



MANAGEMENT
CONSULTANTS

INVESTMENT 360 INDEX 2022



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CIL's *Investment 360 Index* is based on a survey of business and investment professionals that took place over August and September 2022. We had 195 respondents.

The Index provides a valuable analysis of UK business confidence among investors and business leaders at the present moment and over time. Now in its sixth year, it is building into a fascinating dataset, tracking economic confidence through Brexit, COVID, and much political change.

This year's results reveal:

- A significant shift in negative economic sentiment towards the UK economy, driven by inflation, interest rate rises and fears of recession.

However, long-term sentiment about the UK economy remains positive, with respondents viewing the likely downturn short term.

- Investors report a decline in M&A activity when compared to 2021. This is expected to decline further over the next 12 months.

- Confidence in the Bank of England has fallen, fuelled by its delay in raising interest rates to counter inflation.
- The majority of respondents expect the Bank of England to raise interest rates to between 3% and 5%.
- Confidence in the UK Government has reached a nadir, with comments suggesting the Conservative leadership election took focus away from the pressing issues affecting the country's economic health.

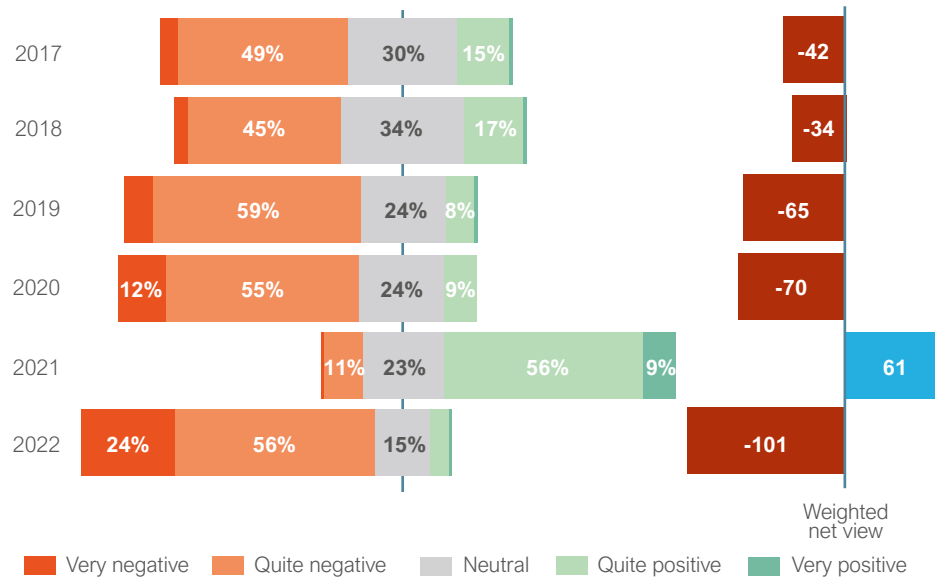
We hope you find the results of interest. Please do contact us with any observations, suggestions or questions.

Methodology

We have implemented a weighted net result. This calculates overall sentiment year-on-year, with "very negative" or "very positive" weighted + or - 2 and a "quite negative" or "quite positive" response scoring + or - 1.

A GLOOMY PICTURE

How do you feel about the economic outlook for the UK in the short-term (next 18-24 months)?



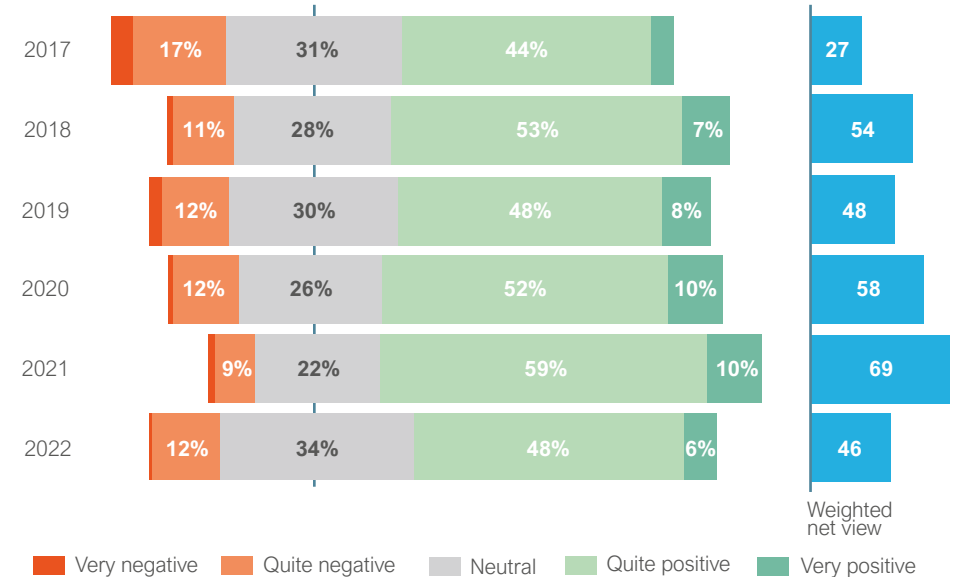
Post-lockdown, our results showed a significantly positive shift in sentiment towards the UK economy. This was short-lived.

This year's results show a sharp correction, driven by rising inflation, rising interest rates, supply chain disruptions, the energy crisis and fears of an impending recession.

"MACRO UNCERTAINTIES ARE AFFECTING CONFIDENCE, FEEDING THE DOWNTURN AND MAKING POSITIVE INVESTMENT AND BUSINESS AS USUAL DECISIONS MORE OF A CHALLENGE"

POSITIVITY ON THE HORIZON

How do you feel about the economic outlook for the UK in the long term (5-10 years)?



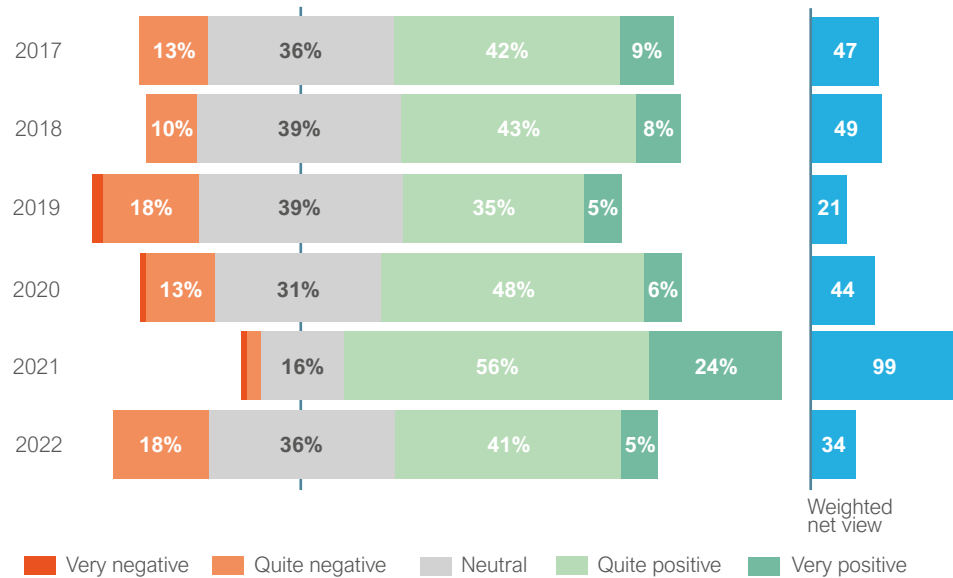
Longer-term, sentiment towards the UK economy has always been broadly positive. While this year shows a slight contraction, the outlook remains robust with respondents viewing any downturn as temporary.

The long-term effects and uncertainty linked to Brexit, however, still weigh on the minds of our respondents.

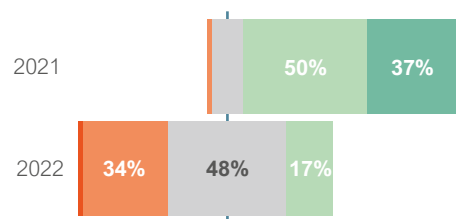
"THESE THINGS COME IN CYCLES AND INEVITABLY THE TIDE WILL TURN BACK IN FAVOUR OF POSITIVE GROWTH AS THINGS START TO SETTLE DOWN AT A MACRO LEVEL"

A MARKET ON THE MOVE

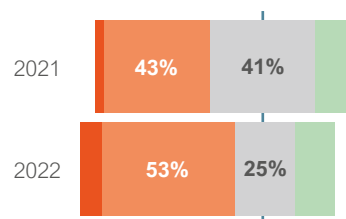
How do you feel about the investment environment for your business (or your portfolio if an investor)?



What is your view on the current level of M&A deal activity?

