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## **BREXIT TAKES A TOLL ON BRITAIN'S FINANCIAL SECTOR, OUTLOOK WEAK**

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CNBC (14 January 2019)

Uncertainty over Brexit and the economy have led demand for Britain's financial services to shrink for the first time in five years, with no immediate sign of an improvement, a survey by business group CBI and PwC showed.

And profitability in the sector which raises most tax in Britain was flat for the third quarter in a row in the three months to December 2018, the survey released on Monday said.

The survey of 84 firms said demand is expected to continue falling during the quarter to March, with profitability also expected to drop for the first time in three years.

"A combination of macroeconomic and Brexit uncertainty, regulatory compliance and global market volatility are taking a toll on the UK's financial services sector," CBI Chief Economist Rain Newton-Smith said.

"The persistent weakness in optimism and the deterioration in expectations sound a warning for the outlook."

Britain's parliament is expected to vote on Tuesday to reject the divorce settlement with the European Union, an outcome that would prolong uncertainty for the financial sector.

But many banks, insurers and asset managers who use Britain as their EU base are opening hubs in the bloc to avoid being locked out of the continent if Britain crashes out of the EU in March without a deal.

The survey painted a mixed picture for the sector, with business holding up among insurers, while volumes were flat or easing at banks, building societies and specialist lenders.

The survey found a "striking loss of momentum" at investment managers, who reported the steepest fall in activity since the financial crisis a decade ago.

A large majority of investment management firms surveyed were less optimistic about their prospects in coming months, with business from overseas customers taking a hit.

It marks a reversal for investment management, which has grown well since the financial crisis as risk-averse banks draw in their horns. It now faces volatile asset prices and weaker demand, the survey showed.

Despite an overall gloomy tone, headcount in the financial sector is expected to rise in the current

quarter and investment intentions remain broadly stable, the survey said.

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Kaynak/Source: