

Embargoed until 0001 UTC (0101 BST) 04 May 2022

## S&P Global UK Household Interest Rate Expectations Index

### UK households' expectations towards interest rates remain amongst most hawkish on record in April

#### Key findings:

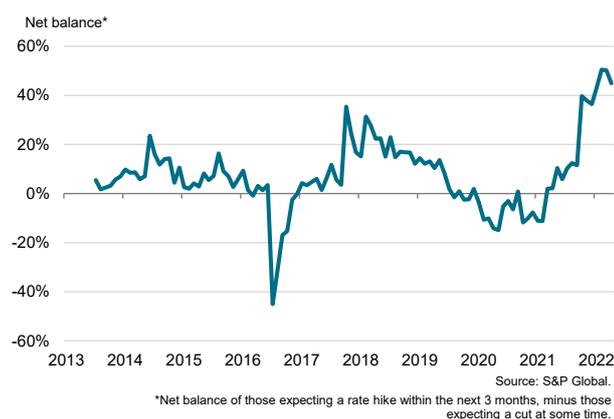
Over half of households (53%) expect a rate hike in next 3 months...

...rising to nearly three in four (72%) in the next 6 months

Just 8% believe the next move by the central bank will be a cut

Data were collected 14-21 April

#### UK Households' Interest Rate Expectations



April data highlighted that UK households continue to expect an imminent rise in the Bank of England base rate, and sentiment is among the most hawkish since the index began in July 2013, according to the latest representative survey of 1,500 UK households compiled by S&P Global.

At 53% in April, the proportion of UK households who expect a rate hike in the next three months was little-changed from the survey record proportion of 55% recorded in February and March, and was the third-highest since data collection began in 2013.

Meanwhile, just 8% of households surveyed at the start of the second quarter expect the next move by the UK's central bank to be a rate cut, up only slightly from February's reading of 5%. This suggested that UK households believe the central bank will remain focussed on tempering inflation in the first half of 2022, despite a clouded macroeconomic outlook due to ongoing supply issues and the war in Ukraine, and growing pressure on consumer finances amid the cost of living crunch.

The resulting net balance for UK household interest rate expectations was +45% in April and indicative of strong anticipation of a further rise in the base rate, ahead of the next announcement from the central bank's Monetary Policy Committee (MPC) at midday on 5<sup>th</sup> May 2022, which follows three successive decisions to hike the bank rate.

Higher readings for households rate expectations have only been recorded twice since data collection began in July 2013, with the respective net balance topping out at a record of +50% in both February and March 2022.

Expectations towards interest rates over extended time horizons also remain substantially elevated in the context of historical data. Nearly three quarters (72%) of UK households expect a rate hike in the next six months, the third-highest on record, with the respective proportion over a 12 month time horizon rising to 85%, the second-highest in the history of the survey.

Lewis Cooper, Economist at S&P Global said:

*"Household interest rate expectations continued to run hot in April, according to the latest survey data. The net balance for interest rate expectations dipped only slightly from the record readings seen in February and March and remained the third-highest on record. UK households clearly expect further moves from the Bank of England to temper inflation, adding to what is already three rate hikes in successive meetings.*

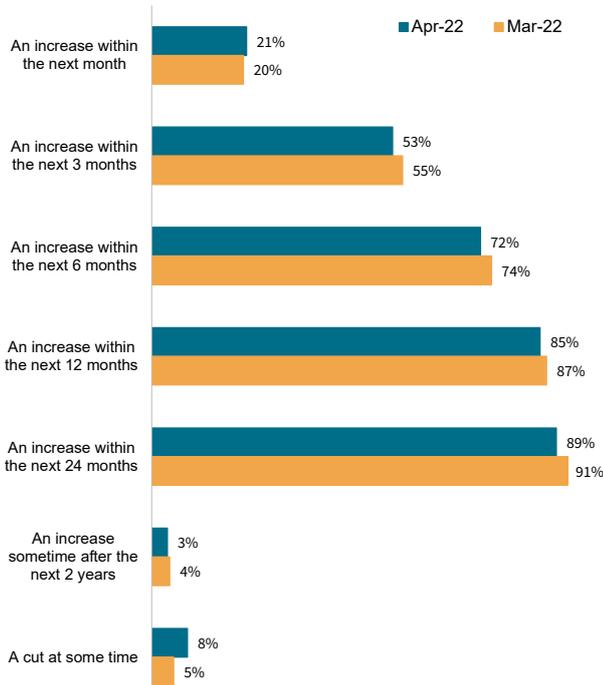
*"Views of UK households remain broadly in line with expectations of financial markets, which continue to price in at least one further 25 basis point rise from the UK's central bank in the next three months.*

