

## ACTIVITY AND HIRING GROWING, BUT FIRMS STILL CAUTIOUS

*Sentiment in financial services continued to deteriorate in the quarter to March, despite rising business volumes and a further improvement in profitability. Growth in overall business volumes accelerated, and although total and average costs also picked up, stronger volumes growth allowed profitability to improve at a healthy pace. Despite the uncertainty facing the sector, employment across financial services rose in the quarter to March, having stalled in the previous two quarters. Looking ahead, against a backdrop of steady growth in business volumes, firms plan to pick up the pace of hiring in the three months to June. By contrast, investment intentions for the year ahead cooled a little over the three months to March, continuing the previous quarter's trend. Spending on marketing and IT is expected to grow, but at a slower pace, while firms expect to cut back in other areas of capital spending, notably land and buildings.*

### Activity holding up, but sentiment still deteriorates

Optimism in the financial services sector fell at the start of 2018, continuing a trend that has seen sentiment deteriorate in eight out of the last nine quarters. Sentiment in banking fell further, in line with recent quarters, while the mood among investment managers also deteriorated, for the first time in over a year. Sentiment was broadly unchanged in most other sectors.

Although financial services firms see storm clouds on the horizon, business conditions remain generally favourable. The level of business is seen as slightly above "normal" and firms reported that volumes continued to expand in the three months to March, with the pace of growth picking up from the previous quarter. However, there was some variation across the sector. Solid growth in business volumes was reported in insurance and banking, whereas finance houses reported a sharp drop in volumes for the first time in a year. Volumes were roughly unchanged for building societies, in line with a generally weaker performance over the previous year, while growth also unexpectedly stalled in investment management after two years of uninterrupted expansion. Looking ahead, overall business volumes are expected to expand at a steady pace over the coming three months, with solid growth anticipated for the majority of sub-sectors (though not insurance).

### Costs pressures building, new entrants a threat

Financial services firms reported a slight rise in incomes in the quarter to March. Total and average operating costs increased, the latter at the fastest pace since 2014. But with volumes increasing briskly, profitability also improved at a healthy pace, with a further rise expected.

Against this backdrop, employment across financial services rose in the quarter to March, having stalled in the previous two quarters, with firms planning to increase headcount further in the quarter to June. By contrast, investment intentions have softened. The main brake on investment spending remains uncertainty about business prospects and demand. Similarly, two thirds of firms saw the level of demand as a brake

on business expansion. Competition also remains a key constraint on business expansion. While competition primarily comes from within the same sector, seven out of ten firms also see a threat from new entrants, which was a joint survey record.

Sponsored by:



## CONTENTS

### PAGE 2 SUPPLEMENTARY QUESTIONS

On financial market conditions; impact of compliance on productivity; investment in RegTech; and the talent challenges facing financial services.

### PAGE 6 BANKS

Optimism fell further, but business volumes picked up and are expected to rise further next quarter.

### PAGE 9 BUILDING SOCIETIES

Sentiment stabilised after previous falls. Business volumes were flat, but are set to rise next quarter.

### PAGE 11 FINANCE HOUSES

Sentiment was unchanged. Business volumes fell unexpectedly, but are expected to recover.

### PAGE 14 INSURANCE

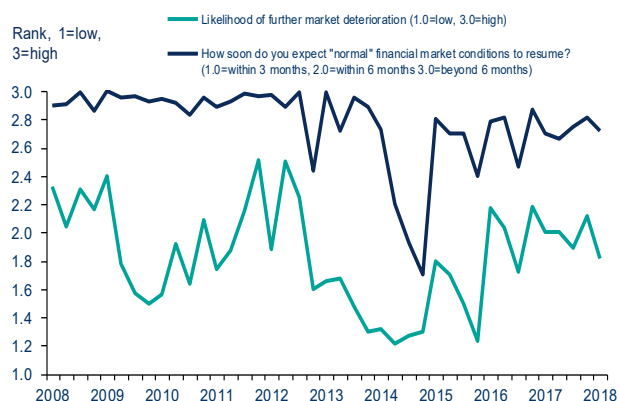
Business volumes grew at steady pace but growth is expected to stall next quarter.

### PAGE 17 INVESTMENT MANAGEMENT

Optimism fell for the first time since 2016. Business volumes were flat, with a modest pick-up is expected.

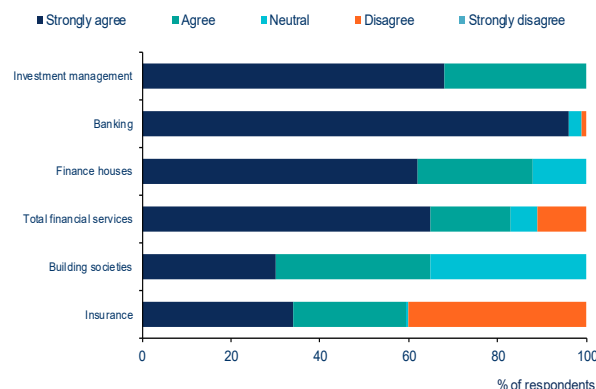
## SUPPLEMENTARY QUESTIONS

### Perceptions of financial market conditions



Concerns over a deterioration in financial market conditions remained elevated at the start of 2018, though they have diminished somewhat since late 2016. Around two-thirds (63%) of financial services firms still assigned a medium likelihood to a worsening in financial market conditions over the next six months, although the share assigning a high likelihood has fallen back to 10%, from 29% in the previous quarter. A large majority of firms (76%) believe that "normal" financial market conditions will only resume beyond six months.

### Compliance activity currently constraining productivity



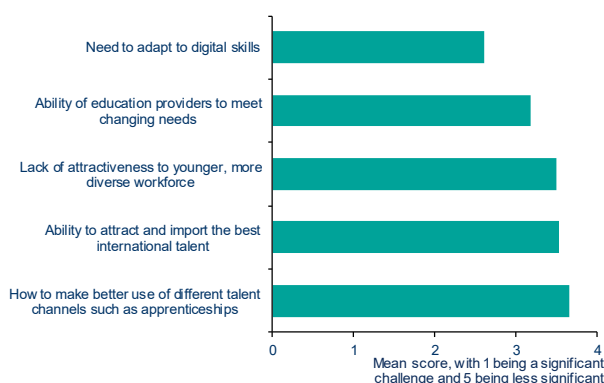
Financial services overwhelmingly see the need to comply with legislation and regulation (including tax rules) as a significant factor currently restraining productivity growth within their firm. Overall, 83% of firms either strongly agreed or agreed with this statement, including every investment management firm and virtually all banks. Only insurers (and specifically general insurers) tended to disagree. The main channel through which compliance activity influences productivity is through raising average costs, but also by diverting investment from commercial projects, and by reducing management focus on business transformation.

### Potential for investment in RegTech over next 3 years



Asked about their investment in RegTech over the next three years, financial services firms see the greatest potential coming from compliance and reporting tools. There is also significant interest in risk monitoring tools (for example to combat fraud or operational risks), analytics (for example, to help manage credit, market or liquidity risks), and managerial information and oversight.

### Talent challenges facing UK financial services



Financial services firms see the need for the workforce to acquire new digital skills as the main talent challenge to be overcome if the UK is to maintain its position as a leading global financial services centre. There are clear concerns over the ability of education providers to meet the changing needs of the sector. Opinion is more diverse with respect to other challenges, with finance houses and investment managers seeing the ability to attract and import the best international talent as the greatest challenge.

