

# IHS Markit UK Household Finance Index™

## Expectations of lower interest rates grow as UK household finances remain under pressure

### Key findings

UK households cast pessimistic assessment of current finances

Workplace activity rises strongly, but earnings growth eases further

Appetite for major purchases diminishes amid downbeat job security perceptions

One-in-four UK households now expect Bank of England will cut interest rates

This release contains the October findings from the IHS Markit UK 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 UK Household Finance Index (HFI) – which measures households' overall perceptions of financial wellbeing – edged up to 44.4 in October, from 43.1 in September and its highest mark since January. Nevertheless, latest data was still consistent with a negative assessment from UK households regarding their finances.

Looking ahead, a downbeat outlook for financial health over the coming 12 months was signalled, although UK households curbed their pessimism, with the Future Household Finance Index rising sharply from September's near six-year low.

### Workplace activity, income and job security

UK households signalled robust growth in workplace activity during October. Furthermore, the expansion gathered pace from September and was stronger than the historical average. Income from employment grew overall, but the increase slowed for a third month running and was the weakest for 10 months.

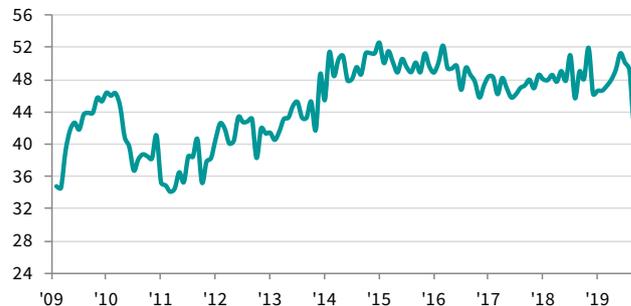
continued...

IHS Markit UK Household Finance Index  
sa, 50 = no change in household finances since previous month



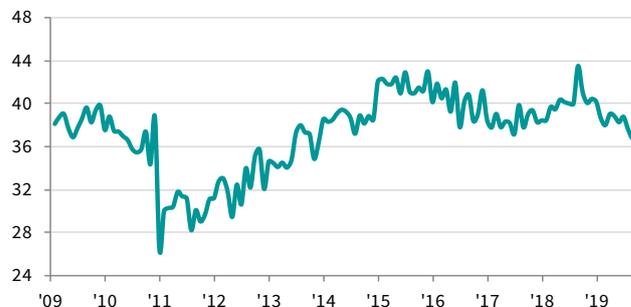
Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

Appetite for major purchases  
50 = no change since previous month



Source: IHS Markit.

Meanwhile, job security perceptions remained negative during the latest survey period, although the level of pessimism was weaker than seen in September. Appetites for major purchases also remained in decline during October.

### Living costs and inflation expectations

Living cost perceptions remained firmly inside inflation territory during September, although the rate of inflation signalled by UK households was the softest since February. Looking ahead, survey data indicated that firms strongly anticipate living costs to increase over the coming 12 months.

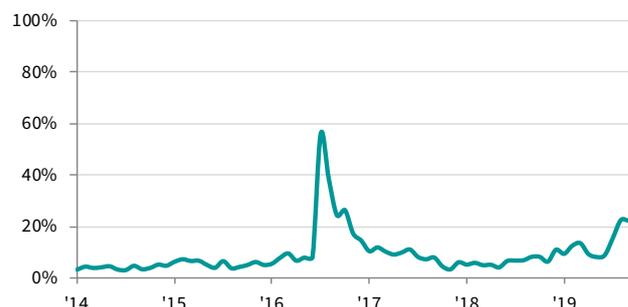
### Households' views on next move in Bank of England base rate

Some interesting developments were seen across UK households' views regarding the next Bank of England interest rate decision.

At the start of the year, around 73% of UK households foresaw the next base rate move being an increase within 12 months, however, latest data showed that proportion has fallen now to around 58%, its lowest since September 2017.

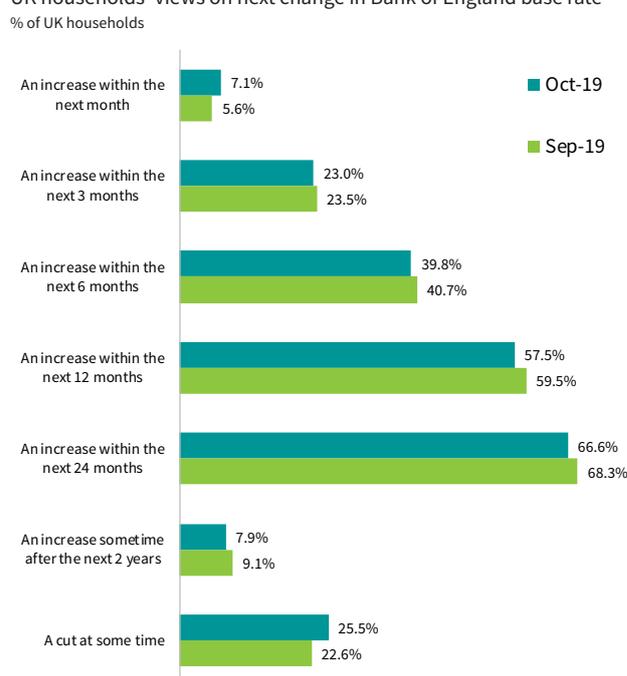
Meanwhile, there was a further shift towards expectations of looser monetary policy, with the percentage of UK households predicting the next move to be a cut reaching just over 25%, its highest since October 2016.

% of UK households expecting the next interest rate move to be a cut



Source: IHS Markit.

UK households' views on next change in Bank of England base rate\*



Source: IHS Markit.

\*"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."

### Comment

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

*"Real incomes have been rising for some time now in the UK, while labour market trends have been generally supportive of the UK consumer. However, latest survey results from UK households continue to show how economic and political uncertainty is holding back what could have been a more resilient growth period for the UK economy."*

*"Negative job security perceptions and a pessimistic financial health outlook have led UK households to delay spending, with major purchases suffering as a result."*

*"These concerns, coupled with the uncertain economic outlook, have led to an increased proportion of UK households expecting the Bank of England to cut interest rates, with one-in-four UK households now foreseeing looser policy on the horizon."*

## Contact

Joe Hayes  
Economist  
IHS Markit  
T: +44 1491 461 006  
[joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

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.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world’s leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).

### Disclaimer

The intellectual property rights to the HFI provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit’s prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information (“data”) contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Household Finance Index and HFI are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd.