGES, COSTS AND PROFITABILITY

		2016				2017	
		Mar	Jun	Sep	Dec	Mar	
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	+66	+48	+20	+27	+3
		- next 3 months	+55	-9	+5	0	-51
b)	Average commissions/fees/ premiums paid	- past 3 months	+7	+9	+10	-3	-1
		- next 3 months	+3	+11	-12	-9	+2
c)	Total operating costs (excluding cost of funds)	- past 3 months	+73	+37	-15	+44	+12
		- next 3 months	+57	+77	+12	+23	-39
d)	Average operating costs per transaction	- past 3 months	-43	+71	-15	+34	+64
		- next 3 months	-62	-48	+17	+13	-49
e)	Value of non-performing loans	- past 3 months	-39	+6	-20	+51	-54
		- next 3 months	-50	-43	+39	-3	+44
	of which:						
	Retail	- past 3 months	-47	+6	-29	+24	-54
		- next 3 months	-54	-48	+32	-3	+44
	Corporate	- past 3 months	+5	+6	-45	+27	-58
		- next 3 months	+1	-48	+7	0	+51
g)	Overall profitability of business	- past 3 months	-50	-46	+22	+7	-56
		- next 3 months	-50	+57	+14	+34	+60

## EMPLOYMENT AND TRAINING

<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	+66	+29	+51	+20	+20
		- next 3 months	+73	+35	+53	+19	+75
b)	Training expenditure	- past 3 months	+62	+24	+22	+13	+28
		- next 3 months	+65	+75	+17	-8	+78
c)	Staff costs as a proportion of total costs	- past 3 months	+66	+88	-20	+47	+75
		- next 3 months	+62	-32	+2	+19	-46
<b>6.1 What has been the trend with regard to your staff turnover:</b>							
		- past 3 months	0	+52	+25	+44	+62
		- next 3 months	-3	0	+25	+43	+62

## MARKETING EXPENDITURE

<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	+14	+77	+46	+51	-41
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## CAPITAL EXPENDITURE

<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>							
a)	Land and buildings		0	+3	+25	+26	+6
b)	Vehicles, plant & machinery		+3	+3	+5	+39	0
c)	Information technology		+92	+34	+63	+31	-41
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>							
	To provide new services		81	80	81	76	71
	To increase efficiency/speed		88	94	81	86	81
	To reach new customers		30	88	88	93	75
	For replacement		89	71	76	47	71
	To expand capacity		30	17	49	26	16
	Statutory legislation and regulation		30	77	78	48	77
	Other		0	0	0	0	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>							
	Inadequate net return on proposed investment		23	68	64	43	67
	Shortage of finance		19	29	10	14	13
	Cost of finance		23	11	7	10	8
	Uncertainty about demand/business prospects		89	77	88	53	72
	Shortage of labour including managerial & supervisor staff		80	66	30	67	61
	Other		0	9	2	7	8

## BUSINESS PROSPECTS

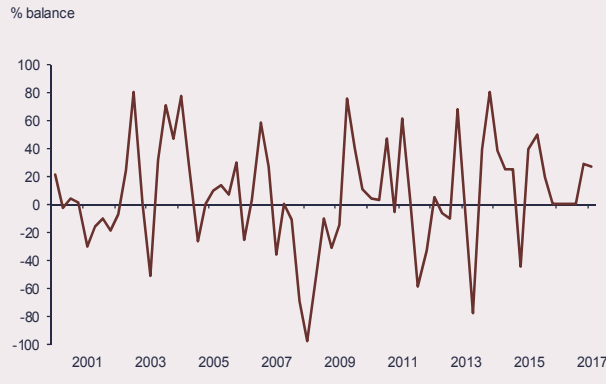
		2016				2017
		Mar	Jun	Sep	Dec	Mar
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>					
Level of demand	- Total	35	77	86	53	90
	- Overseas	0	0	7	0	8
Staff turnover	- Total	16	6	7	0	0
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	77	66	44	37	54
	- Overseas	0	0	0	7	0
Availability of clerical staff	- Total	16	60	32	27	54
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	80	66	37	30	61
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	23	29	22	47	14
	- Overseas	0	6	2	0	0
of which:						
Ability to raise capital	- Total	20	23	17	40	18
	- Overseas	0	6	0	0	0
Availability of wholesale funds	- Total	23	20	19	13	3
	- Overseas	0	0	2	0	0
Competition	- Total	80	88	78	56	79
	- Overseas	0	6	7	0	0
Statutory legislation and regulation	- Total	77	71	46	70	84
	- Overseas	0	0	0	0	3
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+88	+88	+76	+24	+76
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>					
Your sector of financial services		96	94	95	100	97
Other sectors of financial services		89	66	73	47	66
Companies currently positioned outside of financial services		77	17	37	37	59
New entrants		88	23	46	70	79
Other		4	0	0	0	0
<b>GROWTH</b>						
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers		4	23	14	16	3
Cross sales to existing customers		12	17	17	14	16
Acquisition of domestic customers		88	88	56	90	79
Acquisition of international customers		58	0	0	7	5
New products		30	74	39	76	69
No growth expected		0	6	32	0	13
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>						
Acquiring new customers		+31	+91	+51	+70	+87
Cross-selling to existing customers		+8	+3	+37	+9	+20
Retaining existing customers		+76	+66	+69	+40	+92
Launching new products/services		+14	+9	+39	+44	0
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		-8	+3	-2	-13	-7
Forming strategic partnerships/alliances		+65	+20	+46	+40	+67
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+27	+88	+81	+50	+84
Increasing market share in international markets		+4	0	0	0	+1
<b>Investment in enablers to growth</b>						
Brand and advertising		+73	+60	+56	+77	+69
Sales force and distribution channels		+73	+26	+29	+36	+18
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+60	+6	+22	+1	+7
Performance measurement processes/tools		-1	-6	+7	+6	+12
IT systems and applications		+17	+74	+69	+66	+77

# Life insurance

- **Optimism**                      Optimism among life insurers rose over the three months to March, for the second consecutive quarter.
- **Business volumes**            Business volumes were flat over the quarter, while life insurers reported that the present level of business remains above normal. Growth in overall business volumes is expected to pick up strongly over the next three months.
- **Pricing power**                Average commissions, fees & premiums declined again in the three months to March but are expected to stabilise in the three months to March. Spreads also fell, but life insurers expect them to remain unchanged next quarter.
- **Income**                         Income from premiums, fees and commissions picked up from the last quarter, however life insurers expect to see income from this source to be flat over the coming three months. Meanwhile, income from net interest, investment and trading declined, but with a rebound expected next quarter.
- **Costs**                         Growth in total operating costs rose in the three months to March and are expected to rise at a similar pace over the coming quarter. Average operating costs were stable for the third consecutive quarter, and are expected to be unchanged in the quarter to June.
- **Profitability**                 Growth in profits picked up pace over the last three months, and profitability is expected to improve at a similar pace next quarter.
- **Employment**                 Employment continued to expand last quarter, in contrast to expectations of stable growth. Numbers employed are expected to grow at a similar pace over the coming quarter.
- **Investment**                 Life insurers are planning to invest more in IT over the next twelve months, with investment intentions the strongest in two years. Spending on land and buildings is also predicted to increase. A desire to increase efficiency/speed was the main factor driving capital spending authorisations over the next year. Life insurers cited uncertainty about demand as the top reason limiting investment.
- **The year ahead**              Level of demand was the factor most likely to constrain business expansion over the coming year. Growth strategies for the year ahead are focused on investment in CRM/marketing capabilities, and IT and applications. Life insurers are also indicating a significant interest in forming strategic partnerships/alliances.



Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



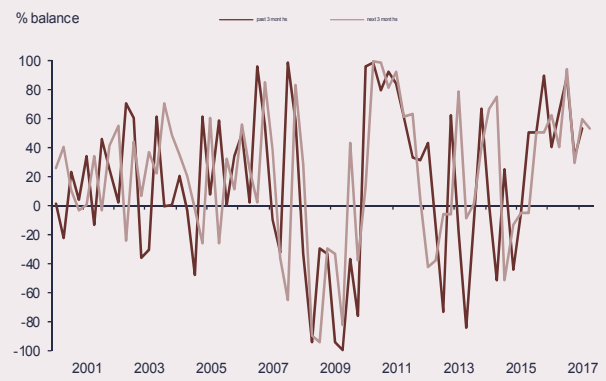
	Q1
Latest	+27
Previous	+29
Mean	+6

Q3 (A): TREND IN VOLUME OF BUSINESS



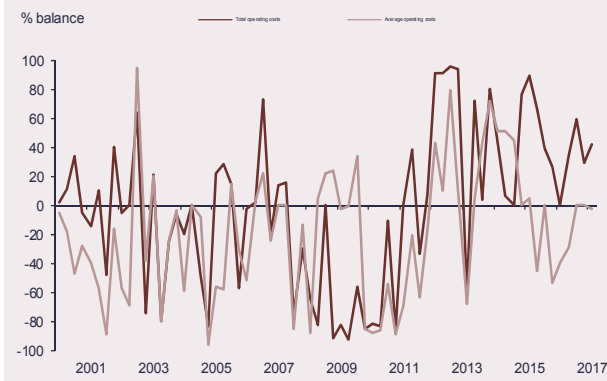
	Q3a: Past	Q3a: Next
Latest	0	+80
Previous	+33	+63
Mean	+16	+32

Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next
Latest	+53	+53
Previous	+33	+59
Mean	+12	+18

Q5 C&D: TOTAL & AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past
Latest	+42	-2
Previous	+29	0
Mean	-4	-18

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Life insurance

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

#### VALUE AND VOLUME OF BUSINESS

	2016 Mar	Jun	Sep	Dec	2017 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	0	0	0	+29	+27
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	0	+35	-29	+29	+27
b) Your present level of business with overseas customers (above/below normal) is:	0	-29	-29	-29	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+89	+65	+100	+33	0
- next 3 months	+49	+35	+41	+63	+80
b) Value** of fee, commission or premium income					
- past 3 months	+89	+65	+59	+4	+27
- next 3 months	-31	+35	+29	+33	0
c) Value** of net interest, investment or trading income					
- past 3 months	0	0	0	-25	-27
- next 3 months	0	0	0	+4	+27
d) Value** of new business					
- past 3 months	+89	+52	+100	+33	0
- next 3 months	-31	+23	-17	+63	+53

\*\* in sterling

		2016 Mar	Jun	Sep	Dec	2017 Mar
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>						
a)	Industrial & commercial companies					
	- past 3 months	+49	+35	+29	+59	+27
	- next 3 months	+49	+35	0	+29	+27
b)	Financial institutions					
	- past 3 months	+40	+29	+29	+59	+27
	- next 3 months	+40	+29	0	+59	+80
c)	Private individuals					
	- past 3 months	+49	+65	+71	+33	+27
	- next 3 months	+49	+35	+41	+63	+80
d)	Overseas customers (UK-based operations)					
	- past 3 months	+40	+29	0	0	+27
	- next 3 months	+40	0	+29	0	+27
<b>CHARGES, COSTS AND PROFITABILITY</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a)	Average spreads					
	- past 3 months	0	0	0	-59	-27
	- next 3 months	0	-29	0	0	0
b)	Average commissions/fees/ premiums paid					
	- past 3 months	0	-29	0	-59	-53
	- next 3 months	-40	-29	0	0	-27
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	0	+35	+59	+29	+42
	- next 3 months	0	+6	-59	+29	+42
d)	Average operating costs per transaction					
	- past 3 months	-40	-29	0	0	-2
	- next 3 months	-40	-59	-29	-59	-28
f)	Value of surrendered contracts					
	- past 3 months	+11	-23	0	+37	0
	- next 3 months	0	+6	+29	+4	+27
g)	Overall profitability of business					
	- past 3 months	+40	+65	+88	+33	+53
	- next 3 months	+40	+94	+29	+59	+53
<b>EMPLOYMENT AND TRAINING</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a)	Numbers employed					
	- past 3 months	+40	+65	0	+33	+26
	- next 3 months	+40	+6	-58	0	+26
b)	Training expenditure					
	- past 3 months	0	+65	0	+33	0
	- next 3 months	0	+35	0	+29	+26
c)	Staff costs as a proportion of total costs					
	- past 3 months	+40	0	-29	+4	-26
	- next 3 months	+40	-29	-58	-29	-26
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	-40	+29	+29	+62	+53
	- next 3 months	0	+29	0	+33	+53
<b>MARKETING EXPENDITURE</b>						
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>						
		-40	+65	+29	+37	0
<b>CAPITAL EXPENDITURE</b>						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a)	Land and buildings	+40	+29	0	0	+27
b)	Vehicles, plant & machinery	+9	-29	-29	0	-27
c)	Information technology	+60	+65	+41	+67	+91
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
	To provide new services	80	65	59	63	62
	To increase efficiency/speed	80	94	29	92	73
	To reach new customers	80	59	29	63	62
	For replacement	60	94	41	67	64
	To expand capacity	80	65	29	63	62
	Statutory legislation and regulation	60	100	41	67	47
	Other	0	29	0	0	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
	Inadequate net return on proposed investment	51	94	41	8	47
	Shortage of finance	40	29	29	0	36
	Cost of finance	40	29	0	29	36
	Uncertainty about demand/business prospects	91	71	41	8	73
	Shortage of labour including managerial & supervisor staff	40	94	29	92	62
	Other	0	0	0	33	27

