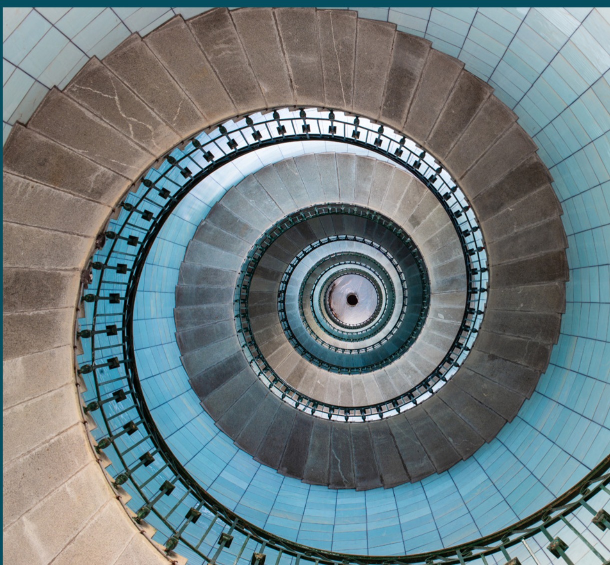
MANAGEMENT
CONSULTANTS

INVESTMENT 360 INDEX 2025



WELCOME TO THE INVESTMENT 360 INDEX

In its ninth year, CIL's Investment 360 Index captures sentiment across the UK business investment community.

This year's findings reveal a marked deterioration in confidence: pessimism about the long-term economic outlook reaches record levels, dissatisfaction with government policy is at an all-time high, and deal activity remains sluggish.

While some positives remain – pent-up demand, stable credit markets, and the steadying effect of lower inflation – the prevailing view is one of disappointment.

Stability, once again, fails to materialise.

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GOVERNMENT CREDIBILITY COLLAPSES

The defining story of this year's Index is the collapse in confidence in government performance. Nearly three-quarters (72%) of respondents say the government is not doing a good job – the lowest score recorded since the Index began.

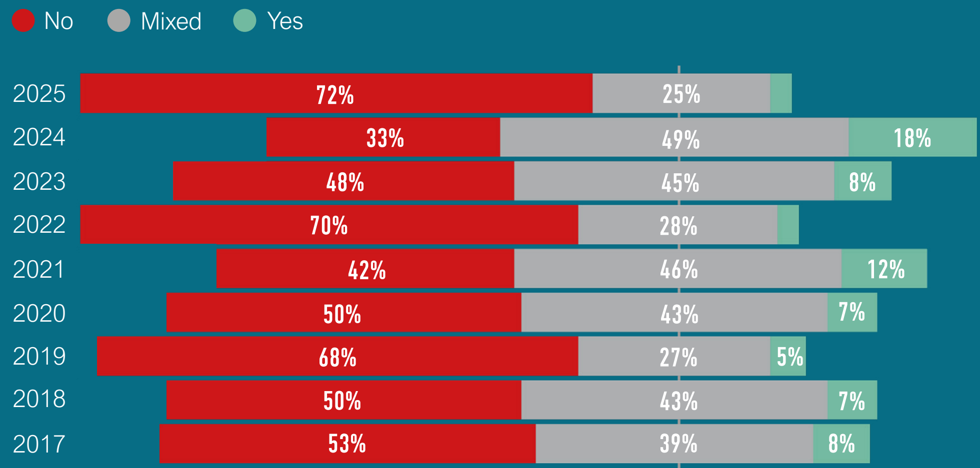
This year's reading is especially striking because it falls below even the weak levels seen during earlier moments of notable political turbulence, such as the transition from Boris Johnson to Liz Truss in 2022 or the uncertainty ahead of Brexit in 2019.

Respondents criticise both the absence of a credible growth plan and the government's tax strategy. Others point to repeated U-turns as evidence of weak leadership, with one describing these as "a shambles and hugely damaging to their credibility domestically."

The deterioration is all the more notable given the expectations expressed during last year's Index. Although 65% of our 2024 respondents anticipated that a Labour government would negatively affect private equity and the investment community, they were willing to accept this if it delivered wider economic growth. Twelve months on, growth is not materialising, and the promise of stability is giving way to frustration.

As one respondent puts it, "The government has no credible plan for economic growth or stimulus to incentivise growth."

Do you think the government is doing a good job?



