

# IHS Markit UK Household Finance Index™

## UK households report strain on their finances in November

### Key findings

UK Household Finance Index unchanged at 44.4 in November

Bleak job security sentiment coincides with further erosion in major purchase appetite...

...but workplace activity and incomes from employment continue to grow

Over one-in-five UK households expect Bank of England will cut rates as their next policy move

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 index from the survey, the seasonally adjusted IHS Markit UK Household Finance Index (HFI) – which measures households' overall perceptions of financial wellbeing – recorded 44.4 in November, which is unchanged from October and the joint-highest since January. Nevertheless, the index remains indicative of a negative assessment towards current finances by UK households.

The outlook for the year ahead also remained stuck in downbeat territory during November, although the respective index was broadly unchanged from that seen in October.

### Workplace activity, income and job security

UK households retained their pessimistic view towards job security during the latest survey period. Those employed in sectors such as retail and manufacturing reported a negative outlook towards job security.

Nevertheless, growth of both incomes from employment and workplace activity was registered in November. Earnings

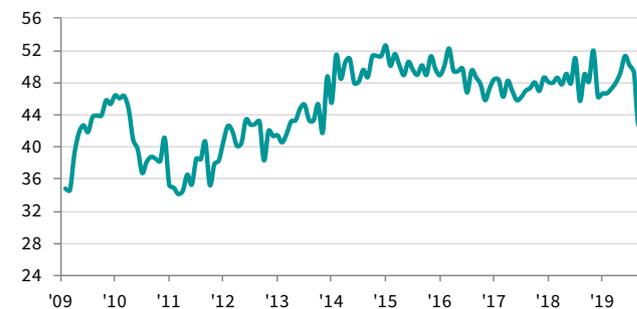
continued...

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



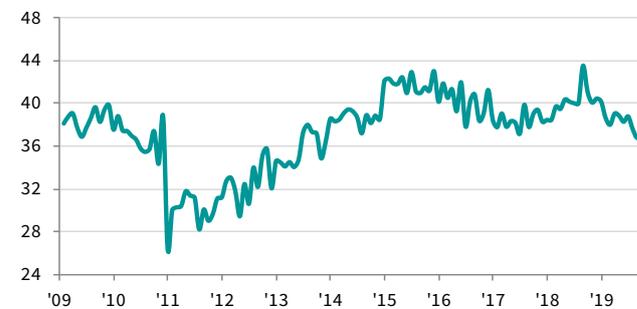
Source: IHS Markit.

Financial wellbeing expectations  
50 = no change over next 12 months



Source: IHS Markit.

Appetite for major purchases  
50 = no change since previous month



Source: IHS Markit.

increased at a modest pace that the quickest since July, although workplace activity expanded at a slightly softer pace.

### Living costs and inflation expectations

UK households reported greater living costs during November, although the perceived rate of inflation slowed from October and was the weakest in ten months. Looking ahead, inflationary pressures are expected over the coming 12 months, although the expected rise in living costs dipped to its weakest since May.

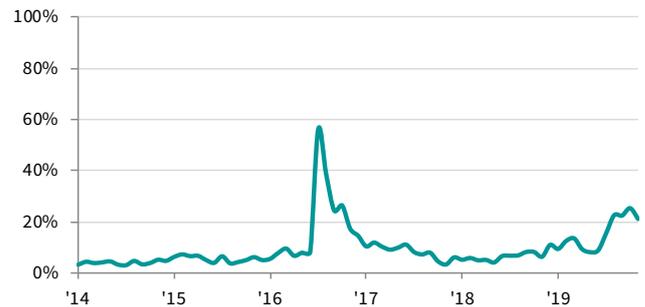
### Households' views on next move in Bank of England base rate

Our latest survey data showed minor adjustments with regards to UK household interest rate expectations during November.

Overall, the majority of surveyed households foresee the next Bank of England move to be an interest rate increase (79%), with around 58% expecting this to come within the next year. The most notable shift was seen at the shorter horizon, where the percentage expecting a rise within the next three months falling by four percentage points.

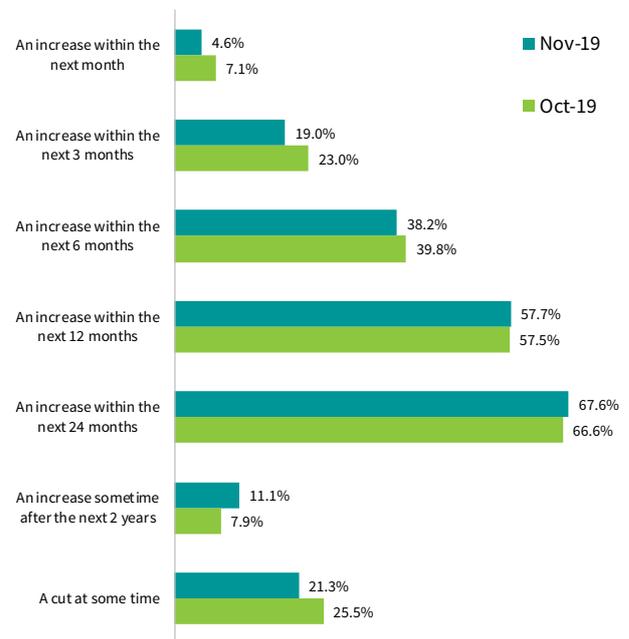
There was also a slight moderation in the proportion expecting an interest rate cut, dipping from 26% in October to 21% in November. Nevertheless, this remains among the highest seen since mid-2016, which was the last time interest rates were decreased.

% of UK households expecting the next interest rate move to be a cut



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:

*"The story for UK households remained broadly unchanged from October according to our latest survey data, with finances still under pressure. UK households are still concerned about job security and spending on big ticket purchases such as cars and holidays are being put on the back burner."*

*"The slide in major purchases may be somewhat surprising given that official figures are showing weak inflation, robust wage growth and low unemployment. The combination of these factors in normal times should promote confidence and consumer spending. However, households face numerous uncertainties ahead, namely a general election and the continued ambiguity surrounding Brexit. Moreover, hesitant financial sentiment in November provides an early warning that high street footfall will remain subdued in the run up to the crucial festive spending period."*

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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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