## BUSINESS PROSPECTS

		2016 Mar	Jun	Sep	Dec	2017 Mar
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	51	94	41	67	100
	- Overseas	40	29	59	29	27
Staff turnover	- Total	0	0	0	0	9
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	9	29	29	33	62
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	40	6	0	0	9
	- Overseas	40	0	0	0	0
Adequacy of systems capacity	- Total	40	29	59	29	36
	- Overseas	0	29	0	0	0
Ability to raise funds	- Total	0	0	29	0	36
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	29	0	0	36
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	29	0	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	40	100	41	96	62
	- Overseas	40	29	29	29	27
Statutory legislation and regulation	- Total	60	65	12	37	73
	- Overseas	40	0	0	0	27
Other	- Total	0	0	0	0	11
	- Overseas	0	0	0	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		0	+41	+41	+4	+36
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		100	100	41	100	100
Other sectors of financial services		51	94	41	67	38
Companies currently positioned outside of financial services		40	65	0	4	27
New entrants		40	59	0	63	27
Other		0	0	0	0	27
<b>GROWTH</b>						
<b>13 Where do you think your growth will come from over the next 3 months?</b>						
Cross sales to new customers		51	35	12	33	47
Cross sales to existing customers		60	94	41	67	73
Acquisition of domestic customers		60	100	100	96	91
Acquisition of international customers		80	59	29	29	27
New products		40	59	0	29	53
No growth expected		40	0	0	0	0
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
<b>Organic growth activities</b>						
Acquiring new customers		+11	+6	+41	+63	+47
Cross-selling to existing customers		+51	+65	+41	+67	+38
Retaining existing customers		+20	+41	+12	+37	+38
Launching new products/services		+19	+35	+59	+33	-27
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		-29	-23	-29	+4	-53
Forming strategic partnerships/alliances		-29	+65	+59	+92	+80
<b>Market focus for growth</b>						
Increasing market share in domestic markets		0	0	+59	+88	+36
Increasing market share in international markets		0	+29	+29	+29	+27
<b>Investment in enablers to growth</b>						
Brand and advertising		+2	+6	+29	+33	+36
Sales force and distribution channels		+11	0	+59	+67	+53
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+40	+65	+88	+92	+80
Performance measurement processes/tools		+31	+29	+29	+29	+27
IT systems and applications		+49	+35	+88	+92	+53

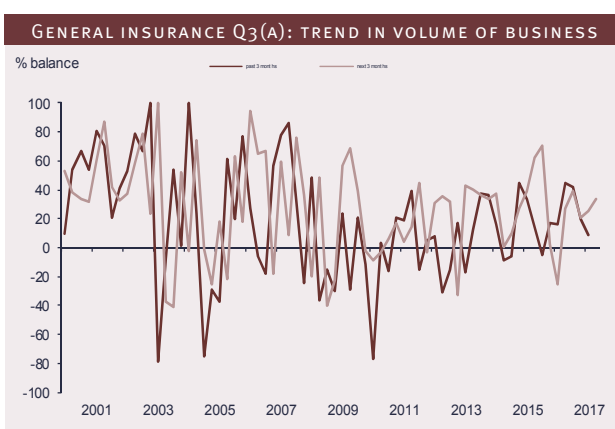
# General insurance and insurance brokers

## General insurance

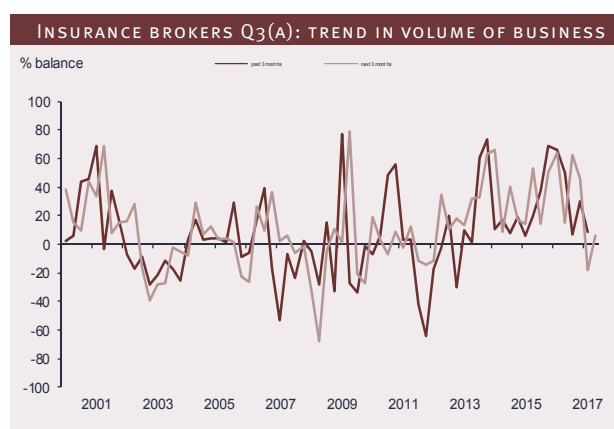
- Optimism** Sentiment among general insurers was unchanged, after a sharp fall in the quarter to December.
- Business volumes** Business volumes expanded at a slower pace than in the three months to December but growth is expected to pick up again next quarter.
- Profitability** Profitability was unchanged over the three months to March, against expectations for profits growth. However, profits are expected increase modestly next quarter.
- Employment** Growth in numbers employed rose at a similar pace to the previous quarter and the trend is set to continue over the next three months.
- Investment** Investment intentions weakened significantly for the year ahead. Expenditure on IT is expected to rise, but at a pace well below average. Firms cited inadequate net return on the proposed investment as the key factor limiting their capital authorisations.

## Insurance brokers

- Optimism** Optimism amongst insurance brokers improved in the three months to March.
- Business volumes** Business volumes continued to grow, albeit at a slower pace, with growth expected to soften further next quarter.
- Profitability** Profitability improved in the quarter to March, with a further increase expected over the next three months.
- Employment** Numbers employed declined against expectations for a pick-up in hiring. Headcount is now expected to fall further next quarter.
- Investment** Investment in IT is expected to expand at a solid pace over the year ahead, motivated by a desire to reach new customers. The number of respondents citing uncertainty about demand as a reason to limit investment rose to the highest since 2009.



	Q3a: Past	Q3a: Next
Latest	+9	+34
Previous	+20	+25
Mean	+10	+18



	Q3a: Past	Q3a: Next
Latest	+9	+6
Previous	+30	-18
Mean	+16	+19

# CBI/PwC Financial Services Survey

Survey number 110, March 2017

## General insurance

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2016				2017
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+5	+10	0	-20	-2
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+30	+5	+2	-2	-3
b) Your present level of business with overseas customers (above/below normal) is:	+11	-2	-1	0	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+16	+45	+42	+20	+9
- next 3 months	+27	+39	+21	+25	+34
b) Value** of fee, commission or premium income					
- past 3 months	+39	+55	+60	+2	+13
- next 3 months	+51	+37	+24	+3	+13
c) Value** of net interest, investment or trading income					
- past 3 months	-33	-20	-16	+24	+3
- next 3 months	-31	+11	+1	-4	+4
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	+25	+44	+6	+21	+31
- next 3 months	+26	+39	-35	+23	+30
b) Financial institutions					
- past 3 months	-8	+19	+1	0	+4
- next 3 months	-8	+15	0	0	+1
c) Private individuals					
- past 3 months	+4	+3	+18	-19	-19
- next 3 months	+29	+14	0	-19	-22
d) Overseas customers (UK-based operations)					
- past 3 months	+24	+33	+20	+40	+27
- next 3 months	+22	+31	+2	+40	+27
CHARGES, COSTS AND PROFITABILITY					
<b>5 Excluding seasonal variations, what are the trends for:</b>					
a) Average spreads					
- past 3 months	-12	0	-1	0	0
- next 3 months	-14	+11	-1	0	0
b) Average commissions/fees/ premiums paid					
- past 3 months	-2	+39	+9	+21	+3
- next 3 months	+12	+36	+7	+23	+2
c) Total operating costs (excluding cost of funds)					
- past 3 months	+31	+9	+27	+9	+13
- next 3 months	+29	-4	+27	-11	+38
d) Average operating costs per transaction					
- past 3 months	+4	-18	+6	-15	+9
- next 3 months	-9	-7	-14	-15	+6
g) Overall profitability of business					
- past 3 months	-9	+8	+43	-4	+3
- next 3 months	-16	0	+22	+5	+4
<b>5.1 What has been the trend with regard to the value of insurance claims:</b>					
- past 12 months	+12	+42	+68	+25	+62
- next 12 months	+35	+29	+24	+25	+35
EMPLOYMENT AND TRAINING					
<b>6 Excluding seasonal variations, what are the trends in:</b>					
a) Numbers employed					
- past 3 months	+17	+5	+26	+11	+9
- next 3 months	+6	+13	+47	+7	+7
b) Training expenditure					
- past 3 months	+26	+15	+43	+28	+28
- next 3 months	+17	+11	+44	+27	+31
c) Staff costs as a proportion of total costs					
- past 3 months	+2	-28	0	-13	+10
- next 3 months	-14	-5	+21	-15	-17
<b>6.1 What has been the trend with regard to your staff turnover:</b>					
- past 3 months	-25	+16	-15	+43	+22
- next 3 months	-13	-23	+41	+2	+2

