News Release

Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 09:30 (London) January 21st 2019

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

UK households start 2019 on downbeat tone as job security falls at fastest pace for 11 months

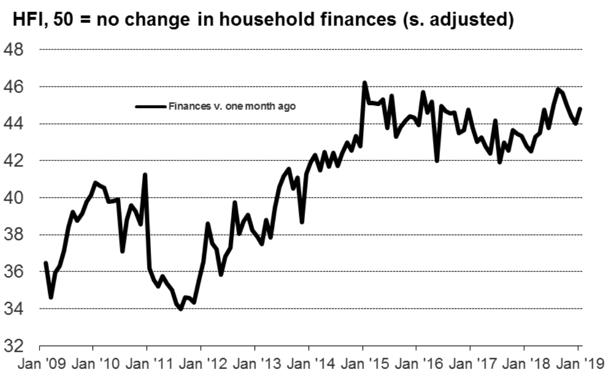
Key points for January 2019:

- IHS Markit UK Household Finance Index™ rises to three-month high of 44.8 in January…
- …but UK households still expect finances to deteriorate over 2019
- Living costs perceived to have risen at slowest rate since October 2016
- Nearly three-quarters of households expect interest rates to rise again by January 2020

Data collected January 10th-14th 2019

This release contains the January 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



Source: IHS Markit

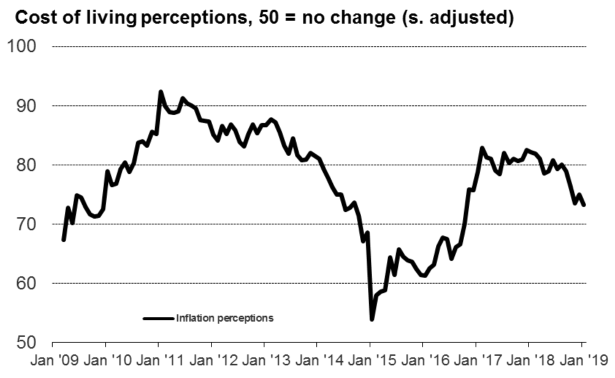
The headline seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – increased in January to a three-month high of 44.8, from 44.0 in December, but remained below the no-change mark of 50.0, thereby indicating pessimism towards current financial prospects among UK households. That said, the rise in the index signalled a lesser degree of negative sentiment. In fact, when compared with the average seen across 2018, UK households have started the year in a relatively upbeat manner.

That said, financial wellbeing in 12 months' time is still expected to worsen, continuing the trend seen in December. This came amid heightened worries over job security, lower cash availability and weakened optimism about the future of the UK housing market. On a more positive note, there were increased rates of growth in both earnings from employment and workplace activity, while inflation expectations were pared back.

Expectations for finances in the next 12 months

UK households remained downbeat on expected financial health in one year's time, with the respective seasonally adjusted index at 46.4, broadly in line with December's four-month low of 46.2 and among the weakest since the start of 2014.

Living costs and inflation expectations



Source: IHS Markit

Households' cost of living continued to grow, but as has been apparent in four of the past five months, inflationary pressures eased during January and were the weakest since October 2016. Living expenses are predicted to rise over the course of the year, but expectations remain softened slightly and were below the 2018 average.

Workplace activity, income and job security

According to survey respondents, workplace activity grew solidly during January and at a slightly accelerated pace. Split by income groups however, data showed that workplace activity increased the strongest for higher earners, while those further down the scale noted marginal declines. Similarly, overall growth in earnings from employment quickened to the sharpest since September, but was driven by those in higher income brackets.

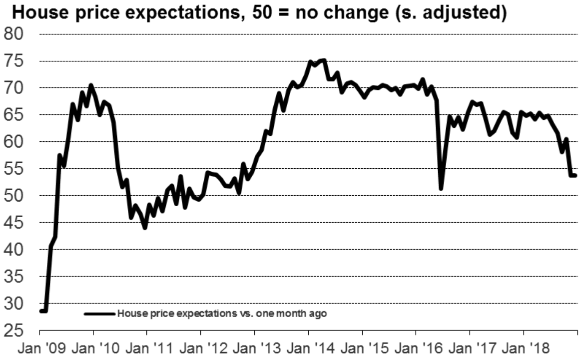
January data highlighted increasing concern regarding job security, as UK households were the most pessimistic about their prospects for almost one year.

Property value expectations

Having hit the lowest level of confidence in six years (excluding the month after the EU referendum) during December, latest survey data indicated no improvement in property price expectations, which eased fractionally. In fact, households in Scotland, London and the North East are anticipating outright declines over the coming year.

Meanwhile, the index measuring current house price perceptions dropped to 50.2 in January, its lowest since July 2016.

House price expectations, 50 = no change (s. adjusted)



Source: IHS Markit

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

There was little change in interest rate expectations across the horizons monitored by the survey during January. Around half (51.5%) of survey respondents predict an increase within the next six months, while a large majority (72.8%) of UK households foresee an increase at some point during 2019.

Meanwhile, close to one-tenth (9.6%) of UK households are now predicting the Bank of England will cut the base rate. However, this was slightly lower than seen during December (11.2%).

Comment:

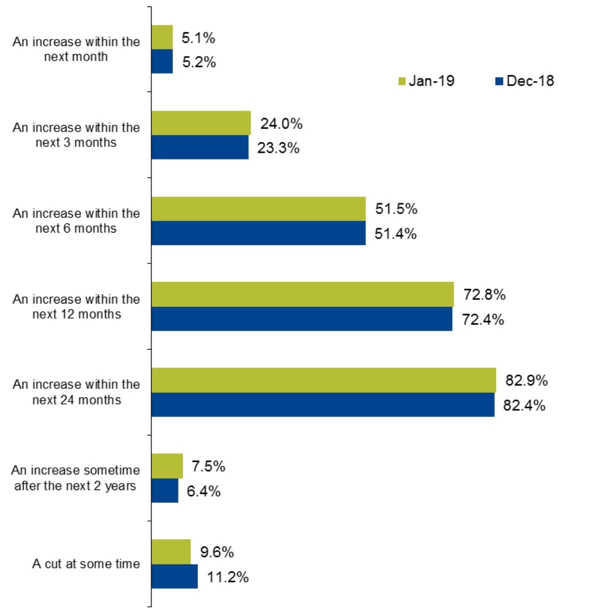
Joe Hayes, Economist at IHS Markit, which compiles the survey, said:

"There was no financial respite at the beginning of 2019 for UK households, with survey data showing current finances once again deteriorating. Expectations remain anchored upon this downbeat trend continuing throughout the year ahead. A number of other survey indicators reinforce the negative stance by households, as job security perceptions deteriorated to a near one-year low, while there was no bounce back from the stark drop in house price expectations seen in December.

Political deadlock over Brexit merely adds extra uncertainty to an already unfavourable financial environment for UK households. However, improvements may come to the fore in coming months if uncertainty about the path of Brexit becomes more clear. Furthermore, survey data show that living costs have risen at the slowest rate since the start of 2016, helping to alleviate cost burdens and free-up disposable incomes."

-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

For further information, please contact:

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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 (January survey)
Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between January 10th – 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)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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