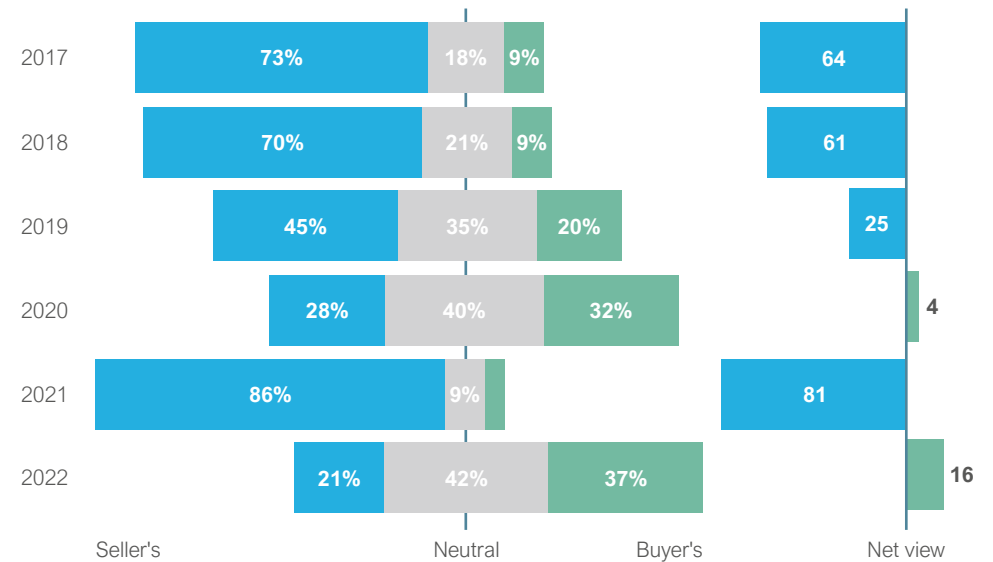


By comparison, how do you see M&A deal activity changing over the next 12 months?

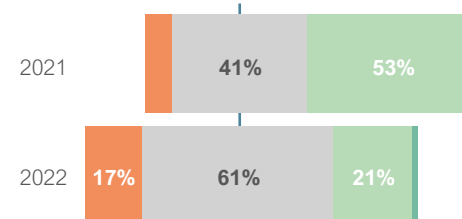


CHANGING ASSET QUALITY

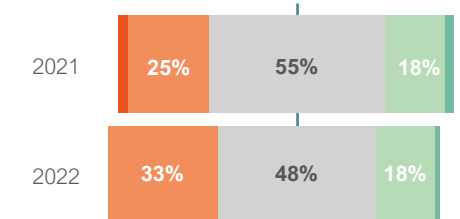
In terms of M&A, do you think it is a seller's or buyer's market?



On average, what is the current quality of assets in the market?

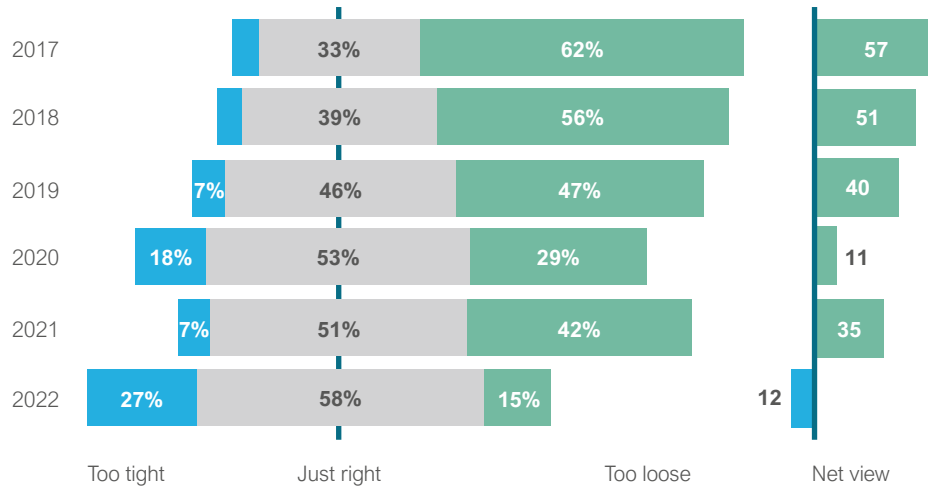


By comparison, how do you see the quality of assets changing over the next 12 months?

