

# IHS Markit UK Household Finance Index™

## UK household finances deteriorate at fastest pace for six months in November

### Key findings

Headline Household Finance Index dips to six-month low of 40.0

Savings decline at quickest rate for seven years

Households' income from employment drops markedly

Year ahead outlook for financial situation is the least pessimistic since March

This release contains the November 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 seasonally adjusted IHS Markit UK Household Finance Index (HFI) – which measures households' overall perceptions of financial wellbeing – dipped from 40.8 in October to a six-month low of 40.0 in November, to signal a more intense strain on the household finances amid a second lockdown in England and ongoing restrictions across the rest of the UK.

Subsequently, the outlook remained negative in November, with UK households on average expecting their financial situation to worsen in 12 months' time. However, the level of pessimism was the weakest since March.

### Cash availability and demand for credit

November data highlighted the quickest drop in the amount of cash UK households have available to spend since May, with the rate of decline sharp overall. There was also further evidence that households have turned to savings to finance some of their purchases and help mitigate falling incomes, as the level of household savings fell rapidly and at the quickest rate for seven years.

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.

Incomes from employment  
50 = no change in level of income from employment since previous month



Source: IHS Markit.

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Demand for unsecured credit, such as credit cards, overdrafts and unsecured loans, increased for the fourth month in a row. Households' perceptions about the availability of unsecured credit fell again in November, which suggested that lenders remained cautious amid heightened economic uncertainty.

### Workplace activity, income and job security

The more intense pressure on finances in November was driven, in part, by a faster fall in income from employment. The respective seasonally adjusted index was the lowest since July.

UK households also recorded a reduction in business activity at their workplaces during November, with the decline was the quickest for four months. This largely reflected a slump in workplace activity among employees in the retail and media/culture/entertainment categories.

Job security perceptions recovered further from April's survey low, with UK households the least pessimistic since March. That said, the index measuring job security was noticeably below the 50.0 mark and remained historically subdued.

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

November data highlighted little-movement in UK households' views on the next change in the Bank of England base rate.

A slightly greater proportion of households anticipate an increase within the next month (5.6%), compared with October (5.4%), while the majority of UK households expect an increase within the next two years (62.0%).

Despite the record low base rate at present, around a quarter (24.4%) foresee the next move by the Bank of England to be a rate cut at some time.

### Job Security

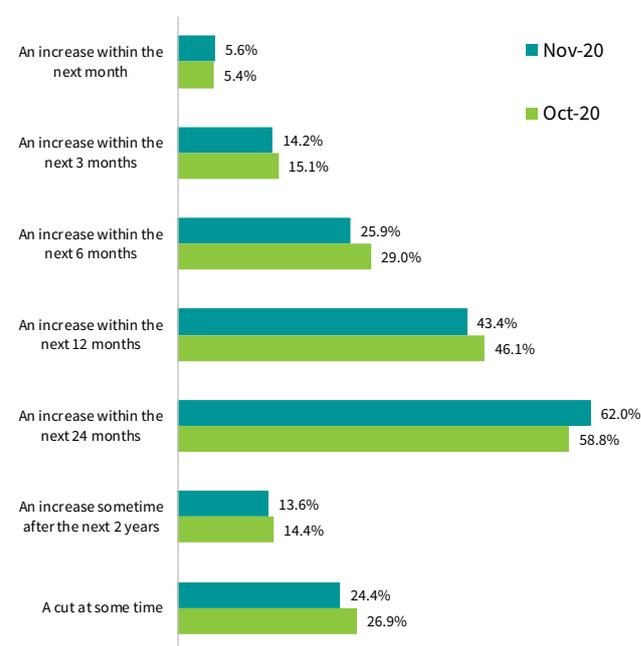
50 = no change in perceptions of job security since previous month



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 0.1%. 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

Lewis Cooper, Economist at IHS Markit, which compiles the survey, said:

*"With stricter lockdown measures in force around much of the UK, the latest HFI data are not too surprising. Households recorded the most intense strain on their finances since May, amid worsening cash availability and the quickest drop in savings for seven years.*

*"Incomes from employment declined at the fastest pace since July, which may have been driven by renewed use of furlough due to business closures in the hospitality and retail sectors. The extension of the furlough scheme to March 2021 appears to have helped to moderate the degree of job insecurity among UK households, with employment concerns the least widespread for eight months.*

*"Nonetheless, the latest data paint a worrying picture for household finances across the UK, with no sign yet of a recovery from the blow caused by the pandemic. The easing of lockdown measures will likely elevate some of the strain we saw in November, but until the economic recovery becomes more sustainable it is unlikely households will see much improvement in their financial situation."*

### Notice

**Following this release, the Household Finance Index (HFI) will transition to a quarterly series. The next publication is scheduled for January 2021, with subsequent releases every three months thereafter.**

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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.

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