News Release

Household Finance Index™
MARKET SENSITIVE INFORMATION
EMBARGOED UNTIL: 01:01 (London / UTC) March 19th 2018

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

Squeeze on household finances moderates in March, helped by higher workplace incomes and softer inflation

Key points for March 2018:

- Household finances under pressure in March, but latest fall is the least marked so far this year
- Workplace incomes rise at one of the fastest rates seen since the survey began in 2009
- Concerns about job security least widespread for at least nine years
- Inflation expectations remain elevated, but ease further from January's four-year peak
- Majority of UK households (57%) expect a Bank of England rate rise in the next six months

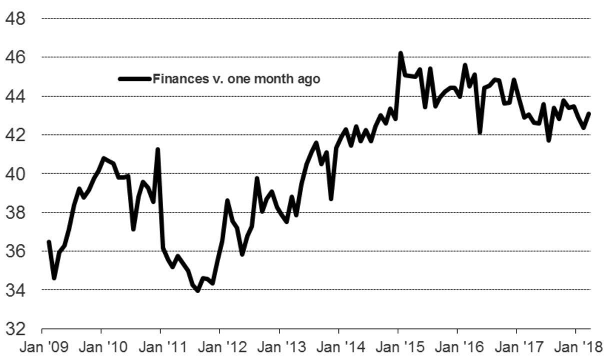
Data collected March 8-12th 2018

This release contains the March 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

HFI, 50 = no change in household finances (s. adjusted)



Source: IHS Markit

March data pointed to another downturn in UK household finances, but the degree of pressure on consumer budgets was the least marked so far in 2018. This was signalled by a rise in the seasonally adjusted **Household Finance Index (HFI)** to 43.1, up from 42.4 in February and the highest reading since December 2017. Any figure below 50.0 indicates an overall deterioration in household financial wellbeing.

A combination of more favourable labour market conditions and a gradual easing in inflationary pressures appear to have helped to alleviate some of the strain on household finances.

In particular, latest data indicated one of the fastest rises in income from employment in the nine-year survey history (exceeded only by the upturn reported in July 2016).

People aged 25-34 were the most likely to report an increase in their earnings. This provides a signal that pay rises ahead of changes to the National Living Wage threshold had helped to boost the income from employment index in March.

Expectations for finances in the next 12 months

UK households remain pessimistic (on balance) about the prospects for their financial wellbeing over the next 12 months.

At 47.6 in March, the latest index reading was below the neutral 50.0 no-threshold but broadly unchanged from the levels seen so far in 2018.

People working in the private sector were close to their most upbeat since mid-2016, but those in the non-earning categories signalled the greatest degree of pessimism for almost a year-and-a-half.

Workplace activity, income and job security

March data indicated positive developments in terms of pay, workplace activity and job insecurity.

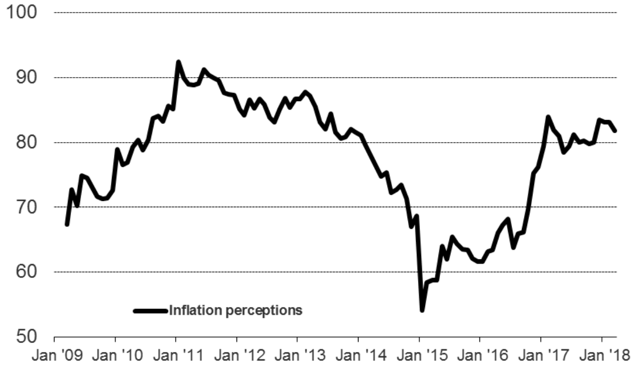
At 52.3, up from 50.7 in February, the seasonally adjusted income from employment index was above the 50.0 no-change value for the fifth month running. Of the five age categories monitored by the survey, 25-34 year olds signalled by far the fastest rise in workplace income.

