

Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (London) May 20th 2019

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

Financial wellbeing deteriorates at fastest pace since September 2017 despite a sustained rise in income from employment

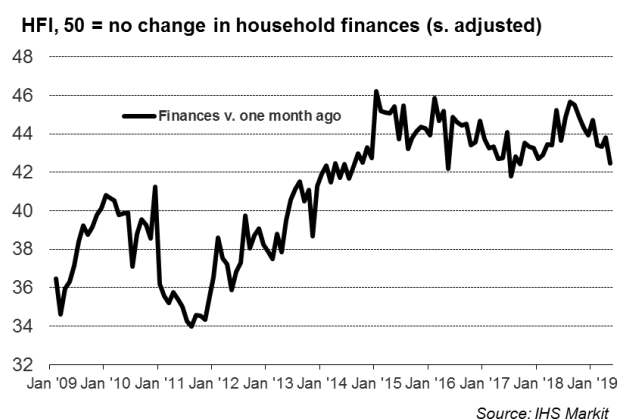
Key points for May 2019:

- Household finances squeezed to strongest extent since September 2017...
- ...but workplace activity and incomes from employment continue to rise
- Job security perceptions remain downbeat

Data collected May 9th-14th 2019

This release contains the May 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.

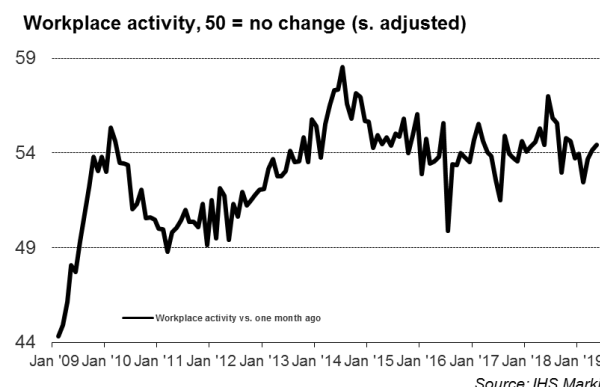
Current and future finances



The headline index from the survey, the seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – recorded 42.5 in May, which was down from April's three-month high of 43.8. The latest figure indicated the strongest level of pessimism towards current financial wellbeing among UK households since September 2017.

Nevertheless, the outlook towards future finances was the least downbeat since last November, with the respective index measuring financial wellbeing expectations increasing for a third successive month.

Workplace activity, income and job security



Survey data indicated further growth to both workplace activity and incomes from employment. UK households signalled a solid rise in the former during May that was the quickest in six months. Earnings from employment were also up from the previous month, although the rate of increase softened from the survey record seen in April.

However, perceptions towards job security remained downbeat in May, with the degree of negativity increasing since the previous month. Sector data revealed that, as has been the case in recent surveys, that those employed in manufacturing and retail sectors were the most pessimistic towards job security.

Continued...

Major purchases and household spending

Latest data suggested that growth in UK household expenditure continued in May. Although the expansion was slower than in April, it was slightly stronger than the long-run average. However, survey respondents' appetite for major purchases remained stuck in a downward trend during May, declining at a slightly quicker pace than seen previously.

Living costs and inflation expectations

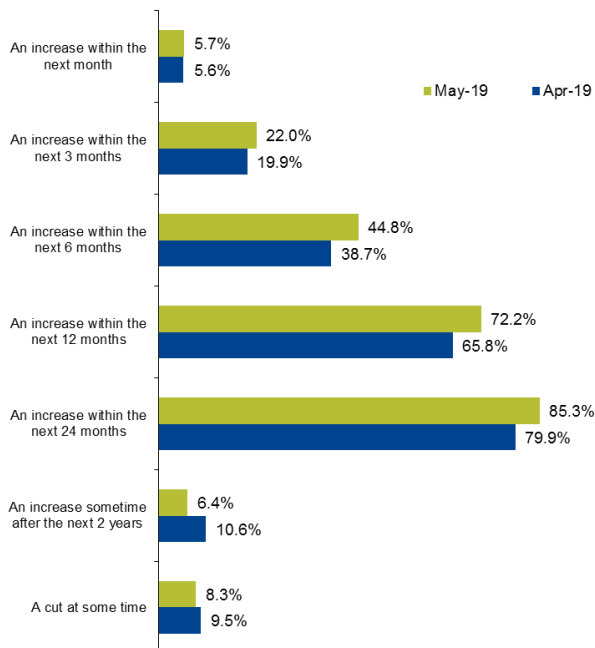
UK households perceived living expenses to have risen markedly during May. Survey data signalled an increase that was only slightly softer than April's seven-month high. Meanwhile, inflation expectations moderated to a four-month low in May.

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

Latest survey data showed an increase in the proportion of UK households anticipating the next move by the Bank of England to be a rate hike.

Over the coming six months, approximately 45% of UK households predict a base rate rise, compared to nearly 39% in April. Meanwhile, The proportion expecting an increase to come within the next 12 months was up at 72% in May from 66% in April - the highest since January.

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:

"UK households continued to show pessimism towards their financial health during May, with the respective index hitting a 20-month low and signalling a stronger level of negativity. Despite the latest labour market data showing historically-low unemployment and reasonably robust wage growth, weak confidence has acted to undermine these trends and led to belt-tightening at UK households. Appetite for major purchases continued to wane, while job security perceptions remained downbeat once again."

"It does seem, however, that households expect the current situation to stabilise over the coming year, with financial expectations turning less subdued in May. Survey data showed a slight shift in household interest rate expectations, with almost three-quarters predicting a rate hike in the next 12 months."

-Ends-

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Note to Editors:

About the HFI

¹ 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 (May survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between May 9th – 14th 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)

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