



State of the Nation Report

Understanding consumer and IFA sentiment in
Q1 2024

Introduction

The events of the last two years have shaped the financial landscape of the UK. Increased inflation and interest rates have led to a cost-of-living crisis that has gripped consumers and changed the way we think, behave and manage our finances. Investments and businesses have also felt the impacts of these changes as rising costs hit their bottom line.

It has been a gloomy picture for UK finances for a long time now, but is 2024 the year that changes?

Opinium have launched a State of the Nation report, exploring financial attitudes and behaviour of consumers, investors, financial advisers and SMEs across the UK. Research will be conducted quarterly, providing insight into the changing thoughts, aspirations, concerns and behaviour of these key groups.

This report will focus on *consumer, investor and IFA* sentiment, and the SME release can be found on our website [here](#).

Key headlines

1

Personal finances continue to take a hit

Financial confidence remains stubbornly low as the cost-of-living crisis continues to take hold and savings take a hit as spending increases.

2

Signs of a better ROI on the horizon?

Views on current investment opportunities are muted but there is still appetite to invest, and IFA and investors are optimistic about their investment performance over the next 12 months.

3

IFAs are confident about the year ahead

IFA business confidence is high with job security, firm profitability and client demand rated positively. One in five expect business to get better over the next 12 months.

**Personal finances
continue to take a hit**

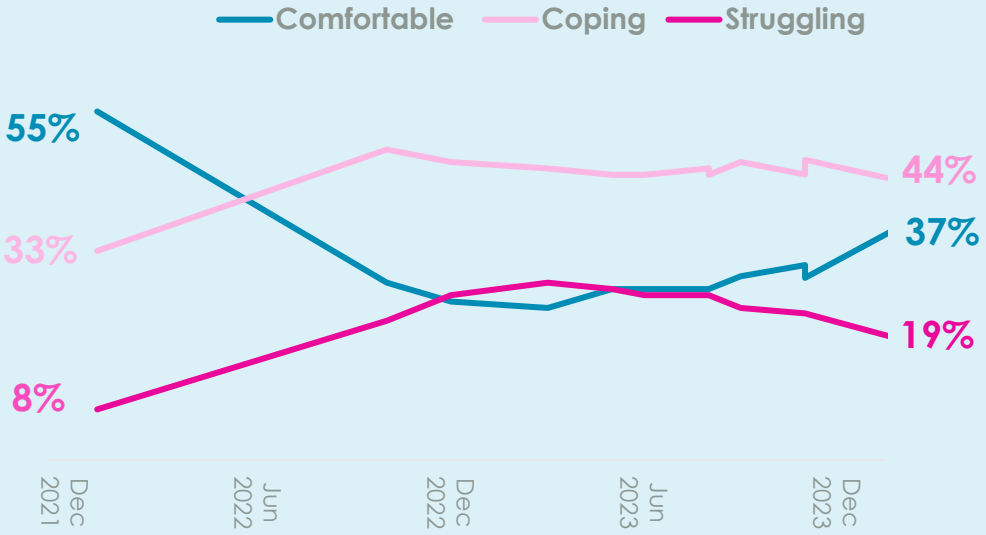
Financial confidence remains stubbornly low

It is all too clear to see how far the events of the past two years have taken their toll on the UK's personal finances, as those who describe their financial situation as comfortable continue to be in the minority. In fact, we need to look as far back as the start of 2022 to see net positive confidence.

Financial confidence slid to its lowest levels at the beginning of 2023, as the cost-of-living crisis and mini budget saw interest rates and inflation rise to an all-time high. For the first time the proportion of Brits describing their financial situation as struggling outweighed those who described it as comfortable.

Since then, confidence has remained stubbornly low but as we enter 2024, there are signs of a slight improvement on the horizon. The proportion of Brits who expect their finances to get better over the next 12 months is at a net positive of +4% compared to a net negative of -26% this time last year.

Current financial situation



Q - What is the best way to describe your current financial situation?

Little signs of an economic recovery

Whilst there may be a slight improvement in the UK's outlook on their own personal finances, the same cannot be said of the economy. Nearly two thirds would describe the state of the economy as bad compared to just 10% describing it as good, and this gap remains persistently high as official figures show the UK entering a recession at the end of 2023.

Looking ahead over the next 12 months, there are little signs of optimism among the UK public, with the proportion of those who believe the UK economy will get better over the next 12 months at a net negative of -14%. Despite improvement since the start of 2023, time will tell if the Bank of England's claim that there are "distinct signs of an upturn" cuts through to the general public.



Q – How would you rate the current state of the economy ?

The cost-of-living crisis continues to take hold

The cost-of-living crisis is undoubtedly the cause of this rather gloomy perspective on personal finances and the economy, with much of the UK public feeling overall costs increase.

This trend has steadily declined over the last 12 months from 94% to 85% as cost increases have bedded in, but over half of the population (55%) claim they have been negatively impacted by the rise in inflation and interest rates.