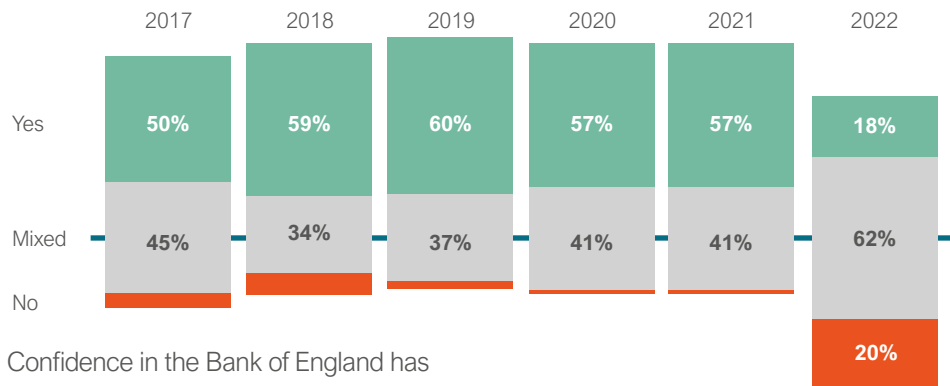


CREDIT MARKETS

Do you think credit markets are too loose, just right or too tight?



Do you think the Bank of England is doing a good job?

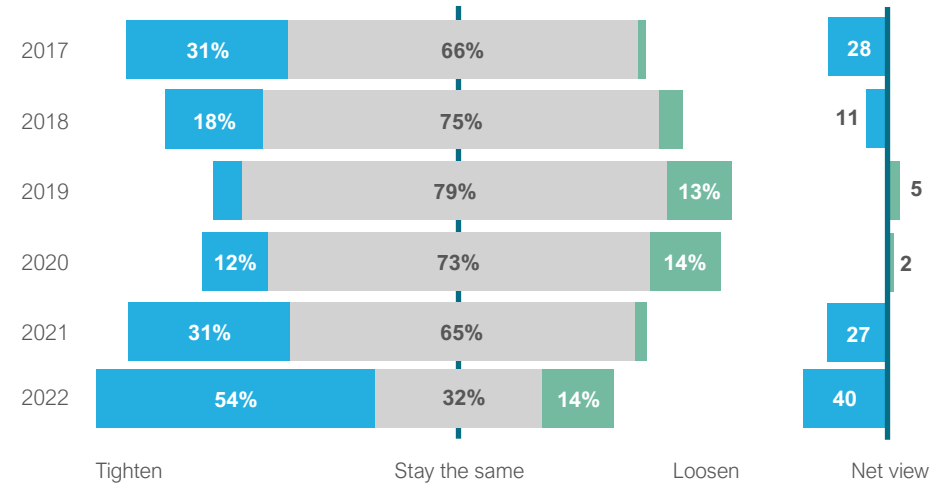


Confidence in the Bank of England has fallen, fuelled by the belief that the Bank acted late in raising interest rates. Others, however, question the effectiveness of interest rate rises altogether, as a significant portion of inflation is imported.

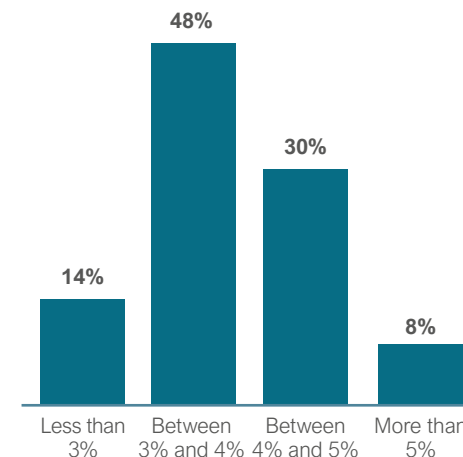
"HINDSIGHT IS A GREAT THING BUT TIGHTENING INTEREST RATES SOONER WOULD HAVE BEEN PRUDENT."

COMBATting INFLATION

Do you think that monetary policy (implemented by the Bank of England) should loosen, stay the same or tighten?



How much do you expect the Bank of England to raise official interest rates in response to the inflation threat?

