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PROFITABILITY REMAINS STRONG AS FIRMS FOCUS ON COSTS

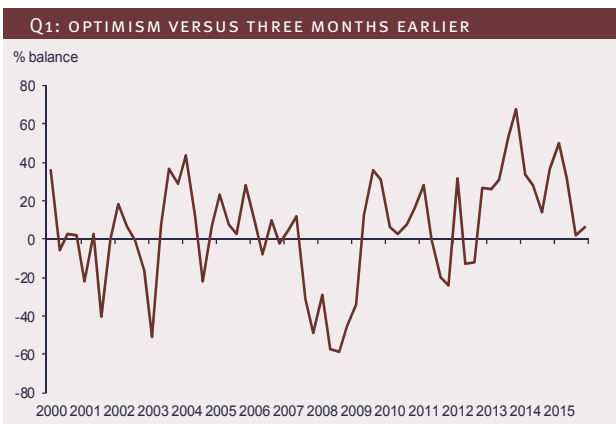
Sentiment within financial services rose only slightly in the quarter to December 2015, in contrast to the more robust increases seen during the first half of last year. Growth in business volumes picked up more strongly than expected, while strong competition continues to bear down on fees & commissions. Despite this, financial services firms reported healthy growth in profitability, underpinned by tight cost control. Looking ahead, weaker business volumes growth, flat income and rising costs are expected to push down on profit growth in the quarter to March. Meanwhile, the employment outlook remains mixed, with declining headcount in banking offsetting jobs growth in other sectors. And while firms continue to plan for higher IT and marketing spending in the year ahead, investment in other areas is set to be cut back.

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|--|----------------|---|
| Banking | <i>page 6</i> | Profitability rose strongly over the past three months, though business volumes have now been stagnant for a full year. Similar growth in profits is expected over the next three months, but volumes are set to stay flat. |
| Building societies & finance houses | <i>page 10</i> | Building societies reported strong growth in business volumes beating expectations of a contraction. Meanwhile, finance houses saw a solid increase in business volumes, with growth set to remain robust over the next quarter. |
| Life insurance | <i>page 16</i> | Business volumes grew over the quarter and at a faster pace than in the previous three months. Volumes are set to grow at a slightly slower pace in the three months to March. |
| General insurance & insurance brokers | <i>page 20</i> | Business volumes rebounded over the three months to December after falling in the previous quarter for the first time since September 2014. Meanwhile, growth in business volumes for insurance brokers picked up at the fastest pace since December 2013, and is set to pick up further next quarter. |
| Securities trading | <i>page 26</i> | Profitability fell again over the quarter to December, driven lower by falling business, declining income and limited pricing power. With the outlook for activity looking weak, profits are set to fall again over the coming quarter. |
| Investment management | <i>page 30</i> | Business volumes rebounded sharply following a fall the previous quarter, while optimism and profitability both improved firmly. Further rises in business volumes are anticipated next quarter. |
| Supplementary questions | <i>page 34</i> | Confidence in financial market conditions improved last quarter. The competitive challenge posed by “fintech” is likely to spur increased investment in firms’ own technology. Over the next year, IT investment will focus on ensuring resilience and upgrading core platforms, as well as regulatory compliance. More than one quarter of firms said that the costs of complying with regulation accounts for more than 10% of operational costs. |

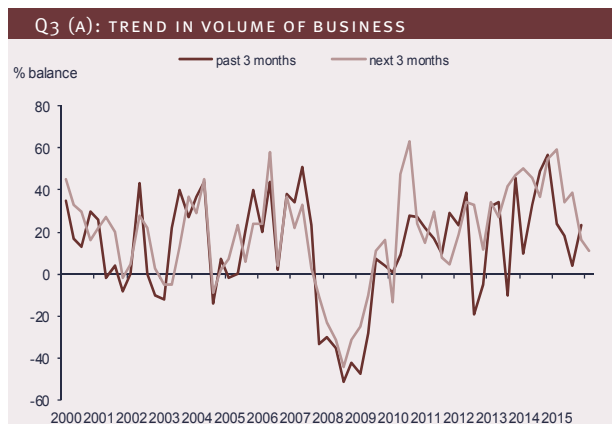


Overall financial services

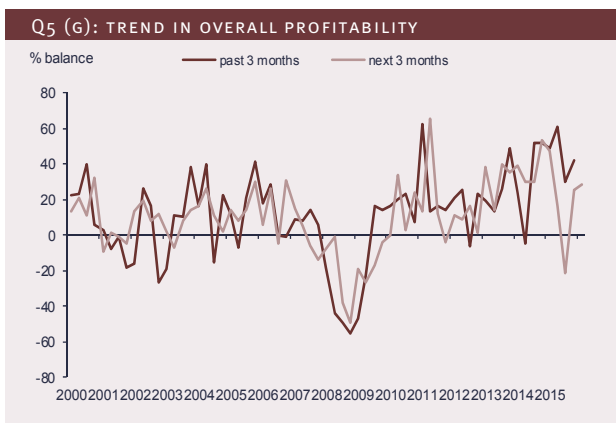
- **Optimism** Optimism about the overall business situation increased slightly in the three months to December, though at a much weaker pace than during the first half of 2015.
- **Business volumes** Firms reported a solid increase in business volumes, with growth picking up from the previous quarter and outpacing expectations. The recovery in growth was evident across all customer groups and was also broad-based across sectors. One notable exception was banking, where volumes were broadly stable for the fourth quarter in a row. Overall, business volumes are expected to increase further in the quarter to March, though at a slightly slower pace than last quarter.
- **Income** Higher business volumes have not fed through to incomes, with overall revenues from fees, commissions & premiums reported as flat last quarter (though trends across sectors were mixed, with several reporting healthy growth). The value of net interest, investment & trading income was also stable, with growth having slowed through 2015. Firms expect revenues from both sources to remain largely unchanged next quarter.
- **Pricing power** Pricing power appears constrained across many sectors. Average commissions, fees & premiums fell for a third consecutive quarter, while spreads were reported to be unchanged. Spreads are expected to remain steady again next quarter, with commissions, fees & premiums expected to fall slightly further.
- **Costs** Total operating costs increased at the slowest pace for a year, with a similar increase expected in the quarter to March. Average costs were steady in the three months to December, and are predicted to fall next quarter. The value of non-performing loans remained on a downward trend, though the pace of decline has slowed over the past year, with a further, slight fall expected next quarter.
- **Profitability** With costs generally under control, profitability grew at a brisk pace last quarter, rising in all but one sector (securities trading). Most sectors expect continued, solid growth in profits over the quarter to March.
- **Employment** Overall employment in financial services declined last quarter, weighed down by falling headcount in banking. However, steady jobs growth was reported by firms in several other sectors. The outlook for the quarter to March is similar, with numbers employed expected to increase in a majority of sectors, but to fall further in banking.
- **Investment** Investment intentions remain mixed. Financial services firms in all sectors plan to raise investment in IT over the year ahead. Overall spending on marketing is also expected to rise. However, non-IT capital investment is predicted to decline overall. Firms cited a broad range of investment drivers, with the need to reach new customers and increase efficiency being the most commonly cited motivations. The factor most widely seen as limiting capital authorisations was inadequate net returns, with the share citing uncertainty about demand having fallen since last quarter.
- **The year ahead** The most significant potential constraints on business growth over the coming year are the level of demand and competition, although citations for both factors fell below their long-term averages. Over the last year, financial services firms have become increasingly alert to the threat of competition from new entrants, with almost two-thirds of respondents (62%) pointing to competition from this source in the December survey.



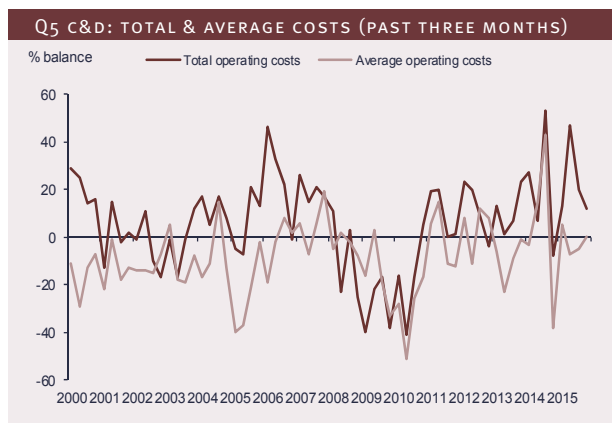
	Q1	Optimism increased slightly in the quarter to December.
Latest	+6	
Previous	+2	
Mean	+6	



	Q3a: Past	Q3a: Next	Growth in business volumes picked up, but is expected to slow again next quarter.
Latest	+23	+11	
Previous	+4	+16	
Mean	+13	+20	



	Q5g: Past	Q5g: Next	Growth in profitability remains robust.
Latest	+42	+28	
Previous	+30	+25	
Mean	+13	+13	



	Q5c: Past	Q5d: Past	Growth in total costs has slowed, while average costs were stable.
Latest	+12	0	
Previous	+20	-5	
Mean	+7	-10	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Overall

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS					
	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+37	+50	+32	+2	+6
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+1	-5	+44	+4	+11
b) Your present level of business with overseas customers (above/below normal) is:	-2	+1	+6	+4	-14
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+57	+24	+18	+4	+23
- next 3 months	+59	+34	+39	+16	+11
b) Value** of fee, commission or premium income					
- past 3 months	+62	+46	-20	-20	0
- next 3 months	+64	+60	+28	+13	+4
c) Value** of net interest, investment or trading income					
- past 3 months	+43	+36	+34	+13	-2
- next 3 months	+44	+36	+6	+4	+2

** in sterling

		Dec	2015 Mar	Jun	Sep	Dec
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a)	Industrial & commercial companies					
	- past 3 months	+52	+10	+46	+7	+17
	- next 3 months	+54	+9	+50	+11	+1
b)	Financial institutions					
	- past 3 months	+13	+5	+10	+7	+16
	- next 3 months	+13	+6	+13	+5	+6
c)	Private individuals					
	- past 3 months	+54	+18	+64	+15	+25
	- next 3 months	+59	+66	+57	+17	+28
d)	Overseas customers (UK-based operations)					
	- past 3 months	0	+7	+13	+6	+13
	- next 3 months	+1	+9	-21	+3	+22
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a)	Average spreads					
	- past 3 months	+33	+33	-46	+13	+2
	- next 3 months	+35	-7	-42	-2	0
b)	Average commissions/fees/ premiums paid					
	- past 3 months	+7	+39	-24	-11	-15
	- next 3 months	+3	+9	+13	0	-5
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	-8	+13	+47	+20	+12
	- next 3 months	-9	+18	+52	+15	+11
d)	Average operating costs per transaction					
	- past 3 months	-38	+5	-7	-5	0
	- next 3 months	-37	-2	-2	+5	-9
e)	Value of non-performing loans					
	- past 3 months	+31	-41	-42	-37	-15
	- next 3 months	-1	-41	-4	-17	-5
	of which:					
	Retail					
	- past 3 months	-5	-42	-44	-36	-14
	- next 3 months	-38	-40	-4	-17	-4
	Corporate					
	- past 3 months	+34	-40	-39	-36	-14
	- next 3 months	+34	-40	-3	-17	-3
g)	Overall profitability of business					
	- past 3 months	+52	+49	+61	+30	+42
	- next 3 months	+47	+16	-21	+25	+28
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a)	Numbers employed					
	- past 3 months	-9	-24	+13	+6	-17
	- next 3 months	-15	-13	+12	0	-6
b)	Training expenditure					
	- past 3 months	+58	-19	+12	+2	+37
	- next 3 months	+54	-20	+47	+24	+36
c)	Staff costs as a proportion of total costs					
	- past 3 months	-27	+8	+6	-3	+13
	- next 3 months	-23	+14	+4	-2	+4
6.1	What has been the trend with regard to your staff turnover:					
	- past 3 months	-15	+52	-39	+5	+24
	- next 3 months	+5	+40	+37	+4	+17
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	+19	-10	+58	-6	+10
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	+36	-35	-42	-45	-30
b)	Vehicles, plant & machinery	+34	-38	-3	-15	-11
c)	Information technology	+75	+72	+38	+48	+54
9	What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
	To provide new services	72	68	64	54	52
	To increase efficiency/speed	85	89	85	84	61
	To reach new customers	73	39	68	51	63
	For replacement	38	35	65	72	52
	To expand capacity	30	33	59	50	54
	Statutory legislation and regulation	72	35	72	78	52
	Other	0	1	0	1	4
10	What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
	Inadequate net return on proposed investment	70	71	62	59	59
	Shortage of finance	12	12	14	39	28
	Cost of finance	41	8	6	4	15
	Uncertainty about demand/business prospects	21	38	56	59	43
	Shortage of labour including managerial & supervisor staff	30	26	20	38	25
	Other	7	2	8	3	21