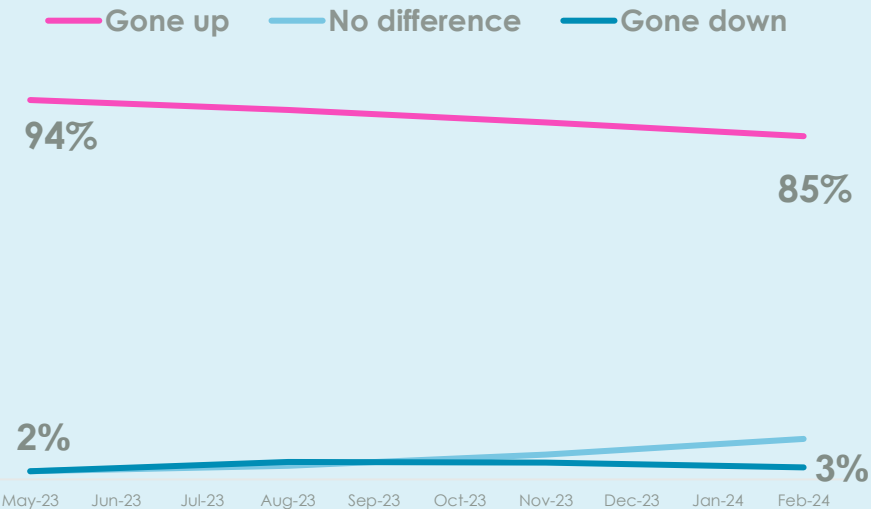
Q – How has the increase in inflation and interest rates negatively affected your personal finances over the past 12 months?

“An increase in inflation and interest rates has increased all of my existing bills and credit card payments.”

“As everything gets more and more expensive, it's becoming harder to afford necessities.”

“Inflation has been so high, and my salary hasn't kept pace.”

Overall Cost of living



Q – Do you think each of the following have gone up or gone down over the past 12 months?

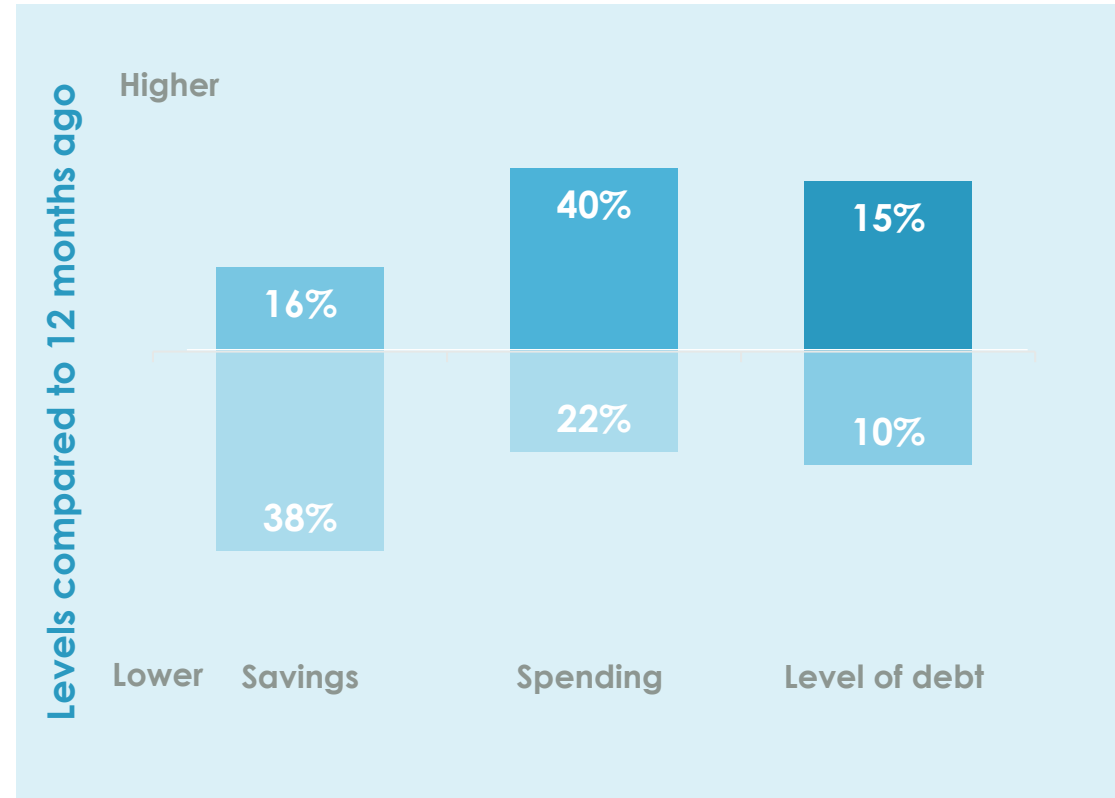
Savings take a hit as spending increases

As costs have increased, so have, understandably, levels of spending, with 40% seeing their spend rise as food, bills and energy costs have risen.