MARKETING EXPENDITURE						
	2016 Mar	Jun	Sep	Dec	2017 Mar	
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>	-30	+52	+28	+48	+31	
CAPITAL EXPENDITURE						
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings	-33	-11	-20	-4	-3	
b) Vehicles, plant & machinery	-9	-3	-1	-2	-7	
c) Information technology	+35	+52	+90	+53	+6	
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services	66	53	52	48	37	
To increase efficiency/speed	92	84	77	75	72	
To reach new customers	67	50	72	73	68	
For replacement	33	31	31	32	38	
To expand capacity	29	50	70	67	90	
Statutory legislation and regulation	55	40	49	46	61	
Other	1	2	0	0	0	
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment	62	91	88	85	87	
Shortage of finance	16	2	4	41	53	
Cost of finance	27	2	3	2	3	
Uncertainty about demand/business prospects	55	53	93	26	35	
Shortage of labour including managerial & supervisor staff	30	18	46	25	3	
Other	12	0	3	2	2	
BUSINESS PROSPECTS						
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	64	56	56	59	43
	- Overseas	49	16	23	7	2
Staff turnover	- Total	13	2	23	0	4
	- Overseas	12	0	2	0	2
Availability of professional staff	- Total	14	16	46	43	31
	- Overseas	12	0	23	20	28
Availability of clerical staff	- Total	13	14	2	2	2
	- Overseas	12	0	2	0	2
Adequacy of systems capacity	- Total	41	47	43	40	28
	- Overseas	12	0	21	0	2
Ability to raise funds	- Total	0	0	2	0	0
	- Overseas	0	0	2	0	0
of which:						
Ability to raise capital	- Total	1	0	0	0	0
	- Overseas	1	0	0	0	0
Availability of wholesale funds	- Total	1	0	0	0	0
	- Overseas	1	0	0	0	0
Competition	- Total	72	95	59	98	97
	- Overseas	39	39	24	45	56
Statutory legislation and regulation	- Total	42	21	47	23	34
	- Overseas	27	15	3	2	2
Other	- Total	3	0	0	20	3
	- Overseas	1	0	0	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>	+14	+44	+50	+53	+38	
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services	97	100	98	100	96	
Other sectors of financial services	40	50	49	81	83	
Companies currently positioned outside of financial services	37	39	3	41	32	
New entrants	43	45	48	86	90	
Other	11	0	0	20	2	

GROWTH					
	2016				2017
	Mar	Jun	Sep	Dec	Mar
<b>13 Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers	44	22	12	33	13
Cross sales to existing customers	49	47	33	37	41
Acquisition of domestic customers	67	47	48	97	91
Acquisition of international customers	49	37	41	65	56
New products	44	42	70	48	32
No growth expected	25	13	1	0	0
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>					
<b>Organic growth activities</b>					
Acquiring new customers	+32	+19	+69	+56	+66
Cross-selling to existing customers	+45	+52	+29	+33	+13
Retaining existing customers	+34	+11	+33	+33	+10
Launching new products/services	+31	+52	+48	+25	+29
<b>Inorganic growth activities</b>					
Engaging in M&A transactions	-4	0	+6	+16	+2
Forming strategic partnerships/alliances	+33	+5	-17	+25	+6
<b>Market focus for growth</b>					
Increasing market share in domestic markets	+44	+31	+70	+50	+63
Increasing market share in international markets	+33	+21	+41	+45	+28
<b>Investment in enablers to growth</b>					
Brand and advertising	-7	+3	+64	+31	+31
Sales force and distribution channels	+22	+55	+91	+25	+60
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+25	+26	+26	+49	+28
Performance measurement processes/tools	-7	+15	+7	+9	0
IT systems and applications	+47	+44	+73	+69	+60

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Insurance brokers

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS					
	2016				2017
	Mar	Jun	Sep	Dec	Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	-4	+12	-27	+40	+26
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+4	-19	+7	+27	-5
b) Your present level of business with overseas customers (above/below normal) is:	-56	-21	+5	0	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+66	+50	+7	+30	+9
- next 3 months	+15	+62	+46	-18	+6
b) Value** of fee, commission or premium income					
- past 3 months	+67	+20	+14	+24	-29
- next 3 months	+12	+4	+42	+13	-18
c) Value** of net interest, investment or trading income					
- past 3 months	-61	-2	+5	0	-14
- next 3 months	-58	-7	+2	0	-14
** in sterling					
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>					
a) Industrial & commercial companies					
- past 3 months	+15	+10	+24	+6	+13
- next 3 months	+15	+37	+44	+7	+18
b) Financial institutions					
- past 3 months	+54	+36	+25	+54	+27
- next 3 months	+54	+31	0	+27	+27
c) Private individuals					
- past 3 months	+11	+3	+7	+13	-8
- next 3 months	+4	+24	+12	+6	-1
d) Overseas customers (UK-based operations)					
- past 3 months	+2	+33	+32	+3	+3
- next 3 months	+2	+54	+2	+3	+3

## CHARGES, COSTS AND PROFITABILITY

		2016				2017
		Mar	Jun	Sep	Dec	Mar
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	-54	+2	0	0	+4
	- next 3 months	0	+2	0	0	+4
b) Average commissions/fees/ premiums paid	- past 3 months	+62	-25	-22	-37	-35
	- next 3 months	+58	+5	+5	+6	-34
c) Total operating costs (excluding cost of funds)	- past 3 months	-38	-6	+14	+53	-6
	- next 3 months	-38	-10	-15	+40	+38
d) Average operating costs per transaction	- past 3 months	-31	-20	+12	+13	-9
	- next 3 months	-41	-25	+7	+40	+15
g) Overall profitability of business	- past 3 months	+65	+54	-8	+30	+29
	- next 3 months	+54	+77	+37	+34	+23

