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Press Release

The Scottish Widows UK Household Finance Index™ (HFI™) is compiled each quarter by IHS Markit, using original monthly survey data collected by Ipsos MORI from a representative sample of 4,500 UK households.

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POST-LOCKDOWN BOOST TO FINANCIAL WELLBEING FADES

- **One in 10 households have started planning their finances to support other generations since the pandemic**
- **Return to work sees employment income rise for first time since Q1 2020**
- **Cash available to spend falls in Q3 as higher prices partly offset pay gains**

The boost to financial wellbeing triggered by the relaxing of pandemic measures dipped during the third quarter despite the first rise in household income from employment since Q1 2020, according to the latest **Scottish Widows Household Finance Index.**

The Index, which measures households' overall perceptions of financial wellbeing, dipped from 44.7 in the second quarter to 44.0 in Q3.

Despite fading in Q3, the pace of decline remained slower than at any other time since the onset of the COVID-19 pandemic, and a far cry from the spring of 2020, in part due to improved trends around job security and income.

Households also recorded renewed pessimism with regards to their financial outlook over the next 12 months. At 49.2 in Q3, this index was down from 50.3 in the previous quarter. The youngest age groups (between 18 and 34 years old) bucked the overall trend, remaining upbeat on average (index at 56.2, up from 55.7).

Planning for and protecting the future

The pandemic has led to changes in long-term financial planning when it comes to supporting their families, with around one in 10 (9%) having increased the scope of their long-term financial planning to include more generations as a result pandemic.

Almost three quarters (73%) of UK households surveyed considered preparing for the future financial wellbeing of loved ones in other generations to be important, with more young people aged 18-24 of this view than any other age group (82%). Nearly one in four households surveyed (24%) would not consider other generations (such as children or parents) in their financial planning at all.

Of those households which have increased the scope of their long-term financial plans, more than one in four (27%) were not previously including other generations of their family in planning before the onset of the pandemic. This suggests a considerable change in behaviour, with those aged 35-44 recording the largest shift in favour of planning financially for future generations.

Jackie Leiper, Pensions, Stockbroking and Distribution Director, Scottish Widows, said:

"UK households recorded slightly weaker trends as the post-lockdown recovery began to subside and living costs surged. Overall financial wellbeing and cash available to spend fell at slightly quicker rates than in the second quarter.

"However, our long-term financial planning trackers highlighted a wave of positive developments in Q3. Around 10% of households are now considering intergenerational planning, which suggests that COVID-19 has made more families think about how important it is to consider being financially prepared for the unexpected.

Scottish Widows UK Household Finance Index

sa, >50 = improvement since previous quarter

Sources: Scottish Widows, IHS Markit.

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"A spark of good news also came with the reopening of the UK economy continuing to drive workplace activity too, while incomes from employment rose for the first time since the start of the pandemic."

Workplace activity, income and job security

Positive news during the third quarter came from the labour market as UK households experienced improved trends with regards to both job security and income from employment. For the first time since Q1 2020, households' income from employment rose over the quarter. At the same time, business activity continues to rise steeply, according to UK households. The rate of growth remained close to the survey record high recorded in Q2.

This combination of rising activity and greater incomes led some households to take an optimistic view with regards to job security – with the lowest level of pessimism recorded since the second quarter of 2019. Those in the youngest age group (18-34) recorded by far the strongest trend for job security in the third quarter of 2021.

Household finances

Q3 data also pointed to a further fall in the amount of cash UK households have available to spend. The rate of decrease quickened slightly on the quarter and was sharp, highlighting that rising living costs have partly offset increased employment income. As a result, household savings declined at the fastest rate since the end of 2020, with only the highest earners recording a rise over the third quarter.

Meanwhile, UK households registered a sustained fall in demand for unsecured credit, such as overdrafts and credit cards, with the decrease the strongest on record. The focus remained instead on paying down debt, which declined solidly again in Q3.

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Notes to editors

Survey 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 quarter 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. 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 the UK, 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 quarterly averages, calculated from the percentages of respondents reporting an improvement, no change or decline in each month. 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 (Quarter three 2021 surveys)
Ipsos MORI interviewed 4500 adults aged 18-64 across the UK from its online panel of respondents. Interviews were conducted online between, July 8th - 10th, August 19th - 23rd and September 2nd - 5th 2021. A representative sample of 1500 adults was interviewed in each period, with quota controls set by gender, age and region and the resultant survey data weighted to the known UK 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 Scottish Widows
Founded in 1815, Scottish Widows is part of Lloyds Banking Group, the UK's largest digital bank and financial services group. With around £185bn assets under administration and 6 million customers, Scottish Widows' award-winning product range includes workplace and individual pensions, annuities, life cover, critical illness, income protection as well as savings and investment products. Customers can access our products and services through independent financial advisers, directly, and through all Lloyds Bank, Bank of Scotland and Halifax branches.

The content of this news release is intended for information only and should not be relied upon for making investment decisions. Pensions are a long-term investment. The retirement benefits you receive from your pension plan will depend on a number of factors, including the value of your plan when you decide to take your benefits, which isn't guaranteed and can go down as well as up.

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IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.