UK households remained downbeat overall about their job security in March. However, the seasonally adjusted index rose from 47.2 in February to a record-high of 48.8, which signalled the least widespread degree of job insecurity since the survey began in early-2009.

This partly reflected a sustained moderation in job insecurity among public sector employees, with the index for people working in Education/Health/Social services at the highest level in the survey history.

Living costs and inflation expectations

Cost of living perceptions, 50 = no change (s. adjusted)



Source: IHS Markit

On the inflation front, households indicated another sharp rise in their living costs during March. However, the latest survey indicated the slowest overall increase in living costs since November 2017.

At the same time, inflation expectations for the year ahead continued to ease from the peak seen in January. At 88.9 in March, down from 90.0 in February, the seasonally adjusted index was the lowest for four months, but still above the average seen since the survey began in 2009.

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

March data indicated that a clear majority of UK households are braced for higher interest rates over the coming 12 months. Just over three-quarters of survey respondents (78%) anticipate a rise in the Bank of England base rate by March 2019.

Meanwhile, close to 57% of UK households expect a rate rise within the next six months. This is little-changed from 60% in February and well above the average figure recorded since July 2013 (34%).

Comment:

Tim Moore, Associate Director at IHS Markit, which compiles the survey, said:

"March's survey data indicates a less downbeat mood among UK households compared to earlier in the year, suggesting that sentiment has started to turn the corner after the worst period for financial wellbeing since 2014.

"Higher earnings and the prospect of steadily falling inflation seems to have helped put clear water between the financial squeeze in March and the lowest point seen last summer.

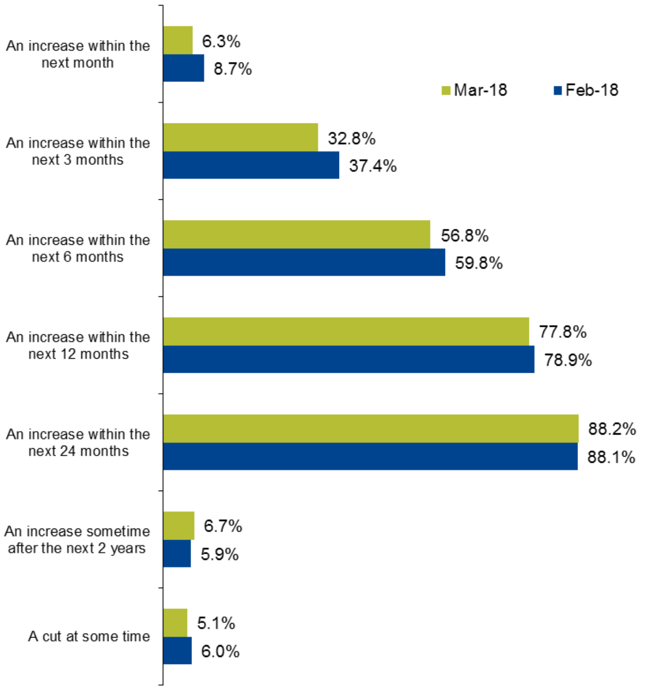
"Incomes from employment were reported to have picked up at one of the fastest rates since 2009, especially among those aged 25-34. A key factor here is likely to have been improved pay rates ahead of changes to National Living Wage thresholds in April.

"At the same time, UK households are the least gloomy about their job security for at least nine years, which provides a further indication of tight domestic labour market conditions.

"The strength of the survey's employment figures in March is an advance signal that wage pressures are starting to build. While higher salary payments will help offset sharply rising living costs faced by consumers, it also adds to the likelihood of additional interest rate rises in 2018. Against this backdrop, it was unsurprising to see that the majority of UK households anticipate another Bank of England rate hike by the start of the autumn."

-Ends-

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



**"The interest rate set by the Bank of England is currently 0.5%. 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

[1] 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 (March survey)
Ipsos MORI interviewed 1500 adults aged 18-64 across Great Britain from its online panel of respondents. Interviews were conducted online between March 8th – 12th 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)
IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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