## EMPLOYMENT AND TRAINING

<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+53	-19	-18	+14	-28
	- next 3 months	+15	+47	+12	+23	-31
b) Training expenditure	- past 3 months	+11	+44	+10	-3	+3
	- next 3 months	+17	+44	+7	+40	+3
c) Staff costs as a proportion of total costs	- past 3 months	-40	+11	+32	+27	-23
	- next 3 months	-42	+17	-15	+20	-31
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+53	+9	-37	+19	+14
	- next 3 months	0	+33	-2	-7	-38

## MARKETING EXPENDITURE

<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>		+77	+35	+19	+10	0
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## CAPITAL EXPENDITURE

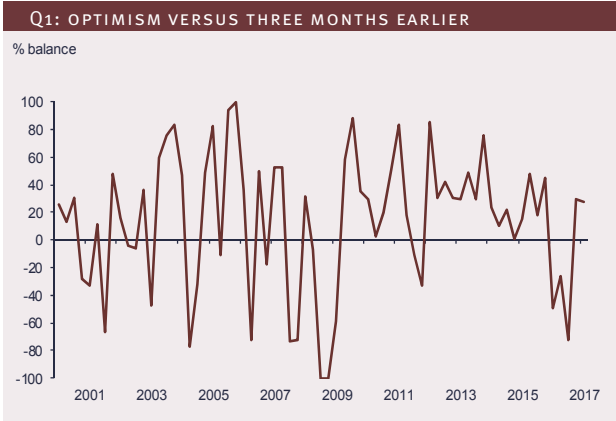
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>						
a) Land and buildings		+1	-9	-30	-27	+4
b) Vehicles, plant & machinery		-2	+5	+5	-31	-3
c) Information technology		+20	+13	+14	+19	+25
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services		12	72	49	71	52
To increase efficiency/speed		91	50	83	66	59
To reach new customers		26	50	51	53	80
For replacement		35	59	31	42	35
To expand capacity		15	45	49	47	38
Statutory legislation and regulation		22	51	24	50	42
Other		0	2	5	0	0
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>						
Inadequate net return on proposed investment		18	48	51	50	41
Shortage of finance		0	34	34	31	38
Cost of finance		0	2	32	3	4
Uncertainty about demand/business prospects		35	56	78	66	83
Shortage of labour including managerial & supervisor staff		16	2	12	44	11
Other		2	2	0	3	0



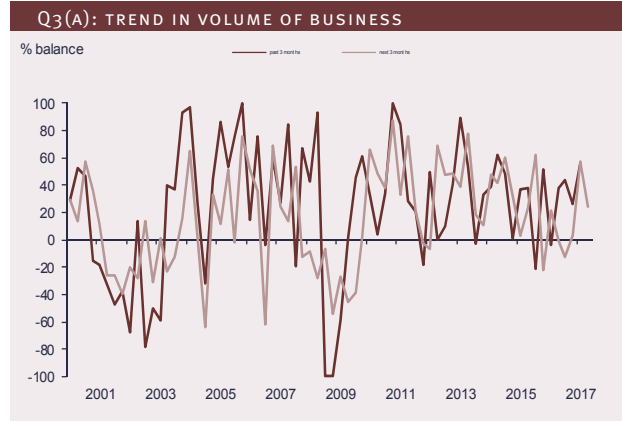
BUSINESS PROSPECTS		2016				2017
		Mar	Jun	Sep	Dec	Mar
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	33	33	58	90	93
	- Overseas	7	4	37	58	37
Staff turnover	- Total	6	9	0	10	7
	- Overseas	0	4	0	7	4
Availability of professional staff	- Total	73	47	7	53	14
	- Overseas	54	27	0	31	4
Availability of clerical staff	- Total	6	2	2	16	11
	- Overseas	2	0	0	3	4
Adequacy of systems capacity	- Total	9	2	2	16	38
	- Overseas	0	0	0	3	4
Ability to raise funds	- Total	0	0	2	7	4
	- Overseas	0	0	0	3	4
of which:						
Ability to raise capital	- Total	0	2	2	3	4
	- Overseas	0	0	0	3	4
Availability of wholesale funds	- Total	0	0	0	3	4
	- Overseas	0	0	0	3	4
Competition	- Total	95	84	86	69	66
	- Overseas	64	58	64	34	37
Statutory legislation and regulation	- Total	31	59	24	36	52
	- Overseas	2	0	5	3	7
Other	- Total	0	0	0	27	3
	- Overseas	0	0	0	27	3
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+34	-4	+53	+47	+52
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		93	64	98	100	63
Other sectors of financial services		16	13	49	23	14
Companies currently positioned outside of financial services		2	47	12	60	46
New entrants		23	13	12	53	49
Other		4	0	2	0	0
<b>GROWTH</b>						
<b>13 Where do you think your growth will come from over the next 3 months?</b>						
Cross sales to new customers		83	83	83	87	90
Cross sales to existing customers		93	95	90	90	87
Acquisition of domestic customers		85	77	51	53	75
Acquisition of international customers		63	57	59	31	58
New products		62	32	39	74	68
No growth expected		2	2	0	7	3
<b>14 Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
<b>Organic growth activities</b>						
Acquiring new customers		+83	+54	+78	+60	+59
Cross-selling to existing customers		+78	+78	+62	+47	+72
Retaining existing customers		+18	+43	+42	+50	+56
Launching new products/services		0	+14	-7	+37	+26
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		-50	+9	0	+3	+7
Forming strategic partnerships/alliances		+1	+4	+10	+10	+3
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+77	+67	+42	+43	+41
Increasing market share in international markets		+54	+54	+2	+18	+27
<b>Investment in enablers to growth</b>						
Brand and advertising		+12	+47	+14	+3	+7
Sales force and distribution channels		+73	+73	+42	+47	+17
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+67	+53	+32	+37	+65
Performance measurement processes/tools		+1	+56	0	+37	+20
IT systems and applications		+10	+11	+42	+67	+49