At the same time, savings have also taken a knock, with nearly the same proportion (38%) seeing their savings depleting over the last 12 months. Accessing savings and investments is also one of the most common ways Brits are increasing their income (15%).

Debt levels are more polarised, with fewer Brits relying on debt to combat rising costs, preferring to dip into their savings instead.

There are, however, stark differences between age, with twice as many Brits under 55 increasing their levels of debt (19%) compared to those aged over 55 (9%).



Q – Have the following gone up or down compared to 12 months ago?

Signs of a better ROI on the horizon?

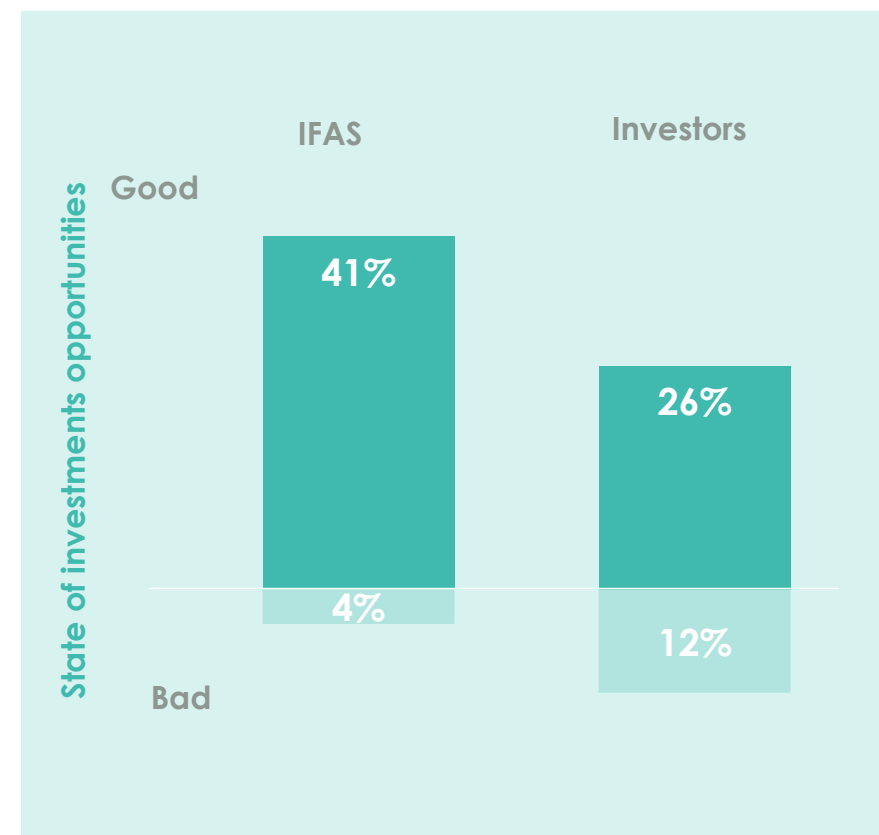
Views on current investment opportunities are muted

Against the backdrop of current economic conditions, neither investors or IFAs are particularly buoyant about the current state of investment opportunities, although IFAs have a more optimistic outlook.

Looking ahead to the next 12 months, there is unlikely to be a big shift in perceptions of the current state of investment conditions, with over half of IFAs believing investment opportunities will stay the same.

Investors have a similar view with just under half believing there will be little movement in investment opportunities over the next 12 months.

However, they are more optimistic about their own investment performance with just under two in five (39%) believing this will get better. Similarly, IFAs are even more optimistic, with 68% believing their client's investments' performance will improve over the next 12 months.



Q - How would you rate current investment opportunities?