POLICY UNCERTAINTY DEEPENS

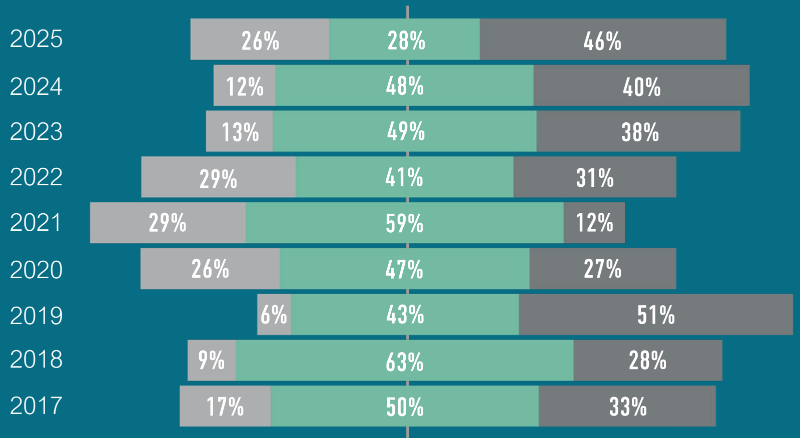
The business community is polarised on fiscal policy. Where in previous years ~50% supported the status quo, this consensus has collapsed, largely in favour of fiscal loosening.

The challenge for the government, and for the Chancellor in particular, is clear. Calls to cut taxes and ease fiscal conditions are matched by pressure to restore sustainability through deficit reduction.

As one respondent put it, the government “needs to drastically cut spending and encourage growth through incentives”, while another argues the opposite: that the priority should be to “start investing in infrastructure and housing to kickstart the economy.”

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

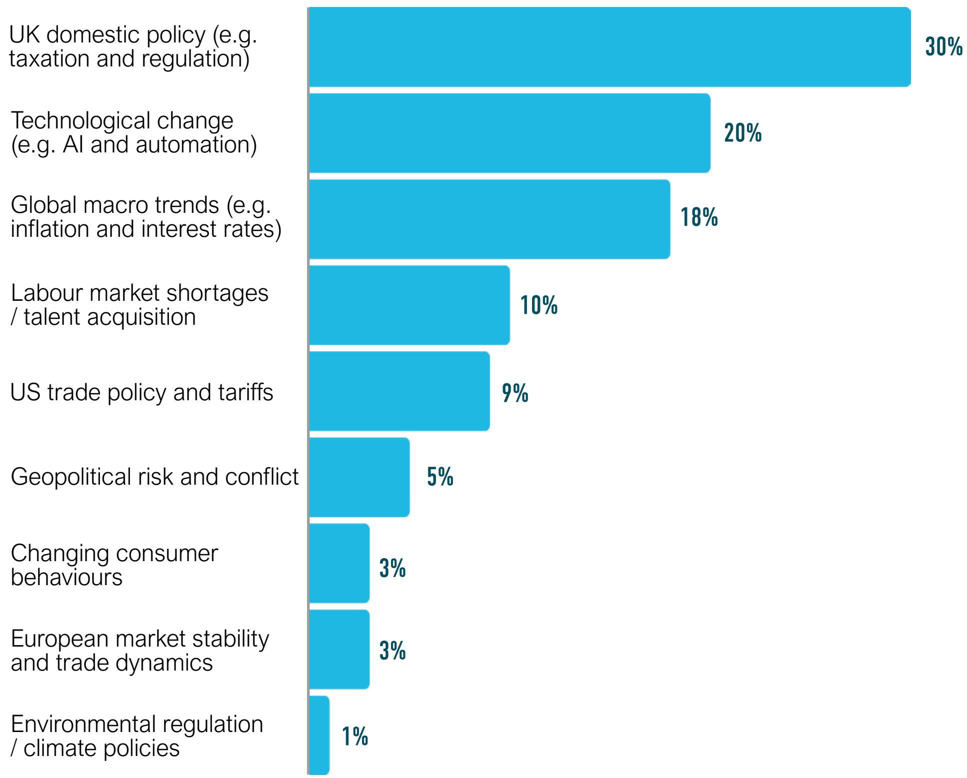
Tighten Stay the same Loosen



Together, these perspectives underline not only dissatisfaction with fiscal management but also the absence of consensus on how to resolve it.

This policy uncertainty feeds directly into boardroom priorities. When asked which factors have the greatest impact on strategic decision-making, respondents overwhelmingly point to UK domestic policy, above even global macro trends, talent shortages, or technological change.

Which of the following do you feel currently has the greatest impact on strategic decision-making?



> There is a lack of policy and economic prioritisation by government.