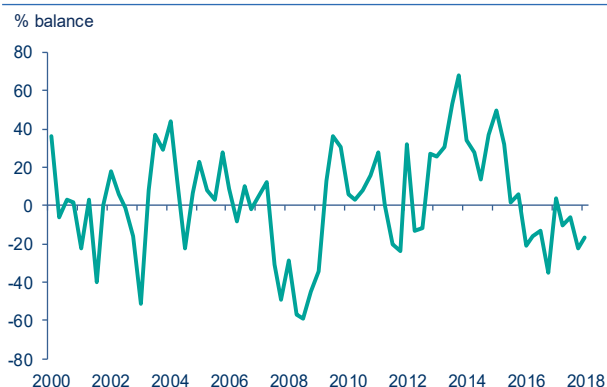
## OVERALL FINANCIAL SERVICES

Survey number 114, March 2018

Conducted between 14th February and 9th March 2018

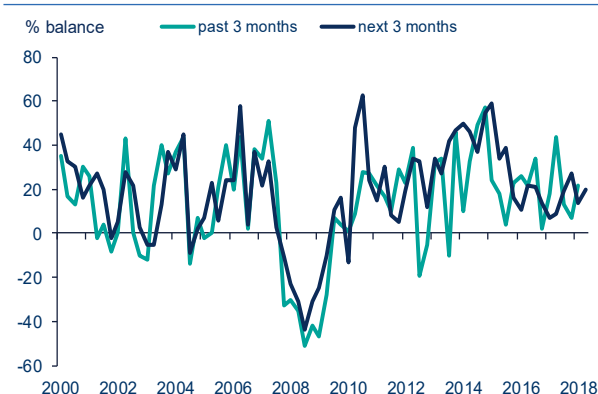
\* All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding

### Q1 Optimism vs three months earlier



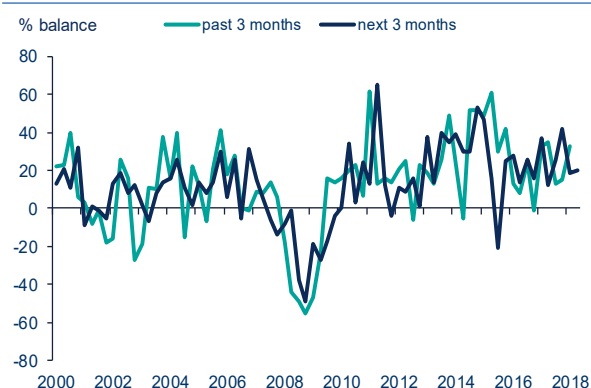
	Q1
Latest	-17
Previous	-22
Mean	+4

### Q3a Trend in volume of business



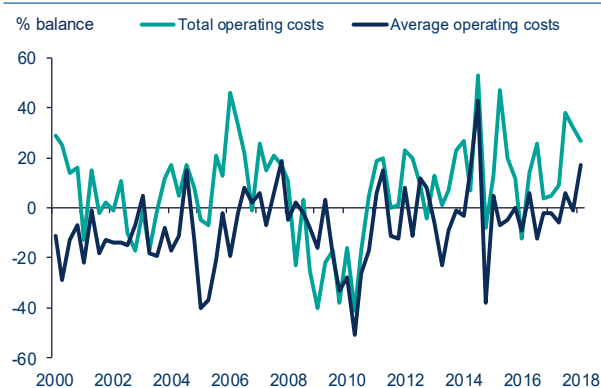
	Q3a: Past	Q3a: Next
Latest	+22	+20
Previous	+7	+14
Mean	+14	+20

### Q5g Trend in overall profitability



	Q5g: Past	Q5g: Next
Latest	+33	+20
Previous	+15	+19
Mean	+14	+14

### Q5c&d Total & average costs (past three months)



	Q5c: Past	Q5d: Past
Latest	+27	+17
Previous	+32	-1
Mean	+8	-10

#### Value and volume of business

	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+4	-10	-6	-22	-17
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	0	+6	+4	+5	+5
b) Your present level of business with overseas customers (above/below normal) is:	-15	-16	-4	-6	+6
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+18	+44	+13	+7	+22
- next 3 months	+9	+19	+27	+14	+20
b) Value** of fee, commission or premium income					
- past 3 months	+17	+39	0	+7	+3
- next 3 months	+6	+9	+9	+17	+6
c) Value** of net interest, investment or trading income					
- past 3 months	+6	+17	+14	+10	+5
- next 3 months	+8	+2	+8	+18	+2

\*\* in sterling

			2017 Mar	Jun	Sep	Dec	2018 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	+25	+38	+18	+21	+13
		- next 3 months	+29	+22	+13	+20	+17
b)	Financial institutions	- past 3 months	-3	+3	+21	+6	+3
		- next 3 months	+2	0	+21	+8	-1
c)	Private individuals	- past 3 months	+12	+26	-2	-16	+19
		- next 3 months	+27	+26	+8	-13	+23
d)	Overseas customers (UK-based operations)	- past 3 months	+10	-13	+5	-19	+8
		- next 3 months	+10	0	0	-15	+3
<b>Charges, costs and profitability</b>							
<b>5 Excluding seasonal variations, what are the trends for:</b>							
a)	Average spreads	- past 3 months	-11	-20	-30	-29	+6
		- next 3 months	-10	-5	-13	-23	+11
b)	Average commissions/fees/ premiums paid	- past 3 months	+4	-13	0	-6	0
		- next 3 months	+8	-4	+15	-4	+5
c)	Total operating costs (excluding cost of funds)	- past 3 months	+5	+9	+38	+32	+27
		- next 3 months	+8	+14	+19	+50	+32
d)	Average operating costs per transaction	- past 3 months	-2	-6	+6	-1	+17
		- next 3 months	-10	+4	-1	+21	+12
e)	Value of non-performing loans	- past 3 months	-16	-18	-17	+3	-5
		- next 3 months	-6	-15	-2	+1	-2
	of which:						
	Retail	- past 3 months	-14	-18	-15	+1	-4
		- next 3 months	-6	-15	-2	+1	-1
	Corporate	- past 3 months	-7	-17	-3	-2	-7
		- next 3 months	+4	-13	-1	-4	-1
g)	Overall profitability of business	- past 3 months	+33	+35	+13	+15	+33
		- next 3 months	+12	+26	+42	+19	+20
<b>Employment and training</b>							
<b>6 Excluding seasonal variations, what are the trends in:</b>							
a)	Numbers employed	- past 3 months	+11	+29	-1	-5	+9
		- next 3 months	+25	+25	+11	0	+24
b)	Training expenditure	- past 3 months	+27	+32	+24	+42	+39
		- next 3 months	+30	+37	+25	+29	+51
c)	Staff costs as a proportion of total costs	- past 3 months	+8	-10	+13	-5	+24
		- next 3 months	+2	+3	-6	-18	+8
<b>6.1 What has been the trend with regard to your staff turnover:</b>							
		- past 3 months	+26	+21	+8	+12	+13
		- next 3 months	+13	+14	+25	+3	+11
<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>							
			+11	+3	+31	+40	+31
<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		-4	-28	+8	-50	-28
b)	Vehicles, plant & machinery		-11	-16	-1	-28	-17
c)	Information technology		+46	+61	+68	+61	+37
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>							
	To provide new services		55	55	65	40	50
	To increase efficiency/speed		73	80	80	80	56
	To reach new customers		41	43	41	30	43
	For replacement		40	58	38	45	37
	To expand capacity		61	59	46	61	25
	Statutory legislation and regulation		68	61	70	36	52
	Other		1	5	2	1	2
<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		52	49	56	71	48
	Shortage of finance		27	7	13	7	9
	Cost of finance		17	2	10	3	9
	Uncertainty about demand/business prospects		49	49	58	45	51
	Shortage of labour including managerial & supervisor staff		37	43	30	30	25
	Other		14	5	5	5	15