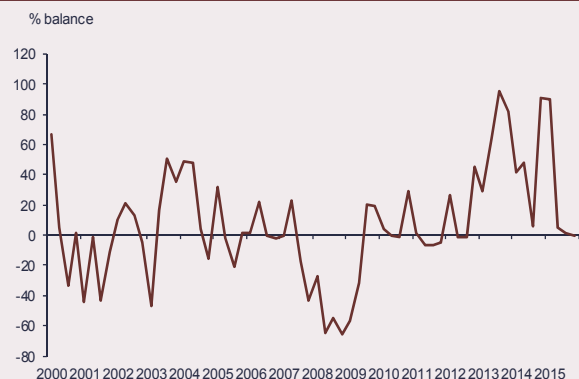
BUSINESS PROSPECTS

		2015					
		Dec	Mar	Jun	Sep	Dec	
11	What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
	Level of demand	- Total	78	80	37	77	65
		- Overseas	10	44	8	11	19
	Staff turnover	- Total	3	7	2	7	7
		- Overseas	0	0	1	1	2
	Availability of professional staff	- Total	26	19	14	31	24
		- Overseas	3	1	2	6	2
	Availability of clerical staff	- Total	2	9	4	5	4
		- Overseas	0	0	1	1	0
	Adequacy of systems capacity	- Total	18	29	13	36	14
		- Overseas	0	5	1	4	1
	Ability to raise funds	- Total	2	3	5	7	5
		- Overseas	1	0	2	4	1
	of which:						
	Ability to raise capital	- Total	1	7	8	7	5
		- Overseas	0	0	1	4	0
	Availability of wholesale funds	- Total	2	6	2	4	5
		- Overseas	1	0	1	1	0
	Competition	- Total	76	46	75	72	55
		- Overseas	6	12	13	9	12
	Statutory legislation and regulation	- Total	68	40	67	54	46
		- Overseas	5	7	6	8	9
	Other	- Total	3	1	4	1	3
		- Overseas	0	0	4	1	3
11.1	What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+40	+67	+72	+57	+43
12	Where do you see your competition coming from in the next 12 months?						
	Your sector of financial services		92	95	95	95	87
	Other sectors of financial services		65	24	63	61	44
	Companies currently positioned outside of financial services		42	47	43	34	31
	New entrants		57	35	60	64	62
	Other		0	1	1	1	0
GROWTH							
13	Where do you think your growth will come from over the next 3 months?						
	Cross sales to new customers		22	22	15	48	32
	Cross sales to existing customers		21	71	67	59	68
	Acquisition of domestic customers		39	81	79	77	60
	Acquisition of international customers		7	14	13	13	11
	New products		18	28	15	19	30
	No growth expected		4	2	8	7	10
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		+46	+40	+76	+64	+63
	Cross-selling to existing customers		+28	+51	+33	+30	+42
	Retaining existing customers		+25	+57	+62	+58	+47
	Launching new products/services		+35	+25	-16	+3	+46
	Inorganic growth activities:						
	Engaging in M&A transactions		+15	+6	+18	-1	+5
	Forming strategic partnerships/alliances		+16	+15	+18	+12	+14
	Market focus for growth:						
	Increasing market share in domestic markets		+41	+66	+65	+40	+38
	Increasing market share in international markets		+12	+11	+19	+10	+19
	Investment in enablers to growth:						
	Brand and advertising		+27	+21	+54	+19	+22
	Sales force and distribution channels		+33	+22	+49	+22	+40
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+37	+32	+28	+54	+38
	Performance measurement processes/tools		+19	+14	+22	+26	+25
	IT systems and applications		+33	+69	+37	+62	+54

Banking

- **Optimism** Sentiment regarding the general business situation was unchanged in the three months to December, for the third quarter in a row.
- **Business volumes** Business volumes remained flat, having now been stagnant for a full year. However, this masked a solid rise in business with private individuals over the past three months. Total volumes are set to remain unchanged once again over the next quarter, as falling business with industrial and commercial companies offsets growth with private individuals and overseas customers.
- **Income** Income from both fees & commissions and net interest, investment and trading fell, the latter for the first time in five years. A slower decline in fee/commission income is expected over the coming quarter, while net interest/trading income is set to be flat.
- **Pricing power** Average commissions, fees & premiums fell for the third consecutive quarter, while spreads were flat. Both are expected to be unchanged over the next three months.
- **Costs** Both total and average operating costs rose only modestly over the past three months, and average costs are expected to fall significantly over the next quarter.
- **Profitability** Profitability rose strongly over the past three months, though the rate of growth eased for the second consecutive quarter. Similar growth in profits is expected over the coming quarter.
- **Employment** Numbers employed fell at a faster rate than expected, following two quarters of minimal growth. But training expenditure picked up sharply. Over the next three months headcount is set to fall further (though at a slower pace), and spending on training will continue to rise strongly.
- **Investment** Year-ahead investment intentions for IT remain strong, having improved further for the second consecutive quarter. However, investment intentions remain weak in other areas. Capital spending will be motivated by a number of factors, with citations for the need to expand capacity, replace existing capital and reach new customers all well above their long-run averages. Regarding limits to capital authorisations, uncertainty over demand prospects has eased, but concerns over a shortage of labour and the availability/cost of finance remain high.
- **The year ahead** Relative to its long-run average, statutory regulation/legislation is expected to be the most biting constraint on business expansion in the year ahead, but concerns over the level of demand have fallen significantly. Acquiring new customers, retaining existing customers and investing in IT are expected to be important elements of banks' growth strategies in the next twelve months—the latter consistent with strong investment intentions in IT.

Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



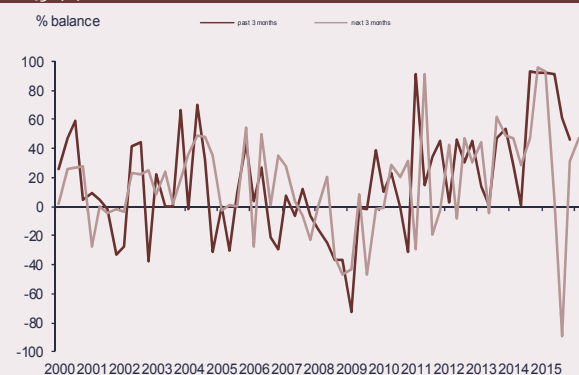
	Q1		
Latest	0		Sentiment rose modestly, but lagged behind the stronger growth over H1 2015.
Previous	+1		
Mean	+6		

Q3 (A): TREND IN VOLUME OF BUSINESS



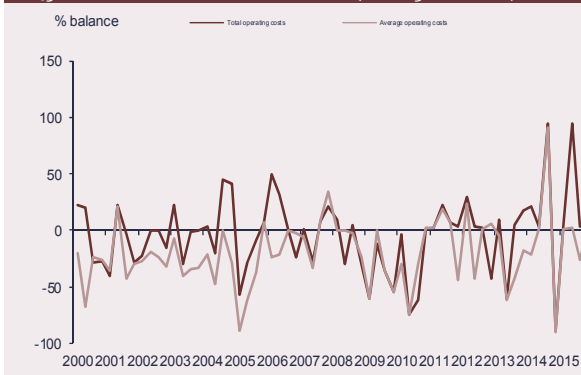
	Q3a: Past	Q3a: Next	
Latest	-2	+1	Business volumes have now been stagnant for a full year.
Previous	+1	+3	
Mean	+15	+22	

Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	
Latest	+46	+47	Growth in profits remained strong, though eased somewhat.
Previous	+61	+31	
Mean	+18	+18	

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



	Q5c: Past	Q5d: Past	
Latest	+5	+5	Both total and average operating costs rose only slightly.
Previous	+4	-26	
Mean	-3	-19	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Banking

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS

	2015				
	Dec	Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+91	+90	+5	+1	0
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-1	+2	+90	0	-1
b) Your present level of business with overseas customers (above/below normal) is:	-4	0	0	-1	-46
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+92	+3	+1	+1	-2
- next 3 months	+90	+3	+3	+3	+1
b) Value** of fee, commission or premium income					
- past 3 months	+93	+91	-88	-30	-45
- next 3 months	+94	+94	+3	+2	-24
c) Value** of net interest, investment or trading income					
- past 3 months	+93	+90	+91	+31	-22
- next 3 months	+93	+94	0	+2	+2

** in sterling

		2015			
		Dec	Mar	Jun	Dec
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a)	Industrial & commercial companies				
	- past 3 months	+90	-1	+91	-2
	- next 3 months	+90	+1	+92	+3
b)	Financial institutions				
	- past 3 months	-3	0	-1	-1
	- next 3 months	-3	+1	-2	0
c)	Private individuals				
	- past 3 months	+91	+8	+91	+1
	- next 3 months	+97	+98	+92	+1
d)	Overseas customers (UK-based operations)				
	- past 3 months	-3	+5	-2	-1
	- next 3 months	0	+5	-88	+1
CHARGES, COSTS AND PROFITABILITY					
5 Excluding seasonal variations, what are the trends for:					
a)	Average spreads				
	- past 3 months	+87	+90	-92	+29
	- next 3 months	+92	+1	-90	-2
b)	Average commissions/fees/ premiums paid				
	- past 3 months	-1	+92	-92	-32
	- next 3 months	0	+3	-1	-1
c)	Total operating costs (excluding cost of funds)				
	- past 3 months	-89	+3	+94	+4
	- next 3 months	-86	+2	+93	+3
d)	Average operating costs per transaction				
	- past 3 months	-90	+1	+2	-26
	- next 3 months	-88	+1	+1	+3
e)	Value of non-performing loans				
	- past 3 months	+87	-95	-91	-91
	- next 3 months	-3	-92	-1	-31
	of which:				
	Retail				
	- past 3 months	-3	-94	-91	-91
	- next 3 months	-93	-91	-1	-31
	Corporate				
	- past 3 months	+88	-91	-91	-91
	- next 3 months	+88	-90	-1	-31
g)	Overall profitability of business				
	- past 3 months	+92	+92	+91	+61
	- next 3 months	+93	+5	-89	+31
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a)	Numbers employed				
	- past 3 months	-85	-88	+5	+4
	- next 3 months	-85	-83	+3	-25
b)	Training expenditure				
	- past 3 months	+92	-87	+3	+4
	- next 3 months	+92	-85	+93	+33
c)	Staff costs as a proportion of total costs				
	- past 3 months	-89	+1	+4	-28
	- next 3 months	-84	+3	+1	-26
6.1 What has been the trend with regard to your staff turnover:					
	- past 3 months	-88	+90	-89	+3
	- next 3 months	0	+93	+91	+1
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					
		+4	-83	+92	-29
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	+91	-90	-92	-90
b)	Vehicles, plant & machinery	+89	-91	-2	-31
c)	Information technology	+92	+95	+2	+63
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
	To provide new services	92	95	93	63
	To increase efficiency/speed	96	94	94	94
	To reach new customers	94	3	91	63
	For replacement	3	3	94	94
	To expand capacity	1	3	93	63
	Statutory legislation and regulation	97	5	95	98
	Other	0	2	0	1
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
	Inadequate net return on proposed investment	96	95	94	64
	Shortage of finance	0	0	1	63
	Cost of finance	91	2	0	1
	Uncertainty about demand/business prospects	5	3	94	65
	Shortage of labour including managerial & supervisor staff	1	1	1	34
	Other	0	1	2	25

