

CII Group Membership Survey on the Economy 2011

About the Survey

In August 2010, we conducted our last survey of member sentiment about future economic performance and business prospects. This year's survey repeats two of the questions from 2010 to identify how far member sentiment has changed over time.

Headline findings

- Nearly half of respondents think the economy will be stable over the next twelve months whilst over a third predicts that the economy will deteriorate.
- The proportion of people that believe the economy will deteriorate has increased by ten percentage points from 2010.
- This increase in negative sentiment about the economy tracks changing analyst forecasts which recently downgraded the prospects for growth in 2011. Analyst projections about 2011 performance are at their lowest point since our last survey on the economy in 2010.
- In contrast to member sentiment about the economy, respondents were relatively positive about prospects for their businesses.
- Half of respondents think that the prospects for their business are stable over the next 12 months and nearly a third believes that prospects are good. Only 15% believe that prospects for their business will deteriorate or be very poor.
- The discrepancy between sentiment on the economy and sentiment about business prospects has proportionally increased since our 2009 member survey.
- One possible and tentative explanation for this increased discrepancy might be that the insurance and financial planning sectors are becoming more bullish about their future prospects.

Methodology

This was a survey of CII members. In total, over 2,000 members responded (including 750 PFS members). The survey was conducted in March 2011. 2008 and 2009 comparative data was taken from the respective CII & PFS Membership Surveys. 2010 data was taken from last year's survey of member's attitudes towards the economy.

Prospects for the Economy

Respondents are pessimistic about the prospects for the economy.

Respondents to the survey are relatively negative about the prospects for the economy over the next 12 months. Only 11% think that the prospects for the economy are good or excellent.

50% of respondents think that the economy will be stable and 39% think that the economy will deteriorate or be very poor.

Respondents are more pessimistic now than they were last year.

Members are generally more pessimistic now about the economy than they were in 2010.

The proportion of respondents who think that the economy will deteriorate has increased from 26% to 33%. Similarly the proportion of respondents who think that economic prospects are very poor has increased from 2 to 6%.

Member sentiment tracks prospects for growth.

The increase in pessimism over the last year coincides with a number of analysts downgrading their forecasts for economic growth in 2011.

According to a running aggregate of forecasts, analysts are currently at their most pessimistic about the prospects for growth in 2011 since our last economic survey in 2010.

Figure 3 maps analyst sentiment from July last year until March. It presents an aggregate of how 20+ different analysts have forecasted economic growth for 2011 over this time.

Fig 1: Economic Sentiment for 2011

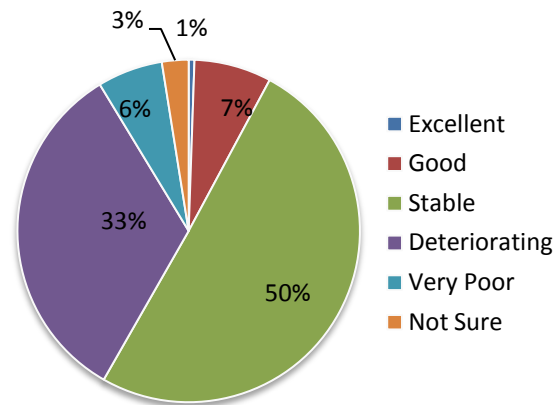


Fig 2: 2011 in comparison to 2010

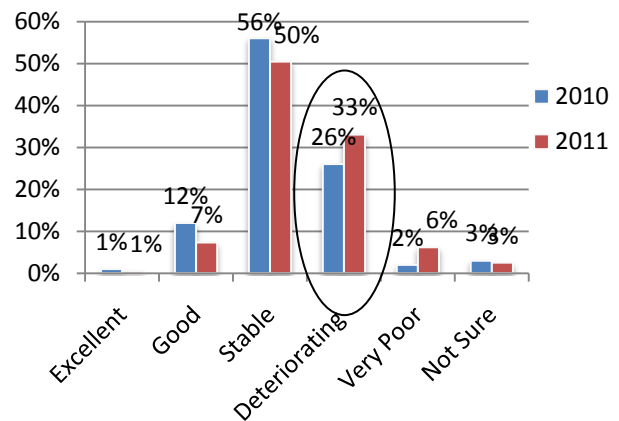
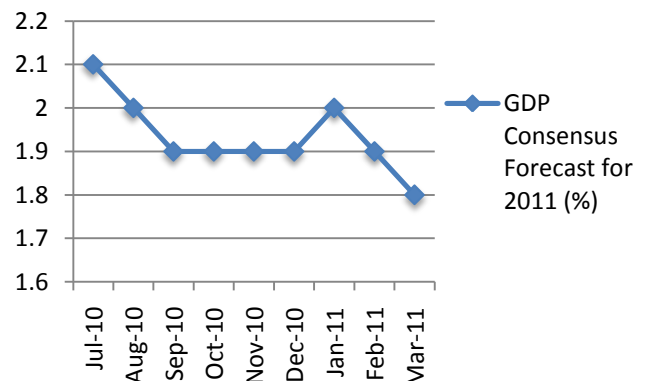


Fig 3: The Threat of Stagnant Growth



Source: HM Treasury, http://www.hm-treasury.gov.uk/data_forecasts_index.htm



Prospects for Business

There is relative optimism about the prospects for business.

