

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 01:01 (London) June 18<sup>th</sup> 2018**

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

### Income from employment rises at survey-record pace in June, but higher living costs continue to hold back household confidence

#### Key points for June 2018:

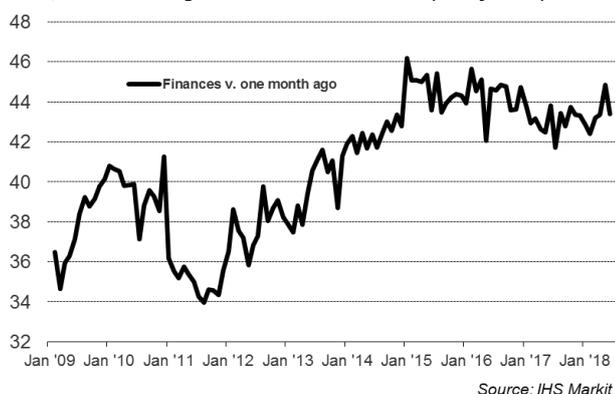
- Household finance index drops slightly in June, largely reflecting greater living costs
- Inflation expectations reach four-month high
- Income from employment increases at fastest rate since the survey began in February 2009
- Workplace activity expands to the greatest extent since October 2014
- Almost half of UK households (45%) anticipate a Bank of England rate rise by the end of 2018

*Data collected June 7<sup>th</sup>-11<sup>th</sup> 2018*

This release contains the June 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

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



The headline seasonally adjusted **IHS Markit Household Finance Index (HFI)** eased to 43.4 in June, down from a 25-month peak of 44.9 in May

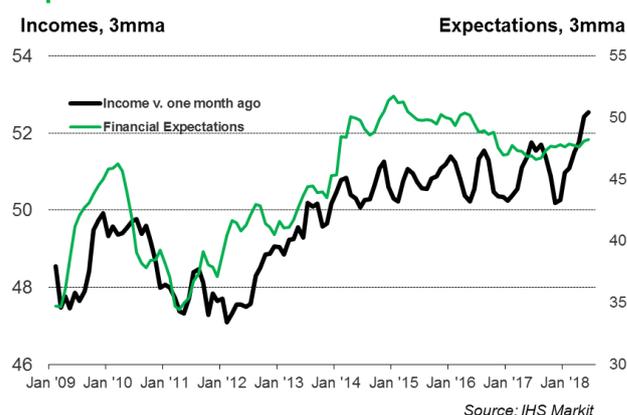
and thereby signalling a sharper squeeze on household budgets.

However, looking at the second quarter of 2018 as a whole, the headline index was higher than that seen on average throughout the first quarter of the year (43.9, against 42.8 in Q1 2018).

Stubbornly high inflation was a key factor holding back household sentiment in June, with survey respondents recording the strongest increase in living costs for three months.

Rising living costs were partly offset by greater wages, with household signalling the fastest rate of income growth since the survey began in 2009.

#### Expectations for finances in the next 12 months



Mirroring the trend for current finances, latest data revealed a moderation in households' expectations for their financial wellbeing in the next 12 months.

Entrenched pessimism regarding the financial outlook contrasted with a solid rise in income from employment. Moreover, households reported the lowest degree of job insecurity since the survey began more than nine years ago.

Concerns about household budgets in the year ahead appeared to reflect stronger inflation

expectations in June. The balance of survey respondents anticipating a rise in living costs during the next 12 months picked up to the highest since February.

## Workplace activity, income and job security

Labour market conditions remained the main bright spot for household finances in June. The index measuring workplace activity pointed to the strongest rate of expansion for over three-and-a-half years, thereby suggesting an improved rate of underlying economic growth in June.

At the same time, survey respondents indicated a survey-record rise in income from employment and the lowest degree of job insecurity for over nine years.

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

June data indicated that UK households' interest rate expectations moderated over the month. Around 45% of survey respondents anticipate a Bank of England rate hike by the end of 2018, down from 54.6% in May.

On a longer-term horizon, the vast majority of UK households forecast a rise in the Bank of England base rate. Around three-quarters expect a rise in the next 12 months, while 86% anticipate increased interest rates at some point over the next two years.

### Comment:

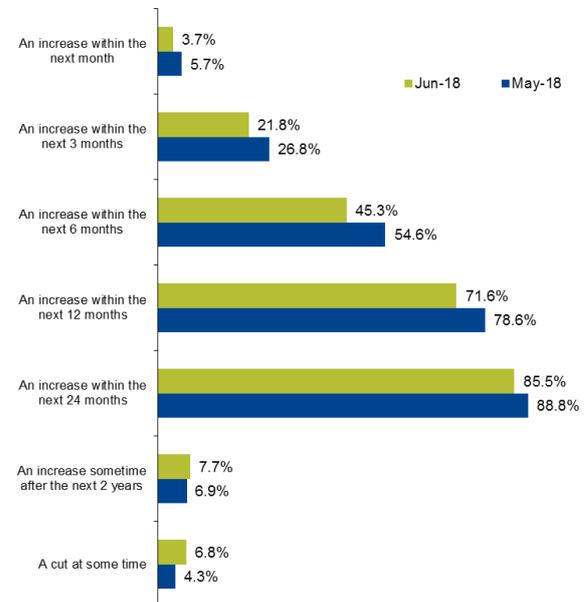
**Tim Moore, Associate Director at IHS Markit,** which compiles the survey, said:

*“A survey-record rise in income from employment was the main bright spot for household finances in June. Resilient labour market conditions and a faster rise in workplace activity meant that job insecurity across the UK as a whole was the least widespread for more than nine years.*

*“Despite improvements on the employment front, households remain relatively downbeat about their financial outlook. June data suggests that stubbornly high inflation is set to hold back consumer confidence this summer, with rising fuel costs a prominent reason that increased wages are having a limited impact on spending power.”*

-Ends-

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



\*The interest rate set by the Bank of England is currently 0.5%. 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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## 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 (June survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between June 7<sup>th</sup> – 11<sup>th</sup> 2018. 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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