

**Household Finance Index™**  
**MARKET SENSITIVE INFORMATION**  
**EMBARGOED UNTIL: 09:30 (London) February 18<sup>th</sup> 2019**

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

### Household finances deteriorate at sharpest rate since March 2018

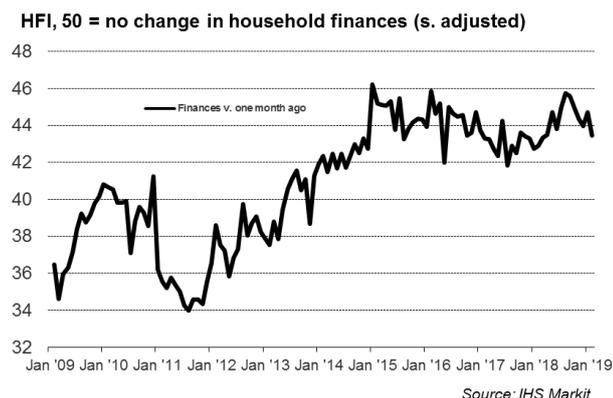
#### Key points for February 2019:

- IHS Markit UK Household Finance Index™ at its lowest since last March
- Job security perceptions dip for fourth straight month to lowest since January 2018
- Roughly one-in-eight households foresee next Bank of England interest rate move being a cut

*Data collected February 7<sup>th</sup>-12<sup>th</sup> 2019*

This release contains the February 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



The headline seasonally adjusted **IHS Markit Household Finance Index (HFI)** – which measures households' overall perceptions of financial wellbeing – registered its lowest reading in almost one year in February, declining to 43.4, from 44.7 in January. Overall, this represented a stronger deterioration of current financial wellbeing among UK households.

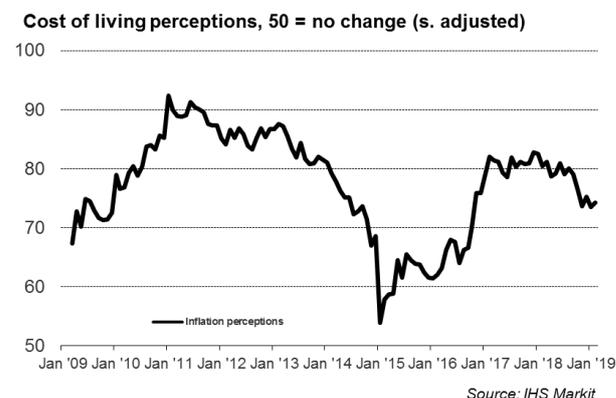
Year-ahead financial health expectations were also more downbeat than in January, while job security

perceptions hit their weakest for just over one year. Latest survey data also indicated softer growth of workplace activity and income from employment. Meanwhile, living costs rose at an accelerated pace, but the rate of inflation weak relative to those seen throughout most of 2018.

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

In line with the stronger decline in current financial wellbeing, expectations towards the coming 12 months were more pessimistic than in January. Data split by type of employment indicated that households working in the manufacturing sector were the most downbeat, followed by retail.

#### Living costs and inflation expectations



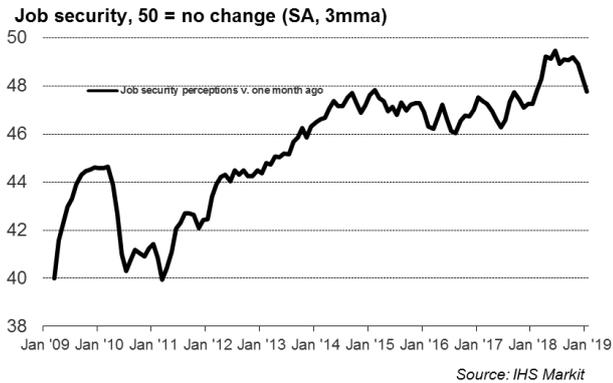
Higher living expenses continued to be reported by UK households during February. Although the increase in living costs strengthened since January, inflation held close to the rates seen throughout the final quarter of last year.

Similarly, expected living cost inflation for the coming 12 months increased in February, having been among the lowest for two years in January.

#### Workplace activity, income and job security

For a fourth straight month, job security perceptions declined, with February pointing to the highest degree of pessimism since January 2018. Those

employed in the manufacturing and retail sectors were the most negative.



Growth in workplace activity and incomes from employment was recorded in February. However, rates of expansion softened in both cases. With the exception of the temporary shock recorded in the immediate aftermath of the EU Referendum in July 2016, UK households reported one of the weakest increases in workplace activity over the past six years.

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

The general view among UK households towards UK monetary policy was little changed in February, with the majority (79%) expecting the next move by the Bank of England to be an increase within the next two years.

However, the proportion of households foreseeing a rate rise within the next six months fell to the lowest since last June (46%), while the share that anticipate the next move to be a rate cut (13%) increased to the greatest since December 2016.

### Comment:

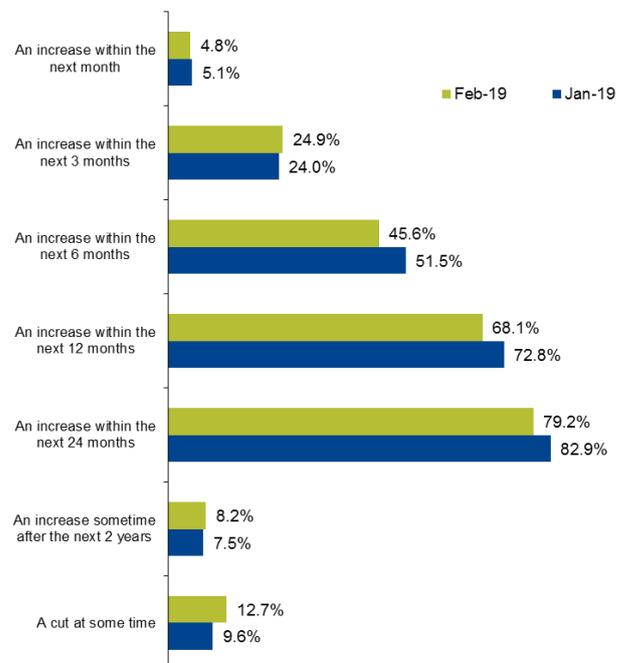
**Joe Hayes, Economist at IHS Markit**, which compiles the survey, said:

*“With the latest official GDP figures revealing slowing growth momentum in the UK, latest survey data from UK households revealed the sharpest deterioration in current financial wellbeing in almost one year, highlighting the headwinds that fragile consumer finances present to the wider economy. The HFI survey also pointed to greater pessimism towards financial conditions over the coming 12 months.*

*“The latest HFI survey also signals that the improvement in real earnings growth, which has been driven by higher nominal pay and softer inflation, may not necessarily translate into boosted spending by UK consumers. The impact on confidence caused by Brexit uncertainty continues to pose a notable risk to the domestic economy, also highlighted by job security perceptions becoming increasingly negative in February.”*

-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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## 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 (February survey)

Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between February 7<sup>th</sup> – 12<sup>th</sup> 2019. 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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