SHORT-TERM CONFIDENCE COLLAPSES

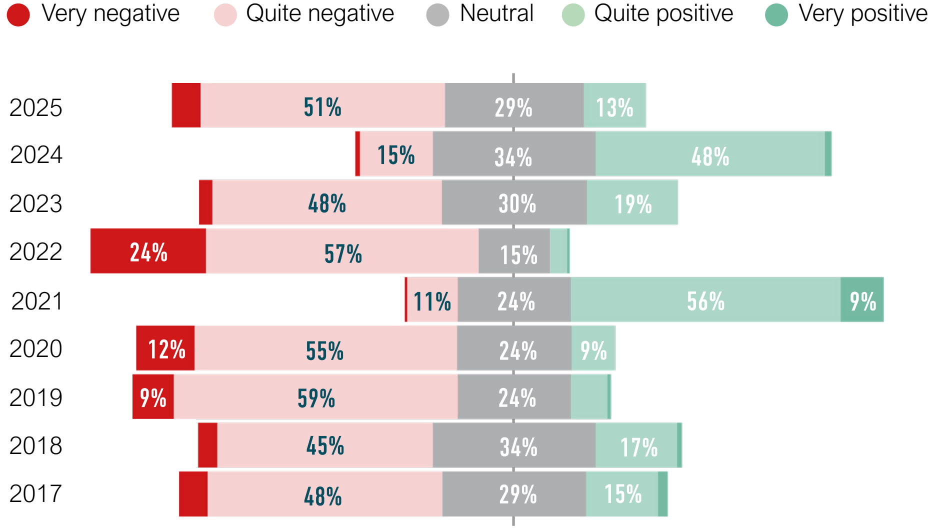
The collapse in government credibility, coupled with frustration over fiscal direction, erodes confidence in the UK's short-term economic outlook.

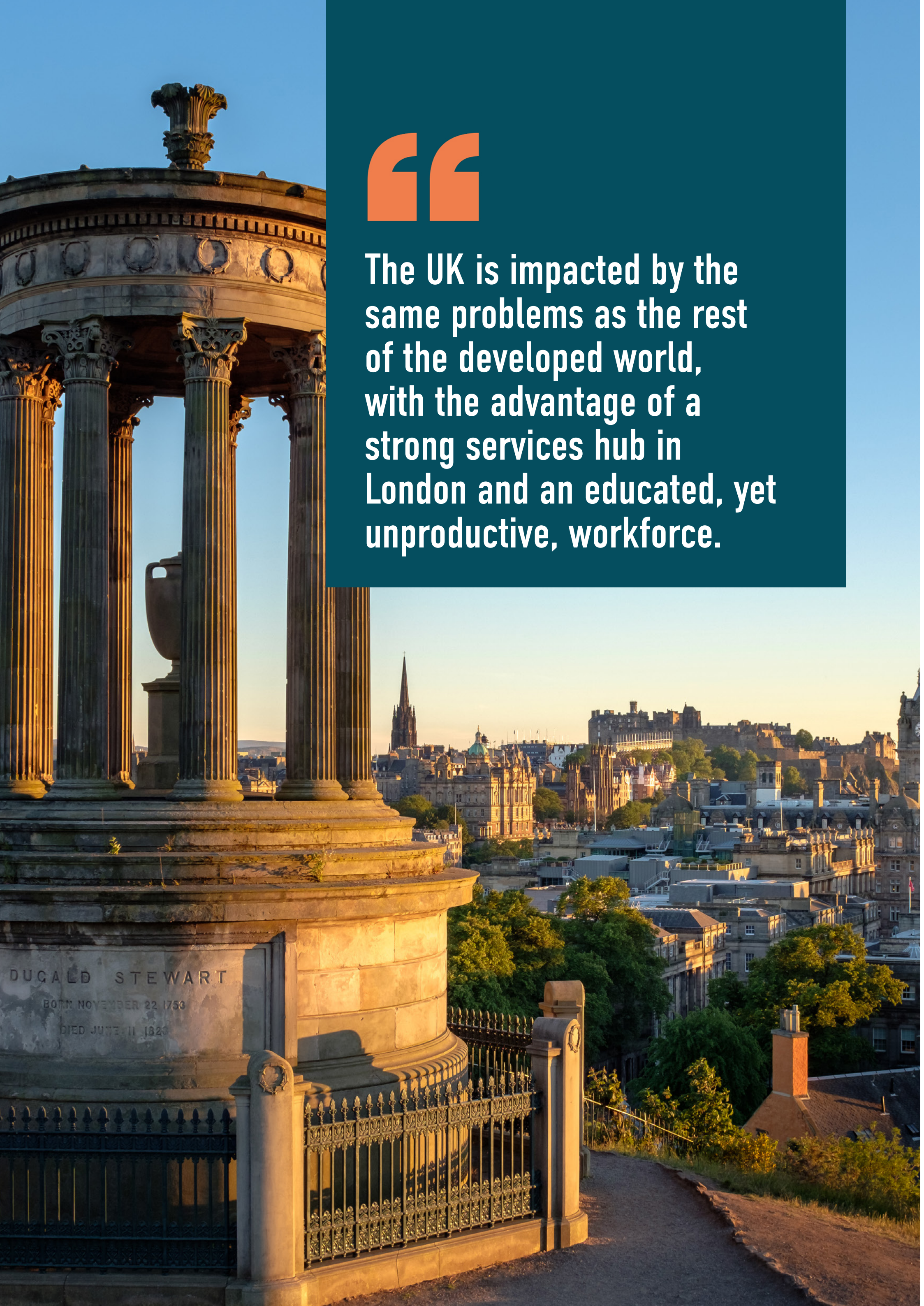
Almost 60% of respondents describe themselves as negative about the next 18–24 months, compared with just 16% in 2024.