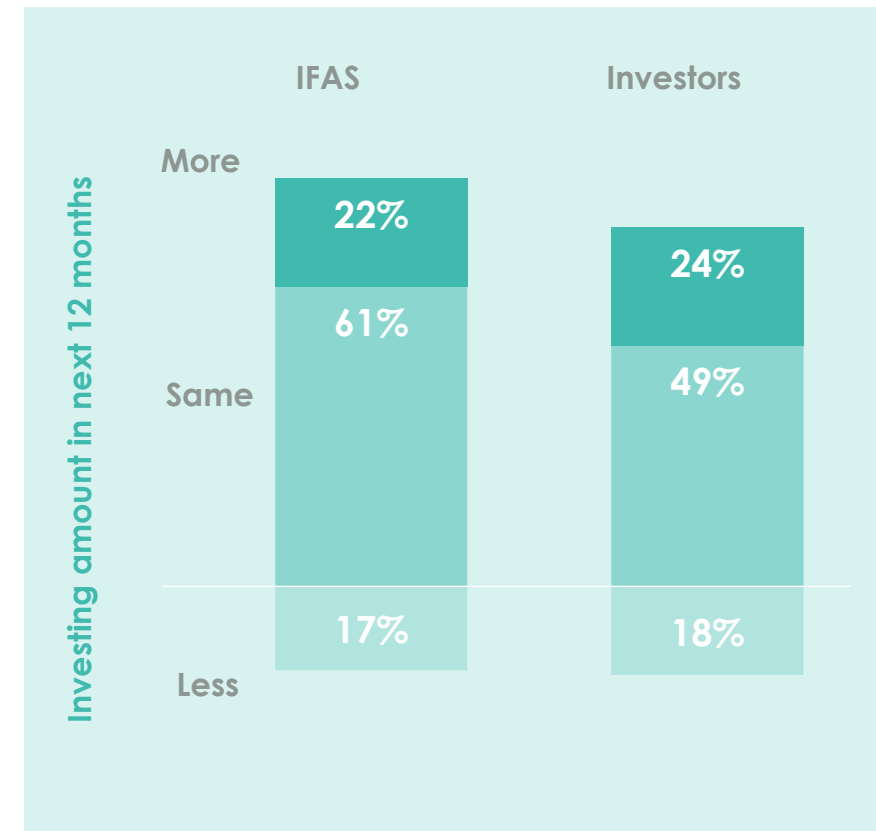
Despite muted confidence, there is appetite to invest

Investors are split on whether they are currently investing more or less than 12 months ago, with an equal number investing less (21%) as are those who are investing more (22%). Those aged under 55 are more likely to have invested more than those aged 55+ (28% vs. 9%)

Looking ahead to the next 12 months, just under one in five investors expect to rebalance their portfolios in line with market movements and uncertainty.

However, there is little sign of investors withdrawing from the market altogether. The majority either expect to invest the same amount or more over the next year. Just under a quarter expect to buy new shares and a further 16% expect to open a new investment account.

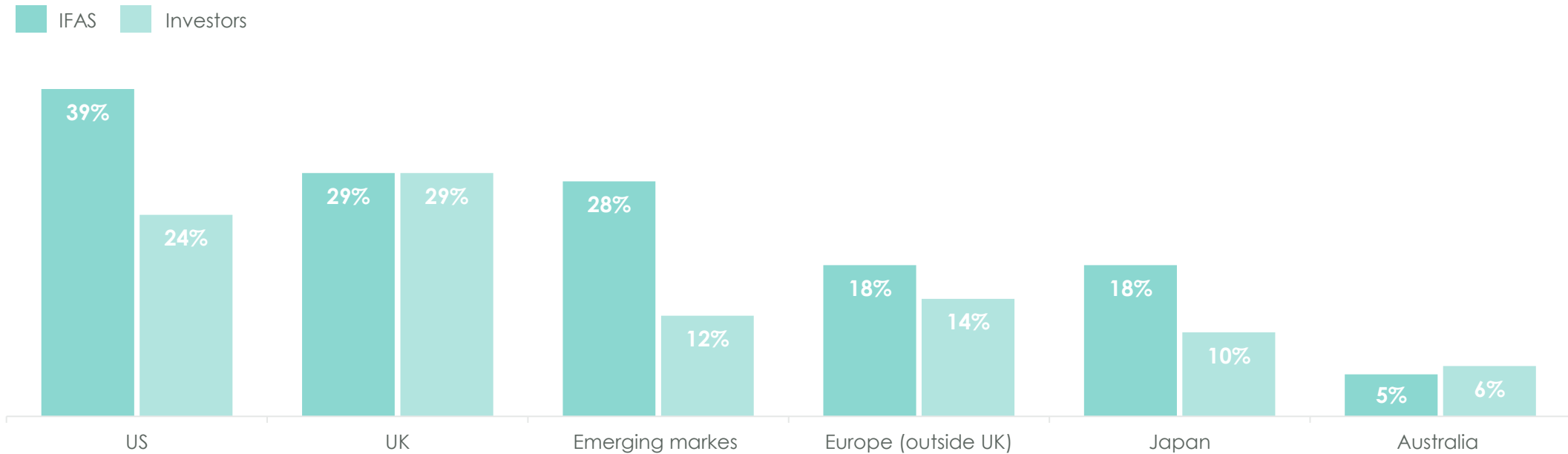
The same sentiment is true of IFAs, with a similar number expecting their clients to invest more over the next 12 months as investors are themselves.



Q - Do you/ your clients expect to invest more or less over the next 12 months?