Business prospects						
		2017				2018
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	67	62	52	75	64
	- Overseas	11	27	22	10	7
Staff turnover	- Total	5	6	6	4	3
	- Overseas	1	1	1	1	1
Availability of professional staff	- Total	29	26	41	23	27
	- Overseas	6	7	29	11	16
Availability of clerical staff	- Total	9	4	6	5	6
	- Overseas	2	0	0	2	1
Adequacy of systems capacity	- Total	36	39	36	13	32
	- Overseas	1	27	22	2	2
Ability to raise funds	- Total	9	22	13	2	2
	- Overseas	1	1	1	1	2
of which:						
Ability to raise capital	- Total	9	20	12	8	3
	- Overseas	1	1	1	3	3
Availability of wholesale funds	- Total	3	3	7	2	4
	- Overseas	1	0	1	2	3
Competition	- Total	56	46	59	59	60
	- Overseas	15	16	34	13	19
Statutory legislation and regulation	- Total	68	46	70	72	43
	- Overseas	7	9	38	10	14
Other	- Total	4	2	1	3	14
	- Overseas	0	1	0	1	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+53	+60	+89	+41	+65
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		95	98	98	96	94
Other sectors of financial services		39	54	39	34	50
Companies currently positioned outside of financial services		37	34	11	18	29
New entrants		50	49	53	47	71
Other		5	0	0	2	0
Growth						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		27	43	63	46	25
Cross sales to existing customers		56	62	55	37	46
Acquisition of domestic customers		69	69	66	60	85
Acquisition of international customers		16	14	25	16	22
New products		53	40	31	32	37
No growth expected		5	3	2	10	5
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?						
Organic growth activities:						
Acquiring new customers		+50	+59	+49	+65	+55
Cross-selling to existing customers		+34	+52	+35	+48	+46
Retaining existing customers		+48	+58	+45	+38	+51
Launching new products/services		+50	+55	+47	+13	+24
Inorganic growth activities:						
Engaging in M&A transactions		+12	+15	+15	+5	-12
Forming strategic partnerships/alliances		+21	+26	+10	+33	+40
Market focus for growth:						
Increasing market share in domestic markets		+54	+41	+54	+55	+50
Increasing market share in international markets		+7	0	+32	+8	+1
Investment in enablers to growth:						
Brand and advertising		+20	+14	+37	+14	+30
Sales force and distribution channels		+33	+41	+49	+43	+24
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+39	+26	+22	+23	+22
Performance measurement processes/tools		+24	+18	+11	+8	+17
IT systems and applications		+55	+76	+60	+45	+80

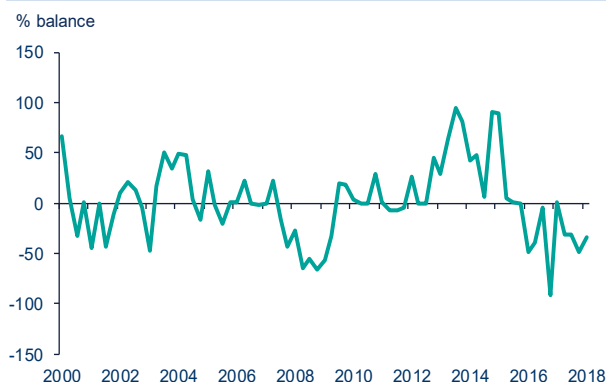
## BANKING

Survey number 114, March 2018

Conducted between 14th February and 9th March 2018

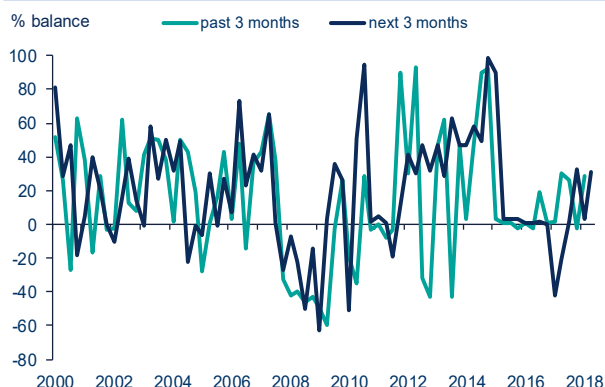
\* All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding

## Q1 Optimism vs three months earlier



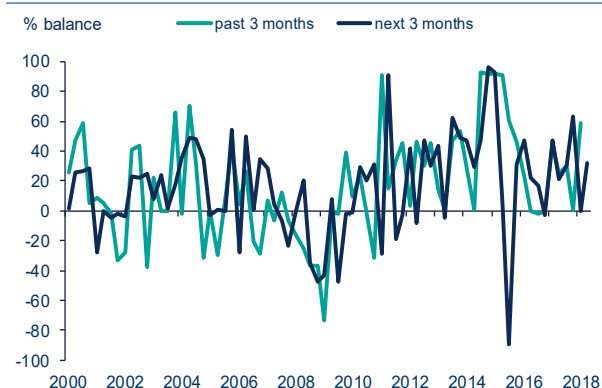
	Q1
Latest	-34
Previous	-48
Mean	+3

## Q3a Trend in volume of business



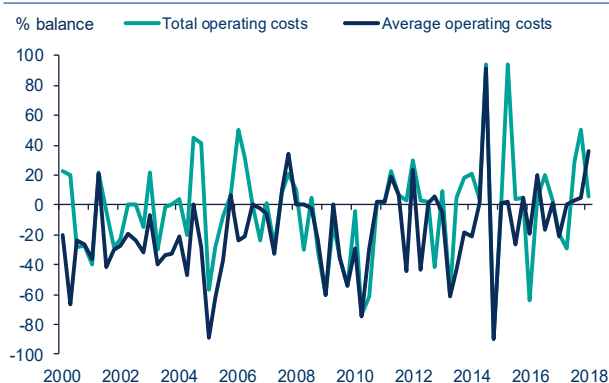
	Q3a: Past	Q3a: Next
Latest	+29	+31
Previous	-2	+3
Mean	+15	+21

## Q5g Trend in overall profitability



	Q5g: Past	Q5g: Next
Latest	+59	+32
Previous	+1	0
Mean	+19	+19

## Q5c&amp;d Total &amp; average costs (past three months)



	Q5c: Past	Q5d: Past
Latest	+6	+36
Previous	+50	+5
Mean	-3	-17

## Value and volume of business

	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+1	-31	-31	-48	-34
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+1	-30	+2	-2	0
b) Your present level of business with overseas customers (above/below normal)	-25	-31	+2	-1	-1
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+2	+30	+26	-2	+29
- next 3 months	-21	+2	+33	+3	+31
b) Value** of fee, commission or premium income					
- past 3 months	+1	+31	-3	-2	-2
- next 3 months	+3	0	+32	+2	-2
c) Value** of net interest, investment or trading income					
- past 3 months	+24	+29	+29	-4	-7
- next 3 months	+22	+2	+31	-1	-4

\*\* in sterling

		2017 Mar	Jun	Sep	Dec	2018 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	+44	+60	+30	+45	+31
	- next 3 months	+45	+30	+30	+45	+31
b) Financial institutions	- past 3 months	-24	-2	+30	-2	-2
	- next 3 months	-24	-1	+30	+1	0
c) Private individuals	- past 3 months	+1	+1	-1	-45	+31
	- next 3 months	+46	+31	+1	-44	+33
d) Overseas customers (UK-based operations)	- past 3 months	-1	-30	-3	-47	-2
	- next 3 months	-1	+1	-1	-46	-1
<b>Charges, costs and profitability</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	-23	-34	-61	-50	+27
	- next 3 months	-23	-4	-31	-48	+27
b) Average commissions/fees/ premiums paid	- past 3 months	+24	-30	-3	-3	-5
	- next 3 months	+21	-1	+31	-1	-3
c) Total operating costs (excluding cost of funds)	- past 3 months	-19	-29	+29	+50	+6
	- next 3 months	-17	-27	-26	+96	+35
d) Average operating costs per transaction	- past 3 months	-21	0	+3	+5	+36
	- next 3 months	-19	-1	+33	+50	+34
e) Value of non-performing loans	- past 3 months	-23	-30	-28	+1	+1
	- next 3 months	-22	-30	-1	+1	0
of which:						
Retail	- past 3 months	-23	-30	-28	+1	-1
	- next 3 months	-23	-30	-1	0	+1
Corporate	- past 3 months	+1	-30	0	0	+1
	- next 3 months	+1	-30	0	+1	0
g) Overall profitability of business	- past 3 months	+45	+25	+30	+1	+59
	- next 3 months	+21	+30	+63	0	+32
<b>Employment and training</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+26	+2	+1	0	+3
	- next 3 months	+25	+2	-1	+3	+35
b) Training expenditure	- past 3 months	+48	+30	+33	+95	+64
	- next 3 months	+49	+33	+33	+50	+66
c) Staff costs as a proportion of total costs	- past 3 months	+23	-28	+2	+2	+31
	- next 3 months	+25	-27	+4	-41	+32
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+47	+1	+32	+2	+1
	- next 3 months	+46	+1	+61	+2	0
<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>						
		+1	-34	+28	+47	-1
<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		-21	-62	+1	-92	-63
b) Vehicles, plant & machinery		-23	-31	+1	-47	-33
c) Information technology		+72	+62	+65	+97	+1
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services		70	62	62	3	33
To increase efficiency/speed		70	96	97	95	36
To reach new customers		24	31	31	3	31
For replacement		28	67	37	51	5
To expand capacity		69	61	30	93	4
Statutory legislation and regulation		75	97	97	7	69
Other		0	1	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		25	64	64	97	36
Shortage of finance		24	2	2	2	1
Cost of finance		23	0	1	3	3
Uncertainty about demand/business prospects		50	65	68	51	36
Shortage of labour including managerial & supervisor staff		26	34	4	4	4
Other		24	1	1	1	30