Alongside policy uncertainty, high and persistent inflation in the UK (currently almost 4% vs. around 2% in most developed markets) is eroding confidence. This also contributes to interest rates remaining relatively high (4% vs. 2% in the Eurozone), which is depressing economic activity.

Despite the pessimism, there are tentative signs of balance. A minority highlight that the economic environment is gradually settling from the uncertainty and soaring inflation of 2022 and 2023.

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





> The UK is impacted by the same problems as the rest of the developed world, with the advantage of a strong services hub in London and an educated, yet unproductive, workforce.

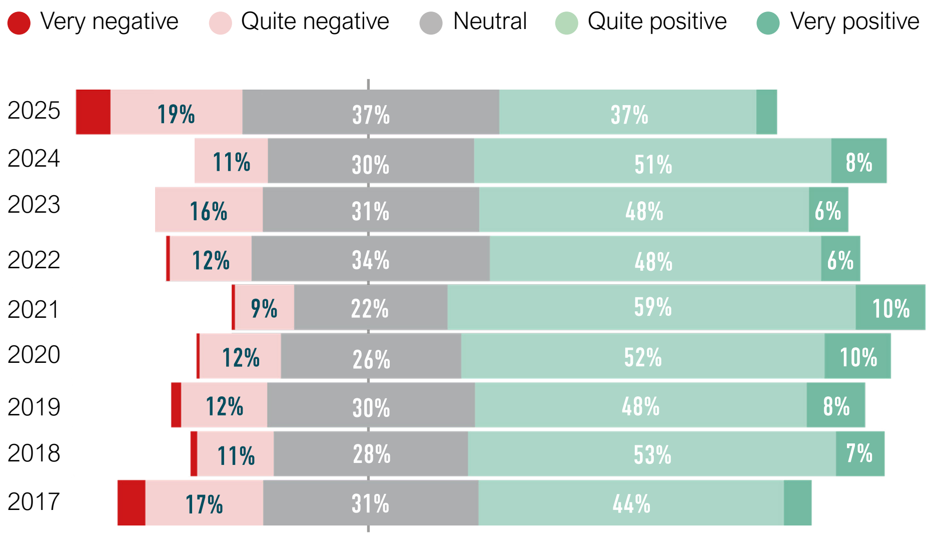
LONG-TERM REALISM SETS IN

The business and investment community has historically tended towards long-term optimism but even this trend is now eroding.

Just 40% of respondents feel positive about the economic outlook over the next 5–10 years, compared with 59% in 2024. This is the lowest score recorded since the Index began.

The mood reflects a shift from hope to realism. Over the past decade, the UK has weathered a series of shocks – Brexit, COVID, political turbulence and persistent inflation. Last year, many believed a change of government could mark a turning point. Instead, sentiment has settled into something more sobering: that structural challenges may be more entrenched than previously acknowledged, and that uncertainty is not a temporary phase but the baseline condition for the UK economy.