BUSINESS PROSPECTS

		2015				
		Mar	Jun	Sep	Dec	
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	94	95	6	96	51
	- Overseas	3	92	3	5	3
Staff turnover	- Total	0	2	0	0	1
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	1	3	3	33	23
	- Overseas	0	1	1	3	1
Availability of clerical staff	- Total	0	1	0	0	0
	- Overseas	0	1	1	0	0
Adequacy of systems capacity	- Total	0	1	0	31	1
	- Overseas	0	1	0	1	1
Ability to raise funds	- Total	4	3	2	1	3
	- Overseas	1	1	1	1	1
of which:						
Ability to raise capital	- Total	0	3	2	1	0
	- Overseas	0	1	0	0	0
Availability of wholesale funds	- Total	4	1	0	1	3
	- Overseas	1	1	1	1	1
Competition	- Total	96	2	93	63	47
	- Overseas	4	1	0	3	1
Statutory legislation and regulation	- Total	96	5	97	65	53
	- Overseas	5	4	2	4	4
Other	- Total	0	1	1	1	0
	- Overseas	0	1	1	1	1
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+8	+99	+98	+66	+76
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		99	97	98	98	76
Other sectors of financial services		92	3	95	92	48
Companies currently positioned outside of financial services		91	91	92	61	46
New entrants		96	5	95	94	94
Other		0	0	1	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		4	2	3	62	26
Cross sales to existing customers		4	93	93	63	92
Acquisition of domestic customers		2	95	95	95	73
Acquisition of international customers		1	1	1	4	2
New products		0	3	1	2	23
No growth expected		1	1	2	2	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		+8	+5	+96	+68	+75
Cross-selling to existing customers		+4	+97	+3	+31	+69
Retaining existing customers		+3	+94	+94	+62	+70
Launching new products/services		-1	+1	-91	-27	+43
Inorganic growth activities						
Engaging in M&A transactions		0	-1	0	-2	-1
Forming strategic partnerships/alliances		0	+1	0	-1	+2
Market focus for growth						
Increasing market share in domestic markets		+4	+91	+91	+33	+45
Increasing market share in international markets		+2	+3	0	+2	+24
Investment in enablers to growth						
Brand and advertising		0	+2	+92	+2	+23
Sales force and distribution channels		0	+2	+91	+1	+46
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+1	+1	+2	+62	+43
Performance measurement processes/tools		-1	+2	+1	+33	+23
IT systems and applications		+1	+89	0	+62	+70

Building societies and finance houses

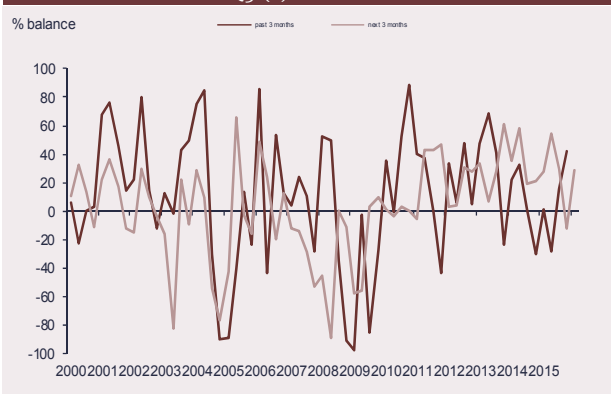
Building societies

- Optimism** Optimism among building societies was broadly stable in the three months to December.
- Business volumes** Business volumes grew strongly over the three months to December, beating expectations for a contraction. Building societies expect volumes to rise again in the three months to March, albeit at a somewhat slower pace.
- Profitability** Profitability rose further and at a stronger pace than in the previous quarter. Profit growth is set to grow again in the quarter to March, albeit at a slightly slower pace.
- Employment** Employment grew strongly in the three months to December, with another robust rise expected in the coming three months.
- Investment** Building societies plan to raise spending on IT in the year ahead. Increasing efficiency/speed and expanding capacity were the most widely cited motivations for capital spending.

Finance houses

- Optimism** Optimism among finance houses rose in the three months to December, and at the fastest pace since December 2013.
- Business volumes** Business volumes rose strongly in the three months to December with growth expected to accelerate further in the coming three months.
- Profitability** Profitability rose last quarter, although the pace of growth slowed from the quarter to September. Profit growth is expected to slow in the coming quarter.
- Employment** Numbers employed rose at a somewhat slower pace over the quarter, but growth in headcount is expected to pick up in the next three months.
- Investment** Finance houses plan to raise spending on IT in the year ahead. Increasing efficiency/speed and complying with statutory legislation and regulation were the most widely cited motivations for capital spending.

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



	Q3a: Past	Q3a: Next	
Latest	+42	+29	Business volumes rose for a second successive quarter.
Previous	+15	-12	
Mean	+9	+8	

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



	Q3a: Past	Q3a: Next	
Latest	+64	+78	Business volumes rose briskly in the three months to December.
Previous	+57	+32	
Mean	+15	+14	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Building societies

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS					
	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	-32	+18	+15	+5	+3
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-30	+14	-30	+15	-2
b) Your present level of business with overseas customers (above/below normal) is:	0	0	0	0	-2
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	-30	+1	-28	+15	+42
- next 3 months	+28	+54	+30	-12	+29
b) Value** of fee, commission or premium income					
- past 3 months	0	-18	-45	-60	+22
- next 3 months	+28	+36	+15	+4	+29
c) Value** of net interest, investment or trading income					
- past 3 months	0	-14	-43	-18	-45
- next 3 months	-2	-16	-15	-47	+3
** in sterling					
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies					
- past 3 months	0	0	0	+14	+21
- next 3 months	0	0	0	+14	+23
b) Financial institutions					
- past 3 months	0	0	0	+14	+21
- next 3 months	0	0	+15	+14	+23
c) Private individuals					
- past 3 months	-32	+19	0	+17	+44
- next 3 months	+32	+54	+15	+4	+50
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					
5 Excluding seasonal variations, what are the trends for:					
a) Average spreads					
- past 3 months	-32	-39	-33	-77	-51
- next 3 months	-65	-58	-35	-63	-25
b) Average commissions/fees/ premiums paid					
- past 3 months	-2	-1	-3	-1	-26
- next 3 months	-2	-3	-3	0	+2
c) Total operating costs (excluding cost of funds)					
- past 3 months	+68	+40	+50	+81	+52
- next 3 months	+98	+37	+65	+81	+76
d) Average operating costs per transaction					
- past 3 months	+33	+4	+35	+51	-18
- next 3 months	+33	-22	+20	+35	+27
e) Value of non-performing loans					
- past 3 months	-65	-59	-80	-79	-76
- next 3 months	-32	-77	-62	-34	-52
of which:					
Retail					
- past 3 months	-65	-77	-95	-63	-53
- next 3 months	-32	-77	-62	-33	-29
Corporate					
- past 3 months	-32	-58	-32	-61	-26
- next 3 months	-32	-58	-45	-31	-26
g) Overall profitability of business					
- past 3 months	+32	+40	+23	+31	+45
- next 3 months	-2	+19	-5	+16	+21
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a) Numbers employed					
- past 3 months	+65	+62	+82	+51	+73
- next 3 months	0	+42	+35	+49	+72
b) Training expenditure					
- past 3 months	+35	+21	+2	+20	+26
- next 3 months	+35	+20	+2	+20	+28
c) Staff costs as a proportion of total costs					
- past 3 months	+63	+43	+50	+51	+53
- next 3 months	+31	+41	+35	+49	+50
6.1 What has been the trend with regard to your staff turnover:					
- past 3 months	-2	+20	+18	+2	+26
- next 3 months	+65	+20	+31	+29	+67

MARKETING EXPENDITURE

	Dec	2015 Mar	Jun	Sep	Dec
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	+65	+96	+37	+52	+52

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	+35	+18	+32	-4	-3
b) Vehicles, plant & machinery	+2	-1	+15	-1	-5
c) Information technology	+68	+59	+55	+67	+74
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
To provide new services	37	59	37	68	53
To increase efficiency/speed	98	95	97	99	99
To reach new customers	37	78	47	38	53
For replacement	68	45	50	82	50
To expand capacity	68	58	52	51	26
Statutory legislation and regulation	98	81	82	98	97
Other	0	0	0	15	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
Inadequate net return on proposed investment	35	43	68	20	5
Shortage of finance	32	22	15	15	26
Cost of finance	0	5	0	0	3
Uncertainty about demand/business prospects	35	41	3	36	6
Shortage of labour including managerial & supervisor staff	65	78	62	63	92
Other	0	0	0	1	24

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	96	59	65	52	75
	- Overseas	0	0	0	0	0
Staff turnover	- Total	0	1	15	0	26
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	2	41	17	17	3
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	2	5	0	1	1
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	63	58	20	47	27
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	0	4	2	2	26
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	4	2	1	2
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	1	0	0	47
	- Overseas	0	0	0	0	0
Competition	- Total	98	96	82	98	53
	- Overseas	0	0	0	0	0
Statutory legislation and regulation	- Total	33	45	55	70	52
	- Overseas	0	0	0	0	0
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?						
		+68	+82	+75	+53	+53
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		68	80	70	99	99
Other sectors of financial services		63	81	83	52	99
Companies currently positioned outside of financial services		0	38	15	18	26
New entrants		35	77	68	67	97
Other		0	0	0	0	0

GROWTH					
	Dec	2015 Mar	Jun	Sep	Dec
13 Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers	0	19	0	32	24
Cross sales to existing customers	32	38	15	46	47
Acquisition of domestic customers	96	95	97	82	95
Acquisition of international customers	0	0	0	0	0
New products	33	36	0	34	50
No growth expected	2	1	3	1	2
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	+68	+57	+20	+68	+100
Cross-selling to existing customers	+2	-14	0	+18	+2
Retaining existing customers	+67	+64	+38	+51	+53
Launching new products/services	+35	+38	+7	+18	+70
Inorganic growth activities					
Engaging in M&A transactions	0	-18	-15	-1	-1
Forming strategic partnerships/alliances	+33	0	-15	0	-2
Market focus for growth					
Increasing market share in domestic markets	+68	+23	+22	+35	+50
Increasing market share in international markets	0	0	0	0	0
Investment in enablers to growth					
Brand and advertising	+37	+60	+32	+68	+27
Sales force and distribution channels	+67	+27	+8	+55	+76
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+67	+41	+47	+51	+52
Performance measurement processes/tools	+32	+4	+15	+4	+29
IT systems and applications	+68	+61	+38	+50	+55

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Finance Houses

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS					
	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+18	+27	+39	+14	+51
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+6	+9	+61	+53	+58
b) Your present level of business with overseas customers (above/below normal) is:	0	0	+3	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+12	+76	+52	+57	+64
- next 3 months	+29	+76	+88	+32	+78
b) Value** of fee, commission or premium income					
- past 3 months	+35	0	-3	-39	-2
- next 3 months	+6	+24	+33	+22	+42
c) Value** of net interest, investment or trading income					
- past 3 months	+6	+47	0	+18	+40
- next 3 months	+29	+35	+33	+22	+42
** in sterling					
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies					
- past 3 months	+6	+36	+3	+4	+33
- next 3 months	+6	+12	+18	+18	+39
b) Financial institutions					
- past 3 months	+6	+15	+15	+7	+10
- next 3 months	+6	+6	+18	+14	+7
c) Private individuals					
- past 3 months	+12	+70	+73	+60	+74
- next 3 months	+29	+70	+61	+18	+79
d) Overseas customers (UK-based operations)					
- past 3 months	0	+3	+3	+11	0
- next 3 months	0	+3	+15	+11	0

