

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) April 23<sup>rd</sup> 2019**

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

### Household earnings rise at fastest rate since survey began in 2009

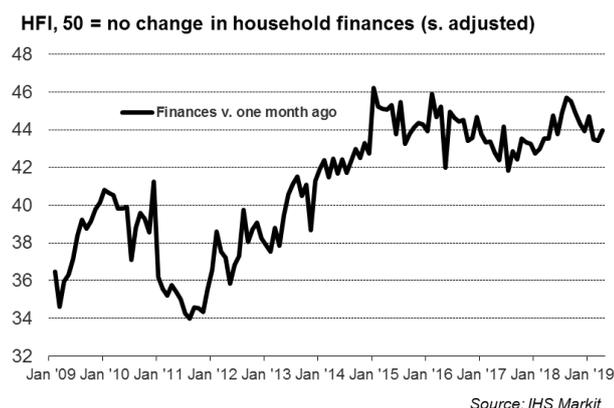
#### Key points for April 2019:

- Headline index reaches three-month high
- Income from employment increases at sharper pace during April...
- ...supporting a notable rise in spending...
- ...but appetite for big-ticket purchases continues to fall

*Data collected April 11<sup>th</sup>-16<sup>th</sup> 2019*

This release contains the April 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

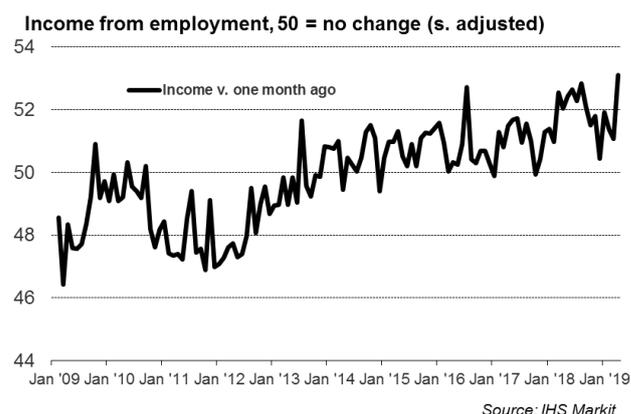


The headline index from the survey, the seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – rose to a three-month high of 44.0 in April, from 43.4 during March, therefore signalling a weaker degree of pessimism among UK households. The increase was supported by stronger growth in earnings from

employment, while job security perceptions also stabilised amid a pick-up in workplace activity.

There was an improvement to household spending during April, but major purchases continued to decline.

#### Workplace activity, income and job security



Latest data indicated a marked uptick in earnings from employment. In fact, the rate of growth was the strongest seen since data collection started in 2009. Additionally, overall job security perceptions broadly stabilised during April, with the respective index posting only fractionally below the neutral 50.0 value. The sector split revealed some diverging trends, however, with those working in retail and manufacturing reporting greater negativity towards job security when compared to March.

Nevertheless, the overall stabilisation in labour market sentiment was supported by a faster rise in workplace activity. In tandem with stronger earnings, expectations towards future financial wellbeing were their least downbeat since last November.

#### Major purchases and household spending

Faster growth of income from employment and a stable outlook towards job security helped drive greater spending in April, with the respective index signalling a strong rise in household expenditure.

That said, appetite for major purchases – such as cars and holidays – declined markedly and at a rate that was only slightly slower than seen in March.

## Living costs and inflation expectations

Having been relatively subdued over the past few months, there were signs of building inflationary pressures during April. Living costs increased at the quickest pace since last September, but the rise was still weaker than the 2018 average.

A stronger rise in current living costs led inflation expectations to edge higher, with households anticipating living expenses to rise at a sharper pace over the coming 12 months.

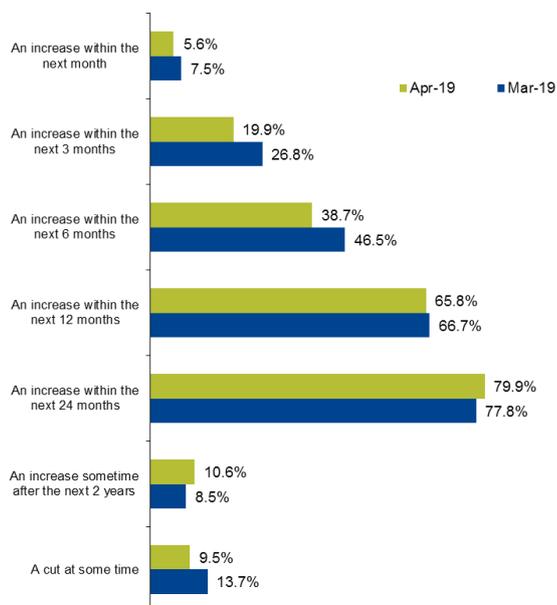
## Households' views on next move in Bank of England base rate

While over the longer term, there was little change to household expectations for Bank of England policy, there was some movement across the shorter horizons.

Around two-thirds (66%) of surveyed households anticipate an interest rate rise within the next 12 months, in line with that seen during March, while approximately 80% expect a hike within two years.

Meanwhile, the proportion forecasting an increase in the next six months fell to 39%, from 46%, its lowest since September 2017.

## 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

## Comment:

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

*"The bright spot for the UK in recent months has been the resilience of its labour market, and latest survey data from households revealed that some of the positivity seen in the hard numbers has filtered through to sentiment and is supporting household finances. Income from employment grew at its fastest pace since the survey started in 2009, corroborating with the pick-up seen in official wages data."*

*"Households also moderated their concerns over job security, supporting a more relaxed approach to overall spending. Nevertheless, appetite for major purchases continued to falter, suggesting that households are still holding back on those big-ticket purchases."*

*"Overall, April data suggest the downbeat consumer sentiment story in the UK could turnaround in the coming months if trends in wages and job security remain accommodative, helping to drive domestic expenditure."*

-Ends-

**For further information, please contact:**

## **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 (April survey)**

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between April 11<sup>th</sup> – 16<sup>th</sup> 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.

### **About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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