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



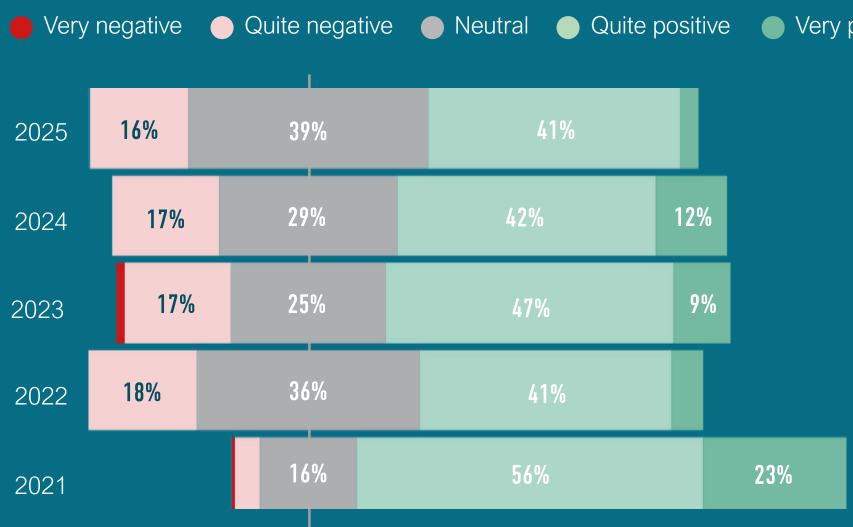
PENT-UP DEMAND, STALLED EXECUTION

Sentiment towards the investment environment remains net positive, though is weaker than in previous years.

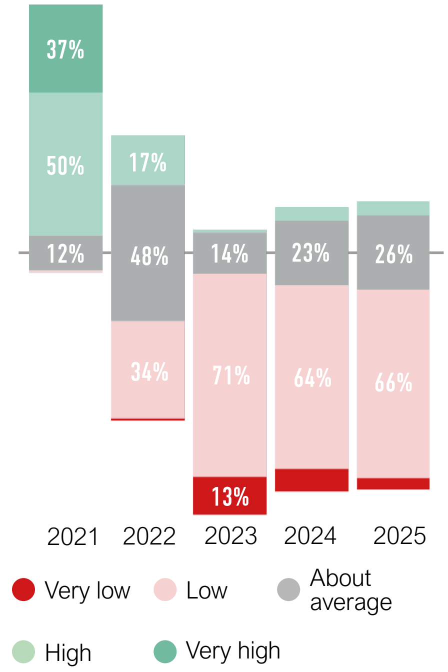
Respondents highlight pent-up demand after two years of subdued activity, with capital ready for deployment. There are clear signs of valuations settling, a necessary step for deals to move forward.

Longer-term optimism is not yet translating into activity. Current perceptions of M&A remain muted: only a third of respondents rate deal flow as average or high, and the majority still see activity as subdued. Looking ahead, just over half expect deal activity to increase over the next 12 months, down sharply from 2024 when three-quarters predicted improvement.

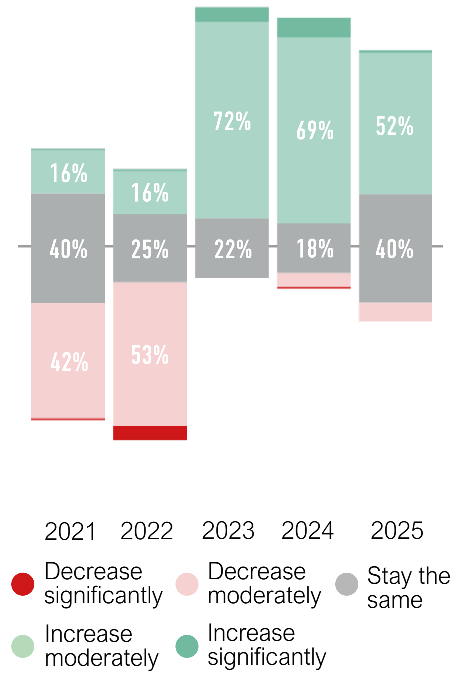
How do you feel about the investment environment for your business (or your portfolio)?



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



How do you see M&A deal activity changing over the next 12 months?



Part of the explanation lies in persistent uncertainty and the behaviour of sellers. Business owners remain reluctant to bring assets to market unless they can command premium valuations. This has left the mid-market sluggish with funds ready to deploy but relatively few opportunities emerging.

Continuation funds have become a way of navigating this impasse. By selling assets into new vehicles, GPs can return capital to LPs while retaining businesses they believe still have further upside. Preqin data shows that the number of continuation funds raised globally has increased fivefold between 2019 and 2024, from just 16 vehicles in 2019 to 80 in 2024. Exits reached a record $41bn in H1 2025. The rise of continuation funds underlines the tension between LPs, who want liquidity, and GPs, who are unwilling to crystallise (all) value at current valuations.

The result is an environment where pent-up demand sits alongside muted deal flow, and where innovative structures are being used to bridge the gap between investor pressure and market reality.

THE BALANCE OF POWER IN M&A

Perceptions of asset quality remain broadly stable. Over half of respondents describe the current quality of assets as average, little changed from last year. Expectations of improvement, however, are weakening. Just 38% anticipate asset quality will increase over the next 12 months, compared with 55% in 2024.

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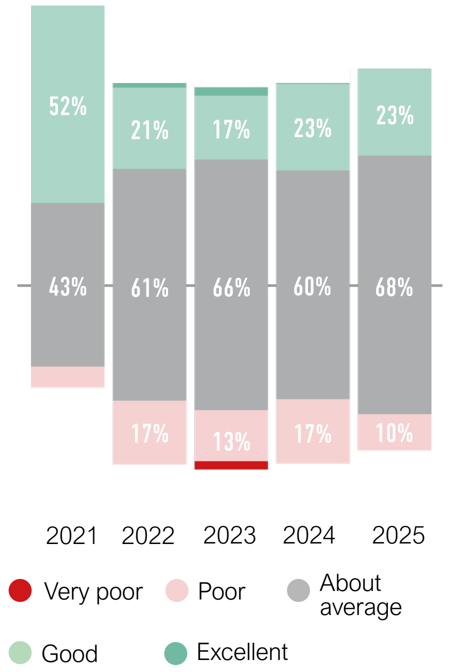
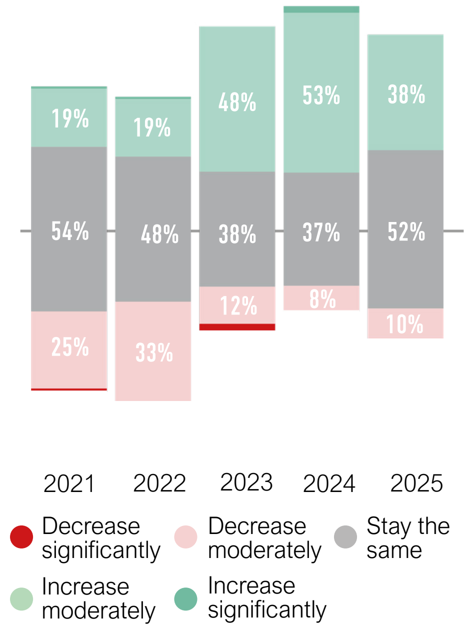
On average, what is the current quality of assets on the market?



How do you see the quality of assets changing over the next 12 months?



This steadiness points to a polarised dynamic, with quite different characteristics at opposite ends of the market. At the premium end, competition for the very best assets remains intense, with valuations holding firm as significant capital continues to chase a limited pool of opportunities. As one respondent notes, “scarcity of assets continues to drive headline value for the right businesses.”

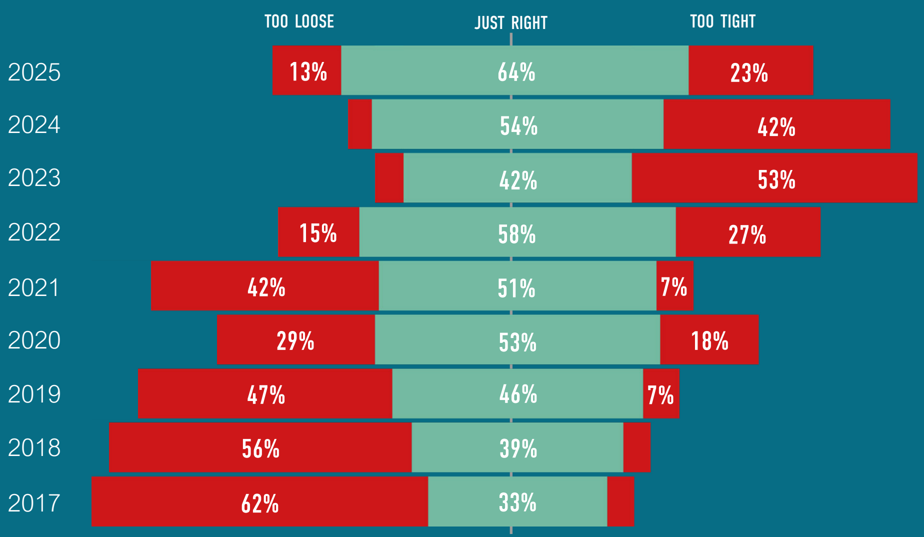
In contrast, the broader mid-market is subdued. Deal flow remains thin, and solid but non-premium businesses are struggling to develop competitive processes. Valuations here are depressed, sellers reluctant and buyers selective.

Yet this environment also creates opportunities. If investors are willing to look through the “new normal” of uncertainty and back their investment theses, they may find quality assets available at lower multiples than in recent years. As one respondent observes, “there is limited appetite generally from buyers and they are very selective, so a party willing to buy and be pragmatic will be valued by the seller."