*"Moreover, a strong majority of 72% of households surveyed expect a rate hike within the next six months, suggesting that forecasts of higher interest rates remain baked in to households thinking despite wider geopolitical and macroeconomic concerns."*

The UK Household Interest Rate Expectations Index is released ahead of each MPC meeting. For release dates, please email [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

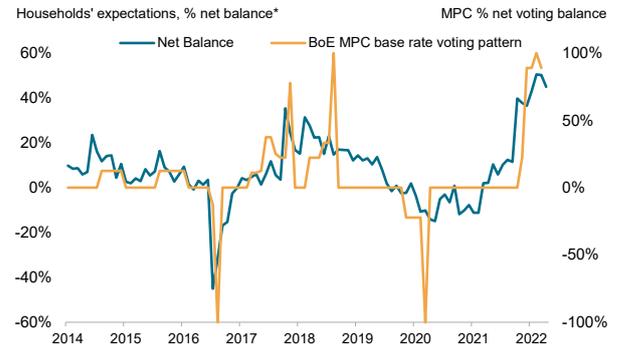
# News Release

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



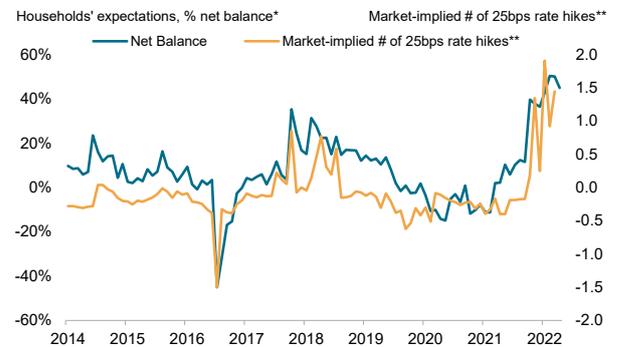
\*\*The interest rate set by the Bank of England is currently 0.1%. Please let us know when and how you think the Bank will next change interest rates by choosing one of the options below. Please choose only one answer.\* Figures are cumulative % of respondents excluding "don't know".

## Household interest rate expectations and MPC voting history



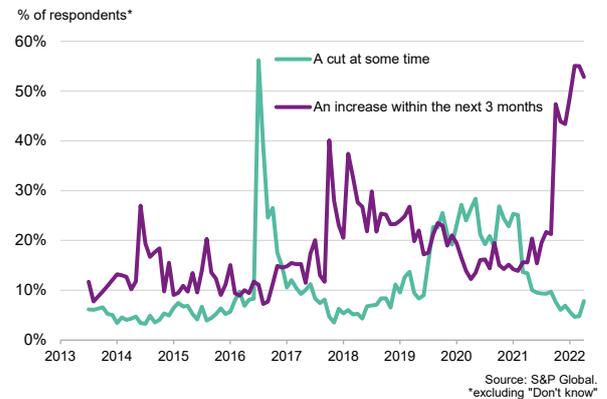
Voting balances shows rate hike votes minus rate cut votes, taking into account size of each vote per MPC member.  
\*% expecting a rise in next 3 months minus % expecting the next move to be a cut.

## Household versus market interest rate expectations



\*Net balance of those expecting a rate hike within the next 3 months, minus those expecting a cut at some time.  
\*\*Market-implied number of 25bps rate hikes calculated using 3-month forward overnight index swaps data.

## Households' Interest Rate Expectations – breakdown



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# News Release

## Note to Editors

### About the Household Interest Rate Expectations Index

The S&P Global UK Household Interest Rate Expectations Index is a single figure indicator of households' interest rate expectations, designed to give a timely gauge of the extent to which the BoE has managed households' expectations.

The survey is based on monthly responses from approximately 1,500 individuals in the UK, 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.

### Index numbers

The index is calculated as the percentage net balance of those expecting the next move in interest rates by the Bank of England to be a hike within three months less those anticipating a decline at some time in the future.

### Ipsos MORI technical details (April survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across the United Kingdom from its online panel of respondents. Interviews were conducted online between April 14th – 21st 2022. 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 UK 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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