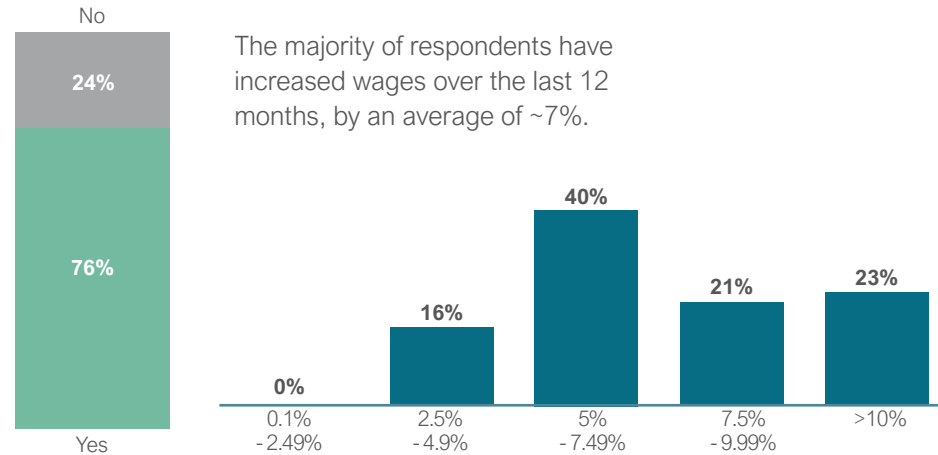


54% of respondents think that the Bank needs to tighten monetary policy further, with most respondents expecting that interest rates will be raised to between 3% and 5%.

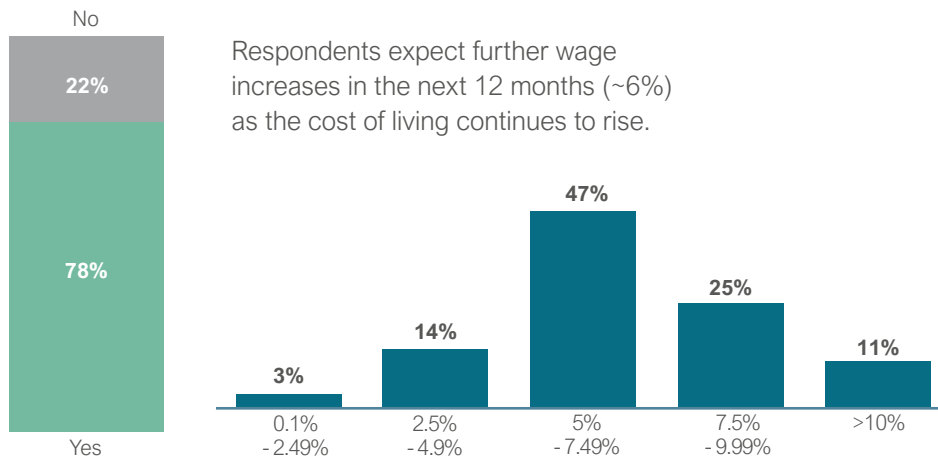
"ALTHOUGH INFLATION IS NOW DRIVEN BY SUPPLY SHORTAGES, IT IS IMPERATIVE TO RETURN THE ECONOMY TO 2.5% LEVELS BY RAISING INTEREST RATES."

WAGES WAXING

Have you increased wages (within your business or portfolio businesses) in response to inflationary or labour shortage pressures in the last 12 months?

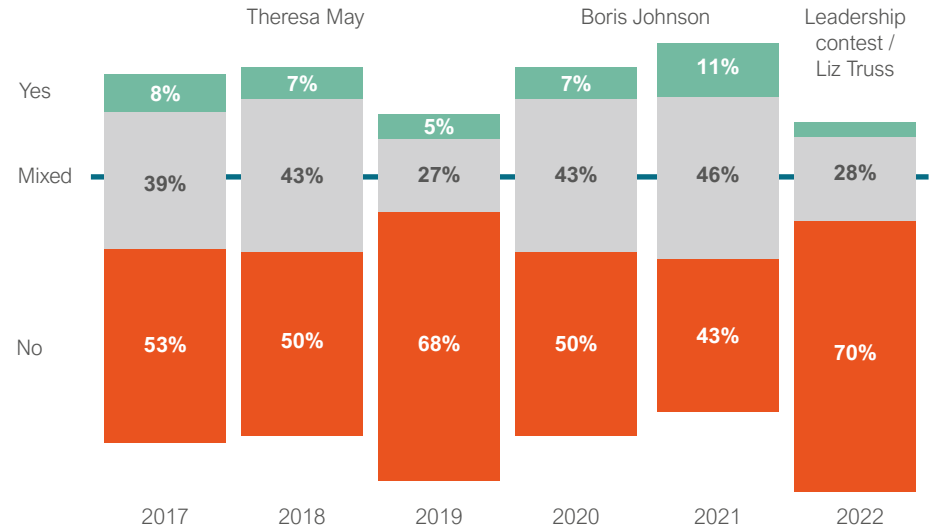


Do you plan or expect to make pay changes in your business in the next 12 months?



CONFIDENCE IN GOVERNMENT WANING

Do you think the Government is doing a good job?



Do you think fiscal policy should loosen, stay the same or tighten?

