

## Riding out the storm:

### The impact of Coronavirus on personal finances and investments



26<sup>th</sup> March 2020

UK Report

## One-minute takeaway

- The economy is seen to be deteriorating as a result of the Coronavirus pandemic, with more than half of the population thinking the UK economy is in a bad state with two thirds expecting worse to come.
- A large majority expect the Coronavirus to have a negative impact on the economy and over half of UK consumers now expect the Coronavirus to also have a negative impact on their personal finances.
- Nearly one in five (19%) of those employed are worried they will lose their jobs and in the event of a job loss, the majority will turn to their savings (44%) to get by, but 30% will need to rely on government support.
- 71% of investors are worried about the impact on their investments but a good number are holding tight, with 43% sticking with their current investments in the hope of riding out the uncertainty.
- However, 22% have or will redeem their investments altogether. Others are de-risking their portfolio by switching to alternative lower risk funds (8%) or diversifying their portfolio (8%).
- There are signs that investors are backing the response to Coronavirus when it comes to their investments and the markets. Approval for the actions of the Bank of England is high, but many are unaware of their fund manager's actions, indicating an opportunity to further reassure customers in these uncertain times.

# Economy seen to be deteriorating as a result of the Coronavirus pandemic

## More than half think the UK economy is in a bad state with two thirds expecting worse to come

Perceptions of the economy have radically deteriorated over the past few weeks. Our pre-Budget poll launched on the 6<sup>th</sup> March saw 32% believe the economy was in a good state, while 31% believed the economy was in a bad state.

In our latest poll, we saw this figure increase to 53%, whilst a massive 85% now expecting the Coronavirus to have a negative impact on the economy.

Coupled with this, two thirds (67%) now believe that the economy will get worse over the next 12 months, up from 45% two weeks ago, highlighting the detrimental affect Coronavirus is having on the economy.

State of the UK economy



## Coronavirus expected to have a detrimental effect on personal finances

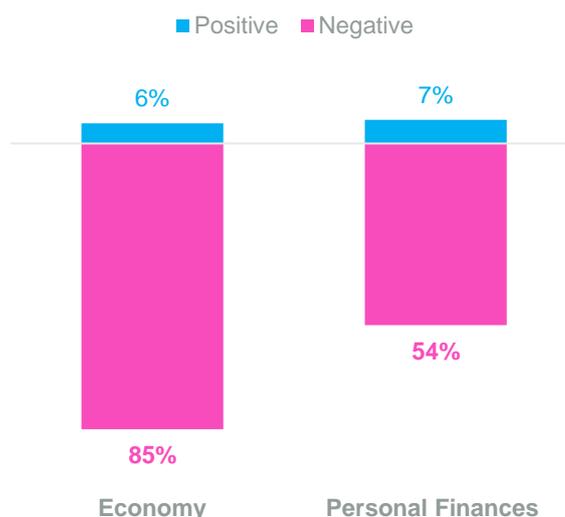
With perceptions of the economy radically deteriorating, a large proportion of the population are now linking this to their own personal financial situation.

Over half of the UK adult population (54%) expect the Coronavirus to have a negative impact on their personal finances, up from 47% the week before.

The majority of the population (83%) are now worried about a general economic downturn, and as a consequence, also the risk of losing their job. A concerning 19% of employed people are very worried about the risk of being laid off and one in ten believe the prospect of this will be extremely likely.

In the event of a job loss due to Coronavirus, the majority are planning on using their savings (44%) to get by, but 30% will need to rely on government support.

### Impact of Coronavirus



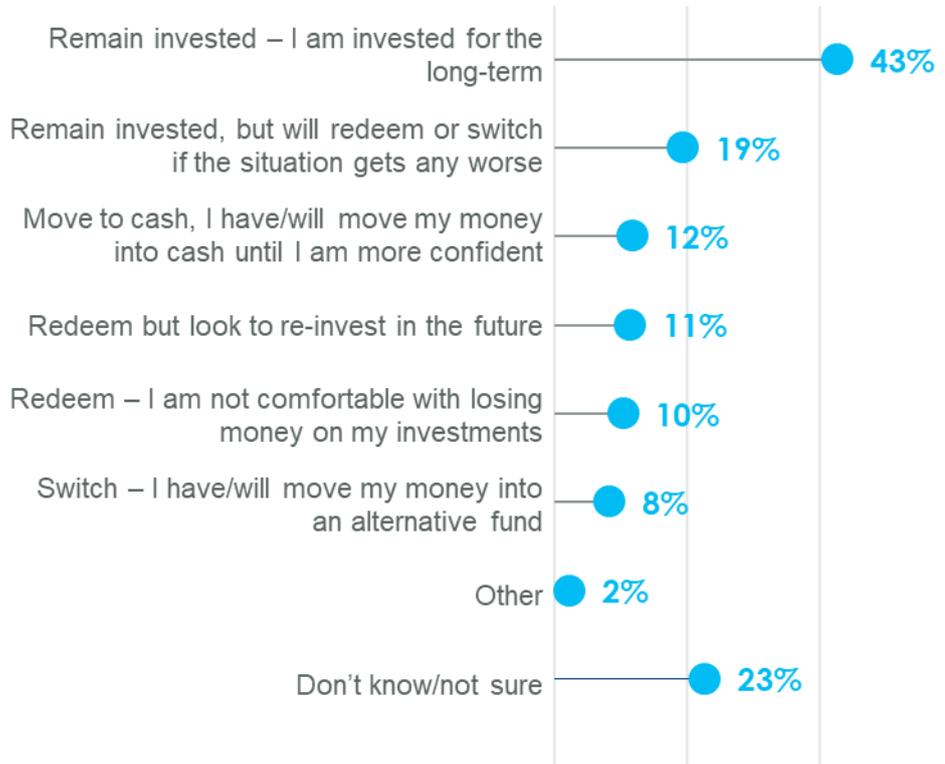
## Concerns around the impact of Coronavirus on investments are high, but the majority remain invested in the hope of riding out the storm

With the current economic situation and the impact of Coronavirus on the markets, it is not surprising that the majority (71%) of investors are worried about the impact on their investments, with 30% being very concerned. This is particularly evident of those who are investing in the short term, with 79% of those investing for the next 5 years being concerned compared to 41% of those who are investing for a period of more than 20 years.

