

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) July 22<sup>nd</sup> 2019**

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

### UK households retain upbeat outlook towards future finances as incomes continue to rise in July

#### Key points for July 2019:

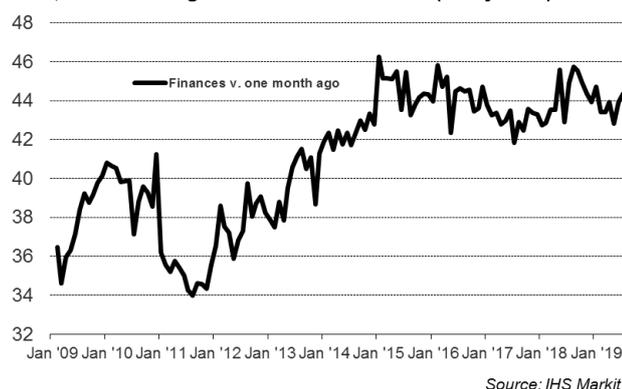
- Expectations towards future finances remain positive in July
- Income from employment grows at robust rate
- Percentage expecting a rate cut at highest for over two-and-a-half years

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

This release contains the July 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 and future finances

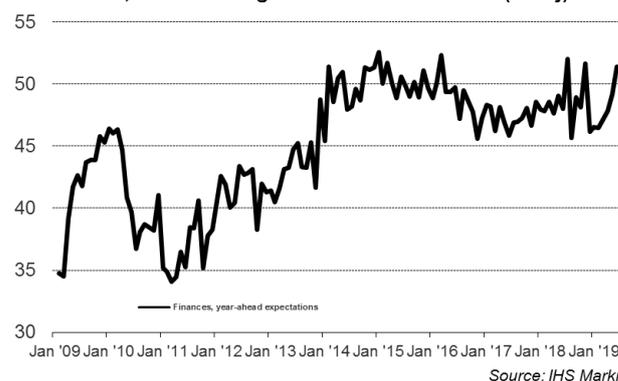
**HFI, 50 = no change in household finances (s. adjusted)**



The headline index from the survey, the seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – rose in July for a second successive month to 44.3. This was up slightly from 43.9 in June and indicated the weakest level of pessimism among UK households towards their finances since January.

For the first time since early-2016, UK households cast upbeat expectations in back-to-back months. The degree of positivity held close to that recorded in June, with resilient labour market conditions being a key driving force behind financial optimism.

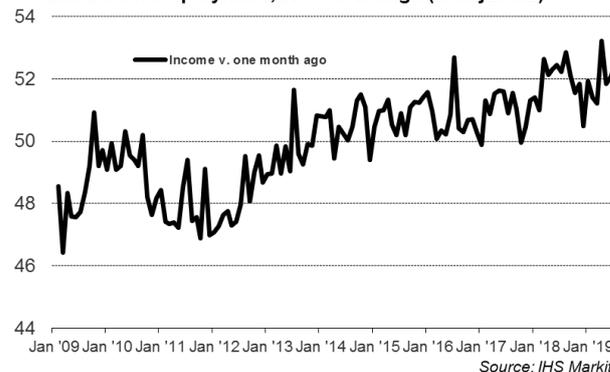
**Future HFI, 50 = no change in household finances (s. adj)**



#### Workplace activity, income and job security

UK households continued to report solid growth in workplace activity in July that was slightly stronger than the long-run average. However, concerns regarding job security remained, as has been the case for the past 12 months.

**Income from employment, 50 = no change (s. adjusted)**



Incomes from employment grew at a robust pace in July that was the fastest in three months. Monthly gains in earnings have been reported by UK households in every survey period since November 2017.

## Living costs and inflation expectations

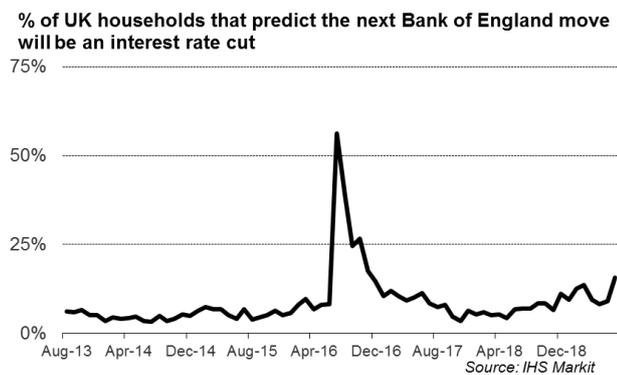
Perceptions towards current living costs edged up since June to their highest in ten months. Overall, the perceived rate of inflation was in line with the long-run average (since 2009). Living cost expectations also rose in July, picking up to a three-month high.

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

A rate increase remained the consensus among UK households in July as the next move by the Bank of England, however there were signs that expectations were beginning to shift slightly towards looser monetary policy.

While nearly three-quarters of UK households anticipate an interest rate hike within the next two years, the proportion fell to its lowest since May 2017. At both the one-year and six-month horizons, the proportion expecting an increase within these periods also fell.

At the same time, the percentage of UK households predicting the next move by the central bank to be an interest rate cut increased to nearly 16%, its highest in over two-and-a-half years.



## Comment:

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

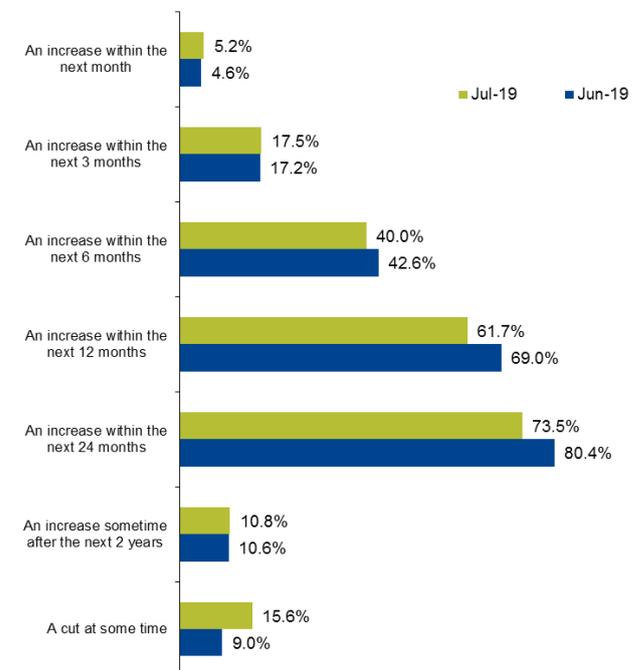
*“Against the challenging UK economic backdrop and heightened political uncertainty, households signalled a cautious level of optimism towards their future finances in July. Survey respondents were also the least downbeat on their current financial wellbeing since the start of the year.*

*“UK households continued to signal decent growth of incomes from employment, which corroborates what recent ONS data have shown and is a positive indication for consumer spending this summer. Concerns towards job security do linger however, which may be holding back big-ticket purchases.*

*“There were some noteworthy developments in interest rate expectations in July, as the proportion of UK households predicting the next move by the Bank of England to be a cut rose to its highest in over two-and-a-half years.”*

-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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## 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 (July survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between July 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))

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