

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) November 19<sup>th</sup> 2018**

## IHS Markit Household Finance Index™ (HFI™) – United Kingdom

### Financial wellbeing expectations hit near four-year peak in November

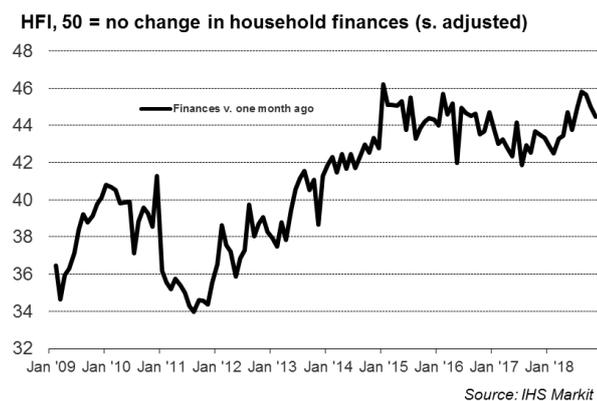
#### Key points for November 2018:

- Current assessments of financial conditions most downbeat since June
- Strongest degree of optimism towards future financial wellbeing since January 2015
- Living costs rise at slowest rate in just over two years...
- ...but spending growth eases to 15-month low

*Data collected November 8<sup>th</sup>-13<sup>th</sup> 2018*

This release contains the November findings from the **IHS Markit Household Finance Index™ (HFI™)**, which is intended to anticipate changing consumer behaviour accurately. The HFI is compiled each month by IHS Markit, using original survey data collected by Ipsos MORI. It is the first consumer survey published each month.

#### Current finances



November survey data pointed to further negative sentiment towards current financial conditions faced by UK households. The headline seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – posted 44.5, down from 45.0 in October, to signal the greatest degree of pessimism since June. Nonetheless,

sentiment was still less downbeat than the survey average.

Survey data on the whole highlight a mixed picture. On one hand, UK households cast their most upbeat expectations towards future financial conditions for almost four years, while income from employment and workplace activity continued to rise. Household purchasing power also received support as living costs increased at the softest rate since October 2016.

Weaker spending growth was recorded, however, and job security perceptions remained negative in November for a fourth successive month.

#### Expectations for finances in the next 12 months

Despite a slight dip in sentiment surrounding current finances, UK households were optimistic towards their financial health prospects over the coming year for the first time since July. At 52.0 in November, up from 48.6 in October, the degree of positivity signalled was the strongest since the start of 2015.

That said, greater confidence towards the future did not encourage an accelerated rate of spending growth, with household expenditure rising at the weakest pace in 15 months.

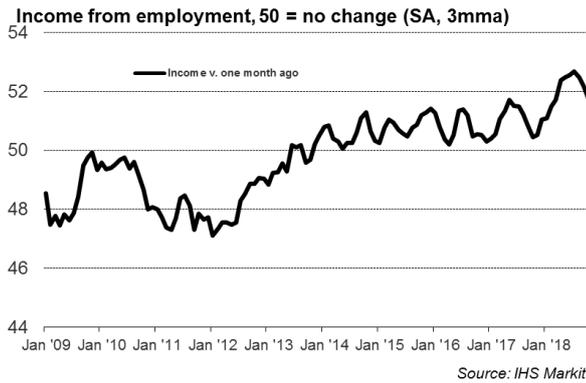
#### Workplace activity, income and job security

UK households registered another solid upturn in workplace activity during November. In fact, the average expansion seen so far in Q4 is on par with the robust pace seen in the third quarter.

Earnings from employment also increased during the latest survey period. Incomes have been on an upward trajectory for just over one year, with the latest rise strengthening from that seen previously.

Perceptions towards job security remained pessimistic. Sector data revealed that those working in the manufacturing sector were the most concerned about the outlook for their jobs.

