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Concerned investors call for tougher EU sanctions

- Countries that mismanage their finances should face expulsion from the Eurozone, say 36 per cent of private investors, only 24 per cent disagree
- Survey reveals continued, widespread concern over Eurozone economy
- Some 28 per cent of investors believe Euro should be split into two currencies, against 35 per cent who don't

EU proposals to police member-state finances are not tough enough, suggests a survey of private investors. The research by Lloyds TSB Private Banking reveals that investors favour expelling countries that mismanage their finances from the Eurozone – 36 per cent hold this view, compared to only 24 per cent who disagree.

Under the new proposals that were agreed by EU finance ministers, excessive borrowing will be punished by tougher and more automatic sanctions than before – countries would first receive a warning, then if their budgets do not improve they would have to pay an interest-bearing deposit into an European Commission account, and then the deposit would convert into a fine if they continue to mismanage their finances.

But with sentiment for Eurozone investments at a worrying low, the *Investor Outlook* survey from Lloyds TSB Private Banking suggests the EU measures will not be enough to ease private investors' nerves.

The research shows that most investors confirmed their finances had suffered in the last six months because of Eurozone debt problems, with only 11 per cent saying their wealth had not been hit. They also predict further impairments – a small 10 per cent predict their finances will *not* suffer in the next 12 months as a result of Eurozone sovereign debt.

Some 28 per cent of investors go so far as to say the Euro should be split into two currencies – one for financially stronger nations and one for those that are weaker. Surprisingly, only slightly more – 35 per cent – disagree and think the single currency should be maintained. This support for a dual-currency underlines investors' concerns that weaker countries are pulling down the region as a whole and negatively impacting their investments.

There is also widespread agreement that more stringent checks before countries join the Eurozone are needed – 78 per cent agree, against a mere two per cent who don't.

Ash Misra, Head of Investment Strategy and Research at Lloyds TSB Private Banking, said:

"The survey suggests that many investors may think these EU proposals are half-cooked and won't restore their appetite for Eurozone investments. Investor's individual circumstances will have an influence on their thoughts about this.

"Confidence in the structural robustness of the Eurozone appears to be alarmingly low. With investors increasingly concerned over its future health, it is not surprising they want tough sanctions in place to protect their investments and act as a buffer against market volatility. However, remember that past performance is not an indicator of future performance and investments may go down as well as up. "

Ends

Notes to Editors

This half-yearly survey is conducted among UK Stock Market Investors, to provide clear insights into financial attitudes & behaviour and to allow changes over time to be tracked on a bi-annual basis. This wave was the seventh time the survey was conducted. These results are based on an independent online survey conducted by Research Plus Ltd on behalf of Lloyds TSB Private Banking. A sample of 1024 UK adults, aged 18+, who currently hold / held in the past 6 months, Stock Market investments (including Gilts / Bonds), were surveyed between 10th – 20th January 2011. To ensure consistency between waves, the relative proportions of these types of investors were monitored, along with gender, age and region, to avoid the possibility of a skewed sample.

About Lloyds TSB Private Banking

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