

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) August 20<sup>th</sup> 2018**

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

### Survey-record rise in income from employment helps lift household sentiment in August

#### Key points for August 2018:

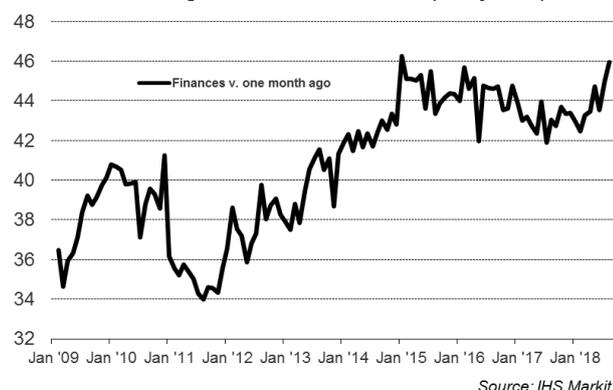
- Household Finance Index records second-highest reading in survey's nine-year history
- Improved income from employment and rising spending activity...
- ...although inflationary pressures lead to subdued year ahead outlook
- Around 44% of UK households expect another Bank of England rate hike in next six months

*Data collected August 9<sup>th</sup>-13<sup>th</sup> 2018*

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 finances

**HFI, 50 = no change in household finances (s. adjusted)**



UK households gave the least downbeat assessment of financial wellbeing since January 2015. Rising from 45.0 in July to 45.9 in August, the headline seasonally adjusted **IHS Markit**

**Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – registered the second-highest reading since the survey began in February 2009.

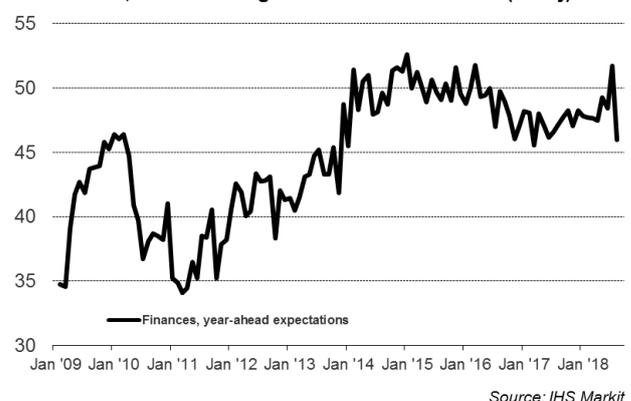
The strain on household budgets continued to soften in August as a result of strong labour market conditions, survey-record income growth, alongside slower declines in savings and cash available to spend. Inflationary pressures remained elevated, however, with perceptions around cost pressures sharpening during August.

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

Despite households reporting a robust degree of positive sentiment towards current finances, the outlook towards financial wellbeing over the coming year slipped in the latest survey.

At 46.0 in August, the index fell from the 28-month high of 51.7 recorded in July, signalling renewed pessimism towards future finances among UK households. Moreover, the level of pessimism was the greatest since March 2017.

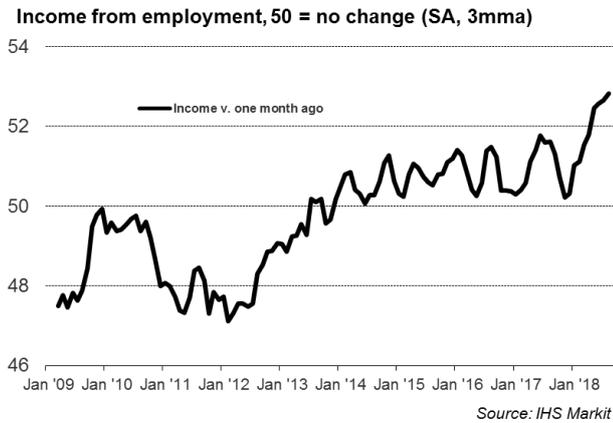
**Future HFI, 50 = no change in household finances (s. adj)**



#### Workplace activity, income and job security

UK households continued to report strong labour market conditions in August. Income from

employment rose at a survey-record rate, thereby extending the current phase of rising income to ten months.



That said, perceived job security deteriorated and inflationary pressures sharpened, thereby eating into household budgets in the latest survey.

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

Following the base rate hike from 0.5% to 0.75% on 2<sup>nd</sup> August 2018, the latest survey data indicated a sizable number of UK households anticipate another rise in the short-term.

The outlook towards the next three months saw the most marked shift in expectations. Approximately 22% of respondents anticipate a rise within the next three months, down from 30% in the preceding survey. Meanwhile, there was a fractional uptick in households forecasting a reduction.

### Comment:

**Sam Teague, Economist at IHS Markit**, which compiles the survey, said:

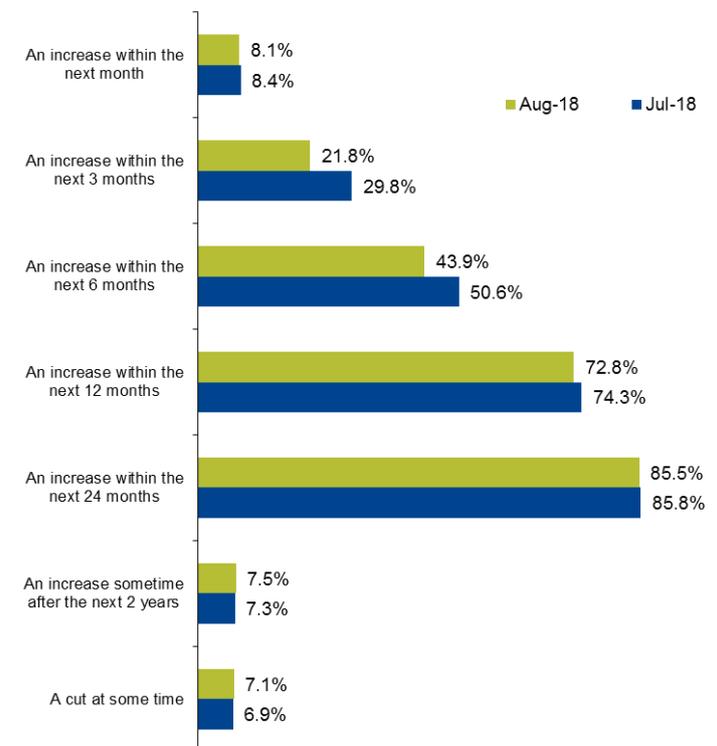
*"The August HFI survey unveiled a myriad of positive data around UK household budgets, underlined by the lowest degree of pessimism towards current financial wellbeing since January 2015. Furthermore, income from employment rose at the fastest pace since the survey began in 2009. Strong labour market conditions gave households the confidence to continue ramping up spending levels in August.*

*"That said, the spectre of higher living costs on the horizon and ongoing Brexit uncertainty both contributed to renewed worries towards future*

*household finances, with August's findings seeing the lowest level of optimism among respondents since Article 50 was triggered in March 2017. Meanwhile, following the Bank of England base rate increase in early August, around three-quarters of UK households expect a further hike in the next 12 months."*

-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 (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 9<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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