Best market buying opportunities

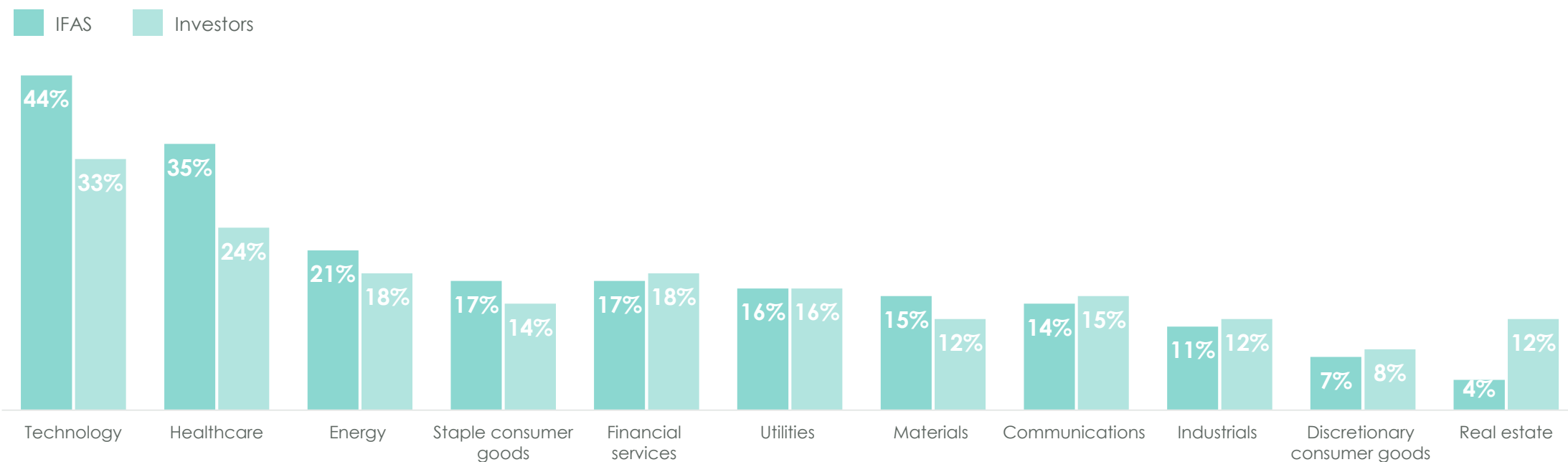
Both IFAs and Investors look to the US and UK for the best investment buying opportunities over the next 12 months.



Q - Which markets do you think present the best buying opportunities for the next 12 months?

Best sector buying opportunities

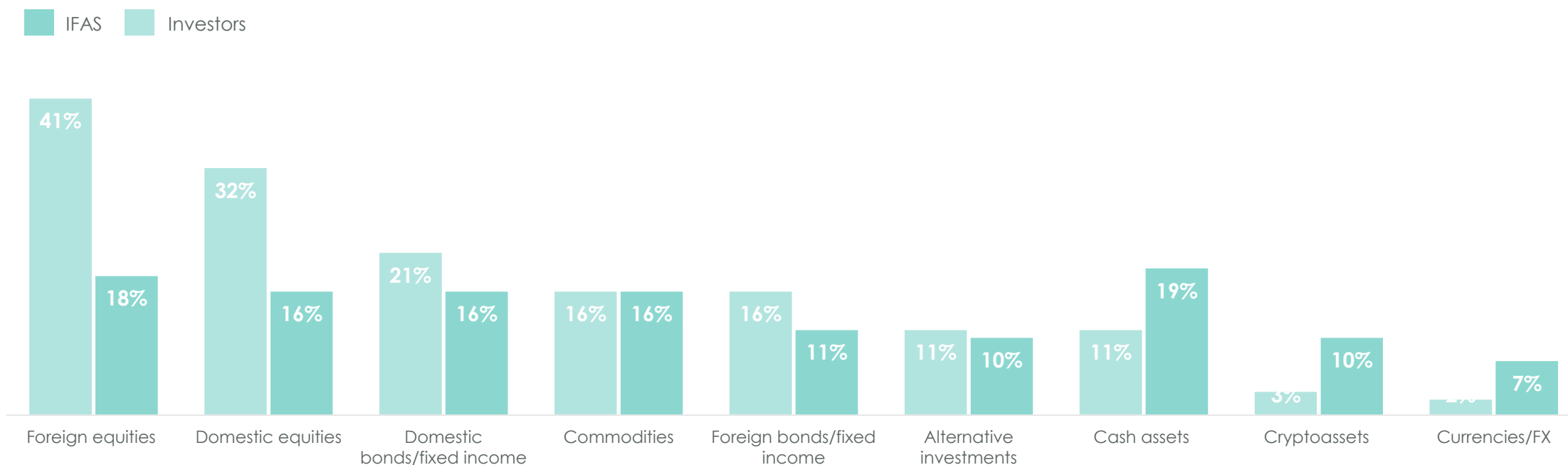
Both investors and IFAs rate Technology and Healthcare as the best buying opportunities over the next 12 months.



Q - Which sectors do you think present the best buying opportunities for the next 12 months?

