

News Release

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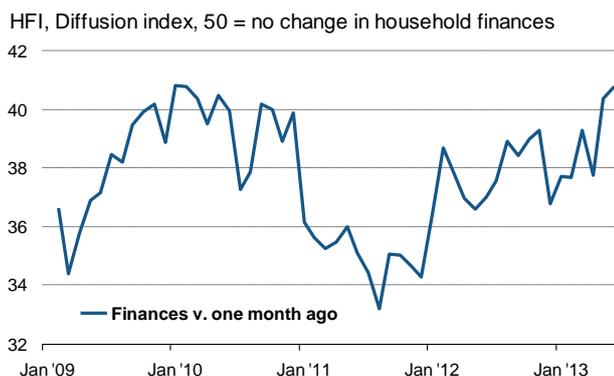
Household Finance Index™ (HFI™) – United Kingdom

Markit Household Finance Index hits highest level since February 2010

Key points for June:

- Households are the least downbeat about their finances for over three years
- Activity at work rises for the fifth month running
- Income from employment falls at fastest pace since January
- Inflation perceptions hit lowest since July 2010

Household finances



This release contains the June findings from the **Markit Household Finance Index™ (HFI™)**, which is intended to anticipate changing consumer behaviour accurately. The HFI is compiled each month by Markit, a leading global financial information services company, using data collected by Ipsos MORI.

Current finances

At 40.8 in June, up from 40.4 in May, the headline **Markit Household Finance Index (HFI)** indicated another alleviation of the squeeze on household budgets. Although the latest reading was still below the 50.0 no-change value, the index has now risen in three of the past four months.

Moreover, June's reading was the joint-highest in almost four-and-a-half years of data collection (the

index matched the previous highs of 40.8 seen in January and February 2010).

Around 26% of survey respondents signalled that their finances worsened in June, while almost 8% noted an improvement.

Of the main housing categories, people that **own their property outright** were the least downbeat (43.4). This was followed by **mortgage holders**, and the index reading for this category (41.9) was the highest since the series began in February 2009.

Expectations for finances in the next 12 months

June data pointed to a further improvement in UK households' **financial outlook for the next 12 months**. At 44.4, up from 43.1 in May, the index picked up for the fourth month running and hit its highest level since March 2010.

The latest survey indicated that both **private sector** (49.3 in June, up from 48.1) and **public sector** employees (43.9 in June, up from 38.5) are less downbeat than in May. Finance/Business Services employees are the most confident (58.8), followed by IT/Telecoms (54.7), while Construction workers are the most pessimistic (38.3).

Workplace activity, job security and income

The index measuring **workplace activity** posted 52.8 in June, down slightly from 53.3 in May but above the neutral 50.0 value for the fifth month running. Another upturn in workplace activity supported households' perceptions of their **job security** in June. At 45.2, the index measuring **job security** picked up from 44.8 in May and reached a three-month high. For only the second time in the past three-and-a-half years, public sector staff (45.9) were less pessimistic than private sector workers (44.8).

Reduced job insecurities and higher workplace activity nonetheless failed to translate into rising **income from employment** in June. At 48.4, down from 51.1 in May, the index reached its lowest level for five months. The weakest income trends in June were for Construction (47.0) and Retail (47.8).

Inflation perceptions and cash availability

UK households indicated another moderation in their current inflation perceptions in June. This was highlighted by a fall in the index measuring **current inflation perceptions** for the fourth month running to 81.3 in June, from 83.5 in May. The latest reading indicated the weakest inflation perceptions since July 2010. Meanwhile, the index measuring expected **living costs over the 12 months ahead** was little-changed in June, to remain well below April's peak.

Comment:

Tim Moore, Senior Economist at Markit and author of the report said:

“Improving household finance trends are an early indication that the UK economy has continued to strengthen in June. Households’ perceptions of financial stability are now at a level unsurpassed over the past four-and-a-half years.

“Better labour market conditions helped reinforce the upturn in households’ financial expectations during June, as rising levels of workplace activity translated into diminishing job insecurities.

“However, income from employment dipped at the fastest pace for five months, highlighting that pay restraint remains the order of the day. With households receiving little in the way of wage rises over recent months, a fall in inflation perceptions to their lowest since mid-2010 was an important factor in alleviating some of the strain on finances during June.”

-Ends-

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Note to Editors:

About the HFI

¹ The HFI is a “diffusion index”, which is calculated by adding together the percentage of respondents that reported an improvement plus half of the percentage that reported no change. The resulting index varies around the 50.0 “no-change” level, with readings above 50.0 signalling an improvement and readings below 50.0 a deterioration. Due to the limited history of data, indices are not adjusted for seasonal influences.

The Household Finance Index™ (HFI™) survey was first conducted in February 2009 and is compiled each month by Markit. The survey methodology has been designed by Markit to complement the *Purchasing Managers’ Index*® (PMI®) business surveys, which are closely watched due to their timeliness and accuracy in anticipating changing business conditions. The HFI is intended to accurately anticipate

changing consumer behaviour. Like the PMI surveys, the HFI tracks objective "hard data" on actual month-on-month changes, focusing on household spending, saving and debt levels, but also includes several forward-looking opinion questions to help anticipate future trends.

In a further similarity to the PMI survey methodology, the questionnaire is designed to be quick and easy to complete, incorporating a small number of key questions, which encourages regular participation among even high-level respondents.

The survey is based on monthly responses from approximately 1,500 individuals in Great Britain, with data collected by Ipsos MORI from its panel of respondents aged 18-64. The survey sample is structured according to gender, region and age to ensure the survey results accurately reflect the true composition of the population. Results are also weighted to further improve representativeness.

Prior to September 2010, the Household Finance Index was jointly compiled by YouGov and Markit based on monthly responses from over 2,000 UK households, with data collected online by YouGov plc from its representative panel of respondents aged 18 and above. The panel was structured according to income, region and age to ensure the survey results accurately reflected the true composition of the UK population. Results were also weighted to further improve representativeness.

Index numbers

Index numbers are calculated from the percentages of respondents reporting an improvement, no change or decline. These indices vary between 0 and 100 with readings of exactly 50.0 signalling no change on the previous month. Readings above 50.0 signal an increase or improvement; readings below 50.0 signal a decline or deterioration.

Ipsos MORI technical details (June survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between 6th – 10th June 2013. A representative sample of adults was interviewed with quota controls set by gender, age and region and the resultant survey data weighted to the known GB profile of this audience by gender, age, region and household income. Ipsos MORI was responsible for the fieldwork and data collection only and not responsible for the analysis, reporting or interpretation of the survey results.

About Markit

Markit is a leading, global financial information services company with over 2,800 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

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