CHARGES, COSTS AND PROFITABILITY

		Dec	2015 Mar	Jun	Sep	Dec
5 Excluding seasonal variations, what are the trends for:						
a)	Average spreads					
	- past 3 months	-17	-21	-55	0	+24
	- next 3 months	+12	-6	0	0	-33
b)	Average commissions/fees/ premiums paid					
	- past 3 months	0	-35	+3	+7	0
	- next 3 months	+6	+14	+6	+7	+3
c)	Total operating costs (excluding cost of funds)					
	- past 3 months	0	-46	+61	+64	+58
	- next 3 months	-17	-43	+64	+11	+58
d)	Average operating costs per transaction					
	- past 3 months	+23	-61	+55	-39	+31
	- next 3 months	-17	-61	+55	+7	+25
e)	Value of non-performing loans					
	- past 3 months	-23	-3	-9	+35	+9
	- next 3 months	+29	-3	-6	-53	0
	of which:					
	Retail					
	- past 3 months	-23	-3	-52	+42	+3
	- next 3 months	+23	-3	-3	-53	-6
	Corporate					
	- past 3 months	0	-26	-6	+35	-21
	- next 3 months	0	-26	-3	-53	0
g)	Overall profitability of business					
	- past 3 months	+6	+56	+67	+68	+43
	- next 3 months	+29	+85	+9	+32	+6

EMPLOYMENT AND TRAINING

6 Excluding seasonal variations, what are the trends in:						
a)	Numbers employed					
	- past 3 months	+6	+21	+67	+65	+22
	- next 3 months	+36	+21	+88	+75	+44
b)	Training expenditure					
	- past 3 months	+46	+64	+67	+15	-13
	- next 3 months	+52	+44	+73	+19	+47
c)	Staff costs as a proportion of total costs					
	- past 3 months	0	+21	+55	+46	-18
	- next 3 months	+29	+21	+40	+46	+60
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+6	+32	0	+7	+33
	- next 3 months	+36	+23	-9	+7	+9

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	+12	+32	+24	+29	+61
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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	-2	-37	+21	-38
b)	Vehicles, plant & machinery	-6	+15	+3	+7	-12
c)	Information technology	+64	+71	+85	+78	+61
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
	To provide new services	100	59	85	11	56
	To increase efficiency/speed	100	94	85	78	94
	To reach new customers	94	71	15	25	51
	For replacement	35	21	9	64	45
	To expand capacity	65	44	24	25	49
	Statutory legislation and regulation	58	67	61	64	64
	Other	0	0	0	0	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
	Inadequate net return on proposed investment	41	50	21	60	78
	Shortage of finance	6	3	3	7	21
	Cost of finance	12	3	3	4	18
	Uncertainty about demand/business prospects	71	56	18	29	49
	Shortage of labour including managerial & supervisor staff	48	15	55	64	22
	Other	0	23	0	4	3

BUSINESS PROSPECTS

		Dec	2015 Mar	Jun	Sep	Dec
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	36	56	33	86	91
	- Overseas	0	0	0	7	0
Staff turnover	- Total	36	0	0	4	9
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	42	35	67	53	13
	- Overseas	0	0	0	0	0
Availability of clerical staff	- Total	6	0	46	4	9
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	41	59	9	18	18
	- Overseas	0	0	0	0	0
Ability to raise funds	- Total	0	6	15	14	15
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	0	15	11	21
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	6	15	11	18
	- Overseas	0	0	0	0	0
Competition	- Total	48	59	27	82	83
	- Overseas	0	0	0	0	27
Statutory legislation and regulation	- Total	29	67	12	36	40
	- Overseas	0	0	0	0	27
Other	- Total	0	23	0	0	0
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+64	+4	+88	+50	+56
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		77	77	82	96	94
Other sectors of financial services		82	61	67	32	46
Companies currently positioned outside of financial services		0	15	3	11	36
New entrants		88	71	64	43	91
Other		0	0	0	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		12	6	15	25	6
Cross sales to existing customers		23	29	64	18	18
Acquisition of domestic customers		65	33	33	71	85
Acquisition of international customers		0	0	0	4	0
New products		42	41	6	18	83
No growth expected		0	12	0	4	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		+88	+82	+88	+75	+42
Cross-selling to existing customers		+29	+3	+18	+18	-12
Retaining existing customers		+58	+30	+21	+78	+61
Launching new products/services		+94	+79	+79	+3	+88
Inorganic growth activities						
Engaging in M&A transactions		-29	+23	+12	-4	+15
Forming strategic partnerships/alliances		+82	+38	+76	+25	+67
Market focus for growth						
Increasing market share in domestic markets		+88	+88	+79	+36	+10
Increasing market share in international markets		+23	+26	+58	0	0
Investment in enablers to growth						
Brand and advertising		+71	+53	+45	+25	+24
Sales force and distribution channels		+94	+44	+21	+68	+79
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+77	+58	+70	+68	+43
Performance measurement processes/tools		+71	+6	+73	+14	+9
IT systems and applications		+100	+82	+85	+71	+27

Life insurance

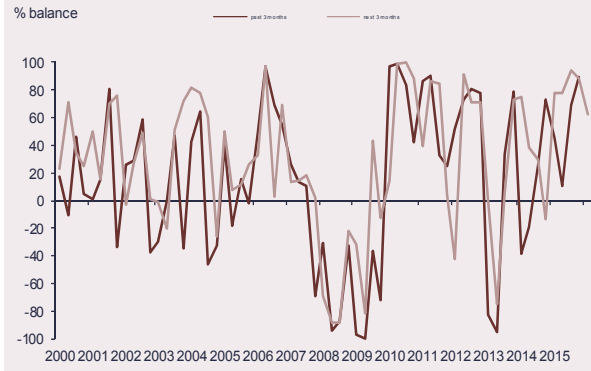
- **Optimism** Optimism among life insurers was unchanged in the three months to December.
- **Business volumes** Business volumes grew over the quarter and at a faster pace than in the previous three months. Meanwhile, the level of business remains well above normal. Business volumes are expected to grow at a slightly slower pace in the three months to March.
- **Pricing power** Average commissions, fees & premiums rose at a robust pace in the quarter to December, but are expected to stabilise over the coming quarter.
- **Income** Income from premiums, fees and commissions rose robustly in the quarter to December, and is expected to continue to grow at a lively pace over the next quarter. Income from net interest, investment and trading grew for the sixth consecutive quarter, with a further increase expected in the quarter to March.
- **Costs** Total operating costs rose at a slightly slower pace than in the previous quarter, with costs set to hold steady in the three months to March. However, average operating costs fell on the quarter.
- **Profitability** Growth in profitability accelerated in the three months to December, after two already strong quarters, with another solid rise in profit growth set for the next quarter.
- **Employment** Numbers employed expanded at a somewhat faster pace in the three months to December. Meanwhile, both training expenditure and staff costs as a proportion of total costs rose briskly over the quarter. Numbers employed are expected to rise again over the next three months.
- **Investment** Life insurers are planning to invest more in IT and vehicles, plant & machinery in the year ahead. Reaching new customers is the main factor driving capital spending authorisations over the coming year.
- **The year ahead** Concerns about potential constraints on business expansion decreased somewhat in this survey. The two most important potential brakes by far were the level of demand and competition. Life insurers reported that acquiring new customers will be a key driver of business expansion in the year ahead, helped by investment in CRM/marketing capabilities and in IT.

Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



	Q1	Optimism was unchanged in the quarter to December.
Latest	0	
Previous	+19	
Mean	+6	

Q3 (A): TREND IN VOLUME OF BUSINESS



	Q3a: Past	Q3a: Next	Life insurers reported volumes rose briskly.
Latest	+89	+62	
Previous	+69	+88	
Mean	+14	+31	

Q5 (G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	Profitability improved further.
Latest	+89	+62	
Previous	+50	+50	
Mean	+10	+16	

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



	Q5c: Past	Q5d: Past	Total costs growth slowed, helping to push down average costs.
Latest	+27	-53	
Previous	+39	0	
Mean	-6	-18	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Life insurance

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS

	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	-44	+39	+50	+19	0
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+34	-33	+11	+69	+27
b) Your present level of business with overseas customers (above/below normal) is:	0	0	+39	+19	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+73	+45	+11	+69	+89
- next 3 months	+78	+78	+94	+88	+62
b) Value** of fee, commission or premium income					
- past 3 months	+73	0	+11	+50	+89
- next 3 months	+78	+73	+88	+50	+62
c) Value** of net interest, investment or trading income					
- past 3 months	+34	+39	+11	+19	+27
- next 3 months	+34	+34	+11	+19	+27
d) Value** of new business					
- past 3 months	+73	-6	+11	+58	+89
- next 3 months	+78	+28	+88	+58	+62

** in sterling

	Dec	2015 Mar	Jun	Sep	Dec	
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	+44	+50	+50	+50	+62
	- next 3 months	+44	+50	+55	+50	+9
b) Financial institutions	- past 3 months	+78	+5	+39	+19	+53
	- next 3 months	+78	+44	+39	+19	0
c) Private individuals	- past 3 months	+73	0	+50	+88	+62
	- next 3 months	+73	+78	+50	+88	+89
d) Overseas customers (UK-based operations)	- past 3 months	0	0	+78	+19	+27
	- next 3 months	0	+39	+78	+19	+27
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	0	0	-39	0	-27
	- next 3 months	0	-39	-39	0	-27
b) Average commissions/fees/ premiums paid	- past 3 months	+34	+34	+50	-9	+27
	- next 3 months	-5	+34	+50	-9	0
c) Total operating costs (excluding cost of funds)	- past 3 months	+77	+89	+67	+39	+27
	- next 3 months	+77	+89	+67	+39	0
d) Average operating costs per transaction	- past 3 months	0	+5	-45	0	-53
	- next 3 months	0	0	-45	0	-53
f) Value of surrendered contracts	- past 3 months	+45	+11	+6	-8	-16
	- next 3 months	+39	0	0	+12	0
g) Overall profitability of business	- past 3 months	-44	-5	+50	+50	+89
	- next 3 months	-5	-5	+50	+50	+62
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+83	+44	+50	+19	+26
	- next 3 months	+83	+44	+83	+19	+26
b) Training expenditure	- past 3 months	+44	+39	+83	+19	+53
	- next 3 months	0	+39	+39	+39	+53
c) Staff costs as a proportion of total costs	- past 3 months	+6	+44	+6	0	+26
	- next 3 months	+6	+44	+6	0	+26
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+11	+50	-39	0	0
	- next 3 months	+6	+6	-39	0	+26
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		+39	+84	+45	0	0
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		-11	+34	+39	+39	0
b) Vehicles, plant & machinery		-11	0	0	0	+9
c) Information technology		+94	+94	+84	+78	+36
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		84	39	45	39	27
To increase efficiency/speed		89	89	78	58	38
To reach new customers		39	89	39	39	80
For replacement		89	89	45	70	20
To expand capacity		0	95	84	58	27
Statutory legislation and regulation		55	61	55	81	47
Other		0	0	0	0	27
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		50	50	16	42	20
Shortage of finance		5	39	39	19	27
Cost of finance		0	39	39	19	27
Uncertainty about demand/business prospects		17	95	50	50	38
Shortage of labour including managerial & supervisor staff		45	84	45	58	0
Other		39	0	39	0	53