Best asset class buying opportunities

Foreign equities are perceived to be the best asset class buying opportunities among IFAs. Investors place most importance on cash assets as interest rates remain high.



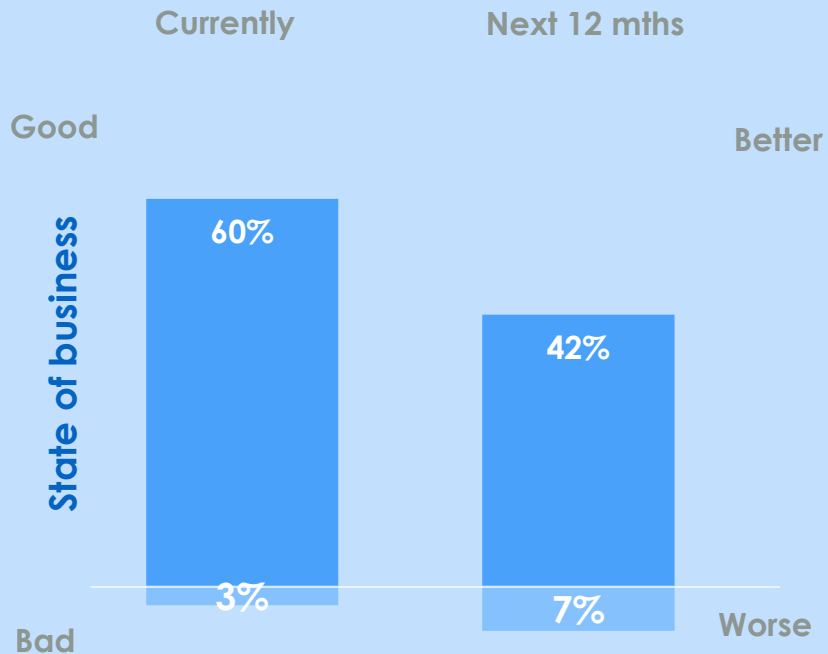
Q - Which asset classes do you think present the best buying opportunities for the next 12 months?

**IFAs are confident
about the year ahead**

IFA business confidence is high

Despite an environment of high interest rates and inflation, the majority of IFAs would describe the state of their business as good at the start of 2024. There is also moderate optimism for the 12 months ahead, with two in five (42%) expecting it to get better over the next 12 months.

Optimism is mainly driven by expectations that markets will improve and interest rates will fall, which will in turn increase customer demand.



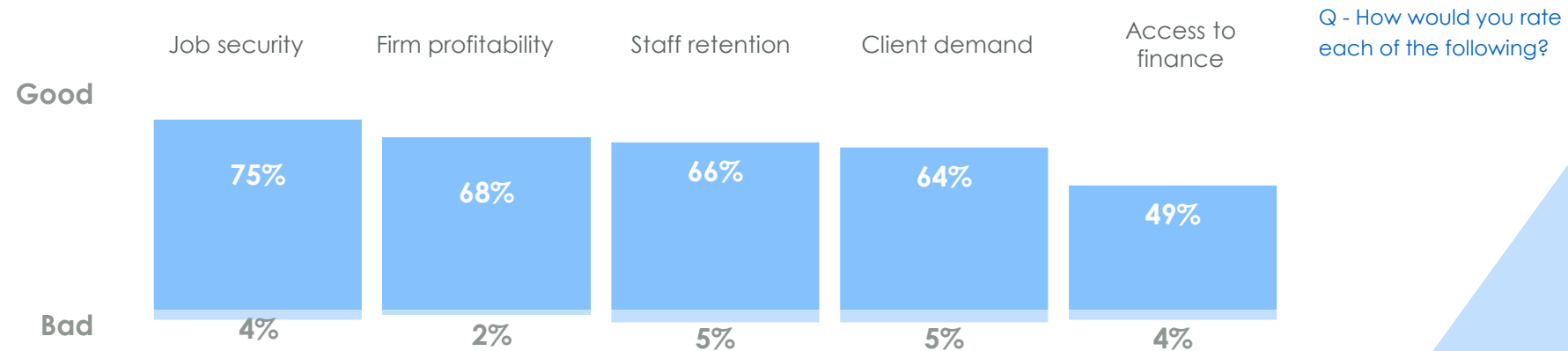
"Falling rates should benefit us both in better performance and less competition from High Street banks"

"Markets should improve, and house sales will increase when the base rate starts to lower in the spring."