# Investment management

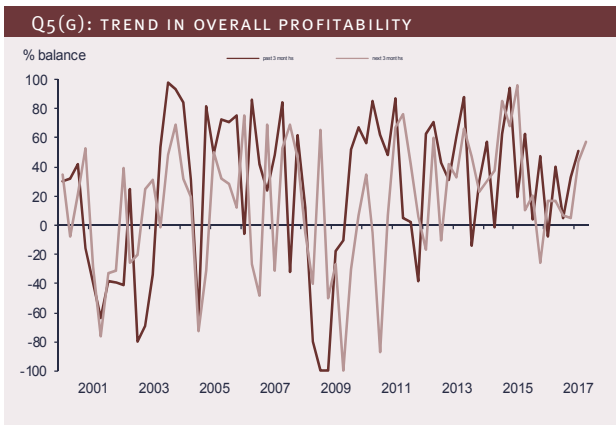
- **Optimism** Sentiment about the general business situation improved for a second consecutive quarter, having deteriorated through much of 2016.
- **Business volumes** Growth in business volumes accelerated in the three months to March, in line with expectations. Investment managers reported strong growth from all four categories of customer. However, volumes growth is expected to ease over the next quarter.
- **Pricing power** Average fees/commissions rose for the first time in three quarters, against expectations for no growth. Growth in average fees/commissions is expected to pick up over the next three months. Average spreads also grew, following a decline last quarter. In the three months to June, spreads are expected to grow at a similar pace.
- **Income** Incomes from fees & commissions rose sharply last quarter, after only modest growth in the three months to December. Income from net interest, investment & trading also grew at a robust pace against expectations of unchanged income. While growth in income from fees & commissions is expected to slow over the coming quarter, revenues from net interest, investment and trading are expected to fall.
- **Costs** Both total and average operating costs grew strongly over the last three months, despite expectations for weaker growth in the former and a fall in the latter. Total costs are expected to rise at the same pace next quarter, while average costs are set to ease moderately over the next three months.
- **Profitability** Stronger growth in volumes allowed profitability to pick up over the three months to March. Profits growth is expected to accelerate further next quarter.
- **Employment** Numbers employed continued to expand at a robust pace last quarter while expenditure on training slowed marginally in the three months to March. Firms expect headcount to expand at the same pace over the coming quarter, while spending on training is expected to ease further.
- **Investment** Investment intentions were solid across all three categories in the latest survey, motivated by a range of factors. A desire to increase efficiency/speed was the main driver of planned capital spending, but other reasons were high across the board highlighting a broad range of factors concerning investment managers. Inadequate net return on proposed investment took over from uncertainty about demand as the factor most likely to limit spending.
- **The year ahead** Statutory legislation and regulation and the level of demand were cited as the main constraints on business expansion in the year ahead. Investment managers see organic growth activities, especially retaining existing customers as a key element of their growth strategies over the next twelve months.



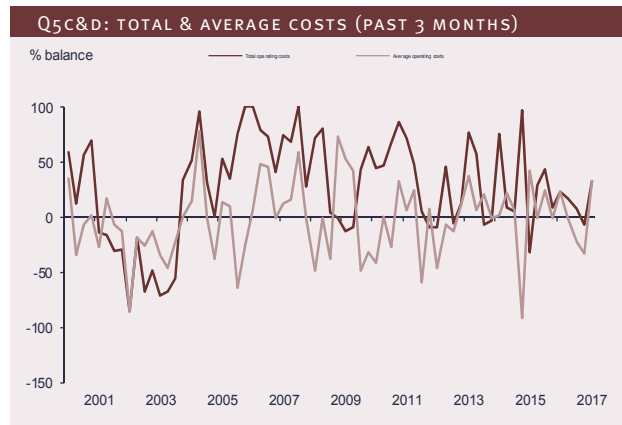
	Q1
Latest	+28
Previous	+29
Mean	+17



	Q3a: Past	Q3a: Next
Latest	+56	+24
Previous	+26	+57
Mean	+25	+18



	Q5g: Past	Q5g: Next
Latest	+51	+57
Previous	+33	+44
Mean	+22	+14



	Q5c: Past	Q5d: Past
Latest	+33	+33
Previous	-6	-33
Mean	+25	-3

## CBI/PwC Financial Services Survey

Survey number 110, March 2017

### Investment management

Conducted between 14th February and 2nd March 2017

\*All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding.

VALUE AND VOLUME OF BUSINESS		2016				2017
		Mar	Jun	Sep	Dec	Mar
<b>1</b>	Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	-49	-26	-72	+29	+28
<b>2</b>	Excluding seasonal variations, do you consider that in volume terms:					
a)	Your present level of business (above/below normal) is:	-4	+19	0	+3	+40
b)	Your present level of business with overseas customers (above/below normal) is:	+22	0	0	-8	-3
<b>3</b>	Excluding seasonal variations, what are the trends in:					
a)	Volume of business					
	- past 3 months	-4	+38	+44	+26	+56
	- next 3 months	-1	-12	+3	+57	+24
b)	Value** of fee, commission or premium income					
	- past 3 months	+2	+21	+27	+5	+40
	- next 3 months	-42	+3	-2	+27	+15
c)	Value** of net interest, investment or trading income					
	- past 3 months	-24	+7	+37	-27	+26
	- next 3 months	-23	-21	+13	-3	-13

\*\* in sterling

		2016 Mar	Jun	Sep	Dec	2017 Mar	
<b>4 What is the trend in your 'volume of business' with regard to the following categories of customer:</b>							
a)	Industrial & commercial companies	- past 3 months	-1	+7	0	+30	+25
		- next 3 months	-1	+7	0	+34	+28
b)	Financial institutions	- past 3 months	+25	0	+61	+43	+53
		- next 3 months	+25	+7	+3	+33	+49
c)	Private individuals	- past 3 months	+23	+19	-26	+27	+39
		- next 3 months	0	+35	0	+40	+32
d)	Overseas customers (UK-based operations)	- past 3 months	+25	+26	+24	+5	+33
		- next 3 months	+25	+33	+17	+4	+33
<b>CHARGES, COSTS AND PROFITABILITY</b>							
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	0	-2	+6	-29	+25
		- next 3 months	-1	0	0	-22	+25
b)	Average commissions/fees/ premiums paid	- past 3 months	-19	+5	-26	-12	+26
		- next 3 months	-19	-19	-43	-3	+36
c)	Total operating costs (excluding cost of funds)	- past 3 months	+23	+17	+8	-6	+33
		- next 3 months	+26	-5	+8	+8	+33
d)	Average operating costs per transaction	- past 3 months	+23	0	-22	-33	+33
		- next 3 months	0	0	-28	-32	+25
e)	Value of non-performing loans	- past 3 months	+19	+14	0	0	+28
		- next 3 months	0	0	0	0	+25
	of which:						
	Retail	- past 3 months	+19	+14	0	-3	+28
		- next 3 months	0	0	0	0	+28
	Corporate	- past 3 months	0	0	0	-3	+28
		- next 3 months	0	0	0	0	+25
g)	Overall profitability of business	- past 3 months	-8	+40	+5	+33	+51
		- next 3 months	+17	+7	+5	+44	+57
<b>EMPLOYMENT AND TRAINING</b>							
<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	+24	+32	-1	+33	+31
		- next 3 months	+68	+18	+11	+33	+31
b)	Training expenditure	- past 3 months	+3	+20	-18	+38	+28
		- next 3 months	+25	+12	+6	+33	+18
c)	Staff costs as a proportion of total costs	- past 3 months	+21	+26	-12	+14	-11
		- next 3 months	+42	+12	-28	+1	-11
<b>6.1 What has been the trend with regard to your staff turnover:</b>							
		- past 3 months	-18	+6	-18	+5	+10
		- next 3 months	-18	+37	0	-15	-3
<b>MARKETING EXPENDITURE</b>							
<b>7 Do you expect to authorise more or less expenditure on marketing in the NEXT 12 MONTHS than you did in the PAST 12 MONTHS</b>							
			+73	-7	-30	+52	+38
<b>CAPITAL EXPENDITURE</b>							
<b>8 Do you expect to authorise more or less capital expenditure in the NEXT 12 MONTHS than you authorised in the PAST 12 MONTHS on:</b>							
a)	Land and buildings		+29	+18	-22	+46	+18
b)	Vehicles, plant & machinery		+26	-26	+7	+25	+28
c)	Information technology		+26	0	+43	+71	+54
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>							
	To provide new services		42	16	48	51	74
	To increase efficiency/speed		23	67	72	73	92
	To reach new customers		30	9	16	57	61
	For replacement		26	75	51	48	60
	To expand capacity		56	17	6	66	68
	Statutory legislation and regulation		49	28	83	69	75
	Other		0	0	0	0	4
<b>10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*</b>							
	Inadequate net return on proposed investment		0	7	63	60	75
	Shortage of finance		0	0	11	40	35
	Cost of finance		0	0	0	28	35
	Uncertainty about demand/business prospects		55	16	48	63	61
	Shortage of labour including managerial & supervisor staff		74	18	0	43	52
	Other		0	26	0	9	0