Business prospects		2017 Mar	Jun	Sep	Dec	2018 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	50	65	66	98	66
	- Overseas	5	32	36	5	2
Staff turnover	- Total	0	1	1	1	1
	- Overseas	0	0	1	1	1
Availability of professional staff	- Total	24	0	30	1	3
	- Overseas	1	0	30	1	2
Availability of clerical staff	- Total	0	0	0	0	1
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	47	61	33	3	34
	- Overseas	1	61	32	3	3
Ability to raise funds	- Total	4	35	2	1	1
	- Overseas	0	2	1	0	1
of which:						
Ability to raise capital	- Total	2	35	1	4	2
	- Overseas	0	2	1	2	2
Availability of wholesale funds	- Total	1	1	2	1	6
	- Overseas	0	0	1	1	4
Competition	- Total	24	34	34	48	38
	- Overseas	1	2	3	2	4
Statutory legislation and regulation	- Total	74	68	99	98	39
	- Overseas	5	4	67	3	5
Other	- Total	1	1	1	1	30
	- Overseas	1	1	1	1	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+71	+67	+95	+6	+35
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		98	100	99	99	99
Other sectors of financial services		3	63	3	3	36
Companies currently positioned outside of financial services		25	62	1	2	33
New entrants		27	64	63	46	93
Other		0	0	1	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		25	63	94	50	5
Cross sales to existing customers		48	63	64	5	35
Acquisition of domestic customers		50	67	37	52	98
Acquisition of international customers		2	3	4	5	5
New products		70	31	1	1	2
No growth expected		2	1	2	1	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		+75	+64	+35	+97	+66
Cross-selling to existing customers		+47	+63	+32	+48	+62
Retaining existing customers		+48	+65	+62	+48	+65
Launching new products/services		+90	+59	+58	-4	-3
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		+45	+30	+30	0	-31
Forming strategic partnerships/alliances		+23	+30	0	+46	+63
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+48	+31	+64	+92	+65
Increasing market share in international markets		+1	-28	+30	+2	-28
<b>Investment in enablers to growth</b>						
Brand and advertising		+1	-26	+1	0	+4
Sales force and distribution channels		+26	+29	+30	+46	+4
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+47	+32	0	+3	+3
Performance measurement processes/tools		+46	+31	+1	+1	+4
IT systems and applications		+70	+94	+63	+50	+96



## BUILDING SOCIETIES

Survey number 114, March 2018

Conducted between 14th February and 9th March 2018

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

Value and volume of business					
	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+39	-3	-32	-50	+1
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+39	+12	-16	+5	-36
b) Your present level of business with overseas customers (above/below normal)	0	0	0	0	0
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+77	-3	-31	+50	-3
- next 3 months	+2	-18	-15	-3	+37
b) Value** of fee, commission or premium income					
- past 3 months	-2	+30	-32	-16	-34
- next 3 months	-23	+16	-15	-3	+6
c) Value** of net interest, investment or trading income					
- past 3 months	-18	-16	-15	-45	+1
- next 3 months	-18	-32	-2	-23	+1
** 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	-2	-2	0	0	-1
- next 3 months	-2	-2	0	0	-1
b) Financial institutions					
- past 3 months	0	-2	0	0	0
- next 3 months	0	-2	0	0	0
c) Private individuals					
- past 3 months	+59	+16	-16	+50	-3
- next 3 months	+5	-16	-17	-3	+37
d) Overseas customers (UK-based operations)					
- past 3 months	0	0	+2	0	0
- next 3 months	0	0	-2	0	+1
Charges, costs and profitability					
<b>5 Excluding seasonal variations, what are the trends for:</b>					
a) Average spreads					
- past 3 months	-33	-46	-60	-48	-65
- next 3 months	-17	-16	-19	-30	-5
b) Average commissions/fees/ premiums paid					
- past 3 months	-16	0	-15	+2	-29
- next 3 months	+2	+16	+2	+2	+1
c) Total operating costs (excluding cost of funds)					
- past 3 months	+59	+21	+34	+9	+37
- next 3 months	+41	+19	+35	+4	+1
d) Average operating costs per transaction					
- past 3 months	-14	+5	+37	+4	+32
- next 3 months	-16	+3	+20	+4	+1
e) Value of non-performing loans					
- past 3 months	-79	-67	-93	-45	-95
- next 3 months	-22	-47	-28	0	-32
of which:					
Retail					
- past 3 months	-79	-82	-80	-50	-64
- next 3 months	-22	-49	-33	0	-32
Corporate					
- past 3 months	-75	-47	-61	-63	-92
- next 3 months	-18	-16	-13	-45	-31
g) Overall profitability of business					
- past 3 months	+21	+16	-45	-23	-3
- next 3 months	+5	0	-12	-25	+1
Employment and training					
<b>6 Excluding seasonal variations, what are the trends in:</b>					
a) Numbers employed					
- past 3 months	+59	-29	-9	-48	+1
- next 3 months	+37	+1	-13	+4	+34
b) Training expenditure					
- past 3 months	+41	+19	+19	+6	+34
- next 3 months	+39	+17	+24	+6	+34
c) Staff costs as a proportion of total costs					
- past 3 months	+43	+3	-13	+6	+32
- next 3 months	+37	+17	-13	+9	+32
<b>6.1 What has been the trend with regard to your staff turnover:</b>					
- past 3 months	-37	+1	-13	+50	-29
- next 3 months	-18	0	+15	-19	-32

Marketing expenditure						
	2017 Mar	Jun	Sep	Dec	2018 Mar	
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	+57	+2	+2	+30	+34	
Capital expenditure						
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:						
a) Land and buildings	+71	-30	-43	+21	+34	
b) Vehicles, plant & machinery	+36	-32	-15	-7	+29	
c) Information technology	+64	+16	+9	+5	+3	
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services	64	35	35	48	39	
To increase efficiency/speed	62	65	80	100	99	
To reach new customers	43	53	35	70	63	
For replacement	77	79	68	45	62	
To expand capacity	75	65	65	45	92	
Statutory legislation and regulation	77	67	93	70	94	
Other	18	18	19	27	32	
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment	43	49	48	48	37	
Shortage of finance	2	0	0	0	0	
Cost of finance	2	0	0	0	3	
Uncertainty about demand/business prospects	43	35	50	52	68	
Shortage of labour including managerial & supervisor staff	59	63	50	45	62	
Other	18	16	30	45	30	
Business prospects						
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	79	68	83	77	100
	- Overseas	0	0	0	0	1
Staff turnover	- Total	2	0	0	0	0
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	2	0	2	0	0
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	23	18	18	23	33
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	0	0	32	0	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	2	0	30	0	0
	- Overseas	0	0	0	0	1
Availability of wholesale funds	- Total	0	0	17	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	98	98	100	100	99
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	78	67	65	75	99
	- Overseas	0	0	0	0	0
Other	- Total	18	16	15	23	30
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+41	+49	+70	+30	+32	
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services	82	84	100	77	99	
Other sectors of financial services	59	53	50	55	68	
Companies currently positioned outside of financial services	38	33	45	48	67	
New entrants	64	100	52	77	63	
Other	0	0	0	0	0	

