

# IHS Markit UK Household Finance Index™

## Strain on household finances eases but still remains strong as lockdown measures persist in June

### Key findings

IHS Markit Household Finance Index shows signs of improvement, but still points to negative sentiment

Trends in workplace activity and incomes from employment recovering at slow pace

Job security perceptions remain deep in pessimistic territory

Increased proportion of households now foresee the Bank of England raising interest rates

This release contains the June 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 – rose to 40.7 in June, up from 37.8 in May and further above April's near eight-and-a-half-year low. The latest reading was the highest since March, but was still consistent with a strongly pessimistic attitude among UK households towards their current financial situation.

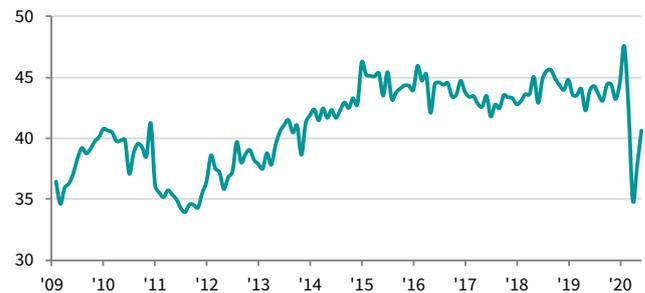
This trend was mirrored in the outlook for finances over the next 12 months. Latest survey data showed that UK households were the least negative towards the prospects for their financial health in the coming year since March.

### Workplace activity, income and job security

Latest data pointed to tentative signs of an improving trend in financial conditions for households during June. This was evidenced by a five-point increase in the respective income from employment indicator. Nevertheless, the index was well

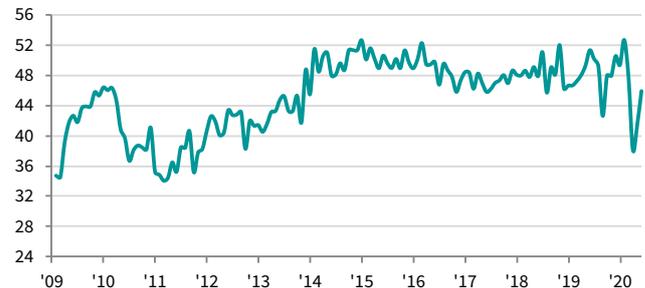
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IHS Markit UK Household Finance Index  
sa, 50 = no change in household finances since previous month



Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

Job security perceptions  
50 = no change in job security perceptions since previous month



Source: IHS Markit.

below the levels seen prior to the coronavirus disease 2019 (COVID-19) outbreak and was still indicative of a fall in incomes from employment.

Workplace activity continued to fall sharply during June, according to UK households, although the rate of contraction slowed since May. Those employed in media, culture and entertainment industries signalled the most severe decline, followed by construction and manufacturing.

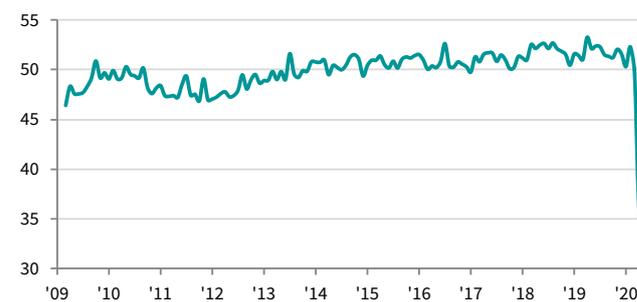
UK households maintained a strongly pessimistic view towards job security in June. While the outlook was slightly less downbeat than in May, it remained deeply negative overall.

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

Around half of surveyed UK households expect the Bank of England to increase interest rates within the next year, according to our latest data. This was up from 44% in May, while the majority (approximately 65%) expect an increase to come within the next two years. Just under a third foresee an increase in the next six months (32%), while a smaller percentage expect interest rates to be cut at any time (21%, down from 28%).

### Income from employment

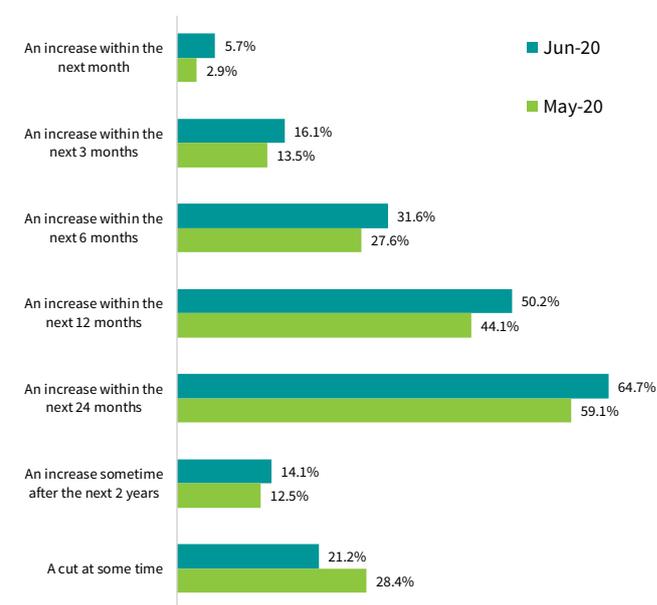
50 = no change in income from employment since previous month



Source: IHS Markit.

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

% of UK households



Source: IHS Markit.

\*"The interest rate set by the Bank of England is currently 0.1%. 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:

*"It is reassuring to see the UK Household Finance Index rebounding in June, as it suggests that the financial hardship endured during the height of the lockdown is easing. However, it appears that households are still faced with a number of difficulties which will hold back a broad-based economic recovery."*

*"Job security perceptions are still at extreme levels of pessimism, and the data here suggest there has been little pickup. This isn't surprising given that large parts of the UK economy remain shuttered, but such negativity towards employment status is likely to generate risk aversion in consumption habits, which will undermine the recovery."*

*"Incomes from employment were also in deep contraction territory during June. Key to the economy returning to pre-COVID-19 levels of economic output as quick as possible will be strong demand, which will encourage robust business activity and employment growth. If households are fearful for their job security and their incomes are falling, the UK's path of recovery could be a slow one."*

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### 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.

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