## BUSINESS PROSPECTS

		2016				2017	
		Mar	Jun	Sep	Dec	Mar	
<b>11</b>	<b>What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
	Level of demand	- Total	48	53	82	76	82
		- Overseas	46	21	41	13	22
	Staff turnover	- Total	0	0	0	31	42
		- Overseas	0	0	0	0	6
	Availability of professional staff	- Total	1	13	0	39	39
		- Overseas	0	0	0	0	10
	Availability of clerical staff	- Total	0	0	0	35	50
		- Overseas	0	0	0	0	14
	Adequacy of systems capacity	- Total	29	2	0	34	42
		- Overseas	0	0	0	0	6
	Ability to raise funds	- Total	0	26	11	40	35
		- Overseas	0	26	0	0	14
	of which:						
	Ability to raise capital	- Total	0	26	0	15	35
		- Overseas	0	26	0	0	6
	Availability of corporate loans	- Total	0	0	11	0	35
		- Overseas	0	0	0	0	14
	Competition	- Total	68	82	70	46	53
		- Overseas	45	21	28	9	11
	Statutory legislation and regulation	- Total	77	18	72	66	79
		- Overseas	45	14	35	14	21
	Other	- Total	0	7	11	18	14
		- Overseas	0	7	0	18	0
<b>11.1</b>	<b>What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+52	+51	+60	+89	+81
<b>12</b>	<b>Where do you see your competition coming from in the next 12 months?</b>						
	Your sector of financial services		97	93	88	100	89
	Other sectors of financial services		19	0	22	50	64
	Companies currently positioned outside of financial services		0	0	30	37	51
	New entrants		3	49	27	52	60
	Other		0	7	6	0	28
<b>GROWTH</b>							
<b>13</b>	<b>Where do you think your growth will come from over the next 3 months?</b>						
	Cross sales to new customers		45	49	56	73	63
	Cross sales to existing customers		29	26	88	69	80
	Acquisition of domestic customers		68	42	60	75	61
	Acquisition of international customers		46	21	28	13	15
	New products		48	26	0	54	67
	No growth expected		29	2	6	5	20
<b>14</b>	<b>Relative to the past 12 months, how important do you think the following elements will be to your organisation's growth strategy over the next 12 months?</b>						
	<b>Organic growth activities</b>						
	Acquiring new customers		+23	+37	+27	+65	+55
	Cross-selling to existing customers		0	+26	+53	+56	+58
	Retaining existing customers		+76	+51	+77	+40	+61
	Launching new products/services		-70	+63	+6	+56	+38
	<b>Inorganic growth activities</b>						
	Engaging in M&A transactions		-25	+9	+17	+18	+11
	Forming strategic partnerships/alliances		+26	+42	+6	+26	+15
	<b>Market focus for growth</b>						
	Increasing market share in domestic markets		+42	+26	+23	+39	+41
	Increasing market share in international markets		+1	0	-23	+4	-27
	<b>Investment in enablers to growth</b>						
	Brand and advertising		+44	+15	+47	+40	+47
	Sales force and distribution channels		+23	+7	+29	+39	+38
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+19	+18	+60	+17	+27
	Performance measurement processes/tools		+1	+4	+11	+1	+5
	IT systems and applications		+19	+26	+65	+26	+52

# Supplementary questions

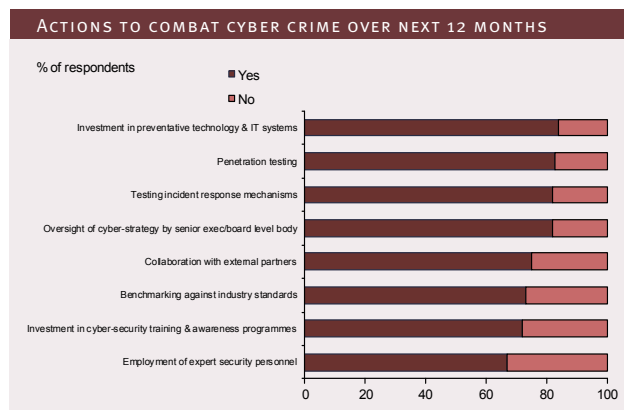
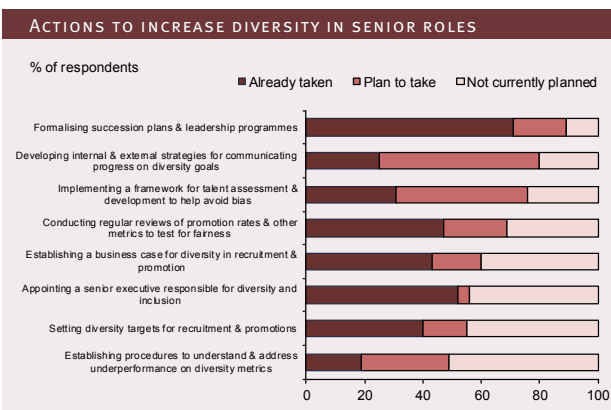
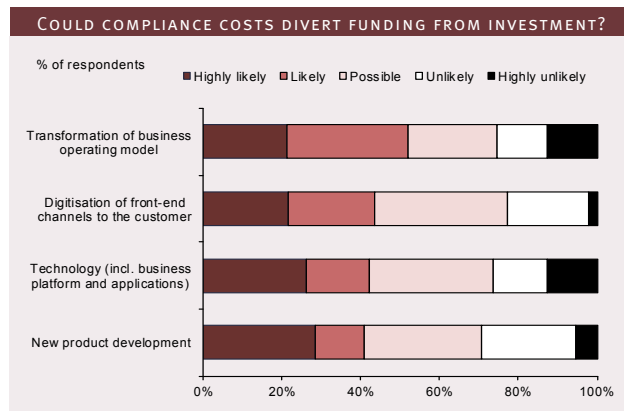
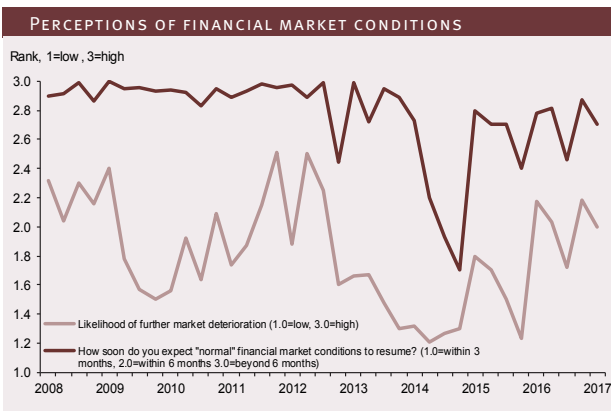
- Perceptions of financial market conditions**

