

Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (London) August 19th 2019

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

UK households report second-sharpest drop in appetite for major purchases since September 2017

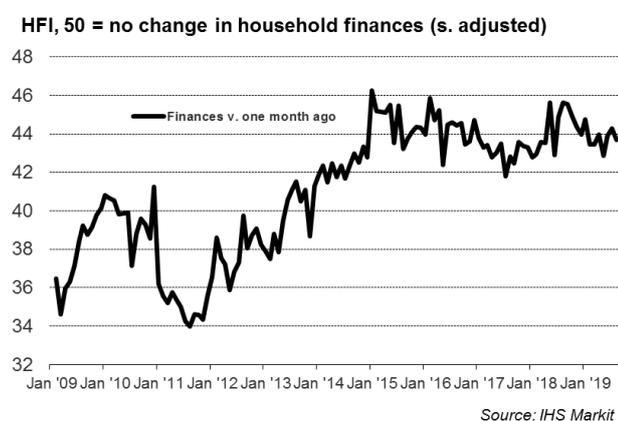
Key points for August 2019:

- UK Household Finance Index falls to three-month low in August
- Year-ahead expectations for financial wellbeing dip back into negative territory
- Appetite for major purchases declines at second-fastest rate in almost two years
- Nearly one-quarter of UK households foresee a rate cut as the next Bank of England move

Data collected August 8th-13th 2019

This release contains the August 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 and future finances



The headline index from the survey, the seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – recorded 43.7 in August, a decrease from July's 44.3, therefore

signalling a stronger degree of pessimism towards current finances by UK households. The headline index registered the lowest reading in three months and was back below the average seen in 2018 (44.2).

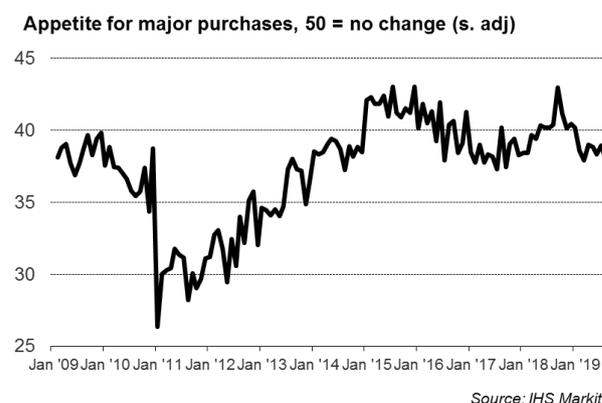
The dip in current household sentiment also filtered through to financial wellbeing expectations. Having been in positive territory during June and July, UK households signalled a negative outlook towards their financial health for the year ahead in August.

Workplace activity, income and job security

Latest survey data showed further growth in workplace activity, with UK households signalling the fastest rise in a year. That said, pessimism towards job security remained, with UK households posting the strongest degree of negativity since March.

Income from employment continued to rise. However, the expansion slowed to a modest pace which was the weakest in five months.

A diminished appetite for major purchases was also observed during August. The decline was once again sharp and the second-steepest since September 2017 (behind March this year).



Living costs and inflation expectations

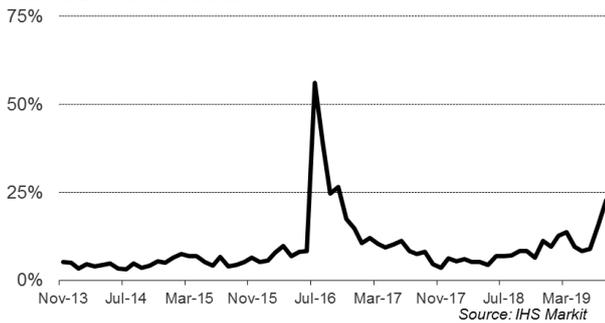
There was a slight moderation in both living cost perceptions and expectations during August. The perceived rate of living cost inflation eased to a five-month low, while expectations weakened for the first time since May. Furthermore, both indicators recorded below their historical averages.

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

A decisive shift in UK household interest rate expectations was recorded on the likelihood that the next move will be a cut. The proportion of UK households which foresee the next action by the Bank of England being an interest rate decline rose to nearly 23%, from approximately 16% in July, its highest since October 2016.

Nonetheless, the majority (68%) of UK households expect the Bank of England will raise interest rates within the next two years. This was down from around 74% in July.

% of UK households that predict the next Bank of England move will be an interest rate cut



Comment:

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

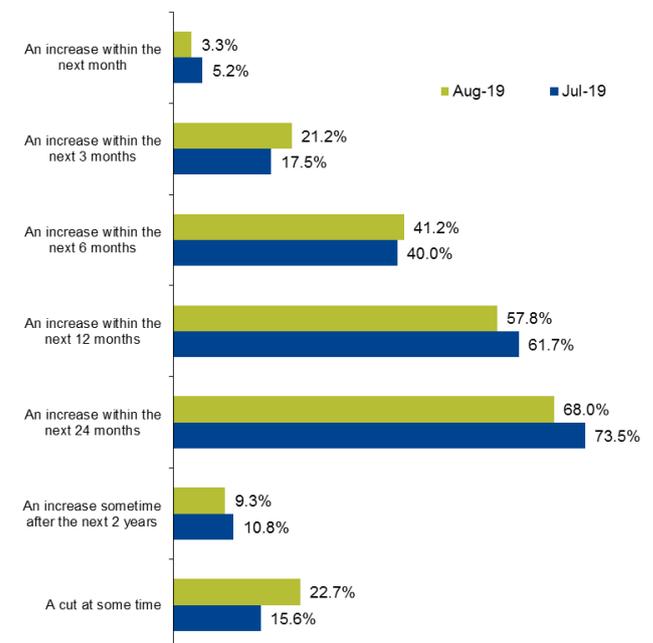
“Latest survey data continued to highlight a fragile state among UK households towards their financial wellbeing. The Brexit haze, uncertainty over the political environment and the increased possibility of the UK entering recession appear to have dented expectations, which dipped into negative territory following positive readings in both June and July.

“A sharp decline in appetite for major purchases was also signalled, while pessimism towards job security also intensified during August, explaining why UK households have withdrawn into a more risk-averse approach and subsequently tapered their expectations for the coming year.

“Latest survey data showed a growing number of UK households expecting that the next Bank of England move will be a rate cut, with almost one-in-four stating this view, the largest proportion since October 2016.”

-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

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. 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 (August survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between August 8th – 13th 2019. 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.

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