When asked about the prospects for their businesses over the next 12 months most members were positive.

35% of respondents think that prospects for their business are either good or excellent and 49% think that prospects are stable.

Only 14% of respondents think that conditions will deteriorate or become very poor.

Sentiment about prospects for business has remained the same since the last survey.

As Figure 5 shows there is little difference between how the respondents answered the survey questions in August last year and how they answered them in March this year.

The only change of note is the increase in the proportion of people who think that the prospects for their business are stable – up from 44% in 2010 to 49% in 2011.

Comparing Attitudes to the Economy versus Business Prospects

Respondents to the 2011 survey are more pessimistic about the economy than their own businesses.

Figure 6 clearly shows that a substantial proportion of respondents think that prospects for their businesses are better than prospects for the economy.

Fig 4. Prospects for Business in 2011

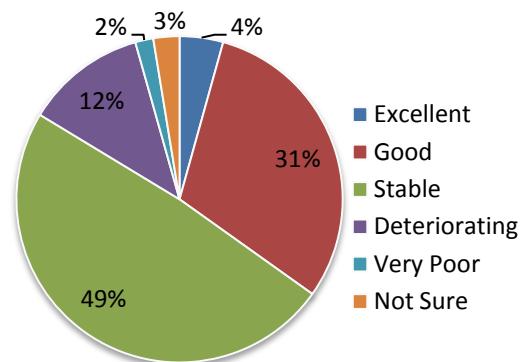


Fig 5. 2011 in comparison to 2010

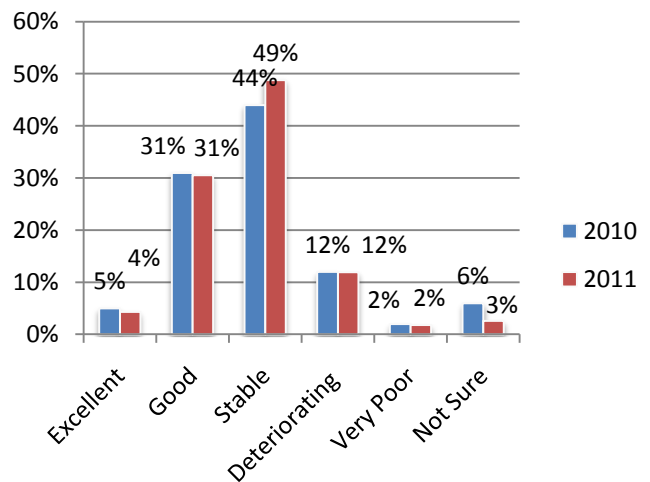
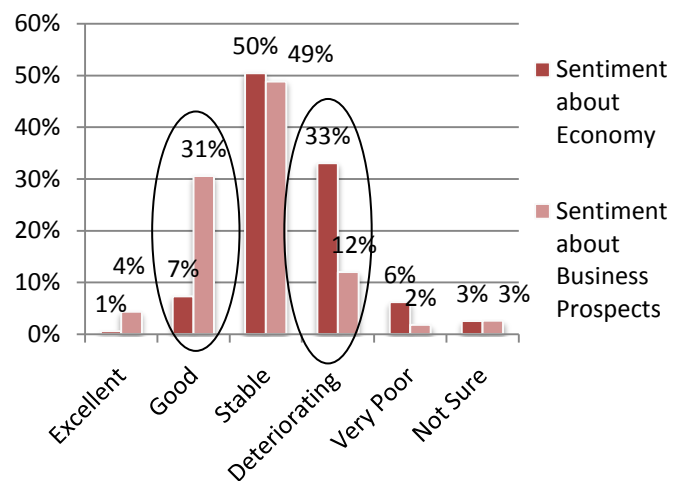


Fig 6. Discrepancy between Results on Economic and Business Prospects



There is a long term trend for members to be more optimistic about future business performance than future economic performance.

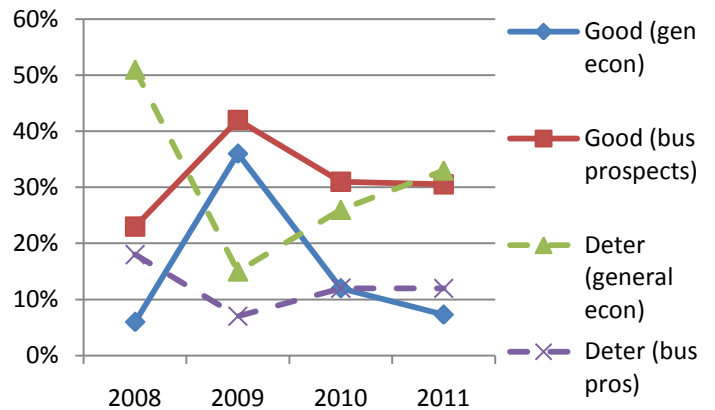
Figure 7 shows that since 2008 members have generally thought that the prospects for their business are better than the prospects for the economy.

Figure 7 also shows that the discrepancy between sentiment on the economy and business has been growing wider since 2009.

One possible and tentative explanation for this increased discrepancy might be that the insurance and financial planning sectors are becoming more bullish about their future prospects.

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Fig 7. Member Sentiment: 2008-2011



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