BUSINESS PROSPECTS

		Dec	2015 Mar	Jun	Sep	Dec
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	55	94	84	50	64
	- Overseas	0	0	0	0	27
Staff turnover	- Total	0	39	0	19	27
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	45	45	16	58	27
	- Overseas	0	0	0	19	0
Availability of clerical staff	- Total	6	45	6	19	27
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	78	39	39	78	36
	- Overseas	0	0	0	19	0
Ability to raise funds	- Total	0	0	0	19	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	39	39	19	27
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	39	0	19	0
	- Overseas	0	0	0	0	0
Competition	- Total	56	95	89	70	64
	- Overseas	0	0	39	19	27
Statutory legislation and regulation	- Total	94	89	55	50	47
	- Overseas	0	0	0	19	0
Other	- Total	0	0	39	0	27
	- Overseas	0	0	39	0	27
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+89	+50	+16	+89	+9
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		95	100	89	81	100
Other sectors of financial services		50	50	45	50	38
Companies currently positioned outside of financial services		5	44	11	19	0
New entrants		5	44	16	39	0
Other		0	5	0	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		50	50	6	22	20
Cross sales to existing customers		50	89	94	61	73
Acquisition of domestic customers		50	89	84	50	64
Acquisition of international customers		0	39	39	19	53
New products		39	78	39	39	27
No growth expected		5	5	0	0	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		+50	+50	+78	+31	+64
Cross-selling to existing customers		+100	+61	+100	+31	+38
Retaining existing customers		+61	+22	+22	+61	+38
Launching new products/services		+84	+39	+45	+58	+17
Inorganic growth activities						
Engaging in M&A transactions		0	0	+45	+70	+38
Forming strategic partnerships/alliances		-33	+16	+50	+31	+64
Market focus for growth						
Increasing market share in domestic markets		+83	+44	+33	+39	0
Increasing market share in international markets		0	+39	+39	-19	0
Investment in enablers to growth						
Brand and advertising		+45	+78	+45	+39	+38
Sales force and distribution channels		+44	+50	+39	+39	+11
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+84	+78	+78	+58	+53
Performance measurement processes/tools		+39	+39	+78	+39	+38
IT systems and applications		+89	+84	+94	+58	+53

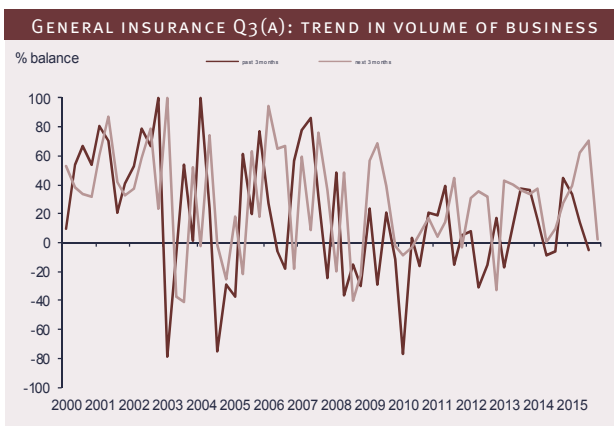
General insurance and insurance brokers

General insurance

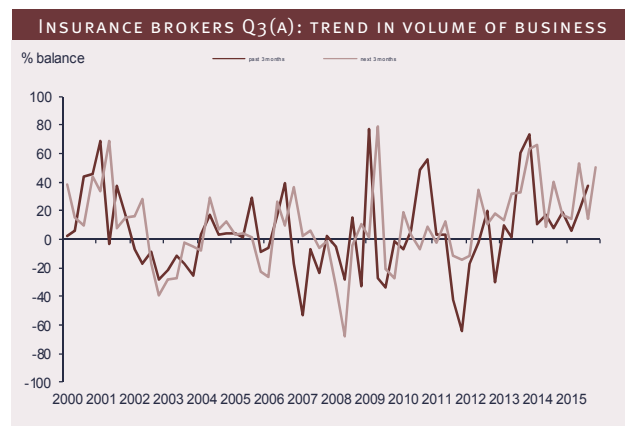
- Optimism**
General insurers reported that optimism was largely unchanged in the three months to December.
- Business volumes**
Business volumes rebounded over the quarter after falling in the previous three months (the first decline since September 2014). However volumes are set to fall again in the three months to March.
- Profitability**
Profits rose at a stronger pace over the three months to December, but profit growth is expected to slow below its long-run average again in the quarter to March.
- Employment**
Numbers employed rose strongly over the quarter and at the fastest pace since March 2007. Headcount is set to rise at a broadly similar pace over the three months to March.
- Investment**
General insurers are planning to increase IT investment in the year ahead, but plan to scale back spending on land & buildings. The need to expanding capacity was widely cited as a driver of investment.

Insurance brokers

- Optimism**
Optimism amongst insurance brokers improved marginally in the three months to December.
- Business volumes**
Growth in business volumes picked up in the three months to December and at the fastest pace since December 2013. Volumes are set to grow robustly next quarter.
- Profitability**
Profitability at a faster pace than anticipated in the three months to December. Profits are set to grow firmly again over the quarter to March.
- Employment**
Numbers employed fell unexpectedly in the quarter to December and headcount is set to fall again in the three months to March, albeit at a slightly slower pace.
- Investment**
Insurance brokers are planning to increase investment in IT in the year ahead. The main reason cited for increased investment was the need to increase efficiency/speed.



	Q3a: Past	Q3a: Next	
Latest	-5	+2	Business volumes grew over the quarter but are set to fall over the three months to March.
Previous	+14	+70	
Mean	+9	+18	



	Q3a: Past	Q3a: Next	
Latest	+37	+50	Business volumes are expected to continue growing at a robust pace in the three months to March.
Previous	+20	+14	
Mean	+15	+18	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

General insurance

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS						
		2015				
		Dec	Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?		-10	+12	+48	+5	+2
2 Excluding seasonal variations, do you consider that in volume terms:						
a) Your present level of business (above/below normal) is:		-10	-18	+7	-7	+48
b) Your present level of business with overseas customers (above/below normal) is:		-1	+2	-2	+16	+41
3 Excluding seasonal variations, what are the trends in:						
a) Volume of business	- past 3 months	+45	+34	+14	-5	+17
	- next 3 months	+39	+62	+70	+2	-25
b) Value** of fee, commission or premium income	- past 3 months	+43	+21	+12	-5	+54
	- next 3 months	+40	+36	+31	+21	+11
c) Value** of net interest, investment or trading income	- past 3 months	-13	-39	-37	-23	+4
	- next 3 months	-13	-39	+3	+5	-36
	** in sterling					
4 What is the trend in your 'volume of business' with regard to the following categories of customer:						
a) Industrial & commercial companies	- past 3 months	+37	0	+10	+5	+13
	- next 3 months	+69	+5	+28	-7	+11
b) Financial institutions	- past 3 months	0	0	+23	+34	+2
	- next 3 months	0	0	+23	+2	+2
c) Private individuals	- past 3 months	+25	+26	+44	+36	-32
	- next 3 months	+24	+41	+46	+9	-32
d) Overseas customers (UK-based operations)	- past 3 months	-11	+21	+2	+17	+40
	- next 3 months	-11	+15	+2	+2	+41
CHARGES, COSTS AND PROFITABILITY						
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	0	0	0	0	+40
	- next 3 months	+2	0	0	0	+40
b) Average commissions/fees/ premiums paid	- past 3 months	+17	-13	+26	+2	-34
	- next 3 months	+17	0	+26	+5	-31
c) Total operating costs (excluding cost of funds)	- past 3 months	+35	-1	-32	+3	+10
	- next 3 months	+23	+12	+5	-23	+10
d) Average operating costs per transaction	- past 3 months	-16	+28	-15	-14	+8
	- next 3 months	-16	+2	+5	-5	+10
g) Overall profitability of business	- past 3 months	+31	+37	+8	+5	+47
	- next 3 months	0	-5	+23	+5	+4
5.1 What has been the trend with regard to the value of insurance claims:						
	- past 12 months	-13	+21	-8	+8	-33
	- next 12 months	+49	+47	+26	+7	+49
EMPLOYMENT AND TRAINING						
6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	-26	-3	+2	-26	+47
	- next 3 months	-12	+7	-19	+3	+48
b) Training expenditure	- past 3 months	-26	-26	+5	-28	+2
	- next 3 months	+2	+10	+28	-24	0
c) Staff costs as a proportion of total costs	- past 3 months	-29	-23	-35	-14	+47
	- next 3 months	-29	-28	-37	-16	+4
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+20	+26	+2	+17	+5
	- next 3 months	+13	+26	+23	+38	+1

MARKETING EXPENDITURE						
	Dec	2015 Mar	Jun	Sep	Dec	
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	-17	-16	-9	-28	+3	
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	-28	-24	-39	-47	-36	
b) Vehicles, plant & machinery	-31	-18	-19	-16	+2	
c) Information technology	+15	+38	+31	+19	+44	
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services	41	54	30	64	45	
To increase efficiency/speed	100	98	97	97	52	
To reach new customers	71	80	93	45	88	
For replacement	73	64	49	74	45	
To expand capacity	44	51	26	31	89	
Statutory legislation and regulation	23	39	48	42	49	
Other	0	0	0	0	0	
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment	73	79	53	73	85	
Shortage of finance	38	18	44	38	6	
Cost of finance	3	5	5	5	2	
Uncertainty about demand/business prospects	22	43	23	78	44	
Shortage of labour including managerial & supervisor staff	22	21	7	28	0	
Other	16	0	0	0	0	
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	92	80	69	66	93
	- Overseas	17	15	5	24	41
Staff turnover	- Total	3	5	4	21	0
	- Overseas	0	0	4	5	0
Availability of professional staff	- Total	37	10	7	12	6
	- Overseas	0	2	5	7	0
Availability of clerical staff	- Total	3	5	4	5	0
	- Overseas	0	0	4	5	0
Adequacy of systems capacity	- Total	20	65	46	69	41
	- Overseas	0	2	4	5	2
Ability to raise funds	- Total	2	0	7	21	2
	- Overseas	0	0	5	21	0
of which:						
Ability to raise capital	- Total	4	5	3	21	2
	- Overseas	0	0	2	21	0
Availability of wholesale funds	- Total	3	5	0	5	0
	- Overseas	0	0	0	5	0
Competition	- Total	77	74	97	95	53
	- Overseas	17	31	26	21	5
Statutory legislation and regulation	- Total	41	63	51	43	50
	- Overseas	0	13	4	9	2
Other	- Total	16	0	0	0	2
	- Overseas	0	0	0	0	0
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+57	+38	+51	+31	-32	
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services	96	100	96	100	100	
Other sectors of financial services	37	36	46	29	41	
Companies currently positioned outside of financial services	20	5	4	7	41	
New entrants	36	60	46	55	45	
Other	0	0	0	2	0	

GROWTH

	Dec	2015 Mar	Jun	Sep	Dec
13 Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers	53	44	23	47	46
Cross sales to existing customers	34	54	25	47	51
Acquisition of domestic customers	76	82	75	64	15
Acquisition of international customers	19	28	3	21	3
New products	31	52	28	55	49
No growth expected	0	0	0	23	41
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	+74	+66	+69	+74	+56
Cross-selling to existing customers	+44	+13	+56	+52	+6
Retaining existing customers	+21	+18	+37	+47	+11
Launching new products/services	+75	+57	+39	+64	+84
Inorganic growth activities					
Engaging in M&A transactions	+29	+2	+40	-36	+4
Forming strategic partnerships/alliances	+65	+23	+28	+27	+5
Market focus for growth					
Increasing market share in domestic markets	+40	+46	+49	+55	+51
Increasing market share in international markets	+17	0	+18	+48	+41
Investment in enablers to growth					
Brand and advertising	+32	-11	+5	+15	+8
Sales force and distribution channels	+30	+8	+3	+48	-1
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)	+66	+57	+39	+65	+2
Performance measurement processes/tools	+33	+21	+24	+21	+46
IT systems and applications	+33	+62	+67	+81	+46

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Insurance brokers

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS

	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	-13	+14	+32	+13	+4
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	-20	+13	+20	+13	+3
b) Your present level of business with overseas customers (above/below normal) is:	-7	-7	+8	0	-50
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+19	+6	+20	+37	+69
- next 3 months	+14	+53	+14	+50	+64
b) Value** of fee, commission or premium income					
- past 3 months	+19	+13	+24	+34	-39
- next 3 months	-6	+46	+26	+42	+69
c) Value** of net interest, investment or trading income					
- past 3 months	-7	0	+12	+5	-2
- next 3 months	0	+7	+18	+9	-2
** in sterling					
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies					
- past 3 months	+37	+26	+46	+25	+67
- next 3 months	+25	+33	+20	+29	+69
b) Financial institutions					
- past 3 months	+6	+7	0	+8	+54
- next 3 months	0	+7	-8	+17	+54
c) Private individuals					
- past 3 months	+13	+33	+28	+29	-4
- next 3 months	+19	+67	+28	+37	-3
d) Overseas customers (UK-based operations)					
- past 3 months	0	+7	+8	0	+57
- next 3 months	0	0	+14	0	+57

CHARGES, COSTS AND PROFITABILITY

		Dec	2015 Mar	Jun	Sep	Dec
5 Excluding seasonal variations, what are the trends for:						
a) Average spreads	- past 3 months	0	0	0	0	-2
	- next 3 months	0	0	0	0	0
b) Average commissions/fees/ premiums paid	- past 3 months	+14	+7	+10	+21	-54
	- next 3 months	+7	+20	-4	+13	+3
c) Total operating costs (excluding cost of funds)	- past 3 months	+43	+20	+38	+50	-42
	- next 3 months	+25	+27	+46	+46	-42
d) Average operating costs per transaction	- past 3 months	+36	0	+32	+21	-47
	- next 3 months	+18	0	+12	+17	-47
g) Overall profitability of business	- past 3 months	+13	+7	+6	+42	+71
	- next 3 months	+25	+40	+20	+37	+64

EMPLOYMENT AND TRAINING

6 Excluding seasonal variations, what are the trends in:						
a) Numbers employed	- past 3 months	+20	+1	+16	+16	-51
	- next 3 months	+20	+40	+26	+16	-42
b) Training expenditure	- past 3 months	+19	+14	+14	0	+61
	- next 3 months	+13	+27	+4	+4	+12
c) Staff costs as a proportion of total costs	- past 3 months	+18	-7	+34	+29	-44
	- next 3 months	+18	+33	+32	+21	-41
6.1 What has been the trend with regard to your staff turnover:						
	- past 3 months	+26	+20	-6	+4	+48
	- next 3 months	-6	0	+14	-8	+55

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		+26	+34	+22	+25	+64
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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		+25	+40	+22	+4	-2
b) Vehicles, plant & machinery		+5	0	-16	0	-5
c) Information technology		+26	+27	+30	+30	+14
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
To provide new services		38	34	42	46	75
To increase efficiency/speed		75	73	60	75	90
To reach new customers		51	47	34	66	26
For replacement		69	60	82	54	22
To expand capacity		25	20	40	62	14
Statutory legislation and regulation		13	27	34	42	16
Other		13	0	14	8	2
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
Inadequate net return on proposed investment		32	27	54	62	70
Shortage of finance		13	0	26	29	57
Cost of finance		12	0	14	13	5
Uncertainty about demand/business prospects		56	66	52	79	23
Shortage of labour including managerial & supervisor staff		25	13	12	29	62
Other		7	7	8	4	57

BUSINESS PROSPECTS

		2015					
		Dec	Mar	Jun	Sep	Dec	
11	What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
	Level of demand	- Total	80	67	68	79	90
		- Overseas	20	14	20	25	64
	Staff turnover	- Total	12	0	12	29	64
		- Overseas	6	0	12	4	57
	Availability of professional staff	- Total	37	20	42	37	71
		- Overseas	6	7	20	4	57
	Availability of clerical staff	- Total	12	0	6	25	7
		- Overseas	6	0	6	4	3
	Adequacy of systems capacity	- Total	19	0	14	8	10
		- Overseas	6	0	14	4	5
	Ability to raise funds	- Total	6	0	14	4	3
		- Overseas	6	0	6	4	3
	of which:						
	Ability to raise capital	- Total	6	0	14	8	0
		- Overseas	6	0	6	4	0
	Availability of wholesale funds	- Total	6	0	6	4	3
		- Overseas	6	0	6	0	3
	Competition	- Total	87	87	88	87	97
		- Overseas	25	20	14	21	64
	Statutory legislation and regulation	- Total	58	54	54	58	29
		- Overseas	13	7	6	4	3
	Other	- Total	0	0	0	0	0
		- Overseas	6	0	0	0	0
11.1	What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+25	+27	0	+46	+19
12	Where do you see your competition coming from in the next 12 months?						
	Your sector of financial services		100	100	100	96	98
	Other sectors of financial services		31	20	40	37	19
	Companies currently positioned outside of financial services		19	0	20	29	7
	New entrants		30	27	46	37	21
	Other		0	0	6	0	0
GROWTH							
13	Where do you think your growth will come from over the next 3 months?						
	Cross sales to new customers		62	53	52	75	90
	Cross sales to existing customers		69	67	66	75	88
	Acquisition of domestic customers		50	54	52	59	74
	Acquisition of international customers		13	7	22	8	59
	New products		44	40	34	25	19
	No growth expected		0	13	12	17	2
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		+62	+80	+70	+92	+33
	Cross-selling to existing customers		+44	+60	+38	+37	+70
	Retaining existing customers		+37	+47	+40	+46	+24
	Launching new products/services		+20	+33	+16	+17	-4
	Inorganic growth activities						
	Engaging in M&A transactions		-14	+13	0	+8	-53
	Forming strategic partnerships/alliances		-19	+27	+30	-8	-46
	Market focus for growth						
	Increasing market share in domestic markets		+31	+67	+30	+54	+11
	Increasing market share in international markets		-6	+7	+16	0	+4
	Investment in enablers to growth						
	Brand and advertising		+38	+46	+6	+37	+9
	Sales force and distribution channels		+31	+46	+48	+37	+69
	CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+20	+27	+8	+12	+64
	Performance measurement processes/tools		+13	+33	-6	-8	0
	IT systems and applications		+32	+26	+8	+17	+15

Securities trading

- **Optimism**

Optimism regarding the current business situation fell for a second consecutive quarter.
- **Business volumes**

Business volumes fell for the second quarter running in the three months to December, and remained below “normal” levels. The decline last quarter was driven solely by falling business with private individuals. Another fall in headline volumes is expected in the next three months.
- **Pricing power**

Both spreads and fees/commissions were unchanged, and are set to remain flat over the coming quarter.
- **Income**

Fee/commission income continued to fall, and net interest/investment income stagnated after two quarters of growth. These trends are expected to persist over the coming quarter.
- **Costs**

Total costs were unchanged over the past three months, but falling business volumes drove average costs per transaction substantially higher. An expected decline in volumes means that average costs are predicted to continue rising, even though total operating costs are set to remain stagnant.
- **Profitability**

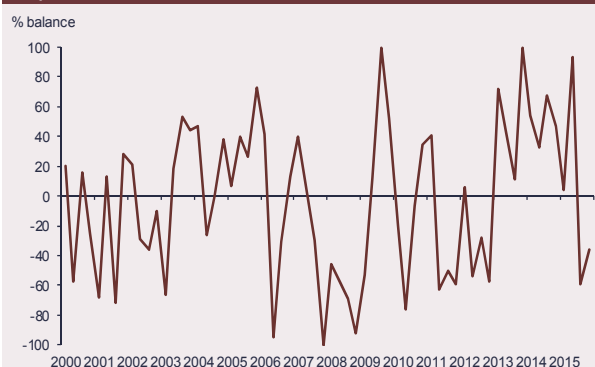
Profitability fell again over the three months to December, driven lower by falling business, declining income and limited pricing power. With the outlook for activity looking weak, profits are set to fall again over the coming quarter.
- **Employment**

After falling for two quarters, numbers employed stabilised over the past three months. Headcount is expected to remain flat over the next quarter.
- **Investment**

Securities traders still plan to raise IT spending over the next twelve months, with investment intentions firming a little on the previous survey. But less positively, securities traders foresee no change in marketing spending, the first time that intentions have been flat since mid-2014. Uncertainty over demand remains by far the most pressing limitation on authorising investment, although concerns are only a little above their historic averages.
- **The year ahead**

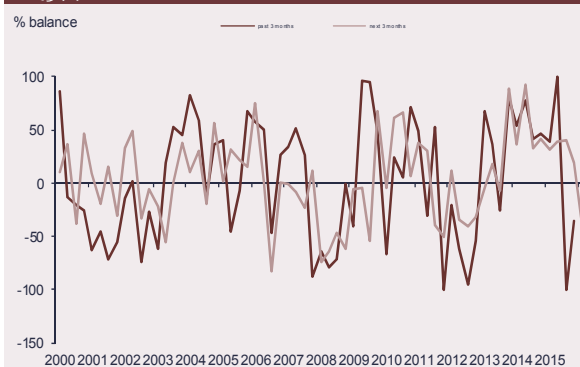
While a number of factors are expected to limit business expansion over the coming year, most citations remain below their long-run averages. The exception is availability of professional staff, but even here concerns are less acute than this time last year. Cross-selling to existing customers and raising domestic market share are among a few prominent growth strategies for the year ahead.

Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



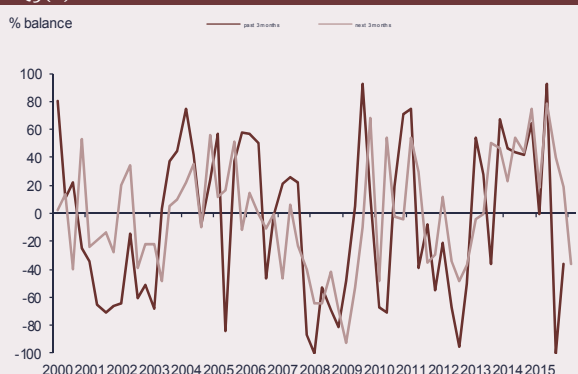
	Q1	
Latest	-36	Sentiment continued to decline.
Previous	-59	
Mean	+2	

Q3(A): TREND IN VOLUME OF BUSINESS



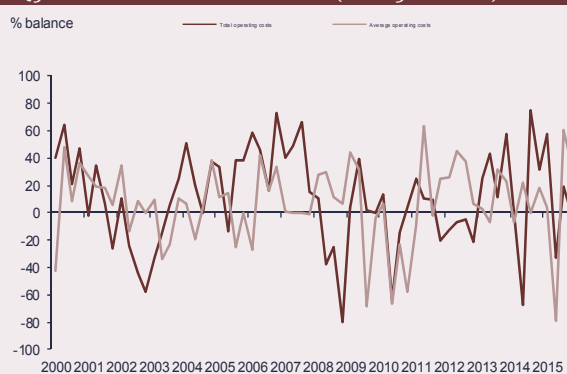
	Q3a: Past	Q3a: Next	
Latest	-36	-36	Business volumes fell for a second quarter running.
Previous	-100	+19	
Mean	+11	+6	

Q5(G): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	
Latest	-36	-36	Profits continued to fall, with another decline expected.
Previous	-100	+19	
Mean	+2	+0	

Q5c&d: TOTAL & AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past	
Latest	0	+36	Falling business volumes drove average costs higher.
Previous	+19	+60	
Mean	+16	+4	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Securities trading

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS

	Dec	2015 Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+47	+4	+93	-59	-36
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+14	-14	+39	-59	-68
b) Your present level of business with overseas customers (above/below normal) is:	0	0	0	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+47	+39	+100	-100	-36
- next 3 months	+32	+39	+40	+19	-36
b) Value** of fee, commission or premium income					
- past 3 months	+64	+39	+93	-100	-36
- next 3 months	+32	+39	+47	+19	-36
c) Value** of net interest, investment or trading income					
- past 3 months	+32	0	+40	+21	0
- next 3 months	+32	0	+33	0	0

** in sterling

	Dec	2015 Mar	Jun	Sep	Dec
4 What is the trend in your 'volume of business' with regard to the following categories of customer:					
a) Industrial & commercial companies					
- past 3 months	+32	0	0	-19	0
- next 3 months	0	0	0	+19	0
b) Financial institutions					
- past 3 months	+64	0	+40	-19	0
- next 3 months	+32	0	+40	+19	0
c) Private individuals					
- past 3 months	+47	+39	+60	-81	-36
- next 3 months	+32	+39	0	+19	-36
d) Overseas customers (UK-based operations)					
- past 3 months	+32	0	+40	0	0
- next 3 months	+32	0	+40	0	0
CHARGES, COSTS AND PROFITABILITY					
5 Excluding seasonal variations, what are the trends for:					
a) Average spreads					
- past 3 months	0	0	0	+40	0
- next 3 months	0	0	0	0	0
b) Average commissions/fees/ premiums paid					
- past 3 months	0	0	+7	0	0
- next 3 months	0	+21	+7	0	0
c) Total operating costs (excluding cost of funds)					
- past 3 months	+32	+57	-33	+19	0
- next 3 months	+32	+61	-33	+19	0
d) Average operating costs per transaction					
- past 3 months	+18	+4	-79	+60	+36
- next 3 months	+50	+25	-26	0	+36
g) Overall profitability of business					
- past 3 months	+64	0	+93	-100	-36
- next 3 months	+18	+79	+40	+19	-36
EMPLOYMENT AND TRAINING					
6 Excluding seasonal variations, what are the trends in:					
a) Numbers employed					
- past 3 months	+82	+25	-26	-40	0
- next 3 months	+50	+39	-33	0	0
b) Training expenditure					
- past 3 months	+65	+43	0	-21	0
- next 3 months	+50	+22	+7	+41	0
c) Staff costs as a proportion of total costs					
- past 3 months	+3	+25	-33	-19	+35
- next 3 months	+18	+25	-26	0	+35
6.1 What has been the trend with regard to your staff turnover:					
- past 3 months	+82	+39	-33	0	0
- next 3 months	-18	-18	-33	0	0
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	+32	+61	+86	+59	0
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	+32	-21	-32	-59	-32
b) Vehicles, plant & machinery	+32	0	0	0	0
c) Information technology	+100	+61	+60	+19	+32
9 What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*					
To provide new services	32	79	47	40	36
To increase efficiency/speed	50	57	61	61	36
To reach new customers	32	18	21	61	0
For replacement	50	61	53	39	32
To expand capacity	64	18	14	61	0
Statutory legislation and regulation	68	61	54	81	36
Other	0	0	0	0	0
10 What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*					
Inadequate net return on proposed investment	0	18	47	61	36
Shortage of finance	0	0	0	40	0
Cost of finance	0	0	0	0	0
Uncertainty about demand/business prospects	36	79	7	61	68
Shortage of labour including managerial & supervisor staff	82	39	21	41	32
Other	0	0	39	0	0

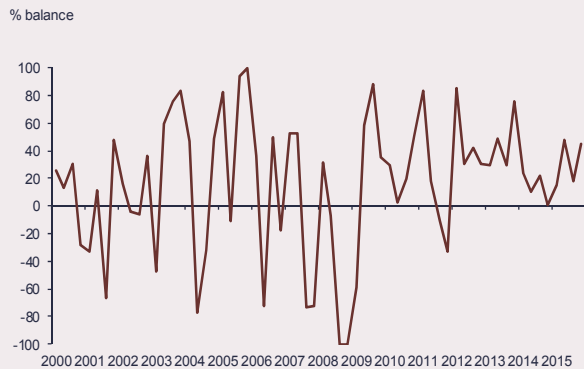
BUSINESS PROSPECTS

		2015				
		Dec	Mar	Jun	Sep	Dec
11	What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*					
Level of demand	- Total	68	57	14	81	68
	- Overseas	32	0	7	0	36
Staff turnover	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	64	39	46	19	32
	- Overseas	32	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	0	21	0	0	0
	- Overseas	0	21	0	0	0
Ability to raise funds	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
Availability of wholesale funds	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
Competition	- Total	36	57	7	81	36
	- Overseas	0	21	7	0	0
Statutory legislation and regulation	- Total	68	57	54	21	36
	- Overseas	32	21	7	0	36
Other	- Total	0	0	0	0	0
	- Overseas	0	0	0	0	0
11.1	What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?	+68	+57	+61	+19	+36
12	Where do you see your competition coming from in the next 12 months?					
Your sector of financial services		68	79	100	100	68
Other sectors of financial services		18	18	21	61	36
Companies currently positioned outside of financial services		0	18	7	21	0
New entrants		50	57	14	21	36
Other		0	0	0	0	0
GROWTH						
13	Where do you think your growth will come from over the next 3 months?					
Cross sales to new customers		36	18	61	40	36
Cross sales to existing customers		18	79	61	81	36
Acquisition of domestic customers		32	57	54	61	36
Acquisition of international customers		0	0	47	0	0
New products		32	21	40	0	0
No growth expected		32	0	79	19	32
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		+82	+61	+46	+59	+32
Cross-selling to existing customers		+68	+18	+14	+21	+68
Retaining existing customers		+50	+43	+53	+60	+32
Launching new products/services		+32	+21	+46	-59	0
Inorganic growth activities						
Engaging in M&A transactions		+50	+21	+53	-21	+32
Forming strategic partnerships/alliances		+68	+39	+7	0	+68
Market focus for growth						
Increasing market share in domestic markets		+82	+61	+47	+21	+32
Increasing market share in international markets		0	0	+40	0	0
Investment in enablers to growth						
Brand and advertising		+50	+39	+53	+40	+32
Sales force and distribution channels		+100	+39	+46	0	+68
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+68	+79	+53	0	+32
Performance measurement processes/tools		+36	+61	+60	+21	+36
IT systems and applications		+50	+39	+60	+60	+68

Investment management

- **Optimism** Optimism about the overall business situation among investment managers improved over the three months to December, and at a firmer pace than over the previous quarter.
- **Business volumes** Business volumes rebounded sharply from a fall the previous quarter. Growth was broad-based, with volumes of business with individuals, companies, financial services institutions and overseas customers all expanding strongly. Another rise is anticipated over the coming three months.
- **Pricing power** There was little movement in average spreads and fees & premiums over the three months to December, with similar trends expected for the coming quarter.
- **Income** Income from both fees, commissions & premiums and interest & investment rebounded from falls in the previous quarter, beating expectations of further declines. Another small rise in each is anticipated for the coming three months.
- **Costs** Average costs were flat over the quarter, and total costs edged up only a little.
- **Profitability** Profits rose firmly over the three months to December, easily beating prior expectations of a fall.
- **Employment** Employment continued its robust run, with numbers employed now having risen at an above-average pace for fourteen consecutive quarters and expected to make it fifteen in the coming three months.
- **Investment** Investment intentions for the coming twelve months for IT and marketing fell back somewhat for a second-consecutive survey, with those for IT now at the lowest level in five years. Fewer firms now see the provision of new services or the expansion of capacity as drivers of investment, while uncertainty about demand has risen as a constraint.
- **The year ahead** Investment managers see cross-sales to existing customers as an important factor in their growth strategies in the year ahead, supported by cross-sales to new customers. Competition and the level of demand are the most widely cited barriers to business expansion over the year ahead, while the number citing legislation and regulation has fallen sharply.

Q1: OPTIMISM VERSUS THREE MONTHS EARLIER



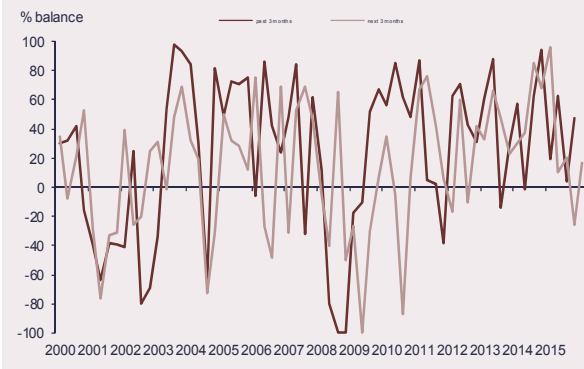
	Q1	Optimism rose for a fourth quarter running.
Latest	+45	
Previous	+18	
Mean	+18	

Q3(A): TREND IN VOLUME OF BUSINESS



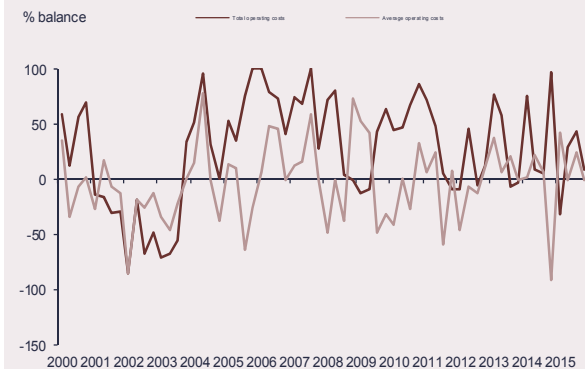
	Q3a: Past	Q3a: Next	Business volumes rebounded sharply from a dip the previous quarter.
Latest	+51	+21	
Previous	-21	-22	
Mean	+25	+18	

Q5(g): TREND IN OVERALL PROFITABILITY



	Q5g: Past	Q5g: Next	Profits grew firmly, defying expectations of a fall.
Latest	+47	+17	
Previous	+4	-26	
Mean	+22	+14	

Q5c&d: TOTAL & AVERAGE COSTS (PAST 3 MONTHS)



	Q5c: Past	Q5d: Past	Average costs were flat, and total costs rose only a little.
Latest	+9	0	
Previous	+44	+24	
Mean	+26	-3	

CBI/PwC Financial Services Survey

Survey number 105, December 2015

Investment management

Conducted between 17th November and 3rd December 2015

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

VALUE AND VOLUME OF BUSINESS

	2015				
	Dec	Mar	Jun	Sep	Dec
1 Are you more or less optimistic about THE OVERALL BUSINESS SITUATION IN YOUR SECTOR?	+1	+15	+48	+18	+45
2 Excluding seasonal variations, do you consider that in volume terms:					
a) Your present level of business (above/below normal) is:	+1	-1	+5	-7	+10
b) Your present level of business with overseas customers (above/below normal) is:	0	+13	+18	0	0
3 Excluding seasonal variations, what are the trends in:					
a) Volume of business					
- past 3 months	+1	+37	+38	-21	+51
- next 3 months	+3	+23	+62	-22	+21
b) Value** of fee, commission or premium income					
- past 3 months	+1	+37	+52	-22	+44
- next 3 months	+96	+10	+48	-37	+13
c) Value** of net interest, investment or trading income					
- past 3 months	+3	+11	+4	-29	+48
- next 3 months	0	+9	0	-4	+13