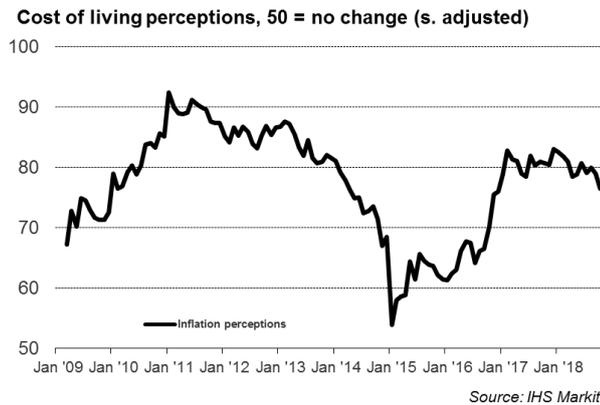
## Earnings from employment continue to grow



## Living costs and inflation expectations

In a positive development for household finances, living cost pressures reportedly eased further in November, increasing to the softest extent in just over two years.

However, the trend in the outlook towards living costs over the coming 12 months diverged, with inflation expectations edging up slightly from that seen in October.



## Households' views on next move in Bank of England base rate

Latest survey data continued to signal stable interest rate expectations among UK households, with views across all horizons remaining broadly unmoved from those in October.

The largest changes were seen at the near-term, with the proportion of panellists anticipating an increase within the next six months falling by just over two percentage points to around 48%, from 50% previously. Nevertheless, close to three-quarters of households (72%) see interest rates rising again within the coming year.

## Comment:

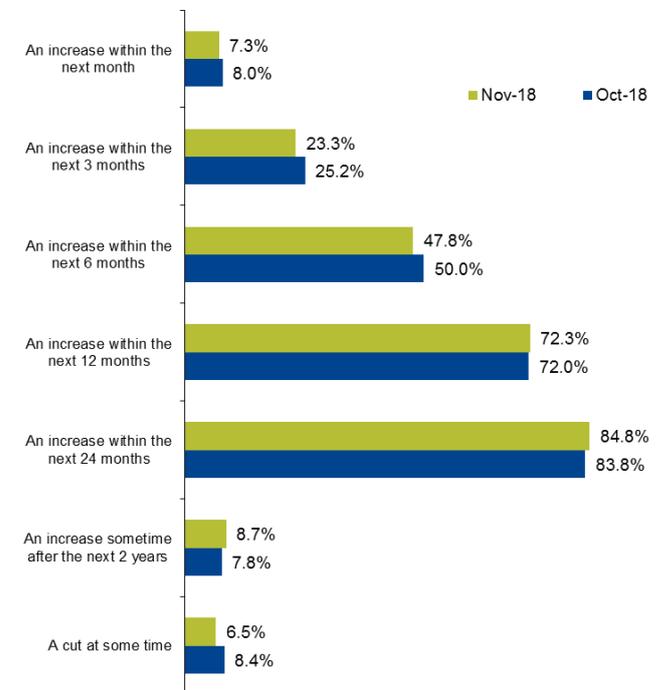
**Joe Hayes, Economist at IHS Markit**, which compiles the survey, said:

*“According to the November HFI survey, Households still deem current financial conditions to be skewed to the downside. Expectations are for a rebound however, with projections towards financial wellbeing over the coming year at their most optimistic since the start of 2015.*

*“Income from employment continued to grow, while workplace activity was reported to have risen solidly. As such, perceptions towards the labour market seem robust. Living cost inflation has also continued to ease, which should provide UK households with a purchasing boost as holidays approach. Indeed, with official data showing that UK wage growth is close to a decade-high, and if positive trends in the HFI data for incomes and inflation can be sustained, sentiment towards current finances should lift as we enter 2019.”*

-Ends-

## Households' views on the next move in Bank of England base rate\*



\*\*The interest rate set by the Bank of England is currently 0.75%. Please let us know when and how you think the Bank will next change interest rates by choosing one of the options below. Please choose one answer.

Source: IHS Markit

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## Note to Editors:

### About the HFI

<sup>1</sup> 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. The headline survey indices have been seasonally adjusted using the US Bureau of the Census X-12 programme. IHS Markit do not revise underlying (unadjusted) survey data after first publication.

The Household Finance Index™ (HFI™) survey was first conducted in February 2009 and is compiled each month by IHS Markit. The survey methodology has been designed by IHS 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 IHS 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 (November survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between November 8<sup>th</sup> – 13<sup>th</sup> 2018. 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 IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))

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