Growth					
	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>13 Where do you think your growth will come from over the next 3 months?</b>					
Cross sales to new customers	5	33	33	23	0
Cross sales to existing customers	41	33	35	23	30
Acquisition of domestic customers	95	81	100	70	68
Acquisition of international customers	0	0	0	0	0
New products	43	33	35	52	67
No growth expected	0	2	0	2	32
<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	+43	+35	+50	+30	+8
Cross-selling to existing customers	+19	+33	+30	+18	0
Retaining existing customers	+61	+33	+35	+25	+68
Launching new products/services	+27	+2	+35	+7	+34
<b>Inorganic growth activities</b>					
Engaging in M&A transactions	-18	-32	-15	+23	0
Forming strategic partnerships/alliances	0	+16	+17	+23	+26
<b>Market focus for growth</b>					
Increasing market share in domestic markets	+59	+33	+37	+25	+34
Increasing market share in international markets	0	0	0	0	0
<b>Investment in enablers to growth</b>					
Brand and advertising	+39	+18	+20	+70	+64
Sales force and distribution channels	+64	+35	+55	+55	+34
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+59	+32	+50	+48	+64
Performance measurement processes/tools	+21	+2	+20	+25	+34
IT systems and applications	+45	+37	+52	+52	+64

## FINANCE HOUSES

Survey number 114, March 2018

Conducted between 14th February and 9th March 2018

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

Value and volume of business					
	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	-45	+20	+57	+55	-3
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+54	+19	+56	+63	+51
b) Your present level of business with overseas customers (above/below normal)	-49	-33	-50	-57	+50
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business	-3	+14	+19	+21	-45
- past 3 months					
- next 3 months	+58	+35	+26	+20	+22
b) Value** of fee, commission or premium income	+3	-27	-1	+66	-45
- past 3 months					
- next 3 months	+58	+29	+9	+69	+66
c) Value** of net interest, investment or trading income	+7	+2	+2	+11	-9
- past 3 months					
- next 3 months	+7	+27	+9	+11	+17
** 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	0	-12	+15	+63	-4
- past 3 months					
- next 3 months	+59	+42	+55	+6	+13
b) Financial institutions	+5	+6	+6	+8	+5
- past 3 months					
- next 3 months	+8	+6	+9	+5	+8
c) Private individuals	+3	-7	+6	+5	+5
- past 3 months					
- next 3 months	+61	+24	+11	+65	+67
d) Overseas customers (UK-based operations)	+59	-27	+4	-54	+54
- past 3 months					
- next 3 months	+62	-24	0	+54	-54

Charges, costs and profitability							
		2017				2018	
		Mar	Jun	Sep	Dec	Mar	
5 Excluding seasonal variations, what are the trends for:							
a)	Average spreads	- past 3 months	+3	-13	-7	+1	+9
		- next 3 months	-51	+9	+4	+65	+8
b)	Average commissions/fees/ premiums paid	- past 3 months	-1	-9	-5	+8	+8
		- next 3 months	+2	-9	+2	+11	-1
c)	Total operating costs (excluding cost of funds)	- past 3 months	+12	-18	+13	+15	+30
		- next 3 months	-39	0	+65	-38	+25
d)	Average operating costs per transaction	- past 3 months	+64	-27	+11	-38	+29
		- next 3 months	-49	-3	+6	-35	+8
e)	Value of non-performing loans	- past 3 months	-54	-33	-7	+5	-40
		- next 3 months	+44	-3	0	-49	+8
	of which:						
	Retail	- past 3 months	-54	-27	-4	+10	-45
		- next 3 months	+44	-3	0	-44	+12
	Corporate	- past 3 months	-58	-36	0	-5	-45
		- next 3 months	+51	-3	+2	-55	-5
g)	Overall profitability of business	- past 3 months	-56	-28	+8	+14	+50
		- next 3 months	+60	+63	+66	+74	+5
Employment and training							
6 Excluding seasonal variations, what are the trends in:							
a)	Numbers employed	- past 3 months	+20	+45	+16	+24	+17
		- next 3 months	+75	+36	+18	+20	+13
b)	Training expenditure	- past 3 months	+28	+65	+14	+15	+17
		- next 3 months	+78	+35	+14	-35	+65
c)	Staff costs as a proportion of total costs	- past 3 months	+75	+9	+17	-29	+17
		- next 3 months	-46	+22	+13	-33	+4
6.1 What has been the trend with regard to your staff turnover:							
		- past 3 months	+62	+40	-47	+60	-45
		- next 3 months	+62	+27	+57	+63	+61
Marketing expenditure							
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							
			-41	-43	-40	+74	+58
Capital expenditure							
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:							
a)	Land and buildings		+6	+18	0	+9	-4
b)	Vehicles, plant & machinery		0	-15	-4	+1	+8
c)	Information technology		-41	+68	+66	+75	+74
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*							
	To provide new services		71	49	72	85	83
	To increase efficiency/speed		81	87	84	76	95
	To reach new customers		75	78	76	83	79
	For replacement		71	45	78	68	75
	To expand capacity		16	42	9	20	14
	Statutory legislation and regulation		77	36	70	72	83
	Other		0	0	2	0	5
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*							
	Inadequate net return on proposed investment		67	70	79	63	75
	Shortage of finance		13	48	11	9	18
	Cost of finance		8	9	5	3	17
	Uncertainty about demand/business prospects		72	49	76	71	79
	Shortage of labour including managerial & supervisor staff		61	39	61	57	67
	Other		8	0	9	0	5

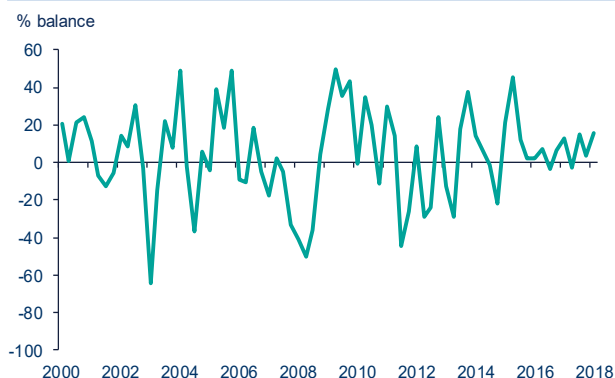
Business prospects		2017 Mar	Jun	Sep	Dec	2018 Mar
<b>11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*</b>						
Level of demand	- Total	90	85	83	83	91
	- Overseas	8	9	5	0	0
Staff turnover	- Total	0	9	9	6	13
	- Overseas	0	6	0	0	0
Availability of professional staff	- Total	54	36	63	57	63
	- Overseas	0	9	0	0	0
Availability of clerical staff	- Total	54	42	58	57	63
	- Overseas	0	9	0	0	0
Adequacy of systems capacity	- Total	61	63	64	65	67
	- Overseas	0	6	0	0	0
Ability to raise funds	- Total	14	51	17	12	14
	- Overseas	0	6	0	0	0
of which:						
Ability to raise capital	- Total	18	23	12	20	22
	- Overseas	0	6	0	0	0
Availability of wholesale funds	- Total	3	45	11	19	21
	- Overseas	0	6	0	0	0
Competition	- Total	79	60	78	79	82
	- Overseas	0	9	2	0	0
Statutory legislation and regulation	- Total	84	73	80	68	79
	- Overseas	3	9	2	0	5
Other	- Total	0	0	5	0	0
	- Overseas	0	0	2	0	0
<b>11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?</b>		+76	+43	+76	+76	+92
<b>12 Where do you see your competition coming from in the next 12 months?</b>						
Your sector of financial services		97	97	88	100	95
Other sectors of financial services		66	54	78	66	76
Companies currently positioned outside of financial services		59	42	74	57	67
New entrants		79	51	87	63	84
Other		0	9	0	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		3	39	7	19	17
Cross sales to existing customers		16	42	22	14	25
Acquisition of domestic customers		79	87	85	85	70
Acquisition of international customers		5	3	2	5	0
New products		69	76	70	72	74
No growth expected		13	3	4	3	8
<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		+87	+54	+76	+77	+83
Cross-selling to existing customers		+20	+2	+19	+22	+29
Retaining existing customers		+92	+42	+70	+70	+79
Launching new products/services		0	+39	+9	+19	+16
<b>Inorganic growth activities</b>						
Engaging in M&A transactions		-7	-14	-3	-6	-8
Forming strategic partnerships/alliances		+67	+39	+53	+67	+61
<b>Market focus for growth</b>						
Increasing market share in domestic markets		+84	+49	+83	+79	+70
Increasing market share in international markets		+1	0	-2	0	0
<b>Investment in enablers to growth</b>						
Brand and advertising		+69	+29	+63	+66	+75
Sales force and distribution channels		+18	+31	+14	+21	+33
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+7	-12	+7	+17	+20
Performance measurement processes/tools		+12	+16	+5	0	+12
IT systems and applications		+77	+68	+65	+79	+74