Job security and firm profitability is positive

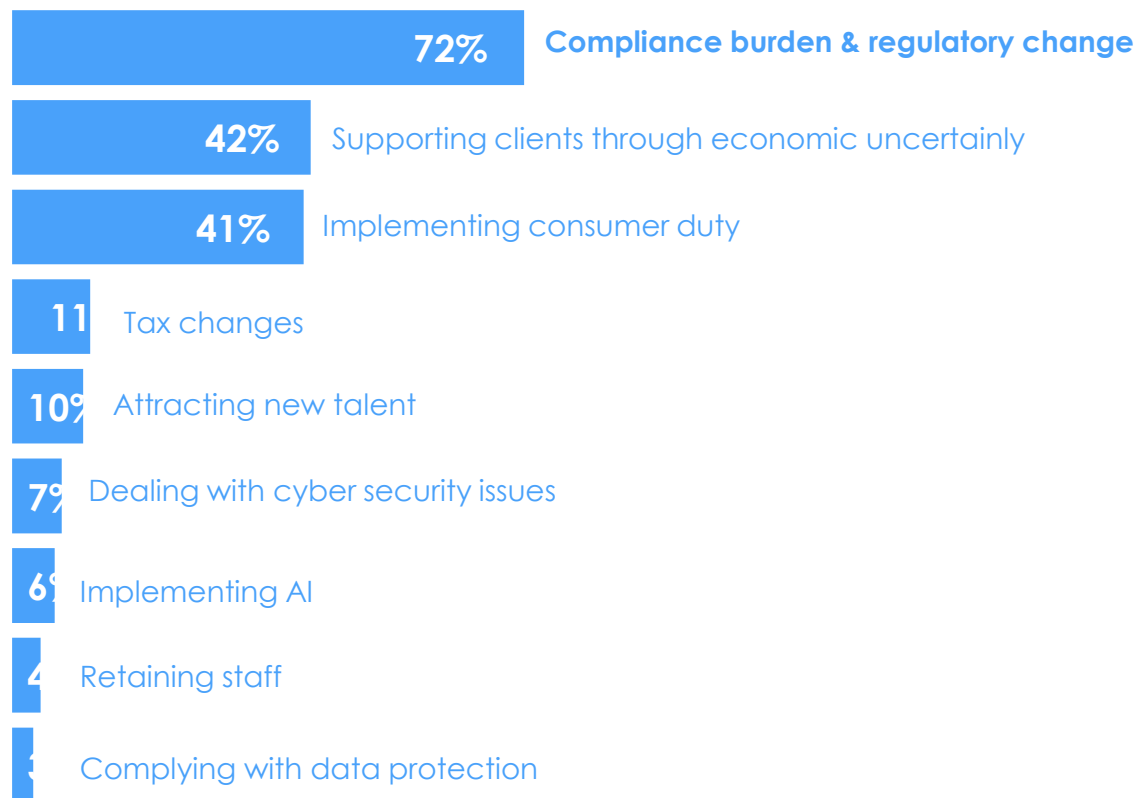
The majority of IFAs are confident about their own job security and firm profitability.

With two thirds of IFAs saying they are open to new clients, but not actively seeking them, client demand is also positive with 64% describing it as good.



But regulation and compliance burden continues to be a challenge

Q - What are the biggest challenges your firm is facing at the moment?



Given the current economic backdrop, it is perhaps not surprising that supporting clients through economic uncertainty is a key challenge felt by two in five IFAs.

A bigger issue, however, is compliance burden coupled with implementing consumer duty, which is by far the most prominent challenge facing IFAs right now.

"Far too much regulation taking away my time to see clients and it will get worse"



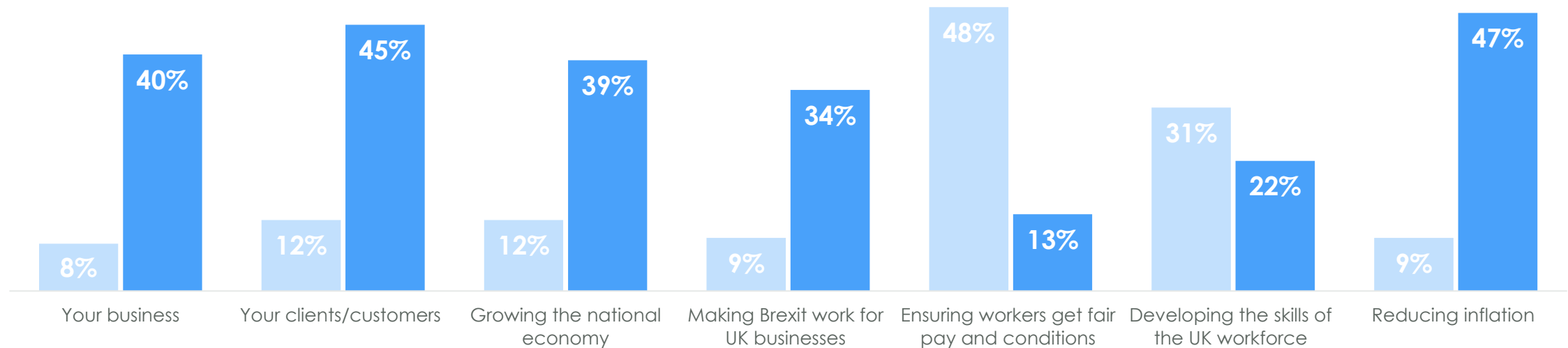
With little positivity about the prospect of a Labour government, these challenges are unlikely to change any time soon.

