

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) December 17<sup>th</sup> 2018**

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

### Households' assessment of current finances most negative since June

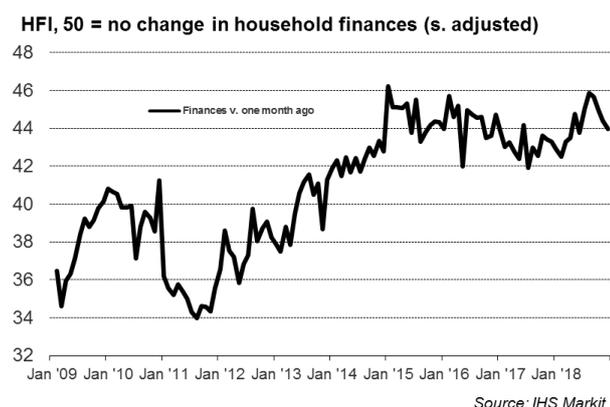
#### Key points for December 2018:

- Household Finance Index™ falls to six-month low in December
- UK households expect financial wellbeing to deteriorate over the coming year
- Living cost pressures intensify
- House price expectations lowest since July 2016

*Data collected December 6<sup>th</sup>-11<sup>th</sup> 2018*

This release contains the December 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



Pressure on current finances intensified during December. The headline seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – fell further away from the 50.0 no-change mark to indicate a greater degree of pessimism among UK households. At 43.9 in December, from 44.4 in November, the headline

index dropped to its lowest level since June. Nevertheless, the figure remains elevated when compared to the average over the near ten-year data history.

The deterioration in financial wellbeing during December came amid a stronger increase in living costs and a weaker rise in income from employment. As a result, savings were reduced at a quicker rate than in the previous month. Meanwhile, UK households also pared back their expectations towards the year ahead outlook for property prices.

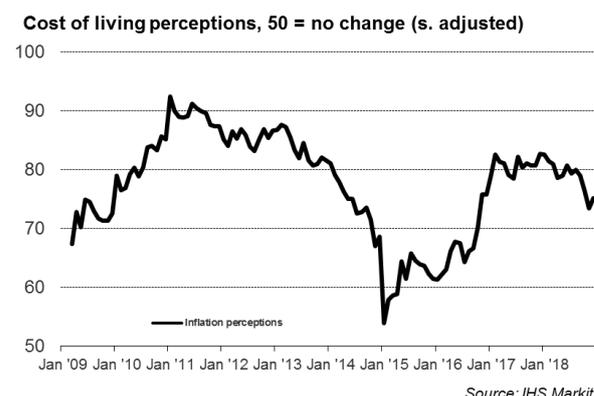
#### Expectations for finances in the next 12 months

The decline in current financial wellbeing was similarly mirrored by UK households when casting their outlook towards the coming year. The assessment regarding future finances was among the most downbeat since the start of 2014.

#### Living costs and inflation expectations

Following several months of easing living cost pressures, December data pointed to a renewed uptick in inflation. However, the rate of increase was still one of the weakest since October 2016.

The up-tick in current living cost perceptions filtered through into expectations, with the index measuring households' predictions for the year ahead rising to a four-month high.



## Workplace activity, income and job security

Survey data indicated a stronger degree of pessimism towards job security in December. The main exceptions to the downward trend were among people in the construction and IT/Telecoms sector.

Workplace activity and earnings from employment increased on the previous month during December. In both cases, however, the rises were weaker than in November and softer than the respective 2018 averages.

## Property value expectations

UK households expect the value of their property to increase over the coming year, but confidence reached its lowest in six years when the month after the EU referendum is excluded. Households in London were the most downbeat across the monitored UK regions on future house prices.



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

Household expectations on UK interest rates remained relatively constant in December when compared to the previous month.

The majority of households foresee an increase within the next 12 months (72.4%), while just over half expect a move from the Bank of England by June 2019.

There was a notable increase in the proportion expecting the central bank to cut rates, rising from 6.5% to 11.2% in December.

## Comment:

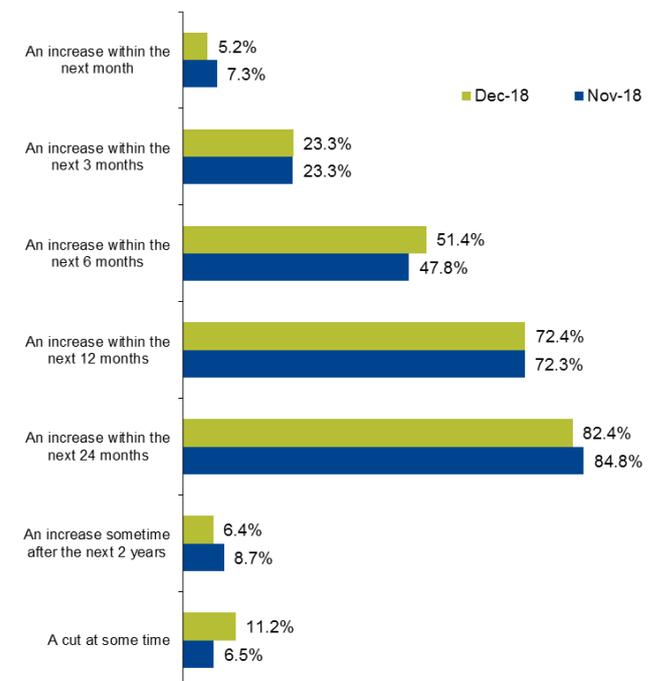
**Joe Hayes, Economist at IHS Markit**, which compiles the survey, said:

*“The underlying message from the December HFI survey is downbeat. Current finances are deteriorating, living costs are rising at a stronger rate and, excluding data immediately after the EU referendum, households are the least confident towards the outlook for property prices in six years. Notably, the drop in confidence towards the housing market was most apparent in the capital, where it was the lowest since 2009.*

*“While official data shows record-low unemployment and wages rising at a pace not seen this decade, the knock-on effect of improving household sentiment has not materialised. HFI data demonstrate the negative impact that political and economic uncertainty is having on households. If sentiment continues to decline, the effect on the real economy may become more apparent in hard data if households begin to alter consumption behaviour.”*

-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

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## **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 (December survey)**

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between December 6<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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