## INSURANCE

Survey number 114, March 2018. Conducted between 14th February and 9th March 2018

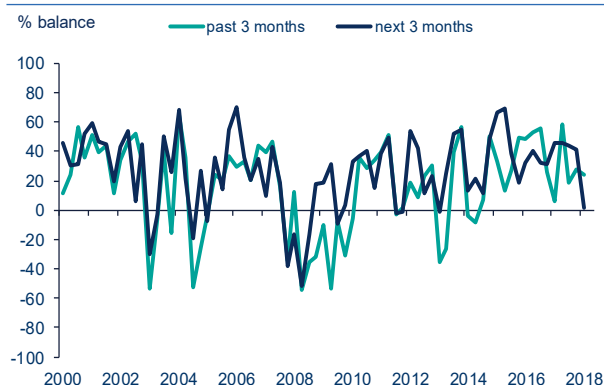
\* All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding  
Due to a lower response rate this quarter, below we present consolidated results from life & general insurance and brokers.

### Q1 Optimism vs three months earlier



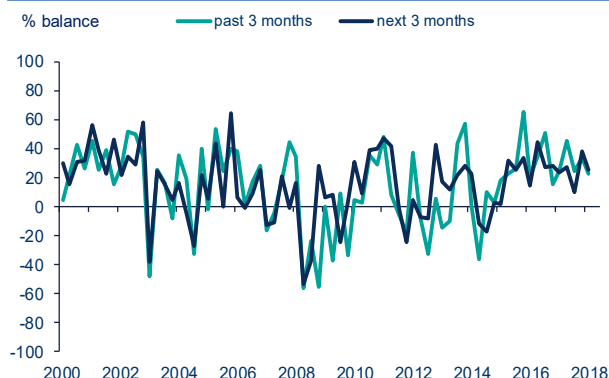
	Q1
Latest	+50
Previous	+47
Mean	+7

### Q3a Trend in volume of business



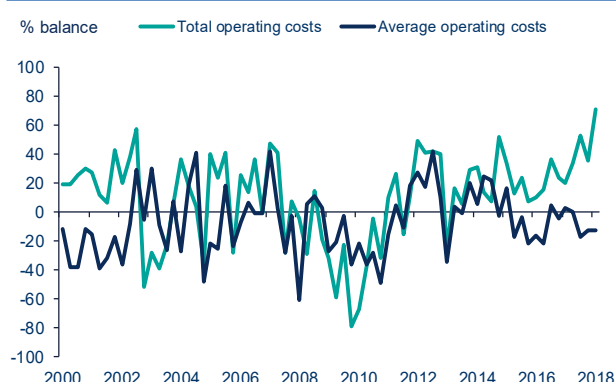
	Q3a: Past	Q3a: Next
Latest	+50	0
Previous	+47	+29
Mean	+17	+31

### Q5g Trend in overall profitability



	Q5g: Past	Q5g: Next
Latest	+50	+50
Previous	+71	+12
Mean	+13	+18

### Q5c&d Total & average costs (past three months)



	Q5c: Past	Q5d: Past
Latest	+50	-50
Previous	+59	-29
Mean	-2	-19

#### Value and volume of business

	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+13	-3	+15	+3	+16
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+7	+27	+17	+21	+18
b) Your present level of business with overseas customers (above/below normal)	0	-4	0	-18	+18
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+6	+58	+19	+28	+24
- next 3 months	+45	+46	+44	+41	+2
b) Value** of fee, commission or premium income					
- past 3 months	+11	+42	+21	+32	+19
- next 3 months	+3	+8	-11	+41	+2
c) Value** of net interest, investment or trading income					
- past 3 months	-10	+19	+16	+24	0
- next 3 months	+9	+3	-15	+48	0
d) Value** of new business					
- past 3 months	~	~	~	~	~
- next 3 months	~	~	~	~	~

\*\* in sterling

		2017 Mar	Jun	Sep	Dec	2018 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	+27	+30	+17	+2	+9
	- next 3 months	+27	+9	-11	+4	+4
b) Financial institutions	- past 3 months	+16	+6	+16	+15	+4
	- next 3 months	+32	-3	+16	+15	+4
c) Private individuals	- past 3 months	-2	+42	+16	+21	+14
	- next 3 months	+16	+29	+18	+11	-1
d) Overseas customers (UK-based operations)	- past 3 months	+23	0	+15	+6	+22
	- next 3 months	+23	0	+1	-4	+21
<b>Charges, costs and profitability</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	-9	-10	+0	-23	-17
	- next 3 months	+1	-10	+0	-29	-17
b) Average commissions/fees/ premiums paid	- past 3 months	-22	+2	+2	-0	+18
	- next 3 months	-14	-9	+3	-5	+25
c) Total operating costs (excluding cost of funds)	- past 3 months	+20	+33	+52	+35	+71
	- next 3 months	+39	+58	+56	+41	+43
d) Average operating costs per transaction	- past 3 months	+2	-0	-18	-13	-13
	- next 3 months	-5	+9	-20	-3	-10
f) Value of surrendered contracts	- past 3 months	~	~	~	~	~
	- next 3 months	~	~	~	~	~
g) Overall profitability of business	- past 3 months	+24	+45	+25	+34	+22
	- next 3 months	+24	+27	+10	+38	+25
<b>Employment and training</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+9	+54	+60	+15	+62
	- next 3 months	+8	+34	+59	+22	+64
b) Training expenditure	- past 3 months	+14	+26	+60	+19	+62
	- next 3 months	+25	+31	+60	+24	+66
c) Staff costs as a proportion of total costs	- past 3 months	-7	+18	+63	+6	+64
	- next 3 months	-22	+8	+21	-10	+27
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+31	+38	+51	+6	+60
	- next 3 months	+13	+13	-12	-14	+19
<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>		+15	+29	+58	+29	+85
<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		+8	+15	+26	-39	-4
b) Vehicles, plant & machinery		-13	-1	-3	-22	-1
c) Information technology		+38	+71	+79	+34	+81
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services		48	67	87	69	90
To increase efficiency/speed		70	60	56	68	56
To reach new customers		68	65	48	41	68
For replacement		46	51	29	41	69
To expand capacity		72	66	74	51	30
Statutory legislation and regulation		53	30	18	27	7
Other		0	11	2	0	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		66	43	58	46	69
Shortage of finance		45	8	25	16	24
Cost of finance		15	2	17	1	20
Uncertainty about demand/business prospects		56	40	53	43	70
Shortage of labour including managerial & supervisor staff		25	40	22	40	40
Other		10	10	0	11	3



Business prospects						
		2017 Mar	Jun	Sep	Dec	2018 Mar
11	What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*					
Level of demand	- Total	70	37	32	52	52
	- Overseas	16	17	19	12	8
Staff turnover	- Total	6	12	5	1	6
	- Overseas	2	1	1	0	3
Availability of professional staff	- Total	39	46	69	43	67
	- Overseas	15	18	50	15	48
Availability of clerical staff	- Total	6	1	3	3	7
	- Overseas	2	0	1	0	3
Adequacy of systems capacity	- Total	32	28	20	25	43
	- Overseas	2	5	1	1	3
Ability to raise funds	- Total	13	11	17	1	1
	- Overseas	1	1	0	0	1
of which:						
Ability to raise capital	- Total	13	10	17	10	2
	- Overseas	1	0	1	0	2
Availability of wholesale funds	- Total	1	0	2	0	2
	- Overseas	1	0	1	0	2
Competition	- Total	80	54	74	71	92
	- Overseas	43	31	66	31	48
Statutory legislation and regulation	- Total	50	21	24	28	32
	- Overseas	11	12	3	6	8
Other	- Total	6	1	0	1	3
	- Overseas	0	0	0	1	0
11.1	What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?					
		+39	+39	+90	+65	+89
12	Where do you see your competition coming from in the next 12 months?					
Your sector of financial services		92	98	99	96	99
Other sectors of financial services		57	55	58	62	66
Companies currently positioned outside of financial services		32	11	7	32	23
New entrants		62	42	47	39	80
Other		10	0	1	1	0
Growth						
13	Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers		37	39	36	46	49
Cross sales to existing customers		59	70	35	68	56
Acquisition of domestic customers		89	68	92	64	90
Acquisition of international customers		46	34	67	33	62
New products		45	60	67	69	90
No growth expected		0	2	3	18	1
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?					
Organic growth activities						
Acquiring new customers		+58	+65	+66	+47	+70
Cross-selling to existing customers		+31	+59	+24	+52	+51
Retaining existing customers		+27	+46	+12	+16	+36
Launching new products/services		+10	+60	+57	+37	+83
Inorganic growth activities						
Engaging in M&A transactions		-16	+12	-5	+13	+10
Forming strategic partnerships/alliances		+31	+11	+11	+22	+31
Market focus for growth						
Increasing market share in domestic markets		+50	+73	+60	+24	+48
Increasing market share in international markets		+28	+28	+55	+13	+40
Investment in enablers to growth						
Brand and advertising		+28	+41	+57	+27	+61
Sales force and distribution channels		+51	+52	+61	+62	+62
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+52	+38	+34	+43	+40
Performance measurement processes/tools		+12	-1	+2	+29	+23
IT systems and applications		+56	+74	+60	+35	+72

## INVESTMENT MANAGEMENT

Survey number 114, March 2018

Conducted between 14th February and 9th March 2018

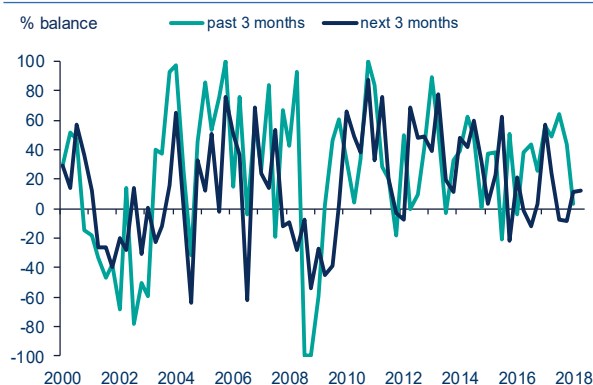
\* All figures are percentage balances of respondents except questions 9-13 where figures are percentages of firms responding

### Q1 Optimism vs three months earlier



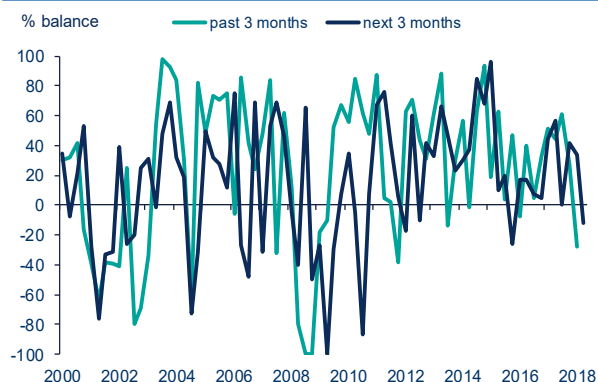
	Q1
Latest	-15
Previous	+11
Mean	+16

### Q3a Trend in volume of business



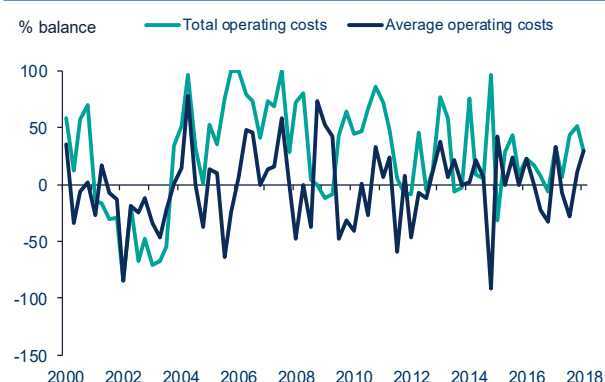
	Q3a: Past	Q3a: Next
Latest	+3	+12
Previous	+44	+11
Mean	+26	+17

### Q5g Trend in overall profitability



	Q5g: Past	Q5g: Next
Latest	-28	-12
Previous	+28	+34
Mean	+22	+15

### Q5c&d Total & average costs (past three months)



	Q5c: Past	Q5d: Past
Latest	+30	+30
Previous	+51	+11
Mean	+25	-3

### Value and volume of business

	2017 Mar	Jun	Sep	Dec	2018 Mar
<b>1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?</b>	+28	+13	+28	+11	-15
<b>2 Excluding seasonal variations, do you consider that in volume terms:</b>					
a) Your present level of business (above/below normal) is:	+40	+43	+51	+28	-12
b) Your present level of business with overseas customers (above/below normal)	-3	+7	+4	0	-12
<b>3 Excluding seasonal variations, what are the trends in:</b>					
a) Volume of business					
- past 3 months	+56	+49	+64	+44	+3
- next 3 months	+24	-7	-8	+11	+12
b) Value** of fee, commission or premium income					
- past 3 months	+40	+44	+45	+39	-40
- next 3 months	+15	+7	-4	+23	+43
c) Value** of net interest, investment or trading income					
- past 3 months	+26	0	-25	+28	+28
- next 3 months	-13	+7	-1	+28	+28

\*\* in sterling

		2017 Mar	Jun	Sep	Dec	2018 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	+25	0	-4	+11	0
	- next 3 months	+28	0	+25	-17	0
b) Financial institutions	- past 3 months	+53	+25	+49	+56	+3
	- next 3 months	+49	+18	+45	+45	-12
c) Private individuals	- past 3 months	+39	+38	+19	0	+12
	- next 3 months	+32	+6	+28	-17	+25
d) Overseas customers (UK-based operations)	- past 3 months	+33	+13	+10	0	+3
	- next 3 months	+33	+13	0	0	-12
<b>Charges, costs and profitability</b>						
<b>5 Excluding seasonal variations, what are the trends for:</b>						
a) Average spreads	- past 3 months	+25	-7	-26	0	0
	- next 3 months	+25	0	0	+39	+30
b) Average commissions/fees/ premiums paid	- past 3 months	+26	-7	+15	-17	-52
	- next 3 months	+36	-25	+22	-22	-12
c) Total operating costs (excluding cost of funds)	- past 3 months	+33	+7	+43	+51	+30
	- next 3 months	+33	+26	+43	+39	+30
d) Average operating costs per transaction	- past 3 months	+33	-7	-28	+11	+30
	- next 3 months	+25	+7	-28	+23	+15
e) Value of non-performing loans	- past 3 months	+28	-7	-3	+11	+15
	- next 3 months	+25	0	0	0	0
of which:						
Retail	- past 3 months	+28	0	0	0	+15
	- next 3 months	+28	0	0	0	0
Corporate	- past 3 months	+28	-7	-3	+11	0
	- next 3 months	+25	0	0	0	0
g) Overall profitability of business	- past 3 months	+51	+44	+61	+28	-28
	- next 3 months	+57	0	+42	+34	-12
<b>Employment and training</b>						
<b>6 Excluding seasonal variations, what are the trends in:</b>						
a) Numbers employed	- past 3 months	+31	+48	+25	+15	+25
	- next 3 months	+31	+26	+21	-8	+33
b) Training expenditure	- past 3 months	+28	+32	+39	+16	+13
	- next 3 months	+18	+5	+32	+16	+13
c) Staff costs as a proportion of total costs	- past 3 months	-11	+21	+18	+35	+18
	- next 3 months	-11	+5	+18	+12	+13
<b>6.1 What has been the trend with regard to your staff turnover:</b>						
	- past 3 months	+10	+47	+21	-4	0
	- next 3 months	-3	+21	-18	+14	-10
<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>						
		+38	+25	+69	+11	+15
<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		+18	-5	+64	+11	+25
b) Vehicles, plant & machinery		+28	+6	+39	0	0
c) Information technology		+54	+75	+86	+44	+40
<b>9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*</b>						
To provide new services		74	67	82	72	45
To increase efficiency/speed		92	100	92	55	72
To reach new customers		61	31	71	49	40
For replacement		60	38	61	28	12
To expand capacity		68	49	71	23	40
Statutory legislation and regulation		75	62	82	83	43
Other		4	7	10	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		75	43	82	66	32
Shortage of finance		35	18	61	11	12
Cost of finance		35	18	58	11	12
Uncertainty about demand/business prospects		61	69	76	39	52
Shortage of labour including managerial & supervisor staff		52	56	65	67	70
Other		0	18	32	0	0

Business prospects						
		2017			2018	
		Mar	Jun	Sep	Dec	Mar
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	82	74	89	61	57
	- Overseas	22	31	17	23	28
Staff turnover	- Total	42	18	51	45	0
	- Overseas	6	0	0	11	0
Availability of professional staff	- Total	39	49	55	34	28
	- Overseas	10	25	4	34	15
Availability of clerical staff	- Total	50	18	23	23	0
	- Overseas	14	0	0	23	0
Adequacy of systems capacity	- Total	42	25	51	11	12
	- Overseas	6	7	0	11	0
Ability to raise funds	- Total	35	18	58	11	0
	- Overseas	14	0	6	11	12
of which:						
Ability to raise capital	- Total	35	18	58	39	0
	- Overseas	6	0	6	23	12
Availability of corporate loans	- Total	35	18	51	11	0
	- Overseas	14	0	0	11	0
Competition	- Total	53	80	86	72	70
	- Overseas	11	26	24	23	30
Statutory legislation and regulation	- Total	79	38	86	84	70
	- Overseas	21	7	18	34	45
Other	- Total	14	7	0	17	0
	- Overseas	0	7	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+81	+87	+68	+89	+88
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		89	93	95	89	100
Other sectors of financial services		64	31	69	11	28
Companies currently positioned outside of financial services		51	43	42	28	40
New entrants		60	49	76	49	32
Other		28	0	0	17	0
Growth						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		63	31	50	38	52
Cross sales to existing customers		80	51	85	77	70
Acquisition of domestic customers		61	49	71	62	70
Acquisition of international customers		15	13	14	23	30
New products		67	56	55	33	37
No growth expected		20	7	4	17	0
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?						
Organic growth activities						
Acquiring new customers		+55	+25	+71	+33	+28
Cross-selling to existing customers		+58	+31	+52	+61	+15
Retaining existing customers		+61	+38	+25	+39	+15
Launching new products/services		+38	+56	+51	+56	+10
Inorganic growth activities						
Engaging in M&A transactions		+11	+5	+29	-23	-12
Forming strategic partnerships/alliances		+15	+18	-13	+5	-3
Market focus for growth						
Increasing market share in domestic markets		+41	+43	+49	+11	+15
Increasing market share in international markets		-27	+25	+7	+23	+12
Investment in enablers to growth						
Brand and advertising		+47	+20	+71	-5	0
Sales force and distribution channels		+38	+56	+42	+28	0
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+27	+7	+27	+23	+30
Performance measurement processes/tools		+5	+25	+20	-28	0
IT systems and applications		+52	+74	+27	+23	+55

## FURTHER INFORMATION

### Economic intelligence

The CBI economic intelligence team takes 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 UK economic outlook and International business outlook, the teams publish the unique CBI business surveys, covering manufacturing, distribution, consumer, business & professional services, financial services and SMEs. All results are carefully scrutinised and discussed by business people and economists before publication.

### Publications and services

TITLE		CBI MEMBERS		NON-MEMBERS	
		Annual issue	Single subscription	Annual issue	Single subscription
<b>Subscription</b>					
CBI biannual international economic outlook	(2 issues)	FREE	FREE		
CBI biannual UK economic outlook	(2 issues)	FREE	FREE		
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
CBI distributive trades survey	(12 issues)	£385	£30	£460	£45
CBI service sector survey	(4 issues)	£210	£60	£360	£95

### Subscriptions and further information

To subscribe to any of these publications, or to receive more detailed data from this survey please contact:

Leanne McKenna  
CBI  
78 Cannon Street  
London EC4N 6HN

T: +44 (0) 113 232 1905  
E: [leanne.mckenna@cbi.org.uk](mailto:leanne.mckenna@cbi.org.uk)

### Participation

If you wish to take part in a survey – or for more information on any CBI surveys – please contact:

Nicola Grimwood  
CBI  
78 Cannon Street  
London EC4N 6HN

T: +44 (0) 207 395 8081  
E: [nicola.grimwood@cbi.org.uk](mailto:nicola.grimwood@cbi.org.uk)

### Sample sizes and weights

	Number of respondents	Sample weight
Survey 113, December 2017		
Banking	12	0.40
Building societies	7	0.05
Finance Houses	13	0.05
Life insurance	4	0.11
General insurance	13	0.16
Insurance brokers	15	0.05
Investment management	8	0.05
Securities trading; stockbroking	5	0.08
Private equity (ex venture capital)	4	0.00
Other financial institutions	11	0.05
Total	92	1.00

### Sectors covered, by Standard Industrial Classification

#### Financial service activities:

SIC 64.19/1, 64.19/2, 64.2, 64.3 64.91, 64.92

#### Insurance, pension funding & other:

SIC 65.11, 65.12, 65.3, 66

#### Insurance, excluding social security

SIC 82



## ADVISING FINANCIAL SERVICES ORGANISATIONS

*PwC LLP is proud to support the financial services industry through our involvement with the CBI/PwC Financial Services Survey. No other survey so comprehensively and immediately identifies the current perceptions held by the industry and its plans for investment, human resources, marketing and other strategic developments.*

*PwC firms provide industry-focused assurance, tax and advisory services to enhance value for their clients. More than 169,000 people in 158 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice. See [www.pwc.com](http://www.pwc.com) for more information.*

## PWC CONTACT DETAILS

*For further information about this Survey, please contact Jon Acquarone on (020) 7804 6951 or David Jetuah on (020) 7212 1812. For comment about a particular industry or issue, please contact one of the following people on (020) 7583 5000.*

<i>UK Financial Services:</i>	<i>Andrew Kail</i>	<i>Insurance:</i>	<i>Jim Bichard</i>
<i>Investment Management:</i>	<i>Elizabeth Stone</i>	<i>Banking:</i>	<i>Isabelle Jenkins</i>
<i>Building Societies:</i>	<i>Nick Elliott</i>	<i>Financial Regulation:</i>	<i>George Stylianides</i>

## THE CBI/PWC FINANCIAL SERVICES SURVEY

*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.*

### Disclaimer

*The CBI, the UK firm of PwC LLP and each contributor to this work disclaim all responsibility and liability (including negligence) for loss occasioned to any person acting or refraining from action as a result of any material in this publication.*



For further information, please contact:

Ben Jones  
Principal Economist, CBI  
T: 44 (0)20 7395 8102  
E: [ben.jones@cbi.org.uk](mailto:ben.jones@cbi.org.uk)

© Copyright CBI 2018  
The content may not be copied, distributed,  
reported or dealt with in whole or in part  
without prior consent of the CBI.

**[www.cbi.org.uk](http://www.cbi.org.uk)**