Despite concerns, a good number of investors recognise the importance of remaining invested to make the most of their long-term gains, with 43% planning to stick with their current investments in the hope of riding out the uncertainty. This number increases to 48% among those who are investing for a period of over 20 years and 57% who have £100K+ investments. However, nearly one in five (19%) are keeping a close eye on their returns and will redeem if the situation gets worse.

More extreme than that, are the 12% of investors who are looking to move their investments into cash and over one in five (22%) have or will redeem their investments altogether. Others are de-risking their portfolio by switching to alternative lower risk funds or diversifying their portfolio (Both 8%)

## Investment behaviour as a result of coronavirus



When it comes to individual stocks and shares, 8% of investors have sold their shares as they have seen them plummet in recent weeks. However, some investors are taking advantage of low share prices, with 15% having bought new shares since the Coronavirus outbreak. One in 10 investors have also opened a new investment account.

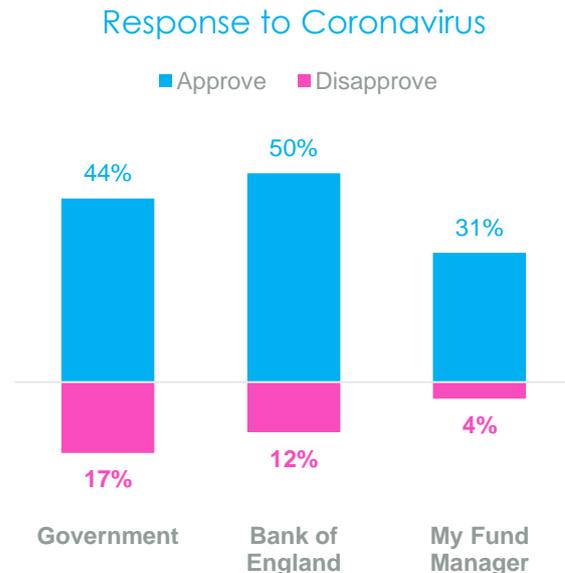
## Approval for the actions of the Bank of England is high, but many are unaware of their fund manager's actions

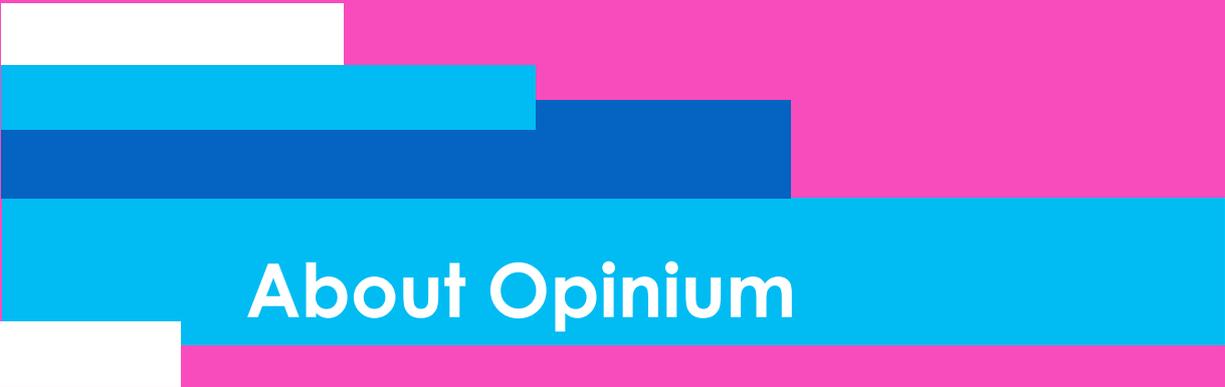
With 61% of the population approving of the way the government is handling the Coronavirus, investors are generally in line with this sentiment when it comes to the government's response to the downturn in the markets. 44% of investors approve of the way the government is responding compared to 17% who do not, and when it comes to the Bank of England, approval rises to 50% compared to 12% who disapprove.

Thinking about their fund manager specifically, approval is less pronounced with 31% backing the way their fund manager has responded, perhaps an opportunity for fund managers to further reassure customers in these uncertain times. Most investors are unaware of their fund managers actions with a third (33%) remaining neutral and only 4% actively disapproving.

Younger investors aged 18- 34 are much more positive towards their fund manager compared to older investors (48% approving compared to only 17% of 65+ year olds). This is in stark contrast when it comes to their approval for the government, with older investors more likely to approve of the government's response (47% compared to 39% of 18-34 year olds)

The overall positive sentiment towards the government's handling of the crisis is reflected in where investors think the safest place for their investments are, as they now look closer to home when it comes to investing. The UK is the number one market where they see the biggest opportunities for growth over the next 12 months in the light of the recent crisis.





# About Opinium

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