CREDIT MARKETS STABILISE

Not all sentiment in this year's Index is negative. Respondents express the highest level of satisfaction yet with credit conditions, and the majority describe markets as "just right."

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



Availability of credit is no longer seen as a constraint; instead, cost has become the primary issue. One respondent comments that "credit markets are right... pricing has come down… but credit risk / leverage remains stable."

Views of the Bank of England are more nuanced. Satisfaction has improved compared with 2022 and 2023, when many felt the Bank was too slow to tighten policy as inflation took hold. That residual frustration lingers, but the balance of opinion today is in favour of loosening, reflecting market expectations for two rate cuts over the next year, as inflation is expected to moderate.

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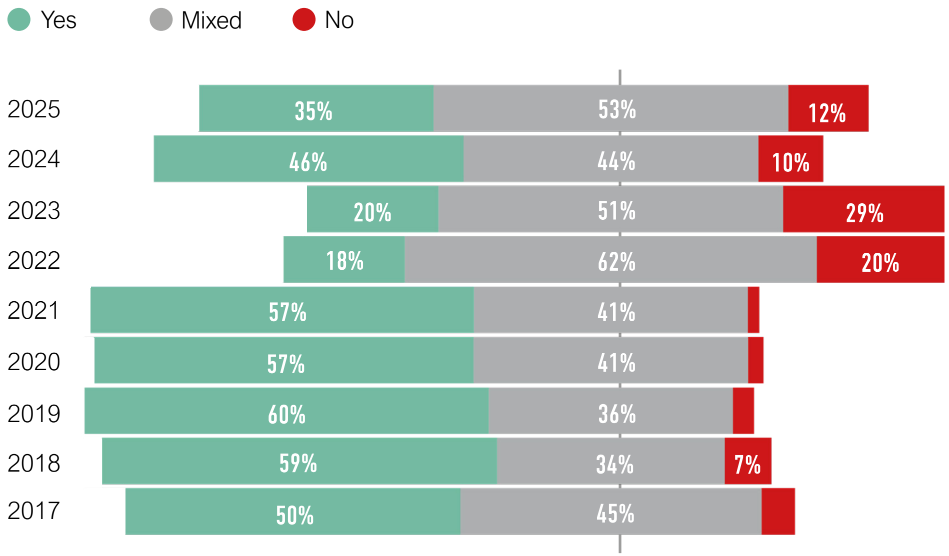
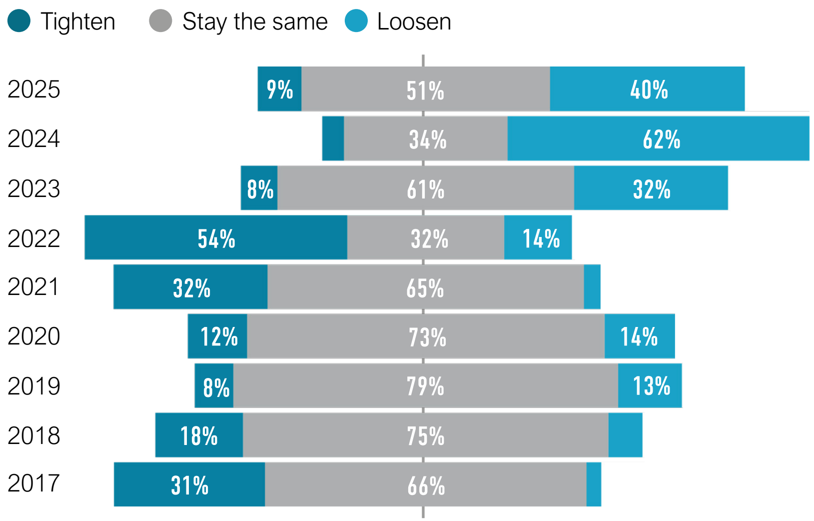
This contrast, a relatively well-functioning credit market alongside lingering scepticism about the Bank's responsiveness, highlights a wider theme of this year's Index. Investors see the financial system itself as relatively steady, but question the ability of policymakers to act decisively enough to support recovery.