** in sterling

		Dec	2015 Mar	Jun	Sep	Dec	
4 What is the trend in your 'volume of business' with regard to the following categories of customer:							
a)	Industrial & commercial companies	- past 3 months	+3	+24	0	+16	+40
		- next 3 months	0	0	0	+1	-2
b)	Financial institutions	- past 3 months	+1	+24	-14	-19	+55
		- next 3 months	0	+11	+14	-19	+19
c)	Private individuals	- past 3 months	+3	+10	+66	+17	+32
		- next 3 months	+3	-1	+33	-3	-4
d)	Overseas customers (UK-based operations)	- past 3 months	+1	0	+14	-4	+42
		- next 3 months	0	0	0	-19	+6
CHARGES, COSTS AND PROFITABILITY							
5 Excluding seasonal variations, what are the trends for:							
a)	Average spreads	- past 3 months	+1	-1	0	+26	+2
		- next 3 months	0	0	0	+26	+6
b)	Average commissions/fees/ premiums paid	- past 3 months	+2	+23	+33	+23	-6
		- next 3 months	+3	+13	+33	-4	-6
c)	Total operating costs (excluding cost of funds)	- past 3 months	+97	-32	+29	+44	+9
		- next 3 months	+94	0	+14	+77	+9
d)	Average operating costs per transaction	- past 3 months	-91	+42	0	+24	0
		- next 3 months	-94	0	0	+39	0
e)	Value of non-performing loans	- past 3 months	0	0	-14	-1	0
		- next 3 months	0	0	0	0	0
	of which:						
	Retail	- past 3 months	0	0	0	0	0
		- next 3 months	0	0	0	0	0
	Corporate	- past 3 months	0	0	-14	-1	0
		- next 3 months	0	0	0	0	0
g)	Overall profitability of business	- past 3 months	+94	+19	+63	+4	+47
		- next 3 months	+96	+10	+20	-26	+17
EMPLOYMENT AND TRAINING							
6 Excluding seasonal variations, what are the trends in:							
a)	Numbers employed	- past 3 months	+91	+53	+53	+59	+48
		- next 3 months	+81	+12	+68	+28	+29
b)	Training expenditure	- past 3 months	+89	+68	+41	+63	+8
		- next 3 months	+78	+12	+41	+50	+8
c)	Staff costs as a proportion of total costs	- past 3 months	+80	+33	-11	+34	+29
		- next 3 months	+80	-14	-11	+22	+24
6.1	What has been the trend with regard to your staff turnover:						
		- past 3 months	+2	-10	+59	+32	+19
		- next 3 months	+80	+7	+23	+20	0
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		+99	+30	+68	+10	-4
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		+3	+1	-14	-19	-2
b)	Vehicles, plant & machinery		+3	+4	0	-3	+4
c)	Information technology		+97	+36	+86	+29	+6
9	What are the main reasons for any expected CAPITAL EXPENDITURE AUTHORISATION over the NEXT 12 MONTHS*						
	To provide new services		95	35	52	39	19
	To increase efficiency/speed		6	91	67	85	36
	To reach new customers		94	58	63	35	38
	For replacement		5	25	32	19	23
	To expand capacity		94	63	14	16	9
	Statutory legislation and regulation		95	72	81	61	87
	Other		0	0	0	1	0
10	What factors are likely to limit (wholly or partly) your capital authorisations over the NEXT 12 MONTHS*						
	Inadequate net return on proposed investment		97	66	33	53	36
	Shortage of finance		0	52	0	0	0
	Cost of finance		0	24	0	0	0
	Uncertainty about demand/business prospects		6	48	52	42	61
	Shortage of labour including managerial & supervisor staff		94	33	48	26	29
	Other		0	0	0	19	29

BUSINESS PROSPECTS

		2015				
		Dec	Mar	Jun	Sep	Dec
11 What factors are likely to limit your ability to increase your level of business over the NEXT 12 MONTHS*						
Level of demand	- Total	3	61	67	38	65
	- Overseas	1	36	48	35	48
Staff turnover	- Total	0	11	0	0	0
	- Overseas	0	0	0	0	0
Availability of professional staff	- Total	96	39	0	31	26
	- Overseas	0	0	0	26	0
Availability of clerical staff	- Total	0	39	0	0	0
	- Overseas	0	0	0	0	0
Adequacy of systems capacity	- Total	0	52	0	1	0
	- Overseas	0	13	0	0	0
Ability to raise funds	- Total	0	11	0	0	9
	- Overseas	0	0	0	0	0
of which:						
Ability to raise capital	- Total	0	11	0	0	9
	- Overseas	0	0	0	0	0
Availability of corporate loans	- Total	0	0	0	0	6
	- Overseas	0	0	0	0	0
Competition	- Total	97	70	33	39	75
	- Overseas	1	27	33	19	36
Statutory legislation and regulation	- Total	3	53	48	59	28
	- Overseas	0	9	48	41	32
Other	- Total	0	0	0	19	0
	- Overseas	0	0	0	19	2
11.1 What do you expect to spend on regulatory compliance in the NEXT 12 MONTHS?		+5	+50	+99	+99	+87
12 Where do you see your competition coming from in the next 12 months?						
Your sector of financial services		99	100	100	100	98
Other sectors of financial services		96	11	14	35	33
Companies currently positioned outside of financial services		3	11	14	19	33
New entrants		6	66	18	50	36
Other		0	11	0	0	0
GROWTH						
13 Where do you think your growth will come from over the next 3 months?						
Cross sales to new customers		3	37	14	51	55
Cross sales to existing customers		3	29	32	77	81
Acquisition of domestic customers		96	73	68	76	45
Acquisition of international customers		0	23	14	64	39
New products		1	42	1	0	9
No growth expected		3	0	0	0	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		+97	+80	+67	+61	+28
Cross-selling to existing customers		+3	-11	+81	+8	+15
Retaining existing customers		+5	+59	+68	+81	+59
Launching new products/services		+94	+42	+19	+34	+9
Inorganic growth activities						
Engaging in M&A transactions		+97	+23	+20	-18	+29
Forming strategic partnerships/alliances		+3	+26	+48	+33	+6
Market focus for growth						
Increasing market share in domestic markets		+99	+42	+67	+75	+13
Increasing market share in international markets		+93	+27	+33	+36	+48
Investment in enablers to growth						
Brand and advertising		+99	+20	+34	+36	+2
Sales force and distribution channels		+98	+63	0	+20	+6
CRM/marketing capabilities (e.g. pricing, segmentation, profitability analysis)		+1	+14	+1	+62	+13
Performance measurement processes/tools		0	-10	-14	+26	0
IT systems and applications		+3	+32	+48	+80	+9

Supplementary questions

▪ **Perceptions of financial market conditions**

Confidence in financial market conditions improved further in the quarter to December, having deteriorated earlier in 2015. A majority (61%) of respondents assigned a low likelihood to a worsening in financial market conditions over the next six months, up from a recent low of 29% in the quarter to March. However, the majority (64%) of respondents believed that “normal” financial market conditions will only resume beyond six months, still higher than the share one year earlier (47%).

▪ **Impact of “fintech” firms on growth strategies**

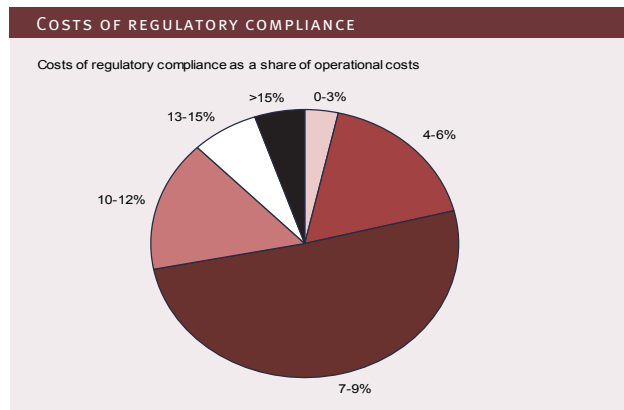
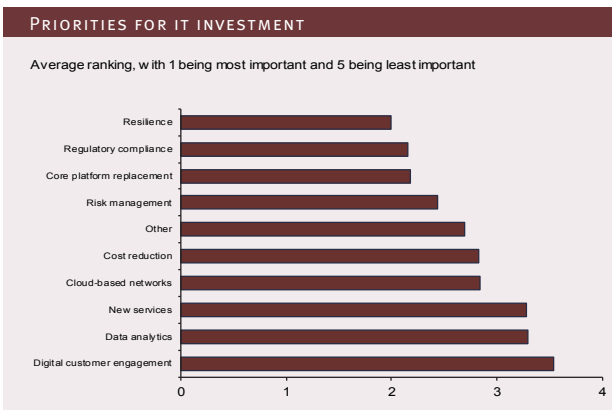
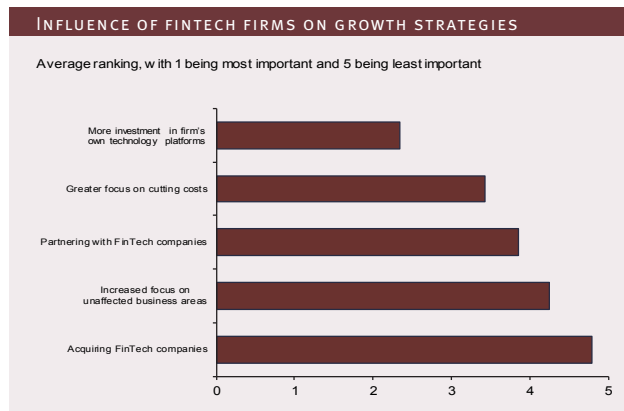
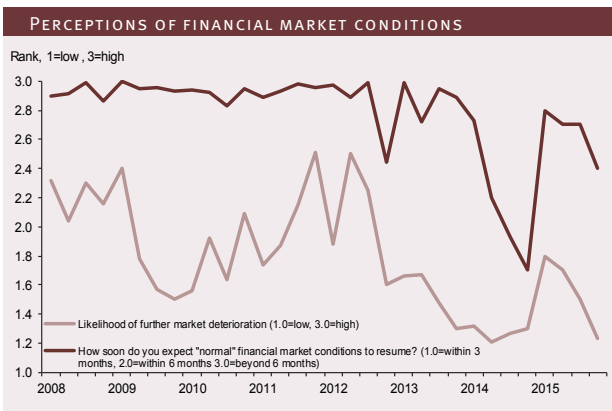
Asked about their response to the growth of “fintech” firms, survey respondents said their growth strategies for the next five years would favour increased investment in their own technology platforms over the acquisition of fintech firms. However, the potential for partnerships with fintech firms was seen as a top priority for finance houses, insurance brokers and investment management firms.

▪ **IT investment priorities**

Firms in all sectors expect to raise investment in IT over the year ahead. Overall, ensuring resilience and upgrading core platforms are among the highest priorities, alongside regulatory compliance. However, there is considerable variance across sectors. For example, building societies identified data analytics as a top priority, while firms in general and life insurance will focus on investment in cloud-based networks.

▪ **Concerns over “twin peaks” regulation**

The cost of complying with regulation is a key concern for financial services firms. Around half (51%) of firms stated that compliance costs accounted for 7-9% of operational costs. More than a quarter (28%) said costs were higher than 10%. Building societies and investment managers reported the highest average compliance costs.



SAMPLE SIZES AND WEIGHTS

Survey 105, December 2015	Number of respondents	Sample weight
Banking	17	0.40
Building societies	10	0.05
Finance Houses	12	0.05
Life insurance	5	0.11
General insurance	13	0.16
Insurance brokers	20	0.05
Securities trading; stockbroking	3	0.08
Investment management	9	0.05
Private equity (ex venture capital)	5	0.00
Other financial institutions	6	0.05
Total	100	1.00

SUBSCRIPTION INFORMATION

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SECTORS COVERED BY STANDARD INDUSTRIAL CLASSIFICATION

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

CBI Economic Analysis

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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Advising Financial Services Organisations

PricewaterhouseCoopers 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 for more information.

PwC Contact Details

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Banking: Simon Hunt

Investment Management: Mark Pugh

Building Societies: Nick Elliott

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 December 2015 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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