Over half (52%) feel negative about the prospect of a Labour government.

Only 8% believe Labour would be better for their business, 12% for growing the national economy, and 9% for reducing inflation.

Labour Conservative

Q - Which government would be better for...?

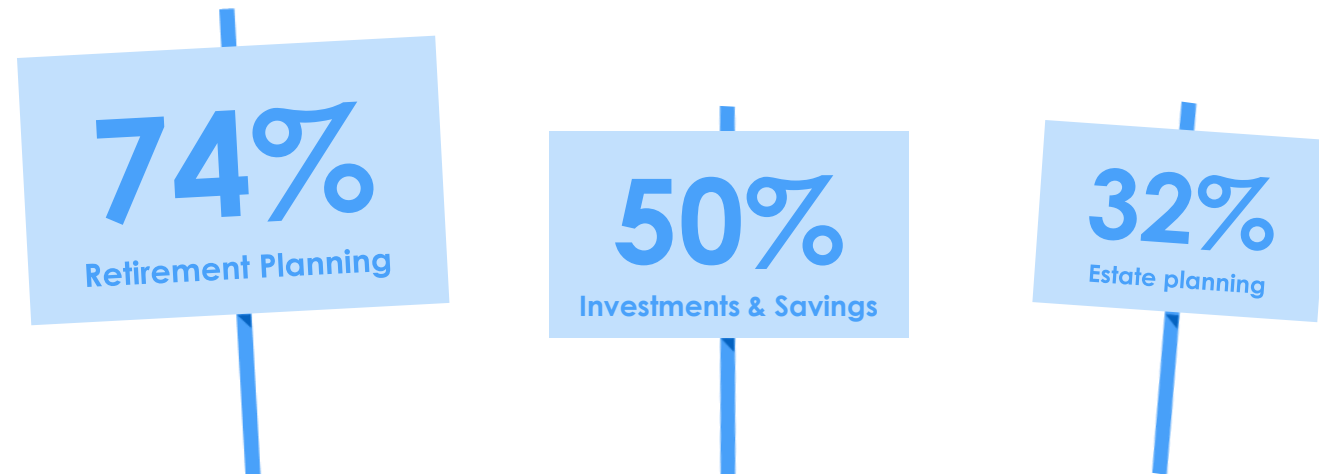


IFAs focus on retirement planning in the short term

The majority of IFAs see retirement planning as the biggest opportunity over the next 12 months followed by investments & savings.

This also reflects who IFAs believe to have benefitted the most during the cost-of-living crisis, citing experienced investors and those in retirement as the clients who have fared the best in regards to their finances over the last 12 months.

Q - Where do you see the biggest advice opportunities for your firm over the next 12 months?

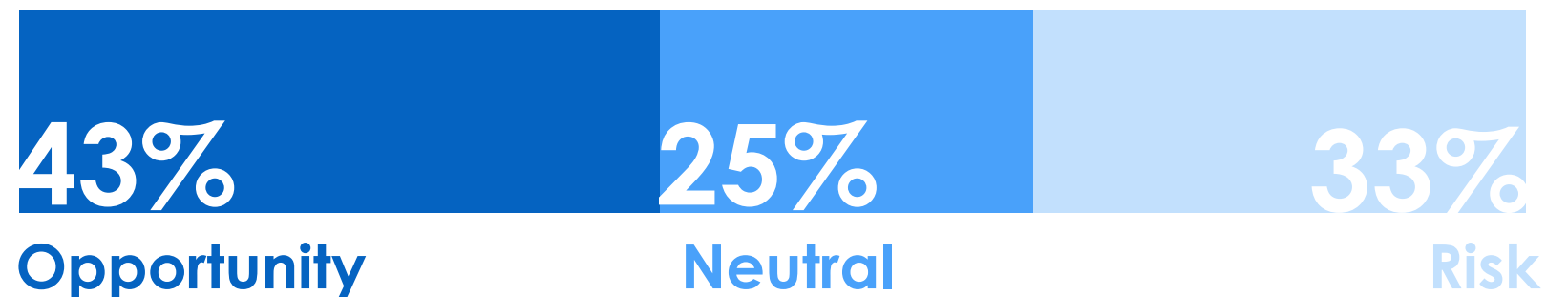


AI is firmly viewed as an opportunity in the long term

IFAs are generally positive about the increasing use of AI, with net +12% believing it will have a positive impact on their firm. They are therefore also more likely to perceive AI as an opportunity than a risk to their business.

However, many are yet to embrace AI within their business, with only 4% having already implemented AI and 82% not planning to over the next 12 months. This suggests there are significant barriers in place that are preventing general positivity moving into changes in behaviour.

Q – Is AI an opportunity or risk to your business?



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