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



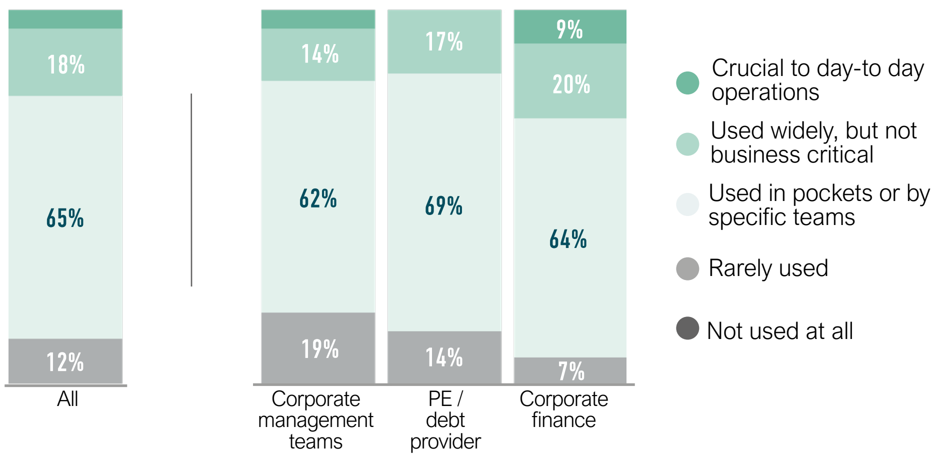
Do you think monetary policy should loosen, stay the same or tighten?



AI EXPERIMENTATION OUTWEIGHS EXECUTION

Artificial intelligence and automation feature heavily in political and business debate. The government presents AI as a core part of its strategy to boost growth, aiming to make the UK an "AI superpower". Recent announcements of major US investment in UK AI infrastructure add to the sense of urgency. Against this backdrop, the Index examines how far adoption is progressing, and whether productivity gains are truly within reach.

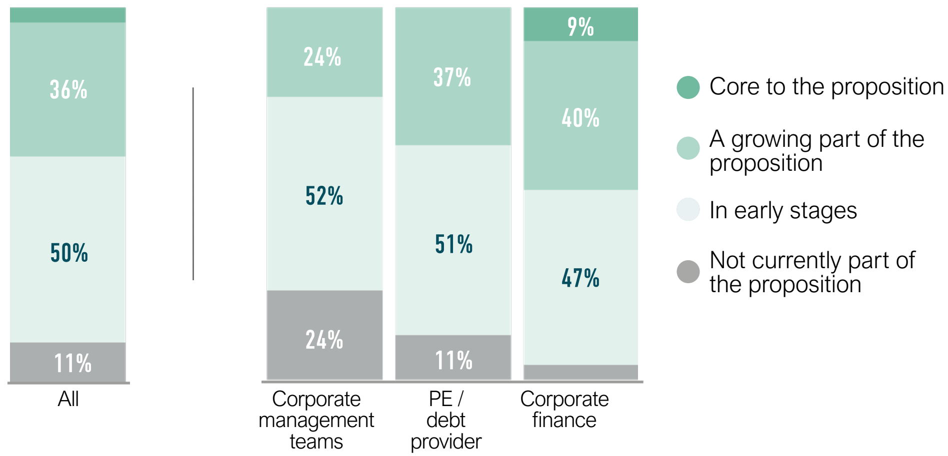
To what extent is AI currently being used across your operations, or the operations of your portfolio companies / companies you advise?



Artificial intelligence and automation are firmly on the agenda, but their impact remains limited. Every respondent reports some use of AI, yet only 5% said it was business critical. For most, adoption is confined to specific teams or functions, with 65% describing it as being used in "pockets" rather than across the organisation. When asked about integration into company propositions, almost 60% admit they are either at an early stage or have yet to incorporate AI at all.

The findings suggest that AI is everywhere and nowhere at once.

To what extent is AI currently being integrated into your proposition, or the proposition of your portfolio companies / companies you advise?



It is widely talked about but rarely embedded in a way that transforms day-to-day operations or drives measurable outcomes. As one respondent put it, "most businesses are still trying to work out what AI means for them and how they can harness it."

This reflects a nuanced trajectory. Among corporate respondents, adoption is still patchy, with little evidence of AI being embedded across the business. By contrast, investors and advisers report seeing AI applied more actively in portfolio work, reflecting a belief that it will become a future driver of value creation. For now, though, execution lags experimentation, and the short-term impact on productivity or margins remains modest, if not entirely absent.

That lag matters for the UK. Productivity remains 14% lower than in France, 22% lower than in Germany and 30% lower than in the US. The IMF estimates that fully embracing AI could boost UK productivity growth by up to 1.5% a year, worth as much as £47 billion annually.

Yet, adoption of new technologies has historically been a weak spot for UK businesses. As Matt Clifford, the Prime Minister's former AI adviser, recently warned, the UK is "probably the worst adopter of new technology in the developed world."

In this context, AI is more than an innovation issue: it is a critical lever for tackling the UK's long-standing productivity gap. Unless adoption moves beyond experimentation and becomes embedded in business models, the UK risks falling further behind international peers.

GET IN TOUCH

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