

# IHS Markit UK Household Finance Index™

## Financial wellbeing outlook at most pessimistic for almost six years as job security perceptions diminish

### Key findings

UK Household Finance Index falls to four-month low in September

Appetite for major purchases declines further as financial expectations slump

Job security perceptions deteriorate at stronger clip

Over one-fifth of UK households foresee a rate cut as the next move by the Bank of England

This release contains the September findings from the IHS Markit UK 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 UK Household Finance Index (HFI) – which measures households' overall perceptions of financial wellbeing – fell to a four-month low of 43.1 in September, down from 43.6 in August and therefore indicative of a stronger degree of negativity towards current finances.

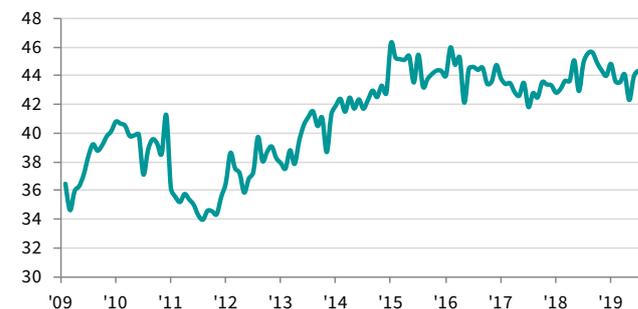
The stronger deterioration in financial health was accompanied by sharper declines in appetite for major purchases, job security perceptions and financial wellbeing expectations. The outlook for finances dropped to its weakest since November 2013.

### Workplace activity, income and job security

Latest survey data showed a slowdown in growth of workplace activity. Although expansion was sustained, it was the slowest since July 2017. Income from employment also rose at a weaker pace than in August, although the increase was only marginally softer. At the same time, appetite for major purchases at UK households diminished at the fastest rate since December 2013

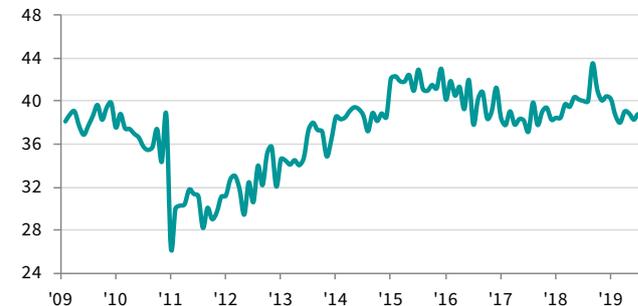
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IHS Markit UK Household Finance Index  
sa, 50 = no change in household finances since previous month



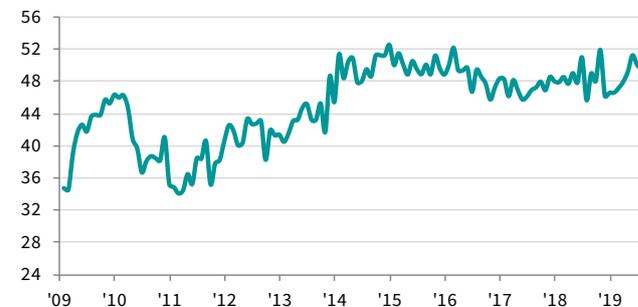
Source: IHS Markit.

Appetite for major purchases  
sa, 50 = no change since previous month



Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

and job security perceptions were the most pessimistic for just over two years.

### Living costs and inflation expectations

Living cost perceptions indicated upward pressures on UK households expenses in September, although the rate of inflation held steady since August and was weaker than the long-run average. However, there was a slight increase in the expected rate of living cost inflation over the coming 12 months.

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

Household expectations for the next move in the Bank of England base rate were generally little-changed from August during the latest survey period.

The majority foresee an increase as the next move, with around 68% anticipating the rise to come within the next 24 months. The proportion of UK households predicting a rate cut was broadly in line with August's near three-year high at roughly 23%.

Job security perceptions

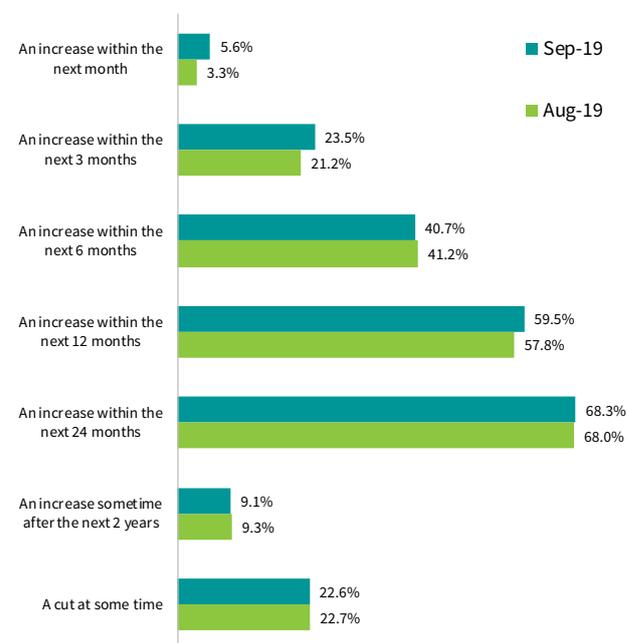
sa, 50 = no change since previous month



Source: IHS Markit.

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

% of UK households



Source: IHS Markit.

\*"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."

### Comment

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

*"Our survey continues to shed light on underlying concerns among UK households, particularly relating to major purchasing activity, job security and future financial health.*

*"Financial wellbeing expectations were the most pessimistic in nearly six years in September, explaining the drop in appetites for major purchases such as cars and holidays. There were also signs that political and economic uncertainty had caused nervousness surrounding job security.*

*"Above all, latest data suggest that the robust performance of the UK labour market may not be sufficient enough to dispell the pessimistic financial outlook, which could ultimately see weaker consumption trends at a time where the economy hinges on domestic resilience."*

## Contact

Joe Hayes  
Economist  
IHS Markit  
T: +44 1491 461 006  
[joseph.hayes@ihsmarkit.com](mailto:joseph.hayes@ihsmarkit.com)

Joanna Vickers  
Corporate Communications  
IHS Markit  
T: +44-207-260-2234  
[joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

### Methodology

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.

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