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# IHS Markit UK Household Finance Index™

## UK household finances come under strong pressure amid growing concern towards job security

### Key findings

IHS Markit Household Finance Index falls sharply from 47.6 to 42.5 in March

Job security perceptions at most negative since December 2011

Appetite for major purchases plummet since February

UK households report fastest drop in workplace activity since 2009

This release contains the March 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 – dropped sharply in March to 42.5, from 47.6 in February, to signal an accelerated deterioration in the financial health of UK households. Moreover, the index reached its lowest point since May 2019, contrasting with February's survey high.

Looking ahead, UK households expect financial wellbeing to decline over the next 12 months. Again, this was a marked difference from the positive outlook recorded in the previous month.

### Workplace activity, income and job security

There were notable developments in workplace-related data during the March survey. UK households reported their most pessimistic outlook towards job security for over eight years. The most downbeat UK households were those employed in media/culture/entertainment, followed by the manufacturing

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



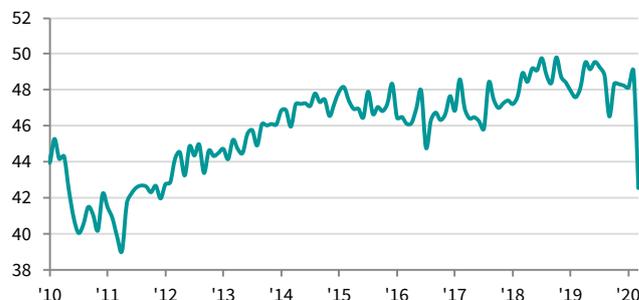
Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

Job security perceptions  
50 = no change in job security perceptions since previous month



Source: IHS Markit.

sector.

Workplace activity declined at the strongest pace since April 2009, according to surveyed UK households. Mirroring the trend in job security perceptions, those employed at entertainment and manufacturing firms observed the fastest decrease in activity. Virtually no growth in incomes from employment was also registered during March, while appetites for major purchases fell at a substantial rate that was the fastest since December 2012.

### House prices and expectations

There were signs of housing market conditions softening in March as UK households reported the slowest rate of growth in prices since last November. A rise in house prices is still expected over the next 12 months, although at a slower rate than previously foreseen in February.

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

UK households provide an updated view on where they foresee interest rates heading next (data were collected 12-17 March, before the emergency reduction to 0.1%).

Most of the movement came at the longer end of the outlook horizon, with an increased proportion of UK households foreseeing an interest rate increase within the next 24 months as the most likely change. Still, around one-quarter of surveyed UK households expect the next Bank of England move to be a reduction in interest rates.

### Appetite for major purchases

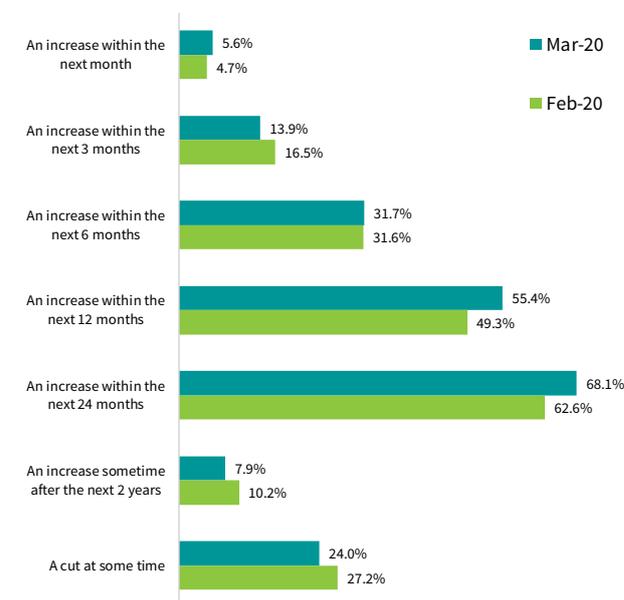
50 = no change in appetite for major purchases since previous month



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 0.25%. 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:

"UK consumers are already feeling the financial pinch of coronavirus, according to the IHS Markit UK Household Finance Index. With the country on the brink of lockdown during the survey collection dates (12-17 March), surveyed households reported the largest degree of pessimism towards job security in over eight years, with those employed in entertainment and manufacturing sectors deeming their jobs to be at the most risk. Major purchases are being shunned in response to the worsening outlook for financial wellbeing, while the survey data suggest that workplace activity fell at the fastest rate since 2009.

"The government has promised to do "whatever it takes" to keep the economy afloat and ensure UK households do not suffer financially, but there still remains a high degree of uncertainty towards wages and employment. People seem rightfully concerned whether or not they will be able to pay their bills in the coming months. Policymakers have started to throw everything they can to keep the financial sector alive, but it is increasingly clear that direct support to households and the wider economy is required to ensure stimulus is adequately filtered through to those in dire need."

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### 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.

### About IHS Markit

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