Concerns over a deterioration in financial market conditions remained elevated in the quarter to March. Only 14% of financial services firms assigned a low likelihood to a worsening in financial market conditions over the next six months, while the vast majority of firms (75%) believe that “normal” financial market conditions will only resume beyond six months.
- Opportunity costs of regulatory compliance**

Financial services firms see a moderate risk that the costs of regulatory compliance could divert funding from a variety of possible investment projects over the next two years. By sector, general insurers were the most optimistic about protecting investment projects, while life insurers saw significant risks to investment. Priorities also varied, with general insurers and banks the least concerned that compliance costs could jeopardise new product development.
- Actions to increase diversity in senior roles**

Firms have undertaken, or plan to take, a variety of actions to increase diversity in senior roles. More than two-thirds already have formal succession plans and leadership programmes in place. A majority of firms have given thought to developing frameworks for assessing development and communicating progress. But it is also clear that firms approach diversity issues in different ways: while many firms see a role for executive oversight of diversity or target setting, for example, similar numbers do not.
- Combatting the threat of cyber-crime**

Financial services firms are alert to the threat of cyber-crime, with the overwhelming majority of firms planning to invest in preventative technology, and to test their defence and response mechanisms over the year ahead. However, the survey suggests that some firms may be relying too much on technology, with over a quarter saying they had no plans to invest in cyber security training and awareness programmes for their staff.



## SAMPLE SIZES AND WEIGHTS

Survey 110, March 2017	Number of respondents	Sample weight
Banking	14	0.40
Building societies	9	0.05
Finance Houses	12	0.05
Life insurance	5	0.11
General insurance	13	0.16
Insurance brokers	15	0.05
Securities trading; stockbroking*	1	0.08
Investment management	15	0.05
Private equity (ex venture capital)	4	0.00
Other financial institutions	10	0.05
Total	98	1.00

\* Due to the small sample size, the results tables have been omitted this quarter.

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CBI	PwC
Business Survey Unit	7 More London Riverside
Cannon Place	London SE1 2RT
78 Cannon Street	
London EC4N 6HN	

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Financial service activities: *SIC 64.19/1, 64.19/2, 64.2, 64.3 64.91,*

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The CBI economics and survey teams take advantage of the CBI's diverse contacts with British business to build up an accurate assessment of the latest developments in the UK and international economy. Widely acknowledged for their professional standards, the teams' work is vital since Government statistics, where available, are often slow to be published and are subject to revision. Apart from the quarterly International Economic Outlook and UK Economic Outlook, the teams publish the unique CBI business surveys outlined below. All results are carefully scrutinised and discussed by business people and economists before publication.

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CBI Industrial Trends Survey Full Results Book	(4 issues)	£285	£75	£495	£130
CBI Industrial Trends Survey (monthly & quarterly combined) Full Results Book	(12 issues)	£435	£45	£695	£65
CBI Industrial Trends Survey	(4 issues)	£235	£60	£395	£100
CBI/PricewaterhouseCoopers Financial Services Survey	(4 issues)	£210	£60	£360	£95
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## CBI CONTACT DETAILS

CBI Principal Economist: Ben Jones — [ben.jones@cbi.org.uk](mailto:ben.jones@cbi.org.uk). To subscribe to any of these publications, please contact: CBI Publication Sales, Cannon Place, 78 Cannon Street, London EC4N 6HN. DL: +44 (0) 207 395 8270. DF: +44 (0) 207 497 3646. E: [amit.parmar@cbi.org.uk](mailto:amit.parmar@cbi.org.uk)

To participate in our surveys or for further information, please contact: Nicola Grimwood, CBI Survey Management Group, Cannon Place, 78 Cannon Street, London EC4N 6HN. DL: +44 (0) 207 395 8081. DF: +44 (0) 207 836 5856

E: [nicola.grimwood@cbi.org.uk](mailto:nicola.grimwood@cbi.org.uk)



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### PwC Contact Details

For further information about this Survey, please contact Jon Acquarone on (020) 7804 6951 or Katherine Howbrook on (020) 7212 2711. For comment about a particular industry or issue, please contact one of the following people on (020) 7583 5000.

UK Financial Services: Andrew Kail

Banking: Simon Hunt

Building Societies: Nick Elliott

Insurance: Jonathan Howe

Investment Management: Mark Pugh

Financial Regulation: George Stylianides

## The CBI/PwC Financial Services Survey

The CBI and PwC are pleased to present this report of the results of the March 2017 quarterly survey of the health, perceptions and plans of the financial services industry.

This survey was launched in December 1989 and draws on the CBI's considerable expertise in survey analysis. It is one of the CBI's regular business trends surveys, standing together with the long established Industrial Trends Survey, the more recent Distributive Trades Survey and the survey of Consumer, Business and Professional Services launched in 1998.

The survey covers a broad range of financial services activities, including banks, finance houses, securities traders, fund managers and the insurance industry. It offers a unique and up-to-date insight into the recent trends and future prospects for these industries.

Modelled on the CBI's Industrial Trends Survey, the Survey is based on a qualitative rather than quantitative approach. Firms are asked a number of questions, covering: the trend for the past three months in the value and volume of business, charges, costs, profits, employment and training; the expected trend in these indicators over the next three months; factors likely to limit the ability to expand business over the year ahead; whether firms have become more or less optimistic about the situation in their sector; whether they regard the level of business as above or below 'normal'; investment intentions over the coming year; the reasons for such planned expenditure; and the likely constraints on it.

The Survey responses are weighted according to the size of the company and the importance of its activity within the industry. Responses are treated in absolute confidence, with replies being made anonymously where desired.

The survey results are reported in a similar way to other CBI Surveys and often use the 'balance' statistic – the difference between the percentage of respondents replying 'more', 'above normal' or 'up' minus the percentage replying 'less', 'below normal', or 'down'. The 'balance' provides a simplified method of interpreting the results and over a period of time the trend in the balance gives a good indication of the trend in the economic indicator.

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